

SECTION

06 Financial Statements

For the year ended 30 June 2007



Independent Audit Report



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Department of Community Services

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Department of Community Services (the Department), which comprises the balance sheet as at 30 June 2007, the operating statement, statement of recognised income and expense, cash flow statement, program statement - expenses and revenues, and summary of compliance with financial directives for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Department as at 30 June 2007, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the *Public Finance and Audit Regulation 2005*.

Director-General's Responsibility for the Financial Report

The Director-General is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Director-General, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent Audit Report cont.

My opinion does not provide assurance:

- about the future viability of the Department,
- that it has carried out its activities effectively, efficiently and economically,
- about the effectiveness of its internal control, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

Independence

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



J Khair B Ec FCPA
Director, Financial Audit Services

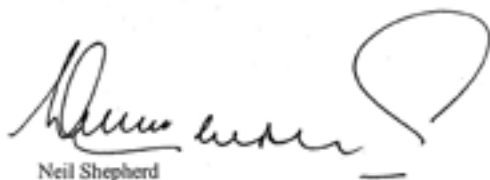
26 September 2007
SYDNEY

Statement by Department Head

**DEPARTMENT OF COMMUNITY SERVICES
STATEMENT BY THE DIRECTOR-GENERAL
FOR THE YEAR ENDED 30 JUNE 2006**

Pursuant to Section 45F of the Public Finance and Audit Act 1983, I state that:

- a) the accompanying financial statements have been prepared in accordance with applicable Australian Accounting Standards (which include Australian Equivalents to International Financial Reporting Standards (AEIFRS)), the provisions of the Public Finance and Audit Act 1983, the applicable Public Finance and Audit Regulation 2005, the Financial Reporting Code for Budget Dependent General Government Sector Agencies and the Treasurer's Directions;
- b) the statements exhibit a true and fair view of the financial position and transactions of the Department; and
- c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Neil Shepherd
Director-General

Operating Statement

For the year ended 30 June 2007

Notes	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
Expenses excluding losses			
Operating expenses			
	Employee related		
2(a)	305,092	315,624	264,436
	Other operating expenses		
2(b)	131,246	124,407	110,975
	Depreciation and amortisation		
2(c)	19,284	20,592	17,527
	Grants and subsidies		
2(d)	678,161	669,308	613,567
	Total expenses excluding losses		
	1,133,783	1,129,931	1,006,505
Less:			
Revenue			
	Sale of goods and services		
3(a)	1,784	2,782	3,621
	Investment income		
3(b)	2,051	984	2,466
	Grants and contributions		
3(c)	1,969	7,484	8,456
	Other revenue		
3(d)	7,081	-	6,632
	Total revenue		
	12,885	11,250	21,175
	(Gain)/Loss on disposal of non-current assets		
4	(69)	167	438
	NET COST OF SERVICES		
20	1,120,829	1,118,848	985,768
Government contributions			
	Recurrent appropriation		
5	1,065,714	1,067,299	957,198
	Capital appropriation		
5	30,543	26,203	30,228
	Acceptance by the Crown Entity of employee benefits and other liabilities		
6	10,038	20,700	12,860
	Total Government contributions		
	1,106,295	1,114,202	1,000,286
	SURPLUS/(DEFICIT) FOR THE YEAR		
	(14,534)	(4,646)	14,518

The accompanying notes form part of these statements.

Balance Sheet

For the year ended 30 June 2007

ASSETS

Current assets

Cash and cash equivalents

Receivables

Non-current assets held for sale

Total current assets

Non-current assets

Property, plant and equipment

Land and buildings

Plant and equipment

Total property, plant and equipment

Intangible assets

Total non-current assets

Total assets

LIABILITIES

Current liabilities

Payables

Borrowings

Provisions

Other

Total current liabilities

Non-current liabilities

Payables

Provisions

Total non-current liabilities

Total liabilities

Net assets

EQUITY

Reserves

Accumulated funds

Total equity

The accompanying notes form part of these statements.

Notes	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
8	6,707	-	12,256
9	13,565	10,286	13,655
10	3,917	3,757	-
	24,189	14,043	25,911
11			
	72,597	66,958	75,243
	64,060	60,140	52,179
	136,657	127,098	127,422
12	6,922	6,019	6,019
	143,579	133,117	133,441
	167,768	147,160	159,352
13	34,242	6,260	21,160
	-	12	-
14	32,327	35,243	27,901
15	0	56	56
	66,569	41,571	49,117
13	10,850	8,580	8,580
14	183	170	170
	11,033	8,750	8,750
	77,602	50,321	57,867
	90,166	96,839	101,485
16	56,289	53,957	53,957
16	33,877	42,882	47,528
	90,166	96,839	101,485

Statement of Recognised Income and Expense

For the year ended 30 June 2007

Net increase/(decrease) in property, plant and equipment asset revaluation reserve

**TOTAL INCOME AND EXPENSE
RECOGNISED DIRECTLY IN EQUITY**

Surplus/(deficit) for the year

**TOTAL INCOME AND EXPENSE
RECOGNISED FOR THE YEAR**

Notes	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
16	3,215	-	3,215
	3,215	-	3,215
	(14,534)	(4,646)	14,518
	(11,319)	(4,646)	17,733

The accompanying notes form part of these statements.

