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# THE TREASURY

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OF SOUTH AUSTRALIA

## ANNUAL REPORT

---

FOR 1990/91

THE TREASURER

TREASURY DEPARTMENT ANNUAL REPORT 1990-91

Enclosed is the Department's Annual Report for 1990-91.

The last year has been a traumatic one for the Department as a result of the progressive revelation of the depths of the State Bank's financial problems.

This has meant that certain key personnel have had to concentrate on work related to those problems at the expense of their normal activities, while others have had to carry on those activities with a lesser degree of guidance and assistance than would otherwise have been the case.

Much is owed, I believe, to the skill and commitment of Treasury staff during this difficult period.

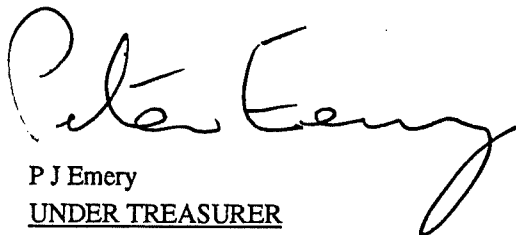
I mention, in particular, the support of the Deputy Under Treasurer, Mr John Hill.

As you know, the Department is sharing in the Government's expenditure restraint program, which we are handling through the elimination of certain Executive Level positions, the review of all positions upon vacancy, general tightening of administrative expenses and other means.

Reform has continued in a number of areas of financial management and reporting, as detailed in this report and in the State's budget documents for 1991-92.

I place on record my appreciation of what I regard as the excellent working relationships between officers of this Department and private staffs of yourself and the Minister of Finance.

The Department looks forward to continuing to make its contribution towards the full restoration of the State's financial position, which will unavoidably take some time.



P J Emery

UNDER TREASURER

28/8/91

## Table of Contents

## Page

STRUCTURE OF THE DEPARTMENT . . . . .	1
FINANCIAL INFORMATION . . . . .	4
LEGISLATIVE MEASURES 1990/91 . . . . .	6
BOARDS AND COMMITTEES ON WHICH TREASURY IS REPRESENTED . . . . .	9
 ADMINISTRATION AND ENFORCEMENT OF STATE TAXATION LEGISLATION . . . . .	13
 PROVISION OF BUDGETARY AND ECONOMIC ADVICE . . . . .	23
 MANAGEMENT OF STATE GOVERNMENT BORROWINGS AND INVESTMENT ACTIVITIES . . . . .	29
 MAINTENANCE AND DEVELOPMENT OF ACCOUNTING POLICIES AND SYSTEMS . . . . .	35
 ADMINISTRATION OF SUPERANNUATION SCHEMES . . . . .	43
STATE SUPERANNUATION OFFICE . . . . .	43
PUBLIC SECTOR EMPLOYEES SUPERANNUATION SCHEME . . . . .	45
 MANAGEMENT OF SUPERANNUATION FUND INVESTMENT ACTIVITIES . . . . .	49
 PROVISION OF ACTUARIAL, SUPERANNUATION AND INSURANCE ADVICE . . . . .	53
 SUPPORT SERVICES . . . . .	57
 HUMAN RESOURCES POLICIES AND PROGRAMS . . . . .	59
 LOCAL GOVERNMENT GRANTS COMMISSION . . . . .	65
 APPENDICES . . . . .	67
STATE TAXATION OFFICE REVENUE COLLECTIONS REPORT OF THE AUDITOR FOR THE FINANCIAL YEAR ENDED 30 JUNE 1991	

## STRUCTURE OF THE 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, Revenue & Economics.
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	Actuarial & Insurance Services
Support Services.	Corporate Services, Executive Management.

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

As a consequence of the greater emphasis now being placed on total resources available to agencies, the functions of the Budget, Capital Works and Economics Branches underwent some restructuring during the year.

The Budget Branch, in conjunction with the Capital Works Branch, now provides advice to the Government in relation to all aspects of the Budget. In addition to its continuing responsibilities for the development, on a rolling basis, of the Government's forward capital works program and monthly monitoring of actual capital receipts and expenditure against budget, the Capital Works Branch is now responsible for the budgets (both capital and recurrent) of the major infrastructure agencies. The Budget Branch is responsible for the

total budgets of the other agencies. Responsibility for estimating and monitoring recurrent receipts was transferred to the newly formed Revenue and Economics Branch.

The Revenue and Economics Branch now combines the former Economics Branch with the revenue estimating functions of Budget Branch, certain financial and economic evaluation functions of Capital Works Branch and the Financial and Credit Policy Branch of SAFA.

In addition to monitoring and preparing forward estimates of recurrent receipts, the Branch provides an advisory service to the Government through the preparation of briefings on a wide range of economic data. It also provides advice on the evaluation of proposed major development projects, guides SAFA's borrowing and investment strategy, determines credit risk policies for SAFA and provides advice on public sector financial issues and institutions.

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.

One of the functions 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. Primary responsibility for accounting policy issues resides with the Accounting Policy & Systems Branch but

## STRUCTURE OF THE DEPARTMENT

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 Actuarial and Insurance Services Branch (formerly the Public Actuary's Office) 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 human resources. 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.

## STRUCTURE OF THE DEPARTMENT

From 1 July 1991, the functions of the Local Government Grants Commission were transferred to Treasury from the Department of Local Government.

Table 1 shows expenditure incurred by each branch during 1990/91.

**Table 1: ACTUAL 1990/91 EXPENDITURE BY BRANCH**

	Salaries and Related Payments	Goods and Services	Branch Total
	\$	\$	\$
State Taxation Office	4,205,190	1,741,388	5,946,578
Budget	1,352,207	297,659	1,649,866
Revenue and Economics	613,589	67,181	680,770
SAFA	2,526,045	4,673,902	7,199,947
Accounting Operations	559,357	1,234,063	1,793,420
Accounting Policy and Systems	843,846	210,346	1,054,192
Superannuation Office	808,480	362,271	1,170,751
Public Sector Superannuation Unit	304,492	158,634	463,126
SASFIT	649,528	390,469	1,039,997
Actuarial and Insurance Services	408,423	207,115	615,538
Executive Management	323,153	58,018	381,171
Corporate Services	579,299	1,777,583	2,356,882
Casino Supervisory Authority	78,784	59,115	137,899
Casino Act - Expenses of Lotteries Commission	0	67,076	67,076
Payroll Tax Appeal Tribunal - Fees and Expenses	0	3,783	3,783
Reimbursement to State of SA for expenses of administration on loans under various Acts	0	175,201	175,201
Small Lotteries	111,825	157,829	269,654
Departmental Total	13,364,217	11,641,634	25,005,851
<b>Source of Funds</b>			
Appropriated from Consolidated Account	16,020,000		
Treasury Department Operating Account	476,253		
SAFA Deposit Account	7,199,947		
SASFIT Deposit Account	1,039,977		
Treasury Working Account	269,654		

### Notes

1. Corporate Services - Salaries and Related Payments - includes \$ 193,996 for Terminal Leave.
2. Corporate Services - Goods and Services - includes \$ 1,569,313 for Accommodation and Services.

# STRUCTURE OF THE DEPARTMENT

## FINANCIAL INFORMATION

### NON-CURRENT ASSETS

#### EMPLOYED AS AT 30 JUNE 1991

The assets employed by the Treasury Department consist of office machines and equipment. The recorded value of these assets at 30 June 1991 amounted to \$588,000 (after deducting accumulated depreciation of \$76,000).

Asset Class	Cost (\$'000)	Accumulated Depreciation (\$'000)	Written Down Cost (\$'000)
Infrastructure	-	-	-
Land	-	-	-
Buildings and Improvements	-	-	-
Operating and Support	664	76	588
Assets Subject to Financial Leases	-	-	-
<b>TOTAL</b>	<b>664</b>	<b>76</b>	<b>588</b>

Table 2 shows the number of officers employed in each branch of Treasury in each month of 1990/91.

**Table 2 : Treasury Department Employment Statistics 1990/91**

BRANCH	Average Full Time Equivalents		Target Full Time Equivalent	
	1990/91 Budget	1990/91 Actual	1990/91 Budget	1990/91 Actual
State Taxation Office	137.6	135.7	138.6	139.4
Budget Branch	30.0	28.6	30.0	29.0
Revenue and Economics	14.5	13.6	14.5	13.0
SAFA	51.7	55.5	51.7	59.0
Accounting Operations	16.5	15.6	16.5	15.5
Accounting Policy and Systems	19.5	19.3	25.0	25.0
Superannuation Office	25.0	25.8	25.0	25.8
Public Sector Superannuation Unit	11.0	10.5	11.0	9.0
SASFIT	12.0	12.6	12.0	13.0
Actuarial & Insurance Services	10.0	8.1	10.0	7.8
Executive Management	5.0	4.7	5.0	5.0
Corporate Services	14.0	11.9	14.0	11.0
Casino Supervisory Authority	1.5	1.5	1.5	1.5
Small Lotteries	3.0	2.9	3.0	3.0
<b>DEPARTMENTAL TOTAL</b>	<b>351.3</b>	<b>346.3</b>	<b>357.8</b>	<b>357.0</b>

# STRUCTURE OF THE DEPARTMENT

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

## 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
PUBLIC SECTOR EMPLOYEES SUPERANNUATION SCHEME BOARD	Administer the 3% productivity superannuation scheme.

## ACTS ADMINISTERED BY THE MINISTER OF FINANCE

Advances to Settlers Act 1930	Loans for Fencing & Water-Piping Act 1938
Benefit Associations Act 1958	Loans to Producers Act 1927
Business Franchise (Petroleum Products) Act 1979	Parliamentary Superannuation Act 1974
Casino Act 1983	Pay-Roll Tax Act 1971
Collections for Charitable Purposes Act 1939	Police Superannuation Act 1990
Debits Tax Act 1991	Rural Advances Guarantee Act 1963
Financial Institutions Duty Act 1983	Stamp Duties Act 1923
Friendly Societies Act 1919	Student Hostels (Advances) Act 1961
Gift Duty Act 1968	Succession Duties Act 1929
Homes Act 1941	Superannuation Act 1988
Housing Loans Redemption Fund Act 1962	Taxation (Reciprocal Powers) Act 1989
Interest on Crown Advances & Leases Act 1944	Tobacco Products (Licensing) Act 1986
Land Tax Act 1936	Unclaimed Moneys Act 1891



# STRUCTURE OF THE DEPARTMENT

## LEGISLATIVE MEASURES 1990/91

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### Appropriation Act 1990 (46/90)

Gave effect to the Government's budget proposals for 1990/91.

Assented to: 1/11/90

Date of operation: 1/7/90

### Land Tax Act Amendment Act 1990 (44/90)

Introduced a new tax scale for the calculation of land tax obligations.

Assented to: 25/10/90

Date of Operation: 30/6/90

### Debits Tax Act 1990 (79/90)

Gave effect to arrangements with the Commonwealth for the transfer of the benefit of the debits tax to the State and to provide for the imposition and collection of the debits tax and the making of arrangements with the Commonwealth about matters concerned with the administration of the Act. The Act provided for consequential amendments to the Taxation (Reciprocal Powers) Act 1989.

Assented to: 20/12/90

Date of operation: 1/1/91

### Pawnbrokers Act, 1988 - Repeal of

This act was repealed by the Summary Offences Act Amendment Act (No 2), 1990.

Assented to: 22/11/90

Date of Operation: 7/2/91

### Financial Institutions Duty Act Amendment Act 1990 (43/90)

Increased the rate of financial institutions duty from 0.04% to 0.095% and the maximum duty payable on any one transaction from \$600 to \$1200. A five year surcharge of 0.005% to fund the Local Government Natural Disasters Fund was also introduced.

Assented to: 25/10/90

Date of operation: 1/10/90

### Payroll Tax Act Amendment Act 1990 (45/90)

Increased the rate payable to 6.25%, removed the tapered monthly deduction and replaced it with a monthly deduction of \$33,333 for all taxpayers increasing to \$34,500 (with effect from 1 January 1991) and \$36,000 (with effect from 1 July 1991). Payroll tax was also imposed on fringe benefits paid by employers.

Assented to: 25/10/90

Date of Operation: 1/10/90

## STRUCTURE OF THE DEPARTMENT

### Stamp Duties Act Amendment Act 1990 (47/90)

Provided for general insurance companies to pay their licence fees by monthly return, increased the rate of duty on compulsory third party insurance from 0.5% to 8.0% and increased the stamp duty payable on certificates of compulsory third party insurance from \$3 to \$15.

Assented to: 1/11/90

Date of operation: 1/7/90  
except S 5(2); 1/1/91

### State Bank of South Australia (Investigations) Amendment Act (9/91)

Allowed for the Royal Commission and the Auditor-General's Inquiry into the State Bank to be integrated where appropriate, clarified the powers of the Auditor-General, enforced the attendance of interstate witnesses and better defined the operations of the bank group.

Assented to: 28/3/91

Date of operation: On assent

### Stamp Duty (Concessional Duty and Exemptions) Amendment Act 1991 (19/91)

Inserted a specific exemption to ensure that only genuine charitable, community, sporting and benevolent bodies received an exemption from cheque duty and expanded the definition of "cheque" to include payment orders. Provisions dealing with the transfer of mining tenements were amended to increase the concessional rate of duty from \$50 to \$1000 and to provide for the concession to apply only where a commitment is given to carry out further exploration work. Exemption 15 of the Second Schedule was amended so that applicants who apply for stamp duty exemption when transferring the registration of a motor vehicle into South Australia must satisfy the Registrar that the applicant was either a resident and/or carried on business in that other State or Territory.

Assented to: 18/4/91

Date of operation: On assent

### Superannuation Act Amendment Act 1990 (78/90)

Provided for clarification and tightening of legislation relating to contribution rates, points, resignation, preservation and the date a pension was to commence. The amendment also deals with the rehabilitation responsibilities of agencies regarding temporary disability pensioners.

Assented to: 20/12/90

Date of operation: 17/1/91

### Supply Act (No 2) 1990 (40/90)

Provided appropriation to enable the Public Sector to carry out its normal functions during the months of September and October 1990.

Assented to: 30/8/90

Date of operation: On assent

## **STRUCTURE OF THE DEPARTMENT**

### **Supply Act (No 1) 1991 (18/91)**

Provided appropriation to enable the Public Sector to carry out its normal functions during the early months of the 1991/92 financial year.

Assented to: 18/4/91

Date of operation: On assent

### **Tobacco Products (Licensing) Act Amendment Act 1990 (42/90)**

Increased the levy on the consumption of tobacco products to 50%.

