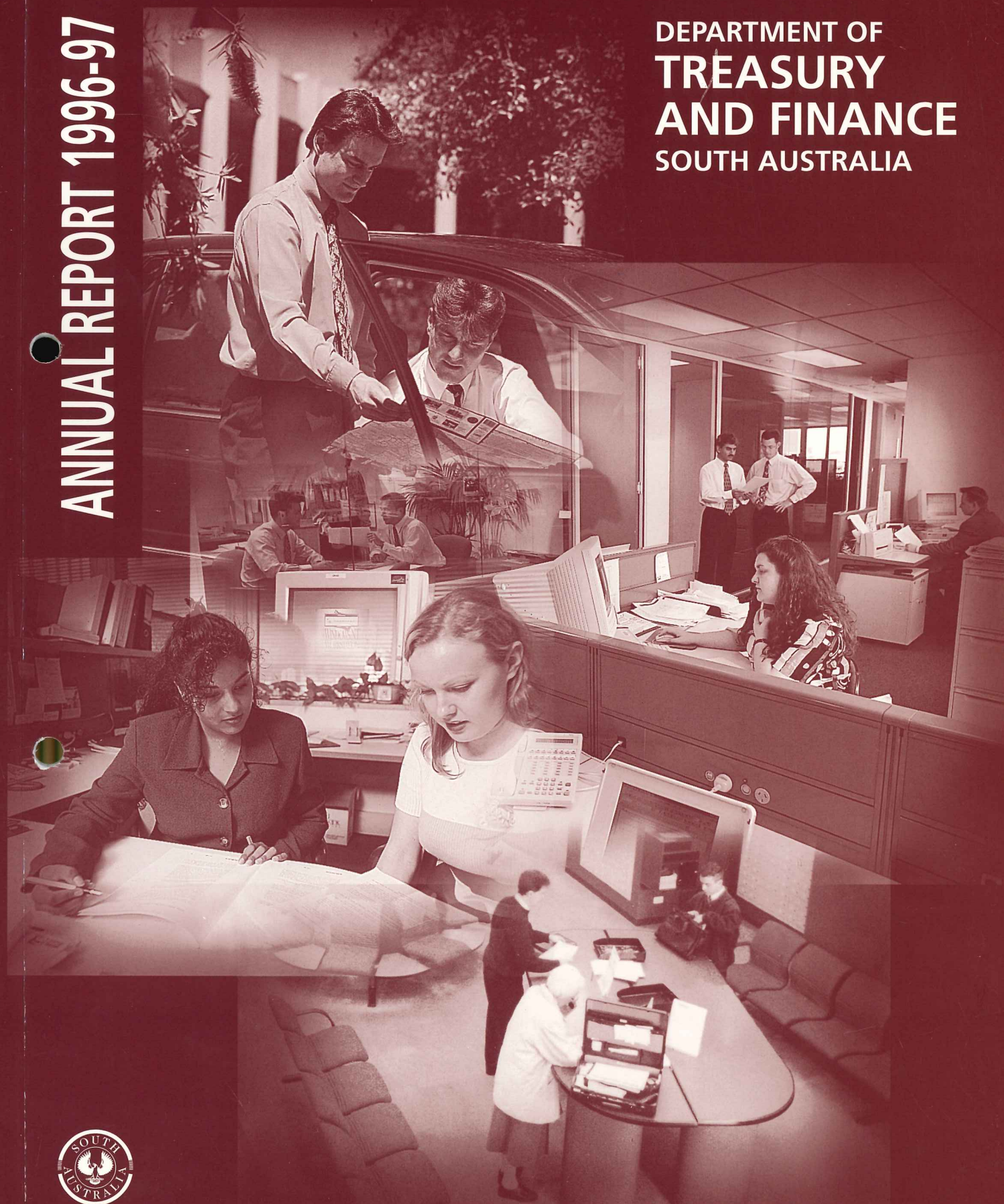


ANNUAL REPORT 1996-97

DEPARTMENT OF TREASURY AND FINANCE SOUTH AUSTRALIA



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OUR MISSION

To provide leadership in meeting the financial and economic challenges faced by South Australia.

We seek to deliver improved outcomes for the State by leading the development and managing the implementation of best practice financial and economic reforms. We provide high quality, professional policy advice for this purpose.

OUR VISION

To be an organisation respected for the quality and integrity of our advice, the standard of public sector financial management and the level of service we deliver to our clients.

In addition to our role in financial and economic reforms, Treasury and Finance is responsible for the efficient and effective delivery of whole-of-government services including asset and liability management, collection of State taxes, and insurance and superannuation administration.

Our primary service delivery obligations must be to our clients. We aim to clearly define our outputs, be acknowledged as understanding and responding to our clients' needs, be recognised as communicating effectively, and be accountable against performance measures.

OUR CORPORATE PROFILE

In one form or another the South Australian Treasury has been an integral part of both the history and development of South Australia since the arrival of the first settlers.

The department and its predecessors have played an important central role in government activity and the economic viability of the State since those early days. Essentially, Treasury's role has been pivotal in advising Government on strategic directions for South Australia and coordinating resource allocations for Government programs and priorities, at a whole-of-government level and with individual government agencies.

Treasury and Finance advises the Government, the Treasurer and the Minister for Finance on economic and financial issues and Commonwealth-State relations. Our core business encompasses a leading role assisting the Government's development and implementation of economic and financial policies for the State.

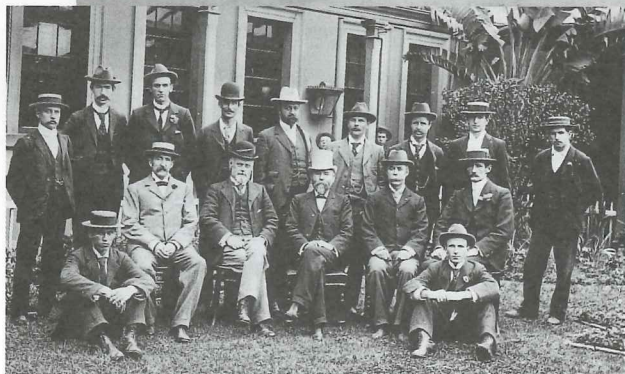
Treasury and Finance manages the State's finances, preparing and managing the State Budget within the framework of the Government's priorities and policies. We promote best practice accounting and financial management through our leadership in financial reforms, standards and systems.

We develop and implement microeconomic reform strategies for the implementation of the National Competition Policy and the structural reform of State enterprises to ensure that the Government's commercial sector is efficient and competitive. Through our regulation and monitoring of selected State-owned and State-based financial institutions, we contribute to the integrity of the State's financial infrastructure.

Treasury and Finance also incorporates the State Taxation Office, the South Australian Government Financing Authority (SAFA), South Australian Government Captive Insurance Corporation (SAICORP) and the State Superannuation Office. Consequently the department is a major service provider, collecting the State's tax revenue and implementing taxation legislation, raising and managing the State's debt funding, administering public sector superannuation and the managing and insuring Government risk.

Our principal clients are the Treasurer and the Minister for Finance, while our stakeholders are Cabinet, agencies and employees in the public sector and the State's taxpayers.

Treasury and Finance has administrative responsibility for legislation for Appropriation and Supply, Public Finance and Audit, the Government Financing Authority, Public Corporations, State taxation, public sector superannuation arrangements and the regulation of lotteries and gaming.



Photos: Morflock Library of South Australia



Photo: John Hemmings Photography, SA

Top Photo: Old Treasury Building, corner King William and Flinders Streets, Adelaide, circa 1910 (the building was known as Government Offices at the time). **Middle Photo:** Group of Treasury officers in the quadrangle of the building, 6 November 1900, including Thomas Gill, the State's longest serving Under Treasurer from 1894 to 1920, and his successor Henry Furneaux Peacock, who became Under Treasurer at the age of 69 years (middle row, third and fourth from right respectively). **Bottom Photo:** South Australian Government Financing Authority (SAFA) Dealing Room, where global financial market trends are monitored for State public sector fundraising and debt management.

OUR STRATEGIC FOCUS

The development of the strategic approach to our business was an important focus for the Department of Treasury and Finance over the past year, as demonstrated by the preparation of our first comprehensive Corporate Plan. We set ourselves the ambitious but essential task of providing leadership in meeting the financial and economic challenges faced by the State. This annual report provides substantial evidence of real progress towards our strategic mission and vision. However, much remains to be done.




Treasury and Finance provided the Government with strategic advice and expertise for the management of asset sales and commercial contracting initiatives. The department successfully completed integrating the residual Asset Management Task Force (AMTF) and the South Australian Asset Management Corporation (SAAMC) functions from March 1997.

Financial management reforms led by the department this year across the public sector included implementation of accrual accounting and reporting, introduction of CA Masterpiece accounting software, negotiation of a new Government banking contract and purchase card and development of an accrual/output budgeting framework. We will implement this framework for the 1998-99 Budget as well as release a major reform of financial management legislation and regulations to set best practice standards.

Innovations in our service delivery areas included the award winning Taxation Information and Money By Electronic Return (TIMBER) system in the State Taxation Office, a \$1.3 billion reduction in the balance sheet of SAFA as it further refines its core business and the re-engineering of the Superannuation Office and SAICORP, with the latter now becoming the national model for government captive insurance.

In a wider context, our corporate drive to encourage and strengthen the strategic focus and management of our business has been fundamental to our performance as an organisation. The foundations developed over the past year will be the basis for continual improvement and innovation. In this regard, the effort and skill of our hard working staff is recognised and appreciated.

Finally, I would like to pay tribute to the outgoing Treasurer, Stephen Baker, for his commitment and support to the department and his achievements over the past four years.


Gerard Bradley
UNDER TREASURER

The elimination of the non-commercial budget deficit in 1997-98, reducing State debt below 20% of the Gross State Product, and the further build up in superannuation assets are important steps in strengthening the State's finances. Our aim in the coming year is to build on these foundations and develop a fiscal strategy with the Government for growing the State's net worth over the long term.

Stable and sound State finances are important for the State's capacity to deliver services to the community while maintaining a competitive taxation regime. Increasingly, however, our taxation base is being constrained and impacted by national factors. Over the past year, the department participated in the development of a model national reform of financial transaction taxes, the recently introduced Taxation Administration Act and the States' response in anticipation of a successful High Court challenge striking out franchise fees. National taxation reform and review of Commonwealth/State financial relations remain critical priorities for the year ahead.

Improving the State's economic performance is always an important challenge. Treasury and Finance was involved in key microeconomic reforms including facilitating the structural separation of electricity utilities, the sale of Australian National Railways, the implementation of a community service obligation framework and a range of national competition policy measures leading to a favourable assessment by the National Competition Council. For the coming year, we will seek to develop long term structural reform options for the State.

OUR PERFORMANCE HIGHLIGHTS

Business Area	Outcome Goals
Economic and Fiscal Policy Advice	<ul style="list-style-type: none"> ◆ Establish medium to long term economic and fiscal policy settings to lift the State's economic performance. ◆ Raise revenue equitably, competitive with other jurisdictions and supportive of economic development. ◆ A fair share for the State of Commonwealth funding.
Funder and Purchaser Advice	<ul style="list-style-type: none"> ◆ Use taxpayers funds to deliver the greatest benefit to the community. ◆ Ensure outlays in aggregate are sustainable over the long term, with no borrowings to meet current expenditure.
Owner and Provider Advice	<ul style="list-style-type: none"> ◆ Ensure the Government's net worth is at least maintained over time and its consolidated financial performance is sustainable. ◆ Maximise the value of the Government's interests in its entities and the productive capacity of its asset base, with an acceptable exposure to risk.
Taxation Services	<ul style="list-style-type: none"> ◆ Administer taxation legislation fairly and equitably to maximise revenue collection consistent with tax laws. ◆ Ensure a taxation system with minimal areas of tax avoidance and evasion, lower compliance costs for taxpayers and lower collection costs for Government.
Debt and Financial Risk Management	<ul style="list-style-type: none"> ◆ Certainty of funding at the lowest possible cost in domestic and overseas markets for public sector clients. ◆ Ensure the lowest possible economic cost of outstanding debt consistent with agreed risk tolerances. ◆ Satisfy the borrowing, cash management, liability management and other financial risk management requirements of public sector entities.
Superannuation	<ul style="list-style-type: none"> ◆ Advise on policies and legislation for the State's public sector superannuation schemes. ◆ Provide services to members which meet industry standards at costs below the national average.
Insurance	<ul style="list-style-type: none"> ◆ Protect the State finances from a very large property loss or liability claim or a series of large losses or claims. ◆ Provide insurance protection for Government agencies at competitive and stable premiums. ◆ Reduce overall cost of risk to agencies and the State.

Major Achievements

- ◆ The Government's key fiscal targets (set in May 1994) were achieved in the 1997-98 State Budget.
- ◆ Tax revenues collected for 1996-97 were within a 1% margin of the budget estimate.
- ◆ A national model for reforming financial transactions taxes was developed by the States and Territories. Measures were developed to protect State revenue from the effects of High Court decisions.
- ◆ Preparatory measures were facilitated for the State's participation in the national electricity market.

- ◆ A small underlying surplus in the non-commercial sector was achieved in the 1997-98 State Budget.
- ◆ Progress was on target to achieve the Government's debt reduction strategy by 30 June 1998.
- ◆ Purchase agreements in place for community service obligations for ETSA and SAWater.
- ◆ Progress was on target to achieve the elimination of past service superannuation liabilities.

- ◆ A debt management policy framework for the debt of the Treasurer, SA Water Corporation and Ports Corp SA was implemented.
- ◆ Assumed responsibility for asset sales following closure of the Asset Management Task Force.
- ◆ Quarterly performance monitoring of ETSA, SA Water and Ports Corp SA was undertaken.
- ◆ Quarterly financial monitoring was extended to SA Generation Corporation (Optima Energy), the Public Trustee, SAGRIC International and WorkCover.

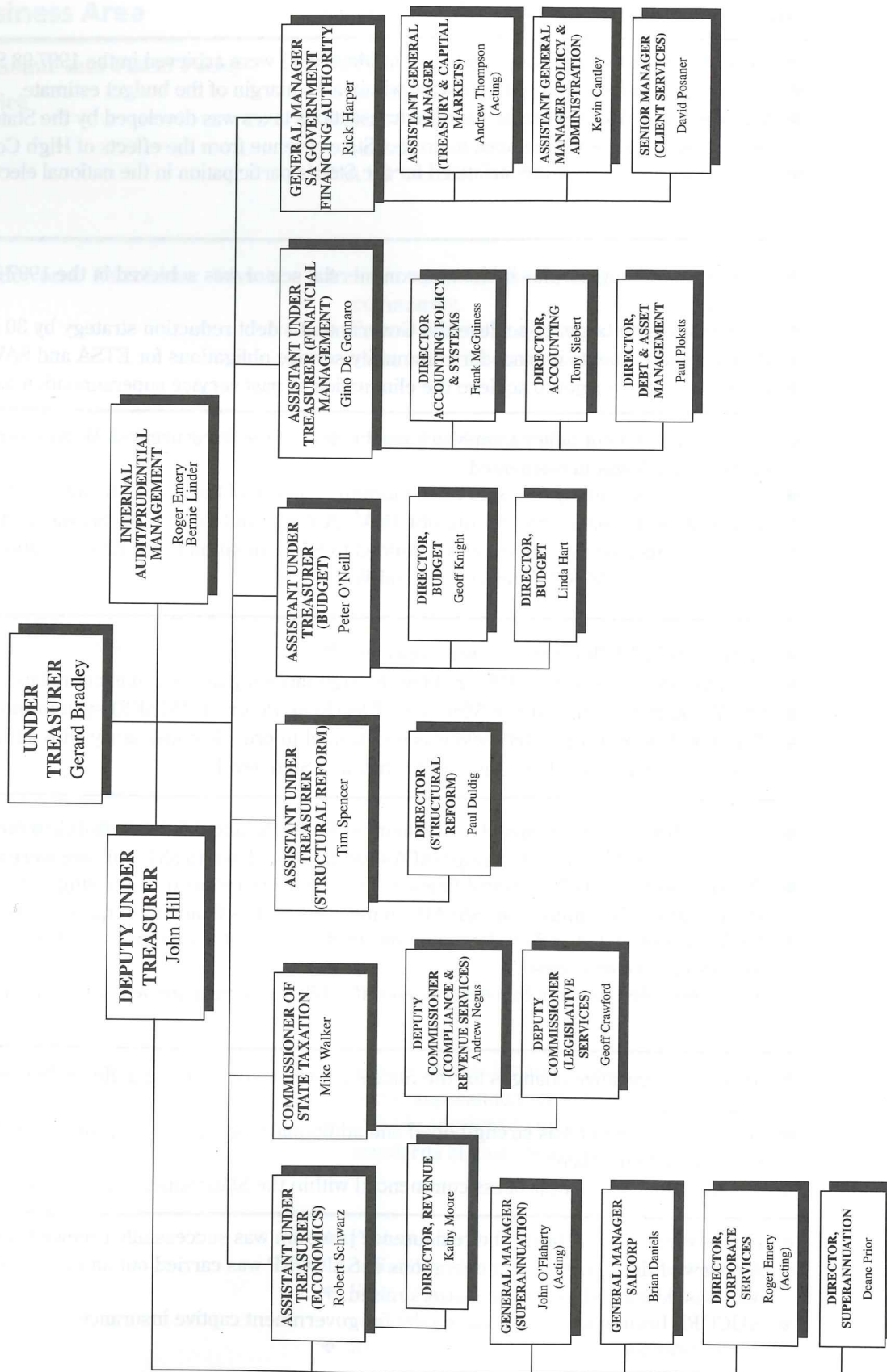
- ◆ More than \$1.6 billion revenue was collected.
- ◆ Revenue was increased by \$18.5 million through targeting areas of non-compliance.
- ◆ The Taxation Information and Money By Electronic Return (TIMBER) system was implemented.
- ◆ *Taxation Administration Act 1996* was proclaimed to provide consistency with administrative provisions on a national level and uniformity at a State level.

- ◆ Further strategic reductions of \$1.3 billion in SAFA's balance sheet, including a further capital reduction by \$200 million to bring SAFA's capital base down to \$319 million, were achieved.
- ◆ External borrowings from world financial markets were reduced by utilising some \$840 million of internal surplus funds from SAAMC to meet the State's financing requirements.
- ◆ Advice was provided and implemented on several substantial loan restructures for a number of commercial sector clients.
- ◆ Advice provided to client-initiated reviews of liability risk management and treasury frameworks.

- ◆ Important legislative changes for the State's public sector superannuation schemes were proclaimed.
- ◆ Senior management was strengthened and additional resources were provided within the State Superannuation Office.
- ◆ A change management process commenced within the State Superannuation Office.

- ◆ The Government's catastrophe reinsurance program was successfully renewed at reduced cost.
- ◆ A review of the structure and operations of SAICORP was carried out and an implementation plan was developed to resolve matters raised.
- ◆ SAICORP becoming the national model for government captive insurance.

ORGANISATION AND EXECUTIVE STRUCTURE





BUSINESS REPORTS

IMPROVING FISCAL AND ECONOMIC PERFORMANCE

Economic and Fiscal Policy Advice

Treasury and Finance provides the Government with high level advice on economic and fiscal policy settings, levels of annual deficit or surplus, debt and superannuation liabilities and net worth, taxation policy, intergovernmental financial relations, microeconomic reform, national competition policy and economic conditions generally.

Outcome Goals

- Medium to long-term economic and fiscal policy settings to lift the State's economic performance and strengthen the State's finances.
- Revenue raised in an equitable manner, with least cost to economic efficiency, and in ways which are competitive with other jurisdictions and supportive of economic development.
- A fair share for the State of Commonwealth funding.

Major Achievements

- The 1997-98 budget marked achievement of the Government's key fiscal targets set in May 1994.
- Tax revenues for 1996-97 were within a 1% margin of the budget estimate.
- As part of a joint State and Territory Working Party, development of a model for national reform of financial transactions taxes.
- Development of measures to protect State revenue bases from the effects of High Court decisions impacting on the validity of State taxing powers.
- Coverage of the Tax Equivalent Regime expanded.
- Preparation for the State's participation in the national electricity market.
- Facilitation of the Australian National Railways sale negotiations.

