

SOUTH AUSTRALIA

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

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**PART B
Volume I**

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Report of the Auditor-General 2003-04

TABLE OF CONTENTS TO VOLUMES I, II, III, IV AND V

VOLUME I

	Page
Accounts of Public Authorities	1
PORTFOLIO – ADMINISTRATIVE AND INFORMATION SERVICES.....	3
Department for Administrative and Information Services.....	5
Government Workers Rehabilitation and Compensation Fund	59
South Australian Water Corporation.....	66
State Supply Board.....	102
PORTFOLIO – AUDITOR-GENERAL’S DEPARTMENT.....	109
Auditor-General’s Department.....	111
PORTFOLIO – EDUCATION AND CHILDREN’S SERVICES	125
Department of Education and Children’s Services	127
PORTFOLIO – ENVIRONMENT AND CONSERVATION AND THE RIVER MURRAY.....	173
Catchment Water Management Boards.....	175
Northern Adelaide and Barossa Catchment Water Management Board.....	179
Onkaparinga Catchment Water Management Board	195
Patawalonga Catchment Water Management Board	209
River Murray Catchment Water Management Board	224
South East Catchment Water Management Board	236
Torrens Catchment Water Management Board	248
Department for Environment and Heritage	263
Environment Protection Authority	308
Department of Water, Land and Biodiversity Conservation.....	333

VOLUME II

PORTFOLIO – FURTHER EDUCATION, EMPLOYMENT, SCIENCE AND TECHNOLOGY	369
Construction Industry Training Board.....	371
Flinders University of South Australia.....	384
Department of Further Education, Employment, Science and Technology	427
University of Adelaide	448
University of South Australia.....	484

Report of the Auditor-General 2003-04

TABLE OF CONTENTS TO VOLUMES I, II, III, IV AND V

VOLUME II

	Page
PORTFOLIO – HUMAN SERVICES.....	521
Department for Families and Communities	523
HomeStart Finance.....	524
Department of Human Services	549
SA St John Ambulance Service Inc	595
South Australian Aboriginal Housing Authority	614
South Australian Community Housing Authority	632
South Australian Housing Trust.....	654

VOLUME III

PORTFOLIO – JUSTICE.....	683
Department of Justice	685
Attorney-General's Department	686
Public Trustee.....	690
Department for Correctional Services	731
Country Fire Service Board.....	755
Courts Administration Authority	775
Emergency Services Administrative Unit	776
Legal Services Commission	795
Police Department.....	813
South Australian Metropolitan Fire Service	840
State Electoral Office.....	858
PORTFOLIO – PREMIER AND CABINET	877
Adelaide Festival Centre Trust	879
Adelaide Festival Corporation	898
Art Gallery Board	909
History Trust of South Australia	926
Libraries Board of South Australia	942
Museum Board	961
Department of the Premier and Cabinet	977
Targeted Voluntary Separation Package (TVSP) Scheme	1003
South Australian Film Corporation	1009
State Opera of South Australia	1024
State Theatre Company of South Australia.....	1038

Report of the Auditor-General 2003-04

TABLE OF CONTENTS TO VOLUMES I, II, III, IV AND V

VOLUME IV

	Page
PORTFOLIO – PRIMARY INDUSTRIES AND RESOURCES.....	1053
Department of Primary Industries and Resources	1055
South Australian Forestry Corporation.....	1097
PORTFOLIO – TOURISM.....	1121
Adelaide Convention Centre Corporation	1123
Adelaide Entertainments Corporation	1136
South Australian Tourism Commission	1151
PORTFOLIO – TRADE AND ECONOMIC DEVELOPMENT	1169
Economic Development Board and the Office of Economic Development	1171
Local Government Finance Authority of South Australia.....	1186
Department of Trade and Economic Development.....	1203
PORTFOLIO – TRANSPORT AND URBAN PLANNING	1229
Passenger Transport Board.....	1231
TransAdelaide	1247
Department of Transport and Urban Planning.....	1272

VOLUME V

PORTFOLIO – TREASURY AND FINANCE	1321
Industrial and Commercial Premises Corporation.....	1323
Judges' Pensions Scheme	1334
Land Management Corporation.....	1344
Lotteries Commission of South Australia.....	1369
Motor Accident Commission	1389
Parliamentary Superannuation Scheme	1415
Police Superannuation Scheme	1425
South Australian Asset Management Corporation.....	1439
South Australian Government Captive Insurance Corporation.....	1456
South Australian Government Financing Authority	1492
South Australian Motor Sport Board	1515
South Australian Superannuation Board	1531
South Australian Superannuation Scheme	1533
Southern State Superannuation Scheme	1552
Superannuation Funds Management Corporation of South Australia.....	1567
Department of Treasury and Finance	1597

Appendix

Treasurer's Financial Statements (Statements A-K)

VOLUMES I, II, III, IV AND V

REFERENCES TO MATTERS OF SIGNIFICANCE

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

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

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

Agency	Matter	Page
Adelaide Festival Corporation	Biennial Operating Result	900
Adelaide Festival Centre Trust	Control Environment.....	881
	Review of Computing Environment and Operations	882
Administrative and Information Services — Department for	Qualified Audit Opinion.....	7
	Governance and Risk Management	8
	Transfer of Funds to Another Government Agency	10
	Payroll	11
	Masterpiece Accounts Payable.....	12
	Business Services - Shared Services	13
	Telecommunication Services Agreement.....	13
	CaseMan (Forensic Branch).....	15
	Complete Human Resource Management System (CHRIS)	16
	Hindmarsh Stadium Loan	17
	Motor Vehicle Fleet Finance Lease	18
	Business Unit Financial Analysis	22
	Government Workers Rehabilitation and Compensation Fund.....	59
Attorney-General's Department	Status of Financial Statements.....	687
	Crown Solicitor's Trust Account	687
Correctional Services - Department for	Policies and Procedures	732
	Bank Reconciliations	733
	Institutional Rostering System	733
Country Fire Service Board	Corporate Governance	757
	Internal Audit Review of the Fire Station Interface Project	758
Courts Administration Authority	Status of Financial Statements	775
Education and Children's Services — Department of	Qualified Audit Opinion.....	129
	Matters Raised with the Department	129
	Computer Information Systems and Environment - Management and Control	132
	Governance and Risk Management	133
Economic Development Board and the Office of Economic Development	Abolishment of the Office and the Board.....	1172

Agency	Matter	Page
Emergency Services Administrative Unit	Overall Comment on the Results of the Audit..... Corporate Governance	778 778
Environment and Heritage — Department for	Qualified Audit Opinion..... Financial Management Framework	264 265
	Procurement Practices	266
	DEH CHRIS.....	267
	Follow Up Review of Computer Processing Environments	268
Environment Protection Authority	Review of Computing Environment and Operations.....	310
Flinders University	Procurement Activity.....	385
Further Education, Employment, Science and Technology — Department of	Accounts Receivable Point of Sale System (ARPOS)	429
	Computer Information System and Environment - Management and Control	430
HomeStart Finance	Determination of the Provision for Doubtful Debts	526
	Net Interest Revenue.....	527
	Other Expenses.....	528
	Loans and Advances	529
	Asset Quality - Provision for Doubtful Debts.....	529
	Net Cash Flows	531
Human Services – Department of	Payments to the Crown Solicitor's Trust Account	556
	Budget and Financial Management Consultancy.....	551
	Funding to Health Services	551
	Family and Youth Services (FAYS) Financial Operations.....	554
	Concession Payments	557
Industrial and Commercial Premises Corporation	Changes to Functions and Structure	1323
Judges' Pensions Scheme	Transfers to Other Schemes	1336
Land Management Corporation	Asset Valuations..... Port Adelaide Waterfront Redevelopment	1350 1351
Libraries Board of South Australia	Operating Result	946
Local Government Finance Authority of South Australia	Net Average Interest Margin..... Liabilities of the Authority.....	1190 1192
Lotteries Commission of South Australia	Sales Revenue	1371
Motor Accident Commission	Underwriting Result	1393
	Investment Result	1393
	Operating Result	1394
	Outstanding Claims	1395
	Solvency Level	1396
Museum Board	Operating Revenues	963
Parliamentary Superannuation Scheme	Transfer to Other Schemes.....	1417
Passenger Transport Board	Changes to Functions and Structure	1231
Police Department	Handgun Buyback	816, 820

Agency	Matter	Page
Premier and Cabinet – Department of the	Matters Raised with the Department	979
	Southern Cross Replica Aircraft - Expression of Interest (EOI) Process.....	979
	Targeted Voluntary Separation Package Scheme - Total Separations	1004
Primary Industries and Resources – Department of	Cash at Bank Reconciliation	1057
	Qualified Audit Opinion.....	1057
	Completeness of the General Ledger.....	1058
	Performance of Key Reconciliations.....	1058
	Compliance with Legislation	1059
	Moomba Gas Crisis	1062
SA St John Ambulance Service Inc	Review of Ambulance Service.....	600
South Australian Aboriginal Housing Authority	Budgetary Control	615
	Management Reporting	616
South Australian Community Housing Authority	Housing Reform	635
	Capital Funding to Community Housing Organisations	639
South Australian Film Corporation	Risk Management	1010
South Australian Forestry Corporation	Qualified Audit Opinion.....	1099
	Internal Control Framework	1099
	Financial Accounting	1100
	Expenditure	1100
	Valuation of Forest Assets	1101
	Distributions to Government	1104
South Australian Government Captive Insurance Corporation	Corporate Governance Arrangements.....	1458
	Investment Strategy.....	1462
	Net Claims Incurred.....	1460
	Investment Revenue/Expenses	1460
	Outstanding Claims	1461
South Australian Government Financing Authority	Funding of Zero Coupon Bond Repayments.....	1494
	Capital and Distributions	1496
	The Common Public Sector Interest Rate.....	1497
South Australian Housing Trust	Asbestos Management	656
	Maintenance Expenditure	657
	Fixed Assets, Inventory and Capital Projects	658
South Australian Metropolitan Fire Service	Corporate Governance	842
South Australian Motor Sport Board	Qualified Audit Opinion.....	1517
	Non-Compliance with Financial Reporting Requirements	1517
South Australian Superannuation Scheme	Government Contribution to Past Service Liability Funding.....	1534
	Unfunded Liability.....	1536
	Funding of Benefit Payments.....	1537

Agency	Matter	Page
South Australian Water Corporation	Review of Governance and Risk Management Arrangements	68
	Contract Management and Procurement	70
	Revenues from Ordinary Activities	71
	Contributions to the State Government	74
Southern State Superannuation Scheme	Contribution Revenue	1554
State Opera of South Australia	The Ring	1029
Superannuation Funds Management Corporation of South Australia	Income from Investments	1570
	Investment Classes	1571
	Return Performance by Asset Class	1572
Trade and Economic Development – Department of	Changes to Functions and Structure	1203
	Review of the Department for Business Manufacturing and Trade	1208
	Review of Industry and Investment Attraction Fund	1209
TransAdelaide	Contract Income – Financial Dependence	1251
	Controlled Entity Operations Austrics	1253
	Joint Venture Relationship	1254
Transport and Urban Planning – Department of	Matters Raised with the Department	1274
	Governance and Risk Management	1276
	Statement of Financial Performance	1278
Treasury and Finance - Department of	Government Accounting and Reporting Branch	1600
University of Adelaide	Student Financials	449
	Operating Result	452
University of South Australia	Qualified Audit Opinion	486
Water, Land and Biodiversity Conservation – Department of	Emphasis of Matter	334
	Review of Corporate Governance and Risk Management	335
	Financial Management Practices	337
	Transfer of Funds from Another Government Agency	338
	Monitoring and Review of the Control Environment	339
	Water Information and Licensing Management Application (WILMA) Development	339
	Fixed Assets	339
	Save the River Murray Fund	344

VOLUMES I, II, III, IV and V

ACCOUNTS OF PUBLIC AUTHORITIES

INTRODUCTION

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

Consistent with last year, Audit comment and the Financial Statements of agencies, are presented on a ministerial portfolio responsibility basis.

AGENCIES NOT INCLUDED IN THIS REPORT

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

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

- materiality of financial operations
- materiality of any impact on the public finances
- consolidation of the financial operations in the Parent Entity's Financial Statements included in this Report
- timeliness of information
- materiality of issues arising from the audit
- public interest.

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

SUPPLEMENTARY REPORT

There are also agencies whose Financial Statements have not been finalised or the audit has not been completed in time for inclusion in this Report. The Financial Statements for and commentary on the operations of, the following agencies and superannuation schemes will be included in a Supplementary Report to be presented to Parliament later in this financial year.

- Attorney-General's Department
 - Residential Tenancies Fund
- Courts Administration Authority

AUDIT OF THE AUDITOR-GENERAL'S DEPARTMENT

The *Public Finance and Audit Act 1987* requires that the accounts of the Auditor-General's Department be audited by an auditor appointed by the Governor. The audit for the financial year ended 30 June 2004 was conducted by Grant Thornton, Chartered Accountants, who have issued an unqualified Independent Audit Report.

QUALIFIED AUDIT OPINION REPORTS

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

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

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

For the financial year ended 30 June 2004 qualified opinions were expressed on the Financial Statements of the following agencies:

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

CONTROLS OPINION

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

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

REFERENCES TO MATTERS OF SIGNIFICANCE

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

PORTFOLIO – ADMINISTRATIVE AND INFORMATION SERVICES

**MINISTER FOR INFRASTRUCTURE;
MINISTER FOR ABORIGINAL AFFAIRS AND RECONCILIATION;
MINISTER FOR ADMINISTRATIVE SERVICES;
MINISTER FOR INDUSTRIAL RELATIONS;
MINISTER FOR RECREATION, SPORT AND RACING**

INTRODUCTION

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

- Minister for Infrastructure
- Minister for Aboriginal Affairs and Reconciliation
- Minister for Administrative Services
- Minister for Industrial Relations
- Minister for Recreation, Sport and Racing

The agencies included herein relating to the portfolio of Administrative and Information Services are:

- Administrative and Information Services – Department for
— Government Workers Rehabilitation and Compensation Fund
- South Australian Water Corporation
- State Supply Board

DEPARTMENT FOR ADMINISTRATIVE AND INFORMATION SERVICES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

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

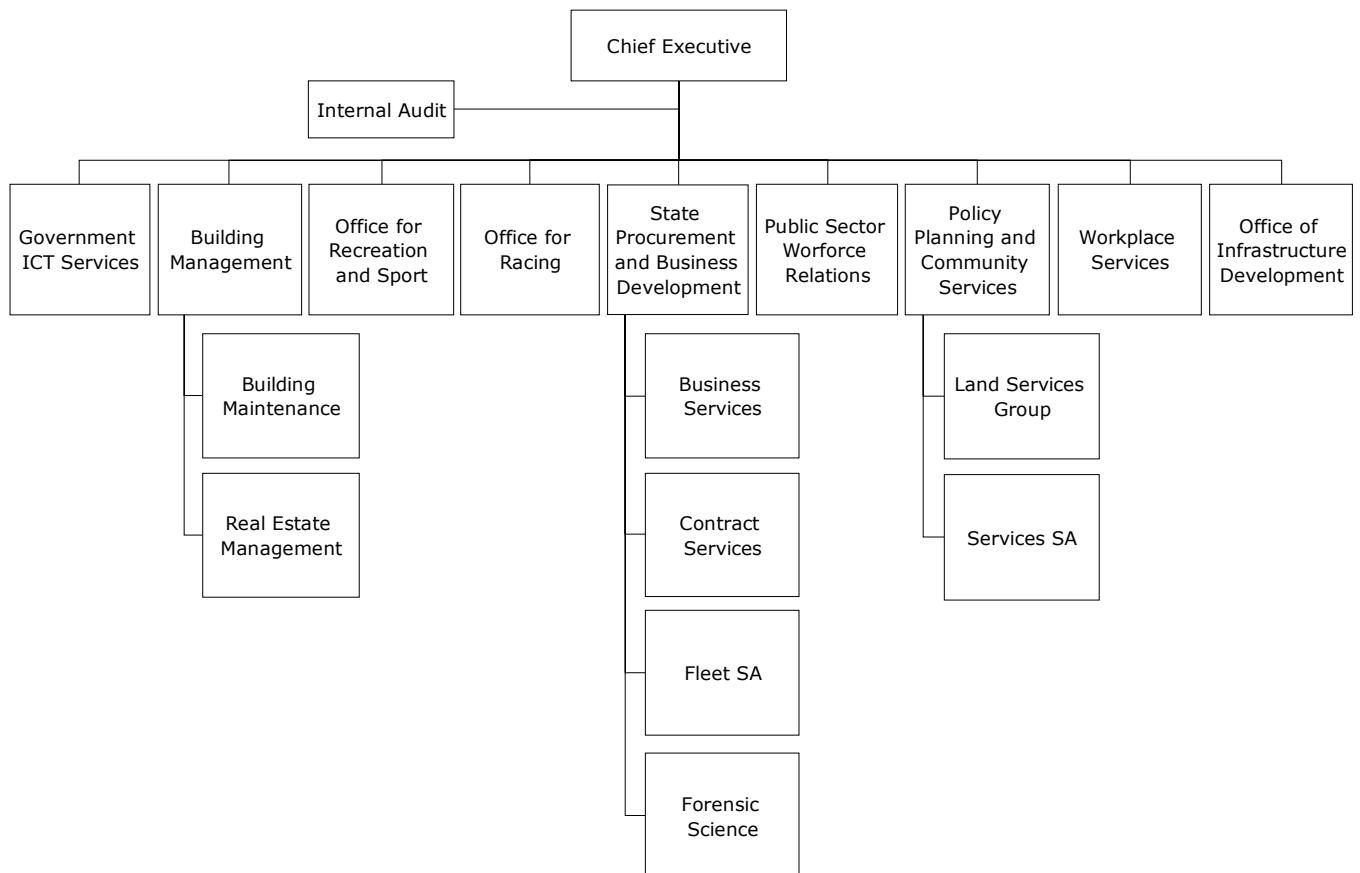
Functions

DAIS is the portfolio based agency that provided support to the Minister for Administrative Services, the Minister for Industrial Relations, the Minister for Recreation Sport and Racing, the Minister for Aboriginal Affairs and Reconciliation and the Minister for Infrastructure. During 2003-04 DAIS had responsibility for a diverse range of government activities including:

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

Structure

The structure of the Department for Administrative and Information Services, highlighting the major business units, is illustrated in the following organisation chart.



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

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

Audit Committee

The Department has an Audit Committee which was operative during the 2003-04 financial year.

The broad functions of the Audit Committee are to regularly review the adequacy of the accounting, internal auditing, reporting and other financial management systems. The responsibilities extend to monitoring risk management practices, approving and evaluating the internal audit program, reviewing the annual financial statements and communicating with officers of the Auditor-General's Department.

Changes to Functions and Structure

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

- The Public Sector Workforce Relations Unit was transferred to DAIS from the Department of the Premier and Cabinet, effective from 11 August 2003.
- Santos Stadium was transferred to DAIS on 6 November 2003. Santos Stadium was previously managed by SA Athletics Stadium, which was a public corporation abolished on 6 November 2003.
- The transfer of land administration systems and functions to DAIS from the Department for Environment and Heritage. Refer to commentary later in this report.
- The State Infrastructure Division (other than employees engaged in work related to telecommunications or energy issues) was transferred to DAIS from the Department of Trade and Economic Development, effective from 1 January 2004.

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

In addition, the Department for Aboriginal Affairs and Reconciliation was transferred to the Department for Families and Communities on 11 March 2004. For financial accounting and reporting purposes, the transfer of employees was proclaimed to occur on 1 July 2004.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

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

Assessment of Controls

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

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

Scope of Audit

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

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

In broad terms the scope of the audit included:

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

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

The following is an extract from the 2003-04 Independent Audit Report, which details the qualification to the Department's financial report.

Qualification

Light Motor Vehicles

Note 2.22 to the Financial Statements sets out the accounting policy with respect to the sale and leaseback of motor vehicles previously owned by the Department. In my opinion the approach adopted by the Department is not consistent with the principles of Australian Accounting Standard AASB 1008 'Leases', and in the absence of a superior standard does not appropriately reflect the value of the underlying assets and liability of the transaction. Financial statement balances affected are:

Assets

Motor Vehicles under finance lease.

Liabilities

Current borrowings – Finance lease on motor vehicles. Non-current borrowings – Finance lease on motor vehicles. Other Current liabilities – Deferred profit on sale and leaseback of motor vehicles. In my opinion, had the standard been properly adopted assets would increase by \$42 million (\$102 million) and liabilities would increase by \$39 million (\$99 million).

Qualified Audit Opinion

In my opinion, except for the effects on the financial report of the matters referred to in the qualification paragraphs, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department for Administrative and Information Services as at 30 June 2004, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Department for Administrative and Information Services in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to: governance and risk management; transfer of funds to another Government agency; payroll; masterpiece accounts payable; Telecommunication Services Agreement; SA Government Commercial Properties; general ledger; fixed assets (D-Bit); CaseMan; and Complete Human Resource Management System, as outlined under 'Audit Communications to Management' are sufficient to provide reasonable assurance that the financial transactions of the Department for Administrative and Information Services have been conducted properly and in accordance with law.

Audit Communications to Management

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

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

Governance and Risk Management

DAIS is a complex organisation that covers a variety of business activities, many of which are unconnected. The review revealed that DAIS has implemented measures aimed at governance and risk management within DAIS. Notwithstanding this, Audit observed that some important elements of good governance and risk management had not been incorporated into DAIS's operations. The matters arising from the review were:

Internal Control and the Financial Management Framework

The FMF prescribes an appropriate control framework for the agency be established and documented. The matters of governance and risk management all form part of an effective internal control framework as envisaged by the Treasurer's Instructions and the Financial Management Framework (FMF).

Over the past twelve months, Audit has on several occasions identified issues that indicate a need for a greater focus on the control environment. A common observation from the audits was that there was minimal co-ordination, monitoring and review of the internal control environment across DAIS. There was no documented internal control framework that detailed the responsibilities, policies and procedures to be followed by business units and the corporate units. The issues also extended to client relationships where DAIS was providing shared services. In addition, many aspects of the control framework used to manage the organisation at business units had not been documented. These issues are further discussed in the other matters raised hereafter (eg Transfer of Funds to another Government Agency, Payroll, Masterpiece Accounts Payable, Telecommunication Services Agreement, etc).

It is also noted that in previous years, DAIS (Business Services) had commenced a review of compliance with the requirements of the FMF, however, the review was not completed.

Organisational Responsibilities

The main management group for DAIS is the Departmental Executive, which is comprised of the Chief Executive and the Executive Directors of the major business units within DAIS. This group is responsible for determining the direction and management of the Department.

Good governance requires clarity in the responsibilities of those persons or bodies that are charged with the authority to manage the agency. This necessitates that the agency structure is soundly based; a code of conduct is adopted and made prominent; roles and responsibilities of key persons and bodies are clear, unambiguous, documented and understood; and appropriate instruments of delegated authority are in place, up to date and consistent with the approved and documented roles and responsibilities of key persons and bodies.

Audit noted evidence that DAIS had considered most of the aforementioned matters. However, there were no approved and documented terms of reference that outlined the composition and role and responsibility of the Departmental Executive.

In addition, financial reporting to Departmental Executive during 2003-04 was at a very high level, and was, generally, limited to the Department's overall revenue and expenditure with a narration summarising the reasons for major variations to budget. It was noted that, at the time of audit, the Chief Executive had identified this issue and had requested more detailed reporting to be provided.

Further, some aspects of the FMF prescribed elements for internal control and risk were not fully incorporated into monitoring and reporting processes. Audit considered that a regular self assessment process should be established to determine the continued relevance of the Departmental Executive's structure and terms of reference as well as the measurement of achievement against the terms of reference.

Policy Coordination and Monitoring

Treasurer's Instruction 2 details the requirement for Chief Executives to develop, implement and document policies, procedures and systems.

Audit noted that, while there was a policy development document, there was no framework to ensure that policy documents were coordinated from a corporate level, appropriately authorised, had designated time horizons and covered all Government mandated policies (eg such as whistleblower's policy) and legal requirements (eg Treasurers Instructions and FMF compliance). Further, the audits of individual business units within DAIS revealed inconsistencies and gaps in the level of documented policies.

Planning

DAIS prepares a strategic plan on a whole of Department perspective that addresses the Government Priorities. The Department Strategic Plan is formulated from the individual business unit plans that address the Strategic Challenges set by DAIS Departmental Executive to meet the Government Priorities.

Review of the DAIS Strategic Plan and the Business Unit Strategic Plans highlighted that some business units plans were not aligned with Departmental objectives. The inconsistencies indicated that not all business units have complied with the developed corporate framework and that the overall quality control process could be improved.

Risk Management

As part of the annual strategic planning cycle, individual business units are required to undertake a risk analysis. The main output from this analysis is a list of the main risks to be addressed in each respective business unit's strategic plan and the establishment of strategies to manage these risks.

In previous years' my Reports discussed the importance of the development of an overall Departmental risk management plan and process that clearly identifies the risk management strategies established and provides for an effective reporting and monitoring framework. I made comment last year that documentation reflecting an overarching risk management plan is a critical element in the establishment of a risk management process. In June 2003 DAIS senior management approved that Internal Audit undertake a project to develop the Department's risk management framework and plan.

The report on the risk management framework and plan was completed in June 2004. That report commented that there was a significant difference in the application of formal risk management practices and processes across the Department and that at present DAIS is unable to demonstrate the consistent application of risk management and reporting as required by the Government's risk management policy and the Financial Management Framework.

In June 2004 the Departmental Executive approved the implementation of a Risk Management Framework to address the matters identified in the aforementioned report.

Audit and Risk Management Committee

The DAIS Audit and Risk Management Advisory Committee consisted of the Chief Executive, three DAIS Executive Directors and two representatives from other agencies. The Committee met twice during 2003-04 (22 July 2003 and 29 June 2004). Audit noted that many of the responsibilities of the Committee had not been fully addressed. Audit recommended that a review of the Terms of Reference, membership and relevance of the Committee be undertaken.

The Internal Audit Charter provides that Internal Audit is responsible for the overall development and monitoring of risk management plans within the organisation. This includes the regular review and appraisal of internal controls and adherence to policies and procedures. The normal establishment for Internal Audit was two officers and for most of the 2003-04 financial year, consisted of one full time officer. The consequence of this was that the program for 2003-04 was not completed. Audit recommended that a review of the internal audit function be undertaken with a view to establishing the nature and scope of work envisaged. This should entail a review of the objectives of the Audit Charter against the available resources.

Departmental Response

The response outlined a range of planned measures to address the matters raised by Audit. These included:

- Conducting an independent review of DAIS compliance with the FMF and assessment of the DAIS control environment.
- Preparing a charter for the Departmental Executive and developing a DAIS Management Reporting Framework covering finance, operations, strategic and human resources areas.

- Reviewing policies for all major activities as per the FMF as a part of the wider review into compliance with the requirements of the FMF.
- Changing the strategic planning process to include: due dates for all directorate actions in strategic plans; risk management, strategic risks and mitigation strategies; and an electronic reporting tool for documented actions and status of strategic risks.
- Implementing the DAIS Risk Management Framework including a corporate risk management plan, an updated risk management policy and risk management handbook.
- Reviewing the terms of reference and membership of the Audit and Risk Management Advisory Committee, and reviewing the resourcing and the nature and scope of work undertaken by the Internal Audit Function.

Transfer of Funds to another Government Agency

As a part of the audit of DAIS it was identified that, on 1 July 2003, a payment of \$5 million (the transaction) was made to the Department for Water Land and Biodiversity Conservation (DWLBC). The only information supporting the transaction was a payment voucher that was not appropriately authorised and an email from DWLBC. The transfer of funds was described by the email as an 'inter agency loan'. Audit was advised that the senior management of both DAIS and DWLBC were not aware the transaction had taken place.

The processing of this transaction gives rise to concerns over the legal compliance of the transaction, the manner in which the transaction was executed as well as the adequacy of the control environment within DAIS. These matters are discussed below:

Legal Compliance

The *Public Finance and Audit Act 1987* (the Act) and the Treasurer's Instructions issued pursuant to that Act detail various requirements regarding the expenditure of public monies. These require monies to be applied for the purpose as stipulated by appropriation or by the Special Deposit Account established for the operation of a Department.

The provision of loan funds to another agency of Government did not form part of the approved operations of DAIS. This would ordinarily be a matter to be considered by the Treasurer.

Transaction Execution

Notwithstanding the aforementioned, there were some principles that had not been appropriately addressed:

- *The transaction was not appropriately authorised.*
- *Documentation supporting the transaction was inadequate.*

The only documentation available to support the transaction was an Expenditure Authorisation form and a brief email requesting the loan. Treasurer's Instructions 21 - Maintenance of Financial Records by Public Authorities requires accounting records and systems to be maintained to correctly record and explain the transactions and financial position of the authority. Further, in entering into any arrangement between parties it is important that there be a common understanding regarding the purpose, terms and conditions of the transaction (eg repayment, interest, etc).

Internal Control Environment

The processing of the transactions raised a number of concerns over the internal control environment. These are summarised below:

- *Expenditure Cycle Controls*

The transaction was processed by DAIS without being detected and/or prevented by the established control framework. Expenditure control framework issues have been discussed under the Masterpiece Accounts Payable section hereafter.

- *Shared Service Arrangements*

The transaction was entered into with DWLBC, a client of DAIS. DAIS provide a range of services to DWLBC including accounts payable, payroll and general ledger. These services are provided as a part of the Shared Corporate Services provided by DAIS to a number of agencies.

Audit was advised that the transaction was processed to assist a client having cash flow difficulties. This matter highlights potential issues over the management of the relationships between DAIS and its client agencies and actions being potentially undertaken by DAIS to facilitate those relationships. It is important that the limits of services being provided to client agencies be clearly defined and agreed between the parties.

Further, it is critical that all negotiations and arrangements entered into with clients are part of a control framework that ensures the integrity of DAIS' operations is maintained. Other comments on shared services have been included under the Business Services-Shared Services section hereafter.

- *Financial Management Framework*

The transaction indicates that many of the prescribed elements established through the Financial Management Framework (FMF) may have not been adequately addressed (or may have failed) through the existing control/management framework. These prescribed elements relate to establishing and maintaining a control environment, ensuring adequate monitoring and reporting of the internal controls, and ensuring expenditure is effectively and efficiently managed.

The FMF highlights that control measures need to be in place across a number of levels (eg transaction processing, risk management, management reporting, etc) for there to be an effective control framework.

Audit Suggestion

Audit suggested that an analysis of the transaction be undertaken with the focus on understanding how and why the transaction came about, and on implementing improvements to the internal control framework. Audit also requested comment on action being taken to address the matters directly arising from the transaction, including the measures being taken to address the management and internal control matters.

Departmental Response

On 30 August 2004 the Chief Executive of DAIS responded that 'The issue raised by your office is of great concern and I am treating the breakdown in the internal control environment very seriously'.

The response did not provide detail, however, it did articulate a range of actions being taken including taking action to review procedures and processes to ensure DAIS instigates adequate internal control procedures and implements an appropriate risk management strategy.

Payroll

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

- the control framework was not documented. This included a lack of documented polices and procedures that clearly articulated the responsibilities of (and internal controls to be performed by) business units and the payroll processing area;
- documents initiating payroll transactions and master file updates were not reviewed to ensure they were valid (ie appropriately authorised);
- master file updates and payroll transactions were not independently reviewed to ensure information processed was valid, complete and accurate;
- the systems used for management review of payroll activity (bona fide and leave return systems) did not ensure that all critical reports were adequately reviewed by the appropriate level of management and that all matters identified were followed-up and actioned;

- testing of a sample of payroll leave transactions indicated that a significant proportion of leave taken (eg 20 percent of annual leave and 29 percent of sick leave) was not recorded in CHRIS. In addition examples were noted where attendance records were not kept and where time worked was not reviewed by a supervisor;
- documentation to support some payments to employees could not be located in the employee files.

The observations from the audit indicate that there has been minimal corporate oversight and action to establish an effective control framework, particularly where systems, procedures and controls apply across DAIS.

Departmental Response

The response addressed all matters raised and indicated that DAIS will identify and address any outstanding, incomplete or outdated policies supporting the payroll control framework and that a DAIS-wide training and induction program (to be developed) will promulgate the new policies and associated manager/delegate responsibilities. The working party will also develop mechanisms by which the operation of the internal controls may be monitored and maintained on an ongoing basis.

Masterpiece Accounts Payable

The overall observation was that the control environment did not ensure only valid (ie legitimate and authorised) transactions were being processed by Business Services. This view was formed based on the observations that:

- there was no documented control framework that detailed the minimum control procedures required to be undertaken by Business Units and the Accounts Payable section of Business Services;
- the level of review (and evidence supporting that review) by Business Units to verify the validity, accuracy and completeness of transactions, both prior to or after processing, varied;
- payments under a predetermined threshold were not reviewed by the Accounts Payable section to ensure they were authorised. The threshold was high and consequently payments amounting to approximately \$26 million (for the period July 2003 to December 2003) had not been reviewed for proper authorisation prior to input by the Accounts Payable section. Review of payments over the threshold revealed there was no reporting to management that communicated the level of compliance and/or non compliance by Business Units;
- there was no review of the changes to the vendor master file for validity and accuracy and there was no approved documented listing of officers who can authorise changes to the vendor master file;
- there was no formal documented policy and procedure for the granting of access to the Masterpiece system and it had been over two years since a review was performed of the various users and their associated user profiles. Further, examples were identified where individual access levels are beyond that required for them to perform their duties;
- there was no periodic review performed of material transactions between Business Units to ensure that transactions have been recorded in the appropriate sector (ie Government, Private, internal) for financial reporting purposes.

Departmental Response

DAIS responded by indicating that a review of the procurement cycle has:

...recognised that the greatest risk to the Department relates to purchases and payments processed directly into the accounts payable system without any associated checking and controls that using feeder systems imposes.

As a result a proposal has been put to DAIS executive, which has been endorsed, to roll out e-Purchase SA to all areas of DAIS that do not have a feeder system to the corporate AP system.

DAIS indicated that this decision will improve the accountability and control in the procurement cycle as well as provide business efficiencies.

The DAIS response also indicated action planned to address the other matters raised.

Business Services - Shared Services

The Business Services unit of DAIS processes a significant volume of payroll and accounts payable transactions for other Government agencies (clients) as a service provider. To gain efficiencies, the processes used to update and input transactions for these clients are combined with the processing of DAIS transactions. That is, the arrangements for transaction processing for DAIS and client agencies are the same. Audit was advised that the role of Business Services was primarily to process transactions and that due to the volume of transactions processed some controls may not be practical or efficient to implement (refer to comments under Payroll and Masterpiece Accounts Payable).

The overall observation for Payroll and Masterpiece Accounts Payable was that the control environment did not ensure only valid (ie legitimate and authorised) transactions were being processed by Business Services. For both the processing of accounts payable and payroll transactions, Audit was advised that Business Units were responsible for ensuring the validity and accuracy of information provided. Audit review of processes and supporting documentation at a sample of Business Units revealed varying levels of activity undertaken to verify the validity, accuracy and completeness of transactions. It was further noted that minimal documented policies and procedures had been provided to Business Units on controls to be undertaken. For client agencies the Service Level Agreements did not adequately document the internal control responsibilities and procedures.

Audit recommended under both the payroll and accounts payable audits that DAIS review, from a whole of organisation perspective, the control environment over transactions processed by Business Services and establish clear policies and procedures that detail the minimum control measures to be executed by Business Units and Business Services. It was further recommended that DAIS review its role in providing transaction processing services to clients and that client agencies be advised of their responsibilities for the control environment. These responsibilities should be incorporated into the Service Level Agreements with clients.

Departmental Response

DAIS indicated that the control framework developed for DAIS will be a model for client agencies and that the control framework responsibilities will be incorporated into future Service Level Agreements.

Telecommunication Services Agreement

On 23 October 2001, the State entered into an Agreement with Telstra Corporation (Telstra) for the provision of a broad range of telecommunications services to SA Government Agencies. Under the terms of the Agreement Telstra supply telecommunications services to specified Agencies for a period of three years with the State being committed to an aggregate minimum spend. The Agreement also includes Telstra committing to economic development initiatives, regularly indexing of service prices and access to a benchmarking process.

Audit assessed whether the management practices provide reasonable assurance that the State is receiving the benefits and is managing the risks under the Agreement. The review focussed on the: management structures, responsibilities and reporting; framework, policies and plans to manage the Agreement; and status of work performed to ensure compliance with the Agreement.

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

The review also revealed that, at the time of audit, several matters envisaged by the Agreement were delayed. Examples of these include the key management committee not meeting for nine months, changes and transfers of other management committees' responsibilities not being supported by authorised documentation, and reporting and indexing not being completed in the time required by the contract. In addition, certain benefits due to the State under the contract had not been resolved with Telstra.

Due to the nature, uniqueness and size of the Agreement, Audit considered it prudent for a specific documented contract management framework to be established which incorporates a risk management plan together with management reporting and review requirements.

Audit also noted that the contract will be completed within the next year and suggested it would be prudent to evaluate the benefits of the Agreement and the performance of Telstra to enable that information to inform decisions regarding the future provision of these services.

Departmental Response

The DAIS response indicated that a contract management framework has been prepared (a copy was provided to Audit) to ensure that all contractual rights and obligations are met and support DAIS strategic contracting decisions. It was advised:

DAIS is now confident that the Contract Management Framework is appropriately resourced and documented in such a way to achieve appropriate governance of the Agreement and to satisfy contractual obligations.

DAIS also advised action was being taken to review Telstra's performance and contractual compliance.

SA Government Commercial Properties

From 1 July 2003 SA Government Commercial Properties (SAGCP) implemented the new Office Accommodation Management Information System (OAMIS). OAMIS is used to manage revenue, expenditure and fixed assets for commercial properties. The audit encompassed a review of the SAGCP financial processes and internal controls as well as security and operational controls for the OAMIS computer processing environment. The findings of these audits are detailed below:

SAGCP Financial Processes and Internal Controls

The audit identified some concerns regarding SAGCP financial processes and internal controls, these included:

- Polices and procedures for many processes have not been documented and approved.
- The review and actioning of key management reports (such as the profit and loss report, aged debtors report, etc) were not regular, timely or adequately documented. In addition, the checking of transactions processed and key reconciliations could be improved.
- OAMIS had limitations such as allowing the inappropriate deletion of transactions and not validating transactions for duplicate entry.
- Some transactions for commercial properties had not been processed through OAMIS.
- Access controls had been compromised by users sharing passwords.
- Assets were not being depreciated in accordance with the Australian Accounting Standards.

OAMIS Information Technology Security and Operations

The Audit review revealed weaknesses that present risks of unauthorised access to the OAMIS system and data resulting in the potential loss of confidentiality, integrity and availability. Matters included:

- Important documentation not developed or not complete for the OAMIS system, OAMIS security requirements, system changes and migration to production, and some operational responsibilities of the system supplier.
- Information access security and integrity weaknesses that may allow unauthorised access to the OAMIS system and database, including: users with access that was significantly higher than required for their work responsibilities; poor construction and use of passwords; and high risk OAMIS events not being reviewed.
- There was no verification process to ensure that the regular backup of the OAMIS system and database were successfully completed by EDS.
- Some key staff of the Real Estate Management Branch were not aware of the Government mandated 'Information Security Management Framework' document (ISMF) requirements which were promulgated in August 2003 to Government agencies. The ISMF document is intended to assist agencies develop effective information security risk management processes.

Departmental Response

The response on the financial processes and internal controls indicated action planned to address the matters raised. This included: documenting policies and procedures; reviewing and actioning key management reports; developing customisations to address the system limitations; and reviewing the controls over access rights to OAMIS.

The response on OAMIS Information Technology Security and Operations indicated that DAIS had initiated or planned actions to address the matters raised, including: initiating a review of OAMIS documentation; reviewing access provided to users; investigating opportunities to improve the use of passwords; address the matter of appropriate database auditing; and establishing a process to verify the backup by EDS. In addition, DAIS indicated that it was undertaking a review of ISMF compliance and developing a process to meet compliance across the Department. DAIS further indicated that the planned actions would be completed by early 2005.

General Ledger

Audit review of the controls in operation for the General Ledger revealed that a listing of approved journal submitters had not been updated to reflect the changes in corporate structure over time and that a significant number of officers had access to process journals directly on-line to the general ledger. In addition, there was no review of the accuracy or validity of the journals submitted and the basis of allocations of corporate expenses were not periodically reviewed to ensure the basis accurately reflects usage/activity.

Departmental Response

The response indicated action planned to address all the issues raised, except that Business Services is of the opinion that to independently check journals prior to processing would not be practical given the resources available.

Fixed Assets (D-bit)

DAIS controls a large number of fixed assets which are material in value. Due to the diverse nature of assets, several asset registers have been established. Specific asset registers established include registers for Commercial Properties, Residential Properties, Government Radio Network and the Vehicle Fleet. All other fixed assets (approximately \$20 million) are recorded in the D-bit (ACCPAC) system managed by Business Services.

Review of the D-bit fixed assets revealed a structured stock take program was not regularly undertaken, evidence of a recent or planned review of depreciation rates could not be provided and the revaluation of these assets had not been considered.

It was also noted that, at the time of review no officer(s) had been allocated specific responsibility for reviewing the information within the asset register and ensuring that the various activities (eg stock takes, review of depreciation rates, revaluation) required for an effective asset register had been performed.

Departmental Response

The response recognised the need for a more formalised and proactive process for correct governance of assets recorded in the D-bit system and indicated that the policy would be updated to take account of regular reviews of depreciation rates, revaluations and stock take of assets.

CaseMan (Forensic Branch)

The CaseMan system is used, amongst other tasks, to ensure the chain of evidence is correctly recorded for criminal proceedings. Audit reviewed the security and operational control aspects of the CaseMan system and computer processing environment. That review identified weaknesses that may allow unauthorised access to the CaseMan system and data. Matters identified included:

- Some responsibilities and processes not adequately documented including the day-to-day operational responsibilities of the support vendor, specific security requirements for Forensic Science, application and network access and review arrangements, and system monitoring. In addition, changes requested to the CaseMan system, and testing and approval of migration into production were not adequately documented.
- Weaknesses in the level of database access given to certain staff, network controls, construction and use of passwords, levels of access rights provided for, and monitoring of database activity. In addition, segregation of the CaseMan system production, test and development computer processing environments was inadequate.
- A Disaster Recovery Plan for the CaseMan system had not been documented and tested.
- Ownership of intellectual property rights for on-going development work for CaseMan was not documented in agreement with the support vendor.
- Certain key staff of the Forensic Branch were not aware of the Government mandated 'Information Security Management Framework' (ISMF) document requirements.

Departmental Response

The Department comprehensively responded and indicated action being taken to address all matters raised by Audit.

Complete Human Resource Management System (CHRIS)

DAIS is the lead agency for the CHRIS payroll/personnel system for the Shared HRMS sector agencies. The day to day operation of the CHRIS system is the responsibility of agencies while the DAIS Central Support Unit (CSU) is responsible for monitoring aspects of the performance of the contracted bureau provider.

Audit reviewed the information systems operations, business continuity planning, IT security, application systems implementation and maintenance, change management, and system software, network and hardware support. In addition, Audit examined the conformance by DAIS and the contracted bureau service provider with the Bureau Services Agreement.

The review revealed the following had not been completed: the CSU business continuity plan; revision of the Bureau Services Agreement between DAIS and the bureau provider; policies and procedures for CHRIS application security access; procedures for user acceptance testing; and certification of the CHRIS software version deposited with an escrow agent. In addition, essential policy and procedure documents were in draft form and system development and maintenance policies had not been updated since the first quarter of 2002. These matters were reported to DAIS in February 2004.

Further matters were reported to DAIS in June 2004 as a result of a review of the CHRIS system operations at an individual government agency. These matters included endorsing of a generic Service Level Agreement between DAIS CSU and agencies and finalising a draft generic Business Continuity Plan and issue the plan to agencies for adoption. The review also found DAIS CSU did not monitor the status of backup and recovery of the CHRIS application and database managed by the contracted bureau provider.

Departmental Response

The response from DAIS in February 2004 addressed all of the concerns raised and indicated that: a draft Generic Business Continuity Procedures had been endorsed; variations to the Bureau Services Agreement had been drafted and agreed to in principle with the bureau provider; formal policies and procedures would be developed for the administration of security access for the CHRIS application; access and security documentation available to agencies would be reviewed; a contract to provide a direct service between the escrow agent and the South Australian Government had been drafted; user acceptance testing and upgrade policy and procedure would be documented; and operational documentation would be reviewed for currency.

Further, in June 2004 DAIS advised that: the generic Service Level Agreement was being updated in line with operational requirements; procedures for the Business Continuity Plan, including the requirements of individual agencies, would be complete by the third quarter of 2004; and the current monitoring of backups would be maintained.

Other Control Matters

Other control matters raised with DAIS included:

Government Information and Communication Technology Services

Policies and procedures for the accounting operations for the EDS Contract were outdated and did not cover some important areas and reviews of certain EDS charges were not evidenced nor were they timely.

Checking by Government ICT Services of the Government Radio Network (GRN) invoicing function performed by Telstra did not provide assurance over the completeness and accuracy of invoices raised. In addition, the accounting arrangements for the valuation and depreciation of GRN assets have not been reviewed to ensure compliance with the Accounting Policy Statements and the Australian Accounting Standards.

Building Management

In April 2003 DAIS had identified significant overcharging by a Facilities Management Contractor and was planning to implement an ongoing strategy to address this risk for all Contractors. At the time of the 2003-04 audit the strategy had not been developed. In addition, it was noted that documented policies and procedures covering the accounting functions and key controls for the Facilities Management Information System and the Fees and Resources Management System were not complete.

Building Maintenance

The main observations from the audit related to the access controls over the Maintenance and Construction System (MACS) and the compliance with delegations.

Land Services Group

The audit revealed controls could be improved over the process to provide refunds to customers and the segregation of duties in the banking process.

Aboriginal Affairs and Reconciliation

The audit identified some concerns over the financial processes and internal controls to ensure compliance with grant revenue and expenditure agreements was being administered and monitored.

Departmental Response

A satisfactory response was received regarding the above matters.

Hindmarsh Stadium Loan

In 1996 and 1997 the Government entered into formal arrangements with the South Australian Soccer Federation (SASF), for the capital redevelopments and fit out works associated with Stage 1 construction of the Hindmarsh Soccer Stadium. The arrangements resulted in SASF securing two loans; \$4.1 million (Stage 1 Construction); and \$2 million (Stage 1 Fit Out), to be applied with the Government funding to the aforementioned works.

As part of the arrangements the Government guaranteed SASF's loans. The SASF has made no contribution to the loan repayments since 31 December 1998 and as a result the loan guarantees have been exercised and the Government has met these loan repayments. Notwithstanding this, DAIS has only disclosed a contingent liability in relation to the outstanding loan balances at Note 26 to its financial statements.

At 30 June 2004 total loan repayments met by the Government under the guarantees amounted to \$4.6 million (both principal repayments and interest payments). These amounts have been included in receivables, along with additional interest accruals in accordance with the loan underwriting arrangements. To date no payments have been received from SASF in relation to the loans receivables balance. In recognition of this, allowance for doubtful loans amounted to the entire loans receivable balance, including the interest accrual component.

Last year, Audit considered that it was prudent to assess whether a liability should be recognised in the Statement of Financial Position. Audit's assessment, based on an analysis of relevant accounting standards and concepts, was that:

- a present obligation exists as a result of the Government entering into the guarantee arrangements;
- based on previous loan repayment experience by SASF, it is probable that the Government will continue to meet future loan repayment obligations;
- the liability under the arrangements can be reliably measured (ie principal outstanding).

On this basis it was considered that, unless sufficient evidence can be provided to indicate that SASF will meet future loan repayments, the outstanding loans be recognised as a liability.

The DAIS response in early September, 2003 agreed that the SASF does not, at present, have the ability or the means to fund the loan obligations and that the current (1 year hence) obligations should be brought to account as a current liability. For the remainder of the loan, DAIS considered that due to the loans not being fully payable until 2017 the predication of probability of not meeting loan obligations is highly speculative. DAIS concluded that the SA Government arrangements with SASF regarding loan obligations of the SASF falling due more than one year forward would qualify as a contingent liability and disclosed in the notes to the accounts accordingly. These proposed changes were not reflected in 2002-03 financial statements.

Audit review in 2003-04 noted that the Government has continued to meet all of the SASF loan payments. Consequently, Audit considers that the financial reporting issues raised in 2002-03 are still relevant for 2003-04.

Departmental Response

The response indicated that due to current negotiations concerning the management and funding of soccer in the State and the length of time remaining on the loan arrangements (as detailed above) DAIS has concluded that the same accounting treatment should remain for 2003-04.

DAIS also indicated that it would consider the appropriate accounting treatment to be applied in 2004-05.

Motor Vehicle Fleet Finance Lease

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

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

Audit, however, considered that there are separate 'lease agreements' in place for each vehicle and that the Government, under the lease facility, guarantees the full residual value of the vehicles.

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

Assets

Motor vehicles under finance lease.

Liabilities

Current borrowings - finance lease on motor vehicles.

Non-current borrowings - finance lease on motor vehicles.

Other current liabilities - deferred profit on sale and leaseback of motor vehicles.

DAIS has maintained the reporting treatment adopted last year for this year's financial statements. As such, Audit has again included a qualification in the Independent Audit Report for the year ended 30 June 2004 for the aforementioned financial statement disclosure items. In Audit's view had there been compliance with the requirements of the Standard, assets of DAIS would increase by \$42 million (\$102 million) and liabilities would increase by \$39 million (\$99 million).

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

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

The Land Ownership and Tenure System (LOTS) primarily records land information. Information from LOTS is provided to government and non-government users. Many users are charged for information provided, while others (eg other government agencies and private sector entities who have arrangements with the Department), are not charged. LOTS information is provided either by Internet access (Property Assist), by dial up/direct connection (LOTS enquiries) or over the counter.

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

Note 7 to the financial statements details transfers that have occurred during the year. These are for the Section 7, Property Assist and finance business functions. Further transfers of the Information Technology functions and infrastructure are planned to occur during 2004-05.

Electronic Commerce for Procurement Initiative

The Electronic Commerce (for Procurement) project initiative was an integral part of the SA Government's Procurement Reform Strategy launched in 1998. It envisaged a whole-of-government implementation of an integrated purchasing solution by December 2000.

There has been significant delay in the progression of the project to the envisaged whole-of-government implementation. Advice from DAIS indicated certain difficulties had been experienced with project funding and progression of the E-Procurement initiative across government.

Audit was advised that the Electronic Commerce (for Procurement) project initiative will be reconsidered by Government as part of a 'Shared Services' business case being progressed at the time of preparation of this Report. The business case will include consideration of shared services across the South Australian public sector for the finance, human resources, information technology and procurement functions.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2004 \$'million	2003 \$'million	Percentage Change
OPERATING REVENUE			
Fees and charges	556	517	8
Appropriation for operating purposes	32	122	(74)
Other Revenue	23	26	(11)
Total Operating Revenue	611	665	(8)
OPERATING EXPENDITURE			
Employee expenses	125	110	14
Supplies and Services	409	411	-
Depreciation and Amortisation	57	39	46
Other expenses	46	36	28
Total Operating expenses	637	596	7
Result before restructure and tax	(26)	69	(138)
Net Cash Flows From Operating Activities	33	132	(75)
ASSETS			
Current Assets	245	327	(25)
Non-Current Assets	752	622	21
Total Assets	997	949	5
LIABILITIES			
Current Liabilities	121	99	22
Non-Current Liabilities	253	188	35
Total Liabilities	374	287	30
EQUITY	623	662	(6)

A significant change from last year is that appropriation has decreased by \$90 million from \$122 million in 2003 to \$32 million in 2004. This has impacted on the deficit, the cash flows from operating activities and the level of cash held by DAIS.

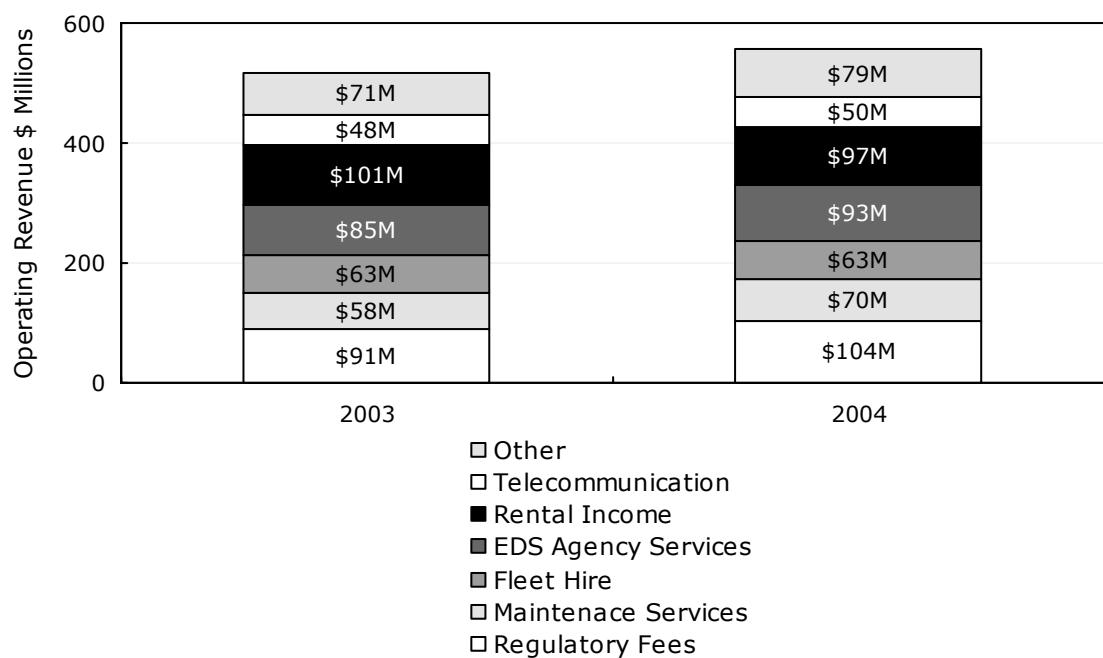
Statement of Financial Performance

Revenues

The main source of revenue for the Department is the sales revenue generated by its various business units (refer to Note 24 to the financial statements). The majority of this revenue is sourced from services provided to other Government agencies.

Administrative and Information Services

A structural analysis of operating revenues (excluding appropriations) for the Department in the two years to 2004 is presented in the following chart.

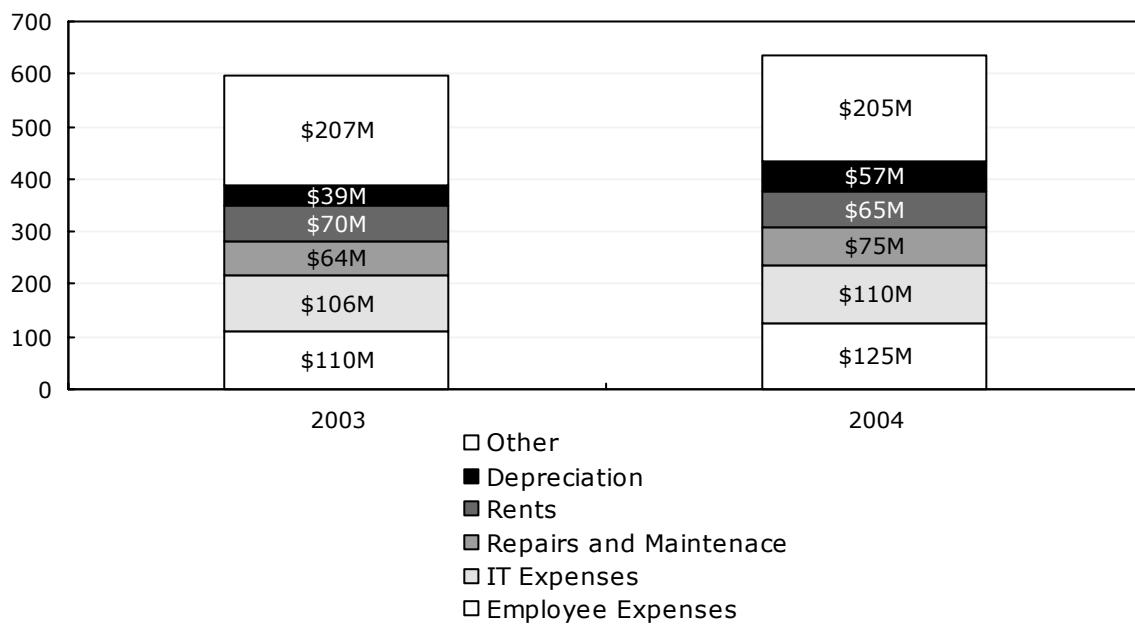


The chart highlights the increases in most revenue streams, with the most significant being:

- regulatory fees increased by \$13 million, due mainly to increased land services regulatory charges;
- maintenance services increased by \$12 million, due mainly to additional work being undertaken for client agencies; and
- other increased by \$8 million, due mainly to service provision fee and commissions, which increased by \$12 million.

Expenses

For the four years to 2004, a structural analysis of the main operating expense items for the Department is shown in the following chart.



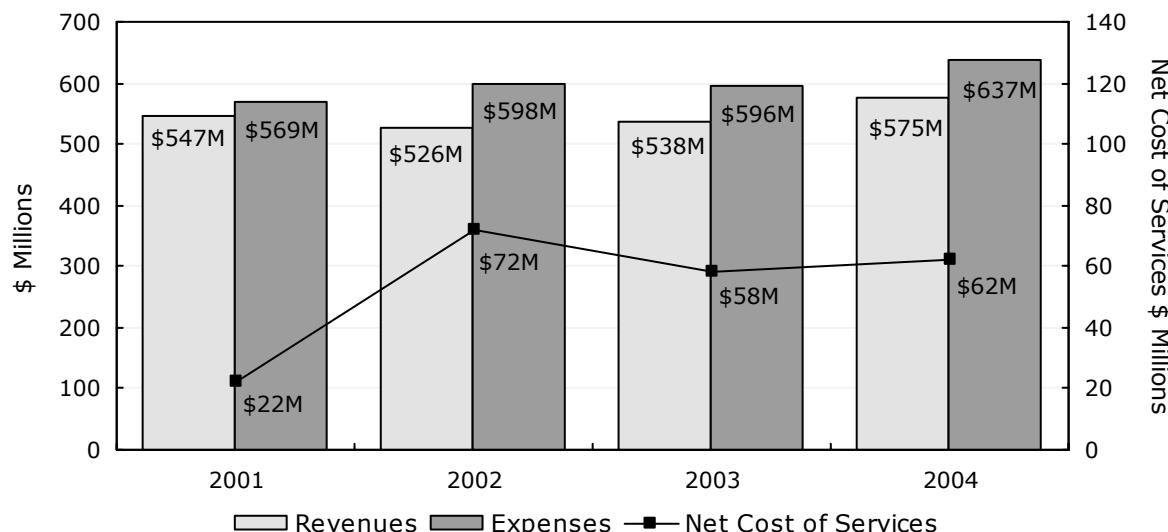
Other includes communication, lease, motor vehicle, warehouse goods and accommodation expenses.

The main factors contributing to the increase in expenses are:

- employee expenses increased by \$15 million, due mainly to the transfer to DAIS of the Public Sector Workforce Relations Unit in August 2004 and additional staff appointed for Workplace Services;
- repairs and maintenance increased by \$11 million, due mainly to additional work undertaken for client agencies;
- depreciation increased by \$18 million, due mainly to DAIS now owning and depreciating fleet vehicles. These vehicles were previously leased - refer to earlier commentary in this report.

Net Cost of Services

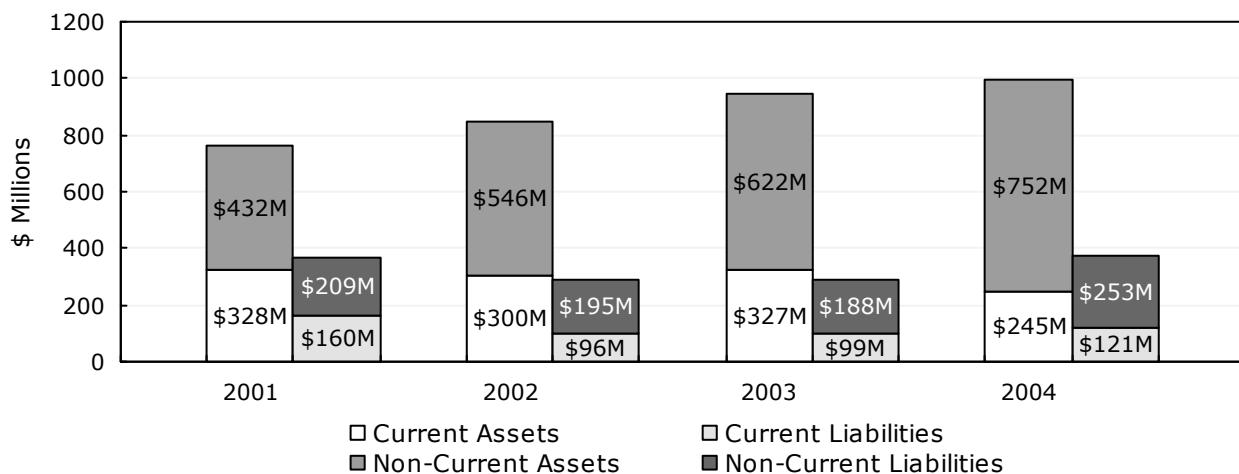
The following chart shows the operating revenues, operating expenses and net cost of services for the four years to 2004.



The low net cost of services in 2001 was due to forestry operations being included in that year for the last time.

Statement of Financial Position

For the four years to 2004, a structural analysis of assets and liabilities is shown in the following chart.



The above chart highlights that since 2001 there has been a significant growth trend in non-current assets. This has been due primarily to:

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

Administrative and Information Services

The property, plant and equipment item of non-current assets is the most significant item in the Statement of Financial Position. In 2004 this item amounted to \$728 million, representing 97 percent of total non-current assets and 73 percent of total assets.

Cash

The other significant item is Cash, which in 2004 amounted to \$161 million, representing 66 percent of total current assets and 16 percent of total assets.

Statement of Cash Flows

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

	2004 \$'million	2003 \$'million	2002 \$'million	2001 \$'million
Net Cash Flows				
Operations	33.0	132.3	109.7	177.2
Investing	(127.2)	(33.8)	(67.7)	(36.5)
Financing	2.1	(43.5)	(47.7)	(43.7)
Change In Cash	(92.1)	55.0	(5.7)	97.0
Cash At 30 June	161.3	253.4	198.4	204.1

The analysis of cash flows shows that the Department for Administrative and Information Services generates large cash flows from its operations which are then generally applied to satisfy its financing and investing activities. In 2004, the Department recorded a decrease in cash flows from operating activities due mainly to \$100 million return of appropriation in 2004 (refer Note 6.3 to the financial statements).

For financing activities, distributions to Government of \$71.4 million (\$56.7 million) were paid.

The increase in investing activity was due mainly to motor vehicle purchases, which was offset by additional borrowings of \$103 million recorded in financing activities.

Business Unit Financial Analysis

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

The tables also highlight the consistent increase in Land Services Group revenue for each of the past four years, due mainly to the buoyant property market. Consequently, in 2004 The Land Services Group had a net surplus of \$70.5 million (\$56.0 million).

Total Revenue (excluding appropriation) by Business Unit

Business Unit	2004 \$'million	2003 \$'million	2002 \$'million	2001 \$'million
Building maintenance	67.3	56.4	54.6	55.7
Contract services	21.7	24.2	24.1	22.5
Government ICS	156.1	149.4	142.2	145.9
Land Services	108.5	82.7	75.5	59.2
SA Government Commercial Properties	101.2	105.0	94.2	95.3
Fleet SA	70.0	71.4	64.8	63.6
Business and Corporate Services	30.6	28.5	32.8	19.3
Office for Recreation and Sport	3.5	5.7	4.9	NA
Other Total	57.3	51.7	56.8	103.9
Intra-entity eliminations	(41.4)	(30.7)	(24.0)	(18.8)
Total	574.8	544.3	525.9	546.6

Total Expenditure from Ordinary Activities by Business Unit

Business Unit	2004 \$'million	2003 \$'million	2002 \$'million	2001 \$'million
Building maintenance	67.1	55.9	53.8	55.0
Contract services	26.5	28.4	27.3	27.2
Government ICS	168.5	168.3	168.2	156.9
Land Services	38.0	26.7	29.5	29.0
SA Government Commercial Properties	102.1	99.2	91.9	95.5
Fleet SA	81.8	84.0	80.3	75.0
Business and Corporate Services	47.4	42.2	61.0	34.9
Office for Recreation and Sport	31.5	30.5	17.6	NA
Other Total	115.7	92.8	92.1	114.8
Intra-entity eliminations	(41.4)	(30.7)	(24.0)	(18.8)
Total	637.2	597.3	597.7	569.5

Net Cost of (Surplus from) Services

Business Unit	2004 \$'million	2003 \$'million	2002 \$'million	2001 \$'million
Building maintenance	(0.2)	(0.5)	(0.8)	(0.7)
Contract services	4.8	4.2	3.2	4.7
Government ICS	12.4	18.9	26	11.0
Land Services	(70.5)	(56.0)	(46.0)	(30.2)
SA government Commercial Properties	0.9	(5.8)	(2.3)	0.2
Fleet SA	11.8	12.6	15.5	11.4
Business and Corporate Services	16.8	13.7	28.2	15.6
Office for recreation and Sport	28.0	24.8	12.7	NA
Other Total	58.4	41.1	35.3	10.9
Total	62.4	53.0	71.8	22.9

Statement of Financial Performance
for the year ended 30 June 2004

	Note	2004 \$'000	2003 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	4.1	124 935	109 733
Supplies and services	4.2	408 864	410 670
Depreciation and amortisation	4.3	57 239	38 647
Grants and subsidies	4.4	27 422	19 631
Borrowing costs		13 676	14 401
Other expenses	4.5	5 050	2 733
Total Expenses from Ordinary Activities		637 186	595 815
REVENUE FROM ORDINARY ACTIVITIES:			
Fees and charges	6.1	556 636	517 467
Interest		16 145	13 601
Other revenue	6.2	2 137	6 666
Total Revenue from Ordinary Activities		574 918	537 734
Net Cost of Services from Ordinary Activities		(62 268)	(58 081)
REVENUES FROM SA GOVERNMENT:			
Appropriations for operating purposes	6.3	31 616	121 522
Grants		4 519	5 116
NET RESULT BEFORE RESTRUCTURING		(26 133)	68 557
Increase in net assets due to administrative restructure	7	14 339	22 651
NET RESULT AFTER RESTRUCTURING		(11 794)	91 208
Income tax expense relating to ordinary activities	2.4	638	2 177
NET RESULT AFTER RESTRUCTURING AND TAX		(12 432)	89 031
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Increase in asset revaluation reserve	19.3	43 557	56 877
Increase in other reserve	19.3	101	-
TOTAL REVENUE AND VALUATION ADJUSTMENTS RECOGNISED		43 658	56 877
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING			
FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS			
OWNER			
		31 226	145 908

Statement of Financial Position
as at 30 June 2004

		2004	2003
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash	8	161 351	253 404
Receivables	9	71 478	61 245
Inventories	10	5 468	5 715
Other	13	7 181	6 887
Total Current Assets		245 478	327 251
NON-CURRENT ASSETS:			
Property, plant and equipment	11, 12	727 900	602 135
Capital works in progress		21 039	15 336
Receivables	9	2 663	3 910
Total Non-Current Assets		751 602	621 381
Total Assets		997 080	948 632
CURRENT LIABILITIES:			
Payables	14	83 543	66 168
Interest bearing liabilities	15	21 536	12 816
Employee benefits	16	10 509	7 887
Provisions	17	1 500	1 686
Other	18	4 651	10 438
Total Current Liabilities		121 739	98 995
NON-CURRENT LIABILITIES:			
Payables	14	3 211	2 902
Interest bearing liabilities	15	218 926	154 796
Employee benefits	16	27 966	26 084
Provisions	17	2 632	3 522
Total Non-Current Liabilities		252 735	187 304
Total Liabilities		374 474	286 299
NET ASSETS		622 606	662 333
EQUITY:			
Contributed capital	19.1	222 891	222 433
Accumulated surplus	19.2	182 830	264 799
Reserves	19.3	216 885	175 101
TOTAL EQUITY		622 606	662 333
Commitments for Expenditure	25		
Contingent Liabilities	26		

Statement of Cash Flows
for the year ended 30 June 2004

		2004	2003
		Inflows	Inflows
		(Outflows)	(Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Payments to Government	Note	(106 971)	(4 098)
Employee payments		(129 350)	(99 750)
Supplies and services		(386 921)	(433 684)
Grants and subsidies		(23 381)	(1 001)
Borrowing costs		(14 987)	(14 272)
GST payments on purchases		(69 538)	(61 034)
GST remitted to ATO		-	(667)
Payment for restructuring activities		-	(3 465)
Construction work payments		(74 186)	(72 836)
Total Outflows from Operating Activities		(805 334)	(690 807)
CASH INFLOWS:			
Receipts from Government		137 477	124 709
Fees and charges		538 143	554 580
Receipts from Commonwealth		961	2
Construction work reimbursement		72 136	70 757
Interest received		19 611	10 116
GST receipts on receivables		55 857	53 962
GST input tax credits		12 863	8 792
Proceeds from restructuring activities		1 335	154
Total Inflows from Operating Activities		838 383	823 072
Net Cash Inflows from Operating Activities	22(b)	33 049	132 265
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		(138 011)	(39 368)
Purchase of investments		-	(3 000)
Total Outflows from Investing Activities		(138 011)	(42 368)
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		9 265	8 025
Proceeds from repayment of leased assets		510	509
Proceeds from investment		1 000	-
Total Inflows from Investing Activities		10 775	8 534
Net Cash Outflows from Investing Activities		(127 236)	(33 834)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Distributions to Government		(71 411)	(56 694)
Repayment of borrowings		(30 069)	(13 446)
Total Outflows from Financing Activities		(101 480)	(70 140)
CASH INFLOWS:			
Capital contributions from Government (not operations)		458	18 345
Proceeds from borrowings		102 679	7 499
Increase prepayment of MV Fleet operating expenses		477	846
Total Inflows from Financing Activities		103 614	26 690
Net Cash Inflows (Outflows) from Financing Activities		2 134	(43 450)
NET (DECREASE) INCREASE IN CASH HELD		(92 053)	54 981
CASH AT 1 JULY	22(a)	253 404	198 423
CASH AT 30 JUNE		161 351	253 404

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.

Role of the Department

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

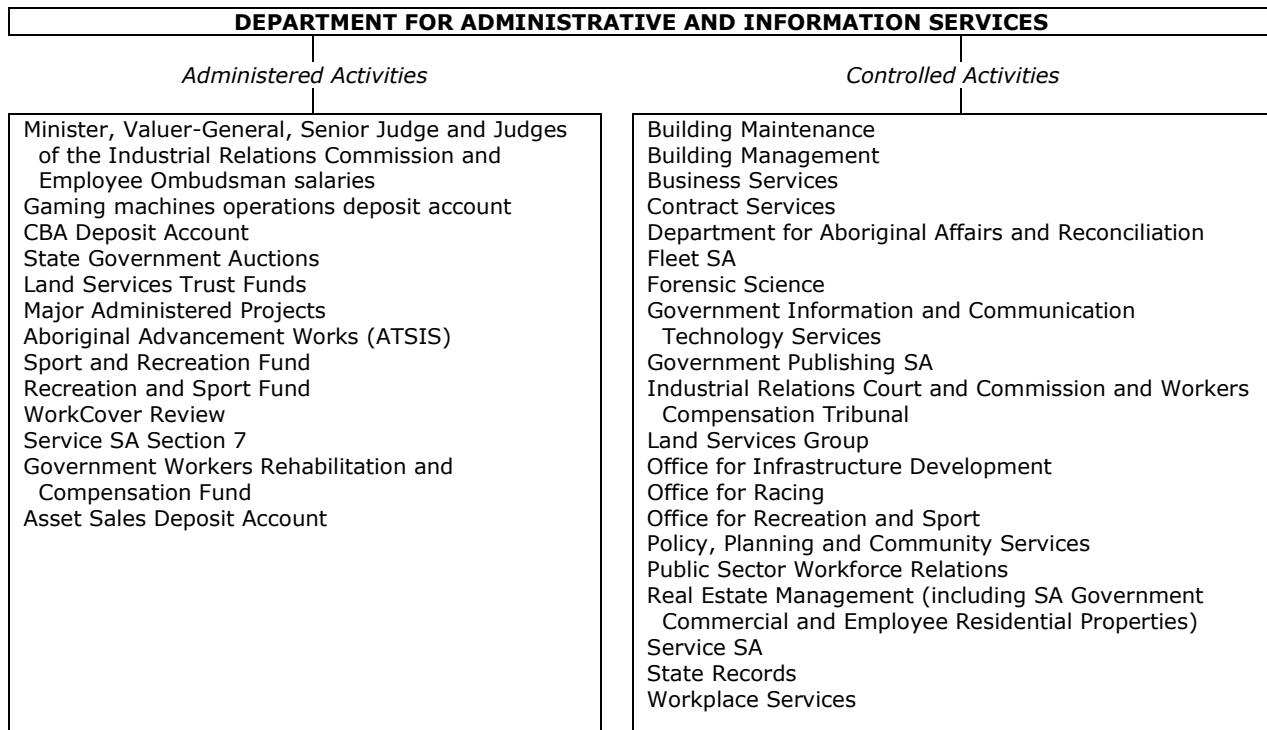
It maintains this leadership role in the areas of building management, forensic science services, industrial relations, information and communication technology support, infrastructure development, land administration, project and contract management, sport, recreational and racing activities, records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

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

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

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

The functional areas of the Department are:



The governance arrangements for DAIS' operations are based on nine directorates and the Office of Racing. Eight of the directorates are overseen by Executive Directors whilst the ninth functional area has the status of a Department and is headed up by a Chief Executive. The latter is the Department for Aboriginal Affairs and Reconciliation.

1. Role of the Department (continued)

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

During the year the Government announced (Gazette date 11 March 2004) the transfer of the Department for Aboriginal Affairs and Reconciliation to the Department for Families and Communities. For financial accounting and reporting purposes the transfer is effective from 1 July 2004.

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

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

Accounting Standards

The financial report is a general purpose financial report.

The Financial Statements has been prepared in accordance with:

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

The Department's Statement of Financial Performance and Statement of Financial Position have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

Reporting Period

The financial report has been prepared for the period 1 July 2003 to 30 June 2004.

Comparative Information

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

Rounding

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

2.2 Reporting Entity

The Department for Administrative and Information Services produces both Departmental and Administered financial statements. The Departmental financial statements include the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right.

The Administered financial statements include the revenues, expenses, assets and liabilities which the Department administers on behalf of the SA Government but does not control.

2.3 Principles of Consolidation

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

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

2.4 Taxation Equivalents

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

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

Taxation Equivalents are required to be paid by the following units of DAIS:

- Fleet SA
- Real Estate Management
- Building Maintenance
- SA Government Employee Residential Properties
- SA Government Commercial Properties.

In relation to Company tax equivalents the 'Accounting Profits' model is applied.

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

2.5 Goods and Services Tax (GST)

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

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

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

The Department prepares a Business Activity Statement on behalf of its administered entities and for clients provided with bureau services under the grouping provisions of the GST legislation. Under these provisions, the Department is liable for the payments and entitled to the receipt of GST. As such the GST applicable to these entities forms part of the Statement of Financial Position and Cash Flow Statement of the Department.

2.6 Revenues and Expenses

Fees and Charges

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

Supplies and Services

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

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

2.7 Revenues from SA Government

Appropriations for program funding are recognised as revenues when the Department obtains control over the assets. Control over appropriations is normally obtained upon their receipt and are accounted for in accordance with Treasurer's Instruction No 3 'Appropriation'.

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

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

2.8 Cash

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

Reduction in Appropriation/Cash Alignment Policy

Following discussions with the Department of Treasury and Finance it was determined DAIS was able to fund its 2003-04 operations largely from the available cash balances held.

Funds paid to DAIS from the consolidated account in 2003-04 were therefore reduced by \$100 million during the year. This relates to a one off reduction in appropriation funding, which has the effect of advancing the implementation of the Government's Cash Alignment Policy, which will apply to SA Government agencies from 1 July 2004.

The Cash Alignment Policy as implemented by the Department of Treasury and Finance is designed to eliminate cash balances accumulated by agencies and surplus to their working capital requirements. The outcome of the return of appropriation revenues is a net operating deficit for DAIS.

2.9 Receivables

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

Loan receivables - debtors receiving financial assistance in the form of advances and loan agreements made by the Minister for Recreation, Sport and Racing. The terms of these agreements are contained in Deeds of Agreement between the Minister and the borrower.

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

2.10 Inventories

(a) *Work in Progress - Construction Projects*

Construction work in progress is stated at cost plus profit recognised to date less progress billings. Costs include all costs related to the professional services provided only.

Profits on construction contracts are brought to account on the percentage of completion basis, as determined by the current engineering estimates. Where losses are foreseeable, such losses are provided in full based on current engineering estimates.

(b) *Stock on Hand - Government Supplies Warehouse*

Stock on hand is valued at the lower of average cost and net realisable value.

2.11 Contractor Reimbursement (in Advance)

The Department undertakes a number of capital projects on behalf of other agencies. Client agencies receive an invoice listing all costs including the professional contractor costs incurred in completing the capital project. Contractor costs in relation to projects managed by the Department are reimbursed by clients and are recorded as either Contractor Reimbursements in Advance (other current liabilities) or Outstanding Contractor Reimbursement (other current assets).

2.12 Accrued Revenue

Revenue is accrued across all business units in the Department for work which has been performed but not billed as at 30 June 2004.

2.13 Non-Current Assets

Asset Recognition Threshold

Purchases of all non current assets are initially recognised at cost in the Statement of Financial Position except for purchases costing less than \$10 000 which are expensed in the year of acquisition.

Valuations in General

In accordance with the requirements of Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' and Accounting Policy Statement No 3 'Valuation of Non-Current Assets', all non-current assets, subsequent to initial recognition, are carried at valuation. Revaluations since 30 June 2003 have been undertaken for all assets that satisfy the APS 3 revaluation thresholds in accordance with fair value methodology. The revaluation thresholds require that revaluation of a non current asset or class of non-current asset is only required when the fair value at the time of acquisition is greater than \$1 million and has an estimated useful life greater than three years.

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

Valuation Methodology - Freehold Land, Buildings and Fitouts

In accordance with the requirements of Accounting Standard AASB 1041 'Revaluation of Non-Current Assets', freehold land, buildings and fitouts are being progressively brought to account at Fair Value.

Recreation, Sporting and Stadia Infrastructure

Recreation, Sporting and Stadia Infrastructure have been brought to account at fair value. Fair value has been determined on the following basis:

- All classes of physical non-current assets with fair values at the time of acquisition equal to or greater than \$1 million and estimated lives equal to or greater than three years are revalued by independent valuers at intervals not exceeding three years using fair value methodology. Valuations as at 30 June 2004 were undertaken by Valcorp.
- All classes of physical non-current assets, other than land, with fair values at the time of acquisition of less than \$1 million are valued at acquisition cost or fair value. The value of the assets is reduced to reflect the portion of economic benefits that have been consumed since the asset was acquired.

Commercial, Industrial and Heritage Properties

The valuation policy adopted in relation to property and building plant is to revalue all owned properties on a progressive basis over three years.

In accordance with this policy, 18 of the properties were revalued as at 30 June 2003 and 24 in June 2004 in accordance with fair value principles outlined in AASB 1041 'Revaluation of Non-Current Assets'.

Net market value has been adopted as the basis for recoverable amount for land and buildings. Independent valuations of land and buildings were conducted by the Valuer-General (Valuation SA), FPB Savills, Egan National Valuers and Southwick Goodyear Pty Ltd.

2.13 Non-Current Assets (continued)

Residential Properties

The valuation policy adopted in relation to residential properties is to revalue all owned properties on an annual basis.

Asset values are determined in the following manner:

- The Valuer-General estimates are used as the base valuation and then discounted by the average losses experienced over an average of the last five years. This management valuation has been adopted to ensure the value of assets is not stated at a balance in excess of recoverable amount. The discount rate used for the reporting period is 3.05 percent (2.05 percent).
- Residential Properties, as the lessor, has entered into a number of finance lease arrangements for the purpose of providing housing accommodation for Government agencies. These leases have been brought to account in the Statement of Financial Position and accounted for in accordance with AASB 1008 'Leases'.

Fitouts

Fitouts are valued at cost and depreciated over an average life of 5 years.

Valuation Methodology - Plant and Equipment

Plant and equipment has been brought to account at cost and depreciated on straight line basis over their estimated useful lives.

Valuation Methodology - Motor Vehicles

Motor vehicles purchased by the Department, outside of the CBA arrangement, have been brought to account at cost and depreciated on a straight line basis over their estimated useful lives.

Valuation Methodology - Government Radio Network

Infrastructure or plant and equipment assets that have been constructed or purchased for the provision of government radio network services are recorded at their cost of acquisition. These assets are brought to account from the time a region is operationally available for use and are depreciated on a straight line basis over their estimated service lives.

Disposal of Non-Current Assets

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

Depreciation

All non-current assets, excluding freehold land, are depreciated using the straight line method over their useful lives commencing from the time the asset is held ready for use.

	Years
Recreation, Sporting and Stadia Infrastructure:	
Buildings and improvements	80
Sporting equipment	10
Scientific equipment	10
Other equipment	20
Commercial, Industrial and Heritage Properties:	
Buildings	40
Residential Properties:	
Fitouts	5
Residential Properties	40
Plant and equipment:	
Computers	3
PABX	5
Office Equipment	5
Motor Vehicles (average life)	2
Government Radio Network:	
Huts	15
Towers	40
Terminal equipment	10

2.14 Government Radio Network Contract

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

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

The SA-GRN has replaced up to 28 existing separate networks, giving agencies the ability to communicate with each other through a common radio network for the first time. This approach has significant financial and operational advantages over a non-integrated network approach. Construction work has been completed over five Regions:

- Greater Metropolitan Area of R1 construction completed January 2000;
- Remainder of R1 (Fleurieu Peninsula and Kangaroo Island) construction completed June 2001;
- R2 (South East) construction completed July 2001;
- R4 (Yorke Peninsula and the Mid North) construction completed September 2002. (Extension of time due to native title issue);
- R3 (Riverland) construction completed September 2002. (Extension of time due to acquisition of Monash Site);
- R5 (Eyre Peninsula and the West Coast) construction completed March 2003.

The SA-GRN network supports approximately 45 000 users and provides vastly improved geographical coverage over existing networks.

As at 30 June 2004 there were 20 626 (17 420) terminal units active on the system and 26 511 (23 202) terminal units were registered.

2.15 Payables

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

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

All amounts are measured at their nominal amount and are normally settled within 30 days in accordance with Treasurer's Instruction No. 8 'Expenditure for Supply Operations and Other Goods and Services' after Department receives an invoice.

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

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

2.16 Client Monies Received in Advance

The Department enters into advance payment arrangements with specific agencies for minor and major works undertaken by the Department on behalf of the agency. As at 30 June 2004 this liability was shown under Payables and amounted to \$5.728 million (\$5.728 million).

2.17 Incentives Monies Owing

Surplus Incentive Funds Reserve

Where incentives are provided by private building owners in relation to office accommodation contracts for Government entities these monies are to be applied to refitting relevant accommodation. Once the fitout project is completed, any unspent monies are transferred to the Surplus Incentives Funds Reserve. Funds are applied from this reserve to fund approved fitout projects.

EDS Centre Incentives

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

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

2.18 Income Received in Advance

Prepaid Revenue has been recognised by all business units where monies have been received but work has not been performed as at 30 June 2004.

2.19 Interest Bearing Liabilities

Borrowings are recognised when issued at the amount of the net proceeds received and carried at cost less any repayments until the loan is settled. Loans are drawn from the Department of Treasury and Finance, and repayments are determined in negotiation with this Department.

Interest on loans is recognised as an expense and is based on the common public sector interest rate (including a guaranteed margin) 7.5 percent as at 30 June 2004 (7.0 percent).

Light Motor Vehicles — Loan Arrangements with SAFA

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

2.20 Employee Benefits

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. No provision has been made for sick leave as sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement to sick leave.

Liability for salary and wages are measured as the amount unpaid at reporting date at remuneration rates current at reporting date. The liability for annual leave reflects the value of total annual entitlements of employees as at 30 June 2004 and is measured at the nominal amount.

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

2.21 Provisions*Workers Compensation*

DAIS is responsible for all Workers Compensation with an actuarial estimate of the outstanding liability as at 30 June 2004 provided by a consulting actuary through the Public Sector Injury Prevention and Management Unit.

These figures reflect an apportionment of the whole-of-government estimate of Workers Compensation liability of \$285 million according to Public Sector Injury Prevention and Management Units experience of claim numbers and payments over the period 1 July 1987 - 30 June 2004. A separate valuation of the liabilities of this Department has not been undertaken.

The whole-of-government estimate can be found in a report prepared by Taylor Fry Consulting Actuaries, dated 31 August 2004, and submitted to the Public Sector Occupational Health and Injury Management branch (PSOHIM) of the Department.

This report conforms to WorkCover Guidelines for Actuaries, Australian Accounting Standard AASB 1023 'Financial Reporting of General Insurance Activities', Accounting Guidance Release AAG 13 'Determination of Discount Rates for Measuring Certain Liabilities at Present Value' and Professional Standard PS300 'Actuarial Reports and Advice on Outstanding Claims in General Insurance', of the Institute of Actuaries of Australia.

The above allocation of workers compensation liabilities has been split into current (ie the provision required to meet the liability over the coming year) and non-current (ie provision required for later years).

Across Government Initiative

The provision for across government initiatives was created for the Across Government Procurement Review. The balance as at 30 June 2004 is \$0.356 million (\$0.356 million).

2.22 Leases*Operating Leases*

Operating leases are for office accommodation and car parking facilities at the State Centre Car Park.

The Department has numerous lease arrangements with private sector companies for office accommodation. The terms of these leases range from monthly leases to leases between four and ten years depending on the lease agreements. Generally, the leases are cancellable however for those that are fixed term leases, significant financial penalties are attached. Terms for renewal vary between three and five years. These commitments are not recognised as liabilities in the financial report.

The operating lease in relation to the State Centre Car park is in a hold over period while negotiations are conducted for the provision of car parking facilities into the future. These commitments are not recognised as liabilities in the financial report.

Finance Leases

- *Light Motor Vehicles - Arrangements with CBA*
In May 1996, the Government sold and leased back its light motor vehicle fleet through an arrangement managed by the Commonwealth Bank of Australia for a total consideration of \$195 million which included some pre-paid operating expenditure such as fuel, registration, and compulsory third party insurance.

The total lease facility is for \$218 million which includes provision for an increase in new car prices and fleet running costs. The 15 year lease facility includes a 7 year wind down.

The lease has been treated as a finance lease in accordance with Australian Accounting Standard 'AASB 1008 Leases'. The value of the lease property and the matching liability has been determined as the present value of the minimum lease payments discounted using the interest rate that equates the minimum lease payments to the fair value of the leased assets.

Given the exposure of the lessee, the lease has been accounted for as one under which the residual value is partially guaranteed by the lessee. Accordingly, the lease asset and liability have been valued in accordance with AASB 1008 'Leases' by deducting from the fair value of the motor vehicles, which are the subject of the lease, the value of the unguaranteed residual value which is expected to accrue to the lessor at the end of the lease term.

Any adjustments to the minimum lease payments are treated as contingent rentals and are brought to account as either revenues or expenses in the period in which they occur consistent with the provisions of AASB 1008 'Leases'.

The profit on the sale and leaseback transaction is amortised over the lease term of 15 years.

The Department is not subject to any interest rate risk in respect of the finance lease as the financial instrument is held between the Treasurer and the Commonwealth Bank of Australia.

Negotiations commenced in April 2003 to terminate the motor vehicle agreement with the Commonwealth Bank of Australia. A voluntary termination and accelerated wind down and sale of the vehicle fleet has been agreed over a 24 month period from 10 July 2003 to 10 July 2005. As from 10 July 2003, utilisation of the motor vehicle facility ceased such that the facility notice of 10 June 2003 was the last issued for the purchase and lease of motor vehicles under this arrangement. To reflect the accelerated wind down over a two year period, the amount of lease amortisation increased to \$20.085 million (\$10.901 million) and the amount of contingent rental decreased to \$15.326 million (\$36.178 million). The remaining profit on the sale and leaseback transaction has been amortised over the wind down period.

- *Light Motor Vehicles - Contingent Rentals*

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

These reviews, based on past market performance, have resulted in an increase in lease payments over time.

- *Plant and Equipment*

In June 1999, Forensic Science entered into a five year finance lease agreement with Hewlett-Packard for a Mass Spectrometer. This scientific equipment is used to identify trace quantities of complex chemicals such as illicit drugs. This lease is non-cancellable and ownership transfers to DAIS upon payment of the residual value at the end of the lease term.

Commencing July 1999, the Department has progressively taken up numerous leases with EDS for information technology computer hardware and associated software such as file servers, disk arrays, tape drives, monitors, hubs, operating system software and data base management system software. The lease terms are generally three or five years and are non-cancellable. At the end of the lease term, ownership is transferred to DAIS upon payment of a nominal sum.

- *Accommodation Leases*

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

The Department was also responsible for the finance lease in relation to office accommodation for the Glenside Computing Facilities building. The Glenside Computing Facilities building had a lease term of 40 years and was non-cancellable, non-renewable with a buy-out option midway through the term. The Department exercised this buy out option as at 30 June 2004. The Glenside Computing Facilities building is recognised as owned commercial land and buildings and is no longer recorded as a finance lease.

Under both of these lease arrangements, contingent rental for the buildings was paid on an indexed basis by adjusting the rental amount to reflect changes in the Adelaide Consumer Price Index. Contingent rental payments for 2003-04 were \$1.378 million for Roma Mitchell House and \$0.269 million for Glenside Computing Facilities Building.

All finance leases are accounted for in accordance with AASB 1008 'Leases'.

3. Changes in Accounting Policy

3.1 Administered Items

In accordance with the Department of Treasury and Finance's model financial reporting the Department has prepared separate administered financial statements and notes as it is considered that administered transactions and balances are significant in relation to the Department's overall financial performance and position.

3.2 Non-Current Assets - Valuation Commercial, Industrial and Heritage Properties

In previous years the Department has accounted for building plant in commercial, industrial and heritage properties as a separate asset class to the buildings. Building plant has now been reclassified so that it is included in the valuation of buildings.

3.3 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

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

Managing the Process

In accordance with Treasurer's Instruction 19 'Financial Reporting', the Department is responsible for ensuring that the annual financial statements comply with Generally Accepted Accounting Principles (GAAP). The Department will analyse the exposure drafts issued by the AASB so as to identify any potential issues. It will also develop a plan to manage the transition to the new standards.

The plan will require the identification of:

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

Expected Differences in Accounting Policies

• *Changes in Accounting Policy*

A major change is the treatment of accounting policy changes under IFRS. These will now apply retrospectively except for specific exemptions in accordance with AASB 1 'First Time Adoption of Australian Equivalents to IFRS'.

• *Non-Current Asset Acquisition and Recognition*

The Australian equivalent to IAS 16 'Property, Plant and Equipment' is proposing that non-current assets be revalued on an individual basis as opposed to a current class basis. It is anticipated an APS will continue to require revaluation on a class basis and current thresholds (greater than \$1 million and estimated useful life is greater than three years) will continue to apply.

• *Intangible Assets*

In accordance with AASB 138 'Intangible Assets', the Department will no longer capitalise research costs in relation to research and development projects as this is prohibited by the standard.

• *Employee Benefits*

Employee benefits payable later than 12 months from year end will be measured at present value rather than at nominal amounts.

4.	Expenses	Note	2004 \$'000	2003 \$'000
4.1	Employee Expenses	2.20		
	Wages and salaries		91 889	82 261
	Long service leave		3 447	3 424
	Annual leave		10 609	7 023
	Employment on-cost		18 990	17 025
	Total Employee Expenses		124 935	109 733

Targeted Voluntary Separation Packages (TVSPs)

TVSP payments
Recovered from DPC and DTF in respect of TVSPs
Annual and long service leave accrued over the period

Number of employee that were paid TVSPs during the reporting period

4.1.1 Remuneration of Employees

Amounts received or receivable by employees of the Department whose remuneration is greater than \$100 000. The amounts include salaries and related payments, superannuation benefits and motor vehicle benefits:

The number of employees of the Department whose remuneration falls within the following bands for the year ended were:

\$100 000 - \$109 999			
\$110 000 - \$119 999			
\$120 000 - \$129 999			
\$130 000 - \$139 999			
\$140 000 - \$149 999			
\$150 000 - \$159 999			
\$160 000 - \$169 999			
\$170 000 - \$179 999			
\$180 000 - \$189 999			
\$190 000 - \$199 999			
\$200 000 - \$209 999			
\$210 000 - \$219 999			
\$220 000 - \$229 999			
\$230 000 - \$239 999			
\$240 000 - \$249 999			
\$250 000 - \$259 999			
\$290 000 - \$299 999			

The number of full time equivalent employees at reporting date is 2 047.20 (1 859.78). Of this total, 13 (14) are full time equivalent employees for administered activities.

4.2 Supplies and Services

	Note	2004 \$'000	2003 \$'000
IT expenses	2.6	110 142	106 208
Insurance		6 981	6 788
Repairs and maintenance		74 571	64 396
Rents		65 185	69 834
Lease expenses		16 571	37 696
Professional fees and commission		13 445	11 855
Accommodation		20 591	21 365
Communication		29 201	25 350
Motor vehicles expenses		16 339	16 885
Cost of goods (warehouse)		19 710	22 136
Others		36 128	28 157
Total Supplies and Services Expenses		408 864	410 670

The majority of the expenses relate to the provision of services to other State Government Agencies with the main areas being information technology and telecommunication \$115.3 million, office accommodation and residential housing \$83.1 million, building maintenance \$56.1 million, and fleet management \$39.8 million.

The number and dollar amount of consultancies paid/payable that fell within the following band:

	2004 Number	2004 \$'000	2003 Number	2003 \$'000
Below \$10 000	119	313	54	188
Between \$10 000 and \$50 000	29	574	26	548
above \$50 000	8	1 965	11	1 439
Total Paid/Payable to the Consultants Engaged	156	2 852	91	2 175

		Note	2004 \$'000	2003 \$'000
4.3 Depreciation and Amortisation Charges	Amortisation of Leased Assets:	2.13		
Building plant and equipment			763	797
Buildings			657	675
Fleet			18 559	10 901
Depreciation:				
Building, plant and equipment and fitouts			28 060	25 815
Motor vehicles			9 200	459
			57 239	38 647
4.4 Grants and Subsidies	Recurrent grants		22 347	16 542
Capital grants			5 075	3 089
			27 422	19 631
4.5 Other Expenses	Revaluation decrement		-	897
Bad and doubtful debts expenses			1 054	103
Loss on disposal of assets			-	1 733
Early termination of lease		2.22	3 996	-
			5 050	2 733
5. Auditor's Remuneration	Estimated amounts paid/payable to the auditors of the department		485	482
Other Services	No other services were provided by the Auditor-General's Department			
6. Revenues				
6.1 Fees and Charges		2.6		
Regulatory fees			103 861	90 989
Maintenance services			69 873	57 681
Fleet hire			63 475	63 396
EDS agency services			93 272	84 765
Telecommunication			49 957	48 471
Service provision fee and commission			17 823	6 037
Rental income			97 280	100 782
Sales of goods			18 306	20 685
Others			42 789	44 661
			556 636	517 467
6.2 Other Revenue				
Gain from disposal of assets			1 176	-
Assets recognised for the first time			-	6 666
Commonwealth revenue			961	-
			2 137	6 666
6.3 Revenue from SA Government		2.7		
Appropriations from consolidated account			131 616	121 522
Less: Return of Appropriation pursuant to Cash Alignment Policy			(100 000)	-
Total Revenue from SA Government			31 616	121 522
7. Net Revenues (Expenses) from Restructuring	The net revenues (expenses) relating to the restructuring of Administrative arrangements recognised in the Statement of Financial Performance are the following:			
(a) Public Sector Workforce Relation Unit			(290)	-
(b) Land Administration Systems and Functions (LASAFT)			983	-
(c) Santos Stadium			11 896	-
(d) Office for infrastructure development			968	-
(e) Vaughan Terrace Berri			782	-
(f) Information Economy Policy Office			-	(3 585)
(g) Media Monitoring Unit			-	(101)
(h) Office for Recreation and Sport (previously Office for Recreation, Sport and Racing)			-	26 337
			14 339	22 651

(a) *Public Sector Workforce Relation (PSWR) Unit*

During the year the Government announced (Gazette date of 24 July 2003) the transfer of the Public Sector Workforce Relations Unit from the Department of the Premier and Cabinet to the Department for Administrative and Information Services effective from 11 August 2003. The closest month end (31 July 2003) was adopted to determine a financial position. Assets and liabilities were transferred in accordance with APS 16 'Entity Restructuring' and Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments'.

The PSWR branch provides industrial relations and injury prevention and management services to Government to ensure fair, responsive and safe employment conditions for the public sector workforce.

The following assets and liabilities were transferred to the Department:

	2004 \$'000	2003 \$'000
Assets:		
Current assets	-	-
Non-current assets	578	-
Total Assets	578	-

Liabilities:

Current liabilities	233	-
Non-current liabilities	635	-
Total Liabilities	868	-
Net Liabilities	290	-

Summary of the total revenue and expenses from ordinary activities that were recognised by the Department of the Premier and Cabinet during the reporting period 1 July 2003 to 31 July 2003 were:

	2004 \$'000	2003 \$'000
Revenue	-	-
Expenses	521	-
Net Result	(521)	-

(b) *Land Administration Systems and Functions (LASAFT)*

On 24 July 2003, the Chief Executives of the Department for Environment and Heritage and the Department for Administrative and Information Services approved the transfer of the Lands Administrative System and Functions.

The transfer consisted of the transfer of information technology infrastructure supporting the Land Services Group operations which utilise 'LOTS' (eg the land registration and valuation functions); Business support for the LOTS Remote user Network and the web based Property Assist service and the creation and delivery through Service SA of Section 7 (real estate) products including the distribution of real estate products. Whilst the accounting control transferred to DAIS with effect from 1 September 2003, including the transfer of staff, physical operation and IT infrastructure will progressively transit over the next 18 months.

Assets and liabilities were transferred in accordance with APS 16 'Entity Restructuring' and Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments'

The following assets and liabilities were transferred to the Department:

	2004 \$'000	2003 \$'000
Assets:		
Current assets	-	-
Non-current assets	1 078	-
Total Assets	1 078	-

Liabilities:

Current liabilities	37	-
Non-current liabilities	58	-
Total Liabilities	95	-
Net Assets	983	-

Summary of the total revenue and expenses from ordinary activities that were recognised by the Department for Environment and Heritage during the reporting period 1 July 2003 to 31 August 2003 were:

	2004 \$'000	2003 \$'000
Revenue	2 323	-
Expenses	1 274	-
Net Result	1 049	-

(c) *Santos Stadium*
 On 6 November 2003 Santos Stadium trading as SA Athletics Stadium and operating as a Public Corporation was transferred to the Office of Recreation and Sport. Santos Stadium offers a comprehensive athletics facility to promote and enhance sporting activities in South Australia.

Assets and liabilities were transferred in accordance with APS 16 'Entity Restructuring' and Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments'.

The following assets and liabilities were transferred to the Department	2004	2003
Assets:	\$'000	\$'000
Current assets	134	-
Non-current assets	11 807	-
Total Assets	11 941	-
Liabilities:		
Current liabilities	45	-
Non-current liabilities	-	-
Total Liabilities	45	-
Net Assets	11 896	-

(d) *Office for Infrastructure Development*
 During the year the Government announced (gazette date of 4 December 2003) the transfer of DBMT (State Infrastructure) staff and resources to the Office for Infrastructure Development (OFID) in DAIS.

OFID is dedicated to changing the ad hoc approach to the development of infrastructure in South Australia. OFID prioritises critical infrastructure issues, resolves competing demands and defines investments necessary to achieve government outcomes.

Assets and liabilities were transferred in accordance with APS 16 'Entity Restructuring' and Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments'.

The following assets and liabilities were transferred to the Department:	2004	2003
Assets:	\$'000	\$'000
Current assets	1 273	-
Non-current assets	2	-
Total Assets	1 275	-
Liabilities:		
Current liabilities	49	-
Non-current liabilities	258	-
Total Liabilities	307	-
Net Assets	968	-

(e) *Vaughan Terrace (Berri)*
 On 2nd February 2004, Cabinet approved the transfer of no 28 Vaughan Terrace Berri from the Department for Environment and Heritage (DEH) and the South Australian Water Corporation (SA Water) to DAIS. The transfer is in line with DAIS' central management of office accommodation through its Real Estate Management Unit.

Assets and liabilities were transferred in accordance with APS 16 'Entity Restructuring' and Australian Accounting Standards AAS 29 'Financial Reporting by Government Departments'.

The following assets and liabilities were transferred to the Department:	2004	2003
Assets:	\$'000	\$'000
Current assets	-	-
Non-current assets	782	-
Total Assets	782	-
Liabilities:		
Current liabilities	-	-
Non-current liabilities	-	-
Total Liabilities	-	-
Net Assets	782	-

(f) *Information Economy Policy Office (2003 Comparative Only)*

On 12 September 2002, it was published in the Government Gazette that the Information Economy Policy Office (IEPO), a Business Unit of DAIS, would be transferred to the Department for Further Education, Employment Science and Technology (DFEEST). The Gazette deemed the effective date of transfer to be 1 October 2002. As of this date, all the assets and liabilities of IEPO have been transferred to the DFEEST and have been reported in accordance with Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments', relevant Account Policy Statements and Urgent Issues Group Abstract 38 'Contributions by owners made to Wholly-Owned Public Sector Entities'.

The following assets and liabilities were transferred out of the Department:	2004 \$'000	2003 \$'000
Assets:		
Current assets	-	3 515
Non-current assets	-	448
Total Assets	-	3 963
Liabilities:		
Current liabilities	-	239
Non-current liabilities	-	139
Total Liabilities	-	378
Net Assets	-	3 585

(g) *Media Monitoring Unit (2003 Comparative Only)*

On 12 August 2002, Cabinet approved the transfer of the Media Monitoring Unit which forms part of the Minister's Office from the Department of the Premier and Cabinet (DPC) to DAIS. The effective date of transfer for the reporting purposes is 1 July 2002. All the assets and liabilities of these units have been transferred to DAIS and have been reported in accordance with Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments', relevant Accounting Policy Statements and Urgent Issues Group Abstract 38 'Contributions by Owners made to Wholly-Owned Public Sector Entities'.

The following assets and liabilities were transferred to the Department:	2004 \$'000	2003 \$'000
Assets:		
Current assets	-	-
Non-current assets	-	-
Total Assets	-	-
Liabilities:		
Current liabilities	-	59
Non-current liabilities	-	42
Total Liabilities	-	101
Net Liabilities	-	101

Summary of Total Revenues and Expenses from Ordinary Activities for the period of 1 July 2002 to 30 June 2003 for the Activities Transferred to the Department

The transfer was deemed effective from 1 July 2002. The amounts in the financial statements include the operations for the whole of the reporting period and have been consolidated in the total DAIS results.

(h) *Hindmarsh Stadium (2003 Comparative Only)*

By a Cabinet Decision taken on 11th June 2002 approval was given for the transfer of responsibility for Hindmarsh Stadium from the Office for Venue Management to DAIS (Office for Recreation and Sport) effective from 1 July 2002. All the assets and liabilities of this facility have been transferred to DAIS and have been reported in accordance with Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments', relevant Accounting Policy Statements and Urgent Issues Group Abstract 38 'Contributions by Owners Made to Wholly-Owned Public Sector Entities'.

The following assets and liabilities were transferred to the Department.

	2004 \$'000	2003 \$'000
Assets:		
Current assets	-	296
Non-current assets	-	26 123
Total Assets	-	26 419
Liabilities:		
Current liabilities	-	82
Non-current liabilities	-	-
Total Liabilities	-	82
Net Assets	-	26 337

Summary of Total Revenues and Expenses from Ordinary Activities for the period of 1 July 2002 to 30 June 2003 for the Activities Transferred to the Department

The transfer was deemed effective from 1 July 2002. The amounts in the financial statements include the operations for the whole of the reporting period and have been consolidated in the total DAIS results.

