



# The Treasury of South Australia

ANNUAL REPORT  
1987/88



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South Australia

In your reply  
please quote

No.....



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**The Treasury**  
**Adelaide**

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30 September 1988

The Hon J C Bannon BA LL B MP  
Treasurer of South Australia  
State Administration Centre  
Victoria Square  
ADELAIDE 5000

Dear Treasurer

I have pleasure in submitting the Annual Report of the  
Treasury Department for the year ended 30 June 1988.

Yours sincerely

(A R Prowse)  
UNDER TREASURER

TD 256/88  
- 3155a -

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## FOREWORD

This second annual report of the Treasury aims of course to meet the general requirements for such reports, but essentially it aims to be informative and interesting. We would welcome discussion with those who might wish to pursue issues that might be of interest to those reading it.

In the first annual report of the Department, prepared for the year 1986/87, a lengthy section was devoted to the historical development of the present structure of the Department. That history is not repeated this year; those who may be interested are referred to Chapter I of the 1986/87 Report. Nevertheless, it is useful to note again that one feature of this diverse Department is that several of its activities are carried out under the framework of statutory boards. SAFA operates under the broad direction of the Board of the South Australian Government Financing Authority; SASFIT operates under the broad direction of the South Australian Superannuation Fund Investment Trust; and the Superannuation Office operates under the broad direction of the Superannuation Board.

The staff of these branches are Treasury officers but technically are "made available" to enable the respective boards to carry out their statutory functions.

For such arrangements to work successfully there is clearly a need for co-operation and understanding on both sides. It is pleasant to record that this co-operation has been achieved in a wholehearted manner in each case.

One important further development in the structure of the Department during the year was the transfer of the Economic Branch from the Department of the Premier and Cabinet to Treasury. The benefits of this new arrangement are already being felt within Treasury, in the service provided to Government and, not least, by the members of the Branch.

A further important event in 1987/88 was the preparation in Treasury of two important economic papers -

- . The Finances of South Australia
- . The South Australian Economy.

The purpose of these papers is to provide information for investors and the public and to make a contribution to the development of economic strategy within the South Australian public sector. Copies of the papers are available from the Department.

While this report does not repeat the history of the Department's structure, it includes some new elements - Chapter I Financial and Economic Overview; which provides a brief overview of the economic situation and the State's Finances during the year, and Chapter III Major Trends and Developments which draws together some of the more significant developments which have occurred in areas where the Treasury's various arms have responsibilities or are involved and aims to show the broad direction of events in our major areas of responsibility.

Three significant changes took place in the Treasury executive structure during 1987/88.

Mr P N Gerrard, formerly Deputy Australian Government Actuary took up the position of Public Actuary left vacant by the departure of the former Acting Actuary, Mr A R Archer, to become Government Actuary in New Zealand.

Mr P C Cornish retired from the position of Commissioner of State Taxation and was replaced by his former deputy, Mr M K Walker. Mr Cornish was a man of great competence and integrity and his departure represents a loss to the public sector and to the State.

At the end of June 1988 Mr I S Weiss, Executive Officer of the South Australian Superannuation Fund Investment Trust, retired. Mr Weiss has made a very important contribution both as Public Actuary and as Chairman and Chief Executive Officer of SASFIT. Fortunately he will continue as Chairman of the Trust so that his expertise will continue to be available to the Government sector. A replacement for Mr Weiss is being sought.



# MINISTERIAL PORTFOLIO RESPONSIBILITIES OF THE TREASURER

CASINO SUPERVISORY AUTHORITY	STATE BANK OF S A	S A GOVERNMENT FINANCING AUTHORITY	TREASURY DEPARTMENT	SA SUPERANNUATION BOARD	SA SUPERANNUATION FUND INVESTMENT TRUST	LOTTERIES COMMISSION OF SA	STATE GOVERNMENT INSURANCE COMMISSION
Supervise the operation of the licensed casino.	Provide Savings and Trading Bank Service to the Community. Operate a concessional home loans scheme. As the Treasurer's agent administer certain Acts providing loans for particular purposes.	Act as a central borrowing authority for semi-government authorities. Engage in other activities relating to the finances of the Government and semi-government authorities.	* PUBLIC ACTUARY  * COMMISSIONER OF STATE TAXATION  * In some respects, these officers are responsible directly to Parliament.	Administration of Superannuation Schemes.	Manage and invest employee contributions to the S A Superannuation Fund.	Promote and conduct lotteries.	Undertake general and life insurance business. Operate the Compulsory Third Party (Bodily Injury) Scheme.

## ACTS ADMINISTERED BY THE TREASURER

Advances to Settlers Act 1930  
Amending Financial Agreement Acts 1944 & 1966  
Appropriation Acts  
Business Franchise (Petroleum Products) Act 1979  
Casino Act 1983  
Crown Rates & Taxes Recovery Act 1945  
Financial Agreement Act 1927  
Financial Institutions Duty Act 1983

Gift Duties Act 1968  
Government Financing Authority Act 1982  
Governors' Pensions Act 1976  
Housing Loans Redemption Fund Act 1962  
Interest on Crown Advances & Leases Act 1944  
Judges' Pensions Act 1971  
Land Tax Act 1936  
Loans for Fencing & Water-piping Act 1938  
Loans to Producers Act 1927

Parliamentary Superannuation Act 1974  
Pawnbrokers Act 1888  
Pay-roll Tax Act 1971  
Public Finance and Audit Act 1987  
Rural Advances Guarantee Act 1963  
Stamp Duties Act 1923  
State Bank of South Australia Act 1983  
State Government Insurance Commission Act 1970  
State Lotteries Act 1966

Student Hostels (Advances) Act 1961  
Succession Duties Act 1929  
Superannuation Act 1974  
Supplementary Financial Agreement (Soldier Settlement Loans) Act 1934  
Supply Acts  
Tobacco Products (Licensing) Act 1986  
Treasurer's Incorporation Act 1949  
Unclaimed Moneys Act 1891

LEGISLATIVE MEASURES 1987/88

<u>LEGISLATION</u>	<u>DATE OF ASSENT</u>	<u>COMMENCEMENT</u>
Supply Act (No. 2) 1987	10/ 9/87	10/ 9/87
Appropriation Act 1987	29/10/87	1/ 7/87
Business Franchise (Petroleum Products) Act Amendment Act 1987	29/10/87	1/11/87
Land Tax Act Amendment Act 1987	5/11/87	1/ 7/87
Stamp Duties Act Amendment Act 1988	14/ 4/88	7/12/87
		Section - 3
		14/ 6/88
State Lotteries Act Amendment Act 1988	14/ 4/88	14/ 4/88
Superannuation Act 1988	28/ 4/88	1/ 7/88
Supply Act (No. 1) 1988	14/ 4/88	14/ 4/88

LEGISLATIVE MEASURES 1987/88

BRIEF DESCRIPTION

Supply Act (No. 2) 1987

Provided appropriation to enable the Public Service to carry out its normal functions during the months of September and October 1987.

Appropriation Act 1987

Gave effect to the Government's budget proposals for 1987/88.

Business Franchise (Petroleum Products) Act Amendment Act 1987

Increased the value of motor spirit and diesel fuel for the purpose of calculating licence fees and introduced a three-zone system of rates. In addition, the Commissioner of State Taxation was given a wider range of powers and certain legal restraints in regard to the recovery of duty were eliminated.

Land Tax Act Amendment Act 1987

Extended the modified land tax liability (as prescribed in the Land Tax Act Amendment Act 1986) for an additional 12 months at a reduced rate. Offered certain exemptions from land tax to residents of retirement villages.

Stamp Duties Act Amendment Act 1988

Permitted the transfer between spouses of an interest in the matrimonial home to take place free of duty and authorised payment of interest on refunds of stamp duty resulting from successful objections against the Commissioner's assessment. The Act also restricted certain tax avoidance practices which offered a potential for significant loss of revenue.

State Lotteries Act Amendment Act 1988

Prohibited the operation of commercial syndicates for lotto games.

Superannuation Act 1988

Repealed the Superannuation Act 1974. The new Act closed the existing pension scheme to new entrants, amended several aspects of the existing scheme and set up a new lump sum scheme.

Supply Act (No. 1) 1988

Provided appropriation to enable the Public Service to carry out its normal functions during the early months of the 1988/89 financial year.

TREASURY DEPARTMENT  
1987/88

EO-6

UNDER TREASURER  
A R Prowse

DIVISIONAL AND BRANCH HEADS

	<u>STATE TAXATION</u>	<u>SYSTEMS AND ACCOUNTING</u>	<u>ADMINISTRATION AND SUPPORT SERVICES</u>	<u>BUDGET AND CAPITAL WORKS</u>	<u>SAFA</u>	<u>ECONOMIC BRANCH</u>	<u>PUBLIC ACTUARY</u>	<u>SASFIT</u>
EO-4	Commissioner of State Taxation M Walker			Deputy Under Treasurer P J Emery			Public Actuary P Gerrard	Executive Officer SASFIT J Beare (Acting)
EO-3		Assistant Under Treasurer J T Hill						x
EO-2				Director Capital Works D Orchard	Director Budgets G Bethune	General Manager SAFA R Ruse		
EO-1	Deputy Commissioner of State Taxation A Negus	Director, Accounting Policy & Systems R Walsh				Director, Economic Branch M Smith		
AO-5		Manager, Accounting Operations R Chenoweth						
AO-3	Deputy Commissioner of Land Tax L L Sutton		Chief Administrative Officer J D Kitchen					

## CHAPTER I

### FINANCIAL AND ECONOMIC OVERVIEW

#### ECONOMIC OVERVIEW

##### (a) International

The South Australian and Australian economies continue to be heavily influenced by international economic developments. Strong growth in industrial production in major economies combined with a rundown in some commodity stocks produced a very significant rise in most commodity prices during the year 1987/88. This greatly assisted Australia's balance of payments through higher value exports and boosted incomes in the export sectors and associated supplying industries.

International economic conditions have been generally favourable over the last year and the major economic institutions have recently again raised their growth forecasts for calendar year 1988. However, somewhat lower growth rates are forecast for 1989, especially in the United States and Japan, following a trend to higher interest rates and the need in the USA to reduce the federal budget deficit sharply next year.

The very big falls in share prices in the major markets in October 1987, after speculative excesses in the previous months, did not produce the fall in economic growth that was expected at the time. It seems now that there was a considerable momentum occurring in industrial production and exports in the USA, Japan and other newly-industrialising Asian economies. This together, with appropriately accommodating monetary policy to prevent any liquidity crisis, meant that the international economy barely paused before growing very strongly in the first half of 1988.

In that period there has been a considerable reduction in the size of the United States' international trading deficit. This has produced a rise in the US dollar's value against the Japanese yen and German mark.

Worries for 1988/89 tend now to have moved away from fears of a recession towards some concern about over-heating in certain economies such as the USA and the United Kingdom and the inflationary pressures that may result. Evidence for an international inflationary break-out, however, is not strong and it is considered that commodity prices may have already stabilised and will fall somewhat in 1989.

Nominal interest rates in world capital markets generally drifted higher in 1987/88, reversing a six year trend of falling world interest rates. The slight lift in overseas interest rates can be attributed to two key factors:



- . a general upward trend in overseas inflation rates. For example, the negative growth in consumer prices in Japan and West Germany last year gave way to positive inflation rates in those countries - of around one per cent in West Germany and 0.2 per cent in Japan;
- . fears of further increases in inflation stemming from much stronger growth in the major world economies than initially anticipated after the world stock market crash in October 1987.

(b) National

In Australia, interest rates generally moved against the world trend, reflecting steady improvement in our economic fundamentals during 1987/88 although short term.

The Australian economy expanded strongly during 1987/88. Some slowdown in this growth rate is considered necessary by the federal authorities, both to prevent a large rise in consumption pulling in excessive imports and to prevent inflationary pressures in some sectors - especially housing.

The large federal budget surplus expected for 1988/89 of \$5.5 billion will dampen local demand and a tighter monetary policy for the latter part of 1988 is likely.

Prospects exist for a reduction in the inflation rate over the next financial year from the 7.1 per cent rate recorded in 1987/88. The reasons for this are the higher exchange value of the Australian dollar than that averaged in 1987/88, expected moderate oil price trends, a tough federal fiscal policy and tighter monetary policy.

(c) South Australia

For South Australia, which has experienced three years in which the local economy has been adversely affected by the drop in new housing construction and much lower new motor vehicle sales, the 1988/89 year should see stronger growth. The recent improvement in the South Australian new housing industry, the improving trend in the national new motor vehicle market, the continued strength of the local non-dwelling sector of the building industry, the effects of the Roxby Downs copper-gold-uranium project's first year of production, the early stages of the submarine project and buoyant rural and other export sectors are the basis for this expectation of strengthened employment and production levels in South Australia.

STATE FINANCES

(a) 1987/88 Outcome

The 1987/88 Budget provided for a financing requirement of \$354.8 million and a Consolidated Account deficit of \$14.3 million. In the end result there was an overall improvement of \$48.7 million in the Consolidated Account result producing an overall cash surplus of \$34.4 million. The financing requirement was \$309.8 million.

On the revenue side, the Budget benefited from buoyancy in the property market and increases in employment, with a net improvement in recurrent receipts of \$75.3 million. This was partly offset by a deterioration in capital receipts (Commonwealth specific purpose payments) of \$13.6 million, leaving a net improvement of \$63.3 million.

On the payments side there was a deterioration in recurrent payments of \$13.6 million and a deterioration in capital payments of \$1.0 million, a total of \$14.6 million.

For the public sector as a whole, the financing requirement was \$341 million against the original estimate of \$588 million. Net State indebtedness fell from \$3958 million at 30 June 1987 to \$3908 million at 30 June 1988.

(b) 1988/89 Estimates

The 1988/89 Budget provides for a financing requirement of \$226.1 million compared to the outcome of \$309.8 million in 1987/88. It provides for a balanced cash result for the Consolidated Account, with a recurrent deficit of \$16.0 million (on a comparable accounting basis).

Recurrent receipts are expected to grow by 8.4 per cent on a comparable basis with 1987/88, including the \$74 million of 1987/88 SAFA surplus brought forward to 1988/89.

Commonwealth grants (general and specific purpose) are expected to grow by only 1.2 per cent. Recoveries are expected to grow by 40.3 per cent (reflecting the SAFA contribution); contributions by public undertakings by 2.5 per cent; fees, fines and charges by 11.2 per cent; charges on other State agencies by 11.4 per cent and royalties by 7.8 per cent.

Recurrent payments are expected to grow by 7.4 per cent, while the contribution to the capital program from the Consolidated Account is expected to fall by 3.6 per cent, reducing total growth in payments to 6.0 per cent.

In terms of the State public sector, the total funding requirement is expected to be \$588 million (compared to \$341 million last year) comprising provisions of \$210 million (\$253 million), borrowing of \$162 million (\$154 million) and other financing arrangements of \$216 million (compared to negative financing of \$66 million in 1987/88).

CHAPTER II

STRUCTURE

The structure of the department may best be understood by reference to the programs which it administers. These are as follows:-

<u>Program</u>	<u>Branch</u>
Provision of budgetary and economic advice	Budget Capital Works Economic
Maintenance and development of accounting policies	Accounting Systems
Administration and enforcement of State taxation legislation	State Taxation
Management of State Government borrowing and investment activities	SAFA

Administration of superannuation schemes

Administration  
and Support  
Services  
(Superannuation  
Office)

Management of superannuation fund  
investment activities

SASFIT

Provision of actuarial advice

Public Actuary

Support Services

Administration  
and Support  
Services,  
Executive  
Management

For budget purposes the Executive Management group comprises the Under Treasurer, the Deputy Under Treasurer, the Assistant Under Treasurer and their secretaries.

In practice all executive officers meet regularly as a management group to discuss major policy issues and to review progress on work programs. These meetings provide a very useful forum for the exchange of information and ideas but are not intended to be a focus for decision-making.

The essential functions of the Budget Branch are to advise the Treasurer and Cabinet on appropriate revenue, expenditure and borrowing targets, to provide analysis of agency budget bids and spending bids outside the Budget process, to co-ordinate the preparation of the State budget and to report regularly to the Treasurer during the year on progress against budget targets. In addition, the Budget Branch has an important role to play in advising on developments in Commonwealth-State financial relationships, which have a major impact on the South Australian budget.

The functions of the Capital Works Branch are very similar to those of the Budget Branch. Reflecting its different focus, there is rather more emphasis on the preparation of guidelines for future years and on monitoring the analytical techniques used by agencies to evaluate projects. The branch works in conjunction with the Capital Works Budget Committee which reports to the Treasurer.

The Economic Branch provides an advisory service to the Government through the preparation of briefings on a wide range of economic data as it becomes available. It also provides a monthly report on the latest international, national and local trends and conducts a monthly employment survey of major South Australian businesses. It contributes towards the development of the economic assumptions on which budget estimates are formulated.



The function of the Accounting Branch is to maintain the Government's central accounting records, to ensure that all expenditure is in accordance with legal appropriation authority and to produce the Government's financial statements. The Branch is responsible for the maintenance of the computer-based Treasury Accounting System which provides the foundation for these activities.

The function of the Systems Branch is to ensure that the Treasury Accounting System is progressively modified to accommodate the latest enhancements and to educate departments to use the system to its full capability. It is also the responsibility of the branch to advise on the implications for Government accounting of other major systems developments within the Government and to co-ordinate the development of systems within Treasury. Primary responsibility for accounting policy issues resides with the Systems Branch but the Accounting Branch also contributes towards the development of accounting policy.

The State Taxation Office is responsible for the administration of most major state taxation legislation. It is required to monitor compliance with the legislation and to ensure that taxpayers meet their legal obligations. The Office also contributes to the development of taxation policy and to the preparation of tax legislation with particular reference to the development of measures to overcome tax avoidance and evasion.

The SAFA Branch has two main responsibilities:-

- . the administration and operation of the South Australian Government Financing Authority (SAFA)
- . the administration of the Australian Loan Council guidelines relating to State public sector borrowings.

The branch can be regarded as fulfilling the same role for the State public sector as a corporate Treasury department would for a large corporation. It provides practically all the capital funds for the State's statutory authorities and a major and increasing proportion of the State Government's capital funds required through the Consolidated Account.

The State Superannuation Office is part of the Administration and Support Services Branch. It administers three superannuation schemes:-

- . two State Superannuation Schemes, which are voluntary schemes open to most Government employees and to staff of certain statutory authorities.

- . the Public Sector Employees Superannuation Scheme which provides benefits to all Government and statutory authority employees in accordance with an agreement negotiated between the Government and the United Trades and Labor Council as a result of the 3% national productivity claim.

The SASFIT Branch is required to manage, control and invest the funds of the South Australian Superannuation Fund in accordance with the directions provided by the trustees of the South Australian Superannuation Fund Investment Trust. The branch is also required to manage the Police Pensions Fund in a similar manner under delegation from the Treasurer.