Assented to: 25/10/90

Date of operation; S 3 & 5 - 1/12/90

Remainder on assent

## STRUCTURE OF THE DEPARTMENT

### BOARDS AND COMMITTEES ON WHICH TREASURY IS REPRESENTED

OFFICER	BOARD/COMMITTEE	START DATE	EXPIRY DATE
Peter Emery Under Treasurer	Chairman SAFA	Ex Officio	-
John Hill Deputy Under Treasurer	Building Societies Advisory Committee	Aug 84	Dec 91
	Lotteries Commission	Nov 90	Nov 91
	Parliamentary Super Board	May 89	ongoing
	PSESS Board	Nov 90	Nov 93
	Review of Government Business Operations (GMB sub-Board)	May 91	ongoing
	Superannuation Board	Jan 88	Jun 91
<b>ACCOUNTING POLICY &amp; SYSTEMS</b>			
Roger Emery	SA Health Commission Financial Management Training Committee	Apr 90	ongoing
David Figg	AUSCAM SA Inc (CA Products User Group)	May 89	ongoing
	Information Technology Advisory Panel		
	- Aust Society of CPA	Jun 86	ongoing
	State Taxation Office Computing Advisory Committee	Mar 90	ongoing
Gavin Hunter	AUSCAM SA Inc (CA Products User Group)	May 89	ongoing
Frank McGuiness	Inter Agency Forum on Business Development	Aug 90	ongoing
	Project Advisory Panel on Reporting by Departments - Aust Accounting Research Foundation	Jan 91	Dec 91
Bob Walsh	External Reporting Panel - Aust Society of CPA		Annual appointment since 1986
	Government Accountants Group Aust Society of CPA		Annual appointment since 1980
	Land Acquisition Act Rehousing Committee	Mar 79 reappointed Feb 88	Feb 93
	Steering Committee - Departmental and Treasury Accounting Review	Oct 90	ongoing
<b>ACTUARIAL &amp; INSURANCE SERVICES</b>			
John Barrett	ETSA Superannuation Board	Feb 91	Jan 94
Brian Daniels	Compulsory Third Party Premiums Committee	Ex Officio	-
	Local Government Association Mutual Liability Scheme Board	Sep 90	ongoing
	Local Government Superannuation Board	Ex Officio	-
	Risk Management Steering Committee - Children's Services Office	Oct 90	ongoing
	Risk Management Steering Committee - Department of Correctional Services	Jul 90	ongoing
	Risk Management Steering Committee - Education Department	July 90	ongoing
	Royal Zoological Society of SA Superannuation Fund Board of Trustees	Ex Officio	-

## STRUCTURE OF THE DEPARTMENT

Deane Prior	SA Metropolitan Fire Service Superannuation Fund Board of Trustees	Jan 87	ongoing
	Parliamentary Superannuation Board	Sep 79	ongoing
	Police Superannuation Board	Jul 90	Jun 93
	PSESS Board	Nov 90	Nov 93
	Superannuation Task Force	Oct 86	ongoing
<b>BUDGET</b>			
Brendan Gaudry	Working Party on Alternative Funding Sources for Tourism SA	Mar 91	May 91
	Working Party on Road User Charges	Jul 90	ongoing
Terry Grant	National Crime Authority Budget Committee	Jan 90	Jun 91
	National Evaluation Conference Organising Committee	Oct 90	Oct 91
	Prison Industries Review Steering Committee	Sept 90	Jun 91
	Program Evaluation Steering Committee	Oct 90	ongoing
	Seaton Warehouse Review Committee	Apr 90	Jun 91
Linda Hart	Arts Finance Advisory Committee	Jan 90	ongoing
	State Conservation Centre - Business Advisory Committee	July 90	Aug 91
Mike Krasowski	Industrial Relations Liaison Forum (shared with P O'Neill) in Dept of FACS	Jan 91	ongoing
	Non Government Welfare Unit	Oct 90	ongoing
	- Review of impact of:		
	- Interim Social & Community Services Award		
	- Interim Disabilities Services Award		
	- Crisis & Supported Housing Award in Dept of FACS		
Peter O'Neill	Committee on Aboriginal Employment in SA Public Service	Jul 85	ongoing
	Non Government Schools Formula Review Committee	May 86	ongoing
	Second Story Board	Jan 89	Dec 91
	St John Ambulance Service Steering Committee	Feb 91	ongoing
	Voluntary Early Retirement Implementation Committee	Dec 86	ongoing
Debra Reiter	Adelaide Convention Centre Board	Apr 91	Apr 93
	Board of Aboriginal Cultural Institute (ex officio)	May 90	Sept 91
	Social Justice Advisory Committee	Jan 91	ongoing
Stephen Wills	Working Party on Alternative Funding Sources for Tourism SA	Feb 91	May 91
<b>CAPITAL WORKS</b>			
Neil Nosworthy	Capital Works Budget Committee (vice Orchard)	1990	ongoing
Don Orchard	Capital Works Budget Committee	Sep 85	ongoing
	Correctional Services Capital Works Committee	Sept 84	ongoing
	Court Services Building Program Committee	Mar 90	ongoing
	Joint Planning Committee for Government & Non Government Schools	Oct 90	Sept 92
	Northfield Relocation Committee (Agriculture)	Oct 89	ongoing
	Police Dept Buildings Program Committee	Aug 89	ongoing
	STA Board	Aug 89	Sept 93
	Urban Development Co-ordinating Committee	Mar 84	ongoing

## STRUCTURE OF THE DEPARTMENT

### REVENUE & ECONOMICS

Greg Coombs	Electricity Tariff Review Working Group	Apr 90	ongoing
	Energy Group Working Party	Oct 90	Apr 91
	Gas Tariff Review Working Group	Apr 90	Oct 90
	Working Party on Alternative		
	Funding Sources for Fisheries Dept	Feb 91	May 91
	Working Party on Alternative		
	Funding Sources for Tourism SA	Feb 91	May 91
	Working Party to prepare SA Govt submission to the Industry Commission Inquiry into Energy Generation and Distribution	Jul 90	Feb 91
Stuart Hocking	SA State Statistical Priorities Committee	Apr 91	ongoing
Kathy Moore	Enfield General Cementry Trust	Aug 87	Jul 92
Robert Schwarz	Australian Statistical Advisory Council	Sep 88	Aug 91
	Building Societies		
	Advisory Committee (Deputy)	Nov 87	Dec 91
	Centre for SA Economic Studies	Feb 91	ongoing
	Enterprise Investment Ltd	Jul 90	*
	Enterprise Securities Ltd	Jul 90	ongoing
	National Mortgage Market		
	Corporation Ltd (Alternate)	Nov 90	ongoing
	Regulation Review		
	Interdepartmental Committee	Feb 91	ongoing
	SASFTT	Mar 89	Jun 91 (Renewed Jul 91)
	SATCO	Apr 89	ongoing
Jo Sutherland-Shaw	Enterprise Investments Ltd (alternate)	Jul 90	*
<b>SAFA</b>			
Graeme Bethune	Homestart Finance Ltd	Jun 90	ongoing
	Jerningham Ltd	Feb 91	ongoing
	Ministerial Committee		
	on Rural Finance Policy	Aug 90	ongoing
	National Mortgage Market Corporation	Nov 90	ongoing
	Planning Review Steering Committee	Sep 90	ongoing
	SA Investments	Jul 90	ongoing
	SA Sterling Investments Ltd	Jul 90	ongoing
	SAF(HK) Ltd	Feb 91	ongoing
	SAFL	Jul 90	ongoing
	SAFTL	Oct 90	ongoing
	SAGRIC	Aug 88	ongoing
Phil Combes	Homestart Advisory Board	Aug 89	ongoing
	Local Govt Finance Authority	Dec 90	ongoing
Ross Harding	Accommodation Task Force	Dec 89	ongoing
	Govt Office Accommodation Committee	Jul 90	ongoing
	Northfield Laboratories	Jul 90	ongoing
	SATECH	Jan 91	ongoing
John Parkinson	SAMCOR	Jul 90	Jun 95
Mike Sharrad	Self Employment Ventures		
	Scheme Committee	1984	ongoing
John Wright	Local Government Fin Authority of SA	Jun 90	ongoing
	School Loans Advisory Committee	Sep 90	ongoing
	Southern Zone Rock Lobster		
	Rationalisation Authority	Sep 87	ongoing

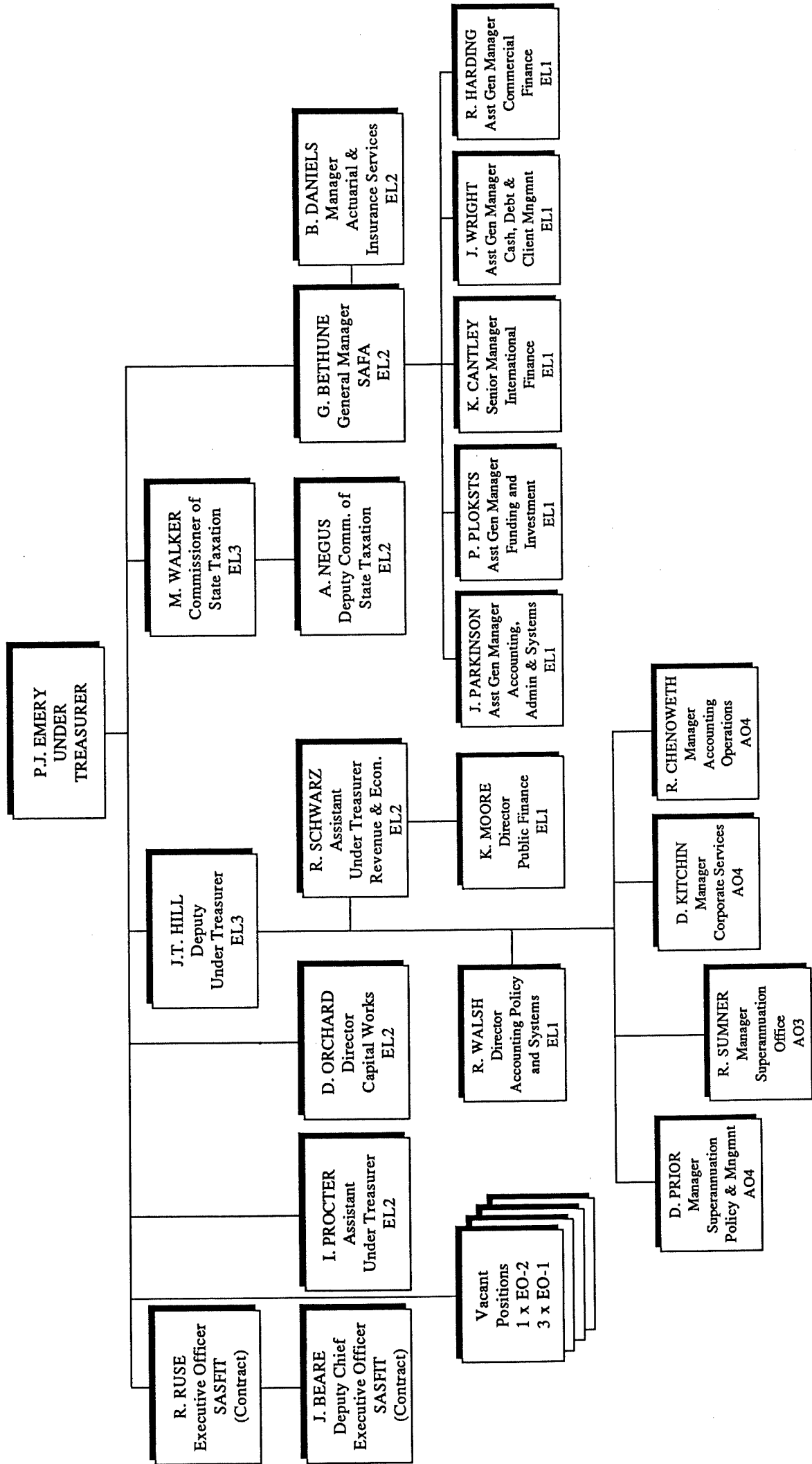
\* required to retire and submit 3rd AGM after appointment

## STRUCTURE OF THE DEPARTMENT

John Wright	Local Government Fin Authority of SA	Jun 90	ongoing
	School Loans Advisory Committee	Sep 90	ongoing
	Southern Zone Rock Lobster Rationalisation Authority	Sep 87	ongoing
<b>SASFIT</b>			
John Beare	AITCO Pty Ltd	Jun 89	ongoing
	ASER Constructions Pty Ltd	Aug 84	ongoing
	ASER Investments Pty Ltd	Jun 89	ongoing
	ASER Nominees Pty Ltd	Aug 84	ongoing
	Carwell Pty Ltd	Jun 89	ongoing
	Kantilla Pty Ltd	Feb 91	ongoing
	Narana Pty Ltd	Mar 88	ongoing
Robert Ruse	AITCO Pty Ltd	Jun 89	ongoing
	ASER Investments Pty Ltd	Jun 89	ongoing
	ASER Nominees Pty Ltd	Jun 89	ongoing
	Austereo Ltd	Dec 90	ongoing
	Carwell Pty Ltd	Dec 89	ongoing
	DEFIC Companies 1, 2, 3 & 4	Jun 85	ongoing
	Industries Development Committee	Mar 88	May 93
	Kantilla Pty Ltd	Jul 89	ongoing
	Narana Pty Ltd	Jun 90	ongoing
	SABTL	Dec 88	ongoing
	SAFA Board	Apr 89	Mar 92
	SAFTL	Jul 90	ongoing
Richard Smith	Austereo Ltd	Dec 90	ongoing
	Carwell Pty Ltd	Dec 89	ongoing
	Kantilla Pty Ltd	Jul 89	ongoing
	Narana Pty Ltd	Jun 90	ongoing

# TREASURY DEPARTMENT

## SENIOR POSITIONS





# ADMINISTRATION AND ENFORCEMENT OF STATE TAXATION LEGISLATION

## CHARTER

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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.

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

### 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. Debits Tax Act, 1990
3. Financial Institutions Duty Act, 1983
4. Land Tax Act, 1936
5. Pay-roll Tax Act, 1971
6. Stamp Duties Act, 1923
7. Taxation (Reciprocal Powers) Act, 1989
8. Tobacco Products (Licensing) Act, 1986

The Office is also responsible for the collection of contributions under the provisions of the Phylloxera

The Office's Strategic Management Plan sets the future direction of the organisation and has identified several strategic issues requiring resolution during the next three to five years.

The strategic issues identified are:

- Communication processes which arise both internally and externally to the organisation.
- Image of the State Taxation Office (building expertise, professionalism, effectiveness and efficiency).
- Information technology.
- Legislation
- Human resource development - technical competency.
- Strategic and operational planning.

In accordance with this strategic direction, branch plans for the year 1991/92 have been formulated with appropriate performance indicators.

# ADMINISTRATION AND ENFORCEMENT OF STATE TAXATION LEGISLATION

## OBJECTIVES

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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;
- successful implementation of Information Technology to all branches.

## THE YEAR IN REVIEW

The development of legislation to counter tax avoidance and evasion continues to be a feature of the State Taxation Office's activities. A number of amendments with this purpose were passed during 1990/91 as well as legislation to put in place the Government's 1990/91 budget commitments.

An additional tax Act was also committed to the administration of the Commissioner during 1990/91. The Debits Tax Act, 1990 (No. 79 of 1990) was assented to on 20 December, 1990 and

came into operation on 1 January, 1991. The Act gives effect to arrangements with the Commonwealth for the transfer of the benefit of debits tax to the State and provides for the imposition and collection of the tax in this State. The States have entered into an agency arrangement with the Commonwealth whereby the Commonwealth will collect the tax on behalf of the States. This arrangement will last for a period of up to two years.

Matters of particular interest are listed below:-

### 1. CONSULTING GROUPS

The State Taxation Office has always enjoyed a positive working relationship with industry groups in relation to a range of issues concerning the administration of the various taxing Acts under its control.

In the past this has predominantly been facilitated through an informal network of meetings on an "as required" basis. During the course of the year 1990/91 the Office took steps to formalise this process through the formation of the State Taxation Office Consulting Groups.

Three groups have been established and meet regularly to discuss a wide range of issues arising out of the legislation administered by the Office.

The three Groups have the following membership:

Australian Society of CPA's  
Law Society of S.A.  
Taxation Institute of Australia  
The Institute of Chartered Accountants  
in Australia  
The Landbrokers Society  
The Real Estate Institute of S.A.  
The Australian Bankers' Association.

# ADMINISTRATION AND ENFORCEMENT OF STATE TAXATION LEGISLATION

Outcomes of the meetings are published in the relevant industry journals and this initiative has enhanced both service delivery and the revenue effort.

