AUSTRALIAN INSTITUTE OF HEALTH AND WELFARE
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 1999

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1 Summary of Significant Accounting Policies

1.1 Basis of accounting

The financial statements are a general purpose financial report.

They have been prepared in accordance with Schedule 2 to Orders issued by the Finance Minister under the *Commonwealth Authorities and Companies Act 1997.*

The financial statements have been prepared
- in accordance with Australian Accounting Standards, other authoritative pronouncements of the Accounting Standard Boards (Accounting Guidance Releases) and the Consensus Views of the Urgent Issues Group, and
- having regard to Statements of Accounting Concepts.

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

1.2 Rounding

Amounts are rounded to the nearest $1,000 except in relation to:
- remuneration of directors;
- remuneration of officers other than directors; and
- remuneration of auditors.

1.3 Taxation

The Australian Institute of Health and Welfare (the Institute) is exempt from all forms of taxation except fringe benefits tax.

1.4 Inventories

Inventories held represent Institute publications for sale. Inventories are valued at cost or net realisable value, whichever is the lowest.

During the year the Institute's publication holdings were rationalised to reflect current realistic sales expectations resulting in a write off of inventories totalling $18,510 (Note 4D). The bulk sales of the Institute's publications have been under an arrangement whereby proceeds from sales are distributed on a 50 - 50 consignment arrangement with AusInfo (formerly Australian Government Publishing Service) and the Australian Bureau of Statistics.

1.5 Infrastructure, plant and equipment

Purchases of infrastructure, plant and equipment are recognised initially at cost in the Statement of Assets and Liabilities, except for purchases costing less than $2,000, which are expended in the year of acquisition (other than where they form part of a group of similar items which are significant in total). The $2,000 threshold was selected because it facilitates efficient asset management and recording without materially affecting asset values recognised.

Infrastructure, plant and equipment acquired free or for a nominal amount is recognised initially at fair value.

Schedule 2 requires that property, plant and equipment be progressively revalued in accordance with the 'deprival' method of valuation by no later than 1 July 1999 and thereafter be revalued progressively on that basis every three years.

The Institute has implemented its progressive revaluations to 1 July 1999 as follows:
- plant and equipment assets have been revalued in full as at 30 June 1999, by type of asset.

Leasehold improvements have not been revalued as the term of the existing lease expires in June 2000.

Assets in each class acquired after the commencement of the progressive revaluation cycle are reported at cost for the duration of the progressive revaluation then in progress.

The application of the deprival method by the Institute results in its assets being valued at their deprival value. Any assets which would not be replaced or are surplus to requirements are valued at net realisable value. At 30 June 1999 there were no assets in this situation.

All valuations are independent.

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The carrying amounts of non-current assets of the Institute have been reviewed to determine whether they are in excess of their recoverable amounts. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

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

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

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

	1999	1998
Leasehold fit-out	Lease term	Lease term
Plant and equipment	5 to 10 years	5 to 10 years

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

1.6 Liability for employee entitlements

The liability for employee entitlements encompasses provisions 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 by employees is less than the annual entitlement for sick leave.

The provision for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 1999 and is recognised at its nominal value.

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 1999. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

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

1.7 Income in advance and services provided in advance

Contract income has been recorded in the Operating Statement to the extent that an equivalent amount of output has been produced. Any surplus contract income over output produced is recorded as income in advance in the Statement of Assets and Liabilities. Conversely, any output produced in excess of contract income received is recorded as services provided in advance in the Statement of Assets and Liabilities.

1.8 Leases

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

There are no finance leases.

Operating lease payments are charged to expense on a basis which is representative of the pattern of benefits derived from the leased assets. The net present value of future net outlays in respect of surplus space under non-cancellable lease agreements is expended in the period in which space becomes surplus.

1.9 Cash

For the purpose of the Statement of Cash Flows, cash includes deposits held at call with a bank.