The Public Actuary's Branch provides actuarial and policy advice on superannuation, general insurance, life insurance and related matters. The Superannuation Policy and Management Unit co-ordinates superannuation activity in the public sector, advises the Government on superannuation policy, monitors existing schemes and services the interdepartmental Superannuation Task Force. The Insurance and Risk Management Unit services the interdepartmental committee set up to rationalise existing insurance arrangements in the public sector and pays claims for fire damage to Government buildings and other insurance claims in excess of agreed limits.

The function of the Administration and Support Services Branch, apart from its role in the administration of superannuation schemes, is to provide a service to all other sections of the department on matters such as accommodation, supply, transport, keyboard and reception, correspondence and personnel. In addition, the Branch provides a Ministerial office service to the portfolio of the Treasurer by handling matters relating to the administration of certain Acts such as the Unclaimed Moneys Act and the Rural Advances Guarantee Act and by facilitating dealings between the Treasurer and the major statutory authorities for which he is responsible.

Table I below shows the number of officers employed in each branch of Treasury in each month of 1987/88.

Table II shows expenditure incurred by each branch during 1987/88.

TABLE 1

## TREASURY DEPARTMENT STAFF STATISTICS - 1987/88

DIVISION/ BRANCH/ SECTION	AFTE BUDGET	AFTE ACTUAL	JULY	AUGUST	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APRIL	MAY	JUNE	FTE TARGET FOR 30/6/88
<u>TREASURY CENTRAL</u>															
EXECUTIVE MGMT	5.0	4.9	5.0	5.0	5.0	5.0	5.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
ACCOUNTS	22.0	21.7	22.5	21.5	23.5	22.5	22.5	22.5	22.5	22.5	20.5	20.5	19.5	19.5	21.9
ADMINISTRATION	11.3	12.5	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	11.0	11.0	11.0	13.0	11.0
BUDGET	20.5	19.7	20.0	20.0	19.0	19.0	20.0	20.0	20.0	20.0	20.0	20.0	19.0	19.0	21.0
FIRE SERV FUNDING	0.5	0.9	2.0	2.0	2.0	2.0	2.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL WORKS	3.8	3.5	3.0	3.0	3.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0	4.0	4.0	4.0
ECONOMIC BRANCH	3.5	2.0	0.0	0.0	0.0	0.0	0.0	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
PUBLIC ACTUARY	6.8	7.5	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	6.8	6.8	6.8	6.8	6.0
SUPERANNUATION	18.8	19.4	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	20.0	20.0	20.0	21.0	19.0
SYSTEMS	6.7	6.8	6.0	6.0	6.0	6.0	6.0	6.0	6.0	8.0	8.0	8.0	8.0	8.0	7.0
SUB TOTAL	98.9	98.9	98.3	97.3	98.3	98.3	99.3	100.8	100.8	101.8	97.8	97.8	96.8	99.8	98.4
STATE TAXATION	131.1	125.4	128.0	129.0	127.5	127.6	125.0	129.0	127.0	123.0	119.0	120.8	125.6	123.6	131.1
SUB TOTAL	230.0	224.3	226.3	226.3	225.8	225.9	224.3	229.8	227.8	224.8	216.8	218.6	222.4	223.4	229.5
SAFA	37.0	36.1	38.0	38.0	36.0	35.0	35.0	36.0	35.0	35.0	35.0	35.0	36.0	39.0	37.0
SASFIT	8.0	7.6	8.0	8.0	8.0	8.0	8.0	7.0	7.0	7.0	7.0	8.0	8.0	7.0	8.0
TOTAL FTE	275.0	268.0	272.3	272.3	269.8	268.9	267.3	272.8	269.8	266.8	258.8	261.6	266.4	269.4	274.5
CONTINGENCY	4.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	4.4
TOTAL	279.4	271.4	275.7	275.7	273.2	272.3	270.7	276.2	273.2	270.2	262.2	265.0	269.8	272.8	278.9

15  
1

TABLE II

ACTUAL 1987/88 EXPENDITURE BY BRANCH

	SALARIES AND RELATED PAYMENTS	CONTINGENCIES	BRANCH TOTAL
	\$	\$	\$
Executive Management	214 677	26,152	240,829
Accounting	634,953	1,076,606	1,711,559
Administration	469,826	793,864	1,263,690
Budget	815,703	75,396	891,099
Capital Works	161,269	2,873	164,142
Economic Branch	88,880	81,319	170,199
Public Actuary	336,571	46,298	382,869
SASFIT	356,964	94,407	451,371
Superannuation	470,812	196,988	667,800
Systems	280,560	230,337	510,897
State Taxation Office	3,250,122	946,430	4,196,552
SAFA	1,459,448	3,464,579	4,924,027
Departmental Total	8,539,785	7,035,249	15,575,034

Source of Funds

Appropriation      10,199,636  
SAFA Trust Fund    4,924,027  
SASFIT Trust Fund   451,371

Notes

1. Administration - Salaries and Related Payments  
Includes \$142,731 for Terminal Leave
2. Administration - contingencies  
Includes \$653,180 for Accommodation
3. Accounting - Contingencies  
Includes \$924,533 for ADP Expenditure
4. Systems - Contingencies  
Includes \$187,777 for ADP Expenditure

### CHAPTER III

#### MAJOR TRENDS AND DEVELOPMENTS

The following chapters contain details of the activities of each of the Treasury branches during 1987/88. In this chapter we have drawn together some of the more significant developments which have occurred in order to present a clearer picture of the direction being taken in our major areas of responsibility.

#### The Budget

As well as presenting the budget in the traditional format, Treasury has for a number of years presented to the Government data on the overall finances of the South Australian public sector in a national accounting format. While South Australia is a leader in this field much remains to be done. In 1987/88 much greater emphasis was placed on the net borrowing requirement for the Consolidated Account in the lead-up to the 1988/89 budget.

Although the basic recurrent budget methodology has remained unchanged, the whole process of producing budget estimates has become more complex with the need to allow for various options for the basic assumptions (such as inflation and wage rates) and the need to accommodate detailed savings requirements.

Considerable work was also devoted to improving methodology to make it possible to produce forward estimates at a reasonable level of detail. Further development of this work is a high priority but is heavily dependent on the provision of computing resources.

The availability of forward estimates will permit the Budget Branch to give greater emphasis to longer term reviews and provide greater scope for longer term planning than is presently possible. This in turn will permit the branch to take a more analytical approach to agency budgets, through development of time series data of expenditure, workforce and performance indicators.

One of the most significant developments during the year was the transfer of the Economic Branch to Treasury from the Department of the Premier and Cabinet. This relocation has ensured more frequent and closer consultation between the Economic Branch and the Budget Branch and facilitated integration of economic forecasts into the revenue and expenditure estimates.



Close relations with other agencies are critical for the work of the branch and have been fostered at every opportunity. During the year a number of agencies provided briefings to Treasury on major issues while Treasury has provided a number of presentations on the budget process and budget outlook. This mutual exchange of information is invaluable in enabling both sides to gain a better understanding of budget realities.

A new capital works document was prepared to accompany the budget papers for 1987/88. It provided the public and the construction industry in particular with a clearer picture of the location and nature of capital works in progress and of new works proposed, together with an estimated time frame for their completion.

It has been necessary for the Government to reduce markedly the size of the capital works program and to place greater emphasis on asset replacement rather than the construction of new assets. This has placed greater stress on the Capital Works Branch to examine critically all proposals for expenditure and to ensure that they have been subjected to proper economic analysis. Difficulties have been experienced due to staff shortages but it is expected that the position will improve in 1988/89.

### Accounting

Over the last few years the Treasury Accounting System (TAS) has progressively replaced the Central Processing of Accounts System. The new system was designed to support the introduction of program performance budgeting and to improve the information available for budgeting, investigation and cash management purposes.

The introduction of TAS has had a number of beneficial effects on the work of the Accounting Branch. Tedious ledger posting and clerical procedures have been eliminated and staff now have the opportunity to undertake more stimulating and challenging tasks. These include providing a continuous liaison and advisory service to departments on information available from TAS and the procedures associated with it.

With the aid of a new reporting facility "Information Expert" it is planned to develop a number of new financial management reports for use by the Budget Branch. In addition an investigation will be undertaken of a comprehensive computerised system to be used by the Budget Branch for budget monitoring, development of the budget and production of budget documents.

During 1987/88 a post implementation review of TAS was carried out by Arthur Andersen and Company. The review found that the system was performing well and meeting all of its functional objectives. However, the management objectives were not being achieved due to a lack of progress with the use of program performance budgeting by agencies. The implementation time for the project was considered to be excessive. Although project implementation costs and operating costs were greater than originally estimated they were considered reasonable in the light of costs incurred on similar projects elsewhere.

The report made a number of recommendations for improvements. These will be pursued in 1988/89 as resources permit.

A post implementation review of the Software International General Ledger (SIGL) System used by most departments for their internal financial accounting purposes was carried out for the Government Management Board. In line with the recommendation of that review, a task force was established in Treasury to develop a strategy for achieving economic and productivity improvements in the operation of the system. Work on implementing the strategy is under way.

Both the TAS and SIGL post implementation reviews stressed the need for clarification of responsibility for the planning, co-ordination and control of service-wide financial systems. Treasury is represented on an interdepartmental committee established for the purpose of recommending how this might best be achieved. The committee will report in 1988/89.

We are very firmly of the view that Treasury should have a major role in this process so that the needs of the Treasurer and of Parliament are not subjugated to the desires of agencies for maximum flexibility in the development of their financial management systems. The lack of sufficient Treasury involvement in the past has, in our view, contributed to the system co-ordination problems identified in the two post implementation reviews.

A simple cash accounting system does not provide a satisfactory basis for decision making in a large organisation like the South Australian Government. In recent years our efforts have been directed towards the introduction of accrual accounting concepts. Accounting procedures for superannuation costs already reflect such concepts and similar improvements are proposed for long service leave.

The introduction of accrual accounting also requires that the Government's asset accounting procedures be changed to measure the level of its investment in assets and the associated depreciation costs. A draft Treasurer's Instruction on asset registers has been released to agencies for comment. Until agencies have such registers it will not be possible to produce the asset valuation and depreciation information required for accrual accounting.

The work involved in developing suitable asset registers should not be underestimated, particularly since agencies will wish to keep information in a form suitable for their internal management needs as well as in a form suitable for reporting on a Government-wide basis. Nevertheless the aim is to have such registers in place by June 1990.

In addition to moves towards the introduction of accrual accounting concepts and following on the work of the Public Accounts Committee on asset replacement, Treasury is investigating the suitability of current cost accounting approaches to the public sector. A paper entitled "Financial Performance Measurement" which canvasses the key issues has been circulated for comment.

There is currently considerable work being done in Australia on the development of accounting standards by bodies such as the Australian Accounting Research Foundation and the Public Sector Accounting Standards Board. Initiatives for accounting improvements are also originating within the South Australian public sector. The Accounting and Systems Branches have been restructured to give greater priority to policy issues and to enable Treasury to play a greater role in these developments.

#### Taxation

Recent changes in the State Taxation Office have been directed towards improving two aspects of its work-

- . customer service
- . compliance by taxpayers.

The number employed in the office is roughly the same as it was ten years ago and until recently the methods employed were also the same. As the volume of work increased and as the pace of commercial life quickened the waiting time for processing of documents became unacceptable and criticisms from customers became more frequent.

A program of upgrading equipment saw the introduction of electronic stamping machines in place of the less efficient hand operated embossing machines. Improvements were also made in operating procedures with the result that turn around time for simple documents has been reduced to about 15 minutes and for initial processing of more complex instruments about 24 hours.

A replacement on-line system for payroll tax was introduced during 1987/88 and is expected to improve the efficiency of the office and the service provided to customers. It should also bring significant improvements in reporting for management purposes.

Considerable consultation with taxpayer groups took place during the passage of amendments to the Stamp Duties Act and, in particular, with the Taxation Institute of Australia (SA Branch). Where possible, this consultation process will be continued in the future.

The majority of duties collected by the State Taxation Office are self-assessed. It is therefore necessary to have an adequate inspection and investigation capacity or dishonest taxpayers can exploit the system and gain an advantage over their honest competitors. This is not only unfair but leads to a distorted and inefficient economy as resources are diverted to less efficient producers and to the tax avoidance and evasion industry itself.

The inspection capacity of the office has been enhanced in recent years and a number of compliance programs have been introduced. It is not normal practice to "target" particular groups for special attention but to ensure that all areas are aware of the presence of inspectors in the field. Of course, if particular problems occur, as they did early in 1987/88 in the tobacco products licensing area, inspection resources must be concentrated to a greater extent in that area to ensure that the tax base is not significantly eroded by illicit activities.

#### SAFA

The outstanding feature of the year was the strong growth in the SAFA surplus to \$279 million compared with \$220 million in 1986/87. This outcome was substantially above the projected figure and was achieved after setting aside a substantial amount by way of provisions.

It is also pleasing to report the downward movement in the common interest rate charged to agencies and to Consolidated Account. As a result of the policy of borrowing predominantly on short term or floating rate basis during recent years when interest rates have been high and reflecting the recent decline in rates the common rate was reduced from 13.7% in the December quarter of 1987 to 13.3% in the June quarter of 1988.



During the year SAFA implemented a more active debt management program and appointed two external professional managers to assist with this task. The new arrangements made a useful contribution to reducing net interest costs.

Domestic fund raising through issues of promissory notes, inscribed stock and retail tap stock continued to enjoy strong support from investors both institutional and small.

A highlight of the year was the decision by the international rating agency, Moody's Investors Service, to award SAFA paper the highest long-term rating of Aaa for off-shore \$A bond issues and Aa1 for foreign currency issues. However, off shore financing offered relatively fewer opportunities to raise cost-effective \$A than in recent years. Despite this two public issues were undertaken in the Euro-\$A and Euro-Yen markets, while the short term \$A Euro-note facility out of Hong Kong continued to be successful in raising funds at an attractive price.

Throughout 1987/88 emphasis was given to improving further centralised arrangements whereby most semi-Government authorities lodged funds not immediately required with SAFA for investment.

### Superannuation

During the year the Superannuation Act 1988 was passed, replacing the 1974 Act with the same title. This legislation introduced a new lump sum superannuation scheme and also made a number of changes to the existing pension scheme.

Apart from lump sum benefits instead of indexed pensions the new scheme extends membership to casual employees, provides variable contribution rates, the option of preserving benefits on resignation with employer vesting and the ability to cease contributions for various periods. Changes to the existing pension scheme include flexible contribution rates, preserved benefits and the opportunity to commute a higher proportion of pension.

These changes render obsolete the existing computer system used to collect contributions and to pay pensions. Interim systems have been developed to allow for administration of the two schemes pending development of improved systems and a draft specification of requirements for the new systems has been completed. A major task for 1988/89 is the evaluation of tenders and the implementation of these systems by the deadline of 30 June 1989 when the new features become operative.

Effectively there are now two State superannuation schemes where previously there was one. To cater for the increased demands which this will impose on the Superannuation Office five temporary positions have been created. When the two schemes have operated together for twelve to eighteen months the workload will be reassessed and a decision taken about longer term staffing needs.

A new Public Sector Employees Superannuation Scheme came into effect on 1 January 1988, following negotiations between the Government and the United Trades and Labor Council concerning the 3% national productivity claim. The precise benefits to be provided by the scheme had not been finalised by the end of 1987/88 but appear likely to include -

- . 3% of salary and wages for employees who are not members of the State pension scheme
- . 2% of salary and wages for employees who are members of that scheme plus the option to preserve the benefits arising from the pension scheme.

It is anticipated that approximately 110 000 employees in 150 agencies will be included in this new scheme. Some idea of the likely impact of this on the work of the Superannuation Office may be gauged by comparing these statistics with the number of contributors (20 000) and the number of pensioners (12 000) under the existing pension scheme.

At present three temporary positions have been created to assist with the administration of the scheme. A new computer system compatible with the new contributions system to be introduced for the State schemes must be developed to administer the public sector scheme. User requirement specifications and other documentation have been put to one side until final details of the scheme are known.

The Superannuation Policy and Management Unit was created in accordance with the recommendations of the Enquiry into public sector superannuation matters. The role of the Unit is to co-ordinate superannuation activity in the public sector, develop recommendations on superannuation policy issues, monitor existing schemes and service the interdepartmental Superannuation Task Force.

During the year the Unit was heavily committed with the introduction of the new State scheme and the 3% productivity scheme.

SASFIT

The policy of the Trust for several years has been progressively to restructure its investment portfolio so that returns move with inflation by reducing the proportion of fixed interest investments in favour of index linked arrangements and equity investments of various types.

Preliminary calculations indicate a return on funds for 1987/88 of over 20%. This is considerably higher than rates earned by any other major fund in that year. The Trust has consistently earned at more than 20% over the last five years making it one of the leading performers among large funds. These returns have been achieved while adopting policies which lessen risk.

With the introduction of the new State Superannuation Scheme (providing lump sum benefits) to operate alongside the existing scheme (providing indexed pensions) the Fund will be managed in two divisions with separate assets. The Trust will have to determine separate investment policies for each of the two divisions appropriate to the particular character of each division.

In May 1988 the Commonwealth Treasurer announced that the income of superannuation funds would in future be taxed. All the details of the application of the tax, particularly to public sector funds, have not yet been established but it is clear that the impact on the Trust will be significant. Both investment policy and administrative procedures will have to be thoroughly reviewed.

#### Actuarial

A program to improve insurance and risk management arrangements in the public sector was commenced in February 1988. The initial objectives are to rationalise existing insurance arrangements and re-establish the Government as a self-insurer, carry out risk audits in order to reduce risks and set up a data base which will capture details of losses which occur after 1 July 1988.

Self-insurance of risks will be of direct financial benefit to the Government and an active approach to risk management should eventually lead to a significant reduction in payouts on insurable risks.

The program is being co-ordinated by a committee chaired by the Public Actuary. External assistance is being provided by insurance experts Sedgwick Limited.

New arrangements have also been introduced for workers compensation. In the past all workers compensation payments have been met from the Government Insurance Fund managed by the Department of Labour. Individual agencies have had little direct responsibility for management of claims and have simply paid into the Fund a "premium" calculated by reference to past claims experience.

From 1 July 1988 the allocation to agencies for workers compensation will be split into two components -

- . an amount to meet the first 21 business days in respect of any new claim - agencies will meet these costs directly and any savings will be retained for use in approved priority areas or to meet future expenditure savings targets.
- . an amount to meet all other expected payouts (for example lump sum payments and claims after 21 days) - this component will continue to be managed by the Government Workers Compensation Office.

The expectation is that greater direct responsibility will increase awareness by agencies of the financial and other consequences of workplace injuries and provide an incentive to reduce payments thereby producing long term financial benefits for the Government and for employees.