		Note	2004 \$'000	2003 \$'000
8. Cash		2.8	161 120	253 203
Cash held with Treasury			231	201
Cash held in imprest account and petty cash				
Total Cash			161 351	253 404
9. Receivables		2.9		
Current:				
Trade debtors			42 872	34 666
Less: Provision for doubtful debts			679	999
Loans receivable			42 193	33 667
Less: Provision for doubtful debts			4 546	4 066
			4 503	3 994
			43	72
Accrued revenue			28 215	23 065
Accrued interest on bank			1 027	4 441
Total Current Receivables			71 478	61 245
Non-Current:		2.9		
Loans receivable			2 910	3 910
Less: Provision for doubtful debts			247	-
Total Non-Current Receivables			2 663	3 910
Total Receivables			74 141	65 155
10. Inventories				
Current:				
Work in progress - Construction and Other Projects:		2.10(a)		
Cost to date plus profit recognised			62 188	64 780
Less: Progress billings			58 992	61 663
			3 196	3 117
Stock:				
Other Stock on hand		2.10(b)	2 272	2 598
Total Inventories			5 468	5 715
11. (a) Land, Buildings and Fitouts				
Recreation, Sporting and Stadia Infrastructure:		2.13		
Land			47 956	43 143
Buildings and facilities			79 658	70 554
Less: Accumulated depreciation			4 462	-
			123 152	113 697
Commercial Properties:				
Land			39 774	35 521
Buildings			126 718	111 166
Less: Accumulated depreciation			4 356	5 606
			162 136	141 081
Industrial Properties:				
Land			7 280	6 985
Buildings			17 168	16 060
Less: Accumulated depreciation			394	18
			24 054	23 027
Heritage Properties:				
Land			7 528	6 288
Buildings			4 835	5 799
Less: Accumulated depreciation			161	215
			12 202	11 872
Residential Properties:				
Land			34 470	23 565
Building			110 500	95 610
Buildings - Lease receivable			5 381	5 791
Less: Accumulated depreciation			-	-
			150 351	124 966
Fitouts:				
In owned buildings - At cost			10 140	9 000
Less: Accumulated depreciation			4 800	3 883
			5 340	5 117
In leased buildings - At cost			18 231	16 897
Less: Accumulated depreciation			8 632	6 958
			9 599	9 939
Total Fitouts			14 939	15 056
Total Freehold Land, Buildings and Fitouts			486 834	429 699

11.	(a) Land, Buildings and Fitouts (continued)	Note	2004 \$'000	2003 \$'000
	Lessor Finance Lease Receivable:	2.13		
	Not later than one year		858	902
	Later than one year and not later than five years		2 947	3 014
	Later than five years		4 101	5 036
			7 906	8 952
	Deduct future finance charges		2 525	3 161
			5 381	5 791
	(b) Asset under Finance Lease	2.22		
	Motor Vehicles:			
	At valuation		111 278	111 278
	Less: Accumulated amortisation		83 174	61 610
			28 104	49 668
	Accommodation:			
	At valuation		14 862	19 121
	Less: Accumulated amortisation		1 241	969
			13 621	18 152
	Plant and Equipment:			
	At valuation		3 087	2 846
	Less: Accumulated amortisation		2 429	1 665
			658	1 181
			42 383	69 001
	Total Assets under Finance Lease			
	(c) Plant and Equipment	2.13		
	At cost		58 576	42 328
	Less: Accumulated depreciation		45 042	30 827
			13 534	11 501
	(d) Government Radio Network	2.13, 2.14		
	Assets held ready for use		103 475	97 031
	Less: Accumulated depreciation		33 728	22 609
			69 747	74 422
	(e) Motor Vehicles	2.13		
	At cost		124 598	17 971
	Less: Accumulated depreciation		9 196	459
			115 402	17 512
	Total Property, Plant and Equipment			
			727 900	602 135

12. Movement in Carrying Amounts of Non-Current Assets as at 30 June 2004

		Balance at 01.07.03 \$'000	Reclassi- fication \$'000	Assets under Construction \$'000	Transfer from Assets under Construction \$'000	Additions \$'000	Recovery Of Principal \$'000
Land, Buildings and Fitouts							
Recreation, Sporting and Stadia Infrastructure:							
Land	43 143	-	-	-	603	-	-
Buildings and Improvements	70 554	-	-	-	-	-	-
	113 697	-	-	-	603	-	-
Commercial Properties:							
Land	35 521	700	-	-	-	-	-
Buildings	105 560	3 174	-	-	5 296	-	-
	141 081	3 874	-	-	5 296	-	-
Industrial Properties:							
Land	6 985	-	-	-	-	-	-
Buildings	16 042	-	-	-	1 138	-	-
	23 027	-	-	-	1 138	-	-
Heritage Properties:							
Land	6 288	-	-	-	-	-	-
Buildings	5 584	-	-	-	50	-	-
	11 872	-	-	-	50	-	-
Residential Properties:							
Land	23 565	209	-	-	435	-	-
Buildings	95 610	(209)	-	-	3 645	-	-
Building - Lease receivable	5 791	-	-	-	100	(510)	-
	124 966	-	-	-	4 180	(510)	-
Fitouts:							
In owned buildings	5 117	-	-	-	1 140	-	-
In leased buildings	9 939	-	1 182	-	1 175	-	-
	15 056	-	1 182	-	2 315	-	-
Total Land, Buildings and Fitouts		429 699	3 874	1 182	13 582	(510)	

12. Movement in Carrying Amounts of Non-Current Assets as at 30 June 2004 (continued)

	Disposals \$'000	Revaluation Increments (Deccrements) \$'000	Restructure Transfer \$'000	Depreciation Expense \$'000	Carrying Amount at \$'000
Land, Buildings and Fitouts					30.06.04
Recreation, Sporting and Stadia Infrastructure:					\$'000
Land	-	-	4 210	-	47 956
Buildings and Improvements	(575)	-	7 597	(2 380)	75 196
	(575)	-	11 807	(2 380)	123 152
Commercial Properties:					
Land	(1 150)	4 482	221		39 774
Buildings	(1 200)	12 704	561	(3 733)	122 362
	(2 350)	17 186	782	(3 733)	162 136
Industrial Properties:					
Land	-	295	-	-	7 280
Buildings	-	(3)	-	(403)	16 774
	-	292	-	(403)	24 054
Heritage Properties:					
Land	-	1 240	-	-	7 528
Buildings	-	(779)	-	(181)	4 674
	-	461	-	(181)	12 202
Residential Properties:					
Land	(575)	10 836	-	-	34 470
Buildings	(1 887)	14 781	-	(1 440)	110 500
Building - Lease receivable	-	-	-	-	5 381
	(2 462)	25 617	-	(1 440)	150 351
Fitouts:					
In owned buildings	-	-	-	(917)	5 340
In leased buildings	(468)	-	-	(2 229)	9 599
	(468)	-	-	(3 146)	14 939
Total Land, Buildings and Fitouts	(5 855)	43 556	12 589	(11 283)	486 834
Other Fixed Assets					
Plant and equipment					
Balance at 01.07.03					Transfers from Assets under Construction
\$'000					
11 501		4 789	1 296		\$'000
					Restructure Transfer \$'000
					1 655
		17 512	111 712		-
Motor vehicles					
Government Radio Network:					
Assets held ready for use					
	74 422	2 129	4 288		
Plant and equipment					
Disposal \$'000					Deferred Profit on Sale \$'000
(22)		-			
					Depreciation Expense \$'000
Motor vehicles					
	(4 818)	196	(9 200)		30.06.04
					\$'000
					13 534
					115 402
Government Radio Network:					
Assets held ready for use					
	-	-	(11 092)		69 747
Capital Work in Progress					
Plant and equipment					
Balance at 01.07.03					Transfer to Expenses \$'000
\$'000					
10 376		6 686	-		30.06.04
214		7 413	(2 394)		\$'000
					14 914
Land and buildings					
460		71	(84)		5 233
Fitouts					
4 286		445	(4 286)		447
GRN assets under construction					
Total Work in Progress	15 336	14 615	(6 764)	(2 148)	21 039

13. Other Assets

Other Assets		2004	2003
Current:			
Prepaid expenses	Note	\$'000	\$'000
		7 115	6 887
Contractor Reimbursements:	2.11		
Contractor recoveries		308 371	-
Less: Contractor payments		(308 305)	-
		66	-
Total Current Other Assets		7 181	6 887

14. Payables		2004 \$'000	2003 \$'000
Current:			
Client monies received in advance	2.18	5 728	5 728
Incentive monies owing	2.17	1 880	1 932
Trade creditors	2.15	3 880	2 478
Accrued expenses		65 593	49 850
GST payable	2.5	3 831	4 759
Employment on-cost		2 631	1 421
Total Current Payables		83 543	66 168
Non-Current:			
Employment on-cost		3 211	2 902
Total Non-Current Payables		3 211	2 902
Total Payables		86 754	69 070
15. Interest Bearing Liabilities - Secured		2.19	
Current:			
Finance lease		21 536	12 816
Total Current Interest Bearing Liabilities		21 536	12 816
Non-Current:			
Finance lease		28 402	64 028
Borrowings from State Government		190 524	90 768
Total Non-Current Interest Bearing Liabilities		218 926	154 796
Total Interest Bearing Liabilities		240 462	167 612
16. Employee Benefits			
Current:			
Accrued salaries and wages		728	322
Annual leave	2.20	7 752	5 951
Long service leave	2.20	2 029	1 614
Total Current Employee Benefits		10 509	7 887
Non-Current:			
Long service leave	2.20	27 966	26 084
Total Non-Current Employee Benefits		27 966	26 084
Total Employee Benefits		38 475	33 971
<i>Employee Benefits and Related On-Cost</i>			
Accrued Salaries and Wages:			
On-costs included in payables - Current	2.20	1 139	301
Provision for employee benefits - Current		728	322
		1 867	623
Annual Leave:			
On-costs included in payables - Current	2.20	1 259	937
Provision for employee benefits - Current		7 752	5 951
		9 011	6 888
Long Service Leave:			
On-costs included in payables - Current	2.20	233	183
Provision for employee benefits - Current		2 029	1 614
		2 262	1 797
On-costs included in payables - Non-current		3 211	2 902
Provision for employee benefits - Non-current		27 966	26 084
		31 177	28 986
Aggregate Employee Benefit and Related On-Costs		44 317	38 294
17. Provisions		2.21	
Current:			
Workers compensation		1 144	1 330
Across Government initiatives		356	356
Total Current Provisions		1 500	1 686
Non-Current:			
Workers compensation		2 632	3 522
Total Non-Current Provisions		2 632	3 522
Total Provisions		4 132	5 208

17.	Provisions (continued) Movements in Provisions	Note	2004 \$'000	2003 \$'000
Current:				
Workers Compensation:				
Balance 1 July			1 330	1 157
Net movement during the year			(186)	173
Balance 30 June			1 144	1 330
Across Government Initiatives:				
Balance 1 July			356	1 357
Net movement during the year			-	(1 001)
Balance 30 June			356	356
Provision for Income Tax:				
Balance 1 July			-	1 399
Net movement during the year			-	(1 399)
Balance 30 June			-	-
Non-Current:				
Workers Compensation			3 522	3 614
Balance 1 July			(890)	(92)
Net movement during the year			2 632	3 522
18. Other Liabilities				
Current:				
Prepaid reimbursements relating to the sale and leaseback of motor vehicles	2.22		1 422	945
Unearned revenue	2.18		2 161	5 257
Contractor Reimbursements in Advance:	2.11			
Contractor recoveries			-	366 021
Less: Contractor payments			-	364 037
Deferred profit on sale and leaseback of motor vehicles	2.22		1 068	2 252
Total Other Liabilities			4 651	10 438
19. Equity				
19.1 Contributed Capital				
During the current year additional funds of \$458 000 (\$18.345 million) were provided to the Department as equity funding relating to the Government Radio Network Project (GRN) and the Automated Torrens Land Title Administration System (Atlas).				
Balance at the beginning of the reporting period			222 433	204 088
Movement during the year			458	18 345
Closing Balance			222 891	222 433
19.2 Accumulated Surplus				
Balance at 1 July			264 799	230 459
Net result after restructuring and tax			(12 432)	89 031
Dividend declared			(71 411)	(56 694)
Transfers to and from reserves:				
Transfer from Asset Revaluation Reserve			1 874	2 003
Balance at 30 June			182 830	264 799
19.3 Reserves				
Asset Revaluation Reserve:				
Balance at 1 July			168 889	114 015
Revaluation increments			43 557	56 877
Transfer (from Asset Revaluation Reserve)			(1 874)	(2 003)
Balance at 30 June			210 572	168 889
Surplus Incentive Funds Reserve:				
Balance at 1 July			666	666
Net movement during the year			101	-
Balance at 30 June			767	666

19.3 Reserves (continued)		Note	2004	2003
			\$'000	\$'000
Capital Reserves:			5 546	5 546
Balance at 1 July				-
Net movement during the year				-
Balance at 30 June			5 546	5 546
	Total Reserves		216 885	175 101
20. Finance Lease Commitments		2.22		
Motor Vehicles:				
Not later than one year			12 129	15 090
Later than one year and not later than five years			7 500	38 366
Later than five years				6 995
	Add (Deduct) future finance charges		19 629	60 451
			8 474	(10 783)
			28 103	49 668
Classified as:				
Current			20 603	11 509
Non-current			7 500	38 159
			28 103	49 668
Accommodation:				
Not later than one year			3 132	3 750
Later than one year and not later than five years			12 527	15 000
Later than five years			53 241	68 855
	Deduct future finance charges		68 900	87 605
			47 707	61 623
			21 193	25 982
Classified as:				
Current			517	581
Non-current			20 676	25 401
			21 193	25 982
Plant and Equipment:				
Not later than one year			443	780
Later than one year and not later than five years			244	489
	Deduct future finance charges		687	1 269
			45	75
			642	1 194
Classified as:				
Current			416	726
Non-current			226	468
			642	1 194
Total Finance Lease Commitments:				
Current			21 536	12 816
Non-current			28 402	64 028
			49 938	76 844
21. Operating Lease Commitments		2.22		
Not later than one year			67 711	66 559
Later than one year and not later than five years			195 694	186 694
Later than five years			64 317	82 866
	Total Operating Lease Commitments		327 722	336 119
22. Statement of Cash Flows				
(a) Reconciliation of Cash - Cash at Year End as per Statement of Cash Flows		8	161 351	253 404
(b) Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services				
Net cash provided by operating activities			33 049	132 265
Less: Revenues from Government			(36 135)	(126 638)
Add: Payments to Government (income tax expense)			637	2 177
Less: Net (revenue) on restructuring			(14 339)	(22 651)
Add/Less Non Cash Items:				
Depreciation of buildings, plant and equipment			(37 260)	(26 287)
Assets recognised for the first time				6 665
Loss on disposal of assets			115	(2 249)
Amortisation of finance lease			(19 979)	(12 360)
Profit on sale and leaseback			1 176	516
Net revenue on restructuring			13 004	25 962
Revaluation decrement				(897)
Doubtful debt expense			(1 054)	(103)
Other			(481)	-

(b) Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services (continued)

	2004 \$'000	2003 \$'000
Change in Assets and Liabilities:		
Increase (Decrease) in receivables	16 341	(27 846)
(Decrease) in inventories	(247)	(749)
Decrease (Increase) in other assets	53	(4 329)
(Increase) in payables	(15 952)	(4 461)
Decrease (Increase) in provisions	186	(457)
(Increase) Decrease in other liabilities	<u>(1 382)</u>	3 361
Net Cost of Services from Operating Activities	(62 268)	(58 081)

23. Financial Instrument

Terms, Conditions and Accounting Policies

(i) Financial Assets

Cash is available at call and is recorded at cost.

Receivables are raised for all goods and services provided for which payment has not been received.

Receivables are normally settled within 30 days.

(ii) Financial Liabilities

Creditors and accruals are raised for all amounts billed but unpaid during 2003-04.

Sundry creditors are normally settled within 30 days.

Loans are recognised when issued at the amount of the net proceeds received and carried at cost less any repayments until the loan is settled.

Loans are drawn from the Department of Treasury and Finance, and repayments are determined in negotiation with DAIS.

Interest on loans is recognised as an expense and is based on the common public sector interest rate plus a guarantee margin which as at 30 June 2004 was 7.5 percent (7.0 percent).

(a) Credit Risk Exposure

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

(b) Net Fair Value

The net fair value of all financial assets and financial liabilities approximates their carrying amounts as per the Statement of Financial Position.

(c) Interest Rate Risk

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

	2004						Weighted Average Interest Rate Percent	
	Floating Interest Rate \$'000	Fixed Interest Maturing in			Non- Interest Bearing \$'000	Total \$'000		
		1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000				
Financial Assets:								
Cash and cash equivalents	161 120	-	-	-	231	161 351	6.4	
Receivables	-	-	-	-	74 141	74 141		
Total Financial Assets	161 120	-	-	-	74 372	235 492		
Financial Liabilities:								
Borrowings from State Government	87 676	-	102 848	-	-	190 524	6.5	
Finance lease liabilities	-	21 536	10 097	18 305	-	49 938	9.8	
Payables	-	-	-	-	83 543	83 543		
Total Financial Liabilities	87 676	21 536	112 945	18 305	83 543	324 005		
Net Financial Assets (Liabilities)	73 444	(21 536)	(112 945)	(18 305)	(9 171)	(88 513)		

(c) Interest Rate Risk (continued)

	2003						Weighted Average Interest Rate Percent
	Floating Interest Rate \$'000	Fixed Interest or less \$'000	Interest Maturing in 1 year \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non- Interest Bearing \$'000	Total \$'000
Financial Assets:							
Cash and cash equivalents	253 203	-	-	-	-	201	253 404
Receivables	-	-	-	-	-	65 155	65 155
Total Financial Assets	253 203	-	-	-	-	65 356	318 559
Financial Liabilities:							
Borrowings from State Government	90 768	-	-	-	-	-	90 768
Finance lease liabilities	-	12 816	38 627	25 401	-	-	76 844
Payables	-	-	-	-	-	66 168	66 168
Total Financial Liabilities	90 768	12 816	38 627	25 401	66 168	233 780	
Net Financial Assets (Liabilities)	162 435	(12 816)	(38 627)	(25 401)	(812)	84 779	

24. Business Unit Information

DAIS carries out a number of functions and services through its business units. These functions are as follows:

- Building Maintenance - Provides a comprehensive facilities management service to government agencies.
- Building Management - Provides leadership to government and the building and construction industry for policy and practices in the management and procurement of government built assets. Incorporates administrative support to the Industrial and Commercial Premises Corporation which facilitates the construction of premises for firms establishing or expanding in South Australia.
- Business Services - Delivers a range of corporate business functions and services, project managements services, business policy and planning services, to DAIS and other government agencies on a 'shared services' basis. Corporate Services includes the activities of the Office of the Chief Executive, Employee Ombudsman and the Ministers' Office.
- Contract Services - Best value government procurement including contract development and management, advice and supply, distribution and disposal operations; secretariat support to the State Supply Board.
- Department for Aboriginal Affairs and Reconciliation (previously called Division of State Aboriginal Affairs) - Creates Aboriginal sustainable development, provides and maintains community infrastructure, administers Aboriginal heritage legislation, supports the State's land holding authorities and monitors and evaluates government services.
- Fleet SA - Provides fleet management services for government vehicles including policy advice, vehicle leasing, car-pooling, maintenance, accident and fuel management, vehicle fit out, disposals preparation and a Chauffeured VIP Fleet Service.
- Forensic Science - Provides independent pathology and scientific analysis services to the justice system and the community.
- Government ICT (includes Future ICT) - Supports the efficient electronic delivery of government services and takes a strategic leadership role in the planning, management and delivery of information and communication services across the public sector.
- Government Publishing SA - Manages the publication and dissemination of a range of key parliamentary and government publications for the South Australian Government.
- Industrial Relations Court, Commission and Workers Compensation Tribunal - Provides administrative and financial management support and carries out the registry functions for the Industrial Relations Court and Commission and Workers Compensation Tribunal.
- Land Services - Provides a Government-guaranteed system of land titling and land boundary security, and a viable and impartial property valuation service for the benefit of business, government and the community.
- Office for Infrastructure Development - Infrastructure development (previously known as Major Projects) unit provides specialist project management services in strategic partnership with other government agencies to deliver major and complex projects that support the economic development of the State. It was included in Building Management in previous year (Refer to note 7 for restructuring).

24.

Business Unit Information (continued)

Office for Racing - Provides strategic policy advice to the SA Government to assist the racing industry to operate successfully and flourish financially within an environment that promotes public confidence.

Office for Recreation and Sport - Promotes growth and excellence in recreation and sport for South Australia by providing leadership, services and assistance to State bodies, local government, community and private sector organisations servicing the recreation and sporting industries.

Policy, Planning and Community Services - Enhances organisational performance by facilitating strategy, planning, policy and communications so that the Department is responsive to stakeholder and the community needs.

Public Sector Workforce Relations - Assists the Government to achieve its economic development and social goals, working within the parameters of relevant legislation and government policy, by providing industrial relations services, occupational health, safety and injury management and strategic workforce policy and projects.

Real Estate Management - Provides expert services to manage all aspects of government agencies' commercial office accommodation and housing for government employees who provide essential public services in country areas. The portfolio of owned and leased office accommodation is represented by SA Government Commercial Properties and the portfolio of housing assets is represented by SA Government Employee Residential Properties.

Service SA - Services SA provides a common first line service delivery point for South Australians to conduct financial transactions with government, access government related information services or receive referral for more specialised government services. It was included in Government ICT in previous years.

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

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

Abridged Statement of Financial Performance

	Employee Expenses \$'000	Supplies and Services \$'000	Depreciation and Amortisation \$'000	Others \$'000	Total Expenses from Ordinary Activities \$'000
Building Maintenance	6 438	60 480	5	233	67 156
Building Management	6 489	6 814	280	(72)	13 511
Business Services	22 910	21 913	1 765	801	47 389
Contract Services	5 338	21 046	154	(1)	26 537
Department for Aboriginal Affairs and Reconciliation	3 209	4 131	186	3 762	11 288
Fleet SA	4 265	43 973	27 844	5 756	81 838
Forensic Science	6 501	4 291	1 253	1	12 046
Government ICT Services	10 185	144 132	14 193	2	168 512
Government Publishing SA	859	1 320	48	-	2 227
Industrial Relations Court, Commission and Workers Compensation Tribunal	4 644	2 956	96	-	7 696
Land Services	18 837	11 993	748	6 408	37 986
Office for Infrastructure Development	1 345	977	28	-	2 350
Office for Racing	309	193	-	-	502
Office for Recreation and Sport	6 707	9 049	2 018	13 699	31 473
Policy, Planning and Community Services	1 606	925	-	-	2 531
Public Sector Workforce Relations	2 706	1 429	205	3 410	7 750
Real Estate Management	3 430	1 820	96	-	5 346
SA Government Commercial Properties	-	87 099	5 484	9 499	102 082
SA Government Employee Residential Properties	-	12 091	2 357	2 601	17 049
Service SA	3 459	3 439	181	46	7 125
State Records	2 635	3 360	205	-	6 200
Workplace Services	13 063	6 818	93	2	19 976
Eliminations	-	(41 385)	-	-	(41 385)
Consolidation	124 935	408 864	57 239	46 148	637 186

Abridged Statement of Financial Performance (continued)

	Sales and Misc Revenue \$'000	Net Cost (Revenue) of Service \$'000	Revenues from SA Govern- ment \$'000	Ordinary Activities before Restruc- turing \$'000	2004 Net Result from Ordinary Activities before Restruc- turing \$'000	2003 Net Result from Ordinary Activities before Restruc- turing \$'000
Building Maintenance	67 333	(177)	-	177	760	
Building Management	8 282	5 229	-	(5 229)	599	
Business Services	30 663	16 726	444	(16 282)	3 835	
Contract Services	21 738	4 799	-	(4 799)	(2 723)	
Department for Aboriginal Affairs and Reconciliation	1 230	10 058	16 921	6 863	(1 011)	
Fleet SA	70 032	11 806	-	(11 806)	(5 689)	
Forensic Science	3 074	8 972	6 040	(2 932)	(708)	
Government ICT Services	156 196	12 316	-	(12 316)	10 576	
Government Publishing SA	2 143	84	-	(84)	594	
Industrial Relations Court, Commission and Workers Compensation Tribunal	4 937	2 759	-	(2 759)	241	
Land Services	108 525	(70 539)	-	70 539	56 939	
Office for Infrastructure Development	108	2 242	1 112	(1 130)	-	
Office for Racing	-	502	-	(502)	57	
Office for Recreation and Sport	3 439	28 034	4 128	(23 906)	(3 563)	
Policy, Planning and Community Services	-	2 531	-	(2 531)	(374)	
Public Sector Workforce Relations	681	7 069	7 490	421	1 518	
Real Estate Management	5 661	(315)	-	315	311	
SA Government Commercial Properties	101 198	884	-	(884)	8 359	
SA Government Employee Residential Properties	18 681	(1 632)	-	1 632	92	
Service SA	3 707	3 418	-	(3 418)	-	
State Records	340	5 860	-	(5 860)	(1 865)	
Workplace Services	8 335	11 641	-	(11 641)	609	
Eliminations	(41 385)	-	-	-	-	
Consolidation	574 918	62 268	36 135	(26 133)	68 557	

Abridged Statement of Financial Position

	Current Assets \$'000	Non- Current Assets \$'000	Total Assets \$'000	Current Liabilities \$'000
Building Maintenance	19 421	15	19 436	6 749
Building Management	41 643	8 153	49 796	24 065
Business Services	27 944	11 573	39 517	11 034
Contract Services	(5 268)	354	(4 914)	1 513
Department for Aboriginal Affairs and Reconciliation	9 758	868	10 626	941
Fleet SA	(3 968)	143 701	139 733	46 341
Forensic Science	(1 148)	5 995	4 847	682
Government ICT Services	44 589	75 304	119 893	15 515
Government Publishing SA	381	175	556	372
Industrial Relations Court, Commission and Workers Compensation Tribunal	(33)	670	637	484
Land Services	102 947	6 868	109 815	7 914
Office for Infrastructure Development	3 013	45	3 058	923
Office for Racing	(340)	-	(340)	56
Office for Recreation and Sport	(8 298)	125 916	117 618	1 014
Policy, Planning and Community Services	(2 893)	13	(2 880)	141
Public Sector Workforce Relations	903	331	1 234	374
Real Estate Management	2 718	948	3 666	401
SA Government Commercial Properties	32 690	214 935	247 625	5 236
SA Government Employee Residential Properties	4 709	157 077	161 786	779
Service SA	(375)	527	152	1 332
State Records	(8 482)	3 944	(4 538)	568
Workplace Services	(8 230)	190	(8 040)	1 508
Eliminations	(6 203)	(6 000)	(12 203)	(6 203)
Consolidation	245 478	751 602	997 080	121 739

Abridged Statement of Financial Position (continued)

	Non- Current Liabilities \$'000	Total Liabilities \$'000	2004 Net Assets \$'000	2003 Net Assets \$'000
Building Maintenance	5 992	12 741	6 695	6 845
Building Management	3 091	27 156	22 640	29 653
Business Services	7 170	18 204	21 313	33 969
Contract Services	1 165	2 678	(7 592)	(2 108)
Department for Aboriginal Affairs and Reconciliation	444	1 385	9 241	2 378
Fleet SA	116 382	162 723	(22 990)	(11 183)
Forensic Science	1 443	2 125	2 722	5 653
Government ICT Services	2 074	17 589	102 304	135 143
Government Publishing SA	343	715	(159)	406
Industrial Relations Court, Commission and Workers Compensation Tribunal	839	1 323	(686)	1 615
Land Services	5 499	13 413	96 402	75 247
Office for Infrastructure Development	514	1 437	1 621	-
Office for Racing	47	103	(443)	57
Office for Recreation and Sport	1 229	2 243	115 375	127 409
Policy, Planning and Community Services	181	322	(3 202)	(671)
Public Sector Workforce Relations	730	1 104	130	-
Real Estate Management	1 000	1 401	2 265	1 950
SA Government Commercial Properties	70 133	75 369	172 256	157 146
SA Government Employee Residential Properties	34 975	35 754	126 032	99 947
Service SA	1 516	2 848	(2 696)	-
State Records	330	898	(5 436)	422
Workplace Services	3 638	5 146	(13 186)	(1 545)
Eliminations	(6 000)	(12 203)	-	-
Consolidation	252 735	374 474	622 606	662 333

25.***Commitments for Expenditure***
25.1 Capital Commitments

Capital expenditure contracted for as at the reporting date but not recognised as liabilities in the financial report, but are payable as follows:

Not later than one year	155	64
Later than one year but not later than five years	416	46
Total Capital Commitments	571	110

25.2 Major Contractual Commitments***Facilities Maintenance Contract***

The Department holds two contracts with private facility management contractors to undertake minor works and maintenance on behalf of government agencies.

The value of these contracts annually is approximately \$75 million (excluding management fees).

Information Technology Services

In October 1995, the South Australian Government signed an 'Information Technology Services and State Economic Development Agreement' with EDS (Australia) Pty Ltd that has a term of slightly more than nine years. The agreement expires in mid 2005.

The agreement requires EDS to provide information technology infrastructure services relating to mainframe, midrange, local area network, wide area network and workstation segments to most South Australian Government agencies.

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

During the year the value of the contract (excluding management fees) was \$94 million.

Future Information and Communication Technology (ICT) Service Arrangements for the South Australian Government.

In June 2002 Cabinet approved the first stage of the South Australian Government's current ICT service arrangements and in December that year announced it would offer to the information and communication technology market place the opportunity for a range of ICT services to be provided to the South Australian Government.

This has been followed up with several releases to the market, beginning in December 2003 for the supply of peripheral ICT equipment, and in May 2004 for the supply of mainframe, messaging and hosting services, with others to be released progressively throughout 2004.

The first contracts to be issued under the Future ICT initiative are expected during the first quarter of 2005.

25.2 Major Contractual Commitments (continued)

Telecommunication Services Agreement (TSA)

On 23 October 2001, the South Australian Government signed a 'Telecommunications Services Agreement' with Telstra over a term of three years with options to extend. The contract expires in October 2004. The contract requires a minimum across government spend. If the Government does not meet this minimum spend, the three year period will be extended until the minimum spend is achieved.

This is an across government agreement which requires Telstra to provide a broad range of telecommunication services to SA Government agencies. The commercial relationship exists between Telstra and the individual agencies directly, including the agencies payment of individual accounts, while DAIS manages the contractual obligations.

Capital Works Program

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

Government Radio Network (GRN)

On 29 April 1999 the South Australian Government signed a contract with Telstra Corporation Ltd to design, construct, operate and maintain the South Australian Government Radio Network (SA-GRN) for a period of seven years with a commencement date of 24 May 1999 (refer Note 2.8).

South Australian Government commitments to Telstra Corporation Ltd over the life of the contract total \$155.449 million. Other commitments associated with the project's development, over the life of the contract, total \$63.544 million. An additional provision of \$28.714 million has been established for contingencies over the duration of the contract.

Internet Services Provision

This initiative originally commenced on 1 November 2001, with the State entering into an agreement with Agile Pty Ltd and Internode Systems Pty Ltd for the provision of Internet Services to the SA Government central corporate internet gateway. As part of the future ICT program, Cabinet extended this arrangement such that it now expires on 21 October 2004, with an option to extend for a further 1-year period.

26. Contingent Liabilities

26.1 Hindmarsh Stadium

In 1996 and 1997 the Government entered into formal arrangements with the South Australian Soccer Federation (SASF), regarding the capital redevelopments and fit out works associated with stage 1 construction of the Stadium. The arrangements resulted in the SASF securing two loans from an external banking institution, \$4.1 million (Stage 1 Construction) and \$2 million (Stage 1 Fit Out), to be applied with the government funding to the abovementioned works.

As part of the arrangements the loans of the SASF are underwritten by the Government. As such the Department is contingently liable for the outstanding balance of the loans of the SASF. At balance date the outstanding balance of the respective loans were \$3.4 million and \$1.6 million.

During the reporting period the department met the loan obligations of the SASF, consistent with the loan and underwriting arrangements, as follows:

Stage 1 Construction

Payments relating to the loan obligations totalling \$421 000 (\$421 000). Interest totalling \$270 000 (\$280 000) was charged during the reporting period. These amounts are recoverable from the SASF.

Stage 1 Fit Out

Payments relating to the loan obligations totalling \$194 000 (\$194 000). Interest totalling \$121 000 (\$125 000) was charged during the reporting period. These amounts are recoverable from the SASF.

Over the term of the loans, the Department has met repayments for the loans totalling \$4.6 million. These amounts have been included in receivables, along with additional interest accruals in accordance with the loan underwriting arrangements.

26.2 Netball Stadium - ETSA Park

In 1997 the Government entered into formal arrangements with the South Australian Netball Association (SANA), regarding the construction of a netball stadium at Mile End. The arrangements resulted in the SANA securing a loan of \$3.5 million from an external banking institution to be applied with Government funding toward the stadium construction.

As part of the arrangements the loan of SANA is underwritten by the Government. As such the Department is contingently liable for the outstanding balance of the loan of the SANA. At balance date the outstanding balance of the loan was \$ 3.05 million.

During the reporting period the Department was required to contribute \$20 000 to SANA to offset repayment obligation shortfalls.

26.3 Transition from present EDS ITSSED Relationship

As part of the disengagement process as contained within provisions of the 'Information Technology Services and State Economic Development Agreement' with EDS (Australia) Pty Ltd (refer 2.20) are costs pertaining to the withdrawing from exiting services.

With the transitional arrangements estimated to be of 18 to 24 months duration the SA Government through DAIS is contingently liable for the following costs associated in maintaining existing services:

Purchase of Dedicated Infrastructure

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

Software Licensing Transfer Fee.

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

Software Maintenance Transfer Fees

As part of maintaining existing services may be the requirement to acquire software maintenance licences as pertaining to software, database and mainframe applications. An amount of \$200 000 is estimated.

The amounts provided above are estimates as it is not possible to reliably measure their value due to variations in the market value of the assets as well as an ability to offset costs through the reassigning or transferring to new service providers.

27. After Balance Date Events

There were no after balance date events.

**Statement of Administered Revenue and Expenses
for the year ended 30 June 2004**

	Note	2004 \$'000	2003 \$'000
ADMINISTERED REVENUE:	A2		
Revenues from SA Government		13 485	7 330
Fees and charges		184 952	220 868
Other revenue		1 754	1 014
Total Administered Revenue		200 191	229 212
ADMINISTERED EXPENSES:			
Employee expenses	A5	3 372	2 110
Grants and subsidies		2 859	1 104
Supplies and services		215 821	223 298
Total Administered Expenses		222 052	226 512
NET OPERATING (DEFICIT) SURPLUS BEFORE RESTRUCTURING		(21 861)	2 700
DECREASE IN NET ASSETS DUE TO ADMIN RESTRUCTURE		(23 075)	-
NET OPERATING (DEFICIT) SURPLUS AFTER RESTRUCTURING		(44 936)	2 700

**Statement of Administered Assets and Liabilities
as at 30 June 2004**

	2004 \$'000	2003 \$'000
ADMINISTERED CURRENT ASSETS:		
Cash	19 360	20 378
Receivables	2 874	7 551
Total Current Assets	22 234	27 929
ADMINISTERED NON-CURRENT ASSETS:		
Receivables	182	-
Total Non-Current Assets	182	-
Total Administered Assets	22 416	27 929
ADMINISTERED CURRENT LIABILITIES:		
Payables	9 710	3 041
Employee benefits	114	46
Unearned revenue	10 946	-
Outstanding claims liability	5 793	-
Total Current Liabilities	26 563	3 087
ADMINISTERED NON-CURRENT LIABILITIES:		
Employee benefits	222	116
Outstanding claims liability	15 841	-
Total Non-Current Liabilities	16 063	116
Total Administered Liabilities	42 626	3 203
NET (LIABILITIES) ASSETS	(20 210)	24 726
ADMINISTERED EQUITY:		
Accumulated (Deficit) Surplus	(20 210)	24 726
TOTAL ADMINISTERED EQUITY	(20 210)	24 726

Administered Statement of Cash Flows for the year ended 30 June 2004

	2004	2003
	Inflows	Inflows
	(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH INFLOWS:		
Receipts from SA Government	13 444	8 906
Taxes, fees and charges	188 758	219 418
Proceeds from Administrative Restructure	1 834	-
Other receipts	4 389	935
	208 425	229 259
CASH OUTFLOWS:		
Employees payments	(3 198)	(2 069)
Payments to suppliers	(206 245)	(227 649)
	(209 443)	(229 718)
Net Cash Outflows from Operating Activities	(1 018)	(459)
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH OUTFLOWS:		
Dividends paid	-	(855)
	Net Cash Outflows from Financing Activities	(855)
NET DECREASE IN CASH HELD	(1 018)	(1 314)
CAST AT 1 JULY	20 378	21 692
CASH AT 30 JUNE	19 360	20 378

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

A1. Summary of Significant Accounting Policies

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

A2. Administered Items

The following funds and financial transactions are administered by the Department as at 30 June 2004. They do not represent controlled transactions of the Department. As such, they are not recognised in the financial statements as transactions of the Department.

A2.1 Asset Sales Deposit Account

Although the responsibility of administering the funds in relation to the SAGRIC International Pty Ltd and Lotteries Commission of SA were transferred to the Department of Treasury and Finance from 4th December 2001, DAIS has continued to administer funds in relation to the Port's Corporation and South Australian Totalizator Agency Board redeployees. The Department of Treasury and Finance has reimbursed the Department for these costs.

A2.2 ATSIS Capital Works Fund

The Department is responsible for the administration of the funds described below, primarily on behalf of the Aboriginal and Torres Strait Islanders Services. These funds are not recorded in the Department's Statement of Financial Performance or Statement of Financial Position, as the Department acts only as a project manager and does not have control as to how these funds are to be spent.

The administered items are listed below:

- Commonwealth Government grants for construction of infrastructure in Aboriginal communities
- State Government Grants for construction of infrastructure in Aboriginal communities.

A2.3 Commonwealth Bank of Australia (CBA) Deposit Account

This account was established as a result of the sale and leaseback of the light motor fleet. This account is non-interest bearing and is utilised to collect the proceeds from sales of vehicles on behalf of the fleet owner.

A2.4 Gaming Machines Operations Deposit Account

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

A2.5 Government Workers Rehabilitation and Compensation Fund

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

A2.6 Land Services Trust Funds

The Department holds the funds in the following accounts under the authorisation of the following acts:

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

A2.7 Major Administered Projects

The Department holds funds in trust for capital works on behalf of other agencies for certain major projects.

This arrangement has been established for the following:

- Riverbank
- Riverbank Stage 2
- Torrens Parade Ground
- West Lakes Contamination
- SARDI Pipeline (completed in September 2003)
- Deep Sea Grain Port at Outer Harbour (to be completed August 2005)

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

A2.8 Recreation and Sport Fund

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

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

A2.9 Special Acts Salaries

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

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

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

A2.10 Sport and Recreation Fund

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

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

A2.11 State Government Auctions

Contract Services holds funds on behalf of other agencies in relation to vehicle and plant disposal auctions.

A2.12 Service SA Section 7

Section 7 of the *Land and Business (Sale and Conveyancing) Act 1994* identifies the requirement for a statement of Government interests to be serviced by a vendor or their agent on the purchaser prior to settlement of a property. The disbursements are the payment to the various agencies for the provision of this information. The disbursement arrangements were established in 1988-89 by the Department of Treasury and Finance. On 1 September 2003 the management responsibility of Section 7 was transferred from the Department of Environment and Heritage to the Land Services Group.

A2.13 WorkCover Review

The Minister for Industrial Relations, the Hon Michael Wright initiated a review of Workers Compensation and Occupational Health and Safety administration in South Australia. The review was headed by Judge Brian Stanley. The findings of the review were presented in a report to the Minister in December 2002. The South Australian Government tabled the Occupational Health, Safety and Welfare (SafeWork SA) Bill in the House of Assembly on 28 May 2003. The Bill seeks to introduce the recommendations of the review in relation to the occupational, health, safety and welfare system in South Australia.

A3.	Statement of Financial Performance	Administered Revenues			Administered Expenses			Total Administered Expenses \$'000
		Receipts and Other Revenue \$'000	Receipts from Government \$'000	Total Administered Revenues \$'000	Employee Expenses \$'000	Other Operating Expenses \$'000		
	Asset Sales Deposit Account	-	-	-	-	148		148
	Gaming Machines	25 392	-	25 392	-	27 561		27 561
	State Government Auctions	81 846	-	81 846	-	81 833		81 833
	CBA Vehicles	66 894	-	66 894	-	73 407		73 407
	Special Acts Salaries	-	2 673	2 673	3 314	77		3 391
	Land Services Group Trust Funds	115	-	115	-	5 221		5 221
	Major Administered Projects	256	7 107	7 363	58	10 211		10 269
	Government Workers							
	Compensation Fund	1 487	3 705	5 192	-	2 482		2 482
	Service SA Section 7	3 538	-	3 538	-	3 538		3 538
	ATSID Capital Works Fund	3 446	-	3 446	-	10 811		10 811
	Sport and Recreation Fund	3 500	-	3 500	-	2 859		2 859
	Recreation and Sport Fund	232	-	232	-	494		494
	WorkCover Review	-	-	-	-	38		38
	Total	186 706	13 485	200 191	3 372	218 680	222 052	

		2004 Net Operating (Deficit) Surplus before Restructuring \$'000	Net Expense from Restructuring \$'000
	Asset Sales Deposit Account	(148)	-
	Gaming Machines	(2 169)	-
	State Government Auctions	13	-
	CBA Vehicles	(6 513)	-
	Special Acts Salaries	(718)	-
	Land Services Group Trust Funds	(5 106)	-
	Major Administered Projects	(2 906)	-
	Government Workers		
	Compensation Fund	2 710	(23 075)
	Service SA Section 7	-	-
	ATSID Capital Works Fund	(7 365)	-
	Sport and Recreation Fund	641	-
	Recreation and Sport Fund	(262)	-
	WorkCover Review	(38)	-
	Total	(21 861)	(23 075)

A4.	Statement of Financial Position	Non-	Total Liabilities \$'000		
		Current Assets \$'000	Current Liabilities \$'000	Non-Current Liabilities \$'000	
	Asset Sales Deposit Account	19	184	-	184
	Gaming Machines	1 246	1 369	-	1 369
	State Government Auctions	266	255	-	255
	CBA Vehicles	3 782	2 969	-	2 969
	Special Acts Salaries	(2 589)	(2 589)	114	295
	Land Services Group Trust Funds	5 387	5 374	-	5 374
	Major Administered Projects	(1 383)	(1 383)	31	72
	Government Workers				
	Compensation Fund	1 639	182	15 841	22 186
	Service SA Section 7	-	-	-	-
	ATSID Capital Works Fund	9 922	9 922	-	9 922
	Sport and Recreation Fund	3 921	3 921	-	-
	Recreation and Sport Fund	42	42	-	-
	WorkCover Review	(18)	(18)	-	-
	Total	22 234	182	22 416	42 626

A4. Statement of Financial Position (continued)

Asset Sales Deposit Account
 Gaming Machines
 State Government Auctions
 CBA Vehicles
 Special Acts Salaries
 Land Services Group Trust Funds
 Major Administered Projects
 Government Workers
 Compensation Fund
 Supply SA Section 7
 ATSID Capital Works Fund
 Sport and Recreation Fund
 Recreation and Sport Fund
 WorkCover Review

Total

	2004	2003
	Net	Net
(Liabilities)		(Liabilities)
Assets		Assets
\$'000		\$'000
(165)		(17)
(123)		2 046
11		-
813		7 326
(2 884)		(2 166)
13		5 119
(1 455)		1 451
	(20 365)	-
	-	-
	-	7 365
3 921		3 279
42		303
(18)		20
	(20 210)	24 726

A5. Remuneration of Employees

Amounts received or receivable by employees as Administered Items whose remuneration is greater than \$100 000. The amounts include salaries, related payments and superannuation benefits.

The number of employees of the Department whose remuneration falls within the following bands for the year ended were:

\$110 000 - \$119 999
 \$120 000 - \$129 999
 \$140 000 - \$149 999
 \$180 000 - \$189 999
 \$210 000 - \$219 999
 \$220 000 - \$229 999
 \$230 000 - \$239 999
 \$250 000 - \$259 999
 \$270 000 - \$279 999
 \$280 000 - \$289 999
 \$300 000 - \$309 999
 \$310 000 - \$319 999
 \$340 000 - \$349 999

	2004	2003
	\$'000	\$'000
	2 970	2 393
Number of Employees		Number of Employees
-		2
1		-
1		1
1		2
2		-
-		1
1		-
1		-
-		2
-		2
-		1
4		-
1		-

GOVERNMENT WORKERS REHABILITATION AND COMPENSATION FUND

ADMINISTERED RESPONSIBILITY

The Government Workers Rehabilitation and Compensation Fund (the GWRC Fund) is administered by, but not controlled by, the Department for Administrative and Information Services (DAIS) from 11 August 2003. Prior to this date the Department of the Premier and Cabinet was responsible for the administration of the GWRC Fund.

Costs of the Fund are processed through a non-interest bearing Special Deposit Account titled 'Government Workers Rehabilitation and Compensation Fund'. The payments processed through the account include all lump-sum claim payments and costs of administering the GWRC Fund. The principal source of funds consists of monies provided to the GWRC Fund by the State Government.

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

Over the past 11 years the responsibility for meeting the cost of certain aspects of claims has gradually been devolved to Government agencies.

As at 30 June 2004 the GWRC Fund was closed to any new claims, with the responsibility for meeting all claim costs being transferred to Government agencies. The impact of this change is that from 1 July 2004 the GWRC Fund will only meet certain costs of existing claims as at 30 June 2004.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Government Workers Rehabilitation and Compensation Fund for each financial year.

Assessment of Controls

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

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

Scope of Audit

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

The major focus of the audit was financial reporting, including valuations undertaken of the Fund's liabilities and assets, where applicable. The audit also included a review of controls over the claims management system.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable accounting standards and other mandatory professional reporting requirements in Australia, the financial position of the Government Workers Rehabilitation and Compensation Fund as at 30 June 2004, its financial performance and its cash flows for the year then ended.

Assessment of Controls

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

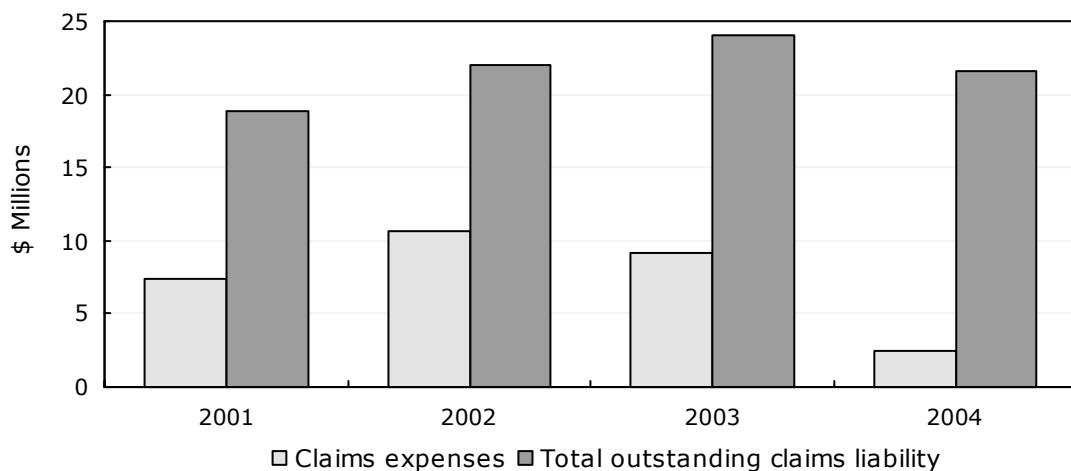
Outstanding Claims

The GWRC Fund's Statement of Financial Position is dominated by the provision for outstanding claims, which by its nature is subjective. As a result, an independent actuary is appointed to undertake an analysis of the outstanding claims liability for the whole-of-Government.

The outstanding claims liability is based on the number of claims reported and payments for each payment type during each accident period. The actuary then uses a statistical model to estimate the total outstanding claims. The liability is adjusted for several factors, including inflating and discounting of the claims to their present value and an estimate of the cost of administering the outstanding claims.

The outstanding claim liability for the GWRC Fund as at 30 June 2004 was \$21.6 million (\$24.0 million).

The following chart shows the movement in the annual claims expense and the total outstanding claims liability for the four years to 2004.



The decrease in claims expense reflects the level of funding provided for lump sum settlements. Total outstanding claims liability has decreased due mainly to an increase in the discount rate used.

GOVERNMENT WORKERS REHABILITATION AND COMPENSATION FUND**Statement of Financial Performance
for the year ended 30 June 2004**

		2004	2003
		\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Claims expenses	3	2 359	9 208
Repayment of funding to the Treasurer	4	-	1 000
Other expenses	5	123	287
Total Expenses from Ordinary Activities		2 482	10 495
REVENUE FROM ORDINARY ACTIVITIES:			
Transfer from Targeted Voluntary Separation Package Scheme		1 292	150
Other revenues	6	195	598
Total Revenues from Ordinary Activities		1 487	748
NET COST OF SERVICES FROM OPERATING ACTIVITIES		(995)	(9 747)
REVENUES FROM SA GOVERNMENT:			
Grants and subsidies		3 705	5 322
Net Results from Operating Activity		2 710	(4 425)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		2 710	(4 425)

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

		2004	2003
		\$'000	\$'000
CURRENT ASSETS:			
Cash		670	1 834
Receivables	7(a)	969	178
Total Current Assets		1 639	2 012
NON-CURRENT ASSETS:			
Receivables	7(b)	182	94
Total Non-Current Assets		182	94
Total Assets		1 821	2 106
CURRENT LIABILITIES:			
Payables	8	552	1 174
Outstanding claims liability	9(a)	5 793	5 956
Total Current Liabilities		6 345	7 130
NON-CURRENT LIABILITIES:			
Outstanding claims liability	9(b)	15 841	18 051
Total Non-Current Liabilities		15 841	18 051
Total Liabilities		22 186	25 181
NET DEFICIENCY		(20 365)	(23 075)
EQUITY:			
Accumulated deficit	10	(20 365)	(23 075)
TOTAL DEFICIENCY		(20 365)	(23 075)

Statement of Cash Flows
for the year ended 30 June 2004

		2004	2003
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:		Note	
Claim payments		\$'000	\$'000
Repayment of funding to the Treasurer		(5 417)	(6 136)
Other payments from ordinary activities		-	(1 000)
Total Payments		(59)	(259)
		(5 476)	(7 395)
RECEIPTS:			
Other receipts from ordinary activities		77	574
Transfer from Targeted Voluntary Separation Package Scheme		530	-
Total Receipts		607	574
CASH FLOWS FROM GOVERNMENT:			
Grants and subsidies		3 705	5 322
Total Cash Flows from Government		3 705	5 322
Net Cash used in Operating Activities	11	(1 164)	(1 499)
NET DECREASE IN CASH HELD		(1 164)	(1 499)
CASH AT 1 JULY		1 834	3 333
CASH AT 30 JUNE		670	1 834

NOTES TO AND FORMING PART OF THE GENERAL PURPOSE FINANCIAL STATEMENTS

1. Objectives

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

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The accounts have been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Australian Accounting Standards and Urgent Issues Group Consensus Views. The accounts are prepared on the accrual basis and in accordance with conventional historical cost principles except where stated.

(b) The Reporting Entity

The financial report encompasses all activities transacted through a Special Deposit Account titled 'Government Workers Rehabilitation and Compensation Fund'. The Fund is administered by, but not controlled by, the Department for Administrative and Information Services

The Fund's principal sources of funding consists of:

- Monies appropriated to the Department for Administrative and Information Services for the Fund by Parliament. These monies are recognised as Grants and Subsidies.
- Monies reimbursed from the Targeted Voluntary Separation Package Scheme's Special Deposit Account for the settlement of outstanding workers compensation claims, which is a pre-requisite of the separation process.

(c) Claims Expenses met from the Fund

The following expenses for claims are met by the Fund:

- Lump sum settlements for small and certain medium sized Government agencies covered by the Fund.
- A portion of lump sum settlements to larger Government agencies.
- Income maintenance, legal costs and other costs for three specific agencies.

(d) Grants and Subsidies

Grants and subsidies are recognised as revenue when the Fund obtains control over the assets comprising the contribution. Control over grants and subsidies is normally obtained upon their receipt.

(e) Receivables

Funding is obtained by recoveries from third parties. The level of receivables in relation to third party recoveries has been established on the basis of an independent actuarial assessment of the estimated revenue expected from recovery action against third parties. The actuarial assessment includes the separation of the receivable into current and non-current.

(f) Outstanding Claims Liability

The provision for outstanding liability of the Fund covers those claims expenses stated in Note 2(c) as being met from the Fund.

A liability for outstanding claims is recognised in respect of claims incurred but not yet paid and the anticipated direct and indirect costs of settling those claims.

The liability for outstanding claims has been established on the basis of an independent actuarial assessment of the estimated costs of settlement of claims, inflated for the anticipated effects of inflation and other factors, and discounted to a present value at balance date.

(g) Financial Instruments

The Fund's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2004, are as follows:

Financial Assets

Cash at Bank includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis. Cash deposits are non-interest bearing.

Receivables (Note 7) include client debtors and other debtors and are reported at amounts due.

Financial Liabilities

Payables (Note 8) are raised for amounts billed but unpaid and are normally settled within 30 days.

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

(h) Post Balance Date Events

From 1 July 2004, the Treasurer has approved the closure of the Fund to any new liabilities from claims formally registered on/from that date. Agencies will now be responsible for all costs associated with workers compensation claims registered from 1 July 2004.

(i) Changes in Accounting Policy*Impact of Adopting Australian Equivalents to International Financial Reporting Standards*

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

Managing the Process

In accordance with Treasurer's Instructions 19 'Financial Reporting', the Fund is responsible for ensuring that the annual financial statements comply with Generally Accepted Accounting Principles (GAAP). The Fund will analyse the exposure drafts issued by the AASB so as to identify any potential issues and develop a plan to manage the transition to the new standards. The plan will require the identification of:

- Major areas of accounting and reporting differences resulting from adoption of the new standards;
- Potential changes required to financial statements; and
- Key dates for monitoring and reviewing progress.

Expected Differences in Accounting Policies

A major change is the treatment of accounting policy changes under IFRS. These will now apply retrospectively except for specific exemptions in accordance with AASB 1 'First Time Adoption of Australian Equivalents to IFRS'.

3. Claims Expense

	Operating Payments		Movement in Outstanding Liability and Payables		Total Expense	
	2004	2003	2004	2003	2004	2003
Claims expense comprised of:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Lump sum settlements	4 987	6 771	(2 576)	1 833	2 411	8 604
Income maintenance	121	89	(371)	147	(250)	236
Legal costs	7	2	-	-	7	2
Other	302	366	(111)	-	191	366
	5 417	7 228	(3 058)	1 980	2 359	9 208

3. Claims Expense (continued)

The movement in the outstanding liability has been allocated on an apportionment basis of the total current and non-current claims liability.

The reduction in Operating Payments was mainly due to the return to normal budget funding levels for lump sum payments in 2003-04. In 2002-03 additional one off funding was accessed from both the cash reserves in the Fund and from Treasury through the budget process.

4. Repayment of Funding to the Treasurer (2003 Comparative)

In 2000-01 and 2001-02 funds totalling \$1 million were received by the Government Workers Rehabilitation and Compensation Fund to obtain catastrophe insurance coverage for workers compensation costs for Government agencies. In June 2003, it was determined that the proposal would not be implemented and as such the funding was repaid to the Treasurer.

5. Other Expenses

	2004 \$'000	2003 \$'000
WorkCover exempt employer levy	-	176
Consultants ⁽ⁱ⁾	56	58
Audit fees	17	17
Other	50	36
	123	287

(i) The consultant expenses relate to the services provided by the Actuary (Taylor Fry Consulting Actuaries).

6. Other Revenue

Recoveries from third parties	118	25
Recoveries from general Government	-	572
Sundry revenue	77	1
	195	598

7. Receivables

The Fund's third party recoveries receivable was determined by an independent actuary valuation performed by Taylor Fry Consulting Actuaries.

(a) Current:

Receivable from Targeted Voluntary Separation Package Scheme	912	150
Third party recoveries	57	28
	969	178

(b) Non-Current:

Third party recoveries	182	94
	182	94
	1 151	272

Total Receivables

8. Payables

Consultant fees	55	51
Lump sum settlements	406	1 092
Audit fees	17	17
Other	74	14
	552	1 174

9. Outstanding Claims Liability

The Fund's liability reflects an actuarial assessment of the Government workers compensation liability as outlined in Note 2(c) according to the experience of claim numbers and payments over the period 1 July 1987 to 30 June 2004. The whole-of-government estimate can be found in a report prepared by Taylor Fry Consulting Actuaries, dated 31 August 2004 and submitted to the Department for Administrative and Information Services. This report conforms to the WorkCover Guidelines for Actuaries, Accounting Standard AASB 1023 'Financial Reporting of General Insurance Activities', and Professional Standard PS 300 'Actuarial Reports and Advice on Outstanding Claims in General Insurance Activities' of the Institute of Actuaries of Australia. The whole-of-Government estimate in relation to this Fund is detailed below.

(a) Current:

Income maintenance	223	285
Lump sum settlements	5 472	5 552
Other	99	119
	5 794	5 956

(b) Non-Current:

Income maintenance	1 047	1 356
Lump sum settlements	14 388	16 198
Other	406	497
	15 841	18 051

	2004 \$'000	2003 \$'000
9. Outstanding Claims Liability (continued)		
(c) Total:		
Income maintenance	1 270	1 641
Lump sum settlements	19 860	21 750
Other	505	616
	21 635	24 007
10. Accumulated Deficit		
Balance at 1 July	(23 075)	(18 650)
Increase (Decrease) in net assets resulting from operations	2 710	(4 425)
Balance at 30 June	(20 365)	(23 075)
11. Reconciliation of Net Cash used in Operating Activities to Net Cost of Services		
Net cash used in operating activities	(1 164)	(1 499)
Less: Revenues from Government	(3 705)	(5 322)
Change in operating assets and liabilities:		
Increase in receivables	879	174
Decrease (Increase) in payables	622	(1 120)
Decrease (Increase) in claims liability	2 373	(1 980)
Net Cost of Services	(995)	(9 747)

SOUTH AUSTRALIAN WATER CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The South Australian Water Corporation (the Corporation) was established on 1 July 1995 pursuant to the *South Australian Water Corporation Act 1994* (the Act).

Application of the Public Corporations Act 1993

The South Australia Water Corporation is a public corporation subject to the provisions of the *Public Corporations Act 1993*. That Act requires a charter and performance statement to be prepared by the Corporation's Minister and the Treasurer after consultation with the Corporation. The charter for the Corporation outlines:

- the nature and scope of commercial and non-commercial activities, including financial investment activities;
- financial standards and reporting, including interim reports on operations; the form and content of accounts and financial statements; and accounting and internal auditing systems and practices;
- the operating environment of the Corporation, asset management and control and the basis for setting fees and charges.

Objectives and Functions

The key objectives of the Corporation are to:

- provide value for money water services within South Australia;
- develop and commercialise leading water and related services, including technology solutions;
- assist in promoting economic development in South Australia;
- manage the assets (including intellectual property) of the Corporation prudently and effectively and, provide agreed returns to Government;
- optimise the value of the Corporation whilst achieving other key requirements of the Government.

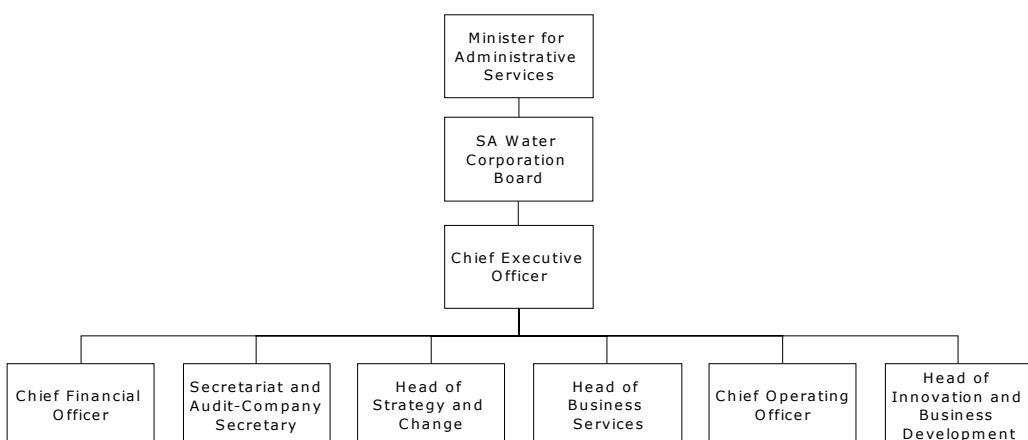
The primary functions of the Corporation in accordance with the Act are to provide services for the:

- supply of water by means of reticulated systems;
- storage, treatment and supply of bulk water;
- removal and treatment of wastewater by means of sewerage systems.

Additional functions of the Corporation as set out in the Act include researching and undertaking works to improve water quality and wastewater treatment; developing and marketing commercially viable products, processes and intellectual property; and encouraging and facilitating private or public sector investment and participation in the provision of water and wastewater services and facilities.

Structure

The structure of the South Australian Water Corporation is illustrated in the following organisation chart.



Changes to Functions and Structure

The Corporation is in the process of winding up its subsidiary companies SA Water International Pty Ltd, Crichbee Pty Ltd and PT SA Water International (which is a company incorporated in Indonesia) which are all in liquidation as at 30 June 2004. These companies were primarily established to facilitate the Corporation's involvement in commercial operations overseas, particularly in Indonesia, however in 2002-03 the Corporation decided to cease its involvement in Indonesia and hence these companies were no longer needed. The financial effects of this winding up process have been reflected in the Corporation's Financial Statements this year.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 32(4) of the *Public Corporations Act 1993* provides for the Auditor-General to audit the accounts of the South Australian Water Corporation in respect of each financial year.

Assessment of Controls

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

Scope of Audit

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

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

- contract management
- asset management and control
- revenue raising including cash receipting and banking
- expenditure including accounts payable and payroll
- budgetary control and management reporting.

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

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

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

Assessment of Controls

Audit formed the opinion that the controls exercised by the South Australian Water Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to information systems strategic plans and business continuity plans, payroll and contract management and procurement as outlined under 'Audit Communications to Management', are sufficient to provide reasonable assurance that the financial transactions of the South Australian Water Corporation have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Chief Executive Officer and, by arrangement, copies were forwarded to the Chair of the Corporation's Audit Committee. Responses to the management letters were considered to be satisfactory. Major matters raised with the Corporation and the related responses are considered herein.

Review of Governance and Risk Management Arrangements

As part of a wider review of governance and risk management practices across government, a review was undertaken which focussed on areas which are generally accepted as elements of good governance and which provide the basis for a strong control environment with particular emphasis on:

- organisational structure and responsibilities
- policy and planning
- monitoring and reporting
- risk management policy and practice.

The review primarily involved collection and review of documentation that identifies that sound governance practices were established and available and communicated to Corporation employees. The review did not test that the governance requirements were in operation throughout the reporting period.

The main findings of the review were as follows:

Overall Governance Process

The Corporation has built upon its legislative governance requirements to have in place a robust governance process which exhibits the following features:

- Appropriate links between the strategic aims of the Corporation and accountability of senior management through outcomes embodied in their positions descriptions.
- Corporate and business planning processes which involve all levels of the organisation and which ensure that there is alignment between activities planned to be undertaken and the strategic aims of the Corporation.
- Comprehensive internal reporting and monitoring mechanisms to ensure that the Corporation's performance against established targets is met or that deviations from targets are reported for action to be taken.
- A risk management process which is primarily embodied in the day-to-day operations of the Corporation coupled with a formal annual review at both Board and senior management level to determine the high level risks facing the Corporation.

Committees

There were no specific terms of reference for the Executive Committee and there is also no formal requirement for self assessment of performance for any senior management committee. Audit recommended that consideration be given to establishing terms of reference for the Executive Committee and establishing self assessment processes, particularly for Board Committees.

Information Systems Strategic Plans and Business Continuity Plans

The Information Systems Strategic Plan and business continuity plans for various business units were either out of date or did not exist. At the time of the review work was being undertaken to develop these plans, and Audit notes that the Information Systems Strategic Plan has now been finalised.

In response the Corporation advised that there are terms of reference for Executive Committee and they will be reviewed and updated and that investigations will be undertaken in relation to an annual self assessment process.

Regarding the development of business continuity plans the Corporation advised that a number of reviews of various aspects relating to business continuity have recently been undertaken and the results are being considered as part of a process to develop plans, educate staff and implement arrangements in relation to business continuity and emergency management. The Corporation anticipates that this process will take one to two years to fully implement.

Review of Computing Environment and Operations

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

Audit conducted an information systems audit review of key aspects of the Corporation's main information systems for payroll, revenue and accounts payable and financial reporting; namely, the Complete Human Resource Information System (CHRIS), the Customer Services Information System (CSIS) and the Mincom Information Management System (MIMS) and the computer processing environments in which they operate.

The reviews addressed whether appropriate controls were in place in relation to certain aspects of:

- information access security and integrity (focused at both the CPE's and the CHRIS, CSIS and MIMS systems and information);
- applications systems implementation and maintenance arrangements;
- information systems operations;
- business recovery arrangements;
- database implementation and support, network support, and systems software support.

The main findings of the review are outlined below.

Complete Human Resource Information System (CHRIS)

The salient observations arising from the review were the need for:

- formalising and documenting change management processes for the CHRIS system;
- addressing information access security and integrity weaknesses that may allow unauthorised access to the CHRIS application and database.

In response the Corporation advised that the change management processes for CHRIS would be documented and that information access security and integrity weaknesses would be investigated and action implemented where appropriate.

Mincom Information Management System (MIMS)

The salient observations arising from the review were the need for:

- formalising and documenting change management processes for the MIMS system;
- reviewing security related functions in MIMS (such as the ability to assign financial delegations) on a regular basis; and
- disabling the software vendor Corporation network account at all times and only enabling the account upon approval of access to MIMS by an appropriate Corporation staff member.

In response the Corporation advised that the change management processes for MIMS would be documented, a cyclic report would be produced each month and forwarded to the Manager Financial Systems for review; and the vendor access to MIMS and the Corporation network had been revoked. The vendor would be provided with the necessary security details to access MIMS as and when required by the Corporation to support the application.

Corporation Network User Authentication

Audit also noted the need to consider enhancing the Corporation network authentication process. However, Audit acknowledged that a risk assessment by the Corporation has considered relevant risks to accessing the network.

The Corporation, in response, advised that management would review the current standards.

Revenue - Customer Service Information System (CSIS)

The Customer Service Information System (CSIS) is the Corporation's main revenue system. Its function includes the billing and recovery cycle process, the recording of customer property valuations and the application of customer rates and exemptions to charges. The system is highly automated and is characterised by on-line processing, checking and authorisation of transactions. Accordingly, there is a significant reliance on automated system controls.

Issues arising from the audit primarily related to the systems aspects of rating and billing. The issues were concerned mainly with the potential for incorrect billing to customers as a result of incorrect rating codes within the system and the need to monitor new connections to ensure they are finalised in a timely manner.

In response the Corporation indicated that action would be taken to resolve the matters identified.

Payroll

The audit of the payroll function revealed that there was room for improvement in relation to bona fide reports. This issue has been raised with the Corporation in previous years and in 2003-04 Audit noted that

although bona fides were now produced more frequently there is still a need to ensure they are returned on a timely basis.

The Corporation's response indicated that action would be taken to address all the issues identified.

Purchasing Cards

During 2003-04 the Corporation implemented a computerised system for the processing of purchasing card information which enable card holders to clear transactions online and supervisors to authorise transactions online.

The audit of the use of purchasing cards identified that there was room for improvement in the timely clearing of transactions by card holders and the timely submission of supporting documentation for purchases made.

In response the Corporation indicated that action would be taken to address the issues identified.

Expenditure

The audit of the expenditure function revealed that controls could be improved regarding review of exception reports and modifications to the supplier masterfile.

The Corporation indicated that action would be taken to address the matters raised.

Contract Management and Procurement

Water Meter Reading Contract

As part of the audit the tender and contract management processes were reviewed in relation to the contract for the reading of water meters. The results of the audit indicated that there was a need to ensure that contract renewal arrangements were in place prior to the expiry of the previous contract; improvement could be achieved in relation to documentation of certain aspects of the tender process and that the measurement and reporting of certain key performance indicators required by the contract was not undertaken.

In response the Corporation indicated that revised procedures would be implemented to address the issues raised by Audit.

Aldinga Wastewater Treatment Plant and Reuse Scheme Contract

Audit review of the management of the Aldinga Wastewater Treatment Plant contract revealed that a number of requirements of the contract were not being met, in particular in relation to the provision of certain information by the Contractor on a timely basis.

The Corporation responded that action had been taken to ensure that all information required by the contract was received.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Consolidated Financial Statements

	2004 \$'million	2003 \$'million	Percentage Change
REVENUE FROM ORDINARY ACTIVITIES			
Rates and charges	510	513	(1)
Community service obligations	102	92	11
Other	111	97	14
Total Revenue	723	702	3
EXPENSES FROM ORDINARY ACTIVITIES			
Employment expenses	66	56	18
Depreciation and amortisation expense	117	110	6
Borrowing cost expense	79	83	(5)
Other expenses	193	195	(1)
Total Expenses	455	444	2
Profit from ordinary activities after income tax expense	180	184	(2)

	2004 \$'million	2003 \$'million	Percentage Change
Net Cash Flows from Operations	272	267	2
ASSETS			
Current assets	135	132	2
Non-current assets	6 706	6 430	4
Total Assets	6 841	6 562	4
LIABILITIES			
Current liabilities	177	175	1
Non-current liabilities	1 330	1 247	7
Total Liabilities	1 507	1 422	6
EQUITY	5 334	5 140	4

Statement of Financial Performance

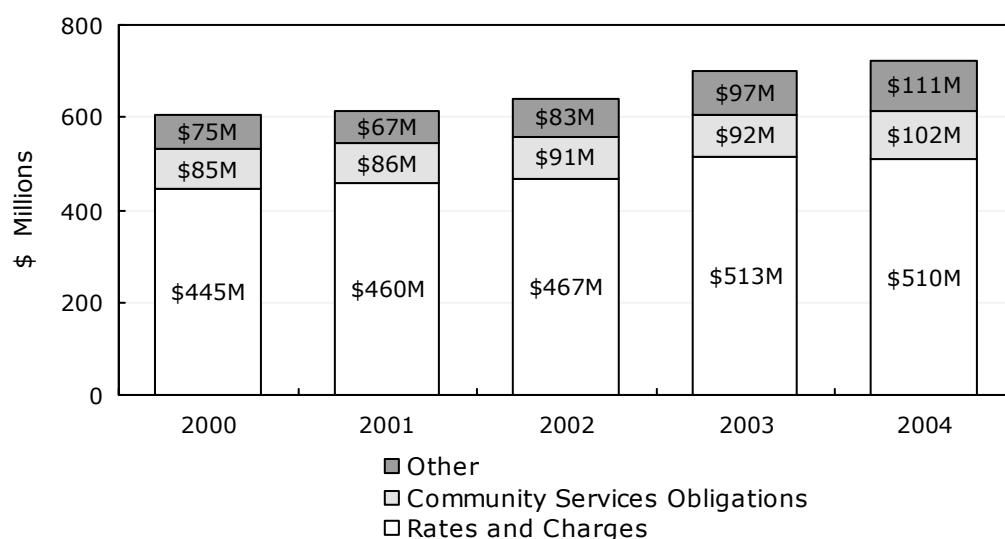
Revenues from Ordinary Activities

Revenue from rates and charges decreased by \$3 million or 1 percent. This was due mainly to a decrease in water sales of \$19.1 million offset by an increase in wastewater rates of \$12.4 million and water access rates of \$3.7 million. This decrease in water sales reflect the impact of seasonal factors and restrictions on water use which took effect from 1 July 2003.

Funding for Community Service Obligations increased by \$9.8 million to \$101.6 million. Of the increase \$5.5 million related to country environmental improvement projects while additional funding of \$1.3 million was received during the year for community education programs and to cover the costs of implementation of the collection of the River Murray levy.

Other revenue rose by \$13.6 million or 14 percent which was primarily as a result of an increase in contributed assets of \$2.5 million reflecting the continuing high level of building activity and an increase in recoverable works of \$10.5 million primarily on behalf of the Murray Darling Basin Commission.

A structural analysis of operating revenues for the Corporation in the five years to 2004 is presented in the following chart.



Expenses from Ordinary Activities

Total expenses from ordinary activities increased by \$11.2 million to \$455.5 million. This compares with a \$27.8 million increase in 2003.

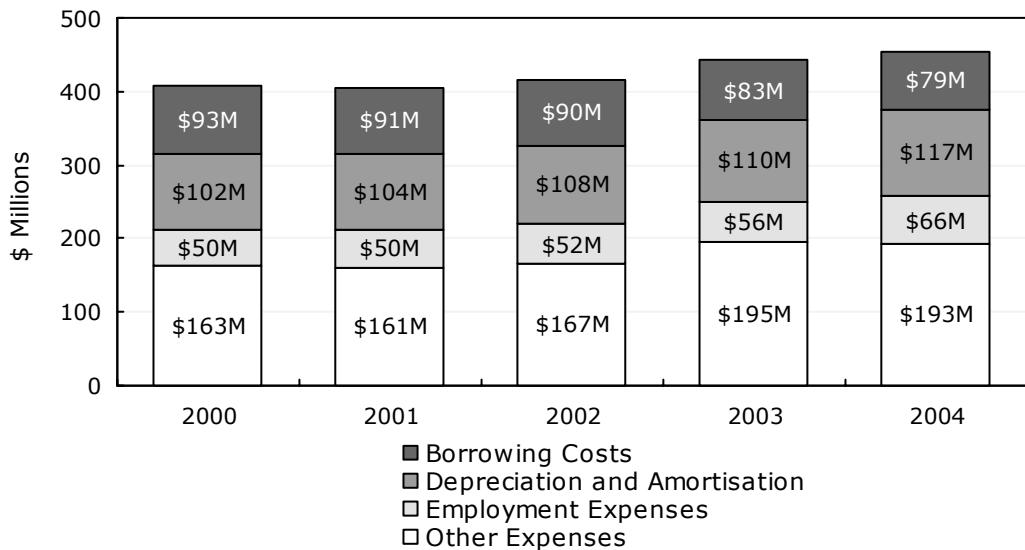
Depreciation and amortisation increased by \$7 million as a result of higher asset values.

Borrowing costs decreased by \$4 million in 2004, the fourth successive year that these costs have decreased. The decrease is due mainly to an active debt management program with the debt portfolio being restructured in 2004 to take advantage of opportunities to secure lower interest costs.

Employment expenses increased by \$10.4 million. As a result of the integration of Water Engineering Technologies with Operations Division a change of accounting has resulted in approximately \$3 million of expenses that have been in prior years costed to 'Other Expenses' now being included in 'Employment Expenses'. Also impacting 'Employment Expenses' was increased pay rates and additional staff employed mainly for delivering the peak in capital programs and development activity along with workforce refreshment, graduate programs and introduction and management of conservation measures.

Other expenses decreased by \$2 million with electricity expenses falling by \$10.2 million due to a decrease in the amount of water pumped from the River Murray following improved yields in catchments and lower demand for water.

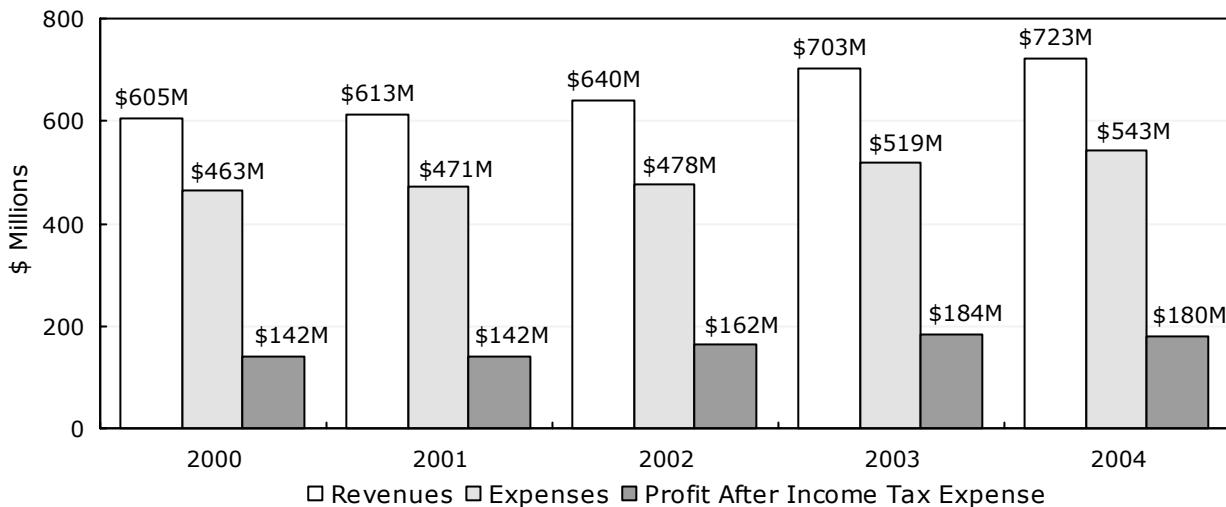
A structural analysis of the main expense items for the Corporation for the five years to 2004 is shown in the following chart.



Operating Result

The Corporation's profit has decreased by \$4 million or 2 percent compared with a \$21.6 million (14 percent) increase the previous year. Total revenue and total expenses both increased slightly in 2004 with an increase in income tax equivalent expenses of \$13.3 million contributing to the slight decrease in overall profit.

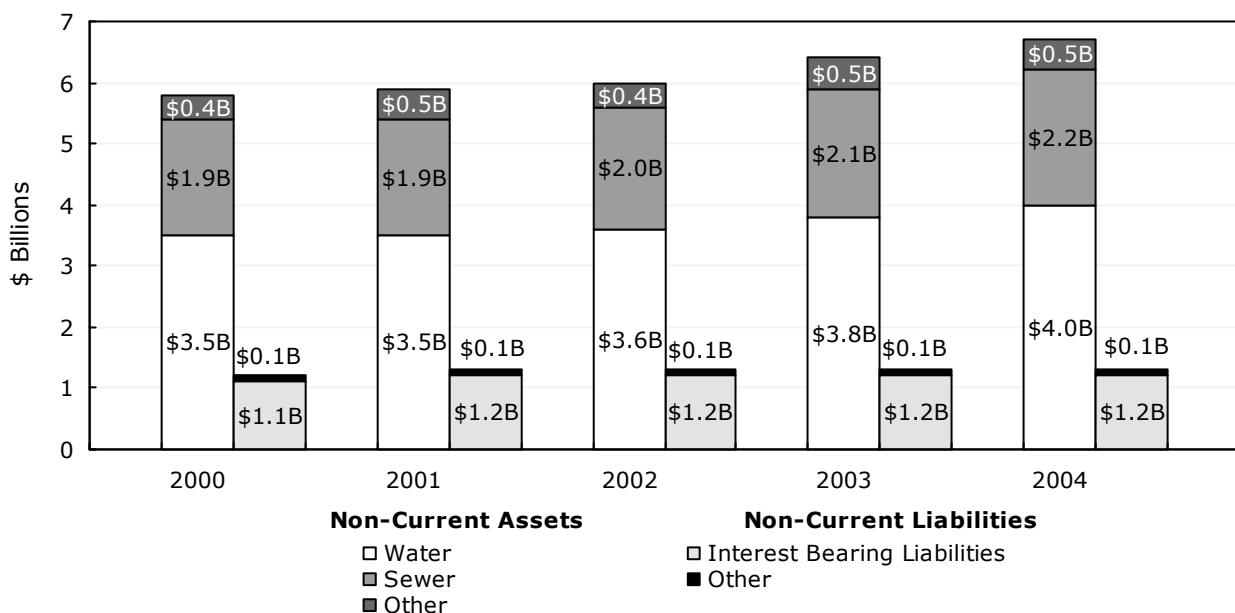
The following chart shows the revenues, expenses (including tax equivalent expense) and profit after income tax for the five years to 2004.



Statement of Financial Position

The Corporation's financial position is dominated by non-current infrastructure assets and related borrowings. Current assets and liabilities are, while significant in their own right, not material relative to the non-current assets and liabilities. Notwithstanding, at 30 June 2004 current liabilities amounted to \$177 million, exceeding current assets of \$135 million, by \$42 million due to a short term borrowing of \$56 million to meet capital expenditure and dividend payment requirements.

A structural analysis of non-current assets and non-current liabilities for the five years to 2004, is shown in the following chart.



Non-current assets increased by \$276 million (4 percent) in 2004. \$190 million was as a result of the revaluation of water and sewer infrastructure assets and \$187 million was from payments for construction and purchase of assets including \$13 million for tradeable water allocations. These increases were offset by depreciation and amortisation expense of \$117 million. The value of all other assets and liabilities remained relatively unchanged over the period.

Statement of Cash Flows

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

	2004 \$'000	2003 \$'000	2002 \$'000	2001 \$'000	2000 \$'000
Net Cash Flows					
Operations	272 025	266 943	254 818	235 182	233 166
Investing	(184 293)	(123 253)	(91 209)	(100 713)	(93 439)
Financing	(88 310)	(143 462)	(163 205)	(133 943)	(139 844)
Change in Cash	(578)	228	404	526	(117)
Cash at 30 June	1 026	1 604	1 376	972	441

The analysis of cash flows shows that net cash from operations has been steadily growing over the five years to 2004.

The Corporation continues to invest in its infrastructure, plant and equipment assets as can be seen by the cash outflows on investing activities which increased by \$61 million in 2004. Net outlays over the five year period total \$626.1 million.

Cash flows used in financing activities primarily reflect the payment of dividends to Government and the outcome of borrowing activities. In 2004 these payments totalled \$88.3 million, a decrease of \$55.2 million over the previous year. In 2004 the dividends paid to the Government remained relatively stable but there was no repayment of capital. Net borrowings increased by \$75.8 million to fund additional capital spending and dividend payments.

Administered Items

In 2003-04 the Corporation became responsible for administering the Save the River Murray levy which was introduced in October 2003. The Corporation collects the levy through its billing system on behalf of the Department of Treasury and Finance. Note 34 to the financial statements details the activity for this year. The total amount of the levy raised was \$14.1 million with \$13.1 million being collected from customers and \$12.8 million being paid to the Consolidated Account up to 30 June 2004.

FURTHER COMMENTARY ON OPERATIONS

Performance Charter

As a public corporation SA Water is bound by a Charter and is also required to meet a range of financial performance targets set out in an annual Performance Statement, as agreed to between the Corporation, the Minister for Government Enterprises and the Treasurer. The Performance Statement defines the contribution to the Government in terms of dividends, repayment of capital, income tax equivalents and other taxes and rates.

An analysis of some key financial ratios agreed to in the Performance Statement is set out in the following table:

Performance measure	Target	Actual Result	Actual Result	Actual Result	Actual Result
	2003-04	2003-04	2002-03	2001-02	2000-01
Rate of return on assets (percent) ⁽¹⁾	5.3	5.2	5.3	5.3	5.2
Interest cover (times) ⁽²⁾	3.8	4.4	4.1	3.5	3.3

(1) Earnings before interest, tax and dividend divided by the total infrastructure assets (excluding leased assets and plant and equipment).

(2) Borrowing costs expense plus profit from ordinary activities before income tax expense divided by interest expense.

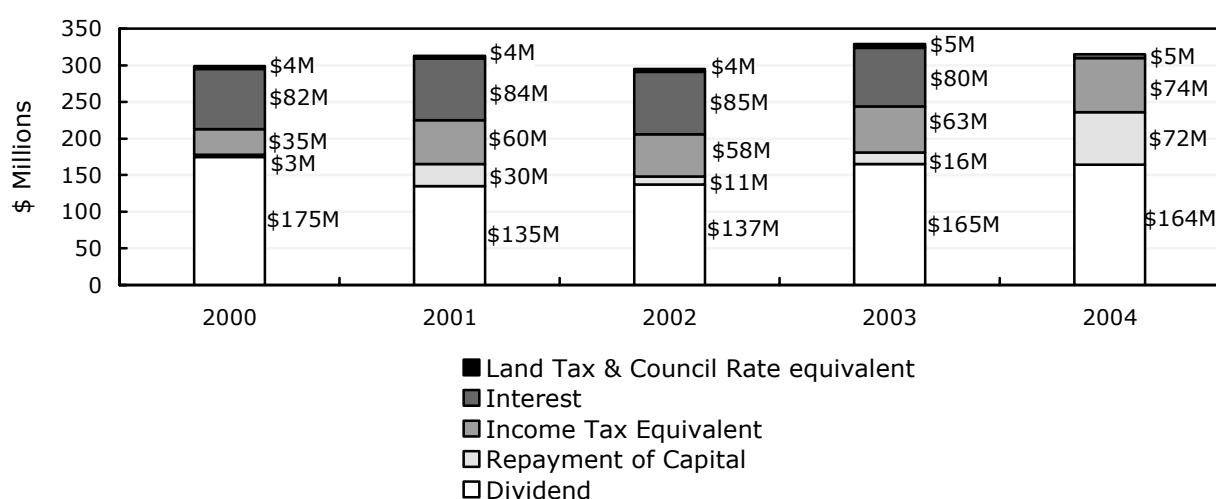
The Corporation has achieved better than the targets agreed to in the Performance Charter for interest cover where the target was exceeded by 0.6. The result is due largely to the effect of active portfolio management on the total interest expense incurred by the Corporation.

The target for rate of return on assets was not achieved by a narrow margin due primarily to the fact that asset values increased at a greater rate than did the earnings before interest, tax and dividends.

Contributions to the State Government

Effectively, the Government fulfils a number of key roles in relation to the Corporation including: price setter; taxer; banker; shareholder and owner; and regulator. In each of these roles it can influence the financial performance of the Corporation which impacts on the amount of funding it provides to, or receives from, the Corporation.

A structural analysis of the amounts actually paid to the Government for the five years to 2004 is shown in the following chart.



In 2003-04 total cash paid to the Government which comprised a dividend payment, tax equivalent payments and interest payments decreased by \$13 million to \$316 million due primarily to no repayment of capital being made.

The key payment to the Consolidated Account in any year is subject to a standard, cash based, formula such that the total payment is 55 percent of earnings before interest, tax, depreciation and amortisation less the level of capital expenditure agreed with the Treasurer as necessary to maintain the ongoing business operations of the Corporation. This amount is paid as a combination of dividends, repayment of capital and income tax equivalent payments. On this basis, the Corporation has sufficient cash to meet its cash obligations. This formula only need be revised to the extent that the capital program varies from year to year or more particularly, over a long term.

For four of the last five years net cash generated from operating activities has been sufficient to cover the net cash used in investing activities (ie essentially the purchase of property plant and equipment and latterly the purchase of water allocations), but not sufficient to enable the payment of the level of dividend and return of capital required by the Department of Treasury and Finance. As a result the net borrowings of the Corporation have increased by \$167.9 million over the last five years. Essentially the Corporation is borrowing to fund part of its dividend payments to the Government and capital works. This is illustrated in the following table.

	2004 \$'000	2003 \$'000	2002 \$'000	2001 \$'000	2000 \$'000
Net cash inflows from operating activities	272 025	266 943	254 818	235 182	233 166
Net cash outflows from investing activities	(184 293)	(123 253)	(91 209)	(100 713)	(93 439)
Surplus cash from operations after investing activities	87 732	143 690	163 609	134 469	139 727
Repayments to owners	(164 110)	(180 845)	(148 175)	(165 170)	(178 400)
Shortfall in funds available to pay owners	76 738	37 155	(15 434)	29 701	38 673
Net increase in borrowings	75 800	37 383	(15 030)	31 227	38 556

It is important to note that the Department of Treasury and Finance have recently developed a financial ownership framework for public non-financial corporations which covers capital structure, including determining an appropriate or optimal level of debt, funding of community service obligations and payment of dividends. It is anticipated that this framework will be applied to the Corporation as part of the forthcoming budget process to determine the 2005-06 forward estimates.

Statement of Financial Performance
for the year ended 30 June 2004

		Consolidated		The Corporation	
	Note	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
REVENUE FROM ORDINARY ACTIVITIES					
	2	722 885	702 338	722 365	702 232
EXPENSES FROM ORDINARY ACTIVITIES					
Salaries and employee benefits expense		66 454	56 075	66 454	56 075
Electricity expense		27 215	37 400	27 215	37 400
Operational and service contracts		80 726	79 842	80 726	79 827
Services and supplies		85 316	77 725	85 220	78 515
Borrowing costs expense	3	78 577	82 948	78 577	82 948
Depreciation and amortisation expense	3, 11	117 288	110 322	117 288	110 322
Total Expenses		455 576	444 312	455 480	445 087
PROFIT FROM ORDINARY ACTIVITIES BEFORE					
INCOME TAX EXPENSE		267 309	258 026	266 885	257 145
Income tax expense relating to ordinary activities	4(a)	(87 544)	(74 233)	(87 544)	(74 224)
PROFIT FROM ORDINARY ACTIVITIES AFTER					
INCOME TAX EXPENSE	19	179 765	183 793	179 341	182 921
Net increase in asset revaluation reserve	18(a)	187 655	322 138	187 655	322 138
Net decrease in retained profits on the initial adoption of revised APS 3 'Valuation of Non-Current Assets'	19	-	(9 427)	-	(9 427)
Total valuation adjustments recognised directly in equity		187 655	312 711	187 655	312 711
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		367 420	496 504	366 996	495 632

Statement of Financial Position
as at 30 June 2004

	Note	Consolidated		The Corporation	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
CURRENT ASSETS:					
Cash assets	16(a)	1 026	1 604	1 026	1 148
Receivables	6	129 064	125 308	129 064	125 307
Inventories	7	4 114	4 087	4 114	4 087
Other financial assets	9	-	-	-	402
Other	8	865	988	865	1 424
Total Current Assets		135 069	131 987	135 069	132 368
NON-CURRENT ASSETS:					
Other financial assets	9	6 325	5 857	6 325	5 857
Infrastructure, plant and equipment	11	6 671 214	6 404 233	6 671 214	6 404 233
Deferred tax assets	4(d)	11 126	14 391	11 126	14 390
Intangible assets	10	13 858	58	13 858	58
Other	8	3 289	5 411	3 289	5 411
Total Non-Current Assets		6 705 812	6 429 950	6 705 812	6 429 949
Total Assets		6 840 881	6 561 937	6 840 881	6 562 317
CURRENT LIABILITIES:					
Payables	12	76 011	77 907	76 011	77 870
Interest-bearing liabilities	13	58 393	57 366	58 393	57 366
Current tax liabilities	4(b)	30 217	30 226	30 217	30 219
Provisions	14	11 026	8 982	11 026	8 982
Other	15	1 812	847	1 812	847
Total Current Liabilities		177 459	175 328	177 459	175 284
NON-CURRENT LIABILITIES:					
Payables	12	1 159	1 152	1 159	1 152
Interest-bearing liabilities	13	1 243 579	1 171 342	1 243 579	1 171 342
Deferred tax liabilities	4(c)	64 409	52 209	64 409	52 209
Provisions	14	20 286	21 227	20 286	21 227
Other	15	497	497	497	497
Total Non-Current Liabilities		1 329 930	1 246 427	1 329 930	1 246 427
Total Liabilities		1 507 389	1 421 755	1 507 389	1 421 711
NET ASSETS		5 333 492	5 140 182	5 333 492	5 140 606
EQUITY:					
Contributed equity	17	247 950	247 950	247 950	247 950
Reserves	18	4 961 217	4 773 518	4 961 217	4 773 562
Retained profits	19	124 325	118 714	124 325	119 094
TOTAL EQUITY		5 333 492	5 140 182	5 333 492	5 140 606
Commitments	21				
Contingent Liabilities	25				

Statement of Cash Flows
for year ended 30 June 2004

	Note	Consolidated		The Corporation	
		2004	2003	2004	2003
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers		612 690	598 935	613 141	598 883
Payments to suppliers and employees		(301 962)	(283 418)	(301 962)	(283 412)
Receipts from Community Service Obligation funding	1(c)	100 196	93 107	100 196	93 107
Receipts from contributions		21 675	15 155	21 675	15 155
Interest received		173	103	171	96
Borrowing costs paid		(88 658)	(94 371)	(88 658)	(94 371)
Income tax paid	4(b)	(72 089)	(62 568)	(72 082)	(62 568)
Net Cash provided by Operating Activities	16(b)	272 025	266 943	272 481	266 890
CASH FLOWS FROM INVESTING ACTIVITIES:					
Payments for construction and purchase of infrastructure, plant and equipment		(174 016)	(123 767)	(174 016)	(123 767)
Payments for intangible assets		(13 159)	-	(13 159)	-
Proceeds from sale of infrastructure, plant and equipment		2 882	514	2 882	514
Net Cash used in Investing Activities		(184 293)	(123 253)	(184 293)	(123 253)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings		598 800	499 300	598 800	499 300
Repayment of borrowings		(523 000)	(461 917)	(523 000)	(461 917)
Repayment of capital	17	-	(16 000)	-	(16 000)
Dividends paid	28	(164 110)	(164 845)	(164 110)	(164 845)
Net Cash used in Financing Activities		(88 310)	(143 462)	(88 310)	(143 462)
NET (DECREASE) INCREASE IN CASH HELD		(578)	228	(122)	175
CASH AT 1 JULY		1 604	1 376	1 148	973
CASH AT 30 JUNE	16(a)	1 026	1 604	1 026	1 148

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Significant Accounting Policies

The South Australian Water Corporation (SA Water or the Corporation) was incorporated on 1 July 1995, as a state owned statutory corporation pursuant to the *South Australian Water Corporation Act 1994*, to which the provisions of the *Public Corporations Act 1993* apply. Property, rights, powers and liabilities of the Minister for Government Enterprises, arising from the operation of the *Sewerage Act 1929* and the *Waterworks Act 1932*, were vested in the Corporation, with the exception of certain assets, mainly in relation to the operation of the *Irrigation Act 1994*.

The significant policies which have been adopted in the preparation of this financial report are:

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Statements of Accounting Concepts, Urgent Issues Group (UIG) Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*. Additionally, the Corporation has undertaken to prepare its financial report in accordance with the *Corporation's Act 2001*.

The financial report has been prepared in accordance with the historical cost convention, except for infrastructure, land, buildings and other non-current financial assets which are stated using fair value as detailed in Note 1(d).

(b) Principles of Consolidation*Controlled Entities*

The consolidated accounts incorporate the financial performance and position of all entities that are controlled by the Corporation as at 30 June 2004 according to Accounting Standard AASB 1024 'Consolidated Accounts'. The financial reports of subsidiary entities have been included from the date control commences until the date control ceases. Further information regarding subsidiary company activities is disclosed in Note 22. All inter-entity balances and transactions have been eliminated on consolidation.

Joint Venture Operation

A joint venture operation is jointly controlled by the consolidated entity. The consolidated entity's interest in the joint venture operation is brought to account by including its proportionate share of joint venture's assets, liabilities, revenues and expenses on a line by line basis. See Note 23 for disclosure of the Corporation's interest in the joint venture operation.

(c) Revenue Recognition*Rates and Charges*

Rates and other charges billed, but not yet received at balance date, are recognised as revenue for the period. Water consumption recorded in unread meters as at 30 June 2004 is not taken into account in determining revenue for the year ended 30 June 2004.

Community Service Obligations (CSOs)

The Corporation provides services to the community on behalf of the Government at a lower than commercial rate of return. The government provides funding for CSOs in recognition of the non-commercial impact of these services provided to the community. The main CSOs are for the pricing of country water and wastewater services, the administration of the pensioner concession scheme and the provision of water and wastewater concessions to exempt properties, which include charities, churches and public schools. A CSO has also been recognised to fund a Community Education Program to assist and encourage customers to adopt water conservation practices. These amounts are recognised as revenue for the period when advice is received from Government on the level of funding.

Contributed Assets

Contributed assets principally arise from:

- (i) consumers who make a contribution where a service or connection has been requested which requires construction of a new main; and
- (ii) subdivider who make contributions where either:
 - (a) water and sewerage infrastructures are constructed by the subdivider within yet to be completed subdivisions. The contribution recognised is equivalent to the Corporation's estimated cost of construction; or
 - (b) the Corporation constructs the infrastructure at the subdivider's request.

Contributed assets and contributions to assist in the construction of assets are recognised as revenue at the fair value of the asset received when the Corporation gains control of the asset.

Sale of Non-Current Assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of the disposal and net proceeds from the sale.

Recoverable Works

Revenue derived from the provision of services to external parties is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured.

(d) Non-Current Assets*(i) Infrastructure, Plant and Equipment*

- *Acquisition*

Items of infrastructure, plant and equipment are initially recorded at cost, including capitalised borrowing costs, in accordance with Accounting Standard AASB 1036 'Borrowing Costs', and are depreciated as outlined below. Assets acquired under Build Own Operate Transfer (BOOT) Agreements are brought to account when commissioned and accounted for as outlined in Note 1(e).

- *Valuations*

To comply with Treasury Accounting Policy Statement APS 3 'Valuation of Non-Current Assets' and Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' the Corporation has adopted the fair value method for measuring and reporting land and buildings and infrastructure assets in the Statement of Financial Position.

- *Valuations (continued)*

To reflect the change in values, the Corporation annually revalues its non-current assets at Directors' valuation or independent valuation, with effect from 1 July each year. The Directors' valuation is performed using the General Cost Index (GCI) or current contract supply rates. The GCI is calculated by the Corporation's Chief Estimator from supporting indices maintained by the Australian Bureau of Statistics. The GCI is a calculation of the material and labour index for the construction industry in South Australia.

Additionally, the Corporation's valuation methodologies for all major classes of infrastructure assets are subject to a triennial review by Hunter Water Corporation Pty Ltd. The most recent independent review was completed in May 2002. The review concluded that there was, in general, a good correlation between the two organisations in terms of the methodology used and the modern equivalent replacement asset types adopted.

Accordingly the Corporation has adopted the following asset valuations:

(i) **Infrastructure Assets**

The fair value of an asset is determined by its written-down current cost. The Corporation determines the written-down current cost as the lower of reproduction or replacement cost. The cost of replacing or reproducing excess capacity or over engineering of the asset is excluded.

To determine the fair value of infrastructure assets the Corporation has utilised the following methodologies:

- (a) Water mains, sewer mains - Directors' valuations predominantly based on current contract rates. These rates are applied to the actual lengths of pre-defined modern equivalent asset types.
- (b) Water services, sewer connections and water meters - Directors' valuation predominantly based on current contract supply rates.
- (c) Water filtration plants were independently revalued by GHD Pty Ltd for the current financial year to 30 June 2004.
- (d) Other infrastructure assets - Directors' valuations based on the current construction cost data. These assets are indexed in between comprehensive valuations using the GCI.

The cost of infrastructure assets constructed by the Corporation includes all materials used in construction, direct labour, an appropriate proportion of variable and fixed overheads and contract payments. Interest is capitalised to capital works in progress using funds borrowed generally at a weighted average capitalisation rate as outlined in Note 1(i).

(ii) **Land and Buildings**

Land is brought to account at market value using valuations provided from the State Valuer-General. Buildings are brought to account at Directors' valuation using market value indexed annually using the GCI. Certain properties at Thebarton and Happy Valley were independently valued by Currie and Brown as at 1 July 2003.

(iii) **Other Assets and Plant and Equipment**

Other assets and plant and equipment are brought to account at historical cost.

- *Depreciation*

Infrastructure, buildings, plant and equipment and other assets are depreciated using the straight-line method over their estimated useful lives ranging from 5 to 160 years. The useful lives of assets are reviewed annually and have been assessed as follows:

	2004	2003
	Years	Years
Water and sewer assets	7-160	7-160
Water and sewer leased assets	40-50	40-50
Buildings	50	50
Other	5-50	5-50
Plant and equipment	5-15	5-15

The method of depreciation has regard to the underlying nature of the assets and their expected use in operations of the Corporation. Work in progress is not depreciated until assets are completed and have been commissioned for operation.

(ii) **Other Financial Assets**

The Corporation's investment in non-voting class B Shares as part of the Build, Own, Operate and Transfer (BOOT) arrangements for the Virginia Pipeline Scheme have been measured at fair value, in accordance with Treasury Accounting Policy Statement APS 3 'Valuation of Non-Current Assets' and Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' (refer Note 9). Due to the nexus between the class B shares and the pipeline assets, the value of the shares has been determined using the written-down current cost of the pipeline assets in 2018 and discounted to their net present value.

(iii) **Intangibles**• **Water Allocations**

The Corporation has purchased a series of tradeable water allocations during the 2003-04 financial year. The allocation are accumulated onto a single licence issued by the South Australian Government.

Water allocations are measured at cost on the date of acquisition. Subsequent to initial recognition they will be measured at fair value with reference to the current market price. The water allocations have an indefinite useful life and as such are not subject to amortisation.

• **Water Licences**

Water licences purchased as part of the Irrigation and Drainage Restructuring Project have been recognised at cost. In accordance with Accounting Standard AASB 1021 'Depreciation' and Accounting Interpretation 1 'Amortisation of Identifiable Intangible Assets', the cost has been fully amortised using the straight-line method over 5 years, which is the term of the current lease contract.

(e) **Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating Leases

Minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are recognised as an expense in the Statement of Financial Performance. Payments are made in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Finance Leases

Leases for infrastructure assets, where substantially all the risks and benefits incidental to ownership of the asset, but not the legal ownership, are assumed by the Corporation, are classified as finance leases. Finance leases are capitalised and depreciated over the useful life of the asset in accordance with Accounting Standard AASB 1008 'Leases' and the Corporation obtains ownership of the asset at the end of the lease term.

The Corporation has entered into BOOT agreements for a number of infrastructure facilities. These BOOT agreements include the requirement for an ongoing availability tariff, as escalated over time by certain indices, for the term of the agreement.

BOOT agreements have been classified as finance leases, with a lease asset and lease liability being recognised upon commissioning of the underlying asset (refer Note 11). The lease asset is brought to account at the fair value of the underlying assets constructed. The equivalent liability is recognised at the present value of the future availability charges. These have been determined at the inception of the lease and do not take account of any future estimated escalation.

Variation between the availability charges determined at the inception of the lease and the actual availability charges are brought to account as contingent rentals in accordance with Accounting Standard AASB 1008 'Leases'. Availability charges are allocated between interest expense and a reduction in the lease liability, with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Financial Performance.

(f) **Investments**

As at 30 June 2004 the Corporation no longer has a controlling interest in its subsidiaries (Crichbee Pty Ltd, SA Water International Pty Ltd and PT SA Water International). The subsidiaries were in liquidation as at balance date (refer Note 9 and Note 22).

(g) **Expenditure on Behalf of State Government**

Certain expenditure is incurred from time to time which is considered to be outside the normal course of the Corporation's business and for which no recovery is made or reimbursement received. These payments are made on behalf of the South Australian Government and are disclosed in Note 3.

(h) **Taxes***Taxation Equivalents*

The Corporation is subject to the payment of income tax equivalents, land tax equivalents and council rate equivalents. From 1 July 2001, the Corporation has operated under the National Tax Equivalent Regime (NTER) pursuant to the Memorandum of Understanding on NTER between the Commonwealth of Australia, the Commissioner of Taxation and all of the States and Territories. The NTER is administered by the Australian Taxation Office.

Taxation Equivalents (continued)

The Corporation has adopted the liability method of tax effect accounting for income tax equivalents, whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in accounting profit and when items are taken into account in determining taxable income, the net taxation benefit or liability, calculated at current rates, is carried forward in the Statement of Financial Position as a future income tax benefit or a provision for deferred income tax. Future income tax benefits relating to timing differences are not brought to account unless realisation of the asset is assured beyond reasonable doubt.

The charge for land tax and council rate equivalents has been calculated by RevenueSA – Department of Treasury and Finance, based on valuations supplied by the Valuer-General.

Goods and Services Tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing activities, which is recoverable from or payable to the ATO, is classified as an operating cash flow in accordance with UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)'.

(i) *Borrowing Costs*

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and finance lease charges.

Borrowing costs are expensed as incurred unless they relate to the construction of a qualifying asset. Qualifying assets are assets which take more than 12 months to complete. In these circumstances, borrowing costs are capitalised to the cost of the assets.

Interest was capitalised to capital works in progress using funds borrowed generally at a weighted average capitalisation rate of 6.26 percent (6.67 percent) (Note 1(d)).

(j) *Cash*

Cash on hand and at bank is stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank.

(k) *Receivables*

Receivables for rates and charges are normally settled within 21 days with sundry debtors settled within 30 days. These are recognised in the accounts at amounts due. An allowance for doubtful debts is established based on a review of outstanding amounts at balance date.

Bad debts are written off when they are identified.

(l) *Inventories*

Inventory is valued on a weighted average cost basis. Costs have been assigned to inventory manufactured by the Corporation, including work in progress, on a full absorption cost basis. Inventories are valued at the lower of cost and net realisable value.

Inventories are held for purposes of maintenance and construction and not for resale.

(m) *Employee Benefits**Wages, Salaries, Annual Leave and Sick Leave*

Liabilities for wages, salaries and annual leave are measured and recognised at undiscounted amounts based on remuneration rates that the Corporation expects to pay when the liabilities are settled. The related on-costs for annual leave have been recognised in the Statement of Financial Position as payables.

No provision is made for sick leave as entitlements do not vest and it is considered that sick leave is taken from the current year's accrual.

Long Service Leave

Liabilities arising in respect of long service leave expected to be settled within 12 months of balance date are measured at their nominal rates. All other long service leave entitlements are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to anticipated future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on negotiable government guaranteed securities with terms of maturity that match, as closely as possible, the estimated future cash flows. The related on-costs have been recognised in the Statement of Financial Position as payables.

The Corporation's long service leave liability is valued by Mr. C. Papanicolas BSc, (Ma)(Hons), ASIA, FIAA of Professional Financial Consulting Pty Ltd.

Superannuation

Contributions are made by the Corporation to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes.

(n) Workers Compensation

The Corporation is registered with WorkCover as an exempt employer and is responsible for payment of workers compensation claims. The Corporation establishes a provision for any claims arising under the *Workers Rehabilitation and Compensation Act 1986* and the repealed *Workers Compensation Act 1971* outstanding at year-end. The Corporation's outstanding claims liability is valued by Mr. L. Brett BSc FIA, FIAA of Brett and Watson Pty Ltd.

(o) Insurance

The South Australian Government Captive Insurance Corporation (SAICORP) has assumed responsibility and liability for, and will indemnify SA Water against, damage suffered to the Corporation's property or claims made against the Corporation and/or the South Australian Government. In addition, insurance arrangements are in place for construction works, travel insurance and Directors' and Officers' liability.

Workers compensation risks for which the Corporation is responsible are excluded from these arrangements.

(p) Payables

Liabilities, whether or not billed to the Corporation, are recognised at amounts to be paid in the future for goods and services received, including any related GST. Trade accounts payable are normally settled within 30 days.

Dividends payable are recognised in the reporting period in which the dividends are declared or have been specifically determined and approved in consultation with the Treasurer and the Corporation's Minister.

(q) Provisions

Provisions are recognised when the Corporation has a legal, equitable or constructive obligation to make future sacrifice of economic benefits to a third party as a result of past transactions or other past events. The amount is recognised in the Statement of Financial Position when it is probable that a future sacrifice of economic benefits will be required to settle the obligation and the timing or amount is significantly uncertain.

Where the effect is material, a provision is determined by discounting the expected future cash flows required to settle the obligation using interest rates on negotiable government guarantee securities with terms of maturity that match, as closely as possible, the estimated future cash flows.

Removal of Biosolids

A provision is recognised for the disposal and management of a prior accumulation of bio-solid products resulting from the operation of the Bolivar Waste Water Treatment Plant.

The Corporation has a present obligation under the *Environmental Protection Act (EPA) 1993* to ensure no harm is caused to the environment. The removal of bio-solids is administered in accordance with the 1996 Biosolids Guidelines issued by the EPA.

Estimated future cash flows are based on the processing and administration costs associated with the preparation and loading of biosolids from the stockpile for disposal offsite. These costs have been determined based on current costs, current legal requirements and current technology.

Significant uncertainties exist as to the amount and timing of expected future obligations required to settle the obligation due to the uncertainty as to the quantity of biosolids expected to be disposed off-site and the impact of changes in environmental legislation and technology.

Damages and Claims

A provision is recognised for claims against the Corporation relating to property damage, personal injury and civil liability.

