

Financial statements

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INDEPENDENT AUDIT REPORT

To the Prime Minister

Scope

The financial statements comprise:

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

for the Department of the Prime Minister and Cabinet for the year ended 30 June 2004.

The Department's Secretary is responsible for the preparation and true and fair presentation of the financial statements in accordance with the Finance Minister's Orders. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

Audit approach

I have conducted an independent audit in order to express an opinion to you. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

While the effectiveness of management's internal controls over financial reporting was considered when determining the nature and extent of the procedures, the audit was not designed to provide assurance on internal controls.

The audit did not involve an analysis of the prudence of business decisions made by the Secretary or management.

Procedures were performed to assess whether in all material respects the financial report presents fairly, in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Department's performance as represented by the statements of financial performance, financial position and cash flows.

The audit opinion is formed on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Secretary.

Independence

In conducting the audit, I have followed the independence requirements of the ANAO which incorporate Australian professional ethical pronouncements.

Audit Opinion

In my opinion the financial statements:

- (i) have been prepared in accordance with Finance Minister's Orders made under the *Financial Management and Accountability Act 1997* and applicable Accounting Standards; and
- (ii) give a true and fair view, of the matters required by 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 2004, and its financial performance and cash flows for the year then ended.



P.J. Barrett
Auditor-General

Canberra
19 July 2004

The Department of the Prime Minister and Cabinet
STATEMENT BY THE SECRETARY AND FIRST ASSISTANT SECRETARY
for the year ended 30 June 2004

In our opinion, the attached financial statements for the year ended 30 June 2004 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*.

Signed



Dr Peter Shergold
Secretary



Greg Williams CA
First Assistant Secretary
People, Resources and Communications Division

(9 July 2004

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2004

	Notes	2003-04 \$'000	2002-03 \$'000
REVENUE			
Revenues from ordinary activities			
Revenues from government	3A	56,695	45,253
Goods and services	3B	2,023	1,146
Interest	3C	–	220
Revenue from sales of assets	4E	12	5
Other	3D	1,264	729
Revenues from ordinary activities		59,994	47,353
EXPENSE			
Expenses from ordinary activities (excluding borrowing costs expense)			
Employees	4A	35,983	29,314
Suppliers	4B	20,158	14,623
Grants	4C	88	66
Depreciation and amortisation	4D	3,456	2,490
Value of assets sold	4E	29	32
Other	4F	9	–
Expenses from ordinary activities (excluding borrowing costs expense)		59,723	46,525
Borrowing costs expense	4G	34	95
Net surplus / (deficit) from ordinary activities		237	733
Net credit (debit) to asset revaluation reserve		–	(61)
Total revenues, expenses and valuation adjustments recognised directly in equity		–	(61)
Total changes in equity other than those resulting from transactions with the Australian Government as owners		237	672

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

STATEMENT OF FINANCIAL POSITION

as at 30 June 2004

	Notes	2003-04 \$'000	2002-03 \$'000
ASSETS			
Financial assets			
Cash	6A	174	1,887
Receivables	6B	13,546	8,840
Total financial assets		13,720	10,727
Non-financial assets			
Infrastructure, plant and equipment	7A	11,292	7,641
Intangibles	7B	1,344	920
Other	7C	473	753
Total non-financial assets		13,109	9,314
TOTAL ASSETS		26,829	20,041
LIABILITIES			
Interest bearing liabilities			
Leases	8A	94	667
Total interest bearing liabilities		94	667
Provisions			
Employees	8C	11,366	10,502
Total provisions		11,366	10,502
Payables			
Suppliers	8D	2,771	2,314
Unearned revenue	8E	–	330
Other Liabilities	8E	78	–
Total payables		2,849	2,644
TOTAL LIABILITIES		14,309	13,813
NET ASSETS		12,520	6,228
EQUITY			
Contributed equity	9A	–	–
Reserves		2,347	2,347
Retained surpluses		10,173	3,881
TOTAL EQUITY		12,520	6,228
Current assets		6,129	11,480
Non-current assets		20,700	8,561
Current liabilities		6,606	5,854
Non-current liabilities		7,703	7,959

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

STATEMENT OF CASH FLOWS

for the year ended 30 June 2004

	Notes	2003-04 \$'000	2002-03 \$'000
OPERATING ACTIVITIES			
Cash received			
Goods and services		2,601	1,795
Appropriations		56,695	44,526
Interest		–	299
Other		1,053	1,243
Cash transferred from the OPA		2,171	–
GST Input Tax Credits from ATO		2,660	1,895
GST Receipts from Customers		205	369
Total cash received		65,385	50,127
Cash used			
Employees		35,119	29,009
Suppliers		19,421	14,813
Grants		88	–
GST payments to ATO		293	332
GST payments to Suppliers		2,803	1,879
Cash Transferred to OPA		878	7,475
Other		364	128
Total cash used		58,966	53,636
Net cash from / (used by) operating activities	5	6,419	(3,509)
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment		–	–
Other		–	–
Total cash received		–	–
Cash used			
Purchase of property, plant and equipment		6,630	1,931
Purchase of intangibles		929	196
Total cash used		7,559	2,127
Net cash from / (used by) investing activities		(7,559)	(2,127)
FINANCING ACTIVITIES			
Cash received			
Other		–	–
Total cash received		–	–
Cash used			
Dividends paid		–	–
Capital use charge paid		–	1,420
Return of contributed equity		–	8,000
Repayments of debt		573	365
Total cash used		573	9,785
Net cash (used by) financing activities		(573)	(9,785)
Net increase (decrease) in cash held		(1,713)	(15,421)
Cash at the beginning of the reporting period		1,887	17,308
Cash at the end of the reporting period	6A	174	1,887

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

SCHEDULE OF COMMITMENTS

as at 30 June 2004

	2003-04	2002-03
	\$'000	\$'000
BY TYPE		
Other commitments		
Operating leases	20,962	18,837
Other commitments	1,070	14,476
Total other commitments	22,032	33,313
Net commitments	22,032	33,313
BY MATURITY		
All net commitments		
One year or less	7,289	7,962
From one to five years	13,355	16,532
Over five years	1,388	8,819
Net commitments	22,032	33,313
Operating lease commitments		
One year or less	6,529	4,827
From one to five years	13,045	13,229
Over five years	1,388	782
Net operating lease commitments	20,962	18,838

NB: Commitments are GST inclusive where relevant.

Nature of lease	General description of leasing arrangement
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 ADMINISTERED ITEMS

for the year ended 30 June 2004

	Notes	2003-04 \$'000	2002-03 \$'000
REVENUES ADMINISTERED ON BEHALF OF GOVERNMENT			
Non-taxation revenue			
Goods and services	12A	3,377	3,190
Other sources of non-taxation revenues	12B	53	24
Total Revenues Administered on Behalf of Government		3,430	3,214
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT			
Grants	13A	3,751	3,556
Personal benefits	13B	1,434	4,176
Employees	13C	883	840
Suppliers	13D	28,187	31,624
Depreciation and amortisation	13E	162	124
Write down and impairment of assets	13F	-	-
Total Expenses Administered on Behalf of Government		34,417	40,320

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

SCHEDULE OF ADMINISTERED ITEMS (cont.)

as at 30 June 2004

	Notes	2003-04 \$'000	2002-03 \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT			
Financial assets			
Cash	14A	433	85
Receivables	14B	2,491	977
Total financial assets		2,924	1,062
Non-financial assets			
Land and buildings	14C	32,058	32,127
Infrastructure, plant and equipment	14D	490	321
Inventories	14E	231	231
Other	14F	15	15
Total non-financial assets		32,794	32,694
Total Assets Administered on Behalf of Government		35,718	33,756
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT			
Provisions			
Employees	15A	175	234
Personal Benefits	15A	10,300	9,600
		10,475	9,834
Payables			
Suppliers	15B	278	1,541
Grants	15B	–	–
		278	1,541
Total Liabilities Administered on Behalf of Government		10,753	11,375
Net Assets Administered on Behalf of Government		24,965	22,381
Current assets		2,939	1,077
Non-current assets		32,779	32,679
Current liabilities		331	1,653
Non-current liabilities		10,422	9,722

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

SCHEDULE OF ADMINISTERED ITEMS (cont.)