Cash Flow Statement

For the year ended 30 June 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Payments

Employee related	(290,188)	(288,260)	(247,958)
Grants and subsidies	(739,712)	(669,308)	(670,449)
Operating related expenses	(125,940)	(195,689)	(121,097)

Total payments

	(1,155,840)	(1,153,257)	(1,039,504)
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Receipts

Sale of goods and services	1,784	2,782	3,621
Interest received	2,490	805	1,744
GST recoveries	73,463	68,092	67,170
Other	7,069	-	14,713

Total receipts

	84,806	71,679	87,248
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Cash flows from/(to) Government

Recurrent appropriation	1,065,658	1,067,299	956,216
Capital appropriation	30,543	26,203	30,193
Cash reimbursements from the Crown Entity	-	-	-

Net cash flows from/(to) Government

	1,096,201	1,093,502	986,409
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NET CASH FLOWS FROM OPERATING ACTIVITIES

20	25,167	11,924	34,153
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CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from advances

	-	-	-
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CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of land and buildings and plant and equipment

	2,049	2,011	1,299
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Purchases of land and buildings and plant and equipment

	(32,765)	(26,203)	(32,501)
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NET CASH FLOWS FROM INVESTING ACTIVITIES

	(30,716)	(24,192)	(31,202)
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NET INCREASE/(DECREASE) IN CASH

	(5,549)	(12,268)	2,951
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Opening cash and cash equivalents

	12,256	12,256	9,305
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CLOSING CASH AND CASH EQUIVALENTS

8	6,707	(12)	12,256
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The accompanying notes form part of these statements.

Program Statement – Expenses and Revenues

For the year ended 30 June 2007

AGENCY'S EXPENSES AND REVENUES	Program 1.1		Program 1.2	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Expenses excluding losses				
Operating expenses				
Employee related	11,410	8,779	33,591	31,600
Other operating expenses	4,909	3,829	14,450	13,617
Depreciation and amortisation	723	608	2,123	2,158
Grants and subsidies	247,110	254,820	152,579	121,564
Total expenses excluding losses	264,152	268,036	202,743	168,939
Revenue				
Sales of goods and services	758	1,432	132	281
Investment income	71	85	257	308
Grants and contributions	807	5,172	39	198
Other revenue	2,903	1,623	142	315
Total revenue	4,539	8,312	570	1,102
(Gain)/loss on disposal of non-current assets	-	-	-	-
Net cost of services	259,613	259,724	202,173	167,837
Government contributions*	-	-	-	-
NET EXPENDITURE/(REVENUE) FOR THE YEAR	259,613	259,724	202,173	167,837
ADMINISTERED EXPENSES AND REVENUES				
Administered expenses				
Other	-	-	-	-
Total administered expenses	-	-	-	-
Administered revenues				
Other	-	-	-	-
Total administered revenues	-	-	-	-
Administered revenues less expenses	-	-	-	-

The name and purpose of each program is summarised in Note 7.

* Appropriations are made on an agency basis and not to individual programs. Consequently, government contributions must be included in the "Not Attributable" column.

Supplementary Financial Statements

Program 1.3		Program 1.4		Not Attributable		Total	
2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
179,058	156,996	81,033	67,061	-	-	305,092	264,436
77,028	65,120	34,859	28,409	-	-	131,246	110,975
11,318	10,271	5,120	4,490	-	-	19,284	17,527
8,310	11,861	270,162	225,322	-	-	678,161	613,567
275,714	244,248	391,174	325,282	-	-	1,133,783	1,006,505
622	1,325	272	583	-	-	1,784	3,621
1,191	1,432	532	641	-	-	2,051	2,466
591	1,638	532	1,448	-	-	1,969	8,456
2,124	1,670	1,912	3,024	-	-	7,081	6,632
4,528	6,065	3,248	5,696	-	-	12,885	21,175
-	-	(69)	438	-	-	(69)	438
271,186	238,183	387,857	320,024	-	-	1,120,829	985,768
-	-	-	-	1,106,295	1,000,286	1,106,295	1,000,286
271,186	238,183	387,857	320,024	(1,106,295)	(1,000,286)	14,534	(14,518)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

Summary of Compliance with Financial Directives

	2007			
	Recurrent Appropriation	Expenditure/ Net Claim on Consolidated Fund	Capital Appropriation	Expenditure/ Net Claim on Consolidated Fund
	\$'000	\$'000	\$'000	\$'000
ORIGINAL BUDGET APPROPRIATION/ EXPENDITURE				
Appropriation Act	1,066,477	1,066,477	26,203	26,203
Additional Appropriations	-	-	-	-
S24 PF&AA – transfer of functions between Departments	-	-	-	-
S26 PF&AA – Commonwealth Specific Purpose Payments	822	822	-	-
	1,067,299	1,067,299	26,203	26,203
OTHER APPROPRIATIONS/EXPENDITURE				
Treasurer's Advance	1,500	1,500	-	-
Transfers to/from another Agency (s27 of the Appropriation Act)	(3,085)	(3,085)	4,340	4,340
Variations of authorised payments (s28)	-	-	-	-
	(1,585)	(1,585)	4,340	4,340
Total Appropriations/Expenditure/ Net Claim on Consolidated Fund (includes transfer payments)	1,065,714	1,065,714	30,543	30,543
Amount drawn down against Appropriation	-	1,065,714	-	30,543
Liability to Consolidated Fund*	-	-	-	-

*The liability to Consolidated Fund represents the difference between the "Amount drawn down against Appropriation" and the "Total Expenditure/Net claim on Consolidated Fund".

The summary of compliance is based on the assumption that Consolidated Fund monies are spent first (except where otherwise identified or prescribed).

