

TD 69/90



The Treasury of South Australia

**ANNUAL REPORT
1989/90**

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CHAPTER I

STRUCTURE OF DEPARTMENT

The structure of the department reflects the programs which it administers. These are as follows -

PROGRAM	BRANCH
Provision of budgetary and economic advice.	Budget, Capital Works, Economic.
Maintenance and development of accounting policies.	Accounting, Systems.
Administration and enforcement of State taxation legislation.	State Taxation.
Management of State Government borrowing and investment activities.	SAFA
Administration of superannuation schemes.	Superannuation Corporate Services.
Management of superannuation fund investment activities.	SASFIT
Provision of actuarial advice	Public Actuary.
Support Services.	Corporate Services, Executive Management.

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

The essential functions of the Budget Branch are to advise the Treasurer and Cabinet on appropriate revenue, expenditure and borrowing targets, to provide analysis of agency budget bids and spend-

ing bids outside the Budget process, to coordinate the preparation of the State budget and to report regularly to the Treasurer during the year on progress against budget targets. In addition, the Budget Branch has an important role to play in advising on developments in Commonwealth-State financial relationships, which have a major impact on the South Australian budget.

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

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

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

The main function of the Accounting Policy & Systems Branch is to ensure that the Treasury Accounting System is progressively modified to accommodate the latest enhancements and to educate departments to use the system to its full capability. It is also the responsibility of the branch to advise on the implications for Government accounting of other major systems developments within the Government and to coordinate the development of systems within Treasury. Pri-

mary responsibility for accounting policy issues resides with the Accounting Policy & Systems Branch but the Accounting Branch also contributes towards the development of accounting policy.

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

The SAFA Branch has two main responsibilities:-

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

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

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

The SASFIT Branch is required to manage, control and invest the funds of the South Australian Superannuation Fund in accordance with the directions provided by the trustees of the South Australian Superannuation Fund Investment Trust. The Branch is also required to manage the Police Pensions Fund pursuant to the provisions of the Police Superannuation Act.

The Public Actuary's Branch provides actuarial

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

The main function of the Corporate Services Branch, is to provide a service to all other sections of the Department on matters such as accommodation, supply, transport, keyboard and reception, correspondence and personnel. In addition, the Branch provides a Ministerial office service to the portfolios of the Treasurer and Minister of Finance by handling matters relating to the administration of certain Acts such as the Unclaimed Moneys Act, the Lottery and Gaming Act and the Rural Advances Guarantee Act and by facilitating dealings between the Ministers and the major statutory authorities for which they are responsible.

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

The Branch regulates the conduct of small lotteries under the Lottery and Gaming Act and collections undertaken pursuant to the Collections for Charitable Purposes Act.

Table I shows expenditure incurred by each branch during 1989/90.

Table II shows the number of officers employed in each branch of Treasury in each month of 1989/90.

Table 1: ACTUAL 1989/90 EXPENDITURE BY BRANCH

BRANCH	SALARIES AND RELATED PAYMENTS	GOODS AND SERVICES	BRANCH TOTAL
	\$	\$	\$
Executive Management	280,940	28,512	309,452
Accounting Operations	533,567	1,221,759	1,755,326
Administration	528,166	1,629,165	2,157,331
Budget	1,037,373	152,008	1,189,381
Capital Works	247,331	12,434	259,765
Economic Branch	168,033	28,592	196,625
Public Actuary	465,396	296,380	761,776
Public Sector Superannuation Unit	148,930	31,765	180,695
Superannuation	702,134	409,332	1,111,466
Accounting Policy and Systems	701,886	259,889	961,775
State Taxation Office	3,936,490	1,381,913	5,318,403
SAFA	2,418,674	4,586,089	7,004,763
SASFIT	559,441	177,820	737,261
Small Lotteries	109,809	169,111	278,920
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Departmental Total	11,838,170	10,384,769	22,222,939
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Source of Funds

Appropriated from Consolidated Account	14,201,995
SAFA Deposit Account	7,004,763
SASFIT Deposit Account	737,261
Treasury Working Account	278,920

Notes

1. Administration - Salaries and Related Payments - includes \$ 160,993 for Terminal Leave.
2. Administration - Goods and Services - includes \$ 1,426,775 for Accommodation and Services.
3. Accounting Operations - Goods and Services - includes \$ 1,030,527 for ADP Expenditure.
4. Accounting Policy and Systems - Goods and Services - includes \$ 27,336 for ADP Expenditure.

Table 2 : Treasury Department Employment Statistics 1989/90

DIVISION/ BRANCH/SECTION	Average F.T.E.		Full Time Equivalents												FTE Target For 30/6/90
	Budget	Actual	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
TREASURY OFFICE -															
Executive Managment . . .	6.0	6.4	6.0	6.0	6.0	6.0	6.0	6.0	6.0	7.0	7.0	7.0	7.0	7.0	6.0
Accounting Operations . .	16.5	15.8	15.5	15.5	15.5	15.5	15.5	15.5	14.5	16.5	16.5	16.5	16.5	16.5	17.5
Administration	14.0	13.2	14.0	15.0	16.0	14.0	15.0	14.0	12.0	11.0	11.0	12.0	12.0	12.0	14.0
Budget	25.5	23.7	21.0	20.0	21.0	22.0	22.0	23.0	24.0	25.0	25.0	25.0	28.0	28.0	28.0
Capital Works	7.0	5.6	6.0	6.0	6.0	5.0	5.0	5.0	6.0	6.0	5.0	5.0	6.0	6.0	7.0
Economic Branch	4.5	3.8	4.5	4.5	4.5	4.5	4.5	3.5	4.5	2.5	2.5	3.5	3.5	3.5	4.5
Public Actuary	10.0	9.5	10.0	10.0	10.0	10.0	10.0	10.0	10.0	8.8	8.8	8.8	8.8	8.8	10.0
Superannuation	26.2	23.9	25.0	25.0	25.0	23.0	23.0	22.0	23.0	23.0	24.0	24.0	24.6	25.6	25.0
Public Sector															
Superannuation	4.0	5.3	4.0	4.0	4.0	4.0	5.0	6.0	5.0	5.0	6.0	6.0	7.0	7.0	4.0
Accounting Policy and Systems	20.3	17.1	12.0	12.0	12.0	13.0	13.0	13.0	13.0	23.0	23.0	23.0	24.0	24.0	28.0
SUB-TOTAL	134.0	124.3	118.0	118.0	120.0	117.0	119.0	118.0	118.0	127.8	128.8	130.8	137.4	138.4	144.0
STATE TAXATION . . .	136.6	136.6	136.3	136.3	133.3	132.9	135.1	139.1	134.1	137.5	135.1	138.5	140.1	140.7	136.6
SUB-TOTAL	270.6	260.9	254.3	254.3	253.3	249.9	254.1	257.1	252.1	265.3	263.9	269.3	277.5	279.1	280.6
DEPOSIT FUNDED															
S.A.F.A.	52.7	55.7	55.0	54.0	56.0	56.0	55.0	57.0	55.0	57.0	55.2	54.2	56.2	57.2	52.7
S.A.S.F.I.T.	8.0	11.0	9.0	9.0	9.0	9.0	11.0	11.0	12.0	12.0	13.0	13.0	12.0	12.0	8.0
Small Lotteries	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
TOTAL F.T.E.	334.3	330.6	321.3	320.3	321.3	317.9	323.1	328.1	322.1	337.3	335.1	339.5	348.7	351.3	344.3
GOODS & SERVICES															
Casino Supervisory															
Authority	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.4
Programmers															
State Computing	3.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	3.0
TOTAL	338.7	333.1	323.8	322.8	323.8	320.4	325.6	330.6	324.6	339.8	337.6	342.0	351.2	353.8	348.7

MINISTERIAL PORTFOLIO RESPONSIBILITIES OF THE TREASURER

STATE BANK OF SA

Provide Savings and Trading Bank service to the community. As the Treasurer's agent, administer certain Acts providing loans for particular purposes.

SA GOVERNMENT FINANCING AUTHORITY

Act as a central borrowing authority for the SA Public Sector. Engage in other activities relating to the finances of the Government and semi-Government authorities.

LOTTERIES COMMISSION OF SA Promote and conduct lotteries.

STATE GOVERNMENT INSURANCE COMMISSION

Undertake general and life insurance business. Operate the Compulsory Third Party (Bodily Injury) Scheme.

ACTS ADMINISTERED BY THE TREASURER

- . Amending Financial Agreement Acts 1944 & 1966
- . Appropriation Acts
- . Financial Agreement Act 1927
- . Government Financing Authority Act 1982
- . Governors' Pensions Act 1976
- . Judges' Pensions Act 1971
- . Lottery & Gaming Act 1936
- . Public Finance and Audit Act 1987
- . State Bank of South Australia Act 1983
- . State Government Insurance Commission Act 1970
- . State Lotteries Act 1966
- . Supplementary Financial Agreement (Soldier Settlement Loans) Act 1934
- . Supply Acts
- . Treasurer's Incorporation Act 1949

MINISTERIAL PORTFOLIO RESPONSIBILITIES OF THE MINISTER OF FINANCE

CASINO SUPERVISORY AUTHORITY

Supervise the operation of the licensed casino

SA SUPERANNUATION BOARD

Administer State Superannuation Schemes

SA SUPERANNUATION FUND INVESTMENT TRUST

Manage and invest employee contributions to the SA Superannuation Fund

ACTS ADMINISTERED BY THE MINISTER OF FINANCE

- . Advances to Settlers Act 1930
- . Benefit Associations Act 1958
- . Business Franchise (Petroleum Products Act 1979
- . Casino Act 1983
- . Collections for Charitable Purposes Act 1939
- . Financial Institutions Duty Act 1983
- . Friendly Societies Act 1919
- . Gift Duty Act 1968
- . Homes Act 1941
- . Housing Loans Redemption Fund Act 1962
- . Interest on Crown Advances & Leases Act 1944
- . Land Tax Act 1936
- . Loans for Fencing & Water-Piping Act 1938
- . Loans to Producers Act 1927
- . Parliamentary Superannuation Act 1974
- . Pawnbrokers Act 1888
- . Pay-Roll Tax Act 1971
- . Police Superannuation Act 1990
- . Rural Advances Guarantee Act 1963
- . Stamp Duties Act 1923
- . Student Hostels (Advances) Act 1961
- . Succession Duties Act 1929
- . Superannuation Act 1988
- . Taxation (Reciprocal Powers) Act 1989
- . Tobacco Products (Licensing) Act 1986
- . Unclaimed Moneys Act 1891

LEGISLATIVE MEASURES 1989/90

Appropriation Act 1989 (57/89)

Gave effect to the Government's budget proposals for 1989/90.

Assented to: 26/10/89

Date of operation: 1/7/89

Land Tax Act Amendment Act 1989 (48/89)

Reduced rates of tax and provided for rebates of tax for 1989/90. The amendments also provided for lessees of shack sites to come within the class of persons deemed to be "owners" for the purposes of the Land Tax Act.

Assented to: 31/8/89

Date of Operation: 30/6/89

Payroll Tax Act Amendment Act 1989 (46/89)

Extended exemption for Australian Traineeship System trainees and raised the exemption levels.

Assented to: 31/8/89

Date of Operation: 1/7/89

Police Superannuation Act (39/90)

This Act repealed the Police Pensions Act 1971. The Act closed the existing Pension Scheme to new entrants and re-structured the scheme. A new lump sum scheme was also established for new police officers.

Assented to: 10/5/90

Date of operation: 1/6/90

Stamp Duties Act Amendment Act (No 2) 1989 (52/89)

To counter avoidance and raise the first home stamp duty exemption from \$50,000 to \$80,000 and to raise the exemption level for rental duty from \$15,000 to \$24,000.

Assented to: 14/9/89

Date of operation: S 3 & 7 - 9/8/89
S 4 & 5 - 1/10/89
Remainder - 21/9/89

Stamp Duties Act Amendment Act (No 3) 1989 (64/89)

Provided for the introduction of a heavy commercial trailer fee of \$150 without loss of stamp duty revenue and extended the period of time from 30 days to 90 days in which a refund can be made of stamp duty paid on the Registration or Transfer of Registration of a motor vehicle (where the vehicle is returned to the dealer from whom it was acquired).

Assented to: 29/10/89

Date of operation: 28/3/90

Stamp Duties Act Amendment Act 1990 (4/90)

Provided that an instrument that is executed conditionally by one or more parties is liable to duty as if it had been executed unconditionally.

Assented to: 29/3/90

Date of operation: on assent

Stamp Duties Act Amendment Act (No 2) 1990 (33/90)

Provided additional concessions for taxpayers in the area of the registration or transfer of the registration of motor vehicles, and also made amendments in the area of contract splitting.

Assented to: 26/4/90

Date of operation: on assent

Stamp Duties Act Amendment (No 3) (36/90)

Provided amendments in relation to the acquisition of interests in private companies or schemes.

Assented to: 3/5/90

Date of operation: 24/5/90

Superannuation Act Amendment Act (No 2) 1989
(54/89)

Protected the main State Scheme from Commonwealth Superannuation tax. The fund supporting the scheme is protected from tax in terms of Sec 114 of the Commonwealth Constitution.

Assented to: 19/10/89

Date of operation: on assent

Supply Act (No 2) 1989 (44/89)

Provided appropriation to enable the Public Service to carry out its normal functions during the months of September and October 1989.

Assented to: 31/8/89

Date of operation: on assent

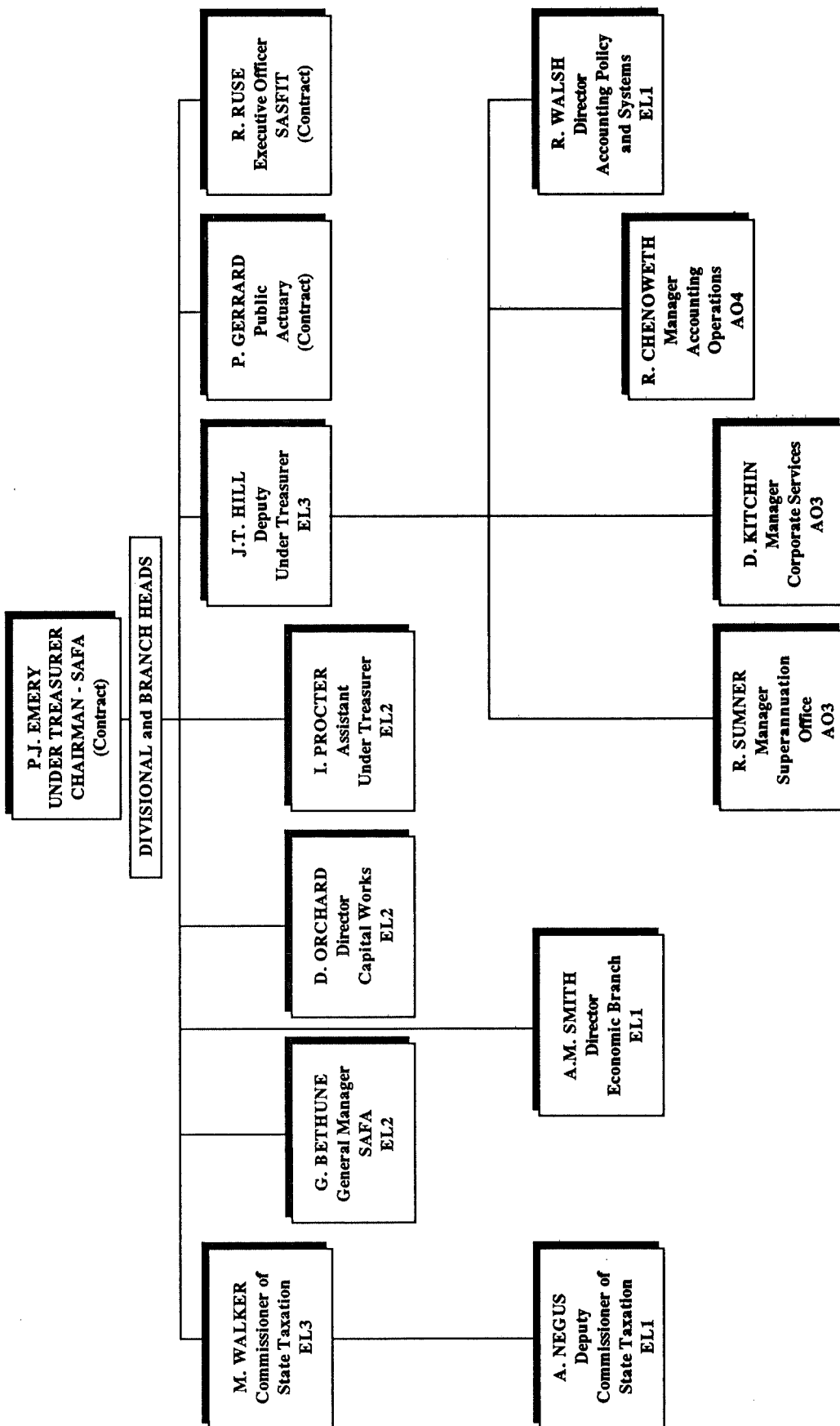
Supply Act (No 1) 1990 (3/90)

Provide appropriation to enable the Public Service to carry out its normal functions during the early months of the 1990/91 financial year.

Assented to: 29/3/90

Date of operation: on assent

TREASURY DEPARTMENT ORGANISATION - 30 JUNE 1990



CHAPTER II

FINANCIAL AND ECONOMIC OVERVIEW

ECONOMIC OVERVIEW

(a) International

International economic developments have a major influence on the performance of the South Australian and Australian economies. Conditions have been favourable to Australia during the past year with growth in the OECD and East Asian economies slowing somewhat but remaining at sound levels. This kept commodity prices, and hence Australia's terms of trade at good levels although some downturn occurred through the first half of 1990.

In the Australian autumn there were fears that the global economy might face a period of weak growth. The USA had been running a tight monetary policy designed to suppress inflationary pressures and then in March the Japanese authorities imposed a monetary squeeze to take the steam out of property and equity prices which were at extremely high levels. Any sharp slowdown would have significantly weakened commodity prices and the Australian dollar.

Since then, those fears have mainly dispersed, although other uncertainties remain. Japan's measures to fight inflation proved less draconian than was at first feared and the US has moderated its monetary policy as its economy has started to slow.

Long-term interest rates rose in the major OECD countries between September 1989 and June 1990. The largest rises were in Germany and Japan. The unanticipated developments in Eastern Europe, particularly the prospect of German reunification, were key factors behind the rise of German rates. Japanese rates were raised with the aim of checking inflation and shoring up the Yen, which had depreciated in defiance

of Japan's large trade surplus. These effects fed through to the US, but rates there rose to a lesser degree. The monetary stance in the US was already firm and the Federal Reserve allowed the dollar to depreciate rather than take the chance of pushing the US economy into recession.

The OECD's mid 1990 projections are for growth in its member countries of 2.9% in 1990 and 1991, falling from 3.6% in 1989. Growth in Japan is forecast at 4.7% for 1990, and for Germany at 3.6%. The USA appears to be in for the softest of landings according to the OECD with 2.3% growth in 1990, down from 3% in 1989. More recently, some forecasters have become more bearish, predicting growth of less than 2%, but weakness there may be offset by greater than forecast growth in Japan and Germany.

Inflation is forecast to stabilise at around 4.4% in the OECD area during 1990 and 1991, based on private consumption deflators. Growth in business investment is forecast to fall significantly from the high levels of 1988 and 1989, but the capital stock should continue to grow at reasonable levels. With most economies running at high levels of capacity utilisation, this moderate growth in the capital stock limits the scope for boosting growth in the medium term.

World trade is forecast to grow by 6-7% in volume terms during 1990 and 1991. A protectionist backlash in the United States against Japan and the industrialising Asian economies would prevent this, but that danger seems to have abated at present.

The Uruguay round of the GATT will be completed late this year. Despite intensive lobbying from the United States and the Cairns Group of nations (chaired by Aus-

tralia) to break the impasse on agricultural protection, the European Community continues to oppose the idea of reducing protection significantly.

The United States budget and trade deficits remain an area of concern. President Bush has recently taken steps to resolve the budget blow-out problem, reneging on his promise of no tax increases. The task he faces, however, has been made much more difficult by the huge dimension of the financial problems of the US savings and loan industry and the fear the significant spending cuts or higher taxation could push the US economy into recession.

Outside the OECD, political developments in Eastern Europe have taken the world by surprise. With the exception of East Germany, progress towards market economies is likely to be slow for the Eastern bloc countries as huge institutional and structural changes will be required, along with substantial investment.

The Third World Debt Crisis has receded as a threat to the stability of the international financial system, although there remains a heavy burden on some debtor countries.

