



Government of South Australia

Department of Treasury
and Finance

2004-05

Annual Report





Government
of South Australia

DEPARTMENT OF TREASURY AND FINANCE

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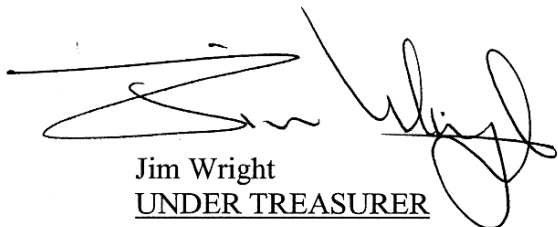
28 September 2005

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 2004-05 in accordance with Section 66 of the *Public Sector Management Act 1995*.

Yours sincerely



Jim Wright
UNDER TREASURER

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Under Treasurer's Report



The central focus of the department in 2004-05 continued to be the improvement of financial and policy accountability in the South Australian public sector. We have made a significant effort to improve our financial information flows and reporting processes and we have continued to promote accountability in financial management practice across the SA public sector.

It is important to note the Government's achievement of a AAA credit rating from major ratings agencies in 2004. The AAA credit rating was a specific target of South Australia's Strategic Plan assigned to the department. This achievement reflects the significant work the department has undertaken to support the Expenditure Review and Budget Cabinet Committee in developing and implementing a successful budget strategy for the State.

The department made further improvements during the year to its consolidated reporting processes by working with agencies to implement a system that allows the department to collect agency financial reporting data monthly.

The department continued to support the expenditure review process during the year with the completion of the major review into the former Department of Human Services. The department also made significant progress in major reviews of the Department for Administrative and Information Services and the Justice Portfolio.

In addition, we continued to provide important government services such as revenue collection, superannuation, debt management and insurance.

I thank all of the department's staff for their work in supporting these achievements throughout the year.

A handwritten signature in black ink, appearing to read 'Jim Wright'. The signature is stylized and cursive.

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 Government businesses, collection of State taxes and insurance and superannuation administration.

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

THE VISION

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

THE PURPOSE

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

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

MAJOR CLIENTS

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

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

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

STRATEGIC DIRECTIONS

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

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

AGENCIES IN TREASURER'S PORTFOLIO

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

The Year in Review

The 2004-05 year saw the Department of Treasury and Finance focus on its four main priorities:

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

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

Achieve a more efficient and effective public service

The department's major contribution in this area is through the management and coordination of the budget process.

The department continued to support the Expenditure Review and Budget Cabinet Committee (ERBCC) during the year by continuing its program of expenditure reviews of government agencies and providing advice on the financial and policy implications of issues across all portfolios.

The major expenditure review of the former Department of Human Services was completed in 2004-05 and the department worked with the Department of Health and the Department for Families and Communities on a range of issues arising from this review.

The expenditure review of the Department for Administrative and Information Services was largely completed identifying significant potential savings and systems improvements.

The first stage of the Justice Portfolio expenditure review was completed during the year and reports were prepared for consideration by ERBCC. Further investigations as part of the review will be undertaken in 2005-06.

Improve budget and financial management process

The department completed the first phase of its initiative to improve consolidated financial reporting during 2004-05. This included implementing a data warehouse to store complete financial data drawn from agency ledgers on a monthly basis. The initiative will be completed in 2005-06 and allow the department to provide a more accurate and timely monthly reporting process for the Treasurer.

The department implemented the cash alignment policy across all agencies, and as a direct result \$324.7 million was returned to the Consolidated Account in 2004-05 from agency deposit accounts, reducing the Treasurer's borrowing from the South Australian Government Financing Authority.

The department coordinated the procurement process for over the counter payments processing on behalf of agencies. This process resulted in a purchase recommendation that will provide savings to government and improved service levels to customers. It is expected that contractual arrangements for this procurement will be finalised in early 2005-06.

Strengthen State finances

The department supported the Government's achievement of its South Australian Strategic Plan target of a AAA credit rating by supporting the ERBCC with the development and implementation of the State's budget strategy. South Australia's debt rating was raised to AAA during the year by Standard & Poor's (27 September 2004) and Moody's Investor Services (12 November 2004).

Improve service delivery

The department supported the design and implementation of the Government's land tax relief package and also developed and implemented a timetable for the abolition of remaining business taxes under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Arrangements* (IGA).

Both of these reform agendas are consistent with the objective of maintaining a competitive tax environment in South Australia relative to other States.

Effective Industry Regulation and Infrastructure Development

The department supported the passage and implementation of the *Gaming Machines (Miscellaneous) Amendment Act 2004* and *Gaming Machine Regulations*. The implementation of these initiatives has allowed for an initial reduction of 2195 gaming machines in South Australia and the establishment of a system for trading gaming machine entitlements.

During the year the department continued its work in supporting energy market reform with the introduction of gas full retail competition into the South Australian retail gas market in August 2004.

Other highlights

Other achievements during the year included:

- the South Australian Government Finance Authority assuming responsibility for administering the Government's Industry Investment Attraction Fund and a number of other industry assistance schemes
- implementing a South Australia's Public Private Partnerships (PPP) project for the Regional Police Stations and Courts
- implementing a new performance management program.

Ensuring Accountability for Public Sector Resources

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

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

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

REVENUE AND ECONOMICS BRANCH

The Revenue and Economics Branch played an important role in supporting Treasury and Finance's 2004-05 priorities of:

- strengthening State finances.
- improving the budget and financial management process

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

Performance

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

State revenue

The branch continued its core business of monitoring and forecasting State taxation revenue and general purpose Commonwealth grants.

The branch provided tax policy advice with the major focus on land tax and the State's business tax reform commitments under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Arrangements* (IGA). The work undertaken by the branch included:

- providing advice to Cabinet on a range of tax reform options which culminated in a land tax reduction package costing \$264 million over the period from 2004-05 to 2008-09 and a reform timetable for abolishing remaining IGA taxes at a revenue cost of \$422 million over the four years to 2008-09
- developing a State options paper, on behalf of all States, on revisions to State liquor subsidy arrangements to apply from 1 October 2004, following the Commonwealth's decision to exempt small wineries (annual domestic sales less than \$1 million) from its Wine Equalisation Tax (WET)
- providing advice to Cabinet on strategies for managing the loss of Fringe Benefits Tax concessions by health units
- determining and implementing the Emergency Services Levy (ESL) rate settings for the 2005-06 assessment year.

Ensuring Accountability for Public Sector Resources

Commonwealth-State relations

A significant workload for the branch in 2004-05 was undertaken in the area of Commonwealth State relations and focused on two main issues: the review of horizontal fiscal equalisation (HFE) methodology and the review of a range of State business taxes.

In addition, the branch continued to:

- play a lead role in the State's efforts to secure an equitable share of Commonwealth funding
- address National Tax Reform issues through membership of the GST Administration Sub-Committee and the States and Territories GST Policy Working Group
- participate in an intergovernmental working party on specific purpose payments and in cross-agency consultations on current SPP agreement negotiations
- prepare and coordinate briefing material for the Treasurer's Conference and Heads of Treasuries meetings.

Review of Horizontal Fiscal Equalisation Methodology

The branch participated in a review of the HFE methodology. The review was commissioned at the March 2004 Treasurers' Conference. Its scope was to examine aspects of the methodology used by the Commonwealth Grants Commission (CGC) with a focus on simplifying the methodology. The Branch provided its views on a series of papers prepared by the review secretariat and on the terms of reference for the CGC's 2010 methodology review. The review found the CGC's methodology, while generally robust, could be simplified without compromising the underlying principle of HFE.

Review of Business Taxes

The branch participated in the review conducted by Heads of Treasuries assessing the affordability of abolishing a range of State business taxes. The Commonwealth put forward a timetable for the abolition of the taxes at the Treasurers' Conference in March 2005. The branch contributed to the development of alternative abolition schedules subsequently submitted to the Commonwealth by South Australia and five other States and Territories.

Local Government issues

The branch provided policy advice on local government finance issues, including amendments to the *Local Government Act* concerning financial management and rating, and the Local Government Association's Independent Inquiry into the Financial Sustainability of Local Government in South Australia.

Insurance policy

Insurance policy issues continued to be a major workload for the branch during 2004-05.

Following the passage of legislation in 2003-04 implementing reforms to the law of negligence based in part on the *Review of the Law of Negligence* (Ipp Report), two further legislative reforms were progressed in 2004-05. These reforms were directed at the professional indemnity insurance markets and were the result of agreements reached by insurance Ministers nationally. The *Professional Standards Act 2004* received assent but is still awaiting commencement pending the outcomes of national deliberations aimed at establishing a single national administration for approving and monitoring professional standards schemes. Legislation to introduce proportionate liability in economic loss claims was also progressed through Parliament during 2004-05. The Revenue and Economics Branch worked closely with the Attorney-General's Department in progressing this legislation.

The Revenue and Economics Branch in conjunction with SAICORP supported the Treasurer during the year by providing advice for his participation in a Ministerial meeting on insurance issues in Darwin in April 2005. The branch also participated in the Insurance Issues Working Group (IIWG) established by Heads of Treasuries to provide advice and support to the Ministerial meetings. The IIWG met on three occasions during 2004-05.

Ensuring Accountability for Public Sector Resources

The Ministerial Meeting in April 2005 noted the very significant progress made by all jurisdictions in implementing legislative reforms and the recent improvements in the affordability and availability of liability insurance. Ministers also considered a report on the long-term care for the catastrophically injured. The branch will be involved in further work to be conducted through the IIWG on this matter during 2005-06 and will also monitor emerging developments in other jurisdictions.

Gambling policy

The passage and implementation of the *Gaming Machines (Miscellaneous) Amendment Act 2004* continued to be a major workload for the branch during 2004-05. Following on from the recommendations of the Independent Gambling Authority in the *Inquiry into the Management of Gaming Machine Numbers*, legislation was passed by the South Australian Parliament that provided for, amongst other matters, a reduction in the number of gaming machines by 20 percent in hotels in South Australia and the establishment of a trading system for gaming machine entitlements. A significant amount of time was also spent on the development of the *Gaming Machine Regulations*. These initiatives resulted in the commencement of the first round of trading on 11 May 2005 and an initial cut of 2195 gaming machines.

Economic analysis

During 2004-05, the branch continued to manage the departmental relationship with the major credit rating agencies. On 27 September 2004, Standard & Poor'sⁱ raised its long-term local and foreign currency rating on the State of South Australia to AAA from AA+. Moody'sⁱⁱ upgraded its debt rating of the State from Aa1 to Aaa in November 2004.

The branch provided economic briefings analysing major economic indicators as part of its ongoing role in monitoring and analysing State, national and international economic conditions and outlook. The branch also provided briefings to the Treasurer on independent economic reports and publications.

The branch conducted further research into the financial and economic impacts of an ageing population. It provided significant input to South Australian Government submissions to the Productivity Commission's Research Report on the Economic Implications of an Ageing Australia. These submissions highlighted to the Commission the role that horizontal fiscal equalisation will play in ensuring that individual States and Territories will face similar fiscal burdens irrespective of any differences in the rate of population ageing between jurisdictions. The results of the branch's modelling of the longer term fiscal and economic impacts of population ageing were presented to Cabinet and Senior Management Council.

The branch also provided assistance in the form of advice and data on economic conditions and outlook to support submissions to the Industrial Relations Commission hearings regarding the public salaried employees award.

The year ahead

- Refining revenue forecasting methodologies
- Implementing tax measures announced in the 2005-06 Budget
- Monitoring developments, and preparing policy responses, in relation to the 2005 review of State taxes pursuant to the IGA
- Contributing to policy development on a number of gambling related issues including a review of the *Lottery and Gaming Regulations 1993*
- Reviewing the Essential Services Commission of South Australia
- Water pricing policy issues and compliance with National Water Initiative.

ⁱ Standard and Poor's is an international ratings agency

ⁱⁱ Moody's is an international ratings agency

Ensuring Accountability for Public Sector Resources

FINANCE BRANCH

Finance Branch played an important role in supporting Treasury and Finance's 2004-05 priorities of:

- achieving performance improvements in the South Australian Public Sector
- improving the budget and financial management process
- strengthening State finances

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

Performance

The principal focus of Finance Branch during 2004-05 was the continued improvement of the annual State budget process and delivery of budget strategies consistent with gaining and maintaining a AAA credit rating. Refinements to the process allowed for improved coordination of advice to assist the Government in achieving outcomes consistent with its fiscal targets. The branch was also responsible for monitoring government business enterprises. This function has been transferred to Projects Analysis Branch for 2005-06.

Budget

The development and preparation of the annual State Budget remained the principal focus of the branch during the year, with the 2005-06 Budget handed down on 26 May 2005. The budget process was revised during 2004-05 to improve the information provided to support the Government budget decision processes. The improvements included:

- a revised Multilateral bid process with increased emphasis on cross portfolio collaboration
- reinforcing that budget bids must be linked to South Australia's Strategic Plan
- furthering the improvements of previous years in increasing the accuracy of the financial information and the quality of the briefing material provided to Ministers, the Expenditure and Review and Budget Cabinet Committee (ERBCC) and Cabinet.

The branch undertook a targeted review of Portfolio Statements for the Departments of Trade and Economic Development, Health, and Education and Children's Services resulting in identification of areas for improvement. A number of changes were implemented for the 2005-06 Budget papers. It provided assistance in the separation of the Department of Human Services budget between the Department of Health and the Department for Families and Communities, and the restructuring of the Department of Transport and Urban Planning into the newly formed Department of Transport, Energy and Infrastructure.

The branch also reviewed the current accrual appropriation funding arrangements for non-cash expenses (such as depreciation) and other costs (such as long service leave) with the aim of implementing new policy guidelines in the 2006-07 Budget.

The branch completed an examination of the process for setting fees and charges, which provided an opportunity to enhance its understanding of agencies' own source revenue budgets, with improvements reflected in the 2005-06 Budget Papers.

Financial monitoring

The Branch continued the collection and analysis of monthly monitoring information for general government agencies as the basis of regular reports to the ERBCC. This allowed Ministers to be well informed about progress and to take remedial action where necessary.

Ensuring Accountability for Public Sector Resources

Support Initiatives

A significant achievement for the branch in 2004-05 was the approval of a new Ownership Framework for Public Non-Financial Corporations (PNFCs), setting out principles for capital structure, dividend payments and CSO payments. The introduction of the new framework provides tangible evidence of the Government's commitment to improved PNFC financial performance and sound, transparent management. A rollout of the framework to SA Water and Forestry SA was successfully completed during the year, with additional PNFCs targeted for implementation in 2005-06.

The branch initiated a review of the capital planning and approval processes in response to recommendations from the Economic Development Board. The review resulted in changes to Treasurer's Instruction 17 and a substantial restructuring of the process for evaluating public sector initiatives. The new *Guidelines for the Evaluation of Public Sector Initiatives* are being considered by Government. The guidelines set out improved methods for addressing financial, economic, social, environmental and budget aspects of proposed agency initiatives.

The branch continued its focus on improving financial management within the Department of Health and the Department for Families and Communities by working with these agencies in analysing and implementing the recommendations made in the Ernst and Young Financial Management Review.

During the year the branch continued to provide financial advice to Ministers on Government contracts. This included participating in several tender evaluation processes, providing in-depth financial analysis for the evaluation of large Government contracts, including the Railcar Maintenance contract and the provision of Public Transport Services. It also undertook financial modelling for Stages 2 and 3 of the Port River Expressway Project.

The branch undertook a substantial amount of work during 2004-05 in the financial administration of government assistance programs for relief arrangements provided to victims of the Eyre Peninsula Bushfires. The branch also provided representation for South Australia on a national review of the Commonwealth National Disaster Relief Arrangements (NDRA).

Other support initiatives undertaken by the branch in 2004-05 included:

- providing detailed financial analysis of the impact on forward estimates of Government infrastructure priorities in support of the State Infrastructure Plan
- providing advice to the Department of Families and Communities in the development of the State Housing Plan
- completing a review into HomeStart Finance.

The year ahead

- Continuing refinements to budget decision support processes for Government consideration
- Continuing to develop and improve the monthly financial monitoring process of the Government
- Documenting and defining budget rules, including development of a terminology guide, rules for calculations and process compliance, and development of principles and guidelines
- Continuing the system requirements review of the Cabinet Submission database and Hyperion budget management database

Ensuring Accountability for Public Sector Resources

GOVERNMENT ACCOUNTING AND REPORTING BRANCH

The Government Accounting and Reporting (GAR) Branch played an important role in supporting Treasury and Finance's 2004-05 priorities of:

- achieving performance improvements in the South Australian Public Sector
- improving the budget and financial management process
- strengthening State finances
- improving service delivery.

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

Performance

In 2004-05, the GAR Branch oversaw further improvements in public sector financial management. The branch completed the first phase of a project to improve the timeliness, quality and frequency of consolidated financial reporting and monitoring. It also finalised a major procurement process on behalf of the whole of government for over-the-counter account payment services. In addition, the branch completed its core tasks of providing the financial information underpinning the 2005-06 Budget, the mid year review of the 2004-05 Budget and the completion of the 2003-04 Budget Outcomes document.

Fiscal policy

The Branch provided advice to the Treasurer in the development of the Government's fiscal strategy. In addition, advice was provided on the fiscal policy and fiscal position of other jurisdictions.

The branch provided advice to the government in terms of modifying their fiscal targets. The achievement of a AAA credit rating meant that more emphasis could be put on achieving net operating balance and there was scope for modest net lending deficits.

The branch also oversaw the implementation of the cash alignment policy. The implementation of the policy resulted in the transfer of \$324.7 million to the Consolidated Account from agency deposit accounts in June 2005.

Improving financial accountability and management

During the year, the branch hosted two Government Accounting Information Forums for accountants across government. The forums provided comprehensive technical updates on financial management practices. These included changes to accounting standards arising as a result of the adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS) and emerging issues in relation to the management of GST and FBT responsibilities within agencies. Nearly 400 people in total attended the two sessions. Two training sessions were also convened in relation to specific taxation matters during the year.

In addition, the branch published four Government On Target (GOT) bulletins during the year. These bulletins are made available to all South Australian public sector accounting staff, and provide important updates on a range of matters relating to financial management and governance.

Reference group meetings were also conducted with agency representatives to discuss matters ranging from specific accounting treatments for complex assets through to broad taxation issues.

