

Financial Statements





Auditor-General for Australia



INDEPENDENT AUDIT REPORT

To the Prime Minister

Scope

I have audited the financial statements of the Department of the Prime Minister and Cabinet for the year ended 30 June 2003. The financial statements comprise:

- Statement by the Secretary;
- Statements of Financial Performance, Financial Position and Cash Flows;
- Schedules of Contingencies and Commitments;
- Schedule of Administered Items; and
- Notes to and forming part of the Financial Statements.

The Department's Secretary is responsible for the preparation and presentation of the financial statements and the information they contain. I have conducted an independent audit of the financial statements in order to express an opinion on them to you.

The audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with my understanding of the Department's financial position, its financial performance and its cash flows.

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

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Audit Opinion

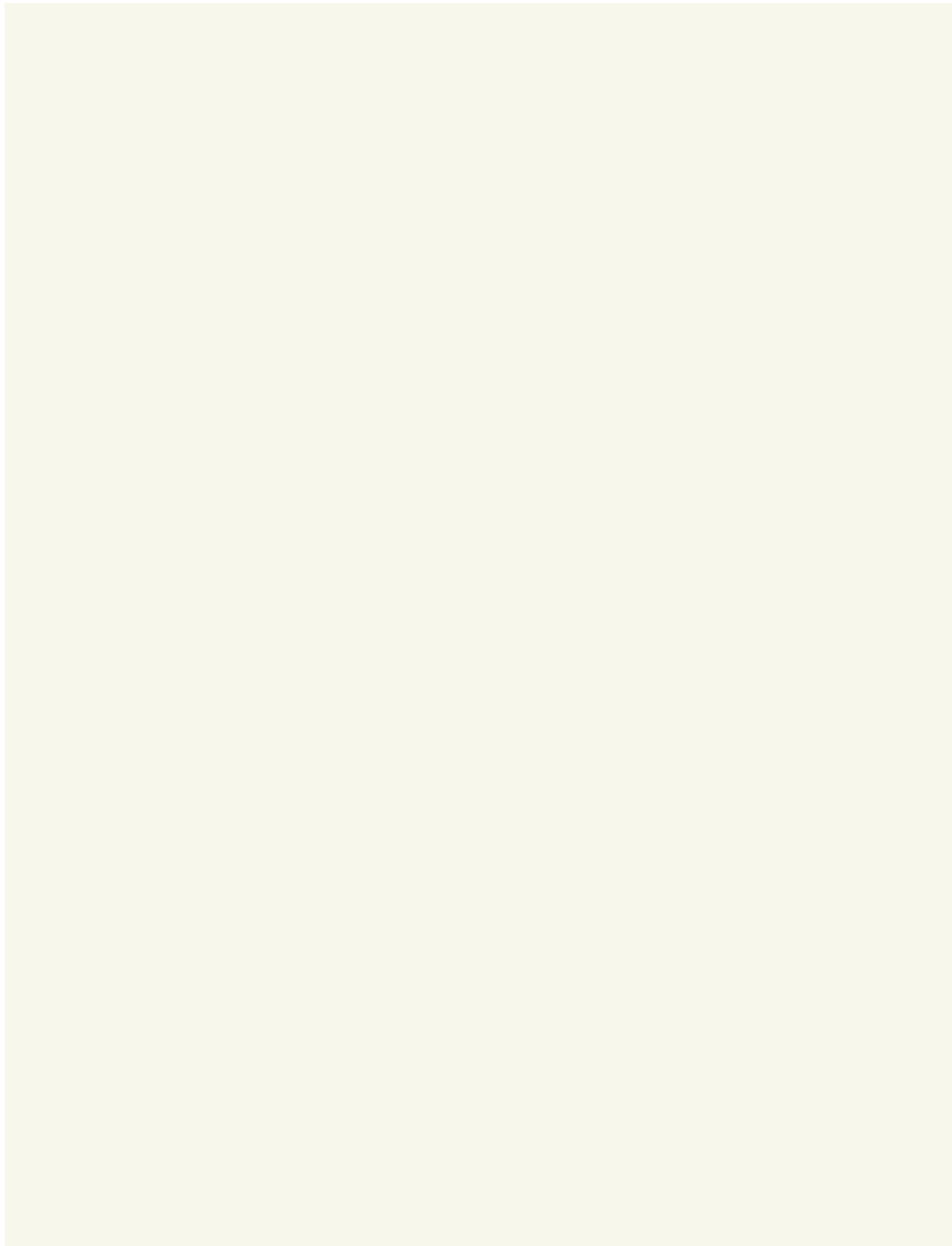
In my opinion the financial statements:

- (i) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*; and
- (ii) give a true and fair view, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Finance Minister's Orders, of the financial position of the Department of the Prime Minister and Cabinet as at 30 June 2003 and its financial performance and cash flows for the year then ended.



P.J. Barrett
Auditor-General

Canberra
7 August 2003



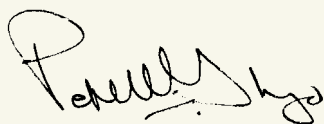
The Department of the Prime Minister and Cabinet

STATEMENT BY THE SECRETARY

for the year ended 30 June 2003

In my opinion, the attached financial statements for the year ended 30 June 2003 give a true and fair view of the matters required by Schedule 1 to the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*.

Signed

A handwritten signature in black ink, appearing to read 'Peter Shergold', with a stylized flourish at the end.

Dr Peter Shergold
Secretary

7 August 2003

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2003

	Notes	2002-03 \$'000	2001-02 \$'000
REVENUE			
Revenues from ordinary activities			
Revenues from government	3A	45,253	78,915
Sales of goods and services	3B	1,146	1,421
Interest	3C	220	1,209
Revenue from sales of assets	4E	5	3
Other	3D	729	1,358
<i>Revenues from ordinary activities</i>		47,353	82,906
EXPENSE			
Expenses from ordinary activities (excluding borrowing costs expense)			
Employees	4A	29,314	30,617
Suppliers	4B	14,623	36,540
Grants	4C	66	94
Depreciation and amortisation	4D	2,490	1,768
Value of assets sold	4E	32	27
Other	4F	-	8,591
<i>Expenses from ordinary activities (excluding borrowing costs expense)</i>		46,525	77,637
Borrowing costs expense	4G	95	111
Net surplus / (deficit)		733	5,158
Net surplus attributable to the Commonwealth		733	5,158
Net credit (debit) to asset revaluation reserve		(61)	2,408
Total revenues, expenses and valuation adjustments attributable to the Commonwealth Government and recognised directly in equity			
		(61)	2,408
Total changes in equity other than those resulting from transactions with owners as owners		672	7,566

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2003

	Notes	2002-03 \$'000	2001-02 \$'000
ASSETS			
Financial assets			
Cash	6A	1,887	17,308
Receivables	6B	8,840	2,259
<i>Total financial assets</i>		10,727	19,567
Non-financial assets			
Infrastructure, plant and equipment	7A	7,641	7,242
Intangibles	7B	920	1,306
Other	7C	753	476
<i>Total non-financial assets</i>		9,314	9,024
TOTAL ASSETS		20,041	28,591
LIABILITIES			
Interest bearing liabilities			
Leases	8A	667	1,312
<i>Total interest bearing liabilities</i>		667	1,312
Provisions			
Capital use charge	8B	-	672
Employees	8C	10,502	10,551
<i>Total provisions</i>		10,502	11,223
Payables			
Suppliers	8D	2,314	1,752
Unearned revenue	8E	330	-
<i>Total payables</i>		2,644	1,752
TOTAL LIABILITIES		13,813	14,287
NET ASSETS		6,228	14,304
EQUITY			
	9A		
Contributed equity		-	4,831
Reserves		2,347	2,408
Accumulated surpluses		3,881	7,065
TOTAL EQUITY		6,228	14,304
Current assets		11,480	20,043
Non-current assets		8,561	8,548
Current liabilities		5,854	6,272
Non-current liabilities		7,959	8,015

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2003

	Notes	2002-03 \$'000	2001-02 \$'000
OPERATING ACTIVITIES			
Cash received			
Sales of goods and services		1,795	3,303
Appropriations for outputs		44,526	78,408
Interest		299	1,212
Other		1,243	1,174
GST Input Tax Credits from ATO		1,895	4,295
GST Receipts from Customers		369	266
<i>Total cash received</i>		50,127	88,658
Cash used			
Employees		29,009	28,429
Suppliers		14,813	41,740
GST payments to ATO		332	332
GST payments to Suppliers		1,879	4,711
Cash Transferred to OPA		7,475	-
Other		128	10,752
<i>Total cash used</i>		53,636	85,964
Net cash from / (used by) operating activities	5	(3,509)	2,694
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment		-	-
Other		-	-
<i>Total cash received</i>		-	-
Cash used			
Purchase of property, plant and equipment		1,931	428
Purchase of intangibles		196	253
<i>Total cash used</i>		2,127	681
Net cash from / (used by) investing activities		(2,127)	(681)
FINANCING ACTIVITIES			
Cash received			
Other		-	-
<i>Total cash received</i>		-	-
Cash used			
Dividends paid		-	5,000
Capital use charge paid		1,420	936
Return of contributed equity		8,000	-
Repayments of debt		365	493
<i>Total cash used</i>		9,785	6,429
Net cash (used by) financing activities		(9,785)	(6,429)
<i>Net increase (decrease) in cash held</i>		(15,421)	(4,416)
Cash at the beginning of the reporting period		17,308	21,724
<i>Cash at the end of the reporting period</i>	6A	1,887	17,308

The above statement should be read in conjunction with the accompanying notes.

