



NSW MINISTRY FOR SCIENCE & MEDICAL RESEARCH
Annual Report 2003 – 2004



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Level 11 Bligh House
4-6 Bligh Street
GPO Box 5341
Sydney NSW 2001
Phone: (02) 9228 3614
Facsimile: (02) 9228 5632
Email: ministry@msmr.nsw.gov.au
Website: www.msmr.nsw.gov.au

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The Hon. Frank Sartor MP
Minister for Energy and Utilities
Minister for Science and Medical Research
Minister Assisting the Minister for Health (Cancer)
Minister Assisting the Premier on the Arts
Parliament House
Macquarie Street
Sydney

Dear Minister Sartor

It is my pleasure to forward to you for presentation to the New South Wales Parliament the inaugural Annual Report for the NSW Ministry for Science and Medical Research for the period 1 December 2003 to 30 June 2004.

This report has been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983* and the *Annual Reports (Departments) Act 1985*.

Yours sincerely



Michael Reid
Director General

From the Director General

The establishment of the Ministry in December 2003 reflects the strategic importance of science, innovation and medical research, and the commitment by the NSW Government to support and maintain NSW as a leader in these areas.

A central platform for the new Ministry is co-ordination of existing effort as well as identification of new opportunities for research and development. *NSW Research: A Prescription for Health*, commissioned by the Minister for Science and Medical Research, the Hon. Frank Sartor MP and released in March 2004, emphasised the critical importance of collaboration and the need to better coordinate our research activities. While still early days, the Ministry has made significant advances in this area. Consultation with stakeholders across NSW has provided a framework for an emerging plan for Health and Medical Research.

The need for improved collaboration, coordination and support also emerged in the NSW Standing Committee on State Development Inquiry into Science and its Commercialisation. The Ministry has recently appointed a Co-operative Research Centres (CRC) liaison officer and established a CRC Support Grants Program to support the establishment and viability of centres. The Ministry is also undertaking consultations on a Science and Innovation strategy. One major aspect of this strategy is the improved coordination of State Government agency innovation and science activities.

The process used in developing the Health and Medical Research Plan demonstrates the commitment to consultation with stakeholders that will inform all of our work. Scientific and medical research and innovation bring significant health, economic and environmental benefits to our community. The extent to which NSW will retain and attract leading researchers and business depends on the strength of relationships between Government, industry, the higher education sector and research institutes. The Ministry has the benefit of the partnerships established and work commenced under the *BioFirst* Strategy by the BioUnit in The Cabinet Office.

Our success is also dependant on the support and understanding of the public about research and technological advances and communicating developments with people benefiting from research. The Ministry has built on the NSW Premier's Forum on Spinal Cord Injury and other Conditions through the establishment of the *Making Connections* website, which hosts on-line forums as well as providing up-to date information on research and clinical trails. The Ministry website was also launched in 2004.

Over the last six months the Ministry has gradually assumed responsibility for major funding programs, including the Infrastructure Grants Program, the *BioFirst* Awards, the Converging Technologies Program and the Premier's Fund to Promote Research into Spinal Cord Injury and Other Neurological Conditions. These funds provide a mix of infrastructure funding and support for individual researchers as well as institutions. The Ministry will continue to work closely with Government partners such as NSW Health and the Department of State and Regional Development as well as other stakeholders to maximise the benefits of these programs.

The Ministry has also been working with colleagues at state and national levels on a range of issues. Highlights include the establishment and implementation of the Australian-New Zealand Biotechnology Alliance and legislation to prohibit human cloning and to regulate research involving human embryos.

In 2004-05, the Ministry will focus on building on the work undertaken to date and delivering plans in relation to health and medical research, mental health and neurosciences and science and innovation. We will continue to strengthen our approach to the Co-operative Research Centres and pursue other developmental opportunities with national and inter-state colleagues. A review of the national legislation relating to human cloning and embryonic research is scheduled for the latter half of 2005. The first half of 2004-05 will also see the recruitment of Directors Medical Research and Science and Innovation as well as other key positions within the Ministry.

My thanks go to the Committee members, institutions and individuals who have worked with the Ministry over the last seven months, and to the staff for their invaluable contributions. I look forward to continuing to build the Ministry's capacity and work with stakeholders to meet the challenges and opportunities offered by science and medical research and the dynamic environment of technological innovation.



Michael Reid
Director General

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Who we are

The Ministry for Science and Medical Research co-ordinates and provides advice to Government on medical and scientific research and innovation in NSW. The Ministry administers a number of major grants programs and develops policies and programs in order to foster excellence and position NSW as a leader in science, innovation and medical research.

To optimise the effectiveness of the NSW Government's investment, the Ministry is responsible for coordinating State Government agency activities, facilitating private sector investment and promoting public, industry and inter-state collaborations.

The Ministry continuously scans for new areas of science, innovation and medical research which may have applicability to NSW, or provide new development opportunities.