The amounts measured and recorded for claims are based on estimates of specified claims and the probability that the Corporation will be required to settle the obligation. Previous claims history and Crown Law advice are used in the determination of the liability.

Asset Disposal and Site Rehabilitation

A provision for the disposal and abandonment of assets is recognised when there is a present obligation to undertake further work to decommission surplus assets and ensure they are safe to the public and do not cause harm to the environment.

The estimated costs of decommissioning non-current assets are based on past experience and current market prices. Obligations associated with the retirement or disposal of long lived assets are excluded from the scope of Accounting Standard AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets'.

(r) Foreign Currency

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange applicable at the dates of the transactions. All monetary items in foreign currencies at balance date are converted to Australian currency at rates of exchange current at that date. Exchange differences relating to monetary items in foreign currencies are brought to account as exchange gains or losses and are included in the Statement of Financial Performance.

Translation of Controlled Foreign Operations

Overseas controlled entities are deemed to be integrated and are translated using the temporal method. Monetary assets and liabilities are translated into Australian currency at rates of exchange current at balance date. Exchange differences arising on translation are brought to account in the Statement of Financial Performance.

Hedges

Where hedge transactions are designated as a hedge of the purchase of goods, exchange differences arising up to the date of the purchase, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the purchase.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur, the deferred gains and losses that arose on the foreign currency hedge prior to its termination continue to be deferred and are included in the measurement of the purchase.

The Corporation currently has a policy to hedge all of its foreign currency exposures in accordance with the Treasurer's Instruction 23 'Management of Foreign Currency Exposures'. An exposure is defined to exist at the firm commitment of an approved purchase or signed contract.

(s) Commodities

The Corporation's exposure to commodities is managed through a natural hedge. This exposure is monitored, and if any conditions arise that change the exposure profile of commodity prices, appropriate hedge transactions will be entered into.

(t) Interest Bearing Liabilities

All loans are measured at the principal amount. Short-term borrowings are carried in the Statement of Financial Position at their face value. Long-term borrowings are valued at their historical yield. Interest expense is accrued at the contracted rates on a daily basis and includes costs incurred in restructuring borrowings. The Government provides a guarantee in respect of these borrowings pursuant to the provisions of the *Public Finance and Audit Act 1987*.

(u) Derivatives

The Corporation manages exposures to changes in interest rates, foreign exchange rates and commodity prices as per the Board approved Treasury Risk Management Policy. Derivative financial instruments as approved by the Board are used by the Corporation to implement strategies for the management of the debt portfolio, or the hedge of specific debt.

To assist in managing these exposures, the following derivative financial instruments are utilised from time to time to hedge the exposure:

(i) Interest Rate Swaps

Interest payments and receipts under interest rate swaps are recognised on an accrual basis in the Statement of Financial Performance as an adjustment to interest expense. Gains or losses on early termination of the swap transaction will be recognised immediately as an adjustment to interest expense in the Statement of Financial Performance. Only if the swap transaction is designated specifically to an underlying line of debt will gains or losses on early termination be deferred and amortised over the life of the debt.

(ii) Interest Rate Futures Contracts

Interest rate futures contracts are purchased to hedge interest rate exposures. Any gains and losses arising are immediately recognised as an adjustment to interest expense in the Statement of Financial Performance. Only if futures contracts are designated specifically to an underlying line of debt will gains or losses be deferred and amortised over the life of the debt.

(iii) Forward Rate Agreements

Any realised gains or losses on forward rate agreements are recognised immediately in the Statement of Financial Performance as an adjustment to interest expense during the period in which settlement occurs. Only if the agreement is designated specifically to an underlying line of debt will gains or losses be deferred and amortised over the life of the debt.

(iv) Forward Foreign Exchange Contracts

The accounting for forward foreign exchange contracts is set out in Note 1(r) above.

Derivative financial instruments are not held for speculative purposes.

(v) Segment Reporting

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated assets and liabilities mainly comprise tax assets, borrowings, tax liabilities and corporate assets and liabilities that cannot be allocated to segments on a reasonable basis.

Segment capital expenditure is the total cost recognised during the period to acquire and construct segment assets that are expected to be used for more than one annual reporting period.

(w) Administered Items

During the reporting period the Corporation was responsible for administering the Save the River Murray Levy. The River Murray Levy billed and collected on behalf of Government is not controlled by the Corporation and the administered item is not recognised in the Statement of Financial Performance, Statement of Financial Position and Statement of Cash Flows, but is separately disclosed in Note 34 as an administered item.

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

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

Managing the Process

In accordance with Treasurer's Instruction 19, 'Financial Reporting', the Corporation's Chief Executive is responsible for ensuring that the annual financial statements comply with Generally Accepted Accounting Principles (GAAP). The differences between Australian GAAP and IFRS identified by management to date as potentially having a significant effect on the financial position and financial performance of the Corporation are summarised below.

The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The Corporation is developing a plan to manage the transition to the new standards. The plan will require the identification of:

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

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

*Expected Differences in Accounting Policies***• Changes in Accounting Policy**

A major change is the treatment of accounting policy changes under IFRS. These will now apply retrospectively except for specific exemptions in accordance with AASB 1 'First-Time Adoption of Australian Equivalents to IFRS'.

• Non-Current Asset Acquisition and Recognition

The Australian equivalent to IAS 16, 'Property, Plant and Equipment' is proposing that non-current assets are revalued on an individual basis (as opposed to current class basis). It is anticipated an APS will continue to require revaluation on a class basis and current thresholds (greater than \$1 million and estimated useful life is greater than 3 years) will continue to apply.

- *Non-Current Asset Acquisition and Recognition (continued)*
Currently the Corporation capitalises borrowing costs (where attributable to qualifying assets). The pending standard AASB 123 'Borrowing Costs' allows these costs to be capitalised or expensed. It is anticipated that an APS will require borrowing costs to be expensed to assist with the convergence between Government Finance Statistics (GFS) and GAAP. Asset values will be maintained at fair value.
- *Impairment Testing*
Under IFRS all assets will be subject to impairment testing. The Corporation will be required to test the values attributed to assets where impairment is indicated on at least an annual basis. Such testing will require the Corporation to identify the smallest group of assets generating independent cash inflows, called cash generating units (CGUs), and determine the recoverable amount for each CGU. Recoverable amounts are determined using the higher of either value in use calculated using reliable estimates of future discounted cash flows or fair values. Where the carrying amount of a CGU exceeds the recoverable amount, an impairment loss exists which will be recognised in the Statement of Financial Performance.
- *Intangible Assets*
This standard requires intangible assets to be recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

After initial recognition, the intangible assets shall be carried at fair value (at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses) or at cost (less any accumulated amortisation and any accumulated impairment losses).
- *Financial Instruments*
Under IFRS, all financial instruments must be recognised on the Statement of Financial Position and all derivatives and most financial assets must be carried at fair value. The definition of financial instruments is broader than under current Australian GAAP and may result in additional financial instruments being recognised. Changes in the fair value of certain financial instruments will be recorded in the Statement of Financial Performance. Where derivatives satisfy strict hedge criteria (at both inception and subsequently), the fair value (and subsequent changes) may be recognised in equity rather than the Statement of Financial Performance.
- *Income Tax*
The Australian equivalent to IAS 12 is proposing a comprehensive method ('balance sheet' approach) to account for income tax. It is expected that the 'balance sheet' approach will result in more deferred tax assets and liabilities and, as tax effects follow the underlying transaction, some tax effects will be recognised in equity.

2. Revenue from Ordinary Activities

Revenue from Operating Activities:

Rates and charges
Community service obligations
Contributed assets
Recoverable works
Fees and charges
Miscellaneous

		Consolidated		The Corporation	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
		510 311	513 350	510 311	513 350
		101 556	91 706	101 556	91 706
		45 262	42 811	45 262	42 811
		42 864	32 378	42 864	32 378
		15 885	14 421	15 885	14 421
		1 973	5 505	1 857	5 407
		717 851	700 171	717 735	700 073

Revenue from Outside Operating Activities:

Gross proceeds from sale of infrastructure, plant and equipment
Interest received
Rents
Revaluation of investment in unlisted shares
Loss of control in controlled entities

	2 882	370	2 882	370
	55	205	53	197
	1 227	1 158	1 227	1 158
	468	434	468	434
	402	-	-	-
	5 034	2 167	4 630	2 159
Total Revenue from Ordinary Activities	722 885	702 338	722 365	702 232

3. Profit from Ordinary Activities before Income Tax Expense

Profit from ordinary activities before income tax expense has been arrived at after charging (crediting) the following items:

Depreciation:

Infrastructure assets - Water
Infrastructure assets - Sewer
Buildings
Other
Plant and equipment

70 162	66 867	70 162	66 867
36 549	33 620	36 549	33 620
491	463	491	463
7 733	6 526	7 733	6 526
2 295	2 788	2 295	2 788

Amortisation:

Water licences

58	58	58	58
117 288	110 322	117 288	110 322

3. Profit from Ordinary Activities before Income Tax Expense (continued)

	Consolidated	The Corporation	
	2004	2003	2004
	\$'000	\$'000	\$'000
Borrowing Costs:			
Interest expense	72 592	77 832	72 592
Finance charges on capitalised leases	12 763	12 966	12 763
Less: Capitalised borrowing costs	(6 778)	(7 850)	(6 778)
	78 577	82 948	78 577
Finance lease contingent rentals	1 438	1 243	1 438
Operating lease rental expense	3 030	3 081	3 030
Net bad and doubtful debts expense including movements in allowance for doubtful debts	(25)	305	(25)
Net gain (loss) on disposal of infrastructure, plant and equipment	26	(570)	26
Write-down in value of other infrastructure assets	4	1 869	4
Write-down in value of capital works in progress	79	2 918	79
Write-down in value of preliminary investigations	200	-	200
Write-down in loan to controlled entities	-	-	7
Write-down in investment in controlled entities	402	-	402
Expenditure on behalf of State Government:			
Water Industry Best Practice Program	119	808	119
Cooperative Research Centre	150	150	150
	269	958	269
			958

4. Income Tax

(a) Income Tax Expense

The difference between income tax expense provided in the financial report and the *prima facie* income tax expense is reconcile as follows:

Operating Profit	267 309	258 026	266 885	257 145
Prima facie income tax expense calculated at 30 percent (30 percent)	80 193	77 408	80 066	77 143
<i>Add (Less): Tax effect of permanent differences:</i>				
Non-deductible sundry expenses	-	14	-	14
Non-deductible accounting depreciation on revalued assets	4 038	911	4 038	911
Non-deductible accounting depreciation on contributed assets	374	-	374	-
Non-deductible amortisation of intangible assets	17	17	17	17
Non-deductible loss from foreign operations	-	13	-	-
Net gain on sale of land and buildings	48	230	48	230
Non-deductible amortisation on leased assets	21	-	21	-
Write-down of loan to controlled entities	(37)	-	(37)	269
Write-down of investments in controlled entities	-	-	121	-
Non-assessable revenue loss of control of subsidiaries	(6)	-	-	-
Upward revaluation of investment in unlisted shares	(141)	130	(141)	130
Non-assessable contributed assets	-	(1 709)	-	(1 709)
Additional deduction for research and development expenditure	(221)	(326)	(221)	(326)
Amounts under (over) provided in prior years	84 286	76 688	84 286	76 679
	3 258	(2 455)	3 258	(2 455)
	87 544	74 233	87 544	74 224
The income tax expense comprises movements in:				
Provision for income tax	76 288	70 319	76 288	70 312
Provision for deferred income tax*	8 618	5 590	8 618	5 590
Future income tax benefit*	(620)	779	(620)	777
Amounts under (over) provided in prior year	3 258	(2 455)	3 258	(2 455)
Income Tax Expense Attributable to Operating Profit	87 544	74 233	87 544	74 224

* This has been calculated at the current company tax rate of 30 percent (30 percent).

(b) Current Tax Liabilities

Provision for Current Income Tax

Movements during the year were as follows:

Balance at 1 July	30 226	22 190	30 219	22 190
Income tax paid	(72 089)	(62 568)	(72 082)	(62 568)
Current years income tax provision	76 288	70 319	76 288	70 312
Amounts (over) under provided in prior year	(4 208)	285	(4 208)	285
	30 217	30 226	30 217	30 219

	(c) Deferred Tax Liabilities	Consolidated		The Corporation	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
	<i>Provision for Deferred Income Tax</i>				
	Provision for deferred income tax comprises the estimated liability at the applicable rate of 30 percent (30 percent) on the following items:				
	Prepayments	161	140	161	140
	Prepaid futures contract	42	105	42	105
	Interest receivable	-	34	-	34
	Difference in depreciation of infrastructure assets for accounting and income tax purposes				
		64 206	51 930	64 206	51 930
		64 409	52 209	64 409	52 209
	(d) Deferred Tax Assets				
	<i>Future Income Tax Benefit</i>				
	Future income tax benefit comprises the estimated future benefit at the applicable rate of 30 percent (30 percent) on the following items:				
	Provisions				
	Employee benefits	7 921	7 343	7 921	7 343
	Damages and claims	240	211	240	211
	Removal of biosolids	501	604	501	604
	Site rehabilitation	47	47	47	47
	Asset disposal	322	330	322	330
	Allowance for obsolete stock	152	144	152	144
	Allowance for bad debts	72	158	72	158
	Accrued interest expense	-	3 884	-	3 884
	Sundry items	122	75	122	74
	Capitalised finance leases	1 749	1 595	1 749	1 595
		11 126	14 391	11 126	14 390

5.	Segment Reporting	Metro	Country	Metro	Country	2004 Total \$'000
		Water	Water	Sewer	Sewer	
	Business Segments	\$'000	\$'000	\$'000	\$'000	
	Revenue:					
	Rates and charges	193 672	84 578	209 173	22 888	510 311
	Community service obligations	2 584	74 582	7 804	16 019	101 556
	Contributed assets	12 282	7 524	21 520	3 936	45 262
	Other revenue	11 960	8 108	7 035	1 496	65 701
	Total Segment Revenue	220 498	174 792	245 532	44 339	722 830
	Unallocated interest revenue					55
	Total Revenue from Ordinary Activities					722 885
	Result:					
	Segment result	101 355	60 246	149 901	23 941	(2 375)
	Unallocated interest expense net of unallocated interest revenue					(65 759)
	Profit from ordinary activities before income tax					267 309
	Income tax expense					(87 544)
	Profit from Ordinary Activities after Income Tax					179 765
	Assets:					
	Segment assets	2 102 797	2 314 522	1 977 651	407 474	6 814 371
	Unallocated corporate assets					26 510
	Total Assets					6 840 881
	Liabilities:					
	Segment liabilities	21 243	138 715	27 403	5 557	201 915
	Unallocated corporate liabilities					1 305 474
	Total Liabilities					1 507 389
	Other Segment Information:					
	Acquisition of construction of non-current assets	42 989	43 449	73 234	11 102	187 355
	Depreciation and amortisation	37 706	39 708	34 124	5 750	117 288
	Non-cash expenses other than depreciation and amortisation	397	542	(21)	135	1 071

5.	Segment Reporting (continued) Business Segments	Metro	Country	Metro	Country	2003 Total \$'000
		Water \$'000	Water \$'000	Sewer \$'000	Sewer \$'000	
	Revenue:					
	Rates and charges	201 859	91 824	197 518	22 149	-
	Community service obligations	1 353	71 656	7 638	10 489	570
	Contributed assets	13 032	6 269	20 179	3 331	-
	Other revenue	12 095	6 790	6 936	1 478	26 967
	Total Segment Revenue	228 339	176 539	232 271	37 447	702 133
	Unallocated interest revenue					205
	Total Revenue from Ordinary Activities					702 338
	Result:					
	Segment result	107 073	59 650	145 636	19 744	(4 300)
	Unallocated interest expense net of unallocated interest revenue					(69 777)
	Profit from ordinary activities before income tax					258 026
	Income tax expense					(74 233)
	Profit from Ordinary Activities after Income Tax					183 793
	Assets:					
	Segment assets	2 025 990	2 107 787	1 992 700	394 064	11 035
	Unallocated corporate assets					6 531 576
	Total Assets					6 561 937
	Liabilities:					
	Segment liabilities	19 667	142 843	27 305	6 589	14 648
	Unallocated corporate liabilities					211 052
	Total Liabilities					1 210 703
	Other Segment Information:					
	Acquisition of construction of non-current assets	27 563	22 282	53 595	10 274	17 707
	Depreciation and amortisation	35 432	39 007	30 220	5 663	-
	Non-cash expenses other than depreciation and amortisation	1 423	1 580	748	294	1 582
						5 627
	Business Segments					
	The consolidated entity comprises the following main business segments based on the consolidated entity's management reporting system:					
	Metropolitan Water					
	Manage, operate and maintain metropolitan water filtration plants and pipelines that deliver water to customers.					
	Country Water					
	Manage, operate and maintain country reservoirs, pipelines and water filtration plants delivering peak and off-peak water to customers.					
	Metropolitan Sewer					
	Manage, operate and maintain metropolitan wastewater treatment plants and pipelines that remove wastewater from customer properties.					
	Country Sewer					
	Manage, operate and maintain country wastewater treatment plants and pipelines that remove wastewater from customer properties.					
	Other					
	Revenue and expenses associated with the Murray Darling Basin Commission, the Australian Water Quality Centre, engineering workshops and water industry business development.					
6.	Receivables				Consolidated	The Corporation
		Note			2004 \$'000	2003 \$'000
Current:					2004 \$'000	2003 \$'000
Community service obligations					84 717	83 357
Rates receivable (water and wastewater)					19 700	17 109
Allowance for doubtful debts					(100)	(210)
					19 600	16 899
Sundry debtors					16 333	17 033
Allowance for doubtful debts					(140)	(317)
					16 193	16 716
Minister for Government Enterprises						
- Irrigation	32				8 554	8 336
					129 064	125 308
Inventories					2004 \$'000	2003 \$'000
Raw materials and stores					3 560	3 821
Allowance for slow moving and obsolete inventory					(507)	(477)
					3 053	3 344
Work in progress - Sundry debtors					1 061	743
					4 114	4 087

8. Other Assets

Current:	Note	Consolidated		The Corporation	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Prepayments		865	873	865	873
Interest receivable		-	115	-	115
Loans to controlled entities		-	-	-	436
		865	988	865	1 424
Non-Current:					
Preliminary investigations		3 289	5 411	3 289	5 411
		3 289	5 411	3 289	5 411

9. Other Financial Assets

Current:					
Controlled entities - Unlisted shares at cost	22	-	-	-	402
		-	-	-	402
Non-Current:					
Other Corporations - Unlisted shares at fair value		6 325	5 857	6 325	5 857
		6 325	5 857	6 325	5 857

The Corporation was a participant to the funding arrangements for the Virginia Pipeline Scheme (VPS). Its involvement in this scheme will result in an option at the end of the contract to acquire the scheme. The scheme distributes 'Class A' reclaimed water from the Bolivar wastewater treatment plant throughout the Virginia region for irrigation of seasonal crops and fixed plantings. As part of the arrangement the Corporation made advances to the operating Company of VPS, Water Reticulation Systems (Virginia) Pty Ltd (WRS), a subsidiary of Euratech Limited. Advances to WRS were converted to non-voting B Class shares, issued at a price of \$1 per share.

10. Intangible Assets

	Consolidated		The Corporation	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Water licences - At cost	289	289	289	289
Accumulated amortisation	(289)	(231)	(289)	(231)
	-	58	-	58
Water allocations - At cost	13 858	-	13 858	-
	13 858	58	13 858	58

11. Infrastructure, Plant and Equipment

Infrastructure Assets:

Water:				
Water infrastructure		6 591 190	6 228 116	6 591 190
Accumulated depreciation		(2 747 005)	(2 544 624)	(2 747 005)
		3 844 185	3 683 492	3 844 185
Leased Water Infrastructure		124 327	121 018	124 327
Accumulated depreciation		(14 136)	(11 397)	(14 136)
		110 191	109 621	110 191
Sewer:				
Sewer infrastructure		3 247 843	3 171 096	3 247 843
Accumulated depreciation		(1 076 289)	(1 026 107)	(1 076 289)
		2 171 554	2 144 989	2 171 554
Leased sewer infrastructure		3 469	3 377	3 469
Accumulated depreciation		(595)	(499)	(595)
		2 874	2 878	2 874
Land		187 836	191 299	187 836
Buildings		25 773	24 423	25 773
Accumulated depreciation		(4 664)	(3 985)	(4 664)
		21 109	20 438	21 109
Other:		94 185	79 580	94 185
Accumulated depreciation		(48 509)	(39 878)	(48 509)
		45 676	39 702	45 676
Plant and equipment		35 549	32 915	35 549
Accumulated depreciation		(19 788)	(19 036)	(19 788)
		15 761	13 879	15 761
Capital work in progress		272 028	197 935	272 028
Total Infrastructure, Plant and Equipment		6 671 214	6 404 233	6 671 214

Reconciliations

Reconciliations of the carrying amounts for each class of infrastructure, plant and equipment are set out below:

	Consolidated		The Corporation	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Water infrastructure:				
Carrying amount at 1 July	3 683 492	3 533 953	3 683 492	3 533 953
Additions	65 150	66 289	65 150	66 289
Depreciation	(67 675)	(64 446)	(67 675)	(64 446)
Transfer to other assets	(71)	-	(71)	-
Net revaluation increment	163 289	147 696	163 289	147 696
Carrying amount at 30 June	3 844 185	3 683 492	3 844 185	3 683 492
Leased Water Infrastructure:				
Carrying amount at 1 July	109 621	112 042	109 621	112 042
Depreciation	(2 487)	(2 421)	(2 487)	(2 421)
Net revaluation increment	3 057	-	3 057	-
Carrying amount at 30 June	110 191	109 621	110 191	109 621
Sewer Infrastructure:				
Carrying amount at 1 July	2 144 989	1 977 921	2 144 989	1 977 921
Additions	39 461	45 323	39 461	45 323
Depreciation	(36 462)	(33 536)	(36 462)	(33 536)
Net revaluation increment	23 566	155 281	23 566	155 281
Carrying amount at 30 June	2 171 554	2 144 989	2 171 554	2 144 989
Leased Sewer Infrastructure:				
Carrying amount at 1 July	2 878	2 898	2 878	2 898
Depreciation	(87)	(84)	(87)	(84)
Net revaluation increment	83	64	83	64
Carrying amount at 30 June	2 874	2 878	2 874	2 878
Land:				
Carrying amount at 1 July	191 299	172 710	191 299	172 710
Additions	516	839	516	839
Disposals	(798)	(405)	(798)	(405)
Net revaluation (decrement) increment	(3 181)	18 155	(3 181)	18 155
Carrying amount at 30 June	187 836	191 299	187 836	191 299
Buildings:				
Carrying amount at 1 July	20 438	19 352	20 438	19 352
Additions	1 641	1 636	1 641	1 636
Disposals	(773)	(307)	(773)	(307)
Depreciation	(491)	(463)	(491)	(463)
Net revaluation increment	294	220	294	220
Carrying amount at 30 June	21 109	20 438	21 109	20 438
Other:				
Carrying amount at 1 July	39 702	41 579	39 702	41 579
Additions	13 946	5 796	13 946	5 796
Net revaluation increment	547	722	547	722
Depreciation	(7 733)	(6 526)	(7 733)	(6 526)
Disposals	(853)	-	(853)	-
Asset value write down	(4)	(1 869)	(4)	(1 869)
Transfer from water assets	71	-	71	-
Carrying amount at 30 June	45 676	39 702	45 676	39 702
Plant and Equipment:				
Carrying amount at 1 July	13 879	12 073	13 879	12 073
Additions	4 577	4 748	4 577	4 748
Disposals	(400)	(154)	(400)	(154)
Depreciation	(2 295)	(2 788)	(2 295)	(2 788)
Carrying amount at 30 June	15 761	13 879	15 761	13 879
Capital Work in Progress:				
Balance at 1 July	197 935	166 350	197 935	166 350
Additions	186 450	128 189	186 450	128 189
Transfers	(112 278)	(93 686)	(112 278)	(93 686)
Write down	(79)	(2 918)	(79)	(2 918)
Balance at 30 June	272 028	197 935	272 028	197 935
Total Infrastructure, Plant and Equipment	6 671 214	6 404 233	6 671 214	6 404 233

12. Payables			Consolidated		The Corporation	
		Note	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current:						
Trade creditors			39 474	47 939	39 474	47 939
Interest payable			11 327	12 948	11 327	12 948
Dividends payable			10 000	-	10 000	-
Other creditors			15 210	17 020	15 210	16 983
			76 011	77 907	76 011	77 870
Non-Current:						
Other creditors			1 159	1 152	1 159	1 152

13. Interest Bearing Liabilities

Current:

Short-term borrowings	21	56 188	55 388	56 188	55 388
Lease Liability		2 205	1 978	2 205	1 978
		58 393	57 366	58 393	57 366

The Corporation has a \$75 million short term borrowing facility with the Department of Treasury and Finance bearing interest at the daily cash rate charged by the South Australian Government Financing Authority.

			Consolidated		The Corporation	
		Note	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Non-Current:						
Long-term Borrowings	21	1 130 408	1 055 966	1 130 408	1 055 966	
Lease liability		113 171	115 376	113 171	115 376	
		1 243 579	1 171 342	1 243 579	1 171 342	

The Corporation has a fully utilised long term borrowing facility with the Department of Treasury and Finance. The loan is denominated in Australian dollars and carries both fixed and floating interest rates.

14. Provisions

			Consolidated		The Corporation	
		Note	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current:						
Employee benefits	24	7 988	6 051	7 988	6 051	
Asset disposal		735	832	735	832	
Workers compensation	24	846	750	846	750	
Damages and claims		799	703	799	703	
Removal of biosolids		500	488	500	488	
Site Rehabilitation		158	158	158	158	
		11 026	8 982	11 026	8 982	
Non-Current:						
Employee benefits	24	16 239	16 432	16 239	16 432	
Workers compensation	24	2 540	3 001	2 540	3 001	
Removal of biosolids		1 170	1 526	1 170	1 526	
Asset disposal		337	268	337	268	
		20 286	21 227	20 286	21 227	

Reconciliations

Reconciliations of the carrying amounts of each class of provision, except for employee benefits, asset disposal and site rehabilitation, are set out below:

Removal of Biosolids - Current:

Carrying amount 1 July	488	476	488	476
Payments made during the year	(424)	(415)	(424)	(415)
Transfer from non-current provision	500	427	500	427
Re-measurement adjustments	(64)	-	(64)	-
Carrying Amount at 30 June	500	488	500	488

Removal of Biosolids - Non-current:

Carrying amount 1 July	1 526	1 888	1 526	1 888
Transfer to current provision	(500)	(427)	(500)	(427)
Re-measurement adjustments	144	65	144	65
Carrying Amount at 30 June	1 170	1 526	1 170	1 526

Damages and Claims:

Carrying amount 1 July	703	3 479	703	3 479
Payments made during the year	(111)	(639)	(111)	(639)
Re-measurement adjustments	207	(2 137)	207	(2 137)
Carrying Amount at 30 June	799	703	799	703

15. Other Liabilities

	Consolidated		The Corporation	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Current:				
Deposits from contractors	1 282	657	1 282	657
Unearned income	530	190	530	190
	1 812	847	1 812	847
Non-Current:				
Advances for work carried out on behalf of Murray Darling Basin Commission	497	497	497	497

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

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

	Consolidated		The Corporation	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Cash assets	1 026	1 604	1 026	1 148

(b) Reconciliation of Profit from Ordinary Activities after Income

Profit from ordinary activities after income tax	179 765	183 793	179 341	182 921
Add (Less) items classified as investing activities:				
(Profit) Loss on sale of infrastructure, plant and equipment	(57)	534	(57)	534
Contributed assets	(24 014)	(27 307)	(24 014)	(27 307)
Add (Less) Non-cash items:				
Depreciation	117 230	110 264	117 230	110 264
Amortisation	58	58	58	58
Write-off of capitalised expenditure	283	5 592	283	5 592
Write-down of loan to controlled entities	(133)	-	(128)	896
Write-down of investments in controlled entities	-	-	402	-
Net foreign exchange (gain) loss	(13)	6	-	-
Revaluation of investment in unlisted shares	(468)	(434)	(468)	(434)
Provision for employee benefits	1 750	1 808	1 750	1 808
Provision for workers compensation	(365)	(1 339)	(365)	(1 339)
Adjustment for non-business operations	18	116	18	116
Decrease in future income tax benefit	3 265	748	3 264	747
Increase (Decrease) in current tax liability	(9)	8 037	(2)	8 030
Increase in deferred tax liability	12 200	2 880	12 200	2 880
Net Cash provided by Operating Activities before change in Assets and Liabilities	289 510	284 756	289 512	284 766

Changes in assets and liabilities:

Increase in rates and sundry receivables	(2 247)	(7 035)	(2 247)	(7 035)
(Increase) Decrease in prepayments	(177)	17	(177)	17
Decrease (Increase) in inventories	243	(50)	243	(50)
(Increase) Decrease in other operating assets	(284)	232	(211)	202
Increase (Decrease) in trade creditors	745	(2 705)	745	(2 705)
Decrease in other operating liabilities	(15 891)	(5 497)	(15 510)	(5 530)
Increase (Decrease) in other provisions	126	(2 775)	126	(2 775)
Net Cash provided by Operating Activities	272 025	266 943	272 481	266 890

17. Contributed Equity

Balance at 1 July	247 950	263 950	247 950	263 950
Repayment of Capital	-	(16 000)	-	(16 000)
Balance at 30 June	247 950	247 950	247 950	247 950

Repayment of capital is included as part of the total distribution to Government.

18. Reserves**(a) Asset Revaluation Reserve**

Balance at 1 July	4 773 562	4 451 424	4 773 562	4 451 424
Add: Revaluation increment on infrastructure, plant and equipment assets	187 655	322 138	187 655	322 138
Balance at 30 June	4 961 217	4 773 562	4 961 217	4 773 562

The asset revaluation reserve is the cumulative balance of asset revaluation increments and decrements.

(b) Foreign Currency Translation Reserve

	Consolidated		The Corporation	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Balance at 1 July				
Transfer to retained profits	(44)	(44)	-	-
Balance at 30 June	44	-	-	-
Total Reserves	-	(44)	-	-
	4 961 217	4 773 518	4 961 217	4 773 562

The foreign currency translation reserve is the cumulative balance of exchange differences due to the translation of financial reports of a foreign operation from prior reporting periods when the foreign operation was classified as self sustaining, refer to Notes 1(r) and 22. For the reporting period ended 30 June 2004 the foreign operation was in liquidation and no longer a controlled entity. In accordance with Australian Accounting Standard AASB 1012 'Foreign Currency Translation' the balance of the foreign currency translation reserve must be transferred to retained profits.

19. Retained Profits

		Consolidated		The Corporation	
	Note	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Retained profits at 1 July					
Net effect of initial adoption of revised APS 3 'Valuation of non-current assets':					
Revaluation decrement of investment in unlisted shares		-	(9 427)	-	(9 427)
Foreign currency translation reserve		(44)	-	-	-
Net profit from ordinary activities after income tax		179 765	183 793	179 341	182 921
		298 435	283 559	298 435	283 939
Dividends provided for and paid	28	(174 110)	(164 845)	(174 110)	(164 845)
Retained Profits at 30 June		124 325	118 714	124 325	119 094

20. Additional Financial Instruments Disclosure**(a) Objectives of Holding Derivative Financial Instruments**

The Corporation is exposed to the risk of adverse movements in interest rates and the Australian Dollar relative to foreign currencies. The Corporation uses derivative financial instruments solely to hedge against interest rate and foreign currency risks.

Forward exchange contracts are purchased to hedge the Australian Dollar value of foreign currency payments arising from the purchase of inventory. The forward exchange contracts commit the Corporation to purchase foreign currency at an agreed rate of exchange.

Interest rate swap agreements are used to convert interest rate exposures on certain debt from floating to fixed rates and vice versa. These swaps entitle the Corporation to either receive/pay floating interest quarterly or semi annually and receive/pay fixed interest semi annually.

Interest rate futures contracts and forward rate agreements are utilised by the Corporation to hedge interest rate exposures on borrowings.

(b) Interest Rate Risk Exposures

The Corporation's financial assets and financial liabilities are exposed to interest rate risk. The following table summarises interest rate risk for the Corporation, together with effective weighted average interest rates as at balance date.

Financial Assets:	Note	2004						Weighted Average Interest Rate	
		Floating Interest Rate \$'000	Fixed Interest Maturing In				2004 Total \$'000		
			1 Year or Less \$'000	Over 1 to 5 Years \$'000	More than 5 Years \$'000				
Cash	16(a)	1 026	-	-	-	-	1 026	4.92	
Current receivables	6	-	-	-	-	44 347	44 347		
CSO receivable	6	-	-	-	-	84 717	84 717		
Other financial assets	9	-	-	-	-	6 325	6 325		
		1 026	-	-	-	135 389	136 415		
Financial Liabilities:									
Short term borrowings	13	56 188	-	-	-	-	56 188	5.43	
Long term borrowings	13	444 342	116 598	393 642	175 826	-	1 130 408	5.37	
Payables	12	-	-	-	-	73 584	73 584	6.36	
Deposits with SA Water	12,15	-	2 427	-	-	1 282	3 709	5.33	
Non-business advances	15	-	-	-	-	497	497		
Lease liabilities	13	-	2 205	11 664	101 507	-	115 376		
Interest rate swaps*		(219 500)	10 000	42 500	167 000	-	-	5.53	
		281 030	131 230	447 806	444 333	75 363	1 379 762	6.67	

* Notional Principal amount

(b) Interest Rate Risk Exposures (continued)

	Note	Floating Interest Rate	Fixed Interest Maturing In				Non-Interest Bearing	2003 Total \$'000	Weighted Average Interest Rate	
			1 Year or Less	Over 1 to 5 Years	More than 5 Years	2003 Floating Percent			2003 Fixed Percent	
			\$'000	\$'000	\$'000					
Financial Assets:										
Cash	16(a)	1 604	-	-	-	-	-	1 604	4.22	
Current receivables	6	-	-	-	-	41 951	41 951			
CSO receivable	6	-	-	-	-	83 357	83 357			
Other financial assets	9	-	-	-	-	5 857	5 857			
Other	8	-	-	-	-	115	115			
		1 604	-	-	-	131 280	132 884			
Financial Liabilities:										
Short term borrowings	13	55 388	-	-	-	-	-	55 388	4.93	
Long term borrowings	13	185 399	111 572	394 823	364 172	-	-	1 055 966	4.60	6.31
Payables	12	-	-	-	-	74 604	74 604			
Deposits with SA Water	12,15	-	3 303	-	-	657	3 960			4.58
Non-business advances	15	-	-	-	-	497	497			
Lease liabilities	13	-	1 978	10 462	104 914	-	-	117 354		10.96
Interest rate swaps*		(173 500)	-	37 500	136 000	-	-	-	4.58	6.87
		67 287	116 853	442 785	605 086	75 758	1 307 769			

* Notional Principal amount

Interest Rate Sensitivity

In relation to borrowings, a 1 percent change in interest rates would impact on interest expense by \$3.39 million (\$2.03 million) for the year to 30 June 2005. A 1 percent increase in interest rates would decrease the market value of the debt portfolio by \$24.7 million as at 30 June 2004 (\$45.3 million). This analysis is based on interest rates as at 30 June 2004.

(c) Foreign Exchange

Contracts to buy foreign currency are entered into from time to time to offset purchase obligations so as to maintain a desired hedge position. The following table summarises by currency the Australian Dollar value of forward foreign exchange contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contracts for the Corporation.

Currency	Contract Value		Weighted Average Exchange Rate	
	2004 \$'000	2003 \$'000	2004	2003
American Dollars:				
Buy:				
Not later than one year	-	50	-	0.6617
	-	50		

As these contracts are hedging anticipated purchases, any unrealised gains and losses on the contracts, together with the costs of the contracts, will be recognised in the financial statements at the time the underlying transaction occurs (refer Note 1(r)). The unrecognised gains and losses, which are unrealised as at 30 June 2004, on hedges of anticipated foreign currency purchases are:

Not longer than one year	2004		2003	
	Foreign Currency Gross Unrealised		Foreign Currency Gross Unrealised	
	Gains \$'000	Losses \$'000	Gains \$'000	Losses \$'000
	-	-	-	1

(d) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties to the Corporation fail to meet their obligations.

The Corporation minimises concentrations of credit risk by undertaking transactions with a large number of counterparties with low outstanding amounts and/or credit worthy counterparties.

The credit risk on futures contracts is minimised as transactions are made through a recognised futures exchange.

SA Water undertakes all foreign exchange, interest rate risk management and commodity risk management transactions with SAFA as an eligible counterparty without limit. There is no credit risk exposure as SAFA is an entity guaranteed by the Government of South Australia.

Recognised Financial Instruments

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

Non-Recognised Financial Instruments

The credit risk on swap contracts is limited to the amount to be received from counter parties on contracts that are favourable to the Corporation. The amount due to the Corporation as at 30 June 2004 was \$0.29 million (\$1.21 million).

The forward foreign exchange contracts are subject to credit risk with the South Australian Government Financing Authority. The maximum credit risk exposure on forward foreign exchange contracts is the amount of foreign currency the Corporation is entitled to receive from the counterparties when the contracts are closed out. As at the 30 June 2004, there was no amount due to the Corporation.

There was no credit risk exposure on the forward rate agreements as at 30 June 2004 (Nil).

(e) Net Fair Values of Financial Assets and Liabilities

Net fair value is the amount at which the asset could be exchanged, or liability settled, in a current transaction between willing parties after allowing for transaction costs.

Recognised Financial Instruments

The carrying amounts and estimated net fair values of financial assets and financial liabilities held at balance date are given below.

The net fair value of cash and cash equivalents, non-interest bearing monetary financial assets and financial liabilities of the Corporation approximate their carrying value and are therefore not disclosed below.

The net fair value of other monetary financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows at 30 June 2004 interest rates.

		2004		2003	
		Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	Note	\$'000	\$'000	\$'000	\$'000
Financial Liabilities:					
Long-term borrowings	13	1 130 408	1 149 148	1 055 966	1 106 133
Lease liabilities	13	115 376	115 376	117 354	117 354

Non-Recognised Financial Instruments

The net fair value of non-recognised financial instruments held at the reporting date is:

	Interest rate swaps	Net Fair Values 2004 \$'000	2003 \$'000
Swaptions		(10 623)	(17 765)
Forward foreign exchange contracts		-	94
		-	49

The net fair value for interest rate swaps and swaptions is estimated by discounting the anticipated future cash flows to their present value, based on current market interest rates at the respective balance dates.

The net fair value of forward foreign exchange contracts is determined by reference to amounts quoted by the South Australian Government Financing Authority as at 30 June 2004.

21.	Expenditure Commitments	Consolidated		The Corporation	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
	Capital Commitments				
	Total capital expenditure contracted for at balance date but not recognised in the financial report and payable:				
	Not later than one year	11 059	66 485	11 059	66 485
		11 059	66 485	11 059	66 485

Joint Venture Commitments

Share of capital commitments contracted for arising from interest in joint venture operation and payable:

Not later than one year	-	129	-	129
	-	129	-	129

Finance Lease Commitments

Finance lease commitments are payable:

Not later than one year	16 566	16 088	16 566	16 088
Later than one year and not later than five years	66 585	64 352	66 585	64 352
Later than five years	221 240	228 659	221 240	228 659
	304 391	309 099	304 391	309 099
<i>Less:</i> Future lease finance charges and contingent rentals	189 015	191 745	189 015	191 745
Total Lease Liabilities	115 376	117 354	115 376	117 354

Lease liabilities provided for in the financial statements:

Current	2 205	1 978	2 205	1 978
Non-Current	113 171	115 376	113 171	115 376
	115 376	117 354	115 376	117 354

21. Expenditure Commitments (continued)

Future finance lease payments are amounts contracted with private sector providers to construct, own and operate water and wastewater treatment facilities. The leases comprise a base amount plus an incremental contingent rental. Contingent rentals are based on the Consumer Price and related indexes. The amount of contingent rentals paid and payable during the year is disclosed in Note 3.

Other Finance Lease Commitments	Consolidated		The Corporation	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Finance lease contracted for at balance date but not recognised in the financial report as liabilities, payable:				
Later than one year and not later than five years	10 076	-	10 076	-
Later than five years	55 636	-	55 636	-
	65 712	-	65 712	-

Other finance lease expenditure commitments contracted for at balance date include amounts contracted with a private sector company to construct, own and operate a wastewater treatment facility which is expected to be commissioned in September 2005. The lease commitment is represented by total minimum lease payments of \$66 million which includes future finance charges of \$46.8 million.

Operating Leases and Other Expenditure Commitments	Consolidated		The Corporation	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Future operating leases and other expenditure commitments not provided for in the Financial Report and payable:				
Not later than one year	63 464	57 622	63 464	57 622
Later than one year and not later than five years	235 147	220 738	235 147	220 738
Later than five years	89 856	169 843	89 856	169 843
	388 467	448 203	388 467	448 203

The operating lease commitments relate to property leases which are non-cancellable leases. The rental is payable monthly with reviews indexed every two years. These bi-annual reviews alternate between CPI indexation and Market Value. Options exist to renew the leases at the end of the term of the leases.

Other expenditure commitments include commitments pursuant to the contract to operate, manage and maintain the Adelaide metropolitan water and waste water networks and treatment plants. The costs for the commitments include the service charge payable to United Water International Pty Ltd and the costs incurred by United Water International Pty Ltd in performing services which are reimbursed by the Corporation. The costs are reported for the total period of the contract and include an estimate for escalation charges.

22. Controlled Entities

Particulars in relation to Controlled Entities

Parent Entity:

 South Australian Water Corporation

Controlled Entities:

 SA Water International Pty Ltd

 Crichbee Pty Ltd

 PT SA Water International ⁽¹⁾

Ordinary Share
Consolidated
Entity Interest

2004	2003
Percent	Percent
-	100
-	100
-	100

(1) PT SA Water International was established in Indonesia. All other controlled entities were incorporated in Australia. To comply with Indonesian company regulations requiring at least two shareholders, 95 percent of the capital of PT SA Water International is held by SA Water International Pty Ltd with the remaining 5 percent held by Crichbee Pty Ltd.

	Consolidated		The Corporation	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
SA Water International Pty Ltd:				
Capital subscribed	-	-	-	381
	-	-	-	381
Crichbee Pty Ltd:				
Capital subscribed	-	-	-	21
	-	-	-	21
PT SA Water International:				
Capital subscribed (US \$200 000)	-	-	-	383
	-	-	-	383

For the financial period ending 30 June 2004 SA Water's subsidiaries SA Water International Pty Ltd, Crichbee Pty Ltd and PT SA Water International were in liquidation.

These subsidiaries have been deconsolidated from the economic entity by recognising their accumulated losses at 30 June 2004 as revenue in the current financial year.

23. Interest in Joint Venture Operation

The Corporation holds an interest of 50 percent in the output of the joint venture operation named SA Water Hydro Joint Venture whose principal activity is the generation of electricity from the use of water energy stored in and by the Corporation's infrastructure at Mt Bold and Hope Valley.

Included in the assets and liabilities of the Corporation and the consolidated entity are the following items which represent the Corporation's and the consolidated entity's interest in the assets and liabilities employed in the joint venture, recorded in accordance with the accounting policies described in Note 1(b).

	Note	Consolidated		The Corporation	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current Assets:					
Cash assets		47	108	47	108
Receivables		27	282	27	282
Other		-	1	-	1
Total Current Assets		74	391	74	391
Non-Current Assets:					
Infrastructure assets		1 420	-	1 420	-
Capital work in progress		47	1 403	47	1 403
Total Non-Current Assets		1 467	1 403	1 467	1 403
Total Assets		1 541	1 794	1 541	1 794
Current Liabilities:					
Payables		22	451	22	451
Total Current Liabilities		22	451	22	451
Total Liabilities		22	451	22	451
Net Assets		1 519	1 343	1 519	1 343

Refer to Note 21 for details of joint venture capital commitments.

24. Employee Benefits

Aggregate liability for employee benefits including on-costs

Current:

Accrued wages and salaries including on-costs included in other creditors	14	1 474	870	1 474	870
Workers compensation		846	750	846	750
Annual Leave:					
On-costs included in other creditors		846	728	846	728
Provision for employee benefits	14	4 876	4 313	4 876	4 313
		5 722	5 041	5 722	5 041
Long Service Leave:					
On-costs included in other creditors	14	173	115	173	115
Provision for employee benefits		3 112	1 738	3 112	1 738
		3 285	1 853	3 285	1 853
		11 327	8 514	11 327	8 514
Non-Current:					
Workers compensation	14	2 540	3 001	2 540	3 001
Long Service Leave:					
On-costs included in other creditors	14	1 159	1 152	1 159	1 152
Provision for employee benefits		16 239	16 432	16 239	16 432
		17 398	17 584	17 398	17 584
		19 938	20 585	19 938	20 585
Total Employee Benefits		31 265	29 099	31 265	29 099

25. Contingent Liabilities

The Corporation has no material contingent liabilities as at 30 June 2004.

26. Auditors' Remuneration

Amounts received and receivable by the Auditors for auditing the accounts

	Consolidated		The Corporation	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Amounts received and receivable by the Auditors for auditing the accounts	245	243	245	235

The Auditors received no other benefits.

27. Consultancy Costs

During the year ended 30 June 2004, the Corporation paid \$0.4 million (\$0.7 million) as a result of engaging consultants. Assignments undertaken by consultants included work for operating and capital projects.

28. Dividends

Note	Consolidated		The Corporation	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
	164 110	164 845	164 110	164 845
12	10 000	-	10 000	-
19	174 110	164 845	174 110	164 845

Dividends include \$164.1 million paid to the South Australian Government Consolidated Account on 30 June 2004 based upon the recommendation of the Board to the Treasurer, pursuant to section 30 of the *Public Corporations Act 1993*. In addition, a special dividend of \$10 million has been provided for as agreed with the Department of Treasury and Finance.

29. Remuneration of Employees

The number of employees whose remuneration received and receivable falls within the following band is:

\$100 000 - \$109 999
\$110 000 - \$119 999
\$120 000 - \$129 999
\$130 000 - \$139 999
\$140 000 - \$149 999
\$150 000 - \$159 999
\$160 000 - \$169 999
\$170 000 - \$179 999
\$200 000 - \$209 999
\$210 000 - \$219 999
\$220 000 - \$229 999
\$230 000 - \$239 999
\$250 000 - \$259 999
\$260 000 - \$269 999
\$290 000 - \$299 999
\$400 000 - \$409 999

2004 Number of Employees	Consolidated		The Corporation	
	2004 Number of Employees	2003 Number of Employees	2004 Number of Employees	2003 Number of Employees
17	12		17	12
9	9		9	9
4	5		4	5
3	2		3	2
3	-		3	-
3	5*		3	5*
4	4		4	4
2	2		2	2
2	-		2	-
2	2		2	2
-	1		-	1
1	1		1	1
1	-		1	-
-	1		-	1
1	1		1	1
-	1*		-	1*

The total remuneration received and receivable by those employees was \$7.2 million (\$6.7 million). This amount includes fringe benefits and superannuation payments made to the Department of Treasury and Finance.

In 2003 the employee numbers included two employees who had left the Corporation prior to 30 June 2003 (denoted by *).

30. Remuneration of Directors

The number of directors of the Corporation whose remuneration received and receivable falls within the following bands is:

\$10 000 - \$19 999
\$20 000 - \$29 999
\$30 000 - \$39 999
\$40 000 - \$49 999
\$50 000 - \$59 999
\$80 000 - \$89 999
\$290 000 - \$299 999

2004 Number of Directors	Consolidated		The Corporation	
	2004 Number of Directors	2003 Number of Directors	2004 Number of Directors	2003 Number of Directors
-	2*		-	2*
-	2*		-	2*
3	1		3	1
2	1		2	1
-	1		-	1
1	1		1	1
1	1		1	1

The total remuneration received and receivable by those Directors was \$0.59 million (\$0.58 million) which includes fringe benefits and superannuation contributions. These figures include the Chief Executive Ms Anne Howe who is also included in Note 29.

In 2003 the director numbers included two Directors who had left the Corporation prior to 30 June 2003 (denoted by *).

31. Related Party Disclosures

The following persons held the position of Director of the Corporation during the financial year:

G B Allison
A E Thomas
F T Blevins
S M Doyle

A D Howe
P W Pledge
R J Owens

Mr Allison is a Director and Partner of the Cape d'Estaing Group, a Partner of GB and JD Allison, a Principal of Allison Partners Pty Ltd, is on the Investment Committee of the Australian Water Infrastructure Fund and a 15 percent shareholder in Environmental Solutions (Aust) Pty Ltd.

Ms Doyle is the Chairman of the Public Sector Superannuation Scheme and the Commonwealth Superannuation Scheme.

Ms Howe is a director of the Construction Industry Training Board and Water Services Association of Australia (WSAA).

31. Related Party Disclosures (continued)

Ms Owens is the Treasurer and National Committee Member of the Australian Labour Law Association Inc, Chair of the Working Women's Centre SA Inc and a Trustee of the ASKM Adelaide Recitals Trust.

Mr Pledge is a Consultant for Ernst and Young and Chairman of the Adelaide Chamber Orchestra.

Mr Thomas is a Director of Michell Australia Pty Ltd and Engelhardt Eyewear Pty Ltd.

All financial benefits provided by SA Water to related parties are provided on arm's length terms.

32. Irrigation Assets and Liabilities

Assets and liabilities arising from the *Irrigation Act 1994* which were controlled by the former Engineering and Water Supply Department were not vested in the Corporation. Government policy is for self-management of Government Irrigation Districts which resulted in the transfer of assets to trusts formed under the *Irrigation Act 1994* on 1 July 1997 for the Highland Irrigation Areas. During this transitional period, the Corporation continues to manage the irrigation activities for the reclaimed areas on behalf of the Minister for Government Enterprises. In order to reflect this arrangement, the assets and liabilities associated with the irrigation function have been excluded from the Corporation's financial statements. Agreement has been reached whereby the funding of capital works and operations for irrigation activities will be assumed by the Treasurer.

Under this arrangement, the Corporation is able to account for these amounts as advances due from the Minister for Government Enterprises. These amounts are recorded in a separate account, Minister for Government Enterprises - Irrigation Assets.

	Consolidated		The Corporation	
	2004	2003	2004	2003
	Number of Employees	Number of Employees	Number of Employees	Number of Employees
Balance due from the Minister for Government Enterprises	8 336	8 483	8 336	8 483
Rates revenue - Irrigation	-	(583)	-	(583)
Return of revenue - Lower Murray operations	218	-	218	-
Operating expenses - Irrigation	-	470	-	470
Contributions received for capital works	-	(34)	-	(34)
	8 554	8 336	8 554	8 336

33. Targeted Voluntary Separation Packages (TVSPs and TVERs)

In accordance with Government policy, 6 employees (29 employees) were paid a Targeted Voluntary Separation Package (TVSP) at a total value of \$0.6 million (\$2.2 million) with an additional \$0.2 million paid (\$0.9 million) in accrued annual leave and long service leave entitlements. There were 30 employees (22 employees) that were paid a Targeted Voluntary Early Retirement (TVER) package during the period, at a total value of \$1.6 million (\$1.3 million) with an additional \$0.8 million paid (\$0.6 million) in accrued annual leave and long service leave entitlements.

34. Statement of Administered Items

The *Waterworks Act 1932* has been amended in State Parliament to include the Save the River Murray Levy, effective from 1 October 2003. The component of rates collected by the Corporation under the Act and attributable to the Save the River Murray Levy is paid into the Consolidated Account at the Department of Treasury and Finance on a quarterly basis.

	Consolidated		The Corporation	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Administered Revenues:	14 066	-	14 066	-
River Murray Levy	14 066	-	14 066	-
Administered Expenses:	14 066	-	14 066	-
River Murray Levy	14 066	-	14 066	-
Operating Surplus	-	-	-	-
Current Assets:				
Cash	358	-	358	-
Receivables	935	-	935	-
Total Current Assets	1 293	-	1 293	-
Total Administered Assets	1 293	-	1 293	-
Current Liabilities:				
Payables	1 293	-	1 293	-
Total Current Liabilities	1 293	-	1 293	-
Total Administered Liabilities	1 293	-	1 293	-
NET ASSETS	-	-	-	-
Equity:				
Accumulated surplus	-	-	-	-
Total Administered Equity	-	-	-	-

34. Statement of Administered Items (continued)

Cash Flows from Operating Activities:

Cash Inflows:

River Murray Levy collected from customers

Total Cash Inflows

Cash Outflows:

Payments to Consolidated Account

Total Cash Outflows

Net Cash Inflows from Operating Activities

		Consolidated		The Corporation	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
	13 131		-	13 131	-
	13 131		-	13 131	-
	12 773		-	12 773	-
	12 773		-	12 773	-
	358		-	358	-

Administered Revenues:

Net increase in cash held

Cash at 1 July

Cash at 30 June

358	-	358	-
-	-	-	-
358	-	358	-

STATE SUPPLY BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The State Supply Board, a statutory authority established under the *State Supply Act 1985* (the Act), is principally responsible for providing a framework for public sector supply.

An amendment to the Act was effected in January 2002 which extended the definition of supply operations to cover not only goods but also services and other commodities, namely energy and intellectual property. In so doing the amendment makes it clear that the Board's statutory ambit over supply operations covers public authorities for the management, procurement, disposal and control of both goods and services.

On 29 July 2004 the *State Procurement Act 2004* was assented to with the objectives to advance Government priorities and objectives by a system of procurement for public authorities directed towards:

- obtaining value in the expenditure of public money;
- providing for ethical and fair treatment of participants; and
- ensuring probity, accountability and transparency in procurement operations.

The *State Procurement Act 2004* establishes the State Procurement Board, repeals the *State Supply Act 1985* and also provides for the State Procurement Board to be the same body corporate as the State Supply Board. As at the time of the preparation of this report the operation of the *State Procurement Act 2004* had not commenced.

Functions

The functions of the State Supply Board are to:

- undertake, make arrangements for or control the supply operations of public authorities;
- develop and issue policies, principles and guidelines, and give directions, relating to the supply operations of public authorities;
- investigate and keep under review the supply operations of public authorities;
- provide advice relating to the supply operations of public authorities, including the training and development of persons engaged in supply operations.

The Board is also responsible for the purchase and on selling of gaming machines under the *Gaming Machines Act 1992*.

Structure

The Board comprises six members appointed by the Governor and, except as provided by the Act, is not subject to ministerial control and direction. The Board receives policy, administrative and financial accounting support from the Department for Administrative and Information Services (DAIS) for which it is charged. The Contract Services Business Unit within DAIS administers the strategic and complex whole-of-government contracts on behalf of the Board.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 21(2) of the *State Supply Act 1995* provides for the Auditor-General to audit the accounts of the State Supply Board for each financial year.

Assessment of Controls

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

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

Scope of Audit

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

The accounts and financial transactions of the Board are maintained and processed by DAIS. In addition, the Contract Services Business Unit of DAIS undertakes certain aspects of contract management activity on behalf of the Board. Audit reviews of the financial operations and contract management activity of the Board was covered as part of the examination of the operations, systems and processes of DAIS.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

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

Assessment of Controls

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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

The State Supply Board is essentially a policy based organisation responsible for meeting the obligations of the Act. Consequently, the main source of funding is Government appropriation with the majority of expenditure being payments to the Department for Administrative and Information Services for managerial, strategic planning and administrative services (refer Note 4 to the financial statements).

The Board recorded revenue from fees for provision of training courses of \$133 000 in 2002-03. The Board did not record any revenue in this area in 2003-04. In addition, expenditure on supplies and services decreased from \$621 000 in 2002-03 to \$327 000 in 2003-04. The decrease in these revenues and expenditures is due to a procurement conference being run in 2002-03 but not in 2003-04.

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

	Note	2004 \$'000	2003 \$'000
REVENUE FROM ORDINARY ACTIVITIES:			
Fees for provision of training courses		-	133
Grants from SA Government		426	413
Total Revenue from Ordinary Activities		426	546
EXPENSES FROM ORDINARY ACTIVITIES:			
Board Member fees		24	23
Supplies and services	4	327	621
Depreciation and amortisation	5	3	3
Total Expenses from Ordinary Activities		354	647
OPERATING PROFIT (LOSS)			
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		72	(101)

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

		2004 \$'000	2003 \$'000
CURRENT ASSETS:			
Cash	10(a)	246	209
Prepayments		36	-
Total Current Assets		282	209
NON-CURRENT ASSETS:			
Property, plant and equipment	7	-	3
Total Non-Current Assets		-	3
Total Assets		282	212
CURRENT LIABILITIES:			
Payables	8	8	10
Total Current Liabilities		8	10
Total Liabilities		8	10
NET ASSETS		274	202
EQUITY:			
Retained profits		274	202
TOTAL EQUITY	9	274	202

Statement of Cash Flows
for the year ended 30 June 2004

		2004	2003
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH INFLOWS:			
Receipts from customers		-	134
Receipts from South Australian Government		426	413
Total Inflows from Operating Activities		426	547
CASH OUTFLOWS:			
Payments to suppliers		(389)	(644)
Total Outflows from Operating Activities		(389)	(644)
Net Cash Inflows (Outflows) from in Operating Activities	10(b)	37	(97)
NET INCREASE (DECREASE) IN CASH HELD		37	(97)
CASH AT 1 JULY		209	306
CASH AT 30 JUNE	10(a)	246	209

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the State Supply Board

The State Supply Board was established under the *State Supply Act 1985*. The Board's mission is to guide, manage and control the supplies acquisition, management, distribution and disposal activities of public authorities by direct action on behalf of agencies, where appropriate, and by the development and promulgation of supply policies and guidelines for application by those agencies subject to the *State Supply Act 1985*.

The Board is serviced for administrative and financial functions, together with strategic and managerial support by the Department for Administrative and Information Services (DAIS) under a fee for service arrangement.

On 29 July 2004, the *State Procurement Act* was passed by Parliament (refer South Australian Government Gazette dated 29 July 2004). Once proclaimed, it will repeal the *State Supply Act* and the State Supply Board will be dissolved. The Act will also establish a new board, the State Procurement Board, whose functions will be to regulate the procurement operations of public authorities.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

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

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

The State Supply Board's Statement of Financial Performance and Statement of Financial Position have been prepared on an accrual basis and are in accordance with historical cost convention.

The Board's principal source of funds is grant monies provided by DAIS. Grants are recognised as revenues in the period in which the Board gains control of the funds.

2.2 Comparative Figures

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

2.3 Rounding

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

2.4 Revenue and Expenses

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

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

Revenue from training is derived from the provision of services to SA government agencies.

2.5 Current and Non-Current Items

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

2.6 Superannuation

For the purposes of the Statement of Cash Flows, cash is cash at bank and is used in the cash management function on a day-to-day basis. Cash is measured at nominal value.

2.7 Non-Current Assets

Fitouts have been brought to account at cost. The gain or loss on disposal of all non-current assets is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, and is recorded as revenue or expense in the year of disposal.

2.8 Depreciation

Non-current assets are depreciated using the straight line method over their useful lives commencing from the time the asset is held ready for use. Non-current assets comprise fitouts that have been depreciated over a useful life of eight years.

In accordance with APS 3 'Valuation of Non-Current Assets', assets less than \$1 million and with an estimated useful life of less than three years are not revalued.

2.9 Payables

Payables include creditors and accrued expenses.

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

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

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

2.10 Insurance

The State Supply Board has arranged, through SA Government Captive Insurance Corporation (SAICORP), to insure all major risks of the authority. The excess payable under this arrangement varies depending on each class of insurance held.

2.11 Goods and Services Tax

The Department for Administrative and Information Services (DAIS) prepares a Business Activity Statement on behalf of the Board under the grouping provisions of the GST legislation. Under these provisions, DAIS is liable for the payments and entitled to the receipt of GST. As such, the GST applicable to the Board forms part of the Statement of Financial Position and Statement of Cash Flows of DAIS.

2.12 Gaming Machines

The State Supply Board is also responsible for the purchase and on-selling of gaming machines under the *Gaming Machine Act 1992*.

The administration of the responsibilities of the Board is undertaken by the Contract Services Business Unit of DAIS.

2.13 Superannuation

During 2003-04, amount paid or payable by the Board to the Department of Treasury and Finance towards the accruing Government liability for superannuation in respect of its Board members was \$1 800 (\$1 700).

3. Changes in Accounting Policy

Impact of Adopting Australian Equivalents to International Financial Reporting Standards

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

Managing the Process

In accordance with Treasurer's Instruction 19 'Financial Reporting', the Board is responsible for ensuring that the annual financial statements comply with Generally Accepted Accounting Principles (GAAP). The Board will analyse the exposure drafts issued by the AASB so as to identify any potential issues and develop a plan to manage the transition to the new standards. The plan will require the identification of:

- Major areas of accounting and reporting differences resulting from adoption of the new standards,
- Potential changes required to financial systems, and
- Key dates for monitoring and reviewing progress.

Expected Differences in Accounting Policies

Changes in Accounting Policy

A major change is the treatment of accounting policy changes under IFRS. These will now apply retrospectively except for specific exemptions in accordance with AASB 1 'First Time Adoption of Australian Equivalents to IFRS'.

4. Supplies and Services

	2004	2003
	\$'000	\$'000
Administration services*	190	197
Advertising/Marketing/Promotions	-	152
IT expenses	5	12
Management services*	67	132
Printing/Postage/Stationery	17	12
Professional fees	29	24
Training and development	6	78
Other	13	13
Total Supplies and Services	327	621

- * Administration Services represent clerical, record keeping, financial and payroll services provided by DAIS.
- * Management Services represent managerial support (delegated by the Board) and strategic advice and planning provided by DAIS

The number and dollar amount of Consultancies paid that fell within the following band:
Below \$10 000

The number and dollar amount of Consultancies paid that fell within the following band:	2004	2003	The number and dollar amount of Consultancies paid that fell within the following band:	2004	2003
	Number	Number		\$'000	\$'000
Below \$10 000	1	1		7	2

The number and dollar amount of non-PSM Act 'contract-employees' contracts paid that fell within the following band:
Below \$10 000

1	2	5	7
----------	---	----------	---

5. Depreciation and Amortisation

Depreciation:

Fitouts

Depreciation:	2004	2003
	\$'000	\$'000
Fitouts	3	3

6. Auditor's Remuneration

Audit Fees payable to the Auditor-General's Department

2	12
----------	----

During 2003, audit fees payable to the Auditor-General's Department were over-estimated by \$4 200.

7. (a) Property, Plant and Equipment

Fitouts at cost

Accumulated depreciation

Total Fitouts

19	19
(19)	(16)
-	3

7. (b) Reconciliation of carrying amount

Carrying value at the beginning of the financial year

Depreciation expense

Carrying Value at the end of the Financial Year

3	6
(3)	(3)
-	3

8. Payables

Current Liabilities:

Creditors

Accrued expenses

Total Payables

3	-
5	10
8	10

9. Equity	2004 \$'000	2003 \$'000
Retained profits	274	202
Total Equity	274	202
Balance at the beginning of the financial year	202	303
Operating surplus (deficit)	72	(101)
Balance at the end of the Financial Year	274	202

10. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank.

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

	2004 \$'000	2003 \$'000
Deposits at Westpac Bank	246	209
Cash as recorded in the Statement of Financial Position	246	209
Cash as recorded in the Statement of Cash Flows	246	209

(b) Reconciliation of Net Cash Inflows (Outflows) from Operating Activities to Operating Profit

Net cash inflows (outflows) from operating activities	37	(97)
Less: Non-cash items:		
Depreciation of Property, Plant and Equipment	(3)	(3)
Changes in Assets/Liabilities:		
(Increase) Decrease in other assets	36	(1)
Decrease in payables	2	-
Operating Profit	72	(101)

11. Financial Instruments

Terms, Conditions and Accounting Policies

Outlined below are the terms and conditions of financial assets and liabilities held by State Supply Board as at 30 June 2004.

(i) Financial Assets

Cash is available at call and is recorded at cost.

Receivables are raised for all goods and services provided for which payment has not been received.

Receivables are normally settled within 30 days.

(ii) Financial Liabilities

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days.

12. Commitments for Expenditure

There is no capital expenditure contracted at the reporting date.

13. Related Party Disclosures

During the year, the following persons occupied the position of Board Member (or Deputy Board Member) of the State Supply Board:

Mr Barry Miller (Chair)
 Mr Lindsay Oxlad
 Ms Julieann Riedstra
 Mr Lindsay Thompson
 Dr Patricia Crook AO
 Mr Paul Gardner
 Mr Philip Jackson
 Ms Fij Miller
 Mr Jim Fitzpatrick
 Mr Grant Spence (retired 9 December 2003)

The appointment of the above Members was approved by the Governor on 1 August 2002.

During the period, a total of \$21 900 (\$21 700) was paid to Board Members in Board fees.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

PORTFOLIO – AUDITOR-GENERAL’S DEPARTMENT

PREMIER

INTRODUCTION

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

- Premier

The agency included herein relating to this portfolio is the Auditor-General’s Department.

AUDITOR-GENERAL'S DEPARTMENT

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment and Functions

The *Public Finance and Audit Act 1987* confers wide powers on the Auditor-General to examine any matters relating to the collection, receipt, issue or expenditure of public monies and to report on the efficiency and economy of public sector operations. In addition, the Auditor-General has been appointed auditor of various statutory corporations and funds; has been appointed auditor of a number of companies associated with the operations of public sector agencies; has a discretionary right under the *Education Act 1972* to inspect or audit the accounts of school councils and; is required by the *South Australian Health Commission Act 1976* to audit the accounts of prescribed incorporated hospitals and health units and to approve the auditor of other incorporated hospitals and units.

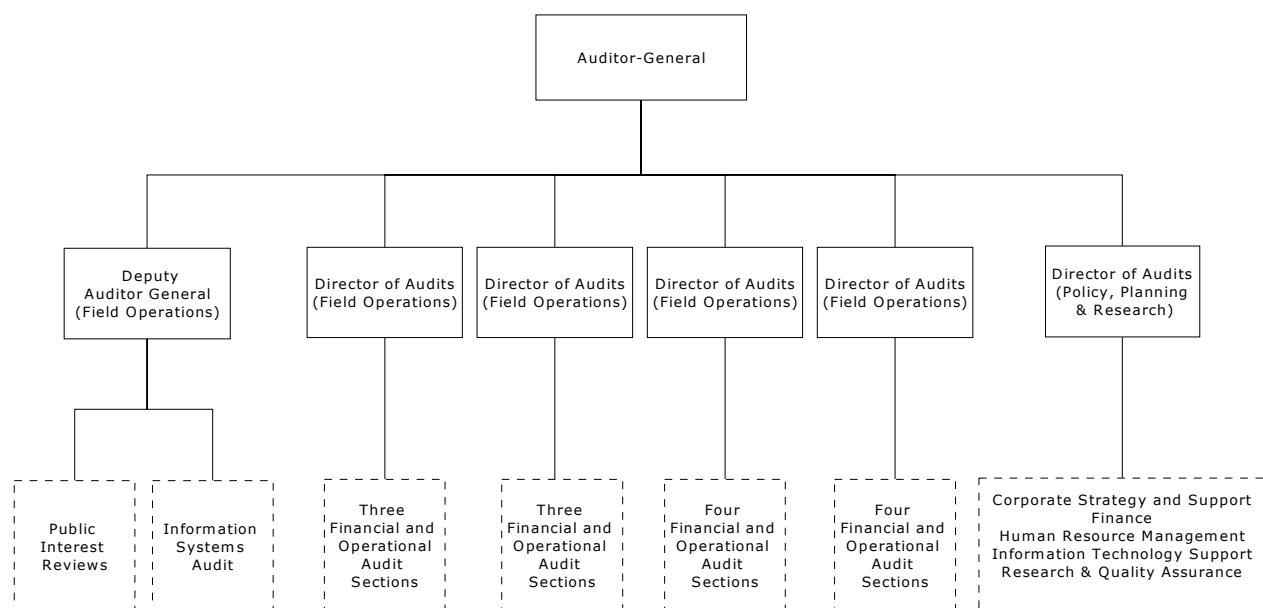
The Act provides a mandate for the Auditor-General to conduct five different types of audits and reviews. These are:

- financial and compliance audit - subsection 31(1)
- efficiency and economy audit - subsection 31(2)
- review of the adequacy of controls exercised by auditee agencies - subsection 36(1)(a)(iii)
- examination of the accounts of a publicly funded body - section 32
- review of a summary of a confidential government contract - section 41A

The Auditor-General's Department was established to assist the Auditor-General in the discharge of his/her statutory audit mandate.

Structure

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



AUDIT MANDATE AND COVERAGE

Audit Authority

Under section 35(1) of the *Public Finance and Audit Act 1987*, the Governor, on the recommendation of the Treasurer, has appointed Grant Thornton as auditor of the Auditor-General's Department.

AUDIT FINDINGS AND COMMENTS

Audit Opinion

In Grant Thornton's opinion dated 20 August 2004, the financial report of the Auditor-General's Department:

- presents fairly the financial position of the Auditor-General's Department at 30 June 2004, and the results of its operations and its cash flows for the year ended on that date;
- is presented in accordance with the *Public Finance and Audit Act 1987*, Treasurer's Instructions under the Act, applicable Accounting Standards and other mandatory financial reporting requirements in Australia.

Audit Communications to Management

Grant Thornton reported the results of their audit in a management letter dated 23 August 2004 and advised 'that we have not encountered any matters during the course of the audit that we believe should be brought to your attention'.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

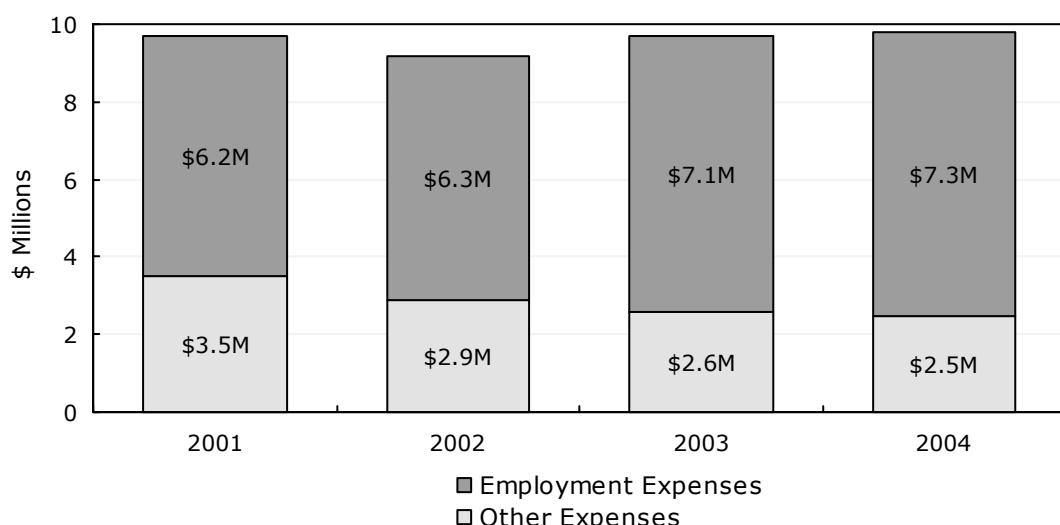
Highlights of Financial Statements

	2004 \$'million	2003 \$'million	Percentage Change
REVENUE FROM GOVERNMENT	9.8	9.9	(1)
OPERATING EXPENDITURE			
Employment expenses	7.3	7.1	3
Other expenses	2.5	2.6	(4)
Total Operating Expenses	9.8	9.7	1
Net Cash Flows from Operations	0.5	0.8	(38)
Total Assets	2.3	2.0	15
Total Liabilities	2.3	2.2	5

Statement of Financial Performance

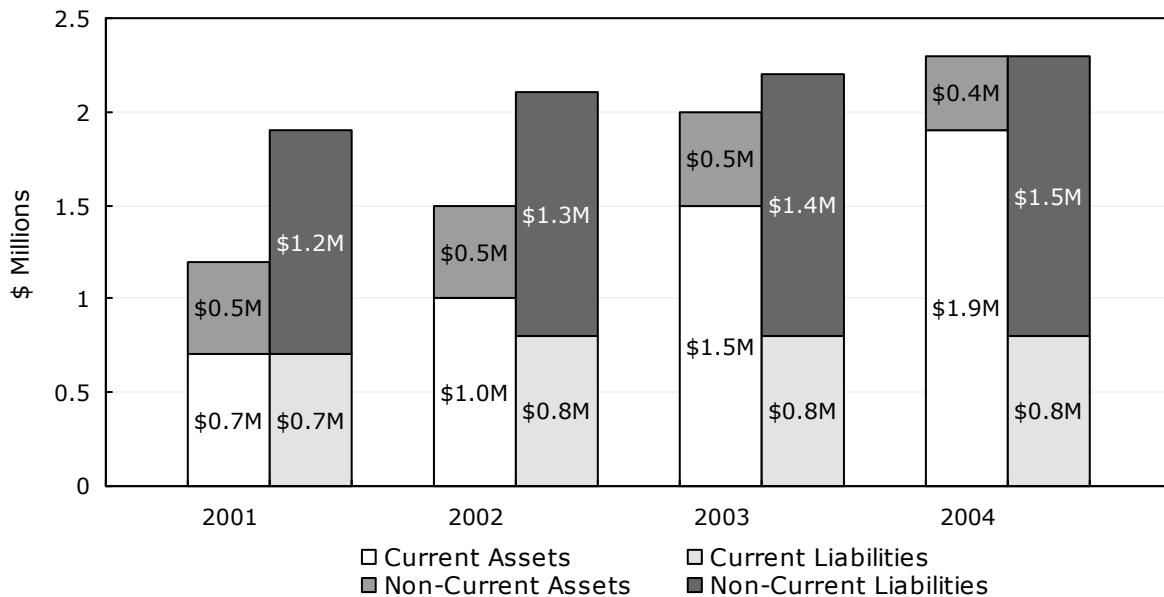
Operating Expenses

For the four years to 2004, a structural analysis of the main operating expense items for the Department is shown in the following chart.



Statement of Financial Position

For the four years to 2004, a structural analysis of assets and liabilities is shown in the following chart.



The chart shows that the Department current assets have steadily increased due to an accumulation of cash held in the Department Operating Account' and cash deposited in a special deposit account in the name of the Auditor-General's Department at the Department of Treasury and Finance titled 'Accrual Appropriation Excess Funds'. The increase in cash arises from:

- accrual funding provided annually to meet the cost of accumulated employee leave entitlements;
- up front special investigation funding that has been retained in the department's operating account to meet the cost of finalising those special investigations next year.

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

		2004	2003
	Note	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	3	7 297	7 103
Contract audit fees		740	665
Accommodation and service costs		525	487
Other expenses		377	440
Depreciation	1.4, 6.2	251	269
Staff development and training		167	185
Consultancies		151	339
Software maintenance		116	89
Motor vehicle hire		114	97
Loss on disposal of assets	5	26	3
Total Expenses from Ordinary Activities		9 764	9 677
REVENUES FROM ORDINARY ACTIVITIES:			
Interest		101	73
Other income		3	11
Total Revenues from Ordinary Activities		104	84
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		9 660	9 593
REVENUES FROM GOVERNMENT:			
Appropriations and contingency provision grant	4	9 797	9 938
NET SURPLUS		137	345
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		137	345

Statement of Financial Position
as at 30 June 2004

		2004	2003
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash	9.1, 13	1 842	1 471
Receivables	13	101	92
Total Current Assets		1 943	1 563
NON-CURRENT ASSETS:			
Computer and office facilities	1.4, 6	1 437	1 512
Accumulated depreciation	1.4, 6	(1 079)	(1 033)
Total Non-Current Assets	6	358	479
Total Assets		2 301	2 042
CURRENT LIABILITIES:			
Payables	13	47	47
Cash advance - Imprest accounts	13	3	3
Employee benefits and related on-costs	1.3, 7	723	707
Total Current Liabilities		773	757
NON-CURRENT LIABILITIES:			
Employee benefits and related on-costs	1.3, 7	1 562	1 456
Total Non-Current Liabilities		1 562	1 456
Total Liabilities		2 335	2 213
NET ASSETS	8	(34)	(171)
EQUITY:			
Opening balance - Deficit		(171)	(516)
Increase in net assets		137	345
TOTAL EQUITY	8	(34)	(171)
Commitments	11		

Statement of Cash Flows
for the year ended 30 June 2004

		2004	2003
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee expenses		(7 172)	(6 950)
Goods and services		(2 408)	(2 536)
CASH INFLOWS:			
Interest		101	73
Other income		3	11
Goods and services tax refunds		206	257
CASH FLOWS FROM GOVERNMENT:			
Appropriations and contingency provision grant	4	9 797	9 938
Net Cash Inflows from Operating Activities	9.2	527	793
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of computer and office facilities		(192)	(314)
Disposal of computer and office facilities		36	52
Net Cash Outflows from Investing Activities		(156)	(262)
NET INCREASE IN CASH HELD		371	531
CASH AT 1 JULY		1 471	940
CASH AT 30 JUNE	9.1	1 842	1 471

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Significant Accounting Policies

1.1 Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with applicable Australian Accounting Standards, other mandatory professional reporting requirements in Australia and the Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987* (the Act). The accounts are presented on the accrual basis of accounting using historical cost accounting which does not take into account changing money values. Unless otherwise stated, the accounting policies adopted are the same as those in the previous year.

1.2 Appropriations

The Department is funded by Parliamentary appropriations for the full accrual cost of its services. The appropriation is paid into Special Deposit Account titled 'Auditor-General's Department Operating Account'. Appropriation for accrued expense at year end has in previous years been deposited in a special deposit account in the name of the Auditor-General's Department at the Department of Treasury and Finance titled 'Accrual Appropriation Excess Funds'. Use of the funds requires the approval of the Treasurer. Pursuant to Treasurer's Instruction 3.8, this money is deemed to be controlled by the public authority in the name of which the money is recorded.

Administered items are funded by Parliamentary appropriations on a cash basis.

1.3 Employee Benefits

Provision has been made for employee benefits liabilities arising from services rendered by employees to balance date in accordance with Australian Accounting Standard AASB 1028 'Employee Benefits'. Employee entitlements comprise benefits to salaries, annual leave, long service leave and workers compensation.

Salaries

Liabilities for salaries are recognised, and are measured as the amount unpaid at current pay rates in respect of employee service periods up to the reporting date.

Annual Leave

Liabilities for annual leave are recognised, and are measured as the amount unpaid at the pay rate at which the liability is expected to be settled in respect of employee service periods up to the reporting date.

Sick Leave

No liability is recognised, as sick leave taken by employees is considered to be taken from the current year's accrual.

Long Service Leave

Long service leave is recognised on a pro-rata basis for the employee service periods up to the reporting date. The Department of Treasury and Finance has advised that a benchmark of seven years service can be used for a shorthand estimation of long service leave liability in accordance with the provisions of AASB 1028. This advice has been adopted and the long service leave liability as at 30 June 2004 has been calculated at nominal amounts based on current salary and wage rates for employees with seven or more years service.

The long service leave to be taken in the 12 months to 30 June 2005 has been estimated by adding the estimated termination payments in this period to the estimated long service leave to be taken by ongoing employees in the 12 months (based on previous years' experience). The basis of calculation is similar to that used in previous years.

Workers Compensation

The workers compensation provision is an actuarial estimate of the outstanding liability at 30 June 2004 provided by a consulting actuary engaged through the Office for the Commissioner for Public Employment. This actuarial estimate provides for the estimated cost of ongoing payments to employees as required under current legislation.

The Department is responsible for the payment of day to day workers compensation claims. Any lump sum settlements are funded from the Government Workers Compensation Fund, administered by the Department of the Premier and Cabinet.

Superannuation

The Department's liability for superannuation is to the Department of Treasury and Finance rather than the superannuation beneficiaries. The Department pays amounts to the Department of Treasury and Finance which represents the Department's share of the accruing liability to employees in relation to the Government's various superannuation schemes. The liability for superannuation is included in Employment on-costs.

1.4 Computer and Office Facilities

Computer and office facilities are recorded at historical cost less accumulated depreciation.

Non-current assets with an acquisition cost greater than \$2 000 are depreciated using the straight line method of depreciation over their useful lives, which reflects the consumption of their service potential.

All assets useful lives have been set at three years.

1.5 Inventories

Consumable supplies are not recognised in the Statement of Financial Position as the value of these supplies is not considered to be material.

1.6 Administered Items

The Department has two Administered Items namely:

Special Acts

As provided in subsection 24(4) of the Act, the Department receives a separate appropriation for the cash salary and allowances of the Auditor-General.

Administered Revenue

Section 39 of the Act provides for the levying of fees for audit services provided by the Department. All audit fee monies received by the Department are paid into the Consolidated Account. The Department receives a cash appropriation to fund the payment of Goods and Services Tax on audit fees to the Australian Taxation Office.

1.7 Goods and Services Tax

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

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

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

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

1.8 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

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

Managing the Process

To manage the transition to the new International Financial Reporting Standards the Department is preparing a plan to manage the transition process.

Expected differences in Accounting Policies

A major change is the treatment of accounting policy changes under IFRS. These will now apply retrospectively except for specific exemptions in accordance with pending AASB 1 'First-Time Adoption of Australian Equivalents to IFRS'.

Employee Benefits

Employee benefits payable later than 12 months from year-end will be measured at present value rather than at nominal amounts.

2. Objectives of the Department

The Department's main statutory responsibilities are to audit the public accounts and the accounts of public authorities and to report the results to Parliament in accordance with the requirements of the Act.

The Department's sole program is the provision of Auditing Services covering all the audit responsibilities prescribed under the Act. Within this program class there are two subprograms:

Prescribed Audits

Includes all audit work to be undertaken for agencies where the Auditor-General is the prescribed auditor and the Department must annually conduct the audit as prescribed by the Act. During the year the Department spent \$9 687 000 (\$9 498 000) on this subprogram.

Special Investigations

Includes all work defined in the Act that is specifically requested to be undertaken by the Auditor-General. The Auditor-General may be requested to undertake work associated with:

- conducting and reporting on Special Investigations when requested by the Parliament or Treasurer;
- reviewing summaries of confidential government contracts and reporting on the adequacy of the document as a summary of the contents of the contract when requested to do so by a Minister.

These projects have specific Terms of Reference requested by the referring party and are treated as a separate sub-program. Consistent with the legislative requirement of audit independence the reports are presented directly to the Parliament. During the year the Department expenditure on this subprogram totalled \$77 000 (\$179 000).

3. Employee Expenses

Employee benefits:

	2004	2003
	\$'000	\$'000
Salaries	5 558	5 248
Annual leave	489	519
Long service leave	131	259
Workers compensation	3	(5)
Total employee benefits	6 181	6 021
Employee on-costs:		
Superannuation	711	690
Payroll tax	405	392
Total employee on-costs	1 116	1 082
Total Employee Expenses	7 297	7 103

4. Funding of the Department

Appropriations to the Department in 2003-04 amounted to \$9 782 000 (\$9 938 000) and there was a contingency provision grant of \$15 000.

Appropriations under Special Acts are reported under Administered Items.

A summary of appropriations and departmental accrual funding for the year is set out below.

	2004	2003
	\$'000	\$'000
Appropriations and contingency provision grant:		
Prescribed audits	9 797	9 458
Special Investigations	-	480
9 797	9 938	
Accrual Appropriation Excess Funds Account:		
Interest	20	18
Balance of funds at 1 July	387	369
Balance of funds at 30 June	407	387

5. Loss on Disposal of Assets

Historic cost of assets disposed
 Less: Accumulated depreciation

Proceeds on disposal

Total Loss on Disposal of Assets

	2004	2003
	\$'000	\$'000
268	261	
206	206	
62	55	
36	52	
26	3	

6. Computer and Office Facilities**6.1 Classes of Computer and Office Facilities**

Computing and office equipment - At cost
 Accumulated depreciation

Computer software - At cost
 Accumulated depreciation

Library - At cost
 Accumulated depreciation

Leasehold improvements - At cost
 Accumulated depreciation

Projects - At cost
 Accumulated depreciation

769	899
(498)	(495)
271	404
311	301
(301)	(287)
10	14
16	16
(16)	(16)
-	-
150	127
(98)	(76)
52	51
191	169
(166)	(159)
25	10
358	479

6.2 Reconciliation of Carrying Amount

	Carrying Amount				Carrying Amount
	1 July \$'000	Additions \$'000	Disposals \$'000	Depreciation \$'000	30 June \$'000
Computing and office equipment	404	137	62	208	271
Computer software	14	10	-	14	10
Library	-	-	-	-	-
Leasehold improvements	51	23	-	22	52
Projects	10	22	-	7	25
Total Computer and Office Facilities	479	192	62	251	358

7. Employee Benefits and Related On-costs**Employee Benefits**

Current:

Salaries
 Annual leave provision
 Long service leave provision
 Workers compensation provision

Total Current

Non-Current:

Long service leave provision
 Workers compensation provision

Total Non-Current**Total Employee Benefits**

Employee On-costs

Current
 Non-Current

Total Employee On-costs**Total Employee Benefits and Related On-costs**

	2004	2003
	\$'000	\$'000
118	19	
355	393	
120	174	
2	3	
595	589	
1 378	1 280	
5	7	
1 383	1 287	
1 978	1 876	
128	118	
179	169	
307	287	
2 285	2 163	

8. Total Equity

The deficit arises as a result of the Department's previous funding arrangements. Prior to 1998-99, the Department was funded on a cash basis, which did not take account of the full accrual liabilities. The Department will continue to receive annual appropriations from the Consolidated Account to fund its operations. Without funding to meet past liabilities the Department will continue to have a deficit.

9. Notes to the Statement of Cash Flows

9.1 Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks. Cash at 30 June as shown in the Statement of Cash Flows is reconciled to the Statement of Financial Position as follows:

	2004	2003
	\$'000	\$'000
Auditor-General's Department Operating Account	1 432	1 081
Accrual Appropriation Excess Funds Account	407	387
Imprest Accounts	3	3
	1 842	1 471

9.2 Reconciliation of Net Cost of Services from Ordinary Activities to Net Cash Inflows from Operating Activities

Net cost of services from ordinary activities	(9 660)	(9 593)
Cash flows from government	9 797	9 938
Depreciation	251	269
(Increase) Decrease in receivables	(9)	24
Increase in employee benefits	102	151
Increase in payables	-	7
Increase (Decrease) in employee on-costs	20	(6)
Loss on disposal of assets	26	3
Net Cash Inflows from Operating Activities	527	793

10. Remuneration of Employees

The number of employees whose total remuneration is within the following bands was:

	2004	2003
	Number of Employees	Number of Employees
\$130 000 - \$139 999	4	3
\$140 000 - \$149 999	1	2
\$160 000 - \$169 999	1	-
\$260 000 - \$269 999	-	1
\$270 000 - \$279 999	1	-

Total remuneration received or receivable by these employees was \$1 100 000 (\$962 000).

11. Commitments

The Department's operating leases are for the leasing of office accommodation and motor vehicles.

Office Accommodation

Office accommodation is leased from the Real Estate Management business unit of the Department for Administrative and Information Services (DAIS). The lease expired on 30 June 2004 and the Department has exercised its right of renewal for six years from that date. The rental amount reflects that six year extension and is based on floor space, with the rental rate reviewable by Real Estate Management every two years.

Motor Vehicles

Motor vehicles are leased from the Fleet SA business unit of DAIS. The vehicles are leased for a specified time period or a specified number of kilometres, whichever occurs first. The lease rate is determined according to the type of vehicle being leased and the number of months of the lease period. The lease rates are reviewed annually by Fleet SA.

For the current year the total amount of expense for minimum lease payments for operating leases was \$536 000 (\$487 000).

Operating Leases

	2004	2003
	\$'000	\$'000
At the reporting date the Department had the following obligations under non- cancellable operating leases (these obligations have not been recognised as liabilities):		
Not later than one year	498	493
Later than one year and not later than five years	1 828	41
Later than five years	452	-
Total Operating Lease Commitments	2 778	534

12. Remuneration of Auditor

Remuneration for audit of financial reports	7	7
Remuneration for other services	-	-
	7	7

13. Financial Instruments

The following disclosures have been provided to satisfy the requirements of Accounting Standard AASB 1033, 'Presentation and Disclosure of Financial Instruments'.

(a) Terms, Conditions and Accounting Policies

- Cash is held in two Special Deposit Accounts as detailed in Note 1.2 and in two imprest accounts;
- Two interest free imprest accounts are advanced to the Auditor-General by the Treasurer pursuant to section 9 of the Act and are repayable on demand.
- Receivables relate to:
 - Audit Fee debtors (Note A2.1). Terms are 14 days;
 - Goods and Services Tax Receivable. Terms are 14 days of submission of quarterly Business Activity Statement.
- Payables are raised for amounts billed but unpaid and are normally settled within 30 days.

(b) Interest Rate Risk

Financial Instrument	Floating Interest Rate		Non-Interest Bearing		Total Carrying Amount		Weighted Average Effective Interest Rate	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 Percent	2003 Percent
Financial Assets:								
Imprest accounts	-	-	3	3	3	3	-	-
Operating Account	1 432	1 081	-	-	1 432	1 081	4.87	4.60
Accrual Appropriation								
Excess Funds Account	407	387	-	-	407	387	5.39	4.87
Receivables	-	-	101	92	101	92	-	-
	1 839	1 468	104	95	1 943	1 563		
Financial Liabilities:								
Imprest accounts	-	-	3	3	3	3	-	-
Payables	-	-	47	47	47	47	-	-
	-	-	50	50	50	50		

(c) Net Fair Values

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

**Statement of Administered Expenses and Revenues
for the year ended 30 June 2004**

		2004	2003
	Note	\$'000	\$'000
ADMINISTERED EXPENSES:			
Employee benefits	1.3	215	223
Amounts paid/payable to consolidated account		8 541	8 301
Goods and services tax paid/payable		776	755
Total Administered Expenses		9 532	9 279
 ADMINISTERED REVENUES:			
Fees for audit services	A2.1	7 765	7 554
Goods and services tax received/receivable on audit fees		776	755
Appropriation - Special Acts	A2.2, A3	216	210
Appropriation - Goods and Services Tax	A3	768	774
Total Administered Revenues		9 525	9 293
NET SURPLUS	A4.2	(7)	14
 TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(7)	14

**Statement of Administered Assets and Liabilities
as at 30 June 2004**

		2004	2003
	Note	\$'000	\$'000
ADMINISTERED ASSETS:			
CURRENT ASSETS:			
Receivables	13, A2.1	405	394
Total Assets		405	394
 ADMINISTERED LIABILITIES:			
CURRENT LIABILITIES:			
Employee benefits	1.3, A1	105	87
Amounts payable to consolidated account	A2.1	405	394
Goods and services tax payable		176	168
Total Current Liabilities		686	649
 NON-CURRENT LIABILITIES:			
Employee benefits	1.3, A1	166	185
Total Non-Current Liabilities		166	185
Total Liabilities		852	834
NET ADMINISTERED ASSETS		(447)	(440)
 ADMINISTERED EQUITY:			
Opening balance		(440)	(454)
Increase in net assets		(7)	14
TOTAL ADMINISTERED EQUITY		(447)	(440)

Statement of Administered Cash Flows for the year ended 30 June 2004

		2004 Inflows (Outflows)	2003 Inflows (Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefits		(216)	(210)
Amounts paid/payable to consolidated account		(8 530)	(8 480)
Goods and services tax paid/payable		(768)	(774)
CASH INFLOWS:			
Fees for audit services		8 530	8 480
CASH FLOWS FROM GOVERNMENT:			
Appropriations	A3	984	984
Net Cash Inflows from Operating Activities	A4.2	-	-
NET INCREASE IN CASH HELD		-	-
CASH AT 1 JULY		-	-
CASH AT 30 JUNE	A4.1	-	-

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

A1. Employee Benefits	2004 \$'000	2003 \$'000
Current:		
Salaries	3	1
Annual leave provision	102	86
Long service leave provision	-	-
Total Current	105	87
Non-Current:		
Long service leave provision	166	185
Total Non-Current	166	185
Total Employee Benefits	271	272

A2. Administered Items

A2.1 Auditing Fees

Section 39 of the Act provides for the levying of fees for audit services provided by the Department that are paid into the Consolidated Account.

Fees outstanding at 1 July	394	564
Billings (including Goods and Services Tax)	8 541	8 301
Receipts (including Goods and Services Tax)	8 935	8 865
Fees outstanding at 30 June	8 530	8 471
	405	394

At 30 June, the value of audit work in progress was \$3 191 000 (\$2 255 000). The Department is of the opinion that this amount is recoverable.

A2.2 Special Acts

Subsection 24(4) of the Act, provides that the salary and allowances of the Auditor-General will be determined by the Remuneration Tribunal and will be paid from the Consolidated Account.

A3. Funding of the Administered Items

A summary of administered items appropriations for the year is set out below.

Appropriations:	2004 \$'000	2003 \$'000
Special Acts	216	210
Goods and Services Tax	768	774
Total Appropriations	984	984

A4. Notes to the Administered Statement of Cash Flows

A4.1 Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks. Cash at 30 June as shown in the Statement of Cash Flows is reconciled to the Statement of Financial Position.

	2004 \$'000	2003 \$'000
A4.2 Reconciliation of Net Surplus to Net Cash Inflows from Operating Activities		
Net surplus	(7)	14
(Increase) Decrease in receivables	(11)	170
(Decrease) Increase in employee benefits	(1)	14
Increase (Decrease) in creditors and accruals	19	(198)
Net Cash Inflows from Operating Activities	-	-

PORFOLIO – EDUCATION AND CHILDREN’S SERVICES

MINISTER FOR EDUCATION AND CHILDREN’S SERVICES

INTRODUCTION

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

- Minister for Education and Children’s Services

The agency included herein relating to the portfolio of Education and Children’s Services is the Department of Education and Children’s Services.

DEPARTMENT OF EDUCATION AND CHILDREN'S SERVICES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

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

Functions

The functions of the Department are to:

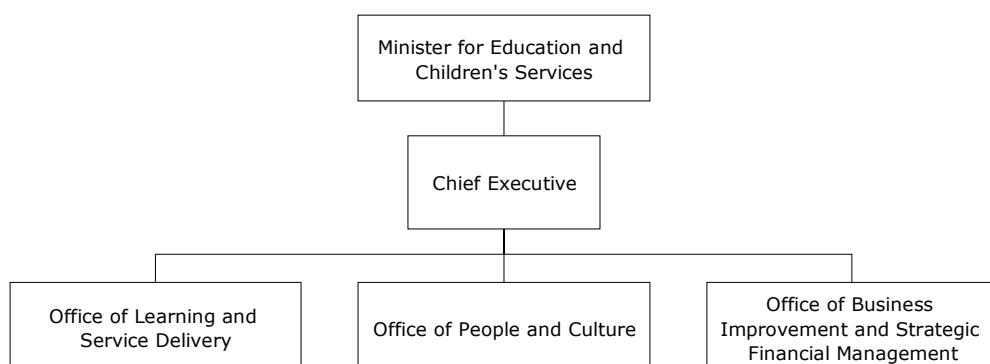
- ensure the best possible foundation for the development of all children's physical, emotional, social and intellectual needs that will give them the best opportunity for a successful future;
- ensure that every learner obtains the support necessary to maximise their potential within the State's public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

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

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

Structure

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



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

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

Assessment of Controls

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

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

Scope of Audit

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

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

- risk management and internal audit processes
- accounts payable
- payroll
- procurement
- general ledger

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

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

- audit of school enrolment data used to determine the amount of funding provided to each school;
- audit of schools performed by contractors appointed, managed and monitored by the internal auditor.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

The following is an extract from the 2003-04 Independent Audit Report, which details the qualification to the Department's financial report.

Qualification

As disclosed in Note 2.2 to the Financial Statements, the Consolidated Financial Statements incorporates the activities of the Corporate Department and Government Schools.

While I am not required to act as the independent auditor of Government Schools, their financial statements are subject to audit by private sector auditors in accordance with the Education Act 1972.

The Consolidated Financial Statements have been prepared from the financial accounts of the Corporate Department and the financial statements of Government Schools.

I have been unable to obtain sufficient appropriate audit evidence that revenues from fund raising activities of Government Schools other than student enrolment fees are completely and accurately recognised in the Consolidated Financial Statements.

With respect to 2002-03 I issued a qualified Independent Audit Report for the Consolidated Financial Statements. The qualification related to my inability to obtain sufficient appropriate audit evidence in respect to the financial statements of Government Schools. I am unable and do not express an opinion on the comparatives reflected in the Consolidated Financial Statements.

Qualified Audit Opinion

In my opinion, except for the effects on the financial report of the matters referred to in the qualification paragraph, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department of Education and Children's Services and of the economic entity as at 30 June 2004, their financial performance and their cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Department in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to Financial Policies and Procedures, Employee Attendance Records, Computer Information Systems and Environmental - Management and Control and Governance and Risk Management as outlined herein, are sufficient to provide reasonable assurance that the financial transactions of the Department have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Chief Executive. Responses to the management letters were generally considered to be satisfactory. Major matters raised with the Department and the related responses are considered herein.

Matters Raised with the Department

Financial Policies and Procedures

Audit identified that, although the Department has a framework for the development, review, update and approval of financial policies and procedures for schools, a similar framework has not been established for the Corporate Office.

Audit also identified that:

- existing financial policies and procedures established by managers had not been checked to ensure they are appropriate and authorised;
- approved financial policies and procedures are not kept in one location on the Department's intranet to enable fast access.

The Department responded that its current financial policies and procedures will be reviewed and a DECS Financial Management Framework developed. The Department also advised that information on some policies and procedures is already kept in one location on its intranet site.

Employee Attendance Records

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

Audit identified that the Department had not:

- established policies and procedures for recording employee attendance, including whether every employee must maintain an attendance record and the type of attendance record to be used. Some worksites had established their own policies and procedures resulting in a variety of attendance records;
- established a process that ensures every employee is listed on either a monthly leave return or flexi sheet which are used by the Payroll Branch to confirm that all leave taken has been recorded in the leave management system.

The Department responded that:

- establishment of policies and procedures for recording employee attendance has been referred to the Department's Industrial Relations and Policy Unit for consideration and determination;
- a certificate will be included on the bona fide report that a monthly leave return or flexi sheet has been submitted to the Payroll Branch for all employees appearing on the report.

Other issues raised with the Department

Procurement

Contracts

Audit's review of procurement practices of the Corporate Office indicated compliance with the procurement requirements of the Treasurer's Instructions and State Supply Board apart from the acquisition of security services. In this instance:

- written contracts have not been established with private sector suppliers of security services that cost approximately \$3.3 million a year;
- the informal contractual arrangements with the suppliers of security services have resulted in the contracts not being publicly disclosed in accordance with Treasurer's Instruction 27 'Disclosure of Government Contracts';
- service level agreements have not been established with the Police Security Services Branch of the Police Department which provides security services to the Department at a cost of approximately \$2.4 million a year.

The Department advised that a public tender for security services will be called after completion of the whole of government security review that will, among other things, clarify the mandated role of the Police Security Services Branch of the Police Department. In the interim, the Department intends to negotiate short term agreements with the current private sector suppliers of security services.

Purchasing System

Audit noted approximately 2500 purchase orders a year are manually matched to goods received notes and noted the Department was considering the acquisition of a new purchasing system.

Audit suggested consideration be given to implementing a more efficient purchasing system that automates the matching of purchase orders, goods received notes and invoices to enable the:

- value of purchase commitments to be readily determined;
- identification of suppliers who do not deliver goods or services in a timely manner.

The Department advised that a business case is being developed for an automated purchasing system with these features.

Payroll

Bona Fide Certificates and Monthly Leave Returns

Audit regards the certification of the bona fide report to be an efficient and effective control for preventing salary overpayments by ensuring that:

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

The Department has established a number of policy and procedure manuals that explain payroll related tasks that need to be performed by pay clerks, pay supervisors and worksite managers. These tasks include requirements for:

- worksite managers to provide the Payroll Branch with certified bona fide reports for specific pay periods and leave returns for every month;
- pay clerks to follow up outstanding bona fide certificates and monthly leave returns.

Audit noted that, although the Department held sessions in October 2003 with every payroll trainer, supervisor and pay clerk to explain the payroll policy and procedure manuals, there were supervisors who were not ensuring pay clerks complied with the manuals and pay clerks who had not:

- followed up outstanding bona fide certificates in a timely manner;
- taken timely action on exceptions identified on bona fide reports;
- followed up outstanding monthly leave returns and flexi sheets.

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

The Department responded that supervisors will ensure pay clerks comply with the manuals and that the manuals will include requirements that supervisors ensure pay clerks follow up outstanding bona fide certificates in a timely manner and take timely action on exceptions identified on the reports.

Acquittal of Commonwealth Grants

The Commonwealth Government provided the Department with recurrent grants of \$186 million and capital grants of \$21 million in 2003-04.

Most grants are received in accordance with an agreement with the Commonwealth that was established under the *States Grants (Primary and Secondary Education Assistance) Act 2000*. There are also other grants received in accordance with separate grant agreements with the Commonwealth.

Audit identified that:

- copies of signed grant agreements were not provided to officers responsible for preparing and providing grant acquittals to the Commonwealth increasing the risk of those officers not complying with specified acquittance requirements;
- checks were not performed centrally to ensure provision of all grant acquittals to the Commonwealth within specified timeframes.

Audit's review of a sample of acquittals confirmed that the largest grant acquittals were provided to the Commonwealth within the timeframes specified in the grant agreements. The review also identified the acquittal of family day care grants of \$36 million for 2002-03 was not checked centrally and was not provided to the Commonwealth within the specified timeframe.

The Department responded that copies of signed grant agreements will be kept centrally and checks performed centrally to ensure provision of all grant acquittals to the Commonwealth within specified timeframes.

Contract Audits of Government Schools

Financial data collected from government schools is included in the consolidated financial statements of the Department. The data is audited by contract auditors that are appointed, managed, monitored and paid for by the Department.

The audit opinion on the consolidated financial statements of the Department for 2002-03 was qualified on the basis of insufficient appropriate evidence of audit work performed on the school financial data.

The improved quality of contract audits in 2003-04 resulted in sufficient appropriate audit evidence of audit work performed on the school financial data for the 2003 school year included in the consolidated financial statements for 2003-04 apart from insufficient evidence to provide reasonable assurance that revenues from fund raising activities of schools (other than student enrolment fees) are completely and accurately raised and included in the school financial data. The completeness and accuracy of student enrolment fees included in the school financial data is checked by central office rather than through contract audits.

The Department responded that:

- schools will be advised that school councils and finance committees minute all decisions regarding revenue raising activities;
- model audit programs that contract auditors must use will include a requirement that school council and finance committee minutes be reviewed for any significant revenue raising activities that require inclusion in the school financial data.

Financial Reporting by Government Schools

Audit identified opportunities to clarify the financial reporting and auditing frameworks of government schools by:

- specifying the purpose of the school financial statements;
- including notes in the school financial statements that explain the financial reporting framework and accounting policies including a statement that the financial statements are a special purpose financial report;

- changing the model audit opinion issued to contract auditors of schools to be consistent with the requirements of Auditing Standard AUS 802 The Audit Report on Financial Information Other than a General Purpose Financial Report.

The Department advised the opportunities are consistent with those identified by the Department's Internal Audit Branch and that an internet-based resource manual will be implemented with a section on the preparation of school financial statements that explains the special purpose of the financial statements and will have model financial statements and associated notes. The Department also advised that the contract auditors will be required to ensure compliance with the financial reporting requirements of the internet-based resource manual.

Computer Information Systems and Environment - Management and Control

Previous Reports have included comment on important matters of an information technology governance and control nature. The matters have related to strategic plan development, IT security policy and procedure formulation, and a number of matters concerning two significant business systems of the Department. The systems relate to the human resource management and schools administration and finance areas of the Department's operations.

The Supplementary Report tabled in Parliament in December 2003, titled 'Information and Communications Technology – Future Directions: Management and Control', provided comment on the action being taken by the Department to address audit reported weaknesses associated with the aforementioned matters and areas of the Department's IT operations.

The commentary below presents a further update on remedial action in progress by the Department.

Governance of Information and Communications Technology (ICT)

Audit raised with the Department in 2002-03 the matter of importance of up to date ICT strategic planning and policy formulation to evidence diligence in planning and to provide firm support for information technology, investment decisions and approvals.

The Department is undertaking a number of initiatives to be implemented and applied over the next two years that are directed at enhancing governance and project control associated with ICT operations. The initiatives are:

- Development of an ICT Strategic Plan is nearing completion and is to be released in early 2004-05.
- ICT policies are being progressively developed. Three policies have received endorsement and a further seven policies are under review.
- An ICT Investments Framework and methodology has been developed and is to be applied to gather business requirements for potential ICT project initiatives/investments for the planning/financial year(s) horizon, 2004 to 2006.
- An ICT Corporate Project Management Framework and Structure has received endorsement for application to the next planning/financial year, 2005-06

Human Resource Management System (HRMS)

The December 2003 Supplementary Report to the Parliament indicated that the Department's development of a HRMS had been proceeding for a number of years and that a Department review report on the development process had been prepared in 2003.

The Department's review report indicated that expenditure on the HRMS development was in the order of \$9.7 million at May, 2003 and that there was a number of problems and risks associated with the project development and implementation process.

The December 2003 Supplementary Report (page 49) identified the problems and the actions being taken by the Department to progress the development and implementation of the system. A critical task to be achieved was the implementation of the system for the Children's Services sector staff of the Department to replace a system that was considered unstable and not compliant with legislative requirements.

The Children's Services sector went live on the system on 1 July 2004 and the Department have advised that implementation of the system for Public Sector Management Act staff and Education Act employees will be undertaken by July 2005. It has been noted that the Department's internal audit function has directed attention to the review and testing of aspects of system implementation, covering data conversion, parallel processing, and data integrity.

The Department advised the cost of HRMS system development and implementation up to 30 June 2004 amounted to \$14.7 million.

Education Department School Administration System (EDSAS)

This system is used to manage school staff and student records and financials within individual schools and also provides a reporting capability for the Department's Head Office. Management of the system with respect to its development and overall support is coordinated through the Head Office.

In March 2003, Audit formally communicated to the Department the findings and recommendations of a comprehensive review of the system and received a response in May, 2003. The review covered 10 schools, as well as the Department's Head Office operations as they relate to EDSAS.

The December 2003 Supplementary Report to Parliament (pages 82-85) summarise specific audit review findings and observations and the Department's response and initiatives to resolve the identified problems and weaknesses. The matters requiring attention, in a broad sense, covered training and support, policies and procedures, control of system changes and, physical and system access security and control.

Due to the many issues and opportunities for improvement identified with regard to EDSAS operations, the Department updates Audit on actions in progress to satisfactorily address the issues. Because of the nature of some of the issues, some actions will extend into the 2005 school year.