Given the slower growth forecast for the domestic Australian economy during 1990-91, it is helpful that economic growth in our trading partners is forecast to be strong enough to maintain the prices of most of our main export commodities at reasonable levels. However, the recent Middle Eastern developments have produced a very sharp rise in the price of oil. If a cutback in OPEC production and hence higher prices are maintained for a significant period there will emerge a risk of stagflation in the US economy (ie lower economic growth combined with rising inflation). This would also impact on other key industrial economies who are heavily dependent on imported oil and if sustained could result in a deterioration in international economic conditions in 1990-91.

(b) National

Australia's Gross Domestic Product (GDP) during 1989-90 was 3.3% higher in real terms than in 1988-89. Private consumption spending rose by 4.2%, but private capital spending fell by 3.9% with falls in dwelling and equipment outweigh-

ing a slight rise in non-dwelling construction. Government capital spending rose 3.9% and consumption spending 2.2%.

Exports rose 6.1% in real terms during 1989-90, while imports rose by 3.6%.

The slowing in Australia's economic growth rate under the weight of tight monetary policy through the year, however, can be seen by comparing seasonally adjusted data for the six months to June 1990 with the previous six months. This shows GDP growth dropping slightly to an annualised rate of 3%, but domestic spending falling at an annual rate of 0.9% due to a 17% annualised decline in private capital spending. Exports rose 13% and imports fell 8% over this period.

After rising by 24% in the two years to 1988-89, Australia's terms of trade fell by 2.3% during 1989-90. This reflected weakening commodity prices, especially in the first quarter of 1990, and a rebound in import prices after a large fall in 1988-89.

The trade weighted index of 61.1 for June 1990 was 2.7% higher than its level of a year earlier. Over the course of 1989-90 the TWI value of the dollar rose to a peak of 60.8 in November, but then fell slightly in the first five months of 1990 before recovering strongly in June. Since the beginning of 1989-90 the Australian dollar appreciated moderately against the United States Dollar and sharply against the Japanese Yen, but depreciated strongly against the West German Mark and by 6% against the UK Pound.

Australia's current account deficit for 1989-90 was \$21.2 billion, exceeding the Commonwealth budget estimate of \$18.5 billion and 19% higher than the deficit for 1988-90. As a proportion of GDP the current account deficit rose to 5.9% of GDP for the first 9 months of 1989-90, compared with 5.0% for the same period of 1988-89.

In 1989-90 the merchandise trade deficit was more than \$4.1 billion, an increase of 4% on the previous year. Merchandise exports rose 8.8% during 1989-90, slightly more than the 8.4% rise in imports, but the trade gap still widened as imports were increasing from a higher base. Non-rural exports rose 17% but rural exports fell 6%

due to a 38% decline in wool exports. The net services deficit rose to \$3.7 billion during 1989-90, 24% higher than during 1988-89. The net income and transfers deficit rose 23% to \$13.4 billion over the year. This reflected an increase in servicing costs of Australia's growing foreign debt.

Australia's net foreign debt was \$124.5 billion at the end of June 1990, 13% higher than a year earlier. The ratio of net foreign debt to GDP rose to 33.8% from 32.6% in 1988-89. The ratio of interest payable on net foreign debt rose to 19.8% of the income earned from exports of goods and services from 17% in 1988-89.

Australia's recent strong employment growth continued during 1989-90 with average employment for the year 3.8% higher than in 1988-89. There was a significant slowing in employment growth during the March quarter 1990, but this was followed by a surprisingly strong rebound in the June quarter. Australian participation rates continued to climb strongly during 1989-90, while the unemployment rate dropped from an average of 6.6% in 1988-89 to 6.2% in 1989-90. The weakening in employment growth during the March quarter, along with further increases in participation led to a rise in unemployment in the second half of 1989-90 of about 0.5 percentage points.

The Federal Budget finished 1989-90 in surplus by \$8.029 billion, about \$1.1 billion lower than was forecast. The actual result represented 2.2% of GDP, up from 1.8% in 1988-89. Real outlays fell 0.5% while revenues rose 1.4%. The major reason for the budget surplus not reaching its forecast level was lower than expected tax revenues from non-PAYE individuals, superannuation, sales tax and crude oil and LPG excise. This offset greater-than-expected revenues from company tax after the strong company income growth in the previous year (which is the basis for most revenues).

(c) South Australia

The South Australian economy again performed reasonably well during 1989-90. The average level of State employment for the year was 3.0% higher than in 1988-89, while the unemployment rate averaged 7.1% for the year compared with 7.9% in

1988-89. This was the lowest financial year average unemployment rate since monthly ABS sample surveys began in 1978. Employment reached new record levels at the end of 1989-90.

Strong employment growth was recorded in manufacturing industry through most of the year. Buoyant new motor vehicle demand throughout Australia boosted employment and output in that important sector. Strong growth was also evident in appliances and equipment employment, although this sector had started to weaken towards the end of the year as the rate of spending growth throughout Australia slowed.

Although recent declines in job advertisement numbers indicate a weaker employment outlook, South Australian advertisements have fallen by the least of any mainland State, admittedly from a relatively lower peak level.

Private dwelling construction in South Australia continued to run at good sustainable levels of activity during 1989-90 while the non-dwelling sector held up well due to large projects such as Myer/REMM and the Entertainment Centre.

Rural production and incomes in the State were boosted by a doubling in the size of the wheat crop from 1988-89's weak level, and also a large increase in barley production. The value of South Australia's mineral production also increased significantly during 1989 calendar year, due mainly to the increasing importance of Olympic Dam output of copper, uranium-oxide and gold. The State's tourism sector also showed strong growth during the year.

The outlook for the South Australian economy in 1990-91 is likely to parallel the expected slowdown in the national economic growth rate. Dwelling construction in the State has held up quite well, buoyed in part by the success of HomeStart. The non-dwelling sector has a weaker outlook, especially once Myer/REMM is completed (expected late in 1990). The major reason of this sector's weakness is a large oversupply of office space. Manufacturing production and retail and wholesale sales activity will be affected by the decline in spending growth throughout Australia, but this will be offset to some extent locally by the Submarine and other de-

fence-related projects. The rural outlook is also less buoyant, with wheat and barley production certain to decline from the near record levels of last financial year and the prices for wheat and wool are also likely to

be substantially weaker. Despite lower economic growth South Australia's performance is likely to be maintained relative to national trends.

CHAPTER III

MAJOR TRENDS AND DEVELOPMENTS

THE BUDGET AND THE ECONOMY

In April 1988 Treasury sought approval to develop program evaluation on a formal basis. It was our view that unless a formal requirement for evaluation and review - with some target dates for achievement built into it - were introduced, most agencies would continue not to adequately assess efficiency and effectiveness in terms of program performance. That would be unfortunate since Program Performance Budgeting and the Treasury Accounting System are not just presentational tools, but conjointly provide a powerful and rational decision-making framework which enables managers to assess program goals and to monitor and report on how well they are being achieved. This is a substantial part of the purpose of PPB and the rationale for much of the investment and effort that has been put into developing the Treasury Accounting System.

During 1989/90 work was undertaken in conjunction with the Office of the Government Management Board on developing a proposal for a systematic approach to program evaluation. This culminated in a minute from the Premier to all Ministers and Chief Executive Officers asking them to evaluate, over a five year period, programs involving at least half of the expenditure of each agency. Review activity will concentrate on whether programs are achieving the outcomes expected of them as well as on the efficiency of their delivery. Agency managers will be responsible for reviewing programs.

The Office of the Government Management Board has the broad oversight of program evaluation. This will help to emphasise that the purpose of review and evaluation is to show whether programs are needed, whether they are effective and whether they are being efficiently delivered. It is not aimed simply at putting further pressure on agency funding. However Treasury will continue to provide support to the Office of the Government Management Board through the training of

staff, advice and comment on evaluation issues and input to the evaluation process at the request of agencies or the direction of government.

Some agencies will find that their program structures as contained in the Program Estimates do not lend themselves to evaluation. This is one sign that the program structures need changing. Treasury will assist agencies to revise their program structures so that they become the basis for evaluation.

In March 1990 the Government undertook a review of the land tax system. The terms of reference of the review were -

"To report to the Government on possible changes to the present method of levying land tax which could be implemented without reducing Government revenues".

The review group which carried out the task was chaired by the Deputy Under Treasurer (Revenue and Operations) and included as members the Commissioner of State Taxation, the Valuer-General, the Dean of the Faculty of Economics and Commerce at the University of Adelaide and the Chairman of the Small Business Corporation. The Executive Officer to the review group was an officer of the Budget Branch.

In addition, the Chamber of Commerce and Industry was invited to form a Reference Group of interested parties which the review group was to consult for their views on possible reform of the land tax system.

The task of the review group was essentially a technical one - to evaluate alternatives to the present method of levying land tax. The group was not required to address more fundamental questions such as whether there should be a land tax and if so what amount of revenue might most appropriately be raised from such a tax.

The review group presented its findings at the end of May in a 160 page report. The Minister of Finance released the report for public comment in June.

A second draft of the discussion paper "Guidelines for the Evaluation of Public Sector Projects" was produced and circulated for further comment from agencies. The comments received were con-

solidated and the paper finalised for printing.

To assist agencies in the evaluation work, a number of seminars were arranged. These were conducted by the Graduate School of Management at the University of Adelaide in conjunction with Branch staff. An introductory seminar on the subject was also presented to Graduate Officers joining the Public Service.

ACCOUNTING

The commercial statutory authorities and the Woods and Forests Department have used accrual accounting for many years. A number of departments have accounted for inventories, plant and machinery and workshop activities on an accrual basis for many years also. However much of the accounting in the public sector is still cash-based.

This does not provide a satisfactory basis for measuring the Government's performance or for assisting the Government to make appropriate decisions. Therefore Treasury is encouraging agencies to introduce accrual accounting concepts.

In the initial stages the primary focus has been on commercial enterprises and major utilities so that the Government and the public can judge the performance of the enterprise or utility against private sector competitors (or potential competitors in the case of monopolies). The Engineering and Water Supply Department and the State Services Department introduced accrual accounting on 1 July 1988 while the Department of Marine and Harbours, the Lands Department and the Public Trustee will adopt the new approach from 1 July 1990.

These agencies now operate through special deposit accounts and are funded from Consolidated Account (if at all) on a net basis only.

The emphasis with non-commercial agencies is not so much to permit comparisons to be made with competitors but to provide a more accurate measure of the resources being consumed in carrying out particular functions. The cash basis of accounting has been justified on the grounds that Parliament appropriates cash to Government to enable it to carry out approved programs. However this approach tends to focus attention on fiduciary stewardship at the expense of stewardship of real resources. Where an agency controls significant levels of real resources (as is often the case) financial statements prepared on a cash basis may understate the cost of providing programs.

This implies that emphasis should be directed to accruing those costs which have a material effect on the costs of programs. Those costs which remain virtually constant from one year to the next and which are met within a short space of time (eg trade debtors and creditors) may not need to be accrued.

There are three major costs which need to be accrued. They are depreciation, superannuation and long service leave.

A start has been made with superannuation in that estimates of accruing costs have been included in departmental accounts for several years. However more remains to be done before the State's accounting treatment of superannuation can be regarded as satisfactory. A similar approach should logically be followed for long service leave. These matters will be pursued in 1990/91.

The introduction of accrual accounting requires that the Government's asset accounting procedures be changed to indicate the level of its investment in assets and the associated depreciation costs. Accordingly the Treasurer has issued Treasurer's Instructions requiring departments to keep asset registers and Treasury has offered to provide systems support to agencies electing to adopt the preferred computer packages. Much of the initial work entailed in developing suitable asset registers was completed this year. However some refinements still need to be made to the registers for some agencies. Once satisfactory asset registers have been developed, departments will be able to produce the valuation and depreciation information required for accrual accounting for assets. Increased attention will be directed to these aspects during 1990/91.

Simply changing to accrual accounting will not overcome all the accounting problems confronting us. It is widely acknowledged that historical cost information is not satisfactory for decision making or performance assessment purposes where costs need to be spread over many periods

or where inflation is significant.

The Department is working with the Electricity Trust of South Australia and the Engineering and Water Supply Department to develop appropriate current cost accounting procedures for the public sector.

A review of Government purchasing procedures led to the testing of credit cards in three agencies to assess their benefits. The trials demonstrated that the cards provided benefits for the purchase of small items through reduced paperwork and by streamlining the purchasing and payment procedures. As a result the Treasurer has approved of their introduction throughout all agencies. A tender specification is currently being prepared and it is likely that a tender will be accepted in the first half of the 1990/91 year.

Trials were also conducted in two agencies of a new risk management strategy for the payment of Government accounts which provides that accounts less than \$100 be subject to a reduced level of checking. The results of the trials are currently being evaluated and it is anticipated that modified Treasurer's Instructions will be issued in 1990/91.

Following a study into the Government's common billing and accounts receivable procedures negotiations took place with Australia Post to engage them as a collection agent for the payment of Government accounts. An agreement was negotiated with Australia Post on behalf of the major revenue raising departments, commencing on 1 July 1990. This will provide greater convenience to the community for the payment of Government accounts and is expected to create long term savings in collection costs for the Government. Treasury is also examining other options such as the use of banks and the potential to use direct debiting which could substantially reduce collection costs.

In line with the recommendations of the Financial Management Workforce Planning Study Treasury was given responsibility for -

- devising a recruitment and development

program aimed at attracting accounting and finance graduates to the public service and retaining them

- providing training and information for departmental managers who lack a financial background.

Eleven graduates were recruited under this scheme and commenced in January 1990. The major thrust of the program is to provide a structured training and development program comprising both practical and educational modules to ensure that the public sector can maintain and improve its financial management policies and practices.

The 11 graduates were placed in 8 Departments initially. Rotation of graduates will be considered in July/August 1990.

The program has been well received by agencies and progress of graduates has been satisfactory (one graduate left in June 1990 for personal reasons).

It is our view that deficiencies in the training of non-financial managers can only be effectively addressed on an individual agency basis.

Preliminary work has commenced on a program designed to concentrate efforts initially in two departments, Family and Community Services and Lands.

Once this program has been completed, Treasury will be in a much better position to determine future strategies for implementation across all agencies.

However, it is recognised that training of this nature is never really "completed" and one of the factors critical to success will be the ongoing commitment of senior management and financial personnel in agencies. The SA Health Commission has recognised this and has set up a committee, on which Treasury is represented, to implement the recommendations of the workforce planning study.

TAXATION

The organisation structure of the State Taxation Office was reviewed early in the financial year. The review was carried out internally.

In October, 1989 a flatter organisation structure at senior management level was put in place. This revised structure has enhanced expertise and commitment from the managers concerned. Decision-making by management has become more efficient and effective as the reduced levels in the organisation have brought information and decisions closer together. The revised structure has enabled more effective control of the functions of the Office whilst decentralising authority for day-to-day operations to specific managers on a functional basis. It is notable that this was achieved without any additional salary or administrative costs being incurred.

One of the aims of the State Taxation Office is to introduce a computer-based system of taxation

collection which will permit better methods of statistical analysis to be introduced, improve operating efficiency and provide a better service to clients.

During 1989/90 consultants completed a review of the State Taxation Office technology needs for the next five years. An Information Technology Plan has been prepared and implementation of strategies recommended. Primary benefits of the plan include increased revenue and improved service delivery including centralised cash receipting and client contact points.

The first stage of the Information Technology Plan is to develop a real-time computer system which incorporates assessment calculations, receipting, document tracking, precedents and follow-up facilities for unpaid assessments and unanswered requisitions.

SAFA

The SAFA surplus for 1989/90 was \$336 million of which the Treasurer determined that \$325 million be paid to Consolidated Account that year. The balance of \$11 million was allocated by the Treasurer to SAFA's General Reserve thereby further strengthening SAFA's capital base.

During the year, SAFA made new issues of inscribed stock totalling \$2,509 million through a Dealer Panel. This panel has the dual role of ensuring orderly placement of stock into the primary market and maintaining liquidity in the secondary market by actively quoting buy and sell prices to investors.

In 1987, SAFA was the first borrower in Australia to implement this dealer panel concept and its success is reflected by the number of the major domestic borrowers - both semi-government and corporate - which have since moved in a similar direction. At June 1990 the Panel consisted of 7 members. Turnover of SAFA's stock continued to grow, with volume of trades increasing from \$22,100 million in 1988/89 to \$31,700 million this year (excluding new issues).

Towards the end of 1988/89, SAFA decided to diversify its debt portfolio through the issue of inflation indexed inscribed stock. Investor demand for this form of stock was limited throughout 1989/90 and only \$141.5 million was issued.

Another important ongoing source of funding for SAFA is its domestic commercial paper (or promissory note) facility. SAFA has had an underwritten facility in place since 1984 and in July 1989 it joined with South Australian Finance Trust Limited to establish a \$1000 million facility. SAFA's proportion is \$700 million, of which \$210 million is underwritten.

In the retail market, SAFA's continuous (or tap) issue public loan continued to attract a healthy rate of subscriptions, mainly from within South Australia but with good support from other States also. Gross raisings from SAFA Bonds during the year totalled \$44.8 million (compared to \$42.4 million in the previous year), with net outstandings at 30 June being \$137 million.

Along with the ongoing funding mechanisms described above, ad hoc borrowing opportunities continued to play a role in SAFA's overall funding operations. SAFA has always encouraged market participants to put new or innovative funding ideas to it, and has responded positively to those proposals which have proved to be cost-effective. This approach, together with SAFA's willingness to accommodate the specific needs of investors, has contributed to further non-standard borrowings being offered this year, ranging from a large volume of short-term borrowings via floating rate notes to smaller volumes of low-coupon, long-

term fixed-interest borrowings.

As part of its borrowing and debt management activities, SAFA actively employed a variety of derivative products available in the market, including interest rate swaps, over-the-counter bond options and futures-based hedge instruments.

Developments in international capital markets during 1989/90 resulted in limited fundraising opportunities for SAFA.

Five public Eurobond issues were made (Euro NZ\$50 million, Euro A\$75 million, Euro A\$125 million, Euro Yen 10 billion and Euro A\$75 million).

In July 1989, SAFA established an A\$1,000 million Debt Instrument Program under which SAFA may issue Euro Commercial Paper, Medium and Long Term Notes. This is a flexible program which allows SAFA to react quickly to market demand and to design securities to meet specific investor demand.

In October 1989, SAFA undertook its second borrowing in the Japanese domestic market, a Samurai Bond issue for Yen 10 billion with a coupon of 5.6% maturing in 1994.

During 1989/90, SAFA continued its policy of avoiding foreign exchange exposure on its borrowings by swapping into Australian dollars or acquiring matching assets.

During the year, SAFA undertook a comprehensive

review of its credit guidelines. While the previous guidelines had been drawn on a very prudent basis and had served SAFA well, it was considered that in the prevailing economic climate an additional degree of conservatism was appropriate and credit limits were adjusted accordingly. As an illustration, long term domestic investments are generally restricted to governments or their instrumentalities and banks with an A+ rating or better. Limits in relation to non-bank corporates are low and also restricted to those with a rating of A+ or better. The overseas investment guidelines contain an overall country limit and restrict investments to the US, Japan, Western Europe and New Zealand. Investments are restricted to highly rated governments, banks and corporates. Both domestic and overseas investments are restricted to marketable securities.

Any investment not meeting these guidelines requires the specific approval of SAFA's Credit Committee, comprising Board Members and Senior executives.

During the year computing systems were developed to further improve credit exposure reporting.

SAFA has continued to provide loans to Public Sector Institutions including South Australian Finance Trust Ltd (SAFTL), the Minister of Housing and Construction (HomeStart Finance) and the Local Government Financing Authority. A total of \$226.6 million was provided during the year.

SUPERANNUATION

The Superannuation Act requires the Superannuation Board to determine rates of return to be credited to each contributor account in both the old (pension) scheme and the new (lump sum) scheme. This year was the first in which such a determination was required (in respect of 1988/89 earnings).

The decision for pension scheme members is in most cases of little practical significance since the scheme is a defined benefit scheme and the balance in their contributor accounts does not influence their entitlement to a pension. However pension scheme members are affected if they resign and withdraw their contributions (for example).

For lump sum scheme members the decision is very important since the new scheme is an accumulation scheme supplemented by a defined employer benefit.

The rate of return achieved by the South Australian Superannuation Fund Investment Trust (SASFIT) on old scheme division assets was 8.3%. After seeking advice from the Chief Executive Officer of SASFIT and the Public Actuary, the Board took the view that this represented a real rate of return which was likely to be below the longer term average and accordingly credited old scheme contributor accounts with a rate of return of 12% for 1988/89.

The rate of return achieved by SASFIT on new scheme division assets was 14.8%. However after deducting a reasonable share of the administration costs incurred by the Superannuation Office this return was roughly halved.