SCHEDULE OF COMMITMENTS

as at 30 June 2003

	2002-03 \$'000	2001-02 \$'000
By type		
Other commitments		
Operating leases	18,837	23,029
Other commitments	14,476	5,769
<i>Total other commitments</i>	33,313	28,798
<i>Net commitments</i>	33,313	28,798
By maturity		
<i>All net commitments</i>		
One year or less	7,962	7,352
From one to five years	16,532	20,354
Over five years	8,819	1,092
<i>Net commitments</i>	33,313	28,798
<i>Operating lease commitments</i>		
One year or less	4,827	4,479
From one to five years	13,229	17,458
Over five years	782	1,092
<i>Net operating lease commitments</i>	18,838	23,029

NB: Commitments are GST inclusive where relevant.

<i>Nature of lease</i>	<i>General description of leasing arrangement</i>
Leases for office accommodation	Office accommodation lease payments are subject to periodic increases in accordance with the rent review provisions of the lease. The period of the lease is until 2007.
Agreements for the provision of motor vehicles to senior executive officers	No contingent rentals exist. There are no renewal or purchase options available to the department for motor vehicle leases.

The above schedule should be read in conjunction with the accompanying notes.

SCHEDULE OF CONTINGENCIES

as at 30 June 2003

	2002-03 \$'000	2001-02 \$'000
Contingent liabilities		
Claims for damages/costs	-	20
<i>Total contingent liabilities</i>	-	20
Net contingent liabilities	-	20

There were no identified contingent losses or gains, including unquantifiable and remote contingencies, for the department for the period ended 30 June 2003.

The above schedule should be read in conjunction with the accompanying notes.

SCHEDULE OF ADMINISTERED ITEMS

for the year ended 30 June 2003

	Notes	2002-03 \$'000	2001-02 \$'000
Revenues Administered on Behalf of Government			
Non-taxation revenue			
Goods and services	12A	3,190	5,891
Other sources of non-taxation revenues	12B	24	-
<i>Total Revenues Administered on Behalf of Government</i>		3,214	5,891
Expenses Administered on Behalf of Government			
Grants	13A	3,556	14,264
Personal benefits	13B	4,176	943
Employees	13C	840	796
Suppliers	13D	31,624	13,954
Depreciation and amortisation	13E	124	136
Write down and impairment of assets	13F	-	14
<i>Total Expenses Administered on Behalf of Government</i>		40,320	30,107

This schedule should be read in conjunction with the accompanying notes.

SCHEDULE OF ADMINISTERED ITEMS (continued)

as at 30 June 2003

	Notes	2002-03 \$'000	2001-02 \$'000
Assets Administered on Behalf of Government			
Financial assets			
Cash	14A	85	9,144
Receivables	14B	977	1,924
<i>Total financial assets</i>		1,062	11,068
Non-financial assets			
Land and buildings	14C	32,127	26,446
Infrastructure, plant and equipment	14D	321	572
Inventories	14E	231	231
Other	14F	15	340
<i>Total non-financial assets</i>		32,694	27,589
<i>Total Assets Administered on Behalf of Government</i>		33,756	38,657
Liabilities Administered on Behalf of Government			
Provisions			
Employees	15A	234	259
Personal Benefits	15A	9,600	6,250
		9,834	6,509
Payables			
Suppliers	15B	1,541	2,336
Grants	15B	-	116
		1,541	2,452
<i>Total Liabilities Administered on Behalf of Government</i>		11,375	8,961
<i>Net Assets Administered on Behalf of Government</i>		22,381	29,696
Current liabilities		1,653	2,557
Non-current liabilities		9,722	6,404
Current assets		1,077	11,408
Non-current assets		32,679	27,249

This schedule should be read in conjunction with the accompanying notes.

SCHEDULE OF ADMINISTERED ITEMS (continued)

for the year ended 30 June 2003

	Notes	2002-03 \$'000	2002-01 \$'000
Administered Cash Flows			
Operating Activities			
Cash received			
Rendering of services		3,703	6,918
Cash from Official Public Account for:			
- Appropriations		32,995	27,727
Other - GST received from ATO		3,104	2,023
- GST received from customers		372	18
<i>Total cash received</i>		40,174	36,686
Cash used			
Employees		864	781
Grants payments		3,575	14,166
Personal benefits		826	443
Suppliers		31,864	14,273
Cash to Official Public Account			
- Appropriations		6,152	602
Other - GST payments to ATO		90	11
- GST payments to suppliers		3,251	2,162
<i>Total cash used</i>		46,622	32,438
Net cash from / (used in) operating activities		(6,448)	4,248
Investing Activities			
Cash used			
Purchase of property, plant and equipment		11	-
<i>Total cash used</i>		11	-
Net cash from / (used in) investing activities		(11)	-
Financing Activities			
Cash Used			
Dividends		-	5,000
Return of equity		2,600	-
<i>Total cash used</i>		2,600	5,000
Net cash from / (used in) financing activities		(2,600)	(5,000)
<i>Net increase (decrease) in cash held</i>		(9,059)	(752)
Cash at the beginning of the reporting period		9,144	9,896
<i>Cash at the end of the reporting period</i>	14A	85	9,144

This schedule should be read in conjunction with the accompanying notes.

SCHEDULE OF ADMINISTERED ITEMS (continued)

as at 30 June 2003

	2002-03 \$'000	2001-02 \$'000
Administered Commitments		
By type		
Other commitments		
Operating leases	1,521	1,624
Other	5,386	6,709
<i>Total other commitments</i>	6,907	8,333
Net administered commitments	6,907	8,333
By maturity		
<i>All net commitments</i>		
One year or less	4,455	6,247
From one to five years	1,985	352
Over five years	467	110
<i>Net administered commitments</i>	6,907	6,709
<i>Operating lease commitments</i>		
One year or less	202	180
From one to five years	852	825
Over five years	467	619
<i>Net operating lease commitments</i>	1,521	1,624

NB: All 2002-03 commitments are GST inclusive where relevant.

Operating leases comprise leases of office accommodation for the former Governors-General. Lease payments are subject to periodic increase in accordance with the rent review provisions of the lease.

This schedule should be read in conjunction with the accompanying notes.

SCHEDULE OF ADMINISTERED ITEMS (continued)