- Coordination of workplace discussions with the Commonwealth Grants Commission.

Outcomes

Economic and Financial Policy Advice

The Government's fiscal strategy provides for continuation of a modest underlying surplus in the non-commercial sector in each of the three years of the forward estimates period. Treasury and Finance advised the Government on the forward estimates outlook and the evolution of the budget and public finances in the light of contemporary trends interstate.

Following departmental submissions to the State's three credit rating agencies, Moody's Investor Service commented positively on the prospects for South Australia's rating if current improvements continue.

Monitoring of the national economic backdrop and State economic conditions continued during a year in which external economic forecasters paid increased attention to South Australia's macroeconomic conditions. The department strengthened its links with other Government agencies, including the South Australian Development Council (SADC) and the Economic Development Authority (EDA), and made greater use of external forecasts and business-based data sources, moves which helped to broaden the base of our economic advice.

Revenue Policy

Cabinet extended coverage of the Tax Equivalent Regime (TER) to include two additional Government business enterprises and 16 departmental business units. In total, 37 entities and their subsidiaries will be covered by TER from 1 July 1997.

The range of taxes or equivalents for which TER entities are liable was also extended from Commonwealth income and wholesale sales tax to include State taxes or their equivalent (from 1 July 1997) and local government rates (from a date to be determined). Work has been proceeding with the State Taxation Office to identify taxable assets and transactions for State tax purposes. In relation to local government rate equivalents, a methodology for calculating rates has been circulated to all

TER entities for comment and is being assessed for implementation during 1997-98.

Negotiation with the Commonwealth continued regarding the Commonwealth tax status of State Government entities, including compensation claims by the State for loss of wholesale sales tax exemptions resulting from privatisation.

Work was undertaken in conjunction with other jurisdictions to protect State revenue bases from the effects of High Court decisions impacting on the validity of State taxing powers. In the case of business franchise fees at risk of invalidation from a High Court challenge to New South Wales tobacco franchise fees, consideration was given to revenue replacement arrangements. In the case of businesses located in Commonwealth places, work commenced with the Commonwealth and other State and Territory jurisdictions to enable the levying of State-type taxes.

Reform proposals for financial transaction taxes, developed by a joint State and Territory working party, remain contingent on Queensland support.

The department developed a revised gaming machine tax structure based on an emerging revenue shortfall below the \$146 million level guaranteed by the hotel and club industry.

Forward estimates of taxation revenue and general purpose Commonwealth grants were regularly prepared and reviewed as part of the ongoing financial planning of the State within the annual budget framework.

Intergovernmental Financial Relations

Commonwealth grants make up more than half of the State's revenues as shown in the chart below (left). Treasury and Finance prepared briefing material for the Premiers Conference and Heads of Treasuries meetings and reports for Loan Council and the National Fiscal Outlook. A major submission was made to the Commonwealth Grants Commission 1999 Review of General Revenue Grant Relativities.

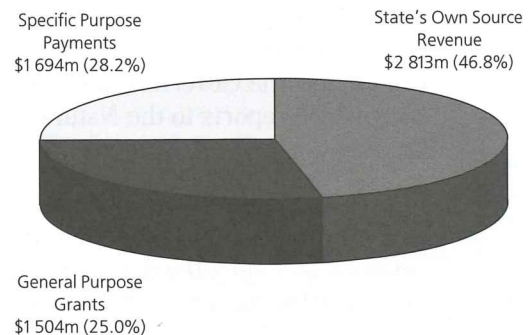
The Commonwealth Grants Commission (CGC), as part of its 1999 review, conducted workplace discussions in each State and Territory. This involved discussions with officers providing State-type services at

facilities such as schools, hospitals and police stations. As coordinator for the discussions in South Australia, the department was involved in conducting talks with agency representatives in country and metropolitan locations.

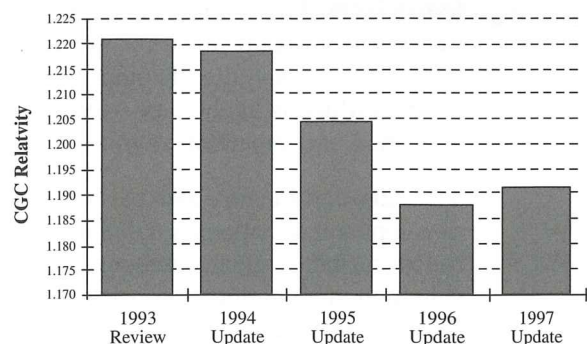
Analysis of Commonwealth funding to South Australia included the impact of the Commonwealth budget and the results of the *Commonwealth Grants Commission Report on General Revenue Grant Relativities 1997 Update*.

The chart below (right) provides a comparison of South Australia's grant distribution relativities since the CGC's last major review in 1993. These are based on each State's assessed relative capacity to raise revenue, together with their relative cost of providing State-type services. For many years South Australia has been assessed as having a greater than per capita need for general purpose funding, indicated by a relativity greater than one. The 1997 Update relativity for South Australia was 1.191, indicating that the State will receive 19.1% more than an equal per capita share of the 1997-98 pool of general purpose grants.

Comparison of State Revenue Sources



1997 Update of the 1993 Review of South Australia's Relativities



Microeconomic Reform and National Competition Policy

The department participated in a number of initiatives during the year to assist the Government to implement national competition policy (NCP) commitments, and broader microeconomic reforms, particularly in the energy, transport and water industries. Compliance with NCP undertakings entitled the State to Commonwealth grants equivalent to \$17 million in 1997-98. Competition grants were approved for payment in 1997-98 following a favourable report from the National Competition Council.

Key elements of the NCP were implemented during the year with the department contributing to the policy statement on competitive neutrality principles and the legislative review timetable.

The department assisted in the establishment of the position of Competition Commissioner to provide an independent oversight of pricing by monopoly Government businesses.

Water

The department significantly contributed to water industry reform through its representation on the State Water Policy Committee, the Government's peak advisory body which reports to the Natural Resources Cabinet Committee.

In particular, Treasury and Finance contributed to the legislative review of urban water services, including the development of a vision for reforming the whole water market.

The department assisted the development of generic milestones for ensuring compliance with the Council of Australian Governments (COAG) framework for water and contributed to the evaluation of the State's progress with water reform. South Australia was the first jurisdiction to institute this important milestone process which is likely to be used in the allocation of competition payments.

Treasury and Finance also participated in the development of national guidelines for full cost recovery, including an assessment of asset valuation methodologies consistent with the NCP framework.

Electricity

Treasury and Finance continued to contribute to the development of arrangements to enable South Australia to participate in the national electricity market (NEM) to be established in March 1998.

The initiatives, generally pursued jointly with other agencies through the Electricity Sector Reform Unit, included :

- separation of generation activities from ETSA Corporation and the creation of the SA Generation Corporation (Optima Energy);

South Australian Electricity Industry Prepares for the National Market

In April 1996, in preparation for South Australia's entry into the national electricity market, the Government announced that electricity generation was to be separated from ETSA Corporation. A new business, the SA Generation Corporation, was established on 1 January 1997 (trading as Optima Energy from 1 July 1997) in a move that addressed concerns that a competitive generation market might not emerge if it was possible for the regulated 'wires' business of ETSA to subsidise its generation operations.

The separation of generation was an example of the relationship between microeconomic reform and corporatisation policy. Corporatisation issues included developing a commercially viable capital structure for both entities, with the industry assuming additional debt of \$450 million. The transfer of the debt from the Treasurer enabled the State Budget to accommodate the abolition of the electricity sales levy. This reform improved the industry's competitive position ahead of the move to the national market.

Following separation, the key issue of establishing vesting contracts to define the volumes, profile and prices for electricity sales by Optima Energy to ETSA required negotiation.

Treasury and Finance was heavily involved during this whole process, providing advice on both the microeconomic reform and corporatisation issues. The department was represented on the separation steering committee and provided officers at working group level. A Treasury and Finance officer was seconded to the Electricity Sector Reform Unit, with another officer at ETSA on a part-time basis during the first half of the year.

- finalisation of vesting arrangements between ETSA Corporation and SA Generation Corporation;
- establishment of the National Electricity Code Administrator (NECA) and the National Electricity Market Management Company (NEMMCO) jointly with other jurisdictions to administer the national electricity code and operate NEM respectively;
- finalisation of the draft national electricity code for submission to the Australian Competition and Consumer Commission for authorisation under the *Trade Practices Act 1974*;
- finalisation of the *Electricity Act 1996* providing the regulatory framework for a competitive electricity industry. The Act was proclaimed on 1 January 1997;
- renegotiation of the interconnection operating agreement in a form consistent with NEM; and
- commencement of a feasibility study, with New South Wales, to evaluate the benefits from directly linking the New South Wales and South Australian electricity grids.

Gas

Treasury and Finance contributed to developing a national access regime to provide free and fair trade in gas. This work was coordinated by the Gas Reform Implementation Group established by the Prime Minister.

The group agreed that South Australia will be the lead legislator for the National Gas Law which will be introduced into the South Australian Parliament in the Spring 1997 session. Work continued in order to finalise the legislation, access code and intergovernment agreement for establishing a national competitive gas market.

Rail

Together with the Economic Development Authority (EDA), the department advised the Government on issues arising from the Commonwealth Government's proposed sale of Australian National (AN) railways. Although the South Australian Government is not a party

to the formal agreement, the sale has significant implications for South Australia.

In extricating itself from the railway business, the Commonwealth Government agreed to return rail corridor land to the State, at no cost. After negotiating a satisfactory environmental remediation program with polluter-pays arrangements, the State Government agreed to take back the land.

Another major outcome of the AN sale resulting from Treasury and Finance's role was the brokering of a deal that resulted in the transfer to the State of the Leigh Creek rail infrastructure. The Leigh Creek component of the AN rail infrastructure is strategically important because it links the coal operations of SA Generation Corporation with its generation plant at Port Augusta.

In addition, the department contributed to the State legislation and lease agreements required to facilitate the AN sale in this State. This involved issues of State taxation arrangements and third party access to rail infrastructure.



Photo courtesy Optima Energy, SA.

Coal train with over two kilometres of trucks being loaded at Leigh Creek, a daily operation for hauling coal to the Port Augusta power stations.

Goals for 1997-98

- Development of an enhanced medium term fiscal planning framework from 1998-99, including accrual-based fiscal targets. The proposed framework will aim to increase certainty about future levels of service delivery and taxation and provide for a continuing commitment to fiscal responsibility.
- Protection of State revenues at risk of constitutional invalidation. The department will contribute to a joint government study into reciprocal taxation of government business enterprises.
- Implementation of a local government rates equivalent methodology and contribution to national tax reform issues.
- Preparation and presentation of material for both general and functional conferences of the Commonwealth Grants Commission 1999 Review of General Revenue Grant Relativities.
- Development of a structural reform agenda to improve the State's economic performance.
- Implementation of energy reforms, including the introduction of an electricity market and gas access regime early in 1998.
- Development and implementation of reforms in the water and transport sectors.
- Development of guidelines to be used by non-commercial sector agencies in ensuring that their business activities comply with NCP principles.

FUNDING GOVERNMENT SERVICES

Funder and Purchaser Advice

Treasury and Finance advises the Government on budgetary, financial and resource issues to ensure that prudent budgetary targets are set and achieved. The department monitors financial performance, at agency level and in aggregate, and is also responsible for the implementation of reforms in budgetary and financial management.

Outcome Goals

- Taxpayers funds used to deliver the greatest benefit to the community with :
 - the mix of outputs best serving community needs, and
 - individual outputs representing value for money and sourced from the most efficient and effective providers.
- Outlays in aggregate being sustainable over the long-term, with no borrowings to meet current expenditure needs and with sufficient flexibility to manage changes in economic and financial circumstances as they arise.

Major Achievements

- Achievement of a small underlying surplus in the non-commercial sector in 1997-98, a major improvement from the deficit of \$301 million in 1993-94.
- Continuation of the Government's policy of no new tax increases.
- On target to achieve the Government's planned debt reduction strategy by 30 June 1998.
- Further development of budgetary management reforms.
- Purchase agreements put in place for community service obligations (CSO) for ETSA Corporation and SA Water Corporation.
- On target to achieve the elimination of past-service superannuation liabilities.

Outcomes

Managing the State's Annual Budget

Treasury and Finance provided the Government with regular updates on budgetary developments, trends and outlook as part of the process of formulating and monitoring the annual State Budget.

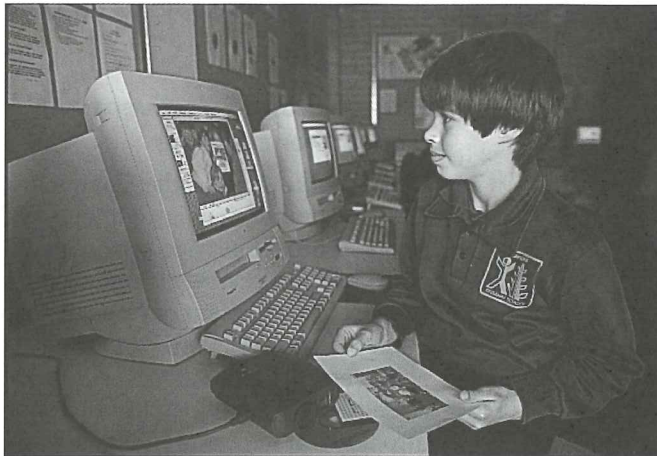
The 1997-98 budget was prepared on the basis of achieving the Government's four year budgetary strategy to eliminate the underlying deficit in the non-commercial sector. The budget accommodated the Government's policy of no new tax increases.

A small underlying surplus of \$1 million was planned for 1997-98, followed by a modest but stable and sustainable underlying surplus in each of the three years of the forward estimates period.

The budget included a priority funding package of one-off initiatives to stimulate the economy and foster job creation. Capital outlays were maintained at high levels and outlays in high priority areas such as health, education and police increased in real terms.

Through budget policy and the asset sales process, the real level of public sector net debt continued to decline and it was estimated that it will fall to 19.5% of Gross State Product by June 1998. The Government's strategy for eliminating the accumulated unfunded superannuation liability by 2024 remained on track.

Photo: Doug Nicholas, courtesy Department of Education and Children's Services, SA



Budget outlays in high priority areas such as education increased in real terms.

BUDGET MANAGEMENT REFORM

During 1996-97, Treasury and Finance undertook a substantial degree of consultation with agencies on proposed changes to budgetary management, including agency representation on an outputs budgeting working group. Guidelines on output specification and costing were developed to assist agencies with the future introduction of outputs budgeting. Revised budget documents were developed, incorporating operating statements and balance sheets.

The proposed changes to be adopted in the 1998-99 budget will be a major improvement, with ownership and purchaser elements clearly identified. This work has laid the groundwork for continued reform over the next two years. A two stage implementation process is proposed with specific milestones for 1998-99 and 1999-2000.

An important component of the implementation strategy will be the introduction of comprehensive training and development programs for agencies.

The program estimates and information budget paper included for the first time an outcomes and outputs presentation for the department. The format indicated some of the output information that will be provided in future years.

The budget also announced the introduction of accrual output-based budgeting, commencing with an accruals presentation for the 1998-99 budget.

The focus of future budgetary management will shift from inputs to outputs and from a cash to an accrual basis. These reforms will improve decision-making through closer integration of the budget process with Government policy and strategy.

Efficiency and Effectiveness of Government Outlays

Benchmarks such as the Commonwealth Grants Commission assessments and reports on government service provision were considered in reviewing agency outlays during the year. Assessment of reforms undertaken, contracting out initiatives, savings achievements and other issues influencing agency outlays and outputs were also taken into account in reviewing agency funding requirements. Treasury and Finance was represented on the Commonwealth-State

working group on government service provision, chaired by the Industries Commission.

The department contributed to the establishment of a CSO policy framework for initial application to public corporations.

Public Sector Wages Policy

Treasury and Finance continued to advise the Government on public sector wages policy, including enterprise bargaining. The department liaised with the Department of Industrial Affairs in the development of new policies and processes for the second round of enterprise bargaining in the State public sector. The department also contributed to the management and coordination of enterprise bargaining at the agency level through its representation on the Industrial Claims Coordinating Committee.

Community Service Obligations (CSO)

A key element of CSO policy is the separation of purchaser and provider roles to :

- ensure that the Government, not the public corporations, makes decisions on both the appropriate level and quality of CSO services and how those services can best be delivered to the community;
- enable rigorous monitoring of the commercial performance of public corporations by clearly separating commercial and non-commercial objectives; and
- enhance accountability and transparency in the delivery of Government social and economic policy outcomes.

CSOs for ETSA and SA Water corporations were identified and purchase agreements (involving total outlays of \$79.38 million) between the corporations and purchaser Ministers were put in place for 1996-97.

Implementation of CSO policy represents a significant step in the evolution of public corporations into commercially-oriented entities by assisting boards and management to focus on the commercial drivers which add value to the corporations and contribute to providing efficient services to the community.

Pricing of Outputs and User Charging

The department provided advice to the Government on proposals for increases in fees and charges. Output specification and costing guidelines were also developed during the year. These guidelines will assist agencies to determine full costs of their outputs, providing a more comprehensive basis for assessing pricing levels for outputs under accrual budgeting.

Contracting for Service Provision

The department collaborated with the Department of Premier and Cabinet in the development of guidelines to deal with the financial and non-financial aspects of contracting out. Advice continued to be provided on contracting out proposals. The department was also involved in the tendering process and evaluation of tenders for public transport, health and others.

Goals for 1997-98

- Presentation of the 1998-99 State Budget and forward estimates on an accrual basis and assistance to agencies in implementing accrual budgetary policies.
- Further use of national expenditure and efficiency benchmarking data to support decision-making processes.
- Further development of contracting out guidelines and advice on proposals for contracting out of service provision.
- Redevelopment of budgetary management systems to improve data flows, business practices and analytical capability and to facilitate formulation and monitoring of the budget on an accrual basis.
- Achievement of agency level enterprise bargaining outcomes consistent with the overall fiscal strategy of the Government.

STRENGTHENING GOVERNMENT FINANCES

Owner and Provider Advice

Treasury and Finance supports the Government's interests as owner of commercial enterprises and non-commercial agencies.

The department reviews performance statements and charter amendments for commercial sector agencies, monitors their financial performance quarterly and advises these commercial owners on major investment issues.

For the non-commercial agencies, the department provides policy advice and monitors the Government's financial position against the budget and forward estimates, in aggregate and at the agency level.

The department also manages and advises the Government on debt and asset management, including asset sales.

Outcome Goals

- The Government's net worth is at least maintained over time and its consolidated financial performance is sustainable.
- The value of the Government's interests in its entities is maximised, the productive capacity of its asset base optimised and maintained, with an acceptable exposure to risk.

Major Achievements

- Implementation and oversight of a new debt management policy framework for the debt of the Treasurer, SA Water Corporation and Ports Corp SA.
- Assuming responsibility for asset sales following the closure of the Asset Management Task Force (AMTF).
- Commencement of documentation of procedures and policies for monitoring public sector debt and related Treasury and Finance risks.
- Quarterly performance monitoring of ETSA Corporation, SA Water Corporation and Ports Corp SA.
- Finalisation of the Project Evaluation Framework for new capital investment.

- Continued run-off of outstanding South Australian Asset Management Corporation (SAAMC) exposures.
- Extension of quarterly financial monitoring of government commercial enterprises to SA Generation Corporation (Optima Energy), the Public Trustee, SAGRIC International and WorkCover.
- Compilation of the first whole-of-government balance sheet, for 1995-96, using formal consolidation principles.
- Significant progress in the implementation of new financial management software across the public sector.
- Upgrading of the systems used for reporting on the Government's financial assets and liabilities, leading to improvements in the quality of data held by the department.
- Negotiation of a contract with the Reserve Bank for the provision of Government banking services and a new purchase card to replace the former State Government Credit Card.

Outcomes

Asset Management

Advice was provided to the Government on proposals for new capital projects as well as overall capital priorities and the capital works program for the current and future years.

