

Annual Report 2002–03



Government
of South Australia

Department of
Treasury and Finance

Annual Report 2002–03

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30 September, 2003

The Honourable Kevin Foley, MP,
Treasurer of South Australia

Dear Treasurer,

I hereby forward to you the Annual Report of the Department of Treasury and Finance for 2002-03 in accordance with Section 66 of the *Public Sector Management Act 1995*.

Yours sincerely

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

Jim Wright

UNDER TREASURER

Under Treasurer's report



THE FURTHER DEVELOPMENT AND IMPROVEMENT OF THE DEPARTMENT'S CAPACITY TO DELIVER EFFECTIVE POLICY ADVICE WAS A HIGHLIGHT FOR 2002-03 YEAR. AS A DEPARTMENT WE ARE BEGINNING TO REALISE THE BENEFITS OF THE SIGNIFICANT ORGANISATIONAL CHANGE THAT HAS BEEN IMPLEMENTED OVER THE LAST THREE YEARS. THIS PROGRESS WAS ACHIEVED IN A DEMANDING YEAR THAT INCLUDED THE SUCCESSFUL DELIVERY OF TWO STATE BUDGETS. I APPRECIATE THE DEDICATED EFFORTS OF ALL DEPARTMENTAL STAFF IN SUPPORTING THESE ACHIEVEMENTS.

As a department we are committed to achieving the Government's fiscal policy objectives. Central to this commitment is our role in supporting the Expenditure Review and Budget Cabinet Committee (ERBCC). During the year the department supported the ERBCC in overseeing the implementation of the 2002-03 Budget and the development and implementation of the 2003-04 Budget. Treasury and Finance also took the lead role in undertaking the expenditure review process driven by ERBCC and this resulted in the delivery of the stage 1 review reports and the adoption of recommendations arising from those reports.

During the year we also undertook further development in the area of microeconomic reform as the department was given responsibility for introducing gas retail competition to South Australia. This follows the work the department has undertaken supporting the establishment of the Essential Services Commission of South Australia and the implementation of the policy framework to support retail electricity competition in South Australia.

Of special significance during the year was the retirement of John Hill as Deputy Under Treasurer which brought to a close 37 years of service to the department for John. John's achievements over his time in Treasury and Finance culminated in the receipt of the Public Service Medal in the 2001 Australia Day Honours 'for sustained outstanding service in the field of public sector finance'. The award highlights the

significant contribution John has made to the public service in South Australia and most particularly in Treasury and Finance. I would like to personally thank John for his support in my time as Under Treasurer.

With the retirement of John Hill and the departure of fellow Deputy Under Treasurer Gino DeGennaro, the department welcomed on board two new Deputy Under Treasurers, Mr Brett Rowse and Dr Paul Grimes. Both Brett and Paul have comprehensive experience at both State and Commonwealth government levels and are highly respected among their peers. We look forward to the continued contribution of both Brett and Paul in the coming year.

I have been pleased with the performance of the department over the year and the way that we have contributed to delivering the Government's objectives. I believe staff can take pride in what the department has achieved and I thank them for their ongoing support. The State will continue to face significant challenges and difficult choices. I am confident that the department will continue to make an important contribution.

Jim Wright
UNDER TREASURER

The role of Treasury and Finance

The department

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

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

The vision

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

The purpose

To provide economic and policy advice and financial services to, and on behalf of, the Government of South Australia, to strengthen the State finances and the South Australian economy. This is done by providing economic, policy and financial advice, by managing the whole of government financial management processes and by providing finance-related services.

The objectives

The major long term objectives for the department covering the period of the report were to:

- ensure economic and fiscal policies are in place to promote sustainable economic growth
- ensure revenue is raised in a manner, which is equitable, efficient and supportive of economic growth
- ensure an equitable share of Commonwealth funding for the State

- ensure sustainable outlays in aggregate over the long term
- support efficient service delivery across whole of government
- maintain Government's capacity over time to deliver essential public services
- achieve the lowest possible economic cost of outstanding debt consistent with agreed risk tolerances
- ensure comprehensive insurance protection of the State's finances and assets
- ensure client needs are integrated into the delivery of services
- provide quality superannuation services to all public sector employees which are financially sustainable.

Major clients

Government

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

Government agencies

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

SA community

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

The role of Treasury and Finance

Strategic directions

The department has a key role in supporting the government outcomes for South Australia by ensuring accountability for public sector resources, and ensuring that the State's finances are on a sound footing and that financial information flows provide a sound basis for Government decision making. It also promotes reforms that will improve economic efficiency, with particular emphasis on the following strategies:

- implement the Government's budget objectives
- implement the Government's expenditure review process
- improve the financial management processes of the public sector
- implement national Competition Policy and microeconomic reforms.

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

Agencies in Treasurer's Portfolio

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

The year in review

The 2002–03 year saw the Department of Treasury and Finance focus on its four main strategies:

- implementing the Government's budget objectives
- implementing the Government's expenditure review process
- improving the financial management processes of the public sector
- implementing National Competition Policy and microeconomic reforms.

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

Implementing the Government's budget objectives

Two state budgets were handed down during the 2002–03 financial year: the 2002–03 Budget in July 2002 and the 2003–04 Budget in May 2003. The 2002–03 Budget presented a new fiscal strategy, including a fiscal target based on the accrual Government Finance Statistics.

A significantly revised budget process allowed for greater input by Ministers and agencies into the budget development process. The integrity of the budget management and accounting process has also been significantly strengthened.

The department advised on the Government's budget strategy and played a central role in its implementation.

This strategy has received strong support from rating agencies.

The department provided advice on the introduction of legislation to amend the *Public Finance and Audit Act 1987* to require a Charter of Budget Honesty and legislation to clarify and increase the powers of the Auditor-General.

Implementing the Government's expenditure review process

Expenditure reviews were undertaken in the departments of Human Services, Education and Children's Services, and Further Education,

Employment, Science and Technology. These reviews produced a number of reports and identified significant issues. These are being addressed by the Expenditure Review and Budget Cabinet Committee (ERBCC) and through budget processes.

The expenditure review process has made a very important contribution in respect of improved resource management in these portfolios.

Improving the financial management processes of the public sector

Significant improvements were made during the year in the monthly monitoring regime with the development of systems that support monitoring and a focus on improving the timeliness and accuracy of data provided by agencies.

Monitoring data had to be provided within 21 days of the period end, with data collection focused on those agencies that made up the portfolios presented in the 2002–03 Portfolio Statements.

Regular monitoring against initiatives contained within the 2002–03 Budget was also introduced during the year. These reports were used to keep the ERBCC informed of progress against budget targets.

Implementing National Competition Policy and microeconomic reforms

In October 2002, the department became responsible for delivering gas full retail competition in South Australia. The intensive program of legislative and institutional reform aims to overcome impediments to competition in the retail gas supply market.

The *Essential Services Commission Act 2002* (other than section 9) was proclaimed on 12 September 2002 when the Office of the South Australian Independent Industry Regulator (SAIIR) became the Essential Services Commission of South Australia (ESCOSA).

Electricity retail competition was introduced to South Australian households and small businesses on 1 January 2003. Ultimately, this means that all consumers of electricity will have the ability to choose which retailer they purchase electricity from.

The year in review

Other highlights

During the year, the department undertook a review of the leasing arrangements for the Government's car fleet. As a consequence of the review, the Government approved the progressive wind down of the current leasing facility, with future car fleet purchases to be funded through a financing facility provided by the South Australian Government Financing Authority (SAFA). The new arrangements are expected to produce ongoing savings to the State.

The department also undertook a governance and financial risk review of WorkCover Corporation. A report was subsequently provided to the Government as part of its overall review of WorkCover Corporation.

The 2002–03 year also saw:

- the start of new contract arrangements for government banking services
- support for the introduction of legislation to combat the rising cost of public liability insurance
- the outperformance by RevenueSA against 2002–03 compliance revenue targets with compliance assignments seeing actual revenue determined at \$43.9 million and actual revenue collected of \$33.9 million.

Ensuring accountability for public sector resources

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

- Revenue and Economics Branch
- Finance Branch
- Government Accounting and Reporting Branch
- Microeconomic Reform and Infrastructure Branch
- Policy Analysis Branch
- Public and Private Partnerships Unit.

The performance and achievements of these branches are described below.

Revenue and Economics Branch

The Revenue and Economics Branch played an important role in supporting Treasury and Finance's long-term objectives of:

- ensuring economic and fiscal policies are in place to promote sustainable economic growth
- ensuring revenue is raised in a manner which is equitable, efficient and supportive of economic growth
- ensuring an equitable share of Commonwealth funding for the State.

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

Performance

The year saw the Revenue and Economics Branch involved in a wide range of activities. The major activities included providing advice on a range of revenue measures as part of the introduction of the 2003–04 State Budget, completion of a National Competition Policy review into gambling legislation, and policy advice on economic development and insurance issues.

The branch also worked to ensure an equitable share of Commonwealth funding through submissions to the Commonwealth Grants Commission.

STATE REVENUE

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

- implementation of revenue measures announced in the 2002–03 Budget
- development of revenue measures as part of the 2003–04 Budget process, including the Save the River Murray Levy which becomes operative from 1 October 2003.

Revenue measures announced in the 2002–03 Budget and implemented during the year included increases in gaming machine taxation, conveyance duty and a broadening of the rental duty provisions in the *Stamp Duties Act 1923*. Modifications to the original gaming machine tax proposal were made post-budget in response to industry representations. The new tax structure will deliver ongoing revenue gains to the State Budget.

Revenue options developed for consideration as part of the 2003–04 Budget process culminated in:

- the introduction of the Save the River Murray Levy (developed in conjunction with SA Water and the Department of Water, Land and Biodiversity Conservation) which will assist in meeting the Government's objective of improving the health of the River Murray for the benefit of the entire South Australian community
- amendments to rental and mortgage duty rates to remove tax incentives favouring chattel mortgages over other equipment financing arrangements (including commercial hire purchase)
- an announcement of the Government's intention to increase the standard royalty rate under the *Mining Act 1971* from 2.5% to 3.5% by 31 December 2005 in order to secure the State's current level of royalty revenue from minerals.

Taxation and Commonwealth grant revenues were forecast regularly and monitored monthly throughout the year for inclusion in budget formulation and monitoring.

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

Ensuring accountability for public sector resources

The branch participated in intergovernmental consultations on various revenue issues including forecasting of revenue estimates, and shared expectations and experience of the property market and insurance industry sectors.

COMMONWEALTH GRANTS

The Revenue and Economics Branch played a primary role in the State's efforts to secure an equitable share of Commonwealth funding, for example by coordinating submissions and briefing material for the Commonwealth Grants Commission's (CGC) 2003 recommendations.

The work of the branch ensured the CGC was fully informed of the State's expenditure needs and revenue raising disadvantages when it considered its recommendation for the State's share of Commonwealth general purpose grants.

Branch officers also participated in an intergovernmental working party on specific purpose payments and in cross-agency consultations on current specific purpose payments agreement negotiations. Additionally, briefing material was prepared for the Treasurers Conference, Heads of Treasuries meetings, and reports for Loan Council and Leaders Forums.

INSURANCE POLICY

An emerging major workload for the branch during 2002–03 was preparing advice to the Treasurer on reforms being pursued by the Commonwealth and all state and territory governments in response to the deteriorating affordability and availability of public liability and professional indemnity insurance.

A series of ministerial meetings, chaired by Senator Helen Coonan and involving Ministers from all states and territories and the President of the Australian Local Government Association, began in 2002 in response to these issues. South Australia's representative on this ministerial forum is the Treasurer. Heads of Treasuries have also established an inter-jurisdictional officials group to provide advice and support to the ministerial meetings. Revenue and Economics Branch and the South Australian Government Captive Insurance Corporation (SAICORP) have both provided representation on the Heads of Treasuries Insurance Issues Working Group. By the end of 2002–03 five

ministerial meetings had been held, with a sixth meeting scheduled for August 2003. Ministers have agreed to pursue a range of legislative reforms to address rising claims costs, particularly in the public liability insurance market, drawing on recommendations made in a Review of the Law of Negligence (the Ipp Report) which was commissioned by Ministers.

The Revenue and Economics Branch, in conjunction with SAICORP and the Attorney-General's Department, supported the Treasurer by providing advice for his participation in these ministerial meetings, his consultations with a wide range of local stakeholders on the South Australian Government's response to the Ipp Report recommendations and the subsequent drafting of legislation which adopts many of the report's recommendations. Legislation tabled in Parliament in early April 2003 had not been debated when the second session of Parliament ended. Advice was also provided to the Treasurer on emerging specific insurance difficulties being experienced by local community groups, and emerging issues in medical indemnity insurance.

At their fifth meeting in April 2003, Commonwealth and State Ministers commenced discussions on possible responses to the deteriorating affordability and availability of professional indemnity insurance, and legislative reforms dealing with these issues which will be progressed further through the course of 2003–04.

GAMBLING POLICY

During the year the branch conducted a review of the *Authorised Betting Operations Act 2000*, as required under section 92 of that Act, which was completed and tabled in the Parliament in December 2002. The branch remains involved in consultation with racing industry stakeholders on implementing the outcomes of the review.

The branch provided advice and support to the Minister in respect of:

- the restriction on operating on-course totalisators except in conjunction with a race meeting
- extending the freeze on gaming machine licensing by 12 months
- the issues surrounding the operations of the Roosters Club.

During 2002–03 the branch made a significant effort to improve communication with other portfolios with gambling related functions. This reflects the cross-portfolio nature of gambling issues and has helped improve policy advice to the Minister.

ECONOMIC ANALYSIS

The major economic policy issues that the Revenue and Economics Branch considered during 2002–03 were proposals emerging from the Economic Development Board (EDB). The EDB released a series of pathfinder papers setting out key issues in State population trends, export performance, finance, government efficiency and education. The branch was involved in interdepartmental working groups which considered the issues arising from these papers, and provided further input to the development of the EDB's final *Framework for Economic Development in South Australia* which was released in May 2003. The branch also provided advice to the Treasurer on issues arising from the EDB reports. The Government has now accepted most of the EDB recommendations and the branch will be involved in implementation issues during 2003–04 including providing input to, and advice on, the development of a proposed State Strategic Plan.

Population ageing issues continued to be an important focus, primarily in relation to fiscal impacts, which have been subject of reports at the Commonwealth level in the Intergenerational Report released in May 2002 and subsequent work by other state governments. The fiscal and economic impacts of medium to longer term demographic trends will continue to be an important focus of the branch in 2003–04, reflecting in particular attempts to assess more specifically the impacts in South Australia.

As part of its ongoing role in monitoring and analysing State, national and international economic conditions and outlook, the Revenue and Economics Branch completed around 130 economic briefings analysing major economic indicators. Statistics released by the Australian Bureau of Statistics, the Australian Bureau of Agricultural Resource Economics and independent economic commentators and forecasters were analysed. The branch also coordinated departmental briefing papers for reviews by major credit rating agencies.

During the year officers from the Revenue and Economics Branch participated in various committees and working groups such as the State Housing Plan Steering Group, Water Policy Committee, Housing Industry Prospects Forum, South Australian Greenhouse Committee, National Competition Policy Reference Group and State Statistical Priorities Committee.

THE YEAR AHEAD

- Contributing to policy development on gambling-related issues
- Contributing to policy development on economic development and social policy issues
- Contributing to the development of reforms to address insurance affordability and availability
- Assessing medium to longer term fiscal impacts of demographic trends and other cost pressures
- Improving revenue forecasts by closely monitoring emerging trends
- Participating in Commonwealth Grants Commission consultations for the 2004 Methodology Review
- Providing advice on international, national and State economic trends and conditions on a regular basis, including analysis of Australian Bureau of Statistics data releases and selected private sector economic reports
- Providing advice on revenue issues in the context of the 2004–05 Budget

Finance Branch

Finance Branch played an important role in supporting Treasury and Finance's long-term objectives of:

- ensuring economic and fiscal policies are in place to promote sustainable economic growth
- ensuring sustainable outlays in aggregate over the long-term
- supporting efficient service delivery across whole of government
- maintaining Government's capacity over time to deliver essential public services.

Specifically, Finance Branch manages the State budget process, provides policy advice on budgetary and

Ensuring accountability for public sector resources

financial issues across Government, and monitors the financial performance of both general government agencies and government businesses.