The latest progress response to Audit was received in August 2004. The following outlines some of the principal actions that have been taken by the Department over the past year:

- Establishment of an EDSAS training working party.
- Funding allocated to ensure additional training and support in financial management to school based staff, particularly, School Services Officers. Nine new positions will be created to coordinate the training and support.
- Funding allocated to support ongoing development and enhancement of EDSAS as well as the business case for the future replacement of the school administration system.
- A 'Gold Book' developed which addresses all the issues raised by the Auditor-General in relation to EDSAS financial management.
- A Business Owner role for EDSAS established to aid in control of system changes.

Audit will continue to review progress on all matters regarding ICT operations of the Department during 2005.

Governance and Risk Management

A review of the Governance and Risk Management practices of the Department was undertaken as part of a wider review of these practices across government agencies.

The review was directed to those areas that are currently accepted as essential elements of good governance and which provide the basis for a strong control environment with particular emphasis on:

- organisational structure and responsibilities;
- policy and planning;
- monitoring and reporting;
- risk management policy and practice.

Governance

Audit noted that the Department is implementing a new governance framework that makes each tier of management responsible for preparing their own business plans that align with the Department's strategic plan. To progress the implementation of the new framework some business plans were being prepared before finalisation of the new strategic plan. To minimise the risk of business plans not being aligned with the strategic plan a strategic directions document was distributed.

Audit identified opportunities to improve internal reporting within the new governance framework including the provision each month of workforce statistics to the executive. Provision of this information would help the executive identify and address unfavourable trends in the workforce to minimise possible interruptions to services delivered by the Department.

Risk Management

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

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

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

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

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

The findings of the review were reported to the Chief Executive on 30 August 2004. A response had not been received at the time of the preparation of this report.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

A comparative analysis with periods prior to 2002-03 has not been performed due to restructuring arrangements effective from 1 July 2002. In addition the following commentary relates to the Department only, and not schools, as the audit opinion on the consolidated financial statements was qualified.

Highlights of Financial Statements (DECS)

	2004 \$'million	2003 \$'million	Percentage Change
<i>OPERATING REVENUE</i>			
Revenues from State Government	1 411	1 368	3
Commonwealth revenue	207	187	11
Other	69	57	21
Total Operating Revenue	1 687	1 612	5
<i>OPERATING EXPENDITURE</i>			
Employment expenses	1 289	1 216	6
Other expenses	441	415	6
Total Operating Expenses	1 730	1 631	6
(Deficit)*	(43)	(19)	
Net Cash Flows from Operations	50	67	(25)
<i>ASSETS</i>			
Current assets	154	129	19
Non-current assets	1 804	1 607	12
Total Assets	1 958	1 736	13
<i>LIABILITIES</i>			
Current liabilities	214	187	14
Non-current liabilities	341	318	7
Total Liabilities	555	505	10
EQUITY	1 403	1 231	14

* The deficit includes some non-operating items.

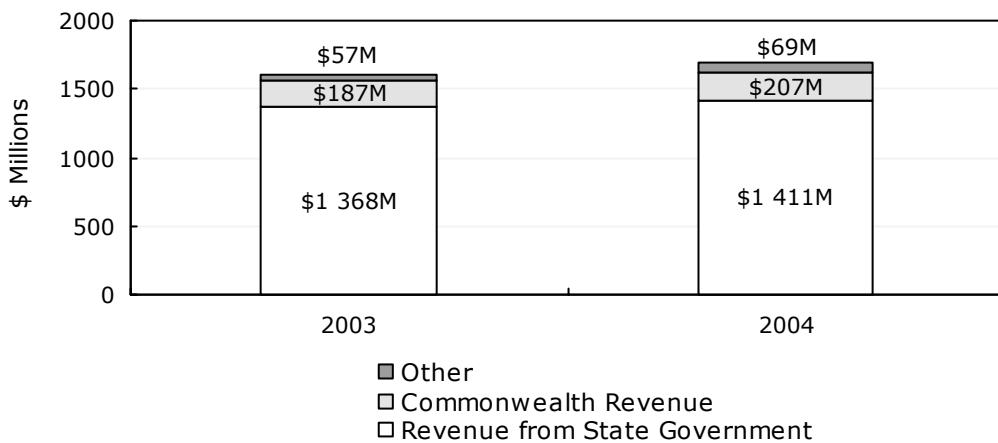
Statement of Financial Performance (DECS)

Operating Revenues

Revenues from the State Government rose by \$43 million to \$1.4 billion principally to fund salary and wages increases.

Commonwealth grants for the current year comprised recurrent grants of \$186 million (\$179 million) and capital grants of \$21 million (\$8 million).

A structural analysis of operating revenues for the Department for the last two years is presented in the following chart.



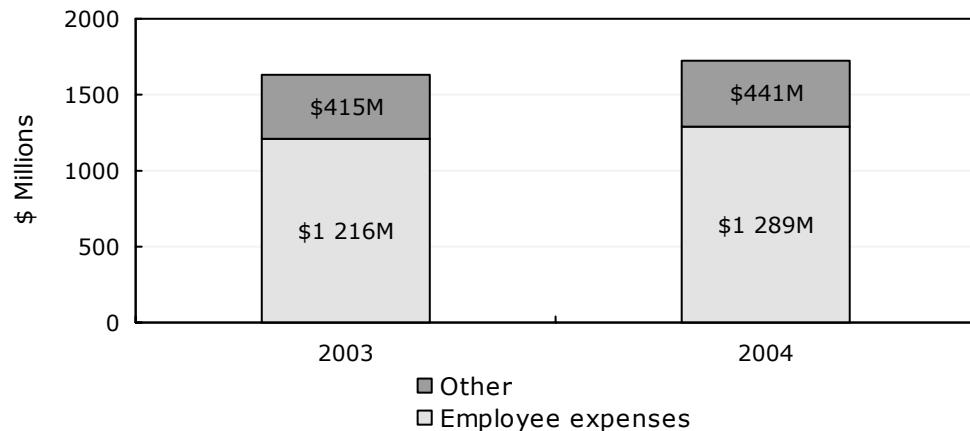
Operating Expenses

Employee expenses rose by \$73 million to \$1.3 billion due mainly to a:

- rise in salaries and wages expense as a result of enterprise bargaining pay increases to teachers and early childhood workers effective from 1 July 2003 and most other staff from October 2003;
- rise in salaries and wages expense as a result of employment of additional staff;
- \$7 million increase in payments under the Targeted Voluntary Separation Scheme.

Other expenses rose by \$26 million to \$441 million due mainly to an increase in minor works, maintenance and equipment purchases of \$11 million.

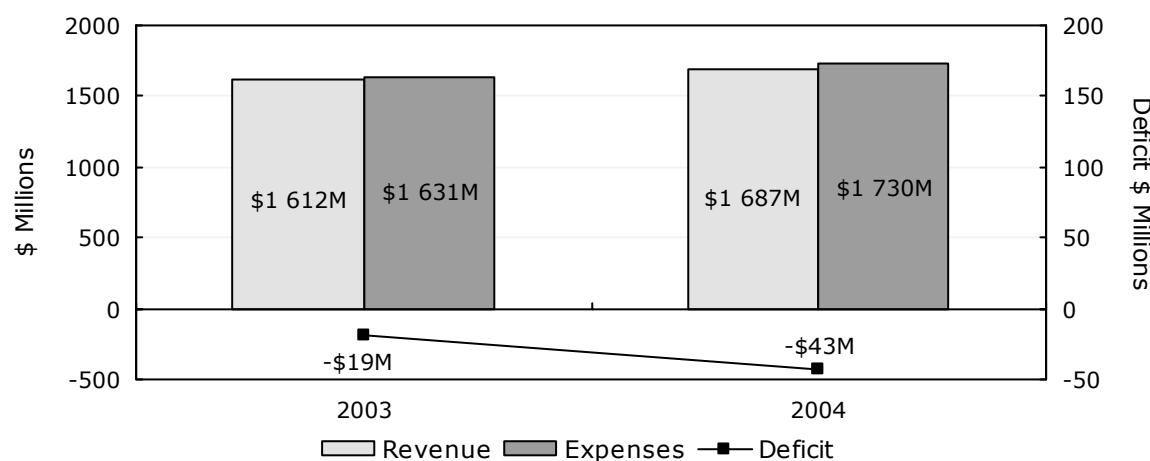
For the two years to 2004, a structural analysis of the main operating expense items for the Department is shown in the following chart.



Operating Result

Revenues have been less than expenses for the last two years resulting in deficits.

The following chart shows the operating revenues, operating expenses and deficits for the last two years.

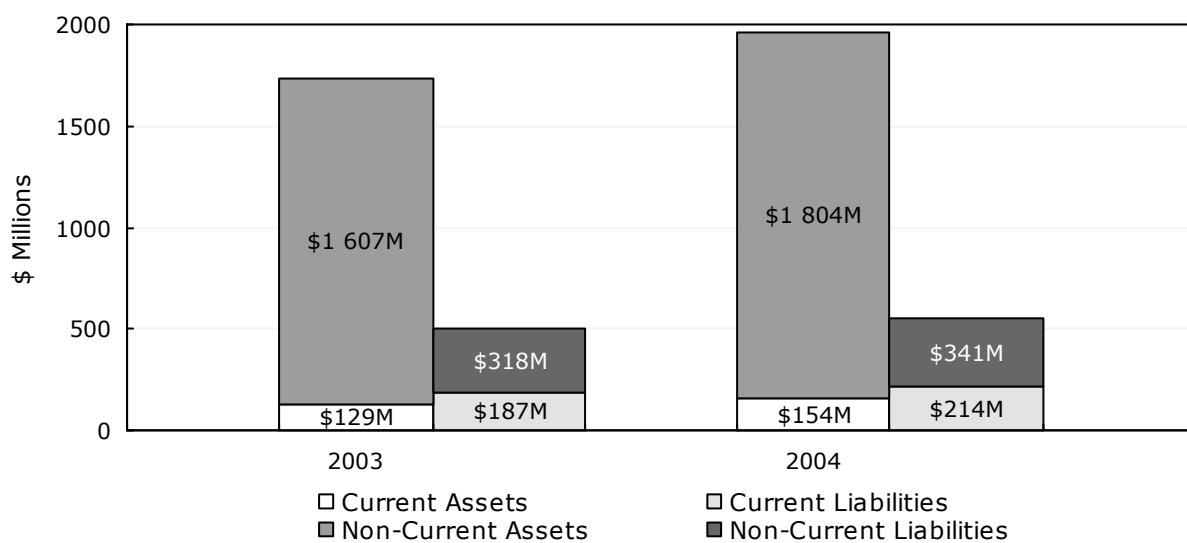


Statement of Financial Position (DECS)

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

Current and non-current liabilities increased due mainly to a \$15 million increase in the provision for long service leave, \$15 million increase in the provision for workers compensation and \$10 million increase in accrued salaries.

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



At 30 June 2004 the employee benefit and related on-cost liability of \$422 million (\$389 million) comprised 76 (77) percent of total liabilities and was for the following full time equivalent employees (FTEs) by category:

	FTE
Education Act	13 463
Ancillary	3 901
Public servants	1 245
Children's Services Act	970
Total	19 579

In 2003-04 the number of Education Act employees increased by 113 FTEs and the number of Children's Services Act employees increased by 69 FTEs.

Statement of Cash Flows (DECS)

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

	2004 \$'million	2003 \$'million
Net Cash Flows		
Cash at 1 July	106.4	79.4
Operations	50.3	67.2
Investing	(26.8)	(22.7)
Financing	(1.2)	(0.6)
Change in Cash	22.3	43.9
Cash transferred to DFEEST	-	(16.9)
Cash at 30 June	128.7	106.4

As disclosed in Note 16, Cash of \$128.7 million includes \$116.1 million held with the Department of Treasury and Finance in the Accrual Appropriation Excess Fund special deposit account.

Note 16 also shows the funds held in the SA School Investment Fund on behalf of Government primary and secondary schools.

Administered Items

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

- grants to non-government schools of \$439.3 million (\$394.5 million);
- subsidies of \$15.6 million (\$14.8 million) to the Passenger Transport Board and the Office of Public Transport for student travel concessions on metropolitan and country transport services, eg bus, train;
- an operating grant to Senior Secondary Assessment Board of South Australia of \$8.9 million (\$9.7 million).

Administered Grants to Non-Government Schools

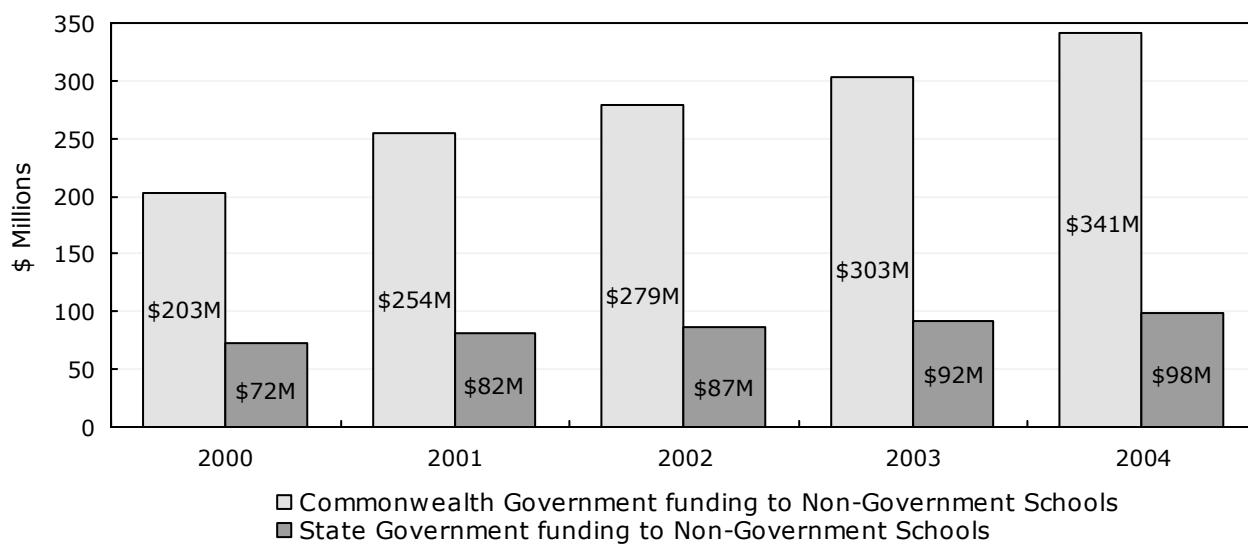
State grants to non-government schools (excluding special schools) is based on two components. These are the 'needs' of the school and their students and the average annual enrolment (per capita).

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

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

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

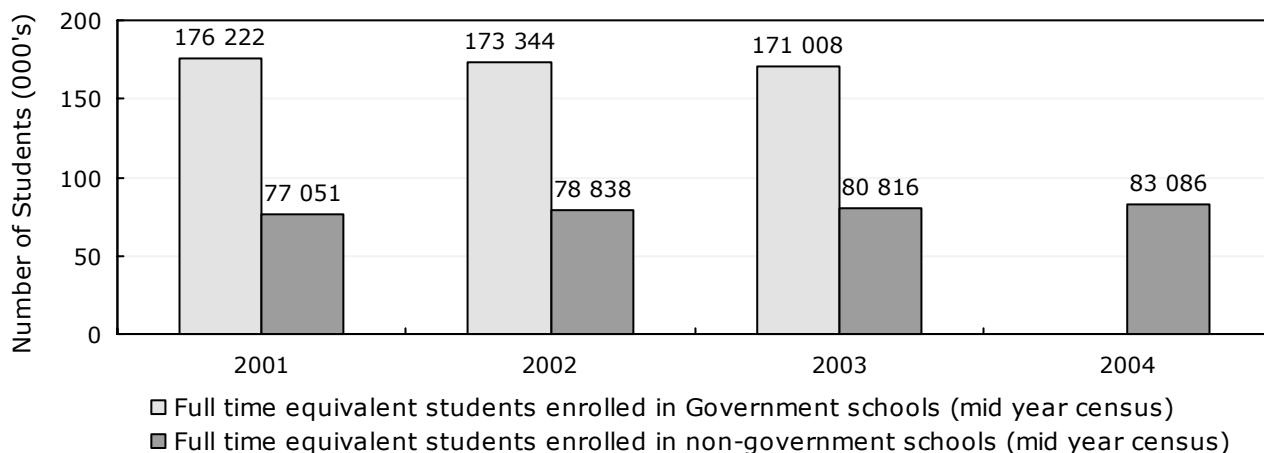
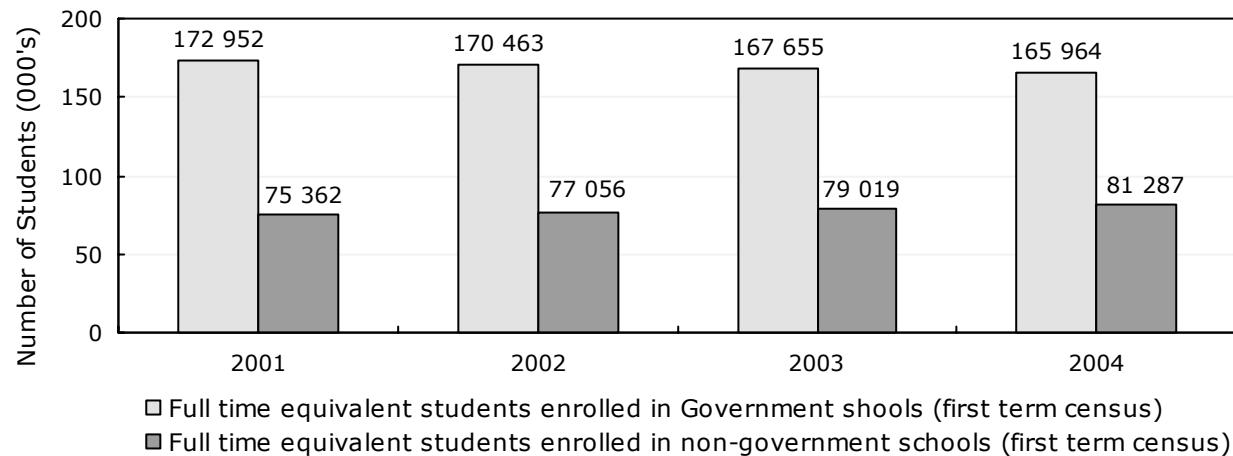
The following chart shows State and Commonwealth Government grants to non-government schools (excluding special schools).



FURTHER COMMENTARY ON OPERATIONS

Student Enrolments

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



Mid year census data for 2004 for Government schools was not available at the time of preparation of this Report.

Capital Works

Capital works projects involve mainly the construction or upgrading of school buildings and facilities. The cost of projects in 2003-04 was \$31.2 million (\$28.5 million) and includes amounts that may be expensed on completion of the projects.

	Cost 2003-04*	Cost Capitalised on Completion \$'million
Major Capital Works Projects Completed in 2003-04:		
Mawson Lakes School	2.0	6.6
Loxton High School	3.4	4.2
Victor Harbour Primary School	1.1	1.2
Roxby Downs Area School	0.8	1.1
Elsie Ey Preschool	0.3	1.1

	Cost 2003-04*	Total Cost to 30 June 2004* \$'million
Major Capital Works Projects Carried Forward into 2004-05:		
Sturt Street Primary School	2.4	2.4
Stirling East Primary School	1.4	2.3
Marryatville High School	1.3	2.0
Kilparrin Teaching and Assessment Unit	1.3	1.4
Angaston Primary School	1.1	1.2
Grant High School	1.0	1.0

* Cost may include amounts to be expensed on completion.

Statement of Financial Performance
for the year ended 30 June 2004

	Note	Consolidated		DECS	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:					
Employee expenses	5	1 301 081	1 222 267	1 288 762	1 216 065
Supplies and services	6	456 751	420 333	278 812	256 948
Grants and subsidies	7	11 913	9 937	104 470	100 105
Depreciation	8	53 253	51 168	50 762	50 691
Borrowing costs		474	592	432	587
Other expenses	9	93 539	9 078	6 709	6 114
Total Expenses from Ordinary Activities		1 917 011	1 713 375	1 729 947	1 630 510
REVENUES FROM ORDINARY ACTIVITIES:					
Commonwealth revenue	10	207 485	186 899	207 485	186 899
Student and other fees and charges	11	72 506	69 848	20 387	18 656
Other grants and contributions		13 015	15 205	12 718	11 932
Interest and investment income	12	14 366	12 928	6 852	5 407
Net gain from disposal of assets	13	1 872	3 667	1 637	3 667
Other revenue	14	64 053	55 625	26 868	16 827
Total Revenue from Ordinary Activities		373 297	344 172	275 947	243 388
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		1 543 714	1 369 203	1 454 000	1 387 122
REVENUES FROM SA GOVERNMENT:					
Revenues from SA Government	15	1 410 591	1 368 375	1 410 591	1 368 375
NET DEFICIT FROM ORDINARY ACTIVITIES		(133 123)	(828)	(43 409)	(18 747)
Decrease in net assets due to administrative restructure	30	-	(423 408)	-	(423 408)
NET DEFICIT AFTER RESTRUCTURING		(133 123)	(424 236)	(43 409)	(442 155)
Net increase (decrease) in asset revaluation reserve	27	215 059	(11 295)	215 024	(11 295)
Net increase on recognition of assets	2	-	233 763	-	-
TOTAL REVENUE, EXPENSE AND VALUATION		215 059	222 468	215 024	(11 295)
ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY					
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH STATE GOVERNMENT AS OWNER		81 936	(201 768)	171 615	(453 450)

Statement of Financial Position
as at 30 June 2004

	Note	Consolidated		DECS	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS:					
Cash	16	281 200	265 286	128 670	106 391
Receivables	17	20 536	20 422	21 645	20 130
Inventories	18	890	1 046	158	313
Investments/Financial assets	19	8 595	7 079	-	-
Other	21	4 404	3 320	3 921	2 723
Total Current Assets		315 625	297 153	154 394	129 557
NON-CURRENT ASSETS:					
Receivables	17	1 149	1 538	3 392	3 835
Investments/Financial assets	19	861	880	-	30
Property, plant and equipment	20	1 809 039	1 693 892	1 800 039	1 603 081
Other	21	-	82	-	-
Total Non-Current Assets		1 811 049	1 696 392	1 803 431	1 606 946
Total Assets		2 126 674	1 993 545	1 957 825	1 736 503
CURRENT LIABILITIES:					
Payables	22	57 389	52 171	59 569	55 368
Interest-bearing liabilities	23	1 216	1 049	1 200	1 229
Employee benefits	24	128 455	110 433	128 290	110 315
Provisions	25	16 243	13 948	17 750	14 332
Other	26	11 871	7 291	7 216	5 675
Total Current Liabilities		215 174	184 892	214 025	186 919
NON-CURRENT LIABILITIES:					
Payables	22	27 358	27 528	26 365	25 519
Interest-bearing liabilities	23	4 716	6 127	4 018	5 225
Employee benefits	24	247 389	236 501	246 620	235 867
Provisions	25	64 133	51 924	64 133	51 924
Other	26	3 237	3 842	-	-
Total Non-Current Liabilities		346 833	325 922	341 136	318 535
Total Liabilities		562 007	510 814	555 161	505 454
NET ASSETS		1 564 667	1 482 731	1 402 664	1 231 049
EQUITY:					
Accumulated surplus	27	1 141 701	1 274 824	979 733	1 023 142
Asset revaluation reserve	27	418 503	203 444	418 468	203 444
Contributed capital	27	4 463	4 463	4 463	4 463
TOTAL EQUITY		1 564 667	1 482 731	1 402 664	1 231 049
Commitments for Expenditure	29				
Contingent Liabilities	31				

Statement of Cash Flows
for the year ended 30 June 2004

	Consolidated		DECS	
	2004	2003	2004	2003
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:				
CASH OUTFLOWS:				
Employee payments				
Supplies and services				
Grants and subsidies				
Borrowing costs				
GST payments on purchases				
Other				
Total Outflows from Operating Activities	(1 769 212)	(1 647 438)	(1 651 260)	(1 566 151)
CASH INFLOWS:				
Receipts from State Government	1 410 591	1 368 375	1 410 591	1 368 375
Receipts from Commonwealth	207 485	186 899	207 485	186 899
Student and other fees and charges	71 952	70 933	20 737	16 737
Interest received	14 365	12 651	6 979	5 130
Other grants and contributions received	13 015	15 206	12 718	11 932
GST receipts on receivables	5 335	1 936	3 398	1 936
GST input tax credits	33 386	24 928	21 189	26 307
Other receipts	58 524	57 130	18 421	16 071
Total Inflows from Operating Activities	1 814 653	1 738 058	1 701 518	1 633 387
Net Cash Inflows from Operating Activities	45 441	90 620	50 258	67 236
CASH FLOWS FROM INVESTING ACTIVITIES:				
CASH OUTFLOWS:				
Purchase of property, plant and equipment	(36 991)	(47 817)	(37 204)	(33 192)
Purchase of investments	(1 527)	(7 162)	-	-
Loans advanced	-	(104)	(109)	(15)
Loans repaid	-	(85)	-	-
Overdraft repayment	-	(2 076)	(29)	(2 141)
Total Outflows from Investing Activities	(38 518)	(57 244)	(37 342)	(35 348)
CASH INFLOWS:				
Sales of non-current assets	10 107	10 190	9 767	10 190
Repayment of loans	168	-	802	2 404
Total Inflows from Investing Activities	10 275	10 190	10 569	12 594
Net Cash Outflows from Investing Activities	(28 243)	(47 054)	(26 773)	(22 754)
CASH FLOWS FROM FINANCING ACTIVITIES:				
CASH OUTFLOWS:				
Repayments of borrowings	(1 284)	(577)	(1 206)	(616)
Total Outflows from Financing Activities	(1 284)	(577)	(1 206)	(616)
Net Cash Outflows from Financing Activities	(1 284)	(577)	(1 206)	(616)
NET INCREASE IN CASH HELD	15 914	42 989	22 279	43 866
CASH AT 1 JULY	265 286	239 213	106 391	79 441
CASH TRANSFERRED TO DFEEST	-	(16 916)	-	(16 916)
CASH AT 30 JUNE	281 200	265 286	128 670	106 391

**Program Schedule of Revenues and Expenses
for the year ended 30 June 2004**

Program 1: Education					
	Sub- Program	Sub- Program	Sub- Program	Sub- Program	Sub- Program
(Refer Note 4)	1.1	1.2	1.3	1.4	1.5
EXPENSES FROM ORDINARY ACTIVITIES:	\$'000	\$'000	\$'000	\$'000	\$'000
Employee expenses	80 555	275 006	419 458	301 716	201 584
Supplies and services	11 610	54 449	83 049	59 738	39 912
Grants and subsidies	7 978	21 781	33 222	23 896	15 966
Depreciation	64	11 639	17 752	12 769	8 531
Borrowing costs	-	99	151	109	73
Other	1 201	1 208	1 843	1 325	886
Total Expenses from Ordinary Activities	101 408	364 182	555 475	399 553	266 952
REVENUE FROM ORDINARY ACTIVITIES:					
Commonwealth revenue	1 051	39 642	60 463	43 492	29 058
Student and other fees and charges	125	4 346	6 628	4 768	3 186
Other grants and contributions	1 079	2 672	4 075	2 931	1 959
Interest and investment income	1 067	1 328	2 026	1 457	974
Net gain from disposal of assets	-	376	573	412	276
Other	2 055	5 653	8 621	6 202	4 143
Total Revenue from Ordinary Activities	5 377	54 017	82 386	59 262	39 596
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	96 031	310 165	473 089	340 291	227 356
REVENUE FROM SA GOVERNMENT:					
Revenues from SA Government	93 322	301 399	459 711	330 672	220 929
NET DEFICIT FROM ORDINARY ACTIVITIES	(2 709)	(8 766)	(13 378)	(9 619)	(6 427)

**Program Schedule of Revenues and Expenses
for the year ended 30 June 2004 (continued)**

Program 2: Child Care						
	Sub- Program	Sub- Program	Sub- Program	Sub- Program	Sub- Program	2004
(Refer Note 4)	2.1	2.2	2.3	2.4	2.5	Total
EXPENSES FROM ORDINARY ACTIVITIES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee expenses	428	7 082	539	1 427	967	1 288 762
Supplies and services	113	29 396	179	133	233	278 812
Grants and subsidies	736	30	683	131	47	104 470
Depreciation	-	7	-	-	-	50 762
Borrowing costs	-	-	-	-	-	432
Other	-	123	123	-	-	6 709
Total Expenses from Ordinary Activities	1 277	36 638	1 524	1 691	1 247	1 729 947
REVENUE FROM ORDINARY ACTIVITIES:						
Commonwealth revenue	86	33 146	-	303	244	207 485
Student and other fees and charges	4	967	8	352	3	20 387
Other grants and contributions	-	2	-	-	-	12 718
Interest and investment income	-	-	-	-	-	6 852
Net gain from disposal of assets	-	-	-	-	-	1 637
Other	6	142	16	16	14	26 868
Total Revenue from Ordinary Activities	96	34 257	24	671	261	275 947
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	1 181	2 381	1 500	1 020	986	1 454 000
REVENUE FROM SA GOVERNMENT:						
Revenues from SA Government	1 148	-	1 459	992	959	1 410 591
NET DEFICIT FROM ORDINARY ACTIVITIES	(33)	(2 381)	(41)	(28)	(27)	(43 409)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Strategic Context and Financial Arrangements

1.1 Strategic Context and Key Directions

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

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

The Department's vision is for a world-class public education system and children's services founded on fairness, equitable access and accountability, and achieved in partnership with the community and business.

The mission of the Department is to provide high quality teaching and child care services within an integrated, responsive and supportive learning organisation, which strives for continuous improvement in service and performance.

The Department's key directions are summarised below:

(i) Best Start For All

Ensure the best possible foundation for the development of all children's physical, emotional, social and intellectual needs that will give them the best opportunity for a successful future.

(ii) Learner Progression

Ensure that every learner obtains the support necessary to maximise their potential within the State's public education system.

1.1 Strategic Context and Key Directions (continued)

(iii) Social Inclusion

Ensure that service delivery, curriculum and administrative processes further the goal of achieving a socially inclusive society where all people feel valued, their differences are respected, and their basic needs, both physical and emotional, are met so that as members of society they are empowered in their participation and contribution.

(iv) Creating Safer Learning and Care Environments

Create safe, supportive and stimulating care and learning environments for all children, students and educators that encourage and foster participation, innovation and creativity.

(v) Excellence in Governance

Create a culture that demonstrates leadership in governance and is collaborative, innovative and accountable to all its stakeholders.

(vi) Building Professional Capacity

Enhance the skills and capacity of the educational workforce in recognition of the importance of the value all employees have in building a strong and viable public education system for South Australia.

1.2 Financial Arrangements

The Department is predominantly funded by State Government appropriations supplemented by some Commonwealth grants. In addition some revenues are generated on a sales or fee for service basis. These include:

- sale of curriculum material;
- student fees and charges;
- hire of facilities and equipment.

The financial activities of the Department are primarily conducted through a Special Deposit Account with the Department of Treasury and Finance pursuant to Section 8 of the *Public Finance and Audit Act 1987*. The Special Deposit Account is used for funds provided by State Government appropriation, Commonwealth grants and revenues from fees and charges.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

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

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

2.2 Reporting Entity and the Principles of Consolidation

The Department of Education and Children's Services produces both Department and Administered financial statements. The Department financial statements include assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right.

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

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

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

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

2.2 Reporting Entity and the Principles of Consolidation (continued)

Financial data was collected from government schools for the school year ended 31 December 2003 for the purpose of consolidating it with data from State Office. The results from using the school year are not considered to differ materially from the results that would be reported if data for the July to June period were used. It is not intended that data for other non-corporate operational units be included in the financial statements, as it is not considered material.

Last year was the first year that government schools financial data was consolidated with State Office, which resulted in an initial recognition of \$233.8 million in net assets.

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

The main administered funds are:

(i) Minister for Education and Children's Services - Payments

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

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

(ii) Minister's Salary and Allowances

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

(iii) Minister's Borrowings

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

2.3 Comparative Figures

Comparative figures for the 2002-03 financial year have been adjusted to conform to changes in presentation in these financial statements where required.

2.4 Rounding

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

2.5 Income Recognition

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

Where contributions, recognised as revenues during the reporting period, were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts pertaining to those undischarged conditions are disclosed in Note 10(b).

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

2.6 Employee Benefits and Employment Related Expenses

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

Employment related expenses include on-costs such as payroll tax and superannuation on employee entitlements together with the workers' compensation insurance premium.

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

2.6 Employee Benefits and Employment Related Expenses (continued)**(i) Employee Benefits****(a) Salaries, Wages, and Annual Leave**

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

The annual leave entitlement is calculated by multiplying each employee's entitlement by their nominal rate current at the reporting date. Where leave loadings are paid, they are included in the calculation.

(b) Long Service Leave

Long service leave is recognised on a pro-rata basis in respect of services provided by employees up to the reporting date. In calculating long service leave entitlements the Department takes into account, as a benchmark, an actuarial assessment prepared by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector. This benchmark is the number of years of service that produces a value equal to the actuarially calculated net present value.

Long service leave liability entitlements have been calculated using a Department of Education and Children's Services specific benchmark of 10 years, advised by the Department of Treasury and Finance, based on current salaries and wages.

(c) Sick Leave

Sick leave is not provided for in the financial report, as it is non-vesting. However, entitlements are accumulated and any sick leave is considered to be taken from the employees' current entitlement.

(ii) Employment Related Expenses**(a) Superannuation**

The Department makes contributions to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the Superannuation Funds. The liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes.

(b) Fringe Benefits Tax

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

(c) Payroll Tax

Payroll tax is a state tax levied on total gross salary paid plus (non-cash) benefits and employer superannuation contributions. The estimated amount of payroll tax payable in respect of employee entitlement liabilities is also shown as a liability in the Statement of Financial Position. Any increase or decrease in the level of required payroll tax provision is charged as an increase or decrease in the payroll tax expense in the Statement of Financial Performance. The payroll tax liability is only payable when the employee entitlements are paid.

(d) WorkCover Premium

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

2.7 Repairs and Maintenance

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

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

2.8 Receivables

Receivables in respect of fees and charges are due for settlement within 30 days and are recorded at their recoverable amount. At the end of each reporting period the receivable balances are reviewed and an allowance is made in respect of any balance where recovery is considered doubtful.

2.9 Allowance for Doubtful Debts

The allowance for doubtful debts is established based on a review of outstanding amounts at year end. Bad debts are written off when they are identified as irrecoverable.

2.10 Inventory

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

2.11 Leases

The Department has entered into a number of operating lease agreements, as lessee, for buildings and other facilities where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the Statement of Financial Performance over the lease term, as this is representative of the pattern of benefits to be derived from the leased property. Details of leased assets are being collected as part of the Asset Management Planning process that is currently being undertaken for all sites. This information will enable the register of operating leases to be updated to reflect all non-cancellable lease agreements.

Details of commitments of current known material non-cancellable operating leases are disclosed at Note 29.

2.12 Property, Plant and Equipment

The Statement of Financial Position includes all property, plant and equipment controlled by the Department.

All classes of physical non-current assets with fair values at the time of acquisition equal to or greater than \$1 million and estimated useful lives equal to or greater than five years are to be revalued at intervals not exceeding three years. The relevant classes are shown as revalued amounts in the Statement of Financial Position.

In accordance with Accounting Policy Statement No. 3 'Valuation of Non-Current Assets' issued by the Department of Treasury and Finance, the Department has elected to measure each class of non-current asset on the fair value basis as required by Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' (paragraph 5.1 (b)).

The Department has decided that application of the fair value basis will not result in values that are materially different from the values determined on a deprival value basis as applied in previous accounting periods.

As each class of asset is revalued, the revaluation will be undertaken on a fair value basis so that all non-current assets should be valued on a fair value basis by 30 June 2005.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

Conversely, where assets are revalued to market value, and not by reference to current prices for assets newer than those being revalued, any balances of accumulated depreciation existing at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are increased or decreased by the revaluation increments or decrements.

The recoverable amount test has not been applied, as the Department is a not-for-profit entity whose service potential is not related to the ability to generate net cash inflows.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the surplus/deficit, the increment is recognised immediately as revenue in the surplus/deficit.

Revaluation decrements are recognised immediately as expenses in the surplus/deficit, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to that asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Property, plant and equipment donated, gifted or bequeathed is recorded as an asset at its fair value at the time control passes to the Department. Assets received in this way are disclosed as revenue in the Statement of Financial Performance.

Land

Land valuations are based on the highest and best potential use of the property. The valuations were obtained from the South Australian Valuer-General as at 1 January 2004. Land purchased after this date is recorded at cost.

2.12 Property, Plant and Equipment (continued)

Buildings and Improvements

Information was obtained from the Building and Land Asset Management System (BLAMS), maintained by the Department for Administrative and Information Services. Buildings and improvements are valued at current replacement cost less accumulated depreciation. Replacement costs have been established by reference to Quantity Surveyors estimates and updated through the application of a relevant building index. The valuations for buildings are current as at 31 March 2002, asphalt paved areas are current as at 31 March 2004 and swimming pools are current as at 31 March 2003. The building data provided in the statements relates specifically to buildings, paved areas and swimming pools. The building data excludes landscaping, infrastructure, pergolas, playground equipment, sheds and some paving, fencing and leasehold improvements because they either cannot be reliably measured or no information is centrally recorded.

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

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

Library Collection

The base value of the library collection is reported at valuation. The valuation for collections within administrative sites of the Department was carried out as at 30 June 2002 by VALCORP Aust Pty Ltd, and is on the basis of written down current cost. Purchases made subsequent to this date are recorded at cost less accumulated depreciation.

Buses

Buses are recorded at current replacement cost as at 30 June 2002 less accumulated depreciation. Buses purchased after this date are recorded at cost.

Plant and Equipment

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

2.13 Depreciation of Non-Current Assets

Non-current assets with an acquisition cost individually equal to or greater than \$5 000 are systematically depreciated using the straight line method of depreciation over their useful lives. This method is considered to reflect the consumption of their service potential. Depreciation rates are reviewed annually within the Department.

Major depreciation periods are:	Years
Improvements:	
Buildings:	
Transportables	30 - 50
Fixed construction	40 - 106
Swimming pools	25 - 30
Paved areas	15 - 45
Computing and communication equipment	3 - 7
Telephone systems	7 - 15
Office furniture and equipment	5 - 20
Buses/Motor vehicles	7 - 20
Other plant and equipment	7 - 40

2.14 Payables

These amounts represent liabilities for goods and services provided to the Department prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

2.15 Loans

(i) *Borrowings*

Loans are recognised upon receipt of the money and are carried at their principal amounts. Interest is accrued over the period it becomes due and is recorded as part of payables.

The loan obligation is to the Minister for Education and Children's Services for amounts borrowed for capital works at school sites. The loan is repayable over the next five years. Interest is payable quarterly in arrears and the rate is floating.

(ii) *Loan Receivables*

Loans are recognised upon payment of the money and are carried at their principal amounts. Interest is accrued over the period it becomes due and is recorded as part of current receivables.

The loans are receivable in varying instalments over the next 15 years. The interest rates are fixed at between 0 percent and 14.64 percent.

2.16 Provisions

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

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

To reflect the liability for outstanding (unsettled) vicarious liability claims a provision is raised. Provisions for outstanding fire claims yet to be settled as at balance date are also reported, as required by Accounting Standard AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets'. This provision is between the corporate department and government schools, therefore is eliminated on consolidation.

2.17 Accounting for the Goods and Services Tax (GST)

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

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

The net GST receivable/payable to/from 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. Changes in Accounting Policies

3.1 Administered Items

In accordance with the Department of Treasury and Finance's model financial report, the Department has prepared separate administered financial statements and notes as it is considered that administered transactions and balances are significant in relation to the Department's overall financial performance and position.

3.2 Property, Plant and Equipment for Government Schools

Prior to the school financial year ending 31 December 2003, individual items of property, plant and equipment costing \$500 or more were capitalised and recorded in the Statement of Financial Position.

The policy has been revised to bring government schools into line with the corporate department's asset recognition policy of only capitalising individual items costing \$5000 or more. Items that did not meet this policy were expensed (refer Note 9(a)).

The effect of the implementation of this policy was an increase of Other Expenses in the 2004 Statement of Financial Performance of \$83.5 million for the consolidated entity.

3.3 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

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

(i) Managing the Process

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

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

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

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

(ii) Expected Differences in Accounting Policies

- (a) Changes in Accounting Policy
A major change is the treatment of accounting policy changes under IFRS. These will now apply retrospectively except for specific exemptions in accordance with AASB 1 'First-Time Adoption of Australian Equivalents to IFRS'.
- (b) Non-Current Asset Acquisition and Recognition
The Australian equivalent to IAS 16 'Property, Plant and Equipment' is proposing that non-current assets be revalued on an individual basis (as opposed to current class basis). It is anticipated an APS will continue to require revaluation on a class basis and current thresholds (greater than \$1 million and estimated useful life is greater than three years) will continue to apply.
- (c) Employee Benefits
Employee benefits payable later than 12 months from year-end will be measured at present value rather than at nominal amounts.

4. Programs of the Department

The programs and sub-programs presented in this report are:

Program 1: Education

The provision of preschool and Reception to Year 12 education

- Sub-program 1.1 Delivery of Preschool Education*
Provision of early childhood education through preschools and child-parent centres and the purchase (coordination, policy, planning, curriculum, quality regulation and funding) of preschool positions through independent community organizations.
- Sub-program 1.2 Reception to Year 2*
Delivery of Reception to Year 2 educational programs at the local level.
- Sub-program 1.3 Year 3 to Year 7*
Delivery of Year 3 to Year 7 educational programs at the local level.
- Sub-program 1.4 Year 8 to Year 10*
Delivery of Year 8 to Year 10 educational programs at the local level.
- Sub-program 1.5 Year 11 to Year 12+*
Delivery of Year 11 to Year 12+ educational programs at the local level.

Program 2: Childcare

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

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

5. Employee Expenses

	Consolidated		DECS	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Salaries and wages (including annual leave)	1 023 526	959 032	1 015 097	956 294
Superannuation	119 008	116 931	117 872	115 923
Payroll tax	69 258	66 340	66 835	64 114
Workers compensation	34 316	32 434	34 289	32 429
Long service leave	45 389	45 240	45 211	45 098
TVSP (refer below)	7 131	-	7 131	-
Other employee related costs	2 453	2 290	2 327	2 207
Total Employee Expenses	1 301 081	1 222 267	1 288 762	1 216 065

Targeted Voluntary Separation Packages (TVSP)

TVSPs paid to employees during the reporting period	7 131	-	7 131	-
Recovery from the Department of the Premier and Cabinet	6 557	-	6 557	-
Annual leave and long service leave accrued over the period	2 627	-	2 627	-

Number of employees that were paid TVSPs during the reporting period

	2004 Number of Employees	2003 Number of Employees	2004 Number of Employees	2003 Number of Employees
	82	-	82	-

Remuneration of Employees

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

\$100 000 - \$109 999	6	107	4	69
\$110 000 - \$119 999	6	59	10	47
\$120 000 - \$129 999	6	14	4	10
\$130 000 - \$139 999	3	4	5	9
\$140 000 - \$149 999	2	6	2	3
\$150 000 - \$159 999	4	4	3	3
\$160 000 - \$169 999	-	-	-	1
\$170 000 - \$179 999	1	3	-	-
\$180 000 - \$189 999	-	-	2	2
\$190 000 - \$199 999	-	-	2	2
\$200 000 - \$209 999	1	1	1	1
\$210 000 - \$219 999	1	1	-	-
\$230 000 - \$239 999	-	-	1	1
\$260 000 - \$269 999	-	-	1	1
\$270 000 - \$279 999	1	1	-	-
Total Number of Executives/Employees	31	200	35	149

Total remuneration received or due and receivable by the above employees was \$22.9 million (\$17.5 million), which is included in employee expenses. This number of employees includes 13 (10) who received country incentive payments. The remuneration includes salary, employer's superannuation costs, use of motor vehicle in accordance with prescribed conditions and associated fringe benefits tax, but does not include any amounts payable due to retirement under the Targeted Voluntary Separation Package (TVSP) Scheme. There were 3 (nil) persons who received an amount under the TVSP Scheme that retired at the over \$100 000 remuneration level and an additional 6 (4) persons who did not receive an amount under the TVSP Scheme that retired at the over \$100 000 remuneration level. These 9 (4) persons are included in the above employee numbers. Average salary rates have increased by 4.0 percent for Education Act employees, 4.0 percent for Public Servants and 3.5 percent for Executive positions due to enterprise agreement arrangements.

* Based on the Department's Executive Organisation Structure.

6. Supplies and Services

	Consolidated	DECS
	2004 \$'000	2003 \$'000
Minor works, maintenance and equipment	120 714	100 169
Computer communications	10 006	9 695
Utilities	22 482	23 319
Cleaning	24 450	23 578
Fees - Contractors, consultants and other outsourced services	14 908	13 820
Child care assistance, school card and other allowances	30 814	33 836
Vehicle and travelling expenses	20 143	20 667
Telecommunications	15 932	16 150
Printing, postage and consumables	52 092	48 618
Bus contractors	14 577	13 875
Rentals and leases	16 007	15 248
Security	5 727	5 016
Student learning materials	16 871	15 641
Excursions and camps	12 388	11 245
Training and development	2 365	1 752
Cost of goods sold	15 721	15 946
Other	61 554	51 758
Total Supplies and Services	456 751	420 333
		278 812
		256 948

The number and dollar amount of consultancies paid/payable during the period:

7. Grants and Subsidies

Major grants and subsidies comprise:

Grants paid to schools and units
Grants paid to government preschools
Grants paid to other organisations

Total Grants

	Consolidated	DECS
	2004 \$'000	2003 \$'000
-	-	92 557
5 128	4 757	5 128
6 785	5 180	6 785
11 913	9 937	104 470
		100 105

8. Depreciation

Depreciation expense for the reporting period was charged in respect of:

Buildings and improvements
Computing, communication equipment, furniture and equipment
Buses/motor vehicles
Other

Total Depreciation

47 868	47 637	47 865	47 620
2 491	925	502	588
2 329	2 064	2 022	2 046
565	542	373	437
53 253	51 168	50 762	50 691

Change in Depreciation due to a Revaluation

Department for Education and Children's Services revalued its paved areas upward during 2004. As a result of the revaluation, depreciation on these assets has increased in the current reporting period. Depreciation expense increased by \$390 820 as a result of the revaluation.

9. (a) Other Expenses

	Consolidated	DECS
	2004 \$'000	2003 \$'000
Auditor's remuneration - Auditing services (see Note 9(b))	742	821
Allowance for doubtful debts and debt write offs	4 132	3 401
Recognition of prior year contributed equity	-	4 463
Non-current assets written off	5 157	393
School assets written off	83 508	-
Total Other Expenses	93 539	9 078
		6 709
		6 114

(b) Auditor's Remuneration

Audit fees paid/payable to the Auditor-General's Department excluding GST
Audit fees paid/payable to private Auditors (for non-corporate work) excluding GST

Total Audit Fees

489	446	489	446
253	375	247	367
742	821	736	813

Other Services

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

10.	(a) Commonwealth Revenue	Consolidated		DECS
		2004	2003	
	Recurrent Revenue:	\$'000	\$'000	\$'000
	General purpose	115 493	108 048	108 048
	Specific purpose	70 837	70 736	70 736
	Total Recurrent Revenue	186 330	178 784	178 784
	Capital Revenue:			
	General purpose	21 155	8 115	8 115
	Total Capital Revenue	21 155	8 115	8 115
	Total Commonwealth Revenue	207 485	186 899	186 899
(b) Conditions Over Revenue				
The following revenues were recognised for the year ended 30 June 2004 with the condition that they be expended in a particular manner, but had yet to be applied in that manner at 30 June 2004:				
		Opening Balance 01.07.03	Revenue for 2003-04	Expenses for 2003-04
	Commonwealth Revenue for:	\$'000	\$'000	\$'000
	Primary and secondary education	3 587	35 555	(37 685)
	Child care services	985	35 282	(35 464)
		4 572	70 837	(73 149)
				2 260
11.	Student and Other Fees and Charges	Consolidated		DECS
		2004	2003	2004
		\$'000	\$'000	\$'000
	Sales/Fee for service revenue	3 481	4 124	3 395
	Student enrolment fees and charges	60 453	57 740	1 631
	Other user fees and charges	8 572	7 984	15 361
	Total Student and Other Fees and Charges	72 506	69 848	20 387
				18 656
12.	Interest and Investment Income			
	Income from entities within the SA Government	13 635	12 655	6 852
	Other	731	273	-
	Total Interest Received	14 366	12 928	6 852
				5 407
13.	Net Gain from Disposal of Assets			
	Land and Buildings:			
	Proceeds from disposal	9 575	10 079	9 575
	Net book value of assets disposed	7 532	6 240	7 532
	Net gain from disposal of land and building	2 043	3 839	2 043
				3 839
	Plant and Equipment:			
	Proceeds from disposal	512	111	172
	Net book value of assets disposed	673	283	568
	Net loss from disposal of plant and equipment	(161)	(172)	(396)
				(172)
	Investments/Financial Assets:			
	Proceeds from disposal	20	-	20
	Net book value of assets disposed	30	-	30
	Net loss from disposal of investment/financial assets	(10)	-	(10)
				-
	Total Assets:			
	Proceeds from disposal	10 107	10 190	9 767
	Net book value of assets disposed	8 235	6 523	8 130
	Total Net gain from Disposal of Assets	1 872	3 667	1 637
				3 667
14.	Other Revenue			
	Targeted Voluntary Separation Package recoveries	6 557	-	6 557
	Recoveries other	2 204	2 695	2 283
	Assets recognised for the first time	8 836	806	8 836
	Canteen revenue	18 064	18 599	-
	Sundry revenue	28 392	33 525	9 192
	Total Other Revenue	64 053	55 625	26 868
				16 827

	Consolidated		DECS	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
15. Revenue from SA Government				
Revenues from SA Government				
Appropriations from consolidated account pursuant to the <i>Appropriation Act</i> :				
Recurrent appropriation	1 314 702	1 277 812	1 314 702	1 277 812
Capital appropriation	63 876	73 378	63 876	73 378
Accrual appropriation	32 013	17 185	32 013	17 185
Total Revenues from SA Government	1 410 591	1 368 375	1 410 591	1 368 375
16. Cash				
Special deposit account with Department of Treasury and Finance	11 370	25 825	11 370	25 825
Accrual appropriation excess fund special deposit account with the Department of Treasury and Finance	116 127	79 808	116 127	79 808
Cash at bank - SA School Investment Fund (SASIF)	144 444	150 451	696	-
Cash at bank and on hand	8 948	8 897	166	453
Section 21 Deposit Accounts	311	305	311	305
	281 200	265 286	128 670	106 391
The Special Deposit Accounts are bearing floating interest rates determined as follows:				
• that portion applying to the level of debt owing to the Department of Treasury and Finance is determined by the applicable common public sector interest rate;				
• the remainder is determined by the applicable 90 day bank bill rate.				
17. Receivables				
Current:				
Fees, charges and other receivables	16 908	17 825	17 277	15 610
Less: Provision for doubtful debts	(4 098)	(3 532)	(1 992)	(1 254)
GST recoverable from the ATO	7 453	5 729	5 704	4 350
Loan receivables	64	64	303	310
Lease receivables	-	-	144	778
Other receivables	209	336	209	336
Total Current Receivables	20 536	20 422	21 645	20 130
Non-Current:				
Workers compensation receivable	1 108	1 498	1 108	1 498
Loan receivables	41	40	2 284	2 190
Lease receivables	-	-	-	147
Total Non-Current Receivables	1 149	1 538	3 392	3 835
Total Receivables	21 685	21 960	25 037	23 965
18. Inventories				
Current:				
Supplies	890	1 046	158	313
Total Current Inventories	890	1 046	158	313
Total Inventories	890	1 046	158	313
19. Investments/Financial Assets				
Current:				
Term deposits	8 595	7 079	-	-
Total Current Investments	8 595	7 079	-	-
Non-Current:				
Term deposits	861	850	-	-
Share in Ngapartji	-	30	-	30
Total Non-Current Investments	861	880	-	30
Total Investments	9 456	7 959	-	30

20. Property, Plant and Equipment

	Consolidated		DECS	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Land:				
Land at valuation	667 659	456 214	667 659	456 214
Land at cost	1 471	3 077	1 345	2 981
Total Land	669 130	459 291	669 004	459 195
Buildings and Improvements:				
Buildings and improvements at valuation	2 688 277	2 694 199	2 688 277	2 694 199
Accumulated depreciation	(1 673 127)	(1 634 233)	(1 673 127)	(1 634 233)
Buildings and improvements at cost	74 432	62 564	74 250	51 739
Accumulated depreciation	(2 057)	(1 339)	(2 052)	(1 365)
Total Buildings and Improvements	1 087 525	1 121 191	1 087 348	1 110 340
Computing, Communication Equipment, Furniture and Equipment:				
Computing, communication equipment, furniture and equipment at valuation	3 639	3 646	3 639	3 646
Accumulated depreciation	(3 134)	(3 022)	(3 134)	(3 022)
Computing, communication equipment, furniture and equipment at cost	18 286	70 648	4 630	3 434
Accumulated depreciation	(10 802)	(3 148)	(2 548)	(2 165)
Total Computing, Communication Equipment, Furniture and Equipment	7 989	68 124	2 587	1 893
Buses/Motor Vehicles:				
Buses/motor vehicles at valuation	44 803	48 167	44 803	48 167
Accumulated depreciation	(32 363)	(33 125)	(32 363)	(33 125)
Buses/motor vehicles at cost	7 313	3 127	1 633	934
Accumulated depreciation	(3 008)	(16)	(72)	-
Total Buses/Motor Vehicles	16 745	18 153	14 001	15 976
Construction Work in Progress:				
Construction work in progress at cost	24 898	13 174	24 898	13 174
Total Construction Work in Progress	24 898	13 174	24 898	13 174
Other (Libraries, Toys and Security Systems):				
Other (libraries, toys and security systems) at valuation	2 195	2 194	2 195	2 194
Accumulated depreciation	(1 263)	(1 203)	(1 263)	(1 203)
Other (libraries, toys and security systems) at cost	5 022	14 444	3 125	3 054
Accumulated depreciation	(3 202)	(1 476)	(1 856)	(1 542)
Total Other (Libraries, Toys and Security Systems)	2 752	13 959	2 201	2 503
Total Property Plant and Equipment	1 809 039	1 693 892	1 800 039	1 603 081

Valuation of Non-Current Assets

DECS

Valuations of land were performed at 1 January 2004 by the Valuer-General, buildings and improvements by the Department for Administrative and Information Services and libraries at 30 June 2002 by VALCORP Aust Pty Ltd. Valuations of computing and communication equipment, furniture and equipment, and buses are based on current replacement cost in accordance with the Department of Treasury and Finance policy on valuations of non-current assets.

Schools

Schools' non-current assets are recorded at cost.

Reconciliation of Property, Plant and Equipment

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

	DECS 2003-04			
	Land \$'000	Buildings \$'000	Computing Communication Equipment, Furniture and Equipment \$'000	Buses/ Motor Vehicles \$'000
Carrying amount at the beginning of the financial year	459 195	1 110 340	1 893	15 976
Additions	3 240	9 535	1 196	707
Disposals	(7 525)	(7)	(1)	(567)
Transfer to (from) WIP	-	19 480	-	-
Revaluation Increment (Decrement)	214 651	373	-	-
Depreciation	-	(47 865)	(502)	(2 022)
Other movements	(557)	(4 508)	1	(93)
Carrying Amount at the End of the Financial Year	669 004	1 087 348	2 587	14 001

Reconciliation of Property, Plant and Equipment (continued)

	DECS 2003-04		
	Construction Work in Progress \$'000	Other (Libraries, Toys and Security) \$'000	Total \$'000
Carrying amount at the beginning of the financial year	13 174	2 503	1 603 081
Additions	31 204	71	45 953
Disposals	-	-	(8 100)
Transfer to (from) WIP	(19 480)	-	-
Revaluation Increment (Decrement)	-	-	215 024
Depreciation	-	(373)	(50 762)
Other movements	-	-	(5 157)
Carrying Amount at the End of the Financial Year	24 898	2 201	1 800 039

	DECS 2002-03			
	Land \$'000	Buildings \$'000	Communication Equipment, Furniture and Equipment \$'000	Buses/ Motor Vehicles \$'000
Carrying amount at the beginning of the financial year	503 092	1 524 290	17 555	19 540
Additions	1 748	874	276	934
Disposals	(5 233)	(1 007)	-	(283)
Transfer to (from) WIP	-	25 370	-	-
Revaluation Increment (Decrement)	-	(9 119)	(43)	(2 176)
Depreciation	-	(47 620)	(588)	(2 046)
Acquisition (Disposal) from transfer	(40 412)	(382 855)	(15 605)	-
Other movements	-	407	298	7
Carrying Amount at the End of the Financial Year	459 195	1 110 340	1 893	15 976

	DECS 2002-03		
	Construction Work in Progress \$'000	Other (Libraries, Toys and Security) \$'000	Total \$'000
Carrying amount at the beginning of the financial year	10 556	28 042	2 103 075
Additions	28 500	53	32 385
Disposals	-	-	(6 523)
Transfer to (from) WIP	(25 370)	-	-
Revaluation Increment (Decrement)	-	-	(11 338)
Depreciation	-	(437)	(50 691)
Acquisition (Disposal) from transfer	(512)	(25 254)	(464 638)
Other movements	-	99	811
Carrying Amount at the End of the Financial Year	13 174	2 503	1 603 081

21.	Other Assets	Consolidated		DECS
		2004 \$'000	2003 \$'000	
Current Assets:				
Prepayments	4 378	3 245	3 921	2 723
Other	26	75	-	-
Total Current Other Assets	4 404	3 320	3 921	2 723
Non-Current Assets:				
Other	-	82	-	-
Total Non-Current Other Assets	-	82	-	-
Total Other Assets	4 404	3 402	3 921	2 723

22.	Payables	Consolidated		
		2004 \$'000	2003 \$'000	2004 \$'000
Current:				
Creditors	25 353	22 880	29 811	28 497
Accrued expenses	11 055	11 850	9 308	9 430
Employment on-costs	20 450	17 441	20 450	17 441
Lease payables	531	-	-	-
Total Current Payables	57 389	52 171	59 569	55 368
Non-Current:				
Employment on-costs	26 365	25 519	26 365	25 519
Lease payables	993	2 009	-	-
Total Non-Current Payables	27 358	27 528	26 365	25 519
Total Payables	84 747	79 699	85 934	80 887

23. Interest Bearing Liabilities

	Consolidated		DECS	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Current:				
Loans	1 216	1 020	1 200	1 200
Overdraft	-	29	-	29
Total Current Interest Bearing Liabilities	1 216	1 049	1 200	1 229
Non-Current:				
Loans	4 595	6 006	3 897	5 104
Advances	121	121	121	121
Total Non-Current Interest Bearing Liabilities	4 716	6 127	4 018	5 225
Total Interest Bearing Liabilities	5 932	7 176	5 218	6 454

24. (a) Employee Benefits

Current:	57 309	53 014	57 295	53 006
Annual leave	40 149	30 342	40 097	30 326
Accrued salaries and wages	30 997	27 077	30 898	26 983
Long service leave	128 455	110 433	128 290	110 315
Total Current Employee Benefits	247 389	236 501	246 620	235 867
Non-Current:				
Long service leave	247 389	236 501	246 620	235 867
Total Non-Current Employee Benefits	375 844	346 934	374 910	346 182

(b) Employee Benefits and Related On-Costs

Accrued Salaries:	7 080	5 169	7 080	5 169
On-costs included in payables - Current (Note 22)	40 149	30 342	40 097	30 326
Provision for employee benefits - Current (Note 24(a))	47 229	35 511	47 177	35 495
Annual Leave:				
On-costs included in payables - Current (Note 22)	10 067	9 353	10 067	9 353
Provision for employee benefits - Current (Note 24(a))	57 309	53 014	57 295	53 006
	67 376	62 367	67 362	62 359
Long Service Leave:				
On-costs included in payables - Current (Note 22)	3 303	2 919	3 303	2 919
Provision for employee benefits - Current (Note 24(a))	30 997	27 077	30 898	26 983
	34 300	29 996	34 201	29 902
On-costs included in payables - Non-current (Note 22)	26 365	25 519	26 365	25 519
Provision for employee benefits - Non-current (Note 24(a))	247 389	236 501	246 620	235 867
	273 754	262 020	272 985	261 386
Aggregate Employee Benefit and Related On-Costs	422 659	389 894	421 725	389 142

25. Provisions

Current:	15 563	13 183	15 563	13 183
Provision for workers compensation	680	765	680	765
Provision for vicarious liability claims	-	-	1 507	384
Total Current Provisions	16 243	13 948	17 750	14 332
Non-Current:				
Provision for workers compensation	63 030	50 530	63 030	50 530
Provision for vicarious liability claims	1 103	1 394	1 103	1 394
Total Non-Current Provisions	64 133	51 924	64 133	51 924
Total Provisions	80 376	65 872	81 883	66 256

	Consolidated		DECS	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
25. Provisions (continued)				
Movements in Provisions				
Provision for Workers Compensation:				
Carrying amount at the beginning of the period	63 713	49 256	63 713	49 256
Increase in the provision	14 880	14 456	14 880	14 456
Decrease in the provision	-	-	-	-
Carrying Amount at the End of the Period	78 593	63 712	78 593	63 712
Provision for Vicarious Liability Claims:				
Carrying amount at the beginning of the period	2 159	1 893	2 159	1 893
Increase in the provision	-	266	-	266
Decrease in the provision	376	-	376	-
Carrying Amount at the End of the Period	1 783	2 159	1 783	2 159
Provision for Fire Claims:				
Carrying amount at the beginning of the period	-	-	384	6 059
Increase in the provision	-	-	1 123	-
Decrease in the provision	-	-	-	5 675
Carrying Amount at the End of the Period	-	-	1 507	384
26. Other Liabilities				
Current:				
Deposits	5 757	4 744	4 193	4 700
Unearned revenue	2 603	508	2 603	509
Other liabilities	3 511	2 039	420	466
Total Current Other Liabilities	11 871	7 291	7 216	5 675
Non-Current:				
Deposits	3 152	3 750	-	-
Other liabilities	85	92	-	-
Total Non-Current Other Liabilities	3 237	3 842	-	-
Total Other Liabilities	15 108	11 133	7 216	5 675
27. Equity				
Accumulated surplus	1 141 701	1 274 824	979 733	1 023 142
Asset revaluation reserve	418 503	203 444	418 468	203 444
Contributed capital	4 463	4 463	4 463	4 463
Total Equity	1 564 667	1 482 731	1 402 664	1 231 049
Accumulated Surplus:				
Balance at the beginning of the financial year	1 274 824	1 465 289	1 023 142	1 465 289
Prior period adjustment	-	8	-	8
Net deficit from Ordinary Activities	(133 123)	(828)	(43 409)	(18 747)
(Decrease) in net assets due to administrative restructure	-	(423 408)	-	(423 408)
Adjustment for school assets brought to account for first time	-	233 763	-	-
Balance at the End of the Financial Year	1 141 701	1 274 824	979 733	1 023 142
Asset Revaluation Reserve:				
Balance at the beginning of the financial year	203 444	214 739	203 444	214 739
Increase (Decrease) in asset revaluation reserve:				
Land	214 686	-	214 651	-
Buildings - Pavings component	373	-	373	-
Building and improvements	-	(9 119)	-	(9 119)
Buses/motor vehicles	-	(2 176)	-	(2 176)
Balance at the End of the Financial Year	418 503	203 444	418 468	203 444
Contributed Capital:				
Balance at the beginning of the financial year	4 463	-	4 463	-
Increase in Contributed Capital*	-	4 463	-	4 463
Balance at the End of the Financial Year	4 463	4 463	4 463	4 463

* The additional funds were provided to the Department as equity funding to cover future payments for long service leave for service already provided by employees.

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

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

Trade accounts receivables are generally settled within 30 days and are carried at amounts due. Credit terms are net 30 days. A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off in the period in which they are identified.

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

(ii) Financial Liabilities

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

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

All Assets and Liabilities are unsecured.

(b) Credit Risk Exposures

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

(c) Interest Rate Exposures

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

DECS 2004						
	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	Fixed Interest Maturing in		Non- Interest Bearing \$'000	Total Carrying Amount \$'000
			1 to 5 years	More than 5 years		
Financial Assets:						
Cash and deposits	5.11	128 351	-	-	319	128 670
Receivables		-	-	-	22 306	22 306
Other assets		-	-	-	3 921	3 921
Loan and lease receivables	7.09	-	37	2 373	321	2 731
		<u>128 351</u>	<u>37</u>	<u>2 373</u>	<u>26 867</u>	<u>157 628</u>
Financial Liabilities:						
Trade and other creditors		-	-	-	39 117	39 117
Loans	6.86	5 097	-	-	121	5 218
Other liabilities		-	-	-	10 506	10 506
		<u>5 097</u>	<u>-</u>	<u>-</u>	<u>49 744</u>	<u>54 841</u>
Net Financial Assets						
(Liabilities)			<u>123 254</u>	<u>37</u>	<u>2 373</u>	<u>(22 877)</u>
						102 787

DECS 2003						
	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	Fixed Interest Maturing in		Non- Interest Bearing \$'000	Total Carrying Amount \$'000
			1 to 5 years	More than 5 years		
Financial Assets:						
Cash and deposits	4.75	106 078	-	-	313	106 391
Receivables		-	-	-	20 541	20 541
Other assets		-	-	-	3 035	3 035
Loan and lease receivables	7.19	-	83	2 240	1 102	3 425
		<u>106 078</u>	<u>83</u>	<u>2 240</u>	<u>24 991</u>	<u>133 392</u>
Financial Liabilities:						
Trade and other creditors		-	-	-	32 893	32 893
Loans	9.26	6 332	-	-	121	6 453
Other liabilities		-	-	-	8 219	8 219
		<u>6 332</u>	<u>-</u>	<u>-</u>	<u>41 233</u>	<u>47 565</u>
Net Financial Assets						
(Liabilities)			<u>99 746</u>	<u>83</u>	<u>2 240</u>	<u>(16 242)</u>
						85 827

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

		Consolidated 2004					
		Weighted	Floating	Maturing in		Non-	Total
		Average	Interest	1 to 5	More than	Interest	Carrying
		Interest	Rate	\$'000	\$'000	Bearing	Amount
Financial Assets:		Percent	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and deposits	4.86	290 212		-	-	444	290 656
Receivables		-		-	-	21 580	21 580
Other assets		-		-	-	4 404	4 404
Loan and lease receivables		-		-	-	105	105
		290 212		-	-	26 533	316 745
Financial Liabilities:							
Trade and other creditors		-		-	-	37 932	37 932
Loans	8.85	5 811		-	-	121	5 932
Other liabilities		-		-	-	16 891	16 891
		5 811		-	-	54 944	60 755
Net Financial Assets							
(Liabilities)		284 401		-	-	(28 411)	255 990
		Consolidated 2003					
		Weighted	Floating	Maturing in		Non-	Total
		Average	Interest	1 to 5	More than	Interest	Carrying
		Interest	Rate	\$'000	\$'000	Bearing	Amount
Financial Assets:		Percent	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and deposits	4.65	272 843		-	-	403	273 246
Receivables		-		-	-	21 856	21 856
Other assets		-		-	-	4 448	4 448
Loan and lease receivables		-		-	-	104	104
		272 843		-	-	26 811	299 654
Financial Liabilities:							
Trade and other creditors		-		-	-	31 383	31 383
Loans	10.93	7 055		-	-	121	7 176
Other liabilities		-		-	-	13 297	13 297
		7 055		-	-	44 801	51 856
Net Financial Assets							
(Liabilities)		265 788		-	-	(17 990)	247 798

(d) **Net Fair Values**

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

29. Commitments for Expenditure

Capital Commitments:

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

Not later than one year
Later than one year but not later than five years

Total Capital Commitments

GST included in capital commitments

Consolidated

2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
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45 969	47 732	45 969	47 732
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22 269	56 445	22 269	56 445
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68 238	104 177	68 238	104 177
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6 203	9 470	6 203	9 470
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Operating Lease Commitments:

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

Not later than one year
Later than one year but not later than five years
Later than five years

Total Operating Lease Commitments

GST included in operating lease commitments

5 720	6 696	5 720	6 626
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11 534	16 646	11 534	16 567
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241	792	241	792
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17 495	24 134	17 495	23 985
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1 540	2 096	1 540	2 082
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29. Commitments for Expenditure (continued)

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

30. Transferred Functions

	2003 \$'000
Department of Further Education, Employment, Science and Technology(a)	(423 870)
Department of Human Services(b)	462

Result

(a) During the 2002-03 financial year, the Department relinquished responsibility for Technical and Further Education, Office of Vocational Education and Training, TAFEBizSA and the employment component of Office of Employment and Youth to the Department of Further Education, Employment, Science and Technology, effective 1 July 2002. The following assets and liabilities were transferred:

	2003 \$'000
Assets:	
Cash	(16 916)
Receivables	(8 357)
Investments	(974)
Property, plant and equipment	(464 636)
Other	(2 542)
Liabilities:	
Payables	19 186
Interest-bearing liabilities	499
Employee benefits	45 851
Other	4 019
Net Assets	(423 870)

(b) During the 2002-03 financial year, the department relinquished responsibility for Youth Policy, Youth Programs, Active8, Ausyouth and YouthPlus in the Office of Employment and Youth to the Department of Human Services, effective 1 July 2002.

	2003 \$'000
Assets:	
Receivables	(8)
Liabilities:	
Payables	115
Employee benefits	355
Net Assets	462

31. Contingent Liabilities

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

The Department has received advice from the Crown Solicitor that Temporary Relieving Teachers (TRTs), Hourly Paid Instructors (HPIs), Bus Drivers and other casual employees are eligible for long service leave pursuant to section 71(2) of the *Public Sector Management Act 1995*. The effect of this has not been quantified, however the Department recognises that it does have a liability to provide for long service leave for TRTs, HPIs and other casual employees applicable from 1 January 1978 and for Bus Drivers applicable from 1 January 1994. Payments for long service leave to these employees in 2002-03 totalled \$227 000 and \$237 000 in 2003-04.

32. Cash Flow Reconciliation

Reconciliation of Cash - Cash at year end as per:
 Statement of Cash Flows
 Statement of Financial Position

	Consolidated		DECS	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Statement of Cash Flows	281 200	265 286	128 670	106 391
Statement of Financial Position	281 200	265 286	128 670	106 391

Reconciliation of Net Cash Inflows from Operating Activities to Net Cost of Services:

Net cash provided by operating activities	45 441	90 620	50 258	67 236
Less: Revenues from Government	(1 410 591)	(1 368 375)	(1 410 591)	(1 368 375)
Add/Less Non-Cash Items:				
Depreciation of property, plant and equipment	(53 253)	(51 168)	(50 762)	(50 691)
Bad and doubtful debts	(4 132)	(3 401)	(816)	(445)
Non-current assets written off	(5 157)	(48)	(5 157)	(48)
Investments - Share of operating profits (losses)	-	(345)	-	(345)
Net assets recognised for the first time	8 836	806	8 836	806
Contributed equity recognition	-	(4 463)	-	(4 463)
Gain on sale of assets	1 872	3 671	1 637	3 671
Change in Assets/Liabilities:				
Increase (Decrease) in receivables	2 649	(936)	1 227	1 888
Increase (Decrease) in GST receivable	1 724	-	1 353	-
Increase (Decrease) in other assets	977	1 096	1 045	(160)
(Increase) Decrease in employee entitlements	(28 909)	(25 834)	(28 729)	(25 703)
(Increase) Decrease in provisions	(14 120)	(14 456)	(15 628)	(14 456)
(Increase) Decrease in payables	(7 838)	(97)	(4 578)	5 374
(Increase) Decrease in other liabilities	(2 095)	3 727	(2 095)	(1 411)
Other movements in non-current assets	(79 118)	-	-	-
Net Cost of Services from Ordinary Activities	(1 543 714)	(1 369 203)	(1 454 000)	(1 387 122)

**Statement of Administered Revenue and Expenses
for the year ended 30 June 2004**

		2004	2003
	Note	\$'000	\$'000
REVENUE FROM ORDINARY ACTIVITIES:			
Revenues from SA Government	A3	129 737	122 992
Commonwealth revenue	A4	352 523	313 583
Interest	A5	497	637
Other revenues		12	10
Total Revenue from Ordinary Activities		482 769	437 222
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	A6	1 566	1 456
Supplies and services	A7	264	304
Transfer payments	A8	479 788	434 740
Interest on borrowings		490	608
Depreciation	A9	5	7
Other expenses		-	8
Total Expenses from Ordinary Activities		482 113	437 123
OPERATING SURPLUS		656	99
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTION WITH OWNERS AS OWNERS		656	99

Statement of Administered Assets and Liabilities
as at 30 June 2004

		2004	2003
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash	A10	2 982	407
Receivables	A11	1 390	1 962
Total Current Assets		4 372	2 369
NON-CURRENT ASSETS:			
Receivables	A11	4 381	5 726
Plant and equipment	A12	19	24
Total Non-Current Assets		4 400	5 750
Total Assets		8 772	8 119
CURRENT LIABILITIES:			
Payables	A13	121	420
Employee benefits	A14	95	-
Borrowings	A15	3 000	1 500
Total Current Liabilities		3 216	1 920
NON-CURRENT LIABILITIES:			
Payables	A13	20	-
Employee benefits	A14	181	-
Borrowings	A15	4 460	5 960
Total Non-Current Liabilities		4 661	5 960
Total Liabilities		7 877	7 880
NET ASSETS		895	239
EQUITY:			
Accumulated surplus	A16	895	239
TOTAL EQUITY		895	239
Contingent Asset/Liabilities	A18		

Administered Statement of Cash Flows
for the year ended 30 June 2004

	Note	2004 Inflows (Outflows)	2003 Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
CASH INFLOWS:			
Receipts from SA Government		129 737	122 992
Receipts from Commonwealth		352 523	313 583
Interest received		1 034	1 390
GST input tax credits		10 451	9 611
GST receipts on receivables		-	66
Other		12	14
Total Cash Inflows from Operating Activities		493 757	447 656
CASH OUTFLOWS:			
Employee payments		(1 252)	(1 456)
Supplies and services		(272)	(58)
Transfer payments		(480 089)	(434 740)
Borrowing costs		(489)	(615)
GST remitted to ATO		(10 430)	(9 754)
Other		-	(8)
Total Cash Outflows from Operating Activities		(492 532)	446 631
Net Cash Inflows from Operating Activities	A19	1 225	1 025
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Loans repaid		1 350	904
Total Cash Inflows from Investing Activities		1 350	904
CASH OUTFLOWS:			
Payments for plant and equipment		-	(5)
Total Cash Outflows from Investing Activities		-	(5)
Net Cash Inflows from Investing Activities		1 350	899
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Repayment of borrowing		-	(2 000)
Total Cash Outflows from Financing Activities		-	(2 000)
Net Cash Outflows from Financing Activities		-	(2 000)
NET INCREASE (DECREASE) IN CASH HELD		2 575	(76)
CASH AT 1 JULY		407	483
CASH AT 30 JUNE		2 982	407

Activity Schedule of Administered Revenues and Expenses
for the year ended 30 June 2004

	2004			
	Minister for Education and Children's Services- Payments	Minister's Minister's Borrowings	Salary and Allowances	2004 Total
ADMINISTERED REVENUE FROM ORDINARY				
ACTIVITIES:				
REVENUE:	\$'000	\$'000	\$'000	\$'000
Revenue from SA Government	129 534	-	203	129 737
Commonwealth grants	352 523	-	-	352 523
Interest	-	497	-	497
Other revenues	12	-	-	12
Total Administered Revenue	482 069	497	203	482 769
ADMINISTERED EXPENSES FROM ORDINARY				
ACTIVITIES:				
EXPENSES:				
Employees expenses	1 363	-	203	1 566
Supplies and services	264	-	-	264
Transfer payments	479 788	-	-	479 788
Interest on borrowings	-	490	-	490
Depreciation and amortisation	5	-	-	5
Other expenses	-	-	-	-
Total Administered Expenses	481 420	490	203	482 113
OPERATING SURPLUS	649	7	-	656

NOTES TO AND FORMING PART OF THE ADMINISTERED STATEMENTS

A1. Summary of Significant Accounting Policies

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

A2. Changes in Accounting Policies

All the Department for Education and Children's Services changes in accounting policies are contained in Note 3 'Changes in Accounting Policies'. The changes outlined in Note 3 apply to both the Department and Administered Financial Statements.

A3. Revenue from SA Government

Revenues from SA Government:

Appropriations from Consolidated Account pursuant to the *Appropriation Act*
Appropriations under other Acts(a)

Total Revenues from SA Government

	2004	2003
	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	129 534	122 604
Appropriations under other Acts(a)	203	388

129 737 122 992

(a) During the 2002-03 financial year, the Department's administrated activities were responsible for the salary and allowances of both the Minister for Education and Children's Services and the Minister for Employment, Training and Further Education.

A4. (a) Commonwealth Revenue

Commonwealth Revenue:

Recurrent
Capital

Total Commonwealth Revenue

	2004	2003
	\$'000	\$'000
Recurrent	344 602	306 647
Capital	7 921	6 936

352 523 313 583

(b) Conditions Over Revenue

The following revenues were recognised for the year ended 30 June 2004 with the condition that they be expended in a particular manner, but had yet to be applied in that manner at 30 June 2004:

	Opening Balance 01.07.03	Revenue for 2003-04	Expenses for 2003-04	Closing Balance 30.06.04
	\$'000	\$'000	\$'000	\$'000
Commonwealth Revenue for:				
Special Education	521	11 207	11 203	525
School Language and Literacy	338	654	580	412
Total Recurrent Revenue	859	11 861	11 783	937

A5. Interest

Interest from entities within the SA Government

Total Interest Received

	2004	2003
	\$'000	\$'000
	497	637
Total Interest Received	497	637

A6. Employee Expenses

Wages and salaries (including annual leave)

Superannuation

Payroll tax

Long service leave

Total Employee Expenses

Wages and salaries (including annual leave)	1 156	1 293
Superannuation	119	105
Payroll tax	77	58
Long service leave	214	-
Total Employee Expenses	1 566	1 456

Targeted Voluntary Separation Packages

Number of employees that were paid TVSPs during the reporting period

Number of Employees	2004	2003
-	-	-

Remuneration of Employees whose Remuneration Received or Receivable**Exceeded \$100 000**

Total Number of Employees

-	-	-
---	---	---

A7. Supplies and Services		2004	2003
		\$'000	\$'000
Fees- Consultants, contractors and other outsourced services		114	123
Printing, postage and consumables		60	52
Minor works, maintenance and equipment		17	46
Vehicle and travelling expenses		34	38
Conference expenses		10	9
Advertising, publicity, promotions		3	7
Rentals and leases		3	7
Computer communications		2	4
Telecommunications		3	1
Other		18	17
Total Supplies and Services		264	304
A8. Transfer Payments		2004	2003
		Number	\$'000
The number and dollar amount of consultancies paid/payable during the period		-	-
A9. Depreciation		2004	2003
		\$'000	\$'000
Transfer Payments comprise:			
Multicultural grants		1 067	1 144
Non-Government schools		439 275	394 537
Special schools		14 209	13 387
Other organisations		646	771
SSABSA		8 907	9 669
Transport concessions		15 564	14 835
Other		120	397
Total Transfer Payments		479 788	434 740
A10. Cash		2004	2003
		Number	\$'000
Special Deposit Accounts with Department of Treasury and Finance:			
Minister's payments		5	7
Minister's borrowings		5	7
Total Cash			
The Minister's Borrowings Special Deposit Account is bearing floating interest rate determined by the applicable 90 day bank bill rate.			
The Minister's Payments Special Deposit Account is non-interest bearing.			
A11. Receivables		2004	2003
		Number	\$'000
Current:			
Loan receivables		1 331	1 336
Interest receivable		2	539
GST recoverable from the ATO		57	87
Total Current Receivables		1 390	1 962
Non-Current:			
Loan receivables		4 381	5 726
Total Non-Current Receivables		4 381	5 726
Total Receivables		5 771	7 688
A12. Plant and Equipment		2004	2003
		Number	\$'000
Computing, Furniture and Equipment:			
Computing, furniture and equipment at cost		52	52
Accumulated depreciation		(33)	(28)
Total Computing, Furniture and Equipment		19	24
Total Plant and Equipment		19	24

Valuation of Non-Current Assets

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

Reconciliation of Plant and Equipment

The following table shows the movement of plant and equipment:

Carrying amount at the beginning of the financial year
 Additions
 Depreciation

Carrying Amount at the End of the Financial Year

	Computing, Furniture and Equipment	
	2004 \$'000	2003 \$'000
24	26	
-	5	
(5)	(7)	
19	24	

A13. Payables

Current:

Creditors
 Accrued expenses
 Employee on-costs
Total Current Payables

2004 \$'000	2003 \$'000
61	374
47	46
13	-
121	420

Non-Current:

Employee on-costs
Total Non-Current Payables
Total Payables

20	-
20	-
141	420

A14. (a) Employee Benefits

Current:

Accrued salaries and wages
 Annual leave
 Long service leave
Total Current Employee Benefits

29	-
33	-
33	-
95	-

Non-Current:

Long service leave
Total Non-Current Employee Benefits
Total Employee Benefits

181	-
181	-
276	-

(b) Employee Benefits and Related On-Costs

Accrued Salaries and Wages:

On-costs included in payables - Current (Note A13)
 Provision for employee benefits - Current (Note A14(a))

3	-
29	-
32	-

Annual Leave:

On-costs included in payables - Current (Note A13)
 Provision for employee benefits - Current (Note A14(a))

6	-
33	-
39	-

Long Service Leave:

On-costs included in payables - Current (Note A13)
 Provision for employee benefits - Current (Note A14(a))

4	-
33	-
37	-

On-costs included in payables - Non-current (Note A13)
 Provision for employee benefits - Non-current (Note A14(a))

20	-
181	-
201	-
309	-

Aggregate Employee Benefit and Related On-Costs

A15. Borrowings

Current:

Loans
Total Current Borrowings

3 000	1 500
3 000	1 500

Non-Current:

Loans
Total Non-Current Borrowings
Total Borrowings

4 460	5 960
4 460	5 960
7 460	7 460

A16. Equity

	2004 \$'000	2003 \$'000
Accumulated Surplus	895	239
Total Equity	895	239

Accumulated Surplus:	
Balance at the beginning of the financial year	239
Operating Surplus	656
Balance at the End of the Financial Year	895
	239

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

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

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

(ii) Financial Liabilities

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

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

All Assets and Liabilities are unsecured.

(b) Credit Risk Exposures

The credit risk on financial assets of the Department, which have been recognised on the Statement of Financial Position, is generally the carrying amount.

(c) Interest Rate Exposures

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

Financial Instrument	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	2004			Non- Interest Bearing \$'000	Total Carrying Amount \$'000		
			Fixed Interest Maturing in:						
			1 to 5 Years	More than 5 Years					
Financial Assets									
Cash and deposits	6.68	2 048	-	-		934	2 982		
Receivables		-	-	-		59	59		
Loans receivables	7.02	5 097	263	279		73	5 712		
			7 145	263	279	1 066	8 753		
Financial Liabilities:									
Trade and other creditors		-	-	-		108	108		
Loans	6.57	7 460	-	-		-	7 460		
			7 460	-	-	108	7 568		
Net Financial Assets (Liabilities)			(315)	263	279	958	1 185		

Financial Instrument	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	2003			Non- Interest Bearing \$'000	Total Carrying Amount \$'000		
			Fixed Interest Maturing in:						
			1 to 5 Years	More than 5 Years					
Financial Assets									
Cash and deposits	6.70	152	-	-		255	407		
Receivables		-	-	-		627	627		
Loans receivables	6.49	6 304	270	404		84	7 062		
			6 456	270	404	966	8 096		
Financial Liabilities:									
Trade and other creditors		-	-	-		420	420		
Loans	6.43	7 460	-	-		-	7 460		
			7 460	-	-	420	7 880		
Net Financial Assets (Liabilities)			(1 004)	270	404	546	216		

(d) Net Fair Values

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

A18. Contingent Assets and Liabilities

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

A19. Cash Flow Reconciliation

Reconciliation of Cash - Cash at year end as per:

Statement of Cash Flows

Statement of Financial Position

	2004	2003
	\$'000	\$'000
Statement of Cash Flows	2 982	407
Statement of Financial Position	2 982	407
	<hr/>	<hr/>
Reconciliation of Net Cash Inflows from Operating Activities to Operating Surplus:		
Net cash inflows from operating activities	1 225	1 025
Add/Less Non-Cash Items:		
Depreciation of property plant and equipment	(5)	(7)
Changes in Assets/Liabilities:		
Increase (Decrease) GST receivable	(21)	77
Increase (Decrease) in receivables	(537)	(757)
(Increase) Decrease in Employee Entitlements	(276)	-
(Increase) Decrease in Payables	270	(239)
	<hr/>	<hr/>
Operating Surplus	656	99
	<hr/>	<hr/>

PORFOLIO – ENVIRONMENT AND CONSERVATION AND THE RIVER MURRAY

**MINISTER FOR ENVIRONMENT AND CONSERVATION;
MINISTER ASSISTING THE MINISTER FOR ENVIRONMENT AND CONSERVATION;
MINISTER FOR THE RIVER MURRAY**

INTRODUCTION

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

- Minister for Environment and Conservation
- Minister Assisting the Minister for Environment and Conservation
- Minister for the River Murray

The agencies included herein relating to the portfolio of Environment and Conservation and the River Murray are:

- Catchment Water Management Boards:
 - Northern Adelaide and Barossa Catchment Water Management Board
 - Onkaparinga Catchment Water Management Board
 - Patawalonga Catchment Water Management Board
 - River Murray Catchment Water Management Board
 - South East Catchment Water Management Board
 - Torrens Catchment Water Management Board
- Environment and Heritage – Department for
- Environment Protection Authority
- Water, Land and Biodiversity Conservation – Department of

CATCHMENT WATER MANAGEMENT BOARDS

STRUCTURE OF THIS SECTION OF THE REPORT

A number of Catchment Water Management Boards have been established under the *Water Resources Act 1997*.

To provide an understanding, and to assist with readability, this section of the Report has been structured with an Introduction followed by commentary with respect to each of the established Catchment Water Management Boards as at 30 June 2004.

Functions

The objective of the *Water Resources Act 1997* is to establish a system for the use and management of the water resources of the State:

- (a) *that ensures that the use and management of those resources sustain the physical, economic and social well being of the people of the State and facilitate the economic development of the State while –*
 - (i) *ensuring that those resources are able to meet the reasonably foreseeable needs of future generations*
 - (ii) *protecting the ecosystems (including their biological diversity) that depend on those resources*
- (b) *requiring the use of caution and other safeguards to reduce to a minimum the detrimental effects of that use and management.*

As part of that system, the Act provides for the establishment of Catchment Water Management Boards, whose functions include:

- preparing and implementing catchment water management plans;
- providing advice to the Minister and councils in relation to the management of water resources in the Board's area;
- promoting public awareness of the importance of the proper management of water resources in the Board's area.

Each Board is a separate body corporate and an instrumentality of the Crown, and is subject to the control and direction of the Minister.

The Act requires each Board to prepare a draft catchment water management plan in relation to the water resources of its catchment area. The Act then requires the Minister to adopt the plan upon consultation with various bodies including:

- the Board;
- each of the constituent councils;
- the Local Government Association;
- the South Australian Water Corporation where the Corporation discharges water into a watercourse or lake in the catchment area of the Board.

In relation to the implementation of catchment water management plans, contributions are made towards the costs of the Board's operations in the form of levies on:

- water licences to take water from prescribed water resources, and/or
- rateable land in the area of the Board.

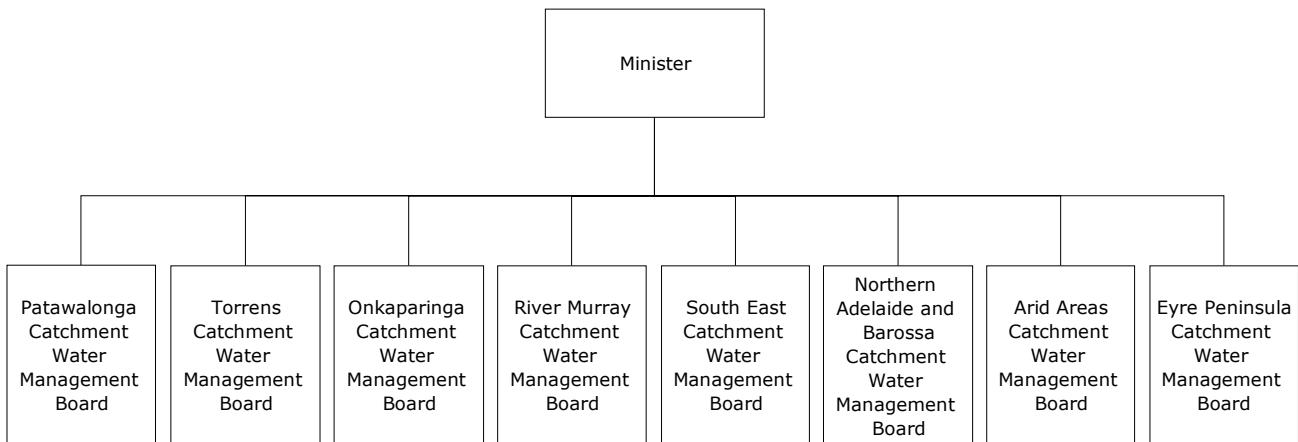
Establishment of Boards

As at 30 June 2004, eight Catchment Water Management Boards have been established for the following catchment areas:

- Arid Areas
- Eyre Peninsula
- Northern Adelaide and Barossa
- Onkaparinga
- Patawalonga
- River Murray
- South East
- Torrens

Structure

The following diagram depicts the reporting relationships of the Boards:



For the purpose of administrative support and cost effectiveness, the Patawalonga Catchment Water Management Board and the Torrens Catchment Water Management Board have agreed to share common office accommodation and administrative support systems.

Each Board proclaimed under the Act is a separate reporting entity; as a consequence, separate financial statements are prepared for each Board.

The financial statements of six of the eight Boards (ie Northern Adelaide and Barossa, Onkaparinga, Patawalonga, River Murray, South East and the Torrens) have been included in this Report. With respect to the remaining Boards (ie Arid Areas and Eyre Peninsula) a brief summary of their operating activity is provided hereafter.

Arid Areas Catchment Water Management Board

The Arid Areas Catchment Water Management Board was established in May 2000. At the time of preparing this report, the financial report of the Board had not been audited.

Eyre Peninsula Catchment Water Management Board

The Eyre Peninsula Catchment Water Management Board was established in March 2001. At the time of preparing this report, the financial report of the Board had not been audited.

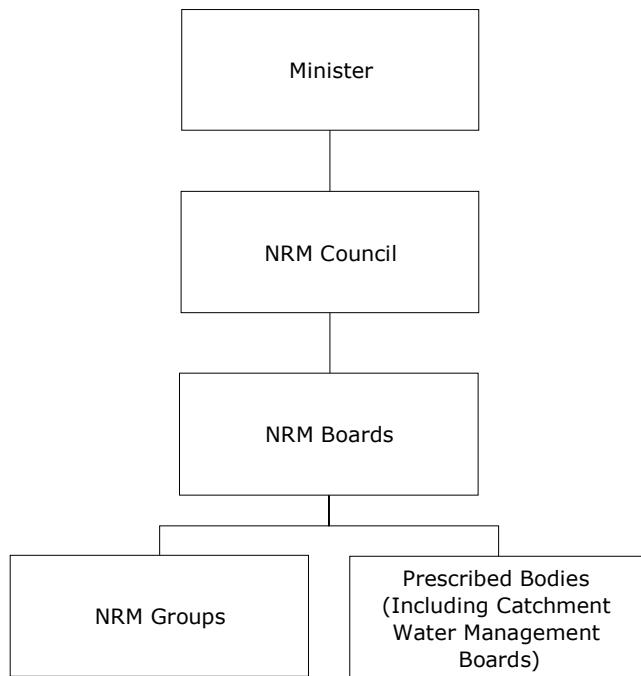
Changes to Functions and Structure

The *Natural Resources Management Act 2004* (the NRM Act) was proclaimed by the Governor on 2 September 2004. The NRM Act provides, pursuant to Schedule 4 Part 17, for the repeal of the *Water Resources Act 1997*. The operation of Schedule 4 Part 17 of the NRM Act was however suspended by the proclamation of 2 September 2004 until a day to be fixed by subsequent proclamation.

The NRM Act provides for the establishment of regional NRM boards which will be subject to the direction and control of the Minister. Pursuant to Schedule 4 Part 18 subsection 45(4) of the NRM Act each catchment water management board will be subject to the direction of the regional NRM board whose region includes some or all of the area of the State in relation to which each catchment water management board was established.

As at the time of preparing this Report, no regional NRM board's have been established.

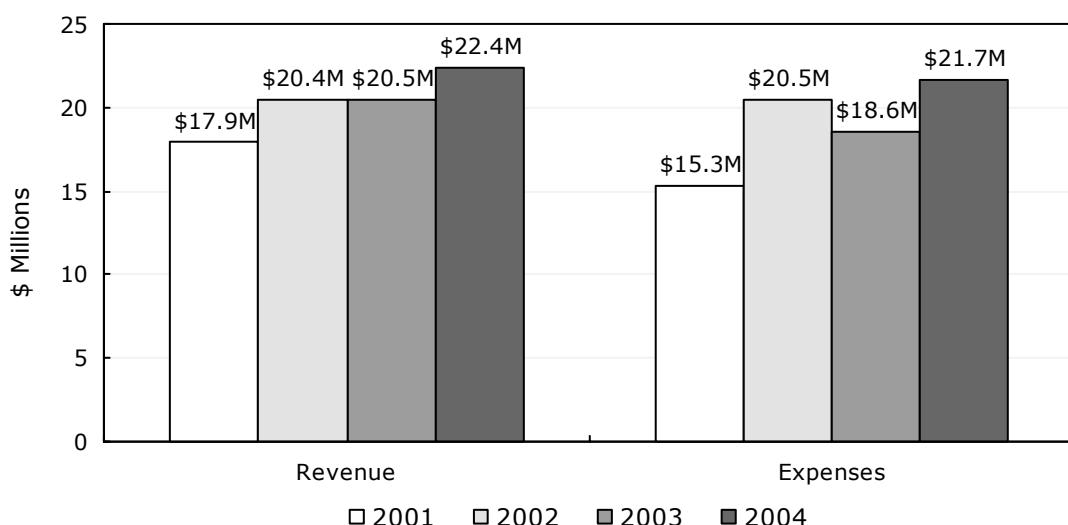
The following diagram depicts the new reporting relationships established by the NRM Act:



Financial Activity

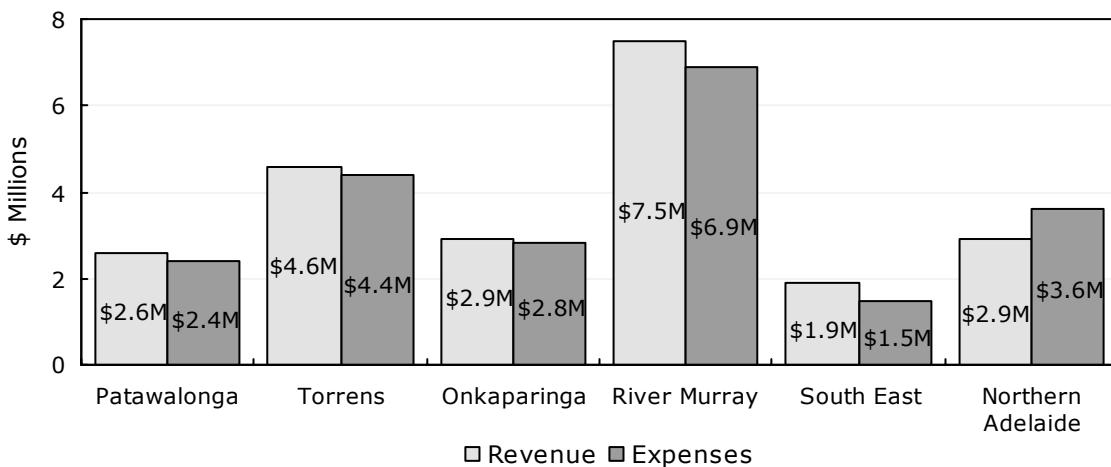
Total Revenues and Expenses

The following chart shows the total revenues and expenses of the Catchment Water Management Boards excluding Arid Areas and Eyre Peninsula in the four years to 2004.



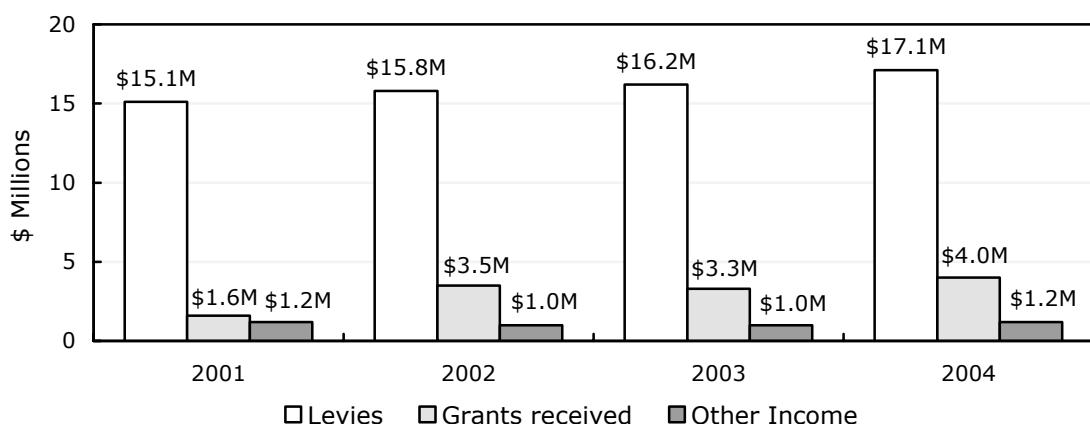
The chart highlights an increase in expenses for 2004 and reflects the variability of outlays from year to year as a result of periodic outlays on various catchment projects.

The following shows the relative activity of the major boards for 2003-04.



Major Revenues

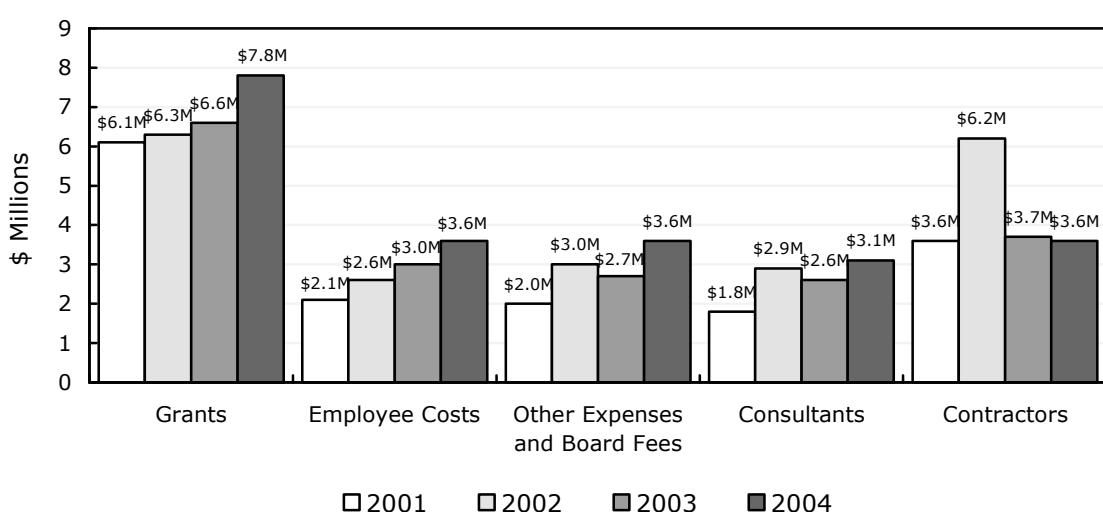
The following chart highlights that the majority of revenues are raised through various water based levies and council contributions. In 2003-04 the revenue from this source totalled \$17.1 million of total revenues of \$22.4 million for all boards, excluding Arid Areas and Eyre Peninsula.



Major Expenses

The following chart highlights that grants represent a major expense for all boards. Grants are provided, mainly to Councils, to undertake water catchment projects, including watercourse management, works for reducing water pollution and wetland development.

The chart excludes Arid Areas and Eyre Peninsula. Although employee costs are a relatively low proportion of expenses they have been increasing. It is evident that boards make significant use of contractors and consultants in providing their services.



NORTHERN ADELAIDE AND BAROSSA CATCHMENT WATER MANAGEMENT BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Northern Adelaide and Barossa Catchment Water Management Board was established on 24 December 1997 pursuant to the *Water Resources Act 1997* (the Act).

Functions

The functions of the Board are as follows:

- To prepare and implement a comprehensive Catchment Water Management Plan.
- To provide advice to the Minister and constituent councils regarding the management of water resources within the Board's area.
- To promote public awareness of the importance of proper management and sustainable use of the water resources within the Board's area.

Structure

The Board is responsible to the Minister and is supported by the Chief Executive Officer and officers in implementing its Catchment Water Management Plan.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Section 74(2) of the *Water Resources Act 1997* and subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor General to audit the accounts of the Board for each financial year.

Assessment of Controls

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

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

Scope of Audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

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

- budgetary control and management reporting
- accounts payable
- payroll
- revenue, including council contributions and grant funding
- grant administration.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable accounting standards and other mandatory professional reporting requirements in Australia, the financial position of the Northern Adelaide and Barossa Catchment Water Management Board as at 30 June 2004, its financial performance and cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Northern Adelaide and Barossa Catchment Water Management Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matter raised below in relation to Delegations, are sufficient to provide reasonable assurance that the financial transactions of the Northern Adelaide and Barossa Catchment Water Management Board have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Chief Executive Officer. A response to the management letter was considered to be satisfactory. Major matters raised with the Board and the related responses are considered herein.

Delegations

During 2002-03 Audit identified that delegations of authority to Board employees were not approved by the Minister as is required by subsection 66(1)(b) of the *Water Resources Act 1997*. This finding was communicated to the Board in 2002-03 who, along with other Catchment Water Management Boards, requested clarification from the Crown Solicitor in July 2003.

In March 2004 the Crown Solicitor advised that if the Board requires an officer to undertake a task or activity that only the Board is empowered under the Act to undertake, the power must be delegated to the officer. In particular, the Crown Solicitor noted that a task that an officer cannot exercise without a delegation is the power to contract on behalf of the Board.

Audit noted that the Board's delegations, which delegate authority to the Chief Executive to contract on behalf of the Board, were approved of by the Minister in June 2004.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

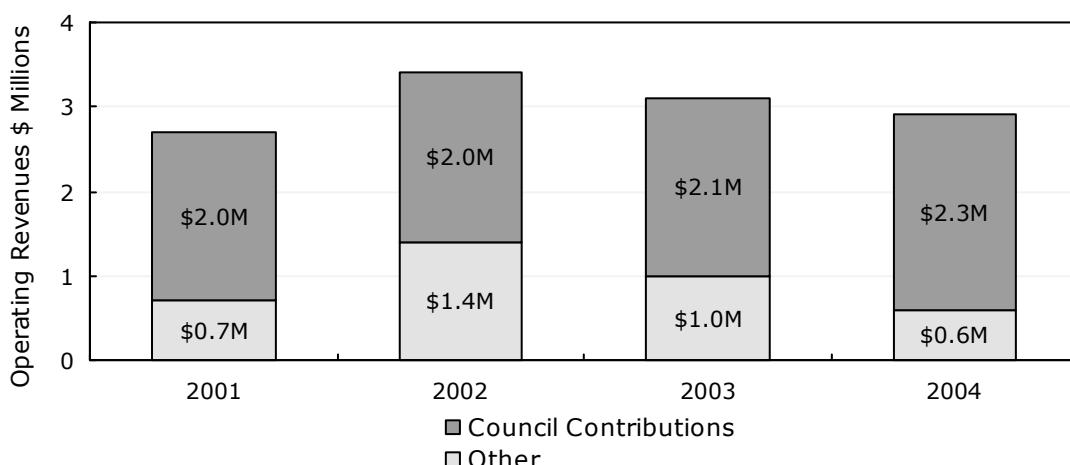
	2004 \$'million	2003 \$'million	Percentage Change
OPERATING REVENUE			
Council contributions	2.3	2.1	10
Other	0.6	1.0	(40)
Total Operating Revenue	2.9	3.1	(6)
OPERATING EXPENDITURE			
Grants and subsidies	2.0	2.2	(9)
Other expenses	1.6	1.5	7
Total Operating Expenses	3.6	3.7	(3)
Surplus (Deficit)	(0.7)	(0.6)	(17)
Net Cash Flows from Operations	(0.5)	(0.7)	29
ASSETS			
Current assets	1.0	1.7	(41)
Non-current assets	0	0	0
Total Assets	1.0	1.7	(41)
LIABILITIES			
Current liabilities	0.4	0.3	33
Non-current liabilities	0	0	0
Total Liabilities	0.4	0.3	33
EQUITY	0.6	1.4	(57)

Statement of Financial Performance

Operating Revenues

Contributions from constituent councils comprised 77 percent (68 percent) of the Board's operating revenues for the year. Other operating revenues includes grants, prescribed area levies and interest on bank deposits. Grant revenue decreased by \$0.4 million in 2003-04 due mainly to outstanding grant receipts not received until early 2004-05. The Board maintains an accounting policy whereby grant revenue is not recognised until received.