The guidelines for the evaluation of public sector investment projects were reviewed in consultation with agencies, resulting in an overview document which explains the purpose and steps in the evaluation process.

During the year Treasury and Finance assumed the role carried out by the former Asset Management Task Force (AMTF). The department's Asset Sales Unit is now responsible for completing AMTF's residual projects, the management of future scoping reviews and any subsequent asset sales. These included the ASER complex, the Central Linen Service, State Print and the Ports Corp SA's bulk handling facilities. The department also assumed responsibility for shack site freeholding, under which shack owners are able to purchase their current lease sites.

In keeping with the department's increased focus on the quality of the Government's balance sheet, a revised policy was prepared for managing of the disposal of assets, in particular property assets.

Advice was provided on several major Government projects, some with significant private sector involvement. These included a new grandstand for the Hindmarsh Stadium, construction of a new netball stadium at Mile End, a new office building on North Terrace for Electronic Data Systems (Australia) Pty Ltd (EDS), the Alice Springs to Darwin railway and the South Australian Steel and Energy project. Advice was also provided to Services SA and the SA Health Commission in the development of their asset management policies.

Liability Management

A revised policy framework for the management of the debt of the Treasurer was developed for implementation in 1997-98. The new framework established a core portfolio of actively managed debt and a separate portfolio of borrowings to be managed on a passive basis (eg inflation indexed debt, where limited secondary market liquidity in the underlying securities does not permit active management of exposures).

Debt and treasury risk management frameworks were approved for SA Water Corporation and Ports Corp SA, both of which moved into market-based funding relationships with SAFA in 1996-97 and became directly accountable for the risk management of their interest rate and other financial exposures.

The first stage in developing a guarantee fee policy for application across the public sector was completed. The broad thrust of the policy is to bring guarantee fees for agencies into line with their credit worthiness, consistent with accepted commercial practice and the principles contained in the national competition policy.

The South Australian Asset Management Corporation (SAAMC, the former State Bank of South Australia entity) continued the wind down of the former State Bank.

RATIONALISATION OF SAAMC ASSETS

On 1 July 1994, SAAMC's balance sheet comprised some \$8.4 billion in assets and in excess of \$8 billion in liabilities. By 30 June 1997, SAAMC's balance sheet was reduced to roundly \$2.6 billion in assets of which some \$2.5 billion were held as either loans to SAFA or high quality liquid treasury assets until such time as the long-term liabilities of the former State Bank mature and can be repaid.

SAAMC collected \$503 million from the sale of assets and recovery of loans including the 333 Collins Street property in Melbourne, the 91 King William Street property in Adelaide, and other properties totalling \$344 million; various legal actions totalling \$31 million; and other recoveries from corporates totalling \$128 million. SAAMC had net assets of roundly \$170 million as at 30 June 1997. Net assets will be returned to the Government as distributions of surpluses or repatriation of capital.

As a consequence of the corporatisation of the former State Bank of South Australia, arrangements were made to enable the gradual phasing out of the Government guarantee for retail deposits of Bank of South Australia Limited from 28 February 1995.

Financial Performance Monitoring and Governance

The department continued to strengthen governance arrangements for commercial sector entities by :

- reviewing capital structures and dividend policies;
- advising on business plans, charters and performance statements; and
- undertaking quarterly performance monitoring of ETSA, SA Water Corporation and Ports Corp SA.

Quarterly performance monitoring frameworks were developed for SA Power Generation (Optima Energy), the Public Trustee, SAGRIC International and WorkCover.

A number of new entities were established by regulation under the *Corporations Act* and advice was provided in relation to charters and business plans required under the Act.

Monitoring of the financial performance of entities in the non-commercial sector included advice on new policy and spending proposals.

Preliminary work was undertaken on ownership aspects of Government Management Framework (GMF) reforms. The department contributed to a discussion paper on funder, owner, purchaser, and provider roles and responsibilities. A thorough review of best practice in relation to ownership aspects and frameworks in other jurisdictions, including New Zealand, was undertaken.

A new budget presentation was developed for introduction in the 1998-99 budget, providing for a clear distinction between purchaser and owner aspects. This work is a precursor to developing an ownership agreement framework for non-commercial sector agencies, consistent with that developed for commercial agencies.

The first statement of the whole-of-government financial position was published during the year. The statement differed from previous information published as part of State Budget papers in that it applied recognised consolidation procedures, providing a comprehensive picture of the assets, liabilities and net worth of the public sector. This will lead to publication of a full set of whole-of-government financial statements using accrual principles during 1997-98.

Financial Management Reform

The department commenced a review of the *Public Finance and Audit Act*, examining the extent to which existing legislation was able to

support emerging trends in public sector finance. This was accompanied by a review of Treasurer's Instructions issued under the Act. The objective of the review was to shift the focus of the instructions from detailed prescriptions to establishing a set of principles for sound financial management and a high standard of accountability at agency level, consistent with public sector reforms devolving greater authority to agencies.

Provision of Banking Services to Agencies

The department acted as the lead agency in a review of the Government's banking arrangements, resulting in a recommendation to the Minister of Finance that the Government adopt a multi-provider model under a prime contractor agreement. Subsequently, the Minister entered into an agreement with the Reserve Bank of Australia for the bank to be the prime contractor to the Government for banking and related services. Other developments included the introduction of alternative payment processes intended for improving the electronic transfer of funds and the introduction of the American Express purchase card.

NEW FINANCIAL INFORMATION SYSTEM TO ASSIST REFORM

Treasury and Finance supported public sector agencies with the implementation of common financial systems. Implementation of the Computer Associates (CA) financial management software across the public sector continued throughout the year. This major project ranks among the largest of its type undertaken in Australia.

The systems, Computer Associates Masterpiece and ACCPAC, were introduced by 22 agencies during the previous 18 months of the project. The target for 1996-97 was a further 19 agencies. In fact, 22 agencies commenced live operation of the systems, and within budget.

The project was successful in achieving an important early step in the overall reform of business and financial management across Government, providing a solid framework for initiatives such as the introduction of accrual accounting and electronic commerce. The department continued to provide advice to agencies on the preparation of accrual-based financial statements. The shift to accrual accounting is a major part of reforms underway in public sector financial administration.



Bulk handling facilities at Port Adelaide.

Photo: John Hemmings Photography, SA.



Photo: Festival City Photography, SA, courtesy Reserve Bank of Australia

The Hon. Stephen Baker, Minister for Finance and Treasurer (right) signing the South Australian Government Banking Services Master Agreement with Barry Noble, the Reserve Bank of Australia's Manager for South Australia.

agencies to ensure the new principles are implemented properly.

- Implementation of the Computer Associates Masterpiece system across the public sector by the end of 1997.
- The calling of tenders for merchant card facilities to enable agencies to accept payment of accounts by debit and credit cards.
- Commencement of telephone bill paying facilities and more cost-effective cheque production services.

Goals for 1997-98

- Provision of advice on new capital proposals, overall capital priorities and forward capital works program.
- Provision of advice to the Government on its financial position in aggregate and at agency level, with particular emphasis on balance sheet management.
- Undertaking major asset sales and management of the overall program.
- Development of a model ownership agreement for non-commercial sector agencies to be trialed in selected agencies.
- Development of guidelines for agencies to implement competitive neutrality reforms, including cost reflective pricing, corporatisation and commercialisation.
- Review of corporate governance arrangements and extension of performance monitoring frameworks to other Government businesses, including forestry and TransAdelaide.
- Completion of the review of the *Public Finance and Audit Act*.
- Completion of the review of Treasurer's Instructions and provision of advice to

EFFICIENT COLLECTION OF STATE TAXES

Taxation Services

Treasury and Finance is responsible for collecting State revenue through the State Taxation Office (STO) which provides an efficient and effective tax revenue service in ways that maximise value to both the Government and taxpayers.

Backed by leading edge technology, STO is moving rapidly towards a self-assessment system with voluntary and enforced compliance for taxpayers. The focus on self-assessment is supported with an ongoing program of taxpayer education involving speakers for professional bodies, seminars, regular consultation with industry groups and the publication of legislative changes.

Outcome Goals

- Administration and enforcement of taxation legislation that is fair and equitable to achieve maximum and timely collection of taxation revenues consistent with taxation laws.
- A taxation system which displays the highest level of integrity and public confidence with minimal areas of tax avoidance and evasion, lower compliance costs for taxpayers and lower collection costs for Government.

Major Achievements

- Collection of more than \$1.6 billion revenue.
- Increased revenue of \$18.5 million through specific compliance projects.
- Implementation of the Taxation Information and Money By Electronic Return (TIMBER) system.
- Introduction of the *Taxation Administration Act 1996* to provide consistency with administrative provisions on a national level and uniformity at a State level.
- Introduction of the *Tobacco Products Regulation Act 1997*.
- Provision of a Stamp Duty Penalty Amnesty.
- Enhanced taxpayer education programs.

- Greater focus on core business and improved customer service by outsourcing routine functions.

Outcomes

Management of Legislation, Systems and Revenue

The STO collected more than \$1.6 billion in revenue, representing a major component of the State's revenue. Successfully targeted compliance programs over the past two years have considerably improved the State's revenue base. This outcome required the STO to process large volumes of returns within tight time constraints, with staff engaged in lodgement enforcement, compliance activities and dispute resolution. The STO maintained a strong commitment to high service levels for taxpayers and their agents.

TAXATION INFORMATION AND MONEY BY ELECTRONIC RETURN (TIMBER)

Conceived, designed and built in-house, TIMBER uses the State Taxation Office Revenue Management System (STORMS) to decode and verify calculations, the Reserve Bank's Reservelink electronic banking system to secure payment, and Telstra's MEA Mailbox facilities for the transmission of data and payments. TIMBER enables solicitors, financial institutions, conveyancers and other taxation professionals to self-assess and stamp a wide range of instruments attracting stamp duty and other Government fees and charges, without the need to visit a Government office.

Participants are finding a raft of other benefits including automated calculation of stamp duty and other Government fees and charges, easy payment by way of direct debit, secure electronic lodgement, increased document control and access to the system database. STO backs the system with full documentation, training and support.

Implementation of the system placed South Australia ahead of all other Australian revenue offices in the efficient use of technology in taxation revenue collection. This excellence in design and function was recognised nationally through the presentation of a Silver Award at the annual Australian Technology in Government Awards. As a result of this award, several interstate jurisdictions showed a firm interest in purchasing the system.



Photo: Id Photographics, ACT

Helga Lemon, Manager, Client Liaison (centre) and Karen Blake, Senior Business Services Officer receiving the Government Technology Productivity Silver Award from Rob Tonkin, Deputy Secretary for Defence in recognition of the State Taxation Office's TIMBER system.

Computerisation is a major long-term strategy to meet operational, information and client service demands and to ensure that South Australia is at the forefront of tax management technology. The outstanding example was the design of information technology for tax management systems. STO developed and successfully implemented the Taxation Information and Money By Electronic Return (TIMBER), a new self-assessment system.

STO built a new computerised system to cater for management and accounting processes within the department's Lotteries and Gaming Section, commenced development of a CA Masterpiece refund generation system and continued a complete rebuild of a land tax billing system and database.

STO outsourced processing tasks to organisations specialising in these tasks. This

improved STO's client service levels and expenditure position and allowed STO to focus on its core business. The production and mailing of payroll tax returns and land tax accounts (around 120 000 documents per annum) and the processing of the majority of land tax payments (around 60 000 per annum) were fully outsourced.

Tax Policy Advice and Legislation

Various taxation reform measures were investigated to maintain tax competitiveness with other States.

The new *Tobacco Products Regulation Act 1997*, regulating the sale, packaging, importing, advertising and use of tobacco products, came into operation on 5 June 1997. The Act repealed the provisions of the *Tobacco Products (Licensing) Act 1986* and the *Tobacco Products (Control) Act 1986*.

STO jointly presented a pay-roll tax rewrite scoping paper to the Heads Of Treasuries for consideration.

The *Taxation Administration Act 1996* commenced operation on 1 January 1997, providing significant reforms to the administration of the State taxation laws. This Act repealed provisions of the *Financial Institutions Duty Act 1983* and the *Debits Tax Act*.

STO participated with industry and other jurisdictions in reviewing the Financial Institutions Duty taxation regime. This resulted in the development of options to improve administration and maintain equity and the tax base.

Other legislation and legislative amendments included amendments to the *Pay-roll Tax Act* to speed up pay-roll tax rebates, and amendments to the *Stamp Duties Act* to provide a more generous first home concession and close a potentially large tax avoidance scheme.

Details of the legislative changes are listed in Appendix 4 : Legislative Measures.

STO increased its participation in interjurisdictional working parties with the development of the *Taxation Administration Act 1996* (assented to on 5 December 1996) being particularly significant. There was

ongoing participation in the Stamp Duties Rewrite projects with other jurisdictions. Participation in these working parties, together with ongoing research, monitoring and analysis of legislative matters, enabled STO to maintain quality taxation policy advice to Government.

Compliance Initiatives

Part of the strategy for the past 12 months was to ensure the highest levels of compliance and to enforce payment where breaches were detected. In excess of 1000 investigations were conducted during the financial year. As a direct result of these initiatives, revenue of \$18.59 million was determined, with \$15 million collected by 30 June 1997.

Although compliance initiatives were instigated pursuant to most State taxation legislation, the greatest return was achieved from activity focused on *Financial Institutions Duty*, *Stamp Duty (Conveyance)* and *Petroleum Products Regulation* legislation. Considerable legislative and industry-based knowledge was utilised in the implementation of the *Tobacco Products Regulation Act 1997*.

Throughout the year, there was a continued focus on non-payment of stamp duty on motor vehicle registration transfers and on the maintenance of the tobacco products licensing revenue.

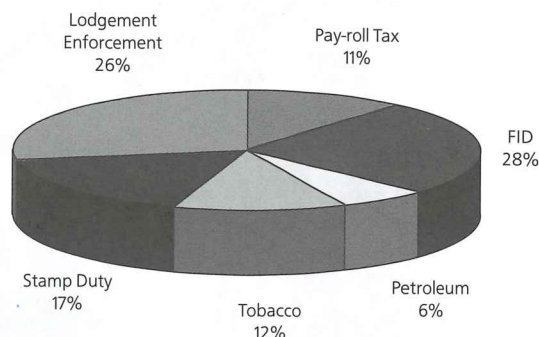
Through debt management, outsourcing and lodgement enforcement strategies, \$3.38 million in outstanding debts were collected and more than 2500 cases finalised.

STO introduced a program of inquiry to establish the status of dutiable instruments which were either lodged for assessment and were unpaid pending further information, or were assessed but duty remained unpaid.

Advice to Taxpayers and Educational Initiatives

STO's annual client survey focused this year on identifying future services. In addition, clients were asked to respond on current service levels. Results indicated a growing demand for electronic commerce, which TIMBER is well placed to meet. In anticipation of future client expectations, a Web page on the Internet was established in May 1997.

Revenue Detected 1996-97 – \$18.59 Million



As a result of the survey, STO identified key issues as the need for forms to be provided electronically and for access to an inquiry terminal in the main client area. Ongoing measurement revealed that approximately 70% of telephone inquiries were answered directly by an operator without being switched to the automated queue system, with 92% of calls answered within three minutes. Measurements of attendance at the front counter showed that the average wait for clients during the peak times of 10 am to 12 noon was less than 10 minutes. At other times the wait was two minutes. Overall 91% of client responses indicated satisfaction with current levels of counter and telephone services.

The STO commenced developing a comprehensive client charter designed to assist business to discharge any taxation obligations with minimal disruption to their operations. The charter will guarantee service standards which will be measured and evaluated on an ongoing basis.

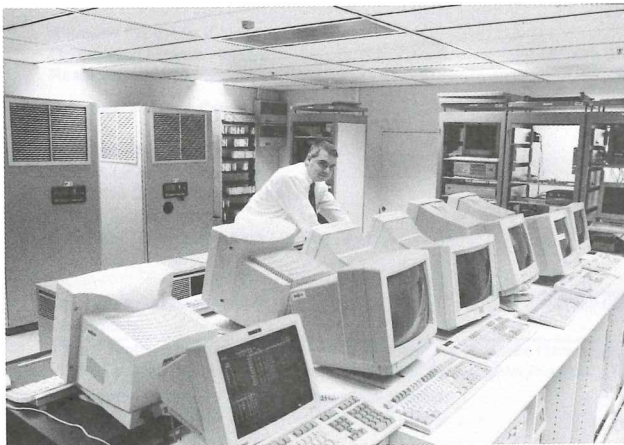
Client education activities were expanded with two metropolitan and five regional seminars for taxation professionals conducted to facilitate the introduction of the *Taxation Administration Act*. Additionally, the Commissioner of State Taxation and other senior staff participated as keynote speakers at a number of professional development functions. STO also conducted Taxation Equivalent Regime (TER) seminars for public service agencies.

The public was alerted to the stamp duty penalty and motor vehicle dealers' amnesties

through extensive publicity and advertising. Close liaison with industry bodies, authorities and other government departments enabled amnesty details to be circulated to relevant taxpayers.

Goals for 1997-98

- The new Taxation Information and Money By Electronic Return (TIMBER) system will be expanded in the coming year with a 50% increase in the number of TIMBER participants planned.
- Ongoing development of the State Taxation Office Revenue Management System (STORMS).
- Reduced complexity and increased certainty of the tax collection system, including draft legislation for aspects of the stamp duties rewrite to be released during the year.
- Identification of areas of actual or potential tax avoidance or evasion and, as required, drafting of corrective legislative amendments.
- The conducting of thirty targeted compliance programs which are expected to determine \$16 million in unpaid revenue. It is anticipated that \$14 million will be collected as a consequence of compliance programs.
- Publication of STO's client charter and two newsletters targeted specifically to clients.



Tony Bria, Assistant Commissioner, Information Technology with the State Taxation Office's IT systems.

- Continuation of effective programs of information and consultation, particularly the production of circulars and quarterly meetings with key industry groups.
- Administration of subsidy and rebate schemes.

State Taxation Legislation

The State Taxation Office is headed by the Commissioner of State Taxation who, in his legislative capacity as Commissioner of State Taxation and Commissioner of Stamps, is responsible for the administration of the following Acts :

Debits Tax Act 1994

The Act came into operation on 1 July 1994 and repealed the *Debits Tax Act 1990*. Debits tax is charged at variable rates based on debits made to bank accounts with a cheque drawing facility.

Financial Institutions Duty Act 1983

Financial institutions duty is payable on any receipt of money by a financial institution that is required to be registered under the provisions of the Act. Duty at a concessional rate is payable by those entities which are registered as short-term money market operators for the purposes of the Act. The Act provides for certain accounts (eg, charitable organisations) to be exempt from the imposition of the duty.

Land Tax Act 1936

Land tax is imposed on all land in the State other than that which is specifically exempted. With minor exceptions, land tax is not payable on government land or on land used as a principal place of residence or for primary production. The tax is calculated on the aggregate of the site values in an ownership as at 30 June immediately preceding the financial year for which the tax is levied. The site values are determined by the Valuer-General.

Pay-roll Tax Act 1971

Employers and groups of employers are required under the provisions of the *Pay-roll Tax Act* to pay tax on wages, which has a specific definition within the Act, paid to employees. Where total wages and salaries paid

by an employer or a group of employers are below a given threshold, pay-roll tax is not payable.

Petroleum Products Regulation Act 1995

This Act, in force from 1 July 1995, repealed the provisions of the *Business Franchise (Petroleum Products) Act 1979*, the *Motor Fuel Distribution Act 1973* and the *Petroleum Shortages Act 1980*. The Act merges and simplifies licensing and other regulatory requirements applying to activities involving or related to petroleum products. Monthly licence fees are charged which are primarily ad valorem fees based on sales made during the relevant period. Annual licence fees are charged for the retail sale of petroleum products.

Stamp Duties Act 1923

The *Stamp Duties Act* provides for the payment of duty on a diverse range of instruments, the largest component being duty on the conveyance of land. Duty is also levied on a number of transactions relating to rental business, insurance business, stock exchange dealings and applications to register and transfer registration of motor vehicles.