## CHAPTER IV

### PROVISION OF BUDGETARY ADVICE AND ECONOMIC ADVICE

#### Objectives

Provision of budgetary advice is one of Treasury's core responsibilities. It encompasses:-

- . co-ordinating preparation of the State budget, ensuring that the Government's budgetary targets are achieved, the agreed timetable is achieved and adequate consultation takes place;
- . preparing budget documents of high professional standard for Parliament;
- . monitoring budget performance and advising the Treasurer of variations in a timely fashion;
- . assisting the Treasurer, Ministers and agencies to meet their objectives within budget constraints;
- . assisting agencies in budget related matters;
- . promoting the long-run financial viability of the State;



- . providing timely and high quality advice to the Treasurer on expenditure proposals;
- . advising the Treasurer on Commonwealth-State relations with a view to maximising Commonwealth funding.

This work is carried out in five major cycles:-

- . a weekly cycle of preparing comments for the Treasurer on all Cabinet submissions with financial implications;
- . a monthly cycle of reports to the Treasurer on the current year's budget, summarising progress in relation to the current year's financial and workforce targets with detailed analysis of any major variations;
- . an annual, continuous cycle of budget preparation, commencing in November/December of each year with requests to agencies for budget proposals. The budget cycle continues until October/November when Parliament passes the budget;
- . an annual cycle of briefing on Premier's Conference/Loan Council matters;
- . what is now expected to be a five yearly cycle of involvement in Grants Commission activities.

Responsibility for provision of budgetary advice is shared between the Budget Branch and the Capital Works Branch.

Although the activities of the two branches have been separately reported, much of what follows with respect to the Budget Branch applies also to the Capital Works Branch since they follow very similar cycles for budget preparation and monitoring.

#### BUDGET BRANCH

Budget Branch has responsibility for provision of budgetary advice in relation to the recurrent budget, together with a general co-ordinating role in budgetary matters. In undertaking its work, a number of factors are critical. These include:-

- . quality figure work;
- . impartiality and consistency in dealing with agencies;
- . good relations with Ministers and agencies;
- . sound, professional budget analysis and advice;
- . accuracy in budget preparation;
- . integrity in presentation of data.

## Developments During 1987/88

### (a) Budget Presentation

As well as presenting the budget in the traditional format, Treasury has for a number of years presented data on the overall finances of the South Australian public sector (including semi-government authorities operating outside the budget) in what can broadly be described as a national accounting format.

This improvement in budget presentation continued during 1987/88, with the presentation of the 1987/88 Budget placing significantly greater emphasis on the net borrowing requirement for the Consolidated Account, as well as the more traditional measures of Consolidated Account outcome.

There is increasing emphasis generally on presentation of State budget information in a national accounting or similar format. While South Australia is a leader in this field, much remains to be done, particularly in terms of producing detailed national accounting estimates.

One of the major constraints in further development of this work to date has been lack of adequate computer systems and sufficient trained staff. With development of such systems and adequate staffing it is to be hoped that this work can progress significantly.

(b) Budget Papers

In 1987/88 for the first time, the Budget was available for sale to the public the day after it was presented and achieved a significant level of sales.

With the assistance of the Government Printer, considerable effort has gone into reviewing the presentation of the budget papers over the last year and it is hoped that this work will be reflected in the papers presented with the 1988/89 Budget. Similar effort has also been devoted to preparing the Estimates of Payments and Estimates of Receipts documents within the Budget Branch, rather than externally, with significant potential savings in costs.

(c) Budget Methodology and Process

The basic recurrent budget methodology has remained essentially unchanged for a number of years. As time permitted during the year, efforts were made to review the methodology to make it more appropriate for a period of shrinking rather than increasing funding. Some of the effort has been purely terminological, for example, replacing the term 'commitment' with the more suitable 'no policy change' to describe the funding base. However, work has also been undertaken on policy on the carry-over of savings and on updating reporting formats. Developments in other Government finance systems elsewhere in Australia or overseas have also been kept under review.

Although, as noted above, the basic recurrent budget methodology has remained essentially unchanged, the whole process of producing budget estimates has become increasingly complex with increased cross-charging, changes in basic assumptions (such as inflation and wage rates) and detailed savings requirements. Although personal computers are used extensively in the Branch, there is a recognised need for a comprehensive, computerised budget estimate system. Work was begun on investigating the options for developing such a system during the year.

Considerable work was also devoted to improving the methodology for forward estimates, to make it possible to produce forward estimates at the agency level and by type of expenditure. This makes it significantly easier to provide advice on trends within overall base funding levels.

Further development of this work is a high priority but is also heavily dependent on provision of computing resources.

As in previous years, agencies were invited to provide comments on the 1987/88 Budget process. One of the most frequently noted issues was difficulty in planning without some guidance on likely levels of funding. While Treasury can provide some assistance in this area (through the forward estimates noted above), much of the uncertainty is beyond the State's control. Over fifty per cent of recurrent funding is provided by the Commonwealth but funding levels for 1988/89 were not provided to the States until seven weeks before the end of the financial year. With a major portion of their budgets devoted to staffing, it is very difficult for agencies to react to major changes in funding with such short notice. It could be argued that, by providing greater certainty to the States for planning purposes, the Commonwealth would be better able to achieve its overall fiscal policy objectives.

(d) Budget Policy

The Branch is giving increasing emphasis to longer term budget reviews, providing greater scope for longer term planning than is available in the regular budget process. During the year the Branch was involved in review work on housing, public transport, workers compensation and forests.

Considerable work is also being devoted to developing improved budget arrangements for specific agencies or functions. In this context, work was undertaken on budgetary arrangements for Government office accommodation, Government employee housing, the Department of Services and Supply, the Department of State Development and Technology and the Engineering and Water Supply Department.

Workforce issues are also an important aspect of budget policy, given that, as noted above, over half of the recurrent budget is devoted to staffing. Issues related to second tier wage decisions received considerable emphasis during the year. The Branch also participated in work undertaken on workforce planning.

Finally, there is increasing emphasis on taking a more analytical approach to agency budgets, through development of time series of expenditure, workforce and performance indicators. Some steps were taken in this direction during the year and it is hoped to progress this work further.

(e) Relations with Agencies

Close relations with other State Government agencies are critical for the work of the Branch. Agencies provided considerable assistance to the Branch during the year, assistance which is very much appreciated. During the year a number of agencies took the trouble to provide briefings to Treasury staff on major issues. Such briefings are of great assistance to Treasury staff in obtaining a better appreciation of issues facing agencies.

Treasury has also provided a number of presentations on the budget process and budget outlook. Training of agency staff on the budget methodology and process is obviously important, particularly at a time when such approaches are changing and it is hoped to emphasise this in 1988/89.



The Branch also works closely with other central agencies: the Department of Premier and Cabinet (particularly the Cabinet Office, Inter-governmental Relations Division and the Social Justice Unit), the Department of Personnel and Industrial Relations (particularly the Industrial Relations Division) and the Office of the Government Management Board. Again, the assistance provided by these agencies in 1987/88 is very much appreciated.

(f) Commonwealth-State Relations

As well as carrying direct budget responsibilities, Budget Branch has major responsibilities in the area of Commonwealth-State relations.

During the year the Branch was responsible for briefing material for the final stages of the Grants Commission review of relativities, as well as for briefing on the report released by the Commission in March 1988.

The Branch was also active in assessing likely levels of Commonwealth funding for the State in 1988/89 and providing briefings for the Premiers Conference/Loan Council meeting and the Heads of Treasuries meeting.

Over the last year considerable effort has also been directed towards integrating work on Commonwealth-State relations more closely with other work of the Branch. Most of this effort has been associated with the decision to bring all Commonwealth specific purpose payments into Consolidated Account.

(g) Organisation and Staffing

The reorganisation mentioned in last year's annual report was formally completed during the year, creating four budget teams. The aims of the reorganisation were to reduce the span of control, to improve the career structure and to place greater emphasis on management generally. The reorganisation also places greater emphasis on budget strategy or policy.

While the basic reorganisation of the Branch has been completed, there are still some issues requiring attention. The Branch needs more capacity for research and development and the career structure also needs further refinement.

Attention also needs to be given to better managing the work pressure experienced by the Branch. Although most of its dealings are with other Government agencies, the Budget Branch is a classic front-line service delivery organisation, responding to a steady flow of often urgent requests for advice from agencies, together with meeting regular work deadlines. Further computerisation, better training, improved office procedures and more advanced office equipment are all relevant to better management of existing pressures.

The Branch has experienced considerable staff turnover in recent years. In 1986/87 some seven staff left out of a total staff complement of less than twenty. The overall level of turnover in 1987/88 was reduced to three, so the Branch's overall staffing position is stabilising.

However, as a result of past instability the Branch has large numbers of relatively inexperienced staff, placing an increased burden on experienced staff as well as creating difficulties for agencies. Reflecting this situation, regular monthly staff meetings were instituted in 1987/88 to improve planning and teamwork and in the forthcoming year it is hoped to increase emphasis on training.

(h) Computerisation

As noted in last year's report, the work of the Branch is becoming increasingly dependent on computerised systems, mostly based on personal computers. Over the last year these systems have been further developed. The stage has also been reached where there is compatibility between word processing hardware and the hardware used by budget officers.

However, there is considerable scope for further computerisation, which would greatly increase Branch productivity, as well as making it possible to produce information which could not otherwise be provided. It is hoped to pursue this further in the coming year.

CAPITAL WORKS BRANCH

The Capital Works Branch provides budgetary and economic advice with respect to the capital side of the State budget. It also provides staff support for the Capital Works Budget Committee.

The work of the Branch includes four major activities, namely:

- . development on a rolling basis of the Government's forward capital works program;

- . monthly monitoring of actual capital receipts and expenditures against budget, in total and by individual agencies;
- . fostering the development and use by agencies of project analytical techniques applicable to specific areas within the wide variety of capital expenditure proposals;
- . providing advice and comments on all specific capital works proposals submitted for consideration by Cabinet.

#### Organisation and Modus Operandi

The organisation and modus operandi of the Branch were reviewed during the year, and a new organisation approved in principle. However, because of staffing restraints it was not possible to implement the proposals with respect to increasing the establishment of the Branch from 4 officers to 6 during the course of the year; the second senior officer in the Branch was reclassified and the title of his position changed to Assistant Director, Capital Works.

Following a retirement the previous March, the Branch began the year with only three officers. The vacancy was filled in September, but because of the particular qualifications and skills of the appointee, he was reassigned to another position in Treasury at the beginning of February. The position was filled again in late April. The new officer has particular expertise in the area of economic analysis, and has specialised on that portion of the Branch's responsibility since his assignment to the position.

As a consequence of the position being vacant for much of the year and particularly over the crucial period of February to April while the forward works proposals of agencies were being examined, the work load on both the Assistant Director and the Branch Head has continued to be particularly heavy.

In the task of developing the Government's forward capital works program, the Branch works in conjunction with the Capital Works Budget Committee. The Branch Head is the Executive Officer of that Committee and the Branch provides the technical and administrative base for the Committee.

Details of the membership, terms of reference and modus operandi of that Committee were shown on Pages 27-28 of the Treasury Department Annual Report for 1986-87.

The Committee is required to report to the Treasurer on the capital works proposals for the coming financial year by the end of May each year.

This task requires, inter alia, the Branch to obtain works proposals from agencies for consideration by the Committee and to prepare the necessary consolidation of information and data and to draft the Committee's report.

Following the submission of that report, the Branch is required to:

- . finalise the details of the capital works proposals to be included in the Treasurer's Budget submission to Cabinet;
- . advise agencies of approved allocations and forward commitment figures;
- . in conjunction with agencies, compile the details of the capital works program in the format required for presentation in the Budget Papers, and arrange for the printing of the relevant papers.

The other responsibilities of the Branch are carried out as on-going tasks throughout the year.

### Developments During 1987-88

The Branch produced a new document to accompany the budget papers for 1987-88. The document, entitled "Capital Works Program of the South Australian Public Sector for the Year Ending 30th June 1988" provided the public and the construction industry in particular with a clearer picture of the location and nature of capital works in progress and of new works proposed to be undertaken by the Government, together with the time frames over which it is intended that the works be carried out.

Following the assignment in late April of a new officer to a vacant position in the Branch (as mentioned above) it has been possible to give more attention to the task of reviewing and fostering appropriate improvements in the project analytical techniques being used by agencies.

### Problems

The need of the Government to reduce markedly the size of its capital works program has intensified the workload on the Branch. As the review of the Branch's organisation and modus operandi indicated, there are a number of activities required of the Branch, either directly or as a requirement of servicing the Capital Works Budget Committee that it has not been possible to fully pursue with the limited staff resources available.



The implications for Government of this situation is that the Branch is not able to provide an advisory service to Government with respect to the allocation and use of its capital resources that is as comprehensive and complete as is desirable.

Additional staffing for the Branch has been afforded top priority in Treasury's budget bid for 1988-89.

#### ECONOMIC BRANCH

##### Current Functions of the Economic Branch

The Economic Branch is responsible for providing an economic advisory service to the Government and a number of its agencies. This service is provided through:-

- . providing regular economic briefs on a wide range of economic data. The briefs are provided to the Premier, to the Minister of State Development and Technology, and to officers in a number of agencies including Treasury, Premier and Cabinet and State Development and Technology;
- . providing a monthly report on the latest international, national and local economic trends to the Economic and Expenditure Committee of Cabinet;

- . providing specific briefings on State economic trends for the Premier;
- . undertaking a monthly employment survey of major South Australian businesses;
- . providing underlying economic assumptions on which Budget estimates are formulated;
- . answering a large number of requests from within and outside the public service for relevant economic and statistical information;
- . representation on committees and attendance at meetings which monitor and/or analyse economic trends;
- . preparing two major South Australian Economy papers - one to accompany the S A State Budget, the other originally designed as a more investment-orientated descriptive paper used for investors or for SAFA'S briefings of rating agencies (eg Standard & Poors, Moodys, Japan Rating Agency), but which has now been distributed on a wider basis as an information paper.

The branch was transferred from the Department of the Premier and Cabinet to the Treasury Department during the 1987/88 financial year. Current staff numbers four officers comprising the branch head, two economists and part-time secretarial support.

Developments during 1987/88

The format of the daily Economic briefs, upon transfer to Treasury, moved towards more succinct analysis.

A considerable amount of research and typing time was devoted to preparation of a detailed Information Paper on the State Economy which included calculation of experimental expenditure-based estimates of South Australian Gross Domestic Product. Now that it has been set up on the word processor/desk computer, significantly less time will be needed for any update of that paper.

Expansion and updating of the Branch's extensive computer data base of economic statistics continued during 1987/88, with special emphasis on series frequently sought by the Premier's Ministerial staff.

The Branch constructed an experimental leading indicator index for the State economy, to be used as an early warning on future trends in economic conditions.

Re-location in Treasury has enabled more frequent and closer consultation between the Economic Branch and the Budget Branch and facilitated better integration of the Branch's economic forecasts into Budget Branch's revenue and expenditure estimates, a link which should improve further in 1988/89.

In February 1988, the Director of the Economic Branch spoke on the State Economy (as part of a symposium) to the Committee for Economic Development of Australia (CEDA), an organisation sponsored mainly by large businesses but with some Government membership.

## CHAPTER V

### MAINTENANCE AND DEVELOPMENT OF ACCOUNTING POLICIES AND SYSTEMS

The delivery of this program is undertaken by the Accounting and Systems Branches. The Accounting Branch has responsibilities in two main areas - one supports the central Government accounting processes, including appropriation control, the other provides internal services to the Treasury Department. The activities and achievements in these areas are listed below.

#### ACCOUNTING BRANCH

##### Central Accounting

The objectives in this area are -

- . to maintain the Government's central accounting records
- . to ensure all expenditure is in accordance with legal appropriation authority
- . to produce the Government's financial statements

- . to co-ordinate Government banking arrangements
- . to manage and operate efficiently the Treasury Accounting System (TAS)
- . to provide essential support for the continued development of program based accounting and financial management in departments.

In recent years the most significant development in carrying out these functions has been the introduction of the Treasury Accounting System which has resulted in major changes to the existing methods and procedures associated with day to day operations. The Treasury Accounting System (TAS) has progressively replaced the Central Processing of Accounts System (CP).

As a consequence of the progressive transfer of departments to the new system over a number of years, staff have been required to maintain the existing systems and also to learn and to cope with the more complex and demanding tasks required of TAS. It has been necessary to develop new accounting procedures and arrangements involving Treasury and other departments and also provide training in the implementation of these changes.

Apart from providing essential support for the introduction of Program Budgeting in the S.A. Government and improved information for cash management, TAS has introduced beneficial changes in the work of the Accounting Branch. Departments are no longer required to hand deliver manual summaries of debits and credits to Treasury. TAS has automated the ledger posting process and has allowed Treasury to phase out the use of mechanical ledger machines and this has eliminated many manual checking and other clerical tasks. Staff now find the nature of their work more interesting and more challenging. Typically, tasks involve establishing new accounts and accounting structures, developing new reports and following up possible discrepancies highlighted by the system. Overall there is greater confidence in results.

TAS has resulted in a range of benefits for the Accounting Branch including

- . improved reporting capabilities
- . streamlining of clerical procedures
- . improved control over payment of accounts processing
- . increased flexibility in funds control
- . reduction in clerical staff.

All departments are now operating on TAS with the last two being transferred on 1 July 1987, making a total of thirty five operating on the system.

Again, as in past years, accounting staff in departments have been given refresher courses in the TAS procedures, forms and reports. In addition, staff provide a continuous liaison and advisory service to departments on information and procedures associated with TAS.

The number of processing runs has remained at an average of 11 per month and this number is not expected to vary in the future. For these runs both an officer from Treasury and from the Government Computing Centre are on-call in case of failures in processing. The results in the past 12 months have been very good and only on the odd occasion have cheques and reports not been available on the scheduled day.

Continued improvements undertaken in TAS include:

- . microfiching of some control reports for departments in order to reduce the quantity of paper produced and thereby save on costly storage space;
- . directing of some control reports to local printers situated within departments in order that errors may be corrected and resubmitted promptly and reconciliation between departmental and Treasury ledgers may be effected immediately.



On an on-going basis, staff are continually endeavouring to find ways of reducing TAS operating costs.

With the transfer of the final two departments to the Treasury Accounting System (TAS) effective 1 July 1987, emphasis has now been directed towards gaining maximum benefit from the system particularly in regard to management reporting.

Training was given to several officers on a new reporting facility "Information Expert" which is to replace the existing report writing method. The new software is more efficient to operate, offers greater flexibility in report production and requires less maintenance. Several reports have been developed using the facility and it is intended eventually to produce all reports in this manner. It is also planned to develop a number of new financial management reports particularly for use by the Budget Branch.

In addition, an investigation is currently being conducted with the Budget Branch on the development of a comprehensive computerised budget system to be used for budget monitoring, development of the budget and production of the budget documents.

With the introduction of the Public Finance and Audit Act on 1 July 1987, it has been necessary to review certain accounting practices and procedures relating to this Act.

One such area is the operation of deposit accounts.

Consistent with the requirements of the Act it is necessary for the Accounting Branch to maintain a register of the purposes of all deposit accounts. To compile this information, departments were asked to examine all deposit accounts under their control and to provide Treasury with details of the purposes. Other information was requested on the expected surplus in Special Deposit Accounts at the end of the financial year. This information was analysed and further follow up work will be carried out. The Branch was also actively involved in preliminary work on the production of a new budget document which will provide information on deposit accounts including purposes and details of the activities undertaken within these accounts.

