

REPORT OF
THE AUDITOR-GENERAL

***Government Departments
and Public Bodies***

1998 - 1999

**No 2 of 1999
NOVEMBER 1999**

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30 November 1999

President
Legislative Council
HOBART

Speaker
House of Assembly
HOBART

Dear Mr President
Dear Mr Speaker

In accordance with the provisions of Section 57 of the Financial Management and Audit Act 1990, I present my Report on the audit of Government departments and public bodies for the year ended 30 June 1999.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A J McHugh'.

A J McHugh
AUDITOR-GENERAL

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Launceston Sailors Home Fund Trust	
Royal Tasmanian Botanical Gardens	

St Giles Society Inc.
Tasmanian Beef Industry (Research and Development) Trust
Tasmanian Building and Construction Industry Training Board
Tasmanian Museum and Art Gallery
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INTRODUCTION

Report No. 1 was submitted to Parliament on 30 September 1999 and dealt with the audit of the Public Account for the year ended 30 June 1999.

Report No. 2 (this report) deals with Ministerial Departments, State-Owned Corporations, State Authorities, Government Business Enterprises, Local Government Authorities, Port Corporations, and other public bodies together with special comments on various other issues. Unless specifically indicated, the comment in the Report is current as at 29 November 1999.

FORMAT OF THIS REPORT

This Report has been based on the administrative arrangements set out under the provisions of the Administrative Arrangements Act 1990 as at 30 June 1999 and I have classified entities as follows:

Part 1	Executive and Legislature
Part 2	Ministerial Departments
Part 3	Statutory Authorities
Part 3.1	Government Business Enterprises
Part 3.2	State Owned Corporations
Part 3.3	Port Corporations
Part 3.4	Other Statutory Authorities
Part 4	Local Government
Part 5	Miscellaneous Public Bodies
Part 6	Other Issues

This classification does not attempt to recognise any lines of responsibility that some Statutory Authorities have through Ministerial Departments to the appropriate Minister, however the Portfolio or Responsible Minister is stated in each case.

STATUS OF AUDITS

The majority of audits for the year ended 30 June 1999 have been completed with some exceptions as detailed in the preamble under each Part of the Report.

AUDITS DISPENSED WITH

In accordance with *Section 41 of the Financial Management and Audit Act 1990* (FMAA), the following audits have been dispensed with after consideration of alternative accountability arrangements for the public bodies concerned. Two of the aspects considered were the materiality of the financial transactions involved and the most cost-effective means of conducting the audits.

Grants to Public Bodies

An organisation in receipt of a grant from the Consolidated Fund automatically becomes a public body as defined under the FMAA, and is required to meet certain accountability requirements in accordance with the Treasurer's Instructions. A recipient of a grant of \$5 000 or more is required to provide the appropriate Head of Agency with:-

- A signed copy of the public body's financial statements, showing the receipt and manner of disbursement of each grant, together with an audit report signed by a suitably qualified person; or
- A Statutory Declaration made in accordance with the *Evidence Act 1910*, and signed by two office holders or members considered to be bona fide representatives of the public body, to the effect that the grant was received and disbursed for the purpose for which it was given; or
- A certificate signed by a suitably qualified person to the effect that the grant was received and disbursed for the purpose for which it was given.

In the course of the various Agency audits, Audit Office staff ensure that Heads of Agencies comply with the requirements of the Treasurer's Instructions.

Registration Boards

The audits of the following Boards have been dispensed with on the basis that an audit is undertaken by a suitably qualified person.

Board of Architects
Chiropractors Registration Board
Dental Board
Dental Mechanics Board
Medical Council of Tasmania
Nursing Board
Optometrists Registration Board
Pharmacy Board of Tasmania
Physiotherapists Registration Board
Plumbers and Gasfitters Registration Board
Podiatrists Registration Board

Psychologists Registration Board
Radiographers Registration Board
Surveyors Registration Board
Teachers and Schools Registration Board
Travel Agents Licensing Board
Valuers Registration Board

Other Public Bodies

The audits of the following public bodies have also been dispensed with on the basis that an audit is undertaken by a suitably qualified person:-

National Trust of Australia (Tasmania)
National Trust Preservation Fund (Hobart)
Drainage Trusts

Local Government Committees

Committees appointed under the *Local Government Act 1993* are required to provide copies of their annual financial statements to the respective Council to enable the General Manager, or some other appropriate person, to perform an audit of those accounts.

Statements of Committees are normally consolidated in the financial statements of the respective Councils.

SIGNIFICANT ITEMS ARISING FROM AUDITS

The format of this Report is similar to the corresponding report in 1998. This Report contains operating statements and financial positions of ministerial departments, the more significant government business enterprises and statutory authorities. The Report continues to present summarised financial information for all councils. I hope that method of presentation provides a better overview of how these entities have fared without undertaking the futile task of reproducing all of the information that is available in the annual reports of these entities. The accompanying text sets out significant points, if any, arising from an analysis of the financial statements and in relation to the environment in which each operates.

The Report does not include many items arising from the audits that have been formally raised with the auditees. The rationale for inclusion or otherwise rests on my perception of the public interest in each point and the need to confine comments to those matters that have more than a managerial dimension.

SIGNIFICANT ITEMS

Department of Health and Human Services - Page 38

Following an internal review of the specific purpose and trust funds held by the Department, the Department has 'cash-backed' the balances of those accounts which were deemed to be 'implied trusts'. This area now appears to be generally under control.

Department of Justice and Industrial Relations - Pages (51 - 55)

Unpaid fines continue to increase.

Department of Police and Public Safety - Page 57

The Department experienced a negative Change in Net Assets Resulting from Operations for the second successive year. The change manifested itself in a decrease in Land and Buildings and an increase in the Employee Entitlements liability.

Department of Primary Industries, Water and Environment - Page 66

A value of \$70m has been attributed to the land in National Parks and Conservation Areas that had previously not been included in the assets of the Department.

Department of State Development - Page 70

Assistance to industries from the Department increased from \$9.5m in 1997-98 to \$19.8m in 1998-99 principally due to the establishment and support of new call centres. Borrowings and lending activity has contracted.

Department of Treasury and Finance - Pages (76 - 78)

Treasury has advised that it will in future provide more current actuarial information about the unfunded superannuation liability.

The estimated liability on inner-budget agencies for long service leave and recreation leave appears to have stabilised.

Forestry Tasmania - Pages (89 - 90)

Forestry Tasmania increased revenue markedly in 1998-99 but this was more than matched by increases in operating expenditure. The Forest Estate Asset (comprising land, timber and roads) was revalued from \$827m to \$489m. Individual components of the Forest Estate are land (\$242m), roads (\$111m), timber (\$128m) and Joint Venture forest assets (\$8m).

Motor Accident Insurance Board - Page 98

The Board provided an additional \$16m as an expense due to the estimated impact of the forthcoming Goods and Services Tax on outstanding claims.

Aurora Energy Pty Ltd and Transend Networks Pty Ltd - Pages (144 & 155)

The creation of Aurora Energy Pty Ltd and Transend Networks Pty Ltd out of the Hydro-Electric Corporation was declared to be a 'prescribed arrangement' for the purposes of Retirement Benefits Regulations. As a consequence, many employees opted to resign from the Retirement Benefits Fund contributory scheme while remaining employees of the new entities. The additional cost of this accelerated payout was \$18.245m and \$0.958m for the entities respectively.

Metro Tasmania Pty Ltd - Page 147

A similar arrangement in the case of Metro Tasmania Pty Ltd resulted in an expense of \$2.196m.

Legal Aid Commission - Page 175

The Commission experienced another operating loss for 1998-99.

Termination Arrangements for Heads of Agencies - Page 245

The contracts of employment of two Heads of Agency were terminated during the year. Payments made to them exceeded their contractual entitlements.

1 EXECUTIVE AND LEGISLATURE

INTRODUCTION

The Parliament of Tasmania is comprised of the Crown (represented by the Governor), the Legislative Council and the House of Assembly which collectively form the Legislature.

Appropriation of funds to the Legislature-General Division provides, amongst other matters, for general parliamentary functions including the Parliamentary Catering and Reporting Services. These functions are administered by designated officers of the Parliament and financial transactions are recorded in the financial statements of:

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

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 prepared by the Department of Premier and Cabinet.

The information on each function is summarised under the following headings:

- Employee Statistics as at 30 June 1999;
- Audit of the 1998-99 Financial Statements; and
- Financial Results; and
- Additional Financial Information.

The disclosures under Financial Results are derived from the Accrual segments of the full audited financial statements which include Cash and Accrual segments.

1.1 OFFICE OF THE GOVERNOR

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 of the Governor provides His Excellency with the administrative support to carry out this function.

EMPLOYEE STATISTICS

Employee Statistics as at 30 June 1999 are as follows:

	30 June 1998	30 June 1999
Headcount	23	23
Full-time Equivalents	22.5	22.5

Source: Office of the Governor Annual Report 1998-99

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The Official Secretary signed the financial statements of the Office on 30 August 1999 and an unqualified audit report was issued on 2 November 1999.

FINANCIAL RESULTS

OPERATING STATEMENT

	1998-99	1997-98
	\$'000	\$'000
Operating Expenses		
Employee costs	1 212	1 140
Depreciation	98	97
Supplies	5	7
Other	611	638
Total Cost Of Services	<u>1 926</u>	<u>1 882</u>
Operating Revenues		
Contributions	160	222
Other revenues	1	5
Total Operating Revenues	<u>161</u>	<u>227</u>
Net Cost of Services	<u>1 765</u>	<u>1 655</u>
Revenues From Government		
Recurrent appropriations	1 638	1 554
Capital appropriations	8	8
Total Revenues From Government	<u>1 638</u>	<u>1 562</u>
Change In Net Assets Resulting From Operations	<u>(127)</u>	<u>(93)</u>

Transactions reported on an accrual basis for 1998-99 indicate a change in net assets of (\$127 000). These do not include 'administered' revenues, expenditures, assets or liabilities.

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash on hand and deposit accounts	1	0
Other	4	2
Total Current Assets	<u>5</u>	<u>2</u>
Non-current Assets		
Plant and equipment	297	308
Land and buildings	13 528	13 626
Heritage assets	863	863
Total Non-current Assets	<u>14 688</u>	<u>14 797</u>
Total Assets	<u>14 693</u>	<u>14 799</u>
Current Liabilities		
Payables	22	22
Employee entitlements	161	131
Accrued expenses	14	14
Total Current Liabilities	<u>197</u>	<u>167</u>
Non-current Liabilities		
Employee entitlements	<u>163</u>	<u>172</u>
Total Liabilities	<u>360</u>	<u>339</u>
Equity		
Accumulated surplus	<u>14 333</u>	<u>14 460</u>
Total Equity	<u>14 333</u>	<u>14 460</u>

Transactions for the year in relation to output groups are as follows.

OUTPUT INFORMATION

Output Group	Operating Revenues 1998-99 \$'000	Operating Expenses 1998-99 \$'000	Revenues from Government 1998-99 \$'000
The Office of the Governor	161	1 919	1 630
House Restoration	0	7	8
	<u>161</u>	<u>1 926</u>	<u>1 638</u>

Administered Transactions

Administered expenses and revenues for the year were as follows.

ADMINISTERED EXPENSES AND REVENUES

	1998-99	1997-98
	\$'000	\$'000
EXPENSES		
Salaries under the Governor of Tasmania Act 1982	156	144
TOTAL ADMINISTERED EXPENSES	<u>156</u>	<u>144</u>
REVENUES FROM GOVERNMENT		
Reserved by Law	153	144
TOTAL ADMINISTERED REVENUES	<u>153</u>	<u>144</u>

1.2 LEGISLATIVE COUNCIL

The Legislative Council, together with the House of Assembly and His Excellency the Governor, constitute the Parliament of Tasmania.

The Legislative Council is the Upper House of Parliament and functions as a House of Review.

EMPLOYEE STATISTICS

Employee Statistics as at 30 June 1999 are as follows:

	30 June 1998	30 June 1999
Headcount	19	18
Full-time Equivalents	18	17

Source: Annual Report 1998-99

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Legislative Council were signed by the Clerk of the Council on 31 August 1999 and an unqualified audit report was issued on 18 November 1999.

FINANCIAL RESULTS

OPERATING STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Expenses		
Employee costs	880	908
Communication	99	93
Travel	98	106
Information technology	29	40
Other	280	264
Total Cost Of Services	<u>1 386</u>	<u>1 411</u>
Operating Revenues		
Other revenues	71	35
Total Operating Revenues	<u>71</u>	<u>35</u>
Net Cost of Services	<u>1 315</u>	<u>1 376</u>
Revenues From Government		
Recurrent appropriation	1 353	1 273
Total Revenues From Government	<u>1 353</u>	<u>1 273</u>
Change In Net Assets Resulting From Operations	<u>38</u>	<u>(103)</u>

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash and deposit accounts	<u>4</u>	<u>33</u>
Total Current Assets	<u>4</u>	<u>33</u>
Non-current Assets		
Furniture and fittings	716	718
Artwork and artefacts	<u>138</u>	<u>137</u>
Total Non-current Assets	<u>854</u>	<u>855</u>
Total Assets	<u>858</u>	<u>888</u>
Current Liabilities		
Payables	26	77
Accrued expenses	18	5
Employee entitlements	<u>388</u>	<u>411</u>
Total Current Liabilities	<u>432</u>	<u>493</u>
Non-current Liabilities		
Employee entitlements	<u>11</u>	<u>18</u>
Total Liabilities	<u>443</u>	<u>511</u>
Equity		
Accumulated surplus	<u>415</u>	<u>377</u>
Total Equity	<u>415</u>	<u>377</u>

OUTPUT INFORMATION

Output Group	Operating Revenues 1998-99 \$'000	Operating Expenses 1998-99 \$'000	Revenues from Government 1998-99 \$'000
	Support services	<u>71</u>	<u>1 386</u>

Administered Transactions

The appropriations for Member's salaries and allowances are classified as administered items and as such are not included in the Operating Statement or Statement of Financial Position disclosures in the above tables. Administered expenses and revenues for the year were as follows.

ADMINISTERED EXPENSES AND REVENUES

	1998-99 \$'000	1997-98 \$'000
EXPENSES		
Parliamentary salaries and allowances	1 805	1 671
Parliamentary travelling allowances	53	83
Parliamentary communication costs	20	10
TOTAL ADMINISTERED EXPENSES	<u>1 878</u>	<u>1 764</u>
REVENUES FROM GOVERNMENT		
Reserved by Law	1 747	1 725
TOTAL ADMINISTERED REVENUES	<u>1 747</u>	<u>1 725</u>

Parliamentary salaries and allowances have increased from \$1.671m in 1997-98 to \$1.805m in 1998-99. This increase includes eligible termination payments to four previous Members totalling \$127 885.

1.3 HOUSE OF ASSEMBLY

The House of Assembly, together with the Legislative Council and His Excellency the Governor, constitute the Parliament of Tasmania, which has the responsibility to consider legislation and to authorise expenditure of State monies.

Officers of the House of Assembly 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 appropriations and reserved by law appropriations for the above services and for the administration of payments of salaries and allowances as prescribed by the *Parliamentary Salaries and Allowances Act 1973*.

EMPLOYEE STATISTICS

Employee Statistics as at 30 June 1999 are as follows:

	30 June 1998	30 June 1999
Headcount	19	20
Full-time Equivalents	18.3	18.7

Source: House of Assembly Annual Report 1998-99

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the House of Assembly were signed by the Clerk of the House on 9 August 1999 and an unqualified audit report was issued on 7 September 1999.

FINANCIAL RESULTS

OPERATING STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Expenses		
Employee costs	966	877
Depreciation	18	6
Communication	184	220
Travel	150	207
Information technology	60	36
Other	253	270
Total Cost Of Services	<u>1 631</u>	<u>1 616</u>
Operating Revenues		
Other revenues	<u>2</u>	<u>1</u>
Total Operating Revenues	<u>2</u>	<u>1</u>
Net Cost of Services	<u>1 629</u>	<u>1 615</u>
Revenues From Government		
Recurrent appropriation	<u>1 667</u>	<u>1 641</u>
Total Revenues From Government	<u>1 667</u>	<u>1 641</u>
Change In Net Assets Resulting From Operations	<u>38</u>	<u>26</u>

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Non-current Assets		
Antique furniture	594	594
Artworks and artefacts	213	213
Computer equipment	32	45
Total Non-current Assets	<u>839</u>	<u>852</u>
Total Assets	<u>839</u>	<u>852</u>
Current Liabilities		
Payables	55	86
Employee entitlements	417	416
Total Current Liabilities	<u>472</u>	<u>502</u>
Non-current Liabilities		
Employee entitlements	22	43
Total Liabilities	<u>494</u>	<u>545</u>
Equity		
Accumulated surplus	345	307
Total Equity	<u>345</u>	<u>307</u>

Transactions for the year in relation to output groups are as follows:

OUTPUT INFORMATION

Output Group	Operating	Operating	Revenues
	Revenue	Expenses	from
	1998-99	1998-99	Government
	\$'000	\$'000	1998-99
			\$'000
House of Assembly Support Services	2	1 631	1 667
Totals	<u>2</u>	<u>1 631</u>	<u>1 667</u>

Administered Transactions

The appropriations for Members salaries and allowances are classified as administered items and as such are not included in the Operating Statement or Statement of Financial Position disclosures in the above tables. Administered expenses and revenues for the year were as follows.

ADMINISTERED EXPENSES AND REVENUES

	1998-99	1997-98
	\$'000	\$'000
EXPENSES		
Parliamentary salaries and allowances	2 506	3 277
Parliamentary travelling allowances	89	98
Parliamentary committee fees and allowances	9	24
TOTAL ADMINISTERED EXPENSES	<u>2 604</u>	<u>3 399</u>
REVENUES FROM GOVERNMENT		
Reserved by law	2 650	3 318
TOTAL ADMINISTERED REVENUES	<u>2 650</u>	<u>3 318</u>

Parliamentary salaries and allowances have decreased from \$3.277m in 1997-98 to \$2.506m in 1998-99 mainly as a result of a decrease in the number of Members of Parliament during the year.

1.4 LEGISLATURE - GENERAL

Legislature-General consists of Joint House support staff, the Parliamentary Reporting Service, the Parliamentary Library Service and the Parliamentary Printing and Systems Service. These services represent support services provided to both Houses of Parliament and their Members.

The Clerk of the Legislative Council and the Clerk of the House of Assembly are jointly responsible for the effective and efficient support operations of the Legislature-General, including the responsibility for all human resources and financial administration issues. The Secretary to the Joint House Committee is responsible for the immediate control of support functions, liaison with and direction to the managers of the various branches.

EMPLOYEE STATISTICS

Employee Statistics as at 30 June 1999 are as follows:

	30 June 1998	30 June 1999
Headcount	40	50
Full-time Equivalents	33.57	28.84

Source: Annual Report 1998-99

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Legislature-General were signed by the Clerk of the Legislative Council and the Clerk of the House of Assembly on 31 August 1999 and an unqualified audit report was issued on 25 November 1999.

FINANCIAL RESULTS

OPERATING STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Expenses		
Employee costs	1 763	1 888
Depreciation	222	233
Rental	245	245
Communication	78	70
Printing and stationery	375	412
Information technology	44	62
Accommodation and travel	640	455
Cost of goods sold	157	176
Other	188	128
Total Cost Of Services	<u>3 712</u>	<u>3 669</u>
Operating Revenues		
Contract works CIP funding	77	76
Other revenues	202	238
Total Operating Revenues	<u>279</u>	<u>314</u>
Net Cost of Services	<u>3 433</u>	<u>3 355</u>
Revenues From Government		
Recurrent appropriation	3 259	3 157
Capital investment program	375	
Total Revenues From Government	<u>3 634</u>	<u>3 157</u>
Change In Net Assets Resulting From Operations	<u>201</u>	<u>(198)</u>

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash and deposit accounts	119	50
Receivables	29	11
Inventories	14	19
Total Current Assets	<u>162</u>	<u>80</u>
Non-current Assets		
Buildings	9 400	9 600
Land	2 500	2 500
Furniture and fittings	17	23
Computer equipment	35	16
Plant & equipment	48	0
Security equipment	48	0
Capital work in progress	252	0
Total Non-current Assets	<u>12 300</u>	<u>12 139</u>
Total Assets	<u>12 462</u>	<u>12 219</u>
Current Liabilities		
Payables	62	80
Employee entitlements	399	349
Other	7	0
Total Current Liabilities	<u>468</u>	<u>429</u>
Non-current Liabilities		
Employee entitlements	<u>68</u>	<u>65</u>
Total Liabilities	<u>536</u>	<u>494</u>
Equity		
Accumulated surplus	<u>11 926</u>	<u>11 725</u>
Total Equity	<u>11 926</u>	<u>11 725</u>

Cash on hand and deposit accounts increased from \$50 000 in 1997-98 to \$119 000 in 1998-99. This increase in the balance represents funds retained and carried forward for maintenance purposes.

OUTPUT INFORMATION

Output Group	Operating Revenues 1998-99 \$'000	Operating Expenses 1998-99 \$'000	Revenues from Government 1998-99 \$'000
Parliamentary Reporting Service	0	607	632
Parliamentary Library Services	0	534	527
Parliamentary Printing and Systems	6	523	539
Joint Services	<u>273</u>	<u>2 033</u>	<u>1 561</u>
	<u>279</u>	<u>3 697</u>	<u>3 259</u>

Administered Transactions

The Legislature-General is also responsible for appropriations for associations and other member benefits. These are administered items and as such are not included in the operating result or statement of financial position disclosures in the above tables. Administered expenses and revenues for the year were as follows:

ADMINISTERED EXPENSES AND REVENUES

	1998-99 \$'000	1997-98 \$'000
Expenses		
Commonwealth Parliamentary Association London	14	12
Commonwealth Parliamentary Association Tasmania	39	24
Railway passes for Members of Parliament	4	1
Total Administered Expenses	<u>57</u>	<u>37</u>
Revenues from Government		
Reserved by Law	61	44
Total Administered Revenues	<u>61</u>	<u>44</u>

2 MINISTERIAL DEPARTMENTS

INTRODUCTION

State Government Departments are established by order of the Governor, on the recommendation of the Minister responsible, under the provisions of the *Tasmanian State Service Act 1984* (TSSA). Ministerial responsibility for departments is assigned under the provisions of the *Administrative Arrangements Act 1990*.

Government departments are those listed in Schedule 1 of the TSSA.

This PART of the Report provides information on Government departments in alphabetical order of their names. The information on each department is summarised under the following headings:

- Employee Statistics as at 30 June 1999;
- Audit of the 1998-99 Financial Statements;
- Financial Results; and
- Additional Financial Information

The disclosures under Financial Results and Additional Financial Information headings are derived from the Accrual segments of the full audited financial statements which include Cash and Accrual segments. 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 Standard AAS 29, Financial Reporting by Government Departments. Full (unabridged) financial statements are required to be published as part of Government departments' annual reports to Parliament by 30 November following the end of the financial year; they then become public documents.

Information provided under other headings was derived from various unaudited sources eg certain Employee Statistics were extracted centrally from the State Employees Information System while others were obtained from departments' annual reports.

2.1 DEPARTMENT OF EDUCATION

The Department's areas of responsibility during 1998-99 included:

State Schools and Colleges - Tasmania is divided into seven education districts for administrative purposes and operates a total of 225 schools and colleges - one unlinked kindergarten, 143 primary schools, 14 special schools, 26 district high schools, 33 high schools and 8 secondary colleges.

Vocational Education and Training (VET) – following the restructure of the former Department of Vocational, Education and Training, the Office of Vocational Education and Training (OVET) was established and incorporated within the Department of Education on 6 May 1998.

TAFE Tasmania - TAFE Tasmania commenced operations on 1 January 1998 as a leading provider of VET in the State. Established as a statutory authority under the provisions of the *TAFE Tasmania Act 1997*, TAFE Tasmania aims to provide the skills and competencies required to increase the productivity of the State's workforce.

State Library Service - the State Library delivers its services through a statewide network of seven city libraries, 41 branch libraries, six reference and specialist collections, including the Tasmanian and W L Crowther Libraries, the Allport Library, the Museum of Fine Arts, the Tasmania Online Internet service and a network of community access centres.

Archives Office of Tasmania - the Archives Office is the repository for all Tasmanian State and Local Government records which are no longer of immediate administrative use, but which are considered worthy of permanent or long-term preservation. It also has a major collection of non-government records and manuscripts.

The Office of Youth Affairs and Community Development - the Office of Youth Affairs provides an administrative and coordination role in policy development in the area of youth affairs across all State Government agencies, and assists the flow of information about programs, services and issues affecting young people as part of the policy development process. The Community Development Unit undertakes community development initiatives at the local level.

The Portfolio Minister for the Department is the Minister for Education.

EMPLOYEE STATISTICS

Employee Statistics as at June 1999 are as follows:

	24 June 1998	23 June 1999
Headcount	9 434	9087
Full-time Equivalents	7 481.67	7274.02
Teaching – Headcount	5 600	5424

Source: Department's Annual Report 1997-98 and 1998-99

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Department of Education were signed by the Secretary of the Department on 31 August 1999 and an unqualified audit report was issued on 23 September 1999.

FINANCIAL RESULTS

OPERATING STATEMENT

	1998-99	1997-98
	\$'000	\$'000
Operating Expenses		
Employee costs	377 690	362 275
Supplies and services	169 999	53 502
Schools - supplies and services	0	43 353
Depreciation	18 324	18 284
Total Cost Of Services	566 013	477 414
Operating Revenues		
Central office - user charges, fees/fines	33 324	27 582
Schools levies	6 459	5 941
Total Operating Revenues	39 783	33 523
Net Cost of Services	526 230	443 891
Revenues From Government		
Recurrent appropriation	509 064	427 811
Works and services appropriation	18 016	11 943
Total Revenues From Government	527 080	439 754
Net Revenue From Disposal Of Non-current Assets	(1 745)	(1 433)
Abnormals		
Gain/(loss) on restructuring	(15 946)	937
Total Abnormals	(15 946)	937
Change In Net Assets Resulting From Operations	(16 841)	(4 633)

Supplies and services expenses have increased from \$53.502m in 1997-98 to \$169.999m in 1998-99 due mainly to all school expenditure of \$56.500m now being included under this item and the full year effect of OVET expenses of \$60.000m.

Central office – user charges, fees/fines have increased from \$27.582m in 1997-98 to \$33.324m in 1998-99 due principally to the full year effect of OVET activities of \$5.000m

The loss on restructuring of \$15.946m is due to the transfer of net assets to other agencies as part of the administrative restructure which was implemented in September 1998. The largest component of this loss was \$14.488m for land and buildings.

STATEMENT OF FINANCIAL POSITION

	1998-99	1997-98
	\$'000	\$'000
Current Assets		
Cash and deposit accounts	39 824	33 883
Receivables	1 857	1 381
Other	103	92
Total Current Assets	<u>41 784</u>	<u>35 356</u>
Non-current Assets		
Plant and equipment	8 617	9 258
Land and buildings	761 474	786 546
Work in progress	3 521	1 795
Library book stock	18 047	19 391
Heritage assets	2 292	2 262
Other	0	236
Total Non-current Assets	<u>793 951</u>	<u>819 488</u>
Total Assets	<u>835 735</u>	<u>854 844</u>
Current Liabilities		
Payables	2 913	3 594
Employee entitlements	26 748	24 696
Other	1 381	1 686
Total Current Liabilities	<u>31 042</u>	<u>29 976</u>
Non-current Liabilities		
Employee entitlements	<u>52 718</u>	<u>55 356</u>
Total Liabilities	<u>83 760</u>	<u>85 332</u>
Equity		
Accumulated surplus	<u>751 975</u>	<u>769 512</u>
Total Equity	<u>751 975</u>	<u>769 512</u>

Cash and deposit accounts have increased from \$33.883m in 1997-98 to \$39.824m in 1998-99. This is primarily due to an increase in the amount held in school bank

accounts of \$9.913m and a reduction in the value of trust account balances of \$3.949m.

Transactions for the year in relation to output groups are as follows.

OUTPUT INFORMATION

Output Group	Operating	Operating	Revenues
	Revenues	Expenses	from
	1998-99	1998-99	Government
	\$'000	\$'000	1998-99
			\$'000
Education	32 655	461 637	421 134
Vocational Education and Training (VET)	3 095	7 627	6 412
Delivery of VET Services	2 074	61 961	56 802
Information Services	1 401	23 964	18 414
General - Not Attributed	558	10 824	24 318
	<u>39 783</u>	<u>566 013</u>	<u>527 080</u>

ADDITIONAL FINANCIAL INFORMATION

School Bank Accounts

The value of school bank accounts increased from \$19.419m as at 30 June 1998 to \$29.332m as at 30 June 1999. The Department has indicated reasons for this as follows:

'The rise and fall of school bank accounts over the school year depends on timing of cashflows for School Resource Package (SRP) payments and other grant programs from various funding bodies.....

The Government and the Department have also been actively developing a comprehensive IT for schools strategy over the past year. This has resulted in additional amounts of funding flowing to schools over and above their normal SRP allocations.....It was not anticipated that expenditure associated with the IT strategies would be incurred by schools before June 1999 but it is expected that the majority of cash will be spent by the end of the 1999 school year.

It should also be noted that the Department will have further major IT grants programs (flowing from the Telstra Social Bonus funding) over the next 3 to 5 years and it is expected that school bank accounts will be periodically higher than normal during this period.'

Administered Transactions

Administered transactions are those that the Department manages on behalf of Government but cannot use for its own purposes. These transactions are not disclosed in the above tables.

Administered Revenues

Administered Revenues for 1998-99 totalled \$167.422m and included:-

- Revenues from Government (Appropriation) which are passed on in the form of grants and subsidies to external recipients amounting to \$34.958m, the largest being grants to non-government schools, \$23.825m;
- Revenues received from the Commonwealth for non-government schools, \$53.190m; and
- Revenues received by the Department and then transferred to the Consolidated Fund, \$77.661m.

Capital Investment Program

The program for 1998-99 provided for redevelopment, refurbishment and upgrading of school and TAFE facilities across the State and amounted to approximately \$18.0m.

2.2 DEPARTMENT OF HEALTH AND HUMAN SERVICES

The Department of Health and Human Services (DHHS) provides integrated services in the areas of health, housing, ambulance, and community services to people in Tasmania. These services are provided through the following output groups:

- Health Advancement – Dental services, family, child and youth health services, drug and alcohol services, and those provided by Public and Environmental Health and the new Health and Well-being Outcomes Unit, perform both a health advancement and health protection role;
- Community and Rural Health – the Department delivers individual services in community settings to people who require disability services, mental health services, palliative care services, aged care, rural and community health services;
- Child, Youth and Family Support – services are directed to improving the safety and well-being of children, individuals, families and communities. This includes providing crisis support and accommodation, alternate care services for children who are unable to live with their families, local and overseas adoption services, services for women experiencing domestic violence and supervision, support and custodial services for young offenders;
- Hospitals and Ambulance Service – a wide range of specialist hospital based treatment and care is provided through the State hospital system. The Tasmanian Ambulance Service provides emergency ambulance care, rescue and transport services;
- Housing Services – the major focus is to ensure that low income Tasmanians have access to adequate, affordable, appropriate and secure housing options. In addition to the provision of public housing, low income Tasmanians may be provided with financial assistance to access or maintain housing in the private rental market or be assisted to purchase their own home through the Home Ownership Assistance Program (HOAP); and
- Strategic Policy – this includes the provision of policy advice on a whole-of-department basis.

The Portfolio Minister is the Minister for Health and Human Services.

EMPLOYEE STATISTICS

Employee Statistics as at 30 June 1998 are as follows:

	Head - count	Full- Time Equivalent
Child Youth and Family Support	275	243.4
Community and Rural Health	2 775	2 059.9
Corporate Strategy	17	17.0
Corporate Support Services	207	197.5
Health Advancement	546	449.4
Hospitals and Ambulance Services	4 274	3 636.6
Housing	211	206.9
Portfolio Services	17	17.6
Total	8 322	6 828.3

Source: Department's Annual Report 1998-99

Employee Statistics as at 30 June 1999 are as follows:

	Head - count	Full- Time Equivalent
Child Youth and Family Support	288	249.4
Community and Rural Health	2,804	2,104.6
Strategic and Corporate Support	229	212.0
Health Advancement	543	424.8
Hospitals and Ambulance Services	4,209	3,554.1
Housing	205	200.0
Total	8,278	6,744.9

Source: Department's Annual Report 1998-99

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Department of Health and Human Services were signed by the Secretary of the Department on 31 August 1999 and subsequently on 5 November 1999. An unqualified audit report was issued on 24 November 1999.

SELECTED ISSUES ARISING FROM THE AUDIT

Financial Statements

The financial statements when first received contained numerous errors and required extensive alteration to the accrual statements and notes thereto. Final signed amended statements were received on 10 November 1999. Signed statements for Housing Services and HOAP were also received on 10 November 1999.

This matter has been raised with the Department with a view to improving the timeliness and accuracy of future financial statements.

Specific Purpose and Trust Funds

Testing by Audit of the Report on the Review of Specific Purpose and Trust Fund Accounts undertaken by the Department showed that this area is now generally under control. However a small number of accounts may have been incorrectly classified resulting in those accounts not being cash backed or carrying forward into the 1999-2000 financial year. It is understood that these accounts will be reviewed with the intention of re-instating these accounts into the general ledger and ensuring adequate cash backing.

FINANCIAL RESULTS

OPERATING STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Expenses		
Employee entitlements	354 543	377 229
Goods and services	85 913	90 826
Depreciation	24 448	28 372
Community grants	75 549	78 211
Interest on borrowings	15 952	16 615
Workers compensation insurance	20 639	19 095
Administration	39 744	48 600
Rates	15 952	17 122
Other	64 798	82 708
Total Cost Of Services	<u>697 538</u>	<u>758 778</u>
Operating Revenues		
User charges	104 138	111 704
Other	32 706	26 880
Total Operating Revenues	<u>136 844</u>	<u>138 584</u>
Net Cost of Services	<u>560 694</u>	<u>620 194</u>
Revenues From Government		
Recurrent appropriation	596 998	545 806
Works and services appropriation	24 941	27 081
Total Revenues From Government	<u>621 939</u>	<u>572 887</u>
Net Revenue (loss) From Disposal Of Non-current Assets	(1 120)	(3 985)
Abnormals		
Write down of leased asset	0	(7 983)
Gain on sale and leaseback of medical equipment	0	1 149
Miscellaneous	(5 793)	0
Total Abnormals	<u>(5 793)</u>	<u>(6 834)</u>
Change In Net Assets from Operations before Restructure	54 332	58 126
Net Revenues (Expenses) from Restructuring	(1 670)	211 650
Change In Net Assets after Restructure	<u>52 662</u>	<u>153 524</u>

The major variations are explained as follows:

- Other revenue increased by \$5.826m. The majority of this variance was due to an amount of \$11.750m being received from Australian Hospital Care Limited by the Department of Primary Industries, Water and Environment (DPIWE) in 1998-99 in relation to advance lease payments and subsequently paid from the Crown Lands Administration Fund to the Department of Health and Human Services;
- Administration and Other Costs decreased by \$8.856m and \$17.910m respectively as a response to the potential budget overrun of \$70m;
- Depreciation decreased by \$3.924m due to property disposals of \$15.091m and equity adjustments \$2.362m. A further \$24.944m of assets were acquired, however \$6.766m were not depreciated as at 30 June 1999 due to the timing of acquisition; and
- As part of the State Service restructuring which took effect from 25 September 1998, \$1.779m relating to the Government Analytical and Forensic Laboratory (GAFL) was transferred to DPIWE. In addition, \$0.460m was transferred to the Department of Education in relation to a transfer of responsibility for Child Care. During 1998-99 the Department also identified \$0.569m of further funds which were held outside the public account.
- The following items were treated as abnormal during 1998-99:
 - The amount reported in the 1997-98 financial statements for creditors was understated by \$4.743m. The incorrect balance was brought forward to the 1998-99 financial year and subsequently corrected as an abnormal adjustment;
 - In taking up balances of the former Regional Health Boards, an amount of \$0.948m was omitted in relation to funds held in a suspense account; and
 - In taking up the balances of the former Regional Health Boards an amount of \$0.1m was incorrectly taken up as a debtor in relation to a debt of the former Regional Health Boards to the Department.

STATEMENT OF FINANCIAL POSITION

	1998-99	1997-98
	\$'000	\$'000
Current Assets		
Cash and deposit accounts	15 344	5 567
Investments	154	163
Receivables	6 691	7 603
Inventory	3 111	3 599
Other	9 289	8 613
Total Current Assets	<u>34 589</u>	<u>25 545</u>
Non-current Assets		
Plant and equipment, vehicles and library	29 475	34 295
Land and buildings	1 041 957	1 052 281
Work in progress	28 819	13 061
Loan advances	66 275	69 327
Receivables	695	29
Total Non-current Assets	<u>1 167 221</u>	<u>1 168 993</u>
Total Assets	<u>1 201 810</u>	<u>1 194 538</u>
Current Liabilities		
Payables	22 442	35 941
Borrowings	4 276	8 320
Advance from payroll provision account	0	7 840
Accrued expenses	13 668	20 084
Employee entitlements	39 208	71 886
Total Current Liabilities	<u>79 594</u>	<u>144 071</u>
Non-current Liabilities		
Borrowings	330 784	335 252
Employee entitlements	41 292	17 737
Total Liabilities	<u>451 670</u>	<u>497 060</u>
Equity		
Invested capital	6 094	6 094
Asset revaluation reserve	212 845	212 845
Accumulated surplus	531 201	478 539
Total Equity	<u>750 140</u>	<u>697 478</u>

The major variations are explained as follows:

- Increase in current assets is primarily due to an increase in cash and deposit accounts as a result of the cash backing of specific purpose and trust fund accounts. Inventories have also fallen as a result of the Royal Hobart Hospital (RHH) general stores area being contracted out;
- Non-current assets have decreased as a result of asset disposals of \$15.091m; \$2.362 of equity adjustments primarily in relation to the transfer of GAFL to DPIWE; and \$24.448m of depreciation. This has been offset by additions of \$24.944m and an increase in work in progress of \$15.758m, which primarily relates to expenditure on the RHH;
- The decrease in employee entitlements is primarily a result of accrued salaries being reclassified as an accrued expense during 1998-99. The amount of long service leave liability classified as a current liability for 1998-99 is based on the actual long service leave paid during the 1997-98 and 1998-99 financial years. Previously this calculation was based on the number of employees with 10 years or more of long service leave liability.
- There has been a significant reduction in the current liabilities of the Department of \$64.477m which is primarily due to a reduction in the Department's creditors and accrued expenses, and a change in the method used to calculate the current portion of long service leave entitlements.

OUTPUT INFORMATION

Output Group	Operating	Operating	Revenues
	Revenues	Expenses	from
	1998-99	1998-99	Government
	\$'000	\$'000	1998-99
			\$'000
Health Advancement	5 836	39 430	35 412
Community and Rural Health	25 118	202 182	179 827
Child Youth and Family Support	823	36 064	36 920
Hospital and Ambulance Services	56 799	364 799	320 703
Housing Services	49 351	88 702	18 525
Corporate Strategy	467	1 893	231
General - Not Attributed	(10 133)	(35 532)	30 321
	<u>128 261</u>	<u>697 538</u>	<u>621 939</u>

ADDITIONAL FINANCIAL INFORMATION

Specific Purpose and Trust Fund Accounts

The 1997-98 financial statements of the Department were qualified on the following basis:

'...As at 30 June 1998 the total 'cash' balances in the Patient Trust and Hospital Bequest Account T470 and Operating Account T510 were \$1.147m and \$3.460m respectively. Of the T510 balance, \$1.6m was attributable to unspent 1997-98 appropriations drawn down from the Consolidated Fund under *Section 8A(2)* of the *Public Account Act 1986*. Even if it could have been construed that the entire \$1.9m remainder of the Operating Account balance was available at that date for funding specific purpose accounts, together with the balance in T470, a maximum total of only \$3m was available to fund specific obligations.