Taxation Administration Act 1996

The Act provides for the standardisation of administrative provisions relating to Financial Institutions Duty, Debits Tax, Stamp Duty, Land Tax and Pay-roll Tax, and rationalises and provides consistency in the treatment of assessments, refunds, interest on unpaid tax, penalties, objections and appeals, special tax arrangements, recovery and record keeping.

Taxation (Reciprocal Powers) Act 1989

This Act provides for reciprocal powers enabling a taxation authority to conduct investigations within the jurisdiction of another taxation authority or within its own jurisdiction on behalf of another taxation authority.

Tobacco Products (Licensing) Act 1986

The *Tobacco Products (Licensing) Act* provides for a legislative scheme under which a direct contribution to State revenue, in the form of a licence fee, is made by a consumer who takes out a consumption licence. Consumers are

relieved from the obligation to hold a consumption licence for the consumption of tobacco products obtained through a merchant in circumstances where the merchant chooses to be licensed and thus by payment of licence fees makes a contribution to State revenue on behalf of consumers. This Act was repealed by the *Tobacco Products Regulation Act 1997* which came into force on 5 June 1997.

Tobacco Products Regulation Act 1997

The *Tobacco Products Regulation Act* repealed the provisions of the *Tobacco Products (Licensing) Act 1986* and the *Tobacco Products (Control) Act 1986*. The *Tobacco Products Regulation Act* regulates the sale, packaging, importing, advertising and use of tobacco products to recover from consumers of tobacco products an appropriate contribution towards the State's revenues.

The State Taxation Office is also responsible for the collection of contributions under the provisions of the *Phylloxera Act 1936* and the collection of duty under the *Succession Duties Act 1929* (this latter Act only applies in respect of deaths prior to 1 January 1980).

State Taxation Office Statistics

Revenue Collections

	1994 - 95		1995 - 96		1996 - 97	
	Number of Tax payers Transactions	Amount \$	Number of Tax payers Transactions	Amount \$	Number of Tax payers Transactions	Amount \$
Petroleum Products Regulation *						
Monthly Licence Holders	5	147,342,600	5	155,224,346	6	158,713,968
Annual Licence Holders	954	120,251	1,224	148,115	1,206	101,349
Total Petroleum Licence Fees		147,462,851		155,372,461		158,815,317
Debits Tax		58,655,394		59,318,314		59,058,147
Financial Institutions Duty						
Financial Institutions	196	70,176,903	191	73,149,130	180	74,584,035
Short Term Money Market Operators	103	3,142,229	97	3,063,792	98	3,157,648
Exempt-Charitable Organisations Accounts	43,040		51,329		53,981	
Total Financial Institutions Duty		73,319,132		76,212,922		77,741,683
Land Tax	52,121	74,031,970	52,214	71,365,266	54,804	73,163,533
Payroll Tax						
Private Sector	5,201	432,381,377	5,609	482,800,835	5,520	506,181,370
Government Sector	24	99,727,581	38	97,257,222	33	99,567,031
Total Payroll Tax		532,108,958		580,058,057		605,748,401
Stamp Duty						
Adhesive Stamps		1,107,653		1,023,859		1,003,562
Annual Licences (Insurance)		75,611,460		79,382,713		78,419,568
Applications to Register or Transfer Motor Vehicles		85,826,600		87,794,893		88,482,702
Hospital Fund MV Third Parties		12,957,523		12,947,432		12,597,377
Cheques		6,462,036		5,974,687		5,839,096
Conveyance of Property on Sale		181,896,419		170,978,144		167,538,164
Conveyance of Shares on Stock Exchange		4,719,578		3,065,591		5,921,912
Conveyance of Shares (Excluding Stock Exchange)		3,635,137		11,197,970		2,735,168
Insurance Effected Outside SA		2,560,662		3,247,163		3,532,624
Leases		2,094,216		2,011,069		2,180,210
Mortgages		24,092,738		23,782,407		24,405,089
Other		1,338,046		2,347,274		2,764,173
Less Refunds, Commissions etc		(2,418,723)		(2,391,297)		(1,388,835)
Rental Business		9,611,743		9,948,570		10,299,859
Voluntary Conveyances of Property		1,830,118		1,844,090		1,936,573
Total Stamp Duty		411,325,206		413,154,565		406,267,242
Tobacco Products (Licensing)						
Unrestricted Licence Holders	8	185,423,318	8	211,335,360		215,662,199
Restricted Licence Holders	5,877	53,230	3,575	211,199		38,623
Sub-Total Tobacco Products Licence Fees		185,476,548		211,546,559		215,700,822
Tobacco Products Regulation **						
Class A Licence Holders					10	20,525,038
Restricted Class A Licence Holders					3,432	6,170
Class B Licence Holders					1	2
Sub-Total Tobacco Products Licence Fees						20,531,210
Total State Taxation Office Collections		1,482,380,059		1,567,028,144		1,617,026,356

* The Petroleum Products Regulation Act replaced the Business Franchise (Petroleum Products) Act effective 1 July 1995.

** The Tobacco Products Regulation Act replaced the Tobacco Products (Licensing) Act effective 5 June 1997.

All figures have been rounded to the nearest dollar.

MANAGING GOVERNMENT DEBT AND FINANCIAL RISK

Debt and Financial Risk Management

The South Australian Government Financing Authority (SAFA) is the central financing authority for the South Australian public sector. SAFA provides a range of services to meet the borrowing, liability management and cash management requirements of public sector entities. Its borrowings and general financial obligations are guaranteed by the South Australian Government.

Outcome Goals

- Achieve and maintain certainty of funding at the lowest possible cost in domestic and overseas markets and on-lend this funding to public sector clients consistent with their needs.
- Lowest possible economic cost of outstanding debt consistent with agreed risk tolerances.
- Satisfaction of the borrowing, cash management, liability management and other financial risk management requirements of public sector entities.

Major Achievements

- Further strategic reductions in SAFA's balance sheet over the year, including a further decrease in the level of capital by \$200 million effective 30 June 1997.
- Provision of advice to a range of client-initiated reviews covering such matters as liability risk management and treasury frameworks.
- Provision of advice and implementation of several substantial loan restructures for a number of commercial sector clients.
- Reduction of external borrowings from world financial markets through utilising approximately \$840 million of internal surplus funds from the South Australian Asset Management Corporation (SAAMC) to meet the State's financing requirements.

Outcomes

New Treasury Risk Management and Accounting System

SAFA's new treasury management system Quantum was implemented to an advanced stage. Most functions are now performed in parallel to the existing system. Delays in delivery of software by the vendor and the resolution of outstanding issues or 'bugs', mainly in the accounting module, prevented the use of Quantum for all business functions within SAFA.

A Quantum coordinating committee was established within SAFA to progress an action plan for delivering the remaining functionality and fully implementing Quantum. Data reconciliation between Quantum and the existing system was substantially completed and the existing system will be decommissioned in 1997-98.

Revised Organisational Structure

A further review of SAFA's organisational structure was completed during January 1997 to complement a fine tuning in SAFA's proposed portfolio-based risk management framework. The revised portfolio and organisational structures for SAFA were designed both to simplify the current arrangements and to manage the Treasurer's debt portfolio in the best way possible utilising the new treasury management system. Implementation of the revised organisational structure to complement SAFA's revised portfolio structure and portfolio management arrangements was completed.

Meeting Clients Needs on a Cost-Effective Basis

SAFA was closely involved in assessing the needs of its clients, including participating in the review of the Treasurer's debt management guidelines and in establishing a liability risk management framework for SA Water Corporation. SAFA also provided advice to Ports Corp SA regarding conversion of its Common Public Sector Interest Rate (CPSIR) liabilities to market interest rate debt and the establishment of an appropriate treasury framework.

In addition, SAFA continued to provide advice and undertake substantial loan restructures with clients such as HomeStart Finance and SA Water Corporation, assisted with analysis of the implications of various debt restructures to the South Australian Community Housing Authority, facilitated debt repayments for clients such as ETSA Corporation, and provided general support for Treasury and Finance dealings with non-commercial sector agencies.

SAFA developed a client services agreement which documents the procedures and conditions applying to the provision of services by SAFA to its clients. An interim reduction in client fees, resulting in a 40% reduction for

some commercial sector clients, was effected from 1 January 1997. SAFA is considering further revisions to its service and fee charging approaches with a view to announcing a revised package of services and fees to its client base in early 1997-98.

Rationalisation of SAFA's Balance Sheet

The Treasurer approved a further capital reduction of \$200 million, effective 30 June 1997, to bring SAFA's capital base down to \$319 million. A further review of SAFA's capital, to be conducted by December 1997, will include a detailed investigation of the optimal capital structure for SAFA upon full implementation of its portfolio structure and business redesign reforms.

Re-engineering SAFA's Balance Sheet Structure

Further strategic reductions to SAFA's balance sheet were effected over 1996-97 involving:

- a further capital reduction of \$200 million effective 30 June 1997;
- a significant decrease in offshore borrowings of approximately \$720 million consistent with the reduced borrowing program under SAFA's Medium Term Funding Strategy; and
- a reduction of around \$240 million in onshore borrowings including a change in the composition of those borrowings, by replacing funds borrowed externally from the market with surplus funds from SAAMC (approximately \$840 million).

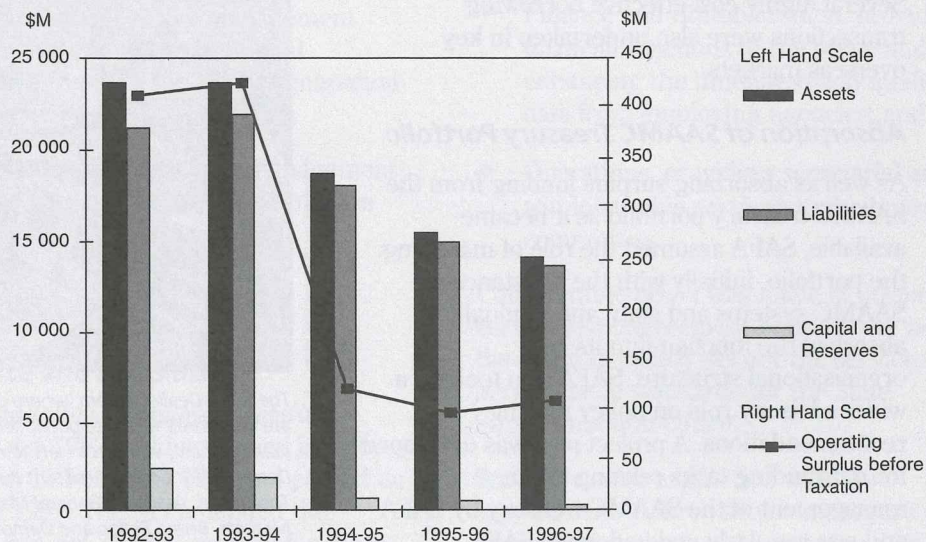
The reduction in SAFA's borrowing program under the Medium Term Funding Strategy framework

also enabled a reduction in SAFA's Standby Facilities to be effected in 1996-97, achieving significant cost savings.

The graph below shows the progress made in reducing SAFA's capital base and balance sheet since the early 1990s.

The reduction in SAFA's balance sheet along with the sale of hedge assets as part of SAFA's debt management strategy also facilitated a significant drop in the level of SAFA's credit exposures (ie, total credit exposures, as measured, fell to approximately \$4.3 billion as at 30 June 1997, from a level of \$4.8 billion the previous year).

Major credit rating agencies confirmed that there was no adverse impact for SAFA's and South Australia's credit rating as a result of the capital reduction and the reduction to SAFA's balance sheet size.





Kerry Skipper, Senior Finance officer (left) and Reshma Machin, Policy Officer discussing SAFA's client services agreement.

Funding Strategies

SAFA maintained ongoing marketing and communications with domestic and international financial market participants through the Medium Term Funding Strategy framework.

Regular contact was maintained via direct meetings and facsimile messages on key issues. SAFA management briefly visited key overseas contacts in Hong Kong, Tokyo and London in November 1996.

As a result of these initiatives, SAFA's borrowing margins relative to other Australian government issuers continued to improve and the yield margin on SAFA's 2003 benchmark stock decreased to its lowest level above the comparable Commonwealth bond in secondary market trading since the stock was launched in January 1992.

Several highly cost-effective borrowing transactions were also undertaken in key overseas markets.

Absorption of SAAMC Treasury Portfolio

As well as absorbing surplus funding from the SAAMC treasury portfolio as it became available, SAFA assumed the role of managing the portfolio, initially with the assistance of SAAMC systems and staff, and gradually absorbed the function into its core organisational structure. SAFA also took on a wider advisory role on policy making recommendations. A project plan was developed for outstanding tasks relating to the management of the SAAMC treasury by SAFA and was regularly updated when SAFA

produced monthly reports to the South Australian Government Financing Advisory Board.

Further details of the activities of SAFA are provided in its annual report.

Goals for 1997-98

- Streamlining of SAFA's client services and increasing the focus on service delivery to clients.
- Enhancing client communications and the promotion of SAFA's capacity as a service provider.
- Review of SAFA's approach to raising funding from the domestic market with a view to bolstering and refreshing SAFA's market position with investors and intermediaries.
- Full implementation of the Quantum treasury risk management and accounting system and associated portfolio-based risk management framework.
- Further rationalisation of SAFA's balance sheet to ensure its capital base and asset holdings reflect its core functions.
- Assessment of the appropriateness of integrating SAAMC's treasury balance sheet into SAFA's accounts through consolidation via a subsidiary relationship.
- Provision of advice to Treasury and Finance in reviewing arrangements to improve management of working capital and cash balances in the South Australian public sector.



The SAFA Dealing Room, where global financial market trends are monitored for State public sector fundraising and debt management, with (from left to right) Andrew Kinasch, Senior Dealer, Mark Coffey, Assistant Business Analyst, Andrew Thompson, Assistant General Manager, Treasury and Capital Markets, Bruno Bellon and Damon Fisher, both Dealers, and Tracie Ralston, Trainee Dealer.

ADMINISTERING SUPERANNUATION SCHEMES AND POLICIES

Superannuation

The South Australian Superannuation Board is the statutory body responsible for administering the major superannuation schemes for public sector employees. The board uses staff and facilities from Treasury and Finance assigned to the State Superannuation Office.

The State Superannuation Office carries out the administration of various public sector superannuation schemes for the board, as well as the administration of superannuation arrangements for parliamentarians, judges and governors.

Treasury and Finance's separate Superannuation Policy Unit provides superannuation policy advice to the board, the Under Treasurer, the Treasurer and the Minister for Finance.

Outcome Goals

- Advice on policies and legislation for the State's public sector superannuation schemes.
- Superannuation services to members which meet industry standards at a per member cost below the national average.

Major Achievements

- Delivery of important legislative changes for the State's public sector superannuation schemes to Parliament.
- Strengthening the senior management structure and providing additional resources within the State Superannuation Office.
- Commencement of a change management process within the State Superannuation Office.

Outcomes

Policy Advice and Legislation

The Superannuation (Employee Mobility) Amendment Act 1997 was introduced into the Parliament on 13 February 1997 and passed on 27 February 1997. The Act amended the Superannuation Act 1988 to provide for those

members of the police force and ETSA who were members of an appropriate superannuation scheme as at 3 May 1994 and wished to transfer to the closed State lump sum scheme.

The Statutes Amendment (Superannuation) Amendment Act 1997 was introduced into the Parliament on 27 February 1997 and passed on 19 March 1997. The amendments provided more flexible accounting arrangements which became necessary as a consequence of the Government funding for employer liabilities. The amendments also provided the ability for the Superannuation Board to meet the actual costs of administering the schemes.

The Police Superannuation (Miscellaneous) Amendment Act 1997 was introduced into the Parliament on 13 February 1997 and passed on 27 February 1997. The Act introduced the option for police officers retiring between 55 and 60 years of age to elect to preserve the accrued pension benefit rather than take the normal lump sum benefit available on retirement before age 55.

Administering the State's Public Sector Superannuation Schemes

A revised organisation structure was established in the State Superannuation Office with responsibilities divided into three sections

- Client Services, the main area for direct contact with members, providing information and other services;
- Finance and Administration, providing the financial functions of the office and enhancing the timeliness and quality of data from employing agencies; and
- Operations, providing secretarial and administrative services to the board and its committees.

Considerable effort was made in preparing a service level agreement between the board and the office to clearly set out the services and performance standards for the State Superannuation Office.

Staffing was strengthened with the appointment of three senior managers and approval was obtained to provide additional



Photo: Rosey Boehm Photography, SA

Peter Dawber, Agency Services Supervisor (right) and Kevin Barlow, Agency Services Officer, part of a team providing new services to government agencies aimed at helping them better understand superannuation.

resources to improve the middle management of the office.

Difficulties with the collection and processing of data were addressed and progress was made in reconstructing the database for each scheme and clearing backlogs of unprocessed data. Progress was made in improving the calculation and payment of benefits although further work will be required to re-engineer processes.

A change management process, together with business process re-engineering, identified areas for improving a number of procedures, particularly in the area of contributions. Controls were established for these procedures. Substantial resources were also channelled into rectifying data integrity issues

Goals for 1997-98

Policy Advice and Legislation

- Addressing major superannuation policy issues including :

- The Commonwealth Government's superannuation surcharge and its application to the State's superannuation schemes.
- The Commonwealth Government's policy of providing all new employees from 1 July 1998 with the choice of five or more complying superannuation funds or retirement saving accounts.
- Amalgamation of the schemes established under the Superannuation (Benefits Scheme) Act 1992 and the Southern State Superannuation Act 1994, bringing the Commonwealth's superannuation guarantee and the State's contributory scheme together under one arrangement.
- A review of the Superannuation Act 1988 to simplify the operation of the closed pension and lump sum schemes.

Administering the State's public sector superannuation schemes

- Completion of a service level contract between Treasury and Finance and the South Australian Superannuation Board.
- Implementation of a work flow management system for reporting the performance of the State Superannuation Office to the board.
- Development of a management plan to focus on business improvement initiatives including process re-engineering, change management and better services to members.

South Australian Superannuation Board

Further details of the activities of the South Australian Superannuation Board are provided in its annual report.

INSURING AND MANAGING GOVERNMENT RISK

Insurance

The South Australian Government Captive Insurance Corporation (SAICORP) is responsible for placing the Government's insurance and risk management arrangements on a commercial footing and managing them on behalf of the Government. This involves SAICORP insuring and reinsuring the Government risks and providing advice to Government on insurance and risk management issues.

SAICORP was established as a subsidiary of the Treasurer by the Public Corporations (Treasurer) Regulations 1994. The corporation is a semi-government authority for the purposes of the Public Finance and Audit Act 1987 and the Treasurer has indemnified it 'to the extent necessary to satisfy all the liabilities which arise out of the carrying out of its functions in accordance with the Public Corporations (Treasurer) Regulations 1994.'

Administratively SAICORP is a branch of Treasury and Finance.

Outcome Goals

- Protection of the State finances from a very large property loss or liability claim or a series of large losses or claims in a year.
- Comprehensive insurance protection for Government agencies at competitive and stable premiums.
- Reduction of the overall cost of risk to agencies and the State.

Major Achievements

- The Government's catastrophe reinsurance program was successfully renewed at reduced cost.
- A review of the structure and operations of SAICORP was carried out and an implementation plan developed to resolve matters raised in an earlier internal audit report.

Outcomes

The Review of SAICORP's Structure and Operations

Following an internal audit report on SAICORP, Arthur Andersen Corporate Finance Pty Ltd and International Risk Management (Australia) Pty Ltd were engaged to review the structure and operations of SAICORP and develop an implementation plan to resolve the matters raised in the audit report.

The consultancy team recommended changes to SAICORP's structure and operations to enable it to function as an effective captive insurance entity. The SAICORP Board considered the consultants' report in February 1997 and endorsed its general thrust. The board also broadly endorsed the implementation plan proposed in the report.

A number of steps of the plan were implemented in 1996-97. SAICORP was restructured into four primary sections dealing with underwriting, claims, risk management, and finance and administration. Three additional staff were recruited from the private sector general insurance industry to increase the level of technical insurance expertise within SAICORP and to enable SAICORP to manage its underwriting and claims management functions in-house.

