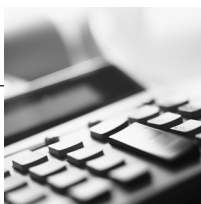
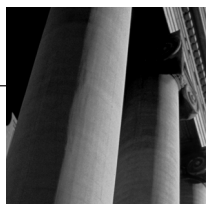


2003–04



# Annual Report



Government  
of South Australia

Department of  
Treasury and Finance

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## Contact Details

Department of Treasury and Finance

State Administration Centre  
200 Victoria Square  
Adelaide, South Australia 5000  
GPO Box 1045 Adelaide SA 5001  
DX56205

Telephone (08) 8226 9500  
Facsimile (08) 8211 7755

[www.treasury.sa.gov.au](http://www.treasury.sa.gov.au)  
[www.statebudget.sa.gov.au](http://www.statebudget.sa.gov.au)  
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Government  
of South Australia

## DEPARTMENT OF TREASURY AND FINANCE

State Administration Centre  
200 Victoria Square  
Adelaide 5000

GPO Box 1045  
Adelaide SA 5001  
DX56205

Telephone (08) 8226 9500  
Facsimile (08) 8211 7755  
<http://www.treasury.sa.gov.au>

ABN 19 040 349 865

30 September 2004

The Honourable Kevin Foley MP  
Treasurer of South Australia

Dear Treasurer

I hereby forward to you the Annual Report of the Department of Treasury and Finance for 2003–04 in accordance with Section 66 of the *Public Sector Management Act 1995*.

Yours sincerely

A handwritten signature in black ink, appearing to read "Jim Wright".

Jim Wright  
UNDER TREASURER

## UNDER TREASURER'S REPORT

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**Jim Wright**

UNDER TREASURER

**The primary focus of the department continues to be improving the financial and policy accountability in the South Australian public sector. We have made considerable progress with improved information flows and processes. However, there is scope for improvement in our financial management systems and a wider understanding in the public sector of the need for financial and policy accountability.**

The department supported the Treasurer and the Expenditure Review and Budget Cabinet Committee (ERBCC) in developing and implementing a budget strategy that reflected the priorities of the Government and the needs of the community.

The department was also heavily involved in further microeconomic reform in the State's energy market. It assumed responsibility for the implementation of full retail competition in the State's gas market in 2002–03 and following an intensive program of legislative and institutional reform, prepared the State's gas market for the implementation of full retail competition in early 2004–05.

We continued to improve our performance in areas such as revenue collection, superannuation, debt management and insurance.

The year saw the Government introduce the new State Strategic Plan. The plan seeks to improve the well being of South Australians by focussing on strong economic growth and prosperity while ensuring better access to health and education. The department expects to play a major role in the development and implementation of proposals to achieve the plan's objectives.

I would like to thank all Treasury and Finance staff for their efforts throughout 2003–04. Our performance reflects a strong level of commitment and this in turn will support further improvement.

I would also like to recognise the improved cooperation we are receiving from other agencies. The department has made a significant effort to establish better communication and more constructive relationships with agencies. I look forward to building on these achievements in 2004–05.

A handwritten signature in black ink, appearing to read 'Jim Wright', written over a light background.

**Jim Wright**

UNDER TREASURER

# THE ROLE OF TREASURY AND FINANCE



## The department

The Department of Treasury and Finance is the lead agency supporting the Government's key economic and financial policy outcomes through the provision of advice and coordination of resource allocation for Government programs. It also provides financial services to the Government and the community, including financial asset and liability management, overseeing the function of Government businesses, collection of State taxes and insurance and superannuation administration.

The organisation is made up of a diverse group of dedicated people with a wide range of skills, including economics, finance, accounting, business services, insurance, superannuation and management.

## The vision

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

## The purpose

To provide economic and policy advice and financial services to, and on behalf of, the Government of South Australia, to strengthen the State finances and contribute to community well being.

We do this by promoting policy accountability in the public sector based on objective and comprehensive analysis of options, by managing the whole of government financial processes and by providing financial services.

## Major clients

**Government:** Treasury and Finance's principal client is the Treasurer and through the Treasurer, the Government, for its work in administering and coordinating the State Government's finances and providing a range of financial services. It also supports the Minister for Energy, the Minister for Gambling and the Minister for Infrastructure.

**Government agencies:** in addition to administering and coordinating the Government's requirements across agencies, the department delivers a range of services, including advice and technical support, to all portfolio groups, State agencies and government businesses.

**SA community:** the broader community, through the elected Government and Parliament, is the ultimate client. Treasury and Finance has direct dealings with a range of community members, including taxpayers and their representatives, members of superannuation schemes and the business community generally.

## Strategic directions

The department had a key role in supporting the Government's objectives for South Australia by ensuring accountability for public sector resources, and ensuring that the State's finances were on a sound footing and that financial information flows provided a sound basis for Government decision making.

This report provides information on the achievements under these priorities, in the areas of Ensuring Accountability for Public Sector Resources and Financial Service Provision.

## Agencies in Treasurer's Portfolio

The Department of Treasury and Finance is the largest agency in the Treasurer's Portfolio. Other significant agencies include the Lotteries Commission of South Australia, Motor Accident Commission and Funds SA.

## THE YEAR IN REVIEW

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The 2003–04 year saw the Department of Treasury and Finance focus on its four main priorities:

- achieve a more efficient and effective public sector
- improve the budget and financial management process
- strengthen State finances
- improve service delivery.

There were a number of highlights in each of these priorities during the year as outlined below. Further details on these highlights are contained in the respective branch reports.

### **Achieve a more efficient and effective public service**

The department's major contribution in this area is through the budget process. The department provides policy and financial advice on all budget proposals and manages the budget process.

The department continued its support to the Expenditure Review and Budget Cabinet Committee (ERBCC) during the year by providing advice on the financial and policy implications of a wide range of issues across all portfolios. The major expenditure reviews of the Department of Education and Children's Services and the Department of Further Education, Employment, Science and Technology were largely completed.

The department also commenced an expenditure review of the Department for Administrative and Information Services during the year. The first stage of the review was completed with the ERBCC considering the review report.

### **Improve budget and financial management process**

The 2004–05 State Budget was handed down in May 2004. The department continued to refine improvements made to the State Budget process in recent years including introducing measures to improve the quality of information that supports the budget process, and provide a more strategic focus to decision making.

The department provided advice to the Treasurer on the Cash Alignment Policy that has been adopted by the Government. The policy is designed to provide a more robust framework for the management of Government cash flows and balances.

### **Strengthen State finances**

The department supported the Government's commitment to achieving a AAA credit rating by supporting the ERBCC with the development and implementation of the State's budget strategy. The response to the 2004–05 Budget from the major credit ratings agencies was positive.

A key achievement of the 2004–05 Budget was the delivery of another budget surplus. The department had a significant role in supporting the Cabinet decision making process to achieve this outcome.

### **Improve service delivery**

During the year, the department implemented revenue measures announced in the 2003–04 Budget. These measures included the introduction of the Save the River Murray Levy and reform of rental and mortgage stamp duty rates.

The department also collected approximately \$2.4 billion in revenue during 2003–04. The taxation revenue collected exceeded 2003–04 Budget estimates by approximately \$342 million, which was largely a consequence of the strong performance of the property market. The department also undertook an increased compliance effort with the support of additional funding for these services during the year.

The department continued its work supporting measures to increase the affordability and accessibility of professional indemnity insurance. The department worked with the Attorney-General's Department to provide advice to the Treasurer regarding the drafting of legislative reforms to address this critical insurance issue.



## Other highlights

The department played a significant role in developing new national governance arrangements for the energy markets. Treasury and Finance led the development of the Australian Energy Market Agreement, which is the intergovernmental agreement that provides the framework for these energy reforms. This agreement was executed by the Council of Australian Governments at the close of 2003–04. In addition, Treasury and Finance was instrumental in the establishment of the new national energy rule change body, the Australian Energy Market Commission. The Commission was established under South Australian law.

The department supported gambling reform through the development of a number of legislative measures including the *Problem Gambling Family Protection Orders Act 2004*, and the *Authorised Betting Operations (Betting Review) Amendment Act 2004*. The department also provided policy advice to the Minister for Gambling on a wide range of regulatory and responsible gambling issues.

The department managed the compensation scheme established by the Government to assist residents affected by the flooding of the Patawalonga Lake. It coordinated loss assessments and payments for 157 compensation claims and sought to recover the compensation paid from liable third parties.

Other achievements during the year included:

- the completion of a major review of the Government's Industry Investment Attraction Fund
- the development of a Performance Management Program for the department to be implemented in 2004–05
- the preparation of the department for the transition to new Information Communications Technology service arrangements at the expiration of the current EDS contract
- improvements in the service standards for members of Super SA.

## ENSURING ACCOUNTABILITY FOR PUBLIC SECTOR RESOURCES

There are six branches responsible for ensuring accountability for public sector resources.

- Revenue and Economics Branch
- Finance Branch
- Government Accounting and Reporting Branch
- Microeconomic Reform and Infrastructure Branch
- Policy Analysis Branch
- Projects Analysis Branch

The performance and achievements of these branches are described in the following pages.

### Revenue and Economics Branch

The Revenue and Economics Branch played an important role in supporting Treasury and Finance's 2003–04 priorities of:

- achieving a more efficient and effective public sector
- improving the budget and financial management process
- strengthening State finances.

The Revenue and Economics Branch provides economic policy advice at the whole of government level on revenue, Commonwealth–State financial relations, economic development, gambling policy, insurance issues and the economic and financial environment in South Australia.

### PERFORMANCE

The year saw the Revenue and Economics Branch involved in a wide range of activities. The major activities included providing advice on a range of revenue measures for the 2004–05 State Budget and policy advice on economic development and insurance issues. The branch also worked to ensure an equitable share of Commonwealth funding through submissions to the Commonwealth Grants Commission.

#### *State revenue*

The branch contributed to the corporate strategy of implementing the Government's budget objectives through the:

- implementation of revenue measures announced in the 2003–04 Budget
- development of revenue measures as part of the 2004–05 Budget process.

Revenue measures announced in the 2003–04 Budget that were implemented during the year included the introduction of the Save the River Murray Levy and reform of rental and mortgage stamp duty rates. The Save the River Murray Levy came into operation from 1 October 2003. Implementation involved the passage of legislation through the Parliament and the resolution of issues relating to the coverage of the levy, concessions and accounting arrangements.

A number of revenue options were developed for consideration as part of the 2004–05 Budget process culminating in:

- a reduction in the payroll tax rate from 5.67 per cent to 5.5 per cent from 1 July 2004
- an amendment to the stamp duty concession for first home buyers to allow a partial concession for first homes valued between \$80 000 and \$250 000
- an exemption from mortgage duty for first home buyers
- the abolition of cheque duty and lease duty from 1 July 2004.

In August 2003, a Federal Court decision ruled that government organisations could not be classified as Public Benevolent Institutions (PBI). The decision affected a number of South Australian health units that had previously been able to access concessional fringe benefits tax arrangements relying on their PBI status. The branch assisted the Treasurer with representations to the Federal Treasurer to minimise the impact on State health units and other agencies facing the loss of this concession. The provision of transitional funding grants to affected government organisations was subsequently announced in the 2004–05 Commonwealth Budget.

The branch provided extensive briefings to government, credit rating agencies and other interested parties on revenue issues during the year. The strength in the property market and the uplift in property prices also led to a greater volume of Ministerial correspondence on property-related tax issues.





### ***Commonwealth grants***

The branch played a central role in the State's efforts to secure an equitable share of Commonwealth funding. As part of this role the branch coordinated submissions and briefing material for the Commonwealth Grants Commission's (CGC) 2004 methodology review.

The State's final submissions to the CGC's 2004 methodology review were coordinated by the branch and submitted in late 2003.

National Tax Reform issues, particularly those relating to the administration, collection and policy impacts of the GST, were progressed through membership of the GST Administration Sub-Committee and the States and Territories GST Policy Working Group.

Branch officers also participated in an intergovernmental working party on specific purpose payments (SPP) and in cross-agency consultations on current SPP agreement negotiations. Additionally, briefing material was prepared for the annual meeting of the Ministerial Council for Commonwealth–State Financial relations, Heads of Treasuries meetings, and reports for Loan Council and Leaders Forums.

### ***Insurance policy***

Insurance policy issues continued to be a major workload for the branch during 2003–04.

Following on from agreements reached by Ministers in 2002–03, legislation was passed by the South Australian Parliament in 2003–04 implementing a range of law reforms that were recommended by the Review of the Law of Negligence (the Ipp Report). The *Law Reform (Ipp recommendations) Act 2004* was proclaimed to commence operation on 1 May 2004.

Two Ministerial meetings were held during 2003–04. The first of these meetings was held in Adelaide in August 2003 and the second was held in Hobart in February 2004. The branch in conjunction with South Australian Government Captive Insurance Corporation (SAICORP) supported the Treasurer by providing advice for his participation in these meetings.

In 2003–04, the ministerial meetings continued to focus on reforms designed to address the deteriorating affordability and availability of professional indemnity

insurance. As a result of agreements reached by ministers, the South Australian Government tabled in Parliament the Professional Standards Bill 2003 during 2003–04. It is expected that further legislation dealing with proportionate liability will be tabled in Parliament in 2004–05. The branch, in conjunction with the Attorney-General's Department and SAICORP, provided advice to the Treasurer regarding the drafting of these legislative reforms and consultations with key stakeholders.

The ministerial meetings also examined options for the possible implementation of a long term care scheme for catastrophically injured persons. The branch will be involved in further work to be conducted through the Insurance Issues Working Group on this matter during 2004–05.

Advice was also provided to the Treasurer on specific insurance difficulties facing various groups in South Australia and ongoing issues in medical indemnity insurance.

### ***Gambling policy***

During the year the branch spent considerable time on the development of a number of pieces of legislation including the *Problem Gambling Family Protection Orders Act 2004*, the *Authorised Betting Operations (Betting Review) Amendment Act 2004* and legislation amending the *Gaming Machines Act 1992*. The branch also provided policy advice to the Minister for Gambling on a wide range of regulatory and responsible gambling issues.

The branch assisted in the development of legislative amendments to the *Gaming Machines Act 1992*. The amendments extended the freeze on gaming machine licensing and the ability for the Roosters Club to continue to operate in its current premises at 255 Main North Road, Sefton Park until 15 December 2004. The extension of the freeze on gaming machine licensing provides for the Parliament to consider the *Gaming Machines (Miscellaneous) Amendment Bill 2004* which provides for the implementation of the recommendations of the Independent Gambling Authority review, including provision for a reduction of 3 000 gaming machines in South Australia.

The branch was also involved in a significant amount of consultation and discussion with gambling industry

## ENSURING ACCOUNTABILITY FOR PUBLIC SECTOR RESOURCES

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stakeholder groups, reflecting the high profile pieces of legislation that were developed and considered by the Parliament during the year.

### *Economic analysis*

During 2003–04, the branch managed the departmental relationship with the major credit rating agencies. Two major agencies, Moody's Investors Service and Standard and Poor's, visited Adelaide in October 2003 and June 2004 respectively to undertake their annual credit rating reviews. Ongoing dialogue was maintained with both of these organisations during the course of the year particularly around the release of the 2003–04 Mid-Year Review and 2004–05 State Budget.

Housing affordability issues were an important focus for the branch in 2003–04. Strong growth in house prices and buoyant conditions in the housing construction sector were key issues for economic monitoring and forecasting. The branch also co-ordinated the preparation of two South Australian Government submissions to the Productivity Commission's Inquiry into First Home Ownership.

Further research into population ageing issues was conducted during the year, primarily in relation to economic and fiscal impacts. The possible impacts of longer term demographic trends on the finances of the South Australian Government will be the subject of further policy advice and research during 2004–05.

The branch provided input into the preparation of the South Australian Government's annual report to the National Competition Council (NCC). It provided advice to the Treasurer on the progress of legislation review and briefings on the NCC's 2003 assessment. Legislation was drafted to amend the *Petroleum Products Regulation Act 1995* to comply with national competition policy obligations.

Major economic development policy issues impacting on the branch during 2003–04 included the ongoing implementation of the recommendations contained the Framework for Economic Development in South Australia released by the Economic Development Board and the development of the State Strategic Plan.

As part of its ongoing role in monitoring and analysing State, national and international economic conditions

and outlook, 130 economic briefings analysing major economic indicators were completed.

### THE YEAR AHEAD

- Contributing to policy development on gambling related issues
- Contributing to policy development on economic development and social policy issues
- Supporting the passage of remaining legislative reforms addressing insurance availability and affordability and investigation of long term care scheme options
- Assessing medium to longer term fiscal impacts of demographic trends and other cost pressures
- Improving revenue forecasts by closely monitoring emerging trends
- Participating in the Heads of Treasuries review of equalisation methodology and CGC consultations for the 2005 Update
- Providing advice on international, national and State economic trends and conditions on a regular basis
- Reviewing subsidy arrangements for wine producers following Commonwealth changes to the wine equalisation tax with effect from 1 October 2004
- Contributing to policy development relating to the management of compensation grants for the loss of FBT concessions.

### Finance Branch

Finance Branch played an important role in supporting Treasury and Finance's 2003–04 priorities of:

- achieving a more efficient and effective public sector
- improving the budget and financial management process
- strengthening State finances.

Specifically, Finance Branch manages the State Budget process, provides policy advice on budgetary and financial issues across government, and monitors the financial performance of both general government agencies and government businesses.



## PERFORMANCE

The principal focus of the Finance Branch during 2003–04 was managing and coordinating the annual State Budget process. The branch also assisted in major reviews into the objectives and functions of two government agencies, the Playford Centre and the HomeStart Finance Corporation.

### *Budget*

The development and preparation of the annual State Budget remained the principal focus of the branch during the year, with the 2004–05 Budget handed down on 27 May 2004. The budget process was revised during 2003–04 to improve the information provided to support the Government's budget decision processes. The improvements included:

- introducing a multi-staged process to identify key priorities for the budget early and improve the quality of information relating to budget bids
- increasing the accuracy of the financial information and the quality of the briefing material provided to Ministers, Expenditure Review and Budget Cabinet Committee (ERBCC) and Cabinet.

The branch also focussed on improving the quality of agencies' revenue forward estimates. This was achieved by improving the collection process and analysis of the information provided by agencies.

### *Financial monitoring*

Finance Branch continued the collection and analysis of monthly monitoring information for general government agencies. The monitoring of budget outcomes and specific budget expenditure and saving initiatives was the basis of regular reports to ERBCC.

### *Support initiatives*

Finance Branch assisted with the dissolution of the National Wine Centre. Legislation to facilitate a lease of the National Wine Centre to the University of Adelaide was passed by Parliament in July 2003. The transaction with the University was completed in September 2003 and the University assumed control

of the operations of the Centre on a 40-year lease effective from 10 September 2003.

During the year the branch assisted with a review of the Playford Centre operations. The purpose of the review was to report on the operations of both the Playford Centre and Playford Capital with the objective of providing the Minister for Science and Information Economy with advice on their past performance and the level of future support for the Playford Centre by the Government. The Report was completed in early 2004.

A joint Treasury and Finance and HomeStart team was formed during the year to conduct a review on the objectives and functions of HomeStart Finance Corporation. The terms of reference for the review were agreed by the Treasurer, the Minister for Housing and the HomeStart Board. The final report is scheduled for completion in 2004.

The branch also continued the development of a proposed new financial ownership framework for public non-financial corporations (PNFCs). The major PNFCs were consulted on the key elements of the proposed framework – community service obligations, dividend policy and capital structure. The proposed framework will be considered by the Government for possible implementation during 2005.

The branch also assisted in the division of the Human Services budget between the Departments of Health and Families and Communities.

## THE YEAR AHEAD

- Designing further budget decision support improvements for Government consideration, including aligning the budget process with the State Strategic Plan.
- Implementing a new financial ownership framework for public non-financial corporations following Government consideration
- Continuing the development and improvement of the monthly monitoring process for the Government.

## ENSURING ACCOUNTABILITY FOR PUBLIC SECTOR RESOURCES

### Government Accounting and Reporting Branch

The Government Accounting and Reporting (GAR) Branch played an important role in supporting Treasury and Finance's 2003–04 priorities of:

- achieving a more efficient and effective public sector
- improving the budget and financial management process
- strengthening State finances
- improving service delivery.

GAR maintains government financial systems, manages financial policy, legislation and governance, consolidates and analyses financial information, advises the Government on fiscal policies, and issues and manages the Government's banking contract and other large finance related projects and contracts.

### PERFORMANCE

In 2003–04, the GAR Branch oversaw further improvements in public sector financial management. The branch completed a review of the Budget Papers that resulted in an improvement in the content and format of the 2004–05 State Budget. The branch also progressed a range of initiatives to improve financial management and reporting across the public sector.

#### *Fiscal policy*

The branch provided advice to the Treasurer on the development of the Cash Alignment Policy. The policy is designed to allow Government to manage public sector cash flows and balances.

The branch also worked on the development of an initiative to converge standards guiding government financial reporting, namely the Government Finance Statistics standards and the Australian Accounting Standards. This initiative will be progressed further in 2004–05.

#### *Public Finance and Audit Act*

The branch continued to support the passage of legislation to amend the *Public Finance and Audit Act 1987*. The proposed legislation, introduced during

2002–03, includes a Bill to amend the Act to require a Charter of Budget Honesty and a Bill to clarify and increase the powers of the Auditor-General. This legislation was still being debated in Parliament as at 30 June 2004.