for the year ended 30 June 2004

	Notes	2003-04 \$'000	2002-03 \$'000
ADMINISTERED CASH FLOWS			
Operating Activities			
Cash received			
Rendering of services		3,112	3,703
Other cash received		53	–
Cash from Official Public Account for:			
– Appropriations		37,606	32,995
Other – GST received from ATO		1,934	3,104
– GST received from customers		299	372
Total cash received		43,004	40,174
Cash used			
Employees		942	864
Grants payments		3,751	3,575
Personal benefits		734	826
Suppliers		29,450	31,864
Cash to Official Public Account			
– Appropriations		4,235	6,152
Other – GST payments to ATO		312	90
– GST payments to suppliers		3,170	3,251
Total cash used		42,594	46,622
Net cash from / (used in) operating activities		410	(6,448)
Investing Activities			
Cash used			
Purchase of property, plant and equipment		262	11
Total cash used		262	11
Net cash from / (used in) investing activities		(262)	(11)
FINANCING ACTIVITIES			
Cash received			
Equity appropriations		200	–
Total cash received		200	–
Cash Used			
Dividends		–	–
Return of equity		–	2,600
Total cash used		–	2,600
Net cash from / (used in) financing activities		200	(2,600)
Net increase (decrease) in cash held		348	(9,059)
Cash at the beginning of the reporting period		85	9,144
Cash at the end of the reporting period	14A	433	85

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

SCHEDULE OF ADMINISTERED ITEMS (cont.)

as at 30 June 2004

	2003-04	2002-03
	\$'000	\$'000
ADMINISTERED COMMITMENTS		
By type		
Other commitments		
Operating leases	483	1,521
Other	15,833	5,386
Total other commitments	16,316	6,907
Net administered commitments	16,316	6,907
By maturity		
All net commitments		
One year or less	9,784	4,455
From one to five years	6,532	1,985
Over five years	-	467
Net administered commitments	16,316	6,907
Operating Lease Commitments		
One year or less	190	202
From one to five years	293	852
Over five years	-	467
Net operating lease commitments	483	1,521

NB: All 2003-04 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 (cont.)

as at 30 June 2004

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, support for the National Counter Terrorism Committee, legal and compensation payments and payments in relation to state occasions and official visits. Details of planned activities for the year can be found in the Agency Portfolio Budget Statements for 2003-04 which have been tabled in Parliament.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Objectives of the department

The department's objective is sound and well coordinated government policies, programs and decision making processes.

The department is structured to meet one outcome.

The department's 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.

The department's activities are identified under the following outputs:

- Output group 1.1: Economic policy advice and coordination;
- Output group 1.2: Social policy advice and coordination;
- Output group 1.3: International policy advice and coordination; and
- Output group 1.4: Support services for government operations.

1.2 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 Orders (Financial Statements for reporting periods ending on or after 30 June 2004)*;
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board (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 FMOs 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. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

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

Administered revenues, expenses, assets and liabilities and cash flows reported in the Schedule of Administered Items and related notes are accounted for on the same basis and using the same policies as for departmental items, except where otherwise stated at Note 1.23.

1.3 Changes in accounting policy

The accounting policies used in the preparation of these financial statements are consistent with those used in 2002–03.

Property plant and equipment assets are valued at fair value from 1 July 2003 as explained in Note 1.14. Revaluations up to 30 June 2002 were done on a 'deprival' basis; since that date revaluations have been prepared on a fair value basis. Revaluation increments and decrements arising on adoption of fair values at 1 July 2003 were taken directly to accumulated results in accordance with the transitional provisions of AASB 1041 *Revaluation of Non-current Assets*.

In 2002–03, the Finance Minister's Orders introduced an impairment test for agency non-current assets carried at cost and which were not subject to AAS 10 *Recoverable Amount of Non-Current Assets*. In 2003–04 no software was written down under this policy.

In 2003–04, the impairment test provisions of the FMOs have been extended to cover non-current assets carried at deprival values. There were no indications of impairment for these assets.

1.4 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.

1.5 Revenue

Revenues from government

Amounts appropriated for departmental outputs appropriation for the year (less any current year savings and reductions) are recognised as revenue, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Savings are amounts offered up in Portfolio Additional Estimates Statements. Reductions are amounts by which appropriations have been legally reduced by the Finance Minister under *Appropriation Act No 3 of 2003–04*.

Appropriations receivable are recognised at their nominal amounts.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

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.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as revenue 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. (Refer to note 1.6).

Other revenue

Revenue from rendering of services is recognised by reference to the stage of completion of contracts or other agreements to provide services. The stage of completion is determined according to the proportion of costs incurred to date.

Receivables for services 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 rather than more likely.

Interest revenue is recognised on a time proportional basis that takes into account the effective yield on the relevant asset.

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

1.6 Transactions with the government as owner

Equity injections

Amounts appropriated which are designated as 'equity injections' (less any savings offered up in Portfolio Additional Estimates) are recognised directly in Contributed Equity at 1 July or later date of effect of the appropriation.

Restructuring of administrative arrangements

Net assets received from or relinquished to another Commonwealth agency or authority under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

Other distributions to owners

The FMOs require that distributions to owners be debited to contributed equity unless in the nature of a dividend.

1.7 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, but payments due

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

have not been made. A commitment is recorded when the government enters into an agreement to make these grants but services have not been performed or criteria satisfied. Where grants monies are paid in advance of performance or eligibility, a prepayment is recognised.

1.8 Employee benefits

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

Liabilities for wages and salaries (including non-monetary benefits) annual leave are measured at their nominal amounts. Other employee benefits expected to be settled within 12 months of the reporting date are also measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Leave

The liability for employee benefits 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 leave liabilities are calculated on the basis of employees' remuneration, including the department's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the work of an actuary as at 30 June 2002. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and redundancy

Provision is made for separation and redundancy benefit payments. The department has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

Staff of the department are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) and other superannuation schemes held outside the Commonwealth. The liability for staff CSS and PSS superannuation benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

The department makes employer contributions to the Australian Government at rates determined by an actuary to be sufficient to meet the cost to the government of the superannuation entitlements of the department's employees.

The liability for superannuation recognised as at 30 June represents outstanding contributions in relation to salaries accrued as at 30 June.

1.9 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.

Where a non-current asset is acquired by means of finance lease, the asset is capitalised at the present value of minimum lease payments at the beginning of the lease term and a liability is recognised at the same time and for the same amount. The discount rate used is the interest rate implicit in the lease. 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 expensed on a basis which is representative of the pattern of benefits derived from the leased assets.

The department entered into a sale and operating leaseback of certain information technology equipment in July 1999. This transaction was recognised as a finance lease in accordance with accounting standard AAS17: *Leases*, for the first time as at 30 June 2001, with the assets being recognised at their fair value at that date.

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

1.10 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. The amount capitalised in a reporting period does not exceed the amounts of cost incurred in that period.

1.11 Cash

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash is recognised at its nominal amount.

1.12 Other financial instruments

Trade creditors

Trade creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

Contingent liabilities and contingent assets

Contingent liabilities (assets) are not recognised in the Statement of Financial Position but are discussed in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability (asset), or represent an existing liability (asset) in respect of which settlement is not probable or the amount cannot be reliably measured. Remote contingencies are part of this disclosure. Where settlement becomes probable, a liability (asset) is recognised. A liability (asset) is recognised when expense (revenue) is confirmed by a future event, settlement becomes probable or reliable measurement is possible.

1.13 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 of 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.

1.14 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. Revaluations undertaken up to 30 June 2002 were done on a deprival basis; revaluations since that date are at fair value. This change in accounting policy is required by Australian Accounting Standard AASB 1041, *Revaluation of Non-Current Assets*.

Fair and deprival values for each class of asset are determined as shown below.

Asset class	Fair value measured at:	Deprival value measured at:
Land	Market selling price	Market selling price
Buildings	Market selling price	Depreciated replacement cost
Leasehold improvements	Depreciated replacement cost	Depreciated replacement cost
Plant & equipment	Market selling price	Depreciated replacement cost

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

Under both deprival and fair value, assets, which are surplus to requirements, are measured at their net realisable value.