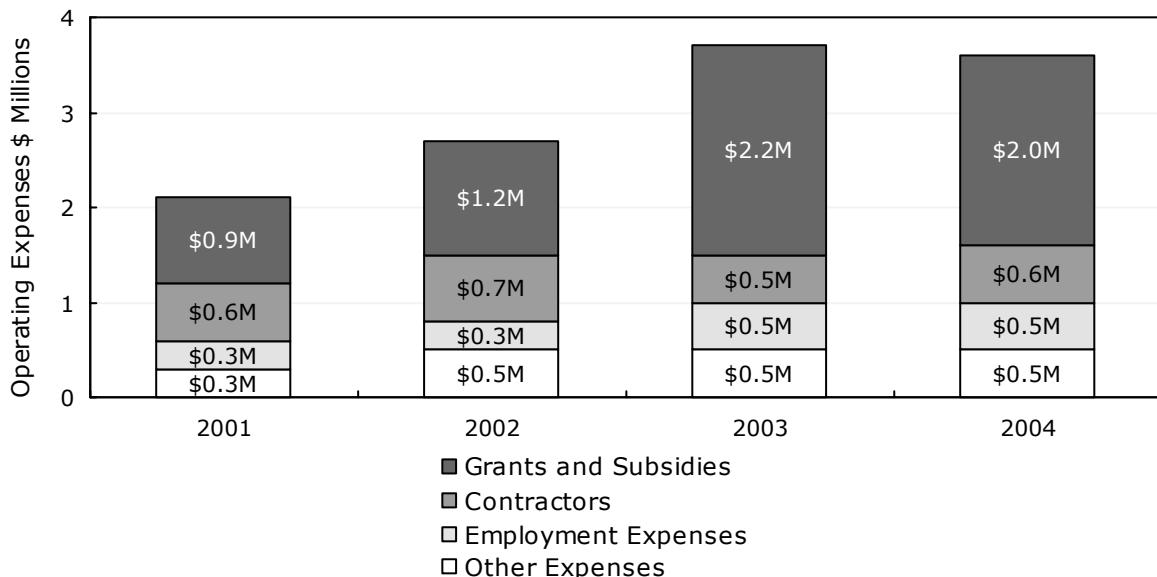
A structural analysis of operating revenues for the Board in the four years to 2004 is presented in the following chart.



Operating Expenses

Payments by the Board during 2004 for expenses other than grants and subsidies are broadly consistent with prior years. Grants and subsidies fell slightly in 2004 from the high level reflected in 2003.

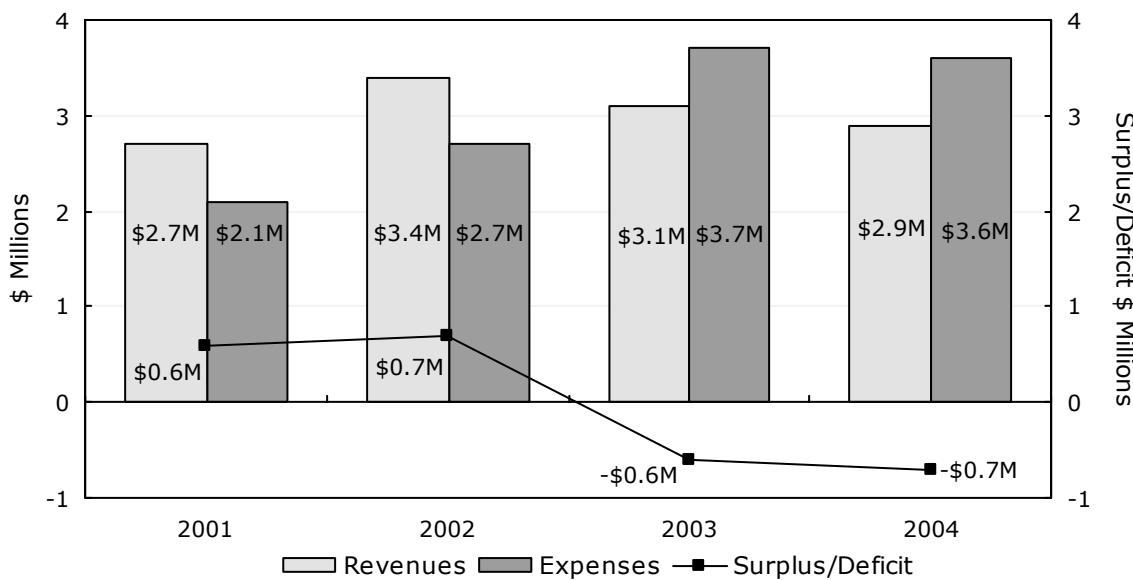
A structural analysis of the main operating expense items for the Board is shown in the following chart.



Operating Result

In accordance with the provisions of the *Water Resources Act 1997*, the Board receives contributions from Councils and water based levies from licensed water users within the prescribed area. The amount contributed by Councils is based upon the annual estimated expenditure of the Board as detailed in its catchment water management plan, less other funds including unspent monies, grants and water based levies. As a result, the revenues of the Board are usually equivalent to its expenditure resulting in low surpluses/deficits.

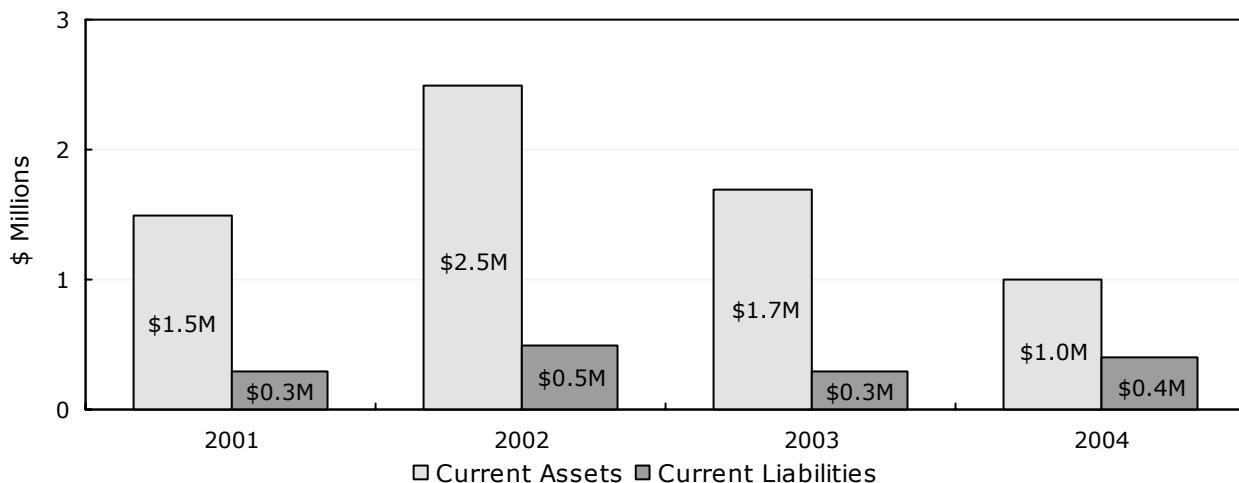
The following chart shows the operating revenues, operating expenses and surpluses/deficits for the four years to 2004.



Statement of Financial Position

The Board has sufficient cash assets to cover its small liabilities. The Board's non-current assets and non-current liabilities are not of significant value.

For the four years to 2004, a structural analysis of assets and liabilities is shown in the following chart.



Statement of Cash Flows

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

	2004 \$'million	2003 \$'million	2002 \$'million	2001 \$'million
Net Cash Flows				
Operations	(0.5)	(0.7)	0.6	0.8
Investing	0	0	0	0
Financing	0	0	0	0
Change in Cash	(0.5)	(0.7)	0.6	0.8
Cash at 30 June	0.7	1.3	2.0	1.4

The analysis of cash flows shows that the Board accumulated cash up to 2002-03 when there was a significant increase in grants and subsidies paid mainly to councils to undertake water catchment projects.

Several catchment projects involving contracts and grants to the value of \$1.6 million were committed at 30 June 2004.

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

		2004	2003
	Note	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Council contributions		2 250	2 134
Other contributions and grants		195	501
Prescribed area levies		320	308
Interest received		57	89
Other income		84	86
Total Revenues		2 906	3 118
EXPENSES FROM ORDINARY ACTIVITIES:			
Grants and subsidies		1 993	2 205
Contractors	3	644	517
Employee benefits		543	455
Other expenses		336	268
Consultants		60	203
Board fees and expenses	13	56	54
Depreciation	5	8	9
Total Expenses		3 640	3 711
DEFICIT FROM ORDINARY ACTIVITIES		(734)	(593)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(734)	(593)

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

		2004	2003
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash assets		721	1 268
Receivables		297	358
Prepayments		3	5
Total Current Assets		1 021	1 631
NON-CURRENT ASSETS:			
Plant and equipment	4	48	28
Total Non-Current Assets		48	28
Total Assets		1 069	1 659
CURRENT LIABILITIES:			
Payables	6	384	244
Employee benefits	7	30	31
Total Current Liabilities		414	275
NON-CURRENT LIABILITIES:			
Employee benefits	7	25	20
Total Non-Current Liabilities		25	20
Total Liabilities		439	295
NET ASSETS		630	1 364
EQUITY:			
Accumulated surplus	8	630	1 364
TOTAL EQUITY		630	1 364
Commitments	9		
Continent Liabilities	10		

Statement of Cash Flows
for year ended 30 June 2004

			2004	2003
			Inflows	Inflows
			(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:				
INFLOWS:		Note	\$'000	\$'000
Council contributions			2 171	2 283
Prescribed area levies			312	311
Interest received			60	88
Other contributions and grants received			334	573
Other income received			80	67
GST received from Australian Taxation Office			320	218
OUTFLOWS:				
Payments to suppliers, service providers, grantees and employees			(3 483)	(3 898)
GST paid			(313)	(308)
Net Cash outflows from Operating Activities	11.2		(519)	(666)
CASH FLOWS FROM INVESTING ACTIVITIES:				
OUTFLOWS:				
Payments for plant and equipment			(28)	(21)
Net Cash outflows from Investing Activities			(28)	(21)
NET DECREASE IN CASH HELD			(547)	(687)
CAST AT 1 JULY			1 268	1 955
CASH AT 30 JUNE	11.1		721	1 268

**Output Class Schedule of Board's Expenses
for the year ended 30 June 2004**

	2004				
	1	2	3	4	5
	Outputs (refer Note 2.9)	\$'000	\$'000	\$'000	\$'000
Grants and subsidies	735	196	256	118	310
Contractors	12	30	14	161	67
Employee benefits	72	48	99	54	92
Other expenses	96	31	34	35	85
Consultants	6	-	6	6	-
Board fees and expenses	16	5	6	6	14
Depreciation	3	1	1	1	2
	940	311	416	381	570

	2004				2003
	6	7	8	Total	Total
	Outputs (refer Note 2.9)	\$'000	\$'000	\$'000	\$'000
Grants and subsidies	118	169	91	1 993	2205
Contractors	215	14	131	644	517
Employee benefits	56	72	50	543	455
Other expenses	21	21	13	336	268
Consultants	18	24	-	60	203
Board fees and expenses	3	4	2	56	54
Depreciation	-	-	-	8	9
	431	304	287	3 640	3 711

Revenues from Ordinary Activities have not been distributed to Output Classes as they do not relate to any particular Class.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

1.1 Establishment of Board

The Northern Adelaide and Barossa Catchment Water Management Board (the Board) was established on 24 December 1997 pursuant to the *Water Resources Act 1997* (the Act).

The Board commenced operation under an Initial Plan in 1998. The then Minister for Water Resources adopted a new Catchment Water Management Plan (the Plan) for July 2001 to June 2006 on 22 March 2001. The Plan was reviewed during 2003-04, resulting in the new Minister for Environment and Conservation adopting amendments to the Plan's three year projected income and expenditure for the financial years 2004-05 to 2006-07.

1.2 Functions of the Board

The functions of the Board are:

- to prepare and implement a comprehensive Catchment Water Management Plan;
- provision of advice to the Minister for Environment and Conservation and constituent councils regarding water resources management in the Board's area;
- promotion of public awareness of the importance of proper management and sustainable use of the water resources within the Board's area; and
- other functions as are assigned to the Board under the Act or any other Act.

1.3 Sources of Funding

In accordance with the provisions of the Act, the Board received contributions from councils within the proclaimed catchment area. The amount to be contributed by councils was based upon the estimated expenditure of the Board (as contained in the Catchment Water Management Plan) for the financial year, less the amount of any other funds available to the Board.

Councils are required to impose a separate levy on rateable land in the catchment areas of the Board in order to recover the contributions made to the Board.

Contributions payable by certain Councils to the Board have been reduced by the amount of rebates or remissions granted by Councils in accordance with section 136 of the Act and Division 5, Part 1 of the *Local Government Act 1999*.

In accordance with the provisions of the Act, a water-based levy was declared in the Government Gazette on 19 June 2003.

The water-based levy is set at the following rate according to whether the allocation is determined on a volumetric basis or an irrigation equivalent basis; where the water allocation on the license is specified:

- as an annual volume in kilolitres for the Northern Adelaide Plains prescribed area, 0.5 cents per kilolitre on use and 0.5 cents per kilolitre on allocation;
- as an annual volume in kilolitres for the Barossa prescribed area, 1.0 cent per kilolitre on allocation or in Irrigation Equivalents, \$10 or \$50 per hectare Irrigation Equivalent (IE) or part thereof, depending on crop type.

The water-based levy is collected by the Department of Water, Land and Biodiversity Conservation and forwarded to the Board.

2. Statement of Significant Accounting Policies

2.1 General

The financial report is a general purpose financial report which has been prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group (UIG) Consensus Views, Treasurer's Accounting Policy Statements, Treasurer's Instructions, the *Public Finance and Audit Act 1987*, *Water Resources Act 1997* and other mandatory reporting requirements.

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

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

2.2 Income Recognition

Contributions from constituent councils are recognised as income following determination of the share of each council by the Minister and publication of those amounts in the Government Gazette. Contributions are required to be paid on a quarterly basis to the Board.

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Income from grants and other contributions is recognised following completion of formal documentation between the grantor and the Board.

Other income is recognised when the service has been performed.

All income relates to the operating activities of the Board.

2.3 Non-Current Assets

Depreciation

Depreciation is provided on a straight line basis to write-off the cost of all plant and equipment over their expected useful lives. Estimates of remaining useful lives are made on a regular basis for all assets, with annual assessments for major items. The expected useful lives are as follows:

	Years
Display systems	3
Computer equipment	5
Office equipment	8
Furniture and fittings	8

Leasehold improvements (fittings) are amortised over the life of the lease.

Assets costing less than \$300 are expensed in the year of acquisition.

2.4 Employee Benefits

Employer Superannuation

The Board contributed \$47 000 (\$40 000) to superannuation schemes in respect of its employees for the financial year. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability at balance date relates to any contribution due but not yet paid to the superannuation schemes.

Annual Leave

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

Sick Leave

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

Long Service Leave

The benchmark used for determining long service leave liability is seven years in accordance with Accounting Policy Statement APS 9 'Employee Benefits' issued by the Department of Treasury and Finance. The provision includes entitlements for one employee in recognition of prior service with other government departments.

Workers Compensation

The Board is registered with WorkCover as an exempt employer. The Department of Water, Land and Biodiversity Conservation is responsible for payment of workers compensation claims through a Service Level Agreement signed in 2003. There were no claims arising under the *Workers Rehabilitation and Compensation Act 1986* and no provision for claims liability has been made at year end based upon previous claims history.

2.5 Leases

The Board has no financial leases.

The Board has entered into operating lease agreements for premises, vehicles, office equipment and computer equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases.

Lease payments are included as expenditure in equal instalments over the accounting periods covered by the lease terms.

Total expenditure on operating leases in the financial year was \$84 000 (\$85 000).

2.6 Receivables

Receivables in respect to contributions and levies are recorded at cost.

Income receivable on investment of surplus funds is accrued in accordance with the terms and conditions applicable to funds held at the Department of Treasury and Finance in a Section 21 Deposit Account.

At the end of each reporting period receivables are reviewed and a provision raised in respect of any balance where recoverability is considered doubtful. The resultant carrying amount of receivables is considered to approximate net fair value.

The Board does not have any significant exposure to any individual customer.

2.7 Payables

Trade Creditors

These amounts represent liabilities for goods and services provided to the Board prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Other Payables

These amounts represent unpaid board fees and direct overheads at balance date.

2.8 Credit Risk Exposure

The credit risk on financial assets of the Board, which have been recognised in the Statement of Financial Position, is generally the carrying amount.

2.9 Output Classes of the Board

Outputs are defined as goods or services produced, provided to or acquired for external customers. The Board has defined eight goals in its catchment plan that will ensure sustainable water use and healthy catchments. Each goal requires a range of outputs or services to be provided if the Board is to deliver the outcomes sought by the community and contained within the catchment plan. The identity and description of each goal (or output class) of the Board during the year ended 2003 is summarised below (refer to the Output Class Schedule of Board's Expenses).

2.9 Output Classes of the Board (continued)

Goal 1 *Improve Water Quality*

Water quality is an important component in the management of catchments used to harvest public water supplies and in maintaining the health of aquatic ecosystems, rivers and Gulf St. Vincent. The rapid expansion in horticultural and residential development in the catchment over the last forty years has resulted in significant manipulation of the natural surface and underground water regimes in the catchment. The outputs from this goal include restoration of priority riparian areas; improvement in urban stormwater quality and minimising development impacts on water resources.

Goal 2 *Sustainable Water Use*

The surface and underground waters of the catchment are extensively developed, with irrigation being the largest water consumer. Exploitation of this water has led to a decline in the availability and quality of surface water, as well as falling underground water levels. The aim of this goal is to redress adverse impacts through initiatives that promote the sustainable use of land and water resources.

Goal 3 *Support Innovative Water Use*

Sustainable water management requires the efficient use of traditional water sources such as underground water and surface water, as well as the use of alternative water resources such as stormwater and treated wastewater. The desired outcome from this goal is the development and implementation of regional plans for stormwater and wastewater reuse.

Goal 4 *Improve Catchment Biodiversity*

There has been a significant loss of biodiversity and fragmentation of habitats within the region through various pressures. The major threats to aquatic habitat include altered flows, physical changes to watercourse morphology and poor water quality. Outputs under this goal include restored terrestrial vegetation; improved urban stormwater management; better management of dams, and environmental water flow requirements determined for major watercourses.

Goal 5 *Adoption of Catchment Care*

The Board is taking a leadership role in raising community awareness of best catchment management practices through coordination, developing partnerships with a range of interest groups and by community education and promotional activities. In order to deliver effective programs and projects, the Board intends to maintain and strengthen existing partnerships, as well as develop new partnerships across the catchment.

Goal 6 *Integrate Land and Water Management*

Beneficial change in the condition of the catchment can be achieved if land and water management policies, programs and practices are appropriate to catchment conditions and are effectively integrated. The Board seeks to work cooperatively with state government agencies and local government. The Board's main influence will be through its ability to coordinate and resource activities, advocate for change, and educate and raise awareness of catchment issues.

Goal 7 *Monitor Catchment Health*

The measurement of physical, chemical and biological parameters is necessary to assess the quantity and quality of the water resources of the catchment and the health of its water dependent ecosystems. At present there are a number of knowledge gaps regarding the existing conditions of the catchment, which need to be addressed. The desired outcomes are increased awareness and participation in best practice catchment management, and increased knowledge of the state of the catchment.

Goal 8 *Coordinated Floodplain Management*

The impacts of flooding have resulted from a lack of coordination, as the management of floods and the floodplain has largely occurred on an ad-hoc basis. The Board will focus its contribution to floodplain management of what are largely rural rivers and is adopting the role of facilitator to bring about action to mitigate flood hazard.

2.10 Accounting for Goods and Services Tax (GST)

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

- the amount of GST incurred by the Board as a purchaser that is not recoverable from the Australian Tax 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.

2.10 Accounting for Goods and Services Tax (GST) (continued)

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

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

2.11 Rounding

All amounts are rounded to the nearest thousand dollars.

2.12 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

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

In accordance with Treasurer's Instruction 19 Financial Reporting, the Board is responsible for ensuring that the annual financial statements ended 30 June 2004 comply with Generally Accepted Accounting Principles (GAAP).

The Board has analysed the exposure drafts issued by the AASB and has identified potential issues that may need to be addressed. The Board is in the process of developing a plan to manage the transition to the new standards. The plan will require the identification of:

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

3. Contractors

Contractors have been used to implement the Board's program of activities including installation of wetlands, watercourse rehabilitation, monitoring of water quality and production of community education material.

4. Plant and Equipment

	2004 \$'000	2003 \$'000	
Display systems at cost	8	6	
Less: Accumulated depreciation	<u>6</u>	<u>5</u>	
	2	1	
Furniture and fittings at cost	17	15	
Less: Accumulated depreciation	<u>8</u>	<u>6</u>	
	9	9	
Computer equipment at cost	46	22	
Less: Accumulated depreciation	<u>21</u>	<u>19</u>	
	25	3	
Office equipment at cost	22	22	
Less: Accumulated depreciation	<u>11</u>	<u>8</u>	
	11	14	
Office leasehold improvements at cost	21	21	
Less: Accumulated amortisation	<u>20</u>	<u>20</u>	
	1	1	
	48	28	

5. Plant and Equipment Movement Schedule

	Carrying Amount 01.7.03 \$'000	Additions \$'000	Disposals \$'000	Depreciation Expense \$'000	Carrying Amount 30.6.04 \$'000
Display systems	1	2	-	(1)	2
Furniture and fittings	9	2	-	(2)	9
Computer equipment	3	24	-	(2)	25
Office equipment	14	-	-	(3)	11
Office leasehold improvements	1	-	-	-	1
	28	28	-	(8)	48

6. Payables

	2004 \$'000	2003 \$'000
Trade creditors	360	219
Other	24	25
Total	384	244

		2004 \$'000	2003 \$'000
7.	Employee Benefits		
7.1	Current: Annual leave	30	31
7.2	Non-Current: Long service leave	25	20
		55	51
8.	Accumulated Surplus		
	Balance at 1 July	1 364	1 957
	Deficit from ordinary activities	(734)	(593)
	Balance at 30 June	630	1 364
9.	Commitments		
9.1	Lease Commitments		
	Operating Leases: Not later than one year	40	56
	Later than one year and not later than five years	26	30
	Total Operating Lease Commitments (including GST)	66	86
	GST included in operating lease commitments	6	8
	The operating lease commitments comprise the following:		
	• a property lease which is non-cancellable. Rental is payable monthly with reviews indexed annually, alternating between market value and CPI indexation.		
	• a computer lease which is non-cancellable. Rental is payable annually in advance and options exist to renew or cancel the lease at the end of the term of the lease.		
	• vehicle leases that are non-cancellable. Lease is payable monthly.		
	• a photocopier lease which is non-cancellable and payable monthly until March 2005.		
9.2	Other Expenditure Commitments		
	Not later than one year	\$'000	\$'000
	Later than one year and not later than five years	1 182	1 644
	Total Other Expenditure Commitments (including GST)	457	933
		1 639	2 577
	GST included in other expenditure commitments	147	234
	Several projects involving contracts and grants have been committed at 30 June 2004. The total commitment is \$1 639 000 for projects including the watercourse management program, works for reducing water pollution, groundwater investigations, greenhouse and horticulture projects at Virginia, integrated management plans including BIPEC, flood management, grants for catchment groups and watercare in schools. This amount is not reflected in the Statement of Financial Performance or Statement of Financial Position for the current financial year.		
10.	Contingent Liabilities		
	The Board has no contingent liabilities.		
11.	Note to the Statement of Cash Flows		
11.1	Reconciliation of Cash		
	For the purposes of the Statement of Cash Flows, the Board considers cash to include cash on hand and in banks and those investments that are able to be converted to cash within two working days.		
11.2	Reconciliation of Deficit from Ordinary Activities to Net Cash outflows from Operating Activities		
	Deficit from ordinary activities	\$'000	\$'000
	Depreciation	(734)	(593)
	Loss on disposal of plant and equipment	8	9
	Decrease - Receivables	-	1
	Decrease - Prepayments	61	151
	Increase (Decrease) - Payables	2	12
	Increase - Employee Benefits	140	(269)
	Net Cash outflows from Operating Activities	4	23
		(519)	(666)

12. Auditors' Remuneration	Amount paid or payable to the Auditor-General's Department with respect to the audit of the Board's financial report	2004 \$'000	2003 \$'000
		12	17

No other services were provided by the auditors.

13. Remuneration of Board Members	Members of the Northern Adelaide and Barossa Catchment Water Management Board during the financial year were:
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Mr Peter Wall: Presiding Member	Mr Stephen Hains
Dr Bruce Eastick	Mrs Pat Harbison
Mr Nick Pezzaniti	Mr Barrie Ormsby
Mrs Lesley Purdom	Mrs Pam Chapman
Mr Ross Dawkins	

Total income received, or due and receivable, by Board Members was \$35 000 (\$35 000). Other expenses of the Board Members were \$21 000 (\$19 000).

The number of Members whose income from the entity falls within the following bands is:

\$0 - \$9 999	2004 Number of Board Members	2003 Number of Board Members
\$10 000 - \$19 999	-	-
\$20 000 - \$29 999	1	1

Prescribed benefits given by the Board to prescribed superannuation funds or otherwise in connection with the retirement of Board Members were \$2 000 (\$2 000).

In accordance with the Department of the Premier and Cabinet Circular No. 14, one Board Member (Mrs Pam Chapman) did not receive any remuneration as this Member was an employee of the Government. One Board Member (Mr Stephen Hains) was employed by a constituent council and elected to have his remuneration paid directly to that council.

Related Party Disclosures

Two Board Members have direct affiliations with Local Government Councils from which Council contributions are received by the Board. They are:

Mr Stephen Hains	Employee, City of Salisbury
Mrs Lesley Purdom	Mayor, City of Tea Tree Gully

During the year grants totalling \$1 021 900 (\$886 000) were approved for the Councils of two Board Members; one employee and a Mayor. Schedule 2 clause 10 (10) of the *Water Resources Act 1997* provides that a member of the Board does not have a direct or indirect personal or pecuniary interest in any matter under consideration by the Board simply by being a member of a constituent council. The nature of the grants and conditions attached, were similar to other grants provided to various organisations.

14. Remuneration of Employees	2004 Number of Employees	2003 Number of Employees
The number of employees whose remuneration from the Northern Adelaide and Barossa Catchment Water Management Boards falls within the following bandwidth:	-	1
\$100 000 - \$109 999	-	-
\$110 000 - \$119 999	1	-

Financial Instruments

Interest Rate Risk Exposure

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

Financial Assets:	2004			2003		
	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000
	721	-	721	1 268	-	1 268
Cash assets	-	297	297	-	358	358
Receivables	721	297	1 018	1 268	358	1 626
Weighted average interest rate (percent)	5.1			4.65		

Interest Rate Risk Exposure (continued)

	2004			2003		
	Floating Interest Rate	Non-Interest Bearing	Total	Floating Interest Rate	Non-Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Liabilities:						
Payables	-	384	384	-	244	244
Weighted average interest rate (percent)	-	384	384	-	244	244
Net Financial Assets (Liabilities)	721	(87)	634	1 268	114	1 382

Reconciliation of Net Financial Assets to Net Assets

	2004	2003
	\$'000	\$'000
Net financial assets as above	634	1 382
Non-financial assets and liabilities:		
Plant and equipment	48	28
Prepayments	3	5
Employee benefits	(55)	(51)
Net Assets per Statement of Financial Position	630	1 364

Net Fair Value of Financial Assets and Liabilities - On-Statement of Financial Position

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

ONKAPARINGA CATCHMENT WATER MANAGEMENT BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Onkaparinga Catchment Water Management Board was established on 24 December 1997 pursuant to the *Water Resources Act 1997*.

Functions

The functions of the Board are to:

- prepare and implement a comprehensive Catchment Water Management Plan;
- provide advice to the Minister for Environment and Conservation and constituent councils regarding water resource management in the Board's area;
- promote public awareness of the importance of proper management and sustainable use of the water resources within the Board's area;
- provide other services as assigned to the Board under the Act or any other Act.

Structure

The Board is responsible to the Minister and is supported by the General Manager and officers in implementing its Catchment Water Management Plan.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* and section 74(2) of the *Water Resources Act 1997* provide for the Auditor-General to audit the accounts of the Onkaparinga Catchment Water Management Board for each financial year.

Assessment of Controls

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

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

Scope of Audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

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

- budgetary control and management reporting
- accounts payable
- payroll
- revenue, including council levies and prescribed area levies
- grant administration.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

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

Assessment of Controls

Audit formed the opinion that the controls exercised by the Onkaparinga Catchment Water Management Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matter raised in relation to Delegations, are sufficient to provide reasonable assurance that the financial transactions of the Onkaparinga Catchment Water Management Board have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the General Manager. The response to the management letter was generally satisfactory. Major matters raised with the Board and the related responses are considered herein.

Delegations

During 2002-03 Audit identified that delegations of authority to Board employees were not approved by the Minister as is required by subsection 66(1)(b) of the *Water Resources Act 1997*. This finding was communicated in 2002-03 to the Board who, along with other Catchment Water Management Boards, requested clarification from the Crown Solicitor in July 2003.

In March 2004 the Crown Solicitor advised that if the Board requires an officer to undertake a task or activity that only the Board is empowered under the Act to undertake, the power must be delegated to the officer. In particular, the Crown Solicitor noted that a task that an officer cannot exercise without a delegation is the power to contract on behalf of the Board.

At the time of preparing this Report the Board's delegations, which delegate authority to the General Manager to contract on behalf of the Board, had not been approved by the Minister in accordance with subsection 66(1)(b) of the Act.

The Minister approved the Board's delegations of authority on 21 August 2004.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

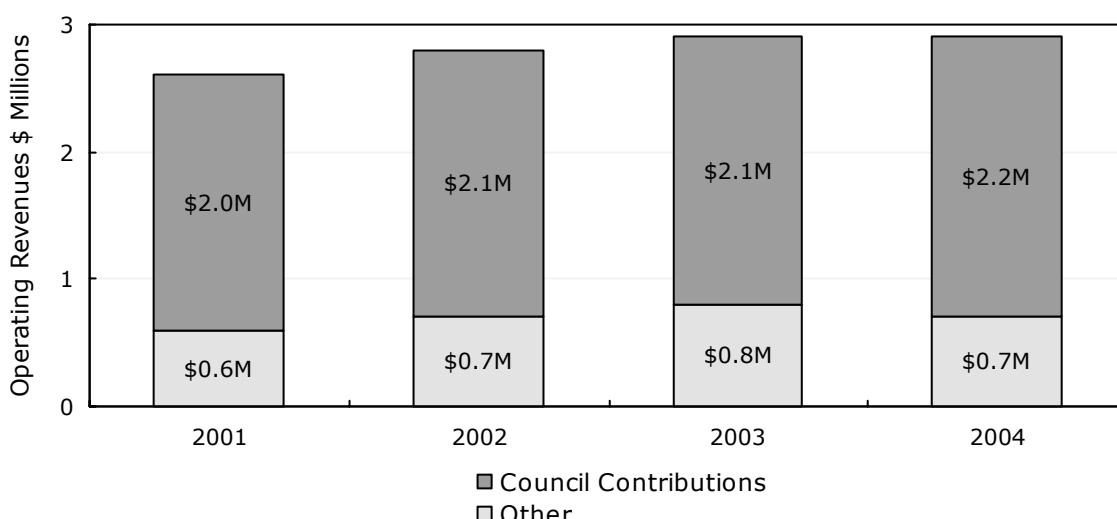
	2004 \$'million	2003 \$'million	Percentage Change
OPERATING REVENUE			
Council contributions	2.2	2.1	5
Other revenues	0.7	0.8	(13)
Total Operating Revenue	2.9	2.9	0
OPERATING EXPENDITURE			
Contractors	1.1	1.2	(8)
Other expenses	1.7	1.7	0
Total Operating Expenses	2.8	2.9	(3)
Surplus	0.1	0	0
Net Cash Flows from Operations	0.4	0.1	300
ASSETS			
Current assets	1.5	1.3	15
Non-current assets	0.1	0.1	0
Total Assets	1.6	1.4	14
LIABILITIES			
Current liabilities	0.2	0.2	0
Non-current liabilities	0.1	0	0
Total Liabilities	0.3	0.2	50
EQUITY	1.3	1.2	8

Statement of Financial Performance

Operating Revenues

Constituent Councils provided contributions of \$2.2 million (\$2.1 million) to the Board in 2003-04. The contributions comprised 75 percent (73 percent) of the Board's operating revenues for the year. Other operating revenues include grants, water based levies and interest on bank deposits.

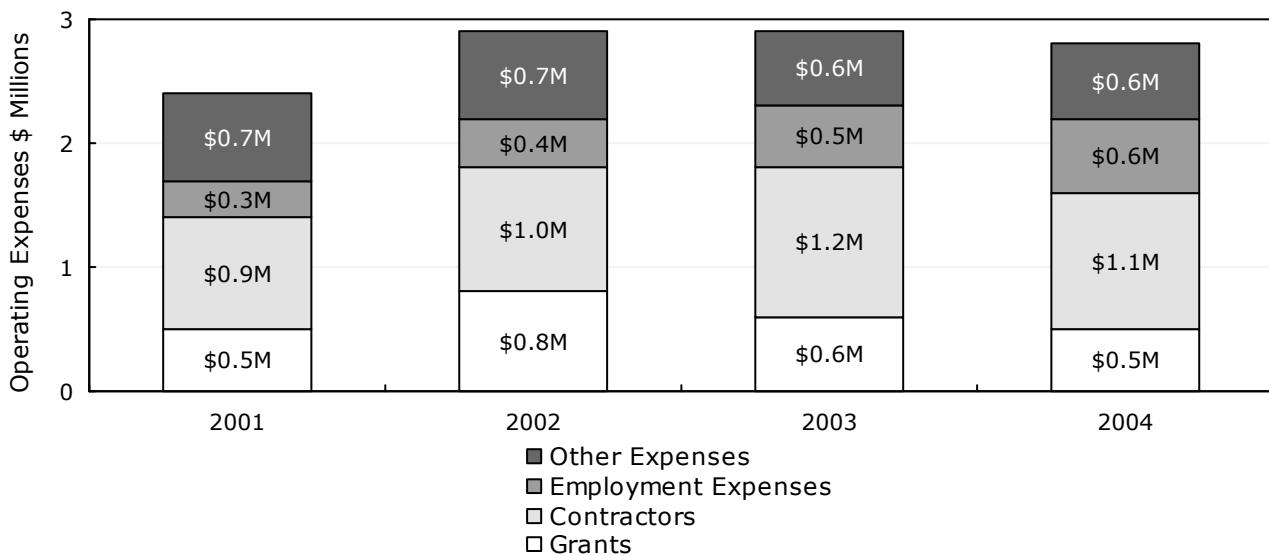
A structural analysis of operating revenues for the Board in the four years to 2004 is presented in the following chart.



Operating Expenses

Contractor expenses of \$1.1 million (\$1.2 million) comprised 40 percent (41 percent) of the Board's operating expenses for the year. The Board utilises contractors to undertake rehabilitation work such as erosion and weed control, revegetation work, removal of exotic plant species and monitoring of water quality and hydrometric flow.

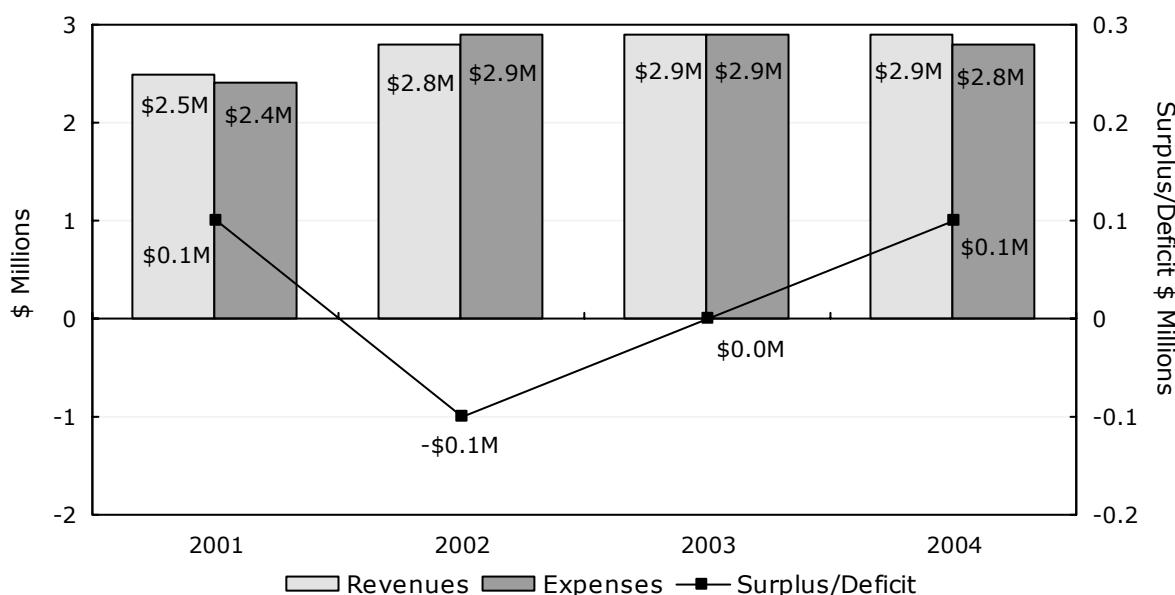
For the four years to 2004, a structural analysis of the main operating expense items for the Board is shown in the following chart.



Operating Result

In accordance with the provisions of the *Water Resources Act 1997*, the Board receives contributions from Councils and water based levies from licensed land owners within the proclaimed catchment area. The amount contributed by Councils is based upon the annual estimated expenditure of the Board as detailed in its catchment water management plans, less the funds on hand and obtained from other sources including grants and water based levies. As a result, the revenues of the Board are usually equivalent to its expenditure resulting in low surpluses/deficits.

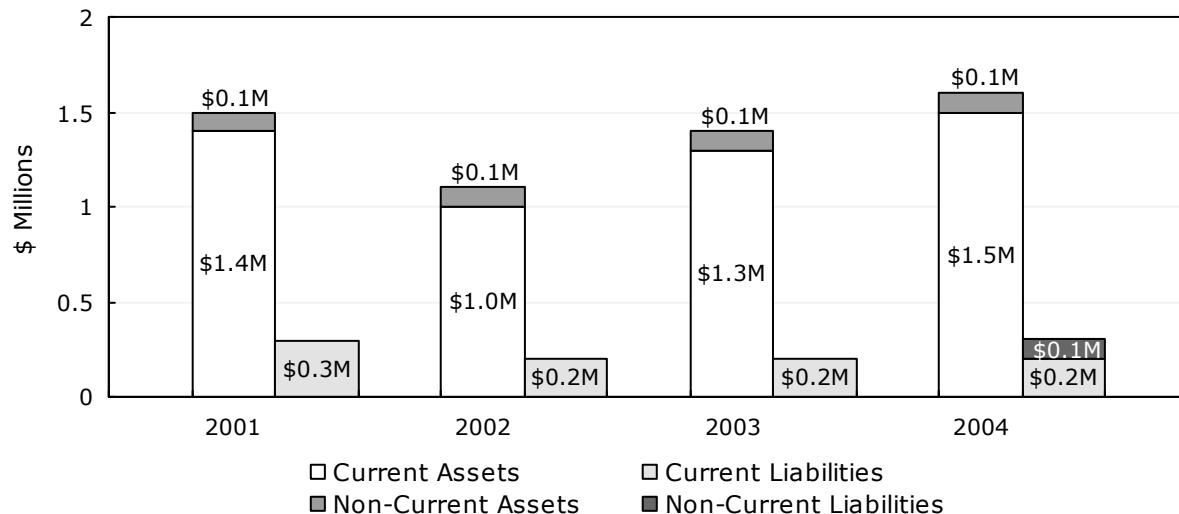
The following chart shows the operating revenues, operating expenses and surpluses/deficits for the four years to 2004.



Statement of Financial Position

The Board has significant cash assets to cover its liabilities and future expenditure commitments (refer Note 9). The Board has both insignificant non-current assets and non-current liabilities.

For the four years to 2004, a structural analysis of assets and liabilities is shown in the following chart.



Statement of Cash Flows

The increase in the Board's cash is largely attributable to the receipt in June 2004 of grants from SA Water which in previous years was received after balance date and recognised as a receivable in the Statement of Financial Position. The Board has entered into commitments for expenditure of part of this cash as reflected in Note 9 of the financial statements.

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

	2004 \$'million	2003 \$'million	2002 \$'million	2001 \$'million
Net Cash Flows				
Operations	0.4	0.1	(0.3)	0.1
Investing	0	0	0	0
Financing	0	0	0	0
Change in Cash	0.4	0.1	(0.3)	0.1
Cash at 30 June	1.5	1.1	1.0	1.3

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

		2004	2003
	Note	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Council contributions		2 179	2 127
Grants		600	670
Water based levy		47	48
Interest received		62	55
Other income		1	1
Total Revenues		2 889	2 901
EXPENSES FROM ORDINARY ACTIVITIES:			
Contractors		1 119	1 194
Grants and subsidies		495	630
Consultants		338	330
Employee benefits		605	499
Board fees and expenses		44	45
Depreciation	5	13	14
Other expenses		205	188
Total Expenses	3	2 819	2 900
SURPLUS FROM ORDINARY ACTIVITIES		70	1
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		70	1

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

		2004	2003
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash assets	14.1	1 479	1 116
Receivables		64	231
Prepayments		-	1
Total Current Assets		1 543	1 348
NON-CURRENT ASSETS:			
Plant and equipment	4,5	45	59
Total Non-Current Assets		45	59
Total Assets		1 588	1 407
CURRENT LIABILITIES:			
Payables	6	156	117
Employee benefits	7.1	55	47
Total Current Liabilities		211	164
NON-CURRENT LIABILITIES			
Employee benefits	7.2	64	-
Total Non-Current Liabilities		64	-
Total Liabilities		275	164
NET ASSETS		1 313	1 243
EQUITY:			
Accumulated surplus	8	1 313	1 243
TOTAL EQUITY		1 313	1 243
Commitments	9		
Contingent Liabilities	10		

Statement of Cash Flows
for year ended 30 June 2004

		2004	2003
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
INFLOWS:			
Council contributions		Note	\$'000
Grants received			2 179
Water based levy			792
Goods and Services Tax receipts			47
Interest received			294
Other income			60
			1
OUTFLOWS:			
Payments to suppliers, service providers, grantees and employees			(2 742)
Goods and Services Tax paid			(268)
Net Cash inflows from Operating Activities	14.2		363
			97
CASH FLOWS FROM INVESTING ACTIVITIES:			
OUTFLOWS:			
Payments for plant and equipment			-
Net Cash outflows from Investing Activities			(2)
NET INCREASE IN CASH HELD			-
CASH AT 1 JULY			363
CASH AT 30 JUNE	14.1		1 116
			95
			1 021
			1 479
			1 116

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

1.1 Establishment of the Board

The *Water Resources Act 1997* (the Act) came into operation on 2 July 1997 and provides for the management and sustainable use of the State's water resources.

The Onkaparinga Catchment Water Management Board (the Board) was established on 24 December 1997 pursuant to the *Water Resources Act 1997*.

The Onkaparinga Catchment Water Management Plan (the Plan) was adopted by the Minister for Water Resources, pursuant to section 95 of the *Water Resources Act 1997*, on 1 December 2000.

In accordance with the *Water Resources Act 1997*, the Board conducted an annual review of the Plan during the year. The 2003-04 review amended projected income and expenditure for the financial years 2004-05 to 2006-07 and was adopted by the Minister for Environment and Conservation on 12 March 2004.

1.2 Functions of the Board

The functions of the Board are to:

- prepare a comprehensive Catchment Water Management Plan;
- provide advice to the Minister for Environment and Conservation and constituent councils regarding water resources management in the Board's area;
- promote public awareness of the importance of proper management and sustainable use of the water resources within the Board's area;
- provide other services as assigned to the Board under the Act or any other Act.

1.3 Sources of Funding

In accordance with the provisions of the *Water Resources Act 1997*, the Board received contributions from councils and levies from licensed land owners within the proclaimed catchment area. The amount contributed by councils was based upon the estimated expenditure of the Board (as contained in the 2002-03 Annual Review) for the financial year, less the amount of any other funds available to the Board. Land owners were charged a fee based upon water consumption in accordance with their license.

1.3 Sources of Funding (continued)

Councils are required to impose a separate levy on rateable land in the catchment areas of the Board in order to recover the contributions made to the Board.

Contributions payable by constituent Councils to the Board have been reduced by the amount of rebates or remissions granted by Councils in accordance with section 136 of the *Water Resources Act 1997* and Division 5 of Part 1 of the *Local Government Act 1999*.

2. Statement of Significant Accounting Policies

2.1 General

The general purpose financial report has been prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group (UIG) Consensus Views, Treasurer's Accounting Policy Statements, Treasurer's Instructions, the *Public Finance and Audit Act 1987*, *Water Resources Act 1997* and other mandatory reporting requirements.

The financial report has been prepared on an accrual basis whereby items are brought to account as they are earned or incurred and included in the financial report for the accounting periods to which they relate.

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

2.2 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

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

In accordance with Treasurer's Instruction 19 *Financial Reporting*, the Board is responsible for ensuring that the annual financial statements comply with Generally Accepted Accounting Principles (GAAP). The Board has analysed the exposure drafts issued by the AASB and has identified a number of potential issues that may need to be addressed. The Board is developing a plan to manage the transition to the new standards.

2.3 Income Recognition

Contributions from constituent councils are recognised as income following determination of the share of each council by the Minister and publication of those amounts in the Government Gazette. Contributions are required to be paid on a quarterly basis to the Board.

Levies based upon water consumption in the McLaren Vale Prescribed Wells Area are collected by the Department for Water, Land, Biodiversity and Conservation. Water based levies are recognised when received by the Board.

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Income from grants is recognised following completion of formal documentation between the grantor and the Board.

Other income is recognised when the service has been performed.

All income relates to the operating activities of the Board.

2.4 Non-Current Assets

Depreciation

Depreciation is provided on a straight line basis to write off the net cost or revalued amount of all plant and equipment assets over their estimated useful lives. Estimates of remaining useful lives are made on a regular basis for all assets, with annual assessments for major items.

The expected useful lives are as follows:

	Years
Display equipment	3
Computer equipment	5
Office equipment	8
Office furniture and fittings	20
Water monitoring equipment and gauging stations	25

Assets costing less than \$300 are expensed in the year of acquisition.

2.5 Employee Benefits

Employer Superannuation

The Board contributed \$60 000 (\$48 000) in superannuation in respect of its employees for the financial year. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability at balance date relates to any contribution due but not yet paid to the superannuation schemes.

Annual Leave

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

Sick Leave

No provision has been made for sick leave. Sick leave taken by employees is considered to be taken from the current year's accrual and, in consequence, no liability is recognised.

Workers Compensation

The Board is registered with WorkCover as an exempt employer and has entered a service level agreement with the Department for Administrative and Information Services to provide insurance cover for work caused injuries.

Long Service Leave

The benchmark for determining long service leave liability is seven years in accordance with Accounting Policy Statement APS 9 'Employee Benefits' issued by the Department of Treasury and Finance. The provision includes entitlements for one employee and involves recognition of prior service with other government agencies.

2.6 Leases

The Board has no financial leases.

The Board has entered operating lease agreements in relation to office premises and printing equipment whereby the lessors effectively retain all of the risks and benefits incidental to ownership of the property held under the operating leases.

Lease payments are included as expenditure in equal instalments over the accounting periods covered by the lease terms.

Total expenditure on operating leases in 2003-04 was \$56 000 (\$49 000).

2.7 Receivables

Income receivable on investment of surplus funds is accrued in accordance with the terms and conditions applicable to funds held at Department of Treasury and Finance in a Section 21 Deposit Account.

2.8 Payables

Trade Creditors

These amounts represent liabilities for goods and services provided to the Board prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Other Payables

These amounts represent unpaid board fees and other direct overheads at balance date.

2.9 Credit Risk Exposure

The credit risk on financial assets of the Board which have been recognised in the Statement of Financial Position, is generally the carrying amount.

2.10 Accounting for Goods and Services Tax (GST)

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

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

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

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

2.11 Rounding

All amounts are rounded to the nearest thousand dollars.

3. Output Class Schedule of Board Operating Expenses for the year ended 30 June 2004

	1 \$'000	2 \$'000	3 \$'000	4 \$'000	5 \$'000	2004 \$'000	2003 \$'000
Contractors	554	235	180	145	5	1 119	1 194
Grants and subsidies	117	56	7	243	72	495	630
Consultants	267	10	33	28	-	338	330
Employee benefits	265	66	81	150	43	605	499
Board fees and expenses	21	6	5	10	2	44	45
Depreciation	5	2	2	3	1	13	14
Other expenses	85	20	28	57	15	205	188
Total Expenses	1 314	395	336	636	138	2 819	2 900

Revenues from Ordinary Activities have not been distributed to Output Classes as they do not relate to any particular class.

Outputs are defined as goods and services produced, provided to or acquired for external customers.

The identity and description of each Output Class of the Board during 2003-04 are summarised below:

Output 1 Rehabilitation and Management of Water Courses

With our partners, the Board aims to:

- adopt a strategic approach to management of water courses within the Onkaparinga catchment and implement appropriate rehabilitation/management (with implications for water quality, biodiversity enhancement and floodplain management)
- identify environmental water requirements and provisions for our watercourses leading to management guidelines for long-term benefit of aquatic ecosystems.

Output 2 Maintenance and Enhancement of Quality of Surface and Groundwater's

With our partners, the Board aims to:

- minimise pollution impacts in water (sea, rivers, estuaries, groundwater) to ensure the integrity of the resource
- promote better management of rural land leading to:
 - reduced water pollution
 - improved environmental quality; and
 - long term viability of primary production land
- promote better land and water management in urban and industrial areas
- promote better management of urban stormwater.

Output 3 Sustainable Use of Water

With our partners, the Board aims to:

- encourage sustainable use of water to maintain quality and quantity to meet intergenerational needs by promoting:
 - efficient use of water
 - water sensitive urban design
 - water re-use and storage
 - irrigation efficiency
 - the environment as a legitimate water user
 - economic incentives for improved water resource use
 - the reduction of pollution of water resources.
- promote water in the environment as the foundation of sustainable use of water.

Output 4 An Aware and Committed Community

With our partners, the Board aims to:

- understand the current level of community's awareness, attitude and behaviour towards catchment management issues
- increase the community's awareness and understanding of catchment issues and the role the community can play in sustainable catchment management
- educate the community about catchment systems in order to develop and foster environmental awareness, values and appreciation
- engender in the broader community a sense of responsibility for local waterways and catchments
- encourage active participation, ownership and behavioural change for sustainable catchment management practices by the catchment community.

Output 5 Partnerships and Integration between Stakeholders

The Board aims to:

- work with other Catchment Water Management Boards to ensure cohesiveness and efficiency of our projects and programs
- work closely, strengthen our relationships and develop partnerships with local councils, government, Natural Resource Management agencies, business and local communities to enhance and encourage water resources and water management objectives.

4. Plant and Equipment		2004			2003		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Office furniture and equipment at cost		105			105		
Less: Accumulated depreciation		70			57		
			35				48
Water monitoring equipment and gauging stations at cost		13				13	
Less: Accumulated depreciation		3			2		
			10				11
Total Plant and Equipment			45				59
5. Asset Movement Schedule		2004			2003		
		Office Furniture & Equipment \$'000	Water Monitoring & Gauging Stations \$'000	Total \$'000	Office Furniture & Equipment \$'000	Water Monitoring & Gauging Stations \$'000	Total \$'000
Carrying value at 1 July		48	11	59	59	12	71
Additions		-	-	-	2	-	2
Disposals		-	-	-	-	-	-
Depreciation expense		(13)	(1)	(14)	(13)	(1)	(14)
Carrying Value at 30 June		35	10	45	48	11	59
6. Payables		2004			2003		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade creditors					117	89	
Other payables					39	28	
Total					156	117	
7. Employee Benefits							
7.1 Current:							
Annual leave					55	47	
7.2 Non-Current:							
Long service leave					64	-	
					119	47	
8. Accumulated Surplus							
Balance at 1 July					1 243	1 242	
Add: Surplus from ordinary activities					70	1	
Balance at 30 June					1 313	1 243	
9. Commitments							
9.1 Lease Commitments (Excluding GST)							
Operating Lease:							
Not later than one year					43	56	
Later than one year and not later than five years					48	94	
Aggregate Lease Expenditure Contracted for at Balance Date but not Provided for					91	150	
Property lease commitments are non-cancellable with rentals payable monthly in advance for the office and photocopier and quarterly in advance for computer equipment.							
Options exist to renew all lease arrangements upon expiry of the respective terms.							
9.2 Other Commitments (Excluding GST)							
Several projects in the form of contracts and grants had been committed at 30 June 2004:							
Not later than one year					316	227	
Later than one year and not later than five years					-	90	
					316	317	

Projects include grants to councils, community assistance, riparian rehabilitation, revegetation work, water quality and hydrometrics flows in the catchment. This amount is not reflected in the Statement of Financial Performance or Statement of Financial Position for the current financial year.

The Board had no outstanding contractual commitments for capital works at balance date.

10. Contingent Liabilities

The Board has no contingent liabilities.

11. Auditors' Remuneration

Amount due and receivable by the auditors for auditing the financial report.

	2004 \$'000	2003 \$'000
	14	11

No other services were provided by the auditors.

12. Remuneration of Board Members and Employees

12.1 Board Members' Remuneration

Members of the Onkaparinga Catchment Water Management Board during the financial year were:

Mr Roger Goldsworthy: Presiding Member	Mr Michael Stafford
Mrs Anita Aspinall	Ms Debra Just
Mr Joch Bosworth	Mr Cyril Wear
Ms Lynn Chamberlain	Mr Deane Michelmore
Mr Robert McLennan	

Total income received, or due and receivable, by Board Members and Members of two catchment management consultative committees was \$33 000 (\$34 000). Other expenses of the Board Members were \$10 000 (\$11 000).

The number of Members whose income from the entity falls within the following bands are:

\$0 - \$9 999
\$10 000 - \$19 999

	2004 Number of Members	2003 Number of Members
	8	9
	1	1

Prescribed benefits given by the Board to prescribed superannuation funds or otherwise in connection with the retirement of Board Members were \$2 000 (\$2 000).

In accordance with the Department of the Premier and Cabinet Circular No. 14, Robert McLennan, as a government employee, did not receive any remuneration from the Board during the year.

Mr Joch Bosworth elected not to receive fees as a Member of the Board.

12.2 Remuneration of Employees

No officer of the Board received an income of \$100 000 or more during the year.

13. Related Party Disclosures

Ms Debra Just had direct affiliation with a Local Government Council from which Council contributions were received by the Board.

During the year grants totalling \$47 000 (\$264 000) were approved for employers (or Councils where Board Members are elected members) of one Board Member. Schedule 2, clause 10(10) of the *Water Resources Act* 1997 provides that a member of the Board does not have a direct or indirect personal or pecuniary interest in any matter under consideration by the Board simply by being a member of a constituent council. The nature of the grants and conditions attached, were similar to other grants provided to various organisations.

14. Note to the Statement of Cash Flows

14.1 Reconciliation of Cash

For the purposes of the Statement of Cash Flows, the Board considers cash to include cash on hand and in banks and those investments that are able to be converted to cash within two working days.

14.2 Reconciliation of Surplus from Ordinary Activities to Net Cash

Inflows from Operating Activities

	2004 \$'000	2003 \$'000
Surplus from Ordinary Activities	70	1
Depreciation	13	14
Decrease - Receivables	167	85
Decrease (Increase) - Prepayments	1	(1)
Increase (Decrease) - Payables	39	(25)
Increase - Employee Benefits	73	23
Net Cash inflows from Operating Activities	363	97

15. Financial Instruments

Interest Rate Risk Exposure

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

	2004			2003		
	Floating Interest Rate	Non-Interest Bearing	Total Carrying Amount	Floating Interest Rate	Non-Interest Bearing	Total Carrying Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:						
Cash assets	1 479	-	1 479	1 116	-	1116
Receivables	6	58	64	4	228	232
	1 485	58	1 543	1 120	228	1 348
Weighted average interest rate (percent)	5.10			4.60		
Financial Liabilities:						
Payables	-	156	156	-	117	117
	-	156	156	-	117	117
Weighted average interest rate (percent)	-			-		
Net Financial Assets	1 485	(98)	1 387	1 120	111	1 231
Reconciliation of Net Financial Assets to Net Assets				2004	2003	
				\$'000	\$'000	
Net financial assets as above				1 387	1 231	
Non-financial assets and liabilities:						
Plant and equipment				45	59	
Employee Benefits				(119)	(47)	
Net Assets per Statement of Financial Position	1 313					1 243

Net Fair Value of Financial Assets and Liabilities - On Statement of Financial Position

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

PATAWALONGA CATCHMENT WATER MANAGEMENT BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Patawalonga Catchment Water Management Board (the Board) was established on 7 May 1995 pursuant to the *Catchment Water Management Act 1995*, which was replaced by the *Water Resources Act 1997*.

Functions

The functions of the Board are to:

- prepare and implement a comprehensive Catchment Water Management Plan;
- provide advice to the Minister and the constituent councils regarding the management of water resources within the Board's area;
- promote public awareness of the importance of proper management and sustainable use of the water resources within the Board's area.

Structure

The Board is responsible to the Minister and is supported by the General Manager and Board officers in implementing its Catchment Water Management Plan.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Section 74(2) of the *Water Resources Act 1997* and subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provide for the Auditor-General to audit the accounts of the Board for each financial year.

Assessment of Controls

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

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

Scope of Audit

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

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

- budgetary control and management reporting
- accounts payable
- payroll
- revenue, including council levies
- grant administration.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

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

Assessment of Controls

Audit formed the opinion that the controls exercised by the Patawalonga Catchment Water Management Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matter raised in relation to Delegations, are sufficient to provide reasonable assurance that the financial transactions of the Patawalonga Catchment Water Management Board have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the General Manager. The response to the management letter was generally satisfactory. Major matters raised with the Board and the related responses are considered herein.

Delegations

During 2002-03 Audit identified that delegations of authority to Board employees were not approved by the Minister as is required by subsection 66(1)(b) of the *Water Resources Act 1997*. This finding was communicated to the Board in 2002-03 who, along with other Catchment Water Management Boards, requested clarification from the Crown Solicitor in July 2003.

In March 2004 the Crown Solicitor advised that if the Board requires an officer to undertake a task or activity that only the Board is empowered under the Act to undertake, the power must be delegated to the officer. In particular, the Crown Solicitor noted that a task that an officer cannot exercise without a delegation is the power to contract on behalf of the Board.

At the time of preparing this Report the Board's delegations, which delegate authority to the General Manager to contract on behalf of the Board, had not been approved of by the Minister in accordance with subsection 66(1)(b) of the Act.

The Minister approved the Board's delegations of authority on 26 August 2004.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2004 \$'million	2003 \$'million	Percentage Change
<i>OPERATING REVENUE</i>			
Council Contributions	2.4	2.3	4
Other revenues	0.2	0.4	(50)
Total Operating Revenue	2.6	2.7	(4)
<i>OPERATING EXPENDITURE</i>			
Grants and subsidies	0.9	0.9	0
Contractors	0.7	1.1	(36)
Other expenses	0.8	0.8	0
Total Operating Expenses	2.4	2.8	(14)
Surplus (Deficit)	0.2	(0.1)	300

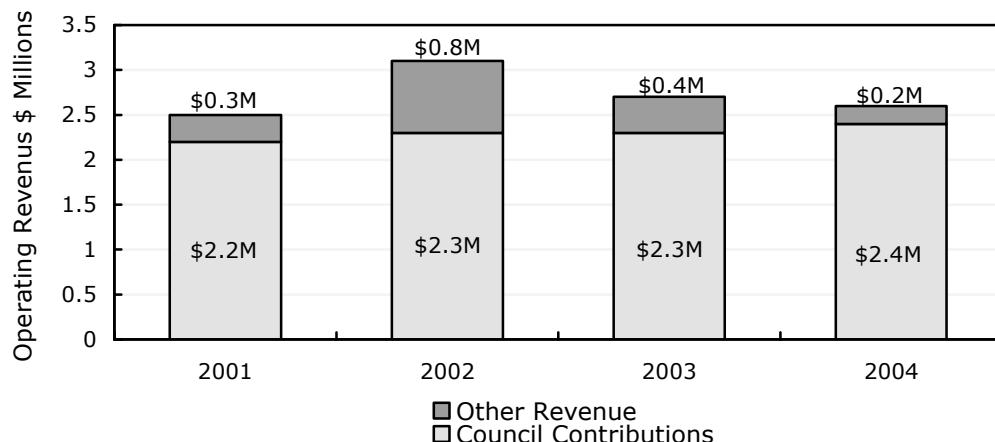
	2004 \$'million	2003 \$'million	Percentage Change
Net Cash Flows from Operations	0.2	0.8	(75)
ASSETS			
Current assets	2.3	2.0	15
Non-current assets	2.1	2.3	(9)
Total Assets	4.4	4.3	2
LIABILITIES			
Current liabilities	0.2	0.2	0
Non-current liabilities	0	0	0
Total Liabilities	0.2	0.2	0
EQUITY	4.2	4.1	2

Statement of Financial Performance

Operating Revenues

Constituent Councils provided contributions of \$2.4 million (\$2.3 million) to the Board in 2003-04. The contributions comprised 93 percent (85 percent) of the Board's operating revenues for the year. Other operating revenues included grants and interest on bank deposits.

A structural analysis of operating revenues for the Board in the four years to 2004 is presented in the following chart.

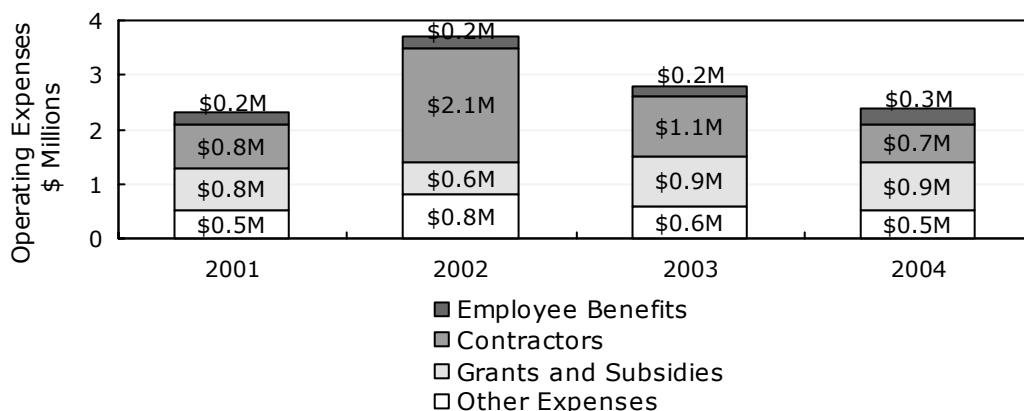


Operating Expenses

Contractor expenses of \$0.7 million (\$1.1 million) comprised 30 percent (39 percent) of the Board's operating expenses in 2003-04.

Grants and subsidies of \$0.9 million (\$0.9 million) were provided mainly to councils to undertake water catchment projects and are a significant component of the Board's expenses.

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

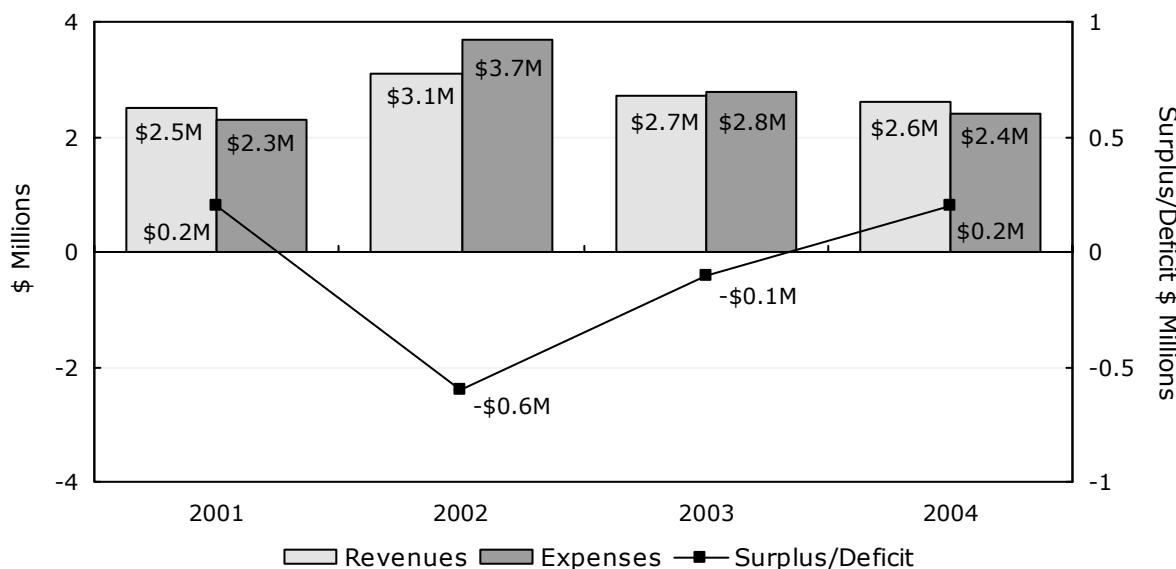


Operating Result

In accordance with the provisions of the *Water Resources Act 1997*, the Board receives contributions from councils within the proclaimed catchment area. The amount contributed by Councils is based upon the annual estimated expenditure of the Board as detailed in its catchment water management plan, less the funds obtained from other sources including grants and funds on hand at the start of the period. As a result, the revenues of the Board are usually equivalent to its expenditure resulting in low surpluses/deficits, unless there are delays in implementing major projects or funds are accumulated to pay for planned major projects.

In 2002 surpluses from past years were used for the construction of the Morphettville Racecourse Wetland.

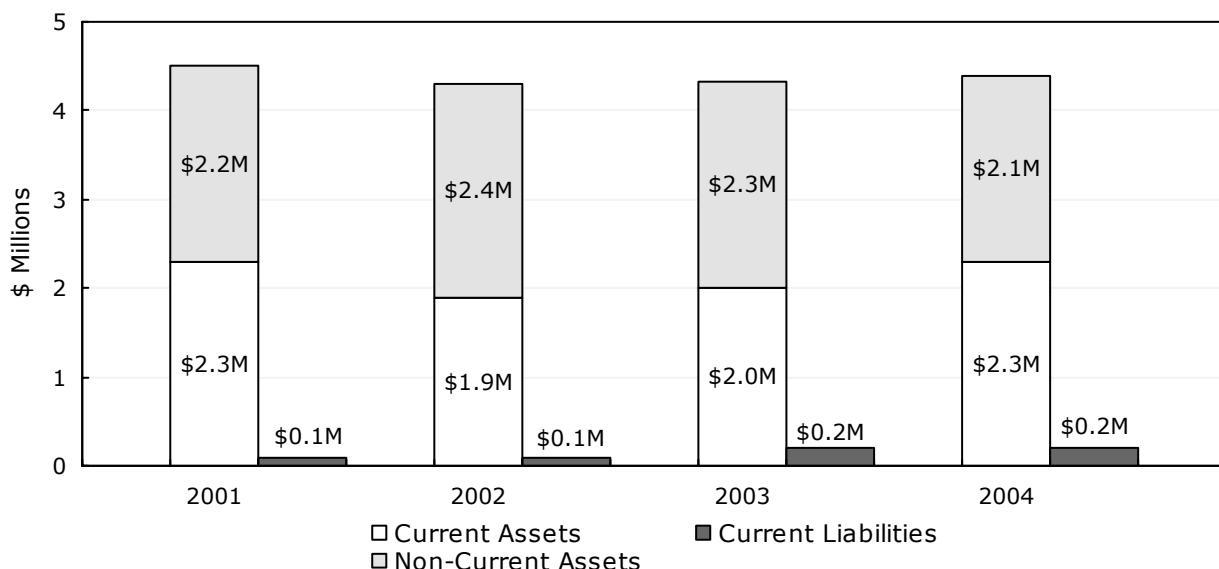
The following chart shows the operating revenues, operating expenses and surpluses/deficits for the four years to 2004.



Statement of Financial Position

The Board has significant cash assets to cover its small liabilities and future expenditure commitments. The Board has insignificant non-current liabilities.

For the four years to 2004, a structural analysis of assets and liabilities is shown in the following chart.



Statement of Cash Flows

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

	2004 \$'million	2003 \$'million	2002 \$'million	2001 \$'million
Net Cash Flows				
Operations	0.2	0.8	(0.9)	0.4
Investing	0	0	(0.1)	(0.1)
Financing	0	0	0	0
Change in Cash	0.2	0.8	(1.0)	0.3
Cash at 30 June	2.2	2.0	1.2	2.2

The analysis of cash flows shows that cash was accumulated up to 2000-01 and spent in 2001-02 on the Morphettville Racecourse Wetland. Cash increased in 2002-03 due to cash received for the Wetland from Transport SA under the Catchment Management Subsidy Scheme which was accrued as a receivable in 2001-02. Cash has been accumulated in 2003-04 as a result of delays in a number of 2003-04 catchment projects. Expenditure commitments for catchment projects at 30 June 2004 were \$0.4 million.

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

		2004	2003
		\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Council contributions		2 406	2 343
Interest received		97	85
Other contributions and grants		81	317
Other income		3	6
Total Revenues		2 587	2 751
EXPENSES FROM ORDINARY ACTIVITIES:			
Grants and subsidies		850	875
Contractors		719	1 050
Employee benefits		273	245
Consultants		243	320
Other expenses		193	157
Depreciation	5	124	125
Board fees and expenses		36	40
Write off of work in progress		-	17
Total Expenses		2 438	2 829
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES		149	(78)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		149	(78)

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

		2004	2003
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash assets	11.1	2 200	1 974
Receivables	3	100	49
Total Current Assets		2 300	2 023
NON-CURRENT ASSETS:			
Plant, equipment and gross pollutant traps	4, 5	2 139	2 268
Total Non-Current Assets		2 139	2 268
Total Assets		4 439	4 291
CURRENT LIABILITIES:			
Payables	6	183	171
Employee benefits	7.1	19	23
Total Current Liabilities		202	194
NON-CURRENT LIABILITIES:			
Employee benefits	7.2	16	25
Total Non-Current Liabilities		16	25
Total Liabilities		218	219
NET ASSETS		4 221	4 072
EQUITY:			
Accumulated surplus	8	3 844	3 695
Asset revaluation reserve	8	377	377
TOTAL EQUITY		4 221	4 072
Commitments	9		
Contingent Liabilities	10		

Statement of Cash Flows
for year ended 30 June 2004

		2004	2003
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
INFLOWS:			
Council contributions		2 406	2 343
Goods and services tax receipts		186	275
Other contributions and grants received		32	945
Interest received		95	83
Other income received		3	5
OUTFLOWS:			
Payments to suppliers, service providers, grantees and employees		(2 306)	(2 628)
Goods and services tax payments on purchases		(186)	(242)
Net Cash Inflows from Operating Activities	11.2	230	781
CASH FLOWS FROM INVESTING ACTIVITIES:			
Outflows:			
Payments for plant, equipment and gross pollutant traps		(4)	(16)
Net Cash Outflows from Investing Activities		(4)	(16)
NET INCREASE IN CASH HELD		226	765
CASH AT 1 JULY		1 974	1 209
CASH AT 30 JUNE	11.1	2 200	1 974

**Output Class Schedule of Board's Expenses
for the year ended 30 June 2004**

Output Class (refer Note 2.9)	2004				
	1 \$'000	2 \$'000	3 \$'000	4 \$'000	5 \$'000
Grants and subsidies	266	67	10	1	469
Contractors	354	135	5	1	60
Employee benefits	-	-	-	-	-
Consultants	87	47	30	54	7
Other expenses	1	2	-	3	54
Depreciation	-	-	-	-	-
Board fees and expenses	-	-	-	-	-
Write off of work in progress	-	-	-	-	-
	708	251	45	59	590

Output Class (refer Note 2.9)	6 \$'000	7 \$'000	Total \$'000	2003 \$'000
Grants and subsidies	-	37	850	875
Contractors	164	-	719	1 050
Employee benefits	-	273	273	245
Consultants	-	18	243	320
Other expenses	3	130	193	157
Depreciation	-	124	124	125
Board fees and expenses	-	36	36	40
Write off of work in progress	-	-	-	17
	167	618	2 438	2 829

Revenues from Ordinary Activities have not been distributed to Output Classes as they do not relate to any particular class.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

1.1 Establishment of the Board

The Patawalonga Catchment Water Management Board (the Board) was established on 7 May 1995 pursuant to the *Catchment Water Management Act 1995*, which was subsumed by the *Water Resources Act 1997*.

The Board commenced operation under an Initial Plan in 1995. The Board now operates under its latest Catchment Water Management Plan 2002-2007 (the Plan) which was approved by the Minister for Environment and Conservation in May 2002.

In accordance with the *Water Resources Act 1997*, the Board conducted an annual review of the Plan during the year. The 2003-04 review amended projected income and expenditure for the financial years 2004-05 to 2005-06 and was adopted by the Minister for Environment and Conservation on 21 March 2004.

1.2 Functions of the Board

The functions of the Board are:

- to prepare and implement the Patawalonga Catchment Water Management Plan 2002-07;
- to provide advice to the Minister and the constituent councils for the Board's area in relation to the management of the water resources in the Board's area in accordance with the *Water Resources Act 1997*;
- to promote public awareness of the importance of the proper management of the water resources in the Board's area and of the sustainable use of those resources.

1.3 Sources of Funding

In accordance with the provisions of the *Water Resources Act 1997*, the Board received contributions from councils within the proclaimed catchment area. The amount contributed by councils was based upon the estimated expenditure of the Board (as contained in the approved plan) for the financial year, less the amount of any other funds available to the Board.

Councils are required to impose a separate levy on rateable land in the catchment areas of the Board in order to recover the contributions made to the Board.

Contributions payable by constituent Councils to the Board have been reduced by the amount of rebates or remissions granted by Councils in accordance with section 136 of the *Water Resources Act 1997* and Division 5 of Part 1 of the *Local Government Act 1999*.

2. Statement of Significant Accounting Policies

2.1 General

The general purpose financial report has been prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group (UIG) Consensus Views, Treasurer's Accounting Policy Statements, Treasurer's Instructions, the *Public Finance and Audit Act 1987*, *Water Resources Act 1997* and other mandatory reporting requirements.

The financial report has been prepared on an accrual basis whereby items are brought to account as they are earned or incurred and included in the financial report for the accounting periods to which they relate.

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

2.2 Income Recognition

Contributions from constituent councils are recognised as income following determination of the share of each council by the Minister and publication of those amounts in the Government Gazette. Contributions are required to be paid on a quarterly basis to the Board.

Interest income is recognised when accrued.

Income from grants is recognised following completion of formal documentation between the grantor and the Board and in accordance with the agreement.

Other income is recognised when the service has been performed.

All income relates to the operating activities of the Board.

2.3 Allocation of Administrative Overheads

The Patawalonga and Torrens Catchment Water Management Boards have agreed to share administrative costs on a 40/60 basis.

2.4 Non-Current Assets

Depreciation

Depreciation is provided on a straight line basis to write off the net cost or revalued amount of all plant, equipment and gross pollutant traps over their expected useful lives. Estimates of remaining useful lives are made on a regular basis for all assets, with annual assessments for major items. The expected useful lives are as follows:

	Years
Display systems	3
Computer equipment	5
Office equipment	8
Furniture and fittings	20
Gross pollutant traps	25

Leasehold improvements are amortised over the life of the lease.

Assets costing less than \$300 have been expensed in the year of acquisition.

Assets Disclosed at Directors' Valuation

In accordance with Accounting Policy Statement APS 3 'Valuation of Non-Current Assets' issued by the Department of Treasury and Finance, the Board revalued its gross pollutant traps as at 30 June 2002. Current cost has been determined by the Board using the deprival methodology, whereby assets are valued at the replacement cost of procuring similar assets with similar functions and which provide comparable future service potential.

The 30 June 2002 revaluation of gross pollutant traps resulted in an asset revaluation reserve of \$377 000 being recognised in the Statement of Financial Position.

2.5 Employee Benefits

Employer Superannuation

The Board contributed \$27 000 (\$23 000) to superannuation schemes in respect of its employees for the financial year. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability at balance date relates to any contribution due but not yet paid to the superannuation schemes.

Annual Leave

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

Sick Leave

No provision has been made for sick leave. Sick leave taken by employees is considered to be taken from the current year's accrual and in consequence no liability is recognised.

Long Service Leave

The benchmark used for determining long service leave liability is seven years in accordance with Accounting Policy Statement APS 9 'Employee Benefits' issued by the Department of Treasury and Finance. The provision includes entitlements for one employee, which involves recognition of prior service with other government departments.

Workers Compensation

The Board is registered with WorkCover as an exempt employer and has entered a Service Level Agreement with the Department for Administrative and Information Services to provide insurance cover for work caused injuries.

2.6 Leases

The Board has no financial leases.

The Board has entered into operating lease agreements in relation to office premises and computer equipment whereby the lessors effectively retain all of the risks and benefits incidental to ownership of the property held under the operating leases.

Lease payments are included as expenditure in equal instalments over the accounting periods covered by the lease terms.

Total expenditure on operating leases in 2003-04 was \$35 000 (\$38 000).

2.7 Payables

Trade Creditors

These amounts represent liabilities for goods and services provided to the Board prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Other Payables

These amounts represent unpaid board fees and other direct overheads at balance date.

2.8 Credit Risk Exposure

The credit risk on financial assets of the Board which have been recognised in the Statement of Financial Position, is generally the carrying amount.

2.9 Output Classes of the Board

Outputs are defined as goods or services produced, provided to or acquired for external customers. The Board has identified seven major classes of outputs that it delivers to the community under the Catchment Water Management Plan approved by the Minister in May 2002 for implementation on 1 July 2002. The identity and description of each major output class of the Board during 2003-04 are summarised below (refer to Output Class Schedule of Board's expenses).

Output 1 Improve and Maintain Water Quality

The Board's goal is to improve and maintain water quality in the catchment at a level suitable for safe use by the community including recreation and to sustain ecosystems and reduce impacts on the receiving aquatic environments. This is achieved by assigning environmental values and targets, controlling diffuse pollution in the catchment, developing and maintaining constructed wetlands, eliminating or reducing wastewater discharges and installing and maintaining silt traps and gross pollutant traps.

Output 2 Protect and Restore Aquatic Ecosystems

The goal of protecting and restoring aquatic ecosystems will be achieved through defining water for the environment requirements, reviewing resource use and availability as well as rehabilitating urban and rural watercourses.

2.9 Output Classes of the Board (continued)

Output 3 Ensure Sufficient Water Availability and Use

Ensuring the water resources of the catchment are available to be used to maintain ecosystems and for equitable and economic community use by encouraging viable stormwater aquifer storage and recovery (ASR), effluent reuse opportunities and water conservation practices. Also there will be risk management plans developed and implemented for the catchment's groundwater and surface water resources.

Output 4 Coordinate Floodplain Management

At a catchment scale the Board aims to co-ordinate integrated stormwater and floodplain management.

Output 5 Inform and Involve the Community

A key goal of the Board is to inform and involve the community to take responsibility for catchment management. This is achieved by implementing the Board's communication and community education/awareness strategy, supporting groups and schools in community education and involvement programs, delivering an industry and council stormwater pollution prevention program, supporting rural watercourse assistance and land management programs and facilitating appropriate enforcement and compliance support for the program.

Output 6 Establish Monitoring and Evaluation Systems

To ensure the effectiveness of its programs, the Board has established monitoring and evaluation systems through linking with other relevant existing and proposed data collection activities in the catchment and providing a performance indicator/evaluation database for the Board's programs.

Output 7 Deliver the Board's Progress in an Integrated Manner

The Board aims to deliver its programs in an integrated manner in partnership with all stakeholders taking into account environmental, economic and social considerations. In doing so the Board will support an integrated resources management approach across the catchment, facilitate collaboration with constituent councils to better integrate Council and Board plans and provide professional services to allow the Board to implement its Catchment Plan and meet its statutory requirements.

2.10 Accounting for Goods and Services Tax (GST)

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

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

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

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

2.11 Rounding

All amounts are rounded to the nearest thousand dollars.

2.12 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

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

In accordance with Treasurer's Instruction 19 'Financial Reporting', the Board is responsible for ensuring that the annual financial statements comply with Generally Accepted Accounting Principles (GAAP). The Board is developing a plan to manage the transition to the new standards and is monitoring changes in Accounting Standards, Treasurer's Instructions and Accounting Policy Statements by attending information forums.

3. Receivables

Receivables - Government
Receivables - Non-Government

	2004	2003
	\$'000	\$'000
Receivables - Government	91	42
Receivables - Non-Government	9	7
	100	49

4. Plant, Equipment and Gross Pollutant Traps	2004 \$'000	2004 \$'000	2003 \$'000	2003 \$'000
Display systems at cost	42	50		
Less: Accumulated depreciation	<u>42</u>	<u>42</u>		
Furniture and fittings at cost	17	20		
Less: Accumulated depreciation	<u>5</u>	<u>5</u>		
Computer equipment at cost	5	6		
Less: Accumulated depreciation	<u>4</u>	<u>5</u>		
Office equipment at cost	10	13		
Less: Accumulated depreciation	<u>6</u>	<u>7</u>		
Office leasehold improvements at cost	16	18		
Less: Accumulated amortisation	<u>12</u>	<u>12</u>		
Gross pollutant traps at cost	204	202		
Gross pollutant traps at directors' valuation	<u>2 736</u>	<u>2 736</u>		
Less: Accumulated depreciation	<u>2 940</u>	<u>2 938</u>		
	<u>822</u>	<u>706</u>		
	<u>2 118</u>	<u>2 232</u>		
Total Plant, Equipment and Gross Pollutant Traps	2 139	2 268		
5. Plant, Equipment and Gross Pollutant Traps Movement Schedule	Carrying Amount			Carrying Amount
	01.07.03	(Deletions)	Additions	Depreciation Expense
	\$'000	\$'000	\$'000	\$'000
Display systems	8	(6)	-	(2)
Furniture and fittings	15	(2)	-	(1)
Computer equipment	1	-	-	-
Office equipment	6	(1)	-	(1)
Office leasehold improvements	6	-	-	(2)
Gross pollutant traps	2 232	-	4	(118)
	2 268	(9)	4	(124)
	2 118	2 139		2 139
6. Payables	2004 \$'000			2003 \$'000
Trade creditors	162			158
Other payables	21			13
	183			171
7. Employee Benefits				
7.1 Current:				
Annual leave	19			23
7.2 Non-Current:				
Long service leave	16			25
	35			48
8. Accumulated Surplus				
Balance at 1 July	3 695			3 773
Add surplus (Deduct deficit) from ordinary activities	149			(78)
Balance at 30 June	3 844			3 695
Asset Revaluation Reserve				
Increment on revaluation of gross pollutant traps	377			377
	4 221			4 072
9. Commitments				
9.1 Lease Commitments (excluding GST)				
Operating Leases:				
Not later than one year	37			33
Later than one year and not later than five years	41			70
Aggregate lease expenditure contracted for at balance date but not provided for	78			103

The operating lease commitments comprise the following:

- A property lease which is non-cancellable. Rental is payable monthly with reviews indexed annually, alternating between market value and CPI indexation. Options exist to renew the lease at the end of the current term.
- A computer lease which is non-cancellable. Rental is payable monthly and options exist to renew or cancel the lease at the end of the current term.

9.2 Other Expenditure Commitments (excluding GST)	2004	2003
	\$'000	\$'000
Not later than one year	347	1 035
Later than one year and not later than five years	33	471
Aggregate expenditure contracted for at balance date but not provided for	380	1 506

Approvals have been given for various projects including wetlands, trash racks, rural riparian works, flood studies and grants for pollution prevention and research and development. The value of these projects \$380 000 (\$1.506 million) is not reflected in the Statement of Financial Performance or Statement of Financial Position for the current financial year.

10. Contingent Liabilities

The Board has no contingent liabilities.

11. Note to the Statement of Cash Flows

11.1 Reconciliation of Cash

For the purposes of the Statement of Cash Flows, the Board considers cash to include cash on hand and in banks and those investments that are able to be converted to cash within two working days.

11.2 Reconciliation of Surplus (Deficit) from Ordinary Activities to Net Cash Inflows from Operating Activities	2004	2003
	\$'000	\$'000
Surplus (Deficit) from ordinary activities	149	(78)
Depreciation	124	125
Loss on write down of assets	9	-
Write off of work in progress	-	17
(Increase) Decrease - Receivables	(51)	651
Decrease - Prepayments	-	3
Increase - Payables	12	51
(Decrease) Increase - Employee Benefits	(13)	12
Net Cash inflows from Operating Activities	230	781

12. Auditors' Remuneration

Amount due and receivable by the auditors for auditing the financial report

12 11

No other services were provided by the auditors.

13. Remuneration of Board Members and Related Party Disclosure

Members of the Patawalonga Catchment Water Management Board during the financial year were:

Mr Lyndon Parnell: Presiding Member	Mr Peter Norman
Mr Colin Haines	Mr Richard Crabb
Ms Petamary O'Donohue	Mrs Jean Evans
Mr John Phillips	Mr Robert Clyde

Total income received, or due and receivable, by Board Members was \$31 000 (\$36 000).

Other expenses of Board Members were \$3 000 (\$4 000).

The number of Members whose income from the entity falls within the following bands is:

\$0 - \$9 999	
\$10 000 - \$19 999	
\$20 000 - \$29 999	

2004	2003
Number of Members	Number of Members
7	8
1	-
-	1

Prescribed benefits given by the Board to prescribed superannuation funds or otherwise in connection with the retirement of Board Members were \$2 000 (\$2 000).

Related Party Disclosures

There were no contracts or transactions between related parties that require disclosure for the year ended 30 June 2004.

14. Remuneration of Employees

The number of employees whose total remuneration from the Patawalonga and Torrens Catchment Water Management Boards falls within the following bandwidth:

\$120 000 - \$129 999	
\$130 000 - \$139 999	

2004	2003
Number of Employees	Number of Employees
-	1
1	-

Remuneration of the employee was shared with the Torrens Catchment Water Management Board on a 40/60 basis. Refer Note 2.3.

15. Financial Instruments

Interest Rate Risk Exposures

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

	2004			2003		
	Floating Interest Rate	Non-Interest Bearing	Total Value	Floating Interest Rate	Non-Interest Bearing	Total Value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:						
Cash assets	2 200	-	2 200	1 974	-	1 974
Receivables	-	100	100	-	49	49
	2 200	100	2 300	1 974	49	2 023
Weighted average interest rate (percent)	4.95			4.6		
Financial Liabilities:						
Payables	-	183	183	-	171	171
	-	183	183	-	171	171
Weighted average interest rate (percent)	-			-		
Net Financial Assets	2 200	(83)	2 117	1 974	(122)	1 852
Reconciliation of Net Financial Assets to Net Assets				2004		2003
Net financial assets as above				\$'000		\$'000
Non-financial assets and liabilities:				2 117		1 852
Plant, equipment, gross pollutant traps and work in progress				2 139		2 268
Employee Benefits				(35)		(48)
Net Assets per Statement of Financial Position	4 221					4 072

Net Fair Value of Financial Assets and Liabilities - On-Statement of Financial Position

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

RIVER MURRAY CATCHMENT WATER MANAGEMENT BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The River Murray Catchment Water Management Board was established on the 11 September 1997 under the *Water Resources Act 1997*.

Functions

The functions of the Board are to:

- prepare and implement a comprehensive Catchment Water Management Plan;
- provide advice to the Minister and constituent councils regarding the management of water resources within the Board's area;
- promote public awareness of the importance of proper management and sustainable use of water resources within the Board's area.

Structure

The Board is responsible to the Minister and is supported by the General Manager and officers in implementing its Catchment Water Management Plan.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Section 74(2) of the *Water Resources Act 1997* and subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provide for the Auditor-General to audit the accounts of the River Murray Catchment Water Management Board for each financial year.

Assessment of Controls

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

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

Scope of Audit

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

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

- budgetary control and management reporting;
- accounts payable;
- payroll;
- revenue, including council levies and prescribed area levies;
- grant administration.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

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

Assessment of Controls

Audit formed the opinion that the controls exercised by the River Murray Catchment Water Management Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matter raised in relation to Delegations, are sufficient to provide reasonable assurance that the financial transactions of the River Murray Catchment Water Management Board have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the General Manager. The response to the management letter was generally satisfactory. Major matters raised with the Board and the related responses are considered herein.

Delegations

During 2002-03 Audit identified that delegations of authority to Board employees were not approved by the Minister as is required by subsection 66(1)(b) of the *Water Resources Act 1997*. This finding was communicated to the Board in 2002-03 who, along with other Catchment Water Management Boards, requested clarification from the Crown Solicitor in July 2003.

In March 2004 the Crown Solicitor advised that if the Board requires an officer to undertake a task or activity that only the Board is empowered under the Act to undertake, the power must be delegated to the officer. In particular, the Crown Solicitor noted that a task that an officer cannot exercise without a delegation is the power to contract on behalf of the Board.

At the time of preparing this Report the Board's delegations, which delegate authority to the General Manager to contract on behalf of the Board, had not been approved by the Minister in accordance with subsection 66(1)(b) of the Act.

The Minister approved the Board's delegations of authority on 6 September 2004.

Reporting on Progress of Catchment Projects

Audit observed that monthly reporting to the Board on the progress of major water catchment projects could be enhanced by:

- reporting year to date and life to date expenditure against budget for each major project;
- indicate when identified projects are expected to be completed and whether they will be completed within the expected timeframe.

The Board responded that additional financial information on the progress of the Board's Programs and Actions would be included in quarterly reporting to the Board.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2004 \$'million	2003 \$'million	Percentage Change
OPERATING REVENUE			
Water-based levies	4.1	4.0	3
Other revenues	3.4	1.5	127
Total Operating Revenue	7.5	5.5	36
OPERATING EXPENDITURE			
Employee benefits	1.1	0.9	22
Grants	2.5	0.8	213
Other expenses	3.3	2.3	43
Total Operating Expenses	6.9	4.0	73
Surplus (Deficit)	0.6	1.5	(60)
Net Cash Flows from Operations	0.4	1.7	(76)
ASSETS			
Current assets	7.3	6.6	11
Non-current assets	0.2	0.2	0
Total Assets	7.5	6.8	10
LIABILITIES			
Current liabilities	0.5	0.4	25
Non-current liabilities	0	0	0
Total Liabilities	0.5	0.4	25
EQUITY	7.0	6.4	9

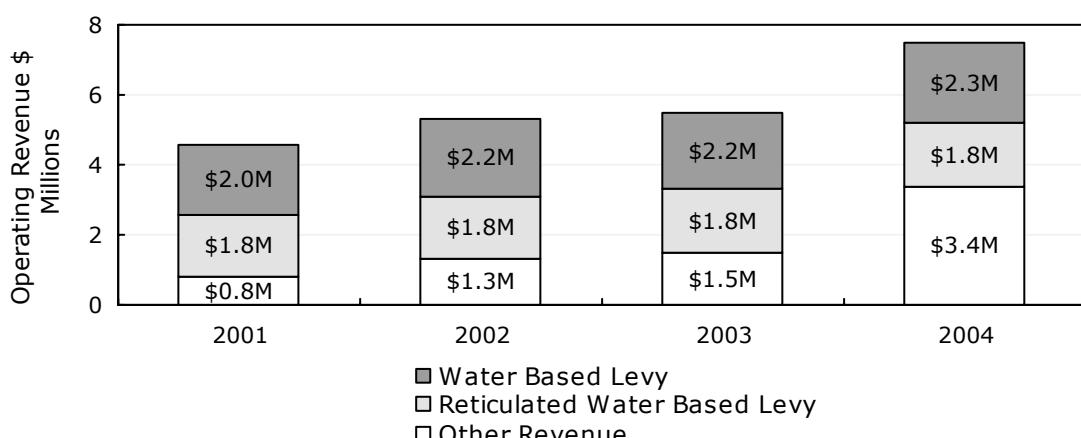
Statement of Financial Performance

Operating Revenues

Water based levies comprised 55 percent (73 percent) of the Board's operating revenues for the year. Other operating revenues included grants and contributions, interest on bank deposits and revenues from managing projects on behalf of the Murray-Darling Basin Commission.

Grants and contributions received in 2003-04 of \$2.8 million (\$1.0 million) included \$2.1 million from the Integrated Natural Resource Management Group (INRMG) for the implementation of the National Action Plan for Salinity and Water Quality.

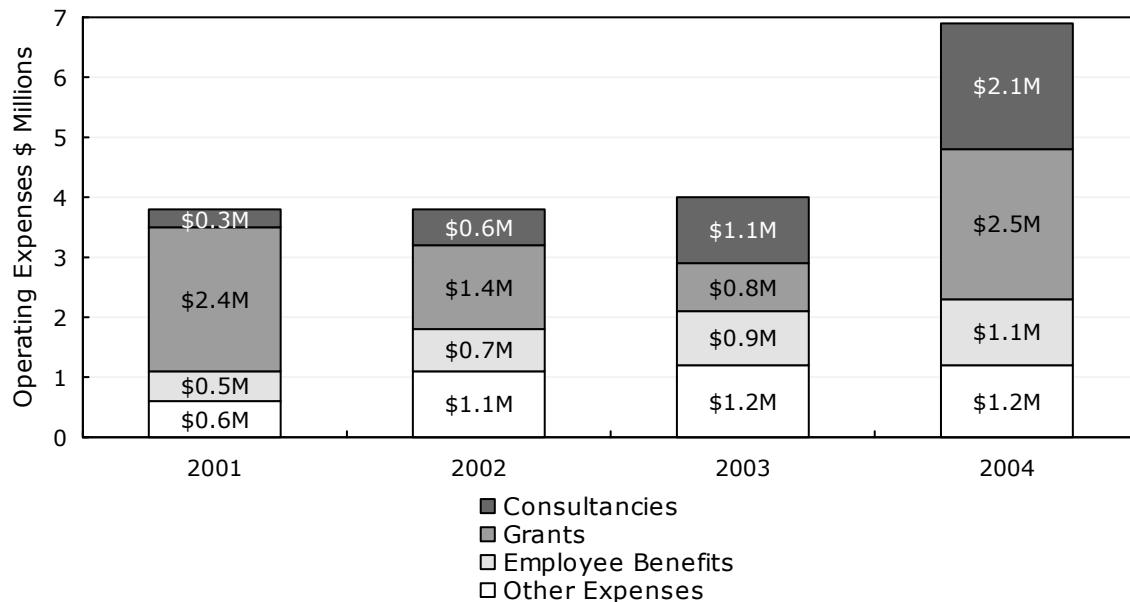
A structural analysis of operating revenues for the Board in the four years to 2004 is presented in the following chart.



Operating Expenses

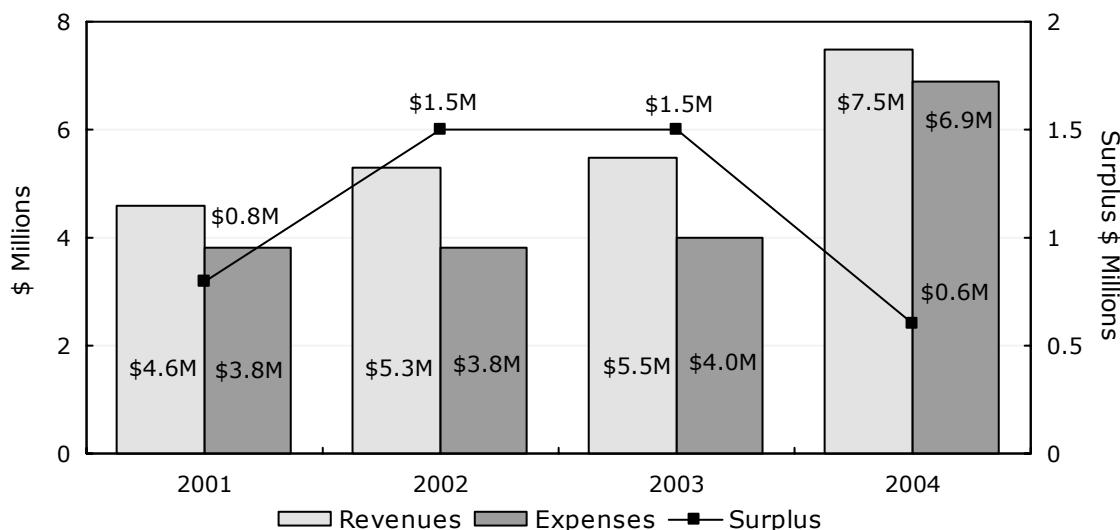
The analysis of operating expenses shows that grant and consultancies expenditure (\$4.6 million) has increased by 132 percent since 2002-03 (\$2.0 million). The significant increase reflects increased expenditure on catchment water management plan projects and the implementation of the National Action Plan for Salinity and Water Quality.

For the four years to 2004, a structural analysis of the main operating expense items for the Board is shown in the following chart.



Operating Result

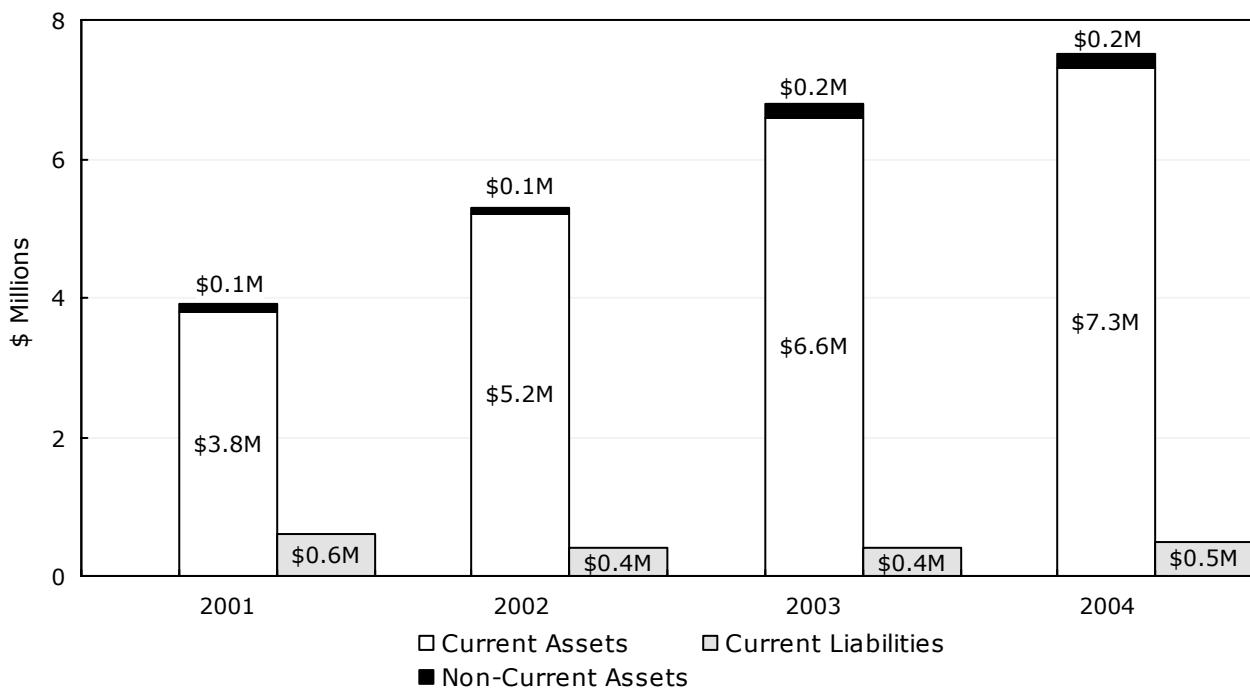
As can be seen from the following chart revenues exceeded expenses by \$1.5 million during 2001-02 and 2002-03. This surplus was due mainly to delays in commencing catchment water management plan projects. During 2003-04 the Board's surplus was reduced to \$0.6 million as expenditure was significantly increased.



Statement of Financial Position

The Board has significant cash assets to cover its small liabilities and future expenditure commitments (refer Note 11). Receivables increased by 23 percent to \$2.3 million and includes \$1.3 million outstanding from licence holders. The Board has had no non-current liabilities for the last four years.

A structural analysis of assets and liabilities for the four years to 2004 is shown in the following chart.



Statement of Cash Flows

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

	2004 \$'million	2003 \$'million	2002 \$'million	2001 \$'million
Net Cash Flows				
Operations	0.4	1.7	1.4	(1.2)
Investing	(0.1)	(0.1)	0	0
Financing	0	0	0	0
Change in Cash	0.3	1.6	1.4	(1.2)
Cash at 30 June	5.0	4.7	3.1	1.7

The analysis of cash flows shows that the Board's cash assets increase during 2001-02 and 2002-03 as a result of delays in commencing catchment projects. During 2003-04 the Board made improvements in monitoring the timely delivery of its catchment projects. At 30 June 2004, \$2.6 million of the \$5.0 million cash balance was committed towards grants and contracts.

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

		2004	2003
	Note	\$'000	\$'000
REVENUE FROM ORDINARY ACTIVITIES:			
Reticulated water supply levy		1 805	1 805
Water-based levy		2 255	2 176
Interest		291	216
Grants and contributions	3	2 802	958
Other revenue	4	382	282
Total Revenue		7 535	5 437
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee benefits		1 099	935
Supplies and services	6	3 230	2 101
Board fees and expenses	13	76	82
Grants	5	2 469	824
Depreciation	8	50	39
Total Expenses		6 924	3 981
SURPLUS FROM ORDINARY ACTIVITIES	14	611	1 456
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER	14	611	1 456

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

		2004	2003
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash assets		5 000	4 686
Receivables	7	2 330	1 902
Prepayments		31	-
Total Current Assets		7 361	6 588
NON-CURRENT ASSETS:			
Plant and equipment	8	152	165
Total Non-Current Assets		152	165
Total Assets		7 513	6 753
CURRENT LIABILITIES:			
Payables	9	475	355
Employee benefits	10	71	42
Total Current Liabilities		546	397
Total Liabilities		546	397
NET ASSETS		6 967	6 356
EQUITY:			
Accumulated surplus	14	6 967	6 356
TOTAL EQUITY		6 967	6 356
Commitments	11		

Statement of Cash Flows
for year ended 30 June 2004

		2004	2003
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
INFLOWS:			
Reticulated water supply levy		1 805	1 805
Water-based levy		2 161	2 218
Interest received		290	202
Grants received		2 740	948
Other income		160	479
GST receipts on revenue		319	130
GST receipts from Australian Taxation Office		189	179
OUTFLOWS:			
Payments to suppliers, service providers and employees		(6 740)	(3 940)
GST payments on purchases		(569)	(309)
Net Cash provided by Operating Activities	15.2	355	1 712
CASH FLOWS FROM INVESTING ACTIVITIES:			
OUTFLOWS:			
Payments for plant and equipment		(41)	(79)
Net Cash used in Investing Activities		(41)	(79)
NET INCREASE IN CASH HELD		314	1 633
CASH AT 1 JULY		4 686	3 053
CASH AT 30 JUNE	15.1	5 000	4 686

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

1.1 Establishment of the Board

The River Murray Catchment Water Management Board (the Board) was established on 11 September 1997 under the *Water Resources Act 1997* (the Act).

The Board commenced operation under an Initial Plan in 1998 until the completion of the Board's Catchment Water Management Plan.

The Minister for Environment and Conservation and the Minister for the River Murray adopted the Catchment Water Management Plan for the River Murray in South Australia on 12 March 2003 pursuant to Section 95 of the *Water Resources Act 1997*.

1.2 Functions of the Board are:

- (a) to prepare and implement a Catchment Water Management Plan in accordance with the Act;
- (b) to provide advice to the Minister and the constituent councils in relation to the management of the water resources in the Board's area in accordance with the Act;
- (c) to promote public awareness of the importance of the proper management of water resources in the Board's area and of the sustainable use of those resources; and
- (d) such other functions as are assigned to the Board by or under the Act or any other Act.

1.3 Sources of Funding

In accordance with the provisions of the *Water Resources Act 1997*, the Board received contributions from SA Water and irrigators within the proclaimed catchment area.

A Reticulated Water Supply Levy is charged to SA Water, for users of reticulated water, at the rate of 1 cent per kilolitre.

The Water-Based Levy contributions are levied on a rate per kilolitre to irrigation, recreation and industrial licensed water users based on their licensed water allocation.

1.3 Sources of Funding (continued)

Irrigated properties in the Qualco-Sunlands Scheme Area (Section 68 of the *Groundwater (Qualco-Sunlands) Control Act 2000*) are levied on a rate per kilolitre based on their licensed water allocation. The levy is raised to recognise the benefits provided by the operation of the Scheme under that Act.

Licensed water users of prescribed groundwater in the Angas Bremer Prescribed Wells Area and the Mallee Prescribed Wells Area are levied on a rate per kilolitre based on their licensed water allocation. The levy rate for these two areas vary as indicated below.

	2004	2003
	Kilolitre	Kilolitre
River Murray, Angas Bremer and Noora Prescribed Resources	0.35 cents	0.35 cents
Mallee Prescribed Wells Area (Groundwater)	0.30 cents	0.30 cents
Qualco-Sunlands Scheme	0.33 cents	-

All levies are charged and collected by the Department of Water, Land and Biodiversity Conservation, on behalf of the Board.

1.4 Output Classes of the Board

The Board operates solely in the portfolio area of water resource policy and planning therefore no separation into output classes is warranted.

2. Statement of Significant Accounting Policies

2.1 General

This financial report is a general purpose financial report which has been prepared in accordance with the *Water Resources Act 1997*, the requirements of the Treasurer's Instructions relating to financial reporting which are issued pursuant to the *Public Finance and Audit Act 1987* and Accounting Policy Statements issued pursuant to those Instructions, the Statements of Accounting Concepts, applicable Accounting Standards and Urgent Issues Group Consensus Views.

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

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

2.2 Plant and Equipment

Assets have been recognised at cost and included in the Statement of Financial Position. Minor items of plant and equipment with an individual value of less than \$1000 are expensed at the time they are acquired.

Depreciation

Depreciation is provided on a straight line basis on all plant and equipment and infrastructure assets and is calculated to allocate the value of the assets against revenue over their estimated useful lives. The rates used for each class of asset are:

	Percent
Furniture and fittings	10 and 20
Equipment	20

2.3 Employee Benefits

Employer Superannuation

The Board contributed \$98 000 (\$84 000) to superannuation in respect of employees and Board members for the financial year.

Annual Leave

Provision has been made for the unused component of annual leave at balance date. The provision is calculated based on salary rates plus on-costs that are expected to be paid at the time of taking such leave.

Sick Leave

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

Long Service Leave

The benchmark used for determining long service leave liability is seven years in accordance with Accounting Policy Statement APS 9 'Employee Benefits' issued by the Department of Treasury and Finance. Two members of staff have an entitlement to long service leave as a result of specific provisions under employment contracts.

2.4 Cash

Deposit Account balances are at call amounts, which earn interest at a rate determined by the Treasurer. Interest is received quarterly in arrears. The average effective interest rate for the reporting period was 4.92 percent (4.60 percent).