The branch developed and promulgated a new Accounting Policy Framework (APF), replacing the existing Accounting Policy Statements. The framework was designed to reflect the requirements of the new AIFRS and was well received by agencies. The completion of the APF added to the extensive guidance provided to agencies in relation to the application of specific new standards.

In conjunction with agencies, the branch commenced a review of the Treasurer's Instructions during 2004-05. A number of the instructions were updated and it is expected that the review will be completed in 2005-06.

Ensuring Accountability for Public Sector Resources

The branch continued to manage the Graduate Development Program (GDP) during the year. The aim of the program is to recruit, place and train accounting and economics graduates for careers in the public service. The GDP offers structured on the job train and a 12 month professional development program. In 2004-05, 21 graduates participated in the program with 12 training sessions provided.

In preparation for the 2006 graduate intake, branch representatives attended career sessions coordinated by the Universities and industry bodies to promote the program. A total of 108 applications were received for the 2006 intake from which it is expected that approximately 20 graduates will be offered employment.

The branch also coordinated a major procurement initiative for over the counter payment processing services, on behalf of a range of government bodies. The procurement process was completed with a purchase recommendation that delivers efficiencies and service enhancements. Contractual arrangements arising from this recommendation will be finalised in early 2005-06.

Consolidated financial reporting

In 2004-05 the Government's major consolidated reporting obligations were:

- Budget outcome 2003-04
- AAS 31 Consolidated Financial Statements 2003-04
- Mid-year Budget Review 2004-05
- 2005-06 Budget

The Budget Outcome for 2003-04 was completed and published in December 2004. The AAS 31 Consolidated Financial Statements were completed in February 2005 and published in March 2005. This was an improvement over the previous year. Further improvements are expected in the future as the benefits of the improved consolidated financial reporting project are realised.

The 2004-05 Mid-year Budget Review was completed and published in December 2004.

The branch completed the first phase of improvements to the processes and systems underpinning the collection of financial data for consolidated financial reporting. These improvements use a data warehouse to store complete financial data drawn from agency ledgers on a monthly basis. Collection of this information from agencies required the mapping of agency general ledgers to a common central chart of accounts. The task of designing the common chart of accounts and mapping 104 reporting entities was completed during 2004-05. In 2005-06 the branch will undertake a range of projects designed to use the data sourced from agencies to provide improved monthly monitoring reports for the government, and ultimately improve the quality and timeliness of end of year reporting.

Agency financial systems

As a consequence of the financial systems review commenced in 2001-02, overseen by a steering committee led by the Under Treasurer and supported by a project team of branch personnel, a perpetual license for the use of SSA Financial Management software (formerly Masterpiece) was signed by the South Australian Government. The branch continued its role in supporting the use of this financial management software by agencies.

The year ahead

- Continuing to provide leadership in the areas of quality financial reporting and financial accountability across government
- Improving financial reporting across government agencies
- Continuing to improve consolidation and financial reporting processes
- Providing advice on matters relating to the Government's fiscal policy, in particular with respect to key balance sheet items including unfunded superannuation liabilities.
- Finalising a comprehensive review of the Treasurer's Instructions
- Commencing a review of the Financial Management Framework
- Completing a review of the whole of government banking services contracts and undertaking procurement processes as appropriate.

Ensuring Accountability for Public Sector Resources

MICROECONOMIC REFORM AND INFRASTRUCTURE BRANCH

Microeconomic Reform and Infrastructure (MERI) Branch played an important role in supporting Treasury and Finance's 2004-05 priorities of:

- achieving performance improvements in the South Australian public sector
- effective industry regulation and infrastructure development
- improving service delivery.

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

Performance

In 2004-05, the branch continued to develop its role in energy market reform, delivering gas full retail competition in South Australia and continuing its intensive program of legislative and institutional reform to overcome impediments to competition in the retail electricity and gas supply markets. 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.

On 1 July 2005, MERI became part of the Energy Division of the new Department for Transport, Energy and Infrastructure. This involved the transfer of the majority of staff to the new Energy Division. Those officers responsible for water pricing policy and administering the *Essential Services Commission of South Australia Act* remained in the Department of Treasury and Finance.

Energy full retail competition

The introduction of gas full retail competition in South Australia on 28 July 2004 represented a significant achievement in the branch's role supporting the Government's commitment to energy market reforms. South Australian energy consumers are now able to choose between retailers for both gas and electricity supply. This was the culmination of a significant amount of work undertaken by the branch in 2003-04.

During the year, the branch continued to monitor the effectiveness of retail competition in energy markets and the performance of the regulatory and legislative framework established by the Government, with particular emphasis on consumer protection. This included consulting with industry participants, the Essential Services Commission of South Australia (ESCOSA) and the Technical Regulator on significant issues.

ESCOSA continued to monitor the number of customers that transferred retailers in the electricity and gas retail market as well as other competition indicators, including the number of retailers and the products they offer. As at 30 June 2005, approximately 295 000 small electricity customers and 100 000 small gas customers have transferred to market contracts since the commencement of energy full retail competition. This represents 40 percent of the small customer base for electricity and 27 percent for gas.

Energy concessions

The branch continued to facilitate Government energy concession initiatives during 2004-05, including the:

- Electricity Transfer Rebate (ETR), which offered concession holders \$50 for transferring their electricity accounts to cheaper market contracts. The program commenced in November 2003 with an original deadline of 30 June 2004. The deadline was then extended to 13 August 2004. More than 85 000 eligible customers transferred to market contracts and qualified to receive the ETR
- extension of the Energy Concession from 1 July 2006 to a further 30 000 South Australians in receipt of Centrelink benefits who had previously been excluded; and an Energy Concession Bonus of \$150 to all Energy Concession recipients, announced as part of the 2005-06 State Budget.

Ensuring Accountability for Public Sector Resources

Ministerial Council on Energy

During 2004-05, the branch coordinated the preparation of policy advice for the Minister for Energy for meetings of the Ministerial Council on Energy (MCE). Branch officers also represented South Australia at meetings of the MCE Standing Committee of Officials and attended MCE meetings with the South Australian Energy Minister.

The branch had the responsibility of ensuring that amendments to the *National Electricity (South Australia) Act 1996* and *National Electricity (South Australia) Regulations* were completed by 1 July 2005 to enable the new National Electricity Law and the Australian Energy Regulator (AER) and Australian Energy Market Commission (AEMC) to commence operations concurrently. The branch was also instrumental in establishing the new market rules for electricity, the National Electricity Rules, and ensuring they were in place on 1 July 2005.

The branch was responsible for amendments to the *National Electricity (South Australia) Regulations* through the *National Electricity (South Australia) Variation Regulations 2005*, to provide for:

- the Jurisdictional Regulator for Tasmania
- the 'rebidding civil penalty provision' for the purposes of the National Electricity Law
- details of the Commercial Arbitration Acts applicable in each jurisdiction
- the contents of requests for the making of a Rule under the National Electricity Law
- an updated schedule listing the civil penalty provisions of the National Electricity Rules
- transitional and savings provisions for moving from the National Electricity Code to the National Electricity Rules.

The *National Electricity (South Australia) Variation Regulations 2005* commenced on 1 July 2005.

The branch developed the *Australian Energy Market Commission Establishment Regulations 2005*, and ensured they were in place for the commencement of the AEMC's operations on 1 July 2005. These regulations outline the information that is to be included in the AEMC annual reports, and the bodies to whom the AEMC is authorised to disclose confidential information.

The branch participated in a number of MCE working groups, including Transmission, User Participation, Gas Market Development and Distribution and Retail. It had responsibility for the MCE's Governance and Institutions work stream, including performing the role of chair of the relevant working group and coordinating and finalising the development of the AEMC. Branch officers:

- co-chaired the Wind Energy Policy Working Group, with the primary role of ensuring the integration of wind farms into the National Electricity Market
- chaired the Gas Policy Working Group, with the primary responsibility for determining the policy that will underlie the new National Gas Law.

Infrastructure

During the year the branch continued to support the Government's commitment to a transparent urban water and wastewater pricing mechanism. This involved the branch leading work on the publication of the Government's Transparency Statement in respect of its urban water and wastewater pricing decisions and responding to the independent inquiry of ESCOSA on the processes adopted in preparing Cabinet advice.

The branch was specifically responsible in 2004-05 for:

- completing policy reviews related to SA Water including:
 - Weighted Cost of Capital
 - Contributed Assets
- completing, and arranging for tabling in Parliament, the *Transparency Statement, Wastewater Prices in South Australia 2004-05*
- responding to queries raised by ESCOSA during its independent inquiry on 2004-05 wastewater pricing processes and 2005-06 water and wastewater pricing processes and preparing Government responses to ESCOSA's Final Report

Ensuring Accountability for Public Sector Resources

- drafting, consulting on and arranging for tabling in Parliament of the *Transparency Statement, Water and Wastewater in Metropolitan and Regional South Australia 2005-06*
- providing advice and working with other Government Agencies to ensure the Government's interests were taken into account in the drafting of the National Water Initiative
- providing advice and working with the Australian Bureau of Statistics (ABS) on their survey Domestic Use of Water and Energy Survey, which the branch supported financially.

POLICY ANALYSIS BRANCH

The Policy Analysis Branch played an important role in supporting Treasury and Finance's 2004-05 priority of:

- achieving performance improvements in the South Australian public sector

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

Performance

The focus of the branch's activities during 2004-05 related to South Australia's Strategic Plan's priority of achieving performance improvements in the South Australian public sector. This was done through the continuation of the expenditure review process. Advice was also provided to the Treasurer on a range of social policy issues.

Expenditure reviews

A significant achievement for the branch during 2004-05 was the completion of the expenditure review of the former Department of Human Services (DHS). The branch was also closely involved with the Ernst and Young Financial Management Review of the DHS, which was also completed in 2004-05. The branch worked with the Department of Health and the Department for Families and Communities on the implementation of strategies to address issues raised in the Ernst and Young report. It also continued work on a range of issues arising out of the expenditure review.

The branch completed four of the major projects in Stage 2 of the expenditure review of the Department for Administrative and Information Services and a further three major reviews were substantially completed. This work included reviewing shared services arrangements and the development of principles and guidelines to govern their future delivery. Other projects included:

- a review of FleetSA, which identified significant potential savings on Government fleet costs that were adopted in the 2005-06 Budget
- a review of the basis of charges by the Valuer-General for the provision of property valuations for State and Local Government which resulted in an improved pricing regime
- a review of the Strategic Asset Management Information System, which identified the potential for significant improvements to the management of the Government's capital assets
- reviews of facilities management, capital works program management and the Automated Titling and Land Administration System (ATLAS) project.

The expenditure review of the Department of Education and Children's Services (DECS) was completed during the year with the final report for the review considered by the Expenditure Review and Budget Cabinet Committee. Work continued with DECS in relation to a number of issues, including monitoring the implementation of their financial management improvement program and High Level Options Action Plan.

The branch also completed Stage 1 of the Justice Portfolio expenditure review and drafted two reports to the Expenditure Review and Budget Cabinet Committee. The review identified a number of issues requiring further investigation and preliminary work commenced on the recommendations of the review in consultation with the Justice Portfolio agencies.

Ensuring Accountability for Public Sector Resources

Policy advice

The Branch provided advice to the Treasurer on a number of health and housing issues during the year, including the revised Mental Health business plan, the State Housing Plan, the HomeStart review, the South Australian Housing Trust finances and housing debt proposals. Advice was also provided on a range of education issues.

The year ahead

- Completing Stage 2 of the expenditure reviews of the Department for Administrative and Information Services and the Justice Portfolio and assisting them with implementation of the recommendations of these reviews
- Continuing to assist the Department of Health and the Department for Families and Communities with the implementation of recommendations arising out of the expenditure review and the Ernst and Young review
- Continuing to assist the Department of Education and Children's Services in relation to the implementation of the High Level Options Action Plan
- Continuing to provide analysis and advice on key education, health, housing and social policy issues.

PROJECTS ANALYSIS BRANCH

The Projects Analysis Branch played an important role in supporting Treasury and Finance's 2004-05 priority of:

- achieving performance improvements in the South Australian public sector.

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

Performance

Projects Analysis Branch engaged with agencies in capital investment evaluation and appraisal of large-scale infrastructure projects in cooperation with the Office for Infrastructure Development. The Projects Analysis Branch also provided support for the State Infrastructure Plan including provision of early and detailed financial analysis of the Government's infrastructure priorities and assisted agencies to undertake detailed project evaluations and determine the most efficient form of procurement to deliver these projects.

Major projects

The branch assessed and provided advice on the following major projects during 2004-05:

- South Australia's Osborne Maritime Precinct Air Warfare Destroyer bid
- Establishment of Adelaide Campus of Carnegie Mellon University
- Adelaide Entertainment Centre
- Affordable Housing
- Supreme Court Redevelopment
- Men's and Women's Prison, Secure Care Redevelopment
- Outer Harbour Channel Deepening
- Port River Bridges.

In June 2005, the Government entered into a contract with Plenary Justice consortium for the Regional Police Stations and Courts PPP Project, representing South Australia's first signed PPP project.

The year ahead

- Projects Analysis Branch and the Office for Government Enterprises will be merged in 2005-06 to form the Projects and Government Enterprises Branch
- Evaluation of large-scale infrastructure projects under consideration by the Major Projects and Infrastructure Cabinet Committee in cooperation with the Department of Transport, Energy and Infrastructure
- Monitoring the performance of Government enterprises.

Financial Services Provision

There are five branches responsible for financial services provision.

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

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

REVENUESA

RevenueSA played an important role in supporting Treasury and Finance's 2004-05 priorities of:

- strengthening State Finances
- improving service delivery.

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

Performance

RevenueSA collected approximately \$2.5 billion in revenue during 2004-05, as detailed in Appendix 10. The taxation revenue collected exceeded 2004-05 Budget estimates by approximately \$173 million, which is largely a consequence of the strong performance of the property market.

Land Tax administration was a major focus of RevenueSA's activities in 2004-05 including the introduction of four equal monthly instalments, credit card facilities for land tax payments and the payment of rebates as ex-gratia relief of approximately \$20.6 million to 105 000 land taxpayers.

In addition, RevenueSA managed the legislative amendments required to introduce the Government's 2005-06 State Budget initiatives, including significant land tax relief and reforms arising from commitments under the *Intergovernmental Agreement on the Reform of Commonwealth State Financial Relations*.

RevenueSA collected \$40.9 million in tax due to non-compliance. It also approved and paid 8805 First Home Owner Grant applications. It rebated approximately \$6.4 million and \$6.9 million under the Payroll Tax Trainee and Export rebate schemes respectively.

The RevenueSA information technology replacement project (RISTEC) continued during the year and further consolidation was achieved for RevenueSA's internet based self assessment and collection system, RevNet.

Compliance activity

The 2004-05 year was the second year of the Government's initiative to increase support to the State's tax compliance effort. The additional funding has enabled increased compliance activity to continue in all areas of pay-roll tax, land tax and stamp duty.

The total revenue determined from compliance enforcement activities for 2004-05 was approximately \$57.9 million, almost \$12 million above target. Approximately \$40.9 million of revenue was collected.

Compliance program activities operated across 35 major programs with a particular focus on stamp duty from insurance, land and business conveyances, and pay-roll tax.

Financial Services Provision

Table 1 – Revenue Collected through Compliance Programs

Tax Head	Target \$	Revenue determined \$	Revenue collected \$	No. of assignments completed	No. of clients investigated & completed
Pay-roll Tax	7 750 000	9 395 341	3 897 741	171	208
Land Tax	450 000	545 877	216 563	6	215
First Home Owner Grant	750 000	1 391 170	947 100	55	70
Debits Tax	0	158 491	158 491	1	1
Stamp Duty Insurance	4 800 000	8 512 790	5 010 799	26	27
Stamp Duty Cheques	0	67 605	67 605	1	1
Stamp Duty Motor Vehicles	400 000	349 064	238 617	40	567
Stamp Duty Conveyance	7 875 000	11 601 203	5 855 523	260	648
Stamp Duty Mortgages	150 000	66 878	0	1	1
Stamp Duty Rental Business	1 200 000	1 111 039	1 111 741	17	144
TIMBER Decommissioning#	0	57 249	49 857	19	23
Petroleum Subsidies	175 000	282 941	282 941	6	6
				No. of matters referred	No. of matters finalised
Debt Management	22 450 000	24 486 942	23 158 948	8 403	7 489
Total	46 000 000	57 969 340	40 946 070		

TIMBER was the electronic self-assessment system replaced by RevNet. As part of the decommissioning process, audits were completed on all major participants. Revenue collected as part of that process is more appropriately shown in the relevant Stamp Duty category and has been apportioned accordingly.

Land Tax

The implementation of the Government's Land Tax initiatives was a significant focus of RevenueSA's activities in 2004-05.

These initiatives required extensive system modifications to provide for the payment of land tax accounts by four equal monthly installments and for land tax payments to be made by credit card.

Following the announcement of the Government's February 2005 Land Tax relief package, RevenueSA administered the payment of rebates as ex-gratia relief of approximately \$20.6 million to some 105 000 taxpayers.

In addition, RevenueSA managed the implementation of the legislative amendments required to facilitate the Government's 2005-06 State Budget Land Tax initiatives. These amendments provided a new Land Tax rate structure, relaxation of exemption criteria for primary producers and residential owner/ occupiers conducting a business activity on their premises, together with a full exemption for caravan and residential park owners, supported residential facilities and relocatable homes.

Financial Services Provision

Internet based self-determination system – RevNet

RevenueSA continued the development of its RevNet self assessment and collection system, consolidating the work that had been undertaken in 2003-04. RevenueSA achieved an ongoing rate of 94 percent for stamp duty documents self-determined using the RevNet system.

RevenueSA continued its risk management approach to self-determination examining a total of 1 280 documents, resulting in twenty-seven further assessments.

The RevNet Pay-roll tax monthly payment facility was successfully marketed with 1 900 taxpayers electing to pay online. 90 percent of Pay-roll taxpayers lodged their annual reconciliation statement online.

Legislative reform

During the year, RevenueSA managed a number of legislative amendments (see Appendix 3 for details), including changes to support the 2005-06 State Budget taxation initiatives.

Information Technology Services

During 2004-05, RevenueSA and Corporate Services worked together to implement recommendations from the department's Information Technology Service Delivery Review. As a result RevenueSA's information technology resources were successfully transferred to Corporate Services in May 2005.