All departmental and administered assets were revalued by an independent valuer as at 1 July 2002 on a fair value basis. The financial effect of this change in accounting policy related to those assets recognised at fair value for the first time at 1 July 2002 where the measurement basis for fair value was different to that previously used for deprival value. The financial effect of the change is given by the difference between fair values obtained for these assets as at 1 July 2002 and deprival-based values recognised at 30 June 2002. The financial effect of this change by class at 30 June 2003 was as follows:

Asset Class	Adjustment	Contra Account
Departmental		
Infrastructure, plant and equipment	\$61,420 CR	Revaluation Reserve
Total	\$61,420 CR	
Administered		
Land	\$5,500,000 DR	Revaluation Reserve
Buildings	\$250,167 DR	Revaluation Reserve
Plant and equipment.	\$207,038 CR	Revaluation Reserve
Total	\$5,543,129 DR	

Frequency

The FMOs require that all property, plant and equipment assets be measured at up-to-date fair values from 30 June 2005 onwards, with formal valuations to be undertaken at least every five years. The current formal valuation cycle commenced on 1 July 2003 and the next formal valuation is scheduled for 30 June 2007.

Conduct

All formal revaluations are conducted by an independent qualified valuer.

Depreciation

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

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their useful lives to the department using, in all cases, the straight-line method of depreciation. Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

Depreciation rates (useful lives) and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in price only when assets are revalued.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2003-04	2002-03
Departmental assets		
Leasehold improvements	Lease term	Lease term
Plant and equipment	4 to 10 years	4 to 10 years
Administered assets		
Buildings on freehold land	150 years	150 years
Plant and equipment	4 to 50 years	4 to 50 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 4D.

Impairment of Non-Current Assets

Non-current Assets carried at up-to-date fair value at the time of reporting are not subject to impairment testing.

Non-current assets at cost have been assessed for indications of impairment, where indications of impairment existed, the carrying amount of the asset is compared to the higher of its net selling price and depreciated replacement cost. No impairment write-down was required (2003: nil).

1.15 Intangibles

The department's intangible assets comprise purchased software for internal use. These assets are carried at cost.

Software is amortised on a straight-line basis over its anticipated useful life. The useful life of the department's software is 4 to 5 years (2002-03: 4 to 5 years).

All software assets were assessed for indications of impairment as at 30 June 2004. No impairment write-down was required (2003: nil).

1.16 Inventories

Inventories being gifts received by the Australian Government are not held for resale and are valued at fair value based on current market value.

1.17 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 2004.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

1.18 Taxation

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

Revenues, expenses and assets are recognised net of GST:

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

1.19 Foreign currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date. Associated currency gains and losses are not material.

1.20 Insurance

The department has insured for risks through the government's insurable risk managed fund, called 'Comcover'. Workers compensation is insured through the government's Comcare Australia.

1.21 Comparatives

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

1.22 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 2004

1.23 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 below, administered items are accounted for on the same basis and using the same policies as for Agency items, including the application of Accounting Standards, Accounting Interpretations and UIG Consensus Views.

Administered cash transfers to and from the Official Public Account

Revenue collected by the department for use by the Government rather than the department is Administered Revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance and Administration. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriations on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by the department on behalf of the Government and reported as such in the Statement of Cash Flows in the Schedule of Administered Items and in the Reconciliation Table in Note 16. Thus the Schedule of Administered Items largely reflects the Government's transactions, through the department, with parties outside the Government.

Revenue

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

Administered revenue is derived from the media commissions payable to the Commonwealth for its advertising. Revenue is recognised on receipt of confirmation of placement of advertisements with advertising agencies. It is recognised at its nominal amount due less any provision for bad or doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

NOTE 2. ADOPTION OF AASB EQUIVALENT TO IASB STANDARDS FROM 2005–2006

The Australian Accounting Standards Board has issued replacement Australian Accounting Standards to apply from 2005–06. The new standards are the AASB Equivalent to International Financial Reporting Standards (IFRS) which were issued by the International Accounting Standards Board. The new standards cannot be adopted early. The standards being replaced are to be withdrawn with effect from 2005–06 but continue to apply in the meantime.

The purpose of issuing AASB Equivalents to IFRS is to enable Australian entities reporting under the *Corporations Act 2001* to be able to more readily access overseas capital markets by preparing their financial reports according to accounting standards widely used overseas.

For-profit entities complying fully with the AASB Equivalents will be able to make an explicit and unreserved statement of compliance with IFRS as well as with the AASB Equivalents.

It is expected that the Finance Minister will continue to require compliance with the Accounting Standards issued by the AASB, including the AASB Equivalents to IFRSs, in his Orders for the Preparation of Agency financial statements for 2005–06 and beyond.

The AASB Equivalents contain certain additional provisions which will apply to not-for-profit entities, including Australian Government agencies. Some of these provisions are in conflict with the IFRSs and therefore the department will only be able to assert compliance with the AASB Equivalents to the IFRSs.

Existing AASB standards that have no IFRS equivalent will continue to apply, including in particular AAS 29 *Financial Reporting by Government Departments*.

Accounting Standard AASB 1047 *Disclosing the Impact of Adopting Australian Equivalents to IFRSs* requires that the financial statements for 2003–04 disclose:

- An explanation of how the transition to the Australian Equivalents is being managed; and
- A narrative explanation of the key differences in accounting policies arising from the transition.

The purpose of this Note is to make these disclosures.

Management of the transition to AASB Equivalents to IFRSs

The department has taken the following steps in preparation towards the implementation of AASB Equivalents:

- The department's Audit Committee is tasked with oversight of the transition to and implementation of the AASB Equivalents to IFRSs. The Chief Finance Officer is formally responsible for the project and reports regularly to the Audit Committee on progress against the formal plan approved by the Committee.
- The plan requires the following key steps to be undertaken and sets deadlines for their achievement:
 - Identification of all major accounting policy differences between current AASB standards and the AASB Equivalents to IFRSs progressively to 31 December 2004.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

- Identification of systems changes necessary to be able to report under the AASB Equivalents, including those necessary to enable capture of data under both sets of rules for 2004–05, and the testing and implementation of those changes.
- Preparation of a transitional balance sheet as at 1 July 2004, under AASB Equivalents, by 31 December 2004.
- Preparation of an AASB Equivalent balance sheet at the same time as the 30 June 2005 statements are prepared.
- Meeting reporting deadlines set by Finance for 2005–06 balance sheet under AASB Equivalent Standards.
- The plan also addresses the risks to successful achievement of the above objectives and includes strategies to keep implementation on track to meet deadlines.
- The plan requires all major accounting and disclosure differences and system changes to be identified and the system changes to then be tested. The changes are expected to be identified by 31 December 2004 and implemented by 31 January 2005.
- Consultants have been engaged to assist with each of the above steps.

Major changes in accounting policy

Changes in accounting policies under AASB Equivalents are applied retrospectively (i.e. as if the new policy had always applied). This rule means that a balance sheet prepared under the AASB Equivalents must be made as at 1 July 2004, except as permitted in particular circumstances by AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. This will enable the 2005–06 financial statements to report comparatives under the AASB Equivalents also.

Changes to major accounting policies are discussed in the following paragraphs.

Property plant and equipment

It is expected that the Finance Minister's Orders will require property plant and equipment assets carried at valuation in 2003–04 to be measured at up-to-date fair value from 2005–06. This is consistent with the department's current asset valuation basis, as all assets were revalued to fair value at 1 July 2002 and are carried at up-to-date fair values at 30 June 2004.

Intangible assets

The department only holds externally purchased software, which is recognised on a cost basis. The carrying amounts include amounts that were originally measured at deprival valuation and subsequently deemed to be cost under transitional provisions available on the introduction of AAS 38 *Revaluation of Non-current Assets* in 2000–01 and AASB 1041 of the same title in 2001–02.

The AASB Equivalent on Intangibles does not permit intangibles to be measured at valuation unless there is an active market for the intangible. As all the department's software is externally purchased, there is a current active market for these assets. Accordingly, the department will continue to carry these assets at deemed cost in accordance with the requirements of the current FMOs.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

Impairment of non-current assets

The department's policy on impairment of non-current assets is at note 1.14.

Under the new AASB Equivalent Standard, these assets will be subject to assessment for impairment and, if there are indications of impairment, measurement of any impairment. (Impairment measurement must also be done, irrespective of any indications of impairment, for intangible assets not yet available for use). The impairment test is that the carrying amount of an asset must not exceed the greater of (a) its fair value less costs to sell and (b) its value in use. 'Value in use' is the net present value of net cash inflows for for-profit assets of the department (in particular of AUSPIC) and depreciated replacement cost for other assets which would be replaced if the department were deprived of them.

