



2003

PARLIAMENT OF TASMANIA

REPORT OF THE AUDITOR-GENERAL

GOVERNMENT DEPARTMENTS AND PUBLIC BODIES 2002-2003

PART B - VOLUME ONE Executive and Legislature, Ministerial Departments, Statutory Authorities and Miscellaneous Public Bodies

No. 2 of 2003 - November 2003

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EXECUTIVE AND LEGISLATURE, GOVERNMENT DEPARTMENTS, STATUTORY AUTHORITIES AND MISCELLANEOUS PUBLIC BODIES

INTRODUCTION

This Volume of the Report includes commentary the Executive and Legislature, Government departments, Superannuation funds, other statutory authorities and miscellaneous public bodies as follows:

- Executive and Legislature;
- Government Departments;
- Superannuation Funds;
- Other Authorities; and
- Miscellaneous Public Bodies

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

- Office of the Governor;
- The Legislative Council;
- The House of Assembly; and
- 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:

- Introduction;
- Audit of the 2002-03 Financial Statements;
- Financial Results:
 - Financial performance;
 - Financial position;
 - Cash position;
 - Financial analysis; and
- Overall comment.

1.1 OFFICE OF THE GOVERNOR

INTRODUCTION

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

AUDIT OF THE 2002-03 FINANCIAL STATEMENTS

Signed financial statements were received by audit on 1 September 2003 and an unqualified audit report was issued on 10 October 2003.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	1 638	1 935	1 854	1 736	1 819
Other operating revenue	161	24	174	252	200
Total Revenue	1 799	1 959	2 028	1 988	2 019
Depreciation	98	98	110	110	125
Employee expenses	1 212	1 253	1 408	1 370	1 464
Other operating expenses	616	694	558	705	609
Total Expenses	1 926	2 045	2 076	2 185	2 198
Result from Ordinary Activities	(127)	(86)	(48)	(197)	(179)

Comment

Other operating revenue increased in 2001-02 due to additional maintenance funding being received from the Department of Treasury and Finance.

Employee expenses increased in 2000-01 due principally to additional payments required to cover an employee on extended leave.

FINANCIAL POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	1	1	8	135	71
Other	4	3	11	20	25
Total Current Assets	5	4	19	155	96
Property, plant & equipment	14 688	14 611	14 501	17 018	18 173
Total Non-Current Assets	14 688	14 611	14 501	17 018	18 173
Payables	22	44	35	188	133
Provisions	161	168	143	162	192
Other	14	0	0	0	0
Total Current Liabilities	197	212	178	350	325
Provisions	163	156	136	187	210
Total Non-Current Liabilities	163	156	136	187	210
Net Assets	14 333	14 247	14 206	16 636	17 734
Retained surpluses	14 333	14 247	14 206	16 636	17 734
Total Equity	14 333	14 247	14 206	16 636	17 734

Comment

Cash increased in 2001-02 due to maintenance funding received from the Department of Treasury and Finance in June 2002.

Property, plant and equipment increased in 2001-02 due principally to a revaluation increment of \$2.752m for buildings. The increase in 2002-03 related to the revaluation of heritage assets.

Payables have increased in 2001-02 due mainly to increased expenditure activity in respect to maintenance funding referred to above.

Current and non-current provisions have increased in 2001-02 and again in 2002-03 primarily as a result of increasing leave balances.

CASH POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	1 638	1 935	1 854	1 736	1 819
Receipts from customers	161	15	220	300	253
Payments to suppliers and employees	(1 798)	(1 775)	(2 067)	(1 909)	(2 135)
Cash from operations	1	175	7	127	(63)
Payments for P, P & Equipment	0	(175)	0	0	0
Cash used in investing activities	0	(175)	0	0	0
Net increase in cash	1	0	7	127	(63)
Cash at the beginning of the period	0	1	1	8	134
Cash at end of the period	1	1	8	135	71

Comment

Cash increased in 2001-02 due to maintenance funding received from the Department of Treasury and Finance in June 2002.

FINANCIAL ANALYSIS

	Bench Mark	1998-99	1999-00	2000-01	2001-02	2002-03
Financial Performance						
Result from operations (\$'000s)		(127)	(86)	(48)	(197)	(179)
Operating margin	>1.0	0.93	0.96	0.98	0.91	0.92
Financial Management						
Debt collection	30 days	-	-	-	-	-
Creditor turnover	30 days	13	15	13	37	23
Other information						
Staff numbers FTEs		23	24	25	25	25
Average staff costs (\$'000s)		54	53	57	56	59

Comment

Creditor turnover statistics are higher than normal in 2001-02 due to increased expenditure activity in respect to maintenance funding referred to earlier in this segment of the Report.

OVERALL COMMENT

The 2002-03 Audit was completed with satisfactory results.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

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

Administered Revenues and Expenses

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	153	160	173	187	199
Total Revenue	153	160	173	187	199
Other operating expenses	156	160	173	188	199
Total Expenses	156	160	173	188	199
Result from operations	(3)	0	0	(1)	0
Net Result from Operations	(3)	0	0	(1)	0

Comment

Nil.

Administered Assets and Liabilities

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Provisions	5	4	4	5	5
Total Current Liabilities	5	4	4	5	5
Net Assets	(5)	(4)	(4)	(5)	(5)
Accumulated deficit	(5)	(4)	(4)	(5)	(5)
Total Equity	(5)	(4)	(4)	(5)	(5)

Comment

Nil.

Administered Cash Flows

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations		160	173	187	199
Payments to suppliers and employees		(160)	(173)	(187)	(199)
Cash from operations		0	0	0	0
Net increase in cash		0	0	0	0
Cash at the beginning of the period		0	0	0	0
Cash at end of the period		0	0	0	0

Comment

The Office of the Governor has only been required to prepare administered cash flows since 1999-00.

1.2 LEGISLATIVE COUNCIL

INTRODUCTION

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.

AUDIT OF THE 2002-03 FINANCIAL STATEMENTS

The financial statements of the Legislative Council were received by the Audit Office on 29 August 2003 and an unqualified audit report was issued on 13 October 2003.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	1 353	1 331	1 444	1 602	1 612
Other operating revenue	71	76	59	11	3
Total Revenue	1 424	1 407	1 503	1 613	1 615
Depreciation	0	0	1	5	5
Employee expenses	880	959	1 039	1 077	1 173
Other operating expenses	506	476	515	517	514
Total Expenses	1 386	1 435	1 555	1 599	1 692
Result from Ordinary Activities	38	(28)	(52)	14	(77)

Comment

Nil.

FINANCIAL POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	4	4	36	11	5
Receivables	0	0	8	2	4
Other	0	11	4	3	4
Total Current Assets	4	15	48	16	13
Property, plant & equipment	854	854	907	967	961
Total Non-Current Assets	854	854	907	967	961
Payables	26	53	96	44	61
Provisions	388	402	482	494	317
Other	18	11	20	3	3
Total Current Liabilities	432	466	598	541	381
Provisions	11	16	21	28	256
Total Non-Current Liabilities	11	16	21	28	256
Net Assets	415	387	336	414	337
Retained surpluses	415	387	336	414	337
Total Equity	415	387	336	414	337

Comment

The cash balance as at June 2001 was abnormally high due to the receipt of additional funds late in the year.

Payables were abnormally high in 2000-01 due mainly to significant equipment purchases in June.

Provisions have been increasing in recent years due principally to increases in employee leave balances. The change in 2002-03 is due to a re-assessment between current and non-current.

CASH POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	1 353	1 331	1 444	1 602	1 612
Receipts from customers	71	76	92	55	43
Payments to suppliers and employees	(1 453)	(1 407)	(1 450)	(1 682)	(1 661)
Cash from operations	(29)	0	86	(25)	(6)
Payments for P, P & Equipment	0	0	(54)	0	0
Cash used in investing activities	0	0	(54)	0	0
Net increase (decrease) in cash	(29)	0	32	(25)	(6)
Cash at the beginning of the period	33	4	4	36	11
Cash at end of the period	4	4	36	11	5

Comment

Nil.

FINANCIAL ANALYSIS

	Bench Mark	1998-99	1999-00	2000-01	2001-02	2002-03
Financial Performance						
Result from operations (\$'000s)		38	(28)	(52)	14	(77)
Operating margin	>1.0	1.03	0.98	0.97	1.01	0.95
Financial Management						
Debt collection	30 days	-	-	-	-	-
Creditor turnover	30 days	19	41	68	25	34
Other information						
Staff numbers FTEs		17	18	18	19	19
Average staff costs (\$'000s)		52	54	58	56	60

Comment

Nil.

OVERALL COMMENT

The 2002-03 Audit was completed with satisfactory results.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the entity manages on behalf of the Government. They relate primarily to Members' salaries and expenses. These transactions are not shown in the entity's Statements of Financial Performance or Financial Position.

Administered Revenues and Expenses

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	1 747	1 590	1 564	1 716	1 730
Total Revenue	1 747	1 590	1 564	1 716	1 730
Other operating expenses	1 878	1 456	1 565	1 678	1 738
Total Expenses	1 878	1 456	1 565	1 678	1 738
Result from operations	(131)	134	(1)	38	(8)
Net Result from Operations	(131)	134	(1)	38	(8)

Comment

Parliamentary salaries and allowances were higher in 1998-99 due to a greater number of Members and eligible termination payments to four previous Members totalling \$0.128m.

Administered Assets and Liabilities

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Receivables	3	0	0	0	0
Total Current Assets	3	0	0	0	0
Payables	0	38	39	1	9
Other	174	0	0	0	0
Total Current Liabilities	174	38	39	1	9
Net Assets	(171)	(38)	(39)	(1)	(9)
Retained surpluses	(171)	(38)	(39)	(1)	(9)
Total Equity	(171)	(38)	(39)	(1)	(9)

Comment

Payables reduced in 2001-02 due to the early payment of outstanding accounts.

Other current liabilities in 1998-99 represent accrued expenses.

Administered Cash Flows

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations		1 590	1 564	1 716	1 730
Payments to suppliers and employees		(1 590)	(1 564)	(1 716)	(1 730)
Cash from operations		0	0	0	0
Net increase in cash		0	0	0	0
Cash at the beginning of the period		0	0	0	0
Cash at end of the period		0	0	0	0

Comment

Administered cash flow information has only been required for the last four years.

1.3 HOUSE OF ASSEMBLY

INTRODUCTION

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, Superannuation and Allowances Act 1973*.

AUDIT OF THE 2002-03 FINANCIAL STATEMENTS

The financial statements of the House of Assembly were received by Audit on 29 August 2003 and an unqualified audit report was issued on 13 October 2003.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	1 667	1 686	1 695	1 730	1 759
Other operating revenue	2	7	19	10	10
Total Revenue	1 669	1 693	1 714	1 740	1 769
Depreciation	18	19	21	23	31
Employee expenses	966	930	957	1 021	1 106
Other operating expenses	647	691	782	678	691
Total Expenses	1 631	1 640	1 760	1 722	1 828
Result from Ordinary Activities	38	53	(46)	18	(59)

Comment

Other operating revenue has fluctuated in recent years due to the House of Assembly providing support services associated with the Parliament.

Employee expenses have risen in recent years due to a combination of increases in wage and long service leave expenditures.

FINANCIAL POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	0	0	5	8	8
Receivables	0	0	14	3	25
Other	0	28	0	3	4
Total Current Assets	0	28	19	14	37
Property, plant & equipment	839	857	877	1 027	1 006
Total Non-Current Assets	839	857	877	1 027	1 006
Payables	55	57	80	59	72
Provisions	417	402	426	424	239
Other	0	0	4	4	4
Total Current Liabilities	472	459	510	487	315
Provisions	22	28	34	50	283
Total Non-Current Liabilities	22	28	34	50	283
Net Assets	345	398	352	504	445
Retained surpluses	345	398	352	504	445
Total Equity	345	398	352	504	445

Comment

Receivables decreased in 2001- 02 as a result of improved follow-up procedures. The increase in 2002-03 is due primarily to provision of financial and computer services to the Legislative Council and the Printing Authority of Tasmania.

Property, plant and equipment increased in 2001-02 due principally to a revaluation increment of \$134 000 for furniture, artworks and artefacts.

The change in Provisions in 2002-03 is due to a re-assessment between current and non-current components.

CASH POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	1 667	1 686	1 695	1 730	1 759
Receipts from customers	2	7	83	86	80
Payments to suppliers and employees	(1 664)	(1 656)	(1 733)	(1 774)	(1 829)
Cash from operations	5	37	45	42	10
Payments for P, P & Equipment	(5)	(37)	(40)	(39)	(10)
Cash used in investing activities	(5)	(37)	(40)	(39)	(10)
Net increase (decrease) in cash	0	0	5	3	0
Cash at the beginning of the period	0	0	0	5	8
Cash at end of the period	0	0	5	8	8

Comment

Nil.

FINANCIAL ANALYSIS

	Bench Mark	1998-99	1999-00	2000-01	2001-02	2002-03
Financial Performance						
Result from operations (\$'000s)		38	53	(46)	18	(59)
Operating margin	>1.0	1.02	1.03	0.97	1.01	0.97
Financial Management						
Debt collection	30 days	-	-	-	-	-
Creditor turnover	30 days	31	30	28	20	34
Other information						
Staff numbers FTEs		18.7	18.0	18.0	18.6	18.6
Average staff costs (\$'000s)		52	52	53	55	59

Comment

Nil.

OVERALL COMMENT

The 2002-03 Audit was completed with satisfactory results.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the entity manages on behalf of the Government. They mostly relate to members' salaries and expenses. These transactions are not shown in the entity's Statements of Financial Performance and Financial Position.

Administered Revenues and Expenses

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	2 650	2 501	2 598	2 784	2 899
Total Revenue	2 650	2 501	2 598	2 784	2 899
Other operating expenses	2 604	2 498	2 595	2 753	2 942
Total Expenses	2 604	2 498	2 595	2 753	2 942
Result from operations	46	3	3	31	(43)
Net Result from Operations	46	3	3	31	(43)

Comment

Nil.

Administered Assets and Liabilities

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Payables	40	37	34	3	47
Total Current Liabilities	40	37	34	3	47
Net Assets	(40)	(37)	(34)	(3)	(47)
Retained surpluses	(40)	(37)	(34)	(3)	(47)
Total Equity	(40)	(37)	(34)	(3)	(47)

Comment

Payables reduced in 2001-02 due to the early payment of accounts, but increased in 2002-03 due to outstanding group tax.

Administered Cash Flows

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations		2 501	2 598	2 784	2 899
Payments to suppliers and employees		(2 501)	(2 598)	(2 784)	(2 899)
Cash from operations		0	0	0	0
Net increase in cash		0	0	0	0
Cash at the beginning of the period		0	0	0	0
Cash at end of the period		0	0	0	0

Comment

The House of Assembly has only been required to prepare administered cash flows since 1999-00.

1.4 LEGISLATURE-GENERAL

INTRODUCTION

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.

AUDIT OF THE 2002-03 FINANCIAL STATEMENTS

Signed financial statements of the Legislature-General were received on 29 August 2003. An unqualified audit report was issued on 14 October 2003.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	3 634	3 741	3 639	3 453	3 493
Other operating revenue	279	409	285	209	482
Total Revenue	3 913	4 150	3 924	3 662	3 975
Depreciation	222	240	269	283	305
Employee expenses	1 763	1 885	1 820	1 874	1 965
Other operating expenses	1 727	2 263	2 080	1 747	1 786
Total Expenses	3 712	4 388	4 169	3 904	4 056
Result from Ordinary Activities	201	(238)	(245)	(242)	(81)

Comment

Other operating revenue increased in 1999-00 as a result of additional funds being required for restoration and conservation of sections of Parliament House. This also attributed to the increase in other operating expenses in the same year.

In 2002-03 other operating revenue increased due to additional funds being received for essential maintenance.

FINANCIAL POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	119	33	(18)	8	47
Receivables	29	28	93	38	46
Inventories	14	33	26	24	23
Other	0	11	14	8	10
Total Current Assets	162	105	115	78	126
Property, plant & equipment	12 048	12 170	11 966	13 216	13 150
Other	252	0	0	0	0
Total Non-Current Assets	12 300	12 170	11 966	13 216	13 150
Payables	62	149	161	166	174
Provisions	399	376	428	349	226
Other	7	9	8	0	0
Total Current Liabilities	468	534	597	515	400
Provisions	68	53	41	78	256
Total Non-Current Liabilities	68	53	41	78	256
Net Assets	11 926	11 688	11 443	12 701	12 620
Retained surpluses	11 926	11 688	11 443	12 701	12 620
Total Equity	11 926	11 688	11 443	12 701	12 620

Comment

Cash on hand and deposit accounts was greater than normal in 1998-99 due to funds retained and carried forward for maintenance

purposes. The negative value for 2000-01 is as a result of GST payments being in excess of receipts on implementation of the tax.

The increase in receivables in 2000-01 is due mainly to the impact of the GST.

The increase in property, plant and equipment in 2001-02 was due principally to a revaluation increment in the value of buildings, \$1.500m.

The increase in payables in 1999-00 was due to a number of accrual payments with no similar accrual the previous year. The further increase in 2000-01 is again due to GST.

