



CHAPTER 4 **FINANCIAL MANAGEMENT**

4

- Management of Financial Resources
- Discussion of Financial Performance and Summary Resource Tables
- Financial Statements

MANAGEMENT OF FINANCIAL RESOURCES

OVERVIEW

During 2001–02, the Department of Education, Science and Training (DEST), under its memorandum of understanding with the Australian Research Council (ARC), was responsible for providing a range of financial services to the ARC such as departmental and administered budgeting, cash management, financial (accounts) processing and reporting.

Over the year the ARC has been reviewing these services and as part of this review a tender selection process for the purchase of a financial system to replace the DEST SAP financial system was undertaken. The ARC selected Microsoft Great Plains as its preferred financial system and from 1 July 2002 assumed responsibility for its own financial budgeting, management, processing and reporting requirements.

ARC's financial statements for 2001–02 were prepared by independently contracted auditors working in conjunction with DEST and the ARC to review, prepare and provide a final set of fully audited financial accounts and notes as required by the Finance Minister's Orders made under the FMA Act.

PURCHASING POLICY

During 2001–02, the ARC adhered to the policies and procedures contained in DEST's Financial Management Manual (FMM). The DEST FMM details processes for procuring goods and services that comply with Commonwealth Procurement Guidelines. The manual is readily available via the ARC's Intranet site.

In addition, all ARC contracts engaging consultants or contractors for service were recorded electronically through the DEST PROMISE contract management system. The system has two main purposes: to help staff comply with the correct Commonwealth and ARC procurement processes; and to collect and report data for management purposes on all ARC contracts for service, including consultancies.

ASSETS MANAGEMENT

Assets management is the responsibility of the Corporate Branch of the ARC. The branch coordinates a number of tasks, including the annual stocktake of assets and the revaluation of assets. However, the basic responsibility for the safekeeping of assets remains within each functional area.

When the ARC became a prescribed agency on 1 July 2001, it brought to book assets, previously owned by DEST, at their then book value.

The ARC is currently developing an asset replacement strategy to ensure there is an adequate budget in place for the replacement of needed assets as they come to the end of their useful lives.

CONSULTANCIES AND SERVICE CONTRACTS

In 2001–02, the ARC engaged consultants to undertake consultancy work at a total cost of \$284,786. The ARC also expended \$995,649 on contracts for services. Details of the consultancies and contracts for services let by the ARC in 2001–02 are provided in Appendix 11.

COMPETITIVE TENDERING AND CONTRACTING

The ARC carried out no market testing during 2001–02.

ADVERTISING AND MARKET RESEARCH

In 2001–02, \$140,170 was paid by, or on behalf of, the ARC to media advertising and direct mail organisations. Details of the payments made are provided in Appendix 12.

DISCUSSION OF FINANCIAL PERFORMANCE AND SUMMARY RESOURCE TABLES

DEPARTMENTAL REVENUE AND EXPENSES

Outcome 1—Australian research advances the global knowledge and skills base leading to economic, social, cultural and environmental benefits for the Australian community.

	(1) BUDGET 2001-02 \$'000	(2) ACTUAL EXPENSES 2001-02 \$'000	VARIATION (COLUMN 2 MINUS COLUMN 1)	BUDGET 2002-03 \$'000
Departmental expenses	12,249 ¹	10,221	2,028	125,449
Total departmental expenses	12,249	10,221	2,028	125,449

¹ Excludes resources received free of charge and revenue from external sources.

2001-02 is the ARC's first year of operations, consequently comparative data from previous years is not available.

Due to establishment lead times associated with administrative arrangements, finalisation of staffing and system activities some projects were deferred until 2002-03.

ADMINISTERED REVENUES AND EXPENSES

Outcome 1—Australian research advances the global knowledge and skills base leading to economic, social, cultural and environmental benefits for the Australian community.

	(1) BUDGET 2002 \$'000	(2) ACTUAL EXPENSES 2001 \$'000	VARIATION (COLUMN 2 MINUS COLUMN 1)	BUDGET 2003 \$'000
Administered expenses	272,422	246,030	26,392	356,063
Total administered expenses	272,422	246,030	26,392	356,063

The Schedule of Administered Expenses shows an increase from \$246.030 million in 2001 to \$272.422 million in 2002. The increase of \$26.392 million is due to Cost Adjustment Factor increases (\$6.2 million), a carryover of funds from 2001 to 2002 (\$1.7 million, approved by the Department of Finance and Administration) and an increase in program funding flowing from the Government's Innovation Statement—*Backing Australia's Ability*.

FINANCIAL STATEMENTS

The following pages provide the financial statements for the Australian Research Council for the financial year ending 30 June 2002. They have been submitted to the Auditor-General for scrutiny as required by section 57 of the *Financial Management and Accountability Act 1997*.

	PAGE NO.
Audit Report	96–97
Statement by the Chief Executive	99
Statement of Financial Performance	100
Statement of Financial Position	101
Statement of Cash Flows	102
Schedule of Commitments	103
Schedule of Contingencies	104
Notes to and forming part of the Financial Statements	105–134



INDEPENDENT AUDIT REPORT

To the Minister for Education, Science and Training

Scope

I have audited the financial statements of the Australian Research Council for the year ended 30 June 2002. The financial statements comprise:

- Statement by the Chief Executive;
- Statements of Financial Performance, Financial Position and Cash Flows;
- Schedules of Contingencies and Commitments; and
- Notes to and forming part of the Financial Statements.