Performance

The principal focus of Finance Branch for 2002–03 was the introduction and support of a significantly revised process for the 2003–04 Budget and significant enhancements to the State's Budget Papers.

The branch continued to consolidate the organisational change begun in 2001–02 and integrated the Office for Government Enterprises (OGE) into the branch.

BUDGET

The development and preparation of the annual State budget remained the principal focus of the branch during the year. Two state budgets were handed down during the 2002–03 financial year: the 2002–03 Budget in July 2002 and the 2003–04 Budget in May 2003.

The 2003–04 Budget process was significantly revised during 2002–03 to:

- enhance the important deliberative role of the Expenditure Review and Budget Cabinet Committee (ERBCC)
- enhance strategic input to the process by Cabinet including through development of 'multilateral' initiatives coordinated across government
- improve the integrity of the accounting processes that handle budget bids and decisions.

In keeping with the Government's focus on clarity and accountability in financial management arrangements, the branch reviewed the presentation and structure of the Portfolio Statements during 2002–03. The statements were restructured to enhance agency level and 'actuals' information within portfolios; financial and performance information returned to a program structure; and program level information on revenue and expenses was produced for the first time. The introduction of the new Portfolio Statements involved substantial consultation with agencies and a large contribution from all areas of Government to develop, collect and present the new information.

The content of the Budget Statement was also expanded to include detail on individual expenditure, revenue and savings initiatives included in the 2003–04 Budget.

Capital reporting arrangements were amended to better reflect generally accepted accounting principles for investments, with the 2003–04 Capital Investment Statement significantly restructured to support these arrangements.

FINANCIAL MONITORING

Finance Branch continued its collection and analysis of monthly monitoring information for general government agency financial performance against budgets.

The monitoring of budget outcomes and specific budget expenditure and savings initiatives was the basis of regular reports to ERBCC. This ensured that Ministers were well informed about progress and could take remedial action where necessary.

SUPPORT INITIATIVES

Treasury and Finance, through the South Australian Government Financing Authority (SAFA) and the OGE, examined the financial reporting, corporate governance and other practices critical to the financial management of the WorkCover Corporation. After significant review work within the branch, legislation to establish WorkCover governance reforms was introduced into Parliament, with implementation expected during 2003–04.

Financial arrangements were developed for ownership and operation of new road and rail bridges over the Port River by way of a public non-financial corporation.

THE YEAR AHEAD

- Designing further budget decision support improvements for Government consideration
- Continuing to improve the monthly monitoring of financial performance
- Continuing to improve forward estimates methodology

- Implementing 2003–04 Budget decisions
- Providing decision-making support and policy advice, for the 2004–05 Budget and producing the Budget Papers
- Integrating program arrangements into the budget decision-making process and enhancing program and performance indicator structures

Government Accounting and Reporting Branch

The Government Accounting and Reporting (GAR) Branch played an important role in supporting Treasury and Finance's long-term objectives of:

- ensuring economic and fiscal policies are in place to promote sustainable economic growth
- ensuring sustainable outlays in aggregate over the long-term
- supporting efficient service delivery across whole of government
- maintaining Government's capacity over time to deliver essential public services.

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

Performance

One of the key achievements of the branch in 2002–03 was to facilitate the finalisation of the procurement of government banking arrangements and implement the successful transition of agencies to Westpac as the new supplier of government banking services. The branch also provided advice on the introduction of legislation to amend the *Public Finance and Audit Act 1987* to require a Charter of Budget Honesty and legislation to clarify and increase the powers of the Auditor-General.

FISCAL POLICY

The 2002–03 Budget presented a new fiscal strategy, including a fiscal target based on the accrual Government Finance Statistics. During 2002–03 the

branch reported, analysed and advised on the status of the Government's financial plan and the implications for it from external events.

Together with Finance Branch, GAR had a significant role in advising and supporting the Treasurer and Cabinet through the 2003–04 Budget process by consolidating and analysing underlying data and providing aggregate information to the Government.

PUBLIC FINANCE AND AUDIT ACT

A Bill to amend the *Public Finance and Audit Act 1987* to require a Charter of Budget Honesty was introduced into Parliament during 2002–03 and as at 30 June 2003 was still in the Legislative Council. A Bill to clarify and increase the powers of the Auditor-General was also introduced into Parliament during 2002–03.

IMPROVING FINANCIAL ACCOUNTABILITY AND MANAGEMENT

A financial management team was established during 2002–03 to provide a centre of expertise within Government on financial management practices. The team provides advice to agencies on accounting and taxation matters, oversees the Government's banking contracts and facilitates the graduate development program. Financial policy development in 2002–03 included the preparation of a management framework to align agency cash balances with approved expenditure and monitoring of developments in Australian Accounting Standards.

During 2002–03 the financial management team conducted the first government accounting information forum to enhance the understanding of accounting and taxation issues confronting government agencies. The team also provided support to the Aboriginal Prisoners and Offenders Support Service Board on financial management matters as part of the department's Aboriginal Reconciliation Initiative.

CONSOLIDATED FINANCIAL REPORTING

In 2002–03 the Government's major consolidated reporting obligations were:

- Budget Outcome 2001–02

Ensuring accountability for public sector resources

- AAS31 Consolidated Financial Statements 2001–02
- Mid-year Budget Review 2002–03
- 2003–04 Budget.

The Budget Outcome for 2001–02 was completed in November 2002, within the timeframe established in previous years, and was published in December 2002.

The Consolidated Financial Statements for year ended 30 June 2002 were published in June 2003. While the key budget results were published in December, this timing is unacceptable and much tighter timeframes will be enforced for publishing the 30 June 2003 statements.

The 2002–03 Mid Year Budget Review was finalised and published in February 2003, within the timeframe established for the prior year's publication.

The branch provided consolidated reporting as part of the 2002–03 Budget and the 2003–04 Budget.

AGENCY FINANCIAL SYSTEMS

A financial systems review began in 2001–02, overseen by a steering committee led by the Under Treasurer and supported by a project team of branch personnel. During 2002–03 the project team delivered phases one and two of the review.

They identified the strengths and weaknesses of the current financial processes and systems and, following further research, recommended future directions for developing across-government financial systems.

In addition, the branch oversaw a project to benchmark the delivery of corporate services across the South Australian Government. This project aimed to inform the Government on the efficiency of a number of processes enabled by financial systems within the scope of the financial systems review.

During the year, the Financial Application Systems Team continued to develop systems and processes that improve efficiency in work flows in both Treasury and Finance, and across government agencies. In particular, the team developed and implemented a data extraction, transformation, load and warehousing solution for Masterpiece in seven government agencies.

GOVERNMENT BANKING CONTRACT

On 29 November 2002, the Treasurer announced that the successful tenderer for the provision of transaction banking services to Government was Westpac Banking Corporation and the successful tenderer for the provision of merchant and purchase card services to Government was the ANZ Banking Group. This announcement was the culmination of a procurement process coordinated by the branch during 2001–02.

Following the announcement, GAR coordinated the transition of agencies from the existing transaction banking provider (Reserve Bank of Australia) and purchase card provider (American Express) to the new arrangements. The transition process was successfully completed by the end of February 2003. The branch appreciates the efforts of agencies involved in implementing the new arrangements.

The branch remains responsible for the ongoing management of the new contract arrangements and works closely with agencies to facilitate the continued use of efficient and effective banking practices within Government.

THE YEAR AHEAD

- Improving financial reporting across Government facilitated by initiatives arising from the financial systems review
- Continuing to provide leadership in the areas of quality financial reporting and financial accountability across Government, in particular with respect to changes in accounting standards and the cash alignment policy
- Continuing to improve the consolidation and reporting processes of the branch on behalf of the Government

Microeconomic Reform and Infrastructure Branch

Microeconomic Reform and Infrastructure (MERI) Branch played an important role in supporting Treasury and Finance's long-term objectives of:

- ensuring economic and fiscal policies are in place to promote sustainable economic growth
- supporting efficient service delivery across whole of government

- maintaining Government's capacity over time to deliver essential public services.

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

Performance

The 2002–03 year saw the further development of the role of the branch as it took on the responsibility of delivering gas retail competition in South Australia. The branch was also involved in providing extensive advice to the Minister for Energy and the Treasurer on a range of electricity, gas and infrastructure related matters.

ELECTRICITY RETAIL COMPETITION

Electricity retail competition was introduced to South Australian households and small businesses on 1 January 2003. Ultimately, this means that all consumers of electricity will have the ability to choose which electricity retailer they purchase electricity from.

In preparation for retail competition the branch was responsible for establishing the necessary legislative framework to accommodate this new environment including the necessary consumer protections. This was done through amendments to the *Electricity Act 1996* and the establishment of the Essential Services Commission of South Australia (ESCOSA) as a powerful industry regulator through the *Essential Services Commission Act 2002*.

Since the introduction of full retail competition, the branch continued to oversee its implementation in consultation with industry participants and ESCOSA.

GAS FULL RETAIL CONTESTABILITY

In October 2002, the branch became responsible for ensuring the delivery of gas full retail competition in South Australia and entered an intensive program of legislative and institutional reform to overcome impediments to competition in the retail gas supply market.

ESTABLISHMENT OF THE ESSENTIAL SERVICES COMMISSION OF SOUTH AUSTRALIA

The branch was responsible for formulating the *Essential Services Commission Act 2002* which established the ESCOSA as a powerful new regulator, in accordance with Government policy. ESCOSA was formally established on 12 September 2002 at which time the *Independent Industry Regulator Act 1999* was repealed.

ESCOSA was also vested with gas pricing, licensing and gas distribution pipeline access regulatory functions through the *Statutes Amendment (Gas and Electricity) Act 2003*. Gas economic regulation has now been consolidated within ESCOSA, upon transfer of gas licensing responsibilities from the Technical Regulator and responsibility for the access regulation of the gas distribution business from the South Australian Independent Pricing and Access Regulator from 1 July 2003. MERI was responsible for preparing this legislation and facilitating the transfer of responsibilities to ESCOSA.

NATIONAL ELECTRICITY MARKET MINISTERS FORUM AND MINISTERIAL COUNCIL ON ENERGY

The branch had the role of leading and coordinating policy advice provided to the Minister for Energy for decisions at both Ministerial Council on Energy and National Electricity Market Ministers Forum meetings. Five such meeting were held during the year.

Legislative changes across the relevant jurisdictions to both the National Electricity Law (NEL) and the National Gas Pipelines Access Law were coordinated. In the case of gas, this involved representing South Australia on the National Gas Pipelines Advisory Committee. Three sets of amendments were made to the gas pipelines access regime during the year and one to regulations under the NEL.

Ensuring accountability for public sector resources

INFRASTRUCTURE

During the past year a general reference model for profiling and assessing major economic infrastructure in South Australia was developed. The model was used to analyse a number of complex transport, competition and regional issues in consultation with the Department of Transport and Urban Planning.

It is intended that this field will be further refined and the volume of activities expanded over the coming year.

The year ahead

- Developing subordinate legislation to support gas full retail competition, establishing new regulatory instruments, and implementing gas entity information systems and systems testing
- Continuing to oversee the implementation of electricity full retail contestability in consultation with industry participants and the ESCOSA
- Assessing major economic infrastructure projects in South Australia, with a particular focus on the water and transport sectors
- Continuing to work closely with other jurisdictions in interjurisdictional forums to progress significant national reforms to energy markets
- Continuing to provide policy advice on the effectiveness of the regulatory framework for essential services.

Policy Analysis Branch

The Policy Analysis Branch played an important role in supporting Treasury and Finance's long-term objectives of:

- ensuring economic and fiscal policies are in place to promote sustainable economic growth
- supporting efficient service delivery across whole of government
- maintaining the Government's capacity over time to deliver essential public services.

In particular, the branch identified, conducted detailed research on and analysed strategic policy issues, as the basis for providing advice on policy options and impacts to other parts of Treasury and Finance, the Treasurer, Cabinet and the Expenditure Review and Budget Cabinet Committee (ERBCC).

Performance

In 2002–03, the Policy Analysis Branch made substantial progress on major expenditure reviews in three portfolios. The branch also continued to provide research and policy advice on several major government initiatives including the Generational Health Review, the State Housing Plan and several Commonwealth–State agreements.

EXPENDITURE REVIEWS

Expenditure reviews were undertaken in the departments of Human Services (DHS), Education and Children's Services (DECS) and Further Education, Employment, Science and Technology (DFEEST). These reviews produced a number of reports and identified significant issues. These were being addressed by the Expenditure Review and Budget Cabinet Committee (ERBCC) and through budget processes.

The expenditure review process has made a very important contribution in respect of improved resource management in these portfolios.

An outcome of the expenditure review process will be the establishment of soundly based forward budget estimates and improved forward estimates methodology for portfolios. The work done to date in undertaking a 'stocktake' of portfolio activities, finances and issues will form the basis for updating budget forward estimates.

THE YEAR AHEAD

- Completing the expenditure review process for relevant departments by developing improved forward estimates methodology and helping portfolios develop suitable program structures
- Assisting DHS and DECS to implement changes resulting from the expenditure review process

- Commencing expenditure reviews of other key portfolios
- Continuing to provide research and policy advice on issues arising in major expenditure areas such as health, education and housing

Public Private Partnerships Unit

The Public Private Partnerships (PPP) Unit played an important role in supporting Treasury and Finance's long-term objective of:

- maintaining Government's capacity over time to deliver essential public services.

The PPP Unit aims to facilitate private sector participation in infrastructure development where appropriate under the Government's Partnerships SA initiative. The unit operates as a consultative body to agencies seeking to engage with the private sector in developing infrastructure and delivering public services to the community; it provides an oversight function to ensure that projects conform to the policy guidelines on PPP procurement.

Performance

To meet its objective of assisting State Government agencies in the development of current and prospective projects under the Partnerships SA program, Treasury and Finance worked with eleven State Government agencies on seventeen projects. Of these, eight projects are now active, four have been identified as potential future projects, three have been identified as not being appropriate for PPP procurement and two are to be delivered by alternative procurement methodologies.

PUBLIC PRIVATE PARTNERSHIP PROJECTS

The unit was active in developing a market appetite for PPP projects in South Australia during the year. It ran three market-sounding exercises, presented to five private sector conferences on PPPs and provided project updates to all major private sector organisations involved in PPPs including financiers, operators, constructors and advisers

The PPP Unit Business Plan 2002–03 identified its key strategic priority to be to assist agencies in developing eight key projects. The PPP Unit assisted agencies to

undertake detailed project evaluation for all of the projects and determine the most efficient form of procurement to deliver these projects. Projects are not developed as PPPs but are developed to meet the needs of the community. Appropriate roles for the public and private sector are then considered.

This process identified that several of the projects may be appropriate to be delivered using a PPP with other projects more appropriately being delivered using other procurement approaches.

THE YEAR AHEAD

- Developing and evaluating projects identified as potential PPPs by the Major Projects and Infrastructure Cabinet Committee and determining if the projects have the potential to deliver value for money in the delivery of high quality services to the South Australian public
- Evaluating and appraising capital investment for large-scale infrastructure projects, in cooperation with the Office for Infrastructure Development (OFID) and Finance Branch
- Inculcating a disciplined investment appraisal processes in agencies under the auspices of OFID and the strengthening of Stages 1 & 2 of the Partnerships SA process

Financial services provision

There are five branches responsible for financial services provision:

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

The performance and achievements of these branches are described below.

RevenueSA

RevenueSA played an important role in supporting Treasury and Finance's long-term objectives of:

- ensuring revenue is raised in a manner which is equitable, efficient and supportive of economic growth
- ensuring client needs are integrated into the delivery of services.

Specifically, RevenueSA is responsible for managing, collecting and enforcing the State's taxation revenue base and for providing policy advice on taxation issues.

Performance

RevenueSA collected approximately \$2.1 billion in revenue during 2002–03. Appendix 11 provides details of these collections. The branch collected \$33.9 million in tax liability due to non-compliance. It also approved and paid 9 639 First Home Owner Grant applications and rebated around \$5.3 million and \$3.5 million under the Trainee and Export Pay-roll Tax rebate schemes respectively.

The branch reduced counter services and transferred resources to support the implementation of technology based business processes: electronic lodgement practices for businesses and stamp duty self-determination.