## 2. CIRCULARS

Over the years the State Taxation Office had from time to time issued statements and circulars to taxpayers and their representatives that related to aspects of the legislation administered by the Office.

As part of its charter to optimise taxation revenue the State Taxation Office has now embarked on a program to disseminate information formally to taxpayers and practitioners to enhance their knowledge of the legislation so as to ensure that the State receives all the revenue to which it is entitled.

A consolidated folder of circulars is now available to all practitioners. The consolidation provides up to date information on the legislation administered by the Office and its interpretation. Circulars are also issued on office practice and policy and provide practitioners with information in a more uniform and accessible form.

This initiative facilitates a further improvement in the communication channels between the Office and industry and enables taxpayers and practitioners to enhance their knowledge of the legislation by informing them of current developments.

## 3. SERVICE DELIVERY

The State Taxation Office has an ongoing commitment to improve service delivery to its clients. In keeping with this commitment a general enquiry area was established on the ground floor to deal with pay-roll tax, financial institutions duty,

tobacco and petroleum licence fees, stamp duty on motor vehicles and rental duty enquiries. This area is open weekdays 9am to 5pm.

## 4. COMMONWEALTH/STATE RELATIONS

During the past 12 months increased emphasis has been given to the level of co-operation with other State and Commonwealth tax and law enforcement agencies to resolve common problems and to achieve more consistency across jurisdictions in the application and development of taxation legislation.

This co-operation is also proving invaluable in combating of tax avoidance and evasion as some taxpayers become more sophisticated in the ways in which they attempt to avoid their liabilities.

## FINANCIAL PERFORMANCE

### STATE TAXATION REVENUE

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

- Business Franchise (Petroleum)
- Debits Tax
- Financial Institutions Duty
- Land Tax
- Pay-roll Tax
- Stamp Duties
- Tobacco Products (Licensing).

## ADMINISTRATION AND ENFORCEMENT OF STATE TAXATION LEGISLATION

Figure 1 depicts the relative contribution of these receipts during 1990/91 whilst figure 2 provides a comparison for the year 1989/90 with 1990/91.

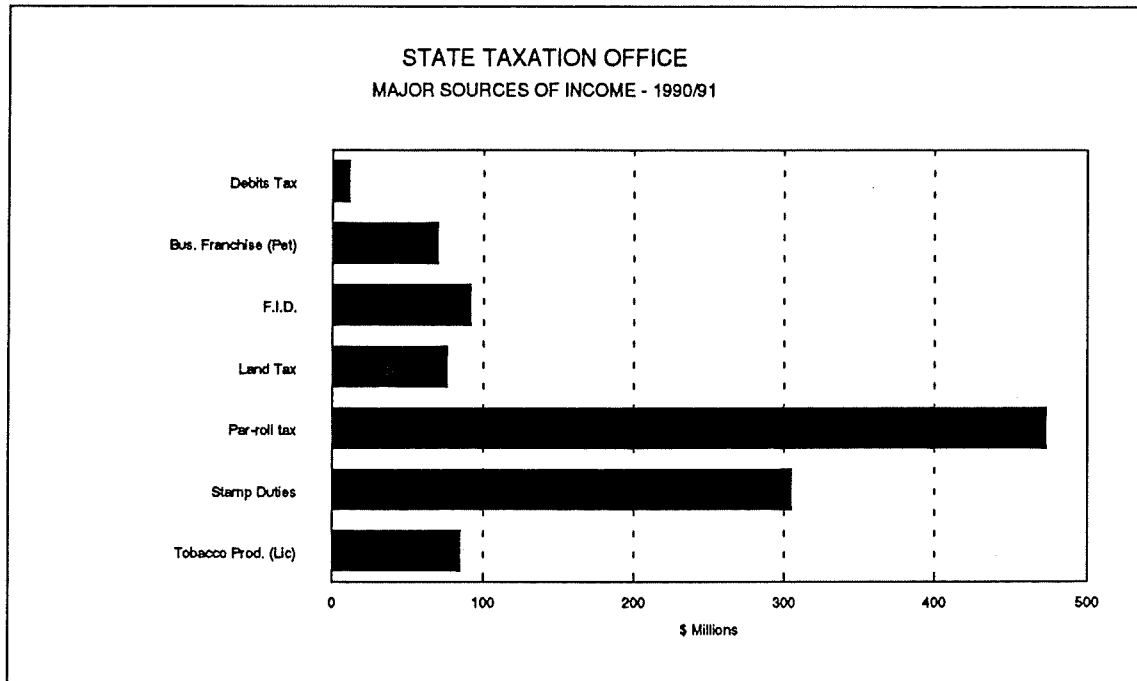


Figure 1 : Major Sources of Income - State Taxation Office

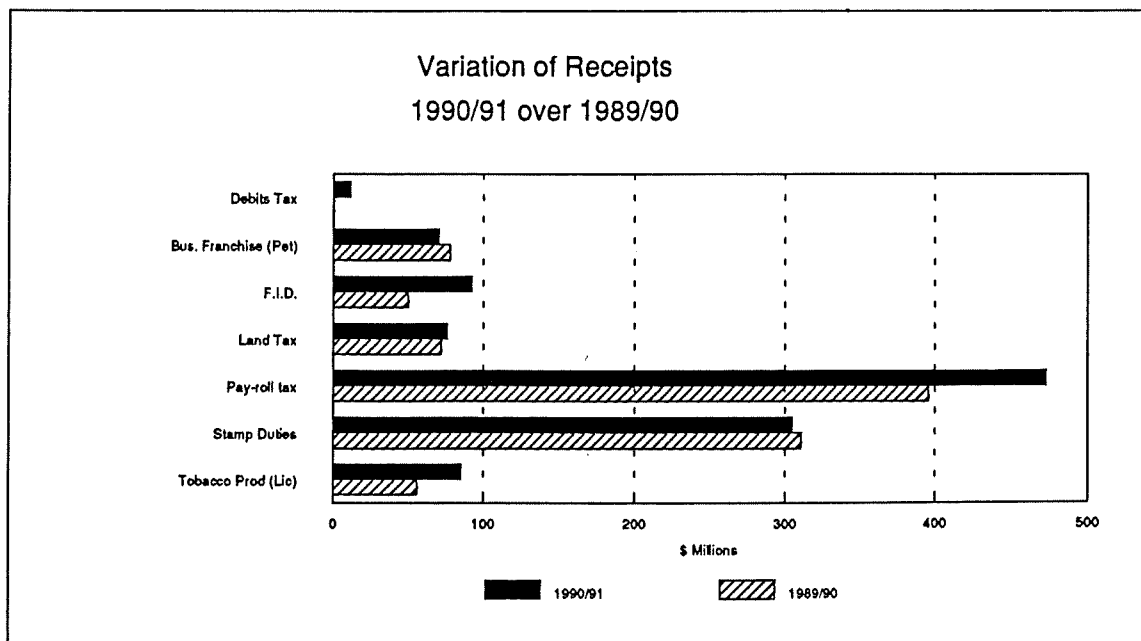


Figure 2 : Variation of Receipts

# ADMINISTRATION AND ENFORCEMENT OF STATE TAXATION LEGISLATION

## OPTIMISING STATE TAXATION REVENUE

The tax base has expanded marginally during the past four years with the adoption of the Debits Tax Act. Figure 3 shows revenue collected for the last four financial years.

Appendix 1 summarises the revenue collections of the State Taxation Office for the three years ended 30 June, 1991.

The taxation revenue collected by the State Taxation Office in the financial year 1990/91 was \$1,113.2 million. It is 24.2 per cent of the total recurrent revenue of the State of South Australia (or

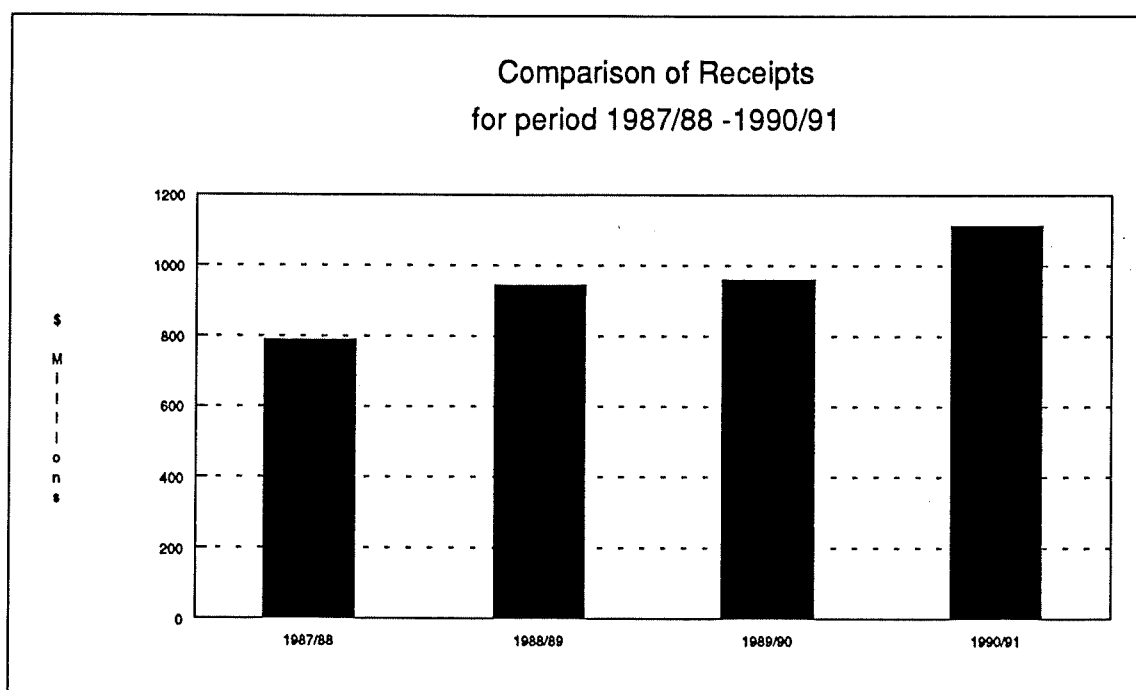
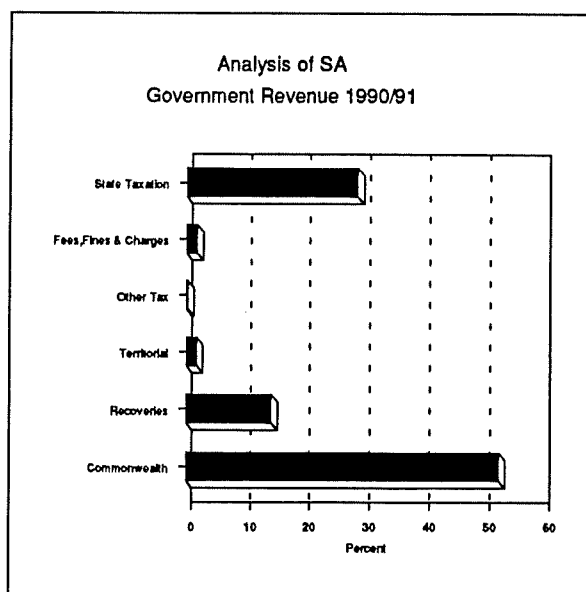


Figure 3 : Comparison of Receipts



51 per cent of the recurrent revenue received if Commonwealth funds are excluded). The total taxation revenue received by the State in 1990/91 was \$1,333.3 million and the legislation administered by the State Taxation Office contributed 83.5 per cent of this revenue.

## COSTS OF ADMINISTRATION

A sum of \$5,946,578 was expended on both recurrent and non-recurrent costs of administration which includes pay-roll tax liabilities, superannuation contributions and terminal payments. Table 1 shows the distribution of this expenditure among the different cost centres of the Office.

# ADMINISTRATION AND ENFORCEMENT OF STATE TAXATION LEGISLATION

**Table 1 : ADMINISTRATION COSTS - 1990/91**

	Average F.T.E.	Salaries*	Administration Expenses	Total	%
		\$	\$	\$	
Business Franchise (Petroleum)	3.0	93,065	9,740	102,805	1.7
Debits Tax**	-	-	14,455	14,455	0.2
Executive, Administrative, Legal & Policy	16.3	698,846	173,363	872,209	14.7
Financial Institutions Duty	2.4	78,151	4,389	82,540	1.4
Inspection	24.0	816,693	65,928	882,621	14.8
Land Tax	22.2	659,752	851,432	1,511,184	25.4
Pay-roll Tax	25.4	586,532	233,064	819,596	13.8
Stamp Duties	39.4	1,179,086	377,217	1,556,303	26.2
Tobacco Products (Licensing)	3.0	93,065	11,800	104,865	1.8
<b>TOTAL</b>	<b>135.7</b>	<b>4,205,190</b>	<b>1,741,388</b>	<b>5,946,578</b>	<b>100.0</b>

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

\*\* Ongoing salary costs are nominal. No attempt has been made to quantify the salary costs involved in the development and implementation of the legislation. These salary costs fell within the Executive Legal and Policy group.

Table 2 outlines the costs of collection of different taxes/duties administered by this Office.

**Table 2 : DIRECT COST/REVENUE COMPARISONS - 1990/91**

Branch	Revenue Received	Direct Costs	Cost of Collection of \$100 Revenue
	\$	\$	Cents
Business Franchise (Petroleum)	70,133,561	251,810	36
Debits Tax	11,487,706	14,455	13
Financial Institutions Duty	92,288,029	134,977	15
Land Tax	76,021,349	1,642,015	216
Pay-roll Tax	472,912,913	1,427,043	30
Stamp Duties	305,078,255	2,187,625	72
Tobacco Products(Licensing)	85,323,444	288,653	34
	<b>1,113,245,257</b>	<b>5,946,578</b>	<b>53</b>

# ADMINISTRATION AND ENFORCEMENT OF STATE TAXATION LEGISLATION

## LEGISLATIVE REPORTS

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### 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.

### 2. FINANCIAL INSTITUTIONS

#### DUTY ACT, 1983

Financial institutions duty is payable at the rate of 10c per \$100 or \$1,200 (whichever is the lesser) on any receipt of money by a financial institution that is registered or required to be registered under the provisions of the Act.

Duty at a concessional rate (0.005%) 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.

The rate of financial institutions duty was increased from .04% to .095% with effect from 1 October, 1990 (Financial Institutions Duty Act Amendment Act, 1990). In addition a five year surcharge of .005% was introduced to fund the Local Government Natural Disasters Fund.

### 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 1990/91 financial year and are set out in the following table -

Taxable Value of Land Subject to Tax	Amount of Tax
Not exceeding \$80,000	NIL
Exceeding \$80,000 but not exceeding \$300,000	.35% of the excess over \$80,000
Exceeding \$300,000 but not exceeding \$1,000,000	\$770 plus 1.50% of the excess over \$3000,000
Exceeding \$1,000,000	\$11,270 plus 1.90% of the excess over \$1 million

The Land Tax Review Group which reported in May, 1990 included as one of its recommendations that legislation be introduced to prohibit the inclusion in lease documents of provisions requiring tenants to bear the cost of land tax. This recommendation was legislated for by way of an amendment to the Landlord and Tenant Act, 1936 (Landlord and Tenant Act Amendment Act, 1990) and was assented to on 15 November, 1990.

This amendment applies in respect of leases entered into after the commencement of the legislation.

### 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 six and one quarter 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.