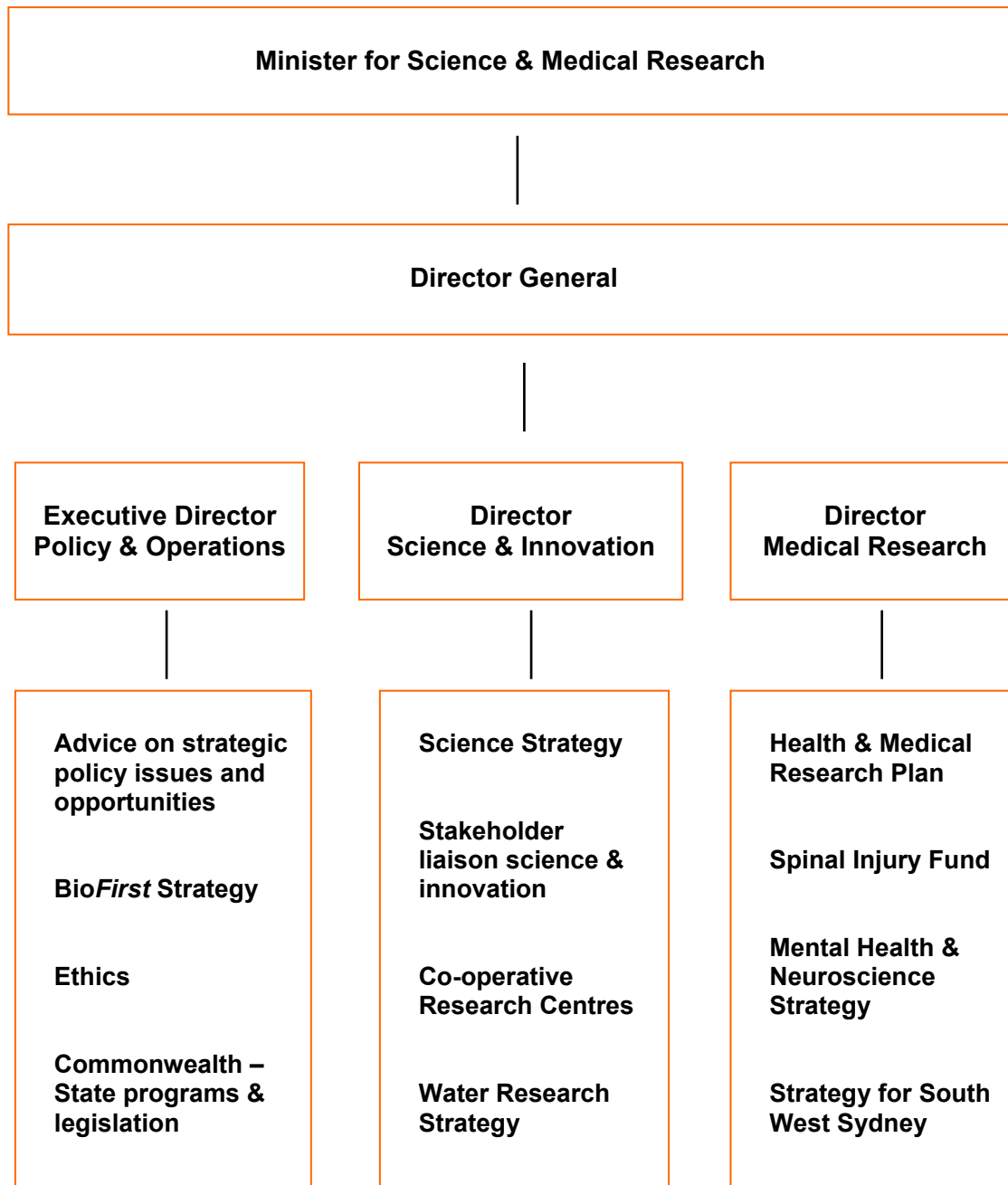
Position statement

The purpose of the Ministry for Science and Medical Research is to drive growth and innovation in science and medical research to achieve better health, environmental and economic outcomes for the people of NSW.

Our stakeholders

The Ministry works closely with other Government agencies, business and industry, the higher education sector, research institutions and community organisations. Through the financial assistance of grant and funding programs, the Ministry fosters the work of leading researchers, attracts new researchers and business opportunities to NSW and provides infrastructure support and technology to link the research community.

Organisational Structure



Executive profile

Michael Reid

Director General

Professor Michael Reid was appointed Director General of the Ministry for Science and Medical Research in March 2004. Prior to this appointment he was Director of the Policy and Practice Program at the George Institute for International Health, University of Sydney. He holds Adjunct Professorships in the Faculty of Medicine at the University of Sydney and the Faculty of Public Administration at the University of Western Sydney.

For five years he held the position of Director General of NSW Health. Prior to Professor Reid's appointment to NSW Health, he was the Managing Director of a health consulting company which undertook numerous health related consultancies in Australia, for governments in Asia and the Pacific and with UN organisations.

Kerry Doyle

Executive Director Policy & Operations

Kerry Doyle was Director of the BioUnit in The Cabinet Office for the two years prior to the creation of the Ministry. Before this role she was General Manager Policy and Planning with Waterways NSW.

Kerry has a diverse background having worked in Government and academia. She has worked with a number of human service agencies, including health, education and housing, the environment, Treasury and industrial relations in The Cabinet Office. Prior to this Kerry lectured at Wollongong University for two years.

Recruitment action for the positions of Director Science and Innovation and Director Medical Research was undertaken in the 2004-05 financial year.

Major achievements

Strategic Policy & Planning

- Commencing development of and undertaking statewide consultations on a Health and Medical Research Plan for NSW.
- Commencing planning and development of the framework for a science strategy.
- As recommended by the Inquiry into Science and its Commercialisation, appointment of a Cooperative Research Centres (CRC) liaison officer who is working with NSW based CRCs to identify opportunities and strategies the NSW Government can employ to better support centres.
- Facilitation of the establishment of Intellectual Property services for the science and medical research sector (BioLink/BioMed North).
- Developing a Good Manufacturing Practice program to increase NSW capacity to develop cutting edge cell and tissue based therapies for humans.
- Working with the Department of Infrastructure, Planning and Natural Resources (DIPNR) and NSW Health on planning matters associated with health and medical research developments.