The Australian Research Council's Chief Executive Officer is responsible for the preparation and presentation of the financial statements and the information they contain. I have conducted an independent audit of the financial statements in order to express an opinion on them to you.

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

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

Audit Opinion

In my opinion the financial statements:

- (i) have been prepared in accordance with Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*; and
- (ii) give a true and fair view, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Finance Minister's Orders, of the financial position of the Australian Research Council as at 30 June 2002, and its financial performance and cash flows for the year then ended.

Australian National Audit Office



Mashelle Parrett
Executive Director

Delegato of the Auditor-General

Canberra

12 September 2002

AUSTRALIAN RESEARCH COUNCIL

Statement by the Chief Executive

In my opinion, the attached financial statements for the year ended 30 June 2002 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* (FMA Act).

The Australian Research Council (ARC) was prescribed in July 2001 under the FMA Regulations as a prescribed agency for the purposes of the FMA Act. As the 2001–02 financial year was the first year in which the ARC operated as a prescribed agency, there is no comparative information for previous years.



Professor Vicki Sara
Chief Executive

12th September 2002

AUSTRALIAN RESEARCH COUNCIL STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2002

	NOTE	2002 \$' 000
Revenues from ordinary activities		
Revenues from government	2 (a)	12 289
Interest	2 (b)	168
Net gains from sales of assets	2 (c)	1
Other revenues	2 (d)	11
<i>Total revenues from ordinary activities</i>		<u>12 469</u>
Expenses from ordinary activities		
Employees	3 (a)	3 963
Suppliers	3 (b)	5 675
Depreciation and amortisation	3 (c)	580
Write-down of assets	3 (d)	3
<i>Total expenses from ordinary activities</i>		<u>10 221</u>
Net operating surplus from ordinary activities		2 248
Net surplus		<u>2 248</u>
Net surplus attributable to the Commonwealth		<u>2 248</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u>2 248</u>

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

AUSTRALIAN RESEARCH COUNCIL
STATEMENT OF FINANCIAL POSITION

for the year ended 30 June 2002

	NOTE	2002 \$' 000
ASSETS		
Financial assets		
Cash	4 (a)	5 958
Receivables	4 (b)	289
Accrued revenues	4 (c)	3
Total financial assets		<u>6 250</u>
Non-financial assets		
Land and buildings	5 (a)	140
Infrastructure, plant and equipment	5 (b)	585
Intangibles	5 (c)	1 011
Other	5 (d)	29
Total non-financial assets		<u>1 765</u>
Total assets		<u>8 015</u>
LIABILITIES		
Provisions		
Employees	6	1 298
Capital use charge		248
Total provisions		<u>1 546</u>
Payables		
Suppliers	7 (a)	247
Other	7 (b)	51
Total payables		<u>298</u>
Total liabilities		<u>1 844</u>
NET ASSETS		<u>6 171</u>
EQUITY		
Parent entity interest		
Contributed equity	8	4 686
Retained surpluses or accumulated deficits	8 (a)	1 485
Total parent entity interest	8 (a)	<u>6 171</u>
Total equity	8 (a)	<u>6 171</u>
Current assets		6 279
Non-current assets		1 736
Current liabilities		1 097
Non-current liabilities		<u>747</u>

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

AUSTRALIAN RESEARCH COUNCIL STATEMENT OF CASH FLOWS

for the year ended 30 June 2002

	NOTE	2002 \$'000
OPERATING ACTIVITIES		
Cash received		
Appropriations (other than goods and services)		12 249
Interest		165
GST credits recovered		352
Total cash received		12 766
Cash used		
Employees		(3 535)
Suppliers		(6 098)
Total cash used		(9 633)
Net cash from operating activities	9	3 133
INVESTING ACTIVITIES		
Cash received		
Proceeds from sales of other infrastructure, plant and equipment		1
Total cash received		1
Cash used		
Purchase of land and buildings		(92)
Purchase of other infrastructure, plant and equipment		(500)
Purchase/development of intangibles		(262)
Total cash used		(854)
Net cash from (used by) investing activities		(853)
FINANCING ACTIVITIES		
Cash received		
Contributed equity – Opening balance transfer		4 193
Total cash received		4 193
Cash used		
Capital use charge paid		(515)
Total cash used		(515)
Net cash from financing activities		3 678
Net increase in cash held		5 958
Cash at the beginning of the reporting period		–
Cash at the end of the reporting period		5 958

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

AUSTRALIAN RESEARCH COUNCIL SCHEDULE OF COMMITMENTS

as at 30 June 2002

	2002 \$'000
BY TYPE	
OTHER COMMITMENTS	
Operating leases ¹	1 125
Goods and services ²	678
Total other commitments	1 803
COMMITMENTS RECEIVABLE ³	(158)
Net commitments	1 645
BY MATURITY	
All net commitments	
One year or less	974
From one to five years	671
Over five years	–
Net commitments	1 645
Operating lease commitments	
One year or less	444
From one to five years	681
Over five years	–
Net commitments	1 125

NB. All commitments are GST-inclusive where relevant.