#### *Improving financial accountability and management*

During the year, the branch hosted two Government Accounting Information Forums for accountants across Government and produced the quarterly accounting bulletin *Government on Target (GOT)*. The response to these initiatives was extremely positive with over 100 public sector accountants attending each forum, and over 100 accountants currently on the GOT mailing list.

The branch produced a GST manual and updated the Fringe Benefits Tax (FBT) manual. The branch held tax workshops for tax accountants across Government. Reference group meetings were conducted with agency representatives to discuss emerging accounting issues as a result of the adoption of international accounting standards in Australia. The branch also established a FBT/GST help desk facility for Government tax accountants.

A significant achievement for the branch during the year was the implementation of a Model Financial Report for South Australian Government departments. The model report should assist government departments in improving the consistency and quality of their financial reporting. The model report was developed with the assistance of the Auditor-General's Department. Their involvement was important to ensure that government departments receive consistent advice from Treasury and Finance and the Auditor-General on reporting issues. The model report has been particularly helpful for agencies as they implement the new international accounting standards.

The branch managed the Graduate Development Program (GDP) during the year. The aim of the program is to recruit, place and train accounting and economics graduates for the public service. The GDP offers structured on-the-job training and a 12-month professional development program. In 2003–04, 14 graduates were recruited for placement in the



public service, of which 10 were placed in the Department of Treasury and Finance. It is anticipated around 24 graduates will be placed from early 2005, based on assessments carried out during May 2004. Of the 24, it is expected that 7 will be placed in the department.

During the year the branch also conducted a project to improve the promotion of the development program to graduates. This resulted in the development of a marketing plan and the identification of a number of potential improvements to the program.

### ***Consolidated financial reporting***

In 2003–04 the Government's major consolidated reporting obligations were:

- Budget Outcome 2002–03
- AAS31 – Consolidated Financial Statements 2002–03
- Mid-year Budget Review 2003–04
- 2004–05 Budget.

The Budget Outcome for 2002–03 was completed in November 2003, within the timeframe established in previous years, and published in December 2003.

The Consolidated Financial Statements for the year ended 30 June 2003 were published in April 2004. While this is an improvement compared with the delivery of the statements in the previous year, it is recognised that significant further improvement is needed.

The 2003–04 Mid-Year Budget Review was finalised and published in December 2003, within a shorter timeframe than for the 2002–03 report.

### ***Agency financial systems***

A financial systems review commenced in 2001–02, overseen by a steering committee led by the Under Treasurer and supported by a project team of branch personnel. Phases one and two of the review were delivered in 2002–03. During 2003–04, further progress was made on the third phase of the project including Cabinet, in April 2004, endorsing a strategy to substantially improve the quality and timeliness of consolidated financial reporting at the whole of

government level. During 2003–04 Treasury established a common chart of accounts for whole of government financial reporting. The common chart of accounts will be progressively introduced across agencies over the next year.

### **THE YEAR AHEAD**

- Continuing to provide leadership in the areas of quality financial reporting and financial accountability across government, in particular with respect to changes in accounting standards and the implementation of the Cash Alignment Policy
- Improving financial reporting across government agencies
- Continuing to improve the consolidation and financial reporting processes
- Providing advice on matters relating to the Government's fiscal policy, in particular with respect to key balance sheet items including unfunded superannuation liabilities
- Acquiring and designing software and systems to facilitate the direct automated transfer of financial information from agencies to Treasury and Finance
- Aligning agency financial information with Treasury and Finance systems to facilitate the direct automated transfer of financial information
- Developing a model set of financial statements for use by agencies for end of year statutory reporting.

### **Microeconomic Reform and Infrastructure Branch**

Microeconomic Reform and Infrastructure (MERI) Branch played an important role in supporting Treasury and Finance's 2003–04 priorities of:

- achieving a more efficient and effective public sector
- improving service delivery.

Specifically, the MERI Branch is responsible for providing advice on major market reforms, including management of energy market reforms and strategic issues relating to infrastructure requirements.



## ENSURING ACCOUNTABILITY FOR PUBLIC SECTOR RESOURCES

### PERFORMANCE

In 2003–04, MERI continued to develop its role in energy market reform. The branch was particularly focused on the task of delivering gas full retail competition (FRC) in South Australia and continuing its intensive program of legislative and institutional reform to overcome impediments to competition in the retail gas supply market.

During the year the branch was also involved in providing extensive advice to the Minister for Energy and the Treasurer on a range of electricity, gas and infrastructure related matters.

#### *Gas full retail competition*

During 2003–04, MERI was involved in a range of activities in support of the introduction of gas FRC in South Australia. It is anticipated that gas FRC will commence early in 2004–05, with customers being able to choose to transfer between gas retailers.

MERI was specifically involved in the:

- management of the Government's contribution of \$64.5 million to address gas FRC costs
- consideration of the Origin Energy price application for new gas tariffs set by the Minister for Energy to apply from 28 July 2004
- consideration of Retail Market Rules for approval by the Minister for Energy
- development of subordinate legislation and regulation to support gas FRC
- preparation of a Memorandum of Understanding (MOU), which set out the guiding principles and a process framework for 2nd tier retailers to negotiate to use Origin's fully-contracted gas infrastructure. The MOU was signed by the Minister for Energy and Origin Energy Retail.

#### *Ministerial Council on Energy*

The branch coordinated the preparation of policy advice to the Minister for Energy for decisions at the meetings of the Ministerial Council on Energy (MCE). MERI officers also represented South Australia at meetings of the MCE Standing Committee of Officials and attended MCE meetings with the South Australian Minister for Energy.

The branch was also involved in supporting the Government's participation in an MCE report to the Council of Australian Governments (COAG) on national energy market reforms. The report proposed a number of reforms, including the National Electricity Market Ministers' Forum being subsumed by the MCE. The reforms are aimed at providing for a new governance framework across Australia, which includes the establishment of two new energy institutions:

- the Australian Energy Market Commission – the body with primary responsibility for market development and rule making in respect of the National Electricity Code and the National Third Party Access Code for Natural Gas Pipeline Systems
- the Australian Energy Regulator – the body with primary responsibility for regulation of the electricity and natural gas industries and compliance with the Codes.

The branch supported the Government's involvement in the execution of the Australian Energy Market Agreement, an intergovernmental agreement that provides a clear commitment to the policy directions and regulatory framework outlined in the MCE Report to COAG. The Agreement sets out the governance and institutional arrangements for a national energy market, including the implementation of a national legislative framework.

The branch assisted in the development of the *Commonwealth's Trade Practices Amendment (Australian Energy Market) Act 2004*. The Act provides for the establishment of the Australian Energy Regulator. MERI also assisted the development of the *Australian Energy Market Act 2004* that will allow National Electricity Law to be applied to offshore areas and therefore apply to the Commonwealth.

The branch participated in a number of MCE working groups, including Transmission, User Participation, Gas Market Development and Distribution and Retail. MERI has responsibility for the MCE's Governance and Institutions work stream, including performing the role of chair of the working group and coordinating the development and passage of the *South Australian Australian Energy Market Commission Establishment Act 2004*.



## Infrastructure

During the year MERI supported the Government's commitment to a transparent pricing mechanism for urban water and wastewater in South Australia. This represented a substantial workload for the branch in 2003–04.

The National Competition Council (NCC) had sought assurance from South Australia that it has a transparent mechanism for setting water and wastewater (sewerage) prices and that price setting is consistent with COAG pricing principles.

To address the NCC's concerns, the Government committed to publishing a Transparency Statement on its 2004–05 urban water and wastewater pricing decisions.

The purpose of the first Transparency Statement on 2004–05 water pricing was to record and document the processes undertaken and information considered by the Government in its water and wastewater pricing decisions. It outlined the Government's view of the extent to which it complied with COAG pricing principles. These matters were subject to an independent inquiry by the Essential Services Commission of South Australia (ESCOSA). The ESCOSA review and the Transparency Statement assisted the NCC in determining whether the Government's water pricing processes complied with COAG principles.

MERI was responsible for drafting and consulting on the Government's Transparency Statement on 2004–05 urban water pricing. The branch consulted with ESCOSA during its inquiry into the Government's process of setting urban water prices. MERI also drafted the Government's response to the ESCOSA inquiry.

The complete Transparency Statement on 2004–05 Urban Water Pricing in South Australia, including the ESCOSA inquiry and the Government's response to this inquiry, was tabled in Parliament on 1 June 2004.

MERI drafted the Government's Transparency Statement on 2004–05 wastewater prices in South Australia and planning, consulting and coordinating the Government's 2005–06 combined water and wastewater Transparency Statement. The 2004–05 wastewater Transparency statement is currently subject to review by ESCOSA.

The National Water Initiative was examined, particularly with respect to the implications for future urban water and wastewater pricing, and water trading issues. MERI was also involved in the intergovernmental consultation and drafting process for the National Water Initiative.

MERI also provided advice on other infrastructure reforms including:

- Sole air service route licences such as the licensing of the Adelaide to Coober Pedy air service route
- The transfer of the intrastate rail access regime to ESCOSA from Transport SA
- ESCOSA's review of port's pricing and access regulation.

## THE YEAR AHEAD

- Continuing to work closely with other jurisdictions, in inter-jurisdictional forums, to progress significant national reforms to wholesale and retail energy markets
- Contributing to the establishment of two new national energy bodies – the Australian Energy Regulator (AER) and the Australian Energy Market Commission (AEMC)
- Providing advice to the Treasurer and Minister for Energy on policy matters related to the regulation of network industries and essential services
- Monitoring the newly competitive gas market, developing some additional supporting legislative amendments to the *Gas Act 1997* and finalising subordinate legislation
- Monitoring the effectiveness of electricity retail competition and overseeing the implementation of the new retail price setting process
- Continuing the substantial on-going work in urban water and wastewater pricing, including the preparation of the 2004–05 Wastewater Transparency Statement and a 2005–06 Water and Wastewater Transparency Statement.

## Policy Analysis Branch

The Policy Analysis Branch played an important role in supporting Treasury and Finance's 2003–04 priority of:

- achieving a more efficient and effective public sector.

## ENSURING ACCOUNTABILITY FOR PUBLIC SECTOR RESOURCES

The Policy Analysis Branch provides strategic analysis and advice on policy issues facing the Government, particularly longer term social policy issues in the areas of health, education and community services. The branch also manages and coordinates the expenditure reviews of government departments.

### PERFORMANCE

The focus of the branch's activities during 2003–04 was on achieving a more efficient and effective public sector by continuing the expenditure review process and the analysis of policy proposals, particularly in relation to social policy (health, education and social services).

#### *Expenditure reviews*

The expenditure reviews of the Department of Education and Children's Services (DECS) and the Department of Further Education, Employment, Science and Technology (DFEEST) were largely completed in 2003–04.

The findings of the expenditure reviews have been considered in the 2003–04 and 2004–05 Budgets. The expenditure reviews provided the department with a greater understanding of the progress delivered by government agencies and therefore greatly enhanced its capacity to provide ongoing policy advice in these areas.

Progress was also made on implementing the recommendations of the review of the Department of Human Services (DHS). This included the development of a business case for mental health reforms announced in the 2004–05 Budget. The branch also provided analysis and advice on other significant policy issues, such as child protection and housing need.

The branch provided assistance to DHS with managing the split of the department into two new departments, the Department of Families and Communities and the Department of Health from 1 July 2004. The branch was also involved in managing a major consultancy examining financial management practices in DHS. In addition, the branch assisted DHS in overseeing a consultancy to analyse the workload of Family and Youth Services.

The branch also completed the Stage 1 review report for the Department for Administrative and Information Services during 2003–04. This report, which was

prepared for ERBCC, identified a range of issues requiring further investigation. Work commenced on the specific projects recommended in the report.

### THE YEAR AHEAD

- Completing the expenditure review of the Department for Administrative and Information Services
- Commencing the expenditure review of the Justice portfolio
- Continuing to assist the Department of Health, the Department of Families and Communities and the Department of Education and Children's Services with the implementation of the recommendations of expenditure reviews
- Continuing to provide analysis and advice on key policy issues.

### Projects Analysis Branch

The Projects Analysis Branch played an important role in supporting Treasury and Finance's 2003–04 priority of:

- achieving a more efficient and effective public sector.

The Projects Analysis (PA) Branch facilitates private sector participation in infrastructure development where appropriate under the Government's Partnerships SA initiative. The unit operates as a consultative body to agencies seeking to engage with the private sector in developing infrastructure and delivering public services to the community; it provides an oversight function to ensure that projects conform to the policy guidelines on Public Private Partnership (PPP) procurement.

### PERFORMANCE

The PA Branch engaged with agencies in capital investment evaluation and appraisal of large-scale infrastructure projects in cooperation with the Office for Infrastructure Development (OFID). The PA Branch also assisted agencies to undertake detailed project evaluations and determine the most efficient form of procurement to deliver these projects.





### ***Major projects***

The major project assessments completed, commenced or continued during 2003–04 included:

- Adelaide Entertainment Centre
- Affordable Housing
- Supreme Court Redevelopment
- Women's Prison
- Youth Detention Centre
- Outer Harbour Channel Deepening and
- Port River Bridges.

A key PA Branch objective for 2003–04 was to assist agencies in developing PPP projects under the Partnerships SA program. The branch achieved this with the Regional Police Stations and Courts PPP going to the market and the State Aquatic Centre project taken to the Expression of Interest stage. Four further projects have been identified as potential PPPs.

### **THE YEAR AHEAD**

- Continuing to concentrate on the development and evaluation of large-scale infrastructure projects under consideration by the Major Projects and Infrastructure Cabinet Committee in cooperation with the Office for Infrastructure Development (OFID) and the Finance Branch of the department.

## FINANCIAL SERVICES PROVISION

There are five branches responsible for financial services provision.

- RevenueSA
- South Australian Government Financing Authority
- Super SA
- SAICORP
- Corporate Services

The performance and achievements of these branches are described in the following pages.

### RevenueSA

RevenueSA played an important role in supporting Treasury and Finance's 2003–04 priority of:

- strengthening State Finances.

RevenueSA manages, collects and enforces the State's taxation revenue base and provides policy advice on legislative taxation issues.

### PERFORMANCE

During the 2003–04 financial year, RevenueSA focused on implementing State Budget tax measures and providing an appropriate structure and systems to ensure the efficient management of the State's taxation revenue base.

RevenueSA collected approximately \$2.4 billion in revenue during 2003–04, as detailed in Appendix 10. The taxation revenue collected exceeded 2003–04 Budget estimates by approximately \$342 million, which is largely a consequence of the strong performance of the property market.

Of particular significance is that RevenueSA collected \$44.4 million in tax due to non-compliance, \$3.9 million above the 2003–04 target. It also approved and paid 8 272 First Home Owner Grant applications and rebated approximately \$5.3 million and \$5.2 million under the Trainee and Export Pay-roll Tax rebate schemes respectively.

The uptake and usage of RevenueSA's Internet based revenue self-determination and collection system (RevNet) continued strongly during the year with approximately 98% of pay-roll tax annual reconciliation and payment facilities lodged and 94% of all stamp duty documents self-determined via RevNet.

### *Compliance activity*

The 2003–04 year was the first year of the Government's four year initiative to increase support to the State's tax compliance effort. The additional funding was applied to all major areas of compliance activity including pay-roll tax, land tax and stamp duty.

The total revenue determined for the 2003–04 financial year was approximately \$56.3 million, more than \$10 million above the target. Revenue collected was approximately \$44.4 million, almost \$4 million above the target.

Debt recovery activity continued to make a strong contribution toward total revenue for the year with significant progress in the areas of land tax and pay-roll tax.

### *Internet based self-determination system – RevNet*

During 2003–04 RevenueSA further developed its electronic revenue collection strategies through the RevNet system. RevenueSA made fundamental business practice changes in relation to the assessment of stamp duty instruments. Additionally, significant changes were made to pay-roll tax payment and issuing of land tax and Emergency Services Levy certificate arrangements.

Specific achievements in relation to RevNet include:

- 760 taxpayers or their representatives approved to use RevNet, with 94% of all stamp duty documents being self-determined using this facility
- release of 'Express Load' as a faster way of stamping documents
- release of pay-roll tax annual reconciliation and payment facilities, with 98% of 2002–03 lodgements conducted by taxpayers via RevNet
- release of Agents Certificates for land tax and the Emergency Services Levy component.
- development of computer based training and online demonstrations to assist taxpayers in using RevNet
- development and release of a regular newsletter to users, RevNet News



- completion of a survey of RevNet users
- enhancement of RevNet in response to the 2004–05 State Budget initiatives
- increase in the number of stamp duty taxpayers using the system.

Work continued on developing replacement information technology systems for the collection of taxation through the RevenueSA information system to enable compliance (RISTEC) project. A dedicated project team was established and commenced a thorough review of the future requirements of RevenueSA and options for replacement systems. The system will be required to ensure the ongoing capability of RevenueSA to:

- effectively administer the State's taxation legislation
- provide accurate and timely data for operations management, economic modelling, policy development, compliance, and financial monitoring and reporting
- achieve a reduction in RevenueSA's total recurrent costs.

During the year, an opportunity to reduce project risk and cost through potential technology sharing arrangements with an interstate revenue office was identified and investigation of the technology sharing options commenced.

### ***Legislative reform***

During the year RevenueSA managed a number of legislative amendments, including those relating to State Budget tax measures (See Appendix 3 for details of legislative outcomes during 2003–04). It also provided ongoing advice to the Treasurer on a range of tax issues. Ongoing consultation with peak professional and industry bodies continued to be integral to the successful implementation of robust legislative outcomes.

### **THE YEAR AHEAD**

- Implement legislative measures to minimise tax avoidance
- Continue RISTEC initiatives.

## **South Australian Government Financing Authority**

The South Australian Government Financing Authority (SAFA) is a statutory authority constituted under the Government Financing Authority Act 1982 and resourced by Treasury and Finance staff. SAFA played an important role in supporting Treasury and Finance's 2003–04 priorities of:

- strengthening State finances
- improving service delivery.

SAFA functions as the central financing authority for the Government and its businesses and agencies, and plays an integral role in the overall management of the State's finances. It harnesses economies of scale and relevant expertise in wholesale financial markets and in financial risk management to provide funding, asset and liability management and financial risk advisory and treasury administration support services to public sector entities.

SAFA is South Australia's primary face to the domestic and international financial markets for managing the State's funding and investment activities, and for transacting in derivative products used for risk management purposes.

Full details of SAFA's operations can be found in its own annual report for 2003–04.

### **PERFORMANCE**

SAFA's major activities for the year focussed around the primary objectives contained in its Business Plan for 2003–04: improving and extending services to current clients; diversifying and expanding its client base and business activities; and maintaining a culture of continuous improvement in business operations, systems and processes.

In addition, SAFA continued to meet its ongoing core functions of fundraising, on-lending, asset and liability risk management in an efficient and effective manner.

### ***Funding and debt management***

As part of its funding and debt management objectives during the year, SAFA met the government's debt funding requirements of around \$1 billion. This was achieved mainly through the issue of long term Select Line debt.

## FINANCIAL SERVICES PROVISION

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During 2003–04, SAFA also achieved a surplus of \$29 million, which was above budget, and paid a dividend of \$25.8 million to the Government.

SAFA assisted with the restructuring and financing of the State's vehicle fleet and also conducted a review of procurement methods for agencies with respect to IT equipment.

### *Government reviews*

SAFA conducted a number of reviews during 2003–04. It completed a major review of the Government's Industry Investment Attraction Fund (IIAF) and commenced a review of the Funds Management model operating within the South Australian public sector. In addition, SAFA undertook a review of alternative funding sources following recommendations of the Economic Development Board.

### *Corporate treasury services*

SAFA continued to actively promote its capabilities in providing Corporate treasury services to public sector agencies and Government departments.

During the year SAFA concluded negotiations with SA Water Corporation to provide a fully outsourced treasury operation, including the management of its entire debt portfolio (\$1.2 billion), effective from 1 July 2004.

SAFA commenced preparations for undertaking this service in early 2004.

### **THE YEAR AHEAD**

- Facilitating the Government's funding requirements, with an indicative funding task of around \$300 million and the issue of a new Select Line to refinance the maturity of the August 2005 Select Line
- Expanding SAFA's investment and lending services through mandating SAFA's services within Government
- Expanding SAFA's advisory, treasury management and treasury administration support services including managing SA Water's corporate treasury and portfolio management functions
- Implementing and formalising arrangements with the Department of Education and Children's Services

regarding school loans and deposits system and completing a review of the Funds Management model applying to the State public sector

- Ensuring effective administration and transaction management of Electricity Entities and the Industry Investment Attraction Fund.

## **Super SA**

Super SA is one of five branches responsible for financial service provision. It played an important role in supporting Treasury and Finance's priority of:

- improving service delivery.

Specifically, Super SA administers the major superannuation schemes for public sector employees, on behalf of the South Australian Superannuation Board, and the superannuation arrangements for parliamentarians, judges and governors. It also provides advice to the Government on superannuation policy.

Full details of Super SA's operations can be found in the board's annual report for 2003–04.

### **PERFORMANCE**

Super SA continued to improve its performance in member service standards in 2003–04. The timeliness of the delivery of member benefit statements was improved and enhancements to established systems were implemented.

### *Member services*

Super SA made progress in improving its service standards during 2003–04 including a significant improvement in the performance of the call centre.