The Board took the view that it would be unfair to strike rates of return in the early years of the new scheme which took account of all the relevant administration costs. Accordingly it decided to

capitalise a large proportion of these costs and to credit new scheme contributor accounts with a rate of return of 14% for 1988/89.

A number of important issues of principle were debated at length before the Board arrived at these important decisions.

During 1988-89 the staff of the Superannuation Office worked considerable overtime. This year it was possible to reduce the overtime burden significantly by making much greater use of temporary staff in peak periods.

An organisational review of the Office commenced in 1988/89 and continued in 1989/90. A number of positions were reclassified to higher levels in acknowledgement of the responsibilities and skills which staff require to cope with the increasing complexity of superannuation issues.

Progress to date on the implementation of the administrative arrangements for the 3% productivity superannuation scheme (the Public Sector Employees Superannuation Scheme) has been slower than we would have liked.

In November 1989, work commenced on the collection of data from approximately 170 agencies for the purpose of establishing a central data base of information for each of approximately 116,000 Scheme members for the periods 1 January 1988 to 30 June 1988 and the 1988/89 financial year. The data will be used to calculate members' accumulated benefits and will provide the basis for issuing statements of entitlement annually.

The collection of data has been an onerous and time consuming task for agencies and for the Scheme administrators. Agency pay systems from which the data is obtained, are not yet geared to satisfy the particular data requirements of the Scheme. As a consequence, the quality and completeness of data received so far has generally been poor requiring extensive further contact with agencies on the resolution of queries.

At 30 June 1990, over 99% of employee details had been received for the period to 30 June 1989. Information was still awaited from a few small agencies, mainly health units. Approximately, 65% of the data received had been processed through an error alerting process developed by Treasury's Systems Branch, producing a large number of queries for resolution. Work on the resolution of queries has been progressing steadily

and should be largely completed in the first half of 1990/91. The correction of data which flows on from query resolution is an essential process leading to the production and recording of 'clean' data to enable the establishment of member accounts and the issue of statements.

The collection of data for the 1989/90 year will commence as soon as possible, subject to progress with the current exercise.

It is intended, eventually, that the Scheme be administered with the aid of a new mini-computer. The facility will be used also in the administration of the main State Superannuation Schemes offered to employees under the Superannuation Act. Pending the availability of permanent systems, interim programs for application on personal computers have been developed for processing claims, calculating benefits and storing essential data.

Although user requirements for the 3% system were drafted in August 1989, resources to commence programming work could not be made available until the beginning of 1990, due to delays with respect to the main State Schemes. On present indications, full computerised facilities will be available to the 3% Scheme administrators at the beginning of October 1990.

The completion date for the contract to supply and implement the new system to administer the State Superannuation Schemes was 1 July 1989. The task proved to be much more complex than the contractor had anticipated. That part of the system which calculates and pays pensions and other benefits was in operation early in 1989/90. That part of the system which calculates and records contributions had still not been completed by the end of the financial year.

Advice was sought from the Crown Solicitor regarding the failure of the contractor to meet the completion date. Since it was clear that the contractor would be able to meet all the Government's functional requirements it was agreed that the best course of action was to extend the time for completion.

A new target date of February 1990 was established. When the contractor again failed to meet this target date it was again decided to allow an extension of time. The system is now close to completion and should be in full operation early in the 1990/91 financial year.

These delays have been very frustrating. There have been costs involved in having Treasury officers tied up on the development of the system for an extra 12 months but the most serious consequences have been -

- our inability to provide a better service to State scheme beneficiaries and contributors

- our lack of progress with development of the system to administer the 3% scheme which has meant that we were still not, at end financial year, in a position to issue statements of entitlements.

SASFIT

SASFIT's long-term investment strategy with respect to funds managed for the pension schemes has been to invest a significant proportion (about half) by way of CPI linked investments (providing a secure return relative to inflation) and the remainder in market related investments (e.g. equity and property). Variations around that strategy have been taken from time to time when, on a medium term basis, some asset classes have been regarded as under or over priced.

During 1989/90, long-term investment strategies were reviewed by SASFIT with the advice of outside consultants. That review has not been completed for all schemes, but preliminary conclusions are that little change is likely to be required to the strategies adopted for the pension schemes.

During the year SASFIT decided to unitize all funds under its management from 1 July 1990. Unitization will mean that SASFIT will manage its assets by asset class (e.g. property, equity, cash, fixed interest, listed equities, special investments) with the scheme funds holding units in each asset class fund according to the asset allocation policy determined by SASFIT as most appropriate for each scheme fund.

In October 1989 the Superannuation Act was amended to make clear that the funds managed by SASFIT were the Crown's assets and therefore not subject to Commonwealth taxation of income or capital growth. The taxation status for the period between 1 June 1988 and 19 October 1989 remains in dispute.

ACTUARIAL

An actuarial investigation of the Police Pensions Fund was carried out and a report completed and submitted to the Minister in May 1990. An actuarial investigation of the SA Superannuation Fund was also substantially completed during the year but the report on the investigation has not yet been finalised. An actuarial investigation of the Long Service Leave (Building Industry) Fund was completed in August 1989.

During the year considerable effort was devoted to the introduction of the new Police Superannuation Scheme which became effective on 1 June 1990. This is a lump sum scheme modelled on the State Superannuation Scheme which came into force on 1 July 1988.

In February 1988 the Government decided to re-establish itself as a self-insurer and to adopt a more active approach to risk management. Under these arrangements most external insurance policies were allowed to lapse. The underlying rationale for the arrangements is that in most circumstances the Government as a whole has the capacity to meet claims as and when they occur and therefore will save money over time by self-insuring. Numerous risk audits have been conducted and reports produced to help agencies identify and reduce risk exposures. The arrangements have been extended to include some off-budget agencies.

CHAPTER IV

PROVISION OF BUDGETARY AND ECONOMIC ADVICE

OBJECTIVES

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

- coordinating preparation of the State budget, ensuring that the Government's budgetary targets are met, the agreed timetable is achieved and adequate consultation takes place;
- preparing budget documents of high professional standard for Parliament;
- monitoring budget performance and advising the Treasurer of variations and alternative courses of action in a timely fashion;
- evaluating the use of resources and providing suggestions on better use of resources to assist the Treasurer, Ministers and agencies to meet their objectives within budget constraints;
- assisting Ministers and agencies in accounting and budgetary matters and in obtaining necessary approvals from the Treasurer;
- promoting the long-run financial viability of the State public sector;
- providing timely and quality advice to the Treasurer on resource issues; and
- advising the Treasurer on Commonwealth/State relations with a view to maximising Commonwealth funding.

This work is carried out in five major cycles -

- a weekly cycle of preparing comments for the Treasurer on all Cabinet submissions with financial implications;
- a monthly cycle of reports to the Treasurer on the current year's budget, summarising progress in relation to the current year's financial and workforce targets with detailed analysis of any major variations;
- an annual, continuous cycle of budget preparation, commencing in October/November of each year with preparation of forward estimates. The budget cycle continues until October/November of the following year when Parliament passes the budget;
- an annual cycle of briefing on Premier's Conference/Loan Council matters and involvement in Commonwealth State financial relations; and
- an ongoing cycle of involvement in Commonwealth Grants Commission activities with annual updates and five yearly reviews of State relativities.

Responsibility for provision of budgetary advice is shared between the Budget Branch and the Capital Works Branch. Although the activities of the two branches have been separately reported, much of what follows with respect to the Budget Branch applies also to the Capital Works Branch since very similar cycles for budget preparation and monitoring are followed by both.

BUDGET BRANCH

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

- . accurate calculations in budget preparation;
- . impartiality and consistency in dealing with agencies;
- . good external and internal relations;
- . sound, professional budget analysis and advice;
- . integrity in presentation of data; and
- . appropriate numbers of suitably skilled staff and good morale.

DEVELOPMENTS DURING 1989-90 AND 1990-91 INITIATIVES:

(a) Budget Preparation and Monitoring

The 1989-90 Budget was prepared in accordance with the Government's timetable.

The 1989-90 Budget continued the restraint of recent years on expenditure and borrowing levels within which emphasis was placed on the Government's policy priorities of economic development, crime prevention and social justice.

Through 1989-90 the Branch prepared regular monthly budget monitoring reports in accordance with the timetable.

(b) Budget Papers

Further work was completed on the improvement of the quality of the 1989-90 budget papers.

Minor improvements were made to the Financial Statement to achieve greater consistency and balance in chapter headings and content.

The appearance (covers, contents) of all papers was further standardised.

In addition to the Estimates of Payments and Estimates of Receipts documents, the Budget Speech and the Financial Statement were produced internally for the first time. This initiative resulted in significant cost savings.

(c) Budget Methodology and Process

A number of improvements were made to areas of budget methodology in 1989-90.

Revisions were made to the treatment of interest on borrowings, workers compensation, general insurance and risk management with a view to more accurately recording these costs and giving agencies greater direct responsibility for their management.

Guidelines to agencies for the formulation of the recurrent operations "no policy change" estimates were issued for the first time to agencies in September 1988 and extensively updated and re-issued in November 1989. It is intended that the Guidelines be updated and re-issued each year.

Treasury has worked during the year in co-operation with each agency in effecting major improvements to the budget frameworks of the Department of Marine and Harbors, Lands Department and the Public Trustee Office so that each will operate from 1 July 1990 from a deposit account to allow for a more commercial approach to financial management. Officers of the Budget Branch work closely with officers of the Accounting Policy and Systems Branch in this area.

Work was also completed, in conjunction with the Government Management Board, on a proposal for a systematic approach to program evaluation. The Premier has approved ongoing evaluation of agency programs from 1 July 1990.

During 1990-91 Treasury will continue to provide support to the Office of the Government Management Board, through the training of staff, advice and comment on evaluation issues and input to the evaluation of programs at the request of agencies or the direction of government.

In March 1990, the Government established a review of the land tax system. The Review Group which undertook the task was chaired by the Deputy Under Treasurer (Revenue and Operations)

and included as members, the Commissioner of State Taxation, the Valuer-General, the Dean of the Faculty of Economics

and Commerce at the University of Adelaide and the Chairman of the Small Business Corporation. The Review Group presented its findings at the end of May in a 160 page Report. The Executive Officer to the Review Group was provided from within the Budget Branch.

In 1990-91 emphasis will be placed on organisational change within Treasury directed to achieving closer co-ordination of the recurrent and capital aspects of the budget process, developments in budget presentation and program evaluation and research. There will be continued development of forward financial plans with agencies based on increasing the flexibility of resource use consistent with minimising the impact of agency budgets on Consolidated Account.

(d) External Relations

Good relations and open communication with agencies are keys to successful output of the Budget Branch. The Branch appreciates the co-operation of all agencies and individuals who assisted their task in 1989-90.

Officers of Budget Branch were members of a number of government boards and committees during 1989-90. In addition Treasury provided a number of presentations on the budget process and budget outlook to agencies.

(e) Commonwealth/State/Local Government Financial Relations

The Budget Branch has major responsibilities in the area of Commonwealth/State/Local Government financial relations.

These include:-

- involvement in the work of the Commonwealth Grants Commission;
- negotiation and monitoring of general purpose and specific purpose programs of assistance to the State from the Commonwealth;
- preparation of briefing material for and attendance at the 1990 Premier's Conference/Loan Council meeting; and
- involvement in specific issues affecting

the financial relationship between the State Government and Local Councils in South Australia.

Submissions were prepared for the Commonwealth Grants Commission Inquiries into Methodology and into Aspects of the Process of Updates of Relativities. The outcome of the former Inquiry is likely to impact on the next major review of State relativities. The latter resulted ultimately in the Commonwealth Government decision to utilise a 5 year base period of review (not 3 years as had been the case since the Grants Commission's 1981 Report) for the 1990-91 Financial Assistance Grants. Preparatory work was also undertaken for South Australia's submission to the Commission's review of the Interstate Distribution of Local Government Financial Assistance Grants on which a report is required by March 1991.

Initial work has also been undertaken in relation to the Industry Commission Inquiries into Rail Transport, Energy Generation and Distribution and Statutory Marketing Arrangements. These Inquiries form part of the Commonwealth Government's micro-economic reform strategy and follow on from the former Industries Assistance Commission's Inquiry into Government (Non-Tax) Charges, which focused on electricity and rail transport.

(f) Branch Management

A Policy and Research Group was established in the Branch during 1989-90. This group is responsible for research, providing support to other budget groups to improve budget operations and content and some agency budget work. Particular responsibilities include preparation of submissions to Commonwealth Grants Commission Inquiries, development of data bases of budget information and analysis of budget trends.

Additional staff resources will also in future be devoted to program evaluation work in line with the more systematic approach to be undertaken in 1990-91.

The Branch has also reviewed various alternative approaches in preparing a long-term plan for a consolidated computerised information system. A basic network has been established and is operating effec-

tively. Some applications have already been developed and used in the 1990-91 Budget process and further development work is proceeding within the parameters of the plan.

Officers of the Branch attended a range of training courses, seminars and conferences during 1989-90 to assist with relevant skills development.

CAPITAL WORKS BRANCH

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

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

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

Organisation and Modus Operandi

The Branch is divided into two sections, namely -

- capital budgets,
- project evaluation.

In the task of developing the Government's forward capital works program, the Branch works in conjunction with the Capital Works Budget Committee. The Under Treasurer is a member of the Committee and the Director, Capital Works (the head of the Branch) is Executive Officer of the Committee; the Branch provides the technical and administrative base for the Committee.

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

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

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

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

Developments During 1989-90

A second draft of the discussion paper "Guidelines for the Evaluation of Public Sector Projects" was produced and circulated for further comment from agencies. The comments received were consolidated and the paper finalised for printing.

To assist agencies in the evaluation work, a number of seminars were arranged. These were conducted by the Graduate School of Management at the University of Adelaide in conjunction with Branch staff. An introductory seminar on the subject was also presented to Graduate Officers joining the Public Service.

The need for more co-ordination between the capital and recurrent components of the budget led to a staffing rearrangement. The key move was the relocation of a member of the Branch to within the area occupied by the (Recurrent) Budget Branch in order to provide a focus for that co-ordination. Adjustments to individual responsibilities were also necessary.

It is intended to review the organisation of the two Branches in 1990-91 following the presentation of the State Budget.

ECONOMIC BRANCH

Current functions of the Economic Branch

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

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

this same monthly report is circulated to all Ministers, CEOs of all agencies and some of SAFA's Japanese clients.

- providing specific briefings on State economic trends for the Premier;
- undertaking a monthly employment survey of major South Australian businesses;
- preparation of an experimental composite leading index for the South Australian economy, in order to attempt to forecast short-term economic prospects;
- providing underlying economic assumptions on which Budget estimates are formulated;
- answering a large number of requests from within and outside the public service for relevant economic and statistical information;
- representation on committees and attendance at meetings which monitor and/or analyse economic trends;

- preparing two major South Australian economy papers - one to accompany the SA State Budget, the other originally designed as a more investment orientated descriptive paper used for investors and for SAFA's briefing of rating agencies (e.g. Standard & Poors, Moodys, Japan Rating Agency), but which has now been distributed on a wider basis as an information paper.

At the end of the financial year 1989-90 staff numbered five officers comprising the branch head, three economists and part-time secretarial support.

Developments during 1989-90

The major development during the year was the expansion of the monthly economic report, which was previously only circulated to members of the Economic and State Development Committee. The report is now bound and distributed to all ministers, all CEOs of State agencies and some of SAFA's Japanese clients.

The Branch continues to monitor its experimental leading index of the State economy, which is now used by the Centre for South Australian Economic Studies in its reports on the State economy.

Some officers of the Branch, through a liaison with the Capital Works Branch, were involved in evaluations of proposed major development projects, capital spending plans of State Government agencies and evaluation guidelines of various agencies.

Preliminary work was done on an update of "The South Australian Economy" information paper (first published August 1988), which is likely to be issued early in 1990-91.

Various specific issues investigated by the Branch during the year were a paper on Labour Market, Population and Social Policy, the impact of Tourism S.A.'s Marketing Budget, an analysis of some aspects of the book "Budgetary Stress" and sick leave.

CHAPTER V

MAINTENANCE AND DEVELOPMENT OF ACCOUNTING POLICIES AND SYSTEMS

The delivery of this program is undertaken by the Accounting and Systems Branches. The Accounting Branch has responsibilities in two main areas - one supports the central Government ac-

counting processes, including appropriation control, the other provides internal services to the Treasury Department. The activities and achievements in these areas are listed below.

ACCOUNTING BRANCH

CENTRAL ACCOUNTING

The objectives in this area are -

- to maintain the Government's central accounting records
- to ensure all expenditure is in accordance with legal appropriation authority
- to produce the Government's financial statements
- to co-ordinate Government banking arrangements
- to manage and operate efficiently the Treasury Accounting System (TAS)
- to provide essential support for the continued development of program based accounting and financial management in departments.

In recent years the most significant development in carrying out these functions has been the introduction of the Treasury Accounting System which has resulted in major changes to the existing methods and procedures associated with day to day operations.

Apart from providing essential support for the introduction of Program Budgeting in the SA Government and improved information for cash management, TAS has introduced beneficial

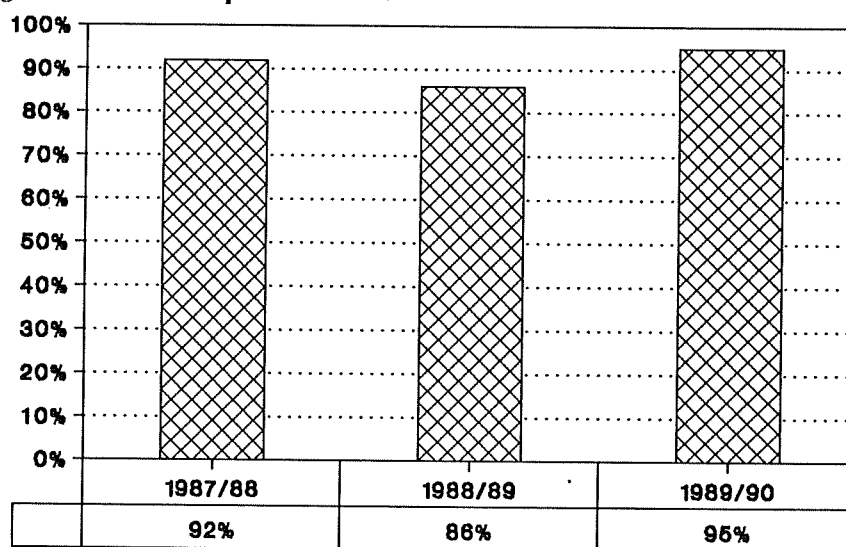
changes in the work of the Accounting Branch. Departments are no longer required to hand deliver manual summaries of debits and credits to Treasury. TAS has automated the ledger posting process and has allowed Treasury to phase out the use of mechanical ledger machines and this has eliminated many manual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

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

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

The Treasury Accounting System (TAS) has continued to operate efficiently with very few delays in the production of cheques or reports for departments. The following graph shows the percentage of TAS runs completed on time for the last three years.

Percentage of TAS runs completed on Time



Financial Year

Again, as in past years, accounting staff continued to provide an on-going liaison and advisory service to departments on information and procedures associated with TAS.

The average number of runs per month has remained at 10 which seems to suit both Treasury and the departments. For these runs both an officer from Treasury and from State Computing are on-call in case of failures in processing. From Treasury's perspective the officer on-call is rarely required for failures, demonstrating the stability of the system.

On an on-going basis, staff are continually endeavouring to find ways of reducing the operating costs of TAS. One such initiative is the downloading of IBM main-frame files to a personal computer. Charges associated with accessing the main-frame are reduced as a consequence. Continued improvements undertaken in TAS include

- reports for departments previously produced from the impact printers at State Computing were transferred to the laser printer resulting in quicker production, clearer print, less paper and reduced costs.
- presented cheque data representing cashings to the previous day is now entered to TAS each run, thereby giving a better service for enquiries from departments.

A review of Government purchasing procedures

led to the trialling of credit cards in three agencies to assess their benefits. The trials demonstrated that the cards provided benefits for the purchase of small items through reduced paperwork and by streamlining the purchasing and payment procedures. As a result the Treasurer has approved their introduction throughout all agencies. A tender specification is currently being prepared and it is likely that a tender will be accepted in the first half of the 1990/91 year.

Trials were also conducted in two agencies of a new risk management strategy for the payment of Government accounts which provides that accounts less than \$100 be subject to a reduced level of checking. The results of the trials are currently being evaluated and it is anticipated that a modified Treasurer's Instruction will be issued in 1990/91.

