

# **SOUTH AUSTRALIA**

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## **Report**

**of the**

## **Auditor-General**

**for the**

**Year ended 30 June 2003**

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*Tabled in the House of Assembly and ordered to be published, 13 October 2003*

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**Third Session, Fiftieth Parliament**

## **PART B**

### **Volume II**

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2003



# Report of the Auditor-General 2002-03

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Treasurer's Financial Statements (Statements A-K)

## **VOLUMES I, II, III AND IV**

### **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 and VI of Part B of this Report.

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

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

## **PORTFOLIO – FURTHER EDUCATION, EMPLOYMENT, SCIENCE AND TECHNOLOGY**

### **INTRODUCTION**

This 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:

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

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

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



# CONSTRUCTION INDUSTRY TRAINING BOARD

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

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

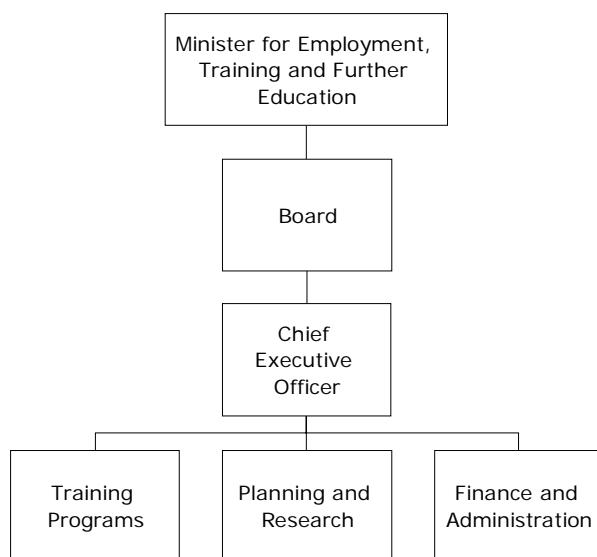
### Functions

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

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

### Structure

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



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

## AUDIT MANDATE AND COVERAGE

### Audit Authority

#### *Audit of Financial Statements*

Subsection 16(2) of the *Construction Industry Training Fund Act 1993* specifically provides for the Auditor-General to audit the accounts of the Board 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 Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

## Scope of Audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

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

## ***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 considered to be satisfactory. While the review of the specific areas of financial activity revealed a satisfactory standard of accounting, record keeping and control, a number of suggestions were made to strengthen the Board's acquittal procedures for training claims particularly under the User Selected Funding mechanism.

## **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, the financial position of the Construction Industry Training Board as at 30 June 2003 and the results of its financial performance and cash flows for the year then ended.

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

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

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

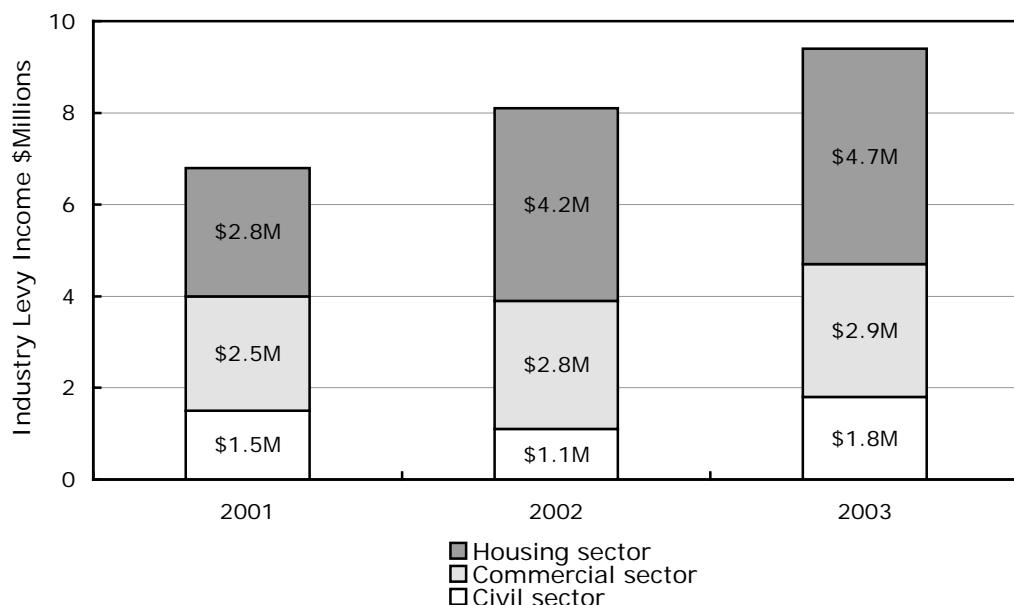
### **Highlights of Financial Statements**

	2003 \$'000	2002 \$'000
<b><i>OPERATING REVENUE</i></b>		
Industry levies	9 345	8 099
Other revenue	438	572
<b>Total Operating Revenue</b>	<b>9 783</b>	8 671
<b><i>OPERATING EXPENDITURE</i></b>		
Training claims	7 908	6 783
Other expenses	1 817	1 973
<b>Total Operating Expenses</b>	<b>9 725</b>	8 756
<b>Surplus (Deficit)</b>	<b>58</b>	(85)
<b>Net Cash Flows used in Operations</b>	<b>(574)</b>	(45)

	2003 \$'000	2002 \$'000
<b>ASSETS</b>		
Current assets	<b>7 352</b>	7 874
Non-current assets	<b>399</b>	379
<b>Total Assets</b>	<b>7 751</b>	8 253
<b>LIABILITIES</b>		
Current liabilities	<b>718</b>	1 247
Non-current liabilities	<b>26</b>	57
<b>Total Liabilities</b>	<b>744</b>	1 304
<b>EQUITY</b>	<b>7 007</b>	6 949

### Analysis of Industry Levy Income

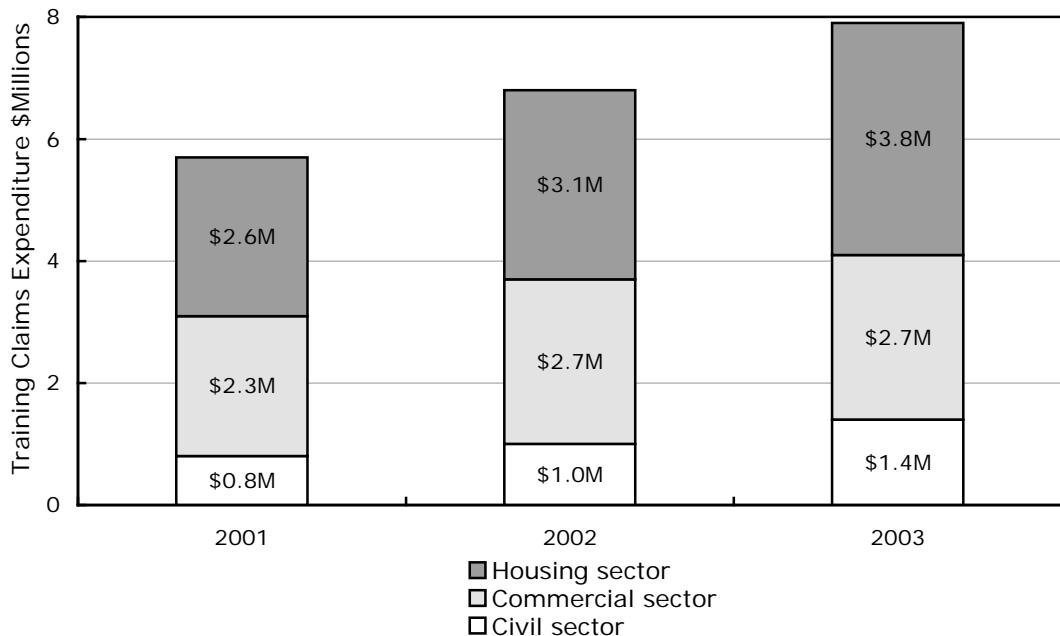
For the three years to 2003 a structural analysis of the Construction Industry Training Fund (CITF) levy income by industry sector for the Board is presented in the following chart.



In 2002-03, the CITF levy income was \$9.3 million. This represents an increase of 15 percent on the CITF levy income received for 2001-02. This increase was across all sectors, reflecting the general levels of activity within the industry, and for the Housing sector, includes the impact of the Federal Government's First Home Owners Grant.

## Analysis of Training Claims Expenditure

For the three years to 2003 a structural analysis of training claims expenditure by industry sector for the Board is shown in the following chart.



In 2002-03, training claims expenditure was \$7.9 million. This represents an increase of 17 percent on training claims expenditure for 2001-02. Whilst the level of training claims expenditure increased in the Housing and Civil sectors, it remained constant in the Commercial sector. The overall increase in training claims expenditure is the result of an increase in the number of eligible workers accessing CITB funded training.

**Statement of Financial Performance**  
**for the year ended 30 June 2003**

		Housing Sector	Commercial Sector	Civil Sector	Other	<b>Total</b>	Total
<b>REVENUES FROM ORDINARY ACTIVITIES:</b>	Note	2003	2003	2003	2003	<b>2003</b>	2002
		\$'000	\$'000	\$'000	\$'000	<b>\$'000</b>	\$'000
Industry levies		4 689	2 895	1 761	-	<b>9 345</b>	8 099
Interest on deposits		179	110	67	-	<b>356</b>	322
Grants	3(a)	-	-	-	39	<b>39</b>	143
Proceeds from disposal of assets	3(b)	8	5	3	-	<b>16</b>	89
Other Revenue		14	8	5	-	<b>27</b>	18
<b>Total Revenues</b>		<b>4 890</b>	<b>3 018</b>	<b>1 836</b>	<b>39</b>	<b>9 783</b>	<b>8 671</b>
<b>EXPENSES FROM ORDINARY ACTIVITIES:</b>							
ADMINISTRATION EXPENSES:							
Salaries and related payments		230	159	85	-	<b>474</b>	420
Bad debt expense		-	-	-	-	-	3
Collection Agents fees		38	1	-	-	<b>39</b>	57
Depreciation	4(a)	78	54	29	-	<b>161</b>	129
Occupancy		45	31	17	-	<b>93</b>	62
Other		201	139	74	-	<b>414</b>	467
<b>Total Administration Expenses</b>		<b>592</b>	<b>384</b>	<b>205</b>	<b>-</b>	<b>1 181</b>	<b>1 138</b>
TRAINING RESEARCH ACCESS AND EQUITY EXPENSES:							
Salaries and related payments		171	118	63	-	<b>352</b>	246
Promotion		63	44	23	-	<b>130</b>	149
Training claims	4(b)	3 826	2 657	1 425	-	<b>7 908</b>	6 783
Other		30	20	11	-	<b>61</b>	98
Research		26	18	10	-	<b>54</b>	74
Access and equity		2	2	6	-	<b>10</b>	81
<b>Total Training Research Access and Equity Expenses</b>		<b>4 118</b>	<b>2 859</b>	<b>1 538</b>	<b>-</b>	<b>8 515</b>	<b>7 431</b>
GRANT EXPENSES:							
Salaries and related payments		-	-	-	23	<b>23</b>	109
Depreciation	4(a)	-	-	-	3	<b>3</b>	20
Promotion and occupancy		-	-	-	-	-	11
Other		-	-	-	3	<b>3</b>	47
<b>Total Grant Expenses</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>29</b>	<b>29</b>	<b>187</b>
<b>Total Expenses</b>		<b>4 710</b>	<b>3 243</b>	<b>1 743</b>	<b>29</b>	<b>9 725</b>	<b>8 756</b>
<b>NET OPERATING SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES</b>		<b>180</b>	<b>(225)</b>	<b>93</b>	<b>10</b>	<b>58</b>	<b>(85)</b>
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER</b>		<b>180</b>	<b>(225)</b>	<b>93</b>	<b>10</b>	<b>58</b>	<b>(85)</b>

**Statement of Financial Position**  
**as at 30 June 2003**

		<b>2003</b>	2002
	Note	\$'000	\$'000
<b>CURRENT ASSETS:</b>			
Cash assets		<b>546</b>	284
Receivables	5	<b>630</b>	846
Investments	6	<b>6 176</b>	6 744
<b>Total Current Assets</b>		<b>7 352</b>	7 874
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	7(a), (b)	<b>399</b>	379
<b>Total Non-Current Assets</b>		<b>399</b>	379
<b>Total Assets</b>		<b>7 751</b>	8 253
<b>CURRENT LIABILITIES:</b>			
Training expenditure approved but not yet paid	8	<b>450</b>	1 015
Payables	9	<b>218</b>	145
Employee benefits	10	<b>50</b>	87
<b>Total Current Liabilities</b>		<b>718</b>	1 247
<b>NON-CURRENT LIABILITIES:</b>			
Employee benefits	10	<b>26</b>	57
<b>Total Non-Current Liabilities</b>		<b>26</b>	57
<b>Total Liabilities</b>		<b>744</b>	1 304
<b>NET ASSETS</b>		<b>7 007</b>	6 949
<b>ACCUMULATED FUNDS:</b>			
Reserve	17	<b>1 614</b>	1 614
Accumulated funds	17	<b>5 393</b>	5 335
<b>TOTAL ACCUMULATED FUNDS</b>		<b>7 007</b>	6 949
Commitments	11		

**Statement of Cash Flows**  
**for the year ended 30 June 2003**

		2003	2002
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
RECEIPTS:		Note	
Industry training levies		9 557	7 911
Interest received		29	32
Other		32	10
Grant from Government		39	158
GST refund from Australian Taxation Office		755	590
<b>Total Receipts</b>		<b>10 412</b>	<b>8 701</b>
PAYMENTS:			
Payments to employees and suppliers		(2 422)	(1 484)
Training, access and equity expenditure		(8 538)	(7 089)
Grants		(26)	(173)
<b>Total Payments</b>		<b>(10 986)</b>	<b>(8 746)</b>
<b>Net Cash (used in) Operating Activities</b>	18(b)	<b>(574)</b>	<b>(45)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
RECEIPTS:			
Proceeds from term deposits		76 004	40 768
Proceeds from sale of plant and equipment		16	98
<b>Total Receipts</b>		<b>76 020</b>	<b>40 866</b>
PAYMENTS:			
Payment for term deposits		(75 103)	(40 748)
Payment for plant and equipment		(204)	(134)
<b>Total Payments</b>		<b>(75 307)</b>	<b>(40 882)</b>
<b>Net Cash provided by (used in) Investing Activities</b>		<b>713</b>	<b>(16)</b>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		<b>139</b>	<b>(61)</b>
<b>CASH AT 1 JULY 2002</b>		<b>284</b>	<b>345</b>
<b>CASH AT 30 JUNE 2003</b>	18(a)	<b>423</b>	<b>284</b>

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

**1. General**

**1.1 Objectives**

The Board's responsibilities include:

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

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

**2. Summary of Accounting Policies**

**2.1 General System of Accounting Underlying the Financial Statements**

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

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

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

**2.2 Income Recognition**

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

Interest income is recognised as it accrues.

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

**2.3 Depreciation**

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

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

• Furniture and fittings	20.0 percent
• Computer equipment	25.0 percent
• Office machines	20.0 percent
• Motor vehicles	15.0 percent

**2.4 Recoverable Amount of Non-Current Assets**

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

**2.5 Income Tax**

The Board is exempt from Income Tax in terms of subsection 23(d) of the *Income Tax Assessment Act 1936*, as amended.

**2.6 Employee Benefits**

Provision has been made in the Financial Statements, where stated, for the Board's liability for employee benefits arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees (viz. workers' compensation insurance premiums and payroll tax) have been included in the determination of the liability. Payroll tax and workers' compensation insurance premiums are classified as payables.

*Annual Leave*

Provision has been made for the unused component of annual leave at balance date. The provision has been calculated at nominal amounts based on projected salary rates and includes employer superannuation contributions and an allocation of relevant on-costs recorded as payables.

*Sick Leave*

No provision has been made in respect of sick leave. As sick leave taken by employees is considered to be taken from the current year's accrual, no liability is recognised.

*Long Service Leave*

In calculating long service leave entitlements the Board has used a benchmark of five years as it more accurately reflects the long service leave liability. The provision includes employer superannuation contributions. Related on-costs are reported as payables.

*Superannuation*

The Board has contributed nine percent of the employees' base salary into a prescribed superannuation fund. This amount represents the Board's full liability for the year.

**2.7 Creditors and Accrued Expenses**

The Board has brought to account accrued expenses at year end.

**2.8 Leases**

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

**2.9 Accrued Levy Income**

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

**2.10 Training Expenditure Approved but Not Yet Paid**

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

**2.11 Sector Allocation of Income and Expenditure**

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

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

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

**2.12 Receivables**

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

**2.13 Investments**

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

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

In accordance with the requirements of UIG 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.
- 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 activities, which are recoverable from or payable to, the Australian Taxation Office have however been classified as investing cash flows.

**3. Operating Revenues****(a) Grants**

The Board received funding of \$39 000 (\$116 000) during the 2003 financial year from the Department of Further Education, Employment, Science and Technology to perform its Industry Training Advisory Board (ITAB) functions. At balance date it is not certain whether any additional funding will be received after this date.

**(b) Proceeds and Expenses from Sale of Assets**

	2003 \$'000	2002 \$'000
Non-financial assets - Plant and equipment		
Revenue (proceeds) from sale	16	89
Expense from sale	20	97
	<hr/> <hr/> (4)	<hr/> <hr/> (8)

4.	<b>Operating Expenses</b>		2003 \$'000	2002 \$'000			
	<b>(a) Depreciation</b>						
The aggregate amounts of depreciation expensed during the reporting period for each class of depreciable asset are as follows:							
	Furniture and fittings		2	4			
	Computer equipment		142	126			
	Office machines		6	4			
	Motor vehicles		14	15			
	<b>Total</b>		<b>164</b>	<b>149</b>			
<b>(b) Write Back of Training Contract Amounts</b>							
In previous financial years training contract amounts that were unspent from previous Annual Training Plan years were written back and are included in training claims expenditure. This policy was changed in the 2003 financial year. The amounts written back are as follows:							
5.	<b>Current Receivables</b>		2003 \$'000	2002 \$'000			
The receivables due to the Board at balance date comprise:							
	Accrued levy income		469	547			
	Accrued interest		4	10			
	Prepayments		14	15			
	Trade debtors		11	119			
	Less: Allowance for doubtful debts		1	1			
			10	118			
	Sundry debtors		4	16			
	GST receivables		129	140			
	<b>Total Current Receivables</b>		<b>630</b>	<b>846</b>			
6.	<b>Current Investments</b>						
The investments of the Board at balance date comprise:							
	Westpac Term Deposits		42	1 623			
	National Australia Bank Term Deposits		6 134	5 121			
	<b>Total Current Investments</b>		<b>6 176</b>	<b>6 744</b>			
7.	<b>Property, Plant and Equipment</b>						
	<b>(a) Plant and Equipment:</b>						
	Furniture and fittings at cost		35	31			
	Less: Accumulated depreciation		29	26			
			6	5			
	Computer equipment at cost		697	554			
	Less: Accumulated depreciation		419	277			
			278	277			
	Office machines at cost		41	25			
	Less: Accumulated depreciation		14	8			
			27	17			
	Motor vehicles at cost		104	85			
	Less: Accumulated depreciation		16	5			
			88	80			
	<b>Total Plant and Equipment</b>		<b>399</b>	<b>379</b>			
	<b>(b) Analysis of Plant and Equipment</b>						
	Gross value at 1 July 2002						
	Plus: Purchase of assets						
	Less: Disposal of assets						
	Gross value at 30 June 2003						
	Accumulated depreciation as at 1 July 2002						
	Disposals						
	Depreciation charge for the year						
	Accumulated depreciation as at 30 June 2003						
	<b>Net Book Value as at 30 June 2003</b>		<b>6</b>	<b>278</b>			
	Net Book Value as at 1 July 2002		<b>5</b>	<b>277</b>			
			Furniture & Fittings \$'000	Computer Equipment \$'000	Office Machines \$'000	Motor Vehicles \$'000	2003 Total \$'000
			31	554	25	85	695
			4	143	16	41	204
			-	-	-	(22)	(22)
			35	697	41	104	877
			27	277	8	5	317
			-	-	-	(3)	(3)
			2	142	6	14	164
			29	419	14	16	478
			<b>6</b>	<b>278</b>	<b>27</b>	<b>88</b>	<b>399</b>
			<b>5</b>	<b>277</b>	<b>17</b>	<b>80</b>	<b>379</b>

	<b>Training Expenditure Approved but Not Yet Paid</b>	<b>2003</b>	<b>2002</b>
		<b>\$'000</b>	<b>\$'000</b>
8.	Housing sector	<b>149</b>	490
	Commercial sector	<b>175</b>	340
	Civil sector	<b>126</b>	185
		<b>450</b>	1 015
9.	<b>Current Payables</b>		
	Creditors	-	34
	Accruals	<b>89</b>	96
	Bank overdraft	<b>123</b>	-
	GST collections	-	5
	On-costs on employee benefits	<b>6</b>	10
		<b>218</b>	145
10.	<b>Employee Benefits</b>		
	Current:		
	Annual Leave	<b>24</b>	52
	Long service leave	<b>7</b>	14
	Accrued salaries and wages	<b>14</b>	13
	Employer superannuation contributions	<b>5</b>	8
		<b>50</b>	87
	Non-Current:		
	Long service leave	<b>26</b>	57
	The aggregate employee benefit liability recognised and included in the financial statements is as follows:		
	Current	<b>56</b>	97
	Non-current	<b>26</b>	57
		<b>82</b>	154
11.	<b>Expenditure Commitments</b>		
	Lease commitments:		
	Operating leases:		
	Not later than one year	<b>84</b>	86
	Later than one year but not more than five years	<b>281</b>	350
	Later than five years	-	7
	Aggregate lease expenditure contracted for at balance date but not provided for (including GST)	<b>365</b>	443
	GST included in the Operating Lease commitments	<b>33</b>	40
	The lease for office accommodation is a non-cancellable lease, with rental payable monthly in advance. Lease payments are subject to an annual increase of 4 percent.		
12.	<b>Auditors' Remuneration</b>		
	Amounts receivable by the auditors for auditing the accounts:	<b>24</b>	24
13.	<b>Remuneration of Directors</b>		
	Total income received, or due and receivable during the financial year by Directors was \$17 000 (\$17 000).		
		<b>2003</b>	<b>2002</b>
		<b>Number of Directors</b>	Number of Directors
	The number of Directors whose income from the entity falls within the following band is:		
	\$0 - \$20 000	<b>1</b>	1
	Prescribed benefits given by the Board to a prescribed superannuation fund or otherwise in connection with the retirement of a Director was \$1 570 (\$1 395).		
14.	<b>Remuneration of Executives</b>		
	Employees received remuneration in the year in the following band:		
	\$100 001 - \$110 000	<b>1</b>	-
	\$110 001 - \$120 000	-	1
15.	<b>Consultant Fees</b>		
	Total expenditure on consultants	<b>2003</b>	<b>2002</b>
		<b>\$'000</b>	<b>\$'000</b>
		<b>55</b>	33

**16. Related Party Disclosures**

**16.1 Directors of the Construction Industry Training Board**

The Directors of the Construction Industry Training Board appointed for the period 1 July 2002 to 30 June 2003:

Richard J McKay	Chairperson
Susan Frazer	
Graham Lawler	
Martin O'Malley	
Christopher Michelmore	Resigned 30th June 2002
Robert Stewart	
Brenton Gardner	
Steven Hall	
Robert Geraghty	
Trevor Trewartha	
Anne Howe	
Peter Harrland	Appointed 1st July 2002

**16.2 Transactions with Director-Related Entities**

The following related party transactions occurred during the financial year:

- Three of the Directors are Deputy Directors of the Construction Benefit Services (CBS) and one Deputy Director is a Director of CBS from whom the Construction Industry Training Board leased premises for its operating activities under normal terms and conditions.
- During the year training funds were allocated to associated entities of the Directors of the Construction Industry Training Board. Such transactions were within terms and conditions no more favourable than those available on similar transactions with other parties.

**17. Equity**

The purpose of this note is firstly to explain the nature of individual reserves and secondly to explain movements in these amounts during the period.

	Housing Sector \$'000	Commercial Sector \$'000	Civil Sector \$'000	Other \$'000	<b>2003 Total \$'000</b>	<b>2002 Total \$'000</b>
Balance at 1 July	3 295	671	1 435	(66)	<b>5 335</b>	5 316
Transfer from (to) Strategic Reserve	-	-	-	-	-	104
Surplus (deficit) for the year	180	(225)	93	10	<b>58</b>	(85)
<b>Balance at 30 June</b>	<b>3 475</b>	<b>446</b>	<b>1 528</b>	<b>(56)</b>	<b>5 393</b>	5 335

**Reserve**

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

	<b>2003 \$'000</b>	<b>2002 \$'000</b>
Strategic reserve	<b>1 614</b>	1 614

**18. Notes to the Statement of Cash Flows**

**(a) Reconciliation of Cash**

For the purpose of the Statement of Cash Flows, the Board considers cash to include cash on hand and in banks and investments readily convertible to cash.

Cash at the end of the reporting period, as shown in the Statement of Cash Flows, is reconciled to the related items in the Statement of Financial Position as follows:

	<b>2003 \$'000</b>	<b>2002 \$'000</b>
Cash on hand and at bank	1	240
Term deposits	545	44
Bank overdraft	(123)	-
	<b>423</b>	284

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

Net operating surplus (deficit) from ordinary activities	58	(85)
Depreciation	164	149
Bad debts expense	-	3
Interest on term deposits	(334)	(302)
(Decrease) increase in employee benefits	(72)	15
Decrease (increase) in debtors and accrued levy income	216	(191)
Decrease (increase) in prepayments	1	(9)
Decrease in accrued interest	5	11
(Decrease) increase in payables	(46)	7
Loss (gain) on disposal of assets	4	8
(Increase) in GST paid	(5)	(3)
(Decrease) increase in training liability	(565)	352
<b>Net Cash used in Operating Activities</b>	<b>(574)</b>	<b>(45)</b>

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

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

Receivables are generally settled within 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.

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

*Financial Liabilities*

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

(b) **Credit Risk Exposures**

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

(c) **Interest Rate Risk Exposures**

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

	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	Fixed Interest Maturing within 1 year \$'000	Non- Interest Bearing \$'000	2003 Total	2002 Total
Financial Assets:						
Cash	3.24	545	-	1	<b>546</b>	284
Receivables		-	-	630	<b>630</b>	846
Investments	4.78	-	6 176	-	<b>6 176</b>	6 744
		545	6 176	631	<b>7 352</b>	7 874
Financial Liabilities:						
Training expenditure approved but not yet paid		-	-	450	<b>450</b>	1 015
Creditors and accrued expenses		123	-	95	<b>218</b>	145
		123	-	545	<b>668</b>	1 160
<b>Net Financial Assets (Liabilities)</b>		422	6 176	86	<b>6 684</b>	6 714

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

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

# DEPARTMENT OF FURTHER EDUCATION, EMPLOYMENT, SCIENCE AND TECHNOLOGY

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

The Department was established, as an Administrative Unit pursuant to the *Public Sector Management Act 1995*, on 1 July 2002. The Department was initially established as the Department of Employment, Further Education, Science and Small Business. On 1 October 2002 the name of the Department was changed to the Department of Further Education, Employment, Science and Technology.

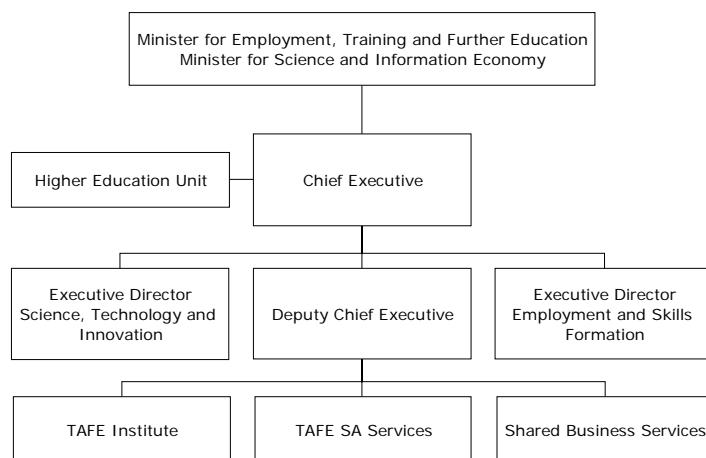
### Functions

The functions of the Department of Further Education, Employment, Science and Technology include:

- maximising the benefits to South Australia from the scientific, technological, research, innovation and further education strengths of the State;
- management of TAFE SA, the public provider of vocational education and training;
- management of the State's interface with industry and commerce on training matters;
- management of the State's interaction with the Commonwealth Government on vocational education, employment and science matters, and with the Australian National Training Authority.

### Structure

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



## AUDIT MANDATE AND COVERAGE

### Audit Authority

#### *Audit of Financial Statements*

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Department of Further Education, Employment, Science and Technology for each financial year.

#### *Assessment of Controls*

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

## **Scope of Audit**

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention (including aspects of Institute operations) covered:

- expenditure, including accounts payable and payroll
- revenue, including student fees and specific agreements
- general ledger
- procurement practices
- non-current assets, including adequacy of asset register maintenance
- liabilities, including provisions.

## ***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 considered to be satisfactory. Major matters raised with the Department and the related responses are considered in Audit Findings and Comments.

## **AUDIT FINDINGS AND COMMENTS**

### **Audit Opinions**

#### ***Audit of Financial Statements***

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 Further Education, Employment, Science and Technology as at 30 June 2003, 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(b) to the financial statements concerning the Restructuring of Administrative Arrangements. The note discloses that for the purposes of determining operating expenses and revenues incurred by the Department of Education and Children's Services on behalf of the Department of Further Education, Employment, Science and Technology, an allocation process was utilised.

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

Audit formed the opinion that the controls exercised by the Department of Further Education, Employment, Science and Technology in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters outlined under 'Significant Matters Raised with the Department', is sufficient to provide reasonable assurance that the financial transactions of the Department of Further Education, Employment, Science and Technology have been conducted properly and in accordance with law.

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

##### **Regency Institute**

###### ***Budgetary Control and Management Reporting***

There is a need to significantly improve the quality of budgetary control and management reporting at Regency. The late presentation of budget data and an inadequate analysis of variations have not assisted the Institute in being able to effectively monitor and manage its financial operations.

The Institute has advised that:

- strategies and actions have been taken to control the 2003 budget within agreed financial parameters;
- budgets for 2003 have been loaded and a strict regime of budget analysis, monitoring and reporting has been put in place;
- a process has been established to ensure rigorous budgetary planning, control and management reporting for 2004 and subsequent academic years;
- a new sub committee of Council has been established to focus on budget, strategy and performance;
- several new positions have been created with a prime focus on budgeting, planning and control, management reporting and business management.

#### *Unsigned Agreements*

In relation to two courses being conducted through the International College of Hotel Management in arrangement with external parties, the respective Agreements have not been signed despite students enrolling in courses in 2002. The rights and responsibilities of the parties to the Agreements may be compromised as a result of unsigned Agreements.

The Institute acknowledged that Agreements should be signed prior to the obligation under the Agreements being implemented. It is expected that both Agreements will soon be signed.

#### **Adelaide Institute**

##### *Procurement Practices*

Audit noted instances where the procurement practices of the Institute resulted in purchases circumventing the approved government procurement procedures and the resulting approval process. In one example, 27 purchase orders were generated to meet internal approval processes instead of seeking the requisite approval through the Authorised Purchasing Unit.

##### *Employment Practice*

It was noted that the Institute has engaged a number of employees, employed under the *Technical and Further Education Act 1976*, as Hourly Paid Instructors. This is despite the Conditions of Employment Manual prohibiting such an arrangement following advice from the Crown Solicitor.

The audit issues were referred to the Department while this Report was being prepared. A response from the Department will be received at a later date.

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

As this is the first year of operation of the Department, a detailed analysis of the financial statements cannot be undertaken as there are no comparative amounts. The following comments provide some analysis on financial operations of the Department.

#### **Statement of Financial Performance**

##### *Operating Revenues*

The principal source of funding for the Department is government appropriation which totalled \$210.9 million. This amount includes \$12.75 million, being a cash injection to reflect expected expenditure overruns in TAFE Institutes and employment programs. Other operating revenues included Commonwealth grants of \$90.8 million and \$65.1 million from student and other fees and charges.

## **Operating Expenses**

Employee benefits constituted 54.2 percent, or \$209.6 million, of the total operating expenses of \$386.6 million. Other major expenses included \$21.9 million for Vocational Education and Training Provider expenses (refer Note 5) and \$14.3 million for employment programs (refer Note 6).

## **FURTHER COMMENTARY ON OPERATIONS**

### **Kirby Review**

On 20 August 2002, the Minister for Employment, Training and Further Education announced an examination of the Technical and Further Education (TAFE) system with the terms of reference being to examine and report on:

- legal, financial and policy requirements affecting TAFE institutes as a result of the State's participation in the national Vocational Education and Training system;
- financial and educational pressures facing the management of TAFE Institutes in meeting demand for training from individuals and industry;
- the balance needed between Institute self-government and systemic collaboration in responding to these requirements and pressures;
- structural, management and reporting arrangements among TAFE Institutes and between Institutes and the Department;
- the role, legal status and powers of Institute Councils;
- management and reporting relationships within TAFE Institutes;
- the structure and role of TAFEBiz and its relationship with the Department;
- capital planning and asset management arrangements within the TAFE systems.

In December 2002, the Kirby Report was presented to the Minister noting three concerns that stood out:

- lack of leadership provided to the system in recent years;
- the absence of any strategic planning that would set priorities with regard to State development;
- the failure to maximise the benefits of collaboration between Institutes, that had resulted in duplication and wasteful competition.

These concerns are addressed within the following principal recommendations:

- The Minister establish a new set of governance arrangements to take forward the State's role in vocational education and training and particularly its public service provision through the network of TAFE institutes.
- The Minister take immediate and longer term action to place TAFE SA on a sound and sustainable financial footing, with appropriate financial management and information systems to sustain the network into the future.

The Kirby recommendations have been accepted by Government and a departmental steering committee has been established to oversee the implementation of the recommendations. Recommendations already implemented include the establishment of:

- a TAFE SA Board to be responsible for strategic planning;
- the TAFE SA Executive with principal responsibilities including implementation of the Strategic Plan; the provision of educational leadership and providing a collegial approach to program leadership.

In addition to the Kirby recommendations, the Minister has announced that there will be a comprehensive review of all TAFE programs to ensure that they are meeting the changing needs of learners, enterprises and industries. This follows on from a recommendation in the report on Skills for the Future.

**Statement of Financial Performance  
for the year ended 30 June 2003**

	2003	
	Note	\$'000
<b>OPERATING EXPENSES FROM ORDINARY ACTIVITIES:</b>		
Employee benefits	4	209 597
Supplies and services	5	121 932
Grants and subsidies	6	36 933
Depreciation	7	14 456
Other	8,12	3 643
<b>Total Operating Expenses</b>		<b>386 561</b>
<b>OPERATING REVENUES FROM ORDINARY ACTIVITIES:</b>		
Commonwealth grants	9	90 834
Student and other fees and charges	10	65 089
Other grants and contributions		5 816
Interest income		908
Other	11,12	9 817
<b>Total Operating Revenues</b>		<b>172 464</b>
<b>NET COST OF SERVICES</b>		<b>214 097</b>
<b>REVENUES FROM STATE GOVERNMENT:</b>		
Recurrent appropriations		201 350
Accrual appropriations		3 825
Capital appropriations		5 746
Funds from other Government entities		4 586
<b>Total Government Revenues</b>		<b>215 507</b>
<b>SURPLUS FOR THE YEAR BEFORE RESTRUCTURING</b>		<b>1 410</b>
Net revenues from restructuring	13	427 187
Surplus for the year after restructuring		428 597
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER</b>		<b>428 597</b>

**Statement of Financial Position**  
**as at 30 June 2003**

		2003
	Note	\$'000
<b>CURRENT ASSETS:</b>		
Cash on hand, at bank and on deposit	14	38 536
Receivables	15	9 745
Other	17	2 913
<b>Total Current Assets</b>		<b>51 194</b>
<b>NON-CURRENT ASSETS:</b>		
Receivables	15	221
Investments	16	727
Property, plant and equipment	18	455 158
<b>Total Non-Current Assets</b>		<b>456 106</b>
<b>Total Assets</b>		<b>507 300</b>
<b>CURRENT LIABILITIES:</b>		
Payables	19	17 447
Employee benefits	21	17 950
Other	22	4 054
<b>Total Current Liabilities</b>		<b>39 451</b>
<b>NON-CURRENT LIABILITIES:</b>		
Payables	19	2 998
Interest bearing liabilities	20	499
Employee benefits	21	35 755
<b>Total Non-Current Liabilities</b>		<b>39 252</b>
<b>Total Liabilities</b>		<b>78 703</b>
<b>NET ASSETS</b>		<b>428 597</b>
<b>EQUITY:</b>		
Accumulated surplus		<b>428 597</b>
<b>TOTAL EQUITY</b>		<b>428 597</b>
Commitments	25,26	
Contingent liabilities	27	

**Statement of Cash Flows**  
**for the year ended 30 June 2003**

	2003
	Inflows
	(Outflows)
	Note
	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
PAYMENTS:	
Employee benefits	(199 032)
Supplies and services	(131 951)
Grants and subsidies	(35 055)
Other	(286)
	<u>(366 324)</u>
RECEIPTS:	
Commonwealth grants	90 834
Student and other fees and charges	67 834
Other grants and contributions	5 816
Interest received	957
GST receipts from taxation authority	3 832
Other	5 492
	<u>174 765</u>
<b>CASH FLOWS FROM GOVERNMENT:</b>	
Recurrent appropriations	199 472
Accrual appropriations	3 825
Capital appropriations	5 746
Funds from other Government entities	4 586
	<u>213 629</u>
<b>Net Cash provided by Operating Activities</b>	28
	<u>22 070</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
PAYMENTS FOR:	
Purchase of non-current assets	(4 023)
PROCEEDS FROM:	
Sales of non-current assets	104
<b>Net Cash used in Investing Activities</b>	<u>(3 919)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
PROCEEDS FROM:	
Transfer funds from other Government entities on restructure	20 385
<b>Net Cash provided by Financing Activities</b>	<u>20 385</u>
<b>NET INCREASE IN CASH HELD</b>	<u>38 536</u>
<b>CASH AT 1 JULY</b>	-
<b>CASH AT 30 JUNE</b>	14 <u>38 536</u>

**Program Schedule of Department's Expenses and Revenues  
for the year ended 30 June 2003**

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

A Program Schedule of the Department's Assets and Liabilities has not been produced, as that information is not readily available.

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

This is the first general purpose financial report for the Department of Further Education, Employment, Science and Technology (DFEEST) which was established as a new administrative unit in 2002-03. The new agency was initially named the Department of Employment, Further Education, Science and Small Business from 1 July 2002 but was retitled to the Department of Further Education, Employment, Science and Technology from 1 October 2002 and comprised a number of units from within the former Department of Education, Training and Employment, the Department of the Premier and Cabinet and Department for Administrative and Information Services.

**1. Objectives and Funding**

**(a) Objectives**

DFEEST is a new agency contributing to the economic prosperity and social well-being of South Australia through workforce development which focuses on skill formation and employment development, and by building the research and innovative capacity of the State.

DFEEST has responsibilities for:

- whole of government advice on skill formation, employment, research, technology and innovation to underpin economic development and social inclusion;
- maximising the benefits to South Australia from the scientific, technological, research, innovation and further education strengths of the State;
- strategic planning and policy development in vocational education and training, adult community education and higher education to promote quality, accessibility and enhanced skill formation outcomes from the State's further education infrastructure, including advising the State Training Authority on planning issues;
- management of TAFE SA, South Australia's public provider of vocational education and training;
- management of the State's interface with industry and commerce on training matters;
- management of the State's interaction with the Commonwealth Government on vocational education, employment and science matters, and with the Australian National Training Authority, and in so doing maximising South Australia's funding and advantage from national programs;
- provision of strategic policy advice for the information economy and the Information Communication Technology and biotechnology sectors;
- contributing to the establishment of South Australia as a preferred international education capital;
- development of the State's research capacity and infrastructure involving both higher education and industry;
- supporting the Premier's Science and Research Council as the source of strategic advice to Government;
- provision of a leadership focus for the State's interactions with universities.

**(b) Financial Statements**

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:

- student fees and charges;
- training for various organisations;
- sale of curriculum material;
- hire of facilities and equipment.

The financial activities of the Department are primarily conducted through a Special Deposit Account with the Department of Treasury and Finance pursuant to section 8 of the *Public Finance and Audit Act 1987* and to comply with the *Australian National Training Authority Act 1992*. The Special Deposit Account is used for funds provided by State Government appropriation, Commonwealth grants and revenues from fees and charges.

**2. Significant Accounting Policies**

**(a) Basis of Accounting**

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

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

**(b) Restructuring of Administrative Arrangements**

Throughout 2002-03, the Department of Further Education, Employment, Science and Technology corporate financial transactions were undertaken in the Department of Education and Children's Services (DECS) accounting system which did not fully differentiate the cost of shared corporate services between the two agencies, nor the respective balances for the Statement of Financial Position.

For the purposes of determining opening balances of the assets and liabilities as at 1 July 2002 for DFEEST and operating expenses and revenue incurred by DECS on behalf of DFEEST during the 2002-03 financial year, a review was undertaken to ensure they were determined based on a fair and equitable allocation process agreed to by both agencies. This process included the establishment of a Joint Steering Committee to oversee the process and establishment of several Functional Reference Organisational Groups which recommended corporate budget allocations and related expenditure for 2002-03.

In addition the Department assumed responsibility for the Office of Innovation and Centre for Lifelong Learning from the Department of the Premier and Cabinet effective 1 July 2002, and the Information Economy Policy Office from the Department for Administrative and Information Services effective 1 October 2002.

The net revenues from restructuring of administrative arrangements are disclosed at Note 13.

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

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

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

Non-attendance days are accrued annually for employees engaged under the *Technical and Further Education Act 1976* but are non-cumulative. Employment related expenses include on-costs such as payroll tax on employee entitlements together with the workers' compensation insurance premium.

(i) **Employee Benefits**

- (a) **Salaries, Wages, Annual Leave and Non-Attendance Days**  
 Liabilities for salaries, wages, annual leave and non-attendance days are recognised, and are measured at their nominal amount in respect of employees' services up to that date.  
 The annual leave and non-attendance days entitlements are calculated by multiplying each employee's entitlement by their nominal amount at the reporting date. Where leave loadings are paid, they are included in the calculation.
- (b) **Long Service Leave**  
 Long service leave is recognised on a pro-rata basis in respect of services provided by employees up to the reporting date. In calculating long service leave entitlements the Department takes into account, as a benchmark, an actuarial assessment prepared by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector. This benchmark is the number of years of service that produces a value equal to the actuarially calculated net present value.  
 Long service leave liability entitlements have been calculated using an Education specific benchmark of ten years, advised by the Department of Treasury and Finance, based on current salaries and wages.
- (c) **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.
- (d) **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.
- (e) **Workers Compensation**  
 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 prepared for the Department for Administrative and Information Services, Occupational Health and Injury Management Branch.  
 Lump sum payments and legal costs are a liability of the Department for Administrative and Information Services and therefore are not a liability of the Department.

(ii) **Employment Related Expenses**

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

**(e) Repairs and Maintenance**

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

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

**(f) Receivables**

Receivables in respect of fees and charges are due for settlement within 30 days and are recorded at their recoverable amount. At the end of each reporting period the receivable balances are reviewed and an allowance is raised in respect of any balance where recovery is considered doubtful.

**(g) 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.

**(h) Inventory**

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

**(i) Leases**

The Department has entered into a number of operating lease agreements, as lessee, for buildings and other facilities where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the Statement of Financial Performance over the lease term as this is representative of the pattern of benefits to be derived from the leased property.

Details of commitments of current non-cancellable operating leases are disclosed at Note 25.

**(j) 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 APS 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 Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets'.

Property, plant and equipment donated, gifted or bequested is recorded as an asset at its fair value at the time control passes to the Department. Assets received in this way are disclosed as revenue in the Statement of Financial Performance.

*Land*

Land is recorded on the basis of best use market value obtained from the South Australian Valuer-General as at 1 January 2002. Land purchased after this date is recorded at cost.

*Buildings and Improvements*

Information was obtained from the Building and Land Asset Management System (BLAMS), maintained by the Department for Administrative and Information Services. Buildings and improvements are valued at current replacement cost less accumulated depreciation. Replacement costs have been established by reference to Quantity Surveyors estimates. The valuations for buildings are current as at 31 March 2002 and paved areas are current as at 31 March 2001. The building data provided in the statements relates specifically to buildings and paved areas. The building data excludes fencing, landscaping, infrastructure, pergolas and sheds because they either cannot be reliably measured or no information is centrally recorded.

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

*Library Collection*

The library collection is recorded at valuation. The valuation for collections within TAFE Institutes was carried out as at 30 June 2002 by VALCORP Aust Pty Ltd, and is on the basis of written down current cost.

*Plant and Equipment*

Items of plant and equipment are recorded at fair value less accumulated depreciation. Only individual items costing \$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.

**(k) 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 by the Department.

Major depreciation periods are:	Years
Improvements:	
Buildings:	
Transportables	30 - 50
Fixed construction	40 - 106
Paved areas	15 - 45
Computing and communication equipment	3 - 7
Other plant and equipment	7 - 40

**(l) 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.

**(m) Investments**

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

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

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

- the amount of GST incurred by the Department as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- 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.

**(o) Cash Alignment Policy**

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

**(p) Rounding**

All amounts are rounded to the nearest thousand dollars.

**(q) Comparative Figures**

As this is the first report for the Department there are no comparative amounts shown.

**3. Programs and Sub-Programs**

The programs and sub-programs presented in this report are:

**Program 1: Employment and Skills Formation**

Description/Objective: To strengthen the economic prosperity and social well-being of South Australia through strategic employment and skills formation activity.

*Sub-Program 1.1 Vocational Education and Training*

Provision of vocational education and training by TAFE institutes and other providers outside the school sector (including publicly funded Adult Community Education), including contestable and non-contestable of funding; policy advice and support for post-secondary education.

*Sub-Program 1.2 Higher Education*

Provision of advice to the Minister on higher education policy and planning.

*Sub-Program 1.3 Regulatory Services*

Provision of registration, accreditation and approval services for registered training organisations, and the regulation of apprenticeships and traineeships.

*Sub-Program 1.4 Employment Development*

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

**Program 2: Science, Technology and Innovation**

Description/Objectives: Provides the Government's principal strategic focus for science, technology and innovation policy development and program delivery in South Australia that links the government, business, industry and education sectors.

<b>4. Employee Benefits</b>		2003 \$'000
Salaries and wages (including annual leave)	169 561	
Superannuation	17 854	
Payroll tax	10 976	
Long service leave	8 063	
Workers' compensation	1 867	
Other employee related costs	1 276	
	<b>209 597</b>	
<b>5. Supplies and Services</b>		
VET Provider Expenses	21 916	
Printing and consumables	12 971	
Minor works, maintenance and equipment	12 669	
Computer Communications	11 954	
Fees - Contractors, consultants and other outsourced services	10 958	
Trainee reimbursements	8 258	
Telecommunications	7 863	
Utilities	6 703	
Cleaning	6 644	
Vehicle and travelling expenses	6 097	
Rentals and leases	3 157	
Other	12 742	
	<b>121 932</b>	
<b>Consultancy Fees</b>		
The Department engaged consultants during the period and incurred expenses of \$185 000.		
<b>6. Grants and Subsidies</b>		
Major grants and subsidies comprise:		
Employment programs	14 267	
Vocational education and training programs	11 435	
Science and technology programs	6 427	
ANTA infrastructure program	4 612	
Other specific grants	192	
	<b>36 933</b>	
<b>7. Depreciation</b>		
Depreciation expense for the reporting period was charged in respect of:		
Buildings and improvements	12 468	
Computing, communication equipment, furniture and equipment	1 988	
	<b>14 456</b>	
<b>8. Other Expenses</b>		
Reduction in/written down value on disposal of non-current assets	2 528	
Auditors' remuneration - auditing services*	343	
Reduction in the value of investments	285	
Share of net losses from associates	261	
Allowance for doubtful debts and debt write-offs	226	
	<b>3 643</b>	
* The auditor provided no other services and received no other benefits.		
<b>9. Commonwealth Grants</b>		
Recurrent Grants:		
General purpose	66 141	
Specific purpose	8 618	
	<b>74 759</b>	
Capital Grants:		
General purpose	11 800	
Specific purpose	4 275	
	<b>16 075</b>	
<b>Total Commonwealth Grants</b>	<b>90 834</b>	
<b>10. Student and Other Fees and Charges</b>		
Sales/Fee-for-service revenue	34 681	
Student enrolment fees and charges	28 143	
Other user fees and charges	2 265	
	<b>65 089</b>	
<b>11. Other Revenues</b>		
Assets recognised for the first time	3 628	
Proceeds from sales of non-current assets	125	
Sundry revenue	6 064	
	<b>9 817</b>	

<b>12.</b>	<b>Net Loss on Disposal of Non-Current Assets</b>	<b>2003</b>
	Proceeds from disposals	\$'000
	Less: Written down value	125
	Loss on disposals	<u>2 528</u>
		<u>2 403</u>
<b>13.</b>	<b>Net Revenues from Restructuring of Administrative Arrangements</b>	
	The net revenues/expenses relating to the restructure of administrative arrangements are as follows:	
	<b>Department of Education and Children's Services <sup>(a)</sup></b>	<b>423 870</b>
	Technical and Further Education	
	Office of Vocational Education and Training	
	TAFEBizSA	
	Office of Employment and Youth (employment issues and initiatives)	
	<b>Department of the Premier and Cabinet <sup>(b)</sup></b>	<b>(268)</b>
	Office of Innovation	
	Centre for Lifelong Learning and Development	
	<b>Department for Administrative and Information Services <sup>(c)</sup></b>	<b>3 585</b>
	Information Economy Policy Office	
		<u>427 187</u>
(a)	During the 2002-03 financial year, the Department assumed responsibility for Technical and Further Education, Office of Vocational Education and Training, TAFEBizSA and the employment component of Employment and Youth from the Department of Education and Children's Services (formerly the Department of Education, Training and Employment) effective 1 July 2002. The following assets and liabilities were transferred:	
	Assets:	<b>2003</b>
	Cash	\$'000
	Receivables	16 916
	Investments	8 357
	Property, plant and equipment	974
	Other	<u>464 636</u>
	Liabilities:	<u>2 542</u>
	Payables	(19 186)
	Interest bearing liabilities	(499)
	Employee benefits	(45 851)
	Other	<u>(4 019)</u>
		<u>423 870</u>
(b)	During the 2002-03 financial year, the Department assumed responsibility for the Office of Innovation and Centre for Lifelong Learning from the Department of the Premier and Cabinet effective 1 July 2002. The following assets and liabilities were transferred:	
	Assets:	<b>2003</b>
	Property, plant and equipment	\$'000
		51
	Liabilities:	
	Payables	(17)
	Employee benefits	<u>(302)</u>
		<u>(268)</u>
(c)	During the 2002-03 financial year, the Department assumed responsibility for the Information Economy Policy Office from the Department for Administrative and Information Services effective 1 October 2002. The following assets and liabilities were transferred:	
	Assets:	<b>2003</b>
	Cash	\$'000
	Receivables	3 469
	Investments	46
	Property, plant and equipment	300
		<u>148</u>
	Liabilities:	
	Payables	(61)
	Employee benefits	<u>(317)</u>
		<u>3 585</u>
<b>14.</b>	<b>Cash on Hand, at Bank and on Deposit</b>	
	Accrual appropriation excess fund Special Deposit Account with the Department of Treasury and Finance	<b>17 763</b>
	Special Deposit Accounts with Department of Treasury and Finance	<b>20 140</b>
	Cash at bank and on hand	<b>633</b>
		<u>38 536</u>

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

15.	<b>Receivables</b>		2003
	Current:		\$'000
	Fees and charges receivables		7 167
	Less: Allowance for doubtful debts		409
			6 758
	GST recoverable from the ATO		2 883
	Other receivables		104
			9 745

Non-Current:			
	Workers Compensation receivable		221
			221

16.	<b>Investments</b>		2003
	Non-Current:		\$'000
	Shares in Associated company (refer below)		712
	Shares in Ngapartji Pty Ltd (refer below)		15
			727

Subsidiary Company		<b>Austraining International Pty Ltd</b>
		2003
		\$'000
Interest in associated companies		400
Share of retained profit		312
		712
Equity accounted amount of investment in associated companies		
Retained profits attributable to associated companies:		
Balance at 1 July		491
Share of operating loss and extraordinary items after income tax		(179)
<b>Balance at 30 June</b>		<b>312</b>

***Ngapartji Pty Ltd (Ngapartji)***

The Minister for Science and Technology is the owner of one \$1 'A' class share in Ngapartji issued at par. In addition the Minister owns 300 \$1 'B' class (non-voting) shares issued at a premium of \$999 per share. Ngapartji closed in March 2003. It is expected there will be a small amount available for distribution to shareholders.

***Austraining International Pty Ltd***

Austraining International Pty Ltd, which has a reporting date of 30 June, is controlled by the Minister for Employment, Training and Further Education. Its principal activity is to secure international contracts for work in vocational education and training.

The current investment value is based on unaudited financial statements as at 30 June 2003. The figures are not consolidated as they were considered to be immaterial and unaudited at the time of preparing these statements.

17.	<b>Other</b>		2003
			\$'000
	Prepayments		1 829
	Inventories		1 084
			2 913

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

\* Valuations of land were performed at 1 January 2002 by the Valuer-General, buildings and improvements at 31 March 2002 and 31 March 2001 respectively by the Department of Administrative and Information Services and libraries at 30 June 2002 by VALCORP Aust Pty Ltd.

**(b) Reconciliations**

Reconciliations of the carrying amount of each class of non-current assets at the beginning and end of the current financial year are set out below:

		2003						
	Transfers in from other Govt Entities	Additions \$'000	Disposals \$'000	Transfer from WIP \$'000	Other Movements \$'000	Depreci- ation \$'000	30.06.03 Carrying Amount \$'000	
Land at valuation	40 412	349	1 627	-	-	-	39 134	
Land at cost	-	395	-	-	-	-	395	
Buildings and improvements at valuation	318 466	-	113	-	-	11 308	307 045	
Buildings and improvements at cost	64 389	2 946	-	865	-	1 160	67 040	
Computing, communication equipment, furniture and equipment at cost	15 802	2 397	788	-	280	1 988	15 703	
Construction work in progress	512	1 032	-	(865)	(92)	-	587	
Libraries at valuation	25 254	-	-	-	-	-	25 254	
	464 835	7 119	2 528	-	188	14 456	455 158	

<b>19.</b>	<b>Payables</b>							<b>2003</b>
	Current:							<b>\$'000</b>
	Trade creditors							11 988
	Accruals							2 887
	On-costs on employee benefits							2 541
	Other							31
								<b>17 447</b>
	Non-Current:							
	On-costs on employee benefits							<b>2 998</b>
								<b>2 998</b>
<b>20.</b>	<b>Interest Bearing Liabilities</b>							
	Non-Current:							
	Advances							<b>499</b>
								<b>499</b>
<b>21.</b>	<b>Employee Benefits</b>							
	Current:							
	Accrued salaries and wages							5 355
	Provision for annual leave							4 685
	Provision for non-attendance days							3 559
	Provision for long service leave							2 446
	Workers Compensation							1 905
								<b>17 950</b>
	Non-Current:							
	Provision for long service leave							28 425
	Workers compensation							7 330
								<b>35 755</b>
	<b>Employee Benefits and Related On-Cost Liabilities</b>							
	Current:							
	On-costs included in payables (Note 19)							2 541
	Provision for employee benefits (Note 21)							17 950
								<b>20 491</b>
	Non-Current							
	On-costs included in payables (Note 19)							2 998
	Provision for employee benefits (Note 21)							35 755
								<b>38 753</b>
	<b>Aggregate Employee Benefits and Related On-Costs Liabilities</b>							
								<b>59 244</b>
								<b>59 244</b>
<b>22.</b>	<b>Other Liabilities</b>							
	Deposits							2 605
	Unearned revenue							1 423
	Other liabilities							26
								<b>4 054</b>
								<b>4 054</b>

**23. Remuneration of Employees**

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

	2003 Number of Employees
\$100 000 - \$109 999	11
\$110 000 - \$119 999	4
\$120 000 - \$129 999	5
\$130 000 - \$139 999	1
\$140 000 - \$149 999	2
\$150 000 - \$159 999	1
\$160 000 - \$169 999	1
\$170 000 - \$179 999	1
\$180 000 - \$189 999	1
\$250 000 - \$259 999	1
\$260 000 - \$269 999	1
	<hr/>
	29

Total remuneration received or due and receivable by the above employees was \$3.9 million (included in employee benefits).

The remuneration includes salary, employer's superannuation costs, use of motor vehicle in accordance with prescribed conditions and associated fringe benefits tax, but does not include any amounts payable due to retirement under the Targeted Voluntary Separation Package (TVSP). The TVSP impact on employee numbers and amounts is disclosed in Note 24.

During the year, two employees who transferred to the Department as a result of Government administrative restructures, had remuneration exceeding \$100 000. In relation to these employees, the full year total remuneration amounting to \$286 000 was included in the calculation of this remuneration note. This remuneration included \$200 000 paid by this Department and \$86 000 paid by the transferor department.

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

There were no Targeted Voluntary Separation Packages paid during the reporting period.

**25. Operating Leases**

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.

	2003 \$'000
Payable no later than one year	2 749
Payable later than one year and not later than five years	5 532
Payable later than five years	270
<b>Total (including GST)</b>	<hr/> 8 551
GST included in operating lease commitments	<hr/> 767

**26. Commitments for Capital Expenditure**

At the end of the reporting period the Department had not entered into any contracts for capital expenditures which are not taken up in the financial statements.

**27. Contingent Liabilities**

At the end of the reporting period, the Department had a number of outstanding personal injury claims which meet the definition of liabilities but have not been recognised because they cannot be measured reliably.

**28. Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services**

	2003 \$'000
<b>Net Cash Provided by Operating Activities</b>	22 070
Depreciation	(14 456)
Bad and doubtful debts	(226)
Investments - share of operating losses	(261)
Net assets recognised for first time	3 628
Decrement in value of assets	(285)
Loss on sale of assets	(2 403)
Increase in employee benefits	(9 474)
Increase in receivables	1 790
Increase in other current assets	371
Decrease in payables	691
Increase in other liabilities	(35)
Revenues from Government	<hr/> (215 507)
<b>Net Cost of Services</b>	<hr/> (214 097)

**29. Financial Instruments**

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

*Financial Assets*

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

Trade accounts receivables are generally settled within 30 days and are carried at amounts due. Credit terms are net 30 days. A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off in the period in which they are identified.

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

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

*Financial Liabilities*

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

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

All assets and liabilities are unsecured.

**(b) Credit Risk Exposures**

The credit risk on financial assets of the Department which have been recognised in the Statement of Financial Position is generally the carrying amount, net of any allowance for doubtful debts.

**(c) Interest Rate Risk Exposures**

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

	2003			
	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000
Financial Assets:				
Cash and deposits	4.598	37 903	633	38 536
Receivables		-	9 966	9 966
Investments		-	727	727
		37 903	11 326	49 229
Financial Liabilities:				
Trade and other creditors		-	14 066	14 066
Interest bearing liabilities		-	499	499
Other liabilities		-	2 631	2 631
		-	17 196	17 196
<b>Net Financial Assets (Liabilities)</b>		<b>37 903</b>	<b>(5 870)</b>	<b>32 033</b>

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

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

# FLINDERS UNIVERSITY OF SOUTH AUSTRALIA

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

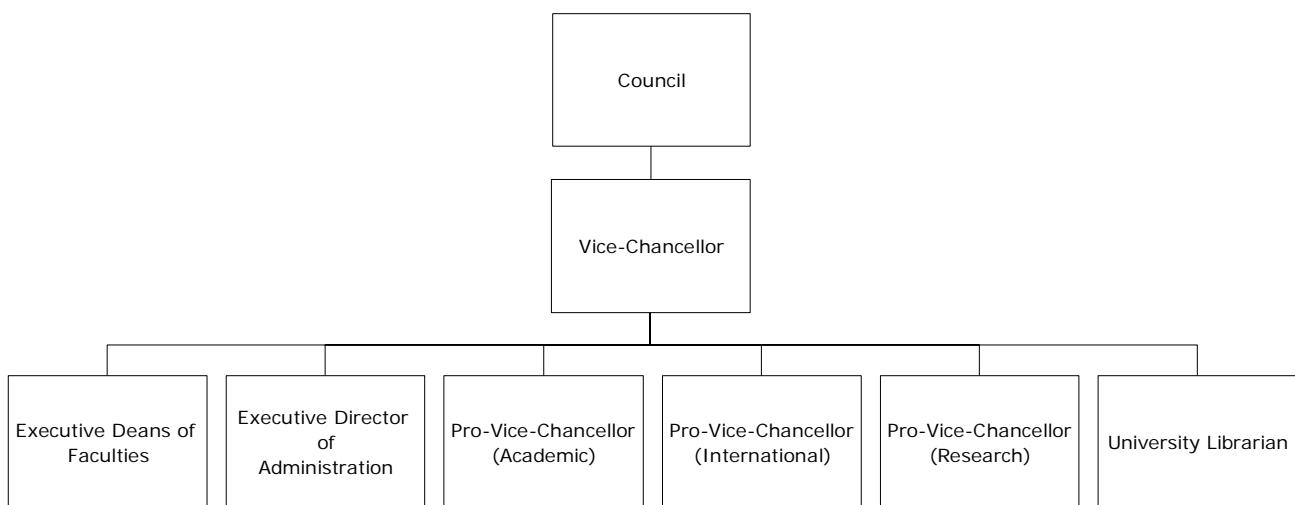
The Flinders University of South Australia (the University) was established pursuant to *The Flinders University of South Australia Act 1966* and this Act confers all powers and authorities for its operation on the Council.

### Functions

The functions of the University are to provide higher education and research in an environment which fosters creativity, advances intellectual knowledge and facilitates accessibility with the wider public community.

### Structure

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



As at 31 December 2002 the University had a number of controlled entities. Major entities include:

- *Flinders Consulting Pty Ltd*

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

- *Flinders Technologies Pty Ltd*

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

- *Airborne Research Australia Pty Ltd*

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

Full details of controlled entities are provided at Note 27 to the Financial Statements.

## **Audit Committee**

As part of The University's corporate governance, the Council established an Audit Committee which comprises five external members, of whom two are members of Council, and it operates within the framework of a Charter. The Audit Committee's primary function is to assist Council in exercising due care, diligence and skill in discharging its oversight and monitoring responsibilities. Audit representatives attended Audit Committee meetings throughout the year.

## **AUDIT MANDATE AND COVERAGE**

### **Audit Authority**

#### ***Audit of Financial Statements***

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

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

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

#### **Scope of Audit**

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

For the year ended 31 December 2002, specific areas of audit attention included:

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

#### ***Audit Communications to Management***

Matters arising during the course of the audit were detailed in a management letter to the Vice-Chancellor. The response to the management letter was generally considered to be satisfactory. Major matters raised with the University and the related response are considered in Audit Findings and Comments.

## **AUDIT FINDINGS AND COMMENTS**

### **Audit Opinions**

#### ***Audit of Financial Statements***

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, the *Higher Education Funding Act 1988*, Applicable Australian Accounting Standards and other mandatory professional reporting requirements, the financial position of The Flinders University of South Australia and of the economic entity as at 31 December 2002 and the results of their operations and their cash flows for the year then ended.

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

Audit formed the opinion that the controls exercised by the Flinders University of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters outlined under 'Significant Matters Raised with Agencies', is sufficient to provide reasonable assurance that the financial transactions of the Flinders University of South Australia have been conducted properly and in accordance with law.

## **Significant Matters Raised with Agencies**

### ***Preparation of Annual Financial Statements***

Audit raised with the University the need to improve some processes leading to the production of the annual financial statements. In particular, review processes need to be put in place to gain a greater level of assurance that a complete set of financial statements are produced by targeted dates each year and that these statements have been subject to thorough quality assurance processes to ensure their completeness and accuracy.

The University responded satisfactorily to the matters raised by Audit.

### ***Computer Processing Environment***

Audit observed that Information Services Division does not have a documented:

- Information Technology Strategic Plan; or
- Business Continuity Plan.

In addition, information security policies and procedures are in draft form and not approved by management.

Audit believes that attending to these matters would enhance controls within the computer processing environment.

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

### ***Other Matters***

Other matters raised by Audit mainly relate to improving internal control procedures over the daily processing of transactions within the fixed assets, payroll, revenue and accounts payable systems. Audit believes that enhancing control processes in these areas will help reduce the possibility of errors or unauthorised transactions.

These include:

- Fixed assets: improvement required with respect to reconciliation processes between the asset register and the general ledger and control processes relating to the disposal of assets and stock take functions;
- Payroll and Personnel: review required of the process of updating new casual employees to the payroll system to ensure that only bona fide employees are included;
- Revenue from General Debtors: improvement required of controls over the issuance of credit memos;
- Accounts Payable: improvement required in controls over the updating of the vendor masterfile.

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

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

### **Highlights of Financial Statements (Consolidated)**

	2002 \$'million	2001 \$'million	Percentage Change
<b><i>OPERATING REVENUE</i></b>			
Commonwealth Government financial assistance	92	89	3
HECS	32	31	3
Fees and charges	24	20	20
Other	37	34	9
<b>Total Operating Revenue</b>	<b>185</b>	<b>174</b>	<b>6</b>

	2002 \$'million	2001 \$'million	Percentage Change
<b>OPERATING EXPENDITURE</b>			
Employee benefits	<b>116</b>	111	5
Other expenses	<b>60</b>	56	7
<b>Total Operating Expenses</b>	<b>176</b>	167	5
<b>Net Operating Result</b>	<b>9</b>	7	29
<b>Net Cash Flows from Operations</b>	<b>19</b>	10	90
<b>ASSETS</b>			
Current assets	<b>42</b>	35	20
Non-current assets	<b>243</b>	233	4
<b>Total Assets</b>	<b>285</b>	268	6
<b>LIABILITIES</b>			
Current liabilities	<b>23</b>	20	15
Non-current liabilities	<b>37</b>	35	6
<b>Total Liabilities</b>	<b>60</b>	55	9
<b>EQUITY</b>	<b>225</b>	213	6

### Statement of Financial Performance (Consolidated)

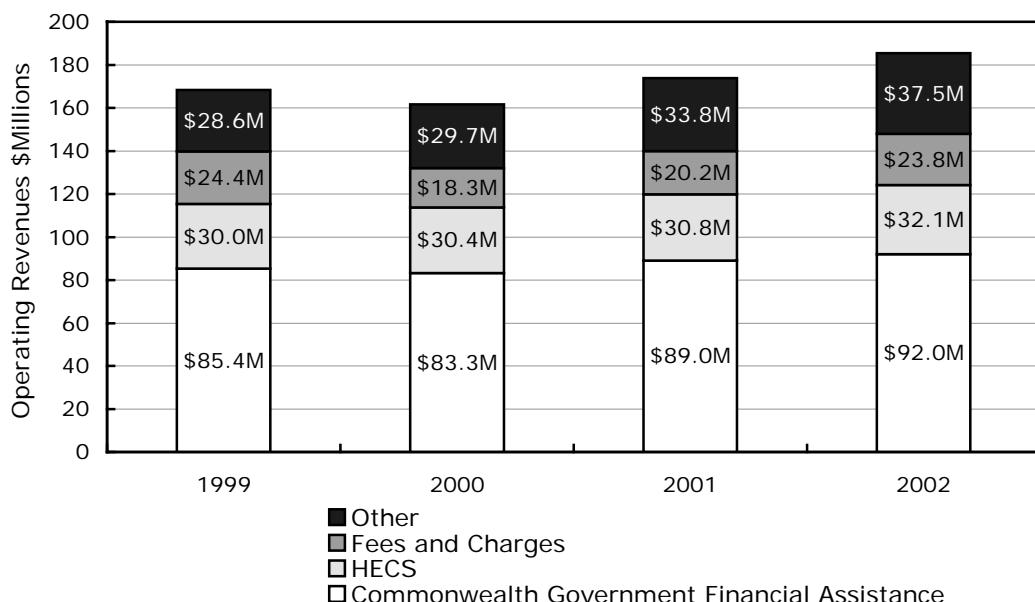
#### Operating Revenues

Revenue from ordinary activities increased by \$11.6 million (6 percent). Included in this amount were increases of:

- \$3 million (3 percent) in Commonwealth Government financial assistance (excluding HECS).
- \$3.6 million (18 percent) in Fees and charges.

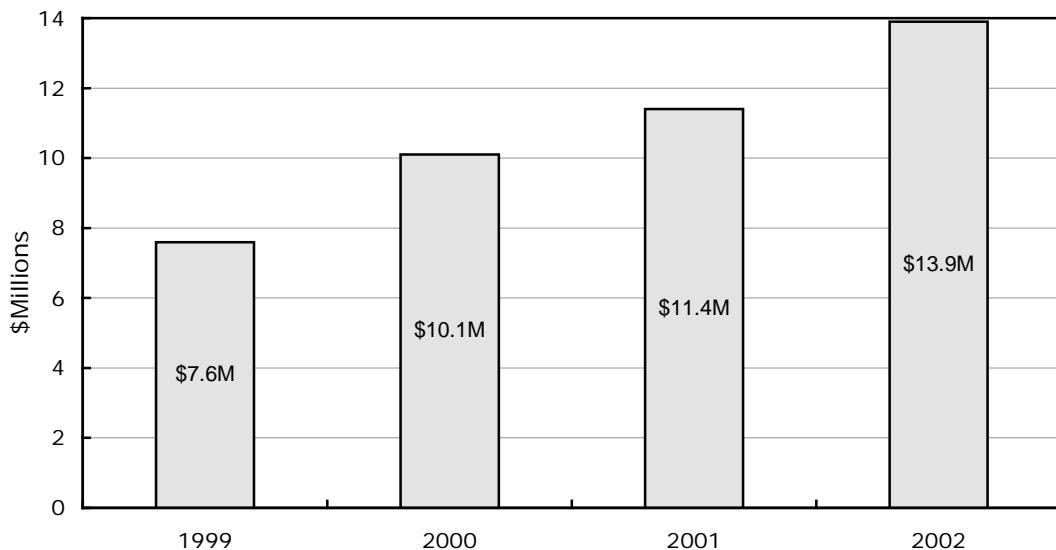
Included in other Operating Revenue is an amount of \$2.3 million (\$200 000) relating to a deferred Government Superannuation contribution. This is offset by a corresponding expense. Therefore, there is no effect on the Operating Result from Ordinary Activities. Refer to Note 21 to the financial statements for further details of this arrangement.

A structural analysis of operating revenues for the University for the four years to 2002 is presented in the following chart.



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

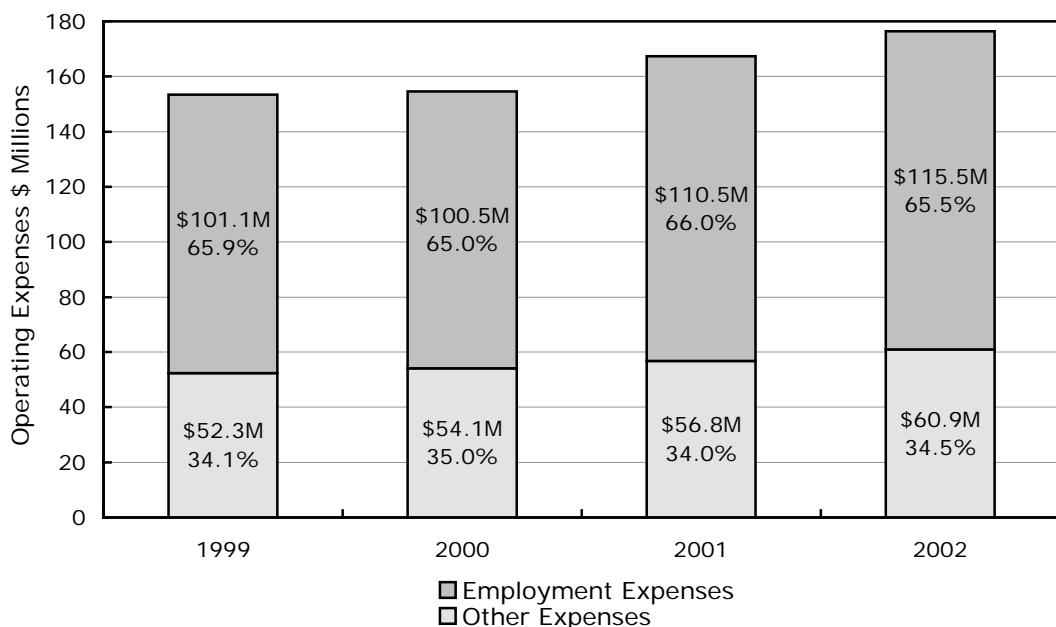
The following chart highlights the upward trend in revenue from fee paying overseas students. This increase is predominantly due to an increase in student enrolments.



### ***Operating Expenses***

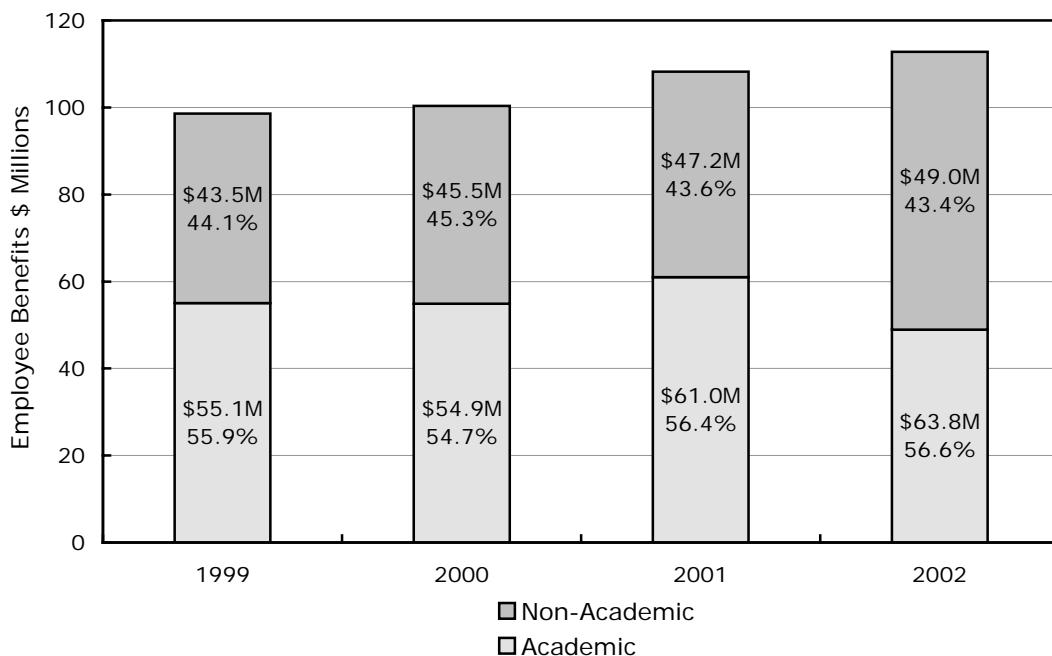
During the year ended 31 December 2002, total operating expenses rose by \$9.1 million (5 percent) to \$176.4 million. Employment benefits expenses increased by \$5.0 million (5 percent) to \$115.5 million. The main reason for this increase was redundancy expenses amounting to \$1.6 million. In addition, other expenses increased by \$4.1 million (7 percent) to \$60.9 million. The increase was due mainly to increases in consultancy expenditure of \$1.3 million which predominantly related to expenditure of funds on a joint venture and an increase in travel of \$1 million.

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



The preceding chart shows the proportion of employment expenses to total expenditure has remained constant over the last three years. Prior to 2001 recoups of expenditure were offset against expenditure.

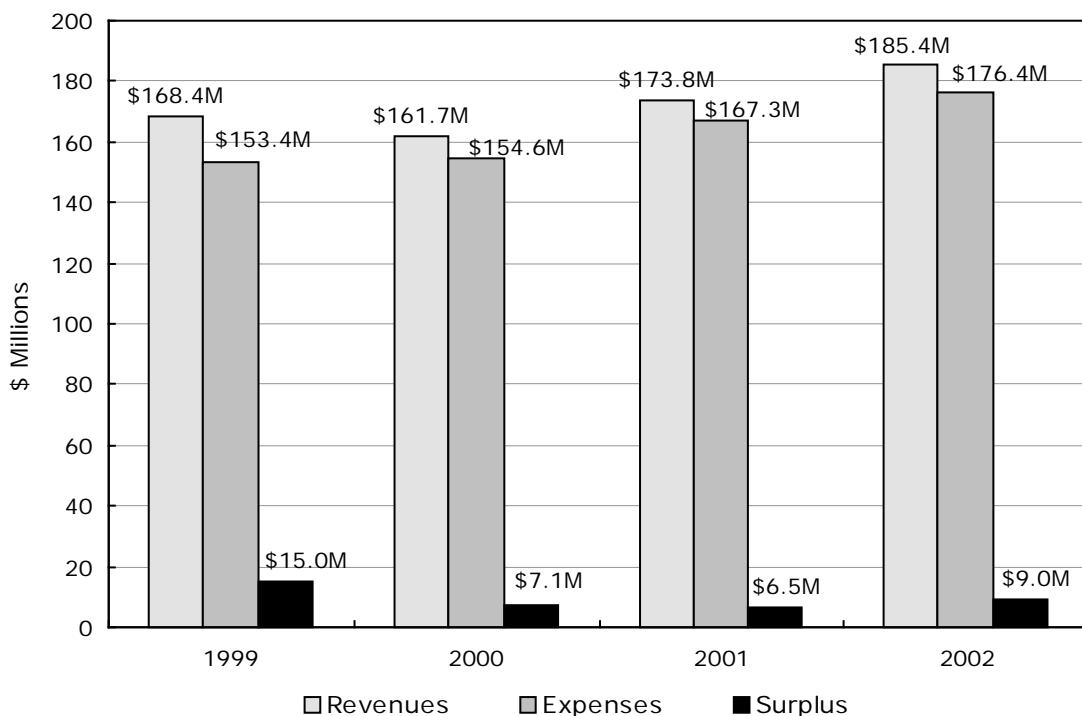
The following chart shows that the proportion of academic to non-academic employee benefits has remained consistent over the last four years. This chart reflects the parent entity only.



### ***Operating Result***

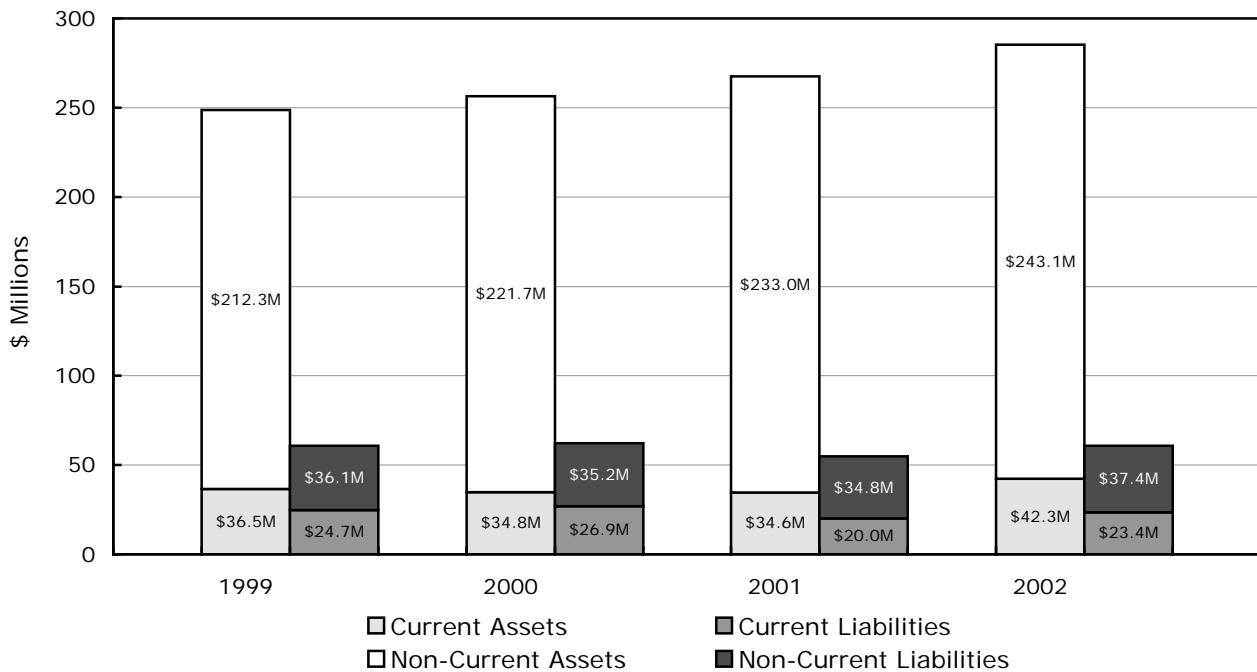
The University has recorded a small surplus for the year ended 31 December 2002. This represents 5 percent of total operating revenues. The surplus has remained consistent over the last three years.

The following chart shows the operating revenues, operating expenses and surpluses for the four years to 2002.



## Statement of Financial Position

A structural analysis of assets and liabilities for the four years to 2002 is shown in the following chart.



The structural analysis shows an increase in assets over the period under review of \$36.6 million (14.7 percent) compared to little change overall in liabilities. Non-current assets increased by \$30.8 million (14.5 percent) predominantly due to capital expenditure and revaluations upwards of property, plant and equipment of \$15.5 million, and other financial assets of \$13.7 million.

## Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2002.

	2002 \$'million	2001 \$'million	2000 \$'million	1999 \$'million
<b>Net Cash Flows</b>				
Operations	<b>18.8</b>	10.4	6.3	15.2
Investing	(9.3)	(18.3)	2.5	(15.4)
Change in Cash	<b>9.5</b>	(7.9)	8.8	(0.2)
Cash at 30 June	<b>12.0</b>	2.5	10.4	1.6

The analysis of cash flows shows that cash has increased as the University has made a conscious decision to draw down investments, as it is envisaged that additional student housing that is being built (refer Commentary on Operations section) will be financed from cash reserves.

The increased cash flow from Operations is consistent with changes to the Statement of Financial Performance.

## FURTHER COMMENTARY ON OPERATIONS

### Student Housing

In August 2002 Council approved the construction of 40 accommodation units on University land which will provide an additional 200 beds for students. This is expected to enhance the University's ability to attract students. On campus accommodation through Flinders Housing (a unit of the University) has full occupancy during term time and demand currently outweighs supply. As the number of international students are increasing so is demand for accommodation. This will also assist in the provision of accommodation for rural students attending the University.

A Master Plan for residential housing was approved in 1996. This development is consistent with the plan. In addition, the present proposal was included in the Capital Plan 2001 - 2010 that was approved by Council in 2001.

The proposal to construct additional student accommodation on campus, with a proposal for funding the development, and accompanied by a risk assessment, was considered by the University's Infrastructure Committee at its meeting held in June 2002. At that meeting, the proposal was endorsed and it was subsequently endorsed by the Resources Committee at its meeting held in July 2002.

The capital cost of the proposed development is \$ 11.9 million. The project will be financed by the University out of existing cash and other investments but may require external financial assistance from time to time to maintain adequate cash liquidity for the University.

It is intended that the Student Housing development will be self funding and will generate an income stream for the University in the longer term. The project is expected to be completed in December 2003. Expenditure to 31 December 2002 was \$1.5 million.

**Statement of Financial Performance  
for the year ended 31 December 2002**

	Note	Consolidated		University	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Revenue from Ordinary Activities:</b>					
Commonwealth Government financial assistance	1(k),2.1	<b>91 997</b>	89 034	<b>91 943</b>	88 856
State Government financial assistance	2.2	<b>5 544</b>	4 875	<b>5 544</b>	4 875
Higher Education Contribution Scheme:					
Student contributions		<b>4 124</b>	3 626	<b>4 124</b>	3 626
Commonwealth payments		<b>27 996</b>	27 230	<b>27 996</b>	27 230
Postgraduate Education Loan Scheme		<b>721</b>	-	<b>721</b>	-
Fees and charges	1(k),2.3	<b>23 846</b>	20 185	<b>21 855</b>	18 478
Superannuation:					
Deferred government contribution	21	<b>2 300</b>	200	<b>2 300</b>	200
Commonwealth supplementation		<b>1 820</b>	1 398	<b>1 820</b>	1 398
Investment income	1(k),2.4	<b>3 291</b>	3 008	<b>3 368</b>	2 752
Royalties, trademarks and licenses	2.5	<b>357</b>	338	<b>282</b>	209
Consultancy and contract research	1(k),2.6	<b>11 801</b>	10 593	<b>8 340</b>	7 151
Other revenue	2.7	<b>11 608</b>	13 305	<b>11 164</b>	12 584
<b>Total Revenue from Ordinary Activities</b>		<b>185 405</b>	173 792	<b>179 457</b>	167 359
<b>Expenses from Ordinary Activities:</b>					
Employee benefits	3.1	<b>115 524</b>	110 546	<b>112 804</b>	108 202
Depreciation and amortisation	3.2	<b>8 266</b>	7 917	<b>7 734</b>	7 353
Buildings and grounds	3.3	<b>9 623</b>	8 787	<b>9 590</b>	8 715
Bad and doubtful debts	3.4	<b>470</b>	83	<b>538</b>	105
Other	3.5	<b>42 542</b>	40 001	<b>38 595</b>	35 461
<b>Total Expenses from Ordinary Activities</b>		<b>176 425</b>	167 334	<b>169 261</b>	159 836
<b>Net Operating Result</b>		<b>8 980</b>	6 458	<b>10 196</b>	7 523
Adjustment to retained accumulated funds as a result of the adoption of accounting standard AAS 15 'Revenue'	1(k)	-	8 906	-	8 906
Increase in asset revaluation reserve	1(s),18	<b>2 771</b>	2 917	<b>9 189</b>	2 910
<b>Total Revenue, Expenses and Valuation</b>					
<b>Adjustments attributed to the Parent Entity and Recognised Directly in Equity</b>		<b>11 751</b>	18 281	<b>19 385</b>	19 339
<b>TOTAL CHANGE IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS</b>					
		<b>11 751</b>	18 281	<b>19 385</b>	19 339

The Statement of Financial Performance is to be read in conjunction with the Notes to the Financial Reports for the financial year ended 31 December 2002.

**Statement of Financial Position**  
**as at 31 December 2002**

			Consolidated	University		
		Note	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>CURRENT ASSETS:</b>						
Cash assets	1(o),7		<b>554</b>	566	<b>354</b>	391
Receivables	1(c),8		<b>11 027</b>	11 716	<b>9 346</b>	10 954
Inventories	1(h),9		<b>409</b>	413	<b>409</b>	413
Other financial assets	1(c),10		<b>28 198</b>	20 544	<b>24 930</b>	16 453
Other assets	11		<b>2 080</b>	1 394	<b>2 049</b>	1 390
<b>Total Current Assets</b>			<b>42 268</b>	34 633	<b>37 088</b>	29 601
<b>NON-CURRENT ASSETS:</b>						
Receivables	1(c),8		<b>23 128</b>	21 042	<b>23 128</b>	21 042
Other financial assets	1(c),10		<b>28 606</b>	26 642	<b>31 189</b>	23 488
Property, plant and equipment	1(l),12		<b>190 177</b>	184 310	<b>186 612</b>	179 716
Other assets	11		<b>1 176</b>	991	<b>1 525</b>	1 359
<b>Total Non-Current Assets</b>			<b>243 087</b>	232 985	<b>242 454</b>	225 605
<b>Total Assets</b>			<b>285 355</b>	267 618	<b>279 542</b>	255 206
<b>CURRENT LIABILITIES:</b>						
Payables	1(c),14		<b>8 475</b>	7 808	<b>7 865</b>	7 114
Interest Bearing Liabilities	15		<b>1 877</b>	950	<b>2 538</b>	1 573
Provisions	1(d),(e),16		<b>7 885</b>	7 526	<b>7 594</b>	7 322
Other liabilities	17		<b>5 193</b>	3 730	<b>3 874</b>	3 488
<b>Total Current Liabilities</b>			<b>23 430</b>	20 014	<b>21 871</b>	19 497
<b>NON-CURRENT LIABILITIES:</b>						
Interest-bearing liabilities	15		<b>552</b>	-	<b>552</b>	-
Provisions	1(d),(e),16		<b>36 824</b>	34 805	<b>36 745</b>	34 720
<b>Total Non-Current Liabilities</b>			<b>37 376</b>	34 805	<b>37 297</b>	34 720
<b>Total Liabilities</b>			<b>60 806</b>	54 819	<b>59 168</b>	54 217
<b>NET ASSETS</b>			<b>224 549</b>	212 799	<b>220 374</b>	200 989
<b>EQUITY:</b>						
Reserves	18		<b>17 255</b>	13 587	<b>22 969</b>	12 883
Accumulated funds	19		<b>207 294</b>	199 212	<b>197 405</b>	188 106
<b>TOTAL EQUITY</b>			<b>224 549</b>	212 799	<b>220 374</b>	200 989

The Statement of Financial Position is to be read in conjunction with the Notes to the Financial Reports for the financial year ended 31 December 2002.

**Statement of Cash Flows**  
**for the year ended 31 December 2002**

	Note	Consolidated		University	
		2002	2001	2002	2001
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
<b>INFLows:</b>					
Financial Assistance:					
DEST		<b>79 581</b>	74 473	<b>79 581</b>	74 473
Other Commonwealth		<b>16 524</b>	16 649	<b>16 470</b>	16 471
Total Commonwealth		<b>96 105</b>	91 122	<b>96 051</b>	90 944
South Australian Government		<b>5 980</b>	5 363	<b>5 980</b>	5 363
Higher Education Contribution Scheme:					
Student payments		<b>4 124</b>	3 626	<b>4 124</b>	3 626
Commonwealth payments		<b>28 567</b>	27 230	<b>28 567</b>	27 230
Fees and charges		<b>25 251</b>	20 825	<b>22 183</b>	19 024
Investment income		<b>3 029</b>	2 808	<b>2 774</b>	2 407
Consultancy and contract research		<b>12 968</b>	11 637	<b>9 507</b>	7 853
Other revenue		<b>13 258</b>	10 741	<b>14 195</b>	10 708
<b>OUTFLOWS:</b>					
Staff salaries		<b>(92 283)</b>	(89 671)	<b>(90 109)</b>	(87 903)
Staff related costs		<b>(20 461)</b>	(19 485)	<b>(19 996)</b>	(19 091)
Other		<b>(57 759)</b>	(53 835)	<b>(53 824)</b>	(48 126)
<b>Net Cash provided by Operating Activities</b>	32(i)	<b>18 779</b>	10 361	<b>19 452</b>	12 035
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
<b>INFLows:</b>					
Proceeds from sale of investments		<b>10 056</b>	4 229	<b>9 004</b>	1 776
Proceeds from sale of property, plant and equipment		<b>505</b>	927	<b>505</b>	661
<b>OUTFLOWS:</b>					
Purchase of investments		<b>(8 677)</b>	(12 731)	<b>(8 349)</b>	(11 978)
Purchase of property, plant and equipment		<b>(11 198)</b>	(10 678)	<b>(11 172)</b>	(10 468)
<b>Net Cash used in Investing Activities</b>		<b>(9 314)</b>	(18 253)	<b>(10 012)</b>	(20 009)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>INFLows</b>		-	-	-	-
<b>OUTFLOWS</b>		-	-	-	-
<b>Net cash provided (used) by Financing Activities</b>		-	-	-	-
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		<b>9 465</b>	(7 892)	<b>9 440</b>	(7 974)
<b>CASH AT 1 JANUARY</b>		<b>2 519</b>	10 411	<b>2 344</b>	10 318
<b>CASH AT 31 DECEMBER</b>	1(o),7	<b>11 984</b>	2 519	<b>11 784</b>	2 344

The Statement of cash flows is to be read in conjunction with the Notes to the Financial Reports for the financial year ended 31 December 2002.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**1. Summary of Accounting Policies**  
**Financial Reporting Framework**

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

The financial statements are generally consistent with relevant provisions of the Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987* and the Accounting Policy Statements issued pursuant to the Treasurer's Instructions, except where the foregoing conflict with the DEST guidelines.

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

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

**Significant Accounting Policies**

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

**(a) Principles of Consolidation**

A controlled entity is any entity controlled by Flinders University (the University). Control exists where the University has the capacity to dominate decision making in relation to the financial and operating policies of another entity so that the other entity operates with the University to achieve the objectives of the University. A list of controlled entities is contained in Note 27.

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

**(b) Depreciation**

Depreciation is calculated on a straight line basis on all property, plant and equipment, other than land and works of art, which are not depreciated. The following rates are based on the estimated useful life of the assets to the University:

Item:	Percent
Buildings and Infrastructure	2.50
Equipment:	
Motor vehicles	20.00
General equipment	16.67
Computer hardware	33.33
Computer software	20.00
Aircraft	10.00
Library	
Library monographs	2.50
Library serials	2.00

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

**(c) Financial Instruments**

i. Cash

Bank accounts are recognised at nominal amounts, and interest is credited to revenue in the month following accrual.

ii. Receivables

Receivables are shown at amounts due from customers, inclusive of GST and reduced for expected credit losses (provision for doubtful debts). The University's credit terms are net 30 days.

iii. Other Financial Assets (Investments)

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

Investments are recognised at fair value.

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

The carrying amount of investments is reviewed annually by the University to ensure that all items are carried at fair value.

iv. Payables

Payables are shown at amounts due to suppliers, inclusive of GST and exclusive of any applicable discounts that will be taken.

<sup>1</sup> DEST requirements are specified in the publication 'Guidelines for the Preparation of Annual Financial Statements for the 2002 Reporting Period by Australian Higher Education Institutions'.

- v. Interest Bearing Liabilities  
The University holds funds on behalf of affiliated student entities, controlled entities and one external entity (Mawson Fellowship Program Fund). The University invests these funds along with University funds and shares the investment income.
- vi. Other Liabilities: Funds Held on behalf of Other Entities  
Funds held on behalf of other entities are shown at amounts due. These do not incur any interest charges.

(d) *Employee Entitlements*  
Employee entitlements expected to be settled within one year have been recognised at their nominal amount. Entitlements expected to be settled later than one year have been measured at the present value of the estimated applicable future cash flows.

- i. Long Service Leave  
The long service leave liability is independently actuarially estimated by the long hand method prescribed by AAS30 Accounting for Employee Entitlements. The long service leave liability includes associated on-costs.
- ii. Annual Leave  
The University has a liability for unused annual leave for non-academic staff. In accordance with conditions of employment, academic staff are required to take annual leave each year and no annual leave is accrued at year end. The liability for annual leave includes associated on-costs.
- iii. Sick Leave  
No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken each year is less than the annual entitlement for sick leave.
- iv. Superannuation  
Superannuation schemes exist to provide benefits to University employees and their dependents upon resignation, retirement, disability or death. The contributions made to these schemes by the University and the emerging cost from unfunded Schemes are expensed in the Statement of Financial Performance. Note 21 provides details in respect of the individual Schemes.
- v. Invalidity Fund  
The Invalidity Fund exists to provide benefits to certain members of University Superannuation Scheme Number 1 and a small number of other staff in the event of invalidity. The University calculates the present liability of the fund, based on an independent actuarial review conducted every three years. The last actuarial review was conducted for the liability as at 31 December 2000. For the years between actuarial reviews, the University estimates the liability by extrapolation from the most recent review.
- vi. Redundancy/Severance  
Provision is also made for redundancy payments in circumstances where the University has formally approved individuals' redundancies and a reliable estimate of the amount of the payments can be determined.  
  
Provision is also made for severance payments where it is probable payments will be made under industrial awards for fixed term staff.

(e) *Workers Compensation*  
The University is responsible for payments of workers' compensation and is registered with WorkCover as an exempt employer. Unisure Pty Ltd administers workers' compensation arrangements on behalf of the University.  
  
The provision for workers' compensation liability is actuarially determined every three years, with the intervening years calculated by applying an extrapolation of the most recent actuarial calculation to the latest value of claims on hand. The method used is the claims paid development method where all past claims are brought to current values with an allowance for late claims reporting and administration costs. The last actuarial calculation was conducted as at 31 December 2000.

(f) *Foreign Currency*  
Foreign currency transactions were converted to Australian currency at the rates of exchange ruling at the date of the transactions. There are no material foreign currency monetary items outstanding at balance date.

(g) *Goods and Services Tax*  
The University recognises revenues and expenses net of the amount of goods and services tax (GST), except where the amount of GST incurred by the University is not recoverable from the taxation authority.  
  
Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.  
  
Cash flows included in the statement of cash flows are on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(h) *Inventories*  
Inventories are stores of consumable items including printing and maintenance materials. Annual stocktakes are used to verify inventory account balances. Other small inventories of consumable items including stationery, fuel and antisera are expensed as purchased. Inventory is valued at the lower of cost or net realisable value.

