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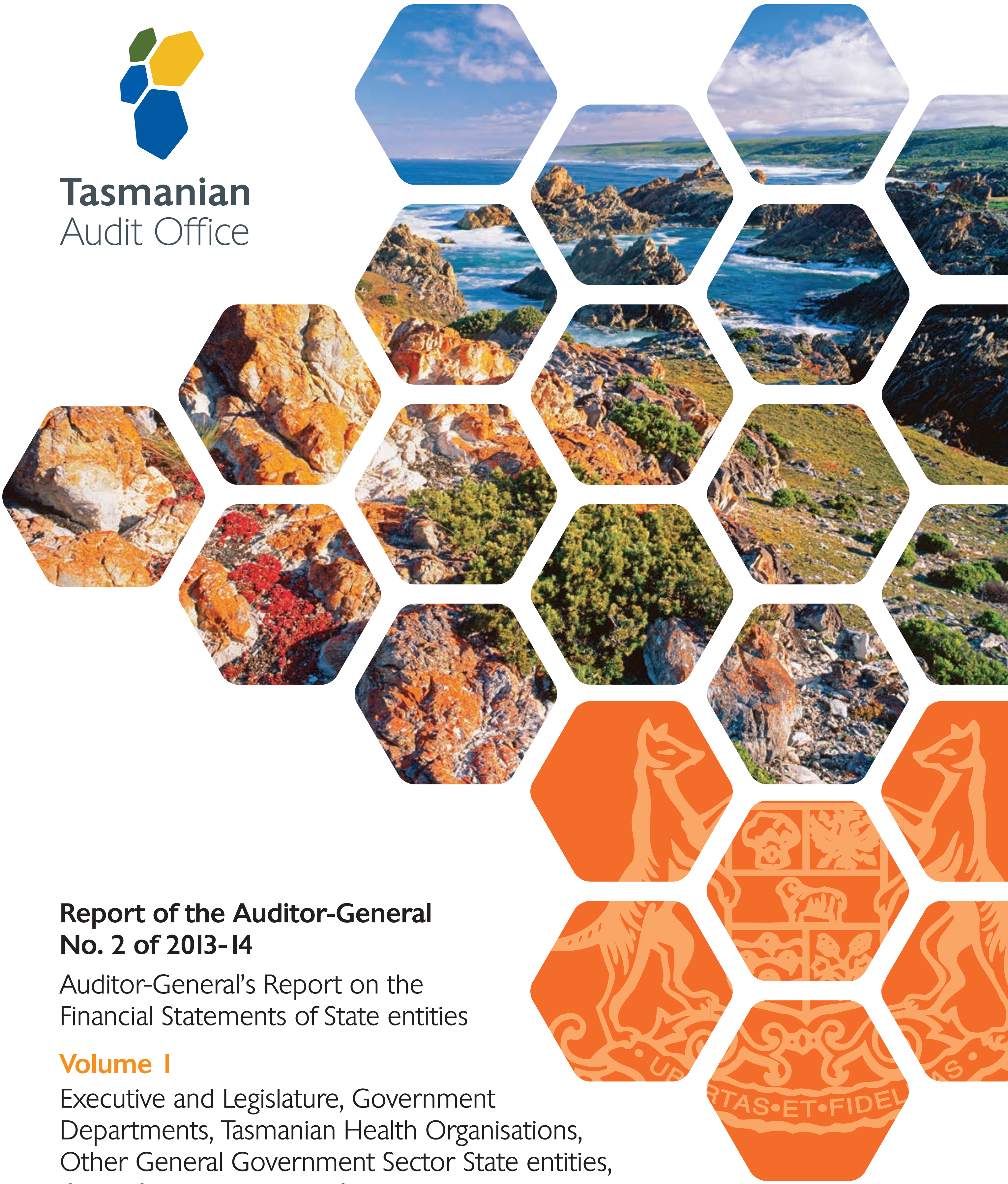

Report of the Auditor-General
No. 2 of 2013-14

Auditor-General's Report on the Financial Statements of State entities

Volume 1

Executive and Legislature, Government Departments, Tasmanian Health Organisations, Other General Government Sector State entities, Other State entities and Superannuation Funds 2012-13

November 2013

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The Role of the Auditor-General

The Auditor-General's roles and responsibilities, and therefore of the Tasmanian Audit Office, are set out in the *Audit Act 2008* (Audit Act).

Our primary responsibility is to conduct financial or 'attest' audits of the annual financial reports of State entities. State entities are defined in the Interpretation section of the Audit Act. We also audit those elements of the Treasurer's Annual Financial Report reporting on financial transactions in the Public Account, the General Government Sector and the Total State Sector.

Audits of financial reports are designed to add credibility to assertions made by accountable authorities in preparing their financial reports, enhancing their value to end users.

Following financial audits, we issue a variety of reports to State entities and we report periodically to the Parliament.

We also conduct performance audits and compliance audits. Performance audits examine whether a State entity is carrying out its activities effectively and doing so economically and efficiently. Audits may cover all or part of a State entity's operations, or consider particular issues across a number of State entities.

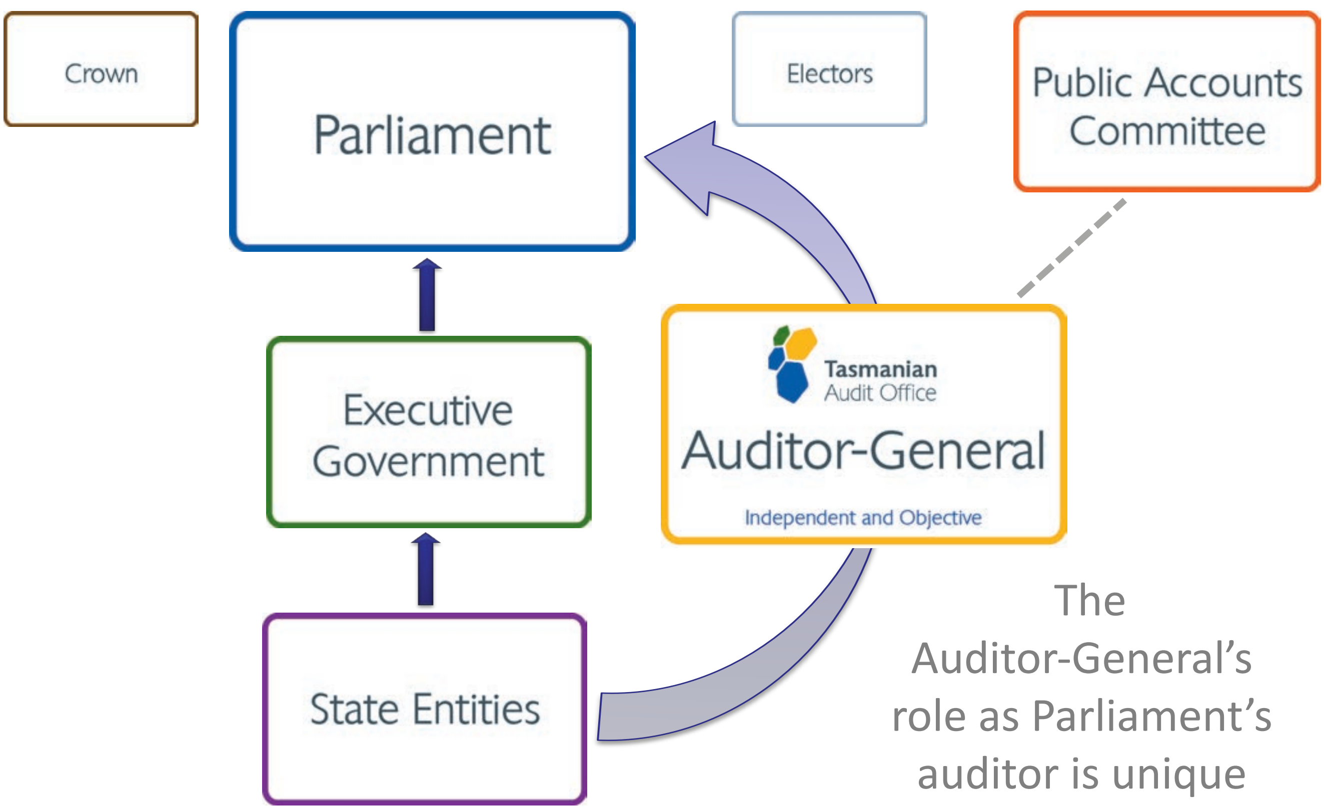
Compliance audits are aimed at ensuring compliance by State entities with directives, regulations and appropriate internal control procedures. Audits focus on selected systems (including information technology systems), account balances or projects.

We can also carry out investigations but only relating to public money or to public property. In addition, the Auditor-General is now responsible for state service employer investigations.

Performance and compliance audits are reported separately and at different times of the year, whereas outcomes from financial statement audits are included in one of the regular volumes of the Auditor-General's reports to the Parliament normally tabled in May and November each year.

Where relevant, the Treasurer, a Minister or Ministers, other interested parties and accountable authorities are provided with opportunity to comment on any matters reported. Where they choose to do so, their responses, or summaries thereof, are detailed within the reports.

The Auditor-General's Relationship with the Parliament and State Entities



TASMANIA

2013
PARLIAMENT OF TASMANIA

REPORT OF THE AUDITOR-GENERAL
No. 2 of 2013-14

Volume 1

Executive and Legislature, Government Departments, Tasmanian Health Organisations, Other General Government Sector State entities, Other State entities and Superannuation Funds 2012-13

NOVEMBER 2013

Presented to both Houses of Parliament in accordance with the requirements of Section 29 of the Audit Act 2008

Auditor-General's reports are available from the Tasmanian Audit Office, Hobart. This report and other recent reports published by the Office can be accessed via the Office's home page. For further information please contact:

Tasmanian Audit Office

GPO Box 851
Hobart
TASMANIA 7001

Phone: (03) 6226 0100, Fax (03) 6226 0199

Email: admin@audit.tas.gov.au

Home Page: http://www.audit.tas.gov.au

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Tasmanian Audit Office

Level 4, Executive Building, 15 Murray Street, Hobart, Tasmania, 7000
Postal Address GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6226 0100 | Fax: 03 6226 0199
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

21 November 2013

President
Legislative Council
HOBART

Speaker
House of Assembly
HOBART

Dear Mr President

Dear Mr Speaker

Report of the Auditor-General No. 2 of 2013-14, Auditor-General's Report on the Financial Statements of State entities, Volume 1 – Executive and Legislature, Government Departments, Tasmanian Health Organisations, Other General Government Sector State entities, Other State entities and Superannuation Funds 2012-13.

In accordance with the requirements of Section 29 of the *Audit Act 2008*, I have pleasure in presenting my Report on the audit of the financial statements of Executive and Legislature, Government Departments, Tasmanian Health Organisations, Other General Government Sector State entities, Other State entities and Superannuation Funds for the year ended 30 June 2013.

Yours sincerely

H M Blake
Auditor-General

FOREWORD

This Report is the first Volume of my report to Parliament detailing outcomes of financial audit work. It summarises the results of audits, key developments and findings and the financial performance of those State entities comprising the Executive and Legislature, General Government Sector (GGS) (departments and other entities), Tasmanian Health Organisations (THOs), Other General Government Sector State entities, Other State entities and State Superannuation Funds for the year ended 30 June 2013. It covers the audits of the four Parliamentary agencies which make up Executive and Legislature, nine Government departments and Finance-General, including six associated entities, three Tasmanian Health Organisations, 14 other GGS entities, and 13 other State entities. The State Superannuation funds consist of six schemes and RBF Financial Planning Pty Ltd.

GGS incurred $5.034bn in expenses from transactions and managed assets worth $11.127bn. GGS expenditure was dominated by spending in health and education sectors, totalling $2.738bn or 47.2% of total expenses. Employee related cost were 48.1% of total GGS expenses.

Operational management of public hospitals and associated functions was devolved to the newly established THOs. This resulted in a transfer of net assets worth $462.589m from the Department of Health and Human Services on 1 July 2013. Expenditure managed by THOs totalled $1.097bn.

Other State entities included in the Report are statutory authorities and other non-profit entities not consolidated in the GGS financial statements. Overall, these entities were responsible for managing net assets worth $46.732m and generated a combined net deficit of $1.107m.

Assets under the management of the State's Superannuation Funds reached $4.395bn this year. Combined accrued benefits for all defined benefit schemes totalled $5.870bn at 30 June 2013. The market value of net assets available to pay these benefits was $1.643bn, resulting in an Unfunded liability of $4.227bn.

A follow-up of certain recommendations made by the Parliamentary Standing Committee of Public Accounts in relation to management by the Department of Education of the Hazelwood School Relocation project identified some instances of non-compliance and further areas for improvement.

Our analysis of construction costs incurred by Housing Tasmania showed a high variance against the industry average. Nevertheless, we noted that there were valid reasons for additional costs. Some of these are anticipated to result in lower costs in future, including lower energy and maintenance costs.

Where relevant, individual Chapters in this Report draw attention to key findings, developments and areas of audit attention.

H M Blake
Auditor-General
21 November 2013

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Our follow-up of these recommendations identified some instances of non-compliance and further areas for improvement.	
Recommendations: That the Department of Education: 1. ensures any future project is appropriately planned, scoped and fully costed before seeking approval by the Public Works Committee 2. seek retrospective approval from the Minister for the additional cost over-runs of \$1.497m 3. for future process formalise project management processes by establishing project steering committees and preparing minutes of meetings of such committees 4. formally retain evidence of compliance with Treasurer's Instruction (TI) 201 each year.	
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Our analysis of construction costs showed a high variance against the industry average.	
Average cost was \$2 183 per square metre, compared to an industry average of \$1 405 - \$1 515 per square metre for a standard home.	
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The Department reported a Net Underlying Deficit of \$3.296m and Net Surplus of \$2.386m. It managed Net Assets worth \$489.793m.	
Stage One of Tasmanian Museum and Art Gallery's \$30 million redevelopment was completed. Of this amount, \$17.913m was capitalised, \$11.737m expensed and \$0.313m allocated to 2013-14.	

The capitalised improvements were written-down by $14.213m following a revaluation of buildings.

Department recognised a loan from Treasury of $7.050m which was previously treated as non-repayable.

Tasmanian Government Innovation and Investment Fund distributed $4.742m in grants.

Tasmania Development Resources recommended 12 new loans totalling $8.785m.

A $13.000m loan, approved last year, was drawn down this year.

Repayments by borrowers totalled $14.200m.

Department of Education 56

The Department reported a Net Underlying Deficit of $37.353m. It managed Net Assets worth $1.648bn.

There were no major developments this year. However, next year will see the commencement of Better Schools Tasmania following the Gonski Review.

Department of Health and Human Services 66

The Department reported an Underlying Surplus of $26.104m and a Net Deficit of $23.501m. Net Assets totalled $2.048bn.

Starting 1 July 2012, operational management of public hospitals and associated functions was devolved to the newly established Tasmanian Health Organisations (THOs).

Net assets transferred to THOs on 1 July 2012 totalled $462.589m.

Assets worth $64.010m constructed during the year were also transferred to THOs.

A total of 496 residential properties worth $62.263m were transferred to Mission Australia Housing under Stage One of the Better Housing Futures program.

Eight vacant lots worth $0.465m were transferred to Brighton Industrial and Housing Corporation, a wholly owned subsidiary of Brighton Council.

Department of Infrastructure, Energy and Resources 84

The Department reported an Underlying Deficit of $75.771m but a Net Surplus of $60.923m due to capital funding and a reversal of impairment losses. Net Assets totalled $4.177bn.

Significant clean-up costs were incurred after the January 2013 bushfires, totalling $5.200m.

Capital funding mainly for roads and bridges totalled $98.330m and was significantly lower than in previous years. The Department received $640.859m in capital funding over the past four years.

A revaluation of road infrastructure assets resulted in a revaluation increment of $116.519m.	
The Department received an additional $14.500m funding for temporary assistance to exporters.	
Abt Railway Ministerial Corporation, which is part of the Department, took a more active role in managing the West Coast Wilderness Railway after a private operator surrendered its lease.	
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The Department reported an Underlying Deficit of $5.306m and a Net Deficit of $2.952m. It managed Net Assets worth $124.286m.	
Employment of an additional five staff at the Tasmanian Prison Services had the effect of reducing overtime costs.	
Overtime paid to prison staff was $4.786m compared to $5.200m last year.	
Hayes Prison Farm was placed on the market. Its carrying value was $3.705m.	
Prison Infrastructure and Redevelopment Program (PIRP) Stage D is ongoing.	
Outstanding fines totalled $51.966m. Revenue from infringements totalled $15.193m.	
Asbestos Compensation Fund paid out $6.510m this year. Provision for future asbestos related claims totalled $117.640m.	
Department of Police and Emergency Management	**107**
The Department reported an Underlying Deficit of $6.790m but a Net Surplus of $4.907m due to funding for capital projects. Net Assets totalled $152.625m.	
Additional 69.4 FTEs accepted voluntary redundancies. These were partly funded by a $6.233m loan from Treasury.	
Staff numbers were down by 211 actual FTEs since 2011.	
The Department aims to further reduce costs by reducing by one the number of Police Districts.	
Surplus properties carried at $2.624m were sold this year for $2.362m.	
The Department completed the redevelopment of its Devonport Police Headquarters.	
New Police Stations and residences were constructed in Cygnet and St Marys under the Police Housing Project.	

Department of Premier and Cabinet	117
The Department reported a a Net Deficit of $1.663m and its Net Assets totalled $6.631m.	
Bushfire Recovery Unit was established in January 2013 to support the activities of the Bushfire Recovery Taskforce.	
TMD, which is the commercial arm of the Department, commenced the Modern Communications Program and spent $1.162m on it this year.	
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The Department assumed administrative responsibility for the Tasmanian Community Fund.	
Department of Primary Industries, Parks, Water and Environment	**127**
The Department reported an Underlying Deficit of $21.997m and a Net Deficit of $14.613m. Net Assets managed by the Department totalled $1.029bn.	
The Department paid $13.259m in grants and $23.292m in equity contributions to Tasmanian Irrigation Pty Ltd.	
Asset investment and Asset sustainability ratios remained well below benchmarks because capital expenditure in these areas was significantly less than the depreciation expense incurred.	
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Carrying amount of net investments in Government businesses declined by $118.591m.	
Deferred income tax equivalents receivable was recognised for the first time, $101.162m.	
The unfunded superannuation liability recorded by Finance-General was $6.051bn at 30 June 2013. This was $0.837bn less than last year, mainly because of gains following actuarial related adjustments.	
Actuarial gain on Finance-General's defined benefit superannuation liability was $970.321m compared to a loss of $1.778bn last year.	
Temporary overnight loan of $900.000m (2012, $650.000m) was used to gross up the Government's cash holdings to at least equal the balance of accounts in the Special Deposits and Trust Fund.	

TASMANIAN HEALTH 153

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THOs are now the providers of hospital, primary and community health services. These services were previously provided by the Department.

THOs and the Department reported a combined Underlying Surplus of $24.622m and a combined Net Deficit of $0.491m. Combined Net Assets totalled $2.738bn.

On 1 July 2012, 6 694 FTEs were transferred to the THOs.

During the year, the number of staff employed by THOs grew by 3.3% or 219 FTEs to 6 913 FTEs. The number of Departmental employees increased by 0.3% or seven FTEs over the same period.

The Department completed major works at the Launceston General Hospital, which included a new integrated care centre, emergency department and car park. These assets were transferred to THO – North.

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The Commission reported a Net Surplus of $0.954m and managed Net Assets worth $99.318m.

The Commission received additional $13.685m to cover the cost relating to the bushfires that occurred in January through to March 2013.

Tasmanian Skills Institute 202

The Institute recorded a Net Deficit of $5.499m. Its Net Assets totalled $90.287m.

The Institute became part of a new a new vocational education and training organisation called TasTAFE from 1 July 2013.

Despite further reductions in employee cost, the Institute recorded a net deficit and negative operating cash.

It borrowed a further $1.874m from the Department of Treasury and Finance and this loan is repayable from future cost savings.

SUPERANNUATION FUNDS 243

Retirement Benefits Fund 245

Assets under management reached $4.395bn this year. This was $1.013bn higher than at the beginning of 2007-08.

Net investment revenues totalled $0.578bn, dominated by unrealised and realised gains of $0.329bn and $0.073bn respectively as markets recovered.

Combined accrued benefits for all defined benefit schemes managed by Retirement Benefits Fund (RBF) totalled $5.870bn at 30 June 2013. The market value of net assets available to pay these benefits was $1.643bn, resulting in an Unfunded liability of $4.227bn.

RBF undertook a number of strategic projects, mainly an upgrade of its information systems infrastructure and relocation to new premises. The cost of these projects, $10.775m, was funded from reserves and investment assets.

A strategic review of RBF is being undertaken by the Department of Treasury and Finance.

INTRODUCTION

SCOPE OF THIS REPORT

This Report deals with the outcomes from completed financial statement audits of Executive and Legislature, Government Departments, Tasmanian Health Organisations and Other General Government Sector State entities, Other State entities and the State's Superannuation Funds for the year ended 30 June 2013. The Report also comments on key findings, developments and areas of audit attention relevant to each entity. In addition, it also includes findings relating to management by the Department of Education of the Hazelwood School Relocation Project and our analysis of Housing Tasmania construction costs.

STATUS OF AUDITS

Audits of all entities dealt with in this Report have been completed. However, this Report does not include commentary on Legal Aid Commission of Tasmania and National Trust of Australia (Tasmania) due to delays in submission of financial statements for audit.

Under section 17 of the *Audit Act 2008* specific time limits are set by which accountable authorities of State entities are to provide financial statements to the Auditor-General to formally allow the audit process to commence. Listed below are entities whose signed financial statements were not received by the statutory deadline of 45 days from the end of the financial year. Dates shown in brackets represent the date signed financial statements were received.

- Legal Aid Commission of Tasmania (17 September 2013)
- National Trust of Australia (Tasmania) (27 September 2013)
- Royal Tasmanian Botanical Gardens (30 August 2013)
- Tasmanian Affordable Housing Limited (30 October 2013)
- Tasmanian Health Organisation – North West (16 August 2013)
- Workcover Tasmania Board (20 August 2013).

Our responsibility under section 19 of the Audit Act is to complete the audit within 45 days of receiving financial statements from the State entity.

FORMAT OF THIS REPORT

Unless specifically indicated, comments in this Report were current as at 6 November 2013.

In addition to this Introduction this Report includes:

- Key Points
- Hazelwood School Relocation Project
- Housing Tasmania – Construction Cost Review
- Executive and Legislature
- Government Departments
- Tasmanian Health
- Other General Government Sector State entities
- Other State entities
- State Superannuation Funds.

We changed the format and contents of chapters this year to shorten the Report and provide a high level summary of key information.

The revised Report differs in the following main respects:

- snapshot summary of key points at the beginning of each chapter
- concise outline of key developments and audit findings
- key areas of audit attention and how we addressed those areas during the audit
- greater use of charts to display information previously presented in textual format
- financial statements and analysis tables moved into Chapter Appendices.

Individual chapters were structured as follows:

- a snapshot of the entity
- introduction
- audit of the 2012-13 statements
- key areas of audit attention*
- key findings*
- key developments*
- analysis of financial performance, concentrating on underlying result, total revenue and expenses against budget and staff numbers and salaries*
- analysis of financial position reviewing total assets and net assets*
- appendices covering the statements of comprehensive income, financial position, cash flows and key financial ratios*.

*Because of the small size of some entities, some sections were combined and where not relevant left out altogether.

Underlying Result

Entities are required to follow an applicable financial reporting framework specified in relevant law or regulations. For example, Government Departments are required to present financial statements in accordance with the Model Departmental Financial Statements issued by the Department of Treasury and Finance. In most cases, State entities prepare general purpose financial statements in accordance with Australian Accounting Standards. In certain circumstances a small number of State entities can prepare special purpose financial statements.

In our analysis of financial performance we have, if necessary, reallocated certain revenue or expenditure items to better assist readers interpret financial performance. We use the term 'underlying surplus (deficit)' throughout the Report. We define 'underlying' as from continuing operations, excluding:

- non-operational capital funding
- revenue and expenses which are outside the normal course of operations, for example the cost of restructuring or significant gains or losses on sale or transfer of assets
- non-recurring items which are part of the recurrent activities but unusual due to their size and nature

Government Departments disclose an underlying net operating balance in notes to their financial statements in accordance with the Model Department Financial Statements. The underlying net operating balance is derived by excluding non-operational capital funding from the net operating balance. The underlying result used in our analysis may differ from the underlying net operating balance disclosed in the financial statements.

SUBMISSIONS AND COMMENTS RECEIVED

A copy of each chapter in this Report was provided to the relevant entity for comment and response.

Comments provided are not subject to the audit nor the evidentiary standards required in reaching an audit conclusion. Responsibility for the accuracy, fairness and balance of these comments rests solely with those who provided the response or comment.

KEY AREAS OF AUDIT ATTENTION

Key areas of audit attention have been included in the Report to assist Parliamentarians and other users understand our approach to key areas of the audit.

The identification of these areas, which are considered 'risks' associated with the entity's operation, ensure audit resources are allocated efficiently and effectively.

HAZELWOOD SCHOOL RELOCATION PROJECT (The Project)

RESPONSE TO THE PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS

PURPOSE

To document findings following inquiries made in relation to three recommendations by the Parliamentary Standing Committee of Public Accounts (PAC) with regards to management by the Department of Education (DoE or the Department) of the Hazelwood School Relocation Project (the Project).

BACKGROUND

The PAC reviewed the performance of Joint Standing Committee on Public Works (PWC) approved projects covering the period May 2008 to March 2009, one of which was the Project. In its report dated 16 May 2012, the PAC made three recommendations relevant to the Auditor-General:

- PAC Recommendation #3 – The Committee recommends that the Auditor-General review the expenditure on the Hazelwood School Project as part of his annual audit of DoE to ascertain the probity of expenditure with respect to approvals given for expenditure undertaken.
- PAC Recommendation #11 - The Committee recommends that DoE adhere to annual reporting protocols as per Treasurer's Instruction (TI) 201, where the estimated total cost of the Project varies significantly from the estimated total cost reported in the immediately preceding financial year, and provide an explanation of that variation.
- PAC Recommendation #13 - The Committee recommends that the Auditor-General review the Hazelwood School Project as a part of his annual audit of DoE with respect to:
    - the Project evaluation process undertaken by DoE post-Project completion
    - consideration of the effectiveness of any findings that DoE determine from that evaluation and
    - Assessment of the DoE's plan to implement those findings in the Project management and performance process for future Public Works approved Projects.

During our audit of the financial statements of the Department for the years ended 30 June 2012 and 2013, audit procedures were carried out, aimed at satisfying the PAC's three recommendations noted above.

This report outlines our findings by providing context, included under the heading 'general matters', and then outcomes from audit work carried out in relation to each of the three recommendations relevant to the Auditor-General.

FINDINGS

General Matters

Discussions with a senior Departmental representative (the Official), not available at the time of the PAC's hearings, but who had high level responsibility for the Project, noted the following context relating to the Project and subsequent issues identified. In providing this context, we note the information provided is not audited:

- The Project was extremely difficult and complex on the basis that it required the housing of children with disabilities in what is essentially a new building and also represented relocation from an existing well-established facility.
- The Project suffered a number of setbacks which impacted both timing and financial outcomes and included:
    - **Stakeholder management:** From the start, the Project was extremely challenging from a Stakeholder perspective. Initial stakeholder management took nearly 12 months from the time the funds were initially approved. This was due to the Project being for the renovation of an existing facility on Hobart's Eastern Shore that required disabled children to move from their current location on the Western Shore (Risdon Road, New Town). This was a significant assignment given the inherent difficulties in relocating disabled children. It was acknowledged by DoE that this stakeholder management should have been completed prior to the funds being finalised and approved.
    - **Special needs building:** It was critical that the building design took into account the children's special needs. The appointment of the architect and engineer proved challenging as they did not demonstrate application of the particular skills and knowledge required to design specialised areas for disabled children. As a result, during the building phase, a number of specifications were missed or were inappropriate for the needs of these children.
    - **Builder liquidation:** During the Project, the assigned builder went into liquidation and their replacement had to complete the Project under the original construction contract, meaning a change in key personnel.
    - **Pool relocation:** The initial location for the pool had to be changed due to an undisclosed pipe. This relocation required the construction of a walkway between the pool and the main building which was essential bearing in mind its proposed use. This led to additional costs with the Official noting Crown Law advice that there was no recourse available in the contracts. An outcome was that the format of consultant commissioning contracts were revised and strengthened by DoE from an existing process of issuing a Commissioning letter that only referenced AS4-122 to introduction of a Formal Instrument of Agreement also based on AS4-122. These revised arrangements were aimed at ensuring the Crown is better protected in future.
    - **Insufficient budget:** An initial budget for this Project was set at $3.500m; however this was not subjected to any due diligence to validate its adequacy to deliver the Project outcomes. This led to delivering a building that $3.500m could provide, rather than one that could satisfy the needs of the building's users. Additional costs had to be incurred to facilitate use of the building by disabled children.
    - **Vacating the existing building on the eastern shore:** The building site for this Project was occupied by other DoE offices which had to be vacated and re-located. This added to the time taken to complete the Project, which was not contemplated during project planning.
    - **Additional funding:** During the construction period, two additional funding sources become available for this Project:
        - $300 000 from the Commonwealth's Building the Education Revolution funding and
        - $1.100m from the State for Students with Disabilities funding.
        - This additional funding facilitated an increase in the Project's scope. For example, this funding paid for the pool walkway referred to.

- **Project managers:** Due to the timing of the Project, about five different Project managers were assigned to this Project.

Notwithstanding the context noted above regarding the complexity of the project, the PAC in its Report – Executive Summary, acknowledged the special needs and complexity of the project, and with this knowledge formed the 14 recommendations.

Recommendations

That the Department:

1. ensure any future project is appropriately planned, scoped and fully costed before seeking approval by the PWC.

PAC Recommendation #3 – Probity of Expenditures

The Committee recommends that the Auditor-General review the expenditure on the Hazelwood School Project as part of his annual audit of DoE to ascertain the probity of expenditure with respect to approvals given for expenditure undertaken. The main area of concern is that there are a lack of controls over budget and approvals for expenditures.

Explanations provided

Approval for expenditures was discussed with DoE management and, in addition to the general matters discussed above, we noted the following:

1. As noted previously, the original budget was inadequate. On realisation that the Project was taking longer and costing more, DoE management intervened and implemented fortnightly Project meetings which were held with the Project Manager, Project Manager Supervisor and the Official. These meetings were aimed at ensuring appropriate governance was in place to clarify scope changes and manage stakeholder management (which as noted previously was challenging).
2. Scope increases and the cost implications were dealt with 'piecemeal' under the existing DoE Delegation of Authority (DoA). As invoices were received they would be approved using the DoA.
3. Progress reporting on the Project and approach to resolving issues arising were to the Minister for Education through the DoE Secretary. However, we note from the PAC report that the Minister only approved $1.413m of the budget over-run, not the additional $1.497m incurred.

Audit action

To validate these assertions, we:

- Selected 25 invoices to ensure that they were reviewed and approved in accordance with the DoA matrix. No exceptions were noted.
- Sighted a sample of progress reporting to the Secretary of DoE and the Minister.

Concluding comments

Based on the testing performed, DoE:

- approved expenditures in accordance with their delegation
- implemented appropriate internal reporting of the issues and how they were being managed.

Notwithstanding this, there are opportunities for improvement acknowledged by DoE for future Projects including reporting to appropriate governance bodies where Project scope and funding materially changes.

Recommendations

That the Department:

2. Seek retrospective approval from the Minster for the additional cost over-runs of $1.497m
3. For future projects formalise project management processes by establishing project steering committees and preparing minutes of meetings of such committees.

PAC Recommendation #11 – TI-201 Reporting

The Committee recommends that the DoE adhere to annual reporting protocols as per TI 201, where the estimated total cost of the Project varies significantly from the estimated total cost reported in the immediately preceding financial year, and provide an explanation of that variation.

Audit Action

Discussions were held with DoE staff and the following was noted:

- DoE acknowledged that that they did not meet the requirements of TI 201 in respect to the Hazelwood Project.
- Additional Project management tools have now been put in place to help ensure that these requirements are met in future Projects. Each Project has an approved budget that is loaded into the Finance System which then forms part of management reporting information. Regular review is undertaken throughout the year by both Facility Services in managing the specific projects and Budget and Resources Services through the preparation of monthly management reporting.

Concluding comments

Based on the audit testing performed, it was confirmed that DoE:

- did not comply with TI 201
- has put in place budget monitoring procedures to ensure management of project expenditure within budget.

Recommendations

That the Department:

4. Formally retain evidence of compliance with TI 201 each year.

PAC Recommendation #13 – Review of DoE Processes

The Committee recommends that the Auditor-General review the Hazelwood School Project as a part of his annual audit of DoE with respect to:

- the Project evaluation process undertaken by DoE post-Project completion;
- consideration of the effectiveness of any findings that DoE determine from that evaluation; and
- Assessment of the DoE's plan to implement those findings in the Project management and performance process for future Public Works approved Projects.

Audit action

We discussed the above items with DoE management and note the following:

- As noted above under General matters, DoE management have an appreciation of the issues leading to the poor timing and financial outcomes of the Hazelwood Project.

- Notwithstanding the focus and recommendations by the PAC, DoE has not formally documented a post-Project completion evaluation.
- DoE did not complete a post evaluation of the Hazelwood school project.
- While this post project evaluation was not completed, as a result of the PAC's report, DoE's Asset Planning Manager has developed four templates for Project performance reports (Project Officers, Clients, Contractors, and Consultants). These performance reports have been designed such that upon the completion of large Projects, reports will be completed aimed at communicating to those with oversight the performance of individuals involved in such Projects.

Concluding comments

Based on the discussions held, it was confirmed that DoE:

- did not complete a post project evaluation for the Hazelwood project
- have put in place some additional project management tools to help strengthen the controls around project performance.

SUBMISSIONS AND COMMENTS RECEIVED

A copy of this Chapter was provided to the Department for comment and response. The Department did provide the following commentary. The comments provided were not subject to the audit nor the evidentiary standards required in reaching an audit conclusion. Responsibility for the accuracy, fairness and balance of these comments rests solely with the Department.

Response from the Department follows:

The Department notes the recommendations and findings which reflect the measures the Department has in place to ensure the appropriate controls around project performance.

HOUSING TASMANIA - CONSTRUCTION COSTS ANALYSIS

INTRODUCTION

We received a request seeking a review of the cost of constructing new dwellings by Housing Tasmania (Housing). The suggestion was that costs incurred when building public housing using the Commonwealth's stimulus funding were higher than normal.

WHAT WE DID

This resulted in a request to Housing to provide information about recently completed projects. We reviewed documentation for selected projects to determine an average cost per dwelling and compared this cost to an appropriate industry average.

WHAT WE FOUND

Housing received a total of $134.438m in capital funding as part of the Australian Government's Nation Building Economic Stimulus Program. The funding was provided during a four-year period from 2008-09 to 2011-12 and its aim was to stimulate the building sector by increasing the supply of, and upgrades to, social housing.

We reviewed construction costs for selected projects funded from the Economic Stimulus Program to ascertain if Housing constructed the dwellings at reasonable cost.

The table below details our analysis of the costs incurred on selected projects. We used the price of the project, excluding the value of land and cost of amenities, to calculate the average cost per square metre and average cost per dwelling (i.e. house or unit).

Project	Completion Date	Cost excluding land and amenities	Number of units or houses	Number of bedrooms	Area	Average cost calculated by Audit		Average construction cost*
		$'000s			m^2	$\$/m^2$	$/house or unit	$\$/m^2$
75-77 Hopkins St, Moonah	November 2011	7 554	30	22x2br, 8x1br	3 237	2 334	251 812	1 902
41A Fletcher Ave, Moonah	July 2011	2 084	8	8x2br	777	2 682	260 502	2 383
28 Wentworth St, Newstead	December 2011	1 308	5	5x2br	546	2 395	261 587	2 263
Average Cost						**2 471**	**257 967**	**2 183**

* *Non-construction costs were excluded. Information provided by Housing.*

Note: The Wentworth Street, Newstead project was not delivered under the Economic Stimulus Program.

Our analysis indicate the average cost to be $2 471 per square meter or $257 967 per dwelling. The average cost per square metre appears high compared to an industry average of $1 405 – $1 515 per square meter for a standard home[1].

[1] *Costs given are average prices for an individual house, medium standard, brick veneer in Hobart as at 31 December 2011. Costs exclude land, demolitions, some external works, legal and professional fees. Rawlinsons 2011.*

Construction costs may vary significantly between projects and will depend largely on materials used, type of construction and site characteristics. Nevertheless, our analysis indicates that the average construction costs are high when compared to the industry average. We consider the variance of between 63.0% to 75.8% to be significant.

RECOMMENDATION

We recommend that Housing Tasmania reviews and explains:

- the cost differential referred to in our findings, and
- the economy of its construction programs.

RESPONSE RECEIVED

We wrote to the Secretary of the Department of Health and Human Services on 16 July 2013 and received a response on 31 July 2013. The Department identified the following reasons for the higher cost:

- inclusion of non-constructions costs used in our calculations. The revised average cost provided by the Department was $2 183 per square metre, compared to $2 471 used in our analysis
- additional overheads due to the size and complexity of the projects
- inclusion of non-standard items
- energy efficiency and adaptability standards
- site specific factors.

The revised average cost of $2 183 per square metre still appears high compared to an industry average of $1 405 - $1 515 per square meter for a standard home.

OVERALL CONCLUSION

We remain of the view that the variance against the industry average is high. However, the Department's response provided valid reasons for additional costs, some of which are anticipated will result in lower costs in future, including lower energy and maintenance costs. This exercise has proven useful in highlighting, by reference to a small sample of construction works, where and why costs higher than industry averages were incurred. Housing needs to always be able to benchmark its construction costs at tender stages and be ready to explain variances against standard as it has done here.

SUBMISSIONS AND COMMENTS RECEIVED

A copy of this Chapter was provided to the Department for comment and response. The Department's full response is provided. The comments and submissions provided were not subject to the audit nor the evidentiary standards required in reaching an audit conclusion. Responsibility for the accuracy, fairness and balance of these comments rests solely with the Department.

Attachments referred to in the response were not reproduced, as these comprised of invoices and progress claims from contractors.

Response from the Department follows:

Construction Costs Analysis: Hopkins, Fletcher and Wentworth St Projects

The construction costs associated with the three Housing Tasmania construction projects have been identified as being significantly higher than those of an individual house, medium standard, brick veneer in Hobart according to Rawlinsons 2011 edition.

There are several reasons for this discrepancy in figures, which will be addressed under the relevant areas below.

Reasons for apparently high costs of construction

1. Actual construction costs

The figures provided by the Housing Tasmania Finance team were listed as total expenditure, and included other non construction costs. This is supported by Attachments 1–3, being final or penultimate progress payment certificates clearly identifying the actual construction contract amount, with variations where relevant. These contract amounts are summarised in Table 1.

Table 1: Total expenditure verse construction contract expenditure

	Expenditure	Varied contract amounts	Cost per m^2	Reference	Adaptable units	Energy rating
75–77 Hopkins Street	$7 554 361	$6 158 405	$1 902	Attachment 1	6	7 Star
41 Fletcher Avenue	$2 084 020	$1 852 131	$2 383	Attachment 2	2	6 Star
Wentworth Street	$1 307 936	$1 235 643	$2 263	Attachment 3	5	6 Star

2. Additional overheads

These projects were of greater size and complexity than an average residential house construction. Accordingly, there are overhead costs, which the builder includes in the construction costs tendered. These costs include provision of a site office and dedicated site supervisor and other reporting requirements.

3. Inclusions

These projects included a number of items as standard, which are not included in a basic construction. These inclusions, which should be considered in the construction costs include:

- all new fencing, including fencing between units at Fletcher and Wentworth
- full landscaping, including driveways and retaining walls, where appropriate
- demolition costs at Wentworth and Fletcher
- each unit was fitted with evacuated tube solar hot water systems
- each unit featured built in wardrobes
- each unit featured secure outside storage, (i.e. a garden shed or similar)
- rainwater capture and reuse tanks, with pumps fitted at each project. Hopkins Street was the only project with communal tanks, other projects had individual tanks
- a playground and community garden was included in Hopkins Street complex
- undercover car parking together with suitable driveways to service the number of units on site and the clientele, (e.g. disabled parking spaces)

4. Standard of Construction

a) Energy efficiency

- Every unit reached a minimum of 6 star energy rating (refer Table 1) at the time when 4-5 star was the minimum standard (5 Star became mandatory in buildings approved from January 2010).

b) Adaptability

- Each project included a number of units built to adaptability standards to suit tenant in wheelchairs including: suitable ramps; roll in showers; and wide doorways for example. Exact numbers are included in Table 1. Building to adaptability standards does not increase property value, but does impact upon construction costs as items used are non-standard.

5. Site specific factors

a) Hopkins

- Being a multi-storey high-density development this incurs costs such as engineering, fire systems, security, and common areas, for example, which are not part of average house construction. The project also included photovoltaic panels and a motorised security gate.
- Most of the units were located on upper floors, with some two storey units as follows:
  - six x ground floor units
  - 10 x 1st floor units
  - four x 2nd floor units
  - 10 x units two storey 1st/2nd floor
- In order to improve solar access, and to reduce the footprint of the buildings, the car parks were built as the ground floor, beneath four of the six blocks of units. This can reasonably be expected to have a cost higher than the standard Rawlinsons costs.
- All upper floor units have balconies, and the lower floor units have courtyards.
- All units were fitted with split system reverse cycle heat pumps.

b) Fletcher

- All units at Fletcher Avenue were specifically built to robust standards appropriate to the expected use of the site as accommodation for vulnerable teenagers/young men. For example, all wall linings were more robust than standard plaster.
- This was a Design and Construct contract and, as such, the design fees were included in the tender price. Based on industry standards, these costs comprise six to eight per cent of the contract price.

c) Wentworth

- External cladding was a composite of brick veneer, rendered brick veneer and a small amount of Colorbond.
- All units were fitted with split system reverse cycle heat pumps.

6 Conclusion

Point 1 and 2 combine to provide a summary and explanation for the difference between the actual project costs and construction contract sum.

Points 3, 4 and 5 demonstrate the standard and quality of construction for the projects. From this it can be seen that the overall standard would arguably be much closer to the high standard finish referred to in Rawlinsons than the medium standard used for the Construction Cost Review.

Furthermore, the multi storey nature of the Hopkins Street project should be compared to the Multi Unit – Low Density: Flats section of Rawlinsons.

In conclusion, considering the actual construction costs, the quality of the build and fittings and project specific considerations present, the construction costs are comparable with equivalent build costs at the time.

What has not been considered, but nonetheless is worthy of note is the high energy efficiency, low maintenance and adaptable nature of the construction in these projects. While adding to the initial cost, these factors greatly lower the ongoing living costs for tenants who are from lower socio-economic backgrounds, as well as reducing the ongoing maintenance liability for the owner.

AUDIT SUMMARY - EXECUTIVE AND LEGISLATURE

INTRODUCTION

The Parliament of Tasmania comprises the Crown (represented by the Governor), the Legislative Council and the House of Assembly that collectively form the Legislature. Legislature-General provides, amongst other matters, support for general parliamentary functions including Reporting Services and Parliamentary Catering.

Designated officers of the Parliament administer these functions and financial transactions are recorded in the financial statements of the:

- House of Assembly
- Legislative Council
- Legislature-General
- Office of the Governor.

Appropriation of funds to the Ministerial and Parliamentary Support Division provides for certain expenses and administrative support of Ministers and other Members of Parliament. The financial transactions of this Division are reported in the financial statements of the Department of Premier and Cabinet with details not addressed here.

This Section includes separate Chapters for each of the four Parliamentary agencies, summarising their financial information and key outcomes from the 2012-13 financial audits.

KEY OUTCOMES FROM AUDITS

Each Parliamentary Agency submitted its financial statements within the statutory deadline. Unqualified audit reports on those financial statements were also issued within the prescribed time limits.

The audits were completed satisfactorily and no significant matters were identified during the audits.

FINANCIAL ANALYSIS

The table below summarises the financial results and position of Parliamentary agencies for 2012-13:

	Net Surplus (Deficit)	**Comprehensive Surplus (Deficit)**	**Net Assets**
	$'000s	$'000s	$'000s
House of Assembly	119	119	1 136
Legislative Council	11	11	741
Legislature-General	(576)	6 436	36 093
Office of the Governor	(344)	414	37 960
Total	**(790)**	**6 980**	**75 930**

HOUSE OF ASSEMBLY (The House)

SNAPSHOT

- The House recorded an unusually high Net Surplus of $0.119m this year mainly because it received additional funding of $0.130m to pay retirement benefits for four long-term employees.
- Associated expenses had been incurred in prior years, which is why the provision for employee benefits in the Statement of Financial Position went down.
- The House's main assets were Antique Furniture, Artworks and Artefacts, recorded at fair value in the amount of $1.750m, and its main liabilities were employee provisions totalling $0.675m.
- Average recreational leave per FTE of 31 days was again above the benchmark of 20 days and averaged 33 days over the past four years. However, long service leave per FTE decreased by 11 days from the prior year.

The audit was completed satisfactorily with no items outstanding.

INTRODUCTION

Officers provide the House, its committees, the Speaker of the House and Members with advisory, procedural, research and administrative support services to assist them to effectively undertake their constitutional and Parliamentary duties.

The House is predominantly funded by Parliamentary and Reserved by Law appropriation for the above services.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 12 August 2013. An unqualified audit report was issued on 15 September 2013.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

There were no key findings, developments or areas of audit attention.

The audit was completed satisfactorily with no matters outstanding.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12
	$'000s	$'000s
Appropriation revenue	7 579	7 386
Other revenue	0	23
Total Revenue	**7 579**	**7 409**
Employee and member benefits	6 998	6 799
Supplies and consumables	433	423
Other expenses	29	149
Total Expenses	**7 460**	**7 371**
Net Surplus (Deficit)	**119**	**38**
Comprehensive Surplus (Deficit)	**119**	**38**

STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Plant and equipment	1 851	1 876
Other assets	69	38
Total Assets	**1 920**	**1 914**
Employee benefits	675	718
Other liabilities	109	179
Total Liabilities	**784**	**897**
Net Assets	**1 136**	**1 017**
Total Equity	**1 136**	**1 017**

Appropriation revenue was provided to fund support services, $2.409m, and for the administration of payments of salaries and allowances as prescribed by the *Parliamentary Salaries, Superannuation and Allowance Act 2012*, $5.170m.

Net surplus increased by $0.081m from 2011-12 mainly because the House received additional funding of $0.130m to pay for four long-term employees' retirement benefits.

Net assets totalled $1.136m ($1.017m) at 30 June and increased by $0.119m, being the Net Surplus for 2012-13.

Employee and member benefits represented 93.81% of Total Expenses. Members and the staff Employee benefits were $5.192m and $1.806m, respectively.

Total Assets comprised predominantly Antique Furniture, Artworks and Artefacts, $1.750m, which was recorded at fair value.

OTHER INFORMATION

	Bench Mark	2012-13	2011-12	2010-11	2009-10
Average staff numbers (FTEs)		18	19	19	19
Average staff costs ($'000s)		99	89	97	83
Average recreational leave balance per FTE (days)	20*	31	30	36	35
Average long service leave balance per FTE (days)	100*	38	49	58	59

* *These benchmarks are in line with those used for public sector employees.*

Average staff costs increased in 2012-13 in comparison to prior year mainly due to annual salary increments and arrears payments to applicable staff. Additionally, employee retirements prompted higher wages for these positions over the duration of a handover period.

Average recreational leave balance per average FTE was 31 days at 30 June 2013 and averaged 33 days over the four year period. This is well above benchmark.

Average long service leave balance per average FTE decreased by 11 days mainly due to four employees with higher leave balances retiring in 2012-13.

LEGISLATIVE COUNCIL (The Council)

SNAPSHOT

- The Council recorded a Net Surplus of $0.011m this year, relatively consistent with the prior year.
- At 30 June 2013 its Net Assets totalled $0.741m.
- Average recreation leave balance per FTE was 26 days, slightly over the benchmark of 20 but much improved compared to 35 days three years ago.

The audit was completed satisfactorily with no matters outstanding.

INTRODUCTION

Officers of the Council provide the Council, its Committees, the President and Members with advisory, procedural, research and administrative support services to assist them to effectively undertake their constitutional and Parliamentary duties.

The Council is predominantly funded by Parliamentary and Reserved by Law appropriation for the above services.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 14 August 2013. An unqualified audit report was issued on 16 September 2013.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

There were no key findings, developments or areas of audit attention.

The audit was completed satisfactorily with no matters outstanding.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12
	$'000s	$'000s
Appropriation revenue	6 436	6 345
Total Revenue	**6 436**	**6 345**
Employee and member benefits	5 818	5 640
Other expenses	607	675
Total Expenses	**6 425**	**6 315**
Net Surplus (Deficit)	**11**	**30**
Comprehensive Surplus (Deficit)	**11**	**30**

STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Plant and equipment	1 624	1 582
Other assets	9	8
Total Assets	**1 633**	**1 590**
Employee benefits	780	751
Other liabilities	112	109
Total Liabilities	**892**	**860**
Net Assets	**741**	**730**
Total Equity	**741**	**730**

The appropriation comprises $3.394m to fund the Council's administrative functions and $3.042m for the administration of payments of salaries and allowances as prescribed by the *Parliamentary Salaries, Superannuation and Allowance Act 2012*.

Net Surplus for 2012-13 was consistent with the prior year. Total Equity increased by $0.011m in line with the Comprehensive surplus.

Employee and member benefits accounted for 90.55% of Total Expenses. The members and the staff Employee benefits were $3.042m and $2.776m, respectively.

Total Assets comprised primarily antique furniture, artworks and artefacts, $1.545m, which was recorded at fair value.

OTHER INFORMATION

	Bench Mark	2012-13	2011-12	2010-11	2009-10
Average staff numbers (FTEs)		29	29	30	29
Average staff costs ($'000s)		92	91	80	77
Average recreational leave balance per FTE (days)	20*	26	28	29	35
Average long service leave balance per FTE (days)	100*	48	50	50	49

* *These benchmarks are in line with those used for public sector employees.*

Average recreational leave balance per FTE was 26 days at 30 June 2013. The balance gradually reduced over the four years under review as a result of management's on-going efforts to reduce excessive leave.

LEGISLATURE-GENERAL

SNAPSHOT

- Legislature-General recorded a Net Deficit of $0.576m.
- A Comprehensive Surplus of $6.436m was recorded mainly due to an upward revaluation of Parliament House.
- Net Assets totalled $36.093m at 30 June 2013.
- Average recreational leave balance per FTE of 23 days was slightly over the benchmark of 20. However, this has improved to be at the lowest for the four years under review.

The audit was completed satisfactorily with no matters outstanding.

INTRODUCTION

Legislature-General is mainly funded by annual Appropriation to provide the Legislative Council and House of Assembly with administrative support.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 15 August 2013. An unqualified audit report was issued on 13 September 2013.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

A key development noted in 2012-13 was the Parliament House revaluation performed by the Office of the Valuer-General on 30 June 2013. The revaluation was based on fair value and resulted in Parliament House being recorded at an amount of $35.000m, an upward revaluation of $7.012m.

No key areas of audit attention were identified

The audit was completed satisfactorily with no matters outstanding.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12
	$'000s	$'000s
Appropriation revenue	5 897	6 001
Other revenue	529	567
Total Revenue	**6 426**	**6 568**
Employee benefits	3 393	3 373
Supplies and consumables	2 623	2 557
Depreciation expenses	626	618
Other expenses	360	522
Total Expenses	**7 002**	**7 070**
Net Surplus (Deficit)	**(576)**	**(502)**
Changes in asset revaluation reserve	7 012	0
Comprehensive Surplus (Deficit)	**6 436**	**(502)**

STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Plant and equipment	36 983	30 543
Other assets	255	197
Total Assets	**37 238**	**30 740**
Employee benefits	853	851
Other liabilities	292	232
Total Liabilities	**1 145**	**1 083**
Net Assets	**36 093**	**29 657**
Total Equity	**36 093**	**29 657**

The appropriation was provided to fund administrative support for the Legislative Council and House of Assembly.

Net Deficit for 2012-13 remained relatively consistent with prior year. Comprehensive result increased by $6.938m mostly as a result of a revaluation increment on Parliament House. Net Assets totalled $36.093m (2011-12, $29.657m) at 30 June and increased in line with the Comprehensive Surplus.

Employee benefits and supplies and consumables represented 48.46% and 37.46%, respectively, of Total Expenses. The decrease in Other expenses was mainly due to the exemption from payroll tax ($0.166m) effective October 2012.

Total Assets comprised predominantly Land and Buildings for Parliament House, $35.000m, which was discussed in Key Findings, Developments and areas of audit attention.

OTHER INFORMATION

	Bench Mark	2012-13	2011-12	2010-11	2009-10
Average staff numbers (FTEs)		41	41	36	32
Average staff costs ($'000s)		84	83	90	86
Average recreational leave balance per FTE (days)	20*	23	24	28	24
Average long service leave balance per FTE (days)	100*	41	40	43	44

* *These benchmarks are in line with those used for public sector employees.*

Average staff costs remained consistent this year.

Average recreational leave balance per FTE was slightly above the benchmark of 20 days, but decreased over the four years under review, as a result of management's on-going efforts to reduce excessive leave.

OFFICE OF THE GOVERNOR (The Office)

SNAPSHOT

- Land and buildings were indexed on 1 July 2012, increasing Net Assets by $0.758m to $37.960m at 30 June 2013. The Office's main assets are Government House and heritage related assets.
- The Office reported a Net deficit from transactions of $0.344m mainly because it is not funded for depreciation, which totalled $0.317m.

The audit was completed satisfactorily with no matters outstanding.

INTRODUCTION

His Excellency the Governor represents the Crown in Tasmania and discharges the official, constitutional and community responsibilities of the Office of the Governor (the Office). The Office provides His Excellency with administrative support to carry out his functions.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 15 August 2013 and an unqualified audit report was issued on 27 September 2013.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

No key findings or developments were noted.

A key area of audit attention was the lack of segregation of duties due to the small size of the Office. This was mitigated to an acceptable level by the nature and extent of audit testing we performed.

The audit was completed satisfactorily with no matters outstanding.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	**2011-12**
	$'000s	$'000s
Revenue from Government	3 290	3 339
Other revenue	15	15
Total Revenue	**3 305**	**3 354**
Employee benefits	2 522	2 454
Supplies and consumables	759	846
Depreciation	317	312
Other expenses	51	39
Total Expenses	**3 649**	**3 651**
Net Surplus (Deficit)	**(344)**	**(297)**
Changes in physical asset revaluation reserve	758	2 786
Comprehensive Surplus (Deficit)	**414**	**2 489**

STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Land and buildings	34 738	34 242
Heritage assets	3 563	3 563
Other assets	277	311
Total Assets	**38 578**	**38 116**
Employee benefits	494	486
Payables	124	84
Total Liabilities	**618**	**570**
Net Assets	**37 960**	**37 546**
Total Equity	**37 960**	**37 546**

The Office's income is almost entirely its annual appropriation, which decreased slightly compared to 2011-12.

When assessing the financial performance of the Office, it needs to be borne in mind that it is not funded for depreciation or increases in employee provisions. Depreciation for 2012-13 was $0.317m (2011-12, $0.312m), without which the Office would have achieved a negative Net result from transactions of only $0.027m (2011-12, positive $0.015m).

Net Assets increased by $0.414m to $37.960m, due principally to the indexation of Land and buildings assets of $0.758m. This revaluation increment, effective on 1 July 2012, was offset by depreciation charges incurred during the year.

AUDIT SUMMARY - GOVERNMENT DEPARTMENTS

INTRODUCTION

Government departments are established by order of the Governor under the provisions of the *State Service Act 2000* (SSA). Ministerial responsibility for departments is assigned under the provisions of the *Administrative Arrangements Act 1990.*

This part of the Report provides summarised financial information on all departments being the Departments of:

- Economic Development, Tourism and the Arts (including Tasmania Development and Resources, Tourism Tasmania and Tasmanian Museum and Art Gallery)
- Education (with the Tasmanian Polytechnic and Academy consolidated into that report)
- Health and Human Services (including Housing Tasmania and Ambulance Tasmania and a separate Chapter for Tasmania Affordable Housing Ltd)
- Infrastructure, Energy and Resources (including Abt Railway Ministerial Corporation)
- Justice
- Police and Emergency Management
- Premier and Cabinet (including Jim Bacon Foundation and Tasmanian Early Years Foundation and a separate Chapter for Tasmanian Community Fund)
- Primary Industries, Parks, Water and Environment
- Treasury and Finance (including a separate Chapter for Finance-General).

Unless otherwise stated, these entities are collectively referred to as departments.

The financial results discussed are derived from the audited financial statements of each entity. The reporting framework for departments is prescribed through Treasurer's Instructions issued under the *Financial Management and Audit Act 1990* and the requirements of Australian Accounting Standards. Full (unabridged) financial statements are required to be published as part of each department's annual report which must be tabled in Parliament by 31 October following the end of the financial year, at which time they become public documents.

Departments are required to present financial statements in accordance with the Model Departmental Financial Statements developed by the Department of Treasury and Finance, which require the inclusion of original budget information, on the face of the statements, along with explanations for variations against budget provided in the notes. While the budget information reported is not subject to audit, we have ensured that the information reported agrees to the original Budget Papers.

In all cases our audits concluded that departments completed their financial statements in accordance with Australian Accounting Standards. However, in our analysis of each department's financial performance we have, if necessary, reallocated certain revenue or expenditure items to better assist readers interpret financial performance.

KEY OUTCOMES FROM AUDITS

Each department submitted its financial statements within the statutory deadline. Unqualified audit reports on those financial statements were also issued within the prescribed time limits.

Entities which are incorporated into the results of departments, namely Tasmania Development and Resources, Tourism Tasmania, Tasmanian Museum and Art Gallery, Housing Tasmania and Ambulance Tasmania all submitted their financial statements within the statutory deadline.

Tasmania Affordable Housing Ltd submitted its financial statements 75 days after the statutory deadline (2012, 71 days). The audits were completed satisfactorily and unqualified audit reports were issued in all instances.

Our audits identified a number of internal control and other weaknesses in the operations conducted and systems used by departments or entities within. These matters did not impact on completion of the audits and were reported to head of agencies or those charged with governance. Matters categorised as moderate or high risk are discussed in individual Chapters.

FINANCIAL ANALYSIS

The table summarises the financial results and position of Government departments for 2012–13:

	Underlying surplus (deficit)	**Net surplus (deficit)**	**Comprehensive surplus (deficit)**	**Net assets**
	$'000s	$'000s	$'000s	$'000s
Economic Development, Tourism and the Arts	(3 296)	2 386	909	489 793
Tasmania Development and Resources[1]	1 364	(6 348)	(6 348)	27 466
Tourism Tasmania[1]	443	443	443	84
Tasmanian Museum and Art Gallery[1]	(4 633)	(1 258)	8 150	412 918
Education	37 353	(19 639)	45 003	1 647 806
Health and Human Services	26 104	(57 897)	(23 501)	2 048 263
Housing Tasmania[2]	(21 260)	(77 622)	(42 141)	1 809 594
Tasmanian Afforable Housing Ltd	217	217	217	1 306
Ambulance Tasmania[2]	940	11 345	8 607	(17 510)
Infrastructure, Energy and Resources	(75 771)	60 923	223 729	4 177 186
Justice	(5 306)	(2 952)	(2 952)	124 286
Police and Emergency Management	(6 790)	4 907	4 907	152 625
Premier and Cabinet	(1 663)	(1 663)	(1 663)	6 631
Primary Industries, Parks, Water and Environment	(21 997)	(14 613)	(11 873)	1 028 644
Treasury and Finance	1 980	1 975	1 975	(1 228)
Total	**(49 169)**	**(26 356)**	**236 751**	**9 675 312**

[1] *These entities are not included in total as they are already consolidated into Economic Development, Tourism and the Arts.*

[2] *These entities are not included in total as are already consolidated into Health and Human Services.*

RESPONSIBLE MINISTERS

The table shows departments and ministers who are responsible for those departments:

Department	Responsible Minister
Economic Development, Tourism and the Arts	Minister for Economic Development Minister for Sport and Recreation Minister for Tourism Minister for the Arts
Education	Minister for Education and Skills Minister for Children
Health and Human Services	Minister for Health Minister for Human Services Minister for Children
Infrastructure, Energy and Resources	Minister for Infrastructure Minister of Energy and Resources Minister for Sustainable Transport Minister for Racing
Justice	Attorney-General/Minister for Justice Minister for Corrections and Consumer Protection Minister for Planning Minister for Workplace Relations
Police and Emergency Management	Minister for Police and Emergency Management
Premier and Cabinet	Premier Minister for Aboriginal Affairs Minister for Children Minister for Climate Change Minister for Community Development Minister for Local Government Minister for Veterans Affairs
Primary Industries, Parks, Water and Environment	Minister for Primary Industries and Water Minister for Environment, Parks and Heritage
Treasury and Finance	Treasurer Minister for Finance

DEPARTMENT OF ECONOMIC DEVELOPMENT, TOURISM AND THE ARTS

CHANGE IN REPORTING

The Department, (TDR), (Tourism), and (TMAG) are each required to prepare annual financial statements for audit. In prior years we prepared separate chapters for each of the latter three entities as well as for the Department which has always reported at a consolidated level. Separate Chapters for TDR, Tourism and TMAG were not completed this year. This Chapter discusses their financial results as part of the Department.

SNAPSHOT

- The Department reported a Net Underlying Deficit of $3.296m which was higher than the deficit in the prior year, although not significantly.
- The higher deficit was mainly caused by expensing a number of TMAG redevelopment costs.
- The Net Result was a surplus of $2.386m.
- Recognition of a loan of $7.050m due to Treasury negatively impacted on the Net Result. This was not budgeted for.
- There was minimal change in the Department's financial position. Net Assets increased by $1.058m, or 0.2%.

Major developments this year included:

- completion of Stage One of TMAG's $30 million redevelopment which opened to the public in March 2013. Of this amount, $17.913m was capitalised, $11.737m expensed and $0.313m allocated to 2013-14
- revaluation of land, buildings and heritage assets at 30 June 2013. Heritage assets were revalued upwards by $9.517m whereas land and buildings, mainly the TMAG building, were revalued downwards by a net amount of $12.996m
- TDR recommended to the Minister, 12 new loan advances for business development and to address financial distress, totalling $8.785m of which $3.755m was drawn down
- a loan of $13.000m, approved in the prior year, was drawn down this year and loans totalling $14.200m were repaid.
- TDR established the Tasmanian Government Innovation and Investment Fund (TGIIF) which provided $4.742m in grant funds to support investments and new activities
- Sport and Recreation Tasmania developed a sport, recreation and physical activity and schools strategy. An additional $4.228m was spent in grants by it this year
- Tourism concluded its restructure program enabling it to realign from a full-service State Tourism Organisation to one that focused on marketing and distribution.

Major variations between this and prior years were:

- grant income, and associated grants and subsidies paid, were less than 2011-12 which included $16.000m Forestry funding
- while there was an overall fall of $10.000m in grants expenditure, additional grants and subsidies in 2012-13 included $5.000m on the Menzies Development and funds expended on TGIIF and Sport and Recreation noted above
- Employee costs reduced in line with anticipated reductions in FTE and 2011-12 included redundancy payments not repeated this year.

Audit findings included the need for the Department to develop accounting policies to deal with classification of expenditure on display assets at TMAG and the need to address more promptly audit findings raised in previous years. These matters were reported to, and are being addressed by, management.

INTRODUCTION

The Department promotes economic and industry development in Tasmania, delivers marketing and development programs to support the State's tourism industry, provides opportunities for Tasmanians to participate in sport, recreation and physical activity, and is responsible for the protection and promotion of some of the State's considerable cultural assets, including developing and promoting the arts.

Through TDR, the Department aims to achieve community, industry and Government economic development goals by taking a whole-of-government approach to creating a competitive business environment, promoting and attracting investment, and by helping individuals, businesses and industries to grow and become internationally competitive. The Department works with businesses across a broad range of industry sectors, particularly those focused on exports and import replacement. It manages projects, develops policies, undertakes planning and delivers programs and services in partnerships with industry sectors.

Through Sport and Recreation Tasmania, the Department aims to ensure all Tasmanians have the opportunity to participate in sport, recreation and physical activity and share in the benefits of a healthy community.

Through Tourism the Department markets Tasmania as a world-class tourism destination and delivers marketing programs that drive benefits for Tasmania from national and international tourism.

Through Arts Tasmania, Screen Tasmania and TMAG the Department provides support for the development of the arts sector in Tasmania. This includes working with Tourism to support and raise awareness of Tasmania's cultural heritage.

KEY AREAS OF AUDIT ATTENTION

Description of Area	Audit Approach
The Department, through TDR, provides financial support to private sector businesses, which otherwise are at risk of closure or significant downsizing, or are experiencing an impaired capacity, as a result of the volatility in financial markets and the consequent credit conditions. The economic slowdown of the Tasmanian economy and effects of the global recession is impacting on local businesses. As a result, borrowers may face difficulties in making loan repayments. The demand for new or additional financial assistance may also increase.	We: • verified selected new and existing loan advances and interest bearing loans to gain assurance these were appropriately approved and appropriate ongoing monitoring was in place • audited management's assessment of impairment and that accounting policies are applied consistently • reviewed key judgements, assumptions and information about the Department's exposure to financial risks are adequately disclosed and the disclosure complies with the reporting framework.

Description of Area	Audit Approach
The Department provides a large number of grants and subsidies through TDR, Events Tasmania, Arts Tasmania, Sport and Recreation and Tourism. There is a risk that payments may be unauthorised or incorrect.	We performed analytical procedures on grant expenditure and verified selected material transactions against authorised grant agreements.
Investment properties, heritage and cultural assets may not be reported at fair value.	We agreed fair values to independent valuations and ensure that valuation movements were recorded correctly.
The Department, through Screen Tasmania, provides funding for the development and production of film, television and digital media projects in Tasmania under various programs. Some of this funding is provided in the form of production investments and is accounted for as Equity investment.	We: • audited the valuation of Equity investments and management's assessment of impairment • ensured that key judgements and assumptions were adequately disclosed and the disclosure complies consistently with the reporting framework.
The Department administers diverse portfolios. As a result, staff are located at numerous locations throughout the State. There is a risk expenditure may be inappropriately authorised.	We examined expenditure, tested expenditure controls on a rotational basis and tested cut-off to ensure expenses were brought to account in the correct period.
Payroll is a significant expense. The diverse nature of the Department's activities gives rise to payroll variations and therefore to inherent risks in rates of pay and authorisations. In addition, calculation of year end provisions is complex.	We examined and tested payroll controls on a rotational basis. In addition, we tested the valuation of employee provision balances at year end for all four entities.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements for each entity were received on 15 August 2013. Unqualified audit reports were issued on 26 September 2013 for Tourism and TMAG. Unqualified audit reports were issued on 30 September 2013 for the Department and TDR.

KEY FINDINGS

TMAG Redevelopment

During the year Stage One of TMAG's $30 million redevelopment was completed and opened to the public in March 2013. Audit noted documentation provided which indicated the amount spent on the redevelopment was recorded as follows:

- $17.913m recognised as assets over the construction period
- $11.737m was expensed, also over the construction period and
- $0.313m carried forward at 30 June to be allocated in 2013-14.

Transactions incurred in 2012-13 selected for audit testing indicated that some costs expensed might better have met the test for being classified as assets, particularly as these relate to display assets, and that, currently, neither TMAG's nor the Department's accounting policies addressed this. Management agreed to address this in 2013-14.

Other Audit Findings

Our audit approach includes the need to follow-up matters reported in prior years and to assess the extent to which they had been addressed. A matter outstanding from our 2011-12 audit included the need for management to develop and implement a business continuity plan. Other low risk matters were also outstanding and were re-reported with management agreeing timeframes under which these will be addressed.

The audit was completed satisfactorily with no other matters outstanding.

KEY DEVELOPMENTS

Revaluation of the TMAG Land and Buildings

The TMAG property is revalued annually using a market value based approach. At 30 June 2012 the valuation of the TMAG complex was $3.800m for the building and $5.700m for the land.

During the first stage of the redevelopment, capital costs accrued to work-in-progress totalled $17.913m which upon completion of the redevelopment was added to the valuation of the buildings giving a total of $21.713m. However, the valuers recommended a valuation of $7.500m resulting in a $14.213m write down which was expensed against the Net Result. There was no change to the valuation of the land. These details are summarised in the following table:

	Land	Building	Land and Buildings
	$'000s	$'000s	$'000s
Valuation at fair value 30 June 2012	5 700	3 800	9 500
Add capitalisation	300	17 914	18 214
Total at 30 June 2013	6 000	21 714	27 714
Valuation at 30 June 2013	6 000	7 500	13 500
Write off 30 June 2013	**0**	**14 214**	**14 214**

* *The TMAG building complex comprises eight buildings bounded by Macquarie St, Argyle St, Davey St and neighbours the Dunn Place public car park.*

Concrete Cancer in Argyle St Building Constructed in 1966

The Valuer noted the existence of concrete cancer in the building on the corner of Davey and Argyle Streets which would cause significant structural problems and reduce the life of this building to only 10 years with ongoing preventative maintenance.

TDR's Loan Portfolio

A number of developments in TDR's loan advance portfolio were noted including:

- 12 new loan advances, for business development and to address financial distress, totalling $8.785m were approved, of which $3.755m was drawn down
- loans totalling $14.200m were repaid
- one loan for $13.000m, for business development, approved in June 2012, was drawn down in December 2012.

TDR implemented the Tasmanian Government Innovation and Investment Fund (TGIIF) which provided $4.742m grant funds to support investments and new activities that aimed to broaden Tasmania's economy and deliver sustainable job creation, consistent with the Economic Development Plan, particularly in regional Tasmania.

Arts Tasmania

Arts Tasmania implemented the Arts Industry Digital Development Strategy 2012-2016 which considered two key areas:

- incorporation of digital technologies into art form practice and
- incorporation of digital technologies into business and marketing.

Sport and Recreation

In 2012-13, Sport and Recreation Tasmania developed a sport, recreation and physical activity and schools strategy, in partnership with the Department of Education and the Premier's Physical Activity Council. The purpose of the strategy was to provide a coordinated, State-wide approach to ensure more Tasmanian children have better access to sport, physical activity and recreation as part of their school experience.

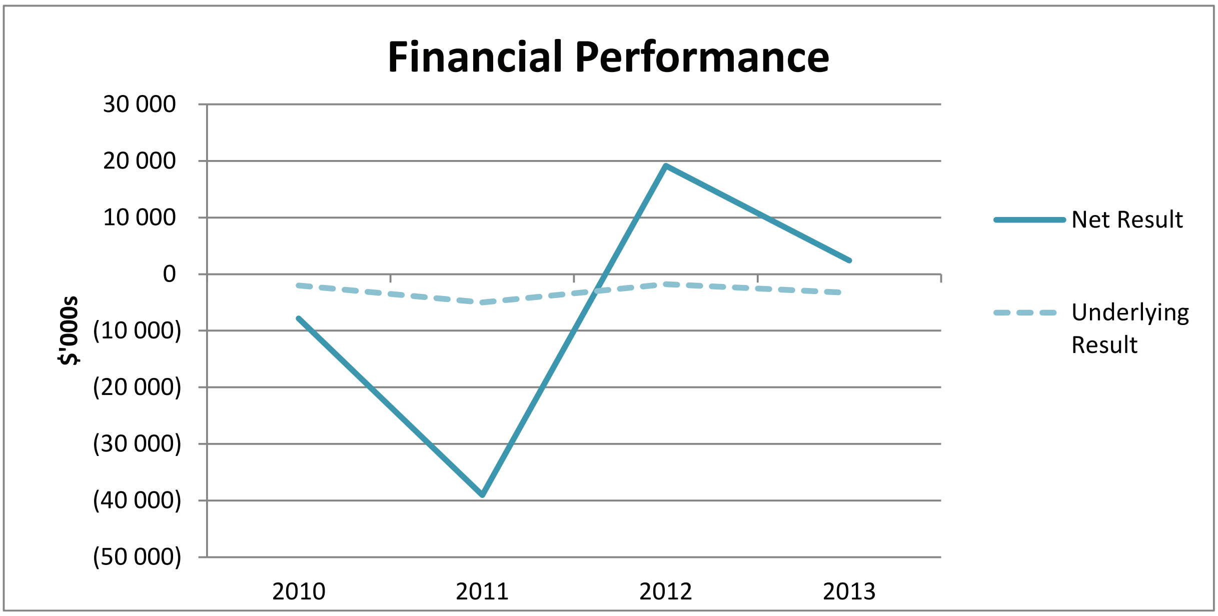
Tourism

Tourism underwent significant restructure over recent years as it moved towards realignment from a full-service State Tourism Organisation to one that focused on marketing and distribution. This restructure impacted on its operational activities, staff numbers and the financial results and must be taken into account when making comparisons between current and prior period financial results.