## ADMINISTRATION AND ENFORCEMENT OF STATE TAXATION LEGISLATION

At the commencement of the 1990/91 year the threshold amount was \$400,000 per annum, tapering to zero at a wage level of \$2,000,000 per annum. With effect from 1 October, 1990 tapering was abolished and the threshold was increased to \$414,000 per annum from 1 January, 1991 and to \$432,000 per annum from 1 July, 1991.

As part of the 1990/91 budget amendments the rate of payroll tax was increased from 5.0% to 6.25% in respect of wages paid from October 1990 onwards.

The first of a series of legislative measures to restore the pay-roll tax tax base and to combat avoidance/evasion was implemented. The amendment provided for the inclusion of the value of fringe benefits (provided to employees) within the tax base from 1 October, 1990. To simplify the administrative task as much as is possible for employers the fringe benefits liable for tax will be those on which fringe benefits tax is payable to the Commonwealth.

In conjunction with the Inspection Branch a compliance/investigation program to detect non-registered employers was commenced in 1990/91. This program has resulted in the detection of significant amounts of outstanding revenue.

During the year the Pay-roll Tax Appeals Tribunal received five objections to assessments issued by the Commissioner of Stamps. There were seven objections carried over from 1989/90 giving a total of twelve for consideration in 1990/91. Three of these objections were considered by the Tribunal and six were withdrawn.

During the year the Office developed a computerised system to facilitate the collection of data and the administration of the fringe benefits aspects of the pay-roll tax legislation. In addition to this the pay-roll tax on-line computer system was further enhanced to facilitate the issue and follow-up of investigation notices.

The branch's telephone inquiry service was upgraded during the year through the establishment of a Universal Call Distribution Group facility.

### 5. STAMP DUTIES ACT, 1923

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

This legislation provides an important source of tax revenue to the State. During the course of the year significant legislative amendments were passed in relation to annual licence and cheque duty provisions and as a result of the government's budget initiatives.

The move from an annual licence to monthly licences for general insurance business required extensive computer programming to automate fully the returns that the Office now receives on a monthly basis. The necessary programming resources were obtained from State Services and completed satisfactorily at short notice.

Amendments to the administration of the cheque duty exemption also involved considerable computer programming resources and the development of a computerised charities exemption system. Programming for this project was conducted in-house.

During the year extensive improvements were made to the quality of statistical information collected. This will result in more timely production of information to management.

During the 1990/91 financial year considerable efforts were made to improve the level of staff training. Staff from the Branch participated in



## ADMINISTRATION AND ENFORCEMENT OF STATE TAXATION LEGISLATION

training programs both internally in relation to legislation administered and externally by attendance at training courses provided by private consultants.

The Stamp Duties Act is acknowledged to be an extremely complex piece of legislation which has high levels of interaction with taxpayers and their representatives. Consequently significant resources have been allocated to improving service delivery through the issue of circulars, participation in consulting groups and extending office hours.

### 6. TOBACCO PRODUCTS (LICENSING) ACT, 1986

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

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

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

As part of the 1990/91 Budget amendments the licence fee payable by Tobacco Merchants was increased to 50% with effect from November, 1990.

## 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.
- 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 course of the financial year the Inspection Branch assumed responsibility for the operations and management of the State Taxation Office Recovery Section.

During 1990/91 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:-

During the year 801 inspections were completed. Figure 5 highlights the field time deployed between

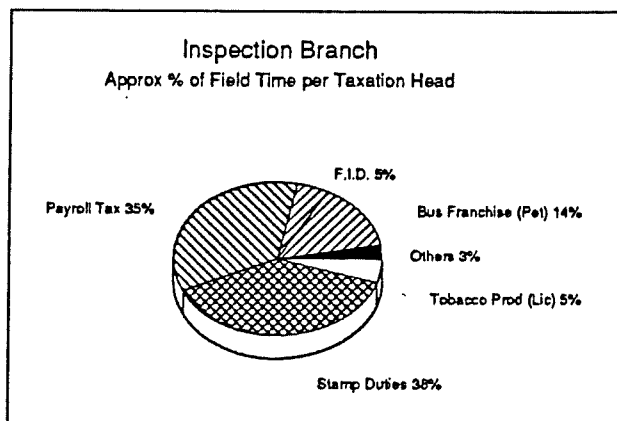


Figure 5

## ADMINISTRATION AND ENFORCEMENT OF STATE TAXATION LEGISLATION

various taxation heads.

The Taxation (Reciprocal Powers) Act, 1989 provides reciprocal powers of investigation beyond State borders to combat taxation avoidance and evasion in order to overcome difficulties encountered as companies extend their operations beyond State boundaries. Interstate inspectors utilised the provisions of the Act to conduct several inspections in South Australia during the course of the year. Similarly, inspectors from this State were required to undertake indepth audits of records in other jurisdictions in 1990/91.

In May, 1991 the Chief Inspector and a Senior Inspector attended the Third Annual Investigations Conference in Brisbane. The conference provided a valuable forum for discussion on approaches to common investigative problems encountered by the various States.

Revenue detected during 1990/91 directly as a result of the Inspection Branch's activities was \$3,787,058.

The monitoring of illicit tobacco sales continued to impact on the operation of the Inspection Branch. During the year approximately \$250,000 worth of tobacco products have been seized.

During 1990/91 the Inspection Branch and the Pay-roll Tax Branch developed a pay-roll tax compliance program using data obtained from the Australian Taxation Office in magnetic tape form for the investigation of unregistered employers. Stage 1 of the program detected 72 employers who were liable for pay-roll tax with an additional 71 employers the subject of further audit activity.

This sort of computerised matching has enabled inspections to be carried out on a more cost effective basis and it is intended that more programs of this type will be undertaken.

It is expected that Stage 1 of this special pay-roll tax compliance program utilising the Australian Taxation Office data will net approximately \$2.5 million in additional revenue.

# PROVISION OF BUDGETARY AND ECONOMIC ADVICE

## OBJECTIVES

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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 and Minister of Finance of variations and alternative courses of action in a timely fashion;
  - development on a rolling basis of the Government's forward capital works program;
  - evaluating the use of resources and providing suggestions on better use of resources to assist the Treasurer, Minister of Finance, 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 and/or Minister of Finance;
  - promoting the long-run financial viability of the State public sector;
  - providing timely and quality advice to the Treasurer and Minister of Finance on resource issues; and
  - advising the Treasurer and Minister of Finance on Commonwealth/State relations with a view to maximising Commonwealth funding.
- a weekly cycle of preparing comments for the Treasurer on all Cabinet submissions with financial implications;
  - a monthly cycle of reports to the Treasurer and the Minister of Finance 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.

## BUDGET BRANCH

Budget Branch in conjunction with the Capital Works Branch has responsibility for the provision of advice to the Government in relation to all aspects of the budget. 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;

This work is carried out in five major cycles -

## PROVISION OF BUDGETARY AND ECONOMIC ADVICE

- sound, professional budget analysis and advice;
- integrity in presentation of data; and
- appropriate numbers of suitably skilled staff and good morale.

### Developments During 1990-91 and 1991-92 Initiatives

#### (a) Budget Preparation and Monitoring

The 1990-91 budget was prepared in accordance with the Government's timetable.

The budget continued the restraint of recent years on expenditure and borrowing levels.

Through 1990-91 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 1990-91 budget papers.

Minor improvements were made to the Financial Statement to achieve greater consistency and clarity throughout the document.

In 1991-92 the Program Performance Budgeting Paper will be produced internally for the first time. This initiative will result in significant cost savings.

#### (c) Budget Methodology and Process

A number of improvements were made to areas of budget methodology in 1990-91.

Under previous arrangements, the Budget Branch primarily provided advice on recurrent expenditure matters, with the Capital Works Branch providing

detailed advice on all aspects pertaining to capital expenditures. With greater emphasis now being placed on the total resources available to agencies the roles of the Branches were modified to reflect the need for agency budgets to be prepared on an integrated basis. Inter alia, the Capital Works Branch is now responsible for the budgets (both capital and recurrent) of the major infrastructure agencies, while the Budget Branch is responsible for the total budgets of the other agencies.

Work was completed during the year in cooperation with some agencies in effecting major improvements to their budget frameworks so that each will operate from 1 July 1991 from a deposit account to allow for a more flexible approach to financial management.

There will also be continued development with agencies of forward financial plans in 1991-92 based on increasing the flexibility of resource use consistent with minimising the impact of agency budgets on Consolidated Account.

Major improvements will be made to financial frameworks with the planned transfer of all agencies' operations to special deposit accounts by 1 July 1992.

Support was provided to the work of the Government Agencies Review Group in 1990-91. The Under Treasurer is a member of that group. Staff from other agencies were seconded to Treasury to assist with this task. This work will continue in 1991-92.

#### (d) External Relations

Good relations and open communication with agencies are keys to the successful output of the Budget Branch. The Branch appreciates the co-operation of all agencies and individuals who assisted their task in 1990-91.

## PROVISION OF BUDGETARY AND ECONOMIC ADVICE

Officers of Budget Branch were members of a number of government boards and committees during 1990-91.

### (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;
- negotiations 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 1991 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 during 1990-91 for the Commonwealth Grants Commission's Review of the Interstate Distribution of General Purpose Grants for Local Government and preliminary work was undertaken in relation to the Commonwealth Grants Commission's 1993 Review of State Relativities.

During 1991-92 further work is planned in relation to the Grants Commission's 1993 Review.

As a result of the October 1990 Special Premier's Conference a number of working parties were established to review and recommend on various areas of microeconomic reform. Treasury has been involved in a number of these reviews. In particular

contribution has been and will continue to be made to the working party reviewing Commonwealth Tied Grants. This work has involved close cooperation with the Inter-government Relations Unit of the Office of Cabinet and Government Management.

Support is also being given to the State Local Government negotiating Task Force. The Under Treasurer is a member of the Task Force which aims to clarify the areas of responsibility of each level of government.

### (f) Branch Management

The combining of the capital and recurrent areas of budget monitoring which occurred in 1990-91 is consistent with the approach of focussing on the total net draw of agencies on the Consolidated Account.

Responsibility for estimating major receipt items and the co-ordination of monitoring receipts was transferred to the newly formed Revenue and Economics Branch.

Additional staff resources were seconded from agencies and devoted to support work arising from the Government Agencies Review Group.

The Branch has completed preparation of a long term plan for a consolidated computerised information system. A basic network is now operating effectively. Some applications were developed in 1990-91 for use in the 1991-92 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 1990-91 to assist with relevant skills development.

# PROVISION OF BUDGETARY AND ECONOMIC ADVICE

## CAPITAL WORKS BRANCH

The Capital Works Branch was initially established to provide budgetary and economic advice with respect to the capital side of the State Budget, and also to provide staff support for the Capital Works Budget Committee.

There has always been a close working relationship between the Capital Works and the Budget Branches - a relationship which reflects the interaction between capital outlays and the ensuing ongoing (recurrent) expenditure to operate and maintain the assets so created. However, with increased emphasis being placed in the budget process on total financial resources available to agencies, the role of the Capital Works Branch was changed during the course of the year. The Branch is now responsible for providing detailed advice on both the capital and recurrent budgets of the major infrastructure agencies. On the other hand it has less direct responsibility for advice regarding the capital works proposals of the human services agencies - responsibility for this activity is gradually being devolved to the Budget Branch.

The Branch continues to be responsible for -

- development on a rolling basis of the Government's forward capital works program;
- monthly monitoring of actual capital receipts and expenditure against budget, in total and by individual agencies.

### Modus Operandi

In the task of developing the Governments' forward capital works program, the Branch works in conjunction with the Capital Works Budget Committee. The Branch provides two of the five members of the Committee and provides the technical and administrative base for the Committee. The role includes obtaining works proposals from agencies for consideration by the

Committee, preparing the necessary consolidation and analysis of information and data, and drafting the Committee's report.

Following the submission of that report the Branch is responsible for -

- the integration of the capital works proposals into overall budget proposals for individual agencies to be included in the Treasurer's Budget submission to Cabinet;
- providing advice to agencies of approved allocations;
- the compilation, in conjunction with agencies, of the capital works program in the format required for presentation in the Budget papers;
- the printing of the relevant Budget Papers.

### Developments During 1990-91

As indicated above, the modus operandi and responsibilities of the Branch were modified during the year as part of the thrust towards budgets for agencies being developed in totality (i.e. both capital and recurrent).

With that thrust and the increased emphasis being placed on three year budgetary targets, further modifications to the working arrangements will be made in 1991-92.

## REVENUE AND ECONOMICS BRANCH

The Revenue and Economics Branch was formed during 1990-91, combining the former Economic Branch with the revenue estimating functions of Budget Branch, certain financial and economic evaluation functions of Capital Works Branch and

## PROVISION OF BUDGETARY AND ECONOMIC ADVICE

the Financial and Credit Policy Branch of SAFA. The head of the Revenue and Economics Branch is the Assistant Under Treasurer (Economics). He holds the dual responsibility of Assistant General Manager (Financial and Credit Policy) SAFA.

The main functions of the Branch are:

- providing an economic advisory service to the Government through daily briefings on major economic indicators, a regular report to the Economic and State Development Committee of Cabinet and other miscellaneous and ad-hoc briefings;
- preparing three year forward estimates of recurrent receipts;
- monitoring budgeted recurrent receipts against actual performance;
- preparing consolidated financial statistics for the total State public sector;
- providing advice on the evaluation of proposed major development projects and various public policy issues, and developing a framework for measuring and monitoring the financial performance of public trading enterprises;
- guiding SAFA's borrowing and investment strategy; and
- determining credit risk policies for SAFA involving the continual review of SAFA's guidelines and maintaining credit exposures arising from investments, swaps and other contracts;
- other functions include preparation of SAFA's submissions to Australian and overseas credit rating agencies, collection and analysis of public sector debt data and provision of advice on public sector financial issues and institutions.

At the end of the 1990-91 financial year staff numbered thirteen officers including the Assistant

Under Treasurer (Economics) and the five officers of the Financial and Credit Policy Branch of SAFA.

### Developments during 1990-91

Early in the year, two Treasury Information Papers (The South Australian Economy and The Finances of South Australia) were finalised and published. Later in the year a third information paper was published, which contained a commentary on an EPAC study into quality of life issues. A variety of issues required economic analysis during the year including in respect of the Planning Review, the MFP feasibility study, and wage fixation developments.

Some officers of the Branch were involved in evaluations of proposed major development projects and capital spending plans of State Government agencies. Treasury Information Paper No 90/1 'Guidelines for the Evaluation of Public Sector Projects' was finalized and released in October 1990.

The Branch, in conjunction with the Accounting Policy and Systems Branch, prepared a draft information paper on measuring the financial performance of public trading enterprises.

The Branch provided advice on various specific issues during the year including advice on the SA Government response to the Industry Commission Inquiry into Energy Generation and Distribution, alternative revenue raising policies for Tourism SA and Fisheries Department.

During 1990-91, the development of uniform public sector financial statistics by all State Governments was an agenda item for consideration by Special Premiers' Conference. The Revenue and Economics Branch, in conjunction with the Systems Branch, Budget Branch and the Australian Bureau of Statistics, has commenced work on developing a database with the capability of meeting the

## PROVISION OF BUDGETARY AND ECONOMIC ADVICE

recommendations of a combined State Working Party Report on Uniform Budget Presentation.

The Branch has also provided assistance in the preparation of a discussion paper on options for the introduction of gaming machines in clubs and hotels.

A major development during the year was the emergence of financial problems in the State Bank of SA. Officers of the Branch were active in providing advice on these developments and in formulation of Government policy in respect of the State Bank.



# MANAGEMENT OF STATE GOVERNMENT BORROWINGS 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 operations of the South Australian Government Financing Authority;
- the administration of the Australian Loan Council guidelines relating to State public sector borrowings.