2006			
Recurrent Appropriation	Expenditure/ Net Claim on Consolidated Fund	Capital Appropriation	Expenditure/ Net Claim on Consolidated Fund
\$'000	\$'000	\$'000	\$'000
963,849	956,158	20,593	20,593
-	-	-	-
-	-	-	-
32	32	-	-
963,881	956,190	20,593	20,593
1,008	1,008	2,435	2,435
-	-	-	-
-	-	7,200	7,200
1,008	1,008	9,635	9,635
964,889	957,198	30,228	30,228
-	957,254	-	30,228
-	56	-	-

Notes to and forming part of the Financial Statements

For the year ended 30 June 2007

1 Summary of Significant Accounting Policies

(a) Reporting Entity

The Department of Community Services is a NSW government department. The Department is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector.

This financial report for the year ended 30 June 2007 has been authorised for issue by the Director General on 24 September 2007.

(b) Basis of Preparation

The Department's financial report is a general purpose financial report which has been prepared in accordance with:

- ❖ applicable Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AEIFRS);
- ❖ the requirements of the *Public Finance and Audit Act* and Regulation; and
- ❖ the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

Property, plant and equipment, assets (or disposal groups) held for sale and financial assets at 'fair value through profit or loss' and available for sale are measured at fair value. Other financial report items are prepared in accordance with the historical cost convention.

Judgments, key assumptions and estimations management has made are disclosed in the relevant notes to the financial report.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Statement of Compliance

The financial statements and notes comply with Australian Accounting Standards, which include AEIFRS.

(d) Administered Activities

The Department administers, but does not control, certain activities on behalf of the Crown Entity. It is accountable for the transactions relating to those administered activities but does not have the discretion, for example, to deploy the resources for the achievement of the Department's own objectives.

Transactions and balances relating to the administered activities (including transfer payments) are not recognised as the Department's revenues, expenses, assets and liabilities, but are disclosed in the accompanying schedules as "Administered Revenues", "Administered Expenses", "Administered Assets" and "Administered Liabilities".

The accrual basis of accounting and applicable accounting standards have been adopted.

(e) Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

(i) Parliamentary Appropriations

Parliamentary Appropriations and contributions from other bodies (including grants and donations) are generally recognised as income when the Department obtains control over the assets comprising the appropriations/contributions. Control over the appropriations and contributions is normally obtained upon the receipt of cash.

An exception to the above is when appropriations are unspent at year-end. In this case, the authority to spend the money lapses and generally the unspent amount must

be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are accounted for as liabilities rather than revenue.

The liability is disclosed in Note 15 'Current Liabilities – Other'. The amount will be repaid and the liability extinguished next financial year.

(ii) Sale of Goods

Revenue from the sale of goods is recognised as revenue when the agency transfers the significant risks and rewards of ownership of the assets.

(iii) Rendering of services

Revenue is recognised when the service is provided or by reference to the stage of completion.

(iv) Investment Income

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

(f) Employee Benefits and other provisions

(i) Salaries and Wages, Annual Leave, Sick Leave and On-Costs

Liabilities for salaries and wages (including non-monetary benefits) and annual leave that fall due wholly within 12 months of the reporting date are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

Long-term annual leave is measured at present value in accordance with AASB 119 *Employee Benefits*. Market yields on government bonds are used to discount long-term annual leave.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future

will be greater than the benefits accrued in the future.

The outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

(ii) Long Service Leave and Superannuation

The Department's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. The Department accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of employee benefits and other liabilities".

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSWTC 07/04) to employees with 5 or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employee's salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employee's superannuation contributions.

(iii) Other Provisions

Other provisions exist when: the agency has a present legal or constructive obligation as a result of a past event; it is probable that an

Notes to and forming part of the Financial Statements cont.

For the year ended 30 June 2007

outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

(g) Insurance

The Department's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past experience.

(h) Accounting for Goods and Services Tax (GST)

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

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

(i) Acquisitions of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Department. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.

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

Fair value is the amount for which an asset could be exchanged between a knowledgeable, willing parties in an arm's length transaction.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted at an asset-specific rate.

(j) Capitalisation Threshold

Plant and equipment and intangible assets costing \$5,000 and above individually (or forming part of a network) are capitalised.

(k) Revaluation of Property, Plant and Equipment

Physical non-current assets are valued in accordance with the "Guidelines for the Valuation of Physical Non-Current Assets at Fair Value" (TPP 07-01). This policy adopts fair value in accordance with AASB 116 *Property, Plant and Equipment*.

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

Land and Buildings have been valued at fair value by the Department of Lands at 30 June 2007 using a combination of indexation and actual valuation. The Department will continue to revalue land and buildings at fair value each year on the basis of indexation and actual valuation.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

For other assets, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the surplus/deficit, the increment is recognised immediately as revenue in the surplus/deficit.

Revaluation decrements are recognised immediately as expenses in the surplus/deficit, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

(l) Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, the Department is effectively exempted from AASB 136 *Impairment of Assets* and impairment testing. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

(m) Depreciation of Property, Plant and Equipment

Depreciation is provided for on a straight line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Department.

Land is not a depreciable asset. As buildings are revalued each year, with the exception of buildings held for sale and new acquisitions,

depreciation expense is calculated on the revalued amounts. For the remainder of the Department's depreciable assets, depreciation expense is calculated on original cost. The useful life by asset category is as follows:

Buildings	40 years
General plant and equipment	4 years
Commercial plant and equipment	7-10 years
Computer equipment	3-4 years
Motor vehicles – commercial	7 years
Motor Vehicles – passenger	2 years
Leasehold improvements	Which ever is the shorter – the term of the lease or useful life

(n) Maintenance

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated.

(o) Leased Assets

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 the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

The Department currently has no finance leases.

Operating lease payments are charged to the Operating Statement in the periods in which they are incurred.

(p) Intangible Assets

The Department recognises intangible assets only if it is probable that future economic benefits will flow to the Department and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is

Notes to and forming part of the Financial Statements cont.