Major developments at Tourism this year included:

- undertaking a range of projects to strengthen its marketing effort including the establishment of a regional tourism model for the state which involved the establishment of four regional tourism organisations
- developing a new tourism brand to give Tasmania a unique identity in the market
- expanding market research activities and commencing the redevelopment of the official travel website Discover Tasmania
- continuing its review and realignment of the approach to international marketing.

FINANCIAL ANALYSIS

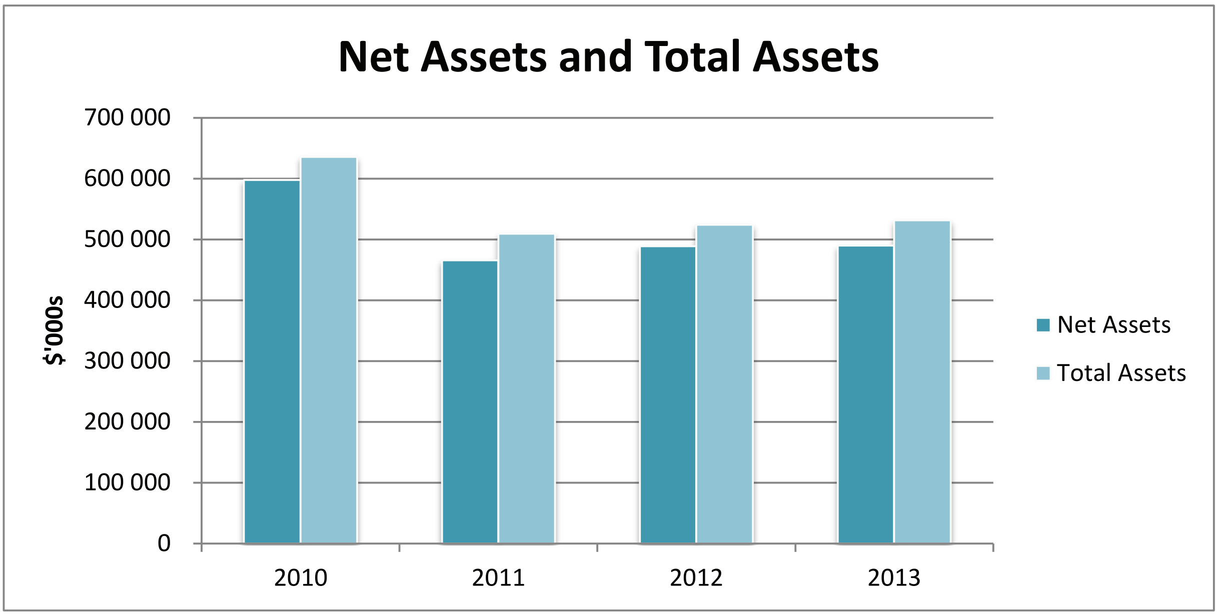


In 2013, the Underlying Result was a deficit of $3.296m which was relatively consistent over the four year period. The Underlying Result excluded Special Capital Investment funds and major revaluation impacts but which are included in the Net Result.

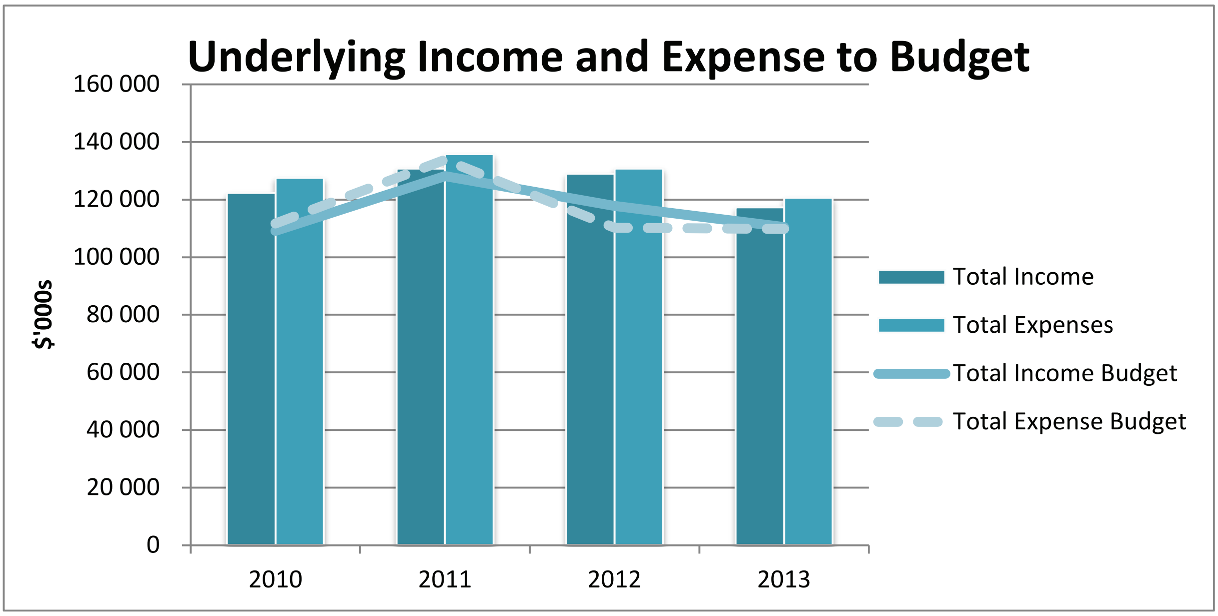
The Net Result in 2013 was a surplus of $2.386m and included a number of large offsetting transactions:

- A total of $16.856m revenue from special capital investment funds relating to the Museum redevelopment (2012, $4.175m).
- A net loss on non financial assets $3.823m which was the net of:
    - revaluation increment of heritage and cultural assets of $9.517m
    - net revaluation decrement of the revaluation of buildings including the TMAG building of $12.996m
- Resolution of differing interpretations regarding a loan of $7.050m between the Department and the Department of Treasury and Finance resulting in the Department recognising this amount as a loan due to Treasury for the first time. Recording this loan required the Department to recognise an expense of this amount.

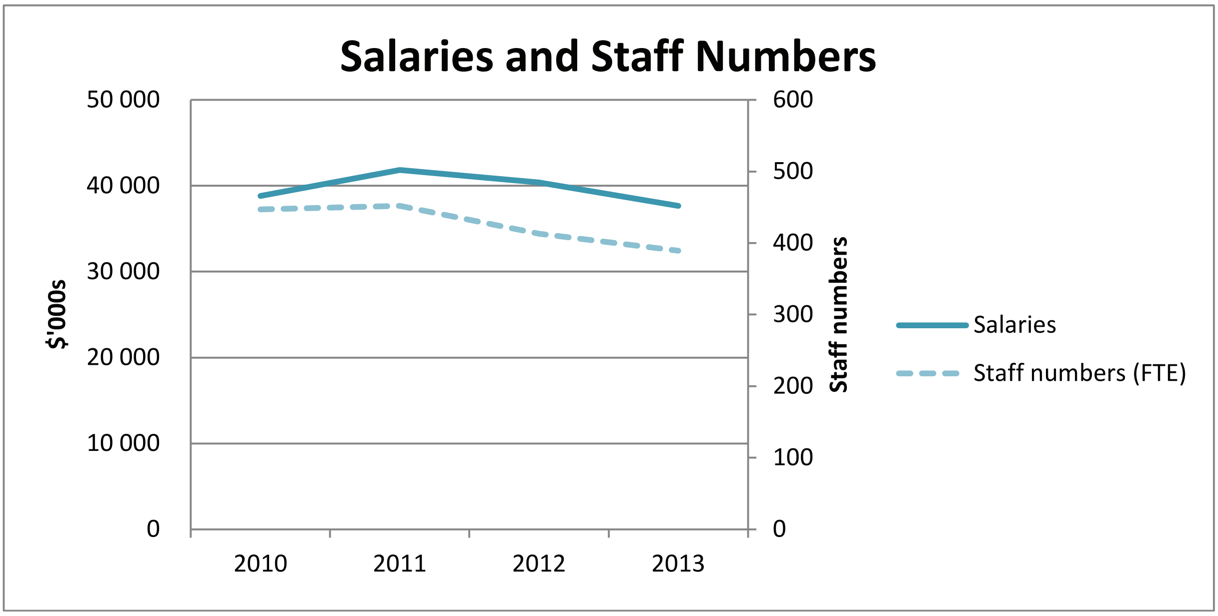
In 2012, the Net Result improved considerably over that in 2010-11 for a variety of reasons, the main one being write downs of the Department's Land and buildings, $31.812m, Heritage assets, $22.732m, and buildings, $8.014m.



Net Assets and Total Assets remained constant over the last three years. The decrease between 2010 and 2011 was mainly the result of the revaluation decrement of $124.567m in 2011, $31.812m of which was charged against the Net Result, referred to earlier, and $92.755m was charged against the revaluation reserve.



The fall in budgeted and actual income reflects budget cuts implemented since 2011-12. Budgeted and actual expenses fell since 2011 mainly due to reductions in salary expenses to meet budget targets. The increase of actual over budgeted expenditure relates mainly to the decrease in grants in 2013 of $15.715m which related to the one-off Tasmanian Forest Agreement grant received, and payment, made in late 2011-12 of $16.000m. This was not repeated in 2013.



The Department's salaries and employee expenses fell as a result of budget reductions commencing in 2011-12. The number of Full Time Equivalents (FTEs) decreased in line with the expense. There was a reduction of 39 FTEs in 2012, mainly in Tourism which fell from 85 FTEs to 55 FTEs. There was a further fall in FTEs of 24 during 2013 taken across general areas of the Department.

ADMINISTERED FINANCIAL TRANSACTIONS

The Department administers the State's Tasmanian Icon Program, Ten Days on the Island and grants to Theatre Royal and the Tasmanian Symphony Orchestra. Funding totalled $3.951m ($3.891m in 2011-12).

CHAPTER APPENDICES

DEDTA STATEMENT OF COMPREHENSIVE INCOME

	2012-13 Budget $'000s	2012-13 Actual $'000s	2011-12 Actual $'000s	2010-11 Actual $'000s
Revenue from Government - recurrent	102 405	105 858	99 551	108 483
Revenue from Government - appropriation carried forward	0	1 000	2 520	969
Revenue from Special Capital Investment Funds	0	249	2 583	10 513
Grants	1 989	516	16 231	195
Sales of goods and services	2 038	1 906	2 226	3 002
Interest	2 670	2 959	1 965	3 238
Other revenue	1 340	4 699	3 805	4 240
Total Revenue	**110 442**	**117 187**	**128 881**	**130 640**
Employee benefits	37 263	37 667	40 388	41 833
Depreciation and amortisation	1 925	1 637	1 671	2 067
Supplies and consumables	26 179	34 952	29 339	33 306
Grants and subsidies	40 312	43 976	53 792	52 277
Finance costs	1 500	1 646	2 043	2 309
Other expenses	2 575	605	3 408	3 830
Total Expenses	**109 754**	**120 483**	**130 641**	**135 622**
Underlying Surplus (Deficit)	**688**	**(3 296)**	**(1 760)**	**(4 982)**
Net gain (loss) on non-financial assets	0	(3 823)	13 169	(31 812)
Net gain (loss) on financial instruments and statutory receivables/payables	0	(815)	(1 636)	(4 509)
Other gains (losses) from other economic flows	0	(7 050)	0	0
Capital funding Economic and Social Infrastructure Fund	11 344	16 856	4 175	2 151
Fair value of land and buildings identified	0	0	0	0
Contributions received	0	514	5 223	116
Net Surplus (Deficit)	**12 032**	**2 386**	**19 171**	**(39 036)**
Other Comprehensive Income				
Changes in physical asset revaluation reserve	13 065	(1 477)	3 628	(92 755)
Comprehensive Surplus (Deficit)	**25 097**	**909**	**22 799**	**(131 791)**

DEDTA STATEMENT OF FINANCIAL POSITION

	2013	2012	2011	2010
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	16 943	8 488	20 386	27 533
Receivables	1 439	3 493	1 855	1 945
Loan advances	33 883	37 030	37 694	32 202
Equity investments	48	586	584	589
Non-financial Assets				
Inventories	232	376	559	459
Property, plant and equipment	80 130	84 809	63 495	71 852
Heritage and cultural assets	386 703	376 739	371 237	486 520
Investment property	9 070	9 700	10 610	11 310
Intangibles	890	762	926	1 237
Other assets	2 168	2 125	2 323	2 313
Total Assets	**531 506**	**524 108**	**509 669**	**635 960**
Liabilities				
Payables	2 318	3 720	1 973	1 938
Interest bearing liabilities	25 080	18 021	26 621	25 021
Provisions	2 397	2 759	2 747	2 023
Employee entitlements	8 633	9 021	8 842	7 424
Other liabilities	3 285	1 703	3 401	1 678
Total Liabilities	**41 713**	**35 224**	**43 584**	**38 084**
Net Assets	**489 793**	**488 884**	**466 085**	**597 876**
Accumulated funds	480 439	478 053	458 882	497 272
Reserves	9 354	10 831	7 203	100 604
Total Equity	**489 793**	**488 884**	**466 085**	**597 876**

DEDTA STATEMENT OF CASH FLOWS

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Receipts from Government - recurrent	109 088	100 551	111 003	97 613
Revenue from special capital investment funds	249	2 583	12 664	14 180
Grants	516	16 231	195	230
Sales of goods and services	1 954	2 073	2 985	2 675
GST receipts	11 055	6 979	8 086	7 490
Interest received	2 862	2 071	3 353	2 988
Other cash receipts	4 345	3 805	4 698	5 705
Employee benefits	(38 057)	(40 191)	(40 398)	(39 273)
Grants and subsidies	(43 991)	(53 765)	(57 725)	(51 971)
GST payments	(9 001)	(8 546)	0	0
Interest payments	(1 293)	(2 032)	(2 229)	(2 143)
Supplies and consumables	(36 121)	(27 551)	(35 922)	(36 121)
Other cash payments	(1 271)	(3 581)	(3 692)	(4 434)
Cash from (used in) Operations	**335**	**(1 373)**	**3 018**	**(3 061)**
Proceeds from disposal of non-financial assets	537	315	526	458
Receipts from Special Capital Investment Funds	16 856	4 175	0	
Repayment of loans by other entities	22 361	2 955	5 649	1 347
Receipts from investments	891	133	57	39
Other cash receipts	0	310	0	0
Loans made to other entities	(19 380)	(3 492)	(15 074)	(14 114)
Payments for acquisition of assets	(11 829)	(5 710)	(2 038)	(1 665)
Payments for investments	(903)	(611)	(687)	(391)
Other cash payments	(3)	0	(198)	(721)
Cash from (used in) Investing Activities	**8 530**	**(1 925)**	**(11 765)**	**(15 047)**
Proceeds from borrowings	81	0	3 600	18 000
Repayment of borrowings	(491)	(8 600)	(2 000)	(5 000)
Cash from (used in) Financing Activities	**(410)**	**(8 600)**	**1 600**	**13 000**
Net Increase (Decrease) in Cash	**8 455**	**(11 898)**	**(7 147)**	**(5 108)**
Cash at the beginning of the year	8 488	20 386	27 533	31 964
Cash Inflow on Administrative Restructure	0	0	0	677
Cash at End of the Year	**16 943**	**8 488**	**20 386**	**27 533**

DEDTA FINANCIAL ANALYSIS

	Bench Mark	2012-13	2011-12	2010-11	2009-10
Financial Performance					
Underlying surplus (deficit) ($'000s)		(3 296)	(1 760)	(4 982)	(5 296)
Own source revenue		9 564	7 996	10 480	12 697
Financial Management					
Debt collection	30 days	24	31	20	31
Creditor turnover	30 days	1	3	3	3
Asset Management					
Investment gap %	>100%	723%	342%	99%	89%
Other Information					
Average staff numbers (FTEs)		389	413	452	447
Average staff costs ($'000s)		95	93	91	80
Average recreational leave balance per FTE (days)	20	16	17	16	16
Average long service Leave per FTE (days)	100	43	40	36	34

ADDITIONAL FINANCIAL INFORMATION

DEDTA ADMINISTERED INCOME AND EXPENSES

	2012-13	2012-13	2011-12	2010-11
	Budget	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Appropriation revenue - recurrent	3 951	3 951	3 891	3 850
Total Revenue	**3 951**	**3 951**	**3 891**	**3 850**
Grants and subsidies	3 951	3 951	3 891	3 850
Total Expenses	**3 951**	**3 951**	**3 891**	**3 850**
Underlying Surplus (Deficit)	**0**	**0**	**0**	**0**

TDR STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Attributed revenue from Government - recurrent	45 302	42 281	45 334	42 832
Revenue from Government - appropriation c/fwd	500	2 380	969	140
Revenue from economic and social infrastructure funds	249	384	359	1 014
Grants	375	16 191	14	0
Interest revenue	2 932	1 859	2 945	2 941
Other revenue	2 253	1 836	3 332	2 317
Total Revenue	**51 611**	**64 931**	**52 953**	**49 244**
Attributed employee entitlements	16 760	18 685	18 238	17 152
Grants and subsidies	20 187	30 744	17 218	12 952
Depreciation and amortisation	529	561	702	507
Supplies and consumables	10 711	9 381	11 542	12 869
Borrowing costs	1 658	1 962	2 309	1 838
Other expenses	402	1 513	2 002	1 937
Total Expenses	**50 247**	**62 846**	**52 011**	**47 255**
Underlying Surplus (Deficit)	**1 364**	**2 085**	**942**	**1 989**
Net gain (loss) on non financial assets	(411)	(915)	(400)	(261)
Net gain (loss) on financial instruments	(251)	(1 152)	(3 855)	(7 528)
Other gain (loss) from other economic flows	(7 050)	0	0	0
Net Surplus (Deficit)	**(6 348)**	**18**	**(3 313)**	**(5 800)**
Comprehensive Surplus (Deficit)	**(6 348)**	**18**	**(3 313)**	**(5 800)**

TDR STATEMENT OF FINANCIAL POSITION

	2013	2012	2011	2010
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	15 186	5 158	15 140	18 280
Receivables	1 365	3 225	1 658	1 505
Loan advances	32 184	35 428	36 211	31 671
Equity investments	48	586	584	589
Non-financial Assets				
Property, plant and equipment	4 842	5 308	5 737	5 784
Investment property	9 070	9 700	10 610	11 310
Intangibles	239	225	221	272
Other non-financial assets	926	1 240	903	846
Total Assets	**63 860**	**60 870**	**71 064**	**70 257**
Liabilities				
Interest bearing liabilities	25 080	18 021	26 621	25 021
Payables	1 738	1 324	1 258	1 457
Provisions	1 727	1 707	1 746	1 217
Attributed employee entitlements	4 581	5 062	4 651	3 876
Other liabilities	3 268	942	2 992	1 449
Total Liabilities	36 394	27 056	37 268	33 020
Net Assets	**27 466**	**33 814**	**33 796**	**37 237**
Reserves	1	1	1	647
Accumulated funds	27 465	33 813	33 795	36 590
Total Equity	**27 466**	**33 814**	**33 796**	**37 237**

TDR FINANCIAL INFORMATION

	Bench Mark	2012-13	2011-12	2010-11	2009-10
Financial Performance					
Underlying surplus (deficit) ($'000s)		1 364	2 085	942	1 989
Own source revenue ($'000s)		5 185	3 695	6 277	5 258
Operating margin	>1	1.03	1.03	1.02	1.04
Financial Management					
Debt collection	30 days	65	53	26	61
Creditor turnover	30 days	31	18	21	19

TOURISM COMPREHENSIVE INCOME STATEMENT

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Attributed revenue from Government - recurrent	23 957	24 075	30 724	30 454
Revenue from Special Capital Investment Funds	0	10	3 568	3 864
Sales of goods and services	862	715	769	1 816
Other revenue	1	1	178	5
Total Revenue	**24 820**	**24 801**	**35 239**	**36 139**
Attributed employee entitlements	7 175	8 254	10 205	10 654
Depreciation and amortisation	101	219	273	287
Grants and subsidies	2 644	2 073	8 963	8 490
Financing costs	(10)	62	0	9
Supplies and consumables	4 751	4 440	5 765	5 422
Advertising and promotion	9 605	8 794	9 561	10 834
Other expenses	111	603	858	1 133
Total Expenses	**24 377**	**24 445**	**35 625**	**36 829**
Underlying Surplus (Deficit)	**443**	**356**	**(386)**	**(690)**
Net gain (loss) on non-financial instruments and statutory receivables (payables)	0	0	(22)	0
Net Surplus (Deficit)	**443**	**356**	**(408)**	**(690)**
Comprehensive Surplus (Deficit)	**443**	**356**	**(408)**	**(690)**

TOURISM STATEMENT OF FINANCIAL POSITION

	2013	2012	2011	2010
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	1	372	798	780
Receivables	8	16	46	132
Non-financial Assets				
Property, plant and equipment	262	304	435	423
Intangibles	242	115	220	370
Other non-financial assets	1 154	810	1 260	1 166
Total Assets	**1 667**	**1 617**	**2 759**	**2 871**
Liabilities				
Payables	77	282	492	359
Attributed employee entitlements	1 155	1 082	1 708	1 503
Provisions	347	542	563	619
Other liabilities	4	70	109	95
Total Liabilities	**1 583**	**1 976**	**2 872**	**2 576**
Net Assets (Liabilities)	**84**	**(359)**	**(113)**	**295**
Accumulated funds (deficit)	84	(359)	(113)	295
Total Equity (Net Deficit)	**84**	**(359)**	**(113)**	**295**

TOURISM FINANCIAL INFORMATION

	Bench Mark	2012-13	2011-12	2010-11	2009-10
Financial Performance					
Underlying surplus (deficit) ($'000s)		443	356	(386)	(690)
Operating margin	>1.0	1.02	1.01	0.99	0.98
Own source revenue ($'000s)		863	716	947	1 821
Financial Management					
Debt collection	30 days	3	8	22	27
Creditor turnover	30 days	1	7	5	5

TMAG STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Revenue from Government - recurrent	7 735	7 337	7 883	7 068
Other revenue	1 251	1 161	3 228	3 232
Total Revenue	**8 986**	**8 498**	**11 111**	**10 300**
Employee and member benefits	7 083	6 339	6 732	5 665
Depreciation	188	206	392	346
Supplies and consumables	6 163	3 006	2 826	2 143
Grants and subsidies	31	41	9	0
Other expenses	154	560	493	403
Total Expenses	**13 619**	**10 152**	**10 452**	**8 557**
Underlying Surplus (Deficit)	**(4 633)**	**(1 654)**	**659**	**1 743**
Other Economic Flows Included in Net Result				
Net (loss) on non financial assets	(14 002)	(767)	(840)	(7)
Fair value of land and buildings identified	0	0	0	4 224
Capital funding Economic and Social infrastructure	16 856	4 175	2 150	1 718
Contributions received	521	734	296	508
Net Surplus (Deficit)	**(1 258)**	**2 488**	**2 265**	**8 186**
Other Comprehensive Income				
Changes in physical asset revaluation reserve	9 408	4 520	(122 910)	94 565
Comprehensive Surplus (Deficit)	**8 150**	**7 008**	**(120 645)**	**102 751**

TMAG STATEMENT OF FINANCIAL POSITION

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	2 027	2 574	2 533	2 503
Receivables	310	97	93	344
Non-financial Assets				
Heritage Assets	386 703	376 739	371 237	486 522
Plant and equipment	25 054	28 104	24 453	31 624
Other assets	646	795	992	914
Total Assets	**414 740**	**408 309**	**399 308**	**521 907**
Liabilities				
Payables	220	1 913	76	77
Employee entitlements	1 596	1 529	1 383	1 198
Other liabilities	6	99	89	77
Total Liabilities	1 822	3 541	1 548	1 352
Net Assets	**412 918**	**404 768**	**397 760**	**520 555**
Reserves	30 475	21 067	16 547	139 457
Accumulated funds	382 443	383 701	381 213	381 098
Total Equity	**412 918**	**404 768**	**397 760**	**520 555**

TMAG FINANCIAL INFORMATION

	Bench Mark	2012-13	2011-12	2010-11	2009-10
Financial Performance					
Underlying surplus (deficit) ($'000s)		(4 633)	(1 654)	659	1 743
Operating margin	>1.0	0.66	0.84	1.06	1.20
Financial Management					
Current ratio	>1	10	1	16	18
Creditor turnover	30 days	13	233	10	1
Asset Management					
Asset investment ratio	>100%	5994%	2573%	394%	330%
Other Information					
Average staff numbers (FTEs)		72	73	75	72
Average staff costs ($'000s)		98	86	89	79

DEPARTMENT OF EDUCATION

SNAPSHOT

- For 2012-13 the Department's Underlying Deficit was $37.353m and the Net asset position at the end of the year was $1.647bn.
- The Department's Administered statements primarily relate to the funding of non-Government schools and show an overall net surplus of $0.171m for 2012-13.
- During 2012-13 there were no major developments however post year-end there were two major developments, namely the Better Schools Tasmania reform agenda which was an outcome of the Gonski Review and the creation of TasTAFE both of which were initiated in July 2013.
- During the 2012-13 audit, a number of findings were identified however none of them were considered high risk. Audit highlighted a number of technical issues and concerns over the bank reconciliations processes. However, these had already been identified by management who had commenced investigation to resolve the issues.

INTRODUCTION

The Department is responsible to the Minister for Education and Skills, and to the Minister for Children. The Department provides services through the following organisational units:

- Early Years and Schools Division (comprising Early Years and Learning Services)
- Further Education and Training
- LINC Tasmania
- Corporate Services Division.

The Department comprises three output groups: being Pre-Compulsory and Compulsory Education, Post-Compulsory Education and Skills Development, and LINC Tasmania.

KEY AREAS OF AUDIT ATTENTION

Description of Area	Audit Approach
The Department is required to value land, buildings, sundry structures, building improvements and heritage assets at fair value.	As its buildings are specialised, the risk around valuation is further increased. To meet the necessary requirements, the Department use an independent valuer every five years to assess the fair value. In between formal valuations, the valuer provides an annual index to be applied to the fair values to ensure the values remain appropriate. The audit approach included validation that the methodology was still appropriate. We also considered the appropriateness of the current year indexation applied, and indicators of fair value changes to the asset portfolio. The independence and experience of the valuer with the types of assets held by the Department was also evaluated.
Significance of employee benefit expenses and liabilities.	Due to the significance of transactions and balances relating to employee benefits, extensive controls and detailed testing was performed as part of the audit. This included testing of a number of controls over fortnightly payroll processes, leave accrual and processes. Detailed analytical procedures were used to examine workers compensation, payroll tax, wages and salaries expense, leave balances and bonus payments.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 15 August 2013 with an unqualified audit report issued on 30 September 2013.

KEY FINDINGS

During 2012-13, the Department addressed a number of internal control and process matters noted in prior year audits. Notwithstanding this, opportunities remain for the Department to continue improving internal controls and processes.

In conducting audit procedures, it was noted there were a number of concerns regarding bank reconciliations. Most related to technical issues with the bank reconciliation module rather than actual un-reconciled transactions. Prior to identification by the audit team, management were already looking into and resolving these technical matters. All bank reconciliation related matters were formally reported to management and the Audit Committee including management's intention to resolve the identified matters.

Further to the above finding, above, several other findings were noted as detailed below:

- approval and review of user access across all applications within the Department
- lack of business continuity/disaster recovery plans
- ensuring review of bank reconciliations and that all variances are followed up in a timely manner.

There were also a number of other very low risk findings which have been reported to management but are not included in this report due to their low risk nature.

KEY DEVELOPMENTS

Better Schools Tasmania

Post the Gonski Review, an agreement was entered into between the Tasmanian and Australian Governments on 9 July 2013 to deliver the Better Schools Tasmania program.

Better Schools Tasmania will aspire to reach the level of public funding for schools that will minimise educational disadvantage and facilitate a high quality education for every student in every school in Tasmania.

The new funding agreement will deliver an additional $0.382bn for the Tasmanian education system ($0.234bn for Tasmanian Government schools).

This model guarantees increases in funding over time. This is long-term reform and full benefits will not be seen immediately as this is a six year reform from 2014 to 2019.

The Australian Government has set strong compliance and accountability obligations that are set by law under the *Australian Education Act 2013* and the Regulations which are non-negotiable.

Some of the funding will go towards the system-level costs required to meet the obligations set by the Australian Government.

TasTAFE and Skills Tasmania

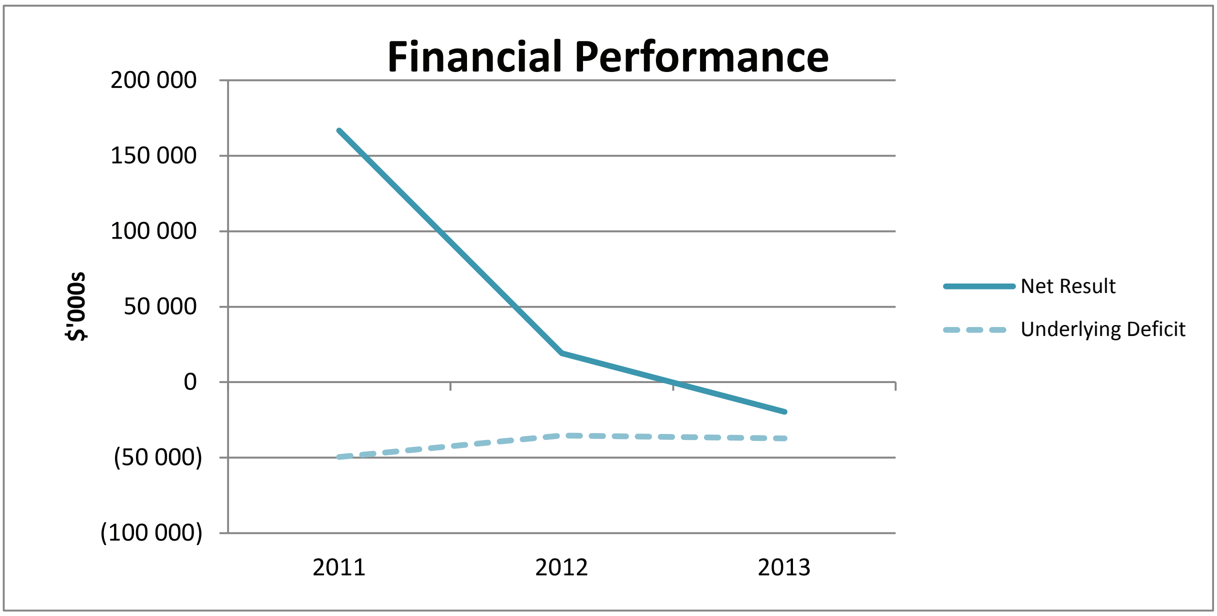
From 1 July 2013, the Tasmanian Polytechnic and Tasmanian Skills Institute (TSI) ceased to exist and TasTAFE began. TasTAFE is a new Statutory Authority resulting from reforms within Tasmania's public VET system that provides the VET service to both students and business from one organisation.

It will support Tasmania's long-term social and economic future by increasing participation and retention rates amongst young people in education, and lifting productivity and skills levels needed to improve the economy.

Also on 1 July 2013, Skills Tasmania became a business unit of the Department. This means the Department no longer has a service delivery function for vocational education and training, and now has responsibility for policy development and funding of training to meet the needs of Tasmanians and Tasmanian industries.

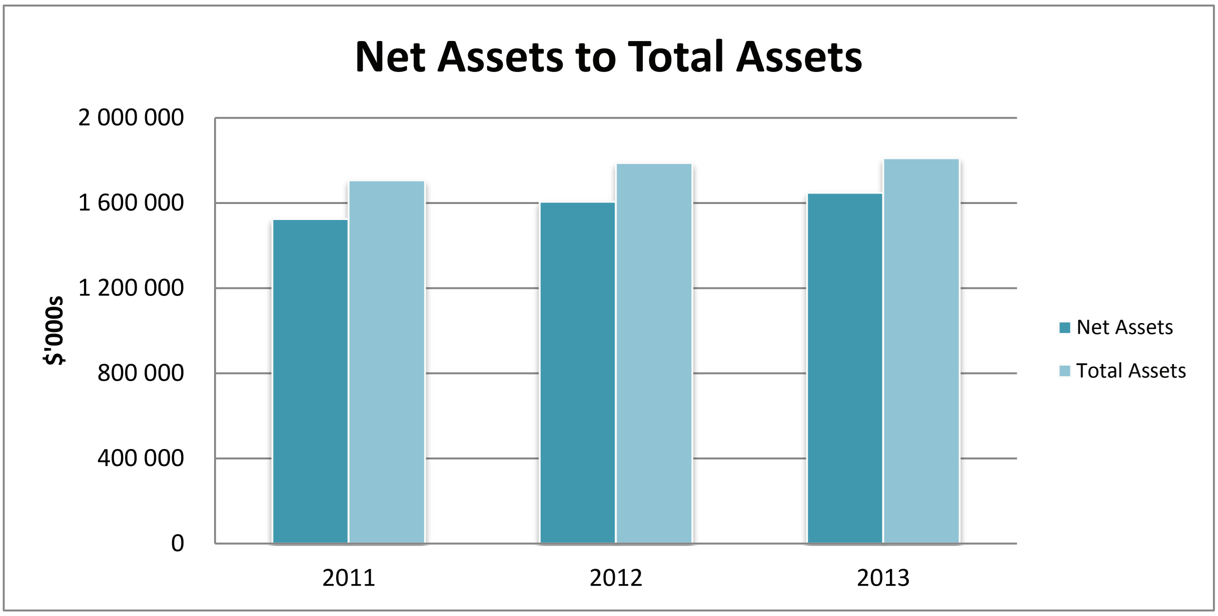
FINANCIAL ANALYSIS

Note - Only three years worth of information is presented throughout this Chapter. Due to the significant change in structure of the Department during 2009-10 this information is not presented as it is not comparable.

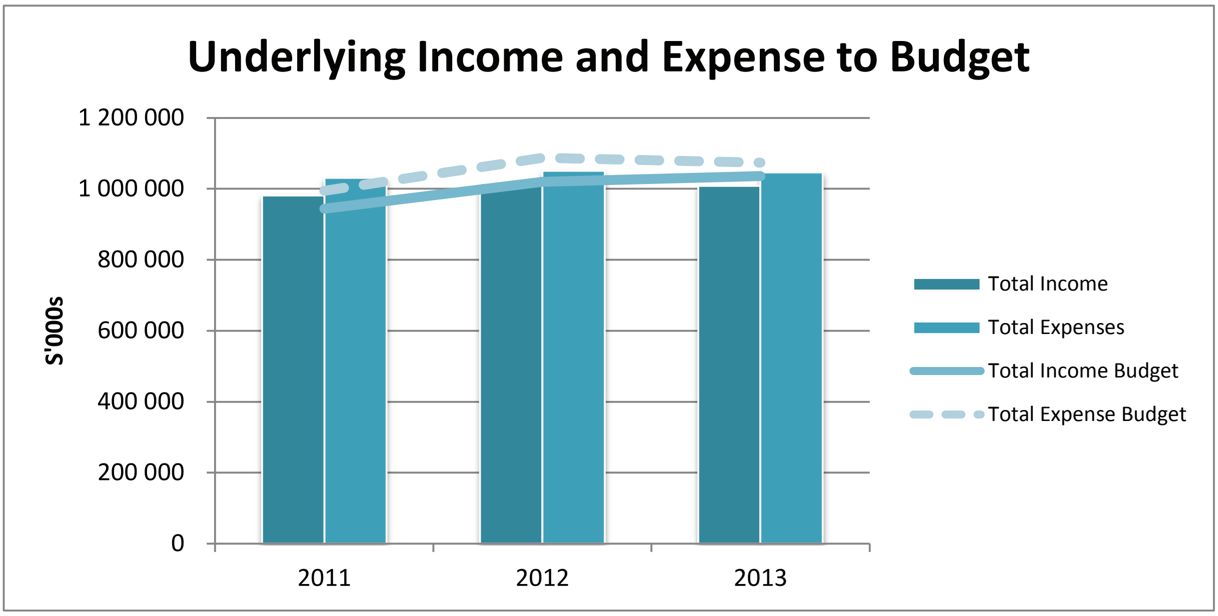


The graph above highlights relevant aspects of the Department's financial performance:

- Net Result – over the three years the net result has diminished from a surplus of $166.663m in 2010-11 to a deficit of $19.639m in 2012-13. The main driver for the decline was the completion of the Building the Education Revolution (BER) funding which at its peak in 2010-11 injected $190.221m of capital funding into the Department increasing the Net Result.
- Underlying Deficit - this represents the Net Result From Transactions (excluding capital funding referred to above). The result for 2012-13 was consistent with 2011-12 which was an increase on the result in the prior year, 2010-11. The improved result in 2011-12 and 2012-13 was largely influenced by there being lower levels of Capital Investment Program expenses throughout each year.



The Department's financial position strengthened over the three years with Net Assets increasing from $1.526bn in 2010-11 to $1.648bn in 2012-13. The main drivers of this increase were the BER funded works and the revaluation and subsequent indexation of land, buildings and other assets over the three years.



Over the three year period, the Department has moved from exceeding both budgeted income and expenses in 2010-11 to achieving under budget results for both income and expenses in 2012-13.

In 2012-13, both Total Income and Total Expenses were down on budget by $27.596m and $28.582m respectively, resulting in a marginal $0.986m reduction in the budgeted deficit for the year.

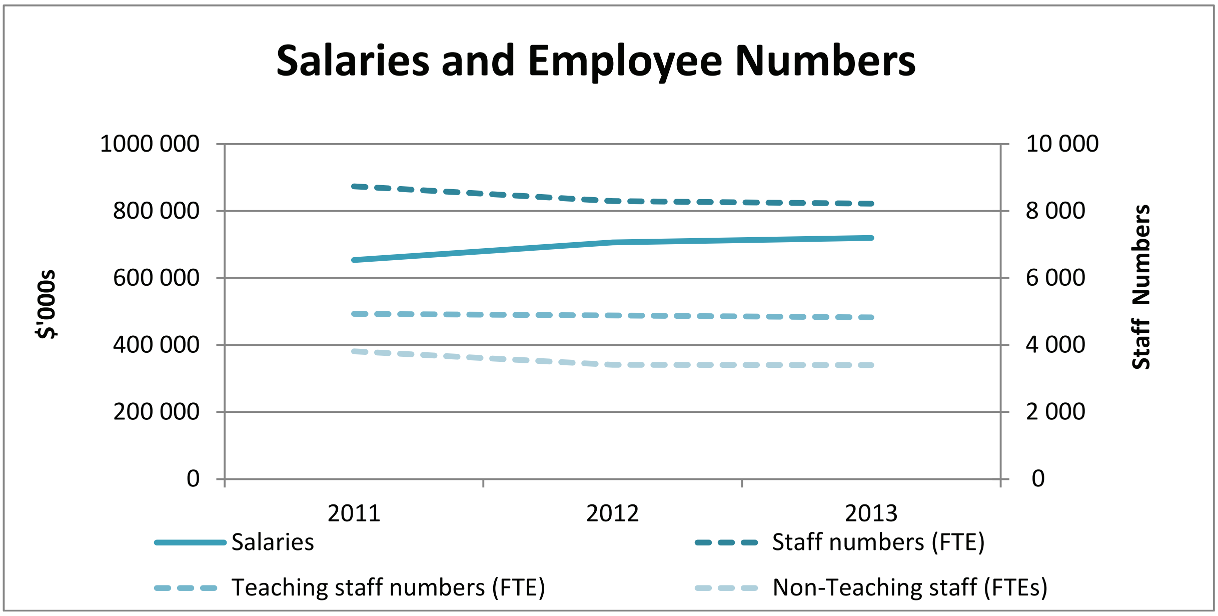
Income was $27.596m down on budget due to:

- a reduction in recurrent appropriation relating to the abolition of payroll tax for Inner Government Agencies of $25.411m

- lower than budgeted revenue from Government associated with the carry forward under section 8A(2) of the *Public Account Act 1986* from 2011-12 financial year not being fully expended and therefore $7.674m was repaid to Treasury. In addition, at the time of the budget development the estimated carry forward was $16.465m but actual approved carry forward was $13.227m. These two factors resulted in a lower than budgeted Other Revenue from Government of $10.912m
- unbudgeted timing differences of $9.185m relating to grant revenue from the Australian Government for National Partnerships
- increase in contributions received from the Tasmanian Risk Management Fund of $11.800m for the cost of providing temporary school facilities and the rebuilding of the Dunalley Primary School.

Expenses were $28.582m down on budget due to:

- the associated reduction in expenses relating to the abolition of payroll tax for Inner Government Agencies of $25.411m and the Australian Government for National Partnerships grant revenue of $9.185m both noted above
- offset increased in depreciation of $11.095m due to a number of budgeted outcomes relating to asset sales, demolition and other useful life assumptions not being met.



Note – FTE numbers for 2011-12 as reported in the previous report to Parliament and the Annual Report have been adjusted to provide a more comparable basis. Previous reported numbers (4 701 Teaching and 2 847 Non-Teaching) were lower due to the timing (20 June) that the data was sourced which was during school holidays. The FTEs reported above were sourced in the following pay period (4 July) when school staff had returned from holidays.

In addition, Non-Teaching FTEs for 2010-11 have also been adjusted to that reported in the previous report to Parliament (2 864) as it incorrectly excluded a number of Polytechnic, Shared Services and Statutory Authority staff.

As reported in the 2011-12 report to Parliament, between 2010-11 and 2011-12 staff numbers (FTE) decreased by 360, from approximately 8 661 to 8 301. The decrease in FTE was a result of the issuance of early retirement and Workforce Renewal Incentive Program (WRIP) packages to accepting staff. Despite the decline in FTE, salary costs continue to trend upwards with the key drivers being agreed annual increases and early retirement packages. Early retirement packages were taken during 2011-12 by 325 staff which totalled $4.870m which accounts for the majority of increase in salaries for that year.

For 2012-13 the trend was much more stable with a 1% or 75 FTE decrease in total staff numbers and an overall 2%, or $13.211m, increase in salaries. The increase in salaries was driven mostly by the average wage increase during the period.

ADMINISTERED FINANCIAL TRANSACTIONS

Administered transactions are those the Department managed on behalf of Government. These transactions are not shown in the Department's Statements of Comprehensive Income, Financial Position or Cash Flows.

The Department's Administered statements primarily relate to the funding of non-Government schools.

The nil Net Surplus (Deficit) attributable to the State was relatively consistent with prior year balance and in line with budget. The overall Net Result of $0.171m was a function of increased payment of funding amounts through grants and subsidies, which slightly exceeded the revenue received through grants and recurrent revenue.

CHAPTER APPENDICES

STATEMENT OF COMPREHENSIVE INCOME

	2012-13 Budget $'000s	2012-13 Actual $'000s	2011-12 Actual $'000s	2010-11 Actual $'000s
Revenue from Government - recurrent	893 214	866 773	926 677	911 999
User charges, fees, fines and other revenue	72 907	69 626	77 190	51 268
Interest revenue	1 614	1 217	2 035	2 222
Australian Government grants	67 758	58 573	3 419	2 937
Gain(loss) on sale of non-financial assets	237	1 023	(3 777)	2 030
School levies	0	10 922	9 530	10 322
Total Revenue	**1 035 730**	**1 008 134**	**1 015 074**	**980 778**
Employee benefits	693 153	719 846	706 635	654 146
Depreciation	41 184	52 279	49 454	31 281
Grants and subsidies	50 859	59 182	44 623	112 951
Supplies and consumbles	237 974	184 604	207 571	182 288
Impairment losses	0	83	360	296
Other expenses	50 899	29 493	41 812	49 315
Total Expenses	**1 074 069**	**1 045 487**	**1 050 455**	**1 030 277**
Underlying Surplus (Deficit)	**(38 339)**	**(37 353)**	**(35 381)**	**(49 499)**
Revenue from Government - works	28 515	17 714	68 825	215 165
Asset brought to account for first time	0	0	111	117
Insurance recovery re school damage	0	0	0	880
Transitional data transfer	0	0	(14 346)	0
Net Surplus (Deficit)	**(9 824)**	**(19 639)**	**19 209**	**166 663**
Other Comprehensive Income				
Changes in asset revaluation reserve	26 368	64 642	66 548	59 322
Comprehensive Surplus (Deficit)	**16 544**	**45 003**	**85 757**	**225 985**

STATEMENT OF FINANCIAL POSITION

	2013 $'000s	2012 $'000s	2011 $'000s
Financial Assets			
Cash and deposits	53 570	66 553	60 547
Receivables	17 137	12 047	14 285
Non-financial Assets			
Assets held for sale	11 206	11 427	16 487
Heritage assets	64 153	63 343	60 337
Plant and equipment	8 554	9 514	9 301
Land and buildings	1 638 787	1 606 015	1 525 072
Library book stock	15 095	16 790	18 490
Other assets	2 780	1 818	2 139
Total Assets	**1 811 282**	**1 787 507**	**1 706 658**
Liabilities			
Payables	8 086	11 978	12 230
Employee benefits	150 544	154 249	148 603
Other liabilities	4 846	15 474	20 200
Total Liabilities	**163 476**	**181 701**	**181 033**
Net Assets	**1 647 806**	**1 605 806**	**1 525 625**
Reserves	385 387	320 745	254 197
Accumulated funds	1 262 419	1 285 061	1 271 428
Total Equity	**1 647 806**	**1 605 806**	**1 525 625**

STATEMENT OF CASH FLOWS

	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s
Receipts from Government - recurrent	866 773	932 956	921 064
User charges, other cash receipts, fees and fines	57 433	68 004	53 604
Grants	58 573	3 419	1 557
School levies	10 922	9 530	10 322
GST receipts	33 440	43 853	58 436
Interest received	1 217	2 035	2 216
Payments to employees	(723 551)	(700 989)	(645 367)
Grants and subsidies	(57 911)	(44 623)	(116 403)
Other cash payments	(215 804)	(260 960)	(238 004)
GST payments	(32 160)	(42 644)	(56 618)
Cash from (used in) Operations	**(1 068)**	**10 581**	**(9 193)**
Proceeds from disposal of assets	2 502	917	2 078
Appropriations - works and services	15 300	61 384	188 618
Other Revenue from Government	0	1 162	12 206
Payments for acquisition of assets	(29 717)	(68 038)	(197 892)
Cash from (used in) Investing Activities	**(11 915)**	**(4 575)**	**5 010**
Cash inflow (outflow) on administrative restructure	0	0	1 415
Cash from (used in) Financing Activities	**0**	**0**	**1 415**
Net Increase (Decrease) in Cash	**(12 983)**	**6 006**	**(2 768)**
Cash at the beginning of the year	66 553	60 547	63 315
Cash at End of the Year	**53 570**	**66 553**	**60 547**

FINANCIAL ANALYSIS

	Bench Mark	2012-13	2011-12	2010-11
Financial Performance				
Underlying result ($'000s)		(37 352)	(35 381)	(49 499)
Own source revenue		81 765	88 755	63 812
Financial Management				
Debt collection	30 days	78	51	85
Creditor turnover	30 days	12	17	14
Asset Management				
Investment gap %	100%	57%	138%	633%
Asset consumption ratio	100%	70%	617%	532%
Other Information				
Teaching staff numbers (FTEs)		4 824	4 887	4 927
Non-Teaching staff (FTEs)		3 402	3 414	3 815
Total staff numbers (FTEs)		8 226	8 301	8 742
Average staff costs ($'000s)		88	85	75
Average Annual Leave balance per FTE (days)	20	13.20	13.16	11.27
Average Long Service Leave balance per FTE (days)	100	48.68	48.24	32.05

Note - the Average Annual Leave balance per FTE is based on non-teaching staff only due to the unique way in which teaching staff accrue leave.

** Non-teaching FTEs for 2010-11 have also been adjusted to that reported in the previous report to Parliament (2 864) as it incorrectly excluded a number of Polytechnic, Shared Services and Statutory Authority staff.*

ADDITIONAL FINANCIAL INFORMATION

ADMINISTERED STATEMENT OF COMPREHENSIVE INCOME

	2012-13 Budget $'000s	2012-13 Actual $'000s	2011-12 Actual $'000s	2010-11 Actual $'000s
Revenue from Government - recurrent	236 694	233 524	231 895	255 840
Australian Government grants	569	2 703	661	2 308
Sale of goods, services, fees and fines	343	167	177	196
Other revenue	0	9	5	22
Total Revenue	**237 606**	**236 403**	**232 738**	**258 366**
Grants and subsidies	236 694	236 232	231 877	255 840
Total Expenses	**236 694**	**236 232**	**231 877**	**255 840**
Underlying Surplus (Deficit)	**912**	**171**	**205**	**2 526**
Transfer to Consolidated Fund	912	171	864	2 529
Net Surplus (Deficit) Attributable to the State	**0**	**0**	**(3)**	**(3)**
Other Comprehensive Income	**0**	**0**	**0**	**0**
Comprehensive Surplus (Deficit)	**0**	**0**	**(3)**	**(3)**

DEPARTMENT OF HEALTH AND HUMAN SERVICES (including Housing Tasmania and Ambulance Tasmania)

CHANGE IN REPORTING

In previous reports to Parliament separate Chapters were prepared for each Department (consolidated results), Housing Tasmania and Ambulance Tasmania. This year only one chapter is included.

The establishment of the three Tasmanian Health Organisations (THOs) effective 1 July 2012 makes comparative assessment of the financial performance of the Department problematic. As a result a new separate Chapter has been prepared consolidating the Department and the three THOs and comparison against budget has not been made here.

SNAPSHOT

The Department's financial results changed significantly this year for the following main reasons:

- Establishment of the three THOs impacted on the quantum and type of expenditure managed by the Department and reported in its financial statements. As a result, revenues and expenditures both decreased. A major new cost is Grants and subsidies being activity based and block funded grants to THOs.
- Assets totalling $64.010m constructed during 2012-13 by the Department and transferred to THOs once commissioned. This was recorded as Grant expenditure.
- Housing Tasmania commenced its Better Housing Futures program this year. Stage 1 involved the transfer of 496 properties, worth $62.263m, in the Rokeby and Clarendon Vale suburbs to Mission Australia Housing. This was recorded as Grant expenditure and was, together with the transfer of commissioned assets to THOs mentioned previously the primary reason for the Net Result being a deficit of $57.897m.
- As part of an agreement between Housing Tasmania and Brighton Council, Housing Tasmania transferred eight vacant lots worth $0.465m to Brighton Industrial and Housing Corporation, a wholly owned subsidiary of Brighton Council.
- Net Assets decreased by $486.090m due principally to the transfer of assets and liabilities to the new THO's on 1 July 2012 totalling $462.589m, the main components of which were land and buildings and employee entitlements. The transfer was recorded as charge against the Department's accumulated funds.
- On 1 July 2013 the Department transferred its state-wide clinical services and mental health activities to the three THOs resulting in the transfer of net assets totalling $9.869m and budgeted costs of $125.742m.

Our audits identified a number of internal control and other weaknesses in the operations conducted and systems used by Departmental staff. This resulted in extending our substantive testing in these areas to meet potential audit risk and in reports to the Secretary noting areas for improvement.

We also noted that:

- the Department's Audit and Risk Committee did not meet in 2012-13.
- a number of high level strategic risk management related documents were out of date.
- a service level agreement between the Department's shared services unit and the THOs had not been finalised.

- Tasmanian Affordable Housing Limited submitted its financial statements 75 days after the statutory deadline (2012, 71 days).

The audit was completed on time with no other items outstanding.

INTRODUCTION

The Department is responsible for delivering integrated services that maintain and improve the health and wellbeing of Tasmanians. Service delivery is achieved through direct provision of services by the Department or through service agreements or contracts with provider organisations. Following the establishment of THOs, the Department, on behalf of the Minister for Health, has entered into service agreements with the THOs and monitors performance against these agreements.

KEY AREAS OF AUDIT ATTENTION

Description of Area	Audit Approach
The establishment of THOs had a major impact on our audit approach. Previously immaterial areas of the Department became significant from the financial reporting point of view. These areas include Children and Youth Services and Disability Services. While the majority of transactions are processed centrally, historically the Department operates within a decentralised organisational structure. This increased the risk of: • departure from the entity's internal controls • ineffective monitoring of controls • opportunity for misappropriation of assets • misstatement of balances in the financial statements.	We obtained and documented an understanding of these areas, the systems used and their interface with the general ledger. We then conducted controls/substantive testing of these systems. Testing of internal controls was carried out at different locations, on a rotational basis. In addition to tests of controls, we performed substantive procedures around revenue and expenditure cut-off. This testing aimed to mitigate the risk of misstatement due to potential transaction processing inconsistencies by different units or locations. We also reviewed outcomes of Internal Audit compliance reviews, carried out at different units and locations throughout the Department.
Based on our previous experience in auditing the Department, we anticipated delays in receiving and processing invoices from suppliers. Cut-off errors can significantly affect financial results.	We searched for unrecorded liabilities and performed cut-off tests by selecting transactions from both before and after year-end.
Rental dwellings and vacant land are measured at fair value. The fair value is based on information provided by the Valuer-General, including indices in years between revaluations. The size of the housing portfolio increases the risk that the financial statements may be materially misstated.	We agreed land and buildings to the Valuer General's advice and ensured that all properties were recognised. We also verified significant additions and disposals in the year to supporting documentation.
The Department's workforce has reduced since the creation of THOs. Nevertheless, employee expenses remain a significant expenditure item.	Due to the lack of controls in some key areas of payroll processing, we performed substantive procedures to obtain a sufficient level of assurance that employee expenses were not materially misstated. These procedures included tests of details and analytical procedures.

<table>
<tr><th>Description of Area</th><th>Audit Approach</th></tr>
<tr><td>Employee provisions represent a significant balance on the statement of financial position.</td><td>We placed reliance on the work of internal audit in this area and reviewed the internal audit processes applied and re-performed some of their work.</td></tr>
<tr><td>Land and buildings did not originally form part of THO's opening balances. Subsequently it was decided that these assets would be transferred and recorded by the individual THOs at 1 July 2012.

These land and buildings, along with those remaining with the Department, were revalued during the year.</td><td>We verified opening and closing balances relating to land and buildings and performed audit procedures aimed at confirming the value of land and buildings was not materially misstated, including substantiating movements during the year and depreciation charges.</td></tr>
<tr><td>The Department's financial statements incorporate results and balances of Housing Tasmania and Ambulance Tasmania.

The responsibility for financial reporting of the Department, Housing Tasmania and Ambulance Tasmania is with the Strategic Financial Control Unit, a division within the Department.

The following balances are prepared outside of the Strategic Financial Control Unit by Housing Tasmania:
land - Housing
rental dwellings
work in progress – Rental dwellings
interest bearing liabilities – Housing loans
superannuation liability
rental revenue
maintenance.
Ambulance Tasmania is responsible for invoicing for ambulance services and the maintenance of its fleet of ambulance vehicles. Ambulance Tasmania also has its own superannuation scheme.

The Director of Housing and the Director of Ambulance Service (in both cases this is the Secretary of the Department) is required to prepare special purpose financial reports for each entity which must be audited.</td><td>We considered Housing Tasmania to be a significant component of the Department's financial statements.

We were required, under Auditing Standard ASA 600 Special Considerations – Audits of a Group Financial Report to consider and document, as part of the Department's audit, the scope of audit work undertaken on a significant component. In particular, we ensured that the audit of Housing Tasmania covered:
verification of fair values of housing stock at year end to an independent valuation by the Valuer General
substantiations of additions and disposals in the housing portfolio
testing of material capital expenditure and the allocation between maintenance and capital
verification of future commitments
verification of interest bearing liabilities to underlying records and disclosure
testing of controls over rental income.
Requirements of ASA 600 also extended to components that are not significant, in this case Ambulance Tasmania. However, the extent of additional audit work was no less onerous.</td></tr>
</table>

AUDIT OF THE 2012-13 STATEMENTS

Signed Departmental financial statements were received on 15 August 2013, with amended financial statements received on 26 September 2013. An unqualified audit report was issued on 30 September 2013.

Signed Housing Tasmania financial statements were received on 15 August 2013, with amended financial statements received on 26 September 2013. An unqualified audit report was issued on 27 September 2013.

Signed Ambulance Tasmania financial statements were received on 15 August 2013, with amended financial statements received on 26 September 2013. An unqualified audit report was issued on 30 September 2013.

KEY FINDINGS

A number of control weaknesses were identified in the operations conducted, and systems used, by the Department. Although some of the control weaknesses noted were minor, they were identified in several systems, including payroll processing, expenditure and cash systems.

Because these systems are operated and maintained by the Shared Services Division of the Department, identified weaknesses also impacted on the accounting controls for the THOs. As a result of these findings, substantive testing was extended in these areas to mitigate the potential audit risk and relevant matters were reported to the Department and THOs.

The Department's Audit and Risk Committee did not meet in 2012-13. This is a contravention of Treasurer's Instruction TI 108 Internal Audit. The Committee has recently been reconstituted with three independent members and one internal representative.

During the audit, it was noted that several high level strategic documents appear to have not been updated. These documents include the Department's Strategic Directions document and noted:

- the Risk Management Policy and Risk Register.

It is anticipated that these matters will be addressed by management in 2013-14 as part of a comprehensive review of risks and risk management framework following the Department's reorganisation.

KEY DEVELOPMENTS

Tasmanian Health Organisations

Starting 1 July 2012, operational management of public hospitals and associated functions was devolved to the newly established THOs. This led to a major shift in the way services are funded and delivered in Tasmania and allows the THOs to be the direct managers of public hospitals. This also had a significant impact on the quantum and type of expenditure managed by the Department and presented in its financial statements. For example:

- recurrent appropriation to the Department dropped by $433.788m
- sales of goods and services dropped by $85.783m
- salaries and wages dropped by $725.883m
- grants and subsidies paid increased by $484.883m.

Better Housing Futures

The Better Housing Futures program (BHF) is a Government initiative under the National Affordable Housing Agreement, where the responsibility for tenancy and property management for around 4 000 public housing properties will be transferred to community housing organisations. The Director of Housing will continue to hold title to these properties and the community housing organisations will maintain the properties and manage the tenancies. Stage 1 of BHF commenced in March 2013 with the transfer of 496 properties in the Rokeby and Clarendon Vale suburbs to Mission Australia Housing.

The management agreement for BHF Stage 1 is for a ten-year period and will effectively provide control of the future economic flows from the assets to Mission Australia. For this reason, the value of land and buildings transferred, totalling $62.263m has been taken off the Statement of Financial Position and disclosed as a contingent asset instead. The transfer was treated as a grant expense in the Statement of Comprehensive Income.

Brighton Industrial and Housing Corporation

Housing Tasmania is taking part in a new housing initiative developed by Brighton Council. The Brighton Industrial and Housing Corporation (BIHC) is a public-private shared equity scheme based on Government's HomeShare model. Under an agreement between the Director of Housing, Brighton Council and BIHC, Housing Tasmania and Brighton Council will transfer, at no consideration, land to BIHC for sale as house and land packages. Proceeds from sales will be utilised by BIHC to further develop land in the area. Housing Tasmania transferred eight vacant lots to BIHC during 2012-13 worth $0.465m.

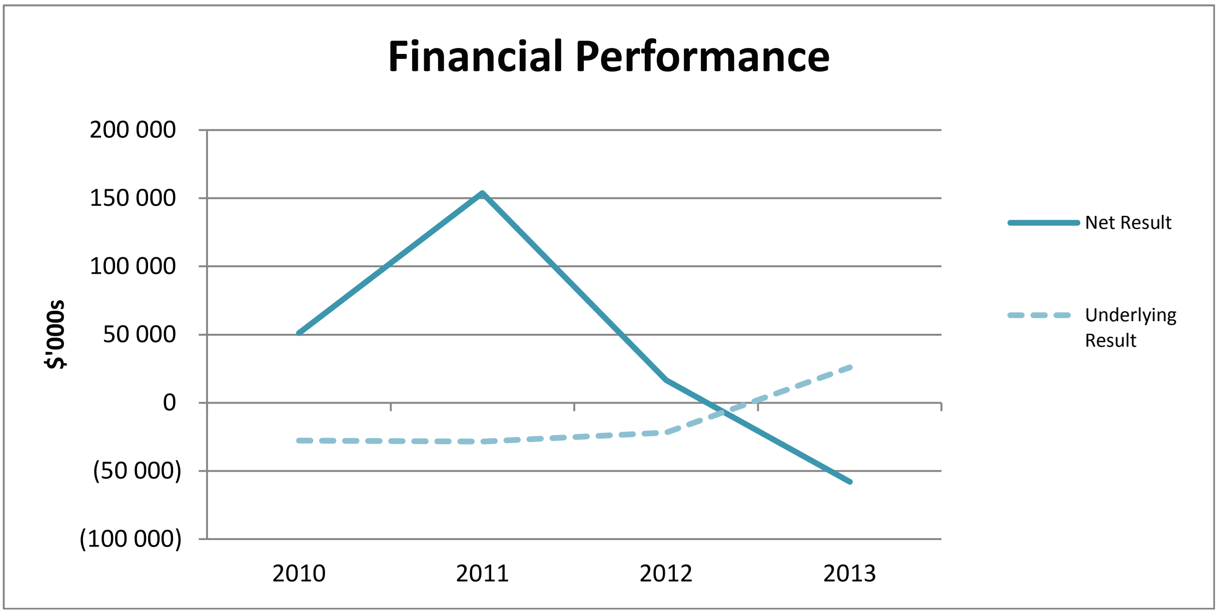
Transfer of Services to THOs

On 1 July 2013, the State-wide and Mental Health Services clinical services transferred from the Department to the respective THOs. Under the changes, Mental Health Services (North, North West and South) transferred to the respective THOs, while state-wide Forensic Medical Services are now provided through THO South. A new central Mental Health/Alcohol and Drug Services unit commenced operating within the Department with state-wide responsibilities including strategic policy, national reform and the Office of the Chief Psychiatrist.

As a result of the restructure, the Department transferred to THOs Net Assets totalling $9.869m and budgeted cost of $125.742m.

FINANCIAL ANALYSIS

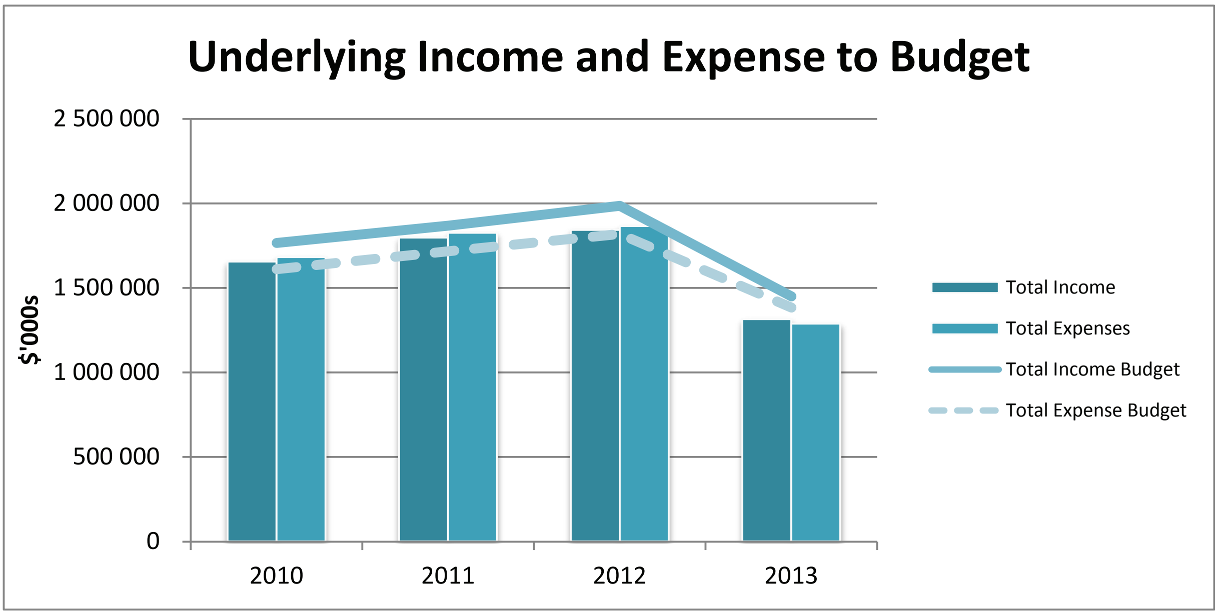
The implementation of the National Health Reform significantly impacted the transactions and balances of the Department, as operational management for public hospitals, including oral health services, was devolved to THOs. The most significant impact on the Department was a substantial reduction in the annual appropriation, revenues from the sale of goods and services, employee related expenditure, grants and subsidies costs, provisions for leave entitlements and transfer of property, plant and equipment.



In 2012-13, the Department reported an Underlying Surplus of $26.104m before accounting for capital grant revenues, $42.334m, less the value of housing stock transferred under BHF, $62.263m, and the value of assets transferred to THOs on completion, $64.010m. Overall, the Department reported a Net Deficit of $57.897m.

The difference between Net and Underlying results illustrates the significance of capital items the Department result. In previous years, the Net Result was considerably impacted by capital funding received for projects funded by the Australian Government's National Partnership Agreement on the Nation Building and Jobs Plan (Economic Stimulus Plan).

The impact of the establishment of the three THO's, effective 1 July 2012 on income and expenses is evident from the graph below.



The establishment of the THO's had a significant impact not only on the quantum but also type of income and expenses controlled by the Department. Apart from the reduction in recurrent appropriation, down $433.788m, the Department's income from Sale of goods and services dropped by $85.783m to $100.085m. This year the major items were rental income from Housing tenants, $75.729m, and Ambulance fees, $5.899m.

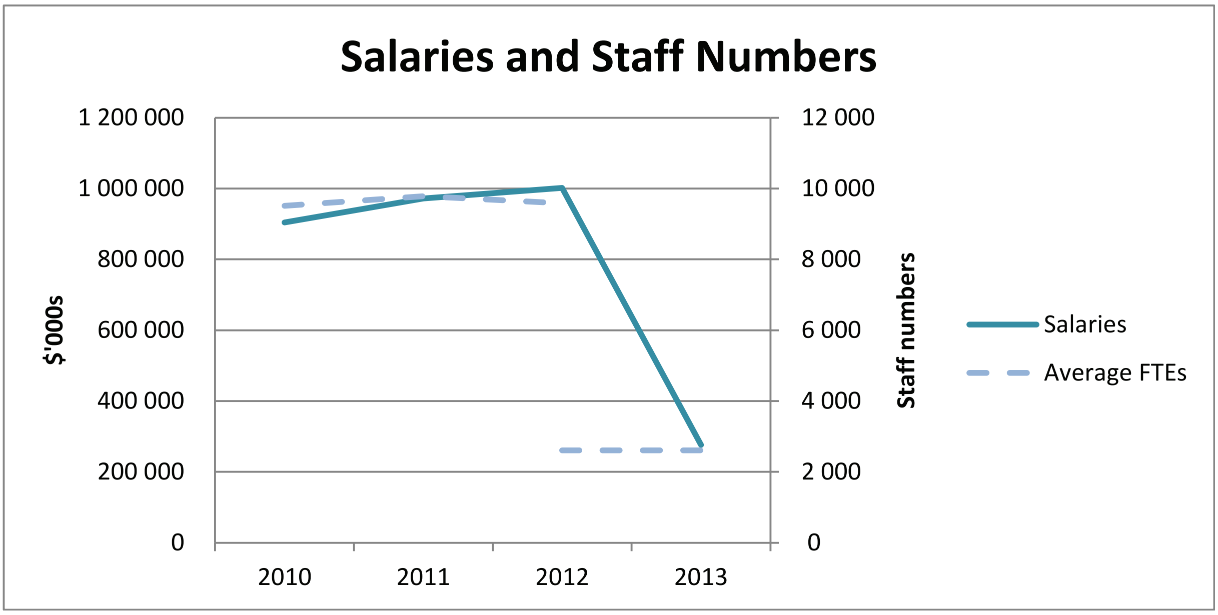
The following table provides details of Housing's core activities:

Rental Revenue Break Down	**2012-13**	**2011-12**	**2010-11**	**2009-10**
	$'000s	$'000s	$'000s	$'000s
Potential rental income	119 837	126 643	118 113	105 725
Rebates	(44 108)	(52 760)	(49 120)	(40 506)
Tenants Contributions	**75 729**	**73 883**	**68 993**	**65 219**
Recurrent maintenance	41 071	35 919	36 840	31 573
Depreciation	27 247	26 641	26 027	26 241
Insurance	4 361	11 762	10 442	9 624
Rates and charges	22 232	21 662	19 498	18 831
Finance costs	9 326	9 623	9 913	10 195
Direct Property Costs	**104 237**	**105 607**	**102 720**	**96 464**
Net Rental Result	**(28 508)**	**(31 724)**	**(33 727)**	**(31 245)**

Net Rental Result for the year was a deficit of $28.508m, which was an improvement on previous years. The improved result was due principally to the decrease in insurance expenses, down $7.401m due to changes in arrangements with the Tasmanian Risk Management Fund, partly offset by an increase in Maintenance, up $5.521m. Under the new insurance arrangements, Housing is responsible for repairs below a $1 000 threshold. These repairs are carried out under the existing multi-trade head contract arrangements. The increase in Maintenance is a combination of an increase in planned maintenance works for the year and changes in the management of insurable damage.

Ambulance fees, $5.899m, increased by $0.383m compared to last year due to additional cases of medical retrievals, worth $0.250m, and a general increase in other ambulance and compensable fees.

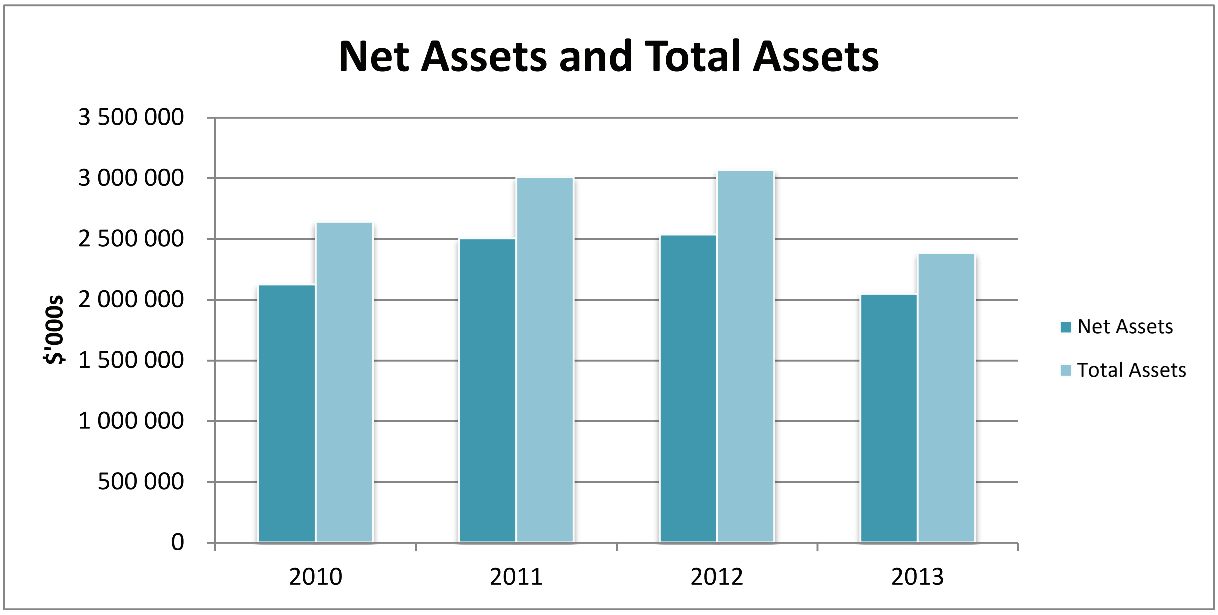
Over 6 500 FTEs were transferred from the Department to THOs on 1 July 2012. As a result, the number of average FTEs employed by the Department reduced to 2 619 (9 290) at 30 June. There was a corresponding decrease in Employee entitlements from $1.002bn in 2011-12 to $276.137m in 2012-13.



The previous graph illustrates the movement in both staff numbers and salaries as a result of the establishment of the THO's.

The Department's Net Assets decreased in 2013 by $486.090m, due principally to the transfer of assets and liabilities to the new THO's on 1 July 2012 totalling $462.589m. The main components the assets and liabilities transferred were:

- cash and deposits, $31.640m
- receivables and other financial assets, $14.859m
- inventories and other assets, $11.212m
- land, buildings, equipment and intangibles, $580.838m
- payables and other liabilities, $26.958m
- provision for employee benefits, $149.002m.



The assets and liabilities transferred to the THO's were accounted for through equity, with each THO recognising the net contribution. Asset revaluation reserves relating to the transferred assets were realised by the Department at the time of the transfer and written-back against accumulated funds.

ADMINISTERED FINANCIAL TRANSACTIONS

As noted previously, from 1 July 2012, Australian Government funds are now expensed through external fund accounts, not the Consolidated Fund and therefore are no longer part of appropriation revenue. This led to a significant change in the Department's Administered Financial Statements, with grant revenue and transfers to the Consolidated Fund no longer being included.

Administered appropriation is now the only revenue item which covers the administered grant expenditure for the Department. The only material administered grant expenses in 2012-13 related to:

- funding to Aurora Energy Pty Ltd for the purpose of providing a subsidy to eligible Tasmanian pensioners and Health Care Card holders on their electricity accounts
- payments made under the Children Abused in Care program, which was formally closed to new applicants on 15 February 2013. Processing of claims ceased on 30 June 2013.