- 1 Operating leases included are non-cancellable and comprise agreements relating to the remuneration of senior executive officers.
- 2 Goods and services contracts include amounts relating to consultancies and the provision of information technology products and services.
- 3 GST receivable.

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

**AUSTRALIAN RESEARCH COUNCIL
SCHEDULE OF CONTINGENCIES**

as at 30 June 2002

	2002 \$'000
<hr/>	
CONTINGENT LOSSES	
Total contingent losses	—
CONTINGENT GAINS	
Total contingent gains	—
Net contingencies	—

SCHEDULE OF UNQUANTIFIABLE CONTINGENCIES

At 30 June 2002, the ARC was unaware of any unquantifiable contingencies.

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

AUSTRALIAN RESEARCH COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2002

NOTE	DESCRIPTION
1	Summary of Significant Accounting Policies
2	Revenues
3	Expenses
4	Financial Assets
5	Non-financial Assets
6	Provisions
7	Payables
8	Equity
9	Cash Flow Reconciliation
10	Executive Remuneration
11	Remuneration of Auditors
12	Average Staffing Levels
13	Financial Instruments
14	Act of Grace Payments and Waivers
15A	Revenues Administered on Behalf of Government
15B	Expenses Administered on Behalf of Government
15C	Assets Administered on Behalf of Government
15D	Liabilities Administered on Behalf of Government
15E	Administered Cash Flows
15F	Administered Commitments
15G	Administered Contingencies
15H	Administered Restructuring
15I	Administered Financial Instruments
16	Appropriations
17	Reporting of Outcomes and Outputs

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies

1.1 OBJECTIVES OF THE AUSTRALIAN RESEARCH COUNCIL

MISSION

To advance Australia's capacity for quality research to the economic, social and cultural benefit of the community.

OBJECTIVES

The ARC aims to develop and maintain a broad foundation of high-quality world-class research across a wide range of disciplines. Cooperative approaches to research are encouraged as the ARC strengthens links with innovation systems within Australia and overseas. The ARC also fosters career opportunities for Australian researchers, facilitates access to state-of-the-art facilities and equipment, and provides incentives for the cooperative development of research infrastructure.

The ARC contributes towards developing a coordinated approach to prioritising research and research training, and increasing awareness and understanding among the community of the outcomes and benefits of Australian research.

The ARC is structured to contribute to the outcome of Australian research that advances the global knowledge and skills base leading to economic, social, cultural and environmental benefits for the Australian community.

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 (being the *Financial Management and Accountability (Financial Statements 2001-02) Orders*);
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board (AASB);
- other authoritative pronouncements of the AASB; and
- Consensus Views of the Urgent Issues Group.

The statements have been prepared having regard to:

- Explanatory Notes to Schedule 1, and
- Finance Briefs issued by the Department of Finance and Administration.

The Statements of Financial Performance and Financial Position are in accordance with historical cost convention. 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. Assets and liabilities arising under agreements equally proportionately unperformed are, however, not recognised unless required by an Accounting Standard. Liabilities and assets which are unrecognised are reported in the Schedule of Commitments.

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

The continued existence of the ARC in its present form and with its present programs is dependent on Government policy and on continuing appropriations by Parliament for the ARC's administration and programs.

Administered revenues, expenses, assets and liabilities and cash flows reported in Note 15 are accounted for on the same basis and using the same policies as for Departmental items.

1.3 REVENUE

The revenues described in this Note are revenues relating to the core operating activities of the ARC.

(A) REVENUES FROM GOVERNMENT – DEPARTMENTAL APPROPRIATION

The full amount of the appropriation for departmental outputs for the year is recognised as revenue.

(B) RESOURCES RECEIVED FREE OF CHARGE

Services received free of charge are recognised 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 resources is recognised as an expense.

(C) OTHER REVENUE

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

1.4 TRANSACTIONS UNDER ADMINISTRATIVE REARRANGEMENTS BY THE GOVERNMENT AS OWNER

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

1.5 EMPLOYEE ENTITLEMENTS

(A) LEAVE

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

The liability for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 2002 and is recognised at the nominal amount.

The non-current portion of the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2002. In determining the present value of the liability, the ARC has taken into account attrition rates and pay increases through promotion and inflation.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(B) SEPARATION AND REDUNDANCY

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

(C) SUPERANNUATION

Employer superannuation contributions to the Commonwealth Superannuation Scheme and the Public Sector Superannuation Schemes during 2001-02 amounted to \$277,175 and are reflected in these financial statements.

No liability for superannuation is recognised as at 30 June as the employer contributions fully extinguish the accruing liability which is assumed by the Commonwealth.

The provision for superannuation oncost is disclosed in note 6.

Employer Superannuation Productivity Benefit contributions totalled \$56,304.

1.6 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. The ARC only has operating leases.

1.7 CASH

Cash means notes and coins held and any deposits held at call with a bank or financial institution.

1.8 FINANCIAL INSTRUMENTS

Accounting policies for financial instruments are stated at Notes 13 and 15I.

1.9 ACQUISITION OF ASSETS

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

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

1.10 PROPERTY (LAND, BUILDINGS AND INFRASTRUCTURE), PLANT AND EQUIPMENT, AND INTANGIBLES

(A) 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).