RevenueSA also implemented system changes resulting from legislative amendments in the previous year's State Budget, which involved the abolition of lease and cheque duty and debits tax from 1 July 2005, reducing Pay-roll Tax rates and providing stamp duty relief to first time home buyers.

Considerable work was undertaken in the project to provide a replacement tax collection and administration information technology system (RISTEC).

The year ahead

- Progress the work on delivering a replacement tax collection and administration information technology system (RISTEC)
- Implement Information Technology Service Delivery Review outcomes
- Implement and manage land tax initiatives, including new quarterly instalment arrangements, rate structures and expanded exemption categories
- Implement legislative and system changes to rationalise State taxes arising from the *Intergovernmental Agreement on the Reform of Commonwealth State Financial Relations*.

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 2004-05 priorities of:

- strengthening State finances
- improving service delivery.

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

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

Full details of SAFA's operations can be found in its own annual report for 2004-05.

Financial Services Provision

Performance

SAFA's major activities for the year focussed on achieving the key priorities contained in its Business Plan for 2004-05, to improve and extend services to current clients, diversify and expand its client base and business activities and maintain a culture of continuous improvement in its business operations, systems and processes.

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

Funding and debt management

As part of its funding and debt management objectives during the year, SAFA met the Government's debt funding requirements of around \$300 million. This was achieved mainly through the issue of long term Select Line debt.

Corporate treasury services

SAFA continued to actively promote its capabilities in providing corporate treasury services to public sector agencies and Government departments. Specifically, this work involved:

- completing a review on the State's current Funds Management model
- assuming responsibility for the administration of a number of financial assistance programs that were previously undertaken by the Department of Trade and Economic Development
- providing treasury functions to SA Water Corporation including the management of its entire debt portfolio (\$1.2 billion) and the provision of treasury system support services
- carried out a review of funds management arrangements in South Australia
- establishing treasury support services to the Department of Education and Children's Services for the South Australian School's Investment Fund involving up to 940 school deposit accounts.

In addition, the Government approved the mandating of SAFA's services across the public sector. The mandate requires public sector entities to utilise SAFA's services for fundraising, leasing, debt advice and management, liquidity management and foreign exchange hedging.

The year ahead

- Facilitating the Government's funding requirements, with an indicative funding task of around \$550 million
- Expanding SAFA's investment and lending services through mandating SAFA's services within Government
- Developing a framework for a revised Funds Management model for the South Australian public sector following the 2004-05 review
- Undertaking a review of the Treasurer's debt management framework
- Integrating the insurance operations of the South Australian Government Captive Insurance Corporation into those of SAFA
- Ensuring the effective administration and transaction management of the Industry Investment Attraction Fund and other industry assistance programs.

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 2004-05 priority of:

- improving service delivery.

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

Full details of Super SA's operations can be found in its board's annual report for 2004-05.

Performance

Super SA continued to improve its performance in member service standards in 2004-05. The timeliness of the delivery of member benefit statements was improved and enhancements to established systems were implemented.

Financial Services Provision

Member services

Super SA continued to improve its services to members in 2004-05 including the release of a range of new products and services and further enhancement to existing services.

It released two new products, The Allocated Pension and Flexible Rollover Product, to members in April 2005. The products were launched by the Treasurer, the Hon Kevin Foley MP, and provide greater flexibility for members in retirement.

Super SA introduced Bpay in March 2005 to provide a secure, easy payment option for Triple S members making one-off lump sum contributions. There was a positive response to the introduction of this service and opportunities for further efficiencies will be considered in 2005-06.

Super SA also introduced the 'My Future' online education site in June 2005. The site delivers financial management tips and tools in plain English to help members learn about and manage their finances. The 'My Future' site received over 800 'hits' in the first month of implementation. The Super SA website will also undergo further development to be consistent with the 'My Future' site.

The number of members making additional superannuation contributions increased during the year. As at 30 June 2005, 26 percent of the Triple S active membership were making personal contributions to their superannuation with the number of contributory members reaching 23 271. This reflects an increase of 1169 members for the previous year.

Approximately 3000 Triple S members made one-off contributions during 2004-05 with 56 percent of these contributions being made in June 2005. This figure is nearly three times the number of members who made additional contributions in the 2003-04 year.

The dramatic increase in this number for the 2004-05 year and the concentration of contributions in the month of June indicates that the Federal Government's enhancement of the co-contribution Scheme has once again had a significant impact on members making personal contributions to their superannuation accounts.

Table 2 illustrates the membership across each of the State Schemes.

Table 2 – Membership Across Government Schemes

Scheme	Contributory Members	Non-Contributory Members	Preserved	Superannuants	Total
Triple S Scheme (open)	23 271	66 674	57 692	*	147 637
Pension Scheme (closed)	4 784	N/A	1 772	14 855	21 411
Lump Sum Scheme (closed)	7 215	N/A	2 507	N/A	9 722
Parliamentary Superannuation Scheme	69	#	3	97	169
Judges Pension Scheme	N/A	46	N/A	49	92
Governor's Pension Scheme & Other Pension Payments	N/A	1	N/A	2	3
Total	35 339	66 721	61 974	15 000	179 034

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

All members of Parliament must contribute

Financial Services Provision

Commonwealth legislation

Super SA continued to monitor the progress of Commonwealth legislation affecting superannuation in 2004-05. Changes to the State schemes are considered at the time Commonwealth legislation is enacted.

The Commonwealth *Financial Services Reform Act 2002* (FSR) Act was assented to on 27 September 2001 and commenced operation on 11 March 2002. There was a two-year transitional period, expiring 11 March 2004, for industry participants to fully implement the FSR Act provisions. The schemes established under the *Superannuation Act 1988* and the *Southern State Superannuation Act 1994* are exempt from the FSR Act. However, the Board has agreed to adopt where possible the principles of the Commonwealth legislation. A review of Super SA's communications was undertaken during the year to comply with the relevant requirements and Super SA continues to monitor this legislation.

The State Government applied to the Commonwealth Government for the Triple S Scheme to be prescribed so that it is exempt from the Commonwealth choice of funds legislation, which became effective from 1 July 2005. The *Southern State Superannuation Act 1994* has been prescribed in the regulations. Contributions made under this Act will be deemed to be in compliance with the choice of fund legislation. The defined benefit schemes – the State Pension Scheme and the State Lump Sum Scheme – are exempt under the Commonwealth choice legislation.

Internal administration systems

Super SA continued to improve its internal administrative systems in 2004-05 by further developing its online services and participating in reviews of its systems and products.

Super SA piloted a component of the ePASS Customer Relationship Management module called Contact History to gain a better understanding of the types of services required by members. Stage 1 of the module was implemented on 1 August 2004 and this has enabled Super SA to provide a greater level of immediate information to members and record previous contacts.

Super SA participated in an independent benchmarking exercise conducted by Cost Effectiveness Measurement Inc (CEM) with providers including other Australian Government Superannuation Funds to compare and analyse costs and services to members. The findings concluded that Super SA is a low cost performing fund when compared to other funds in the peer group. CEM highlighted that Super SA's low cost performance was particularly impressive given the size of its membership.

CEM also provided valuable information in relation to improvements and system enhancements. Super SA has implemented most of the points raised in the report and will again participate in the Benchmarking Survey in 2005.

An independent analysis of the new products (Allocated Pension and Flexible Rollover Product) has also been undertaken by SuperRatings. This is an independent organisation that specialises in researching all aspects of Australia's superannuation funds. The findings were very positive with both products being described as providing "excellent value for money for investors" and also "being extremely competitive."

Super SA undertook a comprehensive update of its Risk Management Plan in August 2004. As a result, the following measures were taken during the 2004-05 year:

- co-contributions manuals and processes were developed to ensure the successful implementation of the co-contributions initiative
- considerable work was undertaken to ensure the successful implementation of Super SA's new products
- improved business continuity processes were implemented
- an extensive review of Super SA's fraud risk was undertaken and fraud awareness training was provided to staff.

The year ahead

- Continuing to promote the importance of superannuation to SA public sector employees to increase the number of employees who voluntarily contribute from the present level of 26 percent
- Introducing financial planning services to members
- Implementing new insurance provisions recommended to Government.

Financial Services Provision

SOUTH AUSTRALIAN GOVERNMENT CAPTIVE INSURANCE CORPORATION

The South Australian Government Captive Insurance Corporation (SAICORP) is a semi government authority resourced by Treasury and Finance staff and is one of five branches responsible for Financial Service Provision. It played an important role in supporting Treasury and Finance's 2004-05 priority of:

- improving service delivery.

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

SAICORP's major activities for the year are highlighted here, with more detail being provided in the SAICORP Annual Report for 2004-05.

Performance

SAICORP continued to provide insurance protection to government agencies at stable rates in a difficult world insurance market during the year. It also successfully renewed its reinsurance program and managed Government schemes to assist residents affected by the Eyre Peninsula bushfires and the Patawalonga Lake flooding.

Reinsurance program

The Government's reinsurance program for 2004-05 was successfully renewed at 30 September 2004 with increased cover at a reduced cost. A net premium saving of just over \$2 million was achieved in respect of those parts of the program that were renewed in 2004.

Eyre Peninsula bushfires

On 11 January 2005, a major bushfire occurred on the Lower Eyre Peninsula in the vicinity of Cummins, Tumby Bay, North Shields and Wangary. The fire burnt approximately 83 000 ha of land, with an estimated 135 commercial properties and around 100 small holdings being affected.

The direct cost of the fires to SAICORP in respect of property losses for insured agencies is still being assessed. SA Water suffered the most, a substantial loss through damage to pipelines and other infrastructure. SAICORP has made a reserve of \$10 million in its accounts in relation to these property losses.

Patawalonga Lake flooding

The heavy rainfalls in June 2003, in conjunction with the failure of barrage gates at the southern end of the Patawalonga Lake caused flooding of a number of households in Glenelg North. SAICORP was entrusted with the coordination of loss assessments and payments under the Government's compensation scheme to assist affected residents. Priority was given to the management of these claims to ensure that they were considered promptly and that payments were made in a timely manner.

As at June 2005, compensation payments totalling \$1.7 million had been made and outstanding compensation claims were estimated at about \$21 000. Assessors' fees totalling \$169 000 were also paid. On 8 September 2004 SAICORP received a cheque from Baulderstone Hornibrook in the sum of \$1.8 million in return for full and final release for any claims arising out of the compensation scheme.

The year ahead

- Monitor the ongoing security status of insurers and reinsurers participating in SAICORP's insurance and reinsurance programs
- Continue to populate SAICORP's website with up-to-date data regarding the Government's assets and associated risks
- Review and enhance SAICORP's insurance and risk management questionnaire to improve the transfer of relevant and up-to-date information to the SAICORP website for disclosure to reinsurers
- Continue to promote good risk management practices across Government agencies
- Provide risk management advice and assistance to Government agencies
- Monitor emerging trends and risks relating to claims through formal and informal networks
- Tender the provision of actuarial services to SAICORP
- Tender the provision of insurance and reinsurance broking services to SAICORP
- Commence a review of SAICORP's information technology related systems.

Financial Services Provision

CORPORATE SERVICES

Corporate Services played an important role in supporting Treasury and Finance's 2004-05 priorities of:

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

Specifically, it provides:

- a range of business support services within Treasury and Finance, to the Treasurer's Office, to other smaller agencies within the Treasurer's portfolio and, on a bureau basis, to the Department of the Premier and Cabinet
- corporate support services within Treasury and Finance, including business operations and strategic services in the administrative, audit and risk management, communications, financial, human resource, IT and security fields
- coordination of the departmental strategic management process, including the corporate budgeting and planning cycle.

Performance

The year saw the branch commence and continue a range of significant projects that will deliver improved administrative processes and business support to the department. This included the implementation of new software for the management of the department's records, the implementation of a new Information Communication Technology (ICT) service delivery model and the introduction of the department's new Performance Management Program.

Major projects

IT Service Delivery Review Initiative

Corporate Services continued the implementation of the recommendations of the IT Service Delivery Review adopting a new ICT service delivery model. The main focus of the project in 2004-05 was consolidating the IT services of the department's two largest IT areas, RevenueSA and Corporate Services. In May 2005, a new section of Corporate Services known as ICT Services was established. The establishment of ICT Services involved the transition of 21.3 full time equivalents from RevenueSA to Corporate Services.

It also extended Corporate Services responsibilities to include the management and support of RevenueSA's business applications. Further opportunities for consolidation will be considered during 2005-06.

ICT Transition

The State Government contract with EDS for whole of government IT service delivery is scheduled to end in July 2005 and this has led to the Government seeking new IT service delivery arrangements. The branch commenced an ICT transition project in 2004-05 to prepare the department for the transition from the current single contract with EDS to the proposed multi vendor contracts. This involved the development of strategies for the transition to the new arrangements. It is expected that most of these strategies will be implemented in 2005-06.

Electorate Office Security

Following Cabinet approval in November 2004, Corporate Services commenced the development of a program to improve the physical security of staff and visitors in the electorate offices of the 47 State Members of the House of Assembly.

This program incorporates the development and implementation of operational and emergency policies and procedures, staff training and induction processes, and upgraded physical security measures in electorate offices to meet the Government's responsibility to provide a safe and secure working environment for all employees.

Whilst this initiative has a completion date of 30 June 2006, one of its main objectives is to provide a sustainable, ongoing management plan for electorate office security that recognises whole of government policies and industry standards.

Document Management

The branch continued its major project to improve the department's records management process during the year. The replacement system Objective was implemented in all but one site. This involved the migration of data from the existing RecFind system and the provision of extensive user training. The initial implementation focused on the department's ability to manage its physical records.

Financial Services Provision

The next phase of the project is to implement functionality to manage the department's records stored in electronic format and is scheduled for 2005-06.

Internet Redevelopment

The department undertook a substantial project to redevelop its Internet site following a review of the site. The new site incorporates a menu based on the functions of the department, with less focus on its separate branches. It also includes a substantially improved recruitment area that covers the job opportunities within, and the benefits of working for, the department. A comprehensive search feature is built into the site.

Accommodation Review

The branch continued to implement the recommendations of the department's accommodation review during the year, managing the reconfiguration of multiple floors within the State Administration Centre. The reconfigurations have included the replacement of ageing workstations with a new flexible style of workstation, and the redesign of the floor layouts to maximise efficiency.

Significant benefits have resulted from the project including standardising floor layouts, reallocation of space and consolidating related business units into the one site. The termination of some accommodation leases provided ongoing rental savings to the department.

Further works are scheduled for the 2005-06 year.

Significant operational programs

Financial Management

Corporate Services continued to improve the financial management of the department in 2004-05. This was achieved through an increased emphasis on internal management accounting processes and implementation of the department's internal management component of the whole of government Consolidated Financial Reporting project. This project involved changes to the general ledger structure and financial accounting processes that will improve whole of government financial reporting and budget monitoring.

As part of the department's internal audit and risk management program an independent review of the management of the department's banking function was conducted. The review indicated that Corporate Services was managing the banking function well. The department's internal controls were also strengthened through a review of financial delegations.

In addition, the internal management reporting systems were upgraded to ensure continued reliable and timely electronic distribution of monthly management reports.

Security Management

Corporate Services continued to improve the management of ICT vulnerabilities with the implementation of internet filtering tools, an upgrade to the existing anti-virus system and the implementation of a structured operating system patch management methodology.

The development of an Information Security Strategic Plan was commenced for the period 2005-08 with the focus on risk management activities and strong policy development.

Performance Management Program

A new Performance Management Program (PMP) for all staff, including executives, was developed and launched in August 2004. The implementation of the program included providing PMP information sessions for staff, training staff in giving and receiving feedback and offering staff individual coaching in the PMP process. The implementation of the program resulted in all staff participating in a performance review during early 2005.

A post implementation review of the PMP was conducted in May 2005 to identify opportunities for improvement to the PMP process. The general finding of the review indicated that the PMP was well accepted and successfully integrated into the department. The review found that most employees understood the process and felt it had been beneficial.

Publications Management

Corporate Services managed the publication of the 2005-06 State Budget Papers in cooperation with the relevant branches. Other publications managed included the 2004-05 Mid Year Review and the Final Budget Outcome for 2003-04.

Financial Services Provision

Women in Treasury

The Women in Treasury (WIT) group continued to provide advice and support to the Under Treasurer and Executive Management Group (EMG), through Human Resources on issues specific to supporting women in the workplace and on initiatives that focus on career and cultural development for all departmental staff.

A three-year work program for WIT was finalised in 2004-05 and aligned with the aims and objectives of the department. The theme for the work program for 2004-07 is 'Being Positive and Confident'.

Other WIT activities included:

- lunchtime forums with various public and private sector speakers who focussed on themes to assist staff in their professional development and life skills
- sponsorship of three one-day Public Speaking courses
- regular communication through its Newsletter WIT e News, including profiling senior staff and women in the department
- ongoing management of the Family Room and Nursing Mother's Room.

Occupational Health, Safety and Welfare

In early 2005, the department conducted OHS&W Training for non-executive managers and staff. The training covered the:

- OHS&W legal framework and its link with South Australia's Strategic Plan
- roles and responsibilities of the department and its staff
- risk management principles of AS/NZS 43560
- department's OHS&W management systems.

The Wellbeing Subcommittee of the department's OHS&W Committee co-ordinated a number of initiatives during the year including:

- healthy lifestyle seminars
- fruit and healthy eating days
- casual days and charity collections.

The committee's charity work resulted in staff donating a total of \$4 893 to charities during the year.

Whole of Government Programs

Disability Action Plan

During the year the department refined its Disability Action Plan to ensure that it aligned with the Government's focus on supporting employees with disabilities and persons utilising our services. An internal working party was established to assist with the implementation of the plan with a focus on web accessibility, disability awareness training and communication of services available. Human Resources continued to provide support to Branches in relation to providing employment opportunities and placement for individuals with disabilities.

Greening of Government Operations

An implementation committee was established during the year to develop and implement a plan to reduce the environmental impact of the department within the Cabinet endorsed Greening of Government Operations framework.

Reconciliation

The department continued to focus its Aboriginal Reconciliation work on participating in the Across Government Reconciliation Implementation Reference Group and by offering to support community groups in managing their financial affairs. One group contacted the department to participate in the program, the Aboriginal Legal Rights Movement. Discussions were commenced to identify the support to be provided.