Grants Programs

- Implementation and ongoing rollout of the *BioFirst* Strategy.
- Transfer of management of the Infrastructure Grants Program to the Ministry from NSW Health.
- Working with NSW Health and the Department of Commerce to establish the Converging Technologies Program which will provide a number of research institutions with high bandwidth network connections.
- Establishing the Cooperative Research Centres Support Grants Program to help NSW CRCs develop high-quality business cases essential for their success.
- Negotiating and funding the NSW Stem Cell Network which provides a forum for the discussion of ethical, scientific and other developments in stem cell research.
- Developing, in partnership with the Motor Accidents Authority and WorkCover NSW, a Spinal Exchange Program which provides Visiting Fellowships for internationally renowned clinicians and clinical researchers.
- Managing and/or participating in key grant committees such as the Premier's Spinal Cord Injury and Other Neurological Conditions Research Grants Program and the *BioFirst* Awards.

Commonwealth – State relations

- Working with the Department of State and Regional Development to establish and implement the Australia/New Zealand Biotechnology Alliance.
- Participating in substantial Commonwealth/State liaison activities on issues such as bioinformatics and overall support for the broader biotechnology sector and associated legislative developments on embryo research and human cloning.
- Pursuing strategic relationships with both the CSIRO and the National Health and Medical Research Council (NHMRC). It is anticipated that when established, these relationships will assist NSW in leveraging support from the Commonwealth and other sources.

Advice & Information

- Maintaining the legacy of *Making Connections - the NSW Premier's Forum on Spinal Cord Injury and Conditions* through online information forums, an electronic newsletter and the *Making Connections* website.
- Drafting the Government response to the Standing Committee on State Development's Inquiry into Science and its Commercialisation.
- Negotiating support for key conferences such as the 7th World BioEthics Congress to be held in NSW later this year.
- Ongoing provision of policy advice to the Minister and Director-General on a range of issues and opportunities.

Business services

- Working with NSW Treasury, the Central Corporate Services Unit (CCSU) of the Department of Commerce and other relevant agencies to establish processes and systems to administer the new stand-alone agency.
- Providing administrative and secretariat support to a number of high level committees and associated sub-committees.

Financial Statements

Independent Audit Report



GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

Ministry of Science and Medical Research

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the Ministry for Science and Medical Research:

- (a) presents fairly the Ministry for Science and Medical Research's financial position as at 30 June 2004 and its financial performance and cash flows for the period ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 45E of the *Public Finance and Audit Act 1983* (the Act).

My opinion should be read in conjunction with the rest of this report.

The Director-General's Role

The financial report is the responsibility of the Director-General of the Ministry for Science and Medical Research. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows, the summary of compliance with financial directives and the accompanying notes.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

evaluated the accounting policies and significant accounting estimates used by the Director-General in preparing the financial report, and

examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Director-General had not fulfilled his reporting obligations.

My opinion does *not* provide assurance:

about the future viability of the Ministry for Science and Medical Research

that the Ministry for Science and Medical Research has carried out its activities effectively efficiently and economically,

about the effectiveness of its internal controls, or

on the assumptions used in formulating the budget figures disclosed in the financial report.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The 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.



M T Spriggins
Director of Audit

SYDNEY
21 October 2004

Statement by the Director General

Pursuant to section 45F of the *Public Finance and Audit Act 1983*, I state that to the best of my knowledge and belief:

- a. the accompanying financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Financial Reporting Code for Budget Dependent General Government Sector Agencies, the applicable clauses of the *Public Finance and Audit Regulation 2000* and the Treasurer's Directions;
- b. the statements exhibit a true and fair view of the financial position and transactions of the Ministry for Science and Medical Research; and
- c. there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Michael Reid
Director General
21 October 2004

Statement of Financial Performance

MINISTRY FOR SCIENCE AND MEDICAL RESEARCH			
Statement of Financial Performance for Seven Months Ended 30 June 2004			
	Notes	Actual 2004 \$'000	Budget 2004 \$'000
Expenses			
Operating expenses:			
Employee related	2(a)	613	1,261
Other operating expenses	2(b)	302	663
Maintenance		19	0
Depreciation and amortisation	2(c)	14	0
Grants and Subsidies	2(d)	398	1,540
Total Expenses		1,346	3,464
Less:			
Retained Revenue			
Grants and contributions	3(a)	476	0
Total Retained Revenue		476	0
Net Cost of Services	18	870	3,464
Government Contributions:			
Recurrent appropriation	4	1,071	3,451
Capital appropriation	4	0	0
Acceptance by the Crown Entity of employee benefits and other liabilities	5	6	13
Total Government Contributions		1,077	3,464
SURPLUS / (DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES		207	0
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		0	0
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	14	207	0
[The accompanying notes form part of these statements]			

Statement of Financial Position

MINISTRY FOR SCIENCE AND MEDICAL RESEARCH			
Statement of Financial Position as at 30 June 2004			
	Notes	Actual 2004 \$'000	Budget 2004 \$'000
ASSETS			
Current Assets			
Cash	7	943	0
Receivables	8	13	0
Other	9	3	0
Total Current Assets		959	0
Non Current Assets			
Plant and Equipment	10	200	0
Total Non-Current Assets		200	0
Total Assets		1,159	0
LIABILITIES			
Current Liabilities			
Payables	11	197	0
Provisions	12	61	0
Other	13	478	0
Total Current Liabilities		736	0
Non Current Liabilities			
Provisions	12	2	0
Total Non Current Liabilities		2	0
Total Liabilities		738	0
Net Assets		421	0
EQUITY			
Accumulated Funds	14	421	0
Total Equity		421	0
[The accompanying notes form part of these statements]			