Provisions changed in 2002-03 due to a re-assessment of current and non-current components.

CASH POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	3 634	3 741	3 414	3 453	3 493
Receipts from customers	261	410	705	562	731
Payments to suppliers and employees	(3 442)	(4 127)	(4 106)	(3 956)	(3 946)
Cash from operations	453	24	13	59	278
Payments for investments	(252)	0	0	0	0
Payments for P, P & Equipment	(132)	(110)	(64)	(33)	(239)
Cash used in investing activities	(384)	(110)	(64)	(33)	(239)
Net increase in cash	69	(86)	(51)	26	39
Cash at the beginning of the period	50	119	33	(18)	8
Cash at end of the period	119	33	(18)	8	47

Comment

Receipts from customers have increased in recent years. This category includes funds contributed for restoration and conservation of sections of Parliament House and essential maintenance purposes. This also contributed to the increase in payments to suppliers.

FINANCIAL ANALYSIS

	Bench Mark	1998-99	1999-00	2000-01	2001-02	2002-03
Profitability						
Result from operations (\$'000s)		201	(238)	(245)	(242)	(81)
Operating margin	>1.0	1.05	0.95	0.94	0.94	0.98
Financial Management						
Debt collection	30 days	39	25	127	66	35
Creditor turnover	30 days	13	28	29	34	16
Other information						
Staff numbers FTEs		28	28	28	28	27
Average staff costs (\$'000s)		62	67	65	68	73

Comment

The increase in debt collection statistics in 2000-01 was due mainly to the impact of the GST, whilst in 2001-02 there were a number of accounts outstanding greater than 60 days.

OVERALL COMMENT

The 2002-03 Audit was completed with satisfactory results.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

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

Administered Revenues and Expenses

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	61	56	114	55	40
Total Revenue	61	56	114	55	40
Other operating expenses	57	55	114	55	40
Total Expenses	57	55	114	55	40
Result from operations	4	1	0	0	0
Net Result from Operations	4	1	0	0	0

Comment

The increased appropriation and corresponding expenses for 2000-01 were due to additional funds being provided for the Commonwealth Parliamentary Association Conference held in Hobart during October 2001. The funds for this Conference were provided in advance.

Administered Assets and Liabilities

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Receivables	0	1	0	0	0
Total Current Assets	0	1	0	0	0
Payables	0	0	0	0	0
Total Current Liabilities	0	0	0	0	0
Net Assets	0	1	0	0	0
Retained surpluses	0	1	0	0	0
Total Equity	0	1	0	0	0

Comment

Nil.

Administered Cash Flows

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations		55	114	55	40
Payments to suppliers and employees		(55)	(114)	(55)	(40)
Cash from operations		0	0	0	0
Net increase in cash		0	0	0	0
Cash at the beginning of the period		0	0	0	0
Cash at end of the period		0	0	0	0

Comment

The Legislature-General has only been required to prepare administered cash flows since 1999-00.

2 MINISTERIAL DEPARTMENTS

INTRODUCTION

State Government Departments are established by order of the Governor under the provisions of the *State Service Act 2000* (SSA), on the recommendation of the Minister responsible. 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 SSA.

This part of the Report provides information on Government departments. The information on each department is summarised under the following headings:

- Audit of the 2002-03 Financial Statements;
- Financial Results;
- Financial Analysis; and
- Additional Financial Information.

The disclosures under Financial Results, Financial Analysis and Additional Financial Information are derived from the Accrual segments of the full audited financial statements that include Cash and Accrual components. 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.

At the time of publication, the audits of all Departments had been completed.

2.1 DEPARTMENT OF ECONOMIC DEVELOPMENT

INTRODUCTION

The former Department of State Development was restructured in August 2002 under the *State Service (Restructuring) Order (No 2) 2002* to form the Department of Economic Development. Under this restructuring the Output group Tourism Marketing and Development, and the Outputs Arts Industry Development, Major Events support and the Tasmanian Museum and Art Gallery were transferred to the newly-created Department of Tourism, Parks, Heritage and the Arts.

The Department's areas of responsibility during 2002-03 included:

- Investment, Trade and Development;
- Centre for Research, Industry and Strategic Planning; and
- Recreation Industry Development.

As at 30 June 2003 the Responsible Minister was the Minister for Economic Development, Energy and Resources.

AUDIT OF THE 2002-03 FINANCIAL STATEMENTS

Signed financial statements of the Department were received on 23 September 2003. An unqualified audit report was issued on 24 September 2003.

FINANCIAL RESULTS

As the Department was restructured in August 2002, figures for 2002-03 are not comparable with previous years.

FINANCIAL PERFORMANCE

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	70 184	78 803	75 973	82 836	46 264
Commonwealth grants	0	8 903	11 053	1 062	339
User charges, fees and fines	0	7 946	6 320	5 986	0
Other operating revenue	15 799	9 305	11 251	13 151	11 677
Non-operating revenue	15 332	2 552	7 641	1 319	6 591
Total Revenue	101 315	107 509	112 238	104 354	64 871
Borrowing costs	8 491	7 489	6 957	5 309	5 366
Depreciation	1 457	1 270	1 017	1 309	867
Employee expenses	22 911	24 731	25 643	29 223	12 935
Other operating expenses	43 810	63 204	64 857	63 015	36 574
Non-operating expenses	5 062	7 004	15 506	11 225	13 916
Total Expenses	81 731	103 698	113 980	110 081	69 658
Result from Ordinary Activities	19 584	3 811	(1 742)	(5 727)	(4 787)

Comment

The increase in Government appropriations in 1999-00, \$8.619m, was principally due to increased assistance to industry generally, while the increase in 2001-02 over that for the prior year, \$6.863m, was primarily related to additional funding for Tasmanian Natural Gas project. The decrease in 2002-03 is attributable to the restructure.

User charges were not separately disclosed in 1998-99 but were included in other operating revenue.

Commonwealth grants received in 1999-00 and 2000-01 were due principally to funding associated with the Abt railway project.

Non-operating revenue in 1998-99 included \$13.700m of revenues arising from a restructuring of the Department. In 2000-01 the amount of \$7.641m represents proceeds from asset disposals.

The increase in Employee expenses in 2001-02, \$3.580m, was principally due to a rise in the number of employees within the Department.

Other operating expenses increased in 1999-00 and 2000-01 due to the disbursement of Abt railway funds and an increase in assistance to industries.

Non-operating expenses increased in 2000-01 principally due to the disposal of assets that were exchanged for increased equity in a local company, \$5.900m, and transfer of revenues to Government of \$4.088m. In 2001-02 this amount includes the write-down in value of the Department's development properties of \$8.682m. In 2002-03 this amount represents the value of assets transferred as a result of the restructure.

FINANCIAL POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	16 378	14 104	21 388	17 648	14 454
Receivables	1 531	1 773	1 180	1 780	943
Other	16 947	11 640	14 236	14 696	9 909
Total Current Assets	34 856	27 517	36 804	34 124	25 306
Property, plant & equipment	53 350	49 108	46 839	35 347	26 914
Investments	4 051	6 379	10 591	10 682	6 789
Other	43 198	35 420	20 866	48 557	20 665
Total Non-Current Assets	100 599	90 907	78 296	94 586	54 368
Payables	5 495	2 920	3 056	3 019	2 317
Borrowings	42 891	45 187	51 167	52 668	16 624
Provisions	3 129	3 185	2 542	5 579	2 403
Other	547	1 020	2 213	3 791	1 500
Total Current Liabilities	52 062	52 312	58 978	65 057	22 844
Borrowings	60 340	40 831	30 486	36 993	35 478
Provisions	1 762	1 930	2 522	788	433
Other	1 129	1 081	0	8 577	8 404
Total Non-Current Liabilities	63 231	43 842	33 008	46 358	44 315
Net Assets	20 162	22 270	23 114	17 295	12 515
Reserves	2 084	380	2 967	2 875	2 882
Retained surpluses	18 078	21 890	20 147	14 420	9 633
Total Equity	20 162	22 270	23 114	17 295	12 515

Comment

Cash balances increased in 2000-01 due to large repayments of loan advances and other program funds held for disbursement during 2001-02.

Other current and non-current assets predominantly consist of loan advances. These increased substantially during 2001-02 due to an expansion in the Assistance to Industries program.

Property, plant and equipment decreased from \$53.350m in 1998-99 to \$49.108m in 1999-00 due mainly to a downward revaluation of development properties, which in turn decreased the Asset revaluation reserve. Property, plant and equipment further decreased in 2000-01 due to the disposal of some development properties, \$7.316m, partially offset by an increase in leasehold improvements, \$2.347m. In 2001-02 a further decrease resulted from a reduction in development property values amounting to \$8.682m. The decrease in 2002-03 was due to transfers attributable to the restructure.

Investments have increased over the years as the Government has taken equity in a number of emerging local industries although some write-downs occurred in 2002-03.

In 2001-02 borrowings rose to accommodate the increases in loan advances as mentioned above. Borrowings fell in 2002-03 due to the repayment of debt.

A revaluation of a specific development property in 2000-01 resulted in an increase in the Asset Revaluation Reserve.

Current and non-current employee benefit provisions changed in 2001-02 due to the whole-of-government approach taken by the new State Actuary. As part of this advice, the vested portion of the liability is now shown as current with a corresponding decrease in the non-current portion. Provisions overall have reduced substantially due to restructuring in 2002-03.

CASH POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	70 184	77 803	75 973	82 882	45 218
Commonwealth grants	578	8 409	11 115	1 062	339
Receipts from customers	47 644	48 234	49 749	48 321	13 441
Grants and transfer payments	(18 237)	(32 925)	(37 659)	(30 910)	(21 160)
Payments to suppliers and employees	(93 167)	(93 565)	(91 188)	(89 807)	(38 771)
Interest received	4 853	5 134	5 565	3 065	5 137
Borrowing costs	(9 430)	(7 360)	(7 972)	(5 775)	(5 625)
Cash from operations	2 425	5 730	5 583	8 838	(1 421)
Proceeds from investments	18 294	14 546	15 999	8 459	38 029
Payments for investments	(16 429)	(5 428)	(8 169)	(39 118)	(3 710)
Payments for P, P & Equipment	(330)	(172)	(2 351)	(602)	(630)
Proceeds from sale of P, P & E	11 422	1 547	0	1 319	338
Cash used in investing activities	12 957	10 493	5 479	(29 942)	34 027
Proceeds from borrowings	6 200	0	0	21 000	0
Repayment of borrowings	(17 445)	(18 497)	(3 778)	(3 636)	(35 800)
Cash from financing activities	(11 245)	(18 497)	(3 778)	17 364	(35 800)
Net increase/(decrease) in cash	4 137	(2 274)	7 284	(3 740)	(3 194)
Cash at the beginning of the period	11 241	16 378	14 104	21 388	17 648
Cash at end of the period	15 378	14 104	21 388	17 648	14 454

Comment

Government appropriations increased in 1999-00, principally for increases in assistance to industries. During 2001-02 increases of approximately \$4.000m were related to the Capital Investment Program.

The increase in Commonwealth grants in 1999-00 and 2000-01 reflects funding for the Abt railway project.

Receipts from customers decreased markedly in 2002-03 due to restructuring arrangements involving the operations of Tourism Tasmanian and Tasmanian Museum and Art Gallery.

Grants and transfer payments increased in 1999-00 and 2000-01 due to the disbursement of Abt railway funds. Those payments reduced in 2001-02 due principally to a reduction in Abt railway grants and an exemption for the year from remitting revenues to

the Government. The further reduction in 2002-03 was attributable to the restructure involving the operations of Tourism Tasmania, Tasmanian Museum and Art Gallery, and Events Tasmania.

Borrowing costs have been decreasing, due to reductions in interest rates and principal outstanding.

Proceeds from and payments for investments consist mainly of loans advanced to various industry groups and the redemption of those loans. These fluctuate from year to year depending on the Assistance to Industries program. The large receipts from Investments in 2002-03 reflect the repayment of loan advances made in the previous period, including a loan made to Incat Pty Ltd.

Proceeds from the sale of Property, plant and equipment in 1998-99 included the sale of travel centres in Adelaide, Melbourne and Sydney.

Proceeds from borrowings can fluctuate from year to year and reflect the Department's Assistance to Industries program. The large repayment of borrowings in 2002-03 was due to significant loan repayments referred to above.

FINANCIAL ANALYSIS

	Bench Mark	1998-99	1999-00	2000-01	2001-02	2002-03
Financial Performance						
Result from operations (\$'000s)		9 314	8 263	6 123	4 179	2 538
Operating margin	>1.0	1.12	1.09	1.06	1.04	1.05
Financial Management						
Debt collection	30 days	17	38	25	34	29
Creditor turnover	30 days	44	38	25	17	29
Other information						
Staff numbers FTEs		416	431	463	484	205
Average staff costs (\$'000s)		55	57	55	60	63

Comment

Due to the restructure as mentioned above, staff numbers have substantially decreased during 2002-03.

OVERALL COMMENT

The 2002-03 Audit was completed with generally satisfactory results.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. Prior to the restructure, these included activities related to Tourism Tasmania, Tasmanian Museum and Art Gallery and Events Tasmania. These transactions are not shown in the Department's Statements of Financial Performance or Financial Position as controlled.

As the Department was restructured in August 2002, figures for 2002-03 are not comparable with previous years.

Administered Revenues and Expenses

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	7 505	4 708	4 378	7 899	685
Commonwealth grants	0	20 000	0	20 000	0
Other operating revenue	0	0	1 172	864	1 662
Total Revenue	7 505	24 708	5 550	28 763	2 347
Grants and subsidies	2 314	1 397	2 409	8 050	4 303
Other operating expenses	6 152	3 766	3 313	3 548	1 899
Total Expenses	8 466	5 163	5 722	11 598	6 202
Result from operations	(961)	19 545	(172)	17 165	(3 855)
	0	0	0	0	0
Net Result from Operations	(961)	19 545	(172)	17 165	(3 855)

Comment

Increased appropriation in 2001-02 reflected a larger Capital Investment program.

Commonwealth Grants of \$20.000m in 1999-00 and 2001-02 represent funds received for the Intelligent Island Program.

Revenues in 2002-03 represent investment and sundry income.

Grants and subsidies expenses for 2001-02 include expenditures of \$3.600m for the Intelligent Island Program and \$3.400m for the Abt Railway. Expenses for 2002-03 principally comprise grants associated with the Intelligent Island Program.

Administered Assets and Liabilities

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	455	0	156	1 471	972
Other	0	0	0	0	10
Total Current Assets	455	0	156	1 471	982
Investments	0	20 000	19 672	35 522	32 247
Other	0	0	0	0	29
Total Non-Current Assets	0	20 000	19 672	35 522	32 276
Provisions	0	0	0	0	101
Total Current Liabilities	0	0	0	0	101
Provisions	0	0	0	0	19
Total Non-Current Liabilities	0	0	0	0	19
Net Assets	455	20 000	19 828	36 993	33 138
Retained surpluses	455	20 000	19 828	36 993	33 138
Total Equity	455	20 000	19 828	36 993	33 138

Comment

Investments represent funds received for the Intelligent Island Program. Significant expenditures from this program are expected to occur over coming years.

Administered Cash Flows

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations		4 708	4 378	7 899	685
Commonwealth grants		20 000	0	20 000	0
Receipts from customers		0	549	1 122	527
Payments to suppliers and employees		(3 766)	(4 625)	(4 670)	(2 298)
Grants and transfer payments		(1 397)	(1 646)	(8 050)	(4 303)
Interest received		0	743	14	27
Cash from operations		19 545	(601)	16 315	(5 362)
Payments for acquisition of assets		0	0	0	(37)
Proceeds from investments		0	757	5 000	4 900
Payments for investments		(20 000)	0	(20 000)	0
Cash used in investing activities		(20 000)	757	(15 000)	4 863
Net increase/(decrease) in cash		(455)	156	1 315	(499)
Cash at the beginning of the period		455	0	156	1 471
Cash at end of the period		0	156	1 471	972

Comment

The Department has only been required to prepare administered cash flow statements for the past four years.

Increased appropriation in 2001-02 reflects a larger Capital Investment program. The decrease in 2002-03 is attributable to the restructure.

Commonwealth Grants represent funds received for the Intelligent Island Program.

The decrease in payments to suppliers and employees in 2002-03 is attributable to the restructure.

Grants and transfer payments for 2001-02 included expenditures of \$3.600m for the Intelligent Island Program and \$3.400m for the Abt Railway. The decrease in 2002-03 is attributable to the restructure.

Proceeds and payments for investments represent the investment and redemption of funds from Tascorp.

2.2 DEPARTMENT OF EDUCATION

INTRODUCTION

The Department of Education was formed on 18 September 1998 as a result of Administrative Arrangements Order (No 2) 1998. The Department's areas of responsibility during 2002-03 included:

- State Schools and Colleges;
- TAFE Tasmania;
- State Library Service;
- Archives Office of Tasmania; and
- Strategic Development and Evaluation Services.