The year ahead

- Expanding the Objective system to manage the department's electronic records
- Continuing the implementation of the recommendations of the accommodation review
- Implementing security measures in the State's Electorate Offices
- Developing an integrated management reporting system
- Continuing the IT Service Delivery Review
- Developing an information security strategic plan.

Human Resource Information

Employee numbers, gender and status

Table 3 – Employee numbers		
Persons	602	
FTE's	573	
Gender	% Persons	% FTE's
Male	52	54
Female	48	46
Number of persons separated from the agency during the 2004-05 financial year.		76
Number of persons recruited to the agency during the 2004-05 financial year.		100
Number of persons on leave without pay as at 30 June 2005.		12

Table 4 - Number of Employees by Salary Bracket			
Salary Bracket	Male	Female	Total
\$0 - \$38 000	33	80	113
\$38 001 - \$49 000	70	113	183
\$49 001 - \$64 000	93	63	156
\$64 001 - \$83 000	78	28	106
\$83 001 +	36	8	44
TOTAL	310	292	602

Financial Services Provision

Table 5 - Status of Employees in Current Position as at 30 June 2005

FTE's					
	Ongoing	Short Term Contract	Long Term Contract	Casual	Total
Female	213	34	18	0	265
Male	210	48	50	0	308
TOTAL	423	82	68	0	573
Persons					
	Ongoing	Short Term Contract	Long Term Contract	Casual	Total
Female	237	37	18	0	292
Male	211	49	50	0	310
TOTAL	448	86	68	0	602

Executives

Table 6 - Number of Executives by Status in Current Position, Gender and Classification as at 30 June 2005

Classification	Ongoing		Contract Tenured		Contract Untenured		Total		Total
	Female	Male	Female	Male	Female	Male	Female	Male	
ELO201	0	1	0	0	0	0	0	1	1
EXECA	0	0	5	14	3	6	8	20	28
EXECB	0	0	0	7	0	2	0	9	9
EXECC	0	0	1	3	0	1	1	4	5
EXECD	0	0	0	0	0	1	0	1	1
EXECF	0	0	0	0	0	1	0	1	1
TOTAL	0	1	6	24	3	11	9	36	45

Leave Management

Table 7 - Leave Management				
	2001-02	2002-03	2003-04	2004-05
Average number of sick leave days taken per FTE	7.4	6.8	6.6	7.6
Average number of family carer's leave days taken per FTE	0.5	0.7	0.8	0.7
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)	Not provided	0.1	1	0.5
TOTAL	7.9	7.6	8.4	8.8

*Includes unpaid sick leave

Workforce Diversity

Age Profile

Table 8 - Age Profile as at 30 June 2005					
Age Bandwidth	Female	Male	Total	% of all Agency employees	% of South Australian Workforce
15 - 19	1	0	1	0.2	7.4
20 - 24	23	18	41	6.8	11.3
25 - 29	55	38	93	15.5	10.0
30 - 34	77	57	134	22.3	10.7
35 - 39	48	50	98	16.3	11.1
40 - 44	27	42	69	11.5	12.2
45 - 49	20	29	49	8.1	12.3
50 - 54	26	44	70	11.6	11.3
55 - 59	14	25	39	6.5	8.1
60 - 64	1	5	6	1	4.0
65 & over	0	2	4	0.3	1.6
TOTAL	292	310	602	100	100

Financial Services Provision

Reconciliation

Table 9 - Number of Indigenous Employees					
Age Bandwidth	Female	Male	Total	% of Agency employees	Strategic Benchmark*
Aboriginal/Torres Strait Islander	0	2	2	0.33	2

* Benchmark from State Strategic Plan

Cultural and Linguistic Diversity

Table 10 - Cultural and Linguistic Diversity					
	Female	Male	Total	% of Agency employees	SA Community*
Number of employees born overseas	31	34	65	10.8	20.3%
Number of employees who speak language(s) other than English at home.	0	5	5	0.9	15.5%

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

Disability

Table 11 - Number of Employees with Ongoing Disabilities Requiring Workplace Adaptation				
Age Bandwidth	Female	Male	Total	% of Agency employees
TOTAL	1	2	3	0.5

Note: More information on disability is provided in Appendix 5

Voluntary Flexibility Working Arrangements

Table 12 - Number of Employees using Flexible Working Arrangements by Gender			
	Female	Male	Total
Purchased Leave	15	40	55
Flexitime	262	247	509
Compressed Weeks	1	1	2
Part-time Job Share	19	1	20
Working from Home	5	2	7

Training and Development

Table 13 - Documented Individual Performance Plans			
Salary Bracket	% with a plan negotiated within the past 12 months	% with plan older than 12 months	% no plan
\$0 - \$38 000	100	0	0
\$38 001 - \$49 000	100	0	0
\$49 001 - \$64 000	100	0	0
\$64 001 - \$83 000	100	0	0
\$83 001 +	100	0	0
Overall %	100	0	0

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 2004-05, the results for 2004-05 and the results for 2003-04. The detailed Financial Statements for 2004-05 are presented later in this report.

Summary Statement of Financial Performance			
	Original Budget 2004-05 \$'000	Actual 2004-05 \$'000	Actual 2003-04 \$'000
Expenses from Ordinary Activities	69 058	71 481	68 408
Revenues from Ordinary Activities	27 930	29 608	29 820
Net Cost of Services for Ordinary Activities	(41 128)	(41 873)	(38 588)
Revenues from SA Government	41 708	43 380	40 560
Payments to SA Government	8 000	13 450	-
Net Result from Ordinary Activities	(7 420)	(11 943)	1 972
Increase in Net Assets due to Administrative Restructure	-	122	-
Net Result After Restructuring	(7 420)	(11 821)	1 972

Category	Original Budget 2004-05 (\$million)	Actual 2004-05 (\$million)
Expenses	69.058	71.481
Revenue	27.930	29.608
Rev from SA Gov	41.708	43.380
Pmts to SA Gov	8.000	13.450

As reflected in the table, the 2004-05 Net Result After Restructuring of \$11.8 million represents an unfavourable variation of \$4.4 million from the original budget. This variation is summarised as follows:

- Expenses from Ordinary Activities were \$2.4 million higher than the original budget primarily due to additional expenditure approved by the Government and because of expenditure incurred on behalf of other agencies on a cost recovery basis. The increased expenditure included increased employee costs attributable to the Enterprise Bargaining Agreement, increased Land Tax administration costs, higher than expected depreciation and amortisation expenditure caused by additional investment payments and a payment made to the Superannuation Schemes, administered by the South Australian Superannuation Board, to reflect the return of accumulated reserves. The increase in expenditure was partially offset by decreased costs attributable to staff vacancies, the transfer of the Lottery and Gaming function to the Office of Liquor and Gambling and transaction delays associated with various industry assistance programs transferred from the Department of Trade and Economic Development.

Performance

- Revenues from Ordinary Activities increased by \$1.6 million compared to budget due to additional revenue from other agencies to recover expenditure incurred on their behalf and increased interest revenue caused by a higher than expected cash balance.
- Revenues from Government were \$1.7 million higher than budget mainly due to the receipt of additional appropriation for Masterpiece licenses.
- Payments to Government were \$5.5 million greater than budget as the return of surplus cash funds to the Consolidated Account mandated by the Government's cash alignment policy, was higher than initially anticipated.
- The transfer of Lotteries and Gaming employees and their respective entitlements to the Office of Liquor and Gambling resulted in a net gain from restructuring of \$0.1 million.

Summary Statement of Financial Position			
	Original Budget 2004-05 \$'000	Actual 2004-05 \$'000	Actual 2003-04 \$'000
Current Assets	13 181	12 377	25 849
Non Current Assets	12 878	11 401	8 542
Total Assets	26 059	23 778	34 391
Current Liabilities	5 837	6 460	5 341
Non Current Liabilities	8 412	8 267	8 178
Total Liabilities	14 249	14 727	13 519
Net Assets	11 810	9 051	20 872
Equity	11 810	9 051	20 872

Category	Original Budget 2004-05	Actual 2004-05
Curr Assets	13.181	12.377
Non Curr Assets	12.878	11.401
Curr Liab	5.837	6.460
Non Curr Liab	8.412	8.267

Current assets were \$0.8 million less than budget due to a lower than initially anticipated closing cash balance. The decreased closing cash balance as at 30 June 2005 was attributable to a higher than estimated return of surplus cash to the Consolidated Account, as mandated by the Government's cash alignment policy and a payment made to the Superannuation Schemes administered by the South Australian Superannuation Board, to reflect the return of accumulated reserves. These payments were offset by a higher than budgeted opening cash balance caused by departmental savings achieved in the previous financial year, additional interest revenue and transaction delays associated with the Tax Revenue System Replacement project and various industry assistance programs transferred from the Department of Trade and Economic Development.

Performance

Non current assets were \$1.5 million less than budget. This was attributable to furniture and fittings write-offs, delays in the Tax Revenue System Replacement project and higher than budgeted depreciation expenditure. This was partially offset by increased capital costs mainly associated with the purchase of Masterpiece Licenses.

Current liabilities were \$0.6 million greater than budget due to a higher than estimated closing balance for creditors. This was a short-term timing issue that was offset by additional cash at year-end.

The transfer of Lotteries and Gaming employees and their respective entitlements to the Office of Liquor and Gambling led to a \$0.1 million reduction to the non current liabilities balance.

Summary Statement of Cash Flows			
	Original Budget 2004-05 \$'000	Actual 2004-05 \$'000	Actual 2003-04 \$'000
Cash Flows from Operating Activities			
- Cash Outflows	(65 727)	(72 619)	(69 461)
- Cash Inflows	27 883	35 117	34 513
- Cash Flows from SA	33 708	29 930	40 560
Net Cash Inflows from Operating Activities	(4 136)	(7 572)	5 612
Cash Flows from Investing and Financing Activities			
- Cash Outflows	(4 888)	(5 851)	(2 391)
Net Cash Outflows from Investing	(4 888)	(5 851)	(2 391)
Net increase/(decrease) in cash held	(9 024)	(13 423)	3 221
Cash at the beginning of the financial year	20 346	23 934	20 713
Cash at the end of the financial year	11 322	10 511	23 934

Category	Original 2004-05 Budget (\$million)	Actual 2004-05 (\$million)
Outflows	65.727	72.619
Inflows	27.883	35.117
Receipts from SA Govt	33.708	29.930
Investing	4.888	5.851

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

Trends

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

Key Performance Indicators			
	2004-05	2003-04	2002-03
	\$'000	\$'000	\$'000
Net Cost of Services	41 873	38 588	33 835
Revenues from Government as total Source of funding	59.43%	57.63%	56.33%
Average Employee Cost	76	74	69
Operating Expenses per Employee	130	125	116
Consultants as percentage of Operating Expenses	1.52%	2.60%	1.61%
Cash Balance	10 511	23 934	20 713
Increase/(Decrease) in Net Assets	(11 821)	1 972	3 011
Net Assets	9 051	20 872	18 900
Current Assets/Current Liabilities	1.92	4.84	4.82
% of Creditors paid within 30 days	94%	88%	87%

The Net Cost of Services increased from the previous year mainly due to a payment made to the Superannuation Schemes administered by the South Australian Superannuation Board to reflect the return of accumulated reserves, furniture and fittings capital write-offs, increased depreciation and amortisation expenditure caused by additional capital purchases, increased employee costs attributable to the Enterprise Bargaining Agreement and an increase to the department's staffing level and a decrease in interest revenue caused by a reduction to the department's cash balance.

The proportion of revenue sourced from the Government increased due to the receipt of additional appropriation for the purchase of Masterpiece Licences, the Enterprise Bargaining Agreement, Land Tax administration and the management of various industry assistance programs transferred from the Department of Trade and Economic Development.

The average cost per employee and operating expenses per employee did not change significantly from 2003-04 whilst consultancy costs as a percentage of operating costs decreased considerably due to a reduction in consultancy engagements associated with energy infrastructure and advisory services for various Government projects.

The material decrease in net assets was primarily attributable to the return of surplus cash to the Consolidated Account.

Performance

Account Payment Performance

All agencies are required to report monthly 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 94 percent of all invoices by the due date. This result is higher than the departmental benchmark of 90 percent.

Account Payment Performance				
Particulars	Number Paid	%	Amount Paid (\$'000)	%
Paid by the due date	12 060	94	50 389	93
Paid less than 30 days after the due date	569	4	1 854	5
Paid more than 30 days after from the due date	249	2	836	2
TOTAL	12 878	100	53 079	100

Contracting Out Arrangements

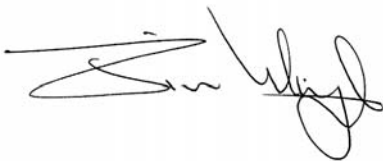
There is one contractual arrangement over \$4.0 million in the department.

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

CERTIFICATION OF THE FINANCIAL REPORT

We certify that:

- the attached General Purpose Financial Report for the Department of Treasury and Finance presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department of Treasury and Finance as at 30 June 2005, the result of its operations and its cash flows for the year then ended; and
- the attached financial statements are in accordance with the accounts and records of the Department and give an accurate indication of the financial transactions of the Department for the year then ended; and
- internal controls over the financial reporting have been effective throughout the reporting period.



Jim Wright
UNDER TREASURER
19 September 2005



Brenda McKenzie
ACTING DIRECTOR, FINANCIAL SERVICES
14 September 2005

Performance

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$'000	2004 \$'000
EXPENSES FROM ORDINARY ACTIVITIES			
Employee expenses	5	40 879	40 331
Supplies and services	6	26 351	25 978
Depreciation and amortisation	7	2 455	1 908
Other	8	1 796	191
Total Expenses from Ordinary Activities		71 481	68 408
REVENUES FROM ORDINARY ACTIVITIES			
Fees and charges	10	26 501	26 121
Interest	11	836	1 304
Other	12	2 271	2 395
Total Revenues from Ordinary Activities		29 608	29 820
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		(41 873)	(38 588)
REVENUES FROM/PAYMENTS TO SA GOVERNMENT			
Revenues from SA Government	13	43 380	40 560
Payments to SA Government	13	(13 450)	-
NET RESULT FROM ORDINARY ACTIVITIES		(11 943)	1 972
Net Revenue from Administrative Restructure	26	122	-
NET RESULT AFTER RESTRUCTURING		(11 821)	1 972
TOTAL CHANGES IN EQUITY EXCLUDING THOSE RESULTING FROM TRANSACTIONS WITH STATE GOVERNMENT AS OWNER		(11 821)	1 972

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

Performance

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	Note	2005 \$'000	2004 \$'000
CURRENT ASSETS			
Cash	14	10 511	23 934
Receivables	15	923	1 147
Other	18	943	768
Total Current Assets		12 377	25 849
NON-CURRENT ASSETS			
Property, plant and equipment	16	653	1 290
Intangible assets	17	10 748	7 252
Total Non-Current Assets		11 401	8 542
TOTAL ASSETS		23 778	34 391
CURRENT LIABILITIES			
Payables	19	2 648	1 965
Employee benefits	20A	3 764	3 321
Provisions	21	48	49
Other	22	-	6
Total Current Liabilities		6 460	5 341
NON-CURRENT LIABILITIES			
Payables	19	827	819
Employee benefits	20A	7 317	7 245
Provisions	21	123	114
Total Non-Current Liabilities		8 267	8 178
TOTAL LIABILITIES		14 727	13 519
NET ASSETS		9 051	20 872
EQUITY			
Accumulated surplus	23	8 943	20 764
Asset revaluation reserve	23	108	108
TOTAL EQUITY		9 051	20 872
Commitments for Expenditure	25		
Contingent Assets and Liabilities	27		

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

Performance

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE

	Note	2005 \$'000	2004 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Outflows			
Employee payments		(40 159)	(38 611)
Supplies and services		(26 026)	(25 798)
GST payments on purchases		(3 471)	(2 914)
GST remitted to Australian Taxation Office		(1 995)	(2 138)
Other		(968)	-
Total Outflows from Operating Activities		(72 619)	(69 461)
Cash Inflows			
Fees and charges		26 528	25 904
Interest received		873	1 276
GST receipts on receivables		2 021	2 153
GST input tax credits		3 609	2 793
Other		2 086	2 387
Total Inflows from Operating Activities		35 117	34 513
Cash Flows from SA Government			
Receipts from SA Government		43 380	40 560
Payments to SA Government		(13 450)	-
Total Cash Flows from SA Government		29 930	40 560
NET CASH (OUTFLOWS)/INFLOWS FROM OPERATING ACTIVITIES	28B	(7 572)	5 612
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Outflows			
Purchase of property, plant and equipment		(366)	(314)
Purchase of intangible assets		(5 485)	(2 077)
Total Outflows from Investing Activities		(5 851)	(2 391)
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES		(5 851)	(2 391)
NET (DECREASE)/INCREASE IN CASH HELD		(13 423)	3 221
Cash at the beginning of the financial year		23 934	20 713
CASH AT THE END OF THE FINANCIAL YEAR	28A	10 511	23 934

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

Performance

PROGRAM SCHEDULE OF EXPENSES AND REVENUES FOR THE YEAR ENDED 30 JUNE 2005

	Program 1		Program 2		Program 3		Program 4		Program Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
EXPENSES FROM ORDINARY ACTIVITIES										
Employee expenses	12 580	11 536	26 170	26 883	1 865	1 656	264	256	40 879	40 331
Supplies and services	6 712	6 432	18 449	18 052	1 144	1 467	46	27	26 351	25 978
Depreciation and amortisation	656	221	1 781	1 672	16	14	2	1	2 455	1 908
Other	232	1	1 527	190	32	-	5	-	1 796	191
Total Expenses from Ordinary Activities	20 180	18 190	47 927	46 797	3 057	3 137	317	284	71 481	68 408
REVENUES FROM ORDINARY ACTIVITIES										
Fees and charges	1 327	1 177	25 147	24 900	23	40	4	4	26 501	26 121
Interest	310	438	476	790	43	66	7	10	836	1 304
Other	825	831	1 202	1 411	241	151	3	2	2 271	2 395
Total Revenues from Ordinary Activities	2 462	2 446	26 825	27 101	307	257	14	16	29 608	29 820
NET COST OF SERVICES FROM ORDINARY ACTIVITIES										
	(17 718)	(15 744)	(21 102)	(19 696)	(2 750)	(2 880)	(303)	(268)	(41 873)	(38 588)
REVENUES FROM/PAYMENTS TO SA GOVERNMENT										
Revenues from SA Government	18 811	16 645	21 328	20 586	2 919	3 045	322	284	43 380	40 560
Payments to SA Government	(5 833)	-	(6 612)	-	(905)	-	(100)	-	(13 450)	-
NET RESULT FROM ORDINARY ACTIVITIES	(4,740)	901	(6 386)	890	(736)	165	(81)	16	(11 943)	1 972

The Programs headings are listed below and descriptions are contained in Note 4

- (1) Ensuring Accountability for Public Sector Resources
- (2) Financial Services Provision
- (3) Industry Regulation and Infrastructure
- (4) Gambling Policy

The allocations to programs are indicative and are based on broad costing methodologies

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1 Objectives of the Department of Treasury and Finance

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

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

The Department provides the government with policy and financial advice on achieving the SASP through the following departmental priorities:

Achieve performance improvements in the South Australian Public Sector

Related SASP Objective: Growing Prosperity

Target Area: Performance Improvement in the SA Public Sector - Productivity and Quick Decision Making

Improve budget and financial management processes

Related SASP Objective: Growing Prosperity

Target Area: Performance Improvement in the SA Public Sector Productivity

Strengthen State Finances

Related SASP Objective: Growing Prosperity

Target Area: Credit Rating

Effective Industry Regulation and Infrastructure Development

Related SASP Objective: Growing Prosperity, Improving Well Being. Target Areas: Strategic Infrastructure Development, Regional Infrastructure

Improve Service Delivery

Related SASP Objective: Growing Prosperity

Target Area: Performance Improvement in the SA Public Sector - Productivity and Quick Decision Making

Corporate Priorities

Related SASP Objective: Growing Prosperity Target Area: Performance Improvement in the SA Public Sector - Productivity

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

2 Summary of Significant Accounting Policies

2.1 Basis of Accounting

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

- Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*;
- applicable Australian Accounting Standards; and
- other mandatory professional reporting requirements in Australia.