Following the release of Super SA's "Member Online" internet service in 2003, registrations increased from 3 000 at 1 July 2003 to 9 500 at 30 June 2004. Super SA handled approximately 2 880 reception inquiries and 70 080 telephone enquiries and responded to 5 790 letters, faxes and emails during the year. In addition, over 35 000 members accessed the Super SA website throughout the year, and approximately 5 000 members attended various seminars and presentations.

The number of members making additional superannuation contributions to the Triple S Scheme continued to increase. As at 30 June 2004, over 25%



of active Triple S members were making additional superannuation contributions. Super SA continued to highlight to members the importance of additional contributions through the board's Annual Report and half yearly newsletter.

A key measure of Super SA's performance is its timeliness in issuing annual benefit statements to its members. Its performance improved in 2003–04 with 99.5% of annual benefit statements issued by 30 September 2003. This compares with 98.3% by 15 November in the previous year.

**Table 1 – Membership Across Government Schemes**

Scheme	Contributory Members	Non-Contributory Members	Preserved	Superannuants	Total
Triple S Scheme (open)	22 102	64 702	59 220	*	146 024
Pension Scheme (closed)	5 159	33	1 931	14 713	21 836
Lump Sum Scheme (closed)	7 426	152	2 626	*	10 204
Parliamentary Superannuation Scheme	69	#	4	101	174
Judges Pension Scheme	N/A	42	N/A	44	86
Governor's Pension Scheme and Other Pension Payments	N/A	1	N/A	2	3
					<b>178 327</b>

\* These schemes are accumulation schemes and provide lump sums on retirement not pensions.

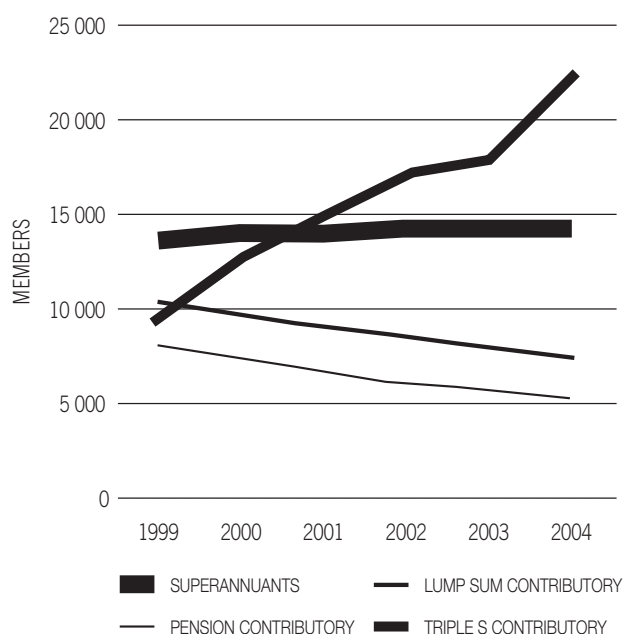
# All members of Parliament must contribute

**Table 2 – Take up of Member Choice Fund options**

Fund	No. of investing members	% of investing members
Growth	4 664	3
Conservative	1 201	0.8
Balanced	139 755	96
Cash	404	0.2
<b>Total</b>	<b>146 024</b>	<b>100</b>

The Super SA Board agreed to add two more investment choice options from 1 July 2004. The two new options are 'Growth' and 'Capital Defensive', with the previously named 'Growth' option being renamed 'High Growth' to more accurately reflect the option's asset allocation and objectives in line with industry standards.

The adjacent graph illustrates the trends in those members making contributions to each of the Super SA schemes together with the number of superannuants paid a pension each fortnight.



## FINANCIAL SERVICES PROVISION

### **Commonwealth legislation**

Super SA continued to monitor the progress of Commonwealth legislation affecting superannuation. Changes to the schemes are considered at the time Commonwealth legislation is enacted. During 2003–04 three pieces of legislation were monitored.

The *Financial Services Reform Act 2002* (FSR) which came into operation on 11 March 2002. There was a two year transitional period, which expired 11 March 2004, for industry participants to fully implement the FSR provisions. The schemes established under the *Superannuation Act 1988* and the *Southern State Superannuation Act 1994* are exempt from the FSR, however, the Board will conform where possible with the principles of the Commonwealth legislation. As a result, Super SA conducted a review of the communications provided to members. As part of this process, a compliance review of all communications was performed to ensure compliance with the relevant State legislation and the principles of the FSR Act.

The *Superannuation Legislation Amendment (Choice of Superannuation Funds Bill) 2003* was passed by the Federal Parliament in June 2004. It followed broad agreement between the Government and Australian Democrats on the principles of an earlier 2002 Bill that was initially rejected by the Senate. The new legislation will give employees the right to choose their own superannuation fund from 1 July 2005. The Government is in the process of assessing the impact of this legislation.

The Co-Contribution scheme is a Commonwealth driven initiative that replaces the former tax offset. Changes proposed in the 2004–05 Federal Budget provide for an increased matching amount of \$1.50 for every \$1.00 of member contribution up to a maximum of \$1 500 per person. This is coupled with an increase in the threshold level at which a co-contribution will be received, the current \$40 000 limit being extended to \$58 000 from 1 July 2004. This initiative has the potential to affect a large proportion of members.

### **Internal administration systems**

Super SA continued to improve its administrative processes during the year resulting in the achievement of a number of key performance measures. As at

30 June 2004, over 99% of superannuation contributions had been received from agencies and posted to member accounts, a significant achievement and fundamental to Super SA meeting its target of posting 95% of statements to members by 30 September 2004.

The Employer Online service continued to provide Super SA with system efficiencies and improved data quality during 2003–04. An independent security review of ePASS was undertaken to ensure its security was adequate. Super SA continued to work with EDS, external consultants and Corporate Services to ensure that high levels of security were applied to member data.

### **THE YEAR AHEAD**

- Promoting the importance of superannuation to SA public sector employees to increase the number of employees who voluntarily contribute from the present level of 25%
- Developing post retirement and other products and services, such as financial planning, to provide for the needs of members
- Considering options to provide flexibility in employment and superannuation arrangements for older aged workers.

### **South Australian Government Captive Insurance Corporation**

The South Australian Government Captive Insurance Corporation (SAICORP) is a semi-government authority resourced by Treasury and Finance staff and is one of five branches responsible for Financial Service Provision. It played an important role in supporting Treasury and Finance's 2003–04 priority of:

- improving service delivery.

Specifically, SAICORP is responsible for managing the insurance and reinsurance of government risks and providing advice on insurance and risk management issues.

SAICORP's major activities for the year are highlighted here, with more detail being provided in the SAICORP Annual Report for 2003–04.



## PERFORMANCE

SAICORP continued to provide insurance protection to government agencies at stable rates in a difficult world insurance market during the year. It also developed and introduced a new whole of government risk management policy, managed the compensation scheme established by the Government to assist residents affected by the flooding of the Patawalonga Lake and introduced a new investment strategy.

### *Risk management*

During the year, SAICORP coordinated the drafting of a new risk management policy for South Australian Government agencies in consultation with risk management coordinators in government departments. The new Risk Management Policy Statement was approved and signed by the Premier and the Treasurer in September 2003.

To complement the release of the statement, SAICORP coordinated a Government risk management seminar in November 2003. Over 200 people attended the seminar from a number of Government agencies.

SAICORP also conducted a number of other activities during the year to promote a better understanding of risk management and insurance issues across the public sector and to facilitate the development and implementation of improved risk management practices and procedures.

### *Patawalonga Lake flooding*

In June 2003, heavy rainfalls in conjunction with the failure of barrage gates at the southern end of the Patawalonga Lake caused flooding of a number of households in Glenelg North. SAICORP supported the Government's efforts to assist the affected residents and compensate them quickly for their losses by coordinating loss assessments and payments. As part of the compensation arrangements, residents transferred their subrogation recovery rights to SAICORP to enable it to seek to recover the amount of compensation paid from liable third parties. The Scheme received a very positive response from the majority of affected residents.

A total of 157 claims consisting of 84 building losses, 115 contents losses, 43 vehicle losses and 121 other losses were received from 152 claimants.

As at 30 June 2004, more than 200 compensation payments totalling \$1.4 million had been made and outstanding claims were estimated at \$355 000. Assessor's fees totalling \$125 000 has also been paid to 30 June 2004.

### *Investment strategy*

During the year, the SAICORP Board of Directors commissioned the South Australian Government Financing Authority (SAFA) to undertake a review of SAICORP's existing investment strategy and to consider its continued appropriateness. As a result of this review, SAICORP accepted SAFA's recommendations that new asset classes be added and hedging be undertaken of part of the overseas equities component. SAICORP's investment gain for 2003–04 was \$17.5 million, this compared with a loss of \$365 000 in 2002–03.

## THE YEAR AHEAD

- Re-tendering the provision of insurance and reinsurance broking services
- Tendering the provision of actuarial services
- Providing risk management advice and assistance to Government agencies
- Trialling the provision of a clinical risk management service within SAICORP.

## Corporate Services

Corporate Services played an important role in supporting Treasury and Finance's 2003–04 priorities of:

- improving service delivery
- managing our people
- managing our resources.

Specifically, it provides:

- a range of business support services within Treasury and Finance, to the Treasurer's Office, to other smaller agencies within the Treasurer's portfolio and, on a bureau basis, to an external client agency, the Department of the Premier and Cabinet
- corporate support services within Treasury and Finance, including corporate and consulting services in the administrative, audit and risk management, communications, financial, human resource, IT and security fields



## FINANCIAL SERVICES PROVISION

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- coordination of the departmental strategic management process, including the corporate budgeting and planning cycle.

### PERFORMANCE

Following a major review of Corporate Services in 2002–03, the branch began the implementation of a new business service model. This resulted in organisational changes within the branch, including the establishment of the Audit and Risk Management Section, and the start of a number of major projects.

#### *Major projects*

##### **IT Service Delivery Review Initiative**

Corporate Services commenced the IT Service Delivery review on 29 July 2003 under the guidance of the department's Information Technology Committee with the aim of optimising the delivery of IT services in the department. The first stage of the project involved a comprehensive review of the department's current IT service delivery arrangements. The review resulted in the identification of a number of potential improvements and recommended a move to a new IT service delivery model. The branch commenced the second stage of the project in October 2003, which involved planning the implementation of the outcomes of the initial review. On completion of the implementation plan in March 2004, Corporate Services began the process of assessing the potential impact of moving to a new service delivery model with each branch of the department.

##### **Accommodation Review**

Corporate Services commenced a review of the department's accommodation during 2003–04. The objective of the review was to investigate the extent to which the department complied with the new Government Office Accommodation Committee Guidelines in space allocation. The review made recommendations to be implemented to bring the department in line with the guidelines.

The branch took the lead in implementing the recommendations of the review including commencing a program to refit departmental accommodation to make better use of existing space and reduce the amount of leased accommodation required.

The project is expected to provide multiple benefits including the standardisation of office fit-outs, rental savings, and the consolidation of office sites. It should also improve workflow and business integration within the department.

The first stage in the project was successfully completed with the relocation of the South Australian Government Captive Insurance Corporation from an external site to the State Administration Centre.

##### **Document Management Project**

The major project to improve the department's record management processes, including the development of a framework, and implementation of a system, to manage both paper-based and electronic records, was continued during the year.

As part of this, the branch undertook a substantial selection process for new records management software to replace the existing RecFind system. This resulted in the department purchasing new records management software from Objective Corporation Limited.

Once selected, significant work was undertaken to implement the new system that manages both paper-based and electronic records.

##### **Performance Management Program**

The development of a departmental performance management program represented a significant body of work for the branch during the year. The branch worked with the departmental Human Resources Committee to develop a new system of performance management. This involved reviewing systems currently used in governments across Australia and providing advice on options for a system that would suit the department's needs. The branch completed the development of a suitable program based on the Commonwealth Department of Treasury system in early 2004. The new system will be implemented in 2004–05.

#### *Significant operational programs*

##### **Financial Management**

Corporate Services continued to work on improving the department's financial accounting. During the year it





prepared the department's financial statements for 2003–04 using the new Model Set of Accounts that were developed by the Government Accounting and Reporting Branch during the year.

During 2003–04, the accounting for the Treasurer's residual interest in the National Wine Centre was transferred to Corporate Services from Ferrier Hodgson. To effect the transfer, Corporate Services had to resolve a number of complex accounting issues.

As part of the department's internal audit and risk management program an independent review of the Department's Fringe Benefits Tax and GST processes was conducted. The review indicated that Corporate Services was managing the tax function well.

#### **Information Technology**

Corporate Services undertook a number of Information and Communication Technology (ICT) initiatives during the year to improve the department's IT infrastructure to meet the growing demands of government business. These initiatives were essential for readying the department for the expiry of the current Government contract with EDS and the transition to new arrangements. The initiatives included a review of the department's network infrastructure and replacement of associated network hardware, the replacement of the help desk call management system and an upgrade of the computer room facilities.

During the year, the Executive Knowledge System was implemented. This system improves communication between executives within the department by allowing them to share sensitive documents in a secure electronic environment.

#### **Occupational Health, Safety and Welfare**

During the year, the department's Occupational Health Safety and Welfare (OHS&W) and Incident Management Plan was reviewed. A revised plan for 2004–06 was developed and endorsed by the Under Treasurer.

A Well Being Subcommittee of the main OHS&W Committee was formed to develop and implement ideas for improving the well being of staff and

promote a healthy work place. A number of initiatives were carried out in support of recognised charities.

#### **Publications Management**

The responsibility for publishing the State Budget papers was transferred to Corporate Services in November 2003. A detailed production plan was developed and endorsed by the Under Treasurer and followed by the branches. Through the cooperation and effort of all branches, the 2004–05 Budget Papers were produced to a high standard in a timely manner.

#### **Reconciliation**

The department continued to focus on the implementation of the Reconciliation Statement by supporting community groups in managing their financial affairs. Support was provided to two community groups, the Tangglen Pittengil Yanti Aboriginal Corporation and Reconciliation SA. The Department also partnered with the Office of the Commissioner for Public Employment to identify possible candidates to offer an Indigenous Scholarship.

#### **Security**

Corporate Services was involved in a range of activities in the areas of both physical and information technology security during the year. Most significantly, the branch supported the Department of the Premier and Cabinet in upgrading physical security measures in the State Administration Centre building including the installation of speedstiles and closed circuit television cameras to monitor building access.

#### **Women in Treasury**

During the year, the Women in Treasury (WIT) Group was integrated into the department's human resources program.

The focus of WIT during 2003–04 continued to be supporting programs and practices that enhance employment opportunities for women and contribute to an improved culture.

A targeted communication approach was adopted for all women in the department to ensure optimal participation and involvement in the WIT program and its supporting activities.

## FINANCIAL SERVICES PROVISION

Other activities included:

- ongoing support for a woman representative on the Executive Management Group and the Human Resource Committee
- lunchtime forums with a focus on professional development and life skills
- regular communication through the Newsletter, WIT e-News
- ongoing management of the Family Room and Nursing Mother's Room.

### THE YEAR AHEAD

- Implementing the new Performance Management Program
- Implementing the newly acquired document management system
- Commencing the implementation of new ICT service delivery arrangements for business application support and maintenance functions
- Preparing the department for the transition into new ICT service arrangements (ITSSD Transition) and, subject to whole of government arrangements, commence this transition
- Improving management reporting
- Continuing the Accommodation Review Project.

### Human Resource Information

#### Employee numbers, gender and status

**Table 3 – Employee numbers**

Persons ( <i>as at 30 June 2004</i> )	570	
FTE's ( <i>as at 30 June 2004</i> )	550	
<b>Gender</b>	<b>% Persons</b>	<b>% FTE's</b>
Male	53.7	55.6
Female	46.3	44.4
<b>Number of Persons</b>		<b>Total</b>
Separated from the agency ( <i>during the 2003–04 financial year</i> )		74
Recruited to the agency ( <i>during the 2003–04 financial year</i> )		92
On leave without pay ( <i>as at 30 June 2004</i> )		26

**Table 4 – Number of Employees by Salary Bracket**

Salary Bracket	Male	Female	Total
\$0 – \$38000	28	71	99
\$38001 – \$49000	64	105	169
\$49001 – \$64000	94	56	150
\$64001 – \$83000	80	24	104
\$83001 +	39	8	48
<b>Total</b>	<b>306</b>	<b>264</b>	<b>570</b>

**Table 5 – Status of Employees in Current Position as at 30 June 2004**

FTE's					
	Ongoing	Short Term Contract	Long Term Contract	Casual	Total
Female	201.8	18.4	24.0	0	244.2
Male	223.5	22.0	60.0	0	305.5
<b>TOTAL</b>	<b>425.3</b>	<b>40.4</b>	<b>84.0</b>	<b>0</b>	<b>549.7</b>
Persons					
	Ongoing	Short Term Contract	Long Term Contract	Casual	Total
Female	220	20	24	0	264
Male	224	22	60	0	306
<b>Total</b>	<b>444</b>	<b>42</b>	<b>84</b>	<b>0</b>	<b>570</b>



## Executives

**Table 6 – Number of Executives by Status in Current Position, Gender and Classification as at 30 June 2004**

Classification	Ongoing		Contract Tenured		Contract Untenured		Total		Total
	Female	Male	Female	Male	Female	Male	Female	Male	
ELO201	0	0	0	1	0	0	0	1	1
EXECA	0	0	5	20	1	3	6	23	29
EXECB	0	0	0	5	0	2	0	7	7
EXECC	0	0	1	3	0	2	1	5	6
EXECD	0	0	0	0	0	2	0	2	2
EXECF	0	0	0	0	0	1	0	1	1
<b>Total</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>29</b>	<b>1</b>	<b>10</b>	<b>7</b>	<b>39</b>	<b>46</b>

## Leave Management

**Table 7 – Leave Management**

	2000–01	2001–02	2002–03	2003–04
Average number of sick leave days taken per FTE	6.90	7.38	6.76	6.97 <sup>1</sup>
Average number of family carer's leave days taken per FTE	0.45	0.54	0.72	0.75
Average number of Special Leave with pay hours for individual needs and responsibilities (as outlined on page 55 of PSM Act determination 6 – Leave taken per FTE)			0.14	0.95

<sup>1</sup> Includes unpaid sick leave

## Workforce Diversity

### AGE PROFILE

**Table 8 – Age Profile as at 30 June 2004**

Age Bandwidth	Female	Male	Total	% of all agency employees	% of South Australian Workforce
15–19	1	1	2	0.4%	7.3%
20 – 24	22	12	34	6.0%	10.7%
25 – 29	60	43	103	18.1%	10.2%
30 – 34	59	52	111	19.5%	11.2%
35 – 39	44	43	87	15.3%	11.4%
40 – 44	24	44	68	11.9%	13.3%
45 – 49	15	36	51	9.0%	12.0%
50 – 54	27	50	77	13.5%	10.0%
55 – 59	11	19	30	5.3%	7.7%
60 – 64	1	5	6	1.1%	3.6%
65 and over	0	1	1	0.2%	2.0%
<b>Total</b>	<b>270</b>	<b>305</b>	<b>570</b>	<b>100%</b>	<b>100%</b>

## ABORIGINAL RECONCILIATION

**Table 9 – Number of Indigenous Employees**

	Females	Males	Total	% of Agency employees	Strategic Benchmark <sup>1</sup>
Aboriginal/Torres Strait Islander		2	2	0.4%	2%

<sup>1</sup> Benchmark from State Strategic Plan

## FINANCIAL SERVICES PROVISION

### CULTURAL AND LINGUISTIC DIVERSITY

**Table 10 – Cultural and Linguistic Diversity**

	Female	Male	Total	% of Agency employees	SA
Community*					
Number of employees born overseas	32	38	71	12.3%	20.3%
Number of employees who speak language(s) other than English at home.	31	21	52	9.0%	15.5%

\* ABS Publication Basic Community Profile (SA) Cat No. 2001.0

### DISABILITY

**Table 11 – Number of Employees with Ongoing Disabilities Requiring Workplace Adaptation**

	Females	Males	Total	% of Agency employees
<b>Total</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>0.4%</b>

Note: More information on disability is provided in Appendix 6

### VOLUNTARY FLEXIBILITY WORKING ARRANGEMENTS

**Table 12 – Number of Employees using Flexible Working Arrangements by Gender**

	Female	Male	Total
Purchased Leave	7	19	26
Flexitime	246	263	509
Compressed Weeks	1	0	1
Part-time Job Share	16	1	17
Working from Home	5	2	7

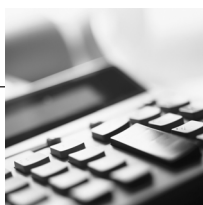
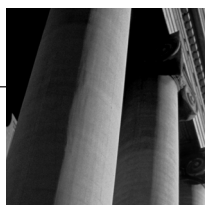
### TRAINING AND DEVELOPMENT

In 2003–04, the department spent 1.76% of its total remuneration expenditure on training.