For the year ended 30 June 2007

acquired at no or nominal cost, the cost is its fair value at the date of acquisition.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the department's intangible assets, the assets are carried at cost less any accumulated amortisation.

The Department's intangible assets are amortised using the straight line method over a period of four years.

In general, intangible assets are tested for impairment where an indicator of impairment exists. However, as a not-for-profit entity with no cash generating units, the Department is effectively exempted from impairment testing.

(q) Impairment of Financial Assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the Operating Statement.

(r) Loans and Receivables

Loans and receivables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are

accounted for in the Operating Statement when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(s) Trust Funds

The Department receives monies in a trustee capacity for various trusts as set out in Note 21. As the Department performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Department's own objectives, these funds are not recognised in the financial statements.

(t) Payables

These amounts represent liabilities for goods and services provided to the Department and other amounts, including interest. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(u) Budgeted Amounts

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effects of additional appropriations, s 21A, s 24 and/or s 26 of the *Public Finance and Audit Act 1983*.

The budgeted amounts in the Operating Statement and the Cash Flow Statement are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Balance Sheet, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts i.e. per the audited financial statements (rather than forward estimates).

(v) Comparative Information

Comparatives have been reclassified, where necessary, on a basis consistent with current year disclosure.

(w) New Australian Standards issued but not effective

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

AASB 7 & AASB 2005-10 <i>Financial Instruments: Disclosures</i>	Effective for annual reporting periods beginning on or after 1 January 2007
AASB 8 & AASB 2007-3 <i>Operating Segments</i>	Effective for annual reporting periods beginning on or after 1 January 2009
AASB 101 <i>Presentation of Financial Statements</i> – revised standard	Effective for annual reporting periods beginning on or after 1 January 2007
AASB 123 & AASB 2007-6 <i>Borrowing Costs</i>	Effective for annual reporting periods beginning on or after 1 January 2009
AASB 1049 <i>Concise Financial Reports</i>	Effective for annual reporting periods beginning on or after 1 July 2008
AASB 2007-4 <i>Amendments to Australian Accounting Standards</i> arising from ED 151 and Other Amendments regarding Australian additions to and deletions from IFRSs	Effective for annual reporting periods beginning on or after 1 July 2007
AASB 2007-5 <i>Amendments to Australian Accounting Standard- Inventories Held for Distribution by Not-For-Profit Entities</i>	Effective for annual reporting periods beginning on or after 1 July 2007
Interpretation 4 <i>Determining whether an Arrangement contains a Lease</i>	Effective for annual reporting periods beginning on or after 1 January 2008
Interpretation 10 <i>Interim Financial Reporting and Impairment</i>	Effective for annual reporting periods beginning on or after 1 November 2006
Interpretation 11 <i>AASB 2 Group and Treasury Share</i>	Effective for annual reporting periods beginning on or after 1 March 2007
Interpretation 12 <i>Service Concession Arrangements</i>	Effective for annual reporting periods beginning on or after 1 January 2008
Interpretation 129 <i>Service Concession Arrangements: Disclosures</i>	Effective for annual reporting periods beginning on or after 1 January 2008

The Department anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Department. The circumstances addressed by Interpretation 10, which prohibits the reversal of certain impairment losses, do not affect the Department's previously reported results and accordingly, there will be no impact to these financial statements on adoption of the Interpretation.

The application of AASB 101 (revised), AASB 7 and AASB 2005-10 will not affect any of the

amounts recognised in the financial statements, but will change the disclosures presently made in relation to the Department's financial instruments and the objectives, policies and processes for managing capital.

These Standards and Interpretations will be first applied in the financial report of the Department that relates to the annual reporting period beginning after the effective date of each pronouncement.

Notes to and forming part of the Financial Statements cont.

For the year ended 30 June 2007

2. Expenses Excluding Losses

	2007 \$'000	2006 \$'000
(a) Employee related expenses		
Salaries and wages (including recreation leave)	251,217	210,870
Superannuation – defined contribution plans	17,723	14,611
Superannuation – defined benefit plans	4,717	4,459
Long service leave	5,039	8,133
Workers' compensation insurance	9,017	11,298
Payroll tax and fringe benefit tax	17,379	15,065
	305,092	264,436
(b) Other operating expenses		
Auditor's remuneration – audit of the financial report	187	267
Bad and doubtful debts	97	191
Operating lease rental expense	23,260	20,359
Maintenance	1,625	823
Insurance	467	518
Advertising	1,459	1,052
Cleaning	1,933	1,684
Computer services costs	15,178	13,325
Consultants	1,401	2,622
Contracted corporate services costs	35,884	26,689
Legal costs	4,587	3,362
Motor vehicle running costs	10,381	8,995
Postal and telephone	4,558	4,469
Printing	1,161	1,284
Staff development	8,436	6,042
Stores	2,568	2,342
Travelling, removal and subsistence	4,171	2,905
Utilities	1,836	1,635
Fees – Contractors	3,706	3,916
Miscellaneous	8,351	8,495
	131,246	110,975

	2007 \$'000	2006 \$'000
(c) Depreciation and amortisation expense		
Depreciation		
Buildings	1,349	1,420
Plant and equipment	7,876	5,801
	9,225	7,221
Amortisation		
Leasehold improvements	6,509	4,882
Intangibles	3,550	5,424
	10,059	10,306
	19,284	17,527
(d) Grants and subsidies		
Prevention and Early Intervention	152,242	120,771
Refuges for men and women	117,194	113,883
Disaster Welfare	1,399	1,897
Out of home care	269,432	223,203
Community services program	128,433	138,777
Statutory Child Protection Service	6,654	6,839
NSW Businesslink	2,807	8,197
	678,161	613,567
3. Revenues		
(a) Sale of goods and services		
Rendering of services – Department of Ageing, Disability and Home Care	1,063	2,268
Rendering of services – Disaster Welfare	721	1,353
	1,784	3,621
(b) Investment income		
Interest	2,051	2,466

Notes to and forming part of the Financial Statements cont.