- managing liquidity in the public sector to maximise returns or reduce borrowing requirements; and
- investing funds in a manner which offsets interest costs on borrowings and facilitates debt management.

The bulk of the State public sector's debt has been consolidated in SAFA's balance sheet.

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 major role is to fulfil the function of a corporate Treasury for the public sector which entails:-

- issuing debt at the lowest possible cost to meet the funding needs of the public sector;
- managing debt and exposures with a view to minimising costs;

The re-arrangements enable the Government to better manage its total debt. 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 1991, SAFA's total Capital and Reserves stood at \$2.798 billion in a Balance Sheet with assets of \$20 billion.

In each year of its operation, SAFA has achieved a surplus. In 1990/91, the surplus was \$363 million, of which the Treasurer determined that \$270 million be paid to Consolidated Account in 1990/91. The balance of \$93 million has been added to SAFA's Retained Surplus, thereby remaining available for distribution. The surplus was achieved after setting aside \$100 million in SAFA's Provision for General Contingencies.

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

In order to fulfil its role SAFA was involved in a broad range of activities which are described below.

# MANAGEMENT OF STATE GOVERNMENT BORROWINGS AND INVESTMENT ACTIVITIES

## FUND RAISING

SAFA's gross fund raising program in 1990/91 comprised:

- new borrowings under the global limit arrangements agreed by the Australian Loan Council.
- refinancing of maturing debt (including refinancing of debt previously raised for the State by the Commonwealth).
- refinancing of SAFA securities repurchased from the markets; and
- borrowings on behalf of public sector financial institutions.

### Domestic Fund Raising

Net issues of SAFA's inscribed stock totalled \$702 million in 1990/91, viz:-

SAFA Stock	Amount Issued/ Redeemed (\$M)	Total On Issue 30 June 1991 (\$M)
15 July 1992	(258)	1,050
15 September 1993	235	1,145
15 July 1995	(184)	870
15 October 1996	705	705
15 March 1998	(180)	688
15 October 2000	108	825
15 May 2006	276	276
	<u>702</u>	<u>5,559</u>

SAFA established two new preferred stocks during the year - a 1996 stock (first issued in July) and a 2006 maturity (launched in November). As well as facilitating SAFA's debt management activities, the

new stocks increased the range of SAFA maturities available to investors.

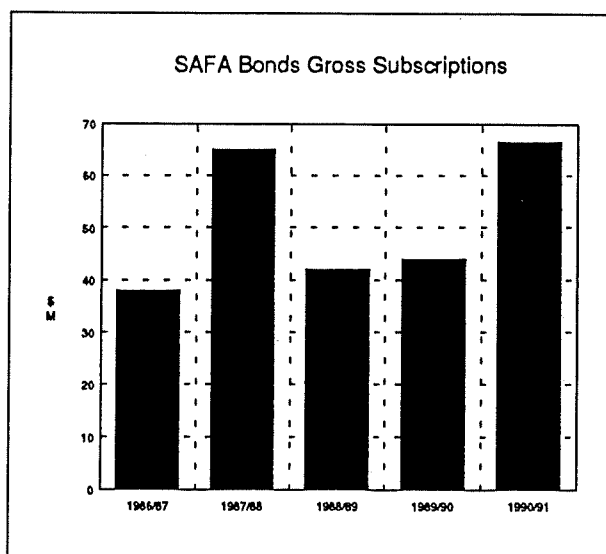
Promissory notes (commercial paper) remained an important source of funding for SAFA in 1990/91, with a total face value of \$3,100 million being issued over the year. Average daily outstandings were \$861 million and the weighted average tenor was 124 days.

In November, SAFA discontinued the underwritten element of its commercial paper facility but, as a prudential measure, standby funding lines were established to guard against market uncertainties. Those lines have not been called upon.

To provide maximum flexibility with respect to SAFA's short-term funding activities, and given the declining opportunities in the swaps market to raise cost-effective floating rate funding, SAFA increased the size of its commercial paper facility to \$2,000 million in March. However, subsequent usage of the facility was much lower than the new limit permitted - the peak outstandings being \$1,300 million in June.

SAFA's 'tap' issue public loan continued to provide a secure, attractive fixed interest investment to smaller investors in 1990/91. The main aim of the loan is to allow South Australians to invest in the public works of their own State but, again this year, the loan has been well-supported elsewhere. While the loan does not form a large part of SAFA's financing operations, it is pleasing to note record gross subscriptions in 1990/91 of \$66.4 million (see chart on next page).

# MANAGEMENT OF STATE GOVERNMENT BORROWINGS AND INVESTMENT ACTIVITIES



SAFA Bonds Gross Subscriptions

- Yen 25 billion 6.8 per cent Reverse Dual Currency Samurai Bonds issued in June 1991, maturing in 2001.

The three Euro Australian dollar issues were unswapped and used for funding by SAFA while the three Samurai issues were partly swapped into Australian dollars for funding and partly swapped into US dollars for on lending to the South Australian Finance Trust to fund the purchase of US dollar assets.

SAFA was an active borrower in the international capital markets during 1990/91

## Overseas Fund Raising

SAFA was an active borrower in the international capital markets during 1990/91. Its major sources of funds included public issues in the Euro markets and Japan and the issue of securities through its Debt Instrument Program.

During 1990/91 SAFA undertook three public Eurobond issues and three public issues in the Japanese Domestic Market. The details were:

- Euro \$A500 million Zero Coupon Notes issued in December 1990, maturing in 2015.
- Euro \$A100 million 12.5 per cent Notes issued in May 1991, maturing in 2001.
- Euro \$A100 million 12 per cent Notes issued in June 1991, maturing in 2001.
- Yen 20 billion 7.0 per cent Reverse Dual Currency Samurai Bonds issued in August 1990, maturing in 1997.
- Yen 10 billion 6.6 per cent Reverse Dual Currency Samurai Bonds issued in May 1991, maturing in 2001.

Opportunities to raise funds in currencies other than Yen and Australian dollar at attractive rates were not available during the year.

In July 1989 SAFA established a Debt Instrument Program to facilitate the issue of securities to investors in the Euro market to meet their specific demand. The key feature of the Program is its flexibility which enables SAFA to issue securities to meet investors' specific demands. During the year the limit of the amount of debt that may be issued under the Program was removed, although the Treasurer set an internal limit of \$A2500 million. A further amendment allows for the issuance of securities in the United States.

In December 1990 SAFA commenced issuing US dollar Euro Commercial Paper ECP (previously issues had been restricted to Australian dollars). The \$US ECP was issued partly to fund US dollar assets and was also swapped into Australian dollars at attractive rates below equivalent domestic commercial paper issues.

# MANAGEMENT OF STATE GOVERNMENT BORROWINGS AND INVESTMENT ACTIVITIES

All of SAFA's overseas borrowings generating \$A funding, both short term and long term, have been raised at significant margins below equivalent domestic funding costs.

## Other Financing Arrangements

Two financing arrangements undertaken in 1987 and 1988 were terminated on terms attractive to SAFA. These arrangements involved a wool store owned by the Minister of Marine and the Noarlunga Hospital Complex. In both instances termination was initiated by the counterparty and resulted in SAFA being able to ensure the realisation of a large proportion of the economic benefits which were expected to flow from these financing arrangements over a period of 10 to 12 years.

The indebtedness of the South Australian Government is serviced either from the Consolidated Account or from Special Deposit Accounts maintained at Treasury. At 30 June 1991 the level of debt serviced directly by Special Deposit Accounts was \$1,487.8 million comprising:-

	\$M
Department of Agriculture	0.6
Engineering and Water Supply Department	967.7
Department of Housing and Construction	
- Office of Government Employee Housing	80.6
- Office Accommodation Unit	91.4
Department of Industry, Trade and Technology	
- South Australian Development Fund	21.4
Department of Lands	41.8
Local Government Disaster Fund	10.9
Department of Marine and Harbors	143.7
Department of Premier and Cabinet	2.6
Department of Road Transport	37.9
State Services Department	24.4
Woods and Forests Department	64.8

## LENDING AND INVESTMENTS

1487.8

### Loans to the Government of South Australia

The indebtedness of the State Government to SAFA increased over the year by \$1,396.4 million to \$6,121.5 million. The principal factor was the assumption by the Treasurer in February 1991 of the outstanding housing debt of the Minister of Housing and Construction (Homestart Finance) in connection with the Government's support of the State Bank of South Australia.

In addition, SAFA provided the Government with direct loans totalling \$365.5 million in 1990/91 for crediting to the Consolidated Account of the State.

### Loans to Semi-Government Authorities

During 1990/91 SAFA made gross advances totalling \$374.2 million directly to semi-government authorities. In addition, advances of \$6.7 million made by the Government to various authorities and appropriated through the Consolidated Account were determined by the Treasurer to be loans from SAFA under Section 18 of the Government Financing Authority Act.

# MANAGEMENT OF STATE GOVERNMENT BORROWINGS AND INVESTMENT ACTIVITIES

## Loans and Capital Provided to Public Sector Financial Institutions

Loans and Capital provided to Public Sector Financial Institutions are summarised in the following table:

	1991 \$M
<b>Loans</b>	
Minister of Agriculture (Rural Finance)	121.2
Minister of Housing and Construction (HomeStart Finance)	163.0
South Australian Finance Limited	69.5
South Australian Finance Trust Limited	797.8
South Australian Finance Trust	6 471.2
State Bank of South Australia	24.0
State Government Insurance Commission	85.3
<b>SUB-TOTAL</b>	<hr/> 7 732.0 <hr/>
<b>Capital</b>	
State Bank of South Australia	538.9
<b>TOTAL</b>	<hr/> 8 270.9 <hr/>

## Equity Investments

### SAGASCO Holdings Limited

During 1990/91 SAFA sold 42.1 million shares in this company, adding \$54 million to SAFA's distributable surplus. As at 30 June 1991 SAFA held 112.3 million shares valued at \$184.3 million.

### Enterprise Investments

An operating profit of \$2.2 million was achieved by this company. The net assets of the Trust as at 30 June 1991, after provision for distribution of the operating profit to SAFA, totalled \$31.3 million.

## Woods and Forests Department/SATCO

As at 30 June 1991 SAFA held 100% equity in SATCO and the Woods and Forests Department valued at \$9.0 million and \$343.4 million respectively. These valuations are based on an assessment by independent experts and reflect the Government's decision to cease further funding of the Scrimber project and the difficult trading conditions for timber products in 1990/91.

The combined devaluations of \$40 million have been accounted for through the Asset Revaluation Reserve but a deficiency in available increments in the reserve relating to this class of assets required that \$8.1 million be accounted for as an expense which has reduced the SAFA surplus.

## School Building Purchase Program

SAFA has formalised ownership of four primary schools in Adelaide's northern suburbs. These schools are leased to the Education Department and are designed to be sold for residential use when no longer required for school purposes.

## Acquisition of Citi-Centre Building

In December 1990, SAFA purchased for \$35.5 million the head lease of the Citi-Centre retail and office development (located at the eastern entrance to Rundle Mall, Adelaide) from Perpetual Trustees WA Limited. This acquisition brought forward contractual obligations of the Government which were expected to result in acquisition of the head lease during or before 1994. The land on which the development is located is owned by the Commissioners of Charitable Funds, a State statutory authority.

# MANAGEMENT OF STATE GOVERNMENT BORROWINGS AND INVESTMENT ACTIVITIES

## CENTRALISED CASH MANAGEMENT

Further improvements were made during 1990/91 to arrangements whereby the Government and nearly all semi-government authorities lodge with SAFA each day funds not immediately required.

The centralisation of State public sector cash in this manner has a range of benefits, the most notable being:-

- the ability to lower interest costs to client authorities by delaying, reducing or obviating the need for SAFA to borrow from the market to meet short-term funding requirements;
- 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 elimination of credit exposures by individual semi-government authorities to financial institutions;
- the more efficient use of overdraft and short-term borrowing facilities; and

- the ability of SAFA to dedicate full-time resources to identifying and managing credit and interest rate risk, thereby relieving client authorities of this task.

## DEBT MANAGEMENT

SAFA does not take strong views on likely interest rate developments but rather approaches the market on a regular basis and spreads its borrowings for fund raising purposes across the available maturity spectrum.

During 1990/91, SAFA continued to provide a foreign exchange hedging service for public sector agencies. By offering agencies the ability to hedge against movements in the Australian dollar value of foreign currency denominated purchasing contracts, greater certainty about the Australian dollar cost of imported goods and services can be achieved. These arrangements reduce budgetary overruns (and/or windfall budgetary savings) and the consequent potential requirement for additional funding on account of exchange rate movements.

# MAINTENANCE AND DEVELOPMENT OF ACCOUNTING POLICIES AND SYSTEMS

## OBJECTIVES

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

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.

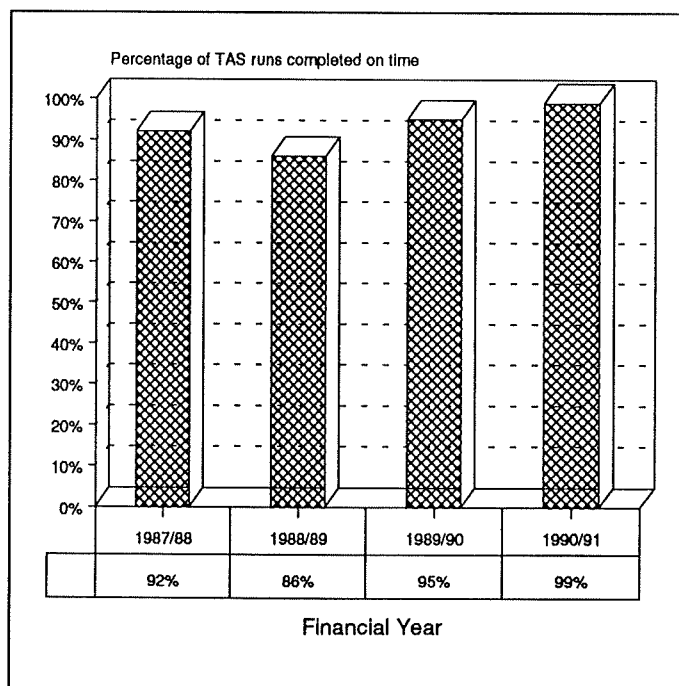
## ACCOUNTING BRANCH

### 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 ensure efficient and effective accounting procedures exist.

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.



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.

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

## MAINTENANCE AND DEVELOPMENT OF ACCOUNTING POLICIES AND SYSTEMS

and the departments. For these runs both an officer from Treasury and from State Systems 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 down-loading of IBM main-frame files to a personal computer. Charges associated with accessing the main-frame are reduced as a consequence.

Following the Treasurer's approval for the introduction of credit cards throughout all agencies, a tender specification was prepared calling for offers from financial institutions. The tenders have been assessed and a recommendation for acceptance of tender has been forwarded to the Treasurer. It is anticipated that credit cards will be introduced in 1991/92.

Following evaluation of trials in two agencies of a new risk management strategy for the payment of Government accounts, which provides that accounts less than \$1000 be subject to a reduced level of checking, relevant Treasurer's Instructions have been redrafted. It is anticipated they will be issued in 1991/92.

Last year Australia Post was engaged as a collection agent for the payment of some Government accounts. The service has been very popular indicating general acceptance throughout the community. It is expected that there will be long term savings in collection costs for the Government. Treasury is examining other options such as the use of banks and the potential to use EFT (electronic funds transfer) which may substantially reduce collection costs.