as at 30 June 2003

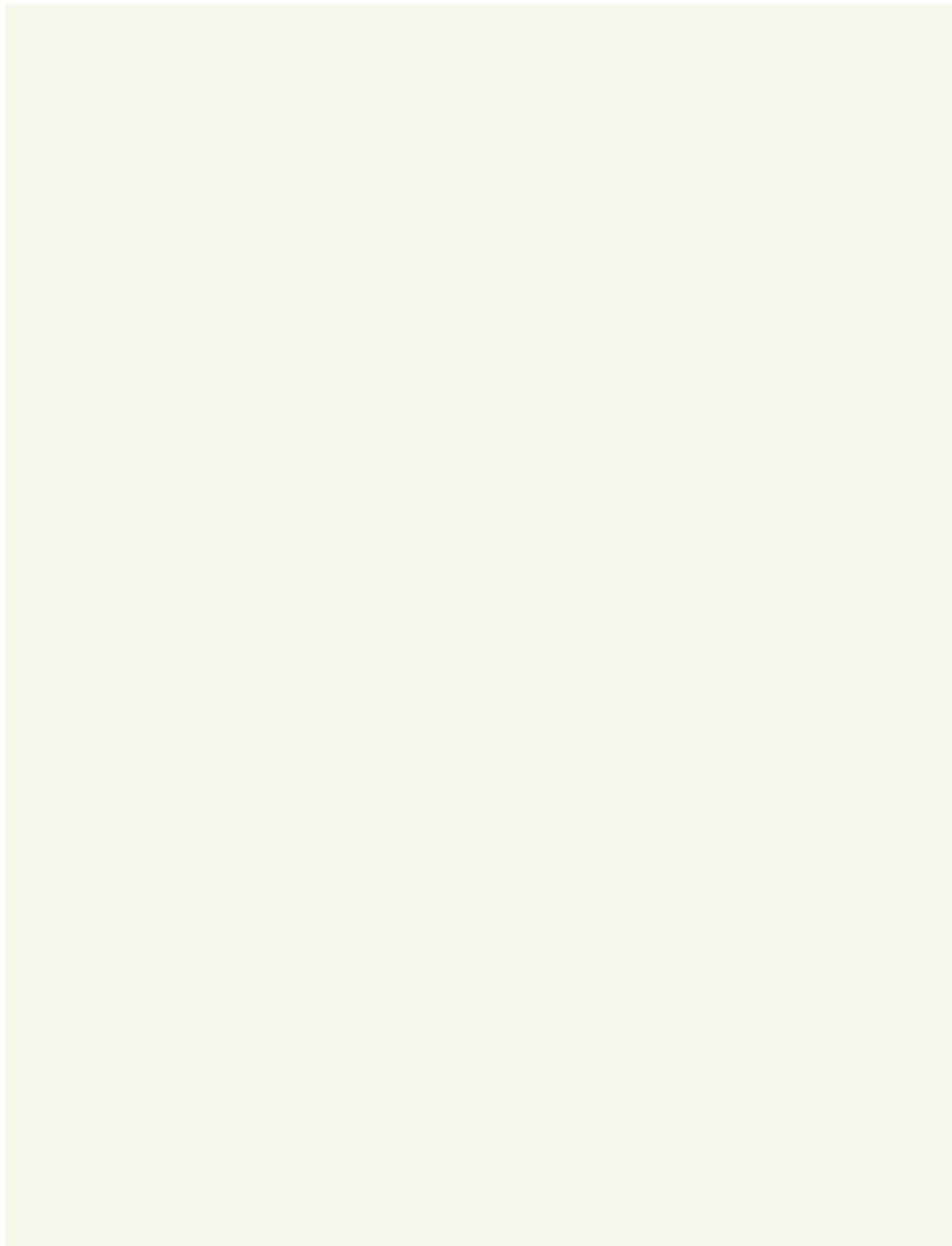
Administered Contingencies

The department is not aware of any Administered liabilities or assets as at signing date which would require disclosure in the Financial Statements.

Administered Activities

The major administered activities of the department are directed towards achieving one outcome as described in Note 1 to the Financial Statements. These administered activities include the administration of the Women's programmes, allowances and support to former Governors-General, the administration of the Prime Minister's Official residences, the payment of a grant to the National Australia Day Council, legal and compensation payments and payments in relation to state occasions and official visits. Administered activities in 2002-03 also included activities relating to the National Security Public Information Campaign. Details of planned activities for the year can be found in the Agency Portfolio Budget Statements for 2002-03 which have been tabled in Parliament.

This schedule should be read in conjunction with the accompanying notes.



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Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

NOTE 1. DEPARTMENTAL OUTCOME

1.1 The department's outcome is *sound and well coordinated government policies, programmes and decision making processes.*

The department's output groups are:

- Output group 1: Economic policy advice and coordination;
- Output group 2: Social policy advice and coordination;
- Output group 3: International policy advice and coordination; and
- Output group 4: Support services for government operations.

Agency activities contributing to these outcomes are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, revenue and expenses controlled or incurred by the department in its own right. Administered activities involve the management and oversight by the department on behalf of the Government of items controlled or incurred by the Government.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Accounting

The financial statements are required by section 49 of the *Financial Management and Accountability Act 1997* and are a general purpose financial report.

The statements have been prepared in accordance with:

- Finance Minister's Orders (FMOs) being *the Financial Management and Accountability (Financial Statements 2002-2003) Orders*;
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board (AASB);
- other authoritative pronouncements of the AASB; and
- Consensus Views of the Urgent Issues Group.

The statements have also been prepared having regard to the Explanatory Notes to Schedule 1 of the *Financial Management and Accountability (Financial Statements 2002-2003) Orders*, and Finance Briefs.

The statements of Financial Performance and Financial Position have been prepared on an accrual basis and are in accordance with historical cost principles except for certain assets, which, as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. Liabilities and assets, which are unrecognised, are reported in the Schedule of Commitments and the Schedule of Contingencies.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

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

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

2.2 Changes in Accounting Policy

Changes in accounting policy have been identified in this note under their appropriate headings.

2.3 Agency and Administered Items

Agency assets, liabilities, revenues and expenses are those that the department controls.

Administered assets, liabilities, revenues and expenses are those which are controlled by the Commonwealth and managed by the department on behalf of the Commonwealth.

The purpose for the distinction between agency and administered items in the financial statements is to enable assessments of efficiency in providing goods and services while at the same time providing accountability for all resources under the responsibility of the department.

The basis of accounting applies to both agency and administered items.

Schedule 1 of the FMOs requires that internal funding flows to and from the Official Public Account (appropriations and fund transfers) are not to be disclosed in the entity's financial statements. This change from 2000-01 acknowledges that the reporting of administered activities managed by the department is inappropriate as they are performed on behalf of the Commonwealth. Therefore the notes to these financial statements do not report any transactions or balances that are internal to the administered entity, except for the disclosure of administered cash flows, which is necessary for completeness.

2.4 Official Gifts

Official gifts brought to account in the Financial Statements include official gifts purchased by the department for presentation by the Governor-General, Prime Minister, Ministers or approved parliamentary delegations.

2.5 Revenues from Government

Revenues from Government are revenues relating to the core operating activities of the department. These revenues are received as appropriations for the year and are recognised as revenue.

Agency appropriations

Departmental output appropriations for the year are recognised as revenue.

Resources Received Free of Charge

Services received free of charge are recognised in the statement of financial performance as revenue when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those services is recognised as an expense.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

Contributions of assets at no cost of acquisition or for nominal consideration are recognised at their fair value when the asset qualifies for recognition, unless received from another government agency as a consequence of a restructuring of administrative arrangements.

Other Revenue

Revenue from the sale of goods and services is recognised upon the delivery of goods and services to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

2.6 Grants

The department applies a uniform policy for all grants. Grant liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed or (ii) the grant eligibility criteria have been satisfied. Where grants moneys are paid in advance of performance or eligibility, a prepayment is recognised.

2.7 Employee Entitlements

Leave

The liability for employee entitlements includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the department is estimated to be less than the annual entitlement for sick leave.

The liability for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 2003 and is recognised at the nominal amount.

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

The non-current portion of the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2003. In determining the present value of the liability, the department has taken into account attrition rates and pay increases through promotion and inflation.

Separation

Provision is made for separation and redundancy payments in circumstances where the department has formally identified positions as excess to requirements and a reliable estimate of the amount of the payments can be determined.

Superannuation

Departmental staff contribute to the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) and other superannuation schemes held outside the Commonwealth. Employer contributions for 2002–03 were: CSS – \$1,206,154; PSS – \$2,097,806; and other schemes – \$81,082. These contributions include 3% superannuation productivity payments and have been expensed in the financial statements.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

No liability is shown for superannuation in the Statement of Financial Position as the employer contributions fully extinguish the accruing liability which is assumed by the Commonwealth.

The liability for superannuation for members of the CSS and PSS is recognised in the financial statements of the Commonwealth and is settled by the Commonwealth in due course.

2.8 Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets and operating leases under which the lessor effectively retains substantially all such risks and benefits.

A finance lease was recognised in relation to information technology equipment in accordance with accounting standard AAS17: *Leases*, for the first time as at 30 June 2001. The lease is non-cancellable and for a fixed term of 3 years and had previously been recognised as an operating lease. The department guarantees the residual values of all leased assets. There are no contingent rentals.

Assets acquired by means of finance lease are capitalised at the present value of minimum lease payments, and a liability is recognised for the same amount. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

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.

Lease incentives taking the form of 'free' leasehold improvements and rent free holidays are recognised as liabilities. These liabilities are reduced by allocating lease payments between rental expense and reduction of the liability.

2.9 Borrowing Costs

All borrowing costs are expensed as incurred except to the extent that they are directly attributable to qualifying assets, in which case they are capitalised.

2.10 Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank.

2.11 Financial Instruments

Accounting policies for financial instruments are stated at note 11.

2.12 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring administrative arrangements. In the latter case, assets are initially recognised at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

2.13 Non-current assets

Property, plant and equipment

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Revaluations

Basis

Land, buildings, plant and equipment are carried at valuation. All departmental and administered assets are revalued as at 1 July 2002 on a fair value basis. Assets were previously valued using the deprival basis by an independent valuer. This change in accounting policy is required by FMO 3C and is required by Australian Accounting Standard AASB 1041, Revaluation of Non-Current Assets. In 2002-03 the revaluations were conducted by the Australian Valuation Office.