**Table 13 – Documented Individual Performance Plans**

Salary Bracket	% with a plan negotiated within the past 12 months	% with plan older than 12 months	% no plan
\$0 – \$38 000	78.5	5.8	15.7
\$38 001 – \$49 000	70.4	12.5	22.2
\$49 001 – \$64 000	70.7	6.0	23.3
\$64 001 – \$83 000	58.7	6.7	34.6
\$83 001 +	54.2	2.1	43.7
Overall%	68.4	6.2	25.4

2003–04



# Financial Performance

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## FINANCIAL PERFORMANCE

### Financial Overview

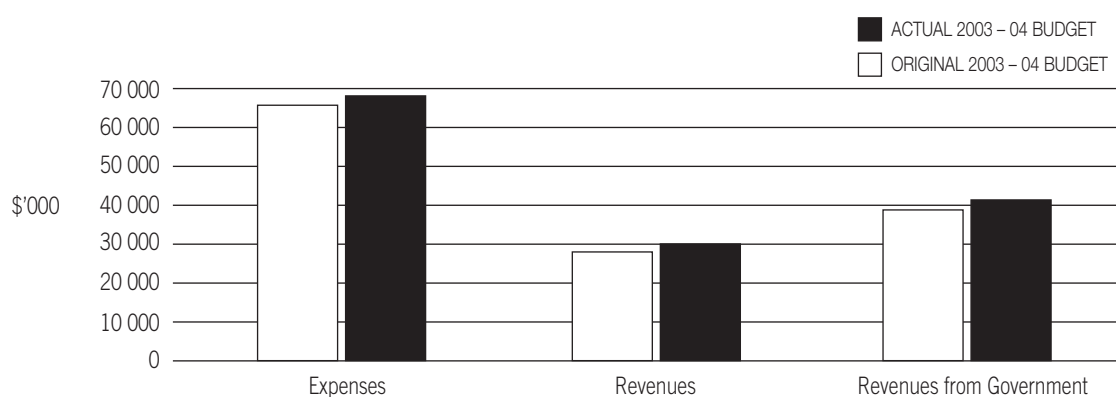
This section of the report provides an analysis of the financial performance of the department. The tables below summarise the Statement of Financial Performance, Statement of Financial Position and Statement of Cash Flows and include a comparison of the original budget for 2003–04, the results for 2003–04 and the results for 2002–03. The detailed Financial Statements for 2003–04 are presented later in this report.

#### Summary Statement of Financial Performance

	Original Budget 2003–04 \$'000	Actual 2003–04 \$'000	Actual 2002–03 \$'000
Expenses from Ordinary Activities	67 006	68 408	62 39
Revenues from Ordinary Activities	28 059	29 820	28 561
Net Cost of Services for Ordinary Activities	(38 947)	(38 588)	(33 835)
Revenues from Government	38 639	40 560	36 846
Net Result from Ordinary Activities	(308)	1 972	3 011

As reflected in the table, the 2003–04 surplus of \$2.0 million from Ordinary Activities represents a favourable variation of \$2.3 million from the approved budget. This variation is summarised as follows:

- Expenses from Ordinary Activities were \$1.4 million higher than budget, primarily due to increased expenditure on the Financial Management Improvement initiative approved during 2003–04, Electricity Transfer Rebate initiatives and carryovers of projects that were delayed in 2002–03;
- Revenues from Ordinary Activities increased by \$1.8 million mainly due to increased revenue received for recoveries associated with the buoyant property market, increased interest receipts due to a higher than expected cash balance and other service recoveries.





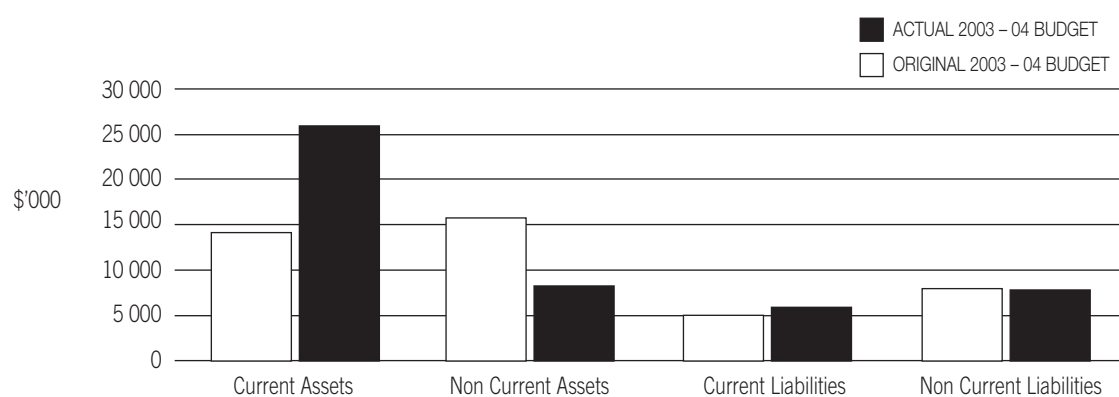
### Summary Statement of Financial Position

	Original Budget 2003–04 \$'000	Actual 2003–04 \$'000	Actual 2002–03 \$'000
Current Assets	14 707	25 849	8 275
Non Current Assets	15 562	8 542	8 275
<b>Total Assets</b>	<b>30 269</b>	<b>34 391</b>	<b>30 660</b>
Current Liabilities	5 126	5 341	4 644
Non Current Liabilities	8 158	8 178	7 116
<b>Total Liabilities</b>	<b>13 284</b>	<b>13 519</b>	<b>11 760</b>
<b>Net Assets</b>	<b>16 985</b>	<b>20 872</b>	<b>18 900</b>
<b>Equity</b>	<b>16 985</b>	<b>20 872</b>	<b>18 900</b>

Current assets were \$11.1 million higher than budgeted due to an improvement in the cash balance. The increase in cash primarily occurred because the additional receipts that were explained in the Statement of Financial Performance commentary and delays to a number of initiatives. The major projects that experienced slippage were the Tax Revenue System Replacement (RISTEC) project and the Accommodation Review project.

The value of non-current assets did not increase as budgeted primarily because the delays in the RISTEC project resulted in decreased capitalisation of new assets.

Liabilities were marginally more than originally estimated principally due to higher provisions for employee entitlements.

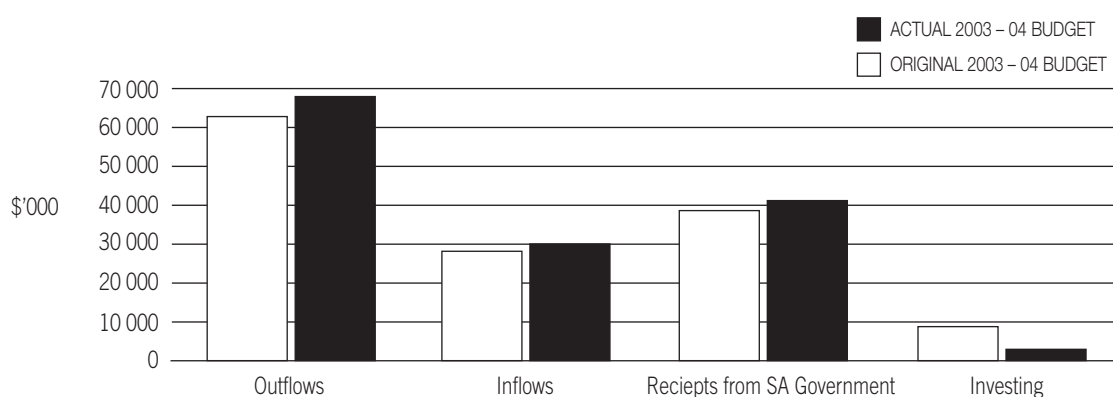


## FINANCIAL PERFORMANCE

### Summary Statement of Cash Flows

	Original Budget 2003–04 \$'000	Actual 2003–04 \$'000	Actual 2003–04 \$'000
Cash Flows from Operating activities			
– Cash Outflows	(63 796)	(69 461)	(64 833)
– Cash Inflows	28 013	34 513	33 841
– Receipts from SA Govt.	38 639	40 560	36 846
<b>Net Cash Inflows from Operating activities</b>	<b>2 856</b>	<b>5 612</b>	<b>5 854</b>
Cash Flows from Investing and Financing activities			
– Cash Outflows	(8 601)	(2 391)	(2 311)
<b>Net cash Outflows from Investing</b>	<b>(8 601)</b>	<b>(2 391)</b>	<b>(2 311)</b>
<b>Net increase/(decrease) in cash held</b>	<b>(5 745)</b>	<b>3 221</b>	<b>3 543</b>
Cash at the beginning of the financial year	18 573	20 713	17 170
<b>Cash at the end of the financial year</b>	<b>12 828</b>	<b>23 934</b>	<b>20 713</b>

The financial result in the Cash Flow Statement is consistent with the details outlined for the Statement of Financial Performance and the Statement of Financial Position.







## Trends

The table provided below shows the trends in key financial performance measures of the Department over the last three years.

Key Performance Indicators			
	2003-04 \$'000	2002-03 \$'000	2001-02 \$'000
Net Cost of Services	38 588	33 835	32 113
Revenues from Government as total			
Source of funding	57.63%	56.33%	52.43%
Average Employee Cost	74	69	64
Operating Expenses per Employee	125	116	110
Consultants as percentage of Operating			
Expenses	2.60%	1.61%	0.76%
Cash Balance	23 934	20 713	17 170
Increase/(Decrease) in Net Assets	1 972	3 011	(959)
Net Assets	20 872	18 900	15 889
Current Assets/Current Liabilities	4.84	4.82	4.39
% of Creditors paid within 30 days	88%	87%	90%

The Net Cost of Services and proportion of Revenues from Government (appropriation) increased from 2002-03 to 2003-04 mainly due to increased expenditure on Project Analysis consultancies, the Financial Management Improvement project and the Accommodation project, and as a result of increased accrued expenditure for employee entitlements.

Average employee costs increased from the previous year due to the cost of Enterprise Bargaining salary increases, changes to salary classification increments of existing employees and recruitment of additional senior staff. Operating expenses per employee increased from the previous year due to the variations described for the Statement of Financial Performance.

Consultancy costs as a percentage of Operating Expenses increased from the previous year due to various infrastructure projects being conducted by the Project Analysis and Microeconomic Reform and Infrastructure branches.

## Account payment performance

All agencies are required to report quarterly the number and value of creditors' accounts paid and the extent to which the accounts have been paid in accordance with Treasurer's Instruction 11. This instruction requires all undisputed accounts to be paid within 30 days of the date of the invoice or claim unless there is a discount or a written agreement between the agency and the creditor.

The following table demonstrates that the department paid 88% of all invoices by the due date. This is marginally below the departmental benchmark of 90%.

PARTICULARS	NUMBER PAID	%	AMOUNT PAID (\$'000)	%
Paid by the due date	11 743	88	94 093	85
Paid less than 30 days after the due date	1 045	8	5 286	11
Paid more than 30 days after the due date	563	4	1 484	4
<b>Total</b>	<b>13 351</b>	<b>100</b>	<b>100 863</b>	<b>100</b>

## FINANCIAL PERFORMANCE

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### Contracting out arrangements

There is one contractual arrangement over \$4.0 million in the department.

The arrangement is for banking and related services with Westpac Banking Corporation (transaction banking services) and ANZ (merchant services & purchase cards). This contract was established on 29 November 2002 at an estimated cost of \$18 million over 5 years (3 years with a 2 year option).

### Certification of the Financial Report

We certify that:

- the attached General Purpose Financial Report for the Department of Treasury and Finance presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department of Treasury and Finance as at 30 June 2004, its financial performance and its operations cash flows for the year then ended; and
- internal controls over the financial reporting have been effective throughout the reporting period.



**Paul Grimes**

ACTING UNDER TREASURER

8 September 2004



**Tony Brumfield**

DIRECTOR, FINANCIAL SERVICES

7 September 2004



## Financial Statements

### Statement of Financial Performance for the year ended 30 June 2004

	Note	2004 \$'000	2003 \$'000
<b>EXPENSES FROM ORDINARY ACTIVITIES</b>			
Employee Expenses	5	40 331	37 161
Supplies and Services	6	25 978	23 174
Depreciation and Amortisation	7	1 908	2 039
Other	8	191	22
<b>Total Expenses from Ordinary Activities</b>		<b>68 408</b>	<b>62 396</b>
<b>REVENUES FROM ORDINARY ACTIVITIES</b>			
Fees and Charges	10	26 080	25 444
Interest	11	1 304	1 060
Other	12	2 436	2 057
<b>Total Revenues from Ordinary Activities</b>		<b>29 820</b>	<b>28 561</b>
<b>NET COST OF SERVICES FROM ORDINARY ACTIVITIES</b>		<b>(38 588)</b>	<b>(33 835)</b>
<b>REVENUES FROM/PAYMENTS TO SA GOVERNMENT</b>			
Revenues from SA Government	13	40 560	36 846
<b>NET RESULT FROM ORDINARY ACTIVITIES</b>		<b>1 972</b>	<b>3 011</b>
Decrease in the Asset Revaluation Reserve		—	—
<b>TOTAL CHANGES IN EQUITY EXCLUDING THOSE RESULTING FROM TRANSACTIONS WITH STATE GOVERNMENT AS OWNER</b>		<b>1 972</b>	<b>3 011</b>

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.

## FINANCIAL PERFORMANCE

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

	Note	2004 \$'000	2003 \$'000
<b>CURRENT ASSETS</b>			
Cash	14	23 934	20 713
Receivables	15	1 147	790
Other	18	768	882
<b>Total Current Assets</b>		<b>25 849</b>	<b>22 385</b>
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	16	1 290	1 753
Intangibles	17	7 252	6 472
Other	18	–	50
<b>Total Non-Current Assets</b>		<b>8 542</b>	<b>8 275</b>
<b>TOTAL ASSETS</b>		<b>34 391</b>	<b>30 660</b>
<b>CURRENT LIABILITIES</b>			
Payables	19	1 965	1 949
Employee Benefits	20A	3 321	2 650
Provisions	21	49	42
Other	22	6	3
<b>Total Current Liabilities</b>		<b>5 341</b>	<b>4 644</b>
<b>NON-CURRENT LIABILITIES</b>			
Payables	19	819	783
Employee Benefits	20A	7 245	6 216
Provisions	21	114	117
<b>Total Non-Current Liabilities</b>		<b>8 178</b>	<b>7 116</b>
<b>TOTAL LIABILITIES</b>		<b>13 519</b>	<b>11 760</b>
<b>NET ASSETS</b>		<b>20 872</b>	<b>18 900</b>
<b>EQUITY</b>			
Accumulated Surplus	23	20 764	18 792
Asset Revaluation Reserve	23	108	108
<b>TOTAL EQUITY</b>		<b>20 872</b>	<b>18 900</b>
Commitments for Expenditure	25		
Contingent Assets and Liabilities	26		

The above Statement of Financial Position should be read in conjunction with the accompanying notes.



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

	Note	2004 \$'000	2003 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash Outflows</b>			
Employee Payments		(38 611)	(36 789)
Supplies and Services		(25 798)	(22 924)
GST payments on Purchases		(2 914)	(2 846)
GST remitted to Australian Taxation Office		(2 138)	(2 274)
<b>Total Outflows from Operating Activities</b>		<b>(69 461)</b>	<b>(64 833)</b>
<b>Cash Inflows</b>			
Receipts from SA Government		40 560	36 846
Fees and Charges		25 863	25 391
Interest Received		1 276	1 058
GST receipts on Receivables		2 153	2 321
GST input tax credits		2 793	2 831
Other		2 428	2 240
<b>Total Inflows from Operating Activities</b>		<b>75 073</b>	<b>70 687</b>
<b>NET CASH INFLOWS FROM OPERATING ACTIVITIES</b>	27	<b>5 612</b>	<b>5 854</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash Outflows</b>			
Purchase of Property, Plant and Equipment		(2 391)	(2 311)
<b>Total Outflows from Investing Activities</b>		<b>(2 391)</b>	<b>(2 311)</b>
<b>NET CASH OUTFLOWS FROM INVESTING ACTIVITIES</b>		<b>(2 391)</b>	<b>(2 311)</b>
<b>NET INCREASE IN CASH HELD</b>		<b>3 221</b>	<b>3 543</b>
Cash at the Beginning of the Financial Year		20 713	17 170
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	27	<b>23 934</b>	<b>20 713</b>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

## FINANCIAL PERFORMANCE

### Program Schedule of Expenses and Revenues for the year ended 30 June 2004

	Program 1		Program 2		Program 3		Program 4		Program Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses from Ordinary Activities</b>										
Employee Expenses	11 536	10 123	26 883	25 608	1 656	1 185	256	245	40 331	37 161
Supplies and Services	6 432	5 305	18 052	16 784	1 467	1 013	27	72	25 978	23 174
Depreciation and Amortisation	221	262	1 672	1 765	14	11	1	1	1 908	2 039
Other	1	9	190	12	–	1	–	–	191	22
<b>Total Expenses from Ordinary Activities</b>	<b>18 190</b>	<b>15 699</b>	<b>46 797</b>	<b>44 169</b>	<b>3 137</b>	<b>2 210</b>	<b>284</b>	<b>318</b>	<b>68 408</b>	<b>62 396</b>
<b>Revenues from Ordinary Activities</b>										
Fees and Charges	1 136	979	24 900	24 442	40	23	4	–	26 080	25 444
Interest	438	342	790	669	66	40	10	9	1 304	1 060
Other	872	800	1 411	1 250	151	6	2	1	2 436	2 057
<b>Total Revenues from Ordinary Activities</b>	<b>2 446</b>	<b>2 121</b>	<b>27 101</b>	<b>26 361</b>	<b>257</b>	<b>69</b>	<b>16</b>	<b>10</b>	<b>29 820</b>	<b>28 561</b>
<b>Net Cost of Services from Ordinary Activities</b>	<b>(15 744)</b>	<b>(13 578)</b>	<b>(19 696)</b>	<b>(17 808)</b>	<b>(2 880)</b>	<b>(2 141)</b>	<b>(268)</b>	<b>(308)</b>	<b>(38 588)</b>	<b>(33 835)</b>
<b>Revenues from/Payments to SA Government</b>										
Revenues from SA Government	16 645	15 036	20 586	19 097	3 045	2 371	284	342	40 560	36 846
<b>Net Result from Ordinary Activities</b>	<b>901</b>	<b>1 458</b>	<b>890</b>	<b>1 289</b>	<b>165</b>	<b>230</b>	<b>16</b>	<b>34</b>	<b>1 972</b>	<b>3 011</b>

- The allocations to programs are indicative and are based on broad costing methodologies
- Program descriptions are contained in Note 4.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS



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# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 1. Objectives of the Department of Treasury and Finance

The Department of Treasury and Finance (the Department) provides policy advice and financial management services to the Government of South Australia in order to strengthen state finances and contribute to community well being. This is achieved by promoting policy accountability in the public sector based on objective and comprehensive analysis of options, by managing the whole of Government financial processes and by providing financial services.

The Department is the lead agency supporting the Government's key economic and financial policy outcomes through the provision of advice and coordination of resource allocation for Government programs. The Department also provides financial services to the Government and the community, covering asset and liability management, collection of state taxes, insurance and superannuation.

The main priorities of the Department during the financial year were:

- Achieve a more efficient and effective public sector
- Improve budget and financial management processes
- Strengthen state finances
- Maintain the Department's service delivery
- Improve the management of the Department's people and resources.

To achieve these Objectives, the Department delivers a number of programs for the Government. The program information is summarised in Note 4.

## 2. Summary of Significant Accounting Policies

### 2.1 Basis of Accounting

The financial report is a general purpose financial report. The accounts have been prepared in accordance with:

- Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*

- Applicable Australian Accounting Standards
- Other mandatory professional reporting requirements in Australia.

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

The continued existence of the Department in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament.

### 2.2 Reporting Entity

The Department produces both Departmental and Administered financial statements. The Departmental financial statements include the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right. The Administered financial statements include the revenues, expenses, assets and liabilities which the Department administers on behalf of the SA Government but does not control.

### 2.3 Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

### 2.4 Rounding

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

### 2.5 Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, fringe benefits tax and goods and services tax.

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





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

## 2.6 Revenue and Expenses

Revenue and Expenses are recognised in the Department's Statement of Financial Performance when, and only when, the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

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

Revenue from fees and charges is derived from the provision of goods and services to other SA government agencies and to the public.

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

Grants are amounts provided by the Department, to entities for general assistance or for a particular purpose. Grants may be for capital, current or recurrent purposes and the name or category reflects the use of the grant. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

## 2.7 Revenues from/Payments to SA Government

Appropriations for program funding are recognised as Revenues from SA Government when the Department obtains control over the assets (normally obtained upon their receipt) and are accounted for in accordance with Treasurer's Instruction 3 Appropriation.

Payments to SA Government include the return of surplus cash pursuant to the cash alignment policy, taxation revenues and expiation fees paid directly to the Consolidated Account.

## 2.8 Current and Non-Current Items

Assets and liabilities are characterised as either current or non-current in nature. The Department has a clearly identifiable operating cycle of 12 months. Therefore assets and liabilities that will be realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

## 2.9 Cash

Cash includes cash at bank and deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis. Cash also includes highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value. Cash is measured at nominal value.

In October 2003 the Government introduced a policy with respect to aligning agency cash balances with appropriation and expenditure authority. In 2003–04, no payments/receipts occurred as a result of this policy.

## 2.10 Receivables

Receivables arise in the normal course of selling goods and services to other agencies and to the public. Receivables are payable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

The Department determines the provision for doubtful debts based on a review of debtor balances that are unlikely to be collected.

## 2.11 Non-Current Assets Acquisition and Recognition

Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Where the payment for an asset is deferred, the Department measures it at the present value of the future outflow, discounted using the interest rate of a similar length borrowing.

The Department capitalises all non-current physical assets with a value of \$5 000 or greater in accordance with Accounting Policy Statement 2 Asset Recognition.