Treasury has established an on-line link with the Reserve Bank of Australia which will provide benefits through improved access to information on

the Government's bank account. This will assist with cash management and allow for the direct transmission of certain banking transactions thereby improving efficiency and reducing the administrative effort within the accounting area.

The Branch has recently been involved with the Office of Cabinet and Government Management in a project to assess the feasibility and implications of the use of EDI (electronic data interchange) within Government for the purchase and payment of goods with particular emphasis on the payment cycle. Further work will be undertaken in 1991/92.

During the year the Treasurer approved an important change in the way funds are made available to departments. This change will involve the transfer of those departments which operate through the Consolidated Account to their own separate Special Deposit Accounts in 1991/92. This development represents a significant change to public financial administration in South Australia and will provide a framework which will assist in making the budget sector more responsive to the challenging financial environment which it will face for the foreseeable future.

Although the Treasurer's recent approval covers all agencies there has already been a steady trend towards this funding arrangement over recent years. In 1990/91 work was undertaken to transfer a further five agencies to Special Deposit Accounts.

Several provisions of the Cash Transaction Reports Act came into operation on 1 February 1991. This legislation is a Commonwealth Government initiative to assist in the detection of tax evasion and other criminal activity. The central accounting area has played a co-ordinating and advisory role in this matter.

Continued use has been made of personal computer facilities to streamline accounting procedures and improve financial reporting.



## MAINTENANCE AND DEVELOPMENT OF ACCOUNTING POLICIES AND SYSTEMS

Of particular significance in this regard is the preparation of the monthly statement on Consolidated Account (Neimeyer Statement).

Rather than utilising the services of StatePrint we are now able to produce this document in its final form using computer software at our disposal. This has enabled the statement to be completed earlier as well as producing savings in printing costs.

Together with SAFA staff we have continued work aimed at improving public sector cash management arrangements.

### 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 accounts, 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.

- Co-ordinate and reconcile receipts and payments associated with various superannuation schemes and departmental systems.
- Maintain ledgers for various superannuation schemes and prepare monthly reports and statements.
- 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 achievements during the year included -

- the transfer of the department's financial operations to a special deposit account, funded from Consolidated Account on a net basis only
- the computerisation of monthly sick leave statistics using Austpay
- the development of human resource management reports in Austpay
- the development of new ledgers to record the financial transactions associated with the State and Police Superannuation Schemes
- significant improvements in the reconciliation process and the presentation of financial reports and statements for the State Superannuation Scheme
- implementation of significant changes to the accounting arrangements for the ETSA Superannuation Scheme as a result of amendments to the ETSA Superannuation Act.

# MAINTENANCE AND DEVELOPMENT OF ACCOUNTING POLICIES AND SYSTEMS

## ACCOUNTING POLICY AND SYSTEMS BRANCH

### ACCOUNTING POLICY

#### 1. CURRENT COST ACCOUNTING

Recent years have seen increased emphasis being placed upon the measurement of performance of public sector business enterprises.

During the year a framework for measuring the financial performance of major public sector utilities was developed by Treasury and part of the framework consisted of the development of an accounting model centred on what is referred to as current cost accounting.

Current cost accounting, as the name implies, is based upon current asset values rather than historical costs and measures income as the amount available for distribution to owners after the real value of an organisation's capital has been maintained.

Treasury's Statement of Accounting Policy, No 1, "Current Cost Accounting" was issued during the year and sets out the approach to be adopted to asset valuation, capital maintenance and income recognition by those agencies which will be subject to rate of return reporting requirements.

#### 2. SPECIAL DEPOSIT ACCOUNTS

During the year, the Treasurer approved the increased use of Special Deposit Accounts to record the financial activities of departments.

Special Deposit Accounts have been used for several years to control the activities of departments which have a commercial orientation and the extension of this concept provides the opportunity to help the budget sector to achieve its objectives in a difficult economic environment.

Under the new approach, Cabinet will approve for each department a net draw target which will represent the amount which that department will draw from the Consolidated Account to finance its activities. The net draw will form the basis of the Government's budget to be submitted to Parliament for the purposes of appropriation.

Negotiated net draw targets for departments may cover more than one year. To improve their financial positions departments will be able, subject to Ministerial approval, to seek opportunities to raise revenue where markets for their outputs exist or identify areas where cost savings can be made. The benefits which will result from revenue raising or cost cutting initiatives will remain within the Special Deposit Accounts where they will be available to departments to finance new initiatives or activities of high priority for which funding might otherwise not be available.

The use of Special Deposit Accounts to control departmental activities will also provide a good basis to introduce changes in accounting approaches which will flow from work being done by the Australian Accounting Research Foundation.

### DEPARTMENTAL AND TREASURY ACCOUNTING REVIEW (DATAR)

In October 1990, Treasury initiated the Departmental and Treasury Accounting Review (DATAR) process to examine the present arrangements for checking the availability of funds for departmental transactions, for paying accounts and for reporting details of transactions recorded in Treasury and/or departmental ledgers.

Much of this activity occurs presently through the Treasury Accounting System (TAS) and the Computer Associates General Ledger System (CAGL). These systems were installed in the early eighties, and were the subject of separate Post Implementation Reviews in 1988 and 1987 respectively. Each review suggested that ways of

# MAINTENANCE AND DEVELOPMENT OF ACCOUNTING POLICIES AND SYSTEMS

rationalising them should be examined. There were doubts about whether the present systems and procedures provided the most efficient solution to meet the future needs of individual agencies and Treasury into the nineties.

An eight person Steering Committee was established to direct the detailed review work undertaken within Treasury's Systems Section. The project has been broken into several phases to permit progress reviews and to enable the Under Treasurer to participate in all important decisions about the future of the review. During 1990/91, Phase One of the review process was completed, the specific Terms of Reference being to:

## Report to the Under Treasurer

- identifying existing and emerging issues departments are experiencing, or expect to experience, in meeting management and accounting objectives, which are directly related to the functions offered by the Treasury Accounting and Computer Associates General Ledger Systems.
- identifying accounting arrangements or systems features which constrain achievement of these objectives.

The Terms of Reference deliberately excluded (so as to confine the scope to a more manageable size, and also not encroach on other reviews concurrently being undertaken) matters relating to other accounting areas such as payroll, fixed assets and inventory control.

We have encouraged line agency involvement in the review process through participation in the Steering Committee, explanatory letters, a survey questionnaire, workshop sessions, telephone calls and personal contacts.

A draft copy of the Phase One Report was forwarded to all agencies for comment prior to the final report being presented to the Under Treasurer.

The Report recommends that the review proceed to a second (Advisability Study) stage to examine certain policy issues and to consider future system options. Because a number of agencies are conducting similar investigations concurrently, it was also recommended that they consult regularly with Treasury to better co-ordinate our activities and to reduce the risk of conflicts or duplication of effort. It is expected that the accounting systems directions for agencies will be defined during 1991/92.

## FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM

The program was established in 1989/90 to carry out responsibilities Treasury assumed following acceptance of the recommendations of the Financial Management Workforce Planning Study. Achievements in these responsibilities during 1990/91 are summarised below.

### 1. GRADUATE RECRUITMENT PROGRAM

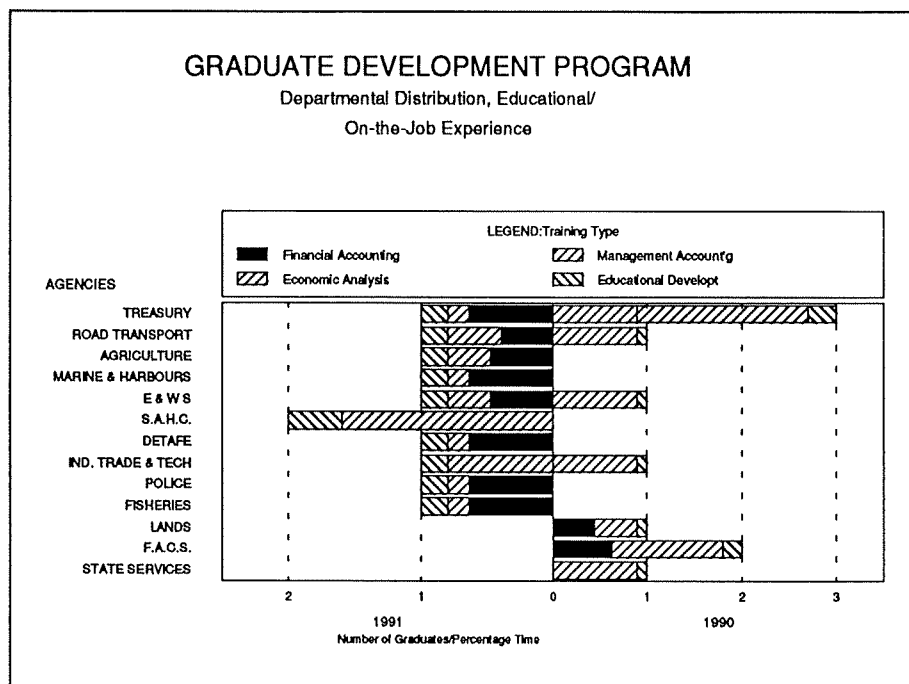
A further eleven graduates (10 accounting, 1 economics) were recruited to start in January 1991, and after a 2 day induction program in Treasury, were allocated to 10 agencies for their on-the-job training and experience. A comprehensive educational training program is also being provided.

# MAINTENANCE AND DEVELOPMENT OF ACCOUNTING POLICIES AND SYSTEMS

The graph below sets out the distribution of all graduates on the program across agencies and a break-down of on-the-job and educational training.

Development Program and presented by Treasury officers in May/June.

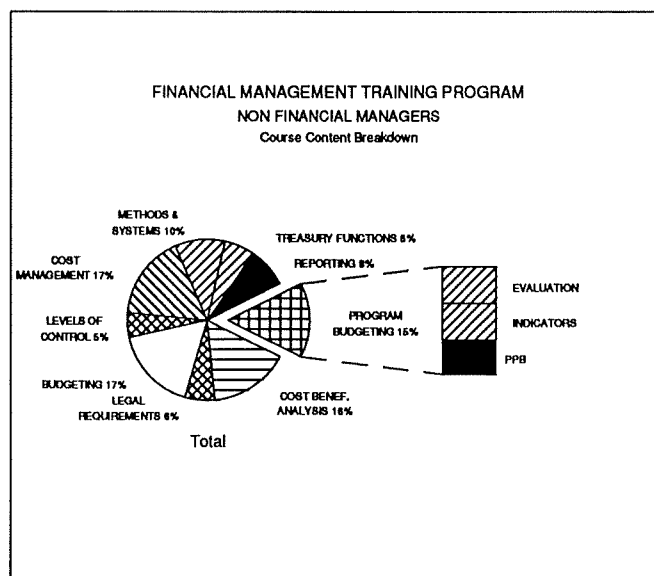
Treasury is currently examining ways of providing this training across all agencies in the public sector.



## 2. NON-FINANCIAL MANAGERS TRAINING

A pilot training program for non-financial managers was established with Lands and Family and Community Services Departments. The program with Lands comprised eight modules covering a wide range of financial management topics in government. The 8 module package has been provided to the Department of Family and Community Services, who are using it to develop their own training program with minimal Treasury involvement.

The major topics in the course are set out in the chart below.



A training program using the Lands experience was developed for participants in DPIR's Management

# MAINTENANCE AND DEVELOPMENT OF ACCOUNTING POLICIES AND SYSTEMS

## 3. FINANCIAL HANDBOOKS

A booklet "An Introduction to the Treasurer's Instructions" was issued in December 1990. The booklet was designed to promote awareness of the Treasurer's Instructions for both financial and non-financial personnel and to explain the content and purpose of the Instructions.

State Superannuation Administration System (SSAS); and

- implementation of the Public Sector Employees Superannuation Scheme (PSESS) system.

Other activities of the Section during the year included:

The first draft of a general handbook "Government

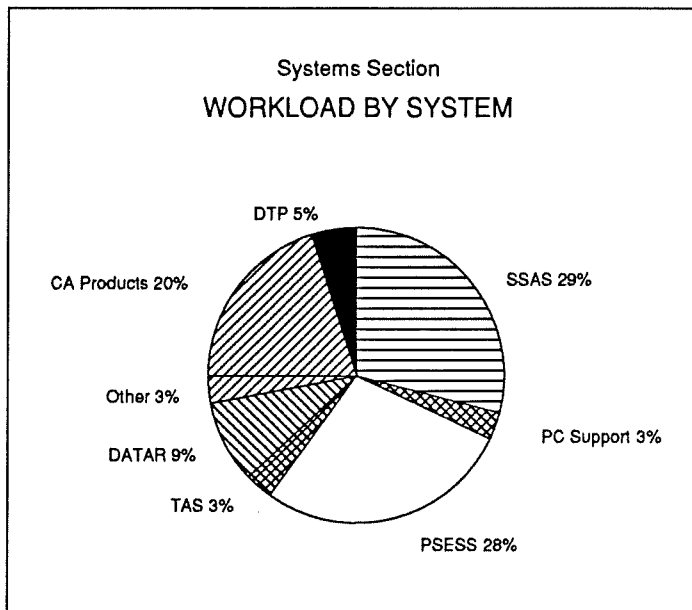


Figure X

Financial Administration in South Australia" has been developed and is currently undergoing refinement for publication late in 1991.

## SYSTEMS SECTION

As is shown in Figures X and Y, the major effort (57%) in the Systems Section was directed toward the development and maintenance of superannuation systems.

The major achievements were:

- the implementation of the Contributions Module of the

- the on-going support of agencies using the Computer Associates products (i.e. Ledger, Accounts Payable, Accounts Receivable & Fixed Assets) installed at State Systems.
- completion of Phase 1 of the Departmental and Treasury Accounting Review (DATAR);
- support of Treasury staff in their increasing use of personal computers; and
- the use of desk top publishing (DTP) facilities for the preparation of high quality publications and training materials.

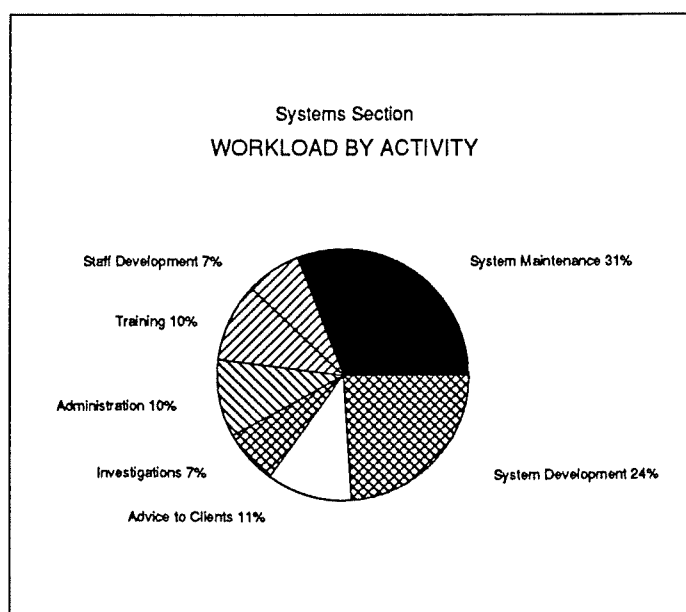


Figure Y



# ADMINISTRATION OF SUPERANNUATION SCHEMES

## STATE SUPERANNUATION OFFICE

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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 1990/91 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.

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

### Contributions

The number of persons contributing to the Schemes increased during the year from 22932 to 24922. A total of 439 members have taken advantage of the provision to preserve their benefits.