International Risk Management (Australia) Pty Ltd, in conjunction with SAICORP, carried out a risk retention study. The role of SAICORP's contracted insurance consultant was reviewed and the reduced role of providing reinsurance and insurance broking services to SAICORP was competitively tendered. Sedgwick Limited was the successful tenderer.

SAICORP also revised its underwriting questionnaire and drafted an insurance and risk management manual.

Insuring the Risks of the State Government and its Agencies

The Government's catastrophe reinsurance program was successfully renewed at reduced cost and with lower deductibles for the property and general liability components.

SAICORP continued implementing the Figtree claims and risk management system during the year. This involved putting new claims since July 1996 into the system and continuing the conversion of historical claims data.

SAICORP continued to provide advice to agencies on developing risk management policy and strategy plans and the introduction of better risk management policies and procedures. SAICORP sponsored a successful three day risk management seminar conducted by Alexander Risk Consultants for government agencies.

Further details about SAICORP and its activities are provided in its annual report.

Goals for 1997-98

- Renewal of the Government's catastrophe reinsurance program at reduced cost.
- Introduction of a renewal certificate and new invoicing procedures.
- Issuing of a revised insurance and risk management questionnaire to agencies in electronic format, where possible, and development of a database to facilitate the analysis of responses to the questionnaire.
- Development of an accounting policies and procedures manual and establishment of financial and management reporting packages.
- Complete implementation of the Figtree claims and risk management system and evaluation of alternative investment options for the funds administered by SAICORP.
- Completion and issuing of an insurance and risk management manual to agencies together with newsletters promoting risk management.

MANAGING CORPORATE RESOURCES

Corporate Services provides support services covering the areas of strategic management, administrative and financial services, human resources management and corporate information technology.

Outcome Goals

- Provision of administrative services, records management, facilities management, procurement, financial and accounting services, payroll services, human resource operations, office systems support and IT project services to the department and its client agencies.
- Delivery of contracted corporate services to standards agreed with purchasers.
- Provision of strategic management and corporate planning advice to Executive Management.

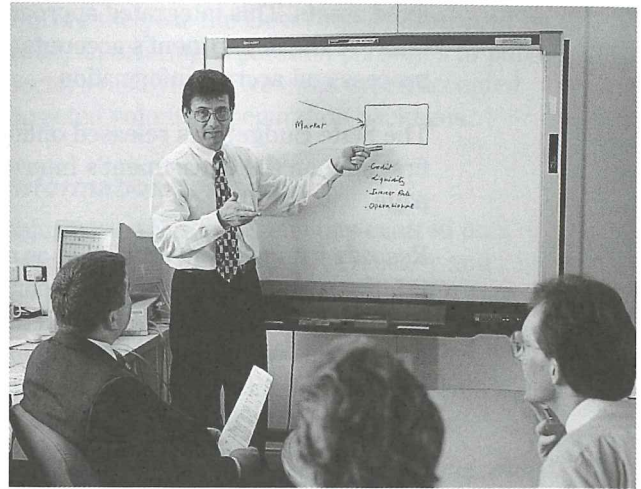
Major Achievements

- Preparation of financial statements for the first time on an accrual basis for the department and its client agencies.
- Completion of a review on the implementation of RecFind and implementation of its recommendations.
- Implementation of the Financial Management Improvement Project (FMIP).
- Devolution of *Public Sector Management Act* delegations to branch managers and staff.
- Implementation of a common computing network.
- Completion of the first corporate plan and development of output-based branch business plans.

Outcomes

Strategic Management

Treasury and Finance's first corporate plan was published in October 1996. A corporate planning and management cycle was also initiated to integrate output-based planning and reporting with the FMIP reforms to budgeting



SAFA staff discussing strategic planning options, Mike Vroulis, Senior Manager, Policy and Planning (standing) and (from left to right) Kevin Cantley, Assistant General Manager, Policy and Administration, Brenda McKenzie, Senior Accountant and Dean Pontifex, Compliance Officer.

and financial reporting. This resulted in a stronger strategic focus on business objectives and priorities.

The Executive endorsed a corporate communications strategy in March 1997 and key parts of the strategy were implemented, resulting in the integration of the corporate plan with the annual report, improved information sharing through the use of e-mail and shared folders, the establishment of an Internet home page, a corporate newsletter and guidelines on corporate communications. Management and staff feedback on these initiatives was very positive.

Administrative Services

The recommendations in a review of State Administration Centre security were implemented, including the re-configuration of the ground floor reception area and new visitor arrangements. The rationalisation of Treasury and Finance accommodation was also completed, resulting in cost savings to the department.

The first stage of implementing the purchasing module of Masterpiece 2000 financial software occurred to enable a start-up date of 1 July 1997. The module will greatly improve procurement and supply within the department and directly link with other financial modules including general ledger, accounts payable and

fixed assets. This integrated approach will improve the department's accounts payment process and accrual information.

The State Budget was released online for the first time on the department's Internet home page.

Records management continued as a high priority, with the department preparing a records disposal schedule, completing a review on the implementation of RecFind and implementing its recommendations, commencing a computer-based training project and implementing a RecFind records management system for the Minister for Finance's office.

Financial Services

Financial Services implemented the FMIP to improve financial management, internal budgeting and reporting processes by aligning the department's budgeting and reporting to a system of output-based planning and performance management. Key outcomes of the FMIP were the integration with the department's corporate and branch business planning processes, development of output-based costing methods, preparation of internal management reports on an output basis and the drafting of internal budgetary policies. The FMIP will be completed in 1997-98 with the planned introduction of quarterly performance reporting on an outputs basis.

Financial statements for the 1995-96 financial year were prepared on an accrual basis for Treasury and Finance and its client agencies (These statements were the first prepared within the State public sector for a non-commercial agency on an accrual basis, meeting the requirements of Australian Accounting Standard AAS29).

Financial Services conducted a review of its current revenue receipting and recording processes, resulting in the implementation of Computer Associates ACCPAC 2000 accounts receivable and cashbook modules. Implementation of these new modules will be completed in early 1997-98 and will eliminate many manual processes and enable information to be maintained in the general ledger on an accrual basis.

Human Resources

Treasury and Finance continued to implement the departmental Human Resources Plan in the areas of performance management, occupational health and safety (OH&S), delegations, personnel systems, training and development and the CONCEPT Human Resource Management System.

A performance agreement was signed between the Under Treasurer and the Treasurer and Minister for Finance. The Under Treasurer will report to the Treasurer and Minister for Finance in early 1997-98 on his performance and Treasury and Finance's achievements. A model performance agreement for the department's executives was also based on the Under Treasurer's agreement.

Equal employment opportunity issues were identified and addressed in the department's Training and Development Plan which focused on helping managers to improve their management skills and encouraged staff to achieve their potential in contributing to the department's objectives.

WorkCover audited Treasury and Finance in March and reported that OH&S training, prevention, rehabilitation and claims management needed to be addressed for the department to achieve the Level 3 rating required of all government agencies by June 1998. A draft management plan was produced for addressing this situation.

In line with the Government policy of devolving workers compensation management to agencies, the department assumed responsibility for undertaking its own claim determination and management processes. Managers and supervisors attended training in managing employee rehabilitation programs. One rehabilitation case was being managed at the end of the year.

The average sick leave per Full Time Equivalent (FTE) employee for 1996-97 was 4.52 days. This represented an improvement compared with the 4.7 days of the previous financial year. The adoption of the Concept Human Resource Management System will provide the facility for greater analysis of sick leave information, which will assist managers in the monitoring and management of sick leave across the department.



Steven Page, Senior Manager, Systems, Risk Analysis and Reporting, Dianne Wilson, Business Analyst (centre) and Bridget Samuel, Senior Accountant discussing Treasury management systems.

Human Resources used questionnaires with Branch Managers and held discussions with staff and selected groups to identify a number of specific training needs. These included recruitment and selection techniques, job and person specification development and disciplinary procedures and processes. Training sessions were developed and conducted and the department's Training and Development Plan for the 1997-99 period was developed and distributed to Branch Managers for information.

The Treasury and Finance negotiated a 3% salary increase for staff from September 1996. At year's end the department was negotiating a second two year agreement based on productivity improvements and workplace change to cover the period 1997 to 1998.

Public Service Management Act delegations were devolved to managers in October 1996, thereby streamlining the department's human resource management processes.

The South Australian Public Service was introducing the personnel administration, payroll management and leave modules of the CONCEPT HRMS system. Commencing in February 1997, a project team was undertaking training, assembling databases for Treasury and Finance and client agencies, and preparing for the conversion of data from AUSTPAY. It was planned that the CONCEPT HRMS system will operate from the end of August 1997.

During the year the Government continued its policy of offering separation packages to public sector employees. Five employees accepted targeted voluntary separation packages.

Information Systems

Information Systems activities centred on a program of key projects for Treasury and Finance and client agencies during the year.

Policies and procedures were developed for assessing major IT projects, computer usage, IT security and e-mail.

Internal IT consultancy services were provided to the department, the ASER project team, the Motor Accident Commission and the Gaming Supervisory Authority. Consultancy services also included implementation of new help desk management systems, development of a security business risk analysis and Electronic Data Systems (Australia) Pty Ltd (EDS) contract management.

System response times were improved by integrating the disparate Treasury and Finance networks. All users within the department were connected to a common network with a common mail list to improve communications.

A review of budgetary management systems identified the need for a number of improvements and these were implemented. An integrated budgetary and financial management system is being developed.

Goals for 1997-98

Strategic Management

- Development of business plans within the strategic framework of Treasury and Finance's Corporate Plan 1997 to 2000.
- Implementation of corporate communication initiatives including a regular corporate management forum, a staff attitude survey, a small business charter and improving links with the business community.

Administrative Services

- Improvement of records management policies and procedures. Scoping of electronic records management

opportunities and commencement of a departmental archival process.

- Other priority areas include a risk management strategy, an integrated legislative management approach incorporating whole-of-government issues and improved Freedom of Information (FOI) services, further development of the purchasing module and development of an online information service (intranet).

Financial Services

- Development of the approach to accrual and output-based budgeting consistent with whole-of-government budgetary reform and the Government Management Framework (GMF).
- As part of providing financial services to clients, development of accounting systems to record output information and development of accrual and output-based budgets.
- Implementation of improved branch management reporting with quarterly performance reporting on an output basis.

Human Resources

- Preparation and implementation of a strategy for enterprise bargaining.
- Implementation of a performance management system, commencing with the department's executives. Implementation of the department's Training and Development Plan.
- Implementation of an OH&S management action plan to ensure the department achieves a WorkCover Level 3 rating by July 1998.
- Complete implementation of the Treasury online policies and procedures system (TOPPS).
- Implementation of the CONCEPT HRMS system from the pay period ending 29 August 1997.

Information Systems

- Undertaking of major systems development projects for superannuation, budget and financial management.
- Implementation of the desktop improvement project establishing a standard set-up for all PCs.
- The coordination of Year 2000 compliance across Treasury and Finance and client agencies.



CORPORATE FINANCE AND GOVERNANCE

FINANCIAL PERFORMANCE AND THE CONTROL ENVIRONMENT

Financial Overview

The Financial Statements are presented in Appendix 1. Although they are presented on an accrual basis of accounting, the department continues to budget and to be funded on a cash basis consistent with existing Parliamentary appropriations. Consequently the statement of cash flows has been used for the purposes of reviewing financial performance. The table below summarises the cash flow budget and outcome for 1996-97 and the outcome for 1995-96.

The decrease in cash of \$0.954 million for 1996-97 is a significant improvement over the budget expectation of a \$3.766 million decrease. The improvement is due to

additional operating receipts of \$1.822 million, lower operating payments of \$0.422 million and lower investment (capital) payments of \$0.161 million.

Operating receipts were higher than forecast due principally to one-off recoveries totalling \$1.466 million for superannuation administration. Previously superannuation administration costs were recovered from employers in the year following the year in which the expenditure was incurred. Commencing in 1996-97, these recoveries will now be made in the same year as when the expenditure is incurred. In addition, the recovery from SAICORP for administrative services increased by \$238 000.

Summary Statement of Cash Flows for the Year Ended 30 June 1997

	Budget 1996-97 \$'000	Actual 1996-97 \$'000	Actual 1995-96 \$'000
Cash flows from operating activities			
Payments	(36 186)	(35 764)	(35 335)
Receipts	14 796	16 618	14 164
Net cash used in operating activities	(21 390)	(19 146)	(21 171)
Cash flows from investment activities			
Payments	(2 349)	(2 188)	(1 971)
Net cash used in investment activities	(2 349)	(2 188)	(1 971)
Cash flows from Government	19 973	20 380	19 975
Net decrease in cash held	(3 766)	(954)	(3 167)
Cash at the beginning of the financial year	6 527	6 527	9 694
Cash at the end of the financial year	2 761	5 573	6 527

Payments were lower than forecast, primarily as a result of the payment of several commitments being delayed until 1997-98.

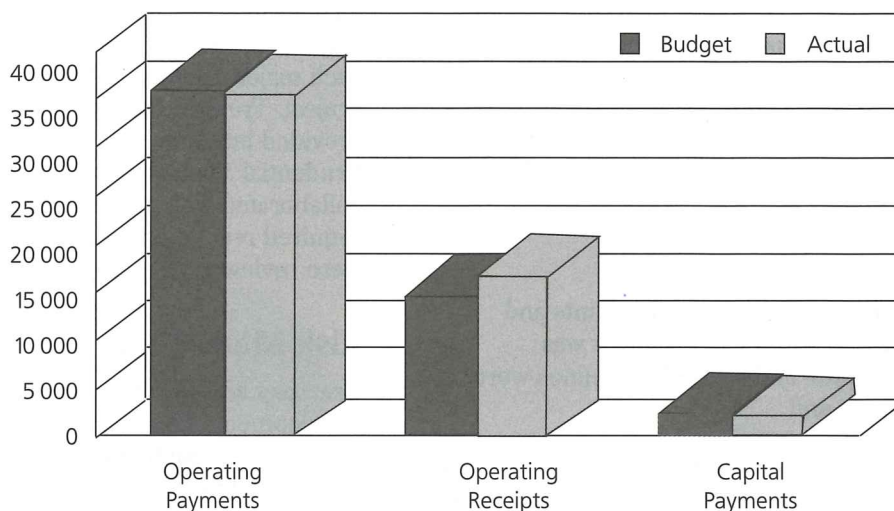
During the year the department maintained expenditure on specific projects, principally the implementation of the whole-of-government CA Masterpiece financial system and the development of SAFA's new treasury management system. This was financed by reducing the level of cash reserves and is implicit in the decrease in cash reported.

The following graph illustrates the department's performance against budget for 1996-97.

In 1997-98 the department will introduce new reforms to financial management with the implementation of accrual and output-based budgeting.

Account Payment Performance

All agencies are required to report quarterly the number and value of creditors' accounts

Financial Performance 1996-97 (\$'000)

The following table reports the departments' payment performance for 1996-97.

Particulars	Number Paid	%	Amount Paid (\$'000)	%
Paid within 30 days of invoice date	10 854	80	67 035	90
Paid after 30 days but within 60 days of the invoice date	1 976	14	5 480	7
Paid after 90 days of the invoice date	802	6	2 044	3
Total	13 632	100	74 559	100

paid and the extent to which the accounts have been paid in accordance with Treasurer's Instruction 332 (TI 332). This instruction requires all undisputed accounts to be paid within 30 days of the receipt of the invoice or claim unless a specific due date applies.

The above table highlights that the department was able to pay 80% of all invoices within 30 days of the invoice date. The remaining 20% of invoices reflect both disputed accounts and late payment of undisputed accounts. To improve this performance the department implemented new policies and procedures which require all accounts to be forwarded for payment processing within three working days of receipt from the vendor. During 1997-98 performance will be closely monitored to ensure that the accepted best practice benchmark of 90% of accounts being paid by their due dates will be met.

Contracting Out Arrangements

Treasury and Finance did not enter into any contractual arrangements with the private sector for the delivery of public services or the provision of public infrastructure where the total value of the contract exceeded \$4 million.

Internal Audit Outcomes Over 1996-97

As a key part of the department's corporate governance, Internal Audit helps to ensure the integrity of internal controls in operational branches. During 1996-97:

- internal audit projects in the Financial Management Branch, Corporate Services, Lottery and Gaming and State Taxation

Office were carried out (as set out in year two of the Internal Audit Plan);

- a risk management assessment of Corporate Services was completed and an action plan implemented to address the issues raised;
- the internal auditor participated in resolving audit issues raised from the internal SAICORP audit carried out during 1996;
- a post-implementation review of RecFind was completed;
- a review of the use of consultants and contractors in the department was undertaken and revised guidelines were adopted; and
- the internal auditor was involved with three major projects to ensure proper processes and controls were incorporated.

Goals for 1997-98

- Completion of the third year audits as set out in the Internal Audit Plan;
- Establishment and completion of the Audit Committee involvement and tasks for the State Superannuation Office.

Prudential Management Framework

In February 1996, the Premier announced the development of a Prudential Management Framework for major, complex projects involving the private sector, such as the sale of major public assets and the contracting out of service delivery or the provision of infrastructure. Treasury and Finance was significantly involved in developing the Prudential Management Framework. The development of the framework and the reviews of projects in progress were carried out under the oversight of a Prudential Management Group comprising the Chief Executives of the departments of Premier and the Cabinet, Treasury and Finance and Attorney-General's.

Key elements of the framework related to agency accountability for acting in the public interest, requirements of probity and integrity of process and the exercise of due care,

foresight and diligence in the conduct of projects.

The Prudential Management Group met fortnightly to regularly review the progress of major projects, with reviews required prior to each major decision in the progress of a project. Treasury and Finance reviewed and provided briefings on agency reports to the Prudential Management Group and collaborated with agencies on issues that required resolution. Sixteen major projects were reviewed.

Risk Management

Treasury and Finance continued its development of an integrated risk management strategy with guidelines for all staff. The agency had no reports of fraud during 1996-97.