(i) *Investments in Business Undertakings*

- *Controlled Entities*  
Investments in controlled entities are carried in the University's Statement of Financial Position at fair value. Dividends are brought to account when they are declared.
- *Associates*  
Apart from the investment in Unisure Pty Ltd, the University has no material investments in associates and does not include any amount in the financial statements for its interest in associated entities. Note disclosure is made in Note 28.
- *Joint Ventures*  
*Joint Venture Operations*  
The University's interest in the share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the University's Statement of Financial Position and Statement of Financial Performance, where material. Details of joint ventures are included in Note 25.
- Joint Venture Entities*  
The University has no material interest in joint venture entities and does not include any amount in the financial statements for its interest in joint venture entities. Disclosure is made in Note 26.

(j) *Leased Assets*

- *University as Lessee*  
Leases of assets where substantially all the risks and benefits of ownership, but not legal ownership, are transferred to the University, are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the present value of the minimum lease payments, including any guaranteed residual value. They are then amortised on a straight line basis over the lease term.
- Leases of assets where substantially all the risks and benefits of ownership remain with the lessor are classified as operating leases. Payments made under an operating lease are expensed in the period to which the payment relates.*
- *University as Lessor*  
The University leases space in an investment property to external entities. It also leases a small amount of space on its main campus to commercial entities for provision of services to students and staff and a portion of the Lincoln Marine Science Centre to other research entities. The leases are all classified as operating leases.

(k) *Revenue Recognition*

- i. *Commonwealth Financial Assistance*  
DEST provide annual grants for teaching and research to the University each year, with the first payment being received at the end of the previous year. This advance payment is brought to account in the period in which it is received because the University has control of the funds and there is not a direct reciprocal obligation to DEST. Prior to 2001, DEST Guidelines required that the advance payment was treated as a liability in the year of receipt and it was recognised as revenue in the year to which it related. In 2001 the DEST Guidelines were changed to remove this requirement. As a result, the requirements of AAS15 'Revenue' became applicable to the advance grant for the first time and the advance grant was treated as revenue in the year of receipt. In 2001 an adjustment of \$8.906 million was made to opening retained earnings because the change in accounting policy involves the application of AAS15 for the first time.
- Other revenue from DEST is brought to account when earned.*
- Other Commonwealth grant revenue is recognised when received.*
- ii. *Consultancy and Contract Research*  
Revenue from Consultancy and Contract Research is recognised in the period in which the consultancies/contract services are provided. Research Grant revenue is recognised as revenue when received.
- iii. *Donations*  
Donations are received in cash and non-cash forms. Non-cash donations are recognised at the University's estimate of the fair value of the items donated.
- iv. *Fees and Charges: Student Revenue*  
Revenue comprises fees from students for the provision of courses. The fees are recognised in the periods during which the courses are provided.
- v. *Investment income*  
Interest income is recognised as it accrues. The indexation component of indexed bonds is recorded as revenue in the year that it is earned. Dividend income and imputation credits are recognised only when declared, determined or recommended by external entities before 31 December reporting date.
- Income distributions from Managed Funds are recognised on receipt of official advice from investment companies of the University's entitlement to distributions. Realised gains and losses are included in the Net Operating Result. Unrealised gains and losses are taken to the Asset Revaluation Reserve for Investments except to the extent that unrealised losses exceed previous revaluation increments for all investments held in that reserve. Capital gains and losses on other investments are recognised when the investment is sold.*

(l) *Property, Plant and Equipment*

Property, Plant and Equipment, except for Library (refer 1(l)(iii)), are measured on a fair value basis. At each reporting date, the value of each asset class is reviewed to ensure that it does not differ materially from the assets class' fair value at that date. Where necessary, the asset class is revalued to reflect its fair value.

i. **Land**

Land occupied by the University is owned by the University in its own right and by the State Government. The value of land owned by the State Government is reflected in the University's financial statements on the basis that the University effectively controls the land occupied.

Land controlled by the University was revalued as at 31 December 2001 by Norm Satchell, AAPI, B.App.Sc (Val) and Greg McCloud AAPI, B.App.Sc (Val) of Edward Rushton Australia Pty Ltd.

ii. **Buildings and Infrastructure**

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

Buildings under construction are measured at cost.

iii. **Library Books - Monographs and Serials**

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

iv. **Equipment**

This class of assets includes computer hardware and software, furniture, vehicles, marine and general equipment. Individual items costing \$10 000 or more are capitalised and recorded in the Statement of Financial Position initially at cost. Items costing less than \$10 000 are recognised as an expense in the Statement of Financial Performance in the period acquired. The depreciated value of equipment is deemed to be its fair value.

The acquisition cost for software includes the cost of staff time and consultants costs incurred in implementing the software.

v. **Aircraft**

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

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

vi. **Works of Art**

The University revalued the Works of Art collection as at 31 December 2002.

(m) *Student Service Fees*

The University collects fees on behalf of the incorporated student organisations. The organisations provide services and amenities not available to students directly through the University. Student services fee revenue and associated expenditure are not reflected in the financial statements.

(n) *Doubtful debts*

The collectability of receivables is assessed at balance date and provision made for any doubtful debts.

(o) **Cash**

For the purpose of the Statement of Cash Flows, cash includes cash on hand, at call deposits with financial institutions and investments readily convertible to cash within two working days.

For the purpose of the Statement of Financial Position, Cash assets are at call deposits at bank.

(p) *Income Tax Status*

The activities of the University are exempt from income tax as are all but one of its wholly owned controlled entities. Flinders Reproductive Medicine, operating through the Flinders ART Clinic Trust is subject to income tax but fully distributes all net earnings, so no tax is payable.

The University is subject to fringe benefits tax, the goods & services tax and payroll tax.

(q) *Rounding to the Nearest \$'000*

Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars.

(r) *Comparative Figures*

The previous year's figures are provided in the financial statements for comparative purposes. Where practicable, comparative figures have been adjusted to conform to changes in presentation and classification in the present year.

(s) *Changes in Accounting Policies*

The accounting policies adopted are consistent with those of the previous year except for the following:

In 2002, in order to comply with State Treasury's Accounting Policy, Statement Number 3 Valuation of Non-Current Assets the University adopted the measurement of non-current assets (except Library) at their fair value. The table below shows the asset classes affected and the amount of the revaluation.

		Consolidated 2002 \$'000	University 2002 \$'000
Investments		867	6 762
Works of Art		2 427	2 427
		<b>3 294</b>	<b>9 189</b>

The revaluations increased the asset values shown in the Statement of Financial Position and the Asset Revaluation Reserve. There was no impact on the net operating result for the period.

2.	<b>Revenue from Ordinary Activities</b>	Note	Consolidated		University	
			2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>2.1</b>	<b><i>Commonwealth Government Financial Assistance (including Superannuation contributions from the Commonwealth but excluding HECS and PELS)</i></b>					
	Teaching and Learning:	34.1				
	Operating purposes excluding HECS and PELS		<b>49 689</b>	47 983	<b>49 689</b>	47 983
	Teaching hospitals		<b>182</b>	178	<b>182</b>	178
	Capital development pool		<b>1 171</b>	-	<b>1 171</b>	-
	Australian Research Council:	34.2				
	Large grants		<b>1 703</b>	2 202	<b>1 703</b>	2 202
	Research Fellowships		<b>197</b>	195	<b>197</b>	195
	Indigenous Researchers Development Scheme		<b>30</b>	25	<b>30</b>	25
	Strategic Partnerships with Industry		<b>674</b>	772	<b>674</b>	772
	Linkage infrastructure		<b>220</b>	-	<b>220</b>	-
	International Researcher Exchange		<b>15</b>	6	<b>15</b>	6
	DEST:	34.3				
	Institutional Grants Scheme		<b>7 038</b>	7 006	<b>7 038</b>	7 006
	Research Training Scheme		<b>10 631</b>	10 399	<b>10 631</b>	10 399
	Systemic Infrastructure Initiative		<b>460</b>	40	<b>460</b>	40
	Research Infrastructure Block		<b>2 954</b>	2 314	<b>2 954</b>	2 314
	Australian Postgraduate Awards		<b>1 815</b>	1 814	<b>1 815</b>	1 814
	International Postgraduate Research Scholarships		<b>261</b>	286	<b>261</b>	286
	Other Commonwealth Government:		<b>77 040</b>	73 220	<b>77 040</b>	73 220
	National Health and Medical Research Council		<b>5 887</b>	7 156	<b>5 887</b>	7 156
	Other Research		<b>4 824</b>	4 890	<b>4 824</b>	4 890
	Other Commonwealth Government Non-Research		<b>4 246</b>	3 768	<b>4 192</b>	3 590
	Total Commonwealth Government		<b>14 957</b>	15 814	<b>14 903</b>	15 636
			<b>91 997</b>	89 034	<b>91 943</b>	88 856
<b>2.2</b>	<b><i>State Government Financial Assistance</i></b>					
	Research Financial Assistance		<b>1 485</b>	587	<b>1 485</b>	587
	Reimbursements		<b>3 021</b>	2 835	<b>3 021</b>	2 835
	Non-research		<b>1 038</b>	1 453	<b>1 038</b>	1 453
			<b>5 544</b>	4 875	<b>5 544</b>	4 875
<b>2.3</b>	<b><i>Fees and Charges</i></b>					
	Fee-paying overseas students		<b>13 868</b>	11 375	<b>13 868</b>	11 375
	Fee-paying non-overseas postgraduate students		<b>1 955</b>	1 688	<b>1 955</b>	1 688
	Non-overseas students undertaking non-award courses		<b>81</b>	77	<b>81</b>	77
	Other:					
	Student housing and other rental charges		<b>2 448</b>	2 797	<b>2 438</b>	2 797
	Car parking revenue		<b>843</b>	781	<b>843</b>	781
	Other		<b>4 651</b>	3 467	<b>2 670</b>	1 760
			<b>23 846</b>	20 185	<b>21 855</b>	18 478
<b>2.4</b>	<b><i>Investment Income</i></b>					
	Dividends:					
	Wholly owned controlled entities		-	-	<b>500</b>	250
	Other entities		<b>469</b>	360	<b>210</b>	94
			<b>469</b>	360	<b>710</b>	344
	Interest				<b>1 589</b>	1 364
	Managed Funds				<b>450</b>	412
	Rental Revenue				<b>783</b>	632
					<b>3 291</b>	2 752
					<b>3 368</b>	2 752

		Consolidated	University		
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
		357	338	282	209
<b>2.5</b>	<b>Royalties, Trademarks and Licences</b>				
<b>2.6</b>	<b>Consultancy and Contract Research</b>				
	Consulting	<b>7 033</b>	6 219	<b>4 271</b>	2 771
	Other research	<b>4 768</b>	4 374	<b>4 069</b>	4 380
		<b>11 801</b>	10 593	<b>8 340</b>	7 151
<b>2.7</b>	<b>Other Revenue</b>				
	Proceeds from sale of assets	<b>738</b>	1 349	<b>505</b>	691
	Contribution of assets	<b>1 289</b>	824	<b>1 289</b>	824
	Net increments arising from the revaluation of assets (land, buildings and infrastructure)	-	2 512	-	2 512
	Donations and bequests	<b>884</b>	509	<b>884</b>	509
	Scholarships and prizes	<b>1 016</b>	1 142	<b>1 027</b>	1 144
	Other:				
	Other State Government education grants	<b>2 752</b>	2 348	<b>2 824</b>	2 327
	Other	<b>4 929</b>	4 621	<b>4 635</b>	4 577
		<b>11 608</b>	13 305	<b>11 164</b>	12 584
<b>3.</b>	<b>Expenses from Ordinary Activities</b>				
<b>3.1</b>	<b>Employee Benefits</b>				
	<b>Academic</b>				
	Salaries	<b>43 908</b>	44 074	<b>43 144</b>	43 759
	Contributions to superannuation and pension scheme:				
	Deferred employee benefits for superannuation	<b>1 840</b>	160	<b>1 840</b>	160
	Emerging cost	<b>1 671</b>	1 101	<b>1 671</b>	1 101
	Funded	<b>6 522</b>	6 899	<b>6 467</b>	6 878
	Payroll tax	<b>3 076</b>	3 186	<b>3 053</b>	3 176
	Workers compensation	<b>301</b>	311	<b>294</b>	309
	Long service leave expense	<b>1 480</b>	1 297	<b>1 480</b>	1 279
	Annual leave	<b>4 193</b>	4 295	<b>4 193</b>	4 295
	Redundancy expenses	<b>1 631</b>	-	<b>1 631</b>	-
	<b>Total Academic</b>	<b>64 622</b>	61 323	<b>63 773</b>	60 957
	<b>Non-Academic</b>				
	Salaries	<b>38 057</b>	37 134	<b>36 560</b>	35 659
	Contributions to superannuation and pension scheme:				
	Deferred employees benefits for superannuation	<b>460</b>	40	<b>460</b>	40
	Emerging cost	<b>418</b>	275	<b>418</b>	275
	Funded	<b>5 563</b>	5 645	<b>5 415</b>	5 273
	Payroll tax	<b>2 491</b>	2 552	<b>2 444</b>	2 485
	Workers compensation	<b>262</b>	269	<b>252</b>	256
	Long service leave expense	<b>982</b>	862	<b>953</b>	834
	Annual leave	<b>2 539</b>	2 446	<b>2 399</b>	2 423
	Redundancy expenses	<b>130</b>	-	<b>130</b>	-
	<b>Total Non-Academic</b>	<b>50 902</b>	49 223	<b>49 031</b>	47 245
	<b>Total Employees Benefits</b>	<b>115 524</b>	110 546	<b>112 804</b>	108 202
<b>3.2</b>	<b>Depreciation and Amortisation</b>				
	Buildings and infrastructure	<b>2 370</b>	2 596	<b>2 339</b>	2 547
	Equipment	<b>3 197</b>	2 546	<b>3 083</b>	2 433
	Aircraft	<b>387</b>	402	-	-
	Library collections	<b>2 312</b>	2 373	<b>2 312</b>	2 373
		<b>8 266</b>	7 917	<b>7 734</b>	7 353
<b>3.3</b>	<b>Buildings and Grounds</b>				
		<b>9 623</b>	8 787	<b>9 590</b>	8 715
<b>3.4</b>	<b>Bad and Doubtful Debts</b>				
		<b>470</b>	83	<b>538</b>	105

**3.5 Other Expenses**

		Consolidated	University	
		2002	2001	
		\$'000	\$'000	
Scholarships and prizes		<b>5 947</b>	5 764	
Telecommunications		<b>1 689</b>	1 209	
Non-capitalised equipment		<b>4 161</b>	4 405	
Travel, staff development and entertainment		<b>5 975</b>	5 020	
Operating lease rental expenses		<b>985</b>	574	
Carrying amount of assets sold		<b>433</b>	1 301	
Student related expenditure		<b>916</b>	837	
Library		<b>1 374</b>	1 203	
Advertising		<b>1 021</b>	1 045	
Fees and charges		<b>7 329</b>	5 430	
Equipment maintenance		<b>1 482</b>	1 885	
Software		<b>1 436</b>	1 649	
Consumables		<b>5 817</b>	6 879	
Postage/Freight		<b>832</b>	814	
Printing and photocopying		<b>760</b>	680	
Insurance		<b>778</b>	339	
Other		<b>1 607</b>	967	
<b>Total Other Expenses</b>		<b>42 542</b>	40 001	
			<b>38 595</b>	35 461

**4. Sales of Assets**

Proceeds from sale:				
Investments		<b>233</b>	422	-
Property, plant and equipment		<b>505</b>	927	<b>505</b>
		<b>738</b>	1 349	<b>505</b>
				691
Carrying amount of assets sold:				
Investments		<b>175</b>	284	-
Property, plant and equipment		<b>258</b>	1 017	<b>258</b>
		<b>433</b>	1 301	<b>258</b>
				772
Net gains on sale of assets:				
Investments		<b>58</b>	138	-
Property, plant and equipment		<b>247</b>	-	<b>247</b>
		<b>305</b>	138	<b>247</b>
				-
Net losses on sale of assets:				
Investments		-	-	-
Property, plant and equipment		-	90	-
		-	90	-
				81

**5. Responsible Persons and Executive Officers****5.1 Responsible Persons**

The principal governing body of the University is its Council.

**(a) Names of 2002 Council Members**

## Membership of Council 2002:

Sir Eric James Neal, AC, CVO, HonDEng Syd, HonDUniv SAust, HonDUniv Flin, CEng, CPEng, FIE Aust, FIEGAS(E) London Chancellor  
 Ms Kerrie Ashcroft, BA Well  
 Mr Nicholas Begakis, AM, BElecEng UniSA  
 Mr John Branson, LLB Adel, FAICD  
 Mr Ian Arthur Chesterman, AM, FAIBF  
 Ms Leonie Clyne, BA Flin (member from October 2002)  
 Associate Professor Owen Edgar Covick, BA Essex, MA Essex  
 Professor Anne Rosalie Edwards, BA Lond, PhD Lond, FASSA  
 Mr Andrew V Fletcher, BEng(Civil) Adel  
 Ms Louise Hicks, LLB Adel, BEc Adel, ACA (member to October 2002)  
 Ms Gosia Hill, BA Flin, BSocAdmin Flin  
 Mr Eamonn Maloney  
 Ms Denise Anne Martin, BA Flin, GDipGpWk SAIT  
 Ms Mary Mitchell, LLB Adel, GradDipLegPrac SAIT (member from December 2002)  
 Mrs Judith Mary Roberts, AM  
 Mr Michael Shanahan, AM  
 Mr Ron George Slee, BA Adel, DipT ATC, MA Adel  
 Ms Anne Thompson, BEd, GradDipEd, MA Flin  
 Ms Umandeep Uppal  
 Professor Hilary Patience Mary Winchester, BA Oxf, DPhil Oxf  
 Professor Lindon Michael Harper Wing, MB, BS Syd, FRACP  
 Mr Ian Garth Yates, BA Flin

**(b) Remuneration of Council Members**

No members of Council received any remuneration from the University other than by way of salary and related benefits arising from a normal employment relationship.

**5.2 Executive Officers**

*Executive Officers' Remuneration*

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

	Consolidated		University	
	Number of Staff	2001	Number of Staff	2001
	2002	2001	2002	2001
\$100 000 - \$109 999	1	1	-	-
\$110 000 - \$119 999	3	2	2	2
\$120 000 - \$129 999	-	5	-	4
\$130 000 - \$139 999	4	1	4	1
\$140 000 - \$149 999	1	1	1	1
\$150 000 - \$159 999	2	2	2	1
\$200 000 - \$209 999	1	-	-	-
\$260 000 - \$269 999	-	1	-	1
\$280 000 - \$289 999	1	-	1	-
	<b>13</b>	13	<b>10</b>	10
Aggregate remuneration of executives	<b>2 002</b>	\$'000	<b>2002</b>	2001
	<b>2 002</b>	\$'000	<b>1 584</b>	\$'000
			<b>1 584</b>	1 471

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

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

**6. Remuneration of Auditors**

Auditing the financial report:  
South Australian Auditor-General  
Other auditors

	Consolidated		University	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
157	153	157	153	
12	9	2	1	
<b>169</b>	162	<b>159</b>	154	
<b>554</b>	566	<b>354</b>	391	

**7. Cash Assets**

Cash at bank

*Reconciliation of Cash*

Cash at end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash	554	566	354	391
Deposit at 24 hour call	<b>11 430</b>	1 953	<b>11 430</b>	1 953
	<b>11 984</b>	2 519	<b>11 784</b>	2 344

**8. Receivables**

Current:

General debtors	8 729	9 633	7 113	8 871
Student debtors	1 338	898	1 338	898
Loans receivable	14	28	14	28
Superannuation receivable	1 900	1 700	1 900	1 700
Provision for doubtful debts	(954)	(543)	(1 019)	(543)
	<b>11 027</b>	11 716	<b>9 346</b>	10 954

Non-Current:

Loans receivable	42	56	42	56
Loans receivable, controlled entity	-	-	208	208
Superannuation receivable	23 100	21 000	23 100	21 000
Provision for doubtful debts	(14)	(14)	(222)	(222)
	<b>23 128</b>	21 042	<b>23 128</b>	21 042

**9. Inventories**

Current:

At cost	409	413	409	413
---------	-----	-----	-----	-----

**10. Other Financial Assets**

**Investments**

Current:

Deposits	11 430	1 953	11 430	1 953
Deposits at 24 hour call	<b>16 768</b>	18 591	<b>13 500</b>	14 500
Term deposits	<b>28 198</b>	20 544	<b>24 930</b>	16 453

	Consolidated		University	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>10. Other Financial Assets (continued)</b>				
<b><i>Investments (continued)</i></b>				
Non-Current:				
Bonds and Other:				
Government securities	<b>2 441</b>	2 441	<b>2 441</b>	2 441
Indexed bonds	<b>5 870</b>	5 449	<b>5 870</b>	5 449
Debenture Stock	<b>563</b>	68	-	-
Equities:				
Interests in business undertakings:				
Controlled entities at 2002 Council valuation	-	-	<b>7 465</b>	1 465
Other entities	<b>491</b>	161	<b>491</b>	161
Other equities	<b>7 038</b>	7 206	<b>3 572</b>	3 412
Managed Funds:				
HSBC Asset Management	<b>2 028</b>	2 089	<b>2 028</b>	2 089
Tower Trust	<b>863</b>	757	-	-
Unisure Pty Ltd	<b>4 200</b>	4 472	<b>4 200</b>	4 472
Property:				
Property Trust	<b>7</b>	7	<b>7</b>	7
Property held for investment purposes	<b>5 115</b>	3 992	<b>5 115</b>	3 992
	<b>28 606</b>	26 642	<b>31 189</b>	23 488
	<b>56 804</b>	47 186	<b>56 119</b>	39 941
	<b>Total Investments</b>			
<b>11. Other Assets</b>				
Current:				
Prepayments	<b>2 080</b>	1 394	<b>2 049</b>	1 390
Non-Current:				
Advances to controlled entity	-	-	<b>1 525</b>	1 359
Project costs carried forward	<b>1 176</b>	991	-	-
	<b>1 176</b>	991	<b>1 525</b>	1 359
<b>12. Property, Plant and Equipment</b>				
<b><i>Land, Buildings and Infrastructure</i></b>				
Crown Land:				
2001 independent valuation	<b>10 420</b>	10 420	<b>10 420</b>	10 420
Freehold Land:				
2001 independent valuation	<b>1 190</b>	1 190	<b>1 190</b>	1 190
Buildings:				
2001, 2002 independent valuation	<b>87 095</b>	87 572	<b>86 695</b>	86 617
At cost	<b>2 501</b>	-	<b>2 501</b>	-
	<b>89 596</b>	87 572	<b>89 196</b>	86 617
Infrastructure:				
2001 independent valuation	<b>4 415</b>	4 415	<b>4 415</b>	4 415
At cost	<b>300</b>	-	<b>300</b>	-
	<b>4 715</b>	4 415	<b>4 715</b>	4 415
	<b>105 921</b>	103 597	<b>105 521</b>	102 642
	<b>(2 339)</b>	-	<b>(2 339)</b>	-
	<b>1 449</b>	30	<b>1 449</b>	30
	<b>105 031</b>	103 627	<b>104 631</b>	102 672
<b><i>Library Collection</i></b>				
1993 University Valuation	<b>81 320</b>	81 486	<b>81 320</b>	81 486
At cost	<b>29 937</b>	27 093	<b>29 937</b>	27 093
	<b>111 257</b>	108 579	<b>111 257</b>	108 579
Accumulated depreciation	<b>(44 383)</b>	(42 210)	<b>(44 383)</b>	(42 210)
	<b>66 874</b>	66 369	<b>66 874</b>	66 369
<b><i>Equipment</i></b>				
At cost	-	32 029	-	31 011
At fair value	<b>35 651</b>	-	<b>34 616</b>	-
Accumulated depreciation	<b>(24 519)</b>	(22 301)	<b>(23 733)</b>	(21 619)
	<b>11 132</b>	9 728	<b>10 883</b>	9 392
<b><i>Aircraft</i></b>				
At independent valuation 2000	<b>3 670</b>	3 670	-	-
Accumulated depreciation	<b>(754)</b>	(367)	-	-
	<b>2 916</b>	3 303	-	-
<b><i>Works of Art</i></b>				
2002 University valuation	<b>4 224</b>	-	<b>4 224</b>	-
University valuation 1999-2001	-	28	-	28
1995 independent valuation	-	1 048	-	1 048
At cost	-	207	-	207
	<b>4 224</b>	1 283	<b>4 224</b>	1 283
	<b>190 177</b>	184 310	<b>186 612</b>	179 716

**Movement in Carrying Amounts**

Movement in the carrying amounts for each class of Property, Plant and Equipment between the beginning and end of the reporting period.

(a)	<b>Economic Entity</b>	Land, Buildings & Infra- structure					<b>2002 Total \$'000</b>
			Library \$'000	Equipment \$'000	Aircraft \$'000	Works of Art \$'000	
	Balance at the beginning of the year	103 627	66 369	9 728	3 303	1 283	184 310
	Additions	4 298	2 844	4 832	-	514	12 488
	Disposals	-	(27)	(231)	-	-	(258)
	Revaluation increments/(decrements)	(523)	-	-	-	2 427	1 904
	Depreciation expense	(2 371)	(2 312)	(3 197)	(387)	-	(8 267)
	Carrying amount at the end of reporting period	105 031	66 874	11 132	2 916	4 224	190 177
<b>(b) Parent Entity</b>							
	Balance at the beginning of the year	102 672	66 369	9 392	-	1 283	179 716
	Additions	4 298	2 844	4 805	-	514	12 461
	Disposals	-	(27)	(231)	-	-	(258)
	Revaluation increments	-	-	-	-	2 427	2 427
	Depreciation expense	(2 339)	(2 312)	(3 083)	-	-	(7 734)
	Carrying amount at the end of reporting period	104 631	66 874	10 883	-	4 224	186 612

**Land, Buildings and Infrastructure Revaluation**

Land, buildings and infrastructure were revalued as at 31 December 2001 by Norm Satchell AAPI B.App.Sc (Val) and Greg McCloud AAPI B.App.Sc (Val) of Edward Rushton Pty Ltd. The basis of both valuations was current market value (existing use).

In 2001, the revaluation amounts of \$5.429 million (Consolidated) and \$5.422 million (University) resulted in a revaluation increment of \$2.512 million being taken up as revenue in the Statement of Financial Performance and \$2.917 million (Consolidated) and \$2.910 million (University) being taken up as increases in the Asset Revaluation Reserve. The revaluation increment was included in the 2001 Statement of Financial Performance as it is a partial reversal of a previous revaluation decrement included in the 1998 Statement of Financial Performance.

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

**13. Restricted Assets**

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

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

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

**14. Payables**

Current:	Consolidated		University	
	<b>2002 \$'000</b>	<b>2001 \$'000</b>	<b>2002 \$'000</b>	<b>2001 \$'000</b>
Creditors	3 579	2 369	3 468	2 208
Accrued expenses	4 896	5 439	4 397	4 906
	<b>8 475</b>	<b>7 808</b>	<b>7 865</b>	<b>7 114</b>

**15. Interest Bearing Liabilities**

Current:

Funds held on behalf of external entities:	
Student entities	<b>1 877</b>
Advances from controlled entities	-
<b>Total Current</b>	<b>1 877</b>

Non-Current:

Funds held on behalf of external entities	<b>552</b>	-	<b>552</b>	-
<b>Total Non-Current</b>	<b>552</b>	-	<b>552</b>	-

**16. Provisions**

Current:	Annual leave		
	Long service leave		
	SA Superannuation Scheme		
	Outstanding claims – Unisure Pty Ltd		
	Severance – contract employees		
	<b>Total Current</b>		
Non-Current:	Long service leave		
	SA Superannuation Scheme		
	Invalidity Fund		
	Outstanding claims – Unisure Pty Ltd		
	<b>Total Non-Current</b>		
	<b>Aggregate Employee Entitlements</b>		

Consolidated		University	
2002	2001	2002	2001
\$'000	\$'000	\$'000	\$'000
2 816	2 777	2 649	2 683
2 409	2 295	2 285	2 185
1 900	1 700	1 900	1 700
563	538	563	538
197	216	197	216
<b>7 885</b>	<b>7 526</b>	<b>7 594</b>	<b>7 322</b>

12 629	12 648	12 550	12 563
23 100	21 000	23 100	21 000
250	350	250	350
845	807	845	807
<b>36 824</b>	<b>34 805</b>	<b>36 745</b>	<b>34 720</b>
<b>44 709</b>	<b>42 331</b>	<b>44 339</b>	<b>42 042</b>

2002	2001	2002	2001
Number	Number	Number	Number
<b>1 474</b>	<b>1 473</b>	<b>1 442</b>	<b>1 453</b>

Number of full time equivalent employees at year end

**17. Other Liabilities**

Current:	Income in advance:		
	Fees and charges		
	Other		
	<b>Funds held on behalf of external entities</b>		
	<b>Total Current</b>		

1 645	1 380	1 645	1 380
1 470	392	151	150
3 115	1 772	1 796	1 530
2 078	1 958	2 078	1 958
<b>5 193</b>	<b>3 730</b>	<b>3 874</b>	<b>3 488</b>

**18. Reserves**

(a)	Reserves comprise:		
	Asset revaluation		
	Endowment		
	Other		

6 926	4 155	12 640	3 451
9 829	8 929	9 829	8 929
500	503	500	503
<b>17 255</b>	<b>13 587</b>	<b>22 969</b>	<b>12 883</b>

The asset revaluation reserve is used to record increases and decreases in the value of non-current assets. The endowment reserve is used to record the value of gifts, prizes and bequests provided to the University. The other reserve is used to record the balance held in the student loan funds.

**(b) Movements in Reserves***Asset Revaluation Reserve:*

Balance at beginning of financial year			
Asset revaluation increment			
Asset revaluation decrement			
<b>Balance at End of Financial Year</b>			

4 155	1 238	3 451	541
3 294	2 917	9 189	2 910
(523)	-	-	-
<b>6 926</b>	<b>4 155</b>	<b>12 640</b>	<b>3 451</b>

<i>Endowment:</i>			
Balance at beginning of financial year			
Transfers to reserves			
<b>Balance at End of Financial Year</b>			

8 929	7 702	8 929	7 702
900	1 227	900	1 227
<b>9 829</b>	<b>8 929</b>	<b>9 829</b>	<b>8 929</b>

<i>Other Reserves:</i>			
Balance at beginning of financial year			
Transfers from reserves			
<b>Balance at End of Financial Year</b>			

503	511	503	511
(3)	(8)	(3)	(8)
<b>500</b>	<b>503</b>	<b>500</b>	<b>503</b>

**19. Retained Surplus**

Balance at beginning of year			
Operating result from ordinary activities after income tax			
2001 year end balance adjustment			
Transfers from reserves			
<b>Balance at End of Year</b>			

199 212	185 067	188 106	172 896
8 979	6 458	10 196	7 523
-	8 906	-	8 906
(897)	(1 219)	(897)	(1 219)
<b>207 294</b>	<b>199 212</b>	<b>197 405</b>	<b>188 106</b>

**20. Commitments for Expenditure****(a) Capital Expenditure Commitments**

Building Works:			
Within 12 months			
12 months or longer and not longer than 5 years			
Longer than 5 years			

10 699	354	10 699	354
-	-	-	-
<b>10 699</b>	<b>354</b>	<b>10 699</b>	<b>354</b>

(a)	<b>Capital Expenditure Commitments (continued)</b>	Consolidated		University	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Plant and Equipment:					
Within 12 months	932	746		932	746
12 months or longer and not longer than 5 years	-	-		-	-
Longer than 5 years	-	-		-	-
	<b>932</b>	<b>746</b>		<b>932</b>	<b>746</b>
Joint Ventures:					
Within 12 months	-	-		-	-
12 months or longer and not longer than 5 years	-	-		-	-
Longer than 5 years	-	-		-	-
	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>
(b)	<b>Lease Commitments</b>				
	Finance lease liabilities and non-cancellable operating lease commitments are disclosed in Note 23 to the financial statements.				
(c)	<b>Other Expenditure Commitments</b>				
	Within 12 months	2 602	1 929	1 994	1 453
	12 months or longer and not longer than 5 years	981	1 266	981	1 266
	Longer than 5 years	-	36	-	36
	<b>3 583</b>	<b>3 231</b>		<b>2 975</b>	<b>2 755</b>

## 21. Superannuation Plans

The University contributes to the following employee superannuation funds:

### *UniSuper*

(a) *UniSuper Defined Benefit Plan or Investment Choice Plan (formerly Superannuation Scheme for Australian Universities - (SSAU))*  
 UniSuper Management Pty Ltd administers the scheme and UniSuper Ltd is the Trustee. As at 1 July 1998, the rules governing the fund were amended to allow employees the option to remain within the defined benefits arrangement or to convert to an accumulation fund. The University contributes at a rate double the contributions made by employees. Employees' contributions are normally 7 percent of their gross salaries. The fund provides the option of defined benefits based on years of service and final average salary or an accumulation fund.

Actuarial investigations are normally undertaken triennially as at the end of respective calendar years. Grant Harslett, FIA, FIAA of Towers Perrin conducted the last actuarial investigation on 30 November 2001. A funding and solvency certificate required under Regulation 9.09(1) of the Superannuation Industry (Supervision) Regulations has been obtained with a date of effect of 30 June 2002. The certificate is valid until 31 December 2003 unless certain specified events occur in which case the certificate is valid to the date of those events.

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

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

	University	
	2002 \$'000	2001 \$'000
Net market value	112 327	133 562
Accrued benefits	120 760	121 035
<b>(Deficit) Surplus</b>	<b>(8 433)</b>	<b>12 527</b>
<b>Vested Benefits</b>	<b>120 760</b>	<b>121 035</b>

The above disclosure shows that the accrued member benefits exceed the net market value of investments by \$8.433 million (7 percent). UniSuper has advised the following:

*The position referred to above, ie the assets of the Defined Benefit Plan (DBP) are less than the liabilities, is an outcome of recent market declines. The accounting valuation on which these figures are based is made on the hypothetical basis of all DBP members having to be paid at once.*

*Employers should not be unduly concerned by this. The Fund's actuary has confirmed that this situation is expected to occur from time to time (as indeed it did in the early years of the Fund) because investment markets can vary considerably while the benefits of the Defined Benefit Plan are more stable. The key point to remember is that, based on reasonable assumptions about the future, the actuary expects all our commitments to members to be met and the existing contribution rates to remain appropriate.*

(b) *UniSuper Award Plus Plan (formerly Tertiary Education Superannuation Scheme (TESS))*  
 UniSuper Management Pty Ltd administers the fund and TESS Superannuation Ltd is the Trustee. The University contributes to the fund at a rate determined by the trust deed. The scheme is non-contributory for employees. The fund provides benefits based on the defined contributions of the University during the membership of the employee.

The University also makes contributions into the fund for employee entitlements arising under the Superannuation Guarantee Legislation.

***South Australian Superannuation Scheme***

The University has 94 (2001: 95) present and former employees who are members of closed state government superannuation schemes. Under the schemes, defined benefits are paid as a lump sum or continuing pension on the termination of the employees' service, based on contributions made by the employee and the employees' final salary. Employee contributions and certain employer contributions are paid to the South Australian Superannuation Board (the Board) which is responsible for administering the schemes. Under current arrangements, the Board pays the benefits and is reimbursed by the University. The Commonwealth government funds the University on an emerging cost basis and recovers the state's share of the cost directly from the State government.

The unfunded superannuation liability for future benefits for current employees and pensioners was assessed as at 31 December 2002 by the Director Superannuation, South Australian Department of Treasury and Finance, at \$25.0 million (\$22.7 million in 2001). This represents an increase in the liability of \$2.3 million since 31 December 2001. The net unfunded amount has been recognised in the accounts of the University as a liability with a corresponding receivable from the Commonwealth government (see Note 8). Recognition of the receivable from the Commonwealth is in accordance with DEST Guidelines and reflects an assessment that while there is no legislated requirement, the Commonwealth has committed to fund the University's emerging costs.

Assumptions adopted by the Director Superannuation (State Superannuation Office), South Australian Department of Treasury and Finance in determining the University's liability were:

Rate of increase in the Consumer Price Index (CPI)	2.5% per annum
Rate of salary increases	4.0% per annum
Investment earnings	7.5% per annum

These assumptions have not changed since 1999.

These rates provide for a 1.5 percent real gap between CPI and salary increases and a further 3.5 percent real gap between salary increases and investment earnings.

The liability and asset have been classified as current and non-current according to the cash flow projections of the assessment.

	University	
	2002	2001
	\$'000	\$'000
University's gross liability	26 300	24 100
Funded component	1 300	1 400
<b>Unfunded Liability</b>	<b>25 000</b>	<b>22 700</b>

***Superannuation Scheme No. 1******Superannuation Scheme***

Prior to the inception of the Superannuation Scheme for Australian Universities – SSAU – the University operated its own schemes. Employees were given the option of transferring to SSAU or remaining with the University's own scheme. As at 30 June 2002, there were 14 members of the scheme (2001: 17 staff). The scheme, managed by a Board of Trustees, is similar to that of SSAU with the University contributing, as a minimum, twice that of employees.

The administrator of the scheme has calculated the value of members' accrued benefits at 30 June each year. As at 30 June, the financial position of the fund was:

	University	
	2002	2001
	\$'000	\$'000
Net market value	5 158	6 059
Accrued benefits	4 338	5 003
<b>Surplus</b>	<b>820</b>	<b>1 056</b>
<b>Vested Benefits</b>	<b>4 338</b>	<b>5 003</b>

The surplus in the fund is 19 percent (2001: 21 percent).

NSP Buck undertook the last actuarial review as at 1 January 2001. At that time the scheme had a surplus of \$1.090 million, which was 21 percent of members' accrued benefits. As a result of that review, the actuary concluded that the favourable position of the scheme allowed the suspension of employer's contributions until 31 December 2003. No employer contributions were made in 2002 (2001: nil).

***Invalidity Scheme***

Certain members of Superannuation Scheme No. 1 and a small number of other staff are members of the Invalidity Scheme. The Scheme was established to provide benefits to members who suffered disablement or temporary incapacity and the benefits are identical to those provided under the Superannuation Scheme for South Australian Universities (SSAU). The University is directly responsible for the financial administration of the Scheme and for ensuring that the future liabilities of the Scheme are adequately funded. The University has taken out insurance to protect the majority of the risk and has set funds aside to cover the remaining risk.

Based on independent actuarial advice, the University has recognised a liability of \$250 000 (2001: \$350 000) for the Scheme. This is equal to the estimated present value of future disablement benefits as at 31 December 2001, together with a small amount still to be repaid to former members as a result of the University taking over direct responsibility for the scheme. The last actuarial investigation was completed as at 31 December 2000 by J Holbrook BEc BSc of William M Mercer Pty Ltd.

**22. Contingent Liabilities and Contingent Assets**

**Contingent Liabilities**

*Loan Support*

In 1998, the Flinders University Union Incorporated borrowed funds from BankSA for the redevelopment of the Union building, which is a building owned by the University. The amount of the loan is \$1 million and it is repayable over 5 years. The University collects student services fee revenue on behalf of the various student entities and has provided a written undertaking to BankSA that sufficient funds will be transferred each year from those fees directly to the Union so that their loan repayment commitments are met.

The nominal value of the loan outstanding as at 31 December 2002 is \$156 000 (2001: \$374 000).

*Claims from Former Students*

The University is subject to claims for damages from three former students. If successful, all of the claims are covered by insurance.

*Contingent Assets*

In June 2002, the University applied to DEST for funding under the second round of the Workplace Reform Funding Programme as it believed that it had met sufficient criteria to be successful. However receipt of funding is contingent on the approval from the relevant Minister. At year end, no decision had yet been made by the Minister and so the amount attributable to 2002 of \$823 000 was a contingent asset at that time. The application was approved on 1 April 2003. Had approval been received before year end, the Net Operating Result of the University and the Consolidated Entity would have increased by \$823 000.

**23. Leases**

**University as Lessee**

Total rents paid during the reporting period were

	Consolidated		University	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Total rents paid during the reporting period were	<b>1 072</b>	703	<b>787</b>	660

**Commitments**

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

Within 12 months	<b>63</b>	116	<b>38</b>	91
12 months or longer and not longer than 5 years	<b>300</b>	125	<b>200</b>	50
Longer than 5 years	<b>357</b>	476	<b>25</b>	-
	<b>720</b>	717	<b>263</b>	141

The University has various operating leases of property and equipment. Lease amounts have only been included in the above table where there is a non-cancellable commitment.

**University as Lessor**

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

Within 12 months	<b>523</b>	669	<b>583</b>	727
12 months or longer and not longer than 5 years	<b>532</b>	877	<b>639</b>	1 039
Longer than 5 years	-	-	-	-
	<b>1 055</b>	1 546	<b>1 222</b>	1 766

In 2000 the University purchased the Mark Oliphant building in Science Park. The University has recognised this as an investment property with a gross value of \$5.115 million (2001: \$3.992 million). In accordance with Australian Accounting Standard AAS 4 'Depreciation', it is not depreciated.

As at 31 December 2002 75 percent (2001: 75 percent) of the building is leased to entities outside the economic entity. A further 5 percent (2001: 5 percent) is leased to entities outside the University but within the economic entity.

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

**24. Economic Dependency**

The economic entity is to a significant extent dependant on monies received pursuant to the Commonwealth Department of Education, Science and Training (DEST) operating and research grants and the Higher Education Contribution Scheme (HECS). In 2002, funding from both DEST and HECS totalled \$104.968 million (2001: \$100.698 million) and represented 57 per cent (2001: 58 per cent) of revenue.

**25. Joint Venture Operations**

<b>Name of Entity</b>	<b>Principal Activity</b>	<b>Output 2002 Percent</b>	<b>Interest 2001 Percent</b>
Centre for Remote Health	Provision of health education and research to remote areas	<b>50</b>	50
Greater Green Triangle, University Department of Rural Health	Creation of a network of excellence in health professional education, population health, research and clinical service, the Greater Green Triangle region	<b>50</b>	50

The economic entity's interest in assets employed in the above joint venture operations is detailed below. The amounts are included in the financial reports and consolidated financial reports under their respective asset categories:

25. **Joint Venture Operations (continued)****Centre for Remote Health**

		Consolidated	University
		2002	2001
		\$'000	\$'000
Current Assets:		951	1 131
Receivables			
Non Current Assets:			
Property, plant and equipment			
<b>Total Assets</b>		<b>1 608</b>	<b>1 239</b>
Current Liabilities:			
Payables		39	187
Annual Leave		8	-
<b>Total Current Liabilities</b>		<b>47</b>	<b>187</b>
Non-Current Liabilities:			
Long Service Leave Reserve		12	-
<b>Total Liabilities</b>		<b>59</b>	<b>187</b>
<b>Net Assets</b>		<b>2 500</b>	<b>2 183</b>

**Greater Green Triangle**

Current Assets:			
Receivables		548	479
Non-Current Assets:			
Property, plant and equipment		48	25
<b>Total Assets</b>		<b>596</b>	<b>504</b>
Current Liabilities:			
Annual Leave		3	-
Non-Current Liabilities:			
Long Service Leave Reserve		1	-
<b>Total Liabilities</b>		<b>4</b>	<b>4</b>
<b>Net Assets</b>		<b>592</b>	<b>504</b>

The University's joint venture operations have no contingent liabilities as at 31 December 2002 (2001: Nil).

26. **Joint Venture Entities****Interest in Joint Venture Entities**

(a) The University participates in a number of joint venture entities, however as the University's interest is not considered to be material, they have not been taken up in the accounts on an equity basis as per the Australian Accounting Standard AAS 19 *Accounting for Interests in Joint Ventures*.

Relevant disclosures are as follows:

Name of Entity	Reporting Date	Principal Activity	Ownership Interest 2002 Percent	2001 Percent
<b>Co-operative Research Centres (CRC)</b>				
Co-operative Research Centre for Sensor Signal Information Processing (CSSIP)	(U) 30 June	To provide research and postgraduate education in signal and information processing for sensors	9	9
Co-operative Research Centre for Tissue Growth and Repair (TGR)	(U) 30 June	To coordinate research, postgraduate training and commercialisation of applications of growth factors that support the growth and repair of human and animal tissues	10	10
TGR Biosciences Pty Ltd	31 December	To discover novel bioactives, develop therapies to enhance tissue growth and repair and provide cell-based high-throughout screening services.	7	-
Co-operative Research Centre for Aboriginal and Tropical Health (ATH)	(U) 30 June	To provide a cross cultural framework for strategic research leading to evidence based improvements in education and health practice	10	10
<b>Other Joint Venture Entities</b>				
Centre for Groundwater Studies (CGS)	(U) 30 June	Is a co-operative research and education venture focussed on processes affecting recharge, discharge, contamination and remediation of groundwater	11	11
Australian Housing and Urban Research Institute (AHURI) - Southern Research Centre	(U) 31 Dec	Is a co-operative venture between five universities to carry out research into housing and related issues with emphasis on economic, social and policy aspects.	7	28

### ***Interest in Joint Venture Entities (continued)***

**(b) Other Information**

- (1) *Capital Expenditure Commitments*  
No material capital expenditure commitments.
- (2) *Contingent Liabilities*  
No material contingent liabilities.
- (3) *After Balance Date Events*  
No material after balance date events.

## **26A. Other Business Undertakings**

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

University	Principal Activities	Ownership Interest		Investment at Fair Value	
		2002 Percent	2001 Percent	2002 \$'000	2001 \$'000
Ngapartji Pty Ltd	Technology Training	14.9	12.5	150	150
IDP Education Australia Ltd	Promotes Australian Universities to international students.	2.64	2.71	10	10
AARNet	Delivers high capacity internet based network services to the education and research sector.	2.64	2.64	1	1
International Education Network Pty Ltd	Provision of education in China	8.7	-	300	-
m.Net Corporation Ltd	Provision of wireless and mobile internet technology	12.5	-	30	-
AITEC Pty Ltd	Provides educational programs and project management services	9.83	16.33	491	161
				491	161

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

The University's share of the net assets of AITEC Pty Ltd as at 30 June 2002 was \$41 000 (31 December 2001: \$45 000). This amount has not been included in the financial statements as the recoverable amount is estimated to be zero.

**Consolidated, Other than University**

University	Principal Activities	Ownership Interest		Investment at Fair Value	
		2002 Percent	2001 Percent	2002 \$'000	2001 \$'000
YourAmigo Pty Ltd	An enterprise search and Internet infrastructure company	14	14	2 595	2 595

27.

**Controlled Entities**

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

	Principal Activities	Ownership Interest 2002 Percent	2001 Percent
Flinders Consulting Pty Ltd	Arranges the conduct of commercial consultancies	100	100
Flinders Reproductive Medicine Pty Ltd 100 percent owned by Flinders Consulting Pty Ltd)	Provides a high quality comprehensive infertility Investigatory and treatment service	100	100
Flinders Bioremediation Pty Ltd	Develop and extend commercial activities of the University in the areas of soil bioremediation, organic waste management and related technologies	100	100
Flinders Technologies Pty Ltd	Commercialisation of University sourced intellectual property	100	100
MediMolecular Pty Ltd (75 percent owned by Flinders Consulting Pty Ltd)	Biotech company	75	-
Airborne Research Australia Pty Ltd	Undertakes atmospheric research	100	100
National Institute of Labour Studies Inc (NILS Inc)	Undertakes independent research and consultancy services in labour studies	100	100
National Institute of Labour Studies Foundation Inc (100% owned by NILS Inc Inc)	Supports the activities of NILS Inc	100	100
Heaslip Trust	Supports medical education activities in the School of Medicine	100	100
Lung Health Diagnostic Pty Ltd	Biotech development company	60	-

The University's investment in Lung Health Diagnostics Pty Ltd has been expensed, as in its initial stage of development it is not probable that the University will recover its investment.

MediMolecular has not been included in the consolidated financial statements as its financial transactions and balances are not material.

28.

**Associated Entities**

Name of Entity	Principal Activity	Ownership Interest		Carrying Amount		Investment At Cost	
		2002 Percent	2001 Percent	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Unisure Pty Ltd	Provision of workers' compensation services and investment of funds set aside for workers' compensation	33.3	33.3	-	-	-	-

**Unisure Pty Ltd**

The University is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*, and is a shareholder along with the University of Adelaide and the University of South Australia in Unisure Pty Ltd, which manages workers' compensation claims on behalf of the three institutions. Unisure Pty Ltd is the trustee of the Unisure Unit Trust, which holds the University's workers compensation liability and the associated investment funds. As at 31 December 2002 the Unisure Unit Trust held net assets of \$2.9 million on behalf of the University (2001: \$3.2 million).

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

29.

**Disaggregated Information**

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

30.

**Subsequent Events**

In June 2002, the University applied to DEST for funding under the second round of the Workplace Reform Funding Programme. The application was approved on 1 April 2003 and the University will receive an amount of \$823 000 relating to 2002 and an increase of 2 percent to the DEST Operating Grant on an ongoing basis. The estimated increase that would apply to 2003 is \$1.5 million. Had approval been received before year end, the Net Operating Result of the University and the Consolidated Entity would have increased by \$823 000.

31.

**Assets and Liabilities of Trusts for which the Institution is Trustee**

The University is the trustee of two trusts:

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

The amounts held in trust are immaterial and have not been included in the University's Statement of Financial Position.

A controlled entity of the University, Flinders Reproductive Medicine Pty Ltd is the trustee of the Flinders ART Clinic Trust. The assets and liabilities of the trust are brought to account in the consolidated entity's Statement of Financial Performance and Statement of Financial Position.

32.	Notes to the Statement of Cash Flows	Consolidated		University	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
	<b>(i) Reconciliation of Net Cash utilised in Operating Activities to Operating Result</b>				
	Operating result	8 980	6 458	10 196	7 523
	Add: (Gain)/Loss from sale of assets	(305)	90	(247)	81
		8 675	6 548	9 949	7 604
	Add: Non-cash items:				
	Depreciation	8 266	7 917	7 734	7 353
	Land and buildings revaluation	-	(2 512)	-	(2 512)
	Assets received for no consideration	(1 289)	(824)	(1 289)	(824)
	Share bequest - DH Schultz	-	(2 111)	-	(2 111)
	Equity investment - ARA Aircraft	-	-	-	(390)
	Capitalised interest on investments	(262)	(483)	(262)	(483)
	Other	(334)	(285)	(332)	(346)
	<b>Sub Total</b>	15 056	8 250	15 800	8 291
	Change in assets and liabilities:				
	(Increase) Decrease in receivables	(1 397)	1 583	(478)	1 953
	Decrease (Increase) in inventories	4	(91)	4	(91)
	(Increase) in other assets	(871)	(1 117)	(825)	(968)
	Increase in payables	667	1 450	751	1 152
	Increase in provisions	2 378	773	2 297	755
	Increase (Decrease) in other liabilities*	2 942	(487)	1 903	943
	<b>Net Cash provided by Operating Activities</b>	18 779	10 361	19 452	12 035

\* Note: 2001 amounts exclude adjustment of \$8.906 million to opening liabilities as advised in Note 1(k)(i).

**(ii) Financing Facilities**

Flinders University has the following arrangements with the ANZ Bank:

Overdraft facility<sup>(1)</sup>  
Amount used

**Unused overdraft facility**

500 500 500 500

- - - -

**500 500 500 500**

Visa credit cards facility<sup>(2)</sup>  
Amount used

2 783 2 118 2 693 2 068

176 131 171 130

**2 607 1 987 2 522 1 938**

**Unused credit cards facility**

(1) Facility is secured by a charge over term deposit \$500 000.  
(2) The credit cards facility is unsecured.

**(iii) Non-Cash Financing and Investing Activities**

During the reporting period the University acquired works of art and library materials with an aggregate fair value of \$1.289 million (2001: \$759 000) by means of donations. In 2001 the University also received a transfer of land adjacent to the main campus from the State Government for no consideration. The estimated value of the land is \$65 000. These acquisitions are not reflected in the Statement of Cash Flows.

**(iv) Cash Balances Not Available For Use**

All cash balances are available for use (2001 all available).

**(v) Tax Status**

The activities of the University are exempt from income tax as are all but one of its wholly owned controlled entities. Flinders Reproductive Medicine, operating through the Flinders ART Clinic Trust is subject to income tax but fully distributes all net earnings, so no tax is payable.

**33. Financial Instruments**

The following is the Institution's accounting policies and terms and conditions for each class of financial asset financial liability and equity instruments.

Recognised Financial Instruments	Note	Accounting Policies	Terms and Conditions
<b>(i) Financial Assets</b>			
Cash at Bank	1(o)	Recognised at nominal amounts.	Interest accrued generally credited to revenue in the month following accrual
Deposits at 24 hour call	10	Recognised at nominal amounts.	Interest accrued generally credited to revenue in the month following accrual.
Term Deposits	10	Recognised at nominal amounts.	Interest accrued credited to revenue on maturity.
Government Securities (excluding Indexed Bonds)	10	Recognised at nominal amounts.	Interest accrued credited to revenue on half yearly basis.
Commonwealth Indexed Bonds	10	Recognised at market value.	Interest accrued credited to revenue on quarterly basis. Indexation factor credited to revenue as at year end.
Debenture Stock	10	Recognised at cost, which approximates to fair value.	Carrying amount of investments adjusted to fair value as at year end.

33.	<b>Financial Instruments (continued)</b>			<b>Accounting Policies</b>			<b>Terms and Conditions</b>	
	<b>Recognised Financial Instruments</b>	<b>Note</b>						
	<b>(i) Financial Assets</b>							
	Managed Funds	10		Recognised at market value.			Accrued distributions credited to revenue in June and December. Capital increments/decrements also recognised in June and December. Carrying amount of investments adjusted to market value in June and December.	
	Equities	10		Recognised at market value.			Carrying amounts of investments reviewed annually to ensure that it is not in excess of the recoverable amount of these investments.	
	Interest in Business Undertakings	10		Recognised at fair value.			Independently valued by Edward Rushton Australia Pty Ltd as at 31 December 2002.	
	Investment Property - Mark Oliphant Building	10		Recognised at market value.			Credit is allowed for a 30 day term.	
	Receivables	8		Shown at amounts due from customers, inclusive of GST and reduced for expected credit losses (ie Provision for Bad and Doubtful Debts).				
	<b>(ii) Financial Liabilities</b>							
	Trade Creditors and Accruals	14		Liabilities are recognised for amounts paid in future for goods and services received, whether or not billed to the University.		Trade Liabilities are normally settled within 30 days of statement.		
	Interest Bearing Liabilities	15		Carried at their principal amounts.		Interest is credited monthly at the University's (weighted) interest earning rate on short term investments.		

The following table details the economic entity's exposure to interest rate risk as at 31 December 2002:

2002								
Financial Assets:	Weighted Average Interest							2002 Total \$'000
	Interest Rate	Variable Interest Rate	Less than 1 year	1 to 5 years	More than 5 years	Non-Interest Bearing		
	Rate	Percent	\$'000	\$'000	\$'000	\$'000		
Price risk:								
Interest rate risk	5.00	2 028	16 768	5 847	2 464	-	27 107	
Market risk	5.58	5 063	-	53	-	13 151	18 267	
Credit risk	8.5	-	14	42	-	34 099	34 155	
Cash flow risk	4.46	11 984	-	-	-	-	11 984	
			19 075	16 782	5 942	2 464	47 250	91 513
Financial Liabilities:								
Price risk:								
Interest rate risk	4.52	2 429	-	-	-	-	2 429	
Credit risk	-	-	-	-	-	8 475	8 475	
			2 429	-	-	-	8 475	10 904

The following table details the economic entity's exposure to interest rate risk as at 31 December 2001:

2001								
Financial Assets:	Weighted Average Interest							2001 Total \$'000
	Interest Rate	Variable Interest Rate	Less than 1 year	1 to 5 years	More than 5 years	Non-Interest Bearing		
	Rate	Percent	\$'000	\$'000	\$'000	\$'000		
Price risk:								
Interest rate risk	4.86	2 089	18 591	5 603	2 288	-	28 571	
Market risk	4.12	5 229	-	67	-	11 366	16 662	
Credit risk	8.5	-	28	42	-	32 689	32 759	
Cash flow risk	3.87	2 519	-	-	-	-	2 519	
			9 837	18 619	5 712	2 288	44 055	80 511
Financial Liabilities:								
Price risk:								
Interest rate risk	5.06	950	-	-	-	-	950	
Credit risk	-	-	-	-	-	7 808	7 808	
			950	-	-	-	7 808	8 758

*Interest rate risk* is the risk that the value of a financial instrument will fluctuate due to changes in marked interest rates.

**33. Financial Instruments (continued)**

*Currency risk/foreign exchange risk* is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The University's financial instruments are all domestic, and therefore there is no exposure to any foreign exchange risk.

*Market risk* is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

*Cash flow risk* is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

*Credit risk* is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

**Net Fair Value**

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

**34. Acquittal of Commonwealth Government Financial Assistance**

Amounts received and expended pursuant to the *Higher Education Funding Act 1988*, excluding HECS:

**34.1 Teaching and Learning**

	University			
	Operating Financial Assistance, Excluding HECS		Teaching Hospital	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial assistance in advance (paid in the previous reporting period for the current reporting period.)	<b>3 779</b>	3 576	<b>14</b>	14
Financial assistance paid in previous reporting period for future reporting periods	-	1 500	-	-
<i>Plus:</i> Financial assistance received during reporting period.	<b>48 957</b>	47 983	<b>182</b>	178
<i>Less:</i> Financial assistance in advance (received in the reporting period for the next reporting period.)	<b>(3 760)</b>	(3 779)	<b>(15)</b>	(14)
Accrual adjustments:				
2001 Undergraduate Overenrolment (Paid in current reporting period)	<b>35</b>	-	-	-
Undergraduate Overenrolment	<b>697</b>	-	-	-
Financial assistance in advance adjusted to opening retained earnings	<b>(3 779)</b>	(5 076)	<b>(14)</b>	(14)
Financial assistance in advance recognised as revenue for the period	<b>3 760</b>	3 779	<b>15</b>	14
Revenue attributed to the reporting period	<b>49 689</b>	47 983	<b>182</b>	178
<i>Plus:</i> Surplus/deficit prior year	<b>7 135</b>	165	<b>14</b>	-
<i>Plus:</i> Financial assistance in advance adjusted to opening retained earnings	-	5 076	-	14
Funds available for the reporting period	<b>56 824</b>	53 224	<b>196</b>	192
<i>Less:</i> Expenses for current period	<b>(51 641)</b>	(46 089)	<b>(181)</b>	(178)
<b>Surplus/Deficit for Reporting Period</b>	<b>5 183</b>	7 135	<b>15</b>	14

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

	Capital Development Pool			
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial assistance in advance (paid during previous reporting period for the current reporting period, including Commonwealth superannuation supplementation)	-	-	<b>2 232</b>	2 175
Financial assistance paid in previous reporting period for future reporting periods	-	-	-	-
<i>Plus:</i> Financial assistance received during reporting period (including Commonwealth superannuation supplementation)	<b>1 171</b>	-	<b>28 571</b>	27 230
<i>Plus:</i> contributions actually received from students	-	-	<b>4 124</b>	3 626
<i>Less:</i> Financial assistance in advance (received in reporting period for the next reporting period, including Commonwealth superannuation supplementation)	-	-	<b>(2 463)</b>	(2 232)
Accrual adjustments:				
Adjustment to 2001 upfront receipts in the current reporting period	-	-	<b>(4)</b>	-
Financial assistance in advance adjusted to opening retained earnings	-	-	<b>(2 232)</b>	(2 175)
Financial assistance in advance recognised as revenue for the period	-	-	<b>2 463</b>	2 232
Shortfall in student receipts from DEST estimate	-	-	<b>(571)</b>	-
Revenue attributed to the Reporting Period	<b>1 171</b>	-	<b>32 120</b>	30 856
<i>Plus:</i> Surplus/deficit prior year	-	209	<b>2 232</b>	-
<i>Plus:</i> Financial assistance in advance adjusted to opening retained earnings	-	-	-	2 175
Funds available for the reporting period	<b>1 171</b>	209	<b>34 352</b>	33 031
<i>Less:</i> Expenses for current period	-	(209)	<b>(31 889)</b>	(30 799)
<b>Surplus/Deficit for Reporting Period</b>	<b>1 171</b>	-	<b>2 463</b>	2 232

34.1 **Teaching and Learning (continued)**

		PELS
	2002 \$'000	2001 \$'000
Financial assistance in advance (paid during previous reporting period for the current reporting period, including Commonwealth superannuation supplementation)	-	-
Financial assistance paid in previous reporting period for future reporting periods	-	-
<i>Plus:</i> Financial assistance received during reporting period (including Commonwealth superannuation supplementation)	<b>649</b>	-
<i>Less:</i> Financial assistance in advance (received in reporting period for the next reporting period, including Commonwealth superannuation supplementation)	-	-
Accrual adjustments:		
Funds owed by DEST	<b>72</b>	-
Revenue attributed to the Reporting Period	<b>721</b>	-
<i>Plus:</i> Surplus/deficit prior year	-	-
Funds available for the reporting period	<b>721</b>	-
<i>Less:</i> Expenses for current period	<b>(721)</b>	-
<b>Surplus/Deficit for Reporting Period</b>	<b>-</b>	<b>-</b>

34.2 **Australian Research Council**

		Large Grants	Research Fellowships
		2002 \$'000	2001 \$'000
Financial assistance in advance (paid during previous reporting period)		-	-
<i>Plus:</i> Financial assistance received during reporting period	<b>1 703</b>	2 205	<b>197</b>
<i>Less:</i> Financial assistance in advance (received in reporting period for next reporting period)	<b>(134)</b>	-	<b>(6)</b>
Recovery of unspent financial assistance from previous years	-	(56)	-
<i>Plus:</i> Adjustments to previous years financial assistance	-	53	-
Accrual adjustments:			
Financial assistance in advance recognised as revenue for the period	<b>134</b>	-	<b>6</b>
Revenue attributed to the reporting period	<b>1 703</b>	2 202	<b>197</b>
<i>Plus:</i> Surplus/deficit prior year	<b>946</b>	1 066	<b>8</b>
Funds available for the reporting period	<b>2 649</b>	3 268	<b>205</b>
<i>Less:</i> Expenses for current period	<b>(1 959)</b>	(2 322)	<b>(222)</b>
<b>Surplus (Deficit) for Reporting Period</b>	<b>690</b>	946	<b>(17)</b>
		Indigenous Researchers' Development	Strategic Partnerships with Industry
		2002 \$'000	2001 \$'000
		2002 \$'000	2001 \$'000
Financial assistance in advance (paid during previous reporting period)		-	-
<i>Plus:</i> Financial assistance received during reporting period	<b>30</b>	25	<b>674</b>
<i>Less:</i> Financial assistance in advance (received in reporting period for next reporting period)	<b>(3)</b>	-	<b>(52)</b>
Recovery of unspent financial assistance from previous years	-	-	8
Accrual adjustments:			
Financial assistance in advance recognised as revenue for the period	<b>3</b>	-	<b>52</b>
Revenue attributed to the reporting period	<b>30</b>	25	<b>674</b>
<i>Plus:</i> Surplus/deficit prior year	<b>13</b>	17	<b>466</b>
Funds available for the reporting period	<b>43</b>	42	<b>1 140</b>
<i>Less:</i> Expenses for current period	<b>(27)</b>	(29)	<b>(617)</b>
<b>Surplus/Deficit for Reporting Period</b>	<b>16</b>	13	<b>523</b>

34.2 **Australian Research Council (continued)**

	Linkage Infrastructure	International Researcher Exchange		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial assistance in advance (paid during previous reporting period)	-	-	-	-
<i>Plus:</i> Financial assistance received during reporting period	<b>220</b>	-	<b>15</b>	11
<i>Less:</i> Financial assistance in advance (received in reporting period for next reporting period)	-	-	<b>(1)</b>	-
<i>Less:</i> adjustments to previous years financial assistance	-	-	-	(5)
Accrual adjustments				
<i>Plus:</i> Financial Assistance in advance recognised as revenue for the period	-	-	<b>1</b>	-
Revenue attributed to the reporting period	<b>220</b>	-	<b>15</b>	6
<i>Plus:</i> Surplus/deficit prior year	-	90	<b>7</b>	12
Funds available for the reporting period	<b>220</b>	90	<b>22</b>	18
<i>Less:</i> Expenses for current period	(32)	(90)	(3)	(11)
<b>Surplus/Deficit for Reporting Period</b>	<b>188</b>	-	<b>19</b>	7

34.3 **DEST Research Financial Assistance**

	Institutional Grants Scheme	Research Training Scheme		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial assistance in advance (paid during previous reporting period)				
<i>Plus:</i> Financial assistance received during reporting period	<b>562</b>	560	<b>845</b>	830
<i>Less:</i> Financial assistance in advance (received in reporting period for next reporting period)	<b>7 038</b>	7 006	<b>10 631</b>	10 399
Accrual adjustments:				
Financial assistance in advance adjusted to opening retained earnings	(562)	(560)	(845)	(830)
Financial assistance in advance recognised as revenue for the period	<b>562</b>	562	<b>899</b>	845
Revenue attributed to the reporting period	<b>7 038</b>	7 006	<b>10 631</b>	10 399
<i>Plus:</i> Surplus/deficit prior year	<b>848</b>	165	<b>845</b>	-
<i>Plus:</i> Financial assistance in advance adjusted to opening retained earnings	-	560	-	830
Funds available for the reporting period	<b>7 886</b>	7 731	<b>11 476</b>	11 229
<i>Less:</i> Expenses for current period	(6 937)	(6883)	(10 452)	(10 384)
<b>Surplus/Deficit for Reporting Period</b>	<b>949</b>	848	<b>1 024</b>	845

	Systemic Infrastructure Initiative	Research Infrastructure		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial assistance in advance (paid during previous reporting period)				
<i>Plus:</i> Financial assistance received during reporting period	<b>40</b>	-	<b>232</b>	181
<i>Less:</i> Financial assistance in advance (received in reporting period for next reporting period)	<b>460</b>	40	<b>2 954</b>	2 314
Accrual adjustments:				
Financial assistance in advance adjusted to opening retained earnings	-	(40)	(276)	(232)
Financial assistance in advance recognised as revenue for the period	-	40	<b>276</b>	232
Revenue attributed to the reporting period	<b>460</b>	40	<b>2 954</b>	2 314
<i>Plus:</i> Surplus/deficit prior year	<b>40</b>	-	<b>869</b>	642
<i>Plus:</i> Financial assistance in advance adjusted to opening retained earnings	-	-	-	181
Funds available for the reporting period	<b>500</b>	40	<b>3 823</b>	3 137
<i>Less:</i> Expenses for current period	(450)	-	(2 923)	(2 268)
<b>Surplus/Deficit for Reporting Period</b>	<b>50</b>	40	<b>900</b>	869

34.3	<b>DEST Research Financial Assistance (continued)</b>	Australian Postgraduate Awards		International Postgraduate Research Scholarships	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
	Financial assistance in advance (paid during previous reporting period)	-	-	-	-
	<i>Plus:</i> Financial assistance received during reporting period	<b>1 815</b>	1 814	<b>261</b>	286
	<i>Less:</i> Financial assistance in advance (received in reporting period for next reporting period)	-	-	-	-
	Accrual adjustments				
	Financial assistance in advance recognised as revenue for the period	-	-	-	-
	Revenue attributed to the reporting period	<b>1 815</b>	1 814	<b>261</b>	286
	<i>Plus:</i> Surplus/deficit prior year	<b>75</b>	(4)	-	-
	Funds available for the reporting period	<b>1 890</b>	1 810	<b>261</b>	286
	<i>Less:</i> Expenses for current period	<b>(1 783)</b>	(1 735)	<b>(261)</b>	(286)
	<b>Surplus/Deficit for Reporting Period</b>	<b>107</b>	75	-	-

34.4 **Summary of Unspent Financial Assistance**

Category of Financial Assistance	31 December	Amount of unspent financial assistance that is more likely will be approved by the CwIth for carry forward		Amount of unspent financial assistance that is more likely will be recovered by the CwIth
		2002 \$'000	2002 \$'000	
		5 183	5 183	
<b>Teaching and Learning</b>				
Operating, excluding HECS		5 183	5 183	-
Teaching hospitals		15	15	-
Capital Development Pool		<b>1 171</b>	<b>1 171</b>	-
HECS		<b>2 463</b>	<b>2 463</b>	-
PELS		-	-	-
<b>ARC</b>				
Large grants		<b>690</b>	<b>690</b>	-
Research Fellowships		<b>(17)</b>	<b>(17)</b>	-
Indigenous Researchers' Development		<b>16</b>	<b>16</b>	-
Strategic partnerships with industry (SPIRT)		<b>523</b>	<b>523</b>	-
Linkage - infrastructure		<b>188</b>	<b>188</b>	-
International Researcher Exchange		<b>19</b>	<b>19</b>	-
<b>DEST</b>				
Institutional Grants Scheme		<b>949</b>	<b>949</b>	-
Research Training Scheme		<b>1 024</b>	<b>1 024</b>	-
Systemic Infrastructure Initiative		<b>50</b>	<b>50</b>	-
Research Infrastructure		<b>900</b>	<b>900</b>	-
Australian Postgraduate awards		<b>107</b>	<b>107</b>	-
International Postgraduate Research Scholarships		-	-	-
<b>Total</b>		<b>13 281</b>	<b>13 281</b>	-

35. **Entity Information**

Flinders University is a body corporate established by an Act of the South Australian Parliament, 'The Flinders University of South Australia Act, 1966'. It is domiciled in Australia and its address is Sturt Road, Bedford Park, South Australia, 5042. The University's Australian Business Number (ABN) is 65 542 596 200.

# UNIVERSITY OF ADELAIDE

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

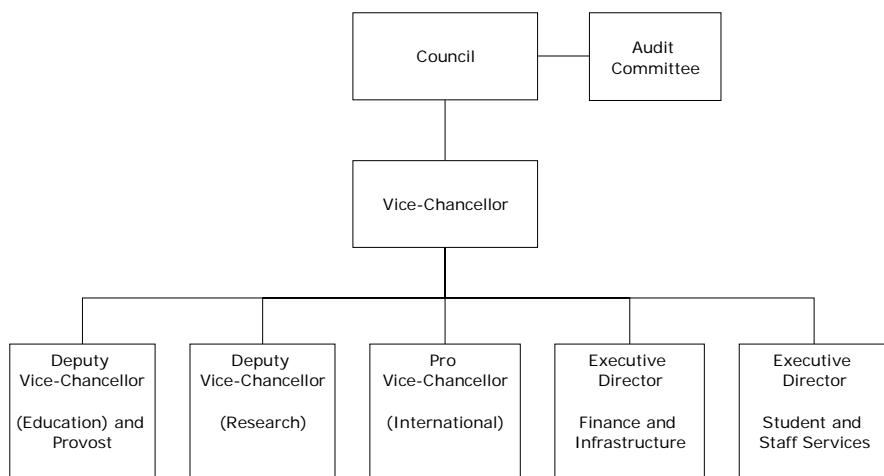
The University is established by the *University of Adelaide Act 1971*.

### Functions

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

### Structure

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



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

As at 31 December 2002 the University had a number of controlled entities. Major entities include:

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

## AUDIT MANDATE AND COVERAGE

### **Audit Authority**

#### ***Audit of Financial Statements***

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

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

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

#### **Scope of Audit**

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

During 2002, specific areas of audit attention included:

- expenditure, including accounts payable and payroll
- revenue, including grants, student fees and sundry raisings
- student financial system
- non-current assets, including revaluations of property, plant and equipment
- liabilities, including provisions and borrowings
- internal audit activities.

The audits of the controlled entities for the year ending 31 December 2002 were carried out by private accounting firms.

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

#### ***Audit Communications to Management***

Matters arising during the course of the audit were detailed in a management letter to the Vice-Chancellor. The response to the management letter was satisfactory. Major matters raised with the University and the related responses are reported in Audit Findings and Comments.

## AUDIT FINDINGS AND COMMENTS

### **Audit Opinions**

#### ***Audit of Financial Statements***

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, *Higher Education Funding Act 1988*, applicable accounting standards and other mandatory professional reporting requirements in Australia, the financial position of the University of Adelaide and of the economic entity as at 31 December 2002, their financial performance and their cash flows for the year then ended.

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

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

## Significant Matters Raised with the University

### Student Financials

The audit indicated a need for an independent review of master-file changes that have fee implications; a regular and timely review of outstanding student fees and appropriate follow-up action for recovery; and an independent check of refunds paid.

The University indicated that action has been taken to address these issues.

### Sundry Revenue

The audit revealed that not all business units were producing and reviewing an aged debtors report on a regular basis. In addition, reminder letters for overdue debts had not been issued for some time and a user guide had not progressed past a draft format.

The University advised that a new debtors report will be developed to assist in the review of debtors and business units will be reminded of the need for regular debtor review. A feasibility study, in relation to a system upgrade, is currently being undertaken and may lead to system generated reminder letters. The user guide will be issued to all business units following completion of action resulting from the feasibility study.

## INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

### Highlights of Financial Statements

	2002 \$'million	2001 \$'million	Percentage Change
<b>OPERATING REVENUE</b>			
Commonwealth Government financial assistance	177	159	12
HECS	42	39	7
Fees and charges	56	46	21
Other	96	81	19
<b>Total Operating Revenue</b>	<b>371</b>	325	14
<b>OPERATING EXPENSES</b>			
Employee benefits	201	188	7
Other expenses	154	143	8
<b>Total Operating Expenses</b>	<b>355</b>	331	7
<b>Surplus (Deficit)</b>	<b>16</b>	(6)	
<b>ASSETS</b>			
Current assets	68	89	(24)
Non-current assets	652	595	10
<b>Total Assets</b>	<b>720</b>	684	5
<b>LIABILITIES</b>			
Current liabilities	43	69	(38)
Non-current liabilities	56	53	6
<b>Total Liabilities</b>	<b>99</b>	122	(19)
<b>EQUITY</b>	<b>621</b>	562	11

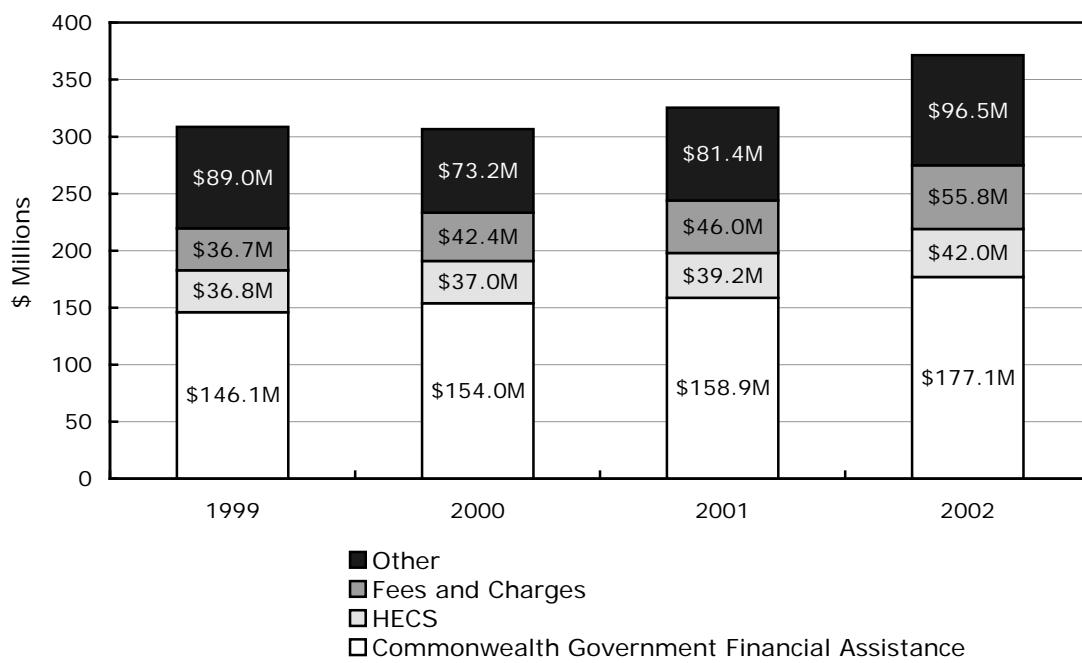
## Statement of Financial Performance

### Operating Revenues

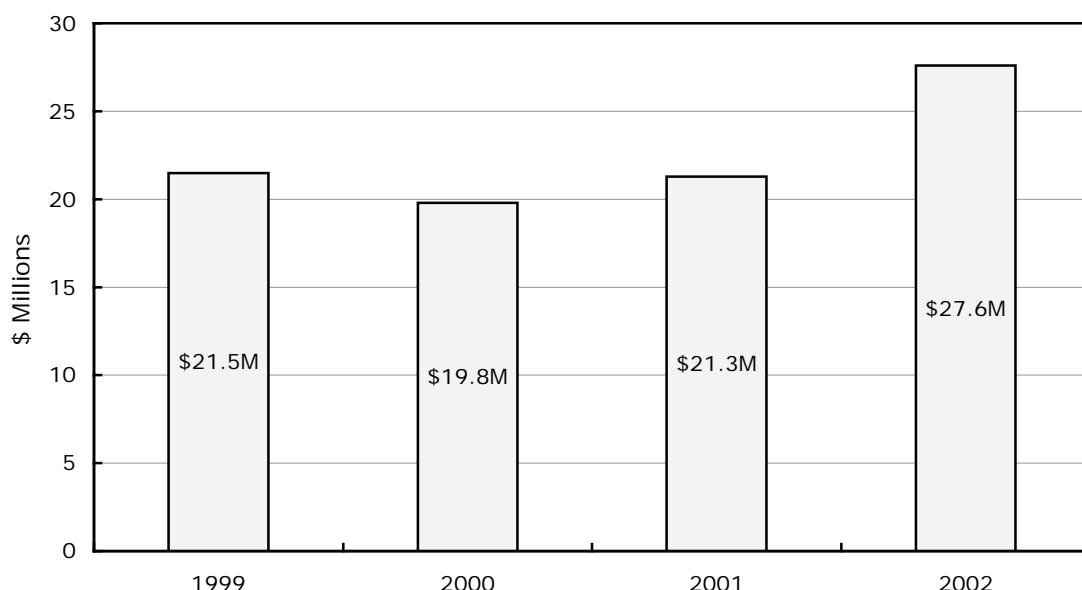
Operating revenue increased by \$45.9 million to \$371.4 million mainly as a result of an increase in:

- Commonwealth Government financial assistance of \$18.2 million;
- State Government financial assistance of \$3.4 million;
- student fees of \$8 million. The principal increase in student fees was \$6.3 million from international fee paying students;
- revenue of \$4.8 million generated by controlled entities.

For the four years to 2002 a structural analysis of operating revenues for the University is presented in the following chart.



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



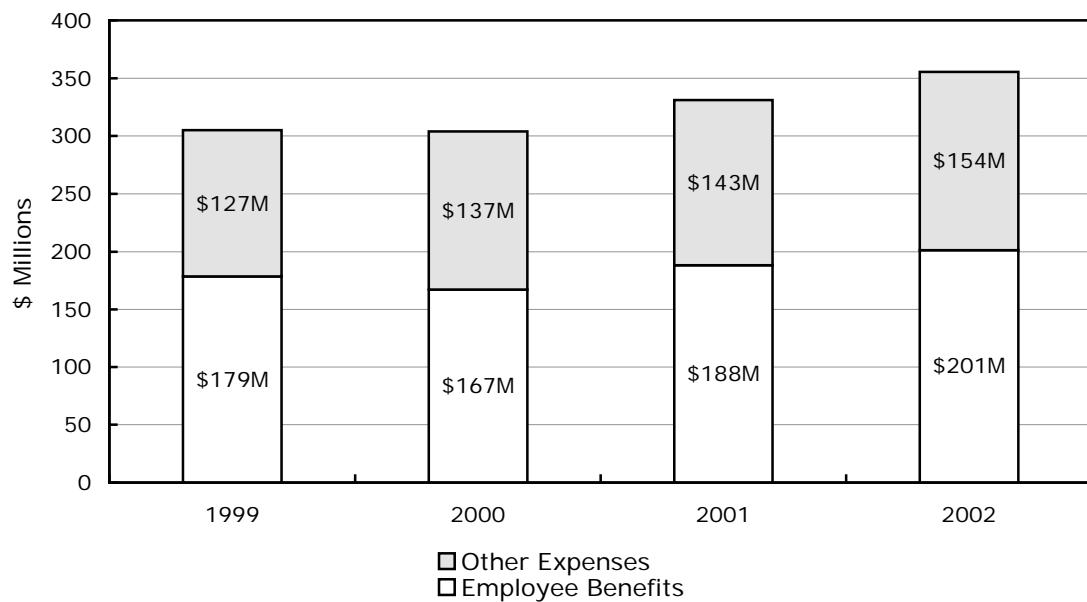
### **Operating Expenses**

Operating expenditure increased by \$24.5 million to \$355.5 million.

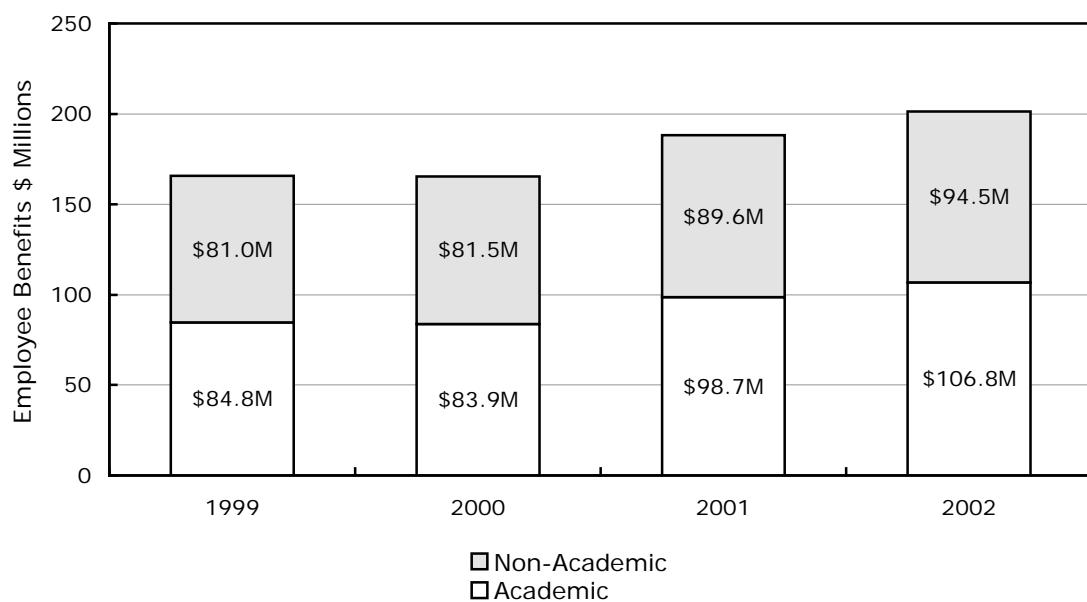
Payments totalling \$9.8 million for voluntary separation packages were the main reason that employee benefits rose by \$13 million to \$201.3 million.

The increase of \$11.5 million in other expenses is mainly attributed to teaching and research materials, up by \$4.1 million to \$33.9 million principally to service additional research activity, and to administration, communication and travel, up by \$5 million to \$53.9 million.

For the four years to 2002 a structural analysis of the main operating expense items for the University is shown in the following chart.



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

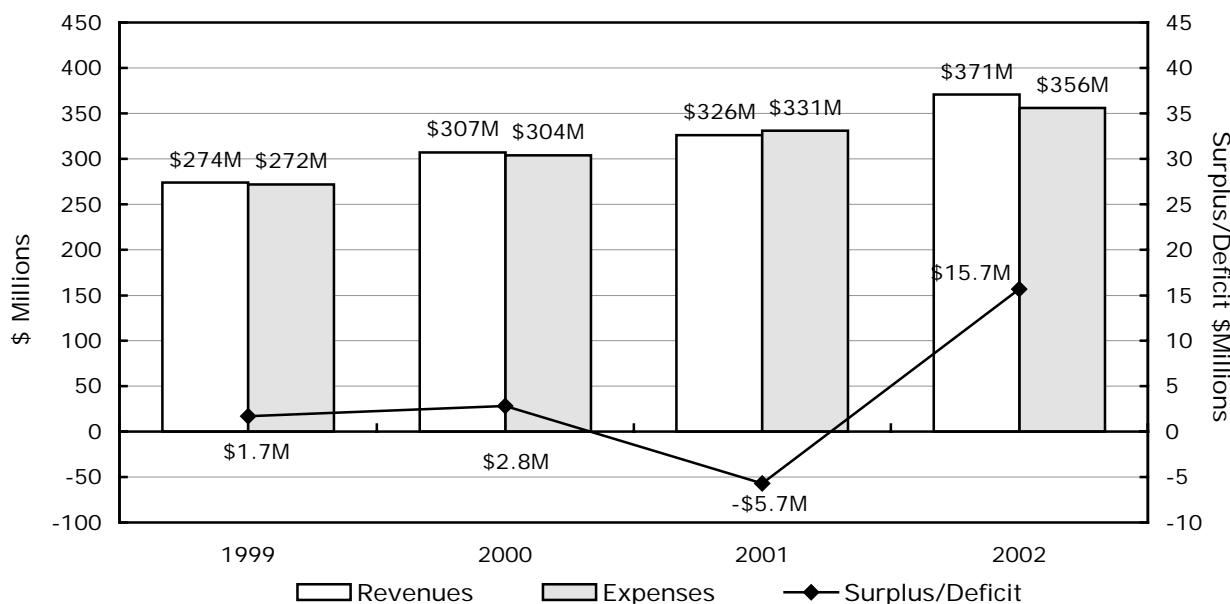


## Operating Result

The consolidated operating surplus for the year was \$15.7 million which compares to a deficit in 2001 of \$5.7 million. The University operations disclose a surplus of \$12.4 million (\$6.4 million deficit). In 2001, the independent audit report was qualified on the basis of non recognition of revenue received in advance. This had the effect of overstating the University's deficit by \$4.7 million. Note 4 to the financial statements reports a change in accounting policy whereby such revenue received in advance has been recorded as revenue in 2002.

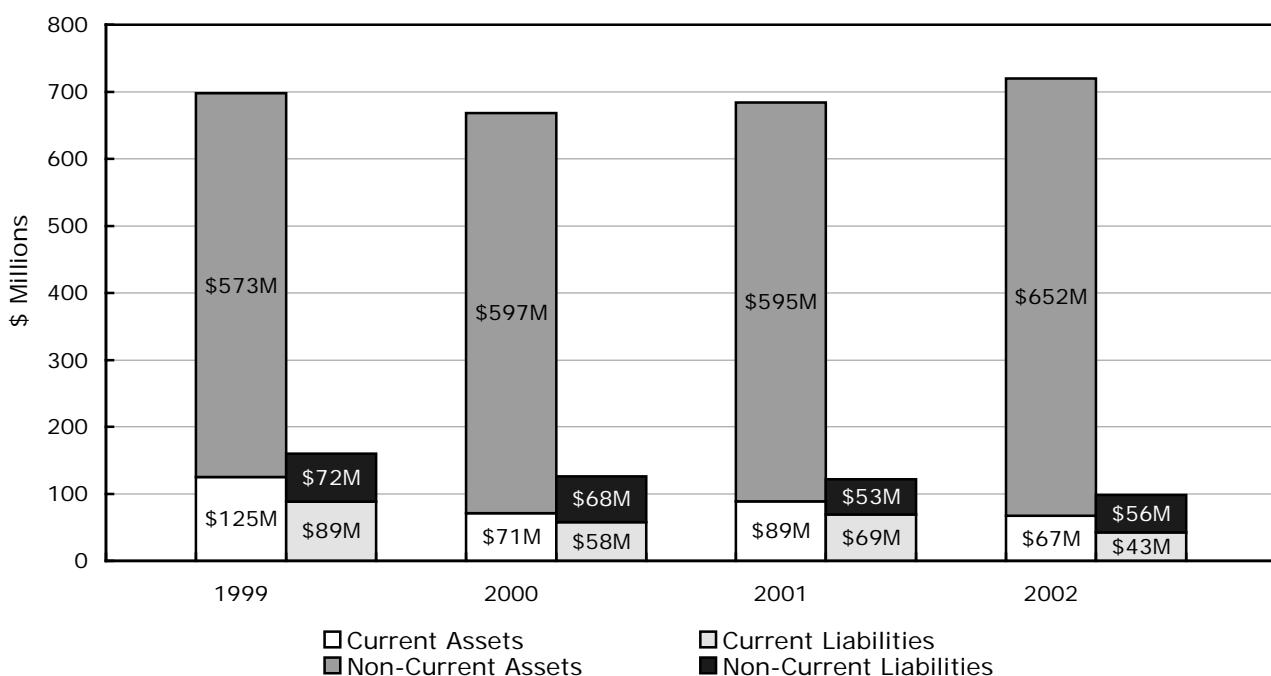
The improved result for 2002 reflects an increase in Commonwealth Government financial assistance, principally through a \$15.3 million Institutional research grant, and an increase in student fees of \$8 million.

The following chart shows the operating revenues, operating expenses and surpluses/deficits for the four years to 2002.



## Statement of Financial Position

For the four years to 2002 a structural analysis of assets and liabilities is shown in the following chart.



The significant reduction in current assets over the period of the analysis is the result of:

- the completion, in 2000, of the Transgenic Research and Development project;
- fluctuations in the valuations of shares held in Bresagen and GroPep;
- the use of short term deposits, in 2002, for the repayment of a loan by the University.

The increase in non-current assets reflects asset purchases and a revaluation undertaken in 2002.

Current liabilities have decreased markedly following completion of the Transgenic Research and Development project and repayment of a loan.

### **Statement of Cash Flows**

The following table summarises the net cash flows for the four years to 2002.

	2002 \$'million	2001 \$'million	2000 \$'million	1999 \$'million
<b>Net Cash Flows</b>				
Operations	<b>23.8</b>	14.3	18.8	19.8
Investing	<b>(18.8)</b>	(22.6)	(35)	(36.6)
Financing	<b>(20.2)</b>	-	-	-
Change in Cash	<b>(15.2)</b>	(8.3)	(16.2)	(16.8)
Cash at 30 June	<b>24.9</b>	40.1	48.4	64.6

The analysis of cash flows shows that the University's cash position has reduced by \$39.7 million over the three period. This reduction has resulted from funds spent on capital works and the repayment of a loan in 2002.

### **FURTHER COMMENTARY ON OPERATIONS**

#### **National Wine Centre**

In July 2003, the State Government and the University of Adelaide signed an agreement which provides for the University to lease the Centre for 40 years at a cost of \$1 million. The University will be responsible for the operational costs of the Centre from 9 September 2003.

**Statement of Financial Performance  
for the year ended 31 December 2002**

	Note	Consolidated		University	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>OPERATING REVENUE FROM ORDINARY ACTIVITIES:</b>	5,6				
Received under <i>Higher Education Funding Act 1988</i> :					
Base operating financial assistance		<b>115 314</b>	104 612	<b>115 314</b>	104 612
Other operating financial assistance		<b>3 798</b>	2 496	<b>3 798</b>	2 496
Higher Education Contribution Scheme		<b>41 977</b>	38 533	<b>41 977</b>	38 533
		<b>161 089</b>	145 641	<b>161 089</b>	145 641
Learning and Teaching:					
Student fees	5	<b>39 294</b>	31 290	<b>39 294</b>	31 290
Grants		<b>10 080</b>	6 263	<b>10 080</b>	6 263
		<b>49 374</b>	37 553	<b>49 374</b>	37 553
Research Grants and Fees:					
National competitive grants		<b>40 996</b>	37 173	<b>40 996</b>	37 173
Public sector – Other		<b>11 370</b>	11 639	<b>11 150</b>	11 419
Industry and other		<b>14 280</b>	9 217	<b>14 280</b>	9 567
		<b>66 646</b>	58 029	<b>66 426</b>	58 159
Research Other:					
Cooperative Research Centre direct funding		<b>4 343</b>	4 392	<b>4 343</b>	4 392
Research Infrastructure Program		<b>8 360</b>	6 907	<b>8 360</b>	6 907
		<b>12 703</b>	11 299	<b>12 703</b>	11 299
Other:					
Investment revenue	5	<b>296</b>	3 623	<b>678</b>	3 612
Property revenue	5	<b>6 347</b>	5 725	<b>5 847</b>	5 725
Specialist services and trading	5	<b>44 302</b>	41 585	<b>14 330</b>	14 286
Deferred employee superannuation benefits	22	<b>4 100</b>	1 800	<b>4 100</b>	1 800
Other	5	<b>26 294</b>	20 030	<b>23 793</b>	19 221
		<b>81 339</b>	72 763	<b>48 748</b>	44 644
<b>Total Operating Revenue from Ordinary Activities</b>					
		<b>371 151</b>	325 285	<b>338 340</b>	297 296
Share of net profits of associates and joint ventures					
Accounted for using the equity method	5	<b>226</b>	217	-	-
<b>Total Revenue from Ordinary Activities</b>					
		<b>371 377</b>	325 502	<b>338 340</b>	297 296

**Statement of Financial Performance**  
**for the year ended 31 December 2002 (continued)**

			Consolidated		University	
	Note		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>OPERATING EXPENSES FROM ORDINARY ACTIVITIES:</b>	6					
Salaries and related expenses	3(o),6	<b>194 320</b>	185 280	<b>186 562</b>	178 027	
Student services		<b>17 069</b>	15 440	<b>17 069</b>	15 440	
Teaching and research materials		<b>33 979</b>	29 834	<b>33 966</b>	29 834	
Buildings and grounds		<b>18 284</b>	16 745	<b>18 284</b>	16 690	
Borrowing costs	6	<b>1 269</b>	2 049	<b>1 252</b>	2 040	
Administration, communication and travel		<b>53 940</b>	48 910	<b>33 769</b>	29 803	
Finance and fund administration		<b>94</b>	1 643	<b>94</b>	1 470	
Miscellaneous equipment, depreciation and WDV of assets sold		<b>29 554</b>	28 057	<b>27 939</b>	27 346	
Deferred and HEFA superannuation	6	<b>6 986</b>	3 011	<b>6 986</b>	3 011	
<b>Total Operating Expenses from Ordinary Activities</b>		<b>355 495</b>	330 969	<b>325 921</b>	303 661	
<b>OPERATING SURPLUS (DEFICIT) BEFORE MINORITY INTERESTS</b>		<b>15 882</b>	(5 467)	<b>12 419</b>	(6 365)	
Operating deficit attributable to outside equity interest	27	<b>(159)</b>	(222)	-	-	
<b>OPERATING SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES</b>		<b>15 723</b>	(5 689)	<b>12 419</b>	(6 365)	
<b>CHANGE IN EQUITY - NET INCREASE:</b>						
Impact from change in accounting policy	4	-	13 187	-	13 187	
Outside equity interest		<b>134</b>	-	-	-	
Asset revaluation reserve	17	<b>43 061</b>	12 126	<b>45 633</b>	42 500	
Capital profits reserve		-	171	-	-	
<b>TOTAL CHANGES IN EQUITY</b>		<b>58 918</b>	19 795	<b>58 052</b>	49 322	

**Statement of Financial Position**  
**as at 31 December 2002**

		Consolidated		University	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
<b>CURRENT ASSETS:</b>	Note				
Cash		<b>11 861</b>	14 181	<b>1 467</b>	5 578
Receivables	7	<b>25 974</b>	17 595	<b>22 717</b>	14 852
Other financial assets	8	<b>20 679</b>	46 986	<b>16 732</b>	30 555
Inventories	9	<b>3 463</b>	3 969	<b>1 660</b>	1 646
Other	10	<b>5 398</b>	6 243	<b>3 215</b>	4 534
<b>Total Current Assets</b>		<b>67 375</b>	88 974	<b>45 791</b>	57 165
<b>NON-CURRENT ASSETS:</b>					
Other financial assets	8	<b>62 213</b>	66 288	<b>105 290</b>	110 782
Investments accounted for using the equity method	11	<b>807</b>	581	<b>363</b>	448
Property, plant and equipment	12	<b>551 527</b>	494 425	<b>517 973</b>	472 264
Deferred government superannuation contribution	22	<b>37 800</b>	33 700	<b>37 800</b>	33 700
<b>Total Non-Current Assets</b>		<b>652 347</b>	594 994	<b>661 426</b>	617 194
<b>Total Assets</b>		<b>719 722</b>	683 968	<b>707 217</b>	674 359
<b>CURRENT LIABILITIES:</b>					
Payables	13	<b>23 932</b>	20 208	<b>15 737</b>	12 052
Interest-bearing liabilities	14	<b>115</b>	20 156	<b>6</b>	22 121
Provisions	15	<b>10 780</b>	12 602	<b>10 136</b>	12 029
Deferred employee superannuation benefits	22	<b>2 700</b>	2 400	<b>2 700</b>	2 400
Other	16	<b>5 131</b>	13 773	<b>5 128</b>	13 596
<b>Total Current Liabilities</b>		<b>42 658</b>	69 139	<b>33 707</b>	62 198
<b>NON-CURRENT LIABILITIES:</b>					
Interest-bearing liabilities	14	<b>307</b>	293	<b>94</b>	95
Provisions	15	<b>20 456</b>	20 953	<b>20 436</b>	20 938
Deferred employee superannuation benefits	22	<b>35 100</b>	31 300	<b>35 100</b>	31 300
<b>Total Non-Current Liabilities</b>		<b>55 863</b>	52 546	<b>55 630</b>	52 333
<b>Total Liabilities</b>		<b>98 521</b>	121 685	<b>89 337</b>	114 531
<b>NET ASSETS</b>		<b>621 201</b>	562 283	<b>617 880</b>	559 828
<b>EQUITY:</b>					
Capital reserves	17	<b>426 084</b>	383 626	<b>438 983</b>	393 350
Specific purpose reserves	17	<b>114 278</b>	108 076	<b>114 278</b>	108 076
Accumulated results - of operations		<b>78 948</b>	68 665	<b>64 619</b>	58 402
<b>Total University Interest</b>		<b>619 310</b>	560 367	<b>617 880</b>	559 828
Accumulated results - Outside equity interest		<b>1 891</b>	1 916	-	-
<b>TOTAL EQUITY</b>		<b>621 201</b>	562 283	<b>617 880</b>	559 828

**Statement of Cash Flows**  
**for the year ended 31 December 2002**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	Note	Consolidated		University	
		2002 Inflows (Outflows)	2001 Inflows (Outflows)	2002 Inflows (Outflows)	2001 Inflows (Outflows)
		\$'000	\$'000	\$'000	\$'000
<b>INFLOWS:</b>					
Commonwealth Government financial assistance		<b>172 865</b>	165 712	<b>172 865</b>	165 712
State Government financial assistance		<b>15 354</b>	8 420	<b>15 134</b>	8 200
Higher Education Contribution Scheme:	34				
Student payments		<b>6 638</b>	6 063	<b>6 638</b>	6 063
Higher Education Trust Fund		<b>35 339</b>	33 100	<b>35 339</b>	33 100
Postgraduate Education Loan Scheme		<b>1 293</b>	-	<b>1 293</b>	-
Student fees		<b>32 737</b>	29 436	<b>32 737</b>	29 436
Other fees and charges		<b>18 398</b>	15 618	<b>13 077</b>	12 542
Donations and bequests		<b>7 161</b>	5 533	<b>7 561</b>	5 533
Investment income received		<b>4 486</b>	5 413	<b>4 989</b>	5 271
Consultancy and contract research		<b>26 872</b>	30 814	<b>18 517</b>	19 352
Specialist services and produce trading		<b>27 602</b>	25 654	<b>9 599</b>	9 817
Other		<b>5 691</b>	1 998	<b>3 687</b>	2 814
<b>Total Inflows</b>		<b>354 436</b>	327 761	<b>321 436</b>	297 840
<b>OUTFLOWS:</b>					
Salaries and related expenses		(202 144)	(185 390)	(194 417)	(175 314)
Student services		(17 082)	(15 440)	(17 069)	(15 440)
Goods and services		(110 481)	(111 054)	(88 466)	(96 102)
Interest paid		(934)	(1 560)	(917)	(1 557)
<b>Total Outflows</b>		<b>(330 641)</b>	(313 444)	<b>(300 869)</b>	(288 413)
<b>Net Cash provided by Operating Activities</b>	18	<b>23 795</b>	14 317	<b>20 567</b>	9 427
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
<b>INFLOWS:</b>					
Proceeds from sale of property, plant and equipment		<b>2 395</b>	1 067	<b>2 006</b>	1 006
Proceeds from sale of investments		<b>821</b>	4 424	-	4 424
Increase in borrowings		<b>145</b>	-	-	-
Repayment of loan		<b>115</b>	396	<b>1 078</b>	193
<b>Total Inflows</b>		<b>3 476</b>	5 887	<b>3 084</b>	5 623
<b>OUTFLOWS:</b>					
Payments for property, plant and equipment		(22 131)	(28 372)	(18 512)	(27 449)
Payments for interest in joint ventures		-	(101)	-	(101)
Decrease in borrowings		(140)	(11)	(2 078)	(11)
Additional lending		(28)	-	-	-
<b>Total Outflows</b>		<b>(22 299)</b>	(28 484)	<b>(20 590)</b>	(27 561)
<b>Net Cash used in Investing Activities</b>		<b>(18 823)</b>	(22 597)	<b>(17 506)</b>	(21 938)

**Statement of Cash Flows**  
**for the year ended 31 December 2002 (continued)**

	Note	Consolidated		University	
		2002	2001	2002	2001
		Inflows	Inflows	Inflows	Inflows
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		(Outflows)	(Outflows)	(Outflows)	(Outflows)
OUTFLOWS:		\$'000	\$'000	\$'000	\$'000
Repayment for borrowings		(20 038)	-	(20 038)	-
Dividends paid to minority interests		(120)	-	-	-
<b>Total Outflows</b>		<b>(20 158)</b>	-	<b>(20 038)</b>	-
<b>Net Cash used in Financing Activities</b>		<b>(20 158)</b>	-	<b>(20 038)</b>	-
<b>NET DECREASE IN CASH HELD</b>		<b>(15 186)</b>	(8 280)	<b>(16 977)</b>	(12 511)
<b>CASH AT 1 JANUARY</b>		<b>40 122</b>	48 402	<b>31 519</b>	44 030
<b>CASH AT 31 DECEMBER</b>	18	<b>24 936</b>	40 122	<b>14 542</b>	31 519

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

**1. Basis of Preparation**

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

**2. Scope of Reporting**

The financial statements and notes disclose the operating results and 2001 comparative results of The University of Adelaide as follows:

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

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

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

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

Refer to Note 27 Investments in Controlled Entities.