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

2.2 Reporting Entity

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

2.3 Administrative Restructure

The Lotteries and Gaming unit was transferred to the Office of the Liquor and Gambling Commissioner, effective 1 July 2004. No revenue and expenses for this function were included in the financial statements for 2004-05. The net revenue from the transfer of assets and liabilities as a result of the restructure has been reflected in Note 26.

2.4 Comparative Figures

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

2.5 Rounding

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

2.6 Taxation

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

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

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

2.7 Revenue and Expenses

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

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

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

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

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

2.8 Revenues from/Payments to SA Government

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

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

2.9 Current and Non-Current Items

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

2.10 Cash

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

In October 2003 the Government introduced a policy with respect to aligning agency cash balances with appropriation and expenditure authority. During 2004-05, the Department transferred \$13.45 million of its cash balance to the Consolidated Account.

2.11 Receivables

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

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

2.12 Non-Current Assets Acquisition and Recognition

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

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

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

2.13 Revaluation of Non-Current Assets

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

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

2.14 Depreciation and Amortisation of Non-Current Assets

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

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

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

Class of Asset	Depreciation Method	Useful Life (Years)
Furniture and Fittings	Straight Line	10
Intangibles	Straight Line	3-10
Information Technology Equipment	Straight Line	4
Office Equipment	Straight Line	3

2.15 Intangible Assets

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

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

2.16 Payables

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

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

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

All amounts are measured at their nominal amount and are normally settled within 30 days in accordance with Treasurer's Instruction 11 *Payment of Accounts* after the Department receives an invoice.

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

The Department makes contributions to several State Government and externally managed superannuation schemes. 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 respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the schemes.

2.17 Employee Benefits

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

Liability for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date. The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2005 and is measured at the nominal amount.

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

2.18 Provisions

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

2.19 Leases

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

In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased items. Operating lease payments are charged to the Statement of Financial Performance on a basis, which is representative of the pattern of benefits derived from the leased assets.

3 Changes in Accounting Policies

3.1 Government/Non-Government Disclosure

In accordance with Accounting Policy Statement 13 *Form and Content of General Purpose Financial Reports*, the Department has included details of revenue, expenses, financial assets and financial liabilities according to whether the transactions are with entities internal or external to the SA Government in notes to the financial statements.

3.2 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

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

In accordance with requirements of AASB 1047 *Disclosing the Impact of Adopting Australian Equivalents to International Financial Reporting Standards*, the following table has been prepared summarising any known or reliably estimated information about the impact of the 2004-05 financial report had it been prepared using AIFRS. The major impact is that the Department will derecognise research costs in relation to research and development tasks associated with internally developed software in accordance with AASB 138 *Intangible Assets*.

The impact on key financial aggregates is estimated as:

Reconciliation of key aggregates	Amount currently reported per GAAP	Known or reliably estimated impact on the financial report.	Amount to be reported after adopting AIFRS
	\$'000	\$'000	\$'000
Net Cost of Services	(41 873)	(938)	(42 811)
Net Result from Ordinary Activities	(11 943)	(938)	(12 881)
Total Assets	23 778	(1 573)	22 205
Total Liabilities	14 727	-	14 727
Net Assets	9 051	(1 573)	7 478
Cash Flow from Operating Activities	(7 572)	(934)	(8 506)
Cash Flow from Investing Activities	(5 851)	934	(4 917)

The Department performed a review in relation to the Administered Items. The review did not reveal any known or reliably estimated information having an impact on the Administered financial statements due to the introduction of AIFRS.

4 Programs of the Department

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

Program 1: Ensuring Accountability for Public Sector Resources

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

Program 2: Financial Services Provision

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

Program 3: Industry Regulation and Infrastructure

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

Program 4: Gambling Policy

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

Performance

5 Employee Expenses

	2005	2004
	\$'000	\$'000
Salaries and Wages	29 997	28 695
TVSP (refer below)	-	241
Long Service Leave	971	1 612
Annual Leave	2 900	2 831
Employment on-costs	5 952	5 862
Board Fees ^①	224	218
Other employee related expenses	835	872
Total Employee Expenses	40 879	40 331

^① Represents fees paid to members of the South Australian Superannuation Board, South Australian Government Financing Authority, Energy Consumers Council and the Board of Directors of SAICORP.

Targeted Voluntary Separation Packages (TVSPs)	2005	2004
	\$'000	\$'000
Amount paid to these employees:		
TVSPs	-	241
Accrued Annual Leave and Long Service Leave paid during the reporting period	-	55
	-	296
Recovery from the Department of the Premier and Cabinet	-	(241)

	2005	2004
	Number of Employees	Number of Employees
Number of employees that were paid TVSPs during the reporting period	-	4

Performance

Remuneration of Employees

The number of employees whose remuneration received or receivable falls within the following bands:

	2005 Number of Employees	2004 Number of Employees
\$100 000 - \$109 999	5	12
\$110 000 - \$119 999	10	6
\$120 000 - \$129 999	10	7
\$130 000 - \$139 999	9	8
\$140 000 - \$149 999	1	3
\$150 000 - \$159 999	5	4
\$160 000 - \$169 999	2	1
\$170 000 - \$179 999	1	2
\$180 000 - \$189 999	3	-
\$190 000 - \$199 999	1	2
\$220 000 - \$229 999	-	1
\$240 000 - \$249,999	-	1
\$250 000 - \$259 999	1	-
\$310 000 - \$319 999	1	1
Total Number of Employees	49	48

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$6 874 000 (\$6 642 000).

Average number of employees during the reporting period:

On average the Department employed 560 (546) people throughout the reporting period.

Performance

6 Supplies and Services

	2005	2004
	\$'000	\$'000
Supplies and Services provided by entities within the SA Government		
Accommodation and Telecommunication	4 687	4 617
Information Technology Expenses	3 433	3 305
Minor Works, maintenance and equipment	621	102
Legal costs	1 116	1 012
Valuation Fees	1 262	1 282
Other	2 259	1 760
Total Supplies and Services - SA Government entities	13 378	12 078
Supplies and Services provided by entities external to the SA Government		
Accommodation and Telecommunication	70	61
Information Technology Expenses	3 119	3 778
Minor Works, maintenance and equipment	431	926
Consultants	1 085	1 778
Contractors	3 701	2 928
General administration and Consumables	2 557	2 523
Other	2 010	1 906
Total Supplies and Services - Non SA Government entities	12 973	13 900
Total Supplies and Services	26 351	25 978

The expenditure split between SA Government entities and Non SA Government entities is based on a materiality threshold of \$100 000.

The number and dollar amount of Consultancies paid/payable that fell within the following bands:

	2005	2004	2005	2004
	Number	Number	\$'000	\$'000
Below \$10 000	14	13	26	47
Between \$10 000 and \$50 000	10	4	264	71
Above \$50 000	4	6	795	1 660
	28	23	1 085	1 778

Performance

7 Depreciation and Amortisation

	2005 \$'000	2004 \$'000
Depreciation		
Furniture and Fittings	26	506
Information Technology Equipment	112	174
Office Equipment	102	94
Total Depreciation	240	774
Amortisation		
Intangible Assets	2 215	1 134
Total Amortisation	2 215	1 134
Total Depreciation and Amortisation	2 455	1 908

8 Other Expenses

	2005 \$'000	2004 \$'000
South Australian Superannuation Board reserve	918	-
Furniture and fittings derecognised	753	-
Intangible asset derecognised	25	-
Property, plant and equipment write-offs	50	191
Other	50	-
Total Other Expenses	1 796	191

Adjustments were incorporated into the 2004-05 financial statements to recognise that some of the cash reserves held within the Department's Statement of Financial Position were actually controlled by the South Australian Superannuation Board rather than the Department. In addition, a number of items that had previously been capitalised were assessed as not meeting the criteria of an asset and were therefore expensed in order to correct the Statement of Financial Position.

9 Auditor's Remuneration

	2005 \$'000	2004 \$'000
Audit Fees paid / payable to the Auditor-General's Department	368	348
Total Audit Fees	368	348

No other services were provided by the Auditor-General's Department.

Performance

10 Fees and Charges

	2005 \$'000	2004 \$'000
Fees and Charges received/receivable from entities within the SA Government:		
Agencies for the provision of Corporate Services	1 661	1 643
South Australian Government Captive Insurance Corporation	2 013	1 900
South Australian Government Financing Authority	5 544	5 054
Community Emergency Services Fund	6 100	6 178
Other Recoveries	1 766	1 727
Total Fees and Charges - SA Government entities	17 084	16 502
Fees and Charges received/receivable from entities external to the SA Government:		
South Australian Superannuation Board	9 145	9 289
Other Recoveries	272	330
Total Fees and Charges - Non SA Government entities	9 417	9 619
Total Fees and Charges	26 501	26 121

The revenue split between SA Government entities and Non SA Government entities is based on a materiality threshold of \$100 000.

11 Interest

	2005 \$'000	2004 \$'000
Interest from entities within the SA Government	836	1 304
Total Interest	836	1 304

Performance

12 Other Revenues

	2005 \$'000	2004 \$'000
Other Revenues received/receivable from entities within the SA Government:		
Banking Recoveries	565	707
Land Tax Certificates	418	392
Core Client Access Licences	248	-
Reimbursement for TVSPs paid	-	241
Other Reimbursements	1	139
Other	4	117
Total Other Revenues - SA Government entities	1 236	1 596
Other Revenues received/receivable from entities external to the SA Government:		
Banking Recoveries	45	44
Land Tax Certificates	197	189
Regulatory fees	214	212
Commissions	145	131
Other Reimbursements	325	172
Other	109	51
Total Other Revenues - Non SA Government entities	1 035	799
Total Other Revenues	2 271	2 395

The revenue split between SA Government entities and Non SA Government entities is based on a materiality threshold of \$100 000.

13 Revenues from/Payments to SA Government

	2005 \$'000	2004 \$'000
Revenues from SA Government		
Appropriations from Consolidated Account pursuant to the Appropriation Act	43 380	40 560
Total Revenues from SA Government	43 380	40 560
Payments to SA Government		
Return of surplus cash pursuant to cash alignment policy	13 450	-
Total Payments to SA Government	13 450	-

Performance

14 Cash

	2005	2004
	\$'000	\$'000
Deposits with the Treasurer	10 508	23 930
Other	3	4
Total Cash	10 511	23 934

The Deposits with the Treasurer include the Accrual Appropriation Account and Surplus Cash Working Account balances. Due to the initial clearing of the surplus cash working account balances, in accordance with the cash alignment policy, there has been a reduction of \$13.45 million in the level of cash held by the Department at June 2005.

15 Receivables

	2005	2004
	\$'000	\$'000
Current		
Receivables	276	113
Accrued Revenues	467	740
GST Receivable	180	294
Total Receivables	923	1 147

SA Government / Non SA Government entities Receivables

	2005	2004
	\$'000	\$'000
Receivables from SA Government entities		
Receivables	74	46
Accrued Revenues	391	368
Total Receivables from SA Government entities	465	414

Receivables from Non SA Government entities

Receivables	202	67
Accrued Revenues	76	372
GST Receivable	180	294
Total Receivables from Non SA Government entities	458	733

Total Receivables	923	1 147
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Performance

16 Property, Plant and Equipment

	2005 \$'000	2004 \$'000
Furniture and Fittings		
Furniture and Fittings at cost (deemed fair value)	272	314
Accumulated depreciation	(106)	(52)
Furniture and Fittings at fair value	-	1 139
Accumulated depreciation	-	(413)
Total Furniture and Fittings	166	988
Information Technology Equipment		
Information Technology Equipment at cost (deemed fair value)	623	399
Accumulated depreciation	(374)	(262)
Total Information Technology Equipment	249	137
Office Equipment		
Office Equipment at cost (deemed fair value)	476	301
Accumulated depreciation	(238)	(136)
Total Office Equipment	238	165
Total Property, Plant and Equipment	653	1 290

Furniture and Fittings assets with fair value of \$1.1 million were recognised as an accounting error during 2004-05 due to certain items not meeting the accounting definition of an asset.

During 2004-05, equipment relating to information technology was separately reported from office equipment as the Department expects the value of this class of asset to increase significantly due to changes in Government's approach to managing information technology infrastructure.

Reconciliation of Property, Plant and Equipment

The following table shows the movement of property, plant and equipment during 2004-05

	Furniture and Fittings \$'000	Information Technology Equipment \$'000	Office Equipment \$'000	Total \$'000
Carrying amount at the beginning of the financial year	988	137	165	1 290
Additions	7	224	175	406
Write-off non-current assets	(50)	-	-	(50)
Depreciation expense	(26)	(112)	(102)	(240)
Other movements	(753)	-	-	(753)
Carrying amount at the end of the financial year	166	249	238	653

Performance

17 Intangible Assets

	2005 \$'000	2004 \$'000
Computer software	18 525	12 814
Accumulated amortisation	(7 777)	(5 562)
Total Intangible Assets	10 748	7 252

Reconciliation of Intangible Assets

The following table shows the movement of intangible assets during 2004-05

	2005 \$'000
Carrying amount at the beginning of the financial year	7 252
Additions	5 736
Amortisation expense	(2 215)
Other movements	(25)
Carrying amount at the end of the financial year	10 748

18 Other Assets

	2005 \$'000	2004 \$'000
Current		
Prepayments	943	768
Total Current Other Assets	943	768

19 Payables

	2005 \$'000	2004 \$'000
Current		
Creditors	834	(2)
Accrued expenses	1 241	1 461
Employment on-costs	573	506
Total Current Payables	2 648	1 965
Non-Current		
Employment on-costs	827	819
Total Non-Current Payables	827	819
Total Payables	3 475	2 784

Performance

SA Government / Non SA Government entities Payables

	2005	2004
	\$'000	\$'000
Payables to SA Government entities		
Creditors	420	(2)
Accrued expenses	1 016	1 155
Employment on-costs	651	620
Total Payables to SA Government entities	2 087	1 773
Payables to Non SA Government entities		
Creditors	414	-
Accrued Expenses	225	306
Employment on-costs	749	705
Total Payables to Non SA Government entities	1 388	1 011
Total Payables	3 475	2 784

20A Employee Benefits

	2005	2004
	\$'000	\$'000
Current		
Accrued salaries and wages	543	334
Annual leave	2 563	2 423
Long service leave	658	564
Total Current Employee Benefits	3 764	3 321
Non-Current		
Long service leave	7 317	7 245
Total Non-Current Employee Benefits	7 317	7 245
Total Employee Benefits	11 081	10 566

Performance

20B Employee Benefits and Related On-costs

	2005 \$'000	2004 \$'000
Accrued Salaries and Wages		
On-costs included in payables - Current (Note 19)	87	54
Employee benefits - Current (Note 20A)	543	334
	630	388
Annual Leave		
On-costs included in payables - Current (Note 19)	411	388
Employee benefits - Current (Note 20A)	2 563	2 423
	2 974	2 811
Long Service Leave		
On-costs included in payables - Current (Note 19)	75	64
Employee benefits - Current (Note 20A)	658	564
	733	628
On-costs included in payables - Non-Current (Note 19)	827	819
Employee benefits - Non Current (Note 20A)	7 317	7 245
	8 144	8 064
Aggregate Employee Benefits and Related On-costs	12 481	11 891

21 Provisions

	2005 \$'000	2004 \$'000
Current		
Provision for workers compensation	48	49
Total Current Provisions	48	49
Non-Current		
Provision for workers compensation	123	114
Total Non-Current Provisions	123	114
Total Provisions	171	163
Carrying amount at the beginning of the financial year	163	159
Payments made	(18)	(76)
Increase in the Provision	26	80
Carrying amount at the end of the financial year	171	163

Performance

22 Other Liabilities

	2005 \$'000	2004 \$'000
Current		
Unearned revenue	-	6
Total Other Liabilities	<u>-</u>	<u>6</u>

23 Equity

	2005 \$'000	2004 \$'000
Accumulated Surplus		
Balance at the beginning of the financial year	20 764	18 792
Net result from ordinary activities	(11 821)	1 972
Balance at the end of the financial year	<u>8 943</u>	<u>20 764</u>
Asset Revaluation Reserve		
Balance at the beginning of the financial year	108	108
Increase/(decrease) in asset revaluation reserve	-	-
Balance as at the end of the financial year	<u>108</u>	<u>108</u>

24 Financial Instruments

(a) Terms, Conditions and Accounting Policies

(i) Financial Assets

Cash is available at call and is recorded at cost.

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

Receivables are normally settled within 30 days.