More than 470 organisations registered to self-determine their stamp duty liabilities through RevenueSA's internet based self-determination system,

Table 1 – Revenue collected through compliance programs

Tax head	Target \$	Revenue determined * \$	Revenue collected * \$	No. of assignments completed	No. of clients investigated and completed
Pay-roll tax	6 350 000	6 613 147	1 278 717	150	215
Land tax	350 000	32 448	40 742	12	85
First Home Owner Grant	750 000	1 142 000	850 000	75	82
Financial institutions duty/debits	1 000 000	1 625 061	1 625 061	25	25
Stamp duty insurance	3 100 000	2 032 808	1 522 390	33	33
Stamp duty motor vehicles	850 000	234 226	165 762	29	294
Stamp duty conveyance	4 100 000	6 505 574	5 239 505	336	343
Stamp duty rental business	1 000 000	781 846	324 448	25	37
Petroleum	200 000	385 160	382 322	7	8
	17 700 000	19 352 270	11 428 947	692	1 122
				No. of matters referred	No. of matters finalised
Debt management	15 300 000	24 523 974	22 438 791	8 092	4 272
Total	33 000 000	43 876 244	33 867 738		

* The revenue determined is the liability identified as part of an investigation and is measured upon the completion of that investigation. An assessment is raised once the liability has been quantified and on receipt of that revenue from the taxpayer, the revenue is deemed to be collected. This process gives rise to timing differences as do instalment arrangements for taxpayers to meet their commitments (where a debt is substantial); thus the variation between revenue determined and collected. Inevitably there will be situations where the revenue is unrecoverable either because of the outcome of objections/appeals or because of taxpayer default.

RevNet. The stamp duty component of RevNet became available to taxpayers and agents from December 2002.

COMPLIANCE ACTIVITY

In 2002–03, the focus of compliance activity was in the area of pay-roll tax, stamp duty on major conveyances, insurance and sale of business. Debt recovery activity also continued to make a significant contribution towards total revenue for the year.

The total revenue determined for the 2002–03 financial year was approximately \$43.9 million, nearly \$11 million above target. Revenue collected was \$33.9 million, which was also above target by approximately \$4 million. Table 1 provides details of the collections. During the year, thirty four compliance programs were conducted.

The budget for 2003–04 provided for \$1.1 million in additional resources to support a higher level of tax compliance across a range of taxes to provide an estimated revenue return of \$10.5 million from 2003–04.

INTERNET BASED SELF-DETERMINATION SYSTEM – REVNET

During 2002–03 RevenueSA further progressed its electronic revenue collection strategies by implementing its internet based lodgement and self-determination system, RevNet, which allows an easy, flexible and more effective way for taxpayers and their agents to do business with RevenueSA.

RevNet was first released in December 2002, providing approved taxpayers and agents with the ability to calculate and pay South Australian stamp duty and Lands Titles Office fees on a wide range of documents. RevNet replaces the previous self-stamping system, TIMBER, and will ultimately replace RevenueSA's counter services for documents that can be self-determined. A self-paced computer based training package (on CD-ROM) was designed to introduce taxpayers and agents to RevNet and make the transition to this new way of doing business with RevenueSA as smooth as possible. As at 30 June 2003, over 470 taxpayers and agents were realising the benefits of self-stamping their documents via the internet.

During March and April 2003, RevenueSA conducted eight taxpayer and agent education sessions with 254 participants.

Being aware that some practitioners may not have the required technology or may be unable to access the internet, RevenueSA developed a short-term alternative self-assessment process, the Periodic Returns Arrangement (PRA). The paper-based PRA allows authorised users to stamp all documents that are not required to be lodged with RevenueSA for opinion assessment. It will also be available to allow for continuity of business as a contingency if access to RevNet is lost for any significant period of time.

FIRST HOME OWNER GRANT

On 1 July 2000 the Commonwealth Government introduced the First Home Owner Grant (FHOG) to offset the impact on first homebuyers of the GST.

The FHOG scheme is administered in South Australia by RevenueSA and provides a one-off grant of \$7 000 to eligible first homebuyers.

An additional grant of \$7 000 was payable for those first homebuyers who signed a contract to build a new home or bought a previously unoccupied new home between 9 March and 31 December 2001 (a total grant of \$14 000).

The Commonwealth Government extended the additional grant for a further six months at a reduced amount of \$3 000 so that the grant for the construction of new homes in the period 1 January to 30 June 2002 was \$10 000 as compared to the grant for established homes which remained at \$7 000.

From 1 July 2002 to 30 June 2003, 9 639 FHOG applications were approved and paid in South Australia, at a cost of \$73 746 000. Of these, 553 applications were approved and paid the additional \$7 000 grant at a cost of \$3 871 000; 805 applications were approved and paid the additional \$3 000 grant at a cost of \$2 415 000.

TAXPAYER SERVICES

RevenueSA undertakes an annual taxpayer survey with the purpose of gaining taxpayer reaction and/or agreement to published service standards and

Financial services provision

feedback about the level of service provided. It is also used to seek feedback on any future business requirements. With the significant changes in lodgement and business practices (eg RevNet) during 2002–03, a specific survey on service standards was not conducted. However, a survey to identify taxpayer needs of RevNet was conducted, feedback from which was used in the final design of RevNet and associated business rules.

Content of the next survey will be on RevNet now that it has been implemented and over 470 taxpayers are authorised to use it. Service standards will also be reviewed to ensure consistency with the move towards electronic interfaces rather than across the counter services.

THE YEAR AHEAD

- Expanding RevNet in order to provide taxpayers and agents with the ability to:
 - lodge pay-roll tax annual reconciliations
 - request, receive, pay and update South Australian Emergency Services Levy and Land Tax Agent certificates
 - pay and update Emergency Services Levy and Land Tax Agent certificates requested through the Department for Environment and Heritage's Section 7 service
- Maximising industry adoption of RevNet
- Implementing additional compliance programs to increase the 2003–04 revenue target by \$10.5 million

South Australian Government Financing Authority

The South Australian Government Financing Authority (SAFA) is a statutory authority constituted under the *Government Financing Authority Act 1982* and resourced by Treasury and Finance staff. SAFA played an important role in supporting Treasury and Finance's long-term objectives of:

- maintaining Government's capacity over time to deliver essential public services
- achieving the lowest possible economic cost of outstanding debt consistent with agreed risk tolerances

- ensuring client needs are integrated into the delivery of services.

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

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

Full details of SAFA's operations can be found in its own annual report for 2002–03.

Performance

SAFA's major activities for the year focused on achieving the key priorities contained in its Business Plan for 2002–03: facilitating the Government's funding requirements and debt management objectives; expanding its portfolio management, advisory and bureau services; improving business and risk management practices; and performing the ongoing administration and transaction management function for the electricity entities.

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

FUNDING AND DEBT MANAGEMENT

As part of its funding and debt management objectives, during the year SAFA issued a new 'Select Line' fixed interest security with a maturity of 15 September 2009 to replace the Select Line securities maturing on 15 January 2003. In total, and consistent with its funding task, SAFA raised approximately \$1 200 million of funding for its major client, the Treasurer, and other semi-government clients.

Corporate treasury services

Consistent with its priority of expanding its treasury portfolio management, advisory and treasury administration support services, SAFA continued to actively promote its capabilities in these areas to a number of public sector agencies and government departments.

During the year, SAFA:

- conducted a number of risk management reviews of various agencies on behalf of the Treasurer
- provided advice on the optimal financing and hedging strategy for the State's vehicle fleet lease facility
- completed leasing guidelines which included the provision of leasing software and leasing advisory services for the SA Public Sector
- assisted with the determination of funding arrangements and advisory services for several public sector agencies.

In December 2002, the Government became exposed to the immediate crystallisation of a liability of around \$140 million due to NRG Energy Inc's financial deterioration at that time followed by its filing for voluntary US Chapter 11 protection. SAFA was actively engaged in managing this exposure and providing advice to the Government on appropriate strategies. As at 30 June 2003, SAFA continued to manage this exposure on the basis of the immediate crystallisation of the Government's exposure having been averted and with reasonable prospects for NRG Energy Inc to exit Chapter 11 protection on a reasonably sound financial footing.

OPERATIONAL DEVELOPMENT

Another of SAFA's key priorities for the year was to improve business and risk management practices and this was achieved by:

- completing the final phase of the re-implementation of its Treasury Management System
- implementing mark-to-market accounting for SAFA
- conducting a full operational test scenario of SAFA's Operations Recovery Plan.

THE YEAR AHEAD

- Facilitating the Government's funding requirements
- Facilitating the Government's debt management objectives
- Expanding SAFA's investment and lending services
- Expanding SAFA's advisory, treasury management and treasury administration support services
- Facilitating the management of Government guarantees and the Treasurer's loan arrangements
- Ensuring effective administration and transaction management for electricity entities
- Facilitating improvements in human resource management practices
- Improving business and risk management practices

Super SA

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

- maintaining Government's capacity over time to deliver essential public services
- ensuring client needs are integrated into the delivery of services
- providing financially sustainable, quality superannuation services to all public sector employees.

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

Super SA's major activities for the year are highlighted here; more detail is provided in its own Annual Report for 2002–03.

Financial services provision

Performance

New Super SA services have seen 90% of agencies remitting data online and a promising number of members registering online for information about their superannuation. The timeliness of member benefit statement delivery continued to improve and processes were implemented to accommodate new insurance arrangements.

MEMBER SERVICES

Super SA released its 'Member Online' service in March 2003, and 3 000 members had registered as at 30 June 2003. Marketing of this service will be included in the annual report to members.

Member Services staff conducted around 176 personal interviews, handled 2 400 reception enquiries and 67 550 telephone enquiries, and responded to 9 780 letters, faxes and emails. In addition, members accessed the website 35 217 times throughout the financial year to 30 June 2003, and approximately 5 000 members attended various seminars and presentations.

Super SA considers it important for members to contribute to their future and, while the marketing of contributory membership to Triple S has been largely confined to the Annual Report and half yearly newsletter, as at 30 June 2003 over 21% of active Triple S members were making additional contributions.

The issuing of member annual benefit statements is a key performance indicator. Super SA issued 98.3% of annual benefit statements by 15 November, compared to 91% by 31 October in the previous year. Super SA is on track to meet the objective of issuing 95% of annual benefit statements by 30 September 2003.

In March 2003 Super SA won a Gold Award at the National Conference of Major Super Funds Communication Awards for the publication *Insurance, Triple S and You*.

Table 2 shows the number of members who have taken up the Member Investment Choice option within the Triple S Scheme.

Table 2 – Take up of Member Choice fund options

Fund	No. of investing members	% of investing members
Growth	4 159	2.83
Conservative	809	0.55
Balanced	141 365	96.33
Cash	431	0.29
Total	146 764	100

COMMONWEALTH LEGISLATION

Super SA continues to monitor the progress of Commonwealth legislation affecting superannuation. Changes to the state schemes are considered at the time Commonwealth legislation is enacted. During 2002–03 the following legislation was monitored:

- *The Financial Services Reform Act 2001* (FSR) which came into operation on 11 March 2002. There is a two year transitional period, expiring 11 March 2004, for industry participants to fully implement the FSR provisions. The schemes established under the *Superannuation Act 1988* and the *Southern State Superannuation Act 1994* are exempt from the FSR but the Board will conform where possible with the principles of the Commonwealth legislation.
- On 28 December 2002, the *Family Law Legislation Amendment (Superannuation) Act 2001* came into operation. This legislation provides that superannuation interests in a scheme are 'property' for the purposes of the *Family Law Act 1975* and as such can be split and shared between spouses on the dissolution of marriage. This legislation impacts on both the state schemes and the Triple S Scheme as from 28 December 2002.

INTERNAL ADMINISTRATION SYSTEMS

As at 30 June 2003, over 99% of contributions had been received from agencies and posted to members' accounts. Furthermore, as at 4 July 2003 only one agency was outstanding in submitting data and cash relating to the quarter ending 30 June 2003, a significant achievement and fundamental to Super SA meeting the key deliverable of 95% of statements to members by 30 September 2003.

An employer online service was implemented during 2002–03, with 90% of agencies now remitting data via the internet. The majority of these agencies began their online contribution remittance during the first quarter of 2002–03. This has led to significant improvements in the quality, timeliness and integrity of data, as it reduces the time taken to load data and has a stringent validation process.

During the year, Super SA implemented appropriate system capabilities and operating procedures to accommodate new insurance arrangements for the Triple S Scheme. The regulations providing details of the new insurance arrangement were brought into operation on 1 July 2002 for eligible Triple S members. System changes were implemented during June 2002 with the full conversion of insurance information processed effective 1 July 2002. As at 30 June 2003 a total of 972 applications for additional insurance were received from members of the Triple S scheme.

New Family Law legislation on the distribution of superannuation at the time of divorce required Super SA to implement appropriate system capability and operating procedures.

Super SA had undertaken all configuration work necessary to administer the Family Law legislation by 11 April 2003. The Bill to amend the Superannuation Acts to complement the Commonwealth's amendments was introduced into State Parliament on 25 March 2003 but had not been debated as at 30 June 2003. Procedures were implemented to

provide the required information under the legislation from its operative date of 29 December 2002. As at 30 June, Super SA had received 461 requests for information from members and spouses.

Super SA undertook an internal audit investigation, which identified and rectified areas of potential exposure to risk.

THE YEAR AHEAD

- Subject to Parliamentary approval, implementing investment choice for members of the Lump Sum Scheme
- Facilitating financial planning services for members
- Updating member communication to ensure compliance with the *Financial Services Reform Act 2001*
- Reviewing and updating Board policies
- Implementing an internal audit function

South Australian Government Captive Insurance Corporation

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

- ensuring comprehensive insurance protection of the State's finances and assets
- ensuring client needs are integrated into the delivery of services.

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

SAICORP's major activities for the year are highlighted here, with more detail being provided in the SAICORP Annual Report for 2002–03.

Financial services provision

Performance

In 2002–03, SAICORP faced continuing challenges in an insurance market that was difficult worldwide, with premiums increased as a result of adverse claims experience and stretched capacity, compounded further by a downturn in investment markets.

Despite market difficulties and the resultant increases in the complexity of conducting its activities, SAICORP continued to provide insurance protection to government agencies at stable rates, to provide insurance and risk management advice and services to agencies, and to improve its business operations.

INSURANCE MARKET

The continuing difficulties in the insurance market impacted on the activities of SAICORP in 2002–03.

The 30 September 2002 renewal of the Government's reinsurance program was again difficult and time consuming, but was successfully accomplished, albeit with an increase in premium and some self-retention of components of the reinsurance program. The placements of direct insurances on behalf of agencies for special risks continued to be problematic, with more information demanded by insurers and more approaches being required to find responsive insurers in a shrinking market.

At the same time, an increasing number of requests were received from agencies for assistance in dealing with problems involving consultants, contractors and service providers who were experiencing difficulties in obtaining insurance.

Volunteer groups, community organisations and individuals also sought advice and assistance. SAICORP was particularly involved with the problems being faced by the equine industry, tourist and historic trains and non-government organisations providing services to the health and family and youth services sectors.

SAICORP continued to provide professional advice to the Treasurer and the Government to assist in the development of national and state policy in connection with a wide range of insurance-related issues.

It also continued to provide professional advice and assistance to agencies about the management of their risks and the insurance issues with which they have been faced.

Throughout the turbulent period, SAICORP continued to provide comprehensive property and civil liability protection to agencies at stable premiums, and its operations effectively shielded agencies from the difficulties and impacts being felt by many private sector entities as a result of the current insurance market.

PUBLIC LIABILITY INSURANCE LEGISLATIVE REFORM

As a result of the difficult worldwide insurance markets, all Australian governments have been confronted with a situation where many people and groups were having difficulty securing public liability insurance cover.

The Heads of Treasury established an insurance issues working group to develop possible solutions to this problem. In South Australia, the work was shared between the Revenue and Economics Branch, SAICORP, the Treasurer's Office and the Attorney-General's Department.

From this intensive body of work, three Acts were prepared and assented to by the South Australian Parliament in September 2002:

- The *Statutes Amendment (Structured Settlements) Act 2002* allows Courts by consent to make orders for damages to be paid by way of periodic payments instead of a lump sum (structured settlement).
- The *Wrongs (Liability and Damages for Personal Injury) Amendment Act 2002* applies the damages regime applicable to CTP bodily injury claims for motor accidents to all accidents. The Act includes caps on some heads of damages and special contributory negligence provisions, and exclusions under certain circumstances if the injured person is engaged in an indictable offence at the time of the injury. The Act also includes a provision that a 'Good Samaritan' is not liable for an act or omission done in good faith when providing emergency assistance.
- The *Recreational Services (Limitation of Liability) Act 2002* allows registered providers of recreational services to modify their duty of care if they comply with a registered code of practice.