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

AUDIT OF THE 2002-03 FINANCIAL STATEMENTS

Signed financial statements of the Department of Education were received on 26 August 2003 and an unqualified audit report was issued on 30 September 2003.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	527 080	549 203	562 284	582 223	619 338
Commonwealth grants	12 407	35 701	14 116	17 866	16 404
User charges, fees and fines	533	478	428	455	518
Other operating revenue	26 843	34 155	30 316	47 935	42 018
Non-operating revenue	0	1 780	368	826	988
Total Revenue	566 863	621 317	607 512	649 305	679 266
Depreciation	18 324	18 312	18 459	17 529	17 850
Employee expenses	377 690	392 905	412 462	431 357	449 197
Other operating expenses	169 999	194 187	189 026	203 167	206 286
Non-operating expenses	17 691	3 243	7 551	7 287	1 599
Total Expenses	583 704	608 647	627 498	659 340	674 932
Result from Ordinary Activities	(16 841)	12 670	(19 986)	(10 035)	4 334

Comment

Appropriations have been increasing each year. The increase in 2002-03 was due to salary and wage increases, funding for an increased number of initiatives, additional funding received from the Commonwealth and Capital projects. Appropriations include Commonwealth General Grants (\$79.111m in 2002-03), which are included in Commonwealth grants under Administered revenue and transferred to the Consolidated Fund. The Commonwealth grants include \$49.249m for recurrent and capital funds for schools and \$29.647m for recurrent and capital funding for TAFE. The appropriation for Works and Services in 2001-02 and 2002-03 provided funding for a higher number of projects within the Capital Investment Program for schools, including Reece High School, TAFE Tasmania and the State Library of Tasmania.

In 1999-00, Commonwealth grants included an additional \$18.900m under the Networking the Nation program. This had the effect of producing an overall surplus for that year, and contributed to the deficits in following years as the grant was expended.

Other operating revenue was higher in 2001-02 mainly due to the receipt of \$10.000m from the Social Infrastructure Fund and \$2.312m from the Capital Investment Program for essential maintenance. In 2002-03 there was an increase in revenue associated with Teachers Registration fees, school revenues and other programs.

Other operating expenses have increased since 1999-00 with increased expenditure on information technology under the Networking the Nation program.

Other operating expenses in 2001-02 included an increase of \$11.885m in building and infrastructure maintenance. This was mainly due to an additional \$10.000m provided by the Social Infrastructure Fund. These expenses were not capitalised as they fell below the Departmental capitalisation threshold. From 2002-03 this item includes a number of grants and subsidies previously classified as administered transactions, now classified as controlled transactions, due to the altered definition of controlled and administered transactions by the Treasurer's Instruction TI 701.

Non-operating expenses in 1998-99 were principally due to the transfer of net assets amounting to \$15.946m, mainly land and

buildings, \$14.488m, to other agencies as part of the departmental restructuring.

Non-operating expenses in 2000-01 included a \$7.179m write down of the Reece High School that was destroyed by fire.

Non-operating expenses in 2001-02 included a write-down of the Chigwell Primary School due to fire damage, \$1.243m, and the write down of school library books, \$5.195m, resulting from a change in asset recognition criteria.

In 2002-03 the Department achieved a surplus of \$4.334m from ordinary activities. This was mainly due to an increase in Work in Progress in 2002-03 of \$6.131m (removed from the Statement of Financial Performance as an expense) compared with 2001-02 and forms part of the Land and Buildings valuation on the Statement of Financial Position, no asset write downs, a lower recognition of creditors, and the reversal of revenue received in advance in 2001-02 as revenue being recognised as a recurrent appropriation in 2002-03.

FINANCIAL POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	39 824	65 997	53 626	56 757	60 824
Receivables	1 857	1 711	3 157	3 341	3 742
Other	103	445	4 755	4 229	5 194
Total Current Assets	41 784	68 153	61 538	64 327	69 760
Property, plant & equipment	793 951	792 337	781 511	777 528	777 572
Total Non-Current Assets	793 951	792 337	781 511	777 528	777 572
Payables	4 294	5 663	5 591	6 903	5 328
Provisions	26 748	26 493	28 556	29 227	32 488
Other	0	0	0	4 340	0
Total Current Liabilities	31 042	32 156	34 147	40 470	37 816
Provisions	52 718	61 144	61 971	64 994	69 343
Total Non-Current Liabilities	52 718	61 144	61 971	64 994	69 343
Net Assets	751 975	767 190	746 931	736 391	740 173
Reserves	0	4 212	4 212	4 212	4 212
Retained surpluses	751 975	762 978	742 719	732 179	735 961
Total Equity	751 975	767 190	746 931	736 391	740 173

Comment

Cash includes cash and bank balances held by schools and colleges. In 1999-00, cash included an additional \$18.900m under the Networking the Nation program that continued to be expended in subsequent years.

The increase in Receivables and Other current assets from 2000-01 has been due to the impact of the GST.

Payables increased between 1998-99 and 1999-00 principally due to improved recognition policies. The increase in 2001-02 was a result of more invoices being held over for payment in the next year and a higher level of recognition of accruals than in previous years.

The increase in Non-current Provisions in 2001-02 was due to long service leave entitlements being increased as a result of wages increases and conversion of a number of staff to permanent status. The increases in 2002-03 were caused by wage increases during the year and an increase in the inflationary factor used for the calculation of the liability with the adoption of the new accounting standard AASB 1028 Employee Benefits.

Other Current Liabilities in 2001-02, \$4.340m, was Revenue Received in Advance and related to Section 8A(2) approved carry forward of appropriation from 2001-02 for expenditure in 2002-03. This accounting treatment was the result of the new Treasurer's Instruction, No 618, Section 8A(2) Carry Forwards. There was no Section 8A(2) approved carry forward in 2002-03.

Reserves from 1999-00 consist of an asset revaluation reserve for land and buildings following a revaluation of departmental assets.

Retained surpluses have generally moved in line with the fluctuating results from ordinary activities.

CASH POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	527 080	549 203	562 284	582 223	614 998
Commonwealth grants	12 407	35 701	14 116	17 866	16 404
Receipts from customers	26 695	33 322	51 133	70 030	58 246
Payments to suppliers and employees	(550 213)	(577 871)	(627 483)	(648 749)	(668 897)
Interest received	0	1 267	2 322	1 768	1 821
Cash from operations	15 969	41 622	2 372	23 138	22 572
Payments for P, P & Equipment	(10 149)	(15 562)	(15 111)	(20 582)	(19 185)
Proceeds from sale of P, P & E	121	113	368	575	680
Cash used in investing activities	(10 028)	(15 449)	(14 743)	(20 007)	(18 505)
Net increase/(decrease) in cash	5 941	26 173	(12 371)	3 131	4 067
Cash at the beginning of the period	33 883	39 824	65 997	53 626	56 757
Cash at end of the period	39 824	65 997	53 626	56 757	60 824

Comment

In 1999-00 Commonwealth grants included an additional \$18.900m under the Networking the Nation program.

Both Receipts from customers and Payments to suppliers and employees increased significantly from 2000-01 due to GST refunds and payments. The amount of Receipts from customers in 2001-02 was higher, mainly due to \$10.000m received from the Social Infrastructure Fund.

The increased payments for Property, plant and equipment in 2001-02 and 2002-03 reflect the replacement of Reece High School.

FINANCIAL ANALYSIS

	Bench Mark	1998-99	1999-00	2000-01	2001-02	2002-03
Financial Performance						
Result from operations (\$'000s)		850	14 133	(12 803)	(3 574)	4 945
Operating margin	>1.0	1.00	1.02	0.98	0.99	1.01
Financial Management						
Debt collection	30 days	27	19	43	39	38
Creditor turnover	30 days	26	22	23	25	17
Other information						
Staff numbers FTEs		7 274	7 721	7 616	7 674	7 705
Average staff costs (\$'000s)		52	52	54	56	58

Comment

The result from operations excludes non-operating revenue and non-operating expenses and would normally result in a deficit that reflects the depreciation expense that is not funded through appropriations, although this is offset by the component of capitalised CIP appropriation, and other accrual adjustments. Other items that impact on the Result from operations are the level of Commonwealth grant funds recognised as revenue, and appropriations not spent in the reporting period and approved for carry forward for expenditure in later years.

In 1999-00 the Operating surplus reflected an amount of \$36.200m, including \$18.900m grant funding received in June for the Networking the Nation Program, which was approved for carry forward for expenditure in later years. The Operating deficits in 2000-01 and 2001-02 were mainly due to a write-down of assets caused by the Reece High School fire and school library books, respectively.

Outstanding receivables increased in 2000-01 due primarily to improved recognition of receivables, with a resultant increase in the Debt collection ratio.

The improved Creditor turnover in 2002-03 is a result of better management of accounts.

OVERALL COMMENT

Whilst the cash position of the Department may appear to be good, unfunded provisions are much greater. As for all Government agencies, employee benefits are met on an emerging basis.

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 Statements of Financial Performance or Financial Position.

Administered Revenues and Expenses

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	35 052	37 987	33 427	35 244	32 861
Commonwealth grants	122 592	135 832	141 992	154 672	160 569
User charges, fees and fines	7 142	6 926	6 893	6 557	6 749
Other operating revenue	2 636	1 258	1 261	1 288	1 538
Total Revenue	167 422	182 003	183 573	197 761	201 717
Grants and subsidies	88 148	103 748	102 336	112 629	114 320
Total Expenses	88 148	103 748	102 336	112 629	114 320
Result from operations	79 274	78 255	81 237	85 132	87 397
Transfer to Consolidated Fund	77 635	79 221	81 325	84 718	87 436
Net Result from Operations	1 639	(966)	(88)	414	(39)

Comment

Administered revenues come from a variety of sources including appropriations from Government, Commonwealth grants and departmental fees and charges. The largest component in respect to the Department of Education is Commonwealth grants which are received and used for funding of public schools (2002-03, \$49.249m), Non-Government Schools (\$81.458m) and TAFE colleges (\$29.647m).

User charges, fees and fines consist of user charges, the main component being for State Library Services (2002-03, \$6.528m).

Grants and subsidies consist mainly of Grants to Non-Government Schools, (2002-03, \$30.290m) and Allocations to Non-Government Schools by the Commonwealth Department of Education, Training and Youth Affairs (2002-03, \$81.460m).

Grant revenues and expenditures have been increasing principally due to additional funding related to TAFE and IT issues.

Whilst the Schedules of Administered Revenues and Expenses show a high Result from operations, most of this consists of Commonwealth grants that are transferred to the Consolidated Fund and is included in the Appropriation to the Department for expenditure on schools and TAFE.

Administered Assets and Liabilities

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	1 468	240	101	502	362
Receivables	26	47	10	97	58
Total Current Assets	1 494	287	111	599	420
Payables	269	87	33	140	0
Total Current Liabilities	269	87	33	140	0
Payables	126	67	33	0	0
Total Non-Current Liabilities	126	67	33	0	0
Net Assets	1 099	133	45	459	420
Retained surpluses	1 099	133	45	459	420
Total Equity	1 099	133	45	459	420

Comment

Most variations are due to timing issues.

Administered Cash Flows

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations		37 987	33 427	35 244	32 731
Commonwealth grants		135 832	141 992	154 672	160 569
Receipts from customers		8 163	8 191	7 758	8 326
Payments to suppliers and employees		(183 210)	(183 749)	(197 273)	(201 766)
Cash from operations		(1 228)	(139)	401	(140)
Net increase/(decrease) in cash		(1 228)	(139)	401	(140)
Cash at the beginning of the period		1 468	240	101	502
Cash at end of the period		240	101	502	362

Comment

Departments have only been required to prepare administered cash flow statements for the past four years.

2.3 DEPARTMENT OF HEALTH AND HUMAN SERVICES

INTRODUCTION

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:

- Community, Population 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 services, oral health services, alcohol and drug services, cancer screening and control, and rural and community health services. The Public and Environmental Health Service provides promotion, screening, and information to prevent illness. It also provides a monitoring and protection role for the Tasmanian community;
- Children and Families – services are directed towards improving the safety and well being of individuals, children, young people and families. This includes providing crisis support and accommodation, sexual assault and domestic violence support services, alternate care services for children who are unable to live with their families, adoption and information services, 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; and
- 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).

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

AUDIT OF THE 2001-02 FINANCIAL STATEMENTS

The Secretary of the Department signed the financial statements of the Department of Health and Human Services on 27 August 2002, with amended statements received on 26 November 2002. An unqualified audit report was issued on the same day.

Housing Services and Home Ownership Assistance Program (HOAP) statements were received on 25 August 2002. Revised financial statements were received on 11 March 2003 and an unqualified audit report was issued on 13 March 2003.

Tasmanian Ambulance Service statements were received on 6 October 2002. An unqualified audit report was issued on 26 November 2002.

AUDIT OF THE 2002-03 FINANCIAL STATEMENTS

The Secretary of the Department signed the financial statements of the Department of Health and Human Services on 25 August 2003. At the time of the preparation of this document the audit was yet to be completed. All figures shown here are based on the most current figures presented for audit.

Housing Services and Home Ownership Assistance Program (HOAP) statements were received on 25 August 2003. Tasmanian Ambulance Service statements were received on 6 October 2003. Both audits are currently in progress.

The office intends to issue an unqualified opinion for both Housing Services and the Departmental financial statements, but the opinions will include an emphasis of matter paragraph relating to the valuation of the Housing Services rental dwellings. For further details, refer to the overall comment section of the controlled financial statement analysis.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	621 939	621 003	659 596	693 257	729 993
Commonwealth grants	0	10 748	14 975	18 357	21 667
User charges, fees and fines	104 138	93 415	84 779	96 100	95 882
Other operating revenue	32 706	30 188	29 963	32 382	42 983
Non-operating revenue	13 538	9 982	17 622	29 181	31 640
Total Revenue	772 321	765 336	806 935	869 277	922 165
Borrowing costs	15 952	15 441	15 512	14 564	14 027
Depreciation	24 448	23 873	24 927	24 246	25 196
Employee expenses	354 543	377 362	424 816	442 497	463 418
Other operating expenses	302 595	328 083	341 520	360 256	389 397
Non-operating expenses	22 121	23 000	21 705	47 637	50 952
Total Expenses	719 659	767 759	828 480	889 200	942 990
Result from Ordinary Activities	52 662	(2 423)	(21 545)	(19 923)	(20 825)

Comment

In 1998-99 Appropriations were increased by \$33.000m by the Government to address major financial difficulties identified at that time, together with once off additional funding of \$13.027m for the 27th pay period. In 2000-01 increases in recurrent appropriations, \$36.529m, and works and services appropriations, \$2.064m, were due mainly to the Government's commitment to maintaining health services within the State. This continued in 2001-02 with a recurrent appropriation increase of \$44.388m combined with a decrease in capital appropriations of \$10.677m resulting in a net \$33.711m increase. Increases in 2003-03 include \$7.600m for award increases, increases in Commonwealth Agreements of \$2.600m for Home and Community Care, Support Accommodation Assistance Program and Disability Services, \$3.400m National Health Development Funds, \$1.300m for new contracts for Breast Screening and Air Ambulance and \$1.300m, for Highly Specialised Drugs.

Commonwealth grants were not separately disclosed until 1999-00.

The main components of User charges, fees and fines are housing rental income, inpatient, outpatient and nursing home fees. This revenue item had previously fallen steadily since 1997-98 due to a reduction in the number of nursing homes around the State. In 2001-02 these items increased with an additional \$1.168m in housing rental income, \$8.762m in inpatient, outpatient and nursing home fees and an increase of \$15.038m in other sundry items.

Other operating revenue includes interest from borrowers and cost recoveries for salaries and wages, food and other items. In 2002-03 this also includes the addition of \$10.951m in assets identified during a partial stock-take review performed during the year.

Non-operating revenues are comprised chiefly of proceeds of assets disposals. In 2001-02 this item also included the recognition of Community Housing Stock of \$12.185m not previously brought to account. These 199 properties recognised are operated by community organisations, with Housing Tasmania retaining a significant equity interest in the assets. The increases in 2002-03 are due to higher than anticipated proceeds derived from increased activity in Housing Tasmania's capital sales program. Housing Tasmania's gross proceeds totalled \$30.954m in 2002-03.

Employee costs and other operating expenses have generally moved in line with employee numbers.

Non-operating expenses include the carrying cost of asset disposals for each year under review. In 1999-00 this included a \$2.307m adjustment to the Housing superannuation liability and an amount of \$7.146m adjustment of prior period errors.

In 2001-02 assets to the value of \$47.637m were disposed of during the year realising \$16.996m. The loss on disposal of \$30.641m for the year included a loss of \$20.820m on the Royal Derwent Hospital. Housing Tasmania's loss on sale of assets was \$7.539m. In 2002-03 assets to the value of \$50.952m were disposed realising \$31.640m. This included \$36.916m in Housing Tasmania assets and \$13.918m in Health assets written off as part of the afore-mentioned stock take. The overall loss on disposal for the year was \$19.312m with \$9.400m relating to Housing Tasmania.