2.5 Receivables

Receivables in respect of fees and charges are recorded at their recoverable amount. At the end of each reporting period these receivable balances are reviewed and a provision is raised in respect of any balance where recoverability is considered doubtful. Bad debts are written off in the period in which they are identified. Credit risk therefore is confined to the amount set aside as provision for doubtful debts. The resulting carrying amount of receivables is considered to approximate their net fair values.

The Board does not have any significant exposure to any individual customer, thus its credit risks are due to its customer base being influenced by the South Australian economy.

2.6 Trade Creditors

Trade creditors are unsecured debts, recognised in the Statement of Financial Position when contracted goods, or services, have been received by the Board. These debts generally are settled within 30 days of invoice.

2.7 Revenue Recognition

All revenue recorded in the Statement of Financial Performance including contributions, levies, grants and other income is recognised when the Board obtains control over the assets arising from those revenues. Grants and other income recognition is in accordance with relevant agreements. Where no agreement exists revenue is recognised when cash is received.

2.8 Goods and Services Tax (GST)

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

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

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

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

2.9 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

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

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

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

3. Grants and Contributions

	2004 \$'000	2003 \$'000
Integrated Natural Resource Management Group# (National Action Plan for Salinity and Water Quality)	2 090	-
Department of Water, Land and Biodiversity Conservation	500	887
Land and Water Australia	159	-
Riverland West Local Action Planning Group	17	-
Mannum to Wellington Local Action Planning Group	15	-
Loxton to Bookpurnong Local Action Planning Group	15	-
Cadell Community and Tourist Association	6	-
Environment Protection Authority	-	33
Berri-Barmera Local Action Planning Group	-	15
Mid Murray Council	-	13
Department of Environment and Heritage	-	10
Total	2 802	958

Contributions are received pursuant to a Project Agreement with the Integrated Natural Resource Management Group (INRMG) for the implementation of the National Action Plan for Salinity and Water Quality. If, at the end of the term of the agreement, there are any unspent project funds the Board must refund the unspent money to the INRMG. The balance of unspent funds at 30 June are included in the balance of Commitments (refer Note 11).

4. Other Revenue	2004 \$'000	2003 \$'000
Consultancy Agreement*	273	258
Other	109	24
Total	382	282

* The Board provides consultancy services to the Murray-Darling Basin Commission.

5. Grants	2004 \$'000	2003 \$'000
Murray Darling 2001	-	402
Board Funded Grants*	2 469	422
Total	2 469	824

* The Board provides funding to various bodies including Community Groups, Local and State Government to undertake projects that are consistent with the Programs of the Board's River Murray Catchment Water Management Plan.

6. Supplies and Services	2004 \$'000	2003 \$'000
Consultancies#	2 131	1 160
Other expenditure	265	244
Contractors	246	78
Motor vehicle expenses	135	121
Postage, printing and stationery	93	150
Advertising	88	34
Office accommodation and services	82	58
Meeting and conferences	46	54
Telephone	46	44
Travel and accommodation	32	32
Staff training and development	22	45
Computing expenditure	17	56
Audit fees for audit of financial report*	16	16
Accounting	11	9
Total Supplies and Services	3 230	2 101

Consultancies includes \$729 000 (\$398 000) paid to Government Agencies for Consultancy Services.

* The auditors provided no other services.

7. Receivables	2004	2003
Water based levy contributions receivable at balance date	1 292	267
Less: Provision for doubtful debts	14	14
	1 278	253
Accounts receivable from:		
Department of Water, Land and Biodiversity Conservation	647	1 579
Other accounts receivable	405	70
Total Receivables	2 330	1 902

8. Plant and Equipment	2004	2003	
<i>Plant and Equipment Movement Schedule</i>	Furniture and Fittings \$'000	Equipment \$'000	Total \$'000
Gross Carrying Amount:			
Balance as at 30 June 2003	88	186	274
Additions	-	41	41
Disposals	(2)	(9)	(11)
Balance as at 30 June 2004	86	218	304
Accumulated Depreciation:			
Balance as at 30 June 2003	47	62	109
Depreciation expense	6	44	50
Disposals	-	(7)	(7)
Balance as at 30 June 2004	53	99	152
Net Book Value			
As at 30 June 2003	41	124	165
As at 30 June 2004	33	119	152

9. Payables	2004 \$'000	2003 \$'000
Payables	429	258
Accrued expenses	46	97
Total Payables	475	355

10. Employee Benefits	2004 \$'000	2003 \$'000
Current:		
Annual leave	54	31
Long service leave	17	11
Total Employee Benefits	71	42

11. Commitments	2004 \$'000	2003 \$'000
<i>Other Expenditure Commitments Contracted for but not recognised in the Accounts</i>		
Payable in respect of grant and contracts:		
Not later than one year	2 560	3 546
	2 560	3 546

Several projects in the form of grants and contracts have been committed as at 30 June 2004. These projects are mainly grants to Local Action Planning Groups and community groups. This amount is not reflected in the Statement of Financial Performance or the Statement of Financial Position for the current financial year.

12. Executive Remuneration	2004 Number of Employees	2003 Number of Employees
The number of employees whose remuneration received or receivable exceeded \$100 000 was:	1	-

13. Remuneration of Board Members	2004 Number of Employees	2003 Number of Employees
Members of the River Murray Catchment Water Management Board during the financial year were:		
Hon David C Wotton (Presiding Member)	Mrs Rachel Murphy	
Mr Jeffrey W Parish	Mr Terence McAnaney	
Hon Peter B Arnold	Mr Roger Wickes	
Mr William R Paterson	Mr Joseph Keynes	
Mrs Joanne L Pfeiffer		

Total income received, or due and receivable, by Board Members was \$51 000 (\$58 000). Other expenses of Board Members were \$25 000 (\$24 000). The number of Members whose income from the entity falls within the following bands are:

	2004 Number of Members	2003 Number of Members
\$nil	1	1
\$1 - \$9 999	7	7
\$10 000 - \$19 999	-	-
\$20 000 - \$29 999	1	1
	9	9

In accordance with the Department of the Premier and Cabinet Circular No. 14, Mr Roger Wickes, as a Government employee, did not receive any remuneration from the Board during the year.

Related Party Disclosures

During the year transactions were entered into where Board Members had either a direct or indirect pecuniary interest. Payments totalling \$30 000 (\$3 000), \$103 000 (\$100 000) and \$126 000 (\$112 000) were paid to Coorong Council, Central Irrigation Trust and Goolwa to Wellington Local Action Planning Group respectively. Board Member Mr William Patterson is an employee of Coorong Council, Board Member Mr Jeffrey Parish is an employee of Central Irrigation Trust and Board Member Mrs Rachel Murphy is an employee of Goolwa to Wellington Local Action Planning Group.

14. Accumulated Surplus	2004 \$'000	2003 \$'000
Opening balance	6 356	4 900
Surplus from ordinary activities	611	1 456
Total	6 967	6 356

15. Statement of Cash Flows

15.1 Reconciliation of Cash

For the purposes of the Statement of Cash Flows, the Board considers cash to include cash on hand and in banks and those investments that are able to be converted to cash within two working days.

15.2 Reconciliation of Surplus from Ordinary Activities to Net Cash

provided by Operating Activities

Surplus from ordinary activities	611	1 456
Depreciation	50	39
Loss on write off of fixed assets	4	1
(Increase) Decrease - Receivables	(459)	215
Increase (Decrease) - Payables	120	(11)
Increase - Employee Benefits	29	12
Net Cash Provided by Operating Activities	355	1 712

SOUTH EAST CATCHMENT WATER MANAGEMENT BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The South East Catchment Water Management Board was established under section 53 of the *Water Resources Act 1997*, on 15 May 1998.

Functions

The functions of the Board are to:

- prepare and implement a comprehensive Catchment Water Management Plan;
- provide advice to the Minister and constituent councils regarding the management of water resources within the Board's area;
- promote public awareness of the importance of proper management and sustainable use of the water resources within the Board's area.

Structure

The Board is responsible to the Minister and is supported by the Chief Executive Officer and officers in implementing its Catchment Water Management Plan.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* and section 74(2) of the *Water Resources Act 1997* provide for the Auditor-General to audit the accounts of the South East Catchment Water Management Board for each financial year.

Assessment of Controls

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

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

Scope of Audit

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

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

- budgetary control and management reporting
- grant expenditure
- revenue, receipting and banking
- accounts payable
- salaries and wages.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

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

Assessment of Controls

Audit formed the opinion that the controls exercised by the South East Catchment Water Management Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised below in relation to Delegations and the provision of a Fund Administration Service, are sufficient to provide reasonable assurance that the financial transactions of the South East Catchment Water Management Board have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Chief Executive Officer. The response to the management letter was generally satisfactory. Major matters raised with the Board and the related responses are considered herein.

Delegations

During 2002-03 Audit identified that the delegations of authority to Board employees were not approved by the Minister as is required by subsection 66(1)(b) of the *Water Resources Act 1997*. This finding was communicated to the Board in 2002-03 who, along with other Catchment Water Management Boards, responded that clarification would be sought from the Crown Solicitor.

In March 2004 the Crown Solicitor advised that if the Board requires an officer to undertake a task or activity that only the Board is empowered under the Act to undertake, the power must be delegated to the officer. In particular, the Crown Solicitor noted that a task that an officer cannot exercise without a delegation is the power to contract on behalf of the Board.

At the time of preparing this Report the Board's delegations, which delegate authority to the Chief Executive to contract on behalf of the Board, had not been approved by the Minister in accordance with subsection 66(1)(b) of the Act.

The Minister approved the Board's delegations of authority on 16 August 2004.

Risk Management

Last year Audit identified that the Board had not established a formal process for identifying, assessing and managing risk as required by the Financial Management Framework.

Audit observed that during 2003-04 the Board developed a draft risk management policy and plan but noted that the draft policy and plan had not yet been implemented.

Fund Administration Service

Last year Audit recommended that the Board obtain legal advice clarifying whether the service provided to the Mid South East Irrigators Association Inc. (as detailed in Note 20 to the Financial Statements) is authorised by the *Water Resources Act 1997* (the Act) and formally review the risks associated with the provision of this service.

In July 2004 Audit noted that legal advice had not yet been obtained and that a formal risk assessment had not yet been undertaken.

The Board subsequently sought legal advice from the Crown Solicitor who has advised the Board that whilst the services provided to the Mid South East Irrigators Association Inc. (MSEIA) are authorised by the Act, section 64(2) of the Act requires that a person wishing to obtain assistance from the Board must make a written application setting out the:

- nature of the assistance requested from the Board;
- purpose for which the assistance will be used;
- reasons why the applicant believes the granting of assistance by the Board is justified.

Under section 64(3) of the Act the Board is required to make copies of the submission available to the public for inspection and purchase.

The Board has advised Audit that a letter has been sent to the MSEIA requesting a written application for assistance, and that the Board will review its policy and procedure on risk to incorporate the provision of assistance to the MSEIA.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2004 \$'million	2003 \$'million	Percentage Change
OPERATING REVENUE			
Fees and charges	1.8	1.4	29
Other revenue	0.1	0.0	0
Total Operating Revenue	1.9	1.4	36
OPERATING EXPENDITURE			
Employment benefits	0.6	0.5	20
Other expenses	0.9	0.8	13
Total Operating Expenses	1.5	1.3	15
Surplus	0.4	0.1	300
Net Cash Flows from Operations	0.6	0.2	200
ASSETS			
Current assets	1.1	0.6	83
Total Assets	1.1	0.6	83
LIABILITIES			
Current liabilities	0.3	0.2	50
Total Liabilities	0.3	0.2	50
EQUITY	0.8	0.4	100

Statement of Financial Performance

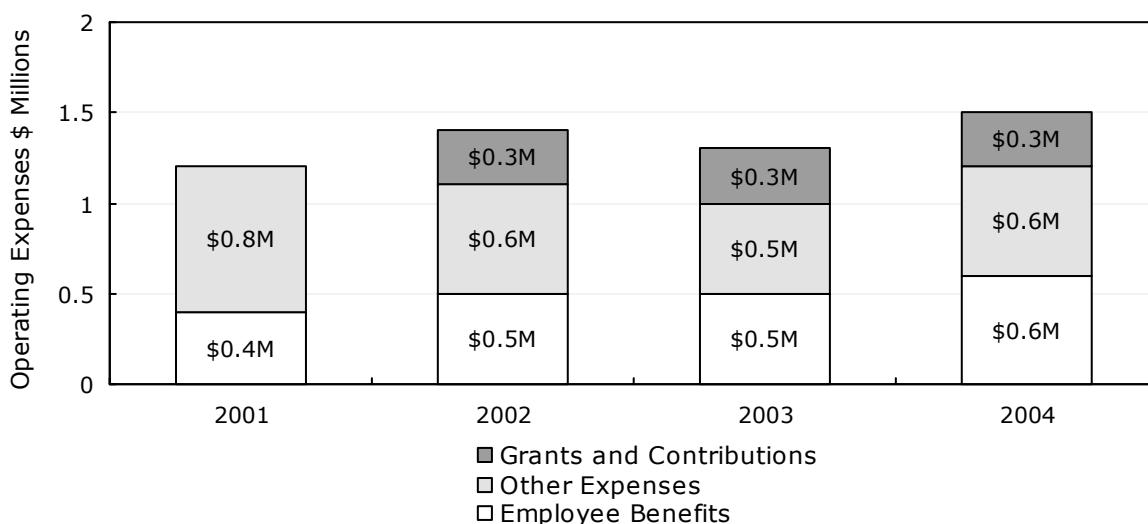
Operating Revenues

Levies charged under the Water Resources Act 1997 amounted to \$1.8 million (\$1.4 million), and represented 93 percent (95 percent) of the Board's revenue. Levies increased by \$0.4 million during 2003-04 due mainly to collection of water holding allocation levies for the first time. Other operating revenues consisted mainly of interest on bank deposits.

Operating Expenses

Since its second full year of operation in 2000-01, there have been relatively minor changes in the Board's operating expenses. The increase in employee benefits during 2003-04 reflects an increase in the number of employees (2003: 8.6 FTE's; 2004: 10.8 FTE's).

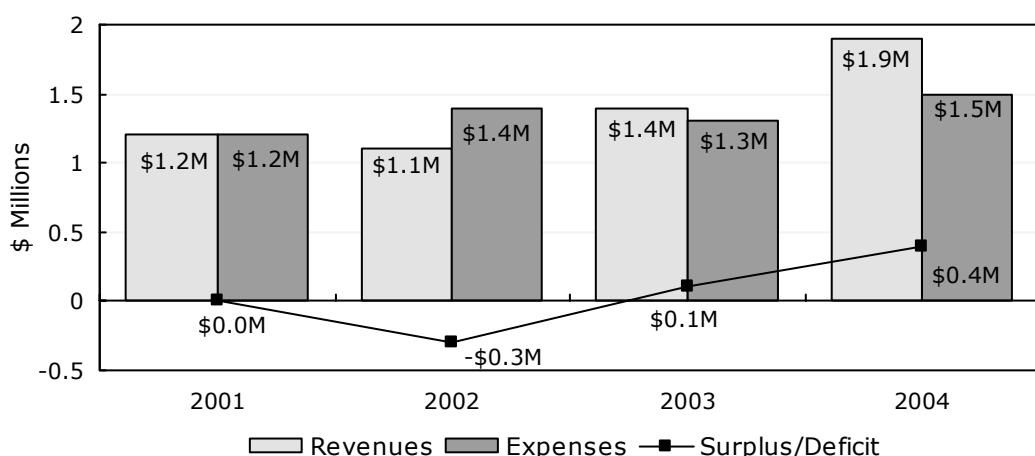
For the four years to 2004, a structural analysis of the main operating expense items for the Board is shown in the following chart.



Operating Result

In accordance with the provisions of the *Water Resources Act 1997*, the Board receives contributions from Councils and water based levies from water licensees within the region's prescribed areas. The total levy amount is based upon the annual estimated expenditure of the Board as detailed in its Catchment Water Management Plan less the funds on hand and obtained from other sources including grants. As a result, the revenues of the Board are usually equivalent to its expenditure resulting in low surpluses/deficits. Delays in implementing catchment projects affects the level of surpluses/deficits.

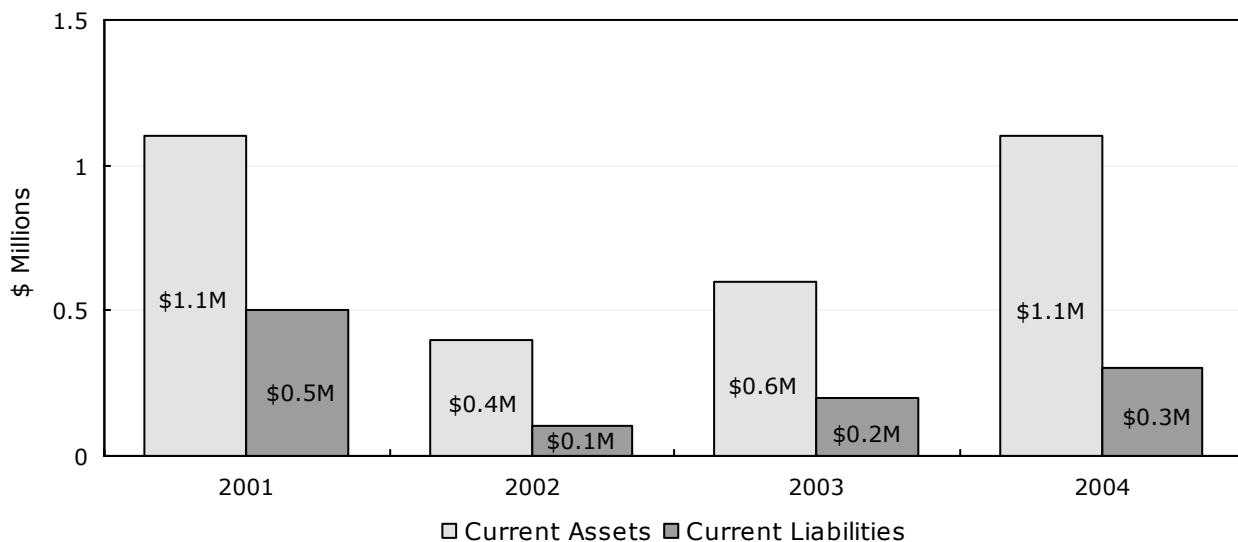
The following chart shows the operating revenues, operating expenses and surpluses/deficits for the four years to 2004.



Statement of Financial Position

The Board has significant cash assets to cover its small liabilities. The Board has insignificant non-current assets and no non-current liabilities.

For the four years to 2004, a structural analysis of assets and liabilities is shown in the following chart.



Statement of Cash Flows

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

	2004 \$'million	2003 \$'million	2002 \$'million	2001 \$'million
Net Cash Flows				
Operations	0.6	0.2	(0.3)	(0.1)
Investing	0	0	0	0
Financing	0	0	0	0
Change in Cash	0.6	0.2	(0.3)	(0.1)
Cash at 30 June	1.0	0.4	0.2	0.5

The analysis of cash flows shows that the Board's cash assets increased by \$0.6 million to \$1.0 million in 2003-04. This was due mainly to delays in implementing catchment projects.

At 30 June 2004, \$86 000 of the cash balance was committed towards projects.

Administered Items

The Board administers funds held on behalf of the Mid South East Irrigators Association. Cash held by the Board at 30 June amounted to \$702 000 (\$752 000). Note 1(d) and Note 20 to the Financial Statements explains the Board's role and provides a summary of related financial transactions. As mentioned earlier under the heading 'Fund Administration Service' Audit has raised the matter of the Board's authority to administer these funds.

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

		2004	2003
	Note	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges	4	1 772	1 377
Interest revenue	5	60	34
Other revenue	6	79	42
Total Revenues		1 911	1 453
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee benefits		617	507
Goods and services	7	564	515
Grants and contributions		297	298
Depreciation	8	10	11
Total Expenses		1 488	1 331
SURPLUS FROM ORDINARY ACTIVITIES		423	122
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		423	122

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

		2004	2003
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash assets	9	1 039	439
Receivables	10	65	121
Total Current Assets		1 104	560
NON-CURRENT ASSETS:			
Plant and equipment	11	20	28
Total Non-Current Assets		20	28
Total Assets		1 124	588
CURRENT LIABILITIES:			
Payables	12	227	127
Employee benefits	13	61	48
Total Current Liabilities		288	175
Total Liabilities		288	175
NET ASSETS		836	413
EQUITY:			
Accumulated surplus	14	836	413
TOTAL EQUITY		836	413
Commitments	15		

Statement of Cash Flows
for the year ended 30 June 2004

		2004	2003
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employee benefits		(604)	(494)
Goods and services		(547)	(456)
Grants and contributions		(217)	(298)
GST payments on purchases		(63)	(67)
RECEIPTS:			
Fees and charges		1 844	1387
Interest revenue		58	33
Other revenue		68	44
GST receipts from taxation authority		59	63
GST receipts on sales		4	4
Net Cash provided by Operating Activities	16	602	216
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of plant and equipment		(2)	(17)
Net Cash used in Investing Activities		(2)	(17)
NET INCREASE IN CASH HELD		600	199
CASH AT 1 JULY		439	240
CASH AT 30 JUNE	9	1 039	439

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) Establishment of Board

The South East Catchment Water Management Board was established under Section 53 of the *Water Resources Act 1997*, on 15 May 1998.

The Board's Initial Plan was approved by the Minister for Environment and Heritage in April 1999. The Minister for Environment and Conservation approved the new Catchment Water Management Plan in May 2003 for the five financial years 2003-04 to 2007-08.

(b) Functions of the Board

The functions of the Board are to:

- prepare and implement a Catchment Water Management Plan;
- provide advice to the Minister for Environment and Conservation and constituent councils regarding water resource management in the Board's area;
- promote public awareness of the importance of proper management and sustainable use of the water resources within the Board's area.

(c) Financial Arrangements

In accordance with the provisions of the *Water Resources Act 1997* the Board received water based levies from water licence holders and contributions from councils within the proclaimed catchment area.

The 2003-04 water based levies are set at the following rates, according to the type of allocation and whether the allocation is determined on a volumetric basis or an irrigation equivalent basis where the water allocation on the licence is specified:

- as an annual volume in megalitres, \$1.86 per megalitre of allocation;
- in Irrigation Equivalents (IE), \$9.30 per hectare IE or part thereof;
- as being for the purpose of reticulated water supply pursuant to the *Waterworks Act 1932*, \$10.00 per megalitre of allocation;
- Section 11 pulp and paper mill at \$1.86 per megalitre.

(c) Financial Arrangements (continued)

Council contributions are based upon an approximate value of 30 percent of Board revenue (per the Initial Catchment Water Management Plan). Councils are required by the *Water Resources Act 1997* to impose a separate levy on rateable land in the catchment areas of the Board in order to recover the contributions made to the Board.

Contributions payable by the Councils have been reduced by the amount of rebates and remissions granted by Councils in accordance with section 138 of the *Water Resources Act 1997*.

In the Tintinara-Coonalpyn Prescribed Wells Area a specific schedule of levy rates apply in order to ensure levy parity with the per hectare IE regime in neighbouring Tatiara.

The financial activities of the Board are conducted through a Deposit Account with the Department of Treasury and Finance pursuant to section 21 of the *Public Finance and Audit Act 1987*.

(d) Administered Activities

The Board administers funds on behalf of the Mid South East Irrigators Association (MSEIA). The transactions relating to these activities are not recorded in the Board's Statement of Financial Performance, Statement of Financial Position or Statement of Cash Flows, as the Board does not have any control over these activities and merely acts as an agent. Details relating to these administered funds are disclosed in Note 20.

2. Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general purpose financial report, and has been prepared in accordance with Statements of Accounting Concepts, Australian Accounting Standards, Urgent Issues Group (UIG) Consensus Views, Treasurer's Instructions and Accounting Policy Statements issued by the Department of Treasury and Finance and the requirements of the *Water Resources Act 1997*.

The financial report has been prepared on the accrual basis of accounting. Accordingly revenues are recognised when they are earned or when the Board obtains control over them, rather than when they are received and expenses are recognised when they are incurred, rather than when they are paid. Some revenues are recognised when cash is received because only at this time can the Board be certain about the amounts to be collected. These revenues include items such as grants.

The financial report has been prepared in accordance with the historical cost convention.

(b) Plant and Equipment

Assets have been recognised at cost and included in the Statement of Financial Position.

Minor items of plant and equipment with an individual value of less than \$2 000 are expensed in the Statement of Financial Performance at the time they are acquired.

(c) Depreciation

All items of plant and equipment have a limited useful life and are systematically depreciated in a manner which reflects the consumption of service potential. The depreciation rates are reviewed annually.

The expected useful life is as follows:

	Years
Computing equipment	3
Other equipment	3-5
Furniture and fittings	10

Depreciation is provided on a straight-line basis.

(d) Income Recognition

All revenue is recorded in the Statement of Financial Performance. Grants, donations and other contributions are recognised as revenues when the Board obtains control over the assets comprising the contributions. Control over such revenues is normally obtained upon their receipt.

(e) Receivables

Receivables in respect of fees and charges are recorded at their recoverable amount. At the end of each reporting period these receivable balances are reviewed and a provision is raised in respect of any balance where recoverability is considered doubtful. Bad debts are written off in the period in which they are identified.

(f) Superannuation

The Board made contributions of \$59 000 (\$48 000) to Employer Contribution Accounts administered by the South Australian Superannuation Board, in respect of future superannuation liabilities.

(g) Employee Benefits and Other Employee Related Provisions

Employee benefits and employment on-costs accruing during the reporting period are treated as an expense in the Statement of Financial Performance.

A provision is raised at the end of the reporting period to reflect employee annual leave benefits. The annual leave benefit is calculated by multiplying each employee's entitlement by the remuneration rate current at the reporting date. Where leave loadings are paid, they are included in the calculation.

The benchmark used for determining long service leave liability is seven years in accordance with Accounting Policy Statement APS 9 'Employee Benefits' issued by the Department of Treasury and Finance. One member of staff has a long service leave benefit as a result of an entitlement under an employee contract.

(h) Cash Flows

For the purpose of the Statement of Cash Flows, cash includes cash on hand and Deposit Accounts with the Department of Treasury and Finance.

(i) Operating Leases

The Board has no finance leases. The Board has entered operating lease agreements in relation to office premises, photocopier and vehicle whereby lessors effectively retain all of the risks and benefits incidental to ownership of the property held under the operating lease.

(j) Creditors

These amounts represent liabilities for goods and services provided to the Board prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Cash Assets

Deposit account balances are at call amounts, which earn interest at a rate determined by the Treasurer. Interest is received quarterly in arrears. The average effective interest rate for the reporting period was 4.87 percent.

(l) Goods and Services Tax (GST)

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

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

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

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

(m) Rounding

All amounts are rounded to the nearest thousand dollars.

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

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

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

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

3. Output Classes of the Board

The Board operates solely in the portfolio area of water resource policy and planning thus no separation into output classes is warranted.

		2004 \$'000	2003 \$'000
4. Fees and Charges			
Water based levies	Note	1 278	906
Council levies (land based)		414	389
Public water supply levies		80	82
Total		1 772	1 377
5. Interest Revenue			
Interest revenue for the reporting period comprised:			
Department of Treasury and Finance		46	30
Department of Water, Land and Biodiversity Conversation		11	4
Licence holders		3	-
Total		60	34
6. Other Revenue			
Other revenue for the reporting period comprised:			
Blue Lake Management Committee and project funding		8	9
Payroll tax reimbursement		37	-
Other		34	33
Total		79	42
7. Goods and Services			
Goods and services expenses for the reporting period comprised:			
Board sitting fees and related expenses		93	87
Publications, reports, advertising and media		90	68
Other goods and services		70	55
Building accommodation and service expenses		54	54
Payroll tax		37	-
Travel expenses		37	31
Vehicle expenses		36	36
Minor plant and equipment		29	14
Staff training		28	17
Consultants		27	103
Stationery		21	20
Audit fee	18	17	11
Telephone		16	16
Accountant fees		12	12
Doubtful debt expense		(3)	(9)
Total		564	515
8. Depreciation			
Computing equipment		8	8
Other equipment		2	3
Total		10	11
9. Cash Assets			
Deposit Account with the Department of Treasury and Finance		1 039	439
10. Receivables			
Water based levies		35	60
Council levies (land based)		-	48
GST refund		10	9
Sundry receivables		15	4
Accrued interest		7	5
Provision for doubtful debts		67	126
		(2)	(5)
Total		65	121

11. Plant and Equipment

	2004 \$'000	2003 \$'000
Computing equipment - At cost	50	55
Less: Accumulated depreciation	39	38
	11	17
Furniture and fittings - At cost	5	5
Less: Accumulated depreciation	2	2
	3	3
Other equipment - At cost	16	16
Less: Accumulated depreciation	10	8
	6	8
Total Plant and Equipment - At cost	71	76
Less: Accumulated depreciation	51	48
	20	28

Plant and Equipment Movement Schedule

	Carrying Amount 01.7.03 \$'000	Additions \$'000	Disposals \$'000	Depreciation Expense \$'000	Carrying Amount 30.6.04 \$'000
Computing	17	2	-	8	11
Furniture and fittings	3	-	-	-	3
Other equipment	8	-	-	2	6
	28	2	-	10	20

12. Payables

	2004 \$'000	2003 \$'000
Current:		
Creditors	40	31
Accrued expenses	187	96
Total	227	127

13. Employee Benefits

Annual leave	47	38
Long service leave	14	10
Total	61	48

14. Equity

Accumulated Surplus

Equity represents the residual interest in the Board's net assets. The South Australian Government holds the equity interest in the Board on behalf of the community.

Balance at 1 July	413	291
Surplus from ordinary activities	423	122
Balance at 30 June	836	413

15. Commitments

Lease Commitments

Commitments under non-cancellable operating leases at the reporting date which have not been recognised in the financial statements:

Payable:	28	24
Not later than one year	27	31
Later than one year and not later than five years	55	55

The leases are non-cancellable leases, with rental payments monthly in arrears. Contingent rental provisions within the lease agreement allow for increase in payments in line with general inflation.

Other Expenditure Commitments

Other expenditure commitments which have not been recognised in the financial statements relate to arrangements with the Department of Water, Land and Biodiversity Conservation to fund the Volumetric Conversion Project. The commitments are:

	2004 \$'000	2003 \$'000
Payable:		
Not later than one year	86	80
Later than one year and not later than five years	-	80
Total	86	160

16.	Reconciliation of Surplus from Ordinary Activities to Net Cash provided by Operating Activities	2004	2003
		\$'000	\$'000
	Surplus from ordinary activities	423	122
	Depreciation	10	11
	Movements in assets and liabilities:		
	Increase in payables	100	68
	Increase in employee benefits	13	13
	Decrease in receivables	56	2
	Net Cash provided by Operating Activities	602	216

17. Remuneration of Board Members

Members of the South East Catchment Water Management Board during the financial year were:

Mr James Osborne (Presiding member)	Mr Robert Mock
Ms Maureen Andrews	Mr Christopher England
Mr Peter Altschwager	Mr Phillip McBride
Mr Robert Cowan	Mr Graham Kaye
Ms Dianne Ashby	

Remuneration paid or payable to Board members in respect of the reporting period fell within the following bands:

	2004	2003
	Number of Members	Number of Members
\$1 - \$10 000	8	6
\$10 001 - \$20 000	-	2
\$20 001 - \$30 000	1	1
	9	9

Total remuneration paid or payable to these members was \$67 000 (\$66 000). Other expenses of the Board members was \$26 000 (\$21 000).

18. Auditors' Remuneration

Amounts due and receivable for auditing the accounts

2004	2003
\$'000	\$'000
17	11

The auditors provided no other services.

19. Remuneration of Employees

The number of employees whose remuneration received or receivable exceeded \$100 000 fell within the following bands:
\$110 001 - \$120 000

2004	2003
Number of Employees	Number of Employees
1	1

20. Funds held on behalf of Mid South East Irrigators Association

The Board holds funds on behalf of the Mid South East Irrigators Association to assist them implement a program to rehabilitate degraded confined aquifers for wells. The Board has accepted this deposit on the basis that these monies will be disbursed in accordance with the instructions of the Mid South East Irrigators Association. Interest is paid at the same rate as received by the Board.

	2004	2003
	\$'000	\$'000
Balance at 1 July	752	737
Deposits placed with the Board	21	151
Interest earned on deposits	36	38
Less: Payments made on behalf of MSEIA	107	174
Balance of Funds held at 30 June	702	752

TORRENS CATCHMENT WATER MANAGEMENT BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Torrens Catchment Water Management Board (the Board) was established on 7 May 1995 pursuant to the *Catchment Water Management Act 1995*, which was subsumed by the *Water Resources Act 1997*.

Functions

The functions of the Board are to:

- prepare and implement a comprehensive Catchment Water Management Plan;
- provide advice to the Minister and the constituent councils regarding the management of water resources within the Board's area;
- promote public awareness of the importance of the proper management and sustainable use of the water resources within the Board's area.

Structure

The Board is responsible to the Minister and is supported by the General Manager and officers in implementing its Catchment Water Management Plan.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Section 74(2) of the *Water Resources Act 1997* and subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor General to audit the accounts of the Board for each financial year.

Assessment of Controls

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

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

Scope of Audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. The audit also considered whether the controls implemented by the Board were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

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

- budgetary control and management reporting
- accounts payable
- payroll
- revenue, including council levies
- grant administration.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

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

Assessment of Controls

Audit formed the opinion that the controls exercised by the Torrens Catchment Water Management Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matter raised in relation to Delegations, are sufficient to provide reasonable assurance that the financial transactions of the Torrens Catchment Water Management Board have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the General Manager. The response to the management letter was generally satisfactory. Major matters raised with the Board and the related responses are considered herein.

Delegations

During 2002-03 Audit identified that delegations of authority to Board employees were not approved by the Minister as is required by subsection 66(1)(b) of the *Water Resources Act 1997*. This finding was communicated to the Board in 2002-03 who, along with other Catchment Water Management Boards, requested clarification from the Crown Solicitor in July 2003.

In March 2004 the Crown Solicitor advised that if the Board requires an officer to undertake a task or activity that only the Board is empowered under the Act to undertake, the power must be delegated to the officer by the Board. In particular, the Crown Solicitor noted that a task that an officer cannot exercise without a delegation is the power to contract on behalf of the Board.

At the time of preparing this Report the Board's delegations, which delegate authority to the General Manager to contract on behalf of the Board, had not been approved of by the Minister in accordance with subsection 66(1)(b) of the Act.

The Minister approved the Board's delegations of authority on 26 August 2004.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2004 \$'million	2003 \$'million	Percentage Change
<i>OPERATING REVENUE</i>			
Council contributions	4.1	4.0	3
Other revenues	0.5	0.9	(44)
Total Operating Revenue	4.6	4.9	(6)
<i>OPERATING EXPENDITURE</i>			
Contractors	0.9	0.9	0
Grants and subsidies	1.6	1.7	6
Other expenses	1.9	1.3	46
Total Operating Expenses	4.4	3.9	13
Surplus (Deficit)*	0.2	1.0	(80)

	2004 \$'million	2003 \$'million	Percentage Change
Net Cash Flows from Operations	1.0	1.0	0
ASSETS			
Current assets	2.5	2.0	25
Non-current assets	1.6	2.0	(20)
Total Assets	4.1	4.0	3
LIABILITIES			
Current liabilities	0.1	0.2	(50)
Non-current liabilities	0	0	0
Total Liabilities	0.1	0.2	(50)
EQUITY	4.0	3.8	5

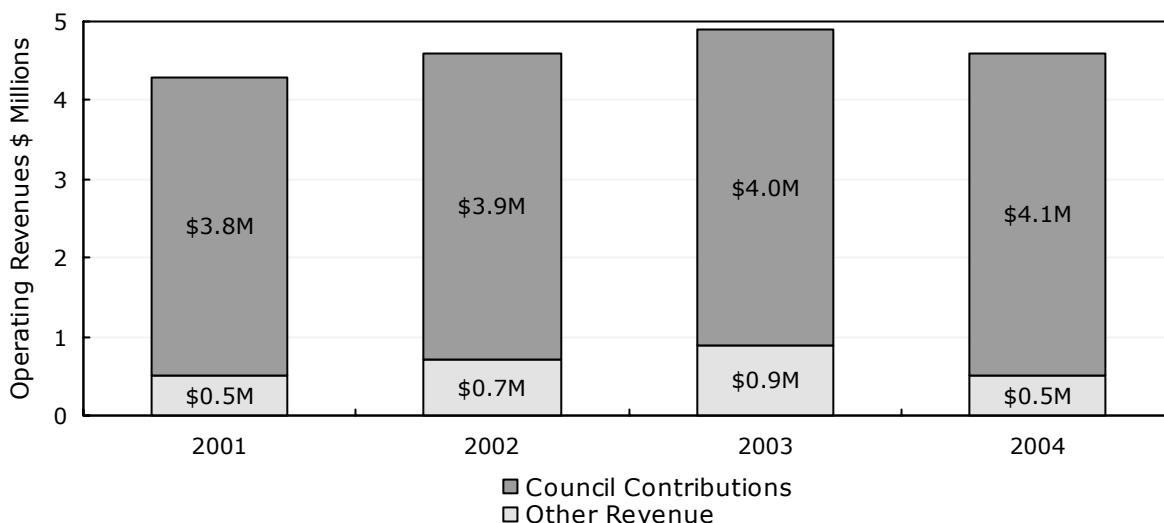
* The surplus/deficit includes some non-operating items.

Statement of Financial Performance

Operating Revenues

Constituent Councils provided contributions of \$4.1 million (\$4 million) to the Board in 2003-04. The contributions comprised 90 percent (81 percent) of the Board's operating revenues for the year. Other operating revenues include grants and interest on bank deposits.

A structural analysis of operating revenues for the Board in the four years to 2004 is presented in the following chart.



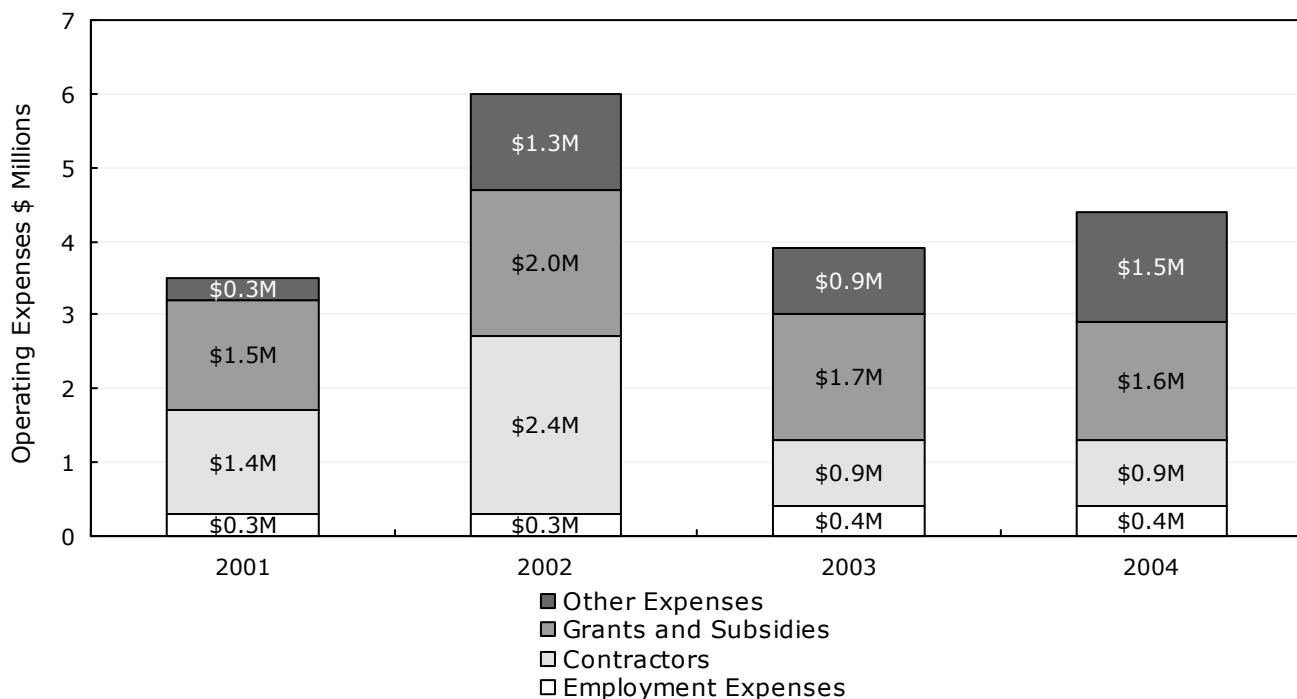
Operating Expenses

Contractor expenses of \$0.9 million (\$0.9 million) comprised 21 percent (21 percent) of the Board's operating expenses in 2003-04. Contractor expenses were significantly higher in 2001-02 due mainly to the Watercourse Rehabilitation Program and the construction of the St Peters Billabong wetland.

Grants and subsidies of \$1.6 million (\$1.7 million) were provided mainly to councils to undertake water catchment works and are a significant component of the Board's expense.

Other expenses increased by \$0.6 million in 2003-04 mainly as a result of a transfer of six gross pollutant traps to constituent Councils of \$0.7 million for nil consideration.

For the four years to 2004, a structural analysis of the main operating expense items for the Board is shown in the following chart.

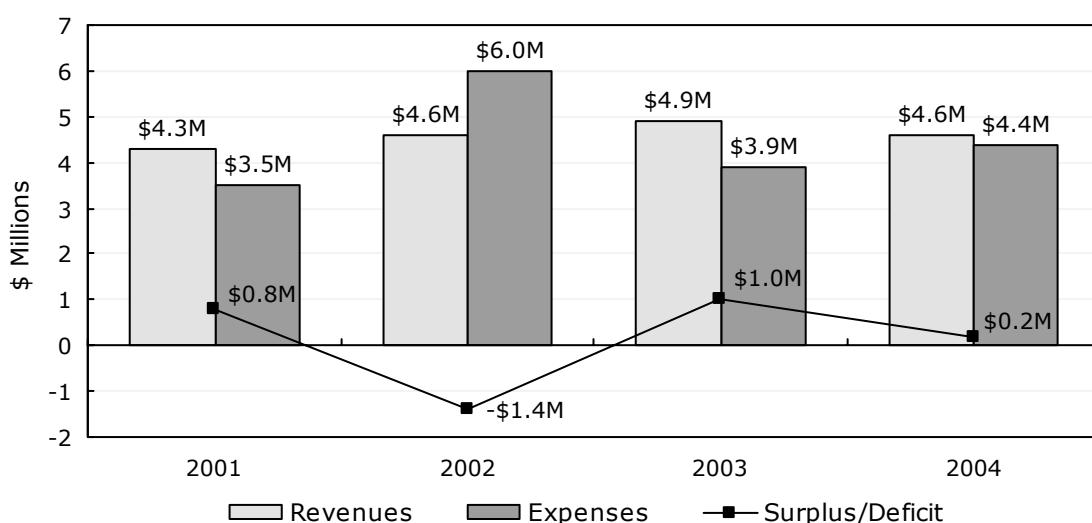


Operating Result

In accordance with the provisions of the *Water Resources Act 1997*, the Board receives contributions from Councils within the proclaimed catchment area. The amount contributed by Councils is based upon the annual estimated expenditure of the Board as detailed in its catchment water management plans, less the funds obtained from other sources including grants. As a result, the revenues of the Board are usually equivalent to its expenditure resulting in low surpluses/deficits, unless there are delays in implementing major projects or funds are required to be accumulated to pay for major projects.

In 2002 funds from past years were used for the Watercourse Rehabilitation Program and construction of the St Peters Billabong Wetland.

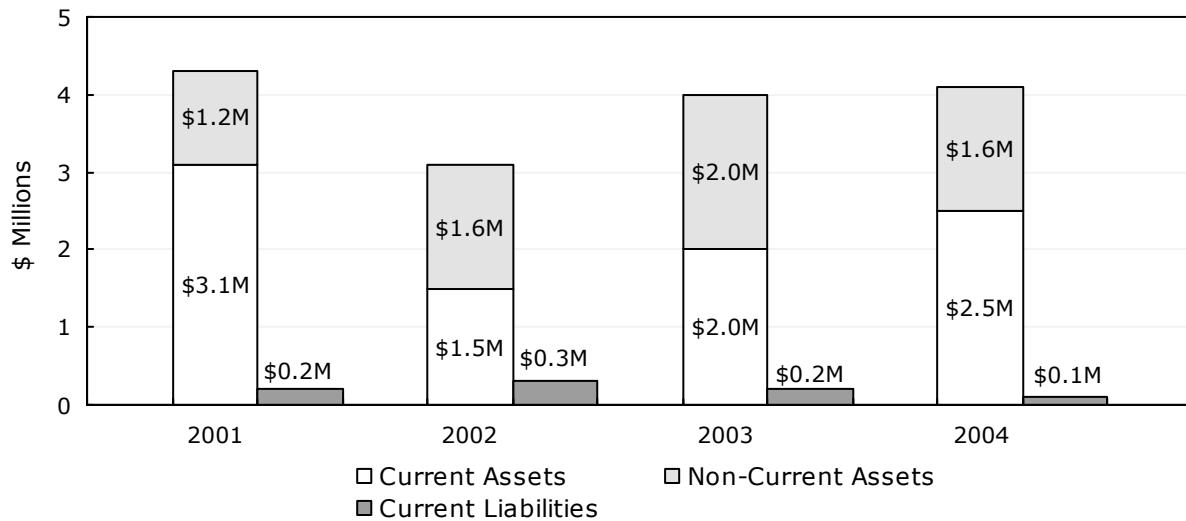
The following chart shows the operating revenues, operating expenses and surpluses/deficits for the four years to 2004.



Statement of Financial Position

The Board has significant cash assets to cover its small liabilities and future expenditure commitments. The Board has insignificant non-current liabilities.

A structural analysis of assets and liabilities for the four years to 2004 is shown in the following chart.



Statement of Cash Flows

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

	2004 \$'million	2003 \$'million	2002 \$'million	2001 \$'million
Net Cash Flows				
Operations	1.0	1.0	(1.0)	0.9
Investing	(0.4)	(0.5)	(0.9)	0
Financing	0	0	0	0
Change in Cash	0.6	0.5	(1.9)	0.9
Cash at 30 June	2.2	1.6	1.1	3.0

The analysis of cash flows shows that cash was accumulated up to 2000-01 and spent in 2001-02 on the Watercourse Rehabilitation Program and the construction of the St Peters Billabong wetland.

Expenditure commitments for catchment projects were \$1.9 million at 30 June 2004.

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

		2004	2003
	Note	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Council contributions		4 091	3 993
Other contributions and grants		351	860
Interest received		105	54
Other income		8	2
Total Revenues		4 555	4 909
EXPENSES FROM ORDINARY ACTIVITIES:			
Grants and subsidies		1 646	1 743
Contractors		917	893
Transfers of non-current assets	6	676	-
Employee benefits		441	367
Consultants		304	552
Other expenses		277	242
Depreciation	5	79	82
Board fees and expenses		36	38
Total Expenses		4 376	3 917
SURPLUS FROM ORDINARY ACTIVITIES		179	992
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		179	992

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

		2004	2003
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash assets	12.1	2 210	1 556
Receivables	3	265	402
Total Current Assets		2 475	1 958
NON-CURRENT ASSETS:			
Plant, equipment and gross pollutant traps	5, 6	1 516	1 726
Work in progress	4	137	331
Total Non-Current Assets		1 653	2 057
Total Assets		4 128	4 015
CURRENT LIABILITIES:			
Payables	7	110	167
Employee benefits	8.1	28	29
Total Current Liabilities		138	196
NON-CURRENT LIABILITIES:			
Employee benefits	8.2	24	32
Total Non-Current Liabilities		24	32
Total Liabilities		162	228
NET ASSETS		3 966	3 787
EQUITY:			
Accumulated surplus	9	3 910	3 731
Asset revaluation reserve	9	56	56
TOTAL EQUITY		3 966	3 787
Commitments	10		
Contingent Liabilities	11		

Statement of Cash Flows
for year ended 30 June 2004

		2004	2003
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
INFLOWS:			
Council contributions		Note	\$'000
Other contributions and grants received			4 200
Goods and services tax receipts from taxation authority			411
Interest received			304
Other income received			100
			-
OUTFLOWS:			3
Payments to suppliers, service providers, grantees and employees		(3 687)	(3 852)
Goods and services tax payments on purchases		(323)	(385)
Net Cash inflows from Operating Activities	12.2	1 005	1 022
CASH FLOWS FROM INVESTING ACTIVITIES:			
OUTFLOWS:			
Payments for plant, equipment, gross pollutant traps and work in progress		(351)	(524)
Net Cash outflows from Investing Activities		(351)	(524)
NET INCREASE IN CASH HELD		654	498
CASH AT 1 JULY		1 556	1 058
CASH AT 30 JUNE	12.1	2 210	1 556

**Output Class Schedule of Board's Expenses
for the year ended 30 June 2004**

Output Class (refer Note 2.9)	1	2	3	4	5
	\$'000	\$'000	\$'000	\$'000	\$'000
Grants and subsidies	465	-	106	25	976
Contractors	467	30	106	-	133
Transfers of non-current assets	-	-	-	-	-
Employee benefits	-	-	-	-	-
Consultants	92	8	16	180	8
Other expenses	1	-	1	-	81
Depreciation	-	-	-	-	-
Board fees and expenses	-	-	-	-	-
	1 025	38	229	205	1 198

			2004	2003
Output Class (refer Note 2.9)	6	7	Total	Total
	\$'000	\$'000	\$'000	\$'000
Grants and subsidies	-	74	1 646	1 743
Contractors	181	-	917	893
Transfers of non-current assets	-	676	676	-
Employee benefits	-	441	441	367
Consultants	-	-	304	552
Other expenses	2	192	277	242
Depreciation	-	79	79	82
Board fees and expenses	-	36	36	38
	183	1 498	4 376	3 917

Revenues from Ordinary Activities have not been distributed to Output Classes as they do not relate to any particular Class.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

1.1 Establishment of the Board

The Torrens Catchment Water Management Board (the Board) was established on 7 May 1995 pursuant to the *Catchment Water Management Act 1995*, which was subsumed by the *Water Resources Act 1997*.

The Board commenced operation under an Initial Plan in 1995. The Board now operates under its latest Catchment Water Management Plan 2002-2007 (the Plan) which was approved by the Minister for Environment and Conservation in May 2002.

In accordance with the *Water Resources Act 1997*, the Board conducted an annual review of the Plan during the year. The 2003-04 review amended projected income and expenditure for the financial years 2004-05 to 2005-06 and was adopted by the Minister for Environment and Conservation on 24 March 2004.

1.2 Functions of the Board

The functions of the Board are:

- to prepare and implement the Torrens Catchment Water Management Plan 2002-2007;
- to provide advice to the Minister and the constituent councils for the Board's area in relation to the management of the water resources in the Board's area in accordance with the *Water Resources Act 1997*; and
- to promote public awareness of the importance of the proper management of the water resources in the Board's area and of the sustainable use of those resources.

1.3 Sources of Funding

In accordance with the provisions of the *Water Resources Act 1997*, the Board received contributions from councils within the proclaimed catchment area. The amount contributed by councils was based upon the estimated expenditure of the Board (as contained in the approved Plan) for the financial year, less the amount of any other funds available to the Board.

Councils are required to impose a separate levy on rateable land in the catchment areas of the Board in order to recover the contributions made to the Board.

Contributions payable by constituent Councils to the Board have been reduced by the amount of rebates or remissions granted by Councils in accordance with section 136 of the *Water Resources Act 1997* and Division 5 of Part 1 of the *Local Government Act 1999*.

2. Statement of Significant Accounting Policies

2.1 General

The general purpose financial report has been prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group (UIG) Consensus Views, Treasurer's Accounting Policy Statements, Treasurer's Instructions, the *Public Finance and Audit Act 1987*, *Water Resources Act 1997* and other mandatory reporting requirements.

The financial report has been prepared on an accrual basis whereby items are brought to account as they are earned or incurred and included in the financial report for the accounting periods to which they relate.

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

2.2 Income Recognition

Contributions from constituent councils are recognised as income following determination of the share of each council by the Minister and publication of those amounts in the Government Gazette. Contributions are required to be paid on a quarterly basis to the Board.

Interest income is recognised when accrued.

Income from grants is recognised following completion of formal documentation between the grantor and the Board and in accordance with the agreement.

Other income is recognised when the service has been performed.

All income relates to the operating activities of the Board.

2.3 Allocation of Administrative Overheads

The Torrens and Patawalonga Catchment Water Management Boards have agreed to share administrative costs on a 60/40 basis.

2.4 Non-Current Assets

Depreciation

Depreciation is provided on a straight line basis to write off the net cost or revalued amount of all plant, equipment and gross pollutant traps over their expected useful lives. Estimates of remaining useful lives are made on a regular basis for all assets, with annual assessments for major items.

The expected useful lives are as follows:

	Years
Display systems	3
Computer equipment	5
Office equipment	8
Furniture and fittings	20
Gross pollutant traps	25

Leasehold improvements are amortised over the life of the lease.

Assets costing less than \$300 have been included in expenditure in the year of acquisition.

Assets Disclosed at Directors' Valuation

In accordance with Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' issued by the Department of Treasury and Finance, the Board revalued its gross pollutant traps as at 30 June 2002. Current cost has been determined by the Board using the deprival methodology, whereby assets are valued at the replacement cost of procuring similar assets with similar functions and which provide comparable future service potential.

The 30 June 2002 revaluation of gross pollutant traps resulted in an asset revaluation reserve of \$56 000 being recognised in the Statement of Financial Position.

2.5 Employee Benefits

Employer Superannuation

The Board contributed \$42 000 (\$34 000) to superannuation schemes in respect of its employees for the financial year. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability at balance date relates to any contribution due but not yet paid to the superannuation schemes.

Annual Leave

Provision has been made for the unused component of annual leave at balance date. The employee benefit is calculated at nominal amounts based on current salary rates.

Sick Leave

No provision has been made for sick leave. Sick leave taken by employees is considered to be taken from the current year's accrual and in consequence no liability is recognised.

Long Service Leave

The benchmark used for determining long service leave liability is seven years in accordance with Accounting Policy Statement APS 9 'Employee Benefits' issued by the Department of Treasury and Finance. The employee benefit includes entitlements for one employee which involves recognition of prior service with other Government Departments.

Workers Compensation

The Board is registered with WorkCover as an exempt employer and has entered a service level agreement with the Department for Administrative and Information Services to provide insurance cover for work caused injuries.

2.6 Leases

The Board has no financial leases.

The Board entered into operating lease agreements in relation to office premises and computer equipment whereby the lessors effectively retain all of the risks and benefits incidental to ownership of the property held under the operating leases.

Lease payments are included as expenditure in equal instalments over the accounting periods covered by the lease terms.

Total expenditure on operating leases in 2003-04 was \$52 000 (\$57 000).

2.7 Payables

Trade Creditors

These amounts represent liabilities for goods and services provided to the Board prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Other Payables

These amounts represent unpaid Board fees and direct overheads at balance date.

2.8 Credit Risk Exposure

The credit risk on financial assets of the Board which have been recognised in the Statement of Financial Position, is generally the carrying amount.

2.9 Output Classes of the Board

Outputs are defined as goods or services produced, provided to or acquired for external customers. The Board has identified seven major classes of outputs that it delivers to the community under the Catchment Water Management Plan approved by the Minister in May 2002 for implementation on 1 July 2002. The identity and description of each major output class of the Board during 2003-04 are summarised below (refer to Output Class Schedule of Board's expenses).

Output 1: Improve and Maintain Water Quality

The Board's goal is to improve and maintain water quality in the catchment at a level suitable for safe use by the community including recreation and to sustain natural ecosystems and reduce impacts on aquatic environments. This is achieved by defining environmental values and targets, controlling diffuse pollution in the catchment, developing and maintaining constructed wetlands, silt traps, gross pollutant traps and helping eliminate wastewater discharges.

Output 2: Ensure Sufficient Water Availability and Use

Ensuring sufficient water is maintained in creeks, rivers and aquifers for equitable and economic community use (both private and public) and to maintain ecosystems by defining water for the environment requirements and reviewing resource use and availability. The Board also encourages viable storm water and aquifer storage and recovery (ASR), effluent reuse opportunities and water conservation practices.

Output 3: Protect and Enhance Water Dependent Ecosystems
The goal of protecting and enhancing water dependent ecosystems through integrated natural resource management is undertaken by protecting and rehabilitating rural watercourses, assessing and protecting aquatic habitats and managing urban watercourses.

Output 4: Coordinate Floodplain Management
At a catchment scale the Board aims to co-ordinate integrated stormwater and floodplain management.

Output 5: Foster an Informed and Committed Community
A key goal of the Board is to foster an informed, committed and involved community that takes responsibility for, and actively supports its role in catchment management. This is achieved by implementing the Board's communication and community education/awareness strategy, supporting groups and schools in community programs, delivering an industry and council stormwater pollution prevention program, supporting rural watercourse education and involvement assistance and land management programs and facilitating appropriate enforcement and compliance support for the program.

Output 6: Establish Monitoring and Evaluation Systems
To ensure the effectiveness of its programs, the Board has established monitoring and evaluation systems through linking with other relevant existing and proposed data collection activities in the catchment and providing a performance indicator/evaluation database for the Board's programs.

Output 7: Deliver the Board's Progress in an Integrated Manner
The Board aims to deliver its programs in an integrated manner in partnership with all stakeholders taking into account environmental, economic and social considerations. In doing so the Board will support an integrated resources management approach across the catchment, facilitate collaboration with constituent councils to better integrate Council and Board plans and provide professional services to allow the Board to implement its Catchment Plan and meet its statutory requirements.

2.10 Accounting for Goods and Services Tax (GST)

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

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

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

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

2.11 Rounding

All amounts are rounded to the nearest thousand dollars.

2.12 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

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

In accordance with Treasurer's Instruction 19 'Financial Reporting', the Board is responsible for ensuring that the annual financial statements comply with Generally Accepted Accounting Principles. The Board is developing a plan to manage the transition to the new standards and is monitoring changes in Accounting Standards, Treasurer's Instructions and Accounting Policy Statements by attending information forums.

3. Receivables	2004 \$'000	2003 \$'000
Receivables - Government	246	81
Receivables - Non-Government	19	212
Receivables - Levies	-	109
	265	402

4. Work in Progress	137	331
Gross pollutant traps		

5. Plant, Equipment and Gross Pollutant Traps

		2004 \$'000	2003 \$'000
Display systems at cost	55	55	55
Less: Accumulated depreciation	<u>55</u>	<u>55</u>	-
Furniture and fittings at cost	26	23	-
Less: Accumulated depreciation	<u>8</u>	<u>7</u>	16
Computer equipment	8	7	1
Less: Accumulated depreciation	<u>6</u>	<u>6</u>	-
Office equipment at cost	16	15	8
Less: Accumulated depreciation	<u>10</u>	<u>7</u>	-
Office leasehold improvements at cost	24	23	8
Less: Accumulated amortisation	<u>19</u>	<u>15</u>	-
Gross pollutant traps		5	8
At cost	896	1 078	-
At directors' valuation	<u>810</u>	<u>810</u>	-
Less: Accumulated depreciation	<u>1 706</u>	<u>1 888</u>	-
	<u>221</u>	<u>195</u>	-
	1 485	1 693	-
Total Plant, Equipment and Gross Pollutant Traps		1 516	1 726

6. Plant, Equipment and Gross Pollutant Traps Movement Schedule

	Carrying Amount 01.07.03 \$'000	Disposals \$'000	Additions \$'000	Depreciation Expense \$'000	Carrying Amount 30.6.04 \$'000
Display systems	-	-	-	-	-
Furniture and fittings	16	-	3	(1)	18
Computer equipment	1	-	2	(1)	2
Office equipment	8	-	-	(2)	6
Office leasehold improvements	8	-	-	(3)	5
Gross pollutant traps	<u>1 693</u>	<u>(676)</u>	<u>540</u>	<u>(72)</u>	1 485
	<u>1 726</u>	<u>(676)</u>	<u>545</u>	<u>(79)</u>	1 516

Transfer and Write off of Non-Current Assets

During 2003-04 six gross pollutant traps with a carrying value of \$676 000 were transferred to Councils for nil consideration.

7. Payables

	2004 \$'000	2003 \$'000
Trade creditors	84	154
Other payables	<u>26</u>	<u>13</u>
Total	110	167

8. Employee Benefits

8.1 Current:

Annual leave

28

29

8.2 Non-Current:

Long service leave

24

32

52

61

9. Accumulated Surplus

Balance at 1 July

3 731

2 739

Add: Surplus from ordinary activities

179

992

Balance at 30 June

3 910

3 731

Asset Revaluation Reserve

Increment on revaluation of gross pollutant traps

56

3 966

56

10. Expenditure Commitments

10.1 Lease Commitments (excluding GST)

Operating Leases:

Not later than one year

56

50

Later than one year and not later five years

61

105

Aggregate Lease Expenditure Committed for at Balance Date

but not Provided For

117

155

10.1 Lease Commitments (excluding GST) (continued)

Operating lease commitments comprise the following:

- A property lease which is non-cancellable. Rental is payable monthly with reviews indexed annually, alternating between market value and CPI indexation. Options exist to renew the lease at the end of the current term.
- A computer lease which is non-cancellable. Rental is payable monthly and options exist to renew or cancel the lease at the end of the current term.

10.2 Other Expenditure Commitments (excluding) GST

	2004 \$'000	2003 \$'000
Not later than one year	1 775	1 959
Later than one year and not later five years	113	424
Aggregate Other Expenditure Committed for at Balance Date but not Provided For	1 888	2 383

Commitments have been made for various projects including wetlands, trash racks, rural riparian works, flood studies and grants for pollution prevention and research and development. The value of these projects (\$1.888 million) is not reflected in the Statement of Financial Performance or Statement of Financial Position for the current financial year.

11. Contingent Liabilities

The Board has no contingent liabilities.

12. Note to the Statement of Cash Flows

12.1 Reconciliation of Cash

For the purposes of the Statement of Cash Flows, the Board considers cash to include cash on hand and in banks and those investments that are able to be converted to cash within two working days.

12.2 Reconciliation of Surplus from Ordinary Activities to Net Cash inflows from Operating Activities

	2004 \$'000	2003 \$'000
Surplus from ordinary activities	179	992
Depreciation	79	82
Transfers of non-current assets	676	-
Decrease (Increase) - Receivables	137	(17)
Decrease - Prepayments	-	4
Decrease- Payables	(57)	(55)
(Decrease) Increase - Employee benefits	(9)	16
Net Cash inflows from Operating Activities	1 005	1 022

13. Auditors' Remuneration

Amount due and receivable by the auditors for auditing the financial report

12 11

No other services were provided by the auditors.

14. Remuneration of Board Members and Related Party Disclosures

Members of the Torrens Catchment Water Management Board during the financial year were:

Mr Jay Hogan: Presiding Member	Mr Peter Koukourou
Ms Penny Paton	Ms Valerie Bonython
Mr Peter Cooper	Mr Tim Potter
Mr Jason Kuchel	Ms Cathryn Hamilton

Total income received, or due and receivable, by Board Members was \$30 000 (\$34 000). Other expenses of Board Members were \$4 000 (\$4 000).

The number of Members whose income from the entity falls within the following band is:

\$0 - \$9 999	2004	2003
\$10 000 - \$19 999	Number of Members	Number of Members
	7	7
	1	1

Prescribed benefits given by the Board to prescribed superannuation funds or otherwise in connection with the retirement of Board Members were \$2 000 (\$2 000).

In accordance with the Department of the Premier and Cabinet Circular No. 14, Cathryn Hamilton, as a Government employee, did not receive any remuneration from the Board during the year.

Related Party Disclosures

There were no contracts or transactions between related parties that require disclosure for the year ended 30 June 2004.

15. Remuneration of Employees

The number of Employees whose remuneration from the Torrens and Patawalonga Catchment Water Boards falls within the following bandwidth:

\$120 000 - \$129 999	1
\$130 000 - \$139 999	

	2004	2003
	Number of Employees	Number of Employees
	-	1
	1	-

Remuneration of the employee was shared with the Patawalonga Catchment Water Management Board on a 60/40 basis. Refer Note 2.3.

16. Financial Instruments

Interest Rate Risk Exposure

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

2004						
	Floating Interest	Non-Interest	Total	Floating Interest	Non-Interest	Total
	Rate	Bearing	Carrying Amount	Rate	Bearing	Carrying Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:						
Cash assets	2 210	-	2 210	1 556	-	1 556
Receivables	-	265	265	-	402	402
	2 210	265	2 475	1 556	402	1 958
Weighted average interest rate (percent)	4.95			4.6		
Financial Liabilities:						
Payables	-	110	110	-	167	167
	-	110	110		167	167
Weighted average interest rate (percent)				-		
Net Financial Assets	2 210	155	2 365	1 556	235	1 791
Reconciliation of Net Financial Assets to Net Assets				2004	2003	
Net financial assets as above				\$'000	\$'000	
Non-financial assets and liabilities:				2 365	1 791	
Plant, equipment, gross pollutant traps and work in progress						
Employee benefits						
				1 653	2 057	
				(52)	(61)	
Net Assets per Statement of Financial Position				3 966	3 787	
Net Fair Value of Financial Assets and Liabilities - On-Statement of Financial Position						

Net Fair Value of Financial Assets and Liabilities - On-Statement of Financial Position

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

DEPARTMENT FOR ENVIRONMENT AND HERITAGE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

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

Functions

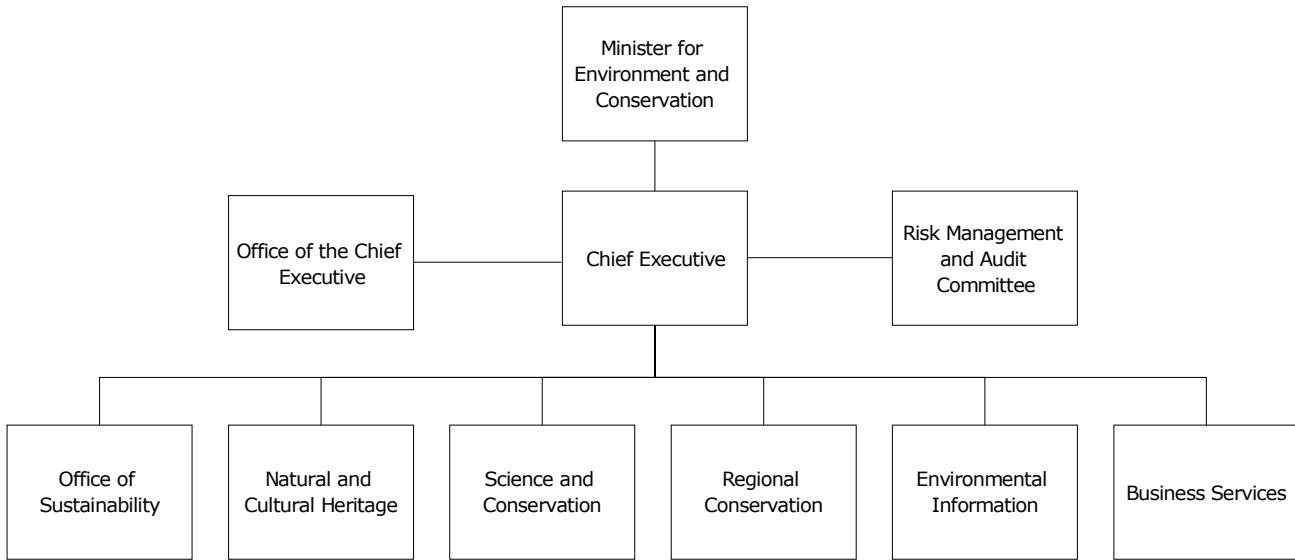
The functions of the DEH are:

Conserving and restoring the environment by:

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

Structure

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



Changes to Functions and Structure

In January 2003 a Statement of Intent was agreed in principle between DEH and the Department for Administrative and Information Services (DAIS) to re-align both agencies' land administration and land management information systems to the respective agencies roles. As a result of this process, from 1 September 2003 the management responsibilities for the Land Ownership and Tenure System (LOTS), Property Assist and related IT and financial services transferred from DEH to DAIS. LOTS is primarily directed toward recording land information which is provided to government and non-government users. Many users are charged for information provided, while others (eg other government agencies and private sector entities who have arrangements with the Department), are not charged. LOTS information is provided either by internet access (Property Assist), by dial up/direct connection (LOTS Enquiries) or over the counter.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

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

Assessment of Controls

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

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

Scope of Audit

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

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

- revenue, receipts and receivables
- purchases, payments and payables
- employee expenses and related benefits
- fixed assets
- procurement
- financial management framework
- computer information systems.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

The following is an extract from the 2003-04 Independent Audit Report, which details the qualification to the Department's financial report.

Qualification

Due to limitations with respect to the reliability and completeness of information maintained on property administered by the Department that have prevented the production of timely and appropriate information, I am unable to form an opinion on the completeness and reliability of values ascribed to the property, plant and equipment component of the Statement of Administered Assets and Liabilities. Recognising this property using similar valuation methodology to that used for other property in this financial report may have material effects, the amounts of which are uncertain, on the property, plant and equipment reported in the Statement of Administered Assets and Liabilities.

Qualified Audit Opinion

In my opinion, except for the effect on the financial report of the matter referred to in the qualification paragraph, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department for Environment and Heritage as at 30 June 2004, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Department for Environment and Heritage in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities except for the matters raised in relation to risk management; procurement practices; DEH CHRIS and follow up review of computer processing environments as outlined under 'Audit Communication to Management', are sufficient to provide reasonable assurance that the financial transactions of the Department for Environment and Heritage have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Chief Executive. Responses to the management letters were generally considered to be satisfactory.

Financial Management Framework

Previous years' Reports included commentary on DEH's progress toward meeting the principles outlined in the Financial Management Framework (FMF). During the 2003-04 financial year audit process, Audit has followed up certain matters regarding implementation progress. Audit observations and comments arising from an understanding of the status of the application of some of the key elements of the FMF are outlined below.

Financial Management Framework Implementation

In previous years, Audit reported on delays in the establishment of processes to facilitate the progressive implementation and monitoring of the FMF. Last year's Report advised that a review of the implementation of the FMF had been conducted for corporate activities (completed in June 2001) and that significant issues identified through the review process have been included in the directorate component of the 2003-04 Audit Committee Work Program.

In response to Audit follow-up in 2003-04, DEH has advised that the review of FMF implementation continued to be a part of the Audit Committee work program. However, it was noted that the review had, at the time of the completion of this Report, not been finalised.

Internal Audit

The Office of the Chief Executive has overseen a combination of outsourced internal audit reviews, in-house conducted reviews and reviews sponsored by directorate management.

Risk Management

Last year's Report advised that DEH had updated its Risk Profile document in November 2002, and proposed to implement targeted risk assessment workshops and review the Department's Risk Management Policy in 2003-04.

In response to Audit follow-up, DEH has advised that during 2003-04 the Department has undertaken a review of its risk management practices and has developed a risk management procedure document, which was finalised in June 2004. It was also noted that its risk profile document reflecting the major categories of risks faced by DEH and strategies associated with risk mitigation had been updated, however, the document was in draft form and yet to be finalised at the time of completion of this Report. DEH has advised that it is its intention to use this draft document for its 2005-06 planning, commencing late September 2004.

Strategic Planning, Monitoring and Reporting

As detailed in prior year Reports, the Department had established a DEH Strategic Plan for 2002-05. In last year's Report, it was noted that the Department had commenced a review of the DEH Strategic Plan 2002-05 to encompass the change from an output class/output budget structure to program/sub-program structure. As part of this review, a project commenced in January 2003 to develop a Planning, Budgeting and Reporting Framework.

In response to Audit follow-up, DEH has advised that the review of the DEH Strategic Plan 2002-05 has been finalised and has resulted in the Strategic Plan being replaced by a DEH Corporate Plan which was endorsed by the Chief Executive in April 2004. The Corporate Plan has a 3 to 5 year rolling timeframe and is expected to be reviewed for relevance on an annual basis. The Corporate Plan is supported by Program, and

Direktorate Annual Plans which are in turn supported by Sub-Program and Branch Business Plans respectively. DEH also advised that it has established reporting on the achievements of these plans to the Chief Executive on a quarterly and annual basis.

Procurement Practices

Previous year's Reports have included comment on a number of observations relating to DEH's implementation of the SA Government Procurement Reform Strategy.

Comments in the 2002-03 Report noted certain matters which warranted attention, including: an absence of a strategy for monitoring and reporting on the achievement of procurement reform objectives; a need for improvement in Departmental policy documents in relation to panel contracts; and the absence of a central contracts register.

Follow up review in 2003-04 identified that the Department has developed and utilised a draft panel contract policy document and has worked to establish contract registers and associated policies and procedures. However, DEH is yet to undertake reviews to ensure the comprehensive nature of these registers. Further, while DEH have undertaken a number of initiatives to monitor procurement as part of a Procurement Development Strategy, there remains an absence of a formalised policy to monitor and report on the achievement of procurement reform objectives.

Accounting for Crown Land

Over the past five years, Audit has commented on action taken in relation to the treatment of Crown lands for accounting purposes and the completeness and accuracy of information available on Crown lands.

DEH has advised that it anticipates being able to address this issue progressively where resources allow over a number of years. The Department further commented that it was anticipated that its initial focus will be on assessing all coastal unallotted Crown Land during 2004-05. It indicated that this may involve the determination of parcels of Crown Land that may more appropriately be formally incorporated within the reserve system.

As a result of the aforementioned matters, the Independent Audit Reports on the Department's financial statements for past years were qualified with respect to administered property.

Due to there being no resolution to the valuation of Crown lands, the Independent Audit Report to the financial statements has again been qualified with respect to the completeness and valuation of property, plant and equipment included in the Schedule of Administered Items.

Accounting for Fixed Assets

In past years' Audit has commented on a lack of regular and timely review and analysis of fixed asset information. The 2003-04 review revealed improvements in the review of asset records. In particular, the Department has worked to establish the following controls:

- A program of stock takes of Plant, Equipment and Infrastructure
- Established a Park infrastructure Stocktake Policy document
- Identified assets to be revalued in a systematic three year cycle
- Establishment of an asset revaluation procedure document
- Conducted regular reviews of validity, accuracy and reasonableness of depreciation rates and charges.

Transfer of Land Services Group and LOTS

As part of the 23 October 1997 restructure of government agencies, the functions, assets and liabilities of the Land Services Group (LSG) were transferred to the Department for Administrative and Information Services (DAIS).

To re-align both agencies' land administration and land management information systems to the respective agencies roles from 1 September 2003, the management responsibilities for LOTS and Property Assist and related IT and financial services were transferred from DEH to DAIS.

Commentary on Computer Information Systems (CIS) Environment

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

In 2003/04, Audit reviewed key aspects of the Department for Environment and Heritage (DEH) Complete Human Resources Information System (CHRIS). The Department for Administrative and Information Services (DAIS) contracted with an external service bureau provider for the provision of a Human Resource Management System (HRMS) and associated services. DAIS acts as the lead agency for the Shared HRMS sector agencies, which includes DEH. The day to day operation of the CHRIS payroll/personnel system is the responsibility of DEH while the DAIS Central Support Unit (CSU) is responsible for monitoring aspects of the performance of the bureau provider.

In addition, Audit conducted a follow up of matters outstanding from an earlier audit review of certain DEH computer processing environments.

DEH CHRIS

The review primarily addressed the controls in place on the agency computer processing environment (CPE) and included, amongst other matters, aspects related to information access security and integrity (focused at both the CPE and CHRIS system application and information), and applications systems implementation and maintenance arrangements.

Attention was also given to information systems operations and business recovery arrangements. In addition, the review included validating the integrity of data conversion from Concept to CHRIS.

A number of important areas were identified in need of DEH management attention. The main management and control matters requiring improvement were:

- formalising and endorsing a Service Level Agreement between the Department and DAIS CSU to define responsibilities and services to be provided by DAIS CSU in relation to the DEH CHRIS payroll system;
- modifying and updating the DAIS CSU generic business continuity plan to suit DEH specific disaster recovery requirements, particularly in relation to payroll processes;
- establishing and implementing a formal employee termination procedure by DEH Human Resources (HR) Services to address notification to relevant staff, system administrators and IT personnel;
- improving control over user password changes; and
- formalising and documenting the change management processes, including controls and responsibilities, for the DEH CHRIS system.

Audit also made certain observations with respect to service level agreements, business continuity planning, and backup and recovery, which were the responsibility of DAIS CSU and these matters were conveyed separately to DAIS.

DEH Response

DEH advised that:

- the importance of the Service Level Agreement with DAIS HRMS Central Support Unit was noted and strongly supported and completion and sign off of the Agreement would take place;
- DEH HR Services had commenced the process with Corporate IT staff in developing disaster recovery requirements for the CHRIS HRMS system, in particular for payroll processing. HR services staff would be working with the DEH Risk Manager to modify the DAIS CSU generic plan to suit DEH specific disaster recovery arrangements;
- procedures on CHRIS HRMS user security, including user access revocation, had been developed;

- DEH had requested EDS to invoke changes to user password policies in line with Audit recommendations;
- the DEH HRMS Systems Administrator was developing DEH procedures on the Change Control process for the DEH CHRIS system.

Follow Up Review of Computer Processing Environments

The earlier audit review of certain DEH computer processing environments identified important areas of a broad level planning, policy and procedural nature and security control arrangements that were considered in need of management attention. Audit commentary on that review was provided in a Supplementary Report to Parliament, namely 'Information and Communications Technology – Future Directions: Management and Control', tabled in December 2003.

Field audit work associated with the follow up review was completed in mid 2004 and communicated to the Department in August 2004.

The following commentary summarises key findings arising from the 2004 follow up review.

Audit noted that action had been taken with respect to the following matters:

- Establishing the DEH IT Advisory Committee (DITAC) to provide planning and resourcing guidance for IT within the organisation.
- Defining the responsibilities of DEH and external vendors using Responsibility Matrices. The Matrices include responsibilities for all external IT service vendors.
- Improving Masterpiece password security and strengthening the DEH network password security.

Notwithstanding the initial review was conducted in late 2002, Audit noted that the following items are still outstanding:

- The Draft IT Strategic Plan for the period 2002-2005 is not finalised. Audit noted that the Information Planning and Strategy Branch was in the process of updating and finalising the Plan.
- The development of a Business Continuity Plan (BCP) was currently underway. Audit was advised that the funding for the project had been approved and external consultants had been appointed to develop the BCP.
- The Service Level Agreement (SLA) between IT and the other corporate business units had not been updated. A draft SLA had been issued for comment for services provided by IT to the Environment Protection Authority (EPA).
- The DEH IT Security Policies were currently being reviewed and updated. External consultants had been appointed to assist DEH with this task. The policies would be provided to the DITAC for comment and approval once they had been completed.
- There was no segregation of access authorisation and user creation tasks in the ARAMIS environment.

DEH Response

DEH advised that:

- endorsement of the DEH IT Strategic Plan from DITAC would occur in the latter part of 2004;
- an IT Business System Continuity Plan report was completed in June 2004 and presented to DITAC. The completion of Business Continuity Plans for the agency's Critical and Major Business Systems have been included in the IT Services Branch 2004-05 Work Program using existing resources;
- a Memorandum of Understanding has been established with the EPA and the IT Services Catalogue created in 2003-04 and key actions, performance indicators and reporting have been scheduled into the IT Services Branch 2004-05 Work Program;
- a number of security policies were proposed for presentation over several DITAC meetings and it was planned that all policies would be tabled and endorsed before July 2005;
- the ARAMIS system administrators had implemented a change to the procedure for the creation of ARAMIS accounts.

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

	2004 \$'million	2003 \$'million	Percentage Change
REVENUE			
Revenues from Government	100.3	83.3	20
Fees and charges	21.5	27.5	(22)
Grants and contributions	16.0	10.2	57
Revenue from take up of administered items	-	4.7	-
Other revenue	9.5	12.0	(21)
Total Revenue	147.3	137.7	7
EXPENSES			
Employment expenses	63.4	58.0	9
Grants and contributions	5.4	4.4	23
Expense from restructure	1.8	3.6	(50)
Other expenses	73.7	77.7	(5)
Total Expenses	144.3	143.7	0
Surplus (Deficit) on Ordinary Activities*	3.0	(6.0)	
Net Cash Flows from Operations	35.4	22.8	
ASSETS			
Current assets	93.5	72.4	29
Non-current assets	196.2	218.6	(10)
Total Assets	289.7	291.0	0
LIABILITIES			
Current liabilities	15.4	14.8	4
Non-current liabilities	51.9	50.8	2
Total Liabilities	67.3	65.6	3
EQUITY	222.3	225.4	(1)

* The surplus (deficit) includes some non-operating items.

Statement of Financial Performance**Revenues**

Due to restructuring of activities, 2003 revenue figures are not directly comparable.

Revenues from all activities increased by \$9.6 million. Major items effecting that movement were:

Revenues from Government increased by \$17 million (20 percent), representing in the main, an increase in budgeted appropriation in 2003-04 of \$12.9 million. The remaining increase represents additional appropriation received beyond the original budget totalling \$7.7 million, of which \$6 million was received in late June 2004 to cover an identified potential cash shortfall at the end of the financial year. This is further discussed under 'Statement of Cash Flows'.

Fees and Charges decreased by \$6 million. This movement is due mainly to the following items:

- Decrease of \$9.8 million in property and section 7 inquiry revenue as a result of the transfer of the land administration functions to DAIS as at 1 September 2003.

Offset by:

- Increase of \$2.3 million in support services revenue, due mainly to additional support provided to DAIS as a result of the transfer of the land administrations functions as at 1 September 2003.

Grants and contributions revenue increased by \$5.8 million resulting from a \$6.4 million transfer received in 2003-04 from DAIS for the land administration functions transferred during the year, offset by reduction in general grants and contributions received.

Revenue from recognition of items previously classified as administered in 2002-03 amounted to \$4.7 million. In 2003-04 there was no change in the treatment of DEH related entities.

Other revenues decreased by \$2.5 million resulting from a \$4.5 million decrease in assets received free of charge, offset by an increase in interest revenue of \$1.1 million and increase in other revenue of \$0.9 million, mainly resulting from an increase in salary and wage recoveries.

Expenses

Expenses from ordinary activities increased by \$2.4 million. The main items effecting that movement were:

- Increase in employment related expenses, mainly resulting from an increase in targeted voluntary separation payments made during the financial year and an increase in the number of employees. Offset by a decrease in depreciation resulting from a decrease in depreciable assets.

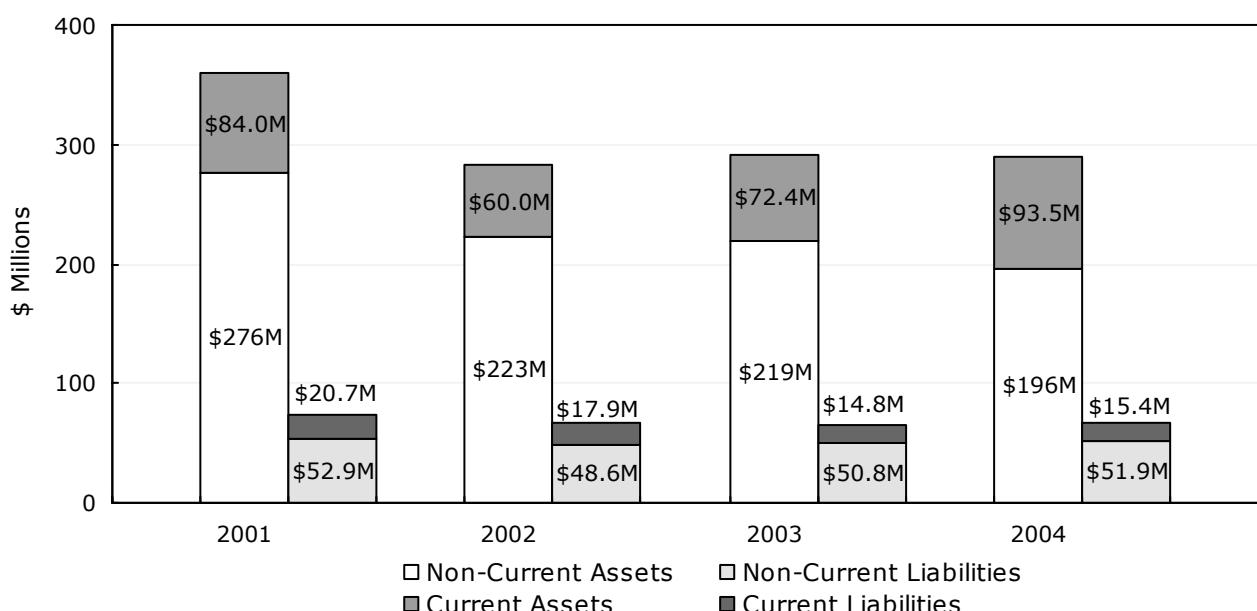
Operating Result

DEH recorded a net operating surplus before restructuring of \$4.8 million compared to a deficit of \$7.1 million in the previous year.

Statement of Financial Position

Property, plant and equipment decreased from \$215.7 million to \$193.6 million due to depreciation and amortisation amounting to \$22.2 million, asset write offs and disposals of \$5.4 million, revaluation decrements of \$6.1 million which were offset by additions of \$13.9 million and assets received free of charge of \$1.2 million. A further factor influencing the decrease was the transfer of property, plant and equipment valued at \$2.1 million to other entities as a result of restructure.

For the four years to 2004, a structural analysis of assets and liabilities is shown in the following chart.



Statement of Cash Flows

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

	2004 \$'million	2003 \$'million	2002 \$'million	2001 \$'million
Net Cash Flows				
Operations	35.4	22.8	(5.0)	37.4
Investing	(13.6)	(9.6)	(19.0)	(14.9)
Financing	0.2	1.0	(0.1)	-
Change in Cash	22.0	14.1	(24.1)	22.5
Cash at 30 June	85.5	63.5	49.4	73.5

In 2003-04 the Department generated \$35.4 million cash flow from operations. \$13.6 million of this was used to finance investing activities (acquisition of property, plant and equipment).

Cash increased by \$22 million for the financial year. Of this amount, \$13.3 million was accrual appropriation for 2003-04 which is credited to the Treasury and Finance Special Deposit Account 'Accrual Appropriation Excess Funds - DEH'. Access to these funds is subject to the Treasurer's approval.

In late June 2004 the Department identified a potential cash shortfall (due to the timing of receipts and payments). To address this risk, additional appropriation of \$6 million was provided to the Department and \$3 million was released from the accrual appropriation account to the operating account.

The balance of the Department's cash at 30 June 2004 comprises operating deposit accounts, \$10.8 million; accrual appropriation account, \$74.3 million; and other cash items, \$0.4 million.

Administered Items

Crown Land Sales and Freeholding Account

Net gain from the disposal of assets \$11.6 million include sale of land to Transport SA of \$8.4 million and in relation to the Perpetual Lease Accelerated Freeholding Project, \$1.1 million.

Funds in relation to the sale of Crown lands transferred to consolidated account under the *Crown Lands Act* amounted to \$17.8 million.

Botanic Gardens and State Herbarium

DEH administers the activities of the Board of the Botanic Gardens and State Herbarium. During 2003-04 the Board of the Botanic Gardens and State Herbarium recognised a Net Revenue Resulting from the Correction of an Error of \$5.1 million relating to new assets recognised for the first time. This recognition resulted from completion of asset surveys capturing all infrastructure of the Gardens.

During 2002-03 the Board endorsed a write down in the asset value of the Herbarium Collection from \$45.9 million to zero as a result of a reassessment of the reliability of measurement. The write down resulted in a \$45.9 million administered expense recognised in the schedule of administered items in DEH's financial statements.

Land Services Group

Effective from 1 September 2003, the land administration functions, including Property Assist and Section 7 enquiries were transferred to DAIS (reference should be made to Note 17 of DEH's financial statements). Between 1 September 2003 and 31 May 2004, DEH continued to receive all related revenue on behalf of DAIS, amounting to \$15 million. The receipt of these monies and the respective transfer payment to DAIS is recorded as administered fees and charges revenue and administered grants and contributions expenses in DEH's financial statements.

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

	Note	2004 \$'000	2003 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee benefits	4	63 382	58 071
Supplies and services	5	43 048	42 994
Grants and contributions	6	5 375	4 403
Depreciation and amortisation	7	22 183	26 239
Borrowing costs	8	2 764	2 766
Net loss from disposal of non-current assets	9	566	881
Other	10	5 196	4 711
Total Expenses from Ordinary Activities		142 514	140 065
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges	11	21 453	27 492
Grants and contributions	12	16 015	10 172
Interest and dividends	13	4 849	3 712
Assets received free of charge	14	1 214	5 724
Other	15	3 423	2 549
Total Revenues from Ordinary Activities		46 954	49 649
NET COST OF SERVICES FROM ORDINARY ACTIVITIES			
		95 560	90 416
SOUTH AUSTRALIAN GOVERNMENT REVENUES:			
Revenues	16	100 331	83 315
Total South Australian Government Revenues		100 331	83 315
NET RESULT BEFORE RESTRUCTURING			
Net Gain (Loss) from administrative restructure	17	4 771	(7 101)
NET RESULT AFTER RESTRUCTURING		(1 752)	1 088
CHANGES IN EQUITY THROUGH NON-OWNER TRANSACTIONS			
Net Increase (Decrease) in asset revaluation reserve	29	(6 132)	15 052
Net Increase (Decrease) in accumulated funds on adoption of a new Standard	29	-	(291)
Total Revenues, Expenses and Valuation Adjustments Recognised in Equity		(6 132)	14 761
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER			
		(3 113)	8 748

Statement of Financial Position
as at 30 June 2004

	Note	2004	2003
		\$'000	\$'000
CURRENT ASSETS:			
Cash	18	85 456	63 502
Receivables	19	6 296	6 933
Inventories	20	1 291	1 585
Other	22	422	444
Total Current Assets		93 465	72 464
NON-CURRENT ASSETS:			
Receivables	19	622	108
Inventories	20	1 929	2 762
Financial assets	21	8	8
Property, plant and equipment	23	193 610	215 720
Total Non-Current Assets		196 169	218 598
Total Assets		289 634	291 062
CURRENT LIABILITIES:			
Payables	24	10 263	10 192
Provisions for employee benefits	25	4 847	4 355
Finance leases	27	15	19
Other	28	249	218
Total Current Liabilities		15 374	14 784
NON-CURRENT LIABILITIES:			
Payables	24	1 546	1 996
Provisions for employee benefits	25	12 235	10 763
Borrowings	26	38 054	38 054
Finance leases	27	1	17
Other	28	89	-
Total Non-Current Liabilities		51 925	50 830
Total Liabilities		67 299	65 614
NET ASSETS		222 335	225 448
EQUITY:			
Asset revaluation reserve	29	23 458	29 590
Accumulated funds	29	198 877	195 858
TOTAL EQUITY		222 335	225 448
Restrictions on Contributions	31		
Expenditure Commitments	32		
Contingent Assets and Liabilities	33		

Statement of Cash Flows
for the year ended 30 June 2004

	Note	2004 Inflows (Outflows)	2003 Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employee benefits		(61 065)	(56 293)
Supplies and services		(41 804)	(41 927)
Grants and contributions		(5 375)	(4 403)
Interest on loans		(2 740)	(2 774)
GST payments on purchases		(7 916)	(6 859)
GST remitted to the ATO		(3 551)	(2 554)
Other		-	(22)
		(122 451)	(114 832)
RECEIPTS:			
Fees and charges		22 162	29 082
Grants and contributions		16 015	10 357
Interest and dividends		4 861	3 668
GST received from customers		3 223	2 529
GST received from ATO		7 301	6 884
Loan repayments		12	-
Other		3 925	1 765
		57 499	54 285
SOUTH AUSTRALIAN GOVERNMENT CASH FLOWS:			
RECEIPTS:			
Recurrent appropriations		86 697	71 047
Contingency funds		346	128
Accrual appropriations		13 288	12 140
		100 331	83 315
Net Cash provided by Operating Activities	30	35 379	22 768
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(13 940)	(9 616)
Proceeds from sale of property, plant and equipment		300	11
Net Cash used in Investing Activities		(13 640)	(9 605)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of borrowings		(20)	(102)
Net receipts from administrative restructures		235	1 086
Net Cash from Financing Activities		215	984
NET INCREASE IN CASH HELD		21 954	14 147
CASH AT 1 JULY		63 502	49 355
CASH AT 30 JUNE		85 456	63 502

**Program Schedule of Expenses and Revenues
for the year ended 30 June 2004**

	(Refer Note 3)	Program 1		Program 2		Program 3		Program 4		
		2004	2003	2004	2003	2004	2003	2004	2003	
EXPENSES FROM ORDINARY		\$'000								
ACTIVITIES:										
Employee benefits		11 482	13 777	13 194	12 099	33 052	27 551	3 739	2 934	
Supplies and services		6 171	11 055	9 517	8 990	23 277	18 998	3 075	2 607	
Grants and contributions		172	562	2 039	1 268	1 834	1 516	405	176	
Depreciation and amortisation		3 538	4 635	1 141	1 351	17 054	19 706	296	361	
Borrowing costs		301	411	522	652	1 661	1 415	188	174	
Net loss from disposal of non-current assets		90	60	29	630	435	182	8	6	
Other		826	310	234	220	4 017	4 066	61	86	
Total Expenses from Ordinary Activities		22 580	30 810	26 676	25 210	81 330	73 434	7 772	6 344	
REVENUES FROM ORDINARY										
ACTIVITIES:										
Fees and charges		4 709	14 676	2 033	647	13 895	11 916	156	-	
Grants and contributions		6 770	881	4 040	4 905	4 405	3 923	663	368	
Interest and dividends		496	502	906	842	2 974	1 992	318	219	
Assets received free of charge		-	-	-	-	1 214	5 724	-	-	
Other		429	1 053	1 581	517	1 256	958	117	13	
Total Revenues from Ordinary Activities		12 404	17 112	8 560	6 911	23 744	24 513	1 254	600	
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		10 176	13 698	18 116	18 299	57 586	48 921	6 518	5 744	
SA GOVERNMENT REVENUES AND EXPENSES:										
Revenues		10 637	12 586	18 960	16 813	60 363	44 950	6 812	5 270	
Total SA Government Revenues and Expenses		10 637	12 586	18 960	16 813	60 363	44 950	6 812	5 270	
NET RESULT BEFORE RESTRUCTURING		461	(1 112)	844	(1 486)	2 777	(3 971)	294	(474)	
Net gain (loss) from administrative restructure		(983)	-	(782)	256	-	4 358	-	-	
NET RESULT AFTER RESTRUCTURING		(522)	(1 112)	62	(1 230)	2 777	387	294	(474)	

**Program Schedule of Expenses and Revenues
for the year ended 30 June 2004 (continued)**

(Refer Note 3)	Program 5		Program 6		Program 7		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
EXPENSES FROM ORDINARY	\$'000	\$'000						
ACTIVITIES:								
Employee benefits	1 709	1 560	206	150	-	-	63 382	58 071
Supplies and services	949	1 262	59	82	-	-	43 048	42 994
Grants and contributions	424	379	501	502	-	-	5 375	4 403
Depreciation and amortisation	154	186	-	-	-	-	22 183	26 239
Borrowing costs	70	92	22	22	-	-	2 764	2 766
Net loss from disposal of non-current assets	4	3	-	-	-	-	566	881
Other	58	26	-	3	-	-	5 196	4 711
Total Expenses from Ordinary	3 368	3 508	788	759	-	-	142 514	140 065
REVENUES FROM ORDINARY								
ACTIVITIES:								
Fees and charges	658	251	2	2	-	-	21 453	27 492
Grants and contributions	137	95	-	-	-	-	16 015	10 172
Interest and dividends	118	129	37	28	-	-	4 849	3 712
Assets received free of charge	-	-	-	-	-	-	1 214	5 724
Other	40	8	-	-	-	-	3 423	2 549
Total Revenues from Ordinary	953	483	39	30	-	-	46 954	49 649
NET COST OF SERVICES FROM ORDINARY ACTIVITIES								
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	2 415	3 025	749	729	-	-	95 560	90 416
SA GOVERNMENT REVENUES AND EXPENSES:								
Revenues	2 776	3 026	783	670	-	-	100 331	83 315
Total SA Government Revenues and Expenses	2 776	3 026	783	670	-	-	100 331	83 315
NET RESULT BEFORE RESTRUCTURING	361	1	34	(59)	-	-	4 771	(7 101)
Net gain (loss) from administrative restructure	13	323	-	-	-	(3 849)	(1 752)	1 088
NET RESULT AFTER RESTRUCTURING	374	324	34	(59)	-	(3 849)	3 019	(6 013)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department for Environment and Heritage

(a) Strategic Context

The Department for Environment and Heritage (the Department) is the Government's principal environment agency with key roles to:

- provide policy advice and leadership on the environmental sustainability of human activities and on the conservation, use and enjoyment of natural and cultural heritage, and of the public land estate;
- manage and conserve our public land, special places and wildlife, on behalf of Government, for the use, benefit and enjoyment of all South Australians.

The Department's objective is conserving and restoring our environment for all generations by:

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

(b) Financial Arrangements

The Department's sources of funds consist of monies appropriated by Parliament together with income derived from fees and charges for services to the public and industry. These include:

- fees, levies and licenses;
- admissions and guided tour charges;
- rents for Crown land; and
- sales of spatial information.

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

(c) Reporting Entity

The Department performs functions related to Departmental and Administered activities. Both Departmental and Administered Financial Statements are prepared as the administered activities are significant to the Department's overall activities. The Departmental Financial Statements include the assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right.

The Administered Items' financial statements include the assets, liabilities, revenues, expenses and cash flows which the Department administers on behalf of the SA Government, industry and the Minister for Environment and Conservation but does not control. Further, the Administered Items' financial statements detail the sum of the individual Administered Items' revenues, expenses, assets, liabilities and cash flows and as such the principles of consolidation have not been applied in preparing these financial statements as the definition of an economic entity has not been satisfied.

The Administered Items are:

- Board of the Botanic Gardens and State Herbarium
- Coast Protection Board
- Crown Land Sales Freeholding Account
- Land Services Group
- Minister's Other Payments:
 - Royal Zoological Society of SA Inc.
- Special Acts Allocation
 - Salary and Allowances – Minister
- Other, being comprised of:
 - Beachport Breakwater Project
 - Bookmark Biosphere Trust (Dissolved 1 April 2003)
 - General Reserves Trust (Controlled 1 July 2002)
 - Martindale Hall Conservation Trust (Dissolved 1 July 2003)
 - Mt Lofty Summit Development Trust (Dissolved 18 December 2003)
 - Murray Mallee Partnership
 - State Heritage Fund (Controlled 1 July 2002)
 - Surplus Land and Property Sales
 - War Service Land Settlement Scheme
 - Wildlife Conservation Fund (Controlled 1 July 2002)

The Administered Items' financial statements and associated notes follow the Department's financial statements and associated notes.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

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

- Statements of Accounting Concepts
- Applicable Australian Accounting Standards (AAS)
- Other authoritative pronouncements of the Australian Accounting Standards Board (AASB)
- Urgent Issues Group (UIG) Consensus Views
- Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*.

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

In the absence of a specific Accounting Standard, other authoritative pronouncement of the AASB or UIG Consensus View, consideration is given to the order of preference of other pronouncements as outlined in AAS 6 'Accounting Policies'.

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

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

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

(b) Administrative Restructures

During the current and previous reporting periods a number of administrative restructures occurred which are summarised below. Additional information about administrative restructures is provided in Note 17.

Current Reporting Period

- Land administration functions and Vaughan Terrace Land and Building were transferred to the Department for Administrative and Information Services (DAIS)
- Queens Theatre Land and Building was transferred to the Department of the Premier and Cabinet (Arts SA)
- Martindale Hall Conservation Trust was dissolved
- Mount Lofty Summit Development Trust was dissolved under section 45L of the *National Parks and Wildlife Act 1972* with effect on 18 December 2004, as at that date the Trust had no net assets.

Previous Reporting Period

- Environment protection functions transferred to the Environment Protection Authority
- Biodiversity conservation functions transferred to the Department of Water, Land and Biodiversity Conservation
- General Reserves Trust, State Heritage Fund and Wildlife Conservation Fund transferred to controlled activities of the Department
- Bookmark Biosphere Trust was dissolved.

(c) Revenue Recognition

Government Appropriations

All Government Appropriations are recorded as revenue in the Statement of Financial Performance at the time control passes to the Department. In general, the Department gains control of Appropriations upon receipt of the funds.

Other Revenue

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

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

(d) Cash

Cash in the Statements of Financial Position and Cash Flows is comprised of cash on hand (including petty cash and cashier floats), at call accounts with banks and monies held by DTF in Deposit Accounts.

(e) Receivables

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

(f) Inventories

Items held for use by the Department are accounted for at cost unless it is apparent that they are obsolete or surplus to requirements in which case they are written off. Items held for sale are accounted for at the lower of cost or net realisable value.

(g) Property, Plant and Equipment

The Statement of Financial Position includes all Property, Plant and Equipment controlled by the Department.

Assets Disclosed at Valuation

In accordance with the requirements of Accounting Policy Statement 3 'Revaluation of Non-Current Assets', independent revaluations of classes of non-current assets have only been undertaken where there existed an asset within a class that satisfied the criteria specified in Accounting Policy Statement 3 'Revaluation of Non-Current Assets'. That is, there existed an asset within the class with an original acquisition cost of at least \$1 million and a useful life greater than three years.

Asset classes that satisfy the revaluation criteria include:

- Land
- Buildings and Improvements
- Park Infrastructure
- Roads, Tracks and Trails
- Other

In the 2002-03 financial year, the Department elected to apply the progressive revaluation provisions contained in AASB 1041 'Revaluation of Non-Current Assets' and Accounting Policy Statement 3 'Revaluation of Non-Current Assets', as issued by DTF, to the abovementioned asset classes.

As a consequence of undertaking progressive revaluations, assets within each of the abovementioned asset classes are recognised at different carrying amounts and for those assets revalued prior to the 2002-03 financial year valuations are based on deprival value not fair value.

Non-current assets in Note 23 'Property, Plant and Equipment' are disclosed within each class as follows to distinguish between the different carrying amounts and valuation methodologies.

- Valuer-General's Valuation represents assets within that class yet to be revalued under the current progressive revaluations and carried at revalued amounts as at 1 January 2003 extracted from LOTS.
- Independent Valuation 1999 for Land represents assets within that class valued under \$50 000 that are yet to be revalued under the current progressive revaluations and are carried at revalued amounts based on the deprival value methodology. The independent desktop valuations were performed as at 1 July 1998 by Messrs A.J. Lucas - MBA, B App Sc (Val), Dip Acc, AAPI and F. Taormina - B App Sc (Val), AAPI from Valcorp Australia Pty Limited.
- In the previous reporting period, Independent Valuation 1999 represented assets within that class that were yet to be revalued as at 30 June 2003 and were carried at revalued amounts based on the deprival value methodology. The independent valuations were performed as at 1 July 1998 by Messrs A.J. Lucas - MBA, B App Sc (Val), Dip Acc, AAPI and F. Taormina - B App Sc (Val), AAPI from Valcorp Australia Pty Limited.
- Independent Valuation 2003 represents assets within that class valued over \$50 000 that have been revalued as a part of the current progressive revaluations and are carried at their fair value. The independent valuations were performed as at 1 July 2002 by Messrs A.J. Lucas - MBA, B App Sc (Val), Dip Acc, AAPI and F. Taormina - B App Sc (Val), AAPI from Valcorp Australia Pty Limited.
- Independent Valuation 2003 (Data Dictionary) represents generic assets within that class that have been valued in accordance with the data dictionary valuation model developed in conjunction with independent valuers Valcorp Australia Messrs. A J Lucas, MBA, B App Sc (Val), Dip Acc, AAPI and F. Taormina, B App Sc (Val), AAPI. The data dictionary valuations were last updated during the year ended 30 June 2003 to ensure compliance with the fair value methodology.

Assets Disclosed at Valuation (continued)

- Independent Valuation 2004 represents assets within that class valued over \$50 000 that have been revalued as a part of the current progressive revaluations and are carried at their fair value. The independent valuations were performed as at 1 July 2003 by Messrs T.F. Nankivell - B App Sc (Val), AAPI, Australian Valuation Office and R.A. Hurl - Tusmore Antiques.
- Transfers from Capital Works in Progress represents assets within that class that have been constructed by the Department through its investment program and transferred to the class upon completion. The cost of construction represents the fair value of these assets.
- At Cost represents assets within that class that are yet to be revalued as part of the current progressive revaluations and are carried at their cost of acquisition and/or construction.

In accordance with the transitional provisions of AASB 1041 'Revaluation of Non-Current Assets', any revaluation increments arising upon revaluing the abovementioned non-current asset classes to their fair value are credited directly to the asset revaluation reserve except that, to the extent that the net increment reverses a net revaluation decrement previously recognised as an expense in Net Cost of Services from Ordinary Activities in respect of that same class of non-current assets, in which case the revaluation increments have been credited directly to accumulated funds.

In accordance with the transitional provisions of AASB 1041 'Revaluation of Non-Current Assets', any revaluation decrements arising upon revaluing the abovementioned non-current asset classes to their fair value are debited directly to the asset revaluation reserve to the extent that a credit balance exists in the asset revaluation reserve in respect of that class of non-current assets, and any remainder of the net revaluation decrement is debited directly to accumulated funds.

Land

Land comprising National, Conservation and Recreation Parks and Wilderness Protection Areas and Reserves, generally have restrictions on use imposed by statute or regulation. These restrictions have been taken into account by the independent valuers.

Assets Deemed to be at Fair Value

For those classes of non-current assets where an independent revaluation has not been undertaken, as the criteria within Accounting Policy Statement 3 'Revaluation of Non-Current Assets' have not been met, these classes of non-current assets are deemed to be at fair value as determined by Accounting Policy Statement 3 'Revaluation of Non-Current Assets' as issued by DTF.

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

- Moveable Vehicles
- Computing Equipment
- Application Software
- Furniture and Fittings
- Plant and Equipment
- Plant and Equipment under Finance Lease

Other Property, Plant and Equipment Disclosure Information

Heritage Assets

In accordance with APS 5 'Heritage Assets' as issued by DTF, heritage assets are recognised in the Statement of Financial Position as part of the aggregate value of the classes of assets to which they belong. Certain heritage assets and works of art that are unique due to their historical or cultural interest are not depreciated due to their long and indeterminate useful lives. Heritage assets that provide a functional service are recorded at depreciated fair value.