The first two of these Acts commenced on 1 December 2002 and the third came into operation on 1 July 2003.

In addition, in July 2002, the Commonwealth Government, with the agreement of Treasurers nationally, appointed the Ipp Committee to report on comprehensive reforms to the law of negligence, designed to reduce the cost of injury claims and, hence, the cost of insurance.

In response to the Ipp Committee report, the SA Government developed a discussion paper and subsequently drafted legislation, the Law Reform Bill 2003, to amend the *Wrongs Act 1936*, the *Limitations of Actions Act 1936* and the *Motor Vehicles Act 1959*. The Bill, which represents the second stage of the Government's legislative reform program, is to be re-introduced for debate in the September 2003 parliamentary session.

CLAIMS MANAGEMENT

This year saw the first full year of operation of the SAICORP Legal Unit, which has enabled SAICORP to successfully take more responsibility for managing liability claims, particularly large medical malpractice claims.

SAICORP was involved in designing and delivering Government assistance to the victims of the Glenelg Flood of 27 June 2003.

SAICORP provided advice and support to the government in relation to a legal claim relating to business dealings of SAGRIC in Greece. These dealings occurred while SAGRIC was owned by the State. SAGRIC has since been sold but certain obligations were retained by the State.

SAICORP will continue to assist with the management of this issue.

RISK MANAGEMENT

During the year, a number of activities were undertaken to promote a better understanding of risk management and insurance issues across the public sector and to facilitate the development and implementation of improved risk management practices and procedures in portfolio groups, agencies and authorities. These included:

- coordinating meetings of the Government Risk Management Forum
- coordinating a government risk management coordinators network, which helped develop a revised SA Government Risk Management Policy Statement (to be jointly signed off by the Premier and the Treasurer)
- publishing editions of the SAICORP newsletter
- assisting agencies as they continue to improve their risk management programs
- providing support to ARIMA Ltd (The Risk Management Association) and the Australasian Society for Healthcare Risk Management (AuSHRM).

THE YEAR AHEAD

- Maintaining the Government's comprehensive catastrophe reinsurance program
- Improving the information available to reinsurers through the SAICORP website
- Continuing to work with the Department of Human Services on ways to reduce the incidence and severity of medical malpractice claims
- Promoting the Government's revised Risk Management Policy Statement

Corporate Services

Corporate Services played an important role in supporting Treasury and Finance's objective of ensuring client needs are integrated into the delivery of services.

Specifically, it provides:

- a range of business support services within Treasury and Finance, to the Treasurer's office, to other smaller agencies within the Treasurer's portfolio and, on a bureau basis, to a principal external client agency, the Department of the Premier and Cabinet
- corporate support services within Treasury and Finance, including corporate and consulting services in the financial, human resource, IT and administrative fields
- coordination of the departmental strategic management process, including the corporate planning cycle.

Financial services provision

Performance

A number of significant tasks were undertaken or initiated during the financial year in all areas of corporate services. In addition the branch completed a number of key tasks begun in 2001–02.

A major review of Corporate Services during the year identified how services to clients could be improved. The recommendations proposed a new corporate and business service model, an emphasis on clarity of roles and responsibilities, and a series of actions that focus attention on service provision at the corporate level. Implementation of these recommendations will be the focus for 2003–04.

FINANCIAL SERVICES

Five significant tasks were completed during the financial year:

- continued enhancement of the web-based financial management reporting system
- a more strategic management accounting focus adopted in response to recommendations of the review of Corporate Services
- Corporate Services participation in the whole of government banking and pay-roll initiatives by transferring the department's banking arrangements from the Reserve Bank to Westpac and changing from the Concept pay-roll system to the Computerised Human Resource Information System (CHRIS)
- significant improvements were implemented to the general ledger account structure for recording cash at bank and associated bank reconciliation procedures
- coordination of the planning process and development of the 2003–06 Corporate Plan.

In a major project, the section transferred 70% of existing paper based unclaimed monies records to an electronic database during the financial year. It also continued to provide reliable financial services within the portfolio and met critical timeframes for budget preparation and monitoring, monthly transactional processing and preparing annual financial statements and related whole of government financial data.

HUMAN RESOURCES

Workforce analysis

With the implementation of phase 1 of the new CHRIS pay-roll system, internal position and transaction management processes were reviewed to ensure the integrity of the data to be provided to management.

Simultaneously, ongoing training and support for branch support staff improved understanding of the capability of the system and enabled preparation for the implementation of phase 2 of CHRIS, the Kiosk.

Improved management reporting in the areas of leave management, organisational and position management, and turnover rates was a key focus for the year.

Workforce diversity

Disability Action Plan

Human Resources continued to provide advice, information and support on employment issues for people with disabilities and to provide information to branches to ensure participants of equal employment opportunity programs, such as the Disability Employment Register, were considered. Cooperation continued with the Disability Recruitment Coordination Service on placement and employment opportunities in the department. Appendix 6 provides details on the achievements against the five outcome areas sought by the Government.

Indigenous employment

The section focused on implementation of the Reconciliation Statement to support Indigenous community groups in managing their financial affairs. On a broader level, the department participated in the Office for the Commissioner for Public Employment (OCPE) Diversity Survey that will provide data on Indigenous employees to assist in the development of targeted employment and training strategies.

Staff development

In retaining and supporting a skilled and diverse workforce, staff development continued in:

- branch specific technical training
- supporting a number of employees undertaking tertiary and TAFE courses
- further progressing a departmental capabilities profile with particular emphasis on behavioural competencies
- reviewing and enhancing a human resource management framework that aligns individual development strategies and plans to the corporate objectives of the department
- training in the areas of occupational health and safety, managing employees effectively and human resource management processes
- specific management and leadership development that supported the broader OCE LeadershipSA initiative
- establishing an HR information network for key administrative support staff to discuss a range of operational matters.

In addition, a number of areas of the department implemented performance management systems in line with the departmental Performance Management Guidelines.

Women in Treasury

The ongoing work of the Women in Treasury (WIT) Group provided a continued focus for encompassing a more holistic and inclusive approach to program development and implementation. Particular emphasis was given to development opportunities for men and women, with work/life balance and relationships a feature for male staff. In addition, work in the area of flexible workforce practices particularly emphasised the attraction and retention of a diverse workforce. WIT worked in partnership with the Human Resources section to ensure a coordinated approach.

The achievements for WIT included:

- a review of part-time employment guidelines and practices to identify issues and barriers for both managers and staff
- specific targeted development programs for women, namely Springboard, Women in Business, Leadership and Management, and Women Leading Change
- a Men at Work program
- lunchtime forums that focused on leadership and influence, career and personal development, and business topics
- nomination of a women's representative on the Executive Management Group for 2003
- departmental representation and presentation at the IQPC Conference on Flexible Workforce Practices.

As a result of the Corporate Services Review, the WIT initiative will be integrated into the Human Resources section in 2003–04.

Occupational health, safety and welfare

Occupational health safety and welfare (OHSW) was successfully integrated into core branch business activities. Branch heads provided regular progress reports that supported the overall targets for the department. A staff training strategy was implemented successfully, as shown by a significant reduction in incident and hazard reporting as well as a commitment to accountability and responsibility requirements. The redesign of the intranet increased the integration of OHSW into the core business knowledge requirements.

Recommendations for improvements from internal and WorkCover audits to measure the effectiveness of the OHSW Action Plan were implemented resulting in improved management reporting in the areas of leave management, OHSW and injury management.

Financial services provision

Human resource statistics

Staffing

As at 30 June 2003, Treasury and Finance had 523.1 full-time equivalent (FTE) employees from 542 actual employees.

Table 3 – Age profile (actual employees)

Age bandwidth	Males	Females	Total	% of all agency employees	Comparative % of SA workforce
15–19	4	6	10	1.8	7.3
20–24	13	27	40	7.3	10.3
25–29	40	54	95	17.4	10.7
30–34	54	61	116	21.2	11.5
35–39	42	32	74	13.5	11.4
40–44	29	21	52	9.5	13.1
45–49	37	21	58	10.6	12.1
50–54	48	22	71	13.0	10.8
55–59	17	7	24	4.4	7.6
60–64	4	1	5	0.9	3.7
65 & over	1	1	2	0.4	1.5
Total	289	253	542		

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Leave management

Sick leave for the 12 months was 6.76 days per average FTE. Overall staff took a combined total of 2651.13 hours of family carer's leave, equivalent to 0.72 days per average FTE.

Table 4 – Leave statistics (sick leave and family carer leave)

	1999–2000	2000–01	2001–02	2002–03
Average number of sick leave days taken per FTE	7.56	6.90	7.38	6.76
Average number of family carer leave days taken per FTE	0.36	0.45	0.54	0.72
Average number of Special Leave with pay hours for individual needs and responsibilities (as outlined on page 55 of PSM Act determination 6 – Leave taken per FTE)	*	*	*	0.14

*Verifiable data unavailable at this stage

Table 5 – Training expenditure

% of training expenditure relative to total remuneration costs		
Stream	2001–02	2002–03
Senior managers	*	*
Middle managers	*	*
First line supervisors	*	*
Other	*	*
Total	2.69%	1.42%

*Verifiable data unavailable at this stage

Table 6 – Leadership and management development

% of employees with documented individual development plan which was either implemented or revised during the last 12 months		
Stream	Outcome 2002–03	Target 2003–04
Executive	37%	70%
Senior manager	35%	70%
Middle managers	42%	70%
First line supervisors	65%	70%
Other	51%	70%
Total	49%	

INFORMATION AND ADMINISTRATIVE SERVICES

Information and Administrative Services (IAS) was responsible for providing an integrated, client-responsive technology and administrative service to Treasury and Finance, the Department of the Premier and Cabinet, State Electorate offices and statutory authorities within the Treasurer’s portfolio. Key service provisions include IT consulting, help desk, strategic procurement, asset and facilities management, communication services, integrated security management and corporate policy development.

Achievements during the year included:

- completing the Distributed Computing Project including the full implementation of Windows/Office 2000 across the department and the up-skilling of technical staff with current tools

- implementing a new corporate intranet, DTF Central, designed to assist with improving departmental communications and accessibility by staff to business services
- beginning the development of a corporate business continuity plan and associated testing framework
- implementing a whole of government infrastructure to support the new whole of government banking arrangements
- upgrading the computer room facility to safeguard against business risk associated with infrastructure failure
- completing a security risk assessment and protective security review of the State Administration Centre

Financial services provision

- beginning a comprehensive review of the existing accommodation arrangements for the department including the determination of future needs
- evaluating an electronic document and records management system to replace the current records management system RecFind
- beginning the development of a records management regulatory framework including the development of policies and procedures to manage both paper-based and electronic records.

THE YEAR AHEAD

- Implementing the approved recommendations of the 2003 Corporate Services Review (including IT service delivery arrangements, management reporting, strategic procurement initiatives)
- Implementing the Executive Knowledge System
- Acquiring and implementing an electronic document and records management system as a replacement for RecFind
- Continuing the program to enhance the web-based financial management reporting system in Financial Services with the integration of purchase order information to enable commitment reporting for certain major expenditure areas
- Developing and implementing a performance management system
- Finalising a corporate business continuity plan and associated testing framework
- Reforming and implementing the departmental corporate and business planning process
- Implementing the agreed works resulting from the security risk assessment and protective security review of the State Administration Centre
- Integrating the risk management and internal audit functions within Corporate Services
- Completing the Departmental Accommodation Review and implementing approved recommendations

Financial performance

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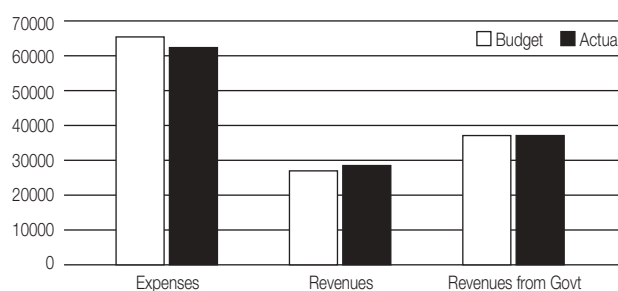
Financial performance

Financial overview

This section of the report provides an analysis of the financial performance of the department. The tables below summarise the Statement of Financial Performance, Statement of Financial Position and Statement of Cash Flows and include a comparison of the original budget for 2002–03, the results for 2002–03 and the results for 2001–02. The detailed financial statements reflecting the actual results for 2002–03 are presented later in this report.

Summary Statement of Financial Performance

	2002–03 \$'000 Original Budget	2002–03 \$'000 Actual	2001–02 \$'000 Actual
Expenses from ordinary activities	65 371	62 396	60 067
Revenues from ordinary activities	26 830	28 561	27 954
Net cost of services	38 541	33 835	32 113
Revenues from Government	36 795	36 846	30 813
Increase (decrease) in net assets resulting from ordinary activities before restructuring	(1 746)	3 011	(1 300)
Net expenses from restructuring	0	0	233
Increase (decrease) in net assets resulting from ordinary activities after restructuring	(1 746)	3 011	(1 067)
Net surplus (deficit)	(1 746)	3 011	(1 067)
Net credit to asset revaluation reserve	0	0	108
Total changes in equity other than those resulting from transactions with the State Government as owner	(1 746)	3 011	(959)

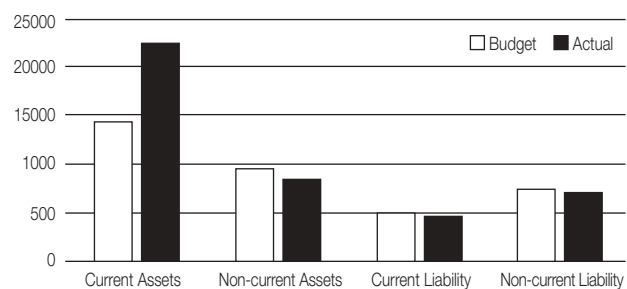


Summary Statement of Financial Position

	2002-03 \$'000 Original Budget	2002-03 \$'000 Actual	2001-02 \$'000 Actual
Current assets	14 429	22 385	18 769
Non-current assets	9 418	8 275	8 227
Total assets	23 847	30 660	26 996
Current liabilities	4 929	4 644	4 250
Non-current liabilities	7 442	7 116	6 857
Total liabilities	12 371	11 760	11 107
Net assets	11 476	18 900	15 889
Equity	11 476	18 900	15 889

Current assets were \$8.0 million higher than forecast reflecting an improvement of \$7.6 million in the cash balance from a budget forecast of \$13.2 million to an actual balance of \$20.7 million. The increase in the cash balance partially results from a higher opening balance of \$4.0 million than originally budgeted due to under expenditure in the previous financial year. In addition, under expenditure and increased revenue as explained in the Statement of Financial Performance section above contributed to the high cash balance. The department also sets aside reserves for future asset replacement for cost recovery areas (eg SA Superannuation, ESL collection), which are reflected in the balance. The decrease in non-current assets of \$1.1 million results primarily from delays in projects.

Both Current and Non-current liabilities were less than originally estimated principally due to lower provisions for employee entitlements.

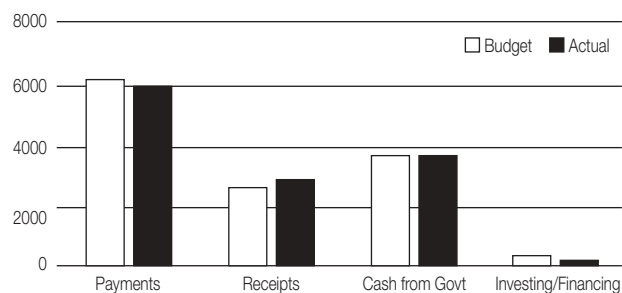


Financial performance

Summary Statement of Cash Flows

	2002-03 \$'000 Original Budget	2002-03 \$'000 Actual	2001-02 \$'000 Actual
Cash flows from operating activities			
– Payments	(61 707)	(59 713)	(57 051)
– Receipts	26 784	28 689	27 748
– Cash flows from Government	36 795	36 846	30 813
– Net GST impact	–	32	(99)
Net cash provided by operating activities	1 872	5 854	1 411
Cash flows from investing and financing activities			
– Payments	(3 899)	(2 311)	(3 798)
– Repayment of borrowings	–	–	–
Net cash used in investing and financing activities	(3 899)	(2 311)	(3 798)
Net increase/(decrease) in cash held	(2 027)	3 543	(2 387)
Cash at the beginning of the financial year	15 187	17 170	19 557
Cash at the end of the financial year	13 160	20 713	17 170

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



Note: The net impact from GST payments and receipts has been disclosed separately.