The only item on the schedule of administered asset and liabilities is payables, relating predominantly to the last quarter payments that were due for the Aurora electricity subsidies.

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2012-13	2011-12	2010-11
	Budget	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from Government - recurrent	1 187 539	1 106 214	1 540 002	1 526 489
Revenue from Special Capital Investment Funds - recurrent	15 463	11 687	13 249	9 850
Grants	135 606	83 176	63 600	59 742
Sale of goods and services	104 626	100 085	185 868	168 958
Interest revenue	725	334	770	2 344
Contributions received	0	1 488	0	90
Other revenue	6 427	11 632	39 554	29 918
Total Revenue	**1 450 386**	**1 314 616**	**1 843 043**	**1 797 391**
Employee entitlements	269 369	276 137	1 002 020	971 688
Depreciation and amortisation	27 363	34 584	61 044	59 467
Supplies and consumables	176 895	212 080	462 719	471 341
Grants and subsidies	875 571	745 306	260 423	234 504
Finance costs	9 326	9 326	9 626	9 913
Other expenses	24 934	11 079	69 056	78 835
Total Expenses	**1 383 458**	**1 288 512**	**1 864 888**	**1 825 748**
Underlying Surplus (Deficit)	**66 928**	**26 104**	**(21 845)**	**(28 357)**
Profit (loss) on sale of assets	5 352	(5 548)	(4 941)	2 437
Impairment of non-finanical assets	0	(2 164)	(1 842)	(2 731)
Impairment of loans and receivables	0	(613)	(2 767)	(910)
Revenue from Government - capital	7 928	15 164	58 040	141 518
Revenue from Special Capital Investment Funds - capital	62 761	27 170	49 678	43 127
Social housing grant	0	(62 263)	(45 764)	0
Actuarial superannuation adjustment	0	8 263	(13 921)	(1 235)
Assets transferred to THOs on completion	0	(64 010)	0	0
Net Surplus (Deficit)	**142 969**	**(57 897)**	**16 638**	**153 849**
Other Comprehensive Income				
Changes in physical asset revaluation reserve	(38 468)	34 396	13 261	226 666
Comprehensive Surplus (Deficit)	**104 501**	**(23 501)**	**29 899**	**380 515**

STATEMENT OF FINANCIAL POSITION

	2013	2012	2011	2010
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	76 385	85 650	61 035	83 232
Receivables	5 919	22 783	21 457	21 023
Loan advances	3 730	4 567	5 855	7 130
Equity investments	6 782	4 623	3 152	2 459
Other financial assets	4 838	6 720	10 015	7 363
Non-financial Assets				
Inventory	6 008	13 832	11 265	11 896
Assets held for sale	5 513	6 093	8 841	6 161
Property, plant and equipment	2 255 589	2 898 600	2 867 035	2 486 379
Intangibles	12 574	16 399	13 716	11 952
Other non-financial assets	4 340	5 090	5 377	2 491
Total Assets	**2 381 678**	**3 064 357**	**3 007 748**	**2 640 086**
Liabilities				
Payables	9 184	38 760	40 431	42 720
Interest bearing liabilities	202 840	209 808	216 620	223 289
Other financial liabilities	0	36 147	31 367	19 614
Superannuation liability	20 698	29 228	15 645	14 877
Employee entitlements	61 792	208 492	183 930	176 753
Other liabilities	38 901	7 569	15 888	39 549
Total Liabilities	**333 415**	**530 004**	**503 881**	**516 802**
Net Assets	**2 048 263**	**2 534 353**	**2 503 867**	**2 123 284**
Contributed capital	6 094	6 094	6 094	6 094
Accumulated funds	101 919	606 870	589 645	435 728
Reserves	1 940 250	1 921 389	1 908 128	1 681 462
Total Equity	**2 048 263**	**2 534 353**	**2 503 867**	**2 123 284**

STATEMENT OF CASH FLOWS

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Receipts from Government - recurrent	1 107 707	1 537 214	1 523 494	1 395 917
Receipts from special capital investment funds - recurrent	11 687	13 249	9 850	11 354
Grants	83 176	63 666	60 113	59 947
Sales of goods and services	95 876	187 139	165 597	155 476
Interest received	381	701	2 071	1 593
Other cash receipts	11 632	41 306	38 315	32 349
GST receipts	51 779	87 293	87 780	70 823
Payments to employees	(275 505)	(977 146)	(965 812)	(904 617)
Supplies and consumables	(222 009)	(469 113)	(480 365)	(454 973)
Community grants	(745 306)	(260 833)	(233 987)	(191 213)
Finance costs	(9 326)	(9 626)	(9 913)	(10 197)
Other cash payments	(10 156)	(79 467)	(79 053)	(75 889)
GST Payments	(46 088)	(85 912)	(90 569)	(70 412)
Cash from (used in) Operations	**53 848**	**48 471**	**27 521**	**20 158**
Receipts from Government - capital	15 164	60 945	125 472	74 454
Receipts from special capital investment funds - capital	27 170	50 222	42 583	22 121
Proceeds from disposal of assets	8 525	12 662	17 942	26 147
Receipts from investments	1 563	1 167	1 186	1 445
Payments for acquisition of assets	(75 015)	(141 479)	(229 485)	(110 252)
Payment for equity investment	(1 911)	(561)	(747)	(755)
Cash from (used in) Investing Activities	**(24 504)**	**(17 044)**	**(43 049)**	**13 160**
Repayment of borrowings	(6 969)	(6 812)	(6 669)	(6 532)
Transferred out on establishment of THOs	(31 640)	0	0	0
Cash from (used in) Financing Activities	**(38 609)**	**(6 812)**	**(6 669)**	**(6 532)**
Net Increase (Decrease) in Cash	**(9 265)**	**24 615**	**(22 197)**	**26 786**
Cash at the beginning of the year	85 650	61 035	83 232	56 446
Cash at End of the Year	**76 385**	**85 650**	**61 035**	**83 232**

FINANCIAL ANALYSIS

	Bench Mark	2012-13	2011-12	2010-11	2009-10
Financial Performance					
Underlying surplus (deficit) ($'000s)		26 104	(21 845)	(28 357)	(27 770)
Own source revenue ($'000s)		112 051	226 192	201 220	194 918
Financial Management					
Debt collection	30 days	26	30	28	35
Creditor turnover	30 days	5	9	13	16
Asset Management					
Rental Dwellings (Housing)					
Asset investment ratio	>100%	17.9%	67.4%	228.4%	266.1%
Asset sustainability ratio	100%	10.3%	4.8%	7.3%	19.0%
Other Information					
Average staff numbers (FTEs)		2 619	9 585	9 788	9 509
Average staff costs ($'000s)		105	105	99	95
Average recreational leave balance per FTE (days)	20	15	22	20	20
Average long service leave balance per FTE (days)	100	35	40	42	39

ADDITIONAL FINANCIAL INFORMATION

ADMINISTERED INCOME AND EXPENSES

	2012-13	2012-13	2011-12	2010-11
	Budget	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from Government - recurrent	37 288	36 696	34 859	37 550
Australian Government grants	0	0	45 479	46 133
Total Revenue	**37 288**	**36 696**	**80 338**	**83 683**
Grants and subsidies	37 288	37 782	35 720	38 734
Supplies and consumables	0	3 988	0	0
Total Expenses	**37 288**	**41 770**	**35 720**	**38 734**
Underlying Surplus (Deficit)	**0**	**(5 074)**	**44 618**	**44 949**
Transfer to Consolidated Fund	0	0	46 057	44 020
Net Surplus (Deficit)	**0**	**(5 074)**	**(1 439)**	**929**

Housing Tasmania

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Attributed recurrent appropriation	41 940	40 275	49 185	42 375
Attributed revenue from Special Capital Investment Funds	1 788	1 250	3 164	0
Rental revenue	75 729	73 883	68 993	65 219
Other revenue	4 729	6 538	6 489	7 515
Total Revenue	**124 186**	**121 946**	**127 831**	**115 109**
Employee benefits	14 330	17 047	17 809	16 913
Depreciation	27 247	26 641	26 027	26 241
Grants and subsidies	15 228	12 534	12 843	4 202
Property cost	67 664	69 343	66 780	60 028
Finance costs	9 326	9 623	9 913	10 195
Other expenses	11 651	10 580	18 125	17 630
Total Expenses	**145 446**	**145 768**	**151 497**	**135 209**
Underlying Surplus (Deficit)	**(21 260)**	**(23 822)**	**(23 666)**	**(20 100)**
Attributed capital appropriation	5 717	28 974	78 826	51 504
Attributed revenue from Special Capital Investment Funds	6 488	6 703	11 698	9 055
Social Housing grant	(62 858)	(45 764)	0	0
Net gain (loss) on sale of assets	(5 277)	(2 637)	2 054	1 672
Impairment of assets	(2 110)	(1 850)	(2 728)	(7 801)
Impairment of receivables	(1 278)	(800)	(768)	(536)
Net gain on disposal of equity investment	535	(699)	554	0
Actuarial superannuation adjustment	2 421	(5 019)	1 270	21
Net Surplus (Deficit)	**(77 622)**	**(44 914)**	**67 240**	**33 815**
Other Comprehensive Income				
Changes in physical asset revaluation reserve	35 481	(3 983)	201 513	(8 047)
Comprehensive Surplus (Deficit)	**(42 141)**	**(48 897)**	**268 753**	**25 768**

Housing Tasmania

STATEMENT OF FINANCIAL POSITION

	2013	2012	2011	2010
	$'000s	$'000s	$'000s	$'000s
Total financial assets	36 662	29 830	29 313	38 651
Total non financial assets	2 001 241	2 060 947	2 112 167	1 846 908
Total Assets	**2 037 903**	**2 090 777**	**2 141 480**	**1 885 559**
Total financial liabilities	205 735	215 987	222 367	230 296
Total non-financial liabilities	22 574	23 055	18 531	23 434
Total Liabilities	**228 309**	**239 042**	**240 898**	**253 730**
Net Assets	**1 809 594**	**1 851 735**	**1 900 582**	**1 631 829**
Contributed capital	6 094	6 094	6 094	6 094
Accumulated funds	226 188	303 810	348 674	281 434
Reserves	1 577 312	1 541 831	1 545 814	1 344 301
Total Equity	**1 809 594**	**1 851 735**	**1 900 582**	**1 631 829**

Housing Tasmania

FINANCIAL ANALYSIS

	Bench Mark	2012-13	2011-12	2010-11	2009-10
Financial Performance					
Underlying surplus (deficit) ($'000s)		(21 260)	(23 822)	(23 666)	(20 100)
Operating margin	>1.0	0.85	0.84	0.84	0.85
Own source revenue ($'000s)		80 458	80 421	75 482	72 734
Financial Management					
Debt collection	30 days	20	11	9	9
Creditor turnover	30 days	12	20	12	18
Asset Management					
Rental Dwellings					
Asset investment ratio - Rental dwellings	>100%	17.9%	67.4%	228.4%	266.1%
Asset sustainability ratio - Rental dwellings		10.3%	4.8%	7.3%	19.0%
Non-Rental Dwellings					
Asset investment ratio - Non-Rental dwellings	>100%	290.5%	1299.7%	1585.6%	0.0%
Asset sustainability ratio - Non-Rental dwellings		2.3%	0.0%	0.0%	0.0%
Other Information					
Average staff numbers (FTEs)		174	170	217	218
Average staff costs ($'000s)		82	90	82	78
Average recreational leave balance per FTE (days)	20	17	17	16	16
Average long service leave balance per FTE (days)	100	44	44	35	35
Rental dwellings (no. of properties)*		12 845	13 441	13 243	13 082
Occupancy Rate (%)*		98.4%	97.8%	98.7%	99.3%

* *Not subject to audit.*

Ambulance Tasmania

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Attributed revenue from Government- recurrent	48 719	48 608	45 647	39 691
User charges	7 132	5 779	4 607	4 455
Other revenue	4 724	3 421	2 501	742
Total Income	**60 575**	**57 808**	**52 756**	**44 889**
Employee entitlements	41 833	37 940	35 042	28 864
Depreciation	2 835	3 045	2 764	2 153
Supplies and consumables	13 094	15 715	13 768	12 652
Other expenses	1 873	2 825	3 148	2 650
Total Expenses	**59 635**	**59 525**	**54 722**	**46 319**
Underlying Surplus (Deficit)	**940**	**(1 717)**	**(1 966)**	**(1 430)**
Attributed revenue from Special Capital Investment Funds	498	141	2 210	1058
Attributed works and services appropriation	0	10	0	2 091
Attributed recurrent appropriation to capital	3 224	1 287	3 532	2 852
Contributions received	841	1 768	441	0
Capital Contributions	**4 563**	**3 206**	**6 183**	**6 001**
Actuarial superannuation assessment	5 842	(8 902)	(2 505)	2 593
Extended Care Paramedic Program	0	599	0	0
Net Surplus (Deficit)	**11 345**	**(6 814)**	**1 712**	**7 164**
Other Comprehensive Income				
Change in physical asset revaluation reserve	(2 738)	58	219	559
Comprehensive Surplus (Deficit)	**8 607**	**(6 756)**	**1 931**	**7 723**

STATEMENT OF FINANCIAL POSITION

	2013	2012	2011	2010
	$'000s	$'000s	$'000s	$'000s
Total Assets	42 878	39 385	37 154	32 986
Total Liabilities	17 510	22 624	13 635	11 398
Net Assets	**25 368**	**16 761**	**23 519**	**21 588**
Total Equity	**25 368**	**16 761**	**23 519**	**21 588**

TASMANIAN AFFORDABLE HOUSING LIMITED (The Company)

SNAPSHOT

- The Company's improved financial result was mainly due to stable administrative support while total costs declined.
- Property management expenses declined following the continued reduction in the portfolio of houses leased, 71 houses (2011-12, 114 houses) in line with Government policy.
- A Net Surplus of $0.217m was achieved this year.
- Net Assets totalled $1.306m at 30 June.

Other than the continued late submission of the financial statements to audit, the audit was completed satisfactorily with no items outstanding.

INTRODUCTION

The Company was established under the *Corporations Act 2001* (the Act), with the objective of increasing the supply of affordable housing for low income Tasmanians. In 2011, the community shareholding in the Company was transferred to the State Government which, together with the ordinary shareholding, results in the State being the sole shareholder.

Due to changes in Federal and State policies and programs on affordable housing during the 2011 financial year, management of the properties leased by the Company were transferred to Housing Choices Tasmania Pty Ltd, a Company engaged to manage the portfolio. The Government also determined that it did not intend to consent to any extension or renewal of any existing leases in particular as these related to guarantees contained in lease terms. Consequently, no additional leases are being signed, and future obligations are being kept to a minimum. The Company is expected to fulfil its current obligations in relation to the leases of its existing properties.

The Company has a portfolio of 71 leased houses (2012, 114) which are sub-leased to people from the Housing Tasmania waiting list. Tenants leasing the properties from the Company pay a discounted rental. The Company receives grant funding from the Department of Health and Human Services for:

- the difference between the rent received from tenants and that paid to property owners and
- administration costs.

Of the 71 leased houses remaining in the portfolio, the leases of 49 houses expire in 2013-14, with the final lease expiring in January 2016.

The Responsible Minister is the Minister for Human Services.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 30 October 2013 and an unqualified audit report was issued on the same day.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

The Company was required under section 17 of the *Audit Act 2008* to submit its financial statements to the Auditor-General within 45 days after the end of the financial year. Receipt of signed financial statements on 30 October 2013 meant that the Company was 75 days late, (2012, 71 days). The Company is yet to meet its financial reporting obligations.

A key area of audit attention was identified which was the lack of segregation of duties because of the Company's small size. This risk was mitigated to an acceptable level by the nature and extent of audit testing we performed.

Other than the continued late submission of the financial statements (see comments below) the audit was completed satisfactorily with no items outstanding.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12
	$'000s	$'000s
Rental revenue from subsidised housing	599	927
Government grants – operating	566	749
Government grants – administration	431	406
Interest	32	40
Total Revenue	**1 628**	**2 122**
Property management	1 375	2 029
Other	35	46
Total Expenses	**1 411**	**2 076**
Net Surplus (Deficit)	**217**	**47**

STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Cash and cash equivalents	1 383	1 271
Trade and other receivables	162	146
Total Assets	**1 545**	**1 417**
Trade and other payables	101	57
Provisions	138	271
Total Liabilities	**239**	**328**
Net Assets	**1 306**	**1 089**
Total Equity	**1 306**	**1 089**

The Company's financial results were impacted by the reduction in the portfolio of houses leased leading to reductions in:

- Property management expenses paid to Housing Choices Tasmania, 32.23%
- Rental revenue from subsidised housing, 35.41%
- Government grants – operating, 24.41%.

These factors combined with the government operating support grant resulted in an improvement to the Net Surplus of $0.271m.

The surplus contributed to higher Net Assets which was mainly in a higher cash balance offset partially by a reduction in Provisions, being the estimated costs required for property refurbishment, or 'make-good', at the end of the lease terms.

DEPARTMENT OF INFRASTRUCTURE, ENERGY AND RESOURCES

SNAPSHOT

- The Department reported an Underlying Deficit of $75.771m, which was $9.148m higher than the deficit reported last year mainly because of higher operational maintenance costs.
- Significant clean-up costs were incurred after the January 2013 bushfires, totalling $5.200m.
- Capital funding totalled $98.330m and was significantly lower than in previous years. The Department received $640.859m in capital funding over the past four years.
- In 2011 the Department impaired land under roads to the value of $621.221m. This year, $38.351m of that impairment was reversed.
- A revaluation of road infrastructure assets resulted in a revaluation increment of $116.519m.
- Comparatives in the Statement of Financial Position were amended to retrospectively recognise a liability of $5.447m in relation to mine deposit bonds.

A major development this year included the Department taking a key role in managing the Abt Railway and finding a new operator after the previous operator cancelled the lease. Both State and Australian Governments committed funding for infrastructure maintenance and capital improvements.

Major variations between the 2012-13 and 2011-12 financial years were:

- Sales of administered goods and services were $20.770m lower this year, mainly due to a reduction in mineral royalties of $20.807m
- higher Grants and subsidies expenses, $18.094m, due to additional grant funding of $14.500m for the temporary assistance to exporters program during 2012-13. This was also the reason for the increase in grant revenue
- higher Cash and deposits, $18.104m, due to higher than expected cash holdings of road safety levy funds, mine deposit bonds, Abt Railway Ministerial Corporation trust account and higher appropriation funds carried forward
- higher Other liabilities, $6.646m, due primarily to higher appropriation carry forwards of $6.629m at 30 June 2013.

No high risk findings were identified during the audit. However, there were several moderate risk and two low risk audit findings were brought to the Department's attention. The audit was completed satisfactorily with no other items outstanding.

INTRODUCTION

The Department provides infrastructure and regulatory services in the areas of transport, road safety, racing, energy and mineral resources.

It is responsible for motor registration and licensing and regulation of minerals exploration and mining leases. Most significantly, it is responsible for asset management and capital works on the State's road network and administration of significant passenger transport and related Government payments.

The Department is predominantly funded by Parliamentary appropriations. Other funding sources include Commonwealth grants, industry grants and miscellaneous recoveries.

KEY AREAS OF AUDIT ATTENTION

Description of Area	Audit Approach
The Department is responsible for asset management and capital works on the State's road network. The last formal valuation of roads was performed in 2008. Since that date, values have been adjusted by appropriate indices annually to ensure they align closely with current replacement cost. The Department revalued road infrastructure assets this year in line with their policy of revaluing assets greater than $50 000 every five years. The value of bridges, land under roads, road reserves and rail corridors were indexed this year.	Recognising the significance of maintenance and capital works, we performed detailed testing of capital expenditure. We: • audited the valuation methodology used by the Department to determine fair values, including testing significant assumptions, the valuation model and the use of residual values • ensured that the asset register was updated correctly and appropriate entries were recorded in the general ledger • examined the indices used to ensure they are appropriate for the purpose, and tested calculations of indexed values and the accounting treatment.
The Department administers a considerable amount of fees and fines, including vehicle registration, motor tax and mineral royalties. It is also responsible for collecting revenue on behalf of external parties (MAIB, State Revenue Office, State Fire Commission) through the Motor Registry System.	We placed reliance on controls in this area. In order to place that reliance, we documented and tested those controls. We also tested the reconciliation between the Motor Registry System to the general ledger.
Mineral Resources Tasmania (MRT) administered revenue from mineral royalties which are based on self-assessments by mining companies. Royalties are calculated and paid based on mined volumes and sales values each quarter. Audits by MRT staff are performed to validate these royalties.	We ensured the Department performed regular reviews of mineral royalties. In addition, we reviewed Internal Audit's revenue process review at MRT.
The responsibility for the operation of Abt Railway reverted to the Department.	The Department prepared, and we audited, a special purpose financial report for the Abt Railway Ministerial Corporation.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 15 August 2013. Amended financial statements were received on 16 September 2013 and an unqualified audit report was issued on 18 September 2013.

KEY FINDINGS

There were no high risk findings identified during the course of the audit. A number of moderate and low risk matters were noted and reported to the Secretary. These included:

- when reviewing the Department's IT systems we noted that password settings could be strengthened in line with what we consider to be best practice
- the Department did not have a policy on recording attractive and portable items below the capitalisation threshold of $5 000 and that a number of policies were out of date
- we recommended improvements to a checklist used for updating fees in the Motor Registry System as a way to enhance controls
- when auditing Property, plant and equipment we noted instances of assets not being recorded or being recorded incorrectly, incorrect depreciation charges being applied to railway infrastructure (corrected in final version of financial statements) and disclosing asset values on a net rather than gross basis as required by the Model Statements.

The Department has indicated it will be taking actions to address each of the findings. Overall, the audit was completed satisfactorily with no other items outstanding.

KEY DEVELOPMENTS

Management of the Abt Railway Ministerial Corporation (The Corporation)

Signed special purpose financial statements were received on 15 August 2013. Amended special purpose financial statements were received on 16 September 2013 and an unqualified audit report was issued on 18 September 2013. The financial statements were signed by the Secretary of the Department as the delegate of the Minister.

Abt Railway is a passenger and freight service which operates as the West Coast Wilderness Railway, which was suspended from the end of April 2013 when a private operator surrendered its lease. The Department was appointed to find a new operator and to manage the maintenance and capital works required to be completed to enable the rail infrastructure to meet safety standards. Both State and Australian Governments committed $3.000m and $6.000m, respectively, towards infrastructure maintenance and capital improvement program. The Department took responsibility for the existing staff and it holds $0.215m in trust to cover employee entitlements.

Attempts to find a suitable operator have not been successful and it is intended that the Corporation will operate the railway in the short-term as an interim measure.

Revaluation of Road Infrastructure

Road infrastructure assets were revalued at 30 June 2013 by in-house engineers. The last revaluation of road infrastructure occurred in 2008. New road construction projects undertaken between 2008 and 2013 were considered to be the best available basis for modelling replacement costs. The replacement value of roads increased to $4.877bn 30 June 2013 and the depreciated value increased to $2.566bn. The revaluation resulted in a revaluation increment of $116.519m.

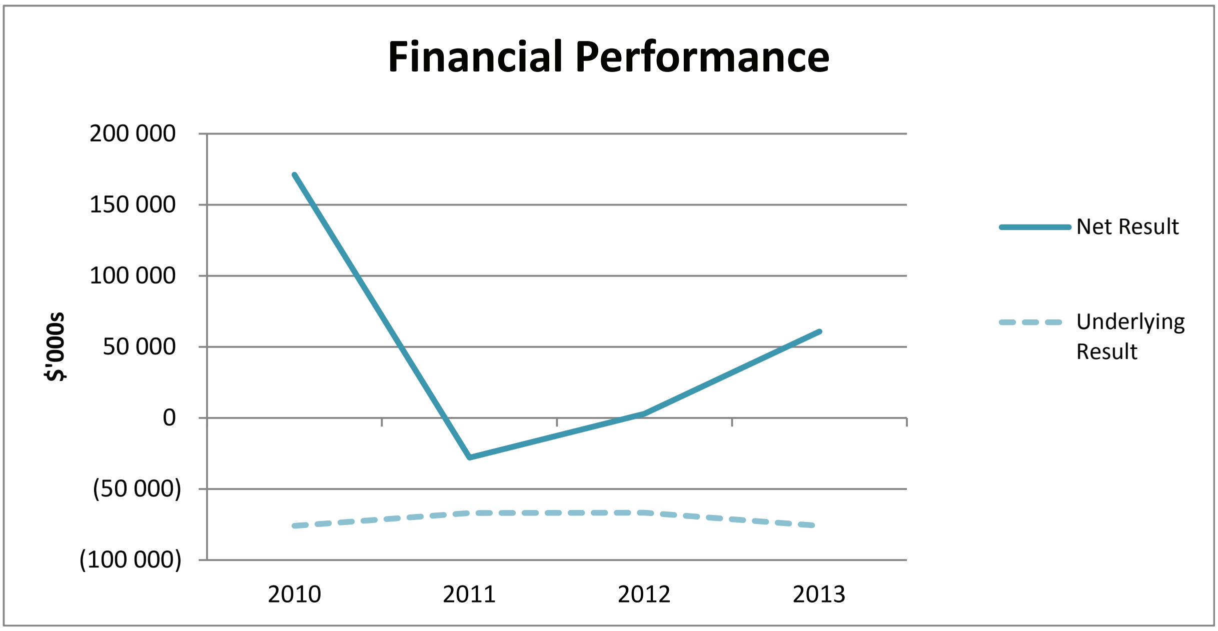
Recognition of Liability for Mine Deposit Bonds

The Department reviewed its accounting policy for mine deposit bonds and decided to recognise these funds as a liability. The bonds represent monies held in trust and were previously recognised through the income statement. The effect of this decision was to retrospectively recognise a liability of $5.447m at 30 June 2012, with the adjustment made to opening accumulated funds.

Liability for Land Acquired Under Compulsory Acquisition Rules

The Department recognised a provision of $6.679m for the estimated compensation payable for land subject to compulsory acquisition.

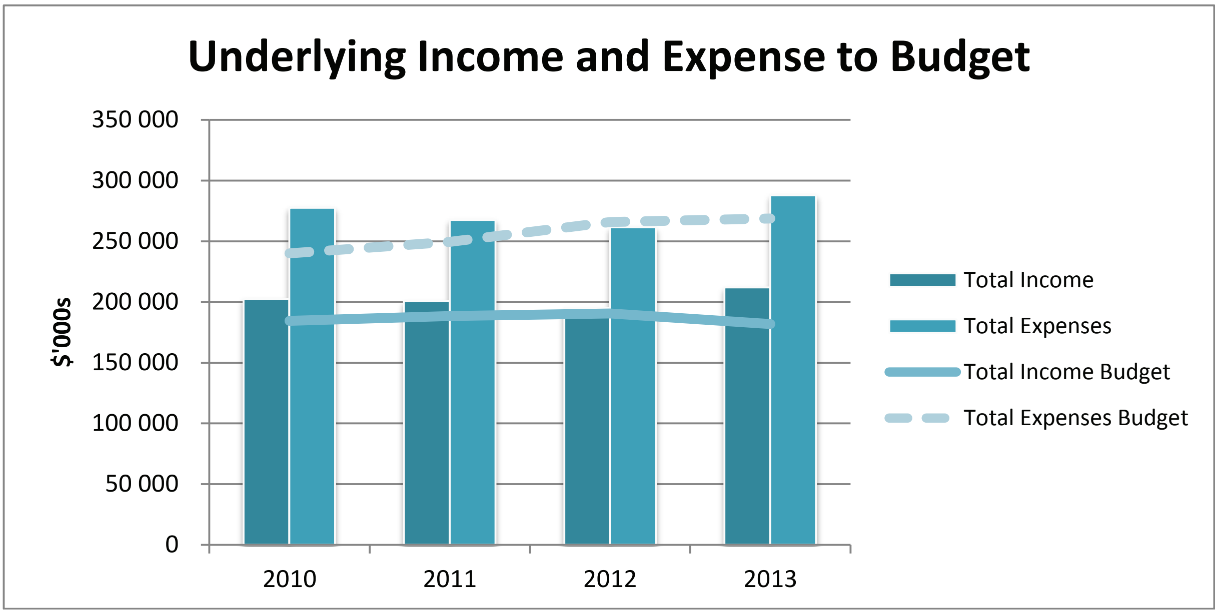
FINANCIAL ANALYSIS



The Department's Underlying Result remained relatively constant over the four year period under review. This year's Underlying Deficit of $75.771m was $9.148m higher than the deficit reported in 2011-12 mainly because of higher operational maintenance costs.

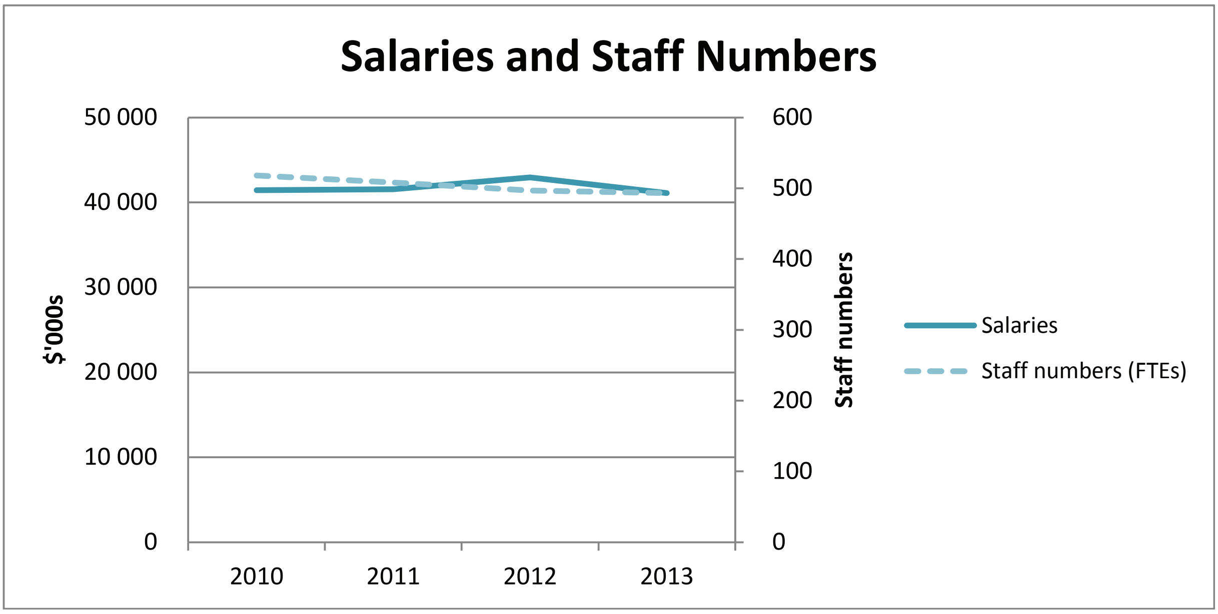
Net Result varied over the period primarily due to fluctuations in capital funding and revaluation movements. The Net Surplus of $60.923m reported this year was mainly the result of capital funding, $98.330m, partly offset by a reversal of an impairment relating to land under roads recognised in previous years, $38.351m. This year's capital funding was for upgrades to West Tamar Highway Bradys Lookout and Mudwalls Road, improvements to North-East freight roads and other infrastructure development projects, including Brighton Bypass and Brighton Transport Hub.

Over the past four years, capital funding totalled $640.859m as the Department embarked on major infrastructure construction projects, including the Brighton Bypass, $186.189m, Brighton Transport Hub, $79.571m, the Kingston Bypass, $52.349m, and East Tamar Highway, $82.360m.



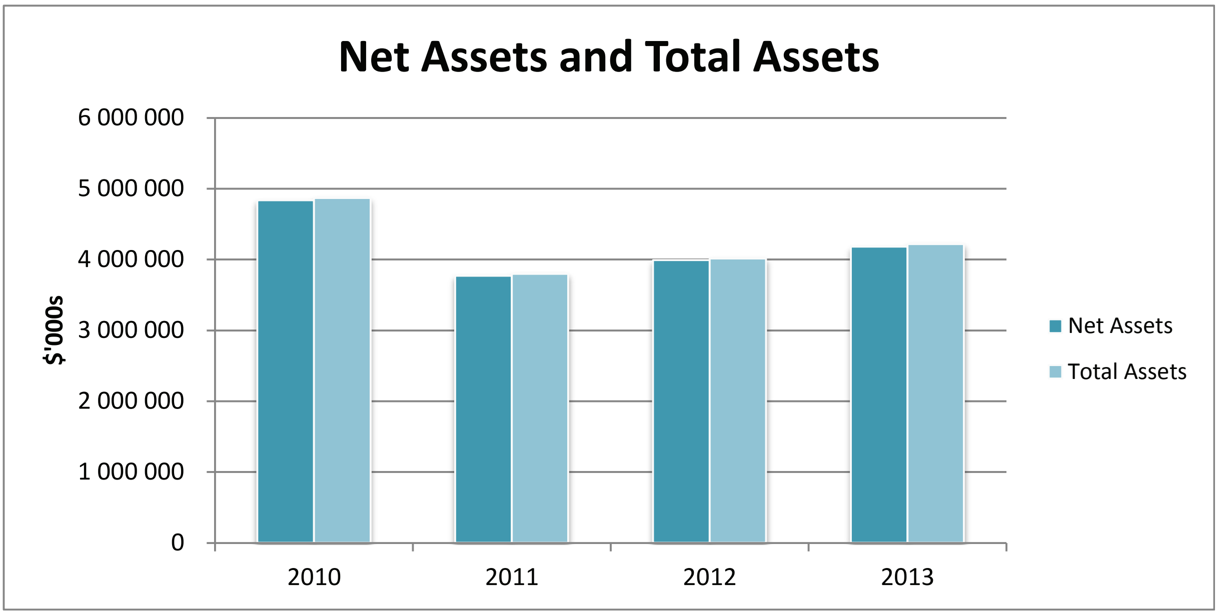
The increase in Total Income in 2012-13 was due to additional funding received as part of the Australian Government's assistance package for local exporters. The Department administered the $14.500m Tasmanian Shipping Assistance program. The program had no net effect on the result for the year as the additional funding was distributed in the form of grants.

In addition to the increase in Grants and subsidies, the Department also incurred clean-up costs after the January 2013 bushfires, totalling $5.200m. This resulted in higher Supplies and consumables, but the impact on the net result was nil as the additional cost was funded by an increase in appropriation. These items largely contributed to variances between budget estimates and actual results.



Employee benefits represented on average only 15.3% of total expenditure because of the costs relating to asset management and significant depreciation charges on the State's road network. This is a much lower percentage compared to other agencies where employee costs average around 50% of total expenses.

Since 2010 the Department reduced staff numbers by 25 FTEs which helped to offset increases in salaries and wages over time. While there were fluctuations in salaries between years, the overall trend was relatively flat.



The Department's Net Assets and Total Assets grew steadily over the last three years primarily due to road infrastructure revaluation increments and completion of major capital projects.

Completion of major construction projects and the corresponding reduction in capital funding was reflected in the Asset investment ratio for roads, which dropped from an average of 240.75% over the three years to 2012 to 96% in 2012-13. Similarly, there was also a drop in the Asset sustainability ratio for roads, from a three year average to 2012 of 65.1% to 95.9% this year. The trend was similar for bridges.

The decrease in Net and Total Assets between 2010 and 2011 reflected an impairment of land under roads as a result of implementing a new methodology. The total write-down was $621.221m, of which $532.720m was applied against the asset revaluation reserve with the balance, $88.501m, recognised as a decrement through the Statement of Comprehensive Income.

ADMINISTERED FINANCIAL TRANSACTIONS

Administered transactions are those the Department manages on behalf of Government. These transactions are not shown in the Department's Comprehensive Income Statement, Statement of Financial Position or Statement of Cash Flows.

Transactions administered by the Department included the Forest Practices Authority, taxi licences, motor vehicle registrations, drivers' licenses and mining royalties.

Sales of goods and services were $20.770m lower in 2012-13, mainly due to a reduction in mineral royalties of $20.807m.

STATEMENT OF COMPREHENSIVE INCOME

	2012-13 Budget $'000s	2012-13 Actual $'000s	2011-12 Actual $'000s	2010-11 Actual $'000s
Revenue from Government - recurrent	83 406	111 879	112 500	105 051
Revenue from Government - capital maintenance	32 419	56 228	64 385	73 721
Revenue from special capital investment funds	0	790	2 389	2 664
Grants	50 531	24 879	1 475	1 708
Sales of goods and services	669	1 079	1 508	1 533
Fines and regulatory fees	13 755	13 095	11 961	10 195
Interest	0	0	28	679
Other revenue	1 046	4 087	512	5 064
Total Revenue	**181 826**	**212 037**	**194 758**	**200 615**
Employee entitlements	40 230	41 119	42 957	41 567
Depreciation and amortisation	104 731	83 146	77 424	88 266
Grants and subsidies	70 293	85 914	67 820	69 988
Supplies and consumables	51 339	76 238	69 605	65 179
Other expenses	2 233	1 391	3 575	2 582
Total Expenses	**268 826**	**287 808**	**261 381**	**267 582**
Underlying Surplus (Deficit)	**(87 000)**	**(75 771)**	**(66 623)**	**(66 967)**
Revenue from government - capital	122 766	98 330	114 958	180 375
Net gain (loss) on assets	4	38 364	(45 429)	(149 480)
Loss on sale of assets	0	0	0	(330)
Revenue from special capital investments funds - capital	0	0	0	8 550
Net Surplus (Deficit)	**35 770**	**60 923**	**2 906**	**(27 852)**
Other Comprehensive Income				
Changes to asset revaluation reserve	134 198	162 806	259 358	(999 189)
Comprehensive Surplus (Deficit)	**169 968**	**223 729**	**262 264**	**(1 027 041)**

STATEMENT OF FINANCIAL POSITION

	2013	2012	2011	2010
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	32 041	13 937	17 190	37 627
Receivables	2 879	3 372	6 742	8 682
Other financial assets	0	307	37	105
Non-financial Assets				
Plant and equipment	10 062	10 759	11 798	12 007
Land and buildings	96 945	85 253	74 921	71 932
Road infrastructure	4 045 073	3 870 808	3 658 328	4 707 501
Other infrastructure	17 066	17 236	12 008	11 581
Intangibles	9 517	11 110	13 062	14 988
Other assets	1 164	881	1 169	1 713
Total Assets	**4 214 747**	**4 013 663**	**3 795 255**	**4 866 136**
Liabilities				
Payables	4 635	4 095	8 114	16 217
Employee entitlements	12 161	10 991	11 129	10 804
Other liabilities	14 086	7 440	5 947	3 360
Provisions	6 679	0	0	0
Total Liabilities	**37 561**	**22 526**	**25 190**	**30 381**
Net Assets	**4 177 186**	**3 991 137**	**3 770 065**	**4 835 755**
Reserves	1 502 538	1 339 732	1 080 374	2 079 563
Accumulated funds	2 674 648	2 651 405	2 689 691	2 756 192
Total Equity	**4 177 186**	**3 991 137**	**3 770 065**	**4 835 755**

STATEMENT OF CASH FLOWS

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Receipts from Government - recurrent	113 244	112 473	105 005	93 756
Receipts from Government - capital maintenance	56 189	57 387	74 282	90 686
Revenue from special capital investment funds	790	3 338	1 653	1 381
Grants	29 144	1 798	1 693	2 157
Sales of goods and services	1 141	1 243	1 572	1 336
Fines and regulatory fees	13 085	11 956	10 195	10 015
GST receipts	21 548	23 350	35 592	32 483
Other cash receipts	4 178	927	5 261	4 733
Payments to employees	(39 951)	(45 264)	(41 309)	(41 618)
Grants and subsidies	(85 885)	(70 008)	(64 804)	(61 536)
Payments to suppliers	(81 888)	(64 891)	(71 409)	(85 220)
GST payments	(20 823)	(22 186)	(33 216)	(34 715)
Other cash payments	(1 644)	(3 697)	(2 510)	(2 437)
Cash from (used in) Operations	**9 128**	**6 426**	**22 005**	**11 021**
Receipts from Government - capital	50 262	81 944	144 923	165 331
Revenue from special capital investment funds	0	0	8 815	13 470
Proceeds from disposal of assets	3	3	0	18
Payments for acquisition of assets	(58 310)	(91 852)	(195 129)	(202 314)
Receipts from Government - TasRail	635	36 189	38 649	81 865
Receipts from Government Funding	47 472	0	0	0
Equity transfers to other government entities	(37 680)	(35 745)	(38 649)	(81 865)
Cash from (used in) Investing Activities	**2 382**	**(9 461)**	**(41 391)**	**(23 495)**
Trust receipts	6 594	663	833	2 125
Trust Payments	0	(881)	(1 884)	(325)
Cash from (used in) Financing Activities	**6 594**	**(218)**	**(1 051)**	**1 800**
Net Increase (Decrease) in Cash	**18 104**	**(3 253)**	**(20 437)**	**(10 674)**
Cash at the beginning of the year	13 937	17 190	37 627	48 301
Cash at End of the Year	**32 041**	**13 937**	**17 190**	**37 627**

FINANCIAL ANALYSIS

	Bench Mark	2012-13	2011-12	2010-11	2009-10
Financial Performance					
Underlying surplus (deficit) ($'000s)	>1	(75 771)	(66 623)	(66 967)	(74 983)
Own source revenue ($'000s)		43 140	15 484	18 500	16 522
Financial Management					
Debt collection	30 days	24	80	32	29
Creditor turnover	30 days	20	22	42	56
Asset Management					
Roads					
Asset investment ratio	>100%	96%	156%	273%	293%
Asset sustainability ratio	100%	96%	58%	43%	94%
Consumption ratio	>60%	53%	54%	54%	68%
Asset renewal funding ratio	90%-100%	N/A	N/A	N/A	N/A
Bridges					
Asset investment ratio	>100%	11%	18%	53%	80%
Asset sustainability ratio	100%	0%	0%	0%	13%
Consumption ratio*	>60%	71%	72%	72%	72%
Asset renewal funding ratio	90%-100%	N/A	N/A	N/A	N/A
ABT railway infrastructure					
Asset investment ratio	>100%	0%	0%	0%	0%
Asset sustainability ratio	100%	0%	0%	0%	0%
Consumption ratio	>60%	72%	77%	79%	89%
Asset renewal funding ratio	90%-100%	N/A	N/A	N/A	N/A
Other Information					
Average staff numbers (FTEs)		493	497	508	518
Average staff costs ($'000s)		83	86	82	80
Average recreational leave balance per FTE (days)	20	17	21	21	22
Average long service leave balance per FTE (days)	100	40	48	49	48

* *Provided by client not subject to audit.*

ADDITIONAL FINANCIAL INFORMATION

ADMINISTERED INCOME AND EXPENSES

	2012-13 Budget	2012-13 Actual	2011-12 Actual	2010-11 Actual
Receipts from Government - recurrent	77 867	77 917	75 140	79 230
Grants	15 235	153	452	363
Sales of goods and services	60 683	33 992	54 762	52 385
Fines and regulatory fees	42 786	46 615	43 859	42 214
Other receipts	33	293	115	132
Total Revenue	**196 604**	**158 970**	**174 328**	**174 324**
Payments to employees	981	1 541	2 179	1 923
Depreciation and amortisation	1	14	21	27
Grants and subsidies	77 733	76 560	73 683	78 004
Other cash payments	15 718	1 828	1 563	2 296
Total Expenses	**94 433**	**79 943**	**77 446**	**82 250**
Underlying Surplus (Deficit)	**102 171**	**79 027**	**96 882**	**92 074**
Transfers to the consolidated fund	102 292	79 416	97 602	91 143
Net gain(loss) on financial and non-financial assets	1	1	1	(2)
Net Surplus (Deficit)	**(120)**	**(388)**	**(719)**	**929**
Comprehensive Surplus (Deficit)	**(120)**	**(388)**	**(719)**	**929**

Abt Railway

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12
	$'000s	$'000s
State Government grants	3 000	0
Other revenue	397	170
Total Revenue	**3 397**	**170**
Payments to employees	186	108
Depreciation and amortisation	1 198	1 086
Supplies and consumables	518	11
Other expenses	81	6
Total Expenses	**1 983**	**1 211**
Net Surplus (Deficit)	**1 414**	**(1 041)**
Other Comprehensive Income		
Changes to asset revaluation reserve	0	4 127
Comprehensive Surplus (Deficit)	**1 414**	**3 086**

STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Financial Assets		
Cash and deposits	3 171	459
Non-financial Assets		
Plant and equipment	4 314	4 468
Infrastructure	24 068	24 972
Land and buildings	5 390	5 500
Total Assets	**36 943**	**35 399**
Liabilities		
Payables	61	0
Monies held in trust	215	0
Other liabilities	0	146
Total Liabilities	**276**	**146**
Net Assets	**36 667**	**35 253**
Reserves	8 563	8 563
Accumulated funds	28 104	26 690
Total Equity	**36 667**	**35 253**

DEPARTMENT OF JUSTICE

SNAPSHOT

- The Department's Underlying Deficit was in line with budget and the previous year's result
- Before accounting for depreciation, it achieved a break-even result.
- At 30 June 2013, Net Assets totalled $124.286m with the most significant asset being Property, plant and equipment, recorded at $127.721m, and highest liabilities were Employee benefits of $24.780m.
- Our asset management ratios indicate the Department may not be investing sufficient funds to maintain its existing buildings, including prisons.
- At 30 June unimpaired administered fines receivable totalled $51.968m and the provision for asbestos compensation payable was $117.640m all of which is recoverable from industry participants. Compensation of $6.510m was awarded this year by the Asbestos Compensation Fund (CSF) Commissioner.

Audit findings included an unauthorised approval when issuing a credit card, a number of payroll matters, a subsidiary system without a service level agreement and a material payment authorised outside of the appropriate delegation. These matters were reported to, and are being addressed by management.

The audit was completed satisfactorily with no other items outstanding.

Major developments this year included:

- continuation of the Prison Infrastructure and Redevelopment Program (PIRP) Stage D. However only $2.240m of the budgeted $15.400m had been drawn upon by 30 June
- Hayes Prison Farm was placed on the market and re-classified as an Asset held for sale
- additional resources for Tasmanian Prison Service by employment of five more staff which had the effect of reducing overtime costs.

Major variations between the 2012-13 and 2011-12 financial years included:

- Sales of goods and services fell by $3.082m due to cessation of Hayes Prison Farm produce sales and because the Office of the Crown Solicitor no longer charges government agencies for its services
- in 2012 the Department's land and buildings were re-valued downwards resulting in a decrement of $9.307m
- on a Net Result basis budget was not achieved because capital budgets were not spent due to project delays.

INTRODUCTION

The Department provides systems and services in order to maintain and promote rights and responsibilities, resolve disputes and contribute to the aim of a safer and more inclusive society that will benefit the Tasmanian community as a whole.

KEY AREAS OF AUDIT ATTENTION

Description of Area	Audit Approach
The Department administers a substantial level of fees and fines, collected on behalf of other Government instrumentalities. There is a risk that revenue may not be correctly recorded or receipted and receivables not impaired.	We continued to monitor controls surrounding the collection of revenue, and follow up processes on outstanding debts. We assessed the adequacy of the provision for impairment.
The diversity of the Department's responsibilities, together with numerous divisions operating from locations spread across the State, increases the risk of: • departure from internal control policies • ineffective monitoring of controls • opportunity for misappropriation of assets • possible misstatement of balances in the financial statements.	We tested the design and effectiveness of internal controls. In addition to tests of controls, we performed substantive procedures around revenue and expenditure, including examining interfaces and reconciliations between financial systems and the general ledger.
Property, plant and equipment may not be reported at fair value.	We verified significant movements in the year to supporting documentation and tested year end amounts.
The Department employs approximately 990 full time equivalent employees, with employee expenses accounting for approximately 60% of its total expenditure. A large number of staff are paid by timesheet. Employee entitlements represent over 88% of the Department's total liabilities.	We performed audit procedures to obtain a sufficient level of assurance that employee expenses were not materially misstated and that employee annual and long service leave obligations were fairly stated. Our procedures were a combination of tests of controls and substantive procedures.
The Department operates a number of Trust Accounts which have a wide variety of purposes.	We confirmed Trust Account balances and tested transactions for their bona-fides.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 13 August 2013. An unqualified audit report was issued on 20 August 2013.

KEY FINDINGS

Audit findings included:

- a corporate credit card was issued not in accordance with the Department's policy. Audit noted that there was no evidence of approval by the Secretary or other delegated officer as required by the Department's policy when the credit card was issued.

- concerns were noted around authorisation of prison overtime payments. Daily diary sheets in relation to overtime claims were not correctly authorised or there was no evidence of authorisation by an officer with appropriate delegation. The majority of the findings related to the period before December 2012, and there was a significant improvement after that date. A new process to administer overtime payments was implemented in January 2013 and this appears to be effective
- incorrect back-payments of salaries and wages were made to employees. Audit recalculated the entitlements and noted that staff were incorrectly paid. It was also noted that the payroll system (Empower) was no longer capable of calculating back pay correctly. The Department has implemented manual procedures to calculate back pay
- a number of more minor findings covering payroll procedures, an expired service level agreement and a material payment outside authorised delegation limit were also raised.

All of these matters were reported to, and are being addressed by, management.

The audit was completed with no other items outstanding.

KEY DEVELOPMENTS

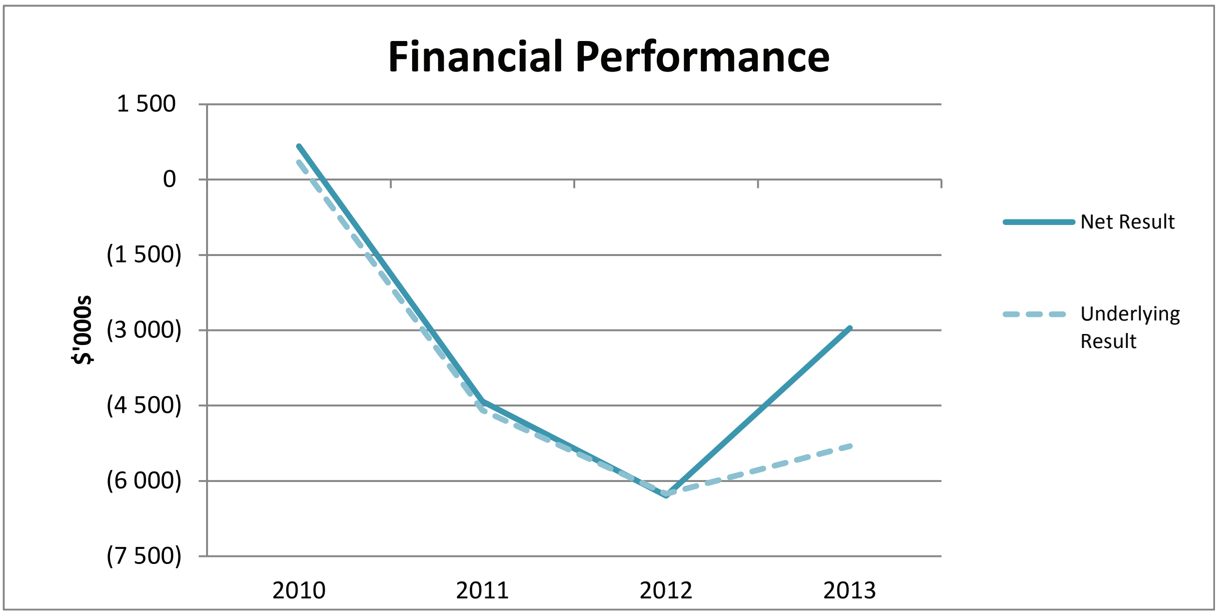
Sale of Hayes Prison Farm

In August 2012, the Hayes Prison Farm was placed on the market for sale. The sale is being managed by the Department of Treasury and Finance and is expected to be completed in 2013-14. The Farm has a carrying value of $3.705m, not including selling costs. The Farm was re-classified as being an Asset held for sale.

Prison Infrastructure and Redevelopment Program (PIRP) Stage D Project

At June 2013, most of the design and development work for this project had been completed. However, the majority of the budget for this project was unspent and is expected to be progressed in 2013-14.

FINANCIAL ANALYSIS

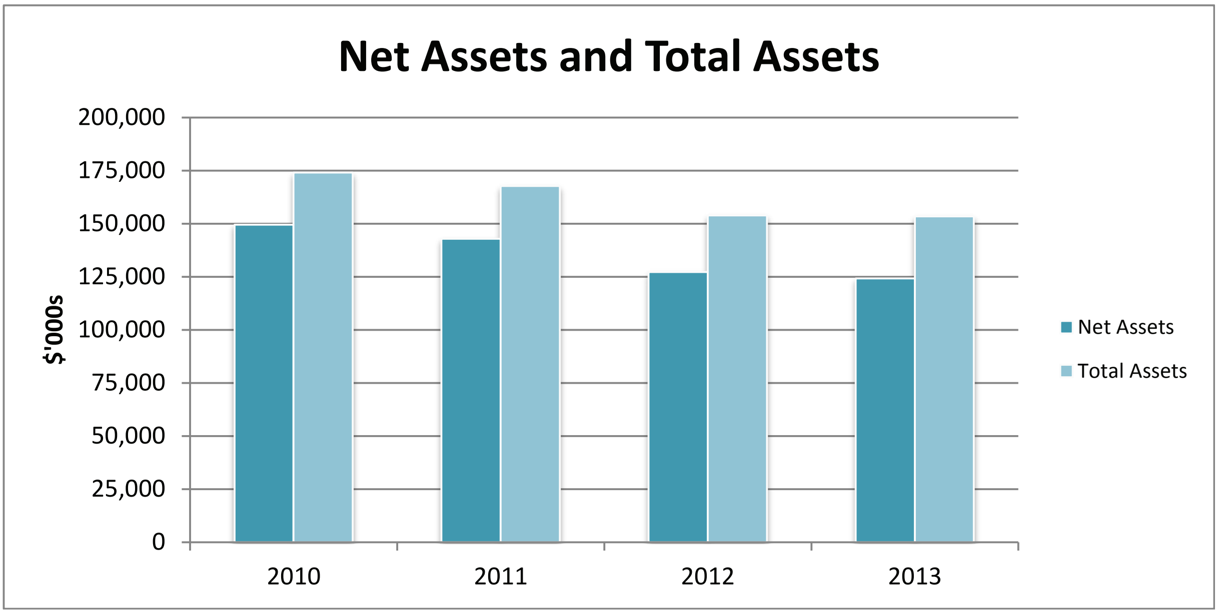


The Underlying Result was a deficit of $5.306m (2011-12, $6.258m deficit), an improvement on the previous year by $0.952m.

The improved Underlying Result was mainly due to a $1.469m reduction in Supplies and consumables expenditure. The Underlying Result had been negative over the four year period of review, however as the Department is not funded for items such as Depreciation, this would not be unexpected.

The Department's Net Result improved in 2012-13 with a deficit of $2.952m reported (2011-12, $6.295m). The improvement was mainly due to increased capital grants.

The Department incurred an overall Comprehensive Deficit of $2.952m (2012, $15.602m). The higher Deficit in 2012 was mainly due to a revaluation decrement, $9.307m, which resulted from a revaluation performed on land, buildings, prisons and other structures and library assets during that year.



The Department's Net Assets and Total Assets were relatively consistent over the last two years, but experienced a slight decline over the four years.

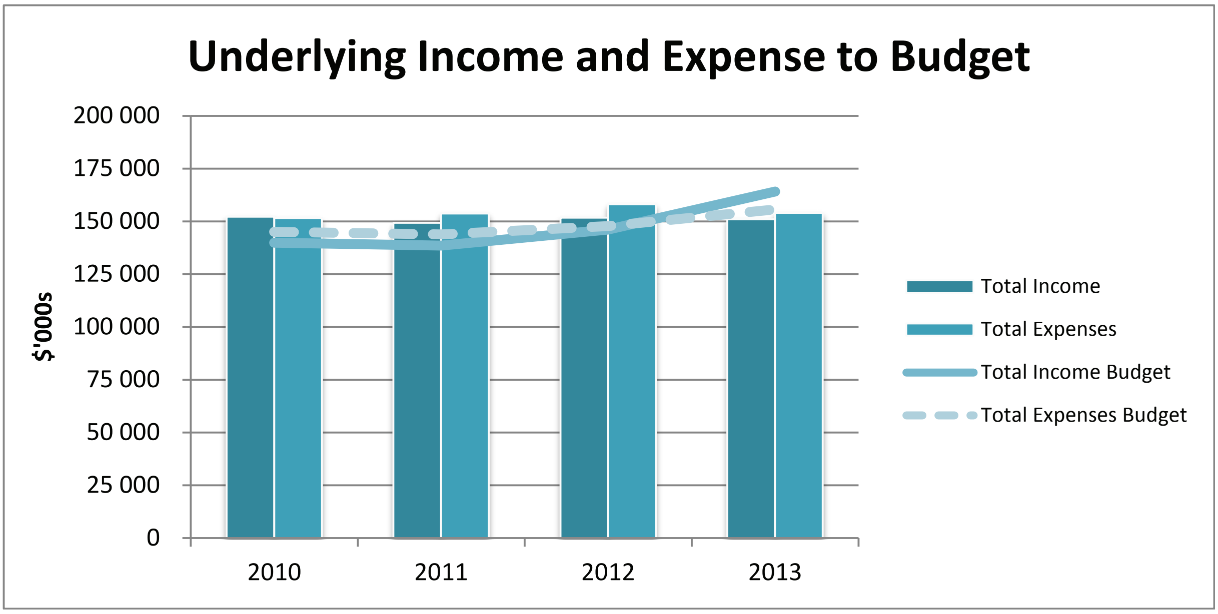
Total and Net Assets at 30 June 2012 were largely impacted by an asset revaluation decrement of $9.307m on land, buildings, prisons and other structures and library assets.

At 30 June 2013, Net Assets decreased mainly due to higher liabilities as a result of an appropriation carried forward of $2.137m in relation to the further development of the prison.

Asset Sustainability ratio for Buildings and Prison Buildings indicated that the Department is under-investing in existing buildings. Our target is 100% and the Department, for Prison Buildings, achieved 9% in 2013 and 19% in 2012. However, we acknowledge that:

- this ratio needs to be calculated over a longer time-frame; our data is complete for two years only
- the Department does have maintenance programs which may mitigate the risk of this under investment to some extent. Maintenance is expensed in the period in which it occurs.

Our Asset consumption ratio, which represents the Department's utilisation of its buildings, indicated that at 30 June 2013, the Department's buildings had remaining service potential well above our benchmark. However, this was because these assets were revalued as recently as 2012 and because these assets are reported by using the net method. That is, accumulated depreciation reverts to nil at the point of revaluation therefore giving the impression that the assets are new. This approach is allowed by accounting standards.

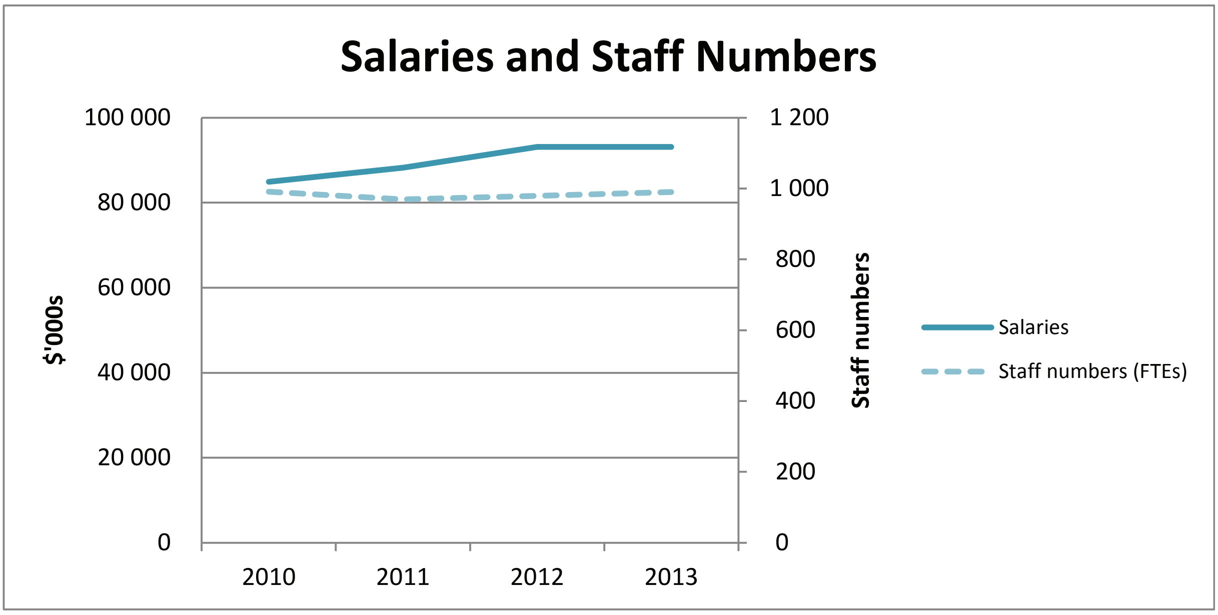


Total Income and Expenses were lower in 2012-13 when compared to the previous year with expenses declining at a greater rate than income. Total expenses decreased by approximately 3% mainly because of cessation of payroll tax, closure of Hayes Prison Farm and budget savings measures. Total Income was relatively consistent over the four years.

Total Expenses peaked in 2012 primarily due to higher Employee entitlements and Depreciation. In that year, the Department FTEs grew by 10 following the transfer of the former Sullivans Cove Waterfront Authority employees and recruitment at the Tasmanian Prison Service and MPES. Depreciation increased as a result of a reassessment of the useful lives of assets.

Both Total Income and Total Expenses were slightly under their respective budget estimates in 2012-13. Significant variances in budget to actual for this year included:

- Appropriation revenue – works and services was less than budget due to timing of the expenditure relating to the construction works on the Prison Infrastructure and Redevelopment Program Stage D.
- Other Expenses were less than budget due to the cessation of payroll tax, and lower than anticipated payments in regard to criminal injury compensation.



The previous graph shows that staff numbers were relatively flat over the four year period of this review. However, salary expense grew steadily in the first two years, mainly due the effects of the public sector wages agreement at the time.

Over the last two years, employee costs were consistent despite an additional 11 FTEs this year. This included five additional officers that were employed at Tasmanian Prison Services.

Average staff costs had remained stable over the past two years. Salary and wage costs plateaued despite the increase in FTEs this year, and there were lower overtime payments at the Prisons. Total prison overtime payment for 2012-13 was $4.786m compared to $5.200m in 2011-12.

Average recreational leave balances per FTE remained relatively consistent over the four year period. The ratio tended to exceed the benchmark because Corrective Services Officers are, in accordance with the *State Service Act 2000*, entitled to hold up to 80 days annual leave.

ADMINISTERED FINANCIAL TRANSACTIONS

Administered transactions are those that the Department manages on behalf of the Government.

The Department's administered statements primarily relate to the enforcement of monetary penalties, Asbestos Compensation Commissioner and the WorkCover Tasmania Board.

In 2012-13, a Net underlying deficit was recorded, $0.608m (2011-12, $1.723m surplus). The deficit resulted mainly from lower Total Revenue as a result of a one-off Contribution received in 2011-12 of $8.250m, through the Asbestos Compensation Fund from the Nominal Insurer and a lower Transfer to Consolidated Fund, $6.350m.

The Net result was a deficit of $0.358m which was a slight improvement on 2011-12 when a deficit of $1.527m was recorded. The improvement was because net differences between receivables and payables adjustments relating to the Asbestos Compensation Scheme totalled to a net expense of $1.144m this year compared to a net expense of $5.910m last year.

Fees and fines received during the year amounted to $20.481m (2011-12, $24.806m). The outstanding fees and fines are one of the Department's largest administered receivable. The table below summarises these receivables and related impairment assessments.

	2012-13	**2011-12**	**Movement**
	$'000s	$'000s	$'000s
Fines collection receivables	61 447	63 095	(1 648)
Provision for impairment	(1 441)	(2 831)	1 390
Provision for expected remissions	(8 040)	(7 735)	(305)
Net Fines Receivable	**51 996**	**52 529**	**(563)**

In 2012-13, impairment of fines collection receivables resulted in a reduction in the provision of $1.394m. Over the four year period of review, the Provision for impairment has fallen. This was directly attributable to introduction of the *Monetary Penalties Enforcement Act 2005* (the Act) in April 2008 which resulted in improved collections. The Act changed the way monetary penalties, and specifically infringement notices are issued and enforced. The net total Fines Collection Receivable balance has remained relatively consistent over the four year review period.

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2012-13	2011-12	2010-11
	Budget	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from Government - recurrent	125 556	124 722	129 085	128 036
Revenue from Special Capital Investment Funds	0	0	0	525
Grants	5 935	6 396	877	40
Sale of goods and services	3 797	2 872	5 954	5 678
Fees and fines	8 712	8 726	8 313	8 007
Other revenue	4 721	5 782	6 651	6 766
Total Revenue	**148 721**	**148 498**	**150 880**	**149 052**
Employee entitlements	87 199	93 108	93 151	88 233
Depreciation and amortisation	4 885	5 651	5 113	4 556
Grants and subsidies	12 439	12 711	12 420	13 124
Impairment losses (gains)	0	(89)	722	(30)
Other expenses	51 090	42 423	45 732	47 760
Total Expenses	**155 613**	**153 804**	**157 138**	**153 643**
Underlying Surplus (Deficit)	**(6 892)**	**(5 306)**	**(6 258)**	**(4 591)**
Capital appropriations	15 400	2 240	823	100
Net gain (loss) on non - financial assets	0	114	(860)	79
Net Surplus (Deficit)	**8 508**	**(2 952)**	**(6 295)**	**(4 412)**
Other Economic Flows - Other Non-owner Changes in Equity				
Changes in physical asset revaluation reserve	0	0	(9 307)	0
Total Other Economic Flows - Other Non-owner Changes in Equity	**0**	**0**	**(9 307)**	**0**
Comprehensive Surplus (Deficit)	**8 508**	**(2 952)**	**(15 602)**	**(4 412)**

STATEMENT OF FINANCIAL POSITION

	2013	2012	2011	2010
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	17 356	15 654	15 999	17 136
Receivables	803	865	1 712	4 016
Non-financial Assets				
Inventory	431	476	386	441
Assets held for sale	3 705	0	0	0
Property, plant and equipment	127 721	133 048	145 645	148 680
Intangibles	3 471	3 930	4 022	3 807
Total Assets	**153 487**	**153 973**	**167 764**	**174 080**
Liabilities				
Payables	2 260	2 319	3 059	2 992
Employee entitlements	24 780	23 586	20 537	19 114
Other liabilities	2 161	830	1 261	2 380
Total Liabilities	**29 201**	**26 735**	**24 857**	**24 486**
Net Assets	**124 286**	**127 238**	**142 907**	**149 594**
Reserves	31 517	31 517	40 824	40 824
Accumulated funds	92 769	95 721	102 083	108 770
Total Equity	**124 286**	**127 238**	**142 907**	**149 594**

STATEMENT OF CASH FLOWS

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Receipts from Government - recurrent	124 723	129 085	128 203	130 596
Sales of goods and services, fees and fines and grants	18 089	15 257	13 964	14 550
GST receipts	4 870	5 058	5 101	4 921
Other cash receipts	5 779	6 699	6 786	5 695
Payments to employees	(92 280)	(90 376)	(86 412)	(84 188)
Payments to suppliers	(55 047)	(59 683)	(59 323)	(61 852)
GST payments	(4 770)	(5 154)	(4 855)	(5 163)
Interest payments	(7)	(9)	0	0
Cash from (used in) Operations	**1 357**	**877**	**3 464**	**4 559**
Receipts from Government - capital	3 700	1 500	100	0
Proceeds from disposal of non-financial assets	174	0	0	0
Payments for acquisition of assets	(3 529)	(2 930)	(2 177)	(2 502)
Cash outflow on administrative restructure	0	208	(2 524)	0
Cash from (used in) Investing Activities	**345**	**(1 222)**	**(4 601)**	**(2 502)**
Net Increase (Decrease) in Cash	**1 702**	**(345)**	**(1 136)**	**2 057**
Cash at the beginning of the year	15 654	15 999	17 136	15 079
Cash at End of the Year	**17 356**	**15 654**	**15 999**	**17 136**

FINANCIAL ANALYSIS

	Bench Mark	2012-13	2011-12	2010-11	2009-10
Financial Performance					
Underlying surplus (deficit) ($'000s)		(5 306)	(6 258)	(4 591)	662
Own source revenue ($'000s)		17 380	20 918	20 451	21 604
Financial Management					
Debt collection	30 days	9	13	38	92
Creditor turnover	30 days	6	8	12	18
Asset Management					
Buildings					
Asset investment ratio*	>100%	72%	41%	N/A	N/A
Asset sustainability ratio*	100%	7%	21%	N/A	N/A
Asset consumption ratio*	>60%	96%	99%	95%	98%
Prison Buildings					
Asset investment ratio*	>100%	111%	49%	N/A	N/A
Asset sustainability ratio*	100%	9%	19%	N/A	N/A
Asset consumption ratio*	>60%	95%	99%	94%	97%
Other Information					
Average staff numbers (FTEs)**		990	979	969	991
Average staff costs ($'000s)		94	95	91	89
Average recreational leave balance per FTE (days)	20	24	24	24	23
Average long service leave balance per FTE (days)	100	45	46	45	72

* *Information not available to calculate ratio for all or some years.*

** *Does not include employees of Director of Public Prosecutions, Office of the Ombudsman and Legal Aid Commission.*

ADDITIONAL FINANCIAL INFORMATION

Administered Financial Transactions

ADMINISTERED INCOME AND EXPENSES

	2012-13 Budget $'000s	2012-13 Actual $'000s	2011-12 Actual $'000s
Revenue from Government - recurrent	0	0	335
Sales of goods and services, fees and fines	37 625	20 547	24 875
Other revenue	8 895	16 402	10 060
Contribution received	0	0	8 250
Total Revenue	**46 520**	**36 949**	**43 520**
Grants and subsidies	218	373	889
Employee entitlements	2 624	2 547	2 645
Depreciation and amortisation	0	2	2
Other expenses	15 102	15 070	12 346
Total Expenses	**17 944**	**17 992**	**15 882**
Underlying Surplus (Deficit)	**28 576**	**18 957**	**27 638**
Transfer to Consolidated Fund	26 988	19 565	25 915
Other Economic Flows Included in Net Result	**1 588**	**(608)**	**1 723**
Reversal of Impairment of accounts receivable	0	1 394	2 660
Increase (Decrease) in Provision for compensation payable	0	19 480	(137 120)
Increase (Decrease) in Future levies receivable	0	(20 624)	131 210
Net Surplus (Deficit)	**1 588**	**(358)**	**(1 527)**
Comprehensive Surplus (Deficit)	**1 588**	**(358)**	**(1 527)**

ADMINISTERED STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Financial Assets		
Cash	8 222	8 410
Future asbestos compensation levies receivable	110 586	131 270
Fines collection receivable	51 968	52 529
Other receivables	1 629	134
Non-financial Assets		
Equipment and intangibles	960	790
Total Assets	**173 365**	**193 133**
Liabilities		
Provision - compensation payments for reported claims	3 022	6 524
Provision - estimated compensation for future claims	114 618	130 596
Other liabilities	3 212	3 142
Total Liabilities	**120 852**	**140 262**
Net Assets	**52 513**	**52 871**
Accumulated funds	52 513	52 871
Total Equity	**52 513**	**52 871**

DEPARTMENT OF POLICE AND EMERGENCY MANAGEMENT

SNAPSHOT

- The Department continued to be under budget pressure and took steps to address this by:
  - raising a loan from Department of Treasury and Finance (Treasury) of $6.233m which was used to fund redundancy payments for 69.4 actual FTEs during this year. Since 2011 the Department has reduced staff numbers by 211 actual FTEs resulting in lower salary costs
  - initiating an internal re-organisation resulting in one fewer Police District.
- An Underlying Result, being a deficit, of $6.790m, was reported which was a slight improvement on the previous year. Before accounting for depreciation the Department's result was a small underlying surplus.
- In 2013, the Department disposed of surplus Police residences recorded in its registers at $2.624m. Proceeds totalled $2.362m which was transferred to the Crown Land Administration Fund (CLAF). This transaction was reported, as required by Treasury's guidelines, as a charge directly to the Department's equity.
- At 30 June 2013 the Department's Net Assets totalled $152.625m with its most significant asset being Property, plant and equipment, recorded at $201.510m, and its highest liabilities were Employee benefits of $48.591m.

Other major developments this year included:

- $13.904m invested in new assets as follows:
  - completion of redevelopment of Devonport Police Station
  - construction of police residences and stations at Cygnet and St Marys
  - Tasmanian Mobile Radio Network (TMRN) digital upgrade project
  - $1.280m paid to Transend as a licence fee for the use of its radio communications infrastructure as part of the TMRN digital upgrade project
- $1.159m provided by Government to fund bushfire support
- additional contributions, $0.506m, mainly relating to Commonwealth contributions to fund policing services at the Pontville Detention Centre.

A major variation between the 2012-13 and 2011-12 financial years was that Other liabilities increased to $5.657m. This included a Section 8A (2) carry forward to fund the redevelopment and refurbishment of Glenorchy Police Station in 2013-14.