The most significant changes are that, for the department's for-profit assets, the recoverable amount is only generally to be measured where there is an indication of impairment and that assets carried at up-to-date fair value, whether for-profit or not, may nevertheless be required to be written down if costs to sell are significant.

Inventory

The department recognises inventory not held for sale at fair value based on current market value.

The new AASB Equivalent standard will require inventory held for distribution for no consideration or at a nominal amount to be carried at the lower of cost or current replacement cost.

Employee benefits

The provision for long service leave is measured at the present value of estimated future cash outflows using market yields as at the reporting date on national Government bonds.

Under the new AASB Equivalent standard, the same discount rate will be used unless there is a deep market in high quality corporate bonds, in which case the market yield on such bonds must be used.

Financial instruments

Financial assets and liabilities are likely to be accounted for as 'held at fair value through profit and loss' or available-for-sale where the fair value can be reliably measured (in which case, changes in value are initially taken to equity). Fair values will be published prices where an active market exists or by appraisal.

Cash and receivables are expected to continue to be measured at cost information.

Financial assets, except those classified as 'held at fair value through profit and loss', will be subject to impairment testing.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

	2003-04 \$'000	2002-03 \$'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	54,994	44,526
Resources received free of charge	1,701	727
Total revenues from government	56,695	45,253
Note 3B Goods and services		
Services	2,023	1,146
Total sale of goods and services	2,023	1,146
Rendering of services to:		
Related entities	2,018	1,081
External entities	5	65
Total rendering of services	2,023	1,146
Note 3C Interest revenue		
Interest on deposits	-	220
Note 3D Other operating revenues		
Independent revenue	1,264	729
Total other operating revenues	1,264	729

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

	2003-04 \$'000	2002-03 \$'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	27,112	22,026
Superannuation	4,747	3,426
Leave and other entitlements	3,484	2,933
Separations and redundancies	125	513
Other	242	285
Total employee benefits expenses	35,710	29,183
Workers compensation premium	273	131
Total employee expenses	35,983	29,314
Note 4B – Supplier expenses		
Goods and Services from related entities	1,571	1,044
Goods and Services from external entities	14,138	9,397
Operating lease rentals	4,449	4,182
Total supplier expenses	20,158	14,623
Note 4C – Grants		
Grants to non-profit institutions	88	66
Total grants expenses	88	66
Note 4D – Depreciation and amortisation		
<i>Depreciation</i>		
Other infrastructure, plant and equipment	2,365	1,240
	2,365	1,240
<i>Amortisation</i>		
Assets held under finance leases	587	681
Intangibles – software	504	569
	1,091	1,250
Total depreciation and amortisation	3,456	2,490

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

	2003-04	2002-03
	\$'000	\$'000
Note 4E – Net loss from asset sales		
Infrastructure, plant and equipment:		
Proceeds from disposal	12	5
Net book value of assets disposed	29	24
Write-offs	–	8
Net (loss) from disposal of infrastructure, plant and equipment	(17)	(27)
TOTAL proceeds from disposals	12	5
TOTAL value of assets disposed	(29)	(32)
Net loss from disposal of assets	(17)	(27)
Note 4F – Other		
Write down of financial assets	9	–
Total other costs of providing goods and services	9	–
Note 4G – Borrowing costs expense		
Leases	34	95
Total borrowing costs expense	34	95

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

	2003-04 \$'000	2002-03 \$'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	174	1,887
Statement of Financial Position items comprising above cash:		
'Financial Asset – Cash'	174	1,887
Reconciliation of net surplus to net cash provided by operating activities		
Net operating surplus	237	733
Depreciation of infrastructure, plant and equipment	2,869	1,809
Amortisation of lease incentive	587	681
Net loss (gain) on sale of infrastructure, plant and equipment	17	27
Borrowing costs	–	–
Change in operating assets and liabilities		
(Increase)/decrease in net receivables	1,360	(6,581)
(Increase)/decrease in other assets	280	(277)
Increase/(decrease) in suppliers payable	457	(182)
Increase/(decrease) in employee provisions	864	(48)
Increase/(decrease) in other liabilities	(252)	330
Net cash from/(used by) operating activities	6,419	(3,509)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

	2003-04	2002-03
	\$'000	\$'000
NOTE 6. FINANCIAL ASSETS		
Note 6A Cash		
Cash held in special accounts	68	(3)
Cash on hand and at bank	106	1,890
Total cash	174	1,887
Note 6B Receivables		
Receivable – Cash held in the OPA	12,237	7,475
GST receivable	483	250
	12,720	7,725
Accrued revenue – special account	302	–
Accrued revenue – departmental	2	15
Accrued revenue – interest	–	–
	304	15
Goods and services	499	997
Special account	28	108
Less provision for doubtful debts	(5)	(5)
Net receivables for goods and services	522	1,100
Total receivables (net)	13,546	8,840
All receivables are current assets		
Receivables (gross) are aged as follows:		
Not overdue	13,053	7,741
Overdue by:		
less than 30 days	293	704
30 to 60 days	14	84
60 to 90 days	38	–
more than 90 days	153	316
Total receivables (gross)	13,551	8,845
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 2004

	2003-04	2002-03
	\$'000	\$'000
NOTE 7. NON-FINANCIAL ASSETS		
Note 7A – Infrastructure, plant and equipment		
At cost	9,040	2,408
Accumulated depreciation	(1,308)	(156)
	7,732	2,252
Equipment under finance lease – at cost	1,805	1,805
Accumulated amortisation	(1,711)	(1,124)
	94	681
Infrastructure, plant and equipment – at 2002-03 valuation (fair value) ¹	10,123	10,348
Accumulated depreciation	(6,657)	(5,640)
	3,466	4,708
Infrastructure, plant and equipment – at valuation 2001-02 (deprival)	–	–
Accumulated depreciation	–	–
	–	–
Total infrastructure, plant and equipment	11,292	7,641
Note 7B Intangibles		
Software – at cost	3,897	2,969
Accumulated amortisation	(2,553)	(2,049)
	1,344	920
Software – at valuation 2001-02 (deprival)	–	–
Accumulated amortisation	–	–
	–	–
Total intangibles	1,344	920
Note 7C Other		
Prepayments paid	473	753
Total other	473	753

1. Asset valuations were performed by Australian Valuation Office.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

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 2003			
Gross book value	14,560	2,969	17,529
Accumulated depreciation/amortisation	(6,919)	(2,049)	(8,968)
Net book value	7,641	920	8,561
Additions:			
by purchase	6,632	929	7,561
Net Revaluation increment/(decrement)	–	–	–
Depreciation Amortisation Expense	(2,952)	(504)	(3,456)
Disposals			
Other disposals	(29)		(29)
As at 30 June 2004			
Gross book value	20,968	3,897	24,865
Accumulated depreciation/amortisation	(9,676)	(2,553)	(12,229)
Net book value	11,292	1,344	12,636

TABLE B – Assets at valuation	Infrastructure plant and equipment	Intangibles	Total
	\$'000	\$'000	\$'000
As at 30 June 2004			
Gross book value	10,123	–	10,123
Accumulated depreciation/amortisation	(6,657)	–	(6,657)
Net book value	3,466	–	3,466
As at 30 June 2003			
Gross book value	10,348	–	10,348
Accumulated depreciation/amortisation	(5,640)	–	(5,640)
Net book value	4,708	–	4,708

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

TABLE C – Assets held under finance lease

	Infrastructure plant and equipment	Intangibles	Total
	\$'000	\$'000	\$'000
As at 30 June 2004			
Gross book value	–	–	–
Accumulated depreciation/amortisation	–	–	–
Net book value	–	–	–
As at 30 June 2003			
Gross book value	1,806	–	1,806
Accumulated depreciation/amortisation	(1,124)	–	(1,124)
Net book value	682	–	682