Trends

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

Key performance indicators	2002–03 \$'000	2001–02 \$'000	2000–01 \$'000
Net cost of services	33 835	32 113	27 217
Revenues from Government as total source of funding	56.33%	52.43%	49.43%
Average employee cost	69	64	60
Operating expenses per employee	116	110	108
Consultants as percentage of operating expenses	1.61%	0.76%	1.39%
Cash balance	20 713	17 170	19 557
Increase/(decrease) in net assets	3 011	(959)	3 101
Net assets	18 900	15 889	16 848
Current assets/current liabilities	4.82	4.39	4.75
% of creditors paid within 30 days	87%	90%	88%

The Net cost of services and proportion of Revenues from Government (appropriation) increased from 2001–02 to 2002–03. This was mainly due to the increased appropriation funding for the Public Private Partnership projects. Consultancy costs as a percentage of Operating expenses increased from the previous year as a result of the shared services benchmarking and public private partnership projects.

Account payment performance

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

The following table demonstrates that the department paid 87% of all invoices by the due date. This is marginally below the departmental benchmark of 90%.

Particulars	Number paid	%	Amount paid (\$'000)	%
Paid by the due date	12 314	87	35 151	87
Paid less than 30 days after the due date	1 234	9	3 841	10
Paid more than 30 days after the due date	511	4	1 507	3
Total	14 059	100	40 499	100

Financial performance

Contracting out arrangements

There are two contractual arrangements over \$4.0 million in the department.

One arrangement is with Australia Post and relates to the provision of payment facilities and receipting services for collection of the Emergency Services Levy. The initial contract period was from 13 September 1999 to 12 September 2002, with an option to extend for a further year. This option was exercised with the contract extended for 15 months to December 2003.

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

Statement of Financial Performance for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
EXPENSES FROM ORDINARY ACTIVITIES			
Employee costs	5(a)	37 161	35 006
Accommodation and service costs		4 411	4 510
Depreciation	6	2 039	2 383
Other expenses from ordinary activities	7	18 785	18 168
Total expenses from ordinary activities		62 396	60 067
REVENUES FROM ORDINARY ACTIVITIES			
User charges and fees	8(a)	25 269	24 755
Interest		1 060	973
Other revenues from ordinary activities	8(b)	2 232	2 226
Total revenues from ordinary activities		28 561	27 954
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		(33 835)	(32 113)
REVENUES FROM GOVERNMENT			
Appropriation		36 846	30 813
Total revenues from Government		36 846	30 813
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES BEFORE RESTRUCTURING		3 011	(1 300)
NET REVENUES FROM RESTRUCTURING	9	–	233
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES AFTER RESTRUCTURING		3 011	(1 067)
NET SURPLUS (DEFICIT)		3 011	(1 067)
EQUITY INTERESTS			
Net credit to asset revaluation reserve	15	–	108
Total revenues, expenses and valuation adjustments recognised directly in equity		–	108
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		3 011	(959)

Financial performance

Statement of Financial Position as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
CURRENT ASSETS			
Cash	10	20 713	17 170
Receivables	10 11	790	969
Other	12	882	630
Total current assets		22 385	18 769
NON-CURRENT ASSETS			
Property, plant and equipment	13	8 225	8 047
Other	12	50	180
Total non-current assets		8 275	8 227
TOTAL ASSETS		30 660	26 996
CURRENT LIABILITIES			
Payables	10 14	1 994	1 740
Provision for employee benefits	5(b)	2 650	2 510
Total current liabilities		4 644	4 250
NON-CURRENT LIABILITIES			
Payables	10 14	900	804
Provision for employee benefits	5(b)	6 216	6 053
Total non-current liabilities		7 116	6 857
TOTAL LIABILITIES		11 760	11 107
NET ASSETS		18 900	15 889
EQUITY			
Asset revaluation reserve	15	108	108
Retained surplus	15	18 792	15 781
TOTAL EQUITY		18 900	15 889
COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES	16		

Statement of Cash Flows for the year ended 30 June 2003

	Note	2003 Inflows (Outflows) \$'000	2002 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Payments</i>			
Employee costs		(36 789)	(33 852)
Accommodation and service costs		(4 417)	(4 433)
Other expenses from operating activities		(18 507)	(18 766)
GST payments on purchases		(2 846)	(2 974)
GST payments to taxation authority		(2 274)	(2 345)
Total payments		(64 833)	(62 370)
<i>Receipts</i>			
User charges and fees		25 391	24 325
Interest		1 058	984
Other revenues from operating activities		2 240	2 439
GST receipts on receivables		2 321	2 270
GST receipts from taxation authority		2 831	2 950
Total receipts		33 841	32 968
<i>Cash flows from Government</i>			
Appropriation		36 846	30 813
Total cash flows from Government		36 846	30 813
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	17	5 854	1 411
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(2 311)	(3 798)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		(2 311)	(3 798)
NET INCREASE/(DECREASE) IN CASH HELD		3 543	(2 387)
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		17 170	19 557
CASH AT THE END OF THE FINANCIAL YEAR		20 713	17 170

Financial performance

Programs schedule of department's expenses and revenues

For the year ended 30 June 2003

Programs (Note 4)	2003									2002	
	1.1	1.2	2.1	2.2	2.3	2.4	2.5	3.0	4.0	TOTAL	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Department's expenses and revenues											
Expenses											
Employee costs	2 528	7 595	14 167	2 917	5 470	1 140	1 914	1 185	245	37 161	35 006
Accommodation & service costs	214	816	1 868	357	581	153	271	120	31	4 411	4 510
Depreciation	35	227	1 010	64	614	19	58	11	1	2 039	2 383
Other expenses from ordinary activities	370	3 914	7 702	1 235	3 239	683	707	894	41	18 785	18 168
Total	3 147	12 552	24 747	4 573	9 904	1 995	2 950	2 210	318	62 396	60 067
Revenues											
User charges and fees	94	885	7 086	4 463	9 207	1 955	1 556	23	–	25 269	24 755
Interest	73	269	630	–	–	–	39	40	9	1 060	973
Other revenue from ordinary activities	23	777	1 133	1	281	3	7	6	1	2 232	2 226
Revenue from Government	1 721	13 838	18 933	–	10	–	795	1 356	193	36 846	30 813
Total	1 911	15 769	27 782	4 464	9 498	1 958	2 397	1 425	203	65 407	58 767
Increase / (decrease) in net assets resulting from ordinary activities	(1 236)	3 217	3 035	(109)	(406)	(37)	(553)	(785)	(115)	3 011	(1 300)

The allocations to programs are indicative and are based on broad costing methodologies. In particular, appropriations were not developed on the basis of programs for 2002–03 and have been allocated on a broad basis.

Programs schedule of administered expenses and revenues

For the year ended 30 June 2003

Programs (Note 4)	2003										2002	
	1.1	1.2	2.1	2.2	2.3	2.4	2.5	3.0	4.0	N.A.	TOTAL	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ADMINISTERED EXPENSES												
Consolidated Account												
<i>Operating</i>												
Payments for which specific appropriation is authorised in various acts												
– Parliamentary salaries and allowances										215	215	173
Employee entitlements												
– Past services superannuation liability					183 000						183 000	120 700
– Other					49 127					20 437	69 564	79 505
Supplies and services										33 240	33 240	46 585
Interest and other financial payments							321 952				321 952	277 622
Grants, subsidies and transfers			59 700	3 750		7 000		3 942	2 662	158 125	235 179	366 996
Other payments			37 565							980	38 545	132 111
<i>Investing</i>												
Other										108	108	8 855
<i>Financing</i>												
Repayment of Borrowings/loans				14 477							14 477	12 355
Other administered accounts (refer Note 22)			121 068		23 697			7 760	1 156	190 744	344 425	645 744
Total administered expenses	–	0	218 333	18 227	255 824	328 952	–	11 702	3 818	403 849	1 240 705	1 690 646

Financial performance

Programs schedule of administered expenses and revenues

For the year ended 30 June 2003

Programs (Note 4)	2003										2002	
	1.1	1.2	2.1	2.2	2.3	2.4	2.5	3.0	4.0	N.A.	TOTAL	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ADMINISTERED REVENUES												
Consolidated Account												
<i>Operating</i>												
Taxation			2 011 293								2 011 293	1 917 843
Interest				137 523							137 523	129 724
Dividends and distribution		700 362									700 362	332 842
Commonwealth grants & payments												
– Commonwealth general purpose grants				3 060 721							3 060 721	2 896 807
– Commonwealth specific purpose grants				25 853							25 853	45 795
Other receipts		17 204			32 717			3 272	1 500	11 449	66 142	106 841
<i>Investing</i>												
Repayment of advances				85 459							85 459	51 233
Return of capital												
Other administered accounts (refer Note 22)			121 053		23 697		00000	9 100	1 201	190 439	345 490	669 507
Total administered receipts	–	717 566	2 132 346	3 309 556	56 414	–	–	12 372	2 701	201 888	6 432 843	6 150 592
NET SURPLUS/(DEFICIT)	–	717 566	1 914 013	3 291 329	(199 410)	(328 952)	–	670	(1 117)	(201 961)	5 192 138	4 459 946

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Notes to and forming part of the Financial Statements

1 Departmental objectives

The overall objective of the Department of Treasury and Finance is to ensure that the South Australian public sector is accountable in both policy and financial terms to the Government of the day. This incorporates the provision of economic and financial services to, and on behalf of, the Government of South Australia.

The main focus of the department during the financial year was in the following areas.

Strengthened State economy

- Ensure economic and fiscal policies are in place to promote sustainable economic growth
- Ensure revenue is raised in a manner which is equitable, efficient and supportive of economic growth

Strengthened State finances

- Ensure an equitable share of Commonwealth funding for the State
- Ensure sustainable outlays in aggregate over the long term, with no borrowings for non-commercial purposes
- Support efficient service delivery across whole of government
- Maintain Government's capacity over time to deliver essential public services
- Achieve the lowest possible economic cost of outstanding debt consistent with agreed risk tolerances
- Ensure comprehensive insurance protection of the State's finances and assets

Improved services

- Ensure client needs are integrated into the delivery of services
- Provide quality superannuation services to all public sector employees which are financially sustainable

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

2 Summary of significant accounting policies

(a) Financial reporting framework

The financial report is a general purpose financial report.

(b) Basis of accounting

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

(c) The reporting entity

The financial report encompasses all activities transacted through an interest bearing Special Deposit Account titled 'Department of Treasury and Finance Operating Account' including cost recoveries from other entities (for example South Australian Government Financing Authority) through which the department controls resources to carry out its functions.

The department's principal source of funds consists of monies appropriated by Parliament.

Administered resources

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

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

Notes to and forming part of the Financial Statements

(d) User charges and fees

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

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

(e) Appropriations

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

(f) Acquisition of assets

Assets acquired are recorded at the costs of acquisition, except as stated below. The cost of acquisition is the purchase consideration determined as at the date of acquisition plus costs intrinsic to the acquisition.

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

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

(g) Property, plant and equipment

Purchases of property, plant and equipment are recognised in the Statement of Financial Position, except for purchases costing less than \$5 000, which are expensed in the year of acquisition. As stated above, the cost method of accounting is used for the initial recording of all acquisitions of property, plant and equipment controlled by the department.

System development costs are capitalised, with depreciation commencing once all costs associated with the development of the system have been incurred and the system is ready for its intended use.

Specific classes of non-current assets which have a total value greater than \$1.0 million are revalued every three years in accordance with Treasurer's Accounting Policy Statement 3 'Valuation of Non-Current Assets'. Furniture and Fittings were revalued as at 30 June 2002 by the department using an Index based on information provided by Contour Management (refer Note 13).

In accordance with current Treasurer's Accounting Policy Statement No. 3 'Valuation of Non-Current Assets', the department has applied the Australian Accounting Standards AASB 1041 'Revaluation of Non-Current Assets' transitional provisions for the public sector and has elected to retain the revaluation basis of deprival value until 30 June 2005.

(h) Depreciation

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each depreciable non-current asset over its expected useful life. Depreciation rates and methods are reviewed at each balance date and necessary adjustments are recognised in the current and future reporting periods as appropriate. The following estimated useful lives are used in the calculation of depreciation:

Furniture and Fittings	10 years
Systems Development	5 years
Office Equipment	3 years

(i) Employee benefits

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

(i) Wages and salaries

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

(ii) Annual leave

Liabilities for annual leave are measured at their nominal amounts as it is anticipated that amounts unpaid at the reporting date will be taken in the next twelve months.

(iii) Long service leave

Liabilities for long service leave expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities expected to be settled more than 12 months after the reporting date are calculated by using the product of the current liability (in time), for all employees who have completed seven or more years of service, and the current rate of remuneration for each of these employees respectively.

(iv) Superannuation

Contributions are made by the department to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the South Australian Superannuation Board. The only liability outstanding at balance date relates to any contribution due but not yet paid to the South Australian Superannuation Board.

(v) Employment on-costs

The liability for employment on-costs includes superannuation contributions and pay-roll tax with respect to outstanding liabilities for Salaries and Wages, Long Service Leave and Annual Leave. These amounts are classified under Payables.

(vi) Workers compensation

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation liability was based on an actuarial

assessment provided by the Public Sector Occupational Health and Injury Management Branch of the Department of the Premier and Cabinet.

(j) Leases

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

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

(k) Cash

For the purpose of the Statement of Cash flows, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis. Administered cash is not included in the Statement of Cash Flows.

(l) Goods and Services Tax

The accounting policies adopted for the treatment of Goods and Services Tax (GST) are in accordance with Urgent Issue Group Abstract 31 'Accounting for the Goods and Services Tax (GST)'. Input tax credits due from the Australian Taxation Office are included in Receivables.

The department prepares a business activity statement on behalf of its administered entities under the grouping provisions of the GST legislation. Under these provisions, the department is liable for the payment and entitled to the receipt of GST. As such, the GST applicable to these entities forms part of the Statement of Financial Position and Statement of Cash Flows of the Department.

(m) Comparative figures

The Statement of Financial Performance, Statement of Financial Position and the Statement of Cash Flows and the Notes to the Financial Statements disclose comparative figures for the reporting period

Notes to and forming part of the Financial Statements

ended 30 June 2002, except as highlighted in Note 2 (o) for Employee Benefits.

(n) Rounding

All amounts are rounded to the nearest 1000 dollars.

(o) Changes in accounting policies

Employee benefits

In the 2003 financial year, the department applied AASB 1028 'Employee Benefits (Revised)' for the first time. The revised AASB 1028 prescribes the recognition and measurement of employee benefits using remuneration rates that the department expects to pay when the leave is taken. Previously, employee benefits expected to be settled in the next 12 months were recognised on the employee's current salary rate applicable at the reporting date.

In accordance with Treasurer's Accounting Policy Statement 9 'Employee Benefits', a salary inflation of 4% has been applied to employee benefits existing at the reporting date which are expected to be paid in the next 12 months.

As a result of the new standard, the provisions for current employee annual leave liability existing at 30 June 2002, where expected to be paid in the next 12 months, could be adjusted to include the 4% wage increase. There was no material effect on the Statement of Financial Performance arising from the change in policy and no adjustment was made to Retained surplus at the beginning of the financial year.

(p) Changes in accounting estimates

The guidelines for the Treasurer's Accounting Policy Statement 9 'Employee Benefits' have been amended based on an actuarial assessment and a benchmark of seven years can be used for a short hand estimation of long service leave liability in accordance with Accounting Standard AASB 1028 'Employee Benefits'.

The benchmark for the measurement of the long service leave liabilities has been revised from eight years to seven years as a result of actuarial assessment. The 2001–02 liabilities are based on a benchmark of eight years.