Other work related to the new Act included changes to the Treasurer's Statements and Accounts and continued development and upgrading of Treasurer's Instructions.

Following our examination of Government banking arrangements last year, several meetings were held with officers from the Reserve Bank to examine, in detail, areas identified for potential improvement.

These areas included -

- . banking of Government receipts;

- . direct debiting of pays into accounts at financial institutions;
- . acceptance of credit cards by specific departments;
- . computerisation of daily banking transactions;
- . storage of cashed cheques.

Due to the complex or sensitive nature of most of these proposals a significant amount of negotiation and discussion has been necessary with all the parties concerned. Progress has been achieved to varying degrees on all initiatives and investigations will continue subject to the workload associated with routine matters.

A significant improvement occurred this year in the level of maintenance support provided to departments for the Software International General Ledger system, although this support continued to be restricted by our ability to allocate only one officer to the task. A post implementation review of SIGL was conducted during the year by the Office of the Government Management Board. This review is discussed in greater detail below.

The Branch continued to co-ordinate matters relating to the Fringe Benefits Tax within Government departments including the provision of advice and collection of the tax.

### Departmental Services

The task of officers working in this area is to provide financial services for the Treasury Department including general accounting, payroll, budgeting and financial reporting. This includes an accounting service provided for the S.A. Superannuation Fund. The majority of activities undertaken during the year were of a routine nature associated with the above objectives.

Progress made during the previous year with respect to improvements in budgeting and control procedures continued with the introduction of new reports which were distributed monthly to each Branch Manager. The reports were developed using the Information Expert reporting facility after staff had undertaken training in the package. Additionally, improvements were made in posting budget figures to the ledger, with each Branch having input to cashflows and the allocation of budgets within each expenditure line.

During the year significant changes were made in the method of crediting interest to deposit accounts. With the implementation of TAS it is now possible to calculate interest on average daily balances rather than end of month balances. This has been achieved through the establishment of a subsidiary ledger in TAS for recording the account balances and by making use of the reporting facilities to calculate interest. Consistent with the objective of standardising the timing of interest payments in the public sector payments are now made quarterly instead of every six months.

#### ACCOUNTING POLICY AND SYSTEMS BRANCH

The systems activities of the branch are conducted on a project basis, with the individual projects selected in accordance with the department's ADP Strategic Plan to address specific problems and issues of concern to Treasury. Although project officers from the section prepare systems specifications and implement systems, most major system development activity is performed on our behalf by the Government Computing Centre or by external consultants.

The major systems project addressed by the section in recent years has been the Treasury Accounting System. This system pays invoices on behalf of departments, performs appropriation control and checks the availability of funds before accepting transactions for processing, and maintains the Government's central ledger records. It provides an essential foundation for effective program accounting and features powerful reporting and budgeting tools. A post implementation review of the system was carried out by Arthur Andersen & Co.

Broadly, the post implementation review found that the system was performing well and meeting all of its functional objectives. However the management objectives of the system were not being achieved due to reluctance within agencies to use program performance budgeting (PPB) for management purposes. Further, the implementation time frame for the project was considered to be excessive. Although project implementation costs and operating costs were greater than originally estimated, they were considered reasonable relative to similar projects elsewhere. Cost variances were largely attributable to the time taken to implement the system, loss of key personnel and changes by the Government Computing Centre in its approach to charging.

The post implementation review report suggested that " there is a need to take a more global perspective on how and where systems fit in Government and who is ultimately responsible for sponsoring and supporting them".

The report's principal recommendations were:-

- . there is an urgent need to determine the strategic directions which financial systems Government wide should take
- . Treasury should embark on an information planning project to determine its information needs and the systems and resources required to meet these needs
- . the arrangements for supporting TAS need to be enhanced
- . a methodology to aid the planning and control of systems projects should be acquired
- . a program performance budget pilot project should be introduced in one agency with a view to extending the use of this approach to all agencies.

Implementation of these recommendations would require the application of considerable human and financial resources. Treasury proposes to discuss with the Government Management Board some alternative approaches which may achieve the same objectives at lesser cost or may spread costs over a large number of agencies.

The TAS system is based on proprietary software packages and to improve system efficiency and effectiveness, the opportunity was taken to install new releases of these packages which became available during 1987/88. These releases covered the budget control, general ledger, data communication and reporting features of the system. Further steps were also taken to enhance processing efficiency and security, and to improve file structures for reporting purposes.



A post implementation review of the Software International General Ledger System used by most departments for their financial accounting purposes was carried out for the Government Management Board. The report of the review team recommended the establishment of a Task Force within Treasury to act in a specialist consulting capacity to help departments overcome some of the difficulties they were encountering and to help them achieve immediate productivity improvements. The report also recommended that the Government Management Board should commission a review to establish the most appropriate arrangements for managing responsibilities associated with the planning, co-ordination and control of service wide financial systems.

As a result of the first of the recommendations a Task Force was established within Treasury and it has developed a strategy for achieving the economic and productivity improvements contemplated in the post implementation review report. Work in implementing the strategy is under way.

Treasury is represented on a committee which is considering the most appropriate arrangements for managing responsibilities associated with the planning, co-ordination and control of service wide financial systems.

Treasury has been restricted in the past in its capacity to influence the financial management directions taken by departments. These restrictions have arisen because of the shared responsibilities for financial management developments and because of the emphasis given to the concept of "let the managers manage". We believe that these factors are a direct cause of the system co-ordination problems raised in the post implementation reviews of systems. This is not to suggest that central views should dominate considerations of financial management developments but rather that a better balance than has been achieved recently needs to be found.

Treasury must be permitted to influence financial management developments because of its responsibility for:-

- . advising on and monitoring the Government's budget
- . advising the Government on accounting matters including the administration of the Public Finance and Audit Act and the formulation of Treasurer's Instructions setting out accounting procedures.

Changes occurring in accounting standards and in the complexity of financial management systems indicate that an increasing level of co-ordination of financial management developments will be required in the future.

We recognize that the present accounting methods used by agencies do not provide a satisfactory basis either for performance measurement or for decision making purposes. This is due principally to the emphasis given to receipts and payments of cash rather than to the Government's income and expenditure. As a result efforts have been directed towards introducing accrual accounting concepts and already major improvements have been made to the Government's superannuation accounting procedures and similar improvements are in hand for dealing with long service leave.

The introduction of accrual accounting also requires that the Government's asset accounting procedures be changed to indicate the level of its investment in assets and the associated depreciation costs. The Public Accounts Committee recommended the use of accrual accounting procedures for assets to improve asset management. Treasury has released for comment draft Treasurer's Instructions requiring departments to keep asset registers and has offered to provide systems support to agencies electing to adopt the preferred computer packages. The work entailed in developing suitable asset registers should not be underestimated. However, once satisfactory asset registers have been developed, departments will be able to produce the asset valuation and depreciation information required for accrual accounting.

It is widely acknowledged that historical cost information is not satisfactory for decision making or performance assessment purposes where costs need to be spread over many periods or where inflation is significant. Both of these situations are presenting problems for the Government in accounting for asset costs.

Therefore, in addition to the thrust towards accrual accounting, Treasury is investigating the suitability of current cost accounting approaches to the public sector. A paper entitled "Financial Performance Measurement" canvasses the key alternatives and has been distributed for comment.

Introduction of the above changes should improve the quality of information available about both the financial position and the financial performance of agencies. It will allow also the production for the first time of statements reporting on the financial position and the financial performance of the Government at large.

The Branch maintains the Treasurer's Instructions, which set out various mandatory and preferred practices and procedures to be followed by agencies. The Instructions have been developed to standardize and improve internal controls in agencies, and to help agencies develop sound manuals of procedures consistent with central objectives. Additional Instructions were developed during the year.

The Common Automated Purchasing System (OPS) being developed by the State Supply Board holds significant implications for the Treasury Accounting System (TAS). Besides forming the basis for much of the input to TAS, the OPS system envisages a rearrangement and sharing of TAS files and processes. Treasury staff have been involved in the initial stages of OPS, and it will be important for Treasury officers to be actively involved in planning, developing and implementing the proposed interfaces.

Staff development is particularly important for the Accounting Policy and Systems Branch not only because of the rate of technological change encountered in systems activities, but also because of the rapid advances being made in financial management and reporting techniques for Government agencies. Accordingly, staff from the Branch attended the Treasury Officers Conference, various Accounting seminars, training courses in systems analysis, and training courses in the use of various proprietary software packages operating in both mainframe and personal computing environments.

The section provides technical support to the other branches of Treasury. This includes support of mainframe system software packages and of the department's personal computing activities. Owing to the pressure of other activities, it has not been possible to conduct all of the training courses originally planned for 1987/88. Video based training courses have been made available to staff to ensure that some of the necessary training is provided to equip them with the skills they need to improve their performance.

A draft specification of requirements for the Contributor and Pensioner systems to accommodate the proposed new superannuation schemes for public sector employees was completed shortly after the passage of the new superannuation legislation. Interim systems have been developed to allow for administration of the schemes pending development of improved systems. The specification of systems to meet the requirements of the 3% Public Sector Employees Superannuation Scheme has been put to one side pending resolution of the details of the scheme.

A number of advances in Government accounting are being made in Australia and overseas. In Australia the Australian Accounting Research Foundation and the Public Sector Accounting Standards Board have issued drafts and pronouncements on accounting standards, and several Governments are developing program budgeting and performance measurement and reporting techniques. We consider it important that Treasury respond to the initiatives of these bodies and that matters peculiar to Government (and particularly the South Australian Government) are given due consideration. It is also the case that initiatives for accounting improvements are originating within the South Australian public sector which will require co-ordination if Government accounting is to remain cohesive. Accordingly, the Accounting and Systems Branches have been re-structured to give greater priority to accounting policy issues and to enable Treasury to give greater direction to agencies throughout the South Australian public sector.

The Branch has responded to Exposure Drafts issued by the Public Sector Accounting Standards Board dealing with Consolidated Financial Statements, Related Party Disclosures, Financial Reporting by General Insurers, Extinguishment of Debt, Objectives of Financial Reporting, Qualitative Characteristics of Financial Information, Definition and Recognition of Assets, and Definition and Recognition of Liabilities.

CHAPTER VI

ADMINISTRATION AND ENFORCEMENT OF  
STATE TAXATION LEGISLATION

The corporate objectives of the State Taxation Office can be broadly stated as follows:-

- . the equitable and effective administration of taxation legislation;
- . the cost efficient collection of taxation revenue;
- . the implementation of sound personnel management policies;
- . the monitoring of compliance and the enforcement of the legislation, the protection of revenue to which the State is properly entitled and the preservation of the taxbase;
- . the provision of advice on the development of taxation policy;
- . the development of tax legislation;



- . the provision of the best possible service to the public given legislative parameters.

### Organisation and Structure

The State Taxation Office is one of the several divisions which together form the Treasury Department. The Commissioner of State Taxation (reporting to the Treasurer through the Under Treasurer) is responsible for the management of the Office and the collection and protection of taxation revenues derived from its administration of the following Acts:

- 1) Business Franchise (Petroleum Products) Act, 1979
  - 2) Financial Institutions Duty Act, 1983
  - 3) Land Tax Act, 1936
  - 4) Pay-roll Tax Act, 1971
  - 5) Stamp Duties Act, 1923
  - 6) Tobacco Products (Licensing) Act, 1986
- Gift Duty Act, 1968                      ) (These Acts only apply to  
Succession Duties Act, 1929 ) gifts and deaths  
respectively prior to  
1st January 1980)

In accordance with the requirements of the Phylloxera Act 1936 this Office is also responsible for the collection of contributions under that Act.

Appendix No. 1 summarises the revenue collections under the above legislation for three years ended 30th June 1988.

Revenues collected under the above legislative areas during the last four years ended 30th June 1988 are summarised and are compared with the State's recurrent revenue in Appendix No. 2.

Staff Employed

Staff employed (average full-time equivalents) were:-

Table I

<u>1984/1985</u>	<u>1985/1986</u>	<u>1986/1987</u>	<u>1987/1988</u>
139.0	133.0	129.5	125.6

These officers were engaged in the following activities:-

Table II

	<u>No. of Staff</u>
Business Franchise (Petroleum)	2.8
Executive, Administrative, Legal and Policy	11.8

	<u>No. of Staff</u>
Financial Institutions Duty	2.8
Inspection	16.7
Land Tax & Recovery	23.7
Payroll Tax	27.0
Stamp Duties Act Functions	38.0
Tobacco Products (Licensing)	2.8
	-----
TOTAL	125.6
	=====

#### Costs of Administration

The cost of administration of the various Acts in the financial year 1987/88 was \$4,196,552, which includes both recurrent and non-recurrent expenditure, payroll tax liabilities, superannuation contributions and terminal payments. It does not include any costs notional or otherwise on account of the utilization of premises and furniture, telephone and power. Table III shows an analysis of this expenditure for the eight main cost centres of the Office.

Table III

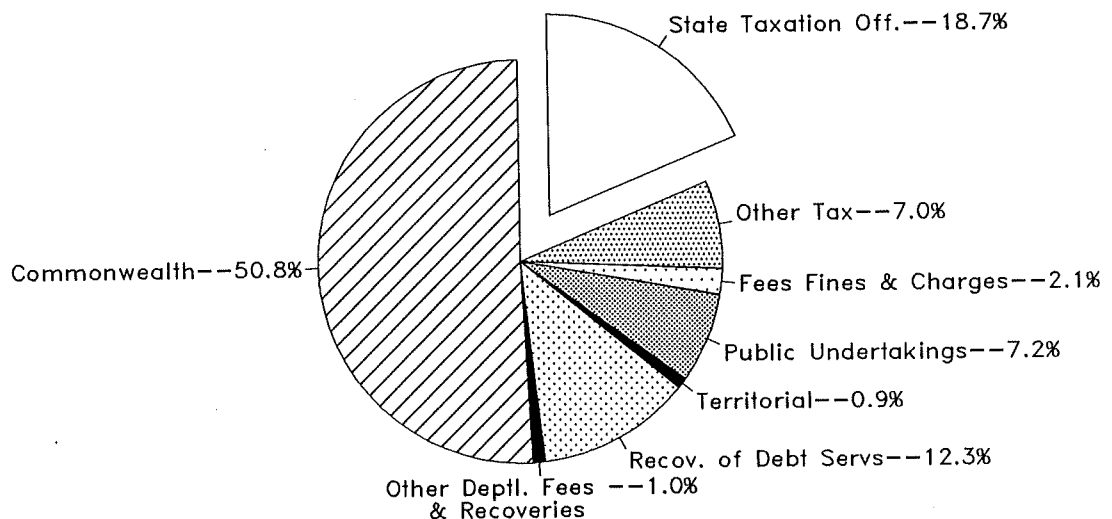
	<u>Average</u>	<u>Salaries &amp;</u>	<u>Administration</u>	<u>Total</u>	<u>%</u>
	<u>F.T.E.</u>	<u>On Costs*</u>	<u>Expenses</u>		
		\$	\$	\$	
Business					
Franchise					
(Petroleum)	2.8	86,174	21,411	107,585	2.6
Executive,					
Administrative,					
Legal & Policy	11.8	287,842	29,198	317,040	7.6
Financial					
Institutions					
Duty	2.8	57,679	10,217	67,896	1.6
Inspection	16.7	487,064	70,268	557,332	13.2
Land Tax	23.7	614,278	439,241	1,053,519	25.1
Payroll Tax	27.0	654,096	255,201	909,297	21.7
Stamp Duties	38.0	976,813	102,492	1,079,305	25.7
Tobacco					
Products					
(Licensing)	2.8	86,176	18,402	104,578	2.5
	-----	-----	-----	-----	-----
Total	125.6	3,250,122	946,430	4,196,552	100.0
	=====	=====	=====	=====	=====

\*Includes payroll tax, superannuation and terminal payments.

## Revenue

The taxation revenue levied by the State Taxation Office in the financial year 1987/88 was \$789.5 million. It is 18.7 percent of the total recurrent revenue of the State of South Australia (or 37.9 percent of the recurrent revenue received if Commonwealth Funds are excluded). The total taxation revenue received by the State in 1987/88 was \$1,084.5 million and the legislation administered by the State Taxation Office contributed 72.8 percent of this revenue. Figure I below shows the relative importance of these receipts.

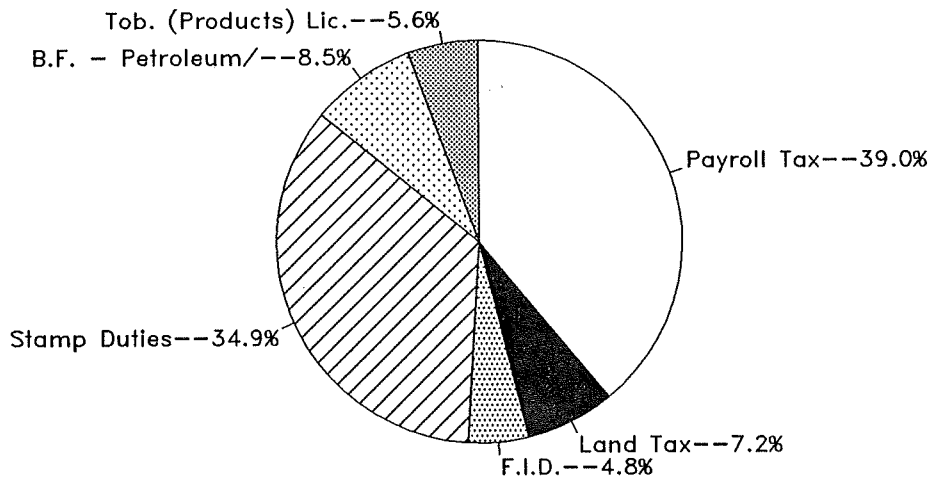
**Figure I**  
**Analysis of S.A. Government Revenue**  
1987-88



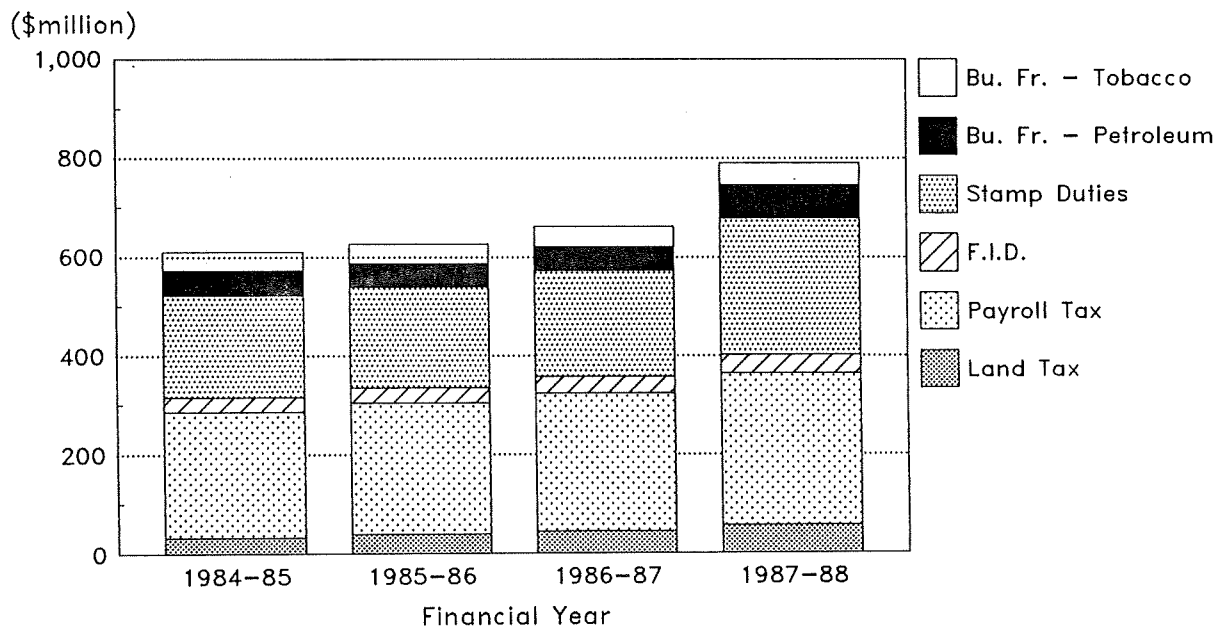
Figures V and VI appearing as Appendix No.3 show the relative importance of these taxes to the fiscal needs of the State during the past four years.