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

	2003-04 \$'000	2002-03 \$'000
NOTE 8. LIABILITIES		
Note 8A Leases		
Finance lease commitments		
Within one year	103	731
In one to five years	–	–
In more than five years	–	–
Minimum lease payments	103	731
Deduct: future finance charges	9	(64)
Net Lease liability	94	667
Finance lease liability is represented by:		
Current	94	647
Non-current	–	20
Net Lease liability	94	667
Note 8B Capital Use Charge		
Total	–	–
Balance owing 1 July	–	672
Capital Use Charge provided for during the period	–	748
Capital Use Charge paid	–	(1,420)
Balance owing 30 June	–	–
The capital use charge provision is a current liability		
Note 8C Employees		
Salaries and wages	1	–
Leave	11,357	10,502
Separations and redundancies	8	–
Superannuation	–	–
Aggregate employee benefit liability and related on-costs	11,366	10,502
Current	3,664	3,210
Non-current	7,702	7,292
	11,366	10,502
Note 8D Suppliers		
Trade creditors	2,771	2,314
Total suppliers payable	2,771	2,314
Note 8E Other		
Unearned revenue	–	330
Other Liabilities	78	–
Total other payables	78	330

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

NOTE 9. EQUITY

Note 9A Agency Equity

Item	Accumulated results		Asset revaluation reserves		Capital		Total Equity	
	2003-04 \$'000	2002-03 \$'000	2003-04 \$'000	2002-03 \$'000	2003-04 \$'000	2002-03 \$'000	2003-04 \$'000	2002-03 \$'000
Opening balance at 1 July	3,881	7,065	2,347	2,408	-	4,831	6,228	14,304
Net Surplus/(Deficit)	237	733	-	-	-	-	237	733
Net revaluation increment/ (decrement)	-	-	-	(61)	-	-	-	(61)
Transactions with owner:								
<i>Distributions to owner:</i>								
Returns on Capital								
Dividends ¹	4,000	-	-	-	-	-	4,000	-
Capital Use Charge	-	(748)	-	-	-	-	-	(748)
Returns of Capital								
Restructuring	-	-	-	-	-	-	-	-
Returns of contributed equity ²	2,055	(3,169)	-	-	-	(4,831)	2,055	(8,000)
<i>Contributions by Owner</i>								
Appropriations (equity injections)	-	-	-	-	-	-	-	-
Restructuring	-	-	-	-	-	-	-	-
Transfers to/(from)/ between reserves	-	-	-	-	-	-	-	-
Closing balance at 30 June 2004	10,173	3,881	2,347	2,347	-	-	12,520	6,228

¹This amount represents 'Cash on call held in the OPA' from funds transferred from the Campaign Special Account in 2001-02, which was incorrectly reported as 'Dividends', since these funds remain available for expenditure for the purpose of the Special Account – Refer Note 19.

²This amount represents 'Cash on call held in the OPA' from funds transferred from the Campaign Special Account (\$1,000,000) and Services for Other Government and Non-Agency Bodies Special Account (\$1,054,910) in 2002-03, which was incorrectly reported as 'Returns of contributed equity', since these funds remain available for expenditure for the purposes of these Special Accounts – Refer Note 19.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

NOTE 10. CONTINGENT LIABILITIES AND ASSETS

Quantifiable and Remote Contingencies

The department has no quantifiable nor remote contingencies.

Unquantifiable Contingencies

At 30 June 2004, the department has a number of residual claims relating to assets held under finance lease. The department is disputing these claims and is denying liability. It is not possible to estimate the amounts of any eventual payments that may be required in relation to these claims.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

NOTE 11. FINANCIAL INSTRUMENTS

11A – Interest rate risk

Financial instrument	Notes	Floating interest rate		Fixed interest rate						Non-interest bearing		Total		Weighted average Effective Interest Rate	
				1 year or less		1 to 2 years		2 to 5 years							
		2003-04 \$'000	2002-03 \$'000	2003-04 \$'000	2002-03 \$'000	2003-04 \$'000	2002-03 \$'000	2003-04 \$'000	2002-03 \$'000	2003-04 \$'000	2002-03 \$'000	2003-04 \$'000	2002-03 \$'000	2003-04 \$'000	2002-03 \$'000
Financial assets															
Cash at bank	6A	-	1,882	-	-	-	-	-	-	174	5	174	1,887	n/a	3.2%
Receivables for goods and services (gross)	6B	-	-	-	-	-	-	-	-	13,546	8,840	13,546	8,840	n/a	n/a
Total financial assets (recognised)		-	1,882	-	-	-	-	-	-	13,720	8,845	13,720	10,727		
Total assets												26,829	20,041		
Financial liabilities															
Finance lease liability	8A	-	-	94	731	-	-	-	-	-	-	94	731	9.50%	5.95%
Trade creditors	8D	-	-	-	-	-	-	-	-	2,771	2,314	2,771	2,314		n/a
Total financial liabilities (recognised)		-	-	94	731	-	-	-	-	2,771	2,314	2,865	3,045		
Total liabilities												14,309	13,813		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

NOTE 11. FINANCIAL INSTRUMENTS (Cont.)

Part 3 Net fair values of financial assets and liabilities

Assets and Liability Carrying Amounts	2003-04		2002-03	
	Total Carrying Amount	Aggregate Net Fair Value	Total Carrying Amount	Aggregate Net Fair Value
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash at bank	174	174	1,887	1,887
Receivables	1,309	1,309	1,365	1,365
Receivable – Cash held in the OPA	12,237	12,237	7,475	7,475
Total Financial Assets	13,720	13,720	10,727	10,727
Financial Liabilities				
Finance lease liabilities	94	94	667	667
Trade creditors	2,771	2,771	2,313	2,313
Total Financial Liabilities	2,865	2,865	2,980	2,980

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

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 department's 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.

The department has no significant exposures to any concentration of credit risk.

All figures for credit risk referred to do not take into account the value of any collateral or other security.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

	2003-04	2002-03
	\$'000	\$'000
NOTE 12. REVENUES ADMINISTERED ON BEHALF OF GOVERNMENT		
Note 12A – Goods and services		
Rendering of services — external entities	3,377	3,190
Total goods and services	3,377	3,190
Note 12B Other revenue		
Other	53	24
Total other revenue	53	24
Total Revenues Administered on Behalf of Government	3,430	3,214

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

	2003-04	2002-03
	\$'000	\$'000
NOTE 13. EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT		
Note 13A – Grants		
State and territory governments	–	–
Private sector – Non-profit institutions	3,751	3,556
Total Grants	3,751	3,556
Note 13B – Personal benefits		
Direct – former Governors-General	1,434	4,176
Total personal benefits	1,434	4,176
Note 13C – Employees		
Wages and salaries	603	609
Superannuation	91	91
Leave and other entitlements	189	140
Total employees	883	840
Note 13D – Suppliers		
Provision of services – external entities	27,806	31,422
Operating lease rentals	381	202
Total suppliers	28,187	31,624
Note 13E – Depreciation and amortisation		
Other infrastructure, plant and equipment	93	55
Buildings	69	69
Total depreciation and amortisation	162	124
Note 13F Write-down and impairment of assets		
Non financial assets		
– Infrastructure, plant and equipment	–	–
Total write down and impairment of assets	–	–
Total Expenses Administered on Behalf of Government	34,417	40,320

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

	2003-04	2002-03
	\$'000	\$'000
NOTE 14. ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT		
Financial Assets		
Note 14A – Cash		
Special Account	–	94
Agency	433	(9)
Total cash	433	85
Note 14B – Receivables		
GST receivables from ATO	1,405	156
	1,405	156
Accrued revenue	897	655
Goods and services	189	166
Less provision for doubtful debts	–	–
Net receivables for goods and services	189	166
Total receivables (net)	2,491	977
Receivables (gross) are aged as follows:		
Not overdue	2,349	811
Overdue by:		
less than 30 days	142	166
30 to 60 days	–	–
60 to 90 days	–	–
more than 90 days	–	–

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

	2003-04 \$'000	2002-03 \$'000
NOTE 14. ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT (Cont.)		
Non-Financial Assets		
Note 14C – Land and buildings		
Land — at valuation 2002–2003 (fair value) ¹	28,000	28,000
Land — at valuation 1999–2000 (deprival)	–	–
Buildings — at valuation 2002–2003 (fair value) ¹	6,719	6,719
Accumulated depreciation	(2,661)	(2,592)
	4,058	4,127
Buildings — at valuation 1999–2000 (deprival)	–	–
Accumulated depreciation	–	–
	–	–
Total land and buildings	32,058	32,127
Note 14D – Infrastructure, plant and equipment		
Infrastructure, plant and equipment — at cost	262	11
Accumulated depreciation	(93)	–
	169	11
Infrastructure, plant and equipment — at valuation 2002–2003 (fair value) ¹	950	939
Accumulated depreciation	(629)	(629)
	321	310
Infrastructure, plant and equipment — at valuation 1999–2000 (deprival)	–	–
Accumulated depreciation	–	–
	–	–
Total infrastructure, plant and equipment	490	321
Note 14E – Inventories		
Inventories not held for sale	231	231
Total inventories	231	231
Note 14F Prepayments		
Prepayments paid	15	15
Total prepayments	15	15
Total Assets Administered on Behalf of Government	35,718	33,756

1. Asset valuations were performed by Australian Valuation Office.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

NOTE 14. ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT

NOTE 14G – Assets Administered on Behalf of Government (cont.)