### 2.12 Revaluation of Non-Current Assets

In accordance with Accounting Policy Statement 3 Valuation of Non-Current Assets:

- all non-current physical assets are valued at written down current cost (a proxy for both the fair value and deprival method of valuation)
- revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than 3 years.

Every three years, the Department revalues its Furniture and Fittings. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. Non-current physical assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

### 2.13 Depreciation and Amortisation of Non-Current Assets

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets, while depreciation is applied to physical assets such as property, plant and equipment.

The useful lives of all major assets held by the Department are reassessed on an annual basis.

Depreciation/amortisation for non-current assets is determined as follows:

Class of Asset	Depreciation Method	Useful Life (Years)
Furniture and Fittings	Straight Line	10
Intangibles	Straight Line	3–10
Office Equipment – IT	Straight Line	4
Office Equipment – Other	Straight Line	3

### 2.14 Intangible Assets

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an asset, and when the amount of expenditure is greater than or equal to \$5 000, in accordance with Accounting Policy Statement 2 Asset Recognition.

Capitalised software is amortised over the useful life of the asset, with the maximum time frame for amortisation of ten years.

### 2.15 Payables

Payables include creditors, accrued expenses and employment on-costs.

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

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

All amounts are measured at their nominal amount and are normally settled within 30 days in accordance with Treasurer's Instruction 8 Expenditure for Supply Operations and Other Goods and Services after the Department receives an invoice.

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

The Department makes contributions to several superannuation schemes operated by the State Government. These contributions are treated as



an expense when they occur. There is no liability for payments to beneficiaries as the South Australian Superannuation Board (SASB) has assumed these. The only liability outstanding at balance date relates to any contributions due but not yet paid to the SASB.

### **2.16 Employee Benefits**

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

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

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

### **2.17 Provisions**

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Occupational Health and Injury Management Branch of the Department for Administrative and Information Services.

### **2.18 Leases**

The Department has entered into operating leases. More information on operating leases is contained in Note 25.

In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of

the leased items. Operating lease payments are charged to the Statement of Financial Performance on a basis, which is representative of the pattern of benefits derived from the leased assets.

## **3. Changes in Accounting Policies**

### **3.1 Administered Items**

The Department has prepared separate Administered financial statements and notes as it is considered that administered transactions and balances are significant in relation to the Department's overall financial performance and position.

### **3.2 Impact of Adopting Australian Equivalents to International Financial Reporting Standards**

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

#### *Managing the Process*

In accordance with Treasurer's Instruction 19 Financial Reporting, the Under Treasurer is responsible for ensuring that the annual financial statements comply with Generally Accepted Accounting Principles (GAAP). The Department has analysed the exposure drafts issued by the Australian Accounting Standards Board (AASB) and has identified a number of potential issues that may need to be addressed as listed below under 'Expected differences in accounting policies'.

The Department is using the Model Financial Report for SA Government entities developed by the Government Accounting and Reporting (GAR) Branch within the Department and keeping abreast of changes in Accounting Standards, Treasurer's Instructions and Accounting Policy Statements by attending exposure draft reference group meetings (facilitated by the GAR Branch) and information forums organised by the GAR Branch and professional accounting bodies.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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### *Expected differences in accounting policies*

#### CHANGES IN ACCOUNTING POLICY

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

#### NON-CURRENT ASSET ACQUISITION AND RECOGNITION

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

### **4. Programs of the Department**

In achieving its objectives, the Department provides a range of services classified into the following Programs:

#### *Program 1: Ensuring Accountability for Public Sector Resources*

The Department has the role of ensuring accountability for public sector resources through providing policy, economic and financial advice to the Government and coordinating resource allocations for government programs and priorities at the whole of government level.

#### *Program 2: Financial Services Provision*

The Department has a role of providing a range of whole of government services including liability management, collection of taxes, insurance and superannuation administration.

#### *Program 3: Energy and Infrastructure Policy*

This program includes the provision of policy advice to the Minister on energy issues, coordinating market reforms and reviewing infrastructure needs.

#### *Program 4: Gambling Policy*

The Department provides policy advice to the Government on economic, social and regulatory issues associated with gambling, provision of gambling licensing and regulatory services, and independent research and inquiries into gambling related issues.



## 5. Employee Expenses

	2004 \$'000	2003 \$'000
Salaries and Wages	28 695	26 927
TVSP (refer below)	241	286
Long Service Leave	1 612	992
Annual Leave	2 831	2 381
Employment on-costs	5 862	5 491
Board Fees (i)	218	131
Other employee related expenses	872	953
<b>Total Employee Expenses</b>	<b>40 331</b>	<b>37 161</b>

(i) Represents fees paid to members of the SA Superannuation Board, South Australian Government Financing Authority, Energy Consumers Council and the Board of Directors of SAICORP.

### Targeted Voluntary Separation Packages (TVSPs)

	2004 \$'000	2003 \$'000
Amount paid to these employees:		
TVSPs	241	286
Accrued annual and long service leave	55	13
	296	299
Recovery from the Department of the Premier and Cabinet	(241)	(286)

	2004 Number of Employees	2003 Number of Employees
Number of employees that were paid TVSPs during the reporting period	4	6

### Remuneration of Employees

	2004	2003
The number of employees whose remuneration received or receivable falls within the following bands:		
\$100 000 – \$109 999	12	10
\$110 000 – \$119 999	6	11
\$120 000 – \$129 999	7	8
\$130 000 – \$139 999	8	5
\$140 000 – \$149 999	3	2
\$150 000 – \$159 999	4	1
\$160 000 – \$169 999	1	3
\$170 000 – \$179 999	2	2
\$180 000 – \$189 999	–	1
\$190 000 – \$199 999	2	–
\$220 000 – \$229 999	1	–
\$240 000 – \$249 999	1	–
\$280 000 – \$289 999	–	1
\$300 000 – \$309 999	–	1
\$310 000 – \$319 999	1	–
<b>Total Number of Employees</b>	<b>48</b>	<b>45</b>

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$6 642 000 (\$6 171 000).

### Average number of employees during the reporting period:

On average the Department employed 546 (540) people throughout the reporting period.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

<b>6. Supplies and Services</b>	<b>2004 \$'000</b>	<b>2003 \$'000</b>
Accommodation	4 510	4 411
General administration	13 766	11 301
EDS charges	2 996	3 368
Consultants	1 778	1 006
Contractors	2 928	3 088
<b>Total Supplies and Services</b>	<b>25 978</b>	<b>23 174</b>

<b>The number and dollar amount of Consultancies paid/payable that fell within the following bands:</b>	<b>2004 Number</b>	<b>2003 Number</b>	<b>2004 \$'000</b>	<b>2003 \$'000</b>
Below \$10 000	13	16	47	85
Between \$10 000 and \$50 000	4	4	71	101
Above \$50 000	6	5	1 660	820
	<b>23</b>	<b>25</b>	<b>1 778</b>	<b>1 006</b>

<b>7. Depreciation and Amortisation</b>	<b>2004 \$'000</b>	<b>2003 \$'000</b>
<b>Depreciation</b>		
Furniture and Fittings	506	484
Office Equipment	268	331
<b>Total Depreciation</b>	<b>774</b>	<b>815</b>
<b>Amortisation</b>		
Intangible Assets	1 134	1 224
<b>Total Amortisation</b>	<b>1 134</b>	<b>1 224</b>
<b>Total Depreciation and Amortisation</b>	<b>1 908</b>	<b>2 039</b>

### Revision in accounting estimates

Amortisation on software assets has changed due to a reassessment of the useful lives of seven assets. This has resulted in a decrease of \$133 000 in the amount of amortisation calculated on these assets in the 2004 financial year.

<b>8. Other Expenses</b>	<b>2004 \$'000</b>	<b>2003 \$'000</b>
Asset Write-Offs	191	22
<b>Total Other Expenses</b>	<b>191</b>	<b>22</b>



<b>9. Auditor's Remuneration</b>	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Audit Fees paid / payable to the Auditor-General's Department	348	341
<b>Total Audit Fees</b>	<b>348</b>	<b>3 041</b>
<b>Other Services</b>		
No other services were provided by the Auditor-General's Department.		
<b>10. Fees and Charges</b>	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Fees and Charges received/receivable from:		
Agencies for the provision of Corporate Services	1 643	1 498
South Australian Government Captive Insurance Corporation	1 900	1 901
South Australian Government Financing Authority	5 054	4 457
South Australian Superannuation Board	9 289	8 893
Community Emergency Services Fund	6 178	7 017
Other Recoveries for Services	2 016	1 678
<b>Total Fees and Charges</b>	<b>26 080</b>	<b>25 444</b>
<b>11. Interest</b>	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest from entities within the SA Government	1 304	1 060
<b>Total Interest</b>	<b>1 304</b>	<b>1 060</b>
<b>12. Other Revenues</b>	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Banking Recoveries	751	671
Land agents enquiry fees	581	553
Reimbursement for TVSPs paid	241	286
Other Reimbursements	311	6
Regulatory fees	212	219
Commissions	131	127
Other	209	195
<b>Total Other Revenues</b>	<b>2 436</b>	<b>2 057</b>
<b>13. Revenues from SA Government</b>	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Appropriations from Consolidated Account pursuant to the Appropriation Act	40 560	36 846
<b>Total Revenues from SA Government</b>	<b>40 560</b>	<b>36 846</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

<b>14. Cash</b>	<b>2004 \$'000</b>	<b>2003 \$'000</b>
Deposits with the Treasurer	23 930	20 709
Other	4	4
<b>Total Cash</b>	<b>23 934</b>	<b>20 713</b>

The Deposits with the Treasurer include the Accrual Appropriation Account. With the implementation of the cash alignment policy, it is anticipated there will be a reduction in the level of cash at June 2005.

<b>15. Receivables</b>	<b>2004 \$'000</b>	<b>2003 \$'000</b>
<b>Current</b>		
Receivables	163	236
Accrued Revenues	690	366
GST Receivable	294	188
<b>Total Receivables</b>	<b>1 147</b>	<b>790</b>

<b>16. Property, Plant and Equipment</b>	<b>2004 \$'000</b>	<b>2003 \$'000</b>
<b>Furniture and Fittings</b>		
Furniture and Fittings at cost (deemed fair value)	314	139
Accumulated Depreciation	(52)	(4)
Furniture and Fittings at Deprival Value	1 139	4 807
Accumulated Depreciation	(413)	(3 602)
<b>Total Furniture and Fittings</b>	<b>988</b>	<b>1 340</b>
Office Equipment		
Office Equipment at cost (deemed fair value)	700	989
Accumulated Depreciation	(398)	(576)
Total Office Equipment	302	413
<b>Total Property, Plant and Equipment</b>	<b>1 290</b>	<b>1 753</b>

Furniture and fittings assets with deprival value of \$3.7 million and accumulated depreciation of \$3.3 million at beginning of the financial year were fully depreciated during 2003–04 and these assets are in the process of being replaced.

### Valuation of Non-Current Assets

Valuations of furniture and fittings were determined as at 30 June 2002. The valuation was based on an indexed book value. The indexation is based on professional advice from Contour Management.





### Reconciliation of Property, Plant and Equipment

The following table shows the movement of Property, Plant and Equipment

	Furniture & Fittings \$'000	Office Equipment \$'000	Total \$'000
<b>Carrying Amount at the beginning of the Financial Year</b>	1 340	413	1 753
Additions	116	198	314
Write-off Non-Current Assets	(3)	–	(3)
Depreciation and Amortisation expense	(506)	(268)	(774)
Other movements	41	(41)	–
<b>Carrying Amount at the end of the Financial Year</b>	<b>988</b>	<b>302</b>	<b>1 290</b>

### 17. Intangible Assets

	2004 \$'000	2003 \$'000
Computer Software	12 814	11 234
Accumulated amortisation	(5 562)	(4 762)
<b>Total Intangible Assets</b>	<b>7 252</b>	<b>6 472</b>

### 18. Other Assets

	2004 \$'000	2003 \$'000
<b>Current</b>		
Prepayments	768	882
<b>Total Current Other Assets</b>	<b>768</b>	<b>882</b>
<b>Non-Current</b>		
Prepayments	–	50
Total Non-Current Other Assets	–	50
<b>Total Other Assets</b>	<b>768</b>	<b>932</b>

### 19. Payables

	2004 \$'000	2003 \$'000
<b>Current</b>		
Creditors	(2)	(2)
Accrued Expenses	1 461	1 351
Employee on-costs	506	600
<b>Total Current Payables</b>	<b>1 965</b>	<b>1 949</b>
<b>Non-Current</b>		
Accrued Expenses	–	69
Employee on-costs	819	714
<b>Total Non-Current Payables</b>	<b>819</b>	<b>783</b>
<b>Total Payables</b>	<b>2 784</b>	<b>2 732</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

<b>20A. Employee Benefits</b>	<b>2004 \$'000</b>	<b>2003 \$'000</b>
<b>Current</b>		
Accrued Salaries and Wages	334	106
Annual leave	2 423	2 023
Long Service Leave	564	521
<b>Total Current Employee Benefits</b>	<b>3 321</b>	<b>2 650</b>
<b>Non-Current</b>		
Long Service Leave	7 245	6 216
Total Non-Current Employee Benefits	7 245	6 216
<b>Total Employee Benefits</b>	<b>10 566</b>	<b>8 866</b>
<b>20B. Employee Benefits and Related On-costs</b>	<b>2004 \$'000</b>	<b>2003 \$'000</b>
<b>Accrued Salaries and Wages</b>		
On-costs included in Payables – Current (Note 19)	54	211
Employee Benefits – Current (Note 20A)	334	106
	<b>388</b>	<b>317</b>
<b>Annual Leave</b>		
On-costs included in Payables – Current (Note 19)	388	329
Employee Benefits – Current (Note 20A)	2 423	2 023
	<b>2 811</b>	<b>2 352</b>
<b>Long Service Leave</b>		
On-costs included in Payables – Current (Note 19)	64	60
Employee Benefits – Current (Note 20A)	564	521
	<b>628</b>	<b>581</b>
On-costs included in Payables – Non-Current (Note 19)	819	714
Employee Benefits – Current (Note 20A)	7 245	6 216
	<b>8 064</b>	<b>6 930</b>
<b>Aggregate Employee Benefits and Related On-costs</b>	<b>11 891</b>	<b>10 180</b>



<b>21. Provisions</b>	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Provision for workers compensation	49	42
<b>Total Current Provisions</b>	<b>49</b>	<b>42</b>
<b>Non-Current</b>		
Provision for workers compensation	114	117
<b>Total Non-Current Provisions</b>	<b>114</b>	<b>117</b>
<b>Total Provisions</b>	<b>163</b>	<b>159</b>
<b>Carrying amount at the beginning of the financial year</b>	<b>159</b>	<b>126</b>
Payments made	(80)	(136)
Increase in the Provision	84	169
<b>Carrying amount at the end of the financial year</b>	<b>163</b>	<b>159</b>
<b>22. Other Liabilities</b>	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Unearned Revenue	6	3
<b>Total Other Liabilities</b>	<b>6</b>	<b>3</b>
<b>23. Equity</b>	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Accumulated Surplus</b>		
Balance at the beginning of the financial year	18 792	15 781
Net Result from Ordinary Activities	1 972	3 011
<b>Balance at the end of the financial year</b>	<b>20 764</b>	<b>18 792</b>
<b>Asset Revaluation Reserve</b>		
Balance at the beginning of the financial year	108	108
Increase/(Decrease) in Asset Revaluation Reserve	—	—
<b>Balance as at the end of the financial year</b>	<b>108</b>	<b>108</b>

## **24. Financial Instruments**

### **(a) Terms, Conditions and Accounting Policies**

#### **(i) Financial Assets**

Cash is available at call and is recorded at cost.

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

Receivables are normally settled within 30 days.

#### **(ii) Financial Liabilities**

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### (b) Interest Rate Risk

	Floating interest Rate		Non-Interest Bearing		Total Carrying Amount		Weighted Average Effective Interest Rate	
	2004	2003	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%	%
<b>Financial Instrument</b>								
<b>Financial Assets:</b>								
Cash	23 930	20 709	4	4	23 934	20 713	<b>4.87</b>	4.60
Receivables	–	–	1 147	790	1 147	790		
	<b>23 930</b>	<b>20 709</b>	<b>1 151</b>	<b>794</b>	<b>25 081</b>	<b>21 503</b>		
<b>Financial Liabilities:</b>								
Payables	–	–	2 784	2 732	2 784	2 732		
	<b>–</b>	<b>–</b>	<b>2 784</b>	<b>2 732</b>	<b>2 784</b>	<b>2 732</b>		

### (c) Net Fair Values

Financial instruments are valued at the carrying amount as per the Statement of Financial Position which approximates the net fair value. The carrying amount of financial assets approximates net fair value due to their short term to maturity or being receivable on demand. The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

## 25. Commitments For Expenditure

### (a) Capital Commitments

The Department's capital commitments are for software licence agreements.

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

	2004 \$'000	2003 \$'000
Not later than one year	63	15
Later than one year and not later than five years	–	–
Later than five years	–	–
	<b>63</b>	<b>15</b>

### (b) Operating Lease Commitments

At the reporting date, the Department's operating leases are for the lease of office accommodation and office equipment.

Office accommodation is leased from the Real Estate Management business unit of the Department for Administrative and Information Services (DAIS). The leases are non-cancellable with terms ranging up to 6 years with some leases having right of renewal. The rental amount is based on floor space and the time period of the lease, with the rental rate reviewed taking into account movements in market rental values or CPI. Rental is payable in arrears. The Department has recently renewed the lease on the State Administration Centre until 2010.

Office equipment leases are non-cancellable with rental payable in arrears. No contingent rental provisions exist within the lease arrangements and no options exist to renew the leases at the end of their term.

For the current financial year, the total amount of rental expense for minimum lease payments for operating leases was \$3 295 000 (\$3 373 000).



Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial reports, are payable as follows:

	2004 \$'000	2003 \$'000
Not later than one year	2 906	3 311
Later than one year and not later than five years	9 595	634
Later than five years	2 378	–
	<b>14 879</b>	<b>3 945</b>

#### (c) Other Commitments

The Department's other commitments are for agreements for the provision of cars to senior executive officers or sections (ie pool cars) with Fleet SA. There are no purchase options available to the Department.

	2004 \$'000	2003 \$'000
Not later than one year	372	292
Later than one year and not later than five years	349	259
Later than five years	–	–
	<b>721</b>	<b>551</b>

For the current financial year, the total amount paid to Fleet SA for the provision of cars was \$393 000 (\$425 000).

#### 26. Contingent Assets and Liabilities

The Department is not aware of any contingent assets or liabilities in relation to the Department's operations. In addition, the Department has made no guarantees.

#### 27. Cash Flow Reconciliation

	2004 \$'000	2003 \$'000
<b>Reconciliation of Cash – Cash at year end as per</b>		
Statement of Cash Flows	23 934	20 713
Statement of Financial Position	23 934	20 713
<b>Reconciliation of Net Cash Inflows from Operating Activities to Net Cost of Services from Ordinary Activities</b>		
Net Cash Inflows from Operating Activities	5 612	5 854
Add Revenue from Government	(40 560)	(36 846)
<b>Add Non cash items</b>		
Depreciation and Amortisation	(1 908)	(2 039)
Asset Write-offs	(191)	(22)
Non-current assets accrual in Payables	25	–
<b>Change in Assets / Liabilities</b>		
Increase (decrease) in Receivables	357	(179)
Increase (decrease) in Other Assets	(164)	122
(Increase) decrease in Payables	(52)	(401)
(Increase) decrease in Employee Benefits	(1 700)	(303)
(Increase) decrease in Provisions	(4)	(33)
(Increase) decrease in Other Liabilities	(3)	12
<b>Net Cost of Services from Ordinary Activities</b>	<b>(38 588)</b>	<b>(33 835)</b>

#### 28. Events after Balance Date

There were no events occurring after balance date that have material financial implications on these financial statements.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### Statement of Administered Revenues and Expenses for the year ended 30 June 2004

	Note	2004 \$'000	2003 \$'000
<b>REVENUES FROM ORDINARY ACTIVITIES</b>			
Taxation	30	2 343 376	2 011 293
Commonwealth Revenues	31	3 191 957	3 102 090
Dividends and Distributions	32	505 103	700 362
Interest	33	152 900	144 035
Revenues from SA Government	34	1 104 766	923 325
Fees and Charges	35	122	–
Other	36	220 145	318 681
<b>Total Revenues from Ordinary Activities</b>		<b>7 518 369</b>	<b>7 199 786</b>
<b>EXPENSES FROM ORDINARY ACTIVITIES</b>			
Payments to SA Government	34	6 421 305	6 234 008
Employee Expenses	37	325 679	276 476
Supplies and Services	38	59 757	33 595
Interest		306 804	324 099
Grants and Subsidies	39	372 471	255 043
Depreciation	40	523	–
Other Expenses	41	92 134	77 719
<b>Total Expenses from Ordinary Activities</b>		<b>7 578 673</b>	<b>7 200 940</b>
<b>OPERATING DEFICIT</b>		<b>(60 304)</b>	<b>(1 154)</b>
Net Revenue from Administrative Restructure	52	29 033	–
<b>TOTAL CHANGES IN EQUITY EXCLUDING THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS</b>		<b>(31 271)</b>	<b>(1 154)</b>

The above Statement of Administered Revenues and Expenses should be read in conjunction with the accompanying notes.