FINANCIAL POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	15 344	29 378	32 015	54 061	81 222
Receivables	6 691	7 100	8 714	10 207	13 528
Investments	154	0	0	0	0
Inventories	3 111	3 986	5 553	5 680	5 894
Other	9 289	11 457	10 964	10 224	18 231
Total Current Assets	34 589	51 921	57 246	80 172	118 875
Property, plant & equipment	1 100 251	1 117 366	1 075 559	1 036 751	1 035 140
Investments	66 275	61 725	60 025	53 976	37 138
Other	695	557	388	281	236
Total Non-Current Assets	1 167 221	1 179 648	1 135 972	1 091 008	1 072 514
Payables	22 442	22 267	20 256	17 252	18 898
Borrowings	57 396	50 716	49 759	43 895	35 384
Provisions	39 208	36 775	39 508	42 693	46 847
Other	13 668	21 920	25 883	35 489	41 361
Total Current Liabilities	132 714	131 678	135 406	139 329	142 490
Borrowings	277 664	278 307	273 549	268 694	263 629
Provisions	41 292	44 169	56 105	60 686	60 231
Total Non-Current Liabilities	318 956	322 476	329 654	329 380	323 860
Net Assets	750 140	777 415	728 158	702 471	725 039
Capital	6 094	6 094	6 094	6 094	6 094
Reserves	212 845	242 544	214 832	205 262	250 527
Retained surpluses	531 201	528 777	507 232	491 115	468 418
Total Equity	750 140	777 415	728 158	702 471	725 039

Comment

The increase in the cash balance in 2001-02 includes \$12.303m in income received in advance. The 2002-03 increase includes an increase on \$19.244m in Housing Tasmania's operating account relating to monies received from assets sales. These committed funds are held for future specific purchases and projects.

During the 2000-01 year, the main asset movement related to the property, plant and equipment line item recording a \$41.807m decrease. The main reason for this relates to a decrement of \$30.294m made to the asset revaluation reserve after the signing of the 1999-00 financial statements. This adjustment was a result of

an incorrect revaluation calculation relating to dwelling stock maintained by the Department.

Assets continued to decrease in 2001-02, by \$38.808m, influenced by the sale of the old Royal Derwent Hospital complex. Other than normal additions the principal increase in assets relates to the recognition of Community Housing properties comprising 456 properties identified with a total value of \$20.218m. These properties are operated by community organisations throughout the state. Of these properties 199 remain in the title of the "Director of Housing" with a total value of \$12.186m and as such have been brought to account as revenue. For the remaining 257 properties title has since been transferred into the name of the Community Organisation, with the Department still holding a significant equity interest. These properties, with a value of \$8.330m, have been disclosed as a Contingent Asset and will be recognised as revenue should the properties ever be sold.

Property plant and equipment as at 30 June 2003 includes \$703.997m attributable to the rental dwelling stock. The issue of valuation of the dwelling stock is mentioned late in this section.

Over the last 5 years borrowings have continued to fall. In 2000-01, in line with Government policy to reduce debt, borrowings were reduced by \$10.719m.

Provisions increased by \$14.669m during 2000-01. The majority of this increase relates to an increase in the Department's long service leave provision, which rose from \$36.410m as at 30 June 2000, to \$49.731m as at the end of 30 June 2001. Increases in award wages, staff tenure and staffing levels all contributed to this movement, together with the correction of an error resulting in an adjustment of \$8.121m to the long service leave balance. The main increases in provisions for 2001-02 were increases in provisions for annual leave of \$2.701m to \$33.486m and \$3.191m to \$52.922m for long service leave. Leave provisions continued to rise in 2002-03, with Annual Leave increasing \$4.098m to \$37.584m. Partly responsible for the increase on leave provisions is the change in the applicable Accounting Standard (AASB1028). This requires benefits to be disclosed at prospective rates with allowances for future wage increases. An amount of \$1.470m was identified as the resulting increase and separately disclosed as an Equity adjustment as allowed with the initial application this revised standard.

CASH POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	621 939	621 003	659 596	705 560	733 829
Commonwealth grants	0	9 830	14 975	18 356	21 667
Receipts from customers	137 756	120 458	137 790	156 785	157 414
Payments to suppliers and employees	(698 248)	(694 833)	(773 262)	(832 134)	(868 009)
Borrowing costs	(15 952)	(15 441)	(15 458)	(14 866)	(14 507)
Cash from operations	45 495	41 017	23 641	33 701	30 394
Proceeds from investments	0	3 069	1 803	6 049	8 970
Payments for investments	(2 222)	0	0	0	0
Payments for P, P & Equipment	(41 688)	(35 311)	(34 714)	(27 429)	(23 896)
Proceeds from sale of P, P & E	13 538	9 949	17 622	16 250	27 098
Cash used in investing activities	(30 372)	(22 293)	(15 289)	(5 130)	12 172
Proceeds from borrowings	0	0	194 536	224 523	137 459
Repayment of borrowings	(5 346)	(8 344)	(200 251)	(231 048)	(152 865)
Cash from financing activities	(5 346)	(8 344)	(5 715)	(6 525)	(15 406)
Net increase in cash	9 777	10 380	2 637	22 046	27 160
Cash at the beginning of the period	5 567	18 998	29 378	32 015	54 061
Cash at end of the period	15 344	29 378	32 015	54 061	81 221

Comment

The Department received additional appropriations during the 2000-2001 financial year to meet increasing payments to suppliers and employees. This has continued in 2001-02 and 2002-03.

Borrowing costs remained reasonably consistent up until 2000-2001. In 2001-02 there was a decline in line with a reduction of \$5.005m of borrowings. This has continued in 2002-03 with a further reduction of \$4.855m in total borrowings outstanding.

Payments and proceeds relating to property, plant and equipment are primarily transactions initiated by the Housing Division. Payments for the acquisition of assets for Housing has declined in recent years from \$26.020m in 2000-01, \$15.215m in 2001-02 to \$14.772m in 2002-03. Proceeds from sales for the same periods were \$16.877m, \$15.689m and \$30.954m. Public Rental Dwellings sold over this period were 336, 327 and 587 dwellings respectively.

Over the period shown cash has been steadily increasing each year. The main driver can be seen in investing activities resulting from Proceeds from Sale of Property, Plant and Equipment, the principal cause being the proceeds from sale of Housing stock. At year end 2002-03 \$35.200m of cash held (\$15.956m in 2001-02) related to Housing which is committed funds for specific purchase and development projects.

FINANCIAL ANALYSIS

	Bench Mark	1998-99	1999-00	2000-01	2001-02	2002-03
Financial Performance						
Result from operations (\$'000s)		61 245	10 595	(17 462)	(1 467)	(1 513)
Operating margin	>1.0	1.09	1.01	0.98	1.00	1.00
Financial Management						
Current ratio	>1	0.26	0.39	0.42	0.58	0.83
Debt collection	30 days	18	21	28	29	36
Creditor turnover	30 days	36	38	30	24	24
Other information						
Staff numbers FTEs		6 745	6 710	6 819	6 964	7 074
Average staff costs (\$'000s)		53	56	62	64	66

Comment

The Department's operating result fluctuates markedly from year to year. As the Department relies mainly on its annual appropriation from Government, the recorded losses have had little impact on the agency, as the operating margin generally reflects results close to the benchmark.

Similarly, the current ratio is low, but this is significantly influenced by level of cash held at year-end over the 5-year period together with the level of employee provisions. As noted above, recent increases in cash held at year end has resulted in an increasing trend for this calculation. Employee numbers have also increased slightly in the last four years in line with increased funding for Government initiatives.

OVERALL COMMENT

The audit of the financial statements for the 2002-03 year is currently still in progress.

One issue that audit will raise as an emphasis of matter paragraph with the audit opinions for both the Department financial statements and the Housing Services financial statements relates to the inherent uncertainty regarding the valuation of rental dwellings.

Rental dwellings are disclosed in the financial statements at a written down value of \$703.997m. The valuation is based on an independent valuation undertaken as at 30 June 2003. The Department holds 13 160 rental dwellings.

The current valuation at 30 June 2003 is based on the most recent government valuation for each property indexed by factors provided by the Valuer-General. The most recent valuations range from 1 January 1995 to 1 December 2002, adjusted by indices ranging from 0.64 to 1.47.

In recent years the Department has disposed of a number of surplus rental dwellings, which have resulted in the recording of significant losses on disposal of those assets against the independent valuations provided by the Valuer-General. As part of the disposal process incentives are given in line with the current policy of making affordable housing available to eligible applicants. Proceeds received before these allowances are made are below the carrying value of assets sold.

In the last three financial years the department has disposed of 1 250 dwellings at a loss on disposal of \$14.290m before other costs of sales, making the average loss on disposal \$11 803 per dwelling, compared to the average carrying value for rental dwellings of \$53 495. The total costs of the incentives and other costs of sales in the three years was an additional \$7.701m. It is recognised that the losses incurred are substantially influenced by current policy on incentives to be offered to purchasers under the "Streets Ahead" sales initiative, and current targeting of sales from the Housing Tasmania portfolio to people on low incomes. These disposal values indicate that the dwellings, at their current written down value may be overstated.

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 Statements of Financial Performance and Financial Position.

Administered Revenues and Expenses

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	8 747	11 948	10 433	10 176	12 610
Commonwealth grants	68 973	69 012	75 999	78 911	80 677
User charges, fees and fines	1 518	7 793	4 917	0	0
Other operating revenue	510	689	270	0	0
Total Revenue	79 748	89 442	91 619	89 087	93 287
Grants and subsidies	0	8	203	0	0
Other operating expenses	10 890	16 903	16 720	10 167	12 847
Total Expenses	10 890	16 911	16 923	10 167	12 847
Result from operations	68 858	72 531	74 696	78 920	80 440
Transfer to Consolidated Fund	68 973	69 012	75 998	78 911	80 676
Net Result from Operations	(115)	3 519	(1 302)	9	(236)

Comment

Recurrent appropriations consist of a Community Service Activity (CSA) with Aurora Energy Pty. Ltd. for the provision of pensioner concessions. This aided approximately 61 000 Tasmanian pensioners. In 2002-03 the Government announced the extension of this agreement for the inclusion of eligible Health Care Card Holders for the two winter quarters from 1 July 2003.

Commonwealth grant funds are transferred to the Consolidated Fund for later appropriation. Over the last five years the largest increases have been in relation to Home and Community Care (HACC) from \$13.322m in 1998-99 to \$17.303m in 2002-03, and Disability Services from \$12.963m in 1998-99 to \$17.600m in 2002-03.

Other larger items for the 2002-03 year included funding under the Commonwealth State Housing Agreement (CSHA) of \$26.629m, Support Accommodation Assistance Program (SAAP), \$7.016m, and the High Cost Drugs grants, \$6.190m.

In 2001-02 the Department reviewed its classification of "Administered" and "Controlled" items in line with Treasury Instruction 704. As a result a number of activities have been transferred from administered to controlled. These include activities such as Private Patient Scheme, research accounts, donation accounts and other special purpose accounts. Due to this change there are no items shown for User charges, fees and fines, Other operating revenue or Grants and subsidies expenditure.

Administered Assets and Liabilities

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	2 456	4 176	4 359	0	0
Total Current Assets	2 456	4 176	4 359	0	0
Payables	2 586	0	2 547	2 505	2 741
Borrowings	1 280	544	365	0	0
Provisions	0	0	0	0	0
Other	2 456	4 176	4 359	0	0
Total Current Liabilities	6 322	4 720	7 271	2 505	2 741
Borrowings	202	365	0	0	0
Total Non-Current Liabilities	202	365	0	0	0
Net Assets	(4 068)	(909)	(2 912)	(2 505)	(2 741)
Retained surpluses	(4 068)	(909)	(2 912)	(2 505)	(2 741)
Total Equity	(4 068)	(909)	(2 912)	(2 505)	(2 741)

Comment

The administered borrowings item related to the employee rationalisation program which has now been fully repaid. Cash represents the balance of various trust accounts which are offset by the other liabilities balance. These items have since been reclassified to controlled as mentioned above.

The only other material item is the large payables balance. This amount represents the accrued CSA payable to Aurora Pty Ltd for pensioner discounts at year-end.

Administered Cash Flows

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations			10 433	10 176	12 610
Commonwealth grants			75 999	78 911	80 677
Receipts from customers			4 917	0	0
Other cash receipts			270	0	0
Grants and subsidies			(203)	0	0
Other Cash Payments			(13 990)	(10 176)	(12 610)
Transfers to Consolidated Fund			(75 998)	(78 911)	(80 677)
Cash from operations			1 428	0	0
Transfers to Consolidated Fund			(544)	(4 359)	0
Cash from financing activities			(544)	(4 359)	0
Net increase/(decrease) in cash			183	(4 359)	0
Cash at the beginning of the period			4 176	4 359	0
Cash at end of the period			4 359	0	0

Comment

The Department has only been required to prepare an administered statement of cash flows for the past three years.

The 2000-01 figures contain the various trust fund monies that have now been transferred to controlled as mentioned earlier. Appropriation for payment to Aurora Energy Pty Ltd for pensioner discounts has remained reasonably consistent with a slight increase relating to Pay as You Go Meters.

Commonwealth Grants have increased slightly over the period shown. In 2001-02 the main increases were in HACC \$1.187m, and Disability Services \$2.037m. 2002-03 saw a further increase in HACC of \$1.443m, an increase in the High Cost Drugs funding of \$1.017m and a decline in the funding under the Commonwealth State Housing Agreement (CSHA) \$1.096m.

2.4 DEPARTMENT OF INFRASTRUCTURE, ENERGY AND RESOURCES

INTRODUCTION

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 Planning and Conservation and Workplace Standards Authority. In addition, DIER 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. During 1999-00 the regulatory and policy functions of the former Racing Tasmania were integrated into the Department. The Department also administers payments for the Forest Practices Board.

The Department of Infrastructure, Energy and Resources brings together the significant infrastructure activities of the State 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;
- Deliver compliance services in respect of Federal Awards, under contract to the Commonwealth Government;
- 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
- Maintain probity and integrity within the racing industry.

On behalf of the Minister for Economic Development, Energy and Resources, the Minister for Racing, Sport and Recreation and the

Minister for Infrastructure, the Department also provides independent strategic policy advice and support in relation to the Government's relationships with many Government Business Enterprises (GBEs), State-owned Companies (SOCs) and Statutory Authorities.

AUDIT OF THE 2002-03 FINANCIAL STATEMENTS

Signed statements were received on 27 August 2003. Following agreed amendments during the audit process, revised financial statements were received on 18 September 2003 and an unqualified audit report was issued on 9 October 2003.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	119 799	131 011	122 338	110 901	116 315
Commonwealth grants	680	444	5 347	426	971
User charges, fees and fines	962	950	539	776	1 244
Other operating revenue	3 530	4 990	2 474	20 606	16 096
Non-operating revenue	414	13 099	1 437	29 121	104
Total Revenue	125 385	150 494	132 135	161 830	134 730
Depreciation	18 996	65 920	66 693	72 121	79 338
Employee expenses	27 690	29 533	29 283	31 339	33 666
Other operating expenses	45 310	47 201	44 940	48 805	52 408
Non-operating expenses	2 281	23 886	12 032	3 648	13 814
Total Expenses	94 277	166 540	152 948	155 913	179 226
Result from Ordinary Activities	31 108	(16 046)	(20 813)	5 917	(44 496)

Comment

In 2000-01 Commonwealth revenue included \$4.985m for a new project entitled the Western Tasmanian Regional Minerals Program.

User charges, fees and fines have varied due to the one-off nature of larger items such as road works recoveries (e.g from Councils) and traffic signal recoveries. The decrease during 2000-01 reflects a reduction in the volume of one-off recoveries in that year.

Other operating revenue increased in 2001-02 due to the inclusion of \$19.001m received under the Government's Infrastructure program. In 2002-03, Infrastructure funding reduced to \$14.384m.

Non-operating revenue generally comprises the proceeds of disposal of non-current assets. In 1999-00 the item included \$12.721m representing the value of roads taken over from various councils. In 2000-01 the item included \$1.425m relating to the value of property transferred to DIER from the Department of Treasury and Finance, while in 2001-02 it includes the recoupment of prior years' road revaluation decrements, \$28.976m, upon an upwards revaluation of the State's road network. Further comment in this regard is provided later in this segment of the Report.

From 1999-00 the Department changed its depreciation methodology to conform to the Australian Accounting Standards Board's Urgent Issues Group determination on the treatment of depreciation for long-lived assets. This has resulted in a significant increase in the depreciation expense from that year onwards. DIER had previously used a condition-based depreciation methodology that became unacceptable under the UIG determination.

Non-operating expenses in 1999-00 and 2000-01 included \$17.800m and \$11.176m respectively relating to revaluation decrements of the State's road network, which is revalued annually. During 2001-02 DIER reviewed certain coefficients in its road valuation model to take into account current labour and material costs, which resulted in a revaluation increment of \$168.866m. Consistent with Australian Accounting Standards a portion of this increment was processed through the Statement of Financial Performance to recoup prior revaluation decrements that were expensed, \$28.976m. In 2002-03 \$11.751m of Road infrastructure assets were written off due to changes in the road network.