Following a study into the Government's common billing and accounts receivable procedures negotiations took place with Australia Post to engage them as a collection agent for the payment of Government accounts. An agreement was negotiated with Australia Post on behalf of the major revenue raising departments, commencing on 1 July 1990. This will provide greater convenience to the community for the payment of Government accounts and is expected to create long term savings in collection costs for the Government. Treasury is also examining other options such as the use of banks and the potential to use direct debiting which could substantially reduce collection costs.

Further work was undertaken with agencies and the Reserve Bank on improving Government banking arrangements. Progress was made in a number of areas including -

- reducing the time delay for several agencies in lodging revenue collections in the Government's bank account which has resulted in increased interest earnings.
- co-ordinating the acceptance of credit cards by specific departments.

Treasury is also negotiating with the Reserve Bank on the establishment of an on-line link with the Bank. This could provide benefits through improved access to information on the Government's bank account which could assist with cash management and allow for the direct transmission of certain banking transactions thereby reducing the administrative effort within the Treasury accounting area.

In addition further progress was achieved with officers from SAFA in improving overall public sector cash management arrangements. Work continued on the development and upgrading of Treasurer's Instructions. A review of the Public Finance and Audit Act has been undertaken and several amendments have been proposed.

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

DEPARTMENTAL SERVICES

The Departmental Accounting Section provides an accounting, budgeting and financial reporting service for Treasury and the South Australian Superannuation Board. It is responsible for the development and management of financial management systems within Treasury and the provision of financial and budgetary control statements and the preparation and review of budget estimates and program performance budget material.

Specifically, the objectives of the section include the following:

- Co-ordinate all departmental input to the Treasury Accounting System, pay departmental accounts, maintain the chart of ac-

counts, verify output and correct any errors, ensure input is prepared for the appropriate TAS runs and that accounts are paid by the due date.

- Prepare and check the department's fortnightly payroll input, and maintain the relevant records.
- Co-ordinate and maintain the department's receipting and banking functions.
- Maintain and reconcile the department's imprest, disbursement and working accounts each month.
- Maintain Superannuation Office ledgers and prepare monthly reports and statements.
- Co-ordinate and reconcile receipts associated with various departmental systems.
- Prepare the department's annual financial statement, estimates of payments and receipts and program performance budget material and provide explanations where variations have occurred between estimates and actual payments and receipts.
- Provide management with detailed and timely financial reports and statements.

Major achievement during the year included -

- the implementation of version 4.1 of the Austpay Payroll System
- greater responsibility for accounting of the Police Superannuation Scheme due to legislative changes to the Police Superannuation Act
- significant improvements in the presentation of financial reports and statements to management
- implementation of significant changes to the accounting arrangements for the SA Superannuation Scheme as a result of amendments to the SA Superannuation Act.

ACCOUNTING POLICY AND SYSTEMS BRANCH

INTRODUCTION

The Accounting Policy and Systems Branch is responsible for:-

- developing accounting policies for use by all agencies
- co-ordinating the Government's financial management improvement program
- supporting the use by all agencies of the Treasury Accounting System, and the Computer Associates general ledger, accounts receivable and asset register systems
- supporting information technology developments within Treasury.

The Branch Head has three officers available for assignment to projects in the first two of these responsibilities and nine for the last two.

The activities of the Branch are conducted on a project basis, with the individual computing projects selected in accordance with the department's ADP Strategic Plan to address specific problems and issues of concern to Treasury. Although project officers from the section prepare systems specifications and implement systems, most major system development activity is performed on our behalf by State Computing or by external consultants. Further, considerable use is made of commercially available software packages.

Assignments to accounting policy and financial management improvement projects have tended to be made to meet urgent priorities. It is anticipated that the availability of a full complement of staff, and the framework for classifying agencies, which was developed late in 1989/90, will lead to a more structured approach to these assignments.

Broad details of Branch activities are as follows:-

STATE SUPERANNUATION ADMINISTRATION SYSTEM

Although the Pensions Payment Sub-System of the State Superannuation Administration System (SSAS) became operational in July 1989, further work remained necessary to establish the Contributions Sub-System and to refine the Pensions Payment Sub-System. A contractor was engaged to carry out this work. Unfortunately progress was much slower than expected and the Contributions Sub-System became operational in July

1990. Further work still remains before we can consider the project complete.

PUBLIC SECTOR EMPLOYEES SUPERANNUATION SCHEME (PSESS)

Work is continuing also on the specification development and implementation of systems to aid administration of the Public Sector Employees Superannuation Scheme. Originally it was proposed to develop this system using the same contractor and on the same equipment which has been acquired for the other superannuation schemes administered by Treasury staff. However delays by the contractor in achieving target dates for these other systems has forced us to revise this approach and to undertake development in-house. Progress has not been as good as we would have hoped.

The key problems have included:-

- delayed start due to delays in completing the State Superannuation Administration System
- ambiguities and difficulties in interpreting the deed covering this scheme have delayed completion of system requirements, which are a prerequisite to completion of systems specification and development
- dependence on agencies for data for the system. Much of the data has been deficient rendering use of the system impracticable until data problems have been resolved.

Initial efforts have been concentrated on issuing statements to members. Because of the problems mentioned above several months work remains before we can expect the system to be completed.

Data problems and problems associated with the deed are presently being overcome and this should clear the way for better progress.

CA PRODUCTS SUPPORT

Demand for systems support for Computer Associates products has remained strong throughout 1989/90. However the emphasis has shifted from direct problem solving to systems development on a more sophisticated scale.

Training modules have been presented on a regular basis to meet demand. Registrations and

attendances for the year are displayed graphically later in this report. During the year, staff from over 70% of user agencies applied for, and were given training.

Some of the training modules are yet to be developed. The group will attempt to construct outstanding modules during 1990/91 and also to develop training courses in other areas of identified need.

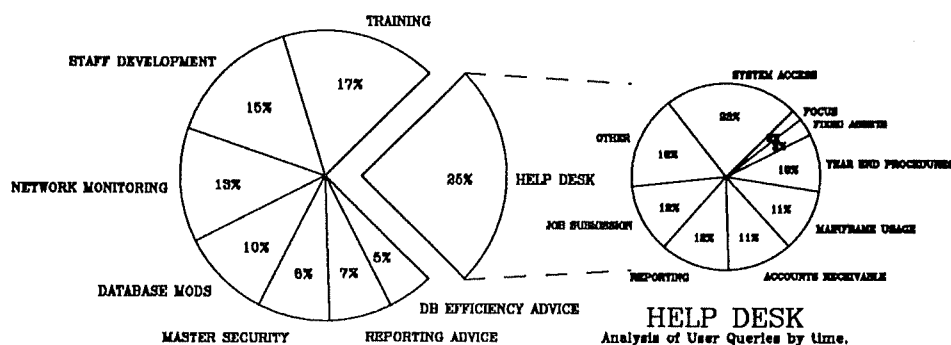
Systems Branch staff have assisted agencies to enhance their general ledger reporting using tools both internal and external to the Computer Associates general ledger. More than one third of the general ledger users in State Government are now using fourth generation reporting techniques pro-

moted by the group.

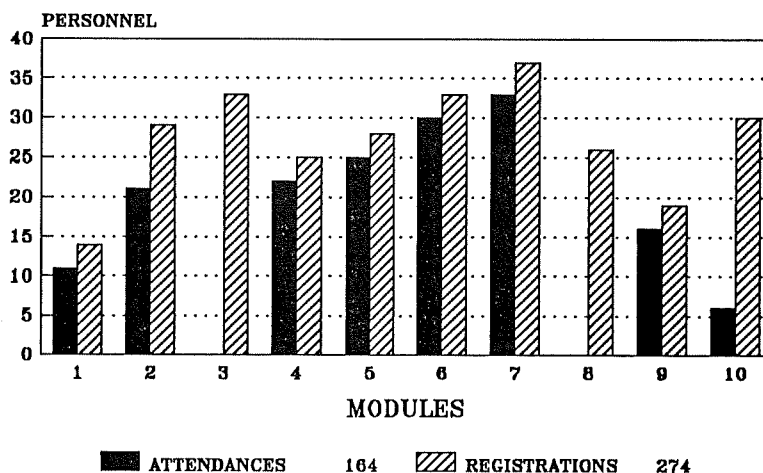
Automated techniques developed by Branch staff have been used extensively during the year to modify/enhance database files, resulting in more efficient systems for users. The availability of these techniques will be further promoted during 1990/91.

As a result of consultation with the Auditor General, the responsibility for Computer Associates products database access and security was transferred from State Computing to Treasury Systems Branch during the year. This area now involves a significant part of staff responsibilities as depicted in the following charts.

CA PRODUCT SUPPORT



CA GENERAL LEDGER EDUCATION TRAINING STATISTICS (1989/90)



TREASURY ACCOUNTING SYSTEMS SUPPORT

The Branch continues to provide a support service to other Treasury staff and to other departments using the Treasury Accounting System.

This has involved helping agencies with organisational changes by adopting the features of the system; developing new reports for agencies; assisting with interfaces as agencies revise their systems; and installing and testing new releases of the Treasury Accounting System.

INTERNAL SYSTEMS SUPPORT

The section also provides technical support to the other branches of Treasury. This includes support of mainframe system software packages and of the department's personal computing activities. Owing to the pressure of other activities, it was not possible to conduct all of the training courses planned for 1989/90. However, video based training courses have been made available to staff to ensure that some of the necessary training is provided to equip them with the skills they need.

ACCOUNTING POLICY

As reported last year the present accounting methods used by some agencies do not provide a satisfactory basis either for performance measurement or for decision making purposes because of the emphasis given to receipts and payments of cash rather than to the Government's income and expenditure.

As a result we have continued our efforts towards introducing accrual accounting concepts where relevant. There is a considerable amount of work involved in introducing this change and we have divided the thrust into a number of stages consistent with the Government's expressed preference for evolutionary rather than revolutionary changes. These stages spread the work over several years and address those items having a material impact on financial information. They include, superannuation; long service leave; asset registers; depreciation; accrual based statements; and current cost information.

The introduction of accrual accounting requires that the Government's asset accounting procedures be changed to indicate the level of its investment in assets and the associated depreciation costs. Accordingly Treasury has released Treasurer's Instructions requiring departments to keep asset registers and has offered to provide systems support to agencies electing to adopt the preferred computer packages. Much of the initial

work entailed in developing suitable asset registers was completed this year. However some refinements still need to be made to the registers for some agencies. Once satisfactory asset registers have been developed, departments will be able to produce the valuation and depreciation information required for accrual accounting for assets. Increased attention will be directed to these aspects during 1990/91 and when they are in place we will be able to issue guidelines setting out minimum standards of disclosure for financial reports.

Simply changing to accrual accounting will not be sufficient to overcome the accounting problems confronting us. It is widely acknowledged that historical cost information is not satisfactory for decision making or performance assessment purposes where costs need to be spread over many periods or where inflation is significant. Both of these situations are presenting problems for the Government in accounting for its costs. We are working closely with ETSA to develop and implement suitable approaches. Similar work is occurring with the Engineering and Water Supply Department.

Therefore, in addition to the thrust towards accrual accounting, Treasury is investigating the suitability of current cost accounting approaches to the public sector.

COMMERCIAL ACCOUNTING

A number of departments has already shown an interest in placing their affairs on a more commercial basis and have approached the Branch for assistance in using Special Deposit Accounts for that purpose. Those assisted during 1989/90 include the Public Trustee, the Lands Department, the Department of Marine and Harbors and the construction division of the South Australian Department of Housing and Construction.

AUSTRALIAN ACCOUNTING RESEARCH FOUNDATION

In Australia the Australian Accounting Research Foundation (AARF) and the Public Sector Accounting Standards Board have issued drafts and pronouncements on accounting concepts and standards. We consider it important that Treasury respond to the initiatives of these bodies and that matters peculiar to Government (and particularly the South Australian Government) are given due consideration. It is also important that accounting improvements originating within the South Australian public sector be well co-ordinated to ensure that Government accounting remains cohesive. Accordingly, the Accounting Policy

and Systems Branch is placing greater emphasis on accounting policy issues to enable Treasury to give greater direction to agencies throughout the South Australian public sector. We also consider it important that we do not duplicate fundamental research carried out by other bodies and we are encouraging a joint approach with other States and with the accounting profession to avoid this and to help accelerate progress with Government accounting.

As part of this process the Manager, Accounting Policy is representing the SA Treasury on Project Advisory Panels established by the AARF to help with the development of standards for whole of Government Reporting, and Reporting by Departments. Further together with all other Australian Governments we are contributing funds to accelerate AARF's progress with this and other government related accounting projects.

TREASURER'S INSTRUCTIONS

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

The Treasurer's Instructions are being updated continually, either to extend the range of matters addressed or to update or improve instructions released previously. During the year Instructions were released covering annual financial statements; the treatment of cash discrepancies; writing off losses; internal audit; payments for office accommodation, and security standards for financial computer systems.

Instructions are necessarily quite detailed and therefore to help employees become familiar with them, Treasury is preparing a booklet entitled "Introduction to the Treasurer's Instructions". Copies will be available to departments early in the new financial year.

MANUAL ON GOVERNMENT FINANCIAL ADMINISTRATION

A manual on Government Financial Administration has been in the final stages of completion for some time. Unfortunately other priorities have not allowed us to complete it. Meanwhile an early draft of the manual has been made available to graduates participating in the Graduate Accountants Development Scheme and on an unofficial basis to departments requesting copies.

FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM

Treasury assumed a number of responsibilities following acceptance of the recommendations of the Financial Management Workforce Planning Study. In most cases these responsibilities are shared with Chief Executive Officers and their staffs, and officers from either the Department of Personnel and Industrial Relations or from the Office of the Government Management Board.

Treasury accepted co-ordinating responsibilities in:-

- improving the program for recruiting financial graduates
- arranging a structured development program for graduate financial recruits
- arranging an integrated information and training program for non-financial managers
- developing two financial management handbooks - one for financial managers, the other for non-financial managers
- ensuring that non-financial managers recognised and accepted their delegated financial responsibilities.

The major achievements in 1989/90 are summarised below.

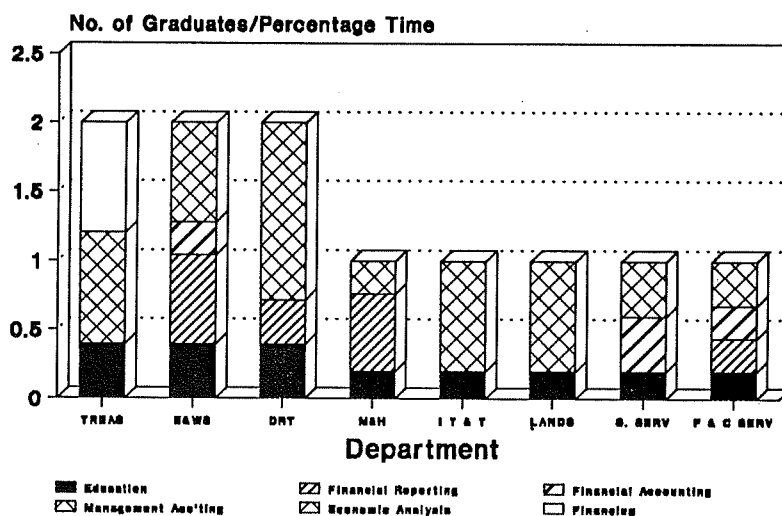
1. Graduate Recruitment Program

Eleven graduates were recruited under this scheme and commenced in January 1990. The major thrust of the program is to provide a structured training and development program comprising both practical and educational modules to ensure that the public sector can maintain and improve where necessary, its financial management policies and practices.

The 11 graduates were placed in 8 Departments initially. Rotation of graduates will be considered in July/August of 1990. The graph below sets out the percentage of time spent on practical and educational training by graduates within the Departments.

The program has been well received by agencies and progress of graduates has been satisfactory (one graduate left in June 1990 for personal reasons).

Graduate Development Program Training Type Breakdown



2. Non-Financial Managers Training

It is considered that the deficiencies in this area highlighted by the workforce planning study can only be effectively addressed on an individual agency basis.

Preliminary work has commenced on a program designed to concentrate efforts initially in two departments, viz: Family and Community Services and Lands.

The initial program set up with the above-mentioned departments has the following broad steps/phases -

- identification of objectives of program
- outline of training areas/topics identified by non-financial managers
- review of current skill levels of non-financial managers
- development of training program
- implementation of program

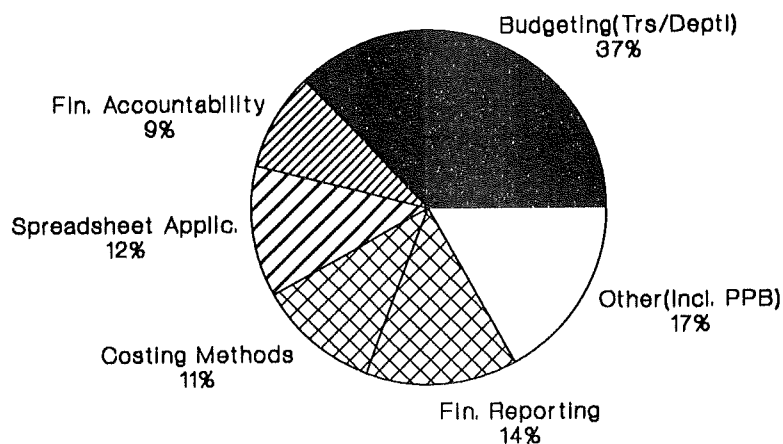
- evaluation of program.

Once this program has been completed, Treasury will be in a much better position to determine future strategies for implementation across all agencies.

Initial feedback from non-financial managers in Lands Department has identified some key areas for training purposes. The chart below highlights them and the percentage of managers identifying them.

However, it is recognised that training of this nature is never really "completed" and one of the critical factors ensuring success in this area is that of ongoing commitment of senior management and financial personnel in agencies. The SA Health Commission has recognised this and has set up a committee, on which Treasury is represented, to implement the recommendations of the workforce planning study.

Non Financial Managers Training Financial Needs Analysis



3. Financial Handbooks

The preparation of financial handbooks for financial and non-financial managers has progressed little since last financial year due to the priority given to the requirement to implement the Graduate Recruitment and Non-Financial Manager training programs outlined above.

There are two major reasons for this:

- (1) Lack of resources to address all issues concurrently, and
- (2) The recognised need to actually carry out training to obtain feedback from users as to what is required in these handbooks.

However, papers have been developed on specific financial issues and these will be incorporated into training programs and should provide a basis for inclusion in the handbooks at a later stage.

4. Acceptance of delegated responsibilities

Initial discussions have been held with Chief Executive Officers about their recognition and acceptance of financial responsibilities delegated to them. It is planned to reinforce these initial contacts

through follow up activities and through the training programs for non-financial managers.

STAFF

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

Staff participated in a number of seminars arranged by the Professional Development Program of the Australian Society of Accountants, and the Manager, Accounting Policy has delivered several papers to accounting and other bodies.

The Director of the Branch is an active member of the Government Accountants Group Committee of the SA Division of the Australian Society of Accountants.

CHAPTER VI

ADMINISTRATION AND ENFORCEMENT OF STATE TAXATION LEGISLATION

CHARTER

The State Taxation Office is one of the several divisions which together form the Treasury Department.

The Office's principal functions are the collection of taxation revenue for the South Australian Government and the provision of policy advice to the Under Treasurer and Government.

LEGISLATION

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

1. Business Franchise (Petroleum Products) Act, 1979
2. Financial Institutions Duty Act, 1983
3. Land Tax Act, 1936
4. Pay-roll Tax Act, 1971

5. Stamp Duties Act, 1923

6. Taxation (Reciprocal Powers) Act, 1989

7. Tobacco Products (Licensing) Act, 1986

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

MANAGEMENT PLAN

The Office's Management Plan identifies the future direction of the organisation and is formally reviewed on an annual basis and modified as necessary.

The Management Plan includes objectives, key issues and strategies in order to direct efforts to priority projects. Considerable effort has been

given to identifying performance measures and setting quantitative and qualitative goals where appropriate.

The State Taxation Office is committed to a major program of performance improvement.

OBJECTIVES

The corporate objectives of the State Taxation Office are:-

- to optimise taxation revenue;
- to administer taxation legislation equitably and effectively;
- to provide for the cost efficient collection of taxation revenue;
- to ensure the implementation of sound personnel management policies;
- to monitor compliance and enforcement of legislation, to protect the revenue to which the State is properly entitled and to preserve the taxbase;
- to provide advice on the development of taxation policy;
- to develop taxation legislation;
- to provide the best possible service to the public given legislative parameters.

HIGHLIGHTS

At the beginning of the 1989/90 financial year a number of strategies with performance measures and targets were developed.