**3. Statement of Significant Accounting Policies**

**(a) Basis of Accounting**

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

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

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

**(b) Principles of Consolidation**

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

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

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

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

**(c) Foreign Currency**

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

**(d) Revenue Recognition**

*Grant Revenue*

Grant revenue is recognised in the accounting period it is received or when there is a right to receive the grant revenue. Refer Note 4 Change in Accounting Policy.

*Student Tuition Fees and Charges*

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

*Consultancy, Contract and Industry Research*

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

*Bequests and Donations*

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

*Interest and Investment Income*

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

*Asset Sales*

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

(e)

**Goods and Services Tax**

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

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

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

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

(f)

**Research and Development Costs**

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

(g)

**Employee Entitlements***Wages, Salaries and Annual Leave*

The provision for employees' entitlements to wages, salaries and annual leave represents the amount which the Consolidated Entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates and include related on-costs.

*Long Service Leave*

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

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

In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and the consolidated entity's experience with staff departures. Related on-costs have also been included in the liability.

*Superannuation*

Superannuation schemes exist to provide benefits to University employees and their dependents upon retirement, disability or death. The contributions made to these schemes by the University, and emerging costs from unfunded schemes, are expensed in the Statement of Financial Performance. Refer to Note 22 for details relating to the individual schemes.

(h)

**Doubtful and Bad Debts**

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

(i)

**Other Financial Assets**

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

*Cash on Deposit*

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

*Composite Fund*

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

As at balance date the University was in the process of changing independent portfolio managers. Longer term investments in the Fund were invested in cash deposits to enable this change. During 2003 a proportion of these cash deposits will be re-invested in longer term investments.

*Recognition of Movements in Value*

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

**(j) Investments in Business Undertakings**

*Controlled Entities*

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

*Associates*

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

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

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

*Joint Venture Operations*

The University derives income as part of its participation in Cooperative Research Centres, as listed in Note 29 (a)(i). In the ordinary course of events this income which is recognised in the financial statements of the University, is used to meet operational costs and/or acquire equipment. As a participant, the University will be entitled to a proportionate share of any intellectual property arising, which in time, it would be required to account for under the rules of joint venture accounting. As at year end, the University is not aware of any material intellectual property with commercial value. As such no accounting entries have been recorded.

The Consolidated Entity's interest in Other Unincorporated Joint Ventures, as described in Note 29 (a)(ii), are accounted for using the equity method of accounting.

*Other Business Undertakings*

The Consolidated Entity holds, through The Adelaide Research & Innovation Investment Trust, significant investments in two publicly listed investments, namely GroPep Ltd and BresaGen Ltd. It does not exercise any significant influence over the operations of these two entities. As at 31 December 2002 these have been valued at market value.

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

**(k) Inventories**

*Consumable Materials and Trading Stock*

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

*Livestock*

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

**(l) Non-Current Assets**

*Acquisitions*

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

*Revaluations*

In previous years land, buildings and works of art were independently valued every three years on an existing use basis of valuation and disclosed in the financial statements at the revalued amounts. This was in accordance with Accounting Policy Statements (APS) pronounced by the Treasurer of South Australia. During 2002 land, buildings and works of art were independently valued on a fair value basis in accordance with Australian Accounting Standards and in compliance with changes to the APS requirements.

*Disposal of Revalued Assets*

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

*Land and Buildings*

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

Land and buildings are recorded at fair value on the basis of an independent valuation carried out by Mr N Satchell, AAPI, B.App.Sc (Val) of Edward Rushton Australia Pty Ltd on 21 December 2002. Previously buildings have been valued at replacement cost and cost. The change in valuation method has had no financial impact on the Statement of Financial Performance.

*Other Collections*

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

*Library Collection*

The Library was revalued on 31 December 2002 using an internal valuation based on the annual price movement of books and journals.

*Works of Art*

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

In previous years only works of art greater than \$25 000 had been recognised. The recognition of those assets not previously valued has had a financial impact on the Statement of Financial Performance of \$1.09 million and has been disclosed as other revenue.

*Software*

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

*Leased Plant and Equipment*

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

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Capitalised lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the Consolidated Entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the Statement of Financial Performance. Also refer to Note 19 Future Expenditure Commitments.

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term.

**(m)*****Depreciation and Amortisation***

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

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

**(n)*****Workers Compensation***

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

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

**(o)*****Salaries and Related Expenses***

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

**(p)*****Operating Revenue - Other***

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

**(q)*****Recognition of Donations and Bequests***

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

**(r)*****Rounding***

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

(s) **Comparative Information**

These financial statements and notes display information for the preceding corresponding reporting period. Comparative figures have been reclassified to reflect current disclosure requirements of the University and DEST and the major impact has been upon the Statement of Cash Flows.

In addition, there has been a reclassification of 'Other' Land and Buildings into 'Trust'. This reclassification has resulted from the 2002 independent revaluation and is as follows:

- Other Land of \$1.3 million moved to Trust Land
- Other Buildings of \$56.2 million moved to Trust Buildings

4. **Change in Accounting Policy**

**Treatment of Grant Revenue**

Prior to 2001, grant revenue for operating purposes was brought to account in the academic year for which the grant was advanced.

This was consistent with the former Commonwealth Department of Education, Training and Youth Affairs Reporting Guidelines, prescribing the accounting treatment for grants. The University viewed these guidelines as taking precedence over AAS 15 - Revenue. The guidelines were withdrawn in 2001 which meant that Section 9 of AAS 15 was applied for the first time in 2001. This had the effect of requiring the University to bring grants to account as revenue in the year they are received. The transitional provisions of AAS 15 were used such that revenue deferred from the year 2001 was treated as a prior year adjustment to accumulated surplus and the grant received in December 2001 for the 2002 academic year was recognised as revenue in 2001.

This had the effect of increasing the Equity in 2001 by \$13.2 million and increasing the Operating Deficit in 2001 by \$368 000.

In 2002 grant revenue has been included in the Statement of Financial Performance when it was received or when there was a right to receive the grant revenue.

5. **Operating Revenue**

Student fee income includes:

Award Courses:

Australian fee paying undergraduate students	<b>664</b>	398	<b>664</b>	398
Australian fee paying postgraduate students	<b>3 504</b>	4 146	<b>3 504</b>	4 146
International fee paying students	<b>27 616</b>	21 297	<b>27 616</b>	21 297
	<b>31 784</b>	25 841	<b>31 784</b>	25 841

Non-Award Courses:

Continuing Education	<b>409</b>	451	<b>409</b>	451
Australian fee paying	<b>835</b>	529	<b>835</b>	529
Other teaching service fees	<b>4 280</b>	3 526	<b>4 280</b>	3 526
	<b>5 524</b>	4 506	<b>5 524</b>	4 506
	<b>37 308</b>	30 347	<b>37 308</b>	30 347

Tuition Fees – *Higher Education Funding Act*:

Postgraduate Education Loan Scheme	<b>1 293</b>	-	<b>1 293</b>	-
Overseas postgraduate research scholarship	<b>693</b>	943	<b>693</b>	943
	<b>39 294</b>	31 290	<b>39 294</b>	31 290

Investment Revenue:

General Fund earnings	<b>2 773</b>	3 113	<b>2 258</b>	2 798
Net realised (losses) gains on Composite Fund investments	<b>(2 500)</b>	2 262	<b>(2 500)</b>	2 262
General and Composite Fund investment market valuation adjustment	<b>(692)</b>	(2 150)	<b>(692)</b>	(2 150)
Royalty, trademarks and licences	<b>564</b>	273	<b>564</b>	9
Dividends received	<b>151</b>	125	<b>48</b>	18
Distribution from controlled entities	-	-	<b>1 000</b>	675
	<b>296</b>	3 623	<b>678</b>	3 612

Property Revenue:

Rental charges/accommodation fees	<b>3 776</b>	3 347	<b>3 776</b>	3 347
Parking fees	<b>956</b>	818	<b>956</b>	818
Building development and maintenance recovery	<b>912</b>	923	<b>412</b>	923
Other property revenue	<b>703</b>	637	<b>703</b>	637
	<b>6 347</b>	5 725	<b>5 847</b>	5 725

Specialist Services and Trading:

Consultancy fees	<b>10 528</b>	14 632	<b>2 318</b>	3 170
Library charges and fines	<b>1 111</b>	1 299	<b>1 111</b>	1 299
Sale of services	<b>15 200</b>	11 967	<b>6 677</b>	5 028
Sale of goods	<b>9 072</b>	8 178	<b>2 685</b>	3 091
Sponsorship and conference income	<b>1 090</b>	1 225	<b>1 090</b>	1 225
Other specialist services and trading	<b>7 301</b>	4 284	<b>449</b>	473
	<b>44 302</b>	41 585	<b>14 330</b>	14 286

5. **Operating Revenue (continued)**

Other Revenue:

Bequests and Donations received for:  
 Research  
 Prizes and scholarships  
 General operational purposes and capital works

Gross proceeds from sale of non-current assets  
 Recharge of costs to other organisations  
 Application management and late fee  
 Contribution of assets  
 Franchise fees  
 Bad debts recoveries  
 Initial recognition of works of art  
 Other revenue

Note	Consolidated		University	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
	1 658	1 404	2 058	1 404
	765	998	765	998
	5 129	4 129	5 129	4 129
	7 552	6 531	7 952	6 531
	3 216	1 067	2 006	1 006
	2 484	2 157	2 484	2 157
	655	561	655	561
	-	3 300	-	3 300
	944	1 044	944	1 044
	9	75	9	75
	1 090	-	1 090	-
	10 344	5 295	8 653	4 547
	26 294	20 030	23 793	19 221

Share of net profits of associates, joint ventures:  
accounted for using the equity method:

Associates  
 Joint venture operations

28	107	171	-	-
29	119	46	-	-
	226	217	-	-

6. **Operating Surplus**

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

**Credits:**

Net foreign exchange gain  
 Net gain on disposal of property, plant  
and equipment  
 Net gain on disposal of investments

123	239	123	239
1 239	227	1 011	168
310	58	-	-

**Charges:***Salaries and Related Expenses:*

## Academic:

Salaries  
 Contributions to superannuation schemes:  
 Deferred employee superannuation benefits  
 Emerging cost  
 Funded

Payroll tax  
 Annual leave  
 Long service leave  
 Workers compensation  
 Other

73 739	69 410	73 739	69 410
2 323	1 012	2 323	1 012
1 635	681	1 635	681
9 982	10 413	9 982	10 413
13 940	12 106	13 940	12 106
4 565	3 923	4 565	3 923
8 031	7 261	8 031	7 261
2 039	1 890	2 039	1 890
344	332	344	332
4 131	3 744	4 131	3 744
106 789	98 666	106 789	98 666

## Non-Academic:

Salaries  
 Contributions to superannuation schemes:  
 Deferred employee superannuation benefits  
 Emerging cost  
 Funded

Payroll tax  
 Annual leave  
 Long service leave  
 Workers compensation  
 Other

68 277	65 344	61 127	58 514
1 777	788	1 777	788
1 251	530	1 251	530
8 127	8 461	7 715	8 111
11 155	9 779	10 743	9 429
3 747	3 360	3 690	3 336
6 026	5 699	5 983	5 681
1 639	1 485	1 576	1 508
315	338	282	284
3 358	3 620	3 358	3 620

**Total Non-Academic Salaries and Related Expenses**

94 517	89 625	86 759	82 372
201 306	188 291	193 548	181 038

Total academic and non-academic salaries and related expenses represented by:

Salaries and related expenses  
 Deferred and emerging cost of superannuation

194 320	185 280	186 562	178 027
6 986	3 011	6 986	3 011
201 306	188 291	193 548	181 038

**6. Operating Surplus (continued)**

	Note	Consolidated		University	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Bad and Doubtful Debts Cost:					
Student loans		54	14	54	14
Student tuition		(313)	144	(313)	144
Other debtors		103	8	103	(68)
		(156)	166	(156)	90
Amortisation:					
Leasehold improvements		217	20	178	20
Software and system development costs		3 609	2 918	3 609	2 918
		3 826	2 938	3 787	2 938
Depreciation:					
Buildings		4 389	3 920	4 245	3 790
Plant, equipment and motor vehicles		5 571	5 348	4 811	4 751
Library collection		6 035	5 946	6 035	5 946
		15 995	15 214	15 091	14 487
Net loss on disposal of property, plant and equipment		1 008	2 047	816	2 047
Borrowing Costs:					
Interest		934	1 560	917	1 557
Finance charges		335	489	335	483
		1 269	2 049	1 252	2 040
<b>7. Receivables</b>	3(h)				
Student tuition fees		5 642	1 913	5 642	1 913
Less: Provision for doubtful debts		500	374	500	374
		5 142	1 539	5 142	1 539
Sundry and trade debtors		21 415	17 014	17 909	13 638
Less: Provision for doubtful debts		801	1 141	535	500
		20 614	15 873	17 374	13 138
Student loans		201	174	201	174
Other		17	9	-	1
<b>Total Receivables</b>		25 974	17 595	22 717	14 852
<b>8. Other Financial Assets</b>					
Current:					
Short-term investment portfolio:					
Cash on deposit	3(i)	13 075	25 941	13 075	25 941
Other	30	7 053	20 500	-	-
		20 128	46 441	13 075	25 941
Loans:					
Loans to controlled entities		-	-	3 106	4 069
Other loans		551	545	551	545
		551	545	3 657	4 614
		20 679	46 986	16 732	30 555
Non-Current:					
Composite Fund at fair value:	3(i)				
Australian fixed interest securities		-	4 355	-	4 355
Australian equities		-	9 223	-	9 223
Overseas equities		2	11 342	2	11 342
Property trusts		259	2 178	259	2 178
Cash and liquid assets		50 268	27 286	50 268	27 286
		50 529	54 384	50 529	54 384
Managed investment held by Unisure Pty Ltd		6 874	8 311	6 874	8 311
Interest in business undertakings:					
Controlled entities	27	-	-	44 235	45 398
Other investments	30	3 132	1 794	1 974	890
Loans:					
Other loans		2 178	2 299	2 178	2 299
Less: Provision for doubtful debts		500	500	500	500
		1 678	1 799	1 678	1 799
		62 213	66 288	105 290	110 782

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

	Note	Consolidated		University	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
9. <b>Inventories</b> (refer Note 3(k))					
Consumable materials and trading stock					
Livestock					
Less: Provision for obsolescence					
		<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>
		<b>3 463</b>	<b>3 969</b>	<b>1 660</b>	<b>1 646</b>
10. <b>Other Assets</b>					
Current:					
Prepayments					
Accrued income					
Other					
		<b>4 343</b>	<b>5 581</b>	<b>3 058</b>	<b>4 373</b>
		<b>267</b>	<b>225</b>	<b>157</b>	<b>161</b>
		<b>788</b>	<b>437</b>	<b>-</b>	<b>-</b>
		<b>5 398</b>	<b>6 243</b>	<b>3 215</b>	<b>4 534</b>
11. <b>Investments Accounted for Using the Equity Method:</b>					
Associated entities:	28				
At cost					
Equity accounted					
		<b>-</b>	<b>-</b>	<b>298</b>	<b>298</b>
		<b>440</b>	<b>333</b>	<b>-</b>	<b>-</b>
Joint venture entities:	29				
At cost					
Equity accounted					
		<b>-</b>	<b>-</b>	<b>65</b>	<b>150</b>
		<b>367</b>	<b>248</b>	<b>-</b>	<b>-</b>
		<b>807</b>	<b>581</b>	<b>363</b>	<b>448</b>
12. <b>Property, Plant and Equipment</b>	3 (l)				
12.1 <b>Summary</b>					
<b>Land</b>					
Trust land:					
At independent valuation 1998					
At independent valuation 2002					
		<b>228</b>	<b>33 823</b>	<b>228</b>	<b>33 823</b>
		<b>66 065</b>	<b>-</b>	<b>66 065</b>	<b>-</b>
		<b>66 293</b>	<b>33 823</b>	<b>66 293</b>	<b>33 823</b>
Other land:					
At independent valuation 1998					
At Council valuation 2000					
At Valuer-General's valuation 2001					
At independent valuation 2002					
		<b>499</b>	<b>20 949</b>	<b>499</b>	<b>20 949</b>
		<b>-</b>	<b>17 744</b>	<b>-</b>	<b>-</b>
		<b>3 300</b>	<b>3 300</b>	<b>3 300</b>	<b>3 300</b>
		<b>73 466</b>	<b>-</b>	<b>46 625</b>	<b>-</b>
		<b>77 265</b>	<b>41 993</b>	<b>50 424</b>	<b>24 249</b>
		<b>143 558</b>	<b>75 816</b>	<b>116 717</b>	<b>58 072</b>
<b>Total Land</b>					
<b>Buildings</b>					
Trust buildings:					
At cost					
At independent valuation 1998					
At independent valuation 2002					
		<b>-</b>	<b>48 446</b>	<b>-</b>	<b>48 446</b>
		<b>-</b>	<b>238 215</b>	<b>-</b>	<b>238 215</b>
		<b>273 393</b>	<b>-</b>	<b>273 393</b>	<b>-</b>
		<b>273 393</b>	<b>286 661</b>	<b>273 393</b>	<b>286 661</b>
Other buildings:					
At cost					
At independent valuation 1998					
At independent valuation 1999					
At Council valuation 2000					
At independent valuation 2002					
		<b>214</b>	<b>3 313</b>	<b>214</b>	<b>1 157</b>
		<b>-</b>	<b>41 894</b>	<b>-</b>	<b>41 894</b>
		<b>-</b>	<b>581</b>	<b>-</b>	<b>-</b>
		<b>-</b>	<b>155</b>	<b>-</b>	<b>-</b>
		<b>36 115</b>	<b>-</b>	<b>34 171</b>	<b>-</b>
		<b>36 329</b>	<b>45 943</b>	<b>34 385</b>	<b>43 051</b>
Capital work in progress:					
At cost					
		<b>2 213</b>	<b>5 306</b>	<b>2 213</b>	<b>5 306</b>
		<b>311 935</b>	<b>337 910</b>	<b>309 991</b>	<b>335 018</b>
<b>Total Buildings</b>					
<b>Provision for Depreciation of Buildings</b>					
Trust buildings:					
At cost					
At independent valuation 1998					
		<b>-</b>	<b>(293)</b>	<b>-</b>	<b>(293)</b>
		<b>-</b>	<b>(8 875)</b>	<b>-</b>	<b>(8 875)</b>
		<b>-</b>	<b>(9 168)</b>	<b>-</b>	<b>(9 168)</b>
Other buildings:					
At cost					
At independent valuation 1998					
At independent valuation 1999					
At Council valuation 2000					
		<b>(3)</b>	<b>(783)</b>	<b>(3)</b>	<b>-</b>
		<b>-</b>	<b>(1 608)</b>	<b>-</b>	<b>(1 600)</b>
		<b>-</b>	<b>(258)</b>	<b>-</b>	<b>-</b>
		<b>-</b>	<b>(52)</b>	<b>-</b>	<b>-</b>
		<b>(3)</b>	<b>(2 701)</b>	<b>(3)</b>	<b>(1 600)</b>
		<b>(3)</b>	<b>(11 869)</b>	<b>(3)</b>	<b>(10 768)</b>
		<b>311 932</b>	<b>326 041</b>	<b>309 988</b>	<b>324 250</b>
<b>Total Buildings Net of Depreciation</b>					
<b>Leasehold Improvements:</b>					
At cost					
Provision for amortisation					
		<b>2 982</b>	<b>1 118</b>	<b>1 203</b>	<b>789</b>
		<b>(480)</b>	<b>(320)</b>	<b>(152)</b>	<b>(51)</b>
		<b>2 502</b>	<b>798</b>	<b>1 051</b>	<b>738</b>

12. **Property, Plant and Equipment (continued)** (refer Note 3(l))

12.1 **Summary**

**Library Collection:**

At cost  
At Council valuation 1998  
At Council valuation 2002  
Provision for depreciation

	Consolidated		University	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
At cost	-	18 663	-	18 663
At Council valuation 1998	-	167 760	-	167 760
<b>55 819</b>	<b>-</b>	<b>55 819</b>	<b>-</b>	<b>-</b>
<b>55 819</b>	<b>186 423</b>	<b>55 819</b>	<b>186 423</b>	
	<b>- (133 738)</b>		<b>- (133 738)</b>	
<b>55 819</b>	<b>52 685</b>	<b>55 819</b>	<b>52 685</b>	
<b>Works of Art:</b>				
At independent valuation 1999	-	2 790	-	2 790
At independent valuation 2002	<b>4 188</b>	-	<b>4 188</b>	-
	<b>4 188</b>	<b>2 790</b>	<b>4 188</b>	<b>2 790</b>
<b>Plant and Equipment:</b>				
At cost	<b>102 255</b>	<b>99 720</b>	<b>94 984</b>	<b>93 174</b>
Provision for depreciation	<b>(68 727)</b>	<b>(63 425)</b>	<b>(64 774)</b>	<b>(59 445)</b>
	<b>33 528</b>	<b>36 295</b>	<b>30 210</b>	<b>33 729</b>
<b>Total Property, Plant and Equipment</b>	<b>551 527</b>	<b>494 425</b>	<b>517 973</b>	<b>472 264</b>

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

12.2 **Reconciliation**

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

	Leasehold						<b>Total \$000</b>
	Buildings Land \$000	Improve- ment \$000	Library Collections \$000	Works of Art \$000	Plant and Equipment \$000		
Consolidated:							
Opening Balance	75 816	326 041	798	52 685	2 790	36 295	<b>494 425</b>
Additions	265	7 772	2 076	4 237	1 090	7 782	<b>23 222</b>
Disposals	(250)	(34)	(155)	(367)	-	(1 369)	<b>(2 175)</b>
Revaluation:							
Increments (Decrements)	67 727	(17 458)	-	5 299	308	-	<b>55 876</b>
Depreciation/amortisation	-	(4 389)	(217)	(6 035)	-	(9 180)	<b>(19 821)</b>
<b>Closing Balance</b>	<b>143 558</b>	<b>311 932</b>	<b>2 502</b>	<b>55 819</b>	<b>4 188</b>	<b>33 528</b>	<b>551 527</b>
Parent:							
Opening Balance	58 072	324 250	738	52 685	2 790	33 729	<b>472 264</b>
Additions	-	7 723	599	4 237	1 090	5 953	<b>19 602</b>
Disposals	(250)	(34)	(108)	(367)	-	(1 052)	<b>(1 811)</b>
Revaluation:							
Increments (Decrements)	58 895	(17 706)	-	5 299	308	-	<b>46 796</b>
Depreciation/amortisation	-	(4 245)	(178)	(6 035)	-	(8 420)	<b>(18 878)</b>
<b>Closing Balance</b>	<b>116 717</b>	<b>309 988</b>	<b>1 051</b>	<b>55 819</b>	<b>4 188</b>	<b>30 210</b>	<b>517 973</b>

12.3 **Glenthorne**

In May 2001, the University was the recipient of a grant of a parcel of land known as Glenthorne previously owned by the CSIRO. This land is intended to be used by the University for research, teaching and agricultural based commercial enterprises.

The transaction involved three parties. The Government of South Australia had agreed to purchase Glenthorne from the CSIRO for \$7 million, which was the value of the land if it were to be developed for housing. The Government of South Australia was intending to retain the land as open space. However, after consultation with various interested parties, the Government of South Australia decided that the ongoing development and management of the property would best be undertaken by the University. As a result, the Government of South Australia made a \$7 million grant to the University to purchase Glenthorne from the CSIRO.

However, the land is zoned for rural use and one of the conditions of the grant from the Government of South Australia was that the University preserve the land for agricultural and other related activities. The Valuer-General has valued the land for primary production at \$3.3 million. Should the University sell the property these same conditions would apply to the new owner and the University would be obliged to repay the original grant plus CPI to the Government of South Australia.

In accordance with AAS 6 Accounting Policies, the University whilst recognising the ascribed value of the \$7 million grant as income in 2001, wrote down the value of the land to fair value, with a charge to the Statement of Financial Performance of \$3.7 million in 2001.

As a result, the transaction as a whole had a beneficial impact on the University's Statement of Financial Performance of \$3.3 million in 2001.

**13. Payables - Current**

Accounts payable  
Accruals

		Consolidated		University	
		2002	2001	2002	2001
		<b>13 941</b>	13 823	<b>10 640</b>	10 316
		<b>9 991</b>	6 385	<b>5 097</b>	1 736
		<b>23 932</b>	20 208	<b>15 737</b>	12 052

**14. Interest Bearing Liabilities**

Current:

Bank loans and commercial paper  
Lease liability  
Other  
Owing to controlled entities

108	20 113	-	20 038
-	7	-	-
7	36	6	36
-	-	-	2 047
<b>115</b>	20 156	<b>6</b>	22 121

213	198	-	-
<b>94</b>	95	<b>94</b>	95
<b>307</b>	293	<b>94</b>	95

**Bank Loans and Commercial Paper**

In 1991 the University obtained a loan facility to a maximum of \$22.9 million for a period of 10 years. During the course of 2001, the loan facility expired and the debt was converted into commercial bills. During the 2002 year the commercial bills were repaid from surplus cash on deposit.

**15. Provisions**

Current:

Annual and long service leave provisions  
Workers compensation provision

		Consolidated		University	
		2002	2001	2002	2001
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>9 860</b>	11 745	<b>9 216</b>	11 211	<b>9 20</b>	818
<b>10 780</b>	12 602	<b>10 136</b>	12 029		

1 580	1 300	<b>1 580</b>	1 300
<b>18 876</b>	19 653	<b>18 856</b>	19 638
<b>20 456</b>	20 953	<b>20 436</b>	20 938

**16. Other Liabilities**

Current:

Grants received in advance  
Outside funded positions  
Salary and wage deductions  
Student tuition fees received in advance  
Unspent Commonwealth financial assistance  
Residential bonds  
Employee benefits – redundancy

-	6 780	-	6 603
<b>1 054</b>	831	<b>1 054</b>	831
<b>351</b>	3 432	<b>348</b>	3 432
<b>1 871</b>	2 702	<b>1 871</b>	2 702
<b>1 328</b>	-	<b>1 328</b>	-
<b>17</b>	28	<b>17</b>	28
<b>510</b>	-	<b>510</b>	-
<b>5 131</b>	13 773	<b>5 128</b>	13 596

**Grants Received in Advance**

In December 2001, the University received an advance of its operating grant of \$5 million from DEST. An amount of \$0.3 million had been used as at 31 December 2001, reducing this amount to \$4.7 million. This amount was included in grants received in advance. The amount in grants received in advance has been included in grant revenue in the Statement of Financial Performance in 2002 together with a further \$5 million operating grant received from DEST during 2002. The grant was for the purpose of restructuring and will be offset by a reduction in DEST funding in three equal instalments in 2003, 2004 and 2005.

**17. Reserves****17.1 Summary**

Capital Reserves:  
Capital reserve  
Capital profits reserve  
Asset revaluation reserve  
Initial asset recognition reserve

		Consolidated		University	
		2002	2001	2002	2001
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2 970</b>	2 970	-	-		
<b>687</b>	1 036	-	-		
<b>143 303</b>	100 242	<b>159 859</b>	114 226		
<b>279 124</b>	279 378	<b>279 124</b>	279 124		
<b>426 084</b>	383 626	<b>438 983</b>	393 350		

Specific Purpose Reserves:

Special reserve  
Bequests/donations unspent income reserve  
Restricted purpose bequest capital reserve  
Composite fund revaluation reserve

<b>46 452</b>	35 626	<b>46 452</b>	35 626
<b>12 415</b>	10 087	<b>12 415</b>	10 087
<b>44 782</b>	47 880	<b>44 782</b>	47 880
<b>10 629</b>	14 483	<b>10 629</b>	14 483
<b>114 278</b>	108 076	<b>114 278</b>	108 076

**17.2 Movements in Reserves**

Capital Reserve:

Opening balance  
Current year movement

**Closing Balance**

<b>2 970</b>	2 970	-	-
-	-	-	-
<b>2 970</b>	2 970	-	-

**17.2 Movements in Reserves (continued)**

	Consolidated		University	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Capital Profits Reserve:				
Opening balance	<b>1 036</b>	865	-	-
Current year movement	<b>(349)</b>	171	-	-
<b>Closing Balance</b>	<b>687</b>	1 036	-	-
Asset Revaluation Reserve:				
Opening balance	<b>100 242</b>	88 116	<b>114 226</b>	71 726
Add (Less): Revaluation increment/decrement on investments	<b>(12 815)</b>	12 126	<b>(1 163)</b>	42 500
Add: Revaluation increment on property, plant and equipment	<b>55 876</b>	-	<b>46 796</b>	-
<b>Closing Balance</b>	<b>143 303</b>	100 242	<b>159 859</b>	114 226
Initial Asset Recognition Reserve:				
Opening balance	<b>279 378</b>	279 378	<b>279 124</b>	279 124
Current year movement	<b>(254)</b>	-	-	-
<b>Closing Balance</b>	<b>279 124</b>	279 378	<b>279 124</b>	279 124
Special Reserve:				
Opening balance	<b>35 626</b>	26 187	<b>35 626</b>	26 187
Transfer (to) from accumulated funds	<b>10 826</b>	9 439	<b>10 826</b>	9 439
<b>Closing Balance</b>	<b>46 452</b>	35 626	<b>46 452</b>	35 626
Bequests/Donations Unspent Income Reserve:				
Opening balance	<b>10 087</b>	9 547	<b>10 087</b>	9 547
Transfer (to) from accumulated funds	<b>2 328</b>	540	<b>2 328</b>	540
<b>Closing Balance</b>	<b>12 415</b>	10 087	<b>12 415</b>	10 087
Restricted purpose Bequest Capital Reserve:				
Opening balance	<b>47 880</b>	47 583	<b>47 880</b>	47 583
Transfer (to) from accumulated funds	<b>(3 098)</b>	297	<b>(3 098)</b>	297
<b>Closing Balance</b>	<b>44 782</b>	47 880	<b>44 782</b>	47 880
Composite Fund Revaluation Reserve:				
Opening balance	<b>14 483</b>	15 519	<b>14 483</b>	15 519
Transfer (to) from accumulated funds	<b>(3 854)</b>	(1 036)	<b>(3 854)</b>	(1 036)
<b>Closing Balance</b>	<b>10 629</b>	14 483	<b>10 629</b>	14 483

**17.3 Nature and Purpose of Reserves***Capital Reserve*

Represents capital accounts held within controlled entities of the University.

*Capital Profits Reserve*

Represents the accumulation of realised revalued increments of assets sold.

*Asset Revaluation Reserve*

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

*Initial Asset Recognition Reserve*

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

*Specific Purpose Reserves*

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

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

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

	Consolidated		University	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Cash	<b>11 861</b>	14 181	<b>1 467</b>	5 578
Short-term cash investment	<b>13 075</b>	25 941	<b>13 075</b>	25 941
	<b>24 936</b>	40 122	<b>14 542</b>	31 519

(b)	<i>Reconciliation of Net Cash provided by Operating Activities to Operating Surplus (Deficit)</i>	Note	Consolidated		University	
			2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
	Operating surplus (deficit)		15 882	(5 467)	12 419	(6 365)
	<i>Add (Less): Non-cash items:</i>					
	Amortisation	6	3 826	2 938	3 787	2 938
	Depreciation	6	15 995	15 214	15 091	14 487
	Write down (up) investments		4 307	2 150	4 307	2 150
	Bad debts written off		6	528	-	452
	Superannuation expense		4 100	1 800	4 100	1 800
	Superannuation revenue		(4 100)	(1 800)	(4 100)	(1 800)
	Other revenue/expenses		(1 725)	(3 714)	(1 104)	(4 117)
	(Profit) Loss on sale of property, plant and equipment		(231)	1 820	(195)	1 879
	Changes in assets/liabilities:					
	(Increase) Decrease in inventories		506	(857)	(14)	33
	(Increase) Decrease in receivables		(8 379)	(5 271)	(7 865)	(5 793)
	(Increase) Decrease in other current assets		845	(155)	1 319	(1 181)
	Increase (Decrease) in payables		3 724	(4 396)	3 685	(3 446)
	Increase (Decrease) in other current liabilities		(8 642)	9 359	(8 468)	9 584
	Increase (Decrease) in provisions		(2 319)	302	(2 395)	871
	Increase (Decrease) in interest-bearing liabilities		-	1 866	-	(2 065)
	<b>Net Cash provided by Operating Activities</b>		<b>23 795</b>	<b>14 317</b>	<b>20 567</b>	<b>9 427</b>

**(c) Interest-Bearing Liabilities**

Refer Note 14.

**19. Future Expenditure Commitments**

*Operating Expenditure*

Contracted but not provided for and payable:

Not later than one year

Later than one year but not later than five years

Later than five years

9 544	4 662	9 544	4 662
7 625	3 642	7 625	3 642
-	-	-	-
<b>17 169</b>	<b>8 304</b>	<b>17 169</b>	<b>8 304</b>

*Capital Expenditure*

Contracted but not provided for and payable:

Not later than one year

Later than one year but not later than five years

Later than five years

8 764	6 994	8 764	6 994
-	-	-	-
-	-	-	-
<b>8 764</b>	<b>6 994</b>	<b>8 764</b>	<b>6 994</b>

*Operating Lease Commitments*

Future operating base rental not provided for and payable:

Not later than one year

Later than one year but not later than five years

Later than five years

4 454	2 998	3 983	2 892
7 515	6 823	5 440	5 123
4 117	2 444	1 200	-
<b>16 086</b>	<b>12 265</b>	<b>10 623</b>	<b>8 015</b>

*Finance Lease Commitments*

Finance leases rentals are payable as follows:

Not later than one year

Later than one year but not later than five years

Later than five years

3(l)

-	7	-	-
-	-	-	-
-	-	-	-
-	7	-	-
-	-	-	-
-	7	-	-

Lease liabilities provided for in the financial statements:

Current

Non-current

**Total Lease Liability**

-	7	-	-
-	-	-	-
-	7	-	-

The University leases plant and equipment under finance leases expiring from one to five years. At the end of the lease term the University has the option to purchase the equipment.

**20. Contingent Liabilities**

**(a) Guarantees**

The University in 1997 provided a \$4.4 million guarantee and an indemnity to the Bank of South Australia to support a loan made to Frome Street Car Park Developments Pty Ltd. The guarantee is for a ten year period.

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

(b) **Superannuation**

(i) *University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985)*  
The University has guaranteed that members of this superannuation scheme will receive defined benefits in the event that this closed scheme has insufficient assets to meet the benefits. No employer contributions were made in 2002, however actuarial advice has been received to re-commence employer contributions of 14 percent of salaries as from 1 January 2003 to ensure there are sufficient assets in the scheme to meet expected future liabilities of remaining members. Refer to Note 22(c).

(ii) *UniSuper Limited Superannuation Schemes*  
Refer to Note 22(b).

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

(d) **Insurance Claims**  
Adelaide Research & Innovation Pty Ltd (ARI) was named co-defendant in an action for loss and damages with respect to the Hindmarsh Island Bridge. The total claim was approximately \$20 million. The claim related to alleged negligence in the employment of a consultant who assisted in making submissions to the Minister for Aboriginal Affairs. During 2001 judgment was made in favour of the co-defendants. The judgement was appealed but before the hearing date a discontinuance notice was filed.

Repromed Pty Ltd is currently party to a professional claim from a patient. In the directors opinion this claim is unlikely to be successful and in any event would be covered by the company's professional indemnity insurance policy.

(e) **Taxation claim involving R&D Syndicate**  
In August 2000 ARI was notified by the Australian Taxation Office (ATO) that the Trust may be assessable to income tax in respect of certain income arising from the Transgenic Syndicated R&D Project in the 1991-92 and following years. The ATO claimed that, on the information available to it, ARI had not distributed that income to the beneficiary, The University of Adelaide. ARI has contested the ATO's view, and its legal advice strongly supports ARI's position that ARI is not properly liable for any tax. No assessment had been issued prior to the adoption of these financial statements.

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

**21. Events Subsequent to Balance Date**  
Subsequent to balance date, the University of Adelaide has entered into negotiations with the State Government of South Australia, and made a conditional and non-legally binding offer to lease the National Wine Centre for a period of 40 years, and to purchase related assets for an all up consideration of \$1 million. The transaction has not been concluded as the due diligence process is not yet complete. There is no financial consequence represented in the 2002 Financial Statements.

**22. Superannuation Schemes**

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

(i) Those operative and open to membership:

- UniSuper Defined Benefit Plan or Investment Choice Plan - formerly Superannuation Scheme for Australian Universities (SSAU)
- UniSuper Award Plus Plan - formerly Tertiary Education Superannuation Scheme (TESS).

(ii) Those operative but closed to future membership:

- The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985).

(iii) State Government Schemes closed to future membership by University employees:

- State Pension Scheme;
- State Lump Sum Scheme.

(b) **UniSuper Limited Superannuation Schemes**  
From 1984 the University became a participating institution in the Superannuation Scheme for Australian Universities (SSAU). As at 1 July 1998, the rules governing the Fund were amended to allow employees the option to remain within the defined benefits arrangement or convert to an accumulation fund. As from 1988 the University was also a participating institution in Tertiary Education Superannuation Scheme (TESS); a non-contributory scheme for University employees. On 1 October 2000, SSAU merged with TESS to form UniSuper. The employee's UniSuper plan is determined by the terms of employment. The superannuation plans are now administered by UniSuper Management Pty Ltd with UniSuper Ltd as the trustee.

The employer contribution rate during 2002 for employees in either the Defined Benefit Plan or Investment Choice Plan was 14 percent of salaries plus 3 percent of salaries contribution to the Award Plus Plan and for employees only in the Award Plus Plan was 8 percent of salaries up to 30 June 2002 and 9 percent of salaries thereafter. The employee contribution rate throughout 2002 for employees in either the Defined Benefit Plan or Investment Choice Plan was 7 percent of their gross salaries.

(b)

***UniSuper Limited Superannuation Schemes (continued)***

An actuarial assessment, as at 31 December 1999, was completed on 18 May 2000. The assessment was conducted by Mr Grant Harslett (FIA, FIAA) of Towers Perrin. The actuary concluded that the assets of the fund were sufficient to meet all benefits payable in the event of the fund's termination, or the voluntary or compulsory termination of employment of each employee of the University. An actuarial assessment as at 31 December 2002 was being undertaken at the time the financial statements were being prepared, however it was not available for disclosure at the time of signing the financial statements.

The Trustee of UniSuper has advised that the vested and accrued benefits of staff members who are in the Defined Benefits Plan were valued at the greater of the present value of expected future payment of benefits or the vested benefit, as follows:

- (i) Estimated vested and accrued benefits at 30 June 2002 - \$170.4 million (2001 - \$172.0 million).
- (ii) Estimated net market value of assets for current members, at 30 June 2002 available to pay the superannuation liabilities of The University of Adelaide members was \$158.5 million (2001 - \$189.8 million).
- (iii) The difference between the estimated net market value of assets and accrued benefits at 30 June 2002 apportioned to The University of Adelaide was \$11.9 million (2001 - \$17.8 million). The 2002 shortfall is an outcome of market decline. The accounting valuation is made on the hypothetical basis of all DBP members having to be paid at once.

The Trustee has also advised the University that based on reasonable assumptions about the future, the actuary expects commitments to members to be met and the existing contribution rates to remain appropriate. The University has not been required to increase contribution rates to the scheme in 2002.

(c)

***The University of Adelaide Superannuation Scheme A 1985***

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

No employer contribution was made in 2002, however actuarial advice has been received to re-commence employer contributions of 14 percent of salaries as from 1 January 2003 to ensure that there are sufficient assets in the Scheme to meet expected future liabilities of remaining members.

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

- (i) Vested benefits as at 30 June 2002 was \$9.7 million (2001 - \$10.3 million)
- (ii) Net market value of the assets of the Scheme available to pay benefits as at 30 June 2002 was \$10.3 million (2001 - \$12.2 million).
- (iii) Accrued benefits as at the date of last measurement being 30 June 2001 of \$11.6 million; the previous measurement as at 30 June 1998 was \$9.5 million.
- (iv) The difference between accrued benefits and the net market value of assets as at 30 June 2001, was \$0.6 million; the difference at the last measurement as at 30 June 1998 was \$3.0 million.

(d)

***State Government Superannuation Schemes***

In 1991 employees of the City Campus of South Australian College of Advanced Education and Roseworthy Agricultural College were transferred to the University. Their terms of appointment to the University protected their membership of the State Pension Scheme and State Lump Sum Scheme. The schemes are administered by the Superannuation Board of South Australia. The schemes provide defined benefits and are mainly unfunded. The only employer contributions made in 2002 were 3 percent of salaries, and remaining benefits are met on an emerging cost basis.

The South Australian Department of Treasury and Finance estimate that, as at 31 December 2002, there is an unfunded liability of \$37.8 million (2001 - \$33.7 million). This represents an increase in liability of \$4.1 million since 31 December 2001. This is recognised as expenditure in the 2002 Statement of Financial Performance, with a corresponding adjustment to revenue.

The Commonwealth Government has agreed to provide assistance under Section 20 of the *Higher Education Funding Act* to meet the additional costs in respect of State Government emerging cost schemes, where costs are in excess of funding provided for this purpose in the base operating grant (ie 14 percent of salaries). Under the Commonwealth legislation titled '*State Grants (General Purposes) Amendment Act 1982*', the method of payment of these costs by the Commonwealth to the State Governments was promulgated. Further, the accounting methodology employed in these financial statements is in accordance with 'Guidelines for the Preparation of Annual Financial Reports for the 2002 Reporting Period by Australian Higher Education Institutions' provided by DEST. The accounting treatment employed is also consistent with the approach taken by other Australian Universities. Accordingly, total assets of \$37.8 million have been recorded as a 'Deferred government superannuation contribution' which offsets the current and non-current liability for the State Government Superannuation Schemes recorded as 'Deferred Employee Superannuation Benefits'.

(d)	<b>State Government Superannuation Schemes (continued) Summary</b>	Consolidated		University	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
	Deferred Government Superannuation Contribution: Non-current asset	37 800	33 700	37 800	33 700
	Deferred Employee Superannuation Benefits: Current liability	2 700	2 400	2 700	2 400
	Non-current liability	35 100	31 300	35 100	31 300
		37 800	33 700	37 800	33 700
	The total employer contributions were:				
	UniSuper Defined Benefit Plan or Investment Choice Plan	13 378	13 486	13 378	13 486
	UniSuper Award Plus Plan	6 087	5 817	6 087	5 817
	State Government Superannuation Schemes (3 percent)	45	63	45	63
		19 510	19 366	19 510	19 366

**23. Disaggregation Information (previously Segment Information)**

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

**24. Auditors' Remuneration**

Amounts paid or payable were:  
    South Australian Auditor-General  
    Other auditors of controlled entities  
  
    Other services

	Consolidated		University	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
South Australian Auditor-General	165	160	165	160
Other auditors of controlled entities	60	74	-	-
	225	234	165	160
Other services	-	-	-	-
	225	234	165	160

**25. Remuneration for University Senior Management**

Amounts paid or payable to University Senior Management

	University	
	2002 \$'000	2001 \$'000
	2 338	3 804
<b>Number</b>	<b>Number</b>	
2	-	
-	2	
-	1	
1	2	
1	1	
1	1	
1	3	
1	-	
1	-	
1	-	
2	-	
-	1	
-	1	
<b>11</b>	<b>12</b>	

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

The Vice-Chancellor and other senior managers derive board fees for services rendered to organisations outside of the University which they pay or direct as income to the University.

## 26. Additional Financial Instruments Disclosure

(a) **Interest Rate Risk**

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

		2002					
		Floating Interest Rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non-Interest Bearing \$'000	Total \$'000
Financial Assets:	Note						
Cash		11 861	-	-	-	-	11 861
Receivables		7	-	-	-	25 974	25 974
Other financial assets	8,11	39 728	24 056	-	1 678	18 237	83 699
		51 589	24 056	-	1 678	44 211	121 534
Weighted average interest rate		4.03%	4.65%	-	6.21%	-	
Financial Liabilities:							
Payables	13	-	-	-	-	23 932	23 932
Interest-bearing liabilities	14	-	108	213	-	101	422
		-	108	213	-	24 033	24 354
Weighted average interest rate		-	3.7%	3.7%	-	-	
2001							
		Floating Interest Rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non-Interest Bearing \$'000	Total \$'000
Financial Assets:							
Cash		14 181	-	-	-	-	14 181
Receivables		7	-	-	-	17 595	17 595
Other financial assets	8, 11	15 815	37 411	-	6 154	54 475	113 855
		29 996	37 411	-	6 154	72 070	145 631
Weighted average interest rate		3.75%	5%	-	12.93%	-	
Financial Liabilities:							
Payables	13	-	-	-	-	20 208	20 208
Interest-bearing liabilities	14	-	20 038	-	-	411	20 449
		-	20 038	-	-	20 619	40 657
Weighted average interest rate		-	8.55%	-	-	-	-

(b) **Foreign Exchange Risk**

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

(c) **Credit Risk Exposure**

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

(i) *On-Statement of Financial Position Financial Instruments*

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

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

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

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

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

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

(i) *On-Statement of Financial Position Financial Instruments*

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

(i) *On-Statement of Financial Position Financial Instruments (continued)*  
 Monetary financial assets and financial liabilities not readily traded in an organised financial market, are determined by valuing them at amounts due from customers (reduced for expected credit losses) or due to suppliers.

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

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

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

**27. Investment in Controlled Entities**

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

Controlled Entity:	Investment at Fair Value		Investment at Cost		Contribution to Operating Result	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Adelaide Research and Innovation						
Investment Trust	<b>10 199</b>	21 228	<b>2 898</b>	2 898	<b>1 958</b>	(1 669)
Lubims Pty Ltd	<b>1 563</b>	789	-	-	<b>274</b>	112
Martindale Holdings Pty Ltd as trustee for:						
JS Davies Estate	<b>14 388</b>	11 663	-	-	<b>954</b>	1 331
JAT Mortlock Trust	<b>18 085</b>	11 718	-	-	<b>997</b>	861
	<b>44 235</b>	45 398	<b>2 898</b>	2 898	<b>4 183</b>	635

**JS Davies**

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

**Fair Value of Investments in Controlled Entities**

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

**28. Investments in Associates**

**(a) Equity and Contribution to Results**

Associate Entity	Principal Activity	Holding Percent	Consolidated Carrying Amount		Investment At Cost	
			2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Held by the University</b>						
AITEC Pty Ltd	Provides advanced information technology courses	7.8	-	55	-	-
Unisure Pty Ltd	Responsible for processing of Tertiary Institution Workers Compensation Insurance	33.3	-	-	-	-
Ngee Ann Adelaide Education Centre Pty Ltd	Operates a graduate education centre in Singapore	50.0	<b>440</b>	278	<b>298</b>	298
Australian Centre for Plant Functional Genomics Pty Ltd	Responsible for the development of world-class capability in plant genomic research and its application for economic and social benefit to Australia	39.0	-	-	-	-
Australian Grain Technology Pty Ltd	Responsible for the development of research into new grain varieties	25.0	-	-	-	-
			<b>440</b>	333	<b>298</b>	298

In 2002 AITEC Pty Ltd underwent a restructuring that resulted in the University's shareholding reducing to 7.83 percent (2001 – 25 percent). As the University no longer has a significant influence in AITEC Pty Ltd, the University no longer accounts for this investment using the equity method.

**(b) Movements in Carrying Amounts of Investments In Associates**

At beginning of financial year  
 Share of operating profits (losses)

	Consolidated		University	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
At beginning of financial year	<b>333</b>	162	-	-
Share of operating profits (losses)	<b>107</b>	171	-	-
	<b>440</b>	333	-	-

(c)	<b>Results Attributed to Associates</b>	Consolidated		University	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
	Operating profits (losses)	107	171	-	-
	Retained profits attributable to associates at start of financial year			333	162
	Retained profits attributable to associates at the end of the financial year			440	333

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

## 29. Interests in Joint Ventures

(a)	<b>Groups</b>	
		The University participates in a number of joint ventures. These operations are not material to the University and there is no separate disclosure for 2002 in accordance with the Australian Accounting Standard AAS 19 – Accounting for Interests in Joint Ventures. For reporting purposes these have been segregated into two groups as follows: Refer accounting policy 3(j).

(i)	<i>Cooperative Research Centres</i>	
		The University participated in a number of Cooperative Research Centres (CRCs) during 2002. These Centres have the characteristics of joint ventures and have been reported as such.
		A CRC is a research initiative of the Australian Government established to pursue specific areas of research. One of the desired outcomes of a CRC is the creation of specific intellectual property with commercial value. The participants in CRC are an amalgam of research institutions, eg CSIRO, universities and private enterprise. Direct participants in these schemes are vested with joint venture interest. The funding of the CRC is co-ordinated through a Centre Agent who is appointed generally from one of the participating entities.
		Funding transfers between the CRC and the University are accounted for as general revenue and expenditure with the overall impact for the period being revenue neutral. Consequently, they are reported as part of the University's activity. At this stage, with the exception of GroPep Ltd, there has been no intellectual property yet developed which is considered to have commercial value in either the ongoing or completed CRCs. Consequently at balance date, no value was ascribed to the intellectual property of the CRCs.

		<b>Participation Percent</b>
Australian Petroleum CRC	(U)	(C) 13
CRC for Welded Structures	(I)	(C) 7
CRC for Molecular Plant Breeding	(U)	- 17
CRC for Clean Power from Lignite	(U)	(C) 9
CRC for Sensor Signal and Information Processing	(U)	- 16
CRC for Tissue Growth and Repair	(U)	(C) 16
CRC for Viticulture	(U)	(C) 18
CRC for Water Quality and Treatment	(U)	(C) 6
CRC for Australian Weed Management	(U)	(C) 7
CRC for Biological Control of Pest Animals	(U)	(C) 8
CRC for Cattle & Beef Quality	(U)	(C) -
CRC for Freshwater Ecology	(U)	(C) 1
CRC for Smart Internet Technology	(U)	- 5
CRC for Plant-Based Management of Dryland Salinity	(U)	(C) -
CRC for Landscape Environments and Mineral Exploration	(U)	(C) 5

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

The University over the next seven years will make both cash and in-kind contributions to support the work of the CRCs. The University has committed to participate in the work of these CRCs, with contributions in constant dollars, of \$3 million in cash and \$27.8 million in kind.

(ii)	<i>Other Unincorporated Joint Ventures</i>		Participation Percent
	Name	Principal Activity	
	South Australian Regional Network Organisation (SAARDNet)	To provide high speed microwave networks to link areas of research concentration in South Australia	(U) 20
	Middleback Field Centre	To provide pastoral-zone courses and range land ecology research programmes	(U) 33
	National Course in General Arbitration & Dispute Resolution	To develop and deliver tertiary courses in general arbitration and alternative dispute resolution	(U) 50
	South Australian Centre for Economic Studies	To obtain quality research regarding regional economic development with particular application to South Australia	(U) 50
	South Australian Tertiary Admissions Centre	Established as the agent for tertiary institutions in Adelaide for the purpose of receiving and processing applications from intending students	(U) 25
	(I) Incorporated (U) Unincorporated (C) CSIRO is a partner		

The Consolidated Entity's reported interest in the assets employed in the joint ventures total \$367 000 (2001 - \$248 000). These are included in the consolidated Statement of Financial Position, in accordance with the accounting policy described in Note 3(j).

(b)	<b>Equity and Contribution to Results</b> <b>Joint Venture Entity</b>	Held by The University of Adelaide:	Participation Percent	Consolidated Carrying Amount		Investment at Cost 2002 \$'000 2001 \$'000
				2002 \$'000	2001 \$'000	
	National Course in General Arbitration and Dispute Resolution	50	19	4	65	65
	Middleback Field Centre	33	24	23	-	-
	South Australian Regional Network Organisation	20	-	5	-	85
	South Australian Centre for Economic Studies	50	43	27	-	-
	South Australian Tertiary Admissions Centre	25	281	189	-	-
				367	248	65 150

The South Australian Regional Network Organisation (SAARDNet) is no longer a going concern and has ceased operations.

(c)	Movements in Carrying Amounts of Joint Ventures:	At beginning of financial year	Consolidated		University 2002 \$'000 2001 \$'000
			2002 \$'000	2001 \$'000	
		Share of operating profits (losses)	248	202	- -
			119	46	- -
			367	248	- -

(d)	Results Attributed to Joint Ventures:	Operating profits (losses)	Consolidated		University 2002 \$'000 2001 \$'000
			2002 \$'000	2001 \$'000	
		Retained profits attributable at start of financial year	248	202	- -
		Retained profits attributable at end of financial year	119	46	- -
			367	248	- -

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

### 30. Other Investments

The University holds investments in the following business undertakings:

Entity	Note	Consolidated		University	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Investments at Cost		<b>76</b>	103	<b>86</b>	86
Investments at Council Valuation 2002:					
Other	3(j)	<b>3 056</b>	1 691	<b>1 888</b>	804
Held by ARI Investment Trust at Council valuation <sup>(1)</sup>	3(j)				
BresaGen Ltd - Biotechnology research		<b>2 983</b>	7 670	-	-
GroPep Ltd - Biotechnology research		<b>4 070</b>	12 830	-	-
		<b>7 053</b>	20 500	-	-
		<b>10 185</b>	22 294	<b>1 974</b>	890

(1) These investments are publicly listed and have been recorded at the market value at balance date.

### **31. Related Party Transactions**

**(a) Councillor Related Transactions**

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

Mr Brian Croser, AO, is a director of Petaluma Ltd. One of the subsidiary's of this group transacts business on normal commercial trading terms with JAT Mortlock Trust through Martindale Holdings Pty Ltd as trustee.

Mr NR Adler, AO, is Chairman and director of the board of The Australian Trade Commission (Austrade), which provides on normal commercial terms to the University, various marketing services, primarily in the area of international students.

Mr NR Adler, AO, is the major shareholder and Chairman of the board of directors of Amtrade International Pty Ltd, which provides on normal commercial terms to the University, various chemical and plastic raw materials.

Dr H Reid, OAM, is a board member of St Mark's College Incorporated. The University has advanced a loan to St Mark's College at an interest rate calculated as the CPI for the previous year plus 1 percent.

**(b) *Property Leases***

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

The University and the CSIRO are partners in a number of Cooperative Research Centres - refer to Note 29.

**(c) Fees Paid To Members of Council**

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

**(d) Students at The University of Adelaide**

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

The following information being Note 32 to Note 39 has been prepared in accordance with the DEST reporting guidelines.

### 32. Statement of Financial Performance for the year ended 31 December 2002

	Note	Consolidated		University	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>OPERATING REVENUE FROM ORDINARY ACTIVITIES:</b>					
Commonwealth Government financial assistance		<b>177 132</b>	158 906	<b>177 132</b>	158 906
State Government financial assistance	38	<b>15 131</b>	11 720	<b>14 911</b>	11 500
Higher Education Contribution Scheme (HECS):	34				
Student contributions		<b>6 638</b>	6 063	<b>6 638</b>	6 063
Commonwealth payments		<b>35 339</b>	33 100	<b>35 339</b>	33 100
Postgraduate Education Loan Scheme (PELS)	34	<b>1 293</b>	-	<b>1 293</b>	-
Fees and charges	39	<b>55 766</b>	45 965	<b>50 385</b>	42 889
Superannuation:					
Deferred Government contributions		<b>4 100</b>	1 800	<b>4 100</b>	1 800
Commonwealth supplementation		<b>2 465</b>	1 212	<b>2 465</b>	1 212
Investment income		<b>(268)</b>	3 350	<b>114</b>	3 603
Royalties, trademarks and licences	5	<b>564</b>	273	<b>564</b>	9
Consultancy and contract research		<b>30 246</b>	29 966	<b>22 036</b>	18 504
Other revenue		<b>42 971</b>	33 147	<b>23 363</b>	19 710
<b>Total Operating Revenue from Ordinary Activities</b>		<b>371 377</b>	325 502	<b>338 340</b>	297 296

## 32. Statement of Financial Performance for the year ended 31 December 2002 (continued)

OPERATING EXPENSES FROM ORDINARY ACTIVITIES:	Note	Consolidated		University	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Employee benefits	6	<b>201 306</b>	188 291	<b>193 548</b>	181 038
Depreciation and amortisation	6	<b>19 821</b>	18 152	<b>18 878</b>	17 425
Buildings and grounds		<b>18 284</b>	16 745	<b>18 284</b>	16 690
Bad and doubtful debts	6	<b>(156)</b>	166	<b>(156)</b>	90
Borrowing cost expense	6	<b>1 269</b>	2 049	<b>1 252</b>	2 040
Other expenses		<b>114 971</b>	105 566	<b>94 115</b>	86 378
<b>Total Operating Expenses from Ordinary Activities</b>		<b>355 495</b>	330 969	<b>325 921</b>	303 661
<b>OPERATING RESULT FROM ORDINARY ACTIVITIES</b>		<b>15 882</b>	(5 467)	<b>12 419</b>	(6 365)

## 33. Commonwealth Government Financial Assistance

(a) *Financial Assistance received pursuant to the Higher Education Funding Act 1988 (including Superannuation Contributions from the Commonwealth, but excluding HECS and PELS)*

	Consolidated		University	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Teaching and Learning:				
Operating purposes (excluding HECS and PELS)	<b>79 204</b>	82 203	<b>79 204</b>	82 203
Teaching Hospitals	<b>530</b>	518	<b>530</b>	518
ARC:				
Discovery – Projects	<b>2 845</b>	-	<b>2 845</b>	-
Large grants	<b>3 667</b>	5 221	<b>3 667</b>	5 221
Research Fellowships	<b>1 813</b>	1 889	<b>1 813</b>	1 889
Federation Fellowships	<b>314</b>	-	<b>314</b>	-
Linkage – Projects	<b>876</b>	-	<b>876</b>	-
SPiRT	<b>957</b>	1 583	<b>957</b>	1 583
Linkage – Infrastructure	<b>225</b>	2 218	<b>225</b>	2 218
Linkage – International	<b>83</b>	-	<b>83</b>	-
International Researcher Exchange	<b>236</b>	291	<b>236</b>	291
Centres of Excellence	<b>3 712</b>	1 675	<b>3 712</b>	1 675
ANZCAART	<b>30</b>	21	<b>30</b>	21
DEST:				
Institutional Grants Scheme	<b>15 310</b>	-	<b>15 310</b>	-
Research Training Scheme	<b>24 070</b>	23 501	<b>24 070</b>	23 501
Systemic Infrastructure Initiative	<b>201</b>	-	<b>201</b>	-
Research Infrastructure	<b>8 134</b>	5 778	<b>8 134</b>	5 778
Australian Postgraduate Awards	<b>4 116</b>	3 972	<b>4 116</b>	3 972
International Postgraduate Research Scholarships	<b>693</b>	943	<b>693</b>	943
<b>Sub-total pursuant to the Higher Education Funding Act 1988</b>	<b>147 016</b>	129 813	<b>147 016</b>	129 813

(b) *Other Commonwealth Government Financial Assistance Received*

AusIndustry	<b>15</b>	-	<b>15</b>	-
Australian Biological Resources Study	<b>66</b>	57	<b>66</b>	57
Australian Telescope National Facility	-	13	-	13
Australian Centre for International Agricultural Research	<b>656</b>	459	<b>656</b>	459
Australian Institute of Aboriginal & Torres Strait Islander Studies	<b>31</b>	-	<b>31</b>	-
Australian Institute of Health and Welfare	<b>595</b>	269	<b>595</b>	269
Australian Synchrotron Research Program	-	13	-	13
Australian Wine Research Institute	-	11	-	11
Australian Wool Research and Promotion Organisation	-	23	-	23
AusAid	-	10	-	10
Bureau of Rural Sciences	<b>8</b>	-	<b>8</b>	-
Centrelink	<b>136</b>	7	<b>136</b>	7
CSIRO	<b>420</b>	175	<b>420</b>	175
Defence, Science and Technology Organisation	<b>280</b>	111	<b>280</b>	111
Department of Agriculture, Fisheries and Forestry	<b>7 724</b>	9 389	<b>7 724</b>	9 389
Department of Communications, IT and Arts	<b>15</b>	-	<b>15</b>	-
Department of Education, Science and Training	<b>118</b>	172	<b>118</b>	172
Department of Foreign Affairs and Trade	<b>5</b>	-	<b>5</b>	-
Department of Health and Aged Care	<b>22 022</b>	18 821	<b>22 022</b>	18 821
Department of Immigration and Multicultural and Indigenous Affairs	<b>20</b>	-	<b>20</b>	-
Department of Industry, Tourism and Resources	<b>265</b>	376	<b>265</b>	376
Department of Primary Industries and Energy	-	49	-	49
Environment Australia	-	48	-	48
Horticulture Australia Limited	-	252	-	252
Medical Services Advisory Committee	<b>205</b>	-	<b>205</b>	-
Other	-	50	-	50
<b>Sub-total other Commonwealth Government Financial Assistance Received</b>	<b>32 581</b>	30 305	<b>32 581</b>	30 305
<b>Total Commonwealth Government Financial Assistance excluding HECS and PELS</b>	<b>179 597</b>	160 118	<b>179 597</b>	160 118

**34. Acquittal of Commonwealth Government Financial Assistance - Teaching and Learning**  
 Amounts received and expended pursuant to the *Higher Education Funding Act 1988*:

Teaching and Learning	Parent Entity (University) Only							
	Operating Financial Assistance excluding HECS and PELS		Teaching Hospitals		HECS		PELS	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial assistance in advance (received in the previous reporting period)	5 172	-	42	-	2 812	-	-	-
<i>Add:</i> Financial assistance received during reporting period	<b>79 419</b>	87 203	<b>530</b>	518	<b>35 339</b>	33 100	<b>1 293</b>	-
<i>Add:</i> Contributions actually received from students	-	-	-	-	<b>6 638</b>	6 063	-	-
<i>Less:</i> Financial assistance in advance (received in the reporting period for the next reporting period)	(5 030)	(5 000)	(43)	-	(3 080)	-	-	-
<i>Accrual Adjustments:</i>								
<i>Less:</i> 2002 Financial assistance received in 2001	(5 172)	-	(42)	-	(2 812)	-	-	-
<i>Add:</i> 2003 Financial assistance received in 2002	<b>5 030</b>	-	<b>43</b>	-	<b>3 080</b>	-	-	-
<i>Less:</i> Work place reform adjustment	(215)	-	-	-	-	-	-	-
<b>Revenue attributed to the Reporting Period</b>	<b>79 204</b>	82 203	<b>530</b>	518	<b>41 977</b>	39 163	<b>1 293</b>	-
<i>Add:</i> Surplus prior year	<b>715</b>	2 170	-	-	-	-	-	-
<b>Funds available for the reporting period</b>	<b>79 919</b>	84 373	<b>530</b>	518	<b>41 977</b>	39 163	<b>1 293</b>	-
<i>Less:</i> Expenses for current Period	<b>79 919</b>	83 658	<b>530</b>	518	<b>41 977</b>	39 163	<b>1 293</b>	-
<b>Surplus for Reporting Period</b>	-	715	-	-	-	-	-	-

**35. Acquittal of Commonwealth Government Financial Assistance – Australian Research Council**  
 Amounts received and expended pursuant to the *Higher Education Funding Act 1988*:

Australian Research Council	Parent Entity (University) Only							
	Discovery Projects		Large Grants		Research Fellowships		Federation Fellowships	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial assistance in advance (received in the previous reporting period)	-	-	-	-	-	-	-	-
<i>Add:</i> Financial assistance received during reporting period	<b>2 845</b>	-	<b>3 667</b>	5 221	<b>1 813</b>	1 889	<b>314</b>	-
<i>Less:</i> Financial assistance in advance (received in the reporting period for the next reporting period)	(238)	-	(152)	-	(111)	-	(24)	-
<i>Accrual Adjustments:</i>								
<i>Add:</i> 2003 Financial assistance received in 2002	<b>238</b>	-	<b>152</b>	-	<b>111</b>	-	<b>24</b>	-
<b>Revenue attributed to the reporting period</b>	<b>2 845</b>	-	<b>3 667</b>	5 221	<b>1 813</b>	1 889	<b>314</b>	-
<i>Add:</i> Surplus prior year	-	-	<b>1 479</b>	1 542	<b>329</b>	157	-	-
<b>Funds available for the current period</b>	<b>2 845</b>	-	<b>5 146</b>	6 763	<b>2 142</b>	2 046	<b>314</b>	-
<i>Less:</i> Expenses for current period	<b>1 873</b>	-	<b>4 079</b>	5 284	<b>1 809</b>	1 717	<b>48</b>	-
<b>Surplus for current period</b>	<b>972</b>	-	<b>1 067</b>	1 479	<b>333</b>	329	<b>266</b>	-

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

Australian Research Council (continued)	Parent Entity (University) Only							
	Linkage Projects		SPIRT		Linkage Infrastructure		Linkage International	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial assistance in advance (received in the previous reporting period)	-	-	-	-	900	-	-	-
Add: Financial assistance received during reporting period	876	-	957	1 583	225	2 218	83	-
Less: Financial assistance in advance (received in the reporting period for the next reporting period)	(58)	-	(49)	-	-	-	(8)	-
Accrual Adjustments:								
Less: 2002 Financial assistance received in 2001	-	-	-	-	(900)	-	-	-
Add: 2003 Financial assistance received in 2002	58	-	49	-	-	-	8	-
<b>Revenue attributed to the reporting period</b>	<b>876</b>	-	<b>957</b>	1 583	<b>225</b>	2 218	<b>83</b>	-
Add: Surplus prior year	-	-	775	784	1 303	403	-	-
<b>Funds available for the current period</b>	<b>876</b>	-	<b>1 732</b>	2 367	<b>1 528</b>	2 621	<b>83</b>	-
Less: Expenses for current period	517	-	1 213	1 592	1 528	1 318	43	-
<b>Surplus for current period</b>	<b>359</b>	-	<b>519</b>	775	-	1 303	<b>40</b>	-

Australian Research Council	Parent Entity (University) Only					
	International Researcher Exchange		Centres of Excellence		ANZCAART	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial assistance in advance (received in the previous reporting period)	-	-	-	-	-	-
Add: Financial assistance received during reporting period	236	291	(1) 3 712	1 675	30	21
Less: Financial assistance in advance (received in the reporting period for the next reporting period)	(1)	-	-	-	-	-
Accrual Adjustments:						
Add: 2003 Financial assistance received in 2002	1	-	-	-	-	-
<b>Revenue attributed to the reporting period</b>	<b>236</b>	291	<b>3 712</b>	1 675	<b>30</b>	21
Add: Surplus prior year	172	63	1 047	1 512	-	-
<b>Funds available for the current period</b>	<b>408</b>	354	<b>4 759</b>	3 187	<b>30</b>	21
Less: Expenses for current period	221	182	2 444	2 140	30	21
<b>Surplus for current period</b>	<b>187</b>	172	<b>2 315</b>	1 047	-	-

(1) Centres of Excellence includes plant functional genomics (\$2 million)

**36. Acquittal of Commonwealth Government Financial Assistance – DEST**Amounts received and expended pursuant to the *Higher Education Funding Act 1988*:

DEST Research Financial Assistance	Parent Entity (University) Only							
	Institutional Grants Scheme		Research Training Scheme		Systemic Infrastructure Initiative		Research Infrastructure	
	2002	2001	2002	2001	2002	2001	2002	2001
Financial assistance in advance (received in the previous reporting period)	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Add:</i> Financial assistance received during reporting period	1 223	-	2 017	-	17	-	636	-
<i>Less:</i> Financial assistance in advance (received in the reporting period for the next reporting period)	15 310	-	25 398	23 501	201	-	8 134	5 778
<i>Accrual Adjustments:</i>	(1 224)	-	(2 167)	-	(8)	-	(816)	-
<i>Less:</i> 2002 Financial assistance received in 2001	(1 223)	-	(2 017)	-	(17)	-	(636)	-
<i>Add:</i> 2003 Financial assistance received in 2002	1 224	-	2 167	-	8	-	816	-
<b>Revenue attributed to the reporting period</b>	<b>15 310</b>	-	<b>25 398</b>	23 501	<b>201</b>	-	<b>8 134</b>	5 778
<i>Add:</i> Surplus prior year	-	-	-	-	-	-	189	-
<b>Funds available for the current period</b>	<b>15 310</b>	-	<b>25 398</b>	23 501	<b>201</b>	-	<b>8 323</b>	5 778
<i>Less:</i> Expenses for the current period	15 310	-	23 920	23 501	84	-	7 954	5 589
<b>Surplus for the reporting period</b>	-	-	<b>1 478</b>	-	<b>117</b>	-	<b>369</b>	189

DEST Research Financial Assistance (continued)	Parent Entity (University) Only			
	Australian Postgraduate Awards		International Postgraduate Research Scholarships	
	2002	2001	2002	2001
Financial assistance in advance (received in the previous reporting period)	\$'000	\$'000	\$'000	\$'000
<i>Add:</i> Financial assistance received during reporting period	-	-	-	-
<i>Less:</i> Financial assistance in advance (received in the reporting period for the next reporting period)	4 116	3 972	693	943
<b>Revenue attributed to the reporting period</b>	<b>4 116</b>	3 972	<b>693</b>	943
<i>Add:</i> Surplus prior year	-	-	35	-
<b>Funds available for the current period</b>	<b>4 116</b>	3 972	<b>728</b>	943
<i>Less:</i> Expenses for the current period	4 005	3 972	<b>728</b>	908
<b>Surplus for the current period</b>	<b>111</b>	-	-	35

**37. Summary of Unspent Financial Assistance**

Category of Financial Assistance	Amount of unspent financial assistance as at 31 December	Amount of unspent financial assistance that is more likely to be approved by the Commonwealth Government for carry forward	Amount of unspent financial assistance that is more likely to be repaid to the Commonwealth Government
Teaching and Learning:			
Operating (excluding HECS and PELS)	-	-	-
Teaching hospitals	-	-	-
HECS	-	-	-
PELS	-	-	-
ARC:			
Discovery – Projects	972	972	-
Large Grants	1 067	1 067	-
Research Fellowships	333	333	-
Federation Fellowships	266	266	-
Linkage – Projects	359	359	-
SPiRT	519	519	-
Linkage – Infrastructure	-	-	-
Linkage – International	40	40	-
International Researcher Exchange	187	187	-
Centres of Excellence	2 315	2 315	-
ANZCAART	-	-	-

## 37. Summary of Unspent Financial Assistance (continued)

Category of Financial Assistance	Amount of unspent financial assistance as at 31 December	Amount of unspent financial assistance that is more likely to be approved by the Commonwealth Government for carry forward		Amount of unspent financial assistance that is more likely to be repaid to the Commonwealth Government
		2002 \$'000	2002 \$'000	
DEST:				
Institutional Grants Scheme	-		-	-
Research Training Scheme	1 478		150	1 328
Systemic Infrastructure Initiative	117		117	-
Research Infrastructure	369		369	-
Australian Postgraduate Awards	111		111	-
International Postgraduate Research Scholarships	-		-	-
<b>Total</b>	<b>8 133</b>		<b>6 805</b>	<b>1 328</b>

## 38. State Government Financial Assistance

(a) <i>South Australian Government, State Government Financial Assistance</i>	Note	Consolidated		University
		2002 \$'000	2001 \$'000	2002 \$'000
Arts SA		81	89	81
Bio Innovation SA		4 187	-	4 187
Coast Protection Board		-	20	-
Department for Administrative and Information Services		120	-	120
Department for Environment and Heritage		217	166	217
Department for Education and Children's Services		999	164	999
Department of Human Services		950	1 162	950
Department of Industry and Trade		-	303	-
Department of the Premier and Cabinet		36	35	36
Department of Primary Industries and Resources		883	1 068	883
Department of Treasury and Finance		-	3 300	-
Department of Water, Land and Biodiversity Conservation		628	304	628
Drug and Alcohol Services Council		137	-	137
Environment Protection Agency		9	-	9
Institute of Medical and Veterinary Science		107	139	107
Mt Lofty Catchment Program		-	10	-
Planning SA		1	-	1
Police Department SA		150	150	150
Port Pirie Regional Health Service		-	123	-
Repatriation General Hospital		10	-	10
Royal Adelaide Hospital		1 287	1 139	1 287
SAICORP		-	20	-
SA Centre for Rural Health		-	20	-
SA Dental Service		-	171	-
SA Housing Trust		-	8	-
SA Museum		6	5	6
SA Rural and Remote Medical Support Agency		-	18	-
South Australian Research and Development Institute		2 092	294	2 092
South Australian State Energy Research Advisory Committee		33	25	33
South Australian Tourism Commission		38	-	38
SYP Health Commission		220	220	-
The Office of Economic Development		30	-	30
The Queen Elizabeth Hospital/North Western Adelaide Health Service		2 127	1 852	2 127
Torrens and Patawalonga Catchment Water Management Boards		5	6	5
Transport SA		6	30	6
Women's and Children's Hospital		559	497	559
WorkCover Corporation		34	27	34
Other		-	208	-
<b>Total South Australian Government Financial Assistance</b>		<b>14 952</b>	<b>11 573</b>	<b>14 732</b>
<b>(b) Other State Government Grants Financial Assistance</b>		<b>179</b>	<b>147</b>	<b>179</b>
<b>Total State Government Financial Assistance</b>		<b>15 131</b>	<b>11 720</b>	<b>14 911</b>
				11 500

## 39. Fees and Charges

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

Student fee income	5	37 308	30 347	37 308	30 347
Library charges and fines		1 111	1 299	1 111	1 299
Application management and late fees		655	561	655	561
Parking fees		956	818	956	818
Rental charges/accommodation fees		3 776	3 347	3 776	3 347
Recharge of costs to other organisations		2 484	2 157	2 484	2 157
Franchise fees		944	1 044	944	1 044
Other		8 532	6 392	3 151	3 316
<b>Total Fees and Charges</b>		<b>55 766</b>	<b>45 965</b>	<b>50 385</b>	<b>42 889</b>

# UNIVERSITY OF SOUTH AUSTRALIA

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

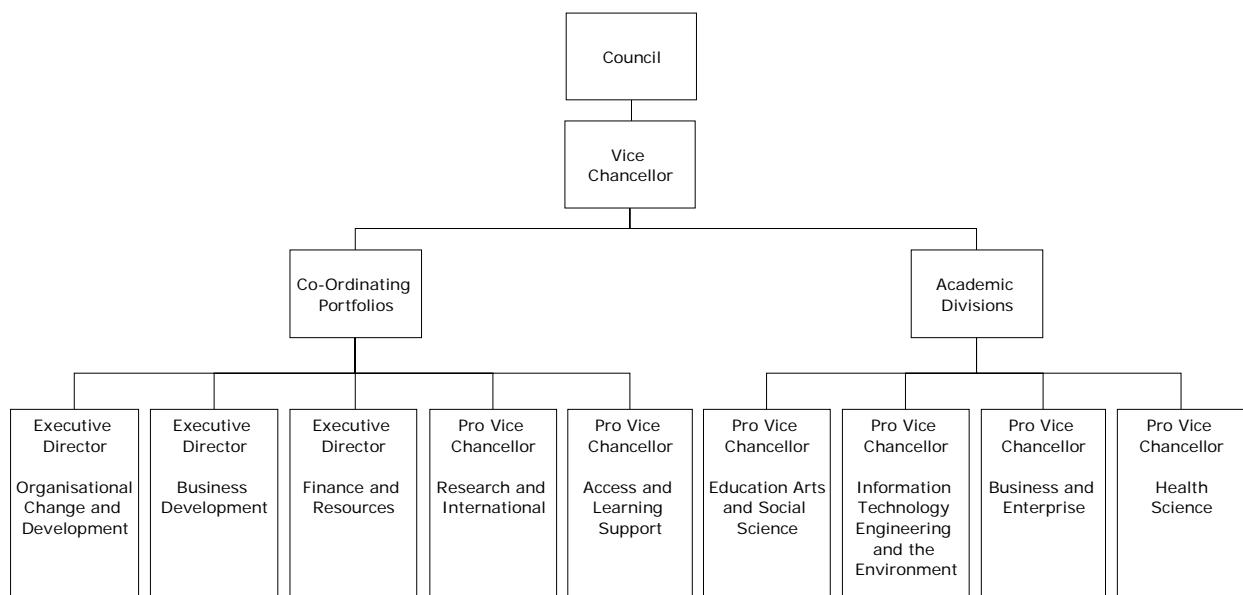
The University of South Australia (the University) was established pursuant to the *University of South Australia Act 1990*.

### Functions

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

### Structure

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



The University operated from six campuses during 2002: City East, City West, Magill, Mawson Lakes, Underdale and Whyalla.

During 2002, the following entities were controlled by the University:

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

### Audit Committee

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

## AUDIT MANDATE AND COVERAGE

### Audit Authority

#### ***Audit of Financial Statements***

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

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

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

#### **Scope of Audit**

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

For the year ended 31 December 2002, specific areas of audit attention included:

- strategic planning
- budgetary control
- payroll
- expenditure
- fixed assets
- revenue, receipting and banking
- procurement.

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

#### ***Audit Communications to Management***

Matters arising during the course of the Audit were detailed in management letters to the Vice Chancellor and the Executive Director of Finance and Resources. Responses to the management letters have been received by Audit and considered to be satisfactory. Major matters raised with the University and the related responses are considered in 'Audit Findings and Comments'. The responses indicate the University's approach to cost effective, risk based control.

## AUDIT FINDINGS AND COMMENTS

### Audit Opinions

#### ***Audit of Financial Statements***

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

#### ***Qualification***

*The University has reported as part of Other Liabilities in Note 16 to the financial statements, Commonwealth Grants representing revenue received in advance of \$15.1 million (\$13.9 million in 2001).*

*The 2001 Department of Education, Science and Training (DEST) Guidelines were changed to remove the requirement to account for the advance grant as a liability. As a result, the requirements of Australian Accounting Standard AASB 1004 'Revenue' became applicable for the first time in 2001. The Commonwealth Operating Grant received from DEST is considered to be a non-reciprocal transfer and as a consequence the University has control of the funds upon receipt. In accordance with AASB 1004 'Revenue', the advance grant should have been recognised as revenue in the year of receipt. The University has recognised Commonwealth Grants of \$13.9 million received in 2001 as revenue in 2002 and \$15.1 million received in 2002 as Other Liabilities. As*

*a result, the revenue received under the Higher Education Funding Act 1988 recognised in Commonwealth Government Financial Assistance and the Operating Result from Ordinary Activities are both understated by \$1.2 million (\$0.2 million in 2001); Accumulated Results of Operations is understated by \$15.1 million (\$13.9 million) and Current Liabilities-Other are overstated by \$15.1 million (\$13.9 million).*

*The University has disclosed its accounting treatment of the operating grant received from DEST in Note 1(d) to the financial statements.*

#### ***Qualified Audit Opinion***

*In my opinion, except for the effect on the financial report of the matter referred to in the qualification paragraphs, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, the Higher Education Funding Act 1988, applicable Australian Accounting Standards and other mandatory professional reporting requirements, the financial position of the University of South Australia and of the economic entity as at 31 December 2002, the results of their operations and their cash flows for the year then ended.*

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

Audit formed the opinion that the controls exercised by the University of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters outlined under 'Significant Matters Raised with Agencies', is sufficient to provide reasonable assurance that the financial transactions of the University of South Australia have been conducted properly and in accordance with law.

#### ***Significant Matters Raised with Agencies***

##### ***Commonwealth Operating Grants***

Consistent with past practice, in 2002 the University recognised the first instalment of the Commonwealth Operating Grant for 2003 (totalling \$15.1 million) which was received in December 2002 as revenue received in advance.

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

It is Audit's opinion that the Commonwealth Operating Grant received from DEST represents a non-reciprocal transfer and as a consequence the University has control of the funds upon receipt. As a consequence, in accordance with AASB 1004 'Revenue', it is Audit's view that the advance grant should be recognised as revenue in the year of receipt. As a result the Independent Audit Report on the University's financial statement for 2002 was qualified with respect to the treatment of Government Operating Grants.

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

##### ***Payroll Processing***

The Casual Administration System (CAS) was implemented in January 2002 to process casual employee payments. The functionality of CAS enables the efficient and effective monitoring of casual employee payments through the production of summary and detailed reports. However, Audit review of monitoring practices in the University's schools and units indicated this reporting functionality was not being utilised. As a consequence, minimal independent review is undertaken to confirm the validity and accuracy of casual payments. Further, there is no requirement for staff to ensure that casual employees are valid per appropriately authorised contracts or other documentation.

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

The other matters arising from the audit of payroll included: accuracy and completeness of leave recording, completion of checklists by staff leaving the University, and independent review of payroll adjustments.

### **Accounts Payable Processing**

The audit review of accounts payable processing identified control improvements were possible regarding the disbursement of payments in the following specific areas:

- systems functionality: inappropriate levels of access granted to officers in respect of system functions, in particular cash disbursements and purchase order release limits;
- integrity of disbursements: lack of evidence that officers are checking that cash disbursements made are valid and accurate;
- segregation of duties: inadequate segregation of duties regarding the processing of payments thus increasing the possibility of invalid transactions being processed;
- validity of transactions: lack of checking functions to ensure all payments are bona fide.

The University responded satisfactorily to all of the above matters highlighting its acceptance and/or considerations in relation to Audit suggestions and having regard to its assessment of risk and feasibility relevant to each matter.

### **Revenue**

The Medici Student Information System (Medici) is the University's primary student records system which records revenue received with respect to overseas onshore fees, HECS student contributions, postgraduate student fees and other student fees. Issues arising from the audit primarily related to a lack of controls that ensured monies received from students, as reflected in Medici, were accurately and completely reconciled to the University's bank account and general ledger revenue accounts on a timely basis.

As of August 2003, the University has employed resources to undertake the reconciliation of cash transactions between Medici and the general ledger. In addition, a system based interface project was commenced in early 2003 which is planned to be implemented by 30 November 2003.

The other matters arising from the audit of revenue included: review and approval of offshore program fees, timeliness of banking, and procedures relating to the management of contracts for the provision of educational programs for offshore students. The University responded satisfactorily to all of these other matters highlighting its acceptance and/or considerations in relation to Audit suggestions.

### **Procurement**

In relation to the 2001 Audit, an extensive review to assess the quality of the tendering and contracting activity associated with the University's procurement process was undertaken. As a result of this review, Audit recommended the University enhance existing documented procedures by providing additional guidance in respect of several aspects of the procurement process. The University responded that procedures would be enhanced by providing, where required, additional guidance.

Audit follow-up conducted as part of the 2002 Audit revealed that the procedures had not been revised. Audit recommended that the University revise its procedures as a matter of priority, in order to ensure that optimal procurement practices are adopted.

In addition, the 2002 Audit included an examination of documentation supporting the execution of tendering and contracting processes relating to the Blueprint 2005 capital program to date (details included under 'Further Commentary on Operations' provides further information). The findings of this review support the need to establish additional procedural guidance, specifically in relation to the reporting requirements of selection panels, including decisions made and processes followed in arriving at those decisions.

The University responded that the relevant procedural guidance has been revised and updated for Audit's advice.

### **Risk Management**

The University has significant foreign operations, particularly as a result of International Offshore Teaching activity. As such, there is significant potential for foreign exchange fluctuations to affect the income flows stemming from this activity to the University. A review of the risk register indicated that foreign exchange exposure is classified as a high risk to the University, and while the risk register notes that remediation strategies are in place, the residual risk is still considered to be high.

Although an analysis of the University's exposures from foreign currency transactions was undertaken in mid 2002 and considered, it had not been formalised.

The University responded that analysis to date had not suggested that alternative strategies would be cost effective in further reducing potential exposure to foreign currency fluctuations. A planned review by the University will assist in formalising the status of this risk.

### **Financial Statements - Preparation and Review Processes**

Audit identified opportunities for improvement in the overall preparation and review processes relating to the University's financial statements. Specifically, Audit recommended enhancements with respect to:

- The review and amendment of accounting policies should generally be considered on a more timely basis. Specifically these matters should be resolved by, or as close as possible to, the reporting date.
- Prior to finalising the financial statements for audit review, it is important that the University undertake a quality assurance process which encompasses:
  - a detailed variation analysis of financial statement items to explain major variances with a view to identify any anomalies,
  - an independent review of general ledger journals, key reconciliations and calculations,
  - obtaining management representations on a timely basis.

The University has responded positively to these matters, indicating support for the recommendations made.

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

### **Highlights of Financial Statements (Consolidated)**

	2002 \$'million	2001 \$'million	Percentage Change
<b>OPERATING REVENUE</b>			
Commonwealth Government financial assistance	<b>116</b>	111	5
HECS	<b>61</b>	61	-
Fees and charges	<b>65</b>	58	12
Other	<b>66</b>	45	47
<b>Total Operating Revenue</b>	<b>308</b>	275	12
<b>OPERATING EXPENDITURE</b>			
Employee benefits	<b>156</b>	154	1
Other expenses	<b>138</b>	114	21
<b>Total Operating Expenses</b>	<b>294</b>	268	10
<b>Operating Result from Ordinary</b>			
Activities	<b>14</b>	7	100
<b>Net Cash Flows from Operations</b>	<b>38</b>	28	36
<b>ASSETS</b>			
Current assets	<b>131</b>	94	39
Non-current assets	<b>619</b>	646	(4)
<b>Total Assets</b>	<b>750</b>	740	1
<b>LIABILITIES</b>			
Current liabilities	<b>74</b>	69	7
Non-current liabilities	<b>290</b>	275	5
<b>Total Liabilities</b>	<b>364</b>	344	6
<b>EQUITY</b>	<b>386</b>	396	(3)

## Statement of Financial Performance (Consolidated)

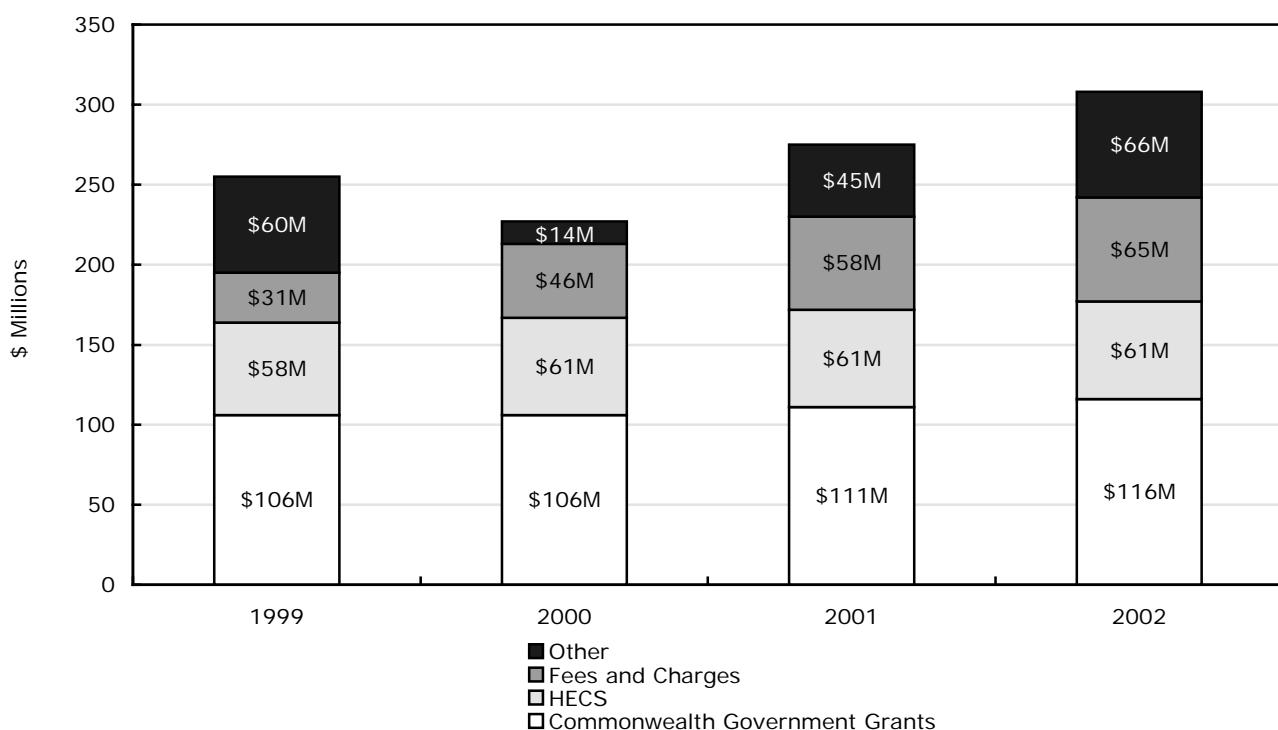
### Operating Revenues

The increase in revenue is due mainly to an increase in revenue from fee paying overseas students which increased by \$7.2 million to \$45.1 million (\$37.9 million in 2001). This revenue forms part of fees and charges in the chart below.

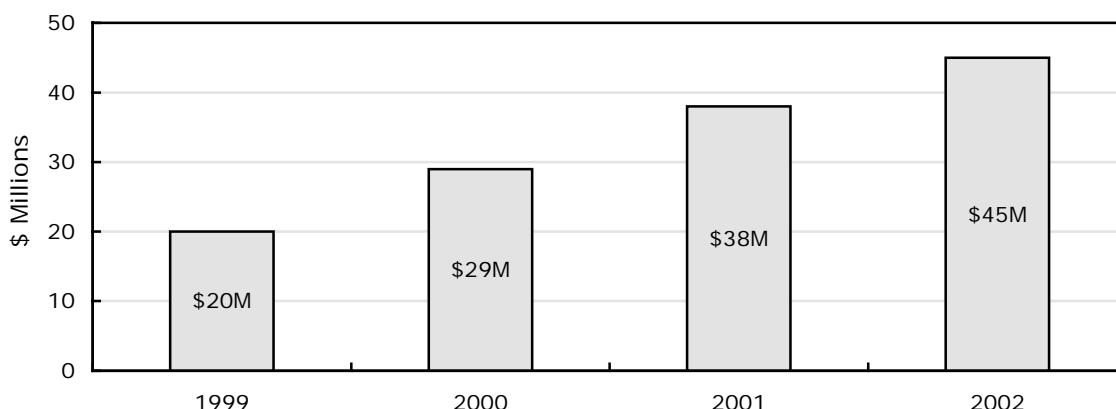
Funding from the University's main revenue sources, Commonwealth Government Financial Assistance and the Higher Education Contribution Scheme (HECS), increased by \$4.6 million from \$172.5 million to \$177.1 million. The increase is due mainly to an increase in Commonwealth Government Financial Assistance, notably a \$3.1 million increase in Operating Financial Assistance excluding HECS and PELS.

Other revenue has increased by \$21.2 million to \$66 million (\$44.8 million in 2001) due mainly to an increase in the deferred Government superannuation contribution. This supplement is offset by a corresponding expense. Therefore, there is no effect on the Operating Result from Ordinary Activities. Refer to Note 20 to the financial statements for further details of this arrangement.

A structural analysis of operating revenues for the University over recent years is presented in the following chart.



The chart demonstrates the success of the University in increasing the proportion of revenue from fees and charges which mainly relates to fee-paying overseas students. This increase is a result of an increase in both student enrolments and course fees. The following chart highlights the upward trend in fees from overseas students.