Statement of Cash Flows

MINISTRY FOR SCIENCE AND MEDICAL RESEARCH			
Statement of Cash Flows for Seven Months ended 30 June 2004			
	Notes	Actual 2004 \$'000	Budget 2004 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee related		(550)	(1,261)
Grants and Subsidies		(398)	(1,540)
Other		(133)	(663)
Total Payments		(1,081)	(3,464)
Receipts			
Other		469	0
Total Receipts		469	0
Cash Flows from Government			
Recurrent appropriation		1,549	3,451
Capital appropriation		0	0
Cash reimbursements from the Crown Entity		6	13
Net Cash Flow From Government		1,555	3,464
NET CASH FLOWS FROM OPERATING ACTIVITIES	18	943	0
CASH FLOW FROM INVESTING ACTIVITIES			
Purchases of Land and Buildings, Plant and Equipment (Assets acquired through administrative transfer. Refer Note 10)		0	0
NET CASH FLOWS FROM INVESTING ACTIVITIES		0	0
NET INCREASE / (DECREASE) IN CASH		943	0
Opening cash and cash equivalents		0	0
CLOSING CASH AND CASH EQUIVALENTS	7	943	0
[The accompanying notes form part of these statements]			

Summary of Compliance with Financial Directives

MINISTRY FOR SCIENCE AND MEDICAL RESEARCH SUMMARY OF COMPLIANCE WITH FINANCIAL DIRECTIVES				
	2004			
	Recurrent Appropriation \$'000	Expenditure / Net Claim on Consolidated Fund \$'000	Capital Appropriation \$'000	Expenditure / Net Claim on Consolidated Fund \$'000
ORIGINAL BUDGET APPROPRIATION / EXPENDITURE				
- S24 PFFA - Transfer of functions between departments	3,022	1,071	0	0
	3,022	1,071	0	0
OTHER APPROP'N / EXPENDITURE				
Treasurer's Advance	531	0	240	0
	531	0	240	0
Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)	3,553	1,071	240	0
Amount drawn down against Appropriation		1,549		0
Liability to Consolidated Fund		478		0
Notes to the Summary of Compliance with Financial Directives				
<p>The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed).</p> <p>The Liability to Consolidated Fund is calculated as the difference between "Amount drawn down against Appropriation" and "Total Expenditure/Net Claim on Consolidated Fund".</p>				

Notes accompanying and forming part of the financial statements

For the seven months ended 30 June 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Ministry for Science and Medical Research (the Ministry) aims to drive growth and innovation in science and medical research to achieve better health, environmental and economic outcomes for the people of NSW.

The Ministry is a separate reporting entity. There are no other entities under its control.

As the Ministry is a single program entity, the financial operations disclosed in the Statement of Financial Performance and Statement of Financial Position are those of the Ministry program. Accordingly, a separate supplementary program statement has not been prepared.

The Ministry is consolidated as part of the NSW Total State Sector and as part of the NSW Public Accounts.

The Ministry was created on 01 December 2003. This is the first financial report and there is no prior year comparative information.

(b) Basis of Accounting

The Ministry's financial statements are a general purpose financial report which has been prepared on an accrual basis and in accordance with:

- applicable Australian Accounting Standards;
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Urgent Issues Group (UIG) Consensus Views;
- the requirements of the *Public Finance and Audit Act 1983* and Regulations; and
- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under section 9(2)(n) of the Act.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncements of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS 6 "Accounting Policies" is considered.

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

(c) Administered Activities

The Ministry does not administer any activities on behalf of the Crown Entity.

(d) Revenue Recognition

Revenue is recognised when the Ministry has control of the good or right to receive, it is probable that the economic benefits will flow to the Ministry and the amount of revenue can be measured reliably. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

(i) Parliamentary Appropriations and Contributions from Other Bodies

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as revenues when the Ministry obtains control over the assets comprising the appropriations / contributions. Control over 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, any unspent appropriations are accounted for as liabilities rather than revenue.

The liability is disclosed in Note 13 as part of 'Current liabilities-Other'. The amount will be repaid and the liability will be extinguished next financial year.

(ii) Sale of Goods and Services

Revenue from the sale of goods and services comprises revenue from the provision of products or services i.e. user charges. User charges are recognised as revenue when the Ministry obtains control of the assets that result from them.

(iii) Investment Income

Interest revenue is recognised as it accrues.

(e) Employee benefits and Other Liabilities

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

Liabilities for salaries and wages (including non-monetary benefits), annual leave and vesting sick leave are recognised and measured in respect of employees' services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled.

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 for 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 Ministry's liabilities for long service leave and superannuation are assumed by the Crown Entity. The Ministry 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 on net present value method. The net present value method is based on remuneration rates at year end for all employees with five or more years of service.

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 (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(iii) Other Provisions

Other provisions exist when the entity has a present legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events. These provisions are recognised when it is probable that a future sacrifice of economic benefits will be required and the amount can be measured reliably.

Any provisions for restructuring are recognised either when a detailed formal plan has been developed or will be developed within prescribed time limits and where the entity has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring.

(f) Insurance

The Ministry'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.

(g) Accounting for the 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 Ministry as a purchaser that is not recoverable from the Australian Taxation Ministry 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.

(h) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Ministry. Cost is determined as the fair value of the assets given as consideration plus the costs incidental to the acquisition.

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 means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

(i) Plant and Equipment

Plant and equipment costing \$5,000 and above individually are capitalised. Library acquisitions are expensed against operations.

(j) Revaluation of Physical Non-Current Assets

Physical non-current assets are valued in accordance with the "Guidelines for the Valuation of Physical Non-Current Assets at Fair Value" (TPP 03-02). This policy adopts fair value in accordance with AASB 1041 from financial years beginning on or after 1 July 2002. There is no substantive difference between the fair value valuation methodology and the previous valuation methodology adopted in the NSW public sector.

Where available, fair value is determined having regard to the highest and best use of the asset on the basis of current market selling prices for the same or similar assets. Where market selling price is not available, the asset's fair value is measured as its market buying price i.e. the replacement cost of the asset's remaining future economic benefits. The agency is a not for profit entity with no cash generating operations.

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

(k) Depreciation of Non-Current Physical Assets

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 Ministry.

Depreciation Rates	% Rate
Computer equipment	25.00
General plant and equipment	14.28
Furniture and Fittings	10.00

(l) Maintenance and Repairs

The costs of 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.