APPENDICES

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APPENDIX 1: FINANCIAL STATEMENTS

Operating Statement for the Year Ended 30 June 1997

	Note	1997 \$'000	1996 \$'000
OPERATING EXPENSES			
Employee costs	4(a)	20 216	19 551
Administration and other expenses		10 188	11 635
Accommodation and service costs		3 435	3 430
Depreciation	5	1 222	1 459
Payments to consultants	6	2 884	1 311
Total Operating Expenses		37 945	37 386
OPERATING REVENUES			
User charges and fees	7	16 029	13 219
Interest		324	717
Other sundry revenues	7	711	614
Total Operating Revenues		17 064	14 550
NET COST OF SERVICES		20 881	22 836
REVENUES FROM GOVERNMENT			
Recurrent Appropriations - Appropriation Act 1996		20 380	19 975
Total Revenues from Government		20 380	19 975
DECREASE IN NET ASSETS RESULTING FROM OPERATIONS BEFORE EXTRAORDINARY ITEM		501	2 861
Extraordinary Item	8	-	120
DECREASE IN NET ASSETS RESULTING FROM OPERATIONS		501	2 981

Statement of Financial Position as at 30 June 1997

	Note	1997 \$'000	1996 \$'000
CURRENT ASSETS			
Cash		5 573	6 527
Receivables	9	838	397
Other	10	423	421
Total Current Assets		6 834	7 345
NON-CURRENT ASSETS			
Property, plant and equipment	11	7 803	6 965
Total Non-current Assets		7 803	6 965
TOTAL ASSETS		14 637	14 310
CURRENT LIABILITIES			
Creditors and accruals	12	2 626	1 770
Provision for employee entitlements	4(b)	1 530	1 203
Total Current Liabilities		4 156	2 973
NON-CURRENT LIABILITIES			
Imprest Account		20	20
Provision for employee entitlements	4(b)	3 503	3 858
Non-Current Liabilities		3 523	3 878
TOTAL LIABILITIES		7 679	6 851
NET ASSETS		6 958	7 459
EQUITY			
Accumulated Surplus	13	6 958	7 459
TOTAL EQUITY		6 958	7 459

Statement of Cash Flows for the Year Ended 30 June 1997

	Note	1997 \$'000 Inflows/ (Outflows)	1996 \$'000 Inflows/ (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Payments</i>			
Employee costs		(20 174)	(19 028)
Administration and other expenses		(9 643)	(11 630)
Accommodation and service costs		(3 370)	(3 439)
Payments to consultants		(2 577)	(1 238)
Total Payments		(35 764)	(35 335)
<i>Receipts</i>			
User charges and fees		15 593	12 903
Interest		349	673
Other sundry revenues		676	588
Total Receipts		16 618	14 164
NET CASH USED IN OPERATING ACTIVITIES	15	(19 146)	(21 171)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of office equipment		(1 523)	(1 369)
Payments to consultants		(665)	(602)
NET CASH USED IN INVESTING ACTIVITIES		(2 188)	(1 971)
CASH FLOWS FROM GOVERNMENT			
Recurrent Appropriation - Appropriation Act 1996		20 380	19 975
NET CASH PROVIDED BY GOVERNMENT		20 380	19 975
NET DECREASE IN CASH HELD		(954)	(3 167)
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		6 527	9 694
CASH AT THE END OF THE FINANCIAL YEAR		5 573	6 527

Summary of Compliance with Parliamentary Appropriations

	Appropriation			
	Budgeted		Actual	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
<i>Recurrent</i>				
Appropriation Act 1996	19 973	19 841	20 380	19 975
Receipts	14 796	14 887	16 618	14 164
(Increase)/Decrease in reserves	1 417	1 292	(1 234)	1 196
Total	36 186	36 020	35 764	35 335
<i>Capital</i>				
Decrease in reserves	2 349	3 522	2 188	1 971
Total	38 535	39 542	37 952	37 306

Program Schedules

Department's Expenses and Revenues
For the year ended 30 June 1997

	Program (Note 3)										
	1	2	3	4	5	6	7	8	Not	TOTAL	TOTAL
	1997	1997	1997	1997	1997	1997	1997	1997	Allocated	1997	1996
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Department's Expenses and Revenues											
Expenses											
Employee costs	5 766	750	834	2 249	1 381	2 167	2 712	271	4 086	20 216	19 551
Administration and other expenses	2 726	85	90	1 664	95	1 933	1 491	25	2 079	10 188	11 635
Accommodation and service costs	18	1	1	3	2	6	81	-	3 323	3 435	3 430
Depreciation	251	24	23	72	56	127	95	16	558	1 222	1 459
Payments to consultants	2	65	72	103	96	1 996	267	38	245	2 884	1 311
Total	8 763	925	1 020	4 091	1 630	6 229	4 646	350	10 291	37 945	37 386
Revenues											
User charges and fees	403	-	83	5 750	(5)	1 404	6 513	-	1 881	16 029	13 219
Interest	-	324	324	717							
Other sundry revenue	2	1	-	29	9	136	137	-	397	711	614
Government Revenues	-	-	-	-	-	-	-	-	20 380	20 380	19 975
Total	405	1	83	5 779	4	1 540	6 650	-	22 982	37 444	34 525
Less Extraordinary Item	-	-	-	-	-	-	-	-	-	-	120
Increase (Decrease) in net assets resulting from operations	(8 358)	(924)	(937)	1 688	(1 626)	(4 689)	2 004	(350)	12 691	(501)	(2 981)

Program Schedules (contd.)

Schedule of Administered Expenses and Revenues For the year ended 30 June 1997

Program (Note 3)	1 1997 \$'000	2 1997 \$'000	3 1997 \$'000	4 1997 \$'000	5 1997 \$'000	6 1997 \$'000	7 1997 \$'000	8 1997 \$'000	Allocated 1997 \$'000	TOTAL 1997 \$'000	TOTAL 1996 \$'000
Administered Expenses and Revenues											
Administered Expenses											
Recurrent											
Payments for which Specific Appropriation is											
Authorised in Various Acts											
Superannuation and Pension Provisions											
- Other	-	-	-	-	-	-	467 967	-	-	467 967	475 902
Treasurer - Other Payments									12 997	12 997	11 467
- Interest				638 056						638 056	713 055
- Past Service superannuation liability under											
various schemes							151 000			151 000	200 000
- Funding for Targeted/Voluntary Separation											
Packages Schemes									55 000	55 000	120 000
- Fiscal Contribution to the Commonwealth				31 616						31 616	-
- Other	23 581			11 231		11 814	12 873		56 536	116 035	61 596
Capital											
Treasurer - Other Payments									14 000	14 000	-
Provision of Working Capital				29						29	-
Repayment of loans				142 374						142 374	-
Repayment of Debt				980 810		394	12 133		191 474	1 184 811	2 024 883
Other Administered Accounts (refer note 19)											
Total	23 581	-	-	1 804 116	-	12 208	643 973	-	330 007	2 813 885	3 606 903
Administered Revenues											
Recurrent											
Taxation											
Treasurer - Other Receipts											
- Recoveries	1 724 853									1 724 853	1 675 579
- Superannuation				4 927	466 455	16 450			27 147	514 979	598 920
- Fees, fines and charges							468 024			468 024	475 965
- Commonwealth Specific Purpose Grants				34 844			31		2 509	37 384	37 080
- Commonwealth General Purpose Grants				10 981					14 773	25 754	21 026
Capital				1 527 446						1 527 446	1 522 846
Treasurer - Other Receipts											
- Repayment of advances				130 727						130 727	207 905
Return on Capital				470 987						470 987	-
Other				6 642						6 642	4 344
Commonwealth General Purpose Grants											77 388
Funds Borrowed from SAFA											10 483
Other Administered Accounts (refer note 19)				988 035		2 320	42 076		190 239	1 222 670	1 935 393
Total	1 724 853	-	-	3 174 589	466 455	18 770	510 131	-	234 668	6 129 466	6 566 929
Administered revenues less administered expenses	1 701 272	-	-	1 370 473	466 455	6 562	(133 842)	-	(95 339)	3 315 581	2 960 026

Notes to and Forming Part of the Financial Statements

1. Departmental Objectives

The mission statement of the department, as set out in the 1996 to 1999 Corporate Plan, is 'to provide leadership in meeting the financial and economic challenges faced by South Australia'. This mission statement is reflected in the business goals/objectives which are summarised as follows:

- *Economic and Fiscal Policy Advice*
establish medium to long term fiscal policy settings to lift the States' economic performance and strengthen finances;
ensure efficient, competitive revenue raising and equitable share of Commonwealth funding.
- *Funder and Purchaser Advice*
ensure efficient and effective use of taxpayer funds to deliver the greatest benefit to the community; achieve sustainable outlays over the longer term with no borrowings to meet current expenditure needs.
- *Owner and Provider Advice*
maintain the Governments' net worth over time and maximise asset usage.
- *Taxation Services*
fair, equitable and efficient administration and enforcement of taxation legislation.
- *Debt and Financial Risk Management*
achieve certainty of funding and outstanding debt management at lowest possible cost; meet borrowing and related activities requirements of public sector entities.
- *Service Provision*
provide superannuation, insurance, friendly society, small lottery and support services efficiently and effectively.

The financial measurement of achievement of these objectives for 1996-97 is contained in the program information summarised in Note 3.

2. Summary Of Significant Accounting Policies

(a) Basis of Accounting

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

(b) The Reporting Entity

The financial report encompasses all activities transacted through an interest bearing Special Deposit Account entitled 'Department of Treasury and Finance Operating Account' and all other funds through which the department controls resources to carry out its functions. The department's principal source of funds consists of monies appropriated by Parliament.

Administered Resources

The department administers but does not control, certain resources on behalf of the South Australian Government. It is accountable for the transactions involving those administered resources, but does not have the discretion to deploy the resources for achievement of the department's objectives. For these resources, the department acts only on behalf of the South Australian Government. Administered resources are reported on a cash basis.

Transactions and balances relating to these administered resources are not recognised as departmental revenues and expenses but are disclosed in the applicable program schedules.

Non-Current Assets

All non-current assets controlled by the department are reported in the statement of financial position.

Trust Funds

The department has received monies in a trustee capacity for various trusts as set out in note 20. As the department performs only a custodial role in respect of these monies, and because the monies cannot be used for achievement of the department's objectives, they are not brought to account in the financial report, but are shown in note 20.

(c) User Charges and Fees

User charges and fees controlled by the department are recognised as revenues. User charges and fees are controlled by the Department where they can be deployed for the achievement of departmental objectives. Such amounts are not required to be paid to the Consolidated Account or other funds not controlled by the department.

User charges and fees collected by the department but not controlled by it are not recognised as revenues, but are reported as administered revenues in the program schedule - expenses and revenues. Such amounts are required to be paid to the Consolidated Account or other funds not controlled by the department.

(d) Appropriations

Appropriations, whether recurrent, capital, special or other, are recognised as revenues when the department obtains control over the assets comprising the contributions. Control over appropriations is normally obtained upon their receipt.

(e) Non-Current Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the department. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. Software development costs for the Treasury Management System and superannuation systems are capitalised when incurred.

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

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

Non-current assets are revalued every three years in accordance with Australian Accounting Standard AAS10.

(f) Depreciation of Non-Current Assets

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each depreciable non-current asset over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

(g) Employee Entitlements**(i) Wages, Salaries and Annual Leave**

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

(ii) Long Service Leave

A liability for long service leave is calculated by using the product of the current liability in time for all employees who have completed eight or more years of service (seven years at 30 June 1996) and the current rate of remuneration for each of these employees respectively. The eight years has been based on an actuarial calculation as directed in the Accounting Policy Statements. The financial effect of the change from seven to eight years has been brought to account in the current period. The calculation is based on whole years of service.

(iii) Superannuation

Contributions are made by the department 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 only liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes.

(h) Leases

The department has entered into a number of operating lease agreements for buildings and office equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under operating leases.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Operating Statement in the periods in which they are incurred.

(i) Cash

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

3. Programs of the Department

The identity and purpose of each major program undertaken by the department during the year ended 30 June 1997 are summarised below (refer to the Program Schedule - Expenses and Revenues).

Program 1 - Administration and Enforcement of State Taxation Legislation

Manage the State's taxation legislation; develop, implement and manage revenue systems; collect State taxation revenue; provide tax administration and tax policy advice to the Treasurer; and implement compliance monitoring and lodgement enforcement initiatives that identify and follow-up unpaid taxes.

Program 2 - Economic Advice

Advise on the economic and financial environment in South Australia; advise on State taxation measures to secure revenue to finance Government expenditures in a way which promotes economic growth and equity; and advise on Commonwealth - State financial relations.

Program 3 - Reform of State Enterprises

Implement policies and establish measures which contribute to maximising the value of the Government's investment in State-owned enterprises; and provide policy advice on microeconomic reforms which contribute economic efficiency in markets where government businesses are major competitors.

Program 4 - Management of State Government Borrowing and Investment Activities

Deliver a range of cost effective financial services to the highest possible standard, tailored to meet the various individual needs of South Australian public sector clients, emphasising the core activities of fund raising and prudent liability risk management, consistent with Government policy.

Program 5 - Budgetary Management and Advice

Advise the Government on budgetary, financial and resource issues with a view to ensuring that prudent budgetary targets are set and achieved; and implement reforms in budgetary and financial management in order to enhance the effectiveness of decision making.

Program 6 - Accounting Policies and Financial Management Systems

Provide strategic and technical policy advice and monitoring services to the Treasurer and agencies in relation to:

- the management of the Government's overall financial position through advice on capital projects, contracting out, asset, debt and contingent liability management.
- the financial reporting obligations of the Government and its agencies, including the installation and maintenance of financial management software and the Treasurer's ledger system, and the preparation of the Treasurer's financial statements.

(This program was established during 1996-97 through the amalgamation of the programs 'Advice on Public Sector Debt and Assets' and 'Accounting Policies and Financial Management Systems')

Program 7 - Insurance and Superannuation

Advise on superannuation policy issues and on insurance and related matters, and administer the Government's various superannuation schemes and its insurance and risk management arrangements.

Program 8 - Lottery and Gaming

Ensure that the conduct of lotteries is fair and equitable to participants and that all fees due are collected, and protect the public interest in the area of fundraising by non profit groups.

Not Allocated - Intra-Agency Support Service Items

To provide strategic direction, policy and planning, and administrative and executive services to the department and the Treasurer. Provide comprehensive and efficient financial management, administrative, human resource and computing services to the department and to the other client agencies. Through an internal audit function, provide an independent appraisal activity to assist in the achievement of efficient and effective operational and financial control systems and procedures.

4. Employee Entitlements**(a) Employee Costs**

Wages and Salaries
Superannuation and Payroll Tax expenses
Annual and long service leave expenses
Board Fees (i)

Total employee entitlement expenses

Other employee related expenses

(i) Represents fees paid for membership to the SA Superannuation Board, SA Government Financing Authority Advisory Board and the Board of Directors of SAICORP.

(b) Employee Entitlement Liability

Aggregate employee entitlement liability

1997 \$'000	1996 \$'000
16 338	15 170
3 244	3 048
(28)	419
83	86
19 637	18 723
579	828
20 216	19 551

5. Depreciation

Depreciation was charged in respect of:

Buildings and Improvements

Furniture and Fittings

Office equipment

1997 \$'000	1996 \$'000
77	50
489	502
656	907
1 222	1 459

6. Payments to Consultants

Payments to consultants fell within the following bands :-

	1997 Number of Consultants	1996 Number of Consultants
\$0 - \$10 000	37	37
\$10 001 - \$50 000	15	11
\$50 001 - \$100 000	6	1
\$100 001 - \$150 000	3	4
\$150 001 - \$200 000	1	-
\$200 001 - \$250 000	-	1
\$250 001 - \$300 000	-	3
over \$300 000	3	-

The total payments to the 65 (57 in 1996) consultants engaged was \$3 549 000 (\$2 043 000). Of this amount \$2 884 000 (\$1 311 000) was met from operating expenses and \$665 000 (\$732 000) was capitalised.

7. Revenue from Operations

User charges and fees comprised:-

	1997 \$'000	1996 \$'000
Recoveries from -		
Agencies for the provision of corporate services	1 146	1 208
South Australian Government Captive Insurance Corporation	878	600
South Australian Government Financing Authority	5 750	6 000
Superannuation schemes	5 935	2 897
Other recoveries for services	1 949	2 141
Land Agents - enquiry fees	371	373
	16 029	13 219

Other sundry revenues comprised:-

	1997 \$'000	1996 \$'000
Reimbursement for TVSP's paid	226	378
Reimbursement for workers compensation claims	37	14
Other sundry items	448	222
	711	614

8. Extraordinary Item

During 1995-96 assets were sold to Electronic Data Systems (Australia Pty Ltd) as part of the whole-of-government transfer. No consideration was received by the department as the total proceeds of sale were credited to Consolidated Account.

9. Receivables

	1997 \$'000	1996 \$'000
Fees receivable	922	397
Less: Provision for doubtful debts	84	-
	838	397

10. Other Current Assets

	1997 \$'000	1996 \$'000
Prepayments	423	421

11. Property, Plant and Equipment

	At Valuation and Current Cost		Accumulated Depreciation		Written Down Value	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
Buildings and improvements	1 028	563	240	163	788	400
Furniture and fittings	5 639	5 621	2 231	1 743	3 408	3 878
Office equipment (i)	5 918	4 558	2 311	1 871	3 607	2 687
	12 585	10 742	4 782	3 777	7 803	6 965

Valuations of buildings and improvements were determined as at 30 June 1995 by Mr J.R.Price (licensed valuer) of Edward Rushton (Australia) Pty Ltd, Valuers.

(i) Includes assets totalling \$2 475 000 (\$1 435 000) for systems developments for which depreciation will not be charged until the development is complete.

12. Creditors and Accruals

	1997 \$'000	1996 \$'000
Employee costs	641	569
Administration and other costs	1 434	857
Accommodation and service costs	95	42
Payments to consultants	408	94
Purchases of non-current assets	48	208
	2 626	1 770

13. Accumulated Surplus

	1997 \$'000	1996 \$'000
Balance at the beginning of the financial year	7 459	-
Adjustments due to changes in accounting policies on initial application of new accounting standards	-	10 440
Decrease in net assets resulting from operations	(501)	(2 981)
Balance at the end of the financial year	6 958	7 459

14. Commitments for Expenditure

	1997 \$'000	1996 \$'000
(a) Operating Leases		
Commitments under non-cancellable operating leases at the reporting date are payable as follows:		
Not later than one year	2 547	2 564
Later than one year and not later than two years	2 676	2 564
Later than two years and not later than five years	8 300	8 382
Later than five years	5 908	9 128
	19 431	22 638

These operating lease commitments are not recognised in the financial report as liabilities.

(b) Capital Commitments

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

Furniture and fittings	-	505
Office equipment	500	956

These expenditures are payable:

Not later than one year	500	1 461
-------------------------	-----	-------

15. Reconciliation of Net Cost of Services to Net Cash Used in Operating Activities

	1997 \$'000	1996 \$'000
Net cost of services	20 881	22 836
Non cash items		
Depreciation expense	(1 222)	(1 459)
Investing activity		
Net gain (loss) on disposal of office equipment	32	(6)
Change in operating assets and liabilities		
Increase in receivables	441	386
Increase in prepayments	2	421
Increase in creditors and accruals	(1 016)	(588)
Decrease (Increase) in provision for employee entitlements (i)	28	(419)
Net cash used in operating activities	19 146	21 171

(i) net of increase arising from restructuring of administrative arrangements

16. Remuneration of Employees

The number of employees whose total employment cost was over \$100 000 fell within the following bands:-

	1997 Number of Employees	1996 Number of Employees
\$100 000 - \$109 999	8	3
\$110 000 - \$119 999	3	3
\$120 000 - \$129 999	1	1
\$130 000 - \$139 999	1	-
\$150 000 - \$159 999	-	1
\$160 000 - \$169 999	1	2
\$190 000 - \$199 999	1	-

The total remuneration received by these employees for the year was \$1 797 000 (\$1 247 000). The total number of employees over \$100 000 increased principally as a result of the inclusion of employees whose total employment cost previously fell into the \$90 000 - \$99 999 band.

17. Remuneration of Auditors

Amounts received or due and receivable by the auditors are :-

	1997 \$'000	1996 \$'000
Treasury and Finance	199	199
South Australian Government Financing Authority	95	94
South Australian Superannuation Board	139	123
SA Government Captive Insurance Corporation	20	20
	453	436

18. Targeted Voluntary Separation Package Scheme (TVSP's)

	1997 Number of Employees	1996 Number of Employees
Number of employees paid TVSP's	5	15
Amount paid to these employees	\$'000	\$'000
TVSP	283	530
Accrued annual and long service leave	80	230
Amount recovered from the Targeted/Voluntary Separation Package Scheme Special Deposit Account	226	378

During the year, the TSVP Committee approved the use of the TVSP Scheme for separations of two (five) employees with the cost of these separations \$58 000 (\$152 000) met by the department. These amounts are included in the Financial Statements.

19. Other Administered Accounts

The following deposit accounts established pursuant to Section 8 of the Public Finance and Audit Act 1987 are administered by the department. Administered assets are represented by the balances of these accounts.

Name	Opening Balance 1997 \$'000	Debits 1997 \$'000	Credits 1997 \$'000	Closing Balance 1997 \$'000
Agency Provisions for Future Asset Replacements	10 902	-	2 320	13 222
Bank SA Sale Account	1 548	(394)	-	1 154
Community Development Fund	-	(19 500)	19 500	-
Gaming Supervisory Authority	-	(346)	424	78
Home Purchases Assistance Account	-	(213)	213	-
Home Builders Account No. 2	-	(968)	968	-
Hospitals Fund	-	(105 460)	105 460	-
Housing Loans Redemption Fund	4 053	(27)	374	4 400
SA Government Captive Insurance Corporation	50 565	(12 133)	42 076	80 508
State-Local Government Reform Fund	1 758	(53 030)	51 345	73
Stony Point Indenture Account	-	(9 899)	9 899	-
Totalizator Dividend Adjustment Account	143	(2 031)	2 056	168
Treasury Working Account	908	(980 810)	988 035	8 133
Total	69 877	(1 184 811)	1 222 670	107 736

Deposit Accounts of the South Australian Government Financing Authority and the South Australian Finance Trust Limited established pursuant to Section 21 of the Public Finance and Audit Act 1987 are not included. For further information on these accounts reference should be made to the financial statements of the South Australian Government Financing Authority.