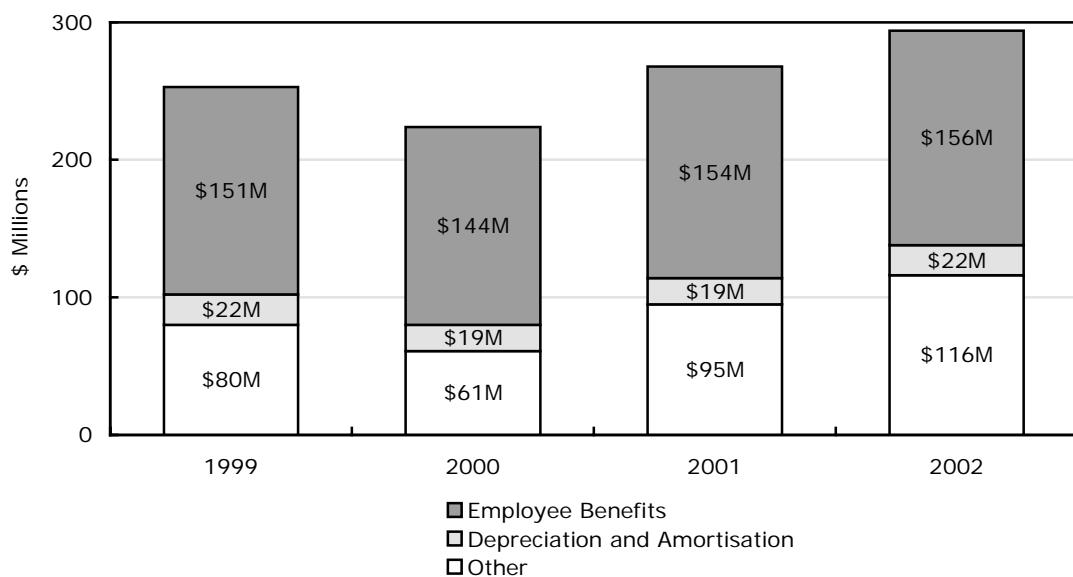


## Operating Expenses

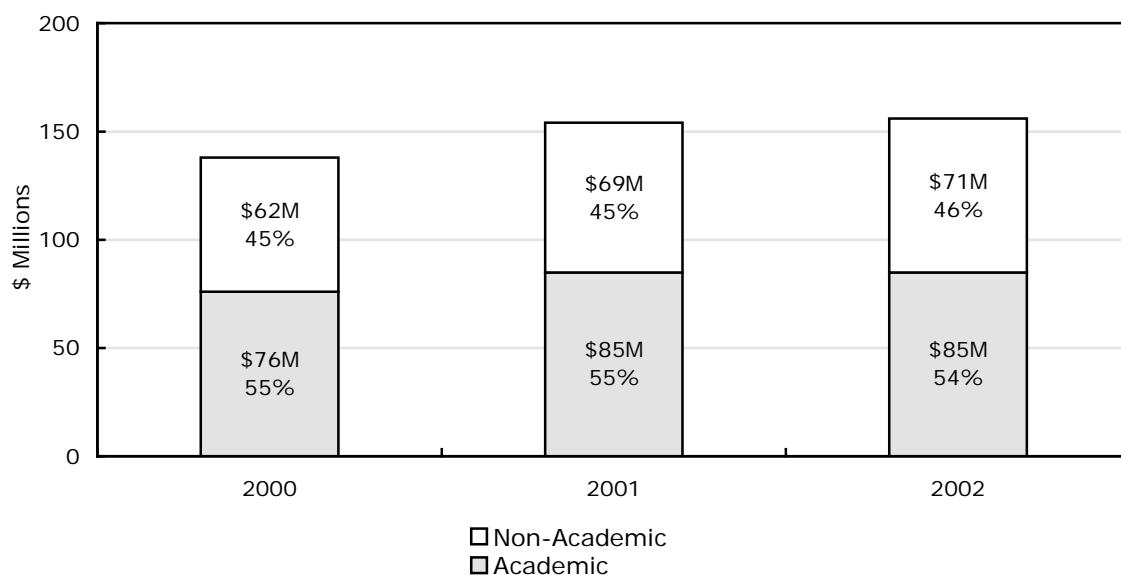
Operating expenses (excluding deferred Government superannuation contribution) increased by \$8.3 million from \$247.5 million to \$255.8 million. The main operating expense of the University (as for most service entities) is employee benefits. This item (excluding Commonwealth Supplemented Superannuation) increased by \$2 million to \$156 million.

Other expenses (excluding deferred Government superannuation contribution) increased by \$6.4 million from \$93.5 million to \$99.9 million. The increase in other expenses was due primarily to an increase of \$3.5 million in depreciation and amortisation expense as a result of a reduction in useful lives of the University's property, plant and equipment (\$6.7 million as disclosed in Note 1(g) to the financial statements).

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



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

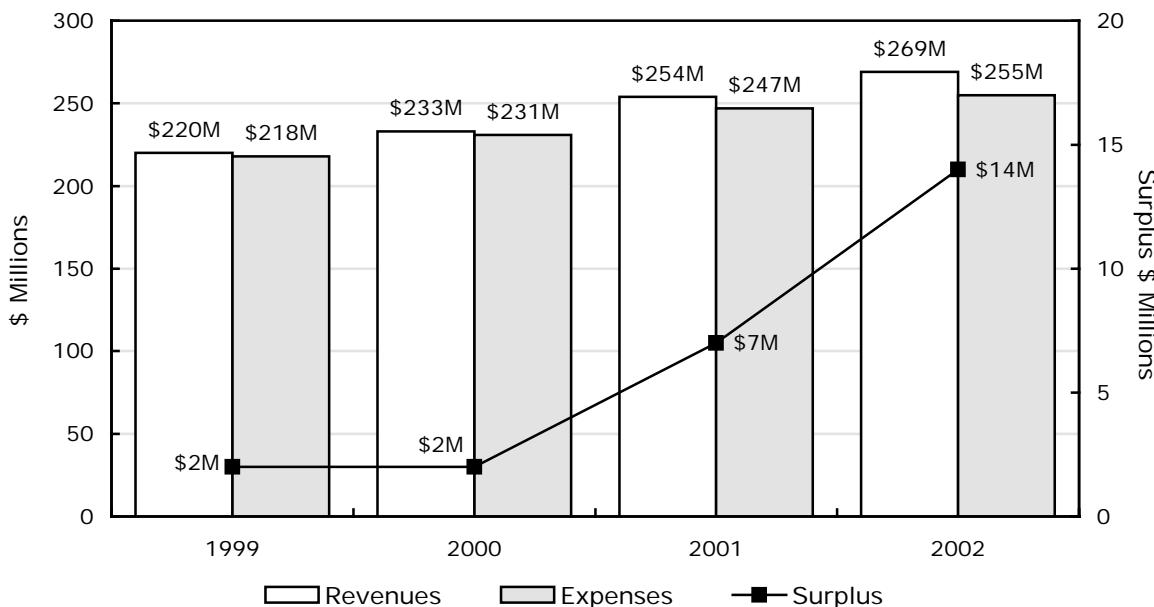


The chart highlights the increase in employee benefits cost since 2000 due to changes in staffing numbers and the more recent increases in staff salary costs due to an average wage increase and an increase in targeted voluntary separation packages. The proportion of costs between academics and non-academics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

### Operating Result

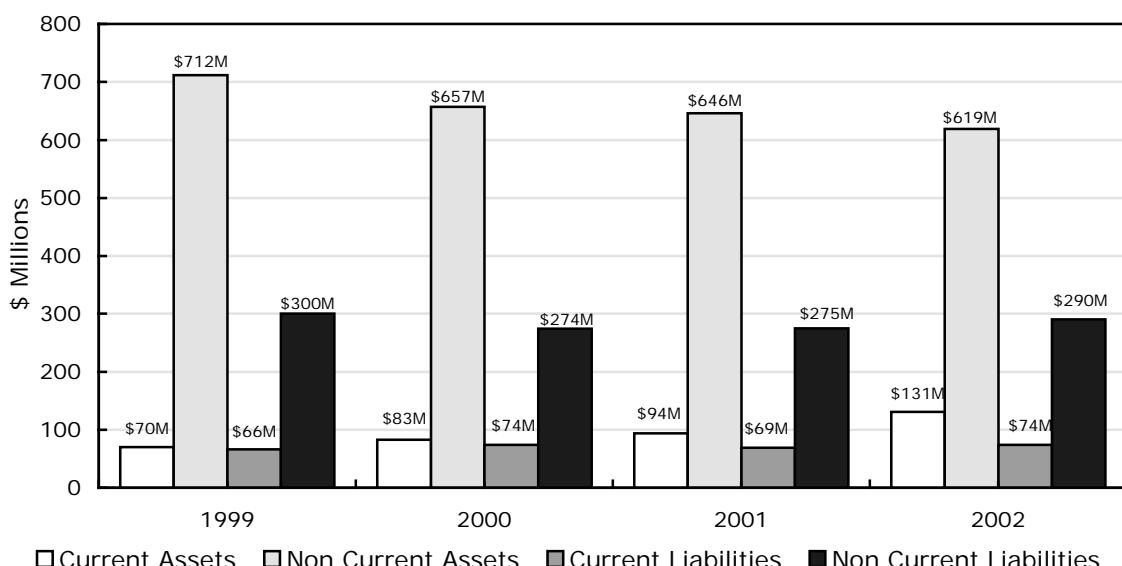
The result of operations for the year was a surplus of \$13.6 million (surplus of \$6.9 million in 2001), an increase of \$6.7 million. The result reflects an increase of \$15 million in Revenue from Ordinary Activities (excluding deferred Government superannuation contribution) compared to an increase of \$8.3 million in Expenses from Ordinary Activities (excluding deferred Government superannuation contribution).

The following chart shows the movement in revenues, expenses and the surplus for the current and preceding three years. For the purposes of this analysis, the deferred Government superannuation contribution has been excluded from the revenues and expenses as it has no effect on the operating result.



### Statement of Financial Position (Consolidated)

A structural analysis of assets and liabilities for the current year and the three preceding years is shown in the following chart.



This analysis shows a gradual increase in current assets and a decrease in non-current assets over the period of review. Whereas liabilities have only increased slightly. Over the period total assets have reduced by 4 percent while total liabilities have reduced by 1 percent.

Current assets has increased during 2002 by 39 percent due primarily to an increase in cash (further commentary provided under Statement of Cash Flows) and a reclassification of land and buildings relating to the Salisbury campus as property held for resale. Over the period of review, current assets has steadily increased due to an accumulation of cash held in short term deposits.

Over the period of review, non-current assets has continued to decline due mainly to a devaluation of land and buildings in both 2000 (\$25.9 million) and 2002 (\$23.3 million) which were considered to be surplus to the University's capacity and a revision of useful lives (\$6.7 million) resulting in a decrease in the carrying amount of property, plant and equipment. This, however, will be expected to increase over the next few years to reflect the major development presently being undertaken by the University. Refer to the commentary under the heading 'Further Commentary on Operations'.

Total liabilities has decreased over the period of review due mainly to the repayment of borrowings. During 2002, however, non-current liabilities increased by \$15 million due to an increase in the deferred Government superannuation contribution. This amount, however, is offset by a corresponding amount in non-current assets, therefore having no effect on Net Assets. Refer to Note 20 to the financial statements for further details.

### **Statement of Cash Flows**

The following table summarises the net cash flows for the four years to 2002.

	2002 \$'million	2001 \$'million	2000 \$'million	1999 \$'million
<b>Net Cash Flows</b>				
Operations	<b>38</b>	28	27	14
Investing	<b>(10)</b>	(13)	(13)	(12)
Financing	<b>(0.4)</b>	(6)	(5)	(5)
Change in Cash	<b>27.6</b>	9.0	9.0	(3.0)
Cash at 31 December	<b>85</b>	58	49	40

The analysis of cash flows shows that the University's net cash flows has increased significantly during 2002 due to increased cash generated from operations and making no debt repayments. The increase in cash from operations is due mainly to increases in fees and charges and cash received in relation to consultancy and contract research.

### **FURTHER COMMENTARY ON OPERATIONS**

#### **Blueprint 2005 Capital Program**

The Blueprint 2005 Capital Program (Blueprint 2005) represents a major \$100 million investment by the University in the refurbishment and expansion of the City West, City East, Magill and Mawson Lakes campuses. Blueprint 2005 aims to improve the teaching and learning environment while reducing the annual costs of the maintenance and operation of the University's property.

Approximately \$8.8 million of the total investment will be spent on Principal Consultant fees. In 2002, the University adopted a Qualification Based Selection process for the selection of Principal Consultants for each of the campus projects of Blueprint 2005 to develop schematic designs for the project. The main priority of such a process is to ensure that the best design is selected. Once the most qualified firm has been chosen and a detailed scope of services has been agreed upon, an acceptable fee is negotiated. Construction commenced in 2003 with completion due by the end of 2005.

A significant aspect of Blueprint 2005 is the relocation of the Underdale Campus. As a result, the land and buildings of the Underdale Campus have been classified in the financial statements as property held for resale.

**Statement of Financial Performance  
for the year ended 31 December 2002**

	Note	Consolidated		University	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>REVENUE:</b>					
Commonwealth Government financial assistance	2.1, 32	<b>115 886</b>	111 080	<b>115 808</b>	110 981
South Australia Government financial assistance	2.2	<b>2 294</b>	2 074	<b>2 294</b>	2 074
Higher Education Contribution Scheme:					
Student contributions	32.1	<b>8 996</b>	8 528	<b>8 996</b>	8 528
Commonwealth contributions	32.1	<b>52 267</b>	52 906	<b>52 267</b>	52 906
Postgraduate Education Loans Scheme (PELS)	32.1	<b>555</b>	-	<b>555</b>	-
Fees and charges	2.3	<b>65 403</b>	57 785	<b>58 902</b>	51 149
Investment income	2.4	<b>3 139</b>	2 661	<b>4 778</b>	3 569
Royalties, trademarks and licenses	2.5	<b>367</b>	535	<b>367</b>	509
Consultancy and contract research	2.6	<b>14 873</b>	14 002	<b>14 873</b>	14 002
Other revenue	2.7	<b>5 617</b>	4 814	<b>5 372</b>	4 155
		<b>269 397</b>	254 385	<b>264 212</b>	247 873
Superannuation:					
Commonwealth supplementation	20	<b>21 895</b>	20 164	<b>21 895</b>	20 164
Deferred government contributions	20	<b>16 300</b>	500	<b>16 300</b>	500
<b>Total Revenue from Ordinary Activities</b>		<b>307 592</b>	275 049	<b>302 407</b>	268 537
<b>EXPENSES:</b>					
Employee benefits	3.1	<b>155 965</b>	153 975	<b>153 260</b>	151 087
Depreciation and amortisation	3.2	<b>22 324</b>	18 779	<b>22 163</b>	18 630
Buildings and grounds	3.3	<b>10 811</b>	12 182	<b>10 811</b>	12 182
Bad and doubtful debts	3.4	<b>491</b>	617	<b>491</b>	553
Other expenses	3.5	<b>64 363</b>	59 714	<b>62 442</b>	57 960
Borrowing cost expense	4	<b>1 862</b>	2 230	<b>1 862</b>	2 230
		<b>255 816</b>	247 497	<b>251 029</b>	242 642
Superannuation:					
Commonwealth supplemented	3.1, 20	<b>21 895</b>	20 164	<b>21 895</b>	20 164
Deferred employee benefits	3.1, 20	<b>16 300</b>	500	<b>16 300</b>	500
<b>Total Expenses from Ordinary Activities</b>		<b>294 011</b>	268 161	<b>289 224</b>	263 306
<b>OPERATING RESULT FROM ORDINARY ACTIVITIES</b>		<b>13 581</b>	6 888	<b>13 183</b>	5 231
Direct credits or debits to equity:					
Asset revaluation reserves	17	<b>(23 383)</b>	(3 339)	<b>(23 273)</b>	(3 491)
<b>TOTAL REVENUE, EXPENSES AND VALUATION</b>					
<b>ADJUSTMENTS ATTRIBUTED TO THE PARENT</b>					
<b>ENTITY AND RECOGNISED DIRECTLY IN EQUITY</b>					
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE</b>					
<b>RESULTING FROM TRANSACTIONS WITH OWNERS</b>					
<b>AS OWNERS</b>		<b>(9 802)</b>	3 549	<b>(10 090)</b>	1 740

**Statement of Financial Position**  
**as at 31 December 2002**

	Note	Consolidated		University	
		2002	2001	2002	2001
<b>CURRENT ASSETS:</b>					
Cash	8	<b>84 952</b>	57 553	<b>81 021</b>	53 896
Receivables	9	<b>13 269</b>	11 117	<b>12 120</b>	10 147
Other financial assets	10	<b>115</b>	119	<b>115</b>	119
Property, plant and equipment	12	<b>6 280</b>	-	<b>6 280</b>	-
Deferred government superannuation contribution	20	<b>23 600</b>	22 900	<b>23 600</b>	22 900
Other assets	11	<b>2 405</b>	2 303	<b>2 379</b>	2 288
<b>Total Current Assets</b>		<b>130 621</b>	93 992	<b>125 515</b>	89 350
<b>NON-CURRENT ASSETS:</b>					
Other financial assets	10	<b>7 585</b>	7 321	<b>6 664</b>	7 000
Property, plant and equipment	12	<b>357 869</b>	400 045	<b>357 687</b>	399 756
Deferred government superannuation contribution	20	<b>253 700</b>	238 100	<b>253 700</b>	238 100
<b>Total Non-Current Assets</b>		<b>619 154</b>	645 466	<b>618 051</b>	644 856
<b>Total Assets</b>		<b>749 775</b>	739 458	<b>743 566</b>	734 206
<b>CURRENT LIABILITIES:</b>					
Payables	13	<b>12 664</b>	12 567	<b>12 589</b>	12 424
Provision for State superannuation	20	<b>23 600</b>	22 900	<b>23 600</b>	22 900
Provisions	15	<b>12 044</b>	12 866	<b>11 886</b>	12 725
Other liabilities	16	<b>25 282</b>	20 467	<b>24 663</b>	20 568
<b>Total Current Liabilities</b>		<b>73 590</b>	68 800	<b>72 738</b>	68 617
<b>NON-CURRENT LIABILITIES:</b>					
Payables	13	<b>3 362</b>	3 279	<b>3 362</b>	3 279
Interest bearing liabilities	14	<b>15 000</b>	15 000	<b>15 000</b>	15 000
Provision for State superannuation	20	<b>253 700</b>	238 100	<b>253 700</b>	238 100
Provisions	15	<b>17 270</b>	17 130	<b>17 270</b>	17 130
Other liabilities	16	<b>825</b>	1 319	<b>825</b>	1 319
<b>Total Non-Current Liabilities</b>		<b>290 157</b>	274 828	<b>290 157</b>	274 828
<b>Total Liabilities</b>		<b>363 747</b>	343 628	<b>362 895</b>	343 445
<b>NET ASSETS</b>		<b>386 028</b>	395 830	<b>380 671</b>	390 761
<b>EQUITY:</b>					
Asset revaluation reserve	17	<b>7 515</b>	30 898	<b>7 473</b>	30 746
Accumulated results of operations	18	<b>378 513</b>	364 932	<b>373 198</b>	360 015
<b>TOTAL EQUITY</b>		<b>386 028</b>	395 830	<b>380 671</b>	390 761

**Statement of Cash Flows**  
**for the year ended 31 December 2002**

	Note	Consolidated		University	
		2002	2001	2002	2001
		<b>Inflows</b> <b>(Outflows)</b>	<b>Inflows</b> <b>(Outflows)</b>	<b>Inflows</b> <b>(Outflows)</b>	<b>Inflows</b> <b>(Outflows)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
INFLOWS:					
Financial Assistance:					
Commonwealth operating		<b>115 220</b>	112 599	<b>115 143</b>	112 599
Other government		<b>2 294</b>	2 134	<b>2 294</b>	2 045
Higher Education Contribution Scheme:					
HECS upfront receipts		<b>8 996</b>	8 528	<b>8 996</b>	8 528
HECS Trust Fund		<b>53 446</b>	54 468	<b>53 446</b>	54 468
Postgraduate Education Loans Scheme (PELS)		<b>555</b>	-	<b>555</b>	-
Fees and Charges		<b>67 078</b>	50 248	<b>60 680</b>	50 248
Investment income		<b>3 139</b>	3 418	<b>4 778</b>	3 821
Royalties, trademarks and licenses		<b>367</b>	509	<b>367</b>	509
Consultancy and contract research		<b>17 885</b>	13 526	<b>17 864</b>	13 526
Other revenue		<b>6 196</b>	11 940	<b>5 976</b>	3 936
Superannuation supplementation		<b>21 927</b>	15 335	<b>21 927</b>	15 335
Taxes recovered		<b>3 021</b>	3 707	<b>3 021</b>	3 707
OUTFLOWS:					
Staff salaries and related expenditure		<b>(154 210)</b>	(151 465)	<b>(151 524)</b>	(148 443)
Non salary payments		<b>(84 241)</b>	(75 433)	<b>(82 179)</b>	(73 762)
Superannuation payments		<b>(21 895)</b>	(19 320)	<b>(21 895)</b>	(19 320)
Interest and other expenditure of finance paid		<b>(1 890)</b>	(2 454)	<b>(1 890)</b>	(2 454)
<b>Net Cash provided by Operating Activities</b>	30	<b>37 888</b>	27 740	<b>37 559</b>	24 743
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
INFLOWS:					
Proceeds from sale of property, plant and equipment		<b>203</b>	720	<b>203</b>	612
OUTFLOWS:					
Payments for property, plant and equipment		<b>(10 240)</b>	(13 075)	<b>(10 185)</b>	(12 902)
Payments for investments		-	(993)	-	(474)
<b>Net Cash used in Investing Activities</b>		<b>(10 037)</b>	(13 348)	<b>(9 982)</b>	(12 764)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
OUTFLOWS:					
Principal repayments under finance lease		<b>(452)</b>	(415)	<b>(452)</b>	(415)
Repayment of borrowings		-	(5 056)	-	(5 056)
<b>Net Cash used in Financing Activities</b>		<b>(452)</b>	(5 471)	<b>(452)</b>	(5 471)
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		<b>27 399</b>	8 921	<b>27 125</b>	6 508
<b>CASH AT 1 JANUARY</b>		<b>57 553</b>	48 632	<b>53 896</b>	47 388
<b>CASH AT 31 DECEMBER</b>	8,30	<b>84 952</b>	57 553	<b>81 021</b>	53 896

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Summary of Accounting Policies**

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

(a) **Basis of Preparation**

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

The financial statements comply with relevant provisions of the South Australian Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987* and the Accounting Policy Statements issued pursuant to the Treasurer's Instructions.

The financial statements have been prepared on the basis of historic costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars.

Any changes to accounting policies for 2002 are documented within the notes below.

(b) **Principles of Consolidation**

The consolidated accounts include the accounts of the University and its controlled entities. The effects of transactions between controlled entities included in the consolidated accounts have been eliminated.

(c) **Comparative Figures**

The previous year's figures are provided in the financial statements for comparative purposes. Where applicable, comparative figures have been adjusted to conform with changes in the presentation of the current year's figures.

(d) **Revenue Recognition**(i) **Grants**• *Commonwealth Financial Assistance*

Commonwealth financial assistance is provided under the *Higher Education Funding Act (HEFA), 1988*. In accordance with Australian Accounting Standard AASB 1004 Revenue, the first instalment of the Commonwealth financial assistance for 2003, received during December 2002 and therefore received in advance of the operating year to which it relates, has been recognised as revenue in advance and is presented as a liability in the Statement of Financial Position, rather than as revenue for the 2002 year. The Grant relates to funding the teaching and research for the 2003 calendar year.

On the basis of independent professional advice, the University regards the receipt of Commonwealth financial assistance as a 'reciprocal transfer' as defined in AASB 1004, since the University is required to teach a HECS-funded load in 2003, undertake the research, and provide the necessary facilities and services in return for the grant of financial assistance.

Where the Minister is satisfied that a higher education institution has, after receipt of the financial assistance, failed to meet a condition applicable to the financial assistance, the financial assistance or part thereof is required to be returned to the Commonwealth. It is therefore, in the view of the University, a 'reciprocal payment'.

Under these conditions the revenue received in advance should not be recognised as revenue until the relevant year.

• *Other Grants*

Where other grants are received, they are recognised in accordance with the terms and conditions of the grant.

(ii) **Fees and Charges**

Fees and charges comprise revenue earned from the provision of programs and other services. Fees and charges are recognised in the period in which the programs or services are provided.

(iii) **Investment Income**

Interest income is recognised as it accrues.

(iv) **Consultancy and Contract Research**

Revenue from consultancy and contract research is recognised in the period in which the services are provided.

(e) **Inventories**

Consumable supplies are recognised as an expense at the time of acquisition and are not shown in the Statement of Financial Position as inventories.

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

The University currently values its property, library collection and other plant and equipment on the basis of written down current cost, except for property held for resale which is at fair value. A revaluation of all assets to fair value will be undertaken by 31 December 2005 in accordance with the South Australian Treasurer's Accounting Policy Statements. When the University moves to fair value, any write down in the value of assets would be set against revaluation reserves and retained earnings under the transitional provisions of the accounting standards.

Items of property, plant and equipment have been recognised in the financial statements as identified below. Expenditure on a single item of less than \$10 000 is generally not capitalised.

*(i) Property Held for Resale*

Property identified as surplus to requirements and approved for sale has been recognised as property held for resale. Property held for resale is valued at market value based on either the eventual sale price or independent assessment (Colliers Jardine, October 2002).

*(ii) Land*

Land occupied by the University is either owned by the University or by the State Government. The value of the land, except that associated with property held for resale, is recognised at unimproved value on the basis that the University effectively controls the land occupied.

Land is revalued every three years. The last valuation was as at 31 December 2001 by the South Australian Department for Administrative and Information Services.

*(iii) Buildings*

Buildings, other than those associated with property held for resale, have been recognised on the basis of written down current cost that reflects their remaining useful life.

Buildings are revalued every three years. The last valuation was as at 31 December 2001 by the South Australian Department for Administrative and Information Services. Buildings will be revalued to fair value at the next valuation date, which is currently planned to be 31 December 2004.

*(iv) Library Collection*

The library collection is recognised at written down current cost. The collection is at University valuation and was last revalued at 31 December 2001. The library collection will be revalued to fair value at the next valuation date, which is currently planned to be 31 December 2004.

An initial assessment of the impact of revaluing the library collection to fair value was made at 31 December 2002. The assessment indicates that the library collection will need to be written down. Any negative impact from a write down would be taken to revaluation reserves and retained earnings under the transitional provisions of the accounting standards.

*(v) Plant and Equipment*

Other plant and equipment is recorded at historic cost. Historic cost is deemed to represent written down current cost for valuation purposes.

**(g) Depreciation and Amortisation**

Depreciation and amortisation is calculated on a straight line basis on all property, plant and equipment other than land and buildings under construction. Depreciation rates are calculated to allocate the written down cost of an asset over its estimated remaining useful life.

Asset Class	Initial Useful Life
Property:	
Buildings	50 years
Library Collection:	
Books	10 years
Journals	15 years
Electronic Materials	10 years
Other Plant and Equipment:	
IT infrastructure	5 years
IT systems	7 years
Other plant and equipment	10 years
Motor vehicles	5 years

The useful lives of assets were reviewed during 2002. The useful life of buildings was reduced from 60 to 50 years which had the effect of increasing the depreciation charge in 2002 by \$1.943 million. The useful life of the library collection was reduced from 15 to 10 years for books, and 20 years to 15 years for journals, which had the effect of increasing the depreciation charge in 2002 by \$3.816 million. The useful life of other plant and equipment was reduced from 10 to 5 years for IT infrastructure and 10 to 7 years for IT systems, which had the effect of increasing the depreciation charge in 2002 by \$0.919 million.

**(h) Restrictions on Assets**

Land includes \$10.761 million of Crown Lands and \$8.024 million of land dedicated for education use by the Minister of Education. Such lands are unable to be sold.

**(h) Restrictions on Assets (continued)**

The University has restrictions on all land by application of the *University of South Australia Act, 1990* Section 6(4) which states:

*The University cannot, except with the approval of the Governor and in accordance with any terms or conditions stipulated by the Governor in granting that approval, sell, lease (except for a term not exceeding 21 years), or otherwise dispose of, mortgage or charge any of its real property.*

**(i) Employee Entitlements**

Leave liabilities are calculated to include on-costs. Only on-costs accruing to employees are recognised under employee provisions, while on-costs not accruing to employees are recognised as payables.

The long service leave liability is independently estimated by the long hand method prescribed by AASB1028 Employee Benefits. This takes into account the probability of staff remaining with the University until an unconditional entitlement has been accrued. A future cash outflow has been estimated on the basis of when leave will be taken and that cash flow is discounted using the interest rate in risk free government securities to derive the long service leave liability.

The liability for annual leave (including the leave loading) is calculated on current wage rates.

**(j) Goods and Services Tax (GST)**

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

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

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

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

2.	Revenue from Ordinary Activities	Note	Consolidated		University	
			2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
2.1	<b>Commonwealth Government Grants (excluding HECS)</b>					
	Teaching and Learning:					
	Operating Financial Assistance excluding HECS and PELS	32.1	<b>92 636</b>	89 494	<b>92 636</b>	89 494
	Australian Research Council:	32.2				
	Discovery - Fellowships		<b>129</b>	-	<b>129</b>	-
	Discovery - Large grants		<b>630</b>	647	<b>630</b>	647
	Research fellowships		-	157	-	157
	Discovery - Indigenous researchers' development		<b>9</b>	35	<b>9</b>	35
	Linkage - SPIRT		<b>1 808</b>	1 693	<b>1 808</b>	1 693
	Linkage - Infrastructure equipment and facilities		<b>591</b>	-	<b>591</b>	-
	International research exchange		<b>16</b>	24	<b>16</b>	24
	Other - Shared university projects		<b>14</b>	-	<b>14</b>	-
	Linkage - Centres of excellence (Key Centres)		<b>698</b>	684	<b>698</b>	684
	DEST:	32.3				
	Institutional grants scheme		<b>4 214</b>	3 704	<b>4 214</b>	3 704
	Research training scheme		<b>7 216</b>	7 555	<b>7 216</b>	7 555
	Research infrastructure		<b>1 041</b>	713	<b>1 041</b>	713
	Australian postgraduate awards		<b>1 343</b>	1 165	<b>1 343</b>	1 165
	International postgraduate research scholarships		<b>255</b>	215	<b>255</b>	215
	Teaching awards		<b>50</b>	-	<b>50</b>	-
	Small research grants		-	219	-	219
			<b>110 650</b>	106 305	<b>110 650</b>	106 305
	Other Commonwealth Government Grants:					
	Other Commonwealth government research Grants		<b>4 816</b>	4 259	<b>4 738</b>	4 160
	Aboriginal tutorial assistance scheme grant		<b>235</b>	241	<b>235</b>	241
	Other Commonwealth grants		<b>185</b>	275	<b>185</b>	275
			<b>5 236</b>	4 775	<b>5 158</b>	4 676
			<b>115 886</b>	111 080	<b>115 808</b>	110 981
2.2	<b>South Australian Government Financial Assistance</b>					
	Anangu Teacher Education Program (AnTEP)		<b>149</b>	149	<b>149</b>	149
	Research grants		<b>2 145</b>	1 921	<b>2 145</b>	1 921
	Other		-	4	-	4
			<b>2 294</b>	2 074	<b>2 294</b>	2 074

		Consolidated		University	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>2.</b>	<b>Revenue from Ordinary Activities (continued)</b>				
<b>2.3</b>	<b>Fees and Charges</b>				
	Continuing education	2 326	976	2 326	976
	Fee-paying overseas students	45 108	37 904	45 108	37 904
	Fee-paying non-overseas postgraduate students	3 124	4 022	3 124	4 022
	Fee-paying non-overseas undergraduate students	-	-	-	-
	Fee-paying non-overseas non award students	106	-	106	-
	Other fees and charges:				
	Open Learning Australia (OLA)	1 206	1 215	1 206	1 215
	Fees - Civil aviation	630	689	630	689
	Hire of facilities	1 961	2 141	1 961	2 141
	Secondment support	826	660	826	660
	Seminar/workshops	710	649	710	649
	All other	9 406	9 529	2 905	2 893
		65 403	57 785	58 902	51 149
<b>2.4</b>	<b>Investment Income</b>				
	Dividends	28	28	1 884	1 096
	Interest	2 763	2 271	2 546	2 111
	Investment income from related parties	348	264	348	264
	Other	-	98	-	98
		3 139	2 661	4 778	3 569
<b>2.5</b>	<b>Royalties, Trademarks and Licenses</b>				
	Royalties	367	535	367	509
<b>2.6</b>	<b>Consultancy and Contract Research</b>				
	Consultancy fees	6 154	3 668	6 154	3 668
	Contract research	8 719	10 334	8 719	10 334
		14 873	14 002	14 873	14 002
<b>2.7</b>	<b>Other Revenue</b>				
	Donations and bequests	849	1 301	467	661
	Scholarships and prizes	797	765	797	746
	Other	3 971	2 748	4 108	2 748
		5 617	4 814	5 372	4 155
<b>3.</b>	<b>Expenses from Ordinary Activities</b>				
<b>3.1</b>	<b>Employee Benefits</b>				
	Academic	70 456	69 978	70 456	69 978
	Salaries				
	Contributions to superannuation and pension schemes:				
	Emerging cost - Operating grant funded	246	256	246	256
	Funded	8 218	7 111	8 218	7 111
	Payroll tax	3 997	4 207	3 997	4 207
	Workers compensation	428	453	428	453
	Long service leave expense	1 734	2 663	1 734	2 663
	Annual leave	153	447	153	447
		85 232	85 115	85 232	85 115
	Non-Academic	58 808	56 069	56 625	53 679
	Salaries				
	Contributions to superannuation and pension schemes:				
	Emerging cost - Operating grant funded	414	269	56	67
	Funded	6 205	6 106	6 205	5 960
	Payroll tax	3 270	3 261	3 270	3 261
	Workers Compensation	559	371	537	351
	Long service leave expense	1 516	2 219	1 514	2 217
	Annual Leave	(39)	565	(179)	437
		70 733	68 860	68 028	65 972
	Total employees benefits	155 965	153 975	153 260	151 087
	Contributions to superannuation and pension scheme: - Emerging cost - Commonwealth supplemented:				
	Academic	18 611	16 750	18 611	16 750
	Non Academic	3 284	3 414	3 284	3 414
	Deferred employee benefits for superannuation				
	Academic	13 855	-	13 855	-
	Non-Academic	2 445	500	2 445	500
		38 195	20 664	38 195	20 664

**3.1 Employee Benefits (continued)**

Payments for annual leave are included in the salaries line above. The movement in the provision for annual leave is shown in the annual leave line above.

Long service leave expense includes amounts paid for long service leave and the net movement in the provision for long service leave.

Employee benefits include targeted voluntary separation packages as follows:

	2002 Number	2001 Number
Number of targeted voluntary separation packages	38	28
	\$'000	\$'000
Targeted voluntary separation package expenses	1 687	1 488
Accrued annual leave and long service leave payments	660	599
Total amount associated with separations	2 347	2 087

There is no entitlement to recover separation payments from the Office for the Commissioner for Public Employment.

**3.2 Depreciation and Amortisation**

	Consolidated \$'000	2001 \$'000	University \$'000	2001 \$'000
Amortisation leased assets	435	435	435	435
Buildings	11 839	11 826	11 825	11 810
Library collection	6 366	3 798	6 366	3 798
Plant and equipment	3 684	2 720	3 537	2 587
	22 324	18 779	22 163	18 630

**3.3 Buildings and Grounds**

Building maintenance	10 208	11 541	10 208	11 541
Grounds maintenance	603	641	603	641
	10 811	12 182	10 811	12 182

**3.4 Bad and Doubtful Debts**

Doubtful debts	491	617	491	553
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**3.5 Other Expenses**

Scholarships and prizes	6 685	6 378	6 649	6 324
Telecommunications	4 021	3 861	3 957	3 796
Non-capitalised equipment (non-IT)	1 700	1 162	1 700	1 161
Travel, staff development and entertainment	11 414	10 226	11 249	10 051
External services	16 838	13 876	16 410	13 672
IT, hardware and software	6 098	5 920	6 098	5 920
Library acquisitions	939	1 135	939	1 135
Printing	1 849	1 955	1 849	1 955
Operating lease rental expenses	4 306	3 327	4 306	3 327
Loss on sale of assets (refer Note 5)	499	701	499	701
Net loss on revaluation of assets	-	1 210	-	1 210
Other	10 014	9 963	8 786	8 708
	64 363	59 714	62 442	57 960

Included within external services for 2002 is an amount for consultants of \$1.380 million exclusive of GST (2001: \$2.265 million).

**4. Borrowing Cost Expense**

Interest expense	1 517	1 821	1 517	1 821
Loan guarantee fees	132	150	132	150
Bank charges	213	259	213	259
	1 862	2 230	1 862	2 230

**5. Sales of Assets**

Property, plant and equipment	(203)	(720)	(203)	(612)
Proceeds from sale	702	1 421	702	1 313
Carrying amount of assets sold				
Loss on sale of depreciable assets	499	701	499	701

**6. Responsible Persons and Executive Officers****6.1 Responsible Persons**

(a)	Number of persons who were Responsible Persons	Consolidated 2002 Number	2001 Number	University 2002 Number	2001 Number
	12	12	12	12	12

Responsible persons represent external members of the University Council.

(b) The University did not provide any remuneration or retirement benefits to responsible persons during the reporting period.

**6.2 Executive Officers**

<i>(a) Executive Officer's Remuneration</i>	
\$100 000 - \$109 999	
\$170 000 - \$179 999	
\$180 000 - \$189 999	
\$190 000 - \$199 999	
\$210 000 - \$219 999	
\$220 000 - \$229 999	
\$230 000 - \$239 999	
\$360 000 - \$369 999	
\$380 000 - \$389 999	

	Consolidated		University	
	2002	2001	2002	2001
Number of Executives	Number of Executives	Number of Executives	Number of Executives	
1	-	1	-	-
-	2	-	1	1
-	6	-	6	6
4	-	4	-	-
-	1	-	1	1
2	-	2	-	-
1	-	1	-	-
-	1	-	1	1
1	-	1	-	-
<b>9</b>	<b>10</b>	<b>9</b>	<b>9</b>	

<i>(b) Aggregate Remuneration of Executive Officers</i>	

Consolidated		University	
2002	2001	2002	2001
\$'000	\$'000	\$'000	\$'000
<b>1 679</b>	<b>1 751</b>	<b>1 679</b>	<b>1 596</b>

<i>(c) Aggregate Retirement and Superannuation Benefits of Executive Officers</i>	

<b>275</b>	<b>295</b>	<b>275</b>	<b>273</b>
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**7. Remuneration of Auditors**

Auditing the financial report	
Other services	

<b>180</b>	<b>173</b>	<b>167</b>	<b>161</b>
<b>24</b>	<b>13</b>	<b>24</b>	<b>13</b>
<b>204</b>	<b>186</b>	<b>191</b>	<b>174</b>

**8. Cash Assets**

Cash at bank	
Short term deposits	

<b>5 974</b>	<b>5 627</b>	<b>5 527</b>	<b>3 636</b>
<b>78 978</b>	<b>51 926</b>	<b>75 494</b>	<b>50 260</b>
<b>84 952</b>	<b>57 553</b>	<b>81 021</b>	<b>53 896</b>

**9. Receivables**

Trade debtors	
Provision for doubtful debts	

<b>9 775</b>	<b>8 958</b>	<b>8 625</b>	<b>7 988</b>
<b>(429)</b>	<b>(466)</b>	<b>(428)</b>	<b>(466)</b>
<b>9 346</b>	<b>8 492</b>	<b>8 197</b>	<b>7 522</b>

Student fees	
Provision for doubtful debts	

<b>2 083</b>	<b>1 535</b>	<b>2 083</b>	<b>1 535</b>
<b>(502)</b>	<b>(277)</b>	<b>(502)</b>	<b>(277)</b>
<b>1 581</b>	<b>1 258</b>	<b>1 581</b>	<b>1 258</b>

Student loans	
Provision for doubtful debts	

<b>260</b>	<b>610</b>	<b>260</b>	<b>610</b>
<b>(124)</b>	<b>(415)</b>	<b>(124)</b>	<b>(415)</b>
<b>136</b>	<b>195</b>	<b>136</b>	<b>195</b>

Commonwealth	

<b>2 206</b>	<b>1 172</b>	<b>2 206</b>	<b>1 172</b>
<b>13 269</b>	<b>11 117</b>	<b>12 120</b>	<b>10 147</b>

**10. Other Financial Assets**

Current:

Workers Compensation Investment Fund	
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<b>115</b>	<b>119</b>	<b>115</b>	<b>119</b>
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Non-Current:

Investment in controlled entity	
Workers' compensation investment fund	
Share investments	
Other investments	

<b>-</b>	<b>-</b>	<b>562</b>	<b>562</b>
<b>5 632</b>	<b>5 968</b>	<b>5 632</b>	<b>5 968</b>
<b>1 647</b>	<b>470</b>	<b>470</b>	<b>470</b>
<b>306</b>	<b>883</b>	<b>-</b>	<b>-</b>
<b>7 585</b>	<b>7 321</b>	<b>6 664</b>	<b>7 000</b>

**11. Other Assets**

Prepayments	
Accrued income	
Other	

<b>1 395</b>	<b>653</b>	<b>1 387</b>	<b>639</b>
<b>945</b>	<b>1 650</b>	<b>927</b>	<b>1 649</b>
<b>65</b>	<b>-</b>	<b>65</b>	<b>-</b>
<b>2 405</b>	<b>2 303</b>	<b>2 379</b>	<b>2 288</b>

12. <b>Property, Plant and Equipment</b>	Consolidated		University	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Current:				
Property Held for Resale:				
At valuation 31 December 2002	<b>6 280</b>	-	<b>6 280</b>	-
Non Current:				
Property Held for Resale:				
At valuation 31 December 2002	<b>13 700</b>	-	<b>13 700</b>	-
Land:				
At valuation 31 December 2001	<b>26 138</b>	39 065	<b>26 138</b>	39 065
Buildings:				
At valuation 31 December 2001	<b>464 300</b>	511 127	<b>464 234</b>	511 063
At cost	<b>171</b>	-	<b>171</b>	-
Accumulated depreciation	<b>(195 121)</b>	(199 848)	<b>(195 057)</b>	(199 797)
	<b>269 350</b>	311 279	<b>269 348</b>	311 266
Buildings Under Construction:				
At cost	<b>5 351</b>	-	<b>5 351</b>	-
Library Collection:				
At valuation 31 December 2001	<b>56 566</b>	56 566	<b>56 566</b>	56 566
At cost	<b>1 772</b>	-	<b>1 772</b>	-
Accumulated depreciation	<b>(30 893)</b>	(24 527)	<b>(30 893)</b>	(24 527)
	<b>27 445</b>	32 039	<b>27 445</b>	32 039
Plant and Equipment:				
At cost	<b>39 027</b>	37 896	<b>38 464</b>	37 281
Accumulated depreciation	<b>(23 142)</b>	(20 234)	<b>(22 759)</b>	(19 895)
	<b>15 885</b>	17 662	<b>15 705</b>	17 386
<b>Total Non-Current Property, Plant and Equipment</b>	<b>357 869</b>	400 045	<b>357 687</b>	399 756
<b>Total Property, Plant and Equipment</b>	<b>364 149</b>	400 045	<b>363 967</b>	399 756

**Reconciliation of Movements in Property, Plant and Equipment**

Property Held for Resale:				
Carrying amount at beginning of year				
Reclassification	<b>43 253</b>	-	<b>43 253</b>	-
Revaluations	<b>(23 273)</b>	-	<b>(23 273)</b>	-
Carrying amount at end of year	<b>19 980</b>	-	<b>19 980</b>	-
Land:				
Carrying amount at beginning at year	<b>39 065</b>	29 323	<b>39 065</b>	29 323
Disposals	<b>(127)</b>	(70)	<b>(127)</b>	(70)
Reclassification	<b>(12 800)</b>	-	<b>(12 800)</b>	-
Revaluation	-	9 812	-	9 812
Carrying amount at end of year	<b>26 138</b>	39 065	<b>26 138</b>	39 065
Buildings:				
Carrying amount at beginning of year	<b>311 279</b>	330 164	<b>311 266</b>	330 135
Additions	<b>174</b>	5 368	<b>171</b>	5 368
Disposals	-	(206)	-	(206)
Depreciation	<b>(11 839)</b>	(11 826)	<b>(11 825)</b>	(11 810)
Reclassification	<b>(30 264)</b>	-	<b>(30 264)</b>	-
Revaluations	-	(12 221)	-	(12 221)
Carrying amount at end of year	<b>269 350</b>	311 279	<b>269 348</b>	311 266
Buildings Under Construction:				
Carrying amount at beginning of year	-	-	-	-
Additions	<b>5 540</b>	-	<b>5 540</b>	-
Reclassification	<b>(189)</b>	-	<b>(189)</b>	-
Carrying amount at end of year	<b>5 351</b>	-	<b>5 351</b>	-
Library Collection:				
Carrying amount at beginning of year	<b>32 039</b>	36 006	<b>32 039</b>	36 006
Additions	<b>1 772</b>	2 529	<b>1 772</b>	2 529
Disposals	-	(405)	-	(405)
Depreciation	<b>(6 366)</b>	(3 798)	<b>(6 366)</b>	(3 798)
Revaluations	-	(2 293)	-	(2 293)
Carrying amount at end of year	<b>27 445</b>	32 039	<b>27 445</b>	32 039
Plant and Equipment:				
Carrying amount at beginning of year	<b>17 662</b>	16 551	<b>17 386</b>	16 223
Additions	<b>2 754</b>	4 974	<b>2 701</b>	4 816
Disposals	<b>(412)</b>	(707)	<b>(410)</b>	(631)
Depreciation and Amortisation	<b>(4 119)</b>	(3 156)	<b>(3 972)</b>	(3 022)
Carrying amount at end of year	<b>15 885</b>	17 662	<b>15 705</b>	17 386
<b>Total Property, Plant and Equipment</b>	<b>364 149</b>	400 045	<b>363 967</b>	399 756

		Consolidated		University	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
<b>13.</b>	<b>Payables</b>	<b>10 175</b>	10 063	<b>10 100</b>	9 920
Current:	Trade Creditors	<b>1 925</b>	1 939	<b>1 925</b>	1 939
	Annual leave on-costs	<b>564</b>	565	<b>564</b>	565
	Long service leave on-costs	<b>12 664</b>	12 567	<b>12 589</b>	12 424
Non-Current:	Long service leave on-costs	<b>3 312</b>	3 229	<b>3 312</b>	3 229
	Non interest bearing liabilities	<b>50</b>	50	<b>50</b>	50
		<b>3 362</b>	3 279	<b>3 362</b>	3 279
<b>14.</b>	<b>Interest Bearing Liabilities</b>	<b>15 000</b>	15 000	<b>15 000</b>	15 000
<b>15.</b>	<b>Provisions</b>				
Current:	Annual Leave	<b>8 623</b>	8 619	<b>8 486</b>	8 498
	Long service leave	<b>2 840</b>	2 842	<b>2 822</b>	2 826
	Separation scheme	<b>98</b>	683	<b>98</b>	683
	Workers' compensation liability	<b>483</b>	722	<b>480</b>	718
		<b>12 044</b>	12 866	<b>11 886</b>	12 725
Non-Current:	Workers' compensation liability	<b>708</b>	982	<b>708</b>	982
	Long service leave	<b>16 562</b>	16 148	<b>16 562</b>	16 148
		<b>17 270</b>	17 130	<b>17 270</b>	17 130
<b>16.</b>	<b>Other Liabilities</b>				
Current:	Accrued interest	<b>255</b>	284	<b>255</b>	284
	Finance lease	<b>493</b>	452	<b>493</b>	452
	Other	<b>326</b>	799	-	291
	Funds held on behalf of external entities	<b>2 270</b>	911	<b>2 169</b>	1 624
	Income in advance on incomplete projects	<b>3 344</b>	2 446	<b>2 917</b>	2 651
		<b>4 434</b>	2 119	<b>4 242</b>	2 015
	Fees and charges	<b>1 883</b>	1 860	<b>1 883</b>	1 860
	Commonwealth grant	<b>15 131</b>	13 852	<b>15 131</b>	13 852
	HECS recovery	<b>490</b>	190	<b>490</b>	190
		<b>17 504</b>	15 902	<b>17 504</b>	15 902
		<b>25 282</b>	20 467	<b>24 663</b>	20 568
Non-Current		<b>825</b>	1 319	<b>825</b>	1 319
<b>17.</b>	<b>Reserves</b>				
	The University has two reserves in total. The land and buildings reserve is for the purposes of property revaluation, while the investment reserve is for the purpose of investment revaluation.				
<b>(a)</b>	<b>Reserves Comprise</b>				
	Asset Revaluation Reserves:				
	Land and buildings	<b>7 473</b>	30 746	<b>7 473</b>	30 746
	Investment revaluation reserve	<b>42</b>	152	-	-
	<b>Total Reserves</b>	<b>7 515</b>	30 898	<b>7 473</b>	30 746
<b>(b)</b>	<b>Movements in Reserves</b>				
	Land and Buildings:				
	Opening balance	<b>30 746</b>	33 155	<b>30 746</b>	33 155
	Asset revaluation increment	<b>1 095</b>	-	<b>1 095</b>	-
	Asset revaluation decrement	<b>(24 368)</b>	(2 409)	<b>(24 368)</b>	(2 409)
	Closing Balance	<b>7 473</b>	30 746	<b>7 473</b>	30 746
	Library Collection:				
	Opening balance	-	1 082	-	1 082
	Asset revaluation decrement	-	(1 082)	-	(1 082)
	Closing balance	-	-	-	-
	Investments Revaluation Reserve:				
	Opening balance	<b>152</b>	-	-	-
	Asset revaluation increment	-	152	-	-
	Asset revaluation decrement	<b>(110)</b>	-	-	-
	Closing balance	<b>42</b>	152	-	-
	<b>Total Reserves</b>	<b>7 515</b>	30 898	<b>7 473</b>	30 746

**18. Accumulated Result of Operations**

	Consolidated		University	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Opening balance				
Operating result from ordinary activity	364 932	358 044	360 015	354 784
<b>Closing Balance</b>	<b>13 581</b>	<b>6 888</b>	<b>13 183</b>	<b>5 231</b>
	<b>378 513</b>	<b>364 932</b>	<b>373 198</b>	<b>360 015</b>

**19. Commitments for Expenditure****(a) Capital Expenditure Commitments***Building Works*

Not later than one year

**4 075** 1 473 **4 075** 1 473**(b) Lease Commitments***Operating Leases:*

Not later than one year

**2 824** 2 711 **2 824** 2 711

Later than one year but not later than five years

**3 511** 4 645 **3 511** 4 645

Later than five years

**720** - **720** -**7 055** 7 356 **7 055** 7 356*Finance Leases:*

Not later than one year

**653** 653 **653** 653

Later than one year but not later than five years

**978** 1 631 **978** 1 631

Later than five years

- - - -

*Less: Future lease finance charges***1 631** 2 284 **1 631** 2 284**(313)** (513) **(313)** (513)**1 318** 1 771 **1 318** 1 771*Lease Liabilities Provided for in the Financial Statement:*

Current

**493** 452 **493** 452

Non-Current

**825** 1 319 **825** 1 319**1 318** 1 771 **1 318** 1 771

Major operating leases include leases for accommodation and vehicles. At 31 December 2002 the University had a finance lease over a computer with a written down value of \$1.318 million. The terms of the agreement do not include renewal or purchase options.

**20. Superannuation Plans**

The University contributes to the following employee superannuation funds:

**(a) South Australia Superannuation Fund**

A number of present and past employees of the University and its predecessor institutions are members of State Government Superannuation Schemes. Under the schemes benefits are paid as a lump sum or continuing pension on the termination of employees' service based on contributions made by the employee and the employee's final salary. Employee contributions and certain employer contributions are paid to the South Australian Superannuation Board (the Board) which is responsible for the administration of the schemes.

Under current arrangements the Board pays the benefits and is reimbursed by the University for the shortfall in the employer's contribution. The Commonwealth government fully funds the University on an emerging cost basis for the costs and recovers the State's share of the cost directly from the State government.

The University's superannuation liability with respect to future benefits for current pensioners and employees was assessed by the Director Superannuation (State Superannuation Office) Department of Treasury and Finance as at 31 December 2002 to be \$292.1 million (31 December 2001: \$276.3 million). The assessment took into account an actuarial review of the South Australian Superannuation Fund as at 30 June 1998.

The University's liability under the scheme has been partly funded by an amount of \$14.8 million (2001: \$15.3 million) arising from 3% productivity employer contributions. This results in an unfunded liability of \$277.3 million (2001: \$261.0 million). The net unfunded amount has been recognised in the accounts of the University as a liability and a corresponding receivable from the Commonwealth government. The asset and liability have been classified as current and non-current according to cash flow projections of the assessment.

Recognition of the receivable from the Commonwealth is in accordance with DEST Guidelines and reflects an assessment that, while there is no legislated requirement, the Commonwealth has committed to fund the University's emerging costs.

Assumptions adopted by the Director Superannuation (State Superannuation Office), South Australian Department of Treasury and Finance in determining the University's liability were:

Rate of increase in the Consumer Price Index (CPI)	2.5% per annum
Rate of salary increases	4.0% per annum
Investment earnings	7.5% per annum

These assumptions have not changed since 1999.

These rates provide for a 1.5% real gap between CPI and salary increases and a further 3.5% real gap between salary increases and investment earnings.

**(b) UniSuper**

UniSuper is trustee of two superannuation schemes, being the Superannuation Scheme for Australian Universities (SSAU) and the Tertiary Education Superannuation Scheme (TESS).

**(i) SSAU**

The University contributes to SSAU at a rate double the contributions made by employees. Employees' contributions are normally 7% of their gross salaries. The fund provides defined benefits based on years of service and final average salary or choice of investment funds.

The last actuarial investigation as at 31 December 1999 was conducted by Grant Harslett, FIA, FIAA on 18 May 2000.

A funding and solvency certificate required under regulation 9.09(i) of the Superannuation (Supervision) Industry Regulations has been obtained from UniSuper with a date of effect of 30 June 2002 ceasing on 31 December 2003.

As at 30 June the University of South Australia's share of the fund as it relates to the defined benefits scheme was:

	2002 \$'000	2001 \$'000
Net Market Value	70 692	76 558
Accrued Benefits	75 999	69 378
Difference	<u>(5 307)</u>	7 180
<b>Vested Benefits</b>	<b>75 999</b>	69 378

UniSuper as Trustee may approach the employer universities for additional contributions where UniSuper assets are determined to be insufficient to match the benefits. If the Trustee approaches the employers, the employers must jointly notify the Trustee as to the rate at which they are prepared to contribute to UniSuper. If employers fail to give notice to the Trustee, the Trustee must reduce the benefits payable.

**(ii) Tertiary Education Superannuation Scheme (TESS)**

The University contributes to the fund at a rate determined by the TESS Award. The scheme is non-contributory for employees. The fund provides benefits based on the defined contributions of the University during the membership of the employee.

The University also makes contributions into the fund for employee entitlements arising under the Superannuation Guarantee Charge (SGC).

**(c) Deferred Government Superannuation Contribution**

The Commonwealth government has undertaken to provide funding for emerging superannuation costs in its grants to institutions and to recover the State's share of the cost directly from the State government.

In 2002, an amount of \$16.3 million was brought to account to reflect the increase in the net unfunded past service cost for State superannuation (2001: an increase of \$0.5 million).

	2002 \$'000	2001 \$'000
Deferred Government superannuation contribution at the beginning of the year	261 000	260 500
Increase (Decrease) in amount owing for unfunded liability	<u>16 300</u>	500
<b>Deferred Government Superannuation Contribution at the end of the year</b>	<b>277 300</b>	261 000

Comprising:

Current asset	23 600	22 900
Non-Current asset	<u>253 700</u>	238 100
	<b>277 300</b>	261 000

**21. Contingent Liabilities**

The University has entered into an agreement with the Minister of the Department of Education, Training and Employment to provide 35 spaces in a Child Care Centre built in 1997 at the University's City West campus. If the agreement is terminated within the first seven years an amount of \$0.680 million being the Minister's contribution to the Child Care Centre will be refunded. If the agreement is terminated after seven years a sum of \$0.680 million to be repaid is reduced on a pro rata basis reducing to zero after 21 years.

In 1994 the University received a South Australian government grant of \$1.0 million towards establishing the Ian Wark Research Institute (IWRI). Under the conditions the grant was awarded if the IWRI ceases to operate the University is liable to repay 10% of the grant for each complete year the IWRI fails to operate up to 2004.

The University has entered into an arrangement to underwrite student accommodation. The arrangement requires the University to fund vacancies up to a limit. At 31 December 2002 the University had a contingent liability of \$0.292 million.

The University has no other material contingent liabilities.

22.

**Leases**

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

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

Payments made under operating leases are charged as an operating expense over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

23.

**Joint Venture Operations**

The University's interest in joint ventures is by note disclosure only, as these interests are immaterial in relation to the University's core activities.

The University participates in joint venture operations as described below.

**Signal Processing Research Institute (SPRI) Building**

	Reporting Date	Output Interest	
		2002 Percent	2001 Percent
SPRI (Building)	30 June	30	30

The University and the Technology Development Corporation (subsumed by the MFP Development Corporation and subsequently the Land Management Corporation) entered into an agreement in 1991 to establish a building to house the SPRI at Mawson Lakes. The building is leased to University research centres affiliated with the SPRI and other lessees. The University has a 30 percent share of the joint venture with the Land Management Corporation holding the remaining 70 percent share.

24.

**Joint Venture Entities**

The University has an interest in a number of joint venture entities as described below. The University's interest in these joint ventures is by note disclosure only as these interests are immaterial in relation to the University's core activities.

Entity (refer below)	Reporting Date	Ownership Interest	
		2002 Percent	2001 Percent
(a) CRCSS	30 June	24	24
(b) CRCIMST	30 June	8	7
(c) CRCRET	30 June	8.3	8.3
(d) CRCST Pty Ltd	30 June	5	4
(e) CSSIP	30 June	5.2	5.2
(f) CWQT	30 June	5	6
(g) SAARDNet	31 December	20	20
(h) SACRRH	31 December	50	50
(i) SATAC	30 June	25	25

**(a) Cooperative Research Centre for Satellite Systems (CRCSS)**

The CRCSS is a national cooperative research centre. Its mission is to deliver a new sustainable advantage for Australian industries and government agencies involved in services based on the applications of future generations of small satellites.

**(b) Cooperative Research Centre for Intelligent Manufacturing Systems and Technologies (CRCIMST)**

The CRCIMST is a national cooperative research centre. Its purpose is to establish a world class research centre with representation from both industry and universities in areas of research to provide a technology base for the sustainable development in Australia of internationally competitive manufacturing.

**(c) Cooperative Research Centre for Railway Engineering and Technologies (CRCRET)**

The CRCRET is a national cooperative research centre. Its purpose is to promote the development of an internationally competitive, efficient and sustainable rail service to facilitate the development of an Australian export industry in railway technologies.

**(d) Cooperative Research Centre for Sustainable Tourism Pty Ltd (CRCST Pty Ltd)**

The CRCST is a national cooperative research centre. It focuses on developing a dynamic, internationally competitive and sustainable tourism industry, through delivering innovations and strategic knowledge to business, community and government to enhance the environmental, economic and social sustainability of tourism.

**(e) Cooperative Research Centre for Sensor Signal and Information Processing (CSSIP)**

The CSSIP is a national cooperative research centre. Its purpose is to provide research and postgraduate education in signal and information processing for sensors.

**(f) Centre for Water Quality and Treatment (CWQT)**

The CWQT is a national cooperative research centre. Its purpose is to enhance scientific and technological capabilities, support scientific research and encourage applications of science and technology in industry and other areas in the area of water quality and treatment.

(g) **South Australian Academic Research and Development Network (SAARDNet)**  
 SAARDNet is a joint venture by the University of Adelaide, Flinders University of South Australia, University of South Australia, DSTO and CSIRO to provide members with an enhanced network and shared resources. SAARDNet facilitates greater data, voice and video communications between higher education and research organisations in South Australia.

(h) **South Australian Centre for Rural and Remote Health (SACRRH)**  
 The University of South Australia and the University of Adelaide have been chosen by the Commonwealth to establish a University Department of Rural Health, known as SACRRH and located at the University of South Australia, Whyalla campus. The aim of the Centre is to improve access to appropriate health care services for rural and remote communities.

(i) **South Australian Tertiary Admissions Centre (SATAC)**  
 SATAC is a joint venture of the three South Australian universities and the Minister for Education, Training and Employment. SATAC receives and processes undergraduate and postgraduate applications for admission to the eight Institutes of TAFE and the three universities in South Australia.

**25. Controlled Entities**

The University has 100% ownership of two controlled entities:

(a) **ITEK Pty Ltd**  
 ITEK Pty Ltd was formed on 1 July 1999. ITEK Pty Ltd is trustee for the ITEK trust and has a 100% controlling interest in GTA Pty Ltd which is trustee for the GTA trust. The ITEK trust provides the University with business incubation and technology commercialisation services. ITEK's role is to support the commercialisation of University research through the formulation of spin-off companies, licensing and the sale of intellectual property to generate returns for the University, and also for the staff and students involved in the creation of intellectual property.

(b) **University of South Australia Foundation Incorporated**  
 The Foundation's purpose is to partner the University, its alumni and its supporters in industry and elsewhere in generating interest in the University. At the same time it seeks to attract broadly based levels of philanthropic support for the benefit of the University.

The University funds the operating costs of the Foundation directly so that donations and bequests received are used for the intended purpose.

**26. Other Entities**

The University also has an interest in Unisure Pty Ltd as described below.

**Unisure Pty Ltd**

The University of South Australia is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986* and is a shareholder along with the University of Adelaide and the Flinders University of South Australia in Unisure Pty Ltd which manages workers' compensation claims on behalf of the three institutions. Unisure Pty Ltd is the trustee of the Unisure Unit Trust which holds the University's workers' compensation liabilities and the associated investment funds. As at 31 December 2002 the Unit Trust held net assets of \$4.558 million on behalf of the University of South Australia (2001: \$4.387 million).

The University's annual financial statements incorporate the financial transactions of the Unisure Unit Trust within the University column. The net assets employed in Unisure are as follows:

	University	
	2002 \$'000	2001 \$'000
Current assets	115	119
Non-Current assets	5 632	5 968
<b>Total Assets</b>	<b>5 747</b>	<b>6 087</b>
Current liabilities	480	718
Non-current liabilities	708	982
<b>Total Liabilities</b>	<b>1 188</b>	<b>1 700</b>
<b>Net Assets</b>	<b>4 559</b>	<b>4 387</b>

Refer to Notes 10 and 15.

**27. Disaggregation Information**

	Revenue		Results		Total Assets	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Industry</b>						
Higher Education	269 397	254 385	13 581	6 888	749 775	739 460
<b>Geographical</b>						
Australia	244 919	235 509	9 419	3 679	749 775	739 460
Asia	24 321	18 739	4 135	3 186	-	-
Other	157	137	27	23	-	-
	269 397	254 385	13 581	6 888	749 775	739 460

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

**28. Subsequent Events**

Subsequent to 31 December 2002, the Salisbury campus was sold for its carrying value of \$6.280 million. Other than this, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction, event of a material and unusual nature likely to affect significantly the operation of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future periods.

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

Within the controlled group, the University of South Australia Foundation Inc is trustee or custodian for the following trusts:

- Aborigines Advancement League;
- Davey Scholarship;
- Donald Dyer Scholarship;
- Lydia Longmore Memorial Fund;
- The PW Stephens Engineering Prize; and
- William T Southcott Scholarship.

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

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank and short-term deposits net of outstanding bank overdrafts and unpresented cheques. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Consolidated		University	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Cash at bank	5 974	5 627	5 527	3 636
Short-term deposits	78 978	51 926	75 494	50 260
	<b>84 952</b>	<b>57 553</b>	<b>81 021</b>	<b>53 896</b>

**(b) Reconciliation of Operating Result from Ordinary Activities to Net Cash provided by Operating Activities**

Operating result from ordinary activities	<b>13 581</b>	6 888	<b>13 183</b>	5 231
Add (Less): Items classified as investing activities:				
(Profit) Loss on sale of plant and equipment	<b>499</b>	701	<b>499</b>	701
Add (Less): Non-cash items:				
Depreciation and amortisation	<b>22 324</b>	18 779	<b>22 163</b>	18 630
Non cash donations	<b>(165)</b>	(162)	<b>(165)</b>	(162)
Revaluation expense	-	1 210	-	1 210
Other	<b>(564)</b>	1 420	-	765
Change in assets and liabilities:				
(Increase) Decrease in receivables	<b>(2 152)</b>	(881)	<b>(1 973)</b>	(328)
(Increase) Decrease in other assets	<b>(15 754)</b>	(1 015)	<b>(15 600)</b>	(979)
Increase (Decrease) in payables	<b>180</b>	(235)	<b>248</b>	89
Increase (Decrease) in provisions	<b>15 618</b>	1 644	<b>15 601</b>	1 626
Increase (Decrease) in other liabilities	<b>4 321</b>	(609)	<b>3 603</b>	(2 040)
<b>Net Cash provided by Operating Activities</b>	<b>37 888</b>	27 740	<b>37 559</b>	24 743

**(c) Non Cash Financing and Investing Activities**

The University received in the reporting period donations of works of art and library materials with a fair value of \$165 000 (2001: \$162 000). These non-cash acquisitions are not reflected in the Statement of Cash Flows.

**(d) Credit Standby Arrangements**

The University has a \$5.0 million (2001: \$5.0 million) credit card facility with the National Australia Bank (NAB). The unused portion of this facility as at 31 December 2002 was \$4.413 million (2001: \$4.457 million).

The University has a \$0.760 million credit card facility with AMEX (2001: \$8.5 million with ANZ). The unused portion of this facility as at 31 December 2002 was \$0.750 million (2001: \$8.303 million).

**(e) Loan Facilities**

The University has \$15.0 million of borrowings remaining at 31 December 2002 from a loan facility with the South Australian Department of Treasury and Finance. No security is provided against the borrowings.

**31. Financial Instruments****31.1 Interest Rate Risk 2002**

The economic entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities as at 31 December 2002 is set out below.

	2002				
	Fixed Interest Rate Maturity				
	Variable Interest Rate	Less than 1 year	1 to 5 years	More than 5 years	Non-Bearing
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:					
Cash	84 952	-	-	-	-
Receivables	-	-	-	-	13 269
Other financial assets	115	-	-	-	7 585
	<b>85 067</b>	-	-	-	<b>20 854</b>
					<b>105 921</b>

Weighted average interest rate 4.67%

**31.1 Interest Rate Risk 2002 (continued)**

			2002					Non-Interest Bearing \$'000	Total \$'000		
			Fixed Interest Rate Maturity								
			Variable Interest Rate \$'000	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000					
Financial Liabilities:											
Trade creditors			-	-	-	-		10 175	10 175		
Annual Leave and long service leave on-costs			-	-	-	-		5 801	5 801		
(Non) Interest bearing liabilities			-	-	15 000	-	50	15 050			
Finance lease			-	493	825	-	-	-	1 318		
Funds held on behalf of external entities			-	-	-	-	2 270	2 270			
			-	493	15 825	-	18 296	34 614			

Weighted average interest rate 11.89% 10.27%

**31.2 Interest Rate Risk 2001**

The economic entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities as at 31 December 2001 is set out below.

		2001					Non-Interest Bearing \$'000	Total \$'000		
		Fixed Interest Rate Maturity								
		Variable Interest Rate \$'000	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000					
Financial Assets:										
Cash assets		57 553	-	-	-	-	-	57 553		
Receivables		-	-	-	-	-	11 117	11 117		
Other financial assets		6 087	-	-	-	-	1 353	7 440		
		63 640	-	-	-	-	12 470	76 110		

Weighted average interest rate 3.79%

Financial Liabilities:

		2001					Non-Interest Bearing \$'000	Total \$'000		
		Fixed Interest Rate Maturity								
		Variable Interest Rate \$'000	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000					
Financial Liabilities:										
Trade creditors		-	-	-	-	-	10 063	10 063		
Annual leave and long service leave on-costs		-	-	-	-	-	5 733	5 733		
(Non) Interest bearing liabilities		-	-	15 000	-	50	15 050			
Finance lease		-	452	1 319	-	-	-	1 771		
Funds held on behalf of external entities		-	-	-	-	911	911			
		-	452	16 319	-	16 757	33 528			

Weighted average interest rate 11.89% 10.32%

**(b) Currency Risk**

The University assesses the foreign exchange risk for its transnational activities and enters into hedging arrangements if appropriate. As at 31 December 2002 the University held US\$0.989 million and RM\$0.109 million (Malaysian Ringgitt) in offshore bank accounts.

**(c) Credit Risk**

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

*(i) On-Balance Sheet Finance Instruments*

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

The economic entity is not materially exposed to any individual overseas country or individual customer.

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

*(i) Valuation Approach*

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

- *On-Balance Sheet Financial Instruments*

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

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

Unlisted share investments of \$1.024 million are carried at cost, which is deemed to be fair value. These investments have not been re-valued to reflect the net assets of the respective entities.

- *Net Fair Values*

The carrying amounts of financial assets and liabilities at the reporting date all approximate the net fair values except for borrowings at fixed rates of interest. The values of those borrowings are:

2002 Carrying Amount \$'000	2002 Net Fair Value \$'000	2001 Carrying Amount \$'000	2001 Net Fair Value \$'000
15 000	17 223	15 000	19 315

**32. Acquittal of Commonwealth Government Financial Assistance**  
**32.1 Teaching and Learning**

	Operating Financial Assistance excluding HECS		Teaching Hospitals	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	8 702	8 778	-	-
<i>Plus:</i> Financial Assistance received during reporting period	113 947	109 848	-	-
<i>Less:</i> Financial Assistance in Advance (received in reporting period for the next reporting period)	(9 151)	(8 702)	-	-
Accrual adjustments:				
(Over)/under funding for the year	2 206	4 179	-	-
Permanent accrual adjustments	-	650	-	-
Reversal prior year accrual	(1 172)	(1 363)	-	-
<b>Revenue attributed to the reporting period</b>	<b>114 532</b>	<b>113 390</b>	<b>-</b>	<b>-</b>
<i>Plus:</i> Surplus/(Deficit) prior year	361	585	-	-
<b>Funds available for the reporting period</b>	<b>114 893</b>	<b>113 975</b>	<b>-</b>	<b>-</b>
<i>Less:</i> Expenses for current period	(114 629)	(113 614)	-	-
<b>Surplus/(Deficit) for reporting period</b>	<b>264</b>	<b>361</b>	<b>-</b>	<b>-</b>

Financial Assistance in Advance (paid in previous reporting period for current reporting period)	-	-
<i>Plus:</i> Financial Assistance received during reporting period	-	-
<i>Less:</i> Financial Assistance in Advance (received in reporting period for the next reporting period)	-	-
Accrual adjustments:		
(Over)/under funding for the year	-	-
Reversal prior year accrual	-	-
<b>Revenue attributed to the reporting period</b>	<b>-</b>	<b>-</b>
<i>Plus:</i> Surplus (Deficit) prior year	717	753
<b>Funds available for the reporting period</b>	<b>717</b>	<b>753</b>
<i>Less:</i> Expenses for current period	(563)	(36)
<b>Surplus/(Deficit) for reporting period</b>	<b>154</b>	<b>717</b>

	HECS	PELS
	2002 \$'000	2001 \$'000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	4 154	4 233
<i>Plus:</i> Financial Assistance received during reporting period	53 446	54 326
<i>Plus:</i> Contributions actually received from students	8 996	8 528
<i>Less:</i> Financial Assistance in Advance (received in reporting period for the next reporting period)	(5 033)	(4 201)
Accrual adjustments:		
(Over)/under funding for the year	(490)	(190)
Reversal prior year accrual	190	(1 262)
<b>Revenue attributed to the reporting period</b>	<b>61 263</b>	<b>61 434</b>
<i>Plus:</i> Surplus (Deficit) prior year	-	-
<b>Funds available for the reporting period</b>	<b>61 263</b>	<b>61 434</b>
<i>Less:</i> Expenses for current period	(61 263)	(61 434)
<b>Surplus (Deficit) for reporting period</b>	<b>-</b>	<b>-</b>

**32.2 Australian Research Council**

	Discovery - Fellowships	Discovery - Large Grants		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	-	-	-	-
<i>Plus:</i> Financial Assistance received during reporting period	<b>78</b>	157	<b>688</b>	650
<i>Less:</i> Financial Assistance in Advance (received in reporting period for the next reporting period)	(5)	-	(44)	-
Transfers to/from other shared University projects	<b>56</b>	-	<b>(14)</b>	(3)
Accrual adjustments	-	-	-	-
<b>Revenue attributed to the reporting period</b>	<b>129</b>	157	<b>630</b>	647
<i>Plus:</i> Surplus (Deficit) prior year	<b>34</b>	-	<b>237</b>	226
<b>Funds available for the reporting period</b>	<b>163</b>	157	<b>867</b>	873
<i>Less:</i> Expenses for current period	(111)	(123)	(604)	(636)
<b>Surplus (Deficit) for reporting period</b>	<b>52</b>	34	<b>263</b>	237
	Discovery - Indigenous Researchers Development	Linkage – SPIRT		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	-	-	-	-
<i>Plus:</i> Financial Assistance received during reporting period	<b>9</b>	35	<b>1 950</b>	1 749
<i>Less:</i> Financial Assistance in advance (received in reporting period for the next reporting period)	-	-	(105)	-
Transfers to/from other shared University projects	-	-	(37)	(56)
Accrual adjustments	-	-	-	-
<b>Revenue attributed to the reporting period</b>	<b>9</b>	35	<b>1 808</b>	1 693
<i>Plus:</i> Surplus (Deficit) prior year	<b>29</b>	8	<b>821</b>	696
<b>Funds available for the reporting period</b>	<b>38</b>	43	<b>2 629</b>	2 389
<i>Less:</i> Expenses for current period	(8)	(14)	(1 636)	(1 568)
<b>Surplus (Deficit) for reporting period</b>	<b>30</b>	29	<b>993</b>	821
	Linkage - Infrastructure Equipment & Facilities	International Research Exchange		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	-	-	-	-
<i>Plus:</i> Financial Assistance received during reporting period	<b>989</b>	-	<b>18</b>	24
<i>Less:</i> Financial assistance in Advance (received in reporting period for the next reporting period)	(398)	-	(2)	-
Accrual adjustments	-	-	-	-
<b>Revenue attributed to the reporting period</b>	<b>591</b>	-	<b>16</b>	24
<i>Plus:</i> Surplus/(Deficit) Prior Year	-	-	<b>22</b>	5
<b>Funds available for the reporting period</b>	<b>591</b>	-	<b>38</b>	29
<i>Less:</i> Expenses for current reporting period	(591)	-	(32)	(7)
<b>Surplus (Deficit) for reporting period</b>	-	-	<b>6</b>	22
	Other - Shared University Projects	Linkage - Centres Of Excellence (Key Centres)		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	-	-	-	-
<i>Plus:</i> Financial Assistance received during reporting period	-	-	<b>755</b>	684
<i>Less:</i> Financial Assistance in Advance (received in reporting period for next reporting period)	-	-	(57)	-
Transfers to/from other shared University projects	<b>14</b>	-	-	-
Accrual adjustments	-	-	-	-
<b>Revenue attributed to the reporting period</b>	<b>14</b>	-	<b>698</b>	684
<i>Plus:</i> Surplus (Deficit) prior year	<b>8</b>	100	<b>204</b>	322
<b>Funds available for the reporting period</b>	<b>22</b>	100	<b>902</b>	1 006
<i>Less:</i> Expenses for current reporting period	(8)	(92)	(799)	(802)
<b>Surplus (Deficit) for reporting period</b>	<b>14</b>	8	<b>103</b>	204

## 32.3 DEST Research Financial Assistance

Financial Assistance in Advance (paid in previous reporting period for current reporting period)  
*Plus:* Financial Assistance received during reporting period  
*Less:* Financial Assistance in Advance (received in reporting period for the next reporting period)  
Accrual adjustments  
**Revenue attributed to the reporting period**  
*Plus:* Surplus (Deficit) prior year  
**Funds available for the reporting period**  
*Less:* Expenses for current period  
**Surplus (Deficit) for reporting period**

		Institutional Grants Scheme	Research Training Scheme
2002	2001	2002	2001
\$'000	\$'000	\$'000	\$'000
337	-	577	604
<b>4 239</b>	337	<b>7 212</b>	7 527
<b>(362)</b>	(337)	<b>(573)</b>	(577)
<b>4 214</b>	-	<b>7 216</b>	7 554
<b>4 214</b>	-	<b>7 216</b>	7 554
<b>(4 214)</b>	-	<b>(7 216)</b>	(7 554)
	-	-	-

Financial Assistance in Advance (paid in previous reporting period for current reporting period)  
*Plus:* Financial Assistance received during reporting period  
*Less:* Financial Assistance in advance (received in reporting period for the next reporting period)  
Accrual Adjustments  
**Revenue attributed to the reporting period**  
*Plus:* Surplus/(Deficit) prior year  
**Funds available for the reporting period**  
*Less:* Expenses for current period  
**Surplus (Deficit) for reporting period**

		Research Infrastructure	Australian Postgraduate Awards
2002	2001	2002	2001
\$'000	\$'000	\$'000	\$'000
83	57	-	-
<b>1 058</b>	739	<b>1 343</b>	1 165
<b>(100)</b>	(83)	-	-
<b>1 041</b>	713	<b>1 343</b>	1 165
<b>1 041</b>	713	<b>1 423</b>	1 306
<b>(1 041)</b>	(713)	<b>(1 402)</b>	(1 226)
	-	<b>21</b>	80

Financial Assistance in Advance (paid in previous reporting period for current reporting period)  
*Plus:* Financial Assistance received during reporting period  
*Less:* Financial Assistance in Advance (received in reporting period for the next reporting period)  
Accrual adjustments  
**Revenue attributed to the reporting period**  
*Plus:* Surplus/(Deficit) prior year  
**Funds available for the reporting period**  
*Less:* Expenses for current period  
**Surplus/(Deficit) for reporting period**

		International Postgraduate Research	Innovation Program
2002	2001	2002	2001
\$'000	\$'000	\$'000	\$'000
-	-	-	-
<b>255</b>	215	<b>50</b>	-
-	-	-	-
<b>255</b>	215	<b>50</b>	-
-	19	-	-
<b>255</b>	234	<b>50</b>	-
<b>(255)</b>	(234)	-	-
	-	<b>50</b>	-

Financial Assistance in Advance (paid in previous reporting period for current reporting period)  
*Plus:* Financial Assistance received during reporting period  
*Less:* Financial Assistance in Advance (received in reporting period for the next reporting period)  
Accrual adjustments  
**Revenue attributed to the reporting period**  
*Plus:* Surplus/(Deficit) prior year  
**Funds available for the reporting period**  
*Less:* Expenses for current period  
**Surplus/(Deficit) for reporting period**

		Small Research
2002	2001	\$'000
\$'000	\$'000	\$'000
-	-	17
-	-	202
-	-	-
-	-	-
-	-	219
<b>81</b>	67	
<b>81</b>	286	
<b>(45)</b>	(205)	
	-	-
<b>36</b>	81	

## 32.4 Summary of Unspent Financial Assistance

Operating purposes excluding HECS and PELS:  
Higher Education Innovation Program  
Equality of opportunity  
Capital development pool

Amount of unspent grant as at 31 December 2002	Amount of unspent grant that is more likely to be approved by the Cwlth for 2002 carry forward	Amount of unspent grant that is more likely to be recovered by the Cwlth
\$'000	\$'000	\$'000
63	63	-
201	201	-
154	154	-
<b>418</b>	<b>418</b>	-

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

	<b>Amount of unspent grant as at 31 December 2002</b>	<b>Amount of unspent grant that is more likely to be approved by the Cwlth for carry forward</b>	<b>Amount of unspent grant that is more likely to be recovered by the Cwlth</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Australian Research Council:			
Discovery - Fellowships	52	52	-
Discovery - Large Grants	263	263	-
Discovery - Indigenous researchers' development	30	30	-
Linkage - SPIRT	993	993	-
International researcher exchange	6	6	-
Other - Shared University projects	14	14	-
Linkage - Centres of Excellence (Key Centres)	103	103	-
	<b>1 461</b>	<b>1 461</b>	<b>-</b>
DEST:			
Australian postgraduate awards	21	21	-
Innovation Program	50	50	-
Small Research	36	36	-
	<b>107</b>	<b>107</b>	<b>-</b>
	<b>1 986</b>	<b>1 986</b>	<b>-</b>

**MINISTER FOR HEALTH; MINISTER FOR SOCIAL JUSTICE;  
MINISTER FOR HOUSING; MINISTER FOR YOUTH;  
MINISTER ASSISTING THE PREMIER IN SOCIAL INCLUSION;  
MINISTER FOR THE STATUS OF WOMEN**

**PORTFOLIO – HUMAN SERVICES**

**INTRODUCTION**

This 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:

- Minister for Health
- Minister for Social Justice
- Minister for Housing
- Minister for Youth
- Minister Assisting the Premier in Social Inclusion
- Minister for the Status of Women

The agencies included herein relating to the portfolio of Human Services are:

- HomeStart Finance
- Human Services - Department of
- South Australian Aboriginal Housing Authority
- South Australian Community Housing Authority
- South Australian Housing Trust



# HOMESTART FINANCE

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

HomeStart Finance is a statutory corporation established pursuant to the *Housing and Urban Development (Administrative Arrangements) Act 1995*. The Act provides for the Governor to establish, by regulation, statutory corporations to undertake specified functions. It has a Board of Management appointed by the Minister for Social Justice and is subject to the control and direction of the Minister.

### Functions

The functions of HomeStart Finance as prescribed by regulation include the:

- lending of monies or provision of other financial assistance to facilitate home ownership by persons of low to moderate income;
- provision, marketing and management of home finance products;
- provision, management or facilitation of finance for housing schemes or housing associations and of mortgage relief schemes.

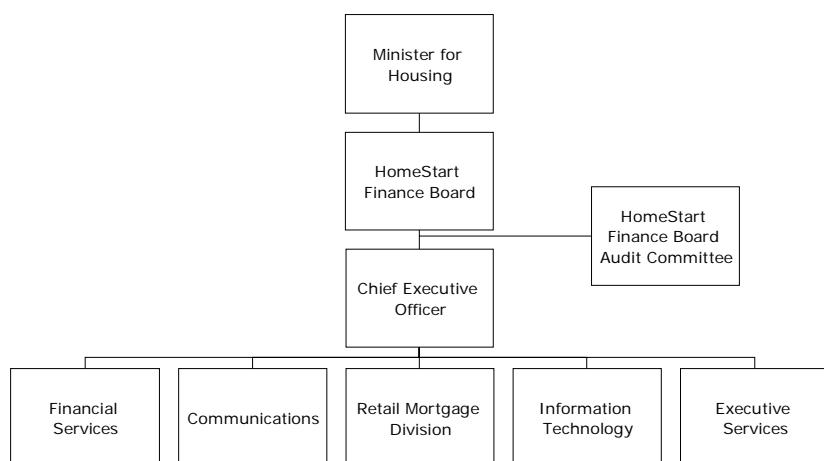
In meeting these functional responsibilities, HomeStart Finance's activities includes the following:

- The management of existing loans and advance of new loans which form part of the ongoing HomeStart program.
- The management of concessional home loans advanced under the Home Ownership Made Easy Scheme which was closed to new borrowers in 1989.
- Management of loans advanced by the South Australian Housing Trust to enable tenants to purchase their Trust homes.
- The Mortgage Relief Scheme which provides assistance to home owners who are experiencing temporary difficulty in meeting mortgage commitments.

HomeStart Finance is required by regulation to conduct its business in accordance with established principles of financial management. It is also required to coordinate its activities with those of other public sector agencies and to ensure its activities are consistent with the planning of a desirable physical and social environment and with the enhancement of the Government's physical and social development objectives.

### Structure

The structure of HomeStart Finance is illustrated in the following organisation chart.



## **AUDIT MANDATE AND COVERAGE**

### **Audit Authority**

#### ***Audit of Financial Statements***

Section 28 of the *Housing and Urban Development (Administrative Arrangements) Act 1995* requires statutory corporations established pursuant to the Act to keep proper accounting records in relation to their financial affairs and to prepare annual statements of accounts for each financial year. That section also empowers the Auditor-General to audit the accounts of HomeStart Finance and the annual statement of accounts.

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

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

#### **Scope of Audit**

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

- lending activities including loan approvals, monitoring of arrears and loss write-off procedures
- raising and receipting of loan repayments
- loan loss provisioning
- completeness and accuracy of the Loan Management System including general IT controls
- funding including treasury risk management and accruals
- other expenditure.

HomeStart Finance has an Internal Audit function which uses an external contractor to undertake the internal audit program. External Audit has considered the work undertaken by Internal Audit to supplement other procedures performed in evaluating HomeStart's internal control.

#### ***Audit Communications to Management***

No significant matters arose from the external audit of HomeStart Finance.

## **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 HomeStart Finance as at 30 June 2003, its financial performance and its cash flows for the year then ended.

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

Audit formed the opinion that the controls exercised by HomeStart Finance 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 HomeStart Finance have been conducted properly and in accordance with law.

### **Significant Matters Raised with Agencies**

There were no significant matters raised with HomeStart Finance.

## INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

### Highlights of Financial Statements

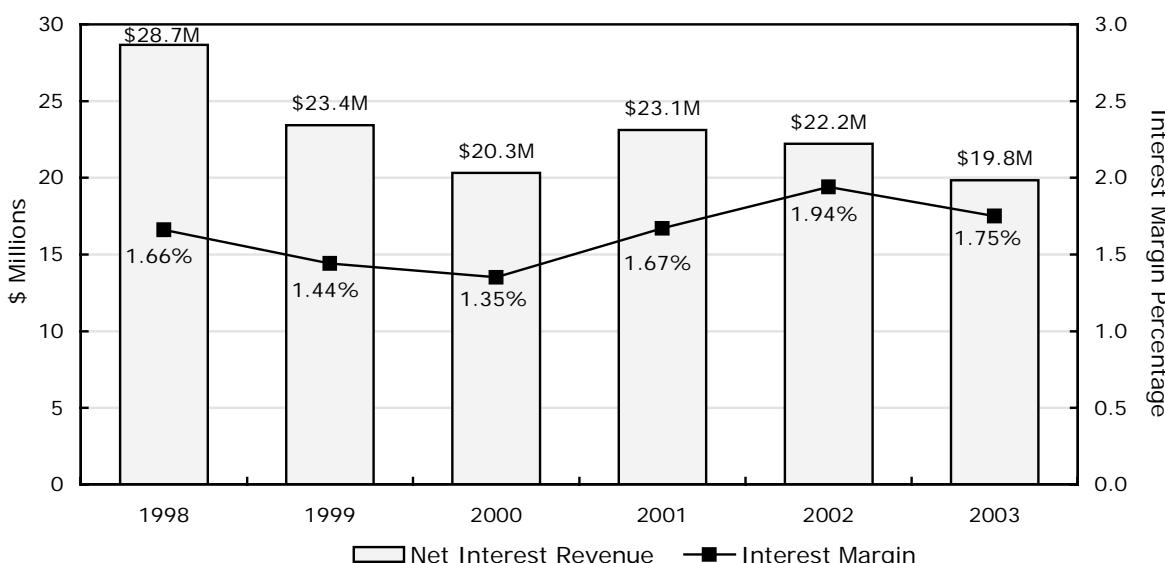
	2003 \$'million	2002 \$'million	Percentage Change
Interest income	<b>49.3</b>	53.1	(7)
Borrowing costs	<b>29.5</b>	30.9	(5)
<b>Net Interest Revenue</b>	<b>19.8</b>	22.2	(11)
Other revenue	<b>3.2</b>	2.5	28
Other expenses	<b>14.4</b>	15.2	(5)
<b>Profit from ordinary activities before</b>			
<b>tax expense</b>	<b>8.6</b>	9.5	(10)
Tax expense	<b>2.6</b>	2.9	(10)
<b>Net Cash Flows from Operations</b>	<b>4.1</b>	6.1	(33)
<b>ASSETS</b>			
Housing loans and advances	<b>711.3</b>	761.8	(7)
Other assets	<b>27.7</b>	24.8	12
<b>Total Assets</b>	<b>739.0</b>	786.6	(6)
<b>LIABILITIES</b>			
Borrowings	<b>593.7</b>	642.9	(8)
Other liabilities	<b>6.9</b>	6.4	8
<b>Total Liabilities</b>	<b>600.6</b>	649.3	(8)
<b>EQUITY</b>	<b>138.4</b>	137.3	1

### Statement of Financial Performance

#### Net Interest Revenue

Net interest revenue decreased by \$2.4 million to \$19.8 million, notwithstanding the 'write-back' to income of \$0.7 million of interest income on non-accrual loans during the year due to improvements in the value of underlying loan security (property values). The decrease was a result of lower levels of lending, together with a lower interest rate margin between loans and cost of funds as demonstrated in the following chart.

**Net Interest Revenue and Interest Margin**



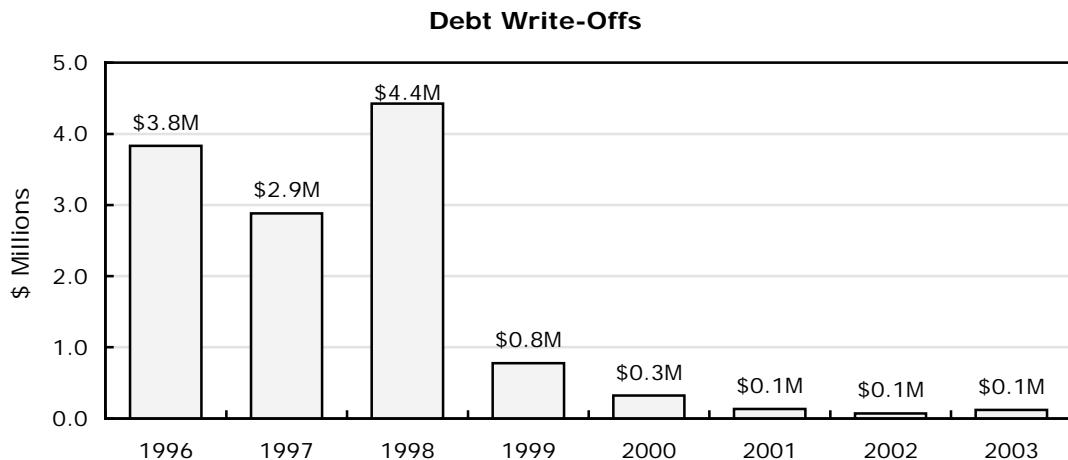
### Income from Investments

Over the past three years HomeStart Finance have undertaken investments as part of a strategy for meeting loan shortfalls. Income from these investments increased slightly during the year to \$1.5 million.

### Bad and Doubtful Debts Expense

The bad and doubtful debts expense for the year decreased by \$714 000 to a credit of \$595 000 (\$119 000 debit), notwithstanding that HomeStart Finance has continued to maintain their overall provisioning in recent years. The expense reversal reflects in part, the minimal level of actual write-offs that have had to be made over the last few years in an environment of decreasing interest rates and rising property values (that provide the loan security to HomeStart Finance).

The decrease in actual write-offs can be seen in the following chart.



### Operating Result

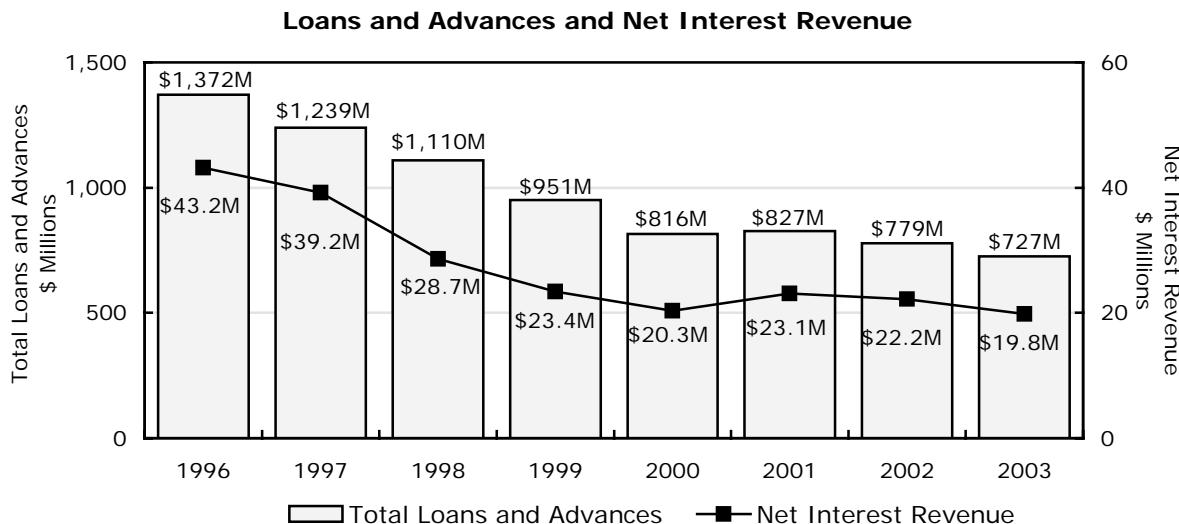
Profit after income tax decreased to \$6.0 million from \$6.7 million in 2001-02 due to a number of factors, including:

- a reduction in net interest revenue of \$2.4 million;
- an increase in other income of \$0.7 million;
- a decrease in the bad and doubtful debt expense of \$0.7 million.

### Statement of Financial Position

#### Loans and Advances

As mentioned, lower net interest revenue has principally been a result of a decrease in the levels of lending. One of the reasons for the decrease over recent years has been the ability of borrowers to obtain finance from other lenders in a low interest rate environment. The extent of the decrease in lending is demonstrated in the following chart, together with the impact that it has had on the net interest revenue.



The small increase in 2001 coincided with the introduction of the First Home Owner's Grant. Total loans and advances at 30 June 2003 were \$100 million (12 percent) lower than at 30 June 2001. HomeStart Finance's current strategic plan has identified the need to 'grow' loan assets over the next three years through a range of initiatives.

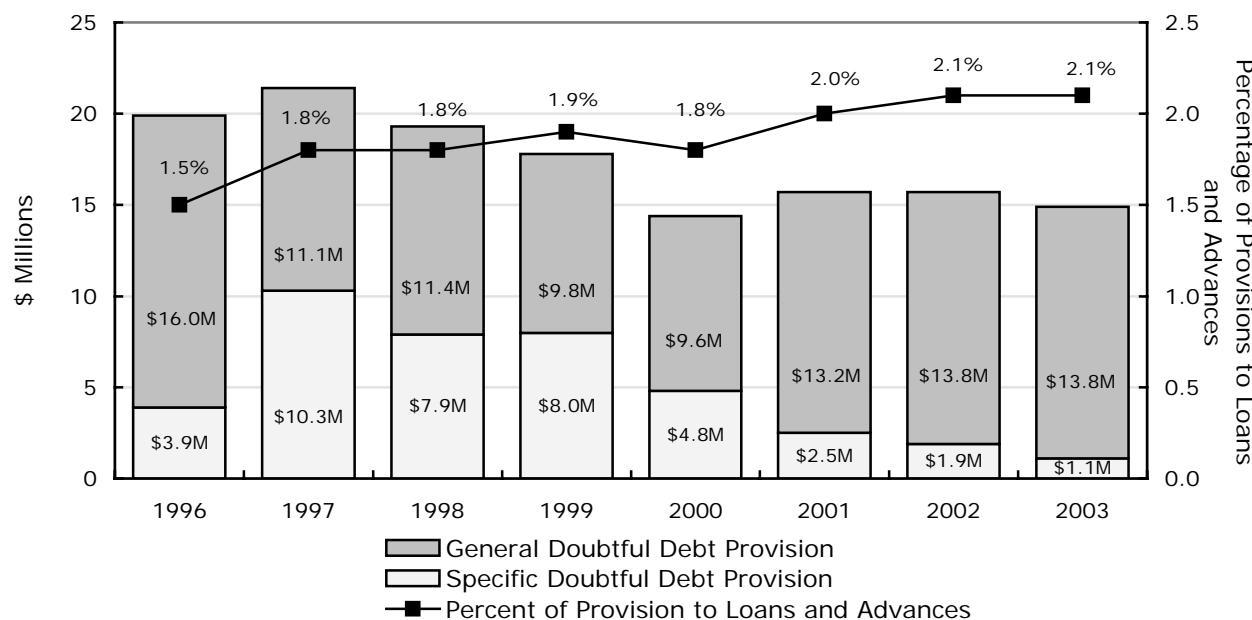
#### **Asset Quality - Provision for Doubtful Debts**

The market conditions have also influenced HomeStart Finance's provision for doubtful debts but in two different ways. The total provision is comprised of two components being the specific and general provision.

The specific provision (the estimate of potential loss exposure on identified problem loans) has decreased a further \$761 000 (\$620 000 decrease) to \$1.1 million (\$1.9 million) due to continued property value growth, improved principal repayments due to low interest rates and a reduction in loans in arrears.

The general provision (provision for presently unidentifiable losses that may arise in the portfolio) has remained steady at \$13.8 million despite a decrease in loans outstanding due to HomeStart Finance's concern about the possibility of a correction in property values in the event of reductions to the First Home Owners Grant (FHOG) and the potential for rising interest rates. HomeStart Finance's projections in this regard reflect experience in past markets in similar circumstances and stress testing carried out on its loan portfolio.

As a result of the movements in the specific and general provisions, the total provision for doubtful debts has decreased by \$774 000 to \$14.9 million. The following chart shows the level of the total doubtful debts provision over the past eight years, and demonstrates that although the provision decreased during the year, total provisions as a proportion of loans and advances is at a peak for that period.