(B) INTANGIBLES

Intangibles comprise internally developed computer software which is initially recognised at cost.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(C) RECOVERABLE AMOUNT TEST

Schedule 1 requires the application of the recoverable amount test to the ARC's non-current assets in accordance with AAS 10 *Recoverable Amount of Non-Current Assets*. The carrying amounts of these non-current assets have been reviewed to determine whether they are in excess of their recoverable amounts. In assessing recoverable amounts, the relevant cash flows have been discounted to their present value.

(D) DEPRECIATION AND AMORTISATION

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives to the ARC using, in all cases, the straight-line method of depreciation.

Depreciation/amortisation rates and methods are reviewed at each balance 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 prices only when assets are revalued.

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

	2002
Buildings	40 years
Plant, Machinery and Equipment, Furniture and Fittings	10 years
Office Equipment and Leasehold Improvements	5 years
Computer Equipment	3 years
Intangibles (includes software development)	5 years

The aggregate amount of depreciation and amortisation allocated for each class of asset during the reporting period is disclosed in Note 3(c).

1.11 TAXATION

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

1.12 CAPITAL USAGE CHARGE

An annual capital usage charge of 11% is imposed by the Government on the net assets of the ARC. The charge is adjusted to take account of asset gifts and revaluation increments during the financial year.

1.13 INSURANCE

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

1.14 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; and
- remuneration of auditors.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.15 REPORTING OF ADMINISTERED ACTIVITIES

These financial statements do not report the receipt of administered appropriations from the Official Public Account (OPA) as administered revenues, nor are transfers of administered receipts to the OPA reported as administered expenses. This acknowledges that the administered activities of agencies are performed on behalf of the Commonwealth Government and that it is not appropriate to identify resources transferred as a result of administered activities of different agencies as revenues and expenses of the Administered entity. Generally, therefore, the notes to these financial statements do not report any transactions or balances that are internal to the Administered entity. One exception is the disclosure of administered cash flows, since cash transferred between the OPA and ARC's administered bank account is necessary for the completeness of the cash flow disclosures.

Accounting policies which are relevant to administered activities only of the ARC are disclosed below.

(A) REVENUE

All revenues described in note 15 are revenues from non-Commonwealth sources relating to activities performed by the ARC on behalf of the Commonwealth.

(B) GRANTS

The ARC administers a number of grant schemes on behalf of the Government.

Grants are recognised when grant agreements are made. Most ARC grants are contingent upon reporting of satisfactory progress to the ARC. Grants are recognised as liabilities for the year in prospect and as commitments for the remainder of the period for which appropriation exists.

Note 2: Operating Revenues

	2002 \$'000
(a) Revenues from government	
Appropriations for outputs	12 249
Resources received free of charge	
Australian National Audit Office – auditing services	40 <u>12 289</u>
(b) Interest	
Deposits	168
(c) Net gains from sales of assets	
Infrastructure, plant and equipment	
Proceeds from sale	1
Net book value at sale	<u>–</u>
Net gain	1
(d) Other	
Assets found at stocktake	11
Total Revenues	<u><u>12 469</u></u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 3: Operating Expenses

	2002 \$'000
(a) Employees	
Remuneration (for services provided)	3 963
(b) Suppliers	
Supply of goods and services	5 341
Operating leases	<u>334</u>
	5 675
(c) Depreciation and Amortisation	
The aggregate amounts of depreciation or amortisation expensed during the reporting period for each class of depreciable asset are as follows:	
Land and buildings	27
Infrastructure, plant & equipment	103
Intangibles	<u>450</u>
	580
(d) Write down of assets	
Infrastructure, plant and equipment – write off on disposal	<u>3</u>
Total Expenses	<u>10 221</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 4: Financial Assets

	2002 \$'000
(a) Cash	
Cash at bank and on hand	52
Cash on deposit	5 906
	<u>5 958</u>
All cash recognised is a current asset.	
(b) Receivables	
Employee entitlements ¹	218
GST Receivable	71
	<u>289</u>
Receivables (gross) are aged as follows:	
Current 75	
Overdue by:	
Less than 30 days	—
30 to 60 days	—
60 to 90 days ¹	144
More than 90 days ¹	70
	<u>289</u>
All receivables are current assets.	
(c) Accrued revenues	
Interest	3
Total Financial Assets	<u>6 250</u>

¹ Relates to employees moving to the ARC.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 5: Non-financial Assets

	2002 \$'000
(a) Land and Buildings	
Leasehold Improvements – at cost	167
less accumulated depreciation	<u>(27)</u>
	140
(b) Infrastructure, Plant & Equipment	
Infrastructure, plant & equipment – at cost	686
less accumulated depreciation	<u>(101)</u>
	585
(c) Intangibles	
Computer software – at cost	1 461
less accumulated amortisation	<u>(450)</u>
	1 011
(d) Other	
Prepayments – Property lease	29
Total Non-financial Assets	<u>1 765</u>