The financial effect for 2002-03 of this change in policy relates to those assets recognised at fair value at 1 July 2002. The financial effect is given by the difference between the carrying amount at 30 June 2002 and the fair values of the assets as at 1 July 2002. The impact on departmental infrastructure, plant and equipment on revaluation was a decrement to the asset revaluation reserve of \$61,420. For administered assets the impact on the asset revaluation reserve was an increment of \$5,500,000 for land, an increment of \$250,167 for buildings and a decrement of \$207,038 for plant and equipment.

Accounting standard AAS6 Accounting Policies requires, where practicable, presentation of the information that would have been disclosed in the 2001-02 financial statements had the new accounting policy always been applied. It is impracticable to present this information.

Frequency

Assets in each class acquired after the commencement of the progressive revaluation cycle will be reported at cost for the duration of the progressive revaluation. The department will undertake a revaluation of its assets in accordance with the requirements of the FMOs.

Conduct

All revaluations are conducted by an independent qualified valuer.

Depreciation and Amortisation of Non-Current Assets

Land, being an asset with an unlimited useful life, is not depreciated.

Buildings, infrastructure, plant and equipment are depreciated over their useful life using the straight line method.

The cost (or other value) of leasehold improvements is amortised on a straight line basis over the estimated useful life of the improvement or the unexpired period of the lease, whichever is the shorter.

Depreciation/amortisation rates (useful lives) and methods are reviewed at each balance date and necessary adjustments are recognised in the current, or current and future reporting periods,

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

as appropriate. Residual values are re-estimated for a change in price only when assets are revalued.

Depreciation and amortisation rates applying to each class of depreciable asset are as follows:

	2002-03	2001-02
Administered assets		
Buildings on freehold land	150 years	150 years
Plant and equipment	4 to 50 years	4 to 50 years
Departmental assets		
Leasehold improvements	Lease term	Lease term
Plant and equipment	4 to 10 years	4 to 10 years

2.14 Intangibles

Asset recognition threshold

Purchases of intangibles are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

	2002-03	2001-02
Intangibles	4 to 5 years	4 to 5 years

Revaluations

Intangible assets comprise externally acquired software. The assets were revalued in accordance with Schedule 1 of the FMOs. All valuations are independent.

Assets acquired after the commencement of the progressive revaluation cycle will be reported at cost for the duration of the progressive revaluation.

Recoverable amount test

From 1 July 2002 the application of the recoverable amount test to the assets of the department is no longer required when the primary purpose of the asset is not the generation of revenue. No assets have been written down the recoverable amount in accordance with AAS10. Accordingly, the change in policy has had no financial impact.

2.15 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined as the purchase price of such inventory items, and no threshold for recognition is applied.

2.16 Former Governors-General allowances

The department has administrative responsibility for the payment of former Governors-General allowances. The revised actuarial assessment of the liability in relation to these allowances was made as at 30 June 2003.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

2.17 Transactions with the Government as owner

From 1 July 2001, appropriations designated as 'Capital – equity injections' are recognised directly in contributed equity to the extent that the appropriation is not dependent on future events, as at 1 July, and to the extent that it is dependent on specified future events requiring future performance as it is drawn down. Previously all equity injections were recognised as contributed equity on drawdown.

Net assets received under a restructuring of administrative arrangements are designated by the Finance Minister as contributions by owners and adjusted directly against equity. Net assets relinquished are designated as distributions to owners. Net assets transferred are initially recognised at the amounts at which they were recognised by the transferring agency immediately prior to the transfer.

2.18 Capital User Charge

A capital usage charge of 11 per cent (2001-02: 11 per cent) is imposed by the Commonwealth on the net departmental assets of the agency. The charge is adjusted to take account of asset gifts and revaluation increments during the financial year. The charge is accounted for as a dividend to government.

In accordance with the recommendations of a review of the Budget Estimates and Framework, the Government has decided that the charge will not operate after 30 June 2003.

2.19 Other Distributions to Owners

The FMOs require that distributions to owners be debited to contributed equity unless in the nature of a dividend. In 2002-03, by agreement with the Department of Finance and Administration, the department returned output appropriation funding of \$8,000,000 to the Official Public Account.

2.20 Foreign Currency

Transactions denominated in foreign currencies are converted at the exchange rate at the date of the transaction. Associated currency gains and losses are not material.

2.21 Taxation

The department is exempt from all forms of taxation except fringe benefits tax and the goods and services tax.

Revenues and expenses are recognised net of the amount of GST, except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- receivables and payables.

2.22 Insurance

The department is insured for risks with Comcover, the Commonwealth's insurable risk managed fund. Workers compensation is insured with Comcare.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

2.23 Reporting of Administered Activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the Schedule of Administered Items and related notes.

Except where otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items.

Administered appropriations received or receivable from the Official Public Account are not reported as administered revenues or assets respectively. Similarly, administered receipts transferred or transferable to the Official Public Account are not reported as administered expenses or payables. These transactions or balances are internal to the administered entity. These transfers of cash are reported as administered cash flows and in the administered reconciliation table in Note 16. Accounting policies which are relevant to administered activities only are disclosed below.

Revenues

All administered revenues are revenues relating to the core operating activities performed by the department on behalf of the Commonwealth.

Grants

The department administers a number of grants on behalf of the Commonwealth.

2.24 Comparatives

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

2.25 Rounding

Amounts have been rounded to the nearest \$1,000 except in relation to the following:

- act of grace payments and waivers;
- remuneration of executives;
- remuneration of auditors; and
- appropriations.

Notes to and forming part of the Financial Statements
for the year ended 30 June 2003

	2002-03 \$'000	2001-02 \$'000
NOTE 3. OPERATING REVENUES		
The amount and particulars of the following classes of revenues were included in the aggregate amounts shown in the Statement of Financial Performance.		
Note 3A – Revenues from government		
Appropriations for outputs	44,526	78,408
Resources received free of charge	727	507
<i>Total revenues from government</i>	45,253	78,915
Note 3B – Sales of goods and services		
Services	1,146	1,421
<i>Total sale of goods and services</i>	1,146	1,421
Rendering of services to:		
Related entities	1,081	1,370
External entities	65	51
<i>Total rendering of services</i>	1,146	1,421
Note 3C – Interest revenue		
<i>Interest on deposits</i>	220	1,209
Note 3D – Other operating revenues		
Revenue from Commonwealth agencies	729	1,358
<i>Total other operating revenues</i>	729	1,358

Notes to and forming part of the Financial Statements
for the year ended 30 June 2003

	2002-03 \$'000	2001-02 \$'000
NOTE 4. OPERATING EXPENSES		
The amount and particulars of the following classes of expenditure were included in the aggregate amounts shown in the Statement of Financial Performance.		
Note 4A – Employee expenses		
Wages and Salaries	22,026	23,435
Superannuation	3,426	3,410
Leave and other entitlements	2,933	3,316
Separations and redundancies	513	198
Workers compensation premium	131	44
Other	285	214
<i>Total employee expenses</i>	29,314	30,617
Note 4B – Supplier expenses		
Goods and Services from related entities	1,044	3,264
Goods and Services from external entities	9,397	29,373
Operating lease rentals	4,182	3,903
<i>Total supplier expenses</i>	14,623	36,540
Note 4C – Grants		
Grants to non-profit institutions	66	94
<i>Total grants expenses</i>	66	94
Note 4D – Depreciation and amortisation		
<i>Depreciation</i>		
Other infrastructure, plant and equipment	1,240	860
	1,240	860
<i>Amortisation</i>		
Assets held under finance leases	681	443
Intangibles – software	569	465
	1,250	908
<i>Total depreciation and amortisation</i>	2,490	1,768

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

	2002-03 \$'000	2001-02 \$'000
Note 4E – Net loss from asset sales		
Infrastructure, plant and equipment:		
Proceeds from disposal	5	3
Net book value of assets disposed	24	27
Write-offs	8	
Net (loss) from disposal of infrastructure, Plant and equipment	(27)	(24)
TOTAL proceeds from disposals	5	3
TOTAL value of assets disposed	(32)	(27)
<i>Net loss from disposal of assets</i>	(27)	(24)
Note 4F – Other costs of providing goods and services		
Purchase of services from other government bodies	-	8,591
<i>Total other costs of providing goods and services</i>	-	8,591
Note 4G – Borrowing costs expense		
Leases	95	111
<i>Total borrowing costs expense</i>	95	111

Notes to and forming part of the Financial Statements
for the year ended 30 June 2003