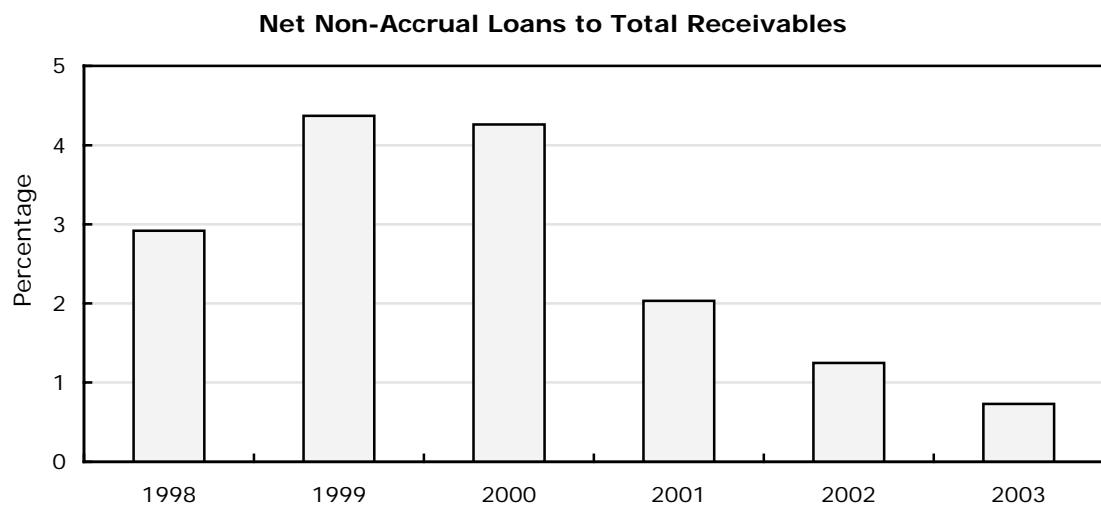


#### **Asset Quality – Non-Accrual Loans**

Non-accrual loans reflect balances where management have assessed that loan recovery is doubtful.

Interest and charges are not taken to profit for such loans and they are written down to estimated realisable values through the specific provision referred to above.

The proportion of net non-accrual loans (that is after specific provisions and interest foregone) to total receivables (net of interest foregone) is the lowest for six years as shown in the following chart. Again, this reflects the market conditions and is consistent with the specific provision for the year.

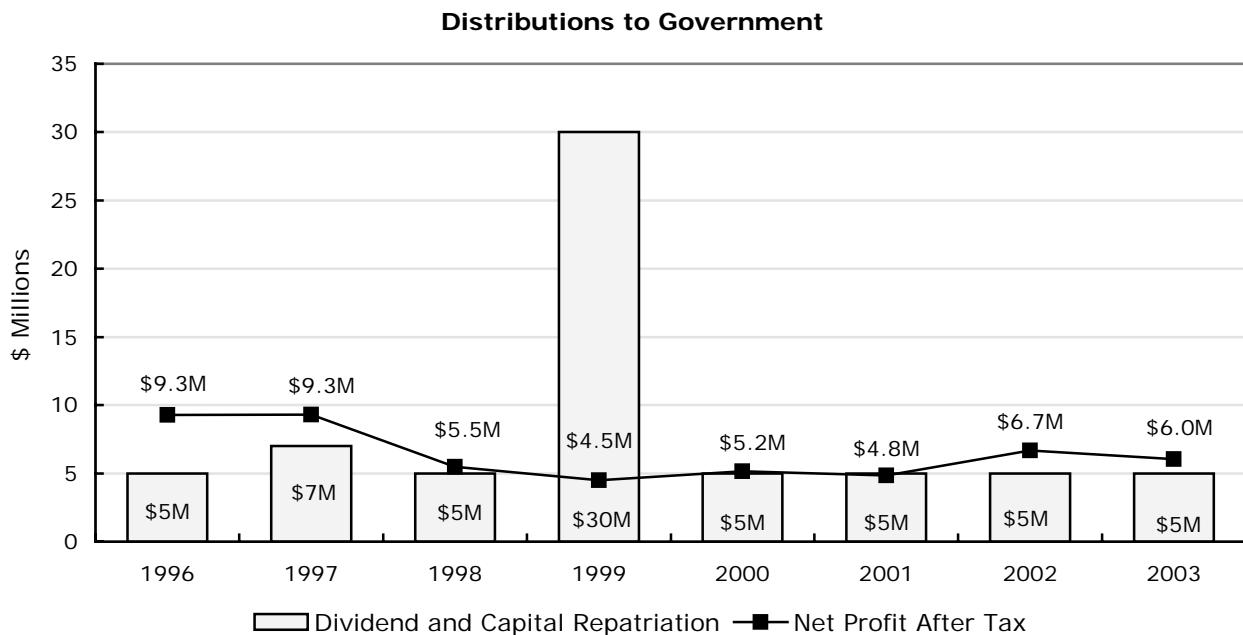


## Statement of Cash Flows

### *Distributions to Government*

HomeStart Finance has been required to maintain its distributions to the Government (Department of Human Services) and in 2002-03 made a dividend payment of \$1.99 million (\$2.21 million) and a capital repatriation of \$3.01 million (\$2.79 million). The payment of dividends and the capital repatriation reduces the level of interest free capital available to HomeStart Finance. It is, however, noted that the level of retained surplus at 30 June 2003 was \$133.5 million (\$132.4 million).

The following chart shows net profit after tax and distributions made for the past eight years and highlights the sustained profit performance of HomeStart Finance over the period and the consistency of contributions to Government.



In addition to these distributions, HomeStart Finance pays a guarantee fee of 0.75 percent to the Government based on the outstanding funding balance at the end of each quarter of the financial year. The amount paid in 2002-03 was \$4.6 million (\$5.0 million).

HomeStart Finance is also subject to an income tax equivalent regime. The income tax expense in 2002-03 was \$2.6 million (\$2.9 million).

**Statement of Financial Performance  
for the year ended 30 June 2003**

	Note	2003 \$'000	2002 \$'000
Interest revenue	3	<b>49 346</b>	53 056
Borrowing costs	3	<b>(29 516)</b>	(30 851)
<b>NET INTEREST REVENUE</b>		<b>19 830</b>	22 205
Other revenue from ordinary activities	3	<b>3 222</b>	2 514
Bad and doubtful debts (expense) credit	3	<b>595</b>	(119)
Government guarantee fee	3	<b>(4 606)</b>	(5 046)
Loan manager fees	3	<b>(2 163)</b>	(2 510)
Depreciation expense	3	<b>(441)</b>	(594)
Personnel expense	3	<b>(4 038)</b>	(3 666)
Other expenses from ordinary activities	3	<b>(3 770)</b>	(3 238)
<b>PROFIT FROM ORDINARY ACTIVITIES BEFORE RELATED INCOME TAX EXPENSE</b>		<b>8 629</b>	9 546
INCOME TAX EXPENSE	4	<b>(2 589)</b>	(2 864)
<b>NET PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE</b>	16	<b>6 040</b>	6 682

**Statement of Financial Position**  
**as at 30 June 2003**

		2003	2002
	Note	\$'000	\$'000
<b>ASSETS:</b>			
Cash	21(a)	<b>3 250</b>	2 274
Investments	6	<b>23 134</b>	21 680
Housing loans and advances	7	<b>711 259</b>	761 765
Office and computer equipment	10	<b>566</b>	686
Other assets	11	<b>808</b>	214
<b>Total Assets</b>		<b>739 017</b>	786 619
<b>LIABILITIES:</b>			
Short-term interest bearing borrowings	12,13	<b>168 890</b>	349 836
Long-term interest bearing borrowings	12,13	<b>424 801</b>	293 021
Tax liability	4	<b>1 869</b>	1 814
Provisions	14	<b>317</b>	274
Other liabilities	15	<b>4 756</b>	4 330
<b>Total Liabilities</b>		<b>600 633</b>	649 275
<b>NET ASSETS</b>		<b>138 384</b>	137 344
<b>EQUITY:</b>			
Capital grants		<b>4 918</b>	4 918
Retained surplus	16	<b>133 466</b>	132 426
<b>TOTAL EQUITY</b>		<b>138 384</b>	137 344
Commitments	18		
Contingent Liabilities	19		

**Statement of Cash Flows**  
**for the year ended 30 June 2003**

		2003	2002
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Interest received on:			
Cash		17	29
Investments		586	804
Housing loans and advances		48 201	50 798
Other investment income		1 054	662
Fees and commissions received		329	332
Bad debts recovered		107	107
Interest paid on borrowings		(30 264)	(29 837)
Government guarantee fee		(4 606)	(5 046)
Loan manager fees		(2 173)	(2 556)
Administration		(7 838)	(7 073)
Grant received		572	-
Income tax paid		(2 534)	(2 098)
Other		631	-
<b>Net Cash provided by Operating Activities</b>	21(b)	<b>4 082</b>	<b>6 122</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Customer loans repaid		241 259	224 911
Customer loans settled		(188 402)	(176 603)
Payments for investments		(1 457)	(12 489)
Payments for office and computer equipment		(322)	(308)
Proceeds on sale of assets		2	8
Other		-	44
<b>Net Cash provided by Investing Activities</b>		<b>51 080</b>	<b>35 563</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from new borrowings		1 007 000	1 778 202
Principal repaid on borrowings		(1 056 166)	(1 825 934)
Financial instruments		(20)	29
Capital repatriation		(3 007)	(2 790)
Dividend paid		(1 993)	(2 210)
<b>Net Cash used in Financing Activities</b>		<b>(54 186)</b>	<b>(52 703)</b>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		<b>976</b>	<b>(11 018)</b>
<b>CASH AT 1 JULY</b>		<b>2 274</b>	<b>13 292</b>
<b>CASH AT 30 JUNE</b>	21(a)	<b>3 250</b>	<b>2 274</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Role of HomeStart Finance**

The role of HomeStart Finance is to operate in a commercial manner to:

- Develop, market and manage home finance and housing initiatives
- Increase home ownership opportunities as a choice for low-income households in South Australia.

**HomeStart Loan**

HomeStart provides mortgages to low to moderate income households and other needs groups with income linked and CPI indexed repayments. The HomeStart Loan is the principal loan product. The outstanding value of HomeStart Loans at 30 June 2003 was \$684.3 million (\$717.4 million).

**HOME**

The concessional H.O.M.E. Scheme is no longer open to new borrowers. The Scheme was transferred to HomeStart from the then State Bank of South Australia in 1989-1990.

The outstanding value of the H.O.M.E. Scheme at 30 June 2003 was \$34.9 million (\$51 million).

Management and administration of the H.O.M.E. Rental Purchase Scheme, which was for SAHT tenants, was transferred from the SAHT to HomeStart in December 1992.

**Other**

HomeStart has advanced and administers a small group of miscellaneous loans.

**Subsidies**

HomeStart provides subsidised loans of up to \$25 000 to low income earners. The Advantage Loan has an interest rebate period of five years, after which the interest is indexed to the CPI. The outstanding value of the loans at 30 June 2003 was \$35.2 million (\$35.9 million).

In providing these loans HomeStart incurred direct cost of subsidy estimated to be \$1.7 million on the funds lent (\$1.9 million, 2002). HomeStart does not receive any funding with respect to this subsidy.

HomeStart also has loans at concessional interest rates through the City Living Access Loan, H.O.M.E and Rental Purchase schemes.

**Funding**

HomeStart funds its mortgage activities from capital and by borrowing from the South Australian Government Financing Authority (SAFA).

2. **Summary of Significant Accounting Policies and Factors which have been Significant in the Preparation of the Financial Report****(a) Basis of Preparation**

Pursuant to Section 27 of the *Housing and Urban Development (Administrative Arrangements) Act 1995*, HomeStart is required to keep proper accounting records in relation to its financial affairs, and must have annual statements of accounts prepared in respect of each financial year.

This general purpose financial report has been prepared on an accrual basis in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and requirements of the Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*.

The financial statements have been prepared on the basis of historical costs and, except where stated, do not take into account changing money values or fair values of non-current assets.

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

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

**(b) Tax Equivalents**

Under the terms of the Statement of Policy Intent relating to the tax treatment of State Trading Enterprises, agreed at the 1994 Premiers' Conference, States and Territories are required to apply an income tax equivalent regime to their State Trading Enterprises. The Treasurer has determined, pursuant to Section 25 of the *Housing and Urban Development (Administrative Arrangements) Act 1995* that from 1 July 1995 HomeStart shall be subject to such a regime as established and administered by the Treasurer pursuant to relevant Treasurer's Instructions.

**(c) Acquisition of Assets**

Assets acquired are initially recorded at cost. Cost is determined as the value given as consideration plus incidental costs directly attributable to the acquisition, including all other costs incurred in preparing the assets for use.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the time of acquisition.

All acquisitions of assets with a cost, or other value, of \$500 or more are recognised as assets in the year of acquisition. Acquisitions with a lesser value are expensed in the period of acquisition.

**(d) Depreciation**

Consistent with the historic cost convention, fixed assets are recorded at cost. Depreciation for each item of plant, equipment and software is calculated on a straight line basis in accordance with the assets' estimated useful life.

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

	Percent
Computer hardware	33
Computer software	33
Accounting software	33
Loan management systems	20
Office fit-out	20
Furniture and equipment	20

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Depreciation and amortisation rates are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation charges are expensed.

**(e) Housing Loans and Advances**

Housing loans and advances are reflected in the financial statements at their face value less assessed provisions for impairment. Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans and by estimation of expected losses in relation to portfolios where specific identification is impracticable.

*Specific Provision*

The specific provision is an estimate of the potential loss exposure on identified problem loans.

The provision is determined by assessing potential losses on loans where:

- Arrears are 90 days or over, or exceed \$2 500; or
- Repayment reductions have been negotiated; or
- In other cases where HomeStart is taking action to manage the loan; or
- Action is being taken to recover debt through possession of security.

The provision is calculated as the excess of the loan balance over the expected realisable amount on the sale of the security, after allowing for selling and other costs.

*General Provision*

This provision is created to provide for presently unidentifiable losses that may arise in the loan portfolio and for which no specific provision exists.

The general provision for HomeStart Loans is determined by assessing potential losses on the entire loan portfolio. The assessment takes account of:

- The profile of past loan losses from the portfolio
- Changes to risk levels of the portfolio – for example due to changes in new business
- The outlook for interest rates, the housing market and other key economic trends.

HomeStart uses internal projections and external actuary assessment of loan loss history to determine its general provision requirement, with the exception of the remaining H.O.M.E. loans and Rental Purchase Scheme loans which are set at a standard percentage of the portfolio balances, as these loans have seasoned and are now considered to be low risk.

For HomeStart Loans a prudential margin of 50 percent (50 percent) is included to provide sufficient confidence that the provision is adequate reflecting the inherent uncertainty in assumptions made in relation to loss forecasts and future economic trends.

**(f) Bad and Doubtful Debts**

All bad and doubtful debts are written off in the period in which they are identified. The write off of debts over \$20 000 requires the approval of the Board. If a provision for impairment has been recognised in relation to a loan, write offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the Statement of Financial Performance.

**(g) Non-Accrual Loans**

HomeStart ceases accruing interest income on loans when it is considered that HomeStart would be unable to recover that interest income from either the customer or from the sale of the security.

Interest on these loans is only taken into account when realised or when loans are returned to accrual status.

Loans are assessed as non-accrual where they are contractually more than 90 days overdue with security insufficient to cover principal and arrears of interest, or where there is doubt as to the full recovery of principal and interest.

A non-accrual item may be restored to accrual basis only if all arrears have been eliminated by payments from the customer and HomeStart judges that the customer is capable of servicing their future obligations under the facility, or when it otherwise becomes well secured.

**(h) Employee Benefits**

HomeStart has applied the revised AASB 1028 'Employee Benefits' for the first time from 1 July 2002.

Liabilities for employee entitlements to wages, salaries and annual leave are now calculated using the remuneration rates HomeStart expects to pay when the liabilities are settled, not salary rates current at reporting date. This change in accounting policy does not have a material effect in the current financial year or any prior financial years presented in the report and is not expected to have a material effect in a subsequent financial year.

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

Employee benefits are inclusive of employment related on-costs.

**(i) Other Liabilities**

Liabilities are recognised for amounts to be paid in the future for goods and services received prior to the end of the financial year, whether or not billed to HomeStart Finance.

Accounts payable are normally settled within 30 days.

**(j) Borrowings**

Borrowings are reflected in the financial statements at their face value. Interest expense is accrued over the period it becomes due at the contracted rate and included in Other Liabilities.

**(k) Derivative Financial Instruments**

HomeStart is exposed to changes in interest rates and uses forward rate agreements, interest rate swap agreements and futures contracts to hedge this risk.

Derivative financial instruments are not held for speculative purposes.

The net amount receivable or payable under interest rate agreements and realised losses and gains on forward rate agreements and futures contracts are recognised on an accrual basis in the statement of financial performance as an adjustment to interest expense during the period.

**(l) Revenue Recognition**

Interest income is recognised as it accrues.

Non-interest income is recognised when earned or recovered.

**(m) Goods and Services Tax**

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

HomeStart, being a provider of financial services, is classified as an input taxed entity for GST purposes and consequently has to absorb GST costs passed on by suppliers. Reduced input tax credits can only be claimed on a very limited number of input costs.

Receivables and payables are stated inclusive of GST.

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

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

**(n) Recoverable Amount of Non-Current Assets Valued on a Cost Basis**

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

The carrying amounts of non-current assets valued on a cost basis, are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

**(o) Operating Leases**

Incentives received on entering into operating leases are recognised as liabilities that are reduced by allocating lease rental payments between rental expense and reduction of the liability. The allocation of lease rental payments is made such that rental expense is recognised on a basis which is representative of the pattern of benefits derived from the rental property.

<b>(p) Investments</b>	Investments in managed funds, regardless of the composition, are reflected in the financial statements at their market value at each balance date, which approximates their fair value. The gains or losses from changes in market value during the year, whether realised or unrealised, are included in the Statement of Financial Performance.		
	Investments in financial instruments such as bank accepted bills and cash are recognised in the financial statements at the lower of cost (adjusted for premium or discount) or recoverable amount. Interest income on these investments is recognised as it accrues.		
<b>(q) Cash</b>	For the purpose of the Statement of Cash Flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to insignificant risks of changes in value, net of outstanding bank overdrafts.		
<b>(r) Web Site Costs</b>	Costs in relation to web sites are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over their period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs incurred in building or enhancing a web site, to the extent that they represent probable future economic benefits controlled by the entity that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits.		
<b>(s) Reclassification of Certain Employee Benefits</b>	The liability for annual leave and related on-costs expected to be settled within 12 months of reporting date has been reclassified from provisions to other liabilities in the current year as a result of the adoption of the new Accounting Standard AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets'. There is not any significant uncertainty relating to the amount and timing of future payments included in the liability for these employee benefits, therefore they do not meet the definition of a provision under the new standard. Comparative amounts have also been reclassified to ensure comparability with the current reporting period.		
<b>(t) Rounding of Amounts</b>	All figures in the financial statements have been rounded to the nearest thousand dollars except where indicated.		
<b>3. Profit from Ordinary Activities Before Income Tax</b>		<b>2003</b>	<b>2002</b>
Revenue from Ordinary Activities:		\$'000	\$'000
Interest Revenue:			
HomeStart and HOME	<b>48 631</b>	52 149	
Deposits with Treasury and banks	<b>110</b>	112	
Other	<b>605</b>	795	
<b>Total Interest Revenue</b>	<b>49 346</b>	53 056	
Other Revenue from Ordinary Activities:			
Fees and charges	<b>989</b>	916	
Bad debts recovered	<b>107</b>	107	
Unrealised change in market value of investments	<b>(3)</b>	227	
Realised change in market value of investments	<b>455</b>	248	
Managed funds distribution	<b>598</b>	414	
Interest income from Investments	<b>480</b>	428	
Other	<b>596</b>	174	
<b>Total Other Revenue from Ordinary Activities</b>	<b>3 222</b>	2 514	
Bad and doubtful debts:			
Direct write-offs:			
HomeStart	<b>35</b>	61	
HOME	<b>27</b>	13	
Other	<b>45</b>	-	
<b>Total</b>	<b>107</b>	74	
Doubtful debt provisions expenses (credit):			
HomeStart	<b>(981)</b>	108	
HOME	<b>328</b>	(16)	
Other	<b>(49)</b>	(47)	
<b>Total</b>	<b>(702)</b>	45	
<b>Total Bad and Doubtful Debts Expenses (credit)</b>	<b>(595)</b>	119	
Borrowing Costs:			
HomeStart and HOME	<b>29 516</b>	30 851	
<b>Total Borrowing Costs</b>	<b>29 516</b>	30 851	
Government guarantee fee:			
<b>Total government guarantee fee</b>	<b>4 606</b>	5 046	
Loan manager fees:			
HomeStart	<b>2 163</b>	2 252	
HOME	<b>-</b>	258	
<b>Total loan manager Fees</b>	<b>2 163</b>	2 510	

3. Profit from Ordinary Activities Before Income Tax (continued)		2003 \$'000	2002 \$'000	
Depreciation expense:				
Computer hardware and software	311	282		
Loan Management System	44	231		
Office fit-out	33	36		
Furniture and equipment	53	45		
<b>Total Depreciation Expense</b>	<b>441</b>	<b>594</b>		
Personnel expenses:				
Charges to provisions for annual leave	(2)	(15)		
Charges to provisions for long service leave	(43)	21		
Salaries and related costs	4 083	3 660		
<b>Total Personnel Expenses</b>	<b>4 038</b>	<b>3 666</b>		
Other Expenses from Ordinary Activities:				
Office accommodation - minimum lease payments	219	171		
Marketing, product development and advertising	1 439	811		
External Auditor's remuneration	81	77		
Internal audit fees	194	172		
Loan Management fees	229	163		
Information Technology - Loan management system	184	298		
Information Technology - Support and maintenance	215	256		
Consultants' fees	154	253		
Other	1 055	1 037		
<b>Total Other Expenses from Ordinary Activities</b>	<b>3 770</b>	<b>3 238</b>		
<b>4. Income Tax</b>				
HomeStart is required to pay income tax equivalents to the State Government through the Department of Treasury and Finance, using the Accounting Profits Model. The Accounting Profits Model adopts the application of the corporate income tax rate of 30 percent (as per the <i>Income Tax Assessment Act 1936</i> ) to the Audited Accounting Profit of HomeStart. Audited Accounting Profit is defined as operating profit from ordinary activities after extraordinary items.				
Profit from ordinary activities before related income tax expense	8 629	9 546		
Income tax calculated at 30 percent	(2 589)	(2 864)		
<b>5. Payment of Dividend to the Department of Human Services</b>				
Pursuant to Section 26 of the <i>Housing and Urban Development (Administrative Arrangements) Act 1995</i> , HomeStart must recommend to the Minister for Human Services, that it pay a specified dividend or not pay a dividend, for that financial year, as it considers appropriate. The Act further provides for the Minister, in consultation with the Treasurer, to approve the recommendation of HomeStart, or to determine that another dividend, or no dividend, should be paid.				
During 2002-03, HomeStart recommended and paid a dividend of \$5 million which has been allocated between dividend and capital repatriation in accordance with an established dividend policy based on commercial principles.				
Profit from ordinary activities before related income tax expense	6 040	6 682		
Dividend	16	1 993	2 210	
Capital repatriation	16	3 007	2 790	
<b>Total Dividend Paid</b>	<b>5 000</b>	<b>5 000</b>		
<b>6. Investments</b>				
At cost:				
Bank Bills		9 958	9 956	
At fair value:				
Composite Bond Index Investment		4 989	4 483	
Listed Equities Funds		2 696	2 217	
Listed Properties Funds		5 491	5 024	
<b>Total Investments</b>		<b>23 134</b>	<b>21 680</b>	
The Composite Bond Index Investment has a maturity date of 30 June 2003.				
The following table breaks down Bank Bills into individual deals with corresponding market values, yield and maturity dates.				
	Face Value \$'000	Market Value \$'000	Yield Percent	Maturity Date
Bank Accepted Bill	1 000	994	4.79	14.07.03
Bank Accepted Bill	700	697	4.78	28.07.03
Bank Accepted Bill	2 000	1 992	4.78	28.03.03
Bank Accepted Bill	300	299	4.78	28.07.03
Bank Accepted Bill	1 000	996	4.78	28.07.03
Bank Accepted Bill	5 000	4 980	4.80	30.07.03
<b>Total Bank Bills</b>	<b>10 000</b>	<b>9 958</b>		

7. Housing Loans and Advances	2003 \$'000	2002 \$'000
Primary loans	691 159	743 116
Subsidised loans	35 160	35 894
Control accounts	542	233
<b>Gross Loans and Advances</b>	<b>726 861</b>	<b>779 243</b>
Specific provisions for impairment	(1 093)	(1 854)
Unearned income	(747)	(1 849)
General provisions for impairment		
<b>Net Loans and Advances</b>	<b>725 021</b>	<b>775 540</b>
	<b>(13 762)</b>	<b>(13 775)</b>
	<b>711 259</b>	<b>761 765</b>

The balance of the housing loans are shown after deducting the provision for doubtful debts, ensuring that the balance reflects the expected recoverable amount of these loans. The basis of determining the provision for doubtful debts is disclosed at Note 2(e).

Maturity Profile of HomeStart's Housing Loans and Advances at 30 June:

	2003 \$'000	2002 \$'000
Not longer than 3 months	-	-
Longer than 3 months and not longer than 12 months	-	-
Longer than 1 year and not longer than 5 years	54	6 213
Longer than 5 years		
<b>Total Gross Loans and Advances</b>	<b>726 807</b>	<b>773 030</b>
	<b>726 861</b>	<b>779 243</b>

The maturity distribution of housing loans and advances is based on contractual terms and not when they are due to reprice or are likely to be repaid. HomeStart Loans do not have fixed contractual terms as they vary with changes in inflation and interest rates. Based on standard assumptions, these loans would have an initial term ranging up to 28 years, but the majority of loans are anticipated to have actual contractual terms of a much shorter maturity period.

The following table shows the breakdown of the loan portfolio for the individual schemes, with the provisions allocated.

	2003 \$'000	2002 \$'000
HomeStart		
Specific provisions for impairment	684 309	717 414
General provisions for impairment	(1 027)	(1 727)
Impaired loans unearned income	(13 340)	(13 631)
	(697)	(1 806)
	<b>669 245</b>	<b>700 250</b>
HOME	<b>34 882</b>	<b>50 995</b>
Specific provisions for impairment	(46)	(19)
General provisions for impairment	(403)	(102)
Impaired loans unearned income	(10)	(2)
	<b>34 423</b>	<b>50 872</b>
Other	<b>7 670</b>	<b>10 834</b>
Specific provisions for impairment	(20)	(108)
General provisions for impairment	(19)	(42)
Impaired loans unearned income	(40)	(41)
	<b>7 591</b>	<b>10 643</b>
<b>Total Housing Loans after provision for Doubtful Debts</b>	<b>711 259</b>	<b>761 765</b>

Total loans approved but not settled at 30 June 2003 amounted to \$11.6 million (\$12.4 million).

## 8. Provision for Doubtful Debts

### SPECIFIC PROVISION:

Opening Balance:

HomeStart	1 727	2 333
HOME	19	-
Other	108	141
<b>Total Opening Balance</b>	<b>1 854</b>	<b>2 474</b>

Movement:

HomeStart doubtful debts expense	(690)	(485)
HomeStart bad debt write-off	(18)	(121)
HOME doubtful debts expense	27	19
Other doubtful debts expense	(26)	(33)
Other bad debts write off	(54)	-
<b>Total Movement</b>	<b>(761)</b>	<b>(620)</b>

Closing Balance:

HomeStart	1 027	1 727
HOME	46	19
Other	20	108
<b>Total Closing Balance</b>	<b>1 093</b>	<b>1 854</b>

<b>8. Provision for Doubtful Debts (continued)</b>	<b>2003</b>	<b>2002</b>
GENERAL PROVISION:	\$'000	\$'000
Opening Balance:		
HomeStart	<b>13 631</b>	13 037
HOME	<b>102</b>	137
Other	<b>42</b>	56
<b>Total Opening Balance</b>	<b>13 775</b>	13 230
Doubtful Debts Expense:		
HomeStart	<b>(291)</b>	594
HOME	<b>301</b>	(35)
Other	<b>(23)</b>	(14)
<b>Total Doubtful Debts Expense</b>	<b>(13)</b>	545
Closing Balance:		
HomeStart	<b>13 340</b>	13 631
HOME	<b>403</b>	102
Other	<b>19</b>	42
<b>Total Closing Balance</b>	<b>13 762</b>	13 775
	<b>Total Provision for Doubtful Debts</b>	<b>14 855</b>
<b>9. Asset Quality Disclosures</b>		
HomeStart provides for doubtful debts as discussed in Note 2(e). When management determines that loan recovery is doubtful, the principal amount and accrued interest on the obligation are written down to estimated realisable values. Interest and charges are no longer taken to profit when their payment is considered unlikely.		
Non-Accrual Loans:	<b>2003</b>	<b>2002</b>
With provision	\$'000	\$'000
5 932		10 079
Without provision	<b>1 185</b>	3 328
<b>Total</b>	<b>7 117</b>	13 407
Specific provision	<b>1 046</b>	1 828
Interest forgone on non-accrual loans	<b>747</b>	1 849
Real Estate Acquired:		
Balance of loans at 30 June	<b>345</b>	395
Specific provision	<b>47</b>	26
Past Due Loans:		
Balance at 30 June	<b>5 033</b>	4 120
	<b>Total Impaired Assets</b>	<b>12 495</b>
	<b>Total Specific Provision</b>	<b>1 093</b>
<b>10. Office and Computer Equipment</b>		
Computer hardware and software - At cost	<b>1 469</b>	1 380
Less: Accumulated depreciation	<b>(1 150)</b>	(957)
	<b>319</b>	423
Loan Management Systems - At cost	<b>1 155</b>	1 155
Less: Accumulated depreciation	<b>(1 155)</b>	(1 111)
	<b>-</b>	44
Office fitout - At cost	<b>142</b>	197
Less: Accumulated depreciation	<b>(35)</b>	(136)
	<b>107</b>	61
Furniture and equipment - At cost	<b>376</b>	343
Less: Accumulated depreciation	<b>(236)</b>	(185)
	<b>140</b>	158
	<b>566</b>	686
<b>Reconciliations</b>		
Reconciliations of the carrying amounts for each class of office equipment are set out below:		
Computer Hardware and Software:		
Carrying amount at 1 July	<b>423</b>	491
Additions	<b>207</b>	218
Disposals	<b>-</b>	(4)
Depreciation	<b>(311)</b>	(282)
<b>Carrying Amount at 30 June</b>	<b>319</b>	423
Loan Management System:		
Carrying amount at 1 July	<b>44</b>	275
Additions	<b>-</b>	-
Disposals	<b>-</b>	-
Depreciation	<b>(44)</b>	(231)
<b>Carrying Amount at 30 June</b>	<b>-</b>	44
Office Fit-out:		
Carrying amount at 1 July	<b>61</b>	69
Additions	<b>80</b>	28
Disposals	<b>(1)</b>	-
Depreciation	<b>(33)</b>	(36)
<b>Carrying Amount at 30 June</b>	<b>107</b>	61

<b>Reconciliations (continued)</b>		
Furniture and Equipment:	<b>2003</b> \$'000	2002 \$'000
Carrying amount at 1 July	158	141
Additions	35	62
Disposals	-	-
Depreciation	(53)	(45)
<b>Carrying Amount at 30 June</b>	<b>140</b>	<b>158</b>
<b>11. Other Assets</b>		
Accrued interest	145	166
Debtors	60	48
Accrued interest on derivatives	603	-
<b>Total Other Assets</b>	<b>808</b>	<b>214</b>
<b>12. Borrowings</b>		
Short-term interest bearing borrowings	168 890	349 836
Long-term interest bearing borrowings	424 801	293 021
<b>Total Borrowings</b>	<b>593 691</b>	<b>642 857</b>
Maturity Profile of HomeStart's Borrowings at 30 June 2002		
At call	1 890	1 836
Not longer than 3 months	167 000	158 000
Longer than 3 months and not longer than 12 months	-	190 000
Longer than 1 year and not longer than 5 years	424 801	293 021
<b>Total Borrowings</b>	<b>593 691</b>	<b>642 857</b>
<b>13. Financing Arrangement</b>		
HomeStart was required to pay a guarantee fee of 0.75 percent of outstanding borrowings to the Department of Treasury and Finance in 2002-03 (0.75 percent, 2001-02).		
HomeStart sources its borrowings from the South Australian Government Financing Authority and is subject to a gross borrowing limit.		
<b>14. Provisions</b>	<b>2003</b> \$'000	2002 \$'000
Employee Benefits	317	274
<b>Total Provisions</b>	<b>317</b>	<b>274</b>
<b>15. Other Liabilities</b>		
Accrued interest	2 954	3 051
Accrued loan manager fees	177	187
Creditors	326	193
Employee benefits	264	252
Aboriginal loan security deposit	250	250
Adelaide new owners grant	510	-
Other	275	397
<b>Total Other Liabilities</b>	<b>4 756</b>	<b>4 330</b>
<b>Adelaide New Owners Grant</b>		
The Corporation of the City of Adelaide (ACC) has provided a grant to HomeStart as part of a scheme known as 'Adelaide New Owners Grant'. The grant must be advanced to a maximum of 85 customers who meet the eligibility criteria for a HomeStart City Loan.		
HomeStart must repay to ACC such amount of the grant that is not advanced by HomeStart to purchasers.		
<b>16. Retained Surplus</b>	<b>2003</b> Note \$'000	2002 \$'000
Retained surplus at 1 July	132 426	130 744
Profit from ordinary activities after related income tax expense	6 040	6 682
Dividend paid	(1 993)	(2 210)
Capital repatriation	5	5
<b>Retained Surplus at 30 June</b>	<b>133 466</b>	<b>132 426</b>
<b>17. Additional Financial Instruments Disclosure</b>		
<b>(a) Interest Rate Risk</b>		
Interest rate risk is managed through matching HomeStart's borrowings with its home loan assets portfolio. The resulting repricing mismatch is measured and monitored by the Asset and Liability Committee on a monthly basis.		
The following tables show the average balance for each of the major categories of interest-bearing assets and liabilities, the amount of interest income or expense and the average interest rate (which is calculated on average monthly balances over the year).		

(a) **Interest Rate Risk (continued)**

				2003	
				Average Balance \$'000	Average Interest Rate Percent
Interest Revenue:					
Cash used for operating activities		604		16	2.65
Cash used for investing activities		2 007		94	4.68
Housing loans and advances		741 745		49 236	6.64
		744 356		49 346	6.63
Interest Expense:					
Interest on borrowings		604 453		29 516	4.88
					2002
Interest Revenue:					Average Interest Rate
Cash used for operating activities		1 132		\$'000	Percent
Cash used for investing activities		1 698		26	2.30
Housing loans and advances		801 644		86	5.06
		804 474		52 944	6.60
Interest Expense:					
Interest on borrowings		662 552		30 851	4.66

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

	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	2003				Non-Interest Bearing \$'000	Total \$'000		
			Fixed Interest Maturing in		1 Year or Less \$'000	5 years \$'000				
			1 Year \$'000	5 years \$'000						
Financial Assets:										
Cash used for operating activities	3.65	640	-	-	-	-	(-)	640		
Cash used for investing activities	4.70	2 610	-	-	-	-	(-)	2 610		
Composite Bond Index Investment			-	-	-	-	4 989	4 989		
Investment - Property and Equity			-	-	-	-	8 187	8 187		
Bank Bills	4.79	-	9 958	-	-	-	-	9 958		
Housing loans and advances	6.53	710 345	7 478	8 871	-	-	167	726 861		
Other assets			-	-	-	-	808	808		
			713 595	17 436	8 871	-	14 151	754 053		
Financial Liabilities:										
Borrowings	4.72	593 691	-	-	-	-	-	593 691		
Interest rate swaps (notional principal amounts)			(38 000)	8 500	29 500	-	-	-		
	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	2002				Non-Interest Bearing \$'000	Total \$'000		
			Fixed Interest Maturing in		1 Year or Less \$'000	5 years \$'000				
			1 Year \$'000	5 years \$'000						
Financial Assets:										
Cash used for operating activities	4.22	757	-	-	-	-	-	757		
Cash used for investing activities	4.70	1 517	-	-	-	-	-	1 517		
Composite Bond Index Investment			-	-	-	-	4 483	4 483		
Investment - Property and equity			-	-	-	-	7 241	7 241		
Bank Bill	4.84	-	9 956	-	-	-	-	9 956		
Housing loans and advances	6.75	757 731	4 981	16 404	-	-	127	779 243		
Other assets			-	-	-	-	214	214		
			760 005	14 937	16 404	-	12 065	803 411		
Financial Liabilities:										
Borrowings	4.72	642 857	-	-	-	-	-	642 857		
Interest rate swaps (notional principal amounts)			(29 000)	5 000	24 000	-	-	-		

The weighted average interest rate is calculated on the balances outstanding as at 30 June.

The effect of interest rate swaps and forward rate agreements has been incorporated into the weighted average interest rate.

**Off-Balance Sheet Derivative Instruments***Forward Rate Agreements and Futures Contracts*

HomeStart enters into forward rate agreements and/or 90 day bank bill futures contracts with a maximum tenure of six months for forward rate agreements and maximum maturity of 12 months for both in order to hedge its interest exposure.

There were no forward rate agreements outstanding as at 30 June 2003 or 30 June 2002.

At 30 June 2003 HomeStart had a short net position of \$30.0 million bank bill futures. These futures contracts will settle in December 2003, with the price being 95.73 or 4.27 percent.

At 30 June 2002 HomeStart had a short net position of \$90.0 million bank bill futures. \$30.0 million of these futures contracts settled in September 2002 and \$60.0 million in December 2002, with the average price being 94.55 or 5.45 percent.

*Interest Rate Swaps*

At 30 June 2003 HomeStart had floating/fixed swaps with a total notional value of \$38.0 million with the fixed rates varying between 4.73 percent and 6.62 percent. HomeStart also had floating/floating swaps with a notional value of \$100.0 million with the rates set at 30 and 90 day bank bill swap reference rate (BBSW). This assists HomeStart in eliminating the mismatch between repricing of its assets with that of its liabilities.

At 30 June 2002 HomeStart had floating/fixed swaps with a total notional value of \$29.0 million with the fixed rates varying between 5.07 percent and 6.62 percent. HomeStart also had floating/floating swaps with a notional value of \$60.0 million with the rates set at 30 and 90 day BBSW.

**(b) Credit Risk**

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

The credit risk on financial assets has been recognised in the Statement of Financial Position as the carrying amount, net of any provisions for doubtful debts.

HomeStart manages its credit risk through compliance with credit policies and procedures. It also has registered mortgages over the security properties.

HomeStart is not materially exposed to any individual borrower.

HomeStart only lends in South Australia and is therefore exposed to the housing market in this State.

**(c) Net Fair Value**

The carrying amounts of HomeStart's financial assets approximate net fair value and the financial liabilities are recorded at face value.

*On-Balance Sheet Financial Instruments*

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:

	2003		2002	
	Carrying Value	Net Fair Value	Carrying Value	Net Fair Value
	\$'000	\$'000	\$'000	\$'000
Assets:				
Cash	3 250	3 250	2 274	2 274
Composite Bond Index Investment	4 989	4 989	4 483	4 483
Bank Bills	9 958	9 958	9 956	9 956
Housing loans and advances	711 259	712 080	761 765	762 792
Investments	8 187	8 187	7 241	7 241
Other assets	808	808	214	214
Liabilities:				
Borrowings	593 691	593 509	642 857	642 274

*Cash*

The carrying value of cash approximates its net fair value.

*Housing Loans and Advances*

The carrying value of loans and advances is net of specific and general provisions for impairment and impaired loans unearned income.

The carrying amount is a reasonable estimate of net fair value of variable rate loans. The net fair value of fixed rate loans has been calculated by discounting the future principal and interest cash flows using rates determined from the current yield curve and loan repricing dates.

*Investment*

The net fair value of the investment is based on quoted market price.

*All Other Financial Assets*

The carrying values of all other financial assets approximate their net fair values.

*Borrowings*

The net fair value of HomeStart's borrowings was determined based on the quoted marked prices.

<b>(c)</b>	<b>Net Fair Value (continued)</b>			
	<i>Off-Balance Sheet Financial Instruments</i>		<b>2003</b>	2002
	The net fair value of off-balance sheet financial instruments held as at the reporting date are:		<b>\$'000</b>	\$'000
	Futures		4	(7)
	Interest rate swaps		(290)	(88)
<b>18.</b>	<b>Commitments</b>			
	Operating lease commitments:			
	Future operating lease rentals not provided for in the financial statements and payable:			
	Not later than one year		<b>344</b>	259
	Later than one year but not longer than five years		<b>378</b>	541
		<b>Total Operating Lease Commitments</b>		<b>722</b>
				800
<b>19.</b>	<b>Contingent Liabilities</b>			
	HomeStart has no material contingent liabilities.			
<b>20.</b>	<b>Segment Reporting</b>			
	HomeStart operates in one geographical segment, South Australia, and its principal activities are the provision of home finance to low and moderate income groups.			
<b>21.</b>	<b>Notes to the Statement of Cash Flows</b>			
<b>(a)</b>	<b>Reconciliation of Cash</b>			
	Cash at the end of the financial year, as shown in the Statement of Cash Flows, is reconciled to the related items in the Statement of Financial Position as follows:			
			<b>2003</b>	2002
	Cash used for investing activities		<b>\$'000</b>	\$'000
	Cash used for operating activities		<b>2 610</b>	2 052
			<b>640</b>	222
		<b>Total Cash</b>		<b>3 250</b>
				2 274
<b>(b)</b>	<b>Reconciliation of Profit from Ordinary Activities after Income Tax to Net Cash provided by Operating Activities</b>			
	Profit from ordinary activities after tax		<b>6 040</b>	6 682
	Add (Less): Items classified as investing activities:			
	Loss (Gain) on sale of fixed assets		(1)	(4)
	Financial instruments		<b>20</b>	(29)
	Add(Less): Non-cash items:			
	Depreciation expense		<b>441</b>	594
	Unrealised change in market value of investments		3	(227)
	Bad debts written off		<b>126</b>	121
	Unearned income on bad debts written off		59	68
	Fees applied directly to loan accounts		(660)	(585)
		<b>Net Cash provided by Operating Activities before changes in Assets and Liabilities</b>		<b>6 028</b>
				6 620
	Changes in assets and liabilities:			
	Decrease (Increase) in accrued interest income		<b>21</b>	84
	Increase (Decrease) in provision for doubtful debts		(774)	(75)
	Increase (Decrease) in provisions for employee entitlements		<b>43</b>	5
	Increase (Decrease) in other liabilities		<b>426</b>	260
	Increase (Decrease) in unearned interest income		(1 102)	(2 253)
	Increase (Decrease) in tax liability		55	766
	Decrease (Increase) in debtors and other assets		(615)	715
		<b>Net Cash provided by Operating Activities</b>		<b>4 082</b>
				6 122
	All cash flows are presented on a gross basis.			
<b>22.</b>	<b>Remuneration and Retirement Benefits</b>			
<b>(a)</b>	<b>Board Members' Remuneration</b>			
	Number of HomeStart Board Members whose income from HomeStart was within the following bands:		<b>2003</b>	2002
	\$0 - \$9 999		<b>Number of Board Members</b>	Number of Board Members
	\$10 000 - \$19 999		-	1
	\$20 000 - \$29 999		<b>1</b>	-
	\$30 000 - \$39 999		<b>3</b>	3
			<b>1</b>	1
	Members of the Board of HomeStart who are employed under the <i>Public Sector Management Act 1995</i> are not entitled to fees. Five members received remuneration during the financial year.			
			<b>2003</b>	2002
			<b>\$'000</b>	\$'000
	Total income paid or payable or otherwise made available to all Board Members of HomeStart		<b>132</b>	115

**(a) Board Members' Remuneration**

The names of the Board Members who held office during the financial year are:

Jay Hogan	Vivienne Pring (term expired 7 July 2002)
Claude Long (appointed 15 August 2002)	Kate Spargo (term expired 7 July 2002, re-appointed 15 August 2002)
Stephen Mann	
Samuel Walters	

No Board Member has entered into a material contract with HomeStart during the financial year.

**(b) Executive Remuneration**

The number of executive officers whose remuneration, including non-monetary benefits, oncosts and back pay for previous years, was within the specified bands, are as follows:

	2003	2002
Number of Executives	Number of Executives	Number of Executives
\$110 000 - \$119 999	-	1
\$120 000 - \$129 999	1	1
\$130 000 - \$139 999	1	-
\$160 000 - \$169 999	1	1
\$180 000 - \$189 999	1	-
\$190 000 - \$199 999	-	1
 Total income paid or payable or otherwise made available to executive officers of HomeStart whose income is \$100 000 or more	 2003 \$'000 611	 2002 \$'000 596

**(c) Auditors' Remuneration**

Amounts received or due and receivable by HomeStart's auditors for:

Auditing the accounts	81	77
Other services	-	-

**23. Related Parties**

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.

***Identification of Related Parties***

Minister for Housing  
Department of Human Services  
Department of Treasury and Finance  
Board Members  
South Australian Government Financing Authority

The names of the Board Members who held office during the financial year are identified in Note 22.

**24. Economic Dependency**

HomeStart has an economic dependency on the following suppliers of services:

***Financing Services***

South Australian Government Financing Authority (SAFA) is the sole provider of funds to HomeStart.

***Retailing Services***

HomeStart contracts out its retailing services to BankSA, Home Loan Centre Pty Ltd, Home Loans Plus and Bernie Lewis Home Loans.

**25. Employee Benefits*****Employee Benefits and Related On-Cost Liabilities***

Included in other liabilities  
Provision for employee benefits

***Aggregate employee benefit and related on-cost liabilities***

2003	2002
\$'000	\$'000
264	252
317	274
 <b>581</b>	 526

***Employee Numbers***

Number of employees at 30 June  
Number of employees at 30 June - Full time equivalent

2003	2002
Number	Number
62	53
<b>58.5</b>	50.5

***Superannuation***

During 2002-03 HomeStart paid \$278 677 (\$254 708) with respect to HomeStart's superannuation obligations for employees in line with the requirements of the Commonwealth legislation.

\$107 719 (\$116 428) was paid to employees who made personal contributions to complying superannuation funds and \$170 958 (\$138 280) was paid to those employees who did not make personal superannuation contributions during 2002-03.

Superannuation contributions are charged against income as they are made.

**26. Events Subsequent to Balance Date**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of HomeStart Finance, the results of those operations, or the state of affairs of HomeStart in subsequent years.

# DEPARTMENT OF HUMAN SERVICES

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

The Department of Human Services is an Administrative Unit established pursuant to the *Public Sector Management Act 1995*.

### Functions

The Department is charged with broad ranging policy and administrative responsibilities associated with health, housing and support and protection of people as members of families and communities. The Department performs a coordinating role for the Ministerial Portfolio of Human Services.

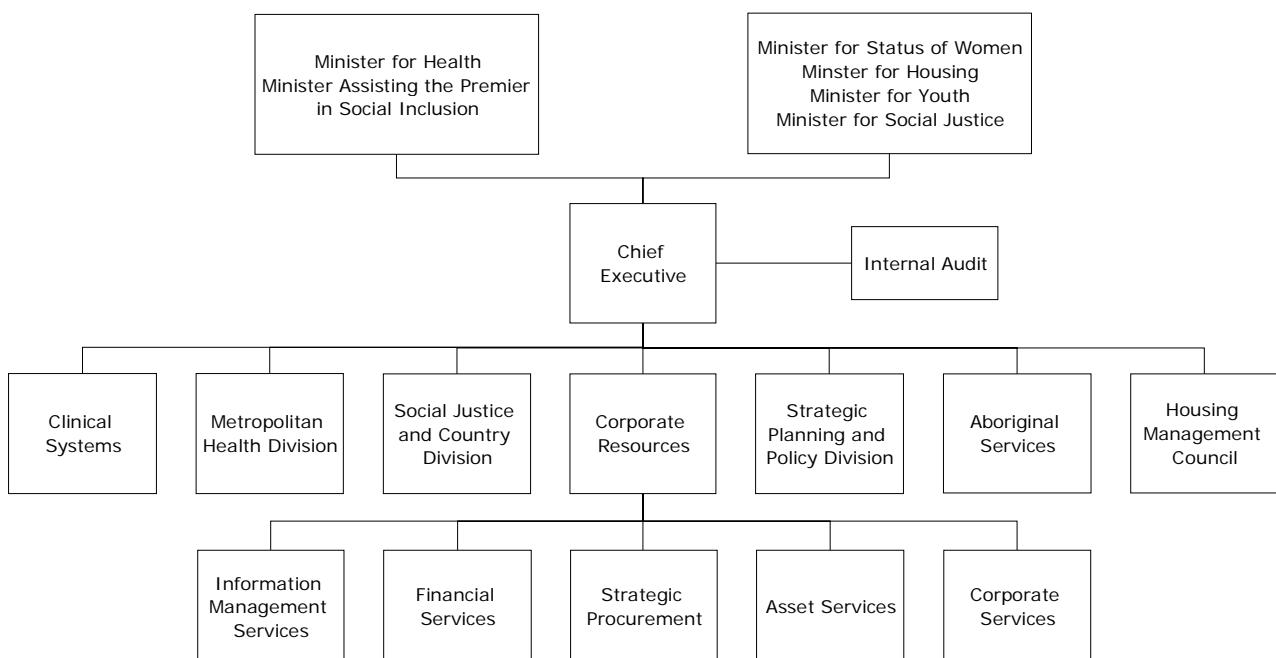
The Department has links with a range of entities including:

- the South Australian Health Commission and Incorporated Health Services (Units) established under the *South Australian Health Commission Act 1976*;
- Statutory Authorities established under specific legislation including the South Australian Housing Trust and the South Australian Community Housing Authority;
- Statutory corporations established under the *Housing and Urban Development (Administrative Arrangements) Act 1995* including HomeStart Finance and the South Australian Aboriginal Housing Authority;
- other independent service providers.

The Department's role includes that as funder or service purchaser, policy setter and strategic planner and provider of services. The Department's role as service provider includes its role as the employer of staff who are assigned to statutory authorities and corporations, as provider of risk management, internal audit and insurance services and in management of portfolio information systems.

### Structure

The following is a diagrammatic representation of the structure of the Department.



## Changes to Functions and Structure

Effective from 1 July 2002 the assets and liabilities of the Office for the Status of Women, the Office of Employment and Youth were transferred to the Department from the Department for Transport, Urban Planning and the Arts and the Department of Education, Training and Employment respectively.

Also, effective 1 July 2002 the assets and liabilities of the Radiation Protection Branch, the Adult Physiological and Neurological Options Co-ordination Agency and the Brain Injury Options Co-ordination Agency were transferred from the Department to other Government agencies. The assets and liabilities of the Radiation Protection Branch were transferred to the Department of Environment and Heritage, whereas the assets and liabilities of the Adult Physiological and Neurological Options Co-ordination Agency and the Brain Injury Options Co-ordination Agency were both transferred to the Intellectual Disability Services Council.

The financial effect of the restructure on the Department was a net loss on restructure of \$ 1.0 million. Further details are provided in Notes 1(b) and 8 of the Department'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 Department of Human Services for each financial year.

A discussion of the arrangements for the preparation and audit of financial statements for Incorporated Health Services (Hospitals, Health Centres and Services) is provided in the section of this Report titled 'Commentary on Health Services Activities' following presentation of the Department's financial statements.

### *Assessment of Controls*

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

### Scope of Audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

- payroll
- accounts payable
- funding to Health Services
- non-current assets
- revenue
- grants to non-Government organisations.

At the time of preparing this Report, Audit has also recently completed or is in the process of finalising reviews relating to computing environments and operations of systems. The status of the reviews is commented on below under the section 'Audit Findings and Comments'.

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 their review of Payroll Services Processes and Procedures.

### *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 in Audit Findings and Comments.

## AUDIT FINDINGS AND COMMENTS

### Audit Opinions

#### ***Audit of Financial Statements***

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department of Human Services as at 30 June 2003, its financial performance and its cash flows for the year then ended.

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

Audit formed the opinion that the controls exercised by the Department of Human Services in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities except for the matters outlined under the heading 'Significant Matters Raised with Agencies - Payroll', is sufficient to provide reasonable assurance that the financial transactions of the Department of Human Services have been conducted properly and in accordance with law.

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

The Department's Audit Committee has continued in operation throughout the 2002-03 financial year. In March 2003 the committee charter was revised to also include risk management. The Terms of Reference of the committee were revised to reflect the inclusion of risk management.

The Department's Internal Auditors continued to conduct audits within the Department and in Portfolio Housing Agencies. In addition to using Departmental staff, assignments have been undertaken by private sector firms as contractors. Work undertaken by Internal Audit for the Department included review of:

- aspects of Family and Youth Services operations;
- Payroll Services Processes and Procedures;
- Information Systems including post implementation reviews.

Internal Audit coverage of Family and Youth Services (FAYS) included review of alleged misappropriations from cash advance accounts operated in FAYS district offices. Review undertaken by Internal Audit to date has highlighted concerns regarding the adequacy of processes, procedures and internal controls over advance accounts.

### **Significant Matters Raised with Agencies**

#### ***Payroll***

Salaries and Wages expenditure processed through the Payroll system represents a significant expenditure item for the Department. The Department is also directly responsible for processing payroll transactions for a number of housing portfolio agencies (ie the South Australian Housing Trust, the South Australian Community Housing Authority and the South Australian Aboriginal Housing Authority).

#### ***Audit Scope***

In August 2002, the Department implemented a new payroll system (CHRIS) to process payroll transactions. Prior to this, the Department utilised the Concept payroll system. The audit for 2002-03 included review of the CHRIS payroll system to assess whether system controls over transactions processed by the system provides reasonable assurance that transactions have been processed correctly and information from the system may be relied upon for reporting and decision making purposes.

In addition, Internal Audit undertook a review of the Department's payroll operations which identified a significant number of issues requiring specific attention by the Department. External Audit coverage included evaluating the work undertaken by Internal Audit and included confirming Internal Audit's key findings and determining the extent of reliance that can be placed on the work performed by Internal Audit.

The External Audit review found that the Department had made some progress in addressing control weaknesses raised by Internal Audit from its review of the CHRIS payroll system and issues raised by External Audit in previous years (from its review of the Concept payroll system). The External Audit review found, however, that for the majority of the 2002-03 financial year internal controls did not provide an adequate control framework for the processing of the Department's payroll transactions. Some of the more significant observations made by External Audit during the course of its review included:

*Bona Fide Certification Processes* — For the majority of the financial year, there were no structured processes in place for the distribution, review and follow-up of Bona Fide reports.

*Leave Recording and Management Processes* — There was a lack of control to ensure leave was completely and accurately recorded in the Leave Recording Module of CHRIS.

*Payroll Reconciliation Processes* — For the majority of the financial year, there were breakdowns in the performance of key payroll reconciliations and effective maintenance of clearing accounts.

*Documentation of Policies and Procedures* — The Department had yet to formally document its Payroll policies and procedures.

Internal Audit's review also raised a number of issues which may have significant operational ramifications if not appropriately addressed in a timely basis. Audit considers that a formal project management approach is required to effectively respond to the issues raised. External Audit noted that, at the time of the audit, the Department was in the process of establishing a project plan to address outstanding issues in 2003-04. Audit recommended that the Department undertake ongoing monitoring, verification and reporting against the plan.

#### *Response*

In response the Department advised that a revised Project Plan for 2003-04 has been established to address key Payroll processing functions and outstanding Internal Audit and External Audit recommendations. Further, the Department advised that the Project Plan will be monitored on an ongoing basis and will be subject to review by Internal Audit on a quarterly basis.

#### ***Legal Compliance***

Audit review for 2002-03 included a review of the arrangements implemented by the Department to ensure the requirements of all legislation applicable to the Department are complied with. In undertaking the review consideration was given to the requirements of the Financial Management Framework and to the range of legislation which has been assigned to the Department. Audit's preliminary review did not identify a formal, structured and robust compliance framework. Audit found that:

- the Department places reliance on institutional knowledge rather than formal structures and processes;
- key provisions and requirements of legislation have not been documented;
- there is no systematic approach to reporting to the Chief Executive or Ministers on compliance or non-compliance;
- legal compliance has yet to be incorporated into the Department's Risk Management Practices.

Audit sought clarification from the Department of its current position in managing legal compliance.

In response the Department advised that it has a number of procedures in place that assists in ensuring that legislative responsibilities are discharged. The Department reported that there have been no major implications from any failure in this area which the Department is aware of, however, it did recognise the need to continually improve governance arrangements and document them in a more formal way.

The Department advised that it will explore the possibility of working with the Crown Solicitor's Office and central agencies to develop a whole of Government framework to approach this matter. Internal Audit is in the process of reviewing a number of areas associated with legal compliance which will be reported to the Department for consideration.

#### ***Case Mix Audits***

The audit of the Department included a review of the arrangements for providing funding to Health Services. Funding is provided to Health Services pursuant to funding agreements which require Health Services to manage their operations within funding levels reflected in the agreements while achieving specified activity levels. The funding agreements provide financial penalties where agreed activity levels are not achieved by Health Services.

Previous audits identified the Department had not consistently undertaken audits of activity data reported by Health Services to meet their obligations under casemix funding arrangements. Audit considers that the auditing of activity data will provide the Department with assurance that:

- activity data is prepared on a consistent basis between Health Services in accordance with Department guidelines;
- the reporting of inaccurate data by Health Services (intentional or inadvertent) is detected.

In May 2002 the Department engaged the services of Healthcare Management Advisors (HMA) to conduct an audit of external clinical coding and short stay admissions at eight metropolitan hospitals. The Casemix audit found that, in terms of accuracy, coding error was higher than had been anticipated and there was evidence of admissions which did not meet DHS admission criteria. The sample sizes used for the audit mean analysis of the financial impact of identified errors is not definitive. The report indicated the results were consistent with an overall overpayment to hospitals. The audit also found that hospitals and the Department need to develop strategies for improving the quality of coding through addressing factors affecting accuracy including:

- coder education;
- clinical education;
- consistent and timely guidelines from DHS in respect of coding standards and ISAAC guidelines; and
- the need to review the Casemix Summary Form and clinician/coder accountability for its validity as the basis for coding.

The report included a number of recommendations to address the findings of the review. External Audit suggested the Department adopt a formal project management approach to address the issues raised. Furthermore, External Audit sought advice on the Department's response to the casemix audit including proposed action to address the key findings of the report.

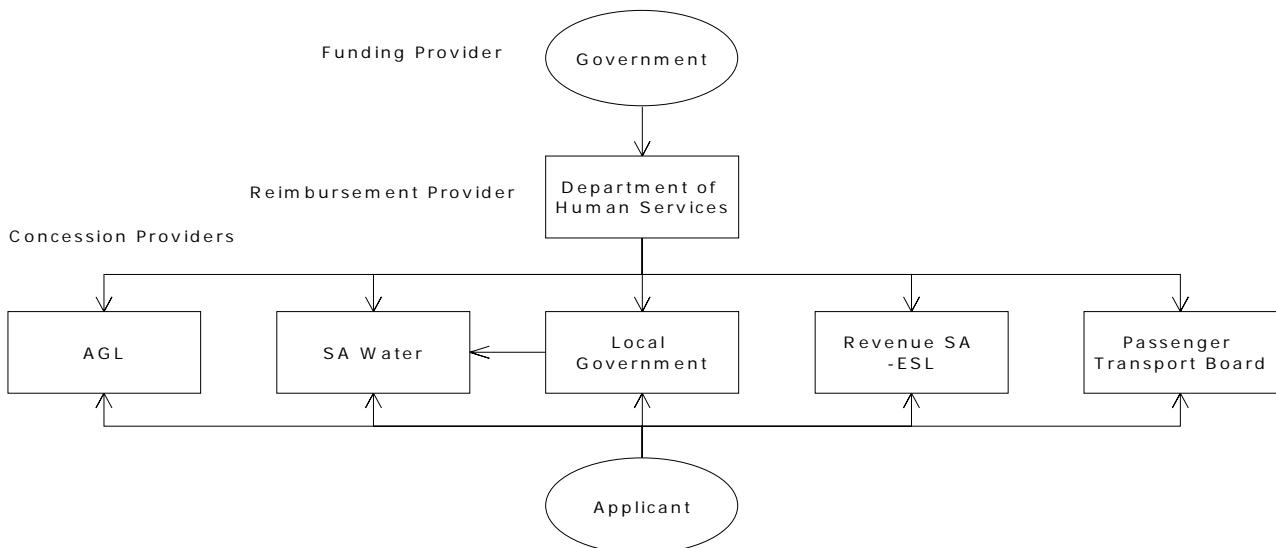
The Department advised that it has identified the need to conduct ongoing audits of morbidity data and it is considering a number of strategic options in undertaking the audits. The next case mix audit is planned to be undertaken in 2004. Furthermore, the Department provided details of strategies to improve coding guidelines and coder/clinical education. The Department advised it intends to develop a multi-layered plan to achieve a high degree of data accuracy including:

- incorporating data quality requirements in funding agreements with health services;
- provision of an education program;
- developing project teams to address data quality issues emanating from the Casemix audit;
- realignment of the responsibility for data quality.

The Department will undertake periodic desktop audits in conjunction with sample audits to measure improvements in data quality which will be reported to health services. The Department also advised that it supported External Audit's suggestion that a project plan be developed to implement the recommendations of the Coding audit.

### ***Administration of Concession Payments***

The Department administers programs for provision of concessions to eligible recipients with respect to the Emergency Services Levy, water, sewer and council rates, electricity and transport charges. The value of concessions provided in the year to 30 June 2003 was \$87.5 million. The following diagram depicts the arrangements for provision of concessions and the parties involved.



The audit of concessions payments for a number of years has highlighted that the Department has not implemented appropriate documented agreements with the parties providing concessions which detail the respective roles, responsibilities and terms of arrangements. The audit for 2001-02 highlighted that the Department's processes for assessing claimants entitlement to concessions was essentially a paper based process and that automation of these processes may support increased efficiency and improved automated checking of entitlements.

Audit review for 2002-03 included a follow-up of matters previously raised with the Department. The following summarises the major findings from Audit's review.

#### *Documentation of Service Level Agreements*

It is Audit's view that an effective control environment requires the establishment of formal arrangements between the Government and the service providers. Audit review found that the Department continued work in establishing formal agreements, however, at the time of the audit the formal agreements had yet to be executed.

#### *Timing of Entitlement Verification*

Audit reviewed proposed changed arrangements for processing benefit claims and established that it is proposed that beneficiaries' entitlement to concessions are to be assessed and approved over the phone. This process does not provide for verification of entitlement before the concession is provided. Audit considers this creates a risk that concessions will be provided to claimants who are not entitled to the concession. The Department advised that whilst this could create a risk there are procedural checks to mitigate the potential for fraud. Further, the Department advised that due to resourcing issues it has not undertaken an entitlement verification matching run since October 2002. The Department intends to conduct a matching run in September 2003.

#### *Data Matching*

Audit identified the need to implement an integrated and technology based approach for the processing and on-going checking of concession entitlements. The review found that work had been undertaken with Centrelink to purchase a product that will enhance the Department's capacity to facilitate data matches. It was noted however that the purchase of the product has been delayed due to legal advice regarding some of the proposed conditions of the purchase contract. The Department advised that completion of negotiations with Centrelink representatives and execution of a contract is expected in October 2003.

#### **Food Act**

Audit review for 2002-03 included a review of the Department's progress with respect to implementation of the *Food Act 2001*. Audit found that the Department has applied resources and introduced a focussed project management approach with regard to the implementation of the Act.

As part of the review, Audit sought confirmation with respect to the status of progress in a number of areas including:

- Notification of food businesses;
- Inspection Standards of Practice.

The Department confirmed that a Statewide system is being developed to process the notification for food businesses on-line which will also capture manual notifications. The Department advised that national guidelines are being developed on the regularity of food business inspections which the State proposes to adopt when finalised. The recommended frequencies per the guidelines are to be provided to Councils. Inspections statistics of Councils will be available (for the 2003-04 financial year) on the Statewide system which will be analysed by the Department to check inspector performance of Councils.

Audit review for 2003-04 is to include ascertaining further progress made by the Department in these areas and to other matters pertaining to the implementation of the Act.

#### **Review of Computing Environment and Operations**

##### *Review of Selected Health Unit Computer Processing Environments*

During 2002 and 2003, Audit reviewed key computer processing environments (CPEs) at three major health units, being the Flinders Medical Centre, North Western Adelaide Health Service and the Royal Adelaide Hospital. These health units are major health service providers and are significant users of Information Technology critical to the health unit business and service delivery outcomes.

The reviews addressed aspects of organisational management, computer processing environments, systems and associated internal controls for the following areas:

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

Issues arising from the reviews included the currency of IT Strategic Plans, business continuity plans and procedures, and security configuration within certain critical applications. The review outcomes were formally communicated to the selected Health Units and satisfactory responses received. In addition, general findings emanating from the reviews were communicated to the Department to support overall planning and service improvement.

#### *Review of Oacis Infrastructure and Network*

The computing facility and network which supports operation of the State's primary patient clinical management system (Oacis), falls under the responsibility of the Department. Oacis is a clinical information system which provides real-time integration of patient information from multiple administrative and specialist clinical departmental systems and is a major initiative of the Department and the Government.

To further Audit's understanding of the security and control arrangements for the Oacis infrastructure and communications network, Audit undertook a review of certain aspects of the communications network operations and the Unix environment that supports the Oacis application. This work was principally undertaken at the EDS (Australia) Pty Ltd Information Processing Centre at Glenside.

The review identified some issues with respect to information security and business continuity controls.

The outcomes from Audit's review were formally communicated to the Department and the matters were addressed by the Department.

#### *Review of E-Commerce Initiatives - Oacis Programme and HealthySA Web site*

During 2002 and 2003, Audit undertook reviews of e-commerce initiatives at a number of government agencies including the Department of Human Services. The review focused on aspects of project management, achievements, and risk management arrangements for the Oacis programme, and matters of a legal and contractual nature for both the Oacis programme and HealthySA web site facility.

With regard to the Oacis programme, the review found that while the Department has been proactive in managing risks and issues, there are certain areas, such as privacy and confidentiality, where the Department may be exposed to future potential risks. Similarly, the HealthySA web site review identified issues including the use of disclaimers and the submission of material on the web site which may also present risk.

The Department is generally aware of the risk and is monitoring these matters on an ongoing basis.

Outcomes from the reviews were formally communicated to the Department and satisfactory responses provided.

#### *Review of Complete Human Resource Information System (CHRIS)*

The Department is responsible for managing the contract and project implementation of a new payroll and integrated human resource management system implemented with a private sector bureau service provider for the Department and major metropolitan Health Units.

Audit undertook an initial review of some areas of security control for the new system with a particular focus on the adequacy of controls over the computer processing environment managed by the private sector bureau service provider.

Matters arising during the review process were communicated to the Department and were being addressed at the time of preparation of this Report.

Audit is confirming other key aspects of certain security control and operational matters and arrangements between the Department and the private sector bureau service provider. Overall findings when completed will be the subject of a formal report to the Department.

### *Overall Concluding Comment*

I intend to further report on the issues arising from the above reviews to Parliament, together with outcomes from certain other agency reviews, in the latter part of 2003.

### **Initiation of Reviews associated with Ministerial and Departmental Responsibilities**

As reflected in my Report last year, the Government has initiated reviews of key areas of Departmental responsibilities including provision of Health and Child Protection services. These reviews were the Generational Health Review and the Child Protection Review. Both reviews were completed in 2002-03. The following commentary outlines Audit's understanding of the key findings and the status of the Government's response to the reviews.

#### ***Generational Health Review***

The Generational Health Review was commissioned by the State Government in May 2002 to consider a broad range of issues associated with provision of health services within the State and to 'develop a framework to guide the South Australian health care system over the next 20 years'.

The review was formally presented to the Minister in April 2003.

One of the key messages of the review was that the 'health system is currently under stress with increasing budget and demand pressures. It is not sustainable into the next generation on grounds of quality of care, efficiency and equity'. Other key findings included the need to:

- review governance arrangements and enhance service integration and development;
- focus on primary health care, early intervention and prevention;
- improve the quality and safety of services;
- address health inequalities for some population groups;
- provide greater opportunities for the inclusion and participation of the community;
- develop a population based funding model;
- enhance the use of technology to enable the more effective use and exchange of information amongst health service providers.

The Review made a total of 74 recommendations covering the following areas:

- Governance and funding models;
- Promoting a more primary health oriented system;
- Accountability and transparency;
- Workforce development issues;
- Human rights issues.

In response to the Review, the Government (through the Department of Human Services) facilitated analysis of the Review and its recommendations which formed the basis of the Government's response to the Review and its future health care reform strategy. In July 2003, the Government released the 'First Steps Forward' which focuses on three key themes, namely, building better governance, building better services and building better system support. The 'First Steps Forward' reform package is to address two thirds of the Review's recommendations with the remaining to be considered as part of the Government's ongoing health reform strategy.

The following summarises the three key themes included in the 'First Steps Forward' reform package.

*Better Governance* — Includes establishing a Regional Health Structure which is intended to provide a basis for 'better integration of services and a comprehensive system of care'. The new structure includes:

- establishing two Regional Health Services for Adelaide (Central North Region and Southern Region);
- creation of a new organisation for women, children and youth;
- support for existing regional structures in the country;
- revitalising the South Australian Health Commission to provide independent advice on health reform implementation.

Other strategies include providing greater opportunities for community participation and improving clinical governance to ensure health services are delivering quality and safe clinical care. The establishment of a State Clinical Senate of health professionals was proposed to provide expert advice and establishing clinical governance processes.

*Better Services* — Includes sustaining and developing hospitals to provide for better integration with other health service providers including general practitioners, domiciliary support services and nursing home services. Other strategies include:

- developing primary health care to deliver health care services (ie GP or community health services) with the focus on prevention, early intervention, health promotion and health management;
- addressing health inequalities for certain population groups such as aboriginal people, children and people with a mental health illness.

*Better Systems* — Includes developing a Population Based Funding model which will allocate money based upon the needs of the community and will improve service integration and access. Other strategies will include improving:

- workforce planning, recruitment, retention and training;
- information management systems which will involve redeveloping systems to enable better exchange of information between health service providers;
- collaboration between State and Commonwealth Governments.

In August 2003, the Government released an Implementation Framework document which details an operational framework for the next 18 to 24 months to support the implementation of the 'First Steps Forward' reform program.

The Government's health care reform, including the measures outlined in the 'First Step's Forward' package will significantly change the manner in which health services are provided to the public. It is considered that these changes will also impact on the audit of agencies within the Health Portfolio.

### ***Child Protection Review***

The Child Protection Review (the Review) was commissioned by the State Government in March 2002.

The Review was undertaken by Ms Robin Layton QC. The report of the Review titled 'Our Best Investment: A State Plan to Protect and Advance the Interests of the Children' was formally released in March 2003. The Review included a State Plan, to assist with the prevention of child abuse and neglect in the community and improve outcomes for children and young people who have been abused or neglected.

The Review made 206 recommendations covering a broad range of areas and issues. The Review proposed five major structural changes which included the creation of the following statutory bodies:

- South Australian Child Protection Board
- Commissioner for Children and Young Persons
- Regional Child Protection Committees in country and metropolitan areas
- Guardian for Children and Young Persons
- Child Death and Serious Injury Review Panel.

The Review included other major recommendations for reform in relation to the following areas:

- early intervention and prevention;
- Department of Human Services - Family and Youth Services (with particular focus on delivery of services and quality of workforce);
- reform of the justice system for children;
- education and children's services in Child Protection Reform;
- screening and monitoring of persons working with children;
- legislative reform;
- training and education;
- children in detention.

The Review also highlighted priorities for implementation and identified priorities with no significant cost implications, others with moderate costs and the priorities with significant cost applications.

In June 2003, the Minister for Social justice provided the opportunity for the public to make written comment on the Review's recommendations. At the time of finalisation of this Report the Government had yet to release a formal response to the Review.

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

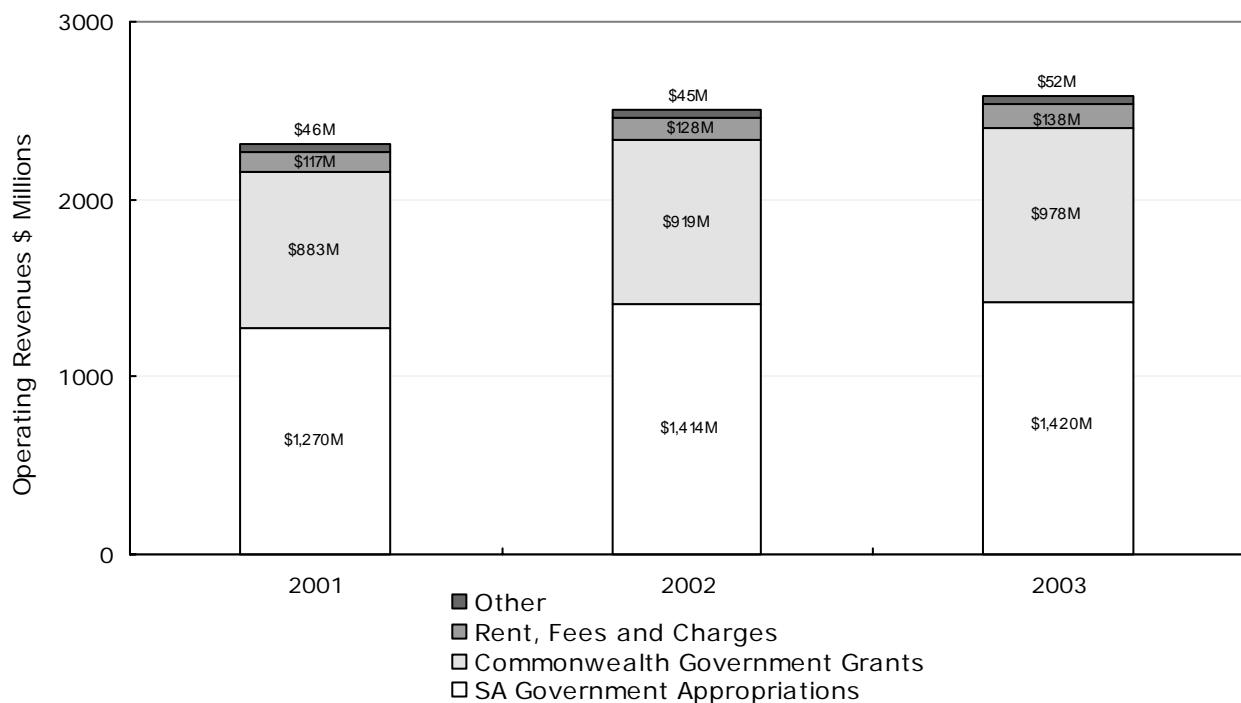
	2003 \$'million	2002 \$'million	Percentage Change
<b>OPERATING REVENUE</b>			
Rent, fees and charges	<b>137.6</b>	127.9	7.6
South Australian Government appropriations	<b>1 420.4</b>	1 414.1	0.4
Commonwealth Government grants	<b>978.2</b>	919.1	6.4
Other	<b>51.5</b>	45.0	14.4
<b>Total Operating Revenue</b>	<b>2 587.7</b>	2 506.1	3.3
<b>OPERATING EXPENDITURE</b>			
Employee benefits	<b>200.9</b>	186.7	7.6
Supplies, services and other expenses	<b>183.9</b>	222.5	(17.3)
Grants, subsidies and client payments	<b>2 311.7</b>	2 121.0	9.0
<b>Total Operating Expenses</b>	<b>2 696.5</b>	2 530.2	6.6
<b>Surplus (Deficit)</b>	<b>(108.8)</b>	(24.1)	(351.4)
<b>Net Cash Flows</b>	<b>(7.6)</b>	24.5	(131.0)
<b>ASSETS</b>			
Current assets	<b>97.8</b>	93.3	4.8
Non-current assets	<b>137.4</b>	107.1	28.3
<b>Total Assets</b>	<b>235.2</b>	200.4	17.4
<b>LIABILITIES</b>			
Current liabilities	<b>62.9</b>	59.1	6.4
Non-current liabilities	<b>173.6</b>	154.3	12.5
<b>Total Liabilities</b>	<b>236.5</b>	213.4	10.8
<b>EQUITY</b>	<b>(1.3)</b>	(13.0)	90.0

**Statement of Financial Performance*****Operating Revenues***

During the year ending 30 June 2003, total Operating Revenues increased by \$82 million (3 percent) to \$2 588 million. Notably, Commonwealth Government grants increased by \$59 million and Rent, Fees and Charges increased by \$10 million. The increase in Commonwealth Grants is primarily attributable to a \$41 million increase in Australian Health Care Agreement funding.

South Australian Government Appropriations as reported increased by less than 1 percent, however, it is noted that the amount recorded in 2003 of \$1420 million included an adjustment for \$28 million to correct an error in the prior year. Specifically, in 2002 the Department recognised a State Government Appropriation designated as an 'Equity Contribution' totalling \$28 million as revenue rather than equity as required by Treasurer's Instructions. Refer to Notes 2(c) and 6(a) for further details.

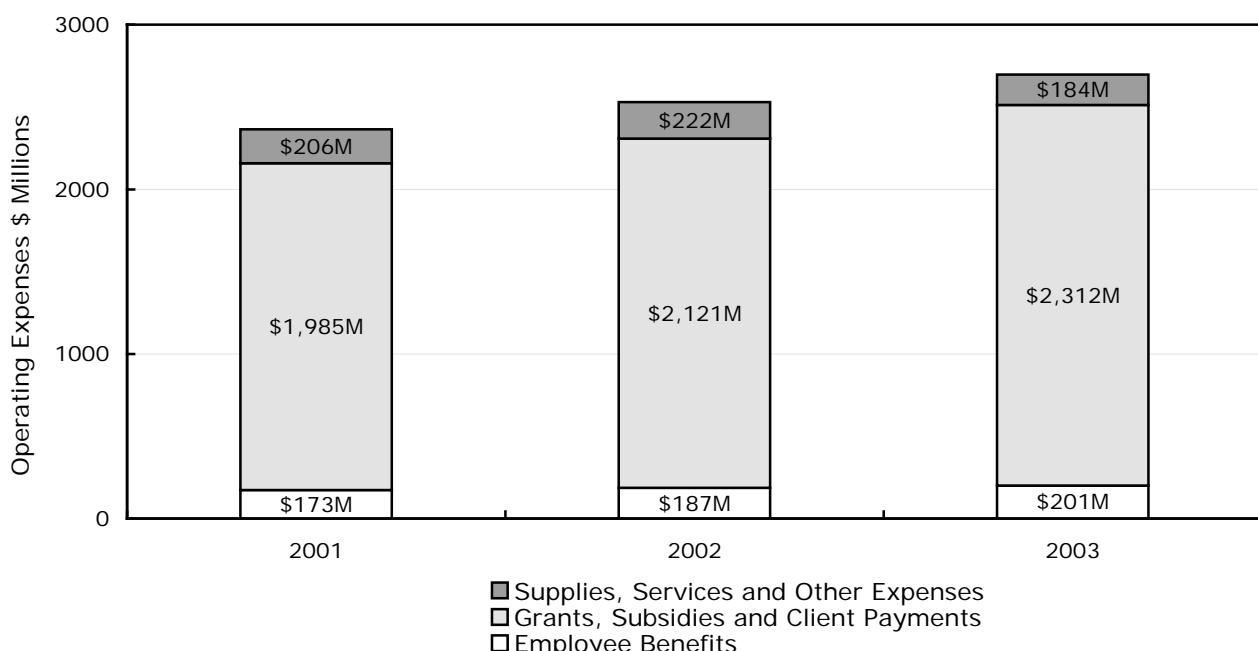
For the three years to 2003 a structural analysis of Operating Revenues for the Department is presented in the following chart. In 2000 amendments were enacted to the *South Australian Health Commission Act 1976* which resulted in the transfer of certain functions, powers, assets and liabilities of the South Australian Health Commission to the Department. As a consequence comparative figures for 2000 have not been included as they are not reflective of the Department's expanded role resulting from it assuming responsibility for activities previously undertaken by the Commission.



### ***Operating Expenses***

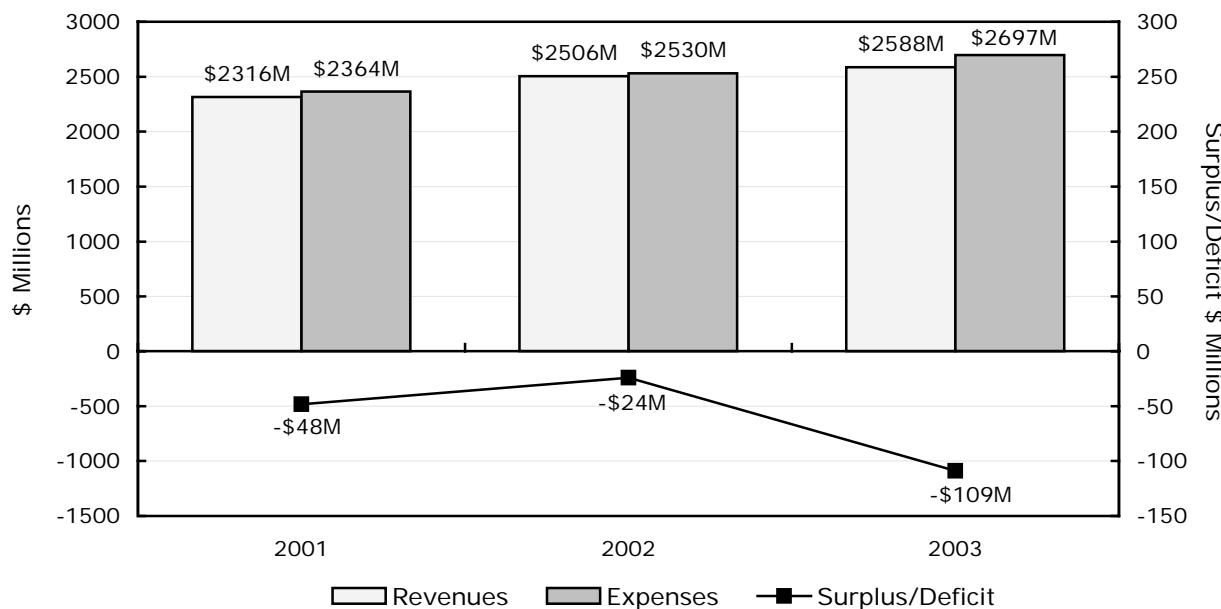
During the year ending 30 June 2003, total Operating Expenses increased by \$166 million (7 percent) to \$2697 million. Grants, Subsidies and Client Payments increased by \$191 million due predominately to an increase in recurrent and capital funding provided to Health Services. Note 4(c) provides details of funding provided to Health Services.

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



## Operating Result

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



The chart demonstrates that, over the period of review, the Department recorded deficits in each year. The deficit recorded in 2001 was due primarily to a \$41 million net loss on restructure resulting from the transfer of assets and liabilities from the Commission to the Department.

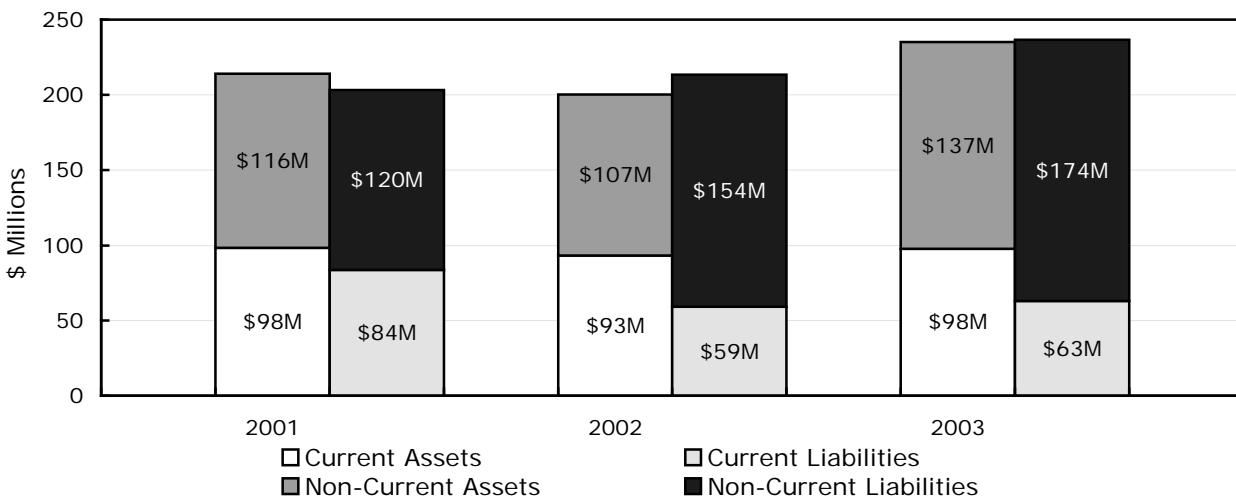
The deficit recorded in 2002 took into account an increase in Professional Indemnity insurance expense of \$30.7 million due to a change in accounting policy whereby the Department recognised for the first time a provision for claims incurred but not yet reported.

The deficit recorded in 2003 of \$ 109 million was due predominately to:

- grants allocated to Health Services, other organisations and clients exceeded revenues received from Commonwealth and State Governments. Note 6 to the financial statements provides a full analysis of the components of the funding from the Commonwealth and State Governments. Also, Note 5 provides details of funding provided to health services, other organisations and clients.
- the current year effect of correcting an equity contribution of \$28 million received in 2002 which was incorrectly recorded as revenue in 2002. Refer to Note 2(c) and 6(a) for further details.

## Statement of Financial Position

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



The chart illustrates that for 2002 and 2003 the Department's total liabilities exceeded its total assets resulting in a negative equity position for those years of \$13 million and \$1 million respectively. The Department recorded a negative equity position for both years notwithstanding it received equity contributions from the State Government of \$60 million in 2003 and \$28 million for 2002.

### **Assets**

Total Assets of the Department increased in 2003 by 17 percent (\$35 million) due primarily to the Department recording a revaluation increment of \$32 million resulting from the revaluation of its Land and Buildings to Fair Value. Refer to Note 2(d) and 10 for further details.

Further analysis and commentary of the Department's cash position is provided under the analysis of the Department's 'Statement of Cash Flows'.

### **Liabilities**

Total Liabilities of the Department increased in 2003 by 11 percent (\$23 million) attributable mainly to an increase in the provision relating to Health Services' Professional Indemnity Insurance claims which rose by \$14 million and an increase in Provisions for Employee Benefits of \$8 million.

### **Statement of Cash Flows**

The following table summarises the net cash flows for the current year and the preceding three years.

	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
<b>Net Cash Flows</b>				
Operations	<b>(66.8)</b>	24.4	11.0	(14.1)
Investing	<b>(1.5)</b>	0.2	(4.6)	(5.6)
Financing	<b>60.7</b>	(0.1)	0.5	-
Change in Cash	<b>(7.6)</b>	24.5	6.9	(19.7)
Cash at 30 June	<b>53.7</b>	61.3	36.8	29.9

In 2003 the net cash outflow was \$7.6 million, representing a net cash outflow from operating and investing activities, totalling \$68.3 million, offset by cash inflows from financing activities of \$60.7 million being mainly an equity contribution from the State Government.

Analysis of the Department's cash flows shows that the Department's sources of funds (including the equity injection from the State Government) were insufficient to meet the Department's operating cash requirements for 2003 resulting in it having to use \$7.6 million of its cash reserves on hand at the beginning of the year.

Cash as at 30 June 2003 is \$53.7 million. It is noted, however, that the Department is engaged in a number of programs involving the receipt of funds from State and Commonwealth sources who provide funds on the basis that funds are to be expended in a manner consistent with the terms of the program. As at 30 June 2003 the value of unexpended funding commitments totalled \$89.7 million.

**Statement of Financial Performance  
for the year ended 30 June 2003**

		2003	2002
	Note	\$'000	\$'000
<b>REVENUES FROM ORDINARY ACTIVITIES</b>			
Rent, fees and charges	5(a)	<b>137 555</b>	127 865
Interest	5(b)	<b>6 726</b>	4 756
Dividends - HomeStart Finance		<b>5 000</b>	5 000
South Australian Government appropriations	6(a)	<b>1 420 460</b>	1 414 148
Commonwealth Government grants	6(b)	<b>978 217</b>	919 095
Grants from other South Australian Government Agencies	6(c)	<b>34 515</b>	29 623
Net gain from disposal of non-current assets	7	<b>19</b>	-
Other	5(c)	<b>5 236</b>	5 609
<b>Total Ordinary Revenue</b>		<b>2 587 728</b>	2 506 096
<b>EXPENSES FROM ORDINARY ACTIVITIES</b>			
Employee benefits	4(a)	<b>200 930</b>	186 697
Supplies and services	4(b)	<b>179 029</b>	215 536
Grants, subsidies and client payments	4(c)	<b>2 311 728</b>	2 121 027
Depreciation	4(d)	<b>817</b>	2 628
Net loss from disposal of non-current assets	7	<b>-</b>	1 298
Net loss from restructure	8	<b>1 011</b>	-
<b>Total Ordinary Expenses</b>		<b>2 693 515</b>	2 527 186
<b>BORROWING COSTS EXPENSE</b>	4(e)	<b>3 060</b>	3 008
<b>DEFICIT FROM ORDINARY ACTIVITIES</b>	18	<b>(108 847)</b>	(24 098)
<b>Changes in equity through non-owner transactions</b>			
Net increase (decrease) in asset revaluation reserve	18	<b>31 909</b>	-
Net increase (decrease) in accumulated funds on adoption of new standard	18	<b>(63)</b>	-
<b>Total revenues, expenses and valuation adjustments recognised in equity</b>		<b>31 846</b>	-
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER</b>		<b>(77 001)</b>	(24 098)

**Statement of Financial Position**  
**as at 30 June 2003**

		<b>2003</b>	2002
	Note	<b>\$'000</b>	\$'000
<b>CURRENT ASSETS:</b>			
Cash on hand and deposit accounts	19	<b>53 712</b>	61 278
Receivables	9	<b>39 538</b>	29 453
Inventories	12	<b>2 484</b>	624
Other	11	<b>2 040</b>	1 923
<b>Total Current Assets</b>		<b>97 774</b>	93 278
<b>NON-CURRENT ASSETS:</b>			
Receivables	9	<b>38 711</b>	39 580
Property, plant and equipment	10	<b>98 171</b>	67 501
Other	11	<b>564</b>	-
<b>Total Non-Current Assets</b>		<b>137 446</b>	107 081
<b>Total Assets</b>		<b>235 220</b>	200 359
<b>CURRENT LIABILITIES:</b>			
Payables	13	<b>33 243</b>	33 183
Provisions for employee benefits	14	<b>17 698</b>	14 470
Borrowings	15	<b>267</b>	161
Provisions	16	<b>10 409</b>	10 330
Other	17	<b>1 244</b>	945
<b>Total Current Liabilities</b>		<b>62 861</b>	59 089
<b>NON-CURRENT LIABILITIES:</b>			
Payables	13	<b>25 646</b>	25 275
Provisions for employee benefits	14	<b>35 643</b>	30 742
Borrowings	15	<b>29 959</b>	29 863
Provisions	16	<b>81 887</b>	67 852
Other	17	<b>501</b>	536
<b>Total Non-Current Liabilities</b>		<b>173 636</b>	154 268
<b>Total Liabilities</b>		<b>236 497</b>	213 357
<b>NET ASSETS</b>		<b>(1 277)</b>	(12 998)
<b>EQUITY:</b>			
Asset revaluation reserve	18	<b>41 596</b>	9 892
Accumulated funds	18	<b>(131 595)</b>	(22 890)
Equity contribution	18	<b>88 722</b>	-
<b>TOTAL EQUITY</b>		<b>(1 277)</b>	(12 998)
Unexpended Funding Commitments	20		
Expenditure Commitments	21		
Contingent Liabilities	22		

**Statement of Cash Flows**  
**for the year ended 30 June 2003**

	Note	2003 Inflows (Outflows)	2002 Inflows (Outflows)
		\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
RECEIPTS:			
Rent, fees and charges		140 839	141 721
Interest		3 649	1 579
Dividends - HomeStart Finance		5 000	5 000
Goods and services tax collected from other grouped members		633	353
Goods and services tax refund from the Australian Taxation Office		48 991	45 748
Goods and Services tax received from customers		4 789	4 592
South Australian Government appropriations		1 445 496	1 425 338
Commonwealth Government grants		974 319	919 095
Grants from other South Australian Government agencies		34 515	29 623
Loan principal repayments		603	1 195
Interest on loans		2 757	3 375
Administrative restructure		94	-
Other		3 348	6 559
<b>Total Receipts</b>		<b>2 665 033</b>	<b>2 584 178</b>
PAYMENTS:			
Employee benefits		(194 241)	(182 643)
Supplies and services		(168 005)	(181 989)
Grants, subsidies and client payments		(2 312 389)	(2 143 154)
Borrowing costs		(46)	(12)
Goods and services tax paid to other grouped members		(1 208)	(2 666)
Goods and services tax paid to suppliers		(51 301)	(46 675)
Interest on loans		(2 659)	(2 573)
New loans		(1 936)	-
Other		-	(34)
<b>Total Payments</b>		<b>(2 731 785)</b>	<b>(2 559 746)</b>
<b>Net Cash (used in) provided by Operating Activities</b>	19(b)	<b>(66 752)</b>	<b>24 432</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment		(2 260)	(2 048)
Proceeds from sale of property, plant and equipment		728	2 228
<b>Net Cash (used in) provided by Investing Activities</b>		<b>(1 532)</b>	<b>180</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Repayment of borrowings		(161)	(75)
Equity Contribution		60 879	-
<b>Net Cash provided by (used in) Financing Activities</b>		<b>60 718</b>	<b>(75)</b>
<b>NET (DECREASE) INCREASE IN CASH HELD</b>		<b>(7 566)</b>	<b>24 537</b>
<b>CASH AT 1 JULY</b>		<b>61 278</b>	<b>36 741</b>
<b>CASH AT 30 JUNE</b>	19(a)	<b>53 712</b>	<b>61 278</b>

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

**1. Objectives and Functions of the Department**

The vision of the Department of Human Services (the Department) is to significantly enhance the quality of life and safeguard the health and wellbeing of South Australians by leading the development of high performing integrated health, housing and community services for individuals, families and communities.

To achieve this vision, the Department will:

- Provide a coordinated response to human services needs with a focus on wellbeing, illness prevention, safety, early intervention and the provision of quality care;
- Foster strong partnerships with the community and service providers to promote resilient, caring and productive communities;
- Encourage individuals, families and communities to take responsibility for their own health and wellbeing;
- Take a holistic approach based on principles of justice and equality.

The Department is responsible for policy formulation and planning for the Human Services portfolio and also controls and coordinates portfolio funding arrangements. It has responsibility for the administration and coordination of portfolio Human Resources Management and provides Corporate and Business Service functions to portfolio agencies. The Department has the responsibility for delivery of specific programs to the public with respect to activities assigned to the Department and the powers and functions performed under the *South Australian Health Commission Act 1976*, delegated by the Minister for Health, Minister for Social Justice, Minister for Housing, Minister for Youth, Minister for Status of Women (the Ministers') to the Chief Executive of the Department.

**(a) Departmental Functions**

The functions of the Department altered significantly during the 2000-01 financial year due to amendments to the *South Australian Health Commission Act 1976*, that transferred many powers and functions formerly with the South Australian Health Commission (SAHC) to the Ministers'. The Ministers' then delegated many of those powers and functions to the Chief Executive of the Department.

One of the major functions delegated to the Chief Executive of the Department under the amendments to the *South Australian Health Commission Act 1976*, places a requirement upon the Department to ensure that there is proper allocation and use of resources between Hospitals, Health Centres and Health Services. Hospitals, Health Centres and Health Services are either incorporated as body corporates under the *South Australian Health Commission Act 1976* (Incorporated Health Services) or are unincorporated (Unincorporated Health Services).

The financial affairs of Incorporated Health Services do not form part of the Department's financial report. Under the *South Australian Health Commission Act 1976*, Incorporated Health Services are required to maintain separate accounts of their respective financial affairs and to have them separately audited by the Auditor-General or an auditor approved by the Auditor-General.

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

**(b) Administrative Restructures**

Effective from 1 July 2002, the assets and liabilities of the Office for the Status of Women were transferred from the Department of Transport, Urban Planning and the Arts to the Department. At the same date, the assets and liabilities of the Office of Employment and Youth were transferred from the Department of Education, Training and Employment to the Department. Conversely, the assets and liabilities of the Radiation Protection Branch of the Public and Environmental Health Service Section of the Department were transferred to the Department for Environment and Heritage. Similarly, the assets and liabilities of the Adult Physiological and Neurological Options Co-ordination Agency and the Brain Injury Options Co-ordination Agency, both unincorporated health units of the Disability Services Section of the Department, were transferred to the Intellectual and Disability Service Council Incorporated. (Refer Note 8)

**(c) Funding for the Department**

Funding for the Department comes from two main sources:

- Appropriation funding from State and Commonwealth Government sources. These funds are applied to both controlled and administered activities;
- Payment from portfolio agencies for Business Service and Human Resource Management functions performed on behalf of the agencies, with fees for these services being determined on a cost recovery basis.