For the year ended 30 June 2007

3. Revenues cont.

	2007 \$'000	2006 \$'000
(c) Grants and contributions		
Commonwealth		
Rekindling the Spirit	-	450
Refugee Minors	99	594
Reduction in Violence Against Women	655	-
National Youth Week	146	-
Lebanon Evacuation	104	-
Legal Workshop and Youth Projects	-	275
	1,004	1,319
State		
Support of young people with a disability	-	3,501
Services to Aboriginal families	-	50
Redfern/Waterloo Street Team	721	-
Cabramatta Anti-Drug Strategy	200	-
Illicit Drug Initiative	44	170
Violence Against Women	-	1,676
Relocation from Ashfield Project	-	1,500
Evaluation of Kids/Youth and Aboriginal Program	-	240
	965	7,137
	1,969	8,456
(d) Other revenue		
Overseas adoption receipts	1,172	1,122
Other receipts	339	470
Assets recognised for the first time or acquired in previous years	-	502
Treasury Managed Fund Hindsight premium adjustment	1,379	613
Fitout Contributions	-	2,250
Joint Investigation Response Team revenue	1,210	888
Reimbursement of costs for young people with a disability	1,944	-
Miscellaneous	1,037	787
	7,081	6,632

4. (Gain)/Loss on disposal of non-current assets

(Gain)/loss on disposal of land and buildings, plant and equipment:

Proceeds from disposal

Written down value of assets disposed

Net (Gain)/loss on disposal of land and buildings, plant and equipment

2007 2006
\$'000 \$'000

	2,049	1,299
	1,980	1,737
	(69)	438

5. Appropriations

Recurrent appropriations

Total recurrent drawdowns from NSW Treasury (per Summary of Compliance)

Less: Liability to Consolidated Fund (per Summary of Compliance)

Comprising:

Recurrent appropriations (per Operating Statement)

Capital appropriations

Total capital drawdowns from NSW Treasury (per Summary of Compliance)

Less: Liability to Consolidated Fund (per Summary of Compliance)

Comprising:

Capital appropriations (per Operating Statement)

	1,065,714	957,254
	-	(56)
	1,065,714	957,198

	1,065,714	957,198

	30,543	30,228
	-	-
	30,543	30,228

	30,543	30,228
	30,543	30,228

Notes to and forming part of the Financial Statements cont.

For the year ended 30 June 2007

6. Acceptance by the Crown Entity of Employee

Benefits and Other Liabilities

The following liabilities and/or expenses have been assumed by the Crown Entity or other government agencies:

Superannuation

Long service leave

Payroll tax

	2007 \$'000	2006 \$'000
	4,716	4,459
	5,039	8,133
	283	268
	10,038	12,860

7. Program Information

The Department's program priorities include general community services, developing early intervention and prevention strategies, child protection and improving the out-of-home care system.

The objectives within each program are as follows:

1.1 Community Services

Objectives: To strengthen communities and to support individual clients to overcome crises and/or resume self-sufficient living.

1.2 Prevention and Early Intervention Services

Objectives: To strengthen families and communities and manage demand for child protection services, by providing services that promote the safety and wellbeing of children and young people (prevention) and that give more intensive support to families where children may be at risk (early intervention).

1.3 Statutory Child Protection

Objectives: To respond to reports of child abuse and neglect to ensure that children and young people are protected from further risk of harm.

1.4 Out of Home Care and Adoption Services

Objectives: To provide children and young people with a safe, stable, culturally appropriate environment in which they can develop optimally when they cannot live at home. To restore them successfully to their homes where this option is viable.

8. Current Assets – Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand, cash at bank, short term deposits and bank overdraft. Cash and cash equivalent assets recognised in the Balance Sheet are reconciled at the end of financial year to the Cash Flow Statement as follows:

	2007 \$'000	2006 \$'000
Cash on hand	192	193
Cash at bank	6,515	12,063
Closing cash and cash equivalents (per Cash Flow Statement)	6,707	12,256

Cash at bank includes \$Nil (\$56,000 in 2006) owed to Consolidated Fund that is a restricted asset. This cash can only be used to repay the debt to Consolidated Fund.

9. Current assets – receivables

Miscellaneous receivables	6,453	4,181
Less: Allowance for impairment	(497)	(428)
	5,956	3,753
Amounts due from the State	1,054	1,573
GST recoveries	6,240	7,313
Prepayments	315	1,016
	13,565	13,655

10. Non-current assets held for sale

Assets held for sale

Land	3,289	–
Building	628	–
	3,917	–

Properties classified under this category are expected to be sold in the following financial year through a number of disposal options, including auctioning the properties.

Notes to and forming part of the Financial Statements cont.

For the year ended 30 June 2007

11. Non-current assets – property, plant and equipment

At 1 July 2006

At Fair Value	75,728	39,006	45,118	159,852
Accumulated depreciation and impairment	(485)	(15,982)	(15,963)	(32,430)
Net Carrying Amount	75,243	23,024	29,155	127,422

At 30 June 2007

At Fair Value	73,144	46,871	58,190	178,205
Accumulated depreciation and impairment	(547)	(20,079)	(20,922)	(41,548)
Net Carrying Amount	72,597	26,792	37,268	136,657

For land and buildings, Fair Value has been determined by The Department of Lands as at 30 June 2007. As accumulated depreciation is written back at revaluation, the accumulated depreciation does not include depreciation on re-valued assets.