The Department's outstanding obligations as at 30 June 1998 was assessed as \$24.895m in respect of specific purpose and trust funds. This was comprised of the following elements:

	\$ million
Commonwealth funds (closing balance in T510)	7.163
Other funds and donations (negative balance in T510)	5.186
Donations and deposits (closing balance in T510)	0.062
Miscellaneous special purpose accounts	11.337
Patient trust funds (closing balance in T470)	1.147
Total	\$24.895

An audit opinion was unable to be expressed on the above amount for the following reasons:

- A comparatively recent legal advice made it difficult for the Department to be completely certain that all obligations had been identified and that none had been included that lacked essential trust elements;
- The difficulty in being able to distinguish between the funding source that should be attributed to expenditures made for that particular purpose that could have been funded from either operating revenue or the trust funds;
- The number of individual components of the trust total; and
- The need for a detailed examination of revenue and expenditure from the component trusts going back over a number of years....'

Following an internal review of the specific purpose and trust funds during 1998-99, the Department cash backed the balances of those accounts, which were deemed to be 'implied trusts' at 30 June 1999. This was comprised of the following amounts:

	\$ million
Commonwealth Funds	7.571
Donations and Deposits	0.176
Private Patient Scheme	3.311
Research Donations	1.235
Trust Funds	2.426
Other	0.659
Total	15.378

The above balances are held in the following accounts in the Special Deposits and Trust Fund:

		\$ million
T470	Patient Trust and Hospital Bequest	2.426
T510	DHHS Operating Account	12.952
		15.378

Administered Transactions

Administered transactions are those that the Department manages on behalf of Government but cannot use for its own purposes. These transactions are not shown in the Department's Operating Statement or Statement of Financial Position.

Administered Revenues

Administered Revenues for 1998-99 totalled \$79.748m and included Revenues from Government (Appropriation), \$1.193m which were to satisfy the Department's employment rationalisation program payment, and \$69.483m of Commonwealth funded programs that are passed on in the form of grants to external recipients.

Capital Investment Program

A total of \$39.981m was expended on this program during 1998-99, which included:

- The upgrading of the RHH, including relocation of departments and wards affected by the collocation of the Hobart Private Hospital onto the RHH campus; and
- New Housing community and safety and security projects, including raising the amenity of high demand, well located rental properties, particularly where they fail to meet contemporary standards.

Sale of Housing Tasmania Properties

As part of the Housing Division's Strategic Asset Management Plan, a number of poor performing properties in the Rokeby area were identified as surplus to the Division's needs. One property, comprising 16 bedsit units, was identified for sale or demolition in August 1997 and was boarded up while asset management options were being considered. During the period on non-occupancy, the Division was incurring significant costs due to repeated vandalism, and both marketing advice from a sole real estate agent with regard to property demand together with the level of sales in the area provided the Division with evidence of a limited market for property sales, particularly for units.

In November 1997 the Division engaged another real estate agent requesting a 30 day listing together with regular information reports on potential buyers.

During this period a contract for sale was received for the above property and also offers on another property comprising 19 units (14 bedsit and 5 two bedroomed

units) which had been underoccupied for 12 months. Valuations for both properties were then requested from the Valuer-General. The contracts of sale for both properties contained a notation that a party to the purchaser was an employee of the selling agent.

Valuer-General valuations assessed the current market values as being \$175 000 and \$375 000, with land values of \$45 000 and \$50 000 respectively. The contracts of sale were accepted for \$45 000 and \$65 000, i.e either at land value or slightly higher than land value, and the certificates of title were subsequently issued to a private company in March 1998.

Subsequent advice indicates that the units were subdivided into stratum titles by the purchaser and a number of units were later on-sold at prices totalling \$337 000.

The Treasurer's Instructions, issued pursuant to the *Financial Management and Audit Act 1990*, were amended in July 1999 and now requires a market valuation to be obtained from the Valuer-General prior to the sale of real property that is not subject to the *Crown Land's Act 1976*. It also provides for any proposed sales below that valuation to be approved by the Secretary, Department of Treasury and Finance.

In addition, Housing Tasmania has initiated a set sales process which includes the referring of all contracts to a Contracts Review Committee for endorsement.

2.3 DEPARTMENT OF INFRASTRUCTURE, ENERGY AND RESOURCES

The Department of Infrastructure, Energy and Resources (DIER) was formed in September 1998 under *Administrative Arrangements Order (No 2) 1998*. This Order amalgamated all of the functions of the former Department of Transport, Office of Energy and Planning and Conservation and Workplace Standards Authority. In addition, DIER has assumed the functions of Mineral Resources Tasmania and the Local Government Building and Plumbing Regulation Unit, and relinquished those relating to the Workers' Rehabilitation and Compensation Tribunal. The Department also administers payments for Private Forests Tasmania and Racing Tasmania. The Department of Infrastructure, Energy and Resources brings together the significant infrastructure activities of Government. Its goals are to:

- Deliver a strategic approach to the provision of infrastructure;
- Facilitate a safe, accessible and equitable transport system that enhances economic development;
- Promote reliable, efficient and safe energy systems;
- Promote energy conservation;
- Promote productive, safe workplaces where the rights of employees, employers, principals and the community are being met;
- Facilitate mineral exploration and land management for tasmanian land and offshore waters;
- Promote effective and efficient tenement management of the exploration and minerals industry for the tasmanian community;
- Provide safe and accessible building and plumbing installation standards; and
- Deliver independent advice to government in relation to Government Business Enterprises and State-owned companies for which the Minister for Infrastructure, Energy and Resources has responsibility.

The Portfolio Minister is the Minister for Infrastructure, Energy and Resources.

EMPLOYEE STATISTICS

The number of employees employed under the *Tasmanian State Service Act 1984* at 30 June 1999 are as follows:

	30 June 1998*	30 June 1999
Headcount	682	677
Full-time Equivalents	567.30	554.83

Source: Commissioner for Public Employment's Annual Report 1998-99

* Comparative figures have been derived by amalgamating the human resource information in respect of the former Department of Transport, Office of Energy Planning and Conservation and Workplace Standards Authority.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements were signed by the Secretary of the Department on 31 August 1999 and an unqualified audit report was issued on 15 November 1999.

FINANCIAL RESULTS

OPERATING STATEMENT

	1998-99	1997-98*
	\$'000	\$'000
Operating Expenses		
Salaries and related payments	27 690	29 338
Depreciation	18 996	15 484
Doubtful debts	11	6
Other	45 299	48 771
Total Cost Of Services	<u>91 996</u>	<u>93 599</u>
Operating Revenues		
User fees and charges	962	472
Other revenues	3 530	4 653
Total Operating Revenues	<u>4 492</u>	<u>5 125</u>
Net Cost of Services	<u>87 504</u>	<u>88 474</u>
Revenues From Government		
Recurrent appropriation	37 239	31 127
Capital appropriation	82 560	78 821
Total Revenues From Government	<u>119 799</u>	<u>109 948</u>
Net Loss From Disposal of Non-Current Assets	<u>(234)</u>	<u>(319)</u>
Net Revenue/(Loss) From Restructuring	(1 633)	(10 889)
Abnormal Items	0	(10 614)
Change In Net Assets Resulting From Operations	<u>30 428</u>	<u>(348)</u>

* Comparative figures have been derived by amalgamating the financial information in respect of the former Department of Transport, Office of Energy Planning and Conservation and Workplace Standards Authority.

Due to the restructure that occurred in September 1998, the prior year amounts shown do not necessarily provide an appropriate basis for comparison.

The overall reduction in operating expenses reported for 1998-99 was predominantly caused by a change in policy for capitalisation of works on existing roads. In 1998-99 works classified as upgrading, reinstatement and resealing were capitalised. In prior years only the costs of upgrading were capitalised. The change in policy had the effect of an additional \$17.230m in outlays on road infrastructure being capitalised with a commensurate reduction in operating expenses. This reduction in

operating expenses was partially offset by an increase of \$4.820m in the depreciation of roads.

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98* \$'000
Current Assets		
Cash on hand and deposit accounts	1 325	599
Receivables	147	229
Prepayments and stores	905	775
Total Current Assets	<u>2 377</u>	<u>1 603</u>
Non-current Assets		
Receivables	259	270
Plant and equipment	5 854	5 811
Land and buildings	11 278	10 163
Road infrastructure	2 705 950	2 677 977
Other infrastructure	9 333	9 517
Total Non-current Assets	<u>2 732 674</u>	<u>2 703 738</u>
Total Assets	<u>2 735 051</u>	<u>2 705 341</u>
Current Liabilities		
Payables	3 085	4 244
Employee entitlements	4 330	4 309
Total Current Liabilities	<u>7 415</u>	<u>8 553</u>
Non-current Liabilities		
Employee entitlements	4 690	4 491
Total Liabilities	<u>12 105</u>	<u>13 044</u>
Equity		
Accumulated surplus	2 718 488	2 692 274
Asset revaluation reserve	4 458	23
Total Equity	<u>2 722 946</u>	<u>2 692 297</u>

* Comparative figures have been derived by amalgamating the financial information in respect of the former Department of Transport, Office of Energy Planning and Conservation and Workplace Standards Authority.

Total assets increased by \$29.710m in the past year due principally to an increase in the value of road infrastructure, \$27.973m.

Total liabilities have decreased by \$0.939m, mainly as a result of the decrease in payables of \$1.159m.

OUTPUT INFORMATION

Output Group	Operating Revenues 1998-99 \$'000	Operating Expenses 1998-99 \$'000	Revenues from Government 1998-99 \$'000
Development of Transport Policy Advice and Planning	2	1 785	1 888
Land Transport Safety Programs	2 182	16 500	14 849
Ensuring the Provision of Transport Services and Infrastructure	172	6 760	6 347
Provision of Energy Advisory and Regulatory Services	25	1 311	1 249
Workplace Standards	130	7 710	7 897
Mineral Resources Management and Administration	1 814	5 098	4 798
Building and Plumbing Regulation	17	270	211
Capital Investment Program	<u>1 082</u>	<u>55 361</u>	<u>82 560</u>
	<u>5 424</u>	<u>94 795</u>	<u>119 799</u>

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Operating Statement or Statement of Financial Position.

ADMINISTERED EXPENSES AND REVENUES

	1998-99	1997-98*
	\$'000	\$'000
Expenses		
Transfer payments	220 751	202 916
Concessions	40 213	40 433
Other grants, subsidies and loans	7 006	3 175
LSL (Construction Industry) Fund	30 094	856
LSL (Construction Industry) Fund - net loss from restructure	8 804	0
Workplace Safety Board	3 001	2 732
Interim Marine Advisory Board	0	63
Refund of motor vehicle registrations and drivers license fees	0	31
Taxi industry area funds	802	65
Devaluation of Investments in State-Owned Corporations	3 112	0
Doubtful debts	16	3
Other	32	3 603
Total Administered Expenses	313 831	253 877
Revenues		
Appropriation	46 897	43 552
Fees and charges	35 548	26 929
For transfer	184 337	177 056
LSL (Construction Industry) Fund	0	2 345
Workplace Safety Board	2 934	2 727
Workplace Safety Board - net gain from restructure	231	0
Mineral Resources Tax administered items - net gain from restructure	153	0
Interim Marine Advisory Board	0	207
Cab and hire trust funds	94	143
Other	172	3 614
Total Administered Revenues	270 366	256 573

* Comparative figures have been derived by amalgamating the financial information in respect of the former Department of Transport, Office of Energy Planning and Conservation and Workplace Standards Authority.

Administered transactions in 1998-99 involved a turnover of some \$270m (1998, \$257m). Of that amount, \$184m was received for transfer to other agencies/authorities mainly in the Department's capacity as the collector of motor vehicle registration charges; \$35m was collected as fees and charges for transfer to the Consolidated fund; and \$47m was received by way of appropriation out of the Consolidated Fund for transfer to designated recipients.

ADMINISTERED ASSETS AND LIABILITIES

	1998-99	1997-98*
	\$'000	\$'000
Administered Current Assets		
Cash on hand and deposit accounts	2 532	33 886
Receivables	123	230
Prepayments and accrued revenue	0	310
Total Administered Current Assets	2 655	34 426
Administered Non-Current Assets		
Receivables	7	5
Property, plant and equipment	134	220
Investments	394 166	72 316
Total Administered Non-Current Assets	394 307	72 541
Total Administered Assets	396 962	106 967
Administered Current Liabilities		
Payables	998	578
Funds to be transferred	1 421	3 024
Loan liability	875	1 270
Employee entitlements	98	380
Provision for construction industry employee lsl entitlements	0	21 821
Total Administered Current Liabilities	3 392	27 073
Administered Non-Current Liabilities		
Loan liability	0	275
Employee entitlements	115	42
Total Administered Non-Current Liabilities	115	317
Total Administered Liabilities	3 507	27 390

* Comparative figures have been derived by amalgamating the financial information in respect of the former Department of Transport, Office of Energy Planning and Conservation and Workplace Standards Authority.

2.4 DEPARTMENT OF JUSTICE AND INDUSTRIAL RELATIONS

The Department of Justice and Industrial Relations contributes to a just and safe society by providing systems and services for the promotion and maintenance of rights and responsibilities and the resolution of disputes, for the benefit of the Tasmanian community.

The Department provides administrative support for the Supreme and Magisterial Courts and includes the Offices of the Solicitor-General, the Director of Public Prosecutions, the Crown Solicitor, the Ombudsman, the Health Complaints Commissioner, the Sex Discrimination Commissioner and the Commissioner for Review. It also includes the Registries for Births, Deaths and Marriages and Business Affairs, the Tasmanian Electoral Office, Corrective Services, the Poppy Advisory and Control Board and the Office of Consumer Affairs and Fair Trading.

Through the year additions, namely Tasmanian Industrial Commission, Workers Rehabilitation and Compensation Tribunal, Enterprise Commissioner and Industrial Relations Policy, were made under Administrative Arrangements Order (No 2) 1998.

The Portfolio Minister is the Attorney-General and Minister for Justice and Industrial Relations.

EMPLOYEE STATISTICS

The number employees employed under the *Tasmanian State Service Act 1984* at 30 June 1999 were as follows:

	30 June 1998	30 June 1999
Headcount	618	686
Full-time Equivalents	564.97	619.90

Source: Commissioner for Public Employment's Annual Report 1998-99

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Department of Justice were signed by the Acting Secretary of the Department on 8 September 1999, and an unqualified audit report was issued on 11 November 1999.

FINANCIAL RESULTS

OPERATING STATEMENT

	1998-99	1997-98
	\$'000	\$'000
Operating Expenses		
Employee expenses	41 125	33 753
Depreciation	1 569	1 561
Supplies	3 297	2 049
Other	15 151	13 262
Total Cost Of Services	<u>61 142</u>	<u>50 625</u>
Operating Revenues		
User fees and charges	9 543	6 472
Other	1 512	1 112
Total Operating Revenues	<u>11 055</u>	<u>7 584</u>
Net Cost of Services	<u>50 087</u>	43 041
Revenues From Government		
Recurrent appropriations	42 278	36 996
Works and services appropriations	94	4 055
Other appropriations	6 260	4 160
Total Revenues From Government	<u>48 632</u>	<u>45 211</u>
Net Revenue From Disposal Of Non-current Assets	73	(64)
Change In Net Assets Before Restructuring	<u>(1 382)</u>	2 106
Net Revenue From Restructuring	(950)	0
Change In Net Assets After Restructuring	<u>(2 332)</u>	2 106

OPERATING STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Expenses		
Employee expenses	41 125	33 753
Depreciation	1 569	1 561
Supplies	3 297	2 049
Other	15 151	13 262
Total Cost Of Services	61 142	50 625
Operating Revenues		
User fees and charges	9 543	6 472
Other	1 512	1 112
Total Operating Revenues	11 055	7 584
Net Cost of Services	50 087	43 041
Revenues From Government		
Recurrent appropriations	42 278	36 996
Works and services appropriations	94	4 055
Other appropriations	6 260	4 160
Total Revenues From Government	48 632	45 211
Net Revenue From Disposal Of Non-current Assets	73	(64)
Change In Net Assets Before Restructuring	(1 382)	2 106
Net Revenue From Restructuring	(950)	0
Change In Net Assets After Restructuring	(2 332)	2 106

The substantial increase in the Total Cost Of Services, \$10.517m, is related to the transfer of activities from other departments including Tasmanian Industrial Commission, Enterprise Commissioner, Industrial Relations Policy and Workers Compensation Rehabilitation and Compensation Tribunal. Also, there has been increases in activities at the Risdon Prison.

The negative amount reported under Net Revenue From Restructuring relate to the transfer of assets and liabilities from the above mentioned public bodies to the agency during the financial year.

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash and deposit accounts	1 015	1 212
Receivables	941	445
Other	399	344
Total Current Assets	<u>2 355</u>	<u>2 001</u>
Non-current Assets		
Plant, equipment and vehicles	1 078	1 083
Land and buildings	80 765	81 891
Other	1 044	1 049
Total Non-current Assets	<u>82 887</u>	<u>84 023</u>
Total Assets	<u>85 242</u>	<u>86 024</u>
Current Liabilities		
Payables	1 429	1 715
Employee entitlements	7 011	4 063
Other	0	0
Total Current Liabilities	<u>8 440</u>	<u>5 778</u>
Non-current Liabilities		
Employee entitlements	2 324	3 436
Other	0	0
Total Non-current Liabilities	<u>2 324</u>	<u>3 436</u>
Total Liabilities	<u>10 764</u>	<u>9 214</u>
Equity		
Accumulated surplus	<u>74 478</u>	<u>76 810</u>
Total Equity	<u>74 478</u>	<u>76 810</u>

The significant increase in the Current Asset item Receivables is a result of increased charging of fees associated with Crown Law.

The increase in the amount disclosed for the Current Liability item Employee entitlements, \$2.948m, relates to an increased value of entitlements moving from the Non-current Liability item (decrease of \$1.112m) plus the transfers of employee liabilities from other public bodies as described for the significant changes noted in the Operating Statement.

OUTPUT INFORMATION

Output Group	Operating Revenues 1998-99 \$'000	Operating Expenses 1998-99 \$'000	Revenues from Government 1998-99 \$'000
Administration of Justice	3 615	19 876	15 895
Legal Services	1 611	5 369	4 097
Registration Services	193	1 583	1 331
Review Services	385	1 462	1 183
Electoral Services	1 339	4 204	3 007
Corrective Services	2 854	22 920	18 800
Other Services	10	498	518
Consumer Services	176	1 939	1 726
Industrial Relations Services	945	3 386	1 981
General - Not Attributed	0	(95)	94
	<u>11 128</u>	<u>61 142</u>	<u>48 632</u>

ADDITIONAL FINANCIAL INFORMATION**Administered Transactions**

Administered transactions are those, which the Department manages on behalf of Government but cannot use for its own purposes. These transactions are not shown in the Department's Operating Statement or Statement of Financial Position.

Administered Revenues for the 1998-99 totalled \$26.271m, with the major items being fees, fines and other revenues of \$21.093m.

Finance - Fines Enforcement Unit - Outstanding Fines

On page 63 of my 1998 Report No.2 to Parliament I outlined the background of the Fines Enforcement Unit and other fee collection procedures.

It was noted within this general description that unpaid fines were continually rising at a high rate. In March 1998 the Fines Enforcement Unit was established as a separate Unit to the Magistrates Court and was attached to the Finance Division of the Department.

Since that time, staff dedicated to the collection and enforcement of fines have been working to reinstate a system of timely enforcement for current overdue fines as well as enforcement of the backlog of fines that had previously not been enforced. Amounts owing to the Consolidated Fund since June 1992 are as follows:

Date	Outstanding \$	Increase \$	Increase %
June 1992	2 606 000	N/A	N/A
June 1993	3 577 000	971 000	37
June 1994	4 407 000	830 000	23
June 1995	6 560 000	2 153 000	49
June 1996	8 505 000	1 945 000	30
June 1997	10 316 000	1 811 000	21
June 1998	12 904 000	2 588 000	25
June 1999	14 844 000	1 940 000	15

The data to reflect trends in amounts unpaid in respect of all end-beneficiaries including the Consolidated Fund are not available for the entire period commencing June 1992. However, the trends since June 1996 are as follows:

Date	Outstanding \$	Increase \$	Increase %
June 1995	9 588 000	N/A	N/A
June 1996	11 911 000	2 323 000	24
June 1997	15 434 000	2 523 000	21
June 1998	18 171 000	2 737 000	18
June 1999	22 251 000	4 080 000	22

The growth during this period of time in amounts owing to all end-beneficiaries, including the Consolidated Fund, was 132%. In other words, amounts owing have more than doubled in the space of four years. However, the rate of increase has reduced from 24% to 22% during the same period.

The Department has provided the following information on rates of collection relative to fines imposed:

Source of Fines	1996-97	1997-98	1998-99	1999 June to September
All Sources	70%	62%	63%	66%
Courts	59%	48%	52%	54%
Traffic Infringements	77%	72%	71%	75%

Not all fines included in the above table are overdue for payment. For example, the amount shown as outstanding at 30 June 1998 includes \$1.630m in fines imposed that were not yet overdue at that time. Similarly, at the end of May 1999, there was an amount of \$2.600m outstanding representing fines not yet due.

Specific matters contributing to the increases in unpaid fines and costs are summarised below:

- Higher levels of policing traffic infringements, ie through the use of speed cameras;
- An increasing trend whereby court fines have orders attached allowing extended periods for payment (in some instances years);
- Delays in the execution of warrants for purposes of enforcing payments;
- Non issue of warrants for some offences;
- The longstanding write-offs policy which prevented write-offs until 10 years after the offence or upon the death of the offender; and
- Un-availability of regular, timely and appropriate reports from the Fines Collection System to assist with ongoing analysis and follow-up of outstanding fines.

As would be expected, consideration is given from time to time in Tasmania and other jurisdictions to reforms in the legal processes available for recovery of financial penalties imposed by Courts. Of particular interest are those aimed at improving collections through a simplification of processes and/or introduction of new forms of sanctions, particular for recidivists.

In an attempt to streamline collection and enforcement, administrative and computerised processes are currently being reviewed and modified to enable the Justices (Infringement Notices) Act 1997 to be proclaimed.

The 1997-98 audit of the former Department of Justice included a review of the Fees Collection System (FCS). That review revealed some shortcomings in controls and major limitations in the quality and frequency of information being reported for management purposes. I provided the Secretary with a copy of the report including a number of recommendations which have now been implemented and should complement other initiatives taken by the Department.

In the course of reviewing outstanding fees and fines a report was obtained out of the FCS on offenders having unpaid fines at 30 June 1998 in excess of \$20 000. In my 1998 No 2 Report, 7 examples were given to demonstrate the circumstances involved. Follow up on action taken and outstanding amounts as at 30 September are given below:

Example 1

Background - unpaid fines and costs totalling \$68 000 relating to 400 parking meter offences. Outstanding balance, \$91 657.

Eleven warrants for non payment of a total of \$2 570 (including warrant fees) were issued on 22 December 1998. These were executed on 29 January 1999. After several adjournments, the offender appeared in Court on 2 August 1999. Another 387 warrants were prepared and listed for the same date. All were adjourned sine die by the Magistrate. The offender was given 6 months to pay the original 11 warrants (ie until 2 February 2000). Since the court appearance the offender has received other court fines for parking offences which have also not been paid.

Example 2

Background - unpaid amounts in fines and costs totalling \$25 000 relating to 270 traffic and various other offences. Outstanding balance, \$28 087

This offender was arrested on Warrants of Apprehension and appeared in the Hobart Magistrates Court on both 6 November and 1 December 1998 where additional time was allowed for payment and the due date extended to 6 May 1999. To date no payments have been made. Warrants of Commitment are about to be issued.

Example 3

Background - forestry offences totalling \$118 000. Outstanding balance, \$118 020.

On 14 August 1998 interstate Warrants of Apprehension were issued and are currently in circulation in NSW.

Example 4

Background - fisheries offences totalling \$38 000, due 1999. Outstanding balance, \$38 090.

On 25 August 1994 the Court imposed fines with costs and special penalties amounting to \$38 010 and prescribed a period for payment of 5 years. The due date for payment was 25 August 1999. A Warrant of Commitment is about to be issued.

Example 5

Background - fisheries offences totalling \$23 000, due 2001. Outstanding balance, \$26 221.

Fines totalling \$1 645 were to be paid in full by 24 May, 1999 as per undertaking with the Fines Enforcement Unit. The amount was paid with a further amount of \$3 382 due for payment by 24 August 1999. The balance of \$22 839 is due for payment on 14 March 2001.

Example 6

Background - \$24 500 owed in payroll tax. Outstanding balance: \$145.

Payroll tax has been paid but the current debt is overdue and a Warrant is to be issued.

Example 7

Background - \$65 500 owing on a fisheries offence. Outstanding balance, \$63 835.

Regular payments of \$100 per month as per Court order are being maintained. At this rate the debt will be fully repaid in approximately 54 years.

The Secretary of the Department has advised my Office of some current trends and initiatives that may influence future collections; they are:

- Tightening of administrative arrangements for payment by instalment;
- Increase in incidence of imprisonment for fine default (doubled);
- Widening of service Tasmania payment options eg over the counter, interactive voice recording (IVR), credit card (and soon to be introduced internet payments);
- Implementation of infringement registration; and
- Establishment of a Stakeholder Infringement Notice Working Group to address issues such as uniformity of Infringement notices and relevant legislation.

2.5 DEPARTMENT OF POLICE AND PUBLIC SAFETY

The Department of Police and Public Safety consists of Tasmania Police, which is divided into four geographic districts assisted by specialised police support units and the State Emergency Service.

The Department's objectives are to achieve:

- An effective community service;
- A safe and secure community;
- Prevention of crime in the community; and
- Law enforcement services aimed at detecting, investigating and resolving offences.

The Portfolio Minister is the Minister for Police and Public Safety.

EMPLOYEE STATISTICS

The number of full-time equivalent employees employed by the Department of Police and Public Safety at 30 June 1999 is as follows:

	30 June 1998	30 June 1999
State service employees	361	343
Police officers	1 092	1 068

Source: Department of Police and Public Safety's Annual Report 1998-99

The decrease in Police numbers is due to the timing of the recruit intake to the Police Academy. It is understood that the Department is on target to meet the Government's policy of 1 100 Police officers by the end of its parliamentary term.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements signed by the Commissioner for Police, as Secretary of the Department of Police and Public Safety, were received on 31 August 1999. Subsequently, an unqualified audit report was issued on 24 November 1999.

FINANCIAL RESULTS

OPERATING STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Expenses		
Employee entitlements	84 582	79 532
Depreciation	2 494	2 589
Materials and services	20 559	20 686
Other	<u>687</u>	<u>792</u>
Total Cost Of Services	<u>108 322</u>	<u>103 599</u>
Operating Revenues		
User charges and other retained revenue	<u>4 044</u>	<u>4 697</u>
Total Operating Revenues	<u>4 044</u>	<u>4 697</u>
Net Cost of Services	<u>104 278</u>	<u>98 902</u>
Revenues From Government		
Recurrent appropriation	96 631	92 910
Works and services appropriation	<u>376</u>	<u>676</u>
Total Revenues From Government	<u>97 007</u>	<u>93 586</u>
Net Revenue From Disposal Of Non-current Assets	<u>(184)</u>	<u>(87)</u>
Change In Net Assets Resulting From Operations	<u>(7 455)</u>	<u>(5 403)</u>

Operating Revenue – Retained revenue decreased by \$0.653m due predominantly to decreases in reimbursements of workers compensation expenses, \$0.656m, and receipts for firearms registration and licensing \$0.220m. These decreases were partially off-set by an increase in reimbursement of salaries for Police officers seconded to other police services.

The annual appropriation increased by \$3.421m to provide for initiatives including additional Police in accordance with Government policy, \$1.085m; replacement of the Police Communications System, \$0.821m; establishment of the Firearms Registry, \$0.691m; and Community Policing Projects \$0.370m.

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash and deposit accounts	221	157
Receivables	34	4
Other	613	717
Total Current Assets	<u>868</u>	<u>878</u>
Non-current Assets		
Land and buildings	54 905	58 574
Plant and equipment	4 038	4 777
Infrastructure	225	349
Heritage assets	364	364
Total Non-current Assets	<u>59 532</u>	<u>64 064</u>
Total Assets	<u>60 400</u>	<u>64 942</u>
Current Liabilities		
Payables	2 697	2 306
Employee entitlements	23 974	19 711
Total Current Liabilities	<u>26 671</u>	<u>22 017</u>
Non-current Liabilities		
Payables	46	134
Employee entitlements	3 405	2 815
	<u>3 451</u>	<u>2 949</u>
Total Liabilities	<u>30 122</u>	<u>24 966</u>
Equity		
Accumulated surplus	30 278	39 975
Total Equity	<u>30 278</u>	<u>39 975</u>

Total Non-current Assets have decreased principally as a result of the write-down of assets through the annual depreciation charge, \$2.494m, and the disposal of rental properties in metropolitan areas, \$2.455m.

Employee Entitlements have increased by \$4.853m. This increase is largely attributable to the impact of the 1998 Police Force Enterprise Agreements, the effect of which is estimated to be approximately \$3m.

OUTPUT INFORMATION

Output Group	Operating Revenues 1998-99 \$'000	Operating Expenses 1998-99 \$'000	Revenues from Government 1998-99 \$'000
Policing Support to the Community	1 567	58 444	53 747
Crime Detection and Investigation	394	21 585	19 962
Traffic Law Enforcement and Road Safety	892	12 036	9 800
Protection of Primary Industry and Fisheries Resources	729	5 284	3 897
Emergency Management	228	1 230	1 045
Support to Judicial Services	179	7 191	6 124
Ministerial Support and Information Services	55	2 417	2 056
General - Not Attributed	0	319	376
	4 044	108 506	97 007

ADDITIONAL FINANCIAL INFORMATION

The above financial information does not include transactions and balances administered by the Department. In 1998-99 they included:

- User charges and fees paid into the Consolidated Fund, \$0.907m;
- Commonwealth funded Firearms Buy-back Scheme receipts, \$2.311m, and Compensation payments to owners, \$0.306m; and
- All transactions for the operation of the Remus Consortium comprising the agencies using the Remus human resource management system. Contributions by member agencies and other revenues amounted to \$1.483m, while expenses totalled \$1.521m.

2.6 DEPARTMENT OF PREMIER AND CABINET

The Department provides a range of services to support the Premier and the Cabinet.

The Department comprises the Executive Unit, Policy Division, Government Support Division, Office of Parliamentary Counsel, E-Services Group, Division of Employment Policy, Office of Multicultural and Ethnic Affairs, Women Tasmania, Office of Aboriginal Affairs and Local Government Office.

The Portfolio Minister is the Premier.

EMPLOYEE STATISTICS

The number of Departmental and Ministerial employees as at 30 June 1999 are as follows:

	30 June 1998	30 June 1999
Headcount	393	355
Full-time Equivalents	362.8	327.8

Source: DPAC Annual Reports 1997-98 and 1998-99 and Establishment Reports.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Department of Premier and Cabinet were signed by the Secretary of the Department on 31 August 1999 and an unqualified audit report was issued on 26 October 1999.

FINANCIAL RESULTS

OPERATING STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Expenses		
Employee costs	17 448	18 281
Supplies	128	256
Depreciation	146	181
Other	17 447	12 835
Total Cost Of Services	<u>35 169</u>	<u>31 553</u>
Operating Revenues		
User charges and fees	5 284	1 488
Other revenues	3 105	2 152
Total Operating Revenues	<u>8 389</u>	<u>3 640</u>
Net Cost of Services	<u>26 780</u>	<u>27 913</u>
Revenues From Government		
Recurrent appropriation	26 630	28 224
Total Revenues From Government	<u>26 630</u>	<u>28 224</u>
Net Revenue From Disposal Of Non-current Assets	<u>(26)</u>	<u>21</u>
Change In Net Assets Resulting From Operations	(176)	332
Net Revenues From Restructuring *	922	0
Change in Net Assets After Restructuring	746	332

* As a result of the restructuring of Administrative Arrangements following the 1998 State Election, the Department gained net revenues as a result of functions assumed and relinquished. Functions assumed were Aboriginal Affairs, Multicultural and Ethnic Affairs and Status of Women, while those relinquished were Major Industrial Development, Industrial Relations, and the Building and Plumbing Regulations section of Local Government.

Employee costs decreased by \$0.833m from \$18.281m to \$17.448m. This was due to amounts for 1997-98 reflecting the old agency structure. The 1998-99 amounts are based on the new structure which has lower employee numbers. The divisions lost by the Department as part of the restructure following the 1998 State Election had relatively higher employee costs.

Other expenses increased by \$4.612m from \$12.835m to \$17.447m. This was due to transfers of Service Tasmania Lead Agency funds.

User charges and fees increased by \$3.796m from \$1.488m to \$5.284m. This was due to receipts from other Agencies for Service Tasmania contributions and levies and the Year 2000 Project.

Other revenues increased by \$0.953m from \$2.152m to \$3.105m. There were three reasons for this increase: interest earned on Regional Forest Agreement funds provided by the Commonwealth; Telecommunications Management Division Tasinet Whole of Government rebates; and the recovery of post August 1998 State Election separation payments.

STATEMENT OF FINANCIAL POSITION

	1998-99	1997-98
	\$'000	\$'000
Current Assets		
Cash and deposit accounts	1 951	2 214
Receivables	360	152
Other	195	272
Total Current Assets	<u>2 506</u>	<u>2 638</u>
Non-current Assets		
Plant and equipment and vehicles	840	1 020
Heritage assets	65	65
Total Non-current Assets	<u>905</u>	<u>1 085</u>
Total Assets	<u>3 411</u>	<u>3 723</u>
Current Liabilities		
Payables	295	230
Employee entitlements	2 083	2 617
Total Current Liabilities	<u>2 378</u>	<u>2 847</u>
Non-current Liabilities		
Employee entitlements	2 226	2 815
Total Liabilities	<u>4 604</u>	<u>5 662</u>
Equity		
Accumulated surplus	1 193	(1 939)
Total Equity	<u>1 193</u>	<u>(1 939)</u>

OUTPUT INFORMATION

Output Group	Operating Revenues 1998-99 \$'000	Operating Expenses 1998-99 \$'000	Revenues from Government 1998-99 \$'000
Ministerial	818	9917	9594
Support for Executive Decision Making	733	3 648	2 799
Support for the Administration of Executive Govt.	172	3 511	3 326
Support for Government Agencies	5 625	13 047	6 895
Support for the Public Sector Employee	671	1 862	1 220
Aboriginal Affairs	244	448	243
Multicultural and Ethnic Affairs	3	202	197
Support for Local Government	60	1 072	1 051
Status of Women	37	723	641
General	0	139	64
Net Revenue from Restructure	922	0	0
Capital Investment Program *	0	600	600
	<u>9 285</u>	<u>35 169</u>	<u>26 630</u>

* Capital Investment Funding provided for Service Tasmania costs. These funds were transferred to the Department of Primary Industries, Water and Environment.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Operating Statement or Statement of Financial Position.

Administered transactions in 1998-99 involved a turnover of some \$58m (1998, \$50m). Of that amount \$42.3m was received from the Commonwealth Government. This related to Regional Forest Agreement \$35.7m and Natural Heritage Trust \$6.6m.

Revenue of \$14.2m was collected as fees and charges from the operations of the Department's Telecommunications Management Division.

2.7 DEPARTMENT OF PRIMARY INDUSTRIES, WATER AND ENVIRONMENT

The Department of Primary Industries, Water and Environment (DPIWE) was formed in September 1998 under the *Administrative Arrangements Order (No 2) 1998*. This Order amalgamated all of the functions of the former Department of Primary Industry and Fisheries and the former Department of Environment and Land Management.

The Department's mission, is drawn directly from the mission statements of the two former Departments:

- To advance sustainable development and prosperity from Tasmania's water, rural and marine resources by providing responsive, innovative and professional services, valued by our industry and community partners; and
- To promote and facilitate the sustainable development of Tasmania, its natural and cultural heritage through leadership in environmental quality and protection, land management and conservation techniques, and land information systems and products.

The Portfolio Minister is the Minister for Primary Industries, Water and Environment.

EMPLOYEE STATISTICS

Employee Statistics as at 30 June 1999 are as follows:

	30 June 1998*	30 June 1999
Headcount	1 427	1 553
Full-time Equivalents	1 251	1 364

Source: Department's Annual Report 1998-99

* Comparative figures have been derived by amalgamating the human resource information in respect of the former Department of Primary Industry and Fisheries and the Department of Environment and Land Management.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the DPIWE were signed by the Secretary on 31 August 1999 and an unqualified audit report was issued on 19 November 1999.

FINANCIAL RESULTS

OPERATING STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Expenses		
Employee costs	65 981	60 902
Depreciation	7 151	7 025
Other expenditure	54 204	47 740
Total Cost Of Services	<u>127 336</u>	<u>115 667</u>
Operating Revenues		
User charges, fees and fines	14 829	12 455
Property and investment income	5 847	4 998
Other revenues	20 591	18 373
Total Operating Revenues	<u>41 267</u>	<u>35 826</u>
Net Cost of Services	<u>86 069</u>	<u>79 841</u>
Revenues From Government		
Recurrent appropriation	76 001	74 315
Works and services appropriation	2 496	5 088
Total Revenues From Government	<u>78 497</u>	<u>79 403</u>
Net Revenue From Restructuring	1 500	0
Net Revenue From Disposal Of Non-current Assets	254	(2)
Change In Net Assets Resulting From Operations	<u>(5 818)</u>	<u>(440)</u>

*Comparative figures for 1997-98 are consolidated from the former Departments of Environment and Land Management and Primary Industry and Fisheries.

The increase in Employee costs is proportionate to the increase in employees following the formation of the new Department. The increase in the item Other expenditure relates to the following outputs: Resource Management, \$2.0m; Conservation and Land Management, \$2.3m; and Service Tasmania, \$2.2m.

The increase in User charges, fees and fines is due to an associated recovery of operating costs from client agencies.

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash and deposit accounts	25 994	26 826
Receivables	2 974	3 380
Tasmap stocks	2 126	1 978
Prepaid expenses	<u>0</u>	<u>222</u>
Total Current Assets	<u>31 094</u>	<u>32 406</u>
Non-current Assets		
Land and buildings	256 503	184 362
Plant, equipment and vehicles	5 530	5 787
Infrastructure	37 005	37 069
Tracks	44 451	46 309
Other	<u>858</u>	<u>778</u>
Total Non-current Assets	<u>344 347</u>	<u>274 305</u>
Total Assets	<u>375 441</u>	<u>306 711</u>
Current Liabilities		
Payables	1 471	1 982
Employee entitlements	11 750	10 661
Other	<u>166</u>	<u>141</u>
Total Current Liabilities	<u>13 387</u>	<u>12 784</u>
Non-current Liabilities		
Employee entitlements	<u>5 772</u>	<u>5 661</u>
Total Liabilities	<u>19 159</u>	<u>18 445</u>
Equity		
Reserves	2 638	0
Accumulated surplus	<u>353 644</u>	<u>288 267</u>
Total Equity	<u>356 282</u>	<u>288 267</u>

The increase in Land and Buildings is almost entirely attributable to the inclusion of \$70m land in National Parks and Conservation Areas that had previously not been valued.