In addition to the main funding sources the Department receives amounts from other sources including interest on cash deposits and dividends from portfolio agencies.

As a result of the utilisation of common systems across the portfolio, the Department processes transactions on behalf of other agencies within the portfolio resulting in timing differences between the incurring of expenditure, earning of revenue and the associated cash flows. Additional timing differences arise from the final determination of Service Fees payable between these agencies. These timing differences give rise to the recognition of receivables and payables within the portfolio.

**2. Summary of Significant Accounting Policies**

**(a) Basis of Accounting**

The Department's Financial Statements are a general purpose financial report which 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);

**(a) Basis of Accounting (continued)**

- Other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Urgent Issues Group (UIG) Consensus Views; and
- 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 Australian 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 Accounting Standard AAS 6 'Accounting Policies'.

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

**(b) Administered Items**

The Department administers certain revenues, expenses, assets and liabilities on behalf of other government agencies and non-government entities. These revenues, expenses, assets and liabilities are not controlled by the Department and consequently are not recognised in the Department's Financial Statements. These administered amounts are disclosed in the Schedules of Administered Revenues and Expenses, and Administered Assets and Liabilities as reflected in Note 26.

The accrual basis of accounting and all applicable accounting standards have been adopted for the reporting of the administered activities.

**(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. The exception to this is Tax Equivalent Regime Appropriations in which case control occurs when the Department fulfils the requirements that enable it to make a claim for those funds.

Appropriations to the Department designated as an 'Equity Contribution' are recognised directly in Equity in accordance with Treasurer's Instruction 3 'Appropriation'.

*Equity Contributions*

In the previous reporting period the Department recognised an Equity Contribution (\$27.843 million) as South Australian Government Appropriation Revenue disclosed in Note 6(a) 'General Appropriation'. In the current reporting period, an adjustment for the 2001-02 financial year Equity Contribution has been processed to remove the Equity Contribution from South Australian Government Appropriation Revenue and recognise it as a contribution of equity by the Government of South Australia. This adjustment has been processed in the current reporting period against South Australian Government Appropriation Revenue and is disclosed in Note 6(a) 'Prior Period Equity Contribution Adjustment' to maintain comparability across the two reporting periods and to improve user understandability.

*Service Fee Income*

Service fee income comprises revenue earned from the provision of services to entities external to the Department. The revenue is recognised when the fee in respect of services provided is receivable.

*Dividends*

Dividends are received by the Department from HomeStart Finance in compliance with section 26(8) of the *Housing and Urban Development (Administrative Arrangements) Act 1995* and redistributed to portfolio entities consistent with Departmental strategic plans. Revenue is recognised upon agreement between the Minister for Housing and the HomeStart Board.

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

The Statement of Financial Position includes property, plant and equipment controlled by the Department.

*Assets Disclosed at Transferred Value*

As a result of the administrative restructures detailed in Note 1(b) the Department assumed the reporting for assets, rights and liabilities of the:

- Office for the Status of Women
- Office of Employment and Youth

This involved the acquisition of property, plant and equipment at no cost to the Department. As permitted by Accounting Policy Statement APS 3, 'Revaluation of Non-Current Assets', Accounting Standards AAS 29 'Financial Reporting by Government Departments' and AASB 1041 'Revaluation of Non-Current Assets', all of these assets are recognised at their value immediately prior to the transfer except for land and buildings which have been revalued in the current financial year to fair value.

*Assets Disclosed at Valuation*

In the current financial year, revalued property, plant and equipment are recognised at fair value in accordance with provisions of AASB 1041 'Revaluation of Non-Current Assets' and in accordance with the revised Accounting Policy Statement 3 'Revaluation of Non-Current Assets', issued by the Department of Treasury and Finance.

In previous years, revalued property, plant and equipment was recognised at deprival value in accordance with the transitional provisions of AASB 1041 and APS 3 issued by the Department of Treasury and Finance.

In accordance with the requirements of APS 3, 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 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.

*Assets Disclosed at Valuation (continued)*

For those classes of non-current assets where an independent revaluation has not been undertaken, as the criteria within APS 3 have not been met, these classes of non-current assets are deemed to be at fair value as determined by APS 3 as issued by the Department of Treasury and Finance.

Asset classes that satisfied the criteria and have therefore been revalued include:

- Vacant Land
- Site Land
- Vacant Buildings
- Buildings and Improvements

The above mentioned non-current asset classes were revalued using the fair value methodology, as at 30 June 2003, based on independent valuations performed by:

- Rob Taylor - Associate Australian Property Institute (AAPI), Certified Practicing Valuer (CPV), FPD Savills (SA) Pty Limited
- Adrian Rowse - AAPI, CPV, FPD Savills (SA) Pty Limited
- Helen Dowling - Graduate Australian Property Institute (GAPI), Qualified Valuer, FPD Savills (SA) Pty Limited
- Alex Thamm - AAPI, Qualified Valuer, McGees Valuation and Advisory Services
- Neil Bray - Valuer-General, Valuation SA
- Clinton Ramm - B. Bus. Prop. (Val), AAPI, Valuer, Knight Frank
- Jason Oster - B. Bus. Prop. (Val), GAPI, Valuer, Knight Frank
- Nick Bell - B. Bus. Prop. (Val), AAPI, CPV, Knight Frank

In accordance with the transitional provisions of AASB 1041, 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 surplus (deficit) 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, any revaluation decrements arising upon revaluing the abovementioned non-current assets 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.

*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 APS 3 have not been met, these classes of non-current assets are deemed to be at fair value as determined by APS 3 as issued by the Department of Treasury and Finance.

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

- Leasehold Improvements
- Buildings and Improvements in Progress
- Medical, Surgical, Dental and Biomedical Equipment
- Computing Equipment/System Development
- Other Plant and Equipment
- Plant and Equipment in progress

*Other Property, Plant and Equipment Disclosure Information*

The recoverable amount test prescribed in Accounting Standard AASB 1041 'Revaluation 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 income in the Statement of Financial Performance and Note 5(c)(i).

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

Work in progress are projects physically incomplete as at reporting date.

All property, plant and equipment acquired since the last revaluation of the class of non-current assets are accounted for at cost.

**(e) Depreciation of Non-Current Assets**

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

	Years
Computer equipment/systems development	3
Other plant and equipment	3-15
Medical, surgical, dental and biomedical equipment	5-10
Buildings and improvements	25-50

Leased assets are amortised over the useful life of the asset or the lease term, in accordance with Accounting Standard AAS 4 'Depreciation'. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

**(f) Leased Assets**

Where material a distinction is made 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.

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. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense. There were no material leased assets in place at the end of the reporting period.

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred. These leases are identified in Note 21(c) to the accounts.

**(g) Receivables**

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

**(h) Payables**

Those amounts which represent liabilities for goods and services provided to the Department and other amounts, including interest are identified as payables.

**(i) Employee Benefits**

In accordance with Accounting Standard 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 entitlements 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.

*Annual Leave*

A provision has been made for the unused component of annual leave, including annual leave loading, based on current remuneration rates and related on-costs as at reporting date.

Experience indicates that remuneration rates applicable when unused annual leave is taken do not differ materially from remuneration rates as at reporting date.

*Long Service Leave*

The liability for long service leave was determined through an actuarial assessment undertaken by William M Mercer Pty Ltd, in accordance with Accounting Standard AASB 1028 'Employee Benefits'. The following assumptions were made by the Actuary when performing the assessment:

- Salary increases of 4 percent per annum based on the current enterprise bargaining agreement and short-term forecasts
- Discounting of 5.5 percent per annum based on the pre-tax yield on the 10 year Commonwealth Government bonds at the valuation date

The actuarial calculations are based on the following approach to the expected time of payment and discounting:

*Unconditionally Qualified*

These employees can take their long service leave immediately, or take a payment in lieu of long service leave on termination of employment. It has been assumed that such entitlements will be taken uniformly over the following ten years, except that for those employees over the age of 55, where it is assumed that long service leave entitlements will be spread over the remaining years until age 65.

*Conditionally Qualified*

These employees can take a payment in lieu of their long service leave on termination of employment, but are required to complete the qualifying period before entitlement to take long service leave in service. It has been assumed that on average this group will take their long service leave either on leaving service prior to attaining the qualifying period, or for those who are still in the Departments' service at that stage, within the following ten years.

*Unqualified*

These employees presently have no entitlement to take long service leave, or be paid long service leave in lieu on termination of employment. A number though will remain in service long enough to receive the benefit of the long service leave already accrued and the probability of this occurrence has been taken into consideration.

*Employee On-Costs*

Related on-costs of payroll tax and superannuation have been calculated by applying their corresponding Department of Treasury and Finance levied rates to employee benefits and are recognised under Payables.

*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.

*Workers Compensation*

The Department is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*. Under a scheme arrangement the Department and participating exempt Health Services are responsible for the management of workers rehabilitation and compensation.

The workers compensation liability recognised for the employees of the Department is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 31 May data. Taylor Fry Consulting Actuaries extrapolate this data to 30 June. For the 2002-03 financial year the Department has reflected a workers compensation provision of \$9.02 million (\$6.73 million). (Refer Note 14)

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 Australian Accounting Standard 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.

Health Services participating in the scheme continue to be directly responsible for the cost of workers compensation claims and the implementation and funding of preventative programs. The Department has agreed to specifically fund safety net funded Health Services workers compensation expenditure and lump sum settlements and redemption payments. The Department also specifically funds non-safety net funded Health Services workers compensation lump sum settlements and redemption payments. Accordingly, the Department recognises a payable to Health Services equivalent to the liability for these specifically funded items which Health Services recognise as a provision in their financial statements. The workers compensation amount payable to Health Services as at 30 June 2003 is \$29.92 million (\$29.87 million). (refer Note 13)

**(j) Professional Indemnity and General Public Liability Insurance**

The Department is a participant in the State Government's Insurance Program. The Department pays a premium to SA Government Captive Insurance Corporation (SAICORP) and is responsible for the payment of claim amounts up to an agreed amount (the deductible). SAICORP provides the balance of funding for claims in excess of the deductible. For Professional Indemnity claims after 1 July 1994 and General Public Liability and Property claims after 1 July 1999 the deductible per claim is \$1 000 000. For claims incurred prior to these dates the deductible per claim is \$50 000.

**Professional Indemnity**

The determination of professional indemnity insurance provision was carried out through an actuarial assessment in accordance with AAS 26 'Financial Reporting of General Insurance Activities' conducted by Brett & Watson Pty Ltd. Current and non-current liabilities of the Department are determined by taking into account prudential margins, inflation, taxes, claims incurred but not reported and claims incurred but not enough reported.

During the 2001-02 financial year, the Department changed its accounting policy for determining the Provision for Professional Indemnity Insurance. In previous reporting periods the Department did not provide for Incurred But Not Yet Reported (IBNR) incidences.

In the 2001-02 and current reporting period, the Department elected to include all IBNR claims in determining the Provision for Professional Indemnity Insurance by adopting the recognition and reporting principles in AAS 26 'Financial Reporting of General Insurance Activities'.

**General Public Liability Insurance and Property**

The provision for claims is a management assessment based on advice from the claims manager (AON Risk Services Ltd). The claims manager assesses the claim and places a reserve on the claim file after receiving legal advice.

**(k) 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.

**(l) 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.

**(m) 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 Australian Taxation Office have, however, been classified as operating cash flows.

3.

**Report by Program****(a) Department's Programs**

In November 2002 the Government elected to change the reporting basis from outputs to programs. Information about the Department's programs and the revenues and expenses which are reliably attributable to those programs is disclosed in the following program schedule.

**(b) Program Summary**

*Programs Reported under the Minister for Health:*

*Program S1:**Population Health and Well-being*

Disease prevention and management, environmental health management and education and promotion of health and well-being.

*Program S2:**Metropolitan Health Services*

Provision and management of grants for the delivery of health and related services for persons living within metropolitan Adelaide and persons from rural areas that need specialist treatment in metropolitan Adelaide.

*Program S3:**Country Health Services*

Provision and management of grants for the delivery of health and related services across country South Australia.

*Program S4:**Aboriginal Health Services*

Policy advice, programs and services, community development and workforce support and advice to the Department, Minister and the Aboriginal Community on aboriginal health related matters.

*Program S5:**Shared Services - Health*

Shared Services support program delivery across the portfolio and do not directly relate to the provision of services to the public.

*Programs Reported under the Minister for Social Justice, Minister for Housing, Minister for Youth, Minister for the Status of Women:*

*Program K1:**Aboriginal Social Services*

Policy advise, programs and services, community development and workforce support and advice to the Department, Minister and the Aboriginal Community on aboriginal social and emotional well-being matters.

*Program K2:**Office for Youth*

The Office for Youth initiates, advocates and facilitates policies and strategies that create opportunities for positive outcomes for young people in South Australia.

*Program K3:**Office for the Status of Women*

Pursuit of the full and equal participation of women in the social and economic life of the State by providing effective and balanced policy advice to Government on the interests and concerns of South Australian women, promoting innovative approaches to public policy that embraces gender based analysis, and providing high quality, state-wide information and referral services through the Women's Information Service.

*Program K4:**Housing Management Council*

Grants for the provision and management of housing services to low income households and people in crisis. This includes grants for the provision of public housing and private rental services by the South Australian Housing Trust, the provision of public housing and community managed housing by the Aboriginal Housing Authority, the funding and regulation of community housing by the South Australian Community Housing Authority and the provision of crisis accommodation, supported accommodation and community capacity building by the Department.

*Program K5:**Disability Services*

Provision and management of grants for the delivery of a range of services for people with a disability, their carers and families. This includes accommodation services, community support services to enable living in a non-institutional setting, community access services, respite care, advocacy and information. (Services for people with a disability through Home and Community Care are included in the Ageing Services Program.)

*Program K6:**Ageing Services*

Provision and management of grants for the delivery of services to support frail older people, younger people with disabilities and their carers. This includes assessment for and provision of a comprehensive, coordinated, flexible and integrated range of home and community care services to assist in enhancing independence in the community and avoid premature or inappropriate admission to long term residential care.

*Program K7:**Community Based Services*

Community based care services to protect the health, social well-being and quality of life of the community.

*Program K8:**Family and Youth Services*

Services provided by Family and Youth Services to promote the safety and well-being of vulnerable families, children and young people.

*Program K9:**Shared Services - Social Justice*

Shared Services support program delivery across the portfolio and do not directly relate to the provision of services to the public.

**(b) Program Summary (continued)**

	Program	2003							
		S1 \$'000	S2 \$'000	S3 \$'000	S4 \$'000	S5 \$'000	K1 \$'000	K2 \$'000	K3 \$'000
<b>Revenues from Ordinary Activities:</b>									
Rent, fees and charges		936	29 559	517	563	38 550	132	(4)	67
Interest		-	-	-	-	2 462	-	-	5
Dividends - HomeStart Finance		-	-	-	-	-	-	-	-
South Australian Government appropriations		13 546	734 130	170 723	9 724	157 032	1 039	2 955	1 615
Commonwealth Government Grants		21 630	597 950	130 732	178	10 650	4	-	-
Grants from other South Australian Government Agencies		804	18 026	1 499	57	1 626	6	20	-
Net gain from disposal of non-current assets		-	28	-	-	3	-	-	-
Other		338	203	46	27	3 129	24	56	6
<b>Total Ordinary Revenue</b>		37 254	1 379 896	303 517	10 549	213 452	1 205	3 027	1 693
<b>2003</b>									
<b>Expenses from Ordinary Activities:</b>									
Employee benefits		12 022	14 881	3 116	3 057	26 644	597	950	915
Supplies and services		19 465	11 452	1 796	1 016	90 727	174	549	508
Grants, subsidies and client payments		6 660	1 409 882	311 448	7 206	105 224	511	1 971	48
Depreciation		126	(1 074)	4	1	178	-	3	-
Loss from restructure		-	-	-	-	505	-	-	-
<b>Total Ordinary Expenses</b>		38 273	1 435 141	316 364	11 280	223 278	1 282	3 473	1 470
<b>Borrowing Costs Expense</b>		-	-	-	-	3 028	-	-	-
<b>SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES</b>		(1 019)	(55 245)	(12 847)	(731)	(12 854)	(77)	(446)	223
<b>2003</b>									
<b>Revenues from Ordinary Activities:</b>									
Rent, fees and charges		45 737	13	160	891	598	19 836	137 555	
Interest		-	-	-	-	-	4 259	6 726	
Dividends - HomeStart Finance		5 000	-	-	-	-	-	-	5 000
South Australian Government appropriations		86 347	131 576	(32 128)	32 113	87 896	23 892	1 420 460	
Commonwealth Government Grants		72 480	59 568	61 173	16 073	251	7 528	978 217	
Grants from other South Australian Government Agencies		8 002	767	1 789	423	1 108	388	34 515	
Net gain from disposal of non-current assets		-	-	-	-	(14)	2	19	
Other		-	25	346	15	252	769	5 236	
<b>Total Ordinary Revenue</b>		217 566	191 949	31 340	49 515	90 091	56 674	2 587 728	
<b>Expenses from Ordinary Activities:</b>									
Employee benefits		44 223	3 901	2 397	5 230	65 473	17 525	200 930	
Supplies and services		299	2 219	793	2 955	15 827	31 249	179 029	
Grants, subsidies and client payments		179 543	195 716	25 732	43 184	14 481	10 122	2 311 728	
Depreciation		-	15	-	561	914	89	817	
Loss from restructure		-	-	-	-	-	506	1 011	
<b>Total Ordinary Expenses</b>		224 065	201 851	28 922	51 930	96 695	59 491	2 693 515	
<b>Borrowing Costs Expense</b>		-	-	-	-	11	21	3 060	
<b>SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES</b>		(6 499)	(9 902)	2 418	(2 415)	(6 615)	(2 838)	(108 847)	

4.

							2003	2002
						Note	\$'000	\$'000
<b>(a) Employee Benefits</b>						(i)		
Salaries and wages							144 106	138 286
Superannuation							17 311	15 134
Annual leave							12 924	12 172
Payroll tax							10 429	8 874
Long service leave							8 236	7 767
Workers compensation							5 227	2 487
Other							2 697	1 977
							<b>200 930</b>	<b>186 697</b>

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

TVSP amounts paid by the Department are included within salary and wages expenses.

During the year a total of 37 (79) employees of the Department accepted packages in line with the State Government's policy.

**(a) Employee Benefits (continued)**

The TVSP component of termination payments totalled \$2.72 million (\$5.69 million). These costs were met from a central fund administered by the Office for the Commissioner for Public Employment (OCPE). A total of \$2.72 million (\$5.69 million) has been recovered relating to 2002-03.

In addition, accrued annual leave, leave loading and long service leave entitlements amounting to \$0.93 million (\$1.44 million) were paid to employees who received a TVSP.

**(b) Supplies and Services**

	Note	2003 \$'000	2002 \$'000
Communication and computing		<b>50 390</b>	47 294
Insurance		<b>37 349</b>	52 215
Contractors and agency staff		<b>16 951</b>	24 410
Accommodation and property related		<b>19 325</b>	18 172
Drugs and medical supplies		<b>14 617</b>	9 892
Interstate patient transfers		<b>11 125</b>	12 006
Printing, stationery, postage and periodicals		<b>4 910</b>	4 370
Motor vehicles		<b>3 918</b>	3 856
Travel and accommodation		<b>2 947</b>	2 983
Seminars, courses and training		<b>2 171</b>	2 184
Managed Payments		<b>2 026</b>	1 831
Client related expenses		<b>1 972</b>	14 734
Consultant fees		<b>1 501</b>	1 105
Minor equipment		<b>1 256</b>	1 236
Advertising and promotions		<b>1 179</b>	1 561
External audit fees		<b>227</b>	331
Interpreter and translator fees		<b>86</b>	94
Bad and doubtful debts		<b>(8 450)</b>	6 188
Other administration		<b>15 529</b>	11 074
		<b>179 029</b>	215 536

**(c) Grants, Subsidies and Client Payments**

Recurrent funding to incorporated health services	(i)	<b>1 764 234</b>	1 633 813
Housing assistance		<b>110 137</b>	108 388
Capital funding to incorporated health services	(ii)	<b>106 042</b>	77 308
Funding to non-government organisations	(iii)	<b>100 810</b>	88 766
SAHT - Tax equivalent regime		<b>58 429</b>	54 888
Community accommodation and respite services		<b>28 076</b>	26 340
Supported accommodation assistance		<b>24 804</b>	24 799
Home and community care		<b>24 261</b>	21 713
GST compensation		<b>12 940</b>	12 940
Children's payments		<b>11 742</b>	11 066
Family and community development		<b>6 852</b>	6 499
Alternative care		<b>6 680</b>	6 367
Patient assisted transport scheme		<b>4 507</b>	3 145
HIV/AIDS and related diseases		<b>3 170</b>	3 161
Emergency financial assistance		<b>2 354</b>	2 362
Community Cultural Recreation Centre		<b>1 746</b>	1 769
Concessions		<b>1 129</b>	1 394
Sensory Options co-ordination		<b>1 097</b>	1 101
Funds for seniors		<b>581</b>	418
Other		<b>42 137</b>	34 790
		<b>2 311 728</b>	2 121 027

*(i) Recurrent Funding to Incorporated Health Services*

Royal Adelaide Hospital	<b>374 134</b>	350 399
North Western Adelaide Health Service	<b>275 305</b>	286 014
Flinders Medical Centre	<b>208 175</b>	188 981
Women's and Children's Hospital	<b>156 601</b>	147 708
Repatriation General Hospital	<b>77 745</b>	77 415
Intellectual Disability Services Council	<b>84 741</b>	62 366
Northern and Far Western Regional Health Service	<b>60 846</b>	59 919
Modbury Hospital	<b>56 283</b>	52 787
Hills Mallee Southern Regional Health Service	<b>53 779</b>	49 924
South East Regional Health Service	<b>52 427</b>	47 967
Wakefield Regional Health Service	<b>37 117</b>	35 581
South Australian Dental Service	<b>39 500</b>	34 228
Noarlunga Health Service	<b>35 426</b>	32 986
Mid North Regional Health Service	<b>32 862</b>	30 961
Eyre Regional Health Service	<b>29 402</b>	27 397
Riverland Health Authority	<b>27 632</b>	25 595
Julia Farr Services	<b>23 668</b>	23 191
Child and Youth Health	<b>21 630</b>	20 161
Institute of Medical and Veterinary Science	<b>23 014</b>	19 596
Drug and Alcohol Services Council	<b>16 001</b>	15 982
Other	<b>77 946</b>	44 655
	<b>1 764 234</b>	1 633 813

		Note	2003 \$'000	2002 \$'000
(ii)	<i>Capital Funding to Incorporated Health Services</i>		<b>49 446</b>	28 510
	North Western Adelaide Health Service		<b>27 621</b>	17 705
	Royal Adelaide Hospital		<b>2 293</b>	5 476
	Flinders Medical Centre		<b>2 670</b>	4 151
	Northern and Far Western Regional Health Service		<b>2 144</b>	3 578
	Modbury Hospital		<b>2 550</b>	3 285
	Intellectual Disability Services Council		<b>2 818</b>	2 505
	South East Regional Health Service		<b>152</b>	1 718
	Noarlunga Health Service		<b>300</b>	1 685
	Child and Youth Health		<b>1 492</b>	1 598
	South Australian Dental Service		<b>1 084</b>	731
	Hills Mallee Southern Regional Health Service		<b>3 314</b>	816
	Mid North Regional Health Service		<b>909</b>	793
	Adelaide Central Community Health Service		<b>2 692</b>	780
	Wakefield Regional Health Service		<b>162</b>	699
	Northern Metropolitan Community Health Service		<b>766</b>	667
	Women's and Children's Hospital		<b>360</b>	627
	Riverland Health Authority		<b>1 933</b>	625
	Repatriation General Hospital		<b>581</b>	129
	Institute of Medical and Veterinary Science		<b>2 253</b>	562
	Eyre Regional Health Service		<b>502</b>	668
	Other		<b>106 042</b>	77 308

(iii)	<i>Funding to Non-Government Organisations</i>		<b>21 430</b>	22 340
	Australian Red Cross		<b>24 215</b>	22 745
	Minda Incorporated		<b>20 875</b>	19 574
	Royal District Nursing Service of SA Inc.		<b>9 404</b>	8 669
	Crippled Children's Association		<b>3 069</b>	2 927
	SHINE SA		<b>2 106</b>	-
	Aboriginal Health Council		<b>1 957</b>	-
	SA Amputee Service		<b>1 952</b>	1 939
	Royal Society for the Blind		<b>1 826</b>	1 378
	SA Rural & Remote Medical Support Agency		<b>1 340</b>	930
	Nganampa Health Council		<b>1 202</b>	1 173
	Royal Flying Doctors Service		<b>1 154</b>	1 046
	Southern District War Memorial Hospital		<b>911</b>	927
	Calvary Hospital		<b>778</b>	720
	Southern Cross Care		<b>290</b>	264
	Port Adelaide Central Mission		<b>8 301</b>	4 134
	Other		<b>100 810</b>	88 766

(d)	<i>Depreciation</i>		<b>1 231</b>	1 238
	Buildings and improvements		<b>307</b>	348
	Medical, surgical, dental and biomedical equipment		<b>272</b>	208
	Other plant and equipment		<b>68</b>	82
	Computing equipment/systems development		<b>4</b>	14
	Vacant buildings		<b>1 305</b>	738
	Leasehold improvements	(i)	<b>(2 370)</b>	-
	Leasehold improvements adjustments		<b>817</b>	2 628

(i) During the current reporting period the Department became aware of the incorrect recognition, in the past, of certain Leasehold Improvement assets. The recognition of these assets also resulted in the overstatement of the associated depreciation expense. Accordingly, in the current reporting period a correction has been processed to remove the overstatement of the depreciation in the past.

(e)	<i>Borrowing Costs</i>		<b>2003 \$'000</b>	2002 \$'000
	Interest on borrowings		<b>3 014</b>	2 996
	Other		<b>46</b>	12

5.	<i>Ordinary Revenue</i>		<b>3 060</b>	3 008
(a)	<i>Rent, Fees and Charges</i>			
	Employee services	(i)	<b>46 045</b>	40 981
	Interstate patient transfers		<b>28 930</b>	27 808
	Insurance recoveries from Health Services		<b>26 273</b>	24 940
	Recoveries		<b>19 144</b>	15 725
	Business Services		<b>15 295</b>	16 341
	Fees, fines and penalties		<b>1 351</b>	1 602
	Rent		<b>517</b>	468

(i) Represents the recovery of costs for the provision of employee related services to the South Australian Housing Trust (SAHT), the South Australian Community Housing Authority (SACHA) and the Aboriginal Housing Authority (AHA).

		2003 \$'000	2003 \$'000
<b>(b)</b>	<b><i>Interest</i></b>		
	Interest on funds held	3 613	1 685
	Interest on loans	3 113	3 071
		<b>6 726</b>	4 756
<b>(c)</b>	<b><i>Other Revenue</i></b>		
	Capital contributions	1 894	1 312
	Assets received for nil consideration	1 733	183
	Prior period adjustments not assignable	155	10
	Other	1 454	4 104
		<b>5 236</b>	5 609
	<i>(i) Assets Received for Nil Consideration</i>		
	During the reporting period the Department received the following assets free of charge or for nominal consideration:		
	Site Land	1 163	114
	Vacant buildings	570	60
	Other plant and equipment	-	9
		<b>1 733</b>	183
<b>6.</b>	<b>Contribution from Government</b>		
<b>(a)</b>	<b><i>South Australian Government Appropriations</i></b>		
	General appropriation	1 351 526	1 321 912
	Prior period equity contribution adjustment	(27 843)	-
	Tax equivalent regime reimbursement - SAHT	58 429	54 888
	Tax equivalent regime reimbursement - HomeStart Finance	2 525	2 067
	State Housing Assistance Funds	35 823	35 281
		<b>1 420 460</b>	1 414 148
	<i>(i)</i>		
	(i) In the previous reporting period the Department recognised the Equity Contribution Appropriation of \$27.843 million as a component of the 2002 'General Appropriation' figure. In the current reporting period, an adjustment for the 2001-02 Equity Contribution Appropriation has been processed to remove the Equity Contribution Appropriation from revenue and recognise it as a contribution of equity by the Government of South Australia. This adjustment is disclosed above as 'Prior Period Equity Contribution Adjustment' to maintain comparability across the two reporting periods and to improve user understandability.		
<b>(b)</b>	<b><i>Commonwealth Government Grants</i></b>		
	Australian Health Care Agreement - Base Funding Arrangement	605 632	564 498
	Housing Assistance	73 169	73 138
	Department of Veteran Affairs	66 555	61 119
	Commonwealth State Disability Agreement	59 568	56 969
	Home and Community Care	58 556	54 023
	Highly Specialised Drugs	25 011	22 039
	Supported Accommodation Assistance Program	15 873	15 217
	Public Health Outcome Funding Agreement	11 429	10 980
	GST Compensation	9 517	9 517
	FBT Employee Remuneration	9 405	10 742
	Red Cross Blood Transfusion Service	8 942	9 660
	Meningococcal C Vaccine	7 714	-
	National Health Development Funding	6 571	8 452
	Essential Vaccines	6 442	6 418
	Police Diversion	4 584	4 584
	Aged Care Assessment Program	3 888	3 664
	Woomera Hospital	1 077	1 051
	General	491	1 286
	Mental Health Information	255	1 696
	Family Law Act	-	1 202
	Other	3 538	2 840
		<b>978 217</b>	919 095
	Refer to Note 20 'Unexpended Funding Commitments'.		
<b>(c)</b>	<b><i>Grants from other South Australian Government Agencies</i></b>		
	FBT Employee Remuneration	12 084	-
	Community Development Fund	9 900	9 900
	Department of Treasury and Finance - Contingency Funds	8 254	13 842
	TVSP Recoveries	2 195	5 134
	Other	2 082	747
		<b>34 515</b>	29 623
	Refer to Note 20 'Unexpended Funding Commitments'.		
<b>7.</b>	<b>Net Gain (Loss) from Disposal of Non-Current Assets</b>		
	Proceeds from disposal of non-current assets	887	2 228
	Less: Written down value of non-current assets	856	3 489
	Less: Other costs of disposal	12	37
		<b>19</b>	(1 298)

**8. Net Loss on Restructure**

On 1 July 2002, the Office for the Status of Women (OSW) was realigned, resulting in a transfer of functions and staff from the Department of Transport, Urban Planning and the Arts to the Department. The realignment resulted in a net gain of \$100 000 due to the transfer of the following assets and liabilities:

	2003 \$'000	2002 \$'000
Assets:		
Cash at bank	93	-
Debtors	194	-
	<u>287</u>	-
Liabilities:		
Payables	17	-
Provision for employee benefits	<u>170</u>	-
	<u>187</u>	-
<b>Gain from Restructure</b>	<b>100</b>	-

Similarly on 1 July 2002, the Office of Employment and Youth (OY) was realigned, resulting in a transfer of functions and staff from the Department of Education, Training and Employment to the Department. The realignment resulted in a net loss of \$462 000 due to the transfer of the following liabilities:

	2003 \$'000	2002 \$'000
Liabilities:		
Payables	106	-
Provision for employee benefits	<u>356</u>	-
	<u>462</u>	-
<b>Loss from Restructure</b>	<b>462</b>	-

Conversely on 1 July 2002, the Radiation Protection Branch of the Public and Environmental Health Service Section of the Department (RPB) was realigned, resulting in a transfer of functions and staff from the Department to the Department of Environment and Heritage. The realignment resulted in a net loss of \$132 000 due to the transfer of the following assets and liabilities:

	2002 \$'000	2002 \$'000
Assets:		
Plant and equipment	19	-
Capital works in progress	<u>498</u>	-
	<u>517</u>	-
Liabilities:		
Payables	22	-
Provision for employee benefits	<u>363</u>	-
	<u>385</u>	-
<b>Loss from restructure</b>	<b>132</b>	-

Similarly, the assets and liabilities of the Adult Physiological and Neurological Options Co-ordination Agency (APN) an unincorporated health unit of the Disability Services Section of the Department transferred to the Intellectual and Disability Services Council Incorporated. The realignment resulted in a net gain of \$388 000 due to the transfer of the following assets and liabilities:

	2003 \$'000	2002 \$'000
Assets:		
Debtors	43	-
	<u>43</u>	-
Liabilities:		
Provision for employee benefits	<u>431</u>	-
	<u>431</u>	-
<b>Gain from Restructure</b>	<b>388</b>	-

Similarly, the assets and liabilities of the Brain Injury Options Co-ordination Agency (BIOC) an unincorporated health unit of the Disability Services Section of the Department transferred to the Intellectual and Disability Services Council Incorporated. The realignment resulted in a net loss of \$905 000 due to the transfer of the following assets and liabilities:

	2003 \$'000	2002 \$'000
Assets:		
Debtors	1 321	-
	<u>1 321</u>	-
Liabilities:		
Provision for employee benefits	<u>416</u>	-
	<u>416</u>	-
<b>Loss from restructure</b>	<b>905</b>	-
<b>Net Loss on Restructure for OSW, OY, RPB, APN and BIOC</b>	<b>1 011</b>	-

**9. Receivables**

Current:

Debtors	9 836	12 743
Employee related services recoverable	5 262	3 158
Health service budget over-runs	8 182	1 930
Grants	5 083	1 185
Tax equivalent regime (Treasury Appropriation)	4 732	1 925
GST recoverable from Australian Taxation Office	<u>4 415</u>	6 319

9.	<b>Receivables (continued)</b>	Note	2003	2002
			\$'000	\$'000
	Current:			
	Interstate patient transfers		<b>1 327</b>	371
	Loans	(i)	<b>747</b>	595
	Interest		<b>554</b>	597
	Overpaid salaries		<b>210</b>	191
	Property sales		<b>130</b>	-
	Sundry		<b>5</b>	1 413
	Less: Provision for doubtful debts		<b>945</b>	974
			<b>39 538</b>	29 453
	Non-Current:			
	Health service budget over-runs		<b>45 859</b>	55 409
	Loans	(i)	<b>38 711</b>	37 167
	Sundry		<b>-</b>	1 285
	Less: Provision for doubtful debts		<b>45 859</b>	54 281
			<b>38 711</b>	39 580
(i)	<i>Reconciliation of Inter-Health Loans</i>			
	As at 30 June 2003 the balance of loans to Health Services and related movements is as follows:			
	Balance as at 1 July		<b>37 762</b>	39 256
	Add:			
	Advances to health services		<b>1 936</b>	-
	Capitalised interest charges		<b>363</b>	427
	Total repayable		<b>40 061</b>	39 683
	Less:			
	Principal repayments received		<b>603</b>	1 863
	Loans written off		<b>-</b>	58
	<b>Balance as at 30 June</b>		<b>39 458</b>	37 762
	The Department to 30 June 2003 has financed the Health Services with loans amounting to \$9.52 million (\$8.02 million) from Department funds and \$29.94 million (\$29.74 million) from back to back loan arrangements with the Department of Treasury and Finance.			
	The movements and status of the back to back loan arrangements are as follows:		<b>2003</b>	2002
	Balance as at 1 July		<b>\$'000</b>	\$'000
	Add:		<b>29 739</b>	29 386
	Capitalised interest charges		<b>363</b>	427
	Total repayable		<b>30 102</b>	29 813
	Less:			
	Principal repayments		<b>161</b>	74
	<b>Balance as at 30 June</b>		<b>29 941</b>	29 739
10.	<b>Property, Plant and Equipment</b>			
(a)	<b>Land and Buildings</b>			
	Vacant land (At fair value - valuation)		<b>16 974</b>	8 350
	Site land (At fair value - valuation)		<b>36 445</b>	15 041
	Vacant buildings (At fair value - valuation)		<b>376</b>	125
	Less: Accumulated depreciation		<b>-</b>	19
			<b>376</b>	106
	Buildings and improvements (At fair value - valuation)		<b>73 555</b>	75 086
	Less: Accumulated depreciation		<b>36 214</b>	39 598
			<b>37 341</b>	35 488
	Leasehold improvements (At deemed fair value)		<b>10 236</b>	10 672
	Less: Accumulated depreciation		<b>7 765</b>	9 213
	Buildings and improvements in Progress (At deemed fair value)		<b>2 471</b>	1 459
	<b>Total Land and Buildings</b>		<b>2 143</b>	3 838
			<b>95 750</b>	64 282
(b)	<b>Plant and Equipment</b>			
	Medical, surgical, dental and biomedical equipment (At deemed fair value)		<b>3 618</b>	3 646
	Less: Accumulated depreciation		<b>2 496</b>	2 484
			<b>1 122</b>	1 162
	Computing equipment/systems development (At deemed fair value)		<b>3 351</b>	3 898
	Less: Accumulated depreciation		<b>3 269</b>	3 775
			<b>82</b>	123

(b) <b>Plant and Equipment (continued)</b>	2003 \$'000	2002 \$'000
Other plant and equipment (At deemed fair value)	2 567	2 448
Less: Accumulated depreciation	1 350	1 137
	<b>1 217</b>	<b>1 311</b>
Plant and Equipment in progress (At deemed fair value)	-	623
<b>Total Plant and Equipment</b>	<b>2 421</b>	<b>3 219</b>
<b>Total Property, Plant and Equipment</b>	<b>98 171</b>	<b>67 501</b>

*Reconciliation*

A reconciliation of the carrying amount of each class of **land and buildings** at the beginning and end of the current financial year are displayed in the table below.

	Vacant Land \$'000	Site Land \$'000	Vacant Buildings \$'000	Buildings & Improvements \$'000	Leasehold Improvements \$'000	Building & Improvements in Progress \$'000	2003 Total Land & Buildings \$'000
Carrying amount at 1 July	8 350	15 041	106	35 488	1 459	3 838	<b>64 282</b>
Purchases	-	-	-	-	-	1 644	<b>1 644</b>
Disposals	(509)	-	(333)	(14)	-	-	<b>(856)</b>
Transfers between classes	-	-	-	-	-	112	<b>112</b>
Assets received for nil consideration	1 163	-	570	-	-	-	<b>1 733</b>
First time recognition	-	-	100	-	-	-	<b>100</b>
Administrative restructure	-	-	-	-	-	(498)	<b>(498)</b>
Transfers from works in progress	-	-	-	563	2 001	(2 564)	-
Net revaluation increment (decrement)	7 970	21 404	(63)	2 535	-	-	<b>31 846</b>
Depreciation	-	-	(4)	(1 231)	1 065	-	<b>(170)</b>
Other	-	-	-	-	(2 054)	(389)	<b>(2 443)</b>
<b>Carrying Amount at 30 June</b>	<b>16 974</b>	<b>36 445</b>	<b>376</b>	<b>37 341</b>	<b>2 471</b>	<b>2 143</b>	<b>95 750</b>

A reconciliation of the carrying amount of each class of **plant and equipment** at the beginning and end of the current financial year is displayed in the table below:

	Medical Surgical Equipment \$'000	Computing and Biomedical Equipment \$'000	Dental and Systems Equipment \$'000	Other Plant and Development Equipment \$'000	Plant and In Progress \$'000	2003 Total Plant & Equipment \$'000
Carrying amount at 1 July	1 162	123	1 311	623	<b>3 219</b>	
Purchases	274	35	158	-	<b>467</b>	
Transfers between classes	-	(5)	5	(112)	<b>(112)</b>	
Write-offs	-	(10)	(20)	-	<b>(30)</b>	
First time recognition	-	7	47	-	<b>54</b>	
Administrative restructure	(7)	-	(12)	-	<b>(19)</b>	
Depreciation	(307)	(68)	(272)	-	<b>(647)</b>	
Other	-	-	-	(511)	<b>(511)</b>	
<b>Carrying Amount at 30 June</b>	<b>1 122</b>	<b>82</b>	<b>1 217</b>	<b>-</b>	<b>2 421</b>	

<b>11. Other Assets</b>					<b>2003</b>	<b>2002</b>
Current Assets:					<b>Note</b>	<b>\$'000</b>
Prepayments						<b>2 040</b>
Non-Current Assets:						
Prepayments						<b>564</b>
<b>12. Inventories</b>						
Drug supplies						<b>2 437</b>
Other						<b>47</b>
						<b>2 484</b>
						<b>624</b>
<b>13. Payables</b>						
Current:						
Creditors						<b>15 956</b>
Health service workers compensation						<b>9 006</b>
Health service budget under-runs						<b>2 542</b>
Grants to non-government organisations						<b>3 145</b>
Employee benefit on-costs						<b>2 225</b>
Grants to SA Housing Trust - Tax Equivalent Regime						<b>52</b>
Interest						<b>292</b>
Other						<b>25</b>
						<b>33 243</b>
						<b>33 183</b>

13.	<b>Payables (continued)</b>		Note	2003	2002
	Non-Current:			\$'000	\$'000
	Health service workers compensation			<b>20 909</b>	20 843
	Employee benefit on-costs	(i)		<b>3 395</b>	2 877
	Grants to non-government organisations			<b>1 342</b>	1 555
				<b>25 646</b>	25 275

(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:	2003	2002
	\$'000	\$'000
Accrued Payroll Tax:		
Annual leave	<b>596</b>	544
Long service leave	<b>225</b>	212
Accrued salaries and wages	<b>78</b>	2
	<b>899</b>	758
Superannuation:		
Annual leave	<b>969</b>	868
Long service leave	<b>229</b>	222
Accrued salaries and wages	<b>128</b>	3
	<b>1 326</b>	1 093
<b>Total Current Employee Benefit On-Costs</b>	<b>2 225</b>	1 851

Non-Current:	2003	2002
	\$'000	\$'000
Accrued Payroll Tax:		
Long service leave	<b>1 612</b>	1 388
Superannuation:		
Long service leave	<b>1 783</b>	1 489
<b>Total Non-Current Employee Benefit On-Costs</b>	<b>3 395</b>	2 877

14. **Provision for Employee Benefits**

Current:	2003	2002
	\$'000	\$'000
Annual leave	<b>9 546</b>	8 628
Long service leave	<b>3 933</b>	3 638
Workers compensation	<b>2 952</b>	1 689
Accrued salaries and wages	<b>1 186</b>	554
Accrued superannuation contributions	<b>14</b>	-
Other	<b>67</b>	(39)
	<b>17 698</b>	14 470
Non-Current:		
Long service leave	<b>29 562</b>	25 701
Workers compensation	<b>6 072</b>	5 041
Other	<b>9</b>	-
	<b>35 643</b>	30 742

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 13 as they do not accrue to employees.

The aggregate current liability from employee benefits and related on costs is \$19.92 million (\$16.32 million).

The aggregate non-current liability from employee benefits and related on costs is \$39.04 million (\$33.62 million).

15. **Borrowings**

Current:	2003	2002
	\$'000	\$'000
Department of Treasury and Finance - Loans	<b>267</b>	161
	<b>267</b>	161
Non-Current:		
Department of Treasury and Finance - Loans	<b>29 674</b>	29 578
Advance - Treasury Imprest Account	<b>285</b>	285
	<b>29 959</b>	29 863
Repayable:		
Not later than one year	<b>267</b>	161
Later than one year but not later than five years	<b>2 642</b>	1 950
Later than five years	<b>27 317</b>	27 913
	<b>30 226</b>	30 024

16. Provisions		Note (i)	2003 \$'000	2002 \$'000	
Current:	Insurance Other		<b>10 119</b> <b>290</b>	<b>10 030</b> <b>300</b>	
			<b>10 409</b>	<b>10 330</b>	
Non-Current:	Insurance		<b>81 887</b>	<b>67 852</b>	
			<b>81 887</b>	<b>67 852</b>	
(i)	Insurance Provision Movement Schedule as at 30 June 2003				
		Medical Malpractice \$'000	Public Liability \$'000	Property \$'000	Total \$'000
	Carrying Amount as at 1 July	<b>76 225</b>	<b>888</b>	<b>768</b>	<b>77 881</b>
	Increase to Provision due to New Claims	<b>19 028</b>	<b>378</b>	<b>1 155</b>	<b>20 561</b>
	Reduction due to Payments	<b>(4 709)</b>	<b>(1 087)</b>	<b>(820)</b>	<b>(6 616)</b>
	Net Revision of Estimates	<b>(627)</b>	<b>919</b>	<b>(112)</b>	<b>180</b>
	<b>Carrying Amount as at 30 June</b>	<b>89 917</b>	<b>1 098</b>	<b>991</b>	<b>92 006</b>
17.	Other Liabilities				
Current:	Unclaimed monies Interstate patient transfer Unearned revenue Other		<b>2003 \$'000</b>	<b>2002 \$'000</b>	
			<b>871</b>	<b>761</b>	
			<b>247</b>	<b>-</b>	
			<b>35</b>	<b>93</b>	
			<b>91</b>	<b>91</b>	
			<b>1 244</b>	<b>945</b>	
Non-Current:	Unearned revenue		<b>501</b>	<b>536</b>	
			<b>501</b>	<b>536</b>	
18.	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.				
		Asset			
	Accumulated Funds \$'000	Revaluation Reserve \$'000	Equity Contribution \$'000	2003 Total \$'000	
	Balance as at 1 July	<b>(22 890)</b>	<b>9 892</b>	<b>-</b>	
	Deficit for the year	<b>(108 847)</b>	<b>-</b>	<b>(12 998)</b>	
	Net increments/decrements related to the revaluation of:				
	Site land	<b>-</b>	<b>21 404</b>	<b>-</b>	
	Vacant land	<b>-</b>	<b>7 970</b>	<b>-</b>	
	Buildings and improvements	<b>-</b>	<b>2 535</b>	<b>-</b>	
	Vacant buildings	<b>(63)</b>	<b>-</b>	<b>(63)</b>	
	Transfer to Accumulated Funds	<b>-</b>	<b>(205)</b>	<b>-</b>	
	Transfers from Asset Revaluation Reserve	<b>205</b>	<b>-</b>	<b>205</b>	
	Equity contribution <sup>(i)</sup>	<b>-</b>	<b>-</b>	<b>88 722</b>	
	<b>Balance as at 30 June</b>	<b>(131 595)</b>	<b>41 596</b>	<b>88 722</b>	
				<b>(1 277)</b>	
(i)	The equity contribution is comprised of the current year contribution of \$60.879 million and an adjustment of \$27.843 million associated with the previous reporting periods contribution.				
		Asset			
	Accumulated Funds \$'000	Revaluation Reserve \$'000	Equity Contribution \$'000	2002 Total \$'000	
	Balance at 1 July	<b>515</b>	<b>10 299</b>	<b>-</b>	
	Deficit for the year	<b>(24 098)</b>	<b>-</b>	<b>(24 098)</b>	
	Administered item equity overstatement adjustment	<b>(20)</b>	<b>-</b>	<b>(20)</b>	
	Transfers to accumulated funds	<b>-</b>	<b>(407)</b>	<b>-</b>	
	Transfers from asset revaluation reserve	<b>407</b>	<b>-</b>	<b>407</b>	
	Transfers to accumulated funds on disposal of assets	<b>306</b>	<b>-</b>	<b>306</b>	
	<b>Balance as at 30 June</b>	<b>(22 890)</b>	<b>9 892</b>	<b>-</b>	
				<b>(12 998)</b>	
19.	Notes to the Statement of Cash Flows				
(a)	Cash held at the end of the reporting year as shown in the Statement of Cash Flows is represented by the following balances:		<b>2003 \$'000</b>	<b>2002 \$'000</b>	
	Special Deposit Account		<b>52 583</b>	<b>60 141</b>	
	Advance accounts		<b>1 095</b>	<b>1 095</b>	
	Other deposits		<b>25</b>	<b>42</b>	
	Cash on hand		<b>9</b>	<b>-</b>	
			<b>53 712</b>	<b>61 278</b>	

	<b>(b) Reconciliation of Deficit from Ordinary Activities to the Net Cash Inflow from Operating Activities</b>	2003 \$'000	2002 \$'000
Deficit from ordinary activities	(108 847)	(24 098)	
Adjustments:			
Depreciation	817	2 628	
Bad and doubtful debts	-	6 188	
Assets received for nil consideration	(1 733)	183	
Assets written off/expensed	930	-	
First time recognition	(154)	-	
Prior period adjustment unassignable	(155)	-	
Gain on sale of assets	(19)	-	
Leasehold improvement adjustment	2 105	-	
Prior period equity contribution adjustment	27 843	-	
Changes in assets and liabilities:			
(Increase) decrease in receivables	(10 255)	28 986	
(Increase) decrease in restructure assets	1 687	-	
(Increase) decrease in other assets	(2 541)	846	
(Decrease) increase in payables	599	(24 014)	
(Decrease) increase in employee benefits	8 813	3 449	
(Decrease) increase in restructure liabilities	(582)	-	
(Decrease) increase in other liabilities	626	(893)	
(Decrease) increase in provisions	14 114	31 157	
<b>Net Cash Inflow (Outflow) from Operating Activities</b>	<b>(66 752)</b>	<b>24 432</b>	

#### 20. Unexpended Funding Commitments

The Department is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Department on the premise that these funds are expended in a manner consistent with the terms of the program. As at 30 June 2003 the Department had outstanding funding commitments to the following programs:

	2003 \$'000	2002 \$'000
Commonwealth State Housing Agreement	33 395	35 258
Industrial Relations Award Back Payments	20 000	-
Home and Community Care	7 589	5 660
Police Diversion	4 119	2 136
Commonwealth State Disability Agreement	3 544	4 344
Quality Development Funding	3 236	2 268
Mental Health Programs	2 673	970
Supported Accommodation Assistance Program	1 890	2 079
Childhood Immunisation Vaccines	1 772	-
Meningococcal C	1 675	-
Veteran Homecare Program	1 401	684
Diabetes Review and Education	1 180	-
MMR Vaccination Campaign	910	-
Public Health Outcome Funding Agreement	838	-
National Health Development Fund	711	2 402
Aboriginal Kinship	675	-
Catherine House	650	-
Enrolled Nurses Cadetship Initiative	605	723
Nosocomial Infection Unit	566	-
Health Promotions	13	1 021
Patient Assistance Transport Scheme Expansion	-	1 500
Other	2 220	852
	<b>89 662</b>	<b>59 897</b>

#### 21. Expenditure Commitments

##### (a) Capital Expenditure Commitments

The total value of capital expenditure commitments as at the end of the reporting period for specific projects are detailed below. These amounts have not been brought to account in the financial statements.

Not later than one year	12 895	10 955
Later than one year but not later than five years	10 156	22 440
Later than five years	-	-
<b>Total (including GST)</b>		
	<b>23 051</b>	<b>33 395</b>

Included in the capital expenditure commitments above is \$1.943 million (\$3.036 million) which is the GST component of the capital expenditure commitments.

##### (b) Other Expenditure Commitments

The total value of other expenditure commitments as at the end of the reporting period for specific projects detailed below. These amounts have not been brought to account in the financial statements.

	2003 \$'000	2002 \$'000
Not later than one year	57 285	90 016
Later than one year but not later than five years	12 021	18 355
Later than five years	-	-
<b>Total (including GST)</b>		
	<b>69 306</b>	<b>108 371</b>

(b) **Other Expenditure Commitments (continued)**

Included in the other expenditure commitments above is \$5.528 million (\$9.852 million) which is the GST component of the other expenditure commitments.

(c) **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.

	2003 \$'000	2002 \$'000
Not later than one year	13 204	13 099
Later than one year but not later than five years	23 694	29 765
Later than five years	10 730	15 135
<b>Total (including GST)</b>	<b>47 628</b>	<b>57 999</b>

Included in the operating lease commitments above is \$4.33 million (\$5.27 million) which is the GST component of the operating lease payments.

The Department has over 50 lease agreements. These leases are for administrative purposes and vary in length. Lease payments are monthly and predominately paid in advance. Each lease agreement has renewal options for a determined period, exercisable by both the lessor and lessee. Contingent rental payments are determined using a set rate. In most cases this is either CPI or current market rates.

**22. Contingent Liabilities**

During the year a disagreement between the Department and an external party transpired. The contract is currently subject to independent arbitration. If arbitration is unsuccessful, the disagreement could result in litigation. If litigation were to be the outcome and the Department lost the case the cost to the Department is estimated to be \$60 000.

**23. Employee Remuneration**

The number of employees whose remuneration exceeded \$100 000 was:

	2003 Number of Employees	2002 Number of Employees
\$100 000 - \$109 999	10	7
\$110 000 - \$119 999	9	6
\$120 000 - \$129 999	7	11
\$130 000 - \$139 999	12	2
\$140 000 - \$149 999	5	6
\$150 000 - \$159 999	5	4
\$160 000 - \$169 999	3	3
\$170 000 - \$179 999	3	-
\$180 000 - \$189 999	-	3
\$190 000 - \$199 999	2	1
\$200 000 - \$209 999	2	-
\$210 000 - \$219 999	-	-
\$220 000 - \$229 999	-	-
\$230 000 - \$239 999	-	-
\$240 000 - \$249 999	-	-
\$250 000 - \$259 999	-	-
\$260 000 - \$269 999	1	1
\$270 000 - \$279 999	-	1
\$290 000 - \$299 999	1	-
\$340 000 - \$349 999	-	1
	<b>60</b>	<b>46</b>
Total remuneration received or due and receivable by employees whose remuneration exceeds \$100 000	<b>8 422</b>	<b>6 678</b>

The table above discloses the number of employees of the Department whose remuneration exceeded \$100 000. This includes Departmental employees assigned to the South Australian Housing Trust, Aboriginal Housing Authority and the South Australian Community Housing Authority.

The remuneration includes salary, employer's superannuation costs, use of motor vehicle in accordance with prescribed conditions and associated Fringe Benefits Tax and contract termination payments, but does not include any amounts payable due to retirement under the Targeted Voluntary Separation Package (TVSP).

**24. 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 Department of Treasury and Finance 90 day bank bill rate and interest is paid at the end of each quarter.

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

Loans are recognised at the nominal amounts lent and collectability of amounts outstanding is reviewed at balance date. A provision is made for bad and doubtful loans where collection of the loan or part thereof is judged to be less likely rather than more likely. Loan repayments may be waived. Interest is credited to revenue as it accrues. Principal is repaid in full at maturity. Interest rates are fixed and interest payments are due on the day of the scheduled agreed terms of payment.

*Financial Liabilities*

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

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

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.

	Weighted Average Effective Rate Percent	Floating Interest Rate \$'000	1 Year or Less \$'000	1 Year to 5 years \$'000	More than 5 years \$'000	Non- Interest Bearing \$'000	2003 Total \$'000
<b>Financial Assets:</b>							
Cash and deposits	4.70	53 712	-	-	-	-	53 712
Loans	9.59	1 929	703	4 215	30 422	2 189	39 458
Health services budget over-run	n/a	-	-	-	-	8 182	8 182
Debtors	n/a	-	-	-	-	30 609	30 609
		<b>55 641</b>	<b>703</b>	<b>4 215</b>	<b>30 422</b>	<b>40 980</b>	<b>131 961</b>
<b>Financial Liabilities:</b>							
Creditors and accruals	n/a	-	-	-	-	26 432	26 432
Borrowings	10.10	-	267	2 642	27 032	285	30 226
Health services budget under-run	n/a	-	-	-	-	2 542	2 542
Health services workers	n/a	-	-	-	-	29 915	29 915
Compensation	n/a	-	-	-	-	59 174	89 115
		<b>-</b>	<b>267</b>	<b>2 642</b>	<b>27 032</b>	<b>59 174</b>	<b>89 115</b>
	Weighted Average Effective Rate Percent	Floating Interest Rate \$'000	1 Year or Less \$'000	1 Year to 5 years \$'000	More than 5 years \$'000	Non- Interest Bearing \$'000	2002 Total \$'000
<b>Financial Assets</b>							
Cash and deposits	4.52	61 278	-	-	-	-	61 278
Loans	9.73	-	657	4 153	30 764	2 188	37 762
Health services budget over-run	n/a	-	-	-	-	3 058	3 058
Debtors	n/a	-	-	-	-	28 213	28 213
		<b>61 278</b>	<b>657</b>	<b>4 153</b>	<b>30 764</b>	<b>33 459</b>	<b>130 311</b>
<b>Financial Liabilities</b>							
Creditors and accruals	n/a	-	-	-	-	24 628	24 628
Borrowings	10.14	-	161	1 950	27 628	285	30 024
Health services budget under-run	n/a	-	-	-	-	3 957	3 957
Health services workers	n/a	-	-	-	-	29 873	29 873
Compensation	n/a	-	-	-	-	58 743	88 482
		<b>-</b>	<b>161</b>	<b>1 950</b>	<b>27 628</b>	<b>58 743</b>	<b>88 482</b>

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

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

## Financial Assets:

	2003 Carrying Amount \$'000	2002 Net Fair Value \$'000	2002 Carrying Amount \$'000	2002 Net Fair Value \$'000
Cash and deposits	<b>53 712</b>	<b>53 712</b>	<b>61 278</b>	<b>61 278</b>
Loans	<b>39 458</b>	<b>49 432</b>	<b>37 762</b>	<b>50 515</b>
Health services budget over-run	<b>8 182</b>	<b>8 182</b>	<b>3 058</b>	<b>3 058</b>
Debtors	<b>30 609</b>	<b>30 609</b>	<b>28 213</b>	<b>28 213</b>
	<b>131 961</b>	<b>141 935</b>	<b>130 311</b>	<b>143 064</b>

## Financial Liabilities:

	2003 Carrying Amount \$'000	2002 Net Fair Value \$'000	2002 Carrying Amount \$'000	2002 Net Fair Value \$'000
Creditors and accruals	<b>26 432</b>	<b>26 432</b>	<b>24 628</b>	<b>24 628</b>
Borrowings	<b>30 226</b>	<b>41 391</b>	<b>30 024</b>	<b>42 089</b>
Health services budget under-run	<b>2 542</b>	<b>2 542</b>	<b>3 957</b>	<b>3 957</b>
Health services workers compensation	<b>29 915</b>	<b>29 915</b>	<b>29 873</b>	<b>29 873</b>
	<b>89 115</b>	<b>100 280</b>	<b>88 482</b>	<b>100 547</b>

25.

**Auditors' Remuneration**

Services provided by the Auditor-General's Department with respect to the audit of the Department totalled \$0.29 million (\$0.30 million) for the reporting period.

26. **Administered Items**

The following revenues, expenses, assets and liabilities were administered and have not been included in the financial statements of the Department. In accordance with Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments' the items have been classified as:

Schedule A (i): Administered Assets and Liabilities as at 30 June 2003  
 Schedule A (ii): Administered Assets and Liabilities as at 30 June 2002  
 Schedule B (i): Administered Revenues and Expenses as at 30 June 2003  
 Schedule B (ii): Administered Revenues and Expenses as at 30 June 2002

***Schedule A (i) - Schedule of Administered Assets and Liabilities as at 30 June 2003***

	HCSMCS	Gambler's Rehab	Concessions	Minister's Salary	SAICORP	Charitable and Social Welfare	Other	2003 Total
<b>Current Assets:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash on hand and deposit accounts	5 457	972	7 415	-	-	1 879	690	16 413
Receivables	7	-	-	67	185	-	-	259
<b>Non- Current Assets:</b>								
Property, plant and equipment	7	-	-	-	-	-	-	7
<b>Total Assets</b>	<b>5 471</b>	<b>972</b>	<b>7 415</b>	<b>67</b>	<b>185</b>	<b>1 879</b>	<b>690</b>	<b>16 679</b>
<b>Current Liabilities:</b>								
Payables	119	-	-	-	-	-	-	119
Borrowings	-	-	-	64	185	-	-	249
Provision for employee benefits	99	-	-	3	-	-	-	102
Other provisions	7	-	-	-	-	-	-	7
<b>Total Liabilities</b>	<b>225</b>	<b>-</b>	<b>-</b>	<b>67</b>	<b>185</b>	<b>-</b>	<b>-</b>	<b>477</b>
<b>Total Net Assets</b>	<b>5 246</b>	<b>972</b>	<b>7 415</b>	<b>-</b>	<b>-</b>	<b>1 879</b>	<b>690</b>	<b>16 202</b>

**Other comprised of:**

Dame Roma Mitchell Trust Fund  
 Alternative Care Fund  
 Community Service Obligations  
 Family Maintenance Orders  
 Supported Residential Trust Fund  
 Duke of Edinburgh Trust Fund  
 Beyond Blue  
 United Medical Protection

***Schedule A (ii) - Schedule of Administered Assets and Liabilities as at 30 June 2002***

	HCSMCS	Gambler's Rehab	Concessions	Minister's Salary	SAICORP	Charitable and Social Welfare	Other	2002 Total
<b>Current Assets:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash on hand and deposit accounts	7 163	260	1 404	-	-	1 312	2 484	12 623
Receivables	854	-	-	126	185	-	-	1 165
<b>Non- Current Assets:</b>								
Property, plant and equipment	10	-	-	-	-	-	-	10
<b>Total Assets</b>	<b>8 027</b>	<b>260</b>	<b>1 404</b>	<b>126</b>	<b>185</b>	<b>1 312</b>	<b>2 484</b>	<b>13 798</b>
<b>Current Liabilities:</b>								
Payables	133	-	160	-	-	-	-	293
Borrowings	-	-	-	126	185	-	-	311
Provision for employee benefits	64	-	-	-	-	-	-	64
<b>Total Liabilities</b>	<b>197</b>	<b>-</b>	<b>160</b>	<b>126</b>	<b>185</b>	<b>-</b>	<b>-</b>	<b>668</b>
<b>Total Net Assets</b>	<b>7 830</b>	<b>260</b>	<b>1 244</b>	<b>-</b>	<b>-</b>	<b>1 312</b>	<b>2 484</b>	<b>13 130</b>

**Other comprised of:**

Dame Roma Mitchell Trust Fund  
 Alternative Care Fund  
 Aboriginal Health Council  
 Family Maintenance Orders  
 Supported Residential Trust Fund  
 Duke of Edinburgh Trust Fund  
 Beyond Blue  
 United Medical Protection  
 Enfield Council

**Schedule B (i) - Schedule of Administered Revenues and Expenses for the year ended 30 June 2003**

	HCSMCS	Gambler's Rehab	Concessions	Minister's Salary	SAICORP	Charitable and Social Welfare	Other	2003 Total
<b>Expenses from Ordinary Activities:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee related	498	1	-	385	-	16	236	<b>1 136</b>
Supplies and services	473	232	-	-	-	139	1 339	<b>2 183</b>
Grants, subsidies and client payments	7 329	2 359	87 546	-	-	2 783	9 298	<b>109 315</b>
Depreciation	3	-	-	-	-	-	-	<b>3</b>
<b>Total Ordinary Expenses</b>	<b>8 303</b>	<b>2 592</b>	<b>87 546</b>	<b>385</b>	<b>-</b>	<b>2 938</b>	<b>10 873</b>	<b>112 637</b>
<b>Revenues from Ordinary Activities:</b>								
Department Appropriation	-	3 300	93 678	-	-	3 500	7 331	<b>107 809</b>
Commonwealth Grants	-	-	-	-	-	-	-	-
Other Government Grants and Contributions	-	-	39	385	-	-	308	<b>732</b>
Rent, Fees and Charges	5 280	-	-	-	-	4	1 257	<b>6 541</b>
Interest	418	4	-	-	-	-	31	<b>453</b>
Other	21	-	-	-	-	2	152	<b>175</b>
<b>Total Ordinary Revenues</b>	<b>5 719</b>	<b>3 304</b>	<b>93 717</b>	<b>385</b>	<b>-</b>	<b>3 506</b>	<b>9 079</b>	<b>115 710</b>
Borrowing Costs Expense	-	-	-	-	-	-	-	-
<b>Surplus (Deficit) from Ordinary Activities</b>	<b>(2 584)</b>	<b>712</b>	<b>6 171</b>	<b>-</b>	<b>-</b>	<b>568</b>	<b>(1 794)</b>	<b>3 073</b>

**Other comprised of:**

Dame Roma Mitchell Trust Fund  
Alternative Care Fund  
Community Services Obligations  
Family Maintenance Orders  
Supported Residential Trust Fund  
Duke of Edinburgh Trust Fund  
Beyond Blue  
United Medical Protection

**Schedule B (ii) - Schedule of Administered Revenues and Expenses for the year ended 30 June 2002**

	HCSMCS	Gambler's Rehab	Concessions	Minister's Salary	SAICORP	Charitable and Social Welfare	Other	2002 Total
<b>Expenses from Ordinary Activities:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee related	272	-	-	247	-	30	154	<b>703</b>
Supplies and services	352	209	-	-	-	124	1 045	<b>1 730</b>
Grants, subsidies and client payments	4 713	2 686	89 807	-	-	2 777	8 802	<b>108 785</b>
Depreciation	3	-	-	-	-	-	-	<b>3</b>
<b>Total Ordinary Expenses</b>	<b>5 340</b>	<b>2 895</b>	<b>89 807</b>	<b>247</b>	<b>-</b>	<b>2 931</b>	<b>10 001</b>	<b>111 221</b>
<b>Revenues from Ordinary Activities:</b>								
Department Appropriation	-	2 300	88 930	-	-	3 000	9 375	<b>103 605</b>
Commonwealth Grants	-	-	-	-	-	-	-	-
Other Government Grants and Contributions	-	-	43	247	-	-	491	<b>781</b>
Rent, Fees and Charges	8 627	-	-	-	-	44	630	<b>9 301</b>
Interest	374	18	-	-	-	-	118	<b>510</b>
Other	-	-	-	-	-	4	61	<b>65</b>
<b>Total Ordinary Revenues</b>	<b>9 001</b>	<b>2 318</b>	<b>88 973</b>	<b>247</b>	<b>-</b>	<b>3 048</b>	<b>10 675</b>	<b>114 262</b>
Borrowing Costs Expense	-	-	-	-	-	-	-	-
<b>Surplus (Deficit) from Ordinary Activities</b>	<b>3 661</b>	<b>(577)</b>	<b>(834)</b>	<b>-</b>	<b>-</b>	<b>117</b>	<b>674</b>	<b>3 041</b>

**Other comprised of:**

Dame Roma Mitchell Trust Fund  
Alternative Care Fund  
Aboriginal Health Council  
Family Maintenance Orders  
Supported Residential Trust Fund  
Duke of Edinburgh Trust Fund  
Beyond Blue  
United Medical Protection  
Enfield Council

## COMMENTARY ON HEALTH SERVICES ACTIVITIES

### Health Sector Staffing Statistics

The following table illustrates the trend in staffing levels in the health sector, excluding staff of the Department of Human Services, over the past four years.

Staff Categories:	Health Sector FTE Mix (Unaudited)			
	2003 Number	2002 Number	2001 Number	2000 Number
Nurses	<b>8 196</b>	8 117	7 904	7 975
Medical Staff	<b>1 484</b>	1 475	1 423	1 411
Scientific and Technical	<b>1 078</b>	1 113	1 160	1 181
Administrative and Clerical	<b>4 052</b>	4 024	3 958	3 920
Allied Health, Hotel, and other staff	<b>6 518</b>	6 607	6 472	6 491
<b>Total Staff</b>	<b>21 328</b>	21 336	20 917	20 979
<b>Increase (Decrease)</b>	<b>(8)</b>	419	(62)	101
<b>Percentage Increase (Decrease)</b>	<b>(0.3)</b>	2	(0.2)	0.5

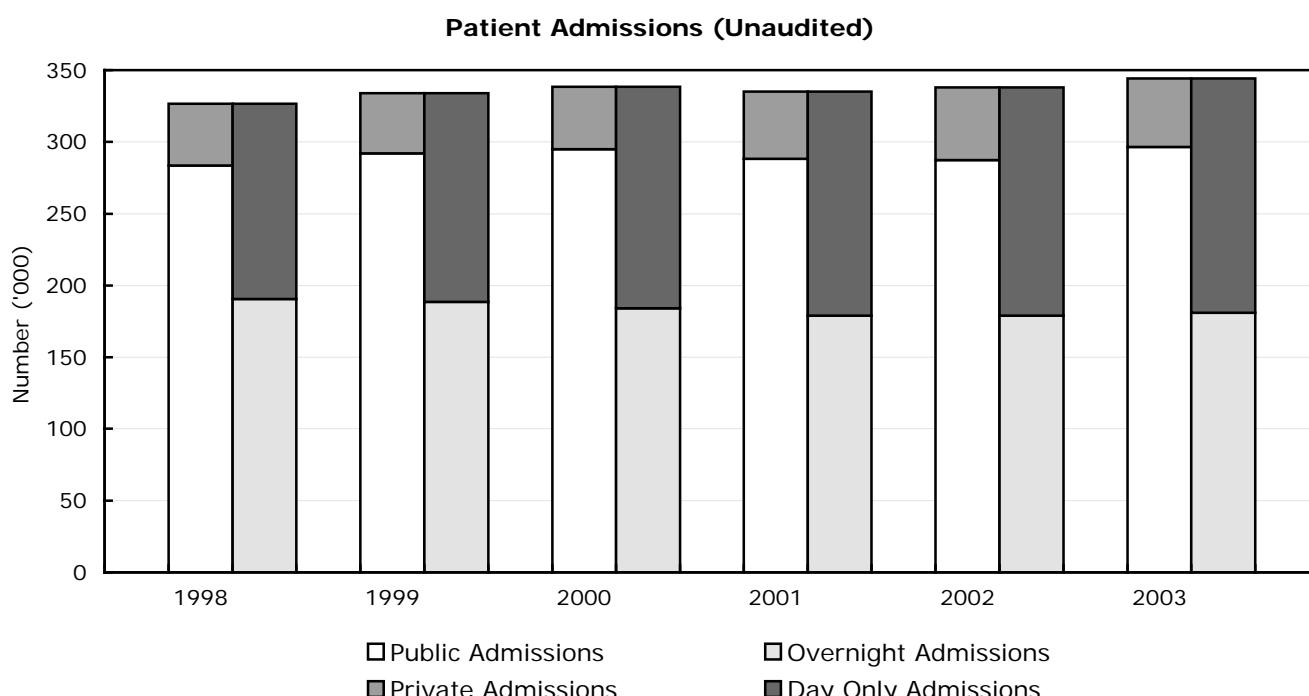
The decrease in staffing numbers for the year ended 30 June 2003 reflects a decrease in Scientific and Technical and Allied Health, Hotel, and Other Staff categories. This decrease was offset by increases in other categories.

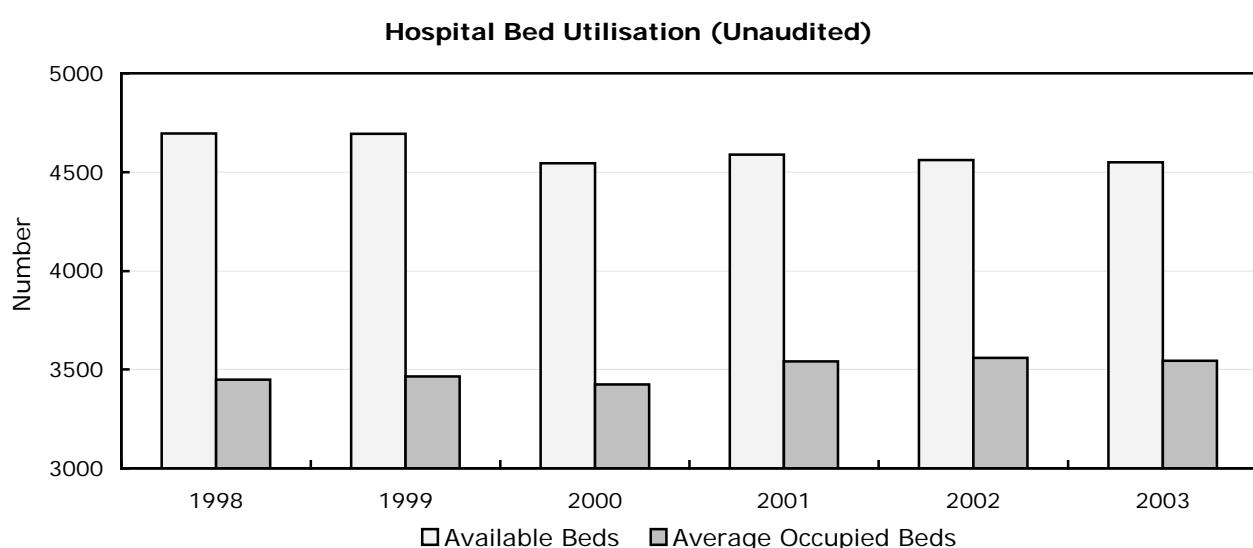
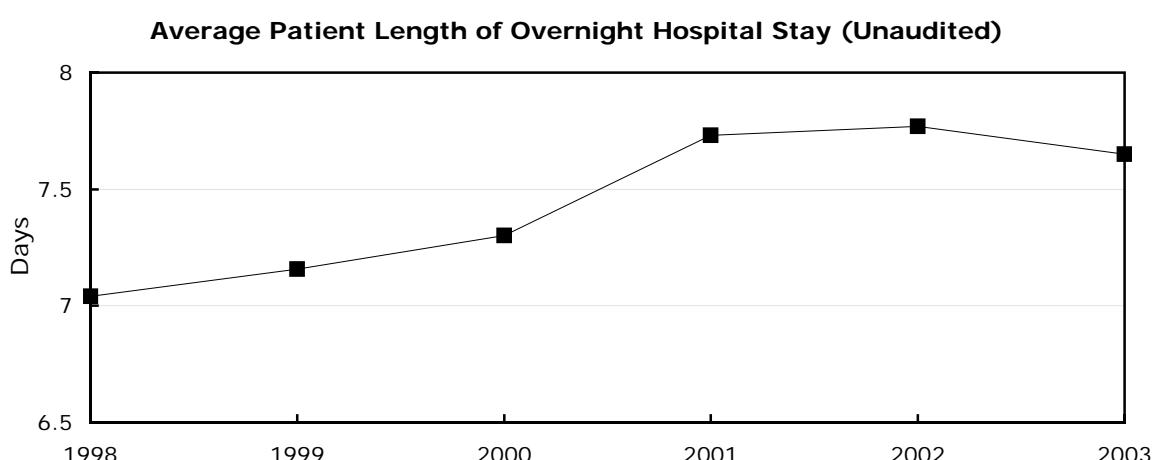
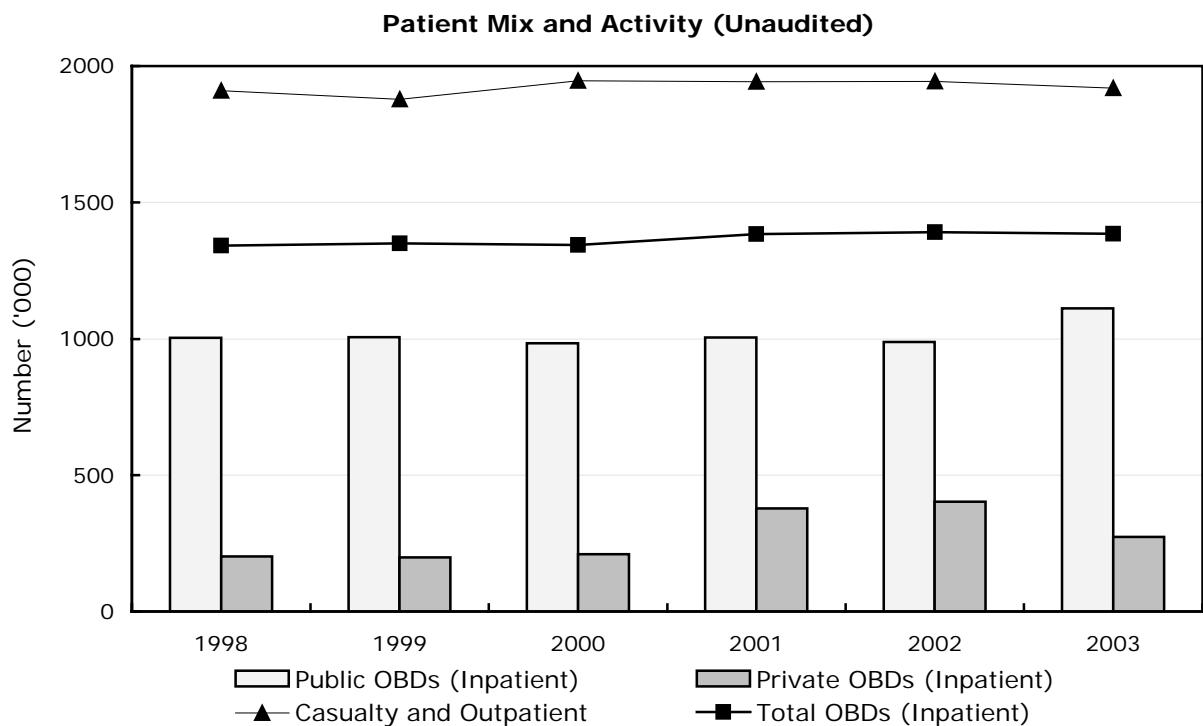
### Hospital Activity Statistics

The charts below indicate the trends over the past six years in respect of patient admissions, the change in the patient mix, length of hospital stay, and bed utilisation at hospitals.

The charts illustrate:

- an increased number of attendances at hospitals;
- an increased level of public admissions and decreased private admissions;
- a small decrease in total Average Occupied Bed Days but an increase in public Occupied Bed Days offset by a reduction in private Occupied Bed Days. There has also been a decrease in the Average Patient Length of Overnight Hospital Stay.





### **Audit Mandate and Coverage - Health Services (Units)**

Sections 34 and 55 of the *South Australian Health Commission Act 1976* require incorporated hospitals and health centres to maintain proper accounts of their respective financial affairs and require those accounts to be audited in respect of each financial year. The accounts of the major metropolitan hospitals and some health centres are subject to audit by the Auditor-General. Other hospitals and health centres are audited by auditors approved by the Auditor-General.

In general, audit of Health Units would include review coverage of the following auditable areas:

- patient billing and receipts
- cash holdings
- salaries and wages
- trade accounts
- general ledger
- inventory
- pharmacy
- asset register
- building services
- non-Commission funds
- specific purpose funds
- financial statements.

Issues arising from the reviews of the auditable areas are referred to Health Unit management for consideration and comment regarding action proposed or taken.

In respect of the audit verification of financial statements of Health Units, audits are generally in progress, at the time of finalising this Report to Parliament.

### **Unaudited Health Service Financial Activity**

In previous years this section of the report on the Department has included information on Health Service financial activity. This information has been provided to Audit by the Department.

Audit again sought this information from the Department. The Department has changed systems and information formats to meet changed structural arrangements within the health sector. As a consequence the Department was unable to provide Audit with data in a format consistent with previous years, to a standard of quality, and within a timeframe which would enable presentation of the unaudited Health Service Financial Activity within this Report.

# SOUTH AUSTRALIAN ABORIGINAL HOUSING AUTHORITY

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

The South Australian Aboriginal Housing Authority (the Authority) was established in October 1998 as a statutory corporation under the *Housing and Urban Development (Administrative Arrangements) Act 1995*.

### Functions

The functions of the Authority are:

- Development of strategies, policies and guidelines for the provision, management and maintenance of appropriate housing for Aboriginal people.
- To liaise with other agencies providing assistance to Aboriginal people to achieve a coordinated response.
- To receive and allocate resources for Aboriginal housing programs.

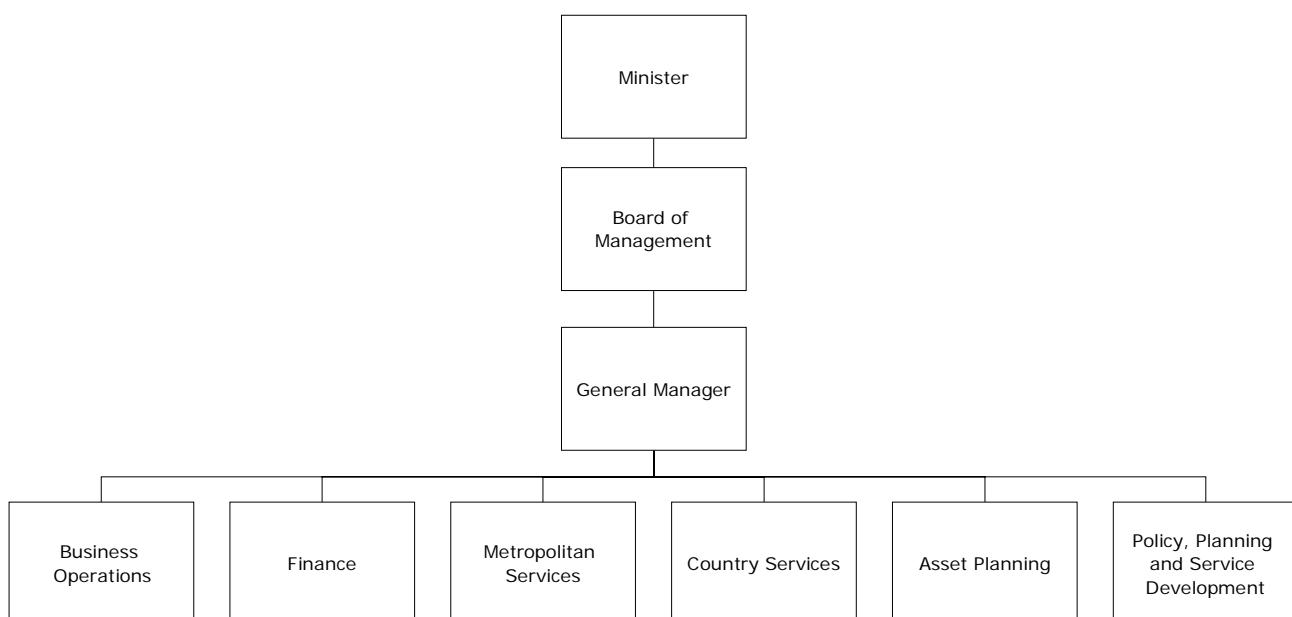
The Authority provides these functions through the rental of State Government owned housing to Aboriginal people and the provision of grants to fund housing owned by Aboriginal communities.

### Structure

The Authority is established with a Board of Management comprising members and deputy members. All members and their deputies must be Aboriginal people and are appointed by the Governor with five members, including the presiding member, nominated by the Minister and four nominated by the Aboriginal and Torres Strait Islander Commission.

The staff of the Authority are employees of the Department of Human Services assigned to work for the Authority. The Department and the South Australian Housing Trust (the Trust) provide management, accounting and systems services to the Authority. The Authority uses the Trust's systems to record and account for assets, raise and follow up rents and other charges, to manage the maintenance of properties and to control costs associated with properties.

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



## AUDIT MANDATE AND COVERAGE

### Audit Authority

#### ***Audit of Financial Statements***

Section 28 of the *Housing and Urban Development (Administrative Arrangements) Act 1995* and subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Authority for each financial year.

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

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

#### **Scope of Audit**

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

- monitoring of service providers
- budgetary control and management reporting
- Community Housing Program
- raising and recovery of rent and other tenant charges
- capital expenditure
- repairs and maintenance of properties
- purchase and sale of properties.

The systems operated by the Trust to process transactions and account balances of the Authority were audited as part of the audit of the Trust.

The work of the internal auditor was considered in designing the audit programs and reliance was placed on the work of internal audit in assessing the effectiveness of the Authority's internal controls. Specific areas in which reliance was placed on internal audit work included:

- repairs and maintenance of properties;
- raising and recovery of rent and other tenant charges.

#### ***Audit Communications to Management***

Matters arising during the course of the audit were detailed in management letters to the General Manager. Major matters raised with the Authority and the related responses are considered in Audit Findings and Comments.

The current year's audit noted a number of instances of inaction regarding issues arising from the previous year's audit. It is important that the Authority address in an effective manner all matters that have been raised and remain outstanding.

## AUDIT FINDINGS AND COMMENTS

### Audit Opinions

#### ***Audit of Financial Statements***

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the South Australian Aboriginal Housing Authority as at 30 June 2003, its financial performance and its cash flows for the year then ended.

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

Audit formed the opinion that the controls exercised by the Authority 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 South Australian Aboriginal Housing Authority have been conducted properly and in accordance with law.

### ***Significant Matters Raised with Agencies***

#### ***Risk Management***

The audit of the Authority for 2001-02 identified opportunities to improve the management of risk through the establishment of a risk management plan, performance of regular reviews of the progress of internal audits and regular monitoring of the implementation of internal and external audit recommendations.

The Authority responded that:

- a risk management plan would be developed;
- service level agreements would be monitored to ensure that all internal audits are conducted;
- an Audit Findings and Implementation Register would be established and monitored.

This year Audit noted that although an Audit Findings and Implementation Register had been established, the other actions had not been implemented.

The Authority responded that development of a risk management plan had commenced and will be completed towards the start of 2004-05. It also advised that Internal Audit will be invited to attend meetings of the Risk Management and Audit Sub-Committee of the Board.

#### ***Monitoring of Service Provision***

In past reports Audit identified that the Authority had not implemented procedures to ensure services are provided in accordance with service level agreements.

Last year the Authority responded that an officer had been given responsibility for holding quarterly meetings with service providers and ensuring services are provided in accordance with the agreements.

Audit again noted that the meetings with the service providers were not held.

The Authority responded that discussions have occurred with the service providers to establish transparent processes for reviewing and monitoring of service level agreements.

#### ***Service Level Agreements***

Audit identified that the service level agreements with the Trust did not effectively support control of key services provided to the Authority by a Trust subcontractor, including:

- obtaining and evaluating quotes or tenders from builders for the construction of rental houses;
- recommending to the Authority the preferred builder;
- entering building contracts as agent for the Authority.

The Authority responded that a comprehensive review of services provided by the subcontractor will be completed in 2003-04.

#### ***Strategic Asset Management***

Last year Audit noted that a strategic asset management plan had not been established for the maintenance, upgrade, acquisition and disposal of houses controlled by the Authority.

The Authority responded that a plan would not be established until after the task of progressively determining the condition of each house is completed. This year the Authority advised that the task is substantially completed and a strategic asset management plan will be finalised in 2003-04.

#### ***Management Reports to the Board***

Last year Audit identified that little information was provided each month to the Board with respect to the management of some of its key operations.

The Authority responded that better information on the management of the key operations would be provided to the Board.

### *SA Aboriginal Housing Authority*

This year Audit noted that a monthly data report to the Board was implemented that provides information on the management of key operational areas. Following review of the new report Audit indicated that it would be improved by providing information about:

- vacancy, responsive and planned maintenance on houses and the amount of such maintenance recharged to tenants;
- detailed analysis of tenant and other debt;
- number and cost of houses acquired against plans (including houses transferred from SA Housing Trust and houses purchased).

Audit also noted that significant trends identified in the monthly data report were sometimes not explained in supporting narrative.

The Authority responded that future reports would explain significant trends and that the purpose of the report is to provide information for strategic decisions and that the Authority will review whether it is appropriate to include the information suggested by Audit.

### ***Delegations of the Board***

In 2001-02, Audit recommended the Authority implement specific measures to improve processes for ensuring compliance with the Board's delegations of authority, and the regular update of those delegations.

The Authority responded that the delegations had been updated and distributed to all officers.

This year Audit identified that the Levels of Authority Policy Summary issued to officers was not reflective of the latest delegations which were approved by the Board in August 2002.

The Authority responded that the Levels of Authority Policy Summary would be changed to reflect the current delegations.

### ***Rent Rebates***

The section of this Report on the South Australian Housing Trust discusses issues with respect to control over provision of rent rebates to tenants. Similar to the Trust, the amount of rent rebate provided by the Authority to its tenants is mainly based upon the household composition and household income. The Authority, like the Trust, faces challenges in verifying information provided by tenants in respect of household composition and household income. The Trust has been developing and implementing initiatives to improve the verification process which are detailed within that part of the Report dealing with the South Australian Housing Trust. In summary, the initiatives include regularly obtaining proof of income from tenants and the home visits program. The Authority has also adopted these initiatives within its operations.

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

### **Highlights of Financial Statements**

	<b>2003</b> \$'million	<b>2002</b> \$'million	<b>Percentage Change</b>
<b><i>OPERATING REVENUE</i></b>			
Government Revenues	<b>21.4</b>	21.8	(2)
Other	<b>10.7</b>	9.4	14
<b>Total Operating Revenue</b>	<b>32.1</b>	31.2	3
<b><i>OPERATING EXPENDITURE</i></b>			
Rental House Ownership Costs	<b>9.2</b>	8.4	10
Grants	<b>8.5</b>	10.9	(22)
Staffing Costs	<b>4.5</b>	3.3	36
Other expenses	<b>5.6</b>	3.9	44
<b>Total Operating Expenses</b>	<b>27.8</b>	26.5	5
<b>Surplus</b>	<b>4.3</b>	4.7	(9)
<b>Net Cash Flows from Operations</b>	<b>7.9</b>	10.2	(22)

	2003 \$'million	2002 \$'million	Percentage Change
<b>ASSETS</b>			
Current assets	<b>10.3</b>	12.2	(16)
Non-current assets	<b>179.5</b>	155.3	16
<b>Total Assets</b>	<b>189.8</b>	167.5	13
<b>LIABILITIES</b>			
Current liabilities	<b>4.1</b>	3.0	37
Non-current liabilities	<b>0.5</b>	0.3	67
<b>Total Liabilities</b>	<b>4.6</b>	3.3	39
<b>EQUITY</b>	<b>185.2</b>	164.2	13

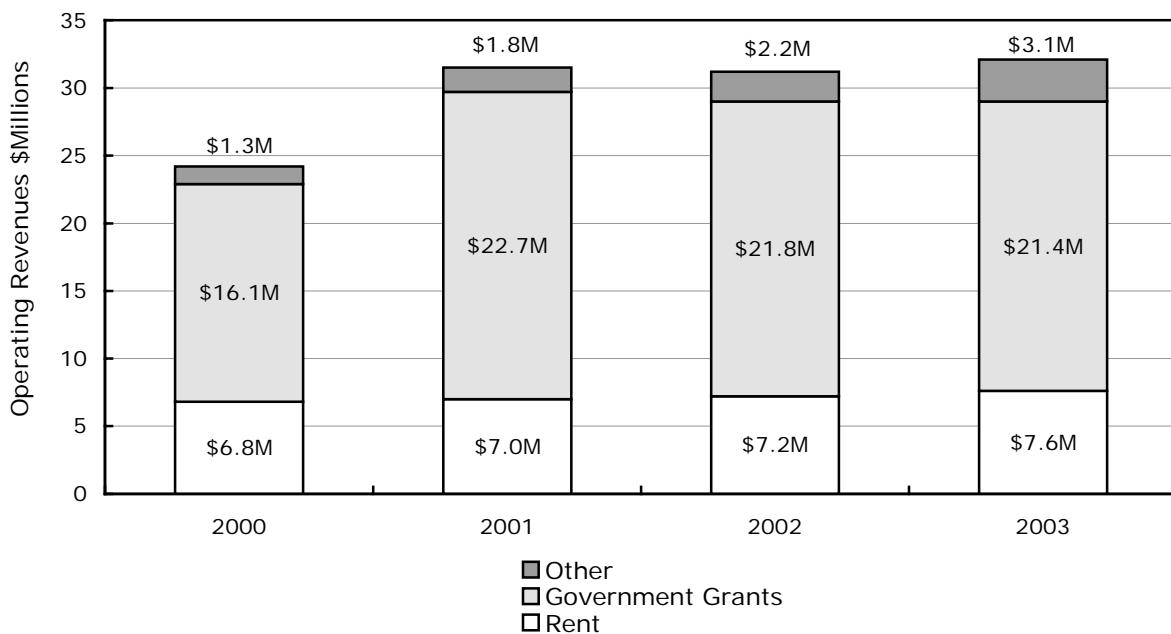
### Statement of Financial Performance

#### *Operating Revenues*

Government grants represent between 67 and 72 percent of the Authority's revenue each year for the last three years and reflects the dependency of the Authority on Government grants.

Rent from tenants represent 24 percent of the Authority's revenue in 2002-03 and increased by 5.3 percent in 2002-03 whereas rent increased by 2.9 percent in both 2000-01 and 2001-02.

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



Figures for 2000 include revenues for the period 1 July 1999 to 4 February 2000 for activities that were controlled by the Trust and transferred to the Authority on 5 February 2000. The figures for 2000 exclude net revenue from restructuring of \$131.1 million.

#### *Operating Expenses*

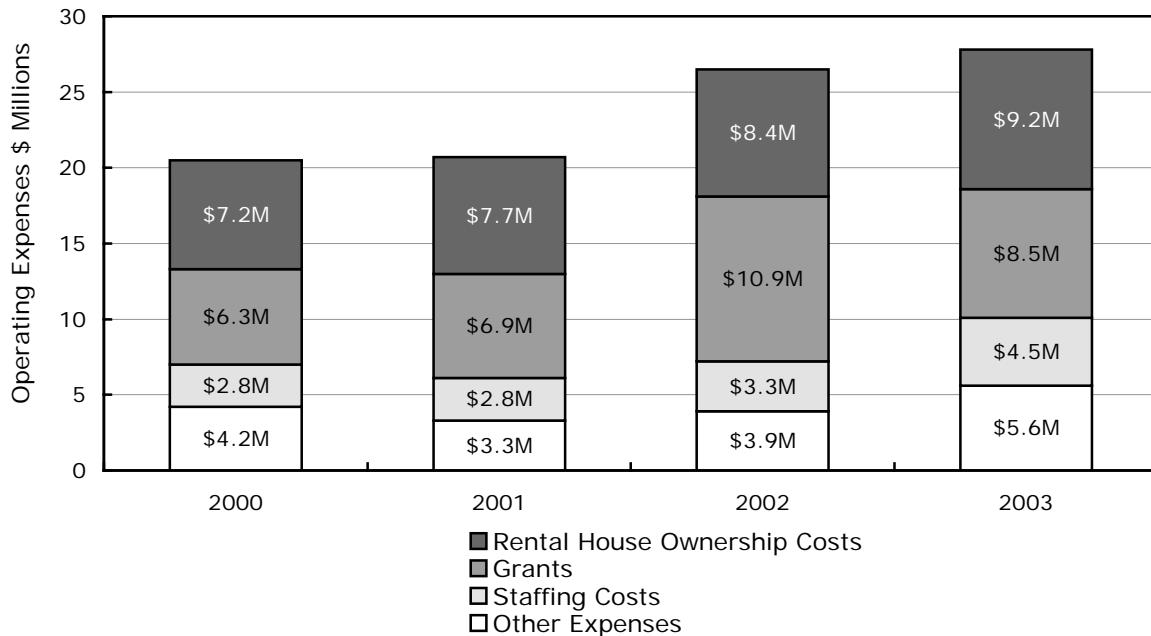
Staffing costs have increased significantly over the last two years. These costs increased by \$1.2 million (27 percent) in 2002-03 and \$500 000 (15 percent) in 2001-02. The increases were due mainly to increases in the number of employees involved in the Community Housing Program.

Grants expense decreased by \$2.4 million (22 percent) in 2002-03 reflecting reduced grants provided under the Community Housing Program.

Rental house ownership costs increased in 2002-03 by \$0.8 million (10 percent) due mainly to an increase of \$0.5 million (11 percent) in maintenance expense.

Other expenses increased by \$1.8 million (46 percent) due mainly to the increase in the provision for doubtful debts and write off of buildings.

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



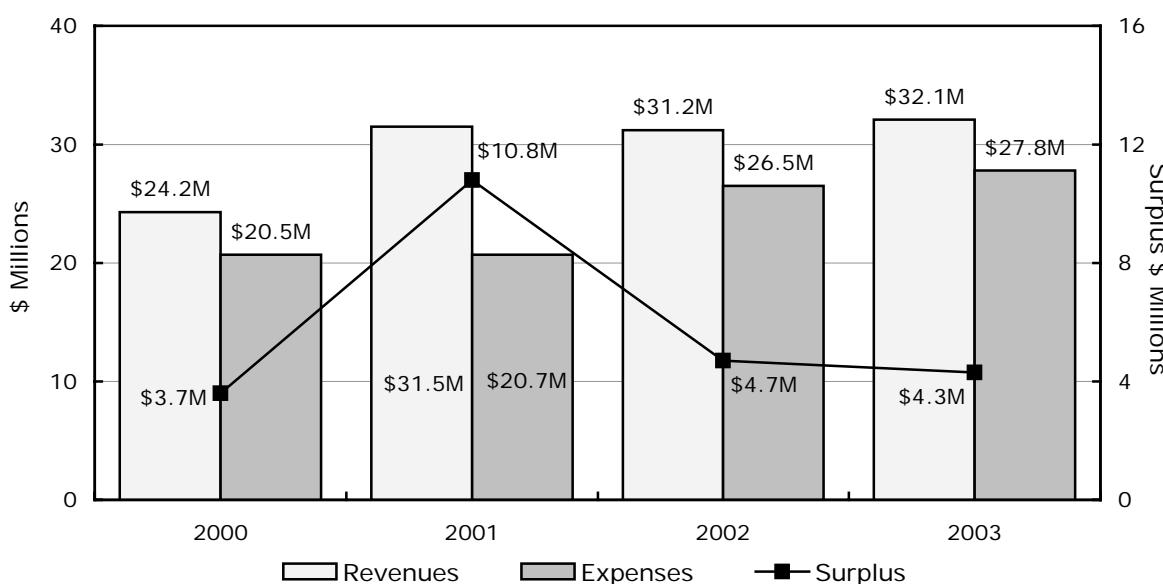
Rental house ownership costs include maintenance, council and water rates, depreciation and insurance.