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

	Note	2004 \$'000	2003 \$'000
<b>CURRENT ASSETS</b>			
Cash	42	426 235	1 063 428
Receivables	43	13 526	8 892
Other Financial Assets	44	131	8 402
<b>Total Current Assets</b>		<b>439 892</b>	<b>1 080 722</b>
<b>NON-CURRENT ASSETS</b>			
Other Financial Assets	44	223	354
Property, Plant and Equipment	45	552	–
<b>Total Non-Current Assets</b>		<b>775</b>	<b>354</b>
<b>TOTAL ASSETS</b>		<b>440 667</b>	<b>1 081 076</b>
<b>CURRENT LIABILITIES</b>			
Payables	46	387 302	986 903
Interest Bearing Liabilities	47	131	8 402
Other		25	–
<b>Total Current Liabilities</b>		<b>387 458</b>	<b>995 305</b>
<b>NON-CURRENT LIABILITIES</b>			
Payables	46	504 660	506 775
Interest Bearing Liabilities	47	223	354
Other	48,54	955	–
<b>Total Non-Current Liabilities</b>		<b>505 838</b>	<b>507 129</b>
<b>TOTAL LIABILITIES</b>		<b>893 296</b>	<b>1 502 434</b>
<b>NET ASSETS</b>		<b>(452 629)</b>	<b>(421 358)</b>
<b>EQUITY</b>			
Accumulated Deficit	49	(452 629)	(421 358)
<b>TOTAL EQUITY</b>		<b>(452 629)</b>	<b>(421 358)</b>
Commitments for Expenditure	51		
Contingent Assets and Liabilities	53		

The above Statement of Administered Assets and Liabilities should be read in conjunction with the accompanying notes.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## Administered Statement of Cash Flows as at 30 June 2004

	Note	2004 \$'000	2003 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Taxation Revenues		2 343 376	2 011 293
Receipts from Commonwealth		3 191 957	3 102 090
Dividends and Distributions		505 103	700 362
Interest received		154 032	144 966
Receipts from SA Government		1 104 766	923 325
Fees and Charges		68	–
GST receipts on Receivables		3 989	3 991
GST input tax credits		1 710	2 321
Other		218 241	321 778
<b>Total Inflows from Operating Activities</b>		<b>7 523 242</b>	<b>7 210 126</b>
<b>Cash Outflows</b>			
Payments to SA Government		(7 016 548)	(5 272 150)
Employee Payments		(315 811)	(276 476)
Supplies and Services		(59 881)	(33 600)
Interest payments		(307 857)	(324 977)
Grants and Subsidies		(371 578)	(255 043)
GST payments on Purchases		(8 084)	(2 699)
GST remitted to Australian Taxation Office		(3 985)	(3 737)
Other		(77 166)	(75 709)
<b>Total Outflows from Operating Activities</b>		<b>(8 160 910)</b>	<b>(6 244 391)</b>
<b>NET CASH INFLOWS/(OUTFLOWS) FROM OPERATING ACTIVITIES</b>	55	<b>(637 668)</b>	<b>965 735</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash Outflows</b>			
Payment to Agency		–	(7 499)
Total Outflows from Investing Activities		–	(7 499)
<b>NET CASH OUTFLOWS FROM INVESTING ACTIVITIES</b>		<b>–</b>	<b>(7 499)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Proceeds from Other Financial Assets		8 363	7 092
Proceeds from lease/sale of electricity assets		–	847
<b>Total Inflows from Financing Activities</b>		<b>8 363</b>	<b>7 939</b>
<b>Cash Outflows</b>			
Repayment of Interest Bearing Liabilities		(8 363)	(7 092)
<b>Total Outflows from Financing Activities</b>		<b>(8 363)</b>	<b>(7 092)</b>
<b>NET CASH INFLOWS FROM FINANCING ACTIVITIES</b>		<b>–</b>	<b>847</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>(637 668)</b>	<b>959 083</b>
Cash at the Beginning of the Financial Year		1 063 428	104 345
Cash Increase as a result of Restructuring		475	–
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	55	<b>426 235</b>	<b>1 063 428</b>

The above Administered Statement of Cash Flows should be read in conjunction with the accompanying notes.





## Schedule of Administered Revenue and Expenses for the year ended 30 June 2004

	Admin Items on behalf of the Consolidated Account	Cwth Mirror Taxes on Cwth Places Revenue Account	Community Dev't Fund	ETSA Sales/ Lease Proceeds Account	Hospitals Fund	Local Govt Disaster Fund	Ports Corp Sales/Lease Account	TAB Sales Proceeds Account	Treasurer's Interest in the National Wine Centre Account	Treasury Working Account	Other (1)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ADMINISTERED REVENUES FROM ORDINARY ACTIVITIES</b>												
Taxation	2 343 376	—	—	—	—	—	—	—	—	—	—	2 343 376
Commonwealth Revenues	3 174 464	17 493	—	—	—	—	—	—	—	—	—	3 191 957
Revenues from SA Government	1 084 766	—	20 000	—	—	—	—	—	—	—	—	1 104 766
Interest	148 209	—	—	—	—	2 042	1 155	312	32	—	1 150	152 900
Dividends and Distributions	505 103	—	—	—	—	—	—	—	—	—	—	505 103
Fees and Charges	—	—	—	—	—	—	—	—	122	—	—	122
Other	69 386	—	—	3 680	137 200	—	27	—	21	8 100	1 731	220 145
<b>Total Administered Revenues</b>	<b>7 325 304</b>	<b>17 493</b>	<b>20 000</b>	<b>3 680</b>	<b>137 200</b>	<b>2 042</b>	<b>1 182</b>	<b>312</b>	<b>175</b>	<b>8 100</b>	<b>2 881</b>	<b>7 518 369</b>
<b>ADMINISTERED EXPENSES FROM ORDINARY ACTIVITIES</b>												
Payments to SA Government	6 240 538	17 493	—	—	137 200	—	26 049	—	—	—	25	6 421 305
Employee Expenses	315 641	—	—	—	—	—	10 000	—	38	—	—	325 679
Supplies and Services	59 382	—	—	—	—	40	(3)	14	321	—	3	59 757
Interest	306 207	—	—	—	—	—	—	—	—	—	597	306 804
Grants and Subsidies	350 940	—	20 000	—	—	638	—	—	893	—	—	372 471
Depreciation	—	—	—	—	—	—	—	—	523	—	—	523
Other Expenses	52 596	—	—	—	—	—	(1 469)	4 361	26 829	8 100	1 717	92 134
<b>Total Administered Expenses</b>	<b>7 325 304</b>	<b>17 493</b>	<b>20 000</b>	<b>—</b>	<b>137 200</b>	<b>678</b>	<b>34 577</b>	<b>4 375</b>	<b>28 604</b>	<b>8 100</b>	<b>2 342</b>	<b>7 578 673</b>
<b>OPERATING SURPLUS / (DEFICIT)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3 680</b>	<b>—</b>	<b>1 364</b>	<b>(33 395)</b>	<b>(4 063)</b>	<b>(28 429)</b>	<b>—</b>	<b>539</b>	<b>(60 304)</b>
Net Revenue from Administrative Restructure	—	—	—	—	—	—	—	—	29 033	—	—	29 033
<b>TOTAL CHANGES IN EQUITY EXCLUDING THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3 680</b>	<b>—</b>	<b>1 364</b>	<b>(33 395)</b>	<b>(4 063)</b>	<b>604</b>	<b>—</b>	<b>539</b>	<b>(31 271)</b>

<sup>1</sup> Includes Country Equalisation Scheme Account, Home Purchases Assistance Account, Inter-regional Settlements Residues Account, Local Government Concessions Senior Card Holders and Stony Point Indenture Account.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## Administered Financial Statements

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

These financial statements include a number of revenue and expense transactions on behalf of the South Australian Government for the Consolidated Account. Such transactions include collection of revenues for taxations, revenues from the Commonwealth Government, dividends and distributions, and interest. The expense transactions include transfers to agencies for employee entitlements and supplies and services, grants and subsidies to public sector agencies and the private sector and the transfer of revenues to the Consolidated Account.

The Administered financial statements also include the transactions of numerous special deposit accounts established under Section 8 of the Public Finance and Audit Act 1987 that are administered by the Department.

## 29. Summary of Significant Accounting Policies

The Department's significant accounting policies are contained in Note 2 'Summary of Significant Accounting Policies'. The policies outlined in Note 2 apply to both the Department and Administered financial statements.

The following policies are only applicable to the Administered financial statements.

### 29.1 Dividends and Distributions

These revenues include Commonwealth tax equivalents, in particular income tax payable by most South Australian State enterprises in accordance with undertakings given by State and Territory Governments under the Competition Principles Agreement. In addition, revenues are also collected for Local Government Rate Equivalents.

### 29.2 Net Revenue from Administrative Restructure

In August 2003, the *National Wine Centre (Restructuring and Leasing Arrangements) Act 2002* ("the Restructuring Act") was proclaimed and the *National Wine Centre Act 1997* was repealed. As a result the corporate body known as the "National Wine Centre" was dissolved and all of its assets and liabilities were vested with the Treasurer.

### 29.3 Depreciation and Amortisation of Non-Current Assets

Depreciation/amortisation of non-current assets is determined as follows:

Class of Asset	Depreciation Method	Useful Life (Years)
Buildings	Straight Line	40

## 30. Taxation

	2004 \$'000	2003 \$'000
Payroll Tax	855 731	782 886
Commonwealth Places Mirror – Payroll Tax	14 974	13 701
Stamp Duties	1 120 623	916 596
Commonwealth Places Mirror – Stamp Duties	1 400	819
Land Tax	199 781	159 217
Commonwealth Places Mirror – Land Tax	705	593
Financial Institutions Duty	–	1 500
Debits Tax	59 901	58 425
Commonwealth Places Mirror – Debits Tax	414	403
Save the River Murray Levy	12 773	–
Hindmarsh Island Bridge Levy	–	841
Contribution from Lotteries Commission	75 615	74 809
Contributions from On-course Totalizators and Small Lotteries	1 206	1 079
Recoup from Recreation and Sport	253	424
<b>Total Taxation</b>	<b>2 343 376</b>	<b>2 011 293</b>



<b>31. Commonwealth Revenues</b>	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Commonwealth General Purpose Grants</b>		
Competition Grants	40 679	57 134
GST Revenue Grants	3 146 430	2 859 081
Transitional Assistance	–	87 743
Transitional Grant Overpayment/(Recovery)	(34 715)	56 762
Commonwealth Places Mirror Taxes	17 493	15 516
<b>Total Commonwealth General Purpose Grants</b>	<b>3 169 887</b>	<b>3 076 236</b>
<b>Commonwealth Specific Purpose Grants</b>		
Concessions to Pensioners and others	18 297	17 631
Debt Redemption Assistance	3 773	3 751
Additional First Home Owner Grant	–	4 472
<b>Total Commonwealth Specific Purpose Grants</b>	<b>22 070</b>	<b>25 854</b>
<b>Total Commonwealth Revenues</b>	<b>3 191 957</b>	<b>3 102 090</b>
<b>32. Dividends and Distributions</b>	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Administrative and Information Services	72 710	56 413
Forestry SA	33 106	39 073
HomeStart Finance	2 581	2 533
Land Management Corporation	53 070	9 994
Lotteries Commission	8 047	8 025
Motor Accident Commission	5 000	10 000
Public Trustee Office	1 800	2 007
SA Water Corporation	237 334	228 408
South Australian Asset Management Corporation	58 500	230 000
South Australian Government Financing Authority	25 800	94 275
TransAdelaide	2 670	4 592
Transport SA	3 059	12 618
Other	1 426	2 424
<b>Total Dividends and Distributions</b>	<b>505 103</b>	<b>700 362</b>
<b>33. Interest</b>	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest from entities within the SA Government	150 245	140 030
Other	2 655	4 005
<b>Total Interest</b>	<b>152 900</b>	<b>144 035</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

<b>34. Revenues from/Payments to SA Government</b>	<b>2004 \$'000</b>	<b>2003 \$'000</b>
<b>Revenues from SA Government</b>		
Appropriations from Consolidated Account pursuant to the Appropriation Act	1 046 890	817 468
Appropriations under other Act	57 876	105 857
<b>Total Revenues from SA Government</b>	<b>1 104 766</b>	<b>923 325</b>
<b>Payments to SA Government</b>		
Transfer of Revenue received on behalf of Consolidated Account	6 240 538	6 085 968
Payment to SAFA for Retirement of State Debt	26 049	–
Other Payments to the Consolidated Account	154 718	148 040
<b>Total Payments to SA Government</b>	<b>6 421 305</b>	<b>6 234 008</b>
<b>35. Fees and Charges</b>	<b>2004 \$'000</b>	<b>2003 \$'000</b>
Food and Beverage sales	68	–
Other	54	–
<b>Total Fees and Charges</b>	<b>122</b>	<b>–</b>
<b>36. Other Revenues</b>	<b>2004 \$'000</b>	<b>2003 \$'000</b>
Contribution towards Public hospital costs	137 200	132 489
Superannuation contributions	–	56 414
Guarantee Fees	17 370	17 187
Repayment of Advances	33 995	68 091
Repayment of equity capital contributions	–	16 000
Light Motor vehicle fleet – rental payment recoveries	4 854	6 958
Essential Services Commission of SA	4 924	3 272
Other	21 802	18 270
<b>Total Other Revenues</b>	<b>220 145</b>	<b>318 681</b>
<b>37. Employee Expenses</b>	<b>2004 \$'000</b>	<b>2003 \$'000</b>
Superannuation Contributions to various schemes	243 765	255 824
Transfers to entities within SA Government	71 684	12 759
Support Services to Parliamentarians	9 967	7 678
Minister's salary, electorate and expense allowance	225	215
Other employee related expenses	38	–
<b>Total Employee Expenses</b>	<b>325 679</b>	<b>276 476</b>



<b>38. Supplies and Services</b>			<b>2004</b>	<b>2003</b>
			<b>\$'000</b>	<b>\$'000</b>
Transfers to entities within SA Government			54 484	28 018
Unclaimed monies			110	1 367
Support Services to Parliamentarians			2 658	2 110
General administration			2 083	2 004
Consultants			407	96
Other			15	–
<b>Total Supplies and Services</b>			<b>59 757</b>	<b>33 595</b>
<b>The number and dollar amount of Consultancies paid/payable that fell within the following bands:</b>				
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>Number</b>	<b>Number</b>	<b>\$'000</b>	<b>\$'000</b>
Below \$10 000	1	4	1	4
Between \$10 000 and \$50 000	–	1	–	28
Above \$50 000	1	1	406	64
	<b>2</b>	<b>6</b>	<b>407</b>	<b>96</b>
<b>39. Grants and Subsidies</b>			<b>2004</b>	<b>2003</b>
			<b>\$'000</b>	<b>\$'000</b>
Grant and subsidies paid to entities within the SA Government				
Recurrent Grants			216 478	135 614
Capital Grants			–	–
<b>Total Grants and Subsidies – SA Government entities</b>			<b>216 478</b>	<b>135 614</b>
Grant and subsidies paid to entities external to the SA Government				
Recurrent Grants			155 100	119 429
Capital Grants			893	–
<b>Total Grants and Subsidies – Non SA Government entities</b>			<b>155 993</b>	<b>119 429</b>
<b>Total Grants and Subsidies</b>			<b>372 471</b>	<b>255 043</b>
<b>40. Depreciation</b>			<b>2004</b>	<b>2003</b>
			<b>\$'000</b>	<b>\$'000</b>
Buildings			523	–
<b>Total Depreciation</b>			<b>523</b>	<b>–</b>

#### Change in Depreciation due to a Revaluation

The National Wine Centre buildings and land were revalued downwards at 30 June 2004. As a result of the revaluation, depreciation on the building assets will decrease in subsequent reporting periods. An estimated full year depreciation expense decrease of \$590 000 is expected as a result of the revaluation. The above depreciation is for the part year from 22 August 2003.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

<b>41. Other Expenses</b>	<b>2004 \$'000</b>	<b>2003 \$'000</b>
Asset revaluation decrement	26 826	–
Refunds and Remissions	28 010	22 476
Petroleum Subsidies	14 968	15 089
Repayment of Borrowings	7 762	14 477
Payment to TABQ under Sales agreement	4 374	5 008
Other	10 194	20 669
<b>Total Other Expenses</b>	<b>92 134</b>	<b>77 719</b>
<b>42. Cash</b>	<b>2004 \$'000</b>	<b>2003 \$'000</b>
Deposits with the Treasurer	385 235	1 023 628
Other	41 000	39 800
<b>Total Cash</b>	<b>426 235</b>	<b>1 063 428</b>
<b>43. Receivables</b>	<b>2004 \$'000</b>	<b>2003 \$'000</b>
<b>Current</b>		
Receivables	63	2
Provision for Doubtful Debts	(25)	–
Accrued Revenues	6 997	8 773
GST Receivables	6 491	117
<b>Total Receivables</b>	<b>13 526</b>	<b>8 892</b>
<b>44. Other Financial Assets</b>	<b>2004 \$'000</b>	<b>2003 \$'000</b>
<b>Current</b>		
Investments with Santos Ltd	–	8 249
Investment with Adelaide Bank	131	153
<b>Total Current Other Financial Assets</b>	<b>131</b>	<b>8 402</b>
<b>Non-Current</b>		
Investment with Adelaide Bank	223	354
<b>Total Non-Current Other Financial Assets</b>	<b>223</b>	<b>354</b>
<b>Total Other Financial Assets</b>	<b>354</b>	<b>8 756</b>

*These assets have liabilities with corresponding values in the accounts and are disclosed in Note 47.*



45. Property, Plant and Equipment	2004 \$'000	2003 \$'000
<b>Buildings</b>		
Buildings at cost (deemed fair value)	539	–
<b>Total Buildings</b>	<b>539</b>	<b>–</b>
<b>Land</b>		
Land at cost (deemed fair value)	13	–
<b>Total Land</b>	<b>13</b>	<b>–</b>
<b>Total Property, Plant and Equipment</b>	<b>552</b>	<b>–</b>

#### Valuation of Non-Current Assets

Valuation of the land and buildings transferred from the National Wine Centre was performed by Valcorp Australia Pty Ltd as at 30 June 2004. Due to the lease arrangement with the University of Adelaide for a period of 40 years for an upfront rent amount of \$1.0 million, a market value based on the income approach has been adopted in accordance with Accounting Policy Statement 3 Valuation of Non-Current Assets. This approach resulted in the site being revalued downwards to \$552 000.

#### Reconciliation of Property, Plant and Equipment

The following table shows the movement of Property, Plant and Equipment during 2003–04

	Buildings \$'000	Land \$'000	Furniture & Fittings \$'000	TOTAL \$'000
<b>Carrying Amount at the beginning of the Financial Year</b>	–	–	–	–
Acquisition from Transfer	24,301	3,600	752	28 653
Revaluation Decrement	(23,239)	(3,587)	–	(26 826)
Depreciation expense	(523)	–	–	(523)
Other movements	–	–	(752)	(752)
<b>Carrying Amount at the end of the Financial Year</b>	<b>539</b>	<b>13</b>	<b>–</b>	<b>552</b>

46. Payables	2004 \$'000	2003 \$'000
<b>Current</b>		
Electricity entities – lease proceeds	2 115	3 680
Creditors – Other	372 344	966 952
Accrued expenses	12 843	16 271
<b>Total Current Payables</b>	<b>387 302</b>	<b>986 903</b>
<b>Non-Current</b>		
Electricity entities – lease proceeds	504 660	506 775
<b>Total Non-Current Payables</b>	<b>504 660</b>	<b>506 775</b>
<b>Total Payables</b>	<b>891 962</b>	<b>1 493 678</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

<b>47. Interest Bearing Liabilities</b>	<b>2004 \$'000</b>	<b>2003 \$'000</b>
<b>Current</b>		
Santos Ltd	–	8 249
Adelaide Bank	131	153
<b>Total Current Interest Bearing Liabilities</b>	<b>131</b>	<b>8 402</b>
<b>Non-Current</b>		
Adelaide Bank	223	354
<b>Total Non-Current Interest Bearing Liabilities</b>	<b>223</b>	<b>354</b>
<b>Total Interest Bearing Liabilities</b>	<b>354</b>	<b>8 756</b>
<i>These liabilities have assets with corresponding values in the accounts and are disclosed in Note 44.</i>		
<b>48. Other Liabilities</b>	<b>2004 \$'000</b>	<b>2003 \$'000</b>
<b>Non-Current</b>		
Unearned Revenue – Operating Lease income	955	–
<b>Total Other Liabilities</b>	<b>955</b>	<b>–</b>
<b>49. Equity</b>	<b>2004 \$'000</b>	<b>2003 \$'000</b>
<b>Accumulated Deficit</b>		
Balance at the beginning of the financial year	(421 358)	(420 204)
Operating Deficit	(60 304)	(1 154)
Increase in Net Revenue from Administrative Restructure	29 033	–
<b>Balance at the end of the Financial Year</b>	<b>(452 629)</b>	<b>(421 358)</b>

### 50. Financial Instruments

#### (a) Terms, Conditions and Accounting Policies

##### (i) Financial Assets

- Cash is available at call and is recorded at cost.
- Receivables are raised for all goods and services provided for which payment has not been received.
- Receivables are normally settled within 30 days.

##### (ii) Financial Liabilities

- Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days.