TABLE A – Reconciliation of the opening and closing balances of property, plant, equipment & intangibles	Land	Buildings plant and equipment	Infrastructure	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2003				
Gross book value	28,000	6,719	950	35,669
Accumulated depreciation/amortisation	–	(2,592)	(629)	(3,221)
Net book value	28,000	4,127	321	32,448
Additions:				
by purchase	–	–	262	262
Net Revaluation increment/(decrement)	–	–	–	–
Depreciation Amortisation Expense	–	(69)	(93)	(162)
Disposals				
Other disposals	–	–	–	–
As at 30 June 2004				
Gross book value	28,000	6,719	1,212	35,931
Accumulated depreciation/amortisation	–	(2,661)	(722)	(3,383)
Net book value	28,000	4,058	490	32,548

TABLE B – Assets at valuation

	\$'000	\$'000	\$'000	\$'000
As at 30 June 2004				
Gross book value	–	–	–	–
Accumulated depreciation/amortisation	–	–	–	–
Net book value				
As at 30 June 2003				
Gross book value	28,000	6,719	939	35,658
Accumulated depreciation/amortisation	–	(2,592)	(629)	(3,221)
Net book value	28,000	4,127	310	32,437

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

	2003-04 \$'000	2002-03 \$'000
NOTE 15. LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT		
Note 15A – Provisions		
Salaries and wages	–	23
Employees leave and other entitlements	175	211
Personal benefits — former Governors-General allowances	10,300	9,600
Total provisions	10,475	9,834
Note 15B – Payables		
Suppliers — Trade creditors	278	1,541
All creditors are entities that are not part of the Australian Government. Settlement is usually made net 30 days.		
Grants		
Private Sector — Non-profit institutions	–	–
All grants are to entities that are not part of the Australian Government. Settlement is usually made according to the terms and conditions of each grant. This is usually within 30 days of performance or eligibility.		
Total payables	278	1,541
Total Liabilities Administered on Behalf of Government	10,753	11,375

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

	2003-04	2002-03
	\$'000	\$'000
NOTE 16. ADMINISTERED RECONCILIATION TABLE		
<i>Opening administered assets less administered liabilities at 1 July</i>	22,381	29,285
<i>Plus: Administered revenues</i>	3,430	3,214
<i>Less: Administered expenses</i>	(34,417)	(40,320)
Administered transfers to/from Government:		
Appropriation Transfers from OPA	37,606	32,995
Transfers to OPA	(4,235)	(8,335)
Administered revaluations taken to/from reserves	-	5,543
Increases in contributable equity	200	-
<i>Closing administered assets less administered liabilities as at 30 June 2004</i>	24,965	22,381

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

NOTE 17. ADMINISTERED FINANCIAL INSTRUMENTS

Administered Interest Rate Risk

Financial instrument	Notes	Floating interest rate		Fixed interest rate 1 year or less		Non-interest bearing		Total		Weighted average Effective Interest Rate
		2003-04 \$'000	2002-03 \$'000	2003-04 \$'000	2002-03 \$'000	2003-04 \$'000	2002-03 \$'000	2003-04 \$'000	2002-03 \$'000	
Financial assets										
Cash at bank	14A	-	-	-	-	433	85	433	85	n/a
Receivables for goods and services (gross)	14B	-	-	-	-	2,491	977	2,491	977	n/a
Total financial assets (recognised)		-	-	-	-	2,924	1,062	2,924	1,062	
Total assets								35,718	33,756	
Financial liabilities										
Trade creditors	15B	-	-	-	-	278	1,541	278	1,541	n/a
Total financial liabilities		-	-	-	-	278	1,541	278	1,541	
Total liabilities								10,753	11,375	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

NOTE 17. FINANCIAL INSTRUMENTS (Cont.)

Net fair values of financial assets and liabilities

Assets and Liability Carrying Amounts	2003-04		2002-03	
	Total Carrying Amount	Aggregate Net Fair Value	Total Carrying Amount	Aggregate Net Fair Value
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash at bank	433	433	85	85
Receivables	2,491	2,491	977	977
Total Financial Assets	2,924	2,924	1,062	1,062
Financial Liabilities				
Trade creditors	278	278	1,541	1,541
Total Financial Liabilities	278	278	1,541	1,541

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.

Credit risk exposures

The government's maximum exposure to credit risk as at reporting date in relation to each class of recognised administered financial assets is the carrying amount of those assets as indicated in the Schedule of Administered Items.

The government has no significant exposures to any concentrations of credit risk.

All figures for credit risk referred to do not take into account the value of any collateral or other security.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

NOTE 18A. ACQUITTAL OF AUTHORITY TO DRAW CASH FROM THE CONSOLIDATED REVENUE FUND (APPROPRIATIONS) FROM ACTS 1, 3 AND 5

Particulars	Administered expenses (Outcome 1)	Departmental Outputs	Total
Year ended 30 June 2004	\$	\$	\$
Balance carried from previous year	–	7,888,863	7,888,863
Add: estimated administered appropriation lapsed 02–03	–	–	–
Adjusted balance carried from previous period	–	7,888,863	7,888,863
Appropriation Act (No.1) 2003–04 – basic appropriation	28,328,000	50,824,000	79,152,000
Appropriation Act (No.3) 2003–04 – basic appropriation	–	3,842,000	3,842,000
Appropriation Act (No.5) 2003–04 – basic appropriation	5,100,000	–	5,100,000
Departmental adjustments by the Finance Minister	–	–	–
Advance to the Finance Minister	–	–	–
Transfers to/from other entities (FMA s32)	62,000	328,000	390,000
Refunds credited (FMA s30)	–	–	–
Appropriations to take account of recoverable GST (FMA s30A)	2,861,382	2,551,650	5,413,031
Annotations to 'net appropriations' (FMA s31)	–	2,534,951	2,534,951
Other annotations	–	–	–
Appropriations lapsed or reduced	(1,179,000)	–	(1,179,000)
Total Appropriations available for payments	35,172,382	67,969,463	103,141,845
Payments made (GST inclusive)	32,947,092	62,892,435	95,839,527
Appropriations credited to Special Accounts	–	–	–
Balance carried to next year	2,225,290	5,077,029	7,302,318
<i>Represented by:</i>			
Cash	433,035	4,665,969	5,099,004
Add: Appropriations not drawn from the OPA	400,740	–	400,740
Add: Receivables – Goods and Services – GST from customers	634	59,368	60,002
Add: Receivables – Net GST Receivable from the ATO	1,418,158	456,968	–
Add: Return of contributed equity	–	–	–
Less: Other payables – Net GST payable to the ATO	–	–	–
Less: Payable – Suppliers – GST portion	(27,277)	(105,276)	(132,553)
Total	2,225,290	5,077,029	7,302,319
<i>Reconciliation for Appropriations Act (Nos. 1,3 & 5)</i>			
Paid to the entity from the OPA	31,910,260	54,994,000	86,904,260
Add: Finance Minister reduction of Appropriations in current year	–	–	–
Less: Not drawn from the OPA	400,740	–	400,740
Total Appropriation Acts	32,311,000	54,994,000	86,503,520

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

NOTE 18A. ACQUITTAL OF AUTHORITY TO DRAW CASH FROM THE CONSOLIDATED REVENUE FUND (APPROPRIATIONS) FROM ACTS 1, 3 AND 5 (Cont.)