	2002-03 \$'000	2001-02 \$'000
NOTE 5. CASH FLOW RECONCILIATION		
Reconciliation of Cash per Statement of Financial Position to Statement of Cash Flows		
Cash at year end per Statement of Cash Flows	1,887	17,308
Statement of Financial Position items comprising above cash:		
'Financial Asset - Cash'	1,887	17,308
Reconciliation of net surplus to net cash provided by operating activities		
Net operating surplus	733	5,158
Depreciation of infrastructure, plant and equipment	1,809	1,325
Amortisation of lease incentive	681	443
Net loss (gain) on sale of infrastructure, plant and equipment	27	24
Borrowing costs	-	111
Change in operating assets and liabilities		
(Increase)/decrease in net receivables	(6,581)	15
(Increase)/decrease in other assets	(277)	318
Increase/(decrease) in suppliers payable	(182)	(6,228)
Increase/(decrease) in employee provisions	(49)	1,528
Increase/(decrease) in other liabilities	330	-
Net cash from/(used by) operating activities	(3,509)	2,694

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

	2002-03 \$'000	2001-02 \$'000
NOTE 6. FINANCIAL ASSETS		
Note 6A – Cash		
Cash held in special accounts	(3)	690
Cash in short term investments	-	14,570
Cash on hand and at bank	1,890	2,048
Total cash	1,887	17,308
Note 6B – Receivables		
Receivable - Cash held in the OPA	7,475	-
GST receivable	250	248
	7,725	248
Accrued revenue – special account	-	270
Accrued revenue – departmental	15	39
Accrued revenue – interest	-	79
	15	388
Goods and services	997	1,605
Special account	108	23
Less provision for doubtful debts	(5)	(5)
Net receivables for goods and services	1,100	1,623
Total receivables (net)	8,840	2,259
All receivables are current assets		
Receivables (gross) are aged as follows:		
Not overdue	7,741	1,112
Overdue by:		
less than 30 days	704	500
30 to 60 days	84	4
60 to 90 days	-	-
more than 90 days	316	648
Total receivables (gross)	8,845	2,264
The provision for doubtful debts is aged as follows:		
Not overdue	(5)	(5)
Overdue by:		
less than 30 days	-	-
30 to 60 days	-	-
60 to 90 days	-	-
more than 90 days	-	-
Total provision for doubtful debt	(5)	(5)

Notes to and forming part of the Financial Statements
for the year ended 30 June 2003

	2002-03 \$'000	2001-02 \$'000
NOTE 7. NON-FINANCIAL ASSETS		
Note 7A – Infrastructure, plant and equipment		
At cost	2,408	308
Accumulated depreciation	(156)	(2)
	2,252	306
Equipment under finance lease – at cost	1,805	1,806
Accumulated amortisation	(1,124)	(443)
	681	1,363
Infrastructure, plant and equipment – at 2002-03 valuation (fair value)	10,348	-
Accumulated depreciation	(5,640)	-
	4,708	
Infrastructure, plant and equipment – at valuation 2001-02 (deprival)	-	7,459
Accumulated depreciation	-	(1,886)
	-	5,573
<i>Total infrastructure, plant and equipment</i>	7,641	7,242
Note 7B – Intangibles		
Software – at cost	2,969	187
Accumulated amortisation	(2,049)	-
	920	187
Software – at valuation 2001-02 (deprival)	-	2,606
Accumulated amortisation	-	(1,487)
	-	1,119
<i>Total intangibles</i>	920	1,306
Note 7C – Other		
Prepayments paid	753	476
<i>Total other</i>	753	476

¹ Asset valuations were performed by Australian Valuation Office

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

NOTE 7D – ANALYSIS OF PROPERTY, PLANT, EQUIPMENT AND INTANGIBLES

TABLE A – Reconciliation of the opening and closing balances of property, plant, equipment and intangibles

	Infrastructure plant and equipment	Computer Software	Total
	\$'000	\$'000	\$'000
As at 1 July 2002			
Gross book value	9,571	2,794	12,365
Accumulated depreciation/amortisation	(2,329)	(1,488)	(3,817)
<i>Net book value</i>	7,242	1,306	8,548
Additions:			
by purchase	2,408	189	2,596
Net Revaluation increment/(decrement)	(61)		(61)
Depreciation Amortisation Expense	(1,921)	(569)	(2,490)
Disposals			
Other disposals	(26)	(6)	(32)
As at 30 June 2003			
Gross book value	14,560	2,969	17,529
Accumulated depreciation/amortisation	(6,919)	(2,049)	(8,968)
<i>Net book value</i>	7,641	920	8,561

Notes to and forming part of the Financial Statements
for the year ended 30 June 2003

NOTE 7D – ANALYSIS OF PROPERTY, PLANT, EQUIPMENT AND INTANGIBLES (cont.)

TABLE B – Assets at valuation	Infrastructure plant and equipment	Intangibles	Total
	\$'000	\$'000	\$'000
As at 30 June 2003			
Gross book value	10,348	-	10,348
Accumulated depreciation/amortisation	(5,640)	-	(5,640)
<i>Net book value</i>	4,708	-	4,708
As at 30 June 2002			
Gross book value	7,459	2,606	10,065
Accumulated depreciation/amortisation	(1,886)	(1,487)	(3,373)
<i>Net book value</i>	5,573	1,119	6,692

TABLE C – Assets held under finance lease	Infrastructure plant and equipment	Intangibles	Total
	\$'000	\$'000	\$'000
As at 30 June 2003			
Gross book value	1,806	-	1,806
Accumulated depreciation/amortisation	(1,124)	-	(1,124)
<i>Net book value</i>	682	-	682
As at 30 June 2002			
Gross book value	1,806	-	1,806
Accumulated depreciation/amortisation	(443)	-	(443)
<i>Net book value</i>	1,363	-	1,363

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

	2002-03 \$'000	2001-02 \$'000
NOTE 8. LIABILITIES		
Note 8A – Leases		
Finance lease commitments		
Within one year	731	715
In one to five years	-	731
In more than five years	-	-
Minimum lease payments	731	1,446
Deduct: future finance charges	(64)	(134)
<i>Net Lease liability</i>	667	1,312
Finance lease liability is represented by:		
Current	647	619
Non-current	20	693
<i>Net Lease liability</i>	667	1,312
Note 8B – Capital Use Charge		
Return of capital	-	672
<i>Total</i>	-	672
Balance owing 1 July	672	307
Capital Use Charge provided for during the period	748	1,301
Capital Use Charge paid	(1,420)	(936)
Balance owing 30 June	-	672
The capital use charge provision is a current liability		
Note 8C – Employees		
Salaries and wages	-	694
Leave	10,502	9,857
<i>Aggregate employee benefit liability and related on-costs</i>	10,502	10,551
Current	3,210	3,230
Non-current	7,292	7,321
	10,502	10,551
Note 8D – Suppliers		
Trade creditors	2,314	1,752
<i>Total suppliers payable</i>	2,314	1,752
Note 8E – Other		
Unearned revenue	330	-
<i>Total other payables</i>	330	-

Notes to and forming part of the Financial Statements
for the year ended 30 June 2003

NOTE 9. EQUITY

Note 9A – Agency Equity

Item	Accumulated results			Asset revaluation reserves			Capital			Total Equity	
	2002-03 \$'000	2001-02 \$'000	2002-03 \$'000	2002-03 \$'000	2001-02 \$'000	2002-03 \$'000	2002-03 \$'000	2001-02 \$'000	2002-03 \$'000	2001-02 \$'000	2001-02 \$'000
Opening balance at 1 July	7,065	7,208	2,408	-	4,831	4,831	14,304	4,831	14,304	12,039	12,039
Net Surplus	733	5,158	-	-	-	-	733	-	733	5,158	5,158
Net revaluation increment/(decrement)	-	-	(61)	2,408	-	-	(61)	2,408	-	(61)	2,408
Transactions with owner:											
<i>Distributions to owner:</i>											
Returns on Capital	-	(4,000)	-	-	-	-	-	-	-	(4,000)	(4,000)
Dividends	(748)	(1,301)	-	-	-	-	(748)	-	(748)	(1,301)	(1,301)
Capital Use Charge											
Returns of Capital	-	-	-	-	-	-	-	-	-	-	-
Restructuring	(3,169)	-	-	-	-	(4,831)	(8,000)	-	(8,000)	-	-
Returns of contributed equity											
<i>Contributions by Owner</i>											
Appropriations (equity injections)	-	-	-	-	-	-	-	-	-	-	-
Restructuring	-	-	-	-	-	-	-	-	-	-	-
Transfers to/(from)/between reserves	-	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2003	3,881	7,065	2,347	2,408	4,831	4,831	6,228	4,831	6,228	14,304	14,304
Less: <i>Outside equity interest</i>	-	-	-	-	-	-	-	-	-	-	-
Total equity attributable to the Commonwealth	3,881	7,065	2,347	2,408	4,831	4,831	6,228	4,831	6,228	14,304	14,304

Notes to and forming part of the Financial Statements

for the period ended 30 June 2003

NOTE 10. EXECUTIVE REMUNERATION

	2002-03 Number	2001-02 Number
The number of executive officers who received or were due to receive total remuneration of \$100,000 or more:		
\$100,000 to \$110,000	1	1
\$110,001 to \$120,000	3	4
\$120,001 to \$130,000	2	4
\$130,001 to \$140,000	5	9
\$140,001 to \$150,000	5	2
\$150,001 to \$160,000	4	3
\$160,001 to \$170,000	2	4
\$170,001 to \$180,000	2	-
\$180,001 to \$190,000	-	1
\$190,001 to \$200,000	1	1
\$200,001 to \$210,000	3	-
\$210,001 to \$220,000	1	1
\$240,001 to \$250,000	2	-
\$340,001 to \$350,000	-	1
	31	31

This comprised:

The aggregate amount of total remuneration of executive officers shown above.