The results achieved compared with these performance targets are as follows:-

TARGET: Ongoing monitoring of tax avoidance and evasion schemes and the identification of deficiencies in existing legislation and providing timely presentation of proposals for legislative amendment.

Result: Two particularly blatant tax avoidance schemes were effectively legislated against during 1989/90. The first was in relation to "contract splitting" whereby stamp duty was being avoided by, say, the transferring of 400 separate transfers between the same vendor and purchaser in relation to the one piece of property. The amendment enabled the Commissioner to aggregate these separate transfers for the purpose of calculating duty.

The second amendment operated to close a tax avoidance scheme whereby interests in land were transferred through the transfer of shares in a shelf company which owned land. Rather than prospective purchasers of the land buying the real property they would be invited to take a transfer of the shares in the company rather than the land directly, and subsequently reduce their stamp duty liability significantly.

Both these amendments have significant impact in preventing revenue loss (in the millions of dollars) from tax avoidance activities.

There were a number of other amendments made to the Stamp Duties Act, the Land Tax Act and the Pay-roll Tax Act which provided concessions and

exemptions for taxpayers in response to Government budget initiatives, improved the administration of the taxation legislation or facilitated the development of revised and improved practices within the taxpayer industry groups.

TARGET: The development of an optimal organisation structure to meet objectives and key issues confronting the State Taxation Office in the next five years.

Result: In October, 1989 a flatter organisation structure at senior management level of the State Taxation Office was put in place; it was implemented by means of an internal review. This revised structure has enhanced expertise and commitment from the managers concerned. Decision-making by management has become more efficient and effective as the reduced levels in the organisation have brought information and decisions together. The revised structure has enabled more effective control of the functions of the Office whilst decentralising authority for day-to-day operations to specific managers on a functional basis. It is notable that this was achieved without any additional salary or administrative costs being incurred.

TARGET: The development of a computer-based monitoring system of stamp duty on applications to register and transfer motor vehicles with the assistance of the Motor Registration Division's on-line processing system.

Result: A computerised exemption reporting system to monitor stamp duty on motor vehicle registrations is nearing completion. Final development work will be completed once the Registrar

of Motor Vehicles' on-line system is fully operational.

TARGET: The review and development of a co-ordinated approach to the establishment of computer-based systems for taxation collection, statistical analysis, information collection and to improve the operating efficiency and effectiveness for client services incorporating centralised cash receipting and client contact points.

Result: During 1989/90 consultants completed a review of the State Taxation Office technology needs for the next five years. An Information Technology Plan has been prepared and implementation of strategies recommended. Primary benefits of the plan include increased revenue and improved service delivery including centralised cash receipting and client contact points.

The first stage of the Information Technology Plan is to develop a real-time computer system which incorporates assessment calculations, receipting, document tracking, precedents and follow-up facilities for unpaid assessments and unanswered requisitions.

TARGET: Place stronger emphasis on staff training including in-house and external training programmes.

Result: The State Taxation Office management group takes an active role in co-ordinating and developing staff development policies relevant for this Office. In addition a Staff Development Committee (comprising primarily staff from the various Branches) acts as a resource to work on specific proposals.

Internal courses have been conducted on Situational Leadership, Customer Contact and basic Supervisor Skills. These internal courses, tailored to the particular needs and demands of our organisation have proved to be invaluable.

Significant support continued for attendance at external courses, seminars and conferences ranging from part-time study assistance for relevant associate diploma, diploma and degree courses through to attendance at short courses on computer skills, communication, management skills and technical symposiums.

During 1989/90 a total of 89 employees attended external training courses and 45 attended internal courses.

FINANCIAL PERFORMANCE

STATE TAXATION REVENUE

Taxation revenue accruing to the State through the State Taxation Office can be classified into six major categories:-

- Business Franchise (Petroleum)
- Financial Institutions Duty
- Land Tax

- Pay-roll Tax
- Stamp Duties
- Tobacco Products (Licensing).

Figure 1 depicts the relative contribution of these receipts during 1989/90 while figure 2 provides a comparison for the year 1988/89 with 1989/90.

Figure 1 : Major Sources of Income - State Taxation Office

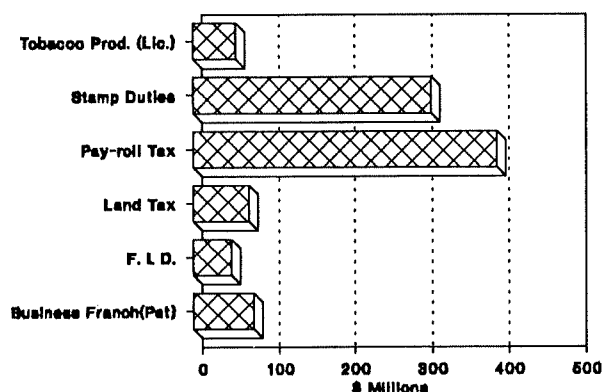
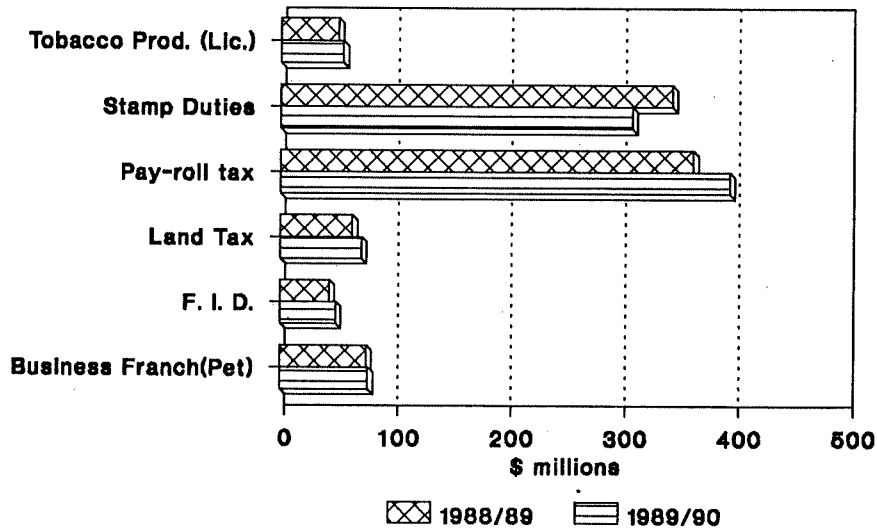


Figure 2 : Variation of Receipts



OPTIMISING STATE TAXATION REVENUE

While the tax base administered by the State Taxation Office has not expanded significantly during the past four years, the revenue collected has increased. Figure 3 shows revenue collected for the last four financial years.

It is important to note that generally the revenue collected achieved budget estimates. There was,

however, a significant reduction in stamp duty receipts over those of 1988/89. The fall was primarily in the area of stamp duty on conveyances and may be directly attributed to an overall downturn in activity in the property sector.

Table 1 summarises the revenue collections of the State Taxation Office for the three years ended 30 June 1990.

Figure 3 : Comparison of Receipts

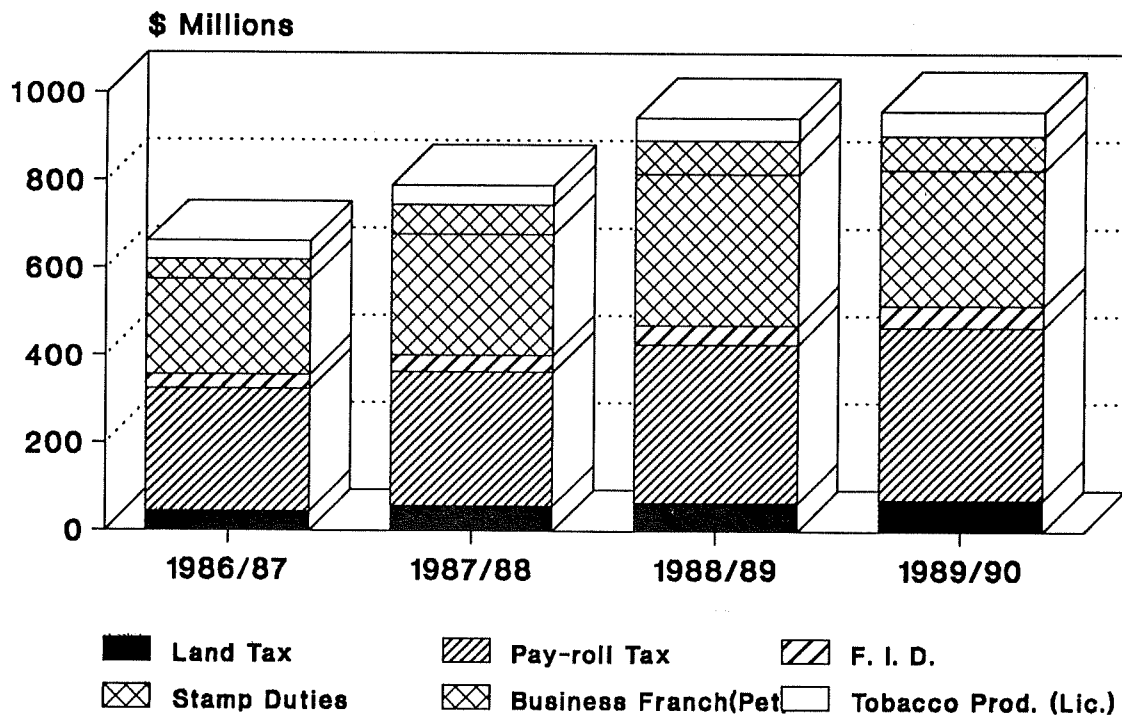


Table 1 : STATE TAXATION OFFICE - REVENUE COLLECTIONS

	1987/88		1988/89		1989/90	
	Number of Taxpayers/ Transactions	Amount \$	Number of Taxpayers / Transactions	Amount \$	Number of Taxpayers/ Transactions	Amount \$
BUSINESS FRANCHISE (PETROLEUM)						
Wholesalers	6	67 405 082	6	76 360 089	6	77 753 736
Retailers	1 201	64 975	1 178	64 937	1 130	126 999
Total Business Franchise (Petroleum)		67 470 057		76 425 026		77 880 735
FINANCIAL INSTITUTIONS DUTY						
Financial Institutions	236	36 328 984	247	47 760 299	243	46 547 446
Short Term Money Market Operators	219	1 665 539	218	1 955 931	211	2 838 006
Exempt-Charitable Organisations Accounts	23 862	26 096			28 617	
Total Financial Institutions Duty		37 994 523		43 716 230		49 385 452
LAND TAX						
TOTAL Land Tax	21 593 56	662 625	17 047	63 739 605	21 034	71 907 591
PAY-ROLL TAX						
Private Sector	5 153	243 897 765	5 349	296 435 687	5 432	323 480 572
Government Sector	36	63 718 141	36	67 562 232	35	72 056 289
Total Pay-roll Tax		5 189 307 615 906		363 997 919		395 536 861
STAMP DUTY						
Adhesive Stamps		547 054		724 507		717 160
Annual Licences (Insurance)		41 073 529		38 053 843		39 016 529
Applications to Register or Transfer Motor Vehicles		50 862 112		61 525 509		68 341 872
Cheques		6 086 098		5 841 462		5 531 085
Conveyance of Property on Sale	137 150 601		190 255 769		152 878 746	
Conveyance of Shares on Stock Exchange		5 920 557		3 801 080		4 050 482
Conveyance of Shares (Excl. Stock Exchange)		6 546 431		10 367 072		8 015 375
Insurance Effected Outside S.A.		2 133 735		3 036 578		2 208 302
Leases		1 673 132		1 729 977		1 813 935
Mortgages	13 641 037		17 187 233		15 663 950	
Other		174 008		198 297		295 239
Less Refunds, Commissions, etc.		(984 017)		(1 125 265)		(1 702 944)
Rental Business		9 244 371		10 478 082		11 765 675
Voluntary Conveyances of Property		1 528 185		2 169 078		2 038 512
S.A. Gas Holdings *				1 310 000		
Total Stamp Duty		275 596 833		345 553 222		310 633 918
TOBACCO PRODUCTS (LICENSING)						
Wholesalers	13	44 049 324	14	50 886 714	10	55 176 113
Retailers	5 388	75 883	5 194	81 833	5 622	59 371
Total Tobacco Products (Licensing)		44 125 207		50 968 547		55 235 484
Total State Taxation Office Collections		789 465 151		944 400 549		**960 596 658

* One off payment by SAGASCO Holdings Ltd., pursuant to Section 22(6) of the Gas Act, 1988.

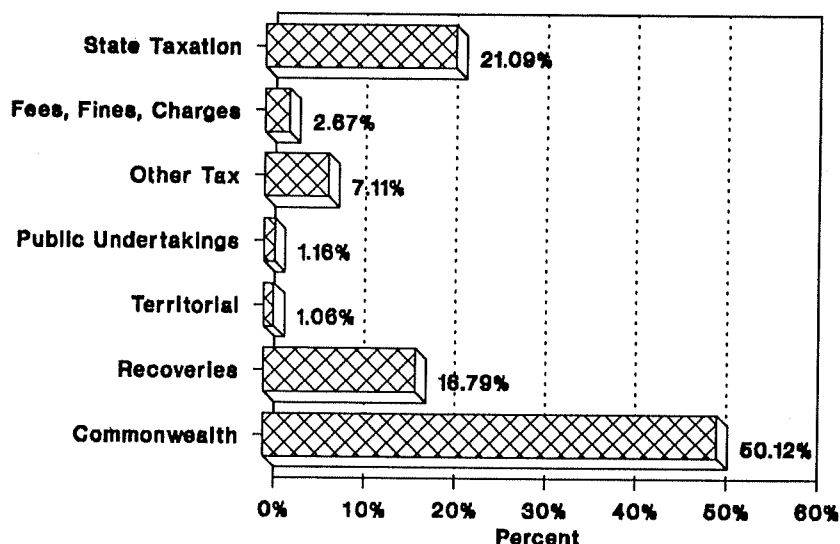
** Succession duty revenue of \$16,617 has been added to this total.

The taxation revenue collected by the State Taxation Office in the financial year 1989/90 was \$960.6 million. It is 21.1 percent of the total recurrent revenue of the State of South Australia (or 42.2 percent of the recurrent revenue received if Commonwealth funds are excluded). The total taxation revenue received by the State in 1989/90

was \$1,284.6 million and the legislation administered by the State Taxation Office contributed 74.7 percent of this revenue.

Figure 4 shows the relative importance of these receipts.

Figure 4 : Analysis of S.A. Government Revenue



COSTS OF ADMINISTRATION

A sum of \$5,318,403 was expended on both recurrent and non-recurrent costs of administra-

tion which includes pay-roll tax liabilities, superannuation contributions and terminal payments. Table 2 shows the distribution of this expenditure among the different cost centres of the Office.

Table 2 : ADMINISTRATION COSTS - 1989/90

	Average F.T.E.	Salaries On Costs*	Administration Expenses	Total \$	%
Business Franchise (Petroleum)	3.2	77,636	8,345	85,981	1.6
Executive, Administrative, Legal & Policy	24.7	849,605	362,210	1,211,815	22.8
Financial Institutions Duty	2.6	65,194	4,507	69,701	1.3
Inspection	19.9	652,656	64,676	717,332	13.5
Land Tax	21.2	589,890	576,225	1,166,115	21.9
Pay-roll Tax	21.4	554,716	194,836	749,552	14.1
Stamp Duties	40.4	1,069,156	160,965	1,230,121	23.1
Tobacco Products (Licensing)	3.2	77,636	10,150	87,786	1.7
TOTAL	136.6	3,936,489	1,381,914	5,318,403	100.0

* Includes pay-roll tax, superannuation and terminal payments.

Table 3 outlines the costs of collection of different taxes/duties administered by this Office.

Table 3 : Direct Cost/Revenue Comparisons - Year Ending 30.6.1990

Branch	Revenue Received \$	Direct Costs \$	Cost of Collection of \$100 Revenue ¢
Business Franchise (Petroleum)	77,880,735	257,376	33
Financial Institutions Duty	49,385,452	137,466	28
Land Tax	71,907,591	1,347,887	1.87
Pay-roll Tax	395,536,861	1,318,683	33
Stamp Duties	310,650,535	1,944,393	63
Tobacco Products (Licensing)	55,235,484	312,598	57
TOTAL	960,596,658	5,318,403	55

Although the cost of collection has risen over the previous financial year the target of 50 cents per \$100 of revenue was estimated in June, 1989 based on projected revenue estimates using tax rates applicable at that time. As part of the 1989/90 Budget initiatives the Government introduced a number of tax concessions in the areas of Pay-roll Tax, Land Tax and Stamp Duties which

has contributed to the variation between the actual and estimated cost of collection per \$100 of revenue.

The final result, however, still compares very favourably with other interstate State Taxation Offices.

LEGISLATIVE REPORTS

1. Business Franchise (Petroleum Products) Act, 1979

The Act provides for the licensing of wholesale (Class A licence) and retail (Class B licence) vendors of petroleum products in South Australia with the licence fee consisting of an annual payment of \$100 plus an ad valorem component calculated by reference to the value of sales of petroleum products made by the licensee in an earlier period. The ad valorem component is not payable by a vendor where the products sold by that vendor were purchased from a licensed person.

This Office carried out extensive investigation work in relation to the administration of zoning components of the legislation. The activities of the Office have ensured greater compliance and consequently increased revenue.

2. Financial Institutions Duty Act, 1983

Financial Institutions Duty is payable at the rate of 4c per \$100 or \$400 (whichever is the lesser) on any receipt of money by a financial institution that is registered or required to be registered under

the provisions of the Financial Institutions Duty Act, 1983.

Duty at a concessional rate (0.005%) is payable by those persons who are registered as short-term money market operators for the purposes of the Act. The Act provides exemptions for certain accounts (e.g., charitable organisations) from the imposition of the duty.

An additional exemption for advances under the Defence Service Homes Act was introduced during the year.

3. Land Tax Act, 1936

Land tax is imposed under the Land Tax Act, 1936 on all land in the State other than that which is specifically exempted. With minor exceptions, land tax is not payable on land used as a principal place of residence or for primary production. The tax is calculated on the aggregate of the site values in an ownership as at 30 June immediately preceding the financial year for which the tax is levied. The site values are determined by the Valuer-General.

The rates of land tax were revised for the 1989/1990 financial year and are set out in the following table -

<u>Taxable Value of Land Subject to Tax</u>	<u>Amount of Tax</u>
Not exceeding \$80,000	... NIL
Exceeding \$80,000 but not exceeding \$200,000	5c for each \$10 over \$80,000
Exceeding \$200,000	..... \$600 plus 20 cents for each \$10 over \$200,000

Where the taxpayer owns land in the metropolitan area with a taxable value or aggregate taxable value in excess of \$200,000, land tax in respect of that land is augmented by an additional levy of 0.5c for each \$10 over \$200,000.

In addition the following rebates applied -

1. A remission of 25% of the land tax payable where the taxable value of the land in respect of which the taxpayer is liable to land tax did not exceed \$200,000.
2. A remission of \$150 plus 15% of the land tax payable on the value in excess of \$200,000 where the taxable value of the land in respect of which the taxpayer is liable to land tax exceeded \$200,000.

During the year the Government established a committee to review options for change to the present system of levying land tax.

The terms of reference of the review were:-

"To report to the Government on possible changes to the present method of levying land tax which could be implemented without reducing Government revenues."

The review team consisted of:-

- The Deputy Under Treasurer (Chairman)
- The Commissioner of State Taxation
- The Valuer-General
- The Dean of the Faculty of Economics and Commerce, University of Adelaide.
- The Chairman of the Small Business Corporation.

The Government formally invited various representative groups to form a consultative committee to develop proposals for reform.

The review group has presented its report to the Government and the report has been released for public comment.

Apart from the revised tax rates the most significant amendment to the Land Tax Act for 1989/1990 related to long term leases over shack site land. The holders of leases for a term of at least forty years registered over shack site land as at midnight on 30 June, 1989 are now recognised as the owners of the land which is subject to the lease for land tax purposes. These amendments finally resolved a problem which had existed for more than twenty years.

4. Pay-roll Tax Act, 1971

Employers and groups of employers are required under the provisions of the Pay-roll Tax Act, 1971 to pay five per centum tax on wages and salaries paid to employees. Where wages and salaries are below a given level described as the threshold, pay-roll tax is not payable.

At the commencement of the 1989/90 year the threshold was \$330,000 per annum. It was increased by legislative amendment to \$360,000 per annum from 1 October, 1989 and \$400,000 per annum from 1 April, 1990.

In the area of computerisation a number of system enhancements were introduced to maintain the efficient and equitable administration of the legislation. The efficiency of the on-line A.D.P. system was also increased by the introduction by State Computing of upgraded Mantis software. These system enhancements have improved the flow of information to both staff and taxpayers.