Note 5: Non-financial Assets continued

Table A – Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles

ITEM	LAND \$'000	BUILDINGS AND BUILDINGS \$'000	LEASEHOLD IMPROVEMENTS \$'000	TOTAL LAND \$'000	INFRASTRUCTURE PLANT AND EQUIPMENT \$'000	OTHER SOFTWARE – TOTAL INTANGIBLES \$'000	COMPUTER SOFTWARE – TOTAL INTANGIBLES \$'000	TOTAL \$'000
Gross value as at 1 July 2001	-	-	-	-	-	-	-	-
Additions: Purchases of assets	-	-	92	92	549	264	905	905
Assets transferred in/(out)	-	-	100	100	632	1995	2727	2727
Disposals	-	-	-	-	(5)	-	(5)	(5)
Gross value as at 30 June 2002	-	-	192	192	1176	2 259	3 627	3 627
Accumulated depreciation / amortisation as at 1 July 2001	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(2)	-	(2)	(2)
Assets transferred in/(out)	-	-	25	25	490	798	1 313	1 313
Depreciation / amortisation charge for the year	-	-	27	27	103	450	580	580
Accumulated depreciation / amortisation as at 30 June 2002	-	-	52	52	591	1 248	1 891	1 891
Net book value as at 30 June 2002	-	-	140	140	585	1 011	1 736	1 736

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 6: Provisions

	2002 \$'000
Employee Provisions	
Salaries and wages	110
Leave	1 043
Superannuation	145
Total Provisions	1 298
Current	591
Non-current	747

Note 7: Payables

	2002 \$'000
(a) Suppliers	
Trade creditors	247
Supplier payables are represented by:	
Current	247
Non-current	–
(b) Other	
Accrued expenses	11
Leasehold make-good	40
	51
Other payables are represented by:	
Current	11
Non-current	40
Total Payables	298

Note 8: Equity

(A) ANALYSIS OF EQUITY

ITEM	A		B		C		D=B+C		E		G=A+D+E	
	ACCUMULATED RESULTS	ASSET REVALUATION RESERVE	OTHER RESERVES	TOTAL RESERVES	TOTAL RESERVES	TOTAL CONTRIBUTED EQUITY/CAPITAL	TOTAL EQUITY	2001-02 \$'000	2001-02 \$'000	2001-02 \$'000	2001-02 \$'000	
Open Balance at 1 July	-	-	-	-	-	-	-	-	-	-	-	2 248
Net result and extraordinary items	2 248	-	-	-	-	-	-	-	-	-	-	-
Net revaluation increment/ (decrement)	-	-	-	-	-	-	-	-	-	-	-	-
Capital Use Charge (CUC)	(763)	-	-	-	-	-	-	-	-	-	-	(763)
Contribution of equity appropriation	-	-	-	-	-	-	-	-	-	-	-	-
Restructuring transfers	-	-	-	-	-	-	-	-	-	4 686	-	4 686
Closing Balance as at 30 June	1 485	-	-	-	-	-	-	-	4 686	6 171	-	6 171
Total equity attributable to the Commonwealth	1 485	-	-	-	-	-	-	-	4 686	6 171	-	6 171

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 8: Equity continued

(B) RESTRUCTURING

The Australian Research Council (ARC) was established by subsection 5(1) of the *Australian Research Council Act 2001*. The ARC became a prescribed agency on 12 July 2001 but with a date of effect of 1 July 2001.

In respect of functions assumed, the net book values of assets and liabilities transferred to the ARC for no consideration and recognised as at the date of transfer was:

	2002 \$'000
Total assets recognised	5 607
Total liabilities recognised	(921)
Net assets assumed	4 686

Note 9: Cash Flow Reconciliation

	2002 \$'000
Reconciliation of Cash per Statement of Financial Position to Statement of Cash Flows	
Cash at year end per Statement of Cash Flows	5 958
Statement of Financial Position items comprising above cash:	
Financial Asset – Cash	5 958
Reconciliation of operating surplus (deficit) to net cash provided by operating activities:	
Net surplus (deficit)	2 248
Depreciation / amortisation	580
Write down of assets	3
Net loss (profit) from disposal of assets	(1)
Non-cash revenue	(11)
Changes in assets and liabilities	
Decrease (increase) in receivables	(287)
Decrease (increase) in prepayments	(29)
Increase (decrease) in employee Liabilities	428
Increase (decrease) in suppliers Liabilities	151
Increase (decrease) in other liabilities	51
Net cash provided by operating activities	3 133

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 10: Executive Remuneration

The number of executives who received, or were due to receive, total remuneration of \$100,000 or more:

	2002
\$130 001 to \$140 000	2
\$140 001 to \$150 000	3
\$210 001 to \$220 000	1
The aggregate amount of total remuneration of executives shown above.	\$912 330
The aggregate amount of separation and redundancy payments during the year to the executives shown above.	Nil

Note 11: Remuneration of Auditors

	2002
The fair value of services provided by the Australian National Audit Office (ANAO) for the audit of the ARC's financial statements was \$40,000. There is no charge by the ANAO for these auditing services. No other services were provided to the ARC by the Auditor-General during the financial year.	40,000