Figure II shows the composition of revenue collected, while Figure III shows the comparative revenue base over the last four years.

**Figure II**  
**State Taxation Revenue**  
1987-88



**Figure III**  
**Comparison/Analysis of State Taxation Revenue**



The direct cost of collection per \$100 taxation revenue during 1987/88 was 53.2 cents, and this compares favourably with the costs in the previous years:

1984/85	-	55.0 cents
1985/86	-	61.5 cents
1986/87	-	56.2 cents

Table IV

Direct Cost/Revenue Comparisons

Year Ending 30.6.1988

<u>Branch</u>	<u>Revenue</u> <u>Received</u>	<u>Direct Costs</u>	<u>Cost of</u> <u>Collection</u> <u>of \$100 Rev</u>
	\$	\$	Cents
Business Franchise			
(Petroleum)	67,470,057	154,684	23
Financial Institutions			
Duty	37,994,523	122,829	32
Land Tax	56,662,625	1,098,810	194
Payroll Tax	307,615,906	1,281,211	42

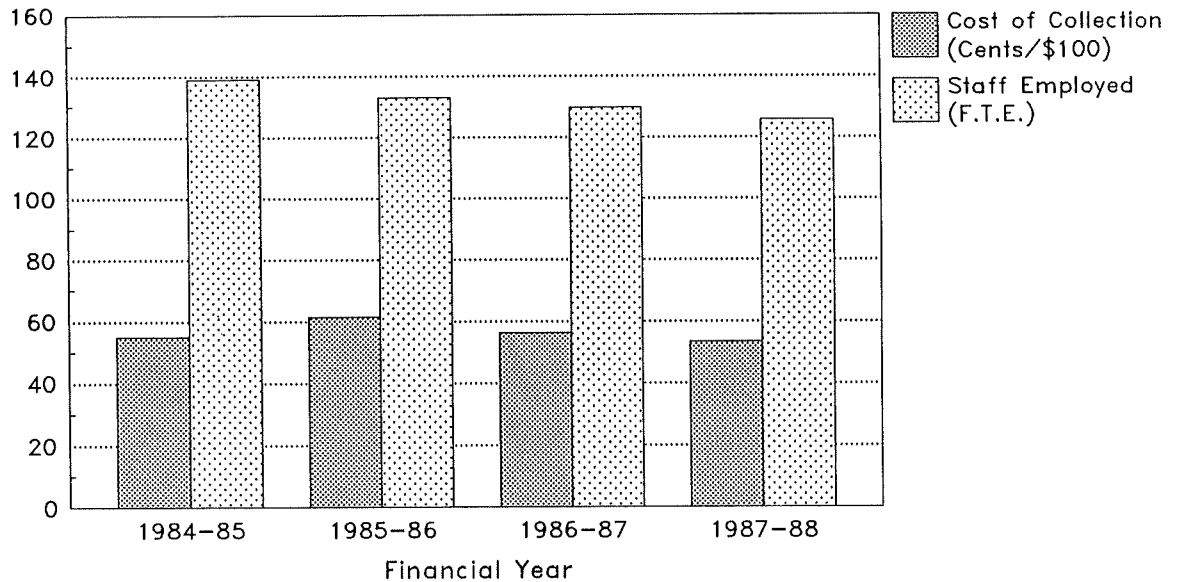
<u>Branch</u>	<u>Revenue</u> <u>Received</u>	<u>Direct Costs</u>	<u>Cost of</u> <u>Collection</u> <u>of \$100 Rev</u>
	\$	\$	Cents
Stamp Duties	275,596,833	1,328,886	48
Tobacco Products			
(Licensing)	44,125,207	210,132	48
	-----	-----	----
	789,465,151	4,196,552	53
	=====	=====	=====

While 53 cents is the average for the entire office, the costs range from 194 cents per \$100 for land tax to 23 cents per \$100 for the petroleum franchise levy. Table IV gives a comparison of direct cost and revenue collected in financial year 1987/88.

The declining costs and greater effectiveness of tax collection is depicted in Figure IV.



**Figure IV**  
**Cost of Collection, Staff Employed**



Business Franchise (Petroleum Products) Act

Amendments to the Act effective from the November 1987 licence month provided for the adoption of three zones with a different licence fee being charged in each zone.

Zone 1 is that part of the mainland of the State that lies within a radius of 50 kilometres from the General Post Office at Adelaide; Zone 2 is that part of the mainland of the State (excluding Yorke Peninsula) that lies outside Zone 1 but within a radius of 100 kilometres from the General Post Office at Adelaide; and Zone 3 consists of all parts of the State outside Zone 1 and Zone 2.

The Class A monthly licence fee for wholesalers is \$50 plus a percentage of the declared value of all motor spirit and diesel fuel sold by the licensee during the relevant period for use in motor vehicles on public roads. The declared value of petroleum products is 45 cents per litre for both motor spirit and diesel fuel. The percentage and licence fee (per litre) applying in each zone are:-

	<u>ZONE 1</u>	<u>ZONE 2</u>	<u>ZONE 3</u>
<u>Motor Spirit</u>			
- percentage	10 %	7.7 %	5.5 %
- fee	4.5 cents	3.47 cents	2.48 cents

<u>Diesel Fuel</u>			
- percentage	12.2 %	10 %	7.7 %
- fee	5.49 cents	4.5 cents	3.47 cents

Retailers pay an annual licence fee of \$50 for a Class B licence if purchases are made only from a licensed wholesaler. Exemption from paying the franchise fee is granted where diesel fuel is sold for off-road use.

Financial Institutions Duty Act (FID)

The Financial Institutions Duty Act 1983 provides that where a financial institution that is registered, or is required to be registered under the Act receives money in South Australia, it is liable to pay FID in respect of each such receipt at the rate of 4 cents per \$100 or \$400 whichever is the lesser.

Duty at a concessional rate (0.005%) is payable by those persons who are approved as registered short term money market operators.

The Act deems certain receipts of money to be non-dutiable and provides for certain accounts (e.g. those operated by charitable organisations) to be approved as exempt accounts.

No amendments were made to the legislation during 1987/88.

Land Tax Act

Land tax is imposed under the Land Tax Act 1936 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 the 30th June immediately preceding the financial year for which tax is levied. The site values are determined by the Valuer-General.

The scale of land tax was not altered for the 1987/88 financial year. However the Act was amended to allow a remission of 25% of the tax payable where the taxable value of land held by a taxpayer did not exceed \$200,000. Where a taxpayer's land exceeded a taxable value of \$200,000 a remission of \$470 was allowed. Land tax receipts in 1987-88 increased over the previous year primarily due to increases in value as advised by the Valuer-General.

A further significant amendment to the Act was one which allowed exemption from land tax for the residents of retirement villages.

#### Payroll Tax Act

The Payroll Tax Act, 1971 requires an employer to pay five per cent tax on wages and salaries paid to employees. Where wages of an employer or group of employers are below a specified level, known as the threshold, no payroll tax is payable.

The present payroll tax computing system, which has been in use since 1978, has become inadequate for present day needs. A replacement on-line system has been developed this year, and is expected to be fully operational early in 1988/89. The new system will provide improved customer services, management reporting and general efficiency and is on target with respect to both time and costs. Other advantages to accrue will be -

- . to streamline investigation procedures and consequently minimise the opportunity for taxpayers to avoid their tax obligations;
- . to encourage voluntary compliance;
- . to upgrade the capacity of the office to provide timely and more detailed information.

The Payroll Tax Appeal Tribunal received 6 objections against assessments under the Payroll Tax Act in 1987/88. It heard 4 objections during the year and at 30 June, 1988 had 12 matters before it for consideration.

There have been no legislative changes to the Payroll Tax Act, 1971 during 1987/88.

#### Stamp Duties Act

The Stamp Duties Act 1923 provides for the payment of duty on a diverse range of instruments (e.g. Memoranda of Transfer, Mortgages, Leases, Agreements and Deeds). Duty is also levied on certain transactions such as rental business, insurance business, cheques, stock exchange dealings and applications to register and transfer registration of motor vehicles.

The continuing program of upgrading and improving the efficiency of the Stamps Office, saw the introduction of electronic stamping machines, which replaced the less efficient hand operated embossing machines. The new units will also enhance information processing and statistical analysis.

Continued improvements have been made to taxpayer services and operating procedures in the Stamps Office reducing turn around time for simple documents to about 15 minutes, and permitting initial processing of more complex instruments to be completed within 24 hours.

The previously frequent criticisms from taxpayers regarding delays within the Stamps Office no longer occur.

The Stamp Duties Act was the subject of a number of amendments during 1987/88. The aims of the Government in introducing the amendments were to -

- . Exempt from duty the transfer between spouses of an interest in the matrimonial home;
- . Pay interest on a refund of duty where an Objection or Appeal to an assessment of the Commissioner is upheld;

- . Prevent stamp duty revenue from being lost as a result of certain transactions being arranged in a manner which minimises or avoids the liability to duty; and
- . Reinforce the powers of the Commissioner to impose duty in certain instances and to collect and recover the duty.

Significant consultation occurred with taxpayer groups during the passage of the above amendments through Parliament, and in particular with the Taxation Institute of Australia (S.A. Branch).

Where possible this consultation process will be further developed in the future.

A paper on the Stamp Duties Act and recent amendments was presented by the Commissioner to members of the Institute of Chartered Accountants and lectures on stamp duty were given to students enrolled in the licensed Land Brokers course conducted by the Department of T.A.F.E.

#### Tobacco Products (Licensing) Act

The Tobacco Products (Licensing) Act, 1986 provides for a legislative scheme under which -

- (a) a direct contribution to State revenues, in the form of a licence fee, is made by a consumer who takes out a consumption licence; but
- (b) a tobacco merchant who chooses to be licensed and thus by payment of licence fees to make a contribution to State revenues on behalf of consumers, relieves consumers from the obligation to hold a consumption licence for products obtained through the merchant.

The licence fee under the Act was set at 25% of the value of tobacco products sold in respect of a wholesale operation and \$10 per annum for merchants engaged in retail trade where tobacco products are purchased from a licensed merchant. During the year the rate was raised to 28% with the extra revenue going to a special fund to provide replacement funding for bodies affected by prohibition of tobacco sponsorship.

During 1987/88 the administration of the licensing scheme was reviewed and a new computer base was developed and implemented.

A number of successful prosecutions against tobacco merchants for breaches of the legislation occurred during 1987/88 with fines imposed ranging from \$500 to over \$13,000 plus confiscation of stocks of tobacco products.



### Taxation Compliance

Since the establishment of the Inspection Branch in 1984 a number of compliance programmes have been introduced. The primary objectives of these programmes are to detect and collect avoided or evaded revenue, to assess the extent of avoidance/evasion activities and to calculate the potential revenue loss. Of course, the "audit" presence in the field is also designed to increase compliance with the legislation administered by this Office.

Most duties are collected by the State Taxation Office on the basis of self assessment by taxpayers. Therefore inspection and investigation activity is intended firstly to prevent the erosion of the existing tax base and secondly to enhance it by quantifying and collecting unpaid duty. This sometimes results in utilization of inspectorial resources to stabilise and preserve the existing tax base in the longer term at the expense of short term revenue collection. Activities of the Branch in the tobacco revenue field during the last few months of 1986/87 and the first few months of 1987/88 were an example of this. While there was no significant collection of back duties, audit attention by the Branch and the subsequent successful prosecution of offenders stemmed the flow of illicit tobacco products into this State, and helped the Office to prevent significant erosion of the tax base.

The philosophy that each taxpayer group should receive audit attention and that selection of taxpayers for detailed examination should be on a fair and non-discriminatory basis has been maintained during 1987/88.

During 1987/88, 895 inspections were completed which is an increase of 95 percent over those completed in the financial year 1986/87.

Additional duties of \$2,652,110 were collected.

#### Interstate Co-operation

During 1987/88 several meetings were attended by taxation officers from all State and Territories. These meetings provide a forum for the review of a wide range of taxation administration issues. They have contributed materially not only to the increased effectiveness of each State's legislation but also to the resolution of common problems, and the achievement of greater consistency in the application of taxation legislation.

## STATE TAXATION OFFICE - REVENUE COLLECTIONS

	1985/86		1986/87		1987/88	
	Number of Taxpayers/ Transactions	Amount \$	Number of Taxpayers/ Transactions	Amount \$	Number of Taxpayers/ Transactions	Amount \$
<b>Business Franchise (Petroleum)</b>						
Wholesalers	6	46 377 126	6	47 218 098	6	67 405 082
Retailers	1 270	70 800	1 244	67 050	1 201	64 975
Total Business Franchise (Petroleum)		46 447 926		47 285 148		67 470 057
<b>Financial Institutions Duty</b>						
Financial Institutions	235	29 658 434	230	31 828 429	236	36 328 984
Short Term Money Market Operators	218	1 469 696	215	1 478 320	219	1 665 539
Exempt - Charitable Organisations Accounts	19 633		21 519		23 862	
Total Financial Institution Duty		31 128 130		33 306 749		37 994 523
<b>Land Tax</b>						
TOTAL LAND TAX	21 600	38 476 885	20 547	44 208 649	21 593	56 662 625
<b>Payroll Tax</b>						
Private Sector	5 063	211 385 570	5 067	218 958 917	5 153	243 897 765
Government Sector *	33	54 179 397	36	60 736 557	36	63 718 141
Total Payroll Tax		265 564 967		279 695 474	5 189	307 615 906
<b>Stamp Duty</b>						
Adhesive Stamps		523 918		505 412		547 054
Annual Licences (Insurance)		41 766 136		46 546 982		41 073 529
Applications to Register or Transfer Motor Vehicles		43 366 841		45 195 337		50 862 112
Cheques		5 793 630		5 723 638		6 086 098
Conveyance of Property on Sale		84 536 277		85 011 044		137 150 601
Conveyance of Shares on Stock Exchange		2 966 964		5 018 126		5 920 557
Conveyance of Shares (Exc. Stock Exchange)		2 396 942		3 545 301		6 546 431
Insurance Effected Outside S.A.		2 148 034		1 409 311		2 133 735
Leases		1 029 526		1 169 519		1 673 132
Mortgages		11 116 621		11 361 887		13 641 037
Other		132 251		105 859		174 008
Less Refunds, Commissions, etc		(1 024 046)		(870 361)		(984 017)
Rental Business		7 850 652		8 894 712		9 244 371
Voluntary Conveyances of Property		2 430 160		1 680 889		1 528 185
Total Stamp Duty		205 033 906		215 297 656		275 596 833

	1985/86		1986/87		1987/88	
	Number of Taxpayers/ Transactions	Amount \$	Number of Taxpayers/ Transactions	Amount \$	Number of Taxpayers/ Transactions	Amount \$
<b>Tobacco Products (Licensing)**</b>						
Wholesalers	11	38 688 490	12	40 769 079	13	44 049 324
Retailers	5 477	168 396	5 338	98 753	5 338	75 883
<b>Total Tobacco Products (Licensing)</b>		38 856 886		40 867 832		44 125 207
<b>Total State Taxation Office Collections</b>		625 508 700		660 661 508		789 465 151

\* Prior to 1985/86 Payroll tax was paid directly to Treasury but included in the total payroll tax figure. Changeover was made progressively from 1984/85. This is a direct Treasury debit.

\*\* Business Franchise (Tobacco) prior to 12/12/86.

SOURCE:

DETAILS OF ESTIMATES OF RECEIPTS ON THE CONSOLIDATED ACCOUNT OF THE  
GOVERNMENT OF S.A.

STATE TAXATION OFFICE

# ANALYSIS OF RECEIPTS ON THE CONSOLIDATED ACCOUNT OF THE GOVERNMENT OF SOUTH AUSTRALIA

	1984/85	1985/86	1986/87	1987/88
	\$	\$	\$	\$
<b>Receipts of a Recurrent Nature</b>				
COMMONWEALTH	1 314 158 907	1 381 720 460	1 492 289 854	2 142 607 807
FEES, FINES & CHARGES			70 291 392	89 629 407
OTHER DEPARTMENTAL FEES & RECV.	153 823 541	328 796 826	13 523 659	43 821 216
OTHER TAX	203 166 452	210 229 928	256 407 670	295 013 849
PUBLIC UNDERTAKINGS	240 882 305	256 827 218	276 600 190	305 438 589
RECOVERIES OF DEBT SERVICES	87 063 128	101 811 098	410 154 276	519 798 776
STATE TAXATION OFFICE	610 356 999 *	625 508 700	660 661 508	789 465 151
TERRITORIAL	30 485 644	61 451 056	37 247 709	39.894 428
<b>TOTAL</b>	<b>2 639 936 976</b>	<b>2 966 345 286</b>	<b>3 217 176 258</b>	<b>4 225 669 223</b>

## State Taxation Revenue

BU. FR. - PETROLEUM	48 487 448	46 447 926	47 285 148	67 470 057
BU. FR. TOBACCO/ TOB. (PRODUCTS) LICENSING	38 506 859	38 856 886	40 867 832	44 125 207
F.I.D.	28 773 704	31 128 130	33 306 749	37 994 523
LAND TAX	33 226 222	38 476 885	44 208 649	56 662 625
PAYROLL TAX	253 787 697	265 564 967	279 695 474	307 615 906
STAMP DUTIES	207 575 069 *	205 033 906	215 297 656	275 596 833
<b>TOTAL</b>	<b>610 356 999</b>	<b>625 508 700</b>	<b>660 661 508</b>	<b>789 465 151</b>

\* Excluding certain public sector transactions.