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1.10 Revenue

Appropriation revenue is recognised at the time the Institute becomes entitled to receive the revenue.

Resources received free of charge are recognised as revenues in the Operating Statement where their fair value can be reliably measured. Use of the resources is recognised as an expense, or, where there is a long term benefit, an asset is recognised.

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 the rendering of a service is recognised by reference to the stage of completion of contracts. The stage of completion is determined according to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

1.11 Financial Instruments

Accounting policies in relation to financial instruments are disclosed in Note 16.

1.12 Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in these financial statements.

1.13 Changes in accounting policies

Changes in accounting policy have been identified in these notes under their appropriate headings.

2 Segment reporting

The Institute operates in a single industry and geographic segment, being provision of government programs in Australia.

3 Economic dependency

The Institute is controlled by the Government of the Commonwealth of Australia.

The Institute is dependent on appropriations from Parliament of the Commonwealth for its continued existence and ability to carry out its normal activities.

The Institute is also dependent upon a significant volume of business with the Department of Health and Aged Care.

4 Operating expenses	**1999 $'000**	1998 $'000
4A. Employee Expenses		
Basic remuneration for services provided	**9,003**	7,863
Total employee expenses	**9,003**	7,863

The Institute contributes to the Commonwealth Superannuation (CSS) and the Public Sector (PSS) superannuation schemes which provide retirement, death and disability benefits to employees. Contributions to the schemes are at rates calculated to cover existing and emerging obligations. Current contribution rates are 19.9% of salary (CSS) and 11.4% of salary (PSS). An additional 3% is contributed for employer productivity benefits. The Institute also meets its superannuation guarantee liabilities for employees that are not members of CSS or PSS.

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		1999 $'000	1998 $'000
4B.	Supplier's Expenses		
	Supply of goods and services	**3,524**	3,344
	Operating lease rentals	**1,020**	973
	Contracted services	**2,495**	3,148
	Total supplier's expenses	**7,039**	7,465
	Contracted services above are comprised of:		
	National Perinatal Statistics Unit	**388**	367
	Dental Statistics & Research Unit	**516**	515
	National Reference Centre for Classification in Health	**62**	63
	National Centre for Aboriginal & Torres Strait Islander Statistics	**576**	822
	National Injury Surveillance Unit	**753**	1,081
	Survey of General Practice Activity	**200**	300
		2,495	3,148
4C.	Depreciation and amortisation		
	Depreciation of property, plant and equipment	**211**	311
	Amortisation of leased assets	**181**	184
	Amorisation of discount on lease of computers	**17**	11
	Total expense	**409**	506

The aggregate amounts of depreciation or amortisation allocated during the reporting period, as expense, for each class of depreciable asset are as follows:

		1999 $'000	1998 $'000
	Leasehold fit-out	**181**	184
	Plant and equipment	**177**	262
	Furniture and Fitting	**34**	49
	Deferred discount on lease of computers	**17**	11
		409	506
4D.	Write-down of assets		
	Financial assets:		
	Receivables for goods and services	**0**	13
	Non-financial assets:		
	Inventory - write off	**19**	73
	Total write-down of assets	**19**	86
4E.	Net losses from sale of assets		
	Plant and equipment	**0**	248
5	**Operating revenue from independent sources**		
5A.	Contract income		
	Contract income	**8,550**	6,556
5B.	Interest		
	Deposits	**69**	79
5C.	Other revenues		
	Consultancy	**21**	47
	Recoveries	**168**	152
	Publications	**100**	82
	Conferences	**0**	40
	Total other revenues	**289**	321

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6 Revenues from Government

	1999 $'000	1998 $'000
6A. Parliamentary appropriations		
Appropriation Act No. 1, 1998-99	**7,703**	7,748
6B. Resources received free of charge		
Provision of facilities by the Department of Health and Aged Care	**162**	160