3 Agency restructure

From 2 December 2002 the responsibility for energy policy was transferred from the Department of Primary Industries to the Department of Treasury and Finance. Staff were transferred to the Department of Treasury and Finance and the department has met the costs of this function and provided the service to the Minister. The full year budget for 2002–03 was transferred from the Department of Primary Industries to the Department of Treasury and Finance therefore full year costs are included in the financial statements.

During 2001–02, responsibility for the Government Business Group, including the Office of Government Enterprises was transferred from the Department of Administrative and Information Services on 4 December 2001. The comparative figures include the financial operation of the transferred function only for that part of the year the functions were the responsibility of the department. The net transfer of assets and liabilities as a result of the restructure has been reflected in Note 9.

4 Programs of the department

As a result of a Cabinet decision during 2002–03, the previously reported output based performance structure was replaced with a program based performance structure. As a consequence, the 2002–03 financial report includes programs and sub-programs rather than the former structure of output classes and outputs. The change from outputs to sub-programs does not significantly change the schedules from previous reporting periods.

During 2002–03, the department managed the delivery of nine sub-programs to the Treasurer and broader community within four program classes. A program is defined as a grouping of related sub-programs that contribute to the achievement of agency and, in turn, government objectives. A sub-program is a grouping of activities that contribute to a more specific objective. The identity and description of each sub-program of the department during the year ended 30 June 2003 are summarised below (refer to the Program Schedules of Department's Expenses and Revenues).

Program 1: Accountability For Public Sector Resources

This program includes the programs Treasury and Finance delivers in its role of ensuring accountability for public sector resources through providing policy, economic and financial advice to the Government and coordinating resource allocations for government programs and priorities at the whole of government level.

Sub-program 1.1: Policy Analysis and Advice

Provision of policy advice on a range of issues including revenue, Commonwealth–State relations, National Competition Policy, gambling policy and economic conditions; provision of strategic analysis of policy issues facing Government and the development of appropriate policy frameworks, along with the evaluation of existing policy positions across these frameworks.

Sub-program 1.2: Budget and Financial Management

Management of the State Budget process; provision of policy advice to Government on whole of government budgetary and financial issues including financial risk management; monitoring and reporting of financial performance; provision of advice to Government on its consolidated financial position; provision of advice to Government on budgetary and structural reform and facilitation of best practice financial management reforms.

Program 2: Financial Services Provision

This program includes the programs Treasury and Finance delivers in its role of providing a range of whole of government services including liability management, collection of taxes, and insurance and superannuation administration.

Sub-program 2.1: Revenue Collection and Management

Provision of policy advice on taxation issues and the management of taxation legislation, revenue systems and compliance systems to enable the Government to raise revenue using its taxation powers.

Sub-program 2.2: Financing Services

Management of the existing stock of government liabilities and provision of certainty of funding to the State; provision of financial risk management advisory services to public organisations.

Sub-program 2.3: Superannuation Services

Administration of the various public sector superannuation schemes for the Superannuation Board, as well as the superannuation arrangements for parliamentarians, judges and governors; provision of superannuation policy and legislative advice to the Board, the Under Treasurer and the Treasurer.

Sub-program 2.4: Insurance Services

Provision of insurance cover to government agencies through the insurance and reinsurance of government risks; provision of advice to the Government on issues relating to the insurance and management of those risks.

Sub-program 2.5: Ministerial Support Services

Provision of business support services to the Treasurer's office and other agencies of Government.

Program 3: Energy And Infrastructure Policy

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

Program 4: Gambling Policy

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

Not allocated

Certain items administered by the department are not allocated to programs.

Notes to and forming part of the Financial Statements

5 Employee benefits

	2003 \$'000	2002 \$'000
(a) Employee costs		
Salaries and wages	26 927	25 247
Superannuation and pay-roll tax expenses	5 491	5 127
Annual and long service leave expenses	3 373	3 597
Board fees (i)	131	82
Other employee related expenses	1 239	953
	37 161	35 006
 (i) Represents fees paid to members of the SA Superannuation Board and the Board of Directors of SAICORP		
(b) Provision for employee benefits		
<i>Current liability</i>		
Accrued salaries and wages	106	–
Annual leave	2 023	2 105
Long service leave	521	405
	2 650	2 510
<i>Non-current liability</i>		
Long service leave	6 216	6 053
	6 216	6 053
(c) Employee benefits and related on-costs liabilities		
<i>Accrued salary and wages</i>		
On-costs included in Payables – Current (Note 14)	211	185
Provision for Employee benefits – Current (Note 5(b))	106	–
	317	185
<i>Annual leave</i>		
On-costs included in Payables – Current (Note 14)	329	343
Provision for Employee benefits – Current (Note 5(b))	2 023	2 105
	2 352	2 448
<i>Long service leave</i>		
On-costs included in Payables – Current (Note 14)	60	47
Provision for Employee benefits – Current (Note 5(b))	521	405
	581	452
On-costs included in Payables – Non-current (Note 14)	714	700
Provision for Employee benefits – Non-current (Note 5(b))	6 216	6 053
	6 930	6 753
Aggregate employee benefit and related on-cost liabilities	10 180	9 838
	2003 Number	2002 Number
(d) Average number of employees during the financial year	540	554

6 Depreciation

	2003 \$'000	2002 \$'000
Depreciation was charged in respect of:		
– Furniture and fittings	484	428
– Office equipment	331	279
– Systems development	1 224	1 676
	2 039	2 383

7 Other expenses from ordinary activities

General administration	11 040	11 573
EDS charges	3 368	3 177
Consultants	1 006	457
Contractors	3 371	2 961
	18 785	18 168

8 Revenues from ordinary activities

(a) User charges and fees recovered from

Agencies for the provision of Corporate Services	1 498	1 537
South Australian Government Captive Insurance Corporation	1 901	1 709
South Australian Government Financing Authority	4 457	4 325
South Australian Superannuation Board	8 893	8 994
Electricity Reform and Sales Unit Operating Account	–	40
Emergency Services Levy	7 017	7 044
Other recoveries for services	1 503	1 106
	25 269	24 755

(b) Other revenues from ordinary activities

Reimbursement for TVSPs paid	286	176
Land agents enquiry fees	553	586
Banking administration fee	620	503
Sundry items	773	961
	2 232	2 226

Notes to and forming part of the Financial Statements

9 Net revenues from restructuring

	2003 \$'000	2002 \$'000
<i>Net assets transferred (from) to the department:</i>		
Property, plant and equipment	–	13
	–	13
<i>Net liabilities transferred from (to) the department:</i>		
Creditors and accruals – current	–	(13)
Provision for employee benefits – current	–	(78)
Creditors and accruals – non-current	–	(40)
Provision for employee benefits – non-current	–	(328)
	–	(459)
Costs incurred on behalf of the Department of Treasury and Finance by the Department of Administrative and Information Services	–	679
Net revenues from restructuring	–	233

10 Financial instruments

The following disclosures have been provided to satisfy the requirements of Australian Accounting Standard AAS 33, 'Presentation and Disclosure of Financial Instruments'.

(a) Terms, conditions and accounting policies

(i) Financial assets

Cash is available at call and is recorded at cost.

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

Receivables are normally settled within 30 days.

(ii) Financial liabilities

The imprest account of \$7 000 was repaid to the Treasurer during 2002–03.

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

(b) Interest rate risk

Financial instrument	Floating interest rate		Non-interest bearing		Total carrying amount		Weighted average effective interest rate per cent	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 %	2002 %
<i>Financial assets:</i>								
Cash	20 709	17 163	4	7	20 713	17 170	4.60	4.17
Receivables	–	–	790	969	790	969		
	20 709	17 163	794	976	21 503	18 139		
<i>Financial liabilities:</i>								
Payables	–	–	2 894	2 544	2 894	2 544		
	–	–	2 894	2 544	2 894	2 544		

(c) Net fair values

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

11 Receivables

	2003 \$'000	2002 \$'000
Fees receivable	602	744
Net GST receivable	188	225
	790	969

12 Other assets

Current

Prepayments	882	630
-------------	-----	-----

Non-current

Prepayments	50	180
-------------	----	-----

13 Property, plant and equipment

	Furniture & fittings \$'000	Office equipment \$'000	Systems development \$'000	TOTAL \$'000
Valuation at current cost and historical Cost				
Balance at 30 June 2002	4 813	1 175	12 123	18 111
Additions	139	65	2 050	2 254
Disposals	(6)	(251)	(2 939)	(3 196)
Net revaluation increments	-	-	-	-
Other adjustments	-	-	-	-
Balance at 30 June 2003	4 946	989	11 234	17 169
Accumulated Depreciation				
Balance at 30 June 2002	(3 125)	(462)	(6 477)	(10 064)
Disposals	3	217	2 939	3 159
Depreciation expense	(484)	(331)	(1 224)	(2 039)
Net adjustments from revaluation	-	-	-	-
Other adjustments	-	-	-	-
Balance at 30 June 2003	(3 606)	(576)	(4 762)	(8 944)
Net Book Value				
As at 30 June 2002	1 688	713	5 646	8 047
As at 30 June 2003	1 340	413	6 472	8 225

Valuations of asset classes greater than \$1 000 000, for furniture and fittings were determined as at 30 June 2002 based on an index provided by Contour Management.

Systems development reflects costs incurred in the design and development of in-house applications, including the development of systems within Revenue SA and Super SA. It includes an amount of \$5 274 000 (\$3 297 000) for work in progress upon which depreciation will not be charged until the development is complete.

Notes to and forming part of the Financial Statements

14 Payables

	2003 \$'000	2002 \$'000
<i>Current</i>		
Employee related costs	627	604
Accommodation and service costs	75	81
General administration	1 062	886
Consultants	185	54
Unearned revenue	3	15
Purchases of property, plant and equipment	–	70
Provision for workers compensation	42	29
Others	–	1
	1 994	1 740
<i>Non-current</i>		
Employee related costs	714	700
Provision for workers compensation	117	97
Other borrowings	–	7
Others	69	–
	900	804

15 Equity

Retained surplus		
Retained surplus as at the beginning of the financial year	15 781	16 848
Increase (decrease) in net assets resulting from ordinary activities	3 011	(1 067)
Retained surplus as at the end of the financial year	18 792	15 781
Asset revaluation reserve		
Balance as at beginning of the financial year	108	–
Revaluation adjustment for furniture and fittings	–	108
Balance as at the end of the financial year	108	108

16 Commitments for expenditure and contingent liabilities

(a) Operating leases

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

- Office accommodation is leased from the Real Estate Management business unit of the Department of Administrative and Information Services. The leases are non-cancellable with terms ranging up to 5 years with some leases having right of renewal. The rental amount is based on floor space and the time period of the lease, with the rental rate reviewed taking into account movements in market rental values or CPI. Rental is payable in arrears.
- Office equipment leases are non-cancellable with rental payable in arrears. No contingent rental provisions exist within the lease arrangements and no options exist to renew the leases at the end of their term.

For the current financial year, the total amount of rental expense for minimum lease payments for operating leases was \$3 373 000 (\$3 359 000).

Operating lease commitments

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

	2003 \$'000	2002 \$'000
Not later than one year	3 311	3 196
Later than one year and not later than five years	634	3 377
Later than five years	–	–
	3 945	6 573

(b) Capital commitments

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

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

– Not later than one year	15	83
– Later than one year and not later than five years	–	–
– Later than five years	–	–
	15	83

(c) Contingent liabilities and contingent assets

The department is not aware of any contingent liabilities, contingent assets or claims against the department not accounted for in the Financial Statements.

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Financial performance

17 Reconciliation of net cash provided by (used in) operating activities to net cost of services from ordinary activities

Net cash provided by (used in) operating activities	5 854	1 411
Less appropriation from Government	(36 846)	(30 813)
<i>Non cash items</i>		
Depreciation expense	(2 039)	(2 383)
Gain (loss) on disposal of fixed assets	(21)	(5)
Costs incurred on behalf of the Department of Treasury and Finance by the Department of Administrative and Information Services	–	(679)
<i>Change in operating assets and liabilities</i>		
Increase (decrease) in receivables	(178)	180
Increase (decrease) in prepayments	122	450
(Increase) decrease in payables	(423)	551
(Increase) decrease in provision for employee entitlements	(303)	(825)
Net cost of services from ordinary activities	(33 834)	(32 113)

Notes to and forming part of the Financial Statements

18 Remuneration of employees

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

	2003 Number of employees	2002 Number of employees
\$100 000 – \$109 999	10	5
\$110 000 – \$119 999	11	12
\$120 000 – \$129 999	8	4
\$130 000 – \$139 999	5	3
\$140 000 – \$149 999	2	2
\$150 000 – \$159 999	1	2
\$160 000 – \$169 999	3	2
\$170 000 – \$179 999	2	–
\$180 000 – \$189 999	1	2
\$280 000 – \$289 999	1	1
\$290 000 – \$299 999	1	–
	45	33

The table includes all employees who received remuneration of \$100 000 or more during the year. The total remuneration received by these employees for the year was \$6 158 000 (\$4 501 000).

19 Payments to consultants

Payments to consultants fell within the following bands:

	2003 Number of consultants	2002 Number of consultants
Below \$10 000	16	24
Between \$10 000 and \$50 000	4	5
Above \$50 000	5	2

The total payments to the 25 (31) consultants engaged was \$1 006 000 (\$457 000). Of this amount \$1 006 000 (\$457 000) was met from operating expenses and nil (\$nil) was capitalised.

20 Remuneration of auditors

Amounts received or due and receivable by the auditors with respect to the audit of the department are:

	2003 \$'000	2002 \$'000
Auditing the department's activities	341	309

The auditors provided no other services.

21 Targeted/voluntary separation Package Schemes

	2003 Number of employees	2002 Number of employees
Number of employees paid TVSPs	6	2
	2003 \$'000	2002 \$'000
<i>Amount paid to these employees</i>		
TVSP	286	176
Accrued annual and long service leave	13	87
	299	263
Amount recovered from the Targeted/Voluntary Separation Package Schemes Special Deposit Account		
	286	176

These amounts are included in the financial statements.

22 Other administered accounts

The following deposit accounts established pursuant to Section 8 of the *Public Finance and Audit Act 1987* are administered by the department. Reflected below are a summary of revenues and expenses, and assets and liabilities of each administered item.

Name	2003			
	Revenues \$'000	Expenses \$'000	Assets \$'000	Liabilities \$'000
Agency provisions for future asset replacements	–	–	–	–
Asset Sales Unit	–	–	–	–
Commonwealth mirror taxes on Commonwealth Places Revenue Account	15 516	15 516	–	–
Community Development Fund	19 750	19 750	–	–
Country Equalisation Scheme	471	–	10 505	–
Electricity Planning Council	1 784	1 707	821	133
Electricity Reform and Sales Unit	35	864	–	–
Emergency Service Levy	118 556	118 571	21	7
Essential Services Commission of South Australia	4 657	4 299	4 674	2 661
ETSA Sales/Lease Proceeds Account	2 624	890	–	508 701
Home Purchases Assistance Account	39	39	507	507
Hospitals Fund	132 489	132 489	7 098	7 098
Independent Gambling Authority	1 201	1 156	808	232
Inter-regional Settlements Residues Account	6 438	6 438	20	20
Local Government Concessions Senior Card Holders	1 680	1 647	133	–
Local Government Disaster Fund	1 869	154	40 206	–
Ports Corp sale/lease – proceeds	1 713	3 291	34 871	1 476
Stony Point Indenture Account	2 147	2 147	9 302	9 302
TAB sale – proceeds	5 968	6 914	10 650	5 792
Treasury Working Account	28 553	28 553	852	852
	345 490	344 425	120 468	536 781

Accounts of SAFA, the South Australian Finance Trust Limited and SAICORP established pursuant to the *Public Finance and Audit Act 1987* are not included. For further information on these accounts reference should be made to the financial statements of SAFA and SAICORP.

Statement by responsible officers

In our opinion, the attached Financial Statements of the Department of Treasury and Finance, being the Statement of Financial Performance, Statement of Financial Position and Statement of Cash Flows and notes thereto, are drawn up so as to give a reasonable and fair view of the results of the Department of Treasury and Finance for the financial year ended 30 June 2003, and state of affairs as at 30 June 2003. The Financial Statements have been prepared in accordance with Statements of Accounting Concepts, applicable Urgent Issues Group Consensus Views, applicable Accounting Standards and the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, as amended. Internal controls over financial reporting have been effective throughout the reporting period.