A number of spreadsheet software solutions have been implemented to assist in the complex grouping, recovery and compliance matters which are dealt with under the legislation. These have resulted in the efficient use of available resources.

In 1989/90 the Pay-roll Tax Branch became an on-line user of the Corporate Affairs Computer System. Preliminary evaluation has indicated that the use of this information source will significantly assist the Branch in compliance monitoring and in the enforcement of legislation.

During 1989/90 the Pay-roll Tax Appeal Tribunal received six objections to assessments issued by the Commissioner of Stamps.

There were eleven objections carried over from 1988/89. Seven matters are still before the Tribunal for consideration as at 30 June 1990, with the majority scheduled for hearing during the first six months of the 1990/91 financial year. One objection was heard by the Tribunal during 1989/90 and nine matters were withdrawn.

To increase the awareness of the requirements and obligations of the Pay-roll Tax Act, 1971 regular publications of circulars dealing with legislative and administrative policies and practices were commenced in April 1990. The circulars are distributed to taxpayers, professional bodies, legal practitioners and industry group representatives.

5. Stamp Duties Act, 1923

The Stamp Duties Act, 1923 provides for the payment of duty on a diverse range of instruments and duty is also levied on transactions relating to rental business, insurance business, stock exchange dealings and applications to register and transfer registration of motor vehicles.

This legislation provides a significant source of tax revenue to the State. The elimination of a number of tax avoidance measures during the year were significant achievements. These included contract splitting, transfer of realty by way of shares, and the abuse of the transfer of shares through Branch Registers. Continuing initiatives in these areas eliminate avoidance practices and consequently increases the State's revenue.

The maximum stamp duty concession provided to first home owners was increased from \$1,080 to \$2,130 during the year. Approximately 7000 first home owners benefited from this increased concession during the 1989/90 financial year. At the same time improved administrative arrangements and compliance monitoring activities were adopted to ensure the concession is received only by eligible parties.

The exemption threshold on rental business was increased from \$18,000 per annum to \$24,000 during the year in response to Government budget initiatives.

Continued stringent administration of penalty provisions has ensured timely lodgement and payment of duty and increased awareness by taxpayers of their responsibilities in this area.

Considerable attention was paid during the year to improving statistical recording systems in relation to stamp duty receipts and rental duty systems. The resultant computer software will enable more timely and accurate information to be provided to Government for forecasting, budget, Grants Commission and trend analysis.

The Office developed a computerised on-line compliance monitoring system to check values declared by persons in applications to register or transfer the registration of motor vehicles. The implementation of this program is now dependent upon the successful introduction of the Motor Registration Division's on-line system scheduled for September, 1990.

Consultation with taxpayer and industry groups on legislative and administrative issues was a continuing feature of the Office's taxation administration role. The Manager, Stamps also presented a paper on stamp duty to a seminar conducted by the Australian Society of CPA's and lectured to students enrolled in the Land Brokers Certificate Course.

6. Tobacco Products (Licensing) Act, 1986

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

- (a) a direct contribution to State revenue, in the form of a licence fee, is made by a consumer who takes out a consumption licence;

but

- (b) a tobacco merchant who chooses to be licensed and thus by payment of licence fees makes a contribution to State revenue on behalf of consumers, thereby relieves consumers from the obligation to hold a consumption licence for the consumption of tobacco products obtained through the merchant.

The movement of tobacco across State borders duty free presents continuing inspection workload. Activities of this Office during the year successfully kept this practice to a minimum.

INVESTIGATION AND INSPECTION ACTIVITY

The principal functions of the Inspection Branch include:-

- carrying out research, audits and investigations;
- detecting tax avoidance and underpayment;
- achieving a high level of compliance;
- recovering outstanding liabilities.

During the 1989/90 year the Branch again experienced difficulties in retaining experienced staff. In response, a new organisation structure has been put in place to provide a more defined career path for inspectors.

High turnover of staff has had an effect on the Branch's activities during the year. More experienced officers have been required to devote time to training new staff who in turn are initially only able to conduct inspections of lower complexity.

As part of the State Taxation Office Staff Development programme a number of staff members were seconded to the Inspection Branch on a

temporary basis. This initiative provides the temporary appointees with a better appreciation of the operations of the State Taxation Office and provides a valuable insight into private commercial practices.

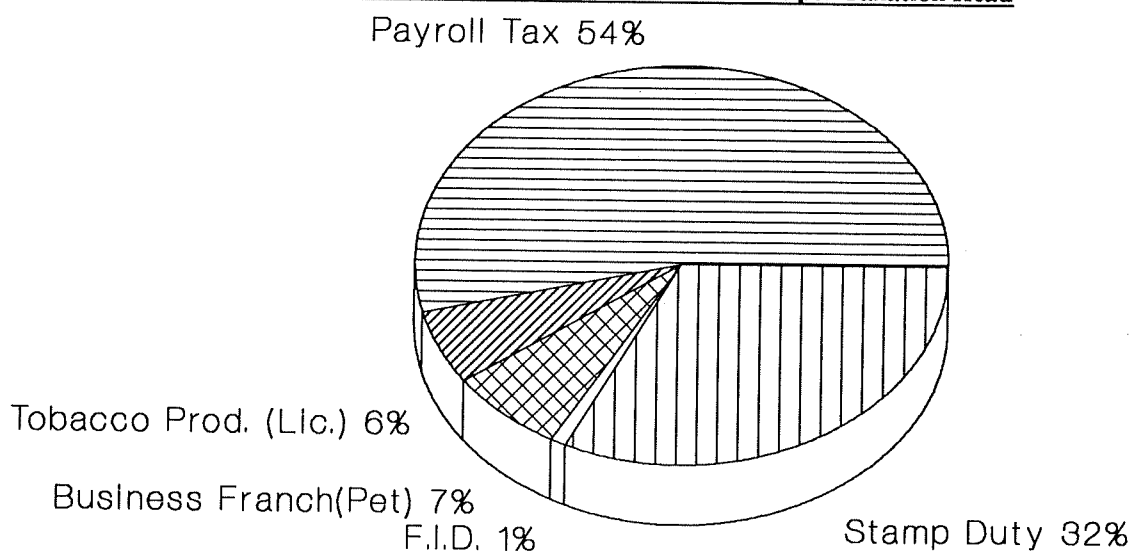
During 1989/90 the Inspection Branch continued its strategy of specific compliance programs to ensure that each taxpayer group received audit attention. The primary objectives of these programs are to:-

- detect and collect avoided or evaded duty;
- assess the extent of avoidance/evasion activities and assess potential revenue loss;
- increase compliance through field audit.

During the year 647 inspections were completed. Although this number is down on last year (largely due to the lack of experienced staff) it is difficult to make any direct comparison as each inspection can vary in length and complexity.

Figure 5 highlights the field time deployed between various taxation heads.

Figure 5: Inspection Branch - Approx % of Field Time per Taxation Head



The Taxation (Reciprocal Powers) Act, 1989 has proved to be very useful in combating avoidance and evasion as taxpayers extend their operations beyond State boundaries and become more sophisticated in their operations.

In May, 1990 the Chief Inspector and a Senior Inspector attended the Second Annual Investiga-

tions Conference in Perth. The conference provided a valuable forum for discussion on approaches to common investigative problems encountered by the various States.

Revenue detected during 1989/90 directly as a result of the Inspection Branch's activities was \$2,191,675.00.

The Recovery Section of the State Taxation Office recovered \$1,222,699 for the year and dis-

posed of 566 matters leaving 430 current matters on hand.

HUMAN RESOURCES MANAGEMENT

Occupational Health and Safety

During 1989/90 the State Taxation Office maintained its active role in the Treasury Occupational Health and Safety Committee. A management representative and an elected staff representative from the State Taxation Office are current members of the Committee.

The State Taxation Office Emergency Evacuation Procedures Committee continued to be diligent in pursuing matters to improve fire prevention measures in the Torrens Building. Emergency evacuation drills were regularly conducted during the year, and the State Taxation Office Evacuation Procedures Manual has proved to be an important means of educating staff in this important area.

The purchase of office equipment and furniture has been closely evaluated to ensure that it is ergonomically sound.

Recruitment

The State Taxation Office has continued to play an active part in placements providing special training and support. The following is a record of special placements in 1989/90.

Aborigines	3
Trainees	1
Disabled	2
Supernumeraries	10
HETA (Handicapped Employment Training Association)	1
Work Experience Students	5
Redeployees	1

Training

To ensure that staff opportunities to improve and broaden their skill levels are increased the State Taxation Office has continued to encourage staff development by recognising staff training needs and addressing those needs through appropriate training. Considerable effort was placed on staff development activities with numerous in-house training sessions conducted as well as short external training courses/seminars. The Training and

Development Committee continued to assist managers to identify and meet training and development needs of staff.

The average time devoted to formal training and development was approximately 2.5 days per F.T.E. during 1989/90.

External course attendances were actively encouraged with 89 participants recorded for the financial year.

An in-house "Situational Leadership" course was conducted for staff in supervisory roles to further develop their supervision and team building skills. Forty-five staff attended this course.

The State Taxation Office maintained its strong support for staff members engaged in part-time study through tertiary institutions and TAFE to further enhance their skills and career development.

A job rotation policy and program was implemented providing opportunities for employees to gain wider work experience and opportunity for promotion. This program includes job rotation opportunities from base grade clerical to senior management positions.

Staff Appraisal

The State Taxation Office conducted regular staff appraisal during 1989/90. Employees were provided an opportunity to receive feedback on their performance and were counselled in relation to future development and opportunities.

A Personnel Development Review Scheme is also being developed to address the following:-

- to ensure the effective and efficient performance of staff;
- to ensure that the skills and experience of employees are appropriate for the State Taxation Office to achieve its key objectives;
- to promote job satisfaction;
- to promote organisational loyalty;
- to adhere to a policy of fair and equitable opportunities for all employees.

Clerical Job Redesign

The clerical job redesign program has been successfully implemented in most areas of the State Taxation Office. This program has provided all base grade clerical employees with increased variety in their work, greater job satisfaction and better opportunities for promotion.

Taxation Commissioners' Conference

The Twentieth Annual State and Territory Taxation Commissioners' Conference was hosted by South Australia during the week 5-9 March, 1990.

The annual conference is attended by all States and Territories and provides an excellent forum for the review of a wide range of legislation, policy and management issues as they relate to taxation administration.

The conference contributes materially to the co-operation between States in resolving common problems and in achieving some consistency in the application of taxation legislation.

The continuing changes to legislation and administrative practices needed to combat tax avoidance and evasion are facilitated by this conference and other meetings held each year by Taxation Commissioners.

CHAPTER VII

MANAGEMENT OF STATE GOVERNMENT BORROWING AND INVESTMENT ACTIVITIES

SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY (SAFA)

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

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

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

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

SAFA's charter in terms of Section 11 of the Act is:

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

SAFA's corporate objectives are broadly to minimise the cost of borrowings for the South Australian public sector, to manage the State's financial reserves in a prudent and efficient manner, to provide sound financial advice to the Government and to provide a satisfying work environment for its staff.

Achieving these objectives depends on a wide

range of factors, some of which are within SAFA's control, others of which are external. Some of the most important of these factors are:

strength in State finances;

- efficient organisation of State finances;
- accountability;
- prudent financial policies;
- innovation;
- close relations with financial markets;
- good relations with clients; and
- a highly skilled and motivated staff.

Various debt re-arrangement exercises that SAFA has undertaken since its establishment have led to the consolidation of the bulk of the State public sector's debt within its balance sheet. These arrangements have been a major factor in the rapid growth of its balance sheet which stood at \$16.6 billion at June 1990.

Amongst other things, the debt re-arrangements have enabled the Government to provide financial support to SAFA by way of capital. While the government guarantee of SAFA's liabilities is of primary importance, this capital backing has enabled SAFA to "stand alone" in terms of financial strength, which is an increasingly important consideration in domestic and international financial markets. At June 1990, SAFA's capital base stood at \$2.7 billion.

In each year of its operation, SAFA has achieved a surplus. In 1989/90, the surplus was \$336 mil-

lion, of which the Treasurer determined that \$325 million be paid to Consolidated Account in 1989/90. The balance of \$11 million was allocated by the Treasurer to SAFA's General Reserve thereby further strengthening SAFA's capital base.

The distribution of the SAFA surplus is a significant contribution to the recurrent side of the Consolidated Account.

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

- (1) undertaking the necessary borrowings for, and managing the cash resources of, the State to ensure that the State can meet payments as and when they fall due;
- (2) managing the financial assets and the liabilities of the public sector in such a way as to minimise net borrowing costs;
- (3) providing financial information and reports to Government to assist it to reach decisions about the appropriate mix of

spending, revenue raising and borrowing targets.

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

- (i) Funding and Investment;
- (ii) Cash, Debt and Client Management;
- (iii) Accounting, Administration and Systems;
- (iv) Commercial Finance;
- (v) International Finance; and
- (vi) Financial and Credit Policy.

Taking each sub-branch separately, the following comments can be made on activities during 1990/91.

Funding and Investment

The Assistant General Manager, Funding and Investment, supervises the Domestic Finance Branch which has a staff of eight officers. The branch is responsible for:

- ensuring the efficient and lowest cost issuance of SAFA's conventional debt instruments in the domestic capital markets to raise funds for SAFA's own funding needs on behalf of the State's financial institutions, in particular the South Australian Finance Trust; and
- implementing SAFA's debt, investment and cash management strategies.

SAFA continued to be an active borrower in the domestic fixed interest market in 1989/90.

During the year, the Domestic Finance Branch made new issues of inscribed stock totalling \$2509 million through a Dealer Panel. This panel has the dual role of ensuring orderly placement of stock into the primary market and maintaining liquidity in the secondary market by actively quoting buy and sell prices to investors.

In 1987, SAFA was the first borrower in Australia to implement this dealer panel concept and its success is reflected by the number of the major

domestic borrowers - both semi-government and corporate - which have since moved in a similar direction. During the year, membership of the Dealer Panel was expanded from 6 to 7 market-makers. Additionally, a further organisation was appointed as a Tender Panel member, thus allowing a wider range of market participants direct access to SAFA paper.

The Dealers' market-making activities, which are supported by a stock lending facility provided by SAFA, and SAFA's own activity in its paper (via new issues, consolidations and debt management transactions) jointly contribute to a high level of market turnover in SAFA paper. In this way, SAFA's status as a prime borrower in the domestic market is maintained. Turnover of SAFA's stock continued to grow, with volume of trades increasing from \$22,100 million in 1988/89 to \$31,700 million this year (excluding new issues).

SAFA has sought to diversify its debt portfolio through the issue of inflation indexed inscribed stock. Investor demand for this form of stock remained limited throughout the year. As a consequence, SAFA issued only \$101.5 million of its 4% August 2002 stock and \$40.0 million of its 4% August 2015 stock in this period. As investor demand picks up in this area, SAFA plans to be

able to offer the same kind of liquidity support to these benchmark stocks as it does for its nominal rate stocks.

Short-term borrowings again played an important role in SAFA's funding activities. Such funding was mainly achieved through the issue of promissory notes - where the average daily outstanding was \$410 million - and via the issue of short-term or floating rate inscribed stock in response to demand from time to time (mainly from overseas end-investors).

Along with the ongoing funding mechanisms described above, ad hoc borrowing opportunities continued to play a role in SAFA's overall funding operations. SAFA has always encouraged market participants to put new or innovative funding ideas to it, and has responded positively to those proposals which have proved to be cost-effective. This approach, together with SAFA's willingness to accommodate the specific needs of investors, has contributed to further non-standard borrowings being offered this year, ranging from a large

volume of short-term borrowings via floating rate notes to smaller volumes of low-coupon, long-term fixed-interest borrowings.

As part of its borrowing and debt management activities, SAFA actively employed a variety of derivative products available in the market, including interest rate swaps, over-the-counter bond options and futures-based hedge instruments.

SAFA's continuous (or tap) issue public loan has now been operating for 4 full years. Since inception, gross borrowings have totalled more than \$184.8 million, including \$44.8 million in 1989/90.

The objective of the tap loan is to provide smaller investors with a safe, competitive and flexible investment product. The loan offers a variety of maturities designed to provide a range of options for investors, and the interest rates offered are varied in line with market rates generally.

Cash, Debt and Client Management

The Assistant General Manager, Cash, Debt and Client Management and his staff of eight are responsible for:

- administering Loan Council guidelines relating to public sector financing and providing advice on Loan Council and Commonwealth/State policy issues;
- co-ordinating the management of cash resources of the State public sector;
- administering the debt and asset relationships between SAFA and the Government and client authorities;
- managing SAFA's financial relationships with public sector financial institutions including State Bank, State Government Insurance Commission and Workcover;
- managing various commercial lending arrangements.

The Australian Loan Council continued with the voluntary global limits approach as the framework for oversight of all borrowings by semi and local government authorities and government-owned companies and trusts (excluding borrowings by or on behalf of statutory marketing authorities and public sector financial institu-

tions). Under these arrangements, Commonwealth and State authorities are constrained to an annual limit on the aggregate of all forms of borrowings.

Total global limits for the States and Commonwealth for new borrowings in 1989/90 were set at \$5350 million.

The ceiling on new overseas borrowings in 1989/90 set for the States collectively is \$825 million. This represents 22 per cent of their global program - the same percentage as in recent years.

In 1989/90, SAFA provided the State Government with loans totalling \$150 million towards funding of the State's public sector general capital works program.

During 1989/90, SAFA made new loans totalling \$172 million directly to semi-government authorities.

New lending arrangements in 1989/90 included the provision of advances to:

- the Minister of Employment and Technical and Further Education to finance two projects approved under the Business Enterprises scheme including the Croydon College of Technical and Further Education's participation in the "SHRIKE" formula

Holden motor racing venture.

- the Racecourses Development Board for financing the upgrading of grandstand facilities at the Adelaide Greyhound Racing Club's Angle Park course.
- the South Australian Health Commission in connection with carparking facilities at the Adelaide Children's Hospital, the Royal Adelaide Hospital and the Flinders Medical Centre.
- the Electricity Trust of South Australia for general capital purposes. Although SAFA assumed responsibility for raising funds for ETSA from 30 June 1988, this year witnessed ETSA's first such borrowing requirement.

The major public sector financial institutions for which SAFA raised funds in 1989/90 were South Australian Finance Trust Limited (SAFTL), the Minister of Housing and Construction (HomeStart Finance) and the Local Government Finance Authority of South Australia.

SAFA also undertook significant borrowings in connection with the Government's HomeStart lending program. In view of the success of the program the level of future annual borrowings is expected to increase over the \$122 million raised in 1989/90.

SAFA has continued to provide loans to the Local Government Finance Authority of South

Australia on terms and conditions generally based on the prevailing semi-government borrowing rates. A total of \$171.6 million was provided during the year resulting in the amount outstanding at June 1990 being \$446.9 million.

Further progress was made during 1989/90 in improving arrangements whereby the Government and nearly all semi-government authorities lodge all funds not immediately required with SAFA each day.

The near total centralisation of State public sector cash has had a range of benefits, the most notable being:

- the ability to earn higher returns on funds invested by dealing in larger sums under broader investment criteria and, as circumstances dictate, over a wider range of maturities;
- the ability to lower interest costs by delaying, reducing or obviating the need for the public sector to borrow from the market;
- overdraft and short term borrowing facilities are used more efficiently; and
- credit exposures by individual semi-government authorities to financial institutions are eliminated.

The level of funds on deposit with SAFA from the Government and semi-government authorities at 30 June 1990 was \$493 million.

Accounting, Administration and Systems

The Assistant General Manager, Accounting, Administration and Systems and his staff of twenty eight officers are responsible for:

- implementing procedures and policies which correctly account for SAFA's activities in accordance with generally accepted commercial accounting practices;
- ensuring that SAFA's obligations under various financing transactions are met and all receipts are duly received on a timely basis;
- providing advice on accounting issues which arise in the course of SAFA's diverse financial activities;
- developing and implementing computing and other systems to record SAFA's financial activities;
- collecting relevant information for the production of timely management reports;
- servicing the needs of the SAFA Board;
- attending to settlement and on-going maintenance procedures associated with transactions;
- retail bond sales and registry liaison;
- managing SAFA's marketing program; and
- providing administrative support to the activities of SAFA generally.

During the year, the SAFA Board continued to support the allocation of staff to the task of developing and implementing computer-based information systems where it can be shown that those systems provide significant benefits. SAFA's own staff resources were supplemented by the employment of consultants with specialist information systems skills.