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

Year ended 30 June 2007

Net Carrying Amount at start of year	75,243	23,024	29,155	127,422
Additions	1,325	13,807	14,668	29,800
Reclassify to Intangibles	–	(2,149)	–	(2,149)
Reclassify to assets held for sale	(3,917)	–	–	(3,917)
Disposals	(1,920)	(14)	(46)	(1,980)
Net revaluation increment less revaluation decrements	3,215	–	–	3,215
Depreciation expense	(1,349)	(7,876)	(6,509)	(15,734)
Net Carrying Amount at end of year	72,597	26,792	37,268	136,657

At 1 July 2005

At Fair Value
 Accumulated depreciation and impairment
 Net Carrying Amount

At 30 June 2006

At Fair Value
 Accumulated depreciation and impairment
 Net Carrying Amount

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the previous financial year are set out below.

Year ended 30 June 2006

Net Carrying Amount at start of year
 Additions
 Assets recognised for the first time
 Disposals
 Net revaluation increment less revaluation decrements
 Depreciation expense
 Net Carrying Amount at end of year

	Land and buildings	Plant and equipment	Leasehold improvements	Total
	\$'000	\$'000	\$'000	\$'000
At Fair Value	74,606	42,701	32,037	149,344
Accumulated depreciation and impairment	(424)	(26,610)	(14,810)	(41,844)
Net Carrying Amount	74,182	16,091	17,227	107,500
At Fair Value	75,728	39,006	45,118	159,852
Accumulated depreciation and impairment	(485)	(15,982)	(15,963)	(32,430)
Net Carrying Amount	75,243	23,024	29,155	127,422
Net Carrying Amount at start of year	74,182	16,091	17,227	107,500
Additions	203	12,928	16,914	30,045
Assets recognised for the first time	502	–	–	502
Disposals	(1,439)	(194)	(104)	(1,737)
Net revaluation increment less revaluation decrements	3,215	–	–	3,215
Depreciation expense	(1,420)	(5,801)	(4,882)	(12,103)
Net Carrying Amount at end of year	75,243	23,024	29,155	127,422

Notes to and forming part of the Financial Statements cont.

For the year ended 30 June 2007

12. Intangibles

At 30 June

Cost (gross carrying amount)

37,805 30,413

Accumulated depreciation and impairment

(30,883) (24,394)

Net Carrying Amount

6,922 6,019

Reconciliations

Reconciliations of the carrying amounts of each class of intangibles at the beginning and end of the current and previous financial years are set out below.

Net Carrying Amount at start of year

6,019 9,233

Additions

2,304 2,210

Reclassify from Property Plant and Equipment to Intangibles

2,149 –

Amortisation expense

(3,550) (5,424)

Net Carrying Amount at end of year

6,922 6,019

At 1 July

Cost (gross carrying amount)

30,413 28,203

Accumulated depreciation and impairment

(24,394) (18,970)

Net Carrying Amount

6,019 9,233

13. Current/non-current liabilities

	2007 \$'000	2006 \$'000
Current liabilities – Payables		
Accrued salaries, wages and on-costs	2,360	1,754
Creditors (including GST)	29,174	17,025
Payroll deductions	2,708	2,381
	34,242	21,160
Non-current liabilities – Payables		
Landcom advance – sale of Renwick	10,850	8,580

In 2003/04, the Department entered into an agreement with Landcom for the development and sale of the Department's Renwick property located at Mittagong. The agreement with Landcom allows for the Department to receive interest-bearing advances from projected sale proceeds. The Department received \$8.0 million from Landcom in 2004/05, pending development and sale of the Mittagong property. Additionally, as at 30 June 2007 the Department owed Landcom \$2.850 million (\$580,000 at 30 June 2006) for development costs. The advance and the development costs are regarded as "Repayable Advances" in the accounts of the Department. The first sale proceeds are not expected to be realised until 2008/09.

Notes to and forming part of the Financial Statements cont.

For the year ended 30 June 2007

14. Current/non-current liabilities – Provisions

Employee benefits and related on-costs

Recreation leave

25,997 22,075

Payroll tax

3,989 3,587

Workers' compensation

2,524 2,409

Total Provisions

32,510 28,071

Aggregate employee benefits and related on-costs

Provisions – current

32,327 27,901

Provisions – non-current

183 170

Accrued salaries, wages and on-costs (Note 13)

2,360 1,754

34,870 29,825

The current provision includes \$4.201 million of annual leave entitlements accrued but not expected to be taken within 12 months. (\$7.221 million at 30 June 2006)

15. Current liabilities – Other

Liability to Consolidated Fund

Recurrent

– 56

Capital

– –

– 56

16. Changes in Equity

	Accumulated Funds		Revaluation Reserve		Total Equity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Balance at the beginning of the financial year	47,528	32,100	53,957	51,652	101,485	83,752
Changes in equity – other than transactions with owners as owners						
Surplus/(Deficit) for the year	(14,534)	14,518	–	–	(14,534)	14,518
Increment on revaluation of land and buildings	–	–	3,215	3,215	3,215	3,215
	(14,534)	14,518	3,215	3,215	(11,319)	17,733
Transfers within equity						
Asset revaluation reserve balance transferred to accumulated funds on disposal of asset	883	910	(883)	(910)	–	–
Total	883	910	(883)	(910)	–	–
Balance at the end of the financial year	33,877	47,528	56,289	53,957	90,166	101,485

Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the Department's policy on the "Revaluation of Physical Non-Current Assets" as discussed in Note 1.