The audit was completed satisfactorily with no key items outstanding.

INTRODUCTION

The Department consists of Tasmania Police, the State Emergency Service (SES) and Forensic Science Service Tasmania (FSST) and the Tasmania Fire Service (TFS). However, TFS produces separate financial statements which are not consolidated into the Department's financial statements.

The Department aims to:

- provide a high visibility front-line service
- ensure people feel safe and are safe in public places
- reduce the impact of crime and continue the increase in crime clearance
- improve traffic law compliance
- enhance delivery of emergency and security management.

KEY AREAS OF AUDIT ATTENTION

Description of Area	Audit Approach
Departmental buildings are revalued periodically. There is a risk that remaining economic life of buildings is not reassessed or updated correctly in the Departmental asset register, and leading to potential for misstatement of depreciation expense.	A sample of building assets was selected from the Departmental asset register and remaining useful life confirmed as at 1 July 2012 against the external valuer's advice.
The Department employs approximately 1 423 FTE employees, with employee expenses accounting for approximately 73% of the Department's total expenditure. Employee entitlements represent over 77% of the Department's total liabilities.	We performed audit procedures to obtain a sufficient level of assurance that employee expenses are not materially misstated and that employee annual and long service leave obligations are fairly recognised. Audit work involved a combination of testing internal controls and substantive procedures.
The Department in an agreement with Transend Networks Pty Ltd obtained a licence to use Transend's communications infrastructure.	We reviewed the agreement with Transend and capitalisation of the expenditure for this intangible asset.
The Department received a loan from the Department of Treasury and Finance under the Voluntary Targeted Employment Separation Arrangement (VTESA) to fund costs associated with voluntary separations.	We reviewed the loan agreement and its accounting treatment.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 15 August 2013. An unqualified audit report was issued on 16 September 2013.

KEY FINDINGS

The audit was completed satisfactorily with no key items outstanding with only a few low risk matters noted.

KEY DEVELOPMENTS

Completion of Redevelopment of Devonport Police Headquarters

The Department's new Devonport Police Headquarters was officially opened in June 2013. These facilities, which cost $6.235m, provide a modern well-equipped workplace from which Tasmania Police and the SES can provide services to the community.

The facility comprises four buildings. Three were newly constructed and the other was the former Devonport City Council Imaginarium Building which was refurbished.

Completion of the Devonport Police Headquarters was the second of three divisional headquarter replacement and refurbishment projects. The first was construction of the Bellerive Police Headquarters in November 2011. By 30 June 2013 work had commenced on new headquarters for Glenorchy.

Construction of New Police Residences and Stations

In 2012-13 the Department constructed a new four-bedroom police residence in Cygnet, one of a number of projects being undertaken around the State as part of Tasmania Police's Housing Project. The Department also constructed a new police station at Cygnet.

The focus of the Police Housing Project is to improve the quality of accommodation for police officers in remote and regional police areas. The project aims to not only help local communities by building strong and connected police operations but also to support local jobs in construction.

By 30 June 2013 work had commenced on a new Police residence at St Marys, as well as renovating the existing St Marys police flat. In addition, upgrades to the housing facilities in Smithton and Queenstown will be progressed shortly.

Disposal of Police Residences

The Department disposed of a number of police residences considered surplus to its requirements in 2012-13. These sales were managed by the Department of Treasury and Finance (Treasury) with Departmental employees and members of the public able to express interest in purchasing a residence.

Proceeds from sale of surplus police residences of $2.362m were transferred to the CLAF. It is anticipated that these funds will be reallocated to the Department through future appropriations to enable it to continue to refurbish police residences and stations in remote and regional areas as part of the Tasmania Police's Housing Project.

Redundancy Program and New Organisational Structure

A redundancy program that commenced during 2011-12 was driven by the need for the Department to operate within a reduced funding allocation. The anticipated savings from the redundancy program is in excess of $4.000m per year.

A loan of $6.233m was advanced by Treasury to fund the years of service component of employment separation payments for 69.4 FTEs in the first quarter of 2012-13. The loan is scheduled to be fully repaid by 30 June 2016.

An organisational restructure project starting in July 2012 was completed in 2012-13, designed to yield significant administrative savings in the Department and minimise the impact of the redundancy program on frontline services.

The project examined geographical boundaries, support commands and specialist units to design an operating structure for a workforce of approximately 1 120 police officers.

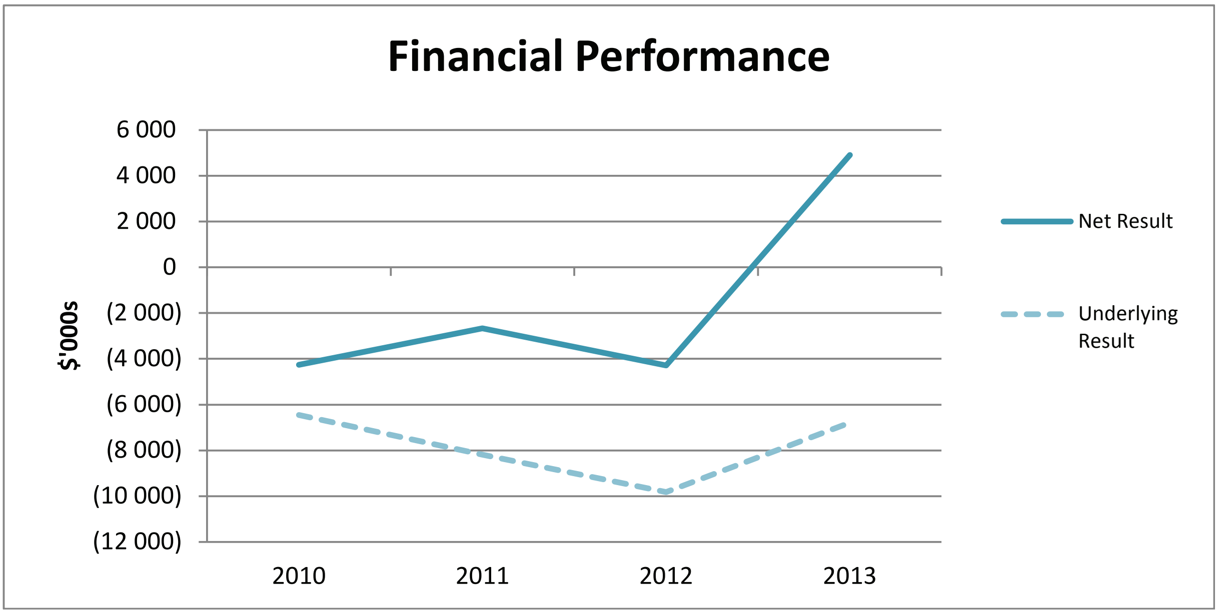
Changes include closing two police stations, allocating additional police to areas of need and combining work units to improve flexibility of deployment in response to community needs.

The outcome is intended to be a structure that will provide the most effective and efficient use of resources and prioritise front-line policing for the community.

Impairment of Coastal Patrol Vessel 'PV Fortescue'

The vessel PV Fortescue (the Vessel) was impaired at 30 June 2012 and further depreciated in 2012-13. No further impairment was made at 30 June 2013 because at the time of completing our audit anticipated proceeds exceeded the carrying amount.

FINANCIAL ANALYSIS



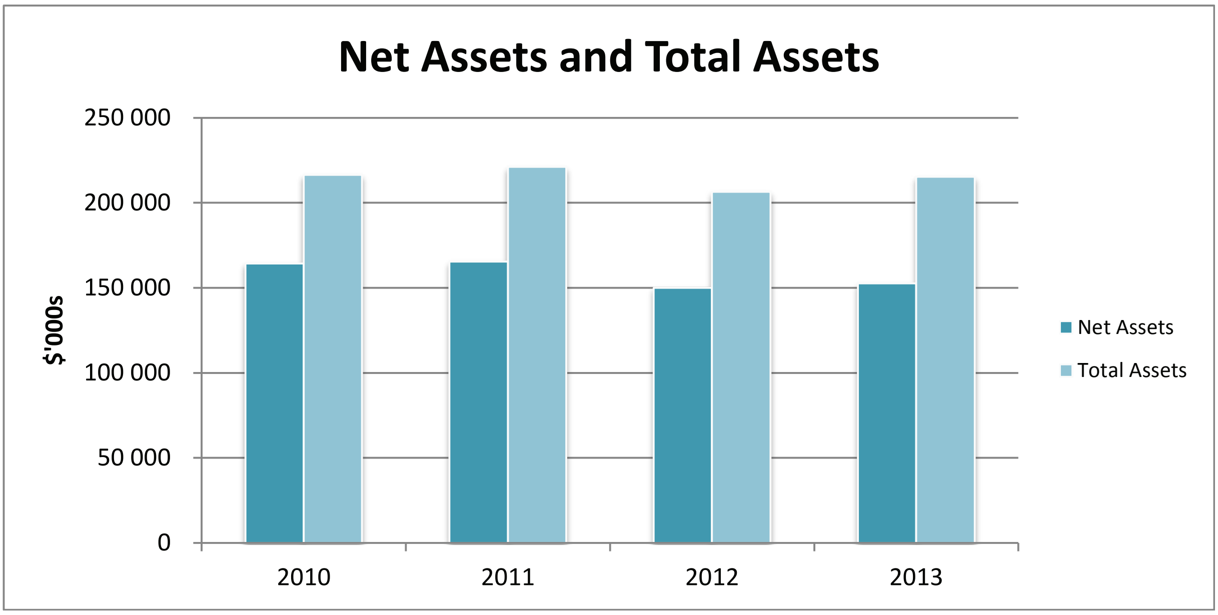
The Department's financial performance improved in 2012-13 with Net Result increasing from a deficit of $4.288m in 2011-12 to a surplus of $4.907m in 2012-13 and Underlying Result up from a deficit of $9.825m 2011-12 to a deficit of $6.790m in 2012-13.

The improved Underlying Result was mainly due to:

- additional Other revenue received for the TMRN Digital Upgrade, $0.535m, contracted revenue received to offset the costs of the TMRN service fees, $0.533m, State funding associated with provision of SES rescue services to the Forcett and Molesworth bushfires in January 2013, $1.159m, and Commonwealth funding for the provision of policing services to the Pontville Detention Centre, $0.506m
- non-monetary contribution of $0.400m from the Commonwealth for 'BearCat', a US designed high-tech armoured rescue vehicle, as part of a National Counter-Terrorism Committee project
- completion of Launceston flood risk management program in 2011-12 with a $3.000m final instalment paid in that year.

The above factors were partly offset by a decrease in recurrent appropriation of $7.001m.

Net Result improved to $4.907m (2012, $4.288m deficit) mainly due to capital grants to fund capital expenditure and the TMRN digital upgrade project.

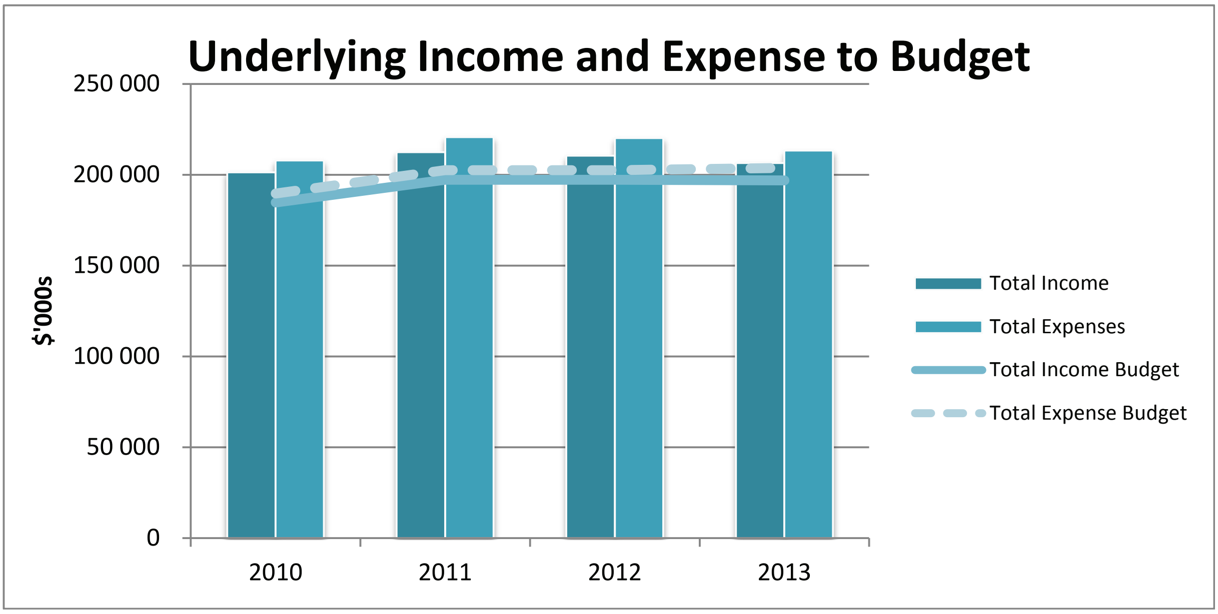


The Department's Net Assets and Total Assets were relatively consistent over the four year period under review.

Total and Net Assets at 30 June 2012 were impacted by an asset revaluation decrement, $9.114m, on Land and buildings.

At 30 June 2013 the higher Total Assets related to the redevelopment of Devonport Police Headquarters, $5.380m, and construction of police residences and stations in Cygnet and St Marys, $0.755m. This also resulted in the Asset Investment and Sustainability Ratios improving to above the benchmark for 2012-13 given that the Devonport development was classified as an existing asset.

Net Assets remained relatively consistent at 30 June 2013 because the higher Total Assets were offset by the take up of liabilities consisting of a $6.233m loan from Treasury to fund redundancy payments and the carry-forward of capital funding for the Glenorchy Police Headquarters of $5.165m.



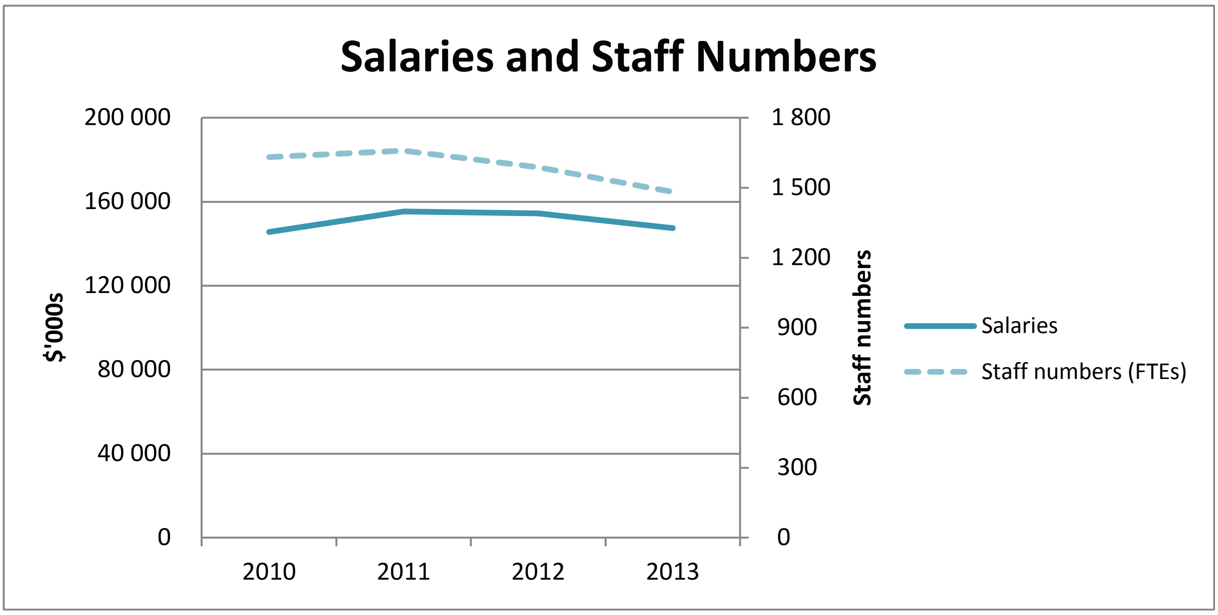
Total Income and Expenses were both lower in 2012-13 with expenses having declined at a greater rate than income. Total income decreased by 1.9% mainly due to lower recurrent appropriations, reflecting Government's decision for additional budget saving measures and cessation of payroll tax from 1 October 2012.

Total Expenses decreased by 3.2% mainly due to reduced grants and subsidies of $3.405m following finalisation of the Launceston Flood Risk Management Project.

Total Expenses was higher than Total Income in each year of the four years under review, a trend also consistent with Budget estimates. This was mainly caused by the Department not being funded for depreciation, amortisation and movement in employee entitlements.

Both Total Income and Total Expenses exceeded respective budget amounts in each of the four years under review due to unbudgeted additional revenue and/or expenses. Significant variances in budget to actual for this year include:

- Other revenue which had additional funding for the TMRN, Tasmanian bushfires support and Pontville Detention Centre policing and additional National Partnership payments
- Supplies and consumables incurred additional expenditure for the TMRN services fees
- Other expenses incurred were less due to cessation of payroll tax.



Since 2011, the Department reduced staff numbers with a corresponding effect on salary expense.

Over the period 2011 to 2013, average staff numbers decreased by 153 FTEs due to a combination of the Department entering into Targeted Voluntary Redundancy Arrangements (TVRA) and the Workforce Renewal Incentive Program (WRIP).

Salaries in 2011-12 and 2012-13 used in the graph are net of one-off separation payments. In 2011-12, there were WRIP payments, approximately $0.423m, for 11 FTEs, and TVRA payments, approximately $0.398m, for 22.34 FTEs. A loan of $6.233m from Treasury was used to fund this year's service component of employment separation payments for 69.4 FTEs.

While employee numbers decreased over the four year period, employee expenses (excluding one-off separations payments) increased by 1.18%. This was reflected in Average staff costs over the period. The increase was predominantly due to public sector wage agreement indexation, including a new enterprise bargaining agreement for police officers in 2010-11. Salaries represented on average 80.55% of annual appropriation over the 4 years ended 30 June 2013.

ADMINISTERED FINANCIAL TRANSACTIONS

Administered transactions are those that the Department manages on behalf of Government. These transactions are not shown in the Department's Statement of Comprehensive Income, Statement of Financial Position or Cash Flow Statement and relate primarily to Police Academy board payments, firearms registration, licence fees and found and confiscated proceeds.

CHAPTER APPENDICES

STATEMENT OF COMPREHENSIVE INCOME

	2012-13 Budget $'000s	**2012-13** Actual $'000s	**2011-12** Actual $'000s	**2010-11** Actual $'000s
Revenue from Government				
Appropriation revenue - recurrent	188 371	183 981	190 982	193 073
Grants	3 544	3 169	2 853	3 152
Contributions received	0	400	0	0
Other revenue	5 022	18 801	16 481	16 189
Total Revenue	**196 937**	**206 351**	**210 316**	**212 414**
Employee benefits	147 815	155 504	155 270	155 445
Depreciation and amortisation	6 740	7 067	7 314	6 599
Supplies and consumables	34 171	42 118	41 318	41 939
Grants and subsidies	2 420	2 573	5 978	3 284
Other expenses	12 618	5 879	10 261	13 340
Total Expenses	**203 764**	**213 141**	**220 141**	**220 607**
Underlying Surplus (Deficit)	**(6 827)**	**(6 790)**	**(9 825)**	**(8 193)**
Appropriation revenue - works and services	8 557	3 392	560	2 926
Other capital revenue from Government	1 742	2 260	1 504	1 265
Other revenue - TMRN digital upgrade	0	6 325	5 711	1 392
Net gain (loss) on sale of non-financial assets	0	(123)	(1 482)	(9)
Impairment of non-financial assets	0	0	(756)	0
Net gain (loss) on financial instruments	0	(157)	0	(52)
Net Surplus (Deficit)	**3 472**	**4 907**	**(4 288)**	**(2 671)**
Other Comprehensive Income				
Changes in physical asset revaluation reserves	18 371	0	(9 114)	3 891
Comprehensive Surplus (Deficit)	**21 843**	**4 907**	**(13 402)**	**1 220**

STATEMENT OF FINANCIAL POSITION

	2013	2012	2011	2010
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	8 293	4 443	6 978	7 092
Receivables	1 749	1 456	1 039	1 995
Other financial assets	80	386	760	547
Non-financial Assets				
Inventory	628	863	669	635
Assets held for sale	0	1 630	1 761	0
Property, plant and equipment	201 510	196 700	209 119	205 587
Intangibles	1 280	0	0	0
Other non-financial assets	1 744	1 097	795	607
Total Assets	**215 284**	**206 575**	**221 121**	**216 463**
Liabilities				
Payables	2 178	3 224	3 389	4 190
Interest bearing liabilities	6 233	0	0	0
Employee benefits	48 591	50 262	47 905	43 964
Other liabilities	5 657	3 009	4 420	3 940
Total Liabilities	**62 659**	**56 495**	**55 714**	**52 094**
Net Assets	**152 625**	**150 080**	**165 407**	**164 369**
Accumulated funds	41 354	37 239	41 043	43 896
Reserves	111 271	112 841	124 364	120 473
Total Equity	**152 625**	**150 080**	**165 407**	**164 369**

STATEMENT OF CASH FLOWS

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Receipts from Government - recurrent	183 981	190 982	193 073	180 513
Grants	3 162	2 853	3 152	5 654
GST receipts	6 366	6 416	6 317	5 682
Other cash receipts	18 633	16 044	16 875	13 605
Payments to employees	(157 701)	(153 143)	(152 733)	(143 574)
Payments to suppliers	(42 871)	(40 776)	(41 556)	(38 728)
Grants and transfer payments	(2 709)	(5 818)	(3 323)	(5 190)
Other cash payments	(6 126)	(13 339)	(13 145)	(12 596)
GST payments	(6 314)	(6 388)	(6 304)	(5 772)
Cash from (used in) Operations	**(3 579)**	**(3 169)**	**2 356**	**(406)**
Revenue from Government - works and services	8 557	2 820	4 430	3 104
Other revenue - TMRN digital upgrade	6 325	5 711	1 392	0
Proceeds from disposal of assets	218	1 600	0	0
Payments for acquisition of assets	(13 904)	(9 495)	(8 292)	(6 007)
Cash from (used in) Investing Activities	**1 196**	**636**	**(2 470)**	**(2 903)**
Proceeds from borrowings	6 233	375	0	0
Repayment of borrowings	0	(377)	0	0
Cash from (used in) Financing Activities	**6 233**	**(2)**	**0**	**0**
Net Increase (Decrease) in Cash	**3 850**	**(2 535)**	**(114)**	**(3 309)**
Cash at the beginning of the year	4 443	6 978	7 092	10 401
Cash at End of the Year	**8 293**	**4 443**	**6 978**	**7 092**

FINANCIAL ANALYSIS

	Bench Mark	2012-13	2011-12	2010-11	2009-10
Financial Performance					
Underlying surplus (deficit) ($'000s)		(6 790)	(9 825)	(8 193)	(6 457)
Own source revenue ($'000s)		18 801	16 481	16 189	15 179
Operating margin	>1.0	0.97	0.96	0.96	0.97
Financial Management					
Debt collection	30 days	30	27	16	48
Creditor turnover	30 days	12	14	16	14
Asset Management					
Buildings					
Asset investment ratio**	>100%	191%	68%	96%	N/A
Asset sustainability ratio**	100%	167%	37%	96%	N/A
Other Information					
Average staff numbers (FTEs)		1 482	1 588	1 635	1 631
Average staff costs ($'000s)		99	97	95	89
Average recreational leave per FTE (days)	30*	27	28	30	30
Average long service leave per FTE (days)	100	53	52	50	49

* *Police officers are entitled to 30 annual leave days.*

** *Ratio not available in some years.*

ADDITIONAL FINANCIAL INFORMATION

ADMINISTERED INCOME AND EXPENSES

	2012-13	2012-13	2011-12	2010-11
	Budget	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Sales of goods and services	217	169	150	213
Fees and fines	1 000	1 067	1 569	517
Total Revenue	**1 217**	**1 236**	**1 719**	**730**
Transfer to Consolidated Fund	1 217	1 236	1 719	730
Total Expense	**1 217**	**1 236**	**1 719**	**730**
Net Surplus (Deficit)	**0**	**0**	**0**	**0**
Comprehensive Surplus (Deficit)	**0**	**0**	**0**	**0**

DEPARTMENT OF PREMIER AND CABINET

SNAPSHOT

- The Department reported an Underlying Deficit of $1.663m this year, $0.384m above the budgeted deficit but a $4.969m variation compared with the Underlying Surplus of $3.306m reported last year.
- The surplus in 2011-12 was unusual due to project–specific funding received in that year but spent in 2012-13. This included $1.527m for the Information Technology (IT) Transformation Project and $3.044m for other Commonwealth or State funded projects.
- The Department assumed administrative responsibility for the Tasmanian Community Fund (TCF). Receipts from Government of $5.913m in 2012-13 were solely for the purpose of funding the TCF.

Major developments in 2012-13 included:

- establishment of a Bushfire Recovery Unit in January 2013 to support the activities of the Bushfire Recovery Taskforce
- receipt of final stage funding of $1.501m for the IT Transformation project which commenced in 2010-11
- a new initiative, being a whole-of-state Modern Communications Program costing $1.162m which was funded internally by using the TMD's operating funds.

Major variations between the 2012-13 and 2011-12 financial years were:

- lower appropriation revenue of $5.039m reflecting Government's decision for additional budget saving measures, cessation of Payroll tax and termination of funding for the Electricity Supply Industry Review Panel
- higher other revenue of $3.189m mainly due to Government funds and donations received for bushfire recovery
- higher expenditure on Supplies and consumables, $5.293m, mainly relating to the expenditure for bushfire recovery, the Modern Communications Program, IT Transformation Project and a Network Tasmanian project
- a net loss of $1.042m incurred in 2011-12 was not repeated this year. This related to the write-off of leasehold improvements at TMD's previous premises at Salamanca Place
- lower Cash and deposits, $2.752m, due to spending on projects for which funding was received in the previous year.

The audit was completed satisfactorily with no major item outstanding.

INTRODUCTION

The Department is a central agency of the Tasmanian State Government. It provides a broad range of services to Cabinet, other members of Parliament, Government agencies and the community. The Department works closely with the Public sector, the community, local government, the Australian Government and other State and territory governments.

In addition, it is responsible for two commercial operations:

- TMD which provides telecommunication and computing services to agencies and management of Government's Networking Tasmania contract
- The Training Consortium, which operates within the State Service Management Office, and coordinates the delivery of training and/or consultancy services in a wide range of areas.

It also provides administrative support to the Tasmanian Community Fund, Tasmanian Early Years Foundation, Anzac Day Trust and Jim Bacon Foundation. (The Jim Bacon Foundation ceased to operate on 31 July 2013.) Some of these bodies are separately accountable and report directly to Parliament.

The Department is funded by a combination of Parliamentary appropriations and retained revenues. It provides some services on a fee-for-services basis.

KEY AREAS OF AUDIT ATTENTION

Description of Area	Audit Approach
The provision of telecommunication and computing services to Government agencies by TMD is an important aspect of the Department's operations and has a significant impact on the extent of our audit work. TMD generates in excess of $30.000m annually using complex legacy systems and has key staff dependencies.	We documented and tested controls surrounding the main financial systems at TMD, and performed substantive procedures over the transactions associated with the provision of services by TMD.
TMD relies heavily on external service providers with a number of contracts with value in excess of $1.000 million. This could impact on operating expenditure, fixed assets or intangible asset balances.	We tested control effectiveness and performed substantive testing against supporting documents.
The Department and TMD have separate general ledger systems. TMD prepares financial statements based on information extracted from its own general ledger. These statements are then consolidated into departmental financial statements. The consolidation process is manual, thus increasing the risk that some internal transactions may not be eliminated or some transactions may be eliminated incorrectly.	We tested elimination entries against supporting documentation.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 13 August 2013. An unqualified audit report was issued on 3 September 2013.

KEY FINDINGS

The audit was completed satisfactorily with no major items outstanding.

KEY DEVELOPMENTS

Bushfire Recovery Unit (BRU)

The BRU was established in January 2013 to support the activities of the Bushfire Recovery Taskforce on rebuilding Tasmanian Communities affected by the bushfire and provide secretariat and administrative support for the Red Cross Appeal Distribution Committee.

BRU received revenue, through appropriation and reimbursements, from the Department of Treasury and Finance (Treasury) to cover the costs of the Unit, $0.732m, and other payments made by the Unit on behalf of Government, $2.597m. BRU received direct donations of $0.500m for the bushfire recovery effort and a further $0.735m was received from the Red Cross that was administered by BRU on behalf of the Red Cross Appeal Distribution Committee. As at 30 June 2013, there were unspent donations of $0.684m held by BRU for disbursement to affected communities in 2013-14.

IT Transformation Project

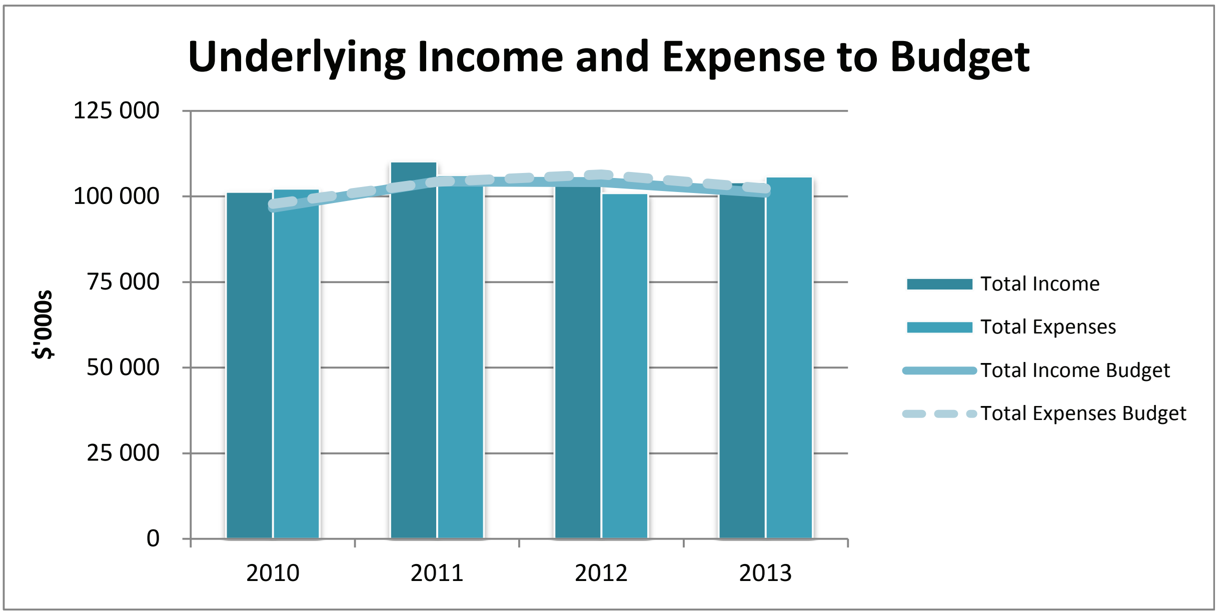
In 2008, Government announced an IT Transformation project aiming at improving the way Government services are delivered. A report into Reforming the Management of Information and Communication Technology in the Tasmanian Public Sector, finalised in January 2009, proposed a number of changes to the way information and communication technology services are delivered and managed. Current services will continue to be provided and the changes to IT management will be implemented incrementally. The Government committed over $8.900m to this project, with $4.653m provided in 2010-11, $2.807m in 2011-12 and $1.501m in 2012-13. The initial focus was on email and identity management and restructure and refocus of TMD as the Government's central IT service provider, to ensure it can support the delivery of the new services.

Modern Communications Program

The Modern Communications Program is a group of projects designed for the Government's Voice Strategy. It is a Whole-of-Government initiative to progressively implement new Voice over Internet Protocol services (VoIP) for all Government agencies. VoIP technology will replace current traditional copper-based telephony networks, and other associated services, with an integrated voice network and services. The project is aimed at improving ways for different Government agencies and business units to work together more efficiently and effectively and create opportunities to improve business processes.

TMD spent $1.162m in 2012-13 on the Modern Communications Program funded internally using the TMD's operating funds.

FINANCIAL ANALYSIS



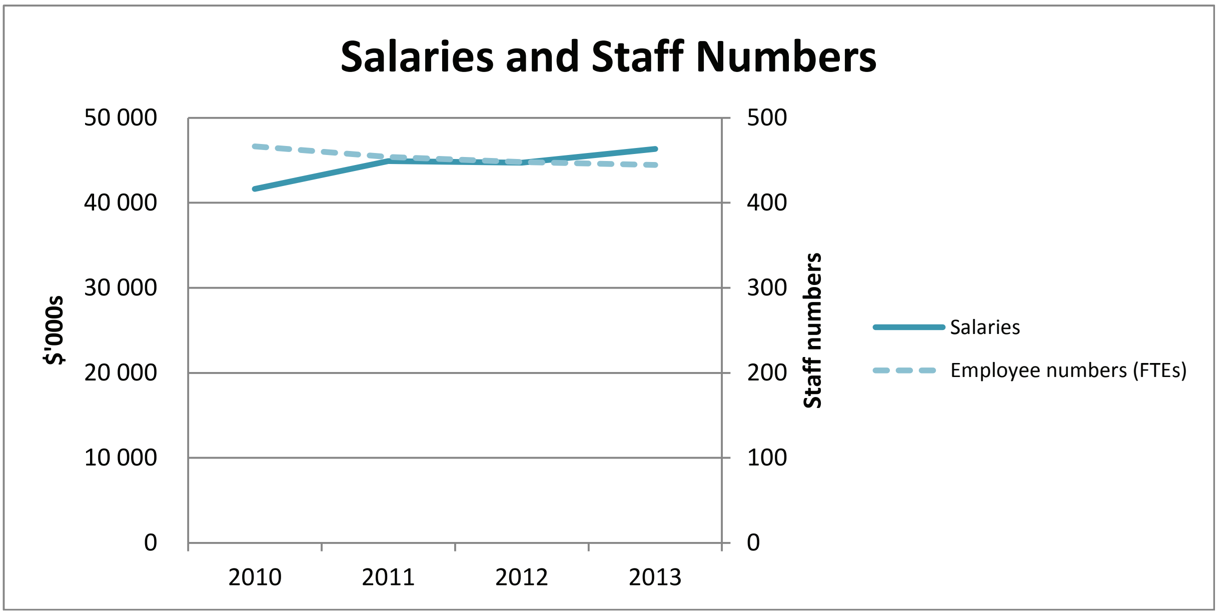
Total Income exceeded Total Expenses in both 2010-11 and 2011-12 but reversed in 2012-13 mainly due to timing differences in recognising Government funding and associated expenses for a range of one-off projects in respect of which funding provided was not fully spent in the year received. To illustrate this, IT Transformation project funding of approximately $3.600m was unspent at 30 June 2011 and $2.500m at 30 June 2012. There were also various other projects with specific Commonwealth or State funding received prior to 2012-13 but spent this year.

While Total Income in 2012-13 remained consistent with 2011-12, there were fluctuations in individual revenue items, including:

- lower appropriation, $5.039m, reflecting Government's decision for additional budget saving measures, cessation of Payroll tax effective from 1 October 2012 and termination of funding for the Electricity Supply Industry Review Panel
- higher Sales revenue, mainly earned by TMD, of $1.628m arising from new revenue streams such as Email Communication revenue, $1.409m, and Networking Tasmania II contract management, $1.168m. In addition, the Department generated higher revenue of $0.485m from the provision of training services. These increases in revenue were offset by lower Tasinet revenue of $0.680m
- higher Other revenue, $3.189m, mainly relating to BRU related receipts referred to earlier in this Chapter.

Total Expenses increased by $3.570m over the 4 years under review, primarily due to growth in employee costs, expenditure on the IT Transformation project, the Modern Communications program and, in 2012-13, on BRU expenses.

With the exception of 2011-12, in which budgeted expenses exceeded actual expenses, both Total actual income and Total actual expenses exceeded respective budgeted amounts due to various unbudgeted factors. Total expenses were less than budgeted in 2011-12 reflecting a reduction in telecommunication expenses and the carry-forward of $2.500m of IT Transformation project expenditure to 2012-13.



Average staff numbers decreased from 466 FTEs in 2009-10 to 444 FTEs in 2012-13 due mainly to Voluntary Target Employee Separation Arrangements and State Service Vacancy Control measures.

While employee numbers decreased over the four year period, employee expenses increased by 11%. This was predominantly due to State Service Wage Agreement indexation, salary progression band adjustments and the impact of higher leave entitlements.

ADMINISTERED FINANCIAL TRANSACTIONS

Administered transactions are those the Department manages on behalf of Government. These transactions are not shown in the Department's Statements of Comprehensive Income, Financial Position or Cash Flows.

Receipts from Government in 2012-13 were solely for the purpose of funding the Tasmanian Community Fund (the Fund). The Department transferred all the receipts to the Fund in 2012-13, resulting in a Nil Comprehensive result.

The Reserved by law appropriation budget for the transfer of funding to the Fund was in line with actual.

As mentioned earlier, the Department provides administrative support to the Tasmanian Early Years Foundation, Anzac Day Trust and Jim Bacon Foundation. Separate Chapters were prepared for Tasmanian Community Fund and Anzac Day Trust. The following commentary provides a summary of the operations of the Tasmanian Early Years Foundation and Jim Bacon Foundation.

JIM BACON FOUNDATION (The Foundation)

Signed special purpose financial statements were received on 7 August 2013 and an unqualified audit report was issued on 30 August 2013.

During the year, the Foundation received \$0.050m from Government and earned interest of \$0.015m. It distributed \$0.028m through scholarships and grants and spent \$0.007m on administration and consultants. The Foundation held \$0.469m in cash at 30 June 2013.

In July 2013, Cabinet approval was given to wind up the Foundation. The enabling legislation was repealed and the Foundation ceased to operate on 31 July 2013. Cabinet approved that the remaining cash balance of \$0.471m be transferred to the Ponting Foundation.

The final special purpose financial statements for the Foundation for the period up to the date of its wind-up were received on 7 August 2013 and an unqualified audit report was issued on 30 August 2013.

Maintenance of the Jim Bacon Foundation Scholarship program through an annual grant of $0.030m to the University of Tasmania will continue and be administered and funded through the Department of Premier and Cabinet.

TASMANIAN EARLY YEARS FOUNDATION (The Foundation)

Signed special purpose financial statements were received on 2 August 2013 and an unqualified audit report was issued on 30 August 2013.

During 2012-13, the Foundation received $0.500m from Government. In addition, the Foundation received grants totalling $0.183m towards its Creative Connections in the Early Years project, including a $0.100m grant from the Sidney Myer Fund and $0.075m from the Tasmanian Community Fund. Total revenue for the year was $0.733m. The Foundation distributed grants totalling $0.360m and an additional $0.041m through donations and scholarships. It spent $0.116m on administration, including consultants, events and advertising. Total expenses for the year were $0.517m. The Foundation's Net Assets totalled $1.324m and consisted of cash held in the Department's Special Deposits and Trust Fund Account.

CHAPTER APPENDICES

STATEMENT OF COMPREHENSIVE INCOME

	2012-13 Budget $'000s	**2012-13** Actual $'000s	**2011-12** Actual $'000s	**2010-11** Actual $'000s
Revenue from Government	69 028	66 789	71 828	77 968
Revenue from Special Capital Investment Funds	0	0	32	724
Grants	0	392	218	176
Sale of goods and services	32 053	31 166	29 538	30 333
Other revenue	0	5 844	2 655	996
Total Income	**101 081**	**104 191**	**104 271**	**110 197**
Employee benefits	43 831	46 332	44 733	44 887
Supplies and consumables	34 714	38 551	33 258	36 173
Transfers to Service Tasmania lead agencies	12 235	11 458	11 450	11 202
Other transfer payments	300	1 451	2 517	1 280
Grants and subsidies	7 087	5 985	5 540	8 896
Depreciation and amortisation	1 422	1 124	1 244	956
Other expenses	2 771	953	2 223	2 851
Total Expenses	**102 360**	**105 854**	**100 965**	**106 245**
Underlying Surplus (Deficit)	**(1 279)**	**(1 663)**	**3 306**	**3 952**
Contributions provided	0	0	0	(215)
Net gain(loss) on non-financial assets	0	0	(1 042)	0
Net Surplus (Deficit)	**(1 279)**	**(1 663)**	**2 264**	**3 737**
Other Comprehensive Income				
Asset revaluation increment	0	0	(5)	0
Comprehensive Surplus (Deficit)	**(1 279)**	**(1 663)**	**2 259**	**3 737**

STATEMENT OF FINANCIAL POSITION

	2013	2012	2011	2010
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	12 419	15 171	10 278	5 902
Receivables	5 290	4 419	4 770	4 909
Non-financial Assets				
Property, plant and equipment	3 046	3 383	3 828	3 412
Other non-financial assets	2 960	2 670	2 816	2 660
Total Assets	**23 715**	**25 643**	**21 692**	**16 883**
Liabilities				
Payables	2 488	2 878	2 522	2 488
Interest bearing liabilities	0	0	227	915
Employee entitlements	11 776	10 933	10 416	9 007
Operating lease make-good provision	660	647	0	0
Other liabilities	2 160	2 891	2 492	2 175
Total Liabilities	**17 084**	**17 349**	**15 657**	**14 585**
Net Assets	**6 631**	**8 294**	**6 035**	**2 298**
Accumulated funds	6 626	8 289	6 025	2 118
Reserves	5	5	10	180
Total Equity	**6 631**	**8 294**	**6 035**	**2 298**

STATEMENT OF CASH FLOWS

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Receipts from Government	66 227	72 287	78 208	69 322
Receipts from Special Capital Investment Fund	0	32	724	1 099
Grants	389	218	176	284
Sale of goods and services	30 810	29 409	30 506	30 966
GST receipts	6 180	6 924	6 668	6 461
Other cash receipts	5 752	3 695	1 016	620
Employee benefits	(45 448)	(44 212)	(43 440)	(41 847)
GST payments	(6 439)	(6 783)	(6 727)	(6 452)
Supplies and consumables	(39 402)	(32 402)	(36 628)	(35 363)
Other cash payments	(20 180)	(22 346)	(23 853)	(24 427)
Cash from (used in) Operations	**(2 111)**	**6 822**	**6 650**	**663**
Payments for acquisition of non-financial assets	(641)	(1 702)	(1 586)	(371)
Cash from (used in) Investing Activities	**(641)**	**(1 702)**	**(1 586)**	**(371)**
Proceeds from borrowings	0	0	0	915
Repayment of borrowings	0	(227)	(688)	0
Cash from (used in) Financing Activities	**0**	**(227)**	**(688)**	**915**
Net Increase (Decrease) in Cash	**(2 752)**	**4 893**	**4 376**	**1 207**
Cash at the beginning of the year	15 171	10 278	5 902	4 695
Cash at End of the Year	**12 419**	**15 171**	**10 278**	**5 902**

FINANCIAL ANALYSIS

	Bench Mark	2012-13	2011-12	2010-11	2009-10
Financial Performance					
Underlying surplus (deficit) ($'000s)		(1 663)	3 306	3 952	(896)
Own source revenue ($'000s)		31 166	29 538	31 329	31 236
Financial Management					
Debt collection	30 days	32	24	25	45
Creditor turnover	30 days	15	24	19	18
Asset Management					
Asset investment ratio*	>100%	N/A	N/A	N/A	N/A
Asset renewal ratio*	100%	N/A	N/A	N/A	N/A
Total asset consumption ratio*		N/A	N/A	N/A	N/A
Employee Information					
Average staff numbers (FTEs)		444	448	454	466
Average staff costs ($'000s)		104	100	99	89
Average recreational leave balance per FTE (days)	20	19	19	18	15
Average long service leave balance per FTE (days)	100	43	43	40	33

* *Asset investment ratio, Asset renewal ratio and Total asset consumption ratio are not applicable to the Department.*

ADDITIONAL FINANCIAL INFORMATION

ADMINISTERED INCOME AND EXPENSES

	2012-13	2012-13	2011-12	2010-11
	Budget	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Receipts from Government	5 960	5 913	5 735	5 617
Grants and transfer payments	0	0	0	0
Other Revenue	0	0	0	0
Total Revenue	**5 960**	**5 913**	**5 735**	**5 617**
Tasmanian Community Fund	5 960	5 913	5 735	5 617
Total Expenses	**5 960**	**5 913**	**5 735**	**5 617**
Net Surplus (Deficit)	**0**	**0**	**0**	**0**
Comprehensive Surplus (Deficit)	**0**	**0**	**0**	**0**

TASMANIAN COMMUNITY FUND (The Fund)

SNAPSHOT

- The Fund distributed grants totalling $5.999m during 2012-13.
- It held $6.797m in cash invested in at call deposits at 30 June 2013.

The audit was completed satisfactorily with no items outstanding.

INTRODUCTION

The Fund and the Tasmanian Community Fund Board (the Board) were established in 1999 under the *Trust Bank Sale Act 1999*. When this Act was repealed in 2005, stand-alone legislation, the *Tasmanian Community Fund Act 2005* (the Act), was enacted to govern the operations of the Fund and the Board.

The Board's functions are to provide funding for projects undertaken by community organisations that make a difference by improving social, environmental and economic outcomes for the Tasmanian community. The Fund is used to finance the payment of grants for various community purposes, as independently determined by the Board.

The Department of Premier and Cabinet (the Department) provides administration support to the Fund.

AUDIT OF THE 2012-13 STATEMENTS

Signed special purpose financial statements were received 29 July 2013. An unqualified audit report was issued on 5 September 2013.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

There were no key findings, developments or areas of audit attention.

The audit was completed satisfactorily with no items outstanding.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12
	$'000s	$'000s
Section 5 receipts	5 913	5 735
Section 7 grants - refunds	216	253
Interest	132	241
Total Revenue	**6 261**	**6 229**
Section 7 grants	5 999	6 122
Other expenses	417	361
Total Expenses	**6 416**	**6 483**
Net Surplus (Deficit)	**(155)**	**(254)**
Comprehensive Surplus (Deficit)	**(155)**	**(254)**

STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Cash	6 797	6 758
Other assets	155	87
Total Assets	**6 952**	**6 845**
Grants payable	517	257
Other liabilities	26	24
Total Liabilities	**543**	**281**
Net Assets	**6 409**	**6 564**
Total Equity	**6 409**	**6 564**

The Board derives the majority of its revenue from an appropriation, which is indexed annually. It distributed grants totalling $5.999m during the year and spent $0.417m on administration, including payroll expenses, $0.145m, consultancy fees, $0.057m, and Board members' remuneration, $0.123m.

Net Assets totalled $6.409m, lower by $0.155m, being the Net Deficit for 2012-13. The Board maintained a significant cash balance, $6.797m, which comprised the majority of Total Assets. Grants payable totalled $0.517m at 30 June 2013 and represented grants which were approved by the Board but not yet paid.

At 30 June 2013, the value of grants approved in principle by the Board but which were awaiting finalisation of grant deeds totalled $2.198m (2012, $3.821m). They were disclosed as contingent liabilities in the Fund's financial statements.

DEPARTMENT OF PRIMARY INDUSTRIES, PARKS, WATER AND ENVIRONMENT

SNAPSHOT

- The Department met budgeted savings targets, as specified in its 2012-13 budget, by curtailing expenditure for the year, including Employee entitlement expenditure.
- However, the Underlying result, a deficit, was $21.997m which was $5.147m less than 2011-12 and $4.080m less than budget.
- The Department's Net result, a deficit of $14.613m, was significantly less that the Net surplus recorded in 2011-12, almost entirely due to a write-off of assets – refer to Other major developments below.
- It continued to support the development of water infrastructure within the State, in conjunction with the Australian Government, through contributions to Tasmanian Irrigation Pty Ltd:
    - grant payments, $13.259m
    - equity transfers, $23.292m
- At 30 June 2013 the Department's Net Assets totalled $1.029bn with its most significant asset being its Property, plant and equipment, $815.839m, and its highest liability was Employee entitlements, $29.175m.
- During the audit a number of information system control weaknesses were identified and reported to management and which are being addressed.
- The Asset investment and Asset sustainability ratios remained well below benchmark because capital expenditure in these areas was significantly less than the depreciation expense incurred.

Other major developments this year included continued efforts to reconcile the various National Parks, Reserves and Crown Land listings and sub-system records maintained by the Department. This resulted in the write-off of $30.807m of land the Department no longer controlled.

Major variations between the 2012-13 and 2011-12 financial years included:

- lower Contributions received, $16.582m. This represents Crown Land, National Parks and Reserves, and other assets not previously brought to account with amounts between years not comparable
- lower Contributions provided, $13.079m. This represents assets transferred to other entities and, once again, amounts between years are not comparable
- a decline in Transfers to Administered Funds, $6.085m. This is mainly represented by drawdowns from the Crown Land Administration Fund (CLAF) and paid to Consolidated Fund
- lower movement in the physical asset revaluation reserve of $95.086m. A credit of $97.826m to the asset revaluation reserve arose in 2011-12, following a full revaluation of infrastructure assets in that year.

The audit was completed satisfactorily with no major items outstanding.

INTRODUCTION

The Department is responsible for the sustainable management and protection of Tasmania's natural and cultural assets for the benefit of Tasmanian communities and the economy.

Its activities guide and support the use and management of Tasmania's land and water resources and protect its natural and cultural environment. The Department is also responsible for delivering the services that support primary industry development and the protection of the State's relative disease and pest-free status.

The Department's role is to support Tasmania's continued economic, environmental and social wellbeing through its contribution to the achievement of the following major outcomes:

- a clean, healthy and diverse environment
- profitable and sustainable agriculture, aquaculture and fisheries industries
- safe and sustainable water supplies for communities, industries and the environment
- a protected and conserved Aboriginal and historical heritage
- a world renowned national park and reserve system
- iconic botanical heritage and cultural sites
- quality information that supports water and land use decisions and
- self-reliant rural and regional communities.

KEY AREAS OF AUDIT ATTENTION

Description of Area	Audit Approach
The Department administers a substantial level of fees and fines, collected on behalf of other Government instrumentalities. There is a risk that revenue may not be correctly recorded or receipted.	We documented and tested controls around the Department's revenue systems on a rotational basis and assessed the adequacy of the provision for impairment of receivables.
The diversity of the Department's responsibilities, together with its numerous divisions operating from locations spread across the State increases the risk of: • departure from specified internal controls • ineffective monitoring of controls • opportunity for misappropriation of assets • misstatement of balances in the financial statements.	We tested the design and effectiveness of internal controls. In addition to tests of controls, we performed substantive procedures around revenue and expenditure, including a review of interfaces between various revenue systems and the general ledger. This testing was used to mitigate the risk of misstatement, due to inconsistencies in processing transactions by different units or locations.

Description of Area	Audit Approach
The Department administers a complex and large asset register. As a result of improved data in the asset register and systematic revaluations, the Department regularly identifies assets which were not previously recognised and/or identifies assets previously transferred to other agencies but not recorded as such. Furthermore, revaluations require estimations, judgments and complex calculations. This increases the risk of material misstatement of the financial statements.	We ensured that the accounting treatment of newly identified assets, and assets transferred not previously recorded, complies with accounting standards, in particular AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The calculations and underlying assumptions supporting fair values of assets were verified. Significant movements in assets during the year were traced to supporting documentation and we verified that the asset register is administered according to Departmental policy. The reconciliation between the Asset Register and IMS (Parks Asset Management System) was also examined.
The Department is responsible for the operations of Service Tasmania. There are currently 27 Service Tasmania shops which collect revenues/receipts for a number of agencies and other entities. Due to the large number of both transactions and entities involved, there is a risk that funds will not be receipted to the correct entities.	We documented the relevant systems at Service Tasmania and at the Department and tested reconciliations to ensure that transactions are appropriately cleared. Analytical reviews over the receipts were undertaken, material payments examined and confirmations obtained to confirm that items were correctly collected and disbursed. We also tested bank reconciliations for Service Tasmania accounts to confirm balances.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 14 August 2013, with amended financial statements, for minor disclosure edits only, received on 3 September 2013. An unqualified audit report was issued on 5 September 2013.

KEY FINDINGS

There were no high risk findings identified during the 2012-13 audit. However, a number of audit findings were brought to the Department's attention as follows:

- Audit identified a key dependency on a contractor for the Parks and Wildlife Service's (PWS) Information Management System (IMS). We also noted that, for a number of years, there has been no service level agreement between the contractor and the Department.
- In a review of a list of current active PWS IMS users, it was noted that some users were no longer employees of the Department.

- A Finance One super user was identified as having access to the Department's on-line banking system. Although not in line with best practice, it was determined that the Department managed this risk appropriately.

Other low risk audit findings were reported. These related to password controls, cash handling policy, user fees and asset valuation disclosures.

Management are taking appropriate action in response to all matters raised.

The audit was completed satisfactorily with no other items outstanding.

KEY DEVELOPMENTS

Reconciliation of Asset Register

The Department continued in its efforts to reconcile its various asset listings and sub-system records into one central asset register. This year the VISTAS and LIST systems were compared to the central asset register in Finance One. As a result, a number of Crown Land parcels were found to have been previously disposed of or transferred. This resulted in write-offs, $30.807m, with the vast majority being land parcels transferred to other entities in prior years. Most of these transfers occurred prior to 2009, and since then, procedures have been put in place to ensure the central asset register is updated. It should be noted that while this write-off is a large amount, it only represents approximately 4% of total land assets.

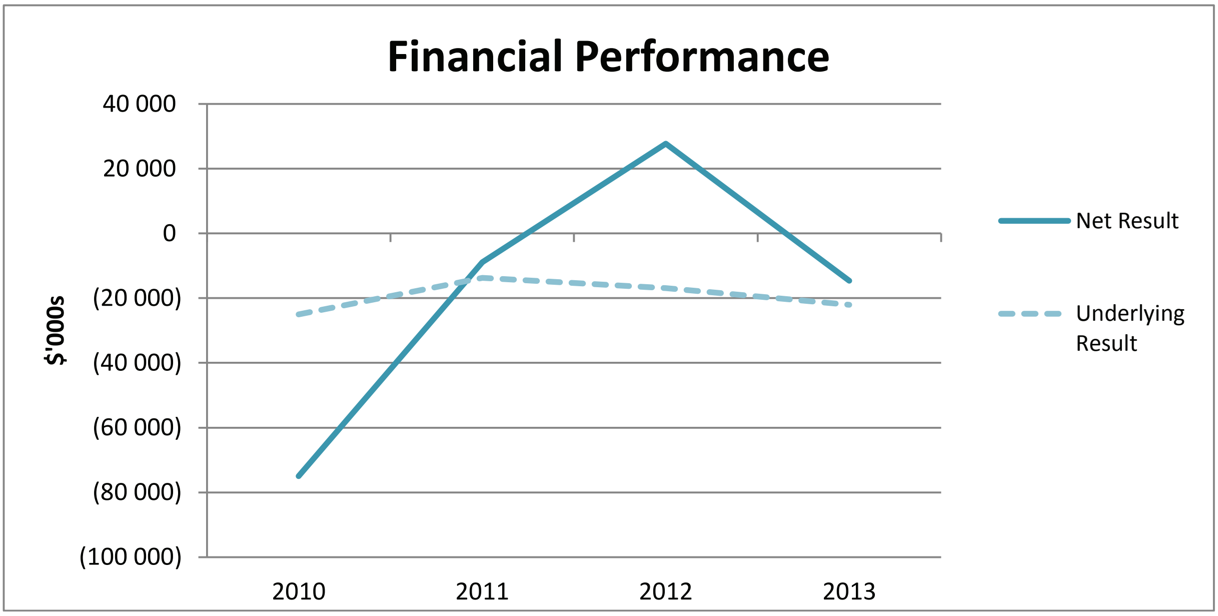
Asset Valuation Policy

During the year, the Department endorsed a new Non-Current Asset Valuation Methodology Policy, which outlined the processes and procedures to follow when revaluations are undertaken, including a detailed timetable for the future revaluation of all asset classes.

Tasmanian Forest Agreement

The *Tasmanian Forests Agreement Act 2013* provides a framework for the protection of significant additional hectares of land which the Department will be responsible for managing. The Forestry Tasmania transition of these hectares is also expected to involve the transfer of responsibility for the non-production reserves to the Department. In both cases the recognition of the land is contingent on various legislative steps occurring and therefore no additional land has been recognised in 2012-13.

FINANCIAL ANALYSIS



The Department's financial performance declined in 2012-13 and it reported an Underlying Deficit of $21.997m (2012, $16.850m deficit). The higher deficit was principally due to increased grant payments to Tasmanian Irrigation Pty Ltd (TIPL)of $8.193m, which included $6.890m funding to cover financing costs of the Midlands Water Scheme.

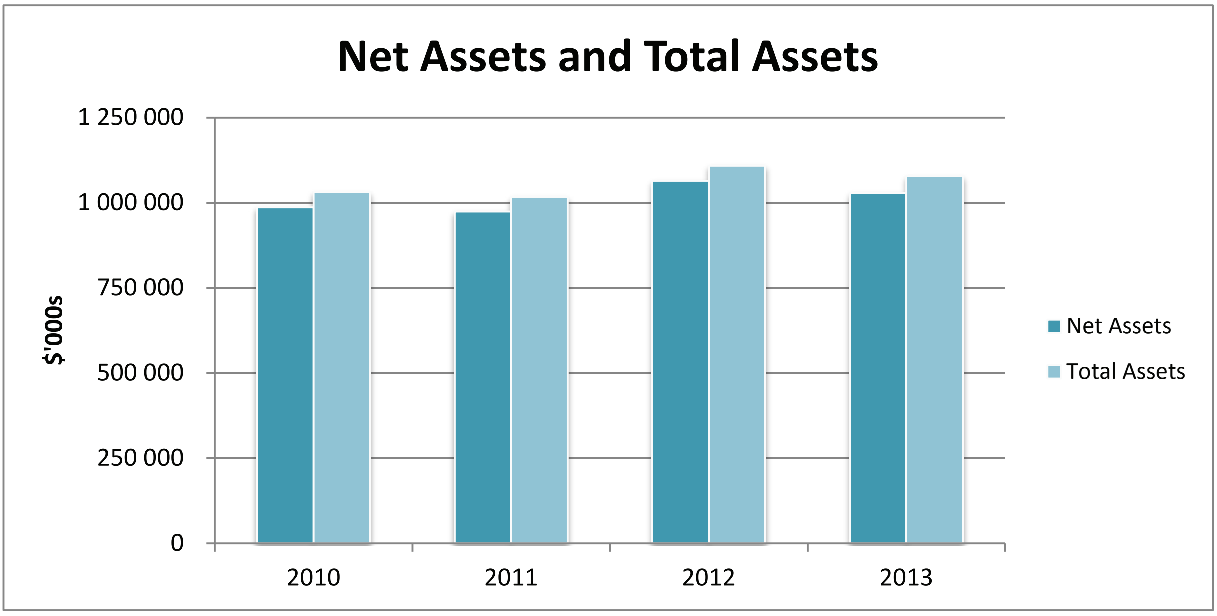
The increase was offset by a fall in Employee entitlement expenses of $2.808m. Over the last number of years the Department had undertaken a redundancy program, which assisted in the reduction of wages and salaries for the first time in 2012-13. A decrease in long service leave expense of $2.549m also had a positive impact, as the prior year amount included an adjustment for reduced discount rates and increased probability factors in the calculation of the long service leave liability.

The Underlying Deficit was relatively consistent over the past three years. This is expected as funding for departments excludes depreciation, impairments and increases in employee provisions.

In Note 7 of its audited financial statements, the Department reported an Underlying Deficit of $27.397m whereas our analysis has calculated $21.997m. The difference related to the Transfer to Administered Funds of $5.400m, which we do not regard as a controllable expense.

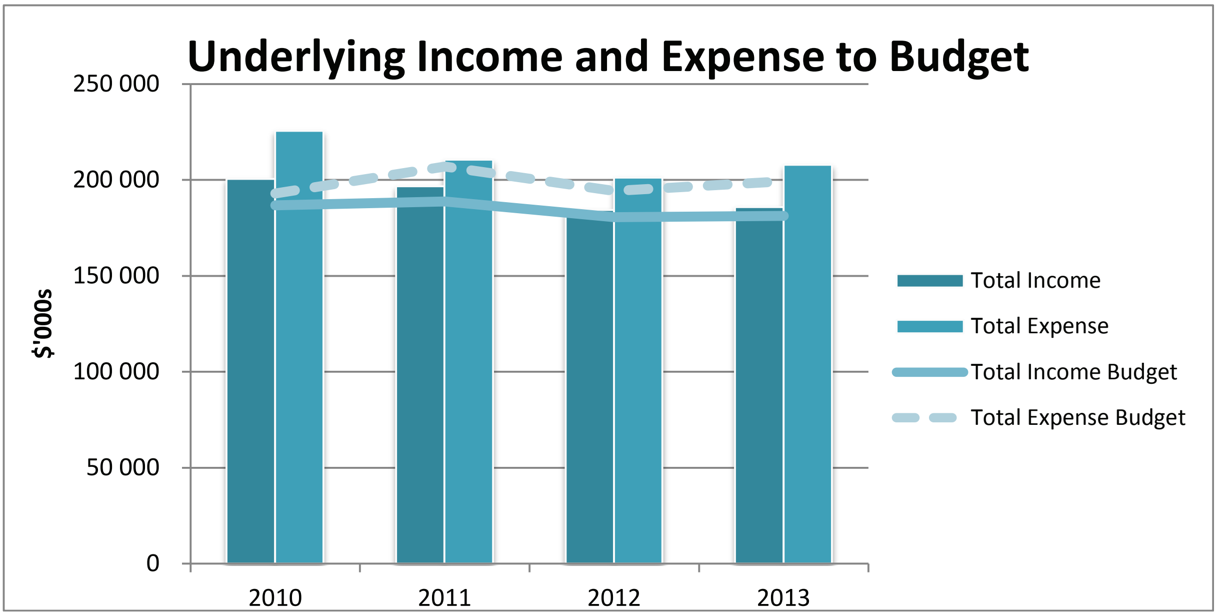
The 2012-13 Net Deficit of $14.613m (2012, $27.788m surplus) was derived from the Underlying Result but taking into account other economic flows. The main other economic flows were a write down of land assets, $32.012m, offset by Australian Government water infrastructure grant revenue, $23.292m, and Contributions received, $20.333m. The larger Net Surplus in 2011-12 included:

- increased assets recognised for the first time, $16.582m, as a result of the infrastructure asset identification and revaluation program referred to earlier
- an additional $5.103m in capital funding provided to the Water Infrastructure Fund
- a large reduction in change in estimates of non-financial assets, from $32.012m to $1.261m, due principally to the land write-offs in the current year, discussed previously.



The difference between Net Assets and Total Assets over the four years of analysis has been fairly consistent, indicating that the level of liabilities were steady. The significant increase in Total Assets in 2012 was principally due to the revaluation of infrastructure assets of $84.318m, while the decrease in 2013 was mainly due to the write down of land assets by $30.807m.

The Asset investment and Asset sustainability ratios for both Buildings and Infrastructure remained well below benchmark, as capital expenditure in these areas was significantly less than the depreciation expense incurred. These ratios indicate that, subject to levels of maintenance expenditure, the Department is under-investing in its existing assets. The Department operates various maintenance programs including the essential maintenance program and the Crown Land services structural asset upgrade program which may mitigate this risk to some extent.



For the past three years, actual results have been relatively consistent with budget. Total Income and Expenses plateaued in the last two years, coming off a high in 2010.

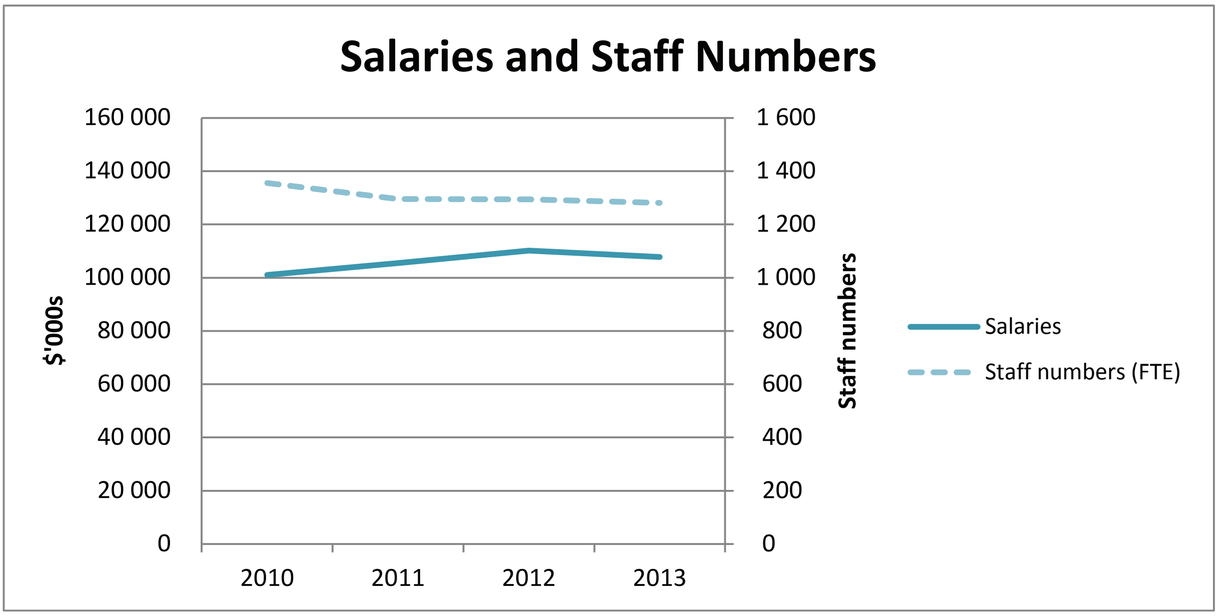
The results for 2010 were higher than budgeted, as this was the first year of the newly merged Department. While actual income in 2010 was slightly above the budgeted amount, actual expenditure was significantly greater than the budget figure of $192.965m. Actual expenditure in 2010 of $225.663m was affected by:

- grant expenditure, $18.517m, greater than the budget amount, as it included approximately $10.200m in grant payments made through the Water Infrastructure Fund (WIF) that had not been included in the original budget
- supplies and consumables were greater than budget by $5.182m due to increases in costs associated with CLAF activity and other expenditure.

Significant variances in budget to actual for 2013 year included:

- rent received exceeded budget due to the delays in the sale of Parliament Square and the Department received rents for the full year
- Other revenue exceeded budget as the Department received reimbursement for bushfire related activity
- Grants and subsidies were greater than budget, primarily due to additional grants to TIPL
- Depreciation exceeded budget as the estimate was based upon useful lives of assets prior to the 2012 revaluation of infrastructure
- Other expenditure less than budget as a result of the payroll tax cessation from 1 October 2012.

Total Expenses increased by $6.745m or 3.35% on the previous year primarily due to higher Grants and subsidies expenditure, with additional payments to the WIF amounting to $8.193m.



Note: the salaries figures above are net of redundancies.

Since 2010 the Department has reduced staff numbers, however the effect of this decrease is only now impacting upon salary expenses.

Salaries in 2012 increased marginally despite the smaller workforce, mainly due to annual indexation of salaries and wages, other increments, an increase in the rate of superannuation contribution for employees in the defined benefit scheme and discount rate impacts on the Long Service Leave Provision.

Over the four period of review average staff numbers fell by 75 FTEs to 1 281 FTEs. Average staff costs increased from $75 000 per average FTE in 2009-10 to $84 000 in the current year, but stabilised in the last two years. Leave provision balances per FTE have also levelled off over the last two years. All of the above factors indicate the Department is containing its employee expenses.

CROWN LAND ADMINISTRATION FUND (CLAF)

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Opening Balance	**20 955**	**16 357**	**11 544**	**39 170**
Receipts (Note 1)	15 389	18 493	16 390	19 106
Transfers out (Note 2)	(8 738)	(13 895)	(11 577)	(46 732)
Closing Balance	**27 606**	**20 955**	**16 357**	**11 544**
Note 1 – Receipts				
Proceeds from asset sales	8 743	10 940	9 270	12 591
Rent on Government owned properties	6 196	6 882	6 549	5 960
Other receipts	450	671	571	534
Total Receipts	**15 389**	**18 493**	**16 390**	**19 085**
Note 2 – Transfers Out				
Employee entitlements	510	856	509	687
Professional and consulting fees	817	501	392	1 296
Disbursement of revenue to other agencies	5	172	0	0
Legal costs	71	189	608	1 360
General property expenses	1 506	752	4 513	823
Other transfers	429	525	555	565
Total Administration costs	**3 338**	**2 995**	**6 577**	**4 731**
Transfer to administered funds	5 400	10 900	5 000	42 000
Total Transfers Out	**8 738**	**13 895**	**11 577**	**46 731**

The balance in CLAF increased to $27.606m at 30 June 2013. Receipts for the year were lower due to a reduction in property sales together with one less tenancy earning rentals in 2012-13. There was also a reduction in transfers to administered funds of $5.500m. Such transfers are determined by the Department of Treasury and Finance (Treasury) and are not influenced by actions of the Department.

WATER INFRASTRUCTURE FUND

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Opening Balance at 1 July	**15 791**	**28 442**	**48 052**	**62 076**
Receipts from Australian Government funding	23 292	28 395	1 356	18 015
Equity contributions paid to TIPL	(23 292)	(35 939)	(21 536)	(21 890)
Grants paid	(13 259)	(5 107)	(6 140)	(10 149)
Equity contribution repayments received from TIPL	0	0	6 710	0
Closing balance at 30 June	**2 532**	**15 791**	**28 442**	**48 052**

The balance in the WIF decreased to $2.532m, due principally to an increase in grants paid of $8.152m. As discussed previously, this included $6.890m funding to cover financing costs of the Midlands Water Scheme. The reduced fund balance reflects the fact that most of the capital projects with a significant State funding component are complete or in progress.

ADMINISTERED FINANCIAL TRANSACTIONS

Administered revenue decreased by $11.626m in 2012-13 due to the following:

- Australian Government grants decreased by $5.668m because from 1 July 2012 Australian Government funds are expensed through external fund accounts, not the Consolidated Fund.
- a reduction in transfers from Controlled Funds of $5.500m, which reflects funds requested by Treasury, and agrees to the budget amount.

Consistent with the changes above, the resulting transfers to the Consolidated Fund also decreased.