\$4,468,666	\$4,637,765
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Total remuneration includes:

- The aggregate amount of separation and redundancy payments during the year to executive officers shown above.

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**Notes to and forming part of the Financial Statements
for the year ended 30 June 2003**

NOTE 11. FINANCIAL INSTRUMENTS

Note: All financial instruments are recognised in the financial statements and the carrying amount of each instrument equals its net fair value.

Part 1 – Terms, conditions and accounting policies

Financial instrument	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial assets		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash	6	Cash at bank is recognised at its nominal amount. Interest is credited to revenue as it accrues.	Monies in the department's bank accounts are swept into the Official Public Account nightly and interest is earned on a daily balance at rates based on money market call rates. Interest is paid quarterly.
Receivables for goods and services	6	These receivables are recognised at the nominal amounts due, less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less likely rather than more likely.	Settlement is net 14 days or less.
Accrued revenue	6	Interest is credited to revenue as it accrues.	Interest is due on the last day of each quarter.
Financial liabilities		Financial liabilities are recognised when a present obligation to an external party occurs and is reliably measurable.	
Finance lease liabilities	8	Liabilities are recognised at the present value of the minimum lease payments at the beginning of the lease. The discount rates used are estimates of the interest rates implicit in the leases.	At reporting date, the department had a finance lease with a maximum term of one year. The interest rate implicit in the leases averaged 5.95%. The lease assets secure the lease liabilities.
Trade creditors	8	Creditors and accruals are recognised at their nominal amounts, which are the amounts at which the liabilities will be settled. They are recognised to the extent that the related goods or services have been received, or to the extent an obligation arises from a legally binding contract	Settlement is net 28 days or less.

Notes to and forming part of the Financial Statements
for the period ended 30 June 2003

NOTE 11. FINANCIAL INSTRUMENTS (continued)

Part 2 – Interest rate risk

Financial instrument	Notes	Floating interest rate		Fixed interest rate				Non-interest bearing		Total		Weighted average effective interest rate		
		2002-03 \$'000		2001-02 \$'000		2002-03 \$'000		2001-02 \$'000		2002-03 \$'000			2001-02 \$'000	
		2002-03 \$'000	2001-02 \$'000	1 year or less	1 to 2 years	2 to 5 years	2001-02 \$'000	2002-03 \$'000	2001-02 \$'000	2002-03 \$'000	2001-02 \$'000		2002-03 \$'000	
Financial assets														
Cash at bank	6A	1,882	2,734	-	14,570	-	-	-	5	4	1,887	17,308	4.7%	
Receivables for goods and services (gross)	6B	-	-	-	-	-	-	-	8,840	2,259	8,840	2,259	n/a	
Total financial assets (recognised)		1,882	2,734	-	14,570	-	-	-	8,845	2,263	10,727	19,567		
Total assets											20,041	28,591		
Financial liabilities														
Finance lease liability	8A	-	-	731	715	-	731	-	-	-	731	1,446	5.95%	
Capital Use Charge		-	-	-	-	-	-	-	-	672	-	672	n/a	
Trade creditors	8C	-	-	-	-	-	-	-	2,314	1,752	2,314	1,752	n/a	
Total financial liabilities (recognised)		-	-	731	715	-	731	-	2,314	2,424	3,045	3,870		
Total liabilities											13,813	14,287		

Notes to and forming part of the Financial Statements
for the year ended 30 June 2003

NOTE 11. FINANCIAL INSTRUMENTS (continued)

Part 3 – Net fair values of financial assets and liabilities

Assets and Liability Carrying Amounts	2002–03		2001–02	
	Total Carrying Amount	Aggregate Net Fair Value	Total Carrying Amount	Aggregate Net Fair Value
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash at bank	1,887	1,887	17,308	17,308
Receivables	1,365	1,365	2,259	2,259
Receivable – Cash held in the OPA	7,475	7,475	-	-
Total Financial Assets	10,727	10,727	19,567	19,567
Financial Liabilities				
Finance lease liabilities	667	667	1,312	1,312
Capital use charge	-	-	672	672
Trade creditors	2,314	2,313	1,752	1,752
Total Financial Liabilities	2,981	2,980	3,736	3,736

Financial assets

The net fair values of cash and non-interest bearing monetary financial assets approximate their carrying amounts.

Financial liabilities

The net fair values of the finance lease are based on discounted cash flows using current interest rates for liabilities with similar risk profiles. The net fair values for trade creditors are approximated by their carrying amounts.

Part 4 – Credit risk

The maximum exposure to credit risk as at reporting date in relation to each class of financial assets is the carrying amount of the assets as indicated in the Statement of Financial Position. There are no significant exposures to any concentration of credit risk. No collateral or other security is held in relation to any financial asset.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

	2002-03 \$'000	2001-02 \$'000
NOTE 12. REVENUES ADMINISTERED ON BEHALF OF GOVERNMENT		
Note 12A - Goods and services		
Rendering of services - external entities	3,190	5,891
<i>Total goods and services</i>	3,190	5,891
Note 12B - Other revenue		
Other	24	-
<i>Total other revenue</i>	24	-
Total Revenues Administered on Behalf of Government	3,214	5,891

Notes to and forming part of the Financial Statements
for the year ended 30 June 2003

	2002-03 \$'000	2001-02 \$'000
NOTE 13. EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT		
Note 13A – Grants		
State and territory governments	-	10,009
Private sector - Non-profit institutions	3,556	3,687
Related entities - Other sectors in the Commonwealth	-	568
<i>Total grants</i>	3,556	14,264
Note 13B – Personal benefits		
Direct - former Governors-General	4,176	943
<i>Total personal benefits</i>	4,176	943
Note 13C – Employees		
Wages and salaries	609	593
Superannuation	91	81
Leave and other entitlements	140	122
<i>Total employees</i>	840	796
Note 13D – Suppliers		
Provision of services - external entities	31,422	13,797
Operating lease rentals	202	157
<i>Total suppliers</i>	31,624	13,954
Note 13E – Depreciation and amortisation		
Other infrastructure, plant and equipment	55	71
Buildings	69	65
<i>Total depreciation and amortisation</i>	124	136
Note 13F – Write-down and impairment of assets		
Non financial assets		
– Infrastructure, plant and equipment	-	14
<i>Total write down and impairment of assets</i>	-	14
Total Expenses Administered on Behalf of Government	40,320	30,107

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

	2002-03 \$'000	2001-02 \$'000
NOTE 14. ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT		
Financial Assets		
Note 14A - Cash		
Special Account	94	7,314
Agency	(9)	1,830
<i>Total cash</i>	85	9,144
Note 14B - Receivables		
GST receivables from ATO	156	417
	156	417
Accrued revenue	655	1,040
Goods and services	166	467
Less provision for doubtful debts	-	-
Net receivables for goods and services	166	467
<i>Total receivables (net)</i>	977	1,924
Receivables (gross) are aged as follows:		
Not overdue	811	1,918
Overdue by:		
less than 30 days	166	-
30 to 60 days	-	-
60 to 90 days	-	-
more than 90 days	-	6

Notes to and forming part of the Financial Statements
for the year ended 30 June 2003

	2002-03 \$'000	2001-02 \$'000
NOTE 14. ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT (continued)		
Non-financial Assets		
Note 14C – Land and buildings		
Land – at valuation 2002–2003 (fair value) ¹	28,000	-
Land – at valuation 1999–2000 (deprival)	-	22,500
Buildings – at valuation 2002–2003 (fair value) ¹	6,719	-
Accumulated depreciation	(2,592)	-
	4,127	-
Buildings – at valuation 1999–2000 (deprival)	-	6,166
Accumulated depreciation	-	(2,220)
	-	3,946
<i>Total land and buildings</i>	32,127	26,446
Note 14D – Infrastructure, plant and equipment		
Infrastructure, plant and equipment – at cost	11	199
Accumulated depreciation	-	(50)
	11	149
Infrastructure, plant and equipment – at valuation 2002–2003 (fair value) ¹	939	-
Accumulated depreciation	(629)	-
	310	-
Infrastructure, plant and equipment – at valuation 1999–2000 (deprival)	-	690
Accumulated depreciation	-	(267)
	-	423
<i>Total infrastructure, plant and equipment</i>	321	572
Note 14E – Inventories		
Inventories not held for sale	231	231
<i>Total inventories</i>	231	231
Note 14F – Prepayments		
Prepayments paid	15	340
<i>Total prepayments</i>	15	340
Total Assets Administered on Behalf of Government	33,756	38,657

¹ Asset revaluations were performed by the Australian Valuation Office.