Particulars	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
Appropriations for reporting period (Act 3)	–	–	–
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
Represented by:			
Cash	(9,057)	1,889,930	1,880,873
<i>Add:</i> Appropriations receivable	–	5,860,000	5,860,000
<i>Add:</i> Receivables – Goods and Services – GST from customers	15,054	91,612	106,666
<i>Add:</i> Return of contributed equity	–	–	–
<i>Add:</i> Other receivables – Net GST payable to the ATO	155,713	257,636	413,349
<i>Less:</i> Payable – Suppliers – GST portion	(140,062)	(210,315)	(350,377)
<i>Add:</i> Savings in Portfolio Additional Estimates Statements	–	–	–
Total	21,648	7,888,863	7,910,512

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

NOTE 18B. ACQUITTAL OF AUTHORITY TO DRAW CASH FROM THE CONSOLIDATED REVENUE FUND (APPROPRIATIONS) FROM ACTS 2 AND 4

Particulars	Administered expenses (Outcome 1)	Departmental Outputs	Total
Year ended 30 June 2004	\$	\$	\$
Balance carried from previous year	–	–	–
Appropriation Act (No. 2) 2003–04 — basic appropriation	–	–	–
Appropriation Act (No. 4) 2003–04 — basic appropriation	200,000	20,000	220,000
Adjustments determined by the Finance Minister	–	–	–
Advance to the Finance Minister	–	–	–
Refunds credited (FMA s. 30)	–	–	–
GST credits (FMA s. 30A)	–	–	–
Transfers to/from other agencies (FMA s. 32)	–	–	–
Available for payments	200,000	20,000	220,000
Payments made (GST inclusive)	200,000	–	200,000
Appropriations credited to Special Accounts	–	–	–
Balance carried to next year	–	20,000	20,000
Represented by:			
Cash	–	–	–
<i>Add:</i> Appropriations not drawn from the OPA	–	20,000	20,000
Total	–	20,000	20,000
Reconciliation for Appropriations Act (Nos 2 and 4)			
Paid to the entity from the OPA	200,000	–	200,000
Not drawn from the OPA	–	20,000	20,000
Total Appropriation Acts	200,000	20,000	220,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

NOTE 18C. ACQUITTAL OF AUTHORITY TO DRAW CASH FROM THE CONSOLIDATED REVENUE FUND – SPECIAL APPROPRIATIONS (UNLIMITED AMOUNT)

Governor-General Act 1974 section 5	Outcome 1	
	2004	2003
Purpose: To make provision in relation to the payment of allowances for former Governors-General.	\$	\$
Budget estimate allowances	735,000	578,000
Payments of allowances made	733,716	533,635
Appropriations credited to Special Accounts	–	–
Refunds credited (section 30)	–	–

The special appropriations for: (1) Provision of superannuation surcharge for former Governors-General under s. 4(7) of the *Governor-General Act 1974*; (2) Remuneration and allowances of members of the Parliamentary Commission of Inquiry and for other expenses under s. 10 of the *Parliamentary Commission of Inquiry (Repeal) Act 1986*; and (3) Repayments required or permitted by law (where no other appropriation exists) under s. 28(2) of the *Financial Management and Accountability Act 1997* were not used during the reporting period or the previous reporting period and are therefore not shown in separate tables.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

NOTE 19. CASH BASIS ACQUITTAL OF SPECIAL ACCOUNTS

Account name	2003-04 \$	2002-03 \$
Other Trust Moneys (Departmental)		
Legal authority: <i>Financial Management and Accountability Act 1997</i>		
Purpose: For expenditure of moneys temporarily held on trust or otherwise for the benefit of a person other than the Commonwealth.		
This account is non-interest bearing		
Balance carried from previous period	–	–
Appropriation for reporting period	–	–
Costs recovered	–	–
Other receipts	61,688	–
Services — Rendering of services to related entities	–	–
GST Credits (FMA s 30A)	45	–
Available for payments	61,733	–
Payments made to suppliers	788	–
Balance carried to next period	60,945	–
<i>Represented by:</i>		
Cash	60,945	–
Cash on call held in the OPA	–	–
Total	60,945	–

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

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

Account name	2003-04 \$	2002-03 \$
Services for other Governments and Non-Agency Bodies Account (Departmental)		
Legal authority: <i>Financial Management and Accountability Act 1997</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.		
This account is non-interest bearing		
Balance carried from previous period	145,781	1,171,373
Adjustment to balance brought forward ¹	1,054,910	–
Appropriation for reporting period	–	–
Costs recovered	–	–
Other receipts		
Services — Rendering of services to related entities	22,000	44,218
Services — Rendering of services to external entities	22,000	
GST Credits (FMA s. 30A)	6,553	3,080
Available for payments	1,251,244	1,218,671
Payments made to suppliers	72,080	17,980
Cash transferred to OPA ¹	–	1,054,910
Balance carried to next period	1,179,164	145,781
<i>Represented by:</i>		
Cash	7,334	781
Cash on call held in the OPA ¹	1,171,830	145,000
Total	1,179,164	145,781

¹ Note 19 of the 2002-03 financial statements reported \$1,199,910 as 'Cash transferred to OPA', of which \$145,000 was included in Departmental Receivables. The additional \$1,054,910 was treated as a reduction in both the Equity and the Special Account balances. Following legal clarification, this amount has been confirmed as being available for expenditure for the purpose of the account and it also should have been included in Receivables, with the total reported as 'Cash on call held in the OPA' and there should have been no reduction in Equity. Accordingly, the Receivable and Equity balances have been increased at 1 July 2003 to record the additional \$1,054,910.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

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

Account name	2003-04 \$	2002-03 \$
Campaign Account (Departmental) Legal authority: <i>Financial Management and Accountability Act 1997</i> Purpose: Funds in this account are used for costs associated with running the central advertising unit.		
This account is non-interest bearing		
Balance carried from previous period	1,466,281	2,368,661
Adjustment to balance brought forward ¹	5,000,000	–
Appropriation for reporting period	–	–
Costs recovered	–	–
Other receipts		
Services — Rendering of services to related entities	991,094	890,219
GST Credits (FMA s. 30A)	–	–
Available for payments	7,457,375	3,258,880
Payments made to suppliers	956,000	792,599
Cash transferred to OPA ¹	–	1,000,000
Balance carried to next period	6,501,375	1,466,281
<i>Represented by:</i>		
Cash	–	(3,719)
Cash on call held in the OPA ¹	6,505,118	1,470,000
<i>Add:</i> Receivables — Goods & Services — GST receivable from customers	1,673	–
<i>Less:</i> Other payables — Net GST payable to ATO	(5,416)	–
Total	6,501,375	1,466,281

¹ Note 19 of the 2002-03 financial statements reported \$2,470,000 as 'Cash transferred to OPA', of which \$1,470,000 was included in Departmental Receivables. In addition, the 'Balance carried from previous period' should have included \$4,000,000 which was also incorrectly reported as 'Cash transferred to OPA' in the 2001-02 financial statements. Both these amounts were treated as reductions in both the Equity and the Special Account balances. However, following legal clarification, both the additional \$1,000,000 transferred to the OPA in 2002-03 that was not recorded as a receivable and the \$4,000,000 transferred to the OPA in 2001-02 were confirmed as being available for the purpose of the account and they should have been included in Receivables, with the total reported as 'Cash on call held in the OPA' and there should have been no reduction in Equity. Accordingly, the Receivable and Equity balances have been increased at 1 July 2003 to record the additional correct amount of 'Cash on call held in the OPA' of \$5,000,000.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

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

Account name	2003-04 \$	2002-03 \$
Media Commissions Account (Administered)		
Legal authority: <i>Financial Management and Accountability Act 1997</i>		
Purpose: Funds in this account are used to transfer media commissions through the central advertising system to advertising agencies.		
This account is non-interest bearing		
Balance carried from previous period	5,393,844	7,314,310
Adjustment to balance brought forward ²	7,600,000	–
Appropriation for reporting period	–	–
Costs recovered	–	–
Other receipts		
Services — Rendering of services to related entities	2,957,657	3,603,994
GST Credits (FMA s. 30A)	251,280	289,556
Available for payments	16,202,781	11,207,859
Payments made to suppliers	2,874,306	3,214,015
Cash transferred to OPA ²	–	2,600,000
Balance carried to next period	13,328,475	5,393,844
<i>Represented by:</i>		
Cash	–	93,844
Cash on call held in the OPA ²	13,325,384	5,300,000
<i>Add:</i> Receivables — Goods & Services — GST receivable from customers	16,396	–
<i>Less:</i> Other payables — Net GST payable to ATO	(13,305)	–
Total	13,328,475	–