This year 2,478 persons commenced paying contributions to the fund compared to 2,147 last

## ADMINISTRATION OF SUPERANNUATION SCHEMES

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 second year under the new Act when interest from fund earnings has been attributed to accounts. Pension scheme members were attributed with 9% and lump sum scheme members 13%. A rate for members who resigned and obtained a refund was attributed at 10.5%.

### 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 434 contributors and 97 non-contributors, many with their partners. 122 promotional seminars were held in 35 government agencies and authorities.

A new information booklet, 'A Super New Deal' was published and made available to members and intending members of the Lump Sum Scheme. In addition, an updated 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 increased during the year from 11296 to 11488. The increase was the first for two years. Unlike last year, no special offers to commute pensions to a lump sum were made this year.

The number of new pensions excluding temporary disability granted this year was 784 compared with 790 last year. (This includes new widow, widower and student pensions as well as new retirement pensions.) 69 of these new pensioners fully commuted their pension to a lump sum.

The number of invalid pensions granted during the year was 53 compared to 61 last year.

20 temporary disability pensions were approved, compared with 29 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 had been concerned at the lack of follow-up of disability pensioners by employing agencies. In response to these concerns Treasury has gained the Treasurer's approval to charge agencies for this pension to provide an incentive to agencies to undertake rehabilitation. As a result, there has been a great increase in the input and interest of agencies whose staff were in receipt of such benefits.

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 only 2.6%.

### Systems

The automated system developed specifically for the Office was introduced to the Contributions Section early in the year. The System is still undergoing refinement and enhancement and



## ADMINISTRATION OF SUPERANNUATION SCHEMES

remains an excellent mechanism for the management of records and payments.

The organisational review which was commenced last year, was finalised in May 1991. The office now has a structure which acknowledges the increasing and specialised responsibilities carried by the staff in this increasingly difficult and complex area.

### Staff of the Office

As at 30 June 1991 there were 21.4 full-time permanent officers and 2.8 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.

A receptionist/typist was appointed in February to offer a first contact facility for enquirers to the Advisory Section. She works closely with the State Superannuation Office Receptionist appointed in 1990.

### 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 Unions 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 PSESS Board produces a separate annual report. A more detailed report of the Board activities is separately available and can be obtained from the Unit within Treasury which administers the PSESS.

- 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 pension 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 Scheme

The Scheme provides benefits of:

### PSESS Administrative Unit

The Unit forms part of Treasury's Corporate Services Branch. Treasury's Manager, Corporate

# ADMINISTRATION OF SUPERANNUATION SCHEMES

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 continued during the year on the development of programs to satisfy all of the Scheme's requirements for computerised systems. In particular a new version of the basic system was developed to accommodate multiple year processing of data received from agencies. This has enabled data relating to 1988/89, 1989/90 and 1990/91 to be processed concurrently. Work also commenced on the design of routines necessary to transfer the data checking processes now performed

on the State Systems IBM mainframe to the Treasury in house AWA mini computer.

## Claims

Approximately 3400 claims were received between 1 July 1990 and 30 June 1991. Of these, approximately 1800 resulted in payment of a benefit to the claimant. 166 claims remained outstanding as at 30 June 1991. 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.

## Data Intake from Agencies

Work continued during the year on the intake and processing of data from agencies relating to the employment status of employees, employees earnings and other details to enable the calculation of benefits which accrued during the period 1 January 1988 to 30 June 1989. The exercise for this period was largely completed, but for the resolution of queries relating to several, mainly small agencies.

In March 1991, work commenced on the collection of data from agencies for the 1989/90 financial year. Indications are, based upon the rate of receipt of the information, that this part of the exercise at least will be less troublesome than was the experience for the period to 30 June 1989. The quality of the data received remains a problem.

## ADMINISTRATION OF SUPERANNUATION SCHEMES

### Statement of Entitlement

During the year, Statements of Entitlement for the period 1 January 1988 to 30 June 1989 were issued progressively to approximately 110,000 public sector employees. The balance of the Statements due for this period will be issued as soon as queries relating to the employee data received have been

resolved. Statements for the period 30 June 1990 will be issued as soon as possible depending upon the receipt and processing of details from agencies. In future, the issue of annual statements will be staggered over the period between July and September inclusive.



# 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. Schemes covered include the "old" State Pension Scheme, the "new" State Lump Sum Scheme, and the Police Pensions Scheme. SASFIT also manages funds contributed by certain public sector employers. SASFIT determines investment policy within the broad investment powers given to it by the Superannuation Act and the 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, two are nominees of the Minister of Finance, and there is an independent chairman.

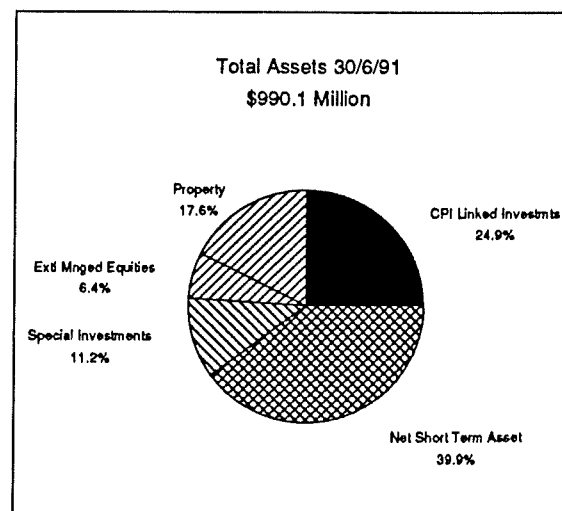
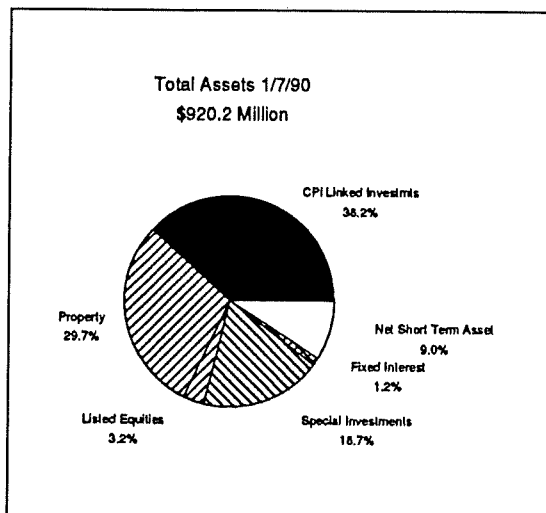
## SASFIT's Investments

### (a) Distribution

The assets under the management of SASFIT, which currently total, on a market value basis, \$990.1 million, are treated as a single pool distributed among several asset class funds, including CPI Linked Investments, Externally Managed Equities, Special Investments (generally unlisted equity investments), Property, Fixed Interest and Short Term Assets (cash).

The asset allocation distribution at year beginning and end is shown below:

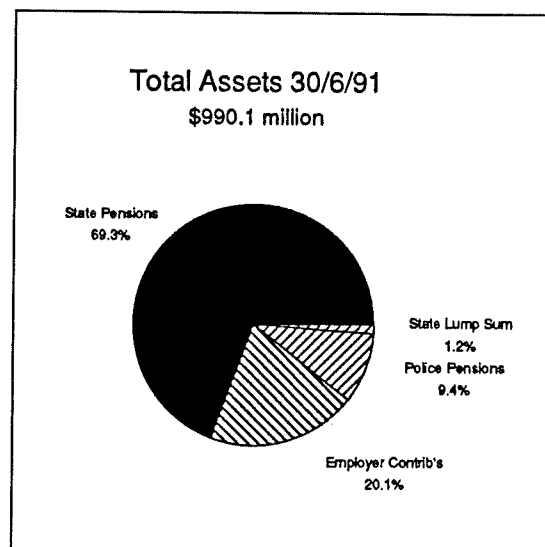
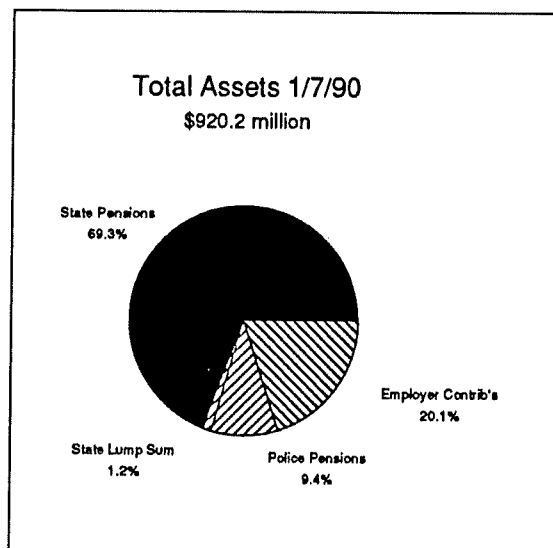
### SASFIT ASSET ALLOCATION



# MANAGEMENT OF SUPERANNUATION FUND INVESTMENT ACTIVITIES

The different contributing schemes each own units in the six asset class funds.

## FUNDS UNDER MANAGEMENT - BY SCHEME



### (b) Strategy

SASFIT's long term strategy with respect to funds managed for the pension schemes has been to invest a significant proportion by way of CPI Linked Investments (providing a secure return relative to inflation) and the remainder in market related investments (eg equity and property).

During the year SASFIT completed a review of its strategy with the help of outside consultants. The study confirmed the basic thrust of SASFIT's approach and recommended specific strategic asset allocations which SASFIT has now adopted. The strategy recognises the defined benefit nature of the pension schemes and the linkage between the benefit and inflation.

SASFIT and its consultants also addressed strategy for management of the new lump sum scheme, in which the benefit resulting from a member's contributions is the accumulation of contributions plus earnings thereon. During the year SASFIT adopted a conservative approach, recognising the fledgling nature of the new scheme. The bulk of the funds were held as short term assets. As from 1 July 1991 SASFIT has adopted an on-going strategic allocation target which includes substantial exposure to equities and property, with a view to achieving above average long term returns, albeit with a reasonable risk that returns from year to year may be quite variable.

The strategic allocation for the pensions schemes and the lump sum scheme, as from 1 July 1991 are as follows:

# MANAGEMENT OF SUPERANNUATION FUND INVESTMENT ACTIVITIES

## ASSET ALLOCATION - PENSION AND LUMP SUM SCHEMES

<u>ASSET CLASS</u>	<u>PENSION SCHEMES</u>	<u>LUMP SUM SCHEME</u>
	%	%
CPI Linked . . . . .	38	10
Property . . . . .	25	20
Externally Managed . . . . .	13	25
Special Investments . . . . .	20	20
Fixed Interest . . . . .	0	20
Cash . . . . .	4	5

It is expected that significant deviations from these strategic allocations will occur when, on a medium term view, certain asset classes are seen to be over or under priced. During 1990/91 the CPI linked sector was overweighted because of such a tactical assessment.

### (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:

## INVESTMENT PERFORMANCE RATE OF RETURN

	ONE YEAR (%pa)		FIVE YEARS ENDED (%pa)	
	MODIFIED MARKET VALUE BASIS	MARKET VALUE BASIS	MODIFIED MARKET VALUE BASIS	MARKET VALUE BASIS
1986/87	20.3	20.3	na	na
1987/88	19.9	23.3	20.7	21.4
1988/89	10.1	8.3	18.8	18.8
1989/90	7.8	5.5	16.0	15.5
1990/91	5.0	4.7	12.1	11.8

Performance by sector is discussed more fully in SASFIT's annual report.

## MANAGEMENT OF SUPERANNUATION FUND INVESTMENT ACTIVITIES

### (d) Recent Activity

Early in the year SASFIT engaged BT Australia to manage on its behalf a fund comprising overseas equities, Australian equities and cash. The mandate was expanded late in the year to include trading in the bonds market. BT traded actively throughout the year and was able to take advantage of overall growth in equities and falling bond yields to achieve a return of 10.4%. At year end the portfolio was mainly in equities, with Australian stocks comprising the major portion.

In CPI Linked Investments, SASFIT made a commitment to provide funds for a building for the NSW Government which will provide a long term inflation linked income. SASFIT also took up further commitments of Sydney Harbour Tunnel Bonds.

The year was a difficult one for management of SASFIT's unlisted portfolio (Special Investments). Several investments have been adversely affected by depressed economic conditions. SASFIT took a leading role in a major restructuring of the finances of Interchase Ltd but was unable to win the support of other institutions, with the result that the company has been placed in receivership.

SASFIT's investment in the ASER development suffered through depressed hotel occupancy and office vacancy, but benefited late in the year through the introduction of video gaming machines at the Adelaide Casino.

SASFIT made a further advance on its commitment to the DBSM Mezzanine Fund to allow that Fund to provide finance for the acquisition of the Leigh Mardon printing and packaging operation.

SASFIT's remaining small portfolio of fixed interest investments was disposed of during the year.

SASFIT commenced development of an office building in Hobart to be occupied by the Australian Tax Office. The lease is long term and the rental predetermined for the length of the term. Several other possible investments of this type were being assessed at year end. More generally property values have fallen during the year because of depressed demand and serious oversupply in some areas. SASFIT has not yet purchased any properties in this depressed market but will continue to consider opportunities.

### **Taxation, Accounting, Administration and Staffing**

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 on the fund's income or capital growth. This position has been disputed by the Commonwealth in the High Court. A decision is awaited.

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

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



## PROVISION OF ACTUARIAL, SUPERANNUATION AND INSURANCE ADVICE

The Actuarial and Insurance Services Branch provides advice within the public sector on superannuation, life insurance, general insurance and related matters. The Branch consists of an actuarial and two non-actuarial sections.

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

The unit has also been actively involved in the revision of the superannuation arrangements for universities in South Australia, particularly the ongoing arrangement with the University of South Australia. The unit has also been actively involved in assisting the Police Superannuation Board in establishing the new Police Superannuation Schemes and computer systems.

During the year the unit has been involved in the preparation of minor amendments to the Superannuation Act 1988 and numerous regulations under that Act.

The second non-actuarial section also has two members and its main function is to implement the self-insurance and risk management arrangements that were adopted as Government policy in February 1988. The section 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 agreed levels per incident with the balances of costs being met by Treasury.

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

Loss details have been collected since 1 July 1988 on a central claims information system developed by Sedgwick James.

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 budget dependent departments to include "off-budget" agencies and some statutory authorities. The STA, 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. The Local Government Association Mutual Liability Scheme also pays a contribution for cover provided for large claims that may be made against it.

It is proposed that in the 1991/92 financial year contributions will also be made in respect of off-budget agencies E & W S, Road Transport, State Services and Marine & Harbors.

Risk exposure assessments will be carried out during 1991/92 for all other departments and authorities covered by the arrangements with a view to contributions being paid by all agencies in 1992/93.

## PROVISION OF ACTUARIAL, SUPERANNUATION AND INSURANCE ADVICE

These contributions will be paid into a Section 8 Special Deposit Account which will be used to meet claim payments, provide a reserve for future large claims, pay premiums for insurances deemed necessary and appropriate, meet the administration expenses of running the self insurance and risk management program, pay consultants for advice and services as required and provide funds for some risk protection measures.

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 1990/91, claims under the arrangements totalling \$804,000 were paid from the Treasurer's Miscellaneous Line in respect of 20 losses in 8 agencies.

Since 1 July 1988 the Branch has also administered losses that arise from fires in government buildings - there were 25 such fires during 1990/91 compared with 28 the previous year. Amounts totalling \$1,633,000 were reimbursed from the Treasurer's Miscellaneous Line during the year for fire losses, while at 30 June 1991 outstanding known losses were estimated at about \$8.2m.