Figures for 2000 include expenses for the period 1 July 1999 to 4 February 2000 for activities that were controlled by the Trust and transferred to the Authority on 5 February 2000.

### ***Operating Result***

The operating surplus has decreased each year for the last two years as expenses have increased at a higher rate than revenues.

The following chart shows the operating revenues, operating expenses and surpluses for the current and preceding three years.



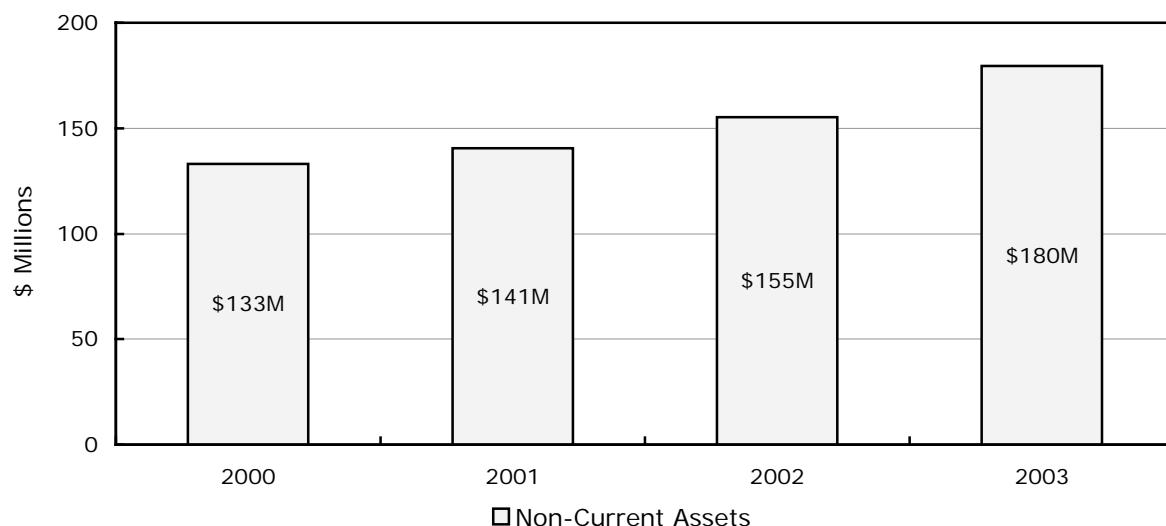
Figures for 2000 include revenues and expenses for the period 1 July 1999 to 4 February 2000 for activities that were controlled by the Trust and transferred to the Authority on 5 February 2000. The figures for 2000 exclude net revenue from restructuring of \$131.1 million.

### Statement of Financial Position

The operations of the Authority are capital intensive as is reflected in the investment in non-current assets which principally reflect rental properties. The Authority's rental properties were transferred to it from the Housing Trust on the Authority's establishment or were acquired subsequently using funds from operations.

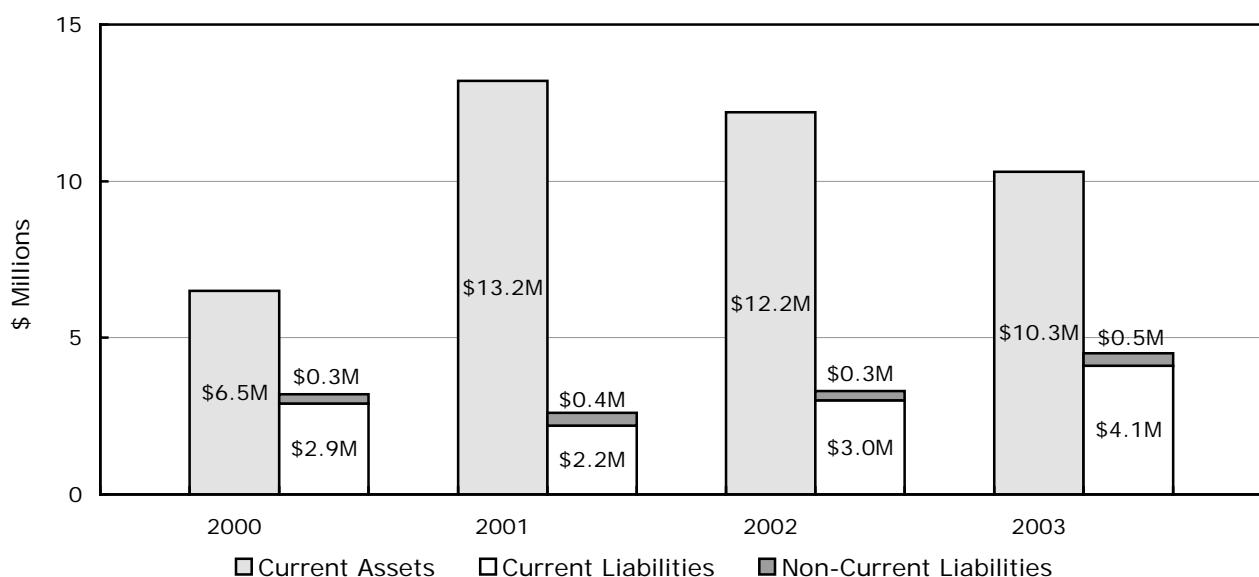
The increase in non-current assets since the Authority's establishment reflect the acquisition of new and the upgrading of existing properties and the increase in values of assets held in line with increases in market values.

Analysis of non-current assets for the four years to 2003 is shown in the following chart.



Current assets have decreased over the past two years due mainly to a decrease in both grant funding receivables and an increase in provision for doubtful debts.

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



## Statement of Cash Flows

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

	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
<b>Net Cash Flows</b>				
Operations	<b>7.9</b>	10.2	8.1	6.1
Investing	<b>(9.5)</b>	(7.4)	(6.2)	(3.6)
Change in Cash	<b>(1.6)</b>	2.8	1.9	2.5
Cash at 30 June	<b>5.7</b>	7.3	4.5	2.6

The analysis of cash flows reflects the impact of grant funding, recognised as an operating cash flow, being applied to meet investing cash flows associated with the purchase, construction and upgrade of rental houses.

At 30 June 2003 the Authority had recurrent and capital expenditure commitments of \$6 million.

## FURTHER COMMENTARY ON OPERATIONS

### *State Government Owned Housing*

At 30 June 2003 there were 1812 lettable houses owned by the State Government and controlled by the Authority for rental to Aboriginal people. A further 56 houses were being upgraded. The Authority is responsible for the acquisition and maintenance of these properties and obtains funding for this purpose through Government grants, sale of properties and collection of rents from tenants.

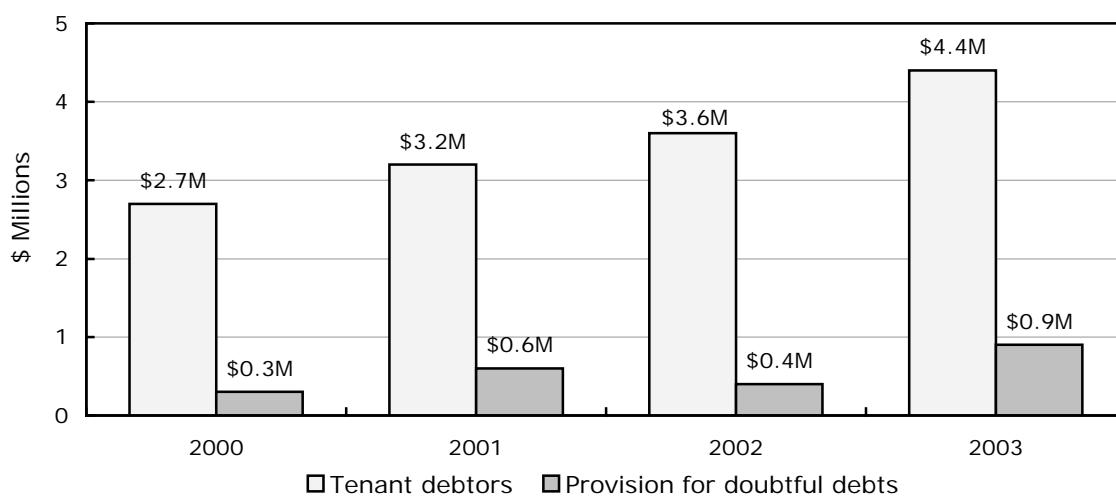
### *Rent Revenue*

Tenants meeting specified criteria, for instance those with low household income, are provided with a rebate and charged a reduced rent. Rent charged to tenants was \$7.6 million (\$7.2 million) and the rental rebates were \$4.9 million (\$4.6 million).

The number of tenancies at 30 June 2003 was 1715 (1710). The percentage of tenancies receiving rebates at 30 June 2003 was 78 percent (85 percent).

### *Tenant Debtors*

The following chart reflects the increase in gross tenant debt. The provision for doubtful debts was reduced in 2001-02 reflecting a change to the method for calculating the provision and was increased in 2003-03 reflecting another change to the method. Bad debts written off in 2002-03 amounted to \$601 000 (\$664 000).



### *Community Owned Housing*

Community housing grants provided by the Authority fund the acquisition of housing for Aboriginal communities. Ownership of the housing is transferred to the Aboriginal communities, who are responsible for the repair and maintenance of the properties. Community housing grants are also provided to assist in funding repairs and maintenance. Refer to Note 3(b) to the Financial Statements.

**Statement of Financial Performance**  
**for the year ended 30 June 2003**

		2003	2002
	Note	\$'000	\$'000
<b>REVENUES FROM ORDINARY ACTIVITIES:</b>			
Rent	4(a)	<b>7 608</b>	7 203
Recoveries	4(b)	<b>1 746</b>	1 333
Interest		<b>248</b>	248
Net revenue from disposal of non-current assets	4(c)	<b>523</b>	227
Other revenue		<b>509</b>	405
<b>Total Ordinary Revenues</b>		<b>10 634</b>	9 416
<b>CONTRIBUTIONS FROM GOVERNMENT:</b>			
Grant programs	4(d)	<b>18 028</b>	18 092
Other grants	4(e)	<b>3 408</b>	3 707
<b>Total Contributions from Government</b>		<b>21 436</b>	21 799
<b>Total Revenues</b>		<b>32 070</b>	31 215
<b>EXPENSES FROM ORDINARY ACTIVITIES:</b>			
Grants		<b>8 462</b>	10 890
Maintenance		<b>4 981</b>	4 476
Staffing costs	5(a)	<b>4 452</b>	3 320
Council and water rates		<b>2 037</b>	1 888
Depreciation	5(b)	<b>2 094</b>	1 868
Business services fees	5(c)	<b>1 346</b>	1 016
Bad and doubtful debts	5(d)	<b>1 070</b>	452
Rent		<b>411</b>	399
Insurance		<b>94</b>	134
Other	5(e)	<b>2 815</b>	2 091
<b>Total Expenses</b>		<b>27 762</b>	26 534
<b>Surplus from Ordinary Activities</b>		<b>4 308</b>	4 681
<b>NON-OWNER TRANSACTION CHANGES IN EQUITY:</b>			
Net increase in asset revaluation reserve		<b>16 727</b>	8 374
<b>Total Revenues, Expenses and Valuation Adjustments</b>		<b>16 727</b>	8 374
<b>Recognised directly in Equity</b>		<b>16 727</b>	8 374
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE</b>			
<b>RESULTING FROM TRANSACTIONS WITH THE STATE</b>			
<b>GOVERNMENT AS OWNER</b>		<b>21 035</b>	13 055

**Statement of Financial Position**  
**as at 30 June 2003**

		2003	2002
	Note	\$'000	\$'000
<b>CURRENT ASSETS:</b>			
Cash assets	12(a)	<b>5 702</b>	7 350
Receivables	6	<b>4 595</b>	4 851
Inventories	7	<b>29</b>	42
<b>Total Current Assets</b>		<b>10 326</b>	12 243
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	8	<b>179 549</b>	155 294
<b>Total Non-Current Assets</b>		<b>179 549</b>	155 294
<b>Total Assets</b>		<b>189 875</b>	167 537
<b>CURRENT LIABILITIES:</b>			
Payables	9	<b>3 840</b>	2 666
Other	10	<b>295</b>	304
<b>Total Current Liabilities</b>		<b>4 135</b>	2 970
<b>NON-CURRENT LIABILITIES:</b>			
Payables	9	<b>497</b>	359
<b>Total Non-Current Liabilities</b>		<b>497</b>	359
<b>Total Liabilities</b>		<b>4 632</b>	3 329
<b>NET ASSETS</b>		<b>185 243</b>	164 208
<b>EQUITY:</b>			
Accumulated surplus	14	<b>156 285</b>	151 977
Asset revaluation reserve	14	<b>28 958</b>	12 231
<b>TOTAL EQUITY</b>		<b>185 243</b>	164 208
Commitments	11		

**Statement of Cash Flows**  
**for the year ended 30 June 2003**

	Note	2003 Inflows (Outflows)	2002 Inflows (Outflows)
		\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
PAYMENTS:			
Supplies and services		(10 054)	(9 474)
Staffing costs		(4 166)	(3 262)
Grants		(8 462)	(10 890)
Goods and services tax remitted to the Department of Human Services		(494)	(14)
Goods and services tax paid to suppliers		(877)	(1 053)
RECEIPTS:			
Receipts from customers		8 208	7 521
Goods and services tax received from the Department of Human Services		1 126	728
Goods and services tax received from customers		385	412
Cash flows from Government		22 011	25 997
Interest received		248	227
<b>Net Cash provided by Operating Activities</b>	12(b)	<b>7 925</b>	<b>10 192</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment		(12 026)	(10 259)
Proceeds from sale of property, plant and equipment		2 453	2 842
<b>Net Cash used in Investing Activities</b>		<b>(9 573)</b>	<b>(7 417)</b>
<b>NET (DECREASE) INCREASE IN CASH HELD</b>		<b>(1 648)</b>	<b>2 775</b>
<b>CASH AT 1 JULY</b>		<b>7 350</b>	<b>4 575</b>
<b>CASH AT 30 JUNE</b>	12(a)	<b>5 702</b>	<b>7 350</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Objectives and Funding**

The South Australian Aboriginal Housing Authority (AHA) is the State's Aboriginal public housing authority. The AHA's strategic goals are to significantly enhance the quality of life and safeguard the health and well being of South Australian Aboriginal people through the provision of housing and housing related services to customers in need. The AHA principal sources of funds include grants from the Commonwealth and State Governments, rents and other payments by tenants, and the proceeds from the sale of houses and other assets.

The AHA objectives are to:

- promote self determination and self management;
- expand the level of housing provision;
- analyse and develop a program that is responsive to Aboriginal housing needs;
- expand training and employment opportunities for Aboriginal people in the housing sector;
- improve housing management in the rural and remote areas;
- integrate the provision of Aboriginal housing;
- improve access to home ownership for Aboriginal people;
- maintain and improve efficiency of Aboriginal housing administration.

2. **Summary of Significant Accounting Policies**

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

(a) **Basis of Preparation of the Financial Statements**

The AHA's financial statements are a general purpose financial report which have been prepared on an accrual basis and in accordance with:

- Statement of Accounting Concepts;
- applicable Australian Accounting Standards;
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Urgent Issues Group (UIG) Consensus Views;
- Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*.

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

In the absence of a specific Accounting Standard, other authoritative pronouncements of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in Accounting Standard AASB 1001 'Accounting Policies' is considered.

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

(b) **Revenue Recognition***Rental Income*

Residential rents are recognised as revenue and charged to tenants weekly, in advance.

Market rents are set for each property, however assistance by way of a rental rebate to provide a reduced rent is offered to low income tenants by means of an income based reduced rent formula.

*Disposal of Non-Current Assets*

The proceeds of real property asset sales are included as revenue of the AHA when settlements are completed. Refer to Note 4(c) for further details.

*Recoveries*

Recoveries for costs on-charged by the AHA are included in revenue.

*Grants*

Grants for all purposes have been recognised as revenue when received.

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

The Statement of Financial Position includes all land, buildings, plant and equipment controlled by the AHA.

The Capital Works in Progress reflects developments that will be utilised in the AHA's operations. The carrying amounts for capital works in progress have been projected to completion and compared with an independent valuation. Any over capitalisation identified has been provided for as a loss on capital works in progress and expensed in the current year. The carrying amount for capital works in progress includes a revaluation increment or decrement where the property has previously been revalued.

The AHA has set a policy that all land and buildings are to be revalued annually at each respective 31 October. This policy complies with the Department of Treasury and Finance Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets'.

In accordance with current Accounting Policy Statements issued by the Department of Treasury and Finance, the AHA has applied the Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' transitional provisions for the public sector and has elected to apply the same revaluation basis (that is deprival value methodology) while the relationship between fair value and the existing valuation basis in the South Australian public sector is examined further.

The recoverable amount test has not been applied as the AHA is a not-for-profit entity whose service potential is not related to the ability to generate net cash inflows.

**(c) Property, Plant and Equipment (continued)**

Plant, equipment and leasehold improvements not revalued as at 30 June 2003 are reflected at replacement cost (or historic cost where replacement cost is not available) less a deduction to reflect the portion of service potential which has been consumed since the asset was acquired, that is, written down replacement cost (or depreciated historic cost).

All land, buildings, plant and equipment acquired since the last revaluation of a class of non-current asset are accounted for at cost.

**(i) Rental Properties**

All land and buildings have been revalued to reflect the Valuer-General's values (for rating purposes) as at 30 June 2003.

**(ii) Vacant Land**

All vacant land, which is held for future development and AHA use, has been revalued to reflect the Valuer-General's values (for rating purposes) as at 30 June 2003.

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

**(d) Inventories**

The AHA has a policy that annually at 31 October the carrying amount of real property inventories other than those subject to development as capital work in progress are compared with an independent valuation and where the carrying amount exceeds the independent valuation, the carrying amount is adjusted to reflect the independent valuation.

Inventories of Stores are carried at cost.

**(e) Depreciation**

Property, plant and equipment are depreciated from the date of acquisition or in respect of internally developed assets, from the time an asset is completed and held ready for use.

The AHA's property, plant and equipment are depreciated over their estimated useful life using the straight line basis.

Major depreciation periods are:

	Years
Rental properties (dwellings)*	50
Administrative land and buildings	10-75
Plant and equipment	3-10

\* An estimated useful life of 50 years is assumed for rental dwelling buildings and depreciation expense is calculated at a rate of 2 percent per annum on the opening revalued amount for each property. This is consistent with the national accounting policy framework for State Housing Authorities and ensures consistency and comparability between these authorities.

**(f) Leased Property, Plant and Equipment**

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred. These leases are identified in Note 11.

**(g) Employee Benefits as Staffing Costs**

Employees of the Department of Human Services are assigned to staff the AHA. The accruing entitlement of Department of Human Services' employees assigned to the AHA has been recognised in the Statement of Financial Position as an amount payable by the AHA to the Department of Human Services.

The amount payable for annual leave and long service leave represents the amount which the AHA has a present obligation to pay resulting from employee's services provided up to the reporting date. In respect of long service leave the payable was estimated using the short hand method in accordance with Accounting Standard AASB 1028 'Employee Benefits'. The Department of Treasury and Finance advised benchmark of seven years service was used. A payable has been made for the unused component of annual leave as at balance date, based on current salary rates and related on-costs. Accruing employee entitlements to long service and annual leave were charged to the Statement of Financial Performance as they were incurred.

The AHA has accrued the cost of payroll tax on accrued employee entitlements for annual leave, long service leave and the employer's superannuation contributions thereon. This provision, relating to employee entitlements of Department of Human Services employees assigned to the AHA, has been recognised in the Statement of Financial Position as an amount payable by the AHA to the Department of Human Services.

**(h) Superannuation**

The accruing on-costs relating to employee entitlements of the Department of Human Services employees assigned to the AHA have been recognised in the Statement of Financial Position as an amount payable by the AHA to the Department of Human Services.

During the year the AHA has provided for employer superannuation contributions, at the rate of 10 percent, on accruing employee entitlements to annual leave and on part of the provision for long service leave. Superannuation on-costs are included for part only of the long service leave provision in recognition that it is estimated that 45 percent of the provision will be paid as a lump sum payment on cessation of employment and will not be subject to employer superannuation contributions.

(h) ***Superannuation (continued)***  
Contributions are made by the AHA to several superannuation schemes operated by the South Australian Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. Any liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes, and such amounts will be treated as a payable not an employee related entitlement.

(i) ***Insurance***  
The AHA has an agency agreement with South Australian Government Captive Insurance Corporation (SAICORP) in which the Treasurer indemnifies the AHA against damage suffered to the AHA's property or claims made against the AHA. The AHA pays a contribution to SAICORP for this cover which, in the case of rental properties, is without limit. The AHA assumes part of the risk through accepting deductibles in each category of cover.

The Statement of Financial Performance expense item 'Insurance' reflects the cost of the contribution to SAICORP.

(j) ***Workers Compensation***  
The AHA, by virtue of the Department of Human Services exemption, is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*. The AHA has insurance cover which limits the exposure for losses.

(k) ***Provisions***  
***Doubtful Debts***  
Specific provision has been made for any doubtful debts identified. In addition, a general provision based on the profile of the AHA's debt and its debt write-off history has also been raised.

(l) ***Unearned Revenue***  
Lump sums received for leases assigned on AHA properties are progressively brought to account as income on a straight line basis over the term of their respective agreements.

(m) ***Receivables***  
Receivables are recognised and carried at the original invoiced amount less a provision for any doubtful debts identified. Bad debts are written off as incurred.

(n) ***Payables***  
Those amounts which represent liabilities for goods and services provided to the AHA and other amounts, including interest are identified as payables.

(o) ***Tax Status***  
The activities of the AHA are exempt from Commonwealth income tax but other Commonwealth taxes such as Fringe Benefits Tax, Goods and Services Tax (GST) and other State taxes including payroll tax are applicable.

(p) ***Accounting for Goods and Services Tax (GST)***  
The AHA is part of a GST group. The nominated representative (Department of Human Services) of the GST group is responsible to pay GST and is entitled to claim input tax credits.

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

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

The net GST receivable/payable to the Department of Human Services has been recognised as a receivable/payable in the Statement of Financial Position.

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

3. **Report by Major Activities**

(a) ***Tenant/Client Services Public Rental***  
Statewide AHA program incorporating the management of public rental housing.  
General administrative activities have been apportioned suitably between Tenant/Client Services Public Rental and Community Housing Program.

(b) ***Community Housing Program***  
The Community Housing Program provides funding support to Indigenous Community Housing Organisations across South Australia, for new housing, housing upgrades, insurance, community administration assistance and repairs and maintenance subsidies.  
General administrative activities have been apportioned suitably between Tenant/Client Services Public Rental and Community Housing Program).

## 3. Report by Major Activities (continued)

		Tenant/Client Services		Community Housing Program		Total	
		Public Rental		Program			
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000		
	<b>Revenues from Ordinary Activities:</b>						
	Rent	7 608	7 203	-	-	7 608	
	Recoveries	1 573	1 245	173	88	1 746	
	Interest	129	164	119	84	248	
	Net revenue from disposal of non-current assets	523	227	-	-	523	
	Other revenue	354	73	155	332	509	
	<b>Total Ordinary Revenues</b>	<b>10 187</b>	<b>8 912</b>	<b>447</b>	<b>504</b>	<b>10 634</b>	
	<b>Contributions from Government:</b>						
	CSHA	8 969	6 965	7 600	8 712	16 569	
	GST Compensation	620	620	-	-	620	
	Other grants	839	1 795	-	-	839	
	ATSIC	-	-	3 408	3 707	3 408	
	<b>Total Contributions from Government</b>	<b>10 428</b>	<b>9 380</b>	<b>11 008</b>	<b>12 419</b>	<b>21 436</b>	
	<b>Total Revenues</b>	<b>20 615</b>	<b>18 292</b>	<b>11 455</b>	<b>12 923</b>	<b>32 070</b>	
	<b>Expenses from Ordinary Activities:</b>						
	Grants	-	-	8 462	10 890	8 462	
	Maintenance	4 981	4 419	-	57	4 981	
	Staffing costs	2 310	2 128	2 142	1 192	4 452	
	Council and water rates	2 037	1 884	-	4	2 037	
	Depreciation	1 977	1 775	117	93	2 094	
	Business services fees	700	669	646	347	1 346	
	Bad and doubtful debts	1 070	452	-	-	1 070	
	Rent	214	262	197	137	411	
	Insurance	94	134	-	-	94	
	Other	1 443	1 316	1 372	775	2 815	
	<b>Total Expenses</b>	<b>14 826</b>	<b>13 039</b>	<b>12 936</b>	<b>13 495</b>	<b>27 762</b>	
	<b>Surplus (Deficit) from Ordinary Activities</b>	<b>5 789</b>	<b>5 253</b>	<b>(1 481)</b>	<b>(572)</b>	<b>4 308</b>	
	<b>OPENING ACCUMULATED SURPLUS</b>	<b>148 279</b>	<b>143 026</b>	<b>3 698</b>	<b>4 270</b>	<b>151 977</b>	
	<b>CLOSING ACCUMULATED SURPLUS</b>	<b>154 068</b>	<b>148 279</b>	<b>2 217</b>	<b>3 698</b>	<b>156 285</b>	
	Outstanding Commitments	1 936	784	4 107	5 912		
4.	<b>Revenues from Ordinary Activities</b>						
(a)	<b>Rent</b>						
	Gross rent	12 535				11 848	
	Rental rebates	(4 927)				(4 645)	
						7 608	
						7 203	
(b)	<b>Recoveries</b>						
	Maintenance	506				548	
	Bad debts	193				369	
	Water charges	220				209	
	Salary and wages	332				132	
	Other	495				75	
						1 746	
						1 333	
(c)	<b>Net Revenue from Disposal of Non-Current Assets</b>						
	Proceeds from disposal of non-current assets	2 442				2 265	
	Less: Cost of sales	1 919				2 038	
						523	
						227	
(d)	<b>Grant Revenue</b>						
	Commonwealth State Housing Agreement	16 569				15 677	
	GST Compensation	620				620	
	Other	839				1 795	
						18 028	
						18 092	
(e)	<b>Other Grants</b>						
	Aboriginal and Torres Strait Islander Commission	3 408				3 707	
						3 408	
						3 707	

5.	<b>Expenses from Ordinary Activities</b>		2003	2002
	<b>(a) Staffing Costs</b>		\$'000	\$'000
	Salaries and wages		<b>3 161</b>	2 475
	Superannuation		<b>333</b>	253
	Annual leave		<b>306</b>	252
	Payroll tax		<b>330</b>	129
	Board and committee fees		<b>37</b>	78
	Long service leave		<b>280</b>	59
	Other salary related expenses		<b>5</b>	74
			<b>4 452</b>	3 320
	<b>(b) Depreciation</b>			
	Freehold buildings		<b>1 851</b>	1 594
	Computing equipment		<b>141</b>	205
	Leasehold improvements		<b>85</b>	47
	General plant and equipment		<b>16</b>	22
	Administration buildings		<b>1</b>	-
			<b>2 094</b>	1 868
	<b>(c) Business Services Fees</b>			
	The AHA engages the services of other units within the Department of Human Services to deliver a range of business services to the AHA. Service Level Agreements outline the nature of this service and the fee charged to the AHA.			
	<b>(d) Bad and Doubtful Debts</b>		2003	2002
	Bad debts written off		\$'000	\$'000
	Doubtful debts expense		<b>601</b>	664
			<b>469</b>	(212)
			<b>1 070</b>	452
	<b>(e) Other</b>			
	Communication and computing		<b>560</b>	339
	Buildings Written Off		<b>485</b>	-
	Accommodation and travel		<b>422</b>	371
	Contractors fees		<b>222</b>	242
	Minor equipment		<b>55</b>	217
	Vehicle expenses		<b>311</b>	178
	Printing, stationery, postage and periodicals		<b>158</b>	125
	Consultancies		<b>26</b>	91
	Audit remuneration*		<b>61</b>	67
	Training		<b>60</b>	64
	Bank charges		<b>15</b>	-
	Other		<b>440</b>	397
			<b>2 815</b>	2 091
	* Includes remuneration of \$50 000 paid or payable to the auditors for the audit of the financial report of the AHA for the year ending 30 June 2003. No other services were provided by the auditors.			
6.	<b>Receivables</b>			
	Debtors		<b>5 291</b>	4 216
	Grant funding		<b>114</b>	689
	Excess water		<b>18</b>	34
	GST recoverable from the Department of Human Services		<b>76</b>	347
	Provision for doubtful debts		<b>(904)</b>	(435)
			<b>4 595</b>	4 851
7.	<b>Inventories</b>			
	Vacant land		<b>27</b>	38
	Stores		<b>2</b>	4
			<b>29</b>	42
8.	<b>Property, Plant and Equipment</b>			
	Freehold land and buildings (At valuation)		<b>172 841</b>	147 431
	Accumulated depreciation		<b>(1 309)</b>	(982)
			<b>171 532</b>	146 449
	Vacant land (At cost)		<b>888</b>	420
	Leasehold improvements (At cost)		<b>887</b>	877
	Accumulated depreciation		<b>(375)</b>	(290)
			<b>512</b>	587
	Administration Land and Buildings (At cost)		<b>63</b>	-
	Accumulated Depreciation		<b>(1)</b>	-
			<b>62</b>	-
	Capital works in progress		<b>6 384</b>	7 539

8. **Property, Plant and Equipment (continued)**

	<b>2003</b> \$'000	2002 \$'000
General plant and equipment (At cost)	216	187
Accumulated depreciation	(53)	(37)
	<b>163</b>	150
Computing equipment (At cost)	628	628
Accumulated depreciation	(620)	(479)
	<b>8</b>	149
<b>Total Property, Plant and Equipment</b>	<b>179 549</b>	155 294

**Reconciliation**

Reconciliations of the carrying amount of each class of land, buildings, leasehold improvements and capital works in progress at the beginning and end of the current financial year are displayed in the table below:

	Freehold Land and Buildings \$'000	Vacant Land \$'000	Leasehold Improvements \$'000	Administration Land and Buildings \$'000
Carrying amount at 1 July	146 449	420	587	-
Additions	13 503	378	10	148
Disposals/scrapped	(2 469)	-	-	(85)
Transfers to works in progress	(726)	-	-	-
Transfers to completed works	-	95	-	-
Net revaluation increment less revaluation decrements	16 780	-	-	-
Depreciation expense	(1 851)	-	(85)	(1)
Other movements	(154)	(5)	-	-
<b>Carrying Amount at 30 June</b>	<b>171 532</b>	<b>888</b>	<b>512</b>	<b>62</b>

Reconciliations of the carrying amount of each class of land, buildings, leasehold improvements and capital works in progress at the beginning and end of the current financial year are displayed in the table below:

	Capital Works in Progress \$'000	General Plant and Equipment \$'000	Computing Equipment \$'000	2003 Total \$'000
Carrying amount at 1 July	7 539	150	149	155 294
Additions	7 182	29	-	21 250
Disposals/scrapped	-	-	-	(2 554)
Transfers to works in progress	726	-	-	-
Transfers to completed works	(9 063)	-	-	(8 968)
Net revaluation increment less revaluation decrements	-	-	-	16 780
Depreciation expense	-	(16)	(141)	(2 094)
Other movements	-	-	-	(159)
<b>Carrying Amount at 30 June</b>	<b>6 384</b>	<b>163</b>	<b>8</b>	<b>179 549</b>

9. **Payables**

## Current Payables:

	2003 \$'000	2002 \$'000
Creditors	3 125	1 965
Staffing benefits	367	219
GST payable to the Department of Human Services	294	398
Council and water rates	51	84
	<b>3 840</b>	2 666

## Non-Current Payables:

Staffing Benefits	497	359
	<b>497</b>	359

10. **Other Liabilities**

## Current Liabilities:

Insurance provisions	213	227
Unearned revenue	82	77
	<b>295</b>	304

11. **Expenditure Commitments***Capital Expenditure*

The total value of outstanding capital projects inclusive of GST as at the end of the reporting period for specific projects are detailed below.

These amounts have not been brought to account in the financial statements:

Not later than one year	1 936	784
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<b>Recurrent Expenditure</b>	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
The total value of outstanding recurrent expenditure inclusive of GST commitments as at the end of the reporting period. These amounts have not been brought to account in the financial statements:		
Not later than one year	<b>4 107</b>	5 912

<b>Operating Lease Commitments</b>	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
Future non-cancellable operating lease rentals not provided for and payable inclusive of GST:		
Not later than one year	<b>438</b>	434
Later than one year but not later than five years	<b>745</b>	1 133
<b>Total</b>	<b>1 183</b>	1 567

The operating leases disclosed above are for administrative properties 153 Wakefield Street and 15 Cypress Street, Adelaide and are for terms of 10 and 4 years respectively. The leases for 153 Wakefield Street and 15 Cypress Street have three years remaining. Both leases contain renewal options for both the lessee and lessor.

<b>12. Notes to the Statement of Cash Flows</b>	<b>2003</b>	<b>2002</b>
<b>(a) Reconciliation of Cash Assets</b>	<b>\$'000</b>	<b>\$'000</b>
For the purposes of the Statement of Cash Flows, cash assets includes cash on hand and cash at bank. Cash at the end of the period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash held in deposit account	<b>5 697</b>	7 345
Cash on hand	<b>5</b>	5
	<b>5 702</b>	7 350
<b>(b) Reconciliation of Net Cash Provided by Operating Activities to Surplus from Ordinary Activities Before Asset Disposals</b>		
Net Cash provided by Operating Activities	<b>7 925</b>	10 192
Depreciation	<b>(2 094)</b>	(1 868)
Buildings written off	<b>(485)</b>	-
Net revenue from disposal of non-current assets	<b>523</b>	227
	<b>5 869</b>	8 551
Change in Assets and Liabilities:		
(Decrease) in receivables excluding receivables from asset sales	<b>(256)</b>	(3 109)
(Decrease) in inventories	<b>(2)</b>	(2)
(Increase) in payables	<b>(1 312)</b>	(726)
Decrease (increase) in other liabilities	<b>9</b>	(33)
	<b>(1 561)</b>	(3 870)
<b>Surplus from Ordinary Activities</b>	<b>4 308</b>	4 681

**13. Remuneration of Board Members and Employees**

**(a) Board Members' Remuneration**  
The AHA Board of Management comprises nine members and eight Deputy Members. Board Members nominated by the Aboriginal and Torres Strait Islander Commission (ATSIC), or their deputies when acting for the Board Members, are paid attendance fees by ATSIC and remuneration from ATSIC is not reflected in the following table. The fees paid to Board Members are set by Executive Council in accordance with approved procedures.

Board Members of the AHA during the financial year were:

Mr G Cooley (Chairperson)	Mr H Miller (from 20 February 2003)
Ms S Rankine (Deputy Chairperson)	Mr T Sansbury (from 20 February 2003)
Mr Y Lester (from 20 February 2003)	Mr A McKenzie (from 20 February 2003)
Mr H Rankine (from 20 February 2003)	Mr B Butler (to 5 December 2002)
Ms K Larkins (from 27 February 2003)	Dr A Barton (to 5 December 2002)
Mr K Wanganeen (from 20 February 2003)	Mr D Fraser (to 5 December 2002)

The number of Board Members whose remuneration from the AHA falls within the following bands:

	<b>2003</b>	<b>2002</b>
	<b>Number of Members</b>	<b>Number of Members</b>
\$nil	<b>5</b>	-
\$1 - \$10 000	<b>5</b>	9
\$10 001 - \$20 000	<b>2</b>	1
	<b>12</b>	10

	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
Total remuneration received, or due and receivable by the Board Members of the AHA	<b>54</b>	56

In addition, two Deputy Members were paid \$7 500.

**(a) Board Members' Remuneration (continued)**

Board Members and Deputy Members of the AHA have declared the following interest in the following community organisations which have received funding from the AHA. The Board Members have no other pecuniary interest direct or indirect in any Firm, Trust or Company with which the AHA had entered into transactions during the year.

Mr V Wilson (Deputy Member for Sheeren Rankine) - declared his interest as Manager of Kalparrin Community and ATSIC Regional Council Patpa Warra Yunti.

Grant expenditure 2002-03 - \$21 600

Mr G Cooley - declared his interest as Chairperson from Umoona Community Council

Grant expenditure 2002-03 - \$103 500

Mr J Scott (Deputy Member for Mr H Miller) - declared his interest as Manager of Scotdesco Community Inc and ATSIC Regional Council Patpa Warra Yunti.

Grant expenditure 2002-03 - \$36 100

Mr H Miller - declared his interest in respect to the Port Lincoln Aboriginal Community Council.

Grant expenditure 2002-03 - \$56 500

Ms Gwen Miller (Deputy Member for Mr Yami Lester) - declared her interest in Yarilena Community Organisation (member).

Grant expenditure 2002-03 - \$30 800

Mr A McKenzie - declared his interest in respect to the Davenport Community Council (resident) and Viliwarrinha Yura Aboriginal Cooperation (member) Port Augusta City Council Aboriginal Advisory Council.

Grant expenditure (Davenport) 2002-03 - \$219 500

Grant expenditure (Viliwarrinha) 2002-03 - \$10 500

**(b) Employees' Remuneration**

One employee assigned by the Department of Human Services to the AHA normal remuneration exceeded \$100 000. Remuneration includes salary, employers superannuation costs, use of motor vehicle in accordance with prescribed conditions and associated fringe benefits tax.

The number of employees whose normal remuneration was over \$100 000 was:

	2003	2002
Number of Employees	Number of Employees	Number of Employees
\$140 000 - \$149 999	-	1
\$150 000 - \$159 999	1	-

2003	2002
\$'000	\$'000
155	149

Total value of remunerations in excess of \$100 000 were

**14. Equity**

Equity represents the residual interest in the net assets of the AHA. The State Government holds the equity interest in the AHA on behalf of the South Australian community. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non-current assets.

	Asset			Asset		
	Accumulated Surplus \$'000	Revaluation Reserve \$'000	2003 Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	2002 Total \$'000
Balance at 1 July	151 977	12 231	164 208	147 296	3 857	151 153
Changes in equity:						
Surplus from ordinary activities	4 308	-	4 308	4 681	-	4 681
Increments related to the revaluation of:						
Rental properties	-	16 480	16 480	-	8 406	8 406
Revaluation increment (decrements) on disposal of properties	-	247	247	-	(32)	(32)
<b>Balance as at 30 June</b>	<b>156 285</b>	<b>28 958</b>	<b>185 243</b>	<b>151 977</b>	<b>12 231</b>	<b>164 208</b>

**15. Additional Financial Instruments Disclosure****(a) Credit Risk**

The AHA is exposed to credit risk associated with the amounts due to it from tenants for rent and other charges. The AHA manages credit risk associated with its tenants by establishment of a Credit Policy which is communicated to AHA staff and tenants.

**(b) Interest Rate Risk Exposure**

The AHA is not exposed to any interest rate risk exposure, there are no fixed interest assets or liabilities. The only interest bearing component of the AHA is that of the floating interest rate for Cash and Deposits which was deemed to be 4.6 percent as at 30 June 2003.

**(c) Net Fair Value of Financial Instruments**

Analysis of the net fair value of financial instruments is detailed below. For the financial assets and liabilities which are subject to normal trade credit terms, the carrying value is considered to be fair value.

	2003		2002	
	Carrying Value \$'000	Fair Value \$'000	Carrying Value \$'000	Fair Value \$'000
Financial Assets:				
Cash assets	5 702	5 702	7 350	7 350
Receivables	4 595	4 595	4 851	4 851
<b>Total Financial Assets</b>	<b>10 297</b>	<b>10 297</b>	<b>12 201</b>	<b>12 201</b>
Financial Liabilities:				
Payables	4 337	4 337	3 025	3 025
<b>Total Financial Liabilities</b>	<b>4 337</b>	<b>4 337</b>	<b>3 025</b>	<b>3 025</b>
<b>Net Financial Assets</b>	<b>5 960</b>	<b>5 960</b>	<b>9 176</b>	<b>9 176</b>

# SOUTH AUSTRALIAN COMMUNITY HOUSING AUTHORITY

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

The South Australian Community Housing Authority (the 'Authority' or 'SACHA') is established pursuant to the *South Australian Co-operative and Community Housing Act 1991* (the Act).

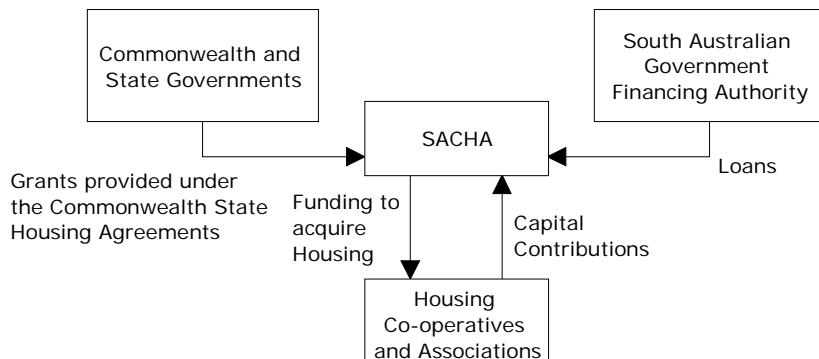
### Functions

The Authority has a broad range of functions associated with the development, promotion and administration of community housing in South Australia. In performing these functions the Authority has the following main roles:

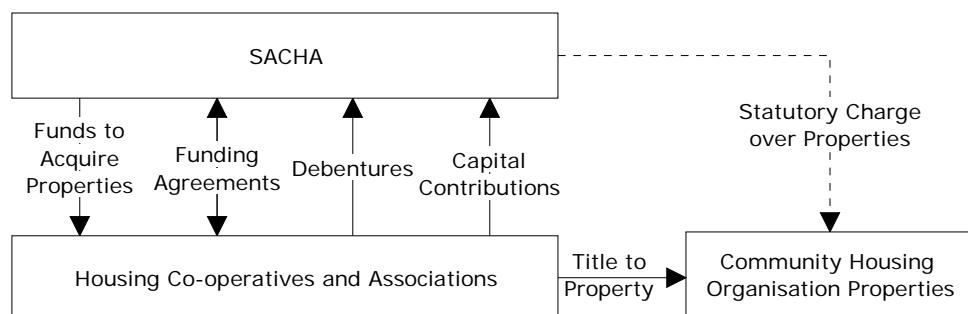
- The provision of advice to the Minister for Housing.
- The registration of housing co-operatives and associations as provided for under the Act.
- Ensuring the full and proper accountability of community housing organisations which receive funds or other support from the Authority or other public sector agencies.
- The provision of administrative and other support services to community housing organisations.

The following charts illustrate the relationship between SACHA and the agencies which provide funding to it on one hand and the community housing organisations (CHOs) which receive funds from it on the other.

The first chart documents the overview of the relationships.

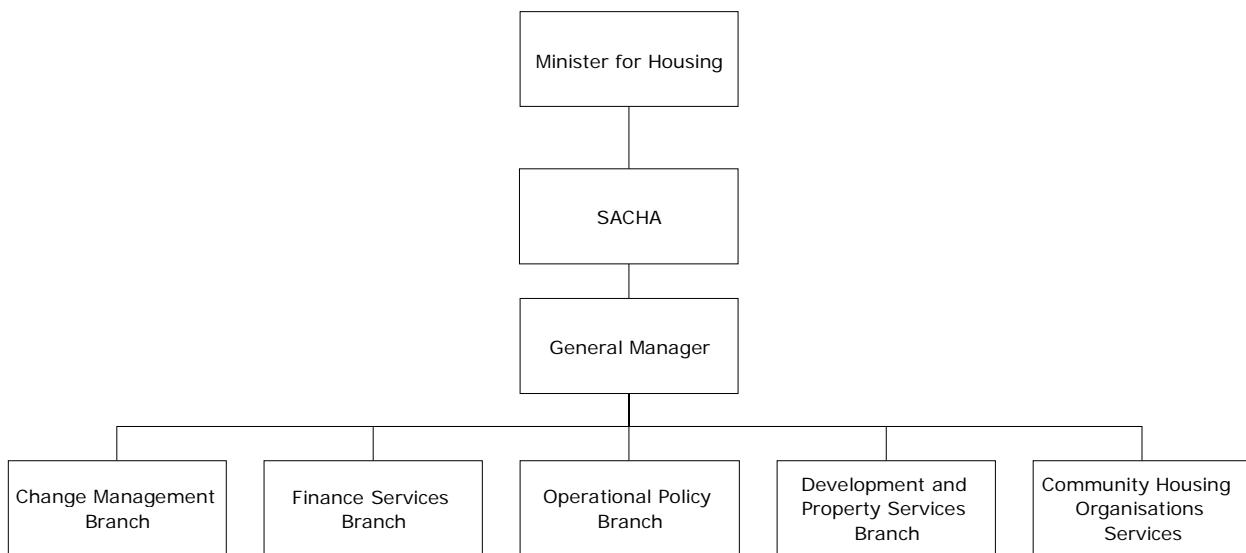


The second chart documents in more detail the relationship between the Authority and CHOs.



## Structure

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



## Audit Committee

The Authority has an Audit Committee which comprises three Authority members appointed by the Board. The Audit Committee meets on at least a quarterly basis and reports to the Board on the effectiveness of controls over the operations of the Authority. Representatives of the Auditor-General's Department attend meetings of the Audit Committee as observers.

## AUDIT MANDATE AND COVERAGE

### Audit Authority

#### *Audit of Financial Statements*

Subsection 19(2) of the *South Australian Co-operative and Community Housing Act 1991* requires the Auditor-General to audit the financial statements of the Authority.

#### *Assessment of Controls*

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

#### *Scope of Audit*

The audit program covered all major financial systems and was directed primarily towards obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal control. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03 specific areas of audit attention included:

- budgetary control
- management reporting
- expenditure, including both capital and operating
- revenue (including contributions from co-operatives and associations)
- payroll
- non-current assets (including debentures and property and equipment).

## ***Audit Communications to Management***

Matters arising during the course of the audit were detailed in a management letter to the Chairperson of the Authority. Responses to the management letter were generally considered to be satisfactory. Major matters raised with the Authority and the related responses are considered in Audit Findings and Comments.

## **AUDIT FINDINGS AND COMMENTS**

### ***Audit Opinions***

#### ***Audit of Financial Statements***

In my opinion, the financial report presents fairly in accordance with 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 Community Housing Authority as at 30 June 2003, its financial performance and its cash flows for the year then ended.

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

Audit formed the opinion that the controls exercised by the Authority in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters outlined under 'Audit Findings and Comments', is sufficient to provide reasonable assurance that the financial transactions of the Authority have been conducted properly and in accordance with law.

### **Significant Matters Raised with Agencies**

#### ***Reconciliations***

The preparation of reconciliations of financial and related data is a key control activity in that it contributes significantly to the integrity of the data. Moreover, this data is used as the basis for the preparation of management and financial reports upon which decision making is based. The audit revealed that key reconciliations were either not being performed for the entirety or part of 2002-03. Audit considered that the preparation of the following reconciliations would enhance the control environment of SACHA.

- Reconciliation of work in progress as reported in the General Ledger to the Property Database.
- Reconciliation of the movement in the value of debentures as reported in the Debenture Register to supporting records such as the Sales Register and Property Database.
- Reconciliation of legal documentation, such as Debentures and Certificate of Titles, to the Debenture Register.
- Reconciliation of actual project expenses as reported in the Property Database to the Accounts Payable system.
- Reconciliation of expenditure transactions as processed through the Accounts Payable system to the General Ledger.

Management have agreed that a majority of the above reconciliations will be performed on a regular basis with the exception of the reconciliation of the movement in the value of debentures. Management indicated that this particular reconciliation would require considerable resources, if undertaken on a monthly basis, given the volume and nature of property movements. Management and Audit will discuss this matter further to identify the benefits gained in undertaking the reconciliation on a more regular basis rather than at 30 June each year.

#### ***Payroll***

SACHA's payroll processing function is outsourced to the Department of Human Services (DHS) pursuant to an annual Service Level Agreement which details the obligations of both parties. To a significant degree, SACHA rely on the control environment of DHS for the processing of payroll transactions. Notwithstanding this arrangement, the Financial Management Framework places the responsibility for monitoring and reporting on the effectiveness of controls with the Chief Executive of an agency. Consequently, the responsibility for ensuring an effective control environment rests with SACHA and cannot be devolved despite outsourcing the

provision of services and processing controls. In reviewing SACHA's control environment, Audit considers that the level and extent of reporting, monitoring and review of the effectiveness of the following control areas could be improved:

- Processes to allow for the overall monitoring of controls performed by DHS and the identification and consideration of control issues on a timely basis.
- Controls surrounding the validity of payroll transactions to ensure that only bona fide employees of SACHA are being paid.
- Controls surrounding the completeness and accuracy of processing payroll transactions to ensure the validity of SACHA's expenditure.

Management agreed with the recommendations made including, regular meetings with representatives of DHS to review their performance and, implementing procedures to ensure the validity, completeness and accuracy of payroll expenditure.

### ***Housing Reform***

In 2000-01 Audit raised a number of matters relating to the implementation of the Housing Reform Agenda. Audit coverage for 2001-02 and 2002-03 focussed on monitoring SACHA's progress in addressing these matters. For further details of these matters, refer to my reports for the years ending 30 June 2001 and 30 June 2002. Audit noted that in 2002-03, SACHA continued to work through these issues and that they were included in its 2002-03 Business Plan (which will also flow into 2003-04).

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

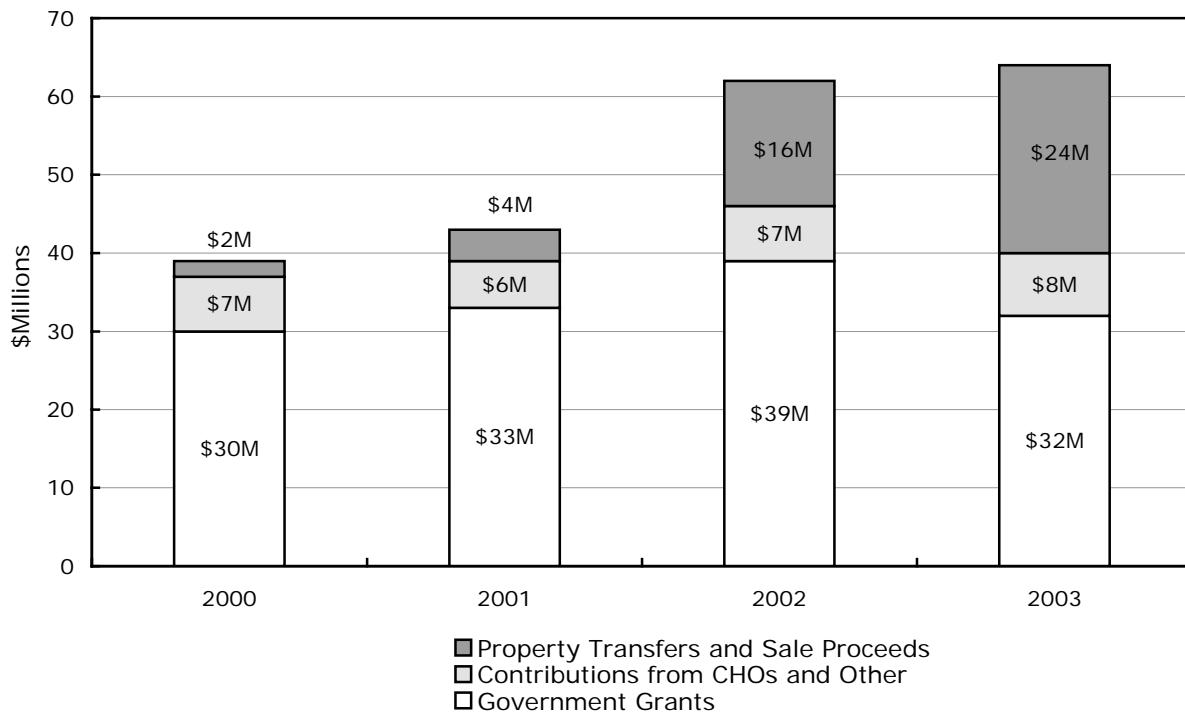
### **Highlights of Financial Statements**

	2003 \$'million	2002 \$'million	Percentage Change
<b><i>OPERATING REVENUE</i></b>			
Government grants	<b>32</b>	39	(18)
Property transfer and sales proceeds	<b>24</b>	16	50
Other revenue	<b>8</b>	7	14
<b>Total Operating Revenue</b>	<b>64</b>	62	3
<b><i>OPERATING EXPENDITURE</i></b>			
Borrowing costs	<b>9</b>	9	-
Net book value of transfers and properties sold	<b>24</b>	15	60
Other expenses	<b>6</b>	4	50
<b>Total Operating Expenses</b>	<b>39</b>	28	39
<b>Net Surplus from Ordinary Activities</b>	<b>25</b>	34	(26)
<b>Net Cash Flows from Operations</b>	<b>14</b>	24	(42)
<b><i>ASSETS</i></b>			
Current assets	<b>23</b>	19	21
Non-current assets	<b>454</b>	366	24
<b>Total Assets</b>	<b>477</b>	385	24
<b><i>LIABILITIES</i></b>			
Current liabilities	<b>2</b>	2	-
Non-current liabilities	<b>121</b>	121	-
<b>Total Liabilities</b>	<b>123</b>	123	-
<b>EQUITY</b>	<b>354</b>	262	35

## Statement of Financial Performance

### *Operating Revenues*

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



The above chart indicates the extent to which the Authority is reliant on Government grants and the consistency of other sources of revenue.

#### *Government Grants*

During 2002-03 Government grants (reflecting funding for both recurrent and capital purposes) decreased by \$7.2 million to \$32.1 million. The decrease predominantly reflects the decrease in funding relating to grants specifically provided for the purpose of acquiring South Australian Housing Trust properties at market value.

#### *Property Transfer and Sales Proceeds*

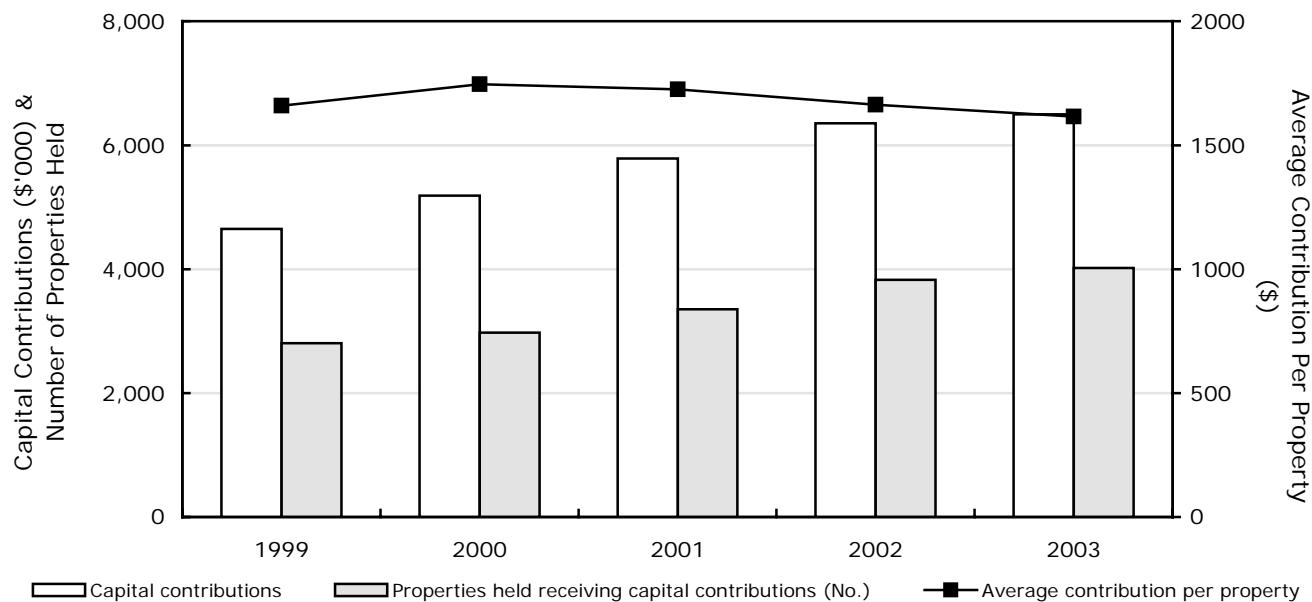
The increase in property transfer and sales proceeds over the past two years relates to changes in practices as a result of the introduction of the GST whereby the Authority developed properties in its own name. As a result, property transfers are now reflected as revenue in the Statement of Financial Performance. Further details are provided under Operating Expenses.

#### *Contributions from Community Housing Organisations*

During 2002-03 capital contributions from the CHOs (excluding insurance premiums recharged to CHOs) were \$6.3 million. The level of capital contributions is determined as part of the process of assessing the rents payable by CHOs' tenants and is subject to income tests. After allowing for rental subsidies, the capital contributions totalling \$6.3 million (\$6.4 million) were insufficient to meet the Authority's borrowing costs, which totalled \$8.8 million (\$9.2 million).

Note 21(a) to the financial statements provides details of the weighted average interest rate return on capital funding to housing organisations which represents total capital contributions received divided by total funding to housing organisations. The weighted average interest rate decreased to 1.73 percent in 2002-03 from 1.83 percent. This decrease was predominantly to higher property values relating to funding provided to housing organisations.

The following chart shows the trend of capital contributions from CHOs over the past five years.



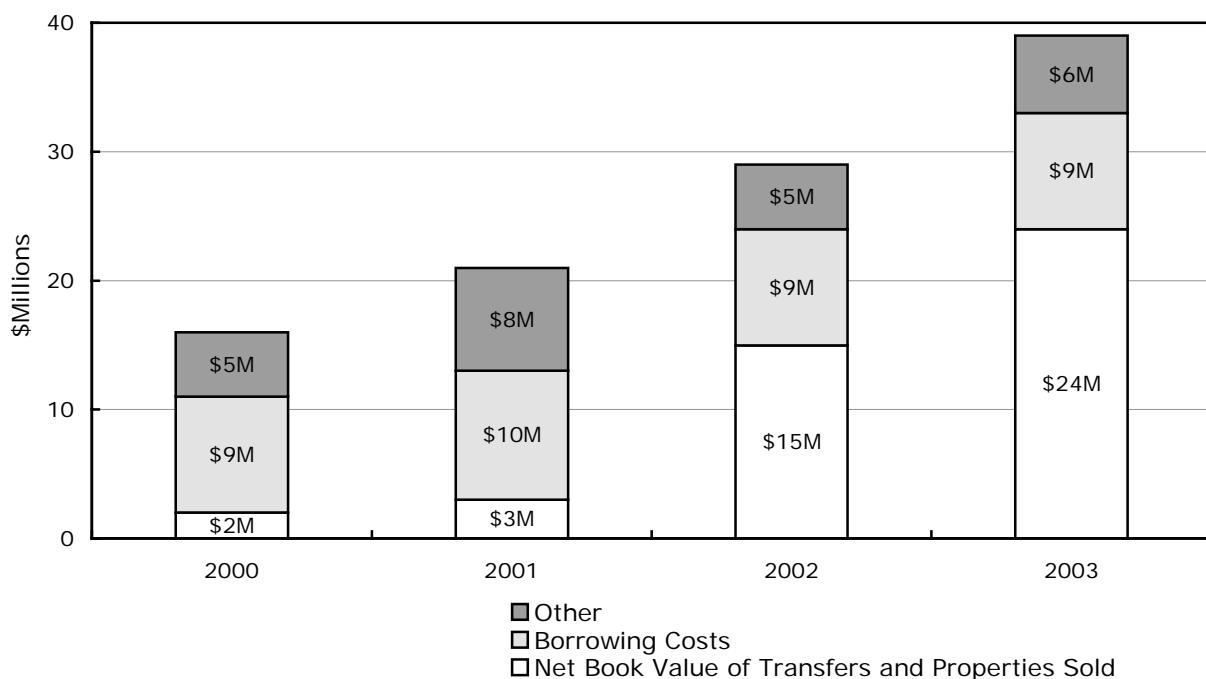
The chart highlights that while the total capital contributions received and the number of properties have increased over the period, in 2002-03 the proportion of capital contributions per property (ie debentured, mortgaged, leased etc) continued to decline to levels consistent with 1999.

The primary reason for this decline is an increase in operating levies to meet increased property and operating costs (increased by \$5 per property per week as disclosed in Note 2.5 to the financial statements). As a consequence, the CHOs retain a higher portion of the rental income which decreases the capital contribution paid to the Authority.

### Operating Expenses

During 2002-03, total operating expenses increased by \$10.6 million to \$39.2 million. This increase was due primarily to an increase in the number of properties transferred to CHOs (which in the main represented properties transferred from the South Australian Housing Trust) and the full year impact of changed practices due to the GST (further explanation is provided later).

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



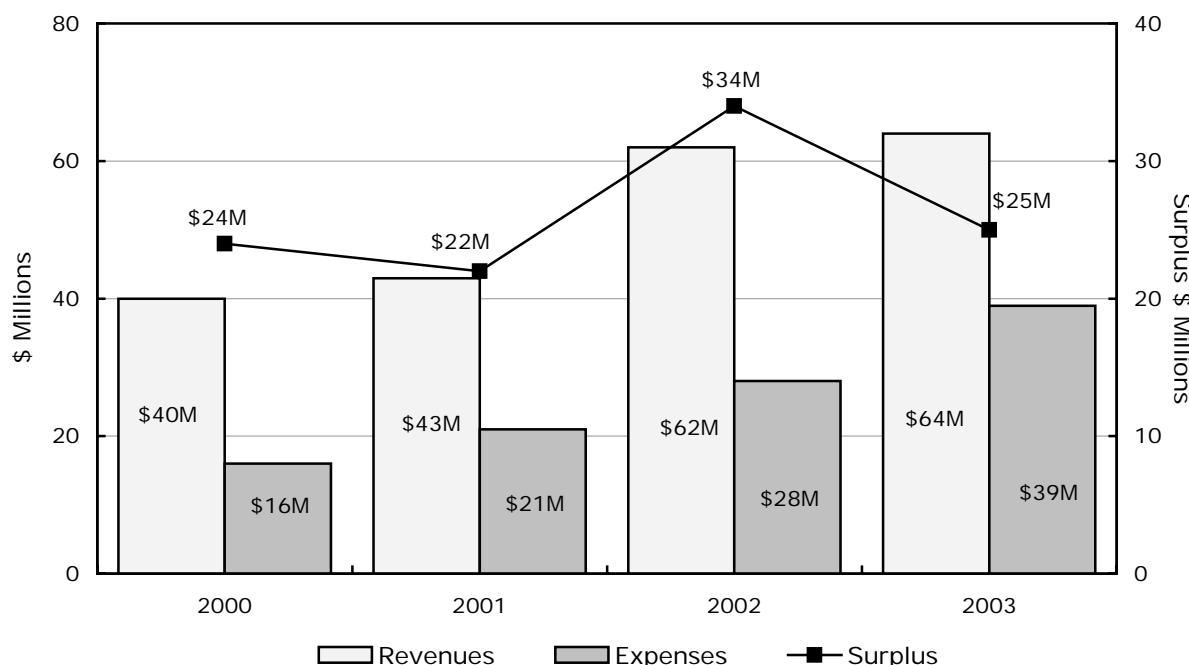
The chart highlights that over the period of review the Authority's operating expenses, with the exception of the net book value of transfers and properties sold, have remained relatively constant.

For GST purposes, the Authority decided to develop properties in their own name and then on completion transfer the property to the CHOs. This differed from previous practice whereby the Authority advanced monies to the CHOs for the purchase, upgrade or construction of dwellings. These advances are reported as loans to CHOs in the Statement of Financial Position (refer to Note 17 for further details). The new practice is reflected in the Statement of Financial Performance as a sales transaction where transfer proceeds are shown as revenue and the net book value of transfers are shown as an expense. This arrangement commenced from 1 January 2002 and accounts for the increase in expenses over the past two years. This increase is consistent with the increase in revenue.

### **Operating Result**

For 2002-03 the Net Surplus from Ordinary Activities decreased by \$8.6 million from \$33.7 million to \$25.1 million. The decrease reflects a \$2 million increase in Revenues from Ordinary Activities and a \$10.6 million increase in Expenses from Ordinary Activities.

The following chart shows the movement in revenues, expenses and surpluses for the four years to 2003.



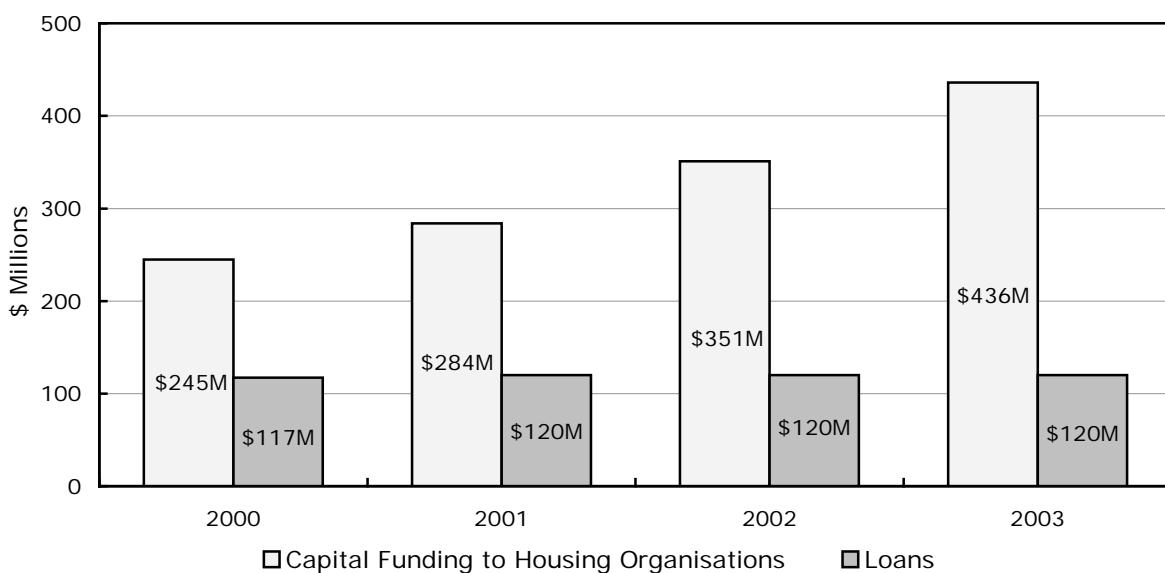
Over the past four years, the surplus has been consistently large. This is due primarily to operating revenue including Government grants of a capital nature, the expenditure of which is reflected in the Statement of Financial Position as Capital Funding to Housing Organisations. The Capital Funding to Housing Organisations is also supplemented by borrowings the Authority has with the South Australian Government Financing Authority.

In 2003, the decrease in the surplus was due mainly to a decrease in Government grants as previously explained.

### **Statement of Financial Position**

The Statement of Financial Position contains one dominant item of assets (Capital Funding to Housing Organisations) and one dominant item of liabilities (Loans), both of which are non-current. Current assets and current liabilities are less significant and have remained relatively stable over a number of years.

For the four years to 2003 a structural analysis of Capital Funding to Housing Organisations and Loans is shown in the following chart.



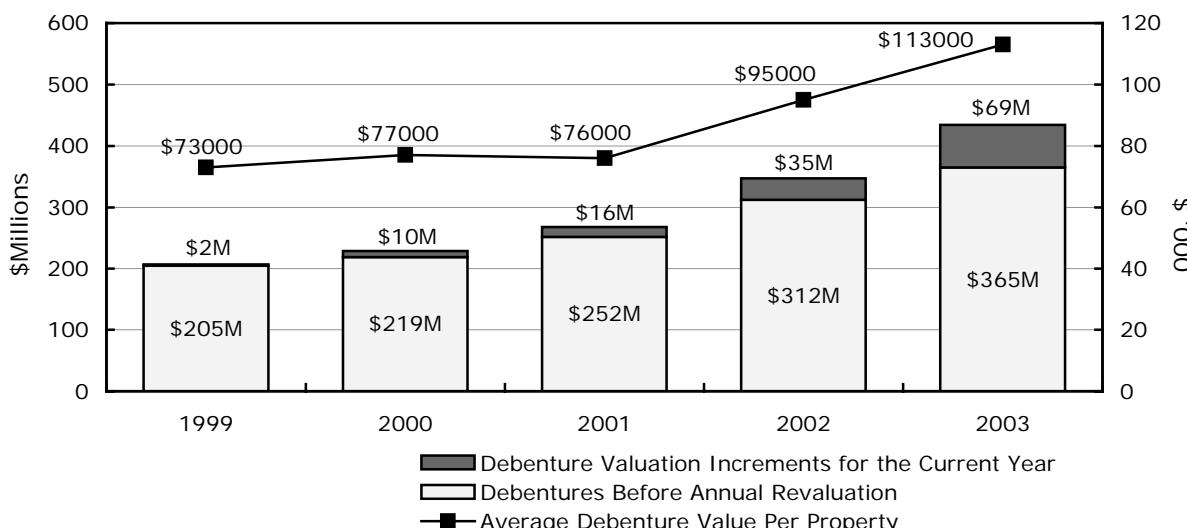
#### ***Capital Funding to Community Housing Organisations***

The number of CHOs receiving funding from the Authority to acquire houses in 2002-03 was 126 (134). Properties from which the Authority has earned capital contributions totalling \$6.3 million were as follows:

Property Type	2003	2002
	Number	Number
Debentured properties	3 829	3 666
Mortgaged properties	21	21
Properties leased from SAHT and sub-leased back to CHOs	113	117
Properties directly leased to CHOs	59	24
<b>Total</b>	<b>4 022</b>	<b>3 828</b>

In addition to the above properties, a total of 24 (35) properties were leased back to the South Australian Housing Trust (SAHT), 239 (232) properties were included in work in progress and 13 (14) properties were held by the Authority (which were surplus to the requirements of CHOs).

Funding to CHOs supported by issued debentures at 30 June 2003 was \$434 million (\$346.8 million), an increase of \$87.2 million reflecting, in the main, net additions to debentures of \$18.2 million and a revaluation of the underlying properties by \$69 million (\$34.9 million). The following chart shows the growth in the value of debentures issued to CHOs over the past five years.



The chart shows that annual debenture revaluation increments have been significant for the past three years. The revaluation increment in 2002-03 was \$69 million, which represented an increase of 15.9 percent in the value of properties debentured. The valuation increments reflect the continued strength of the property market at this point in time. Equally, any weakening in the property market can be expected to be reflected in downward movements in the value of debentures.

### ***Capital Commitments***

As at 30 June 2003, obligations under approved new-build and spot purchase projects in progress totalled \$10.5 million (\$13 million). Cash at Treasury and on hand totalled \$20.7 million (\$16.8 million).

### **Statement of Cash Flows**

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

	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
<b>Net Cash Flows</b>				
Operations	<b>14.4</b>	24.2	4.8	15.6
Investing	<b>(10.5)</b>	(17.9)	(19.3)	(16.3)
Financing	-	-	-	-
Change in Cash	<b>3.9</b>	6.3	(14.5)	(0.7)
Cash at 30 June	<b>20.7</b>	16.8	10.6	25.1

Net Cash Provided by Operating Activities decreased by \$9.8 million resulting mainly from decreased cash flows received from Government (ie a decrease of \$10 million from \$30.8 million to \$20.8 million).

**Statement of Financial Performance**  
**for the year ended 30 June 2003**

	Note	<b>2003</b> \$'000	2002 \$'000
<b>REVENUES FROM ORDINARY ACTIVITIES:</b>			
Government grants	2.2, 3	<b>32 059</b>	39 251
Contributions received and receivable from community housing organisations	2.2, 4	<b>6 953</b>	6 739
Interest and sundry income	5	<b>831</b>	528
Lease receipts from SA Housing Trust	2.16	<b>164</b>	11
Contributed assets	6	<b>345</b>	-
Property transfer and sale proceeds	7	<b>23 561</b>	15 523
Capital project recoveries	2.4	<b>375</b>	224
<b>Total Revenues</b>		<b>64 288</b>	62 276
<b>EXPENSES FROM ORDINARY ACTIVITIES:</b>			
Staffing and related costs	2.12	<b>2 167</b>	2 133
Net book value of transfers and properties sold	7	<b>23 789</b>	15 048
Rental expenses	2.3	<b>242</b>	279
Office expenses		<b>195</b>	173
Other expenses	8	<b>744</b>	641
Community housing organisations costs	9	<b>867</b>	1 081
Grants to community housing organisations	10	<b>1 046</b>	818
Asset Management Grant - Comhouse		<b>-</b>	41
Borrowing costs	11	<b>8 775</b>	9 243
Lease payments to SA Housing Trust	2.16	<b>579</b>	764
GST provision write back		<b>-</b>	(1 624)
Decrement on revaluation of property		<b>767</b>	-
<b>Total Expenses</b>		<b>39 171</b>	28 597
<b>NET SURPLUS FROM ORDINARY ACTIVITIES</b>			
Net (decrease) increase in asset revaluation reserve	12	<b>(51)</b>	133
Net increase in debenture indexation reserve	13	<b>66 729</b>	31 227
<b>TOTAL VALUATION ADJUSTMENTS RECOGNISED</b>			
<b>DIRECTLY IN EQUITY</b>		<b>66 678</b>	31 360
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE</b>			
<b>RESULTING FROM TRANSACTIONS WITH THE STATE</b>			
<b>GOVERNMENT AS OWNER</b>		<b>91 795</b>	65 039

**Statement of Financial Position**  
**as at 30 June 2003**

		2003	2002
	Note	\$'000	\$'000
<b>ASSETS:</b>			
CURRENT ASSETS:			
Cash at Treasury and on hand	14	<b>20 739</b>	16 836
Receivables	15	<b>1 802</b>	1 516
<b>Total Current Assets</b>		<b>22 541</b>	18 352
NON-CURRENT ASSETS:			
Capital funding to housing organisations	2.8, 17	<b>435 961</b>	351 178
Property and equipment	2.9, 19	<b>18 171</b>	15 087
<b>Total Non-Current Assets</b>		<b>454 132</b>	366 265
<b>Total Assets</b>		<b>476 673</b>	384 617
<b>LIABILITIES:</b>			
CURRENT LIABILITIES:			
Trade creditors and accrued expenses	16	<b>2 259</b>	2 101
<b>Total Current Liabilities</b>		<b>2 259</b>	2 101
NON-CURRENT LIABILITIES:			
Trade creditors and accrued expenses	16	<b>213</b>	149
Loans	20	<b>119 927</b>	119 664
Capital indexed bond	2.15	-	197
Hot water service warranty provision	2.14, 18	<b>671</b>	698
<b>Total Non-Current Liabilities</b>		<b>120 811</b>	120 708
<b>Total Liabilities</b>		<b>123 070</b>	122 809
<b>NET ASSETS</b>		<b>353 603</b>	261 808
<b>EQUITY:</b>			
Accumulated surplus	23	<b>238 022</b>	212 617
Asset revaluation reserve	12	-	110
Debenture indexation reserve	13	<b>115 581</b>	49 081
<b>TOTAL EQUITY</b>		<b>353 603</b>	261 808
Capital Commitments	24		

**Statement of Cash Flows**  
**for the year ended 30 June 2003**

	Note	2003 Inflows (Outflows)	2002 Inflows (Outflows)
		\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
PAYMENTS:			
Payments to suppliers and employees		(4 587)	(3 959)
Borrowing costs		(8 075)	(8 422)
Lease payments to SA Housing Trust		(579)	(753)
GST payments on purchases		(605)	(1 224)
RECEIPTS:			
Receipts from housing organisations		6 121	6 183
Interest received		785	542
Lease receipts from SA Housing Trust		164	11
GST receipts from taxation authority		377	974
GOVERNMENT RECEIPTS:			
Cash flows from government		<b>20 801</b>	30 827
<b>Net Cash provided by Operating Activities</b>	22	<b>14 402</b>	24 179
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Funding to housing organisations		(15 240)	(20 713)
Proceeds from sales of property		4 779	2 852
Purchase of office and computer equipment		(38)	(34)
<b>Net Cash used in Investing Activities</b>		<b>(10 499)</b>	(17 895)
<b>NET INCREASE IN CASH HELD</b>		<b>3 903</b>	6 284
<b>CASH AT 1 JULY</b>		<b>16 836</b>	10 552
<b>CASH AT 30 JUNE</b>	14	<b>20 739</b>	16 836

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Objectives and Funding**  
The South Australian Community Housing Authority (SACHA) co-ordinates and provides administrative support and funding to Community Housing Organisations to enable them to acquire housing. Funding for SACHA is derived from Commonwealth and State Government grants, rents, sale of properties and other payments from tenant members. The Authority has borrowed funds from the South Australian Government Financing Authority (SAFA) to fund non-current assets.
2. **Statement of Accounting Policies**
  - 2.1 **Basis of Accounting**  
The Authority has fully employed the accrual basis of accounting in the preparation of the accounts and has consistently applied its accounting policies. The financial statements are a general purpose financial report drawn up in accordance with Statements of Accounting Concepts, Australian Accounting Standards, Urgent Issues Group Consensus Views, the Accounting Policy Statements issued by the Department of Treasury and Finance and the requirements of the Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*. The financial statements have been drawn up in accordance with the historical cost convention and do not take account of changes in the purchasing power of money.
  - 2.2 **Revenue Recognition**

*Government Grants*  
The Authority recognises grant funds as income when monies are received and controlled or when all conditions under which funding is provided have been fulfilled by the Authority.

*Contributions Received and Receivable from Community Housing Organisations*  
The Authority recognises these contributions when cash is received throughout the period. An estimate of the June amount receivable is accrued.

*Other Revenue*  
Other revenue is recognised by the Authority when there is a legal entitlement, the amount is reliably measured and it is collectible.
  - 2.3 **Rental Expenses**  
In accordance with a Service Level Agreement with the Department of Human Services, the Authority is invoiced by the Department of Human Services on a monthly basis for the cost of building occupancy and vehicle use. As such, the Authority has no lease liabilities under these arrangements.
  - 2.4 **Capital Project Recoveries**  
Technical services are provided to assist Community Housing Organisations with capital projects. Salaries and related costs for this service are recouped as a fixed fee of \$1 750 per house, which is added to the loans provided to individual Community Housing Organisations.
  - 2.5 **Insurance**  
SACHA has implemented master insurance policies that cover the dwellings and commercial public liability of Community Housing Organisations. In addition, the minimum insurance standards have been amended to incorporate a Financial Insurance Package. SACHA has assumed responsibility for the administration and recharging of insurance premiums to Community Housing Organisations.
  - 2.6 **Accounting for Equity Shares**  
The *South Australian Co-operative and Community Housing Act 1991* provides for members of Housing Co-operatives to acquire equity in the properties they occupy by the Co-operative issuing equity shares to members. The equity shares reflect a proportional interest in the value of a specific Co-operative property. Holders of equity shares obtain a proportional reduction in the capital contributions they are required to pay as tenants. The Authority is obliged to repurchase the equity shares from holders who leave relevant Co-operatives at a value reflecting their proportion of the current value of the property at the time the equity shares are redeemed.
  - 2.7 **Accounting for Capital Indexed Debt**  
The SAFA Capital Indexed Debt was refinanced in August 2002 with an alternative fixed SAFA loan.
  - 2.8 **Debentures**  
Debentures issued by Community Housing Organisations with respect to tenantable housing and reflecting the value of funds provided to Community Housing Organisations to acquire and upgrade or to construct new buildings are revalued at balance date to reflect the current value of the property. Current values are determined using the Valuer-General's capital values for rating purposes.  
  
Revaluation increments or decrements have been reflected in the Debenture Indexation Reserve.

**2.9      *Property and Equipment***

Property owned by the Authority has been revalued at balance date to reflect the Valuer-General's capital value for rating purposes. Revaluation increments for this class of assets have been accounted for by crediting the Asset Revaluation Reserve. Revaluation decrements have been charged against any credit balance in the Asset Revaluation Reserve with any decrement in excess of the credit balance of the Asset Revaluation Reserve being charged to the Statement of Financial Performance as Decrement on Revaluation of Property.

Work in Progress reflects properties under construction and is valued at cost.

Items of office and computer equipment acquired at a cost of \$1 000 and above were capitalised during 2002-03.

**2.10     *Depreciation***

Equipment is carried at cost and is depreciated over its estimated useful life using the straight-line basis. For computer equipment the depreciation period is 3 years whilst general office equipment is depreciated over a 10 year period.

Property is not depreciated as it is held awaiting sale or transfer to Community Housing Organisations, and on transfer, the underlying debenture asset is not subject to depreciation requirements.

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

SACHA is part of a GST group. The nominated representative of the GST group (the Department of Human Services) is responsible to pay GST and is entitled to claim input tax credits. Administrative arrangements between members of the GST group provide for the reimbursement of the GST consequences earned by SACHA. The reimbursement receivable from the nominated representative of the GST group has been recognised as a receivable in the Statement of Financial Position.

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

**2.12     *Staffing and Related Costs***

The staff of the Authority are employees of the Department of Human Services who have been assigned by the Department's Chief Executive to work at the Authority. The Authority meets the full cost of employment for the Department's employees assigned to work at the Authority including salary payments, accruing leave entitlements, superannuation contributions and related on costs.

The balance of the employees' entitlement to accrued leave as at the date the employees were transferred to the Department is recognised in the accounts of the Department. The accrued liability which has arisen from employment since that date is recognised by the Authority as a liability of the Authority to the Department. The amount is reflected in trade creditors and accrued expenses (refer Note 16).

**2.13     *Provision for Doubtful Debts***

An assessment has been made of the extent to which outstanding debts are recoverable. Specific provision has been made for any doubtful debts identified.

**2.14     *Hot Water Service Warranty Provision***

SACHA introduced a new Hot Water Service Replacement Policy during 1997-98, resulting in the establishment of a provision to cover future expenditure. Properties acquired by Community Housing Organisations which have hot water services older than five years are issued with a reducing scale warranty certificate by SACHA to cover the unit from the date of key handover.

The reducing scale warranty applies to the replacement cost of a new hot water service should any of these units fail during the subsequent five year period of operation on a sliding scale from 100 to 20 percent of replacement cost.

During 1999-2000 SACHA extended the Hot Water Service Warranty Scheme whereby Community Housing Organisations joining Comhouse Co-operative Ltd (a co-operative facilitating the management of major maintenance on behalf of other Community Housing Organisations) and subject to a five year no-draw down period can claim under this provision the cost of replacing hot water service units that have failed.

**2.15     *Capital Indexed Bond***

SACHA had issued a Capital Indexed Bond as part of the settlement of a land purchase. This bond was redeemed on the fifth anniversary of the completion date of the project in March 2003.

**2.16     *Lease Arrangements with the SA Housing Trust***

SACHA leases a number of properties from the SA Housing Trust to support ongoing demand for housing within the community housing sector. Lease arrangements in respect of these properties are cancellable with three months notice, and as such no lease commitment is required to be disclosed, consistent with the requirements of Australian Accounting Standard AASB 1008 'Leases'.

Under reciprocal arrangements with the SA Housing Trust, SACHA leases properties to the SA Housing Trust which are also cancellable with three months notice.

**2.17     *Comparative Figures***

The previous year's figures are provided in the financial report for comparative purposes. Where applicable, figures have been adjusted to conform with changes in presentation and classification in the current year.

		2003 \$'000	2002 \$'000
<b>3. Government Grants</b>		<b>2003 \$'000</b>	<b>2002 \$'000</b>
CSHA - Commonwealth <sup>(i)</sup>		7 577	7 760
CSHA - State matching <sup>(i)</sup>		4 938	3 803
CSHA grants - SAHT transfers <sup>(ii)</sup>		11 258	17 671
CHP grants <sup>(iii)</sup>		4 959	4 982
Other State grants		3 327	5 035
<b>Total</b>		<b>32 059</b>	<b>39 251</b>
(i)	Refers to the Commonwealth/State Housing Agreement.		
(ii)	Refers to Commonwealth/State Housing Agreement grants specifically provided to the Authority for the purpose of acquiring South Australian Housing Trust (SAHT) properties at market value.		
(iii)	Refers to a tied program (entitled the Community Housing Program) under the Commonwealth/State Housing Agreement.		
<b>4. Contributions Received and Receivable from Community Housing Organisations</b>		<b>2003 \$'000</b>	<b>2002 \$'000</b>
Capital contributions		6 288	6 315
Major maintenance contributions		43	50
Insurance premiums re-charged to CHOs		622	374
<b>Total</b>		<b>6 953</b>	<b>6 739</b>
<b>5. Interest and Sundry Income</b>			
Interest		828	528
Sundry income		3	-
<b>Total</b>		<b>831</b>	<b>528</b>
<b>6. Contributed Assets</b>			
In the past, grants have been provided to some Non-Government Organisations under arrangements which did not require them to issue debentures to the Authority. These grants have been expensed as advanced.			
During 2002-03, Non-Government Organisations voluntarily returned 6 properties previously funded by these grants for no consideration. The Authority has recognised these properties as Contributed Assets.			
<b>7. Surplus/Deficit on Sale of Properties</b>		<b>2003 \$'000</b>	<b>2002 \$'000</b>
Transfers to Community Housing Organisations: <sup>(i)</sup>			
Transfer proceeds		18 822	12 671
Net book value of transfers		(19 401)	(12 488)
		(579)	183
Sales to other parties:			
Sale proceeds		4 739	2 852
Net book value of properties sold		(4 388)	(2 560)
		351	292
<b>Total</b>		<b>(228)</b>	<b>475</b>
(i)	To meet statutory obligations, SACHA raised tax invoices against Community Housing Organisations to record the GST liability on the transfer of certain properties developed by SACHA.		
<b>8. Other Expenses</b>			
Auditors remuneration <sup>(i)</sup>		56	55
Board fees		57	63
Board expenses		1	3
Depreciation		32	38
Legal fees		31	23
Brokerage and valuation fees		11	7
Department of Human Services - Service fees		201	171
Insurance		9	7
Aborted project costs		7	19
Fringe benefits tax		18	19
Computing costs		8	5
Sundry expenses		19	11
Blocked GST input credits - Department of Human Services		15	8
Product development		7	3
Training		56	39
Inspections and holding costs		-	5
Bad and doubtful debts		15	-
Lease back to SAHT expenses		8	-
Property holding costs - SACHA		82	-
Business plan projects <sup>(ii)</sup>		111	165
<b>Total</b>		<b>744</b>	<b>641</b>
(i)	Auditors remuneration relates directly to audit services performed. No related practice service payments were made to the auditors.		
(ii)	Includes payments to consultants for these projects totalling \$12 000 (\$56 000).		

**9. Community Housing Organisation Costs**

	2003 \$'000	2002 \$'000
Emergency Services Levy payments <sup>(i)</sup>	1	155
Provision adjustments Hot Water Service Warranty (see Note 2.14)	64	264
Insurance payments (see Note 2.5)	<u>802</u>	<u>662</u>
	<b>867</b>	1 081

(i) SACHA agreed to meet the costs of the Emergency Services Levy on behalf of Community Housing Organisations for the 2001-02 financial year. The Authority has approved an increase in the operating levies of Community Housing Organisations effective 1 July 2002 to address the expected future costs of this levy.

**10. Grants to Community Housing Organisations**

	2003 \$'000	2002 \$'000
Community Housing Council of South Australia (CHCSA) <sup>(i)</sup>	255	247
Large Community Housing Organisations: <sup>(ii)</sup>		
Northern Suburbs Housing Co-operative	57	67
The Women's Housing Association	145	146
Multi Agency Community Housing Association	51	35
Red Shield Housing Association	71	25
Housing Spectrum Housing Association	51	45
Portway Housing Association	66	45
DASH Housing Association	123	45
Lutherans Housing Association	51	20
IDAA	10	-
Westside	35	-
Inner City Co-op	2	-
National Community Housing Forum	10	-
Community housing sector training through external service providers	109	142
Country Community Housing Organisations travel reimbursements	<u>10</u>	1
	<b>1 046</b>	818

(i) The Authority is responsible for allocating funding to the Community Housing Council of South Australia Inc (CHCSA).

(ii) During the year the Authority held negotiations with the Large Community Housing Organisations to determine the level of future funding on the basis of services provided. Funding is provided to assist these organisations with the administrative costs associated with increases in housing stock managed and tenant complexity and is conditional on performance measures outlined in their funding agreements. This is an extension to the original three year agreement.

**11. Borrowing Costs**

	2003 \$'000	2002 \$'000
Gross borrowing costs on debt (see Note 20)	8 482	8 219
Loan indexation expense (see Note 2.7)	293	984
Capital Indexed Bond expense (see Note 2.15)	-	40
	<b>8 775</b>	9 243

**12. Asset Revaluation Reserve**

Opening Asset Revaluation Reserve	110	-
Movements during the year:		
Increments arising from the transfer of properties (held at Valuer-General's capital values) between SACHA and Community Housing Organisations	66	63
(Deccrements) Increments arising from revaluation of properties based upon the Valuer-General's capital values as at 30 June 2003	(117)	70
Net (Decrease) Increase in Asset Revaluation Reserve arising from revaluation	<u>(51)</u>	<u>133</u>
Transfer to accumulated surplus on sale of properties	<u>(59)</u>	<u>(23)</u>
<b>Closing Asset Revaluation Reserve</b>	<b>-</b>	<b>110</b>

**13. Debenture Indexation Reserve**

Opening Debenture Indexation Reserve	49 081	18 029
Movements during the year:		
Deccrements arising from the difference between the debenture face value and the cost of acquiring or developing properties at the time of their transfer	(2 132)	(3 634)
Increments arising from revaluation of debentures based upon the Valuer-General's capital values as at 30 June 2003	68 861	34 861
Net Increase in Debenture Indexation Reserve arising from revaluation	<u>66 729</u>	<u>31 227</u>
Transfer to accumulated surplus on sale of properties	<u>(229)</u>	<u>(175)</u>
<b>Closing Debenture Indexation Reserve</b>	<b>115 581</b>	<b>49 081</b>

**14. Cash at Treasury and on Hand**

During the reporting year cash transactions for the Authority were transacted through the Authority's Co-operative Housing Development Fund account. A lump sum of \$6 million is on deposit at call with SAFA in a Cash Management Fund, to maximise interest received on committed but incomplete capital projects.

**14. Cash at Treasury and on Hand (continued)**

For the purpose of the Statement of Cash Flows, cash is represented by cash at bank, being monies held in the Authority's bank accounts and cash on hand and is represented in the Statement of Financial Position as follows:

	2003 \$'000	2002 \$'000
Cash held in Co-operative Housing Development Fund	14 738	10 835
Cash held in SAFA Cash Management Fund	6 000	6 000
Cash on hand	1	1
	<b>20 739</b>	16 836

**15. Receivables**

Trade Debtors	423	266
Accrued Income <sup>(i)</sup>	728	660
GST Recoverable on trade creditors	171	101
GST Recoverable on property transfers to Community Housing Organisations	564	604
<i>Less: Provision for doubtful debts</i>	<b>1 886</b>	1 631
	<b>84</b>	115
	<b>1 802</b>	1 516

(i) Accrued income includes capital contributions from Community Housing Organisations relating to June and payable in July, arrears in capital contributions and accrued bank interest.

**16. Trade Creditors and Accrued Expenses**

Current:

Trade creditors	905	967
Amount payable to the Department of Human Services relating to staff leave provisions and on costs <sup>(i)</sup>	79	47
Accrued interest payable to SA Government Financing Authority	1 156	749
GST payable <sup>(ii)</sup>	29	227
Other expenses accrued	90	111
	<b>2 259</b>	2 101

Non-Current:

Amount payable to the Department of Human Services relating to staff leave provisions and on-costs <sup>(i)</sup>	213	149
	<b>2 472</b>	2 250

(i) This amount represents accrued salaries and staff leave provisions for the period from 25 April 1998 when staff of the Authority were transferred to the Department of Human Services.

(ii) This amount represents SACHA's liability to the Australian Taxation Office in respect of properties developed by SACHA and debentured to Community Housing Organisations during the financial year.

**17. Capital Funding to Housing Organisations**

Debentures with community housing organisations (at Valuer-General's capital values)<sup>(i)</sup>

*Less: Equity shares (refer Note 2.6)*

Net debentures

Loans to community housing organisations (at cost)<sup>(ii)</sup>

Housing Association mortgages<sup>(iii)</sup>

2003 \$'000	2002 \$'000
435 006	347 617
1 051	772
<b>434 015</b>	346 845
<b>1 887</b>	4 274
<b>59</b>	59
<b>435 961</b>	351 178

Assets of the Authority are not held to generate income but to provide housing for Community Housing Organisation members and as such their value does not reflect the yield to the Authority from those assets.

(i) *Debentures*

On completion and tenanting of their properties, individual Community Housing Organisations are required to issue a debenture to the Authority reflecting where available the Valuer-General's capital value for rating purposes.

The Authority recognises that the debentures issued by Community Housing Organisations in conjunction with the Authority's funding of community housing are not held by the Authority to generate income, but rather, to facilitate the provision of housing by the community housing sector. Consequently the value of the Authority's assets do not reflect the market yield on those securities.

The Authority recognises that non-current assets are required to be carried at no greater than their recoverable amount. Further, the Authority is aware that debentures are unlikely to be repaid except in cases of default by individual Community Housing Organisations or upon the sale of a property. Nevertheless the Authority has adopted the view for accounting purposes that should a case of default arise it would be entitled to sell and recover its investments from the net proceeds of sale of individual community housing properties. The Authority is of the view that the Valuer-General's property values provide a reasonable expectation of recoverable amounts to discharge Community Housing Organisations' debentures.

(i) *Debentures (continued)*

(a) *New Debentures*

When the acquisition and/or construction of new properties is complete the Authority transfers to the Debenture Indexation Reserve net increments/decrements arising from differences between historical loan amounts and the value of the debentures issued in substitution for those loans. The value of new debentures is determined using the Valuer-General's rateable capital value, and in a small number of cases where this is not available, independent market valuation or total project cost is used.

(b) *Discharge of Debentures*

When properties are sold the debentures are cancelled and the balance of the Debenture Indexation Reserve for the property concerned is appropriated to the Accumulated Surplus. The difference between the sale value (less selling costs) and the debenture value is recognised as profit or loss on sale of properties.

(ii) *Loans to Community Housing Organisations*

The Authority advances monies to finance the purchase and upgrade of dwellings or construction of new dwellings by Community Housing Organisations. These amounts are carried at historical costs until properties are complete and let. The Authority and Community Housing Organisations enter funding agreements which document respective responsibilities and the Authority places a charge on the title of Community Housing Organisations' properties to secure the Authority's interest in the property.

(iii) *Housing Association Mortgages*

The Authority currently holds a mortgage over one Housing Association property which was funded through the Housing Association program.

**18. Hot Water Service Warranty Provision**

Opening hot water service warranty provision

	2003 \$'000	2002 \$'000
	<b>698</b>	504

Movements during the year:

Increments arising from transfers to the provision  
(refer Note 2.14) 64 264  
Decrements arising from actual claims against the  
provision (91) (70)

<b>(91)</b>	(70)
<b>671</b>	698

**19. Property and Equipment**

(a) *SACHA Owned Property*

Owned Property (at valuation)<sup>(i)</sup> 1 068 735  
Property leased to Community Housing Organisations  
(at valuation)<sup>(ii)</sup> 3 515 1 879  
Property leased back to South Australian Housing Trust  
(at valuation)<sup>(iii)</sup> 1 577 2 181  
Community Housing work-in-progress projects (at cost)<sup>(iv)</sup> 11 919 10 206  
**18 079** 15 001

(b) *Office and Computer Equipment*

Office and computer equipment (at cost)  
Accumulated depreciation

<b>240</b>	202
<b>(148)</b>	(116)
<b>92</b>	86
<b>18 171</b>	15 087

**Total Property and Equipment**

- (i) Houses formerly belonging to Community Housing Organisations (at Valuer-General's capital values) but surplus to their requirements, awaiting to be disposed or redeveloped.
- (ii) The Authority has acquired a number of multi unit properties from the South Australian Housing Trust that are as yet not subdivided and therefore not debentured. These have been leased to Community Housing Organisations.
- (iii) The Authority holds a number of properties which were acquired from the South Australian Housing Trust for the purpose of community housing but are still tenanted by public housing tenants in the short term. These properties will be transferred to Community Housing Organisations once these tenants have vacated.
- (iv) This balance recognises the value of work in progress with respect to projects where title is held by SACHA until completion. On completion properties are allocated to Community Housing Organisations.