FINANCIAL POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	1 325	6 374	14 150	6 381	5 860
Receivables	147	748	213	239	376
Inventories	196	124	97	89	192
Other	709	687	1 150	2 030	3 549
Total Current Assets	2 377	7 933	15 610	8 739	9 977
Property, plant & equipment	2 732 415	2 708 428	2 675 970	2 835 386	3 084 055
Other	259	255	255	238	233
Total Non-Current Assets	2 732 674	2 708 683	2 676 225	2 835 624	3 084 288
Payables	3 085	4 926	1 877	2 655	2 017
Provisions	4 330	4 803	4 673	4 619	5 020
Other	0	0	0	1 090	3 433
Total Current Liabilities	7 415	9 729	6 550	8 364	10 470
Provisions	4 690	4 897	4 815	5 433	5 880
Total Non-Current Liabilities	4 690	4 897	4 815	5 433	5 880
Net Assets	2 722 946	2 701 990	2 680 470	2 830 566	3 077 915
Reserves	4 458	363	126	143 757	441 505
Retained surpluses	2 718 488	2 701 627	2 680 344	2 686 809	2 636 410
Total Equity	2 722 946	2 701 990	2 680 470	2 830 566	3 077 915

Comment

As noted above, when DIER was formed in 1998-99 on amalgamation of a number of entities, the change in administrative responsibilities brought about increases in the balances of employee entitlement provisions, as well as slight increases in Current and Non-current assets.

During 1999-00 Cash increased by \$5.049m mainly as a result of carry-overs of Consolidated Fund allocations for the Registration and Licensing Reform Project and Commonwealth road funding.

Cash for 2000-01 further increased by \$7.776m principally as a result of carry-overs of Consolidated Fund allocations for various projects including the Rehabilitation of Degraded Mineral Lands; Registration and Licensing Review; written off Vehicle Register; Commonwealth Road Funding; Wiltshire Junction Rail Depot; and the Mineral Resource Core Store. In addition there was a carry-

over of Commonwealth funds received for the Western Tasmanian Regional Minerals Program, \$2.699m.

Receivables increased in 1999-00 by \$0.601m due primarily to outstanding contributions from other State Road and Traffic Authorities relating to the Mass Access Project. In the same year, Payables increased by \$1.841m due to accrued expenses relating to the Roads Program.

Other current assets is comprised chiefly of prepayments which increased in 2000-01 and 2001-02 as carry over funds were required to be utilised. In 2002-03 the increase represented GST receivables of \$1.648m.

Other current liabilities represents income received in advance.

During 2001-02 the Department revalued its assets, resulting in an amount of \$143.631m being added to the asset revaluation reserve in respect to road infrastructure. During 2002-03 a review of the valuation methodology for Road Infrastructure was undertaken. An updated list of recent projects was modelled resulting in a variation of certain parameters. The effect of this revised model was to increase the valuation by approximately 10% resulting in an amount of \$297.748m being added to the asset revaluation reserve account.

CASH POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	119 119	130 111	122 338	111 979	118 657
Commonwealth grants	680	444	5 347	426	970
Receipts from customers	4 574	6 240	3 707	21 351	30 240
Payments to suppliers and employees	(74 679)	(75 039)	(76 190)	(80 183)	(97 851)
Cash from operations	49 694	61 756	55 202	53 573	52 016
Payments for P, P & Equipment	(49 840)	(56 990)	(47 438)	(61 353)	(50 774)
Proceeds from sale of P, P & E	414	283	12	11	106
Cash used in investing activities	(49 426)	(56 707)	(47 426)	(61 342)	(50 668)
Net increase (decrease) in cash	268	5 049	7 776	(7 769)	1 348
Cash at the beginning of the period	1 057	1 325	6 374	14 150	4 512
Cash at end of the period	1 325	6 374	14 150	6 381	5 860

Comment

Comment was provided earlier in this segment of the Report with regard to the receipt of Commonwealth grants.

Receipts from customers increased in 2001-02 due to \$19.001m being received under the Government's Infrastructure program.

Increases in receipts from customers and payments to suppliers in 2002-03 are due to GST transactions that have previously been treated as administered items.

Payments for Property, plant and equipment relate mainly to road infrastructure. The amounts fluctuate due to particular works programs carried out by the Department, which also is in part impacted on by the allocation of Commonwealth roads funding. Proceeds from sales of Property, Plant and Equipment vary from year to year depending on the type of assets sold.

As a result of changing the classification of some transactions from administered to controlled, cash at the beginning of 2002-03 (\$4.512m) is not the same as cash at the end of 2001-02 of \$6.381m.

FINANCIAL ANALYSIS

	Bench Mark	1998-99	1999-00	2000-01	2001-02	2002-03
Financial Performance						
Result from operations (\$'000s)		32 975	(5 259)	(10 218)	(19 556)	(30 786)
Operating margin	>1.0	1.36	0.96	0.93	0.87	0.81
Financial Management						
Debt collection	30 days	56	57	68	63	74
Creditor turnover	30 days	19	16	6	20	14
Other information						
Staff numbers FTEs		555	619	601	608	619
Average staff costs (\$'000s)		50	48	49	52	54

Comment

As noted earlier in this segment of the Report, there has been a large impact on the operating result by changing the basis of depreciation in 1999-00 from condition based to the useful life for the Department's road infrastructure assets. This has resulted in a deterioration of the operating margin since 1999-00. The Department's main source of operating revenue remains its annual appropriation from Government, therefore it is not considered that the operating result is one that suggests there is any cause for concern.

Debt collection is in excess of the desired standard in each of the years under review.

OVERALL COMMENT

It is likely that the operating result for the Department will normally be negative due to the difference between capital works, defined as improving the infrastructure asset, and the estimated depreciation of the roads network calculated in accordance with accounting standards.

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 Statements of Financial Performance or Financial Position. Administered areas for the Department include the Forest Practices Board, the Workplace Safety Board, payments to school bus operators, payments to Metro Tasmania Pty Ltd in respect of the Company's Community Service Obligation and a range of other grants and subsidy items classified as Administered.

Administered Revenues and Expenses

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	46 897	48 639	50 854	51 432	54 630
Commonwealth grants	32 273	38 382	32 355	21 372	24 862
User charges, fees and fines	35 548	37 618	36 343	36 523	40 117
Other operating revenue	155 648	160 249	187 212	209 691	277 348
Total Revenue	270 366	284 888	306 764	319 018	396 957
Depreciation	14	34	15	23	16
Other operating expenses	313 817	215 238	221 310	229 368	283 424
Total Expenses	313 831	215 272	221 325	229 391	283 440
Result from operations	(43 465)	69 616	85 439	89 627	113 517
Transfer to Consolidated Fund	220 751	74 826	67 577	57 422	61 155
Net Result from Operations	(264 216)	(5 210)	17 862	32 205	52 362

Comment

User charges, fees and fines relates mainly to mineral royalties, driver licensing and vehicle registration. Commonwealth grants, which decreased in 2001-02, are received for road funding and are transferred to the Consolidated Fund for appropriation through the budget process. Other operating revenue is mainly comprised of revenue collected on behalf of external bodies, which consists primarily of Motor Accidents Insurance Board funds, and to a lesser extent motor tax, stamp duty and the fire levy. The increase in other operating revenue is primarily the result of the increase in the investment of State-Owned Companies (referred to later in this segment of the Report), third party property insurance, stamp duty, motor tax and fire levy. Transfers to the Consolidated Fund include User charges and fees listed above as well as the transfer of Commonwealth road funding.

The increase in Other operating expenses in 2001-02 relates to increased collections on behalf of external bodies. In 2002-03 the increase includes an extra \$18.686m collections on behalf of external bodies and \$31.141m of assets transferred to the Minister for Tourism Parks and Heritage under a restructure of administrative arrangements.

Administered Assets and Liabilities

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	2 532	3 750	1 819	1 543	3 725
Receivables	123	306	424	354	2 407
Other	0	0	1 763	2 124	0
Total Current Assets	2 655	4 056	4 006	4 021	6 132
Property, plant & equipment	134	59	50	52	34
Investments	394 166	388 160	406 061	438 807	490 810
Other	7	5	5	5	5
Total Non-Current Assets	394 307	388 224	406 116	438 864	490 849
Payables	998	1 383	1 380	1 387	1 283
Borrowings	836	729	0	0	0
Provisions	98	227	238	226	231
Other	1 421	1 941	2 052	2 309	4 112
Total Current Liabilities	3 353	4 280	3 670	3 922	5 626
Borrowings	0	0	0	0	0
Provisions	115	232	258	284	314
Total Non-Current Liabilities	115	232	258	284	314
Net Assets	393 494	387 768	406 194	438 679	491 041
Retained surpluses	393 494	387 768	406 194	438 679	491 041
Total Equity	393 494	387 768	406 194	438 679	491 041

Comment

The transfer of the Workplace Safety Board and the Forest Practices Board in 1998-99 and 1999-00 respectively account for the increase in several of the assets and liabilities. Administered cash increased in 1999-00 due to a larger balance carried forward for the Commonwealth funded Rail Infrastructure Fund and larger balances held at 30 June for funds collected on behalf of external bodies compared to the previous year. Borrowings have decreased to nil due to the payment in full of the Department's redundancy program debt.

Receivables have increased in 2002-03 due to a large account remaining unpaid and considered doubtful.

The administered investments represent the Ministerial share (one half) of the equity in Metro Tasmania Pty Ltd, Port Corporations, Aurora Energy Pty Ltd, Transend Networks Pty Ltd, TT Line Company Pty Ltd and TOTE Tasmania Pty Ltd. During 2002-03 the share of TT Line Company Pty Ltd was transferred to the Minister for Tourism Parks and Heritage under a restructure of administrative arrangements.

Other current liabilities represent funds awaiting transfer to third parties.

Administered Cash Flows

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations		48 639	50 854	51 631	54 685
Commonwealth grants		38 382	32 355	21 372	24 862
Receipts from customers		197 395	211 787	224 727	231 414
Payments to suppliers and employees		(283 226)	(297 031)	(298 032)	(310 724)
Interest received		15	118	46	64
Cash from operations		1 205	(1 917)	(256)	301
Payments for P, P & Equipment		(40)	(14)	(25)	(18)
Proceeds from sale of P, P & E		53	0	5	30
Cash used in investing activities		13	(14)	(20)	12
Net increase/(decrease) in cash		1 218	(1 931)	(276)	313
Cash at the beginning of the period		2 532	3 750	1 819	3 412
Cash at end of the period		3 750	1 819	1 543	3 725

Comment

The Department has only been required to prepare an administered statement of cash flows since 1999-00.

The line item of Payments to suppliers and employees includes payments made to the Consolidated Fund, principally Commonwealth grants for roads.

As a result of changing the classification of some transactions from administered to controlled, cash at the beginning of 2002-03 (\$3.412m) is not the same as cash at the end of 2001-02 of \$1.543m.

2.5 DEPARTMENT OF JUSTICE AND INDUSTRIAL RELATIONS

INTRODUCTION

The Department of Justice and Industrial Relations (DJIR) 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 and the Anti-Discrimination Commissioner. 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, the Office of Consumer Affairs and Fair Trading, the Tasmanian Industrial Commission, Workers Rehabilitation and Compensation Tribunal, Mental Health Tribunal, Guardianship Board and Industrial Relations Policy.

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

AUDIT OF THE 2001-02 FINANCIAL STATEMENTS

Signed financial statements of the Department were received on 2 September 2002, with amended statements received on 26 November 2002. An unqualified audit report was issued on the same day.

AUDIT OF THE 2002-03 FINANCIAL STATEMENTS

Signed financial statements of the Department were received on 29 August 2003, with amended statements received on 5 November 2003. An unqualified audit report was issued on 14 November 2003.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	48 632	50 868	53 825	55 333	63 313
Commonwealth grants	0	0	123	47	57
User charges, fees and fines	9 543	10 102	6 654	6 522	5 767
Other operating revenue	1 512	794	1 985	6 378	10 014
Non-operating revenue	(877)	172	0	0	1 371
Total Revenue	58 810	61 936	62 587	68 280	80 522
Depreciation	1 569	1 677	6 446	5 502	2 782
Employee expenses	41 125	41 344	40 823	41 260	48 310
Other operating expenses	18 448	20 771	19 778	25 512	28 877
Non-operating expenses	0	0	0	0	4 976
Total Expenses	61 142	63 792	67 047	72 274	84 945
Result from Ordinary Activities	(2 332)	(1 856)	(4 460)	(3 994)	(4 423)

Comment

Appropriations have increased steadily over the five years under review from \$48.632m in 1998-99 to \$63.313m in 2002-03.

User charges, fees and fines fell from \$10.102m in 1999-00 to \$6.654m in 2000-01 mainly because of decreased funding for:

- On-going maintenance projects, \$0.616m;
- The Workers Rehabilitation and Compensation Tribunal, \$0.851m; and
- Other charges of \$3.181m.

These movements were offset by an increase in charges for Conduct of elections of \$0.865m.

Other operating revenue increased from \$1.985m in 2000-01 to \$6.378m in 2001-02 largely because of increased revenue for:

- Legal Aid Recoveries, \$1.576m;
- Workers Rehabilitation and Compensation, \$1.130m;
- Essential Maintenance Prison, \$0.842m;
- Prison Canteen, \$0.400m;

- Essential Maintenance Magistrates Court, \$0.266m; and
- Law Library Integration Project, \$0.265m.

This trend continued with a further increase of \$3.636m in the 2002-03 financial year to \$10.014m. This increase includes \$1.335m due to a section 8A carry forward for the Prison Infrastructure Redevelopment Program, while \$1.465m is due to the recovery of Legal Aid salaries which were previously credited to employee expenses. In addition, there were a number of new projects funded during the year, including the Andrew Inglis Clarke Integrated Library (\$0.347m) and the Birth of a Child Project (\$0.250m).

The increase in Other operating revenue in 2001-02, \$4.393m, primarily results from the department netting off some revenues and expenses against one another in the prior year.

The negative amount reported under non-operating revenue in 1998-99 relates to the net adjustment for the transfer of activities from other departments, including the Tasmanian Industrial Commission, the Enterprise Commissioner and the Industrial Relations Policy and Workers Compensation Rehabilitation and Compensation Tribunal in a restructure of DJIR's operations.

The 2002-03 figure of \$1.371m for non-operating income represents the recognition of assets that the department owned but had not yet been brought to account and valued.

Depreciation and amortisation expenses increased from \$1.677m in 1999-00 to \$6.446m in 2000-01 due principally to a downward reassessment of the remaining useful life of the Risdon Prison buildings. The remaining life was reduced from 50 years to 6 years, following a decision to demolish the existing facility by 2007. The decrease in depreciation to \$5.502m in 2001-02 is due to the use of a reducing balance method of calculation of this depreciation charge. However, during the 2002-03 year, it was identified that the department would not be demolishing the entire prison and as a result, most of the useful lives of the prison's buildings were adjusted back to 50 years. Due to this decision, the depreciation expense has reduced to \$2.782m in the 2002-03 year.

The increase in Employee expenses to \$48.310m in 2002-03 is partly due to the fact that in prior years Legal Aid salary recoveries were offset against payroll expenses. This method of recording such costs ceased in 2002-03, which effectively increased payroll expenses by \$1.465m. In addition, full time equivalent employees (FTE's) increased by 50 during the year, and using average staff

cost per employee as a guide, this would account for approximately \$3.218m of the increase. The remainder of the variance can be attributable to salary award increases across the department as well as increases in annual and long service leave entitlements.

The increase noted in other operating expenses for the 2001-02 year is consistent with the respective increase in other operating revenues noted in that year as the department netted off some revenue and expenses against one another in 2000-01. The increase noted in 2002-03 is mainly due to consultancies in respect of the development of the prison infrastructure.

The amount disclosed as non-operating expenses in the 2002-03 year of \$4.976m is due to the write-down in the valuation of a range of non-current assets, including plant, equipment and vehicles and prison buildings and structures.

FINANCIAL POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	1 015	1 653	2 315	3 023	6 088
Receivables	941	1 092	1 480	1 796	728
Inventories	0	0	0	0	0
Other	399	201	251	252	318
Total Current Assets	2 355	2 946	4 046	5 071	7 134
Property, plant & equipment	81 843	80 625	74 381	69 371	76 492
Other	1 044	1 145	1 285	1 179	1 105
Total Non-Current Assets	82 887	81 770	75 666	70 550	77 597
Payables	1 429	2 344	981	1 221	871
Provisions	7 011	4 714	4 973	4 785	5 689
Other	0	0	0	263	0
Total Current Liabilities	8 440	7 058	5 954	6 269	6 560
Provisions	2 324	5 036	5 596	5 184	5 324
Other	0	0	0	0	0
Total Non-Current Liabilities	2 324	5 036	5 596	5 184	5 324
Net Assets	74 478	72 622	68 162	64 168	72 847
Reserves	0	0	0	0	13 102
Retained surpluses	74 478	72 622	68 162	64 168	59 745
Total Equity	74 478	72 622	68 162	64 168	72 847

Comment

The increase in cash in the 2002-03 year to \$6.088m is consistent with the movements noted within the Cash Flow Statement. For further analysis, refer the cash position segment that follows.