In the area of computer-based systems, SAFA has continued the policy of maintaining a central data base of its financial information which can be accessed by users who need to enquire about various transactions or to obtain information for analysis. The objective has been to equip the users of the information with the computing tools and skills necessary to extract and manipulate the information into a format suitable for their purposes. This objective is being achieved as more users become familiar with the main central system.

In conjunction with this approach SAFA has also introduced specialised software which is specific to particular aspects of SAFA's responsibility to manage a large range of financial instruments. This software still draws on the central data base for information but it has the ability to analyse that data in a manner which would not be within the capabilities of the main SAFA system. The matching of systems in this manner has proved to be efficient in providing the capacity and information necessary to manage a diverse range of transactions.

Staff training continues to receive a high prior-

ity. The nature of activities carried out by SAFA are not encountered elsewhere in the public service which means that it is necessary to continually train staff to ensure that their knowledge is relevant to SAFA's activities. Staff are also encouraged to pursue formal studies in areas that are relevant to their work and this is made possible by the study leave provisions which apply in the public service. Attendance at courses and seminars is also supported where the content is related to the needs of SAFA and the officers concerned.

A major change to take place during 1989/90 was the transfer of the Registry of Inscribed Stock from Registry Managers (Australia) Limited to the Reserve Bank of Australia, the Government's banker, in April 1990. The Reserve Bank is able to operate the registry from Adelaide, thereby giving SAFA staff immediate access to the registry staff to resolve any problems. The Bank's experience as the Registrar of Commonwealth inscribed stock has ensured that it has systems which are well-established and capable of handling SAFA's requirements. The level of service offered by the Bank allowed the redeployment of three officers from the Funding and Investment Branch to other branches where vacancies existed.

Other duties conducted by the Branch included supervision of the production of the annual report, assessment of the need for additional office accommodation and preparation and monitoring of the SAFA administration budget.

Commercial Finance

The Assistant General Manager, Commercial Finance, currently has a staff of two officers and is responsible for:

- monitoring and providing advice on developments in structured financing, negotiating commercial terms of structured financing transactions and maintaining completed transactions;
- provision of special project financing involving structured finance, or conventional debt funding of non-public sector agencies or public sector bodies involved in commercial activities; and
- provision of a commercial assessment capability both with respect to proposals involving fixed interest financing opportuni-

ties for SAFA and more generally for other arms of the public sector.

Opportunities for SAFA to undertake structured financing arrangements during 1989/90 were limited.

In the latter half of the year an opportunity arose to undertake a financing arrangement involving forestry assets owned by the Minister of Forests and managed by the Department of Woods and Forests. This transaction, which provides funds to the State at a margin below conventional interest costs, will provide benefits measured in present value terms totalling \$6 million. While the full financial benefit of the transaction will accrue to SAFA, an equity investment of \$6 million has been made by SAFA in the operations of the Department of Woods and Forests. This invest-

ment will obviate the need for the Department to draw on the capital budget in 1990/91 and provide

for an immediate reduction in the Department's interest expense.

International Finance

The Senior Manager, International Finance, and one other officer are responsible for this area of activity which involves:

- analysing opportunities for undertaking off-shore borrowings, and negotiating such transactions;
- overseeing the investment of off-shore funds;
- liaising with SAFA's affiliated off-shore corporations and assisting in the implementation of their borrowing and investment activities; and
- managing the public sector foreign currency hedging service.

Developments in international capital markets during 1989/90 resulted in limited fundraising opportunities for SAFA.

SAFA undertook five public Eurobond issues during 1989/90. They included:

- Euro NZ\$50 million 13.75% Notes launched in July 1989, maturing in 1994, lead managed by Hambros Bank Limited;
- Euro A\$75 million 14.50% Notes launched in August 1989, maturing in 1994, lead managed by Hambros Bank Limited;
- Euro A\$125 million Zero Coupon Notes launched in November 1989, maturing in 1994, lead managed by Hambros Bank Limited;
- Euro Yen 10 billion 7.375% Notes launched in March 1990, maturing 1992, lead managed by Daiwa Europe Limited; and,
- Euro A\$75 million 15.25% Notes launched in June 1990 maturing 1993, lead managed by Hambros Bank Limited.

In October 1989, SAFA undertook its second borrowing in the Japanese domestic market, known as the Samurai market. The Samurai bond issue for Yen 10 billion with a coupon of 5.6%, maturing in 1994, was well received by Japanese

investors. The issue was lead managed by The Nomura Securities Co., Ltd and the lead commissioned bank was The Long-Term Credit Bank of Japan, Limited.

In July 1989, SAFA established an A\$1000 million Debt Instrument Program under which SAFA may issue Euro Commercial Paper, Medium Term and Long Term Notes. The key feature of the Program is its flexibility which enables SAFA to react quickly to market demand and to design securities to meet specific investor demands. Debt Instruments issued under the Program:

- are exempt from Australian withholding tax;
- may be in bearer or registered form;
- may be listed on a stock exchange;
- may be issued at par, at a discount or with a premium;
- may or may not bear interest;
- may be linked to an index;
- may be issued in any currency which is for the time being freely transferable and convertible into Australian dollars; and,
- may be of any maturity.

The principal borrowings raised through the Program during 1989/90 were Australian dollar Euro Commercial Paper (ECP) and Medium Term Notes (MTN). The total face value of Australian dollar ECP raised during the year was A\$1130 million with an average maturity of 69 days and average daily outstandings of A\$268 million. The total proceeds amount of A\$ MTN's raised was \$94 million.

All of SAFA's borrowings both short term and long term have been raised at significant margins below equivalent domestic funding costs.

During 1989/90, SAFA continued its policy of avoiding foreign exchange exposure on its borrowings by swapping into Australian dollars or acquiring matching assets, but carried a small foreign currency asset position (A\$26 million at June 1990) on account of the retention in off-shore

portfolios of surpluses and margins previously

earned on foreign currency operations.

Financial and Credit Policy

The Assistant General Manager, Financial and Credit Policy, is supported by a staff of four officers.

The branch has two main functions:

- establishing and reviewing SAFA's borrowing and investment strategy; and
- determining credit risk policies, involving the continual review of SAFA's guidelines on credit exposures arising from investments, swaps and other contracts.

The Branch also advises on strategies for the management of SAFA's equity investments. Other functions involve preparation of SAFA's submissions to Australian and overseas credit rating agencies, liaison with the Australian Bureau of Statistics on public sector financial statistical matters, and provision of advice on public sector financial issues generally.

SAFA takes a conservative approach to its financial and credit policies. It does not take strong views on likely interest developments but rather approaches the market on a regular basis and spreads its borrowings across the available maturity spectrum. Foreign exchange exposures are avoided, credit risks carefully controlled, appropriate levels of reserves and contingency provisions are maintained and the organisation is well capitalised. Transactions of affiliates are undertaken on an interest rate matched basis.

As part of the evolution in SAFA's interest rate risk management task, a neutral debt management approach has been identified which forms a benchmark for making debt management decisions. The benchmark net debt maturity profile has been extended from 10 years to 15 years with an associated increase in the average term to maturity of that benchmark.

CHAPTER VIII

ADMINISTRATION OF SUPERANNUATION SCHEMES

STATE SUPERANNUATION OFFICE

The State Superannuation Office administers the two State Superannuation Schemes on behalf of the South Australian Superannuation Board.

The Superannuation Board has statutory responsibilities for oversight of the Superannuation Act, 1988. It produces a separate annual report on its activities which includes those of the Superannuation Office. A more detailed report of the Superannuation Board's activities is therefore separately available and can be obtained from the Superannuation Office.

Organisation of the Office

During 1989/90 the Superannuation Office was organised into three main sections:-

- Contributions
- Advisory
- Pensions

The Office is administered by the Manager, Superannuation Office who is also Secretary to the Superannuation Board. The Manager reports to the Deputy Under Treasurer.

The Office has access to services provided elsewhere in Treasury in accounting, information systems, administration, actuarial advice, and other advisory functions. The Office obtains legal advice from the Crown Solicitor and medical advice from two consultant medical practitioners employed by the Superannuation Board on a sessional basis.

Functions of the Office

The main functions of the Office are:-

- the processing of applications to join the new State Superannuation Scheme including the assessment of the health of appli-

cants;

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

Contributions

The number of persons contributing to the Scheme increased during the year from 21,311 to 22,735. 84 members have taken advantage of the new provisions to preserve their benefits.

This year 2,147 persons commenced paying contributions to the fund compared to 2,072 last year. The new Act with its more flexible provisions has continued to encourage new membership.

Statements were sent to all contributors advising them of the amount held in their superannuation account. This year was the first year under the new Act when interest from fund earnings has been attributed to accounts. Pension scheme

members were attributed with 12% and lump sum scheme members 14%.

Advisory

The Advisory Unit continues to provide a highly sought after service for individual advice and seminars to both members and prospective members. 16 pre-retirement seminars were held for a total of 476 contributors and 90 non-contributors, many with their partners. 105 promotional seminars were held in 42 government agencies and authorities.

A new brochure and four posters were printed and made available to agencies. In addition, a brochure containing information from the Superannuation Board's Annual Report was distributed to all members, along with an information brochure from the South Australian Superannuation Fund Investment Trust.

Pensions

The number of pensions being paid again decreased during the year from 11,401 to 11,294. This continuing decrease is a result of the Government's policy of regular offers to some pensioners to commute their full pension to a lump sum. Through the year, an offer was made to 1,156 pensioners which resulted in 259 fully commuting their pension. 455 commuted a proportion of their pension.

The number of new pensions granted this year was 803 compared with 863 last year. (This includes new widow, widower and student pensions as well as new retirement pensions.) 108 of these new pensioners fully commuted their pension to a lump sum.

The number of invalid pensions granted during the year was 57 compared to 52 last year.

36 temporary disability pensions were approved, compared with 34 last year. Contributors who apply for a disability pension are, unless clearly and unequivocally permanently incapacitated for employment, approved for a temporary disability pension in the first instance. This allows both the contributor and the employer time to assess and rehabilitate towards a return to work where possible.

The Superannuation Board has been concerned at the lack of follow-up of disability pensioners by employing agencies. In response to these concerns Treasury gained the Treasurer's approval to

charge agencies for this pension to provide an incentive to agencies to undertake rehabilitation. A survey of these pensioners was conducted towards the end of the year. Recommendations from this report are being finalized and will result in improvements in the administration of this benefit.

The thrust to encourage pensioners to have their pension paid by direct deposit to a bank, building society or credit union, rather than by cheque, has continued, and the proportion of pensioners now receiving their pension by cheque is 3%.

Systems

With the proclamation of the new Superannuation Act, 1988 on 1st July, 1988 there was a need to revise totally the Office Information System.

A tender was finalised late in 1988 to develop and implement a new on-site system for the Office. The pensioner part of the system was operational late in 1989 and has proved an effective and efficient mechanism for the management of records and payments. The contributor aspect of the system is still being finalised.

Staff of the Office

As at 30th June, 1990, there were 19 full-time permanent officers and 5 temporary positions. These temporary positions have been used for the input of data required to establish the new system and also to assist the Office in peak periods.

The organisational review of the Office has resulted in the three heads of section being reclassified from CO-4 to CO-6. Three new positions of assistant to the heads of section have been created at the CO-4 level and will be finalised early in the 1990/91 financial year.

This new structure of the Office acknowledges the increasing responsibilities carried by the staff in this increasingly difficult and complex area. Further positions will be reviewed in this coming financial year.

Office accommodation was improved during the year to provide more appropriate facilities for both staff and the constant flow of members who attend the Office throughout the year.

A receptionist/secretary was appointed in January to offer a first contact facility for new entrants, contributors and pensioners.

PUBLIC SECTOR EMPLOYEES SUPERANNUATION SCHEME

The Public Sector Employees Superannuation Scheme (PSESS) became operational on 1 January 1988 although final details of the Scheme were not agreed between the Government and the Union until late in 1988. The Scheme is administered under Deed of Agreement between the Treasurer and the United Trades and Labor Council representing the public sector unions. Treasury administers the Scheme on behalf of a Board of Administrators established under the Deed of Agreement. Approximately 116,000 employees and 170 public sector agencies participate in the Scheme.

The Scheme

The Scheme provides benefits of:

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

2% of salary or wages for employees who are members of the State scheme.

Benefits to members of the State pensions scheme were reduced by 1% to meet the cost of the preservation of benefit option incorporated into the pension scheme.

The Scheme has minimum and maximum benefit levels which are reviewed annually. The minimum benefit is adjusted to take account of State wage case decisions during the year. The maximum benefit is reviewed to ensure that the overall cost of the Scheme does not exceed 3% of eligible earnings.

The Board of Administrators

The Board was established in January 1990. It comprises a Presiding Officer appointed by the Treasurer, two members appointed by the Treasurer and two members nominated by the United Trades and Labor Council.

PSESS Administrative Unit

The Unit forms part of Treasury's Corporate Services Branch. Treasury's Manager, Corporate Services manages the Unit which now comprises eleven positions, divided between claims, accounting and liaison activity. The Manager, Corporate Services also provides Executive support to the Board.

The Unit has access to services provided elsewhere in Treasury in accounting, information systems, administration, actuarial advice and other advisory functions.

Functions of the Unit

The main functions of the Unit are:-

- the collection and recording of data from agencies with respect to employees.
- the establishment of employee benefit accounts which are updated annually.
- the payment of benefits.
- liaison with agencies on the requirements of the Scheme.
- the provision of client services to all public sector employees.

Systems

Work commenced during the year to specify user requirements for the Scheme and to develop programs to satisfy all of the Scheme's requirements for computerised systems. Eventually, the Scheme will share hardware and software facilities with the State Superannuation Office. Pending the availability of facilities on the proposed new mini-computer, interim programs for the calculation of benefits have been developed for application on several personal computers which are available to the Unit.

Claims

Approximately 5,300 claims were received between 1 January 1988 and 30 June 1990. Of these, 2637 resulted in payment of a benefit to the claimant. 781 claims remained outstanding as at 30 June 1990. The balance of the claimants were advised that their benefits in the Scheme would be preserved until their retirement on account of age or invalidity or until a benefit became payable for other reasons described in the Deed of Agreement.

Date Intake from Agencies

In November 1989 all public sector agencies were requested to provide information concerning the employment status of all their employees, details concerning earnings and other details which will enable the calculation of benefits. The information will be updated annually and will provide the data base for the calculation of benefits and the issue, annually, of statements of entitlement to employees.

The exercise to date has been a difficult and time consuming task for a variety of reasons, including

the unavailability of all of the information required in computerised form and other priorities within agencies taking precedence over PSESS requirements.

Statement of Entitlement

The first Statements of Entitlement under the Scheme will be issued early in the 1990/91 finan-

cial year. The statements will cover the period 1 January 1988 to 30 June 1989. Statements for the period to the 30 June 1990 will be issued as soon as possible thereafter depending upon the receipt of details from agencies. In future the issue of annual statements will be staggered over the period between July and September inclusive.

CHAPTER IX

MANAGEMENT OF SUPERANNUATION FUND INVESTMENT ACTIVITIES

SASFIT

The South Australian Superannuation Fund Investment Trust (SASFIT) is the statutory body charged with the responsibility of investing and managing the funds contributed by members of the State superannuation schemes. During the year SASFIT became responsible under the Police Superannuation Act for managing the funds contributed by police to the two police force superannuation schemes. SASFIT determines investment policy within the broad investment powers given to it by the Superannuation Act and Police Superannuation Act. SASFIT presents detailed annual reports to Parliament on its investment activities, policies and administration.

SASFIT comprises five members, two of whom represent contributors to the Superannuation Fund, two are nominees of the Minister of Finance and there is an independent Chairman.

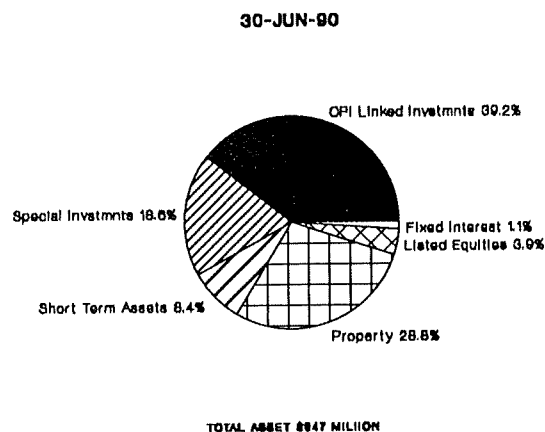
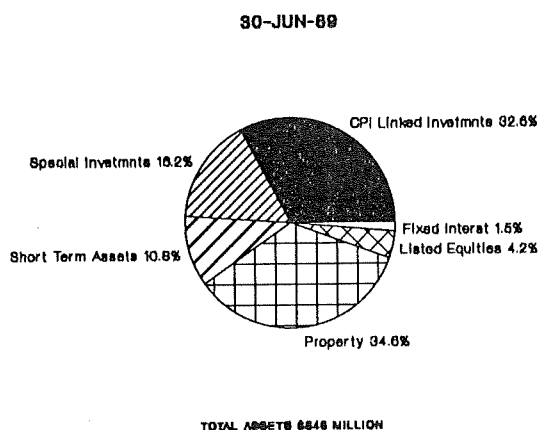
SASFIT's Investments

(a) DISTRIBUTION

The assets of both the Superannuation Fund and the Police Superannuation Fund ("the Funds"), which currently total, on a market value basis, approximately \$950 million are distributed among several categories of investment, including CPI linked investments, commercial property, listed equities such as shares and convertible notes, unlisted equity investment, fixed interest securities and short term assets.

The asset allocation of all funds managed by the Trust at year beginning and end is depicted below.

ASSET ALLOCATION - ALL SCHEMES

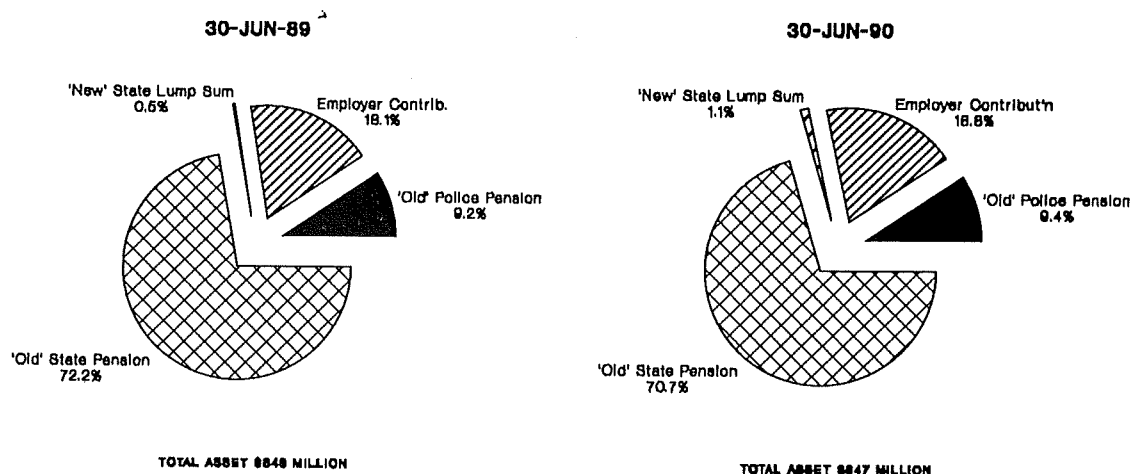


The above overall investment allocation reflects a combination of different asset allocations for each of five scheme funds managed by SASFIT, namely the 'old' State pension scheme, the 'new' State lump sum scheme, the 'old' police pension scheme and the employer contribution ac-

count. The 'new' police lump sum scheme held no contributions as at 30 June 1990.

Funds under management by scheme at year beginning and end is as depicted below:-

FUNDS UNDER MANAGEMENT - BY SCHEME



(b) STRATEGY

SASFIT's long-term investment strategy with respect to funds managed for the pension schemes has been to invest a significant proportion (about half) by way of CPI linked investments (providing a secure return relative to inflation) and the remainder in market related investments (e.g. equity and property). Variations around that strategy have been taken from time to time when, on a medium term basis, some asset classes have been regarded as under or over priced.

During 1989/90, long-term investment strategies were reviewed by SASFIT with the advice of outside consultants. That review has not been completed for all schemes, but preliminary conclusions are that little change is likely to be required to the strategies adopted for the pension schemes.

(c) PERFORMANCE

A measurement of investment performance can be used for a range of purposes and can be calculated on a number of different bases. SASFIT presents its accounts on a full market value basis and

presents its investment performance on both that basis and on the basis of modified market values - the latter measure using purchase yields for valuing CPI linked investments, reflecting SASFIT's uncommonly large allocation to CPI linked investments and the high volatility of market values for such instruments. The latter measure provides a smoother result for investment performance between periods but the same average result over long periods.