OUTPUT INFORMATION

Output Group	Operating Revenues 1998-99 \$'000	Operating Expenses 1998-99 \$'000	Revenues from Government 1998-99 \$'000
Policy Advice	458	1 463	1 195
Industry Development	4 897	17 906	12 275
Resource Management	5 581	21 301	15 215
Environment and Planning Services	3 072	14 750	9 943
Land Information Services	4 242	15 824	11 835
Conservation and Land Management	11 463	40 024	23 940
Crown Property Development and Disposal	3 526	3 810	0
Government Analytical and Forensic Laboratory	382	2 033	1 584
Service Tasmania	4 842	5 183	14
General	2 719	5 040	2 496
	<u>41 182</u>	<u>127 334</u>	<u>78 497</u>

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

In addition to the above controlled activities the Department administered revenue totalling \$229m including Service Tasmania Collections, \$132m; Crown Land Administration Fund revenue, \$40m; and User Charges, Fines and Fees, \$30m. These revenues were expended in accordance with conditions attaching to their collection.

2.8 DEPARTMENT OF STATE DEVELOPMENT

The Department of State Development (DSD) was formed in September 1998 under *Administrative Arrangements Order (No 2) 1998*. The following entities and/or responsibilities were combined to form the new Department; Tasmanian Development Authority, Tourism Tasmania, Arts Tasmania, Tasmanian Museum and Art Gallery, Office of Sport and Recreation, Office of Antarctic Affairs, Celebrate! Tasmania, and Major Projects Tasmania.

The Department's areas of responsibility during 1998-99 included:

- Investment, Trade and Development – provides a range of industry support programs, including project development, investment attraction, marketing and trade development;
- State Industries –responsible for realising growth for existing Tasmanian industry through assessing and case managing new growth opportunities for business in the regions;
- Centre for Research, Industry and Strategic Planning – provides research and advice on industry directions and policy;
- Policy – This division is responsible for writing and updating industry plans for the eight industry groups with the primary objective being growth in existing industries and the establishment of new industries;
- Tourism Tasmania - Tourism Tasmania's objective is to provide leadership in promoting the State as a quality travel destination through innovative strategic marketing and sustainable development;
- Museums - the Department administers the Tasmanian Museum and Art Gallery in Hobart, while five other museums and art galleries (in Hobart, Launceston, Devonport, Burnie and Zeehan) receive ongoing State Government funding through a grants program;
- Arts Tasmania - Arts Tasmania is the State Government's arts policy and funding advisory body, administering an annual program of arts grants and loans;
- The Office of Sport and Recreation; and
- The Office of Antarctic Affairs.

The Portfolio Minister is the Minister for State Development.

EMPLOYEE STATISTICS

At 30 June 1999 DSD had a total of 467 employees.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the DSD were signed by the Chief Executive on 3 November 1999. An unqualified audit report was issued on 5 November 1999.

FINANCIAL RESULTS

As 1998-99 is the first year of operation for the restructured Department, some 1997-98 figures will not be directly comparable.

OPERATING STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Expenses		
Salaries and related payments	22 911	18 564
Materials and supplies	928	579
Telephone and communication	1 991	1 601
Travelling and transport	1 296	1 231
Data processing	1 510	1 203
Other operating expenses	3 802	3 424
Property expenses	3 258	2 965
Depreciation	1 457	1 455
Promotion and publicity	10 743	9 882
	<u>47 896</u>	<u>40 904</u>
Development Expenses		
Assistance to industries	<u>19 828</u>	9 495
Finance Expenses		
Interest and other borrowing costs	8 491	10 306
Bad and doubtful debts	<u>454</u>	<u>716</u>
	<u>8 945</u>	<u>11 022</u>
Total Cost Of Services	<u>76 669</u>	<u>61 421</u>
Operating Revenues		
Interest on advances	4 583	7 833
Investment and sundry income	<u>11 216</u>	<u>12 393</u>
Total Operating Revenues	<u>15 799</u>	<u>20 226</u>
Transfer of revenues to Government	(5 062)	(7 652)
Net Cost of Services	<u>(65 932)</u>	<u>(48 847)</u>
Revenues From Government		
Recurrent appropriation	<u>70 184</u>	48 898
Total Revenues From Government	<u>70 184</u>	<u>48 898</u>
Net Revenue From Disposal Of Non-current Assets	<u>1 626</u>	35
Net Revenues from Restructuring	<u>13 706</u>	0
Change In Net Assets Resulting From Operations	<u>19 584</u>	<u>86</u>

Assistance to industries has increased from \$9.495m in 1997-98 to \$19.828m in 1998-99 due principally to the establishment and support of new call centres within the State.

Interest on advances decreased from \$7.833m in 1997-98 to \$4.583m in 1998-99 due to a reduction in the lending portfolio.

STATEMENT OF FINANCIAL POSITION

	1998-99	1997-98
	\$'000	\$'000
Current Assets		
Treasury trust account balances	10 756	8 068
Cash on hand and at bank	5 622	3 173
Sundry receivables and prepayments	1 531	5 178
Loan advances	16 947	11 206
Total Current Assets	<u>34 856</u>	<u>27 625</u>
Non-current Assets		
Investments	4 051	3 735
Property, plant and equipment	53 350	50 745
Loan advances	43 198	61 978
Total Non-current Assets	<u>100 599</u>	<u>116 458</u>
Total Assets	<u>135 455</u>	<u>144 083</u>
Current Liabilities		
Creditors and accrued interest	5 695	11 436
ERP liability	547	682
Borrowings	42 891	59 536
Provision for employee entitlements	2 929	4 122
Total Current Liabilities	<u>52 062</u>	<u>75 776</u>
Non-current Liabilities		
ERP liability	1 129	1 476
Borrowings	60 340	55 027
Provision for employee entitlements	1 762	568
Total Non-current Liabilities	<u>63 231</u>	<u>57 071</u>
Total Liabilities	<u>115 293</u>	<u>132 847</u>
Equity		
Accumulated surpluses	18 078	7 205
Asset revaluation reserve	2 084	4 031
Total Equity	<u>20 162</u>	<u>11 236</u>

Loan advances in total have decreased from \$73.184m in 1997-98 to \$60.145m in 1998-99 due primarily to a reduction in amounts outstanding under the Rural Adjustment Scheme. This has also impacted on Borrowings which have decreased from \$114.563m in 1997-98 to \$103.231m in 1998-99.

Property, plant and equipment increased from \$50.745m in 1997-98 to \$53.350m in 1998-99. Apart from depreciation of \$1.457m the other major movements are due to the sale of travel centres previously owned by Tourism Tasmania in Adelaide, Melbourne and Sydney (book value \$9.274m) and the addition of assets from restructuring of \$14.540m.

OUTPUT INFORMATION

Output Group	Operating Revenues 1998-99 \$'000	Operating Expenses 1998-99 \$'000	Revenues from Government 1998-99 \$'000
Industry Development	7 283	35 343	35 909
Tourism Marketing and Development	7 569	28 401	21 518
Museums, Galleries, Arts and Sport and Recreation	947	12 925	12 757
	<u>15 799</u>	<u>76 669</u>	<u>70 184</u>

Administered Transactions

Administered transactions are those which the Department manages on behalf of Government but cannot use for its own purposes. These transactions are not disclosed in the above tables.

Following a review of administered and controlled activities during 1998-99 in conjunction with the Department of Treasury and Finance, it was determined that all activities under the governance of DSD are considered to be controlled. Previously the majority of all lending activities, assistance to industries grants, employment programs and major events grants, which were administered, are now reported as controlled activities.

Administered expenses for 1998-99 totalled \$8.466m, with the main item being the Capital Investment Program of \$6.152m. Administered revenues of \$7.505m comprised recurrent appropriations from Government.

2.9 DEPARTMENT OF TREASURY AND FINANCE

The Department of Treasury and Finance carries out functions associated with State economic and financial management including the collection of major forms of State taxation and the administration of gaming. The Department is also responsible for Government building services.

Revenues out of the Consolidated Fund used or administered by the Department during the year were provided under two Divisions (Division 2: Finance-General and Division 15: Department of Treasury and Finance) of the *Consolidated Fund Appropriation Act 1998-99*.

Financial transactions and balances were recorded through entries in 26 separate accounts established within the Special Deposits and Trust Fund.

The great majority of transactions processed by the Department during the year were on behalf of the State in a whole of government context and for accrual reporting purposes were classified as 'administered' rather than 'controlled'. To illustrate this point, out of total expenses of \$531m, 95% (\$506m) were administered, while only 5% (\$25m) were controlled. The proportions of total revenues of \$2 287m were 99% (\$2 262m) administered, and 1% (\$25m) controlled.

The Portfolio Ministers are the Treasurer and the Minister for Racing and Gaming.

EMPLOYEE STATISTICS

The number employees employed under the *Tasmanian State Service Act 1984* at 30 June 1999 are as follows:

	30 June 1998	30 June 1999
Headcount	263	251
Full-time Equivalents	252.58	242.44

Source: Commissioner for Public Employment's Annual Report 1998-99

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Department of Treasury and Finance were signed by the Secretary of the Department on 30 August 1999 and an unqualified audit report was issued on 29 October 1999.

FINANCIAL RESULTS

OPERATING STATEMENT

	1998-99	1997-98
	\$'000	\$'000
Operating Expenses		
Employee entitlements	14 022	12 935
Information technology	1 549	1 049
Property services	1 469	1 329
Consultants	6 458	2 966
Other	1 891	3 016
Total Cost Of Services	<u>25 389</u>	<u>21 295</u>
Operating Revenues		
User charges and fees	186	55
Other revenues	11	15
Total Operating Revenues	<u>197</u>	<u>70</u>
Net Cost of Services	<u>25 192</u>	<u>21 225</u>
Revenues From Government		
Recurrent appropriation	<u>25 078</u>	<u>20 323</u>
Total Revenues From Government	<u>25 078</u>	<u>20 323</u>
Change In Net Assets Resulting from Operations	(114)	(902)

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash and deposit accounts	416	616
Receivables	63	69
Other	31	58
Total Current Assets	<u>510</u>	<u>743</u>
Non-current Assets		
Plant and equipment	50	50
Total Non-current Assets	<u>50</u>	<u>50</u>
Total Assets	<u>560</u>	<u>793</u>
Current Liabilities		
Payables	95	106
Employee entitlements	1 620	1 489
Other	32	167
Total Current Liabilities	<u>1 747</u>	<u>1 762</u>
Non-current Liabilities		
Employee entitlements	2 593	2 698
Total Non-current Liabilities	<u>2 593</u>	<u>2 698</u>
Total Liabilities	<u>4 340</u>	<u>4 460</u>
Equity		
Accumulated deficit	<u>(3 781)</u>	<u>(3 667)</u>
Total Equity	<u>(3 781)</u>	<u>(3 667)</u>
Total Liabilities and Equity	560	793

OUTPUT INFORMATION

Output Group	Operating Revenues 1998-99 \$'000	Operating Expenses 1998-99 \$'000	Revenues from Government 1998-99 \$'000
Management of Public Sector Finances	49	6 989	6 820
Policy Advice on Tasmania's Economy and Business Environment	24	6 577	6 932
Public Sector Management and Accountability	7	819	662
Taxation Administration and Revenue Collection	54	5 459	5 323
Management of Gaming Activities	24	2 108	1 852
Liquor and Accommodation Licensing	20	1 350	1 330
Management of Government Owned and Leased Buildings	19	2 087	2 159
	<u>197</u>	<u>25 389</u>	<u>25 078</u>

ADDITIONAL FINANCIAL INFORMATION

Treasurer's Financial Statements

Transactions in the above summaries of financial statements only reflect those transactions and balances classified as controlled and capable of being applied to meeting the Department's objectives. They do not include transactions and balances for which the Department of Treasury and Finance maintains central records on behalf of all departments in its capacity as a central government agency. Those central transactions and balances were reported to Parliament in September 1999 through the Treasurer's Financial Statements. My Report No. 1 1999, on the Public Account 1998-99, included an unqualified audit report that was issued on those Statements.

Administered Transactions Reported by the Department of Treasury and Finance

The Department's financial statements include disclosures of transactions it administers in a whole of government context through appropriations made under the Finance-General and Treasury and Finance Divisions of the *Appropriation Act*, and its administrative responsibilities attaching to some of its 26 separate accounts in the Special Deposits and Trust Fund.

Revenues administered in this way totalled \$2 262m with the main sources being:

Commonwealth Government	\$905m
State Taxation	\$670m
State Government Appropriations etc	\$331m

Expenses administered in this way totalled \$506m with the following being the main transaction types:

Employee Related Benefits	\$208m
Interest and Debt Management	\$178m

These expense items are related to the State's two greatest liabilities, namely employees' entitlements to superannuation and borrowings (or State Debt).

Further information on these two liabilities, and unfunded liability for inner-Budget employees' entitlements to long service and recreation leave, is provided below.

Management of Unfunded Superannuation Liability

I commented on page 95 in my 1998 No 2 Report on aspects regarding the management of the State's Unfunded Superannuation Liability, with particular reference to the Retirement Benefits Fund (RBF) Scheme as it predominantly applies to Inner Budget agencies.

Notes to the Treasurer's Financial Statements for the year ended 30 June 1999 include commentary that an actuarial determination of that Fund as at 30 June 1998 estimated the gross liability at \$2.257bn which, after deducting an estimated share of RBF assets arising from contributions made by employees, \$0.672bn, left an estimated net liability at that date of \$1.585bn. To partially fund this liability, the State has a Superannuation Provision Account (SPA) in the Special Deposits and Trust Fund which at 30 June 1999 totalled \$237.047m. Advice from Treasury is that the Government has a target of eliminating the State's unfunded superannuation liability within 45 years.

An actuarial assessment of the total and unfunded liability is only legislatively required every three years with the last two full reviews being conducted as at 30 June 1995 and 1998. However, for prudential management purposes, actuarial updates had been done as at 30 June 1996 and 1997 but these were not full reviews and were only indicative of the liability then existent.

In my management letter to the Secretary at the conclusion of the audit for the year ended 30 June 1999, I commented that:-

'...In my view the current policy of using the latest available figures obtained in the course of triennial reviews of the schemes required by legislation does not always provide timely information. By the time the review is completed the information is already outdated by one year. This is unavoidable and does not significantly impact on the information being reported. However, the continued reporting of the same liability amount for a further two years removes any opportunity to observe emerging trends. This shortcoming could be overcome by obtaining annual actuarial updates of the liability (at least for the RBF Scheme) for the two years between the triennial reviews. Some of the Government Business Enterprises use this approach to good effect.

Another limitation caused by the current approach to reporting is that while the disclosed RBF Scheme liability remains fixed at the amount determined at the last

triennial review, the balance in the Superannuation Provision Account deducted to arrive at the Unfunded Liability figure, is adjusted to reflect the change (usually an annual increase) in the Account. Under this method any apparent improvement in the unfunded liability may be illusory because changes in the underlying liability have no opportunity of being recognised....'

In response Treasury advised that in future it will be able to report more current and directly comparable year-end information, albeit with a year lag. That is, for the year ending 30 June 2000, it will be able to publish the 30 June 1999 actuarial findings which can be matched against the funded balance as at the same date.

I agree that the proposed action represents an improvement over disclosures for prior years whereby in most instances the liability for one year was matched against the SAP balance of another year. Nevertheless I believe that the benefits to be obtained in reporting current information are of sufficient importance to justify making every endeavour to include fully current information in each financial year.

Valuation of Borrowings

The Department's financial statements disclose (by way of a note) the 'net fair values' of financial instruments in accordance with the requirements of Australian Accounting Standard AAS 33, Presentation and Disclosure of Financial Instruments.

Financial instruments include borrowings as well as lending to other entities. The clear implication of this reporting requirement is that in times of falling interest rates, the net fair value of fixed interest securities will increase. Conversely they will decrease in times when rates are rising. This, in fact, is the position in respect of the majority of borrowings and lending of the State. This impact on valuation of the borrowings and lending reported as administered by the Department at 30 June 1999, is best illustrated in the following comparative table:

Valuations as at 30 June 1999 Compared

	Carrying Amount \$	Net Fair Value \$	Change \$	Change Per centum
Borrowings	2 028m	2 178m	150m	7.40%
Loans Receivable	427m	434m	7m	1.64%
Net Debt	1 601m	1 744m	143m	8.93%

The comparison indicates that in terms of current market valuations the impact of the component of State debt administered by the Department of Treasury and Finance is some 9% more severe than the same debt reported on traditional valuations that disregard current market conditions.

Long Service and Recreation Leave Entitlements of Inner-Budget Employees

Estimates of the State's liability for Inner-Budget employees' entitlements to long service and recreation leave are separately reported by each department and agency. Under the sick leave rules applying to State Employees any liability for sick leave is considered to be not material and typically no provision or estimate is made for it in departmental financial statements.

The emerging cost of these entitlements and sick leave is met progressively as it occurs out of annual budget allocations and except in very exceptional cases no additional funding is provided. Nevertheless, at any point in time a liability does exist and is capable of being estimated and aggregated for all inner-Budget entities.

The following is a summary of the estimated liability for long service leave and recreation leave reported by entities as at 30 June for the last five years and the per cent change relative to the previous year:

Year	Long Service * Leave		Recreation Leave		Total \$m	Change %
	\$m	Change	\$m	Change		
1995	113.8	-	58.1	-	171.9	-
1996	120.4	5.8%	58.2	0.2%	178.6	3.9%
1997	150.5	25.0%	69.6	19.6%	220.1	23.2%
1998	146.3	(2.8%)	63.9	(8.2%)	210.2	(4.5%)
1999	143.9	(1.6%)	65.5	2.5%	209.4	(0.4%)

* The amounts for long service leave liability in 1995 and 1996 were calculated by most agencies at nominal rates of pay for pro-rata and actual entitlements after 7 years service, and may not be directly comparable with amounts in subsequent years which were calculated in accordance with Australian Accounting Standard AAS 30, Accounting for Employee Entitlements. The Standard requires, subject to certain probability criteria, recognition of service prior to 7 years and discounting of nominal rates of pay to present values. Differences in outcomes using the two methods are not considered to be significant as trialing of both approaches in some agencies produced fairly similar results.

The decrease in the leave liability disclosed for 1998 and 1999 reflects a reversal of prior years trends of annual increases. This is very likely a result of a combination of:

- Efforts by agencies to encourage employees to take regular leave and reduce excessive balances; and
- Effects of the provisions of *Section 14 of the Long Service Leave (State Employees) Act 1994* which require the reduction of employees' excessive leave balances to statutory levels within specified timeframes, the last of which expired in April 1999.

3 GOVERNMENT BUSINESSES AND AUTHORITIES

Government Businesses and Authorities are entities that are established under specific legislation which defines the purpose for which they are established and their general functions.

The information on each Government Business and Authority is summarised under the following headings:

- Employee Statistics as at 30 June 1999;
- Audit of the 1998-99 Financial Statements;
- Financial Results; and
- Additional Financial Information.

The disclosures under Financial Results and Additional Financial Information headings are derived from the Accrual segments of the full audited financial statements which include Cash and Accrual segments.

3.1 GOVERNMENT BUSINESS ENTERPRISES

BACKGROUND

Statutory authorities which are subject to provisions of their enabling legislation, and are also subject to the provisions of the *Government Business Enterprises Act 1995* (GBE Act), are referred to as Government Business Enterprises (GBEs).

Tasmania's GBEs collectively have net assets valued in excess of \$3.2bn, employ over 1 231 people, and generate an estimated \$1.2bn in operating revenue annually, and are of fundamental significance to the Tasmanian economy.

The GBE Act made provision for a consistent framework for more accountable, responsive and commercially focussed GBEs. The GBE Act commenced on 1 July 1995 and repealed the *State Authorities Financial Management Act 1990*.

The GBE Act was consistent with the national competition reform agenda and formed part of legislative reform package that also included reform of the electricity supply industry and the establishment of the Government Prices Oversight Commission. The reforms introduced by the GBE Act included:

- a clearer commercial focus for GBEs
- greater accountability for financial performance
- increased return on investment from each GBE
- payment of financial returns to the State, and
- improved services to clients and consumers.

The GBE Act provides for the payment of guarantee fees, taxation equivalents and dividends by the majority of GBEs.

TAXATION EQUIVALENTS

The taxation equivalents regime provides for the payment of income tax equivalents, capital gains tax equivalents, and wholesale sales tax equivalents to the Consolidated Fund.

Income tax equivalents, are calculated, determined and paid to the Treasurer as if the *Commonwealth Tax Act* had applied. Capital gains tax (CGT) equivalents form part of the income tax equivalents regime. Most GBEs have paid income tax equivalents since 1 July 1991 under the now repealed *State Authorities Financial Management Act 1990*.

Sales tax equivalents are calculated as the value of any benefit gained by the GBE because of any exemption from sales tax that would have been payable under the enactments of the Commonwealth. Most GBEs became liable for wholesale sales tax equivalents from 1 July 1995.

GUARANTEE FEES

Guarantee fees are based on the amount of financial accommodation utilised by the GBE and all its subsidiaries at the end of the preceding year. For example, an explicit government guarantee is provided to GBEs borrowing through Tascorp. Guarantee fees are determined by the Treasurer subject to a maximum prescribed percentage of 1%.

DIVIDENDS

Consistent with commercial practice, the Board of a GBE recommends to the shareholding ministers whether a dividend should be paid in respect of the previous financial year and the amount of that dividend. The shareholding ministers will subsequently determine the dividend payable.

As a general rule the dividend can only be paid out of profits earned, and would normally represent 50% of after-tax profits. Ministers can, and do, require a Special Dividend in addition to, or in lieu of, the normal dividend.

AUDIT STATUS

With the exception of the Southern Regional Cemetery Trust, the audits of the financial statements of the entities for the last financial year have been completed.

Selected comments arising from the audit of each entity are summarised below.

3.1.1 CIVIL CONSTRUCTION SERVICES CORPORATION

The Corporation was established under the *Civil Construction Services Corporation Act 1994*. The principal function of the Corporation is to carry on a civil construction and maintenance business.

The Responsible Minister is the Attorney General and Minister Justice and Industrial Relations.

EMPLOYEE STATISTICS

At 30 June 1999 the Corporation had 88 employees (1998, 136) which equated to 87.2 (135) full time equivalents.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Corporation were signed on 27 August 1999 and an unqualified audit report was issued on 16 September 1999.

FINANCIAL RESULTS

PROFIT AND LOSS STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Revenue		
Civil engineering operations	20 411	22 294
External plant hire	40	37
Profit on asset disposals	34	103
Interest	164	276
Other income	5	10
Total Operating Revenue	<u>20 654</u>	<u>22 720</u>
Operating Expenditure		
Direct costs	17 425	16 277
Plant and equipment	164	206
Leasing costs	307	347
Salaries and staff related costs	1 334	2 715
Depreciation	579	789
Administrative costs	480	591
Property and insurance costs	179	235
Wholesale sales tax	35	36
Total Operating Expenditure	<u>20 503</u>	<u>21 196</u>
Operating profit before abnormal items and tax	151	1 524
Abnormal items	(105)	(3 024)
Taxation equivalent expense (credit)	(18)	539
Retained profits at year start	84	1 045
Dividends paid or provided for	(15)	0
Retained profits at year end	97	84

Civil Engineering Operations Income decreased from \$22.294m in 1998 to \$20.411m in 1999 due to the effects of rationalisation of the Corporation's operations.

Direct costs increased from \$16.277m in 1998 to \$17.425m in 1999 as a number of contracted projects incurred expenditure in excess of the initial cost estimates.

Salaries and staff related costs decreased from \$2.214m in 1998 to \$1.334m in 1999 in line with the reduction in employees from 136 to 88.

Depreciation, Administration and Property and insurance costs also decreased from a total \$1.615m in 1998 to \$1.238m in 1999 reflecting the rationalisation of the Corporation's operations.

The abnormal expenditure of \$0.105m in 1999 arose from the final payments in respect of the redundancy and site consolidation programs commenced in 1998.

STATEMENT OF FINANCIAL POSITION

	1998-99	1997-98
	\$'000	\$'000
Current Assets		
Cash	1 939	1 478
Receivables	1 034	788
Investments	3 000	3 990
Inventories	132	130
Other	1 226	1 810
Total Current Assets	<u>7 331</u>	<u>8 196</u>
Non-current Assets		
Property plant and equipment	5 811	6 306
Other	833	1 006
Total Non-current Assets	<u>6 644</u>	<u>7 312</u>
Total Assets	<u>13 975</u>	<u>15 508</u>
Current Liabilities		
Creditors	1 760	2 981
Provisions	654	903
Revenue in advance	92	0
Total Current Liabilities	<u>2 506</u>	<u>3 884</u>
Non-current Liabilities		
Provisions	1 340	1 509
Total Non-current Liabilities	<u>1 340</u>	<u>1 509</u>
Total Liabilities	<u>3 846</u>	<u>5 393</u>
Equity		
Capital	10 031	10 031
Retained profits	98	84
Total Equity	<u>10 129</u>	<u>10 115</u>

Receivables increased from \$0.788m in 1998 to \$1.034m in 1999 due to prompt invoicing of a number of contracts completed in June 1999.

Other Current Assets decreased from \$1.810m in 1998 to \$1.226m in 1999 due principally to a decrease of \$0.589m in Work in Progress at year end, which arose from a combination of prompt invoicing noted above and a general decline in contracts in progress.

Creditors decreased from \$2.981m in 1998 to \$1.760m in 1999 due mainly to an amount of \$1.624m owing in 1998 in respect of the redundancy program.

Provisions (which represent provision for employee entitlements) decreased from \$2.412m in 1998 to \$1.994m in 1999 reflecting the decrease in employee numbers.

3.1.2 EGG MARKETING BOARD

The Egg Marketing Board was established under the *Marketing of Primary Products Act 1945* and the *Egg Marketing Act 1957*. These Acts and the former operating legislation, the *Egg Stabilisation Act 1973*, were repealed and consolidated into the *Egg Industry Act 1988*. The Board is governed as a business entity under the *Government Business Enterprises Act 1995*.

The Board has the role of ensuring that producers have an adequate supply of eggs to meet demand all year round. Major functions associated with this objective include egg production control through a hen quota scheme, receipts of surplus eggs for processing into egg products for sale to the bakery/catering market, obtaining eggs for producers in short supply, promotion and quality testing.

The Responsible Minister is the Minister for Primary Industries, Water and Environment

EMPLOYEE STATISTICS

At 30 June 1999 the Egg Marketing Board had a total of 7 employees (1998,7) which equated to 5 full time equivalent staff (5).

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Egg Marketing Board were signed by the Members of the Board on 31 August 1999 and an unqualified audit report was issued on 12 November 1999 subsequent to amendment.

The audit has been contracted to the private sector, as my agent, for a number of years.

FINANCIAL RESULTS

PROFIT AND LOSS STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Revenue		
Exemption Fees	321	330
Interest Received	6	6
Other	1	3
Total Operating Revenue	<u>328</u>	<u>338</u>
Operating Expenditure		
Administration	231	222
Financial	8	15
Marketing	53	52
Statutory	7	9
Inspectorial	28	29
Trading accounts	26	18
Total Operating Expenditure	<u>353</u>	<u>344</u>
Operating profit (loss) before grants and subsidies	(25)	(6)
Abnormal items - profit on sale of motor vehicles	5	10
Taxation equivalent (expense) benefit	6	1
Retained profits at year start	375	359
Amounts transferred (to) from reserves	0	14
Dividends paid or provided for	0	(2)
Retained profits at year end	361	375

Exemption fees decreased by \$9 000 due principally to a temporary 10% reduction in the hen quota numbers during the period September 1998 to February 1999.

Major variances in the increase in Administration expenses, \$9 000, was a decrease in administrative salaries and wages, \$9 526, and an increase in consultancy costs, \$21 264. Consultancy expenditure related principally to tax accounting and, a review of the *Egg Industry Act 1988* for national competition policy purposes.

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash	64	33
Receivables	61	101
Investments	100	120
Inventories	74	70
Total Current Assets	<u>299</u>	<u>324</u>
Non-current Assets		
Property plant and equipment	142	150
Future income tax benefit	31	28
Total Non-current Assets	<u>173</u>	<u>178</u>
Total Assets	<u>472</u>	<u>502</u>
Current Liabilities		
Creditors and accruals	8	8
Provisions	65	78
Total Current Liabilities	<u>73</u>	<u>86</u>
Non-current Liabilities		
Provision for deferred income tax	8	11
Total Non-current Liabilities	<u>8</u>	<u>11</u>
Total Liabilities	<u>81</u>	<u>97</u>
Equity		
Retained profits	361	375
Building revaluation reserves	30	30
Total Equity	<u>391</u>	<u>405</u>

The decrease in Receivables, \$40 000, is due principally to the timing of egg product sales which, for May and June 1999 were \$28 000 below that for the same period in the prior year. Total egg and egg product sales for the year decreased by \$50 000 over that for the prior year.

3.1.3 FORESTRY TASMANIA

Forestry Tasmania (FT) was established under the *Forestry Amendment (Forestry Corporation) Act 1994* which amended the *Forestry Act 1920*. The Corporation has responsibility for optimising both the economic returns from its wood production activities and the benefits to the public and the State of the non-wood values of forests.

The core business of the Corporation is the sustainable production and delivery of forest products and services for optimum community benefit.

The Corporation's Board is comprised of six members, five of whom are appointed by the Governor on the recommendation of the Minister.

The Responsible Minister is the Minister for Infrastructure, Energy and Resources.

EMPLOYEE STATISTICS

At 30 June 1999 FT had a total of 616 employees (1998, 627) which equated to 591 (585) full time equivalent positions.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of FT were signed by the members of the Board on 28 August 1999. An audit report was issued on 8 October 1999.

FINANCIAL RESULTS

PROFIT AND LOSS STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Revenue		
Sales revenue	88 157	81 955
Interest	1 206	987
Proceeds from sale of property, plant and equipment	2 411	2 329
Other	5 302	4 649
Total Operating Revenue	<u>97 076</u>	<u>89 920</u>
Operating Expenditure		
Harvesting	25 160	18 505
General operating overheads	25 676	21 426
Forest planning and management	20 057	17 311
Value of property, plant and equipment sold	2 689	2 835
Personnel provisions	5 878	5 756
Operating lease rentals	1 606	1 680
Interest expense	2 340	2 322
Depreciation	7 020	5 971
Foreign exchange losses	26	946
Doubtful debts provision (writeback)/ expense	(367)	144
Total Operating Expenditure	<u>90 085</u>	<u>76 896</u>
Operating profit before grants and subsidies	6 991	13 024
Operating grants and reimbursements	1 131	5 315
Abnormal items	(317)	(361)
Taxation equivalent expense	(3 413)	(6 971)
Retained profits at year start	6 330	6 746
Amounts transferred (to) from reserves	0	(6 468)
Dividends paid or provided for	(7 302)	(4 955)
Retained profits at year end	3 420	6 330

Sales revenue has increased from \$81.955m in 1997-98 to \$88.157m in 1998-99 due primarily to the expansion of new revenue sources. Mill door sales increased by \$5.848m from the prior year and export sales also increased by \$5.791m. These have been partly offset by a slight decline in traditional revenue sources of stumpage and road toll.

Operating expenditure has increased from \$76.896m in 1997-98 to \$90.085m in 1998-99 due principally to an increase in harvesting costs of \$6.655m as a result of increased sales activity, and an increase in management costs of \$4.250m due to additional marketing and the joint venture programs.

Operating grants and re-imbursements have decreased from \$5.315m in 1997-98 to \$1.131m in 1998-99 due primarily to non-commercial activities no longer being funded by the State government, and a reduction in the fire fighting reimbursement of \$2.126m.

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash	6 994	4 228
Receivables	35 873	38 793
Investments	0	5 056
Inventories	3 506	3 360
Forest estate	28 221	24 028
Other	183	284
Total Current Assets	<u>74 777</u>	<u>75 749</u>
Non-current Assets		
Forest estate	488 974	827 666
Property plant and equipment	30 326	30 976
Receivables	60	22 422
Investments	12 602	11 980
Other	5 534	5 037
Total Non-current Assets	<u>537 496</u>	<u>898 081</u>
Total Assets	<u>612 273</u>	<u>973 830</u>
Current Liabilities		
Creditors and accruals	10 124	9 086
Borrowings	694	687
Employee provisions	8 966	8 803
Provision for tax equivalent	109	2 630
Provision for dividend	2 855	6 560
Total Current Liabilities	<u>22 748</u>	<u>27 766</u>
Non-current Liabilities		
Borrowings	206	700
Deferred income tax	11 826	9 648
Employee provisions	45 074	43 230
Total Non-current Liabilities	<u>57 106</u>	<u>53 578</u>
Total Liabilities	<u>79 854</u>	<u>81 344</u>
Equity		
State equity	272 057	272 057
Reserves	256 941	614 099
Retained profits	3 420	6 330
Total Equity	<u>532 418</u>	<u>892 486</u>

Non current receivables have decreased from \$22.422m in 1997-98 to \$0.060m in 1998-99. This is due to the remaining Regional Forestry Agreement (RFA) funds now being classified as a current receivable.

The decrease in current investments occurred as RFA funds received during the current year were deposited directly into FT's trading bank account instead of a separate investment account.

The Forest Estate Asset has decreased in value from \$827.666m in 1997-98 to \$488.974m in 1998-99. Of this decrease, \$182.400m is due to the effect of a higher discount rate used for the valuation of forests other than softwood plantations. This discount rate moved from 3.51% in 1997-98 to 6.31% in 1998-99. The remaining

decrease is principally due to the valuation of softwood plantations at market value, following FT entering into a Joint Venture agreement after 30 June 1999 to sell a 50% share of these plantations.

Reserves have decreased from \$614.099m in 1997-98 to \$256.941m in 1998-99 in line with the change in the Forest Estate valuation outlined above.

ADDITIONAL FINANCIAL INFORMATION

For the 1998-99 financial year FT changed its accounting policy with respect to the Forest Estate disclosure. It was the Board's opinion that the land and standing timber which are components of the Forest Estate are inextricably related and are therefore disclosed as one asset class, described as Timber Resource. Had this disclosure change from the prior year not occurred, the Timber Resource would have been disclosed as a non-current asset in the current year as standing timber \$128m and land \$242m.

FT is exposed to changes in foreign exchange rates as a result of its export activities. Following a review of their hedging policy after recording significant losses in the 1997-98 financial year, FT now uses collar options to reduce any exposure to adverse market movements.

3.1.4 HYDRO-ELECTRIC CORPORATION

The Hydro-Electric Corporation (HEC) was established as a Commission by the *Hydro-Electric Commission Act 1944* and corporatised by the *Hydro-Electric Corporation Act 1995*.

The Responsible Minister is the Minister for Infrastructure, Energy and Resources.

The Corporation was disaggregated into three separate businesses on 1 July 1998. Two new companies, Aurora Energy Pty Ltd (Aurora) and Transend Networks Pty Ltd (Transend), were formed and assets and liabilities relating to the distribution/retail and transmission businesses were transferred to those companies on that date. The Corporation remains a Government Business Enterprise and retains the generation, systems and consulting businesses. The Corporation also retains the assets and liabilities in relation to the generation and supply of electricity on the Bass Strait Islands.

EMPLOYEE STATISTICS

At 30 June 1999 the HEC had a total of 660 employees (1998, 1 588).

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Corporation were signed by the members of the Board on 30 September 1999 and an unqualified audit report was issued on 30 September 1999.

FINANCIAL RESULTS

This is the first year of operation with the new business structure. The disaggregation of the HEC into the three separate businesses of generation, transmission and distribution has had a major financial impact on the Profit and Loss Statement and Balance Sheet.

PROFIT AND LOSS STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Revenue		
Electricity sales revenue	272 775	504 475
Services to external customers	42 905	6 115
Contribution to consolidated fund	83	14 776
Customer contributions received	129	4 160
Other	3 065	7 144
Total Operating Revenue	<u>318 957</u>	<u>536 670</u>
Operating Expenditure		
Labour	37 021	73 864
Materials	6 574	9 891
Other division expenses	43 459	37 732
Financial charges	108 022	157 267
Depreciation	74 862	118 739
Contributions for retirement benefits	15 194	20 474
Contribution to consolidated fund	123	14 805
Bad and doubtful debts	29	2 011
Total Operating Expenditure	<u>285 284</u>	<u>434 783</u>
Operating profit before grants and subsidies	33 673	101 887
Operating grants and reimbursements	4 420	935
Abnormal items	(11 301)	(8 129)
Taxation equivalent expense	(24 201)	(55 790)
Extraordinary items	0	(4 175)
Taxation equivalent expense on extraordinary items	0	690
Operating profit after tax and abnormal/extraordinary items	2 591	35 418
Accumulated profits at year start	1 577	23 868
Amounts transferred (to) from reserves	200 359	0
Dividends paid or provided for	(42 591)	(57 709)
Accumulated profits at year end	161 936	1 577

The profit and loss figures reflect the change in business activity. After disaggregation the HEC retained the generation, systems control and consulting businesses. Retail margins from electricity sales were transferred to Aurora and revenues from the operation of the transmission system were transferred to Transend.

Operating revenues reduced by \$217.713m. Items of interest are as follows:

- Electricity sales revenue, \$272.775m, in the main represents wholesale energy charges paid by Aurora after deducting retail margins, transmission charges and administrative costs; and
- Services to external customers \$42.905m (1997-98 \$6.115m) comprises gross revenues received from consulting activities and also includes significant additional revenues received from Aurora and Transend principally for the provision of administrative services on a cost recovery basis.

Operating expenditures reduced by \$149.499m with major variations explained as follows:

- Labour costs reduced by \$36.843m due mainly to the transfer of employees to the new electricity companies;
- Financial charges decreased by \$49.245m due principally to a reduction in interest costs of approximately \$37m due to transfer of \$350.047m debt to Aurora, and an overall reduction in interest rates on the remaining debt reducing costs by approximately \$9m; and
- Depreciation decreased by \$43.877m mainly due to the transfer of distribution and transmission assets to Aurora and Transend.

Amounts transferred from reserves of \$200.359m to accumulated profits represents a combination of factors. The major items include a transfer of equity on disaggregation, \$520.102m, offset by a reduction in the asset revaluation reserve in relation to assets transferred on disaggregation, \$435.000m, and the closing off of the King and Anthony power developments cost equalisation reserve, \$275.793m.

BALANCE SHEET

	1998-99	1997-98
	\$'000	\$'000
Current Assets		
Cash	249	224
Receivables	34 420	84 427
Investments	32 740	32 933
Inventories	4 254	10 710
Other	7 928	7 124
Total Current Assets	<u>79 591</u>	<u>135 418</u>
Non-current Assets		
Receivables	140	380
Investments	0	1 000
Property, plant and equipment	3 112 562	3 891 233
Other	6 703	12 587
Total Non-current Assets	<u>3 119 405</u>	<u>3 905 200</u>
Total Assets	<u>3 198 996</u>	<u>4 040 618</u>
Current Liabilities		
Accounts payable	45 896	55 073
Borrowings	317 738	290 969
Provisions	81 546	138 855
Other	230	3 797
Total Current Liabilities	<u>445 410</u>	<u>488 694</u>
Non-current Liabilities		
Borrowings	728 846	1 104 812
Provisions	314 255	384 149
Total Non-current Liabilities	<u>1 043 101</u>	<u>1 488 961</u>
Total Liabilities	<u>1 488 511</u>	<u>1 977 655</u>
Equity		
Reserves	1 548 549	2 061 386
Accumulated profits	161 936	1 577
Total Equity	<u>1 710 485</u>	<u>2 062 963</u>

The financial impact of the disaggregation on 1 July 1998 was a reduction in the HEC's equity of \$520.102m, being the net assets transferred to Aurora and Transend. The 1998-99 balance sheet reflects the impact of these transfers and this explains the major movements in financial amounts.