7 Provisions and payables

	1999 $'000	1998 $'000
7A. Liabilities to employees		
Salaries and wages	**428**	227
Annual leave	**797**	695
Long service leave	**1,481**	1,245
Aggregate employee entitlement liability	**2,706**	2,167
7B. Suppliers		
Trade creditors	**85**	43
Operating lease rentals	**128**	84
Sundry creditors	**417**	463
	630	590
7C. Contract income in advance		
Contract income	**2,816**	2,438

8 Equity

Item	Capital $'000	Revaluation Reserves $'000	Accumulated Results $'000	Total equity $'000
Balance @ 1 July 1998	1,146	0	(1,590)	(444)
Movement - 98/99	-	134	303	437
Balance @ 30 June 1999	1,146	134	(1,287)	(7)

9 Financial assets

	1999 $'000	1998 $'000
9A. Cash		
Cash at bank and on hand	**4,156**	1,945
Department of Finance Imprest Account	**41**	51
	4,197	1,996
Balance of cash as at 30 June shown in the Statement of Cash Flows	**4,197**	1,996
9B. Receivables		
Contract income	**208**	1,109
Interest	**10**	7
	218	1,116
Provision for doubtful debts	**0**	(13)
	218	1,103
Receivables includes receivables overdue by:		
- less than 30 days	**66**	5
- 30 to 60 days	**2**	61
- more than 60 days	**0**	1
	68	67

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		1999 $'000	1998 $'000
9C.	Other financial assets		
	Services provided in advance	**612**	287

10 Non-financial assets

		1999 $'000	1998 $'000
10A.	Infrastructure, plant and equipment		
	Plant and equipment - at June 1999 valuation	**647**	0
	Accumulated depreciation	**0**	0
		647	0
	Plant and equipment - at cost	**0**	1,671
	Accumulated depreciation	**0**	(1,054)
		0	617
	Leasehold improvements - at cost	**786**	810
	Accumulated amortisation	**(595)**	(428)
		191	382
	Total Infrastructure, plant and equipment	**838**	999

The revaluation of non-financial assets as at 30 June 1999 in accordance with the revaluation policies stated at Note 1 was completed by an independent valuer Australian Valuation Office. Revaluation increment of $133,631 (1997-98: 0) was transferred to the asset revaluation reserve.

10B. Analysis of infrastructure, plant and equipment

Item	Fitout $'000	Other plant and equipment $'000	Total $'000
Gross value as at 1 July 1998	810	1,671	2,481
Additions	40	57	97
Disposals	0	(171)	(171)
Transfers	(64)	64	0
Gross value as at 30 June 1999	786	1,621	2,407
Accumulated depreciation/ amortisation as at 1 July 1998	428	1,054	1,482
Adjustment for disposals	0	(171)	(171)
Depreciation/amortisation charge for assets held 1 July 1998	166	208	374
Depreciation/amortisation charge for additions	15	3	18
Transfers	(14)	14	0
Accumulated depreciation/ amortisation as at 30 June 1999	595	1,108	1,703
Net book value as at 30 June 1999 before revaluations	191	513	704
Revaluation increments	0	134	134
Net book value as at 30 June 1999 after revaluations	191	647	838
Net book value as at 1 July 1998	382	617	999

		1999 $'000	1998 $'000
10C.	Inventories		
	Inventories held for sale (net realisable value)	**147**	160
10D.	Other non-financial assets		
	Deferred discount on lease of computers	**23**	40
	Prepayments	**110**	166
		133	206

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11 Cash flow reconciliation

Reconciliation of net cash flows used by operating activities to net cost of services.