(ii) Financial Liabilities

Creditors and accruals are raised for all amounts billed but unpaid.

Sundry creditors are normally settled within 30 days.

Performance

(b) Interest Rate Risk

<i>Financial Instrument</i>	Floating Interest Rate 2005 \$'000	Non-Interest Bearing 2005 \$'000	Total Carrying Amount 2005 \$'000	Weighted Average Effective Interest Rate 2005 %
Financial Assets:				
Cash	10 508	3	10 511	5.16
Receivables	-	923	923	-
	10 508	926	11 434	
Financial Liabilities:				
Payables	-	3 475	3 475	-
	-	3 475	3 475	

<i>Financial Instrument</i>	Floating Interest Rate 2005 \$'000	Non-Interest Bearing 2005 \$'000	Total Carrying Amount 2005 \$'000	Weighted Average Effective Interest Rate 2005 %
Financial Assets:				
Cash	23 930	4	23 934	4.87
Receivables	-	1 147	1 147	-
	23 930	1 151	25 081	
Financial Liabilities:				
Payables	-	2 784	2 784	-
	-	2 784	2 784	

(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.

Performance

25 Commitments For Expenditure

(a) Operating Lease Commitments At the reporting date, the Department's operating leases are for the lease of office accommodation.

Office accommodation is leased from the Real Estate Management business unit of the Department for Administrative and Information Services (DAIS).

The leases are non-cancellable with terms ranging up to 6 years with some leases having right of renewal. The rental amount is based on floor space and the time period of the lease, with the rental rate reviewed taking into account movements in market rental values or CPI. Rental is payable in arrears.

For the current financial year, the total amount of rental expense for minimum lease payments for operating leases was \$2 985 000 (\$3 295 000).

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

	2005	2004
	\$'000	\$'000
Not later than one year	2 693	2 906
Later than one year and not later than five years	9 745	9 595
Later than five years	-	2 378
	12 438	14 879

(b) Other Commitments

The Department's other commitments are for agreements for the provision of cars to senior executive officers or sections (i.e. pool cars) with Fleet SA (there are no purchase options available to the Department) and commitments for software licence agreements.

	2005	2004
	\$'000	\$'000
Not later than one year	1 417	435
Later than one year and not later than five years	3 278	349
Later than five years	-	-
	4 695	784

For the current financial year, the total amount paid to Fleet SA for the provision of cars was \$472 000 (\$393 000).

Performance

26 Net Revenue from Administrative Restructure

	2005 \$'000	2004 \$'000
Liabilities transferred to the Office of the Liquor and Gambling Commissioner		
Annual Leave	23	-
Long Service Leave	82	-
Employment on-costs	17	-
Net Revenue from Administrative Restructure	122	-

27 Contingent Assets and Liabilities

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

28 Cash Flow Reconciliation

	2005 \$'000	2004 \$'000
(a) Reconciliation of Cash - Cash at year end as per:		
Statement of Cash Flows	10 511	23 934
Statement of Financial Position	10 511	23 934
(b) Reconciliation of Net Cash Inflows from Operating Activities to Net Cost of Services from Ordinary Activities		
Net Cash (Outflows)/Inflows from Operating Activities	(7 572)	5 612
Add Cash flows from SA Government	(29 930)	(40 560)
Add Non cash items		
Depreciation and amortisation	(2 455)	(1 908)
Assets derecognised	(778)	-
Asset write-offs	(50)	(191)
Net revenue from administrative restructure	(122)	-
Assets acquired at no cost	248	-
Non-current assets accrual in payables	43	25
Change in Assets / Liabilities		
Increase (decrease) in receivables	(224)	357
Increase (decrease) in other assets	175	(164)
(Increase) decrease in payables	(691)	(52)
(Increase) decrease in employee benefits	(515)	(1 700)
(Increase) decrease in provisions	(8)	(4)
(Increase) decrease in other liabilities	6	(3)
Net Cost of Services from Ordinary Activities	(41 873)	(38 588)

Performance

29 Economic Dependency

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

30 Events after Balance Date

On July 7 2005, the Full Industrial Relations Commission of SA handed down its decision on the current Enterprise Bargaining agreement. The decision provides for salary increases to be back paid to the first pay period commencing on or after 1 October 2004 and will incorporate the interim increase already granted by the Full Commission in October 2004. The financial implications of these salary increases have been taken into account in preparing these financial statements.

Statement of Administered Revenues and Expenses for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
REVENUES FROM ORDINARY ACTIVITIES			
Taxation	32	2 649 043	2 507 900
Commonwealth revenues	33	3 381 989	3 191 957
Dividends	34	403 070	398 081
Interest	35	159 152	153 024
Revenues from SA Government	36	1 063 889	1 168 850
Fees and charges	37	-	122
Other	38	530 399	227 867
Total Revenues from Ordinary Activities		8 187 542	7 647 801
EXPENSES FROM ORDINARY ACTIVITIES			
Payments to SA Government	36	7 032 787	6 421 305
Employee expenses	39	260 626	253 995
Supplies and services	40	5 041	6 464
Interest		284 819	306 804
Grants, subsidies and transfers	41	542 691	643 531
Depreciation	42	14	523
Other	43	57 689	75 466
Total Expenses from Ordinary Activities		8 183 667	7 708 088
OPERATING SURPLUS / (DEFICIT)		3 875	(60 287)
Net Revenue from Administrative Restructure	54	-	29 033
TOTAL CHANGES IN EQUITY EXCLUDING THOSE RESULTING FROM TRANSACTIONS WITH STATE GOVERNMENT AS OWNER		3 875	(31 254)

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

Statement of Administered Assets and Liabilities as at 30 June 2005

	Notes	2005 \$'000	2004 \$'000
CURRENT ASSETS			
Cash	44	1 069 870	426 266
Receivables	45	8 631	13 396
Other financial assets	46	108	131
Total Current Assets		1 078 609	439 793
NON-CURRENT ASSETS			
Other financial assets	46	115	223
Property, plant and equipment	47	538	552
Total Non-Current Assets		653	775
TOTAL ASSETS		1 079 262	440 568
CURRENT LIABILITIES			
Payables	48	1 022 703	387 172
Interest bearing liabilities	49	108	131
Other	50	1 791	25
Total Current Liabilities		1 024 602	387 328
NON-CURRENT LIABILITIES			
Payables	48	502 338	504 660
Interest bearing liabilities	49	115	223
Other	50,56	930	955
Total Non-Current Liabilities		503 383	505 838
TOTAL LIABILITIES		1 527 985	893 166
NET ASSETS		(448 723)	(452 598)
EQUITY			
Accumulated deficit	51	(448 723)	(452 598)
TOTAL EQUITY		(448 723)	(452 598)
Commitments for Expenditure	53		
Contingent Assets and Liabilities	55		

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

Administered Statement of Cash Flows as at 30 June 2005

	Notes	2005	2004
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Taxation revenues		2 649 043	2 583 530
Receipts from Commonwealth		3 381 989	3 191 957
Dividends		403 070	398 081
Interest received		159 151	154 156
Receipts from SA Government		1 063 889	1 168 850
Fees and charges		16	68
GST receipts on receivables		4 544	3 989
GST input tax credits		9 284	1 710
Other		528 265	150 347
Total Inflows from Operating Activities		8 199 251	7 652 688
Cash Outflows			
Payments to SA Government		(6 399 167)	(7 016 548)
Employee payments		(260 626)	(244 127)
Supplies and services		(5 093)	(6 588)
Interest payments		(284 819)	(307 857)
Grants, subsidies and transfers		(542 652)	(642 645)
GST payments on purchases		(3 585)	(8 084)
GST remitted to Australian Taxation Office		(3 717)	(3 985)
Other		(55 988)	(60 498)
Total Outflows from Operating Activities		(7 555 647)	(8 290 332)
NET CASH INFLOWS/(OUTFLOWS) FROM OPERATING ACTIVITIES			
	57B	643 604	(637 644)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Inflows			
Proceeds from other financial assets		170	8,363
Total Inflows from Financing Activities		170	8,363
Cash Outflows			
Repayment of interest bearing liabilities		(170)	(8,363)
Total Outflows from Financing Activities		(170)	(8,363)
NET CASH INFLOWS FROM FINANCING ACTIVITIES			
		-	-
NET INCREASE/(DECREASE) IN CASH HELD			
Cash at the beginning of the financial year		426 266	1 063 435
Cash increase as a result of restructuring		-	475
CASH AT THE END OF THE FINANCIAL YEAR	57A	1 069 870	426 266

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

Schedule of Administered Revenue and Expenses for the year ended 30 June 2005

	Admin Items on behalf of the Consolidated Account	Commonwealth Mirror Taxes on Commonwealth Place Revenue Account	Community Development Fund	Community Emergency Service Fund	ETSAs Sales/ Lease Proceeds Account	Hospitals Fund	Local Government Disaster Fund	TAB Sales Proceeds Account	Treasurer's Interest in the National Wine Centre Account	Treasury Working Account	Other ⁽¹⁾	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ADMINISTERED REVENUES FROM ORDINARY ACTIVITIES												
Taxation	2 584 701	-	-	64 342	-	-	-	-	-	-	-	2 649 043
Commonwealth revenues	3 364 416	17 573	-	-	-	-	-	-	-	-	-	3 381 989
Dividends	403 070	-	-	-	-	-	-	-	-	-	-	403 070
Interest	156 056	-	-	177	-	-	2 271	46	-	-	602	159 152
Revenues from SA Government	981 370	-	20 000	62 519	-	-	-	-	-	-	-	1 063 889
Fees and charges	-	-	-	-	-	-	-	-	-	-	-	-
Other	361 826	-	-	6 504	2 115	146 051	-	-	45	12 024	1 834	530 399
Total Administered Revenues	7 851 439	17 573	20 000	133 542	2 115	146 051	2 271	46	45	12 024	2 436	8 187 542
ADMINISTERED EXPENSES FROM ORDINARY ACTIVITIES												
Payments to SA Government	6 869 145	17 573	-	-	-	146 051	-	-	-	-	18	7 032,787
Employee expenses	260 578	-	-	-	-	-	-	-	48	-	-	260 626
Supplies and services	4 904	-	-	-	-	-	40	-	94	-	3	5 041
Interest	284 819	-	-	-	-	-	-	-	-	-	-	284 819
Grants, subsidies and transfers	388 081	-	20 000	133 534	-	-	1 076	-	-	-	-	542 691
Depreciation	-	-	-	-	-	-	-	-	14	-	-	14
Other	43 912	-	-	-	-	-	-	2	(19)	12 024	1 770	57 689
Total Administered Expenses	7 851 439	17 573	20 000	133 534	-	146 051	1 116	2	137	12 024	1 791	8 183 667
OPERATING SURPLUS / (DEFICIT)	-	-	-	8	2 115	-	1 155	44	(92)	-	645	3 875

⁽¹⁾ Includes Country Equalisation Scheme Account, Home Purchases Assistance Account and Local Government Concessions Senior Card Holders "

Administered Financial Statements

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

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

The Administered financial statements also include some transactions relating to the Community Emergency Services Fund and all the transactions for the special deposit accounts established under Section 8 of the *Public Finance and Audit Act 1987* that are administered by the Department listed below:

- Community Development Fund
- Commonwealth Mirror Taxes on Commonwealth Places Revenue Account
- Country Equalisation Scheme Account
- ETSA Sales/Lease Proceeds Account
- Home Purchases Assistance Account
- Hospitals Fund
- Local Government Concessions
- Senior Card Holders
- Local Government Disaster Fund
- TAB Sales Proceeds Account
- Treasurer's Interest in the National Wine Centre Account
- Treasury Working Account

31 Summary of Significant Accounting Policies

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

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

31.1 Comparatives

Comparative figures have been adjusted to align the classification of some revenue and expense items with whole-of-government reporting under AAS31. The significant changes for revenue have been the transfer of income tax equivalents and local government rate equivalents previously reported under dividend and distribution to taxation. The major change for expenses included items titled 'Transfers to entities within SA Government' being moved from employee expenses, and supplies and services to grants, subsidies and transfers.

The 2003-04 financial statements did not include the figures for the Community Services Emergency Fund, which is a control account established to record all fixed property revenue collected by Revenue SA and transferred to the Community Emergency Services Fund administered by the Attorney General's Department. These figures were incorporated in the financial statements prepared by Attorney General's, however a review of the account during 2004-05 resulted in the view that the transactions should also be incorporated in these statements. The comparatives have been adjusted for this change.

31.2 Administrative Restructure

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

Performance

31.3 Depreciation and Amortisation of Non-Current Assets

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

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

32 Taxation

	2005 \$'000	2004 \$'000
Taxation received/receivable from entities within the SA Government		
Payroll tax	163 259	155 924
Land tax	113 457	82 844
Emergency Services levy	1 621	1 794
Local Government Rate Equivalents	2 955	1 845
Income Tax Equivalents	134 426	105 177
Recoup from Recreation and Sport	-	253
Contributions from Lotteries Commission	75 308	75 615
Total Taxation - SA Government entities	491 026	423 452
Taxation received/receivable from entities external to the SA Government		
Stamp duties	1 104 095	1 120 623
Commonwealth Places Mirror - Stamp duties	689	1 400
Payroll tax	731 715	699 807
Commonwealth Places Mirror - Payroll tax	15 660	14 974
Land tax	161 066	116 937
Commonwealth Places Mirror - Land tax	808	705
Debits tax	60 063	59 901
Commonwealth Places Mirror - Debits tax	415	414
Emergency Services levy	62 721	55 708
Local Government Rate Equivalents	661	-
Save the River Murray levy	19 351	12 773
Hindmarsh Island Bridge levy	13	-
Contributions from on-course totalizators and small lotteries	760	1 206
Total Taxation - Non SA Government entities	2 158 017	2 084 448
Total Taxation	2 649 043	2 507 900

33 Commonwealth Revenues

	2005 \$'000	2004 \$'000
Commonwealth General Purpose Grants		
GST Revenue grants	3 291 365	3 146 430
Competition grants	50 409	40 679
Transitional grant Overpayment/(Recovery)	-	(34 715)
Commonwealth Places Mirror Taxes	17 573	17 493
Total Commonwealth General Purpose Grants	3 359 347	3 169 887

Performance

Commonwealth Specific Purpose Grants

Concessions to pensioners and others	18 862	18 297
Debt redemption assistance	3 745	3 773
Additional First Home Owner grant	35	-
Total Commonwealth Specific Purpose Grants	22 642	22 070
Total Commonwealth Revenues	3 381 989	3 191 957

34 Dividends

	2005 \$'000	2004 \$'000
Administrative and Information Services	102 857	71 411
Forestry SA	11 566	21 793
Land Management Corporation	2 180	51 479
Lotteries Commission	6 374	-
Motor Accident Commission	-	5 000
Public Trustee Office	1 372	1 176
SA Water Corporation	165 189	164 110
South Australian Asset Management Corporation	73 200	58 500
South Australian Government Financing Authority	37 564	19 000
TransAdelaide	2 296	2 296
Transport SA	472	2 961
Other	-	355
Total Dividends	403 070	398 081

35 Interest

	2005 \$'000	2004 \$'000
Interest from entities within the SA Government	156 877	150 364
Other	2 275	2 660
Total Interest	159 152	153 024

36 Revenues from/Payments to SA Government

	2005 \$'000	2004 \$'000
Revenues from SA Government		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	1 002 038	1 110 974
Appropriations under other Act	61 851	57 876
Total Revenues from SA Government	1 063 889	1 168 850
Payments to SA Government		
Transfer of revenue received on behalf of Consolidated Account	6 869 145	6 240 538
Payment to SAFA for retirement of state debt	-	26 049
Other payments to the Consolidated Account	163 642	154 718
Total Payments to SA Government	7 032 787	6 421 305

Performance

37 Fees and Charges

	2005 \$'000	2004 \$'000
Food and beverage sales	-	68
Other	-	54
Total Fees and Charges	-	122

38 Other Revenues

	2005 \$'000	2004 \$'000
Other Revenues received/receivable from entities within the SA Government:		
Contribution towards public hospital costs	146 051	137 200
Repayment of advances	116 991	33 995
Return of cash to Consolidated Account - Cash Alignment policy	150 474	-
Return of capital	42 432	-
Return of deposit account balances	15 059	-
Guarantee fees	18 782	17 370
Essential Services Commission of SA	4 632	4 924
Light motor vehicle fleet - rental payment recoveries	3 026	4 854
Support Services to Parliamentarians	796	1 151
Other	25 086	18 692
Total Other Revenues - SA Government entities	523 329	218 186
Other Revenues received/receivable from entities external to the SA Government:		
Support Services to Parliamentarians	127	55
Other	6 943	9 626
Total Other Revenues - Non SA Government entities	7 070	9 681
Total Other Revenues	530 399	227 867

39 Employee Expenses

	2005 \$'000	2004 \$'000
Superannuation contributions to various schemes	249 779	243 765
Support Services to Parliamentarians	10 566	9 967
Minister's salary, electorate and expense allowance	233	225
Other employee related expenses	48	38
Total Employee Expenses	260 626	253 995

Performance

40 Supplies and Services

	2005 \$'000	2004 \$'000
Supplies and Services provided by entities within the SA Government		
Support Services to Parliamentarians	2 308	1 859
General administration	696	1 792
Total Supplies and Services - SA Government entities	3 004	3 651
Supplies and Services provided by entities external to the SA Government		
Unclaimed monies	709	110
Support Services to Parliamentarians	1 322	2 005
General administration	2	291
Consultants	4	407
Total Supplies and Services - Non SA Government entities	2 037	2 813
Total Supplies and Services	5 041	6 464

The expenditure split between SA Government entities and Non SA Government entities is based on a materiality threshold of \$100 000.

The number and dollar amount of Consultancies paid/payable that fell within the following bands:

	2005 Number	2004 Number	2005 \$'000	2004 \$'000
Below \$10 000	1	1	4	1
Between \$10 000 and \$50 000	-	-	-	-
Above \$50 000	-	1	-	406
	1	2	4	407

41 Grants, Subsidies and Transfers

	2005 \$'000	2004 \$'000
Grants, Subsidies and Transfers paid to entities within the SA Government		
Recurrent grants	410 521	471 983
Capital grants	-	-
Total Grants, Subsidies and Transfers - SA Government entities	410 521	471 983
Grants, Subsidies and Transfers paid to entities external to the SA Government		
Recurrent grants	132 170	170 655
Capital grants	-	893
Total Grants, Subsidies and Transfers - Non SA Government entities	132 170	171 548
Total Grants, Subsidies and Transfers	542 691	643 531

Performance

42 Depreciation

	2005	2004
	\$'000	\$'000
Buildings	14	523
Total Depreciation	14	523

Change in Depreciation due to a Revaluation

The National Wine Centre buildings and land were revalued downwards at 30 June 2004. As a result of the revaluation, depreciation on the building assets has decreased for subsequent reporting periods.