Because of the potentially large risk exposures that the Government now carries under the self insurance arrangements it was decided during the year that a catastrophe insurance program should be effected to protect the Government against the financial effects of large unexpected losses or liability claims. Sedgwick James have been instructed to place the catastrophe insurance on the Government's behalf.

The actuarial section of the Branch has a wide range of tasks.

An actuarial investigation of the South Australian Superannuation Fund was carried out and a report

completed and submitted to the Minister in October 1990.

Following the introduction of the Police Superannuation Act, 1990 new computer programs were written to value the benefits payable to pension scheme members under that Act. Further programs are to be written to value the benefits payable to lump sum members.

Considerable time was also spent developing programs to determine the Government's accrued superannuation liabilities at 30 June each year.

Following the receipt of the first data files from the State Superannuation Office's new computer system, programs were developed to edit the data and to utilise the additional data items in refinements of the existing valuation systems.

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

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

The Branch has continued to administer the Housing Loans Redemption Fund Act, the Benefit Associations Act and the Friendly Societies Act.

During the year the Public Actuary resigned. Consequent upon this, the title of the Branch was changed from the "Public Actuary's Office" to the "Actuarial and Insurance Services Branch". The previous Deputy Public Actuary was reassigned to the position of Manager of the Branch and also appointed by the Governor to the statutory position of Public Actuary pending the abolition of that position.

## PROVISION OF ACTUARIAL, SUPERANNUATION AND INSURANCE ADVICE

With regard to the latter, Cabinet has approved the drafting of legislation to abolish the position of Public Actuary, which is currently established pursuant to Section 36 of the Friendly Societies Act, and to remove from that Act and other Acts all references to the position. It is planned to introduce the required Bills during the 1991 Budget Session of Parliament.

The Friendly Societies Act Amendment Bill will provide for most of the friendly society administrative regulatory functions previously performed by the Public Actuary and the Branch to be transferred to a Registrar of Friendly Societies and for associated actuarial functions to be carried out by actuaries employed or contracted by the friendly societies themselves.

The other amending legislation will in general provide for actuarial functions previously required to be carried out by the Public Actuary to be undertaken by Fellows of the Institute of Actuaries of Australia and for administrative and other functions to be undertaken by other appropriate persons.

The aim of these changes is to provide more flexibility and to allow the limited actuarial resources of the Government to be utilised more effectively.



## 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 provides a service to management and staff with respect to the various management services disciplines (as described in the following chapter).

Under the direction of the Manager, Corporate Services, 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 continued during the year on a full review of the Lottery Regulations and the Collections for Charitable Purposes Act. It is anticipated that revised regulations for the conduct of lotteries and proposals for changes to the Collections for Charitable Purposes Act will be finalised during 1991/92 following consultation with the relevant organisations and charities.

With the establishment of the Royal Commission into State Bank activities the workload of the Branch was significantly increased. A great deal of time and effort was spent in providing documentary material for the Commission and for the Crown Solicitor.



# HUMAN RESOURCES POLICIES AND PROGRAMS

## PERSONNEL MANAGEMENT

During the first half of the year the Human Resources Section gained its full complement of three employees, thus facilitating an improvement in a range of personnel-related services within the department.

Significant effort was allocated to;

- reviewing personnel delegations to managers, culminating in the issue of a delegations manual and the conduct of related training,
- preparations for translation to the Administrative Services (South Australian Government ) Interim Award, which included:
  - ensuring all employees were kept well informed on the processes involved and the likely effect on each individual, and
  - an update of all branch organisation charts to assist managers in developing structural efficiency improvements,
  - assisting with selection processes for the 1992 Financial Graduate Recruitment Program,
  - development of the criteria for creation of a departmental personnel and workforce planning data base, and
  - development and issue of a student work experience information package to optimize the value of such placements.

## STAFFING STATISTICS

		1988/89	1989/90	1990/91
Average FTE	Actual	297.4	333.1	346.3
	Funded	299.2	338.7	351.3
Permanent positions	Created	54	57	31
	Abolished	7	8	46
Temporary positions	Created	35	46	37
	Abolished	15	44	16
Reclassifications		6	26	27
Classified vacancies advertised:	- Permanent	95	64	39
	- Temporary	9	7	2
	- Outside appointments	1	5	2
Appeals		2	1	2
Basegrade appointments		41	22	27
Resignations/Retirements		30	29	27
Aboriginal employees		7	7	8

As part of the above statistics the State Taxation Office maintained its active support, with the following special placements in 1990/91:

Aboriginal recruitment	5
Trainees	12
Disabled	1

# HUMAN RESOURCES POLICIES AND PROGRAMS

## CLASSIFICATION PROFILE

		<u>1988/89</u>	<u>1989/90</u>	<u>1990/91*</u>
<u>Classification</u>	EO-6	1	1	1
	EO-5	-	1	-
	EO-4	5	4	2
	EO-3	3	3	-
	EO-2	3	1	1
	EO-1	12	10	1
	EL-3	-	-	2
	EL-2	-	-	7
	EL-1	-	-	7
	AO-5	8	6	5
	AO-4	11	11	11
	AO-3	22	22	20
	AO-2	15	14	13
	AO-1	23	27	29
	CO-6	22	25	21
	CO-5	32	30	31
	CO-4	34	30	31
	CO-3	36	29	36
	CO-2	51	56	49
	CO-1	119	125	116
	CR-3	7	21#	27#
	LE-2	-	2	2
	LE-1	3	1	1
	MIT-1	-	1	1
	ITT-4	1	1	1
	ITT-3	1	1	1
	ITT-2	1	1	2
	ITT-1	3	2	2
	PP-1	-	-	1

Note:

\* Due to translation to the new Award on 1.6.91, figures shown for 1990/91 are as at 31.5.91.

# Includes officers on the Graduate Development Program.

Includes vacant positions.

## EQUAL EMPLOYMENT OPPORTUNITIES

Treasury continues to be committed to the principles of EEO. Effort was given to the removal of discriminatory practices and in support of special programs aimed at facilitating the placement of individuals from disadvantaged groups.

## SAFETY HEALTH AND WELFARE

The OHS&W Committee (comprising two management and three staff representatives, plus the Safety Co-ordinator) met on three occasions during the year and gave priority to such issues as:

- elections to Committee
- evaluation procedures
- monitoring compensation claims
- training of first aid officers and fire wardens



## HUMAN RESOURCES POLICIES AND PROGRAMS

- safety policy
- policy on AIDS
- staff induction.

On-going attention was given in all areas of the department to the provision of a safe working environment, including monitoring building maintenance and provision of ergonomically sound office equipment.

The following are of particular relevance:

(a) Sick leave patterns

An analysis of quarterly reports on a branch basis has continued, but has not revealed any unusual features. This process will continue in 1991/92.

(b) Training

A further seven employees gained qualifications in either first aid or fire safety, as part of Treasury's on-going plan to ensure not only the provision of adequate resources, but also a greater awareness among staff of OHS&W issues.

The State Taxation Office has four appointed first aid officers, holding current Advance First Aid Certificates, located on both the ground and first floors of the Torrens Building.

(c) Emergency Planning

The QBE Building Committee met on three occasions to coordinate resources and equipment, update the emergency procedure manual and plan for exercise evacuations in 1991/92.

The State Taxation Office Emergency Procedures Committee continued its program of improving fire prevention measures in the Torrens Building and ensured that all fire wardens received training by the

Metropolitan Fire Service. Emergency evacuation drills were successfully conducted during the year.

### STAFF DEVELOPMENT AND TRAINING

Procedures were implemented to facilitate the annual provision of information required under the (Commonwealth) Training Guarantee Act.

A training newsletter was introduced, with the purpose of providing all staff with information concerning both in-house and external courses, seminars and other training and development issues.

The Human Resources Section assisted the Accounting Policy and Systems Branch with the conduct of an induction program for the 1991 financial graduates. A similar course will be provided for all new employees in the future.

The department continues to encourage the development of staff by recognising employee training needs and by provision of appropriate training. This included attendance at relevant conferences and short courses, the cost of which during 1990/91 was \$111311. Employees are also strongly encouraged to undertake part-time studies in areas relevant to both the individual's future career, and to Treasury. During 1990/91 employees throughout the department spent 160 working hours per week attending such study.

Within the State Taxation Office the in-house courses conducted during 1990/91 included Situational Leadership, Team Building, Train the Trainer and numerous internal Branch training courses. These courses were tailored specifically to suit staff training needs and proved to be successful.

## HUMAN RESOURCES POLICIES AND PROGRAMS

It is anticipated that both following and as part of Award Restructuring, this function will be given higher priority in the forthcoming year.

### Staff Appraisal

During 1990/91 a Personal Development Review Scheme was implemented in the State Taxation Office in order 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.

The Personal Development Review Scheme was successful in providing employees with an opportunity to receive constructive feedback on their work performance and counselling in relation to future development and opportunities.

### Job Rotation

The State Taxation Office continued its ongoing commitment to provide employees with the opportunity to gain wider work experience and opportunity for promotion by continuing with the job rotation policy and program. A total of thirty employees, ranging between base grade to senior management positions took part in the job rotation program during 1990/91.

## HUMAN RESOURCES POLICIES AND PROGRAMS

### OCCUPATIONAL HEALTH AND SAFETY STATISTICS

	<u>1987/88</u>	<u>1988/89</u>	<u>1989/90</u>	<u>1990/91</u>
(a) The average number of employees employed during the period . . . . .	271.4	297.4	333.3	346.3
(b) The total number of hours worked by employees . . . . .	451838	497895	574425	586978
(c) The total number of work injuries . . . . .	15	22	19	12
(d) The agency's actual expenditure on occupational health and safety programmes - as a percentage of total expenditure . . . . .	-	-	.003	.003
(e) The agency's budget allocation for workers' compensation claims . . . . .	51000	51000	41000	40000
(f) The total number of workers' compensation claims . . . . .	9	14	10	8
(g) The total cost of workers' compensation claims charged against an insurance fund . . .	38547	18189	7219	29245
(h) The total cost of workers' compensation claims carried by the agency . . . . .	-	2420	-	-
(i) The total number of common law claims . . . . .	-	-	-	-
(j) The total cost of common law claims . . . . .	-	-	-	-
(k) The total number of employees who participated in the Agency's rehabilitation programme . . . . .	-	-	-	-
(l) The total number of employees rehabilitated back to their original work task . . . . .	-	-	-	-
(m) The total number of employees rehabilitated and redeployed onto other work tasks . . . . .	-	-	-	-
(n) The total number of employees still on suitable alternative duties . . . . .	-	-	-	-
(o) The total number of employees who have left, declared medically unfit . . . . .	1	-	-	1
(p) The Agency's budget allocation for property damage accidents . . . . .	-	-	-	-
(q) The total number of property damage accidents . .	-	-	-	-
(r) The total cost of property damage accidents . . . .	-	-	-	-
(s) The number of hours of training in Occupational Health and Safety . . . . .	-	-	-	127.5
(t) The number of Health and Safety Representatives . . . . .	2	2	2	3
(u) The number of Health and Safety Committees . .	1	1	1	1
(v) The number of Default Notices issued pursuant to S.35 of the OHS&W Act . . . . .	-	-	-	-
(w) The number of times work was stopped pursuant to S.36 of the OHS&W Act . . . . .	-	-	-	-
(x) The number of Improvement Notices issued pursuant to S.39 of the OHS&W Act . . . . .	-	-	-	-
(y) The number of Prohibition Notices issued pursuant to S.40 of the OHS&W Act . . . . .	-	-	-	-



## LOCAL GOVERNMENT GRANTS COMMISSION

The South Australian Local Government Grants Commission is a statutory authority established under the South Australian Local Government Grants Commission Act, 1976.

The Commission comprises three part time members. Members of the Commission and support staff, who are full time employees are as follows:

Gordon Johnson,  
Chairperson

Malcolm Germein,  
Commissioner

Carol Treloar,  
Commissioner

Gwyn Rimmington,  
A/Executive Officer

Barbara Godfrey,  
Clerical Officer

The primary function of the Commission is to make recommendations to the Minister of Local Government on the allocation to local government authorities of financial assistance grants from the Federal Government.

These Funds are provided to each State and the Northern Territory under the provisions of the Local Government (Financial Assistance) Act, 1986, as amended. The funds are distributed between the States on an equal per capita basis and then allocated to local governments on a fiscal equalisation or "needs" basis. The entitlement for South Australia for 1990/91 was \$59.945 million which represented 8.5864% of the total available funds of \$698.140 million.

The Commission issues its own Annual Report providing details of the grants to individual councils and explaining the basis of the calculations. Copies of the Report are available from the Commission.



# APPENDIX 1 - STATE TAXATION OFFICE REVENUE COLLECTIONS

	1988/89		1989/90		1990/91	
	Number of Taxpayers/ Transactions	Amount \$	Number of Taxpayers/ Transactions	Amount \$	Number of Taxpayers/ Transactions	Amount \$
<b>BUSINESS FRANCHISE (PETROLEUM)</b>						
Wholesalers	6	76 360 089	6	77 753 736	5	70 016 223
Retailers	1 178	64 937	1 130	126 999	1 088	117 338
Total Business Franchise (Petroleum)		76 425 026		77 880 735		70 133 561
<b>DEBITS TAX</b>						11 487 706
<b>FINANCIAL INSTITUTIONS DUTY</b>						
Financial Institutions	247	47 760 299	243	46 547 446	217	89 329 143
Short Term Money Market Operators	218	1 955 931	211	2 838 006	226	29 588 886
Exempt-Charitable Organisations Accounts			28 617		31 576	
Total Financial Institutions Duty		43 716 230		49 385 452		92 288 029
<b>LAND TAX</b>						
Total Land Tax	17 047	63 739 605	21 034	71 907 591	24 626	76 021 349
<b>PAY-ROLL TAX</b>						
Private Sector	5 349	296 435 687	5 432	323 480 572	5 437	381 634 001
Government Sector	36	67 562 232	35	72 056 289	32	91 278 912
Total Pay-roll Tax		363 997 919		395 536 861		472 912 913
<b>STAMP DUTY</b>						
Adhesive Stamps		724 507		717 160		777 175
Annual Licences (Insurance)		38 053 843		39 016 529		55 161 009
Applications to Register or Transfer Motor Vehicles		61 525 509		68 341 872		68 903 850
Cheques		5 841 462		5 531 085		5 519 992
Conveyance of Property on Sale		190 255 769		152 878 746		135 729 809
Conveyance of Shares on Stock Exchange		3 801 080		4 050 482		3 289 979
Conveyance of Shares (Excl. Stock Exchange)		10 367 072		8 015 375		2 258 689
Insurance Effected Outside S.A.		3 036 578		2 208 302		2 059 839
Leases		1 729 977		1 813 935		1 662 452
Mortgages		17 187 233		15 663 950		16 832 971
Other		198 297		295 239		230 328
Less Refunds, Commissions, etc.		(1 125 265)		(1 702 944)		(1 810 026)
Rental Business		10 478 082		11 765 675		12 205 997
Voluntary Conveyances of Property		2 169 078		2 038 512		2 247 554
S.A. Gas Holdings *		1 310 000				
Total Stamp Duty		345 553 222		310 633 918		305 069 618
<b>TOBACCO PRODUCTS (LICENSING)</b>						
Wholesalers	14	50 886 714	10	55 176 113	10	85 269 044
Retailers	5 194	81 833	5 622	59 371	4 950	54 400
Total Tobacco Products (Licensing)		50 968 547		55 235 484		85 323 444
Total State Taxation Office Collections		944 400 549	**	960 596 658	**	1 113 245 257

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

\*\* Succession duty revenue of \$16,617 and \$8,637 has been added to the 1989/90 and 1990/91 years respectively.