Major variations are as follows:

- Current Receivables have decreased by \$50.007m reflecting the impact of the transfer of retail electricity debtors to Aurora. The current balance mainly comprises debts relating to wholesale electricity sales;
- Property, plant and equipment decreased by \$778.671m. Major reasons for the variation were the transfer of assets totalling \$872.181m to Aurora and Transend, annual depreciation expense of \$74.862m offset by an increase

in asset values of \$208.837m resulting from the annual asset revaluation and additions of \$18.010m;

- Current Borrowings increased by \$26.769m whilst non-current borrowings reduced by \$375.966m an overall decrease of \$349.197m. The major reason for the reduction was the transfer of debt to Aurora of \$350.047m on disaggregation; and
- Total provisions, both current and non-current, decreased by \$127.203m. Principal movements comprised a reduction in the provision for dividend \$15.118m to \$42.591m, a decrease in provision for income tax \$17.423m to \$7.544m, and reduction in provision for deferred income tax \$37.030m to \$134.775m. Employee provisions reduced by \$56.941m to \$209.913m.

ADDITIONAL FINANCIAL INFORMATION

The accounts include provision for a special dividend payment of \$40.000m in accordance with Government policy. The normal dividend was for payment of 100% of after tax profits. Total dividends and tax provided for in the accounts in respect of the year ending 30 June 1999 was \$58.707m.

Property plant and equipment is revalued at 30 June each year to its deprival value, which is the lower of service value and recoverable amount.

The HEC has a policy to revalue the service value of its assets at least every 5 years. This was last performed in the 1996-97 financial year. Due to the disaggregation of the HEC, distribution and transmission assets were transferred to Aurora and Transend. The HEC has retained the generation assets. The 1998-99 service valuations of Generation assets were derived by applying appropriate indexation factors.

Recoverable amount valuations are performed annually. The recoverable amount of the Generation assets is determined by estimating the future cash flows to be derived from them and discounting the cash flows to present values. Cash flow projections are supported by a number of assumptions which, although judgemental in nature, are based on the best information available at the time and are consistent with the HEC's own internal budget estimates. In addition the HEC has included the proposed pricing outcomes as outlined by the Tasmanian Electricity Regulator on 1 October 1999 in his Draft Report entitled *Investigation into Electricity Supply Industry Pricing Policies*.

The 30 June 1999 revaluation resulted in a revaluation increase of \$208.837m. The gross and written down service values of generation assets at 30 June 1999 were \$6.916bn (1997-98 \$6.851bn) and \$4.498bn (\$4.541bn) respectively. The recoverable amount was assessed at \$2.987bn (\$2.829bn). The reduction in the discount rate from 7.5% at 30 June 1998 to 7.2% at 30 June 1999 is mainly responsible for the increase in value.

The HEC Enterprises Corporation (HECEC) was dissolved by operation of law on 1 July 1998 in accordance with the provisions of the *Electricity Companies Act 1997*, and its assets, liabilities, rights and obligations were transferred to the HEC on that date.

3.1.5 MOTOR ACCIDENTS INSURANCE BOARD

The Motor Accidents Insurance Board (MAIB) was established under the *Motor Accidents (Liability and Compensation) Act 1973*. The principal business of the MAIB is to provide no fault insurance coverage to Tasmanian motorists.

The Board of Directors of the MAIB comprises five members appointed by the Governor on the recommendation of the Responsible Minister.

The Responsible Minister is the Minister for Infrastructure, Energy and Resources.

EMPLOYEE STATISTICS

In terms of employee statistics, the MAIB has 32.3 FTEs (1997-98, 31.3). The head count for the MAIB at 30 June 1999 was 36 employees (35).

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the MAIB were signed by the Chairperson and a Director on 25 August 1999 and an unqualified audit report was issued on 9 September 1999.

FINANCIAL RESULTS

OPERATING STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Expenses		
Claims expense	78 341	90 846
Outwards reinsurance	1 913	846
General and administration	2 643	2 644
Road safety initiative	1 300	1 264
Injury prevention and management foundation	556	427
Other underwriting expenses	1 474	1 321
Total Cost Of Services	86 227	97 348
Operating Revenues		
Premium revenue	75 592	69 174
Investment revenue	16 537	32 341
Total Operating Revenues	92 129	101 515
Operating result before abnormal item & taxation	5 902	4 167
Abnormal item	(16 000)	0
Operating result before taxation	(10 098)	4 167
Taxation equivalent expense	4 530	(373)
Operating result after taxation	(5 568)	3 794
Retained Surplus at Beginning of Reporting Period	63 612	64 718
Dividends provided or paid	(3 000)	(4 900)
Retained Surplus at End of Reporting Period	55 044	63 612

The MAIB recorded an operating profit before abnormal item and taxation equivalents of \$5.902m (1997-98, \$4.167m). The increase in profit of \$1.735m can be attributed to:

- A reduction of \$12.505m in claims expenses which arose due to an increase in claims paid of \$10.107m and a decrease in outstanding and reported claims expense of \$23.582m;
- An increase in outwards reinsurance of \$1.067m resulting from an increase in excess of loss cover;
- An increase in premium revenue of \$6.418m resulting from premium adjustments for all motor vehicle classifications from 1 December 1998 in line with maximum increases allowed by the Government Prices Oversight (MAIB Premiums) Order 1997; and
- A decrease in investment revenue of \$15.804m. A significant component of the decrease relates to unrealised losses arising from changes in the market values of investments held at 30 June 1999.

In addition, the MAIB recognised an abnormal expense item of \$16m relating to the assessed impact of *A New Tax System (Goods and Services Tax) Act 1999*. Although the legislation is not effective until 1 July 2000, the Accountants and Actuaries Liaison Committee has agreed that an allowance should be made for the impact of the legislation on the non current outstanding claims provision.

The Board's Consultant Actuary has assessed the likely impact and recommended that the abnormal expense be recognised at 30 June 1999.

Dividends paid or recommended by the MAIB for the year ended 30 June 1999 is for a special dividend of \$3m (1997-98, \$3m). Due to the impact of the abnormal expense on the operating results for the year ended 30 June 1999, the Board did not recommend the payment of a normal dividend (\$1.9m).

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash	100	241
Short term deposits and inscribed stock	106 031	221 558
Accounts receivable	65	255
Accrued interest	69	45
Accrued income	34	22
Lease receivable	266	252
Prepaid expenses	29	32
Total Current Assets	<u>106 594</u>	<u>222 405</u>
Non-current Assets		
Government securities and other investments	349 906	216 777
Property	37 794	38 786
Plant and equipment	1 436	1 127
Rehabilitation Tasmania	0	460
Lease receivable	2 629	2 919
Future income tax benefit	10 604	6 680
Total Non-current Assets	<u>402 369</u>	<u>266 749</u>
Total Assets	<u>508 963</u>	<u>489 154</u>
Current Liabilities		
Provision for outstanding and unreported claims	66 940	53 592
Provision for dividend	0	1 900
Provision for unearned income	39 488	37 343
Provision for unexpired risk	500	1 000
Provision for injury prevention and management foundation	564	533
Provision for employee entitlements	404	362
Provision for unearned rent	249	226
Sundry creditors and accrued expenses	733	801
Total Current Liabilities	<u>108 878</u>	<u>95 757</u>
Non-current Liabilities		
Provision for outstanding and unreported claims	344 094	328 240
Provision for deferred tax	41	647
Provision for employee entitlements	906	898
Total Non-current Liabilities	<u>345 041</u>	<u>329 785</u>
Total Liabilities	<u>453 919</u>	<u>425 542</u>
Equity		
Accumulated surplus	55 044	63 612
Total Equity	<u>55 044</u>	<u>63 612</u>

In relation to the Statement of Financial Position, the significant movements in balances relate to:

- A reallocation of the current asset short term deposits and inscribed stock to non-current asset government securities and other investments;

- The liquidation of the Board's interest in Rehabilitation Tasmania Pty Ltd, with an amount of \$0.510m received in settlement;
- An increase in the future income tax benefit of \$3.924m resulting from carried forward tax losses arising from the loss after Abnormal item incurred by the MAIB; and
- Increases in the current and non current liabilities relating to the provisions for outstanding and unreported claims totalling \$29.202m resulting from the annual Actuarial review and the impact of *A New Tax System (Goods and Services Tax) Act 1999*.

ADDITIONAL FINANCIAL INFORMATION

The nature of the MAIB's operation results in claims being made in respect to personal injury resulting from motor vehicle accidents. The claims made take a considerable amount of time to be settled and as a consequence, the determination of a liability for outstanding and unreported claims is an estimate.

As noted in the Financial Results tables, the total liability at 30 June 1999 was \$411.034m (1997-98, 381.832m).

To ensure the adequacy of the claims liability the MAIB has appointed an independent Actuary to review claims data and provide an estimate of the claims liability.

It is noted that the estimation of future payments is inherently imprecise, particularly in respect of liabilities settled over an extended time frame. Though the estimates are prepared in accordance with what is believed to be the probable future experience, the experience could vary from the estimates.

Consequently, the estimates include a prudential margin on central claims estimates. Central claims estimates are the Actuary's estimate of liabilities with no deliberate bias to either under or overstate the provision.

The level at which the prudential margin is set has a significant impact on the outstanding claims liability and impacts on the claims expense total, which directly effects the operating result of the MAIB. It is noted that the prudential margin has remained constant over the previous two accounting periods.

3.1.6 NORTH WEST REGIONAL WATER AUTHORITY

The North West Regional Water Authority was established under the *North West Regional Water Authority Act 1987* to operate as a bulk metering authority and charge councils for water consumption according to the 'user pays' principle. The Authority trades under its own name.

The core business of the Authority is to collect, treat and conserve water in bulk and to supply it at an acceptable standard which conforms to quality guidelines to its constituent councils of Circular Head, Waratah-Wynyard, Central Coast, Devonport City, Latrobe and Kentish.

The Authority comprises seven members appointed by the Minister, four of whom are representatives of the constituent councils, two are from the Rivers and Water Supply Commission and one from the Department of Treasury and Finance.

The Responsible Minister is the Minister for Primary Industries, Water and Environment.

EMPLOYEE STATISTICS

As at 30 June 1999 the Authority employed 22.8 (1997-98, 23.6) full-time equivalent staff.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Authority were signed by the members of the Authority on 31 August 1999 and an unqualified audit report was issued on 12 October 1999.

FINANCIAL RESULTS

OPERATING STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Revenue		
Sales	7 305	8 142
Interest on investments	79	47
Profit (Loss) on sale of motor vehicles	(9)	13
Other	64	40
Total Operating Revenue	<u>7 439</u>	<u>8 242</u>
Operating Expenditure		
Administration	602	507
Headworks operating	2 504	2 747
Borrowing costs	1 527	2 312
Depreciation	1 204	1 783
Government guarantee fee	136	122
Total Operating Expenditure	<u>5 973</u>	<u>7 471</u>
Operating profit before abnormals and tax	1 466	771
Abnormal items	155	(3 125)
Taxation equivalent benefit (expense)	1 100	(161)
Retained profits at year start	3 996	5 960
Adjustment for change in accounting policy	0	551
Amounts transferred (to) from reserves	0	0
Dividends paid or provided for	(673)	0
Retained profits at year end	6 044	3 996

The Operating profit before abnormal items and taxation equivalents has increased by \$0.695m to \$1.466m (1997-98, \$0.771m). The increase can be attributed to:

- A saving in borrowing costs \$0.785m as a result of debt defeasance in 1997-98. The restructure resulted in savings on interest relating to private loans. State loans were repaid during the restructure which has eliminated interest in the 1998-99 financial period; and
- A decrease in the depreciation expense of \$0.579m resulting from the Authority's decision to revalue infrastructure assets on an optimised written down deprival value basis on 30 June 1998. The value of infrastructure assets was reduced by \$26.700m.

The savings have been partially offset by a reduction in the revenue required to be generated through the sale of water. The Authority determines the amount of revenue required through its budget and sets its pricing accordingly. Consequently, Sales revenue decreased by \$0.837m.

In addition, the Authority incurred an abnormal expense of \$155 000 (1997-98, \$378 000) relating to superannuation adjustments for redundancy payments in anticipation of the creation of the new joint authority. It is noted that the remaining balance of abnormal items relating to 1997-98, \$2.747m, relates to the loss on loan defeasance.

During 1998-99 the Authority sought and obtained approval from the Department of Treasury and Finance to treat the loss on loan defeasance as an allowable deduction for taxation equivalent purposes. The result of the approval resulted in a taxation equivalent benefit of \$1.100m (1997-98, expense \$161 000).

STATEMENT OF FINANCIAL POSITION

	1998-99	1997-98
	\$'000	\$'000
Current Assets		
Cash	1	1
Investments	1 900	1 340
Prepayments and accruals	114	99
Inventories	36	37
Sundry debtors	49	13
Total Current Assets	<u>2 100</u>	<u>1 490</u>
Non-current Assets		
Water scheme headworks	56 533	58 003
Furniture, equipment and vehicles	498	445
Future income tax equivalent benefit	1 454	685
Total Non-current Assets	<u>58 485</u>	<u>59 133</u>
Total Assets	<u>60 585</u>	<u>60 623</u>
Current Liabilities		
Employee provisions	1 693	1 487
Creditors	885	959
Bank overdraft	1	0
Borrowings	551	1 339
Total Current Liabilities	<u>3 130</u>	<u>3 785</u>
Non-current Liabilities		
Borrowings	23 246	23 478
Deferred income tax	0	331
Employee provisions	276	414
Total Non-current Liabilities	<u>23 522</u>	<u>24 223</u>
Total Liabilities	<u>26 652</u>	<u>28 008</u>
Equity		
Reserves	27 889	28 619
Retained profits	6 044	3 996
Total Equity	<u>33 933</u>	<u>32 615</u>

The Authority's financial position has not changed significantly, however:

- Investments have increased by \$0.560m a result of a surplus of cash generated from operating activities exceeding cash outflows for investing and financing activities;

- The Future income tax benefit increased by \$0.769m as a result of the carried forward tax losses increasing due to the deductibility of the loss on loan defeasance;
- The total loan debt reduced by \$1.020m with principal repayments of \$2.420m and new borrowings of \$1.400m; and
- The provision for Deferred income tax reduced by \$0.331m to nil as a result of the timing differences being offset in total by carried forward tax losses.

ADDITIONAL FINANCIAL INFORMATION

Further to my Report No 2 for 1997-98 (page 157), I noted that the transfer of the Authority's operation from the State Government ownership to Local Government was likely to occur in 1998-99 following the commencement of the *North West Water (Arrangements) Act 1997*.

North West Water Authority was established by the Minister for Local Government on 10 August 1999 as a joint authority of the Circular Head, Waratah-Wynyard, Central Coast, Devonport City, Latrobe and Kentish councils under Section 38 of the *Local Government Act 1993*.

The Authority will be administered by a four person Board of Management and will be the bulk water supplier to its six owner councils.

The *North West Regional Water (Arrangements) Act 1997* came into effect on 1 July 1998 and on that date repealed the *North West Regional Water Authority Act 1987*; provided for the transfer of staff; and, subject to a notice published in the Gazette, provided for the transfer of prescribed property (ie property used exclusively or mainly in operating a bulk water scheme), rights, obligations and liabilities to North West Water Authority.

In accordance with that Act the Minister for Primary Industry, Water and Environment published a notice in the Gazette on 10 August 1999 transferring to North West Water Authority all the prescribed property, obligations and liabilities of the North West Regional Water Authority.

The North West Regional Water Authority ceased operations on 9 August 1999. Draft financial statements have been produced for the Authority's operation from 1 July 1999 to 9 August 1999 and are currently under audit review.

3.1.7 PORT ARTHUR HISTORIC SITE MANAGEMENT AUTHORITY

The Authority is constituted under the *Port Arthur Historic Site Management Authority Act 1987*. The Authority is responsible for the management of the historic site including its preservation and maintenance as an example of a major British convict settlement and penal institution.

The Authority consisted of five members as at 30 June 1998 and six as at 30 June 1999.

The Responsible Minister is the Minister for State Development.

AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

The 1997-98 financial statements of the Authority were signed on 26 February 1999 and a qualified audit report was issued on 24 March 1999.

The qualification related to non-inclusion of certain assets in comparative figures for 30 June 1997.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The 1998-99 financial statements of the Authority were on 2 November 1999 and an unqualified audit report was issued on 5 November 1999.

EMPLOYEE STATISTICS

The Authority had 87 full time employees as at 30 June 1999 (1998, 72).

FINANCIAL RESULTS

PROFIT AND LOSS STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Revenue		
Visitor services - entrance fees and other tour income	2 741	2 303
Ghost tours	372	304
Food and merchandising	1 858	1 770
Other income	202	206
Total Operating Revenue	5 173	4 583
Operating Expenditure		
Visitor services	1 182	1 225
Ghost tours	237	236
Food & merchandising	1 895	1 620
Conservation	1 371	1 673
Administration	1 250	1 447
Marketing	145	262
Education and training	82	119
Special events	0	26
Total Operating Expenditure	6 162	6 608
Operating (loss) before grants and abnormals	(989)	(2 025)
National estate	26	25
Abnormal items	293	585
Government deficit funding	3 696	4 063
Retained Profits 1 July, 1998	5 838	3 190
Retained Profits 30 June, 1999	8 864	5 838

Entry fees and tour income increased by \$0.438m to \$2.741m in 1998-99 due to increased fee charges and increased visitor numbers. Food and merchandising revenue followed a similar trend due to the increase in visitor numbers and increased trading with the opening of the new visitor centre in 1998-99.

Government deficit funding of \$4.063m was received in 1997-98 and \$3.696m in 1998-99 to provide for major capital works. Principally this included the development of the Visitor centre and heritage management works.

In 1997-98 the abnormal items included \$1.535m of income derived from recording various infrastructure asset into the Authority's accounts for the first time. This was offset by expenditure on excess workers compensation claims relating to April 1996, \$0.835m, and expenditure to write off goodwill and minor plant paid on the purchase of Langford Tea Rooms due to its closure during the year, \$190 000.

In 1998-99 the net abnormal income of \$0.293m comprised income from the write down of the Authority's superannuation liability, \$0.451m, and expenditure from the write down in the valuation of assets through a re-identification process, \$0.158m.

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash	(349)	(339)
Receivables	185	100
Investments	1 643	1 920
Inventories	229	170
Prepayments	60	50
Total Current Assets	<u>1 768</u>	<u>1 901</u>
Non-current Assets		
Property, plant and equipment	9 416	6 726
Intangibles	1	10
Total Non-current Assets	<u>9 417</u>	<u>6 736</u>
Total Assets	<u>11 185</u>	<u>8 637</u>
Current Liabilities		
Creditors and accruals	208	723
Provisions	564	458
Total Current Liabilities	<u>772</u>	<u>1 181</u>
Non-current Liabilities		
Provisions	1 549	1 619
Total Non-current Liabilities	<u>1 549</u>	<u>1 619</u>
Total Liabilities	<u>2 321</u>	<u>2 800</u>
Equity		
Accumulated Funds	8 864	5 838
Total Equity	<u>8 864</u>	<u>5 838</u>

Property, plant and equipment increased from \$6.726m to \$9.416m in 1998-99 principally to the addition of the new Visitor Centre and interpretation gallery totalling \$3.644m.

The decrease in Creditors and accruals, \$0.515m, is due to the prior year figure including creditors on hand for progress claims for construction of the Visitor centre and associated works.

3.1.8 PRINTING AUTHORITY OF TASMANIA

The Printing Authority of Tasmania (PAT) was established under the *Printing Authority of Tasmania Act 1994*.

The Authority's mission is to provide a fail-safe printing service to the Tasmanian Government for the printing of legislation, reports and other printed materials. In addition, the PAT competes with the private sector for printing services to the public sector departments and other authorities. The PAT is also permitted to do printing for prescribed bodies, which include:

- Any body corporate which receives funding from the Tasmanian Government or the Australian Government;
- Any person or body that carries on a business or resides in a place other than Tasmania; and
- Work that any businesses are unable to carry out effectively.

The Responsible Minister is the Minister for Infrastructure, Energy and Resources.

EMPLOYEE STATISTICS

At 30 June 1999, the Authority had a total of 77 staff (1998, 75), comprising full time staff of 58 employees (58) and casual staff of 19 employees (17).

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Authority were signed by the Chairman and Chief Executive Officer on 30 August 1999. An unqualified audit report was issued on 8 September 1999.

FINANCIAL RESULTS

PROFIT AND LOSS ACCOUNT

	1998-99 \$'000	1997-98 \$'000
Operating Revenue		
Sales revenue	7 668	7 191
Interest revenue	36	39
Profit on sale of assets	0	8
Other	54	52
Total Operating Revenue	<u>7 758</u>	<u>7 290</u>
Operating Expenditure		
Salaries & wages	2 940	2 874
Direct materials	1 715	1 608
Depreciation	250	218
Other expenses	2 798	2 527
Total Operating Expenditure	<u>7 703</u>	<u>7 227</u>
Operating profit before abnormal items and tax	55	63
Abnormal items	0	0
Taxation equivalent expense	0	0
Retained profits at year start	1 148	1 085
Adjustment resulting from change in accounting policy	0	0
Retained profits at year end	1 203	1 148

Sales for the year rose from \$7.191m in 1997-98 to \$7.668m in 1998-99 due principally to printing of material for State and Local Government elections totalling \$0.447m.

Direct materials increased from \$1.608m in 1997-98 to \$1.715m in 1998-99 and Other Expenses increased from \$2.527m to \$2.798m reflecting an increase in materials and related items for printing works.

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash	230	606
Receivables	605	487
Investments	395	178
Inventories	451	503
Other	41	5
Total Current Assets	<u>1 722</u>	<u>1 779</u>
Non-current Assets		
Property plant and equipment	1 220	1 445
Total Non-current Assets	<u>1 220</u>	<u>1 445</u>
Total Assets	<u>2 942</u>	<u>3 224</u>
Current Liabilities		
Accounts payable	717	985
Provisions	587	622
Other	447	479
Total Current Liabilities	<u>1 751</u>	<u>2 086</u>
Non-current Liabilities		
Borrowings	0	0
Provisions	138	140
Total Non-current Liabilities	<u>138</u>	<u>140</u>
Total Liabilities	<u>1 889</u>	<u>2 226</u>
Equity		
Negative Equity - Government Printing Office	(150)	(150)
Retained profits	1 203	1 148
Total Equity	<u>1 053</u>	<u>998</u>

The decrease in Cash holdings of \$0.376m from the 1997-98 year was due to the transfer of funds to higher earning investment accounts. This can be seen in the increase of Current Assets item, Investments, from \$0.178m to \$0.395m.

Accounts payable moved from \$0.985 in 1997-98 to \$0.717m in 1998-99 due to prior year creditors including large orders of materials for jobs commenced early in 1998-99. This related principally to printing materials for both State and Local Government elections.

3.1.9 RIVERS AND WATER SUPPLY COMMISSION

The Rivers and Water Supply Commission was established under the *Water Act 1957*.

The Commission's Board comprises four members appointed by the Governor.

The Commission administers the following eleven schemes:

- Cressy-Longford Irrigation Scheme;
- Davy Point Drainage Scheme;
- Furneaux Drainage Scheme;
- Lobster Rivulet River Improvement Scheme;
- Montagu River Improvement Scheme;
- Prosser River Water Supply Scheme;
- South East Irrigation Scheme;
- Togari Water Supply Scheme;
- Welcome River Drainage Scheme;
- Western Creek and Dale Brook River Improvement Scheme; and
- Winnaleah Irrigation Scheme.

In addition there is the Meander Valley Irrigation Scheme which has not yet been proclaimed. The future of this Scheme has still not been decided.

The Responsible Minister is the Minister for Primary Industries, Water and Environment.

EMPLOYEE STATISTICS

The Commission is not a direct employer of people involved in Commission activities. Administrative and operational support is provided by persons employed by Department of Primary Industries, Water and Environment (DPIWE).

At 30 June 1999 DPIWE employed 9 staff (1998, 9) which equated to 5 (5) full time equivalent positions to carry out operations and maintenance work on the Commission Schemes.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Commission were signed by two Members of the Commission on 27 August 1999 and an unqualified audit report was issued on 6 October 1999.

FINANCIAL RESULTS

PROFIT AND LOSS STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Revenue		
Water rates and charges	1 274	1 089
Interest on investments	51	44
Other	30	33
Total Operating Revenue	<u>1 355</u>	<u>1 166</u>
Operating Expenditure		
Operations and maintenance	648	655
Administration	392	396
Financial	2 075	2 099
Total Operating Expenditure	<u>3 115</u>	<u>3 150</u>
Operating profit/(loss) before abnormals and tax	(1 760)	(1 984)
Taxation equivalent expense	221	186
Retained profits at year start	93	(1 134)
Amounts transferred (to) from reserves	0	(9)
Adjustment for first year of tax accounting	0	168
Retained profits at year end	(1 446)	(2 773)
Adjustment to accumulated funds	2 776	2 866
Adjusted accumulated funds	1 330	93

Administration expenditure includes an amount of \$141 750 (1998, \$141 750) paid to DPIWE as a contribution for administration and management support provided to the Commission.

The Adjustment to accumulated funds, \$2.7666m, represents capital contributions received by the Commission from the State Government (1998, \$2.866m).

STATEMENT OF FINANCIAL POSITION

	1998-99	1997-98
	\$'000	\$'000
Current Assets		
Cash	141	132
Receivables	428	519
Investments	1 042	942
Total Current Assets	<u>1 611</u>	<u>1 593</u>
Non-current Assets		
Property plant and equipment	36 250	36 760
Other	575	696
Total Non-current Assets	<u>36 825</u>	<u>37 456</u>
Total Assets	<u>38 436</u>	<u>39 049</u>
Current Liabilities		
Creditors and accruals	128	143
Borrowings	300	1 200
Employee provisions	336	314
Total Current Liabilities	<u>764</u>	<u>1 657</u>
Non-current Liabilities		
Borrowings	18 127	18 795
Employee provisions	315	262
Provision for deferred income tax	0	341
Total Non-current Liabilities	<u>18 442</u>	<u>19 398</u>
Total Liabilities	<u>19 206</u>	<u>21 055</u>
Equity		
Reserves	17 901	17 901
Retained profits	1 330	93
Total Equity	<u>19 231</u>	<u>17 994</u>

3.1.10 SOUTHERN REGIONAL CEMETERY TRUST

The Southern Regional Cemetery Trust (the Trust) was established under the *Southern Regional Cemetery Act 1981*.

The Trust is responsible for the control and management of cemeteries and crematoria vested in or acquired by it for the burial or cremation of persons who were former residents of the southern area of the State, and for ensuring that adequate cemeteries and crematoria are available to meet future requirements.

The Trust comprises six members appointed by the Governor.

The Responsible Minister is the Premier.

EMPLOYEE STATISTICS

As at 30 June 1999 there were 17 (1998, 15) employees at the Trust, 16 full-time (14) and 1 part-time (1).

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Trust were signed by the Chairman on 27 August 1999. However, amendments to the financial statements were not received in time for inclusion in this report.

3.1.11 STANLEY COOL STORES BOARD

The Stanley Cool Stores Board was established under the *Stanley Cool Stores Act 1945*, with responsibility for the 'management and control of certain cool stores erected at Stanley, and for matters incidental thereto'. The Principal Act has been subsequently amended in certain areas, but its original intent has not changed. The Board trades under its own name.

The core business of the Board is to lease and/or licence the use of refrigerated cool store space in support of regional enterprise development.

The Responsible Minister is the Minister for Primary Industries, Water and Environment.

EMPLOYEE STATISTICS

As at 30 June 1999 the Board employed two full time staff (1998, 2).

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Board were signed on 26 August 1999 and an unqualified audit report was issued on 22 September 1999.

FINANCIAL RESULTS

OPERATING STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Revenue		
Cold storage charges	524	524
Interest received	67	63
Other income	4	0
Total Operating Revenue	<u>595</u>	<u>587</u>
Operating Expenditure		
Audit fees	3	3
Administration	133	133
Depreciation	44	30
Maintenance and operation	116	130
Total Operating Expenditure	<u>296</u>	<u>296</u>
Operating profit before Income Tax	299	291
Income tax expense	(115)	(106)
Retained profits at year start	727	630
Amounts transferred (to) from reserves	0	0
Dividends paid or provided for	(92)	(88)
Retained profits at year end	819	727

The Board has had another consistent year with operating income increasing by \$8 000 to \$595 000. Operating expenditure remained constant at \$296 000 resulting in an Operating Profit before Income Tax of \$299 000.

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash	151	71
Investments	1 275	1 215
Inventories	16	11
Other	13	12
Total Current Assets	<u>1 455</u>	<u>1 309</u>
Non-current Assets		
Property plant and equipment	<u>916</u>	960
Total Non-current Assets	<u>916</u>	<u>960</u>
Total Assets	<u>2 371</u>	<u>2 269</u>
Current Liabilities		
Creditors and borrowings	68	69
Provisions	<u>76</u>	65
Total Current Liabilities	<u>144</u>	<u>134</u>
Total Liabilities	<u>144</u>	134
Equity		
Reserves	1 408	1 408
Retained profits	<u>819</u>	<u>727</u>
Total Equity	<u>2 227</u>	<u>2 135</u>

The Board improved its overall cash position by \$140 000 in 1998-99. This was reflected by an increase in its cash and investment balances of \$80 000 and \$60 000 respectively.

3.1.12 TASMANIAN DAIRY INDUSTRY AUTHORITY

The Tasmanian Dairy Industry Authority was established under the *Dairy Industry Act 1976* to make '... fresh provision for the regulation and control of the dairy industry and milk and dairy produce; for the encouragement of the consumption and use of milk and dairy produce; for the constitution of a dairy authority....', essentially in the fresh market milk and cream sector. As a result of several changes impacting on the Authority, including deregulation of the distribution and pricing system and the Authority being given responsibility for administering the herd recording service for Tasmania, this Act was replaced by the *Dairy Industry Act 1994*.

The core business functions of the Authority are to operate the:

- Market milk pooling system in Tasmania including ensuring the winter supply of milk; and
- Herd recording service for Tasmania and to administer and ensure quality assurance compliance for all dairy factories and dairy food processors in Tasmania.

The Authority comprises five members appointed by the Minister.

The Authority trades under its own name.

The Responsible Minister is the Minister for Primary Industries, Water and Environment.

EMPLOYEE STATISTICS

The Authority has 18.5 FTEs (1997-98, 19.3). The head count for the Authority is 20 (22) employees.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Authority were signed by the Chairman and a Director of the Authority on 31 August 1999 and an unqualified audit report was issued on 16 September 1999.

FINANCIAL RESULTS

PROFIT AND LOSS STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Revenue		
Sales	30 047	30 363
Interest received	124	152
Proceeds from sale of assets	43	0
Other income	294	261
Total Operating Revenue	<u>30 508</u>	<u>30 776</u>
Operating Expenditure	<u>30 544</u>	<u>30 855</u>
Operating profit (deficit) before income tax	(36)	(79)
Taxation equivalent (expense) benefit	(47)	29
Retained profits at year start	584	618
Adjustment for change in accounting policy	0	18
Amounts transferred (to) from reserves	50	(2)
Dividends paid or provided for	0	0
Retained profits at year end	551	584

The operating deficit before income tax of \$36 000 (1997-98, \$79 000) is comprised of a \$14 000 surplus (\$81 000 deficit) in the herd improvement division and a \$50 000 deficit (\$2 000 surplus) in the dairy division.

The improvement in the herd improvement division can be attributed to an increase of \$112 000 in external revenue.

The loss in the dairy division relates to the inclusion of the 'below the line' item of transfer from the building reserve totalling \$50 000 into the distribution pool. Consequently, an additional \$50 000 was distributed during 1998-99.

In 1997-98 the Authority became subject to taxation equivalents in relation to the herd improvement division and recognised taxation balances as at 30 June 1998. However, as the Authority have doubts over the future realisation of the future income tax benefits, the balances recognised during 1997-98 totalling \$47 000 have been written off during 1998-99.

No taxation equivalent entries have been recognised for the 1998-99 financial year.

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash	1 536	1 712
Receivables	2 719	2 775
Inventories	9	5
Prepayments	71	1 289
Total Current Assets	<u>4 335</u>	<u>5 781</u>
Non-current Assets		
Property plant and equipment	960	937
Future income tax benefit	0	54
Total Non-current Assets	<u>960</u>	<u>991</u>
Total Assets	<u>5 295</u>	<u>6 772</u>
Current Liabilities		
Creditors	3 564	4 862
Employee provisions	296	216
Total Current Liabilities	<u>3 860</u>	<u>5 078</u>
Non-current Liabilities		
Deferred income tax	0	7
Employee provisions	0	169
Total Non-current Liabilities	<u>0</u>	<u>176</u>
Total Liabilities	<u>3 860</u>	<u>5 254</u>
Equity		
Capital	72	72
Reserves	334	384
Statutory funds	478	478
Accumulated funds	551	584
Total Equity	<u>1 435</u>	<u>1 518</u>

The major movements in the Statement of Financial Position relate to:

- A change from prepaying winter premiums to payments in the month of supply, significantly reduced the prepayment balance to \$71 000 (1997-98, \$1 289 000); and
- A reduction in the pool distribution balance in creditors of \$1 866 000 (1997-98, \$3 093 000) as a result of increased distributions being made during the 1998-99 financial year.

ADDITIONAL FINANCIAL INFORMATION

As noted on page 176 of my Report No 2 1997-98, the Dairy Industry Review Group was in the process of a major review of the *Dairy Industry Act 1994* in accordance with the Tasmanian Government's commitment to the implementation of the National Competition Policy.

A final report was to have been completed by 27 May 1999. However as at the date of this report that review has not yet been completed.

A similar review undertaken by the Victorian Government has recommended the deregulation of that state's market milk system on 30 June 2000. Although no decision has been made in respect of the Tasmanian Dairy Industry, the Authority considers the commercial impact of the Victorian decision will almost certainly result in the demise of the Authority's market milk and cream pool together with its associated services.

Consequently, the Authority has prepared the 1998-99 financial statements on the basis that the pool operations will cease on 30 June 2000 and ownership of the herd improvement division will rest with another organisation.

The financial impact of the Authority adopting this approach has not been significant as it is assumed all assets and liabilities will revert to the Tasmanian Government. The only adjustment relates to the reclassification of all employee entitlement provisions to current liabilities.

The future of the Authority is currently being reviewed by the Tasmanian Government.

3.1.13 TASMANIAN GRAIN ELEVATORS BOARD

The Tasmanian Grain Elevators Board was established under the *Grain Reserve Act 1950* and in effect, permits the Board to undertake all the activities of a grain merchant.

The core business of the Board is to provide efficient and effective grain handling facilities for the benefit of suppliers and consumers of grain and the community at large. It is the major supplier of wheat to the Tasmanian flour and stock feed milling and intensive animal industries and is also the key supplier of grain for stock feed during adverse climatic conditions.

Through an arrangement with the Australian Wheat Board (AWB) the Board stores, issues and sells wheat and collects the proceeds on the AWB's behalf. These transactions are not included in the Board's financial statements. A handling fee per tonne is paid by the AWB and is included in Operating Revenue. In addition, the Board trades in its own right and is the major trader and supplier of locally grown grain in the state.

The Responsible Minister is the Minister for Primary Industries, Water and Environment.

EMPLOYEE STATISTICS

At 30 June 1999 the Board employed 8 (1998, 4) full time staff members. The increase occurred as a result of one new appointment and transfer of casual staff to temporary full time.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Board were signed by the Chairman and Managing Director on 10 November 1999 and an unqualified audit report was issued on 23 November 1999.

FINANCIAL RESULTS

PROFIT AND LOSS STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Revenue		
Grain handling and storage charges	1 000	1 173
Freight recoveries	441	584
Other	189	127
Total Operating Revenue	<u>1 630</u>	<u>1 884</u>
Operating Expenditure		
Auditors remuneration	11	12
Board members' remuneration	99	85
Depreciation	184	142
Other operating expenditure	1 298	1 581
Total Operating Expenditure	<u>1 592</u>	<u>1 820</u>
Operating profit before abnormal items and tax	38	64
Abnormal items	(13)	70
Taxation equivalent expense	(11)	16
Retained profits at year start	455	1 405
Amounts transferred (to) from reserves	0	(1 100)
Dividends provided for or paid	(80)	0
Retained profits at year end	<u>389</u>	<u>455</u>

Handling and storage income reduced from \$1.173m in 1997-98 to \$1.000m in 1998-99 due to a decline in demand for grains in the second half of the year following better weather conditions. This was also reflected in the reduction of freight recoveries from \$0.584m to \$0.441m.

The decrease in other operating expenditure from \$1.581m in 1997-98 to \$1.298m in 1998-99 reflected partially the trading downturn noted above, and was also due to savings resulting from the consolidation of sites, principally the full establishment of the new Bridgewater depot.

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash	447	480
Receivables	722	1 147
Investments	943	664
Inventories	813	533
Other	49	80
Total Current Assets	<u>2 974</u>	<u>2 904</u>
Non-current Assets		
Property plant and equipment	1 931	1 820
Total Non-current Assets	<u>1 931</u>	<u>1 820</u>
Total Assets	<u>4 905</u>	<u>4 724</u>
Current Liabilities		
Accounts payable	569	268
Provisions	100	1 298
Total Current Liabilities	<u>669</u>	<u>1 566</u>
Non-current Liabilities		
Provisions	1 328	183
Total Non-current Liabilities	<u>1 328</u>	<u>183</u>
Total Liabilities	<u>1 997</u>	<u>1 749</u>
Equity		
Reserves	2 520	2 520
Accumulated surplus	388	455
Total Equity	<u>2 908</u>	<u>2 975</u>

The trading downturn, as noted in the Profit and Loss Statement variances, was also reflected in the decrease in receivables of \$0.425m and the increase in inventories on hand of \$0.280m.

The decrease in the Current Liability Provisions from \$1.298m in 1997-98 to \$0.100m in 1998-99 and the increase in Non-current Liability Provisions from \$0.183m to \$1.328m was principally due to the re-allocation of the Provision for retirement benefits.

3.1.14 TASMANIAN INTERNATIONAL VELODROME MANAGEMENT AUTHORITY

The Tasmanian International Velodrome Management Authority was established under the *Tasmanian International Velodrome Management Authority Act 1984*. The Authority trades under its own name and the registered trade name of the Silverdome.

The core business of the Authority is the management and operation of the Silverdome for sporting, entertainment, exhibition and related purposes.

The Authority comprises five members appointed by the Governor.

The Responsible Minister is the Minister for State Development.

EMPLOYEE STATISTICS

As at 30 June 1999 the Authority employed 4 FTEs (1998, 4).

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Tasmanian International Velodrome Management Authority were signed by the members of the Authority on 26 August 1999 and an unqualified audit report was issued on 16 September 1999.