(m) 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 leasing transactions of the Ministry are restricted to operating leases of buildings and motor vehicles. Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred.

(n) Receivables

Receivables are recognised and carried at cost, based on the original invoice amount less (where necessary) a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(o) Payables

These amounts represent liabilities for goods and services provided to the Ministry and other amounts including interest. Interest is accrued over the period it becomes due.

(p) 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, s21A, s24 and / or s26 of the *Public Finance and Audit Act 1983*.

The budgeted amounts in the Statement of Financial Performance and the Statement of Cash Flows are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Statement of Financial Position, 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 carried forward estimates).

2. EXPENSES

	2004
	\$'000
(a) Employee related expenses	
Salaries and wages (including recreation leave)	549
Superannuation	6
Payroll tax and fringe benefit tax	58
	<u>613</u>
	2004
	\$'000
(b) Other operating expenses	
Auditor's remuneration	
- audit or review of the financial reports	10
Operating lease rental expense	60
- minimum lease payments	
Administration expenses	96
Corporate services	79
Consultancies	4
Training and development	2
Printing and publication	5
Travel expenses	17
EDP expenses	29
	<u>302</u>
	2004
	\$'000
(c) Depreciation expense	
Plant and equipment	14
	<u>14</u>
	2004
	\$'000
(d) Grants and Subsidies	
Grants	398
	<u>398</u>

The Ministry obtained benefits in the transfer from The Cabinet Office for other expenditure items.

3. REVENUES

	2004
	\$'000
(a) Grants and contributions	
NSW Budget Sector Agency	476
	<u>476</u>

4. APPROPRIATIONS

	2004
	\$'000
Recurrent appropriations	
Recurrent drawdowns from Treasury (per Summary of Compliance)	1,549
Less: Liability to Consolidated Fund (per Summary of Compliance)	478
	<u>1,071</u>
Comprising:	
Recurrent appropriations (per Statement of Financial Performance)	1,071
	<u>1,071</u>
Capital appropriations	
Total capital drawdown from Treasury (per Summary of Compliance)	0
Less: Liability to Consolidated Fund (per Summary of Compliance)	0
	<u>0</u>
Comprising:	
Capital appropriations (per Statement of Financial Performance)	0
	<u>0</u>

5. ACCEPTANCE BY THE CROWN ENTITY OF EMPLOYEE BENEFITS AND OTHER LIABILITIES

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

	2004
	\$'000
Superannuation	6
	<u>6</u>

6. PROGRAMS / ACTIVITIES OF THE MINISTRY

Program - Science and Medical Research

Objective: To drive growth and innovation in science and medical research to achieve better health, environmental and economic outcomes for the people of New South Wales.

7. CURRENT ASSETS - CASH

	2004
	\$'000
Cash at bank and on hand	943
	<u>943</u>
	<u>943</u>

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

Included in cash is \$478k of Consolidated Fund money, these funds are restricted and not available to the Ministry in meeting its business obligations

Cash assets recognised in the Statement of Financial Position are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:

	2004
	\$'000
Cash (per Statement of Financial Position)	943
Closing cash and cash equivalents (per Statement of Cash Flows)	<u>943</u>
	<u>943</u>

8. CURRENT ASSETS - RECEIVABLES

	2004
	\$'000
GST receivable from Australian Taxation Office	13
	<u>13</u>
	<u>13</u>

No provision has been made for doubtful debts as all amounts are considered to be collectable.

9. CURRENT ASSETS - OTHER

	2004
	\$'000
Prepayments	3
	<u>3</u>
	<u>3</u>

10. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	2004
	\$'000
Plant and Equipment	
At Fair Value	214
	<u>214</u>
Less: Accumulated Depreciation	14
	<u>14</u>
Total Plant and Equipment at Book Value	<u><u>200</u></u>

Reconciliations

Reconciliations of the carrying amounts of plant and equipment at the beginning of the current financial year is set out below.

	2004
	\$'000
Carrying amount at start of year	0
Additions *	214
Disposals	0
Depreciation expense	(14)
Carrying amount at end of year	<u><u>200</u></u>

* Assets acquired through administrative transfer

11. CURRENT LIABILITIES - PAYABLES

	2004
	\$'000
Accrued salaries, wages and on-cost	38
Creditors	159
	<u><u>197</u></u>

12. CURRENT / NON CURRENT LIABILITIES - PROVISIONS

	2004
	\$'000
Current	
Employee benefits and related on-costs	
Recreation leave	59
Payroll Tax on employee benefits	2
	<u>61</u>
	<u>61</u>
Non Current	2004
	\$'000
Employee benefits and related on-costs	
Workers Compensation Insurance	1
Payroll Tax on Long Service Leave	1
	<u>2</u>
	<u>2</u>
Aggregate employee benefits and on-costs	
Provision - current	61
Provision - non current	2
Accrued salaries, wages and on-costs (Note 11)	38
	<u>101</u>
	<u>101</u>

13. CURRENT LIABILITIES - OTHER

	2004
	\$'000
Liability to Consolidated Fund	478
	<u>478</u>
	<u>478</u>

14. CHANGES IN EQUITY

	Accumulated Funds	Total Equity
	2004	2004
Balance at the beginning of the financial year	0	0
Changes in equity-transactions with owners as owners	214	214
Total	<u>214</u>	<u>214</u>
Changes in equity-other than transactions with owners as owners	0	0
Surplus / (deficit) for the year	207	207
Total	<u>207</u>	<u>207</u>
Balance at the end of the financial year	<u>421</u>	<u>421</u>

15. COMMITMENTS FOR EXPENDITURE

(a) Capital Commitments

	2004 \$'000
Aggregate capital expenditure for the acquisition of goods contracted for at balance date and not provided for:	
- Not later than one year	0
Total (including GST)	<u>0</u>

(b) Other Expenditure Commitments

	2004 \$'000
Aggregate of other expenditure for the acquisition of goods and services contracted for at balance date and not provided for:	
- Not later than one year	55
Total (including GST)	<u>55</u>

(c) Operating Lease Commitments

	2004 \$'000
Future non-cancellable operating lease rentals not provided for and payable:	
Not later than one year	139
Later than one year and not later than five years	1,053
Total (including GST)	<u>1,192</u>

The total commitments above includes input tax credits of \$113,300 that are expected to be recoverable from the ATO.

16. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Ministry is not aware of any contingent liabilities and / or contingent assets associated with its operations.

17. BUDGET REVIEW

Net cost of services

The Ministry's Net Cost of Services in 2003-04 was \$870,000, an amount lower than predicted for this financial year. This is due to the time involved in completing the recruitment of the Ministry to ensure that suitably qualified staff were selected to enable the full and proper administration of the Ministry's grants and programs. In addition, administration of funding programs such as the Spinal Fund will not be completed until the beginning of the 2004-05 financial year. Similarly, this was the result of the need to ensure that members of the committees assessing grant applications are recognised experts in their field with the capacity to assess the scientific value and experimental robustness of grant applications and to remain independent in that process of assessment.

Assets and liabilities

Net Assets of \$421k is a result of assets transferred from The Cabinet Office and Bank balance remaining from deferred expenditure.

Cash flows

The Cash Flow reflects the deferred expenditure on the Spinal Fund, reduced expenditure on BioEthics and the receipt of Grant revenue.

18. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET COST OF SERVICES

	2004 \$'000
Net cash used on operating activities	943
Cash Flows from Government / Appropriations	(1,555)
Depreciation	(14)
Decrease / (increase) in provisions	(63)
Increase / (decrease) in prepayments and other assets	16
Decrease / (increase) in creditors	(197)
Net cost of services	<u>(870)</u>

19. FINANCIAL INSTRUMENTS

(a) Cash

Cash comprises cash on hand and bank balances within the Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11 am unofficial cash rate adjusted for a management fee to Treasury. The average rate during the year was 4.06%, and the rate at year end was 4.25%.

(b) Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts). No interest is earned on trade debtors. The carrying amount approximates net fair value. Sales are made on 30 day terms.

(c) Bank Overdraft

The Ministry does not have any bank overdraft facility.

(d) Trade Creditors and Accruals

The liabilities are recognised for amounts due to be paid in the future for goods or 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 interest was paid during the year.

20. STRATEGY FOR THE ADOPTION OF INTERNATIONAL ACCOUNTING STANDARDS

a) Explanation of how the transition to AIFRS is being managed

The agency will apply the Australian Equivalents to International Financial Reporting Standards (AIFRS) from the reporting period beginning 1 July 2005.

The agency is managing the transition to the new standards by allocating internal resources and engaging Central Corporate Services Unit (CCSU) to analyse the pending standards and Urgent Issues Group Abstracts to identify key areas regarding policies, procedures, systems and financial impacts affected by the transition.

As a result of this exercise, the agency has taken the following steps to manage the transition to the new standards:

The CCSU's Internal Audit Committee is overseeing the transition. The Agency Representative is responsible for the project in their respective agencies and reports regularly to the Committee on progress.

The following phases that need to be undertaken have been identified:

- May / July 2004- Reviewing the AIFRS.
- August 2004 -Identifying the changes applicable for each agency and disclose likely impacts of moving to AIFRS in 2004 financial statements.
- September 2004- Major implementation decisions at high level, determine system requirements, review procedures, develop communication plans and assess training requirements.
- October 2004- Analyse NSW Treasury reporting policy, review position of individual agency, identify and convert to requirements and liaise with Audit Office.
- November 2004-Prepare draft opening Balance Sheet for the NSW Treasury, identify target changes/analysis, develop check lists, review process, liaise with clients and external consultants to review the approach.

-
- December 2004- Submit draft opening Balance Sheet as at 1 July 2004 prepared under AIFRS (in parallel with existing AGAAP financial information and financial statements) to the NSW Treasury and Audit Office.
 - January / February 2005- Finalise status for reporting to NSW Treasury.
 - March 2005- Finalise audit by the Audit Office, record correct balances in Agencies ledgers, run parallel data, reconcile both sets of figures and develop processes for on going recording and updating training program. Submit final opening Balance Sheet as at 1 July 2004 prepared under AIFRS (in parallel with existing AGAAP financial information and financial statements) to the NSW Treasury and Audit Office.
 - April / June 2005-Modify the systems used to produce year end financial statements.
 - July / August 2005-Prepare initial set of financial statements for 2004-05 financial year under AIFRS with 2003-04 comparative information and review.

To date, we have reviewed the known changes and identified some common changes. The target dates shown above are only estimates because the AIFRS are still being issued and mandatory provisions have not been finalised by the NSW Treasury.

b) Key Differences in Accounting Policies

Based on current information, the following key differences in accounting policies are expected to arise from adopting AIFRS:

AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards requires retrospective application of the new AIFRS from 1 July 2004, with limited exemptions. Similarly, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. This differs from current Australian requirements, because such changes must be recognised in the current period through profit or loss, unless a new standard mandates otherwise.

Major inspection costs must be capitalised and this will require the fair value and depreciation of the related asset to be re-allocated.

For-profit entities must account for asset revaluation increments and decrements on an individual asset basis, rather than on a class basis. This change may decrease accumulated funds.