Land

The Department is custodian of unallotted Crown land, by virtue of its responsibilities under the *Crown Lands Act 1929*. This land is considered to be an administered asset. As the Department has been unable to formulate a suitable methodology for determining a reliable measure of the value of the asset, unallotted Crown land is not included in the Administered Items activities.

The Administered Items activities include the Crown's interest in land leased to third parties under perpetual and other leases and annual licences.

Intellectual Property, Databases and Information Systems

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

Other Property, Plant and Equipment Disclosure Information (continued)*Other*

The recoverable amount test prescribed in AASB 1010 'Recoverable Amount of Non-Current Assets' has not been applied as the Department is a not-for-profit entity whose service potential is not related to the ability to generate net cash inflows.

Property, Plant and Equipment provided free of charge is recorded as an asset at its fair value at the time control passes to the Department. Assets received in this way are disclosed as revenue in the Statement of Financial Performance. (Refer Note 14)

Items of Property, Plant and Equipment with an individual value of less than \$2 000 are expensed in the Statement of Financial Performance at the time they are acquired.

(h) Depreciation of Non-Current Assets

All non-current assets with an initial cost greater than \$2 000 having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. Depreciation is provided for on a straight line basis, with the following depreciation periods:

• Computing Equipment	1-12 years
• Application Software	3-5 years
• Park Infrastructure	2-70 years
• Plant and Equipment	3-15 years
• Roads, Tracks and Trails	3-50 years
• Moveable Vehicles	5-20 years
• Furniture and Fittings	5-50 years
• Buildings and Improvements	7-100 years
• Other	2-50 years

In accordance with AAS 4 'Depreciation', leased assets are amortised over the useful life of the asset or the lease term, whichever is the shorter and an annual review of the appropriateness of depreciation rates and associated useful lives is undertaken. The results of the annual review indicated that the depreciation rates and associated useful lives were appropriate and as such no material adjustments were required.

(i) Leases

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

Finance Leases

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the inception of the lease. These assets are disclosed as Plant and Equipment under Finance Lease in Note 23 and are amortised to the Statement of Financial Performance over the period during which the Department is expected to benefit from the use of the leased assets.

At the same time as recognising a finance lease asset a corresponding finance lease liability is recognised at the same amount. Lease payments are allocated between the principal component (reduction in liability) and the interest expense. Details of finance lease obligations are disclosed in Note 27.

Operating Leases

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred. Details of Operating Lease Commitments are disclosed in Note 32.

Lease Incentive

The Department entered into an operating lease for accommodation whereby it received an incentive, in the form of structural improvements and the provision of certain items of furniture and fittings. A liability has been recognised (Refer Note 24) to reflect the deferred benefits received under the lease incentive arrangement and is systematically reduced by the allocation of lease rental payments between rental expense and reduction of the lease incentive liability.

(j) Payables

Those amounts which represent liabilities for goods and services provided to the Department and other amounts, including interest, are identified as payables.

(k) Provisions for Employee Benefits

In accordance with AASB 1028 'Employee Benefits', a provision is made for the Department's liability for employee benefits arising from services rendered by employees to reporting date. These provisions represent the amounts which the Department has a present obligation to pay to employees for services provided.

Sick Leave

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

(k) Provisions for Employee Benefits (continued)

Annual Leave

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

Long Service Leave

In calculating long service leave benefits the Department uses a benchmark of 7 years, based on an actuarial assessment undertaken by DTF of a significant sample of employees throughout the South Australian public sector. The long service leave entitlement estimated to be paid within 12 months of balance date, is calculated by multiplying employee benefits and related on-costs by the remuneration rates expected to apply when the leave is taken. The expected remuneration rates are calculated as the current remuneration rate plus a salary inflation factor of 4 percent. This calculation is consistent with the Department's experience of employee retention and leave taking.

Employee On-Costs

In general related on-costs of payroll tax and superannuation have been calculated by applying the standard applicable rates to leave balances as at 30 June. Superannuation on-costs are included for part only of the long service leave provision in recognition that it is estimated that 45 percent of the provision will be paid as a lump sum payment on cessation of employment and will not be subject to employer superannuation contributions (refer Note 24).

Superannuation

Contributions are made by the Department to several superannuation schemes operated by the South Australian Government. These contributions are treated as an expense when they are incurred. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. Any liability outstanding at reporting date relates to any contribution due but not yet paid to the superannuation schemes, any such amount is treated as a payable not an employee benefit. (Refer Note 24)

Workers Compensation

The workers compensation liability recognised for the employees of the Department is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 31 May data. Taylor Fry Consulting Actuaries extrapolate this data to 30 June. For the 2003-04 financial year the Department has reflected a workers compensation provision of \$490 000 (\$490 000). (Refer Note 25)

The actuarial assessment conducted by Taylor Fry Consulting Actuaries is based on the Payment Per Claim Incurred (PPCI) valuation method. The assessment has been conducted in accordance with AAS 26 'Financial Reporting for General Insurance Activities' and the WorkCover Guidelines for Actuarial Assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that not all claims have to be paid out in the immediate future.

(l) Borrowings

Borrowings consist of an unsecured loan advanced by DTF. Interest is incurred at a rate determined by the Treasurer with interest paid quarterly in arrears. The average effective interest rate for the reporting period was 6.75 percent (6.50 percent).

(m) Tax Status

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

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

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

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

The net GST receivable from the ATO has been recognised as a receivable 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 ATO have, however, been classified as operating cash flows.

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

The Department prepares a Business Activity Statement on behalf of its Administered Items and for clients provided with business services under the grouping provisions of the GST legislation. Under these provisions, the Department is liable for the payments and entitled to the receipts associated with GST. As such, the GST applicable to these entities forms part of the receivables and payables recorded in the Statement of Financial Position and the GST cash flows recorded in the Statement of Cash Flows of the Department.

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

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

Managing the Process

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

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

The Department is keeping abreast of changes by:

- monitoring the release of updated AIFRS', Pending Accounting Standards, Treasurer's Instructions and Accounting Policy Statements;
- reviewing the updated authoritative pronouncements to determine the potential impact on the Department;
- attending whole-of-government reference group meetings as well as information forums organised by professional accounting bodies and DTF.

Expected Key Differences in Accounting Policies*Accounting Policies, Changes in Accounting Estimates and Errors*

Pending Accounting Standard AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by adjusting the opening balance of accumulated funds for the earliest period presented and restating comparative information.

Current GAAP's require the effect of voluntary changes in accounting policy and correction of errors to be recognised as revenues or expenses in the reporting period in which the change is made and the retrospective effect to be disclosed in the notes to the financial report. That is, comparative information is not restated it is presented as reported in the prior reporting period.

Non-Current Assets Held for Resale

Pending Accounting Standard AASB 5 'Non-Current Assets Held for Resale' requires an entity to measure a non-current asset classified as held for sale at the lower of its carrying amount and fair value less costs to sell.

The Department does not currently separately recognise non-current assets held for disposal instead it follows the general measurement requirements of individual standards such as AASB 1041 'Revaluation of Non-Current Assets' and APS 3 'Revaluation of Non-Current Assets' that allows the Department to carry non-current assets on a fair value basis.

Inventories

Pending Accounting Standard AASB 102 'Inventories' requires inventories held for distribution by non-profit entities to be measured at the lower of cost and current replacement cost whereas current GAAP's require all inventories to be measured at the lower of cost or net realisable value. The current GAAP requirements are complied with by the Department.

Property, Plant and Equipment

Pending Accounting Standard AASB 116 'Property, Plant and Equipment' is proposing that non-current assets be revalued on an individual basis (as opposed to current class basis). It is anticipated an APS will continue to require revaluation on a class basis and current thresholds (greater than \$1 million and estimated useful life greater than three years) will continue to apply.

Employee Benefits

Pending Accounting Standard AASB 119 'Employee Benefits' requires liabilities for long-term employee benefits to be measured at present value. The Department currently measures long-term employee benefits at nominal amounts in accordance with AASB 1028 'Employee Benefits'.

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

Borrowing Costs

Pending Accounting Standard AASB 123 'Borrowing Costs' permits entities to choose between capitalising or expensing borrowing costs if these costs are associated with a qualifying asset.

The Department currently expenses all borrowing costs. It is anticipated that this will continue in the future as DTF have indicated that an APS will be forthcoming that prohibits the capitalisation of borrowing costs.

Impairment of Assets

In accordance with Pending Accounting Standard AASB 136 'Impairment of Assets' the Department will be subjecting all assets to some form of impairment testing, whereas, under existing GAAP's many types of current assets and some types of non-current assets are not subject to impairment testing.

Provisions

Pending Accounting Standard AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' requires the recognition of provisions relating to the retirement or disposal of long-lived assets. The Department does not currently recognise a provision for the retirement or disposal of long-lived assets.

(p) Comparative Figures

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

The comparative figures in the Administered Items financial statements and associated notes have been amended to reflect the final audited figures of administered items for the previous reporting period. As a result, there may be differences when comparing the comparative figures to those published in the Report of the Auditor-General for the previous reporting period.

(q) Rounding

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

3. Programs of the Department

Information about the Department's programs and the revenues and expenses which are reliably attributable to those programs is disclosed in the Program Schedule.

Program 1. Sustainability

The promotion of sustainable and eco-efficient human endeavour with minimal impact on essential life systems.

Program 2. Nature Conservation

The management, science and education contributing to conserving the State's biodiversity.

Program 3. Public Land Management

The conservation, maintenance and stewardship of the State's public lands.

Program 4. Coast and Marine Conservation

The conservation, management and protection of the State's coast and marine environments.

Program 5. Heritage Conservation

The understanding, conservation and protection of the State's rich heritage.

Program 6. Animal Welfare

The promotion and regulation of the humane treatment of animals.

Program 7. Not Attributed

4. Employee Benefits

	2004 \$'000	2003 \$'000
Salaries and Wages ⁽ⁱ⁾	50 893	46 979
Superannuation	5 328	5 082
Annual Leave	798	580
Payroll Tax	3 087	2 929
Long Service Leave	884	1 275
Workers Compensation	305	(292)
Sitting Fees Board and Committees	72	81
Other	2 015	1 437
	63 382	58 071

(i) Targeted Voluntary Separation Packages (TVSPs)

TVSP amounts paid by the Department are included within the salaries and wages expense.

During the year a total of 38 (18) employees of the Department accepted packages in line with the State Government's policy.

The TVSP component of termination payments totalled \$2.65 million (\$1.19 million). These costs were met from a central fund administered by the Office for the Commissioner for Public Employment (OCPE). A total of \$1.94 million (\$0.12 million) has been recovered relating to 2003-04.

In addition, accrued annual leave, leave loading and long service leave benefits amounting to \$0.77 million (\$0.38 million) were paid to employees who received a TVSP.

4. Employee Benefits (continued)

Employee Remuneration

The number of employees whose remuneration exceeded \$100 000 was:

\$100 000 - \$109 999
\$110 000 - \$119 999
\$120 000 - \$129 999
\$130 000 - \$139 999
\$140 000 - \$149 999
\$150 000 - \$159 999
\$160 000 - \$169 999
\$170 000 - \$179 999
\$230 000 - \$239 999

Total Number of Employees

	2004	2003
Number of Employees		Number of Employees
6	6	3
2	2	3
3	3	4
3	3	1
1	1	-
-	-	1
1	1	1
3	3	2
1	1	1
Total Number of Employees	20	16

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

	2004	2003
	\$'000	\$'000
2 712	2 200	

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

Average Number of Employees

During the reporting period the Department had an average of 957 employees (933).

5. Supplies and Services

	2004	2003
	\$'000	\$'000
Accommodation and Property Management Services	7 541	7 322
Section 7 Remittances	599	3 061
Materials and Consumables	2 199	2 225
Vehicle and Aircraft	3 381	3 911
Travel and Accommodation	1 126	949
Contractors	12 257	9 655
Consultant Fees ⁽ⁱ⁾	120	365
Computing	6 419	6 248
Minor Plant and Equipment	1 063	715
Printing and Publishing	939	838
Cost of Goods Sold	761	1 431
Cost of Property Sales	884	410
Bank Fees	141	112
Postage, Courier and Freight	470	442
Advertising	306	464
Scholarships, Awards and Prizes	117	36
Scientific and Technical Services	105	207
Telephone Expenses	1 743	1 750
Audit Fees	216	196
Equipment Repairs and Maintenance	164	204
Books, Periodicals and Newspapers	105	112
Commissions and Selling Costs	87	81
Document Storage and Preservation	93	109
Entertainment	134	84
Equipment Hire	58	41
Monitoring Fees	105	119
Photocopying and Preservation	61	75
Conference and Seminar Presentation	284	175
Insurance	476	490
Transportation	187	177
Sand Replenishment	512	753
Valuations	51	36
Bureau Service - CHRIS Payroll	109	-
Other	235	201
Total Number and Amount of Consultant Fees	43 048	42 994

(i) The number and amount of Consultant Fees fell within the following bandwidths:

Below \$10 000
Between \$10 000 - \$50 000

	2004	2003
Number		\$'000
17	40	136
4	80	229
21	120	365

6. Grants and Contributions		
Community Organisations and Associations	2 652	2 003 \$'000
State Government	1 208	1 871 1 061
Individuals - Heritage, Fencing and Other Agreements	928	601
Local Government	227	274
Universities	51	25
Other	309	571
	5 375	4 403
7. Depreciation and Amortisation		
Buildings and improvements	2 010	2 269
Park infrastructure	4 477	5 444
Roads, tracks and trails	8 443	8 753
Moveable vehicles	561	540
Computing equipment	3 050	4 311
Application software	1 121	2 797
Furniture and fittings	636	353
Plant and equipment	290	496
Finance leases	22	211
Other	1 573	1 065
	22 183	26 239
8. Borrowing Costs		
Interest on borrowings	2 756	2 751
Interest on finance leases	8	15
	2 764	2 766
9. Net Gain (Loss) from Disposal of Non-Current Assets		
Proceeds from disposal of non-current assets	300	11
Less: Written down value of non-current assets	866	892
	(566)	(881)
10. Other Expenses		
Bad and doubtful debts	1	18
Capital works in progress write-off	684	1 131
Asset write-downs	4 490	3 558
Asset impairment	21	-
Other	-	4
	5 196	4 711
11. Fees and Charges		
Rent and other related income	3 241	3 202
Fees, levies and licences	2 477	1 710
Admissions and guided tours	4 345	4 015
Section 7 Enquiries	1 863	9 863
Property Inquiry fees	460	2 243
Support services	3 006	672
Sale of goods	1 856	1 840
Sale of services	1 172	1 130
Sale of property	1 043	409
Sale of spatial information	1 990	2 408
	21 453	27 492
12. Grants and Contributions		
Commonwealth Government	467	3 177
State Government ⁽ⁱ⁾	11 353	5 553
Administered Entities ⁽ⁱⁱ⁾	727	570
Integrated Natural Resource Management Groups	3 081	-
Other	387	872
	16 015	10 172
(i) State Government Grants and Contributions		
Department for Administrative and Information Services*	6 760	-
Attorney-General's Department	2 073	2 008
Department of Water, Land and Biodiversity Conservation	699	978
Department of Transport and Urban Planning	500	1 926
Department of Primary Industries and Resources	428	-
Environment Protection Fund	424	450
South Australian Tourism Commission	224	191
Other	245	-
	11 353	5 553

(i) State Government Grants and Contributions (continued)

* Includes \$6.40 million as compensation for the loss of income generating activities without a corresponding reduction in expenditure as a result of the transfer of land administration function. In future years', it is anticipated that the Departments' SA Government - Recurrent Appropriation Revenue will be increased to reflect this change in administrative arrangements across Government.

(ii) Administered Entities Grants and Contributions

		2004	2003
		\$'000	\$'000
	Board of Botanic Gardens and State Herbarium	607	570
	Coast Protection Board	120	-
		727	570
13.	Interest and Dividends		
	Interest on funds held	4 845	3 711
	Dividends	4	1
		4 849	3 712
14.	Assets Received Free of Charge		
	Land and improvements	1 196	4 823
	Plant and equipment	-	343
	Moveable vehicles	-	13
	Transfers received assets	10	-
	Other	8	545
		1 214	5 724
15.	Other Revenue		
	Salaries and wages recoveries	3 052	1 805
	Insurance recoveries	165	352
	Sponsorships, donations, commissions and bequests	146	139
	Other	60	253
		3 423	2 549
16.	South Australian Government Revenues		
	Recurrent appropriation	86 697	71 047
	Accrual appropriation	13 288	12 140
	Contingency funds	346	128
		100 331	83 315
17.	Net Gain (Loss) from Administrative Restructure		

In the current reporting period the following administrative restructures occurred:

- On 24 July 2003, the Chief Executives of the Department and the Department for Administrative and Information Services (DAIS) approved transfer arrangements for a range of land administration functions from the Department to DAIS. The functions include Section 7, LOTS, Property Assist and related information technology and financial services. The land administration functions were realigned on 1 September 2003, resulting in a transfer of functions and staff from the Department to DAIS and a net loss of \$0.98 million due to the transfer of assets and liabilities.
- On 1 July 2003, in accordance with a Ministerial instruction, the ownership management and control of the Queens Theatre was transferred from the Department to the Department of the Premier and Cabinet (Arts SA) resulting in a net loss on restructure of \$0.29 million.
- On 1 July 2003, Cabinet approved the transfer of the Department's interest in the Vaughan Terrace Land and Building at Berri for nil consideration to DAIS. The realignment resulted in a net loss of \$0.78 million due to the transfer of the assets.
- On 1 July 2003, the Martindale Hall Conservation Trust was dissolved under section 45L: of the *National Parks and Wildlife Act 1972* resulting in a transfer of assets and liabilities to the General Reserves Trust controlled activities of the Department. The realignment resulted in a net gain of \$0.31 million due to the transfer of the assets and liabilities

The table below shows the assets and liabilities transferred in (out) of the Department as a result of the administrative restructures in the current reporting period.

	2004			
	(a) \$'000	(b) \$'000	(c) \$'000	(d) \$'000
Assets:				Total \$'000
Cash	-	(72)	-	307
Receivables	-	-	-	1
Property, plant and equipment	(1 078)	(221)	(782)	-
Total Assets	(1 078)	(293)	(782)	308
				(1 845)

17.	Net Gain (Loss) from Administrative Restructure (continued)	2004				Total \$'000
		(a) \$'000	(b) \$'000	(c) \$'000	(d) \$'000	
	Liabilities:					
	Payables	-	-	-	2	2
	Provisions for employee benefits	(95)	-	-	-	(95)
	Total Liabilities	(95)	-	-	2	(93)
	Net Gain (Loss) from Administrative Restructure	(983)	(293)	(782)	306	(1 752)

In the previous reporting period the following administrative restructures occurred:

- On 1 July 2002, the Environment Protection Authority was created, resulting in a transfer of functions and staff from the Department and a net loss of \$3.85 million due to the transfer of the assets and liabilities.
- On 1 July 2002, the Biodiversity Conservation functions of the Department were realigned, resulting in a transfer of functions and staff from the Department of the Department of Water, Land and Biodiversity Conservation and a net gain of \$0.26 million due to the transfer of the assets and liabilities.
- On 1 July 2002, the General Reserves Trust, State Heritage Fund and Wildlife Conservation Fund no longer satisfied the accounting criteria of an administered entity. Consequently, the activities for the Trust and Funds were incorporated into the Department's controlled activities. The realignment resulted in a net gain of \$4.62 million due to the transfer of the assets and liabilities.
- On 1 May 2003 the Bookmark Biosphere Trust was dissolved under section 45L of the *National Parks and Wildlife Act 1972* resulting in a transfer of assets and liabilities to the General Reserves Trust controlled activities of the Department. The realignment resulted in a net gain of \$0.07 million due to the transfer of assets.

The table below shows the assets and liabilities transferred in (out) of the Department as a result of the administrative restructures in the previous reporting period.

	2003				Total \$'000
	(a) \$'000	(b) \$'000	(c) \$'000	(d) \$'000	
Assets:					
Cash	(3 371)	(13)	4 406	64	1 086
Receivables	(1 174)	(1)	180	1	(994)
Loans	-	-	102	-	102
Inventory	(13)	-	10	-	(3)
Financial assets	(4)	-	-	-	(4)
Property, plant and equipment	(2 810)	(57)	-	-	(2 867)
Other	(166)	-	-	-	(166)
Total Assets	(7 538)	(71)	4 698	65	(2 846)
Liabilities:					
Payables	(923)	(59)	82	-	(900)
Provisions for employee benefits	(2 766)	(268)	-	-	(3 034)
Total Liabilities	(3 689)	(327)	82	-	(3 934)
Net Gain (Loss) from Administrative Restructure	(3 849)	256	4 616	65	1 088

18. Cash

	2004	2003
	\$'000	\$'000
Disposal accounts ⁽ⁱ⁾	10 752	19 510
Accrual appropriation	74 261	43 654
Advance accounts	98	255
Cash in transit	320	61
Cash on hand	25	22
	85 456	63 502

(i) In the previous reporting period, DTF approved access to \$5.00 million in accrual appropriation. In addition \$12.147 million accrual appropriation was received and held by the Department at 30 June 2003. These amounts were disclosed in the Deposit Accounts balance as at 30 June 2003 but were transferred to the accrual appropriation account in the current reporting period.

19. Receivables

Current:	2004	2003
	\$'000	\$'000
Debtors	3 151	4 416
Loans	6	11
Interest	63	75
GST recoverable from ATO	2 238	1 250
TVSP recoveries	706	1 073
Other	234	224
Less: Provision for doubtful debts	102	116
	6 296	6 933

19. Receivables (continued)	2004	2003
Non-Current:	\$'000	\$'000
Debtors ⁽ⁱ⁾	516	-
Loans	75	82
Other	31	26
	622	108
(i) In the current reporting period, the Department transferred a parcel of land to the Land Management Corporation on the understanding that the Department had the right to receive revenue, equivalent to the value at which the land was previously recognised in the Department's financial statements (2003: Inventories - Land Held for Resale) upon the sale of the land.		
20. Inventories	2004	2003
Current:	\$'000	\$'000
Raw materials and consumables	300	266
Work in progress	3	8
Finished goods held for resale	752	715
Land held for resale	-	596
Other	236	-
	1 291	1 585
Non-Current:		
Land held for resale		
	1 929	2 762
	1 929	2 762
21. Financial Assets		
Non-Current:		
Equity in listed entities	8	8
	8	8
22. Other Assets		
Current:		
Prepayments	422	444
	422	444
23. Property, Plant and Equipment		
(a) Land, Buildings and Improvements, Park Infrastructure and Roads, Tracks and Trails		
Land:		
Valuer-General's valuation	6	6
Independent valuation 1999	3 119	3 161
Independent valuation 2003	63 666	63 559
At cost	8 092	7 767
Total Land	74 883	74 493
Buildings and Improvements:		
Valuer-General's valuation	-	676
Independent valuation 1999	12 898	13 808
Independent valuation 2003	35 631	47 597
Independent valuation 2003 (Data Dictionary)	13 735	-
Independent valuation 2004	9 160	9 176
At cost	37 236	30 806
Less: Accumulated depreciation	34 188	40 451
Total Buildings and Improvements		
Park Infrastructure:		
Independent valuation 1999	-	266
Independent valuation 2003	7 316	7 879
Independent valuation 2003 (Data Dictionary)	104 142	105 859
Independent valuation 2004	1 534	-
At cost	6 461	9 030
Less: Accumulated depreciation	95 241	95 635
Total Park Infrastructure	24 212	27 399
Roads, Tracks and Trails:		
Independent valuation 2003	-	2 984
Independent valuation 2003 (Data Dictionary)	95 462	98 031
At cost	7 795	6 533
Less: Accumulated depreciation	67 986	61 561
Total Roads, Tracks and Trails	35 271	45 987
Total Land, Buildings and Improvements, Park Infrastructure and Roads, Tracks and Trails	168 554	188 330

23. Property, Plant and Equipment (continued)	2004	2003
(b) Plant and Equipment	\$'000	\$'000
Moveable Vehicles:		
At cost	7 445	7 334
Less: Accumulated depreciation	3 821	3 801
Total Moveable Vehicles	3 624	3 533
Computing Equipment:		
At cost	14 383	17 996
Less: Accumulated depreciation	11 601	12 605
Total Computing Equipment	2 782	5 391
Application Software:		
At cost	8 399	16 652
Less: Accumulated depreciation	6 024	13 156
Total Application Software	2 375	3 496
Furniture and Fittings:		
At cost	6 400	3 883
Less: Accumulated depreciation	4 590	2 097
Total Furniture and Fittings	1 810	1 786
Plant and Equipment:		
At cost	1 702	1 767
Less: Accumulated depreciation	1 233	1 153
Total Plant and Equipment	469	614
Plant and Equipment under Finance Lease:		
At cost	81	98
Less: Accumulated amortisation	71	60
Total Plant and Equipment under Finance Lease	10	38
Other:		
Independent valuation 2003	7 711	8 988
Independent valuation 2004	1 109	-
Capital works in progress	343	1 727
At cost	6 811	5 865
Less: Accumulated depreciation	7 757	6 888
Total Other	8 217	9 692
Capital Works in Progress:		
At cost	5 769	2 840
Total Capital Works in Progress	5 769	2 840
Total Plant and Equipment	25 056	27 390
Total Property, Plant and Equipment	193 610	215 720

Reconciliation

A reconciliation of the carrying amount of each class of Property, Plant and Equipment is displayed in the table below.

	Land	Buildings and Improvements	Park Infrastructure	Roads, Tracks and Trails	Moveable Vehicles
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Carry Amount:					
Balance at 30 June 2003	74 493	71 257	123 034	107 548	7 334
Additions	694	513	1 278	50	856
Additions - Transfers from capital works in progress	-	519	2 078	357	-
Net revaluation increment (decrement)	-	446	(1 206)	(2 004)	-
Transfers within Government	(390)	(961)	(6)	-	-
Transfers between classes	-	465	(2 991)	57	(2)
Assets received free of charge	86	1 329	648	237	-
Disposals	-	(812)	(2 373)	(482)	(743)
Assets written-off and/or impaired	-	(1 332)	(1 009)	(2 506)	-
Other	-	-	-	-	-
Capital works in progress written-off	-	-	-	-	-
Balance at 30 June 2004	74 883	71 424	119 453	103 257	7 445

Reconciliation (continued)

	Land \$'000	Buildings and Improvements \$'000	Park Infra- structure \$'000	Roads, Tracks and Trails \$'000	Moveable Vehicles \$'000
Accumulated Depreciation/Amortisation:					
Balance as at 30 June 2003	-	(30 806)	(95 635)	(61 561)	(3 801)
Depreciation expense	-	(2 010)	(4 477)	(8 443)	(561)
Revision to useful life estimations	-	-	-	-	-
Net revaluation increment (decrement)	-	(4 944)	579	945	-
Transfers within Government	-	352	2	-	-
Transfers between classes	-	(283)	2 179	(3)	2
Assets received free of charge	-	(690)	(270)	(144)	-
Disposals	-	491	2 125	297	539
Assets written-off and/or impaired	-	654	255	923	-
Other	-	-	1	-	-
Balance as at 30 June 2004	-	(37 236)	(95 241)	(67 986)	(3 821)

Net Book Value:

As at 30 June 2003

As at 30 June 2004

74 493	40 451	27 399	45 987	3 533
74 883	34 188	24 212	35 271	3 624

Gross Carry Amount:				
Balance at 30 June 2003	17 996	16 652	3 883	1 767
Additions	2 148	-	51	161
Additions - Transfers from capital works in progress	5	715	67	-
Net revaluation increment (decrement)	-	-	-	-
Transfers within Government	(1 985)	(9 772)	-	(31)
Transfers between classes	82	-	2 451	5
Assets received free of charge	153	-	-	7
Disposals	(839)	865	(52)	(207)
Assets written-off and/or impaired	(3 177)	(61)	-	(17)
Other	-	-	-	-
Capital works in progress written-off	-	-	-	-
Balance at 30 June 2004	14 383	8 399	6 400	1 702

	Computing Equipment \$'000	Application Software \$'000	Furniture and Fittings \$'000	Plant and Equipment \$'000	Plant and Equipment under Finance Lease \$'000
Accumulated Depreciation/Amortisation:					
Balance as at 30 June 2003	(12 605)	(13 156)	(2 097)	(1 153)	(60)
Depreciation expense	(3 050)	(1 121)	(636)	(290)	(22)
Revision to useful life estimations	-	-	-	-	-
Net revaluation increment (decrement)	-	-	-	-	-
Transfers within Government	1 603	9 079	-	28	-
Transfers between classes	(43)	1	(1 889)	-	-
Assets received free of charge	(143)	-	-	(7)	-
Disposals	790	(888)	32	189	11
Assets written-off and/or impaired	1 847	61	-	-	-
Other	-	-	-	-	-
Balance at 30 June 2004	(11 601)	(6 024)	(4 590)	(1 233)	(71)

Net Book Value:

As at 30 June 2003

As at 30 June 2004

5 391	3 496	1 786	614	38
2 782	2 375	1 810	469	10

Gross Carry Amount:				
Balance at 30 June 2003	16 580	2 840	443 482	
Additions	773	7 416	13 940	
Additions - Transfers from capital works in progress	62	(3 803)	-	
Net revaluation increment (decrement)	53	-	(2 711)	
Transfers within Government	-	-	(13 145)	
Transfers between classes	(67)	-	-	
Assets received free of charge	50	-	2 510	
Disposals	(485)	-	(5 145)	
Assets written-off and/or impaired	(165)	-	(8 250)	
Other	(827)	-	(827)	
Capital works in progress written-off	-	(684)	(684)	
Balance at 30 June 2004	15 974	5 769	429 170	

Reconciliation (continued)

	Other \$'000	Capital Works in Progress \$'000	Total \$'000
Accumulated Depreciation/Amortisation:			
Balance as at 30 June 2003	(6 888)	-	(227 762)
Depreciation expense	(1 573)	-	(22 183)
Revision to useful life estimations	(2)	-	(2)
Net revaluation increment (decrement)	(1)	-	(3 421)
Transfers within Government	-	-	11 064
Transfers between classes	35	-	(1)
Assets received free of charge	(42)	-	(1 296)
Disposals	693	-	4 279
Assets written-off and/or impaired	(1)	-	3 739
Other	22	-	23
Balance as at 30 June 2004	(7 757)	-	(235 560)
Net Book Value:			
As at 30 June 2003	9 692	2 840	215 720
As at 30 June 2004	8 217	5 769	193 610

With respect to the disposals movement in the Application Software class the net balance appears as a positive due to the reinstatement of the TATS software application which was incorrectly accounted for as a disposal in the previous financial period.

24. Payables

	2004 \$'000	2003 \$'000
Current:		
Creditors	7 372	5 310
Accruals	1 855	3 864
Employee Benefit On-Costs ⁽ⁱ⁾	810	717
Lease Incentive	226	301
	10 263	10 192
Non-Current:		
Creditors	-	300
Employee Benefit On-Costs ⁽ⁱ⁾	1 546	1 470
Lease Incentive	-	226
	1 546	1 996

(i) Employee Benefit On-Costs

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

	2004 \$'000	2003 \$'000
Current:		
Accrued Payroll Tax:		
Annual leave	225	188
Long service leave	28	65
Accrued salaries and wages	35	11
	288	264
Superannuation:		
Annual leave	415	336
Long service leave	34	87
Accrued salaries and wages	73	30
	522	453
Total Current Employee On-Costs	810	717

Non-Current:

Accrued Payroll Tax:	700	632
Long service leave	700	632

Superannuation:

Long service leave	846	838
	846	838

Total Non-Current Employee On-Costs

1 546 1 470

25. Provisions for Employee Benefits	2004	2003
	\$'000	\$'000
Current:		
Annual leave	3 666	2 983
Long service leave	482	1 070
Workers compensation	148	129
Accrued salaries and wages	551	173
	4 847	4 355
Non-Current:		
Long service leave	11 889	10 403
Workers compensation	346	360
	12 235	10 763

Costs that are a consequence of employing employees, but which are not employee benefits, such as payroll tax and superannuation on-costs, are recognised as liabilities and expenses when the employee benefits to which they relate are recognised. These employee benefit on-costs are recognised as Payables in Note 24 as they do not accrue to employees.

The aggregate current liability from employee benefits and related on-costs is \$5.66 million (\$5.08 million)

The aggregate non-current liability from employee benefits and related on-costs is \$13.78 million (\$12.23 million)

26. Borrowings	2004	2003
	\$'000	\$'000
Non-Current:		
Department of Treasury and Finance - Loans	38 054	38 054
	38 054	38 054
Repayable:		
Later than five years	38 054	38 054
	38 054	38 054

27. **Finance Leases**
At reporting date, the Department had the following obligations under finance leases the sum of which is recognised as a liability after deduction of future finance lease charges included in the obligation. The finance leases are for office equipment such as computers, copiers and printers. In general, the leases are non-cancellable, payable either six-monthly or monthly in advance or arrears, are renewable at the Department's discretion and contain no contingent rental provisions.

	2004	2003
	\$'000	\$'000
Payable not later than one year	17	27
Payable later than one year but not later than five years	1	19
Minimum lease payments	18	46
Less: Future finance charges	2	10
Total Lease Liability	16	36

Classified as:		
Current	15	19
Non-current	1	17
Total Lease Liability	16	36

28. Other Liabilities	2004	2003
	\$'000	\$'000
Current:		
Unclaimed monies	27	27
Retention monies	24	7
Bonds held	7	21
Unearned revenue	146	96
Other	45	67
	249	218
Non-Current:		
Unearned revenue	89	-
	89	-

29. Equity

Equity represents the residual interest in the net assets of the Department. The State Government holds the equity interest in the Department on behalf of the community. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non-current assets.

	Accumulated Funds \$'000	Asset Revaluation Reserve \$'000	2004 Total \$'000
Balance at 1 July	195 858	29 590	225 448
Surplus (Deficit) for the year	3 019	-	3 019
Net increment (decrement) related to the revaluation of:			
Buildings and improvements	-	(4 498)	(4 498)
Park infrastructure	-	(627)	(627)
Roads, tracks and trails	-	(1 059)	(1 059)
Other	-	52	52
Balance at 30 June	198 877	23 458	222 335
	Accumulated Funds \$'000	Asset Revaluation Reserve \$'000	2003 Total \$'000
Balance at 1 July	202 162	14 538	216 700
Surplus (Deficit) for the year	(6 013)	-	(6 013)
Net increment (decrement) related to the revaluation of:			
Land	-	6 845	6 845
Buildings and improvements	-	3 225	3 225
Park infrastructure	-	1 157	1 157
Roads, tracks and trails	-	3 783	3 783
Plant and equipment	-	5	5
Other	-	37	37
Initial adoption of an accounting standard	(291)	-	(291)
Balance at 30 June	195 858	29 590	225 448

30. Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services

	2004 \$'000	2003 \$'000
Net Cash provided by Operating Activities	35 379	22 768
Adjustments:		
Cash flows from government	(100 331)	(83 315)
Depreciation and amortisation	(22 183)	(26 239)
Assets received free of charge	1 214	5 724
Assets written-off	(5 195)	(4 689)
Initial Adoption of an Accounting Standard	-	291
Net Gain (Loss) on Sale of Assets	(566)	(881)
Change in Assets and Liabilities:		
Increase (Decrease) in receivables	(124)	(946)
Increase (Decrease) in inventories	(1 127)	(1 017)
Increase (Decrease) in other assets	(22)	(167)
Decrease (Increase) in payables	(426)	(268)
Decrease (Increase) in employee benefits	(2 059)	(2 070)
Decrease (Increase) in other liabilities	(120)	393
Net Cost of Services from Ordinary Activities	(95 560)	(90 416)

31. Restrictions on Contributions Received

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

	2004 \$'000	2003 \$'000
Resource conservation and management	3 026	2 371
3 026	2 371	

32. Expenditure Commitments

Operating Lease Commitments

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

	2004	2003
	\$'000	\$'000
Not later than one year	4 618	3 551
Later than one year but not later than five years	8 185	3 724
Later than five years	4 320	73
Total (including GST) ⁽ⁱ⁾	17 123	7 348

(i) In the previous reporting period the Department omitted in error, Operating Lease Commitment held over premises at Keswick of approximately \$10 million. This operating lease commitment has been included in the current reporting period.

Included in the operating lease commitments above is \$1.5 million (\$0.7 million) which is the GST component of the operating lease payments.

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

33. Contingent Assets and Liabilities

Wilpena Tourist Centre

The Minister (on behalf of the Department) extended a guarantee to a maximum value of \$1.25 million to ANZ Bank on behalf of Flinders Ranges Tourist Services Pty Ltd, in respect of the Wilpena Tourist Centre redevelopment/lease arrangement. This contingent liability is expected to reduce by an amount of \$130 000 per year effective from 1 July 2000 in line with loan repayments. As a result, the maximum exposure in relation to the guarantee as at 30 June 2004 is \$630 000. As at the reporting date, no event was known to have occurred which would crystallise liability under the guarantee.

The Department is not aware of the existence of any contingent assets as at 30 June 2004.

34. Financial Instruments Disclosure

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

Financial Assets

Cash deposits are recognised at their nominal amounts and interest is credited to revenue as it accrues. The Department invests surplus funds with the Treasurer at call. Interest is earned on the average monthly balance at rates based on the DTF 90 day bank bill rate and interest is paid at the end of each quarter. The average effective interest rate for the reporting period was 6.70 percent (6.45 percent).

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

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

Financial Liabilities

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

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

All financial assets and liabilities are unsecured.

(b) Interest Rate Risk Exposure

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

2004							
	Weighted Average Effective Rate Percent	Floating Interest Rate \$'000	1 Year or Less \$'000	1 to 5 Years \$'000	More Than 5 Years \$'000	Non- Interest Bearing \$'000	Total \$'000
Financial Assets:							
Cash	6.70	85 354	-	-	-	102	85 456
Loans	4.86	18	6	4	18	35	81
Debtors	N/A	-	-	-	-	6 837	6 837
Financial Assets	N/A	-	-	-	-	8	8
		85 372	6	4	18	6 982	92 382
Financial Liabilities:							
Creditors	N/A	-	-	-	-	11 809	11 809
Borrowings	6.75	-	-	-	38 054	-	38 054
		-	-	-	38 054	11 809	49 863
2003							
	Weighted Average Effective Rate Percent	Floating Interest Rate \$'000	1 Year or Less \$'000	1 to 5 Years \$'000	More Than 5 Years \$'000	Non- Interest Bearing \$'000	Total \$'000
Financial Assets:							
Cash	6.45	63 559	-	-	-	(57)	63 502
Loans	4.62	23	6	11	18	35	93
Debtors	N/A	-	-	-	-	6 948	6 948
Financial Assets	N/A	-	-	-	-	8	8
		63 582	6	11	18	6 934	70 551
Financial Liabilities:							
Creditors	N/A	-	-	-	-	12 188	12 188
Borrowings	6.50	-	-	-	38 054	-	38 054
		-	-	-	38 054	12 188	50 242

(c) Net Fair Value of Financial Assets and Liabilities

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

	2004		2003	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets:				
Cash	85 456	85 456	63 502	63 502
Loans	81	81	93	92
Debtors	6 837	6 837	6 948	6 948
Financial Assets	8	8	8	8
	92 382	92 382	70 551	70 550
Financial Liabilities:				
Creditors	11 809	11 809	12 188	12 188
Borrowings	38 054	38 054	38 054	38 054
	49 863	49 863	50 242	50 242

35. Auditors' Remuneration

Services provided by the Auditor-General's Department with respect to the audit of the Department totalled \$0.216 million (\$0.196 million) for the reporting period.

**Statement of Administered Revenues and Expenses
for the year ended 30 June 2004**

	2004	2003
	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:		
Employee benefits	502	433
Supplies and services	3 621	1 705
Grants and contributions	20 863	9 746
Depreciation and amortisation	1 888	1 271
Net loss from disposal of non-current assets	334	44
Net expense from correction of an error	-	45 940
Other	1	7
Total Expenses from Ordinary Activities	27 209	59 146
REVENUES FROM ORDINARY ACTIVITIES:		
Fees and charges	16 185	6 749
Grants and contributions	774	235
Interest and dividends	112	119
Assets received free of charge	254	240
Net gain from disposal of non-current assets	11 598	8 632
Net revenue from correction of an error	5 119	-
Other	55	103
Total Revenues from Ordinary Activities	34 097	16 078
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	(6 888)	43 068
SOUTH AUSTRALIAN GOVERNMENT REVENUES AND EXPENSES:		
Revenues	4 551	3 803
Expenses	17 800	-
Total South Australian Government Revenues and Expenses	(13 249)	3 803
NET RESULT BEFORE RESTRUCTURING	(6 361)	(39 265)
Net gain (loss) from administrative restructure	(306)	(4 681)
NET RESULT AFTER RESTRUCTURING	(6 667)	(43 946)
CHANGES IN EQUITY THROUGH NON-OWNER TRANSACTIONS:		
Net Increase (Decrease) in asset revaluation reserve	3 266	12 078
Total Revenues, Expenses and Valuation Adjustments	3 266	12 078
Recognised in Equity	3 266	12 078
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNERS	(3 401)	(31 868)

Statement of Administered Assets and Liabilities
as at 30 June 2004

	2004	2003
	\$'000	\$'000
CURRENT ASSETS:		
Cash	6 968	29 330
Receivables	499	449
Inventories	69	134
Total Current Assets	7 536	29 913
NON-CURRENT ASSETS:		
Receivables	426	569
Property, plant and equipment	81 708	76 351
Total Non-Current Assets	82 134	76 920
Total Assets	89 670	106 833
CURRENT LIABILITIES:		
Payables	912	9 039
Other	3 626	9 208
Total Current Liabilities	4 538	18 247
NON-CURRENT LIABILITIES:		
Payables	210	263
Total Non-Current Liabilities	210	263
Total Liabilities	4 748	18 510
NET ASSETS	84 922	88 323
EQUITY:		
Asset revaluation reserve	17 777	14 511
Accumulated funds	67 145	73 812
TOTAL EQUITY	84 922	88 323

Statement of Administered Cash Flows
for the year ended 30 June 2004

	2004	2003
	Inflows	Inflows
	(Outflows)	(Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
PAYMENTS:		
Employee benefits	(484)	(220)
Supplies and services	(17 329)	(2 017)
Grants and contributions	(20 863)	(9 677)
Other	-	(5)
	(38 676)	(11 919)
RECEIPTS:		
Fees and charges	16 193	12 073
Grants and contributions	774	226
Interest and dividends	110	119
Loan repayments	81	121
Other	55	104
	17 213	12 643
SOUTH AUSTRALIAN GOVERNMENT CASH FLOWS:		
RECEIPTS:		
Recurrent appropriations	4 551	3 803
	4 551	3 803
PAYMENTS:		
Return of surplus of cash	(17 800)	-
	(17 800)	-
	(34 712)	4 527
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(1)	(711)
Proceeds from sale of property, plant and equipment	12 658	19 370
	12 657	18 659
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net receipts (payments) from administrative restructures	(307)	(4 470)
	(307)	(4 470)
NET (DECREASE) INCREASE IN CASH HELD	(22 362)	18 716
CASH AT 1 JULY	29 330	10 614
CASH AT 30 JUNE	6 968	29 300

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

A1. Administered Items of the Department

(a) Reporting Entities and Strategic Context

The activities of the Administered Items are:

Board of the Botanic Gardens and State Herbarium

The Board was established under Section 6 of the *Botanic Gardens and State Herbarium Act 1978* (the Act) to ensure the maintenance and development of South Australia's Botanic Gardens and State Herbarium and to provide advice on relevant policies consistent with the provisions of the Act and with the objectives of the Minister for Environment and Conservation.

In the current reporting period, assets surveys were completed for the gardens. This process involved a complete data capture of all Park Infrastructure assets within the gardens including condition assessments that resulted in useful life amendments. Amendments to existing asset details and descriptions resulted in a net increase to the value of assets held of \$0.49 million. New assets recognised for the first time amounted to a net increase in asset holdings of \$4.63 million. Revaluations to existing asset holdings in accordance with the Data Dictionary Revaluation undertaken in 2002-03 amounted to a net increment of \$0.06 million.

In the previous reporting period the Board determined that the value of the State Herbarium collection could not be reliably determined and measured. As such the previously recognised value \$45.94 million was written-off.

Crown Land Sales Freeholding Account

The account was established by the Treasurer in 1990 to record receipts and payments associated with the sale of Crown land and other Government land and property. The net revenue from these sales are returned to the DTF Consolidated Account.

Coast Protection Board

The Board was established under the *Coast Protection Act 1972* to manage, maintain, develop and improve coast facilities that are vested in, or are under the care, control and management of the Board.

Land Services Group

The land administration functions including Section 7 enquiries, LOTS and Property Assist were transferred from the Department to DAIS effective from 1 September 2003. The Department continued to administer these activities on behalf of DAIS until 31 May 2004.

Ministerial Other Payments

Payments made on behalf of DTF under Special Acts such as grant payments to the Royal Zoological Society of SA Inc.

Special Acts Allocation

Payments made on behalf of DTF under Special Acts for the salary and allowances for the Minister for Environment and Conservation.

Other - Comprises:

Beachport Breakwater Project

The Breakwater construction commenced in the current reporting period and is being undertaken by the Coast Protection Board, Transport SA, Wattle Range Council, DAIS and the Department. Once completed, the asset will become the responsibility of the Wattle Range Council.

Murray Mallee Partnership

The Partnership is established under a Memorandum of Understanding to pursue cooperative management of land with a major focus on conservation within the Murray Mallee areas of New South Wales, Victoria and South Australia.

Surplus Land and Property Sales

The Account was established by the Treasurer to act as clearing account for the sale of surplus Government land and property.

War Service Land Settlement Scheme

The Scheme was established under the *War Service Land Settlement Agreement Act 1945*, (the Act) to lease suitable farming land to the returned servicemen. The Act authorised the execution of an agreement between the Commonwealth of Australia and the State of South Australia.

Martindale Hall Conservation Trust

The Trust was established under Section 45B of the *National Parks and Wildlife Act 1972* to facilitate appropriate visitor services and tourism through presentation and management of the Martindale Hall Conservation Park as a key Clare Valley tourism site. On 1 July 2003, the Trust was dissolved under section 45L of the *National Parks and Wildlife Act 1972* resulting in the transfer of the net assets to the Department.

Other - Comprises (continued)

Mt Lofty Summit Development Trust (Dissolved 18 December 2003)

The Trust was established under Section 45B of the *National Parks and Wildlife Act 1972* to facilitate appropriate visitor services and tourism through presentation and management of the Mount Lofty Summit as a key tourism site and through provision of appropriate tourism information at local, regional and state levels.

In addition to those included in Other in 2003-04, the Bookmark Biosphere Trust, General Reserves Trust, State Heritage Fund and Wildlife Conservation Fund were included in Other in 2002-03. The Bookmark Biosphere Trust was dissolved on 1 April 2003 with its functions, assets and liabilities transferring to the General Reserves Trust. Whereas the General Reserves Trust, State Heritage Fund and Wildlife Conservation Fund were reassessed as controlled entities of the Department as of 1 July 2002. Transactions included in the administered schedule comparatives for these entities in 2002-03 represents the transfer to controlled. Additional information regarding the transfer is contained in Note 17 of the Department's financial statements.

(b) Administered Items' Financial Arrangements

The financial activities of the Administered Items are conducted through a number of Deposit Accounts with DTF pursuant to the *Public Finance and Audit Act 1987*. For those Administered Items that do not have their own Deposit Account with DTF their financial activities are conducted through the Department's Deposit Account.

The Department conducts a large number of activities directed towards meeting the Administered Items' objectives and responsibilities as specified in the legislation and/or other authoritative documentation that establishes the Administered Items. Many of the Administered Items, in accordance with the Acts, have delegated certain functions to officers within the Department who provide technical and administrative support including the use of plant and equipment, office accommodation and various administrative services. The cost of the services provided that can be identified with the activities of the Administered Items and can be measured reliably are met by the Administered Items. Other support services that are not identifiable and/or cannot be measured reliably are provided free of charge and have not been recognised in the Administered Items' schedules.

(c) Administered Items' Summary of Significant Accounting Policies

The Administered Items schedules of activities detail the sum of the individual Administered Items' revenues, expenses, assets, liabilities and cash flows and as such the principles of consolidation have not been applied in preparing the schedules as the definition of an economic entity has not been satisfied. Accordingly, transactions and balances between the individual Administered Items have not been eliminated.

In general, the Administered Items adopt the accounting policies of the Department, as detailed in Note 2 of the Department's financial statements, deviations from these policies are as follows:

Property, Plant and Equipment

The Board of the Botanic Gardens and State Herbarium has chosen to lower the independent revaluation threshold criteria from \$1 million to \$500 000 as it is of the view that this threshold is more appropriate.

Provisions for Employee Benefits

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

Details of the Administered Items' revenues, expenses, assets, liabilities and cash flows are provided in the following schedules.

Schedule 1(A): Administered Revenues and Expenses for the Year Ended 30 June 2004

Schedule 1(B): Administered Revenues and Expenses for the Year Ended 30 June 2003

Schedule 2(A): Administered Assets and Liabilities as at 30 June 2004

Schedule 2(B): Administered Assets and Liabilities as at 30 June 2003

Schedule 3(A): Administered Cash Flows for the Year Ended 30 June 2004

Schedule 3(B): Administered Cash Flows for the Year Ended 30 June 2003

Schedule 1(A): Administered Revenues and Expenses for the Year Ended 30 June 2004

EXPENSES FROM ORDINARY	1	2	3	4	5	6	7	Total
ACTIVITIES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee Benefits	121	150	10	-	-	221	-	502
Supplies and Services	229	2 664	143	-	4	-	581	3 621
Grants and Contributions	607	-	876	15 016	3 876	-	488	20 863
Depreciation and Amortisation	1 872	16	-	-	-	-	-	1 888
Net Loss from Disposal of Non-Current Assets	334	-	-	-	-	-	-	334
Other	-	-	-	-	-	-	1	1
Total Expenses from Ordinary Activities	3 163	2 830	1 029	15 016	3 880	221	1 070	27 209
REVENUES FROM ORDINARY								
ACTIVITIES:								
Fees and Charges	693	-	10	15 016	-	-	466	16 185
Grants and Contributions	95	-	44	-	-	-	635	774
Interest and Dividends	112	-	-	-	-	-	-	112
Assets Received Free of Charge	180	74	-	-	-	-	-	254
Net Gain from Disposal of Non-Current Assets	-	11 598	-	-	-	-	-	11 598
Net Revenue from Correction of an Error	5 119	-	-	-	-	-	-	5 119
Other	54	1	-	-	-	-	-	55
Total Revenues from Ordinary Activities	6 253	11 673	54	15 016	-	-	1 101	34 097
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	(3 090)	(8 843)	975	-	3 880	221	(31)	(6 888)
SA GOVERNMENT REVENUES AND EXPENSES:								
Revenues	-	-	459	-	3 879	213	-	4 551
Expenses	-	17 800	-	-	-	-	-	17 800
Total SA Government Revenues and Expenses	-	(17 800)	459	-	3 879	213	-	(13 249)
NET RESULT BEFORE RESTRUCTURING	3 090	(8 957)	(516)	-	(1)	(8)	31	(6 361)
Net Gain (Loss) from Administrative Restructuring	-	-	-	-	-	-	(306)	(306)
NET RESULT AFTER RESTRUCTURING	3 090	(8 957)	(516)	-	(1)	(8)	(275)	(6 667)
CHANGES IN EQUITY THROUGH NON-OWNER TRANSACTIONS:								
Net Increase (Decrease) in Asset Revaluation Reserve	63	3 203	-	-	-	-	-	3 266
Total Revenues, Expenses and Valuation Adjustments Recognised in Equity	63	3 203	-	-	-	-	-	3 266
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS	3 153	(5 754)	(516)	-	(1)	(8)	(275)	(3 401)

Administered Items

1. Botanic Gardens and State Herbarium
2. Crown Land Sales Freeholding Account
3. Coast Protection Board
4. Land Services Group
5. Minister's Other Payments
6. Special Acts Allocation
7. Other

Schedule 1(B): Administered Revenues and Expenses for the Year Ended 30 June 2003

EXPENSES FROM ORDINARY	1	2	3	4	5	6	7	Total
ACTIVITIES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee Benefits	108	104	7	-	-	213	1	433
Supplies and Services	120	1 324	227	-	4	-	30	1 705
Grants and Contributions	570	-	591	5 505	3 050	-	30	9 746
Depreciation and Amortisation	1 267	4	-	-	-	-	-	1 271
Net Loss from Disposal of Non-Current Assets	44	-	-	-	-	-	-	44
Net Expense from Correction of an Error	45 940	-	-	-	-	-	-	45 940
Other	-	-	-	4	-	-	3	7
Total Expenses from Ordinary Activities	48 049	1 432	825	5 509	3 054	213	64	59 146
REVENUES FROM ORDINARY								
ACTIVITIES:								
Fees and Charges	696	-	10	5 509	-	-	534	6 749
Grants and Contributions	83	-	152	-	-	-	-	235
Interest and Dividends	106	-	-	-	-	-	13	119
Assets Received Free of Charge	119	121	-	-	-	-	-	240
Net Gain from Disposal of Non-Current Assets	-	8 632	-	-	-	-	-	8 632
Other	103	-	-	-	-	-	-	103
Total Revenues from Ordinary Activities	1 107	8 753	162	5 509	-	-	547	16 078
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	46 942	(7 321)	663	-	3 054	213	(483)	43 068
SA GOVERNMENT REVENUES AND EXPENSES:								
Revenues	-	-	750	-	3 053	-	-	3 803
Total SA Government Revenues and Expenses	-	-	750	-	3 053	-	-	3 803
NET RESULT BEFORE RESTRUCTURING	(46 942)	7 321	87	-	(1)	(213)	483	(39 265)
Net Gain (Loss) from Administrative Restructuring	-	-	-	-	-	-	(4 681)	(4 681)
NET RESULT AFTER RESTRUCTURING	(46 942)	7 321	87	-	(1)	(213)	(4 198)	(43 946)
CHANGES IN EQUITY THROUGH NON-OWNER TRANSACTIONS:								
Net Increase (Decrease) in Asset Revaluation Reserve	10 025	2 053	-	-	-	-	-	12 078
Total Revenues, Expenses and Valuation Adjustments Recognised in Equity	10 025	2 053	-	-	-	-	-	12 078
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS	(36 917)	9 374	87	-	(1)	(213)	(4 198)	(31 868)

Administered Items

1. Botanic Gardens and State Herbarium
2. Crown Land Sales Freeholding Account
3. Coast Protection Board
4. Land Services Group
5. Minister's Other Payments
6. Special Acts Allocation
7. Other

Schedule 2(A): Administered Assets and Liabilities as at 30 June 2004

	1	2	3	4	5	6	7	Total
CURRENT ASSETS:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	2 227	3 498	14	-	-	-	1 229	6 968
Receivables	38	243	2	-	-	-	216	499
Inventories	69	-	-	-	-	-	-	69
Total Current Assets	2 334	3 741	16	-	-	-	1 445	7 536
NON-CURRENT ASSETS:								
Receivables	-	426	-	-	-	-	-	426
Property, Plant and Equipment	44 355	35 900	1 453	-	-	-	-	81 708
Total Non-Current Assets	44 355	36 326	1 453	-	-	-	-	82 134
Total Assets	46 689	40 067	1 469	-	-	-	1 445	89 670
CURRENT LIABILITIES:								
Payables	50	445	15	-	2	221	179	912
Other	5	3 621	-	-	-	-	-	3 626
Total Current Liabilities	55	4 066	15	-	2	221	179	4 538
NON-CURRENT LIABILITIES:								
Payables	-	210	-	-	-	-	-	210
Total Non-Current Liabilities	-	210	-	-	-	-	-	210
Total Liabilities	55	4 276	15	-	2	221	179	4 748
NET ASSETS	46 634	35 791	1 454	-	(2)	(221)	1 266	84 922
EQUITY:								
Asset Revaluation Reserve	11 708	6 069	-	-	-	-	-	17 777
Accumulated Funds	34 926	29 722	1 454	-	(2)	(221)	1 266	67 145
TOTAL EQUITY	46 634	35 791	1 454	-	(2)	(221)	1 266	84 922

Administered Items

1. Botanic Gardens and State Herbarium
2. Crown Land Sales Freeholding Account
3. Coast Protection Board
4. Land Services Group
5. Minister's Other Payments
6. Special Acts Allocation
7. Other

Schedule 2(B): Administered Assets and Liabilities as at 30 June 2003

	1	2	3	4	5	6	7	Total
CURRENT ASSETS:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	2 162	25 172	543	-	-	-	1 453	29 330
Receivables	33	181	10	-	-	-	225	449
Inventories	134	-	-	-	-	-	-	134
Total Current Assets	2 329	25 353	553	-	-	-	1 678	29 913
NON-CURRENT ASSETS:								
Receivables	-	569	-	-	-	-	-	569
Property, Plant and Equipment	41 200	33 699	1 452	-	-	-	-	76 351
Total Non-Current Assets	41 200	34 268	1 452	-	-	-	-	76 920
Total Assets	43 529	59 621	2 005	-	-	-	1 678	106 833
CURRENT LIABILITIES:								
Payables	48	8 605	35	-	1	213	137	9 039
Other	-	9 208	-	-	-	-	-	9 208
Total Current Liabilities	48	17 813	35	-	1	213	137	18 247
NON-CURRENT LIABILITIES:								
Payables	-	263	-	-	-	-	-	263
Total Non-Current Liabilities	-	263	-	-	-	-	-	263
Total Liabilities	48	18 076	35	-	1	213	137	18 510
NET ASSETS	43 481	41 545	1 970	-	(1)	(213)	1 541	88 323
EQUITY:								
Asset Revaluation Reserve	11 645	2 866	-	-	-	-	-	14 511
Accumulated Funds	31 836	38 679	1 970	-	(1)	(213)	1 541	73 812
TOTAL EQUITY	43 481	41 545	1 970	-	(1)	(213)	1 541	88 323

Administered Items

1. Botanic Gardens and State Herbarium
2. Crown Land Sales Freeholding Account
3. Coast Protection Board
4. Land Services Group
5. Minister's Other Payments
6. Special Acts Allocation
7. Other

Schedule 3(A): Administered Cash Flows for the Year Ended 30 June 2004

CASH FLOWS FROM OPERATING ACTIVITIES:	1	2	3	4	5	6	7	Total
PAYMENTS:								
Employee Benefits	(111)	(150)	(10)	-	-	(213)	-	(484)
Supplies and Services	(162)	(16 464)	(163)	-	(3)	-	(537)	(17 329)
Grants and Contributions	(607)	-	(876)	(15 016)	(3 876)	-	(488)	(20 863)
	(880)	(16 614)	(1 049)	(15 016)	(3 879)	(213)	(1 025)	(38 676)
RECEIPTS:								
Fees and Charges	686	-	18	15 016	-	-	473	16 193
Grants and Contributions	95	-	44	-	-	-	635	774
Interest and Dividends	110	-	-	-	-	-	-	110
Loan Repayments	-	81	-	-	-	-	-	81
Other	54	1	-	-	-	-	-	55
	945	82	62	15 016	-	-	1 108	17 213
SA GOVERNMENT CASH FLOWS								
RECEIPTS:								
Recurrent Appropriations	-	-	459	-	3 879	213	-	4 551
	-	-	459	-	3 879	213	-	4 551
PAYMENTS:								
Return of Surplus Cash	-	(17 800)	-	-	-	-	-	(17 800)
	-	(17 800)	-	-	-	-	-	(17 800)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	65	(34 332)	(528)	-	-	-	83	(34 712)
CASH FLOWS FROM INVESTING ACTIVITIES:								
Purchase of Property, Plant and Equipment	-	-	(1)	-	-	-	-	(1)
Proceeds from Sale of Property, Plant and Equipment	-	12 658	-	-	-	-	-	12 658
	-	12 658	(1)	-	-	-	-	12 657
NET CASH FROM (USED IN) INVESTING ACTIVITIES	-	12 658	(1)	-	-	-	-	12 657
CASH FLOWS FROM FINANCING ACTIVITIES:								
Net Receipts (Payments) from Administrative Restructure	-	-	-	-	-	-	(307)	(307)
	-	-	-	-	-	-	(307)	(307)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	-	-	-	-	-	-	-	(307)
NET INCREASE (DECREASE) IN CASH HELD	65	(21 674)	(529)	-	-	-	(224)	(22 362)
Cash at the Beginning of the Reporting Period	2 162	25 172	543	-	-	-	1 453	29 330
CASH AT THE END OF THE REPORTING PERIOD	2 227	3 498	14	-	-	-	1 229	6 968

Administered Items

1. Botanic Gardens and State Herbarium
2. Crown Land Sales Freeholding Account
3. Coast Protection Board
4. Land Services Group
5. Minister's Other Payments
6. Special Acts Allocation
7. Other

Schedule 3(B): Administered Cash Flows for the Year Ended 30 June 2003

CASH FLOWS FROM OPERATING	1	2	3	4	5	6	7	Total
ACTIVITIES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
PAYMENTS:								
Employee Benefits	(108)	(104)	(7)	-	-	-	(1)	(220)
Supplies and Services	(400)	(1 348)	(200)	-	-	-	(69)	(2 017)
Grants and Contributions	(570)	-	(520)	(5 505)	(3 053)	-	(29)	(9 677)
Other	-	-	-	(4)	-	-	(1)	(5)
	(1 078)	(1 452)	(727)	(5 509)	(3 053)	-	(100)	(11 919)
RECEIPTS:								
Fees and Charges	705	4 531	-	5 509	-	-	1 328	12 073
Grants and Contributions	74	-	152	-	-	-	-	226
Interest and Dividends	106	-	-	-	-	-	13	119
Loan Repayments	-	121	-	-	-	-	-	121
Other	104	-	-	-	-	-	-	104
	989	4 652	152	5 509	-	-	1 341	12 643
SA GOVERNMENT CASH FLOWS								
RECEIPTS:								
Recurrent Appropriations	-	-	750	-	3 053	-	-	3 803
	-	-	750	-	3 053	-	-	3 803
NET CASH FROM (USED IN)								
OPERATING ACTIVITIES	(89)	3 200	175	-	-	-	1 241	4 527
CASH FLOWS FROM INVESTING								
ACTIVITIES:								
Purchase of Property, Plant and Equipment	(22)	(689)	-	-	-	-	-	(711)
Proceeds from Sale of Property, Plant and Equipment	4	19 366	-	-	-	-	-	19 370
NET CASH FROM (USED IN)								
INVESTING ACTIVITIES	(18)	18 677	-	-	-	-	-	18 659
CASH FLOWS FROM FINANCING								
ACTIVITIES:								
Net Receipts (Payments) from Administrative Restructure	-	-	-	-	-	-	(4 470)	(4 470)
NET CASH FROM (USED IN)								
FINANCING ACTIVITIES	-	-	-	-	-	-	(4 470)	(4 470)
NET INCREASE (DECREASE) IN								
CASH HELD	(107)	21 877	175	-	-	-	(3 229)	18 716
Cash at the Beginning of the Reporting Period	2 269	3 295	368	-	-	-	4 682	10 614
CASH AT THE END OF THE REPORTING PERIOD	2 162	25 172	543	-	-	-	1 453	29 330

Administered Items

1. Botanic Gardens and State Herbarium
2. Crown Land Sales Freeholding Account
3. Coast Protection Board
4. Land Services Group
5. Minister's Other Payments
6. Special Acts Allocation
7. Other

ENVIRONMENT PROTECTION AUTHORITY

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

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

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

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

Functions

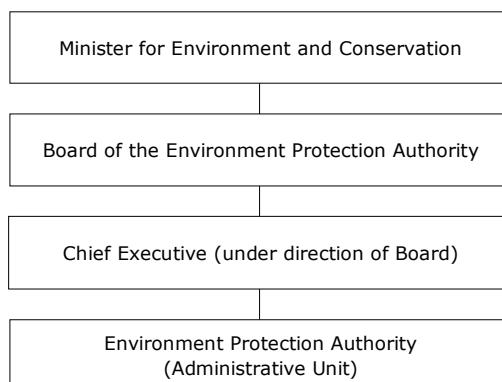
The functions of the EPA are to administer and enforce the Act, promoting principles of ecologically sustainable development. These functions include:

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

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

Structure

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



Changes to Functions and Structure

On 1 July 2003, by proclamation of the Governor pursuant to the *Public Sector Management Act 1995*, the administrative unit, the Office of Zero Waste SA was established, and a number of employees of the Environment Protection Authority were transferred to the newly established administrative unit. The Office of Zero Waste SA was created as an administrative unit to support the new statutory body, Zero Waste SA established under the *Zero Waste SA Act 2004* proclaimed on 6 May 2004. As approved by Cabinet, until the *Zero Waste SA Act 2004* came into operation, the Office of Zero Waste SA was funded from the Environment Protection Fund as permitted under section 24(2)(e) of the *Environment Protection Act 1993*.

Zero Waste SA operations are funded by an increase in waste levies collected by the EPA. The *Zero Waste SA Act 2004* requires the EPA to remit 50 percent of waste levies into the Waste to Resources Fund, which is established under the *Zero Waste SA Act 2004* and is controlled by Zero Waste SA. The EPA is responsible for the collection of all such waste levies. Consequently all waste levy receipts are included as fees and license revenue and the payment to the Waste to Resources Fund is reported as contributions to Zero Waste SA in EPA's financial statements.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

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

Assessment of Controls

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

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

Scope of Audit

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

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

- revenue raising
- environmental licensing
- waste depot levies
- Radiation Protection Division
- expenditure
- payroll
- computing environment.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

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

Assessment of Controls

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

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Chief Executive. Major matters raised with the EPA are discussed herein.

Evidencing of Controls

The EPA has developed a 'Checklist for Environmental Authorisations' form to ensure that all relevant tasks have been completed in relation to the issue and/or amendment of environmental licences. A review of the performance of this control noted some instances where aspects of the checklist were not completed. Audit emphasised the importance of completing a checklist evidencing that all matters relevant to the licence are fully addressed prior to issuing a new or amended licence. These matters are currently being considered by the EPA.

Review of Computing Environment and Operations

The adequacy of information systems and related computer processing environments is critical from both an agency management viewpoint and an audit review responsibility perspective. Additionally, the establishment and the maintenance of a sound internal control environment and specific controls covering agency activities, systems and processes is an important management responsibility.

In 2003-04, Audit sought to gain an understanding of EPA's key financial information systems, computer processing environments and aspects of the management of information technology (IT).

Attention was given to IT strategic policy and planning relating to the EPA's business operations, including organisation, structure, business continuity planning, relationships with IT service providers, and security policy and procedures.

The main Audit observations communicated to the EPA in March 2004 were:

- A finalised Strategic Information Technology Plan was anticipated to be approved in the first quarter of 2004.
- No current, effective business continuity plans or disaster recovery plans were in place for the EPA.
- Documented information security policies and procedures were in draft form but were out of date and not in alignment with the promulgated Information Security Management Framework.

EPA Response

EPA advised in April 2004 that:

- the EPA strategic plan was endorsed in March 2004 and the EPA IT strategic plan had been updated to reflect the latest strategic plan. The IT strategic plan would be finalised and endorsed by the EPA Executive in the 2nd quarter of 2004;
- as part of the EPA risk management process, risk action plans were developed which included the following actions:
 - conduct business impact analysis;
 - develop contingency plans for EPA critical business applications;
 - develop a Service Level Agreement with the Department for Environment and Heritage (DEH) which includes disaster recovery and planning processes in the later half of 2004;
- DEH were in the process of developing the IT security policy aligned with the Information Security Management Framework, for DEH and EPA. EPA would be contributing to this process to meet EPA's requirements. As DEH provided support and maintenance for IT infrastructure, EPA had agreed to operate under common policies. EPA would develop the application security procedures and communication strategy for EPA specific business applications.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2004 \$'million	2003 \$'million	Percentage Change
OPERATING REVENUE			
Revenue from Government	8.7	10.5	(17)
Fees and charges	18.3	11.3	62
Transfers on establishment	-	7.8	
Other revenues	3.2	3.3	(3)
Total Operating Revenue	30.2	32.9	(8)
OPERATING EXPENDITURE			
Employment expenses	15.6	13.8	13
Expense from restructure	1.6	-	
Grants and contributions	7.6	1.4	443
Other expenses	9.9	8.6	15
Total Operating Expenses	34.7	23.8	46
Surplus (Deficit)*	(4.5)	9.1	
Net Cash Flows from Operations	(0.6)	3.5	
ASSETS			
Current assets	7.3	11.1	(33)
Non-current assets	3.5	3.2	9
Total Assets	10.8	14.3	(24)
LIABILITIES			
Current liabilities	2.7	1.9	42
Non-current liabilities	3.4	3.3	3
Total Liabilities	6.2	5.2	19
EQUITY	4.6	9.1	(48)

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

As EPA was established from 1 July 2002 charts of trends of financial operations have not been provided.

Statement of Financial Performance

Operating Revenues

The major items making up fees and charges are fees and licences, \$6 million, and waste levies, \$11.6 million.

Changes to Environmental Licence Fees

Fees and Licences increased by \$1.2 million due mainly to an increase in the regulated fees for environmental licences. In August 2001 the Premier announced intended reforms to environmental licensing, providing for incentives for improved environmental performance and a changed fee structure increasing charges by 100 percent over a four year period. The second phase of increases, an increase of 25 percent, became operative through regulations to the Act from July 2003.

Change to Waste Levies

In June 2003, Cabinet approved the creation, as at 1 July 2003, of a new administrative unit the Office of Zero Waste SA. The Office of Zero Waste SA is funded by an increase in waste levies collected by the EPA which took effect in July 2003. Consequently an increase of 100 percent came into effect on 1 July 2003.

Expenses

Salaries, wages and other employee related costs, \$15.6 million, accounted for 45 percent of total expenditure. The increase for 2003-04 of \$1.8 million over the previous year included the effect of restructuring positions in the Authority. Note 4 of EPA's financial statements provides further detail.

The Department for Environment and Heritage (DEH) provides certain professional, technical and administrative support to the EPA at no charge. These services have not been reflected as expenses in the EPA's Statement of Financial Performance. Refer to Note 1(b) to the EPA's Financial Statements.

Transfers on Establishment of Zero Waste SA

During 2003-04 expenses as a result of the establishment of Zero Waste SA amounted to \$1.6 million. These expenses principally comprised a transfer of cash amounting to \$1.8 million. Refer to Note 16 to the EPA's financial statements.

Grants and Contributions

Grants and Contributions amounted to \$7.6 million, of this \$5.1 million were waste levy related payments to Zero Waste SA. The provisions of the *Zero Waste SA Act 2004* require the EPA to remit 50 percent of waste levy receipts into the Waste to Resources Fund which is controlled by Zero Waste SA. The payment to Zero Waste SA also included 47.5 percent of waste levies received between 1 July 2003 and the proclamation of the *Zero Waste SA Act 2004* on 6 May 2004. Refer to Note 6 of EPA's financial statements.

Statement of Cash Flows

The following table summarises the net cash flows since 2003.

	2004 \$'million	2003 \$'million
Net Cash Flows		
Operations	(0.6)	3.5
Investing	(1.3)	(0.6)
Financing	(1.8)	7.1
Change in Cash	(3.7)	10.0
Cash at 30 June	6.3	10.0

The analysis of cash flows shows that cash decreased by \$3.7 million, of which \$1.8 million related to cash transferred on the establishment of Zero Waste SA. Disregarding this transfer on administrative restructure, net cash movement amounted to \$1.9 million.

FURTHER COMMENTARY ON OPERATIONS

The Environment Protection Fund

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

Statement of Financial Performance
for the year ended 30 June 2004

	Note	2004	2003
		\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee benefits	4	15 605	13 779
Supplies and services	5	8 513	7 659
Grants and contributions	6	7 626	1 394
Depreciation	7	996	923
Net loss from disposal of non-current assets	8	282	-
Other	9	7	29
Total Expenses from Ordinary Activities		33 029	23 784
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges	10	18 294	11 357
Grants and contributions	11	1 765	2 318
Interest	12	645	507
Assets received free of charge	13	188	213
Net gain from disposal of non-current assets	8	-	3
Other	14	567	237
Total Revenues from Ordinary Activities		21 459	14 635
NET COST OF SERVICES FROM ORDINARY ACTIVITIES			
SOUTH AUSTRALIAN GOVERNMENT REVENUES:			
Revenues	15	8 725	10 504
Total South Australian Government Revenues		8 725	10 504
NET RESULT BEFORE RESTRUCTURING			
Net gain (loss) from administrative restructure	16	(2 845)	1 355
NET RESULT AFTER RESTRUCTURING			
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNERS			
		(4 470)	9 127

Statement of Financial Position
as at 30 June 2004

	Note	2004 \$'000	2003 \$'000
CURRENT ASSETS:			
Cash assets	17	6 286	10 057
Receivables	18	992	921
Inventory	19	-	2
Other	21	75	114
Total Current Assets		7 353	11 094
NON-CURRENT ASSETS:			
Receivables	18	72	138
Financial assets	20	5	3
Property, plant and equipment	22	3 391	3 115
Total Non-Current Assets		3 468	3 256
Total Assets		10 821	14 350
CURRENT LIABILITIES:			
Payables	23	1 582	1 020
Provisions for employee benefits	24	1 094	804
Other	25	67	78
Total Current Liabilities		2 743	1 902
NON-CURRENT LIABILITIES:			
Payables	23	421	420
Provisions for employee benefits	24	3 000	2 901
Total Non-Current Liabilities		3 421	3 321
Total Liabilities		6 164	5 223
NET ASSETS		4 657	9 127
EQUITY:			
Accumulated funds	26	4 657	9 127
TOTAL EQUITY		4 657	9 127
Restrictions on contributions	28		
Expenditure commitments	29		

Statement of Cash Flows
for the year ended 30 June 2004

	Note	2004 Inflows (Outflows)	2003 Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employee benefits		(14 997)	(13 040)
Supplies and services		(8 008)	(7 238)
Grants and contributions		(7 626)	(1 395)
		(30 631)	(21 673)
RECEIPTS:			
Fees and charges		18 175	11 532
Grants and contributions		1 765	2 318
Interest		662	484
Loan repayments		70	78
Other		567	255
		21 239	14 667
SA GOVERNMENT CASH FLOWS:			
RECEIPTS:			
Recurrent appropriations		8 718	10 501
Contingency funds		7	3
		8 725	10 504
Net Cash (used in) provided by Operating Activities	27	(667)	3 498
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(1 297)	(577)
Proceeds from sale of property, plant and equipment		1	3
Net Cash used in Investing Activities		(1 296)	(574)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net receipts/payments from administrative restructures		(1 808)	7 133
Net Cash (used in) provided by Financing Activities		(1 808)	7 133
NET (DECREASE) INCREASE IN CASH HELD		(3 771)	10 057
CASH AT THE BEGINNING OF THE REPORTING PERIOD		10 057	-
CASH AT THE END OF THE REPORTING PERIOD		6 286	10 057

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Environment Protection Authority

(a) Strategic Context

The Environment Protection Authority (the Authority) is the Government's environmental regulator with key roles to:

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

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

(b) Financial Arrangements

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

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

- Environment and Radiation Protection licences;
- waste levies from landfill depots;
- fines and penalties;
- Section 7 enquiries.

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

(c) Reporting Entity

The Authority was established by proclamation under the *Public Sector Management Act 1995* in the Government Gazette dated 27 June 2002. The administrative unit was established from the Environment Protection Agency functions transferred from DEH and the Radiation Protection Branch functions transferred from the Department of Human Services. Employees relating to these functions were transferred effective from 1 July 2002. (Refer Note 2(c)).

The administrative unit was established as a separate body to the statutory authority in 1995 under the *Environment Protection Act 1993* (the Act) that is also called the Environment Protection Authority. Subsequent amendments to the Act in April 2003 (section 14B) introduced a governing board to the Authority, being the Board of the Environment Protection Authority (consisting of 9 members), to which the Chief Executive of the administrative unit is accountable. Through this governing arrangement, the statutory authority (through its governing Board) is responsible for the operations of the administrative unit. Also in existence is the Radiation Protection Committee consisting of 10 members. The Committee is responsible for the formulation of regulations under the *Radiation Protection and Control Act 1982*.

The Environment Protection Fund (Fund) is established under Section 24 of the *Environment Protection Act 1993*. The purpose of the Fund is to provide funds which may be applied to education, training, investigations, research and pilot programs in relation to the protection, restoration or enhancement of the environment and to facilitate assistance in relation to an environment performance agreement.

The Fund meets the accounting criteria of a controlled entity of the Authority and consequently the assets and the liabilities of the Fund are recognised by the Authority in the Statement of Financial Position and the Fund's revenues and expenses have been recognised in the Authority's Statement of Financial Performance. The transactions of the Fund are disclosed in Note 32.

The Authority performs functions related to Authority and Administered activities. The Authority's' Financial Statements include the assets, liabilities, revenues and expenses controlled or incurred by the Authority in its own right. As Administered Items are insignificant to the Authority's overall financial performance and position, they have been disclosed in schedules of Administered Item revenues, expenses, assets, liabilities and cash flows which the Authority administers on behalf of the SA Government, industry and the Minister for Environment and Conservation but does not control. (Refer Note 33)

The Administered Items schedules detail the 'Administered Items' revenues, expenses, assets, liabilities and cash flows and as such the principles of consolidation have not been applied in preparing these financial statements as the definition of an economic entity has not been satisfied. The Administered Items are:

- Adelaide Coastal Waters Study Steering Committee.

Details of the 'Administered Items' activities are contained in Note 33 along with the associated Schedules of Revenues, Expenses, Assets, Liabilities and Cash Flows.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

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

- the requirements of the Act;
- statements of accounting concepts;
- applicable Australian Accounting Standards (AAS);
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Urgent Issues Group (UIG) Consensus Views;
- Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*.

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

In the absence of a specific Accounting Standard, other authoritative pronouncement of the AASB or UIG Consensus View, consideration is given to the order of preference of other pronouncements as outlined in AAS 6 'Accounting Policies'.

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

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

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

(b) Administrative Restructures

Effective from 1 July 2003, the Zero Waste SA reporting entity was established by proclamation in the Government Gazette dated 26 June 2003 as a separate administrative unit under the *Public Sector Management Act 1995*, resulting in a transfer of functions and staff from the Authority during the 2003-04 financial year. (Refer Note 16).

On 1 July 2002, the Authority was established and the employees of the former DEH division known as the Environment Protection Agency and the employees of the Department of Human Services' former Radiation Protection Branch of the Public and Environmental Health Service was transferred. As at 1 July 2002, the Environment Protection Fund, which was formerly treated as an Administered Entity of DEH, was also transferred to the Authority. At the time of transfer the Fund no longer satisfied the accounting criteria of an administered entity.

(c) Revenue Recognition

Government Appropriations

All Government Appropriations are recorded as revenue in the Statement of Financial Performance at the time control passes to the Authority. In general, the Authority gains control of Appropriations upon receipt of the funds.

Other Revenue

All other revenues recorded in the Statement of Financial Performance are recognised when the Authority obtains control over the future economic benefits in the form of increases in assets or reductions in liabilities. With respect to licence fees and fines and penalties revenue, the Authority obtains control upon receipt.

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

(d) Cash

Cash in the Statement of Financial Position and the Statement of Cash Flows is comprised of cash on hand (including petty cash and cashier floats) and monies held by DTF in Special Deposit Accounts.

(e) Receivables

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

(f) Inventories

Items held for use by the Authority are accounted for at cost unless it is apparent that they are obsolete or surplus to requirements in which case they are written off. Items held for sale are accounted for at the lower of cost or net realisable value.

As at 30 June 2003, the Authority deemed its inventory holdings to be obsolete and as such have been written down to a nil value.

(g) Property, Plant and Equipment

The Statement of Financial Position includes all Property, Plant and Equipment controlled by the Authority.

Assets Disclosed at Valuation

In accordance with the requirements of Accounting Policy Statement 3 'Revaluation of Non-Current Assets' (APS 3), independent revaluations of classes of non-current assets only need to be undertaken where there existed an asset within a class that satisfied the criteria specified in APS 3. That is, there existed an asset within the class with an original acquisition cost of at least \$1 million and a useful life greater than three years. As no asset classes satisfied the revaluation criteria in APS 3, independent revaluations have not been undertaken by the Authority.

Assets Deemed to be at Fair Value

The Authority's non-current assets are deemed to be at fair value as determined by Accounting Policy Statement 3 'Revaluation of Non-Current Assets' as issued by DTF. Accordingly, all items of property, plant and equipment controlled by the Authority have been brought to account at cost of acquisition and have been reduced to reflect the portion of economic benefits consumed since the asset was acquired.

Other Property, Plant and Equipment Disclosure Information

Intellectual Property, Databases and Information Systems

The Authority controls a number of databases, registers, information systems and other intellectual property that were developed in-house and are used to store and manage intellectual property owned and controlled by the Authority. While the development and maintenance of these databases involves on-going costs to the Authority, the data has not been recognised in the financial statements as assets, as it has not been possible to reliably measure the future economic benefits to the Authority.

Other

The recoverable amount test prescribed in AASB 1010 'Recoverable Amount of Non-Current Assets' has not been applied as the Authority is a not-for-profit entity whose service potential is not related to the ability to generate net cash inflows.

Property, plant and equipment provided free of charge is recorded as an asset at its fair value at the time control passes to the Authority. Assets received in this way are disclosed as revenue in the Statement of Financial Performance and Note 13.

Items of property, plant and equipment with an individual value of less than \$2 000 are expensed in the Statement of Financial Performance at the time they are acquired.

(h) Depreciation of Non-Current Assets

All non-current assets with an initial cost greater than \$2 000 having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. Depreciation is provided for on a straight line basis, with the following depreciation periods:

	Use Life
Computing Equipment	3 years
Application Software	3-15 years
Plant and Equipment	3-20 years
Moveable Vehicles	10-14 years
Furniture and Fittings	5-11 years
Buildings and Improvements	5-50 years

In accordance with AAS 4 'Depreciation', an annual review of the appropriateness of depreciation rates and associated useful lives is undertaken. The results of the annual review indicated that the depreciation rates and associated useful lives were appropriate and as such no adjustments were required.

(i) Leases

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

Finance Leases

The Authority has not entered into any finance leases.

Operating Leases

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred. Details of Operating Lease Commitments are disclosed in Note 29.

(j) Payables

Those amounts which represent liabilities for goods and services provided to the Authority are identified as payables.

(k) Provisions for Employee Benefits

In accordance with AASB 1028 'Employee Benefits', a provision is made for the Authority's liability for employee benefits arising from services rendered by employees to reporting date. These provisions represent the amounts which the Authority has a present obligation to pay to employees for services provided.

Sick Leave

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

Annual Leave

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

Long Service Leave

In calculating long service leave benefits the Authority uses a benchmark of seven years, based on an actuarial assessment undertaken by DTF of a significant sample of employees throughout the South Australian public sector. The long service leave entitlement estimated to be paid within 12 months of balance date, is calculated by multiplying employee benefits by the remuneration rates expected to apply when the leave is taken and related on-costs as at reporting date. The expected remuneration rates are calculated as the current remuneration rate plus a salary inflation factor of 4 percent. This calculation is consistent with the Authority's experience of employee retention and leave taking.

Employee On-Costs

In general, related on-costs of payroll tax and superannuation have been calculated by applying the standard applicable rates to leave balances as at 30 June. Superannuation on-costs are included for part only of the long service leave provision in recognition that it is estimated that 45 percent of the provision will be paid as a lump sum payment on cessation of employment and will not be subject to employer superannuation contributions. (Refer Note 23)

Superannuation

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

Workers Compensation

The workers compensation liability recognised for the employees of the Authority is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 31 May data. Taylor Fry Consulting Actuaries extrapolate this data to 30 June. For the 2003-04 financial year the Authority has reflected a workers compensation provision of \$71 000 (\$91 000) (refer Note 24).

The actuarial assessment conducted by Taylor Fry Consulting Actuaries is based on the Payment Per Claim Incurred (PPCI) valuation method. The assessment has been conducted in accordance with AAS 26 'Financial Reporting for General Insurance Activities' and the WorkCover Guidelines for Actuarial Assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all the claims do not have to be paid out in the immediate future.

(l) Tax Status

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

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

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

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

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

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

Managing the Process

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

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

The Authority is keeping abreast of changes by:

- monitoring the release of updated AIFRS', Pending Accounting Standards, Treasurer's Instructions and Accounting Policy Statements;
- reviewing the updated authoritative pronouncements to determine the potential impact on the Authority;
- attending whole-of-government reference group meetings as well as information forums organised by professional accounting bodies and DTF.

Expected Key Differences in Accounting Policies

• Accounting Policies, Changes in Accounting Estimates and Errors

Pending Accounting Standard AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by adjusting the opening balance of accumulated surplus (deficit) for the earliest period presented and restating comparative information.

Current GAAPs require the effect of voluntary changes in accounting policy and correction of errors to be recognised as revenues or expenses in the reporting period in which the change is made and the retrospective effect to be disclosed in the notes to the financial report. That is, comparative information is not restated it is presented as reported in the prior reporting period. The current GAAP requirements are complied with by the Authority.

• Non-Current Assets Held for Resale

Pending Accounting Standard AASB 5 'Non-Current Assets Held for Resale' requires an entity to measure a non-current asset classified as held for sale at the lower of its carrying amount and fair value less costs to sell.

Currently, the Authority does not separately recognise non-current assets held for disposal instead it follows the general measurement requirements of individual standards such as AASB 1041 'Revaluation of Non-Current Assets' and APS 3 'Revaluation of Non-Current Assets' that allows the Authority to carry non-current assets on a fair value basis.

• Inventories

Pending Accounting Standard AASB 102 'Inventories' requires inventories held for distribution by non-profit-entities to be measured at the lower of cost and current replacement cost whereas current GAAPs require all inventories to be measured at the lower of cost or net realisable value. The current GAAP requirements are complied with by the Authority.

• Property, Plant and Equipment

Pending Accounting Standard AASB 116 'Property, Plant and Equipment' is proposing that non-current assets be revalued on an individual basis (as opposed to current class basis). It is anticipated an APS will continue to require revaluation on a class basis and current thresholds (greater than \$1 million and estimated useful life is greater than three years) will continue to apply.

• Employee Benefits

Pending Accounting Standard AASB 119 'Employee Benefits' requires liabilities for long-term employee benefits to be measured at present value.

The Authority currently measures long-term employee benefits at nominal amounts in accordance with AASB 1028 'Employee Benefits'.

• Impairment of Assets

In accordance with Pending Accounting Standard AASB 136 'Impairment of Assets' the Authority will be subjecting all assets to some form of impairment testing, whereas, under existing GAAPs many types of current assets and some types of non-current assets are not subject to impairment testing.

- **Provisions**
Pending Accounting Standard AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' requires the recognition of provisions relating to the retirement or disposal of long-lived assets. The Authority does not currently recognise a provision for the retirement or disposal of long-lived assets.

(o) Comparative Figures

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

(p) Rounding

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

3. Programs of the Authority

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

4. Employee Benefits

	2004	2003
	\$'000	\$'000
Salaries and wages ⁽ⁱ⁾	12 459	10 877
Superannuation	1 387	1 147
Annual leave	246	128
Payroll tax	764	722
Long service leave	108	518
Workers compensation	6	(72)
Sitting fees boards and committees	76	64
Other	559	395
	15 605	13 779

(i) Targeted Voluntary Separation Packages (TVSPs)

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

During the year a total of 4 (nil) employees of the Authority accepted packages in line with the State Government's policy.

The TVSP component of termination payments totalled \$340 000 (\$nil).

These costs were met from a central fund administered by the Office for the Commissioner for Public Employment (OCPE). A total of \$340 000 (\$nil) has been recovered relating to 2003-04.

In addition, accrued annual leave, leave loading and long service leave entitlements amounting to \$180 000 (\$nil) were paid to employees who received a TVSP.

Remuneration of Employees

The number of employees whose remuneration exceeded \$100 000 was:

\$110 000 - \$119 999
\$120 000 - \$129 999
\$130 000 - \$139 999
\$140 000 - \$149 999
\$220 000 - \$229 999

	2004	2003
	Number of Employees	Number of Employees
	1	-
	2	-
	-	1
	-	1
	1	-
Total Number of Employees	4	2

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

	2004	2003
	\$'000	\$'000
	601	275

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

During 2002-03, the Authority had two employees whose remuneration exceeded \$100 000. In the current reporting period there were four employees whose remuneration exceeded \$100 000. Those employees included two former manager positions which were reclassified to Executive level following a review conducted by the Office for the Commissioner for Public Employment.

Average Number of Employees

During the reporting period the Authority had an average of 208 employees (203).

4. Employee Benefits (continued)**Remuneration of Board Members**

The number of Board members whose remuneration received or due and receivable fell within the following bands:

\$nil
\$1 - \$10 000
\$10 001 - \$20 000
\$20 001 - \$30 000

Total Number of Board Members

2004 Number of Members	2003 Number of Members
2	-
17	3
3	8
-	1
22	12

During the current reporting period remuneration was paid to seven members of the Board of the Environment Protection Authority and eight members of the Radiation Protection Committee. Also paid in the current period was remuneration relating to the previous financial period for five retired members of the Board of the Environment Protection Authority. In the previous reporting period a change in the governing body resulted from amendments to the Act. In April 2003 the Environment Protection Authority (five members) was dissolved and the Board of the Environment Protection Authority was established.

5. Supplies and Services

	2004 \$'000	2003 \$'000
Accommodation and property management services	1 618	1 553
Materials and consumables	329	322
Vehicles	352	401
Travel and accommodation	209	198
Contractors	2 292	1 302
Consultant fees ⁽ⁱ⁾	477	516
Fees for service	75	-
Computing	449	492
Minor plant and equipment	121	100
Printing and publishing	301	304
Cost of goods sold	2	12
Postage, courier and freight	44	42
Advertising	175	181
Scientific and technical services	1 108	901
Telephone expenses	309	318
Audit fees	63	59
Equipment repairs and maintenance	58	35
Books, periodicals and newspapers	27	44
Entertainment	16	5
Equipment hire	6	30
Media monitoring	67	232
Pollution data monitoring	5	1
Photocopying and preservation	9	10
Conference and seminar presentation	82	73
Insurance	23	-
Transportation	87	79
Legal fees	11	47
Customer call centre costs	83	-
Hazardous waste storage and disposal costs	97	316
Other	18	86
	8 513	7 659

(i) The number and amount of consultant fees fell within the following bandwidths:

Below \$10 000
Between \$10 000 and \$50 000
Above \$50 000

Total Number and Amount of Consultant Fees

Number of Consultancies	2004 \$'000	2003 \$'000
12	44	88
4	76	299
6	357	129
22	477	516

6. Grants and Contributions

State Government ⁽ⁱ⁾
Local Government
Private Industry and Community
Other

2004 \$'000	2003 \$'000
5 920	671
1 488	186
76	340
142	197
7 626	1 394

6.	Grants and Contributions (continued)	2004 \$'000	2003 \$'000
(i)	<i>State Government Grants and Contributions</i>	5 432	0
	Zero Waste SA*	409	450
	Environment and Heritage	79	-
	Onkaparinga Catchment Water Management Board	-	137
	South Australian Housing Trust	-	34
	Crystal Brook Primary School	-	33
	River Murray Catchment Water Management Board	-	17
	Water, Land and Biodiversity Conservation	5 920	671

* As per section 113 of the *Environment Protection Act 1993* the Authority earns and collects 100 percent of waste levies, however is then required to transfer 50 percent of levies collected to Zero Waste SA as per section 17 of the *Zero Waste SA Act 2004*. This transfer represents the payment of waste levies monies to Zero Waste SA during 2003-04 in accordance with the *Zero Waste SA Act 2004*. In the current reporting period, the waste levies transfer amounted to \$5.14 million with the balance of \$0.19 million being interest earned on the waste levies collected prior to transfer to Zero Waste SA.

7.	Depreciation	2004 \$'000	2003 \$'000
	Buildings and improvements	5	5
	Moveable vehicles	5	4
	Computing equipment	259	256
	Application software	40	24
	Furniture and fittings	65	65
	Plant and equipment	622	569
		996	923

8.	Net Gain (Loss) from Disposal of Non-Current Assets	1	3
	Proceeds from disposal of non-current assets	283	-
	Less: Written down value of non-current assets	(282)	3

9.	Other Expenses	7	7
	Bad and doubtful debts	-	22
	Capital works in progress write-off	7	29

10.	Fees and Charges	60	139
	Fines and penalties	11 580	6 131
	Waste levies	5 957	4 735
	Fees and licences	286	275
	Section 7 enquiries	346	-
	Fee for service	1	2
	Sale of goods	64	75
	Sale of services	18 294	11 357

11.	Grants and Contributions	646	1 378
	Commonwealth Government (i)	438	697
	State Government (ii)	666	200
	Private Industry	15	43
	Other	1 765	2 318

(i)	<i>Commonwealth Government Grants and Contributions</i>	646	1 378
	Natural Heritage Trust	-	628
	Environment Australia	500	750
	Other	146	-
		646	1 378
(ii)	<i>State Government Grants and Contributions</i>	-	160
	Primary Industries and Resources SA	-	30
	Transport and Urban Planning	101	50
	Environment and Heritage	-	5
	Eyre Peninsula Catchment Water Management Board	10	25
	River Murray Catchment Water Management Board	52	75
	Onkaparinga Catchment Water Management Board	30	50
	South East Catchment Water Management Board	130	188
	Patawalonga and Torrens Catchment Water Management Board	40	30
	Trade and Economic Development	-	4
	Wildlife Conservation Fund	75	80
	Northern Adelaide and Barossa Catchment Water Management Board	438	697

		2004 \$'000	2003 \$'000
12. Interest	Interest on funds held	645	507
13. Assets Received Free of Charge			
Land and improvements		170	-
Plant and equipment		-	154
Transfers received assets		17	-
Other		1	59
		188	213
14. Other Revenue			
Salaries and wages recoveries		561	145
Sponsorships, donations, commissions and bequests		-	57
Other		6	35
		567	237
15. SA Government Revenues and Expenses			
Revenues:			
Recurrent appropriation		8 718	10 501
Contingency funds		7	3
	Total SA Government Revenues	8 725	10 504
16. Net Gain (Loss) from Administrative Restructure			
The Zero Waste SA reporting entity was established with effect from 1 July 2003, resulting in the transfer of functions, staff, assets and liabilities from the Authority. The realignment resulted in a net loss of \$1.625 million due to the transfer of the following assets and liabilities:			
Assets:		2004 \$'000	2003 \$'000
Cash		1 808	-
		1 808	-
Liabilities:			
Payables		20	-
Provisions for employee benefits		163	-
		183	-
	Net Gain (Loss) from Administrative Restructure	(1 625)	-
On 1 July 2002, the Authority was established and the employees of the former DEH division known as the Environment Protection Agency and the employees of the Department of Human Services' former Radiation Protection Branch of the Public and Environmental Health Service were transferred. As at 1 July 2002 the Environment Protection Fund, which was formerly treated as an Administered Entity of DEH, was also transferred to the Authority. At the time of transfer the Fund no longer satisfied the accounting criteria of an administered entity. The transfer resulted in a net gain of \$7.772 million due to the transfer of the following assets and liabilities:			
Assets:		2004 \$'000	2003 \$'000
Cash		-	7 133
Receivables		-	1 323
Inventory		-	13
Financial assets		-	4
Property, plant and equipment		-	3 270
Other		-	166
		-	11 909
Liabilities:			
Payables		-	1 007
Provisions for employee benefits		-	3 130
		-	4 137
	Net Gain (Loss) from Administrative Restructure	-	7 772
	Total Net Gain (Loss) from Administrative Restructures	(1 625)	7 772
17. Cash Assets			
Authority Deposit Account		3 506	5 536
Environment Protection Fund Deposit Account		1 671	3 466
Accrual appropriation		1 103	1 049
Advance accounts		4	-
Cash in transit		1	-
Cash on hand		1	6
		6 286	10 057

		2004 \$'000	2003 \$'000
18. Receivables			
Current:			
Debtors		950	847
Loans		46	74
Interest		17	36
Other		1	2
Less: Provision for doubtful debts		<u>22</u>	<u>38</u>
		992	921
Non-Current:			
Debtors		4	5
Loans		91	133
Less: Provision for doubtful debts		<u>23</u>	<u>-</u>
		72	138
19. Inventories			
Current:			
Finished goods held for resale		-	2
		<u>-</u>	<u>2</u>
20. Financial Assets			
Non-Current:			
Equity in listed entities		5	3
		5	3
21. Other Assets			
Current:			
Prepayments		75	114
		75	114
22. Property, Plant and Equipment			
(a) Buildings and Improvements			
Buildings and Improvements:			
At cost		369	124
Less: Accumulated depreciation		88	22
Total Buildings and Improvements		281	102
Total Buildings and Improvements		281	102
(b) Plant and Equipment			
Moveable Vehicles:			
At cost		78	74
Less: Accumulated depreciation		47	41
Total Moveable Vehicles		31	33
Computing Equipment:			
At cost		1 400	1 422
Less: Accumulated depreciation		1 008	995
Total Computing Equipment		392	427
Application Software:			
At cost		719	359
Less: Accumulated depreciation		65	24
Total Application Software		654	335
Furniture and Fittings:			
At cost		824	713
Less: Accumulated depreciation		254	190
Total Furniture and Fittings		570	523
Plant and Equipment:			
At cost		4 046	3 863
Less: Accumulated depreciation		2 588	2 168
Total Plant and Equipment		1 458	1695
Capital Works in Progress:			
At cost		5	-
Capital Works in Progress		5	-
Total Plant and Equipment		3 110	3 013
Total Property, Plant and Equipment		3 391	3 115

Reconciliation

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

	Land	Buildings and Imprvmt	Moveable Vehicles	Comp Equip	Applicat Software	Furniture and Fittings	Plant and Equip	CWIP	2004 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Carry Amount:									
Balance at 30 June 2003	124	74	1 422	359	713	3 863	-	-	6 555
Additions	245	4	222	79	111	567	286	-	1 514
Capital works in progress additions	-	-	-	281	-	-	(281)	-	-
Transfers within									
Government	-	-	(133)	-	-	7	-	(126)	
Disposals	-	-	(111)	-	-	(476)	-	(587)	
Other	-	-	-	-	-	85	-	85	
Balance at 30 June 2004	369	78	1 400	719	824	4 046	5	7 441	
Accumulated Depreciation:									
Balance at 30 June 2003	(22)	(41)	(995)	(24)	(190)	(2 168)	-	(3 440)	
Depreciation expense	(65)	(5)	(259)	(40)	(65)	(625)	-	(1 059)	
Transfers within									
Government	-	-	138	-	-	(8)	-	130	
Disposals	-	-	106	-	-	211	-	317	
Other	(1)	(1)	2	(1)	1	2	-	2	
Balance at 30 June 2004	(88)	(47)	(1 008)	(65)	(254)	(2 588)	-	(4 050)	
Net Book Value:									
As at 30 June 2003	102	33	427	335	523	1 695	-	3 115	
As at 30 June 2004	281	31	392	654	570	1 458	5	3 391	

23. Payables

Current:		2004	2003
		\$'000	\$'000
Creditors		832	705
Accruals		568	175
Employee benefit on-costs ⁽ⁱ⁾		182	140
		1 582	1 020

Non-Current:

Employee benefit on-costs ⁽ⁱ⁾		421	420
--	--	-----	-----

(i) *Employee Benefit On-Costs*

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

Current:		2004	2003
		\$'000	\$'000
Accrued Payroll Tax:			
Annual leave	47	40	
Long service leave	5	6	
Accrued salaries and wages	8	3	
		60	49
Superannuation:			
Annual leave	100	78	
Long service leave	7	8	
Accrued salaries and wages	15	5	
		122	91
	Total Current Employee Benefit On-Costs	182	140

Non-Current:

Accrued Payroll Tax:		176	174
Long service leave		176	174

Superannuation:		245	246
Long service leave		245	246

Total Non-Current Employee Benefit On-Costs		421	420
--	--	------------	-----

24.	Provisions for Employee Benefits	2004	2003
	Current:	\$'000	\$'000
	Annual leave	850	632
	Long service leave	89	97
	Workers compensation	21	24
	Accrued salaries and wages	134	51
		1 094	804
	Non-Current:		
	Long service leave	2 950	2 834
	Workers compensation	50	67
		3 000	2 901

Costs that are a consequence of employing employees, but which are not employee benefits, such as payroll tax and superannuation on-costs, are recognised as liabilities and expenses when the employee benefits to which they relate are recognised. These employee benefit on-costs are recognised as Payables in Note 23 as they do not accrue to employees.

The aggregate current liability from employee benefits and related on-costs is \$1.28 million (\$0.94 million).

The aggregate non-current liability from employee benefits and related on-costs is \$3.42 million (\$3.32 million).

25.	Other Liabilities	2004	2003
	Current:	\$'000	\$'000
	Deposits held	50	50
	Unearned revenue	-	16
	Other	17	12
		67	78

26. **Equity**

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

	2004	2003
	Accumulated Funds \$'000	Accumulated Funds \$'000
Balance at 1 July	9 127	-
Surplus (Deficit) for the year	(4 470)	9 127
Balance at 30 June	4 657	9 127

27.	Reconciliation of Net Cash provided by (used in) Operating Activities to Net Cost of Services	2004	2003
		\$'000	\$'000
Net cash provided by (used in) operating activities		(667)	3 498
Adjustments:			
Cash flows from Government	(8 725)	(10 504)	
Depreciation and amortisation	(996)	(923)	
Assets received free of charge	188	213	
Assets written off	-	(22)	
Net gain (loss) on sale of assets	(282)	3	
Changes in Assets and Liabilities:			
Increase (Decrease) in receivables	5	(271)	
Increase (Decrease) in inventories	(2)	(11)	
Increase (Decrease) in other assets	(37)	(46)	
Decrease (Increase) in payables	(513)	(360)	
Decrease (Increase) in employee benefits	(552)	(575)	
Decrease (Increase) in other liabilities	11	(151)	
Net Cost of Services from Ordinary Activities	(11 570)	(9 149)	

28. **Restrictions on Contributions Received**

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

	2004	2003
	\$'000	\$'000
Environment protection	1 530	2 249

29. Expenditure Commitments***Operating Lease Commitments***

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

	2004	2003
	\$'000	\$'000
Not later than one year	1 391	1 572
Later than one year but not later than five years	4 115	5 720
Later than five years	-	583
Total (including GST)	5 506	7 875

Included in the operating lease commitments above is \$0.5 million (\$0.7 million) which is the GST component of the operating lease payments.

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

30. Financial Instruments Disclosure**(a) Accounting Policies and Terms and Conditions affecting Future Cash Flows***Financial Assets*

Cash deposits are recognised at their nominal amounts and interest is credited to revenue as it accrues. The Authority invests surplus funds with the Treasurer at call. Interest is earned on the average monthly balance at rates based on the DTF 90 day bank bill rate and interest is paid at the end of each quarter. The average effective interest rate for the reporting period was 4.87 percent (4.60 percent).

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

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

Financial Liabilities

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

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

All financial assets and liabilities are unsecured.

(b) Interest Rate Risk Exposure

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

	Weighted	2004					
		Average	Floating	1 Year	1 to 5	More	Non-
	Effective	Interest	or Less	Years	Years	than	Interest
	Rate	Rate	\$'000	\$'000	\$'000	5 Years	Bearing
	Percent					\$'000	\$'000
Financial Assets:							
Cash	4.87	6 286	-	-	-	-	6 286
Loans	N/A	-	-	-	-	137	137
Debtors	N/A	-	-	-	-	926	926
Financial Assets	N/A	-	-	-	-	5	5
		6 286	-	-	-	1 068	7 354
Financial Liabilities:							
Creditors	N/A	-	-	-	-	2 003	2 003
		-	-	-	-	2 003	2 003

(b) Interest Rate Risk Exposure (continued)

	Weighted Average Effective Rate Percent	Floating Interest Rate \$'000	1 Year or Less \$'000	1 to 5 Years \$'000	More than 5 Years \$'000	Non- Interest Bearing \$'000	Total \$'000
Financial Assets:							
Cash	4.60	10 057	-	-	-	-	10 057
Loans	N/A	-	-	-	-	207	207
Debtors	N/A	-	-	-	-	852	852
Financial Assets	N/A	-	-	-	-	3	3
		10 057	-	-	-	1 062	11 119
Financial Liabilities:							
Creditors	N/A	-	-	-	-	1 440	1 440
		-	-	-	-	1 440	1 440

(c) Net Fair Value of Financial Assets and Liabilities

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

	Carrying Amount 2004 \$'000	Net Fair Value 2004 \$'000	Carrying Amount 2003 \$'000	Net Fair Value 2003 \$'000
Financial Assets:				
Cash	6 286	6 286	10 057	10 057
Loans	137	137	207	207
Debtors	926	926	852	852
Financial Assets	5	5	3	3
	7 354	7 354	11 119	11 119
Financial Liabilities:				
Creditors	2 003	2 003	1 440	1 440
	2 003	2 003	1 440	1 440

31. Auditors' Remuneration

Services provided by the Auditor-General's Department with respect to the audit of the Authority totalled \$0.063 million (\$0.059 million) for the reporting period.

32. The Environment Protection Fund

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

Statement of Financial Performance for the period ended 30 June 2004	2004	2003
EXPENSES FROM ORDINARY ACTIVITIES:	\$'000	\$'000
Employee benefits	670	629
Supplies and services	482	439
Grants and contributions	250	1 163
Net loss from disposal of non-current assets	5	-
Other	1	-
Total Expenses from Ordinary Activities	1 408	2 231
REVENUES FROM ORDINARY ACTIVITIES:		
Fees and charges	1 049	1 822
Grants and contributions	30	-
Interest and dividends	143	175
Other	16	23
Total Revenues from Ordinary Activities	1 238	2 020
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	170	211
NET RESULT BEFORE RESTRUCTURING	(170)	(211)
Net Gain/(Loss) from Administrative Restructure (Refer Note 16)	1 808	-
NET RESULT AFTER RESTRUCTURING	1 978	(211)

Statement of Financial Position as at 30 June 2004

CURRENT ASSETS:		
Cash	1 671	3 466
Receivables	62	259
Total Current Assets	1 733	3 725
NON-CURRENT ASSETS:		
Property, Plant and Equipment	-	5
Total Non-Current Assets	-	5
Total Assets	1 733	3 730

Statement of Financial Position as at 30 June 2004 (continued)	2004	2003
	\$'000	\$'000
CURRENT LIABILITIES:		
Payables	24	27
Other	50	16
Total Current Liabilities	74	43
NON-CURRENT LIABILITIES:		
Other	-	50
Total Non-Current Liabilities	-	50
Total Liabilities	74	93
NET ASSETS	1 659	3 637

33. Administered Item of the Authority

(a) Reporting Entity and Strategic Context

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

(b) Administered Item Financial Arrangements

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

The financial activities of the Committee are conducted through the Authority's Special Deposit Account with the Department of Treasury and Finance (DTF) pursuant to Section 8 of the *Public Finance and Audit Act 1987*. Prior to the establishment of the Authority as an independent administrative unit on 1 July 2002, these activities were conducted through the Department for Environment and Heritage (DEH) Special Deposit Account.