Notes to and forming part of the Financial Statements cont.

For the year ended 30 June 2007

17. Commitments for expenditure

(a) Capital commitments

Aggregate capital expenditure contracted for at balance date and not provided for:

Not later than one year

Total (including GST)

(b) Other expenditure commitments

Aggregate other expenditure contracted for at balance date and not provided for:

Not later than one year

Total (including GST)

(c) Operating lease commitments

Future non-cancellable operating lease rentals not provided for and payable:

Not later than one year

Later than one year but not later than five years

Later than five years

Total (including GST)

(d) Grants expenditure commitments

Aggregate grants expenditure contracted for at balance date and not provided for:

Not later than one year

Later than one year but not later than five years

Total (including GST)

	2007 \$'000	2006 \$'000
	-	228
	-	228
	7,438	2,069
	7,438	2,069
	31,977	18,909
	81,582	47,069
	12,520	10,362
	126,079	76,340
	73,114	38,457
	222,586	142,660
	295,700	181,117

The commitments in (a), (b), (c) and (d) above are not recognised in the financial statements as liabilities. The total commitments above include input tax credits of \$39.0 million (2006: \$23.6 million) that are expected to be recovered from the Australian Taxation Office.

18. Contingent liabilities and contingent assets

Contingent Liabilities

Claims relating to children and persons in care

Miscellaneous claims

2007 \$'000	2006 \$'000
12,091	3,457
-	587
12,091	4,044

Various claims have been made against the Department, which, if successful, would result in the above liabilities as estimated by the Department's legal advisers. If the claimant is successful, the settlements will be met by NSW Treasury Managed Fund.

Contingent Assets

No claims have been made by the Department which, if successful, would result in financial benefits to the Department.

Notes to and forming part of the Financial Statements cont.

For the year ended 30 June 2007

19. Budget Review

Net cost of services

The actual net cost of services was higher than budget by \$2.0 million primarily due to:

(a) **Expenses** – increase of \$3.9 million on budget resulting from:

- (i) a decrease in employee related costs of \$10.5 million mainly relating to long service leave and superannuation expenses.
- (ii) an increase of \$6.8 million in other operating expenses mainly attributable to increased expenses in outsourced corporate services.
- (iii) a decrease of depreciation expenses of \$1.3 million;
- (iv) an increase of grants and subsidies of \$8.9 million is mainly attributable to an increase in contracted residential care and support services in Out of Home Care.

(b) **Retained revenue** – Increase of \$1.6 million on budget resulting from:

- (i) an increase of investment income of \$1.1 million
- (ii) an increase in other revenues of \$5.6 million
- (iii) a decrease in grants and contributions of \$4.0 million and
- (iv) a decrease in sale of goods and services of \$1.0 million.

Assets and liabilities

The variance in net assets of \$6.7 million is reflected by:

(a) **Assets** – \$20.6 million over budget resulting from:

(i) **Current assets**

An increase of \$10.1 million due to the improved cash position of \$6.8 million and receivables of \$3.3 million

(ii) **Non-current assets**

An increase in property, plant and equipment and intangible assets of \$10.5 million mainly for additional and improved accommodation for increased caseworkers.

(b) **Liabilities** were \$27.3 million over budget resulting mainly from :

(i) **Current liabilities**

An increase of \$25.0 million resulting from an increase in payables of \$28 million and a decrease in leave and other provisions of \$3 million.

(ii) **Non-current liabilities**

An increase of \$2.3 million for property development costs owing to Landcom.

Cash Flows

The cash position was \$6.7 million higher than budget. The increase is mainly reflected by increased GST recoveries and other receipts.

20. Reconciliation of net cash flows from operating activities to net cost of services

	2007 \$'000	2006 \$'000
Net cash used on operating activities	25,167	34,153
Cash Flows from Government/Appropriations	(1,096,257)	(987,426)
Acceptance by the Crown Entity of employee benefits and other liabilities	(10,038)	(12,860)
Net gain/(loss) on disposal of assets	69	(438)
Depreciation and amortisation	(19,284)	(17,527)
Assets recognised for the first time	-	502
Decrease/(increase) in accounts payable	(15,957)	(583)
Decrease/(increase) in employee benefits	(4,439)	(3,257)
Increase/(decrease) in receivables, inventories and other assets	(90)	1,668
Net cost of services	(1,120,829)	(985,768)

21. Trust Funds

Miscellaneous Trust Funds are maintained for wards and other persons in care and for natural disasters. These monies are excluded from the financial statements as DoCS cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust accounts.

a) Natural Disaster Trust Fund

Cash balance at the beginning of the financial year	1,683	1,734
Add: Receipts	291	93
Less: Expenditure	(342)	(140)
Less: Unpresented cheques	-	(4)
Cash balance at the end of the financial year	1,632	1,683

b) Wards Trust Fund

Cash balance at the beginning of the financial year	36	42
Add: Receipts	2	8
Less: Withdrawals	-	(14)
Cash balance at the end of the financial year	38	36

Notes to and forming part of the Financial Statements cont.

For the year ended 30 June 2007

22. Financial Instruments

Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate adjusted for a management fee to NSW Treasury.

Receivables

All debtors are recognised as amounts receivable at balance date. Collectability of debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. The credit risk is the carrying amount (net of any allowance for impairment). No interest is earned on debtors. The carrying amount approximates net fair value.

Authority Deposits

The Department has placed funds on deposit with TCorp, which has been rated "AAA" by Standard and Poors. These deposits are similar to money market or bank deposits and are placed for a fixed term. The interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit.