CHAPTER APPENDICES

STATEMENT OF COMPREHENSIVE INCOME

	2012-13 Budget $'000s	2012-13 Actual $'000s	2011-12 Actual $'000s	2010-11 Actual $'000s
Revenue from Government - recurrent	129 476	122 140	133 549	143 741
Revenue from Government - capital works and services	556	556	556	556
Revenue from special capital investment funds - recurrent	2 387	502	825	2 020
Grants	8 366	15 417	3 070	3 835
Sales of goods and services	14 487	16 413	15 080	14 342
Fees and fines	7 496	7 673	8 020	7 574
Interest revenue	1 031	655	1 313	1 816
Other revenue	17 549	22 604	21 949	22 920
Total Revenue	**181 348**	**185 960**	**184 362**	**196 804**
Employee entitlements	111 786	108 249	111 057	105 467
Depreciation and amortisation	9 689	13 360	12 265	10 021
Grants and subsidies	16 645	30 327	21 176	23 291
Supplies and consumables	51 171	50 086	47 816	60 486
Other expenses	9 974	5 935	8 898	11 258
Total Expenses	**199 265**	**207 957**	**201 212**	**210 523**
Underlying Surplus (Deficit)	**(17 917)**	**(21 997)**	**(16 850)**	**(13 719)**
Revenue from Government - capital	3 050	670	3 000	500
Revenue from Special Capital Investment Funds	300	1 998	1 556	495
Revenue from Government - Water infrastructure fund	44 852	23 292	28 395	1 356
Grants - Capital	9 700	1 680	1 600	0
Gain on sale of non-financial assets	0	33	2 245	(251)
Net gain (loss) of financial instruments	0	(44)	(82)	(104)
Contribtions received	11 064	20 333	36 915	20 544
Contributions provided	0	(3 166)	(16 245)	(12 620)
Change in estimate of non-financial assets	0	(32 012)	(1 261)	(83)
Transfer to Administered funds	(5 400)	(5 400)	(11 485)	(5 000)
Net Surplus (Deficit)	**45 649**	**(14 613)**	**27 788**	**(8 882)**
Other Comprehensive Income				
Changes in physical asset revaluation reserve	2 513	2 740	97 826	11 600
Comprehensive Surplus (Deficit)	**48 162**	**(11 873)**	**125 614**	**2 718**

STATEMENT OF FINANCIAL POSITION

	2013	2012	2011	2010
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	88 480	91 127	101 553	123 958
Receivables	2 913	3 591	4 799	3 161
Other financial assets	1 560	1 283	1 390	1 476
Non-financial Assets				
Inventory	706	661	714	801
Property, plant and equipment	815 839	844 497	828 250	818 848
Infrastructure	154 694	154 856	68 092	70 269
Intangibles	2 896	1 546	1 185	1 346
Other non-financial assets	10 615	10 955	10 849	11 024
Total Assets	**1 077 703**	**1 108 516**	**1 016 832**	**1 030 883**
Financial Liabilities				
Payables	2 312	1 915	2 212	4 732
Employee entitlements	29 175	29 075	25 231	22 900
Provisions	9 716	9 686	9 624	9 785
Other liabilities	7 856	4 031	5 631	7 224
Total Liabilities	**49 059**	**44 707**	**42 698**	**44 641**
Net Assets	**1 028 644**	**1 063 809**	**974 134**	**986 242**
Contributed capital	636 493	636 493	636 493	636 493
Accumulated funds	109 308	133 954	129 454	133 552
Reserves	280 311	277 571	179 745	168 145
Water Infrastructure Fund	2 532	15 791	28 442	48 052
Total Equity	**1 028 644**	**1 063 809**	**974 134**	**986 242**

STATEMENT OF CASH FLOWS

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Receipts from Government - recurrent	126 761	134 105	142 297	148 960
Receipts from special capital investment funds - recurrent	502	825	2 020	3 813
Grants	15 284	3 214	3 679	4 856
Sales of goods and services	16 530	14 756	14 170	14 076
Fees and fines	7 729	8 335	7 430	8 275
Contributions received	8 293	4 336	7 515	8 893
Interest received	697	1 369	1 795	1 490
Other cash receipts	31 571	31 136	31 090	33 407
Payments to employees	(108 101)	(107 181)	(103 058)	(102 433)
Payments to suppliers	(81 399)	(83 091)	(100 420)	(116 235)
Cash from (used in) Operations	**17 867**	**7 804**	**6 518**	**5 102**
Water Infrastructure Fund (WIF)				
Funds received - appropriation revenue	23 292	28 395	1 356	18 015
Equity contribution repayments received from RWSC	0	0	6 710	0
Grants Paid	(13 259)	(5 107)	(6 140)	(10 149)
Funds transferred to Tasmanian Irrigation Pty Ltd	(23 292)	(35 939)	(21 536)	(21 890)
Cash from (used in) WIF	**(13 259)**	**(12 651)**	**(19 610)**	**(14 024)**
Proceeds from disposal of assets	423	6 762	1 818	3 845
Receipts from Government - capital	670	3 000	500	4 000
Revenue from Special Capital Investment Funds	1 998	1 556	495	2 262
Receipts from non-operational capital funding - Grants	1 680	1 600	0	0
Loan payment received	6	108	31	16
Payments for acquisition of assets	(6 632)	(7 120)	(7 157)	(9 586)
Transfer to Administered Funds	(5 400)	(11 485)	(5 000)	(42 000)
Administrative restructure	0	0	0	30 788
Cash from (used in) Investing Activities	**(7 255)**	**(5 579)**	**(9 313)**	**(10 675)**
Net Increase (Decrease) in Cash	**(2 647)**	**(10 426)**	**(22 405)**	**(19 597)**
Cash at the beginning of the year	91 127	101 553	123 958	143 555
Cash at End of the Year	**88 480**	**91 127**	**101 553**	**123 958**

FINANCIAL ANALYSIS

	Bench Mark	2012-13	2011-12	2010-11	2009-10
Financial Performance					
Underlying surplus (deficit) ($'000s)		(21 997)	(16 850)	(13 719)	(25 044)
Own source revenue ($'000s)		47 345	46 362	46 652	45 499
Financial Management					
Debt collection	30 days	17	23	27	15
Creditor turnover	30 days	9	6	7	10
Asset Management					
Buildings					
Asset investment ratio	>100%	3%	28%	149%	9%
Asset sustainability ratio	100%	1%	10%	115%	3%
Infrastructure					
Asset investment Ratio	>100%	53%	85%	38%	141%
Asset sustainability Ratio	100%	13%	6%	18%	11%
Other Information					
Average staff numbers (FTEs)		1 281	1 294	1 295	1 356
Average staff costs ($'000s)		84	85	81	75
Average recreational leave balance per FTE (days)	20	19	20	21	19
Average long service leave balance per FTE (days)	100	46	46	45	42

ADDITIONAL FINANCIAL INFORMATION

ADMINISTERED INCOME AND EXPENSES

	2012-13 Budget $'000s	2012-13 Actual $'000s	2011-12 Actual $'000s	2010-11 Actual $'000s
Revenue from Government - recurrent	9 473	9 407	9 949	9 854
Australian Government grants	2 937	133	5 801	6 052
Fees and fines	36 323	35 782	35 698	33 211
Other revenue	5 400	5 400	10 900	5 000
Total Revenue	**54 133**	**50 722**	**62 348**	**54 117**
Grants and subsidies	9 473	9 540	9 949	9 854
Total Expenses	**9 473**	**9 540**	**9 949**	**9 854**
Underlying Surplus (Deficit)	**44 660**	**41 182**	**52 399**	**44 263**
Transfer to the Consolidated Fund	44 660	41 009	52 548	44 663
Net Surplus (Deficit)	**0**	**173**	**(149)**	**(400)**
Other Comprehensive Income				
Net gain (loss) on financial instruments	0	(173)	149	(64)
Comprehensive Surplus (Deficit)	**0**	**0**	**0**	**(464)**

DEPARTMENT OF TREASURY AND FINANCE

SNAPSHOT

- The Department reported a net Underlying Surplus for the year despite a lower appropriation. The improved result was achieved mainly because the Department reduced staff expenses and supplies and consumable costs.
- The result was better than last year and better than budget. It had the effect of improving the Department's Equity but which still remained negative at 30 June 2013 almost entirely due to its liability for employee annual and long service leave.

Major developments this year included management of the State's Electricity Reform Project. The Department's primary role was to manage implementation of the reforms and associated costs. This Project impacted the Net result as follows:

- Other revenue increased by $3.419m funded by the three electricity businesses
- Costs incurred totalling $3.847m, which comprised of $0.875m in salaries and $2.972m in supplies and consumables
- Excess funds received, $0.470m, which were recognised as Revenue received in advance and will therefore be spent in 2013-14.

The audit was completed satisfactorily with no findings.

INTRODUCTION

The Department is responsible for implementing strategies to achieve Government's economic and financial objectives and is the central agency responsible for management of Government financial resources.

Its resources are managed through the Treasury and Finance Division and are reported as controlled, including all funds through which the Department controls its resources to carry out its functions.

The Administered Statements encompass all activities of the Finance-General Division that are administered on behalf of Government. Commentary on Finance-General has been included in a separate Chapter.

AREAS OF AUDIT ATTENTION

There were no key areas to highlight.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 15 August 2013 and an unqualified audit report was issued on 27 September 2013.

KEY FINDINGS

The audit was completed satisfactorily with no findings.

KEY DEVELOPMENTS

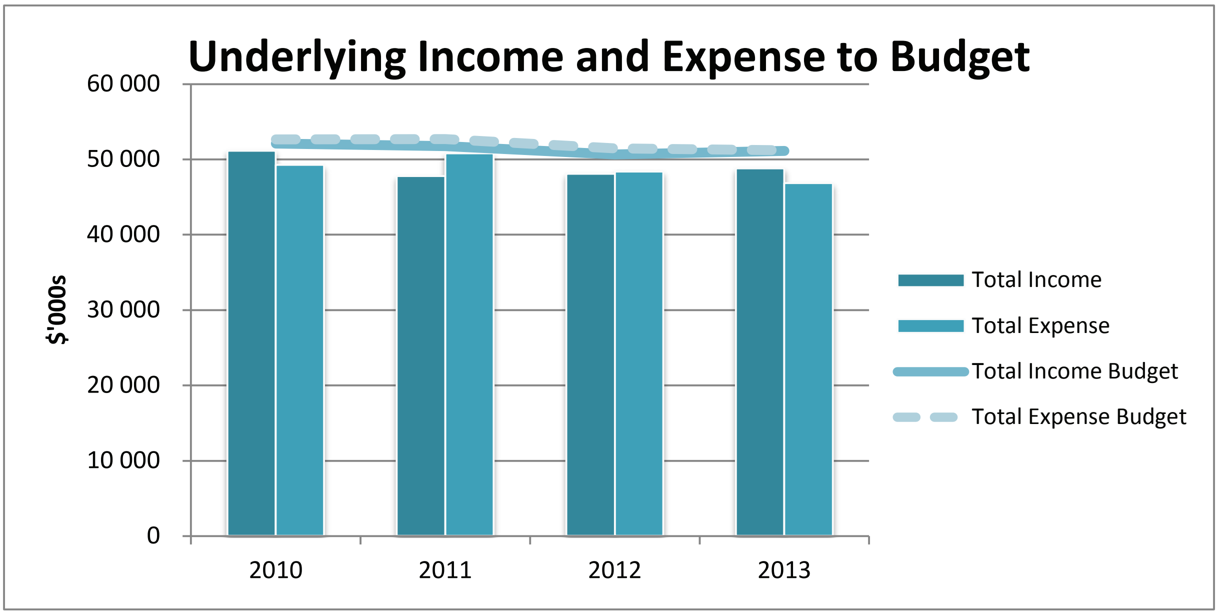
Electricity Reform Project

The Department managed the Electricity Reform Project (the Project) budget during 2012-13. It invoiced the Electricity businesses for budgeted funds during the Project and these businesses then claimed their costs back from the Department once the work was completed. In addition, employee costs for the Department's staff whose positions were back-filled as a result of their involvement in the project were recovered from Finance-General. This process enabled the Department to monitor the cost of the project.

The financial impact of this project in 2012-13 was a Net Deficit of $0.078m, which included:

- Revenue from appropriation, $0.350m,
- Other revenue, $3.419m,
- Employee expenses, $0.875m,
- Supplies and consumables, $2.972m,
- Revenue received in advance, $0.470m.

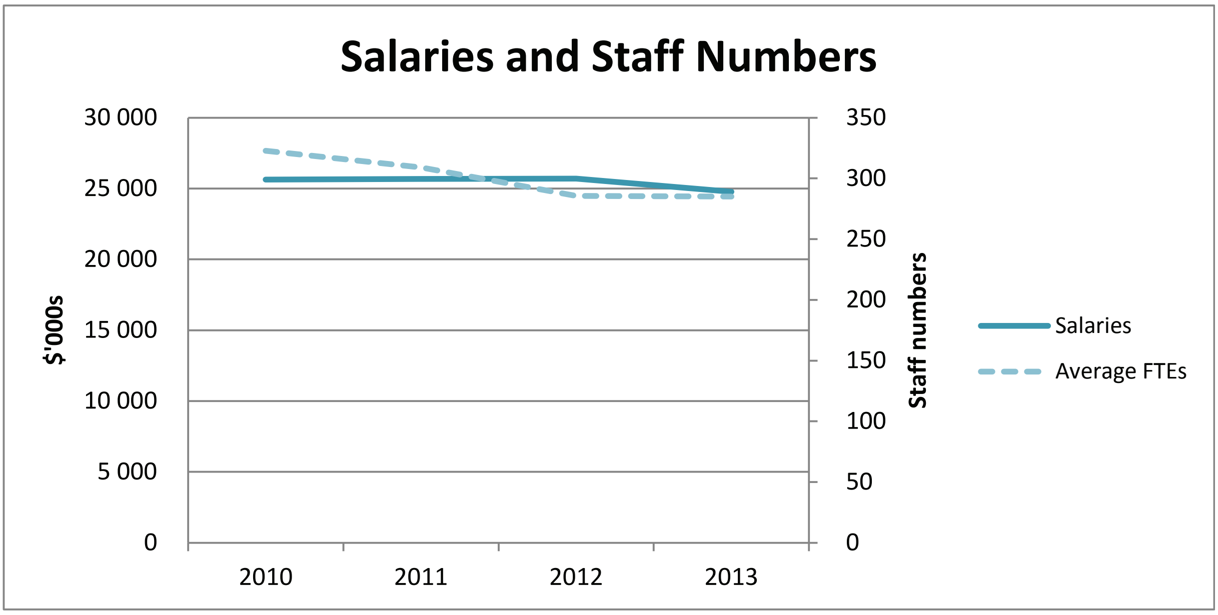
FINANCIAL ANALYSIS



The Department reported an Underlying Surplus of $1.980m in 2012-13 compared to a deficit of $0.304m reported last year. The Underlying result improved despite a decrease in appropriation. The improved result was achieved mainly because the Department reduced staff expenses and supplies and consumable costs after eliminating the Project costs. These savings totalled $2.922m. In addition, the closure of the JBS Swift Abattoir on King Island and the increase in renewable electricity generated on Flinders Island resulted in lower payments under the Bass Strait Islands Electricity Subsidy scheme. This was the main contributing factor for the decrease in Grants and subsidies of $1.500m.

The Project, which was managed by the Department, had no effect on the Underlying Surplus but led to increases in both revenue and expenses. Contributions from electricity businesses received but not yet expensed were recognised as revenue received in advance. Budgeted income and expense exceeded the actual results in each of the four years under review, predominantly as a result of the Tasmanian Economic Regulator being included in the Department's budget figures but excluded from the actual results.

The Department's negative Total Equity decreased in line with the surplus for the year to $1.228m at 30 June 2013. Its cash balance of $4.354m at 30 June 2013 was significantly higher than in the previous year largely due to the Net result attributable to the State and revenue received in advance from Electricity businesses.



To reduce its cost, the Department abolished a number of positions and redeployed staff. As a result, staff numbers declined steadily over the four year period, with an overall decrease of 38 average FTEs since 2010. In 2012-13, Employee expenses were $0.924m lower than in the previous year. However, when additional costs associated with the Electricity Reform Project are eliminated, the reduction in Employee expenses was even greater at $1.799m.

STATEMENT OF COMPREHENSIVE INCOME

	2012-13 Budget $'000	2012-13 Actual $'000s	2011-12 Actual $'000s	2010-11 Actual $'000s
Revenue from Government - recurrent	40 700	38 031	40 552	40 171
Revenue from Special Capital Investment Funds	0	0	0	0
Fees and fines	9 585	6 553	6 454	6 697
Other revenue	824	4 211	1 069	858
Contributions revenue	0	0	0	22
Total Revenue	**51 109**	**48 795**	**48 075**	**47 748**
Employee expenses	27 358	24 780	25 704	25 676
Depreciation	256	202	390	517
Supplies and consumables	7 122	8 545	6 696	7 446
Grants and subsidies	14 739	12 812	14 312	15 488
Other expenses	1 759	476	1 277	1 652
Total Expenses	**51 234**	**46 815**	**48 379**	**50 779**
Underlying Surplus (Deficit)	**(125)**	**1 980**	**(304)**	**(3 031)**
Net gain (loss) on statutory receivables	0	0	0	(47)
Liquor licensing revenue	0	1 228	835	806
Transfer to the Consolidated Fund	(1 148)	(1 233)	(827)	(813)
Net Surplus (Deficit)	**(1 273)**	**1 975**	**(296)**	**(3 085)**
Other Economic Flows - Other Non-owner Changes in Equity	**0**	**0**	**0**	**0**
Comprehensive Surplus (Deficit)	**(1 273)**	**1 975**	**(296)**	**(3 085)**

STATEMENT OF FINANCIAL POSITION

	2013	2012	2011	2010
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	4 354	2 893	3 712	4 911
Receivables	46	259	98	307
Other financial assets	1 071	853	679	717
Non-financial Assets				
Plant and equipment	464	116	217	253
Leasehold improvements	543	554	731	866
Heritage assets	84	84	84	62
Intangibles	1 002	414	217	303
Total Assets	**7 564**	**5 173**	**5 738**	**7 419**
Liabilities				
Payables	155	120	139	147
Employee entitlements	6 984	6 970	6 313	5 949
Other liabilities	1 653	1 287	2 194	1 146
Total Liabilities	**8 792**	**8 377**	**8 646**	**7 242**
Net Liabilities	**(1 228)**	**(3 204)**	**(2 908)**	**177**
Accumulated funds (deficit)	(1 228)	(3 204)	(2 908)	177
Reserves	0	0	0	0
Total Net Deficit	**(1 228)**	**(3 204)**	**(2 908)**	**177**

STATEMENT OF CASH FLOWS

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Receipts from Government - recurrent	37 759	39 899	41 038	40 871
Receipts from Special Capital Investment Funds	0	0	0	1 717
Fees and fines	8 038	6 964	7 457	7 450
Other cash receipts	6 808	2 165	2 426	2 882
Payments to employees	(24 721)	(25 061)	(25 674)	(24 978)
Grants and subsidies	(13 447)	(14 421)	(15 233)	(12 014)
Supplies and consumables	(10 621)	(9 228)	(10 140)	(12 922)
Transfers to the Consolidated Fund	(1 233)	(827)	(813)	(776)
Cash from (used in) Operations	**2 583**	**(509)**	**(939)**	**2 230**
Payments for acquisition of assets	(1 122)	(310)	(260)	(197)
Cash from (used in) Investing Activities	**(1 122)**	**(310)**	**(260)**	**(197)**
Net Increase (decrease) in Cash	**1 461**	**(819)**	**(1 199)**	**2 033**
Cash at the beginning of the year	2 893	3 712	4 911	2 878
Cash at End of the Year	**4 354**	**2 893**	**3 712**	**4 911**

FINANCIAL ANALYSIS

	Bench Mark	2012-13	2011-12	2010-11	2009-10
Financial Performance					
Underlying surplus (deficit) ($'000s)		1 980	(304)	(3 031)	1 895
Own source revenue ($'000s)		10 764	7 523	7 577	8 543
Financial Management					
Debt collection	30 days	2	25	10	35
Creditor turnover	30 days	1	1	1	1
Other Information					
Average staff numbers (FTEs)		285	285	309	323
Average staff costs ($'000s)		87	90	83	79

FINANCE-GENERAL

SNAPSHOT

Finance-General incurred an Underlying Deficit for the year of $348.375m and at 30 June 2013 it had Net Assets of $971.195m, a $322.191m improvement since 30 June 2012.

Significant transactions this year included:

- an actuarial gain on the GGS's defined benefit superannuation liability of $970.321m
- decline in the carrying amount of net investments in Government businesses of $118.591m
- movement in deferred income tax equivalents receivable by Government business of $101.162m
- the unfunded superannuation liability recorded by Finance-General was $6.051bn at 30 June 2013. This was $0.837bn less than last year, mainly because of gains following actuarial related adjustments
- actuarial gain on Finance-General's defined benefit superannuation liability was $970.321m compared to a loss of $1.778bn last year
- temporary overnight loan of $900.000m (2012, $650.000m) was used to gross up the Government's cash holdings to at least equal the balance of accounts in the Special Deposits and Trust Fund.

Major developments this year included:

- impairment of the Parliament Square site, $9.121m
- change to an accounting policy by recognising income tax equivalent revenue from Government businesses on an accrual basis.

Finance-General's main expenditures this year were:

- transfers to the Consolidation Fund which represented 78% of the total costs (2011-12, 84%)
- grants and subsidies, 12% (6%)
- employer costs of the closed Retirement Benefits Fund, Parliamentary and Judges defined benefit superannuation schemes, 7% (8%).

The audit was completed on time with no findings.

INTRODUCTION

Finance-General is a Division within the State Budget, and is administered through the Department of Treasury and Finance (Treasury). Expenditure through Finance-General generally reflects Whole-of-Government activities.

The major activities transacted through Finance-General include collection of State taxes, receipt of funding from the Australian Government, management of the Government's debt and superannuation obligations, administration of the Tasmanian Risk Management Fund, management of the Government's light vehicle fleet and property portfolio and transactions with Government businesses on behalf of Government in its capacity as the owner of those businesses.

Finance-General administers drawdowns by Government agencies against their appropriation, distribution of grants, subsidies and other transfer payments from the Australian Government and Special Capital Investment Funds.

Transactions which pertain to Finance-General were reported in Treasury's Administered Statements.

KEY AREAS OF AUDIT ATTENTION

Key areas of audit attention for Finance-General included detailed audit procedures over balances and transactions relating to major activities, including:

- verification of Australian Government grants
- testing of State taxation revenue
- verifying cash and deposit balances and interest bearing liabilities
- recalculating equity interests in Government businesses and movements therein
- verification of revaluation movements in Land and buildings
- agreeing defined benefit superannuation liabilities.

AUDIT OF THE 2012-13 STATEMENTS

Signed Treasury financial statements were received on 15 August 2013 and an unqualified audit report was issued on 27 September 2013. Separate financial statements for Finance-General are not prepared. As previously indicated, Finance-General is administered by Treasury.

KEY FINDINGS

The audit was completed on time with no findings.

KEY FINDINGS AND DEVELOPMENTS

Revaluation of Parliament Square

Government is divesting its interest in the Parliament Square site as part of its policy to divest most of its office property portfolio. This year, Finance-General recognised an impairment loss of $9.121m relating to land and buildings on the site. The impairment loss represented the difference between the carrying value of the assets and the expected proceeds from their sale.

Recognition of Income Tax Equivalent Revenue from Government Business Enterprises and State-Owned Companies (Government Businesses) on an Accrual Basis

Finance-General has voluntarily changed its accounting policy on recognising Income tax equivalent revenue from Government Businesses to an accrual basis. Previously, these revenues were accounted for on a cash basis.

This resulted in the recognition of Deferred income tax equivalent liabilities of Government Businesses as an asset in the Schedule of Administered Assets and Liabilities.

The change in accounting policy was made in order to improve transparency and accountability in the treatment and disclosure of Income tax equivalent transactions and brings Finance-General in line with the accounting treatment adopted at the GGS reporting level.

The change in policy was applied retrospectively with the impact of the change also adjusted in the comparative information presented in the financial statements.

The impact over the past two years is detailed in the following table:

	2012-13	2011-12
	$'000s	$'000s
Net surplus (deficit) as previously report	432 826	(1 870 316)
Impact of voluntary changes in accounting policy:		
Investment income - recognition of deferred income tax equivalent revenue	37 631	(21 627)
Net gain (loss) on other financial instruments and statutory assets - recognition of movement in other financial assets	(138 793)	53 993
Restated Net Surplus (Deficit)	**331 664**	**(1 837 950)**
Net assets (liabilities) as previously reported	27 098	(396 255)
Impact of voluntary changes in accounting policy:		
Other financial assets - impact of changes from prior period	1 045 259	1 012 893
Other financial assets - movement in deferred income tax assets	(101 162)	32 366
Net Assets (Liabilities)	**971 195**	**649 004**

Loan to Tasmania Development and Resources (TDR)

Last year, we raised an issue concerning a loan to TDR. The loan was recognised on the Schedule of Administered Assets and Liabilities of Finance-General in the amount of $7.895m. However, TDR did not recognise that loan on the basis that it was non-repayable. This year, with the Treasurer's approval, Finance-General and TDR agreed that:

- the amount of the loan be reduced by $0.845m to $7.050m
- the loan be an interest-free loan
- the loan be repaid in full over 15 years.

As a result, during 2012-13, Finance-General recognised a loss of $0.845m and TDR recognised a new liability of $7.050m on its statement of financial position.

As at 30 June 2013 the balance of the loan to TDR was $6.580m.

FINANCIAL ANALYSIS

General Observations

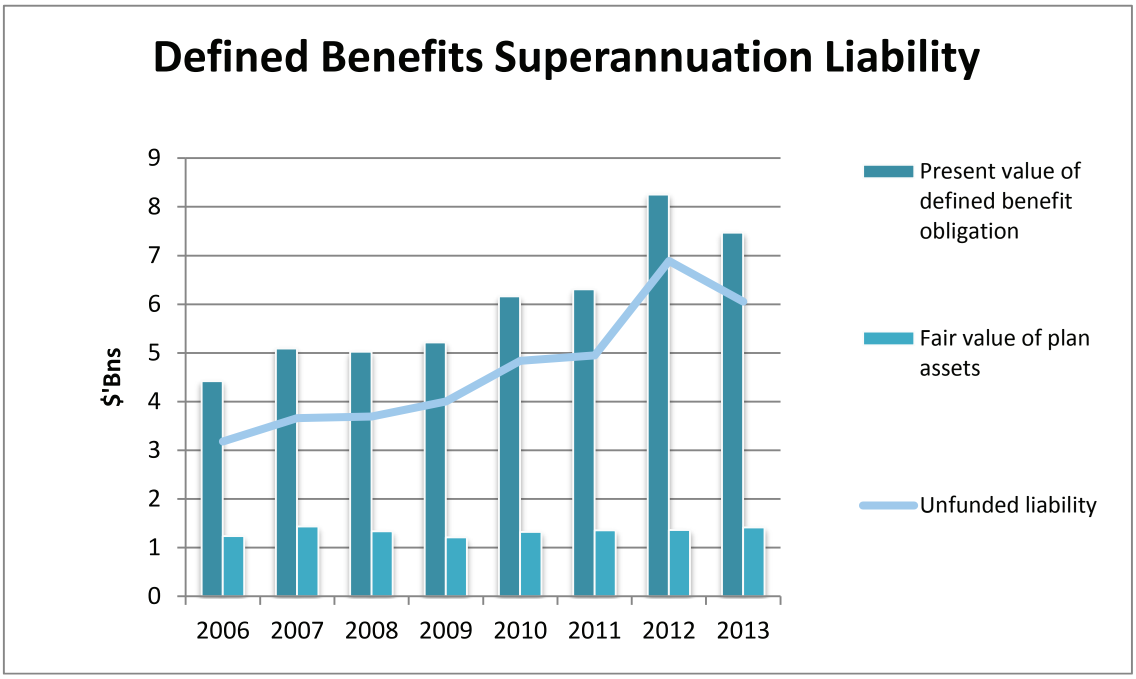
Finance-General incurred an Underlying Deficit for the year of $348.375m. This was relatively consistent with the prior year's deficit of $320.240m and $128.959m better than budget.

Total revenue fell by $358.855m, however this decrease was largely offset by a decrease in Total expenditure of $330.720m. These movements were predominantly caused by changes to funding arrangements under the National Health Reform, whereby $233.205m was paid directly to Tasmanian Health Organisations. Last year's results were also affected by one-off grants, including $50.000m for the Macquarie Point Rail-yards Remediation Project and $66.000m funding for the implementation of the Tasmanian Forests Intergovernmental Agreement.

The Net result was a surplus of $331.664m, compared to a deficit of $1.838bn in 2011-12. The turnaround was principally due to the recognition of an actuarial gain on the defined benefit superannuation liability, $970.321m, compared to an actuarial loss recognised last year, $1.778bn. This year's positive result was mainly due to an increase in the discount rate used by the State Actuary to calculate the present value of future liabilities from 3.45% at 30 June 2012 to 4.25% at 30 June 2013.

Superannuation Liabilities

The following graph shows the movements in the unfunded liability being the difference between the present value of the defined benefit obligation and the fair value of plan assets.



The majority of GGS agencies do not recognise a liability for the accrued defined benefits superannuation obligations for their employees. The liability for those agencies is held centrally and is recognised within Finance-General's Schedule of Administered Assets and Liabilities at the latest actuarial assessment of members' entitlements, net of scheme assets. At 30 June 2013, the unfunded liability was $6.051bn, with the decrease, $837.405m, being a combination of the decrease in the present value of superannuation obligations, $781.960m, plus the increase in plan assets, $55.445m.

The unfunded liability comprised the following schemes and arrangements: Retirement Benefits Fund (RBF) Contributory Scheme and Parliamentary Superannuation Schemes (Parliamentary Superannuation Fund and Parliamentary Retiring Benefits Fund) administered by the RBF Board, $5.987bn (2012, $6.817bn), and $19.989m ($24.187m), respectively, and Judges Contributory Pensions, $43.455m ($46.703m). As these schemes are not fully funded, benefits are met on an emerging cost basis.

The net superannuation liability recorded on Finance-General's Schedule of Administered Assets and Liabilities does not include the net unfunded superannuation liability of Housing Tasmania, the Tasmanian Ambulance Service Superannuation Scheme or State Fire Commission Superannuation Scheme, which are presented in the Financial Statements of the Department of Health and Human Services and the State Fire Commission respectively.

Equity Investments in Government Businesses

The Net result was further impacted by a net loss on revaluation of equity investments of $128.591m.

The gross decrease in Net Assets of Government Businesses was $239.563m which was partly offset by equity contributions made to TasRail, $57.680m, TasIrrigation, $23.292m, Forestry Tasmania, $10.000m, less an equity withdrawal from Transend, $20.000m. Furthermore, a $50.000m grant was provided to Macquarie Point Development Corporation as start-up funding. Overall, the decline in the carrying amount of net investments in Government businesses was $118.591m.

End of Year Borrowings

The residual overdraft of the former Temporary Debt Repayment Account (TDRA) as at 30 June 2012 plus Consolidated Fund deficits from that date were funded by a temporary overnight borrowing of $900.000m on 30 June 2013 (30 June 2012, $650.000m). The borrowing was to gross up the Government's cash holdings to at least equal the balance of accounts in the Special Deposits and Trust Fund.

The transaction was recognised on a grossed up basis and resulted in inflated Cash and deposits and Interest-bearing liabilities with a nil net effect on Net Assets. Excluding the impact of the overnight borrowing on Cash and Deposits, Finance-General recorded a Net decrease in cash for the year of $198.697m, which was mainly driven by the 30 June 2013 Consolidated Fund deficit of $257.247m partially offset by a Net increase in the balance of the Special Deposits and Trust Fund of $63.561m. Interest bearing liabilities decreased by $19.970m once the temporary overnight borrowing was excluded, which was as a result of the repayment of loans with the Tasmanian Public Finance Corporation and the State Housing Agreement with the Australian Government.

Tasmanian Risk Management Fund

The Tasmanian Risk Management Fund (the Fund) is Government's self-insurance fund. A Fund Administration Agent is retained on a contract basis for claims administration, the provision of advice in relation to claims management and the placement of insurance as required.

In 2012-13, the Fund reported a net deficit from transactions of $0.159m compared to a $4.362m surplus in the prior year. The decline predominantly related to lower interest revenue as a result of lower interest rates. Agency contributions increased by $11.888m in order to offset the higher Claims expense of $13.139m, which was a direct result of the actuarial revision to outstanding liabilities.

Higher Outstanding claims of $24.397m drove the decline in Net Assets of $11.357m. The value of the Outstanding claims liability is assessed by an actuary each year and is made up of the following five risk areas:

Risk Area	**2013**	**2012**
	$'000s	$'000s
Personal injury	84 594	80 728
General property	3 691	6 245
Motor vehicle	276	162
General liability	9 851	8 810
Medical liability	92 140	70 210
Total	**190 552**	**166 155**

The increase in the liability was mainly due to unfavourably large claims experience in the medical liability. This contributed the increase in Other liabilities in Finance-General's Schedule of Administered Assets and Liabilities.

SCHEDULE OF ADMINISTERED COMPREHENSIVE INCOME

	2012-13 Budget $'000s	2012-13 Actual $'000s	2011-12 Actual $'000s	2010-11 Actual $'000s
Revenue from Government - recurrent	448 468	464 204	411 604	622 068
Revenue from Government - capital	15 000	15 000	26 900	1 000
Revenue from Government - other	0	0	13 383	5 390
Australian Government grants	2 465 025	2 497 513	2 894 307	3 063 293
State taxation	976 795	867 767	914 130	903 587
Sales of goods and services	88 751	83 656	75 108	80 434
Investment income*	252 651	264 814	226 957	170 036
Other revenue	101 004	113 730	103 150	115 205
Total Revenue	**4 347 694**	**4 306 684**	**4 665 539**	**4 961 013**
Superannuation	377 710	348 231	377 546	380 111
Depreciation and amortisation	18 010	16 753	19 337	21 054
Supplies and consumables	112 924	93 333	84 318	80 785
Grants and subsidies	583 258	550 584	296 925	216 956
Borrowing costs	15 485	14 661	15 521	19 468
Transfer to the Consolidated Fund	3 717 641	3 631 497	4 192 008	4 678 290
Other expenses	0	0	124	50
Total Expenses	**4 825 028**	**4 655 059**	**4 985 779**	**5 396 714**
Underlying Surplus (Deficit)	**(477 334)**	**(348 375)**	**(320 240)**	**(435 701)**
Capital Funding				
Revenue from Government	0	0	0	4 900
Net gain (loss) on revaluation of equity investments	300 530	(128 591)	121 284	228 927
Net gain (loss) on non-financial assets	0	(6 529)	2 202	4 356
Net actuarial gain (loss) on superannuation liability	0	970 321	(1 777 631)	84 822
Net actuarial gain (loss) on Tasmanian Risk Management Fund liability	(11 866)	(11 198)	(5 216)	(18 978)
Net gain (loss on financial instruments and statutory receivables*	0	(143 964)	52 612	(560)
Net gain (loss) on sale of TOTE Tasmania Pty Ltd	0	0	89 039	0
Net Surplus (Deficit)	**(188 670)**	**331 664**	**(1 837 950)**	**(132 234)**
Other Economic Flows - Other Non-Owner Changes in Equity				
Changes in physical asset revaluation reserve	0	(9 473)	0	0
Crown land transfers	(2)	0	0	0
Total Other Economic Flows - Other Non-Owner Changes in Equity	**(2)**	**(9 473)**	**0**	**0**
Comprehensive Surplus (Deficit)	**(188 672)**	**322 191**	**(1 837 950)**	**(132 234)**

** 2010-11 does not include the recognition of income tax equivalent revenue from Government Business on an accrual basis.*

SCHEDULE OF ADMINISTERED ASSETS AND LIABILITIES

	2013	2012	2011	2010
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	1 324 871	1 273 568	600 618	914 132
Receivables	69 584	81 926	86 586	80 446
Equity investments	6 098 765	6 217 356	6 111 159	5 877 332
Other financial assets*	1 164 030	1 266 477	226 695	233 181
Non-financial Assets				
Assets held for sale	1 284	875	1 095	1 237
Motor vehicles	63 263	63 442	71 456	67 708
Land and buildings	36 650	56 312	57 656	58 730
Infrastructure	0	0	0	0
Total Assets	**8 758 447**	**8 959 956**	**7 155 265**	**7 232 766**
Liabilities				
Payables	8 897	9 338	10 633	7 546
Interest-bearing liabilities	1 102 840	872 810	238 333	243 794
Superannuation	6 050 703	6 888 108	4 946 387	4 839 586
Other liabilities	624 812	540 696	485 851	535 545
Total Liabilities	**7 787 252**	**8 310 952**	**5 681 204**	**5 626 471**
Net Assets	**971 195**	**649 004**	**1 474 061**	**1 606 295**
Accumulated funds	959 294	627 630	1 452 544	1 584 778
Asset revaluation reserve	11 901	21 374	21 517	21 517
Total Equity	**971 195**	**649 004**	**1 474 061**	**1 606 295**

* *2011 and 2010 do not include the recognition of income tax equivalent revenue from Government Business on an accrual basis.*

SCHEDULE OF ADMINISTERED CASH FLOWS

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Receipts from Government - recurrent	467 390	412 604	638 651	427 216
Receipts from Government - capital	15 000	26 900	1 000	18 470
Australian Government grants	2 497 513	2 894 306	3 063 293	2 983 559
State taxation	863 698	926 131	896 321	909 685
Sales of goods and services	82 436	78 462	79 605	74 264
GST receipts	17 023	20 554	19 866	18 099
Interest received	24 958	34 291	45 774	50 120
Dividends and income tax equivalents	207 080	211 009	125 643	106 351
Other cash receipts	112 692	102 992	115 071	83 367
Employee entitlements	0	0	0	0
Superannuation	(214 719)	(215 981)	(185 407)	(187 418)
Supplies and consumables	(79 422)	(89 994)	(96 519)	(72 595)
Finance costs	(14 762)	(15 637)	(19 705)	(20 005)
GST payments	(16 966)	(20 335)	(20 108)	(17 925)
Grants and subsidies	(550 275)	(296 924)	(216 956)	(222 068)
Transfers to the Consolidated Fund	(3 631 497)	(4 195 208)	(4 678 290)	(4 338 506)
Other cash payments	(2 316)	(86)	(105)	(8 293)
Cash From (used in) Operations	**(222 167)**	**(126 916)**	**(231 866)**	**(195 679)**
Proceeds from disposal of assets	23 595	23 131	28 941	26 416
Repayment of loans by other entities	7 501	6 913	7 260	6 632
Receipts from non-operating capital funding	0	0	4 900	4 900
Sale of Government business	0	104 125	0	0
Other receipts	0	0	0	0
Payments for acquisition of assets	(36 504)	(31 186)	(48 018)	(37 483)
Payments for investments	(17 054)	(1 247)	(4 996)	(5 073)
Cash From (used in) Investing Activities	**(22 462)**	**101 736**	**11 913)**	**(4 608)**
Proceeds from borrowings	900 000	650 000	0	0
Public account cash reimbursements	65 901	63 643	0	0
Public account cash collection	0	0	0	0
Repayment of borrowings	(669 969)	(15 513)	(5 461)	(34 830)
Public account cash reimbursement	0	0	(64 274)	(17 727)
Cash from (used in) Financing Activities	**295 932**	**698 130**	**(69 735)**	**(52 557)**
Net Increase (decrease) in Cash	**51 303**	**672 950**	**(313 514)**	**(252 844)**
Cash at the beginning of the year	1 273 568	600 618	914 132	1 166 977
Cash at End of the Year	**1 324 871**	**1 273 568**	**600 618**	**914 132**

AUDIT SUMMARY - TASMANIAN HEALTH

BACKGROUND

There are increased demands on our health and aged care systems due to new treatments becoming available, an ageing population, increased rates of chronic and preventable disease and rising health care costs. To deal with these challenges, the Federal, State and Territory Governments signed a *National Health Reform Agreement* in August 2011. Under the agreement, all Governments have agreed to major reforms to the organisation, funding and delivery of health and aged care.

The establishment of local hospital networks was a significant part of the National Health Reform (the Reforms), which aimed to link services within a region, provide for decentralised hospital management and increase local accountability. This new structure is also supported by a new funding model based on a national efficient price for health services determined by the Independent Hospital Pricing Authority. Whilst the Reforms are underpinned by the national efficient price and this is the price which the Commonwealth uses for funding, the State bases the Service Agreements on the National Average Cost.

The National Health Reform was implemented in Tasmania from 1 July 2012 with the establishment of three local hospital networks under the *Tasmanian Health Organisations Act 2011* (the THO Act). These networks are referred to as Tasmanian Health Organisations (THOs). The three THOs are Tasmanian Health Organisation – North (THO – North), Tasmanian Health Organisation – North West (THO – North West) and Tasmanian Health Organisation – South (THO – South). Each THO is a statutory authority with a Governing Council established under the Act. They operate independently of the Department of Health and Human Services (DHHS) and have developed separate internal governance and accountability arrangements.

Service agreements were entered into between each THO and DHHS which include a purchasing framework under which DHHS purchases services from each THO. These arrangements make clear that from 1 July 2012 the THOs are quite separate from DHHS with transactions entered into between DHHS and the THOs being at arms-length. This is illustrated by two examples:

- THOs are now responsible for managing their own budgets. There is no capacity for DHHS, as it may have done in the past, to assist.
- Workforce management is a THO responsibility. DHHS cannot influence FTE numbers as it may have done in the past. THOs are expected to manage respective workforces in line with service agreements, service expectations and their budgets.

The functions of the THOs include improving, promoting, protecting and maintaining the health of Tasmanians as required by their service agreements; and managing public hospitals, health institutions, health services and health support services.

Budgets for each THO were included in Chapters 21, 22 and 23 respectively of *Budget Paper No 2 Volume 2 for 2012-13*. Each THO must prepare a financial report and have it audited.

Under the Reforms, the majority of funding previously provided by the Australian Government under the Health Specific Purpose Payment (SPP) is now provided to THOs via the National Health Funding Pool. In 2011-12, this funding was paid to the DHHS by way of a recurrent appropriation, in 2012-13 this funding flowed as grants to the THOs. Also, under new administrative arrangements in place for 2012-13, funding due to DHHS under National Partnership Agreements with the Australian Government and Commonwealth Own Purpose Expenditure were paid as grants rather than by way of appropriation. The impact was a substantial reduction in revenue from appropriation and an increase in grants received by DHHS.

CHAPTER STRUCTURE

Because 2012-13 was the first year of the implementation of the Reforms, we decided:

1. It was important for readers to gain a picture of the financial performance of health and human services this year compared to prior years, which is why this Chapter was prepared. We may not continue this in future years.
2. Not to prepare separate Chapters for each THO. However, separate Chapters are likely to be prepared in future along with a comparative assessment.

As a result of decision 1, this Chapter assesses financial performance of health and human services over more than one financial year. This required that we aggregate separately controlled entities for which there is no basis in accounting standards. However, we applied principles similar to those used when consolidating entities within a group and in doing so made adjustments to facilitate valid comparison such as eliminating inter-entity transactions and funding flows such as grants.

TASMANIAN HEALTH ORGANISATIONS AND THE DEPARTMENT OF HEALTH AND HUMAN SERVICES 2012-13 (THO and DHHS)

SNAPSHOT

- The 2012-13 year saw the commencement of the three THOs as the providers of hospital, primary and community health services. These services were previously provided by the DHHS.
- To assist with the analysis, we combined the transactions and balances of THOs and DHHS for 2012-13 and compared them to the financial performance and position of DHHS in previous years. Our analysis showed that:
  - THOs and the DHHS reported a combined Underlying Surplus of $24.622m. This was an improvement of $46.466m on the Underlying Deficit reported by the DHHS last year
  - Staff numbers have been declining over the past two years and are now close to 2009-10 level. This resulted in the rate of growth in employee cost slowing down to just 1.0% this year
  - Net Result was significantly impacted by a transfer of 496 residential properties worth $62.262m to a third party under the Better Housing Futures program.
- The establishment of THOs resulted in a transfer of net assets worth $462.589m from the DHHS to the THOs. A subsequent revaluation increased the value of land and buildings by $171.531m.
- The value of land held by THO – South decreased by $2.185m and the value of building held by THO – North West decreased by $1.316m. These revaluation decreases were expensed because neither THO had any credit balance in their asset revaluation reserves.

We noted the following deficiencies:

- a number of control weaknesses were identified in several systems, including payroll processing, expenditure and cash systems at the Shared Services division of the DHHS
- during the audits of individual THOs, we noted a number of moderate-risk matters in areas of procurement, pharmacy operations and general controls
- at THO – South, we noted issues in relation to controls over low value assets
- we also noted that there is no formal service level agreement between Shared Services and THOs.

Audit findings stemming from final audits had not been reported at the time of writing this Chapter.

Financial statements for THOs were certified by both the Chair of the Governing Councils and the respective Chief Executive Officer (CEO). THO – North West submitted its financial statement one day past the statutory deadline.

INTRODUCTION

The establishment of local hospital networks was a significant part of the reforms, which aimed to link services within a region, provide for decentralised hospital management and increase local accountability.

THOs are responsible for the provision and coordination of health and health support services in their respective operational areas, i.e. the south, north and north-west areas. The primary purposes are to promote and maintain the health of persons and to provide care and treatment to, and ease the suffering of, persons with health problems. THOs are not-for-profit.

Functions of THOs are listed in Section 11 of the THO Act. Previously, these functions were performed by DHHS. Following the establishment of THOs, the DHHS became responsible for delivering integrated services that maintain and improve the health and wellbeing of Tasmanians. Service delivery is achieved through direct provision of services by the DHHS or through service agreements or contracts with provider organisations. The DHHS, on behalf of the Minister for Health, has entered into service agreements with THOs and monitors performance against these agreements.

The Minister for Health and the Treasurer issued a Ministerial Charter to each THO on 1 October 2012. The Ministerial Charter sets out the Minister for Health and the Treasurer's broad policy expectations including the strategic priorities, performance expectations and principal objectives for the THO. THOs are required to comply with the Ministerial Charter.

DHHS assists the THOs to fulfil their objectives by providing services which include:

- payroll
- information technology
- procurement and accounts payable
- limited billing and receipting
- financial and accounting support
- internal audit.

Governance Arrangements

Each THO has its own Governing Council which sets the strategic direction and a CEO who is responsible for day-to-day administration and management to ensure the delivery of hospital and primary and community health services. The CEO is accountable to the respective Governing Council. There is a common Chair of Governing Councils. Each Governing Council has four members, which is the minimum number under the THO Act. Governing Councils are individually accountable to the Minister for Health and the Treasurer.

Responsibility for Financial Statements

Each THO has an audit and risk subcommittee in accordance with Section 26 of the THO Act, consisting of member of the Governing Council. THOs are also required, under Section 35 of the THO Act to prepare financial statements in respect of a financial year in accordance with the *Financial Management and Audit Act 1990* (FMAA), the Treasurer's Instructions and any other applicable law. These financial statements are subject to an audit in accordance with the *Audit Act 2008* (the Audit Act).

Under the Audit Act, the responsibility for submitting financial statements rests with the Head of Agency, if the entity is an agency under FMAA, or the person or body that has the general direction and control of, and the overall responsibility for, the operations of the entity.

THOs are regarded as agencies within the meaning of the FMAA. The CEO is designated Head of Agency. At the same time, the THO Act provides that the Governing Council's functions include negotiating the service agreement, ensuring the delivery of services agreed under the service agreement and in accordance with agreed performance standards, ensuring the achievement of objectives specified in the Ministerial Charter and corporate plan etc.

There is no reference to financial reporting in any of the Ministerial Charters, apart from the Minister requiring each THO to act in accordance with all requirements of the THO Act, including the Treasurer's Instructions. *TI 205 Certification of Annual Financial Statements* requires the financial statements be signed by the Head of Agency.

In consultation with THOs, we agreed that both the Governing Council and the CEO would be jointly responsible for submitting the financial statements for their respective THO.

THO - South

THO – South services a population of over 250 000. It has one major hospital site, being Royal Hobart Hospital and numerous primary care facilities (New Norfolk, Ouse, Oatlands, Triabunna, Bruny Island and Bicheno).

THO - North

THO – North services a population of over 150 000. It has one major hospital site, being Launceston General Hospital and rural eight inpatient facilities in Beaconsfield, Campbell Town, Deloraine, Flinders Island, George Town, St Mary, St Helens and Scottsdale. In addition, there are three contracted care sites providing beds for public care at Toosey in Longford, Calvary at St Lukes Campus and OneCare. THO – North also manages several community health centres.

THO - North West

THO – North West services a population of over 100 000. It has two major hospital sites, being North West Regional and Mersey Community Hospitals and three district hospitals in Smithton, Queenstown and Currie on King Island. It also manages seven community health centres.

Mersey Community Hospital is owned and funded by the Australian Government, and by arrangement it is operated by the Tasmanian Government through THO – North West.

KEY AREAS OF AUDIT ATTENTION

Financial attest audits of each THO and the DHHS were each carried out as separate engagements. The services provided by the Shared Services unit within the DHHS were audited separately in order to streamline the audit process. These services, and the controls over them, were part of the DHHS's information system, including related business processes, and were relevant to financial reporting of THOs and the DHHS. The table below summarises the key areas of audit attention in relation to these engagements.

Description of Area	Audit Approach
The ageing of our population and rising health costs pose a long-term challenge for THOs. THOs are responsible for operating within their budgets and are accountable for their performance.	We performed audit procedures to obtain a sufficient level of assurance that: • revenue and expenses were recognised and recorded in the correct period • capital costs were appropriately accounted for • accounting policies were applied appropriately.
The first year of operation was 2012-13. As a result there were no prior year's balances and other comparative information presented in the financial report.	We verified the opening balances in the general ledger to ensure that these agreed with the balances as at 1 July 2012 previously audited by us. Significant variances were investigated and verified to supporting documentation.

Description of Area	Audit Approach
A single National Health Funding Pool was established as part of the reforms to facilitate direct payments to local health networks using a nationally consistent approach to activity based funding. Activity Based Funding from the Australian Government covering all hospital products including growth in services is planned to commence on 1 July 2014. There will still be significant amounts of block funded services after this date.	We carried out a separate audit of the Tasmanian State Pool Account and performed audit procedures to obtain a sufficient level of assurance that the amount of attributed funding disclosed in individual THOs' financial statements were not materially misstated.
THOs generate their own revenue by charging for billable services. Various systems are used to collect and track information about patients and procedures performed, which then form the basis for billing and claiming. The main systems in place are: • Finance One • IPAS (ISOFT Patient Administration System): in patients (accommodation and prosthetics), out patients (facility charges, doctor fees, specialist fees and other charges) • Kestral: pathology billing (THO-South) • Labtrack : pathology billing (THO-North) • Karisma: radiology billing (THO-South and THO-North) • iPharmacy: pharmacy billing.	We updated our understanding of the systems, their interface with the general ledger and then conducted substantive testing for a sample of transactions. Our substantive procedures focused on material revenue streams at the respective THO and specifically on assertions around accuracy and completeness of revenue. At year-end, we performed cut-off tests to ensure that billable procedures and receipts were recorded in the correct period.
Based on our previous experience in auditing DHHS, we anticipate delays in receiving and processing invoices from suppliers. Cut-off errors can significantly affect financial results.	We performed cut-off tests by selecting transactions from before and after the year end and reviewed transactions for unrecorded liabilities.
Each THO has a sizeable workforce and employee expenses are a significant expenditure item. There are several risks impacting on the audit, including the use of manual timesheets and the number and complexity of industrial awards.	Due to the lack of controls in some key areas of payroll processing, we performed substantive procedures to obtain a sufficient level of assurance that employee expenses were not materially misstated. These procedures included tests of details and analytical procedures.
Employee provisions represent a significant balance on the Statement of Financial Position.	We placed reliance on the work of internal audit in this area, however we reviewed the internal audit work and re-performed some of their work.

Description of Area	Audit Approach
There are a large number of sites holding and dispensing medication.	We reviewed stock-take procedures and reconciliations of inventory balances in general ledger to inventory registers.
During our planning visit at shared services and a review of bank reconciliations, we noted a large number of unmatched transactions which, if they remained unmatched, could cause the financial statements to be materially misstated.	We obtained the necessary confirmations of bank balances. We verified the year-end bank reconciliations and sought explanations for any material reconciling items.
Land and buildings did not form part of opening balances but it was decided that they would be recognised in the statement of financial position of individual THOs as of 1 July 2012. In addition, land and buildings were revalued during the year.	We audited both opening and closing balances relating to land and buildings and ensured the treatment of the transfers complied with Australian Accounting Standards. We performed audit procedures to ensure that the value of land and buildings was not materially misstated, including substantiating movements during the year and depreciation charges. We assessed the competence and qualifications of the expert performing the valuations and verified the recorded values to the valuation reports. In undertaking this work, we applied the provisions of ASA 500 *Audit Evidence*.
There is a significant volume of equipment below the capitalisation threshold of $10 000 which is deemed to be of a portable and attractive nature. Because these items have not been capitalised, they are not recorded in the asset register.	Probity is a special consideration in public sector audits that requires an understanding of the additional processes/mechanisms put in place to reduce the risk of inappropriate use of public resources. We reviewed processes in place to reduce the risk of misappropriation of public resources.

AUDIT OF THE 2012-13 STATEMENTS

THO – South and THO - North signed and submitted their financial statements on 15 August 2013. Financial statements for THO – North West were signed on 15 August 2013, but were not submitted until the following day, which was one day past the statutory deadline.

Amended re-signed financial statements for each THO were received on 30 September and unqualified audit reports were issued on the same day.

KEY FINDINGS

Matters Relating to Shared Services

A number of control weaknesses were identified in the operations conducted, and systems used, by Shared Services. Although some of the control weaknesses noted were minor, they were identified in several systems, including payroll processing, expenditure and cash systems.

Because these systems are operated and maintained by the Shared Services division of DHHS, identified weaknesses also impacted on the accounting controls for THOs. As a result of these findings, substantive testing was extended in these areas to mitigate the potential audit risk and relevant matters were reported to the DHHS and the THOs.

The matters which related to the systems operated by Shared Services included:

- the timeliness of bank reconciliations, delays in reconciling unmatched transitions and lack of evidence that bank reconciliations were reviewed by a person independent from the preparer
- inability to audit certain controls around payroll processing because of the lack of evidence of review and relevant documentation not being retained
- lack of authorisation of debtor invoice requests
- scope for electronic payment files being altered, either by mistake or intentionally, after being generated but before being uploaded into the online banking system.

Matters Relating to THOs

During the audits of individual THOs we noted a number of moderate risk matters, including inappropriate segregation of duties in relation to receipting of delivery of goods/services, including pharmaceuticals, and also adjustments to un-matched invoices. Recommendations were made to strengthen processes and authority for determining price changes outside of the state-wide pharmacy price adjustment list and improvements to stock-taking procedures. We also noted that general journals costed against THOs' cost centres did not require the approval of the appropriate THO staff prior to being posted to the general ledger by DHHS staff.

At THO – South, we raised the following concerns relating to low value assets, i.e. assets below the current capitalisation threshold of $10 000:

- no register is kept for attractive and portable items such as tablets
- no regular checks are performed over computer hardware to verify existence
- some hospital equipment is mobile and as a result accurate stock takes are difficult to perform
- THO-South owns a large numbers of assets which are below the capitalisation threshold but are of a similar nature, for example hospital beds. When grouped, the value may be significant however these assets are not being tracked.

With respect to the concern over no checks of computer hardware, THO-South advised that responsibility for this task lies with the Office of the Chief Information Officer as these assets are purchased and maintained by that division within DHHS.

Service Level Agreement

There is no formal service level agreement between Shared Services and THOs. Service level agreements have numerous benefits for customers and service providers, including:

- setting clear performance expectations of all parties
- clarification of the roles and responsibilities of all parties involved
- focusing attention on customers' priority needs
- encouraging a culture of customer focus and continuous improvement
- providing a useful tool for the customer to monitor performance
- service providers are in a better position to plan and design their delivery functions
- providing greater certainty, including the certainty of income for the service provider and the certainty of cost for the customer.

The lack of a formal service level agreement may have a negative impact on the performance of customers and the service provider due to varying expectations of the level of service and mutual responsibilities.

Audit findings stemming from final audits had not been reported at the time of writing this Report.

KEY DEVELOPMENTS

Creation of Tasmanian Health Organisations

Starting 1 July 2012, operational management of public hospitals and associated functions was devolved to the newly established THOs. This led to a major shift in the way services are funded and delivered in Tasmania and allows the THOs to be the direct managers of public hospitals. This also had a significant impact on the quantum and type of expenditure managed by DHHS and presented in its financial statements. Because this was the first year of THOs' operations, there is no comparative information disclosed in their financial statements.

Transfer of Net Assets

On 1 July 2012, the DHHS transferred to THOs their respective assets, liabilities and employees. Land and buildings did not form part of the initial transfer. However, because the future economic benefits associated with these assets will flow to THOs, they were also transferred, effective from the same date.

Australian Accounting Standard AASB 1004 *Contributions* requires that the transfer of assets and liabilities due to restructure of administrative arrangements be accounted through equity. The value of net assets transferred totalled $462.589m. The DHHS recorded the transfer as a decrease in accumulated funds. THOs recognised the net assets as contributed capital. Revaluation surpluses recognised in previous years in respect of the assets transferred, $15.535m, were realised by DHHS and transferred from asset revaluation reserves into accumulated funds.

Revaluation of Land and Buildings

Land and buildings were revalued at 30 June 2013 by an independent valuer. The overall value of buildings went up by $164.523m and land increased by $7.008m (excluding land and buildings held by Housing Tasmania). Revaluation increments were credited against asset revaluation reserves. However, the value of land held by THO – South decreased by $2.185m and the value of buildings held by THO – North West decreased by $1.316m as a result of the revaluation. Because neither THO had any credit balance in their asset revaluation reserves, the decrements were recognised as expense in the statement of comprehensive income.

Transfer of Services to THOs

On 1 July 2013, the State-wide and Mental Health Services clinical services transferred from DHHS to the respective THOs. Under the changes, Mental Health Services (North, North West and South) transferred to the respective THOs, while state-wide Forensic Medical Services are now provided through THO South. A new central Mental Health/Alcohol and Drug Services unit commenced operating within the DHHS with state-wide responsibilities including strategic policy, national reform and the Office of the Chief Psychiatrist.

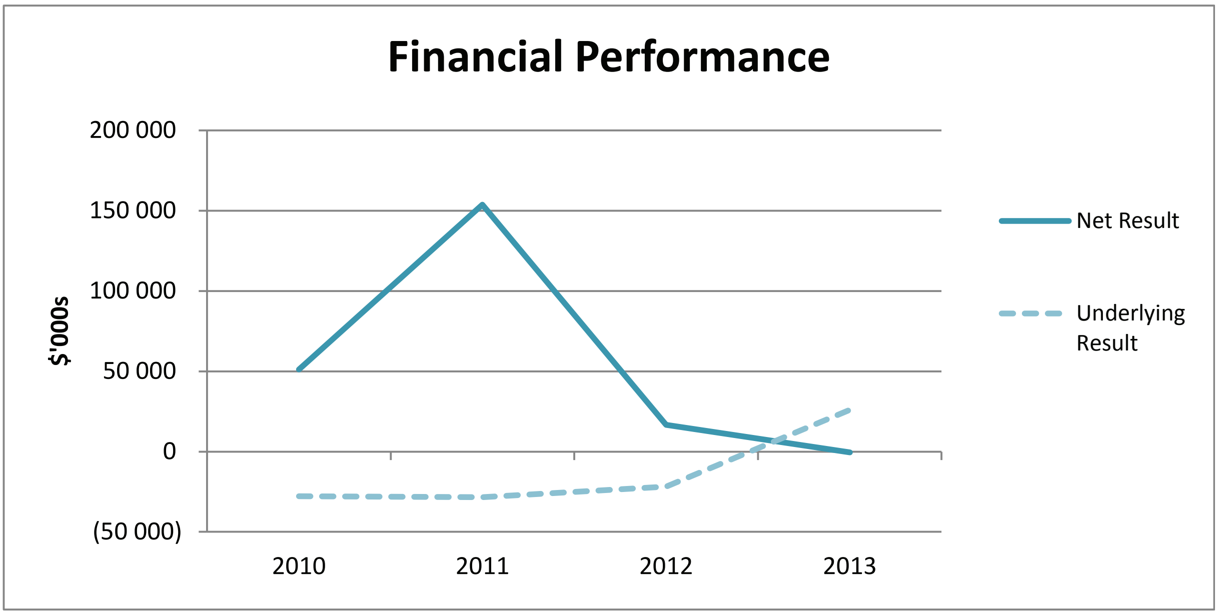
As a result of the restructure, DHHS transferred to THOs Net Assets totalling $9.869m and budgeted cost of $125.742m. The breakdown of Net Assets transferred is as follows: THO – South $10.280m, THO – North $0.886m and THO – North West ($1.297)m. These balances are unaudited.

FINANCIAL ANALYSIS

Mersey Community Hospital is owned and funded by the Australian Government, and by arrangement it is operated by the Tasmanian Government through THO – North West. Transactions and balance pertaining to Mersey Community Hospital are included within THO – North West.

The financial information below compares the aggregated results of THOs and DHHS for 2012-13 and their combined financial position at that date, to the results and position of DHHS for the previous three years. Changed funding arrangements following the implementation of *National Health Reform Agreement* made this comparative assessment problematic. For example, in previous years funding from Australian Government for certain specialised medications under the Highly Specialised Drugs Program was reported as administered revenue by DHHS. It was then transferred out of administered revenue into the Consolidated Fund and back to DHHS as part of its recurrent appropriation. Under the new arrangements, this funding was provided directly to THOs and recognised as Commonwealth Own Purpose Expense (COPE) receipt.

DHHS revenue and expenses are shown net of State Block and Activity Based Funding (ABF) receipts and payments.

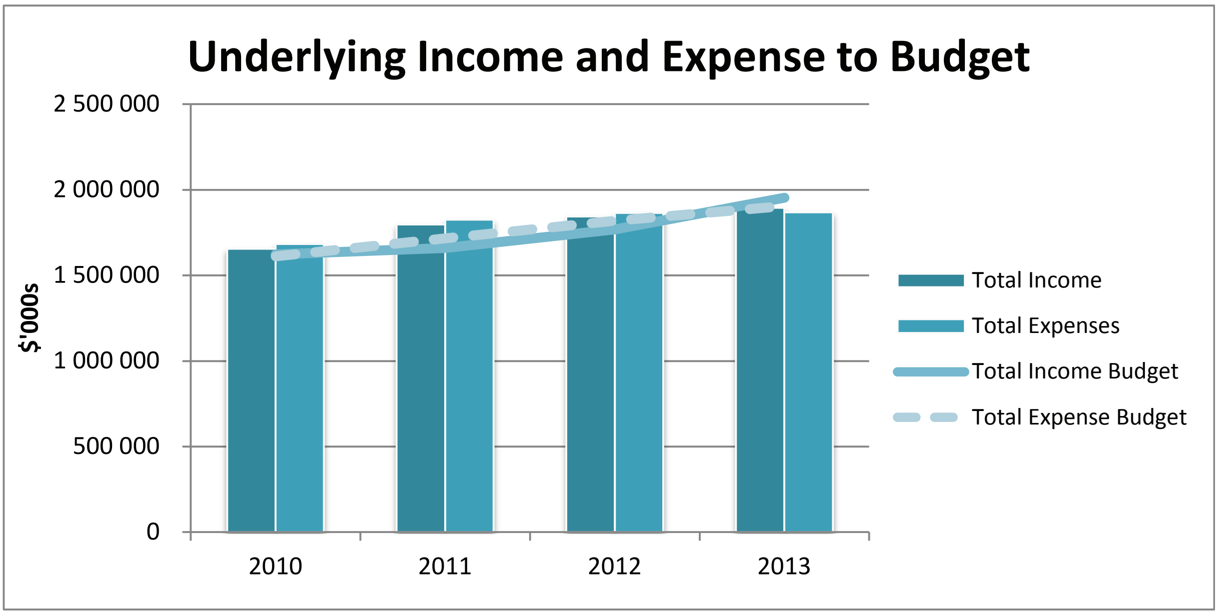


In 2012-13, THOs and DHHS reported a combined Underlying Surplus of $24.622m. This was a good result compared to continual underlying deficits reported in previous years. The improved result was a combination of increased Government funding, higher revenue from medical procedures, implementation of cost saving measures and a slower rise in employee cost.

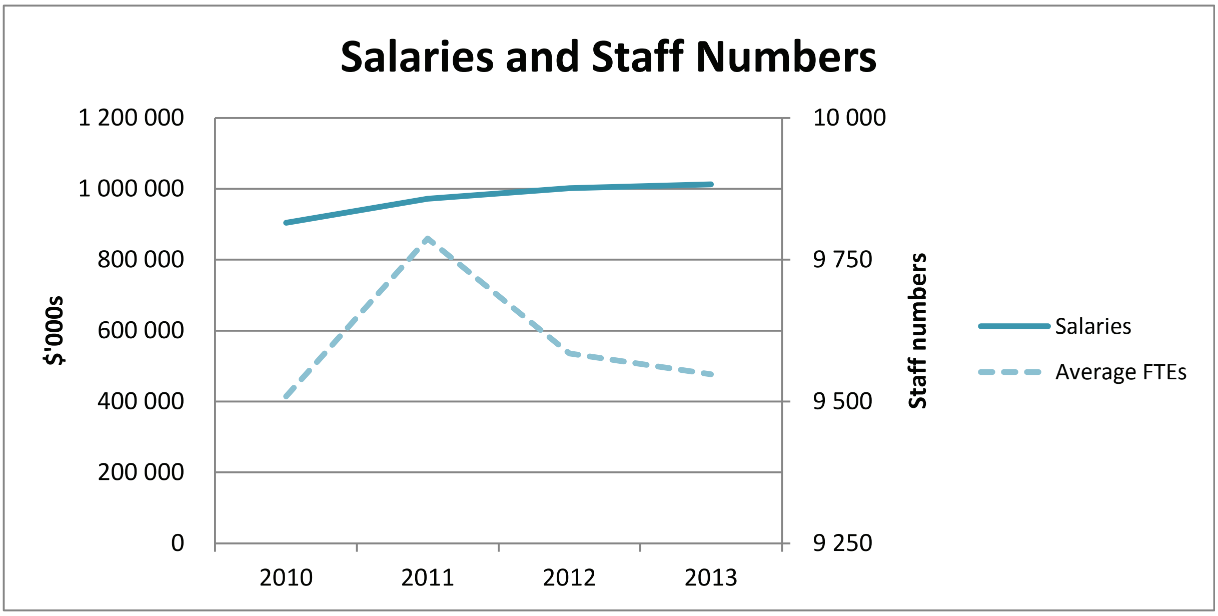
Capital funding and transfers of housing stock under various initiatives were the main contributing factors impacting the net result in each year under review. For the first three years until 2011-12, DHHS benefited from an increase in funding for major capital works in hospitals and public housing. In 2011-12, Housing Tasmania expensed $45.764m being the cost of social housing it constructed on behalf of other organisations. This year, 496 properties worth $62.262m were transferred out under the Better Housing Futures program. The transfer of completed assets between DHHS and THOs had no impact on the net aggregated result.

Revaluation decrements expensed by THO – South, $2.185m, and THO – North West, $1.316m, impacted on their respective net results. In the case of THO – North West, the revaluation decrement and impairment of receivables, $1.083m, contributed to its total Net Deficit of $3.265m.

The increasing demands on health and aged care systems due to new treatments becoming available, an ageing population, increased rates of chronic and preventable disease and rising health care costs led to the overall increase in underlying income and expenses of DHHS and THOs.

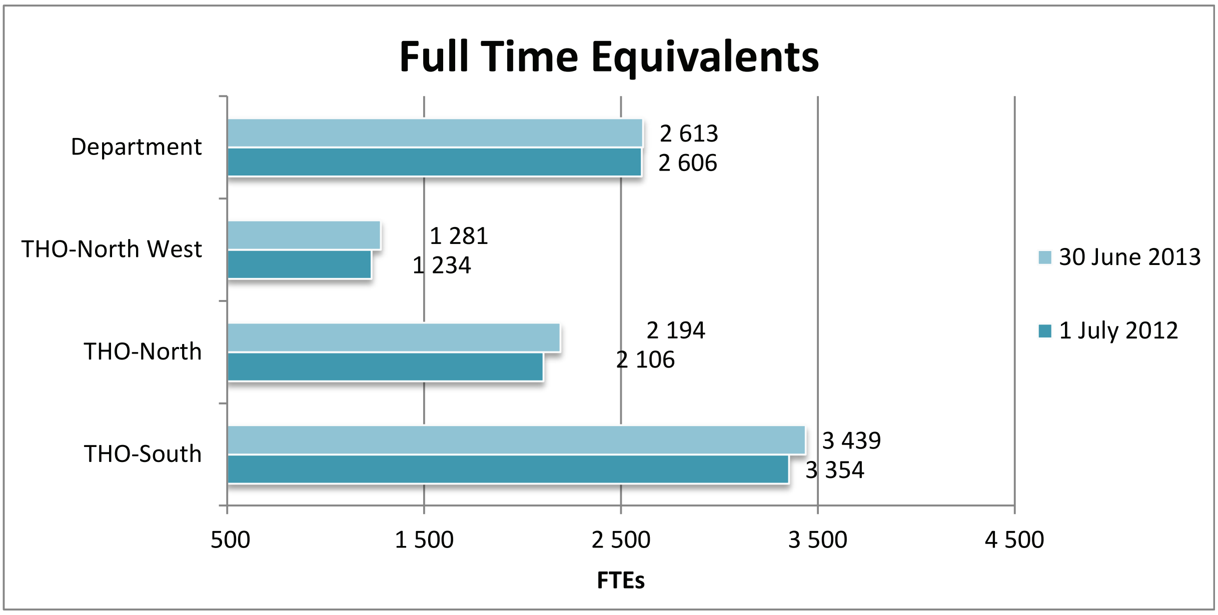


The growth in expenditure slowed down recently when compared to previous years, with employee cost being the main driver. In dollar terms, Employee entitlements have always been DHHS's single largest expenditure, averaging $972.492m per annum or 53.6% of Total Expenses.

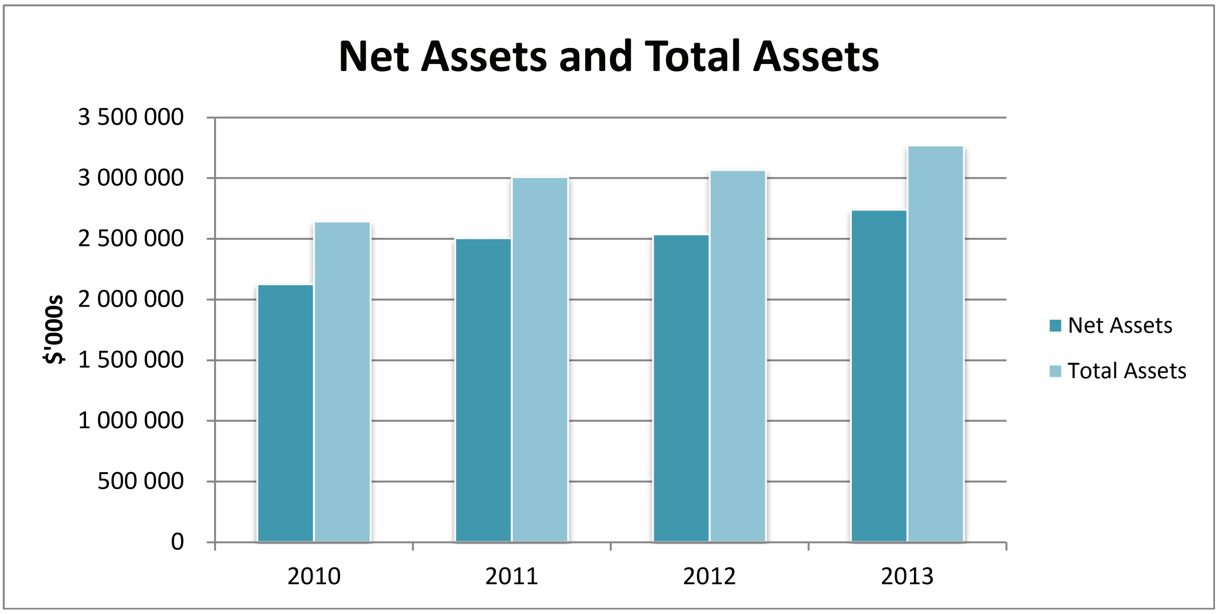


In 2010-11, DHHS increased its workforce by 183 FTEs (or 279 if using average FTEs) after a major intake of nurses, medical practitioners, ambulance officers and other health professionals. However, budget pressures in following years meant significant savings had to be made and DHHS abolished a large number of positions. As a result, staff numbers have been declining since then.

The following graph details movements in FTEs over the 2013 financial year at the entity level.



On 1 July 2012, 6 694 FTEs were transferred to the THOs. During the year, the number of staff employed by THOs grew by 3.3% or 219 FTEs to 6 913 FTEs. The number of DHHS employees increased by 0.3% or 7 FTEs over the same period. In percentage terms, the most significant growth occurred in THO – North, 4.1%, followed by THO – North West, 3.8%, and THO – South, 2.5%. It is noted that THO – North West decided to abolish 19 positions and subsequently recognised a provision for redundancies of $0.600m at 30 June 2013.



DHHS's Net Assets and Total Assets increased each year over the four year period under review, mainly as a result of investing in hospital infrastructure and residential properties. DHHS spent $556.231m on new assets or improvements to its existing assets over the last four years. The value of land and buildings rose by $459.645m over the same period. Housing assets worth $108.027m were transferred to third parties for no consideration.

Last year, the Department completed major works the Launceston General Hospital, which included a new integrated care centre, emergency department and car park. The redevelopment of the Royal Hobart Hospital is ongoing.