FINANCIAL RESULTS

OPERATING STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Revenue		
Sporting operations	37	26
Non sporting operations	46	204
Other	174	342
Total Operating Revenue	<u>257</u>	<u>572</u>
Operating Expenditure		
Staff expenses	256	310
Operating	90	120
Depreciation	73	84
	156	258
Total Operating Expenditure	<u>575</u>	<u>772</u>
Operating profit before grants and subsidies	(318)	(200)
Operating grants and reimbursements	185	214
Taxation equivalent expense	21	(12)
Retained profits at year start	(236)	(221)
Adjustment for change in accounting policy	0	(17)
Retained profits at year end	(348)	(236)

The Authority recorded an after tax loss of \$112 000 compared with a profit of \$2 000 in 1997-98. The loss resulted primarily from a lack of major concert events in 1998-99. The decline in revenue from live entertainment resulted in similar declines in other revenue sources such as merchandising and licences and recoveries.

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash	139	268
Receivables	17	14
Other	9	30
Total Current Assets	<u>165</u>	<u>312</u>
Non-current Assets		
Property plant and equipment	270	311
Future income tax benefit	0	16
Total Non-current Assets	<u>270</u>	<u>327</u>
Total Assets	<u>435</u>	<u>639</u>
Current Liabilities		
Creditors	30	79
Employee provisions	56	62
Other	5	14
Total Current Liabilities	<u>91</u>	<u>155</u>
Non-current Liabilities		
Deferred income tax	0	37
Employee provisions	77	68
Total Non-current Liabilities	<u>77</u>	<u>105</u>
Total Liabilities	<u>168</u>	<u>260</u>
Equity		
Reserves	615	615
Accumulated losses	(348)	(236)
Total Equity	<u>267</u>	<u>379</u>

FUTURE OF AUTHORITY

During the past few months, discussions have taken place regarding the future of the Authority. Authority members met with the Premier and officers of the Department of State Development and Treasury and Finance on 28 September 1999 to discuss future options for the Authority. A steering committee has subsequently been established and a report is to be prepared and presented to the Premier and the Treasurer prior to Christmas.

3.1.15 TASMANIAN PUBLIC FINANCE CORPORATION

The Corporation was established by the *Tasmanian Public Finance Corporation Act 1985*. The Corporation comprises four members appointed by the Governor. The functions of the Corporation include the development and implementation of borrowing and investment programs for State Authorities, including local government.

The Responsible Minister is the Treasurer.

EMPLOYEE STATISTICS

At 30 June 1999 the Corporation employed 14 employees (1998, 17).

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Corporation were signed by four members on 13 August 1999 and a **qualified audit report** was issued on 27 August 1999. That qualification related to the non compliance with the requirements of Australian Accounting Standard AAS 23, Set-off and Extinguishment of Debt. The Corporation redeems debt before its maturity in order to replace it with more suitable debt or because the debt is no longer required due to early repayment of loans by clients. Since 1 April 1992 the Corporation has amortised gains and losses arising on debt redeemed over the remaining term of the liability redeemed under the terms of an exemption from the Treasurer in applying AAS 23. However it is still necessary for me to take cognisance of any non-compliance with Accounting Standards in issuing my audit opinion. For the 1998-99 financial data, the transactions relating to the non-compliance with AAS 23 had an immaterial effect on profit for the year. Hence, the qualification noted in the 1999 audit report relates to the prior year comparatives only.

Liabilities of \$264 362m (1997-98, \$264 362m), have been redeemed since April 1992. As at 30 June 1999 the un-amortised loss totalled \$0.272m (\$0.372m), and net expense of \$0.100m (\$1.248m), was amortised during the year. Had these transactions taken place in the absence of an exemption from AAS 23 the result for the year would be an operating profit of \$4.576m (\$4.750m) before tax and the amount of \$0.272 (\$0.372m) Deferred debt reconstruction would not have appeared as an asset in the Balance Sheet.

I have been advised by the Corporation that if the exemption had not been granted under the Act, the debt concerned would not have been redeemed.

FINANCIAL RESULTS

PROFIT AND LOSS STATEMENT

	1998-99	1997-98
	\$'000	\$'000
Income		
Interest on advances	242 577	262 230
Interest on investments	112 256	105 589
Administration fees	2 112	1 756
Rental income	1 598	1 589
Other income	(355)	806
Asset management fees	109	83
Total Income	<u>358 297</u>	<u>372 053</u>
Expenditure		
Interest on deposits	10 245	10 705
Interest on borrowings	340 130	353 184
Debt reconstruction writeoffs	100	1 248
Administration costs	3 243	3 320
Operating lease costs	103	95
Total Operating Expenditure	<u>353 821</u>	<u>368 552</u>
Operating profit before tax	4 476	3 501
Taxation equivalent expense	(1 498)	(1 144)
Retained profits at year start	0	0
Amounts transferred to reserves	0	(6)
Dividend paid/payable	(2 978)	(2 351)
Retained profits at year end	0	0

Tascorp's profit before tax of \$4.476m in 1998-99 was the highest result in the Corporation's history, exceeding the previous record of \$4.219m set in 1995-96, and above last year's result of \$3.501m. Earned on a capital base of \$10m, Tascorp's profit this year represents a return on net assets of 45%.

Net operating profit after tax for 1998-99 was \$2.978m, (1998, \$2.357m). The 1998-99 result was affected by a decrease of \$13.756m (\$40.492m), in income and a decrease of \$14.731m (\$40.881m), in expenditure and due principally to favourable market conditions, investment strategies, underlying interest rates and margins.

STATEMENT OF FINANCIAL POSITION

	1998-99	1997-98
	\$'000	\$'000
Assets		
Cash	0	781
Debtors and prepayments	397	433
Unsettled transactions receivable	0	85 500
Interest receivable	125 740	122 599
Investments	1 269 397	1 063 040
Advances	3 204 292	3 205 807
Investment property	17 470	17 470
Furniture and equipment	265	327
Future income tax benefit	11 115	4 706
Swap prepayments	41 592	17 955
Foreign exchange hedging receivables	18 823	0
Deferred debt reconstruction	272	372
Total Assets	<u>4 689 363</u>	<u>4 518 990</u>
Liabilities		
Bank overdraft	248	0
Creditors	409	311
Unsettled transactions payable	0	79 900
Interest payable	95 264	101 600
Provision for dividend	2 978	2 351
Deposits	602 298	489 535
Borrowings	3 962 571	3 826 748
Foreign exchange hedging payables	0	915
Employee entitlements	349	291
Provision for income tax	0	0
Provision for deferred income tax	15 246	7 339
Total Liabilities	<u>4 679 363</u>	<u>4 508 990</u>
Equity		
Retained earnings	0	0
General reserve	10 000	10 000
Total Equity	<u>10 000</u>	<u>10 000</u>

Investments increased by \$206 357m due principally to increments in borrowings and client deposits of \$135 823m and \$112 763m respectively.

ADDITIONAL FINANCIAL INFORMATION

Whilst mark to market accounting has not been adopted for the Profit and Loss Statement, the notes to the Statements provide the following comparison of carrying value and net fair value of financial instruments (excluding derivatives) for 1999 and 1998:-

	Carrying Value	Net Fair Value	Effect on Equity
	\$ '000	\$ '000	\$ '000
1999			
Financial Assets	4 473 689	4 794 997	321 308
Financial Liabilities	4 564 869	4 864 407	(299 538)
1998			
Financial Assets	4 268 847	4 759 620	490 773
Financial Liabilities	4 316 283	4 767 401	(451 118)

Movements in Tascorp's market value of assets and liabilities are attributed to changes in interest and credit risk strategies, underlying interest rates and margins.

3.1.16 THE PUBLIC TRUSTEE

The Public Trustee (PT) was established under *The Public Trustee Act 1930*.

The PT is empowered to act as executor, administrator or trustee under a will or settlement, as an attorney including an enduring power of attorney and in a number of other capacities. The PT is also appointed to act on behalf of individuals under a legal, physical or intellectual disability to protect their financial interests.

As at 30 June 1999 the Board of the PT comprised six members. One director being the Chairman, four other non-executive Directors and one person being the Chief Executive Officer.

The Responsible Minister is the Attorney General and Minister for Justice and Industrial Relations.

EMPLOYEE STATISTICS

At 30 June 1999 the PT had a total of 51 employees (1998, 51) which equated to 50.4 (50.4) full time equivalent positions.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements were initially signed by the Chairman of the Board of the Public Trustee 27 August 1999. Amended financial statements were subsequently signed on 19 November 1999 and an unqualified audit report was issued on 23 November 1999.

The audit has been contracted to the private sector, as my agent, for a number of years.

FINANCIAL RESULTS

PROFIT AND LOSS STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Revenue		
Commissions and fees	3 281	3 130
Income from investments	312	383
Profit on sale of assets	0	3
Total Operating Revenue	<u>3 593</u>	<u>3 516</u>
Operating Expenditure		
Salaries and associated expenses	1 901	1 856
Provisions for employee benefits	672	639
Accommodation expenses	110	108
Interest and associated expenses	0	210
Depreciation	108	118
Administrative expenses	776	581
Total Operating Expenditure	<u>3 567</u>	<u>3 512</u>
Operating Profit before Grants, Subsidies and Tax	26	4
Abnormal items	68	334
Taxation equivalent expense	(70)	(335)
Accumulated Reserves at year start	939	936
Amounts transferred (to) from reserves	0	0
Dividends paid or provided for	(12)	0
Accumulated Reserves at year end	951	939

The decrease in Interest and associated expenses, \$210 000, resulted from a discharge of the associated loan borrowing during 1997-98.

Administration expenses increased by \$195 000 due principally to increased consultancy costs in connection with the Y2K issue including a review of information technology requirements, and costs of complying with legislative changes to introduce the prudent person principle to the Trustee Act 1898.

The abnormal income item, \$68 000, represent an amortisation of the surplus in the superannuation provision identified by an actuarial review of the Provision for Employee Retirement Benefits as at 30 June 1999.

Dividends payable by the Public Trustee in respect to its 1998-99 operations equates to 50% of its after tax profit.

BALANCE SHEET

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Investment in common fund	2 251	1 800
Cash	1	1
Debtors	88	86
Total Current Assets	<u>2 340</u>	<u>1 887</u>
Non-current Assets		
Future income tax benefit	0	0
Land and buildings	3 130	3 130
Unamortised lease fees	10	13
Plant and equipment	329	413
Total Non-current Assets	<u>3 469</u>	<u>3 556</u>
Total Assets	<u>5 809</u>	<u>5 443</u>
Current Liabilities		
Creditors	420	150
Provision for annual leave	199	185
Provision for long service leave	224	242
Provision for dividend	12	0
Total Current Liabilities	<u>855</u>	<u>577</u>
Non-current Liabilities		
Provision for employee benefits	4 003	3 927
Total Non-current Liabilities	<u>4 003</u>	<u>3 927</u>
Total Liabilities	<u>4 858</u>	<u>4 504</u>
Equity		
Reserves	951	939
Total Equity	<u>951</u>	<u>939</u>

The investment in the Common Fund increased by \$451 000 due principally to the level of cash flows from operating activities and the timing of payment of year end creditors which in turn increased by \$270 000.

ADDITIONAL FINANCIAL INFORMATION

Common Fund

The Common Fund was established under the *Public Trustee Act 1930* to pool those funds in the hands of the Public Trustee that are not specifically invested on behalf of individual estates and trusts elsewhere. In addition the Public Trustee invests its own funds in the Common Fund. The Common Fund is invested in trustee securities, and trust funds invested are guaranteed by the Government. Estate and trust contributors are paid interest calculated monthly and credited quarterly after

deducting administration costs including management fees charged by the Public Trustee for administering the Common Fund.

The net assets of the Common Fund at 30 June 1999 was \$60.174m (30 June 1998, \$58.607m).

Tax Equivalent Statement - 1995-96

In my past reports I have reported that an audit of the 1995-96 taxation equivalent statement raised several issues which had yet to be been resolved with the Department of Treasury and Finance. These issues have now been resolved and is represented by the Profit and Loss Statement item Taxation equivalent expense, \$70 000. The expense represents an adjustment to tax in respect to that year.

3.1.17 TOTALIZATOR AGENCY BOARD

The Totalizator Agency Board (TAB), constituted by *The Racing and Gaming Act (1952)*, is empowered to establish and conduct totalizator betting in Tasmania. *The Racing and Gaming Amendment Act (No 40 of 1983)* extended the Board's powers to conduct totalizator betting in relation to any sporting contingency relating to any other race or any other event that is approved by the Minister. The amendment also empowers the Board, with the approval of the Minister and the Treasurer, to enter into such business transactions as the Board considers are in its best interests.

The Board comprises seven members who are appointed by the Governor.

The Board owns a one hundred percent interest in Tasradio Pty Ltd, a commercial radio broadcaster, which enables it to provide race broadcasts throughout most of Tasmania. Consequently, the financial information presented below represents the consolidated Profit and Loss Statement and Balance Sheet of the TAB and its subsidiary.

Since 31 July 1999, Parliament has passed legislation to expand TAB duties to takeover several functions currently performed by Racing Tasmania. These functions include accounting, administration and human resource management.

The changes will take place on 1 December 1999.

The Responsible Minister is the Minister for Racing and Gaming.

EMPLOYEE STATISTICS

At 31 July 1999 the TAB had a total of 176 staff, (1998, 171), comprising full time permanent staff, 39 (35), and part time staff/casual staff, 137 (136). Full time equivalent positions at 31 July 1999 were 103. Comparative numbers at 31 July 1998 are not available.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the TAB were signed by the Members of the Board on 16 September 1999 and an unqualified audit report was issued on 18 October 1999.

FINANCIAL RESULTS

CONSOLIDATED PROFIT AND LOSS STATEMENT

	1998-99 \$'000	1997-98 \$'000
Gross Wagering Revenue	220 661	223 979
less:		
Dividends on winning investments	185 177	188 266
Commissions and tax to State Government	7 787	9 169
Commissions to Racing Tasmania	2 500	1 167
Commissions to TANFL	7	5
Wagering Revenue	25 190	25 372
Interest received	183	320
Other income	1 123	1 182
Total Operating Revenue	26 496	26 874
Operating Expenses		
Agents commission	3 411	3 554
Salaries and wages	4 220	4 711
Other labour	969	916
Communications	1 756	1 766
Occupancy	725	736
Marketing	608	680
Wagering pooling fees	2 068	1 519
Administration and finance	1 293	1 263
Depreciation	1 453	1 527
Other	714	633
Total Operating Expenditure	17 217	17 305
Operating profit before grants and subsidies	9 279	9 569
Operating grants and reimbursements	0	0
Abnormal items	0	0
Taxation equivalent expense	0	0
Retained profits at year start	0	0
Amounts transferred (to) from capital fund	0	0
Dividends paid or provided for	0	0
Provision for special dividend to Racing Tasmania	0	0
Distribution due to Racing Tasmania	9 279	9 569

Commissions to Racing Tasmania have increased from \$1.167m in 1997-98 to \$2.500m in 1998-99, mainly as a result of a corresponding decrease in Commissions and Tax due to the State Government of \$1.382m.

CONSOLIDATED BALANCE SHEET

	1998-99	1997-98
	\$'000	\$'000
Current Assets		
Cash	1 920	372
Receivables	391	698
Investments	2 239	3 523
Other	385	309
Total Current Assets	<u>4 935</u>	<u>4 902</u>
Non-current Assets		
Property plant and equipment	11 773	12 522
Intangibles	690	725
Goodwill on consolidation	246	264
Prepayments	0	80
Total Non-current Assets	<u>12 709</u>	<u>13 591</u>
Total Assets	<u>17 644</u>	<u>18 493</u>
Current Liabilities		
Telephone betting deposits	965	1 470
Dividends and refunds due and unpaid	470	417
Due to State Government	211	146
Due to Racing Tasmania	645	1 118
Accruals and amounts payable	687	683
Agent's bonds on deposit	175	182
Employee provisions	563	552
Total Current Liabilities	<u>3 716</u>	<u>4 568</u>
Non-current Liabilities		
Employee provisions	104	102
Total Non-current Liabilities	<u>104</u>	<u>102</u>
Total Liabilities	<u>3 820</u>	<u>4 670</u>
Equity		
Capital fund	12 709	12 709
Asset revaluation reserve	1 114	1 114
Total Equity	<u>13 823</u>	<u>13 823</u>

Investments have decreased from \$3.523m in 1997-98 to \$2.239m in 1998-99, due principally to a decrease in term deposit holdings of \$1.000m. This has been compensated for by the increase in the Cash balance.

Amounts due to Racing Tasmania have decreased from \$1.118m in 1997-98 to \$0.645m in 1998-99 as Racing Tasmania needed additional money to supply funding needs.

3.2 STATE OWNED CORPORATIONS

BACKGROUND

Government Businesses and Authorities which may be subject to provisions of their enabling legislation, and which are also subject to the provisions of Corporations law, are referred to as State Owned Corporations (SOCs).

Tasmania's SOC's collectively have net assets valued in excess of \$668m, employ over 2 316 people, and generate an estimated \$106m in operating revenue annually, and are of fundamental significance to the Tasmanian economy.

The Government is the sole shareholder in each SOC on behalf of the Tasmanian community. The broad governance framework for SOC's is set out in the portfolio legislation for each SOC, the Corporations Law and the Memorandum and Articles of Association of each SOC.

The corporatisation of Government Businesses and Authorities under *Corporations Law* continues the reform process for improving public sector efficiency and effectiveness. While still serving a public purpose and owned by Government, corporatised entities are autonomous in day to day decision making with Ministerial direction provided through the strategic planning process.

Enabling legislation provides for the payment of guarantee fees, taxation equivalents and dividends.

TAXATION EQUIVALENTS

The taxation equivalents regime provides for the payment of income tax equivalents, capital gains tax equivalents, and wholesale sales tax equivalents to the Consolidated Fund.

Income tax equivalents, are calculated, determined and paid to the Treasurer as if the *Commonwealth Tax Act* had applied. Capital gains tax (CGT) equivalents form part of the income tax equivalents regime. Most SOC's have paid income tax equivalents since 1 July 1991 under the now repealed *State Authorities Financial Management Act 1990*.

Sales tax equivalents are calculated as the value of any benefit gained by the SOC because of any exemption from sales tax that would have been payable under the enactments of the Commonwealth.

GUARANTEE FEES

Guarantee fees are based on the amount of financial accommodation utilised by the SOC and all its subsidiaries at the end of the preceding year. For example, an

explicit government guarantee is provided to SOC's borrowing through Tascorp. Guarantee fees are determined by the Treasurer subject to a maximum prescribed percentage of 1%.

DIVIDENDS

Consistent with commercial practice, the Board of a SOC recommends to the shareholding ministers whether a dividend should be paid in respect of the previous financial year and the amount of that dividend. The shareholding ministers will subsequently determine the dividend payable.

As a general rule the dividend can only be paid out of profits earned, and would normally represent 50% of after-tax profits.

AUDIT STATUS

The audits of the financial statements of the SOC's for the last financial year have been completed.

Selected comments arising from the audit of each entity are summarised below.

3.2.1 AURORA ENERGY PTY LTD

Aurora Energy Pty Ltd (Aurora) was established under the *Electricity Companies Act 1997* and was incorporated under the Corporations Law on 17 June 1998. The Company commenced trading on 1 July 1998. Its shareholders are the Treasurer and the Minister for Infrastructure, Energy and Resources.

Aurora consists of three core business divisions comprising Energy Services (electricity retailing), Network (distribution asset management), and Aurora Services (asset maintenance and improvement services).

The Company is managed by a board of seven directors, appointed by the Government.

The Responsible Minister is the Minister for Infrastructure, Energy and Resources.

EMPLOYEE STATISTICS

At 30 June 1999 Aurora had a total of 859 employees (1 Jul 1998, 905).

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Company were signed by the members of the Board on 20 October 1999 and an unqualified audit report was issued on that date.

FINANCIAL RESULTS

PROFIT AND LOSS STATEMENT

	1998-99 \$'000
Operating Revenue	
Business customer sales	332 689
General sales	177 303
Community service agreement	9 826
Contribution to Consolidated Fund - electricity levy	14 167
Customer contributions received	2 449
Other	6 416
Total Operating Revenue	<u>542 850</u>
Operating Expenditure	
Energy and transmission purchases	336 079
Labour	39 488
Materials	4 863
Other division expenses	27 812
Financial charges	38 658
Contributions for retirement benefits	2 301
Depreciation	37 292
Contribution to Consolidated Fund - electricity levy	14 283
Community service agreement	9 668
Bad and doubtful debts	1 978
Total Operating Expenditure	<u>512 422</u>
Operating profit before abnormal items	30 428
Abnormal items	(3 832)
Taxation equivalent expense	(14 196)
Taxation equivalent expense on extraordinary items	0
Operating profit after tax and abnormals	12 400
Accumulated profits at year start	0
Amounts transferred (to) from reserves	0
Dividends paid or provided for	(6 200)
Accumulated profits at year end	6 200

Being Aurora's first year of operations, comparative figures are not available for the Profit and Loss Statement. The sale of electricity and associated services totalled \$509.992m with energy and transmission purchases from the Hydro-Electric Corporation (HEC) and Transend Networks Pty Ltd respectively totalling \$336.079m.

Aurora's customer base remained stable with a small increase from 245 185, 1 July 1998 to 245 498 customers at 30 June 1999.

As a result of Aurora's first year of operations the Tasmanian Government will receive \$39.436m comprising; income tax equivalent payment, \$10.978m; dividend, \$6.200m; statutory levy, \$14.283m; wholesale sales tax equivalent payments, \$3.732m; guarantee fees, \$1.225m; and pay-roll tax, \$3.018m.

BALANCE SHEET

	1998-99	1 July 1998
	\$'000	\$'000
Current Assets		
Cash	37	23
Receivables	87 591	83 092
Investments	4 400	2 500
Inventories	4 988	5 592
Other	3 618	375
Total Current Assets	100 634	91 582
Non-current Assets		
Property, plant and equipment	655 702	641 115
Other	5 465	5 364
Total Non-current Assets	661 167	646 479
Total Assets	761 801	738 061
Current Liabilities		
Accounts payable	57 372	15 490
Borrowings	52 900	75 800
Provisions	25 785	22 164
Other	3 313	2 480
Total Current Liabilities	139 370	115 934
Non-current Liabilities		
Borrowings	335 577	523 303
Provisions	59 924	86 081
Total Non-current Liabilities	395 501	609 384
Total Liabilities	534 871	725 318
Equity		
Issued Capital	201 555	0
Reserves	19 175	12 743
Accumulated profits	6 200	0
Total Equity	226 930	12 743

Aurora began operations with assets of \$249.055m (net book value) which were transferred from the HEC on 1 July 1998.

The consideration for the transfer of these net assets to the Company on 1 July 1998 was met by the creation of an interest free debt of the same value to the HEC to be repayable at the direction of the Treasurer.

Further, adjustments to the Retirement Benefits Fund liability (an additional \$18.245m) and Distribution asset values, resulted in opening net assets of \$12.743m.

Aurora repaid \$47.500m of that debt during July and August 1998. A further \$176.555m of the debt was transferred from the HEC to the Crown for nil consideration on 2 July 1998 and, on 30 June 1999 the Treasurer, through a gazettal

notice, transferred the remaining debt from the HEC to the Crown also for nil consideration. The debt to the Crown was then converted to equity in Aurora's books.

The transfer of employees from the HEC to Aurora was declared to be a 'prescribed arrangement' for the purposes of the Retirements Benefits Regulations, allowing employees to resign from the Retirement Benefits Fund (RBF) contributory scheme and receive a cash payment whilst remaining an employee. Of those employees eligible 465 elected to resign from RBF under these arrangements resulting in payments totalling \$40.333m. The RBF provision was taken up at 1 July 1998 reflecting Aurora's experience of fund member's withdrawals. The reduction in the Current and Non-current Provisions for the year is mainly due to the reduction of the RBF liability, \$36.366m, and offset by provisions for dividend, \$6.200m, and income tax, \$4.240m.

The increase in Accounts payable from \$15.490m in 1997-98 to \$57.372m in 1998-99 was largely due to increases in trade creditors as only a small number of creditors were transferred to Aurora upon creation of the Company.

During the year the Electricity Regulator engaged a firm of consulting engineers to value the Distribution assets. The valuation methodology reflects the Tasmanian Electricity Market Code rules (as per the Tasmanian Electricity Code) which regulates the revenue from these assets based on the written down optimised replacement value of the assets and adjustments to these values as determined by the Regulator. In other words it represents the least cost, modern equivalent assets which would provide the same service potential of the existing assets. It is appropriate for the recoverable amount to reflect the adjusted written down optimised replacement value.

Aurora's asset values have been determined in accordance with the proposed outcomes as outlined by the Tasmanian Electricity Regulator on 1 October 1999 in his draft report entitled *Investigation into Electricity Supply Pricing Policies*.

The Electricity Regulator's pricing review will allow Aurora a regulated return on its distribution assets and will set a maximum electricity pricing framework for the next three-year period from 1 January 2000.

3.2.2 METRO TASMANIA PTY LTD

Metro Tasmania is a State-owned company, that provides public urban road transport services in the metropolitan areas of Hobart, Launceston and Burnie. During 1998-99 as noted below operations to some further outlying areas of Hobart were commenced through a subsidiary company.

Metro Tasmania Pty Ltd was incorporated on 2 February 1998 under the Metro Tasmania Act 1997. This company is a successor in law of the Metropolitan Transport Trust.

During 1998-99 Metro Tasmania purchased a significant portion of the business of Hobart Coaches Pty Ltd including a number of coaches and associated items and rights to bus routes in the Kingston/Channel, New Norfolk and Richmond/Campania regions. As a result, a fully owned subsidiary company, Metro Coaches (Tas) Pty Ltd was established on 7 May 1999. The Auditor-General has been appointed as the auditor of the subsidiary company. The financial information presented below relating to 1998-99 represents the consolidated Profit and Loss Statement and Balance Sheet of Metro Tasmania Pty Ltd and its subsidiary.

The Responsible Minister is the Minister for Infrastructure, Energy and Resources.

EMPLOYEE STATISTICS

At 30 June 1999 Metro Tasmania had a total of 408 staff (1998, 407) which equated to 376.4 (389) full time equivalent employees. As at this date, Metro Coaches had a total of 13 staff.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS.

The financial statements of Metro Tasmania Pty Ltd were signed on 20 August 1999 and an unqualified audit report was issued on 5 November 1999.

The financial statements of Metro Coaches (Tas) Pty Ltd were signed on 20 August 1999 and an unqualified audit report was issued on 3 November 1999.

FINANCIAL RESULTS

PROFIT AND LOSS STATEMENT

	1998-99	1997-98* \$'000
Operating Revenue		
Traffic operations	26 109	10 823
Interest on investments	651	609
Other	890	310
Total Operating Revenue	27 650	11 742
Operating Expenditure		
Traffic operations	19 747	7 832
Engineering and maintenance services	3 470	1 660
Administration and general	3 998	1 914
Total Operating Expenditure	27 215	11 406
Operating profit before abnormal items and tax	435	336
Abnormal items	(504)	(79)
Taxation equivalent expense	0	0
Operating profit after taxation equivalent	(69)	257
Extraordinary items	(2 196)	0
Tax equivalent on extraordinary items	0	0
Operating loss and extraordinary items after tax equivalent	(2 265)	257
Retained profits at year start	257	0
Amounts transferred (to) from Shareholders equity on formation	2 192	0
Retained profits at year end	184	257
* 5 month period to 30 June 1998		

As noted above, the Profit and Loss Statement incorporates consolidated amounts in respect of 1998-99 whilst the 1997-98 comparatives incorporate Metro Tasmania for a period of five months only. This accounts for the large variances identified in both Operating Revenue and Expenditure.

The abnormal expense of \$0.504m in 1998-99 related to additional superannuation expense resulting from a change in the valuation assumptions adopted by the Actuary and a change in the discounting of retained benefits.

On incorporation Metro Tasmania Pty Ltd had a contingent superannuation liability related to arrangements entered into prior to incorporation to allow certain categories of employees to elect, at a later date, to leave the State Government Retirement Benefits Fund superannuation scheme. The opportunity occurred during 1998-99. More employees than anticipated elected to leave the scheme and consequently the original sum provided was \$2.196m less than required. The shortfall was taken up as an extraordinary loss in the Profit and Loss Statement. As the provision related to the previous year, a transfer from Shareholders Equity on formation was made to make up the loss.

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98* \$'000
Current Assets		
Cash	379	1 184
Receivables	611	399
Investments	1 076	472
Inventories	820	924
Other	318	381
Total Current Assets	<u>3 204</u>	<u>3 360</u>
Non-current Assets		
Investments	3 040	15 703
Property, plant and equipment	30 778	32 107
Intangibles	159	0
Total Non-current Assets	<u>33 977</u>	<u>47 810</u>
Total Assets	<u>37 181</u>	<u>51 170</u>
Current Liabilities		
Bank overdraft	0	163
Accounts payable	1 348	1 303
Borrowings	5 923	51
Employee provisions	3 142	8 239
Total Current Liabilities	<u>10 413</u>	<u>9 756</u>
Non-current Liabilities		
Borrowings	901	6 824
Employee provisions	10 189	16 647
Total Non-current Liabilities	<u>11 090</u>	<u>23 471</u>
Total Liabilities	<u>21 503</u>	<u>33 227</u>
Equity		
Shareholder's equity on formation	15 494	17 686
Retained profits	184	257
Total Equity	<u>15 678</u>	<u>17 943</u>
* 5 month period to 30 June 1998		

A major change in the Statement of Financial Position for 1998-99 was to provide funding for the pay-out of employees withdrawing from the State Government Retirement Benefits Fund superannuation scheme as noted above. The total effect of this funding was to decrease cash on hand from \$1.184m in 1997-98 to \$0.379m in 1998-99, increase current investments from \$0.472 to \$1.076m and decrease non-current investments from \$15.703m to \$3.040m.

Due to a large number of employees no longer being members of the Retirement Benefits Fund, there was a decrease in the non-current provision for employee benefits from \$16.647m in 1997-98 to \$10.189m in 1998-99.

Whilst Borrowings in total moved only marginally during the year, there was a significant increase of \$5.872m in the current liability and a decrease of \$5.923m in non-current liability. This change was due to a significant proportion of the borrowings being due in 1999-2000.

3.2.3 SCHOOLS TASMANIA LTD

Schools Tasmania is a company limited by guarantee and is subject to Corporations Law obligations. The members of the Company are the persons who occupy the following positions from time to time:

- The Secretary of the Department of Education;
- The Deputy Secretaries of the Department of Education for education and corporate services; and
- The Chief Executive Officer of Schools Tasmania.

The objects of the Company are to:

- Market the expertise of the Department nationally and internationally;
- Market the Department's schools and education systems in Tasmania and beyond; and
- Promote, encourage and support the educational objectives of the Department.

The Responsible Minister is the Minister for Education.

EMPLOYEE STATISTICS

At 31 December 1998 Schools Tasmania had a total of 5.5 staff.

AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

The financial statements of Schools Tasmania Ltd were signed by two directors of the company on 30 March 1999 and an unqualified audit report was issued on 1 April 1999.

EVENTS SUBSEQUENT TO 31 DECEMBER 1998

As at the time of writing this segment of the report the company, which commenced trading in 1998, was in voluntary liquidation.

FINANCIAL RESULTS

PROFIT AND LOSS STATEMENT

	1998 \$'000
Operating Revenue	
Fee paying students	888
Other	268
Total Operating Revenue	<u>1 156</u>
Operating Expenditure	
Employee expenses	255
Contribution to schools	595
Other	387
Total Operating Expenditure	<u>1 237</u>
Operating loss	(81)
Accumulated funds at year start	<u>50</u>
Accumulated funds at year end	<u>(31)</u>

STATEMENT OF FINANCIAL POSITION

	1998 \$'000
Current Assets	
Cash	55
Receivables	70
Total Current Assets	<u>125</u>
Total Assets	<u>125</u>
Current Liabilities	
Accounts payable	7
Provisions	24
Other	125
Total Current Liabilities	<u>156</u>
Total Liabilities	<u>156</u>
Equity	
Accumulated losses	<u>31</u>
Total Equity	<u>31</u>

3.2.4 TRANSEND NETWORKS PTY LTD

Transend Networks Pty Ltd (Transend) was established under the *Electricity Companies Act 1997* and was incorporated under the Corporations Law on 17 June 1998. One share was issued to each of its two shareholders - the Treasurer and the Minister for Infrastructure, Energy and Resources.

Transend owns and operates the electricity transmission system in Tasmania – the link between power stations and the electricity distribution network. The Company commenced trading on 1 July 1998 following disaggregation of the Hydro-Electric Corporation (HEC).

The Company is managed by a board of 6 directors appointed by the Government.

The Responsible Minister is the Minister for Infrastructure, Energy and Resources.

EMPLOYEE STATISTICS

At 30 June 1999 Transend had a total of 50 employees.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Company were signed by the directors on 27 October 1999 and an unqualified audit report was issued on 28 October 1999.

FINANCIAL RESULTS

PROFIT AND LOSS STATEMENT

	1998-99
	\$'000
Operating Revenue	
Transmission use of system (TUOS)	65 765
Interest	145
Other	355
Total Operating Revenue	<u>66 265</u>
Operating Expenditure	
Operating and maintenance costs	17 098
Depreciation	14 080
Interest	382
Other	49
Total Operating Expenditure	<u>31 609</u>
Operating profit before tax equivalent expense	34 656
Taxation equivalent expense	(14 668)
Accumulated profits at year start	0
Amounts transferred (to) from reserves	0
Dividends paid or provided for	(9 994)
Accumulated profits at year end	9 994

This is the first year of operation for Transend and comparative figures are not available.

Transend earns the majority of its revenue, \$65.765m, through Transmission Use of System (TUOS) charges. Other revenue includes net revenues associated with the redevelopment of the Trevallyn substation. This project was in progress when Transend was formed and primarily relates to the upgrading of transmission assets, but also includes certain assets, which continued to be owned by the HEC. Transend incurred expenditure totalling approximately \$3.5m on HEC assets, which were billed to the HEC on a cost recovery basis.

BALANCE SHEET

	1998-99 \$'000	1 July 1998 \$'000
Current Assets		
Cash	1	1
Receivables	10 215	6
Inventories	727	769
Other	48	142
Total Current Assets	<u>10 991</u>	<u>918</u>
Non-current Assets		
Property, plant and equipment	394 913	350 412
Other	470	472
Total Non-current Assets	<u>395 383</u>	<u>350 884</u>
Total Assets	<u>406 374</u>	<u>351 802</u>
Current Liabilities		
Bank overdraft	888	0
Accounts payable	8 973	349
Borrowings	14 140	336 549
Provisions	16 499	3 140
Other	95	0
Total Current Liabilities	<u>40 595</u>	<u>340 038</u>
Non-current Liabilities		
Provisions	14 636	11 764
Total Non-current Liabilities	<u>14 636</u>	<u>11 764</u>
Total Liabilities	<u>55 231</u>	<u>351 802</u>
Equity		
Issued capital	336 549	0
Reserves	4 600	0
Accumulated profits	9 994	0
Total Equity	<u>351 143</u>	<u>0</u>

The major variations are explained as follows:

- The increase in receivables in the main represents TUOS charges for June 1999 payable by Aurora Energy Pty Ltd (Aurora), \$5.747m, and billing to the HEC regarding the Trevallyn substation redevelopment \$3.100m. There were only minor receivables balances transferred as at 1 July 1998;
- Property Plant and Equipment increased by \$44.501m. Major reasons for the variation were net additions \$53.381m, and an increase in asset values due to indexation of replacement costs, \$4.600m, offset by depreciation of \$14.080m;
- Accounts payable increased by \$8.624m mainly due to increases in trade creditors as only a small number of creditors were transferred to Transend on creation of the company;
- The decrease in borrowings relates to the transfer to equity of the consideration value for net assets transferred on disaggregation (see discussion below). Current borrowings represents monies borrowed on a short-term basis from Tascorp;

- Total provisions, current and non-current increased by \$16.231m. Principal movements comprised the first time inclusion of provisions for dividend \$9.994m and income tax \$5.360m, an increase in provision for deferred income tax \$2.805m, offset by reduction in provision for superannuation \$1.874m; and
- Issued capital increased to \$336.549m as discussed below.

On 25 June 1998, the State Treasurer gazetted a notice under the *Electricity Companies Act 1997* transferring the transmission business, associated employees, assets and liabilities of the HEC to Transend, effective 1 July 1998. Assets and liabilities in the balance sheet of the HEC at 30 June 1998 were apportioned between the HEC, Transend, and Aurora and transferred at book value.

Transend revalued the assets and liabilities transferred from the HEC on 1 July 1998 to their fair value. The figures reported for 1 July 1998 represent take-up of values for assets and liabilities transferred on the disaggregation of the HEC and revalued to their fair value. Differences upon revaluation arose in relation to amounts transferred for the superannuation provision and property, plant and equipment.

Transend employees, as a condition of transfer of employment from the HEC, were given an opportunity to exit from the RBF Contributory scheme. Employees exiting the contributory fund became members of the non-contributing fund. Approximately half of Transend's employees elected to exercise this option. The provision for superannuation for employees transferred to Transend from the HEC was based upon the assumption of continuing membership of the contributing fund. The option to exit the contributing scheme resulted in a higher liability than provided for by the HEC at 30 June 1998, to the value of approximately \$0.958m.

Property plant and equipment was revalued as at 1 July 1998 based on amounts reported by the Tasmanian Electricity Regulator on 1 October 1999 in his draft report entitled *Investigation into Electricity Supply Industry Pricing Policies*. The Regulator engaged a firm of consulting engineers to conduct the revaluation for the purposes of regulation and used written down optimised replacement value methodology. This methodology provides that asset values are based on the least cost modern equivalent assets which would provide the same service potential of the existing assets. The net increase in property plant and equipment upon revaluation was \$18.962m.

The consideration for the transfer of assets and liabilities to Transend of \$336.549m was met by the creation of an interest free debt owed by Transend to the HEC. This debt was subsequently transferred to the Crown via two transfer notices effective 2 July 1998 (\$326.549m) and 30 June 1999 (\$10m) and finally converted to equity in Transend's books. The consideration for the conversion of the debt was the issue of two further shares in Transend.

As noted above, the Tasmanian Electricity Regulator issued a draft report entitled *Investigation into Electricity Supply Industry Pricing Policies*. The report includes the regulator's proposed determination of maximum prices to be charged by the Tasmanian electricity entities for services to be provided for the three years from 1 January 2000.

3.2.5 TT-LINE COMPANY PTY LTD

TT-Line Company Pty Ltd was established under the *TT-Line Arrangements Act 1993*. The core business of the Company is the provision of a passenger, vehicle and freight service between Devonport and Melbourne.

In addition, the Company has agreed with its shareholders to operate a summer catamaran service between George Town and Melbourne for a three year period. The additional service follows trials during 1997 and 1998.

TT-Line Company Pty Ltd was incorporated on 1 November 1993 as a Company limited by shares and is registered under the Corporations Law. The shareholders of the Company are the Minister for Infrastructure, Energy and Resources and the Treasurer.

The Company is managed by a board of seven directors, appointed by the Government.

The Responsible Minister is the Minister for Infrastructure, Energy and Resources.

EMPLOYEE STATISTICS

In terms of employee statistics, the Company has 336 (1997-98, 329) FTEs working on the ship and in administration. The head count for the Company is 359 (346) employees.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Company were signed by two Directors on 7 September 1999 and an unqualified audit report was issued on 12 October 1999.