Receivables have decreased from \$1.796m in 2001-02 to \$0.728m in the 2002-03. This is due to the Department being more proactive in collection of outstanding debts, and also due to the fact that the prior year balance was inflated for a once-off debtor of \$0.291m due to the Law Foundation for the Justice Andrew Inglis Clarke Library at the Supreme Court.

The decrease in the Property, plant and equipment from \$80.625m in 1999-00 to \$69.371m in 2001-02 is due to the accelerated

depreciation charge in respect of the Risdon Prison buildings referred to earlier in this segment of the Report. The increase to \$76.492m in the 2002-03 year is due to the asset revaluation and identification process carried out by the Australian Valuation Office (AVO).

In the 1999-00 year, the decrease in current provisions to \$4.714m is offset with an equivalent increase in the non-current provision, which totalled \$5.036m. This adjustment was due to change in policy, whereby the current component of long service leave entitlements was defined as the amount actually expected to be taken by an employee in any given year.

The increase in current provisions noted in the 2002-03 year of \$0.904m is due to a rise in accrued salaries of \$0.342m, annual leave entitlements of \$0.309m and long service leave entitlements of \$0.253m. These increases are basically due to additional days being accrued, as well as an allowance for the salary award increases obtained during the year.

The amount disclosed as reserves in 2002-03 represents an asset revaluation reserve that was created as a result of the AVO revaluation noted previously.

CASH POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	48 632	50 868	53 826	55 333	63 313
Commonwealth grants	0	0	123	47	57
Receipts from customers	10 534	10 533	10198	11 375	16 500
Payments to suppliers and employees	(58 985)	(60 375)	(63 328)	(65 646)	(75 849)
Borrowing costs	(16)	0	0	0	0
Cash from operations	165	1 026	819	1 109	4 021
Payments for P, P & Equipment	(364)	(449)	(157)	(450)	(355)
Proceeds from sale of P, P & E	2	61	0	0	0
Cash used in investing activities	(362)	(388)	(157)	(450)	(355)
Net increase/(decrease) in cash	(197)	638	662	659	3 666
Cash at the beginning of the period	1 212	1 015	1 653	2 364	2 422
Cash at end of the period	1 015	1 653	2 315	3 023	6 088

Comment

The increase in appropriations received to \$63.313m in the 2002-03 year is consistent with the increase noted within the Financial Performance section of this summary for increases in Payments to suppliers and employees.

FINANCIAL ANALYSIS

	Bench Mark	1998-99	1999-00	2000-01	2001-02	2002-03
Financial Performance						
Result from operations (\$'000s)		(1 455)	(2 028)	(4 460)	(3 994)	(818)
Operating margin	>1.0	0.98	0.97	0.93	0.94	0.99
Financial Management						
Current ratio	>1	0.28	0.42	0.68	0.81	1.09
Debt collection	30 days	31	37	63	51	17
Creditor turnover	30 days	21	44	2	20	12
Other information						
Staff numbers FTEs		620	687	700	697	747
Average staff costs (\$'000s)		66	60	58	59	65

Comment

The Department has recorded a negative result from operations for each year covered by this analysis, although the recent 2002-03 year result of a \$0.818m loss is the best operating result within the five years under analysis.

The decrease in operating margin to 0.93 in 2000-01 and 0.94 in 2001-02 is principally due to the additional costs resulting from accelerated depreciation for the Risdon Prison building, which has been referred to earlier in the Report.

The Department had a significantly low current ratio in the 1998-99 year of 0.28. Since that year, the current ratio has steadily improved to a point where the ratio of 0.95 in the 2002-03 has almost reached the benchmark figure. The improvement noted in the 2000-01 year was related to the change in departmental policy on current long service leave entitlements. There were further

improvements in 2001-02, due to an increase in cash and debtor holdings, and 2002-03, due to an increase in cash.

The debt collection ratio is quite high for the 2000-01 year, but this is principally due to the decrease in user charges, fees and fines revenue, rather than a change in the collection of receivables. The decrease in 2001-02 is principally due to an increase in other operating revenue, rather than a change in the collection of receivables.

OVERALL COMMENT

The 2002-03 audit was completed with satisfactory results.

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 Statements of Financial Performance and Financial Position.

Administered Revenues and Expenses

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	3 745	2 943	3 676	4 724	3 632
Commonwealth grants	1 883	1 346	0	0	0
User charges, fees and fines	11 593	14 183	15 752	15 316	13 509
Other operating revenue	9 500	6 461	4 731	11 303	10 472
Total Revenue	26 721	24 933	24 159	31 343	27 613
Other operating expenses	9 864	6 185	6 081	10 341	8 330
Total Expenses	9 864	6 185	6 081	10 341	8 330
Result from operations	16 857	18 748	18 078	21 002	19 283
Transfer to Consolidated Fund	18 076	17 195	17 059	17 047	18 396
Net Result from Operations	(1 219)	1 553	1 019	3 955	887

Comment

The net results earned on administered transactions reflect the timing of funds received with respect to the fines collection system (FCS), which are then forwarded onto Treasury, as recorded in the Transfer to Consolidated Fund. Periods where a surplus is obtained identifies that there are revenues earned which have not been collected, and a deficit represents a collection of prior year revenues in the following year. These movements are reflected in the administered receivables noted in the following table.

Administered Assets and Liabilities

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	424	670	528	1 059	860
Receivables	5 652	5 985	7 204	10 590	11 212
Total Current Assets	6 076	6 655	7 732	11 649	12 072
Payables	445	506	673	673	221
Other	571	109	0	0	0
Total Current Liabilities	1 016	615	673	673	221
Other	585	12	12	12	0
Total Non-Current Liabilities	585	12	12	12	0
Net Assets	4 475	6 028	7 047	10 964	11 851
Retained surpluses	4 475	6 028	7 047	10 964	11 851
Total Equity	4 475	6 028	7 047	10 964	11 851

Comment

Consistent with the comments noted above regarding the FCS, the fluctuations in receivables are in line with the amounts noted for transfers to the consolidated fund. It should also be noted that the gross receivable totals are significantly higher than the net receivable shown above. This is due to a significant level of doubtful debts that are provided for. For example, in the 2002-03 year, gross receivables amounted to \$33.598m, with a provision for doubtful debts of \$19.999m and a provision for expected remissions of \$2.387m.

The level of doubtful debts has been significant for many years. However, for the year ended 2000-01 and 2001-02, the ratio of doubtful debts to total receivables has decreased moderately as the Fines Collection Unit has instigated new procedures to follow up these outstanding debts. This is reflected in the increase of \$4.604m in debtor balances between 1999-00 and 2001-02 in line with the increased expectation for recovery.

During the current year the Department commenced a major revamp of the business processes involved in fines collection which, at the time of writing this Report, is still in progress. At present it is too early to assess the effect on the collection process.

The item under other current liabilities of \$0.571m in 1998-99 and other non-current liabilities of \$0.585m in 1998-99 reflects amounts owing to the Government for the employee rationalisation program.

Administered Cash Flows

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations			3 676	4 712	3 632
Commonwealth grants					
Receipts from customers			17 224	23 212	23 373
Payments to suppliers and employees			(21 042)	(27 355)	(27 204)
Cash from operations			(142)	569	(199)
Net increase/(decrease) in cash			(142)	569	(199)
Cash at the beginning of the period			670	490	1 059
Cash at end of the period			528	1 059	860

Comment

As noted above cash movements are basically a reflection of the timing of funds received with respect to the fines collection system.

2.6 DEPARTMENT OF POLICE AND PUBLIC SAFETY

INTRODUCTION

The Department of Police and Public Safety includes Tasmania Police, the State Emergency Service and Forensic Science Services Tasmania. Tasmania Police comprises four geographic districts assisted by specialised police support units.

The Department is responsible for:

- The maintenance of public order;
- Public safety and security;
- The prevention of crime;
- The detection and prosecution of offenders;
- Traffic law enforcement and road safety education;
- The protection of the State's fishing and poppy industries;
- Emergency management; and
- Forensic Science Services.

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

AUDIT OF THE 2002-03 FINANCIAL STATEMENTS

The financial statements signed by the Commissioner for Police, as Secretary of the Department of Police and Public Safety, were received on 3 October 2003. An unqualified audit report was issued on 6 October 2003.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	97 007	103 973	107 194	112 446	117 316
Commonwealth grants	0	0	856	229	430
User charges, fees and fines	0	0	1 577	2 027	2 238
Other operating revenue	4 044	4 155	3 046	5 207	4 433
Non-operating revenue	0	0	219	1 329	590
Total Revenue	101 051	108 128	112 892	121 238	125 007
Depreciation	2 494	2 344	1 788	1 363	1 325
Employee expenses	84 582	83 384	84 176	92 894	94 525
Other operating expenses	21 246	22 595	27 062	29 268	30 163
Non-operating expenses	184	0	668	858	394
Total Expenses	108 506	108 323	113 694	124 383	126 407
Result from Ordinary Activities	(7 455)	(195)	(802)	(3 145)	(1 400)

Comment

Prior to 2000-01, user charges, fees and fines and Commonwealth grants were not separately identified.

Other operating revenue in 2001-02 included an amount of \$2.600m in respect of the Infrastructure Fund, which was spent on building and infrastructure maintenance.

Non-operating revenue in 2001-02 included \$0.808m, representing the value of Forensic Science laboratory plant and equipment that the Department recently acquired at no cost from the Department of Primary Industries, Water and Environment.

Depreciation has decreased in the last two years due to changes in the useful lives of buildings. Other operating expenses increased due mainly to the Department taking control of Forensic Science Services in 2000-01.

Employee expenses increased in 2001-02 due mainly to salary indexation and staff numbers increasing by 40 FTEs, as part of the Government's commitment to employ 1 100 Police Officers.

Other operating expenses increased in 2000-01 due principally to the Department taking control of Forensic Science Services. Further increases in 2001-02 include \$1.800m relating to building and infrastructure maintenance.

Whilst it is not unusual for a department to have a negative result from ordinary activities, the large deficit in 1998-99 was due principally to increases in employee costs, particularly the 1998 Police Force Enterprise Agreements. The deficit in 2001-02 can also be attributed to increases in employee expenses as mentioned above.

FINANCIAL POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	221	718	2 334	2 445	683
Receivables	34	110	919	698	682
Inventories	476	383	387	378	359
Other	137	1 023	159	0	168
Total Current Assets	868	2 234	3 799	3 521	1 892
Property, plant & equipment	59 532	57 713	57 126	58 063	58 525
Total Non-Current Assets	59 532	57 713	57 126	58 063	58 525
Payables	2 697	1 920	1 452	1 756	1 902
Provisions	23 974	25 422	14 933	16 303	16 452
Other Current Liabilities	0	0	0	1 928	775
Total Current Liabilities	26 671	27 342	16 385	19 987	19 129
Provisions	3 405	3 337	14 327	14 526	15 623
Other	46	0	0	0	0
Total Non-Current Liabilities	3 451	3 337	14 327	14 526	15 623
Net Assets	30 278	29 268	30 213	27 071	25 665
Reserves	0	0	1 748	1 748	1 748
Retained surpluses	30 278	29 268	28 465	25 323	23 917
Total Equity	30 278	29 268	30 213	27 071	25 665

Comment

Cash balances vary from year to year depending on amounts held in the Operating Trust Account.

Receivables increased significantly in 2000-01 due to a GST receivable component.

The basis of classification of provisions between current and non-current altered in 2000-01. The current component now includes only those amounts for long service leave that the Department expects to expense during the following year.

Other current liabilities for 2001-02 represented appropriation monies, \$1.928m, carried forward to 2002-03

A revaluation of the Department's buildings in 2000-01 resulted in the creation of an asset revaluation reserve.

CASH POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	97 007	103 973	107 194	114 374	117 666
Commonwealth grants	0	0	864	331	430
Receipts from customers	4 014	4 181	6 570	10 433	7 662
Payments to suppliers and employees	(100 567)	(106 149)	(113 110)	(123 301)	(125 402)
Cash from operations	454	2 005	1 518	1 837	356
Payments for P, P & Equipment	(450)	(1 583)	(121)	(1 779)	(2 182)
Proceeds from sale of P, P & E	60	75	219	52	67
Cash used in investing activities	(390)	(1 508)	98	(1 727)	(2 115)
Net increase/(decrease) in cash	64	497	1 616	110	(1 759)
Cash at the beginning of the period	157	221	718	2 334	2 444
Cash at end of the period	221	718	2 334	2 444	685

Comment

The increase in appropriations in 2001-02 included the provision of salary indexation and additional funding for new initiatives.

Receipts from customers increased in 2000-01 due principally to GST refunds of \$2.300m. Further increases in 2001-02 include Infrastructure Program funds of \$2.600m. As these funds are not classified as Appropriations in the Budget, they are reported under this category.

Payments to suppliers and employees increased in 2000-01 due mainly to GST payments, \$2.500m, employee entitlements, \$2.000m, and the Department taking control of Forensic Science Services for the first time. Further increases in 2001-02 included \$6.800m in respect of employee entitlements.

FINANCIAL ANALYSIS

	Bench Mark	1998-99	1999-00	2000-01	2001-02	2002-03
Financial Performance						
Result from operations (\$'000s)		(7 271)	(195)	(353)	(3 616)	(1 596)
Operating margin	>1.0	0.93	1.00	1.00	0.97	0.99
Financial Management						
Debt collection	30 days	3	10	31	17	27
Creditor turnover	30 days	47	31	24	22	25
Other information						
Staff numbers FTEs		1,409	1,421	1,474	1,517	1,503
Average staff costs (\$'000s)		60	59	57	61	63

Comment

Staff numbers and staff costs include both sworn and unsworn officers.

Average staff costs increased in 2001-02 due primarily to salary indexation.

OVERALL COMMENT

The 2002-03 Audit was completed with generally satisfactory results.

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 Statement of Financial Performance or Statement of Financial Position.

Administered Revenues and Expenses

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	200	341	0	0	0
Commonwealth grants	2 311	0	0	0	0
User charges, fees and fines	907	779	492	2 159	1 193
Other operating revenue	1 699	987	156	181	0
Total Revenue	5 117	2 107	648	2 340	1 193
Depreciation	173	189	0	0	0
Other operating expenses	2 222	2 411	766	746	0
Total Expenses	2 395	2 600	766	746	0
Result from operations	2 722	(493)	(118)	1 594	1 193
Transfer to Consolidated Fund	0	722	443	2 159	1 193
Net Result from Operations	2 722	(1 215)	(561)	(565)	0

Comment

The Commonwealth grants received in 1998-99 relate to the Firearms buy-back scheme.

User charges, fees and fines increased in 2001-02 due to firearm licence renewals which occurs on a five yearly cycle. This in turn resulted in increased transfers to the Consolidated Fund in the same year. From July 2002, Road Accident Rescue Training activities were transferred from being an administered component to a controlled component and this accounts for the significant reduction in User charges, fees and fines in 2002-03.

Revenues and expenses decreased during 2000-01 due principally to the transfer of the Remus Consortium to the Department of Premier and Cabinet.

Administered Assets and Liabilities

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	2 545	1 163	559	(3)	0
Other	0	0	0	0	0
Total Current Assets	2 545	1 163	559	(3)	0
Property, plant & equipment	345	187	0	0	0
Total Non-Current Assets	345	187	0	0	0
Payables	8	4	0	3	0
Borrowings	240	125	0	0	0
Provisions	47	33	0	0	0
Other	66	21	0	0	0
Total Current Liabilities	361	183	0	3	0
Borrowings	110	0	0	0	0
Provisions	24	47	0	0	0
Total Non-Current Liabilities	134	47	0	0	0
Net Assets	2 395	1 120	559	(6)	0
Retained surpluses	2 395	1 120	559	(6)	0
Total Equity	2 395	1 120	559	(6)	0

Comment

Assets and Liabilities decreased during 2000-01 due principally to the transfer of the Remus Consortium to the Department of Premier and Cabinet.

From July 2002, Road Accident Rescue Training activities were transferred from being an administered component to a controlled component.

Administered Cash Flows

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Receipts from customers			648	2 339	1 193
Payments to suppliers and employees			(1 127)	(2 901)	(1 193)
Cash from operations			(479)	(562)	0
Repayment of borrowings			(125)	0	0
Cash from financing activities			(125)	0	0
Net increase/(decrease) in cash			(604)	(562)	0
Cash at the beginning of the period			1 163	559	0
Cash at end of the period			559	(3)	0

Comment

Departments have only been required to prepare administered cash flow statements from the year ended 30 June 2001. Comparative figures for the prior year were not provided.

Receipts from customers and payments increased in 2001-02 due to firearm licence renewal fees that are collected by the Department and forwarded to the Consolidated Fund.

2.7 DEPARTMENT OF PREMIER AND CABINET

INTRODUCTION

The Department provides a range of services to support the Premier, the Cabinet and other Members of Parliament.

The Department comprises the Executive Division, Policy Division, Office of Parliamentary Counsel, Tasmanian Government Office, Canberra, Government Information and Services Division including the Telecommunications Management Division, Office of the State Service Commissioner, Multicultural Tasmania, Women Tasmania, Office of Aboriginal Affairs, Seniors Bureau, Local Government Division, the Tasmania *Together* Progress Board Secretariat and the Corporate Services Division.