Note 12: Average Staffing Levels

	2002
The average staffing levels during the year were:	51.8

Note 13: Financial Instruments

(A) TERMS, CONDITIONS AND ACCOUNTING POLICIES

FINANCIAL INSTRUMENT	NOTE	ACCOUNTING POLICIES AND METHODS (INCLUDING RECOGNITION CRITERIA AND MEASUREMENT BASIS)	NATURE OF UNDERLYING INSTRUMENT (INCLUDING SIGNIFICANT TERMS AND CONDITIONS AFFECTING THE AMOUNT, TIMING AND CERTAINTY OF CASH FLOWS).
Financial Assets			
Cash	4 (a)	Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured. Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	Money in the ARC's bank accounts is brought to account in the Official Public Account nightly and interest is earned on the daily balance at rates based on money market call rates. The ARC invests surplus funds in term deposits with the Reserve Bank. Interest rates have averaged 2.00% per annum on funds at call and 4.76% per annum on term deposits. Interest is paid daily on the funds at call and on maturity for term deposits.
Receivables for goods and services	4 (b)	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.	All receivables are with entities internal to the Commonwealth. Credit terms are net 28 days.
Accrued revenue	4 (c)	Interest is credited to revenue as it accrues. Interest is payable quarterly on funds at call and on maturity for term deposits.	Interest: as for cash at bank.

Note 13: Financial Instruments continued

(A) TERMS, CONDITIONS AND ACCOUNTING POLICIES continued

FINANCIAL INSTRUMENT	NOTE	ACCOUNTING POLICIES AND METHODS (INCLUDING RECOGNITION CRITERIA AND MEASUREMENT BASIS)	NATURE OF UNDERLYING INSTRUMENT (INCLUDING SIGNIFICANT TERMS AND CONDITIONS AFFECTING THE AMOUNT, TIMING AND CERTAINTY OF CASH FLOWS).
Financial Liabilities			
Trade creditors	7 (a) 7 (b)	Financial liabilities are recognised when a present obligation to another party is entered into and the amount of liability can be reliably measured. Creditors 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).	All creditors are entities that are not part of the Commonwealth legal entity. Settlement is usually made 30 days after receipt of the goods and service and a correctly rendered invoice.
Unrecognised Financial Liabilities			
Goods and services contracts		The ARC recognises commitments in respect of contractual obligations for goods and services that have not been provided at balance date. The commitments are measured as the total value of the contracts.	These commitments relate to contracts and agreements with parties external to the Commonwealth. Payments are made in accordance with the terms and conditions set out in the contract.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 13: Financial Instruments continued

(B) INTEREST RATE RISK AS AT 30 JUNE: AGENCY

FINANCIAL INSTRUMENT	NOTE	FLOATING INTEREST RATE		FIXED INTEREST RATE			NON-INTEREST BEARING	TOTAL	WEIGHTED AVG. EFFECTIVE INTEREST RATE
		2002 \$'000	2002 \$'000	< 1 YEAR	1-2 YEARS	3-4 YEARS			
		2002 \$'000	2002 \$'000	2002 \$'000	2002 \$'000	2002 \$'000	2002 \$'000	2002 %	
Financial Assets									
Cash	4 (a)	52	-	-	-	-	52	2.00	
Cash on deposit	4 (a)	5 906	-	-	-	-	5 906	4.76	
Receivables for goods and services	4 (b)	-	-	-	-	289	289	-	
Accrued revenue	4 (c)	-	-	-	-	3	3	-	
Total		5 958	-	-	-	292	6 250	-	
Total Assets							8 015	-	
Financial Liabilities									
Trade creditors	7 (a)	-	-	-	-	247	247	-	
Other	7 (b)	-	-	-	-	51	51	-	
Total		-	-	-	-	298	298	-	
Total Liabilities							1 844	-	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 13: Financial Instruments continued

(C) NET FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

as at 30 June 2002

	NOTE	2002	
		TOTAL CARRYING AMOUNT \$'000	AGGREGATE NET FAIR VALUE \$'000
Financial Assets			
Cash at bank	4 (a)	5 958	5 958
Receivables for goods and services	4 (b)	289	289
Accrued revenue	4 (c)	3	3
Total Financial Assets		6 250	6 250
Financial Liabilities (Recognised)			
Trade creditors	7 (a)	247	247
Other	7 (b)	51	51
Total Financial Liabilities (Recognised)		298	298

FINANCIAL ASSETS

The net fair values of cash, receivables and accrued revenue reflect their carrying amounts.

FINANCIAL LIABILITIES

The net fair values for trade creditors approximate their carrying amounts.

The net fair values of goods and services contracts reflect the full value of the agreements.

(D) CREDIT RISK EXPOSURE

The ARC's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Performance.

The ARC has no significant exposure 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.

Note 14: Act of Grace Payments and Waivers

2002
\$

Administered Act of Grace Payments & Waivers

No 'Act of Grace' payments were made during the reporting period.

No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the *Financial Management and Accountability Act 1997*.

No waivers of amounts owing to the Commonwealth were made under the *Australian Research Council Act 2001* or any other legislation.