Notes to and forming part of the Financial Statements
for the year ended 30 June 2003

NOTE 14G – ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT (continued)

TABLE A – Reconciliation of the opening and closing balances of property, plant, equipment and intangibles	Land	Buildings	Infrastructure plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2002				
Gross book value	22,500	6,166	889	29,555
Accumulated depreciation/amortisation	-	(2,220)	(317)	(2,537)
<i>Net book value</i>	22,500	3,946	572	27,018
Additions:				
by purchase	-	-	11	11
Net Revaluation increment/(decrement)	5,500	250	(207)	5,543
Depreciation Amortisation Expense	-	(69)	(55)	(124)
Disposals				
Other disposals	-	-	-	-
As at 30 June 2003				
Gross book value	28,000	6,719	950	35,669
Accumulated depreciation/amortisation	-	(2,592)	(629)	(3,221)
<i>Net book value</i>	28,000	4,127	321	32,448

TABLE B – Assets at valuation

	\$'000	\$'000	\$'000	\$'000
As at 30 June 2003				
Gross book value	28,000	6,719	939	35,658
Accumulated depreciation/amortisation	-	(2,592)	(629)	(3,221)
<i>Net book value</i>	28,000	4,127	310	32,437
As at 30 June 2002				
Gross book value	22,500	6,166	690	29,356
Accumulated depreciation/amortisation	-	(2,220)	(267)	(2,487)
<i>Net book value</i>	22,500	3,946	423	26,869

Notes to and forming part of the Financial Statements
for the year ended 30 June 2003

	2002-03 \$'000	2001-02 \$'000
NOTE 15. LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT		
Note 15A – Provisions		
Salaries and wages	23	19
Employees leave and other entitlements	211	240
Personal benefits – former Governors-General allowances	9,600	6,250
<i>Total provisions</i>	9,834	6,509
Note 15B – Payables		
Suppliers – Trade creditors	1,541	2,336
Grants		
Private Sector – Non-profit institutions	-	116
<i>Total payables</i>	1,541	2,452
Total Liabilities Administered on Behalf of Government	11,375	8,961

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

	2002-03 \$'000	2001-02 \$'000
NOTE 16. ADMINISTERED RECONCILIATION TABLE		
<i>Opening administered assets less administered liabilities at 1 July</i>	29,285	26,967
<i>Plus: Administered revenues</i>	3,214	5,891
<i>Less: Administered expenses</i>	(40,320)	(30,107)
Administered transfers to/from Government:		
Appropriation Transfers from OPA	32,995	26,534
Transfers to OPA	(8,335)	-
Administered revaluations taken to/from reserves	5,543	-
<i>Closing administered assets less administered liabilities as at 30 June 2003</i>	22,381	29,285

Notes to and forming part of the Financial Statements
for the period ended 30 June 2003

NOTE 17. ADMINISTERED FINANCIAL INSTRUMENTS

Note: All financial instruments are recognised in the financial statements and the carrying amounts of each instrument equals its net fair value.

Part 1 – Terms, conditions and accounting policies

Financial Instrument	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms & conditions affecting the amount, timing and certainty of cash flows)
Financial Assets		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash	14A	Cash at bank is recognised at its nominal amount. Interest is credited to revenue as it accrues.	Moneys in the department's bank accounts are swept into the Official Public Account nightly and interest is earned on a daily balance at rates based on money market call rates. Interest is paid quarterly.
Receivables for goods and services	14B	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less likely rather than more likely.	Settlement is net 14 days or less.
Accrued revenue	14B	Interest is credited to revenue as it accrues. Interest is payable quarterly.	Interest is due on the last day of each quarter.
Financial Liabilities		Financial liabilities are recognised when a present obligation to an external party occurs and is reliably measurable.	
Trade creditors	15B	Creditors and accruals are recognised at their nominal amounts which are the amounts at which the liabilities will be settled. They are recognised to the extent that the related goods or services have been received, or to the extent an obligation arises from a legally binding contract.	Settlement is net 28 days or less.

Notes to and forming part of the Financial Statements
for the period ended 30 June 2003

NOTE 17. ADMINISTERED FINANCIAL INSTRUMENTS (continued)

Part 2 – Interest Rate Risk: Administered

Financial instrument	Notes	Floating interest rate		Fixed interest rate 1 year or less		Non-interest bearing		Total		Weighted average effective interest rate
		2002-03 \$'000	2001-02 \$'000	2002-03 \$'000	2001-02 \$'000	2002-03 \$'000	2001-02 \$'000	2002-03 \$'000	2001-02 \$'000	
Financial Assets										
Cash at Bank	14A	-	-	-	-	85	9,144	85	9,144	n/a
Receivables for goods and services	14B	-	-	-	-	977	1,924	977	1,924	n/a
Total financial assets (recognised)						1,062	11,068	1,062	11,068	
<i>Total assets</i>								33,756	38,657	
Financial Liabilities										
Trade creditors	15B	-	-	-	-	1,541	2,336	1,541	2,336	n/a
Total financial liabilities						1,541	2,336	1,541	2,336	
<i>Total liabilities</i>								11,375	8,961	

Part 3 – Net fair values of Financial Assets and Liabilities

Financial Assets

The net fair values of cash and non-interest-bearing monetary financial assets approximate their carrying amounts.

Financial Liabilities

The net fair values for trade creditors are approximated by their carrying amounts

Part 4 – Credit risk

The maximum exposure to credit risk as at reporting date in relation to each class of financial assets is the carrying amount of the assets as indicated in the statement of Assets and Liabilities. There are no significant exposures to any concentration of credit risk. No collateral or other security is held in relation to any financial asset.

Notes to and forming part of the Financial Statements
for the period ended 30 June 2003

NOTE 18. CASH BASIS ACQUITTAL OF APPROPRIATIONS FROM ACTS 1 AND 3

<i>Particulars</i>	Administered expenses (Outcome 1)	Departmental Outputs	Total
Year ended 30 June 2003	\$	\$	\$
Balance carried from previous year	1,449,905	13,762,691	15,212,596
Appropriations for reporting period (Act 1)	25,830,000	44,526,000	70,356,000
Amounts from the Advance to the Finance Minister	6,764,000	-	6,764,000
GST Credits (FMA s30A)	3,103,581	2,140,267	5,243,848
Annotations to 'net appropriations' (FMA s31)	-	2,403,124	2,403,124
Other annotations	14,581	411,294	425,875
Transfers to/from other agencies (FMA s32)	-	-	-
Administered expenses lapsed under determination	(71,953)	-	(71,953)
Available for payments	37,090,114	63,243,376	100,333,490
Payments made	37,090,114	55,354,513	92,444,627
Appropriations credited to Special Accounts	-	-	-
Balance carried to next year	-	7,888,863	7,888,863
<i>Represented by:</i>			
Cash	(9,057)	1,889,930	1,880,873
Add: Appropriations receivable	-	5,860,000	5,860,000
Add: Receivables - Goods and Services - GST from customers	15,054	91,612	106,667
Add: Return of contributed equity	-	-	-
Less: Other payables - Net GST payable to the ATO	(155,713)	(257,636)	(413,349)
Less: Payable - Suppliers - GST portion	140,062	210,315	350,377
Add: Savings in Portfolio Additional Estimates Statement	-	-	-
Total	21,648	7,888,863	7,910,512

Notes to and forming part of the Financial Statements
 for the year ended 30 June 2003

**NOTE 18B. CASH BASIS ACQUITTAL OF SPECIAL APPROPRIATIONS
 (UNLIMITED AMOUNT)**

Special appropriations (Unlimited Amount)