² Note 19 of the 2002-03 financial statements reported \$7,900,000 as 'Cash transferred to OPA', of which \$5,300,000 was recorded in the OPA as a Receivable to the Media Commissions Account. In addition, the 'Balance carried from previous period' should have included \$5,000,000 which was also incorrectly reported as 'Cash transferred to OPA' in the 2001-02 financial statements. However, following legal clarification, both the additional \$2,600,000 transferred to the OPA in 2002-03 that was not recorded as a receivable and the \$5,000,000 transferred to OPA in 2001-02 were confirmed as being available for expenditure for the purpose of the account and they should have been disclosed as part of the 'Cash on call held in the OPA'. Accordingly, the special account 'Cash on call held in the OPA' balance has been increased at 1 July 2003 to record both the \$5,300,000 recorded as a receivable in the OPA at 30 June 2003 and the additional \$7,600,000. The Receivable balance at the OPA is not included in the Schedule of Administered Items, as it is an internal government transaction.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

NOTE 20. EXECUTIVE REMUNERATION

	2003-04 Number	2002-03 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	4	1
\$110,001 to \$120,000	2	3
\$120,001 to \$130,000	4	2
\$130,001 to \$140,000	3	5
\$140,001 to \$150,000	6	5
\$150,001 to \$160,000	7	4
\$160,001 to \$170,000	4	2
\$170,001 to \$180,000	2	2
\$180,001 to \$190,000	3	–
\$190,001 to \$200,000	3	1
\$200,001 to \$210,000	2	3
\$210,001 to \$220,000	–	1
\$240,001 to \$250,000	–	2
\$270,001 to \$280,000	1	–
\$380,001 to \$390,000	1	–
\$430,001 to \$440,000	1	–
	43	31
This comprised: The aggregate amount of total remuneration of executive officers shown above.	\$7,167,269	\$4,468,666
Total remuneration includes: The aggregate amount of separation and redundancy payments during the year to executive officers shown above.	–	–

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

	2003-04	2002-03
	\$	\$
NOTE 21. AVERAGE STAFFING LEVEL		
The average staffing level for the department for the financial year was:	389	357
NOTE 22. 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:	126,500	121,000
No other services were provided to the department by the Auditor-General.		
NOTE 23. SPECIFIC PAYMENT DISCLOSURES		
Act of Grace Payments		
Two payments were made during the reporting period. (2003: No payments made)	25,299	-
Waivers		
No amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the Financial Management and Accountability Act 1997. (2003: No payments made)	-	-
Defective Administration Scheme		
No payments were made during the reporting period. (2003: No payments made)	-	-
Ex-gratia Payments		
No payments were made during the reporting period. (2003: No payments made)	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

NOTE 24. 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 24A – Net Cost of Outcome Delivery

	Outcome 1	TOTAL	
	2004 \$'000	2004 \$'000	2003 \$'000
Administered expenses	34,416	34,416	40,320
Departmental expenses	59,757	59,757	46,620
Total expenses	94,173	94,173	86,940
<i>Costs recovered from provision of goods and services to the non-government sector</i>			
Administered	3,430	3,430	3,214
Departmental	218	218	64
Total costs recovered	3,648	3,648	3,278
<i>Other external revenues</i>			
Administered	–	–	–
Dividends from Commonwealth companies	–	–	–
Interest on loans	–	–	–
<i>Total Administered</i>	–	–	–
<i>Departmental</i>			
Interest on cash deposits	–	–	220
Revenue from disposal of assets	–	–	5
Reversals of previous asset write-downs	–	–	–
Other	–	–	–
Goods and services revenue from related entities	2,018	2,018	2,538
<i>Total Departmental</i>	2,018	2,018	2,763
Total other external revenues	2,018	2,018	2,763
Net cost/(contribution) of outcome	88,507	88,507	80,899

Outcome 1 is described in Note 1.1. Net costs shown include intra-government costs that are eliminated in calculating the actual budget outcome.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

NOTE 24. REPORTING OF OUTCOMES (Cont.)

NOTE 24B – Major Classes of Departmental Revenues and Expenses by Output Groups and Outputs

Outcome 1	Output Group 1		Output Group 1 Total	
	Output 1.1			
	2004 \$'000	2004 \$'000	2004 \$'000	2003 \$'000
<i>Departmental expenses</i>				
Employees	8,437	8,437		6,578
Suppliers	3,913	3,913		2,464
Depreciation and amortisation	660	660		533
Other expenses	–	–		23
Total departmental expenses	13,010	13,010		9,598
<i>Funded by:</i>				
Revenues from Government	13,019	13,019		9,823
Sales of goods and services	2	2		72
Other non-taxation revenues	–	–		48
Total departmental revenues	13,021	13,021		9,943

Outcome 1	Output Group 2		Output Group 2 Total	
	Output 2.1	Output 2.2		
	2004 \$'000	2004 \$'000	2004 \$'000	2003 \$'000
<i>Departmental expenses</i>				
Employees	4,040	4,927	8,967	9,283
Suppliers	1,694	2,439	4,133	4,021
Depreciation and amortisation	367	484	851	796
Other expenses	–	–	–	57
Total departmental expenses	6,101	7,850	13,951	14,158
<i>Funded by:</i>				
Revenues from Government	4,091	5,415	9,506	13,720
Sales of goods and services	–	44	44	524
Other non-taxation revenues	–	–	–	116
Total departmental revenues	4,091	5,459	9,550	14,360

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

NOTE 24. REPORTING OF OUTCOMES (Cont.)

NOTE 24B – Major Classes of Departmental Revenues and Expenses by Output Groups and Outputs

Outcome 1	Output Group 3 Output 3.1	Output Group 3 Output 3.2	Output Group 3 Total	
	2004 \$'000	2004 \$'000	2004 \$'000	2003 \$'000
<i>Departmental expenses</i>				
Employees	2,392	3,605	5,997	2,916
Suppliers	1,213	1,559	2,772	1,217
Depreciation and amortisation	269	256	525	234
Other expenses	–	–	–	9
Total departmental expenses	3,874	5,420	9,294	4,376
<i>Funded by:</i>				
Revenues from Government	3,037	7,205	10,242	4,426
Sales of goods and services	–	–	–	32
Other non-taxation revenues	–	–	–	21
Total departmental revenues	3,037	7,205	10,242	4,478

Note: Total for 2002–03 does not include comparative for Output 3.2 as this commenced from 1 July 2003.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

NOTE 24. REPORTING OF OUTCOMES (Cont.)

NOTE 24B – Major Classes of Departmental Revenues and Expenses by Output Groups and Outputs (Cont.)

Outcome 1	Output Group 4 Output 4.1	Output Group 4 Output 4.2	Output Group 4 Output 4.3	Output Group 4 Output 4.4	Output Group 4 Output 4.5	Output Group 4 Output 4.6	Output Group 4 Output 4.7	Output Group 4	
	2003–04	2003–04	2003–04	2003–04	2003–04	2003–04	2003–04	2003–04	2002–03
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Departmental expenses	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
Employees	1,790	771	4,696	2,641	281	599	1,803	12,581	10,537
Suppliers	1,199	407	2,506	2,278	165	1,925	860	9,340	6,921
Depreciation and amortisation	233	111	493	178	80	101	223	1,419	926
Other expenses	–	–	–	72	88	–	–	160	104
Total departmental expenses	3,222	1,289	7,695	5,169	614	2,625	2,886	23,500	18,488
<i>Funded by:</i>									
Revenues from Government	3,216	1,240	6,657	5,009	461	5,296	2,047	23,926	17,284
Sales of goods and services	8	–	12	1,944	12	–	1	1,977	519
Other non-taxation revenues	–	–	–	1,263	–	–	1	1,264	770
Total departmental revenues	3,224	1,240	6,669	8,216	473	5,296	2,049	27,167	18,573

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

NOTE 24. REPORTING OF OUTCOMES (Cont.)

NOTE 24C – Major Classes of Administered Revenues and Expenses by Outcomes

Outcome 1	Total Outcome 1	
	2004 \$'000	2003 \$'000
<i>Administered revenues</i>		
Sales of goods and services	3,377	3,190
Other non-taxation revenues	53	24
Total administered revenues	3,430	3,214
<i>Administered expenses</i>		
Grants	3,751	3,556
Subsidies	–	–
Personal benefits	1,434	4,176
Suppliers	28,187	31,623
Other	1,045	965
Total administered expenses	34,417	40,320