Jim Wright
UNDER TREASURER



Roger Emery
DIRECTOR, FINANCIAL SERVICES

Auditor-General's report



Auditor-General's
Department

INDEPENDENT AUDIT REPORT

TO THE UNDER TREASURER

SCOPE

As required by section 31 of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Department of Treasury and Finance for the financial year ended 30 June 2003. The financial report comprises:

- A Statement of Financial Performance;
- A Statement of Financial Position;
- A Statement of Cash Flows;
- A Programs Schedule of Expenses and Revenues;
- A Programs Schedule of Administered Expenses and Revenues;
- Notes to and forming part of the Financial Statements;
- Certificate by the Under Treasurer and the Director Financial Services.

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

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

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

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

AUDIT OPINION

In my opinion the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department of Treasury and Finance as at 30 June 2003, its financial performance and its cash flows for the year then ended.

24 September 2003

Handwritten signature of K I MacPherson.

K I MacPHERSON
AUDITOR-GENERAL

Risk Management and Performance Review Unit

The Risk Management and Performance Review Unit provided risk management, corporate governance, performance review and internal audit services within the department in 2002–03. In the latter part of the year, the functions of the unit were transferred to the Corporate Services Branch. The role of the unit was to provide assurance to the Under Treasurer that the internal controls and processes in the department were adequate to support the achievement of the department's operational and financial objectives.

The unit provided executive officer support to the Risk Management and Audit Committee, one of the governance committees supporting the Executive Management of the department in 2002–03. The unit operated by supplementing internal resources with specialist contract service providers to undertake audits on an ad hoc basis. At the conclusion of the financial year, the Risk Management and Audit Committee was reconstituted as the Audit Committee, chaired by a Deputy Under Treasurer.

Prior to the transfer to Corporate Services Branch, the unit provided advice and assistance on a range of audit and risk management issues. The unit was also involved in providing advice on issues relating to the future operations of the National Wine Centre.

Fraud

No instances of fraud were reported during the year. The department maintains an Ethical Standards Awareness Policy Document (including Fraud Prevention) which is available to all staff and provided to all new employees.

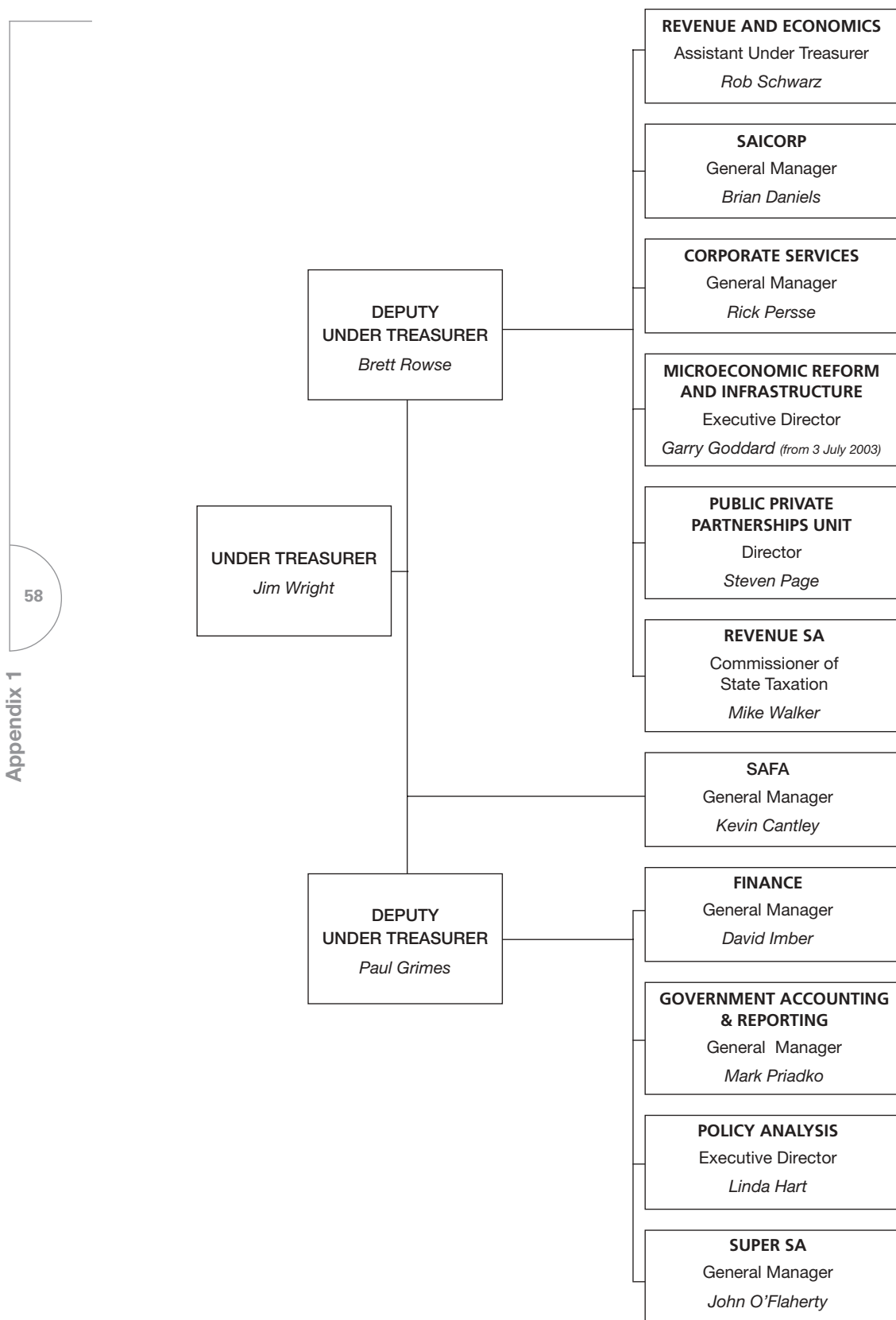
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Appendix 1

Department structure as at 30 June 2003



Branch	Function
Revenue and Economics	<ul style="list-style-type: none"> • Provision of economic advice on a range of issues: <ul style="list-style-type: none"> – revenue – Commonwealth–State relations – National Competition Policy – economic conditions – gambling
Finance	<ul style="list-style-type: none"> • Provision of advice on budgetary and financial issues • Management of State Budget process • Monitoring financial performance of Government and its businesses • Facilitation of best practice financial management
Government Accounting and Reporting	<ul style="list-style-type: none"> • Maintenance of government financial systems • Management of financial policy, legislation and governance • Provision of advice on fiscal policy
Microeconomic Reform and Infrastructure	<ul style="list-style-type: none"> • Management of electricity market reforms • Provision of advice on major market reforms and strategic issues relating to infrastructure requirements
Policy Analysis	<ul style="list-style-type: none"> • Provision of strategic analysis of policy issues facing Government and development of appropriate policy frameworks • Evaluation of existing policy positions against these frameworks
Public Private Partnerships	<ul style="list-style-type: none"> • Provision of advice to facilitate private sector participation in infrastructure development
RevenueSA	<ul style="list-style-type: none"> • Management of state revenue systems • Management of state taxation legislation • Provision of policy advice on taxation issues
SAICORP	<ul style="list-style-type: none"> • Management of the insurance and reinsurance of Government risks • Provision of advice on insurance and risk management issues
SAFA	<ul style="list-style-type: none"> • Management of funding requirements and existing stock of Government liabilities • Provision of financial risk management and advisory services
Super SA	<ul style="list-style-type: none"> • Management of public sector superannuation schemes • Provision of advice on superannuation policy to Government
Corporate Services	<ul style="list-style-type: none"> • Provision of a range of business support and strategic services in the areas of: <ul style="list-style-type: none"> – administration – financial management – human resources – information technology – strategic management – risk management

Appendix 2

Acts committed to the Ministers supported by the Department of Treasury and Finance as at 30 June 2003

Treasurer

Last committed:

ASER (Restructure) Act 1997	5/2/98
Bank Merger (BankSA and Advance Bank) Act 1996	28/11/96
Bank Mergers (South Australia) Act 1997	19/3/98
Benefit Associations Act 1958	20/10/97
Commonwealth Places (Mirror Taxes Administration) Act 1999	19/10/00
Debits Tax Act 1994	13/2/97
Electricity Corporations Act 1994	18/4/02
Electricity Corporations (Restructuring and Disposal) Act 1999	18/4/02
Emergency Services Funding Act 1998	7/11/02
Essential Services Commission Act 2002	12/9/02
Financial Agreement Act 1994	5/2/98
Financial Institutions Duty Act 1983	13/2/97
Financial Sector (Transfer of Business) Act 1999	12/8/99
Financial Transaction Reports (State Provisions) Act 1992	20/10/97
First Home Owner Grant Act 2000	29/6/00
Gift Duty Act 1968	13/2/97
Government Financing Authority Act 1982	14/12/93
Governors' Pensions Act 1976	20/10/97
Hindmarsh Island Bridge Act 1999	17/8/00
Homes Act 1941	20/10/97
Housing Loans Redemption Fund Act 1962	20/10/97
Interest on Crown Advances and Leases Act 1944	20/10/97
Judges' Pensions Act 1971	20/10/97
Land Tax Act 1936	13/2/97
Motor Accident Commission Act 1992	14/12/93
National Tax Reform (State Provisions) Act 2000	29/6/00
National Wine Centre Act 1997	14/3/02
New Tax System Price Exploitation Code (South Australia) Act 1999	9/12/99
Parliamentary Superannuation Act 1974	20/10/97
Pay-roll Tax Act 1971	13/2/97
Petroleum Products Regulation Act 1995	13/2/97
Police Superannuation Act 1990	20/10/97
Public Corporations Act 1993	14/12/93
Public Finance and Audit Act 1987	20/10/97
Rural Advances Guarantee Act 1963	20/10/97
SGIC (Sale) Act 1995	29/6/95
Southern State Superannuation Act 1994	20/10/97

Stamp Duties Act 1923	13/2/97
State Bank (Corporatisation) Act 1994	12/5/94
State Bank of South Australia Act 1983	14/12/93
State Lotteries Act 1966	13/5/03
Succession Duties Act 1929	13/2/97
Superannuation Act 1988	20/10/97
Superannuation Funds Management Corporation of South Australia Act 1995	13/2/97
Superannuation (Visiting Medical Officers) Act 1993	20/10/97
Supplementary Financial Agreement (Soldiers Settlement Loans) Act 1934	5/2/98
TAB (Disposal) Act 2000	13/5/03
Taxation Administration Act 1996	13/2/97
Taxation (Reciprocal Powers) Act 1989	13/2/97
Tobacco Products Regulation Act 1997	5/6/97
Unclaimed Moneys Act 1891	20/10/97
Unclaimed Superannuation Benefits Act 1997	29/1/98
Westpac/Challenge Act 1996	5/2/98

Minister for Energy

Last committed:

Electrical Products Act 2000	5/3/02
Electricity Act 1996	5/3/02
Gas Act 1997	5/3/02
Gas Pipelines Access (South Australia) Act 1997	5/3/02
National Electricity (South Australia) Act 1996	5/3/02
The Electricity Trust of South Australia (Torrens Island Power Station) Act 1962	5/3/02

Minister for Gambling

Last committed:

Casino Act 1997	4/12/01
Gaming Machines Act 1992	4/12/01
Independent Gambling Authority Act 1995	4/12/01
Authorised Betting Operations Act 2000	5/9/02
Lottery and Gaming Act 1936	5/9/02
Collections for Charitable Purposes Act 1939	5/9/02

Appendix 3

Legislative measures

Amendments of the Gaming Machines Act 1992

Gaming Machines (Roosters Club Incorporated Licence) Amendment Act 2003

This Act followed a Supreme Court decision that the grant of the Roosters Club licence at 255 Main North Road, Sefton Park was void as the club is in a shopping complex. The Act provides for the club to continue to operate at its current premises until 31 May 2004. This will give the club time to relocate to alternative premises. If the club has not moved premises by 31 May 2004 it is required to cease its gaming machines operations at 255 Main North Road, Sefton Park from that date and its gaming machine licence will be suspended.

Assented to: 5 June 2003

Date of operation: 5 June 2003

Gaming Machines (Extension of Freeze on Gaming Machines) Amendment Act 2003

The Act provides for a 12-month extension of the freeze on the granting of new gaming machine licences or increases in gaming machine numbers for applications made on or after 7 December 2000.

This extension provides for the Independent Gambling Authority to complete its inquiry into the *Management of Gaming Machine Numbers in South Australia*.

Assented to: 29 May 2003

Date of operation: 29 May 2003

Gaming Machines (Gaming Tax) Amendment Act 2002

The Act amended the *Gaming Machines Act 1992* to give effect to a new gaming machine tax structure.

Assented to: 7 November 2002

Date of operation: 1 January 2003

Amendments to Stamp Duties Act 1923

Stamp Duties (Rental Business and Conveyance Rates) Amendment Act 2002

The Act amended the *Stamp Duties Act 1923* to give effect to 2002–03 State Budget measures which broadened the rental duty base to include commercial hire purchase arrangements and amended the stamp duty rate applying to property transfers.

Assented to: 5 September 2002

Date of operation: 5 September 2002
(conveyance duty) and
1 January 2003 (rental duty)

Stamp Duties (Gaming Machine Surcharge) Amendment Act 2002

The Act introduced a gaming machine surcharge where ownership of a gaming machine business is transferred, including the transfer of any underlying or indirect interest in a gaming machine business.

Assented to: 28 November 2002

Date of operation: 28 November 2002

Amendment of the District Court Act 1991, the Magistrates Court Act 1991 and the Supreme Court Act 1935

Statutes Amendment (Structured Settlements) Act 2002

The Act permits the courts, with the consent of parties, to award damages in the form of a periodical payment. These amendments reflect the fact that the Commonwealth has legislated to remove tax disadvantages which had previously deterred parties from entering into structured settlements.

Assented to: 5 September 2002

Date of Operation: 1 December 2002

The *District Court Act 1991*, the *Magistrates Court Act 1991* and the *Supreme Court Act 1935* are committed to the Attorney-General.

Amendment of the Wrongs Act 1936

Wrongs (Limitation and Damages for Personal Injury) Amendment Act 2002

The Act extends the system of thresholds and caps applying under the motor vehicle accident system to all bodily injury damages claims.

Assented to: 12 September 2002

Date of Operation: 1 December 2002

The *Wrongs Act 1936* is committed to the Attorney-General.

Recreational Services (Limitation of Liability) Act 2002

The Act introduces a system of safety codes and waivers to deal with the risk associated with certain types of recreational activities.

Assented to: 12 September 2002

Date of Operation: 1 July 2003

The *Recreational Services (Limitation of Liability) Act 2002* is committed to the Minister for Consumer Affairs.

Amendment to Electricity Act 1996

The Electricity (Miscellaneous Amendments) Act 2002

This Act made the necessary amendments required to facilitate electricity retail competition, including establishing a comprehensive consumer protection regime for electricity consumers before 1 January 2003.

Amendments were also made to the *Electricity Act 1996* to facilitate the powers established in the *Essential Services Commission Act 2002* with respect to the issuing of warning notices, penalties for code breaches and the price justification regime.

Assented to: 12 September 2002.

Various sections proclaimed on 12 September 2002, 1 January 2003 and 1 July 2003.

Essential Services Commission Act 2002

This Act repealed the South Australian Independent Industry Regulator Act 1999.

The Essential Services Commission was established as a powerful regulator intended to have ultimate jurisdiction over the areas of electricity, gas, ports, rail and water.

The key initial role of the Essential Services Commission was to protect the interests of consumers following the introduction of electricity full retail competition. The existing penalty provisions were strengthened to this end.

Various provisions were also inserted to complement and facilitate the operation of the consumer protection sections of the *Electricity Act 1996*, including the price justification regime.

Assented to: 5 September 2002.

Proclaimed 12 September 2002 (with the exception of section 9).