\$Nil

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15A: Revenues Administered on Behalf of Government

for the year ended 30 June 2002

	2002 \$'000
<hr/>	
Revenues	
Total Revenues Administered on Behalf of Government	<u>—</u>

Note 15B: Expenses Administered on Behalf of Government

for the year ended 30 June 2002

	2002 \$'000
<hr/>	
Expenses	
Grants	
ARC National Competitive Grants	265 237
Total Expenses Administered on Behalf of Government	<u>265 237</u>

Note 15C: Assets Administered on Behalf of Government

as at 30 June 2002

	2002 \$'000
<hr/>	
Financial assets	
Other	
GST receivable	40
Total Assets Administered on Behalf of Government	<u>40</u>

Note 15D: Liabilities Administered on Behalf of Government

as at 30 June 2002

	2002 \$'000
<hr/>	
Payables	
Grants	
ARC National Competitive Grants	120 740
	120 740
Total Liabilities Administered on Behalf of Government	<u>120 740</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15E: Administered Cash Flows

for the year ended 30 June 2002

	2002 \$'000
OPERATING ACTIVITIES	
Cash received	
Appropriation revenue	261 744
Other cash received	25
GST refunds	244
Total cash received	<u>262 013</u>
Cash used	
ARC National Competitive Grants	261 744
Cash to Official Public Account	25
GST refunds	284
Total cash used	<u>262 053</u>
Net cash (used in) operating activities	<u>(40)</u>
FINANCING ACTIVITIES	
Cash received	
GST Appropriations	284
Total cash received	<u>284</u>
Cash used	
Return of GST appropriations to OPA	244
Total cash used	<u>244</u>
Net cash from financing activities	<u>40</u>
Net increase (decrease) in cash held	-
Cash at the beginning of reporting period	-
Cash at the end of the reporting period	<u>-</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15F: Administered Commitments

as at 30 June 2002

	2002 \$'000
BY TYPE	
Other Commitments	
ARC National Competitive Grants	353 906
Total other commitments	<u>353 906</u>
Commitments Receivable¹	(394)
Net commitments	<u>353 512</u>
BY MATURITY	
All net commitments	
One year or less	183 920
From one to five years	169 592
Over five years	–
Net commitments	<u>353 512</u>

¹ GST on commitments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15G: Administered Contingencies

as at 30 June 2002

	2002 \$'000
<hr/>	
CONTINGENT LOSSES	
Total contingent losses	—
CONTINGENT GAINS	
Total contingent gains	—
Net contingencies	—

Note 15H: Administered Restructuring

	2002 \$'000
<hr/>	

The Australian Research Council (ARC) was established by subsection 5(1) of the *Australian Research Council Act 2001*. The ARC became a prescribed agency on 12 July 2001 but with a date of effect of 1 July 2001.

In respect of functions assumed, the net book values of assets and liabilities transferred to the ARC for no consideration and recognised as at the date of transfer were:

Total administered assets recognised	117 232
Total administered liabilities recognised	117 232
Net administered assets assumed	—

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15f: Administered Financial Instruments

(A) TERMS, CONDITIONS AND ACCOUNTING POLICIES

FINANCIAL INSTRUMENT	NOTE	ACCOUNTING POLICIES AND METHODS (INCLUDING RECOGNITION CRITERIA AND MEASUREMENT BASIS)	NATURE OF UNDERLYING INSTRUMENT (INCLUDING SIGNIFICANT TERMS AND CONDITIONS AFFECTING THE AMOUNT, TIMING AND CERTAINTY OF CASH FLOWS).
Financial Assets			
Cash at bank		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	No interest is earned on administered funds.
Other receivables	15C	Deposits are recognised at their nominal amounts. These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.	All receivables are with entities internal to the Commonwealth. Credit terms are net 30 days.
Financial Liabilities			
Grant liabilities	15D	Financial liabilities are recognised when a present obligation to another party is entered into and the amount of liability can be reliably measured. Grants are recognised as liabilities for the year in prospect and as commitments for the remainder of the period for which appropriation exists.	The Commonwealth makes funding agreements with eligible institutions (mainly universities) to meet public policy objectives.

Note 15: Administered Financial Instruments continued

(B) INTEREST RATE RISK: ADMINISTERED

FINANCIAL INSTRUMENT	NOTE	FLOATING INTEREST RATE		FIXED INTEREST RATE				NON-INTEREST BEARING	TOTAL	WEIGHTED AVG. EFFECTIVE INTEREST RATE
		01-02 \$'000	01-02 \$'000	< 1 YEAR	1-2 YEARS	2-5 YEARS	01-02 \$'000			
Financial Assets										
Other	15C	-	-	-	-	-	-	40	40	-
Total Financial Assets		-	-	-	-	-	-	40	40	-
Total Assets								40	40	
Financial Liabilities										
Grant liabilities	15D	-	-	-	-	-	-	120 700	120 700	-
Total Financial Liabilities		-	-	-	-	-	-	120 700	120 700	-
Total Liabilities								120 700	120 700	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15I: Administered Financial Instruments continued

(C) NET FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

		2002	
	NOTE	TOTAL CARRYING AMOUNT \$'000	AGGREGATE NET FAIR VALUE \$'000
Other	15C	40	40
Total Financial Assets		40	40
Financial Liabilities (Recognised)			
Grant liabilities	15D	120 700	120 700
Total Financial Liabilities (Recognised)		120 700	120 700

FINANCIAL ASSETS

The net fair values of cash and receivables approximate their carrying amounts.

FINANCIAL LIABILITIES

The net fair values for loans, suppliers, subsidies, personal benefits, grant and other liabilities approximate their carrying amounts.