**Property and Equipment Movement Reconciliation**  
(a) *SACHA Owned Property*

Carrying amount at 1 July  
Additions  
Disposals  
Property revaluation

	2003				Community Housing Work in Progress Projects	Total \$'000
	Property Owned \$'000	Leased to CHOs \$'000	Back to SAHT \$'000	\$'000		
Carrying amount at 1 July	735	1 879	2 181	10 206	15 001	
Additions	1 938	2 483	33	23 297	27 751	
Disposals	(1 743)	-	(462)	(21 584)	(23 789)	
Property revaluation	138	(847)	(175)		-	(884)
<b>Carrying Amount at 30 June</b>	<b>1 068</b>	<b>3 515</b>	<b>1 577</b>	<b>11 919</b>	<b>18 079</b>	

**Property and Equipment Movement Reconciliation (continued)**

		2002				
		Property Owned \$'000	Leased to CHOs \$'000	Property Leased Back to SAHT \$'000	Community Housing Work in Progress \$'000	Total \$'000
	<b>(a) SACHA Owned Property</b>					
	Carrying amount at 1 July	956	-	139	14 172	15 267
	Additions	561	1 787	2 042	6 632	11 022
	Disposals	(760)	-	-	(10 598)	(11 358)
	Property revaluation	(22)	92	-	-	70
	<b>Carrying Amount at 30 June</b>			735	1 879	2 181
					10 206	15 001
		2003				
		Office Equipment \$'000	Computer Equipment \$'000	Total \$'000		
	<b>(b) Office and Computer Equipment</b>					
	Carrying amount at 1 July	57	29	86		
	Additions	13	25	38		
	Disposals	-	-	-		
	Depreciation expense	(8)	(24)	(32)		
	<b>Carrying Amount at 30 June</b>			62	30	92
		2002				
		Office Equipment \$'000	Computer Equipment \$'000	Total \$'000		
	Carrying amount at 1 July	40	50	90		
	Additions	23	11	34		
	Disposals	-	-	-		
	Depreciation expense	(6)	(32)	(38)		
	<b>Carrying Amount at 30 June</b>			57	29	86
20.	<b>Loans</b>	30 June 2003				
	<b>(a) Loans from the South Australian Government Financing Authority (SAFA)</b>	Interest Rates Percent	Book Value \$'000	Fair Value <sup>(i)</sup> \$'000	30 June 2002 Book Value \$'000	30 June 2002 Fair Value <sup>(i)</sup> \$'000
	<b>Maturity Date</b>					
	<b>Short Term Interest Only Debt</b>					
	No fixed term	4.930	15 100	15 161	15 100	15 303
	<b>Medium to Long Term Interest Only Debt</b>					
	15 September 2006	7.545	10 000	10 842	10 000	10 579
	15 October 2007	6.205	7 000	7 435	7 000	7 102
	28 October 2007	6.535	10 000	10 781	10 000	10 334
	15 September 2008	5.845	15 000	15 782	-	-
	15 September 2009	7.025	14 217	15 683	14 217	14 844
	15 March 2010	7.295	10 000	11 229	10 000	10 616
	20 December 2010	6.080	10 000	10 541	10 000	9 824
	15 September 2011	6.000	15 000	15 950	-	-
	15 September 2012	6.045	13 610	14 520	-	-
	Average Weighted Cost		6.27	119 927	127 924	76 317
	<b>Capital Indexed Debt</b>					
	20 August 2002		-	-	37 347	37 850
	<b>Total</b>		6.27	119 927	127 924	113 664
	Plus Treasury Guarantee Fee		0.75			116 452
	<b>Total Weighted Cost</b>		7.02			
	<b>(b) Loans from HomeStart Finance</b>					
	<b>Total</b>		-	-	6 000	6 000
	<b>Grand Total</b>		-	-	6 000	6 000
			<sup>(ii)</sup> 7.02	119 927	127 924	119 664
						122 452

(i) The fair value of loans to the Authority from SAFA reflect the present value of cash flows associated with the Authority's loans discounted at market yield for loans of the equivalent maturity.

(ii) Weighted Average Effective Interest Rate.

## 21. Additional Financial Instruments Disclosure

## (a) Interest Rate Risk

The Authority has certainty with respect to the interest expense arising from the fixed rate loans from SAFA that comprise the major part of the Authority's debt. Funding arrangements relevant to interest rate risk are set out in Note 11. The Authority's exposure to interest rate risk and the weighted average interest rates for classes of financial assets and liabilities is as follows.

	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	2003				Non- Interest Bearing \$'000	Total \$'000		
			Fixed Interest Maturing in							
			Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000					
Financial Assets:										
Cash	4.69	20 738	-	-	-	-	1	20 739		
Receivables	-	-	-	-	-	-	1 802	1 802		
Funding to housing organisations	1.73	434 211	-	-	-	-	-	434 211		
		454 949	-	-	-	-	1 803	456 752		
Financial Liabilities:										
Loans from SAFA	7.02	15 100	-	27 000	77 827	-	-	119 927		
Trade creditors	-	-	-	-	-	-	2 472	2 472		
		15 100	-	27 000	77 827	2 472	122 399			

	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	2002				Non- Interest Bearing \$'000	Total \$'000		
			Fixed Interest Maturing in							
			Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000					
Financial Assets:										
Cash	4.12	16 835	-	-	-	-	1	16 836		
Receivables	-	-	-	-	-	-	1 516	1 516		
Funding to housing organisations	1.83	351 178	-	-	-	-	-	351 178		
		368 013	-	-	-	-	1 517	369 530		
Financial Liabilities:										
Loans from SAFA	7.14	-	52 447	10 000	51 217	-	-	113 664		
Loans from HomeStart Finance	5.03	6 000	-	-	-	-	-	6 000		
Capital Indexed Bond	-	-	-	-	-	-	197	197		
Trade creditors	-	-	-	-	-	-	2 250	2 250		
		6 000	52 447	10 000	51 217	2 447	122 111			

## (b) Credit Risk

The Authority is exposed to credit risk associated with amounts due to it from Community Housing Organisations as agreed. The credit risk on financial assets is recognised in the Statement of Financial Position as the carrying amount, net of any provisions for doubtful debts.

## (c) Net Fair Value of Financial Instruments

Analysis of the net fair value of financial instruments is set out below.

See also Note 20 in relation to loans. The fair value of other financial assets and liabilities, which are subject to normal trade terms, is considered to be face value.

		2003		2002	
		Carrying Value \$'000	Fair Value <sup>(i)</sup> \$'000	Carrying Value \$'000	Fair Value <sup>(i)</sup> \$'000
Financial Assets:					
Cash	20 739	20 739	16 836	16 836	
Receivables	1 802	1 802	1 516	1 516	
Capital funding to housing organisations	435 961	435 961	351 178	351 178	
	458 502	458 502	369 530	369 530	
Financial Liabilities:					
Loans from SAFA	119 927	127 924	113 664	116 452	
Loans from HomeStart Finance	-	-	6 000	6 000	
Capital Indexed Bond	-	-	-	197	197
Trade creditors	2 472	2 472	2 250	2 250	
	122 399	130 396	122 111	124 899	

(i) The fair value of loans from the South Australian Government Financing Authority has been determined by discounting back the future cash flows on loan repayments to market interest rates.

<b>22.</b>	<b>Reconciliation of Net Cash provided by Operating Activities to Net Surplus from Ordinary Activities</b>	<b>2003</b>	<b>2002</b>
	Net Cash Provided by Operating Activities	\$'000	\$'000
	Adjustments:	<b>14 402</b>	24 179
	Government grants	<b>11 258</b>	17 671
	Premium on indexed loan	-	212
	Depreciation	(32)	(38)
	Decrement on revaluation of property	(767)	-
	Provision adjustment Hot Water Service warranty	(64)	(264)
	Provision for doubtful debts	(15)	-
	Capital project recoveries	375	224
	(Deficit) surplus on sale of properties	(228)	475
	Contributed assets	345	-
	Bond indexation	-	(40)
	Loan indexation	(293)	(984)
	Change in assets and liabilities:		
	Increase (Decrease) in receivables - Trade and other debtors	<b>286</b>	(8 914)
	(Increase) Decrease in trade creditors and accruals	<b>(150)</b>	1 158
	<b>Net Surplus from Ordinary Activities</b>	<b>25 117</b>	<b>33 679</b>
<b>23.</b>	<b>Accumulated Surplus</b>		
	Opening balance	<b>212 617</b>	178 740
	Transfers from asset revaluation reserve	<b>59</b>	23
	Transfers from debenture indexation reserve	<b>229</b>	175
	Surplus for the year	<b>25 117</b>	33 679
	<b>Closing Balance</b>	<b>238 022</b>	<b>212 617</b>
<b>24.</b>	<b>Capital Commitments</b>		
	<b>Loans for Capital Expenditure Projects</b>		
	Obligations under approved new-build and spot purchase projects in progress.		
	Payable not later than one year	<b>10 529</b>	13 039
	<b>Total Capital Commitments</b>	<b>10 529</b>	<b>13 039</b>
<b>25.</b>	<b>Executive Remuneration</b>		
	The number of employees whose remuneration from the Authority falls within the following bands:	<b>2003</b>	<b>2002</b>
	\$110 000 - \$119 999	<b>Number of Employees</b>	Number of Employees
		<b>1</b>	-
	Total remuneration received, due or receivable, by employees whose remuneration exceeds \$100 000	<b>2003</b>	<b>2002</b>
		<b>\$'000</b>	<b>\$'000</b>
		<b>112</b>	-
	The table discloses the number of staff and the value of their remuneration where the remuneration exceeded \$100 000 for staff who were employed by the Department of Human Services and subsequently assigned to the Authority.		
	The remuneration includes salaries and related payments, superannuation and motor vehicle benefits.		
<b>26.</b>	<b>Remuneration of Board Members and Related Party Transactions</b>		
	The Board of the Authority comprises seven members. These members are:		
	K F Kelly, Chairperson		
	P R Coidan		
	C M Davidson	Appointed October 2002	
	V Deegan		
	D R Lee		
	E H McCarthy	Appointed July 2002	
	D J Szesny		
	E M Melhuish	Retired September 2002 on completion of term of appointment	
	The number of Board members whose remuneration from the Authority falls within the following bands were:	<b>2003</b>	<b>2002</b>
		<b>Number of Members</b>	Number of Members
	\$nil	<b>1</b>	1
	\$1 - \$9 999	<b>6</b>	6
	\$10 000 - \$19 999	<b>1</b>	1
		<b>8</b>	<b>8</b>
	Total remuneration received, due or receivable, by the Board members from the Authority	<b>2003</b>	<b>2002</b>
		<b>\$'000</b>	<b>\$'000</b>
		<b>57</b>	<b>63</b>

No member of the Authority had a pecuniary interest in any party which had any transaction with the Authority in the current year with the following exceptions:

- (i) A Board Member was an employee of an organisation (Housing Spectrum Inc.) which received grant funding from the Authority.

# SOUTH AUSTRALIAN HOUSING TRUST

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

The South Australian Housing Trust was established by the *South Australian Housing Trust Act 1936* to administer the Act. The Trust also administers the *Housing Improvement Act 1940*.

The *South Australian Housing Trust Act 1995* repealed the *South Australian Housing Act 1936* and amended the *Housing Improvement Act 1940*. The Act provides for the continuation of the Trust as the principal provider of public housing in the State.

### Functions

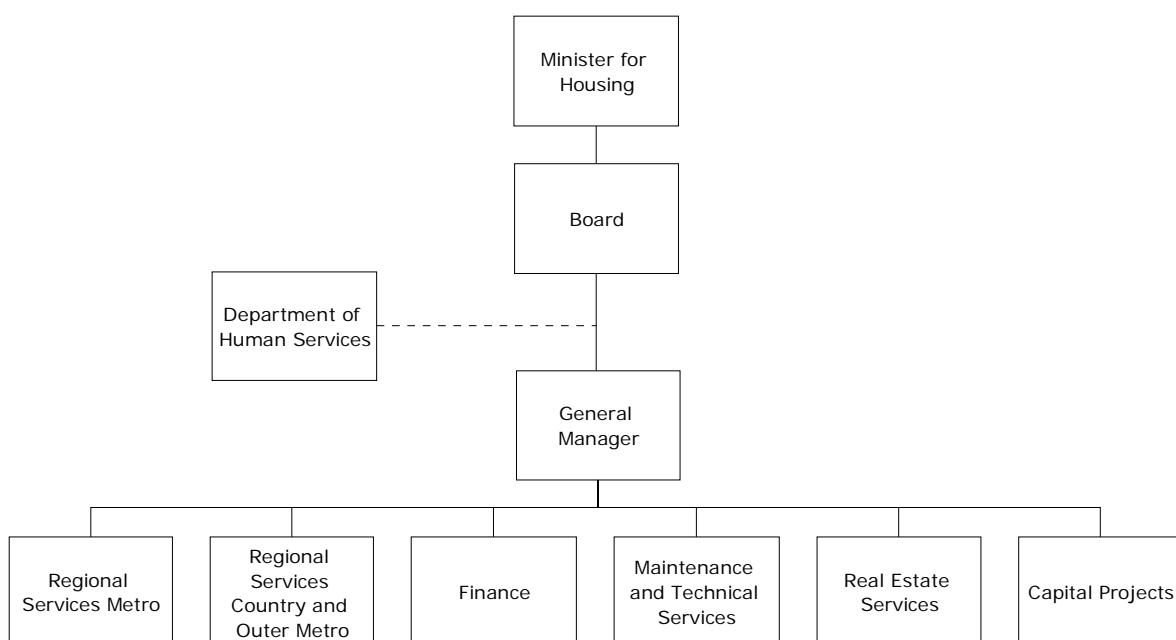
The functions of the Trust are to undertake the following:

- The ownership of houses and units for tenant occupation.
- The construction and purchase of houses and other properties.
- The management of tenancy arrangements for Trust properties including the assessment of rents and provision of reduced rents, and the raising and receiving of rent and other monies from tenants.
- The management of costs associated with ownership of Trust properties including the maintenance of those properties.

In addition, the Trust administers a range of programs related to housing on behalf of the Government with respect to which the Trust receives direct capital and recurrent grant funding. The range of programs administered is detailed in Note 13 to the Trust's financial statements.

### Structure

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



## AUDIT MANDATE AND COVERAGE

### Audit Authority

#### ***Audit of Financial Statements***

The *South Australian Housing Trust Act 1995* (the Act), subsection 27(2), requires the Trust to keep proper accounting records and to produce financial statements, in respect of each financial year. Subsection 27(4) of the Act requires the Auditor-General to audit the accounts and financial statements.

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

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

### ***Scope of Audit***

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2002-03, specific areas of audit attention included:

- rent raising and recovery
- house sales
- accounts payable
- maintenance expenditure
- fixed assets (including rental properties)
- inventory
- risk management and the internal audit function.

In addition, systems operations and activities undertaken by the Department of Human Services on behalf of the Trust, which included corporate related services, payroll and aspects of accounts payable processing, were reviewed as part of the audit of the Department.

The work done by the internal auditor was considered in designing the audit programs. Reliance was placed on the work of internal audit in assessing the effectiveness of the Trust's internal controls in the following areas:

- Revenue receiving.
- Review of Real Estate Services' activities including house sales and purchasing, marketing and conveyancing.
- Review of Trust information systems development and implementation activities.

In addition, reliance was placed on the work undertaken by the Department of Human Services' Internal Audit team with respect to the CHRIS Payroll System used by the Department to process payroll transactions for employees assigned to the Trust.

### ***Audit Communications to Management***

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

## AUDIT FINDINGS AND COMMENTS

### Audit Opinions

#### ***Audit of Financial Statements***

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the South Australian Housing Trust as at 30 June 2003, its financial performance and its cash flows for the year then ended.

### **Assessment of Controls**

Audit formed the opinion that the controls exercised by the South Australian Housing Trust in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities is sufficient to provide reasonable assurance that the financial transactions of the Trust have been conducted properly and in accordance with law.

### **Financial Management Framework**

The Trust is required by the Treasurer's Instructions to implement the Financial Management Framework. The review of controls in operation at the Trust indicate that the prescribed elements of the Financial Management Framework have received attention by the Trust. The following provides an overview of key areas of the Trust's control environment relevant to the Financial Management Framework.

### **Risk Management**

The Trust has established Risk Management programs which continued during the year. Arrangements for reporting upon and monitoring risk management outcomes were reviewed by Audit. The review highlighted that there was scope to improve certain aspects of the Trust's risk management practices which are discussed later under the heading 'Significant Matters Raised with Agencies'.

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

The Trust Board has an Audit Committee comprising members of the Board and an external advisor. Trust executives, Internal Audit staff and representatives of the Auditor-General attend Audit Committee meetings. The Audit Committee meets on a regular basis to review progress in addressing the Trust's Internal Audit Program, the outcomes of specific reviews completed, action taken with respect to audit findings and other relevant matters which emerge.

Management of the Trust's Internal Audit function is undertaken by Department of Human Services staff under a Service Level Agreement between the Trust and the Department. Specific Internal Audit assignments are performed either by Departmental staff or by external contractors from a panel of approved service providers.

The Trust supplements the work of Internal Audit with a program of self assessments which provides for the checking of processes undertaken by the Trust's regional staff. The Self Assessment programs cover the core business activities of Public Housing, Private Rental programs and Maintenance with the outcomes of reviews being reported upon to the Audit Committee.

The Internal Audit program for the year ended 30 June 2003 included:

- information systems audits
- review and update of Self Assessment programs
- revenue receiving
- review of certain aspects of Real Estate Services
- business continuity planning
- human resources development
- review of the audit plan structure.

Work undertaken by Internal Audit in 2002-03 was reduced compared to the approved plan and to previous years. Significant effort was applied to updating Self Assessment programs and revising the process for preparing the Internal Audit Program. This resulted in reduced activity in specific Internal Audit reviews and delays in implementing Self Assessment programs. External Audit acknowledges the proposed benefits of reviewing and updating the Self Assessment programs, however, it was considered that the reduced activity and delays in the Self Assessment programs reduced the effectiveness of the Trust's control environment for 2002-03 as compared to previous years.

### **Significant Matters Raised with Agencies**

#### **Risk Management**

The 2002-03 Audit included a review of the corporate governance structures in place at the Trust which included examination of the Trust's risk management processes and practices. The review focussed on the requirements of the Financial Management Framework and best practices outlined in the Australian and New Zealand Standard 'AS/NS 4360:1999 Risk Management'. The review found that the Trust had in place some key elements considered to be consistent with sound risk management practices, however, there was scope to improve certain aspects of the Trust's practices. Specifically, the review found that there was a need to:

- review resourcing requirements of the risk management function;
- document the context in which risk management is to be applied at the Trust;

- enhance reporting to the Risk Management Committee and the Trust Board;
- ensure staff are appropriately trained in risk management by undertaking a Training Needs Analysis and then addressing the training needs identified by the analysis;
- improve the level of documentation of established risk management practices including evaluation criteria, risk identification, evaluation processes and the basis for excluding risks from the treatment plan;
- promulgate policies and guidance to all staff to enhance the culture of risk management within the Trust.

In response the Trust acknowledged that there was scope to improve risk management practices and advised that it had developed a work plan to address the matters raised by Audit.

### ***Rent Management System***

The Rent Rebates provided by the Trust are a significant element in its program of providing housing assistance to those in housing need. The value of rebates for the year to 30 June 2003 was \$137 million (\$125 million) of which \$34.9 million is provided to the Trust as grant funds and the balance represents foregone revenue to the Trust.

Audit focused on Trust processes which provide assurance that rent rebates provided to Trust tenants are determined in accordance with established policies and guidelines. This process includes Regional Self Assessment programs, obtaining proof of income from tenants, and arrangements for provision of information regarding tenants income by Centrelink to the Trust. The following discussion reflects the areas of review, audit findings and the Trust's response.

### *Self Assessment*

The Regional Self Assessment program represents processes implemented by the Trust to review the work performed by regional staff and involves the completion of a series of checks to confirm that control processes have been operating effectively during the period of review. The program covers a wide range of activities associated with managing Trust property tenancies and the provision of assistance to eligible persons in private rental arrangements and represents an important element of the Trust's control environment. Audit noted that, at the time of the audit, self assessments had not been undertaken for a considerable period of time with the last assessments for Public Housing undertaken in late 2001 and Private Rental assessments last undertaken in September 2002.

In response the Trust advised that the Public Housing program recommenced in May 2003 and is currently underway. The program was delayed due to the review of the program content and relevant samples on the advice of Internal Audit. Further, the Trust advised that it is committed to the Regional Self Assessment program and will conduct reviews of Public Housing and Private Rental activities on an annual basis.

### *Income Confirmation Service*

A high proportion of the Trust's tenants receive benefits from the Commonwealth (ie Centrelink). Income details obtained from Centrelink are used to determine tenants entitlement to rebated rent. In 2002-03 the Trust implemented an Information Confirmation Service (ICS). Under this arrangement tenants on Centrelink benefits, who agreed to participate in the process, have their details sent electronically to the Trust for confirmation. Previously, income details were obtained from Centrelink manually as part of the Trust's Proof of Income Review processes. Audit review revealed, that at the time of the audit, the Trust's policies and procedures did not address the frequency with which information is obtained under the new arrangements. Audit recommended that the Trust determine the frequency with which information will be obtained under the new ICS arrangements and update its policies and procedures to reflect these requirements.

The Trust advised that a full rent review program has been established and relevant policies and procedures have been amended to reflect these changes.

### *Proof of Income*

Prior to the implementation of the new Income Confirmation Service arrangements, the major process used by the Trust to maintain the accuracy of tenants income details were Proof of Income Reviews. Audit review found Proof of Income Reviews had not been performed since October 2002 as a consequence of the phased implementation of the ICS arrangements in November 2003. Not all tenants are subject to ICS arrangements and, as a consequence, income verification procedures did not cover all tenants receiving rebated rent. Audit considers it important that tenants who decline to participate in the ICS arrangements are covered by an alternative ongoing proof of income process.

## *SA Housing Trust*

In response the Trust advised that mixed households (ie households containing ICS tenants and tenants who are not subject to ICS arrangements) were reviewed in April 2003 and non-ICS tenants are to be reviewed in August 2003. Furthermore, details of the frequency of future reviews for non-ICS tenants are incorporated in the new rent review program.

### *Debt Management*

A key element of the Trust's strategy for managing tenant debt is ensuring arrangements are established with tenants for all outstanding debts. Audit review of the Trust's Debt Management processes revealed that arrangements were entered into with tenants to pay outstanding rent outside Trust policy.

In response the Trust advised that its current credit policy has been reviewed and as a consequence a new draft policy has been established. Furthermore, the Trust is currently working to improve debt management processes to ensure compliance with the new policy.

### *Payroll*

The Department of Human Services (the Department) is responsible for processing payroll transactions for staff assigned to the Trust in accordance with a service level agreement. Audit review of the Department's payroll function revealed that for the majority of the 2002-03 financial year internal controls over the processing of the payroll transactions were ineffective. Major areas of concern included:

- bona fide certification processes;
- leave recording and management processes;
- payroll reconciliation processes;
- documentation of payroll policies and procedures.

Further commentary on these matters is provided under the Department of Human Services section of this Report (under the heading 'Significant Matters Raised with Agencies').

### *Maintenance Expenditure - Contract Management*

As the principal provider of the State's public housing and related services, the Trust manages the costs associated with ownership of Trust properties including their maintenance. Audit review for 2002-03 included a review of contract management arrangements associated with maintenance expenditure. The review found that contract management processes practised by the Trust for maintenance expenditure were sound in relation to the following:

- Developing and releasing tender documentation.
- Receipt and evaluation of tender submissions.
- Decision making and approval processes for awarding tenders.
- Maintaining contractor information in databases and in the Maintenance System.

Audit identified opportunities to improve contract management practices by:

- addressing inconsistencies in maintenance policies and procedures;
- preparing enhanced formal policies and procedures covering aspects of contract execution, evaluation of contractor performance and enhanced succession planning.

In response the Trust acknowledged the that there was scope to improve contract management practices employed by the Trust. The Trust advised that inconsistencies in maintenance policies and procedures have been resolved. Also, the Trust advised that it is aiming to improve the overall contracting processes by establishing a corporate contracts team. This will ensure that there is a higher level of consistency in contract management across the Trust. The Trust has advised that it will include preparation of acquisition plans in its contract management arrangements.

### *Accounts Payable*

The audit of the Trust's accounts payable function identified the following areas of weakness in controls:

- arrangements for validating the authority for expenditure within the Accounts Payable system were not aligned with the Trust's Levels of Authority;
- systems controls to provide assurance that payment was only made for goods and services received at approved rates could be bypassed.

Audit understand that processing the Trust's accounts payable transactions involved both Trust and Department of Human Services officers. It is also understood that addressing identified issues will require collaboration between the Trust and the Department.

The Trust advised that it will work with the Department to address the matters raised by Audit.

## INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

### Highlights of Financial Statements

	2003 \$'million	2002 \$'million	Percentage Change
<b>OPERATING REVENUE</b>			
Rent	<b>181.5</b>	177.7	2.1
Commonwealth government grants	<b>47.6</b>	41.6	14.4
State government grants	<b>81.4</b>	76.2	6.8
Other	<b>37.0</b>	20.8	78.7
<b>Total Operating Revenue</b>	<b>347.5</b>	316.2	9.9
<b>OPERATING EXPENDITURE</b>			
Staffing costs	<b>36.0</b>	32.6	10.4
Borrowing costs	<b>44.9</b>	45.3	(0.9)
Maintenance	<b>65.6</b>	64.0	2.5
Council rates and water charges	<b>46.1</b>	45.0	2.4
Land tax equivalent	<b>58.1</b>	54.5	6.6
Depreciation	<b>42.3</b>	40.0	5.8
Other expenses	<b>63.1</b>	53.5	17.9
<b>Total Operating Expenses</b>	<b>356.1</b>	334.9	6.3
<b>Surplus (Deficit)</b>	<b>(8.6)</b>	(18.7)	54.0
<b>Net Cash Flows</b>	<b>1.6</b>	15.6	(89.7)
<b>ASSETS</b>			
Current assets	<b>119.4</b>	112.3	6.3
Non-current assets	<b>3 565.3</b>	3 180.1	12.1
<b>Total Assets</b>	<b>3 684.7</b>	3 292.4	11.9
<b>LIABILITIES</b>			
Current liabilities	<b>41.6</b>	39.3	5.9
Non-current liabilities	<b>821.4</b>	836.4	(1.8)
<b>Total Liabilities</b>	<b>863.0</b>	875.7	(1.5)
<b>EQUITY</b>	<b>2 821.7</b>	2 416.7	16.8

### Statement of Financial Performance

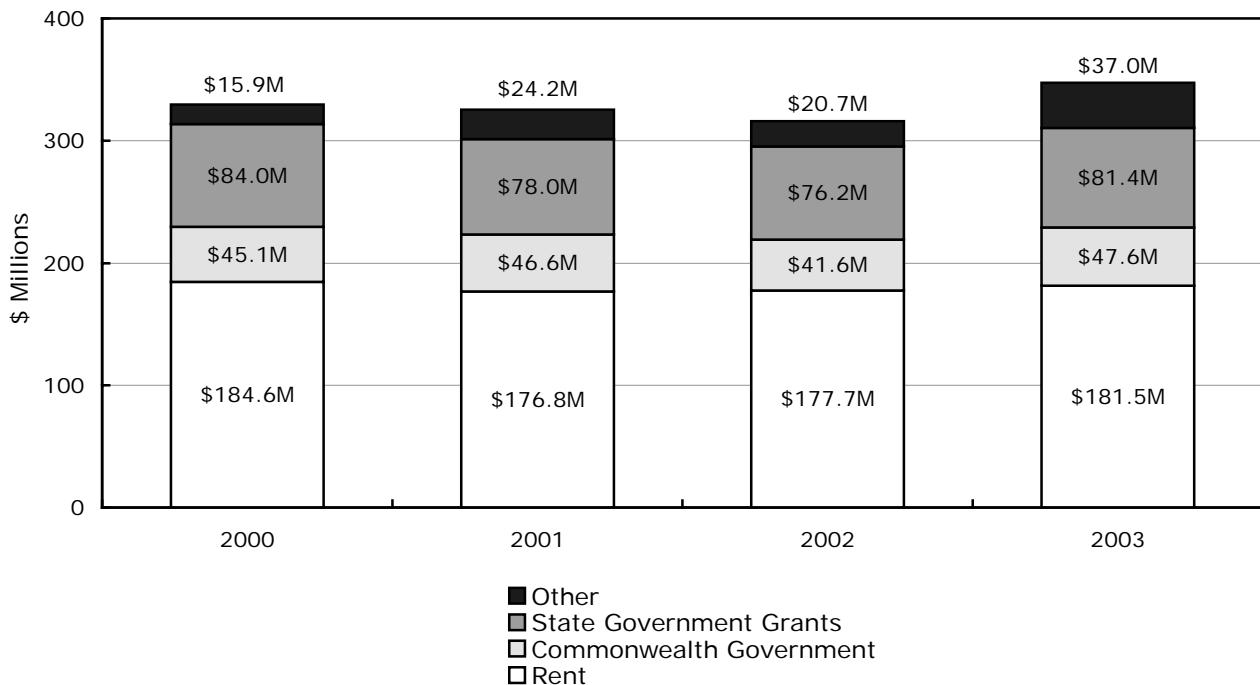
#### *Operating Revenues*

During the year ended 30 June 2003, total Operating Revenues increased by \$31.3 million (9.9 percent). Notably, Net Revenue from Disposal of Non-current Assets increased by \$13.5 million from \$5.6 million to \$19.1 million. Refer to Note 12 to the financial statements.

Commonwealth Government Grants for the year increased by \$6 million from \$41.6 million to \$47.6 million due predominately to an increase in rent subsidy grants. State Government Grants increased by \$5.2 million to \$81.4 million due predominately to an increase in Tax Equivalent Reimbursement funding received from the Government.

## SA Housing Trust

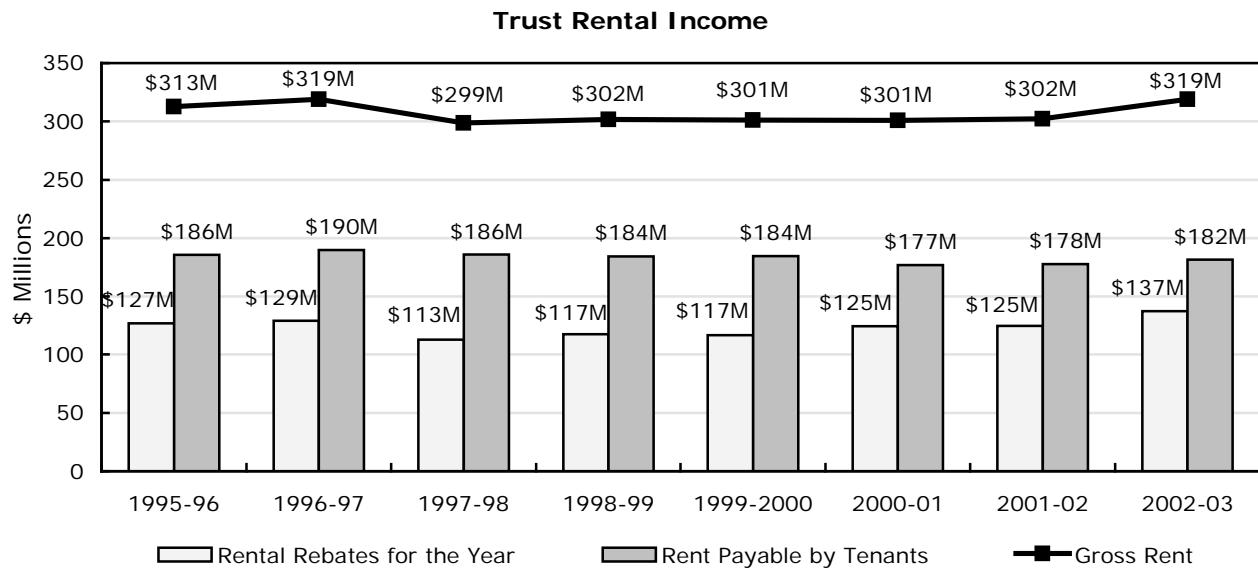
For the four years to 2003 a structural analysis of Operating Revenues for the Trust is presented in the following chart. The chart demonstrates a steady decrease in the preceding three years followed by an increase of nearly 10 percent (\$31.3 million) in 2003.



## Rental Operations

The Trust has continued to experience a high level of demand for its rental accommodation as it received 9058 (9478) new applications for tenancies and was able to house 4187 (4419) new tenants during the year. The level of housing stock was 48 271 (49 543) at 30 June 2003.

The trend identified in previous years, for a higher proportion of Trust tenants to be eligible for reduced rent due to low income continued and, at 30 June 2003, 39 666 (40 004) tenants or 85.3 percent (84.9 percent) of all tenants were eligible for rent rebates. The trend is illustrated in the following chart:



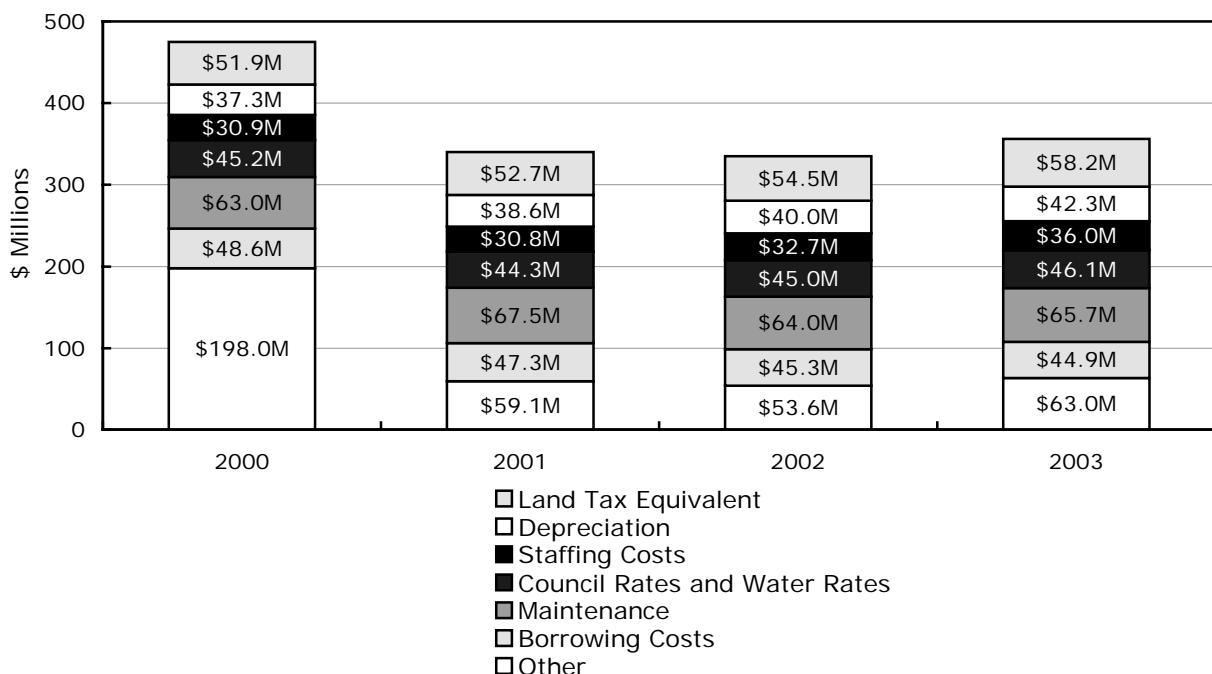
The chart also highlights an increase in Gross Rent and Rental Rebates in 2003 due to an increase in market rents.

### Operating Expenses

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

The chart highlights decreases in Operating Expenses for the years preceding the current year, followed by an increase in 2003. Operating Expenses were significantly higher in 2000 due to the recognition of a net loss on restructure of \$131.1 million arising from the transfer of assets and liabilities from the Trust to the South Australian Aboriginal Housing Authority.

During the year ended 30 June 2003, total Operating Expenses increased by \$21.2 million (6.3 percent). This increase was due to increases in a number of expense items including, land tax equivalent (\$3.6 million), staffing costs (\$3.4 million) and bad and doubtful debts (\$3.8 million) which are included in other expenses.

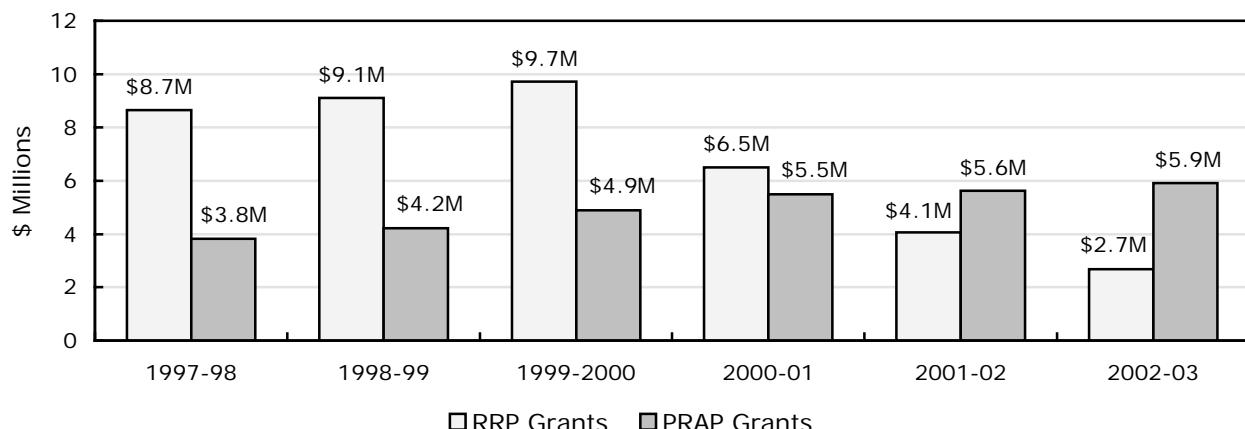


### Grant Funded Programs

The Trust's recurrent expenditure with respect to grant funded programs was \$21.3 million (\$23 million) reflecting direct expenditure on the programs of \$11.9 million (\$11.7 million) and administration costs of \$9.4 million (\$11.3 million) representing an overall reduction of \$1.7 million.

The overall reduction in the Trust's expenditure on grant funded programs was due principally to a decrease in administrative costs associated with the Private Rental Assistance Program (PRAP) and the Rent Relief Program (RRP) which decreased by \$653 000 and \$1.2 million respectively.

The following chart shows the changing level of grant funded spending over the past six years on the Rent Relief Program and the Private Rental Assistance Program.



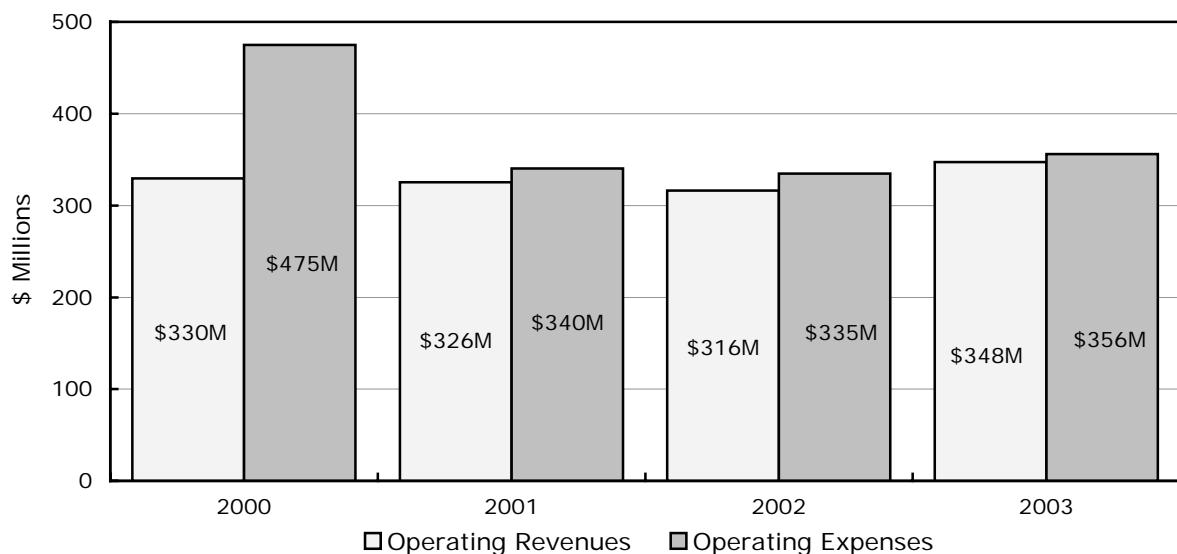
The RRP provides assistance to tenants in private rental accommodation, who are experiencing financial difficulty, by providing payments to tenants, of amounts up to \$25 per week. The number of recipients of assistance for the year to 30 June 2003 was 2417 (3463), reflecting an ongoing reduction in the number of beneficiaries following closure of the scheme to new entrants in May 2000. This reduction resulted in a decrease in RRP grant payments of \$1.4 million.

The PRAP assists people to establish themselves in privately owned rental accommodation by providing an information service to help locate suitable accommodation; financial assistance to tenants with respect to security bonds and rent in advance; and short term emergency accommodation in Trust houses. Grant payments for the program in 2003 increased by \$279 000.

The Private Rental Assistance programs include a bond guarantee scheme which enables the Trust to guarantee payments to landlords in the event of a claim against a bond. The Trust's contingent liability with respect to Bond Guarantees increased by \$572 000 from \$10.44 million to \$11.01 million as at 30 June 2003.

### **Operating Result**

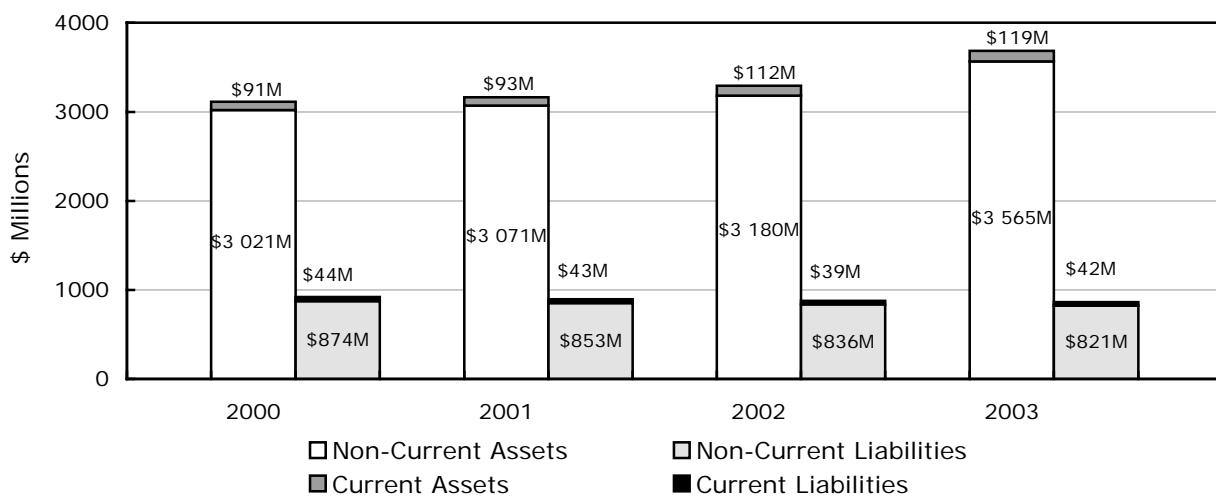
The following chart shows the Operating Revenues and Operating Expenses for the four years to 2003.



The chart demonstrates that in 2000, the Trust recorded a large deficit of \$145.3 million followed by relatively smaller deficits in following years. The deficit recorded in 2000 was due primarily to the net loss recorded on restructure of \$131.3 million resulting from the transfer of responsibility for the State's Aboriginal Housing programs from the Trust to the South Australian Aboriginal Housing Authority.

### **Statement of Financial Position**

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



The structural analysis shows a decrease in liabilities of 6 percent over the period of review, in comparison to an increase in assets of 18 percent over the same period. The chart shows that, over the past two years, there has been a significant increase in non-current assets totalling \$494 million. The increase over this period is due primarily to the continued upward trend in the property market with the Trust's rental property values over this period increasing by \$459 million or 15 percent. As at 30 June 2003 the value of the Trust's rental properties was \$3.5 billion.

The increase in property values has occurred notwithstanding that there has been a 6 percent decrease in the number of properties held over the same period.

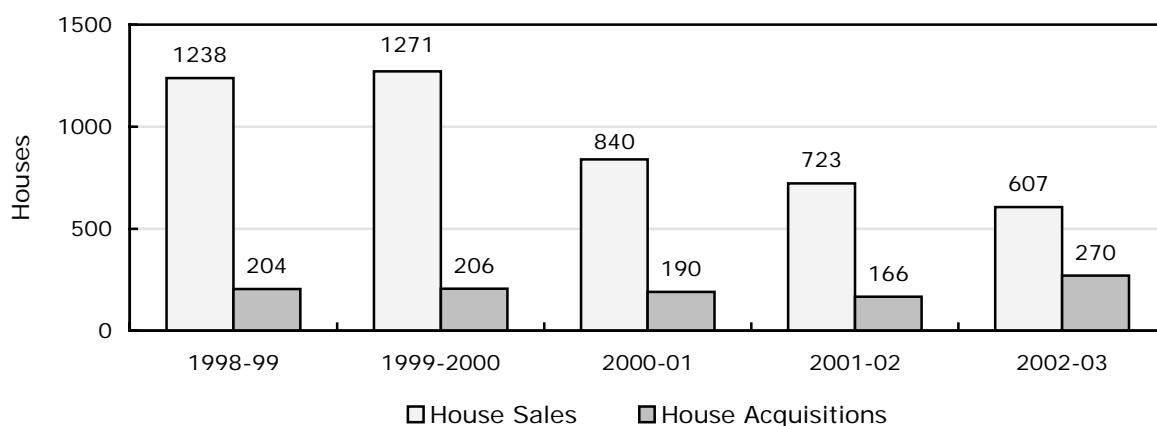
The decrease in liabilities over the period is due primarily to the reduction in Trust borrowings due to principal repayments.

### **Asset Management**

The Trust has continued to respond to changes in demand for housing, the need to quit housing stock which is of inappropriate amenity or involves high levels of maintenance by establishing annual targets for house sales. In addition to house sales the Trust transfers houses to the South Australian Aboriginal Housing Authority and the South Australian Community Housing Authority.

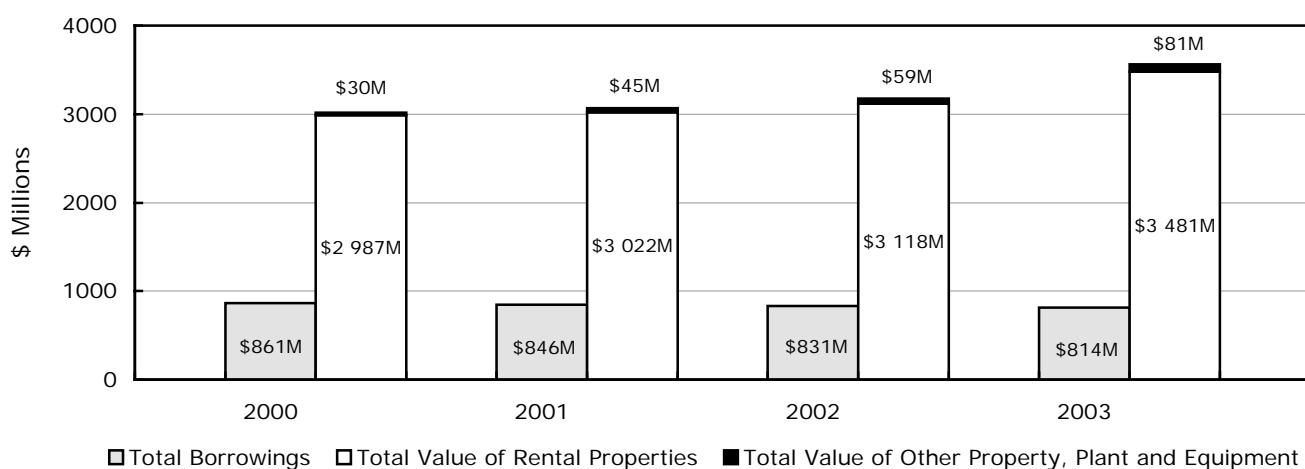
As a consequence of adopting the house sales and house transfer programs the Trust's housing stocks have fallen from 62 322 dwellings at 30 June 1994 to 48 271 dwellings at 30 June 2003.

The following chart depicts the level of house sales (excluding transfer to other housing authorities) and the offsetting acquisitions of houses over the past five years to demonstrate the net impact of house sales on the level of Trust housing stock.



### **Indebtedness**

The following chart demonstrates the ongoing reduction in Trust indebtedness over the past five years in comparison to the increase in the value of the Trust's assets. Notably, the chart highlights a 5 percent decrease in borrowings over the period against a 17 percent increase in property values. The increase in property values has occurred notwithstanding that there has been a 10 percent decrease in the number of properties held over the same period.



**Statement of Cash Flows**

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

	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
<b>Net Cash Flows</b>				
Operations	<b>28.0</b>	15.3	18.4	27.5
Investing	<b>(9.9)</b>	16.2	9.8	1.2
Financing	<b>(16.5)</b>	(15.9)	(15.1)	(39.6)
Change in Cash	<b>1.6</b>	15.6	13.1	(10.9)
Cash at 30 June	<b>54.5</b>	52.9	37.3	24.2

The analysis shows that the Trust's cash holdings have consistently increased over the period of review. The Trust's net change in cash was significantly lower in 2003, compared to the two preceding years. This was due primarily to the fact that in 2003 the Trust's use of cash for investing activities (representing acquisition of fixed assets) was higher than cash sources from investing (mainly proceeds from sales of fixed assets) as compared to the two preceding years.

**Statement of Financial Performance  
for the year ended 30 June 2003**

		2003	2002
		\$'000	\$'000
<b>REVENUES FROM ORDINARY ACTIVITIES:</b>			
Rent		<b>181 500</b>	177 690
Interest	4	<b>3 622</b>	2 725
Recoveries	5	<b>11 184</b>	10 616
Sundry		<b>2 833</b>	1 810
Commonwealth Government	13	<b>47 562</b>	41 568
State Government	13	<b>81 438</b>	76 193
Net revenue from disposal of non-current assets	12	<b>19 125</b>	5 624
Net revenue from restructuring	32	<b>178</b>	-
<b>Total Revenue</b>		<b>347 442</b>	316 226
<b>EXPENSES FROM ORDINARY ACTIVITIES:</b>			
Staffing costs	6, 29	<b>35 960</b>	32 647
Borrowings costs	7	<b>44 881</b>	45 257
Maintenance		<b>65 648</b>	63 972
Council rates and water charges		<b>46 116</b>	44 973
Land tax equivalent	2(m)	<b>58 148</b>	54 478
Depreciation	8	<b>42 285</b>	39 971
Business services fees		<b>13 013</b>	13 207
Rent	9	<b>5 545</b>	4 902
Insurance		<b>3 508</b>	3 635
Bad and doubtful debts	10	<b>7 992</b>	4 203
Grants	13	<b>11 910</b>	11 686
Other	11	<b>21 076</b>	15 989
<b>Total Expenses</b>		<b>356 082</b>	334 920
<b>SURPLUS (DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES BEFORE INCOME TAX</b>		<b>(8 640)</b>	(18 694)
Income tax equivalent	2(m)	-	-
<b>SURPLUS (DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES AFTER INCOME TAX</b>		<b>(8 640)</b>	(18 694)
<b>Non-Owner Transaction Changes in Equity:</b>			
Increase in asset revaluation reserve arising on revaluation of non-current assets	23	<b>425 485</b>	178 742
(Decrement) on revaluation of rental dwellings:			
Transferred to capital work programs	23	<b>(10 612)</b>	(9 780)
Subject to sale contracts	23	<b>(1 251)</b>	(2 181)
<b>Total Revenue, Expense and Valuation Adjustments</b>			
<b>Recognised Directly in Equity</b>		<b>413 622</b>	166 781
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER</b>		<b>404 982</b>	148 087

**Statement of Financial Position**  
**as at 30 June 2003**

		2003	2002
	Note	\$'000	\$'000
<b>CURRENT ASSETS:</b>			
Cash	27(a)	<b>54 504</b>	52 923
Receivables	15	<b>16 632</b>	17 012
Inventories	16	<b>47 569</b>	41 821
Other current assets	17	<b>652</b>	538
<b>Total Current Assets</b>		<b>119 357</b>	112 294
<b>NON-CURRENT ASSETS:</b>			
Receivables	15	<b>835</b>	1 207
Inventories	16	<b>2 343</b>	2 376
Property, plant and equipment	18	<b>3 562 148</b>	3 176 598
<b>Total Non-Current Assets</b>		<b>3 565 326</b>	3 180 181
<b>Total Assets</b>		<b>3 684 683</b>	3 292 475
<b>CURRENT LIABILITIES:</b>			
Payables	19	<b>11 527</b>	9 423
Interest-bearing liabilities	20	<b>17 207</b>	16 254
Employee entitlements and other provisions	21	<b>3 361</b>	3 754
Other current liabilities	22	<b>9 524</b>	9 883
<b>Total Current Liabilities</b>		<b>41 619</b>	39 314
<b>NON-CURRENT LIABILITIES:</b>			
Payables	19	<b>2 881</b>	1 878
Interest-bearing liabilities	20	<b>797 241</b>	814 662
Employee entitlements and other provisions	21	<b>17 715</b>	16 067
Other non-current liabilities	22	<b>3 512</b>	3 821
<b>Total Non-Current Liabilities</b>		<b>821 349</b>	836 428
<b>Total Liabilities</b>		<b>862 968</b>	875 742
<b>NET ASSETS</b>		<b>2 821 715</b>	2 416 733
<b>EQUITY:</b>			
Accumulated surplus	14	<b>843 106</b>	812 466
Asset revaluation reserve	23	<b>1 978 609</b>	1 604 267
<b>TOTAL EQUITY</b>		<b>2 821 715</b>	2 416 733
Commitments and Contingencies	25, 26		

**Statement of Cash Flows**  
**for the year ended 30 June 2003**

		2003	2002
		Inflows	Inflows
		(Outflows)	(Outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
RECEIPTS:		Note	\$'000
Receipts from customers			188 532
Interest received			3 601
State Government			81 533
Commonwealth Government			46 462
<b>Total Receipts</b>			<b>320 128</b>
PAYMENTS:			307 258
Payments to suppliers and employees			(190 627)
Finance charges paid			(43 345)
Land tax equivalents paid			(58 148)
<b>Total Payments</b>			<b>(292 120)</b>
<b>Net Cash provided by Operating Activities</b>	27(b)		<b>28 008</b>
			15 264
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
RECEIPTS:			
Proceeds from sale of property, plant and equipment			80 179
Net proceeds from investment mortgage loans			117
<b>Total Receipts</b>			<b>80 296</b>
PAYMENTS:			
Payments for property, plant and equipment			(90 255)
<b>Total Payments</b>			<b>(90 255)</b>
<b>Net Cash (used in) provided by Investing Activities</b>			<b>(9 959)</b>
			16 196
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Repayment of borrowings			(16 468)
<b>Net Cash used in Financing Activities</b>			<b>(16 468)</b>
<b>NET INCREASE IN CASH HELD</b>			<b>1 581</b>
<b>CASH AT 1 JULY</b>			<b>52 923</b>
<b>CASH AT 30 JUNE</b>	27(a)		<b>54 504</b>
			52 923

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Objectives and Funding**

The South Australian Housing Trust (the Trust) is the State's public housing authority. The Trust's role and powers are based on the *South Australian Housing Trust Act 1995* and *Housing Improvement Act 1940*. The Board of the Trust is responsible to the Minister for Housing for overseeing the operations of the Trust. This responsibility is formalised in a Ministerial Agreement which defines the objectives and responsibilities of both the Minister for Housing and the Trust. The Trust's objectives are to promote successful tenancies and sustainable communities in an integrated service environment. The Trust's principal revenue sources are receipts from customers, grants from the Commonwealth and State Governments, and the proceeds from the sale of assets.

2. **Summary of Significant Accounting Policies**

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

(a) **Basis of Preparation of the Financial Statements**

The financial statements are a general purpose financial report that has been prepared pursuant to the *South Australian Housing Trust Act 1995* and the *Public Finance and Audit Act 1987* and in accordance with the requirements of the Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group Consensus Views, the Treasurer's Instructions and applicable Accounting Policy Statements. The Statements have been prepared on an accrual basis of accounting and are in accordance with the historic cost convention except for certain assets that have been revalued. The accounting policies have been consistently applied by the Trust and, except where stated, are consistent with those applied in the previous year.

(b) **Revenue Recognition***Rental Income*

Rent payable in respect of each property is recognised as revenue and charged to tenants weekly in advance.

The Trust calculates a market rent for each property, structured on the basis of regional rental markets. This represents the potential rental income derivable from the rental stock. The Trust's policy is that no tenant will be required to pay more than 25 percent of their household assessable income in rent. The difference between the assessed rent for the property and the market rent is recognised as a rental rebate subsidy provided to tenants.

*Disposal of Non-Current Assets*

The proceeds of real property asset sales are included as revenue of the Trust when settlements are completed. Refer to Note 12 for further details.

*Recoveries*

Recoveries for costs on-charged by the Trust are included in revenue.

*Grants*

Grants received for all purposes have been included as revenue.

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

Interest is capitalised to capital works in progress costs where specific project funding has been acquired. As at 30 June 2003 the Trust has no borrowings tied to such projects.

Capital work in progress included in property, plant and equipment reflects developments that will be utilised in the Trust's operations. The carrying amounts for capital work in progress have been projected to completion and compared with external market value on completion. Any estimated over capitalisation identified has been provided for as a loss on capital work in progress and expensed in the current year. The carrying amount for capital work in progress includes charges for administrative expenses and a revaluation increment or decrement where the property has previously been revalued.

The Trust has a policy that all land and buildings are to be revalued annually at 31 October. This policy complies with the Department of Treasury and Finance Accounting Policy Statement APS 3 'Revaluation of Non Current Assets'. In accordance with this policy the carrying amount of Rental Properties, Administrative Properties and Vacant Land reflect the Valuer-General's values (for rating purposes) issued as at 1 July 2002. The Valuer-General's values are deemed to be fair values for financial reporting purposes.

The Trust, as part of its operations, transfers non-current assets from one class to another and in so doing also transfers the relevant assets revaluation component from one class to another within the Equity asset revaluation reserve accounts. However, if these assets have a revaluation component (increment or decrement) attached to them and their new class has a previous decrement, the assets revaluation component shall remain in the asset revaluation reserve balance but unattached to an individual asset.

Plant and equipment are carried at cost.

(d) **Inventories**

At 31 October 2002 the carrying amount of real property inventories other than those subject to development as capital work in progress have been compared with an independent valuation and where the carrying amount exceeded the independent valuation, the carrying amount has been reduced to reflect the independent valuation.

The independent valuations for real property inventories reflect:

- for Vacant Land, the Valuer-General's value (for rating purposes) issued as at 1 July 2002.
- for Houses and Developed Land, the value as per current sale prices.

The capital work in progress included in Inventories reflects developments intended for sale and has been written down to the net present value of the projected cash flows to the Trust. The write down has been adjusted, first against the available Asset Revaluation Reserve, with the excess being expensed.

Inventories of Stores are carried at cost.

**(e) Depreciation and Amortisation**

Property, plant and equipment are depreciated or amortised from the date of acquisition or in respect of internally developed assets, from the time an asset is completed and held ready for use.

The Trust's property, plant and equipment are depreciated over their estimated useful life using the straight-line basis.

Major depreciation periods are:	Years
Rental properties (dwellings) *	50
Administrative properties	10-75
Plant and equipment	3-10

\* An estimated useful life of 50 years is assumed for the rental dwelling buildings and depreciation expense is calculated at a rate of 2 percent per annum on the opening revalued amount for each property. This is consistent with the national accounting policy framework for State Housing Authorities and ensures consistency and comparability between these authorities.

**(f) Leased Plant and Equipment**

Leases of plant and equipment under which the Trust assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Payments made under operating leases are expensed over the lease term.

As at 30 June 2003 the Trust has no finance leases.

**(g) Joint Ventures**

The Trust's share in the assets, liabilities and the net operating results of joint ventures are included under appropriate classifications in the Trust's Statement of Financial Position and Statement of Financial Performance.

As at 30 June 2003 the Trust has no joint ventures.

**(h) Employee Entitlements, as Staffing Costs**

The Trust's staff are employees of the Department of Human Services who are assigned to the Trust. The accruing entitlement of departmental employees assigned to the Trust have been recognised in the Statement of Financial Position as an amount payable by the Trust to the Department.

In determining the outstanding payable to the Department, the Trust provides for long service leave in accordance with the short hand method of determination using the benchmark number of years (seven for 2003, eight for 2002) recommended by the Department of Treasury and Finance. The amounts expected to be paid to employees for their pro rata entitlement to long service and annual leave are accrued at current pay rates.

Accruing employee entitlements to long service and annual leave were charged to the Statement of Financial Performance as they were incurred.

**(i) Superannuation**

The Trust's staff are employees of the Department of Human Services who are assigned to the Trust. The accruing entitlements of departmental employees assigned to the Trust have been recognised in the Statement of Financial Position as an amount payable by the Trust to the Department of Treasury and Finance.

Since 1 July 1995 the Trust has paid to the State Superannuation Fund the incremental cost of its superannuation obligations as they were incurred.

During the year the Trust has provided for employer superannuation contributions at the average rate of 10 percent, on accruing employee entitlements to annual leave and on part of the provision for long service leave. Superannuation on-costs are included for part only of the long service leave provision in recognition that it is estimated that 45 percent of the provision will be paid as a lump sum payment on cessation of employment and will not be subject to employer superannuation contributions.

Prior to 1 July 1995 the Trust made provision for its superannuation obligations in respect of contributors to the South Australian Superannuation Fund, in accordance with a formula recommended by the Public Actuary. The carried forward provision is indexed annually and subject to annual payment such that it will be extinguished by 31 December 2025.

The latest actuarial review of the superannuation liabilities of the Trust was completed by the consulting actuaries Brett & Watson Pty Ltd as at 30 June 2002. The provision for superannuation, recognised in the accounts as at 30 June 2003 is consistent with the review recommendations. Refer Note 21 for further details.

**(j) Insurance**

The Trust is party to an agency agreement with SAICORP (South Australian Government Captive Insurance Corporation) in which the Treasurer indemnifies the Trust against damage suffered to the Trust's property or claims made against the Trust. The Trust pays a contribution to SAICORP for this cover. The Trust assumes part of the risk through accepting deductibles in each category of cover.

The Statement of Financial Performance item 'Insurance' recognises the SAICORP contribution and the cost of losses met by the Trust as deductibles under the SAICORP cover.

The Trust is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*. The Trust has insurance cover which limits the exposure for losses.

The Trust undertakes annual reviews of insurance risk and provides for losses or other charges that are not covered by the Treasurer's indemnity with respect to each category of potential loss or claim reflected below.

*Insurance Provisions*

The provision for Rental and Purchase Agreement Properties represent payments due to contractors for incurred claims where the works have not been finalised at balance date, the un-expensed write-down estimate of properties that have not been repaired and may be sold in a damaged condition, and for Rental Purchase and Sale Under Agreement properties an estimate for future claim payments for claims incurred but not reported at balance date.

The provision for Public Risk and Professional Indemnity includes estimates for future claim payments for reported claims with an allowance for claims incurred but not reported at balance date.

The provision for Workers Compensation includes estimates for future claim payments for reported claims with an allowance made for estimated recoveries. The provision also includes an allowance for claims incurred but not reported at balance date. The provision relating to Department of Human Services employees assigned to the Trust has been recognised in the Statement of Financial Position as an amount payable by the Trust to the Department.

For all classes of insurance, claims liabilities are measured as the present values of the expected future payments and in respect of claims incurred but not reported at balance date an allowance is estimated based on historical claims.

**(k) Provisions (Excluding Insurance)**

*Doubtful Debts*

Specific provision has been made for particular doubtful debts. In addition, a general provision based on the profile of the Trust's debt and debt write off history has also been raised. During the year the Trust's debt and debt write off history has been reviewed and analysed resulting in an upgraded method of providing for doubtful debts being adopted for this year. Last year's comparative figures have not been brought to account - refer Note 15.

*Payroll Tax on Employee Entitlements*

The Trust has accrued the cost of payroll tax on accrued employee entitlements for annual leave, long service leave and the superannuation contributions thereon. This provision, relating to employee entitlements of departmental employees assigned to the Trust, has been recognised in the Statement of Financial Position as an amount payable by the Trust to the Department of Human Services.

*Audit Fees*

The Trust provides for the fees payable to the Auditor-General's Department for the current financial year's audit. The provision based on a current estimate was not discounted to its present value as the effect of discounting was not material.

*Deferred Separation Title Costs for Attached Housing*

For sales of rental properties to tenants subject to the separation of the property title and services, the Trust provides for the estimated cost of such separation. Due to the duration of separation projects being variable and less than 12 months the provision value was not discounted to its present value as the effect of discounting was not material.

**(l) Unearned Revenue**

Lump sums received for leases assigned on Trust properties are progressively brought to account as income on a straight-line basis over the term of their respective agreements.

**(m) Tax Status**

The activities of the Trust are exempt from the Commonwealth's Income Tax but subject to other Commonwealth taxes such as Fringe Benefits Tax and Goods and Services Tax (GST). The activities of the Trust are also exempt from State Land Tax and Stamp Duty but other State taxes such as Payroll Tax are applicable.

The Trust is part of a GST group. The nominated representative of the GST group, the Department of Human Services, is responsible to pay GST and is entitled to claim input tax credits. Administrative arrangements between members of the GST group provide for the reimbursement of the GST consequences incurred/earned by the Trust. The reimbursement receivable from/payable to the nominated representative of the GST group have been recognised as a receivable/payable in the Statement of Financial Position.

The Trust is subject to the Tax Equivalent Regime (TER) administered by the Department of Treasury and Finance. The application of the TER requires the Trust to pay to the Department of Treasury and Finance amounts which are equivalent to that which would have been payable to the Commonwealth if the Commonwealth's Income Tax and Sales Tax laws were applicable, and to the State if the State's Land Tax, Stamp Duty and Debits Taxes were applicable. Currently all amounts paid to the Department of Treasury and Finance by the Trust as tax equivalents are reimbursed to the Trust by way of grant funds.

For the purpose of determining Income Tax equivalent payments, which are applicable only to certain Property Activities of the Trust, the Income Tax liability is deemed to be equal to 30 percent of relevant Surplus from Ordinary Activities.

**(n) Rounding**

Unless otherwise shown in the accounts, amounts are expressed in Australian currency and have been rounded to the nearest one thousand dollars.

**(o) Administered Items, Controlled Entities, Subsidiaries and Trust Funds**

The Trust does not administer any revenues, expenses, assets or liabilities controlled by the South Australian Government or another South Australian Government Agency, nor does it have an administrative role, ownership or control in any other entity, subsidiary or trust fund.

## 3.

**Statement of Outputs**

The following is a summary of the Trust's outputs:

**Community Support and Development**

Support for community activities and networks that develop caring and cohesive communities, including liaison with Government, Local Government, and community organisations in the development and regeneration of urban environments and maintaining and improving private rental housing standards.

**Environmental Health Management**

Promotion of proper standards of environmental health and includes the management of hazardous substances.

**Private Rental Assistance**

The provision of rent relief payments, rent in advance/arrears payments, bond guarantees, and referral and advice.

**Public Housing**

Management of public housing assets and tenancies, including needs assessment, case management and individual support for households with complex needs, including disability, homelessness, children and families at risk, frail aged, youth and mental health and domestic violence issues.

**Crisis Accommodation**

Funding for the expansion and upgrading of properties which are used by community organisations to provide emergency accommodation for homeless people or those at risk of homelessness.

**Net Allocated Expenses**

The cost of goods and services indirectly contributing to the provision of the Trust's outputs, which have been allocated to the output through the 'other' expenditure category.

	2003						2003 Total \$'000	2002 Total \$'000
	Community Support & Dvlpmnt \$'000	Envrntal Health Mngmnt \$'000	Private Rental Assistance \$'000	Public Housing \$'000	Crisis Accomm \$'000	Net Allocated Expenses \$'000		
<b>REVENUES FROM ORDINARY ACTIVITIES</b>								
Gross rents	39	-	-	318 920	-	-	318 959	302 383
Less: Rental rebates	-	-	-	(137 459)	-	-	(137 459)	(124 693)
Rents payable by tenants	39	-	-	181 461	-	-	181 500	177 690
Interest	41	-	-	3 581	-	-	3 622	2 725
Recoveries	413	-	3 169	6 276	-	1 326	11 184	10 616
Sundry	46	-	82	2 183	-	522	2 833	1 810
Commonwealth								
Government	-	-	9 402	32 775	5 385	-	47 562	41 568
State Government	710	-	4 465	76 201	-	62	81 438	76 193
Net revenue from disposal of non-current assets	7 757	-	-	10 984	-	384	19 125	5 624
Net revenues from restructuring	-	-	-	178	-	-	178	-
<b>Total Revenues</b>	<b>9 006</b>	<b>-</b>	<b>17 118</b>	<b>313 639</b>	<b>5 385</b>	<b>2 294</b>	<b>347 442</b>	<b>316 226</b>
<b>EXPENSES FROM ORDINARY ACTIVITIES:</b>								
Staffing costs	2 499	-	3 617	29 660	184	-	35 960	32 647
Borrowing costs	-	-	-	43 304	-	1 577	44 881	45 257
Maintenance	-	49	-	65 401	-	198	65 648	63 972
Council rates and water charges	-	-	-	46 062	-	54	46 116	44 973
Land tax equivalents	-	-	-	58 148	-	-	58 148	54 478
Depreciation	-	-	-	39 274	-	3 011	42 285	39 971
Business services fees	1 084	-	1 540	10 334	55	-	13 013	13 207
Rent	-	-	-	1 720	-	3 825	5 545	4 902
Insurance	-	-	-	3 474	-	34	3 508	3 635
Bad and doubtful debts	-	-	1 738	6 254	-	-	7 992	4 203
Grants	-	-	8 596	-	3 314	-	11 910	11 686
Other	10 598	-	1 627	15 191	65	(6 405)	21 076	15 989
<b>Total Expenses</b>	<b>14 181</b>	<b>49</b>	<b>17 118</b>	<b>318 822</b>	<b>3 618</b>	<b>2 294</b>	<b>356 082</b>	<b>334 920</b>
<b>Surplus (Deficit) from Ordinary Activities before Income Tax</b>	<b>(5 175)</b>	<b>(49)</b>	<b>-</b>	<b>(5 183)</b>	<b>1 767</b>	<b>-</b>	<b>(8 640)</b>	<b>(18 694)</b>
<b>Income Tax Equivalent</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Surplus (Deficit) from Ordinary Activities after Tax</b>	<b>(5 175)</b>	<b>(49)</b>	<b>-</b>	<b>(5 183)</b>	<b>1 767</b>	<b>-</b>	<b>(8 640)</b>	<b>(18 694)</b>

		2003	2002		
		\$'000	\$'000		
<b>4. Interest Income</b>					
Interest received or due and receivable:					
Treasury deposit account		3 601	2 703		
Customers		21	22		
		<b>3 622</b>	<b>2 725</b>		
<b>5. Recoveries</b>					
Grant Program receipts		3 578	3 419		
Maintenance		3 938	3 675		
Water charges		2 009	1 912		
Administrative services to other agencies		1 659	1 610		
		<b>11 184</b>	<b>10 616</b>		
<b>6. Staffing Costs</b>					
Salaries and wages		30 570	27 940		
Long service leave		1 888	1 220		
Superannuation		4 937	3 034		
Other salary related expenses		2 822	2 613		
Charged to capital program		40 217	34 807		
		(4 257)	(2 160)		
		<b>35 960</b>	<b>32 647</b>		
<b>7. Borrowing Costs</b>					
Interest on borrowings		37 107	37 823		
Treasurer's guarantee fee		6 197	6 287		
Interest accrued against provision for superannuation		1 536	1 136		
Bank fees		41	11		
		<b>44 881</b>	<b>45 257</b>		
<b>8. Depreciation</b>					
Rental properties (dwellings)		39 274	35 876		
Administrative properties - Buildings		58	61		
Administrative properties - Leasehold improvements		188	235		
Plant and equipment		98	120		
Computer systems development		2 667	3 679		
		<b>42 285</b>	<b>39 971</b>		
<b>9. Rent</b>					
Lease rental expense - Administrative properties		3 841	3 507		
Lease rental expense - Rental properties		1 704	1 395		
		<b>5 545</b>	<b>4 902</b>		
<b>10. Bad and Doubtful Debts</b>					
Bad debts written off		5 520	5 158		
Provision for doubtful debts adjustment		2 472	(955)		
		<b>7 992</b>	<b>4 203</b>		
<b>11. Specific Disclosures</b>					
Variances on Capital Works Program		7	129		
Increment on revaluation of vacant land property:					
Due to transfer of assets from rental properties to vacant land class		-	(877)		
Due to annual revaluation		(467)	(52)		
Decrement (Increment) on real property inventories		16	12		
Consultant services		247	269		
Auditor-General's audit fees		241	247		
<b>12. Disposal of Non-Current Assets</b>					
		Sale Proceeds	Cost of Sales	Surplus (Deficit)	
		2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
Rental properties*		51 458	60 111	40 807	54 165
Projects		28 702	28 113	20 400	30 304
Joint Ventures		-	-	-	7
Inventory vacant land		500	2 479	328	603
		<b>80 660</b>	<b>90 703</b>	<b>61 535</b>	<b>85 079</b>
				<b>172</b>	<b>1 876</b>
				<b>19 125</b>	<b>5 624</b>

\* The cost of sales comprise the Valuer-General's property valuations, costs of separating services and titles in respect of double units sold, marketing and agent fees. In establishing the property value, the Valuer-General includes the impact of capital improvements effected by tenants. Tenants purchasing properties are allowed discounts consistent with their personal investment in the property.

13.	<b>Grants</b>	<b>Revenue</b>			<b>Expenditure</b>			<b>2003 Total</b>
		CWlth Grants	State Grants	Other Revenue	2003 Total	Admin Costs	Grants Costs	
	Crisis Accommodation	3 314	-	-	<b>3 314</b>	-	-	<b>3 314</b>
	Housing Improvement and Rent Control	-	465	411	<b>876</b>	876	-	<b>876</b>
	Private Rental Assistance Program	7 372	3 549	3 198	<b>14 119</b>	8 203	5 916	<b>14 119</b>
	Rent Relief	2 030	916	53	<b>2 999</b>	319	2 680	<b>2 999</b>
	<b>Total 2003</b>	<b>12 716</b>	<b>4 930</b>	<b>3 662</b>	<b>21 308</b>	<b>9 398</b>	<b>11 910</b>	<b>21 308</b>
	Total 2002	12 901	6 253	3 855	23 009	11 323	11 686	23 009
					<b>2003</b>			<b>2002</b>
	Grant Revenue Comprises:	<b>CWlth</b>	<b>State</b>	<b>Total</b>	<b>CWlth</b>	<b>State</b>	<b>Total</b>	
	Grant funded programs (As above)	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	
	Rebate subsidy grant	<b>12 716</b>	<b>4 930</b>	<b>17 646</b>	<b>12 901</b>	<b>6 253</b>	<b>19 154</b>	
	Tax equivalent Reimbursement	<b>23 985</b>	<b>10 943</b>	<b>34 928</b>	<b>18 252</b>	<b>9 406</b>	<b>27 658</b>	
	GST compensation	<b>8 790</b>	<b>3 030</b>	<b>11 820</b>	<b>8 835</b>	<b>3 105</b>	<b>11 940</b>	
	Administration subsidy	-	894	894	-	763	763	
	General purpose	-	2 967	2 967	-	1 611	1 611	
	Capital programs	<b>2 071</b>	<b>245</b>	<b>2 316</b>	<b>1 580</b>	<b>167</b>	<b>1 747</b>	
		<b>47 562</b>	<b>81 438</b>	<b>129 000</b>	<b>41 568</b>	<b>76 193</b>	<b>117 761</b>	
14.	<b>Accumulated Surplus Reconciliation</b>				<b>2003</b>			<b>2002</b>
	Balance at 1 July				<b>\$'000</b>			<b>\$'000</b>
	Surplus (deficit) from ordinary activities after income tax				<b>812 466</b>			<b>792 717</b>
	Transfer to accumulated surplus:				<b>(8 640)</b>			<b>(18 694)</b>
	Increment realised on sale of freehold land and buildings							
					<b>39 280</b>			<b>38 443</b>
	<b>Balance at 30 June</b>							
15.	<b>Receivables</b>				<b>2003</b>			<b>2002</b>
	Current Assets:				<b>\$'000</b>			<b>\$'000</b>
	Debtors				<b>18 441</b>			<b>17 430</b>
	Provision for doubtful debts*				<b>(4 040)</b>			<b>(1 518)</b>
					<b>14 401</b>			<b>15 912</b>
	Interest							<b>282</b>
	Grants - Tax equivalent reimbursement							<b>261</b>
	- Other programs							<b>175</b>
								<b>270</b>
	Residential mortgage and sale under agreement loans							<b>1 453</b>
								<b>353</b>
								<b>1 910</b>
								<b>884</b>
								<b>321</b>
								<b>216</b>
								<b>16 632</b>
								<b>17 012</b>
	*	Refer Note 2(k). The 30 June 2002 provision calculated under the revised method is \$3.912 million.						
	Non-Current Assets:							
	Mortgage and sale under agreement loans:							
	Residential housing				<b>845</b>			<b>1 267</b>
	Provision for doubtful debts				<b>(10)</b>			<b>(60)</b>
					<b>835</b>			<b>1 207</b>
16.	<b>Inventories</b>							
	Current Assets:							
	Stores				<b>175</b>			<b>27</b>
	Finished houses				-			<b>1 411</b>
	Developed land				<b>8298</b>			<b>16 820</b>
	Vacant land*				<b>3 984</b>			<b>4 084</b>
					<b>12 457</b>			<b>22 342</b>
	Capital works in progress				<b>35 112</b>			<b>19 479</b>
					<b>47 569</b>			<b>41 821</b>
	Non-Current Assets:							
	Capital works in progress				<b>2 343</b>			<b>2 376</b>
	*	Vacant land does not include \$0.026 million (\$0.037 million) of land transferred to the South Australian Aboriginal Housing Authority under a management agreement with the Trust.						
17.	<b>Other Current Assets</b>							
	Prepayments				<b>652</b>			<b>538</b>

<b>18. Property, Plant and Equipment</b>		<b>2003</b>	<b>2002</b>
<b>Rental properties (dwellings):</b>		<b>\$'000</b>	<b>\$'000</b>
Freehold land:			
At independent valuation		<b>1 468 405</b>	1 325 633
Buildings:			
At independent valuation		<b>2 039 586</b>	1 816 532
Accumulated depreciation		<b>(27 180)</b>	(24 289)
		<b>2 012 406</b>	1 792 243
		<b>3 480 811</b>	3 117 876
	<b>Total Rental Properties*</b>		

\* Includes \$17.261 million (\$16.216 million) for properties subject to lease and management agreements and \$11.929 million (\$10.854 million) for properties subject to purchase by tenants under the Trust's Progressive Purchase Scheme.

Excludes \$0.098 million (\$0.180 million) of properties transferred to the South Australian Aboriginal Housing Authority that are subject to a management agreement with the Trust.

<b>Administrative Properties:</b>		<b>2003</b>	<b>2002</b>
Freehold land:		<b>\$'000</b>	<b>\$'000</b>
At independent valuation		<b>615</b>	735
Buildings:			
At independent valuation		<b>1 964</b>	2 026
Accumulated depreciation		<b>(40)</b>	(40)
		<b>1 924</b>	1 986
Leasehold improvements:			
At cost		<b>2 920</b>	1 871
Accumulated amortisation		<b>(1 047)</b>	(858)
		<b>1 873</b>	1 013
	<b>Total Administrative Properties</b>		
		<b>4 412</b>	3 734

<b>Vacant Land (Freehold):</b>				
At independent valuation		<b>8 460</b>	10 259	
	<b>Total Vacant Land*</b>		<b>8 460</b>	10 259

\* Excludes \$195 000 (\$182 000) of properties transferred to the South Australian Aboriginal Housing Authority that are subject to a management agreement with the Trust.

<b>Plant and Equipment:</b>				
Plant and equipment - At cost		<b>-</b>	12	
Accumulated depreciation		<b>-</b>	(12)	
		<b>-</b>	-	
Office equipment - At cost		<b>1 151</b>	1 176	
Accumulated depreciation		<b>(680)</b>	(642)	
		<b>471</b>	534	
Computer equipment - At cost		<b>168</b>	212	
Accumulated depreciation		<b>(163)</b>	(199)	
		<b>5</b>	13	
Computer system development - At cost		<b>22 753</b>	20 029	
Accumulated amortisation		<b>(16 942)</b>	(14 275)	
		<b>5 811</b>	5 754	
	<b>Total Plant and Equipment</b>		<b>6 287</b>	6 301

<b>Capital Works in Progress:</b>				
Capital Work in Progress		<b>62 178</b>	38 428	
	<b>Total Property, Plant and Equipment</b>		<b>3 562 148</b>	3 176 598

<b>19. Payables</b>			
Current Liabilities:			
Creditors		<b>11 527</b>	9 423

Non-Current Liabilities:			
Creditors		<b>2 881</b>	1 878

<b>20. Interest-Bearing Liabilities</b>			
Current Liabilities:			
Borrowings - SA Department of Treasury and Finance		<b>16 964</b>	16 011
Managed Houses Scheme		<b>243</b>	243
		<b>17 207</b>	16 254
Non-Current Liabilities:			
Borrowings - SA Department of Treasury and Finance		<b>792 809</b>	809 987
Managed Houses Scheme		<b>4 432</b>	4 675
		<b>797 241</b>	814 662

South Australian Department of Treasury and Finance loans consists of concessional interest rate borrowing (originally under the Commonwealth/State Housing Agreement) of \$809.773 million (\$825.998 million) which are repayable over a period of 53 years, with the final instalment scheduled for the year 2042. The loans are subject to principal repayments and interest at fixed interest rates ranging from 3.0 percent to 5.7 percent (3.0 percent to 5.7 percent). The weighted average interest rate is 4.19 percent (4.47 percent).

**20. Interest-Bearing Liabilities (continued)**

The Managed Houses Scheme of \$4.675 million (\$4.918 million) under the memorandum of understanding between the Trust and the Treasurer, will be amortised against Managed Houses Scheme expenses over the remaining term of the agreement.

The following table summarises the periods in which repayment of borrowings and amortisation of the Managed Houses Scheme liability will occur:

	2003 \$'000	2002 \$'000
Borrowings – Current:		
Not later than one year	<b>17 207</b>	16 254
Borrowings – Non-Current:		
Later than one year but not later than five years	<b>76 724</b>	72 918
Later than five years	<b>720 517</b>	741 744
<b>Total Non-Current Borrowings</b>	<b>797 241</b>	814 662
<b>Total Borrowings</b>	<b>814 448</b>	830 916

**21. Employee Entitlements and Other Provisions**

## Current Liabilities:

Employee entitlements	1 224	1 000
Superannuation	<b>1 224</b>	1 000
Other Provisions		
Insurance of rental and purchase agreement properties	645	709
Public risk	894	1 267
Professional indemnity	265	153
Deferred separation title costs for attached housing	146	438
Audit fees	187	187
	<b>2 137</b>	2 754
	<b>3 361</b>	3 754
Non-Current Liabilities:		
Employee entitlements	17 715	16 067
Superannuation - refer Note 2(i) for further details.	<b>17 715</b>	16 067

**Superannuation**

An actuarial review of the superannuation liabilities of the Trust as at June 2002 has been completed by the consulting actuaries Brett & Watson Pty Ltd. The revised provision for superannuation as recommended in their report, has been brought to account as at 30 June 2003. The adjustment of \$1.394 million increase to the existing provision has been recognised as an expense. Refer Note 2(i) for further details.

Provision Movement Schedule:	Additions (new provisions and increased		Reductions to	Reductions due to	2003 \$'000
	2002 \$'000	\$'000	provisions	payments	
Superannuation	17 067	2 930	-	(1 058)	<b>18 939</b>
Rental and purchase agreements	709	2 257	(15)	(2 306)	<b>645</b>
Public Risk	1 267	106	(270)	(209)	<b>894</b>
Professional indemnity	153	118	(6)	-	<b>265</b>
Deferred separation costs	438	1 688	(476)	(1 504)	<b>146</b>
Audit fees	187	268	(27)	(241)	<b>187</b>
	<b>19 821</b>	<b>7 367</b>	<b>(794)</b>	<b>(5 318)</b>	<b>21 076</b>

**22. Other Current and Non-Current Liabilities**

## Current Liabilities:

Unearned revenue	2003 \$'000	2002 \$'000
Deposits held:		
Tenant deposits held	1 990	1 949
Sale deposits held	4 413	5 045
	<b>6 403</b>	6 994
<b>Total Other-Current</b>	<b>9 524</b>	9 883

## Non-Current Liabilities:

Unearned revenue	3 512	3 821
------------------	-------	-------

**23. Asset Revaluation Reserve**

Balance at 1 July 2002	1 604 267	1 475 929
Increment on revaluation of freehold land and buildings	425 485	178 742
Decrement on revaluation of rental houses:		
Transferred to capital work programs	(10 612)	(9 780)
Subject to sale contracts	(1 251)	(2 181)
Transfer to accumulated surplus:		
Increment realised on sale of freehold land and buildings	<b>(39 280)</b>	(38 443)
<b>Balance at 30 June 2003</b>	<b>1 978 609</b>	1 604 267

**24. Interests in Management Agreements**

The Trust, subject to a management agreement, has an interest of 50 percent in joint landholdings with the Land Management Corporation for the purpose of acquiring and holding land at Seaford for subsequent development and sale. The Trust's investment consists of \$2.343 million (\$2.376 million) of vacant land. For the period ending 30 June 2003 the management fee expensed to the deficit from ordinary activities of the Trust was \$35 000 (\$55 000).

**25. Commitments****Capital Expenditure**

Contracted but not provided for and payable:

Not later than one year

<b>2003</b>	2002
\$'000	\$'000
<b>10 859</b>	17 566

**Recurrent Expenditure**

Recurrent expenditure on operations, maintenance and grant funded programs contracted but not provided for and payable:

Not later than one year

<b>5 650</b>	5 789
--------------	-------

During the year the Trust incurred expenditure on a number of grant funded programs as detailed in Note 13. The Trust's financial commitment at 30 June 2003 is dependent upon the existing recipients continuing to meet the programs' eligibility criteria and the relevant legislation remaining in force. In all programs grant funds from the State Government and/or Commonwealth Government are received which offset the full cost of the expenditure. For financial details of the programs relating to the year ended 30 June 2003, refer to Note 13.

**Management Agreements**

Amounts due under the agreements to manage houses subject to a lease arrangement with the SA Police Pension Fund, Funds SA and Motor Accident Commission contracted but not provided for and payable:

Not later than one year

Later than one year but not later than five years

Later than five years

<b>2003</b>	2002
\$'000	\$'000
<b>1 349</b>	1 161
<b>4 200</b>	4 176
<b>20 017</b>	21 511
<b>25 566</b>	26 848

**Operating Leases**

The Trust leases several administrative properties with lease periods up to 10 years and also a group of rental properties for use by rental tenants over a 15 year lease period.

The following table summarises the periods in which payments of non-cancellable operating lease rentals with a term of more than one year, and not provided for within the financial statements, will occur:

<b>2003</b>	2002
\$'000	\$'000
<b>3 444</b>	3 538
<b>11 030</b>	11 531
<b>4 458</b>	8 459
<b>18 932</b>	23 528

**26. Contingent Liabilities****Progressive Purchase Scheme**

Under this scheme the Trust owns portions of properties as tenant in common with other persons. Where the Trust has signed agreements with lending institutions advancing persons mortgage monies, the Trust can be called upon in cases of default to purchase the defaulter's interest at current market value. Approximately 177 of the properties included in the scheme are subject to mortgages with a collective loan balance of \$3.219 million (\$7.1 million). The collective value of the properties subject to mortgage is estimated to be \$13.889 million (\$11.745 million), based on the Valuer-General's overall capital value.

**Bond Guarantee Scheme**

Under the bond guarantee scheme a guarantee for the bond is given to the landlord. In the event of a claim by a landlord, the Residential Tenancies Branch makes a payment. The Trust then reimburses the Residential Tenancies Branch and the private rental customer becomes liable to the Trust for the amount. The value of bond guarantees issued and outstanding at 30 June 2003 is \$11.013 million (\$10.441 million).

The Trust pays interest at an agreed market determined rate to the Residential Tenancies Branch based on the daily outstanding balance of bond guarantees issued.

**Rental Purchase and Sale Under Agreement House Purchase Schemes**

The rental purchase and sale under agreement portfolio was transferred to HomeStart Finance on 10 December 1993 and due to conditions in some of the agreements, the Trust remains responsible to make good for loss or damage to the subject properties for specific events. The Trust remains the legal owner of these properties until they are transferred to the purchasers upon completion of their agreement. The properties included in the scheme that are subject to indemnity clauses have a collective estimated replacement value of \$8.1 million (\$14.850 million). These properties together with the Trust's and the South Australian Aboriginal Housing Authority (AHA) rental properties are subject to an agency agreement with South Australian Government Captive Insurance Corporation (SAICORP) and in the event of a claim will be indemnified by the Treasurer so as to limit the combined exposure of the Trust and the AHA to \$1 million.

**Properties Subject to Lease Agreement**

The South Australian Housing Trust transferred properties to the South Australian Aboriginal Housing Authority (AHA) that are subject to a lease/management agreement. The agreement provides for the Trust to purchase the properties on vacancy of the current AHA tenant. The total value of properties subject to this agreement is \$93 000 (\$175 000).

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

For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash at bank and cash held in joint venture and project bank accounts.

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

Cash at Treasury*	2003 \$'000	2002 \$'000
Cash on hand	53 268	51 744
Cash - Joint venture and projects*	400	505
	<b>836</b>	674
	<b>54 504</b>	52 923

\* Interest rates applicable at 30 June 2003:  
 Cash at Treasury 4.60 percent (4.17 percent).  
 Cash - Joint ventures and projects, 2.8 percent - 3.8 percent (2.8 - 3.8 percent).

(b) **Reconciliation of Net Cash provided by Operating Activities to Operating Surplus (Deficit) after Income Tax**

Net Cash provided by Operating Activities

Adjustments:

Depreciation and amortisation	(42 285)	(39 971)
Provision adjustments	(2 147)	942
Buildings written off	(9 414)	(4 756)
Notional Interest on Superannuation Provision	(1 536)	(1 136)
Construction variances, decrement on property investments	(7)	(129)
Surplus (deficit) on revaluation	467	929
Deficit on inventory revaluation	(16)	-
Net revenue from disposal of Non-Current Assets	19 125	5 624
Superannuation Provision	(1 394)	-
Revenue from restructure	178	-
	<b>(37 029)</b>	(38 497)

Change in Assets and Liabilities:

Increase (Decrease) in receivables	1 987	(2 395)
Increase (Decrease) in other current assets	114	276
Decrease (Increase) in payables	(3 107)	5 787
Decrease (Increase) in operating provisions	292	(158)
Decrease (Increase) in other liabilities	37	(59)
Decrease (Increase) in employee entitlements	1 058	1 088
	<b>381</b>	4 539

**Operating Surplus (Deficit) after Income Tax**28. **Remuneration of Board Members and Employees****Board Members Remuneration**

The Trust Board comprises seven members appointed by the Governor. The fees paid to Board members in their capacity as Board members are set by the Executive Council.

The number of Board Members whose remuneration from the Trust falls within the following bands:

Nil payment	-	2
\$10 001 - \$20 000	5	4
\$20 001 - \$30 000	<b>2</b>	2

Number of Members	2003	2002
-	-	2
5	5	4
<b>2</b>	<b>2</b>	2
<b>7</b>	<b>7</b>	8

Total remuneration received, or due and receivable by the Board Members from the Trust

\$'000	2003	2002
	<b>148</b>	130

**Related Party Disclosures**

No Board Members have a pecuniary interest either direct or indirect, in any Firm, Trust or Company with which the South Australian Housing Trust had entered into transactions during the year.

**Employees' Remuneration**

The number of employees whose remuneration from the Trust falls within the following bands:

\$110 000 - \$119 999	-	1
\$120 000 - \$129 999	1	4
\$130 000 - \$139 999	3	-
\$150 000 - \$159 999	1	-
\$180 000 - \$189 999	-	1

Number of Employees	2003	2002
-	-	1
1	1	4
3	3	-
1	1	-
<b>5</b>	<b>5</b>	6

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

\$'000	2003	2002
	<b>684</b>	804

The table discloses the number of staff and the value of their remuneration where the remuneration exceeded \$100 000 for staff who were employed by the Department and subsequently assigned to the Trust.

The remuneration includes salaries and related payments, superannuation and motor vehicle benefits.

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

During the period five staff members, who were employees of the Department of Human Services and assigned to the Trust, accepted a package in line with the State Government's policy.

The TVSP component of the costs for the period amounted to \$339 000 (\$423 000). These costs were met from a central fund administered by the Office for the Commissioner for Public Employment. A total of \$211 000 (\$423 000) has been recovered.

In addition, accrued annual leave, leave loading and long service leave entitlements amounting to \$ 92 000 (\$120 000) were paid to employees who received a package. These payments were met from staffing costs with a corresponding adjustment effected to the respective provision accounts.

**30. Additional Financial Instrument Disclosures**

**Interest Rate Risk**

The Trust has certainty with respect to the interest expense arising from the fixed rate concessional loans from the Treasurer, which comprises the major part of its debt.

Note 20 contains details of the interest rates applicable to interest bearing liabilities and Note 27(a) contains details of the interest rates applicable to the cash held in the bank accounts.

**Credit Risk**

The Trust is exposed to credit risk associated with the amounts due to it from tenants for rent and other charges. Credit risk is ameliorated by the fact that amounts due from individual tenants are relatively small.

The Trust manages credit risk associated with its tenants by establishment of a Credit Policy which is communicated to Trust staff and tenants. The performance of individual tenants and of components of the total population of tenants are monitored and reported upon to Trust management and the Board.

**Net Fair Value of Financial Instruments**

Analysis of the net fair value of financial instruments is detailed below.

The entity has calculated net fair value for Concessional Loans using estimated equivalent cost of borrowing at current yields for matching terms.

The fair value of the Trust's other financial assets and liabilities which are subject to normal trade credit terms, is considered to be face value.

**Summary of Fair Values**

Financial Liabilities:

Concessional Housing Loans  
Managed Houses Scheme  
Payables

	2003		2002	
	Carrying Value \$'000	Fair Value \$'000	Carrying Value \$'000	Fair Value \$'000
809 773	728 788	825 998	654 808	
4 675	4 675	4 918	4 918	
14 408	14 408	11 301	11 301	
<b>828 856</b>	<b>747 871</b>	<b>842 217</b>	<b>671 027</b>	

Financial Assets:

Cash  
Receivables

54 504	54 504	52 923	52 923
17 467	17 467	18 219	18 219
<b>71 971</b>	<b>71 971</b>	<b>71 142</b>	<b>71 142</b>

**31. Property, Plant and Equipment Movement Schedule**

**Gross Carrying Amount**

Balance at 30 June 2002  
Additions  
Disposals  
Net revaluations increments (decrements)  
Net revaluation decrement on contract for sale  
Balance at 30 June 2003

	Administrative				
	Rental Houses and Land \$'000	Properties and Leasehold Improvements \$'000	Plant and Equipment \$'000	Vacant Land \$'000	2003 \$'000
3 142 165	4 632	21 429	10 259		<b>3 178 485</b>
66 256	1 078	2 763	2 461		<b>72 558</b>
(88 524)	(293)	(120)	(4 727)		<b>(93 664)</b>
389 388	82	-	467		<b>389 937</b>
(1 294)	-	-	-		<b>(1 294)</b>
<b>3 507 991</b>	<b>5 499</b>	<b>24 072</b>	<b>8 460</b>		<b>3 546 022</b>

**Accumulated Depreciation/Amortisation**

Balance at 30 June 2002  
Disposals  
Net revaluation decrements  
Net revaluation decrement on contract for sale  
Depreciation/amortisation expensed  
Balance at 30 June 2003

(24 289)	(898)	(15 128)	-	<b>(40 315)</b>
383	-	108	-	<b>491</b>
35 957	57	-	-	<b>36 014</b>
43	-	-	-	<b>43</b>
(39 274)	(246)	(2 765)	-	<b>(42 285)</b>
<b>(27 180)</b>	<b>(1 087)</b>	<b>(17 785)</b>	-	<b>(46 052)</b>

**Net Book Value**

Balance at 30 June 2002  
Plus Capital works in progress

3 117 876	3 734	6 301	10 259	<b>3 138 170</b>
				<b>38 428</b>

**Total Property, Plant and Equipment  
as at 30 June 2003**

**3 176 598**

Balance at 30 June 2003  
Plus Capital works in progress

3 480 811	4 412	6 287	8 460	<b>3 499 970</b>
				<b>62 178</b>

**Total Property, Plant and Equipment  
as at 30 June 2003**

**3 562 148**

32.

**Net Revenues from Restructure**

During the year, the Social Justice and Country Division of the Department of Human Services utilised Commonwealth/ State Housing Agreement funds to purchase and upgrade dwellings for the Supported Accommodation for People with Complex needs Demonstration Project in the Noarlunga region. On completion of the project, ownership together with the on-going responsibility for these dwellings was transferred to the South Australian Housing Trust. The \$0.178 million capital cost of the dwellings transferred has been brought to account as an increase to the non-current asset, 'Property, plant and equipment' and as a 'Net revenue from restructuring'.



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