	Outcome 1	
	2003	2002
<i>Legislation: Governor-General Act 1974 section 5</i>		
Purpose: An Act to make provision in relation to the Salary of the Governor-General, and the Payment of Allowances.	\$	\$
Budget estimate	578,000	537,000
Payments made	533,635	442,597
Appropriations credited to Special Accounts	-	-
Refunds credited (section 30)	-	-

Notes to and forming part of the Financial Statements
for the year ended 30 June 2003

NOTE 19. CASH BASIS ACQUITTAL OF SPECIAL ACCOUNTS

Account name	2003 \$	2002 \$
Services for other Governments and Non-Agency Bodies Account (Departmental)		
<i>Legal authority: Financial Management and Accountability Act 1997</i>		
<i>Purpose: Funds in this account are used for expenditure in connection with services performed on behalf of other governments and bodies that are not FMA agencies.</i>		
Balance carried from previous period	1,171,373	1,318,073
Appropriation for reporting period	-	-
Costs recovered	-	-
Other receipts		
Services - Rendering of services to related entities	44,218	616,985
GST Credits (FMA s.30A)	3,080	40,568
Available for payments	1,218,671	1,975,626
Payments made to suppliers	17,980	804,253
Cash Transferred to OPA	1,199,910	-
<i>Balance carried to next period</i>	781	1,171,373
<i>Represented by:</i>		
Cash	781	1,171,373

Account name	2003 \$	2002 \$
Campaign Reserve Special Account (Departmental)		
<i>Legal authority: Financial Management and Accountability Act 1997</i>		
<i>Purpose: Funds in this account are used to cover a portion of the costs incurred by the Government Communications Unit in managing the Central Advertising System, which provides consolidated media buying services to Commonwealth departments and agencies. Revenue is derived from a small fee levied on departments and agencies that undertake advertising campaigns.</i>		
Balance carried from previous period	2,368,661	5,420,140
Appropriation for reporting period	-	-
Costs recovered	-	-
Other receipts		
Services - Rendering of services to related entities	890,219	1,813,762
GST Credits (FMA s.30A)	-	-
Available for payments	3,258,880	7,233,902
Payments made to suppliers	792,599	865,241
Cash Transferred to OPA	2,470,000	4,000,000
<i>Balance carried to next period</i>	(3,719)	2,368,661
<i>Represented by:</i>		
Cash	(3,719)	2,368,661

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

NOTE 19. CASH BASIS ACQUITTAL OF SPECIAL ACCOUNTS (continued)

Account name	2003 \$	2002 \$
Media Commissions Advance Account (Administered)		
<i>Legal authority: Financial Management and Accountability Act 1997</i>		
<i>Purpose: Funds in this account are used to remunerate the Commonwealth's contracted master media placement agencies and, if required, any creative advertising agencies, for the placement of Commonwealth Government advertising. Revenue is derived from the media commission payable to the Commonwealth for its advertising.</i>		
Balance carried from previous period	7,314,310	9,459,732
Appropriation for reporting period	-	-
Costs recovered	-	-
Other receipts		
Services - Rendering of services to related entities	3,603,994	6,918,211
GST Credits (FMA s.30A)	289,556	489,982
Available for payments	11,207,859	16,867,925
Payments made to suppliers	3,214,015	4,553,615
Cash Transferred to OPA	7,900,000	5,000,000
<i>Balance carried to next period</i>	93,844	7,314,310
<i>Represented by:</i>		
Cash	93,844	7,314,310

Notes to and forming part of the Financial Statements
for the year ended 30 June 2003

NOTE 20. REPORTING OF OUTCOMES

The department predominantly uses staff numbers to determine the attribution of its shared items. Some exceptions exist but testing has shown that other, more complex allocation methods do not produce a materially different result to that produced by this allocation method.

NOTE 20A – Net Cost of Outcome Delivery

	Outcome 1	TOTAL	
	2003 \$'000	2003 \$'000	2002 \$'000
Administered expenses	40,320	40,320	30,107
Departmental expenses	46,620	46,620	77,635
Total expenses	86,940	86,940	107,742
<i>Costs recovered from provision of goods and services to the non-government sector</i>			
Administered	3,214	3,214	5,891
Departmental	64	64	51
Total costs recovered	3,278	3,278	5,942
<i>Other external revenues</i>			
Administered			
Dividends from Commonwealth companies	-	-	-
Interest on loans	-	-	-
Total Administered	-	-	-
Departmental			
Interest on cash deposits	220	220	1,209
Revenue from disposal of assets	5	5	1
Reversals of previous asset write-downs	-	-	-
Other	-	-	1,865
Goods and services revenue from related entities	2,538	2,538	1,370
Total Departmental	2,763	2,763	4,445
Total other external revenues	2,763	2,763	4,445
Net cost/(contribution) of outcome	80,899	80,899	97,355

Outcome 1 is described in Note 1.1. Net costs shown include intra-government costs that are eliminated in calculating the actual budget outcome. The Capital Use Charge is not included in any of the outcomes as it is not an operating expense in end-of-year financial reports.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

NOTE 20B – Major Classes of Departmental Revenues and Expenses by Output Groups and Outputs

Outcome 1	Output Group 1		Output Group 1 Total	
	Output 1.1			
	2003 \$'000	2003 \$'000	2002 \$'000	
<i>Departmental expenses</i>				
Employees	6,578	6,578	5,670	
Suppliers	2,464	2,464	2,448	
Depreciation and amortisation	533	533	328	
Other expenses	23	23	-	
Total departmental expenses	9,598	9,598	8,446	
<i>Funded by:</i>				
Revenues from Government	9,823	9,823	9,324	
Sales of goods and services	72	72	47	
Other non-taxation revenues	48	48	265	
Total departmental revenues	9,943	9,943	9,636	

Outcome 1	Output Group 2		Output Group 2 Total	
	Output 2.1	Output 2.2		
	2003 \$'000	2003 \$'000	2003 \$'000	2002 \$'000
<i>Departmental expenses</i>				
Employees	3,722	5,561	9,283	8,225
Suppliers	1,483	2,538	4,021	4,280
Depreciation and amortisation	319	478	796	469
Other expenses	11	46	57	-
Total departmental expenses	5,535	8,623	14,158	12,974
<i>Funded by:</i>				
Revenues from Government	5,392	8,328	13,720	13,045
Sales of goods and services	138	386	524	3
Other non-taxation revenues	29	87	116	995
Total departmental revenues	5,559	8,801	14,360	14,043

Comparative information by output group is unavailable for year end 2001-02.

Notes and forming part of the Financial Statements
for the year ended 30 June 2003

NOTE 20B – Major Classes of Departmental Revenues and Expenses by Output Groups and Outputs (continued)

Outcome 1	Output Group 3 Output 3.1	Output Group 3 Total	
	2003 \$'000	2003 \$'000	2002 \$'000
<i>Departmental expenses</i>			
Employees	2,916	2,916	2,638
Suppliers	1,217	1,217	1,154
Depreciation and amortisation	234	234	145
Other expenses	9	9	-
<i>Total departmental expenses</i>	4,376	4,376	3,937
<i>Funded by:</i>			
Revenues from Government	4,426	4,426	4,327
Sales of goods and services	32	32	1
Other non-taxation revenues	21	21	118
<i>Total departmental revenues</i>	4,478	4,478	4,446

Comparative information by output group is unavailable for year end 2001-02.

Notes and forming part of the Financial Statements
for the year ended 30 June 2003

NOTE 20C – Major Classes of Administered Revenues and Expenses by Outcomes

Outcome 1	Total	Outcome 1
	2003	2002
	\$'000	\$'000
<i>Administered revenues</i>		
Sales of goods and services	3,190	5,891
Other non-taxation revenues	24	-
<i>Total administered revenues</i>	3,214	5,891
<i>Administered expenses</i>		
Grants	3,556	14,264
Subsidies	-	-
Personal benefits	4,176	943
Suppliers	31,623	13,954
Other	965	946
<i>Total administered expenses</i>	40,320	30,107

Notes to and forming part of the Financial Statements

for the year ended 30 June 2003

NOTE 21. ACT OF GRACE PAYMENTS AND WAIVERS

There were no act of grace payments or waivers made during the reporting period.

NOTE 22. AFTER BALANCE DATE EVENTS

The department is not aware of any after balance date events that will affect the financial statements.

NOTE 23. SERVICES PROVIDED BY THE AUDITOR-GENERAL

Financial statement audit services are provided free of charge to the department. The fair value of the services provided was:

2002-03	2001-02
\$	\$
121,000	115,000

No other services were provided to the department by the Auditor-General.

NOTE 24. AVERAGE STAFFING LEVEL

The average staffing level for the department for the financial year was:

2002-03	2001-02
\$	\$
357	390