Appendix 4

Profile of remuneration levels

As at last pay day June 2003

Stream	Ongoing			Contract short term			Contract long term			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Trainees	–	–	–	5	8	13	–	–	–	5	8	13
ASO1	4	7	11	1	–	1	–	–	–	5	7	12
ASO2	19	48	67	5	11	16	–	–	–	24	59	83
ASO3	21	61	82	4	7	11	–	–	–	25	68	93
ASO4	33	32	65	2	4	6	–	–	–	35	36	71
ASO5	42	30	72	2	1	3	–	–	–	44	31	75
ASO6	42	18	60	1	–	1	–	–	–	43	18	61
ASO7	26	11	37	5	1	6	–	–	–	31	12	43
ASO8	34	4	38	–	3	3	–	–	–	34	7	41
MAS1	–	–	–	–	–	–	–	–	–	–	–	–
MAS2	–	1	1	–	–	–	–	–	–	–	1	1
MAS3	5	–	5	1	–	1	–	–	–	6	–	6
Total	226	212	438	26	35	61	–	–	–	252	247	499
EL1	–	–	–	–	–	–	–	–	–	–	–	–
EL2	–	–	–	–	–	–	1	–	1	1	–	1
EL3	–	–	–	–	–	–	–	–	–	–	–	–
Level A	–	–	–	–	–	–	19	5	24	19	5	24
Level B	–	–	–	–	–	–	7	–	7	7	–	7
Level C	–	–	–	1	–	1	6	1	7	7	1	8
Level D	–	–	–	–	–	–	2	–	2	2	–	2
Level E	–	–	–	–	–	–	–	–	–	–	–	–
Level F	–	–	–	–	–	–	1	–	1	1	–	1
Total	–	–	–	1	–	1	36	6	42	37	6	43
Other	–	–	–	–	–	–	–	–	–	–	–	–
Total	226	212	438	27	35	62	36	6	42	289	253	542

Appendix 5

Occupational health and safety statistics

	2000-01	2001-02	2002-03
1 OHSW legislative requirements			
Number of notifiable occurrences or injuries pursuant to OHSW Regulations Division 6.6	0	0	0
Number of notices served pursuant to OHSW Act s35, s39 and s40	0	0	0
2 Injury management legislative requirements			
Total number of employees who participated in a rehabilitation program	2	1	1
Total number of employees rehabilitated and reassigned to alternative duties	0	0	0
Total number of employees rehabilitated back to their original work	2	1	0
3 WorkCover action limits			
Number of open claims	9	2	4
Workers compensation expenditure as percentage of salaries	0.56	0.05	0.37
4 Number of injuries			
Number of new workers compensation claims	10	2	8
Number of new workers compensation claims relating to:			
– Fatalities	0	0	0
– Lost time injuries	6	1	4
– Medical treatment only	4	1	4
– Total number of whole working days lost	105	2	263
5 Cost of workers compensation (\$)	\$	\$	\$
Cost of new claims for financial year	14 591	1214 (993)*	92 791
Cost of all claims excluding lump sum payments	69 577	14 897 (13 044)*	96 904
Amount paid for lump sum payments (s42 s43 s44)	62 684	0	3 506
Total cost of workers compensation claims	132 261	14 897 (13 044)*	100 410
Total amount recovered from external sources (s54)	0	0	0
Budget allocation for workers compensation	53 000	100 000	120 000
6 Trends			
Injury frequency rate for new lost-time injury/disease for each million hours worked	5.5	n.a.	3.9
Most frequent cause (mechanism) of injury	Repetitive strain	No most frequent cause	Work pressure
Most expensive cause (mechanism) of injury	Repetitive strain	Fall from same level	Work pressure

*Treasury & Finance data only. Previous years have included Electorate offices information which is no longer being included in this report.

Appendix 6

Disability Action Plan

This appendix details the performance of the department against the five outcome areas of the whole of government policy, *Promoting Independence – Disability Action Plans for South Australia*.

Outcome 1

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

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

All office accommodation moves and refurbishments carried out throughout the year have met the relevant Australian Standards on Access to Premises.

Emergency evacuation procedures for this department, as per the State Administration Centre Emergency Procedures, are inclusive of people with disabilities.

Outcome 2

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

The department's internet site is designed according to the prevailing standards for visually impaired people.

In RevenueSA, their circulars and magazine, *Perspectives*, were screened and edited to ensure that they are inclusive of people with disabilities and the readability is suitable for the visually impaired.

The Human Resources Section provided advice, information and support on an ongoing basis in any selection process to ensure that there were no inappropriate practices that will impact on a person with disabilities. Ongoing education of managers occurred on a case-by-case basis and through circulation of information provided by the Office for the Commissioner of Public Employment.

Outcome 3

Portfolios and their agencies deliver advice or service to people with disabilities with awareness and understanding of issues affecting people with disabilities.

Once the department's Disability Plan has been restructured (refer to Outcome 5), this will be communicated throughout the agency and will increase awareness and understanding of the issues.

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

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

Outcome 4

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

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

In RevenueSA, a feedback mechanism is in place.

Outcome 5

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

This agency's Disability Action Plan is under review and will be restructured based upon the five outcomes format to facilitate future consistent reporting. A regular reporting framework will also be implemented to monitor the plan's progress and also to facilitate annual reporting.

Appendix 7

Boards and committees administered by the Department of Treasury and Finance as at 30 June 2003

- Distribution Lessor Corporation
- Electricity Industry Superannuation Board
- Generation Lessor Corporation
- Parliamentary Superannuation Board
- Police Superannuation Board
- RESI Corporation Board
- South Australian Asset Management Corporation
- South Australian Government Captive Insurance Corporation (SAICORP) Board
- SAICORP Board Audit Sub-Committee
- South Australian Government Financing Advisory Board
- South Australian Government Financing Advisory Board – Audit Committee
- South Australian Superannuation Board
- Transmission Lessor Corporation (ElectraNet)
- XTAB Pty Ltd

Appendix 8

Use of consultants

Note: Payments to consultants include amounts paid and payable as at 30 June 2003

Consultant	Purpose of consultancy	Number	Total \$
Value below \$10,000			
Various	Various		
Subtotal		16	85 324
Value \$10,000 – \$50,000			
Brett & Watson Pty Ltd	Investigation, calculation and analysis work in respect to Family Law Scheme		
Charles River Associates (Asia Pacific) Pty Ltd	Reviewing and modelling Origin Energy retail gas tariffs		
Enterprise Knowledge Pty Ltd	Document Management Project		
Farwell Enterprises Pty Ltd	Leasing Product Review for SAFA		
Subtotal		4	100 925
Value Above \$50,000			
Ernst & Young	Provision of GST and FBT technical advice Benchmarking of South Australian Government Corporate Services		
Trudy Coad Consulting	Whole of Government Banking Review		
Connell Wagner Pty Ltd	Project scoping and development of financial structure for State Swimming Centre		
KPMG	Provision of technical advice for Gas/Electricity Retail Competition		
Pricewaterhouse Coopers	Development of Full Business Case for New Women's Prison		
Subtotal		5	820 165
Totals		25	1 006 414

Appendix 9

Freedom of Information Statement

FREEDOM OF INFORMATION ACT 1991 (FOI AGENCY G298)

Introduction

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

Section 1 – Structure and functions

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

Section 2 – Effect of the agency’s functions on members of the public

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

However, Treasury and Finance’s operations do have a more direct public impact in the areas of state taxation and superannuation.

State taxation

RevenueSA, formerly the State Taxation Office, is headed by the Commissioner of State Taxation who, in his legislative capacity, is responsible for the administration of various Acts and associated Regulations. In conjunction with its involvement in taxation collection, management and legislation, RevenueSA is also responsible for: the administration of Government incentive schemes, aspects of industry assistance packages, collecting the fixed property component of the Government’s Emergency Services Levy, the regulation of small lotteries and trade promotion functions and the administration of subsidy schemes including petroleum and the first home owners grant (the latter was applicable from 1 July 2000).

Superannuation

The Department of Treasury and Finance is contracted by the South Australia Superannuation Board to administer several superannuation Acts through Super SA. These Acts provide for the operation and management of various superannuation schemes across South Australia, including schemes for public sector employees, Parliamentarians, Judges and Governors. The department also provides advice to the Board and the Government on superannuation policy.

Unclaimed moneys

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

Actuarial calculations

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

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

Section 3 – Arrangements for public participation in policy formulation

Avenues for the public to participate in policy development are generally limited to specific issues on which public comment is sought (eg the review of the *Collections for Charitable Purposes Act 1939* and Regulations under the *Lottery and Gaming Act 1936*).

Appendix 9

Freedom of Information Statement

Such involvement would normally entail consultation with representatives of various interest groups.

However, ongoing consultation does take place with representatives of interest groups in the areas of state taxation and superannuation.

Section 4 – Description of the kinds of documents held by Treasury and Finance

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

- (a) department files (known as docketts), official files containing correspondence on all aspects of the department's operations
- (b) taxation documents including applications and returns required for the purpose of administering State Taxation legislation
- (c) accounting records including monthly and quarterly financial statements, and the Treasurer's annual financial statements and accounts
- (d) lottery and gaming files including applications, financial statements and other general correspondence concerning the administration of the *Lottery and Gaming Act 1936*
- (e) personnel files relating to Treasury and Finance employees
- (f) superannuation files relating to the administration of member superannuation benefits
- (g) Treasurer's Instructions⁽ⁱ⁾⁽ⁱⁱⁱ⁾
- (h) circulars including
 - RevenueSA circulars⁽ⁱ⁾⁽ⁱⁱⁱ⁾
 - Treasury circulars⁽ⁱ⁾
- (i) publications/papers/reports including
 - Budget Papers⁽ⁱ⁾⁽ⁱⁱⁱ⁾
 - information papers⁽ⁱⁱⁱ⁾
 - Annual Report⁽ⁱ⁾⁽ⁱⁱⁱ⁾
 - media releases⁽ⁱⁱⁱ⁾

- (j) actuarial files including
 - registered rules of friendly societies
 - audited annual financial statements of friendly societies and benefit associations
 - contribution returns for the Housing Loans Redemption Fund
- (k) a range of procedure manuals.

-
- (i) Available for purchase
 - (ii) Available free of charge
 - (iii) Available on the internet at www.treasury.sa.gov.au

Section 5 – Making an application

Applications under the FOI Act, either for access to information or to amend official records about personal affairs, must be:

- in writing (application forms are available from the FOI Contact Officer)
- accompanied by the prescribed application fee (\$22.30 in the case of applications for access; no fee is required for applications to amend records)
- contain such information as is reasonably necessary to enable the document(s) to be identified
- specify an address in Australia to which notices under the Act should be sent addressed to:

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

Where to inspect documents

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

Level 3, State Administration Centre
200 Victoria Square
ADELAIDE SA 5000
Telephone 8226 2120
9.00 am to 5.00 pm Monday to Friday.

Taxation circulars may be inspected during the same hours at:

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

Superannuation

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

Number of requests made

The Department of Treasury and Finance received fifty enquiries in accordance with the Act during the 2002–03 financial year. All enquiries were dealt with in the appropriate manner.

Appendix 10

Overseas travel 2002–03

Destination	Number of employees	Reason for travel	Travel costs \$
Rome, Athens*	1	To investigate and arrange the local management of two international insurance claims	1 147
United Kingdom	1	To arrange the Government's catastrophe reinsurance arrangements with various reinsurers	7 010
Singapore, Hong Kong, Shanghai**	2	To visit the International Trade Offices and to meet with senior business representatives in each location to promote investment in South Australia	7 999
Paris, London, Glasgow#	3	France – Discussion with OECD on industry policy development, demographics and population projections including ageing, Federalism issues, budgeting, investment attraction strategies and growth strategies; UK – Discussion on the development of Private Public Partnerships in the UK and review active projects	28 795
San Francisco, Austin Texas, Chicago, New York**	2	To visit International Trade Offices and to meet with senior business representatives in each location to promote investment in South Australia	11 388
Totals	9		56 339
			Less recoveries from Department of Business, Manufacturing and Trade
			19 387
			Net cost to DTF
			36 952

* The cost shown does not include all costs incurred for the trip as those attributable to a specific claim were met by the South Australian Government Insurance and Risk Management Fund.

** The cost shown does not include airfares as the Department for Business, Manufacturing and Trade met these. The costs shown above were paid by the Department of Treasury and Finance and fully reimbursed by the Department for Business, Manufacturing and Trade.

The cost shown includes some airfares as the Department for Business, Manufacturing and Trade met the remaining airfares.

Appendix 11

Revenue collections by RevenueSA

	1999–2000		2000–01		2001–02	
	Number of taxpayers / transactions	Amount \$	Number of taxpayers / transactions	Amount \$	Number of taxpayers / transactions	Amount \$
Debits tax		58 452 324		58 784 749		58 425 194
Financial institutions duty						
Financial Institutions	102	94 849 591	129	9 399 492	2	(296)
Short term money	44	7 413 205	55	938 303	3	1 500 048
Market operators						
Exempt – charitable Organisations accounts	60 009	–	–	–	–	–
Total financial institutions duty		102 262 796		10 337 795		1 499 752
Land tax	71 652	140 346 506	68 891	141 573 301	76 481	159 217 174
Pay-roll tax	6 697	743 902 641	7 207	754 124 597	10 422	782 885 428
Stamp duty						
Adhesive stamps		505 766		565 507		586 598
Annual licences (insurance)		135 259 446		164 186 398		193 412 115
Applications to register or transfer motor vehicles		102 150 505		114 463 436		126 438 707
Cheques		4 225 464		3 811 899		3 180 403
Conveyance of property on sale		310 562 519		357 957 734		440 241 896
Conveyance of shares on Stock Exchange *		12 536 524		1 042 676		609
Conveyance of shares (excluding Stock Exchange)		6 347 179		2 919 472		14 890 518
Hospital Fund MV third parties		51 811 751		52 932 367		53 531 328
Insurance effected outside SA		7 491 392		8 775 622		10 450 317
Leases		2 731 072		2 256 230		1 950 298
Mortgages		40 678 000		44 405 859		53 365 330
Rental business		36 488 563		15 520 648		14 525 884
Voluntary conveyances of property		2 106 240		2 580 730		3 290 901
Other		2 134 116		188 347		731 469
Less refunds commissions etc		(258 629)		–		–
Total stamp duty		714 769 908		771 606 925		916 596 373
Contribution from small lotteries	8 690	977 381	8 228	868 812	8 178	972 894
Mirror taxes						
Debits tax				175 013		403 369
Land tax				542 931		592 419
Pay-roll tax				4 678 220		13 701 219
Conveyance of property on sale				381 678		263 252
Leases				60 411		181 874
Rental business				147 264		373 987
Total mirror taxes		–		5 985 517		15 516 120
Emergency Services Levy (Fixed property) **						
ESL payments		51 426 035		49 921 103		52 437 058
Remission & concession		72 954 548		57 119 450		65 843 104
Total ESL		124 380 583		107 040 553		118 280 162
Total RevenueSA collections		1 885 092 139		1 850 322 249		2 053 393 097

* Stamp Duty on Conveyance of Shares on Stock Exchange was abolished as at 1 July 2001. Amendments have been made to reflect the correct distribution in 2001–02 of Conveyance of Shares on Stock Exchange and Conveyance of Shares (excl. Stock Exchange).

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

Appendix 12

Energy efficiency report

Performance against annual energy use targets

	Energy use (GJ)*	Expenditure (\$)*	GHG emissions (Tonnes CO2)*
Base year 2000–01			
DTF	5 768	217 751	
Electorate offices	2 103	87 605	
Portfolio total	7 701	305 357	2 046
Report year 2001–02			
DTF	5 983	244 475	
Electorate offices	2 105	87 510	
Portfolio total	8 089	331 985	2 103
Report year 2002–03			
DTF	5 598	235 305	
Electorate offices	2 045	91 906	
Portfolio total	7 643	327 211	1 987
Portfolio target 2002**	7 635		
Portfolio target 2010#	6 546		

* Calculated on the following assumptions:
CO2 intensity 260 kg per Gigajoule (GJ)
3.6 megajoule (MJ) per KWhr (1000 MJ per GJ)

** Based on a 3% reduction from the base year

Based on a 15% reduction from the base year

Note: During the year, the energy use data for the base year and 2001–02 was reviewed. Errors were identified in the previously reported data. The correct figures are presented in this report.

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

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

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

Energy management activities

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

- participating in the cross government Energy Efficiency Reference Group
- reviewing energy use data for the 2000–01 and 2001–02 years
- launching an energy Efficiency Action Plan for the department, which was developed in consultation with the Department of the Premier and Cabinet, the major co-tenant of the SAC
- changing the automatic lighting times for the SAC
- providing energy awareness sessions to several branches
- providing information to staff through the intranet.