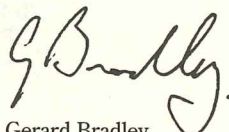
20. Trust Funds

The department administers, but does not control, certain trust funds. Aggregate details of the transactions and balances relating to these trust funds are as follows:


Name	Opening Balance 1997 \$'000	Debits 1997 \$'000	Credits 1997 \$'000	Closing Balance 1997 \$'000
Credit Unions Contingency Fund	838	(18)	424	1 244
CFS - Self Insurance Fund	3	-	-	3
Local Government Disaster Fund	5 713	(56 817)	63 002	11 898
Void Departmental Cheques	1 942	(363)	738	2 317
Total	8 496	(57 198)	64 164	15 462

As the department performs only a custodial role in respect of these monies, and because the monies cannot be used for achievement of the department's objectives, they are not brought to account in the financial report, but are shown here for information purposes. These funds are held in deposit accounts established pursuant to Sections 8 and 21 of the Public Finance and Audit Act 1987.

In our opinion, the attached Financial Statements of the Department of Treasury and Finance, being the Operating Statement, Statement of Financial Position and Statement of Cash Flows for the year ended 30 June 1997 and notes thereto, present fairly, in accordance with Statements of Accounting Concepts, applicable Accounting Standards and the Public Finance and Audit Act, 1987, as amended, the financial position of the department as at 30 June 1997 and the result of its operations and its cash flows for the year ended 30 June 1997.



Gerard Bradley
UNDER TREASURER



Steven Archer
MANAGER, FINANCIAL SERVICES

APPENDIX 2: INDEPENDENT AUDIT REPORT



Auditor-General's Department

INDEPENDENT AUDIT REPORT

TO THE UNDER TREASURER

SCOPE

As required by section 31 of the *Public Finance and Audit Act 1987*, I have audited the financial statements of the Department of Treasury and Finance for the year ended 30 June 1997. The financial statements comprise:

- An Operating Statement;
- A Statement of Financial Position;
- A Statement of Cash Flows;
- A Summary of Compliance with Parliamentary Appropriations;
- Program Schedules of the Department's Expenses and Revenues;
- Program Schedules of the Department's Administered Expenses and Revenues;
- Notes to and forming part of the Financial Statements;
- A Certificate by the Under Treasurer and the Manager Financial Services.

The Under Treasurer and the Manager Financial Services are responsible for the preparation and presentation of the financial statements and the information contained therein. An independent audit of the financial statements has been conducted in order to express an opinion on them to the Under Treasurer.

The audit has been conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement.

Audit procedures included examination on a test basis of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. Those procedures were undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, appropriate Australian Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) so as to present a view which is consistent with my understanding of the Department of Treasury and Finance's financial position, the results of the Department of Treasury and Finance's operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In my opinion the financial statements present fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, appropriate Australian Accounting Standards and other mandatory professional reporting requirements, the financial position of the Department of Treasury and Finance as at 30 June 1997, the results of the Department of Treasury and Finance's operations and its cash flows for the year ended 30 June 1997.

K I MacPHERSON
AUDITOR-GENERAL

26 September 1997

APPENDIX 3: MINISTERIAL PORTFOLIO RESPONSIBILITIES *relating to the Treasury and Finance portfolio*

Minister for Finance

ETSA Superannuation Board
 Lotteries Commission of South Australia
 Parliamentary Superannuation Board

Police Superannuation Board
 South Australian Government Captive Insurance Corporation
 South Australian Superannuation Board

Administer the ETSA superannuation scheme
 Promote and conduct lotteries
 Administer the Parliamentary superannuation scheme
 Administer the Police superannuation scheme
 Manage the Government's insurance and risk management program
 Administer State Government superannuation schemes established under the following Acts :
 • *Southern State Superannuation Act 1994*
 • *Superannuation Act 1988 Superannuation (Benefit Scheme) Act 1992*

Treasurer

Asset Management Task Force¹

Gaming Supervisory Authority

Motor Accident Commission

Pay-roll Tax Appeal Tribunal²

South Australian Asset Management Corporation

South Australian Government Financing Advisory Board

Superannuation Funds Management Corporation

Oversee the sale of certain Government assets and develop ways of improving the management of other assets held by the State public sector
 Ensure that an effective and efficient system of supervision is established and maintained over the operation of the licensed casino, and over the operations of all licensees (of all classes) for the gaming machines industry
 Be responsible for the operation of the Compulsory Third Party (Bodily Injury) Scheme and management of the assets and liabilities of the former State Government Insurance Commission not transferred to SGIC Holdings Group
 Hear objections against the assessment of pay-roll tax.
 Work out the non-performing assets of the former legal entity, State Bank of South Australia
 Provide advice to the South Australian Government Financing Authority (SAFA) and the Treasurer on matters pertaining to the operations of SAFA
 Manage and invest employee contributions to the South Australian superannuation fund.

¹ The Asset Management Task Force ceased operation on 31 March 1997

² Objections and appeals against the assessment of pay-roll tax lodged after 1 July 1997 will be considered under the Taxation Administration Act 1996 and will no longer involve the Pay-roll Tax Appeal Tribunal

Acts administered by the Minister For Finance

Advances to Settlers Act 1930
Benefit Associations Act 1958
Collections for Charitable Purposes Act 1939
Financial Transactions Reports (State Provisions) Act 1992
Friendly Societies Act 1919
Governors' Pension Act 1976
Homes Act 1941
Housing Loans Redemption Fund Act 1962
Interest on Crown Advances and Leases Act 1944
Judges' Pensions Act 1971
Loans for Fencing and Water Piping Act 1938
Loans to Producers Act 1927
Lottery and Gaming Act 1936
Parliamentary Superannuation Act 1974
Police Superannuation Act 1990
Public Finance and Audit Act 1987
Rural Advances Guarantee Act 1963
Southern State Superannuation Act 1994
State Lotteries Act 1966
Student Hostels (Advances) Act 1961
Superannuation Act 1988
Superannuation (Benefit Scheme) Act 1992
Superannuation (Visiting Medical Officers) Act 1993
Unclaimed Moneys Act 1891.

Acts administered by the Treasurer

Appropriation Acts
Bank Merger (Bank SA and Advance Bank) Act 1996
Casino Act 1983
Debits Tax Act 1994
Financial Agreement Acts
Financial Institutions Duty Act 1983
Gaming Machines Act 1992
Gaming Supervisory Authority Act 1995
Gift Duty Act 1968
Government Financing Authority Act 1982
Land Tax Act 1936
Motor Accident Commission Act 1992 (formerly State Government Insurance Commission Act)
Pay-roll Tax Act 1971
Petroleum Products Regulation Act 1995
Public Corporations Act 1993
SGIC (Sale) Act 1995
Stamp Duties Act 1923
State Bank (Corporatisation) Act 1994
State Bank of South Australia Act 1983
Succession Duties Act 1929
Superannuation Funds Management Corporation of South Australia Act 1995
Supplementary Financial Agreement (Soldier Settlement Loans) Act 1934
Supply Acts
Taxation Administration Act 1996
Taxation (Reciprocal Powers) Act 1989
Tobacco Products (Licensing) Act 1986
Tobacco Products (Regulation) Act 1997

APPENDIX 4: LEGISLATIVE MEASURES

(references to State Taxation legislation are outlined on pages 30 to 32)

1. *Amendment of the Friendly Society Act 1919*

Friendly Societies (Objects of Funds) Amendment Act 1996

The Act enabled the Governor to proclaim new objects for which friendly societies could establish funds. This enabled friendly societies to establish bonus bond funds during 1996.

Assented to: 18 July 1996
Date of operation: 18 July 1996

2. *Appropriation Act 1996*

The Act provides for the appropriation of money from the Consolidated Account for the year ending on 30 June 1997 and for other purposes. The *Appropriation Act* provides the legal framework to give effect to the Government's budget each year.

Assented to: 31 July 1997
Date of Operation: 1 July 1996

3. *Pay-roll Tax (Superannuation Benefits) Amendment Act 1996 (79/96)*

The Act provided clarification to the intention of the *Pay-roll Tax Act 1971* in that the tax base includes both contributions paid by an employer in respect of a funded superannuation fund or scheme, and the employer contributions that would be payable in respect of the accruing employer liability, if the superannuation scheme were not an unfunded or partly funded arrangement.

Assented to: 5 December 1996
Date of Operation: 1 July 1996

4. *Police Superannuation (Miscellaneous) Amendment Act 1997*

The Amendment Act made amendments to the *Police Superannuation Act 1990*. The Amendment Act made three technical amendments to the closed pension scheme for police officers. One of the changes introduced the option for police officers retiring between 55 and 60 years to elect to preserve the accrued pension benefit rather than take the normal lump sum benefit available on retirement before age 55.

Assented to: 13 February 1997
Date of Operation: 27 February 1997

5. *Stamp Duties (Miscellaneous) Amendment Act 1997 (20/97)*

The Act amended the conveyancing provisions to prevent avoidance by taking advantage of a recent legal decision that a lease is not an encumbrance for the purposes of the stamp duties legislation, and provides a more generous first home concession scheme for a limited twelve month period to encourage increased real estate activity.

Assented to: 27 March 1997
Date of Operation: 7 January 1997
February 1997: Section 4

6. *Statutes Amendment (Administration & Disciplinary Division of District Court) Act 1996 (53/96)*

References to the Tribunal under the appeal provisions of the *Tobacco Products (Licensing) Act 1986* were replaced with the Administrative & Disciplinary Division of the District Court.

Assented to: 1 August 1996
Date of Operation: 24 March 1997

7. *Statutes Amendment (Pay-roll Tax & Taxation Administration) Act 1997 (34/97)*

The Act amended the return provisions of the *Pay-roll Tax Act 1971*, to enable rebates to be provided in a more timely manner, and altered the secrecy provisions of the *Taxation Administration Act 1996*, to overcome a technical deficiency to ensure that taxation information remains confidential to taxpayers.

Assented to: 19 June 1997
Date of Operation: 1 July 1997

8. *Statutes Amendment (References to Banks) Amendment Act 1997 (30/97)*

This Act excluded the *Pay-roll Tax Act 1971* from the extended definition of "bank" administered under the *Acts Interpretation Act 1915*.

Assented to: 12 June 1997
Date of Operation: 3 July 1997

9. *Statutes Amendment (Superannuation) Amendment Act 1997*

This Amendment Act made a number of minor technical amendments to the following Acts establishing superannuation schemes or arrangements :

Judges' Pensions Act 1971
Parliamentary Superannuation Act 1974
Police Superannuation Act 1990
Southern State Superannuation Act 1994
Superannuation (Benefit Scheme) Act 1992

The amendments provide more flexible accounting arrangements which became necessary as a consequence of the Government funding for employer liabilities. They also provided the ability of the Superannuation Board to meet the actual costs of administering the Southern State Superannuation Scheme (Triple S Scheme) and the State Superannuation Benefit Scheme (SSBS) on an on-going basis throughout the year. The third group of amendments made by the Act provided an exception to the requirement in the *Southern State Superannuation Act* that all police officers must be members of the Triple S Scheme. The amendment made it optional for police officers to contribute to the scheme where they were subject to a contract of employment.

Assented to: 27 February 1997
Date of Operation: 19 March 1997

10. *Statutes Amendment (Taxation Administration) Act 1996 (82/96)*

The Act provided for the removal of the provisions from the *Financial Institutions Duty Act 1983*, the *Debits Tax Act 1994*, the *Pay-roll Tax Act 1971*, the *Stamp Duties Act 1923* and the *Land Tax Act 1936* relating to assessments, refunds, interest on unpaid tax, penalties, objections and appeals, special tax arrangements, recovery and record keeping; the amendment of the interpretation provisions of the *Taxation (Reciprocal Powers) Act 1989*.

Assented to: 5 December 1996
Date of Operation: 1 January 1997: *Financial Institutions Duty Act 1983*,
Debits Tax Act 1994 and *Taxation (Reciprocal Powers) Act 1989*
July 1997: *Stamp Duties Act 1923*, *Pay-roll Tax Act*
and *Land Tax Act 1936*

11. *Superannuation (Employee Mobility) Amendment Act 1997*

The Amendment Act made amendments to the *Superannuation Act 1988*, to provide for members of the Police Force and ETSA, who, being members of the appropriate superannuation scheme as at 3 May 1994, wish to transfer to the closed State lump sum scheme as a result of commencing employment with the public service.

Assented to: 13 February 1997
Date of Operation: 27 February 1997

12. *Superannuation (Miscellaneous) Amendment Act 1997*

The Amendment Act expanded the electorate for Superannuation Board elections and made some minor technical amendments to the *Superannuation Act*.

Assented to: 4 June 1997
Date of Operation: 10 July 1997

13. *Taxation Administration Act 1996 (80/96)*

The Act provided for the standardisation of administrative provisions relating to Financial Institution Duty, Debits Tax, Stamp Duty, Land Tax and Pay-roll Tax, and rationalised and provided consistency in the treatment of assessments, refunds, interest on unpaid tax, penalties, objections and appeals, special tax arrangements, recovery and record keeping.

Assented to: 5 December 1996
 Date of Operation: 1 January 1997: *Financial Institutions Duty Act 1983*,
Debits Tax Act 1994
 July 1997: *Stamp Duties Act 1923*, *Pay-roll Tax Act*
 and *Land Tax Act 1936*

14. *Tobacco Products Regulation Act 1997 (26/97)*

The Act provides for the regulation of sale, packing, importing, advertising and the use of tobacco products; the recovery from consumers of tobacco products an appropriate contribution towards the State's revenue; the continuation of the South Australian Sports Promotion, and the Cultural and Health Advancement Trust; the prescribing of its functions and powers; and the repeal of the *Tobacco Products (Control) Act 1986* and the *Tobacco Products (Licensing) Act 1986*.

Assented to: 10 April 1997
 Date of Operation: 5 June 1997
 1st Monday 1999 : Section 47

15. *Tobacco Products Regulation (Miscellaneous) Amendment Act 1997 (28/97)*

This Act does not affect the practical operation of the *Tobacco Products Regulation Act 1997* either from a revenue or health perspective, but ensures that legitimate licensed merchants can get on with their business without inadvertently breaching a condition of their licence.

Assented to: 5 June 1997
 Date of Operation: 5 June 1997

APPENDIX 5: PROFILE OF REMUNERATION LEVELS *as at 30 June 1997*

Level	Male			Female			
	Contract	PSM Act Ongoing	Temp	Contract	PSM Act Ongoing	Temp	Total
CEO}							
EL-F}	1						1
EL-C	2						2
EL-B	7						7
EL-A	10			2			12
EL-3	1						1
EL-2		1					1
EL-1		1					1
MAS-3		1					1
ASO-8		18			4		22
MAS-2		2					2
ASO-7		15	1		5		21
ASO-6		25			4		29
ASO-5		45	2		13	1	61
ASO-4		27	1		5		33
ASO-3		34	1		28		63
ASO-2		26	2		54	2	84
ASO-1		17	7		37	6	67
Non-Executive Contract	10			3			13
Totals	31	212	14	5	150	9	421*

Note : This table includes employees on contract and excludes employees assigned to other agencies.
The table does not include the CEO and staff of the Motor Accident Commission, Superannuation Funds Management Corporation, Gaming Supervisory Authority and trainees.

* This figure represents the number of employees, and equates to an FTE figure of 417.1.

APPENDIX 6: REPRESENTATION ON BOARDS AND COMMITTEES *as at 30 June 1997*

Representative	Board/Committee	Start date	Expiry date
Gerard Bradley	South Australian Government Financing Advisory Board (Presiding member)	Jun 1996	ongoing
	South Australian Asset Management Corporation (Chair)	Apr 1997	ongoing
	Superannuation Funds Management Corporation	Nov 1996	Jun 1998
John Hill	South Australian Government Insurance Corporation	Dec 1995	ongoing
	South Australian Superannuation Board	Jul 1996	ongoing
	Parliamentary Superannuation Board	May 1989	ongoing
	Southern Group Insurance Corporation (SGIC) :	Jan 1992	ongoing
	- Bouvet Pty Ltd	Feb 1993	ongoing
	- SA Projects Pty Ltd	Oct 1992	ongoing
	- SGIC Pty Ltd	Sep 1992	ongoing
	Motor Accident Commission (MAC) Board :		
	MAC Audit Committee	Jul 1995	ongoing
	SA Asset Management Corporation	Apr 1997	Aug 1999
Bernie Lindner	Compulsory Third Party Premiums Committee	Nov 1995	ongoing
	South Australian Housing Trust Parks Re-development Co-ordination Committee	Jan 1996	Dec 1997
	South Australian Research and Development Institute Board	Feb 1993	ongoing
	Queen Elizabeth Hospital Redevelopment Steering Committee	May 1997	Jan 1999
	Government Services Export Panel	Jan 1997	ongoing
Rick Harper	Defic No1 Pty Ltd	Apr 1995	ongoing
	Defic No2 Pty Ltd	Apr 1995	ongoing
	Defic No3 Pty Ltd	Apr 1995	ongoing
	Defic No4 Pty Ltd	Apr 1995	ongoing
	SABT Pty Ltd	Apr 1995	ongoing
	South Australian Finance Trust Ltd	Apr 1995	ongoing
Kevin Cantley	South Australian Finance Ltd	Aug 1994	ongoing
	South Australian Finance (Hong Kong) Ltd	Aug 1994	ongoing
	South Australian Finance Trust Ltd	Nov 1994	ongoing
	South Australian Investments	Aug 1994	ongoing
	Defic No1 Pty Ltd	Apr 1995	ongoing
	Defic No2 Pty Ltd	Apr 1995	ongoing
	Defic No3 Pty Ltd	Apr 1995	ongoing
	Defic No4 Pty Ltd	Apr 1995	ongoing
	SABT Pty Ltd	Apr 1995	ongoing
Paul Ploksts	South Australian Finance Trust Ltd	Nov 1994	ongoing
Brian Daniels	Local Government Association Mutual Liability Scheme	Sep 1989	ongoing
	Department for Education and Children's Services Risk Management Steering Committee	Sep 1990	ongoing
Mick Ayre	South Australian Health Commission Risk Management Steering Committee	Jun 1996	ongoing
	Department of Environment and Natural Resources Risk Working Group	Aug 1994	ongoing
Garry Powell	Police Superannuation Board	Jun 1996	ongoing
Vivienne Pring	Local Government Finance Authority of South Australia	Jun 1996	ongoing
	Lotteries Commission of South Australia (observer)	May 1995	ongoing
	HomeStart Finance Board	Jun 1997	Jun 1998

Representative	Board/Committee	Start date	Expiry date
Mike Philipson	SA Generation Corporation (observer)	May 1997	on-going
Paul Duldig	ETSA Corporation (observer)	May 1997	on-going
	SAGRIC International Pty Ltd (observer)	Jan 1996	on-going
Stephen Wills	South Australian Ports Corporation (observer)	Apr 1997	on-going
Robert Schwarz	The Commonwealth-State Tax Equivalent Regime (TER) Standing Committee	May 1994	ongoing
Kathy Moore	Technical TER Sub-Committee	Jul 1995	ongoing
Gino DeGennaro	South Australian Asset Management Corporation	Apr 1996	ongoing
	Asset Management Task Force	Dec 1995	Sep 1996
	Industries Development Committee	Feb 1996	ongoing
	SGIC Limited	Sep 1995	ongoing
	Government Office Accommodation Committee	Jun 1997	Dec 1998
Joseph Ullianich	SGIC Limited	Sep 1995	ongoing
	Beacon Credit Corporation Limited	Apr 1996	ongoing
	Brinim Limited	Apr 1996	ongoing
	Beneficial Finance Corporation Limited	Apr 1996	ongoing
	Campbell Capital Limited	Apr 1996	ongoing
	Mortgage Acceptance Nominees Limited	Apr 1996	ongoing
	Pegasus Leasing Limited	Apr 1996	ongoing
	South State Corporate Holdings Limited	Apr 1996	ongoing
Peter O'Neill	West Ration Corporate Finance Limited	Apr 1996	ongoing
	Legal Services Commission	Jul 1992	Jul 1998
Linda Hart	SA Olympic 2000 Football Task Force	Mar 1997	Aug 1997
	Information Industries Development Centre (observer)	Apr 1997	ongoing
Rick Janssan	State Supply Board	Oct 1995	Sep 1997

APPENDIX 7: USE OF CONSULTANTS

Consultant	Purpose of Consultancy	Number	Total \$
Payments to consultants includes amounts paid and payable at 30 June 1997.			
Below \$10000			
Various	Various		
	Subtotal	46	147 251
\$10 000 - \$50 000			
Arthur Andersen	Provision of services in relation to the application of the Fringe Benefits Tax Assessment Act for government agencies. Provision of advice in the implementation of a Commonwealth Tax Equivalent Regime (TER) to apply to State Government enterprises which are exempt from Commonwealth income and sales tax due to State Government ownership. Review project evaluation guidelines for Debt and Asset Management Branch.		
Australasian Agribusiness	Examination of the SA Mines and Energy Department, addressing key issues outlined in the terms of reference.		
BT Funds Management Management System. Computer People	Assistance in the implementation of the Treasury Transposition of the Lottery and Gaming computer system from the Lotteries Commission of SA to the State Taxation Office system.		
Coopers and Lybrand	Systems accountants engaged to support agencies in their adoption of CA Masterpiece financial systems.		
Crown Solicitors Office electricity proposals. Deloitte Touche Tohmatsu	Specialist advice on constitutionality of gas and For consulting services to develop and implement performance monitoring for three government businesses.		
Dr Viktor	Professional services for risk management advice on the implementation of the Treasury Management System.		
Ernst and Young	Provision of expert advice to the Banking Review Panel on the SA Government's banking arrangements.		
Howarth Computing Services	Provision of specialist consultancy services to support the introduction of CA Masterpiece financial systems across the public sector.		