FINANCIAL RESULTS

OPERATING STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Expenses		
Operations	33 932	32 004
Hotel Services	17 783	16 583
Customer acquisitions	6 015	5 194
Administration	5 707	6 878
Depreciation and amortisation	5 748	6 170
Interest	4 045	4 682
Total Cost Of Services	<u>73 230</u>	<u>71 511</u>
Operating Revenues		
Ferry revenue	78 213	70 532
Interest	549	465
Rental	549	529
Other	1 296	1 799
Total Operating Revenues	<u>80 607</u>	<u>73 325</u>
Operating Profit Before Abnormal Items and Taxation Equivalents	<u>7 377</u>	<u>1 814</u>
Abnormal items	0	(780)
Taxation equivalent expense	0	0
Retained Profits (losses) at Start of Year	(47 200)	(48 234)
Dividends paid or provided for	0	0
Equity adjustment - adoption UIG 26	1 934	0
Retained Profits (losses) at End of Year	(37 889)	(47 200)

The Board recorded an operating profit before abnormal items and taxation equivalents of \$7.377m (1997-98, \$1.814m). The increase in the profit can be attributed to the following major items:

- An increase in ferry revenue to \$78.213m (1997-98, \$70.632m) resulting from an increased number of voyages during 1998-99. The number of voyages for the year totalled 505 (440) resulting in increased passenger numbers 343 338 (314 232), vehicles numbers 124 395 (114 400) and freight;
- A decrease in administration expenses of \$1.171m relating to savings in employee training, travel expenses and insurance costs; and
- A reduction in loan interest expenses totalling \$0.637m resulting from the continuing repayment of loan debt.

In addition, the Board in complying with the Urgent Issues Group's UIG 26 *Accounting for Major Cyclical Maintenance* were required to write back a provision for survey docking recognised at 30 June 1998 and restate prior period expenditure relating to survey costs as an asset. The effect of the compliance resulted in an equity adjustment totalling \$1.934m.

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash	11 642	9 538
Receivables	5 395	3 907
Inventories	449	414
Other	369	413
Total Current Assets	<u>17 855</u>	<u>14 272</u>
Non-current Assets		
Plant and equipment	109 602	110 740
Other	0	146
Total Non-current Assets	<u>109 602</u>	<u>110 886</u>
Total Assets	<u>127 457</u>	<u>125 158</u>
Current Liabilities		
Accounts payable	5 466	5 942
Borrowings	12 360	12 382
Provisions	3 781	3 991
Other	5 153	4 453
Total Current Liabilities	<u>26 760</u>	<u>26 768</u>
Non-current Liabilities		
Borrowings	42 573	49 706
Provisions	1 445	1 316
Total Liabilities	<u>70 778</u>	<u>77 790</u>
Equity		
Share capital	(94 568)	(94 568)
Accumulated deficit	37 889	47 200
Total Equity	<u>(56 679)</u>	<u>(47 368)</u>

Changes in the Company's financial position include:

- An increase in cash totalling \$2.104m;
- An increase in receivables of \$1.488m, which relates to the Commonwealth vehicle rebate for 1998-99 being received in July 1999;
- Capital work payments totalling \$1.516m to increase the Spirit's vehicle carrying capacity and install flood control doors;
- The repayment of loan debt totalling \$7.382m; and
- An increase in other liabilities totalling \$0.700m representing fares revenue received in advance.

ADDITIONAL FINANCIAL INFORMATION

In July 1999 the Spirit of Tasmania had major works undertaken as part of its bi-annual drydocking. The works included the fitting of six watertight doors on the main vehicle deck, creation of additional hostel accommodation places and general ship maintenance and refurbishment.

In addition, on 4 September 1999 a major breakdown in three of the four engines on the Spirit of Tasmania resulted in a suspension of the service for a two week period.

Due to the nature of the damage, the cause has not yet been conclusively identified. However, the Board is undertaking all possible actions to identify the cause of the breakdown.

The Board is currently assessing the financial impact of the loss including possible insurance recoveries and any other remedial action available. At this time, the Board considers it prudent to maintain a high level of commercial confidentiality over the incident until the matter is fully resolved.

3.3 PORT CORPORATIONS

The *Port Companies Act 1997* which came into effect on 30 July 1997, replaced the *Marine Act 1976* and associated legislation from that date and provided a framework for the establishment of State owned port companies.

In accordance with this act, all Port Authorities and Marine Boards ceased operations on 29 July 1997. Consequently, figures corresponding to the 1999 disclosures in the financial statements represent amounts for the 11 month period 30 July 1997 to 30 June 1998.

All assets, rights and liabilities vested in the former Port Authorities and Marine Boards were vested in the new port Companies.

RESPONSIBLE MINISTER

The Responsible Minister is the Minister for Infrastructure, Energy and Resources.

3.3.1 BURNIE PORT CORPORATION PTY LTD

EMPLOYEE STATISTICS

At 30 June 1999 the Corporation had a total of 49 (1997-98, 59) full-time equivalent employees.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Corporation were signed by a member of the Board on 18 October 1999 and an unqualified audit report was issued on 1 November 1999.

FINANCIAL RESULTS

PROFIT AND LOSS STATEMENT

	1998-99 \$'000	1997-98* \$'000
Sales Revenue		
Wharfage charges	8 266	7 099
Cold stores	1 282	1 350
Property rentals	908	825
Airport passenger levies	597	414
Charges on ships	590	494
Hire of plant	537	503
Other	985	1 079
Total Sales Revenue	<u>13 165</u>	<u>11 764</u>
Other Revenue		
Profit on disposal of assets	6	17
Interest	336	253
Total Other Revenue	<u>342</u>	<u>270</u>
Total Revenue	<u>13 507</u>	<u>12 034</u>
Expenses		
Operations and maintenance	2 716	2 476
Administration	2 101	1 766
Finance expenses	1 875	1 702
Cold store	1 076	1 111
Lease payments	1 843	1 945
Depreciation	2 350	1 721
Other	599	713
Total Expenditure	<u>12 560</u>	<u>11 434</u>
Operating Surplus/(Deficit) before Abnormal Items & Tax	947	600
Abnormal items	118	(6 093)
Tax equivalent expense	0	0
Retained Profits at Start of Year	(5 493)	0
Equity adjustment	2 470	0
Transfers to and from reserves	(635)	0
Retained Profits at End of Year	(2 593)	(5 493)
* 11 month period to 30 June 1998		

The Corporation made an operating surplus before abnormal items and taxation of \$947 000 (1997-98, \$600 000). Although the Corporation undertakes a wide range of activities, the increase in the surplus can be attributed to the following major items:

- An increase in cargo handled by the port resulting in an increase of \$1 167 000 in wharfage charges which represents an increase of 16.43% on the 11 month period to 30 June 1998; and
- A reassessment of the useful lives of non current assets resulting in an increase of \$626 459 in the depreciation expense.

In addition, the Corporation incurred the following abnormal items:

- Amortisation of deferred revenue arising from a prior period sale and leaseback transaction of \$474 720 (1997-98, \$437 003);
- A loss due to obsolescence of the Tide bridge of \$138 215 (Oil Berth \$152 015); and
- Redundancy payments totalling \$218 680 (\$81 083).

As a result of the issuing of the Urgent Issues Group UIG 26 Accounting for Major Cyclical Maintenance, the Corporation amended its accounting treatment in relation to long term maintenance of its harbour improvements and airport runways. The amended accounting treatment resulted in the provisions for runway resurfacing and seaport dredging being written off, a separate asset being recognised for seaport dredging and a review of the useful lives of the respective assets. The financial impact of the amended accounting treatment resulted in an equity adjustment of \$2 470 000.

BALANCE SHEET

	1998-99	1997-98*
	\$'000	\$'000
Current Assets		
Receivables	1 904	1 583
Investments	6 800	6 300
Inventories	275	253
Cash on hand and at bank	60	375
Total Current Assets	<u>9 039</u>	<u>8 511</u>
Non-current Assets		
Property, plant and equipment	<u>36 668</u>	35 283
Total Non-current Assets	<u>36 668</u>	<u>35 283</u>
Total Assets	<u>45 707</u>	43 794
Current Liabilities		
Creditors	1 879	1 612
Borrowings	2 027	1 439
Provisions	<u>716</u>	669
Total Current Liabilities	<u>4 622</u>	<u>3 720</u>
Non-current Liabilities		
Deferred revenue	819	1 294
Borrowings	18 798	20 827
Provisions	<u>36</u>	<u>56</u>
Total Non-current Liabilities	<u>19 653</u>	<u>22 177</u>
Total Liabilities	<u>24 275</u>	25 897
Equity		
Issued capital	0	0
Reserves	24 025	23 390
Retained surplus	<u>(2 593)</u>	<u>(5 493)</u>
Total Equity	<u>21 432</u>	<u>17 897</u>
* 11 month period to 30 June 1998		

In relation to the Balance Sheet the significant movements in balances relate to:

- An increase in trade debtors (net) of \$290 000;
- An increase in investments totalling \$500 000, which was partially offset by a decrease in cash on hand of \$315 000;
- Property, plant and equipment increased by \$1 385 000 which can be attributed to the UIG 26 adjustment, and capital purchases and works during the year;
- A decrease in the deferred revenue balance of \$475 000 which represented the 1998-99 amortisation;
- A decrease in total borrowings of \$1 441 000 relating to the repayment of loan debt and lease principal; and
- The creation of a capital development reserve of \$635 000.

3.3.2 HOBART PORT CORPORATION PTY LTD

EMPLOYEE STATISTICS

At 30 June 1999 the Corporation had a total of 57 full time equivalent staff (1998, 59).

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The consolidated financial statements of the Corporation, including the King Island Ports Corporation as a wholly owned subsidiary, were signed by the Directors of the Corporation on 18 August 1999 and an unqualified audit report was issued on 3 September 1999.

FINANCIAL RESULTS

PROFIT AND LOSS STATEMENT

	1998-99	1997-98*
	\$'000	\$'000
Operating Revenue	<u>15 456</u>	<u>11 747</u>
Operating profit before abnormal items and income tax	(66)	447
Abnormal items	436	1 262
Taxation equivalent expense	102	(179)
Retained profits at year start	159	0
Dividends paid or provided for	700	160
Transfer to (from) reserves	(402)	1 211
Retained profits at year end	333	159
* 11 month period to 30 June 1998		

Operating Revenues for 1998-99 included sales revenue, \$10.370m, and rental income, \$4.418m. The increase in Operating Revenues from the prior year was due to the Corporation's expansion of its stevedoring activity, and also the fact that the prior year comparatives covered only an 11 month period.

The reduction in Operating profit before abnormal items and income tax occurred due to increased employee expenses, including several redundancy payments. There was also a significant rise in depreciation expense for the year of \$0.683m. These were partially offset by a general rise in sales revenue.

Abnormal items for 1998-99 comprised profit from sale of a portion of land owned by the Corporation at Margate. Abnormal items in the prior year consisted of two major adjustments in the accounts of the subsidiary. First, the write-off of rental charges

owing to Treasury, \$0.283m. and secondly, title to Crown assets (fair value \$0.981m) was transferred to the subsidiary.

BALANCE SHEET

	1998-99	1997-98
	\$'000	\$'000
Current Assets		
Cash	1 696	1 735
Investments	256	256
Receivables	2 877	2 513
Inventories	25	5
Other	60	36
Total Current Assets	<u>4 914</u>	<u>4 545</u>
Non-current Assets		
Investments	5 797	5 843
Property, plant and equipment	49 641	49 964
Other	1 079	594
Total Non-current Assets	<u>56 517</u>	<u>56 401</u>
Total Assets	<u>61 431</u>	<u>60 946</u>
Current Liabilities		
Accounts payable	1 753	1 987
Borrowings	294	270
Provisions	1 566	1 054
Total Current Liabilities	<u>3 613</u>	<u>3 311</u>
Non-current Liabilities		
Borrowings	10 011	10 305
Provisions	2 316	1 949
Total Non-current Liabilities	<u>12 327</u>	<u>12 254</u>
Total Liabilities	<u>15 940</u>	<u>15 565</u>
Equity		
Issued capital	0	0
Reserves	45 158	45 222
Retained profits	333	159
Total Equity	<u>45 491</u>	<u>45 381</u>

Other non-current assets have increased from \$0.594m to \$1.079m due to an increase of \$0.485m in future income tax equivalents benefit arising from timing differences in the taxation expense calculation.

The increase in current provisions is due to a dividend payable in 1999-2000, \$0.700m, (1998-99 - \$0.160). The increase in non-current provisions, \$0.367m, resulted from an increase in the deferred income tax liability from \$1.911m in 1997-98 to \$2.297m in 1998-99.

Issued capital is shown as nil due to rounding to the nearest \$'000. Actual Issued capital is two dollars.

3.3.3 PORT OF DEVONPORT CORPORATION PTY LTD

EMPLOYEE STATISTICS

At 30 June 1999 the Corporation had a total of 42 (1998, 51) full-time equivalent staff. The decrease in employee numbers was the result of a major organisational review undertaken in 1997-98 and implemented in December 1998.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Corporation were signed by the directors on 20 September 1999 and an unqualified audit report was issued on 7 October 1999.

FINANCIAL RESULTS

PROFIT AND LOSS ACCOUNT

	1998-99 \$'000	1997-98* \$'000
Operating Revenue		
Port revenue	6 597	6 041
Cold store revenue	1 350	1 257
Airport revenue	1 002	701
Interest received	525	597
Rents received	224	200
Services rendered	71	124
Other	7	34
Gain on disposal of assets	49	124
Total Operating Revenue	<u>9 825</u>	<u>9 078</u>
Operating Expenditure	<u>8 574</u>	<u>7 756</u>
Total Operating Expenditure	<u>8 574</u>	<u>7 756</u>
Operating profit before abnormals and income tax	1 251	1 322
Abnormal items	(847)	0
Taxation equivalent expense	(386)	(442)
Retained profits at year start	3 097	0
Amounts transferred (to) from reserves	(1 910)	0
Dividends paid or provided for	(440)	0
Retained profits at year end	765	880
* 11 month period to 30 June 1998		

The Corporation's after tax profit was \$0.018m compared to \$0.880m in 1997-98. The decrease of \$0.862m is due principally to abnormal items of \$0.847m. The abnormal items relate to depreciation adjustments upon the re-assessment of estimated useful lives of non-current assets and the scrapping of assets no longer held.

It is noted that an adjustment of \$2.217m was made to opening retained profits in order to comply with UIG Abstract 26 Accounting for Major Cyclical Maintenance. The adjustment relates to the reversal of maintenance provisions for harbour dredging and airport runway re-sheeting and the associated tax provisions.

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98* \$'000
Current Assets		
Cash	1	407
Receivables	1 681	1 508
Investments	8 516	11 789
Inventories	8	77
Total Current Assets	<u>10 206</u>	<u>13 781</u>
Non-current Assets		
Receivables	0	40
Investments	550	550
Property plant and equipment	34 127	26 858
Future income tax benefit	229	1 525
Total Non-current Assets	<u>34 906</u>	<u>28 973</u>
Total Assets	<u>45 112</u>	<u>42 754</u>
Current Liabilities		
Creditors	543	735
Borrowings	1 030	1 058
Employee provisions	546	641
Provision for tax equivalent	126	432
Total Current Liabilities	<u>2 245</u>	<u>2 866</u>
Non-current Liabilities		
Borrowings	7 526	6 544
Deferred income tax	1 467	1 336
Employee provisions	59	102
Total Non-current Liabilities	<u>9 052</u>	<u>7 982</u>
Total Liabilities	<u>11 297</u>	<u>10 848</u>
Equity		
Issued capital	0	0
Reserves	33 049	31 026
Retained profits	766	880
Total Equity	<u>33 815</u>	<u>31 906</u>
*11 month period to 30 June 1998		

Work on the Sayers Point capital dredging project, which commenced in 1997-98, was completed in September 1998 at a total cost of \$8.300m. The project, which extended the vessel swinging basin, was funded by borrowings of \$4m and cash held by the Corporation.

Issued capital is shown as nil due to rounding to the nearest \$'000. Actual Issued capital is two dollars.

3.3.4 PORT OF LAUNCESTON PTY LTD

EMPLOYEE STATISTICS

At 30 June 1999 the Corporation had a total of 43 (1998, 44) full-time equivalent staff.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Corporation were signed by the Chairman of the Board on 31 August 1999 and an unqualified audit report was issued on 21 September 1999.

FINANCIAL RESULTS

OPERATING STATEMENT

	1998-99 \$'000	1997-98* \$'000
Sales Revenue		
Charges on ships	1 533	1 473
Charges on goods	3 712	3 335
Hire of plant	855	946
Property rentals	901	931
Miscellaneous	615	365
Total Sales Revenue	<u>7 616</u>	<u>7 050</u>
Other Revenue		
Profit on disposal of assets	501	119
Interest	51	71
Total Other Revenue	<u>552</u>	<u>190</u>
Expenses		
Operations and maintenance	2 902	2 609
Administration	1 194	1 080
Finance expenses	1 397	1 311
Depreciation	1 352	1 287
Miscellaneous	1 105	1 094
Total Expenditure	<u>7 950</u>	<u>7 381</u>
Operating surplus/(deficit) before abnormal items & tax	218	(141)
Abnormal items	(30)	(149)
Tax equivalent expense	285	664
Retained profits at year start	24 452	24 074
Adjustment to retained profits	0	4
Dividend proposed	(150)	0
Retained profits at year end	24 775	24 452
* 11 month period to 30 June 1998		

The Corporation had an operating surplus before abnormal items and tax of \$218 000 compared with a deficit of \$141 000 in 1997-98. As a result of the surplus, the Board proposed a dividend of \$150 000 for the 1998-99 financial year.

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98* \$'000
Current Assets		
Receivables	1 224	1 202
Investments	520	915
Inventories	257	271
Cash on hand and at bank	713	272
Total Current Assets	<u>2 714</u>	<u>2 660</u>
Non-current Assets		
Property plant and equipment	38 533	39 078
Leased assets	283	1 165
Future income tax benefit	288	0
Total Non-current Assets	<u>39 104</u>	<u>40 243</u>
Total Assets	<u>41 818</u>	<u>42 903</u>
Current Liabilities		
Creditors and borrowings	2 030	2 769
Provisions	609	408
Total Current Liabilities	<u>2 639</u>	<u>3 177</u>
Non-current Liabilities		
Creditors and borrowings	13 922	14 353
Provisions	106	91
Total Non-current Liabilities	<u>14 028</u>	<u>14 444</u>
Total Liabilities	<u>16 667</u>	<u>17 621</u>
Equity		
Issued capital	0	0
Reserves	376	830
Retained surplus	24 775	24 452
Total Equity	<u>25 151</u>	<u>25 282</u>
* 11 month period to 30 June 1998		

In September 1998, the Port sold the area known as the William Hart Graving Dock. The sale was a result of the Port's continued commitment to its policy of divesting itself of land and facilities in the Launceston area.

During the year, the Port's Coolstore was converted into a warehouse facility. As a consequence of the conversion, the building was revalued and reclassified in the Port's financial statements. The revaluation resulted in a write-down of the asset of \$453 000 which was offset against previous revaluation increments credited to the Asset Revaluation Reserve.

Issued capital is shown as nil due to rounding to the nearest \$'000. Actual Issued capital is two dollars.

3.4 OTHER STATUTORY AUTHORITIES

Statutory authorities that are subject only to the specific requirements specified in their enabling legislation are sometimes also referred to as State authorities. State authorities usually fulfill a regulatory or supervisory function.

3.4.1 LEGAL AID COMMISSION

The Commission is an independent statutory body established by the *Legal Aid Commission Act 1990*. It is principally funded by the State and Commonwealth Governments, with other sources of income derived from the recovery of legal costs in successful cases, contributions from legally assisted clients and interest on invested moneys.

The Commission seeks to increase access to justice for all Tasmanians by the provision of legal representation, advice, information and referral services. The Commission ensures that within the limits of funds available, no person is denied access to the law by reason of financial or social disadvantage.

The Responsible Minister is the Minister for Justice and Industrial Relations.

EMPLOYEE STATISTICS

At 30 June 1999 the Legal Aid Commission had a total of 78 staff, (1998, 78), which equated to 55.6, (56.9), full time equivalent positions.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Legal Aid Commission were signed by the Chairman and Director of the Commission on 22 September 1999. Final amended financial statements were received on 13 November 1999 and an unqualified audit report was issued on 17 November 1999.

FINANCIAL RESULTS

PROFIT AND LOSS STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Revenue		
Commonwealth contributions	4 581	4 493
State contributions	2 735	2 700
Contributions from clients and recovered costs	537	495
Interest	81	155
Other	1	2
Total Operating Revenue	<u>7 935</u>	<u>7 845</u>
Operating Expenditure		
Employee expenses	3 068	2 912
Administration expenses	1 264	1 234
Payments to private legal practitioners	3 937	3 676
Depreciation	257	438
Provisions	6	15
Total Operating Expenditure	<u>8 532</u>	<u>8 275</u>
Operating profit before grants and subsidies	(597)	(430)
Grants to community legal centres	(861)	(773)
Abnormal items	0	(49)
Retained profits at year start	2 384	3 636
Retained profits at year end	926	2 384

The increase in Operating Loss from \$0.430m in 1997-98 to \$0.597m in 1998-99 was mainly attributable to an increase in payments to private legal practitioners of \$0.261m.

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash	687	2 022
Receivables	340	322
Prepayments	16	12
Accrued revenue	2	7
Total Current Assets	<u>1 045</u>	<u>2 363</u>
Non-current Assets		
Freehold property	266	272
Office equipment	228	327
Furniture and fittings	26	54
Library	111	102
Alterations to accommodation	23	48
Total Non-current Assets	<u>654</u>	<u>803</u>
Total Assets	<u>1 699</u>	<u>3 166</u>
Current Liabilities		
Sundry creditors and accruals	88	69
Private legal practitioner creditors	0	14
Provision for long service leave	107	116
Provision for recreation leave	184	198
Total Current Liabilities	<u>379</u>	<u>397</u>
Non-current Liabilities		
Provision for long service leave	69	60
Total Non-current Liabilities	<u>69</u>	<u>60</u>
Total Liabilities	<u>448</u>	<u>457</u>
Equity		
Capital contribution	325	325
Accumulated surpluses	926	2 384
Total Equity	<u>1 251</u>	<u>2 709</u>

A reduction in cash from \$2.022m in 1997-98 to \$0.687m in 1998-99 occurred mainly as a result of salaries expenditure being higher than anticipated due to an unfunded increase in legal practitioner's pay, an overrun of payments to private legal practitioners as well as part of the State grant being outstanding as at balance date.

3.4.2 MARINE AND SAFETY AUTHORITY

The Authority was created by the *Marine and Safety Authority Act 1997*. The functions of the Authority are to:-

- ensure safe operations of vessels
- provide and manage marine facilities, and
- manage environmental issues relating to vessels

The Authority has jurisdiction over waters of all inland lakes, rivers and streams as well as coastal waters.

The Authority commenced operations on 30 July 1997 and assumed the assets and liabilities of the former Navigation and Survey Authority of Tasmania. In addition, the Authority has assumed responsibility for a large number of marine facilities previously owned by the Department of Transport and the Marine Boards.

The Responsible Minister is the Minister for Infrastructure, Energy and Resources.

EMPLOYEE STATISTICS

At 30 June 1999, the authority had 13.5 full time equivalent employees. This compares to 11.5 full time equivalent employees as at 30 June 1998.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Marine and Safety Authority were signed on 16 September 1999 and an unqualified audit report was issued on 24 September 1999.

FINANCIAL RESULTS

PROFIT AND LOSS ACCOUNT

	1998-99 \$'000	1997-98* \$'000
Revenue		
Survey fees	542	493
Certificates of competency	75	45
Recreational boating	815	675
Treasury appropriation	700	537
Interest received	43	22
Other	77	14
Total Revenue	<u>2 252</u>	<u>1 786</u>
Expenditure		
Personnel expenses	692	577
Occupancy expenses	57	41
Operating expenses	2 005	1 033
Other	26	39
Total Operating Expenditure	<u>2 780</u>	<u>1 690</u>
Operating surplus/(deficit)	(528)	96
Retained profits at year start	(214)	90
Aggregate of amounts transferred (to) from reserves	233	(400)
Retained profits (accumulated losses) at year end	(509)	(214)
*11 month period to 30 June 1998		

There was an increase of \$140 000 in recreational boating registrations during 1998-99 which coincided with the first full year of operation for the Authority. Fees for certificates of competency also increased with the introduction of new by-laws.

In 1998-99 the authority received its \$700 000 appropriation from the Department of Infrastructure, Energy and Resources. In the prior year a similar amount was not received in total as the Department retained \$163 000 to fund the Authority's start up costs.

The major increase of \$971 000 in operating expenses was mainly attributable to several factors including maintenance works on marine facilities increasing by \$150 000; items of property, plant and equipment being depreciated for a full year for the first time which totalled \$146 000; and recreational boating expenses of \$282 000, which were funded in the prior year but not expended until the current year.

STATEMENT OF FINANCIAL POSITION

	1999 \$'000	1998* \$'000
Current Assets		
Cash	0	14
At call deposits	716	761
Receivables	148	21
Pre-paid expenses	6	5
Total Current Assets	<u>870</u>	<u>801</u>
Non-current Assets		
Property plant and equipment	9 144	9 559
Total Non-current Assets	<u>9 144</u>	<u>9 559</u>
Total Assets	<u>10 014</u>	<u>10 360</u>
Current Liabilities		
Creditors and borrowings	303	137
Provisions	83	77
Total Current Liabilities	<u>386</u>	<u>214</u>
Non-current Liabilities		
Provisions	12	1
Total Non-current Liabilities	<u>12</u>	<u>1</u>
Total Liabilities	<u>398</u>	<u>215</u>
Equity		
Reserves	187	420
Contributions to capital	9 939	9 939
Retained surplus/(accumulated loss)	(509)	(214)
Total Equity	<u>9 617</u>	<u>10 145</u>
* 11 month period to 30 June 1998		

Receivables increased by \$127 000 during 1998-99 as a result of moneys being owed from Treasury for the sale of slipways, \$85 000, and salaries for the secondment of a staff member, \$32 000.

Creditors and borrowings increased by \$166 000 as a result of outstanding payments for work carried out on Denison Canal and Bicheno redevelopment.

3.4.3 PARLIAMENTARY SUPERANNUATION FUND (PSF) and PARLIAMENTARY RETIRING BENEFITS FUND (PRBF)

The Parliamentary Superannuation and Retiring Benefits Trust is responsible for the management and administration of the Funds established under the *Parliamentary Superannuation Act 1973* and *Parliamentary Retiring Benefits Act 1985*.

The Responsible Minister is the Treasurer.

EMPLOYEE STATISTICS

There are no employees. Administrative and accounting services are provided by the Retirement Benefits Fund Board.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the both Funds were signed by the Trust on 11 November 1999 and unqualified audit reports were issued on 16 November 1999.

FINANCIAL RESULTS

Parliamentary Superannuation Fund

STATEMENT OF CHANGES IN NET ASSETS

	1998-99 \$'000	1997-98 \$'000
Revenue		
Interest	7	23
Income from unit trusts	817	687
Changes in net market values	(308)	(241)
Reimbursement of benefits	1 541	1 026
Members' contributions	91	137
Total Revenue	<u>2 148</u>	<u>1 632</u>
Expenditure		
Administration expenses	88	95
Lump sums	1 152	548
Pensions	1 178	1 029
Total Expenditure	<u>2 418</u>	<u>1 672</u>
(Deficit)/Surplus before Abnormals and Tax	(270)	(40)
Income tax expense	0	0
Net Assets available to pay Benefits at year start	7 220	7 260
Net Assets available to pay Benefits at year end	6 950	7 220

There was a deficit after tax of \$270 000 in 1998-99 compared to a smaller deficit of \$40 000 in the prior year. The main factors are:

- A decrease of \$308 000 in the market value of investments (1997-98, decrease of \$241 000); and
- A significant increase in lump sum payments of \$1 152 000 compared to \$548 000 in 1997-98.

Benefits paid increased by \$753 000.

STATEMENT OF NET ASSETS

	1998-99	1997-98
	\$'000	\$'000
Assets		
Investments	7 068	7 297
Interest receivable	0	2
Sundry debtors	4	8
Total Assets	<u>7 072</u>	<u>7 307</u>
Liabilities		
Bank overdraft	29	0
Sundry creditors	93	87
Total Liabilities	<u>122</u>	<u>87</u>
Net Assets Available To Pay Benefits	<u>6 950</u>	<u>7 220</u>

The liability for accrued benefits (Scheme as a whole) as at 30 June 1998 has been determined as \$19.865m. This is in accordance with the methodology required by Australian Accounting Standard AAS25, Financial Reporting by Superannuation Plans. As 1999 is the first year in which the use of the methodology by the Fund is required under AAS25, there are no comparative figures for 30 June 1997.

The liability for vested benefits, as at 30 June 1998 is \$20.842m. This is in accordance with AAS25. Vested benefits are benefits that are not conditional upon continued membership of the Scheme (or any factor other than resignation from it) being benefits that members were entitled to receive had they terminated their membership as at the reporting date.

Parliamentary Retiring Benefits Fund

STATEMENT OF CHANGES IN NET ASSETS

	1998-99 \$'000	1997-98 \$'000
Revenue		
Interest	20	40
Changes in net market values	465	414
Employer contributions	679	759
Members' contributions	250	271
Insurance proceeds	335	0
Total Revenue	<u>1 749</u>	<u>1 484</u>
Expenditure		
Administration expenses	118	116
Lump sums	2 073	84
Total Expenditure	<u>2 191</u>	<u>200</u>
(Deficit)/Surplus before Abnormals and Tax	(442)	1 284
Income tax expense	(87)	(102)
Net Assets available to pay Benefits at year start	6 774	5 592
Net Assets available to pay Benefits at year end	6 245	6 774

There was a deficit after tax of \$0.529m in 1998-99 compared with a surplus of \$1.182m in the prior year. The main factor was a substantial increase in lump sum payments of \$1.989m, following a decrease in the number of members as a result of reform measures introduced during 1998-99 to reduce the size of the Parliament.

STATEMENT OF NET ASSETS

	1998-99 \$'000	1997-98 \$'000
Assets		
Investments	5 546	6 591
Cash	491	310
Interest receivable	1	9
Sundry debtors	335	28
Total Assets	<u>6 373</u>	<u>6 938</u>
Liabilities		
Sundry creditors	64	70
Income tax payable	64	89
Provision for deferred income tax	0	5
Total Liabilities	<u>128</u>	<u>164</u>
Net Assets Available To Pay Benefits	<u>6 245</u>	<u>6 774</u>

Net assets available to pay benefits have decreased by \$0.529m as expected with the reduction in the number of members compared to the prior year.

The liability for accrued benefits (Scheme as a whole) as at 30 June 1998 has been determined as \$8.767m. This is in accordance with the methodology required by AAS25. As 1999 is the first year in which the use of the methodology by the Fund is required under AAS25, there are no comparative figures for 30 June 1997.

The liability for vested benefits, as at 30 June 1998 is \$7.226m. This is in accordance with AAS25. Vested benefits are benefits that are not conditional upon continued membership of the Scheme (or any factor other than resignation from it) being benefits that members were entitled to receive had they terminated their membership as at the reporting date.

3.4.4 PRIVATE FORESTS TASMANIA

Private Forests Tasmania was established as a state authority on 1 July 1994 under the *Private Forests Act 1994*.

The Authority took over the assets, liabilities, functions and responsibilities previously managed by the Private Forestry Division of the former Forestry Commission.

According to the Authority's Strategic Plan, '... The objective of the Authority is to facilitate and expand the development of the private forest resource in Tasmania for commercial purposes and to maintain a healthy and productive rural environment in a manner which is consistent with sound forest land management practice'.

The Authority's Board of Directors consists of five members, appointed by the Responsible Minister plus the Chief Executive Officer.

The Responsible Minister is the Minister for Infrastructure, Energy and Resources.

EMPLOYEE STATISTICS

In terms of employee statistics, the Authority has 16.5 FTEs (1997-98, 16.5). The head count for the Authority is 18 (18) employees.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Authority were signed by the Chairman and the Chief Executive Officer on 29 October 1999 and an unqualified audit report was issued on 8 November 1999.

FINANCIAL RESULTS

OPERATING STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Revenue	324	326
Less: Operating Expenses	(1 906)	(1 872)
Operating profit before grants	<u>(1 582)</u>	<u>(1 546)</u>
Operating grants	1 567	1 533
Operating profit after grants	(15)	(13)
Accumulated profits at year start	260	273
Transfers from/(to) reserves	<u>0</u>	<u>0</u>
Retained Profits at year end	<u>245</u>	<u>260</u>

The Authority incurred a loss of \$15 000 (1997-98, \$13 000). Although the result did not materially change from the previous year it is noted that:

- Operating expenses increased by \$34 000; and
- Operating grants increased by \$34 000

BALANCE SHEET

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash on hand and at bank	827	477
Investments	850	850
Receivables	198	204
Total Current Assets	<u>1 875</u>	<u>1 531</u>
Non-current Assets		
Property plant and equipment	142	140
Receivables	1 844	1 886
Total Non-current Assets	<u>1 986</u>	<u>2 026</u>
Total Assets	<u>3 861</u>	<u>3 557</u>
Current Liabilities		
Creditors and accrued expenses	957	611
Provisions	203	217
Borrowings	170	130
Total Current Liabilities	<u>1 330</u>	<u>958</u>
Non-current Liabilities		
Borrowings	2 277	2 322
Provisions	9	17
Total Non-current Liabilities	<u>2 286</u>	<u>2 339</u>
Total Liabilities	<u>3 616</u>	<u>3 297</u>
Equity		
Accumulated profits	245	260
Total Equity	<u>245</u>	<u>260</u>

In relation to the Statement of Financial Position, significant movements in balances relate to:

- Cash on hand increasing by \$350 000; and
- Creditors and accrued expenses increasing by \$346 000.

The increases represent additional unexpended grants funds held at 30 June 1999 totalling \$911 000 (1997-98, \$567 000).

ADDITIONAL FINANCIAL INFORMATION

As noted on page 256 of my Report No 2 for 1997-98 the Authority received a summons pursuant to section 64 of the *Land Use Planning and Approvals Act 1993* to appear before the Resources Management and Planning Appeals Tribunal following an application by the Tasmanian Conservation Trust related to the removal of the Private Timbers Reserve (PTR) status from areas declared a PTR since the introduction of that act.

The Tribunal agreed to an adjournment as the Minister indicated that the *Forests Practices Act 1985* and the *Land Use Planning and Approvals Act 1993* were to be amended to remove doubts concerning the legislation.

Amendments were subsequently made to the relevant legislation on 18 December 1998 and the matter was resolved.

In addition, further to my comments on page 258 of my Report No 2 for 1997-98 relating to the possible implementation of a private forests service levy, I noted that the Authority was consulting with its Responsible Minister to determine an appropriate policy.

As yet, a policy for the implementation of a private forests service levy has not been finalised.

3.4.5 RACING TASMANIA

The *Racing Act 1983*, which established the Tasmanian Racing Authority, was amended by the *Racing Amendment Act 1997*. The Amendment Act provided for the body corporate formerly known as the Tasmanian Racing Authority to continue under the name Racing Tasmania.

In June 1999, the Minister for Racing and Gaming announced a restructure of the racing administration. According to the *Racing Amendment (Restructuring) Bill 1999* the new structure will commence on 1 December 1999. However, if the Bill does not receive the Royal Assent on or before that date, it commences on the day on which it receives the Royal Assent. At the date of writing, the Bill had not received the Royal Assent.

Under the restructure:

- Racing Tasmania will be abolished;
- The Government will assume responsibility for the probity of the Racing Industry by creating a Probity Unit attached to the Department of Infrastructure, Energy and Resources; and
- A new body will be created following the corporatisation of the Totalizator Agency Board (TAB). The new body will undertake the existing functions of the TAB together with some functions currently provided by Racing Tasmania.

The Responsible Minister is the Minister for Racing and Gaming.

EMPLOYEE STATISTICS

The Authority's employee statistics at the end of July 1999 were as follows:

	FTEs	Actual
Administration and Clerical (including full-time stewards)	27.50	27.50
Operational (racecourse maintenance)	11.45	17.00
Board and Council members	2.80	24.00
Total	41.75	68.50

Comparative figures for the prior year were

	FTEs	Actual
Administration and Clerical (including full-time stewards)	27.00	28.00
Operational (racecourse maintenance)	14.00	20.00
Board and Council members	3.00	24.00
Total	44.00	72.00

The above figures do not include freeze breeders or betting supervisors.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Authority were signed by the Chairman and the Director of Racing on 14 September 1999 and an unqualified audit report was issued on 5 October 1999.

FINANCIAL RESULTS

OPERATING STATEMENT

	1998-99 \$'000	1997-98 \$'000
Income		
TAB profit distribution	9 279	9 581
TAB special distribution	0	2 500
Totalisator commission	2 501	1 167
Unclaimed totalisator dividends	650	663
Government grant	1 525	0
Property income	150	144
Interest on investments	82	91
Gain on disposal of assets	21	12
Catering commission	73	78
Licencing, registration and other income	203	26
THRC - Provident Fund	16	0
THRC - Stallion Stakes	23	4
TTRC - Jockey Insurance	209	37
TTRC - Super VOBIS (Tas)	105	105
Sundry income	13	18
Total Income	14 850	14 426
Expenditure		
Direct club expenditure	10 697	11 086
Integrity control expenses	628	494
Industry administration expenses	1 683	1 519
Major works and other expenses	3 406	3 316
Total Expenditure	16 414	16 415
Surplus / (Deficit) before Abnormals	(1 564)	(1 989)
Abnormal Items	(117)	0
Surplus / (Deficit) after Abnormals	(1 681)	(1 989)
Accumulated funds at year start	5 857	7 750
Equity transferred on restructure	0	(102)
Transfers to (from) reserves	87	198
Accumulated funds at year end	4 263	5 857

The Authority incurred a deficit of \$1.564m in 1998-99 (1997-98, \$1.989m). The decrease in the deficit is due to additional income from sources such as licencing and registration and jockey insurance. These areas were previously reported separately by the individual code Councils. However, from 1 April 1998 onwards, they were consolidated into the accounts of Racing Tasmania. Total expenditure for 1998-99 amounted to \$16.415m (1997-98, \$16.414m) which is consistent with the previous period.

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash	16	420
Debtors and prepayments	898	1 398
Loans to industry bodies	38	64
Inventories	9	13
Investments	1 958	2 012
Total Current Assets	<u>2 919</u>	<u>3 907</u>
Non-current Assets		
Leasehold improvements	6 075	6 687
Plant and equipment	528	657
Loans to Industry Bodies	20	
Total Non-current Assets	<u>6 623</u>	<u>7 344</u>
Total Assets	<u>9 542</u>	<u>11 251</u>
Current Liabilities		
Creditor - Government of Tasmania	4	6
Creditors - general	352	491
Accrued interest	47	64
Income in advance	139	169
Provision for employee entitlements	344	320
Special event fund	20	30
Unclaimed winnings account		
Total Current Liabilities	<u>906</u>	<u>1 080</u>
Non-current Liabilities		
Borrowings - Tascorp	2 550	2 550
Borrowings - other	234	234
Provision for employee entitlements	1 328	1 217
Special event fund	103	68
Total Non-current Liabilities	<u>4 215</u>	<u>4 069</u>
Total Liabilities	<u>5 121</u>	<u>5 149</u>
Equity		
Reserves	158	245
Accumulated funds	4 263	5 857
Total Equity	<u>4 421</u>	<u>6 102</u>

Debtors and Prepayments have decreased from \$1.398m in 1997-98 to \$0.898m in 1998-99 mainly as a result of a decrease in the amount of TAB Profit Distribution owing of \$0.351m.