STAFF (F.T.E.)	139	133	130	126
COST OF COLLECTION CENTS/\$100				
OF S.T.O. REVENUE (a)	52.0	55.4	50.6	50.0
(b)	55.0	61.5	56.2	53.2

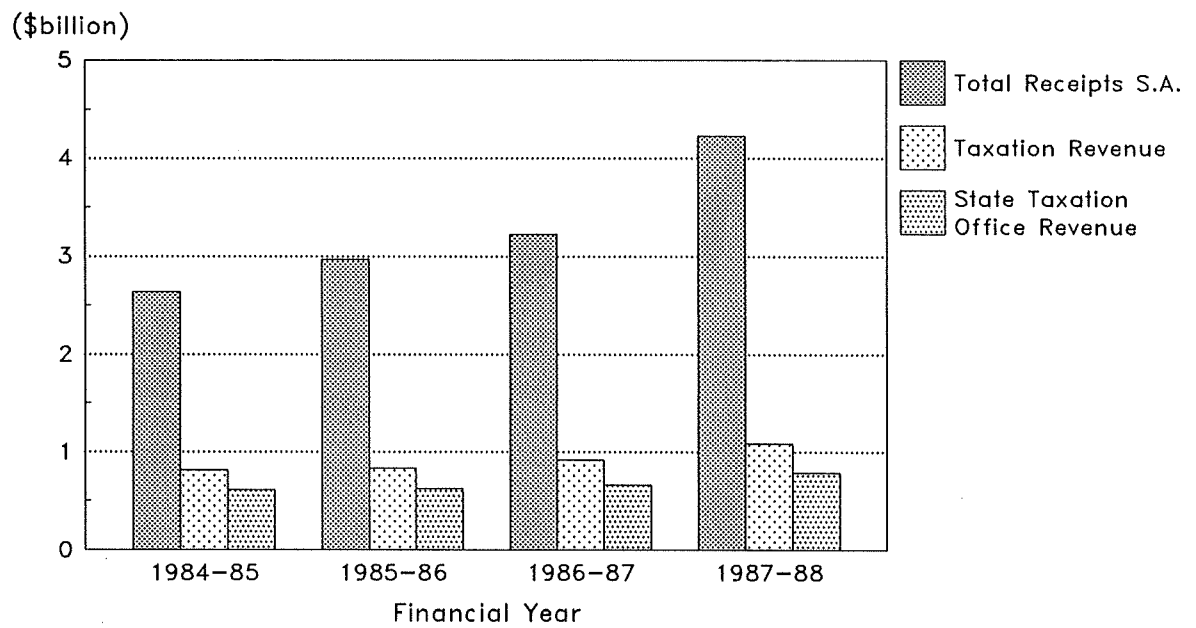
(a) SALARIES AND CONTINGENCIES ONLY

(b) INCLUDES PAYROLL TAXES, SUPERANNUATION CONTRIBUTIONS & TERMINAL PAYMENTS

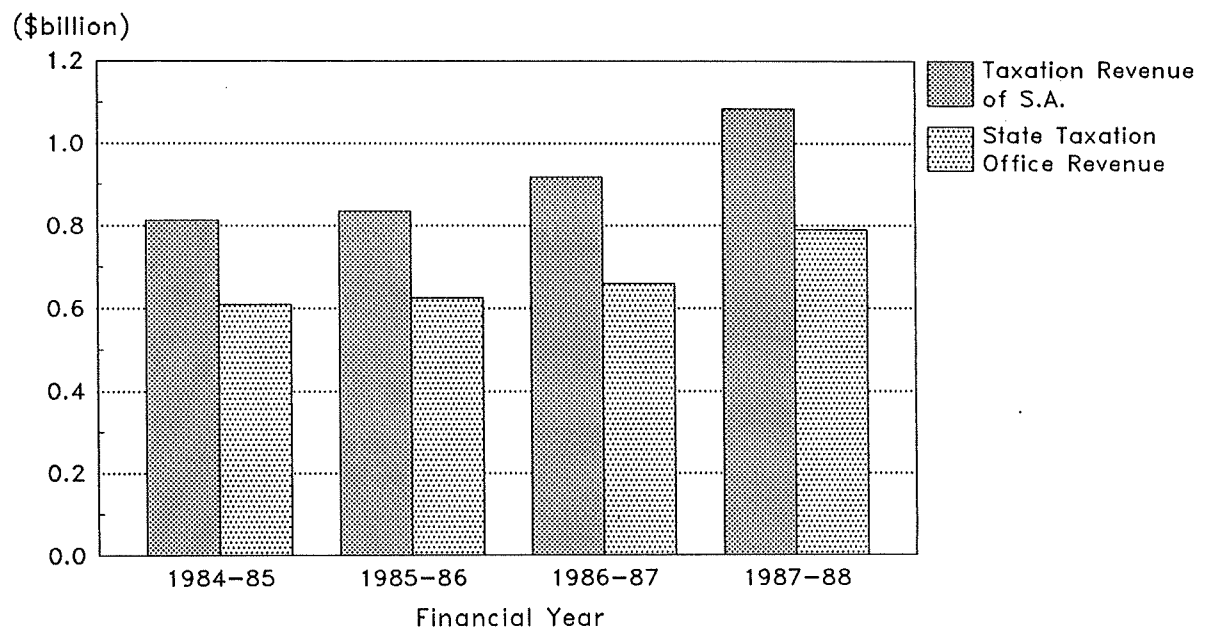
SOURCE: DETAILS OF ESTIMATES OF RECEIPTS ON THE CONSOLIDATED ACCOUNT  
OF THE GOVERNMENT OF S.A.

STATE TAXATION OFFICE  
TREASURY DEPT.

**Figure V**  
**Recurrent Revenue of S.A.**



**Figure VI**  
**Comparison of Taxation Revenue of S.A.**



## CHAPTER VII

### MANAGEMENT OF STATE GOVERNMENT BORROWING AND INVESTMENT ACTIVITIES

The SAFA Branch of Treasury is responsible for the delivery of this program, which can be divided into two main components:-

- . the administration and operation of the South Australian Government Financing Authority; and
- . the administration of the Australian Loan Council guidelines relating to State public sector borrowings.

#### South Australian Government Financing Authority (SAFA)

SAFA was established in January 1983 under the Government Financing Authority Act 1982.

The Act provides for the Board of SAFA to consist of between three and six members including the Under Treasurer who is ex officio Chairman.

Following amendments to the Act in September 1986, SAFA's charter (in terms of Section 11 of the Act) is:-

- . to develop and implement borrowing and investment programs for the benefit of semi-government authorities; and
- . to engage in such other financial activities as are determined by the Treasurer to be in the interests of the State.

SAFA's activities are closely integrated with the finances of the State Government itself. SAFA can be regarded as fulfilling as the major part of its functions the same role for the State public sector as a corporate Treasury Department would for a large corporation. It provides practically all the capital funds for the State's statutory authorities and a major and increasing proportion of the State Government's capital funds required through the Consolidated Account.

Various debt re-arrangement exercises that SAFA has undertaken since its establishment have led to the consolidation of the bulk of the State public sector's debt within its balance sheet. These arrangements have been a major factor in the rapid growth of its balance sheet which stood at \$11.7 billion at June 1988.



Amongst other things, the debt rearrangements have enabled the Government to provide financial support to SAFA by way of capital. While the government guarantee of SAFA's liabilities is of primary importance, this capital backing has enabled SAFA to 'stand alone' in terms of financial strength, which is an increasingly important consideration in domestic and international financial markets. At June 1988, SAFA's capital base stood at \$2.3 billion.

In each year of its operation SAFA has achieved a surplus. In 1987/88 the surplus was \$279 million, of which \$205 million was paid to the Government as a dividend and \$74 million has been retained for payment to the Government in 1988/89.

The distribution of SAFA surpluses, at levels determined by the Treasurer, are a significant source of receipts to the recurrent side of the Consolidated Account.

As corporate Treasurer for the State public sector, SAFA's responsibilities encompass:-

- (1) undertaking the necessary borrowings for, and managing the cash resources of, the State to ensure that the State can meet payments as and when they fall due;

- (2) managing the financial assets and the liabilities of the public sector in such a way as to minimise net borrowing costs;
- (3) providing financial information and reports to Government to assist it to reach decisions about the appropriate mix of spending, revenue raising and borrowing targets.

Those responsibilities involve a range of activities which can be grouped into seven broad categories, matching the organisational structure of SAFA. SAFA's General Manager, who reports to the Chief Executive and Deputy Under Treasurer, is responsible for day-to-day management of the following seven sub-branches:-

- (i) Domestic Finance;
- (ii) Cash Management and Debt Administration;
- (iii) Accounting and Administration;
- (iv) Structured Finance and Commercial Assessments;
- (v) International Finance;
- (vi) Financial Policy; and
- (vii) Affiliated Companies and Trusts.

In response to the rapid expansion of its activities since its inception, SAFA's staffing has been under constant review. The approved establishment stood at 40 at June 1988.

Taking each sub-branch/category separately, the following comments can be made on activities over 1987/88.

### Domestic Finance

There are presently 8 officers in the Domestic Finance area of SAFA.

The function of this sub-branch is to raise capital funds in the domestic markets by way of 'conventional' issues of debt.

During 1987/88 the gross domestic borrowing program of SAFA (that is, taking into account the re-financing of maturing debt and amounts borrowed on behalf of other South Australian financial institutions) was \$2626 million. Of this amount \$1920 million in net terms was raised by Domestic Finance in the following ways:-

- (1) issues of promissory notes to institutional investors either through an underwritten tender panel arrangement or via private placements;
- (2) issues of medium to longer term fixed interest inscribed stock through a dealer group;
- (3) issues of inscribed stock to the public through a continuous or 'tap' issue public loan; and

- (4) a number of "one-off" issues of fixed or floating rate inscribed stock/debentures negotiated by private treaty.

SAFA has for some time been a large issuer of promissory notes with average daily outstandings in 1987/88 (by face value) of approximately \$320 million. SAFA's continuing presence in this market has given rise to strong investor demand for its paper and this has resulted in very favourable pricing of individual placements of SAFA's notes into the market and of the formal facility under which the notes are issued.

During the year SAFA's note issuance facility was increased from \$500 million to \$600 million, \$350 million of which is underwritten.

SAFA's Inscribed Stock Dealer Group was established in 1986/87 to facilitate the issue of SAFA fixed interest securities into the domestic market. Through the orderly placement of SAFA stock to investors, and as a result of the Dealer Group's commitment to buy as well as sell the stock, these arrangements have enabled a large volume of stock to be issued into the market while at the same time improving the pricing of SAFA paper relative to other semi government authorities. During 1987/88, \$1077 million of new stock was, in net terms, issued via this avenue.

The tap issue public loan is designed for the retail sector of the domestic market. Interest rates on this loan are varied in line with professional market movements so that a competitive product is offered to the smaller investor at all times. In only its second full year of operation, the loan has established itself as a popular investment product for local and interstate investors. In gross terms, the loan raised \$66.0 million in 1987/88.

Borrowings in category (4) above totalled \$610 million in 1987/88. The loans, which took a variety of forms, were generally on very cost-effective terms, arising largely from SAFA's preparedness to meet the specific requirements (eg as to maturity dates or method of interest payments) of end investors (some of whom were off-shore residents).

As well as fund-raising, the Domestic Finance area is responsible for the investment of SAFA's short-term cash surpluses and for the negotiation of longer term domestic investments for debt management and hedging purposes.

### Cash Management and Debt Administration

This section is responsible for controlling new lending co-ordinating ongoing debt relationships with semi-government authorities and the Commonwealth Government, administering financial relationships between SAFA and the Public Accounts including preparation and review of Budget estimates of Government interest payments and receipts, and managing the cash resources of the public sector including, in particular, the task of ensuring solvency of the Government. This area comprises five officers.

The level and complexity of State public sector financing in recent years has increased, and knowledge and control of cash flows has assumed correspondingly greater importance to the State's debt and liquidity management strategies.

SAFA has progressively been given access to nearly all the liquid assets of the public sector. Considerable emphasis was given during 1987/88 to improving further the co-ordinated and centralised arrangements for public sector cash management whereby the Government and most semi-government authorities lodge all funds not immediately required with SAFA each day.

This centralisation of surplus funds results in a range of benefits to the State public sector, the most notable being:-

- (1) the ability to earn higher returns on the funds by dealing in larger sums under broader investment criteria and, as circumstances dictate, over a wider range of maturities;
- (2) the ability to lower costs both in the administrative area and, more importantly, by delaying, reducing or obviating the need to borrow from the market;
- (3) overdraft and short-term borrowing facilities (e.g. SAFA's Promissory Note facility) are used more efficiently; and
- (4) the bulk of the State's liquid assets are centrally recorded and reported in SAFA's Accounts which are presented to Parliament at Budget time each year.

Details of SAFA's lending functions are described in each of SAFA's Annual Reports presented to Parliament at Budget time. The simple and standard lending and ongoing debt arrangements are working very smoothly.

This section also administers Australian Loan Council guidelines relating to public sector borrowings (see separate heading later in this report).

### Accounting and Administration

Because of the nature and complexity of SAFA's borrowing and investment activities and the increase in the volume of that activity over recent years, the accounting function of SAFA has needed to grow to keep pace with those activities.

The Accounting Branch is responsible for the implementation of procedures and policies which correctly record the results of SAFA's activities. SAFA's accounts are prepared in accordance with generally accepted commercial accounting practices rather than the modified cash accounting which is adopted by Government. As part of its responsibilities the Accounting Branch ensures that SAFA's obligations under various financing transactions are met and that all receipts are duly received on a timely basis. One of the major responsibilities is the development and implementation of systems to assist in controlling these activities and to produce timely management reports. The development of these systems is continuing to occupy a considerable share of the resources of the branch, reflecting the importance attached to the project.



During 1987/88 it has been possible to incorporate into the computer-based system all of the elements comprising SAFA's Balance Sheet. Prior to this, many of the records were held on a variety of manual systems which were not integrated and required a number of time-consuming processes to be performed before any financial reports could be prepared. The incorporation of all the data into an integrated system has provided SAFA with the ability to prepare regular management reports. The development of these reports is receiving a high priority and when complete will ensure the availability of timely and accurate information.

To support these system developments it has also been necessary to purchase new computer hardware and software. SAFA, with the advice of the State Supply Board, sought Registrations of Interest and then called for tenders to identify and purchase the most appropriate equipment.

The branch also provides a company secretarial service to SAFA related entities including the accounting function. The majority of this work has in the past been performed by private accounting firms but during the year steps were taken to enable SAFA to do this work on its own systems. It has been possible to assume full responsibility for the accounting associated with those companies registered in South Australia and the annual financial statements will be prepared on SAFA in-house systems. The volume of work associated with administering these companies has increased to such an extent that it has required the appointment of a new manager to administer the affairs of the companies. The appointee commenced duties in July 1988.

The Administration section of SAFA was transferred from Domestic Finance to Accounting in September 1987 to provide a more logical grouping of the "support" services. The section has upgraded its information systems as part of SAFA's overall move towards fully integrated systems. During the year this section participated in a review of the advertising agency and negotiated the appointment of a new agent. Since then there has been a considerable effort put into developing a new advertising strategy for SAFA Bonds. Other duties have included supervision of the preparation of the annual report and planning for the 1987/88 report, negotiation for additional office accommodation, investigating the establishment of a retail outlet, monitoring of the SAFA administration budget, and co-ordination of the staff development program. The increase in SAFA's staffing structure required the creation of an additional position during the year to ensure the continuation of a responsive and effective administration service.

The Accounting and Administration section has also been involved in the provision of advice on accounting and computer systems to other areas of the public sector. The expertise developed in SAFA is seen as a resource which can be used to bring about improvements elsewhere. The utilisation of SAFA's expertise in this manner is likely to increase in the future.

### Structured Finance and Commercial Assessments

During the year, the Special Projects section of SAFA was expanded and renamed Structured Finance and Commercial Assessments. The section now comprises 4 persons - a Manager, Senior Finance Officer, Finance Officer and a Graduate Officer. However, this team can and does call upon support from other sections of SAFA as the need arises.

During 1987/88 the section has been involved in the analysis and negotiation of structured financing packages such as domestic leasing arrangements, defeasance/liability assumption transactions, structured investment opportunities and various small projects and has been associated with the financing of a range of Government activities. These projects have included the acquisition of buildings for use by Government primary schools, the conversion of State Clothing Corporation debt to non-interest bearing and non-repayable capital and the provision of specialist finance advice to Treasury and other Departments. Work is continuing on a range of structured transactions which should result in cost effective financings being undertaken in 1988/89.

With the conversion of State Clothing Corporation debt into non-interest bearing and non-repayable capital, SAFA was able to nominate the Manager, Structured Finance and Commercial Assessments to the Corporation Board. This appointment will enable SAFA to contribute more effectively to the management of the Corporation as well as facilitate the monitoring of its investment.

The SAFA Board and the Treasurer have approved a similar conversion of debt to equity for the Central Linen Service and subject to the approval of the Minister of Health this arrangement should be in place in July 1988. This type of financial arrangement is part of a move towards more commercial practices within the State Government's business enterprises. Similar "equity" capital funding for other Government activities is expected to occur in the coming year.

#### International Financing

One officer is devoted to this area of activity which involves:-

- . analysing various option for undertaking off-shore borrowings, and negotiating such transactions;
- . ensuring SAFA's policy of no foreign currency exposure is maintained;

- . overseeing the investment of SAFA's off-shore funds;
- . liaising with SAFA's affiliated off-shore corporations and assisting them in the implementation of their borrowing and investment activities.

During 1987/88 SAFA undertook two major borrowings in the off-shore public capital markets:

- \$A50,000,000	13 per cent Guaranteed Notes 1995
- \$Y7,000,000,000	7 per cent Index Linked Guaranteed Notes due 1993

The necessary background work has been undertaken for a Yen Issue in the Tokyo markets (a "Samurai" Issue) which is planned to be launched in late July 1988.

#### Financial Policy

The Financial Policy section is staffed by a Manager, a Project Officer and a Graduate Officer. It is primarily responsible for providing advice on the management of SAFA's debt portfolio through the use of:

- . physical trading;

- . interest rate swaps (generally from fixed to floating rate exposure);
- . interest rate future trading by portfolio managers.

Two private organisations were appointed as liability managers in February 1988 to operate in the bond futures market to manage interest rate risk on SAFA's behalf. The ongoing monitoring of their performance is a responsibility of this section.

Work has begun on establishing a system that will enable a report on the maturity structure of SAFA's net debt portfolio (gross debt minus financial assets) to be generated regularly from the existing accounting system.

SAFA was again visited by the two major US rating agencies, Moodys Investors Service and Standard & Poors. Two information papers were prepared by the Section for the agencies. They have now been further updated and revised (with the assistance of the Economic Branch) and are to be published as Treasury Information papers:

NO. 88/1 "The Finances of South Australia"

NO. 88/2 "The South Australian Economy".

The "Finances" paper contains some results of a comparative analysis of State Government financial data published by the Australian Bureau of Statistics. This analysis draws on a computerised data base of Government finance statistics for all States and the Commonwealth - general Government and public trading enterprises sectors.