	1999 $'000	1998 $'000
Net cost of services	**(7,562)**	(9,212)
Revenues from government	**7,703**	7,748
Resources received free of charge	**162**	160
Operating surplus/(deficit)	**303**	(1,304)
Depreciation and amortisation of infrastructure plant & equipment	**409**	495
Write down of assets	**19**	86
Loss on disposal of infrastructure, plant & equipment	**0**	248
Decrease(increase) in receivables	**617**	(242)
Increase(decrease) in employee liabilities	**539**	(8)
Decrease(increase) in inventory	**(6)**	35
Increase in liability to suppliers	**40**	74
Increase in other payables	**377**	96
Decrease in other assets	**0**	(268)
Other	**0**	25
Net cash from/(used by) operating activities	**2,298**	(763)

12 Remuneration of Directors

Aggregate amount of superannuation payments in connection with the retirement of Directors	**35,189**	40,790
Other remuneration received or due and receivable by Directors of the Institute	**230,251**	220,858
Total remuneration received or due and receivable by Directors of the Institute	**265,440**	261,648

The number of Directors of the Institute included in these figures are shown below in the relevant remuneration bands:

	Number	
• $Nil - $10,000	**8**	12
• $10,001 - $20,000	**1**	1
• $70,001 - $80,000	**0**	1
• $80,001 - $90,000	**1**	0
• $160,001 - $170,000	**1**	1
	11	15

Directors of the Australian Institute of Health and Welfare are the members of the Institute. The Officers receive no additional remuneration for these duties.

13 Related party disclosures

Directors of the Institute

The Directors of the Institute during the year were:
Professor J Reid (Chairperson)
Dr R Madden (Director)
Mr G Sims (Acting Director 9/10/98 - 26/10/98)
Dr C Choi (Acting Director 4/1/99 - 8/1/99)
Mr A Podger
Ms V Milligan (Resigned 18/3/99)
Mr R Deyell (Resigned 29/4/99)
Dr D Filby (Resigned 28/4/99)
Dr J Shaw
Mr T Skinner
Dr S Hacker

The aggregate remuneration of Directors is disclosed in Note 12.
The aggregate of superannuation payments paid in connection with the retirement of Directors was $23,918 (1997-98 $0).

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	1999 $	1998 $
14 Remuneration of Executive Officers		
Income received or due and receivable by executive officers	**463,229**	466,476

The number of executive officers included in these figures are shown below in the relevant remuneration bands:

	Number	
$100,000 - $110,000	**0**	1
$110,001 - $120,000	**4**	2
$120,001 - $130,000	**0**	1
	4	4

The executive officer remuneration includes all officers concerned with or taking part in the management of the economic entity during 1998-99 except the Director and a proportion of the remuneration for executive officers who were acting Directors during the year. Details in relation to those Directors have been incorporated into Note 12 - Remuneration of Directors.

Performance pay has been excluded from the calculation of officer remuneration. The aggregate amount of performance pay received, or due and receivable, by officers was $10,000. (1997-98 $nil).

	1999 $	1998 $
15 Remuneration of Auditors		
Remuneration to the Auditor-General for auditing the financial statements for the reporting period.	**14,000**	16,000

No other services were provided by the Auditor-General during the reporting period.

16 Financial Instruments

16A. Interest rate risk

The Institute's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Floating interest rate	Floating interest rate		Non-interest bearing	Total
		1 year or less	1 to 5 years		
	$000	$000	$000	$000	$000
	$	$	$	$	$
Financial assets					
Cash	4,156	0	0	41	4,197
Receivables	0	0	0	218	218
Services provided in advance	0	0	0	612	612
Weighted average interest rate	2.0% Est	0.0%	0.0%		
Financial liabilities					
Accounts payable	0	0	0	630	630
Contract income in advance	0	0	0	2,816	2,816
Weighted average interest rate	0.0%	0.0%	0.0%		

16B. Foreign exchange risk

The Institute has not entered into any foreign currency transactions.

16C. Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets of the Institute is considered to be very low as the majority of the Institute's clients are Commonwealth Government agencies.

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16D. Net fair values of financial assets and liabilities.

The net fair value of the Institute's financial assets and financial liabilities approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to and forming part of the accounts.

Appendix 1