CHAPTER APPENDICES

STATEMENT OF COMPREHENSIVE INCOME

	THO-S 2012-13 $'000s	THO-N 2012-13 $'000s	THO-NW 2012-13 $'000s	DHHS 2012-13 $'000s	Aggregated 2012-13 $'000s	DHHS 2011-12 $'000s
Revenue from Government – recurrent	N/A	N/A	N/A	1 106 214	1 106 214	1 540 002
less State Block and ABF receipts distributed to THOs*	N/A	N/A	N/A	(517 489)	(517 489)	N/A
Revenue from Special Capital Investment Funds – recurrent	N/A	N/A	N/A	11 687	11 687	13 249
Grants	447 109	298 390	204 433	83 176	1 033 108	63 600
Sale of goods and services	60 924	38 950	16 005	100 085	215 964	185 868
Interest revenue	203	168	32	334	737	770
Contributions received	0	0	0	1 488	1 488	0
Other revenue	11 999	12 133	6 153	11 632	41 917	39 554
Total Revenue	**520 235**	**349 641**	**226 623**	**797 127**	**1 893 626**	**1 843 043**
Employee entitlements	360 340	230 753	144 476	276 137	1 011 706	1 002 020
Depreciation and amortisation	10 217	8 739	3 203	34 584	56 743	61 044
Supplies and consumables	145 408	92 283	74 547	212 080	524 318	462 719
Grants and subsidies	90	200	0	745 307	745 597	260 423
less State Block and ABF payments to THOs*	N/A	N/A	N/A	(517 489)	(517 489)	N/A
Finance costs	N/A	N/A	N/A	9 326	9 326	9 626
Other expenses	13 684	8 445	4 996	11 079	38 204	69 056
Total Expenses	**529 739**	**340 420**	**227 222**	**771 024**	**1 868 405**	**1 864 888**
Underlying Surplus (Deficit)	**(9 504)**	**9 221**	**(599)**	**26 103**	**25 221**	**(21 845)**
Profit (loss) on sale of assets	0	(154)	2	(5 548)	(5 700)	(4 941)
Impairment of non-financial assets	(2 185)	(218)	(1 316)	(2 164)	(5 883)	(1 842)
Impairment of financial assets	149	(317)	(1 083)	(613)	(1 864)	(2 767)
Provision for redundancies	0	0	(600)	0		
Revenue from Government – capital	N/A	N/A	N/A	15 164	15 164	58 040
Revenue from Special Capital Investment Funds – capital	N/A	N/A	N/A	27 170	27 170	49 678
Social housing grant	N/A	N/A	N/A	(62 262)	(62 262)	(45 764)
Assets transferred on completion	12 620	51 059	331	(64 010)	0	N/A
Actuarial superannuation adjustment	N/A	N/A	N/A	8 263	8 263	(13 921)
Net Surplus (Deficit)	**1 080**	**59 591**	**(3 265)**	**(57 897)**	**(491)**	**16 638**
Other Comprehensive Income						
Changes in physical asset revaluation reserve	101 578	67 330	1 054	34 396	204 358	13 261
Comprehensive Surplus (Deficit)	**102 658**	**126 921**	**(2 211)**	**(23 501)**	**203 867**	**29 899**

** Difference between Grants paid to THOs reported in the DHHS's financial statements and the amount shown in the table above represents contributions by THOs towards Shared Services of $28.343m (THO-S: $14.992m; THO-N: $9.016m; THO-NW: $4.335m).*

STATEMENT OF FINANCIAL POSITION

	THO-S 2013	THO-N 2013	THO-NW 2013	DHHS 2013	Aggregated 2013	DHHS 2012
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Financial Assets						
Cash and deposits	18 843	35 595	5 042	76 385	135 865	85 650
Receivables	9 334	3 407	1 972	5 919	20 632	22 783
Inter-entity receivable	2 257	1 805	700	0	4 762	n/a
Loan advances	0	0	0	3 730	3 730	4 567
Equity investments	0	0	0	6 782	6 782	4 623
Other financial assets	1 370	2 711	791	4 838	9 710	6 720
Non-financial Assets						
Inventory	3 709	2 868	1 485	6 008	14 070	13 832
Assets held for sale	0	657	0	5 513	6 170	6 093
Property, plant and equipment	350 268	358 051	83 074	2 255 589	3 046 982	2 898 600
Intangibles	0	385	2 671	12 574	15 630	16 399
Other non-financial assets	1 550	1 633	188	4 340	7 711	5 090
Total Assets	**387 331**	**407 112**	**95 923**	**2 381 678**	**3 272 044**	**3 064 357**
Liabilities						
Payables	11 432	8 752	8 250	9 184	37 618	38 760
Inter-entity payable	0	0	0	4 727	4 727	n/a
Interest bearing liabilities	0	0	0	202 840	202 840	209 808
Other financial liabilities	0	0	0	0	0	36 147
Superannuation liability	0	0	0	20 698	20 698	29 228
Employee entitlements	82 650	53 387	27 044	61 792	224 873	208 492
Other liabilities	4 952	3 369	573	34 174	43 068	7 569
Total Liabilities	**99 034**	**65 508**	**35 867**	**333 415**	**533 824**	**530 004**
Net Assets	**288 297**	**341 604**	**60 056**	**2 048 263**	**2 738 220**	**2 534 353**
Contributed capital	185 639	214 683	62 267	6 094	468 683	6 094
Accumulated funds (deficits)	1 080	67 330	(3 265)	101 919	167 064	606 870
Reserves	101 578	59 591	1 054	1 940 250	2 102 473	1 921 389
Total Equity	**288 297**	**341 604**	**60 056**	**2 048 263**	**2 738 220**	**2 534 353**

STATEMENT OF CASH FLOWS

	THO-S 2012-13	THO-N 2012-13	THO-NW 2012-13	DHHS 2012-13	Aggregated 2012-13	DHHS 2011-12
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Receipts from Government – recurrent	N/A	N/A	N/A	1 105 351	1 105 351	1 537 214
Less State Block and ABF receipts	N/A	N/A	N/A	(517 489)	(517 489)	0
Receipts from special capital investment funds – recurrent	N/A	N/A	N/A	11 687	11 687	13 249
Grants	447 109	298 390	204 433	83 176	1 033 108	63 666
Sales of goods and services	58 462	36 281	11 763	95 876	202 382	187 139
Interest received	12 967	168	32	381	13 548	701
Other cash receipts	203	12 133	6 153	13 988	32 477	41 306
GST receipts	11 999	8 246	11 454	51 779	83 478	87 293
Payments to employees	(355 110)	(225 398)	(141 582)	(275 505)	(997 595)	(977 146)
Supplies and consumables	(141 944)	(88 780)	(72 393)	(222 009)	(525 126)	(469 113)
Grant	(90)	(200)	0	(745 306)	(745 596)	(260 833)
less State Block and ABF receipts	N/A	N/A	N/A	517 489	517 489	0
Finance costs	0	0	0	(9 326)	(9 326)	(9 626)
Other cash payments	(13 923)	(8 950)	(5 175)	(10 156)	(38 204)	(79 467)
GST payments	(12 521)	(8 129)	(11 445)	(46 088)	(78 183)	(85 912)
Cash from (used in) Operations	**7 152**	**23 761**	**3 240**	**53 848**	**88 001**	**48 471**
Receipts from Government – capital	0	0	0	15 164	15 164	60 945
Receipts from special capital investment funds – capital	0	0	0	27 170	27 170	50 222
Proceeds from disposal of assets	13	530	2	8 525	9 070	12 662
Receipts from investments	0	0	0	1 563	1 563	1 167
Payments for acquisition of assets	(3 548)	(1 828)	(1 482)	(75 015)	(81 873)	(141 479)
Payment for equity investment	0	0	0	(1 911)	(1 911)	(561)
Net loans granted (repaid)	0	0	0	0	0	0
Cash from (used in) Investing Activities	**(3 535)**	**(1 298)**	**(1 480)**	**(24 504)**	**(30 817)**	**(17 044)**
Repayment of borrowings	0	0	0	(6 969)	(6 969)	(6 812)
Cash from (used in) Financing Activities	**0**	**0**	**0**	**(6 969)**	**(6 969)**	**(6 812)**
Net Increase (Decrease) in Cash	**3 617**	**22 463**	**1 760**	**22 375**	**50 215**	**24 615**
Cash at the beginning of the year	0	0		85 650	85 650	61 035
Cash transferred on establishment	15 226	13 132	3 282	(31 640)	0	N/A
Cash at End of the Year	**18 843**	**35 595**	**5 042**	**76 385**	**135 865**	**85 650**

TASMANIAN STATE POOL ACCOUNT (The Account)

SNAPSHOT

- The Account began operating on 1 July 2012.
- Receipts into the Account totalled $539.002m.
- All receipts were distributed during the year and the balance of the Account was Nil at 30 June 2013.

INTRODUCTION

Under the National Health Reform Agreement, States, Territories and the Commonwealth are jointly responsible for funding public hospital services, using activity-based funding where practicable and block funding in other cases.

All Commonwealth and activity-based state and territory National Health Reform deposits and payments are processed through a designated bank account for each state and territory held by the Reserve Bank of Australia. Collectively these bank accounts constitute the National Health Funding Pool. These accounts are administered by the Administrator of the National Health Funding Pool (the Administrator). This is an independent statutory office holder whose role, with support from the National Health Funding Body, a Commonwealth entity, includes overseeing payments into and out of the state pool accounts.

Each State and Territory also has a separate state managed fund for receiving Commonwealth block funding via the National Health Funding Pool, receiving block funding directly from the State or Territory itself, and for making payments of block funding by the state or territory to local hospital networks. The State managed funds are not part of the National Health Funding Pool arrangements.

AUDIT OF THE 2012-13 FINANCIAL STATEMENTS

The special purpose financial report was received on 22 July 2013. It was re-signed on 13 August 2013 and an unqualified audit report was issued on 2 September 2013.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

The audit was completed satisfactorily with no items outstanding.

Basis of Accounting and Reporting

The Administrator is responsible for reporting transactions during each financial year under section 19 of the *National Health Funding Administration Act 2012* (Tasmania), section 242 of the *National Health Reform Act 2011* (Commonwealth) and the *National Health Reform Agreement 2011*. The Administrator has determined that a special purpose financial statement prepared on a cash basis of accounting is appropriate to meet the financial reporting obligations. We concurred with that decision.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF RECEIPTS AND PAYMENTS

	2012-13
Receipts into State Pool Account	$'000s
From Commonwealth	
Activity based funding	233 205
Block funding	51 887
Public health funding	6 829
From Tasmania	
Activity based funding	236 838
Cross border contribution	10 223
Other	
Interest	20
Total Revenue	**539 002**
Payments from State Pool Account	
To Local Hospital Networks	
Tasmanian Health Organisation - North	167 790
Tasmanian Health Organisation - North West	55 396
Tasmanian Health Organisation - South	246 857
To Department of Health and Human Services	
Public health funding	6 829
Interest	20
To other State/Territories	
Cross border payments	10 223
To Tasmanian State Managed Fund	
Block funding	51 887
Total Expenses	**539 002**
Net Receipts (Payments) for the Year	**0**

AUDIT SUMMARY - OTHER GENERAL GOVERNMENT SECTOR STATE ENTITIES

BACKGROUND

The General Government Sector consists of Government departments and non-profit State entities controlled and mainly financed by Government. Non-profit State entities are created for the purpose of producing or distributing goods and services but are not a source of income, profit or other financial gain for Government.

Audits of financial statements for GGS entities are carried out under the provisions of *Audit Act 2008*. This act requires State entities to submit their financial statements to the Auditor-General and gives him the mandate to audit those financial statements.

This part of the Report provides information on other GGS State entities being:

- Asbestos Compensation Fund
- Director of Public Prosecutions
- Inland Fisheries Service
- Integrity Commission
- Marine and Safety Authority
- Office of the Ombudsman and the Health Complaints Commissioner
- Royal Tasmanian Botanical Gardens
- State Fire Commission
- Tasmanian Community Fund
- Tasmanian Economic Regulator
- Tasmanian Heritage Council
- Tasmanian Skills Institute
- The Nominal Insurer
- Workcover Tasmania Board.

The financial results discussed are derived from the audited financial statements of each entity. The reporting framework for these entities is generally prescribed by their enabling legislation. The majority of these entities prepare general purpose financial statements. In our analysis of some entitie's financial performance we have, if necessary, reallocated certain revenue or expenditure items to better assist readers to interpret financial performance.

KEY OUTCOMES FROM AUDITS

Other GGS State entities submitted their financial statements within the statutory deadline, with the exception of:

- Royal Tasmanian Botanical Gardens, that submitted its financial statements 15 days after the statutory reporting deadline because of delays in finalising a revaluation of assets.
- Workcover Tasmania Board, that submitted its financial statements five days late.

Unqualified audit reports were issued in all cases.

Our audits identified a number of matters. These matters did not impact on completion of the audits and were reported to those charged with governance. Matters categorised as moderate or high risk are discussed in individual Chapters.

FINANCIAL ANALYSIS

The following table summarises the financial results and position of Other General Government Sector State entities for 2012-13:

	Net surplus (deficit)	Comprehensive surplus (deficit)	Net assets
	$'000s	$'000s	$'000s
Asbestos Compensation Fund	1	0	0
Office of the Director of Public Prosecutions	3	42	389
Inland Fisheries Service	266	270	7 671
Intergrity Commission	(100)	(100)	373
Marine and Safety Tasmania	(552)	794	26 953
Nominal Insurer	510	510	286
Office of the Ombudsman	12	12	(130)
Office of the Tasmanian Economic Regulator	(30)	(30)	(192)
Royal Tasmanian Botanical Gardens	179	(2 391)	12 018
State Fire Commission	954	10 258	99 318
Tasmanian Community Fund	(155)	(155)	6 409
Tasmanian Heritage Council	(39)	(39)	135
Tasmanian Skills Institute	(5 499)	(5 499)	90 287
Workcover Tasmania Board	0	0	0
Total	**(4 450)**	**3 672**	**243 517**

ASBESTOS COMPENSATION FUND (The Fund)

SNAPSHOT

- 2012-13 was the Fund's first full year of operations.
- The Fund was set up in such a way as to try to ensure that it breaks even each year.
- Following an actuarial review, the provision for Compensation Payable in future years dropped by $19.480m.
- This resulted in a decline of $20.623m in long-term Receivables needed to satisfy claims.
- Claims paid this year totalled $6.510m.

The audit was completed satisfactorily with no items raised with management.

INTRODUCTION

The *Asbestos-Related Diseases (Occupational Exposure) Compensation Act 2011* (the Act) received Royal Assent on 4 October 2011 and was proclaimed on 31 October 2011.

The Act establishes the Asbestos Compensation Scheme (the Scheme) which provides for the payment of compensation, and certain expenses incurred by prescribed workers who develop an asbestos-related disease as a result of exposure to asbestos during the course of their work in Tasmania. The Act requires that the Asbestos Compensation Commissioner administer the Scheme through the Fund.

The Fund was initially funded by a lump sum of $8.250m transferred from the Nominal Insurer HIH account. Ongoing, a levy will be payable by insurers and self-insurers and the Fund may also earn investment income. Levies will be set at a levels aimed at ensuring the Fund meets its liabilities.

The Department of Justice provides administrative support to the Scheme.

The Responsible Minister is the Minister for Workplace Relations.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 15 August 2013. An unqualified audit report was issued on 20 August 2013.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

There were no key developments.

The most significant area of audit attention is the actuarial estimation of the provision for compensation payable. Our audit procedures included the following:

- the assessment controls relating to compensation payments to beneficiaries
- payment and authorisation controls testing
- documenting our understanding of the process for raising levies and testing of receipting controls
- payments data sent to actuary were reconciled to the general ledger
- reconciled payments data to the actuarial valuation report
- evaluated the work of the Actuary.

The audit was completed satisfactorily with no items raised with management.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	8 months to 30 June 2012
	$'000s	$'000s
Transfer of HIH Funds	0	8 250
Levies	8 110	1 365
Total Revenue	**8 110**	**9 615**
Compensation awarded	6 510	3 491
Medical expenses	182	36
Administration expenses	275	178
Total Expenses	**6 967**	**3 705**
Underlying Surplus (Deficit)	**1 143**	**5 910**
(Increase) Decrease in Provision for Compensation Payable	19 480	(137 120)
Increase (Decrease) in Future levies receivable	(20 623)	131 210
Net Surplus (Deficit)	**0**	**0**
Comprehensive Surplus (Deficit)	**0**	**0**

STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Cash and Deposits	5 639	5 914
Receivables	112 067	131 270
Total Assets	**117 706**	**137 184**
Payables	66	64
Provision for Compensation Payable	117 640	137 120
Total Liabilities	**117 706**	**137 184**
Net Assets	**0**	**0**
Total Equity	**0**	**0**

Financial results for 2012-13 reflected the first full year of the Fund's operations resulting in higher Total Expenses, $6.967m (2011-12, $3.705m). The most significant expense item is Compensation awarded, $6.510m (2012, $3.491m).

Despite being the first full year of the Fund's operations, Total Revenue, $8.110m was lower compared to the previous period, $9.615m, mainly due to the transfer of HIH funds in 2012. The Act required the Nominal Insurer to pay into the Fund the amounts standing to the credit of the Special HIH Account in the Nominal Insurer Fund, less $0.100m. The Levies rate for 2012-13 was 4.0% (2012, 4.0%) of the premiums of licensed insurers and the notional premiums of self-insurers.

The Other economic flows included the movements in the provision for Compensation payable, a decrease of $19.480m and in Future levies receivable, a decrease of $20.623m, both based upon the results of the actuarial valuation as at 30 June 2013.

Provision for Compensation payable is measured as the present value of the expected future payments to persons who have an accepted claim for compensation or who are estimated by the Actuary to be entitled to compensation in the future. The valuation as at 30 June 2013 resulted in a lower liability of $117.640m. The valuation was based on the current experience to date which saw actual claims being lower than expected. However, there is a degree of uncertainty with such valuations due to the unavailability of data.

DIRECTOR OF PUBLIC PROSECUTIONS (DPP)

SNAPSHOT

- Revised administrative arrangements commenced this year under which the Office of the DPP no longer charges agencies for its services.
- As a result of this change, the Office now only charges a narrow band of clients in relation to certain circumstances and it will continue to generate income from child protection legal services.
- Lost revenue was substituted by higher appropriations from Government.
- These changes similarly impacted Receivables which, as expected, declined significantly.
- The DPP's major asset was its Cash and deposit balance of $1.596m which increased by $0.498m.

Two audit findings were brought to management's attention:

- we noted that 10 employees had annual leave balances in excess of the statutory maximum of 40 days. This was in part due to the Office's establishment not being filled
- the Office's critical Open Practice system was not being supported by a service provider therefore exposing operations in the event of system failure.

INTRODUCTION

The DPP provides criminal and civil law services to the State of Tasmania. The Director is appointed under the *Director of Public Prosecutions Act 1973*, has complete independence in decision-making and is accountable to Parliament through the Attorney-General.

The Department of Justice provides administrative support to the DPP.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 15 August 2013. Following amendments to the statements, a re-signed version was received on 25 September 2013. An unqualified audit report was issued on 26 September 2013.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

The audit was completed satisfactorily with no items outstanding. We did note:

- the DPP's critical Open Practice system was not being supported by a service provider. While this system does not impact preparation of the financial statement, the DPP's operations are exposed if an important practice management system fails without backup support
- the need to improve password controls around the Open Practice system
- 10 employees (out of a total of 58 employees) had annual leave balances in excess of the statutory maximum of 40 days.

There were no key developments or specific areas of audit attention.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12
	$'000s	$'000s
Appropriation revenue - recurrent	6 316	5 668
Other revenue from Government	0	39
Sale of services	667	1 367
Other revenue	62	1
Total Revenue	**7 045**	**7 075**
Employee benefits	5 759	5 527
Depreciation	48	34
Supplies and consumables	1 036	1 153
Other expenses	199	343
Total Expenses	**7 042**	**7 057**
Net Surplus (Deficit)	**3**	**18**
Gain (Loss) on financial assets	39	91
Comprehensive Surplus (Deficit)	**42**	**109**

STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Cash and deposits	1 596	1 098
Receivables	28	329
Non financial assets	554	602
Total Assets	**2 178**	**2 029**
Payables	82	90
Employee benefits	1 707	1 584
Other liabilities	0	8
Total Liabilities	**1 789**	**1 682**
Net Assets	**389**	**347**
Total Equity	**389**	**347**

Financial results for 2012-13 were largely impacted by:

- a change in administrative arrangements whereby the DPP no longer charges Government agencies for its services as mentioned earlier. Instead, it is now provided with additional appropriation funds.
- sale of services, includes $0.658m for Child protection legal services where DPP is funded by Department of Health and Human Services under a Service Level Agreement.
- DPP ceased paying payroll tax from 1 October 2012: as a result Other Expenses reduced by $0.144m. This saving was offset by higher employee benefits expenses, $0.232m.

The Gain on financial asset of $0.039m represents a reversal of a provision for impairment of receivables. A similar reversal was made in 2011-12. Reversals were made because the Office collected receivables previously assessed as uncollectable.

The DPP's main asset is its Cash and deposits balance which increased to $1.596m mainly because it collected $0.301m in outstanding invoices due at 30 June 2012.

INLAND FISHERIES SERVICE (The Service)

SNAPSHOT

- The Service improved its underlying result mainly due a reduction in staff numbers and lower other expenses.
- Net Assets totalled $7.671m (2012, $7.401m) at 30 June 2013 and included cash, $1.911m, and investment properties valued at $2.230m.

The audit was completed satisfactorily with no matters outstanding.

INTRODUCTION

The Service has wide statutory powers under the *Inland Fisheries Act 1995* to regulate, manage, protect, control and develop freshwater fish. In addition, the Service improves and maintains fisheries in inland waters including salmon fisheries.

It derives the majority of its revenue from licence fees and Government contribution for community service functions in relation to conservation, protection and management of Tasmania's native freshwater fauna and the carp management program. The Service subsidises its operations with rental income from investment properties and interest earned on term deposits.

The Responsible Minister is the Minister for Primary Industries and Water.

AUDIT OF THE 2012-13 STATEMENTS

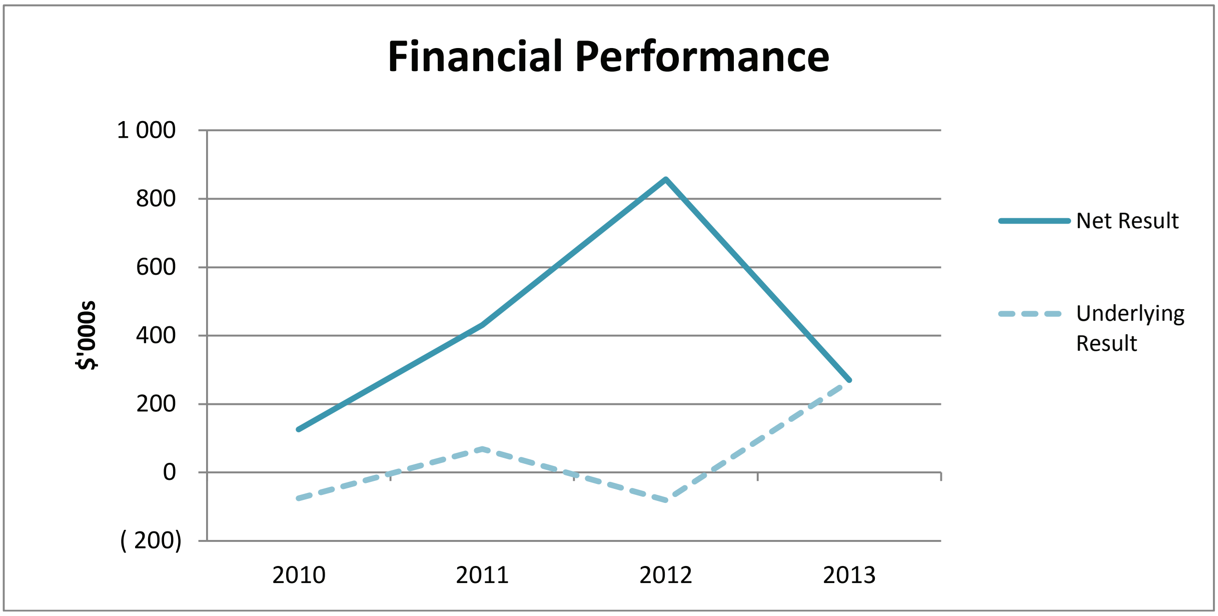
Signed financial statements were received on 16 July 2013 and an unqualified audit opinion was issued on 27 August 2013.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

There were no key findings or developments. Accounting for and recognition of grants, angling and other licence revenue and revenue from investments were highlighted during the planning as areas of audit attention.

The audit was completed satisfactorily with no matters outstanding.

FINANCIAL ANALYSIS



Net Surplus was $0.270m in 2012-13, which was significantly lower than the surplus reported last year. In 2011-12, the Service sold an investment property and realised a gain of $0.938m which resulted in the unusually high surplus. The Service re-invested the proceeds in two new investment properties.

Steps taken by the Service to permanently reduce staff numbers in previous years led to a reduction in employee expenses by $0.221m in 2012-13. These savings resulted in an Underlying Surplus of $0.266m in 2012-13 compared to an Underlying Deficit of $0.081m last year.

The surplus of $0.270m contributed to higher Net Assets which were made up mainly of Cash and non-current physical assets, including the building from which the Service operates and investment properties.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Licence fees	1 747	1 741	1 628	1 619
Government grants	1 545	1 611	1 641	1 292
External grants and reimbursements	306	200	300	602
Other revenue	556	560	602	537
Total Revenue	**4 154**	**4 112**	**4 171**	**4 050**
Employee expenses	2 067	2 288	2 357	2 370
Other expenses	1 580	1 658	1 521	1 537
Depreciation	241	247	225	219
Total Expenses	**3 888**	**4 193**	**4 103**	**4 126**
Underlying Surplus (Deficit)	**266**	**(81)**	**68**	**(76)**
Fair value adjustment for investment property	0	0	0	202
Gain on sale of non-financial assets	4	938	14	0
Net Surplus (Deficit)	**270**	**857**	**82**	**126**
Other Comprehensive Income				
Valuation adjustment to land and buildings	0	0	349	0
Comprehensive Surplus (Deficit)	**270**	**857**	**431**	**126**

STATEMENT OF FINANCIAL POSITION

	2013	2012	2011	2010
	$'000s	$'000s	$'000s	$'000s
Cash	1 911	1 701	1 150	1 076
Receivables	84	66	93	165
Total Current Assets	**1 995**	**1 767**	**1 243**	**1 241**
Property, plant and equipment	4 073	4 199	4 339	3 968
Investment property	2 230	2 230	1 745	1 745
Total Non-Current Assets	**6 303**	**6 429**	**6 084**	**5 713**
Total Assets	**8 298**	**8 196**	**7 327**	**6 954**
Payables	75	207	244	350
Provisions	272	278	280	240
Total Current Liabilities	**347**	**485**	**524**	**590**
Provisions	280	310	259	251
Total Non-Current Liabilities	**280**	**310**	**259**	**251**
Net Assets	**7 671**	**7 401**	**6 544**	**6 113**
Reserves	2 058	2 058	2 058	1 709
Accumulated funds	2 413	2 143	1 286	1 204
Contributed capital	3 200	3 200	3 200	3 200
Total Equity	**7 671**	**7 401**	**6 544**	**6 113**

ADDITIONAL FINANCIAL INFORMATION

FINANCIAL ANALYSIS

	Bench Mark	2012-13	2011-12	2010-11	2009-10
Financial Performance					
Underlying surplus (deficit) ($'000s)		266	(81)	68	(76)
Own source revenue ($'000s)		2 303	2 301	2 230	2 156
Financial Management					
Debt collection	30 days	13	10	15	28
Creditor turnover	30 days	17	28	36	52
Other Information					
Average staff numbers (FTEs)		23	23	25	25
Average staff costs ($'000s)		91	101	92	94
Average recreational leave balances per FTE (days)	20	21	22	20	20
Average long service leave balances per FTE (days)	100	43	46	42	31

INTEGRITY COMMISSION (The Commission)

SNAPSHOT

- The Commission recorded a Net Deficit of $0.100m. After taking into account unfunded depreciation expense, it achieved a break-even result which is the expected outcome.
- Net Assets totalled $0.373m at 30 June 2013.

Audit findings were reported dealing with payment of an invoice outside an officer's delegated authority, the need for the Commission to establish an audit committee and the risk that its high balances of employee leave entitlements and low cash and deposits may lead to external financial support being needed in the event that a number of staff leave at any one time. These matters were reported to, and are being addressed by, management.

The audit was completed satisfactorily with no other items outstanding.

INTRODUCTION

The Commission was established by the *Integrity Commission Act 2009* and commenced operations on 1 October 2010. Its main aim is to promote and enhance standards of ethical conduct by public officers in the Tasmanian public sector including local government councils. The Commission consists of a Board with five members and a Chief Commissioner, a statutorily appointed Chief Executive Officer and a number of staff who undertake its various functions.

The Commission promotes and strengthens ethical conduct in the Tasmanian public sector to enhance public confidence. It has a strong educative and training role, as well as developing standards and guidelines to help public officers perform their duties ethically.

The Auditor-General is an ex-officio member of the Board of the Commission. As a result, the audit of the Commission is managed by the Deputy Auditor-General.

The Department of Justice provides administrative support to the Commission.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 15 August 2013. Following amendments to the statements, a re-signed version was received on 5 September 2013. An unqualified audit report was issued on 9 September 2013.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

During the audit there were the following findings:

- payment of an invoice was authorised by an officer outside of their delegated authority
- the Commission currently does not have an audit committee, which is in breach of Treasurer's Instructions
- the combination of the Commission having high balances of employee leave entitlements and low cash and deposits at 30 June 2013 may lead to a situation whereby the Commission needs to seek external financial support, in particular if a number of staff resign at the same time and do not move to another State entity.

The Commission has indicated it will be taking action to address each of the above findings.

The audit was completed satisfactorily with no other items outstanding.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12
	Actual	Restated
	$'000s	$'000s
Appropriations	2 661	3 156
Other income	0	26
Total Revenue	**2 661**	**3 182**
Employee costs	1 806	1 859
Other expenses	955	1 198
Total Expenses	**2 761**	**3 057**
Net Surplus (Deficit)	**(100)**	**125**
Comprehensive Surplus (Deficit)	**(100)**	**125**

STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Cash and deposits	28	72
Receivables	15	28
Leasehold improvements and equipment	470	539
Intangible assets	221	216
Other assets	40	28
Total Assets	**774**	**883**
Payables	12	24
Employee benefits	369	313
Other	20	73
Total Liabilities	**401**	**410**
Net Assets	**373**	**473**
Total Equity	**373**	**473**

The Commission recorded a Net Deficit of $0.100m (2012, $0.125m surplus) for the year. After taking into account Depreciation, $0.095m, for which it is not funded, the Commission achieved a break even result.

The financial performance for 2012-13 was impacted by:

- lower Appropriations due to the Commission ceasing to pay payroll tax from 1 October 2012, savings from staff vacancies and other budget savings measures
- lower Other expenses, $0.243m, mainly due to savings in travel and transport costs and cessation of payroll tax.

The Net Deficit contributed to lower Net Assets, mainly decreased Cash and deposits, lower Leasehold improvements and equipment, due to depreciation charges, and higher Employee benefits liabilities.

MARINE AND SAFETY AUTHORITY (MAST)

SNAPSHOT

- Marine and Safety Authority is trading as Marine and Safety Tasmania (MAST)
- MAST's Underlying Deficit of $0.552m, was higher in 2012-13 mainly due to additional costs incurred relating to a national reform to the regulation of domestic shipping and the Recreational Boating Funding Program.
- At 30 June 2013, Net Assets totalled $26.953m, mainly consisting of Property, plant and infrastructure, $24.168m.
- There was a revaluation of Marine facilities resulting in an increment of $1.364m.

Major developments included MAST's preparation for the commencement of the national reform to domestic commercial vessels regulations which took effect on 1 July 2013.

There were no audit findings.

INTRODUCTION

MAST carries out its functions under the *Marine and Safety Authority Act 1997*. These include:

- ensuring safe operations of marine vessels
- providing and managing marine facilities and
- managing environmental issues relating to vessels.

MAST is largely self-funded with income derived from recreational boat registrations and licence fees. Income is also received from commercial vessel owners for the inspection of vessels and licensing of operators. These activities are largely fee for service.

An annual appropriation is received through the Department of Infrastructure, Energy and Resources (DIER) and used for the maintenance and management of commercial marine facilities. Further funding from the Capital Investment Program is also received for specific rebuilding projects.

The Responsible Minister is the Minister for Infrastructure.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 7 August 2013 and an unqualified audit report was issued on the same day.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

The audit was completed satisfactorily and there were no audit findings.

National Reform

The commencement of national reform to domestic commercial vessels regulations took effect from 1 July 2013. Under this reform, MAST will continue to deliver commercial vessel regulatory activities under delegation from the Australian Maritime Safety Authority (AMSA). The financial effects of the national reform on MAST post July 2013 are still to be fully determined and new fee regulations will be introduced to ensure the continued recovery of costs in administering these regulations. MAST received $0.250m from DIER to assist partly with the implementation cost of this reform so far. MAST is seeking further funding.

FINANCIAL ANALYSIS

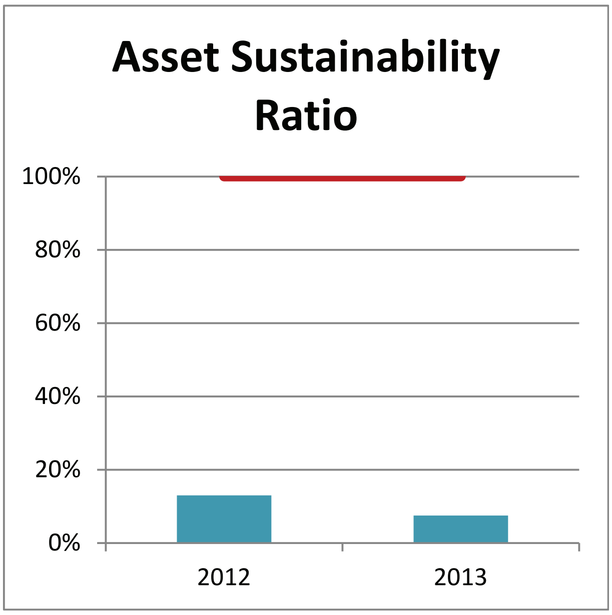
MAST's Underlying Deficit of $0.552m (2012, $0.050m), was adversely impacted by:

- higher Recreational Boating Fund Program projects costs, $1.889m (2012, $1.306m). Significant projects included works at Stanley, Coles Bay, Austins Ferry, Binalong Bay and Nubeena
- additional Employee expenses due to employing six new casuals as a result of the implementation of the national reform mentioned earlier. This national reform required contractors to be employees of MAST rather than as contractors.

When assessing MAST's financial performance it must be borne in mind that its net result varies significantly each year due to timing of triennial motor boat licence renewals and State capital investment program grants.

A Comprehensive Surplus of $0.794m (2012, $0.045 deficit) was reported for the year mainly due to a revaluation increment of $1.364m from the revaluation of Marine Facilities.

MAST had Net Assets of $26.953m with its most significant asset being Property, plant and infrastructure recorded at $24.168m (2012, $22.536m). Property, plant and infrastructure consist mainly of Navigation Aids, $0.727m, and Marine Facilities $23.252m. The movement in Property, plant and infrastructure was primarily due to additions, $1.231m, a revaluation increment, $1.364m, offset by depreciation, $0.946m.



The graph illustrates that the Asset sustainability ratio for Marine Facilities was well below benchmark (red line) in the last two years. No capital funding from Government was received in the last two years resulting in no capital expenditure on existing Marine facilities in that period. In our view, this may indicate that MAST may be underinvesting in its Marine facilities in the absence of an adequate annual maintenance program.

However, all Marine Facilities under MAST's management fall under a comprehensive maintenance plan aimed at prolonging the life of these assets. The facilities maintenance expense for the year was $0.692m (2012, $0.776m).

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12
	$'000s	$'000s
Commercial vessel fees	952	848
Certificates of competency fees	262	233
Recreational boating fees	3 444	3 846
Mooring	354	320
Government recurrent contribution	1 292	1 040
Interest received	146	194
Other operating revenue	269	260
Total Revenue	**6 719**	**6 741**
Employee expenses	2 093	1 880
Depreciation	946	906
Other operating expenses	4 232	4 005
Total Expenses	**7 271**	**6 791**
Underlying Surplus (Deficit)	**(552)**	**(50)**
Loss on disposal of non-current assets	(18)	(103)
Net Surplus (Deficit)	**(570)**	**(153)**
Other Comprehensive Income		
Changes in physical asset revaluation reserve	1 364	108
Comprehensive Surplus (Deficit)	**794**	**(45)**

STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Total financial assets	3 616	4 392
Total non financial assets	24 199	22 579
Total Assets	**27 815**	**26 971**
Total liabilities	862	812
Net Assets	**26 953**	**26 159**
Total Equity	**26 953**	**26 159**

OTHER FINANCIAL INFORMATION

FINANCIAL ANALYSIS

	Bench Mark	2012-13	2011-12	2010-11	2009-10
Financial Performance					
Underlying surplus (deficit) ($'000s)		(552)	(50)	(1 127)	(286)
Operating margin	>1.0	0.92	0.99	0.82	0.95
Own source revenue ($'000s)		5 427	5 701	4 157	4 531
Financial Management					
Debt collection	30 days	29	16	30	24
Creditor turnover	30 days	28	25	20	23
Asset Management					
Marine Facilities					
Asset investment ratio	>100%	151%	188%	284%	307%
Asset sustainability ratio	100%	13%	8%	0%	0%
Asset consumption ratio*	>60%	69%	N/A	N/A	N/A
Other Information					
Average staff numbers (FTEs)		19	18	19	17
Average staff costs ($'000s)		111	101	106	102
Average recreational leave balance per FTE (days)	20	15	14	14	16
Average long service leave balance per FTE (days)	100	48	45	44	56

* *Also known as the Underlying result ratio.*

** *Information not available to calculate ratio for some or all years.*

OFFICE OF THE OMBUDSMAN AND HEALTH COMPLAINTS COMMISSIONER (The Office)

SNAPSHOT

- The Office reported a small Net Surplus of $0.012m compared to a deficit of $0.228m in 2011-12.
- At 30 June 2013 its cash holdings totalled $0.208m. This was an increase of $0.110m on 2012.
- The Office's liabilities continued to exceed its assets almost entirely due to provisions for employee annual and long service leave benefits. The Office will need to continue to closely monitor its financial position.

The audit was completed satisfactorily with no items outstanding.

INTRODUCTION

The Ombudsman and Health Complaints Commissioner is an independent officer appointed by the Governor, and answerable to the Parliament.

The Office of the Ombudsman operates under the *Ombudsman Act 1978*. The role of the Ombudsman is to investigate the administrative actions of public authorities to ensure that their actions are lawful, reasonable and fair. The Ombudsman also has central functions under the *Right to Information Act 2009* (the Act), principally that of reviewing decisions by public authorities not to release information under the Act.

Authorities within the Ombudsman's jurisdiction include Tasmanian Government departments, Local Government councils, water and sewerage corporations, prisons, state-owned companies, Government business enterprises and a range of other public authorities.

The Health Complaints Commissioner's role is to:

- promote and protect the rights of consumers who use health services
- help resolve problems between consumers and providers of health services
- improve the safety and quality of health services in Tasmania.

This section of the Office investigates complaints from individuals or organisations about the provision of health services in both the public and private sectors.

The Ombudsman is also the Energy Ombudsman under the *Energy Ombudsman Act 1998*, and is responsible for providing administrative support for the Mental Health and Prison Official Visitor Schemes. The Ombudsman also holds an ex Officio position on the Board of the Integrity Commission under the *Integrity Commission Act 2009.*

Office of the Ombudsman and Health Complaints Commissioner (the Office) meet recurrent expenditure from a Parliamentary appropriation and from revenues earned in its role as the Energy Ombudsman.

The majority of accounting functions for the Office are provided by Department of Justice.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 14 August 2013 and an unqualified audit report was issued on 27 September 2013.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

No key developments or areas of audit attention were noted. The majority of accounting functions for the Office are provided by Department of Justice.

The audit was completed satisfactorily with no items outstanding.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12
	$'000s	$'000s
Revenue from Government	2 050	2 167
Revenue from energy entities	503	469
Other revenue	127	19
Total Revenue	**2 680**	**2 655**
Employee benefits	2 007	2 134
Supplies and consumables	506	532
Other expenses	155	217
Total Expenses	**2 668**	**2 883**
Net Surplus (Deficit)	**12**	**(228)**
Comprehensive Surplus (Deficit)	**12**	**(228)**

STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Cash and deposits	208	98
Intangibles	54	95
Property, plant and equipment	53	60
Receivables	3	68
Total Assets	**318**	**321**
Employee benefits	438	397
Other liabilities	10	66
Total Liabilities	**448**	**463**
Net Liabilities	**(130)**	**(142)**
Total Negative Equity	**(130)**	**(142)**

A permanent reduction of two positions last year and the cessation of the payment of payroll tax by agencies led to a reduction in Employee benefits by $0.127m in 2012-13. The decrease in Total expenses, $0.215m, which was mainly driven by the reduced Employee benefits and other cost savings, resulted, $0.130m, in the Office reporting a small Net Surplus of $0.012m.

At 30 June 2013, Negative Total Equity decreased in line with the result for the year. The Office recorded a relatively large deficit last year, $0.228m, which led to the negative equity. That result was impacted by termination payments made during the year. While we acknowledge that the circumstances which resulted in the negative equity were one-off and the Office is predominantly funded by Parliamentary appropriation, the Office needs to closely monitor its financial position.

ROYAL TASMANIAN BOTANICAL GARDENS (The Gardens)

SNAPSHOT

- The Gardens reported an Underlying Surplus of $0.179m this year, mainly driven by higher non-recurrent grant income and by reducing costs by 5%.
- Almost 80% of non-recurrent grants received during the year remained unspent at 30 June 2013, including a grant from Skills Tasmania for the Living Learning Centre of $0.351m.
- A revaluation of selected infrastructure assets and buildings resulted in a net revaluation decrement of $2.570m. This was the main reason for the decrease in Net Assets.
- The Gardens had $0.717m in cash at 30 June 2013, the majority of which, $0.714m, was restricted to be spent in accordance with specific conditions in 2013-14 and future years.

The Gardens submitted its financial statements 15 days after the statutory deadline because of delays in finalising assets revaluation.

Other than delays in completing the revaluation and non-compliance with the statutory reporting deadline, the audit was completed satisfactorily with no items outstanding.

INTRODUCTION

The Gardens are governed by the *Royal Tasmanian Botanical Gardens Act 2002* and administered by the Department of Primary Industries, Parks, Water and Environment. Members of the Botanical Gardens Board are appointed by the Minister.

It is funded by a mixture of recurrent grants from Government, project related and other grants and own-source income.

The responsible Minister is the Minister for Environment, Parks and Heritage.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 30 August 2013, which was 15 days after the statutory reporting deadline. The financial statements were submitted late because of delays in finalising a revaluation of assets. An unqualified audit report was issued on 4 October 2013.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

Revaluation of Infrastructure Assets

The last revaluation of infrastructure assets occurred in 2006. These assets were revalued again this year, however the initial valuation was deemed inappropriate for financial reporting purposes as it failed to consider the condition of the assets and their remaining useful lives. Additional work was required to address these shortcomings and to arrive at values which represented the depreciated replacement cost of those assets.

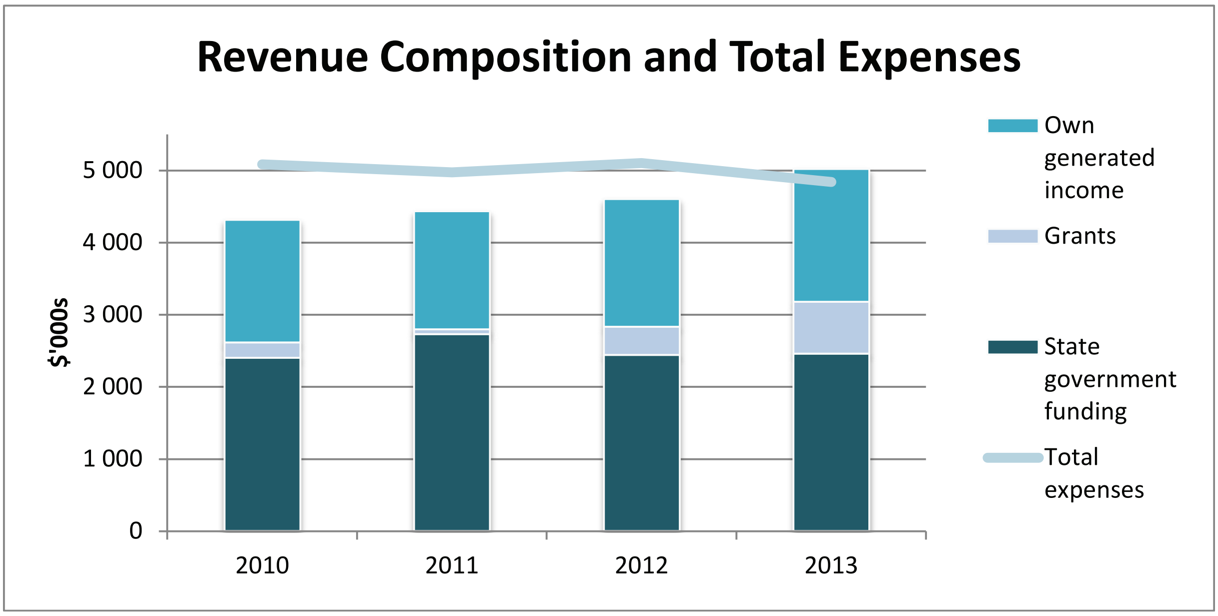
The revaluation of these assets resulted in a revaluation decrement of $1.717m.

The subclasses of infrastructure assets revalued were roads and paths, fences and gates, walls and stormwater assets. The valuation of remaining subclasses will be addressed in coming years.

Own-source Revenue

The Garden operates a restaurant, kiosk and gift shop which collectively generate relatively significant gross income. Revenue from such sources is often in the form of cash which can be difficult to control and there is a risk that not all receipts from cash sales are recorded. To address this risk, we audited a sample of daily cash reports for evidence of secondary review by an independent person and traced a sample of daily cash sales to bank statements. There were no issues identified as a result of this audit work.

Other than delays in completing the revaluation and non-compliance with the statutory reporting deadline, the audit was completed satisfactorily with no items outstanding.



The Gardens reported an Underlying Surplus of $0.179m in 2012-13. The improved result was a combination of increased in revenue and lower expenses. The increased revenue was mainly driven by higher grants, totalling $0.717m (2012, $0.392m) for various projects, including a grant from Skills Tasmania for the Living Learning Centre of $0.351m and from the Tasmanian Community Fund for the Tasmanian Community Food Garden project of $0.190m. Other grants received this year totalled $0.176m.

Most of the grants received this year, $0.571m or 79.6%, remained unspent at 30 June 2013. Because the income is required by accounting standards to be brought to account in 2012-13, and much of the related expenditure will occur in future years, deficits are likely to arise in those years.

Total Expenses decreased by $0.263m from the prior year, mainly due to savings achieved through vacancy control and less expenditure on fewer public programs. However, as expected, expenditure on projects supported by industry was high at $0.222m.

The revaluation of selected subclasses of infrastructure assets and buildings resulted in a net revaluation decrement of $2.570m. This was the main reason for the decrease in Net Assets from $14.409m at 30 June 2012 to $12.018m this year.

Assets consisted mainly of land, buildings and infrastructure. The Gardens held $0.717m in cash at 30 June 2013, the majority of which, $0.714m, was restricted to be spent in accordance with specific conditions.

SUMMARY OF FINANCIAL RESULTS
OTHER INFORMATION

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Total revenue	5 020	4 603	4 433	4 316
Total expenses	4 841	5 104	4 974	5 085
Underlying Surplus (Deficit)	**179**	**(501)**	**(541)**	**(769)**
Write-off of non financial assets	0	0	(234)	0
Net Surplus (Deficit)	**179**	**(501)**	**(775)**	**(769)**
Other Comprehensive Income				
Changes in Asset Revaluation Reserve	(2 570)	(91)	(239)	1 832
Comprehensive Surplus (Deficit)	**(2 391)**	**(592)**	**(1 014)**	**1 063**

STATEMENT OF FINANCIAL POSITION

	2013	2012	2011	2010
	$'000s	$'000s	$'000s	$'000s
Total assets	12 643	15 156	15 684	16 690
Total liabilities	625	747	682	675
Net Assets	**12 018**	**14 409**	**15 001**	**16 015**
Total Equity	**12 018**	**14 409**	**15 001**	**16 015**

STATE FIRE COMMISSION (The Commission)

SNAPSHOT

- While the Commission recorded a Net Surplus of $0.954m in 2012-13, this was $2.752m lower than in 2011-12, ($3.706m).
- At 30 June 2013 its Net Assets totalled $99.318m ($89.060m) and it had net working capital of $1.295m ($5.615m).

The audit was completed on time with no key findings.

INTRODUCTION

The Commission was established under the *Fire Service Act 1979*. The role of the Commission is to protect life, property and the environment from fire and other emergencies. It provides a rapid emergency response and promotes fire safety in partnership with the community.

The Commission consists of seven members: one person being the Chief Officer (Chairperson), one person each nominated by the United Firefighters Union (Tasmanian Branch), the Tasmanian Retained Firefighters Association, the Tasmanian Volunteer Fire Brigades Association, the Secretary of the Department of Treasury and Finance and two nominated by the Local Government Association of Tasmania.

The Responsible Minister is the Minister for Police and Emergency Management.

KEY FINANCIAL AREAS OF AUDIT ATTENTION

Description of Area	Audit Approach
Revenue the Commission receives from third parties is at risk of misstatement due to incorrect cut-off that may occur due to the late remittances.	Sample testing over revenue received from third parties was performed at year end to test the appropriateness of revenue recognition.
The superannuation fund net liability is significant involving complex calculations in determining the amount each reporting period which increases the risk of misstatement.	The Commission uses an expert independent actuary to calculate this net liability. The work performed by the actuarial expert was assessed and the disclosures were audited to test compliance with Accounting standard AASB 119 *Employee Benefits*.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 14 August 2013, with revised and re-signed financial statements received on 13 September 2013. An unqualified audit report was issued on 18 September 2013.

KEY FINDINGS

The audit was completed satisfactorily. There were no key findings.

KEY DEVELOPMENTS

The bushfires that occurred in Tasmania in January through to March 2013 had a significant impact on the operations of the Commission. This resulted in higher revenue and expenses and is discussed in greater detail later in this Chapter.

FINANCIAL ANALYSIS

The Commission recorded a Net Surplus for the year of $0.954m. This was $2.752m lower than 2011-12. At 30 June 2013, it had Net Assets of $99.318m, with its most significant assets being Property, plant and equipment, recorded at $98.108m, and Cash, which totalled $11.132m, and its most significant liabilities were employee provisions, recorded at $13.032m.

The Commission's main expenditures were:

- employee costs which represented 56% of total costs (2011-12, 65%)
- bushfire fighting costs, (included in Other expenses, $15.557m and Employee costs $2.090m), which represented 21% of total costs (3%).

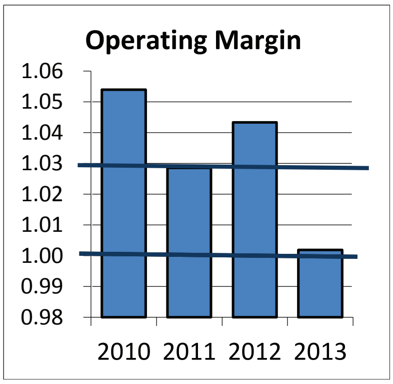
Major variations between the 2012-13 and 2011-12 financial years were:

- increase in bushfire fighting costs to $17.646m ($2.323m)
- decrease in Superannuation fund net liability to $1.321m, ($8.160m), due to the increase in the fair value of the plan assets from the prior year and the application of a higher discount rate.

The lower Net Surplus in 2012-13 impacted cash flows from operations, with higher payments to suppliers and employees than in 2011-12 only partially offset by the increase in receipts. However, operating cash flows remained positive was the case for the previous three years. There was a net decrease in cash and cash equivalents due to the large outflow of cash used in investing activities, which was primarily attributable to payments of $9.428m (2011-12, $7.921m) for property, plant and equipment. This increase mainly related to the major additions for the year being fire appliances and items of plant and equipment. In general, the Commission maintains a relatively stable capital investment program which continued in 2012-13.

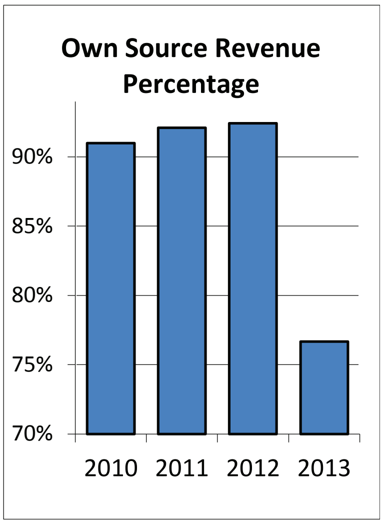
The Commission recorded a Comprehensive Surplus of $10.258m in 2012-13 (2011-12, $0.816m deficit). The difference between this result and the Net Surplus previously was the gain recognised due to the movement in the Commission's defined benefit superannuation scheme obligation of $6.839m ($4.352m loss) combined with the increase in the asset revaluation reserve of $2.465m ($0.170m decrease).

The following three graphs summarise key ratios highlighting important aspects of the Commission's financial performance over the past four years.

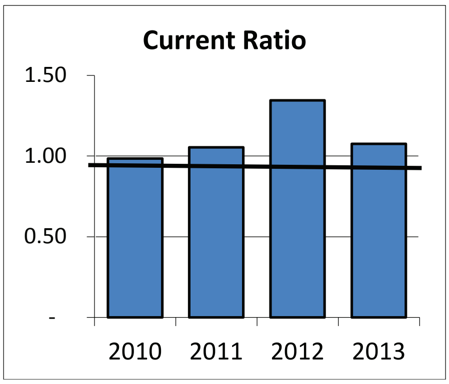


Operating margin was above the expected benchmark of one for each of the past four years, indicating the Commission was generating sufficient revenue to fulfil operational requirements.

The significant decrease in 2013 was because expenses increased at a greater rate, 26.49%, than revenue, 21.46%. This was mainly a direct result of the bushfires during the year.

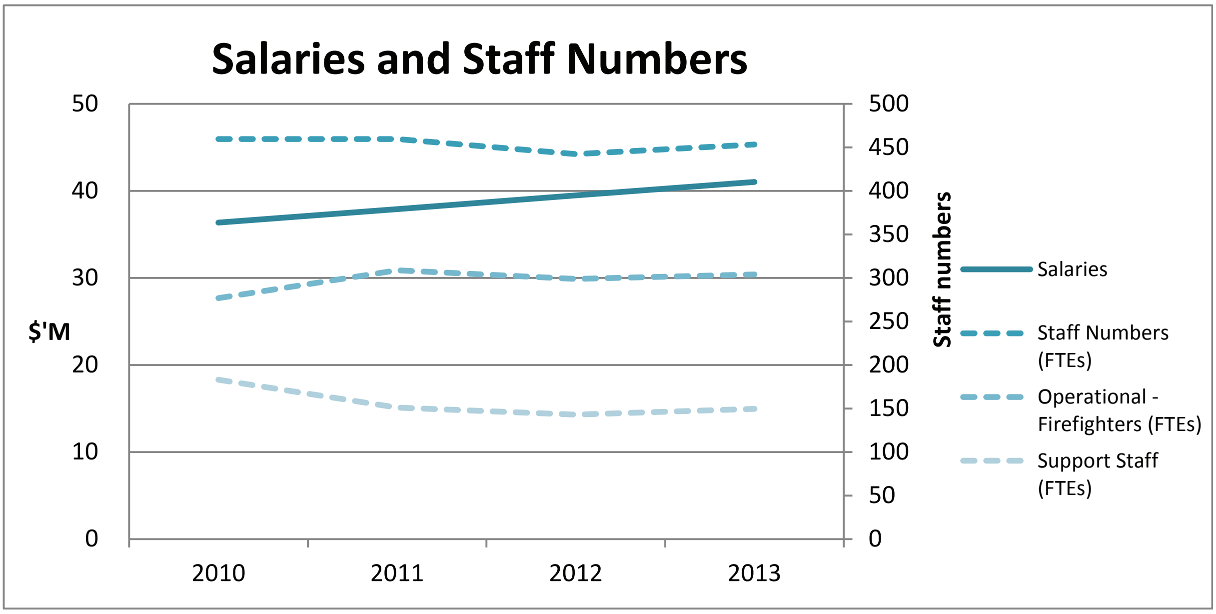


Own source revenue actually increased in 2012-13 by $0.498m to $65.304m (2011-12, $64.806m), however this increase was less than the 21% increase in total revenue which caused the drop in percentage of total revenue demonstrated in this graph. This was due to additional State Government contributions to meet bushfire expenses.

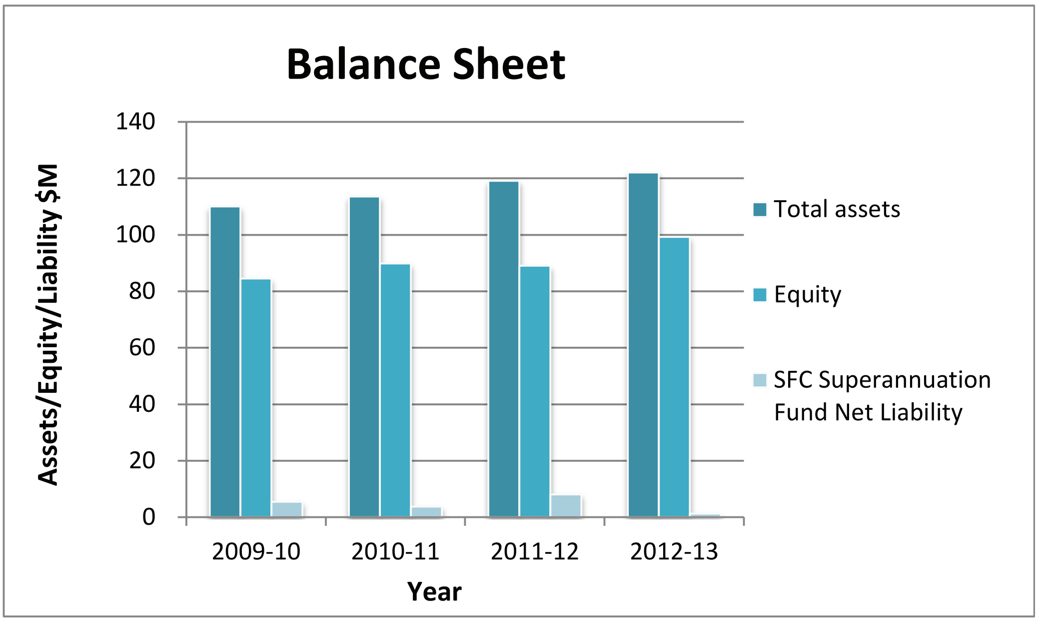


Current ratio remained above benchmark as at 30 June 2013, however it decreased due to lower cash and cash equivalents at balance date. This decrease was primarily attributable to lower cash generated from operations and the increased investment in Property, plant and equipment. A second contributing factor to the lower current ratio was the reclassification of a portion of non-current borrowings resulting in current borrowings being $1.368m at 30 June 2013 (Nil at 30 June 2012). The quantum of total borrowings did not change.

The following two graphs summarise the movements in employee numbers and associated salary costs and movements in key balance sheet line items over the past four years.



Staff numbers remained relatively stable over the past four years, although the mix between operational and support staff has gradually changed, with an increase in operational and decline in support staff each year. Salary costs increased year on year due to annual increments and the changing staff mix.



Equity increased by 12% or $10.258m from 2011-12 to 2012-13. The majority of this increase was the movement in the Commission's defined benefit superannuation scheme which decreased by $6.839m, a reversal on the deficit of $4.352m in 2011-12. The remaining increase in Equity comprised the Net Surplus, $0.954m, and the asset revaluation increment, $2.465m. The latter was also the main factor for the increase in Total assets in 2012-13. Total liabilities declined in 2011-12 in line with the reduction to the defined benefits superannuation liability.

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12	2010-11	2009-10
	$'000	$'000s	$'000s	$'000s
Fire service contribution	33 581	32 289	31 348	29 856
Insurance fire levy	17 200	17 556	16 322	17 016
Motor vehicle fire levy	6 911	6 826	6 389	6 457
State contribution - recurrent	2 069	2 331	3 375	3 073
State contribution - wildfire expenses	13 685	1 649	658	2 486
Wild Fire Fighting Reimbursements	2 687	131	90	1 814
Commonwealth contribution	1 430	1 338	1 250	855
Fire prevention charges	5 668	5 607	5 982	8 523
Other revenue	1 944	2 397	1 418	1 125
Total Revenue	**85 175**	**70 124**	**66 832**	**71 205**
Salaries, wages and related expenses	47 347	43 687	41 774	40 538
Financing costs	251	283	315	336
Depreciation	5 501	5 114	4 994	4 688
Other expenses	31 912	18 124	17 895	21 996
Total Expenses	**85 011**	**67 208**	**64 978**	**67 558**
Net Surplus (Deficit) before contributions to capital program	**164**	**2 916**	**1 854**	**3 647**
State contribution to capital program	790	790	790	790
Net Surplus (Deficit)	**954**	**3 706**	**2 644**	**4 437**
Other comprehensive income				
Items that will not be reclassified to surplus or deficit				
Gain (loss) on movement in superannuation scheme obligation	6 839	(4 352)	1 721	5 210
Increase (decrease) in asset revaluation reserve	2 465	(170)	913	797
Total Other Comprehensive Income (Deficit)	**9 304**	**(4 522)**	**2 634**	**6 007**
Comprehensive Surplus (Deficit)	**10 258**	**(816)**	**5 278**	**10 444**

STATEMENT OF FINANCIAL POSITION

	2013	2012	2011	2010
	$'000s	$'000s	$'000s	$'000s
Cash	11 132	15 186	12 464	8 938
Receivables	2 959	2 093	1 949	1 960
Inventories	1 471	1 401	1 622	1 672
Other	2 932	3 223	2 429	2 886
Total Current Assets	**18 494**	**21 903**	**18 464**	**15 456**
Payables	3 726	4 824	3 693	4 413
Borrowings	1 368	0	3 330	1 368
Provisions - leave and other	12 105	11 464	10 482	9 907
Total Current Liabilities	**17 199**	**16 288**	**17 505**	**15 688**
Net Working Capital	**1 295**	**5 615**	**959**	**(232)**
Property, plant and equipment	98 108	93 163	93 253	88 873
Capital work in progress	5 493	4 026	1 828	5 686
Total Non-Current Assets	**103 601**	**97 189**	**95 081**	**94 559**
Borrowings	3 330	4 698	1 368	3 330
Superannuation fund net liability	1 321	8 160	3 809	5 529
Provisions - leave and other	927	886	987	870
Total Non-Current Liabilities	**5 578**	**13 744**	**6 164**	**9 729**
Net Assets	**99 318**	**89 060**	**89 876**	**84 598**
Reserves	17 499	15 034	15 204	14 290
Accumulated surpluses	81 819	74 026	74 672	70 308
Total Equity	**99 318**	**89 060**	**89 876**	**84 598**

STATEMENT OF CASH FLOWS

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Receipts from operating activities	85 933	69 751	68 227	70 884
Payments to suppliers and employees	(81 743)	(60 670)	(60 468)	(63 210)
Interest received	516	493	365	98
Financing costs	(250)	(283)	(315)	(336)
Cash from (used in) Operations	**4 456**	**9 291**	**7 809**	**7 436**
Proceeds from sale of property, plant and equipment	128	562	417	412
State contribution to capital program	790	790	790	790
Payments for property, plant and equipment	(9 428)	(7 921)	(5 490)	(6 584)
Cash from (used in) Investing Activities	**(8 510)**	**(6 569)**	**(4 283)**	**(5 382)**
Proceeds from borrowings	0	(3 330)	(1 368)	(1 368)
Repayment of borrowings	0	3 330	1 368	1 368
Cash from (used in) Financing Activities	**0**	**0**	**0**	**0**
Net Increase (Decrease) in Cash	**(4 054)**	**2 722**	**3 526**	**2 054**
Cash at the beginning of the year	15 186	12 464	8 938	6 884
Cash at End of the Year	**11 132**	**15 186**	**12 464**	**8 938**

FINANCIAL ANALYSIS

	Bench Mark	2012-13	2011-12	2010-11	2009-10
Financial Performance					
Operating margin ($'000s)		164	2 916	1 854	3 647
Own source revenue ($000s)		65 304	64 806	61 549	64 791
Financial Management					
Debt collection	30 days	28	20	19	19
Creditor turnover	30 days	26	68	47	40
Asset Management					
Capital replacement % (renewal gap)	100%	171%	155%	110%	140%
Investment gap %	100%	100%	107%	178%	160%
Other Information					
Staff numbers (FTEs) - total		454	442	460	460
- Operational - firefighters (FTEs)		304	299	309	277
- Support staff (FTEs)		150	143	151	183
Average staff costs ($'000s)		90	89	82	79
Average recreational leave balance per FTE (days)	25*	21	22	22	23
Average long service leave balance per FTE (days)	100	56	57	54	53

* *Average recreational leave benchmark was based on a weighted average of operational and non-operational staff entitlements.*

TASMANIAN ECONOMIC REGULATOR (The Regulator)

SNAPSHOT

- A Net Deficit of $0.030m was recorded for the year.
- The Regulator's statement of financial position notes its liabilities exceeded its assets by $0.192m at 30 June. This primarily arises because the liabilities for annual and long service leave are not funded.

The audit was completed satisfactorily with no matters outstanding.

INTRODUCTION

On 1 June 2010, the *Economic Regulator Act 2009* was proclaimed by the Governor. This Act established the Regulator and a three-person board which replaced the statutory positions of Electricity Regulator, Director of Gas, Government Prices Oversight Commission and Water and Sewerage Economic Regulator.

The Regulator's statutory functions include the regulation of the electricity and gas supply industries, the economic regulation of the water and sewerage sector and the undertaking of independent pricing reviews, for example premiums charged by the Motor Accidents Insurance Board, on behalf of Government.

The Regulator is largely self-funded through Fees and Fines revenue. For the majority of accounting functions, the Regulator is proided by the Department of Treasury and Finance.

The responsible Minister is the Minister for Finance.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 15 August 2013 and an unqualified audit report was issued on 27 September 2013.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

There were no key findings, developments or areas of audit attention.

The audit was completed satisfactorily with no matters outstanding.

SUMMARY OF FINANCIAL RESULTS

	2012-13	2011-12
	$'000s	$'000s
Fees and fines	1 718	1 736
Total Revenue	**1 718**	**1 736**
Employee benefits	1 186	1 146
Supplies and consumables	541	484
Other expenses	21	59
Total Expenses	**1 748**	**1 689**
Net Surplus (Deficit)	**(30)**	**47**
Comprehensive Surplis (Deficit)	**(30)**	**47**

STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Cash and cash equivalents	63	79
Other assets	186	196
Total Assets	**249**	**275**
Employee benefits	293	278
Other liabilities	148	159
Total Liabilities	**441**	**437**
Net Liabilities	**(192)**	**(162)**
Total Net Deficit	**(192)**	**(162)**

The Regulator's financial results for 2012-13 were negatively impacted by a slight decrease in Fees and fines and increase in Total expenses as a result of higher Employee costs and Supplies and consumables.

The consequence of these factors was a Net Deficit of $0.030m compared to a Net Surplus in the prior year.

The deficit contributed to higher accumulated deficits at 30 June 2013 and to the decline in cash. A primary reason for accumulated deficits was because the liabilities for annual and long service leave are not funded.

TASMANIAN HERITAGE COUNCIL (The Council)

SNAPSHOT

- Council reported a Deficit of $0.039m this year, an improvement on the Deficit of $0.092m in 2011-12
- Expenses were managed down in line with a lower contribution from Government with the deficit caused by the continuation of Council's grant program
- Net Assets declined in line with the Deficit with the Heritage Fund down to $0.135m at 30 June.

The audit was completed satisfactorily with no matters outstanding.

INTRODUCTION

The Council was established under the *Historic Cultural Heritage Act 1995* (the Act). Its functions are to maintain the Tasmanian Heritage Register, and to oversee the administration of the Act. Its primary role is as a resource management and planning body, focused on heritage conservation issues. Any developments on places entered on the heritage register require Council approval.

The Council manages the Heritage Funding Program (Funding Program) under which grants are allocated. Under this Program, funds are not released immediately and are instead held in trust. These funds are then only paid to the grantee once the works have been completed, viewed and endorsed by a suitable professional as being in accordance with the terms of the grant deed and any other conditions that apply.

Sitting fees are the Council's main costs. These costs have fluctuated in recent years to reflect changes in the make-up of the Council and specific circumstances that have arisen in these years, such as changes in membership. Indexation has not been applied against these fees over the period.

The Council does not employ any staff, with operational and administrative functions performed for it by Heritage Tasmania, a division within the Department of Primary Industries, Parks, Water and Environment (the Department).

The responsible Minister is the Minister for Environment, Parks and Heritage.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 15 August 2013 and an unqualified audit opinion was issued on 12 September 2013.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

The Council's Net Assets relate primarily to the Heritage Fund which increases or reduces in line with the net surplus or deficit each year. The Heritage Fund is a cash balance established under the Act to enable the Council to fund heritage restoration projects through grant payments.

In each of the past two years the Heritage Fund declined such that at 30 June 2013 it totalled $0.137m. This followed grant programs in each of these two years. Details are summarised in the following table:

	2012-13	**2011-12**	**2010-11**	**2009-10**
	$'000s	$'000s	$'000s	$'000s
Grants Expenditure	42	101	0	0
Heritage Fund	137	176	267	256

The Council will need to manage its grant program so as to ensure the Heritage Fund is not fully exhausted. Alternatively, additional funding from the State may have to be sought to enable the Council to fulfil its responsibilities. In this respect we note that:

- the balance of funds reserved for the Funding Program are being held in trust until there are sufficient funds available to justify the cost of administering a grant round in the future. While we recognise the pressure the State Government in under to manage its budget, this is an unfortunate situation for a body whose mandate is to conserve Tasmania's historic heritage
- the status of the Heritage Fund is dependent on the receipt of continued recurrent allocations by the State Government, rather than any decisions on the part of the Council to apply the funds available for grants in the Heritage Fund
- the Council's operations, including the Funding Program, is dependent on the recurrent appropriation from the Stare Government, through the Department. The Council has little capacity to draw in other sources of revenue to increase its operations.

No other key findings, developments or areas of audit attention were noted.

The audit was completed satisfactorily with no matters outstanding.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12
	$'000s	$'000s
Total Revenue	139	187
Total Expenses	178	279
Net Surplus (Deficit)	**(39)**	**(92)**
Comprehensive Surplus (Deficit)	**(39)**	**(92)**

STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Total Assets	138	177
Total Liabilities	3	3
Net Assets	**135**	**174**
Total Equity	**135**	**174**

The Council produced a better result in the current year, mainly due to the reduction in grants expenditure. The Council's only source of funding is the annual appropriation and its main costs are remuneration for Council members and, in 2012 and 2013, grant programs. Deficits arose because Council's grant programs in the past two years were not funded.

The grant program in 2012 was primarily funded following full recovery of a loan of $0.100m due to the Council by the National Trust of Australia (Tasmania).

Grant outlays over the past two years have resulted from pre-commitments decided upon in earlier financial years. The Funding Program has now technically ceased, due to the absence of new recurrent funds being available and all pre-existing grant commitments have now been managed out.

In 2012, the higher appropriation revenue was to meet salary costs which included $0.027m for a departing chairperson.

TASMANIAN SKILLS INSTITUTE (TSI)

SNAPSHOT

- TSI recorded an Underlying Deficit for the year of $5.499m.
- At 30 June 2013, it had Net Assets of $90.287m with Property, plant and equipment being the most significant asset class, $96.578m, and the largest liability was Employee benefits of $5.748m.
- TSI was not funded for depreciation, which totalled $4.311m this year, or redundancy payments, $1.549m.
- Redundancy payments over the past two years totalled $2.871m and resulted in 37.42 FTE leaving TSI.
- No investment was made in Property, plant and equipment in the past two years.

Four audit findings were reported to management. These related to deficiencies in supporting documentation for student fees and commercial training charges, lack of purchase order functionality, use of credit card not in accordance with policy and the method used for recording fixed assets. These matters were reported to, and are being dealt with by, management.

The audit was completed satisfactorily with no other items outstanding.

A major development this year was that TSI ceased to be a statutory authority on 30 June 2013 following the enactment of the *Training and Workforce Development Act 2013* (the Act). Despite this, TSI's financial statements for were prepared on the basis that it was a going concern. All assets and liabilities were transferred to TasTAFE with effect from 1 July 2013.

Major variations between 2012-13 and 2011-12 were:

- further loans of $1.549m from the Department of Treasury and Finance (Treasury), offset by loan repayments of $0.729m, which were used to fund redundancy payments already referred to. TasTAFE will be required to repay Treasury from savings in employee costs over three years
- decrease in employee expenses, $3.950m, a result of the redundancy program which commenced in 2011-12, offset by separation payments funded by the loan from Treasury
- the $2.500m advance payment under the 2012-13 Memorandum of Understanding funding received in June 2012 to fund wage commitments
- a $1.241m revaluation increment due to indexation of land and buildings at 30 June 2013.

INTRODUCTION

TSI was established on 1 January 2009, following the separation of TAFE Tasmania into TSI and Tasmanian Polytechnic under Government's Tasmania *Tomorrow* initiative. This initiative was later refined with transfer of Tasmanian Polytechnic and Tasmanian Academy to the Department of Education (DoE) effective 1 January 2011. TSI remained as a standalone entity from 1 January 2011 to 30 June 2013.

TSI was funded by a Memorandum of Understanding with Skills Tasmania in the form of a grant.

It is a Registered Training Organisation governed by the *Education and Training (Tasmanian Skills Institute) Act 2008*. It provides workforce skills development services to Tasmanian employers and their employees. The scope of training provided by TSI covers the major trade, technical and vocational occupation groups in the Tasmanian workforce.

TSI receives administrative support from the Department of Education (DoE) in the form of financial, human resources, facility, capital planning, student information management, information communication technology and client services.

The Comprehensive Income Statement, Statement of Financial Position, Statement of Cash flows and Financial Analysis sections of this Chapter disclose 2010-11, 2011-12, 2012-13 information only. Due to the implementation of a new chart of accounts, it was not possible to produce comparatives for the 2009-10 financial year.

Financial statements for 2012-13 were prepared on the basis that TSI was a going concern at 30 June 2013 despite the fact that all its assets and liabilities were transferred to TasTAFE with effect from 1 July 2013.