The Portfolio Ministers to whom the Department is responsible include the Premier, the Minister assisting the Premier on Local Government and the Minister for Women Tasmania.

AUDIT OF THE 2002-03 FINANCIAL STATEMENTS

Signed financial statements of the Department of Premier and Cabinet were received on 29 August 2003 and an unqualified audit report was issued on 26 September 2003.

FINANCIAL RESULTS

With effect from 1 July 2002, the Telecommunications Management Division (TMD) has been treated as a "controlled" activity of the Department. It was previously treated as an "administered" activity and is the reason for significant variations between 2001-02 and 2002-03 figures.

FINANCIAL PERFORMANCE

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	26 630	26 491	26 960	30 627	32 437
Commonwealth grants	0	1 645	2 444	897	1 698
User charges, fees and fines	5 284	4 484	4 784	4 850	24 102
Other operating revenue	3 105	840	1 339	1 982	3 113
Non-operating revenue	922	25	2	0	0
Total Revenue	35 941	33 485	35 529	38 356	61 350
Depreciation	146	152	124	120	654
Employee expenses	17 448	17 193	18 311	18 665	25 291
Other operating expenses	17 575	15 593	16 206	19 995	35 055
Non-operating expenses	26	536	5	0	0
Total Expenses	35 195	33 474	34 646	38 780	61 000
Result from Ordinary Activities	746	11	883	(424)	350

Comment

Increased appropriations in 2001-02 were mainly due to Centenary of Federation Celebrations and increased costs associated with *Service Tasmania* shops.

Prior to 1999-00, Commonwealth grants were not separately disclosed. A reduction in grants in 2001-02 is due to a winding down of telecommunications funding. In 2002-03 TMD received a Communications Funding Grant of \$0.700m.

User charges, fees and fines increased in 2002-03 due to the inclusion of TMD operations. TMD revenues increased in 2002-03 due to a consolidation of department-wide phone services with Tasinet.

Other operating revenue increased in 2002-03 due to additional infrastructure funding for a number of projects.

Other operating expenses increased in 2001-02 due primarily to costs related to Centenary of Federation events and increased costs associated with the operation of *Service Tasmania* shops. Increases in 2002-03 are due to the inclusion of TMD operations and a consolidation of department-wide phone services with Tasinet, in line with the increased Tasinet revenue.

FINANCIAL POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	1 951	2 476	3 457	3 127	4 541
Receivables	360	285	825	795	4 448
Other	195	335	248	225	968
Total Current Assets	2 506	3 096	4 530	4 147	9 957
Property, plant & equipment	905	341	348	353	1 315
Total Non-Current Assets	905	341	348	353	1 315
Payables	295	182	323	402	2 790
Provisions	2 083	2 269	2 419	2 360	3 629
Total Current Liabilities	2 378	2 451	2 742	2 762	6 419
Provisions	2 226	2 168	2 435	2 462	2 880
Total Non-Current Liabilities	2 226	2 168	2 435	2 462	2 880
Net Assets	(1 193)	(1 182)	(299)	(724)	1 973
Retained surpluses	(1 193)	(1 182)	(299)	(724)	(1 973)
Total Equity	(1 193)	(1 182)	(299)	(724)	(1 973)

Comment

Receivables have increased in 2002-03 due to the inclusion of TMD operations and extra activity associated with the consolidation of phone services as mentioned above.

Property, plant and equipment reduced in 1999-00 due to the transfer of the Ministerial Vehicle Fleet to the Department of Treasury and Finance.

Payables have increased in 2002-03 due to the inclusion of TMD operations and increased revenue received in advance.

As noted above, the increases for 2002-03 compared to the prior year are due to the classification of TMD's transactions as controlled rather than administered.

CASH POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	26 630	26 491	26 960	30 627	32 437
Commonwealth grants	0	1 645	2 444	897	1 243
Receipts from customers	8 196	5 397	7 421	9 408	37 973
Payments to suppliers and employees	(35 073)	(32 907)	(35 710)	(41 136)	(71 057)
Cash from operations	(247)	626	1 115	(204)	596
Payments for P, P & Equipment	(519)	(126)	(136)	(126)	(586)
Proceeds from sale of P, P & E	503	25	2	0	0
Cash used in investing activities	(16)	(101)	(134)	(126)	(586)
Net increase/(decrease) in cash	(263)	525	981	(330)	10
Cash at the beginning of the period	2 214	1 951	2 476	3 457	4 531
Cash at end of the period	1 951	2 476	3 457	3 127	4 541

Comment

Increased appropriations in 2001-02 were due mainly to Centenary of Federation Celebrations and increased costs associated with *Service Tasmania* shops.

Prior to 1999-00, Commonwealth grants were not separately disclosed.

Increased receipts from customers in 2001-02 resulted from Infrastructure Fund funding of \$0.904m and greater GST activity.

Payments to suppliers increased in 2001-02 due primarily to costs related to Centenary of Federation events and increased costs associated with the operation of *Service Tasmania* shops.

As noted above, the increases for 2002-03 compared to the prior year are due to the classification of TMD's transactions as controlled rather than administered.

FINANCIAL ANALYSIS

	Bench Mark	1998-99	1999-00	2000-01	2001-02	2002-03
Financial Performance						
Result from operations (\$'000s)		(150)	522	886	(424)	350
Financial Management						
Debt collection	30 days	16	20	49	42	38
Creditor turnover	30 days	11	7	13	7	14
Other information						
Staff numbers FTEs		327	337	360	367	391
Average staff costs (\$'000s)		53	51	51	51	65

Comment

The debt collection statistic indicates an improvement with the collection of outstanding debts. Issues raised during the 2001-02 Audit have been resolved and revised debt management procedures were implemented during 2002-03.

The low creditor turnover statistic indicates a short turn-around in the payment of creditors.

The higher average staff costs in 2002-03 result from the inclusion of TMD expenses as "controlled" rather than "administered". TMD staff were previously included in the staff numbers (FTEs).

OVERALL COMMENT

The 2002-03 Audit was completed with satisfactory results.

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 Statements of Performance or Financial Position.

With effect from 1 July 2002, the Telecommunications Management Division (TMD) has been treated as a "controlled" activity of the Department. It was previously treated as an "administered" activity and is the reason for significant variations between 2001-02 and 2002-03 figures.

Administered Revenues and Expenses

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	1 732	1 774	1 836	1 762	1 949
Commonwealth grants	42 316	27 174	1 810	3 571	2 981
User charges, fees and fines	14 166	14 465	15 587	17 715	0
Other revenue	33	295	558	101	45
Total Revenue	58 247	43 708	19 791	23 149	4 975
Depreciation	0	158	298	561	0
Transfers to third parties	37 876	24 525	2 060	2 539	3 522
Grants and subsidies	1 152	1 575	1 461	1 338	1 438
Other expenses	14 350	14 739	16 140	17 618	521
Total Expenses	53 378	40 997	19 959	22 056	5 481
Result from operations	4 869	2 711	(168)	1 093	(506)
Transfer to Consolidated Fund	30	44	9	24	34
Net Result from Operations	4 839	2 667	(177)	1 069	(540)

Comment

Commonwealth grants reduced significantly in 2000-01 due to a pause in funding under the Regional Forest Agreement.

User charges, fees and fines and other expenses have increased in 2001-02 principally due to the Department taking over responsibility for the mobile phone contract for all agencies and the Oracle whole of government licences.

Transfers to third parties principally involve the disbursement of Regional Forest Agreement funds to government agencies/authorities, which fluctuate from year to year.

Transfers to the Consolidated Fund consist of fees and charges collected by the Department on behalf of the Government.

Administered Assets and Liabilities

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	13 082	15 399	14 994	17 054	15 244
Receivables	2 340	2 453	2 526	2 736	11
Other	251	310	377	523	0
Total Current Assets	15 673	18 162	17 897	20 313	15 255
Property, plant & equipment	267	371	674	944	0
Total Non-Current Assets	267	371	674	944	0
Payables	688	615	587	1 054	0
Provisions	534	704	897	939	10
Other	123	127	129	1 060	0
Total Current Liabilities	1 345	1 446	1 613	3 053	10
Other	0	0	0	166	0
Provisions	116	40	88	98	0
Total Non-Current Liabilities	116	40	88	264	0
Net Assets	14 479	17 047	16 870	17 940	15 245
Retained surpluses	14 479	17 047	16 870	17 940	15 245
Total Equity	14 479	17 047	16 870	17 940	15 245

Comment

Property, plant and equipment increased in 2000-01 due principally to the acquisition of the Remus Consortium assets of \$0.253m.

Payables increased in 2001-02 due mainly to the Department taking over responsibility for the mobile phone contract for all agencies.

Other current liabilities increased in 2001-02 due to revenue billed in advance of \$0.850m.

Retained surpluses consist predominantly of Regional Forest Agreement monies that are awaiting disbursement.

Administered Cash Flows

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations		1 774	1 836	1 762	1 949
Commonwealth grants		27 263	1 811	3 552	3 010
Receipts from customers		14 611	17 505	20 331	34
Payments for employee entitlements		(2 970)	(3 220)	(4 317)	0
Other		(38 088)	(17 927)	(18 437)	(5 505)
Interest received		0	4	0	0
Cash from operations		2 590	9	2 891	(512)
Payments for P, P & Equipment		(274)	(414)	(831)	0
Proceeds from sale of P, P & E		1	0	0	0
Cash used in investing activities		(273)	(414)	(831)	0
Net increase/(decrease) in cash		2 317	(405)	2 060	(512)
Cash at the beginning of the period		13 082	15 399	14 994	15 756
Cash at end of the period		15 399	14 994	17 054	15 244

Comment

The Department has only been required to prepare administered cash flow statements from 1999-00.

The reduction of Commonwealth grants and other expenditures in 2000-01 is due to a pause in funding under the Regional Forest Agreement.

Receipts from customers increased in 2001-02 due mainly to the Department taking over responsibility for the mobile phone contract for all agencies.

2.8 DEPARTMENT OF PRIMARY INDUSTRIES, WATER AND ENVIRONMENT

INTRODUCTION

The Department was restructured in August 2002 under the *State Service (Restructuring) Order (No 2) 2002*. The effect of this resulted in the Parks and Wildlife Service Division, the Tasmanian Heritage Office and the Tasmanian Botanical Gardens being transferred to the new Department of Tourism, Parks, Heritage and the Arts.

The Department's mission is to advance Tasmania's prosperity through sustainable development of our natural resources and conservation of our natural heritage.

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

AUDIT OF THE 2002-03 FINANCIAL STATEMENTS

Signed financial statements of the Department were received on 1 September 2003 with final amended statements being received on 28 October 2003. An unqualified audit report was issued on 29 October 2003.

FINANCIAL RESULTS

As the Department was restructured in August 2002, a number of figures for 2002-03 are not comparable with previous years. In addition a review of controlled and administered activities was undertaken during 2002-03, which resulted in a number of re-classifications.

FINANCIAL PERFORMANCE

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	78 497	77 365	81 138	82 501	75 901
Commonwealth grants	4 990	32 536	31 996	28 168	13 681
User charges, fees and fines	14 829	11 418	12 466	9 934	8 645
Other operating revenue	15 601	15 235	15 340	19 524	35 276
Non-operating revenue	7 601	2 051	2 243	48 802	3 667
Total Revenue	121 518	138 605	143 183	188 929	137 170
Depreciation	7 151	7 639	7 002	9 382	3 726
Employee expenses	65 981	68 062	67 751	70 309	61 409
Other operating expenses	54 204	56 622	64 643	65 750	65 693
Non-operating expenses	0	265	14 561	11 340	1 984
Total Expenses	127 336	132 588	153 957	156 781	132 812
Result from Ordinary Activities	(5 818)	6 017	(10 774)	32 148	4 358

Comment

Commonwealth grants increased significantly from 1999-00 due to the receipt of Natural Heritage Trust funds that were previously administered by the Department of Premier and Cabinet. The reduction in 2002-03 reflects the recent restructure.

The higher level of User charges, fees and fines in 1998-99 was due in part to the recovery of operating costs associated with the commencement of *Service Tasmania* shops. The reduction in 2001-02 represents a reclassification between controlled and administered components for Lands Titles Office fees of approximately \$3.000m.

Other operating revenue increased in 2001-02 due mainly to a revised costing system that no longer allows the netting of expense recoveries. The increase in 2002-03 includes Infrastructure funding of \$1.625m and revenue of \$7.700m in relation to grants and subsidies previously classified as administered.

Non-operating revenue increased in 2001-02 due principally to the take-on of previously unrecorded land and buildings to the value of \$12.927m, and an adjustment of an error from the previous year of \$35.839m relating to non-current assets.

The higher depreciation expense in 1999-00 was attributable to additional Property, plant and equipment being brought to account in that year. The increase in depreciation in 2001-02 was due largely to a revaluation increase of \$7.473m in plant and equipment in June 2001. The decrease in 2002-03 reflects a reduction in assets due to the restructure.

Other operating expenses were higher in 2000-01. This increase was mainly attributable to the commencement and ongoing costs of *Service Tasmania* shops. In 2001-02, expenses in respect to Grants and Subsidies increased by \$2.600m.

Non-operating expenses in 2000-01 was due to a downwards revaluation of land and in 2001-02 a downward revaluation of buildings.

FINANCIAL POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	25 994	36 964	41 706	43 537	53 052
Receivables	2 974	1 372	1 321	2 775	7 329
Inventories	2 126	2 162	2 016	2 016	1 931
Other	0	1 040	1 935	628	1 140
Total Current Assets	31 094	41 538	46 978	48 956	63 452
Property, plant & equipment	344 347	428 605	462 540	466 880	205 540
Receivables	0	0	0	187	10 155
Total Non-Current Assets	344 347	428 605	462 540	467 067	215 695
Payables	1 471	1 888	1 596	2 145	1 545
Provisions	11 750	17 307	8 070	8 112	6 698
Other	166	69	176	2 644	3 914
Total Current Liabilities	13 387	19 264	9 842	12 901	12 157
Provisions	5 772	1 699	11 120	11 343	9 958
Other	0	3 004	2 022	1 665	1 308
Total Non-Current Liabilities	5 772	4 703	13 142	13 008	11 266
Net Assets	356 282	446 176	486 534	490 114	255 724
Reserves	2 638	2 638	53 771	25 203	6 821
Retained surpluses	353 644	443 538	432 763	464 911	248 903
Total Equity	356 282	446 176	486 534	490 114	255 724

Comment

The increase in Cash in previous years was due to Natural Heritage Trust funding and Savage River remediation. As at 30 June 2002 the balances held for each were \$7.118m and \$11.145m respectively. In 2002-03, cash increased due to a transfer of funds from administered to controlled activities.

Other Current Assets includes accrued income and prepaid rent.

Property, plant and equipment from 1998-99 included land in National Parks and Conservation Areas that had previously not been valued and from 1999-00 included Crown land and reserves that had previously not been valued. Increases in 2000-01 included \$28.178m for the recognition of buildings not previously recorded.

The decrease in 2002-03 reflects a reduction in assets due to the restructure.

Receivables increased in 2002-03 due to a reclassification from administered to controlled activities.

Provisions are comprised solely of employee entitlements. The liability increased in 1999-00 due mainly to higher leave balances. Variations within current and non-current segments were a result of changes in the method of calculation of the current portion of employee entitlements. The decrease in 2002-03 reflects a reduction in staff numbers due to the restructure.

Other current liabilities in 2001-02 include appropriation funds of \$2.300m carried forward to 2002-03.

Other Non-current liabilities from 1999-00 included a finance lease for the Lands Building fit out, which was previously reported by the Department of Treasury and Finance.

Reserves from 1998-99 included an asset revaluation reserve for the research vessel *Challenger*. The increase in 2000-01 was a result of revaluations of property, plant and equipment and the reduction in 2001-02 was due mainly to a correction of a previous year's error in respect to building revaluations. The decrease in 2002-03 reflects a reduction in assets due to the restructure.

CASH POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	78 497	77 365	81 138	84 801	78 201
Commonwealth grants	4 990	32 536	31 996	28 168	13 681
Receipts from customers	36 440	30 270	30 889	28 233	40 757
Payments to suppliers and employees	(119 576)	(124 233)	(135 642)	(134 761)	(128 275)
Cash from operations	351	15 938	8 381	6 441	4 364
Payments for P, P & Equipment	(1 698)	(4 970)	(4 254)	(4 646)	(1 993)
Proceeds from sale of P, P & E	779	2	615	36	3 151
Cash used in investing activities	(919)	(4 968)	(3 639)	(4 610)	1 158
Net increase/(decrease) in cash	(568)	10 970	4 742	1 831	5 522
Cash at the beginning of the period	26 562	25 994	36 964	41 706	47 530
Cash at end of the period	25 994	36 964	41 706	43 537	53 052

Comment

Reasons for variations in Cash flow amounts and Cash balances reflect the comments made for variations in the Statement of Financial Performance and movements in the Cash amount in the Statement of Financial Position.