Ratio analysis based on these data enables comparisons to be made of a State's financial position/performance, both over time and relative to other States and the Commonwealth.

Work continues in conjunction with the Accounting and Cash Management sections on the development of a portfolio reporting system, which will enable better assessment of the contribution to SAFA's performance of specific activities.

The section was involved with SAFA's on-market takeover offer for Enterprise Investments, announced in May 1988.

The section's involvement with more general Treasury (rather than SAFA specific) issues continued this year.

Members of the section represented Treasury on committees/working parties:

- . reviewing Section 5 of the Trustee Act which provides authorisation for trustee investments;

- . reviewing the regulation of building societies;
- . examining a possible merger of the Public Trustee and Executor Trustee and Agency Co.

The section also provides advice and comment on a range of ad hoc matters such as:

- . the Reserve Bank's proposal to amend bank capital adequacy requirements;
- . the economic impact of certain private sector development projects and undertakings;
- . public sector agency investment proposals;
- . an assessment of the State's exposure arising from Government guarantees under various Acts;
- . superannuation, accounting and other issues.

#### Australian Loan Council

Borrowings by semi and local government authorities and government-owned companies and trusts are governed by "global limit" arrangements first adopted by the Australian Loan Council in 1984/85.



Amongst other things, the "global limit" approach places an upper limit on the aggregate borrowings (in whatever form) of the relevant authorities of each State and requires each State to provide a variety of reports in relation to its borrowing activities to the other members of Loan Council.

The SAFA Branch is responsible for administering the global limit arrangements as they apply to South Australia.

In 1987/88, the State's new money global limit was \$301 million, of which \$66 million could be borrowed overseas.

#### More Detail

More detailed information on SAFA's activities in 1987/88 can be found in its Annual Report for that year, which has been published and tabled in Parliament separately.

## CHAPTER VIII

### ADMINISTRATION OF SUPERANNUATION SCHEMES

The State Superannuation Office is part of the Administration and Support Services Branch. It administers three superannuation schemes:-

- . the two State Superannuation Schemes on behalf of the South Australian Superannuation Board; and
- . the Public Sector Employees Superannuation Scheme.

The Superannuation Board is required by statute to produce an annual report on its activities, including those of the Superannuation Office.

#### Legislation

The Superannuation Board operates under the provisions of the Superannuation Act, 1974, and regulations, and is responsible for administering the State Superannuation Scheme. The Act provides superannuation benefits for employees, and the families of employees, of the South Australian Government Departments and various statutory authorities. Membership is voluntary.

### Changes During the Year

The Superannuation Act, 1988, was proclaimed on 19 May 1988 to come into operation on 1 July 1988.

The legislation introduced the State Government's new lump sum superannuation scheme and also made a number of changes to the existing pension scheme which had been closed to new entrants since 30 May 1986. Government employees could still join the pension scheme up to 30 June 1988 but only under transitional arrangements. Under the new legislation they are given the option of transferring into the lump sum scheme with an appropriate credit for their periods of membership in the pension scheme or cancelling their membership.

Apart from lump sum benefits instead of indexed pensions, the new scheme extends membership to casual employees, provides variable contribution rates (1.5% to 9% of salary), the option of preserving benefits on resignation with employer vesting, and facility to cease contribution during periods of financial hardship.

Changes to the existing pension scheme also include flexible contribution rates, preserved benefits, and the opportunity for new pensioners and most existing pensioners to commute a higher proportion of pension.

The new legislation also requires the board to take reasonable steps to :-

- . ensure that employees are made aware of the benefits that come from contribution to the Fund;
- . enlist new contributors to the Fund.

Whilst the legislation arose from the need for a more flexible superannuation scheme for State Government employees, the opportunity was taken to include a number of provisions in the new Act which should result in more efficient administration procedures.

The new Act provides for a points accrual system upon which the level of benefits will be based. As points will accrue in accordance with contributions paid, contributions will no longer be regarded as in arrears or overpaid and systems developed for recording arrears, interest on arrears and overpayments can be abolished.

Pension benefits will be calculated from retiring salary only. Under the old Act pension benefits took account of salary as at 31 March and on the last day of service. The new arrangement is less complicated and involves less work for the Superannuation Office and agencies.

The old Act provided for annual cost-of-living increases to be calculated quarterly. As a consequence, retirement applications tended to be received in bulk at the end of each quarter creating peak workloads for calculating pensions and commutation payments. The new Act enables cost of living increases to be calculated daily, which will produce a more even spread of retiring contributors throughout the year.

### Organisation

The Superannuation Office is organised into five main sections:-

- . Contributions
- . Advisory
- . Pensions
- . Voluntary Savings/Housing Loans
- . Public Sector Employees Superannuation Fund.

The Office is managed by the Senior Administrative Officer who is also Secretary to the Superannuation Board. He reports to the Chief Administrative Officer in Treasury.

In addition, the Office has access to the services offered by Treasury in the areas of accounting, administration, actuarial advice, and other advisory functions. The Government Computing Centre provides expertise where necessary to operate and maintain the computer systems of the Office. The Office is also provided with legal and medical advice as required.

### Functions

The main functions of the Office are:-

- . the processing of applications to join the scheme including the assessment of the health of applicants;
- . the collection and recording of employee contributions;
- . the payment and recording of pensions and lump sum benefits (including preserved benefits) to and in respect of scheme members;
- . the provision of information and counselling services to contributors and superannuants, including two-day pre-retirement seminars;
- . the provision of information to other employees of Government;
- . liaison with personnel and pay officers in Government agencies to ensure that they disseminate information on the scheme, and are familiar with procedures for the collection of contributions and processing of applications for benefits;
- . administration of the Voluntary Savings scheme for employees of Government agencies.

### Review of Operations

The number of persons contributing to the Fund decreased during the year from 20 354 to 19 597. In addition there were 85 Provident Account contributors as at 30 June 1988.

This year 481 persons commenced paying contributions to the Fund compared with 381 last year.

The taxation procedures applicable to lump sum benefits (referred to in the tax legislation as "Eligible Termination Payments") continue to have a significant impact on the accounting and administrative procedures of the Office. What was once a very simple process is now quite complex and time-consuming.

Taxation of superannuation will become further complicated following the Federal Treasurer's announcement on this subject in his Economic Statement delivered on 25 May 1988.

### Advisory

The number of enquiries from persons seeking to join the Fund was considerably less this year due to the pending introduction of the new scheme.

However, strong demand continued from existing contributors for personal pre-retirement counselling. In addition, the Advisory Unit conducted pre-retirement seminars. A total of 655 contributors and their partners attended the two-day sessions. 8 seminars were also conducted during the year for non-contributors with 288 participants attending.

It is planned to expand the resources of the Advisory Unit to inform Government employees throughout the State of the terms and conditions of the new scheme.

#### Pensions

The number of pensions being paid increased during the year from 11 198 to 11 696.

The number of new pensions granted this year was 1 024 compared with 765 last year. There is reason to believe that a number of contributors have deferred their retirement to take advantage of the new commutation arrangements which apply from 1 July 1988.

The number of invalid pensions granted during the year was 94 which represents only 13% of the total new retirement pensions for the year. This compares more than favourably with the national average of 35% for all major public sector superannuation funds.



New pensioners are encouraged to have their pension paid by direct deposit to a bank, building society or credit union. This is generally more convenient for the pensioners and results in a saving in postage costs for the Office. During the year, the proportion of persons receiving their pension by cheque fell from 17.5% to 15.6% of the total number of pensions being paid.

#### Voluntary Savings/Housing Loans

There were 3 176 Voluntary Savings account holders as at 30 June 1988, a decrease of 299 during the year.

Interest is credited to accounts annually, the rate currently being 11 per cent. The aggregate of Account balances at 30 June 1988 was \$5.7 million.

The cost of administering the Voluntary Savings Scheme is a charge against the investment earnings of the Superannuation Fund.

Over recent years the use of the Voluntary Savings Scheme has declined, probably because of the range of salary deductions available and the on-line salary credit facilities offered by credit unions and other financial institutions. Although the Scheme offered a useful service during a time when the range of salary deductions was limited, the reasons for its existence have virtually disappeared. The Board has signified its intention of reviewing the future of the scheme during 1988-89.

During the year, the number of housing loans fell from 1,727 to 1,530. The interest rate on those mortgages subject to a reviewable interest rate remained at 14 per cent per annum throughout the year. The S A Superannuation Fund Investment Trust does not now invest in this area.

#### Public Sector Employees Superannuation Scheme

Following negotiations between the Government and the United Trades and Labor Council concerning the implementation of the 3% national productivity claim in respect of public sector employees, the Public Sector Employees Superannuation Scheme was created.

The scheme came into operation from the first full pay occurring on or after 1 January 1988.

While the precise benefits to be provided by the scheme had not finally been resolved by 30 June 1988, they will be basically:-

- . 3% of salary or wages for employees who are not members of the State pension scheme
- . 2% of salary or wages for employees who are members of the State pension scheme.

There may also be a minimum and maximum benefit.

The benefit due to members of the State pension scheme has been reduced by 1% to meet the cost of the preservation of benefits option incorporated into this pension scheme.

It is anticipated that approximately 110,000 employees in 150 agencies will be included in this scheme.

### General

The Office records were first computerised in 1969. Since then, there have been numerous amendments to the Contributions and Pensions systems to reflect legislative changes and to increase efficiency. Both systems are currently being upgraded to cater for the new superannuation developments in the coming year, and are expected to be fully operational by 30 June 1989.

The schedule of tasks can be divided into two main categories:-

- . the development of systems on an interim basis to facilitate the administration of the changes in legislation;
- . the production of user specifications for the transfer of the present systems from the existing CYBER mainframe at the Government Computing Centre to the IBM mainframe in 1989.

In relation to the former most of the interim programs have been completed. Those that remain to be completed are basically on schedule and in some cases will not be required until 1989.

With respect to the latter user specifications for the contributions and pensions systems have been completed and a call for Registrations of Interest from software suppliers has been arranged. Tender call and evaluation are scheduled for later this year.

A new computer system, compatible with the contributions system must also be developed to administer the Public Sector Employees Superannuation Scheme. User requirement specifications and other documentation will be drafted when the fundamental elements of the scheme have been determined.

### Staff

As at 30 June 1988, there were eighteen full-time permanent officers.

Three temporary positions were established to implement the Public Sector Employees Superannuation Scheme and five temporary positions have been created to cater for the increased workload which is expected to flow from the new State scheme over the next 12-18 months. As indicated previously, the Office has access to the services of other Treasury officers for certain specialist functions.

### Summary of Accounts

During the year the balance of the Superannuation Fund increased by \$86.6 million to \$595.7 million.

The following table shows the changes in the balances of the various accounts of the Fund:

	Balance at 1 July 1987  \$m	Balance at 30 June 1988  \$m
Superannuation Account	415.9	471.7
Provident Account	0.9	1.1
Retirement Benefit Account	0.6	0.6
Employer Contribution Accounts*	86.1	116.6
Voluntary Savings Account	<u>5.6</u>	<u>5.7</u>
Superannuation Fund	<u>509.1</u>	<u>595.7</u>

\* These are accounts to which certain employers contribute to provide for the employer-share of future benefits payable to their employees. Until 1980, the employer-share of benefits was paid only when the benefit became payable.

The following table summarises the movements in the Superannuation Account:

	\$m	\$m
Balance at 1 July 1987		415.9
plus		
Contributions by Contributors	33.1	
Reimbursement by Employees **	127.3	
Net Investment Income	<u>54.3</u>	214.7
less		
Payments to Pensioners	155.0	
Payments to other ex-Contributors	<u>3.9</u>	<u>158.9</u>
Balance at 30 June 1988		<u>471.7</u>

\*\* Employers re-imburse the Superannuation Account for the cost of the employer-share of benefits as these are actually paid to former employees.

## CHAPTER IX

### MANAGEMENT OF SUPERANNUATION FUND INVESTMENT ACTIVITIES

The South Australian Superannuation Fund Investment Trust (SASFIT) is the statutory body charged with the responsibility to manage the funds contributed by members of the State superannuation scheme. The Trust determines investment policy utilising investment powers defined within the Act. The Trust provides detailed annual reports on its investment policies and administration.

Until June 30 1988 the Trust was constituted under the Superannuation Act 1974 and comprised three members. The new Superannuation Act 1988, which came into effect on 1 July, requires a Trust of five members.

The Executive Officer of SASFIT also has the responsibility to manage, on behalf of the Treasurer, the Police Pensions Fund.



The assets of the Funds, which currently total, on a market value basis, approximately \$800 million are distributed among several categories of investments, including CPI-linked investments, commercial property, listed equities such as convertible notes, unlisted equity investments, fixed interest securities (including loans on mortgage) and short term assets.

The distribution of assets of SASFIT is illustrated in figure 1. The distribution shown includes the effects of a restructuring of the financing of the ASER development, which is planned to occur shortly.

The policy for several years has been progressively to restructure the investment portfolio so that returns move with inflation, by reducing the proportion of fixed interest investments in favour of index linked arrangements and equity investments of various types.

Preliminary calculations indicate that SASFIT showed a return on funds for the year 1987/88 of over 20%. This rate is considerably higher than rates earned by any other major fund over that period. SASFIT has consistently earned at more than 20% over the last five years, making it one of the leading performers among large funds. These returns have been achieved whilst adopting policies which lessen risk.

The Trust is a major initiator of developments within the State. During 1987/88 work was completed on a major shopping centre at South Road Edwardstown, and construction of a major office building at 45 Pirie Street continued. In each case SASFIT is the developer, engaging consultants to act on its behalf.

SASFIT is a joint venture partner in the ASER project with Kumagai Gumi of Tokyo. During the year the largest single element of the project, the international hotel, was opened. The hotel, which is managed by Hyatt International, began business in June 1988 and will be formally opened in September. The final element of the project, the Riverside office building, will be completed shortly thereafter. SASFIT has been represented on the board of the ASER Property Trust by the Executive Officer and the Manager Investments. The Executive Officer has also been Chairman of the ASER Investments Trust and AITCO Pty Ltd which are the subsidiaries of the ASER Property Trust associated with the operation of the Adelaide Casino. Following the recent retirement of the Executive Officer a vacancy presently exists on the ASER board which is to be filled at SASFIT's nomination.

On 1 July 1988 the new Superannuation Act came into effect, and with it the operation of the new superannuation scheme. In future the Fund will be managed in two divisions, with separate assets. The division related to the new scheme will initially be small but will grow progressively. The Trust will determine investment policies for each of the two divisions appropriate to the particular character of each division.

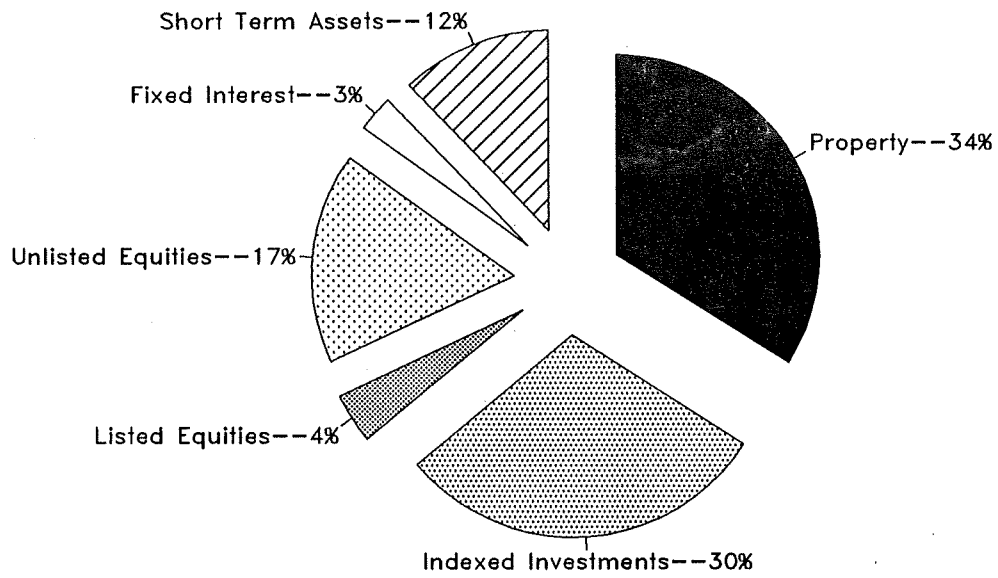
In May 1988 the Federal Treasurer announced that the income of Superannuation Funds would in future be taxed. All the details of the application of the tax, particularly to public sector funds, have not yet been established, but it is clear that taxation of the earnings of SASFIT will have a significant impact on both investment policy and administrative procedures.

The resources to manage both Funds are provided through the Treasury Department, the costs being reimbursed by the Funds.

A total of eight staff were employed in management of the Funds. Private sector consultants were used extensively to provide advice in property investment and management, and legal matters.

Just prior to the end of the financial year the Executive Officer of SASFIT, Mr I Weiss, retired from Government employment. Mr Weiss has been re-appointed as Chairman of SASFIT, serving in a non-executive capacity.

**FIGURE 1**  
**SASFIT ASSET DISTRIBUTION**



## CHAPTER X

### PROVISION OF ACTUARIAL ADVICE

Within the public sector the Public Actuary's Office provides actuarial and related advice on superannuation, general insurance, life insurance and related matters. During 1987/88 the traditional actuarial core of the Office was supplemented by the establishment of two components which are not directly actuarial.

The first is the Superannuation Policy and Management Unit whose role is to co-ordinate superannuation activity in the public sector, advise Government on policy relating to superannuation issues, monitor existing schemes, and service the interdepartmental Superannuation Task Force. The head of the Unit is also a member of the Task Force, Secretary and Executive Officer to the Parliamentary Superannuation Fund and a Trustee of the Metropolitan Fire Services Superannuation Fund.

During the year this Unit was heavily committed with the Superannuation Task Force in the introduction of the new State Superannuation Scheme and the 3% "productivity" scheme. Legislation for the new State Superannuation Scheme was passed on 7 April 1988 and is effective from 1 July 1988. The Government has decided that the 3% productivity scheme will operate from 1 January 1988 and will involve a notional accumulation arrangement operated by Treasury. It is hoped that final details will be settled by the end of 1988. Other public sector schemes that have been under review during the year include the Metropolitan Fire Services Superannuation Scheme, the Staff and Wages Schemes of the Electricity Trust of SA, and the Police Pensions Fund.

The second component deals with Insurance and Risk Management arrangements in the public sector. On 8 February 1988 Cabinet agreed to the establishment of new practices in this area. The initial objectives are to rationalize existing insurance arrangements and re-establish the Government as a self-insurer, carry out risk audits in order to reduce risks, and set up a database that will capture details of losses that occur after 1 July 1988.

This project is being co-ordinated by a committee chaired by the Public Actuary. External assistance is being provided by insurance experts Sedgwick Limited. Internal support is provided to both Sedgwick Limited and the committee by staff of the Public Actuary's Office. Initial advice on insurance arrangements has been given to most departments; risk audits have been carried out in a small number of areas; and computer software has been purchased and departments have been instructed so that the database can be set up from 1 July 1988. Over time this initiative should result in substantial savings.