The Responsible Minister is the Minister for Education and Skills.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 15 August 2013 and an unqualified audit report was issued on 30 September 2013.

KEY AREAS OF AUDIT ATTENTION

Description of Area	Audit Approach
Commercial training and student fees are a significant part of TSI's revenue. There are risks that commercial training and student fees were not charged correctly.	We tested a sample of revenue transactions regarding commercial training and student fees and traced to supporting documents.
TSI's accounting functions and operations are dispersed statewide. There is a risk that its policies for segregation of duties in the ordering, receipting good/services and authorising payments break down.	We tested a sample of payment transactions to creditors for supporting invoices and evidence of authorisations.
From the previous audit it was identified that credit cards were not used in compliance with relevant polices.	We tested a selection of credit cards payments with attention given to pruchases of hospitality and entertainment.
TSI had experienced difficulty in managing its cashflow and in the previous year had to rely on advanced funding under its MoU. There is a risk that not all expenditure was brought to account.	We tested creditors and accrued expenses at year end for completeness. We also performed cut-off testing to test payables.

KEY FINDINGS

Four audit findings were identified during the course of the audit, they were:

- supporting documents for students fees and commercial training charges were not always adequately maintained or available to provide an audit trail
- a Government credit card was not used in compliance with relevant policies. Credit cards were used to purchase hospitality related items by officers without the authority according to applicable policies. The hospitality related items were mainly catering for workshops, awards dinners, working groups and team meetings
- the need to use a purchase order system as a more effective means for purchasing goods and services. However, TSI was reliant on the Department of Education (DoE) for the provision

of its accounting functions, and was not able to implement a purchase order system. DoE indicated that current purchasing and payment arrangements will be reviewed

- TSI used the net method to record its fixed assets. TSI adopted the net method to be consistent with the practises of DoE. We recommended that the gross method be used.

These matters have been referred to the management of TasTAFE for their consideration.

The audit was completed satisfactorily with no other items outstanding.

KEY DEVELOPMENTS

Operating Cash Flows

During the audit it was noted that TSI continued to generate negative operating cash flows despite further reduction in staff numbers in 2012-13 funded through loan advances provided by Treasury.

The redundancy program, which commenced in 2011-12, again led to a decrease in Employee benefits, this time by $3.950m, which included redundancy payments. However, negative cash flow in the current year indicated that TSI failed to generate sufficient cash flows to fulfil its operation requirements. This was mainly due to an advance payment of $2.500m from the 2012-13 MoU agreement in June 2012 to fund TSI's wage commitments that year.

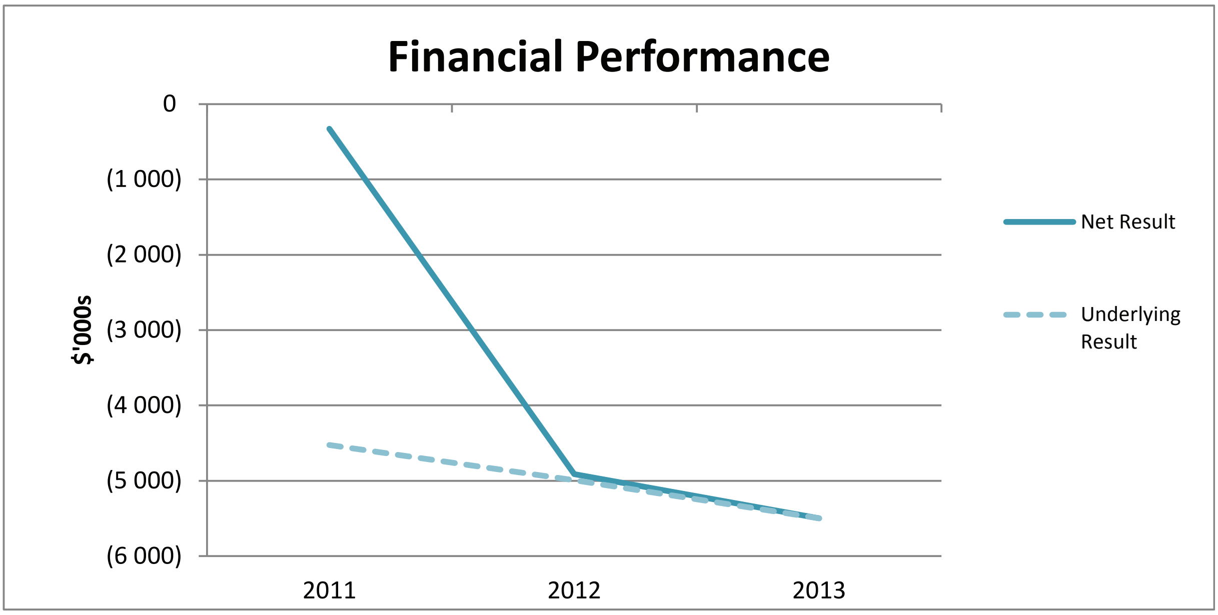
However, only $0.790m of the advanced payment was needed in 2011-12 with the balance of $1.710m held in Cash and deposits at 30 June 2012. If the unspent advanced payment of $1.710m had been provided in 2012-13, TSI operating cash flows would have been a positive $0.217m.

Wind Up of the TSI and Responsibilities of the New Tas TAFE Board

TSI ceased to be a statutory authority from 30 June 2013 and now forms part of TasTAFE which commenced 1 July 2013. All TSI's assets and liabilities including the loans were transferred to TasTAFE effective from 1 July 2013.

The new TasTAFE Board will need to closely monitor its cash flows and repay the Treasury loan in accordance with the loan terms.

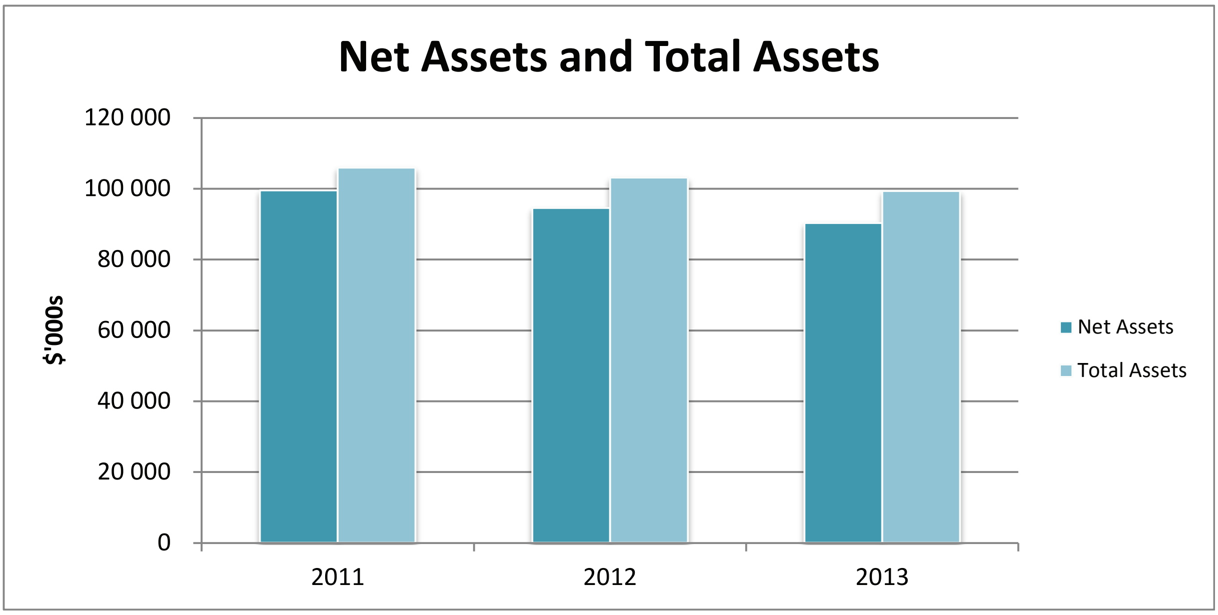
FINANCIAL ANALYSIS



The Underlying Deficit in 2012-13 was a deficit of $5.499m (2012, $4.992m). This was mainly due to the advanced instalment of $2.500m on the 2012-13 MoU funding from Skills Tasmania on 1 June 2012 to fund TSI's wage commitments at that time.

The Underlying Deficit arose despite TSI reducing Total expenses in 2012-13 by $5.281m. Had the TSI been funded for depreciation, $4.311m and redundancy costs, $1.549m, it would have recorded an Underlying surplus $0.361m.

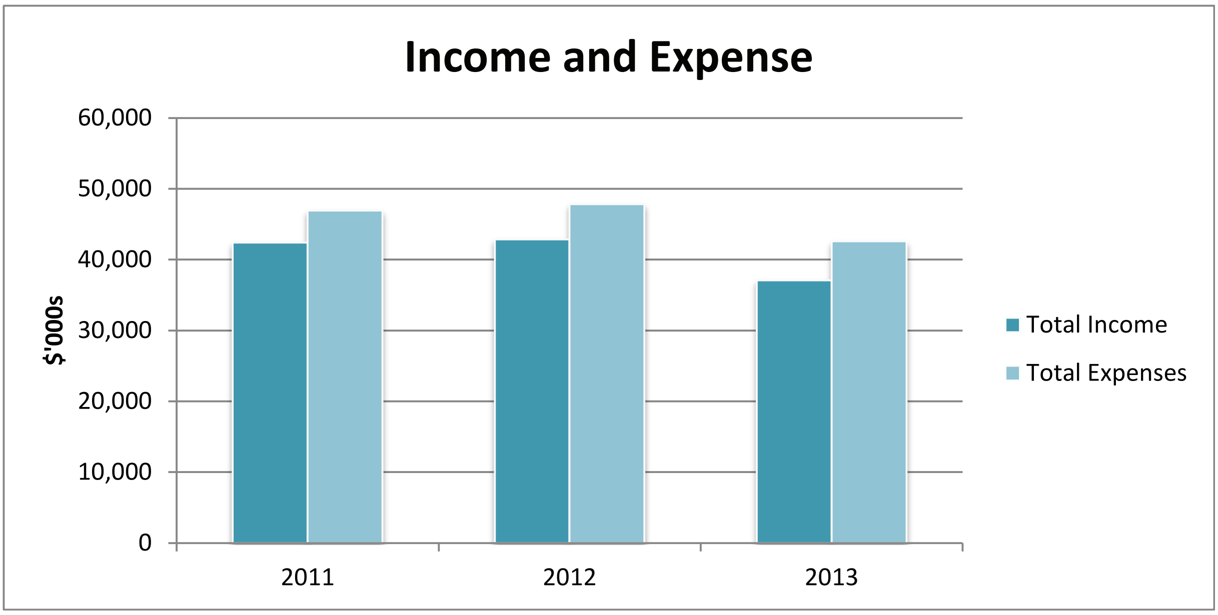
The higher Net Deficit in 2010-11 was due to one-off capital funding of $4.334m mainly for the construction of the Green Skills Centre of Excellence at Alanvale.



TSI's Net Assets and Total Assets decreased steadily over the three years period under review.

The decrease in Total Assets was mainly associated with depreciation expenses which were on average $4.313m per annum over the period. There was no investment in Property, plant and equipment since 2010-11. This is confirmed by our Investment gap ratio being nil for the last two years indicating that, at least in the short term, TSI under-invested in its infrastructure.

The decrease in Net Assets over the period was driven by the lower Total Assets coupled with loan advances of $1.874m and $1.549m received from Treasury in 2011-12 and 2012-13 respectively to fund redundancy payments.

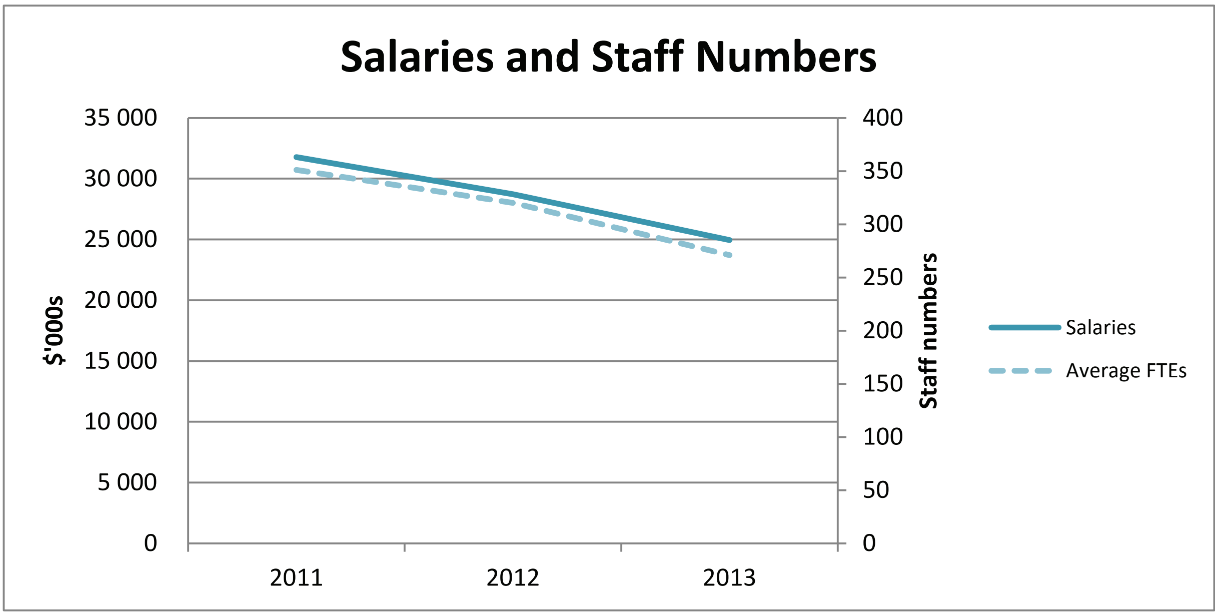


Total Income decreased since 2011-12, mainly driven by the advanced MoU funding, and cessation of payroll tax effective from 1 October 2012. The other components of Total Income mainly comprised the sale of goods and services. These decreased by 10.9% over the three year period due to:

- the current economic downturn and falling demand for services and
- the one-off Commonwealth funding of $1.453m received for the Kickstart pre-apprenticeship program in 2010-11.

Total Expenses decreased since 2011-12, being mainly driven by savings from the redundancy program, other budget saving strategies and cessation of payroll tax effective from 1 October 2012.

Total Expenses were in excess of Total Income each year, reflecting that TSI was unable to generate sufficient revenue to fund its expenditures, including depreciation charges.



Average staff numbers decreased since 2011-12 due mainly to employee separations of 19.32 FTEs under Targeted Voluntary Redundancy Arrangements (TVRA) and the Workforce Renewal Incentive Program (WRIP) in 2011-12 with a further separation of 18.1 FTEs under TVRA in 2012-13.

Total Salaries in 2011-12 and 2012-13 used in the graph are net of one-off separation payments. In 2011-12, there were WRIP payments for four FTEs, capped at $0.020m each, and TVRA payments, approximately $1.242m, for 15.52 FTEs, all of which were funded by a loan provided by Treasury. In 2012-13, a further loan of $1.549m from Treasury was used to fund the years of service component of employment separation payments for 18.1 FTEs.

Total Salaries and Average staff numbers dropped steadily over the three year period. Staff numbers fell by 80 FTE since 2010-11 and this is reflected in the decline in Total salaries.

CHAPTER APPENDICES

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s
Grants	26 228	27 081	26 988
Advance Memorandum of Understanding funding	(2 500)	2 500	0
Sale of goods and services	12 774	12 805	14 343
Interest	0	37	232
Other revenue	587	454	862
Total Revenue	**37 089**	**42 877**	**42 425**
Employee expenses	26 498	30 448	30 055
Depreciation	4 311	4 316	2 353
Supplies and consumables	11 249	11 526	12 497
Other expenses	530	1 579	2 045
Total Expenses	**42 588**	**47 869**	**46 950**
Underlying Surplus (Deficit)	**(5 499)**	**(4 992)**	**(4 525)**
Capital funding	0	0	4 334
Net gain (loss) on non-financial assets	0	81	(136)
Net Surplus (Deficit)	**(5 499)**	**(4 911)**	**(327)**
Other Comprehensive Income			
Change in physical asset revaluation reserve	1 241	0	0
Comprehensive Surplus (Deficit)	**(4 258)**	**(4 911)**	**(327)**

STATEMENT OF FINANCIAL POSITION

	2013	2012	2011
	$'000s	$'000s	$'000s
Financial Assets			
Cash and deposits	1 037	1 710	235
Receivables	1 462	1 611	1 602
Non-financial Assets			
Property, plant and equipment	96 578	99 649	103 971
Other assets	224	144	126
Total Assets	**99 301**	**103 114**	**105 934**
Liabilities			
Payables	572	1 130	551
Employee benefits	5 748	5 524	5 587
Borrowings	2 694	41	0
Other liabilities	0	1 874	340
Total Liabilities	**9 014**	**8 569**	**6 478**
Net Assets	**90 287**	**94 545**	**99 456**
Accumulated funds (deficits)	(6 112)	(613)	4 298
Reserve	1 241	0	0
Contributed equity	95 158	95 158	95 158
Total Equity	**90 287**	**94 545**	**99 456**

STATEMENT OF CASH FLOWS

	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s
Grants	23 727	29 580	26 988
Sale of goods and services	12 859	12 752	14 954
GST receipts	2 163	2 858	3 271
Interest received	0	37	242
Other cash receipts	587	459	861
Employee benefits	(26 316)	(30 511)	(30 029)
GST payments	(2 347)	(2 963)	(3 289)
Supplies and consumables	(11 636)	(10 821)	(12 068)
Other cash payments	(530)	(1 877)	(2 044)
Cash (used in) Operating Activities	**(1 493)**	**(486)**	**(1 114)**
Grants - works and services	0	0	4 334
Proceeds from disposal of assets	0	87	79
Payments for acquisition of assets	0	0	(6 557)
Cash from (used in) Investing Activities	**0**	**87**	**(2 144)**
Loan advance	1 549	1 874	0
Loan repayment	(729)	0	0
Cash from (used in) Financing Activities	**820**	**1 874**	**0**
Net Increase (Decrease) in Cash	**(673)**	**1 475**	**(3 258)**
Cash at the beginning of the year	1 710	235	3 493
Cash at End of the Year	**1 037**	**1 710**	**235**

FINANCIAL ANALYSIS

	Bench Mark	2012-13	2011-12	2010-11
		$'000s	$'000s	$'000s
Financial Performance				
Underlying surplus (deficit) ($'000s)		(5 499)	(4 992)	(4 525)
Own source revenue ($'000s)		13 361	13 296	15 437
Financial Management				
Debt collection	30 days	40	44	38
Creditor turnover	30 days	0	21	10
Asset Management				
Investment gap %	100%	0%	0%	279%
Other Information				
Average staff numbers (FTEs) - total		271	320	351
Average staff costs ($'000s)		92	90	91
Average recreational leave balance (days)*	20	15	15	20
Average long service leave balance per (days)*	100	45	47	50

** Recreational leave and long service leave are based on number of employees entitled to leave not FTEs. Not all employees are entitled to recreational and long service leave. Recreational leave excludes teaching staff who are required to use up all flexible leave in a calendar year.*

THE NOMINAL INSURER (TNI)

SNAPSHOT

- TNI recorded an underlying surplus of $0.510m, an improvement on the $8.419m deficit recorded in the prior year.
- The high deficit last year was almost entirely due to the transfer of funds to the Asbestos Compensation Fund.
- A $1.000m contribution was received in relation to any current or future liabilities of injured former employees of a company currently in receivership.
- At 30 June 2013, Net Assets totalled $0.286m (2012, $0.224m), with significant holdings in cash ($1.198m) being offset by outstanding claims ($1.050m).

The audit was completed satisfactorily with no audit findings reported.

INTRODUCTION

TNI is an independent statutory body under Section 121 of the *Workers Rehabilitation and Compensation Act 1988*. Its main purpose is to ensure that workers are not disadvantaged in circumstances where employers are not insured, where an employer cannot be located or has been declared bankrupt, or where an employer/insurer has defaulted in payment of an accepted claim. In order to pay claims arising under the aforementioned circumstances, the Nominal Insurer Fund was created.

TNI sources its income mainly from contributions from insurers, in the form of levies on insurance premiums, and through claim recoveries. Funds collected are principally spent on insurance claims, as well as administrative support for the fund itself.

The Responsible Minister is the Minister for Workplace Relations.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 15 August 2013 and an unqualified audit report was issued on 30 September 2013.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

There were no key findings and developments reported in 2012-13.

The key financial risk associated with the audit of TNI arose from the fact that financial records of TNI are maintained in a manual cash book and not in an electronic general ledger. Creation of the financial statements is therefore also a manual process, and hence the risk of miscalculations, or errors in the transposition of figures, increases. These issues, as well as the fact that the administrative functions of TNI are undertaken by one employee, meant that a substantive approach to the audit was required.

The audit was completed satisfactorily with no issues outstanding.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12
	$'000s	$'000s
Insurers contributions	30	265
Contribution	1 000	0
Reimbursements and recoveries	190	120
Interest	0	174
Total Revenue	**1 220**	**559**
Claims	601	197
Administration expenses	93	96
Adjustment to HIH receivable	16	0
Asbestos compensation scheme	0	435
Payment to the Asbestos Compensation Fund	0	8 250
Total Expenses	**710**	**8 978**
Net Surplus (Deficit)	**510**	**(8 419)**
Comprehensive Surplus (Deficit)	**510**	**(8 419)**

STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Cash at bank and term deposit	1 198	230
Receivables	50	68
Insurer's contributions receivable	0	200
Claims recoverable	130	0
Total Current Assets	**1 378**	**498**
Total Assets	**1 378**	**498**
Outstanding claims	500	682
Provisions	40	40
Other	2	0
Total Current Liabilities	**542**	**722**
Outstanding claims	550	0
Total Non-Current Liabilities	**550**	**0**
Total Liabilities	**1 092**	**722**
Net Assets (Liabilities)	**286**	**(224)**
Total Equity (Deficit)	**286**	**(224)**

Total Revenue for 2012-13 was positively impacted by a receipt of $1.000m in relations to a self-insurer under the *Workers and Rehabilitation and Compensation Act 1988*. The entity was placed in receivership during the year and therefore forfeited its bank guarantee to TNI to meet any current or future liabilities of injured employees.

Total expenditure reduced significantly in the year due to the one-off transfer of funds to the Department of Justice, $8,250m in 2011-12, for the initial funding of the Asbestos Compensation Fund.

Net Assets, $0.286m, comprised cash, $1.198m, offset by outstanding claims, $1.050m. The increase in outstanding claims from the prior year ($0.368m) was due principally to the recognition of claims relating to employees of Gunns Forest Products Pty Ltd, which will be funded from the $1.000m contribution discussed above.

WORKCOVER TASMANIA BOARD (The Board)

SNAPSHOT

- Expenditure, $8.001m (2011-12, $8.528m) dropped in 2012-13, primarily due to a reduction in spending on advertising, grants and a small decrease in staff numbers.
- A further $0.172m was capitalised relating to the development of a new workers compensation management system. By 30 June 2013 $0.958m had been capitalised. The system was commissioned in early 2013-14.
- Four out of 29 staff members had annual leave balances in excess of 40 days.

Other than non-compliance with the statutory reporting deadline, the audit was completed satisfactorily with no items outstanding.

INTRODUCTION

The Board's role is to oversee, promote, review and ensure the efficient operation of workers' rehabilitation and compensation procedures in accordance with the *Workers Rehabilitation and Compensation Act 1988*. The Board advises the Minister on matters relating to workers' compensation and rehabilitation. The Department of Justice provides administrative support to the Board.

The Board is funded by contributions from insurers based upon an annual estimate of the amount required to discharge its obligations. At the end of each year, outstanding contributions are brought to account, being the difference between total expenses and income for the year, so that a break-even result is achieved. Consequently, the Board does not accumulate surpluses or deficits from year to year.

The Responsible Minister is the Minister for Workplace Relations.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 20 August 2013, which was five days after the statutory reporting deadline. An unqualified audit report was issued on 28 August 2013.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

We noted that four staff members (out of 29) had annual leave balances in excess of 40 days. The trend of employees not taking leave may have a negative impact on staff productivity and may indicate and/or lead to possible fraudulent activity.

Other than non-compliance with the statutory reporting deadline, the audit was completed satisfactorily with no items outstanding.

The project to replace the current workers compensation management system is nearing completion and the new system is expected to be operational in the coming year. By 30 June 2013, $0.958m had been capitalised.

The accounting function for the Board is performed by the Department of Justice.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12
	$'000s	$'000s
Contributions	7 923	8 320
Other revenue	78	208
Total Revenue	**8 001**	**8 528**
Attributed employee benefits	2 547	2 646
Expenses incurred by Workers Rehabilitation and Compensation Tribunal	1 297	1 340
Administration costs paid to Department of Justice	1 068	983
Advertising and promotion	977	1 162
Grants	358	554
Other expenses	1 754	1 843
Total Expenses	**8 001**	**8 528**
Net Surplus (Deficit)	**0**	**0**
Comprehensive Surplus (Deficit)	**0**	**0**

STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Cash and deposits	1 508	1 576
Intangibles	958	786
Other assets	9	33
Total Assets	**2 475**	**2 395**
Payables and accrued services	1 857	1 790
Attributed employee benefits	618	601
Other liabilities	0	4
Total Liabilities	**2 475**	**2 395**
Net Assets	**0**	**0**
Total Equity	**0**	**0**

In 2011-12, the Board ran an extensive education and awareness campaign, in preparation for the new model work health and safety legislation. This campaign did not continue in the 2012-13 year which is why there was a lower advertising spend this year. This, along with lower grants and a small reduction in staff numbers led to an overall decrease in Total Expenses of $0.527m. The decrease in expenditure was reflected in lower Contributions from insurers.

The increase in Total Assets was largely due to a movement in capitalised work in progress relating to the development of the new workers compensation management system which is recorded as an intangible asset.

AUDIT SUMMARY - OTHER STATE ENTITIES

INTRODUCTION

Other State entities included in this Report are statutory authorities and other non-profit entities not consolidated in the General Government Sector financial statements.

Audits of financial statements for Other State entities are carried out under the provisions of *Audit Act 2008*. This act requires State entities to submit their financial statements to the Auditor-General and gives the Auditor-General the mandate to audit those financial statements.

This part of the Report provides information on other State entities being:

- Aboriginal Land Council
- Council of Law Reporting
- Forest Practices Authority
- Legal Profession Board
- Private Forests Tasmania
- Property Agents Board
- Property Agents Trust
- River Clyde Trust
- Tasmanian Beef Industry (Research and Development) Trust
- Tasmanian Building and Construction Industry Training Board
- Tasmanian Dairy Industry Authority
- Teachers Registration Board of Tasmania
- Wellington Park Management Trust.

The financial results discussed are derived from the audited financial statements of each entity. The reporting framework for these entities is generally prescribed by their enabling legislation. In our analysis of some entities' financial performance we have, if necessary, reallocated certain revenue or expenditure items to better assist readers to interpret financial performance.

KEY OUTCOMES FROM AUDITS

The Other State entities listed above submitted their financial statements within the statutory deadline and unqualified audit reports were issued in all cases.

Our audits identified a number of matters. These matters did not impact on completion of the audits and were reported to those charged with governance. Matters categorised as moderate or high risk are discussed in individual Chapters.

The following entities did not submit their financial statements within 45 days from the end of the financial year and are not included in this Report:

- Legal Aid Commission of Tasmania, whose financial statements were submitted 33 days late.
- National Trust of Australia (Tasmania) financial statements were submitted 43 days late.

FINANCIAL ANALYSIS

The table below summarises the financial results and position of Other State entities for 2012-13:

	Net surplus (deficit)	Comprehensive surplus (deficit)	Net assets
	$'000s	$'000s	$'000s
Aboriginal Land Council	(55)	3 000	24 945
Clyde Water Trust	(731)	(731)	1 270
Council of Law Reporting	(5)	(5)	10
Forest Practices Authority	(195)	(195)	395
Legal Profession Board	152	152	330
Property Agents Board	11	11	510
Property Agents Trust	46	46	13 439
Tasmanian Building and Construction Industry Training Board	(467)	(467)	3 493
Tasmanian Beef Industry (Research and Development) Trust	24	24	578
Tasmanian Dairy Industry Authority	67	67	228
Teachers Registration Board	185	185	1 112
Wellington Park Management Trust	(139)	(139)	422
Total	**(1 107)**	**1 948**	**46 732**

ABORIGINAL LAND COUNCIL (The Council)

SNAPSHOT

- The Council is funded primarily by Government grants and aims to operate on a break even basis. However, it recorded Underlying deficits in each of the past four years, a matter which needs to be addressed.
- The Underlying Deficit in 2012-13 was $0.055m. However, the Council reported a Net Surplus of $3.000m after recording a grant received of $3.508m for the purchase of land at Gowan Brae.
- Net Assets totalled $24.945m at 30 June 2013.
- The question of control over road infrastructure on Cape Barren Island remains unresolved. Until it is resolved, this asset is not recognised on the Council's statement of financial position nor on that of any other State entity.

Other than the need to resolve the question of control, the audit was completed satisfactorily with no major items outstanding. However, we note that in undertaking the audit of the Council, it only has one employee meaning that there is a significant risk related to a lack of segregation of duties and control.

INTRODUCTION

The Council was established as a statutory authority on 14 November 1995 under the *Aboriginal Lands Act 1995* (the Act).

Its primary functions are to:

- use and sustainably manage Aboriginal land and its natural resources for the benefit of all Aboriginal persons
- exercise, for the benefit of all Aboriginal persons, the Council's powers as owner of Aboriginal land
- prepare Management Plans in respect of Aboriginal land
- use and sustainably manage any other land in which the Council acquires an interest.

Schedule 3 of Section 27 of the Act vests land managed by the Council in it.

The Council consists of eight councillors elected by eligible voters to represent five regions across the State.

The Responsible Minister is the Minister for Aboriginal Affairs.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 15 August 2013 and an unqualified audit report was issued on 13 September 2013.

The audit was completed satisfactorily with no major items outstanding.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

Purchase of Gowan Brae

During 2012–13, the Council completed the purchase of the culturally significant property "Gowan Brae" situated in the Central Highlands. The purchase was funded through grants from the Indigenous Land Corporation, $1.230m, and Tasmanian Land Conservancy Inc, $2.278m.

Review of Building Assets

A review of building assets resulted in assets totalling $0.125m being recognised, while at the same time assets totalling $0.578m were removed from the Council's asset register.

Cape Barren Island Road Infrastructure

In our Report Number 2 of 2011–12 (page 220), we noted the Act vested title to land on Cape Barren Island to the Council, including all road infrastructure. However, the Act provides a right of access over all roads and vehicular tracks to the public.

The Council is not directly responsible for maintaining the island's roads assets. Instead, maintenance is undertaken by a local residents' association funded by the Department of Infrastructure, Energy and Resources.

While the Council currently has no maintenance role, the Act is clear in that it owns the roads. However, as the Council does not 'control' the roads they have not been recognised in its financial statements. This treatment will continue unless control is established. What this highlights, however, is that the road infrastructure on the Island is not recorded on the financial statements of any State entity. Previously this infrastructure was recorded in the financial statements of Flinders Council.

This issue has not been resolved.

Economic Dependency

The Council recorded underlying deficits in all years under review and it is dependent on Government funding for its continued operations. While the Council continues to maintain sufficient cash balances to meet all its liabilities, the continued deficits need to be addressed.

Apart from these matters, the audit was completed satisfactorily with no major items outstanding.

Segregation of Duties

The General Manager is the Council's only employee. This increases the risk around inadequate segregation of duties. To overcome this risk, we adopt a fully substantive approach to the audit and obtain assurance from the verification of transactions and balances.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Grants	314	265	224	224
Other revenue	90	28	42	133
Total Revenue	**404**	**293**	**266**	**357**
Total Expenses	**459**	**435**	**448**	**552**
Underlying Surplus (Deficit)	**(55)**	**(142)**	**(182)**	**(195)**
Grant for purchase of land	3 508	0	0	0
Newly recognised assets	125	0	0	0
Derecognised assets	(578)	0	0	0
Net Surplus (Deficit)	3 000	(142)	(182)	(195)
Comprehensive Surplus (Deficit)	**3 000**	**(142)**	**(182)**	**(195)**

STATEMENT OF FINANCIAL POSITION

	2013	2012	2011	2010
	$'000s	$'000s	$'000s	$'000s
Total Assets	25 097	21 454	22 325	21 876
Total Liabilities	152	38	36	28
Net Assets	**24 945**	**21 416**	**22 289**	**21 848**
Total Equity	**24 945**	**21 416**	**22 289**	**21 848**

The Council recorded an Underlying Deficit for 2012-13 of $0.055m (2011-12, deficit $0.182m), but a Net Surplus of $3.000m (Deficit $0.142m). The Net surplus was primarily due to grant funding for the purchase of land and the net impact of movements in buildings.

Council's major asset class at 30 June 2013 was freehold land, totalling $22.998m.

COUNCIL OF LAW REPORTING (The Council)

SNAPSHOT

- The Council did not receive a contribution from the Law Foundation of Tasmania Inc this year because it had sufficient cash to fund its activities.
- It incurred a Net Deficit for the year of $0.005m.
- At 30 June 2013, the Council had Net Assets of $0.010m which consisted of Cash.

This year, the Council prepared special purpose, accrual based, financial statements. In previous years these were prepared on a cash basis.

There were no findings from the audit.

The audit was completed satisfactorily with no items outstanding.

INTRODUCTION

The Council is a body corporate established under the *Council of Law Reporting Act of 1990*. It is responsible for law reporting in Tasmania and may prepare, publish and sell, or arrange for the preparation, publication and sale of, reports of judicial decisions. It may consult and work with other Councils of Law Reporting, and other persons concerned with law reporting, for the purpose of improving its service to the judiciary and the legal profession in Tasmania and elsewhere in the Commonwealth.

The Responsible Minister is the Minister for Justice.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 15 August 2013. Amended and re-signed final statements were received on 21 August 2013 and an unqualified audit report was issued on 29 August 2013.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

There were no key findings or other developments.

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12
	$'000s	$'000s
Total Revenue	0	8
Total Expenses	5	6
Net Surplus (Deficit)	**(5)**	**2**
Comprehensive Surplus (Deficit)	**(5)**	**2**

STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Total Financial Assets	10	15
Total Assets	**10**	**15**
Net Assets	**10**	**15**
Total Equity	**10**	**15**

The Council's revenue was nil this year with its operations funded from retained cash rather than a contribution from the Law Foundation of Tasmania Inc.

Total Expenses comprised of proof reading expenses, $0.005m (2012, $0.004m).

FOREST PRACTICES AUTHORITY (The Authority)

SNAPSHOT

- The Authority recorded deficits in each of past two years as a direct result of the downturn in the Forestry industry.
- The 2012-13 deficit was $0.195m, an improvement on the $0.293m deficit last year but still a major concern for the Authority.
- The Authority has taken steps to address declining revenues by initiating expenditure reductions, mainly employee costs. However, further deficits will threaten the Authority's ability to continue to be a going concern.
- Net Assets totalled $0.395m ($0.590m) at 30 June.

The audit was completed satisfactorily with no matters outstanding.

INTRODUCTION

The Authority was established under the *Forest Practices Act 1995* (the Act). Its functions include the exercise of powers under the Act and ensuring that all forest practices are conducted in accordance with the Forest Practices Code. The Authority trains and authorises Forest Practices Officers to plan, supervise and monitor forest practices and imposes penalties for breaches of the code.

The Authority is funded by Government Appropriation and own source revenues, which mainly relate to plan fees charged to industry and landowners wishing to undertake forest practices within the State.

The Authority's accounting functions are performed by the Department of Infrastructure, Energy and Resources.

The Responsible Minister is the Minister for Energy and Resources.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 14 August 2013 and an unqualified audit opinion was issued on 20 September 2013.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

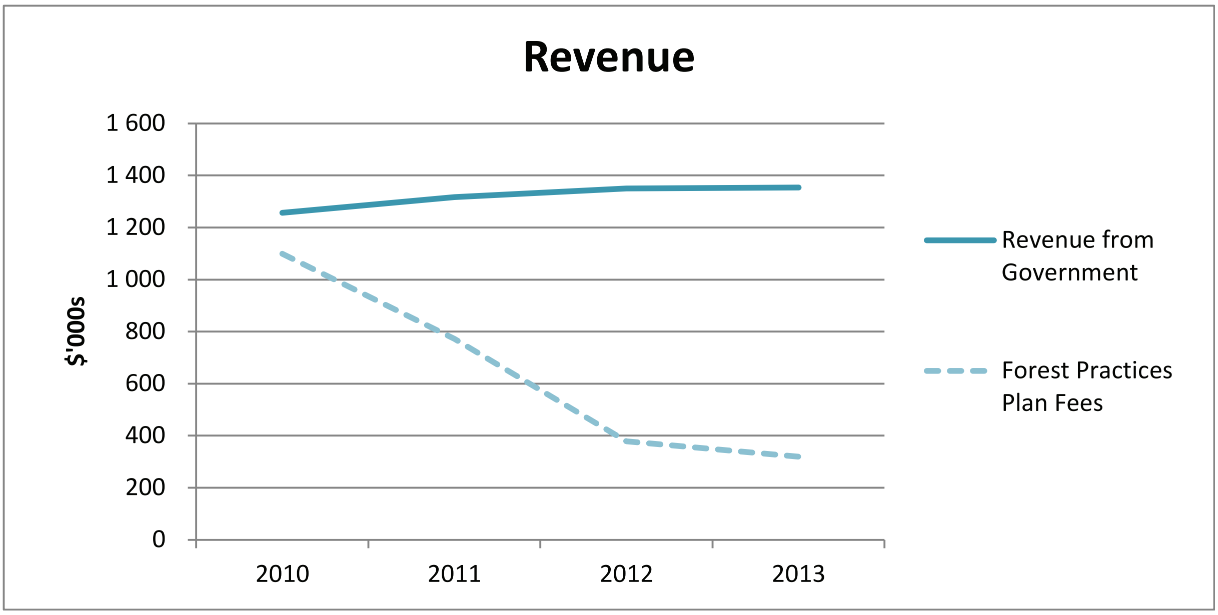
There were no key findings, developments or areas of audit attention.

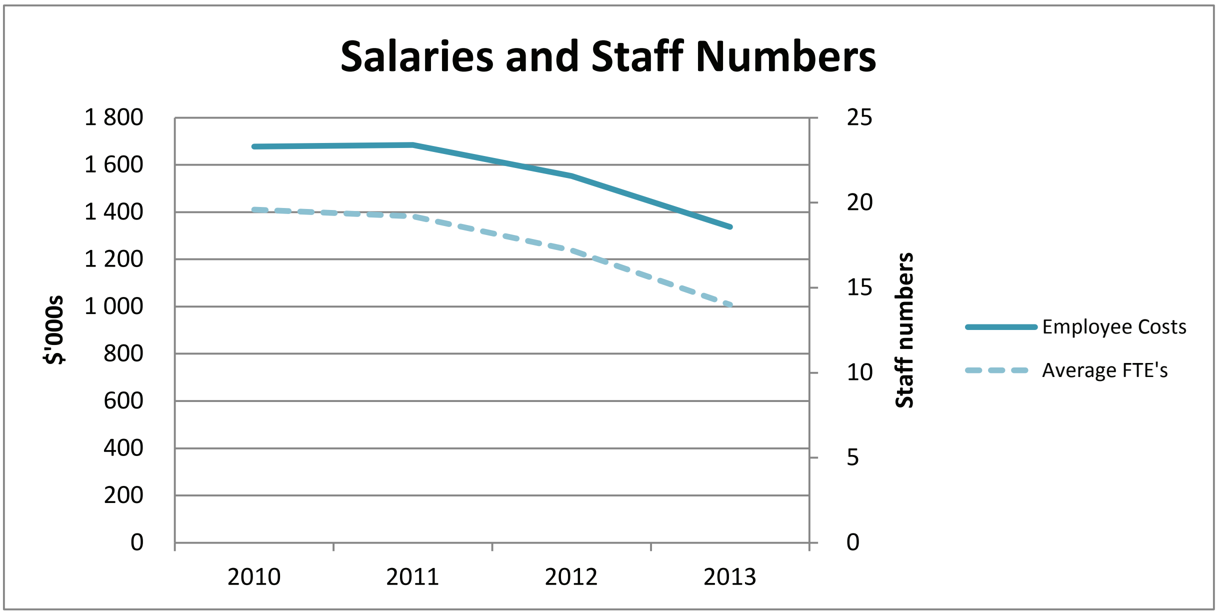
The audit was completed satisfactorily with no matters outstanding.

SUMMARY OF FINANCIAL RESULTS

The Authority recorded net deficits in each of the past two financial years resulting in declining equity such that by 30 June 2013 this totalled $0.395m (2012, $0.590m).

The following three graphs and related commentary summarise key elements of the Authority's financial performance and position over the period 2009-10 to 2012-13.

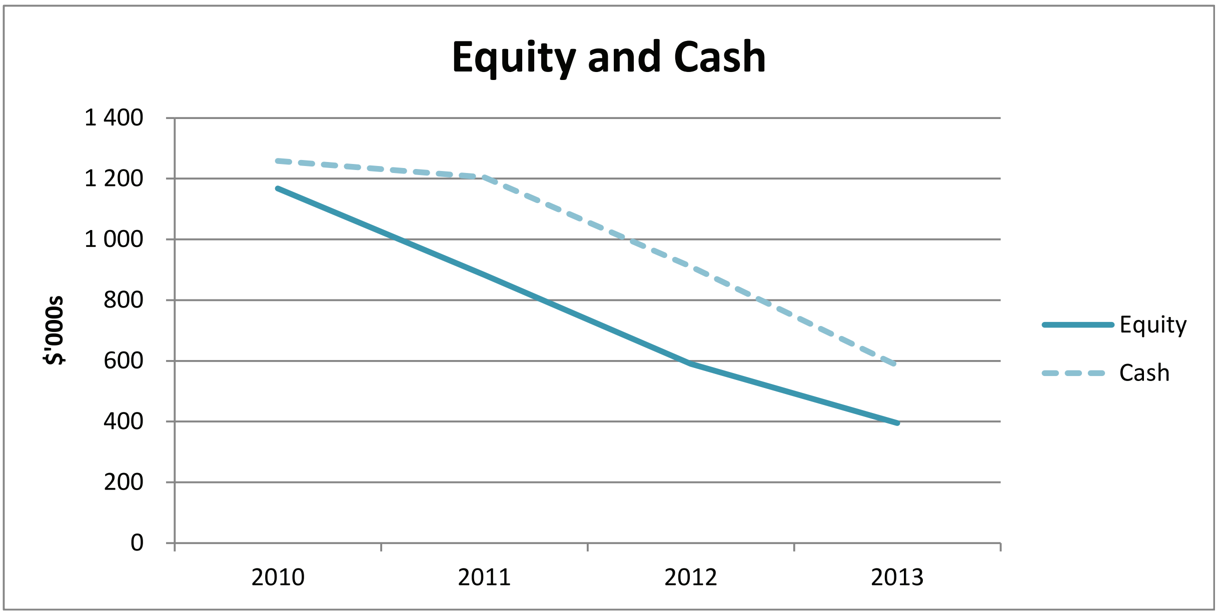




These two graphs highlight that, over the period under review:

- revenue from Government remained relatively constant, increasing only slightly
- forest practices plan fees fell significantly as the Authority's activities were impacted by the downturn in the forestry industry
- in response to declining revenues, the Authority took steps to reduce expenditure, primarily employee costs, and to increase revenue through consultancies.

While steps were taken to reduce costs, the revenue continued to decline at a faster rate resulting in deficits in each of the past two financial years. The impact of continued deficits is evident in the following graph.



Declining equity and cash holdings were directly attributable to deficits incurred in each of the past four years. Further deficits will threaten the Authority's ability to continue to be a going concern. Steps already taken to deal with this, such as implemented cost savings and increased revenue from other sources, will need to continue to occur.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	**2011-12**
	$'000s	$'000s
Total Revenue	1 934	2 103
Total Expenses	2 129	2 396
Net Surplus (Deficit)	**(195)**	**(293)**
Comprehensive Surplus (Deficit)	**(195)**	**(293)**

STATEMENT OF FINANCIAL POSITION

	2013	**2012**
	$'000s	$'000s
Total Assets	652	1 024
Total Liabilities	257	434
Net Assets	**395**	**590**
Total Equity	**395**	**590**

LEGAL PROFESSION BOARD (The Board)

SNAPSHOT

- The Board reported a Net surplus of $0.152m this year.
- Cash assets increased in line with this additional revenue of $0.232m with a corresponding increase in Cash.
- Provisions for employee benefits increased by $0.036m this year in recognition of long service leave entitlements to an employee who transferred to the Board in 2008.

An audit finding was that, contrary to the *State Service Regulations 2000*, one staff member (out of five) had in excess of 40 annual leave days. The Board needs to address this irregularity.

The audit was completed satisfactorily with no major items outstanding.

INTRODUCTION

The Board is an independent statutory body whose purpose is to:

- protect consumers of legal services within Tasmania against unsatisfactory professional conduct and professional misconduct of legal practitioners
- promote and enforce the application of professional standards, competency and honesty within the legal profession in Tasmania
- provide an effective and efficient redress mechanism for persons unhappy with the conduct of legal practitioners in Tasmania.

The Board consists of six members appointed by the Governor. Its sole source of funding is from the Solicitors' Guarantee Fund to which it makes annual applications for funding.

The majority of the Board's accounting functions are provided by Department of Justice.

The Responsible Minister is the Minister for Justice.

AUDIT OF THE 2012-13 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2013 and an unqualified audit report was issued on 26 August 2013.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

No key areas of audit attention or developments were noted during the year.

An audit finding was that, contrary to the *State Service Regulations 2000*, one staff member (out of five) had in excess of 40 annual leave days.

The audit was completed satisfactorily with no other items outstanding.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12
	$'000s	$'000s
Revenue from Solicitors Guarantee Fund	1 042	811
Other revenue	29	68
Total Revenue	**1 071**	**879**
Employee and member benefits	607	555
Supplies and consumables	264	302
Other expenses	48	60
Total Expenses	**919**	**917**
Net Surplus (Deficit)	**152**	**(38)**
Comprehensive Surplus (Deficit)	**152**	**(38)**

STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Cash and cash equivalents	452	208
Office improvements, plant and equipment	20	48
Other assets	4	5
Total Assets	**476**	**261**
Employee benefits	136	69
Payables	10	14
Total Liabilities	**146**	**83**
Net Assets	**330**	**178**
Total Equity	**330**	**178**

The Board reported a Net Surplus of $0.152m this year. However, this included receipt of $0.232m from its 2013-14 allocation from the Solicitors' Guarantee Fund. Without this advance funding, the Board would report a deficit of $0.080m. However, this is not unexpected as the Board budgets on a cash basis resulting in depreciation and movements in employee benefits not being funded.

The Board makes one application for funding in April each year from the Solicitor's Trust. In making this funding request, the Board estimates its funding requirements for the following financial year with regard to any cash surpluses arising from the current year. The funds are received by the Board on a quarterly basis in advance and accounted for as received in accordance with Australian Accounting Standards.

The Board's cash assets increased by $0.244m which included the $0.232m advance funding already referred to above. Without this funding the cash balance would have increased by $0.012m which is consistent with prior year and the cash funding model adopted by the Board.

The large increase in Employee benefits arise for two reasons:

- the long service leave provision of an employee increased by $0.036m this year and represented an amount due on transfer to the Board in 2008 but only brought to account now
- increases in normal annual leave entitlements partly because one employee has accumulated more than 40 days annual leave, a situation that should not be allowed to continue.

PROPERTY AGENTS BOARD (The Board)

SNAPSHOT

- The Board operated as usual and recorded a Net surplus of $0.011m this year, relatively consistent with the prior year.
- At 30 June 2013 its Net assets totalled $0.510m with its most significant asset being investments of $0.450m.

An audit finding in expenditure cut-off was identified. This matter has been reported to, and is being addressed by, management.

The audit was completed satisfactorily with no outstanding issues.

INTRODUCTION

The Board was established under the *Property Agents and Land Transactions Act 2005* (the Act). The functions of the Board are, for the protection of the public, ensuring acceptable standards of conduct by property agents and those employed by them (real estate agents, property managers, general auctioneers, assistant property managers and property consultants).

It administers registration of property agents in accordance with the Act, carries out educational and advisory functions, investigates complaints and supervises trust accounts.

The Responsible Minister is the Minister for Corrections and Consumer Protection.

AUDIT OF THE 2012-13 STATEMENTS

Signed special purpose financial statements were received on 15 August 2013. Amended financial statements were received on 30 September 2013 and an unqualified audit report was issued on the same day.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

Some concerns were identified during the audit, which resulted in the financial statements having to be amended and re-submitted.

There were no major developments in 2012-13.

A key area of audit attention identified was the lack of segregation of duties. This risk was mitigated to an acceptable level by the nature and extent of audit testing we performed.

The audit was completed satisfactorily with no outstanding issues.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12
	$'000s	$'000s
Property Agents Trust - Distributions	620	698
Property Agents Trust - Research/Education/ Examination	90	84
Registration fees	189	183
Other revenue	109	83
Total Revenue	**1 008**	**1 048**
Salaries	164	157
Property Agents Trust - Distributions	620	698
Other expenses	213	187
Total Expenses	**997**	**1 042**
Net Surplus (Deficit)	**11**	**6**
Comprehensive Surplus (Deficit)	**11**	**6**

STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Cash assets	86	105
Other financial assets	450	450
Other assets	23	67
Total Assets	**559**	**622**
Total Liabilities	**49**	**123**
Net Assets	**510**	**499**
Total Equity	**510**	**499**

The Board receives registration fees from property agents and charges applications and examination fees. Registration fees cover the cost of administering the property agents' register and changed little compared to 2011-12.

Education, training and research functions are funded by distributions received from the Property Agents Trust (the Trust). In 2012-13 the Board received $0.620m from the Trust, paid $0.498m to the Real Estate Institute of Tasmania, $0.102m to the Real Estate Scholarship Board and $0.020m to the Department of Justice.

Net assets totalled $0.510m as at 30 June 2013 and consisted predominantly of cash held in an operating account, $0.086m, and investment deposits, $0.450m.

PROPERTY AGENTS TRUST (The Trust)

SNAPSHOT

- The Trust held $13.401m in cash invested in a combination of an operating bank account and investments.
- It derives its income principally from investment earnings. Lower interest rates resulted in lower interest revenue, down $0.639m.
- Subsequent to 30 June 2013, it was discovered that a property agent failed to pay to the Rental Deposit Authority security deposits in the amount of $0.125m. The Trust will be responsible for any claims for damages and it will seek to recover any damages from the property agent's insurance and repay it to the Fund.
- The audit was completed satisfactorily with no items outstanding.

INTRODUCTION

The Trust was established under the *Property Agents and Land Transactions Act 2005* (the Act). It manages the Property Agents Guarantee Fund (the Fund) so that it can pay compensations for damages resulting from certain acts and omissions of real estate agents, property managers and general auctioneers, their directors, employees or agents.

The Responsible Minister is the Minister for Corrections and Consumer Protection.

AUDIT OF THE 2012-13 STATEMENTS

Signed special purpose financial statements were received on 15 August 2013. Amended financial statements were received on 30 September 2013 and an unqualified audit report was issued on the same day. The audit was completed satisfactorily with no major items outstanding.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

Several adjustments to the financial statements were identified during the audit, which resulted in them having to be amended and re-submitted.

There were no major developments in 2012-13.

A key area of audit attention identified was the lack of segregation of duties. This risk was mitigated to an acceptable level by the nature and extent of audit testing we performed.

The audit was completed satisfactorily with no items outstanding.

Subsequent Event

Subsequent to 30 June 2013, it was discovered that security deposits in the amount of $0.125m were not paid to the Rental Deposit Authority due to the alleged fraudulent/criminal conduct of a property agent. Claims may be made by the person suffering pecuniary loss under Section 169 of the Act. The Trust will seek to recover this sum from the property agent's professional indemnity insurance and repay it to the Fund.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12
	$'000s	$'000s
Investment interest	629	598
Trust account interest	763	1 433
Other income	0	10
Total Revenue	**1 392**	**2 041**
Trust account interest expense	0	240
Trust distributions	1 293	1 311
Other expenses	53	41
Total Expenses	**1 346**	**1 592**
Net Surplus (Deficit)	**46**	**449**
Comprehensive Surplus (Deficit)	**46**	**449**

STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Cash assets	1 099	3 963
Other financial assets	12 302	9 502
Other assets	284	252
Total Assets	**13 685**	**13 717**
Short term provisions	240	240
Other liabilities	6	84
Total Liabilities	**246**	**324**
Net Assets	**13 439**	**13 393**
Total Equity	**13 439**	**13 393**

The Trust earned $1.392m from interest, which was $0.639m less compared to last year due to lower interest rates. Expenditure in 2012-13 totalled $1.346m which was relatively consistent with prior year, except for Trust account interest expense of $0.240m recorded in 2011-12. This item represented the amount of overpaid interest, which is to be repaid by way of deductions from future interest receipts.

The Trust made the following distributions from the Fund during 2012-13:

- Property Agents Board, $0.589m, for education and training
- Real Estate Scholarship Board, $0.220m
- Department of Justice, $0.519m, to cover administration costs.

Net assets totalled $13.439m at 30 June 2013 and consisted predominantly of cash held in an operating account, $1.099m, and investment deposits, $12.302m. Total assets remained consistent with 2011-12.

RIVER CLYDE TRUST (The Trust) (formerly Clyde Water Trust)

SNAPSHOT

- Duplicated control gates and water flow assets were de-recognised because these assets had not been, and would not be, utilised to control water flow for irrigation.
- This de-recognition was a major cause of the Net deficit of $0.731m recorded this year and for the decline in net assets to $1.270m.

The audit was completed satisfactorily with no matters outstanding.

INTRODUCTION

Clyde Water Trust was established in 1898 and currently operates under the *Water Management Act 1999*. It owns assets which include control gates at Lake Sorell and Lake Crescent and a pump station at Lake Meadowbank. These assets allow farmers along the Clyde River to gain access to water for irrigation. Clyde Water Trust changed its business name to River Clyde Trust on 24 October 2012.

A lease arrangement for the use of the Trust's assets was in place between the Shannon Clyde Water Company Ltd (SCWC) and the Trust. SCWC has the role of metering the quantity of water taken up for irrigation by farmers along the river and collecting revenue for water taken. SCWC then makes lease payments to the Trust which are its main revenue source. The Trust's expenses mainly consist of depreciation, interest expenses, and accountant and audit fees. Some operating expenses such as electricity and repairs are paid by SCWC.

The Responsible Minister is the Minister for Primary Industries, Parks, Water and Environment.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 14 August 2013 with amended financial statements received on 25 September 2013. An unqualified audit opinion was issued on 26 September 2013.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

The audit was completed satisfactorily with no major items outstanding.

The Trust de-recognised duplicated control gates and water flow assets as at 1 July 2012, as it concluded that those assets had not been, and would not be, utilised by the Trust to control water flow for irrigation. These control flow structures had been installed by Inland Fisheries to better control the carp problem in the river.

The de-recognition totalled $0.733m which represented 50% of the written down value of control gates, channel and water flow assets at Lake Sorell and Lake Crescent.

The Trust's assets were last revalued in 2009, and it has indicated that it will endeavour to undertake a revaluation in the coming financial year.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Total Revenue	58	78	57	61
Total Expenses	789	54	56	60
Net Surplus (Deficit)	**(731)**	**24**	**1**	**1**
Comprehensive Surplus (Deficit)	**(731)**	**24**	**1**	**1**

STATEMENT OF FINANCIAL POSITION

	2013	2012	2011	2010
	$'000s	$'000s	$'000s	$'000s
Total Assets	1 278	2 049	2 070	2 133
Total Liabilities	8	48	93	157
Net Assets	**1 270**	**2 001**	**1 977**	**1 976**
Total Equity	**1 270**	**2 001**	**1 977**	**1 976**

Revenue comprised mainly of lease payments received, which reduced this year due to a drop in water usage during the season. Trust management indicated that this was due to more favourable rainfall conditions during the 2012-13 irrigation season.

Expenses increased significantly in 2012-13, due to the write-off of the control water structures, discussed previously, of $0.733m. Without this item of expenditure, total expenses were $0.056m, which is consistent with expenditure incurred in prior years.

Consistent with the asset disposal, Total assets decreased to $1.270m at 30 June 2013. The decrease in Total liabilities was due to the payout of outstanding loans of $0.037m in July 2012.

TASMANIAN BEEF INDUSTRY (RESEARCH AND DEVELOPMENT) TRUST (The Trust)

SNAPSHOT

- The Trust has $0.580m in cash invested in a combination of an operating bank account and long-term and fixed-term investments.
- It derives its income entirely from investment earnings. Unspent interest is reinvested.

The audit was completed satisfactorily with no matters outstanding.

INTRODUCTION

The Trust is a statutory authority established under the *Tasmanian Beef Industry (Research and Development) Trust Act 1990* (the Act).

It was created to provide for the unexpended balance of the Tasmanian Meat Industry Residue Testing Fund (the fund) to be used for purposes of research and development in the beef industry. The fund was originally established by contributions paid voluntarily by Tasmanian beef producers at the time of sale of their livestock for testing of carcasses for chemical residues. The Trust seeks research and development applications on an annual basis and assesses each for funding.

The Trust consists of three members appointed by the Minister.

The Responsible Minister is the Minister for Primary Industries and Water.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 5 August 2013 and an unqualified audit report was issued on 19 August 2013.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

In undertaking the audit of the Trust there is a risk related to the segregation of duties and controls over financial operations and transactions. To overcome this risk, we adopt a fully substantive approach to the audit and obtain assurance from the verification of transactions and balances.

The audit was completed satisfactorily with no matters outstanding.

SUMMARY OF FINANCIAL RESULTS

	2012-13	2011-12
	$'000s	$'000s
Total Revenue	27	31
Total Expenses	3	1
Net Surplus (Deficit)	**24**	**30**
Comprehensive Surplus (Deficit)	**24**	**30**

STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Total Assets	580	555
Total Liabilities	2	1
Net Assets	**578**	**554**
Total Equity	**578**	**554**

The Trust earned $0.027m from interest, which was $0.004m less compared to last year due to lower interest rates. Expenditure in 2012-13 included a payment of $0.001m towards a beef research project being undertaken at the University of Tasmania.

Total Assets comprised cash held in an operating account, $0.002m, and long-term or fixed term investments with Tasmanian Perpetual Trustees, $0.578m.

TASMANIAN BUILDING AND CONSTRUCTION INDUSTRY TRAINING BOARD (The Board)

SNAPSHOT

- Lower building and construction activity in Tasmania led to a decrease in the industry training levy revenue again this year. Since the 2010-11 financial year, total revenue declined by more than 16%.
- The Board's major cost is running training programs. Despite declining revenues, since 2010-11 training program costs increased by 7.05% or $0.134m. Importantly, training costs in any one financial year is not necessarily linked to levies earned in a particular year.
- $2.034m was spent on training this year and, at 30 June 2013, the Board had entered into training commitments totalling $1.513m (2012, $2.442m)
- The Board took steps to reduce total other costs but still incurred a deficit this year.
- Total assets declined in line with the deficit. However the Board's main asset, being its training fund, exceeded $3.000m at 30 June 2013 and, while the balance declined in recent years, it was sufficient to meet current and known commitments.

INTRODUCTION

The Board was established under the *Building and Construction Industry Training Fund Act 1990* (the Act). Its functions are to provide advice to Government on matters relating to training and skills in the building and construction industry, promote training in the industry, and facilitate training by means of the training fund.

The Board activities are funded predominantly through a training levy which is payable under the Act. The levy is based on the cost of building and construction work. The levy is paid into a fund which is administered by the Board to provide the necessary training.

The Responsible Minister is the Minister for Education and Skills.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 8 August 2013. An unqualified audit report was issued on 16 August 2013.

The audit was completed satisfactorily with no other items outstanding.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

There were no key findings or developments. Accounting for and recognition of industry training levy revenue and the calculation of commitments and contingent liability for future training fees were the key areas of audit attention.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s
Industry training levy	2 471	2 651	2 938
Other	171	225	213
Total Revenue	**2 642**	**2 876**	**3 151**
Administration	471	926	463
Training programs	2 183	2 207	2 041
Training support	319	271	232
Research and development	136	201	178
Total Expenses	**3 109**	**3 605**	**2 914**
Underlying Surplus (Deficit)	**(467)**	**(729)**	**237**
Net gain (loss) on disposal	0	0	(42)
Net Surplus (Deficit)	**(467)**	**(729)**	**195**
Comprehensive Surplus (Deficit)	**(467)**	**(729)**	**195**

STATEMENT OF FINANCIAL POSITION

	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s
Total Assets	3 751	4 204	4 907
Total Liabilities	258	244	218
Net Assets	**3 493**	**3 960**	**4 689**
Total Equity	**3 493**	**3 960**	**4 689**

There was a significant decrease in building and construction activity in Tasmania in recent years. Building work done and building work commenced decreased by 17.0% and 20.4% respectively in the year to March quarter 2013[1]. The decline in the industry led to a decrease in Industry training levy revenue of $0.179m or 6.8% this year. The Board spent $2.034m on training, which was only marginally less than the amount spent in 2011-12 but higher than the spend in 2010-11.

Last year's result was significantly impacted by a one-off cost to settle a dispute with a former employee. If the settlement and related legal expenses had not been incurred, the deficit in 2011-12 would have been approximately $0.289m. This means that, on a comparative basis, this year's deficit $0.467m was high. However, the nature of the Board's business makes it difficult to compare performance over a 12 month period in particular because training costs in any one financial year are not necessarily linked to levies earned in that year.

Total Assets declined in line with the deficit for the year with the Board's main assets comprising cash and investments. However, the Board's main asset, being its training fund, exceeded $3.000m at 30 June 2013 and, while the balance declined in recent years, it was sufficient to meet current and known commitments.

Under the Building and Construction Training and Upskilling programs the Board has commitments for training fees payable to employers and host employers of apprentices employed under training agreements during 2007 to 2013. The expected payments could be made up

[1] Australian Bureau of Statistics (ABS Cat No 8752.0)

to 30 June 2017 and are outcome based including continued employment for the term of the apprenticeships and the achievement of predetermined competencies. The commitment for these future payments at the 30 June 2013 was $1.513m (2012, $2.442m). The Board disclosed a contingent liability of $0.378m (2012, $0.610m) for training fees in respect of these programs.

TASMANIAN DAIRY INDUSTRY AUTHORITY (The Authority)

SNAPSHOT

- The Authority generates the majority of its revenue through statutory dairy farming licence fees. It aims to operate on a break-even basis.
- A Net Surplus of $0.067m was achieved this year (2011-12, $0.032m).
- Net Assets totalled $0.228m ($0.161m) at 30 June 2013.

The audit was completed satisfactorily with no findings.

INTRODUCTION

The Authority was established as a statutory authority under the *Dairy Industry Act 1994* (the Act) on 26 May 1994.

Its objectives are to:

- develop and implement programs in relation to the manufacture of dairy produce designed to ensure the safeguard of public health and protection of consumers
- develop and implement policies to achieve, as far as practicable, economies in the dairy industry
- consult with the Tasmanian dairy industry
- advise the Minister about dairy industry matters or any other matter referred to it by the Minister.

The Authority's Board consists of five members.

The Responsible Minister is the Minister for Primary Industries and Water.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 15 August 2013 and an unqualified audit report was issued on 24 September 2013.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

The audit was completed satisfactorily with no findings.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12
	$'000s	$'000s
Total Revenue	523	509
Total Expenses	456	477
Net Surplus (Deficit)	**67**	**32**
Comprehensive Surplus (Deficit)	**67**	**32**

STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Cash	169	152
Other Assets	162	122
Total Assets	**331**	**274**
Total Liabilities	**103**	**113**
Net Assets	**228**	**161**
Total Equity	**228**	**161**

The Authority generates the majority of its revenue through statutory dairy farming licence fees. It aims to operate on a break even basis.

A Net Surplus of $0.067m was recorded in 2012-13, an improvement of $0.035m from the 2011-12 surplus of $0.032m. Total revenue, which primarily consists of milk licence fees, increased because of higher milk volumes. Salaries and wages, $0.306m ($0.337m), was the Authority's major expense and decreased by $0.031m due to a small reduction in employee numbers.

The Authority's cash flows included $0.100m cash generated from operations, offset by $0.083m used in investing activities for the replacement of motor vehicles.

TEACHERS REGISTRATION BOARD OF TASMANIA (The Board)

SNAPSHOT

- A $0.250m grant from the Australian Government to assist with implementing a certification of Highly Accomplished and Lead Teachers was the main driver behind this year's surplus.
- Net Assets totalled $1.112m ($0.927m) at 30 June and consisted mainly of Cash and deposits, $1.769m, largely offset by registration fees in advance, $0.632m.

The audit was completed satisfactorily with no findings.

INTRODUCTION

The Board was established under the *Teachers Registration Act 2000* (the Act). The main functions of the Board are to maintain a register of teachers, promote the teaching profession and to develop and improve teaching standards. The Board administers registration of teachers and conducts investigations into complaints to determine whether there have been breaches of the Act.

The Board maintains a Service Level Agreement with the Department of Education for the provision of some essential, mainly administrative, functions.

The Responsible Minister is the Minister for Education and Skills.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 15 August 2013 and an unqualified audit report was issued on 25 September 2013.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

The Board began implementing a certification of Highly Accomplished and Lead Teachers in January 2013. The certification is a national program based on the Australian Professional Standards for Teachers.

No other key findings, developments or areas of audit attention were noted.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12
	$'000s	$'000s
Teachers registration fees	1 127	1 071
Commonwealth funding	250	0
Other revenue	7	18
Total Revenue	**1 384**	**1 089**
Employee benefits	754	857
Other expenses	445	471
Total Expenses	**1 199**	**1 329**
Net Surplus (Deficit)	**185**	**(240)**
Comprehensive Surplus (Deficit)	**185**	**(240)**

STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Cash and deposits	1 769	1 478
Other assets	164	189
Total Assets	**1 933**	**1 667**
Registration fees in advance	632	510
Other liabilities	189	230
Total Liabilities	**821**	**740**
Net Assets	**1 112**	**927**
Total Equity	**1 112**	**927**

During the year the Board began implementing a certification of Highly Accomplished and Lead Teachers. It received $0.250m from Australian Government to assist with implementation. This additional funding was the main driver behind the Board's improved result and cash balance. Some costs relating to this initiative have still to be incurred.

The Board also reduced its staff number by 0.9 FTEs and implemented other cost saving measures, which resulted in lower expenses.

Cash at 30 June 2013 increased by $0.291m due to unspent Commonwealth funding and an increase in the number of teachers opting to prepay their registration fees up to five years in advance.

WELLINGTON PARK MANAGEMENT TRUST (The Trust)

SNAPSHOT

- The Trust reported a Net Deficit of $0.139m this year, $0.279m worse than last year's surplus, because project-specific funding spent in this year was received in prior years.
- Net Assets totalled $0.422m at 30 June 2013 with its significant assets being restricted cash reserves relating to conditional grants of $0.316m.

The audit was completed satisfactorily with no items outstanding.

INTRODUCTION

The Trust was established under the *Wellington Park Act 1993* and is responsible for:

- delivering coordinated and effective management of Wellington Park
- preserving the area's unique conservation, cultural heritage and water catchment values
- promoting appropriate tourism and recreation opportunities.

The Trust receives administrative support from Hobart City Council.

The Responsible Minister is the Minster for Environment, Parks and Heritage.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 14 August 2013. An unqualified audit report was issued on 29 September 2013.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

There were no key findings, developments or areas of audit attention.

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12
	$'000s	$'000s
Grants	220	510
Other revenue	26	32
Total Revenue	**246**	**542**
Park administration	248	271
Management strategies	104	116
Park management	33	15
Total Expenses	**385**	**402**
Net Surplus (Deficit)	**(139)**	**140**
Comprehensive Surplus (Deficit)	**(139)**	**140**

STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Cash	484	638
Other assets	10	35
Total Assets	**494**	**673**
Employee benefits	63	69
Other liabilities	9	43
Total Liabilities	**72**	**112**
Net Assets	**422**	**561**
Total Equity	**422**	**561**

The Trust recorded a Net Deficit this year because it spent $0.109m from its restricted cash reserves on projects funded from Grants received last year. Net Assets decreased by $0.139m, being the Net Deficit for the year.

Total assets comprised largely of Cash, $0.484m, represented mainly by cash held in restricted cash reserves totalling $0.316m. These reserves related to unspent conditional grants, including from the Urban Renewal and Heritage Fund, $0.184m and for a feasibility study into a multi-day recreational track, $0.109m.

AUDIT SUMMARY - SUPERANNUATION FUNDS

INTRODUCTION

A number of different superannuation arrangements operate in the Tasmanian public sector for public sector employees and Members of Parliament.

Superannuation may be provided in a number of ways:

- Defined benefit – such a scheme has benefits that accrue on resignation or retirement or death, and are predetermined according to a formula established in the scheme's rules or regulations. The employer's contributions will vary depending on the performance of the underlying investments and the lifespan of the pensioners, as well as the salary of contributing employees immediately before their retirement.
- Accumulation – under this scheme the employer's contribution is fixed according to the scheme's rules. The end benefit consists of the accumulated contributions by the employer and employee, together with the investment earnings on the contributions
- Unfunded – an unfunded scheme is one in which the employer financed benefit component is met on an 'emerging costs' basis when the employee becomes entitled to receive his or her payout, and without any money set aside in the scheme by the employer for that individual's benefit.
- Funded – in this type of scheme the employer makes a regular contribution to the fund reflecting the currently accruing liability in regard to employees.

The Retirement Benefits Fund Board (RBFB) is responsible for the management and administration of the RBF on behalf of some 80 000 members. At 30 June 2013, net assets under management totalled $4.395bn. The RBF comprises six schemes:

- Contributory Scheme
- Tasmanian Accumulation Scheme (TAS)
    - Superannuation Guarantee Account
    - Allocated Pensions Account
    - Term Allocated Pensions Account
- Parliamentary Superannuation Fund
- Parliamentary Retiring Benefits Fund
- Tasmanian Ambulance Service Superannuation Scheme (TASSS)
- State Fire Commission Superannuation Scheme (SFCSS).

The core business of the RBFB is the provision of retirement and ancillary benefits for members and their partners. It offers a full range of superannuation and retirement products, such as defined benefits schemes, accumulation scheme, life pensions, allocated pensions, death and disability cover, partner and preservation accounts.

FINANCIAL ANALYSIS

The table below summarises the financial results and Net Assets of the six schemes which make up the RBF for 2012-13:

	Net change in net assets after tax	Net Assets
	$'000s	$'000s
Contributory Scheme	117 833	1 569 857
Tasmanian Accumulation Scheme	734 621	2 752 903
Parliamentary Superannuation Fund	(14)	3 982
Parliamentary Retiring Benefit Fund	173	2 836
State Fire Commission Superannuation Scheme	3 613	21 495
Tasmanian Ambulance Service Superannuation Scheme	6 586	44 351
Total	**862 812**	**4 395 424**

RETIREMENT BENEFITS FUND (RBF)

In this Chapter we have consolidated the reporting of six superannuation schemes managed by RBF.

SNAPSHOT

- Assets under management reached $4.395bn this year. This was $1.013bn higher than at the beginning of 2007-08.
- Over the last six years, RBF received $4.511bn in contributions from employers and members, including roll-ins and transfers, and paid out $3.769bn in pensions, lump sums or roll-overs to other funds. Investment revenues totalled $0.615bn over the same period.
- Combined accrued benefits for all defined benefit schemes managed by RBF totalled $5.870bn at 30 June 2013. The market value of net assets available to pay these benefits was $1.643bn, resulting in an Unfunded liability of $4.227bn.

This year, RBF undertook a number of strategic projects, including an upgrade of its information systems infrastructure and relocation to new premises. The cost of these projects, $10.775m, was funded from reserves and investment assets.

We made recommendations, which in our view would improve and strengthen current practices around investment management processes and monitoring of compliance with loan covenants.

Major developments in the year included:

- new insurance product for members of Tasmanian Accumulation Scheme (TAS)
- introduction of unitisation
- strategic review of RBF being undertaken by the Department of Treasury and Finance, the outcomes from which were, at the time of preparing this Report, unknown.

INTRODUCTION

RBF is Tasmania's public sector superannuation fund and has been Tasmanian-owned and operated since it was established in 1904. Membership is available to people working on a casual, contract, permanent or temporary, full or part-time basis for a Tasmanian public sector employer and their spouses. Members who leave the Tasmanian public sector may, on satisfying certain conditions, continue to contribute to the RBF Tasmanian Accumulation Scheme.

The RBFB is responsible for the management and administration of the Funds established under the *Retirement Benefits Act 1993, Retirement Benefits Regulations 2005, Retirement Benefits (State Fire Commission Superannuation Scheme) Act 2005, Retirement Benefits (Tasmanian Ambulance Service Superannuation Scheme) Act 2006, the Public Sector Superannuation Reform Act 1999, and the Retirement Benefits (Parliamentary Superannuation) Regulations 2002*.