(D) CREDIT RISK EXPOSURE

The ARC's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Assets Administered on Behalf of Government note.

The ARC has no significant exposure 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.

Note 16: Appropriations

PARTICULARS	ADMINISTERED EXPENSES		TOTAL
	OUTCOME 1	DEPARTMENTAL OUTPUTS	
Year ended 30 June 2002	\$	\$	\$
Balance carried from previous period	—	—	—
Appropriation for reporting period (Act 1)	—	6 907 000	6 907 000
Appropriation for reporting period (Act 3)	—	5 342 000	5 342 000
Adjustments determined by the Finance Minister	—	—	—
Amounts from Advance to the Finance Minister	—	—	—
Refunds credited (FMA s30)	—	—	—
GST credits (FMA s30A)	283 937	423 007	706 944
Annotations to 'net appropriations' (FMA s31)	—	164 550	164 550
Other annotations	—	—	—
Transfers to/from other agencies	—	4 193 069	4 193 069
Administered expenses lapsed under determination	—	—	—
Available for payments	283 937	17 029 626	17 313 563
Payments made	283 937	11 001 000	11 284 937
Balance carried to next period	—	6 028 626	6 028 626

FMA = Financial Management and Accountability Act 1997
 Act 1 = Appropriation (Parliamentary Departments) Act (No.1) 2001-2002
 Act 3 = Appropriation (Parliamentary Departments) Act (No.3) 2001-2002

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 16: Appropriations continued

APPROPRIATION ACTS (NOS. 2/4) 2001–2002

The ARC received no appropriation from Appropriation (Parliamentary Departments) Acts 2 and 4 during 2001–02.

Special Appropriations (Limited Amount)

PARTICULARS OF LEGISLATION PROVIDING APPROPRIATION (INCLUDING PURPOSE)

	ADMINISTERED	DEPARTMENTAL	TOTAL
	Outcome 1		
	2002	2002	2002
	\$'000	\$'000	\$'000
<i>Australian Research Council Act 2001</i>			
Budget estimate	270 099	–	270 099
Payments made	261 744	–	261 744
Refunds credited (section 30)	25	–	25

Note 17: Reporting of Outcomes and Outputs

Total Cost/Contribution of Outcomes (Whole of Government)

	OUTCOME 1		TOTAL	
	Actual	Budget	Actual	Budget
	\$'000	\$'000	\$'000	\$'000
Net subsidies, benefits and grants expenses	265 237	270 099	265 237	270 099
Net cost of department outputs	10 001	11 734	10 001	11 734
Cost/Contribution of Outcome before extraordinary items	275 238	281 833	275 238	281 833
Extraordinary items				
Administered	–	–	–	–
Departmental	–	–	–	–
Net Cost/contribution to Budget outcome	275 238	281 833	275 238	281 833

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 17: Reporting of Outcomes and Outputs continued

Major Departmental Revenues and Expenses by Output Group

	OUTPUT GROUP 1	TOTAL
	2002	2002
	\$'000	\$'000
Operating revenues		
Revenues from Government	12 289	12 289
Other non-taxation revenues	180	180
Total operating revenues	12 469	12 469
Operating expenses		
Employees	3 963	3 963
Suppliers	5 675	5 675
Depreciation and amortisation	580	580
Other	3	3
Total operating expenses	10 221	10 221

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 17: Reporting of Outcomes and Outputs continued

Major Classes of Departmental Assets and Liabilities by Output Group

	OUTPUT GROUP 1	TOTAL
	2002	2002
	\$'000	\$'000
Output-specific departmental assets		
Goods and services receivable	218	218
Net GST receivable	71	71
Buildings	140	140
Plant and equipment	585	585
Internally developed software	1 011	1 011
Total output-specific departmental assets	2 025	2 025
Other departmental assets		
Cash at bank and on hand	52	52
Term deposit	5 906	5 906
Other	32	32
Total other departmental assets	5 990	5 990
Output-specific departmental liabilities		
Employees	1 298	1 298
Suppliers	258	258
Total output-specific departmental liabilities	1 556	1 556
Other departmental liabilities		
Loans	–	–
Capital use charge	248	248
Employees	–	–
Other	40	40
Total other departmental liabilities	288	288

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 17: Reporting by Outcomes and Outputs continued

Major Classes of Administered Revenues and Expenses by Outcome

	OUTCOME 1	TOTAL
	2001-02	2001-02
	\$'000	\$'000
Operating revenues		
Other	-	-
Total operating revenues	-	-
Operating expenses		
ARC National Competitive Grants	265 237	265 237
Total operating expenses	<u>265 237</u>	<u>265 237</u>

Major Classes of Administered Assets and Liabilities by Outcome

	OUTCOME 1	TOTAL
	2001-02	2001-02
	\$'000	\$'000
Outcome-specific administered assets		
Total outcome-specific administered assets	-	-
Other administered assets		
Cash	-	-
Investments	-	-
Other	40	40
Total other administered assets	<u>40</u>	<u>40</u>
Outcome-specific administered liabilities		
Grants payable	120 700	120 700
Total outcome-specific administered liabilities	<u>120 700</u>	<u>120 700</u>