In the area of superannuation the actuarial core of the Public Actuary's Office has a wide range of duties. During the year these included acting as trustee on three superannuation boards, providing projections of costs for budget purposes, providing advice to the Unit, assisting the Superannuation Office with various calculations and the collation of data maintained by that Office, and providing policy advice to the Government. As a consequence of these duties and the backlog of work that existed at the start of the year, only limited progress has been made on the 1986 actuarial valuations of the South Australian Superannuation Fund and the Police Pensions Fund. The changeover to personal computer based valuation systems was effectively completed during the year by cleaning up the residual data and programs on the GCC mainframe computer, writing some new PC programs and purchasing a modem for extracting data from the GCC mainframe.

In the workers compensation area advice has been provided to Treasury, the Department of Labour, and WorkCover. The Office has been instrumental in introducing a change in the method of administration of workers compensation for departments and some statutory authorities which will reduce administration costs and in time will make individual managers more aware of workers compensation issues and more accountable for the associated costs incurred in this area. The Office has also participated in a review of Compulsory Third Party Personal Injury insurance that is being carried out by the Department of Transport, and played a major role in running a seminar on accident compensation that attracted participants from New Zealand and all States of Australia.

The Office has continued to administer the Friendly Societies Act, the Benefit Associations Act and the Housing Loans Redemption Fund Act. During the year the most urgent matters required under the Friendly Societies Act have been brought up to date and changes to the Regulations have been made which increase the amounts of business friendly societies are allowed to write. There is still however a significant backlog of administrative matters relating to the regulation of friendly societies.



During the year a committee to review the Friendly Societies Act was established by the Minister of Corporate Affairs and the Public Actuary is a member of the committee. The first meeting of the committee was held in July 1988.

Advice has also been provided to Government agencies on present value calculations for family maintenance payments, workers compensation and common law settlements and long service leave liabilities, on interest calculations and on a variety of other matters.

## CHAPTER XI

### SUPPORT SERVICES

The Administration and Support Services Branch provides a Ministerial Office service for matters relating to the portfolio of the Treasurer, including the administration of the Unclaimed Moneys Act, the Rural Advances Guarantee Act and Section 71 of the Administration and Probate Act which deals with the payment of unpaid salary and leave entitlements to the dependants of deceased Government employees.

The Branch provides a support service to all operational areas of the Department on matters ranging through accommodation and associated facilities, supply, transport, keyboard and reception services and correspondence. The Branch also manages the library and provides a service to management and staff with respect to the various management services disciplines.

Under the Rural Advances Guarantee Act the Treasurer is empowered to guarantee the repayment of loans made by a bank to a borrower wishing to engage in primary production. In the great majority of cases the loans are adequately secured and borrowers are experiencing no apparent difficulty in making repayments.

Due to the difficult circumstances facing primary producers, new loans are now rarely made. However, from time to time it is necessary to grant deferrals of interest and principal and in several instances in recent years the Treasurer has been required to honour his guarantee at significant cost to the taxpayer. As a consequence a review of the aims of the legislation was conducted during the year. Because a framework is required to administer existing loans, it was concluded that little purpose would be served by repealing the legislation. However, improved arrangements for considering new applications and applications for the deferment of loan repayments were implemented.

The Branch receives from the Department of Premier and Cabinet all correspondence addressed to the Premier which is relevant to his responsibilities as Treasurer and arranges for reports to be prepared by the appropriate authorities (e.g. State Taxation Office, State Bank, Lotteries Commission). Replies are then drafted for consideration by the Treasurer.

Much of this correspondence relates to taxation matters. In 1987/88 as in 1986/87 the principal area of concern was land tax. Notwithstanding significant concessions given by the Government, a number of taxpayers experienced sharp increases in their liability for tax reflecting the increased capital value of the asset.

The branch is also responsible for the provision of staff related management services including the implementation and management of the Department's personnel policies which are described in the following chapter.

## CHAPTER XII

### PERSONNEL MANAGEMENT POLICIES AND PROGRAMS

#### Management Improvement and Information Technology

All branches contributed to the Department's Management Improvement initiatives in 1987/88 through the second tier productivity and efficiency review which followed the decision of the Industrial Commission to award a 4% wage increase on condition that the increase be matched by improvements in efficiency.

During the year organisational reviews were conducted within the Budget, Capital Works and SAFA Branches and the State Superannuation Office. There was significant activity in the development of accounting and management information systems in the Accounting, SAFA and Systems Branches. The development of computerised systems also received high priority within the Budget Branch and the Superannuation Office. Details are contained elsewhere in this report.

### Staff Development and Training

The Department continues to support officers attending relevant courses, seminars and conferences. The cost to Treasury in 1987/88 was \$33,985. In addition, the Department continued its strong support of the part-time study assistance scheme with students undertaking studies receiving approval for time off with pay totalling approximately 156 hours per week. The proportion of Treasury staff studying on a part-time basis is still significantly greater than the proportion applying in most other Departments.

### Equal Opportunity

The Treasury Department is committed to an active program of ensuring that any discriminatory policies and practices in relation to employment are removed. In particular, the policy of Treasury is to:-

- . give encouragement to all people to seek and to pursue careers in all occupational groups within the Treasury;
- . give all people equal consideration according to their merit for recruitment to and promotion within the Treasury;

- . give due consideration to all relevant life and work experience together with special aptitudes so that the widest range of people can compete for selection;
- . review the requirements of positions in the Treasury when they become vacant to ensure that they are consistent with the spirit of this policy;
- . provide to all employees, according to their abilities and potential, equal opportunities for job rotation, special work assignments and appointment to committees which expand their range of work experience;
- . endeavour to give all employees consideration for staff development programs;
- . ensure that all employees are provided with adequate information and counselling on career opportunities available to them in the Public Service and are encouraged to develop their career potential;
- . apply conditions of service to employees in a manner which is consistent with the spirit of this policy.

In addition, Treasury has a policy with respect to the employment and development of Aboriginal employees. Treasury will:-

- . give encouragement to Aboriginal people to seek and pursue careers in Treasury;
- . ensure that Aboriginal employees are provided with adequate information and counselling on staff development matters and are encouraged to develop their career potential;
- . develop and implement employment strategies for Aboriginal people in Treasury, including the setting of a target of no less than 1% of all positions in Treasury to be occupied by Aboriginal people;
- . wherever possible provide opportunities for the advancement of Aboriginal employees.

In consultation with officers of the Department of Personnel and Industrial Relations strategies have been developed to give effect to this policy. In addition, Treasury's Management Services Officer has been appointed as Special Placements Officer and now has responsibility, amongst other things, for implementing the policy, monitoring recruitment activity, and generally co-ordinating the receipt and consideration of applications for employment from Aborigines for positions at all levels.

During 1987/88 Treasury has employed 6 Aborigines.



Safety, Health and Welfare

A consultative committee with equal representation from management and staff was appointed in June 1985, in accordance with the revised Code of Government Principles released by the Government in December 1984. The staff representatives were elected by secret ballot, each for a term of three years. The Committee met formally on two occasions during 1987/88 and produced one staff Newsletter.

Action was initiated in June 1988 to elect Health and Safety Representatives pursuant to the Occupational Health, Safety and Welfare Act, 1986 and Regulations thereto as a preliminary to the formation of a new departmental Health and Safety Committee.

Pursuant to Clause 12 of Occupational Health, Safety and Welfare (Election of Health and Safety Representative) Regulation, which came into effect on 30 November 1987 and following consultation with staff and the Public Service Association, it was considered appropriate to allow previously elected safety representatives to complete their full three year terms.

Issues considered during the course of the year were:-

## Passive Smoking

Treasury has a policy of reducing exposure by non-smoking staff to passive smoking. The policy was revised during the course of the year having regard to

- . action taken in several Commonwealth and State agencies to deal with the issue;
- . information available on the assistance available to smokers to help them quit;
- . suggestions received from departmental officers.

As a consequence, and having regard to the recommendations of the departmental Health and Safety Committee:-

- . the existing policy with a minor modification was reaffirmed;
- . information on "quit" programs was circulated throughout the Department;
- . the policy was made more "visible" through the placement of appropriate signs in all public/reception areas;

- . approval was given to include on departmental job specifications an appropriate message for the benefit of potential applicants concerning the policy on smoking;

#### New Safety, Health and Welfare Legislation

Following proclamation of the new Act, action was taken, in consultation with staff and the Public Service Association:-

- . to establish one designated work group to cover Treasury employees in the State Taxation Office and another to cover employees in the QBE Building and the GRE Building;
- . to register the various Treasury worksites with the Department of Labour;
- . to determine, pursuant to section 26(6) of the Act that officers employed at the level of AO-3 and above were employed in a managerial capacity and therefore were excluded from the definition of employee for the purpose of establishing work groups and appointing representatives.

### Survey of Keyboard Stations

A survey of all keyboard stations in Treasury (39 positions) was undertaken. Apart from air conditioning problems in the State Taxation Office, the survey indicated a lack of adjustability of equipment (desks and VDU'S) to be the most common deficiency. The survey demonstrated that most keyboard operators were unaware of their keystroke rate and revealed a lack of opportunities for job rotation. Action is in hand to remedy these deficiencies.

### Personnel Management

Treasury's actual AFTE figure for the year to 30 June 1988 was 271.4 against a funded AFTE level of 279.4.

The Department's classification profile including vacant positions was as follows:-

No of Offices	
EO-6	1
EO-4	4
EO-3	1
EO-2	3
EO-1	6

No of Offices

AO-5	7
AO-4	9
AO-3	16
AO-2	6
AO-1	19
CO-6	13
CO-5	26
CO-4	34
CO-3	25
CO-2	47
CO-1	99
LE-1	2
CS-1	1
CR-3	4
CS-4	1

33 new permanent positions and 22 new temporary positions were created during the year. 11 temporary positions were abolished. 13 permanent positions were abolished.

Personnel management statistics for the year were:-

Classified vacancies advertised	Permanent	56
	Temporary	11

Nominations published	38
Appointments (from outside Public Service)	1
Reassignments	51
Appeals	2
Base Grade appointments	28
Alternative Placement Applications	14
Resignations (Retirements)	23
Officers temporarily reassigned to other Agencies	Classified 5 Base Grade 4
Reclassifications	17
Supernumeraries employed	6
Aboriginal Employees	6
Clerical Traineeships	2

Work Experience:-

Under graduates	3
High School Students	3
Vocational Traineeship Scheme for the Disabled	2
HETA (Disabled person)	2

Chapter XIII

FINANCIAL INFORMATION

Treasury Department

Recurrent Receipts and Payments for the Year Ended 30 June 1988

	Note	1986/87	1987/88
		\$'000	\$'000
<u>Payments</u>	1		
Administration and enforcement of State Taxation legislation		3,717	4,197
Provision of Economic and Budgetary advice		991	1,225
Maintenance and development of Accounting Policies and Systems		2,286	2,222
Administration of Superannuation schemes		917	668
Provision of Actuarial advice		221	383
Intra-Agency Support Service items not allocated to Programs		<u>1,560</u>	<u>1,504</u>
Total operating payments	2	<u>9,692</u>	<u>10,199</u>

Receipts

Maintenance and Development of Accounting Policies and Systems	311	129
Administration of Superannuation Schemes	478	100
Provision of Actuarial Advice	28	35
Other programs	<u>4</u>	<u>2</u>
Total Operating Receipts	<u>821</u>	<u>266</u>
<u>Excess of Payments over Receipts</u>	8,871	9,933
<u>Other Payments on behalf of the Department -</u>		
Department of Housing and Construction maintenance costs, office service costs and debt servicing on capital expenditure	<u>181</u>	<u>196</u>
<u>Net Cost of Recurrent Operations</u>	<u>9,052</u>	<u>10,129</u>



Notes to and Forming Part of the Financial Statement

1 Statement of Accounting Policy

The amounts shown represent only those expenditures and receipts which are comparable with the operating costs and recoveries of other Government Departments. The nature of Treasury Department's functions necessitates that it incurs expenditures and receives moneys of a non-operating type which have been excluded from this Statement.

An example is debt servicing costs of funds borrowed by the Treasurer from Statutory Authorities. This item is excluded because if the lodgement of those funds were shown as a Departmental receipt it would give a misleading indication of the Department's contribution to Government revenues in comparison with other Departments.

- 2 This amount does not agree with that shown in Treasurer's Statement A for the reasons outlined in Note 1. The amount appearing in Statement A comprises:-

	1986/87 \$'000	1987/88 \$'000
(a) Expenditure included in the Financial Statement -		
*Salaries and related payments	6,537	6,724
Operating expenses, minor equipment and sundries	<u>3,155</u>	<u>3,475</u>
Total Operating Expenditure	<u>9,692</u>	<u>10,199</u>
(b) Expenditure excluded from the Financial Statement -		
Remission to Liquor Industry	-	17
Repayment of unclaimed moneys	16	75
**Debt servicing costs payable to SAFA and other Statutory Authorities	423,899	465,486
Indexation of funds borrowed from Statutory Authorities	2,525	1,876
***Interest on Deposit Accounts	33,323	60,174
****Refunds and remissions	1,030	5,825
Cheques for departments	53	54
Cash losses	4	4
Overseas exchange accounting adjustments	<u>-</u>	<u>-</u>
Total Excluded Expenditure	<u>460,850</u>	<u>533,511</u>
Total Treasury Department Expenditure	<u>470,542</u>	<u>543,710</u>

\* Includes Superannuation payments.

The Department is required to pay an amount to Consolidated Account in respect of the accruing Government liability for contributors employed currently. Payment to Consolidated Account amounted to \$499,000 (\$508,000).

In addition, the Government agreed to the implementation from 1 January 1988 of an accumulation style superannuation benefit for all employees based on 3 per cent of eligible earnings. The amount paid for the first 5 months totalled \$65,000.

\*\* The increase is due mainly to the full year interest costs of borrowings taken up in 1986-87 and the part-year interest costs of borrowings in 1987-88.

\*\*\* The increased interest is due mainly to a substantial deposit by the Electricity Trust of South Australia.

\*\*\*\* The increase is due mainly to stamp duty relief provided to a major South Australian based manufacturing organisation.

3 The decrease in receipts reflects principally a reduction in the extent of cost reimbursements related to salaries and other expenses which were incurred on behalf of other bodies (South Australian Government Financing Authority and South Australian Superannuation Fund Investment Trust). Both bodies now meet a large proportion of these costs directly from their operating funds.

# Housing Loans Redemption Fund

The Housing Loans Redemption Fund Act enables eligible borrowers from approved authorities to contribute to the Fund (established under the Act) to provide for the repayment from the Fund of their outstanding housing advances in the event of death. The Fund is operated through a special deposit account maintained at the Treasury. Provision is made for any deficiency in the Fund to be met from the Consolidated Account.

As authorised by the Cottage Flats Act, the Treasurer paid \$75,000 to the S A Housing Trust for the purpose of providing housing to persons in necessitous circumstances.

## Financial Statement for the year ended 30 June 1988

	1987/88		1986/87	
	\$'000	\$'000	\$'000	\$'000
Funds held at 1 July			4,870	4,037
Receipts:				
Contributions	337			
Interest	<u>649</u>			
		986		962
Payments:				
Claims in respect of housing advances	203			
S A Housing Trust:- pursuant to Cottage Flats Act	<u>75</u>			
		278		<u>129</u>
Net increase in Fund			<u>708</u>	<u>833</u>
Funds held at 30 June			<u>5,578</u>	<u>4,870</u>

Hospitals Fund

The Hospitals Fund is a deposit account maintained at the Treasury to which are credited moneys received pursuant to the:-

Racing Act:-

In respect of off-course Totalizator Agency Board operations:-

- . A contribution of one half of the balance of funds remaining after allowing for payments (administration and operating expenses etc.) specified in the Act.
- . One half of unclaimed dividends.
- . Fractions transferred by the Treasurer from the Dividends Adjustment Account.

Dividends unclaimed from racing clubs authorised to conduct on-course totalizators.

State Lotteries Act:-

Surpluses from Lotteries Commission operations.

Stamp Duties Act:-

Stamp Duty on insurance policies relating to motor vehicles.

The legislation further provides that the Fund shall be applied:-

First, in payment of dividends and prize moneys previously transferred to the Fund.

Second, in crediting amounts approved by the Treasurer in accordance with Appropriation Acts to the General Revenue of the State towards amounts appropriated by Parliament for the purposes of the provision, maintenance, development or improvement of public hospitals or equipment for public hospitals.

Transactions for the past two years have been:-

	1986-87 \$'000	1987-88 \$'000
Funds held at 1 July	<u>4,299</u>	<u>6,297</u>
Receipts for the year:-		
Totalizator Agency Board		
One half of balance of funds		
(Section 69(2) Racing Act)	11,355	12,944
Unclaimed dividends	263	403
Transfer of fractions (Dividends		
Adjustment Account)	999	1,313
Racing Clubs - Unclaimed dividends	193	142
Lotteries Commission		
Amount transferred from operations	43,095	48,027
Unclaimed prizes	(1)	(1)
Motor Vehicles - Stamp duty on		
insurance policies	<u>2,294</u>	<u>2,241</u>
Total Receipts	<u>58,198</u>	<u>65,069</u>
Total Amount Available	<u>62,497</u>	<u>71,366</u>
Payments for the year:-		
Transferred to Consolidated Account as		
a contribution towards Public Hospital		
costs:-		
Gambling:- Hospitals Fund		
Contribution	54,000	68,349
Stamp Duties	2,200	3,017
Refund of unclaimed dividends	<u>-</u>	<u>-</u>
Total Payments	<u>56,200</u>	<u>71,366</u>
Funds held at 30 June	<u>6,297</u>	<u>-</u>

### Statutory Reserve Fund

The Workers' Compensation Act established the Statutory Reserve Fund as a Deposit Account maintained by Treasury. That Act, which was repealed on 30 September 1987, provided for payments to be made (by the State Government Insurance Commission) on account of unsatisfied workers' compensation claims in the event of insolvency of either an insurance company or an uninsured employer.

The Fund was financed by a levy of premiums payable under workers' compensation policies; amounts payable by exempt employers as determined by the Commissioner of Stamps; amounts payable by the Treasurer in respect of Crown employees; advances from the Consolidated Account; interest from moneys invested and not immediately required; recoveries of moneys by the Treasurer in respect of rights to which he is subrogated under the Act.

Effective from 30 September 1987, the Workers Rehabilitation and Compensation Act replaced the Workers' Compensation Act and provided for the payment of the balance of the Statutory Reserve Fund to a Compensation Fund established and to be maintained by the Workers Rehabilitation and Compensation Corporation under the new Act. Claims in respect of workers compensation liabilities under the repealed Act are payable from the Compensation fund.

The balance of the Statutory Reserve Fund at 30 June 1987 was \$8.3 million. For the period 1 July to 30 September 1987, the number and value of transactions were minimal and the amount transferred from that Fund to the new compensation Fund was \$8.3 million.