43 Other Expenses

	2005	2004
	\$'000	\$'000
Other expenses paid/payable to entities within SA Government		
Repayment of borrowings	4 436	7 762
Other	8 960	1 394
Total Other Expenses - SA Government entities	13 396	9 156
Other expenses paid/payable to entities external to the SA Government		
Asset revaluation decrement	-	26 826
Refunds and remissions	39 458	28 010
Payment to TABQ under Sales agreement	-	4 374
Other	4 835	7 100
Total Other Expenses - Non SA Government entities	44 293	66 310
Total Other Expenses	57 689	75 466

44 Cash

	2005	2004
	\$'000	\$'000
Deposits with the Treasurer	1 027 470	385 266
Other	42 400	41 000
Total Cash	1 069 870	426 266

Performance

45 Receivables

	2005 \$'000	2004 \$'000
Current		
Receivables	47	63
Provision for doubtful debts	(4)	(25)
Accrued revenues	8 588	6 867
GST receivables	-	6 491
Total Receivables	8 631	13 396
SA Government / Non SA Government entities Receivables		
Receivables from SA Government entities		
Receivables	40	-
Accrued revenues	8 259	6 569
Total Receivables from SA Government entities	8 299	6 569
Receivables from Non SA Government entities		
Receivables	3	38
Accrued revenues	329	298
GST receivables	-	6 491
Total Receivables from Non SA Government entities	332	6 827
Total Receivables	8 631	13 396

46 Other Financial Assets - Non SA Government entities

	2005 \$'000	2004 \$'000
Current		
Investment with Adelaide Bank	108	131
Total Current Other Financial Assets	108	131
Non-Current		
Investment with Adelaide Bank	115	223
Total Non-Current Other Financial Assets	115	223
Total Other Financial Assets	223	354

These assets have liabilities with corresponding values in the accounts and are disclosed in Note 49.

Performance

47 Property, Plant and Equipment

	2005 \$'000	2004 \$'000
Buildings		
Buildings at cost (deemed fair value)	539	539
Accumulated depreciation	(14)	-
Total Buildings	525	539
Land		
Land at cost (deemed fair value)	13	13
Total Land	13	13
Total Property, Plant and Equipment	538	552

Valuation of Non-Current Assets

Valuation of the land and buildings transferred from the National Wine Centre was performed by Valcorp Australia Pty Ltd as at 30 June 2004. Due to the lease arrangement with the University of Adelaide for a period of 40 years for an upfront rent amount of \$1 million, a market value based on the income approach has been adopted in accordance with Accounting Policy Statement 3 *Valuation of Non-Current Assets*. This approach resulted in the site being revalued downwards to \$552 000.

Reconciliation of Property, Plant and Equipment

The following table shows the movement of property, plant and equipment during 2004-05

	Buildings \$'000	Land \$'000	TOTAL \$'000
Carrying amount at the beginning of the financial year	539	13	552
Acquisition from transfer	-	-	-
Depreciation expense	(14)	-	(14)
Carrying amount at the end of the financial year	525	13	538

Performance

48 Payables

	2005 \$'000	2004 \$'000
Current		
Electricity entities - lease proceeds	2 322	2 115
Creditors - other	1 004 277	372 405
Accrued expenses	16 055	12 652
GST payable	49	-
Total Current Payables	1 022 703	387 172
Non-Current		
Electricity entities - lease proceeds	502 338	504 660
Total Non-Current Payables	502 338	504 660
Total Payables	1 525 041	891 832

SA Government / Non SA Government entities Payables

	2005 \$'000	2004 \$'000
Payables to SA Government entities		
Electricity entities - lease proceeds	504 660	506 775
Creditors	1 004 276	372 405
Accrued expenses	15 393	7 597
Total Payables to SA Government entities	1 524 329	886 777
Payables to Non SA Government entities		
Creditors	1	-
Accrued expenses	662	5 055
GST payable	49	-
Total Payables to Non SA Government entities	712	5 055
Total Payables	1 525 041	891 832

49 Interest Bearing Liabilities - Non SA Government entities

	2005 \$'000	2004 \$'000
Current		
Adelaide Bank	108	131
Total Current Interest Bearing Liabilities	108	131
Non-Current		
Adelaide Bank	115	223
Total Non-Current Interest Bearing Liabilities	115	223
Total Interest Bearing Liabilities	223	354

These liabilities have assets with corresponding values in the accounts and are disclosed in Note 46.

Performance

50 Other Liabilities

	2005 \$'000	2004 \$'000
Current		
Unearned revenue	1 791	25
Total Current Other Liabilities	1 791	25
Non-Current		
Unearned revenue	930	955
Total Non Current Other Liabilities	930	955
Total Other Liabilities	2 721	980

51 Equity

	2005 \$'000	2004 \$'000
Accumulated Deficit		
Balance at the beginning of the financial year	(452 598)	(421 344)
Operating surplus / (deficit)	3 875	(60 287)
Net revenue from administrative restructure	-	29 033
Balance at the end of the financial year	(448 723)	(452 598)

52 Financial Instruments

(a) Terms, Conditions and Accounting Policies

(i) Financial Assets

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

(ii) Financial Liabilities

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

Performance

(b) Interest Rate Risk

<i>Financial Instrument</i>	Floating Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total Carrying Amount	Weighted Ave. Effective Interest Rate
	2005	2005	2005	2005	2005
	\$'000	\$'000	\$'000	\$'000	%
Financial Assets:					
Cash	12 473	42 400	1 014 997	1 069 870	4.60%
Receivables	-	-	8 631	8 631	-
Other Financial Assets	-	223	-	223	14.15%
	12 473	42 623	1 023 628	1 078 724	
Financial Liabilities:					
Payables	-	-	1 525 041	1 525 041	-
Interest Bearing Liabilities	-	223	-	223	14.15%
	-	223	1 525 041	1 525 264	

<i>Financial Instrument</i>	Floating Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total Carrying Amount	Weighted Ave. Effective Interest Rate
	2005	2005	2005	2005	2005
	\$'000	\$'000	\$'000	\$'000	%
Cash	17 168	41 000	368 098	426 266	4.87%
Receivables	-	-	13 396	13 396	-
Other Financial Assets	-	354	-	354	14.28%
	17 168	41 354	381 494	440 061	
Financial Liabilities:					
Payables	-	-	891 832	891 832	-
Interest Bearing Liabilities	-	354	-	354	14.28%
	-	354	891 832	892 186	

(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.

Performance

53 Commitments for Expenditure

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

	2005	2004
	\$'000	\$'000
Not later than one year	14	66
Later than one year and not later than five years	-	-
Later than five years	-	-
	14	66

54 Net Revenue from Administrative Restructure

	2005	2004
	\$'000	\$'000
Assets		
Cash	-	475
Trading Stock	-	140
Receivables	-	132
Property, Plant and Equipment	-	28 653
Total Assets	-	29 400
Liabilities		
Payables	-	315
Unearned Revenue	-	38
Employee Benefits	-	14
Total Liabilities	-	367
Net Revenue from Administrative Restructure	-	29 033

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

55 Contingent Assets and Liabilities

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

- Under an agreement between National Power South Australia Investments Ltd and the Treasurer for Pelican Point, National Power is to undertake landscaping works and development of public amenities on certain leased land. The cost of these works is to be refunded to the lessee at the expiration of the initial five year term. The maximum exposure value of the contingent obligation at 30 June 2005 has been estimated at \$300 000. As the Electricity Reform and Sales Operating Account has been closed, this amount is to be paid from the Consolidated Account.
- Residual responsibilities for structural integrity of the National Wine Centre's buildings outside agreed maintenance regimes as required by the Memorandum of Lease - National Wine Centre. The estimated maximum exposure of this liability is undefined.
- Under a Deed of Guarantee with the owners of the Snowdome facility at Thebarton, the Treasurer has guaranteed the rent obligations of the South Australian Ice Sports Federation relating to the initial 5 year term lease of the facility. The maximum exposure of the contingent liability at 30 June 2005 has been estimated at \$320 000 plus CPI per annum until 29 April 2010.
- Under an agreement, dated 9 May 1996, with the National Electricity Administrator (NECA), the Treasurer may be required to contribute to the winding up of NECA. The maximum exposure of the contingent liability at 30 June 2005 is capped at \$350 000.
- Under an agreement, dated 9 May 1996, with the National Electricity Market Management Company (NEMMCO), the Treasurer may be required to contribute to the winding up of NEMMCO. The maximum exposure of the contingent liability at 30 June 2005 is capped at \$1 500 000.

56 Lease

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

Performance

57 Cash Flow Reconciliation

	2005 \$'000	2004 \$'000
(a) Reconciliation of Cash - Cash at year end as per:		
Statement of Cash Flows	1 069 870	426 266
Statement of Financial Position	<u>1 069 870</u>	<u>426 266</u>

(b) Reconciliation of Net Cash Inflows/(Outflows) from Operating Activities to Operating Surplus / (Deficit)

	2005 \$'000	2004 \$'000
Net Cash Inflows/(Outflows) from Operating Activities	643 604	(637 644)
Add Non cash items		
Asset revaluation decrement	-	(26 826)
Depreciation	(14)	(523)
Grants and subsidies for no consideration	-	(752)
Net liabilities from administrative restructure	-	95
Change in Assets and Liabilities		
Increase (decrease) in receivables	(4 765)	4 490
(Increase) decrease in payables	(633 209)	601 853
(Increase) decrease in other liabilities	(1 741)	(980)
Operating Surplus / (Deficit)	<u>3 875</u>	<u>(60 287)</u>

58 Events after Balance Date

In May 2005, Cabinet approved the transfer of responsibility for the administration of various industry assistance programs from the Department of Trade and Economic Development to the Department of Treasury and Finance.

The programs comprise the Industry Investment Attraction Fund, the Rail Reform Transition Program, the Structural Adjustment Fund for South Australia and the Strategic Industry Support Fund. The transfer will be effective from 1 July 2005 and these functions are therefore not incorporated within the 2004-05 financial statements.



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 2005. The financial report comprises:

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

The Under Treasurer and the Acting 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 whether 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, the results of its operations 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 2005, the results of its operations and its cash flows for the year then ended.

21 September 2005


K I MacPHERSON
AUDITOR-GENERAL

Audit and Risk Management

The Audit and Risk Management section of Corporate Services provided risk management, corporate governance, and internal audit services within the department in 2004-05. The role of the unit was to provide assurance to the Under Treasurer that the internal controls and processes in the department were adequate to support the achievement of the department's operational and financial objectives.

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

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

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

Fraud

No instances of fraud were reported during the year.

Asbestos management in government buildings

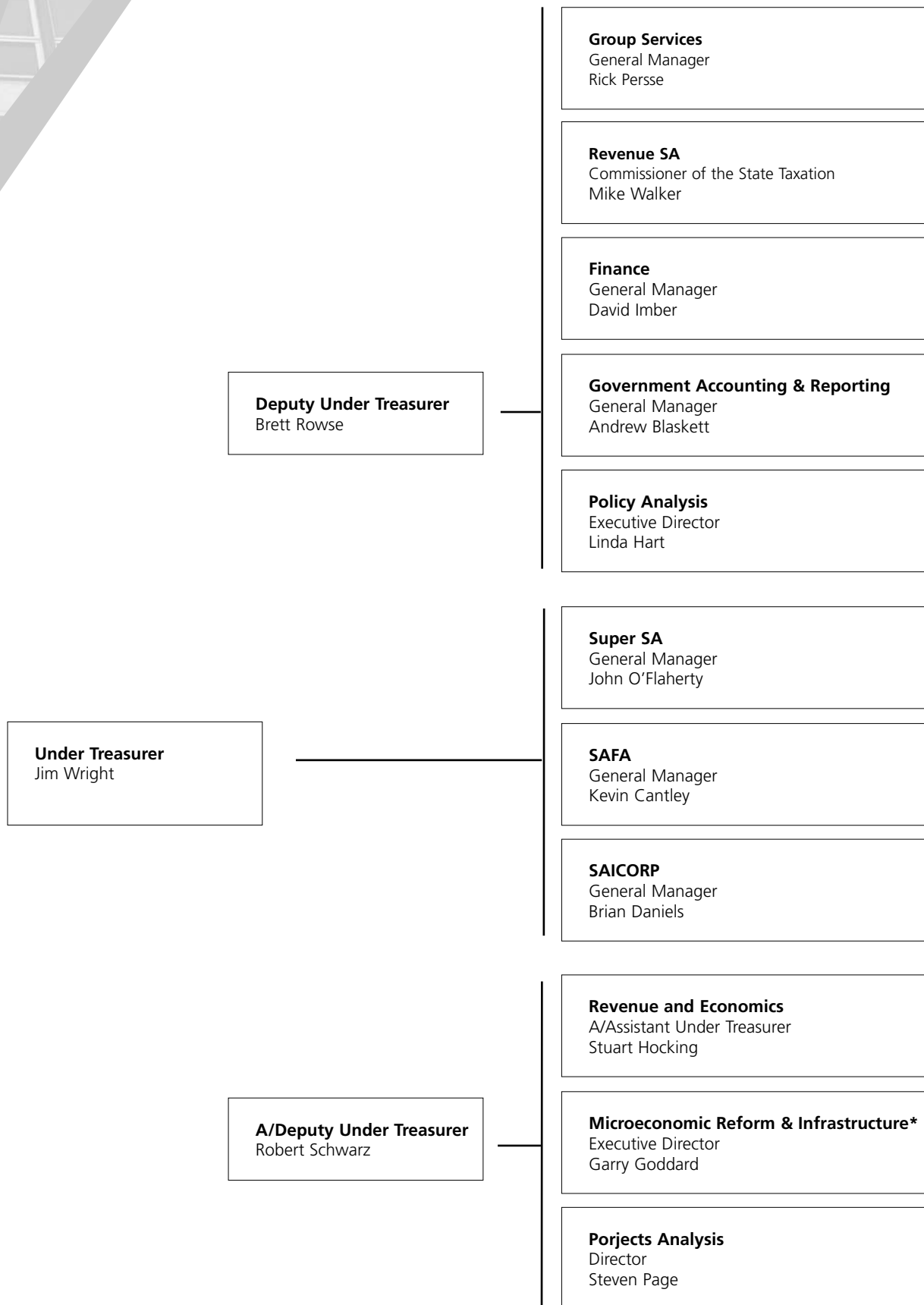
The department does not own any non-residential buildings and therefore does not have any asbestos risk management activities to report.

2004-05

APPENDICES



Appendix 1 – Department Structure as at 30 June 2005



* Note Microeconomic Reform and Infrastructure transferred to the Department of Transport, Energy and Infrastructure on 1 July 2005

Appendix 1 – Department Structure as at 30 June 2005 (continued)

Branch	Function
Revenue and Economics	<ul style="list-style-type: none"> • Provision of economic policy 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 agencies and 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 framework
Microeconomic Reform and Infrastructure*	<ul style="list-style-type: none"> • Provision of advice on Fiscal Policy • Management of electricity, gas and water 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
Projects Analysis	<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
Super SA	<ul style="list-style-type: none"> • Provision of financial risk management and advisory services • 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 services in the areas of: <ul style="list-style-type: none"> • Administration • Audit and risk management • Communications • Financial services • Human resources • Information technology • Security

* Note Microeconomic Reform and Infrastructure transferred to the Department of Transport, Energy and Infrastructure on 1 July 2005

Appendix 2 – Acts committed to the Ministers supported by The Department of Treasury and Finance as at 30 June 2005

Treasurer

Committed

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

Appendix 2 – Acts committed to the Ministers supported by The Department of Treasury and Finance as at 30 June 2005

Supplementary Financial Agreement (Soldiers Settlement Loans) Act 1934	5/2/98
Supply Acts	
Tab (Disposal) Act 2000	13/5/03
Taxation Administration Act 1996	13/2/97
Taxation (Reciprocal Powers) Act 1989	13/2/97
Unclaimed Moneys Act 1891	20/10/97
Unclaimed Superannuation Benefits Act 1997	29/1/98
Westpac/Challenge Act 1996	5/2/98

Minister for Gambling

	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
Problem Gambling Family Protection Orders Act 2004	3/6/04

Minister for Energy

	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
Australian Energy Market Commission Establishment Act 2004	30/6/05

Appendix 3 – Legislative Measures

Statutes Amendment (Budget 2005) Bill 2005 *Land Tax Act 1936 and Stamp Duties Act 1923*

This Bill amended the *Land Tax Act, 1936* and the *Stamp Duties Act, 1923* to give effect to taxation measures included in the 2005-06 Budget.

Amendments to the *Land Tax Act, 1936* included a new land tax rate and threshold structure, exemptions for caravan parks, residential parks and supported residential facilities, apportionment arrangements where the principal place of residence is also used for a home based business activity and revised eligibility criteria for primary production exemptions in 'defined rural areas'. Amended arrangements apply from the 2005 06 land tax assessment year.

Amendments to the *Stamp Duties Act 1923* included mortgage duty exemptions for residential mortgages for owner occupation, mortgage refinancing and mortgage discharges, effective from 1 July 2005; abolition of various minor stamp duties from 1 July 2006 and the phasing out of remaining mortgage duty and rental duty over the period from 1 July 2007 to 1 July 2009.

Assented to: 30 June 2005
Date of operation: 30 June 2005

Amendment of the Gaming Machines Act 1992 *Gaming Machines (Miscellaneous) Amendment Act 2004*

The *Gaming Machines (Miscellaneous) Amendment Act 2004* implemented changes arising from the Independent Gambling Authority's *Inquiry into the Management of Gaming Machine Numbers* that concluded that there is a causal relationship between accessibility of gaming machines and problem gambling and other consequential harm in the community. The Act principally effects a reduction of gaming machines numbers in South Australia by 3000 (20%) and also establishes a trading system for gaming machine entitlements.