- AASB 117 Leases requires operating lease contingent rentals to be recognised as an expense on a straight-line basis over the lease term rather than expensing in the financial year incurred.
- AASB 119 Employee Benefits requires the defined benefit obligation to be discounted using the government bond rate as at each reporting date rather than the long-term expected rate of return on plan assets. Where the unfunded superannuation liability is not assumed by the Crown, this will increase the amount and the future volatility of the unfunded superannuation liability and the volatility of the employee benefit expense.
- AASB 1004 Contributions applies to not-for-profit entities only. Entities will either continue to apply the current requirements in AASB 1004 where grants are normally recognised on receipt, or alternatively apply the proposals on grants included in ED 125 Financial Reporting by Local Governments. If the ED 125 approach is applied, revenue and/or expense recognition will be delayed until the agency supplies the related goods and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied.

21. AFTER BALANCE DAY EVENTS

There are no events subsequent to balance date which affect the financial report.

(End of audited financial statements)

Appendices

Appendix 1

Acts and Regulations Administered by the Ministry for Science and Medical Research

- Cancer Institute (NSW) Act 2003 (joint responsibility with NSW Health).
- Centenary Institute of Cancer Medicine and Cell Biology Act 1985.
- Garvan Institute of Medical Research Act 1984.
- Human Cloning and Other Prohibited Practices Act 2003.
- New South Wales Cancer Council Act 1995.
- Research Involving Human Embryos (New South Wales) Act 2003.

Appendix 2

Committees

The Bioethics Panel

The Bioethics Panel was convened to advise the NSW Government on key issues associated with bioethics and assist in the development of the Bioethics program.

Panel members included:

- Ms Lucy Turnbull, Deputy Lord Mayor of Sydney as Chair
- Dr Bernadette Tobin, NH&MRC Australian Health Ethics Committee
- Associate Professor Margaret Rose, Prince of Wales Hospital
- Dr Simon Longstaff, St James Ethics Centre
- Ms Anne Riches, Barrister
- Ms Julie Hamlin, Ebsworth & Ebsworth
- Mr Roger Wilkins, The Cabinet Office NSW ex officio

Cabinet Standing Committee for Biotechnology

The Cabinet Standing Committee for Biotechnology was convened to oversee implementation of the NSW Government's BioFirst Strategy and to approve any changes to the funding programs and initiatives.

The Standing Committee members included:

- The Honourable A J Refshauge MP
Deputy Premier, Minister for Education and Training, and Minister for Aboriginal Affairs
- The Honourable M R Egan MLC
Treasurer, Minister for State Development, and Vice-President of the Executive Council
- The Honourable J J Della Bosca MLC
Special Minister of State, Minister for Commerce, Minister for Industrial Relations, Assistant Treasurer, and Minister for the Central Coast
- The Honourable C J Knowles MP
Minister for Infrastructure and Planning, and Minister for Natural Resources
- The Honourable R J Debus MP
Attorney General, and Minister for the Environment
- The Honourable M Iemma MP
Minister for Health
- The Honourable J A Watkins MP
Minister for Police
- The Honourable F E Sartor MP
Minister for Energy and Utilities, Minister for Science and Medical Research, Minister assisting the Minister for Health (Cancer), and Minister Assisting the Premier on the Arts (Chairperson)
- The Honourable I M Macdonald MLC
Minister for Agriculture and Fisheries

Ministry members on significant committees

The Ministry was represented on the following committees and boards:

- The Bobby Goldsmith Foundation (Professor Michael Reid).
- The NSW Cancer Council (Professor Michael Reid).
- The Garvan Institute (Professor Michael Reid).
- The Council on the Cost and Quality of Government (Professor Michael Reid).
- The Biotechnology Liaison Committee (Ms Kerry Doyle).
- The BioFirst Awards Committee (Ms Kerry Doyle).
- Grants Assessment Committee – Premier’s Fund to Promote Research into Spinal Cord Injury and other Neurological Conditions (Ms Kerry Doyle).
- Australian New Zealand Biotechnology Alliance Committee (Ms Kerry Doyle).

Appendix 3

Use of Consultants

The Ministry did not engage any consultant services over the value of \$30,000 in the period 1 December 2003 to 30 June 2004.

In the period 1 December 2003 to 30 June 2004, the Ministry engaged 2 consultants for a total of \$3,650 (inclusive of GST).

Project	Consultant	Amount (\$)
Bibliographic analysis	Professor Andrew Coats	2,000
Focus group facilitator (web site development)	Ms Suzanne Moore	1,650

Appendix 4

Personnel

Category	June 2004
Senior Officer SO3	1
Senior Officer SO2	1
Senior Officer SO1	1
Clerk Grade 11/12	4
Clerk Grade 9/10	1
Clerk Grade 7/8	1
Clerk Grade 4/5	4
Clerk Grade 1/2	0
Total	12

The Ministry had the equivalent of 12 FTE positions in 2003-04.

At 30 June 2004 the value of untaken recreation leave was \$58,638.14 and the value of untaken extended leave was \$22,453.00. This leave was assumed by the Crown.

At 30 June 2004, Ministry staff took 178.5 hrs of sick leave; averaging 3.65 days per person.

Performance Statement

Professor Michael Reid

Under annual reporting legislation, the Ministry is required to report on the performance of its Chief Executive and any Senior Executive Service (SES) officer at Level 5 and above. Professor Michael Reid is the only officer in this category.

Professor Reid was engaged in early March 2004 and his performance up to 30 June 2004 has not been formally reviewed by the Minister for Science and medical research, the Honourable Frank Sartor MP. However, in this short time the Director General has performed to the Minister's satisfaction in relation to the establishment and full operation of the Ministry for Science and Medical Research and the ongoing implementation of the *BioFirst* Strategy. Professor Reid has also led the major achievements outlined in this report, including:

- Undertaking substantial consultations in relation to the Health and Medical Research Plan.
- Developing the framework for a Science and Innovation Strategy.
- Commencing coordination of science activities across Government.
- Engaging in strategic discussions with Cooperative Research Centres (CRCs), appointing a CRC Liaison Officer and implementing a CRC Grants Program.