The fully funded TAS was established under the provisions of the *Public Sector Superannuation Reform Act 1999* and replaced the partly funded RBF non-contributory scheme on 25 April 2000. The Fund had three accounts, Superannuation Guarantee (SG) Account, Allocated Pension and Term Allocated Pension.

The RBF Contributory Scheme is the main defined benefit scheme established under the *Retirement Benefits Act 1993*. It has been closed to new members since 15 May 1999.

The *Retirement Benefits (Parliamentary Superannuation Trustee Arrangements and Miscellaneous Amendments) Act 2002* received Royal Assent on 27 November 2002 with effect from 1 January 2003. This resulted in the Parliamentary Superannuation Fund and the Parliamentary Retiring

Benefits Fund being transferred to RBF as sub-funds and the RBFB becoming the corporate Trustee of these sub-funds.

The *Retirement Benefits (Parliamentary Superannuation) Regulations 2002* also commenced on 1 January 2003. The purpose of these regulations was to ensure that equivalent rights continued to be provided to members of the Parliamentary Funds upon their incorporation as sub-funds of RBF.

The *Retirement Benefits (Tasmanian Ambulance Service Superannuation Scheme) Act 2006* received Royal Assent on 26 June 2006 with effect from 30 June 2006. This resulted in the Fund being transferred to RBF as a sub-fund and RBFB becoming the corporate Trustee of this sub-fund.

The *Retirement Benefits (State Fire Commission Superannuation Scheme) Act 2006* received Royal Assent on 24 June 2005 with effect from 1 May 2006. This resulted in the Fund being transferred to RBF as a sub-fund and RBFB becoming the corporate Trustee of this sub-fund.

The financial statements for the Contributory Scheme (as well as for the State's five other superannuation schemes included elsewhere in this Report) are prepared in accordance with Australian Accounting Standard AAS 25 *Financial Reporting by Superannuation Plans*. Note that in the case of the Contributory Scheme and the other four defined benefit schemes, this Standard does not require the preparation of a statement of cash flows. All statements complied with Australian Accounting Standards.

RBF has the following fully owned subsidiaries:

- RBF Financial Planning Pty Ltd - refer to separate Chapter later in this Volume
- RBF Property Pty Ltd*
- RBF Direct Pty Ltd*.

*Audit of the Company was dispensed with. We have reviewed the financial report to obtain sufficient audit evidence about the amounts and disclosures in the financial statements of RBF. However, we did not issue separate audit reports on these companies.

KEY AREAS OF AUDIT ATTENTION

Description of Area	Audit Approach
Member administration processes and platforms are outsourced to Mercer (Australia) Pty Ltd (Mercer). Member administration includes receipting contributions from members and employers, crediting contributions to individual member accounts, making benefits payments and allocation to appropriate funds. Mercer provides daily trial balances to RBF which document movements in the Fund accounts.	In addition to placing reliance on the internal control assurance report (GS 007), we documented processes and performed audit procedures to obtain a sufficient level of assurance over the design and operation of controls at Mercer and RBF. We supplemented controls reliance with substantive procedures to ensure that contributions and benefit payments were not materially misstated by testing a sample of transactions. Some of this work was done on-site visit at Mercer's offices in Melbourne.

<table>
<tr><th>Description of Area</th><th>Audit Approach</th></tr>
<tr><td>Investments held by the Custodian are independently audited each year.</td><td>In relation to investments under custody, we placed reliance on:
report on controls over investment administration and registry (GS 007 Controls Report)
independent auditor’s report on assets subject to separate verification procedures.
In addition, we performed substantive procedures to audit assertions around existence, accuracy and valuation of investments. These procedures included repricing of equities and external confirmations.</td></tr>
<tr><td>RBF has a number of unlisted fund managers. These comprised approximately $1.400bn of the $4.300bn investments under management. Inherently, unlisted investments create a valuation issue for investors and their auditors because the unlisted entity is generally the source of the valuation. As there is no active market for these investments, reliance is placed on audited financial statements or independent valuations which are often not available until after the completion of the audit of the investors’ financial report. This matter is further complicated in situations when the investments involve hedge funds.</td><td>As part of the 2011-12 confirmation process, we obtained additional information on the unlisted investments held by RBF. This additional information assisted us this year in assessing the:
extent to which the layers of investments downstream can be monitored by the Trustee
transparency, independence and robustness of the valuation process
transparency of holdings and the valuation bases used for offshore investments
capacity of Trustees to drill down to the level of constituent assets, documented triggers for such a drill down to occur and evidence of such occurrence.
We used this information to evaluate the valuation risk of each investment and then performed audit procedures sufficient to address the level of risk.

We sought confirmations from individual unlisted trusts as to the number of units held by RBF and their redemption value.</td></tr>
<tr><td>Tasmanian property, mortgage and infrastructure investments are managed internally. This includes property investments held by RBF’s subsidiary companies.</td><td>We performed audit procedures to ensure that balances of internally managed investments were not materially misstated. This included agreeing valuation reports to balances in the general ledger and considering possible impairment indicators.

In addition, we tested selected valuations of securities provided for mortgages for their currency and appropriateness.</td></tr>
</table>

Description of Area	Audit Approach
RBF has two trustee companies and associated trusts as a vehicle for the acquisition of investment properties. These investments are partly funded by debt.	We reviewed relevant loan agreements to identify any loan covenants and monitoring of compliance with those covenants.
The Schemes managed by RBF are taxed at the rate of 15% on net investment earnings, assessable employer contributions and capital gains. Tax deductions are allowed for administration expenses. Tax effect accounting calculations are subject to complex tax legislation and rulings and generally are performed within a short timeframe.	We place reliance on the work of RBF's taxation consultant. We also tested the tax effect accounting calculations and audited corresponding disclosure in the financial statements to ensure that tax balances and transactions were not materially misstated. Furthermore, we performed procedures on the 2012 final tax return to ensure the final numbers were not materially different to those reported in the 2011-12 financial statements. A level of reliance was placed on the work done by the RBF's professional taxation services provider.
Payroll administration underwent significant changes and is now part of Finance. For a period of time, payroll was outsourced to a third party.	We updated our documentation on payroll process. In the light of recent changes, we adopted a fully substantive approach to testing payroll transactions and related balances.
RBF has employees who are members of the Defined Benefit Superannuation Scheme. RBF's obligations under this scheme (less fair value of plan assets) are recognised in the financial statements of the RBF Contributory Scheme. The value of the superannuation liability and movements recognised in the financial statements are based on an annual valuation. This valuation is based upon a number of assumptions including the use of discount rates, inflation rates, market conditions etc. These assumptions, some of which are volatile, increase the risk that the financial report balances may be misstated.	To address the risk around valuation of the RBF's defined benefit superannuation liability, we engaged an independent expert to review the work of the State Actuary in 2012. Our expert was satisfied that the data, assumptions and methodology used were appropriate. We placed reliance on this work in the current year, and audited some of the volatile assumptions used at 30 June 2013 for their currency. We also agreed valuation reports to balances in the general ledger and to disclosures in the financial statements.
TASSS and SFCSS underwent triennial actuarial investigations as at 30 June 2012 which were completed in early 2013.	We engaged an independent expert to conduct a peer review of the triennial assessments. Our expert was satisfied that the data, assumptions and methodology used were appropriate.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 15 August 2013. After some amendments the financial statements were re-signed and an unqualified audit report was issued on 16 September 2013. The changes, which were editorial in nature, were requested by the Tasmanian Audit Office. The Board, appropriately, re-signed so as to ensure the financial statements were the ones finally certified by it.

The audit was completed satisfactorily.

KEY FINDINGS

We made recommendations, which in our view would improve and strengthen current practices around monitoring of compliance with loan covenants, where the Board was either the lender or the borrower. The Board's view is that RBF's current practices are adequate.

Last year, we reviewed controls in place around investment management processes. We noted that investment processes were well documented and made some recommendations. These included enhancing segregation between staff negotiating contracts and those responsible for settlements. An internal review conducted into investment management processes concluded that there are adequate compensating controls in place. Nevertheless, the review did identify some gaps in delegations which are being followed-up. We remain of the view that segregation of duties would be better served by a "back office" function.

Furthermore, in light of write-downs in recent years of investments in Hobart International Airport Pty Ltd and the Retirement Villages Group, we believe that these events offer an opportunity for the Board to identify and address any gaps in its:

- investment policies, including the appropriate levels of debt, use of derivatives and the right time to exit
- understanding of different investments, their complexities and risks
- oversight of investments to identify early issues requiring the Board's intervention.

KEY DEVELOPMENTS

Strategic Review

RBF is an Exempt Public Sector Superannuation Scheme for the purposes of the *Superannuation Industry (Supervision) Act 1993*. While it complies with the spirit and intent of this Act, the Board continues to pursue for RBF to be issued with a Registrable Superannuation Entity (RSE) license.

The Department of Treasury and Finance arranged for a strategic review of RBF, which considered:

- current trends in the superannuation industry
- current structure of RBF and any changes to it
- competition with other superannuation funds
- APRA regulatory environment.

The review has been completed but not released as government is reviewing next steps.

Unit Pricing

The Board changed its method of determining investment returns and the allocation of those returns to member accounts from using crediting rates to units. The conversion occurred on

15 March 2013. There was no impact on financial reporting, the value of investments or member balances.

With unit pricing, a member's balance is measured in a number of units. Each unit has a unit price.

The value of a member's interest is equal to the number of units held multiplied by the unit price for that unit in each investment option. The value of contributions and withdrawals are translated into units using the unit price prevailing on the date on which such transactions take place.

New Insurance Arrangements

RBF contracted death and incapacity insurance for members of TAS to CommInsure. Prior to the new arrangement, TAS was a self-insurer. As a result of this change, a provision for death and incapacity insurance was reduced by $12.045m, with $10.500m transferred back to TAS members. The balance of the provision for death and incapacity insurance was $7.552m at 30 June 2013, which represented the expected value of future death and incapacity claims arising from the self-insurance arrangements prior to the changeover.

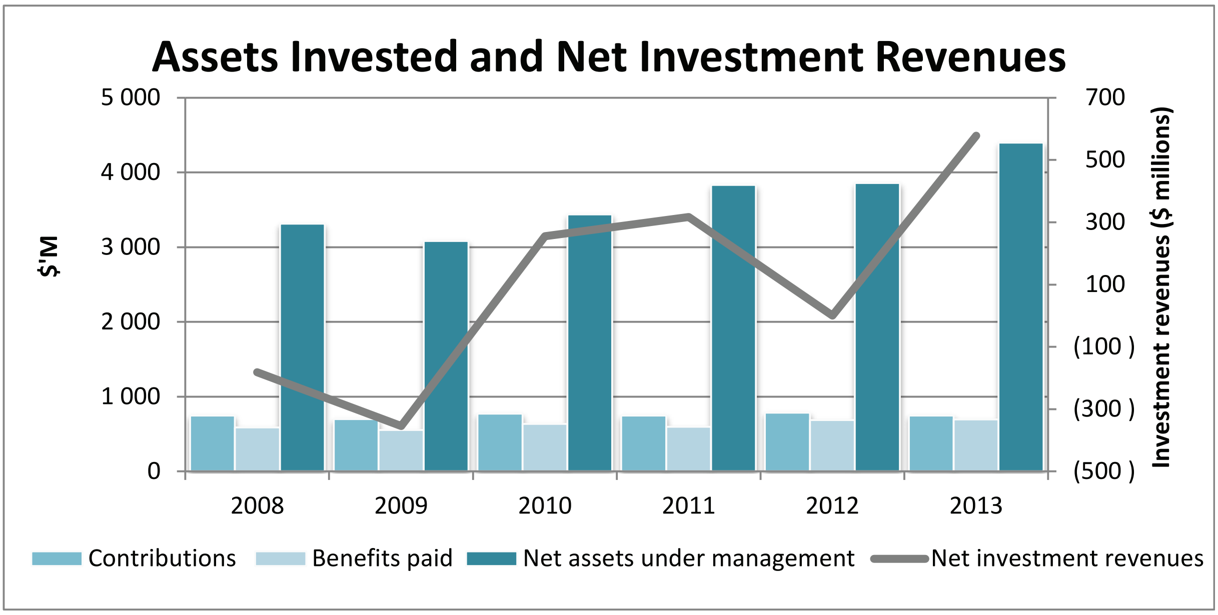
Investments Changes

These included:

- In 2012-13, the Board replaced three Australian equities fund managers in a move to improve performance in this asset class (at 30 June 2013 there were five Australian equities fund managers).
- RBF previously held cash investments with Tascorp. These investments are now held with another investment manager.

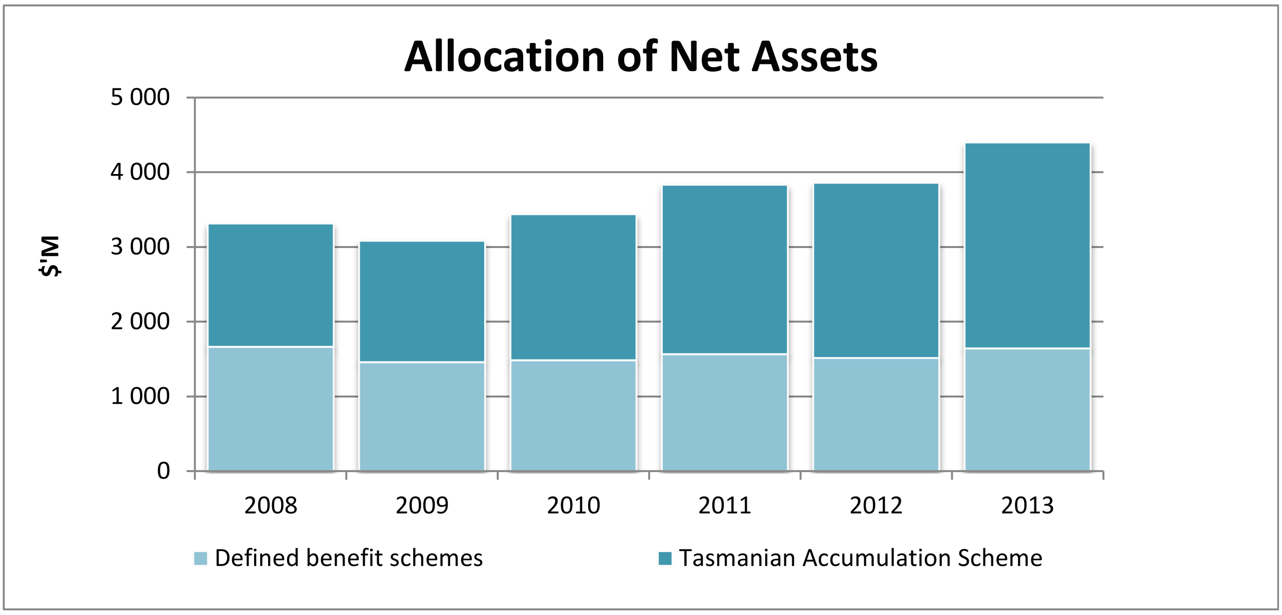
FINANCIAL ANALYSIS

The value of assets under management reached $4.395bn at 30 June 2013 and was $1.013bn higher than at the beginning of 2007-08. Over the last six years, RBF received $4.511bn in contributions from employers and members, including roll ins and transfers, and paid out $3.769bn in pensions, lump sums or roll-overs to other funds. Net investment revenues totalled $0.615bn over the same period. The following graph shows the growth in assets since 2008 and illustrates the volatility of Investment revenues.



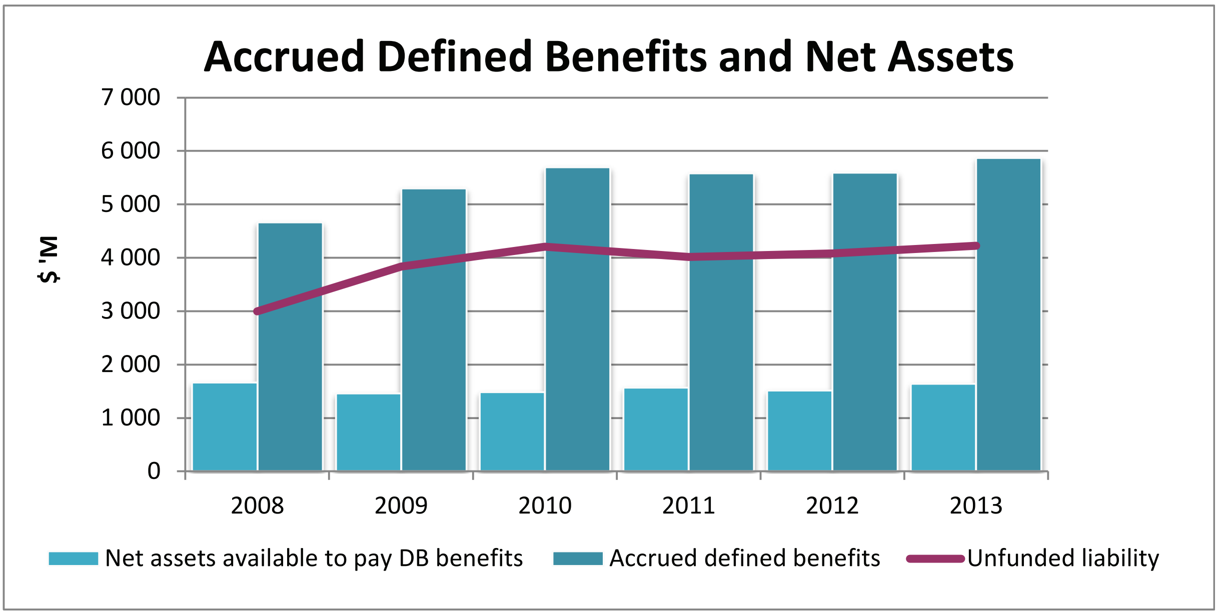
The value of assets under management has been growing steadily after their decline in the wake of the global financial crisis between 2008 and 2009. However, some of those gains were lost in 2012 following the sovereign debt crisis in Europe and weaker economic growth. This year, Net investment revenues totalled $0.578bn, dominated by unrealised and realised gains of $0.329bn and $0.073bn respectively as markets recovered. Income from investments in the form dividends, distributions, interest and rent was $0.190bn which was an improvement of $0.022bn on last year's result. Direct investment expenses were 7% lower and totalled $0.014bn.

The following graph provides a breakdown of Net Assets under management between the five defined benefit schemes and Tasmanian Accumulation Scheme, which is a defined contribution scheme.



In 2008, the value of assets was divided evenly between defined benefit schemes and Tasmanian Accumulation Scheme. However, the value of assets invested in Tasmanian Accumulation Scheme has been growing steadily over the last six years and in 2013 represented 63% of total net assets under management. The trend was not unexpected as the defined benefit schemes were closed to new members. There was a decrease in the number of accounts in contributory schemes as members left after receiving lump sums or passed away. TAS (including RBF Account Based and Term Allocated Pensions) had 62 387 accounts at 30 June 2013, which was 2 653 accounts less than last year. The decline was partly attributed to closures of duplicate accounts.

Combined accrued benefits for all defined benefit schemes managed by RBF totalled $5.870bn at 30 June 2013. The market value of net assets available to pay these benefits was$1.643bn, resulting in an Unfunded liability of $4.227bn.



The value of Unfunded liability flattened in recent years after it increased in 2009 and 2010, predominantly due to increases in wages and salaries under the *2008 Public Service Wage Agreement*. When the Tasmanian State Service Award came into operation in November 2008, it brought in a new classification structure and series of structural realignments and annual increments, which resulted in higher wages and salaries and led to the increase in accrued benefits which are linked to members' earnings.

The Government is responsible for funding the shortfall between net assets and the value of accrued benefits for members employed by general government sector entities. This liability is held centrally and is recognised within the Department of Treasury and Finance – Finance-General's Statement of Financial Position at the latest actuarial assessment. Other state entities which participate in the Contributory Scheme are responsible for meeting their own obligations although the State is ultimately responsible for the full liability.

RBF, being a superannuation plan within the meaning of AAS 25 F*inancial Reporting by Superannuation Plans*, measures the accrued benefits of its defined benefit contribution plans in accordance with this standard. Employers on the other hand, including the State, apply AASB 119 Employee Benefits to value their defined benefit superannuation obligations. However, these two standards determine accrued benefits according to different measurement rules, largely due to the use of different discount rates and therefore the value of accrued benefits and ultimately of unfunded liability reported by RBF and employers, including the State, may vary.

From late April 2011, member administration processes and platforms were outsourced to Mercer. This arrangement aimed to mitigate future risks associated with the Board's ageing computer systems and reduce future administration costs.

These changes led to variations in the composition of administration costs, whereby employee expenses decreased due to lower staff numbers in the IT and member services areas but outsourcing costs increased. The table below provides a breakdown of administration costs, excluding death and incapacity insurance fees, superannuation contribution surcharge and taxes:

BREAKDOWN OF ADMINISTRATION COSTS

	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s
Employee benefits and related payments	11 927	13 009	14 781
Outsourcing of member services administration	10 981	10 020	1 607
Information systems	1 191	1 271	1 763
Other expenses	4 287	5 156	4 444
Non-refundable goods and services tax	1 545	750	827
Underlying Administration Expenses	**29 931**	**30 206**	**23 422**
DB Superannuation expenses for RBF employees	(1 324)	5 210	785
IT upgrade and relocation cost	6 389	0	0
Other strategic initiatives	4 382	401	0
Outsourcing set-up cost	0	1 928	8 374
Total Administration Expenses	**39 378**	**37 745**	**32 581**
Staff numbers at 30 June (FTE)	107	114	136
Total underlying administration expenses as % of total Contributions received and Benefits paid	2.07%	2.05%	1.74%
Average staff cost ($'000)	111	114	109
Total administration expenses as % of Net assets under management	0.90%	0.98%	0.85%

The initial outsourcing set-up costs, which included transformation expenses and redundancies paid to staff in the outsourced areas totalled $10.302m. This year, RBF undertook a number of strategic projects, including an upgrade of its information systems infrastructure and relocation to new premises, implementation of a new insurance product and the move to unit pricing. These projects were funded from appropriate reserve pool or investment assets. The cost of projects that affect both defined contribution and defined benefit schemes is split between Tasmanian Accumulation Scheme and Contributory Scheme in accordance with RBF's activity based costing methodology.

CHAPTER APPENDICES

RBF CONTRIBUTORY SCHEME STATEMENT OF CHANGE IN NET ASSETS

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Investment revenue	63 242	57 586	63 624	55 524
Change in net market values	140 720	(58 282)	63 909	52 882
Direct investment expenses	(4 695)	(5 167)	(5 500)	(5 129)
Employer contributions	282 067	310 853	227 253	229 400
Member contributions	29 537	36 062	31 729	34 752
Other revenue	(69)	(932)	(1 304)	(4 026)
Total Revenue	**510 802**	**340 120**	**379 711**	**363 403**
Pensions	232 797	217 932	204 567	186 639
Lump sum benefits paid	138 032	151 525	85 798	107 902
Refunds and interest	41	(30)	22	374
Administration expenses	20 468	24 081	18 484	13 122
Superannuation contributions surcharge	0	0	(8)	114
Total Expenses	**391 338**	**393 508**	**308 863**	**308 151**
(Deficit) Surplus Before Tax	**119 464**	**(53 388)**	**70 848**	**55 252**
Income tax benefit (expense)	(1 631)	3 418	4 735	(265)
Net (Deficit) Surplus	**117 833**	**(49 970)**	**75 583**	**54 987**
Net Assets available to pay benefits at start of year	1 452 024	1 501 994	1 426 411	1 371 424
Net Assets Available to Pay Benefits at End of Year	**1 569 857**	**1 452 024**	**1 501 994**	**1 426 411**

RBF CONTRIBUTORY SCHEME STATEMENT OF NET ASSETS

	2013	2012	2011	2010
	$'000s	$'000s	$'000s	$'000s
Cash at bank	29 557	13 374	10 276	0
Receivables	33 766	149 251	124 894	103 565
Investments	1 543 587	1 329 712	1 398 873	1 362 071
Plant, equipment and intangibles	196	1 561	1 555	2 867
RBF Financial Planning Pty Ltd	171	168	150	150
Total Assets	**1 607 277**	**1 494 066**	**1 535 748**	**1 468 653**
Payables	8 566	7 775	5 556	5 265
Contributions and pensions payable	0	7 086	2	559
Contributions in advance	3 649	3 925	4 280	14 507
Provision for employee entitlements	17 622	19 976	16 985	18 126
Net tax liability	6 082	1 566	4 833	1 458
Superannuation contribution surcharge payable	1 501	1 714	2 098	2 327
Total Liabilities	**37 420**	**42 042**	**33 754**	**42 242**
Net Assets Available to Pay Benefits	**1 569 857**	**1 452 024**	**1 501 994**	**1 426 411**

RBF CONTRIBUTORY SCHEME FINANCIAL ANALYSIS

	2012-13	2011-12	2010-11	2009-10
Financial Performance				
Investments ($'000s)	1 543 587	1 329 712	1 398 873	1 362 071
Net investment income (loss) ($'000s)	199 267	(5 863)	122 033	103 277
Return on average investments	13.9%	(0.4%)	8.8%	7.7%
Net assets ($'000)	1 569 857	1 452 024	1 501 994	1 426 411
Return on average net assets	13.2%	(0.4%)	8.3%	7.4%

TASMANIAN ACCUMULATION SCHEME OPERATING STATEMENT

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Investment revenue	122 873	106 817	112 058	83 958
Changes in net market values	253 372	(91 094)	84 749	66 227
Direct investment expenses	(8 742)	(9 293)	(9 071)	(7 043)
Employer contributions	139 948	149 575	175 709	167 870
Member contributions	58 607	52 877	125 507	114 508
Transferred from other funds	235 362	231 020	184 165	220 868
General operating provision and reserves	5 443	(5 977)	(4 209)	19 239
Other contributions	0	0	41	4
Total Revenue	**806 863**	**433 925**	**668 949**	**665 631**
General operating fee	13 810	8 928	12 782	(2 419)
Death and incapacity insurance	7 501	6 483	6 374	5 734
Superannuation contributions surcharge	4	31	(11)	74
Total Expenses	**21 315**	**15 442**	**19 145**	**3 389**
Benefis Accrued Before Ttax	**785 548**	**418 483**	**649 804**	**662 242**
Income tax expense	(50 927)	(27 441)	(32 907)	(33 699)
Benefits accrued after tax	734 621	391 042	616 897	628 543
Benefits paid	(323 084)	(311 044)	(305 918)	(298 973)
Liability for Accrued Benefits at End of Year	**2 752 903**	**2 341 366**	**2 261 368**	**1 950 389**

TASMANIAN ACCUMULATION SCHEME STATEMENT OF FINANCIAL POSITION

	2013	2012	2011	2010
	$'000s	$'000s	$'000s	$'000s
Cash at bank	104 006	6 124	9 364	11 133
Receivables	1 140	1 138	281	419
Investments	2 711 564	2 467 728	2 371 834	2 033 372
Deferred tax asset	6 103	28 320	21 299	24 572
Total Assets	**2 822 813**	**2 503 310**	**2 402 778**	**2 069 496**
Payables	5 289	82 259	73 264	61 152
Provision for death and incapacity insurance	7 552	19 597	17 477	15 056
General operating provisions	27 454	25 979	20 215	14 111
Provision for income tax	29 615	34 109	30 440	28 766
Superannuation contribution surcharge payable	0	0	14	22
Total Liabilities	**69 910**	**161 944**	**141 410**	**119 107**
Net Assets Available to Pay Benefits	**2 752 903**	**2 341 366**	**2 261 368**	**1 950 389**
Represented by:				
Liability for Accrued Benefits				
Allocated to members accounts	2 723 868	2 325 785	2 210 363	1 929 202
Not yet allocated	5 915	(12 596)	12 850	1 948
Total Liability For Accrued Benefits	**2 729 783**	**2 313 189**	**2 223 213**	**1 931 150**
Reserves	23 120	28 177	38 155	19 239
Net Liability for Accrued Benefits	**2 752 903**	**2 341 366**	**2 261 368**	**1 950 389**

TASMANIAN ACCUMULATION SCHEME STATEMENT OF CASH FLOWS

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Employer contributions	139 948	149 575	175 709	167 869
Member contributions	58 567	52 654	124 824	114 902
Transferred from other funds	235 362	231 020	184 165	220 868
Investment income received	10 101	9 975	12 636	30 829
Interfund transfers	(76 930)	9 218	12 953	17 493
Other	0	0	41	4
Benefits paid	(323 084)	(311 044)	(305 918)	(298 907)
Direct investment expenses	(8 042)	(6 437)	(7 147)	(6 077)
Management fees paid	(13 035)	(11 020)	(9 325)	(7 493)
Death and incapacity benefits paid	(9 046)	(4 363)	(3 953)	(6 000)
General operating provision	(5057)	(977)	(3 486)	723
Income tax paid	(33 204)	(30 793)	(27 960)	(25 186)
Superannuation contribution surcharge	(4)	(45)	3	(101)
Cash from Operations	**(24 424)**	**87 763**	**152 542**	**208 924**
Proceeds from the sale of investments	2 025 925	36 151	950 414	1 087 830
Payments for purchase of investments	(1903 619)	(127 154)	(1 104 725)	(1 295 012)
Cash (used in) Investing Activities	**122 306**	**(91 003)**	**(154 311)**	**(207 182)**
Net Increase in Cash	**97 882**	**(3 240)**	**(1 769)**	**1 742**
Cash at the beginning of the year	6 124	9 364	11 133	9 391
Cash at End of the Year	**104 006**	**6 124**	**9 364**	**11 133**

TASMANIAN ACCUMULATION SCHEME FINANCIAL ANALYSIS

	2012-13	2011-12	2010-11	2009-10
Financial Performance				
Investments ($'000s)	2 711 564	2 467 728	2 371 834	2 033 372
Net investment income ($'000s)	367 503	6 430	187 736	143 142
Return on average investments	14.19%	0.27%	8.52%	7.67%

PARLIAMENTARY SUPERANNUATION FUND STATEMENT OF CHANGES IN NET ASSETS

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Investment revenue	259	274	286	259
Changes in net market values	612	(291)	277	254
Direct investment expenses	(23)	(23)	(23)	(22)
Employer contributions	497	1 404	857	969
Member contributions	19	18	32	40
Total Revenue	**1 364**	**1 382**	**1 429**	**1 500**
Pensions	1 277	1 336	1 212	1 298
Lump sums	0	0	548	0
Refunds and interest	0	0	8	0
Administration expenses	103	43	192	209
Superannuation contributions surcharge	(4)	0	(3)	3
Total Expenses	**1 376**	**1 379**	**1 957**	**1 510**
Change in Net Assets Before Tax	**(12)**	**3**	**(528)**	**(10)**
Income tax benefit (expense)	(2)	3	1	(15)
Change in Net Assets After Tax	**(14)**	**6**	**(527)**	**(25)**
Net assets available to pay benefits at start of year	3 996	3 990	4 517	4 542
Net Assets Available to Pay Benefits at End of Year	**3 982**	**3 996**	**3 990**	**4 517**

PARLIAMENTARY SUPERANNUATION FUND STATEMENT OF NET ASSETS

	2013	2012	2011	2010
	$'000s	$'000s	$'000s	$'000s
Cash at bank	467	0	0	0
Receivables	437	474	0	18
Investments	3 967	6 446	6 244	5 921
Total Assets	**4 871**	**6 920**	**6 244**	**5 939**
Payables	0	2092	1421	735
General operating provision	872	813	811	641
Net tax liabilities	17	19	22	46
Total Liabilities	**889**	**2 924**	**2 254**	**1 422**
Net Assets Available To Pay Benefits	**3 982**	**3 996**	**3 990**	**4 517**

PARLIAMENTARY SUPERANNUATION FUND FINANCIAL PERFORMANCE

	2012-13	2011-12	2010-11	2009-10
Financial Performance				
Investments ($'000s)	3 967	6 446	6 244	5 921
Net investment income ($'000s)	848	(40)	540	491
Return on average investments	14.4%	(0.6%)	8.9%	8.5%

PARLIAMENTARY RETIREMENT BENEFITS FUND STATEMENT OF CHANGES IN NET ASSETS

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Investment revenue	209	209	216	277
Changes in net market values	486	(215)	207	417
Direct investment expense	(18)	(18)	(17)	(25)
Employer contributions	198	237	190	294
Member contributions	75	133	88	113
Total Revenue	**950**	**346**	**684**	**1 076**
Lump sum benefits paid	781	1 010	0	3 455
General operating fees	70	25	54	32
Superannuation contributions surcharge	(143)	0	(228)	0
Total Expenses	**708**	**1 035**	**(174)**	**3 487**
Change in net assets before tax	242	(689)	858	(2 411)
Income tax (expense) benefit	(69)	(17)	(40)	(86)
Change in Net Assets After Tax	**173**	**(706)**	**818**	**(2 497)**
Net Assets available to pay benefits at start of year	2 663	3 369	2 551	5 048
Net Assets Available to Pay Benefits at End of Year	**2 836**	**2 663**	**3 369**	**2 551**

PARLIAMENTARY RETIREMENT BENEFITS FUND STATEMENT OF NET ASSETS

	2013	2012	2011	2010
	$'000s	$'000s	$'000s	$'000s
Cash at bank	105	0	15	0
Receivables	63	1	0	19
Investments	3 169	4 908	4 798	4 201
Net tax asset	73	108	95	22
Total Assets	**3 410**	**5 017**	**4 908**	**4 242**
Payables	0	1 694	859	974
General operating provision	574	517	537	510
Other liabilities	0	143	143	207
Total Liabilities	**574**	**2 354**	**1 539**	**1 691**
Net Assets Available To Pay Benefits	**2 836**	**2 663**	**3 369**	**2 551**

PARLIAMENTARY RETIREMENT BENEFITS FUND FINANCIAL PERFORMANCE

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Financial Performance				
Investments ($'000s)	3 169	4 908	4 798	4 201
Net investment income ($'000s)	677	(24)	406	669
Return on average investments	16.8%	(0.5%)	9.0%	12.5%

STATE FIRE COMMISSION SUPERANNUATION SCHEME STATEMENT OF CHANGES IN NET ASSETS

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Investment revenue	1 184	1 231	1 292	1 577
Changes in net market values	2 792	(1 304)	1 265	3 366
Direct investment expenses	(95)	(105)	(105)	(144)
Employer contributions	1 837	1 319	1 333	1 994
Member contributions	65	66	72	139
Total Revenue	**5 783**	**1 207**	**3 857**	**6 932**
Benefits paid	1 619	3 711	322	37 542
Administration expenses	2	464	798	585
Total Expenses	**1 621**	**4 175**	**1 120**	**38 127**
Change in Net Assets Before Tax	**4 162**	**(2 968)**	**2 737**	**(31 195)**
Income tax (expense) benefit	(549)	(77)	(252)	(714)
Change in Net Assets After Tax	**3 613**	**(3 045)**	**2 485**	**(31 909)**
Net assets available to pay benefits at start of year	17 882	20 927	18 442	50 351
Net Assets Available to Pay Benefits at End of Year	**21 495**	**17 882**	**20 927**	**18 442**

STATE FIRE COMMISSION SUPERANNUATION SCHEME STATEMENT OF NET ASSETS

	2013	2012	2011	2010
	$'000s	$'000s	$'000s	$'000s
Cash at bank	0	0	220	0
Receivables	43	9	143	13
Investments	21 311	29 245	28 124	25 647
Net tax asset	1 524	1 888	1 775	914
Total Assets	**22 878**	**31 142**	**30 262**	**26 574**
Payables	877	12 618	8 803	7 704
General operating provision	506	642	532	428
Total Liabilities	**1 383**	**13 260**	**9 335**	**8 132**
Net Assets Available To Pay Benefits	**21 495**	**17 882**	**20 927**	**18 442**

STATE FIRE COMMISSION SUPERANNUATION SCHEME FINANCIAL PERFORMANCE

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Financial Performance				
Investments ($'000s)	21 311	29 245	28 124	25 647
Net investment income ($'000s)	3 881	(178)	2 452	4 799
Return on average investments	15.4%	(0.6%)	6.0%	18.7%

TASMANIAN AMBULANCE SERVICE SUPERANNUATION SCHEME STATEMENT OF CHANGES IN NET ASSETS

	2012-13	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s	$'000s
Investment revenue	1 878	1 768	1 842	1 538
Changes in net market values	4 173	(1 874)	1 784	1 360
Direct investment expenses	(157)	(151)	(149)	(123)
Employer contributions	2 224	2 111	2 096	1 839
Member contributions	355	399	441	429
Total Revenue	**8 473**	**2 253**	**6 014**	**5 043**
Benefits paid	807	1 291	740	1 083
Administration expenses	381	510	398	94
Total Expenses	**1 188**	**1 801**	**1 138**	**1 177**
Change in Net Assets Before Tax	**7 285**	**452**	**4 876**	**3 866**
Income tax (expense) benefit	(699)	(152)	(432)	(540)
Change in Net Assets After Tax	**6 586**	**300**	**4 444**	**3 326**
Net assets available to pay benefits at start of year	37 765	37 465	33 021	29 695
Net Assets Available to Pay Benefits at End of Year	**44 351**	**37 765**	**37 465**	**33 021**

TASMANIAN AMBULANCE SERVICE SUPERANNUATION SCHEME STATEMENT OF NET ASSETS

	2013	2012	2011	2010
	$'000s	$'000s	$'000s	$'000s
Cash at bank	3 204	1 434	488	0
Receivables	12	13	4	119
Investments	41 433	42 037	40 463	36 416
Net tax asset	192	582	412	358
Total Assets	**44 841**	**44 066**	**41 367**	**36 893**
Payables	117	5 808	3 549	3 585
General operating provision	373	493	353	287
Total Liabilities	**490**	**6 301**	**3 902**	**3 872**
Net Assets Available To Pay Benefits	**44 351**	**37 765**	**37 465**	**33 021**

TASMANIAN AMBULANCE SERVICE SUPERANNUATION FINANCIAL PERFORMANCE

	2012-13	2011-12	2010-11	2009-10
Financial Performance				
Investments ($'000s)	41 433	42 037	40 463	36 416
Net investment income ($'000s)	5 894	(257)	3 477	2 775
Return on average investments	14.1%	(0.6%)	9.0%	7.6%

RBF FINANCIAL PLANNING PTY LTD
(The Company)

SNAPSHOT

- Revenue and expenses remained consistent with that of the prior period.
- The Company maintained a minimum liquidity level of at least $0.100m as required under its Australian Financial Services (AFS) licence.

The audit was completed satisfactorily with no findings.

INTRODUCTION

The Company is a wholly owned subsidiary of the RBF, established to provide RBF members with financial planning advice. Its revenue is derived predominantly from financial planning fees charged to RBF members.

The Company holds an AFS licence, which authorises it to provide financial product advice to clients.

AUDIT OF THE 2012-13 STATEMENTS

Signed financial statements were received on 14 August 2013 and an unqualified audit report was issued on 16 August 2013.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

There were no key findings or developments. The audit of AFS licensees gives rise to a number of special audit considerations. An AFS licensee is required to lodge a profit and loss statement, balance sheet and auditor's report with the Australian Securities and Investments Commission for each financial year. We issue a separate AFS licensees: audit report (FS 71).

SUMMARY OF FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12
	$'000s	$'000s
Financial advice	248	244
Other revenue	12	17
Total Revenue	**260**	**261**
Operational costs	257	254
Total Expenses	**257**	**254**
Net Surplus (Deficit)	**3**	**7**

STATEMENT OF FINANCIAL POSITION

	2013	2012
	$'000s	$'000s
Cash and cash equivalents	211	243
Other assets	52	51
Total Assets	**263**	**294**
Other liabilities	92	126
Total Liabilities	**92**	**126**
Net Assets	**171**	**168**
Total Equity	**171**	**168**

Total Revenue and Expenses for 2012-13 remained consistent with that of the prior period.

Total Assets comprised mainly of cash. The Company is required to maintain a minimum liquidity level of at least $0.100m under the conditions of its AFS licence. It complied with this condition.

APPENDIX 1 - GUIDE TO USING THIS REPORT

This Report is prepared under section 29 of the *Audit Act 2008* (the Audit Act), which requires the Auditor-General, on or before 31 December in each year, to report to Parliament in writing, on the audit of State entities and audited subsidiaries of State entities in respect of the preceding financial year. The issue of more than one report titled the Auditor-General's Report on the Financial Statements of State Entities, comprising six volumes, satisfies this requirement each year. The volumes are:

- Volume 1 – Executive and Legislature, Government Departments, Tasmanian Health Organisations, Other General Government Sector State entities, Other State entities and Superannuation Funds
- Volume 2 – Government Businesses, Other Public Non-Financial Corporations and Water Corporations
- Volume 3 - Local Government Authorities
- Volume 4 – Analysis of the Treasurer's Annual Financial Report
- Volume 5 - Other State entities 31 December, including University of Tasmania.

Where relevant, State entities are provided with the opportunity to comment on any of the matters reported. Where they choose to do so, responses are detailed within that particular section.

FORMAT OF THE FINANCIAL ANALYSIS

Each entity's financial performance is analysed by discussing the Comprehensive Income Statement, Statement of Financial Position and Statement of Cash Flows supplemented by financial analysis applying the indicators documented in the Financial Performance sections of this Report. The layout of some of these primary statements has been amended from the audited statements, to where appropriate:

- make the statements more relevant to the nature of the entity's business
- highlight the entity's working capital, which is a useful measure of liquidity.

Departments are required to present budget amounts on the face of their primary statements. As a consequence details and commentary in relation to these amounts have been included in this Report.

FINANCIAL ANALYSIS

The following tables illustrate the methods of calculating performance indicators used in the individual financial analysis sections of this Report, together with a number of benchmarks used to measure financial performance

Financial Performance Indicator	Benchmark[1]	Method of Calculation
Financial Performance		
Earnings Before Interest and Tax (EBIT) ($'000s)		Result from Ordinary Activities before Gross Interest Expense and Tax
EBITDA ($'000s)		Result from Ordinary Activities before Gross Interest Expense, Tax, Depreciation and Amortisation
Operating margin	>1.0	Operating Revenue divided by Operating Expenses
Operating surplus (deficit) ($'000s)		Own source revenue percentage
Operating surplus ratio	>0	Net operating surplus (deficit) divided by total operating revenue
Own source revenue		Total Revenue less Total Grant Revenue, Contributed Assets and Asset Revaluation Adjustments
Return on assets		EBIT divided by Average Total Assets
Return on equity		Result from Ordinary Activities after Taxation divided by Average Total Equity
Self financing ratio		Net Operating Cash Flows divided by Operating Revenue
Financial Management		
Asset consumption ratio	Between 40% and 60%	Depreciated replacement cost of asset (eg. infrastructure, roads, bridges) divided by current replacement cost of asset
Asset renewal funding ratio	90%-100%	Future (planned) asset replacement expenditure divided by future asset replacement expenditure (actual) required
Capital Investment Gap, Asset investment ratio or Investment gap	>100%	Payments for Property, plant and equipment divided by Depreciation expenses
Asset sustainability ratio, Capital Replacement Gap, Asset renewal ratio or Renewal gap	100%	Renewal and upgrade expenditure on existing assets divided by depreciation on existing assets

Financial Performance Indicator	Benchmark[1]	Method of Calculation
Cost of debt		Gross Interest Expense divided by Average Borrowings (include finance leases)
Creditor turnover	30 days	Payables divided by credit purchases multiplied by 365
Current ratio	>1	Current Assets divided by Current Liabilities
Debt collection	30 days	Receivables divided by billable Revenue multiplied by 365
Debt to equity		Debt divided by Total Equity
Debt to total assets		Debt divided by Total Assets
Indebtedness Ratio		Non-Current Liabilities divided by Own Source Revenue
Interest coverage ratio		Net operating cashflows less interest and tax payments divided by Net interest payments
Interest cover – EBIT	>2	EBIT divided by Gross Interest Expense
Interest cover – EBITDA	>2	EBITDA divided by Gross Interest Expense
Interest cover – Funds from Operations	>2	Cash from Operations plus Gross Interest Expense divided by Gross Interest Expense
Liquidity ratio	2:1	Liquid assets divided by current liabilities other than provisions
Net financial assets (liabilities) ($'000s)		Total financial liabilities less liquid assets
Net financial liabilities ratio	0 – (50%)	Total liabilities less liquid assets divided by total operating income
Returns to Government		
CSO funding ($'000)		Amount of community service obligation funding received from Government
Dividend payout ratio	50%	Dividend divided by Result from Ordinary Activities after Tax
Dividend to equity ratio		Dividend paid or payable divided by Average Total Equity
Dividends paid or payable ($'000s)		Dividends paid or payable that relate to the year subject to analysis
Effective tax rate	30%	Income Tax paid or payable divided by Result form Ordinary Activities before Tax
Government guarantee fees ($'000)		Amount of guarantee fees paid to owners (usually Government)

Financial Performance Indicator	Benchmark[1]	Method of Calculation
Income tax paid ($'000s)		Income Tax paid or payable that relates to the year subject to analysis
Total return to equity ratio		Total Return divided by Average Equity
Total return to the State ($'000s) or total return to owners		Dividends plus Income Tax and Loan Guarantee fees
Other Information		
Average leave per FTE ($'000s)		Total employee annual and long service leave entitlements divided by Staff Numbers
Average long service leave balance	Not more than 100 days	Actual long service leave provision days due divided by average FTEs
Average recreational leave balance	20 days [3]	Actual annual leave provision days due divided by average FTEs
Average staff costs [(2)] ($'000s)		Total employee expenses (including capitalised employee costs) divided by Staff Numbers
Employee costs [(2)] as a % of operating expenses		Total employee costs divided by Total Operating Expenses
Employee costs capitalised ($'000s)		Capitalised employee costs
Employee costs expensed ($'000s)		Total employee costs per Income Statement
Operating cost to rateable property		Operating expenses plus finance costs divided by rateable properties per valuation roll
Rates per capita		Population of council area divided by rates revenue
Rates per operating revenue		Total rates divided by operating revenue including interest income
Rates per rateable property		Total rates revenue divided by rateable properties per valuation rolls
Staff numbers FTEs		Effective full time equivalents

1 *Benchmarks vary depending on the nature of the business being analysed. For the purposes of this Report, a single generic benchmark has been applied.*

2 *Employee costs include capitalised employee costs, where applicable, plus on-costs.*

3 *May vary in some circumstances because of different award entitlements.*

An explanation of most financial performance indicators is provided below:

FINANCIAL PERFORMANCE

- **Earnings before interest and tax (EBIT)** – measures how well an entity can earn a profit, from its operations, regardless of how it is financed (debt or equity) and before it has to meet external obligations such as income tax. This is a measure of how well it goes about its core business.
- **Earnings before income tax, depreciation and amortisation (EBITDA)** – measures how well an entity can generate funds without the effects of financing (debt or equity), depreciation and amortisation and before it has to meet external obligations such as income tax. This measure is of particular relevance in cases of entities with large amounts of non-current assets as the distortionary accounting and financing effects on the entity's earnings are removed, enabling comparisons to be made across different entities and sectors.
- **Operating margin** – this ratio serves as an overall measure of operating effectiveness.
- **Operating Surplus (Deficit) or Result from operations** – summarises revenue transactions and expense transactions incurred in the same period of time and calculates the difference.
- **Operating surplus ratio** – a positive result indicates a surplus with the larger the surplus the stronger surplus and therefore stronger assessment of sustainability. However, too strong a result could disadvantage ratepayers. A negative result indicates a deficit which cannot be sustained in the long-term.
- **Own source revenue** – represents revenue generated by a council through its own operations. It excludes any external government funding, contributed assets and revaluation adjustments.
- **Return on assets** – measures how efficiently management used assets to earn profit. If assets are used efficiently, they earn profit for the entity. The harder the assets work at generating revenues, and thus profit, the better the potential return for the owners.
- **Return on equity** – measures the return the entity has made for the shareholders on their investment.
- **Self financing ratio** – this is a measure of council's ability to fund the replacement of assets from cash generated from operations.

FINANCIAL MANAGEMENT

- **Asset consumption ratio** – shows the depreciated replacement cost of an entity's depreciable assets relative to their "as new" (replacement) value. It therefore shows the average proportion of new condition left in the depreciable assets.
- **Asset renewal funding ratio** – measures the capacity to fund asset replacement requirements. An inability to fund future requirements will result in revenue, expense or debt consequences, or a reduction in service levels. This is a most useful measure relying on the existence of long-term financial and asset management plans.
- **Asset sustainability ratio** – provides a comparison of the rate of spending on existing infrastructure, property, plant and equipment through renewing, restoring and replacing existing assets, with depreciation. Ratios higher than 100% indicate that spending on existing assets is greater than the depreciation rate. This is a long-term indicator, as capital expenditure can be deferred in the short-term if there are insufficient funds available from operations and borrowing is not an option.
- **Capital Investment Gap, Asset investment ratio or Investment gap** – indicates whether the entity is maintaining its physical capital by reinvesting in or renewing non-current assets (caution should be exercised when interpreting this ratio for entities with significant asset balances at cost as the level of depreciation may be insufficient).
- **Capital Replacement Gap, Asset renewal ratio or Renewal gap** – indicates whether the entity is maintaining its physical capital by reinvesting in or renewing existing non-

current assets (caution should be exercised when interpreting this ratio as the amount of capital expenditure on existing assets has largely been provided by the respective councils and not subject to audit).

- **Cost of debt** – reflects the average interest rate applicable to debt.
- **Creditors turnover** – indicates how extensively the entity utilises credit extended by suppliers.
- **Current ratio** – current assets should exceed current liabilities by a 'considerable' margin. It is a measure of liquidity that shows an entity's ability to pay its short term debts.
- **Debt collection** – indicates how effectively the entity uses debt collection practices to ensure timely receipt of monies owed by its customers.
- **Debt to equity** – an indicator of the risk of the entity's capital structure in terms of the amount sourced from borrowings and the amount from Government.
- **Debt to total assets** – an indicator of the proportion of assets that are financed through borrowings.
- **Interest cover** – EBIT – an indicator of the ability to meet periodic interest payments from current profit (before interest expense). The level of interest cover gives a guide of how much room there is for interest payments to be maintained in the face of interest rate increases or reduced profitability.
- **Interest cover** – Funds from operations – examines the exposure or risk in relation to debt, an indicator of the ability to meet periodic interest payments from funds from operations (before interest expense). The level of interest cover gives a guide of how much room there is for interest payments to be maintained in the face of interest rate increases or reduced funds from operations.
- **Net financial liabilities ratio** – indicates the extent to which net liabilities can be met by operating income. A falling ratio indicates that the entity's capacity to meet its financial obligations from operating income is strengthening.

RETURNS TO GOVERNMENT

- **Dividend payout ratio** – the amount of dividends relative to the entity's net income.
- **Dividend to equity ratio** – the relative size an entity's dividend payments to shareholders' equity. A low dividend to equity ratio may indicate that profits are being retained by the entity to fund capital expenditure.
- **Dividends paid or payable** – payment by the entity to its shareholders (whether paid or declared as a payable).
- **Effective tax rate** – is the actual rate of tax paid on profits.
- **Income tax paid** – tax payments by the entity to the State in the year.
- **Total return to equity ratio** – measures the Government's return on its investment in the entity.
- **Total return to the State** – is the funds paid to the owners consisting of income tax, dividends and guarantee fees.

OTHER INFORMATION

- **Average leave balance per FTE ($'000s)** – indicates the extent of unused leave at balance date.
- **Average long service leave balance or days long service leave due** – records the average number of days long service leave accumulated per staff member. In general public servants cannot accrue more than 100 days annual leave.
- **Average recreational leave balance or days annual leave due** – records the average number of days annual leave accumulated per staff member. In general public service employees accrue 20 days annual leave per annum.

- **Average staff costs** – measures the average cost of employing staff in the entity for the year.
- **Employee costs as a percentage of operating expenses** - indicates the relative significance of employee costs compared to other operating expenses.
- **Employee costs capitalised ($'000s)** – represents employee costs that have been capitalised rather than expensed.
- **Employee costs expensed ($'000s)** – represents the level of employee costs expensed, i.e. included in the Statement of Comprehensive Income. This together with the Employee costs Capitalised will provide a total employee cost figure for use in other related ratios.
- **Staff numbers FTEs** – as at the end of the reporting period the number of staff employed expressed as full-time equivalents (FTEs).

The above indicators are used because they are commonly applied to the evaluation of financial performance. Care should be taken in interpreting these measures, as by definition they are only indicators, and they should not be read in isolation.

AUDIT FINDINGS - RISK CATEGORIES

In reporting audit finding to clients, we have determined the following three risk categories. These categories are based on their significance and potential impact on the client.

Risk Category	Client Impact
High	Matters which pose a significant business or financial risk to the entity and/or matters that have resulted or could potentially result in a modified or qualified audit opinion if not addressed as a matter of urgency by the entity.
Moderate	Matters of a systemic nature that pose a moderate business or financial risk to the entity if not addressed as high priority within the current financial year and/or matters that may escalate to high risk if not addressed promptly and/or Low risk matters which have been reported to management in the past but have not been satisfactorily resolved or addressed.
Low	Matters that are isolated, non-systemic or procedural in nature and/or matters that reflect relatively minor administrative shortcomings and could be addressed in the context of the entity's overall control environment.

APPENDIX 2 - GLOSSARY

Accountability

The responsibility to provide information to enable users to make informed judgements about the performance, financial position, financing and investing, and compliance of the State entity.

Adverse Opinion

An adverse opinion is issued when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial report.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Asset

A resource controlled by an entity as a result of past events, and from which future economic benefits are expected to flow to the entity.

Asset useful life

The period over which an asset is expected to provide the entity with economic benefits. Depending on the nature of the asset, the useful life can be expressed in terms of time or output.

Asset valuation

The fair value of an asset on a particular date.

Audit Act 2008

An Act of the State of Tasmania that:

- ensures that the State has an Auditor-General with the necessary functions, immunities and independence
- provides for the independent audit of the public sector and related entities.

Auditor's opinion (or Auditor's Report)

Written expression within a specified framework indicating the auditor's overall conclusion on the financial reports based on audit evidence obtained.

Biological asset

A living animal or plant.

Borrowing costs

Interest and other costs that an entity incurs in connection with the borrowing of funds.

Capital expenditure

Amount capitalised to the Statement of Financial Position (also referred to as the balance sheet) for expenditure on or contributions by a State entity to major assets controlled or owned by the entity, including expenditure on:

- capital renewal of existing assets that returns the service potential or the life of the asset to that which it had originally been commissioned
- capital expansion which extends an existing asset at the same standard to a new group of users.

Capital grant

Government funding provided to an agency for acquiring capital assets such as buildings, land or equipment.

Carrying amount

The amount at which an asset is recognised after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon.

Cash

Cash on hand and demand deposits.

Cash equivalents

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flows

Inflows and outflows of cash and cash equivalents.

Comprehensive result

The overall net result of all items of income and expense recognised for the period. It is the aggregate of net surplus (deficit) or profit (loss) and other movements in equity.

Consolidated financial statements

The financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity.

Contributed assets

Assets, usually property, plant and equipment, contributed to a State entity at no cost or are non-reciprocal.

Control

The capacity of an entity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of another entity so as to enable that other entity to operate with it in achieving the objectives of the controlling entity.

Corporations Act 2001

An Act of the Commonwealth of Australia that sets out the laws dealing with business entities in Australia at Federal and State levels. It focuses primarily on companies, although it also covers some laws relating to other entities such as partnerships and managed investment schemes.

Cost

The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

The Council

The group of councillors, who are the elected representatives of people who are residents in the council's municipality or ratepayers of the council.

Current asset

An asset that an entity:

- expects to realise or intends to sell or consume it in its normal operating cycle;
- holds primarily for the purpose of trading;
- expects to realise within twelve months after the reporting period; or
- is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify all other assets as non-current.

Current liability

A liability that an entity:

- expects to settle in its normal operating cycle;
- it holds primarily for the purpose of trading;
- is due to be settled within twelve months after the reporting period; or
- does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

An entity shall classify all other liabilities as non-current.

(Current) Replacement cost

The cost an entity would incur to acquire the asset at the end of the reporting period.

Deficit

Total expenditure exceeds total revenue. Term is generally applied to results of not-for-profit entities. Equivalent term in the case of for-profit entities is a loss.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Depreciated replacement cost

The current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

Derivative

A financial instrument or other contract with all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying')
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors
- it is settled at a future date.

Disclaimer of Opinion

A disclaimer of opinion is used when it is not possible for the auditor to form an opinion. This may occur in rare circumstances when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial report of undetected misstatements, if any, could be both material and pervasive.

Emphasis of matter

An auditor's report can include an emphasis of matter paragraph that draws attention to a disclosure or item in the financial report that is relevant to the users of the report but is not of such nature that it affects the auditor's opinion (i.e. the auditor's opinion remains unmodified).

Employee benefits provision

The liability recognised for employees' accrued service entitlements, including all costs related to employment consisting of wages and salaries, leave entitlements, redundancy payments and superannuation contributions.

Equity or net assets

Residual interest in the assets of an entity after deduction of its liabilities. Where liabilities exceed assets, this gives rise to negative equity or net liabilities or accumulated deficits.

Expense

Outflows or other depletions of economic benefits in the form of incurrence of liabilities or depletion of assets of the entity, other than those relating to contributions by owners, that results in a decrease in equity, or increase in a liability, during the reporting period.

Fair value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial Asset

Any asset that is:

- cash
- an equity instrument of another entity
- a contractual right:
    - to receive cash or another financial asset from another entity; or
    - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is:
    - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
    - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial delegation

A schedule that specifies the level or approval required for each transaction category to facilitate the execution of functions necessary for the efficient operation of the entity.

Financial liability

Any liability that is:

- a contractual obligation:
    - to deliver cash or another financial asset to another entity; or

    - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is:
    - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
    - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial position

The relationship of the assets, liabilities and equity of an entity, as reported in the Statement of Financial Position (balance sheet).

Financial report

Structured representation of financial information, which usually includes accompanying notes, derived from accounting records and intended to communicate an entity's financial performance over a period of time and its economic resources or obligations at a point in time in accordance with a financial reporting framework.

Financial statements

A complete set of financial statements comprises:

- a Statement of Financial Position as at the end of the period
- a Statement of Profit or Loss and Other Comprehensive Income for the period
- a Statement of Changes in Equity for the period
- a Statement of Cash Flows for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information
- comparative information in respect of the preceding period
- a Statement of Financial Position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

An entity may use titles for the statements other than those used in the relevant accounting standard. For example, an entity may use the title 'Statement of Comprehensive Income' instead of 'Statement of Profit or Loss and Other Comprehensive Income'.

Financial sustainability

An entity's ability to manage financial resources so it can meet its spending commitments both at present and into the future.

Financial year

The period of 12 months for which a financial report is prepared.

For-profit entity

An entity whose principal objective is the generation of profit. A for-profit entity can be a single entity or a group of entities comprising the parent entity and each of the entities that it controls.

Future economic benefit

The potential to contribute, directly or indirectly, to the flow of cash and cash equivalents to the entity. The potential may be a productive one that is part of the operating activities of the entity. It may also take the form of convertibility into cash or cash equivalents or a capability to reduce cash outflows.

General purpose financial report

A financial report intended to meet the information needs common to users who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs.

Going concern

An entity which is expected to be able to pay its debts as and when they fall due, and continue in operation for the foreseeable future without any intention or necessity to liquidate or otherwise wind up its operations.

Governance

The control arrangements in place at an entity that are used to govern and monitor its activities in order to achieve its strategic and operational goals.

Government Business Enterprises Act 1995

An Act that makes provision in respect of the establishment, commercial operation and accountability of Government Business Enterprises, the relationship between Government Business Enterprises and the Government and the payment of financial returns to the State by Government Business Enterprises and for related purposes.

Impairment loss

The amount by which the carrying amount of an asset exceeds its recoverable amount.

Internal audit

A function of an entity's governance framework that examines and reports to management, or those charged with governance, on the effectiveness of risk management, control and governance processes.

Independent auditor's report

An expression of the independent auditor's opinion on an entity's financial (and performance) report.

Intangible asset

An identifiable non-monetary asset without physical substance.

Internal control

Processes affected by an entity's structure, work and authority flows, people and management information systems, designed to assist the entity accomplish specific goals and objectives. Internal controls are a means by which an entity's resources are directed, monitored and measured. They play an important role in preventing and detecting error and fraud and protecting the entity's resources.

Investment

The expenditure of funds intended to result in medium-to long-term service and/or financial benefits arising from the development and/or use of infrastructure assets by either the public or private sectors.

Joint venture

A contractual agreement joining together two or more parties for the purpose of executing a particular business undertaking. All parties agree to share in the profits and losses of the enterprise.

Land under roads

Land under roadways, and road reserves, including land under footpaths, nature strips and median strips.

Liability

A present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow of resources from the entity.

Local Government Act 1993

An Act of the State of Tasmania that provides for local government and establishes councils to plan for, develop and manage municipal areas in the interests of their communities.

Loss

Total expenditure exceeds total revenue. Term is generally applied to results of for-profit entities. Equivalent term in the case of not-for-profit entities is a deficit.

Masterfile

A database of records pertaining to one of the main subjects of an information system, such as customers, employees and vendors. Masterfiles contain descriptive data that does not often change, such as name and address and bank account details.

Material

Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

Materiality

Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial report.

Modified audit opinion

The Auditing Standards establish three types of modified opinions, namely, a qualified opinion, an adverse opinion, and a disclaimer of opinion. The decision regarding which type of modified opinion is appropriate depends upon:

- the nature of the matter giving rise to the modification, that is, whether the financial report is materially misstated or, in the case of an inability to obtain sufficient appropriate audit evidence, may be materially misstated; and
- the auditor's judgement about the pervasiveness of the effects or possible effects of the matter on the financial report.

Non-Financial Asset

Physical assets such as land, buildings and infrastructure.

Non-reciprocal

Transfers in which an entity receives assets without directly giving equal value in exchange to the other party to the transfer.

Not-for-profit entity

An entity whose principal objective is not the generation of profit. A not-for-profit entity can be a single entity or a group of entities comprising the parent entity and each of the entities that it controls.

Onerous contract

A contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Operating cycle

The time between the acquisition of assets for processing and their realisation in cash or cash equivalents.

Performance report

A statement containing predetermined performance indicators and targets and actual results against these for that financial year, with an explanation for any significant variance between the results and the targets.

Pervasive

A term used, in the context of misstatements, to describe the effects on the financial report of misstatements or the possible effects on the financial report of misstatements, if any, that are undetected due to an inability to obtain sufficient appropriate audit evidence. Pervasive effects on the financial report are those that, in the auditor's judgement:

- are not confined to specific elements, accounts or items of the financial report;
- if so confined, represent or could represent a substantial proportion of the financial report; or
- in relation to disclosures, are fundamental to users' understanding of the financial report.

Profit

Total revenue exceeds total expenditure. Term is generally applied to results of profit entities. Equivalent term in the case of not-for-profit entities is a surplus.

Property, plant and equipment (including infrastructure)

Tangible items that:

- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one period.

Public sector entity

A department; a public hospital; a local government; a statutory body; an entity controlled by one, or more than one department, public hospital, local government or statutory body; or an entity controlled by a public sector entity.

Qualified audit opinion

A qualification is issued when the auditor concludes that an unqualified opinion cannot be expressed due to one of the following reasons:

- The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial report; or

- The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial report of undetected misstatements, if any, could be material but not pervasive.

A qualified opinion shall be expressed as being except for the effects of the matter to which the qualification relates.

Recoverable amount

The higher of an asset's net selling price and its value in use.

Relevant

Measures or indicators used by an entity are relevant if they have a logical and consistent relationship to an entity's objectives and are linked to the outcomes to be achieved.

Residual value (of an asset)

The estimated amount that an entity would currently obtain from disposal of an asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Revaluation

Recognising a reassessment or restatement of values for assets or liabilities at a particular point in time.

Revenue

Inflows of funds or other enhancements or savings in outflows of service potential, or future economic benefits in the form of increases in assets or reductions in liabilities of the entity, other than those relating to contributions by owners which result in an increase in equity during the reporting period.

Risk

The chance of a negative impact on the objectives, outputs or outcomes of the entity.

Special purpose financial statements

A financial report intended to only meet the information needs of specific users who are able to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs.

Stakeholder

A person, group, or organisation that has direct or indirect stake in an organisation because it can affect or be affected by the organisation's actions, objectives and policies.

State entity

A body, whether corporate or unincorporated, that has a public function to exercise on behalf of the State or is wholly owned by the State, as defined under the *Audit Act 2008*, including:

- an agency
- a council
- a Government Business Enterprise
- a State-owned company
- a State authority that is not a Government Business Enterprise

- the council, board, trust or trustees, or other governing body (however designated) of, or for, a corporation, body of persons or institution, that is or are appointed by the Governor or a Minister of the Crown
- a body or authority referred to in section 21, established under section 29 or 30, or continued under section 326, of the *Local Government Act 1993*
- the Corporation incorporated under section 5 of the *Water and Sewerage Corporation Act 2012*
- a body or authority in respect of which the Treasurer has made a determination under section 32A.

State Owned Company

A company incorporated under the Corporations Act which is controlled by:

- the Crown
- a State authority
- another company which is itself controlled by the Crown or a State authority.

Steering committee

Provides oversight and strategic direction for key organisational processes or risk.

Surplus

Total revenue exceeds total expenditure. Term is generally applied to results of not-for-profit entities. Equivalent term in the case of for-profit entities is a profit.

Those charged with governance

The person(s) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. In most cases this would be the Board of Directors (or equivalent). In the case of government departments, this would be the Secretary. If an entity has an audit committee or equivalent then that committee may have the governance function delegated to it.

Unqualified audit opinion – financial report

A positive written expression provided when the financial report has been prepared and presents fairly the transactions and balances for the reporting period in accordance with the requirements of the relevant legislation and Australian accounting standards.

Also referred to as a **clear audit opinion**.

Value in use

The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Value in use (in respect of not-for-profit entities)

Depreciated replacement cost of an asset when the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits.

Working capital

Working capital is the amount of current assets minus the amount of current liabilities at a specific date. It reflects how much in liquid assets that an entity has on hand. Working capital is needed to pay for planned and unexpected expenses and meet the short-term obligations.

APPENDIX 3 - ACRONYMS AND ABBREVIATIONS

AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
ABF	Activity Based Funding
AEMO	Australian Energy Market Operator
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
AETV	Aurora Energy Tamar Valley
APRA	Australian Prudential Regulation Authority
BBP	Bell Bay Power Pty Ltd
BLW	Ben Lomond Water
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CLAF	Crown Land Administration Fund
CMW	Cradle Mountain Water
COPE	Commonwealth Own Purpose Expenditure
CPI	Consumer Price Index
DHHS	Department of Health and Human Services
DIER	Department of Infrastructure, Energy and Resources
DORC	Depreciated Optimised Replacement Cost
DPIPWE	Department Primary Industries, Parks, Water and Environment
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EEP	Environmental Energy Products
FCAS	Frequency Control Ancillary Services
FMAA	*Financial Management and Audit Act 1990*
FTE	Full-time Equivalent
FSI	Forest Services International
GBE	Government Business Enterprise
GWh	Gigawatt Hour
HEC	Hydro-Electric Corporation
IRRs	Inter Regional Revenues
IT	Information Technology
KIPC	King Island Ports Corporation
KV	Kilovolt
LGAT	Local Government Association of Tasmania
LSL	Long Service Leave
MAIB	Motor Accidents Insurance Board
MAR	Maximum Allowable Revenue
MIC	Member Investment Choice
MWh	Megawatt Hour
NEM	National Electricity Market
NEMMCO	National Electricity Market Management Company Limited
Newood	Newood Holdings Pty Ltd
PRBF	Parliamentary Retiring Benefits Fund
PSF	Parliamentary Superannuation Fund

R40s	Roaring 40s Renewable Energy Pty Ltd
RBF	Retirement Benefits Fund
RBFB	Retirement Benefits Fund Board
REC	Renewable Energy Certificates
SFC	State Fire Commission
SFCSS	State Fire Commission Superannuation Scheme
SG	Superannuation Guarantee
SOC	State Owned Company
SW	Southern Water
TAS	Tasmanian Accumulation Scheme
Tascorp	Tasmanian Public Finance Corporation
Tasracing	Tasracing Pty Ltd
TASSS	Tasmanian Ambulance Service Superannuation Scheme
TasWater	Tasmanian Water and Sewerage Corporation Pty Ltd
TCFA	Tasmanian Community Forest Agreement
TDRA	Temporary Debt Repayment Account
TFA	Tasmanian Forests Agreement
TFIA	Tasmanian Forest Intergovernmental Agreement
TFS	Tasmanian Fire Service
THO	Tasmanian Health Organisation
TI	Treasurer's Instruction
TIPL	Tasmanian Irrigation Pty Ltd
TMD	(formerly known as Telecommunications Management Division), a division of the Department of Premier and Cabinet
TVPS	Tamar Valley Power Station
TWSC	Tasmanian Water and Sewerage Corporation
WACC	Weighted Average Cost of Capital
WIF	Water Infrastructure Fund
VaR	Value at Risk

APPENDIX 4 - RECENT REPORTS

TABLED	No.	TITLE
November	No. 6 of 2011-12	Volume 4 – Local Government Authorities 2010-11
December	No. 7 of 2011-12	Volume 5 – Other State Entities 30 June 2011 and 31 December 2011
March	No. 8 of 2011-12	The assessment of land-use planning applications
June	No. 9 of 2011-12	Volume 6 – Other State Entities 30 June 2011 and 31 December 2011
June	No. 10 of 2011-12	Public Trustee: management of minor trusts
June	No. 11 of 2011-12	Updating the Motor Registry System
June	No. 12 of 2011-12	Follow up of Special Reports 75-81
July	No 1 of 2012-13	Sale of TOTE Tasmania
October	No 2 of 2012-13	TasPorts: benefits of amalgamation – October 2012
November	No 3 of 2012-13	Volume 3 – Government Business Enterprises, State Owned Companies and Water Corporations 2011-12
November	No 4 of 2012-13	Volume 4 – Local Government Authorities 2011-12
November	No 5 of 2012-13	Volume 1 – Analysis of the Treasurer's Annual Financial Report 2011-12
November	No 6 of 2012-13	Volume 2 – Executive Legislature, Government Departments, other General Government Sector State entities and Superannuation Funds 2011-12
December	No 7 of 2012-13	Compliance with the *Tasmanian Adult Literacy Plan 2010-15*
March	No 8 of 2012-13	National Partnership Agreement on Homelessness
March	No 9 of 2012-13	Royal Derwent Hospital: site sale
May	No 10 of 2012-13	Hospital bed management and primary preventative health
May	No. 11 of 2012-13	Financial Statements of State entities: Volume 5 – Other State entities
May	No. 11 of 2012-13	Department of Health and Human Services – Output based expenditure (included in Financial Statements of State entities: Volume 5 – Other State entities)
August	No. 1 of 2013-14	Fraud control in local government

Auditor-General's reports are available from the Tasmanian Audit Office. These and other published reports can be accessed via the Office's homepage www.audit.tas.gov.au

Tasmanian Audit Office

Level 4, Executive Building, 15 Murray Street, Hobart, Tasmania, 7000
Postal Address GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6226 0100 | Fax: 03 6226 0199
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

Our Vision

STRIVE I LEAD I EXCEL I TO MAKE A DIFFERENCE

Our Purpose

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector

Availability of reports

Auditor-General's reports are available from the Tasmanian Audit Office, Hobart. This report and other recent reports published by the Office can be accessed via the Office's home page. For further information please contact the Office.

Audit Mandate and Standards Applied

Mandate

Section 17(1) of the *Audit Act 2008* states that:

> 'An accountable authority other than the Auditor-General, as soon as possible and within 45 days after the end of each financial year, is to prepare and forward to the Auditor-General a copy of the financial statements for that financial year which are complete in all material respects.'

Under the provisions of section 18, the Auditor-General:

'(1) is to audit the financial statements and any other information submitted by a State entity or an audited subsidiary of a State entity under section 17(1).'

Under the provisions of section 19, the Auditor-General:

'(1) is to prepare and sign an opinion on an audit carried out under section 18(1) in accordance with requirements determined by the Australian Auditing and Assurance Standards

(2) is to provide the opinion prepared and signed under subsection (1), and any formal communication of audit findings that is required to be prepared in accordance with the Australian Auditing and Assurance Standards, to the State entity's appropriate Minister and provide a copy to the relevant accountable authority.'

Standards Applied

Section 31 specifies that:

'The Auditor-General is to perform the audits required by this or any other Act in such a manner as the Auditor-General thinks fit having regard to –

(a) the character and effectiveness of the internal control and internal audit of the relevant State entity or audited subsidiary of a State entity

(b) the Australian Auditing and Assurance Standards.'

The auditing standards referred to are Australian Auditing Standards as issued by the Australian Auditing and Assurance Standards Board.

Tasmanian Audit Office

Photo courtesy of Tourism Tasmania and Popphackner Photography

Phone	(03) 6226 0100	**Address**	Level 4, Executive Building
Fax	(03) 6226 0199		15 Murray Street, Hobart
Email	admin@audit.tas.gov.au	**Postal Address**	GPO Box 851, Hobart 7001
Web	www.audit.tas.gov.au	**Office Hours**	9am to 5pm Monday to Friday

Launceston Office

Phone	(03) 6336 2503	**Address**	2nd Floor, Henty House
			1 Civic Square, Launceston