3.4.6 RETIREMENT BENEFITS FUND BOARD

The Retirement Benefits Fund Board (RFBF) is responsible for the management and administration of the Funds established under the *Retirement Benefits Act 1993*; *Retirement Benefits Regulations 1994*; and *Retirement Benefits (Transitional) Regulations 1994*. The Fund has two Schemes (Contributory and Non-Contributory) and an Investment Account, each of which has separate financial statements and specific governing rules within the Regulations. The Contributory Scheme provides benefits for permanent employees and, after a qualifying period, for temporary employees. The Non-Contributory Scheme provides benefits for other temporary employees and for casual and relief employees.

Members of the contributory scheme, a defined benefits scheme, receive benefits based on their final average salary, years of service and the percentage of salary on which an employee's contributions have been based. Regulation 90 provides that the Treasurer or the relevant State Employing Authority is to meet a proportion of the costs of benefits paid by the Board. Based on actuarial advice, the proportion payable by the Treasurer and State Authorities as from 1 July 1996 has generally been 70%, with the balance of 30% being met by the Board. Members of the Non-Contributory Scheme receive benefits based on a percentage of their salary plus interest.

The financial statements of both Schemes and the Investment Account are prepared in accordance with Australian Accounting Standard AAS 25, Financial Reporting by Superannuation Plans.

The Responsible Minister is the Treasurer.

SIGNIFICANT DEVELOPMENTS

From 15 May 1999 the Contributory Scheme was closed to new employees. All employees commencing work after that date are required to join the Non-Contributory Scheme regardless of their employment status. Before 15 May 1999 temporary employees who had not elected to join the Contributory Scheme as well as casual, contract or relief employees were members of the Non-Contributory (Superannuation Guarantee) Scheme.

There were a number of legislative changes affecting superannuation, including:

- Introduction of savings rebate;
- Changes to preservation rules; and
- Deduction of high income surcharge from member benefits.

EVENTS SUBSEQUENT TO 30 JUNE 1999

Tasmanian Accumulation Scheme - from a date yet to be determined, a new, fully funded accumulation scheme known as the Tasmanian Accumulation Scheme (TAS)

will be introduced. All members of the Non-Contributory Scheme at that date will have their accounts fully funded and transferred to TAS with interest based on the Fund earning rate.

Fund Choice - following the introduction of TAS, employees who are members may nominate to have their employer-sponsored superannuation forwarded to a fund of their choice.

Member Investment Choice to be introduced in October 1999 for Investment Account members will enable them to choose between five options, all offering different investment risks and interest rates.

In line with changes to Commonwealth policy, the RFBF is to introduce a Spouse Account that enables members and their spouses to make contributions.

EMPLOYEE STATISTICS

At 30 June 1999 the RBF had a total of 97 full time employees (1998, 93).

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Board were signed by the President and a Member of the Board on 20 October 1999 and an unqualified audit report was issued on 11 November 1999.

FINANCIAL RESULTS

Contributory Scheme

STATEMENT OF CHANGES IN NET ASSETS

	1998-99 \$'000	1997-98 \$'000
Revenue		
Investment income	41 632	45 622
Change in net market value of investments	14 569	44 585
Direct investment expense	(3 729)	(3 644)
Employer contributions	186 117	146 825
Member contributions	60 161	47 964
Miscellaneous revenue	1 013	185
Change in net market value of assets other than investments	(1 991)	(1 717)
Total Revenue	<u>297 772</u>	<u>279 820</u>
Expenditure		
Administration expenses	5 453	6 765
Lump sums	171 245	119 064
Pensions	103 477	97 956
Refunds and interest	1 234	981
Total Expenditure	<u>281 409</u>	<u>224 766</u>
Surplus before Abnormals and Tax	16 363	55 054
Abnormal items	3 346	0
Income tax expense	(7 637)	(605)
Net Assets available to pay Benefits at year start	840 120	785 671
Net Assets available to pay Benefits at year end	852 192	840 120

During 1998-99 the net assets of the Contributory Scheme increased by \$12.072m from \$840.120m to \$852.192m compared with an increase of \$54.449m (from \$785.671m to \$840.120m) in the prior year. The main reason for the reduced increase was a substantial increase in lump sum payments of \$171.245m (1997-98, \$119.064m).

The abnormal item of \$3.346m was an adjustment to prior years intra-fund transactions. It consisted of prior period adjustments to investment revenue, \$(0.624m), and members funds, \$3.970m.

STATEMENT OF NET ASSETS

	1998-99	1997-98
	\$'000	\$'000
Assets		
Cash at Bank	6 834	2 788
Investments	864 237	866 508
Contributions and pensions receivable	1 134	1 170
Interest and income receivable	841	1 131
Sundry debtors	10 199	1 624
Property, plant and equipment	3 386	3 732
Total Assets	886 631	876 953
Liabilities		
Provision for income tax	9 407	3 692
Provision for deferred income tax	9 033	8 539
Provision for employee entitlements	5 015	4 676
Sundry creditors and accruals	921	9 027
Contributions and pensions payable	1 662	311
Contribution in advance	8 401	7 703
Refundable fees	0	2 877
Security deposits	0	8
Total Liabilities	34 439	36 833
Net Assets Available To Pay Benefits	852 192	840 120

The liability for accrued benefits (Scheme as a whole) as at 30 June 1999, has been determined as \$2.310bn. Liability to be funded from Scheme assets as at 30 June 1999, is \$0.651bn. This is in accordance with the methodology required by Accounting Standard AAS25, Financial Reporting by Superannuation Plans. As 1999 is the first year where the use of the methodology by the Scheme is required under AAS25, there are no comparative figures for 1998.

The liability for vested benefits (Scheme as a whole) as at 30 June 1999, is \$2.891bn. The portion funded from Scheme assets is \$0.782bn. This is in accordance with AAS25. Vested benefits are benefits that are not conditional upon continued membership of the Scheme (or any other factor than resignation from it) and are what members would be entitled to receive had they terminated their membership as at the reporting date.

The per annum interest crediting rates (net of charges) for Contributory Scheme members in 1998-99 was 11.06% for the period 1 July 1998 to 30 September 1998 and 12.19% for 1 October 1998 to 30 June 1999.

Non-Contributory Scheme

OPERATING STATEMENT

	1998-99 \$'000	1997-98 \$'000
Revenue		
Employers' contributions	<u>3 925</u>	<u>3 738</u>
Expenditure		
Benefits expense	<u>15 869</u>	<u>13 193</u>
Operating result before Income Tax	(11 944)	(9 455)
Income tax expense	(129)	286
Operating result after Income Tax	(12 073)	(9 169)

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Assets		
Employer debtors	<u>13</u>	<u>14</u>
Liabilities		
Accrued benefits	99 980	88 164
Sundry creditors	1 721	1 594
Accrued expenses	2	0
Provision for income tax	127	0
Provision for deferred income tax	<u>2</u>	<u>0</u>
Total Liabilities	<u>101 830</u>	<u>89 758</u>
Excess Of Liabilities Over Assets	<u>101 817</u>	<u>89 744</u>

In previous years, the liability for accrued benefits has included the retained membership liability of the Contributory Scheme. This liability as at 30 June 1999, has been excluded from the Scheme's financial statements as at that date, requiring an adjustment to the opening balance of \$130.806m and comparative figures for 1997-98.

The liability for accrued benefits increased during 1998-99 by \$11.816m from \$88.164m to \$99.980m. This liability was the major component of the excess of liabilities over assets of \$101.817m at 30 June 1999. The excess arises as the liability for benefits is recognised during employment, but the contribution from employing authorities is only recognised upon receipt following payment to the ex-employee.

Notional employer contributions to the scheme for 1998-99 were 7% of salary (1997-98, 6%). This rate is in accordance with the Commonwealth's Superannuation Guarantee legislation. The rate is to remain constant for the next financial year.

Investment Account

OPERATING STATEMENT

	1998-99	1997-98
	\$'000	\$'000
Revenue		
Investment income	8 500	4 433
Investments (increase in market value)	5 236	5 826
Direct Investment Expense	(768)	(351)
Employer contributions	7 460	7 829
Members' contributions	21 558	7 595
Transfers from other funds	89 190	39 929
Total Revenue	<u>131 176</u>	<u>65 261</u>
Expenditure		
Management fee	<u>2 782</u>	<u>1 623</u>
Total Expenditure	<u>2 782</u>	<u>1 623</u>
Benefits Accrued as a result of operations before Abnormals and Tax	128 394	63 638
Abnormal item	(3 346)	0
Income tax expense	(1 593)	(153)
Benefits Accrued as a result of operations	123 455	63 485
Benefits paid	(32 840)	(22 389)
Liability for Accrued Benefits at year start	127 569	86 463
Liability for Accrued Benefits at year end	218 184	127 559

The liability for benefits accrued has increased substantially from \$127.569m to \$218.184m. The main contributing factor for the increase in the Investment Account is the significant increase in the amounts transferred from other funds totalling \$89.190m, compared to \$39.929m in 1997-98.

Administration costs equate to 1.25% of capital and are deducted from the Investment Fund earnings. This year the costs are \$2.782m (1997-98, \$1.623m)

The abnormal item of \$3.346m is an adjustment to prior years intra-fund transactions. It consists of prior period adjustments to investment revenue, \$0.624m, and members funds, \$3.971m.

Benefits paid increased by \$10.451m to \$32.840m.

STATEMENT OF FINANCIAL POSITION

	1998-99	1997-98
	\$'000	\$'000
Assets		
Investments	224 600	123 329
Cash at bank	5 535	9 196
Interest receivable	179	227
Sundry debtors	2 198	23
Total Assets	<u>232 512</u>	<u>132 775</u>
Liabilities		
Sundry creditors	10 275	1 623
Provision for income tax	1 251	1 122
Provision for deferred income tax	2 802	2 461
Total Liabilities	<u>14 328</u>	<u>5 206</u>
Net Assets Available To Pay Benefits	<u>218 184</u>	<u>127 569</u>
Represented by:		
Liability For Accrued Benefits		
Allocated to members' accounts	215 639	114 754
Not yet allocated	2 545	12 815
Total Liability For Accrued Benefits	<u>218 184</u>	<u>127 569</u>

As at 30 June 1999, members had over \$220m invested in the Investment Account and the number of members contributing to the Account is growing rapidly. The number of members as at 30 June 1999 was 17 441 (1997-98, 14 777).

Members with an Investment Account in 1998-99 were credited with the per annum interest rates of 12.66% for the period 1 July 1998 to 30 September 1998, and 12.40% for the period 1 October 1998 to 30 June 1999.

3.4.7 STATE FIRE COMMISSION

The State Fire Commission was established under the *Fire Service Act 1979*. The role of the State Fire Commission (the Commission) is to protect life, property and the environment from fire and other emergencies. The Commission provides a rapid emergency response and promotes fire safety in partnership with the community.

The Commission comprises seven members. One person being the Chief Officer (Chairperson), one person nominated by the United Firefighters Union (Tasmanian Branch), one nominated by the Tasmanian Retained Firefighters Association, one person nominated by the Tasmanian Volunteer Fire Brigades Association, one person nominated by the Secretary of the Department of Treasury and Finance and two persons nominated by the Local Government Association of Tasmania.

The Responsible Minister is the Minister for Health and Human Services.

EMPLOYEE STATISTICS

At 30 June 1999 the Commission employed 391 employees (1998, 393) which equated to 389.1 (390.8) full time equivalent positions.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Commission were signed on 15 September 1999 and an unqualified audit report was issued on 23 September 1999.

The audit has been contracted to the private sector, as my agent, for a number of years.

FINANCIAL RESULTS

OPERATING STATEMENT

	1998-99	1997-98
	\$'000	\$'000
Operating Revenue		
Insurance companies	6 850	7 207
Local authorities	17 954	17 549
State government contribution	1 982	2 777
Commonwealth government contribution	168	166
Department of transport	3 673	3 649
Fire prevention charges	2 504	2 434
Sundry income	608	1 188
Total Operating Revenue	33 739	34 970
Operating Expenditure		
Salaries, wages and related expenses	19 824	19 757
Public relations, subscriptions and consultants	379	618
Training and education	411	444
Operations	3 314	3 941
Protective clothing and uniforms	1 019	794
Accounting and finance	5 449	5 208
Repairs and maintenance	1 105	1 049
Minor equipment	269	368
Total Operating Expenditure	31 770	32 179
Operating Surplus before Abnormal Items	1 969	2 791
Retained profits at year start	4 966	6 735
Transfers (to) from reserves	30 293	(4 560)
Retained profits at year end	37 228	4 966

The item Transfers from reserves, \$30.293m, reflects the cessation of two reserve accounts and the transfer of those balances to Accumulated surpluses. One was the Depreciation fund with a balance of \$2.292m. The requirement to operate and maintain this account was removed with the proclamation of the *Fire Service Reform Act 1995*. The other was the Capital development reserve account with a balance of \$28.001m. The Commission considered that given a significant shift in funding over the past 8 years the reserve, which was established to provide funds for capital projects including re-equipment for brigades, was no longer required to be maintained.

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Investments	0	1 600
Stores	602	677
Trade debtors	368	474
Cash at bank	2 968	1 205
Cash on hand	9	9
Accrued revenue	1 538	1 588
Prepayments	405	248
Unamortised discount on loans	24	43
Total Current Assets	<u>5 914</u>	<u>5 844</u>
Non-current Assets		
Work in progress	1 549	6 754
Land and buildings	28 626	25 921
Motor vehicles	16 373	14 776
Plant and equipment	5 652	3 050
Total Non-current Assets	<u>52 200</u>	<u>50 501</u>
Total Assets	<u>58 114</u>	<u>56 345</u>
Current Liabilities		
Accrued expenses	1 360	1 004
Sundry creditors	836	711
Capital works commitments	1 084	1 764
Provision for long service leave	3 059	2 952
Loans	2 868	0
Provision for annual leave	1 424	1 393
Total Current Liabilities	<u>10 631</u>	<u>7 824</u>
Non-current Liabilities		
Provision for long service leave	246	329
Loans	2 841	5 709
Total Non-current Liabilities	<u>3 087</u>	<u>6 038</u>
Total Liabilities	<u>13 718</u>	<u>13 862</u>
Equity		
General capital	5 464	5 464
Capital development reserve	0	28 001
Asset revaluation reserve	1 704	1 760
Depreciation fund	0	2 292
Accumulated surpluses	37 228	4 966
Total Equity	<u>44 396</u>	<u>42 483</u>

The Current Liability item Loans reflects a reclassification of Loans from Non-current Liabilities, \$2.868m, and represents the amount of the loan balance expected to be paid during 1999-2000.

Significant movements in the reserve account balances are explained in comments following the Operating Statement table.

3.4.8 THEATRE ROYAL MANAGEMENT BOARD

The functions of the Board include the management of the Theatre Royal as a place of theatre and performing arts and to arrange for, organise and promote performing arts in the Theatre Royal and other places in Tasmania.

The Responsible Minister is the Minister for State Development.

AUDIT OF THE 1998 FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 1998 of the Theatre Royal Management Board were signed by the Board on 31 May 1999 and an unqualified audit report was also issued on 31 May 1999. In my audit report I drew attention to the fact that, as disclosed in the Notes to the financial statements, there is significant uncertainty whether the Theatre Royal will be able to continue as a going concern without Government assistance beyond the year ending 31 December 1999, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business beyond 31 December 1999.

The audit has been contracted to the private sector, as my agent, for a number of years.

FINANCIAL RESULTS

PROFIT AND LOSS STATEMENT

	1998	1997
	\$'000	\$'000
Operating Revenue		
Theatre royal activity	539	724
Entrepreneurial activity	450	373
Total Operating Revenue	<u>989</u>	<u>1 097</u>
Operating Expenditure		
Theatre royal activity	643	719
Entrepreneurial activity	707	524
Total Operating Expenditure	<u>1 350</u>	<u>1 243</u>
Operating profit/(loss) before abnormal items	(361)	(146)
Abnormal expenses	(34)	0
Operating profit/(loss) before grants and subsidies	(395)	(146)
Operating grants and subsidies	272	157
Retained profits at year start	74	63
Retained profits/(losses) at year end	(49)	74

The increase in Operating loss before grants and subsidies for the year resulted from a combination of including a loss on Theatre Royal activity \$104 000 (1997, profit \$5 000); a loss on Entrepreneurial activity \$257 000 (1997, loss \$151 000); and abnormal expenses relating to prior period accounting adjustments, \$34 000. The losses were, in part, attributable to difficulties in obtaining accurate management financial reports from executive management during the first nine months of the year which prevented corrective action being taken earlier than was otherwise possible. In addition, several inadequately documented hire contracts resulted in settlement disputes and the possible alienation of regular hirers. In his annual report the Chairman of the Management Board also referred to the fact that the significant growth in audience experienced in 1997 was not sustained throughout 1998.

The increase in Operating grants and subsidies reflects special purpose grant assistance from the Department of State Development, \$140 000. Terms and conditions attaching to the assistance require the Board to liaise with that Department to, inter alia, provide it with monthly reporting on performance including comparison to budget with comments on variances; a detailed profit and loss statement on completion of each play; and a monthly balance sheet. The grant requirements also require the Board to identify an adequate support structure for its accounting and reporting requirements.

In relation to an adequate support structure, I noted the comments of the contracted auditor in the management letter with reference to the audit function providing additional services and spending considerable time investigating records, reconciling accounts and assisting in the preparation of the financial statements. While I am appreciative of the fact that the Board has limited personnel resources at its disposal, the use of the auditor in the reconciliation and preparation of financial statement processes gives rise to conflicts of interests and I have recommended to the Board

that it seek that assistance from other means. I also noted that the Board took some steps in reducing this reliance on the audit function to matters of financial statement presentation in relation to the 1998 accounts by engaging more suitable accounting personnel in September 1998. I have also made certain recommendations to the Board with relation to the content and format of its financial statements.

STATEMENT OF FINANCIAL POSITION

	1998 \$'000	1997 \$'000
Current Assets		
Cash	6	28
Receivables	165	50
Investments	1	2
Inventories	2	17
Prepayments	4	40
Total Current Assets	<u>178</u>	<u>137</u>
Non-current Assets		
Property plant and equipment	<u>71</u>	<u>69</u>
Total Non-current Assets	<u>71</u>	<u>69</u>
Total Assets	<u>249</u>	<u>206</u>
Current Liabilities		
Creditors and accruals	120	26
Borrowings	43	29
Employee provisions	8	11
Advanced ticket sales	44	16
Deferred income	62	50
Total Current Liabilities	<u>277</u>	<u>132</u>
Non-current Liabilities		
Borrowings	21	0
Total Liabilities	<u>298</u>	<u>132</u>
Equity		
Accumulated Operating Funds	<u>49</u>	<u>74</u>
Total Equity	<u>49</u>	<u>74</u>

The increase in Receivables, \$115 000, is due to the approval of a special purpose grant in December 1998, \$140 000, of which \$130 000 was received in January 1999 and the remainder in April 1999, and a decrease in general debtors.

Creditors and accruals increased by \$94 000 reflecting a delay in account payments pending receipt of the special purpose grant.

4 LOCAL GOVERNMENT

Local government authorities are governed principally by the *Local Government Act 1993* as amended. In addition, there are a number of other Acts that provide specific provisions in relation to rating, building and other miscellaneous matters.

The authorities are administered by a council consisting of a number of elected members known as Councillors or Aldermen.

The major functions of the councils are set out in *Section 20 of the Local Government Act 1993*.

The Portfolio Minister is the Premier.

SIGNIFICANT DEVELOPMENTS

Amendments to the Local Government Act 1993

I have commented in past reports that although the Local Government Act 1993 required General Managers to have accounts prepared within 90 days of the end of the financial period, the Act did not require those accounts to be submitted to the Auditor-General within a specified period.

The *Local Government Amendment Act 1999 (No 34 of 1999)*, which received Royal Assent of 30 June 1999, amended the *Local Government Act 1993* to require General Managers to prepare financial statements within the 90 day period and to submit a copy of those statements to the Auditor-General as soon practicable. In giving guidance to Councils, the Local Government Office advised Councils that the words as soon as practicable provided only a minor degree of latitude in relation to time.

The amendment Act also required inclusion in the financial statements of:

- A statement of operating, capital and competitive neutrality costs in respect of each significant business activity undertaken by the Council during that financial year; and
- A schedule of interests as notified to the General Manager of any councillor in respect of any body or organisation with which council has major financial dealings.

With relation to the significant business activities, Councils had previously been through an exercise of identification of business activities for National Competition Policy purposes. Most Councils had identified water, sewerage and roads works as significant activities. Operating costs refers to those costs of a direct or indirect nature accumulated in carrying out that activity; capital costs comprise depreciation and a notional opportunity cost of capital; while competitive neutrality costs are those costs that would have been incurred had the activity not been undertaken within the umbrella of Government. They include such items as notional income tax, wholesale sales tax, payroll tax, rates and land tax.

Although the amendment Act did not require the disclosure of associated revenue, a number of councils did provide full disclosure of both the revenue and associated costs. It is recommended that the Act be amended to require the disclosure of the revenue associated with each significant business activity.

Audit of Local Government

Pursuant to *Section 85 of the Local Government Act 1993*, I have determined conditions under which councils can appoint private sector auditors. The system provides that the working papers of the private auditors are subject to review by this Office and for the report on the financial statements to be issued by the Auditor-General. Since 30 June 1996, all councils have had the opportunity to appoint auditors from the private sector.

As the contracts expire, councils have the option of retaining/reappointing my Office or calling tenders for the conduct of their financial statement audits. Due to the aborted further amalgamation process, councils having the opportunity to call tenders in 1997 were given the option of making the contracts for a one year period.

Six (1998, eight) councils' financial statements were audited by private sector auditors for the year ended 30 June 1999. These councils were Brighton, Burnie City, Glenorchy City, Hobart City, Kingborough, and Waratah-Wynyard.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The following is a summary as at 30 November 1999 of the audit status of the financial statements for the 29 councils for the 1998-99 year.

In 1998-99, 7 Councils had not submitted signed financial statements by 5 October 1999. Those Councils comprised:

Council	Date Received
Brighton*	13 October
Clarence*	22 October
Derwent Valley	Not yet received
Glamorgan/Spring Bay	19 November
Huon Valley	25 October
Southern Midlands	28 October
Tasman	Not yet received

* Draft accounts received by 5 October 1999.

In addition, the Dulverton Regional Waste Management Authority submitted signed accounts on 29 November 1999.

Audits completed and Unqualified Opinions issued	26
Audits completed and Qualified Opinions issued	0
Audits not completed	3

Audits not completed:-

Council	Comment
Derwent Valley	In progress
Glamorgan/Spring Bay	In progress
Tasman	In progress

FINANCIAL RESULTS

The following table provides a comparative summary of operating statements, statements of financial position and cash flow statements of the councils operating in 1998-99. Where necessary amounts have been reclassified in order to maintain consistency. Information from unaudited financial statements has been included where necessary and is indicated by an (*) in the tables.

SUMMARY OF OPERATING STATEMENTS YEAR ENDED 30 JUNE 1999

Expenses						
Council	Employee Costs	Materials etc	Interest Expense	Carrying Amount of Non-Current Assets Disposed	Depreciation and Amortisation	Total Expenses
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Break O'Day (BOD)	1 652	2 326	226	226	1 615	6 045
Brighton (Bri)	2 184	4 532	611	145	2 225	9 697
Burnie City (BC)	7 404	7 700	395	2 214	7 904	25 617
Central Coast (CC)	5 480	6 205	516	307	4 998	17 506
Central Highlands (CH)	1 152	1 781	1	405	2 342	5 681
Circular Head (CHd)	1 994	5 005	341	673	1 927	9 940
Clarence City (Clar)	7 501	17 568	1 884	275	6 780	34 008
Derwent Valley (DV) *	2 455	2 969	287	176	1 969	7 856
Devonport City (DC)	6 668	10 267	1 471	2 807	6 121	27 334
Dorset (Dor)	1 658	2 505	36	428	2 107	6 734
Flinders (Flind)	586	767	2	0	921	2 276
George Town (GT)	1 583	2 835	679	103	1 092	6 292
Glamorgan-Spring Bay (G-SB) *	2 490	2 153	147	40	1 968	6 798
Glenorchy City (GC)	13 224	23 619	1 884	3 799	7 108	49 634
Hobart City (HC)	22 907	26 910	1 038	676	21 198	72 729
Huon Valley (HV)	3 501	4 846	476	122	2 365	11 310
Kentish (Kent)	38	2 591	67	10	731	3 437
King Island (KI)	1 165	1 315	24	64	1 106	3 674
Kingborough (Kingb)	5 329	8 754	278	648	5 695	20 704
Latrobe (Lat)	55	4 181	89	106	1 113	5 544
Launceston City (LC)	18 022	26 651	816	754	14 834	61 077
Meander Valley (MV)	2 394	4 632	91	416	3 127	10 660
Northern Midlands (NM)	2 107	2 899	59	732	3 708	9 505
Sorell (Sor)	2 184	3 772	258	102	1 825	8 141
Southern Midlands (SM)	1 243	3 786	139	357	1 938	7 463
Tasman (Tas) *	1 467	1 308	19	90	971	3 855
Waratah-Wynyard (W-W)	2 816	4 745	353	706	2 279	10 899
West Coast (WC)	3 152	3 699	143	604	1 382	8 980
West Tamar (WT)	3 070	5 051	240	291	3 119	11 771
Totals	125 481	195 372	12 570	17 276	114 468	465 167

* Accounts in Draft Form

Revenues								Total Abnormal/ Extraordinary Items	Increase (Decrease) in Net Assets Resulting from Operations	Council
Rates And Charges	Interest Received	Subdivisional Works Taken Over	Proceeds from sale of Non-Current Assets	Grants	Other	Fees Etc.	Total Revenues			
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
3 178	70	0	218	1 785	0	596	5 855	0	(190)	(BOD)
5 021	70	818	238	1 874	106	1 612	9 739	6 873	6 915	(Bri)
14 490	757	0	1 208	3 143	1	3 773	23 372	(848)	(3 093)	(BC)
9 866	507	0	94	2 247	178	3 562	16 454	0	(1 052)	(CC)
1 407	128	0	385	1 638	191	549	4 298	889	(494)	(CH)
4 855	153	0	697	1 641	170	2 955	10 471	822	1 353	(CHd)
25 036	622	0	145	4 735	1 205	1 855	33 598	(2 549)	(2 959)	(Clar)
5 005	103	0	177	1 344	115	769	7 513	(577)	(920)	(DV)
20 411	420	0	2 055	2 577	677	1 907	28 407	0	713	(DC)
2 937	194	0	319	2 014	27	930	6 421	0	(313)	(Dor)
505	113	0	0	859	57	449	1 983	0	(293)	(Flind)
4 234	44	0	89	1 058	105	1 070	6 600	315	623	(GT)
2 980	79	0	41	2 055	230	604	5 989	0	(809)	(G-SB)
27 626	328	458	2 458	6 348	916	4 867	43 001	(5 763)	(12 396)	(GC)
43 955	454	0	606	2 892	2 674	12 187	62 768	37 543	27 582	(HC)
6 623	160	0	114	2 967	313	1 576	11 454	0	144	(HV)
1 648	26	0	0	1 295	99	222	3 290	(1 713)	(1 860)	(Kent)
1 307	90	0	56	1 087	107	795	3 442	939	707	(KI)
13 927	514	2 914	564	2 441	453	2 324	23 137	11 460	13 893	(Kingb)
4 548	72	0	108	1 492	202	669	7 091	0	1 547	(Lat)
43 621	1 623	0	689	11 651	329	10 378	68 291	9 308	16 522	(LC)
7 113	243	137	339	2 215	0	1 070	11 117	(253)	204	(MV)
5 223	484	0	344	2 849	694	450	10 044	1 407	1 946	(NM)
5 646	322	507	133	2 494	0	1 069	10 171	3 183	5 213	(Sor)
2 273	85	0	287	3 426	24	693	6 788	0	(675)	(SM)
988	32	0	94	1 428	3	468	3 013	0	(842)	(Tas)
7 261	175	0	608	1 971	94	1 063	11 172	333	606	(W-W)
3 748	23	0	328	2 455	94	1 224	7 872	0	(1 108)	(WC)
8 291	173	0	128	1 870	623	975	12 060	2 516	2 805	(WT)
283 424	8 064	4 834	12 522	75 851	9 695	60 661	455 051	63 885	53 769	

SUMMARY OF STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 1999

Council	Cash and Investments	Rate and Other Receivables	Other	Total Current Assets	Creditors and Borrowings	Provisions	Bank Overdraft	Other	Total Current Liabilities	Net Current Assets
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Break O'Day (BOD)	1 215	508	545	2 268	481	365	0	41	887	1 381
Brighton (Bri)	679	1 067	218	1 964	1 093	389	0	409	1 891	73
Burnie City (BC)	9 292	948	542	10 782	1 825	1 049	0	60	2 934	7 848
Central Coast (CC)	8 012	1 081	160	9 253	1 287	883	0	141	2 311	6 942
Central Highlands (CH)	1 937	175	66	2 178	148	432	0	0	580	1 598
Circular Head (CHd)	1 912	853	176	2 914	1 146	329	0	44	1 519	1 422
Clarence City (Clar)	16 993	1 785	259	19 037	17 350	1 330	1 257	0	19 937	(900)
Derwent Valley (DV) *	979	500	156	1 635	629	675	0	290	1 594	41
Devonport City (DC)	5 929	2 005	4 331	12 265	3 069	930	818	4 015	8 832	3 433
Dorset (Dor)	3 611	378	174	4 163	432	406	180	108	1 126	3 037
Flinders (Flind)	2 649	91	425	3 165	148	94	79	0	321	2 844
George Town (GT)	736	1 235	4	1 975	1 373	184	250	2	1 809	166
Glamorgan-Spring Bay (G-SB) *	1 477	420	74	1 971	437	325	0	0	762	1 209
Glenorchy City (GC)	2 184	1 932	1 000	5 116	3 188	2 311	32	145	5 676	(560)
Hobart City (HC)	8 748	4 140	253	13 141	5 487	2 855	837	249	9 428	3 713
Huon Valley (HV)	2 305	994	70	3 369	833	434	0	133	1 400	1 969
Kentish (Kent)	465	75	53	593	433	83	0	30	546	47
King Island (KI)	1 357	246	355	1 958	215	349	0	124	688	1 270
Kingborough (King)	7 928	600	242	8 770	1 530	846	841	231	3 448	5 322
Latrobe (Lat)	1 524	406	109	2 039	689	262	0	90	1 041	998
Launceston City (LC)	28 013	3 847	1 379	33 266	6 257	3 796	0	1 980	12 033	21 233
Meander Valley (MV)	3 817	653	35	4 505	495	444	0	0	939	3 566
Northern Midlands (NM)	5 944	701	84	6 729	672	450	0	135	1 257	5 472
Sorell (Sor)	3 202	789	65	4 056	786	346	0	104	1 236	2 820
Southern Midlands (SM)	1 956	459	132	2 547	534	240	0	126	900	1 647
Tasman (Tas) *	994	214	0	1 208	53	289	0	0	342	866
Waratah-Wynyard (W-W)	2 966	428	368	3 762	1 062	656	0	91	1 809	1 953
West Coast (WC)	216	709	308	1 233	667	409	0	110	1 186	47
West Tamar (WT)	2 096	1 347	1 594	5 037	1 036	403	0	84	1 523	3 514
Totals	129 136	28 613	13 177	170 924	53 355	21 564	4 294	8 742	87 955	82 971

Key
Accounts in draft form

*

Total Plant and Equipment	Other Receivables	Investments	Other	Total Non- Current Assets	Creditors and Borrowings	Provisions	Other	Non-Current Liabilities	Net Non-Current Assets	Net Assets	Council
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
51 015	7	0	0	51 022	2 148	79	0	2 227	48 795	50 176	(BOD)
54 364	0	7 010	0	61 374	6 278	23	0	6 301	55 073	55 146	(Bri)
221 474	291	0	39	221 809	5 019	466	0	5 485	216 324	224 172	(BC)
145 590	749	0	0	146 339	4 581	405	0	4 986	38 818	148 295	(CC)
37 020	59	0	80	37 159	54	28	0	82	37 077	38 675	(CH)
55 631	753	0	0	56 384	2 429	62	0	2 491	53 893	55 315	(CHd)
262 364	514	25 954	0	288 832	16 427	341	0	16 768	272 064	271 164	(Clar)
22 898	53	4 658	92	27 731	3 979	62	92	4 133	23 598	23 639	(DV)
239 816	1 247	1 858	382	243 303	12 950	517	0	13 467	229 836	233 269	(DC)
70 936	1	0	174	71 111	187	38	112	337	70 774	73 811	(Dor)
38 823	0	0	40	38 863	0	45	0	45	38 818	41 662	(Flind)
32 333	2 232	8 485	0	43 050	6 895	66	35	6 996	36 054	36 220	(GT)
43 898	5	0	211	44 114	1 419	21	0	1 440	42 674	43 883	(G-SB)
232 498	359	39 321	0	272 088	25 086	597	0	25 683	246 405	245 845	(GC)
557 230	571	38 800	10 351	606 952	11 682	2 536	47	14 265	592 687	596 400	(HC)
103 368	0	0	0	103 368	3 954	112	0	4 066	99 302	101 271	(HV)
22 714	68	912	0	23 694	587	32	0	619	23 075	23 122	(Kent)
20 238	0	600	43	20 881	163	34	43	240	20 641	21 911	(KI)
157 428	0	11 460	120	169 008	1 851	179	61	2 091	166 917	172 239	(Kingb)
36 305	117	1 368	53	37 843	1 212	51	716	1 979	35 864	36 862	(Lat)
561 168	1 475	51 324	0	613 967	6 405	1 081	0	7 486	606 481	627 714	(LC)
104 947	0	10 864	0	115 811	674	92	0	766	115 045	118 611	(MV)
99 286	950	0	16	100 252	0	44	0	44	100 208	105 680	(NM)
38 440	421	2 978	108	41 947	3 091	159	108	3 358	38 589	41 409	(Sor)
39 383	0	0	44	37 427	1 435	30	0	1 465	37 962	39 609	(SM)
17 331	0	0	0	17 331	519	37	0	556	16 775	17 641	(Tas)
70 410	41	0	227	70 678	4 598	98	96	4 792	65 886	67 839	(W-W)
45 217	0	0	47	45 274	1 254	65	57	1 376	43 898	43 945	(WC)
91 371	66	12 889	0	104 326	3 459	194	0	3 653	100 673	104 187	(WT)
3 473 501	9 979	218 481	11 977	3 713 938	128 336	7 494	1 367	137 197	3 474 206	3 659 712	Totals

SUMMARY OF STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 1999

Council	Net Cash Used in Operating Activities	Net Cash Used in Investing Activities	Net Cash Used in Financing Activities	Net Cash Provided by Government	Net Increase/ (Decrease) in Cash Held	Cash at Beginning Of Year	Cash at End Of Year
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Break O'Day	(474)	(1 276)	(298)	1 785	(263)	376	113
Brighton	(598)	(896)	(91)	1 874	289	391	680
Burnie	2 402	(4 786)	(634)	3 413	125	(83)	42
Central Coast	2 377	(3 582)	(1 446)	2 247	(404)	(114)	(518)
Central Highlands	(639)	(1 135)	(5)	1 638	(141)	2 078	1 937
Circular Head	934	(1 819)	(440)	1 641	316	1 596	1 912
Clarence	388	(5 878)	1 373	4 735	618	12 942	13 560
Derwent Valley *	488	(1 224)	(229)	1 347	382	196	578
Devonport	5 075	(6 980)	(951)	2 577	(279)	5 390	5 111
Dorset	(140)	(2 289)	(51)	2 014	(466)	298	(168)
Flinders	(272)	(757)	(24)	859	(196)	144	(52)
George Town	933	(1 179)	(737)	1 104	121	366	487
Glamorgan-Spring Bay *	(1 136)	(905)	(179)	1 999	(221)	1 698	1 477
Glenorchy	(5 224)	(486)	305	6 348	943	1 515	2 458
Hobart	8 569	(9 901)	2 012	1 465	2 145	5 766	7 911
Huon Valley	(579)	(1 926)	(750)	2 967	(288)	2 593	2 305
Kentish	(709)	(537)	(5)	1 295	44	421	465
King Island	(343)	(713)	(138)	1 087	(107)	267	160
Kingborough	2 514	(5 061)	(497)	2 441	(603)	7 690	7 087
Latrobe	1 332	(1 962)	(124)	1 492	738	536	1 274
Launceston	11 453	(13 941)	(190)	11 758	9 080	18 933	28 013
Meander Valley	1 031	(1 527)	(260)	2 214	1 458	2 359	3 817
Northern Midlands	1 912	(4 153)	(291)	2 849	317	120	437
Sorell	468	(2 829)	(234)	20494	(101)	3 303	3 202
Southern Midlands	(2 387)	(1 189)	(28)	3 426	(178)	634	456
Tasman *	254	(338)	165	0	81	0	81
Waratah-Wynyard	613	(2 191)	(210)	1 971	183	782	965
West Coast	(2 215)	(109)	(271)	2 516	(79)	207	128
West Tamar	1 449	(3 277)	(213)	1 870	(171)	172	1
Totals	27 474	(82 846)	(4 441)	73 156	13 343	70 576	83 919

Key: * accounts in draft form

RATIO ANALYSIS 30 JUNE 1999

Council	Debt Collection - Rates (Rates Receivable/ Rates Raised)	Cost Of Debt (Interest/Loan Debt Plus Bank Overdraft)	Loan Repayments (Net Loan Repayments/ Previous Loan Balance)
	%	%	%
Break O'Day	11.45	9.09	10.60
Brighton	11.49	9.24	0.60
Burnie	3.33	6.89	9.96
Central Coast	1.71	9.40	16.39
Central Highlands	8.88	6.25	23.81
Circular Head	4.45	12.01	12.51
Clarence	6.29	5.70	(3.18)
Derwent Valley *	6.57	6.65	0.00
Devonport	6.28	9.31	5.97
Dorset	5.89	6.78	30.08
Flinders	12.67	2.53	100.00
George Town	8.62	8.55	8.48
Glamorgan-Spring Bay *	7.75	9.65	10.51
Glenorchy	4.47	7.11	(1.05)
Hobart	3.66	7.23	(17.48)
Huon Valley	15.37	10.56	14.26
Kentish	3.82	9.37	0.69
King Island	11.78	7.74	30.80
Kingborough	1.79	8.98	18.79
Latrobe	5.96	6.64	8.46
Launceston	5.59	9.76	2.95
Meander Valley	5.45	11.12	24.12
Northern Midlands	5.69	13.41	39.81
Sorell	12.11	7.02	5.99
Southern Midlands	15.00	8.75	1.73
Tasman *	11.84	4.08	(63.51)
Waratah-Wynyard	1.75	6.68	3.82
West Coast	14.38	9.45	14.30
West Tamar	11.10	5.94	3.05
State Average	5.77	7.69	2.58

Key: * accounts in draft form

OTHER MATTERS

Financial Statements to 30 June 1999

On page 201 of report No 2 for 1997-98, I indicated that with the exception of three councils, audits had been completed and the audit reports issued.

The audits of those three councils have since been finalised.

Of the three, Huon Valley received a qualified audit report. The qualification related to the Council not fully complying with Australian Accounting Standard AAS 27, Financial Reporting by Local Governments, with respect to recognition of non-current assets. At 30 June 1997, the end of the transitional period for identifying and valuing roads, streets and bridges, and infrastructure assets including water, stormwater and sewerage that were owned by Council prior to 30 June 1993, Council had not determined their appropriate values. Although these assets were recognised as at 30 June 1998, no depreciation had been charged against the asset values for the year. The only depreciation charge in the accounts for infrastructure assets related to items at cost since 30 June 1993.