Investment performance in recent years has been:-

MODIFIED MARKET VALUE BASIS

	One year (% p.a.)	Five years ended (% p.a.)
1985/86	16.4	n.a.
1986/87	20.3	n.a.
1987/88	19.9	20.7
1988/89	10.1	18.8
1989/90	7.8	16.0

Performance by sector is discussed more

fully in SASFIT's annual report.

(d) RECENT ACTIVITY

No major property purchases were made during the year. Efforts were concentrated on leasing SASFIT's recently completed CBD office development, Central Plaza, which is proving to be quite slow - reflecting the current oversupply of prime office space in Adelaide.

Little change occurred in SASFIT's listed equity portfolio during 1989/90 although a decision was made towards the end of the year to pass that portfolio to an outside equity manager in 1990/91.

In the unlisted equity area, a further investment was made in the AWA Defence Industries Trust to allow the purchase by that Trust of some synergistic defence related divisions of AWA Limited. SASFIT also took a substantial equity position in Austereo Limited.

CPI linked investment activity was limited to further takeups of Sydney Harbour Tunnel Bonds and some purchases of Victorian Housing Bonds and CDC Bonds (Construction and Development Company Bonds used to finance the construction of the Canberra headquarters for the Department of Social Security).

(e) TAXATION, ACCOUNTING, ADMINISTRATION AND STAFFING MATTERS

In October 1989, the Superannuation Act was amended to make clear that the funds managed by SASFIT were the Crown's assets and therefore not subject to Com-

monwealth taxation on the funds' income or capital growth. The funds' taxation status for the period between 1 June, 1988 and 19 October, 1989 remains in dispute.

The audited accounts of SASFIT are prepared on a market value basis, consistent with superannuation industry practice. Such accounts will be presented to the Minister of Finance, as part of the Annual Reports required under the Superannuation Act and Police Superannuation Act, by the end of October.

During the year SASFIT decided to unitize all funds under its management from 1 July, 1990. Unitization will mean that SASFIT will manage its assets by asset class (e.g. property equity, cash, fixed interest, listed equities, special investments) with the scheme funds holding units in each asset class fund according to the asset allocation policy determined by SASFIT as most appropriate for each scheme fund.

SASFIT's staffing establishment is twelve, comprising a Chief Executive and Deputy, three investment managers, a Manager, Accounting and Support Services and six accounting, research, clerical, and secretarial support staff. Those twelve positions were filled for most of the year. Nine employees were made available from Treasury Department while three employees have direct employment contracts with SASFIT.

SASFIT moved offices during the year from leased accommodation in the GRE Building to the 12th floor of its new office building at 45 Pirie Street.

CHAPTER X

PROVISION OF ACTUARIAL ADVICE

The Public Actuary's Office provides advice within the public sector on superannuation, life insurance, general insurance and related matters. The Office consists of an actuarial core plus two non-actuarial components.

The first non-actuarial component is the Superannuation Policy and Management Unit whose two members co-ordinate superannuation policy and management in the public sector, monitor existing schemes, administer superannuation schemes for politicians, judges and governors, and service the interdepartmental Superannuation Task Force. The head of the Unit is a member of the Task Force, Secretary and Executive Officer to the Parliamentary Superannuation Scheme, Chairman of the Metropolitan Fire Services Superannuation Fund, a member of the Police Superannuation Board and a member of the Public Sector Employees Superannuation Scheme (PSESS) Board.

During the year considerable effort was devoted to the introduction of the new Police Superannuation Scheme which became effective on 1 June 1990. This is a lump sum scheme modelled on the State Superannuation Scheme which came into force on 1 July 1988.

A Deed of Arrangement governing the operation of the Public Sector Employees Superannuation Scheme was signed by the Treasurer and the UTLC in September 1989.

The Unit has continued to assist with the review of the Electricity Trust of South Australia superannuation arrangements and in particular with the "3% productivity" arrangements and the development of regulations for a new lump sum scheme for the Trust.

The program of public sector superannuation scheme rationalisations has continued throughout the year with particular attention being paid to hospital schemes and the STA.

Considerable time has again been spent this year

dealing with complex Commonwealth legislation affecting superannuation. Action was taken to constitutionally protect the State Superannuation Scheme and some other state public sector schemes from the Commonwealth's new taxation rules. The Unit head has also participated on a Commonwealth committee dealing with AIDS and superannuation.

The second non-actuarial unit also has two members and its main function is to assist the Public Actuary to implement the self-insurance and risk management arrangements that were adopted as Government policy in February 1988. The unit is assisted in this role by insurance broker, Sedgwick James Limited, which is contracted by the Government to provide technical and insurance advice and risk management expertise.

Under the arrangements, most insurance policies previously effected by government departments and agencies have been allowed to lapse. Claims are now met by agencies up to an agreed level per incident with the balance of costs being met by Treasury.

The underlying rationale for the arrangements is that the Government as a whole has the capacity in most circumstances, to meet claims as and when they occur and that over time self-insuring will save money.

Loss details have been collected since 1 July 1988 on a central claims information system developed by Sedgwick James. This database has been used to provide brief reports to some agencies on their loss experience and it is planned that more comprehensive reports will be provided to all agencies in the coming year.

Numerous risk audits have been conducted, mostly by Sedgwick James, and reports produced for agencies to help them identify and reduce or eliminate risk exposures. By better risk management, agencies should be able to reduce losses.

The arrangements have been extended beyond

departments to include some "off-budget" agencies and statutory authorities. The State Transport Authority, the Local Government Mutual Liability Scheme, Woods & Forests and SATCO are included and pay a contribution to Treasury for the transfer to Treasury of the financial risks associated with large losses. Other bodies included are the Royal Zoological Society, Botanic Gardens, North Haven Trust, Art Gallery, Museum, Carrick Hill, History Trust and the Parks Community Centre.

Volunteers who assist departments in the provision of services are covered under the arrangements for personal accident and liability risks. Public liability risks of school councils are also covered.

During 1989/90, claims under the arrangements totalling \$567,000 were paid from the Treasurer's Miscellaneous Line in respect of 8 losses in 4 agencies.

Since 1 July 1988 the Unit has also administered losses that arise from fires in government buildings - there were 28 such fires during 1989/90 compared with 21 the previous year. Amounts totalling \$2,964,000 were reimbursed from the Treasurer's Miscellaneous Line during the year for fire losses, while at 30 June 1990 outstanding known losses were estimated at about \$3.4m.

The actuarial core of the Office has a wide range of tasks which includes providing substantial assistance as required to the non-actuarial components of the Office and to the Superannuation Office.

In the superannuation area an actuarial investigation of the Police Pensions Fund was carried out and a report completed and submitted to the Minister in May 1990.

Considerable time was again spent on the assessment of invalidities under the Police Pensions Act. However, with the introduction of the new Police Superannuation Act this responsibility rests with the Police Superannuation Board.

An actuarial investigation of the South Austra-

lian Superannuation Fund, was also substantially completed during the year but the report on the investigation has not yet been finalised.

An actuarial investigation of the Long Service Leave (Building Industry) Fund was completed and a report submitted to the Board in August 1989.

The Office has continued to administer the Housing Loans Redemption Fund Act, the Benefit Associations Act and the Friendly Societies Act. With regard to the latter, little progress has been made with the review of the Act. Although obviously out-of-date in some areas, the act continues to work quite effectively in practice to protect the investments of members.

Further input was made by the Office to the Standing Committee of Consumer Affairs Ministers on the preparation of uniform consumer credit legislation.

Advice was also given to the Task Force looking at No-Fault Compensation for Medical Misadventure. The Public Actuary will provide costings for such a no-fault scheme to the Task Force.

As is usual, advice has also been given to the Government and to individual Government agencies in respect of workers compensation, long service leave and other matters involving interest and/or demographic factors.

The actuarial staff are members of the Boards of the Local Government Superannuation Scheme, the Local Government Mutual Liability Scheme and the Royal Zoological Society of SA Superannuation Scheme.

During the year one of the three qualified actuaries in the Office resigned and the Office has been unable to attract a qualified replacement. This has placed considerable strain on the resources of the Office and on the ability of the Office to provide advice on all relevant matters in an effective and timely manner. It is hoped that this situation will be rectified during the coming year.

CHAPTER XI

SUPPORT SERVICES

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

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

The Branch is also responsible, within Treasury, for the administration of the Rural Advances Guarantee Act, under which the Treasurer is empowered to guarantee the repayment of loans made by a bank to a borrower wishing to engage in primary production. In the great majority of cases the loans are adequately secured and borrowers are experiencing no apparent difficulty in making repayments.

The Branch receives all correspondence addressed to the Treasurer, the Minister of Finance, or to the Premier where the matter is relevant to the responsibilities of the Treasurer, and arranges for reports to be prepared by the appropriate au-

thorities (eg State Bank, Lotteries Commission).

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

Treasury continued to administer the Lottery and Gaming Act and the Collections for Charitable Purposes Act involving, respectively, the issuing of licences to conduct small lotteries and the licensing of charitable organisations to collect donations from the public.

Work was completed, following extensive consultation with the small lotteries industry, on the drafting of regulations under the Lottery and Gaming Act to enable the licensing of printers and suppliers of instant lottery tickets, to make hotel licensees responsible for all small lotteries conducted within their licensed premises and to require all small lottery returns to be audited where gross proceeds annually exceed \$2,000.

Work commenced during the year on a full review of the Lottery Regulations and the Collections for Charitable Purpose Act. It is anticipated that revised regulations and suggestions for changes to the Collections for Charitable Purpose Act will be developed during 1990/91 following consultation with the relevant organisations and charities.

PERSONNEL MANAGEMENT POLICIES AND PROGRAMS

Staff Development and Training

The Department continues to encourage and support officers attending relevant courses, seminars and conferences. The cost of such activity in 1989/90 was \$75,574. In addition, strong support was provided to employees undertaking part-time academic study, with students receiving approval for attendance at various institutions totalling approximately 158 hours per week. One officer was granted leave with pay to undertake full-time study towards a degree of Bachelor of Science (Mathematics) during 1990.

Equal Opportunity

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

- give encouragement to all people to seek and to pursue careers in all occupational groups within Treasury;
- give all people equal consideration according to their merit for recruitment to and promotion within Treasury;
- give due consideration to all relevant life and work experience together with special aptitudes so that the widest range of people can compete for selection;
- review the requirements of positions in Treasury when they become vacant to ensure that they are consistent with the spirit of this policy;
- provide to all employees, according to their abilities and potential, equal opportunities for job rotation, special work assignments and appointment to committees which expand their range of work experience;
- endeavour to give all employees consideration

- ensure that all employees are provided with adequate information and counselling on career opportunities available to them in the Public Service and are encouraged to develop their career potential;
 - apply conditions of service to employees in a manner which is consistent with the spirit of this policy.
- In addition, Treasury has a policy with respect to the employment and development of Aboriginal employees. Treasury will -
- give encouragement to Aboriginal people to seek and pursue careers in Treasury;
 - ensure that Aboriginal employees are provided with adequate information and counselling on staff development matters and encouraged to develop their career potential;
 - develop and implement employment strategies for Aboriginal people in Treasury, including the setting of a target of no less than 1% of all positions in Treasury to be occupied by Aboriginal people;
 - whenever possible provide opportunities for the advancement of Aboriginal employees.

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

		levels.	
		During 1989/90 Treasury has employed 7 Aborigines, thus exceeding the 1% objective.	
		Safety Health and Welfare	
		The Departmental Safety Committee, comprising two Health and Safety Representatives elected by staff and two management representatives met formally on two occasions during 1989/90.	
		Issues which received attention during the year were:	
		Emergency Evacuations	
		Successful trial evacuations of staff were conducted in both the QBE and Old Torrens buildings.	
		Sexual Harassment	
		The department policy on sexual harassment was reviewed during the year and reissued to all staff. The revised policy provided clarification with respect to the procedures relating to documentation and establishes a network of Contact Officers throughout the department. In establishing the Contact Officer network, care was taken to ensure that Contact Officers were senior enough to be taken seriously and representative of both sexes.	
		Hazard Inspections	
		A further round of hazard inspections was completed during the year. The inspections continued to prove useful in identifying and correcting potential hazards, and raising staff awareness of the need for safety in the workplace.	
		Sick Leave Patterns	
		A study of sick leave patterns was completed during the year. The findings of the study did not reveal any unusual features. However, the findings have provided the basis for the development of a policy on the management of sick leave within Treasury. The policies will operate from 1 July 1990 and will involve quarterly collection and analysis of sick leave data on a branch by branch basis.	
		OCCUPATIONAL HEALTH AND SAFETY STATISTICS	

*Includes 11 officers employed on the Graduate Development Programme.

Personnel Management Statistics for the year were

56	CO-2	.....(51)
125	CO-1	.....(119)
21*	CR-3	.....(7)
1	MIT-1(-)
1	ITT-4 (CS-4)	.....(1)
1	ITT-3 (CS-3)	.....(1)
1	ITT-2 (CS-2)	.....(1)
2	ITT-1 (CS-1)	.....(3)
2	LB-2(-)
1	LB-1	.....(3)

Classified Vacancies Advised

64	Permanent	.....(95)
7	Temporary	.....(9)
39	Nominations Published	.....(49)
5	Appointments (from outside Public Service)	.....(1)
50	Reassignments	.....(71)
1	Appeals	.....(2)
22	Base Grade Appointments	.....(41)
8	Alternative Placement Applications	.....(9)
29	Resignations (Retirements)	.....(30)
	Officers Temporarily Reassigned to other Agencies	.....(2)
5	Classified	.....(10)
6	Base Grade	.....(6)
26	Reclassifications	.....(9)
13	Superannuates Employed	.....(7)
7	Aboriginal Employees	.....(1)
1	Clerical Traineeships	.....(2)
3	Under Graduates	.....(9)
6	High School Students	.....(1)
2	Vocational Traineeship Scheme for the Disabled	.....(1)
1	HRTA (Disabled person)	.....(1)

Treasury's actual AFTB figure for the year to 30 June 1990 was 333.1 against a funded AFTB level of 338.7.

Personnel Management

(v)	The number of Default Notices issued pursuant to S.35 of the OH&SW Act	-	-
(w)	The number of times work was stopped pursuant to S.36 of the OH&SW Act	-	-
(x)	The number of Improvement Notices issued pursuant to S.39 of the OH&SW Act	-	-
(y)	The number of Prohibition Notices issued pursuant to S.40 of the OH&SW Act	-	-

(54) 57 new permanent positions and (35) 46 new temporary positions were created during the year, whilst (15) 44 temporary positions and (7) 8 permanent positions were abolished (1988/89 fig-ures are shown in brackets).

The Department's classification profile including vacant positions was as follows (1988/89 fig-ures in brackets)

EO-6	.....(1)	1
EO-5	.....(-)	1
EO-4	.....(5)	4
EO-3	.....(3)	3
EO-2	.....(3)	1
EO-1	.....(12)	10
AO-5	.....(8)	6
AO-4	.....(11)	11
AO-3	.....(22)	22
AO-2	.....(15)	14
AO-1	.....(23)	27
CO-6	.....(22)	25
CO-5	.....(32)	30
CO-4	.....(34)	30
CO-3	.....(36)	29

No of Officers

CHAPTER XIII

FINANCIAL INFORMATION

NON-CURRENT ASSETS EMPLOYED AS AT 30 JUNE 1990

The assets employed by the Treasury Department consist of office machines and equipment. The recorded value of these assets at 30 June 1990 amounted to \$235,000 (after deducting accumulated depreciation of \$36,000).

Asset Class	Cost (\$'000)	Accumulated Depreciation (\$'000)	Written Down Cost (\$'000)
Infrastructure	-	-	-
Land	-	-	-
Buildings and Improvements	-	-	-
Operating and Support	271	36	235
Assets Subject to Financial Leases	-	-	-
TOTAL	271	36	235

AUDITOR-GENERAL'S DEPARTMENT



SOUTH AUSTRALIA

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Adelaide 5000

Telephone: (08) 226 9640
Facsimile: (08) 226 9688

Your Reference:

Our Reference:
ref:03-treas-ltrs

3 September 1990

The Under Treasurer,
TREASURY DEPARTMENT

REPORT OF THE AUDITOR FOR THE YEAR ENDED 30 JUNE 1990

I have audited the accounts and financial statement of the Treasury Department in accordance with Australian Auditing Standards.
In my opinion, the accompanying Recurrent Receipts and Payments Statement, together with the notes thereto, present fairly the transactions for the year ended 30 June 1990, in accordance with Australian Accounting Standards.

K.I. Macpherson
K.I. MacPHERSON
AUDITOR-GENERAL

[Handwritten signature]

Recurrent Receipts and Payments for the year ended 30 June 1990

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENT

- | | | |
|----|--|---|
| 1. | Statement of Accounting Policy | The amounts shown represent only those expenditures and receipts which are comparable with the operating costs and recoveries of other Government Departments. The nature of Treasury Department's functions necessitates that it incurs expenditures and receives monies of a non-operating type which have been excluded from this Statement. An example is interest costs on funds borrowed by the Treasurer. This item is excluded because if it was shown as a departmental payment, it would give a misleading indication of the Department's expenditure in comparison with other Departments. |
| 2. | Administration and Enforcement of State Taxation Legislation | The rise in payments was due to increased salary costs resulting from the filling of several vacant positions to help reduce tax avoidance and to increased data processing costs. |
| 3. | Provision of Budgetary and Economic Advice | The rise in payments was due to an increase in the level of staffing resources applied to the areas of budget research and policy development, and program review and evaluation. |
| 4. | Maintenance and Development of Accounting Policies and Systems | The rise in payments was due to increased salaries and related costs associated with the recruitment and training of 11 graduates as part of the Financial Management Improvement Program and increased expenditure on computing equipment and software. |
| 5. | Administration of Superannuation Schemes | The rise in payments represents increased activity associated with the Public Sector Employees Superannuation Scheme. |
| 6. | Provision of Actuarial Advice | Additional risk audit work by a consultant providing insurance and risk management services has resulted in an increase in payments. |
| 7. | Intra-Agency Support Service Items not allocated to Programs | The rise in payments was due to increased accommodation costs and service charges principally related to telecommunication costs. |

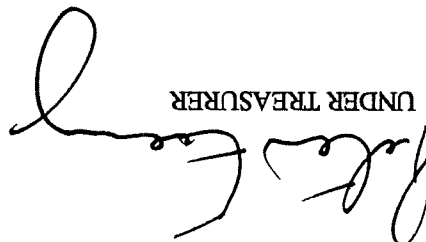
This amount does not agree with that shown in Treasurer's Statement A for the reasons outlined in Note 1. The amount appearing in Statement A comprises:-

Expenditure included in the Financial Statement:-		
(a)	*Salaries and related payments	1990
	**Operating expenses, minor equipment and sundries	\$'000
Total Operating Expenditure		8 750
Expenditure excluded from the Financial Statement:-		14 202
(b)	Remission to Liquor Industry	5 452
	Repayments of unclaimed moneys	2 215
	***Interest on borrowings	44
	****Interest on Deposit Accounts	33 994
	*****Refunds and remissions	403 502
	Cheques for departments	56
	Cash losses	-
Total Excluded Expenditure		439 814
Total Treasury Department Expenditure		454 016
		404 273
		392 243
		6
		29
		13 398
		27 151
		351 612
		45
		2
		12 030
		4 451
		7 579
		\$'000
		1989

- * The Department is required to pay an amount to Consolidated Account towards the accruing Government liability for superannuation in respect of currently employed contributors to the SA Superannuation Fund. Payments amounted to \$673 000 (\$560 000). In addition, payments for all employees based on 3 per cent of eligible earnings were made to the Public Sector Employees Superannuation Scheme administered by the Treasury Department. Payments amounted to \$217 000 (183 000 in 1988-89).
- ** The Department occupies leased premises and Government owned premises administered by the SA Department of Housing and Construction (SACON). Payments during the year to the Office Accommodation Division (SACON) for leasing and associated services costs amounted to \$1 189 000 (\$1 018 000).
- *** The higher interest expense results from higher interest rates applying to new borrowings and borrowings to refinance matured loans.
- **** The increase in payments was due to higher interest rates, higher account balances and an increase in the number of accounts approved for the payment of interest.
- ***** The balance for 1988-89 included Stamp Duty relief provided to a major South Australian manufacturing organisation. Stamp Duty relief provided by the Government in 1989-90 was at a significantly reduced level.
9. The rise in receipts reflects mainly the increase in the level of recovery of costs associated with the administration of the new Superannuation Act.

To the best of our knowledge and belief, the foregoing Statement of Recurrent Receipts and Payments and Notes thereto, gives a true and fair view of the financial transactions for the year ended 30 June 1990.

UNDER TREASURER



MANAGER, ACCOUNTING OPERATIONS