	2007 Carrying Amount	2007 Net Fair Value	2006 Carrying Amount	2006 Net Fair Value
	\$	\$	\$	\$
Less than one year	38,605	38,599	36,304	36,295

The deposits at balance date were earning an interest rate of 6.45% (2006 – 5.62%) while over the year the weighted average interest rate was 6.19% (2006 – 5.60%) on a weighted balance during the year of \$37,688 (2006 – \$31,011).

Trade Creditors and Accruals

The liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. No late interest payments have been made in the year ending 30 June 2007.

22. Financial Instruments cont.

(a) Interest Rate Risk

The following table details the Department's exposure to interest rate risk as at 30 June 2007:

	Weighted Average Effective interest rate	Variable Interest Rate	Non Interest Bearing	Total
	%	\$000	\$000	\$000
2007				
Financial Assets				
Cash and cash equivalents	5.14	6,707	-	6,707
Receivables		-	13,565	13,565
Total Financial Assets		6,707	13,565	20,272
Financial Liabilities				
Payables		-	34,242	34,242
Landcom Advance *	6.27	10,850	-	10,850
Other		-	-	-
Total Financial Liabilities		10,850	34,242	45,092
2006				
Financial Assets				
Cash and cash equivalents	4.54	12,256	-	12,256
Receivables			13,655	13,655
Total Financial Assets		12,256	13,655	25,911
Financial Liabilities				
Payables		-	21,160	21,160
Landcom Advance*	5.875	8,580	-	8,580
Other		-	56	56
Total Financial Liabilities		8,580	21,216	29,796

* Landcom Advance is expected to be paid between 1 to 2 years by sales proceeds as explained in Note 13.

Notes to and forming part of the Financial Statements cont.

For the year ended 30 June 2007

(b) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Department. The Department has adopted a policy of only dealing with creditworthy counterparties. The Department's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Department does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the bank is with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Department's maximum exposure to credit risk.

23. After Balance Date Events

There were no after balance date events that require disclosure in the Financial Statements.

End of Audited Financial Statements

Additional financial details

Investment management performance

DoCS does not maintain any investments on its own behalf.

Major assets

Major assets held by DoCS include land and buildings, plant and equipment, computers, furniture and fittings and leasehold improvement. The value of the major assets is detailed within the financial statements.

Accounts payable

1. Late payment of accounts

The payment of accounts is closely monitored to ensure accounts are paid in accordance with the Treasurer's Directions. The Department's accounts payable process is administered by NSW Businesslink, a shared corporate services operation. DoCS did not incur any penalty interest for late payments of accounts in 2006/07.

2. Performance indicators

Aged analysis at the end of each quarter

Quarter	Current (within due date) \$'000	Less than 30 days overdue \$'000	Between 30 and 60 days overdue \$'000	Between 60 and 90 days overdue \$'000	More than 90 days overdue \$'000
September	208,035	4,643	2,019	890	1,159
December	74,586	5,218	1,365	458	1,092
March	79,833	7,692	1,377	832	1,471
June	214,031	5,612	1,376	961	1,207

Accounts paid on time within each quarter

Quarter	Target %	Actual %	Payments Processed on time	Total payments processed in quarter
September	90	89.33	92,769	103,854
December	90	86.36	41,506	48,064
March	90	93.69	63,815	68,116
June	90	93.44	46,435	49,694

Additional financial details cont.

Major capital projects

During 2006/07 DoCS undertook \$32.765 million of capital expenditure relating to Enhance Service Delivery Accommodation Project and other projects.

Credit card certification

DoCS administered 87 credit cards as at 30 June 2007. All cards were administered in accordance with Government guidelines in respect to issuance, usage and administration.

Contract and market testing

DoCS currently contracts out a number of direct service delivery functions to non-government service providers associated with:

- ❖ accommodation and crisis support
- ❖ child care and protection
- ❖ community support and development
- ❖ out-of-home care.

Additionally, DoCS contracts out a number of corporate service functions to NSW Businesslink and other providers including:

- ❖ some financial services functions
- ❖ some human resources functions

- ❖ payroll services
- ❖ property services
- ❖ fleet management
- ❖ information and communication technology services
- ❖ regular and strategic audits.

Disclosure of controlled entities

DoCS does not have any controlling interest in other entities.

Property disposals

Three properties were disposed of during 2006/07, including:

- ❖ 85-87 Fitzmaurice St, Wagga Wagga
- ❖ 4 Anzac Av, Wyong
- ❖ 11 Horatio Pl, South Kempsey.

The properties were formerly used as either group homes or residential care homes and did not meet long term service delivery needs. The sale proceeds were applied to supplement funding of the DoCS reform package.

Funds to non-government community organisations

Please see the Funded Services addendum for details of funds granted to non-government organisations.

Use of Consultants

1. Engagement greater than \$30,000

Project Title	Consultant	Cost (\$)
Workforce Planning Workshops	Aruspex Pty Ltd	33,413
Time & Motion Study – Children's Services	Ernst & Young	32,275
Planning & Review of Family Violence Strategy	Nexus Management Consulting	50,000
Aboriginal OOHC Services Capacity Building Proj Tier 2	Matrix on Board	53,725
Early Intervention Program	University of NSW	513,211
Service Analysis & Business Development Support	Matrix on Board	107,227
NSW Preschool Investment & Reform Plan	The Miller Group Social Policy	47,212
Exploratory Qualitative Social Research With Aboriginal Communities	Urbis Jhd Pty Ltd	71,132
Total		908,194

2. Engagements less than \$30,000

Consultancy engagements less than \$30,000 – total number 48	492,723
Total	1,400,917