## (b) Interest Rate Risk

	Floating Interest Rate	Fixed Interest rate	Non- Interest Bearing	Total Carrying Amount	Weighted Average Effective Interest 2004 %
	2004 \$'000	2004 \$'000	2004 \$'000	2004 \$'000	

### Financial Instrument

#### Financial Assets:

– Cash	17 137	41 000	368 098	426 235	4.87%
– Receivables	–	–	13 526	13 526	
– Other Financial Assets	–	354	–	354	14.28%
	17 137	41 354	381 624	440 115	

#### Financial Liabilities:

– Payables	–	–	891 962	891 962	
– Interest Bearing Liabilities	–	354	–	354	14.28%
	–	354	891 962	891 962	

	Floating Interest Rate	Fixed Interest rate	Non- Interest Bearing	Total Carrying Amount	Weighted Average Effective Interest 2003 %
	2003 \$'000	2003 \$'000	2003 \$'000	2003 \$'000	

### Financial Instrument

#### Financial Assets:

– Cash	55 981	39 800	967 647	1 063 428	4.60
– Receivables	–	–	8 892	8 892	–
– Other Financial Assets	–	8 756	–	8 756	19.33
	55 981	48 556	976 539	1 081 076	

#### Financial Liabilities:

– Payables	–	–	1 493 678	1 493 678	
– Interest Bearing Liabilities	–	8 756	–	8 756	19.33
	–	8 756	1 493 678	1 493 678	

## (c) Net Fair Values

Financial instruments are valued at the carrying amount as per the Statement of Financial Position which approximates the net fair value. The carrying amount of financial assets approximates net fair value due to their short term to maturity or being receivable on demand. The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

### 51. Commitments for Expenditure

Under the Memorandum of Lease between the Treasurer and the University of Adelaide, the Treasurer has an obligation to undertake certain maintenance work that existed at the time the lease arrangements commenced.

	2004 \$'000	2003 \$'000
Not later than one year	66	–
Later than one year and not later than five years	–	–
Later than five years	–	–
	66	–

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

<b>52. Net Revenue from Administrative Restructure</b>	<b>2004 \$'000</b>	<b>2003 \$'000</b>
<b>Assets</b>		
Cash	475	—
Trading Stock	140	—
Receivables	132	—
Property, Plant and Equipment	28 653	—
<b>Total Assets</b>	<b>29 400</b>	<b>—</b>
<b>Liabilities</b>		
Payables	315	—
Unearned Revenue	38	—
Employee Benefits	14	—
<b>Total Liabilities</b>	<b>367</b>	<b>—</b>
<b>Net Assets</b>	<b>29 033</b>	<b>—</b>

On 21 August 2003, the Restructuring Act was proclaimed as coming into operation on that day. As a consequence, the body corporate known as the National Wine Centre was dissolved and the assets and the liabilities of the Centre vested in the Treasurer.

### 53. Contingent Assets and Contingent Liabilities

The Department is not aware of the existence of any contingent assets. However, the following contingent liabilities exist for the Administered Items:

- Under an agreement between National Power South Australia Investments Ltd and the Treasurer for Pelican Point, National Power is to undertake landscaping works and development of public amenities on certain leased land. The cost of these works is to be refunded to the lessee at the expiration of the initial five year term. The maximum exposure value of the contingent obligation at 30 June 2004 has been estimated at \$300 000. As the Electricity Reform and Sales Operating Account has been closed, this amount is to be paid from the Consolidated Account.
- Residual responsibilities for structural integrity of the National Wine Centre's buildings outside agreed maintenance regimes as required by the Memorandum of Lease – National Wine Centre. The estimated maximum exposure of this liability is undefined.

### 54. Lease

The Treasurer entered into an agreement with the University of Adelaide to lease land and building previously owned by the National Wine Centre over a 40 year period, for an upfront consideration of \$1 000 000. The effective commencement date for the lease was 9 September 2003. The lease has been treated as at operating lease in accordance with accounting standard AASB 1008 Leases. The consideration of \$1 000 000 has been recorded as unearned revenue and will be apportioned over the life of the lease.



## 55. Cash Flow Reconciliation

	2004 \$'000	2003 \$'000
<b>Reconciliation of Cash</b>		
Statement of Cash Flows	426 235	1 063 428
Statement of Financial Position	426 235	1 063 428
<b>Reconciliation of Net Cash Inflows/(Outflows) from Operating Activities to Operating Deficit</b>		
Net Cash Inflows/(Outflows) from Operating Activities	(637 668)	965 735
Add Distribution from Electricity Entities and transfer	—	847
<b>Add Non cash items</b>		
Asset Revaluation decrement	(26 826)	—
Depreciation	(523)	—
Grants and subsidies for no consideration	(752)	—
Net Liabilities from Administrative Restructure	95	—
<b>Change in Assets and Liabilities</b>		
Increase (decrease) in Receivables	4 634	(4 761)
(Increase) decrease in Payables	601 716	(962 975)
(Increase) decrease in Other Liabilities	(980)	—
<b>Operating Deficit</b>	<b>(60 304)</b>	<b>(1 154)</b>

## 56. Events after Balance Date

There were no events occurring after balance date that have material financial implications on these financial statements.

# INDEPENDENT AUDIT REPORT



Auditor-General's  
Department

## INDEPENDENT AUDIT REPORT

### TO THE ACTING UNDER TREASURER

#### SCOPE

As required by section 31 of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Department of Treasury and Finance for the financial year ended 30 June 2004. The financial report comprises:

- A Statement of Financial Performance;
- A Statement of Financial Position;
- A Statement of Cash Flows;
- A Program Schedule of Expenses and Revenues;
- Notes to and forming part of the Financial Statements;
- A Statement of Administered Revenues and Expenses;
- A Statement of Administered Assets and Liabilities;
- An Administered Statement of Cash Flows;
- A Schedule of Administered Revenue and Expenses;
- Notes to and forming part of the Administered Financial Statements;
- Certificate by the Acting Under Treasurer and the Director, Financial Services.

The Acting Under Treasurer and the Director, Financial Services are responsible for the financial report. I have conducted an independent audit of the financial report in order to express an opinion on it to the Acting Under Treasurer.

The audit has been conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing and Assurance Standards to provide reasonable assurance that the financial report is free of material misstatement.

Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with my understanding of the Department of Treasury and Finance's financial position, its financial performance and its cash flows.

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

#### AUDIT OPINION

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

20 September 2004

A handwritten signature in black ink, appearing to read 'K I MacPHERSON'.

K I MacPHERSON  
AUDITOR-GENERAL

## AUDIT AND RISK MANAGEMENT



The Audit and Risk Management section of Corporate Services provided risk management, corporate governance, and internal audit services within the department in 2003–04. The role of the unit was to provide assurance to the Under Treasurer that the internal controls and processes in the department were adequate to support the achievement of the department's operational and financial objectives.

The section provided executive officer support to the Audit Committee, one of the governance committees supporting the Under Treasurer. The terms of reference for the Audit Committee, which is chaired by a Deputy Under Treasurer, include:

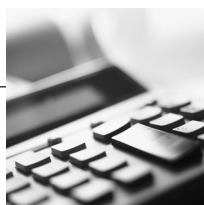
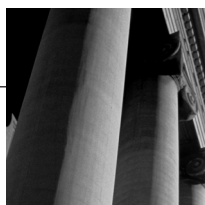
- overseeing the development and promulgation of appropriate policies and procedures for the proper management of internal audit, risk management, business continuity, and other related activities
- reviewing the Department's compliance with regulatory and legislative requirements
- overseeing the regular assessment of risks facing the Department achieving its organisational objectives
- overseeing the development and monitoring of the audit and risk management related services Work Plan
- provide advice to the Under Treasurer on any emerging issues and suggest strategies to address any issues in any of the above areas.

The section operated by supplementing internal resources with specialist contract service providers to undertake audits on an ad hoc basis.

### Fraud

No instances of fraud were reported during the year.

2003–04



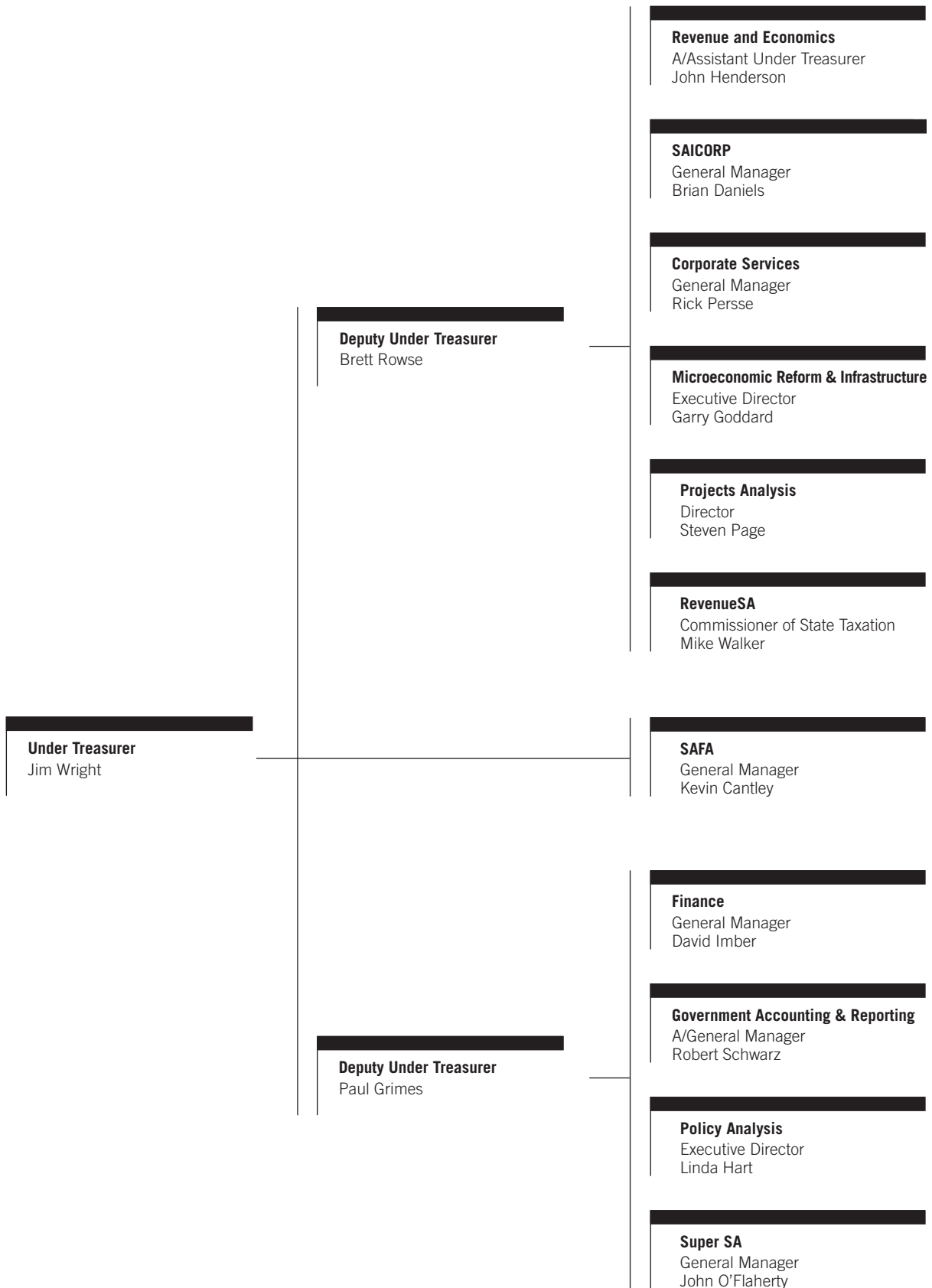
## Appendices

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## Appendix 1—Department Structure as at 30 June 2004



## APPENDICES

### Appendix 1 – Department Structure as at 30 June 2004 (continued)

Branch	Function
Revenue and Economics	Provision of economic policy advice on a range of issues: – revenue – Commonwealth–State relations – National Competition Policy – economic conditions – gambling
Finance	Provision of advice on budgetary and financial issues Management of State Budget process Monitoring financial performance of government agencies and businesses Facilitation of best practice financial management
Government Accounting and Reporting	Maintenance of government financial systems Management of financial policy, legislation and governance framework Provision of advice on Fiscal Policy
Microeconomic Reform and Infrastructure	Management of electricity, gas and water market reforms Provision of advice on major market reforms and strategic issues relating to infrastructure requirements
Policy Analysis	Provision of strategic analysis of policy issues facing Government and development of appropriate policy frameworks Evaluation of existing policy positions against these frameworks
Projects Analysis	Provision of advice to facilitate private sector participation in infrastructure development
RevenueSA	Management of state revenue systems Management of state taxation legislation Provision of policy advice on taxation issues
SAICORP	Management of the insurance and reinsurance of Government risks Provision of advice on insurance and risk management issues
SAFA	Management of funding requirements and existing stock of Government liabilities Provision of financial risk management and advisory services
Super SA	Management of public sector superannuation schemes Provision of advice on superannuation policy to Government
Corporate Services	Provision of a range of business support services in the areas of: – administration – audit and risk management – communications – financial services – human resources – information technology – security





## Appendix 2 – Acts committed to the Ministers supported by The Department of Treasury and Finance as at 30 June 2004

<b>TREASURER</b>	<b>Committed</b>
Appropriation Acts	
ASER (Restructure) Act 1997	5/2/98
Bank Merger (BankSA and Advance Bank) Act 1996	28/11/96
Bank Mergers (South Australia) Act 1997	19/3/98
Benefit Associations Act 1958	20/10/97
Commonwealth Places (Mirror Taxes Administration) Act 1999	19/10/00
Debits Tax Act 1994	13/2/97
Electricity Corporations Act 1994	18/4/02
Electricity Corporations (Restructuring and Disposal) Act 1999	18/4/02
Emergency Services Funding Act 1998	7/11/02
Essential Services Commission Act 2002	12/9/02
Financial Agreement Act 1994 <sup>1</sup>	5/2/98
Financial Institutions Duty Act 1983	13/2/97
Financial Sector (Transfer of Business) Act 1999	12/8/99
Financial Transaction Reports (State Provisions) Act 1992	20/10/97
First Home Owner Grant Act 2000	29/6/00
Gift Duty Act 1968	13/2/97
Government Financing Authority Act 1982	14/12/93
Governors' Pensions Act 1976	20/10/97
Hindmarsh Island Bridge Act 1999	17/8/00
Housing Loans Redemption Fund Act 1962	20/10/97
Interest on Crown Advances and Leases Act 1944	20/10/97
Judges' Pensions Act 1971	20/10/97
Land Tax Act 1936	13/2/97
Motor Accident Commission Act 1992	14/12/93
National Tax Reform (State Provisions) Act 2000	29/6/00
National Wine Centre Act (Restructuring and Leasing) Act 2004	6/5/04
New Tax System Price Exploitation Code (South Australia) Act 1999	9/12/99
Parliamentary Superannuation Act 1974	20/10/97
Pay-roll Tax Act 1971	13/2/97
Petroleum Products Regulation Act 1995	13/2/97
Police Superannuation Act 1990	20/10/97
Public Corporations Act 1993	14/12/93
Public Finance and Audit Act 1987	20/10/97

Rural Advances Guarantee Act 1963	20/10/97
SGIC (Sale) Act 1995	29/6/95
Southern State Superannuation Act 1994	20/10/97
Stamp Duties Act 1923	13/2/97
State Bank (Corporatisation) Act 1994	12/5/94
State Bank of South Australia Act 1983	14/12/93
State Lotteries Act 1966	13/5/03
Succession Duties Act 1929	13/2/97
Superannuation Act 1988	20/10/97
Superannuation Funds Management Corporation of South Australia Act 1995	13/2/97
Supplementary Financial Agreement (Soldiers Settlement Loans) Act 1934 <sup>1</sup>	5/2/98
Supply Acts	
TAB (Disposal) Act 2000	13/5/03
Taxation Administration Act 1996	13/2/97
Taxation (Reciprocal Powers) Act 1989	13/2/97
Unclaimed Moneys Act 1891	20/10/97
Unclaimed Superannuation Benefits Act 1997	29/1/98
Westpac/Challenge Act 1996	5/2/98

<sup>1</sup> Act of limited application

<b>MINISTER FOR GAMBLING</b>	<b>Committed</b>
<i>Last Committed:</i>	
Casino Act 1997	4/12/01
Gaming Machines Act 1992	4/12/01
Independent Gambling Authority Act 1995	4/12/01
Authorised Betting Operations Act 2000	5/9/02
Lottery and Gaming Act 1936	5/9/02
Collections for Charitable Purposes Act 1939	5/9/02
Problem Gambling Family Protection Orders Act 2004	3/6/04
<b>MINISTER FOR ENERGY</b>	<b>Committed</b>
<i>Last Committed:</i>	
Electrical Products Act 2000	5/3/02
Electricity Act 1996	5/3/02
Gas Act 1997	5/3/02
Gas Pipelines Access (South Australia) Act 1997	5/3/02
National Electricity (South Australia) Act 1996	5/3/02
The Electricity Trust of South Australia (Torrens Island Power Station) Act 1962	5/3/02
Australian Energy Market Commission Act 2004	22/7/04

## APPENDICES

### Appendix 3 – Legislative Measures

#### AMENDMENT OF THE AUTHORISED BETTING OPERATIONS ACT 2000

##### *Authorised Betting Operations (Betting Review) Amendment Act 2004*

The Act implemented changes arising from both the Review of the Act (pursuant to Section 92 – tabled in Parliament in late 2002) and the National Competition Policy review. The provisions of the legislation improve the technical licensing, regulatory structures and operational efficiency of the Act. The most significant amendment was to allow the major betting operations licensee (TAB) to conduct fixed-odds betting on races. Other provisions including allowing a bookmaker's licence to be granted to a body corporate, transferring bookmaker licensing to the Liquor and Gambling Commissioner and clarifying the provisions for issuing permits and contingency approvals.

Assented to: 13 May 2004

Date of operation: Some provisions including TAB Fixed Odds race betting commenced 13 May 2004; remaining provisions commence 1 September 2004

#### AMENDMENT OF THE AUTHORISED BETTING OPERATIONS ACT 2000

##### *Authorised Betting Operations (Licence and Permit Conditions) Amendment Act 2003*

The Act provided provisions to:

- enable the Minister to fully enforce exclusivity provisions of the TAB Approved Licensing Agreement by issuing Directions to the Liquor and Gambling Commissioner regarding conditions for on-course and off-course bookmaking permits; and
- to overcome a technical legal difficulty arising from a void permit and provide for the on-going operations of the 24-hour telephone sportsbetting operations of Mr E. V. Seal within the current exclusivity commitments.

Assented to: 20 November 2003

Date of operation: 11 March 2004

#### AMENDMENT OF THE GAMING MACHINES ACT 1992

##### *Gaming Machines (Extension of Freeze) Amendment Act 2004*

The Act provides for both:

- an extension of the freeze on the granting of new gaming machine licences or increases in gaming machine numbers for applications made on or after 7 December 2000; and
- the Roosters Club to continue to operate in its current premises at 255 Main North Road, Sefton Park; until 15 December 2004.

This extension provides for the maintenance of the status quo for the freeze on gaming machines and the Roosters Club until the Parliament considers the full proposals in the Gaming Machines (Miscellaneous) Amendment Bill 2004.

Assented to: 27 May 2004

Date of operation: 27 May 2004

#### AMENDMENT OF THE LOTTERY AND GAMING ACT 1936

##### *Lottery and Gaming (Lottery Inspectors) Amendment Act 2003*

This Act amended the *Lottery and Gaming Act 1936* to appoint lottery inspectors and to provide power to require a person involved in the conduct of any lottery or manufacture of instant tickets licensed under this Act to supply information, accounts and records and to answer questions from an appropriately authorised investigating officer. It also empowers those officers to enter and inspect items or records produced or seized where reason exists to suspect a breach of the provisions of the Act.

Assented to: 20 November 2003

Date of operation: 1 March 2004

#### AMENDMENT OF THE STAMP DUTIES ACT 1923

##### *Stamp Duties (Rental and Mortgage Duty) Amendment Act 2003 (No. 31 of 2003)*

The Act amends the *Stamp Duties Act 1923* to give effect to certain 2003–04 State Budget revenue measures regarding stamp duty on rental business arrangements and stamp duty payable on mortgages.

Assented to: 24 July 2004

Date of operation: 1 October 2003



## **AMENDMENTS OF THE STAMP DUTIES ACT 1923, THE PAY-ROLL TAX ACT 1971, AND THE DEBITS TAX ACT 1994.**

### ***Statutes Amendment (Budget 2004) Act 2004 (No. 21 of 2004)***

The Act makes legislative amendments to give effect to the 2004–05 State Budget taxation measures in the areas of stamp duties, pay-roll tax and debit tax.

Assented to: 1 July 2004

Date of operation: 27 May 2004 and 1 July 2004

## **AMENDMENT OF WRONGS ACT 1936**

### ***Law Reform (Ipp Recommendations) Act 2004***

The Act amends the *Wrongs Act 1936*, now renamed as the *Civil Liability Act 1936*, and represents the second stage of the government's legislative response to the crisis in the cost and availability of insurance. The chief purpose of the Act is to reform some aspects of the law of negligence in the expectation of moderating the cost of damages claims and thus the cost of insurance.