Appendix 5

Executive remuneration

Director General

SES Level 6

8 March 2004 – 30 June 2004

\$247,100

Appendix 6

Overseas travel

The Director General visited the international Bio 2004 Conference held in San Francisco, USA, in early June 2004 as part of a national contingent.

Appendix 7

Publications

The following publications are available from the Ministry for Science and Medical Research:

- *BioFirst*: NSW Biotechnology Strategy, 2001.
- *Making Connections*, a monthly e-newsletter.
- NSW Research: A Prescription for Health, 2004.

Appendix 8

Freedom of Information

Under the *Freedom of Information Act 1989* an agency is required to publish an annual Statement of Affairs. The Statement is required to outline the structure and functions of an agency; outline the way in which its functions affect the public; describe any arrangements which enable the public to participate in agency policy development; describe the kinds of documents held by the agency; and state how to obtain documents which are eligible for public scrutiny under legislation

The Ministry is committed to the principle of transparency of decision-making and public access to its documents. Relevant documents in hard copy are currently available to the public and will be available in electronic form on the Ministry's website from October 2004.

Statement of Affairs

The structure and functions of the Ministry are outlined at page 6 of this Annual Report. In brief, the Ministry for Science and Medical Research is the lead NSW public sector agency responsible for developing policies, programs and providing advice regarding medical and scientific research and innovation in NSW.

Arrangements for Public Participation

The Ministry's strategies and policies are developed in consultation with relevant stakeholders. Major vehicles for public participation include:

- The Ministerial Advisory Council on Medical and Health Research.
- The Innovation Council (to be transferred from the Department of State and Regional Development in the second half of 2004).

The Ministry is also developing an annual event to showcase science and medical research being undertaken in NSW. The event, to be known as Science Exposed, will provide a forum for discussion and information sharing on science.

Effects of functions on members of the public

The grants programs and major medical and scientific research strategies administered by the Ministry have the potential to have significant public impact through:

- Research leading to new therapies and treatments for major medical conditions.
- Scientific research impacting on the management and sustainability of natural resources including air, water and land.
- Provision of ethical frameworks for decision making and community engagement.
- Maximising the spread and impact of Government support and resources through national and intra- and inter-state collaborations.

Categories of Documents

The Ministry maintains the following categories of documents

- Administrative records.
- Briefing papers and submissions.
- Committee reports and minutes.
- Correspondence.
- Grants Programs.
- Internal working papers.
- Planning and policy documents.

Documents relating to the internal administration of the Ministry including recruitment, personnel files, accommodation, staff establishment, financial and expenditure matters, and internal audit are held by the Central Corporate Services Unit of the Department of Commerce.

During the reporting period 1 December 2003 to 30 June 2004, no requests under the Freedom of Information Act were made to the Ministry. In the same period, no major issues arose, and there were no investigations or applications for review submitted.

Freedom of Information Procedures

Formal requests made under the Freedom of Information Act for access to documents held by the Ministry should be accompanied by a \$30 application fee and directed to:

The FOI Coordinator
Ministry for Science and Medical Research
GPO Box 5341
Sydney NSW 2001
The contact number for all FOI inquiries is (02) 9228 3614.

Appendix 9

Grants payments

The following is a list of all grants paid in 2003-04 ex-GST (as distinct from those allocated).

Organisation	Purpose	Amount (\$)
Asthma Cooperative Research Centre	Part of the CRC grants program to support business case preparation	5,000
Australian Cotton Cooperative Research Centre	Part of the CRC grants program to support business case preparation	10,000
Rice growers Cooperative Research Centre	Part of the CRC grants program to support business case preparation	10,000
NSW Health	Consultation and report - <i>NSW Research: A Prescription for Health</i>	347,745
NSW Stem Cell Network (paid via South Eastern Sydney Area Health Service)	Establish a network	25,000

Appendix 10

Code of Conduct

The Ministry has developed a draft Code of Conduct and a workshop with all staff is scheduled for the first quarter of 2004-05.

Appendix 11

Disability Action Plan

The Ministry is in the process of developing a Disability Action Plan, which will come into effect in 2004-05.

Appendix 12

Equal Employment Opportunity

The Ministry is developing a new Flexible Working Hours agreement in consultation with staff, which will be finalised early in 2004-05.

The Ministry supported staff development opportunities through acting arrangements in higher duties positions, secondment opportunities and attendance at conferences and other professional training and development opportunities.

A broader EEO policy is under development and trend reporting on representation of significant population groups (women, Aboriginal people, people from Culturally and Linguistically Diverse Backgrounds and people with a disability) will appear in 2004-05.

Appendix 13

Occupational Health and Safety

A policy is under development and a new committee will be formed when the Ministry moves to its new site in late 2004.

No Workers Compensation claims were lodged in 2003-04.

Appendix 14

Ethnic Affairs Priorities Statement

A Statement is under development and will be available in 2004-05.

Appendix 15

Women's Action Plan

A plan is under development and will be available in 2004-05.

Appendix 16

Risk Management and Insurance

Contributions are made by the Ministry to the Treasury Managed Fund for workers compensation, motor vehicle accidents, property loss, public liability and various other insurable risks.

Appendix 17

Credit Card Certification

As at 30 June 2004, the Ministry had no credit cards issued.

Appendix 18

Waste Reduction and Recycling

A framework for reporting is under development. In the interim, the Ministry:

- Has a paper recycling system in place.
- Reuses most stationary items.
- Supports recycling of toner cartridges from printers and other machinery.
- Is developing its website and uses other forms of electronic communication to minimise paper usage.

Appendix 19

Government Energy Management Plan

The Ministry is committed to sustainable energy management principles and to achieving savings in energy use. A plan is under development and will be available in 2004-05.

Appendix 20

Accounts Payable Performance

The Ministry's accounts will be separated from The Cabinet Office from 1 July 2004, and separate reporting will commence in 2004-05.