Consultant	Purpose of Consultancy	Number	Total \$
KPMG	Consulting services for the mapping of processes as part of Business Process Re-engineering for the Superannuation Office. Provision of specialist consultancy services to support the introduction of CA Masterpiece financial systems across the public sector.		
Lee Green Consulting	Provision of specialist consulting services to support the introduction of CA-ACCPAC financial systems across agencies.		
Loftus	Services provided to move Corporate Services infrastructure and desktop from the Department of the Premier and Cabinet to the Department of Treasury and Finance IT environment including the physical hardware relocation.		
Macquarie Bank guidelines.	Review of SAFA's interim debt management		
Oriel Consulting	Services provided in respect of Superannuation Office benefit payments and contribution assignments.		
Pacific Road Securities	To identify the factors to be taken into account in assessing viability and to undertake tests on sensitivity and financial viability, for the purpose of the separation of SA Generation Corporation from ETSA Corporation.		
Price Waterhouse Urwick	Provision of specialist consultancy services to support the introduction of CA Masterpiece financial systems across the public sector. Conduct a review of Treasurer's Instructions.		
Quant Solutions	Professional services for risk management advice for the implementation of the Treasury Management System.		
S Wood Financial Solutions	Provision of specialist consultancy services to support the introduction of CA Masterpiece financial systems across the public sector.		
Speakman Stillwell	Professional services for the recruitment of staff.		
University of Sydney	Participation fee for Stage 2 of the Australian Financial Markets Association benchmarking project.		
Webb Media	Development of Treasury and Finance Internet site.		
Subtotal		26	610 315

Consultant	Purpose of Consultancy	Number	Total \$
Above \$50 000			
ANZ Financial Markets	Assistance in the implementation of the Treasury Management System.		
Arthur Andersen	Conduct of a comprehensive review of SAICORP's structures and procedures.		
CP Moore	Provision of specialist consulting services to support the introduction of CA-ACCPAC financial systems across agencies.		
Computer Power	Assistance in the implementation of the Treasury Management System.		
DMR Group	Assistance in the implementation of the Treasury Management System.		
Ernst and Young	Assistance in the implementation of the Treasury Management System. Professional services for the implementation of a Budgetary Management System.		
H-W Services Group	Provision of specialist consultancy services to support the introduction of CA Masterpiece financial systems across the public sector.		
International Risk Management	Assistance in the implementation of certain stages of the Implementation Plan including assistance in the structural reorganisation of SAICORP; carrying out of a risk retention study; assistance in the preparation of SAICORP's broking and participation in the evaluation process and preparation of a risk and insurance manual.		
KPMG	Assistance in the implementation of the Treasury Management System.		
Loftus	Services provided in the network integration project undertaken to address significant performance problems and to integrate disparate networks within the department		
Myers-Holum International	Provision of specialist consultancy services to support the introduction of CA Masterpiece financial systems across the public sector.		
	Subtotal	12	2 791 528
Totals		84	3 549 094

Note : The difference between the numbers of consultants in this appendix compared to the numbers shown in Appendix 1 (see page 49 Payments to Consultants) results from the latter showing a summary of the number of *different* consultants to whom payments were made.

APPENDIX 8: OCCUPATIONAL HEALTH, SAFETY AND WELFARE STATISTICS

	1993-94	1994-95	1995-96	1996-97
(a) The average number of employees during the period	378.8	366.9	407.7	417.1
(b) The total number of hours worked by employees	642 066	621 895	691 052	706 985
(c) The total number of work injuries	23	8	11	19
(d) The agency's actual expenditure on OH&S programs - as a percentage of total expenditure	0.05	0.02	0.03	0.03
(e) The agency's budget allocation for workers compensation claims	76 100	71 900	50 900	46 700
(f) The total number of new workers compensation claims	12	5	2	5
(g) The total cost of workers compensation claims charged against an insurance fund	16 760	21 402	14 619	37 565
(h) The total cost of workers compensation claims carried by the agency	-	-	-	-
(i) The total number of common laws claims	-	-	-	-
(j) The total cost of common laws claims	-	-	-	-
(k) The total number of employees who participated in the agency's rehabilitation program	-	-	1	1
(l) The total number of employees rehabilitated back to their original work task	-	-	-	-
(m) The total number of employees rehabilitated and redeployed on to other work tasks	-	-	-	-
(n) The total number of employees still on suitable alternative duties -	-	-	-	-
(o) The total number of employees who left, declared medically unfit -	-	-	-	-
(p) The agency's budget allocation for property damage accidents	-	-	-	-
(q) The total number of property damage accidents	-	-	-	-
(r) The total cost of property damage accidents	-	-	-	-
(s) The number of hours of training in OH&S	397.5	390.5	94.5	130
(t) The number of Health and Safety Representatives	4	3	7	4
(u) The number of Health and Safety Committees	1	1	1	1
(v) The number of Default Notices issued pursuant to S.35 of the Occupational Health, Safety and Welfare Act 1986	-	-	-	-
(w) The number of times work was stopped pursuant to S.36 of the Occupational Health, Safety and Welfare Act 1986	-	-	-	-
(x) The number of Improvement Notices issued pursuant to S.39 of the Occupational Health, Safety and Welfare Act 1986	-	-	-	-
(y) The number of Prohibition Notices issued pursuant to S.40 of the Occupational Health, Safety and Welfare Act 1986	-	-	-	-

APPENDIX 9: FREEDOM OF INFORMATION STATEMENT

Freedom of Information Act 1991

(FOI Agency G298)

Introduction

This statement is published in accordance with the requirements of Section 9(2) of the *Freedom of Information (FOI) Act 1991*.

Copies are available free of charge from :

FOI Contact Officer
Department of Treasury and Finance
Level 3, State Administration Centre
200 Victoria Square
ADELAIDE SA 5000

Telephone: 8226 3598

Section 1 - Structure and Functions

Information concerning the structure and functions of Treasury and Finance is contained elsewhere in this report and is deemed to be consistent with the reporting requirements of Section 9(2) (a) of the FOI Act. Copies of the report are available from the FOI Contact Officer.

Section 2 - Effect of the Agency's Functions on Members of the Public

Many of the functions of Treasury and Finance deal with financial and economic management issues within Government. The department's responsibilities in this area impact essentially on the internal workings of other State Government departments and authorities rather than having a direct effect on the public.

However, Treasury and Finance's operations do have a more direct public impact in the following areas :

State Taxation

Through the State Taxation Office, the department administers the following taxation legislation :

Debits Tax Act 1994

The Act came into operation on 1 July 1994 and repealed the *Debits Tax Act 1990*. Debits tax is charged at variable rates based on the amount withdrawn from bank accounts with a cheque drawing facility.

Financial Institutions Duty Act 1983

Financial institutions duty is payable at the rate of 0.065c per \$100 or \$1 200 (whichever is the lesser) on any receipt of money by a financial institution that is registered or required to be registered under the provisions of the Act.

Duty at a concessional rate (0.005 per cent) is payable by those persons who are registered as short-term money market operators for the purposes of the Act. The Act provides for certain accounts (eg charitable organisations) to be exempt from the imposition of the duty.

Land Tax Act 1936

Land tax is imposed under the *Land Tax Act* on all land in the State other than that which is specifically exempted. With minor exceptions, land tax is not payable on land used as a principal place of residence or for primary production. The tax is calculated on the aggregate of the site values in an ownership as at 30 June immediately preceding the financial year for which the tax is levied. The site values are determined by the Valuer-General.

Pay-roll Tax Act 1971

Employers and groups of employers are required under the provisions of the Pay-roll Tax Act to pay tax on wages and salaries paid to employees at a rate of 6.0%; employer contributions for superannuation are included as gross wages in the calculation of pay-roll tax. Where wages and salaries are below a given level (currently \$456 000 per year), described as the threshold, pay-roll tax is not payable.

Petroleum Products Regulation Act 1995

This Act, in force from 1 July 1995, repeals the provisions of the *Business Franchise (Petroleum Products) Act 1979*, the *Motor Fuel Distribution Act 1973* and the *Petroleum Shortages Act 1980*. The objects of the Act were to merge and simplify licensing and other regulatory requirements applying to activities involving or related to petroleum products.

Monthly licence fees are charged for the wholesale sale of petroleum products at \$50 plus an ad valorem fee based on sales made during the relevant period. Annual licence fees are charged for the retail sale of petroleum products. The annual licence fee for the retail sale of petroleum products is \$125 and a fee for the keeping of petroleum products is based on the quantity and type of fuel kept.

Stamp Duties Act 1923

The Stamp Duties Act provides for the payment of duty on a diverse range of instruments, the largest being duty on the conveyance of land. Duty is also levied on a number of transactions relating to rental business, insurance business, stock exchange dealings and applications to register and transfer registration of motor vehicles.

Taxation (Reciprocal Powers) Act 1989

This Act provides for reciprocal powers enabling a taxation authority to conduct investigations within the jurisdiction of another taxation authority or within its own jurisdiction on behalf of another taxation authority.

Tobacco Products (Licensing) Act 1986

The *Tobacco Products (Licensing) Act* provides for a legislative scheme under which a direct contribution to State revenue, in the form of a licence fee, is made by a consumer who takes out a consumption licence.

Consumers are relieved from the obligation to hold a consumption licence for the consumption of tobacco products obtained through a merchant in circumstances where the merchant chooses to be licensed and thus by payment of licence fees makes a contribution to State revenue on behalf of consumers. The current licence fee rate is 100%.

This Act was repealed by the *Tobacco Products Regulation Act 1997* which came into force on 5 June 1997.

The State Taxation Office is also responsible for the collection of contributions under the provisions of the *Phylloxera Act 1936* and the collection of duty under the *Succession Duties Act 1929* (this latter Act only applies in respect of deaths prior to 1 January 1980).

Tobacco Products Regulation Act 1997

The *Tobacco Products Regulation Act* repealed the provisions of the *Tobacco Products (Licensing) Act 1986* and the *Tobacco Products (Control) Act 1986*.

The *Tobacco Products Regulation Act* regulates the sale, packaging, importing, advertising and use of tobacco products to recover from consumers of tobacco products an appropriate contribution towards the State's revenues. Various fees apply to the issue of licenses under the provision of this Act.

Superannuation

The Department of Treasury and Finance administers several superannuation schemes through the State Superannuation Office :

- the Southern State Superannuation (Triple S) Scheme which was open to new members from 1 July 1995. Membership of this scheme is voluntary;
- the State Pension Scheme and the State Lump Sum Scheme for which membership to both was voluntary. Both schemes are now closed to new members;
- the Superannuation Benefit Scheme (SSBS) which membership is automatic for Government employees who are not members of one of the voluntary schemes. This came into effect on 1 July 1992 and replaced the Public Sector Employees Superannuation Scheme (PSESS); and
- superannuation schemes for parliamentarians, judges and governors.

The Department of Treasury and Finance coordinates superannuation activity generally within the State public sector, including the development of policy relating to superannuation issues.

The Information Statement relating to the State Pension, State Lump Sum, Triple S and SSBS Schemes may be obtained from the annual report of the South Australian Superannuation Board.

Friendly Societies Act 1919

The *Friendly Societies Act* as amended provides for the regulation and supervision of State based friendly societies. The Treasurer has delegated certain of his powers under the Act to the SA Registrar of Friendly Societies.

Collections for Charitable Purposes Act 1939

Treasury and Finance administers the *Collections for Charitable Purposes Act* involving the licensing of charitable organisations and commercial agents to collect donations from the public.

Lottery Licences

Treasury and Finance is responsible for the administration of the lottery and gaming provisions of the *Lottery and Gaming Act 1936* and Regulations, under which associations are licensed to conduct lotteries.

Casino Prohibition Orders

Treasury and Finance coordinates the issue of orders by the Minister pursuant to Section 19 of the *Casino Act 1983* prohibiting persons from entering the licensed Casino.

Unclaimed Moneys

Pursuant to the provisions of the *Unclaimed Moneys Act 1891*, Treasury and Finance receives from companies, unclaimed moneys exceeding \$10 in accounts which have not been operated for six years (after details of those moneys have been published in the Government Gazette for two years in succession). The Act also provides for individuals in possession of moneys for a year or upwards and of which the owner cannot be found to pay these moneys to the Treasurer. The Act empowers the Treasurer to approve the payment of claims where he is satisfied that the claimant is the rightful owner.

Actuarial Calculations

Treasury and Finance performs calculations in relation to amounts payable to members of the public under a range of legislation, including :

- death claims payable from the Housing Loans Redemption Fund (pursuant to the *Housing Loans Redemption Fund Act 1962*);
- workers compensation redemption values;
- maintenance payment redemption values; and
- surrender values payable on some friendly society policies

Section 3 - Arrangements for Public Participation in Policy Formulation

Avenues for the public to participate in policy development are generally limited to specific issues on which public comment is sought (eg, the review of the *Collections for Charitable Purposes Act* and Regulations under the *Lottery and Gaming Act*). Such involvement would normally entail consultation with representatives of various interest groups.

However, ongoing consultation does take place with representatives of interest groups in the following areas.

State Taxation

The State Taxation Office has established consulting groups with which meetings are held regularly to discuss a wide range of issues arising out of the administration of taxation legislation. The groups have the following membership :

- Australian Society of CPAs
- Law Society of South Australia
- Taxation Institute of Australia
- The Institute of Chartered Accountants in Australia
- Taxpayers' Association of South Australia
- The National Institute of Accountants
- The Institute of Conveyancers
- The Real Estate Institute of South Australia
- The Australian Bankers' Association
- Credit Union Association of South Australia.

In addition, the State Taxation Office maintains regular contact with the following :

- The Australian Finance Conference
- South Australian Employers Chamber of Commerce and Industry
- Insurance Council of Australia
- Life Insurance Federation of Australia
- Motor Trade Association of South Australia Incorporated.

As approved by Cabinet from time to time, draft legislation is released on a confidential basis to relevant industry bodies for input before legislation is tabled in Parliament.

Superannuation

Employee representatives are included on the SA Superannuation Board (see Information Statement of the South Australian Superannuation Board).

Section 4 - Description of the Kinds of Documents held by Treasury and Finance

Documents held by Treasury and Finance fall broadly into the categories described below. The bulk are available in hard copy format, although some are stored on computer or microfiche. The listing of these categories does not necessarily mean all documents are accessible in full or in part under the Act.

- (a) department files (known as dockets), official files containing correspondence on all aspects of the department's operations;
- (b) taxation documents including applications and returns required for the purpose of administering State Taxation legislation;
- (c) accounting records including monthly and quarterly financial statements, and the Treasurer's annual financial statements and accounts;
- (d) lottery and gaming files including applications, financial statements and other general correspondence concerning the operations of the Lottery and Gaming Unit;
- (e) personnel files relating to Treasury and Finance employees;
- (f) superannuation files relating to the administration of the PSESS (see also Information Statement of the South Australian Superannuation Board);
- (g) instructions Treasurer's Instructions⁽ⁱ⁾
- (h) circulars including :
 - State Taxation Office circulars⁽ⁱ⁾
 - Treasury circulars⁽ⁱ⁾
- (i) publications/papers/reports including :
 - Budget Papers⁽ⁱ⁾
 - information papers
 - Annual Report⁽ⁱⁱ⁾
- (j) procedure manuals including :
 - returns branch work manuals
 - compliance branch investigators manual
 - stamp duties office internal practice notes
- (k) actuarial files including :
 - registered rules of friendly societies
 - audited annual financial statements of friendly societies and benefit associations
 - contribution returns for the Housing Loans Redemption Fund

- (i) Available for purchase
- (ii) Available free of charge

Section 5 - Access Arrangements, Procedures and Points of Contact

General Information

Where possible (subject to the observance of privacy principles and confidentiality standards), information held by Treasury and Finance will be made available on an informal basis and at no charge.

Where a decision to grant access on this basis is refused, members of the public have the right to make an application under the *FOI Act*.

Personal Affairs

Should a member of the public become aware of or detect an error in our records about his or her personal affairs, amendment to records should be possible without the need for a formal FOI application in most cases, provided that adequate supporting documentation about any error is submitted by the applicant.

Enquires should be directed to the FOI Contact Officer (telephone 8226 3598) in the first instance.

Making an Application

If it is proposed to pursue a formal application under the *FOI Act*, either for access to information or to amend official records about personal affairs, this must be in writing (application forms are available from the FOI Contact Officer) :

accompanied by the prescribed application fee (\$20 in the case of applications for access; no fee is required for applications to amend records);

addressed to :

FOI Contact Officer
Department of Treasury and Finance
GPO Box 1045
ADELAIDE SA 5001.

Before lodging an application, however, it is first advisable to discuss the matter with the FOI Contact Officer :

Level 3, State Administration Centre
200 Victoria Square
ADELAIDE SA 5000.

telephone 8226 3598
9.00 am to 5.00 pm Monday to Friday.

Processing an Application

Under the *FOI Act*, Treasury and Finance is required to respond to applications for information within 45 days of receipt. If the application involves substantial search and processing time, the applicant may be required to pay a search fee of \$7.50 per quarter hour in addition to the application fee. It may be necessary to obtain an advance deposit in some cases. Reduced fees apply in some circumstances.

Refusal of Access/Refusal to Amend

While the *FOI Act* encourages open government through the release of documents and information, it does contain provision to refuse to deal with applications or to refuse access to documents on a range of grounds (Sections 18 and 20). The Act also provides for agencies to refuse to amend records (Section 35). A person aggrieved by such a determination may, in most cases, apply for an internal review of the decision. The Act also provides for a further right of appeal to the Ombudsman or the District Court.

Where to Inspect Documents

With the exception of State Taxation Office circulars, documents available free of charge or for purchase (see Section 4) are available for inspection at :

Level 3, State Administration Centre
200 Victoria Square
ADELAIDE SA 5000.

telephone 8226 3598
9.00 am to 5.00 pm Monday to Friday.

Taxation circulars may be inspected during the same hours at :

Ground Floor
State Administration Centre
200 Victoria Square
ADELAIDE SA 5000.
telephone 8226 3750.

Enquires concerning access to other categories of documents listed should be made to the FOI Contact Officer, telephone 8226 3598.

Number of Requests Made

The Department of Treasury and Finance received eight enquiries in accordance with the Act during the 1996-97 financial year. One enquiry was transferred to another agency, one enquiry was withdrawn and the remaining six were dealt with in the appropriate manner.