The remaining two councils received unqualified audit reports.

Financial Statements to 30 June 1999

Brighton Council

Abnormal Items

Council recorded an abnormal gain totalling \$6.873m for the year ending 30 June 1999 representing its interest in the net assets of the Hobart Regional Water Authority.

Hobart City Council

Abnormal Items

Council recorded an abnormal gain totalling \$37.543m for the year ending 30 June 1999 representing its interest in the net assets of the Hobart Regional Water Authority, \$38.800m, and recording a loss on revaluation on Reservoirs and Drainage Structures, \$1.257m.

Kingborough Council

Abnormal Items

Council recorded an abnormal gain totalling \$11.460m for the year ending 30 June 1999 representing its interest in the net assets of the Hobart Regional Water Authority.

Launceston City Council

Inveresk Railyards Management Authority

The Inveresk Railyards Management Authority was established on 19 March 1997 to co-ordinate the redevelopment of the Inveresk Railway Yards. The three main site users are the Launceston City Council (Queen Victoria Museum and Art Gallery), the University of Tasmania (School of Visual and Performing Arts) and the Royal Agricultural and Pastoral Society.

Subsequent to 30 June 1999, the Premier (Minister for State Development) advised that it was intended that responsibility for the ongoing management of the Inveresk Railyards site would be transferred to the Launceston City Council. The transfer would occur as part of a Partnership Agreement between Council and the State Government. It is expected that the transfer of management and title to land, buildings and infrastructure assets will take place in the 1999-2000 financial year.

Sorell Council

Abnormal Items

Council recorded an abnormal gain totalling \$3.690m for the year ending 30 June 1999 representing its interest in the net assets of the Hobart Regional Water Authority, \$2.978m, subdivision roads taken over from developers, \$0.507m, and land recognised for the first time, \$0.205m.

4.1 DULVERTON REGIONAL WASTE MANAGEMENT AUTHORITY

The Dulverton Regional Waste Management Authority was established under *Section 38 of the Local Government Act 1993* effective from 1 January 1995. The joint authority was established for the purpose of conducting a licensed waste disposal landfill.

The Devonport City, Central Coast, Latrobe and Kentish Councils are the four participants in the Authority. Each of the four councils has made contributions by way of loan to the Authority in proportion to their populations.

The Authority consists of seven members, who are required to be either a councillor or an employee of a participating council.

The Portfolio Minister is the Minister for Local Government.

PART 3A AUTHORITY

Local Government (Dulverton Regional Waste Management Authority) Order 1998, which took effect on 2 December 1998, states that the Dulverton Regional Waste Management Authority is an authority to which Part 3A of the *Local Government Act 1999* applies. Part 3A relates to Payments by Single and Joint Authorities.

Section 39D of Part 3A provides for the application of certain provisions of the *Government Business Enterprises Act 1995* to an applicable authority. The provisions apply in relation to the calculation, determination and payment of income tax equivalents, sales tax equivalents and guarantee fees by the authority.

It is noted that the Dulverton Regional Waste Management Authority is required to apply the Part 3A provisions from 2 December 1998. The Authority has indicated that it was unaware of the Order until after its gazettal and believes that the application of Part 3A for the seven months to 30 June 1999 is impracticable. As a result, the Authority is currently seeking to have the Order revoked.

EMPLOYEE STATISTICS

The Authority does not have any employees.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The Authority has provided financial statements in draft form. The audit of these accounts is currently in progress.

4.2 ESK WATER AUTHORITY

Esk Water Authority was established under *Section 38 of the Local Government Act 1993* following the commencement of the *Northern Regional Water (Arrangements) Act 1997*, which on 1 July 1997 transferred all bulk water assets, property, rights, obligations and liabilities of the North Esk Regional Water Supply Scheme, the West Tamar Water Supply Scheme, the Launceston City Council and the Meander Valley Council to the Authority.

The Authority is owned and controlled by the Launceston City, West Tamar, Meander Valley and George Town Councils, but with an independent board of management which is responsible for the collection, treatment, conservation and supply of water in bulk.

EMPLOYEE STATISTICS

As at 30 June 1999 the Authority employed 25.5 (1998, 26.5) full-time equivalent staff.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Authority were signed by the members of the management board on 16 August 1999 and an unqualified audit report was issued on 20 August 1999.

FINANCIAL RESULTS

PROFIT AND LOSS STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Revenue		
Bulk water sales	6 750	7 549
Interest on investments	223	184
Other	74	59
Total Operating Revenue	<u>7 047</u>	<u>7 792</u>
Operating Expenditure		
Operations and maintenance	4 771	4 761
Administration and engineering	510	464
Finance	942	1 103
Total Operating Expenditure	<u>6 223</u>	<u>6 328</u>
Operating profit before income tax and extraordinary	824	1 464
Taxation equivalent expense	(339)	(534)
Extraordinary item (net of income tax)	(1 424)	(61)
Retained profits at year start	1 137	0
Adjustment for change in accounting policy	0	619
Amounts transferred (to) from reserves	0	0
Dividends paid or provided for	(198)	(351)
Retained profits at year end	0	1 137

The Operating profit before income tax and extraordinary items of \$0.824m (1997-98, \$1.464m) decreased due to a reduction of \$0.799m in bulk water sales resulting from reduced consumption by Municipal Consumers.

The extraordinary item of \$1.424m relates to a claim made by the West Tamar Council during 1997-98 in relation to the transfer of assets on the formation of Esk Water. The West Tamar Council considered that the transfer failed to correctly allocate all assets. The Representatives of the Joint Authority accepted the claim and requested the Management Board to settle the matter.

In considering the claim, the Management Board sought legal advice which indicated the payment could not be made within the current Esk Water Rules. As a result, the Representatives of the Joint Authority moved by special resolution amendments to the Charter and Rules removing all legal impediments to the payment of the claim. The amendments to the Rules were approved by the Minister for Local Government.

Consequently, at 30 June 1999 an amount was recognised for the claim and recorded as an accrued expense. The payment in settlement of the claim was made in July 1999.

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash	3	25
Receivables	1 056	1 120
Investments	4 465	3 686
Inventories	74	69
Total Current Assets	<u>5 598</u>	<u>4 900</u>
Non-current Assets		
Inventories	128	128
Property plant and equipment	96 301	96 684
Future income tax equivalent benefit	425	442
Other	9	2
Total Non-current Assets	<u>96 863</u>	<u>97 256</u>
Total Assets	<u>102 461</u>	<u>102 156</u>
Current Liabilities		
Creditors	1 774	331
Borrowings	1 000	32
Employee provisions	238	255
Provision for dividend	198	351
Other	3	5
Total Current Liabilities	<u>3 213</u>	<u>974</u>
Non-current Liabilities		
Borrowings	12 000	13 089
Deferred income tax	679	357
Employee provisions	935	965
Total Non-current Liabilities	<u>13 614</u>	<u>14 411</u>
Total Liabilities	<u>16 827</u>	<u>15 385</u>
Equity		
Retained profits	0	1 137
Reserves	2 532	2 532
Equity contributed	83 102	83 102
Total Equity	<u>85 634</u>	<u>86 771</u>

Current liabilities have increased by \$2.239m to \$3.213m (1997-98, \$0.974m). The increase is due to the recognition of:

- An accrued expense relating to a claim by West Tamar Council, totalling \$1.424m; and
- A current liability of \$1m representing a principal repayment on a loan maturing in 1999-2000.

Non current Liabilities have decreased by \$0.797m. The major reason for the decrease relates to the movement of \$1m in loan principal to Current Liabilities.

4.3 HOBART REGIONAL WATER AUTHORITY

The Hobart Regional Water Authority was established under Section 38 of the *Local Government Act 1993* following the enactment of the *Hobart Regional Water (Arrangements) Act 1996*, which transferred from 1 January 1997 all assets, property, rights and liabilities of the former Hobart Regional Water Board to the Authority.

The Hobart Regional Water Authority is a joint authority trading under the name of Hobart Water. The Authority is a commercial business owned by the eight constituent councils in the Hobart Regional Water District, which comprises the cities of Hobart, Glenorchy and Clarence and the municipal areas of Kingborough, Sorell, Brighton, Derwent Valley and Southern Midlands. An independent board of management is responsible for the conduct of business and affairs of the Authority. The core business of the Authority is to provide bulk water supplies to its customers. The scope of activities includes:

- Collection and treatment of raw water to the required standard;
- Bulk transport of treated water to reticulation storages or networks;
- Planning , development and management of headworks; and
- Sale of bulk water on a commercial 'arms length' basis.

The Portfolio Minister is the Minister for Primary Industries Water and Environment.

EMPLOYEE STATISTICS

At 30 June 1999 the Authority had a total of 57.4 (1998, 48) full time equivalent positions.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Hobart Regional Water Authority were signed by the Chairman of the Board of Management on 21 September 1999 and an unqualified audit report was issued on 27 October 1999 subsequent to amendment.

FINANCIAL RESULTS

PROFIT AND LOSS STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Revenue		
Sale of bulk water	17 165	18 201
Other revenue	269	33
Total Operating Revenue	<u>17 434</u>	<u>18 234</u>
Operating Expenditure		
Administration expenses	2 363	2 102
Operations and maintenance expenses	5 301	5 757
Finance expenses	1 729	3 993
Provisions	5 179	4 214
Total Operating Expenses	<u>14 572</u>	<u>16 066</u>
Operating Profit before Grants, Subsidies and Tax	2 862	2 168
Commonwealth government contribution to loan redemption	0	24
Abnormal items	0	(3 428)
Taxation equivalent expense	533	(828)
Retained profits at year start	7 886	10 356
Adjustment to opening accumulated profits	0	1 594
Dividends paid or provided for	(2 200)	(2 000)
Retained profits at year end	9 081	7 886

Finance expenses decreased by \$2.264m due principally to reduced interest payments of \$2.094m resulting from a debt restructure carried out at 30 June 1998. As a result of the restructure, the weighted average interest rate of borrowings at 30 June 1999 was 5.90% as against 9.30% for the prior year.

Provisions increased by \$0.965m predominantly as a result of motor vehicles now being depreciated, \$0.349m, and annual and long service leave taken now costed against the provision for employee entitlements rather than being expensed as in prior years. The total employee provision movement, which includes the effect of the change in policy was \$0.616m.

The movement in income tax from the 1997-98 tax payable amount of \$827 843 to the 1998-99 tax credit of \$533 130 is due principally to the recognition of timing differences associated with the debt restructure which was brought to account as an abnormal expense item as at 30 June 1998, \$3.428m. The resultant claim against 1998-99 taxable income was \$1.234m.

At its meeting on 17 August 1999, the Board recommended to the Joint Authority that a dividend of \$2.2m be paid to the participating councils.

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash	19	5
Investments	2 250	3 500
Sundry debtors	4 048	4 235
Accrued income	36	15
Prepaid expenses	29	38
Stores	781	767
Total Current Assets	<u>7 163</u>	<u>8 560</u>
Non-current Assets		
Future income tax benefit	1 387	5 489
Property plant and equipment	162 800	169 856
Receivables	0	130
Total Non-current Assets	<u>164 187</u>	<u>175 475</u>
Total Assets	<u>171 350</u>	<u>184 035</u>
Current Liabilities		
Borrowings	8 398	13 233
Employee entitlements	813	597
Prepaid income	5	2
Provision for dividend	2 200	2 000
Creditors and accruals	2 257	5 073
Total Current Liabilities	<u>13 673</u>	<u>20 905</u>
Non-current Liabilities		
Borrowings	27 000	23 267
Deferred income tax	88	4 722
Employee entitlements	2 986	2 801
Total Non-current Liabilities	<u>30 074</u>	<u>30 790</u>
Total Liabilities	<u>43 747</u>	<u>51 695</u>
Equity		
General reserve	5 974	5 974
Asset revaluation reserve	112 548	118 480
Accumulated profits	9 081	7 886
Total Equity	<u>127 603</u>	<u>132 340</u>

The decrease in the items Future income tax benefit, \$4.102m, and Deferred income tax, \$4.634m is due principally to offsetting the future income tax benefits attributable to past tax losses against the provision for deferred income tax. The Authority has availed itself of the provisions of Australian Accounting Standard AAS 3, Accounting for Income Tax, which inter alia provides that the future income tax benefits attributable to the past tax losses are to be offset against deferred income tax payable in certain circumstances, together with tax implications of the write-off of the Knights Creek Dam referred to below.

Property plant and equipment reduced by \$7.056m due predominantly to the Authority writing off the Knights Creek Dam, \$8.718m which had not been utilised by the Authority for bulk water storage for several years owing to issues associated with an unacceptable water quality caused by a major landslip within the catchment area.

4.4 KENTISH/LATROBE JOINT AUTHORITY

The Kentish/Latrobe Joint Authority was established under *Section 38 of the Local Government Act 1993* on the 12 December 1997.

The Authority is owned and jointly controlled by the Kentish and Latrobe Councils.

The core business of the Authority is to act as the primary provider of local government services to both the Kentish and Latrobe Councils.

EMPLOYEE STATISTICS

The Joint Authority seconded employees from the two member councils to provide services. The employees have remained employees of the individual councils. As at 30 June 1999 the Joint Authority employed 5 (1997-98, nil) FTE.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Authority were signed by two members of the Authority and the Chief Executive Officer on 22 October 1999 and a **qualified audit report** was issued on 1 November 1999. The reason for the qualification is outlined below.

The financial report includes comparative information for the period 1 July 1997 to 30 June 1998. However, the Kentish/Latrobe Joint Authority was not established until 12 December 1997. Therefore, the comparative amounts recorded for the period 1 July 1997 to 11 December 1997 do not represent valid transactions of the Kentish/Latrobe Joint Authority.

The financial effect of this is to overstate total comparative revenue and expenses. However, as the Kentish/Latrobe Joint Authority had not produced financial information on an accrual basis relating to the period 1 July 1997 to 11 December 1997 the amounts involved could not be reliably measured.

FINANCIAL RESULTS

OPERATING STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Revenue		
User charges	6 036	5 594
Interest income	33	33
Profit on disposal of plant	33	50
Sundry	1	0
Total Operating Revenue	<u>6 103</u>	<u>5 677</u>
Operating Expenditure		
Employee costs	2 568	2 486
Materials and subcontractors	3 220	2 944
Depreciation	243	208
Other	34	20
Total Operating Expenditure	<u>6 065</u>	<u>5 658</u>
Operating profit before abnormals	38	19
Abnormal items	0	0
Retained profits at year start	19	0
Amounts transferred (to) from reserves	0	0
Retained profits at year end	57	19

The operating profit for 1998-99 increased by \$19 000 to \$38 000. The increase in the profit can be attributed to a change in the useful life of several plant items purchased during 1998-99. The change resulted in a decrease in the depreciation expense at 30 June 1999.

It is noted that it is not the Joint Authority's intention to make significant profits from the two participating councils.

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash	657	609
Receivables	741	707
Inventories	36	22
Other	0	14
Total Current Assets	<u>1 434</u>	<u>1 352</u>
Non-current Assets		
Property plant and infrastructure	<u>1 536</u>	1 338
Total Non-current Assets	<u>1 536</u>	<u>1 338</u>
Total Assets	<u>2 970</u>	<u>2 690</u>
Current Liabilities		
Creditors	625	391
Provisions	8	0
Total Current Liabilities	<u>633</u>	<u>391</u>
Total Liabilities	<u>633</u>	<u>391</u>
Equity		
Accumulated surplus	57	19
Equity of participating councils	<u>2 280</u>	<u>2 280</u>
Total Equity	<u>2 337</u>	<u>2 299</u>

There has not been any significant movement in the Joint Authority's financial position, however:

- Property, plant and infrastructure increased by \$198 000 as a result of plant purchase totalling \$772 000 less the carrying amount of assets sold \$328 000 and depreciation expenses of \$243 000; and
- Creditors increased by \$234 000 as a result of an increase in the payroll accrual and an increase in the level of general invoices and accrued expenses outstanding at year end.

ADDITIONAL FINANCIAL INFORMATION

The operations of the Joint Authority have been subject to an external review by a private consultant. Following the review, the participating councils have agreed to adopt changes to the Joint Authority model to produce greater efficiencies. A restructure of the Joint Authority is scheduled for 1 December 1999 which will result in administrative changes. However, the new arrangements are not expected to have a significant financial effect on the Joint Authority.

4.5 LOCAL GOVERNMENT ASSOCIATION

The Local Government Association of Tasmania is established under the *Local Government Act 1993*. The Association is an incorporated body owned, managed and governed by its member Councils. The Association is managed by a General Management Committee (GMC).

The objectives of the Association are:

- To promote the efficient operation of Local Government;
- To protect the interests, rights and privileges of Councils;
- To foster relationships between Local Government and both State and Commonwealth Governments;
- To represent members in such particular matters as may be referred by member Councils; and
- To provide such services to members as are considered appropriate.

EMPLOYEE STATISTICS

At 30 June 1999 the Local Government Association of Tasmania had a total of 8 employees (1998, 10).

AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

The 1997-98 financial statements of the Association were signed by the President and Vice-President on 8 April 1999 and an unqualified audit report was issued on 1 June 1999.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The 1998-99 financial statements were signed by the President on 13 October 1999 and an unqualified audit report was issued on 2 November 1999.

FINANCIAL RESULTS

OPERATING STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Revenue		
Member subscriptions	691	691
Government grants	295	196
Sponsorship, conferences & seminars	138	46
Superannuation revenue	89	135
Fees & commissions	60	60
Interest	46	99
Other revenue	86	248
Total Operating Revenue	<u>1 405</u>	<u>1 475</u>
Operating Expenditure		
Salaries & wages	319	425
Government grants	239	0
Conferences & seminars	105	0
Superannuation	94	61
Depreciation	51	60
Welfare grants to members	6	13
Other expenditure	407	802
Total Operating Expenditure	<u>1 221</u>	<u>1 361</u>
Operating result	184	114
Accumulated funds & beneficiaries funds at year start	1 874	1 790
Amounts transferred (to) from reserves	318	-30
Accumulated funds & beneficiaries funds at year end	2 376	1 874

Income from conferences and seminars increased from \$46 000 in 1998 to \$138 000 in 1999 whilst equivalent expenditure was reported for the first time in 1999 as \$105 000. In prior years, income and expenditure were reported in various accounts included within other revenue and expenditure balances.

Government grant income increased from \$196 000 in 1998 to \$295 000 in 1999 due to a continuation of prior year projects and the commencement of new projects, including Catchment Management and Key Performance Indicators.

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash	1 365	629
Receivables	63	42
Investments	545	518
Welfare loans	197	566
Other	0	23
Total Current Assets	<u>2 170</u>	<u>1 778</u>
Non-current Assets		
Property, plant and equipment	798	776
Total Non-current Assets	<u>798</u>	<u>776</u>
Total Assets	<u>2 968</u>	<u>2 554</u>
Current Liabilities		
Accounts payable	83	48
Unexpended government grants	338	166
Provisions	112	100
Other	32	29
Total Current Liabilities	<u>565</u>	<u>343</u>
Non-current Liabilities		
Provisions	8	0
Total Non-current Liabilities	<u>8</u>	<u>0</u>
Total Liabilities	<u>573</u>	<u>343</u>
Equity		
Reserves	19	337
Beneficiaries funds welfare trust	966	942
Accumulated funds	1 410	932
Total Equity	<u>2 395</u>	<u>2 211</u>

Cash increased from \$629 000 in 1998 to \$1 365 000 in 1999 due principally to repayments of \$368 000 from welfare loans and surplus a of \$185 000 from operations.

Welfare loans decreased from \$566 000 in 1998 to \$197 000 in 1999 due to the repayments noted above. Due to a moratorium on loans pending a review of fund operations, new loans totalled only \$6 000.

Unexpended Government Grants have increased by \$172 000 due to the new projects commenced late in the financial year (refer grant income discussion above).

ADDITIONAL FINANCIAL INFORMATION

For the 1998-99 financial statements, the Association has re-incorporated the activities of the Association's Welfare Fund. The Welfare fund was set up under the terms of Section 331.E of the *Local Government Act 1992* to provide a grant or loan to members in respect of certain specified cases of financial necessity or for any purposes determined by the trustees.

The details of this fund had been excluded from several previous years financial statements.

4.6 WEST COAST HEALTH AND COMMUNITY SERVICES PTY LTD

The West Coast Council on 6 August 1997 created a company, limited by guarantee, known as the West Coast Health and Community Services Ltd to take over the operations of the Rosebery Hospital. In addition, the Council has transferred control of its community services activities to the company.

The company members are the Councillors of the West Coast Council.

EMPLOYEE STATISTICS

As at 30 June 1999 the company had a total of 44 (1997-98, 39) employees.

AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

As noted on page 209 of my Report No 2 1997-98 financial statements for 1997-98 had not been submitted at the time of completing the report. The 1997-98 financial statements were signed by two Directors on 9 February 1999 and an unqualified audit report issued on 11 March 1999.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the company were signed by two Directors on 17 August 1999 and an unqualified audit report was issued on 26 August 1999.

FINANCIAL RESULTS

OPERATING STATEMENT

	1998-99 \$'000	1997-98 \$'000
Operating Revenue		
Grants	1 325	1 188
User charges	215	153
Rent	49	0
Subsidies and reimbursements	40	0
Donations	33	43
Other	7	0
Total Operating Revenue	<u>1 669</u>	<u>1 384</u>
Operating Expenditure		
Employee costs	878	778
Materials and subcontractors	764	577
Administration levies	40	32
Depreciation	18	24
Other	3	3
Total Operating Expenditure	<u>1 703</u>	<u>1 414</u>
Operating loss before abnormals	(34)	(30)
Abnormal items	0	0
Accumulated losses at year start	(30)	0
Amounts transferred (to) from reserves	0	0
Accumulated losses at year end	(64)	(30)

The Operating loss increased by \$4 000 to \$34 000 (1997-98, \$30 000). It is noted that the 1997-98 comparative totals represent the period 6 August 1997 to 30 June 1998.

The majority of the company's revenue is received through State and Federal grants of which \$850 000 relates to the Rosebery Hospital. Rent relates to the company being required in the 1998-99 financial period to meet the cost of using Council's offices.

The majority of the expenditure relates to employee costs, materials and subcontractors used in supplying services. These costs represent 96.41 % of total expenses.

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash	68	53
Investments	5	5
Receivables	88	35
Other	25	15
Total Current Assets	<u>186</u>	<u>108</u>
Non-current Assets		
Property plant and infrastructure	167	167
Total Non-current Assets	<u>167</u>	<u>167</u>
Total Assets	<u>353</u>	<u>275</u>
Current Liabilities		
Creditors	231	118
Provisions	46	38
Total Current Liabilities	<u>277</u>	<u>156</u>
Non Current Liabilities		
Creditors	39	57
Provisions	28	19
Total Non Current Liabilities	<u>67</u>	<u>76</u>
Total Liabilities	<u>344</u>	<u>232</u>
Equity		
Accumulated surplus	(64)	(30)
Initial equity	73	73
Total Equity	<u>9</u>	<u>43</u>

The financial position of the company has not changed materially between the financial periods. However, the following items are noted:

- The Receivables balance has increased by \$53 000 due to an increase in hospital debtors totalling \$28 000 and an increase in accrued grant revenue totalling \$25 000; and
- Creditors have increased by \$113 000 due to an amount of \$47 000 owing to the West Coast Council and an increase of \$57 000 in unexpended special grants. The increase in the unexpended grant reflects an overpayment received in relation to the Rosebery Hospital during 1998-99.

5 MISCELLANEOUS PUBLIC BODIES

Miscellaneous public bodies are those entities that cannot be classified under the previous criteria. They can be established under specific legislation which defines the purpose for which they are established and their general functions.

The information on each public body is summarised under the following headings:

5.1 TAFE TASMANIA

TAFE Tasmania was established under the *TAFE Tasmania Act 1997* as a provider of vocational and further education and commenced operations on 1 January 1998.

The Authority is managed by a board of seven directors, appointed by the Government.

The Responsible Minister is the Minister for Education.

EMPLOYEE STATISTICS

Employee Statistics as at 30 June 1999 are as follows:

	30 June 1998	30 June 1999
Headcount	1 019	1 005

Source: TAFE Tasmania Annual Report 1997-98 and 1998-99

AUDIT OF FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 30 JUNE 1998

The financial statements of the Authority were signed by the Members on 13 May 1999 and an unqualified audit report was issued on that date.

Delays to the finalisation of the statements were primarily due to discussions surrounding the most appropriate financial reporting period for the Authority.

Several matters arising from the audit were referred to management, the major issue being problems with systems and accounting issues in respect to Student Fees and Charges.

AUDIT OF THE 1998-99 FINANCIAL STATEMENTS

The financial statements of the Authority were signed by the Members on 9 November 1999 and an unqualified audit report was issued on 11 November 1999.

FINANCIAL RESULTS

OPERATING STATEMENT

	1998-99	6 Mths to June 1998
	\$'000	\$'000
Revenue		
Government income	65 139	29 744
Fees, levies and charges	6 664	3 723
Commercial services	6 125	2 212
Other income	1 168	791
Total Operating Revenue	<u>79 096</u>	<u>36 470</u>
Operating Expenditure		
Salaries, wages & related costs	50 494	24 997
Staffing related costs	923	626
Depreciation	6 617	3 289
Other operating expenses	19 754	8 016
Total Operating Expenditure	<u>77 788</u>	<u>36 928</u>
Operating result before abnormal item	1 308	(458)
Abnormal item	(1 535)	(1 743)
Accumulated surplus at year start	136 727	138 928
Accumulated surplus at year end	136 500	136 727

STATEMENT OF FINANCIAL POSITION

	1998-99 \$'000	1997-98 \$'000
Current Assets		
Cash and deposit accounts	3 991	3 110
Receivables	1 797	1 748
Inventories	459	794
Other	61	104
Total Current Assets	<u>6 308</u>	<u>5 756</u>
Non-current Assets		
Property, plant and equipment	<u>145 855</u>	145 311
Total Non-current Assets	<u>145 855</u>	<u>145 311</u>
Total Assets	<u>152 163</u>	<u>151 067</u>
Current Liabilities		
Payables	1 328	1 561
Borrowings	581	294
Employee entitlements	9 044	7 877
Other	<u>730</u>	<u>1 496</u>
Total Current Liabilities	<u>11 683</u>	<u>11 228</u>
Non-current Liabilities		
Employee entitlements	1 576	1 663
Borrowings	<u>2 404</u>	<u>1 449</u>
Total non-current Liabilities	<u>3 980</u>	<u>3 112</u>
Total Liabilities	15 663	14 340
Equity		
Accumulated surplus	<u>136 500</u>	<u>136 727</u>
Total Equity	<u>136 500</u>	<u>136 727</u>

Cash and deposit accounts increased from \$3.110m in 1997-98 to \$3.991m in 1998-99 principally as a result of fluctuations in cash holdings at balance date.

Total borrowings increased from \$1.743m in 1997-98 to \$2.985m in 1998-99. This is due to the Authority recently completing a redundancy program which has been financed by a loan facility through the Department of Treasury and Finance.

ADDITIONAL FINANCIAL INFORMATION

During 1998-99 an improvement was noted in accounting systems, particularly Student Fees and Charges since the 1998 audit.

A number of matters were raised with TAFE management during the course of the audit in respect to control issues over the preparation of journals, employee leave systems and revenue systems. Whilst some issues have already been addressed, management have undertaken to review and strengthen controls where necessary.

5.2 UNIVERSITY OF TASMANIA

The University of Tasmania is administered by the provisions of *the University of Tasmania Act 1992*. The University relies predominantly on Commonwealth support for its recurring activities.

The Consolidated financial accounts comprise the accounts of the University, being the primary entity, and the entities under its control during the financial year. These entities include Unitas Consulting Limited and University of Tasmania Foundation Inc.

The University reports on a calendar year basis, and hence the financial results noted here relate to the year ended 31 December 1998.

The Responsible Minister is the Minister for Education.

EMPLOYEE STATISTICS

At 31 March 1999 the University had a total of 1 595 staff (1998, 1 542), comprising full time equivalent staff of 1 370 (1 343) and casual staff of 225 employees (199).

AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

The financial statements of the University of Tasmania were signed by the members of the University Council on 2 June 1999. An unqualified audit report was issued on 17 June 1999.

FINANCIAL RESULTS

CONSOLIDATED OPERATING STATEMENT

	1998 \$'000	1997 \$'000
Operating Revenue		
Commonwealth government grants	95 509	100 533
Higher education contribution scheme	29 885	26 257
Tasmanian government grants	3 594	3 103
Other research grants and contracts	2 729	3 860
Scholarships and prizes	550	525
Donations and bequests	1 898	1 336
Investment income	7 028	5 666
Fees and charges	11 995	12 743
Other	8 144	8 057
Total Operating Revenue	<u>161 332</u>	<u>162 080</u>
Operating Expenditure		
Academic activities	93 926	90 737
Libraries	5 912	5 196
Other academic support services	8 715	9 127
Student services	4 741	4 935
Public services	2 222	2 290
Buildings and grounds	7 282	6 238
Administration & other general institutional services	21 500	19 568
Other	3 228	3 226
Total Operating Expenditure	<u>147 526</u>	<u>141 317</u>
Operating result before abnormal items	13 806	20 763
Abnormal items	0	(5 705)
Accumulated funds at year start	59 769	46 644
Amounts transferred (to) from reserves	(304)	(1 933)
Accumulated funds at year end	73 271	59 769

The operating result for the year totalled \$13.806m, a decrease of \$6.957m from the prior year and resulted principally from a loss on disposal of obsolete equipment, \$2.467m, and an increase in non academic staff salaries and related costs, \$1.629m.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	1998	1997
	\$'000	\$'000
Current Assets		
Cash	469	337
Receivables	2 634	2 243
Investments	42 997	47 402
Inventories	663	340
Other	735	116
Total Current Assets	<u>47 498</u>	<u>50 438</u>
Non-current Assets		
Receivables	0	3
Investments	37 902	30 466
Property plant and equipment	323 868	318 967
Total Non-current Assets	<u>361 770</u>	<u>349 436</u>
Total Assets	<u>409 268</u>	<u>399 874</u>
Current Liabilities		
Creditors	16 020	17 368
Borrowings	67	344
Accrued liabilities	13 006	13 444
Total Current Liabilities	<u>29 093</u>	<u>31 156</u>
Non-current Liabilities		
Accrued liabilities	24 493	24 976
Total Non-current Liabilities	<u>24 493</u>	<u>24 976</u>
Total Liabilities	<u>53 586</u>	<u>56 132</u>
Equity		
Reserves	270 966	272 832
Restricted funds	11 445	11 141
Accumulated funds	73 271	59 769
Total Equity	<u>355 682</u>	<u>343 742</u>

The increase in non current investments, \$7.436m, was offset by a decrease in current investments, \$4.405m. These changes related to investing more funds in shares and securities, including Government and Semi Government Securities, and investing less funds in bank bills and at call deposits.

5.3 OTHER PUBLIC BODIES

The following public bodies (with the exception of St Giles Society Inc.) received **unqualified audit reports** on their financial statements for 1998-99. No particular comments are required.

- Aboriginal Land Council of Tasmania
- Anzac Day Trust
- Ben Lomond Skifield Management Authority
- Office of the Tasmanian Electricity Regulator
- Fruit Crop Insurance
- Government Prices Oversight Commission
- Inland Fisheries Commission
- Launceston Sailors Home Fund Trust
- St Giles Society Inc.
- Tasmanian Beef Industry (Research and Development) Trust
- Tasmanian Building and Construction Industry Training Board
- Tasmanian Office of Financial Supervision
- Tsuneichi Fujji Fellowship Trust
- Wellington Park Management Trust
- Workplace Safety Board

Further to my Report No. 2 for 1997-98 (page 287) the audit of the Inveresk Railyards Management Authority for 1997-98 has been completed and an unqualified audit report was issued on 18 March 1999.

The audit of the Tasmanian Beef Industry (Research and Development) Trust for 1997-98 has been completed and an unqualified audit report was issued on 9 February 1999.

The audit of the Council of Law Reporting for 1997-98 has been completed and an unqualified audit report was issued on 18 January 1999.

The audit of the Tasmanian State Service Workers Compensation Scheme for 1997-98 has been completed and an unqualified audit report issued on 16 March 1999.

The following auditees have not submitted signed statements for 1998-99 as at 29 November 1999:

- Clyde Water Trust;
- Council of Law Reporting;
- Inveresk Railyards Management Authority; and
- Port Arthur Brick Company.

The following auditees have submitted draft or signed statements for 1998-99 and the audit of their accounts is currently in progress:

- Royal Tasmanian Botanical Gardens;
 - Tasmanian Museum and Art Gallery; and
 - Tasmanian State Service Workers Compensation Scheme.
-

6 OTHER ISSUES

6.1 TERMINATION ARRANGEMENTS FOR HEADS OF AGENCIES

The employment contracts for Heads of Agencies of government departments generally contain a standard provision governing the termination payment to be made in the event that the contract is terminated by the employer in advance of the expiry of the contract. For example, typical severance entitlements could be:

- 100% of annual salary plus total annual superannuation contributions for terminations during the first 2 years of the contract.
- 75% of annual salary plus 75% of the total annual superannuation contributions for terminations during the third and fourth years of the contract.
- 50% of annual salary plus 50% of the total annual superannuation contributions for termination during the final year.

In the case of one previous Head of Agency, he was appointed under a 5 year contract in May 1996. The contract included severance conditions similar to, but less generous than the above. However 3 years before the original contract expired, in June 1998, shortly before a State election, the contract was amended. This amended contract provided salary and other benefits equivalent to those in the original contract except that it incorporated the above termination benefits and, being a 5 year contract, it effectively added 2 years to his term of appointment and moved him back to an entitlement in the event of termination, to payments at the highest level.

Upon terminating his services, the State Government and the Head of Agency signed a Deed of Release. The Deed of Release provided a flat pay-out of cash that substantially exceeded the amount provided for in the contract plus ownership of some computer and home office equipment.

In another case, a Head of Agency was also terminated and was paid an amount that exceeded the contractual amount.

While the transactions were within the power of the government and no illegality was involved in the provision of the termination benefits, I fail to see why there was a need to expend public funds on the termination of employment contracts in excess of those provided for in the contracts.

6.2 TIMELINESS AND QUALITY OF FINANCIAL STATEMENTS

Under *Section 28 of the Financial Management and Audit Act 1990 (FMAA)* and *Section 52 of the Government Business Enterprises Act 1995 (GBE)* specific dates are set for which the relevant entities are to provide financial statements to audit to formally allow the audit process to commence. The dates specified are as follows:-

- FMAA Within 2 months after the end of the financial year
- GBE Within 60 days after the end of the financial year

In most cases entities have a 30 June financial year making 31 August the statutory date.

These dates have been set to allow sufficient time for the audit to be completed and an Annual Report produced for tabling in Parliament by 30 November each year. The situation regarding Local Government and Port Corporations is set out in Part 4 and Part 3.3 respectively of this Report.

However in 1998-99 as set out below, a considerable number of entities did not meet the target statutory date by providing a full set (or draft) of financial statements.

There are no exemptions from meeting the statutory date under the FMAA, nor are there any penalties for not meeting this date. Under GBE legislation (Section 53) there is a provision for exemption in certain circumstances, provided an application for exemption is made by the required date. There is also no penalty for not meeting the date. This year an exemption was granted to only one auditee:

- Hydro-Electric Corporation.

To assist with the implementation in government departments of accrual reporting and the implementation of Australian Accounting Standard AAS 29, Financial Reporting by Government Departments, I instituted from 1995-96 an Award for the best set of financial statement working papers. For 1998-99 financial year I presented 'commended' awards to the following Departments:

- Education;
- Police and Public Safety; and
- Treasury and Finance.

While there was continuing overall improvement across agencies compared to last year, there is still room for processes and structures to be enhanced if the very purposes of having workpapers are to be met.

In summary those purposes are:

- A framework for the compilation of financial statements by current and future preparers;
 - A central reference to the evidence required to support transactions, balances and estimates disclosed in the financial statements;
 - A trail between the entity's financial records for the year and the financial statements for the year, which can be followed by persons having a quality assurance function; and
-

- A record of the quality control processes employed in the preparation of the financial statements.

The common shortcomings were:

- A lack of signing-off by persons preparing material;
 - A tendency for heavy reliance on just one person (particularly in smaller agencies) for preparation of virtually all workpapers;
 - Absence of systematic checking by another person or other structured quality assurance process;
 - Non-documentation of explanations for variations and major shifts in trends; and
 - No systematic checking for compliance with Treasurer's Instructions and Accounting Standards.
-

Signed Statements not Received On or Before 1 September 1999

Executive and Legislature

Office of the Governor

Ministerial Departments

Department of Justice and Industrial Relations

Department of State Development

Government Business Enterprises

Forestry Tasmania

Port Arthur Historic Site Management Authority

Tasmanian Grain Elevators Board

Tasmanian International Velodrome Management Authority

Totalizator Agency Board

Other Statutory and Public Bodies

Aboriginal Land Council

Ben Lomond Skifield Management Authority

Clyde Water Trust

Council of Law Reporting

Fruit Crop Insurance

Inveresk Railyards Management Authority

Legal Aid Commission

Marine and Safety Authority

Private Forests Tasmania

Retirement Benefits Fund Board

Parliamentary Superannuation Fund and Parliamentary Retirement Benefits Fund

Tasmanian Building and Construction Industry Training Board

Tasmanian Museum and Art Gallery

Local Government

Refer to Part 4 for comments.

6.3 COLLECTION AND DESTRUCTION OF FIREARMS

Under *Section 149 (Disposal of Surrendered or Seized Firearms) of the Firearms Act 1996* I am required to conduct an independent audit of all firearms disposed of under this Act, and table in both Houses of Parliament a report on any audit performed.

An audit for the current year has not commenced at the time of tabling this report.

The Commissioner of Police has provided me with details in respect of the period 2 December 1998 to 14 October 1999.

The Department of Police and Public Safety:

- has destroyed 535 firearms during the period;
- has transferred 23 firearms to the Department's Reference Library during the same period;
- has returned one firearm to its owner during the same period;
- has transferred 21 firearms to the Queen Victoria Museum Launceston during the same period;
- has transferred 14 firearms to the Tasmanian Museum and Art Gallery Hobart during the same period and;
- is holding 64 firearms for destruction as at 14 October 1999.

APPENDIX A

QUALIFIED AUDIT REPORTS

The following qualified audit reports have been issued since my last Report to Parliament.

1997-98

Huon Valley Council

1998-99

Kentish/Latrobe Joint Authority
St Giles Society Inc.
Tasmanian Public Finance Corporation

APPENDIX B

MINISTERIAL PORTFOLIOS as at 30 JUNE 1999

Attorney-General	Hon Peter Patmore MHA
Minister for Education	Hon Paula Wriedt MHA
Minister for Human and Health Services	Hon Judy Jackson MHA
Minister for Infrastructure, Energy and Resources	Hon Paul Lennon MHA
Minister for Justice and Industrial Relations	Hon Peter Patmore MHA
Minister for Police	Hon David Llewellyn MHA
Minister for Primary Industry, Water and Environment	Hon David Llewellyn MHA
Minister for Racing and Gaming	Hon Paul Lennon MHA
Minister for State Development	Hon Jim Bacon MHA
Premier	Hon Jim Bacon MHA
Treasurer	Hon David Crean MLC

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