Assented to: 9 December 2004

Date of operation: The majority of provisions commenced 1 February 2005. The provisions effecting the compulsory reduction of machines commenced 1 July 2005. The provisions relating to the removal of the State Supply Board as exclusive holder of the gaming machine service license are to commence at a later date.

Statutes Amendment (Miscellaneous Superannuation Measures) Act 2004 *Superannuation Act 1988*

This legislation introduced Member Investment Choice into the Lump Sum Scheme, provided an option for members of a lump sum scheme to allocate part of their lump sum benefit to paying off a superannuation surcharge debt, and extended from age 60 to 65 the existing provision which reduces a superannuation pension by the amount of weekly payments of workers' compensation.

Assented to: 5 August 2004
Date of operation: 19 August 2004

Amendment of the Regulations under the Superannuation Act 1988 (No 238 of 2004) *Superannuation Act 1988*

These regulations provide for the calculation of salary for superannuation purposes where a member moves from a tenured contract to an untenured contract.

Date of operation: 18 November 2004

Statutes Amendment (Miscellaneous Superannuation Measures No 2) Act 2004

This legislation provides that members of the Triple S Scheme, the Pension Scheme, and the Lump Sum Scheme, who receive a co-contribution from the Commonwealth, will have the co-contribution paid into an accumulation account in the Triple S Scheme.

Assented to: 16 December 2004
Date of operation: 13 January 2005

Appendix 3 – Legislative Measures

Amendment of the Regulations under the Superannuation Act 1988 (No 1 of 2005) *Superannuation Act 1988*

These regulations provide for the calculation of salary for superannuation purposes in regards to specific allowances and certain employment transfers. The Regulations also allow invalid pensioners to commute up to 20% of their pension before reaching age 60.

Date of operation: 13 January 2005

Amendment of the Regulations under the Superannuation Act 1988 (No 2 of 2005) *Superannuation Act 1988*

These regulations address a technical matter to cater for part time service under the Superannuation (Julia Farr Services Employees) Regulations 2003.

Date of operation: 13 January 2005

Amendments of the Regulations under the Southern State Superannuation Act 1994 (No. 134 of 2004) *Southern State Superannuation Act 1994*

These regulations prescribe two enterprise agreements for the purpose of recognising salary sacrifice arrangements under the Act, and reduce the minimum voluntary contribution that can be paid other than through salary deduction to \$50 for the purposes of section 25A.

Date of operation: 17 June 2004

Amendment of National Electrics (South Australia Act 1996) *National Electricity (South Australia) (New National Electricity Law) Amendment Act 2005*

The legislation reformed the NEM governance arrangements by conferring functions and powers on the AEMC (which was established under *South Australia's Australian Energy Market Commission Establishment Act 2004*) and the AER (established under the Commonwealth's *Trade Practices Act 1974*) and also enshrined the policy-making role of the MCE in the context of the NEM. As South Australia is the lead legislator with respect to the National Electricity Law (a schedule to the *National Electricity (South Australia) Act 1996*), this amendment applies across all participating NEM jurisdictions.

Assented to: 21 April 2005

Date of operation: 1 July 2005

Amendment of the Electricity Act 1996 and Gas Act 1997 *Statutes Amendment (Electricity and Gas) Act 2004*

In response to the recommendations of the New South Wales' Independent Pricing and Regulatory Tribunal (IPART) report commissioned by the Premier, on 22 July 2004 Parliament passed the *Statutes Amendment (Electricity and Gas) Act 2004*. The Act further clarifies the process for the setting of justifiable standing contract prices for small customers in both electricity and gas.

One of the amendments involved the setting of a three-year price determination against clear benchmarks. This provides both small customers and retailers with greater certainty in the medium term to which both customers and retailers can adjust their behaviour accordingly. Some of these changes were proclaimed to come into effect on 19 August 2004 with the remaining amendments coming into operation 1 July 2005.

Assented to: 5 August 2004

Date of operation: 19 August 2004 & 1 July 2005

Appendix 4 – Occupational Health and Safety Statistics

	2002-03	2003-04	2004-05
1 OHS&W legislative requirements			
Number of notifiable occurrences or injuries pursuant to OHS&W Regulations Division 6.6	0	0	0
Number of notices served pursuant to OHS&W Act s35, s39 and s40	0	0	0
2 Injury Management legislative requirements			
Total number of employees who participated in a rehabilitation program	1	3	0
Total number of employees rehabilitated and reassigned to alternative duties	0	0	0
Total number of employees rehabilitated back to their original work	0	0	0
3 WorkCover Action Limits			
Number of open claims	4	2	6
Workers compensation expenditure as percentage of salaries	0.37	1.13	0.02
4 Number of injuries			
Number of new workers compensation claims	8	1	7
Number of new workers compensation claims relating to:			
Fatalities	0	0	0
Lost time injuries	4	1	2
Medical treatment only	4	0	5
Total number of whole working days lost	263	145	9
5 Cost of workers compensation (\$)			
Cost of new claims for financial year	92 791	291	6849
Cost of all claims excluding lump sum payments	96 904	75 284	6849
Amount paid for lump sum payments (s42, s43, s44)	3 506	248 323	-
Total cost of workers compensation claims	100 410	323 607	6849
Total amount recovered from external sources (s54)	0	0	-
Budget allocation for workers compensation	120 000		
6 Trends			
Injury frequency rate for new lost-time injury/disease for each million hours worked	3.9	0.9	6.3
Most frequent cause (mechanism) of injury	Work Pressure	No Most Frequent Cause	No Most Frequent Cause
Most expensive cause (mechanism) of injury	Work Pressure	Sprain/ Strain	Body stressing

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

Appendix 5 – Disability Action Plan

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

Outcome 1 – Access to Services

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

As part of the department's accommodation strategy the fit out of departmental tenancies is being modified in line with Government Office Accommodation Guidelines and occupational health and safety (OH&S) requirements. As these fit outs occur, works are undertaken to meet the business requirements of the department including the provision of suitable facilities for the disabled.

Accessibility is audited through:

- development of Emergency Response Procedures and evacuation exercises that incorporate the needs of those with disabilities or impairments
- investigating accessibility options when entering new leases
- upgrades or refurbishments of facilities, including OH&S needs.

Security access upgrades to the State Administration Centre have considered issues related to access and exit for the disabled and included the installation of a new 'wing stile' for wheelchair access.

Outcome 2 – Information is inclusive

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

The departmental internet site, www.treasury.sa.gov.au, has been redeveloped to include various Priority 1, 2 and 3 levels of compliance for disability accessibility. The new site was launched on 27 June 2005. The site has been designed according to the prevailing standards for accessibility for people with disabilities. In addition to this an internal Disability Awareness and Action Plan site

has been established. This secondary site has been established to ensure that departmental staff have ready access to information about the disability strategy being undertaken and the achievements to date. Further enhancement of the site are occurring so staff are informed of services available in the community, (with key links to resources available) and to assist new employees. The department is consulting with staff with disabilities to ensure that departmental information is communicated appropriately.

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

Outcome 3 – Disability awareness

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

Regular meetings of the department's Disability Action Plan internal working party were held in 2004-05. The working party is responsible for improving the awareness of disability issues in the department and the evaluating training providers for the delivery of disability awareness training to all staff. During the year, work also continued on the development of a training program that identifies key areas for specific disability awareness training, including customer service staff, facilities staff and general staff and managers. Planning has commenced on specific training programs for each group.

The approved departmental Disability Action Plan represents a commitment to people with disabilities who may use departmental services or are currently part of the department's workforce. Funding and resources have been approved with support provided by the Human Resources group.

Outcome 4 – Consultation and complaints process

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

Customers of specific areas of the department are surveyed regularly about a range of issues. There are established mechanisms for customers to provide direct feedback to specific service orientated areas of the department.

The department recognises the importance of information and education strategies and has addressed this through its Disability Action Plan, the disability awareness training proposal and its internet and intranet sites.

The department has adopted a grievance resolution process. There are procedures in place that have a focus on conciliation and resolution of complaints or grievances.

The department developed a performance charter through its performance management process, which articulates its key values and expectations. Further it states that it values diversity and respect in dealing with others, fairness and honesty. These values have also been reflected in the Corporate Plan.

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

Outcome 5 – Compliance with relevant Acts

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

The Disability Action Plan (DAP) was developed in consultation with the Senior Policy Officer, Department for Families and Communities and endorsed by the Department's strategic Human Resources Committee. The department's DAP was approved by the Under Treasurer in February 2005.

The approved DAP was promulgated to all staff in February 2005 and is available on the newly established Disability Awareness and Action Plan intranet site.

Our values statement in the Corporate Plan acknowledges that supporting and developing our people will improve the department's performance and assist in the achievement of South Australia's Strategic Plan. The next review process will articulate the link between the DAP and corporate planning.

Appendix 6 – Boards and Committees Administered by Department of Treasury and Finance as at 30 June 2005

- Distribution Lessor Corporation
- Essential Services Commission
- Generation Lessor Corporation
- Parliamentary Superannuation Board
- RESI Corporation Board
- South Australian Government Captive Insurance Corporation Board (SAICORP)
- South Australian Government Captive Insurance Corporation Board (SAICORP) Audit Sub-Committee
- South Australian Asset Management Corporation
- South Australian Government Financing Advisory Board
- South Australian Government Financing Advisory Board – Audit Committee
- South Australian Superannuation Board
- South Australian Superannuation Board Member Services Committee
- Transmission Lessor Corporation (ElectraNet)

Appendix 7 – Use of Consultants

Note: Payments to consultants include amounts paid and payable at 30 June 2005

Controlled

Consultant	Purpose of Consultancy	Number	Total \$
Value below \$10 000			
Various	Various		
		14	25 795
Value \$10 000 - \$50 000			
Access Economics Pty Ltd	Quantitative medium to longer term modelling of South Australian Government's finances in the context of demographic change		
Alexander and Symonds Pty Ltd	Advisory services for SAPOL/Courts Administration Authority		
Capital Financial Consultant Ltd	Provision of advice on Contingency Planning for Gas Entity Business Failure		
Charles River Associates (Asia Pacific) Pty Ltd	Provision of advice for Origin Energy price applications National Electricity Market Short Term Forward Market Analysis		
Connell Wagner Pty Ltd	Advisory services for State Aquatic Centre		
Locher and Associates	Review of Performance Management Program		
Maunsell Australia Pty Ltd	Advisory services for SAPOL/Courts Administration Authority		
Russell Employee Benefits	Funds Management Review		
SA Centre For Economic Studies	Review of the efficiency of SA Water's business costs and performance Advice on Electricity Submission Review report on Homestart Finance		
Stillwell Management Consultants Pty Ltd	Review of Human Resources Consultation for Director of Finance position		
		10	264 406
Value Above \$50 000			
ACIL Tasman	Review of regulation of water and waste water		
KPMG	Advisory services for SAPOL/Courts Administration Authority Provision of technical advice on Gas Full Retail Competition Electricity Entities Review		
PriceWaterhouse Coopers	Comparison of SA Compulsory Third Party (CTP) Scheme with Victorian No Fault Scheme. Compulsory Third Party (CTP) Options in Context of No Fault Catastrophic Injury cover. Tax advice on payment to specific Gas Entities GST Review		
Savant Pty Ltd	Advisory services for Supreme Court	4	794 824
Total		28	1 085 025

Appendix 7 – Use of Consultants

Administered Items

Consultant	Purpose of Consultancy	Number	Total \$
Value below \$10 000		1	3 500
Value \$10 000 - \$50 000		0	0
Value Above \$50 000		0	0
		1	3 500

Appendix 8 – Freedom of Information Statement

Freedom of Information Act 1991(FOI Agency G298)

Introduction

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

Section 1 - Structure and Functions

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

Section 2 – How the Agency’s Functions affect Members of the Public

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

Section 3 - Arrangements for Public Participation in Policy Formulation

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

Section 4 - Description of the Kinds of Documents held by Treasury and Finance

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

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

- (d) personnel files relating to Treasury and Finance employees
- (e) superannuation files relating to the administration of member superannuation benefits
- (f) Treasurer’s Instructions⁽ⁱ⁾
- (g) Treasury circulars and RevenueSA Circulars⁽ⁱ⁾
- (h) publications/papers/reports
- (i) actuarial files
- (j) procedure manuals.

Section 5 – Making an Application

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

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

Where to Inspect Documents

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

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

RevenueSA circulars may be inspected during the same hours at:

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

⁽ⁱ⁾ Available on the Internet at www.treasury.sa.gov.au

Appendix 9 – Overseas Travel 2004-05

Destination	Number of Employees	Reason for Travel	Travel Costs \$
Singapore, London, Munich	1	To arrange the Government's catastrophe reinsurance arrangements with various reinsurers	5 739
Washington, New York, Zurich, London, Cologne and Paris ⁽¹⁾	3	To meet with major corporates and rating agencies, banks and fund managers and major defence contractors	51 303
Tokyo ⁽²⁾	2	To attend meetings with Mitsubishi during 2003-04	6 923
Los Angeles ⁽¹⁾	1	To represent the Premier at Australia Week, to market and promote South Australia at various showcase events and provide support to participating South Australian Businesses	2 524
Los Angeles, Beijing, Hong Kong, Quebec, Mississippi, New Orleans ⁽¹⁾	1	To meet with major defence contractors and key influencers, major corporates and rating agencies, banks and fund managers. To also meet with business and government decision makers in the areas of film, multimedia, arts, engineering, automotive tooling, education, training, agribusiness, food, wine, services, transport and logistics	5 170
Canada	2	To attend the World Police and Fire Games, to participate in official functions and promote the 2007 World Police and Fire Games which is due to be held in Adelaide. To also visit local police agencies to gain information and explore topical issues.	27 127
TOTAL	10		98 786

⁽¹⁾ The Department of Trade and Economic Development also met expenses associated with these trips.

⁽²⁾ This represents balance of costs for Japan visits not reported in the 2003-04 Annual Report.

Appendix 10 – Revenue Collections by RevenueSA

	2002-03		2003-04		2004-05	
	Number of Taxpayers / Transactions	Amount \$	Number of Taxpayers / Transactions	Amount \$	Number of Taxpayers / Transactions	Amount \$
Debits Tax		58 425 194		59 900 770		60 063 065
Financial Institutions Duty						
Financial Institutions	2	(296)				
Short Term Money						
Market Operators	3	1 500 048				
Exempt-Charitable Organisations Accounts						
Total Financial Institutions Duty		1 499 752				
Land Tax	76 481	159 217 174	96 256	199 781 186	167 464	274 523 092
Payroll Tax	10 422	782 885 428	8 108	855 730 676	8 478	894 973 755
Stamp Duty						
Adhesive Stamps		586 598		679 054		594 875
Annual Licences (Insurance)		193 412 115		205 942 850		221 442 790
Applications to Register or Transfer Motor Vehicles		126 438 707		138 972 121		139 431 652
Cheques		3 180 403		3 437 812		3 153 372
Conveyance of Property on Sale		440 241 896		585 015 020		566 566 713
Conveyance of Shares on Stock Exchange		609		36		-
Conveyance of Shares (Excluding Stock Exchange)		14 890 518		16 018 895		12 635 313
Hospital Fund MV Third Parties		53 531 328		54 203 116		55 376 095
Insurance Effected Outside SA		1 950 298		8 851 154		9 206 875
Leases		10 450 317		2 453 790		294 665
Mortgages		53 365 330		77 917 140		76 727 587
Rental Business		14 525 884		16 146 153		14 612 388
Voluntary Conveyances of Property		3 290 901		4 745 040		5 054 600
Other		731 469		6 240 921		1 835 624
Less Refunds, Commissions etc						
Total Stamp Duty		916 596 373		1 120 623 102		1 104 094 549
Contribution from small lotteries⁽¹⁾		8 178 972 894		7 755 1 064 272		2 506 594 712

Appendix 10 – Revenue Collections by RevenueSA

	2002-03		2003-04		2004-05	
	Number of Taxpayers / Transactions	Amount \$	Number of Taxpayers / Transactions	Amount \$	Number of Taxpayers / Transactions	Amount \$
Mirror Taxes						
Debits Tax		403 369		413 781		414 905
Land Tax		592 419		704 991		808 406
Payroll Tax		13 701 219		14 974 329		15 660 487
Conveyance of Property on Sale		263 252		755 248		285 752
Leases		181 874		228 957		27 479
Rental Business		373 987		415 703		376 214
Total Mirror Taxes		15 516 120		17 493 009		17 573 242
Emergency Services Levy (Fixed Property)⁽²⁾						
ESL Payments		52 437 058		57 392 124		64 342 157
Remission & Concession		65 843 104		70 316 753		68 729 070
Total ESL		118 280 162		127 708 877		133 071 227
Total RevenueSA Collections		2 053 393 097		2 382 301 892		2 484 893 642

(1) The Lottery and Gaming unit of RevenueSA became the responsibility of the Attorney -General's Department from 1 July 2004. Therefore the contribution from small lotteries for 2004-05 will be reported by the Attorney-General's Department.

(2) Variations between the amounts reported as Emergency Services Levy by RevenueSA and those reported in the Budget Results 2002-03 for Community Emergency Services Fund are mainly due to timing differences in payments into the Community Emergency Services Fund.

Appendix 11 – Energy Efficiency Report

Performance Against Annual Energy Use Targets

	Energy Use (GJ)*	Expenditure (\$)**	GHG Emissions (Tonnes CO2)*
Base Year 2000-01			
DTF	5 767	217 751	
Electorate Offices	2 110	87 605	
Portfolio Total	7 877	305 357	
Report Year 2003-04			
DTF	4 868	211 706	
Electorate Offices	2 027	92 913	
Portfolio Total	6 895	304 619	
Report Year 2004-05			
DTF	5 010	221 406	
Electorate Offices	2 047	96 899	
Portfolio Total	7 057	318 305	
Portfolio Target 2004-05#	7 404		
Portfolio Target 2010^	6 695		

*Calculated on the following assumptions:

- CO2 Intensity 260kg per Gigajoule (GJ)
- 3.6 megajoule(MJ) per KWhr.
- 1000 MJ per GJ

** The expenditure for 2003-04 had included GST. This has now been removed.

Based on a 6% reduction from the base year

^ Based on a 15% reduction from the base year

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

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

The departmental energy use is approximately 0.3 percent 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 Group
- Establishing a Greening of Government Implementation Committee
- Further investigating options for reducing the power consumption of computer equipment.



**Government
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