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

(c) Administered Item Summary of Significant Accounting Policies

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

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

Provisions for Employee Benefits

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

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

- Schedule 1(A): Administered Revenues and Expenses for the Year Ended 30 June 2004
- Schedule 1(B): Administered Revenues and Expenses for the Year Ended 30 June 2003
- Schedule 2(A): Administered Assets and Liabilities as at 30 June 2004
- Schedule 2(B): Administered Assets and Liabilities as at 30 June 2003
- Schedule 3(A): Administered Cash Flows for the Year Ended 30 June 2004
- Schedule 3(B): Administered Cash Flows for the Year Ended 30 June 2003

Schedule 1A:
Administered Revenues and Expenses for the Year Ended 30 June 2004

Adelaide
 Coastal
 Waters
 Study
 Steering
 Committee
 \$'000
 806
 806
 806
 647
 45
 692
 114
 (114)

EXPENSES FROM ORDINARY ACTIVITIES:	
Supplies and services	
Total Expenses from Ordinary Activities	806
REVENUES FROM ORDINARY ACTIVITIES:	
Grants and contributions	647
Interest and dividends	45
Total Revenues from Ordinary Activities	692
Net Cost of Services from Ordinary Activities	114
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS	(114)

Schedule 1B:
Administered Revenues and Expenses for the Year Ended 30 June 2003

EXPENSES FROM ORDINARY ACTIVITIES:	
Supplies and services	783
Total Expenses from Ordinary Activities	783
REVENUES FROM ORDINARY ACTIVITIES:	
Grants and contributions	559
Interest and dividends	44
Total Revenues from Ordinary Activities	603
Net Cost of Services from Ordinary Activities	180
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS	(180)

Schedule 2A: Administered Assets and Liabilities as at 30 June 2004

CURRENT ASSETS:	
Cash	692
Receivables	3
Total Current Assets	695
TOTAL ASSETS	695
NET ASSETS	695
EQUITY:	
Accumulated Funds	695
TOTAL EQUITY	695

Schedule 2B:
Administered Assets and Liabilities as at 30 June 2003

CURRENT ASSETS:	
Cash	414
Receivables	395
Total Current Assets	809
TOTAL ASSETS	809
NET ASSETS	809
EQUITY:	
Accumulated Funds	809
TOTAL EQUITY	809

Schedule 3A:
Administered Cash Flows for the Year Ended 30 June 2004

CASH FLOWS FROM OPERATING ACTIVITIES:	
Payments:	
Supplies and services	(806)
Receipts:	
Grants and contributions	1 040
Interest and dividends	44
Net Cash from (used in) Operating Activities	1 084
Net Increase (Decrease) in Cash Held	278
Cash at the beginning of the reporting period	278
CASH AT THE END OF THE REPORTING PERIOD	414
	692

Schedule 3B:
Administered Cash Flows for the Year Ended 30 June 2003

Adelaide
 Coastal
 Waters
 Study
 Steering
 Committee

\$'000

CASH FLOWS FROM OPERATING ACTIVITIES:	
Payments:	
Supplies and services	
	(783)
Receipts:	
Grants and contributions	463
Interest and dividends	44
	507
Net Cash from (used in) Operating Activities	(276)
Net Increase (Decrease) in Cash Held	(276)
Cash at the beginning of the reporting period	690
CASH AT THE END OF THE REPORTING PERIOD	414

DEPARTMENT OF WATER, LAND AND BIODIVERSITY CONSERVATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Department of Water, Land and Biodiversity Conservation (DWLBC) is an Administrative Unit established pursuant to the *Public Sector Management Act 1995*. That establishment occurred on 8 April 2002 as part of a restructure of certain government functions.

DWLBC comprises all the functions of the former Department for Water Resources, which was abolished upon the creation of DWLBC, and certain sections of the Sustainable Resources Group of the Department of Primary Industries and Resources (PIRSA).

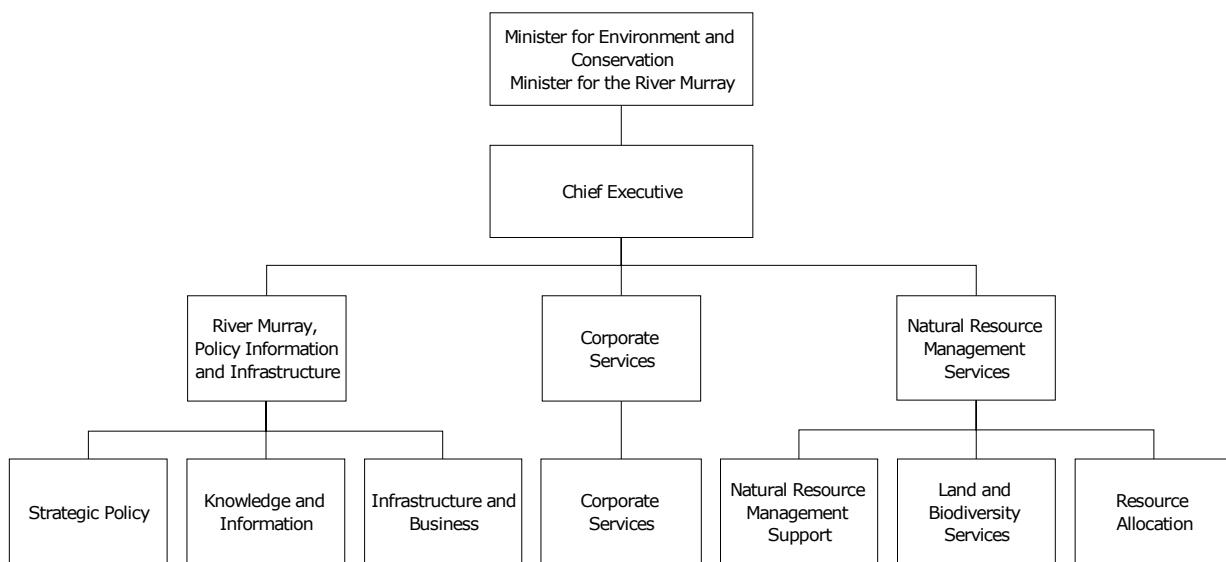
Functions

The objective of DWLBC is to ensure South Australia's natural resources are managed in ecologically sustainable ways that support the well-being of present and future generations. The Department's functions include:

- natural resource planning: coordination of whole-of-government initiatives or services as well as policy advice and development for and on behalf of the Minister;
- natural resource science and information services including monitoring the condition of natural resources and the provision of technical advice and information;
- natural resource management services including the administration of natural resources legislation, restoration and maintenance of ecosystems and resource licensing.

Structure

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



Changes to Functions and Structure

Prior to 1 July 2003 DWLBC utilised a number of financial systems of PIRSA. In this regard PIRSA processed certain revenues, receipts, expenditure, fixed asset and general ledger transactions for DWLBC's Sustainable Resources Group. As at 1 July 2003 these operations have been included in the Department's primary financial systems.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

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

Assessment of Controls

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

Scope of Audit

The audit program covered major financial systems and was directed primarily toward obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

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

- corporate governance and risk management
- fixed assets
- water licensing transactions
- expenditure including payroll
- grants
- computing environment.

In undertaking its operations for the 2003-04 financial year, DWLBC utilised a number of financial systems of the Department for Administrative and Information Services (DAIS). In conducting audit work, consideration was given to control processes performed in these outsourced arrangements.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

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

Emphasis of Matter

Without qualification to the opinion expressed above, attention is drawn to the disclosures in Note 2(m) to the financial statements concerning comparative figures. The note discloses that the comparative figures are partly drawn from information on the Department of Primary Industries and Resources' ledger and as a review of Department of Primary Industries and Resources' ledgers is being undertaken there may be some uncertainty as to these comparative figures.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Department of Water, Land and Biodiversity Conservation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to review of corporate governance and risk management - organisation structure and responsibility, policy and planning, monitoring and reporting, risk management policy and practice; financial management practices - administered grant programs, timeliness of key reconciliations of grant management practices and the general ledger; transfer of

funds from another Government agency; and monitoring and review of the control environment as outlined under 'Audit Communications to Management', are sufficient to provide reasonable assurance that the financial transactions of the Department of Water, Land and Biodiversity Conservation have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Chief Executive. Responses to the management letters were generally considered to be satisfactory. Major matters raised with the Department and the related responses are considered herein.

Review of Corporate Governance and Risk Management

A review was conducted of those areas that are currently generally accepted as essential elements to good governance and which provide the basis for a strong control environment. The review primarily involved collection and review of documentation that would identify whether sound governance practices were established and available and communicated to Department employees. However, the review did not test that the Department's governance requirements, set out in policy and procedural documentation, were in operation throughout the financial reporting period.

The review identified that DWLBC has, over the last 18 months, established frameworks and structures needed to underpin sound governance and risk management practices. Notwithstanding this good foundation, in order to achieve a strong control governance environment it was found that it was necessary for DWLBC to continue to implement and apply these control systems as planned. This need was acknowledged by the Department which responded that it had intended to progress the finalisation of the appropriate systems throughout the course of 2004-05.

Specific issues raised with DWLBC management are summarised in the following paragraphs.

Organisation Structure and Responsibility

Good governance requires clarity in responsibilities and accountabilities for those persons or bodies that are charged with the authority to direct and manage the Department in meeting its statutory and strategic objectives and outcomes.

Over the past eighteen months the Department has redefined its organisation structure and established management groups/committees aimed at providing clear responsibilities and links between the various levels of management. Audit consider that this has provided a sound basis from which to assign responsibility and accountabilities.

While there are established and approved terms of references for all major management bodies, Audit consider that improvements can be made by documenting more explicit reporting responsibilities and, in some instances, further clarification of the role groups/committees have in authorisation/decision making processes.

As the Department also has a responsibility to ensure processes are in place to ensure compliance with all relevant legislation, Audit recommended that a more formalised and structured approach to identifying and monitoring legal compliance was required.

DWLBC Response

The Department advised its intention to review the Committees' Terms of References with a view to ensure these groups/committees deliver the Department's business outcomes in an efficient and effective manner.

Further, with regard to monitoring legal compliance, DWLBC replied that although it had certain processes in place, a more formalised structure including the development of a register of all relevant legislation and assignment of responsibility would be progressed.

Policy and Planning

Those persons charged with the responsibility of achieving the statutory and strategic objectives and outcomes of an agency need to develop and implement key policies and plans that guide the direction of the agency in achieving those desired outcomes.

DWLBC's Executive have approved a policy development framework detailing the required development steps and authority required. Notwithstanding this framework, it was noted that DWLBC does not have comprehensive policy documentation covering all of its major activities.

DWLBC has established and endorsed a planning framework that summarises the planning and reporting of the agency. This planning framework is seen to be an important achievement as it facilitates alignment between the Department's various strategic and business plans. However, it was noted that DWLBC's planning process is very much in a period of development and as such, a number of significant planning processes were yet to occur. Audit considers that the Department will need to apply necessary resources into finalisation, implementation and monitoring of critical strategic and business plans.

DWLBC Response

The Department advised:

- an intention to review all policies and procedures as part of a review of the implementation of the Financial Management Framework across the agency in 2004-05;
- the Corporate Plan 2004-09 was formalised in August 2004;
- it anticipated that Divisional Business Plans would be finalised in mid October 2004 and to give priority to progress the various strategic support plans following the finalisation of the business plans;
- an intention in future years to endorse its corporate, business and strategic support planning process by 30 June each year.

Monitoring and Reporting

Good corporate governance requires public officials to account for their stewardship in meeting the defined objectives and outcomes of the agency. The capacity to demonstrate their commitment includes the implementation and support of adequate systems for monitoring and reporting. Regular monitoring provides a progressive assessment of the agency's achievement against objectives and outcomes, and also provides an opportunity to implement corrective action where necessary.

The review revealed that the DWLBC has implemented a number of important monitoring functions including the establishment of an audit committee, management review of monthly reports, and requirement for reporting by key committees and management groups. However, it was noted that while these practices exist, a number of deficiencies considerably detracted from their effectiveness, including:

- the level of reporting by key management groups was not explicitly defined for each group;
- management review of the monthly general ledger reports is hampered by inconsistent application across the Department;
- the review of processes performed by outsourced service providers was not considered sufficient to identify errors in a timely manner;
- there is a need for formalised, allocated responsibility for review of the Department's statutory accounts.

DWLBC Response

The Department advised that it had:

- instigated a review to recommend improvements to the current internal financial reporting arrangements including specification of information and analyses to be reported to DWLBC executive on a monthly basis;
- an intention to increase senior management involvement in controls processes together with the provision of training to senior and middle managers in their roles and responsibilities under the Financial Management Framework;
- formally assigned responsibility for review of the Department's statutory financial statements to the Finance Committee.

Risk Management Policy and Practice

Risk management should underpin the approach to achieving the Department's statutory and strategic objectives and outcomes. An integrated risk management system develops the control environment, which provides reasonable assurance that the agency will achieve its objectives with an accepted degree of residual risk managed via monitoring, review and treatment.

The Department has made notable progress in terms of risk management over the last 12 months, including the development of a risk management framework and the initiation of processes designed to identify risks significant to the Department. Notwithstanding this progress, the Department is yet to finalise its risk identification and does not have a current risk management plan addressing key risks.

DWLBC Response

The Department advised that each of its divisions were in the process of identifying major risks and developing action plans to address these risks. Further, the response indicated that a draft form of the Department's risk management plan was expected to be prepared for executive consideration in October 2004.

Financial Management Practices

Matters raised with the Department on specific financial management practices included administered grant programs; timeliness of key reconciliations of grant management systems and the general ledger; and a \$5 million loan from DAIS as detailed hereunder lead to significant audit concern. The Department's response to these concerns indicated that a number of factors contributed to deficiencies including:

- lack of appropriate financial systems;
- the Department operating under two ledger systems, its own and the previous department - which made monitoring and reporting difficult;
- inexperienced financial staff;
- the finance area being below strength in staff terms;
- outstanding residual funding transfers between PIRSA and DWLBC.

Further, the response indicated that the absence of adequate financial management skills and systems was taken extremely seriously and that a number of actions and measures had been put in place or are in train to remedy many of the deficiencies including:

- appointment of a new Chief Finance Officer and additional financial staff resources;
- restructure of reporting arrangements;
- introduction of a single ledger system enhancing monitoring and reporting;
- finalisation of funding transfers from PIRSA;
- strengthening of finance committee and establishment of an audit committee;
- intention in 2004-05 to upgrade the Department's financial management policies and systems;
- implementing improved arrangements regarding the control of and access to grants.

Administered Grant Programs

DWLBC's operations include the management and/or administration of a number of significant grant programs including the Natural Heritage Trust (NHT), Natural Heritage Trust Extension (NHT2) and National Action Plan for Salinity and Water Quality (NAP) grant programs.

These funding programs are governed by agreements between the State and Commonwealth Governments and, where appropriate, third parties. The agreements explicitly direct the use and timing of funding provided under each agreement. As a result, although the funds may be received by the Department and kept within its accounts, the Department is not free to distribute or use these funds other than as specified in the various agreements. Consequently these funds are recorded and reported by the DWLBC as 'administered' and not 'controlled' when received from the fund provider. Where an agreement requires funds to be provided to DWLBC as project proponent, the funds at this time are controlled by the Department to be used for the purposes specified in the agreement.

This distinction between administered and controlled funds is determined by DWLBC's right to the funds as set out in agreements and this impacts on the manner in which these monies are reported in the Department's accounts.

Audit raised with DWLBC management a number of concerns as to the appropriateness of actions and controls applied by the Department in relation to transfers of monies from administered grants to its controlled operations. In particular, Audit noted internal correspondence that grant transactions from administered lines to controlled operations for \$5.5 million in June 2003 were not uniformly regarded as revenue to the Department and were regarded, by some, internally as a loan.

Audit made recommendations that DWLBC ensure that policies and procedures are documented and in place in respect of grants such that the following are clearly set out and may be monitored:

- internal controls with respect to administering, recording and access to grants consistent with grant agreements in place;
- accounting treatment for grant receipts and payments;
- key reconciliations to be conducted in recording and reporting grant activity;
- management trails for all receipts and payments such that they can be readily traced to source documents;
- management reporting that allows monitoring of actual grants activity against expectations with appropriate explanation of trends and variations or unexpected items.

DWLBC Response

The Department advised that at the time, officers in the Finance Branch had not been involved in monitoring the NAP and NHT agreements and were not aware of the specific milestone requirements in the agreements. They had sought an option to transfer additional funds from the funds in the NAP Special Deposit Account as they had identified that expenditure in 2002-03 by the Department on its NAP/NHT programs had exceeded revenue received from the program. DWLBC advised that the seeking of a loan of administered funds was inappropriate and unauthorised. (Measures to address the matter were described above under 'Financial Management Practices').

The Department recognised that the funds held in administered lines must be disbursed in accordance with the agreements between the State and Commonwealth. It was further stated that the Department's right to monies transferred to controlled operations were supported by grant agreements.

Timeliness of Key Reconciliations of Grant Management Systems and the General Ledger

The administration of NHT, NHT2 and NAP grants is managed through a database, the Natural Heritage Trust Support System (NSS).

The 2003-04 review revealed that this system was not reconciled to the Department's general ledger on a regular basis. As a result a number of errors in the recording of administered revenue and expenses within the general ledger and financial reports remained undetected.

Audit correspondence with DWLBC highlighted the need for stronger controls over the recording and reconciliation of grant transactions on the Department's general ledger. Audit recommended that DWLBC perform regular and timely reconciliations of the general ledger administered grant transactions to ensure that they agree to the Department's management systems, including the NSS.

DWLBC Response

The Department has performed a reconciliation of the general ledger to the Subsidiary NSS system prior to finalisation of the 2003-04 financial statements and has advised that it would perform regular and timely reconciliations in the future. The Department advised that a thorough investigation of errors was undertaken resulting in a liability of \$1.7 million to PIRSA as at 30 June 2004.

Transfer of Funds from Another Government Agency

On 1 July 2003 DAIS transferred \$5 million into the DWLBC's controlled operating account. This transfer was a loan based on an arrangement between the DWLBC's then Chief Finance Officer and a senior officer at DAIS. No formal authorisation for the loan could be provided, however, the nature of the transaction is

supported by inter agency correspondence. The loan was retained by DWLBC for over two months and was repaid in September 2003. Audit inquiries at DAIS indicate that this was an unauthorised transaction and the matter was also raised with the DAIS management. Audit considers that such loans between entities should ordinarily be a matter to be considered by the Treasurer.

It was evident that Executive management were not aware of this transaction, notwithstanding its occurrence, retention of the funds for over two months and the subsequent approval for repayment by officers without delegated authority. It was apparent that internal control and financial reporting systems were not adequate to draw this to the attention of Executive management.

DWLBC Response

The Department advised that the 'loan' from DAIS was made in error and this was recognised when the transaction was reversed in September 2003. Further, it advised that the Chief Finance Officer did not have approval to proceed with the transaction and acted without authority. DWLBC have indicated that measures have been taken to improve the Department's internal financial reporting.

Monitoring and Review of the Control Environment

The FMF asserts that the Chief Executive of an agency is ultimately responsible for implementing an effective control framework and mechanisms for monitoring and reporting on its effectiveness.

Last year's Report commented that DWLBC has a responsibility to maintain overarching controls despite outsourcing the provision of specific services or processing controls. In this regard, the audit in 2002-03 revealed that some areas of concern existed in the Department's overall control environment, including the need for improved monitoring and review of controls.

Follow up review in 2003-04 revealed that while DWLBC had addressed a number of matters raised previously, some areas of concern remain over the Department's monitoring and review of controls. The audit identified that controls could be improved in the following areas:

- The timely, complete and consistent performance of integrity reviews of expenditure information in the general ledger throughout the year.
- The level of monitoring and review of controls operating within the payroll cycle. In particular, Audit considered there was an absence of adequate monitoring processes to ensure key controls performed by an outsourced service provider (DAIS) were operating effectively.

DWLBC Response

The Department advised that it had implemented measures during 2003-04 to ensure accurate transaction processing and acknowledged that work was still required to ensure further improvement. The response indicated that DWLBC would continue with quality assurance testing to check the accuracy and timeliness of processing and that it intended to undertake training of managers to ensure familiarity with their obligations in relation to financial management including the need to review financial reports. The Department further advised that it intended to develop a register to monitor the receipt of bona fide returns and to introduce mechanisms to monitor manager review of payroll expenditure.

Water Information and Licensing Management Application (WILMA) Development

During 2002-03 Audit undertook a review of the development to date of a new water licensing system, WILMA. WILMA was being developed to support the administration of the *Water Resources Act 1997* and to enhance state economic development through the facilitation of trading of water allocations and salinity credits. The review revealed a number of significant matters with respect to the project's progress and project reporting and assurance mechanisms. These matters were subject to discussion in last year's Report.

Resulting from a follow up review DWLBC advised that release of WILMA had proceeded in accordance with the revised implementation plan and that the full implementation of the WILMA system was migrated into production from 1 July 2004. Certain aspects of the WILMA system development and implementation are planned for audit review in 2004-05.

Fixed Assets

Certain assets were highlighted in last year's Report which were not considered to be controlled by DWLBC and therefore were not recognised in DWLBC's financial statements. Examples of these assets included

infrastructure assets associated with the River Murray (evaporation basins, locks, weirs, etc), metropolitan drainage assets and the Linear Park. The 2003-04 audit included a follow up review of these assets.

In relation to this review DWLBC advised that the Department, as was the case in the prior year, did not own or control these assets and as such the assets were not recognised in DWLBC's accounts. To aid in understanding of the issues associated with control of these assets the significant matters are discussed briefly below.

Metropolitan Drainage Scheme Assets

The metropolitan drainage schemes include the River Torrens, River Sturt and Brownhill and Keswick Creeks. In April 1997, Cabinet recommended that, with the agreement of relevant Ministers, certain functions deemed to be Community Service Obligations, be transferred from SA Water Corporation to the then Minister for Environment and Natural Resources. While the Cabinet submission was clear in the intention to transfer metropolitan drainage schemes, the Department has advised that the transfer has not been effected.

It is therefore understood that the Department does not currently own or control the metropolitan drainage assets and as a consequence has not recognised them in the financial statements. The Department has advised of their correspondence with SA Water Corporation to enable the clear identification of the assets and their respective conditions and to progress the transfer. DWLBC has advised that it had not received advice from SA Water Corporation on these matters but was clear that the ownership of the Metropolitan Drainage Assets remains with the SA Water Corporation.

The Department also advised that, separately, a review of the governance arrangements for the management of stormwater in the metropolitan area is being conducted under the auspices of the Urban Stormwater Initiative which is a collaborative venture of State and Local Governments. While this review was not set up to specifically consider the asset ownership, the outcomes, however, are expected to result in principles and concepts which will guide the ultimate ownership arrangements.

River Murray Structures (Locks, Weirs, Barrages and Saline Water Disposal Basins)

A number of structures along the River Murray, including locks, weirs, barrages and specific saline water disposal basins were constructed under the Murray Darling Basin Agreement. Audit has been advised by the Department that the Murray Darling Basin Commission (MDBC) exercises effective control of these assets.

The Murray Darling Basin Agreement specifies that the State cannot undertake any work or other actions in relation to these assets without the permission of the MDBC. As South Australia does not have the capacity to dominate the decision making of the Commission, DWLBC, as the lead agency responsible for the State's water resource management, does not have control over these assets. While the Department contributes funds to the MDBC on an annual basis, it has not recognised any interest in the net assets of the MDBC. The Department advised in August 2004 that any such interest in MDBC was undetermined and reliant on further investigation. Reference should be made to Note 2(d) of DWLBC statements.

Review of Computing Environment and Operations

The adequacy of information systems and related computer processing environments is critical from both an agency management viewpoint and an audit review responsibility perspective. Additionally, the establishment and the maintenance of a sound internal control environment and specific controls covering agency activities, systems and processes is an important management responsibility.

During the year Audit sought to gain an understanding of DWLBC's key financial information systems, computer processing environments and aspects of the management of information technology (IT).

Attention was given to high level IT strategic policy and planning relating to the agency's business operations, including organisation, structure, business continuity planning, relationships with IT service providers, and security policy and procedures.

The main observations from the audit were:

- a finalised Information Management Strategic Plan was anticipated to be approved in the first quarter of 2004;
- no current, effective business continuity plans or disaster recovery plans were in place;
- documented information security policies and procedures were in draft form but were out of date and not in alignment with the promulgated Information Security Management Framework.

DWLBC Response

The Department advised that:

- the DWLBC Information Management Plan was endorsed by DWLBC's Executive in February 2004;
- development and update of business continuity plans for high risk systems would be incorporated in divisional business plans for the 2004-05 year;
- the development of a formal security policy and associated procedures, aligned with the Information Management Security Framework, has been identified as a high priority and it is planned to undertake this work in conjunction with the Department for Environment and Heritage and the Environment Protection Authority in a coordinated portfolio approach.

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

	2004 \$'million	2003 \$'million	Percentage Change
OPERATING REVENUE			
Government appropriations	61.9	54.8	13
Grants	15.9	28.9	(45)
Fundamental error	-	18.9	
Transfers	7.0	8.4	(17)
Other	13.5	9.1	48
Total Operating Revenue	98.3	120.1	(18)
OPERATING EXPENDITURE			
Employment expenses	30.7	25.7	19
Grants and subsidies	32.0	35.3	(9)
Other expenses	33.5	38.3	(13)
Total Operating Expenses	96.2	99.3	(3)
Surplus from Ordinary Activities*	2.1	20.8	(90)
Net Cash Flows from Operations	(3.4)	(1.7)	
ASSETS			
Current assets	22.5	12.5	80
Non-current assets	50.9	49.2	3
Total Assets	73.4	61.7	19
LIABILITIES			
Current liabilities	7.5	5.7	32
Non-current liabilities	6.1	5.7	7
Total Liabilities	13.6	11.4	19
EQUITY	59.8	50.3	19

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

As DWLBC was not established until April 2002 charts of trends in revenue and expenditure have not been provided.

Statement of Financial Performance

Revenues

Revenue decreased by \$21.8 million. The major factors influencing this decrease were:

Non-Operating Items

- During 2002-03 DWLBC recognised revenue of \$18.9 million relating to assets recognised for the first time. During 2003-04 assets recognised for the first time amounted to \$1.4 million. Reference should be made to Note 15 of DWLBC's financial statements.
- Transfer of cash balances from PIRSA reduced from \$8.7 million in 2002-03 to \$7.3 million in 2003-04. Reference should be made to Note 26 of DWLBC's financial statements.

Operating Items

- Grants revenue decreased by \$13 million. As grant revenue relates to specific grants programs, the receipts in relation to grants are not necessarily comparable from year to year. Reference should be made to Note 14 of DWLBC statements which details current and prior year amounts for each major grant program.
- Revenues from the South Australian Government increased by \$7.1 million. Included in these revenues was an appropriation of \$12.8 million which was paid into the Save the River Murray Fund during 2003-04. This appropriation was made under the *Waterworks Act 1932* and relates to the Save the River Murray Levy which was collected and paid into the Consolidated Account by SA Water Corporation.
- Revenue from fees and charges increased by \$1.6 million due primarily to an increase in fees for services.
- Other Revenue increased by \$2.4 million due primarily to the recoup of \$1.6 million relating to Targeted Voluntary Separation Packages from the Office for the Commissioner for Public Employment.

Expenses

Grants and Subsidies totalling \$32 million account for 33 percent of DWLBC expenditure. Of this 61 percent, \$19.5 million, relates to the State's contributions to the Murray Darling Basin Commission under an agreement established in 1992.

Employee expenses of \$30.7 million account for 32 percent of DWLBC expenditure. Employee expenses increased by \$5 million, of this, \$2.2 million related to Targeted Voluntary Separation Packages and associated annual leave and long service leave payments. Further, there was an increase in the expenses associated with increased long service and annual leave provisions as at 30 June 2004.

Included within supplies and services expenses is \$16.9 million paid to contractors. Major items include:

- payments amounting to \$3.1 million to PIRSA's Rural Solutions Group for technical work undertaken in relation to National Action Plan for Water Quality and Salinity and Natural Heritage Trust projects;
- payments amounting to \$2.7 million associated with the Upper South East Dryland Salinity Project.

Surplus from Ordinary Activities

The surplus from ordinary activities amounted to \$2.1 million. Of this surplus, \$0.7 million is attributable to net revenue resulting from a correction of errors (comprising \$1.4 million assets recognised for the first time offset by correction to the opening cash balance) and \$7 million attributable to a transfer of net assets. Disregarding these items the Department's result for 2003-04 would have been a deficit of \$5.6 million.

Statement of Financial Position

Property Plant and Equipment, \$50.9 million, dominates DWLBC's asset balances. The Patawalonga Seawater Circulation and Barcoo make up 48 percent of non-current assets.

The increase in Property plant and equipment of \$1.7 million, related primarily to work in progress additions of \$2.2 million and groundwater monitoring wells recognised for first time of \$1.4 million offset by depreciation of \$1.8 million.

Cash at 30 June 2004 amounted to \$17.1 million exceeding current liabilities of \$7.5 million.

Total restrictions on contributions received as at 30 June 2003 amount to \$19.3 million. Reference should be made to Note 29 of DWLBC's financial statements.

Statement of Cash Flows

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

	2004 \$'million	2003 \$'million	2002 \$'million
Net Cash Flows			
Operations	(3.4)	(1.7)	5.5
Investing	(2.4)	(2.5)	(1.1)
Finance	14.1	8.6	-
Change in Cash	8.3	4.4	4.4
Cash at 30 June	17.1	8.8	4.4

The analysis of cash flows shows that cash increased by \$8.3 million. Cash receipts included \$7.3 million relating to cash transferred from PIRSA and capital contributions from the State Government of \$7.1 million.

Administered Items

Included in items recorded as administered by DWLBC are the results and cash position in relation to the State's involvement in the National Action Plan for Salinity and Water Quality (NAP) and Natural Heritage Trust (NHT).

National Action Plan for Salinity and Water Quality

Under an agreement between the Commonwealth Government and the State, the NAP aims to enable action to:

- prevent, stabilise and reverse trends in salinity, particularly dry-land salinity, affecting the sustainability of production, the conservation of biological diversity and the viability of infrastructure;
- improve water quality and secure reliable allocations for human uses, industry and the environment.

The NAP items administered by DWLBC include revenues from the State Government, \$19.9 million, grant revenues, \$13.9 million, grant expenses, \$22.2 million and cash balances, \$27 million.

Natural Heritage Trust

The Natural Heritage Trust was established by the *Natural Heritage Trust of Australia Act 1997* (Commonwealth Act). Under agreements between the Commonwealth Government and the State, the NHT overarching objectives are:

- biodiversity conservation;
- sustainable use of natural resources;
- community capacity building and institutional change to increase the capacity to implement biodiversity conservation and substantial resource use.

The NHT items administered by DWLBC include grant revenues, \$16 million, grant expenses, \$18.9 million and cash balances, \$10 million.

FURTHER COMMENTARY ON OPERATIONS

Save the River Murray Fund

The Department's financial statements incorporate financial transactions of the Save the River Murray Fund (the Fund) established from October 2004 pursuant to the *Water Works Act 1932* (the Act). Under provisions of the Act proceeds of the Save the River Murray Levy are collected and paid into the Treasurer's Consolidated Account by SA Water Corporation. These monies are then credited to the Fund. The Fund may be applied by the Minister toward programs and measures to:

- improve and promote the environmental health of the River Murray; or
- ensure the adequacy, security and quality of the State's water supply from the River Murray; and
 - if the State's contribution to the Murray-Darling Basin Commission for a particular financial year exceed \$15 million-payment of the excess; an
 - if the Minister is satisfied that it may be appropriate to provide rebates in particular cases-the costs of rebates (including the costs of administering the rebate scheme).

Receipts paid into the Fund in 2003-04 amounted to \$12.8 million, payments were \$8.1 million and the balance of the Fund as at 30 June 2004 was \$4.7 million. These are ordinary activities of the Department and consequently the financial activities are included in the Department's general purpose financial report. The Department will prepare a separate report on the Fund as required by the Act.

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

		2004	2003
	Note	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	5(a)	30 726	25 667
Supplies and services	6	31 288	35 685
Depreciation	7	1 846	1 653
Grants and subsidies	8	32 047	35 287
Bad and doubtful debts		(40)	303
Net loss on disposal of non-current assets	13	368	745
Total Expenses from Ordinary Activities		96 235	99 340
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges	11	9 256	7 674
Interest	12	335	436
Grant revenue	14	15 863	28 913
Net revenue resulting from a correction of an error	15	675	-
Other revenue	16	3 336	943
Total Revenues from Ordinary Activities		29 465	37 966
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		(66 770)	(61 374)
REVENUES FROM SA GOVERNMENT	10	61 858	54 838
Fundamental error - Assets recognised for the first time	15	-	18 910
NET RESULT BEFORE RESTRUCTURING		(4 912)	12 374
Increase (Decrease) in Net Assets due to Administrative Restructure:			
Transfers from the Department for Environment and Heritage		-	(257)
Transfers from the Department of Primary Industries and Resources		7 273	8 650
Transfers to administered items		(237)	-
Net Revenue from Restructure	26	7 036	8 393
Net Result after Restructure		2 124	20 767
Increase in asset revaluation reserve	23	288	2 482
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		2 412	23 249

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

		2004	2003
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash on hand and deposits	2(k), 17	17 109	8 852
Receivables	18	4 798	3 099
Inventory	2(f)	529	492
Other assets		50	40
Total Current Assets		22 486	12 483
NON-CURRENT ASSETS:			
Property, plant and equipment	19	50 928	49 187
Total Non-Current Assets		50 928	49 187
Total Assets		73 414	61 670
CURRENT LIABILITIES:			
Payables	20	5 268	3 948
Employee benefits	21	2 163	1 668
Provisions	22	79	36
Total Current Liabilities		7 510	5 652
NON-CURRENT LIABILITIES:			
Payables	20	716	661
Employee benefits	21	5 165	4 943
Provisions	22	186	96
Total Non-Current Liabilities		6 067	5 700
Total Liabilities		13 577	11 352
NET ASSETS		59 837	50 318
EQUITY:			
Contributed capital	23	7 107	-
Accumulated surplus	23	49 960	47 836
Asset revaluation reserve	23	2 770	2 482
TOTAL EQUITY		59 837	50 318
Commitments for Expenditure	25		
Contingent Assets and Liabilities	27		

Statement of Cash Flows
for the year ended 30 June 2004

		2004	2003
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee payments		Note	\$'000
Supplies and services			(29 552)
Grants and subsidies			(30 034)
Cash reduction resulting from a correction of an error	15		(32 047)
GST payments on purchases			(769)
GST remitted to the ATO			(6 825)
			(67)
Total Outflows from Operating Activities			(99 294)
			(97 700)
CASH INFLOWS:			
Receipts from SA Government			61 858
Fees and charges			8 648
Grant receipts			15 863
Interest received			320
Other receipts			3 336
GST receipts on sales			1 802
GST receipts from the ATO			4 054
			95 881
Total Inflows from Operating Activities			95 992
Net Cash Outflows from Operating Activities	28		(3 413)
			(1 708)
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment			(2 907)
			(2 907)
Total Outflows from Investing Activities			(2 538)
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment			434
			434
Total Inflows from Investing Activities			-
Net Cash Outflows from Investing Activities			(2 473)
			(2 538)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Capital contributions from Government			7 107
Proceeds from restructuring activities			7 036
			14 143
Net Cash Inflows from Financing Activities			8 663
NET INCREASE IN CASH HELD			8 257
CASH AT 1 JULY			8 852
CASH AT 30 JUNE	17, 24		17 109
			8 852

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.

Objectives of the Department of Water, Land and Biodiversity Conservation

Ensure South Australia's natural resources are managed in ecologically sustainable ways that support the well-being of present and future generations.

To achieve the Department objective, it contributes to the following outcomes:

- (a) Integrated natural resource management that covers all of South Australia's natural resource elements.
- (b) Improved health and productivity of South Australia's biodiversity, water, land and marine resources.
- (c) Community, industry, governments and other stakeholders working together to achieve high quality natural resource management outcomes.
- (d) A greater capability and willingness to invest in natural resource management to provide a sustained funding base.
- (e) Wise resource allocation that provides for the best environmental, social and economic outcomes.

2.

Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general purpose financial report which has been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards, Statements of Accounting Concepts and Urgent Issues Group Consensus Views (UIG's). The Financial statements are prepared on the accrual basis of accounting and in accordance with historical cost convention, except for certain types of physical non-current assets which are valued at fair value.

The Statement of Financial Performance and Statement of Cash Flows report the financial activities from 1 July 2003 to 30 June 2004. The Statement of Financial Position and the Schedules of Administered Items reports financial activity for the 12 months ending 30 June 2004.

(b) The Reporting Entity

The financial activities of the Department are primarily conducted through a Special Deposit Account established pursuant to section 8 of the *Public Finance and Audit Act 1987* and held with the Department of Treasury and Finance (DTF).

The Department's sources of funds consist of monies appropriated by Parliament together with grants revenue and income derived from user charges and fees for services to the public and industry.

Administered Activities

The Department administers, but does not control, certain activities on behalf of the South Australian Government. It is accountable for the transactions involving those administered resources, but does not have the discretion to deploy the resources for achievement of the Department's objectives. For these activities, the Department acts on behalf of the South Australian Government.

Transactions and balances relating to administered resources are not recognised as Departmental assets, liabilities, revenues or expenses, but are disclosed separately in the Schedules of Administered Items.

(c) Income Recognition

All revenues are recognised when the Department obtains control over them. User charges and fees collected by the Department but not controlled by it are not recognised as revenues, but are reported as administered revenues in the Schedules of Administered Items. Such amounts are paid to the Consolidated Account or other Funds not controlled by the Department.

(d) Non-Current Assets

The Statement of Financial Position includes those non-current assets where identification, ownership, control and valuations can be reliably determined. The scope of assets owned or under the control of the Department was reviewed during 2002-03. The review identified certain assets under the Department's control which were not previously recognised. These assets were valued and included in the Department's Statement of Financial Position. This resulted in the recognition of a fundamental error of \$18.9 million in the Statement of Financial Performance for the year ended 30 June 2003.

The Department has adopted an asset capitalisation threshold of \$5 000. Minor assets with an individual value of less than \$5 000 are expensed in the Statement of Financial Performance at the time they are acquired. The capitalisation threshold has not been applied to the Groundwater Monitoring Wells and the Hydrometric Gauging Stations due to the significant number and long useful lives of the assets contained within these classes. All assets for these classes have been recognised in the Statement of Financial Position regardless of their initial cost of acquisition.

All items of property, plant and equipment controlled by the Department have been brought to account at current cost, with assets other than land, being reduced to reflect the portion of economic benefits that had been consumed since the asset was acquired, ie fair value.

Fair Value has been determined using deprival value methodology, whereby assets are valued at the replacement cost of procuring assets with similar functions and which provide comparable future service potential.

Assets Recognised for the First Time and Asset Revaluations

- **Patawalonga Seawater Circulation and Barcoo**
The Glenelg barrage gates, Weir No 1 and the floating boom were recognised at construction cost as at 30 June 2003 (\$9 272 000). Refer to Note 15.
- **Salinity Disposal Schemes**
The Noora Drainage Disposal Scheme was recognised for the first time at fair value as at 30 June 2003 (\$8 400 000). Refer to Note 15.
- **Hydrometric Gauging Stations**
A complete assessment of Hydrometric Gauging Stations was undertaken as at 30 June 2003. This assessment was performed using technically qualified Department personnel and this resulted in no change to the assets fair value. Some Hydrometric gauging stations were recognised for the first time in 2002-03. Refer to Note 15.
- **Land and Buildings**
Land and Buildings were independently valued by Valcorp Pty Ltd as at 30 June 2003. The Department has commenced a cyclical valuation process for valuing all Land and Buildings.
- **Groundwater Monitoring Wells**
A revaluation of the Groundwater Monitoring Wells was undertaken as at 30 June 2003 and as at 30 June 2004. These assets were valued internally using technically qualified Department personnel. Groundwater Monitoring Wells constructed since 1994 were included within the revaluation and were recognised for the first time in 2003-04 (\$1 348 000). Refer to Note 15.
- **Waste Disposal Stations**
The houseboat waste disposal stations were independently valued by Valcorp Pty Ltd as at 30 June 2003.
- **Plant and Equipment**
Plant and equipment are brought to account at cost or at officers' valuation for initial recognition purposes. As a result of a review conducted by Departmental staff some Plant and Equipment were recognised for the first time in 2002-03 (\$234 000).

Assets Not Recognised

- **Murray Darling Basin Commission (MDBC)**
Under the *Murray Darling Basin Act 1993*, the MDBC controls the assets in the Murray Darling Basin including assets in South Australia such as Locks 1 to 9 on the River Murray, the barrages at the Murray Mouth, the Lake Victoria works, Woolpunda and Waikerie Salinity Interception Works and the associated drainage basin. The South Australian Government has an interest in these assets (and all of the assets controlled by the MDBC) through the funding provided to the Commission for the construction of the assets and through its involvement in the operations of the Commission.

These assets are recognised in the MDBC financial statements.

The Commission has approved the principles for the allocation of the contracting Governments' shares of equity in the Commission subject to confirmation by jurisdictions. However, there has not been confirmation by the jurisdictions and consequently further negotiations are required to ascertain the State's interest in the Commission.

- **Lower Murray Government Irrigation Scheme (LMGIS)**
The LMGIS consists of irrigation and drainage infrastructure which enable dairy farmers in the Lower Murray region to use swamps along the river productively. The River Murray Water Allocation Plan provides for the implementation of new water entitlements and environmental standards which can only be achieved by the rehabilitation of the existing infrastructure.

A scheme to rehabilitate the infrastructure is currently being negotiated with the affected landholders.

It is expected that during 2004-05 every Government Irrigation District in the area will convert to a Private Irrigation District or establish some other form of corporate entity that can accept ownership of the infrastructure.

Given the restricted life of the existing infrastructure, the future economic benefit is likely to be relatively low. Accordingly a value has not been assigned for the purpose of financial reporting.

- **Upper South East Drainage Scheme**
The Department receives funding under the National Action Plan for Salinity and Water Quality to construct drainage assets for the Upper South Eastern Region of South Australia. On completion these assets are managed and maintained by the South Eastern Water Conservation and Drainage Board.

The future economic benefits that will be derived from these assets are expected to be received by the South Eastern Water Conservation and Drainage Board and not the Department. As a consequence the amounts expended on these assets are recognised in the Department's Statement of Financial Performance in the form of employee expenditures, operating costs and grant payments and are not capitalised.

(e) Depreciation of Property, Plant and Equipment

All items of property, plant and equipment, with the exception of land, have a limited useful life and are systematically depreciated in a manner that reflects the consumption of their service potential. No depreciation is applied to capital work in progress.

The useful lives of all major property, plant and equipment assets held by the Department are reassessed on an annual basis.

Assets are subject to straight line depreciation over the following periods.

	Years
Buildings	40-60
Groundwater Monitoring Wells	30
Patawalonga Seawater Circulation and Barcoo	25-50
Hydrometric Gauging Stations	4-95
Waste Disposal Stations	50
Salinity Disposal Schemes	40
Plant and equipment	3-30

(f) Inventories

Inventories are measured at the lower of cost or net market value. Inventories include plants and materials held by State Flora.

(g) Payables

Payables include creditors, accrued expenses and employee on-costs. All amounts are measured at their nominal amount and are normally settled within 30 days in accordance with Treasurers Instruction 8 'Expenditure for Supply Operations and Other Goods and Services' after the Department receives an invoice.

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

(h) Employee Benefits

(i) Sick Leave

The Department's employees' entitlement to sick leave is non-vesting. Sick leave is only recognised as a liability at reporting date to the extent it is probable that sick leave expected to be taken in future periods will be greater than entitlements which are expected to accrue in those periods. No sick leave liability has been recorded as it is probable that sick leave taken in future periods will be less than the sick leave benefits accrued in those periods.

(ii) Salary and Wages

The accrual for salaries and wages is measured as the amount unpaid at the reporting date at the remuneration rates current at the reporting date.

(iii) Annual Leave

The liability for annual leave reflects the value of total annual leave entitlements of all employees as at the reporting date using the remuneration rate expected to apply at the time of settlement. The estimated rate of inflation is 4 percent.

(iv) Long Service Leave

The liability for long service leave is calculated by using the product of the current liability for all employees who have completed seven or more years of service and the current rate of remuneration for each of these employees respectively. The seven years has been based on an actuarial assessment by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector. The liability is measured as the amount unpaid at the reporting date.

(v) Employee Benefit On-Costs

Related on-costs of payroll tax and superannuation are recorded under the item payables for any salaries and wages, annual leave and long service leave accrued at the end of the year.

(vi) Superannuation

Contributions are made by the Department to several superannuation schemes operated by the South Australian Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes. The Department made contributions of \$2 540 000 (\$2 320 000) for the 2003-04 financial year.

(vii) Workers Compensation

A provision is raised to reflect the liability for any outstanding (unsettled) workers compensation claims for lump sum payments, adjusted for potential recoveries from negligent third parties. The provision is based on an actuarial assessment performed for the Public Sector Occupational Health and Injury Management Branch of the Department for Administrative and Information Services.

These figures reflect an apportionment of the whole-of-government estimate of workers compensation liability, according to the Department's experience of claim numbers and payments.

The whole-of-government estimate can be found in a report prepared by Taylor Fry Pty Ltd, consulting actuaries, and submitted to the Public Sector Occupational Health and Injury Management Branch. This 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.

(i) Leases

The Department has entered into non-cancellable operating lease agreements for office accommodation where the lessor effectively retains all of the risks and benefits incidental to ownership of the items held under the operating lease. Refer to Note 25 for further details.

Operating lease payments are representative of the pattern of benefit derived from the leased assets and accordingly are charged to the Statement of Financial Performance in the periods in which they are incurred.

The Department has not entered into any finance leases.

(j) Receivables

Receivables arise in the normal course of the selling of goods and services to other agencies and to the public. Receivables are payable within 30 days after the issue of an invoice or the goods/services have been provided.

The provision for doubtful debts has been calculated based on a specific assessment of the recoverability of certain receivables and a percentage of all other receivables not specifically assessed.

(k) Cash

For the purpose of the Statement of Cash Flows, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis. Cash includes \$123 000 (\$123 000) in accrual appropriation and its use is restricted by conditions established by the Treasurer.

(l) Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, fringe benefits tax, goods and services tax, emergency services levy, land tax equivalents and local government rate equivalents.

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as a part of the cost of acquisition of the asset, or as part of the expense item.

In accordance with GST grouping arrangements during 2002-03 all GST remitted to and received from the ATO in relation to Sustainable Resources Group were accounted for by the Department of Primary Industries and Resources (PIRSA). The Department did not recognise an asset or liability relating to GST on Sustainable Resources Group transactions in its 2002-03 Statement of Financial Position (or GST received/paid in the Statement of Cash Flows) as they were recognised by PIRSA. In 2003-04 the Department has accounted for all GST remitted to and received from the ATO in relation to Sustainable Resources Group.

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

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

(m) Comparative Figures

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

The comparative figures are partly drawn from information on PIRSA's Ledgers. It is understood that a review of PIRSA's ledgers is being undertaken for a period including 2002-03. This may be a cause for some uncertainty but the Department believes that there are not any significant errors in its comparative figures.

(n) Rounding

All amounts are rounded to the nearest thousand dollars (\$'000).

3. Changes in Accounting Policies

(a) Administered Items

In accordance with the Department of Treasury and Finance's model financial report the Department has prepared separate administered schedules and notes as it is considered that administered transactions and balances are significant in relation to the Department's overall financial performance and position.

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

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

Managing the Process

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

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

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

Expected Differences in Accounting Policies

Changes in Accounting Policy

A major change is the treatment of accounting policy changes under IFRS. These will now apply retrospectively except for specific exemptions in accordance with AASB 1 'First-Time Adoption of Australian Equivalents to IFRS'.

Non-Current Asset Acquisition and Recognition

The Australian equivalent to IAS 16 'Property, Plant and Equipment' is proposing that non-current assets be revalued on an individual basis (as opposed to current class basis). It is anticipated that an Accounting Policy Statement will continue to require revaluation on a class basis and current thresholds (greater than \$1 million and estimated useful life is greater than three years) will continue to apply.

Intangible Assets

In accordance with AASB 138 "Intangible Assets", the Department will no longer capitalise research costs in relation to research and development projects as this is prohibited by the standard.

The Department currently recognises internally developed software on a fair value basis. AASB 138 requires recognition at original cost or fair value where the software is traded in an active market. The original cost information is available for software which has been specifically developed for the Department and as there is no active market for this software it will continue to be recognised at its original cost which has been deemed as fair value.

Employee Benefits

Employee benefits payable later than 12 months from year-end will be measured at present value rather than at nominal amounts.

4. Programs of the Department

In achieving its objective the Department provides a range of services within one program, Natural Resources Management. The program is described as the management of natural resources in South Australia, including the provision of advice and regulatory support for Government and community; and facilitating the allocation and sustainable use of natural resources.

5. Employee Expenses

(a) Employee Expenses

	2004	2003
	\$'000	\$'000
Wages and salaries	23 040	21 196
Superannuation	2 540	2 320
Annual leave	1 919	1 242
Targeted Voluntary Separation Packages	1 572	-
Long service leave	1 105	597
Workers Compensation	390	98
Board fees	160	214
Total Employee Expenses	30 726	25 667

(b) Targeted Voluntary Separation Packages		2004	2003
		\$'000	\$'000
TVSPs paid to employees during the reporting period		1 572	-
Recovery from the Department of the Premier and Cabinet		1 572	-
Annual leave and long service leave paid to employees receiving TVSPs		579	-
Number of employees that were paid TVSPs during the reporting period		16	-
(c) Remuneration of Employees		2004	2003
The number of employees whose remuneration received or receivable falls within the following bands:		Number of Employees	Number of Employees
\$100 000 - \$109 999		6	4
\$110 000 - \$119 999		3	3
\$120 000 - \$129 999		5	1
\$130 000 - \$139 999		2	2
\$140 000 - \$149 999		-	1
\$150 000 - \$159 999		2	1
\$160 000 - \$169 999		2	1
\$170 000 - \$179 999		-	1
\$250 000 - \$259 999		1	-
Total Number of Employees		21	14

The table includes all employees whom received remuneration of \$100 000 or more during the year.

The total remuneration received or receivable by these employees for the year was \$2 757 000 (\$1 798 000).

(d) Average Number of Employees during the Reporting Period

On average, the Department employed 449 (407) staff throughout the reporting period.

6. Supplies and Services	2004	2003
Goods and service expenses for the reporting period comprised of:	\$'000	\$'000
Contractors	16 872	20 335
Service level agreement	1 570	1 372
Accommodation	2 042	1 750
Vehicles	1 737	1 660
Computing	1 352	1 271
Travel and accommodation	1 102	1 173
Printing, publishing and stationery	723	847
Telephones	646	619
Chemical analysis	592	179
Minor plant and equipment purchases	588	1 057
Maps, photographs and plans	566	114
Consultancies	504	455
Materials and consumables	682	1 294
Equipment repairs and maintenance	348	546
Advertising, exhibition and promotional expenses	382	417
Legal fees	248	221
Audit remuneration	140	105
Other supplies and services	1 194	2 270
Total Supplies and Services	31 288	35 685

The number and dollar amount of consultancies paid/payable that fell within the following bands:

2004	2004	2003
Number	\$'000	\$'000
25	94	80
13	291	111
2	119	264
40	504	455

Total Paid/Payable to the Consultants Engaged

7. Depreciation	2004	2003
Patawalonga seawater circulation and Barcoo	577	534
Groundwater monitoring wells	470	289
Plant and equipment	448	518
Salinity disposal schemes	140	141
Hydrometric gauging stations	94	76
Waste disposal stations	63	60
Buildings	54	35
Total Depreciation	1 846	1 653

8. Grants and Subsidies	2004	2003
	\$'000	\$'000
Murray Darling Basin Commission transfer	19 544	16 376
Animal and Plant Control Commission	3 313	3 565
DTUP - Catchment Management Subsidy Scheme	2 813	1 302
SA Water - GH Michell Trade Waste Subsidy	1 712	1 670
Great Artesian Basin Boredrain*	804	1 431
Dog Fence Board	400	382
City of Port Augusta Environmental Flows	300	-
PIRSA - Lower Murray Reclaimed Irrigation Area	298	694
PIRSA - NHT Capacity Building and Branched Broomrape	168	186
CSIRO Flora Search and Salt Mapping	178	141
River Murray Catchment Water Board - Various	201	337
Agriculture, Fisheries, Forestry Australia (AFFA)	154	2 005
DTUP Regional Flood Mitigation Program	135	218
Lake Eyre Basin (Environment Australia)	125	125
CSIRO Mount Lofty Ranges Investigation	52	339
Grants - Mt Lofty Ranges Catchment Program	-	1 615
Loxton Irrigation Trust	-	964
Murray Darling 2001 Grants	-	500
Centre for Groundwater Studies	-	100
Miscellaneous grants	1 850	3 337
Total Grants and Subsidies	32 047	35 287

* This grant was provided by way of work undertaken for the project, ie contribution of assets.

9. Auditors' Remuneration	2004	2003
	\$'000	\$'000
Audit fees paid or payable to the Auditor-General's Department	140	105
Total Audit Fees	140	105

Other Services

No other services were provided by the Auditor-General's Department.

10. Revenues from SA Government	2004	2003
	\$'000	\$'000
Appropriation from consolidated account pursuant to the <i>Public Finance and Audit Act 1987</i>	61 831	54 826
Appropriation under other Acts	27	12
Total Revenues from SA Government	61 858	54 838

The revenues from SA Government include \$12 773 000 which was paid into the save the River Murray Fund, from the proceeds of the Save the River Murray levy which was introduced in the second quarter of the 2003-04 financial year. The Save the River Murray Fund was established under Section 100 of the *Waterworks Act 1932* and monies credited to the Fund may only be applied to purposes set out in the *Waterworks Act 1932*. Of the total monies received for the Fund of \$12 773 000 the total monies applied from the fund were \$8 090 000. A specific purpose financial report is prepared for the Fund.

11. Fees and Charges	2004	2003
	\$'000	\$'000
Sale of goods and services	6 354	5 113
Fees, levies and licences	2 067	1 811
Pastoral rents	786	674
Other fees and charges	49	76
Total Fees and Charges	9 256	7 674

12. Interest	2004	2003
	\$'000	\$'000
Interest from entities within the SA Government	334	436
Other interest	1	-
Total Interest Revenue	335	436

13. Net Gain/Loss from Disposal of Assets	2004	2003
	\$'000	\$'000
Groundwater Monitoring Wells:		
Proceeds from disposal	-	-
Net book value of assets disposed	300	-
Net (Loss) from Disposal of Groundwater Monitoring Wells	(300)	-
Hydrometric Gauging Stations:		
Proceeds from disposal	-	-
Net book value of assets disposed	440	-
Net (Loss) from Disposal of Hydrometric Gauging Stations	(440)	-

13.	Net Gain/Loss from Disposal of Assets (continued)		2004	2003
	Plant and Equipment:		\$'000	\$'000
	Proceeds from disposal	434		-
	Net book value of assets disposed	62		745
	Net Gain (Loss) from Disposal of Plant and Equipment	372		(745)
	Total Assets:			
	Total proceeds from disposal	434		-
	Total value of assets disposed	802		745
	Total Loss from Disposal of Assets	(368)		(745)
14.	Grant Revenue			
	Branched Broomrape Eradication Program	1 857		2 097
	Great Artesian Basin (AFFA)	365		550
	Regional Flood Mitigation Program (Department of Transport and Regional Services)	308		182
	Land and Water Australia	192		-
	National Action Plan - SIS Lock 4 Bookpurnong (Regional Investment Strategy)	2 050		242
	Natural Heritage Trust - Regional liaison officers annual payment	680		-
	National Action Plan - Administration contribution	650		768
	National Action Plan - Regional Liaison Officers annual payment	280		-
	National Action Plan - SIS Loxton (Regional Investment Strategy)	250		301
	National Action Plan - Other	1 462		12 865
	Loxton District Irrigation Rehabilitation - Growers	2 060		3 495
	SA Murray Darling Basin INRM Group Inc - Other	1 304		-
	National Action Plan - Lower Murray Irrigation Rehabilitation (Murray Darling Basin INRM Group)	965		1 045
	National Action Plan - SIS Lock 4 Bookpurnong (Murray Darling Basin INRM Group)	898		-
	National Action Plan - SIS Loxton (Murray Darling Basin INRM Group)	405		-
	Great Artesian Basin (Western Mining)	400		-
	River Murray Catchment Water Management Board	450		-
	Padthaway: Salt Accession Investigations (SENRCC)	255		250
	Natural Heritage Trust - Other	52		3 856
	Environmental Flows (Environment Australia)	-		389
	Sundry grants and contributions received	980		2 873
	Total Grant Revenue	15 863		28 913
15.	Net Revenue Resulting from a Correction of an Error			
	(a) Fundamental Error - Assets Recognised for the First Time			
	Patawalonga seawater circulation and Barcoo	-		9 272
	Salinity disposal schemes	-		8 400
	Hydrometric gauging stations	-		1 004
	Plant and equipment	-		234
	Total Fundamental Error - Assets Recognised for the First Time	-		18 910
	(b) Net Revenue Resulting from a Correction of an Error			
	<i>(i) Assets Recognised for the First Time</i>			
	Groundwater monitoring wells	1 348		-
	Land	43		-
	Buildings	53		-
	Total Assets Recognised for the First Time	1 444		-
	<i>(ii) Correction of Opening Cash Balance</i>			
	Adjustment to cash balance transferred from the Department of Primary Industries and Resources	(769)		-
	Total Net Revenue Resulting from a Correction of an Error	675		-
	(ii) During 2001-02 the functions of the Sustainable Resources Group conducted within the Department of Primary Industries and Resources (PIRSA) were transferred to the Department. Since the transfer the Department has used the PIRSA general ledger to record the activities of those functions transferred to the Department. In 2003-04 the assets and liabilities relating to the functions transferred were moved from the PIRSA general ledger and the cash which had been held by PIRSA was paid into the Department's deposit account. The completion of the cash transfer revealed an overstatement in cash in prior periods by \$769 000. An equivalent amount has been recognised as a reduction in 'Net Revenue Resulting from a Correction of an Error', within the Department's Statement of Financial Performance, in the current reporting period to correct this overstatement.			

16. Other Revenue	2004 \$'000	2003 \$'000
TVSPs recouped	1 572	-
Operating expenses recouped	847	332
Wages and salaries recouped	493	447
Other revenue	424	164
Total Other Revenue	3 336	943

17. Cash	2004 \$'000	2003 \$'000
Deposits with the Treasurer	17 064	8 829
Deposits at call	38	18
Other	7	5
Total Cash	17 109	8 852

Deposits with the Treasurer

Includes Accrual Appropriation Account and Surplus Cash Working Account balances. The level of cash held by the Department has not been adjusted as a result of the implementation of the SA Government cash alignment policy as it is anticipated there will not be a reduction in the level of cash at June 2005.

18. Receivables	2004 \$'000	2003 \$'000
Current:		
Receivables	3 152	2 558
Less: Provision for doubtful debts	(210)	(250)
Accrued interest	17	2
Workers compensation recoveries	22	1
GST receivable	1 817	788
Total Current Receivables	4 798	3 099

19. Property, Plant and Equipment	2004			
	Cost \$'000	Valuation \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000
Land and buildings	311	2 996	64	3 243
Groundwater monitoring wells	-	4 194	-	4 194
Hydrometric gauging stations	157	3 972	1 049	3 080
Waste disposal stations	-	1 383	63	1 320
Patawalonga seawater circulation and Barcoo	16 184	9 420	1 314	24 290
Plant and equipment	4 189	687	3 339	1 537
Salinity disposal schemes	8 400	-	281	8 119
Work in progress	5 145	-	-	5 145
	34 386	22 652	6 110	50 928

	2003			
	Cost \$'000	Valuation \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000
Land and buildings	62	2 996	10	3 048
Groundwater monitoring wells	-	3 276	-	3 276
Hydrometric gauging stations	-	4 576	1 119	3 457
Waste disposal stations	-	1 633	-	1 633
Patawalonga seawater circulation and Barcoo	16 184	9 420	737	24 867
Plant and equipment	5 631	687	4 637	1 681
Salinity disposal schemes	8 400	-	141	8 259
Work in progress	2 966	-	-	2 966
	33 243	22 588	6 644	49 187

For further details of valuation methodologies adopted by the Department refer to note 2(d).

(b) Property, Plant and Equipment Movement Schedule	Land and Buildings	Groundwater Monitoring Wells	Hydrometric Gauging Stations	Waste Disposal Stations	Patawalonga Seawater Circulation
Gross Carrying Value:	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2003	3 058	3 276	4 576	1 633	25 604
Additions	249	1 400	157	-	-
Adjustments	-	-	-	(250)	-
Disposals	-	(331)	(604)	-	-
Net revaluation increments (decrements)	-	(151)	-	-	-
Balance as at 30 June 2004	3 307	4 194	4 129	1 383	25 604

(b) Property, Plant and Equipment Movement Schedule (continued)	Land and Buildings	Groundwater Monitoring Wells	Hydrometric Gauging Station	Waste Disposal Stations	Patawalonga Seawater Circulation
Accumulated Depreciation:	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2003	(10)	-	(1 119)	-	(737)
Disposals	-	31	164	-	-
Net revaluation increments (decrements)	-	439	-	-	-
Depreciation expense	(54)	(470)	(94)	(63)	(577)
Balance as at 30 June 2004	(64)	-	(1 049)	(63)	(1 314)
Net Book Value:					
As at 30 June 2004	3 243	4 194	3 080	1 320	24 290

	Plant and Equipment	Salinity Disposal Schemes	Work in Progress	2004 Total
Gross Carrying Value:	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2003	6 318	8 400	2 966	55 831
Additions	366	-	2 179	4 351
Adjustments	-	-	-	(250)
Disposals	(1 808)	-	-	(2 743)
Net revaluation increments (decrements)	-	-	-	(151)
Balance as at 30 June 2004	4 876	8 400	5 145	57 038
Accumulated Depreciation:				
Balance as at 1 July 2003	(4 637)	(141)	-	(6 644)
Disposals	1 746	-	-	1 941
Net revaluation increments (decrements)	-	-	-	439
Depreciation expense	(448)	(140)	-	(1 846)
Balance as at 30 June 2004	(3 339)	(281)	-	(6 110)
Net Book Value:				
As at 30 June 2004	1 537	8 119	5 145	50 928

20. Payables		2004	2003
		\$'000	\$'000
Current:			
Creditors		1 488	-
Accrued expenses		3 082	3 435
Employee costs		698	513
Total Current Payables		5 268	3 948
Non-Current:			
Employee costs		716	661
Total Non-Current Payables		716	661

21. Employee Benefits			
(a) Provision for Employee Benefits			
Current:			
Annual leave		1 634	1 384
Long service leave		215	206
Accrued salaries and wages		314	78
Total Current Employee Benefits		2 163	1 668
Non-Current:			
Long service leave		5 165	4 943
Total Non-Current Employee Benefits		5 165	4 943
Total Employee Benefits		7 328	6 611

(b) Employee Benefits and Related On-Costs		2004	2003
		\$'000	\$'000
Accrued Salaries and Wages:			
On-costs included in payables - Current (Note 20)		48	9
Provision for employee benefits - Current (Note 21(a))		314	78
362		362	87
Annual Leave:			
On-costs included in payables - Current (Note 20)		288	185
Provision for employee benefits - Current (Note 21(a))		1 634	1 385
1 922		1 922	1 570

(b) Employee Benefits and Related On-Costs (continued)	2004	2003
	\$'000	\$'000
Long Service Leave:		
On-costs included in payables - Current (Note 20)	30	22
Provision for employee benefits - Current (Note 21(a))	215	206
	245	228
On-costs included in payables - Non-Current (Note 20)	716	661
Provision for employee benefits - Non-Current (Note 21(a))	5 165	4 943
	5 881	5 604
Aggregate Employee Benefits and Related On-Costs	8 410	7 489

22. Provisions

Current:		
Provision for workers compensation	79	36
Total Current Provisions	79	36
Non-Current:		
Provision for workers compensation	186	96
Total Non-Current Provisions	186	96
Total Provisions	265	132
Carrying amount at the beginning of the period	132	120
Increase in the provision for workers compensation	133	12
Carrying Amount at the End of the Period	265	132

23. Equity

Contributed capital	7 107	-
Accumulated surplus	49 960	47 836
Asset revaluation reserve	2 770	2 482
Total Equity	59 837	50 318
Contributed Capital:		
Balance at the beginning of the financial year	-	-
Contributed capital received	7 107	-
Balance at the End of the Financial Year	7 107	-
Accumulated Surplus:		
Balance at the beginning of the financial year	47 836	27 069
Surplus (Deficit) from ordinary activities	(4 912)	12 374
Increase in net assets due to administrative restructure	7 036	8 393
Balance at the End of the Financial Year	49 960	47 836
Asset Revaluation Reserve:		
Balance at the beginning of the financial year	2 482	-
Increment in groundwater monitoring wells due to revaluation	288	1 156
Increment in land and buildings due to revaluation	-	1 291
Increment in waste disposal stations due to revaluation	-	35
Balance at the End of the Financial Year	2 770	2 482

24. Financial Instruments

The following disclosures have been provided in accordance with the requirements of Australian Accounting Standard AAS 33 'Presentation and Disclosure of Financial Statements'.

(a) Terms, Conditions and Accounting Policies

(i) Financial Assets

Cash on hand and deposits are available at call and are recorded at cost. Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 60 days.

(ii) Financial Liabilities

Creditors and accruals are raised for all amounts billed or ordered but unpaid. Creditors are normally settled within 30 Days.

(b) **Interest Rate Risk**

	2004			Weighted Average Effective Interest Rate Percent
Financial Instrument	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total Carrying Amount \$'000	
Financial Assets:				
Cash on hand and deposits	17 109	-	17 109	4.8
Receivables	-	5 008	5 008	
	17 109	5 008	22 117	
Financial Liabilities:				
Payables	-	4 570	4 570	
	-	4 570	4 570	

	2003			Weighted Average Effective Interest Rate Percent
Financial Instrument	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total Carrying Amount \$'000	
Financial Assets:				
Cash on hand and deposits	8 852	-	8 852	4.6
Receivables	-	3 349	3 349	
	8 852	3 349	12 201	
Financial Liabilities:				
Payables	-	3 435	3 435	
	-	3 435	3 435	

(c) **Net Fair Value**

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

25. **Commitments for Expenditure****Operating Lease Commitments**

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

	2004 \$'000	2003 \$'000
Not later than one year	1 401	1 219
Later than one year but not later than five years	3 527	3 411
Later than five years	1 372	2 186
Total Operating Lease Commitments	6 300	6 816

The Department's operating leases are mainly for accommodation leases with penalty clauses equal to the amount of the residual payments remaining for the term of the lease. Options exist to renew the leases at the end of the term of the leases. Leases are payable one month in advance.

26. **Transferred Functions**(a) **Transfers from the Department for Environment and Heritage**

Net Assets Transferred to the Department:

Cash	-	13
Receivables	-	1
Property, plant and equipment	-	56
	-	70

Net Liabilities transferred to the Department:

Payables	-	(59)
Provision for employee benefits	-	(268)
	-	(327)

Net Transfers from the Department for Environment and Heritage⁽ⁱ⁾**Transfers from the Department of Primary Industries and Resources**

Net Assets Transferred to the Department:

Cash	7 273	8 650
Net Transfers from the Department of Primary Industries and Resources⁽ⁱⁱ⁾	7 273	8 650
Total Net Transfers to the Department	7 273	8 393

(a) Transfers from the Department for Environment and Heritage (continued)

- (i) In 2002-03 the assets and liabilities transferred from the Department for Environment and Heritage (DEH) represents amounts agreed to between the two agencies. The transfer related to the Biodiversity Division of DEH.
- (ii) During 2002-03 negotiations between Department of Primary Industries and Resources (PIRSA) and the Department resulted in a cash transfer of \$8 650 000. During 2003-04 further negotiations and budget reviews between PIRSA and the Department with respect to the transfer of the functions of Sustainable Resources Group into the Department resulted in a cash transfer of \$7 273 000.

(b) Transfers from Restructuring of Administrative Arrangements

During the financial year the scope of the Department's controlled and administered activities were reviewed. In line with accepted accounting criteria the Mt Lofty Ranges Catchment Support and the Centre for Natural Resource Management were considered to be administered activities. Consequently, as at 1 July 2003 the following cash assets for the Mt Lofty Ranges Catchment Support were transferred to Administered Items. The Centre for Natural Resource Management did not possess any assets or liabilities to be transferred.

Transfers of the Mt Lofty Ranges Catchment Support to Administered Items	2004	2003
	\$'000	\$'000
Net Assets Transferred to Administered Items:		
Cash	237	-
Net Transfers to Administered Items	237	-

27. Contingent Assets and Liabilities

The Department is not aware of any contingent assets or liabilities. In addition the Department has made no guarantees.

28. Cash Flow Reconciliation

Reconciliation of Cash - Cash at 30 June 2004 as per:

Statement of Cash Flows	17 109	8 852
Statement of Financial Position	17 109	8 852
 Reconciliation of Net Cash Inflows from Operating Activities to Net Cost of Services:		
Net cash used in operating activities	(3 413)	(1 708)
Less: Revenue from Government	(61 858)	(54 838)
Add/Less Non-Cash Items:		
Depreciation of property, plant and equipment	(1 846)	(1 653)
Loss on disposal of non-current assets	(368)	(745)
Net revenue resulting from a correction of an error	1 444	-
Changes in Assets/Liabilities:		
Increase (Decrease) in receivables	1 699	(1 001)
Increase in inventories	37	17
Increase (Decrease) in other assets	10	(5)
Increase in payables	(1 625)	(813)
Increase in employee benefits	(717)	(640)
(Increase) Decrease in provisions	(133)	12
Net Cost of Services from Ordinary Activities	(66 770)	(61 374)

29. Restrictions on Contributions Received

The Department received contributions from various funding sources, expressly for the purposes of undertaking specific projects. As at 30 June 2004 \$19 282 000 of contributions, which have been recognised as revenues in the Statement of Financial Performance, are yet to be spent in the manner specified by the contributors.

**Schedule of Administered Revenue and Expenses
for the year ended 30 June 2004**

	Note	2004 \$'000	2003 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Revenues from SA Government		22 005	10 399
Fess and charges		7 360	6 372
Grant revenue		37 357	38 061
Other revenue		1 709	222
Total Revenues from Ordinary Activities		68 431	55 054
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses		359	89
Supplies and services		1 855	184
Grants and subsidies		45 868	33 327
Net expense resulting from a correction of an error		195	-
Payments to consolidated account		1 566	825
Payments to Catchment Water Management Boards		5 059	7 128
Payments to South Eastern Water Conservation Drainage Board		1 619	1 586
Total Expenses from Ordinary Activities		56 521	43 139
OPERATING SURPLUS FROM ORDINARY ACTIVITIES			
Increase in the asset revaluation reserve	A1	11 910	11 915
Increase in net assets due to administrative restructure	A2(f)	-	5 017
Total Changes in Equity other than those resulting from transactions with SA Government as owner	26	237	-
Total Changes in Equity other than those resulting from transactions with SA Government as owner		12 147	16 932

**Schedule of Administered Assets and Liabilities
as at 30 June 2004**

	Note	2004 \$'000	2003 \$'000
CURRENT ASSETS:			
Cash on hand and deposits	A3	41 052	27 936
Receivables	A2(a), A2(c)	2 700	3 081
Other assets		135	5
Total Current Assets		43 887	31 022
NON-CURRENT ASSETS:			
Property, plant and equipment	A2(f)	28 600	28 600
Total Non-Current Assets		28 600	28 600
Total Assets		72 487	59 622
CURRENT LIABILITIES:			
Payables	A2(a), A2(i), A2(j)	3 176	2 463
Employee benefits		5	-
Total Current Liabilities		3 181	2 463
Total Liabilities		3 181	2 463
NET ASSETS		69 306	57 159
EQUITY:			
Accumulated surplus		64 289	52 142
Asset Revaluation Reserve	A2(f)	5 017	5 017
TOTAL EQUITY		69 306	57 159

Schedule of Administered Cash Flows
for the year ended 30 June 2004

		2004	2003
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH INFLOWS:			
Receipts from SA Government		Note	\$'000
			\$'000
		22 005	10 399
Fees and charges		7 741	6 389
Grant receipts		37 357	38 061
Other receipts		1 580	217
Total Inflows from Operating Activities		68 683	55 066
CASH OUTFLOWS:			
Employee payments		(354)	(89)
Supplies and services		(1 143)	1 505
Grants and subsidies		(45 868)	(33 327)
Net expense resulting from a correction of an error		(195)	-
Payments to consolidated account		(1 566)	(825)
Payments to Catchment Water Management Boards		(5 059)	(7 128)
Payments to South Eastern Water Conservation Drainage Board		(1 619)	(1 586)
Total Outflows from Operating Activities		(55 804)	(41 450)
Net Cash Inflows from Operating Activities	A3	12 879	13 616
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from restructuring activities		237	-
Net Cash Inflows from Financing Activities		237	-
NET INCREASE IN CASH HELD		13 116	13 616
CASH AT 1 JULY		27 936	14 320
CASH AT 30 JUNE	A3	41 052	27 936

All GST receipts and payments are recognised in the Department's Statement of Cash Flows.

NOTES TO AND FORMING PART OF THE ADMINISTERED STATEMENTS

A1. Program Schedule of Administered Revenues and Expenses

2004								
(Programs refer Note A2)		Catchment Water Management			Remittance to South Eastern Water Conservation and Drainage			Land
		Board Levies	Qualco Sunlands	Penalty Charges	Water Resources Levy Fund	Board \$'000	Pastoral Board \$'000	Technology Alliances \$'000
Administered Revenue's and Expenses for the year ending 30 June 2004								
Administered Revenue from Ordinary Activities:								
Revenues from SA Government	-	250		-	-	1 619	9	-
Fees and charges	6 115	375	755		-	-	-	98
Grant revenue	-	-	-	-	-	-	-	180
Other revenue	47	30	-	-	-	-	-	51
Total Administered Revenue	6 162	655	755	-	1 619	9	329	
Administered Expenses from Ordinary Activities:								
Employee expenses	-	-	-	-	-	-	-	32
Supplies and services	158	-	936	4	-	-	-	8
Grants and subsidies	-	250	-	-	-	-	-	130
Net expense resulting from a correction of an error	-	-	-	-	-	-	-	44
Payments to consolidated account	-	345	1 221	-	-	-	-	-
Payments to Catchment Water Management Boards	5 059	-	-	-	-	-	-	-
Payments to South Eastern Water Conservation and Drainage Board	-	-	-	-	-	1 619	-	-
Total Administered Expenses	5 217	595	2 157	4	1 619	-	-	214
Operating Surplus (Deficit)	945	60	(1 402)	(4)	-	9	115	

2003								
(Programs refer Note A2)		Catchment Water Management			Remittance to South Eastern Water Conservation and Drainage			Land
		Board Levies	Qualco Sunlands	Penalty Charges	Water Resources Levy Fund	Board \$'000	Pastoral Board \$'000	Technology Alliances \$'000
Administered Revenue's and Expenses for the year ending 30 June 2003								
Administered Revenue from Ordinary Activities:								
Revenues from SA Government	-	250		-	-	1586	9	-
Fees and charges	5 755	188	379		-	-	-	50
Grant revenue	-	-	-	-	-	-	-	-
Other revenue	20	22	-	-	-	-	-	7
Total Administered Revenue	5 775	460	379	-	1586	9	57	
Administered Expenses from Ordinary Activities:								
Employee expenses	-	-	-	-	-	-	-	89
Supplies and services	-	188	-	-	-	-	9	(15)
Grants and subsidies	-	125	-	-	-	-	-	(3)
Net expense resulting from a correction of an error	-	-	-	-	-	-	-	-
Payments to consolidated account	-	446	379	-	-	-	-	-
Payments to Catchment Water Management Boards	7 128	-	-	-	-	-	-	-
Payments to South Eastern Water Conservation and Drainage Board	-	-	-	-	-	1 586	-	-
Total Administered Expenses	7 128	759	379	-	1 586	9	71	
Operating Surplus (Deficit)	(1 353)	(299)	-	-	-	-	-	(14)

(Programs refer Note A2)		2004						
		Catchment Water Management Board Payroll Tax \$'000	Natural Heritage Trust Grants \$'000	National Action Plan for Salinity and Water Quality \$'000	Mt Lofty Ranges Catchment Support \$'000	Centre for Natural Resource Management \$'000	Soil Conservation and Landcare \$'000	Total \$'000
Administered Revenue's and Expenses for the year ending 30 June 2004								
Administered Revenue from Ordinary Activities:								
Revenues from SA Government	217	-	19 910	-	-	-	-	22 005
Fees and charges	-	-	-	17	-	-	-	7 360
Grant revenue	-	16 039	13 946	5 335	1 857	-	-	37 357
Other revenue	-	715	875	(10)	-	1	-	1 709
Total Administered Revenue	217	16 745	34 731	5 342	1 857	1	68 431	
Administered Expenses from Ordinary Activities:								
Employee expenses	-	-	-	235	92	-	-	359
Supplies and services	-	88	36	539	86	-	-	1 855
Grants and subsidies	210	18 875	22 229	3 321	853	-	-	45 868
Net expense resulting from a correction of an error	-	151	-	-	-	-	-	195
Payments to consolidated account	-	-	-	-	-	-	-	1 566
Payments to Catchment Water Management Boards	-	-	-	-	-	-	-	5 059
Payments to South Eastern Water Conservation and Drainage Board	-	-	-	-	-	-	-	1 619
Total Administered Expenses	210	19 114	22 265	4 095	1 031	-	56 521	
Operating Surplus (Deficit)	7	(2 360)	12 466	1 247	826	1	11 910	

(Programs refer Note A2)		2003						
		Catchment Water Management Board Payroll Tax \$'000	Natural Heritage Trust Grants \$'000	National Action Plan for Salinity and Water Quality \$'000	Mt Lofty Ranges Catchment Support \$'000	Centre for Natural Resource Management \$'000	Soil Conservation and Landcare \$'000	Total \$'000
Administered Revenue's and Expenses for the year ending 30 June 2003								
Administered Revenue from Ordinary Activities:								
Revenues from SA Government	-	-	8 554	-	-	-	-	10 399
Fees and charges	-	-	-	-	-	-	-	6 372
Grant revenue	-	16 313	21 748	-	-	-	-	38 061
Other revenue	-	-	172	-	-	1	-	222
Total Administered Revenue	-	16 313	30 474	-	-	1	55 054	
Administered Expenses from Ordinary Activities:								
Employee expenses	-	-	-	-	-	-	-	89
Supplies and services	-	-	2	-	-	-	-	184
Grants and subsidies	-	10 397	22 808	-	-	-	-	33 327
Net expense resulting from a correction of an error	-	-	-	-	-	-	-	-
Payments to consolidated account	-	-	-	-	-	-	-	825
Payments to Catchment Water Management Boards	-	-	-	-	-	-	-	7 128
Payments to South Eastern Water Conservation and Drainage Board	-	-	-	-	-	-	-	1 586
Total Administered Expenses	-	10 397	22 810	-	-	1	43 139	
Operating Surplus (Deficit)	-	5 916	7 664	-	-	1	11 915	

A2. Summary of Significant Administered Schedule Accounting Policies

All the Department's accounting policies are contained in Note 2 'Summary of Significant Accounting Policies'. The policies outlined in Note 2 apply to both the Department and Administered Schedules unless otherwise noted below.

The Administered Schedules are an accumulation of the balances of each of the Department's administered items. Transactions between administered items have not been eliminated from the Administered Schedules.

(a) Catchment Water Management Board Levies

Under section 133(1)(c)(ii) of the *Water Resources Act 1997*, water levies are collected by the Department in catchment areas of catchment water management boards and these levies are paid to the respective boards together with any interest earned on those levy funds. Unpaid levies at the end of the reporting period of \$1 510 000 (\$532 000) have been recognised as current receivables and levies are paid to the boards once received.

(a) Catchment Water Management Board Levies (continued)	2004	2003
	\$'000	\$'000
River Murray Catchment Water Management Board	4 231	4 210
South East Catchment Water Management Board	1 302	1 033
Northern Adelaide Barossa Catchment Water Management Board	313	301
Eyre Peninsula Catchment Water Management Board	222	166
Onkaparinga Catchment Water Management Board	47	45
	6 115	5 755

Levies received but not paid to the Catchment Water Management Boards at the end of the reporting period were \$654 000 (\$1 575 000).

(b) Qualco Sunlands

The Ground Water (Qualco-Sunlands) Control Act 2000 established a scheme to be managed by a Trust to prevent, and reverse, the salinisation and waterlogging of horticultural land due to irrigation induced factors. In accordance with the Act the Department collects levies and pays instalments in accordance with the provisions of the Act.

(c) Penalty Charges

Penalty charges under section 133(1)(a) of the *Water Resources Act 1997* are collected by the Department and paid into Consolidated Revenue. Unpaid penalty charges at the end of the reporting period of \$1 067 000 (\$2 327 000) have been recognised as current receivables. During the reporting period the Department paid \$1 221 000 (\$379 000) of penalty charges collected into Consolidated Revenue.

(d) Water Resources Levy Funds

The Water Resources Levy Fund (Fund) was created pursuant to the provisions of the *Water Resources Act 1997*. The Fund records the receipt of monies for levies declared under section 122 of the Act, where the prescribed water resource in relation to which the levy was declared is not in the area of a Catchment Water Management Board.

There were no levies received into the Fund during 2004. The only transaction of the fund in 2004 was the recognition of a bad debt for \$3 500.

(e) South Eastern Water Conservation and Drainage Board

The South Eastern Water Conservation and Drainage Board (Board) is responsible for the administration of the *South Eastern Water Conservation and Drainage Act 1992* as amended. The Board is predominantly funded by Parliamentary appropriations for the operations, maintenance and capital works for the drainage system in the south east of South Australia. The appropriation is received by the Department and disbursed directly to the Board. During the reporting period an appropriation of \$1 619 000 (\$1 586 000) was received by the Department and this was disbursed to the Board.

(f) Pastoral Board

Funds applied by the Minister, on the recommendation of the Board for research and publication of techniques for pastoral land management, for prevention or minimisation of pastoral land degradation and for rehabilitation of degraded pastoral land. During the reporting period an appropriation of \$9 000 (\$9 000) was received and this amount is yet to be disbursed.

The Pastoral Board is responsible for administering pastoral leases under the *Pastoral Land Management and Conservation Act 1989*. The land lease assets were revalued at \$28 600 000 as at 30 June 2003 by Robin Norris, Acting Regional Valuer, Valuation SA, Land Services Group, Department for Administrative and Information Services giving rise to an asset revaluation reserve of \$5 017 000. At the end of the reporting period this amount was recorded as Property, Plant and Equipment in the Administered Schedule of Assets and Liabilities at that value.

The revenue generated by the pastoral leases is recorded within the Department's Statement of Financial Performance, in accordance with the *Pastoral Land Management and Conservation Act 1989*, to cover the costs incurred by the Department in administering the pastoral leases.

(g) Land Technologies Alliances

An arrangement exists between the Department, South Australian Research and Development Institute, Commonwealth Scientific and Industrial Research Organisation, the Department of Primary Industries of Victoria and the University of Adelaide to review and project manage certain project development, staff development and training across each organisation. The Department administers funds on behalf of these organisations.

(h) Catchment Water Management Board Payroll Tax

An appropriation of \$217 000 was received to fund the payroll tax expenses of the Catchment Water Management Boards for 2003-04. In prior years the Boards did not pay payroll tax.

(i) Natural Heritage Trust and Natural Heritage Trust Extension

The Natural Heritage Trust was established by the *Natural Heritage Trust of Australia Act 1997*. The Bilateral Agreement to deliver the Natural Heritage Trust Extension reflects the intention of the Commonwealth and South Australian Governments to work as joint investment partners, with the community and other stakeholders, in natural resource management activities including biodiversity conservation, sustainable use of natural resources and community capacity building and institutional change.

During the reporting period the following Commonwealth grants were received:

	2004 \$'000	2003 \$'000
Natural Heritage Trust Extension Program	11 682	8 800
Natural Heritage Trust National Landcare Program	3 184	-
Natural Heritage Trust Refunds	1 173	-
Natural Heritage Trust	-	7 513
	16 039	16 313

During the reporting period ending 30 June 2003 grant revenue of \$430 000 was duplicated, overstating revenues from ordinary activities in the Administered Schedule to the Department's financial statements. In the current reporting period ending 30 June 2004 a payable to the Department of Primary Industries and Resources (PIRSA) and a grant refund expense for \$430 000 has been recognised.

During the reporting period the following grants were paid:

	2004 \$'000	2003 \$'000
Natural Heritage Trust Extension Program	17 198	-
Natural Heritage Trust National Landcare Program	1 031	-
Refunds - PIRSA	430	-
Natural Heritage Trust	216	10 397
	18 875	10 397

(j) National Action Plan for Salinity and Water Quality

The National Action Plan is a bilateral agreement between the Commonwealth and South Australian Governments signed in 2001 providing funds to address issues associated with salinity and water quality in priority regions in South Australia. The Commonwealth and the South Australian Governments make progressive contributions to a single holding account. Disbursement of funds from the account is by agreement between the parties.

During the reporting period appropriations of \$19 910 000 (\$8 554 000) were received from the SA Government and the following Commonwealth grants were received:

	2004 \$'000	2003 \$'000
AFFA - National Action Plan Investment Strategy Phase 1	7 293	-
AFFA - National Action Plan Priority Rounds 1 and 2	6 653	21 748
	13 946	21 748

The Department's Statement of Financial Performance for the reporting period ending 30 June 2003 recorded a transfer of \$5 500 000 from the Commonwealth Government for the National Action Plan. The recognition of the funds within the Department's controlled financial statements in 2002-03 was correct. However an adjustment has been made to the comparative 2002-03 figures because the National Action Plan administered grant revenue and grant expenditure was understated by \$5 500 000 due to an error.

During the reporting period ending 30 June 2003 grant revenue of \$1 312 000 was duplicated, overstating revenues from ordinary activities in the administered schedule to the Department's financial statements. In the current reporting period ending 30 June 2004 a payable to the Department of Primary Industries and Resources (PIRSA) and a grant refund expense for \$1 312 000 has been recognised.

During the reporting period the following grants were paid:

	2004 \$'000	2003 \$'000
AFFA - National Action Plan Priority Rounds 1 and 2	12 841	22 808
AFFA - National Action Plan Investment Strategy Phase 1	8 076	-
Refunds - PIRSA	1 312	-
	22 229	22 808

(k) Mount Lofty Ranges Catchment Support

The Mount Lofty Ranges Catchment Support Group was established to implement the Integrated Natural Resource Management program for Mount Lofty and Adelaide regions. Functions include the disbursement of grants to local communities, catchment water management boards, local Government and other South Australian Government Departments together with the management of associated projects. Funds are disbursed subject to the National Action Plan and Natural Heritage Trust bilateral processes.

(k) Mount Lofty Ranges Catchment Support (continued)	2004	2003
	\$'000	\$'000
During the reporting period the following grants were received:		
Natural Heritage Trust Extension Program	2 048	-
National Action Plan Investment Strategy Phase 1	1 193	-
National Action Plan Priority Rounds 1 and 2	1 083	-
Natural Heritage Trust Investment Strategy Phase 1 and 2	1 011	-
	5 335	-
During the reporting period the following grants were paid:		
Natural Heritage Trust Extension Program	1 924	-
National Action Plan Priority Rounds 1 and 2	771	-
National Action Plan Investment Strategy Phase 1	467	-
Natural Heritage Trust Investment Strategy Phase 1 and 2	106	-
Natural Heritage Trust	53	-
	3 321	-

Comparatives for 2002-03 are reflected in the Department's financial statements.

(l) Centre for Natural Resource Management

The Centre for Natural Resource Management (Centre) with its Investment Advisory Board (Board) develops and maintains partnerships with regional NRM groups, scientists and researchers, business and industry, governments and agencies, so that integrated natural resource management across South Australia is based on world-class research and development. A primary role of the Centre and its Board is to create more sustainable environments through the development of new technologies and industries which benefit the environment and are economically sustainable.

The Board makes decisions on the disbursement of National Action Plan (NAP) and other funds in relation to its Portfolios of identified regional priority projects, and to the timeliness and quality of research provider delivery. The Board also oversees the stakeholder engagement process, brokers and builds relationships, alliances and partnerships, and seeks to leverage co-investment against NAP funding.

During the reporting period the Centre received grant revenue of \$1 857 000 from the National Action Plan Priority Rounds 1 and 2 and disbursed \$853 000 of these funds as grants to non-South Australian Government entities.

(m) Soil Conservation and Landcare

The Soil Conservation and Land Care Fund (Fund) was established under the *Soil Conservation and Land Care Act 1989*. Industry and SA Government funding is used by the Soil Conservation Board to provide for the conservation and rehabilitation of land in South Australia. At the end of the reporting period there was \$25 000 (\$24 000) in the Fund. During the reporting period the Fund earned \$1 000 (\$1 000) in interest income and no disbursements were made from the Fund.

(n) Changes to Administered Items

During the financial year the scope of the Department's controlled and administered activities were reviewed. In line with accepted accounting criteria the following activities which were reported as administered items in the Department's 2003 financial statements were considered not to be administered by the Department. Consequently these activities have not been reported in the Department's Administered Schedules. These activities have also been removed from the comparative balances in the Administered Schedules.

- Arid Areas Catchment Water Management Board
- Native Vegetation Fund
- South Eastern Water Conservation Drainage Board - Employee related transactions

The following activities which were reported as controlled in the Department's 2003 financial statements were considered to be administered by the Department. Consequently these activities have been reported in the Department's Administered Schedules. The comparative balances are included in the Department's controlled financial statements.

- Mt Lofty Ranges Catchment Support
- Centre for Natural Resource Management

A3. Administered Cash Flow Reconciliation	2004	2003
	\$'000	\$'000
Catchment Water Management Board levies	744	1 695
Qualco Sunlands	73	446
Penalty charges	70	590
Remittance to South Eastern Water Conversation and Drainage Board	(89)	(231)
Pastoral Board	9	-
Land Technology Alliances	379	173
Catchment Water Management Board payroll tax	19	-
Natural Heritage Trust Grants	9 972	11 949
National Action Plan for Salinity and Water Quality	26 998	13 289
Mount Lofty Ranges Catchment support	2 025	-
Centre for Natural Resource Management	826	-
Soil Conversation and Landcare	26	25
 Schedule of Administered Assets and Liabilities	 41 052	 27 936
Administered Schedule of Cash Flows	41 052	27 936
 Reconciliation of Net Cash Inflows from Operating Activities to Surplus from:		
Net cash inflows from operating activities	12 879	13 616
Changes in Assets/Liabilities:		
Decrease in receivables	(381)	(17)
Increase in other assets	130	5
Increase in payables	(713)	(1 689)
Increase in employee benefits	(5)	-
 Operating Surplus from Ordinary Activities	 11 910	 11 915

General Index to Part B

of the

Report

of the

Auditor-General

for the

Year ended 30 June 2004

Catastrophe Reinsurance Program
South Australian Government Captive Insurance Corporation, 1464

Catchment Water Management Boards, 175

- Arid Areas Catchment Water Management Board, 176
- Eyre Peninsula Catchment Water Management Board, 176
- Northern Adelaide and Barossa Catchment Water Management Board, 176, 179
- Onkaparinga Catchment Water Management Board, 176, 195
- Patawalonga Catchment Water Management Board, 176, 209
- River Murray Catchment Water Management Board, 176, 224
- South East Catchment Water Management Board, 176, 236
- Torrens Catchment Water Management Board, 176, 248

Common Public Sector Interest Rate (CPSIR)
South Australian Government Financing Authority, 1497

Construction Industry Training Board, 371

Contributions to the State Government
South Australian Water Corporation, 74

Correctional Services, Department for, 731

- Institutional Rostering System, 733
- Management of the Mount Gambier Prison, 736
- Payroll, 733
- Policies and Procedures, 732
- Service Contracts, 736

Country Fire Service Board, 755

- Accounting for CFS Volunteer Funds, 757
- Corporate Governance, 757
- Internal Audit Review of Fire Station Interface Project, 758

Courts Administration Authority, 775

- Status of Financial Statements, 775
- Supplementary Audit Report, 775

Crown Solicitor's Trust Account
Attorney-General's Department, 687

DAIS.
see Administrative and Information Services, Department for

Delegations of Authority

- Northern Adelaide and Barossa Catchment Water Management Board, 180
- Onkaparinga Catchment Water Management Board, 196
- Patawalonga Catchment Water Management Board, 210
- River Murray Catchment Water Management Board, 225
- South East Catchment Water Management Board, 237
- Torrens Catchment Water Management Board, 249

Bad and Doubtful Debts Expense
HomeStart Finance, 528

Bodies in the Barrels Case
Legal Services Commission, 799

Department for Administrative and Information Services
see Administrative and Information Services, Department for

Department for Correctional Services
see Correctional Services, Department for

Department for Environment and Heritage
see Environment and Heritage, Department for

Department for Families and Communities
see Families and Communities, Department for

Department of Education and Children's Services
see Education and Children's Services, Department of

Department of Further Education, Employment, Science and Technology
see Further Education, Employment, Science and Technology, Department of

Department of Human Services
see Human Services, Department of

Department of Justice
see Justice, Department of

Department of Primary Industries and Resources
see Primary Industries and Resources, Department of

Department of the Premier and Cabinet
see Premier and Cabinet, Department of the

Department of Trade and Economic Development
see Trade and Economic Development, Department of

Department of Transport and Urban Planning
see Transport and Urban Planning, Department of

Department of Treasury and Finance
see Treasury and Finance, Department of

Department of Water, Land and Biodiversity Conservation
see Water, Land and Biodiversity Conservation, Department of

Distributions to Government
HomeStart Finance, 530
South Australian Forestry Corporation, 1104

Dividend Payment
South Australian Asset Management Corporation, 1442

E

Economic Development Board, 1171
Abolishment of the Office and the Board, 1172

Economic Development, Office of, 1171
Abolishment of the Office and the Board, 1172

Edinburgh Parks Precinct
Trade and Economic Development, Department of, 1208

Education and Children's Services, Department of, 127
Independent Audit Report, 128
Matters Raised with the Department, 129
Qualified Audit Opinion, 129
Student Enrolments, 138

Emergency Services Administrative Unit, 776
Corporate Governance, 778
Overall Comment on the Results of the Audit, 778

Emphasis of Matter
Water, Land and Biodiversity Conservation, Department of, 334

Environment and Heritage, Department for, 263
DEH CHRIS, 267
Independent Audit Report, 264
Procurement Practices, 266
Qualified Audit Opinion, 264
Risk Management, 265

Environment Protection Authority, 308

Eyre Peninsula Catchment Water Management Board
Catchment Water Management Boards, 176

F

Families and Communities, Department for, 523
Human Services, Department of, 523

Firearm Licences and Registrations
Police Department, 814

Flinders University of South Australia, 384
Procurement Activity, 385

Forestry Corporation
see South Australian Forestry Corporation

Further Education, Employment, Science and Technology, Department of, 427

Accounts Receivable Point of Sale System (ARPOS), 429

Computer Information System and Environment - Management and Control, 430

G

Government Accounting and Reporting (GAR) Branch
Treasury and Finance, Department of, 1600

Government Workers Rehabilitation and Compensation Fund
Administrative and Information Services Department for, 59
Outstanding Claims, 60

H

Handgun Buyback Scheme
Police Department, 816, 820

Heritage Collections
History Trust of South Australia, 927
Libraries Board of South Australia, 946

Hindmarsh Stadium Loan
Administrative and Information Services, Department for, 17

History Trust of South Australia, 926
Management of Heritage Collections, 927

HomeStart Finance, 524
Asset Quality - Non-Accrual Loans, 530
Asset Quality - Provision for Doubtful Debts, 529
Bad and Doubtful Debts Expense, 528
Determination of the Provision for Doubtful Debts, 526

Distributions to Government, 530
Loans and Advances, 529
Net Cash Flows, 531
Net Interest Revenue, 527

Housing Reform
South Australian Community Housing Authority, 635

Human Services, Department of, 549
Assessment of Controls, 551
Budget and Financial Management Consultancy, 551
Concession Payments, 557
Department of Human Services Restructure, 549
Families and Communities, Department for, 523
Family and Youth Services (FAYS) Financial Operations, 554

Funding to Health Services, 551
Funding to Non-Government Organisations, 552
Generational Health Review, 558
Health Sector Staffing Statistics, 592
Hospital Activity Statistics, 592
Payment to the Crown Solicitor's Trust Account, 556
Regional Health Structure, 558

I

- Independent Audit Report
- Administrative and Information Services
 - Department for, 7
- Education and Children's Services,
 - Department of, 128
- Environment and Heritage, Department for, 264
- Primary Industries and Resources,
 - Department of, 1056
- South Australian Forestry Corporation, 1098
- South Australian Motor Sport Board, 1516
- University of South Australia, 485
- Industrial and Commercial Premises Corporation, 1323
 - Changes to Functions and Structure, 1323
- Investments
 - South Australian Government Captive Insurance Corporation, 1462

J

- Judges' Pensions Scheme, 1334
 - Liability for Accrued Benefits, 1335, 1336
- Justice, Department of, 685

L

- Land Management Corporation, 1344
 - Asset Valuations, 1350
- Industrial and Commercial Property Sales, 1348
- Land Held for Sale - Estimated Market Value, 1350
- Liabilities, 1350
- Mawson Lakes Government Infrastructure Project, 1351
- Port Adelaide Waterfront Redevelopment, 1351
- Legal Services Commission, 795
 - Bodies in the Barrels Case, 799
 - Legal Expenses - Expensive Cases, 799
- Libraries Board of South Australia, 942
 - Operating Result, 946
 - Research and Heritage Collections, 946
- Loans and Advances
 - HomeStart Finance, 529
- Local Government Finance Authority of South Australia, 1186
 - Guarantee by the Treasurer, 1186
 - Provision for Bonus Payments, 1191
 - Tax Equivalent Payments, 1191
- Lotteries Commission of South Australia, 1369

M

- Mawson Lakes Government Infrastructure Project
 - Land Management Corporation
- Metropolitan Fire Service
 - see South Australian Metropolitan Fire Service
- Moomba Gas Crisis
 - Primary Industries and Resources,
 - Department of, 1062
- Motor Accident Commission, 1389
 - Investment Result, 1393
 - Outstanding Claims, 1395
 - Provision for Outstanding Claims, 1391
 - Solvency Level, 1396
 - Statement of Cash Flows, 1397
 - Underwriting Result, 1393
- Motor Sport Board, South Australian
 - see South Australian Motor Sport Board
- Motor Vehicle Fleet Finance Lease
 - Administrative and Information Services
 - Department for, 18
- Mount Gambier Prison, Management of the Correctional Services, Department for, 736
- Museum Board, 961

N

- Northern Adelaide and Barossa Catchment Water Management Board, 179
 - Catchment Water Management Boards, 176
- Delegations of Authority, 180

O

- Office of Economic Development
 - see Economic Development, Office of
- Onkaparinga Catchment Water Management Board, 195
 - Catchment Water Management Boards, 176
- Delegations of Authority, 196

P

- Parliamentary Superannuation Scheme, 1415
 - Transfer to Other Schemes, 1417
- Passenger Transport Board, 1231
- Patawalonga Catchment Water Management Board, 209
 - Catchment Water Management Boards, 176
 - Delegations of Authority, 210
- Payment of Royalty Monies into the Treasury Bank Account
 - Primary Industries and Resources,
 - Department of, 1058
- Police Department, 813
 - Firearm Licences and Registrations, 814
 - Handgun Buyback Scheme, 816, 820
- Police Superannuation Scheme, 1425
 - General Ledger, 1426
- Port Adelaide Waterfront Redevelopment
 - Land Management Corporation, 1351
- Premier and Cabinet, Department of the, 977
 - Matters Raised with the Department, 979
- Southern Cross Replica Aircraft - Expression of Interest (EOI) Process, 979
- Targeted Voluntary Separation Package (TVSP) Scheme, 1003
- Primary Industries and Resources,
 - Department of, 1055
 - Cash at Bank Reconciliation Methodology, 1057
 - Completeness of the General Ledger, 1058
 - Compliance with Legislation - *Aquaculture Act 2001*, 1059
 - Independent Audit Report, 1056
 - Moomba Gas Crisis, 1062
 - Payment of Royalty Monies into the Treasury Bank Account, 1058
 - Performance of Key Reconciliations, 1058
 - Qualified Audit Opinion, 1057
- Provision for Doubtful Debts
 - HomeStart Finance, 526
- Provision for Outstanding Claims
 - Motor Accident Commission, 1391
- Public Trustee, 690
 - Compliance Reporting, 691
 - Core Business Information System (CBIS), 691

Q

Qualified Audit Opinion
Administrative and Information Services
Department for, 7
Education and Children's Services,
Department of, 129
Environment and Heritage, Department for, 264
Primary Industries and Resources,
Department of, 1057
South Australian Forestry Corporation, 1099
South Australian Motor Sport Board, 1517
University of South Australia, 486

R

RevenueSA
Treasury and Finance, Department of, 1599
River Murray Catchment Water Management
Board, 224
Catchment Water Management Boards, 176
Delegations of Authority, 225

S

SA Government Commercial Properties
Administrative and Information Services
Department for, 14
SA St John Ambulance Service Inc, 595
Ambulance Cover Scheme, 599
Review of Ambulance Service, 600
SAICORP
see South Australian Government Captive Insurance
Corporation
Save the River Murray Fund
Water, Land and Biodiversity Conservation,
Department of, 344
South Australia, University of
see University of South Australia
South Australian Aboriginal Housing Authority, 614
South Australian Asset Management Corporation, 1439
Dividend Payment, 1442
South Australian Community Housing Authority, 632
Capital Funding to Community Housing
Organisations, 639
Financial Arrangements, 632
Housing Reform, 635
South Australian Film Corporation, 1009
South Australian Forestry Corporation, 1097
Distributions to Government, 1104
Growing Timber, 1104
Independent Audit Report, 1098
Internal Control Framework, 1099
Qualified Audit Opinion, 1099
Valuation of Forest Assets, 1101
South Australian Government Captive Insurance
Corporation, 1456
Catastrophe Reinsurance Program, 1464
Corporate Governance Arrangements, 1458
Investment Strategy, 1458
Investments, 1462
Outstanding Claims, 1461, 1463

South Australian Government Financing
Authority, 1492
Business Risk Management, 1498
Capital and Distributions, 1496
Common Public Sector Interest Rate (CPSIR), 1497
South Australian Housing Trust, 654
Asbestos Management, 656
Fixed Assets, Inventory and Capital Projects, 658
Maintenance Expenditure, 657
Rent Management System, 656
South Australian Metropolitan Fire Service, 840
Corporate Governance, 842
South Australian Motor Sport Board, 1515
Independent Audit Report, 1516
Proposed Provision for Bad Weather, 1517
Qualified Audit Opinion, 1517
South Australian Superannuation Board, 1531
South Australian Superannuation Scheme, 1531
Southern State Superannuation Scheme, 1532
South Australian Superannuation Scheme, 1533
Liability for Accrued Benefits, 1536
Past Service Liability Funding, 1534
South Australian Superannuation Board, 1531
South Australian Tourism Commission, 1151
2007 World Police and Fire Games, 1155
South Australian Water Corporation, 66
Contract Management and Procurement, 70
Contributions to the State Government, 74
Performance Charter, 74
Revenues from Ordinary Activities, 71
Review of Computing Environment and
Operations, 68
Review of Governance and Risk Management
Arrangements, 68
South East Catchment Water Management Board, 236
Catchment Water Management Boards, 176
Delegations of Authority, 237
Fund Administration Service, 237
Risk Management, 237
Southern Cross Replica Aircraft - Expression of
Interest (EOI) Process
Premier and Cabinet, Department of the, 979
Southern State Superannuation Scheme, 1552
Contribution Revenue, 1554
South Australian Superannuation Board, 1532
St John Ambulance Service Inc
see SA St John Ambulance Service Inc
State Electoral Office, 858
State Opera of South Australia, 1024
The Ring, 1029
State Supply Board, 102
State Procurement Act 2004, 102
State Theatre Company of South Australia, 1038
Status of Financial Statements
Attorney-General's Department, 687
Courts Administration Authority, 775
Superannuation Funds Management Corporation of
South Australia, 1567
Asset Allocation and Risk, 1572
Investment Returns, 1572
Return Performance by Asset Class, 1572
Return Performance by Product, 1573
Supplementary Audit Report
Attorney-General's Department, 687
Courts Administration Authority, 775

T

Targeted Voluntary Separation Package (TVSP)
Scheme
Premier and Cabinet, Department of the, 1003
The Ring
State Opera of South Australia, 1029
Torrens Catchment Water Management Board, 248
Catchment Water Management Boards, 176
Delegations of Authority, 249
Trade and Economic Development,
Department of, 1203
Edinburgh Parks Precinct, 1208
Review of Industry and Investment Attraction
Fund, 1209
Review of the Department for Business
Manufacturing and Trade, 1208
TransAdelaide, 1247
Changes to Functions and Structure, 1248
Controlled Entity Operations Austrics, 1253
Joint Venture Relationship, 1254
Transport and Urban Planning, Department of, 1272
Governance and Risk Management, 1276
Matters Raised with the Department, 1274
Treasury and Finance, Department of, 1597
Government Accounting and Reporting (GAR)
Branch, 1600
RevenueSA, 1599

U

University of Adelaide, 448
University of South Australia, 484
Audit Opinions, 485
Blueprint 2005 Capital Program, 493
Independent Audit Report, 485
Qualified Audit Opinion, 486

V

Valuation of Forest Assets
South Australian Forestry Corporation, 1101

W

Water Information and Licensing Management
Application (WILMA) Development
Water, Land and Biodiversity Conservation,
Department of, 339
Water, Land and Biodiversity Conservation,
Department of, 333
Emphasis of Matter, 334
Financial Management Practices, 337
Fixed Assets, 339
Review of Computing Environment and
Operations, 340
Review of Corporate Governance and Risk
Management, 335
Save the River Murray Fund, 344
Water Information and Licensing Management
Application (WILMA) Development, 339