Assented to: 8 April 2004

Date of operation: 1 May 2004

*The Civil Liability Act 1936 is committed to the Attorney-General*

## **AUSTRALIAN ENERGY MARKET COMMISSION ESTABLISHMENT ACT 2004**

The Act establishes the new national energy rule making and market development body, the Australian Energy Market Commission. South Australia is the lead legislator with respect to the Australian Energy Market Commission and the National Electricity Law, which applies across all participating government jurisdictions.

The function of the Australian Energy Market Commission is to make rule changes, undertaking reviews and inquiries as directed by the Ministerial Council on Energy (MCE), including all code change and market development functions currently performed by the National Electricity Code Administrator (NECA), National Gas Pipelines Advisory Committee (NGPAC) and the Code Registrar.

Assented to: 1 July 2004

Date of operation: 22 July 2004

## **ELECTRICITY ACT 1996 AND GAS ACT 1997**

### ***The Statutes Amendment (Electricity and Gas) Bill 2004***

The Act amends the *Electricity Act 1996* and *Gas Act 1997* to:

- further clarify the process for determining justifiable standing contract prices for prescribed smaller customers of electricity and gas
- extend the current standing contract protections for small customers of electricity contained in section 36AA of the *Electricity Act* beyond the current expiry date of 1 July 2005
- extend the current retailer of last resort provisions contained in the *Electricity Act* beyond the current expiry date of 1 January 2005.

Assented to: 5 August 2004

Date of operation: 19 August 2004 & 1 July 2005

## **ESTABLISHMENT OF THE PROBLEM GAMBLING FAMILY PROTECTION ORDERS ACT 2004**

### ***Problem Gambling Family Protection Orders Act 2004***

The Act establishes a scheme to provide an avenue for family members to intervene where a problem gambler is causing substantial financial harm. Applications for an order would be made to the South Australian Independent Gambling Authority in a relaxed environment with many cases expected to be resolved through counselling and mediation.

Orders issued by the Authority could include the power to bar a person from venues, require counselling, prohibit contact and harassment, prohibit taking family property and require specified distribution of income similar to a garnishee order. There is no penal sanction for a breach of an order. Breaches would be referred to the Magistrates Court and the Chief Magistrate has indicated the use of diversionary management processes in those cases.

Assented to: 15 April 2004

Date of operation: 1 July 2004

## APPENDICES

### Appendix 4 – Occupational Health and Safety Statistics

	2001–02	2002–03	2003–04
<b>1 OHS&amp;W legislative requirements</b>			
Number of notifiable occurrences or injuries pursuant to OHS&W Regulations Division 6.6	0	0	0
Number of notices served pursuant to OHS&W Act s35, s39 and s40	0	0	0
<b>2 Injury Management legislative requirements</b>			
Total number of employees who participated in a rehabilitation program	1	1	3
Total number of employees rehabilitated and reassigned to alternative duties	0	0	0
Total number of employees rehabilitated back to their original work	1	0	0
<b>3 WorkCover Action Limits</b>			
Number of open claims	2	4	2
Workers compensation expenditure as percentage of salaries	0.05	0.37	1.13
<b>4 Number of Injuries</b>			
Number of new workers compensation claims	2	8	1
Number of new workers compensation claims relating to:			
Fatalities	0	0	0
Lost time injuries	1	4	1
Medical treatment only	1	4	0
Total number of whole working days lost	2	263	145
<b>5 Cost of workers compensation (\$)</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cost of new claims for financial year	1 214 (993)*	92 791	291
Cost of all claims excluding lump sum payments	14 897 (13 044)*	96 904	75 284
Amount paid for lump sum payments (s42, s43, s44)	0	3 506	248 323
Total cost of workers compensation claims	14 897 (13 044)*	100 410	323 607
Total amount recovered from external sources (s54)	0	0	0
Budget allocation for workers compensation	100 000	120 000	130 000
<b>6 Trends</b>			
Injury frequency rate for new lost-time injury/disease for each million hours worked	N/A	3.9	0.9
Most frequent cause (mechanism) of injury	No Most Frequent Cause	Work Pressure	No Most Frequent Cause
Most expensive cause (mechanism) of injury	Fall from same level	Work Pressure	Sprain/ Strain

\* Treasury & Finance data only. Previous years have included Electorate Offices information that is no longer included in this report.



## Appendix 5 – Disability Action Plan

This appendix details the performance of the department against the five outcome areas of the whole of government policy “Promoting Independence – Disability Action Plans for South Australia”:

### OUTCOME 1 – ACCESS TO SERVICES

*Portfolios and their agencies are to ensure access to their services to people with disabilities*

In Super SA, the customer service area counter and interview area have been adjusted to allow wheel chair access. Where members are unable to use telephones or computers, all services can be made available to them in person in the Member Service Centre.

All office accommodation moves and refurbishments carried out throughout the year have met the relevant Australian Standards on Access to Premises. In accord with occupational, health, safety and welfare responsibilities, appropriate workplace modifications have occurred to ensure that on an as required basis, the needs of staff with special mobility, sight, speech or hearing needs are met.

Super SA makes its annual statements and other member information available in formats that can be read by reading software for visually impaired members. In addition, Super SA is now using a Customer Relationship System, which enables it to record the special needs of members. This is visible to Member Services staff each time the member contacts Super SA and enables appropriate services to be provided.

Where people have mental health disabilities, Super SA works closely with appointed guardians to administer superannuation, permanent disablement insurance, and income protection.

Emergency evacuation procedures for the department, as per the State Administration Centre Emergency Procedures, are inclusive of people with disabilities. The Metropolitan Fire Service and other key emergency service providers have been consulted with regard to these procedures.

Security access upgrades to the State Administration Building have considered issues related to access and exit for the disabled and included the installation of a new wingstile for wheelchair access.

### OUTCOME 2 – INFORMATION IS INCLUSIVE

*Portfolios and their agencies ensure that information about their services and programs is inclusive of people with disabilities*

The Department's Internet site is currently designed according to the prevailing standards for accessibility for people with disabilities.

In RevenueSA, their circulars and magazine, *Perspectives*, are screened and edited to ensure that they are inclusive of people with disabilities.

The Human Resources Section continues to support, provide advice and information in recruitment processes to ensure that there are no inappropriate practices that will impact on persons with disabilities. Liaison continues to occur with the Disability Recruitment Coordination Service as required.

The ongoing education of managers occurs on a case-by-case basis and through circulation of information provided by the Office for the Commissioner of Public Employment and Equal Opportunity Commission and where relevant, this is published on the department's Intranet.

### OUTCOME 3 – DISABILITY AWARENESS

*Portfolios and their agencies deliver advice or services to people with disabilities with awareness and understanding of issues effecting people with disabilities*

RevenueSA has conducted training as part of its managing diversity strategy, which includes working with people with disabilities.

Regular meetings of this department's Occupational Health and Safety Committee are held which includes addressing access to services by evaluating potential hazards to the department's employees and its clients.

### OUTCOME 4 – CONSULTATION AND COMPLAINTS PROCESS

*Portfolios and their agencies provide opportunities for consultation with people with disabilities concerning service delivery and in the implementation of complaints and grievance mechanisms*

Super SA customers are surveyed regularly about a range of issues. There is also an established mechanism

## APPENDICES

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for customers to provide feedback to Super SA. Members have the option to make formal complaints or appeals to the Board of Super SA.

In RevenueSA, a customer feedback mechanism has been put into place to allow for consultation with customers regarding standards of service delivery.

### OUTCOME 5 – COMPLIANCE WITH RELEVANT ACTS

*Each Portfolio Chief Executive will ensure that their portfolio has met the requirements of the Disability Discrimination Act 1992 and the Equal Opportunity Act 1994*

The departments' existing Disability Action Plan is framed to ensure that the department meets the requirements of the *Commonwealth Disability Discrimination Act 1992* and the *SA Equal Opportunity Act 1984* and is reviewed on a yearly basis.

The development and review of any departmental policies and procedures is cognisant of ensuring that no unreasonable processes or requirements are instituted which would exclude the participation of or access to disabled people in the department's employment, facilities, or provision of services and information and will take into consideration the varying needs of people with disabilities.

The department also continues to ensure that its workplace facilities, technology, work practices, and services are devoid of barriers to participation, and are sufficiently flexible and adaptable to readily meet the needs of people with special mobility, sight, speech and hearing needs.

### Appendix 6—Boards and Committees Administered by Department of Treasury and Finance as at 30 June 2003

- Distribution Lessor Corporation
- Electricity Industry Superannuation Board
- Essential Services Commission of SA
- Generation Lessor Corporation
- Parliamentary Superannuation Board
- Police Superannuation Board
- RESI Corporation
- South Australian Asset Management Corporation (SAAMC)
- South Australian Government Captive Insurance Corporation (SAICORP)
- South Australian Government Financing Authority (SAFA)
- South Australian Superannuation Board
- Southern Group Insurance Corporation Ltd
- Transmission Lessor Corporation
- XTAB Pty Ltd



## Appendix 7 – Use of Consultants

Note: Payments to consultants include amounts paid and payable at 30 June 2004

Controlled			
Consultant	Purpose of Consultancy	No	Total \$
<b>Value below \$10 000</b>			
Various	Various	13	46 474
<b>Value \$10 000 – \$50 000</b>			
Equity and Advisory Ltd	Advisory services for new Women's Prison		
Pricewaterhouse Coopers Securities Ltd	Tax advice on payment to specific gas entities		
	Advisory services for new Women's Prison/Youth Detention Centre		
SA Centre for Economic Studies	Review report on HomeStart Finance		
Trudy Coad Consulting	Review of over the counter collections		
		4	70 843
<b>Value Above \$50 000</b>			
Access Economics Pty Ltd	Quantitative medium to longer term modelling of South Australian Government's finances in the context of demographic change		
Charles River Associates (Asia Pacific) Pty Ltd	National Electricity Market Short Term Forward Market Analysis		
	Analysis of Envestra Capital and Operating Costs		
	Ministerial Council for Energy policy analysis assistance		
	Provision of advice for Origin Energy price applications		
Connell Wagner Pty Ltd	Advisory services for State Aquatic Centre		
KPMG	Advisory services for SAPOL/Courts Administration Authority		
	Provision of technical advice for Gas Full Retail Competition		
	Provision of technical advice for Electricity Transfer Rebate		
	Provision of technical advice for Electricity Full Retail Competition		
Leadenhall Australia Ltd	Advisory services for Adelaide Entertainment Centre		
Savant Pty Ltd	Advisory services for Supreme Court		
		6	1 660 426
<b>Total</b>		<b>23</b>	<b>1 777 743</b>
Administered Items			
Consultant	Purpose of Consultancy	No	Total \$
<b>Value below \$10 000</b>			
		1	513
<b>Value \$10 000 – \$50 000</b>			
		0	0
<b>Value Above \$50 000</b>			
Ferrier Hodgson	Professional services with respect to commercial advice on the National Wine Centre in relation to its operations		406 151
		1	406 151
<b>Total</b>		<b>2</b>	<b>406 664</b>



## APPENDICES

### Appendix 8 – Freedom of Information Statement

Freedom of Information Act 1991, (FOI Agency G298)

#### INTRODUCTION

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

#### SECTION 1 – STRUCTURE AND FUNCTIONS

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

#### SECTION 2 – HOW THE AGENCY'S FUNCTIONS AFFECT MEMBERS OF THE PUBLIC

The department's functions affect the public through its support of the development and implementation of the Government's budget strategy, the provision of whole of government financial management support services, policy advice and infrastructure reform and direct service delivery in areas such as state taxation and the administration of superannuation schemes.

#### SECTION 3 – ARRANGEMENTS FOR PUBLIC PARTICIPATION IN POLICY FORMULATION

The public are able to participate in policy development in a number of ways including through community consultation, membership of government boards and committees and consultation with representatives of interest groups on particular policy issues.

#### SECTION 4 – DESCRIPTION OF THE KINDS OF DOCUMENTS HELD BY TREASURY AND FINANCE

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

- (a) department files (known as dockets), official files containing correspondence on all aspects of the department's operations
- (b) taxation documents including applications and returns required for the purpose of administering State Taxation legislation
- (c) accounting records including monthly and quarterly financial statements, and the Treasurer's annual financial statements and accounts

- (d) lottery and gaming files including applications, financial statements and other general correspondence concerning the administration of the *Lottery and Gaming Act, 1936*
- (e) personnel files relating to Treasury and Finance employees
- (f) superannuation files relating to the administration of member superannuation benefits
- (g) Treasurer's Instructions<sup>1</sup>
- (h) Treasury circulars and RevenueSA Circulars<sup>1</sup>
- (i) publications/papers/reports
- (j) actuarial files
- (k) procedure manuals.

<sup>1</sup> Available on the Internet at [www.treasury.sa.gov.au](http://www.treasury.sa.gov.au)

#### SECTION 5 – MAKING AN APPLICATION

Applications under the FOI Act, either for access to information or to amend official records about personal affairs, must be made in accordance with the requirements of the act, details of which can be found at [www.archives.sa.gov.au](http://www.archives.sa.gov.au) or by contacting:

The Accredited FOI Officer  
Department of Treasury and Finance  
GPO Box 1045  
ADELAIDE SA 5001  
Telephone 8226 9500

#### WHERE TO INSPECT DOCUMENTS

With the exception of RevenueSA circulars, documents available free of charge or for purchase are available for inspection at:

Level 3, State Administration Centre  
200 Victoria Square  
ADELAIDE SA 5000  
Telephone 8226 9500  
9.00 am to 5.00 pm Monday to Friday.

RevenueSA circulars may be inspected during the same hours at:

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





## Appendix 9 – Overseas Travel 2003–04

Destination	Number of Employees	Reason for Travel	Travel Costs \$
United Kingdom	1	To investigate policies, practices, outcomes and lessons learnt in procuring Police Stations in the UK under PPP procurement model	10 787
London, Munich, Singapore	1	To arrange the Government's catastrophe reinsurance arrangements with various reinsurers	6 692
London, New York, Boston, Los Angeles	4	Primary focus on the world economic situation, capital markets, funds management and the State's credit rating	58 673
Frankfurt, Barcelona, Washington, New York	1	To attend the Deutsche Bank International Investment Mission 2003	17 185
Hong Kong, Tokyo	1	To visit SAFA's Global Debt Instrument Program Dealers and attend the Capital Markets Conference	2 729
Hong Kong	1	To address the Hong Kong Institute of Surveyors 20th Anniversary Conference regarding developments in Public Private Partnerships in Australia	3 109
Tokyo, Paris, Munich, and London <sup>1</sup>	2	To meet with major South Australian corporate investors, major defence contractors and key influencers and policing providers	4 335
Tokyo <sup>2</sup>	1	To attend meetings with Mitsubishi	6 800
<b>TOTAL</b>	<b>12</b>		<b>110 310</b>

<sup>1</sup> The cost shown does not include airfares as the Department of Business Manufacturing and Trade and SAPOL met these.

<sup>2</sup> This cost was paid by Department of Treasury and Finance and fully reimbursed by Department of Business, Manufacturing and Trade.

## APPENDICES

### Appendix 10 – Revenue Collections by RevenueSA

	2001–02		2002–03		2003–04	
	Number of Taxpayers/ Transactions	Amount \$	Number of Taxpayers/ Transactions	Amount \$	Number of Taxpayers/ Transactions	Amount \$
<b>Debits Tax</b>		58 784 749		58 425 194		59 900 770
<b>Financial Institutions Duty</b>						
Financial Institutions	129	9 399 492	2	(296)	–	–
Short Term Money Market Operators	55	938 303	3	1 500 048	–	–
Exempt-Charitable Organisations Accounts	–	–	–	–	–	–
<b>Total Financial Institutions Duty</b>		10 337 795		1 499 752		–
<b>Land Tax</b>	68 891	141 573 301	76 481	159 217 174	96 256	199 781 186
<b>Payroll Tax</b>	7 207	754 124 597	10 422	782 885 428	8 108	855 730 676
<b>Stamp Duty</b>						
Adhesive Stamps		565 507		586 598		679 054
Annual Licences (Insurance)		164 186 398		193 412 115		205 942 850
Applications to Register or Transfer Motor Vehicles		114 463 436		126 438 707		138 972 121
Cheques		3 811 899		3 180 403		3 437 812
Conveyance of Property on Sale		357 957 734		440 241 896		585 015 020
Conveyance of Shares on Stock Exchange <sup>1</sup>		1 042 676		609		36
Conveyance of Shares (Excluding Stock Exchange)		2 919 472		14 890 518		16 018 895
Hospital Fund MV Third Parties		52 932 367		53 531 328		54 203 116
Insurance Effected Outside SA		8 775 622		10 450 317		8 851 154
Leases		2 256 230		1 950 298		2 453 790
Mortgages		44 405 859		53 365 330		77 917 140
Rental Business		15 520 648		14 525 884		16 146 153
Voluntary Conveyances of Property		2 580 730		3 290 901		4 745 040
Other		188 347		731,469		6 240 921
Less Refunds, Commissions etc		–		–		–
<b>Total Stamp Duty</b>		771 606 925		916 596 373		1 120 623 102
<b>Contribution from small lotteries</b>	8 228	868 812	8 178	972 894	7 755	1 064 272



## Appendix 10 – Revenue Collections by RevenueSA (continued)

	2001–02		2002–03		2003–04	
	Number of Taxpayers/ Transactions	Amount \$	Number of Taxpayers/ Transactions	Amount \$	Number of Taxpayers/ Transactions	Amount \$
<b>Mirror Taxes</b>						
Debits Tax		175 013		403 369		413 781
Land Tax		542 931		592 419		704 991
Payroll Tax		4 678 220		13 701 219		14 974 329
Conveyance of Property on Sale		381 678		263 252		755 248
Leases		60 411		181 874		228 957
Rental Business		147 264		373 987		415 703
<b>Total Mirror Taxes</b>		5 985 517		15 516 120		17 493 009
<b>Emergency Services Levy (Fixed Property)<sup>2</sup></b>						
ESL Payments		49 921 103		52 437 058		57 392 124
Remission & Concession		57 119 450		65 843,104		70 316 753
<b>Total ESL</b>		107 040 553		118 280,162		127 708 877
<b>Total RevenueSA Collections</b>		1 850 322 249		2 053 393 097		2 382 301 892

<sup>1</sup> Stamp Duty on Conveyance of Shares on Stock Exchange was abolished as at 1 July 2001. Amendments have been made to reflect the correct distribution in 2001–02 of Conveyance of Shares on Stock Exchange and Conveyance of Shares (Excl. Stock Exchange). In addition, two large one-off transactions occurred in 2003–04.

<sup>2</sup> Variations between the amounts reported as Emergency Services Levy by RevenueSA and those reported in the Budget Results 2002–03 for Community Emergency Services Fund are mainly due to timing differences in payments into the Community Emergency Services Fund. Prior to 2002–03, global ESL payments in respect of Crown Land were recorded as part of the Remission and Concession" line rather than as ESL payments.

## APPENDICES

### Appendix 11 – Energy Efficiency Report

Performance Against Annual Energy Use Targets			
	Energy Use (GJ)*	Expenditure (\$) <sup>1</sup>	GHG Emissions (Tonnes CO <sub>2</sub> ) <sup>1</sup>
<b>Base Year 2000–01</b>			
DTF	5 767	217 751	
Electorate Offices	2 110	87 605	
Portfolio Total	7 877	305 357	2 048
<b>Report Year 2002–03</b>			
DTF	5 598	235 305	
Electorate Offices	2 045	91 906	
Portfolio Total	7 643	327 211	1 987
Note: During the 2002–03 year, the energy use data for the base year was reviewed. Errors were identified in the previously reported data. The correct figures are presented in this report			
<b>Report Year 2003–04</b>			
DTF	4 868	232 877	
Electorate Offices	2 027	92 913	
Portfolio Total	6 895	325 790	1793
Portfolio Target 2003–04 <sup>2</sup>	7 562		
Portfolio Target 2010 <sup>3</sup>	6 695		

<sup>1</sup> Calculated on the following assumptions

- CO<sub>2</sub> Intensity 260kg per Gigajoule (GJ)
- 3.6 megajoule(MJ) per KWhr.
- 1000 MJ per GJ

<sup>2</sup> Based on a 4% reduction from the base year

<sup>3</sup> Based on a 15% reduction from the base year



The energy use of the Department of Treasury and Finance is limited to light and power in leased premises in the central business district of Adelaide. The major building used is the State Administration Centre (SAC).

The Electorate offices are scattered throughout the State and generally comprise leased small shops in urban complexes where there are limited opportunities for energy savings.

The departmental energy use is approximately 0.3% of the total energy use of the Government in South Australia. Fluctuations in energy use are likely on a year to year basis as individual branches expand or reduce their office requirements.

### **Energy Management Activities**

The 2003–04 year saw the impact of the change in automatic lighting times for the SAC. The reduction in energy use for the department is largely due to this initiative.

During the year a number of energy management actions were undertaken by the Department of Treasury and Finance:

- participating in the cross government Energy Efficiency Reference Group
- undertaking a trial of timers to automatically turn off printers and photocopiers outside of normal working hours
- providing information to staff on energy saving initiatives for both work and home
- investigating options for reducing the power consumption of computer equipment.

## FOR MORE INFORMATION

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### Contact Details

Department of Treasury and Finance

State Administration Centre

200 Victoria Square

Adelaide, South Australia 5000

GPO Box 1045 Adelaide SA 5001

DX56205

Telephone (08) 8226 9500

Facsimile (08) 8211 7755

[www.treasury.sa.gov.au](http://www.treasury.sa.gov.au)

[www.statebudget.sa.gov.au](http://www.statebudget.sa.gov.au)

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