FINANCIAL ANALYSIS

	Bench Mark	1998-99	1999-00	2000-01	2001-02	2002-03
Financial Performance						
Result from operations (\$'000s)		(13 419)	4 231	1 544	(5 314)	2 675
Operating margin	>1.0	0.89	1.03	1.01	0.96	1.02
Financial Management						
Debt collection	30 days	73	44	18	31	186
Creditor turnover	30 days	11	16	12	15	15
Other information						
Staff numbers FTEs		1 364	1 374	1 404	1 443	1 043
Average staff costs (\$'000s)		48	50	48	49	59

Comment

The Department's results from operations do fluctuate from year to year and it is not unusual for departments generally to have deficits. The large deficit in 1998-99 was mainly attributable to the commencement of *Service Tasmania* shops.

The high debt collection statistic for 2002-03 is due principally to a large debt owed by Australian Bulk Minerals. This debtor was previously shown as an administered item in 2001-02, hence the reason for the sudden change in the statistic.

Staff numbers for 2002-03 have declined due to the Agency's restructure as mentioned above, however Average staff costs have increased. Reasons for this increase include changes in staff profile and methodology used in calculation of FTE statistics.

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 Statements of Financial Performance and Financial Position.

As the Department was restructured in August 2002, a number of figures for 2002-03 are not comparable with previous years.

Administered Revenues and Expenses

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	11 993	11 462	12 449	12 781	0
Commonwealth grants	11 548	10 861	5 690	6 027	0
User charges, fees and fines	29 630	33 175	37 176	32 239	36 547
Service Tasmania collections	132 475	168 799	187 218	0	0
Other revenue	43 661	15 332	19 889	34 065	2 413
Total Revenue	229 307	239 629	262 422	85 112	38 960
Grants and subsidies	16 917	17 676	16 665	18 048	0
Service Tasmania transfers	132 475	168 799	187 218	0	0
Transfers to other agencies	16 538	0	0	0	0
Other expenses	7 621	5 642	9 952	5 165	0
Total Expenses	173 551	192 117	213 835	23 213	0
Result from operations	55 756	47 512	48 587	61 899	38 960
Transfer to Consolidated Fund	51 578	41 265	50 943	52 264	38 851
Net Result from Operations	4 178	6 247	(2 356)	9 635	109

Comment

Commonwealth grants were higher in 1998-99 and 1999-00 due to receipts associated with the Regional Forest Agreement. From 2002-03 these grants, along with appropriations, have been classified as controlled.

User Charges, Fees and Fines increased during 1999-00 and 2000-01 because of higher abalone royalties and marine farm licences. The change in 2002-03 was principally due to increases in Land Titles Office collections.

The Department is the lead agency for *Service Tasmania*. Collections have been increasing since shops were first set up in 1997-98, mainly due to the number of shop-fronts and increasing products. All revenues are transferred to client agencies. From 2001-02, under revised Treasurer's Instructions, *Service Tasmania* collections and transfers no longer form part of the Department's administered activities.

Other revenue was higher in 1998-99 as a result of the collocation lease of the Royal Hobart Hospital and greater activity in the asset sales program processed through the Crown Land Administration Fund. The increase in 2001-02 includes a receivable being brought to account for the first time of \$14.040m relating to the remediation of the Savage River site. The reduction in 2002-03 is due to a reclassification to controlled.

Expenditures related to grants and subsidies and other have been classified as controlled from 2002-03.

Transfers to other agencies for 1998-99, \$16.538m, was a transfer to the Department of Health and Human Services of proceeds from the sale of the Queen Alexandria Hospital.

Administered Assets and Liabilities

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	8 593	15 443	11 593	11 085	0
Receivables	2 140	2 051	3 491	13 483	930
Investments	625	625	625	625	0
Other	253	253	253	253	0
Total Current Assets	11 611	18 372	15 962	25 446	930
Receivables	373	0	0	0	0
Total Non-Current Assets	373	0	0	0	0
Other	63	245	191	40	0
Total Current Liabilities	63	245	191	40	0
Net Assets	11 921	18 127	15 771	25 406	930
Retained surpluses	11 921	18 127	15 771	25 406	930
Total Equity	11 921	18 127	15 771	25 406	930

Comment

Administered Cash has increased in the past due to funds being held in the Crown Lands Administration Fund. As from 2002-03 this has now been transferred to controlled.

Receivables in 2001-02 include a \$14.040m debt being raised for the first time relating to the remediation of the Savage River site. In 2002-03 this item was transferred to controlled.

As from 2002-03 investments and other current assets have been classified as controlled.

Other current liabilities are prepayments of fishing licences. In 2002-03 these were reclassified as controlled.

Administered Cash Flows

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations		11 462	12 449	12 781	0
Commonwealth grants		10 861	5 690	6 027	0
Receipts from customers		28 390	39 388	38 786	36 438
Other cash receipts		189 519	202 884	17 375	2 413
Grants and subsidies		(17 676)	(16 665)	(18 048)	0
Payments to suppliers and employees		(5 642)	(9 435)	(5 165)	0
Transfers to Consolidated Fund		(41 265)	(50 943)	(52 264)	(38 851)
Transfers to other agencies		(168 799)	(187 218)	0	0
Transfers to controlled activities		0	0	0	(11 085)
Cash from operations		6 850	(3 850)	(508)	(11 085)
Net increase/(decrease) in cash		6 850	(3 850)	(508)	(11 085)
Cash at the beginning of the period		8 593	15 443	11 593	11 085
Cash at end of the period		15 443	11 593	11 085	0

Comment

Departments have only been required to prepare administered Cash Flows for the last four years. Reasons for variations in Cash flow amounts and Cash balances reflect the comments made for variations in the Schedule of Revenues and Expenses and

movements in the Cash amount in the Schedule of Assets and Liabilities.

Savage River Rehabilitation Project

The Savage River Mine in Northwest Tasmania has been producing magnetite concentrate since 1967. Operations over the first 30 years of mine life have caused environmental harm to the Savage River catchment area. The principal cause of degradation is acid drainage emanating from tonnes of waste rock deposited in dumps around the site.

In December 1996 Goldamere Pty Ltd, trading as Australian Bulk Minerals (ABM), entered into an agreement with the Crown to purchase the Savage River Mine and Port Latta Pelletising Plant. This agreement provided for ABM to pay \$13.000m to the State in installments in order to fund the remediation of pollution arising from historical mining operations. The debt was secured by a letter of credit. In November 1998 the Government released the letter of credit arrangement and replaced it with an equal second ranking security over the assets of Australian Bulk Minerals, jointly with the principal banker of Goldamere Pty Ltd.

Between 1996 and 2002, only a small portion of the debt had been repaid by ABM and unpaid interest had been accumulating.

The State Government entered into a Deed of Variation with ABM in October 2002, in which:

- Interest of \$2.008m was added to the purchase price, now becoming \$14.066m;
- The purchase price to be increased in accordance with CPI; and
- A bank guarantee of \$2.800m to be provided by Goldamere Pty Ltd as security for the debt.

The bank guarantee has been provided by Australian Bulk Minerals. Changes in agreements since 1996 have considerably weakened the security arrangements for the Government, should the company fail in its commitments.

The Department recently advised that:-

" A Strategic Plan of rehabilitation works has been developed that will see the debt owed by ABM recovered over the life of the Plan. The Board of Environmental Management and Pollution Control has

recently endorsed the Plan. Under the agreement the bank guarantee cannot be called upon for non-payment of interest because the interest has been capitalized. The agreement was arranged by the Department of Economic Development."

The outstanding balance shown as a receivable as at 30 June 2003 was \$14.439m, comprising \$12.000m for remediation works and \$2.439m in accrued interest. Of that amount, \$4.380m has been shown as a current liability, as it is expected that this value of work will be completed by ABM by June 2004. There is no provision for doubtful debts attached to the receivable in the financial statements.

2.9 DEPARTMENT OF TOURISM, PARKS, HERITAGE AND THE ARTS

INTRODUCTION

The Department of Tourism, Parks, Heritage and the Arts was established in July 2002 under the *Administrative Arrangements Order (No 2) 2002*.

The Department's areas of responsibility during 2002-03 included:

- Tourism;
- Parks and Wildlife Management; and
- Heritage and the Arts.

As at 30 June 2003 the Responsible Minister was the Minister for Tourism, Parks and Heritage and the Minister for the Arts.

AUDIT OF THE 2002-03 FINANCIAL STATEMENTS

Signed financial statements of the Department were received on 22 October 2003. An unqualified audit report was issued on 28 October 2003.

FINANCIAL RESULTS

Due to the formation of the new Department in July 2002, financial information has only been provided for 2002-03.

FINANCIAL PERFORMANCE

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations					61 122
Commonwealth grants					574
User charges, fees and fines					46 798
Other operating revenue					0
Non-operating revenue					0
Total Revenue					108 494
Borrowing costs					0
Depreciation					8 512
Employee expenses					32 532
Other operating expenses					77 226
Non-operating expenses					0
Total Expenses					118 270
Result from Ordinary Activities					(9 776)

Comment

User charges, fees and fines relates mainly to Tourism wholesale revenue of \$38.379m and Park entry fees of \$2.832m.

Depreciation relates fundamentally to infrastructure assets. The main components of Other operating expenses are supplies and consumables of \$34.953m, advertising \$10.472m and grants and subsidies of \$7.651m.

FINANCIAL POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash					7 975
Receivables					2 714
Other					94
Total Current Assets					10 783
Property, plant & equipment					261 347
Total Non-Current Assets					261 347
Payables					4 045
Provisions					3 154
Other					2 008
Total Current Liabilities					9 207
Provisions					5 040
Total Non-Current Liabilities					5 040
Net Assets					257 883
Reserves					18 381
Retained surpluses					239 502
Total Equity					257 883

Comment

Property, plant and equipment includes land \$148.836m, infrastructure \$78.088m and buildings of \$29.574m.

Reserves are revaluation reserves relating to infrastructure \$13.828m, land \$3.790m and plant \$0.763m.

CASH POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations					59 584
Commonwealth grants					574
Receipts from customers					49 628
Payments to suppliers and employees					(110 712)
Interest received					63
Cash from operations					(863)
Proceeds from investments					
Payments for investments					0
Payments for P, P & Equipment					(3 225)
Proceeds from sale of P, P & E					0
Cash used in investing activities					(3 225)
Proceeds from borrowings					114
Repayment of borrowings					(145)
Cash from financing activities					(31)
Net increase in cash					(4 119)
Cash at the beginning of the period					12 094
Cash at end of the period					7 975

Comment

Cash at the beginning of the period formed part of the opening equity of the Department as at 1 July 2002.

FINANCIAL ANALYSIS

	Bench Mark	1998-99	1999-00	2000-01	2001-02	2002-03
Financial Performance						
Result from operations (\$'000s)						(9 776)
Operating margin	>1.0					0.92
Financial Management						
Debt collection	30 days					21
Creditor turnover	30 days					21
Other information						
Staff numbers FTEs						562
Average staff costs (\$'000s)						58

Comment

Nil.

OVERALL COMMENT

The 2002-03 audit was completed with generally satisfactory results.

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 Statements of Financial Performance or Financial Position as controlled.

Administered Revenues and Expenses

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations					7 139
Commonwealth grants					4 300
Other operating revenue					383
Total Revenue					11 822
Grants and subsidies					7 139
Other operating expenses					10 642
Total Expenses					17 781
Result from operations					(5 959)
Transfer to Consolidated Fund					4 683
Net Result from Operations					(10 642)

Comment

Administered revenues include recurrent appropriations of \$7.139m and Commonwealth grants for world heritage purposes of \$4.300m. Expenditures include transfers to the Consolidated fund of \$4.683m and grants to the Royal Tasmanian Botanical Gardens of \$1.968m and to the Port Arthur Historic Site of \$2.000m.

Other operating expenses represent a write down in investments, being the Ministerial Share (one half) of the equity in TT-Line Company Pty Ltd.

Administered Assets and Liabilities

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash					0
Total Current Assets					0
Investments					20 500
Total Non-Current Assets					20 500
Net Assets					20 500
Retained surpluses					20 500
Total Equity					20 500

Comment

Administered investments represent the Ministerial share (one half) of the equity in TT Line Company Pty Ltd.

Administered Cash Flows

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations					7 139
Commonwealth grants					4 300
Receipts from customers					383
Payments to suppliers and employees					0
Grants and transfer payments					(11 822)
Interest received					0
Cash from operations					0
Proceeds from investments					0
Payments for investments					0
Cash used in investing activities					0
Net increase in cash					0
Cash at the beginning of the period					0
Cash at end of the period					0

2.10 DEPARTMENT OF TREASURY AND FINANCE

INTRODUCTION

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 undertakes a number of service, regulatory and compliance activities on behalf of the Government including management of gaming. The Department is also responsible for Government building services.

Consolidated Fund Expenditure was provided under two Divisions (Division 2: Finance-General; and Division 15: Department of Treasury and Finance) of the *Consolidated Fund Appropriation Act 2002*.

The Portfolio Minister for the Department is the Treasurer.

AUDIT OF THE 2002-03 FINANCIAL STATEMENTS

The financial statements of the Department of Treasury and Finance were received from the Acting Secretary of the Department on 20 August 2003 and an unqualified audit report was issued on 7 October 2003.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	25 078	25 873	22 986	23 398	24 688
User charges, fees and fines	186	2 268	443	420	185
Other operating revenue	0	68	792	698	842
Non-operating revenue	11	0	0	0	17
Total Revenue	25 275	28 209	24 221	24 516	25 732
Depreciation	0	2	26	74	104
Employee expenses	14 022	12 828	15 733	16 206	17 092
Other operating expenses	11 367	13 179	8 384	8 647	7 878
Non-operating expenses	0	0	0	195	176
Total Expenses	25 389	26 009	24 143	25 122	25 250
Result from Ordinary Activities	(114)	2 200	78	(606)	482

Comment

Increased Appropriation was provided in 1998-99 and 1999-00 for the costs of consultants and other expenses associated with the reform of the electricity supply industry.

The increase in User charges, fees and fines in 1999-00 was due mainly to the recovery of validation costs associated with the introduction of gaming machines and resulted in a surplus result for that year. Other operating expenses were higher in 1998-99 and 1999-00 as a result of the reform of the electricity supply industry and the introduction of gaming machines.

Other operating revenue increased from 2000-01 as a result of a change of policy of recovering costs from other agencies.

Non-operating expenses in 2001-02 and 2002-03 were due to additions to the Department's Franklin Square Offices which were capitalised as administered assets.

FINANCIAL POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	416	1 536	2 244	1 622	2 245
Receivables	63	347	20	0	15
Other	31	80	104	204	168
Total Current Assets	510	1 963	2 368	1 826	2 428
Property, plant & equipment	50	106	265	303	292
Total Non-Current Assets	50	106	265	303	292
Payables	95	280	175	340	195
Provisions	1 620	1 338	1 710	1 760	1 819
Other	32	26	0	0	0
Total Current Liabilities	1 747	1 644	1 885	2 100	2 014
Provisions	2 593	2 032	2 251	2 235	2 430
Total Non-Current Liabilities	2 593	2 032	2 251	2 235	2 430
Net Assets	(3 780)	(1 607)	(1 503)	(2 206)	(1 724)
Reserves	0	0	0	6	6
Retained surpluses	(3 780)	(1 581)	(1 503)	(2 212)	(1 730)
Total Equity	(3 780)	(1 581)	(1 503)	(2 206)	(1 724)

Comment

The increase in Cash during 2002-03 is mainly due to Approved Carry Forwards relating to an FBT refund, a refund of Tasmanian Community Fund costs relating to 2001-02, and outstanding capital infrastructure funding to be completed in 2003-04.

Receivables in 1999-00 consisted mainly of recoverable gaming machine validation costs.

The higher amounts of Property, plant and equipment from 2000-01 are related to purchases of computer equipment and installation of a security system.

The negative Equity is a result of the Department's total liabilities exceeding its total assets. As with most departments, liabilities and, in particular, employee benefits are funded on an emerging cost basis.

CASH POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	25 078	25 873	22 986	23 398	24 688
Receipts from customers	223	2 080	1 560	1 100	1 053
Payments to suppliers and employees	(25 501)	(26 774)	(23 654)	(24 819)	(24 867)
Cash from operations	(200)	1 179	892	(321)	874
Payments for P, P & Equipment	0	(59)	(184)	(301)	(252)
Cash used in investing activities	0	(59)	(184)	(301)	(252)
Net increase/(decrease) in cash	(200)	1 120	708	(622)	622
Cash at the beginning of the period	616	416	1 536	2 244	1 622
Cash at end of the period	416	1 536	2 244	1 622	2 244

Comment

The higher amounts of Receipts from customers in 1999-00 and 2000-01 were due to the recovery of gaming machine validation costs.

Payments for Property, plant and equipment from 2000-01 onwards mainly reflect purchases of computer equipment including a security system in 2002-03.

FINANCIAL ANALYSIS

	Bench Mark	1998-99	1999-00	2000-01	2001-02	2002-03
Financial Performance						
Result from operations (\$'000s)		(125)	2 200	78	(411)	641
Operating margin	>1.0	1.00	1.08	1.00	0.98	1.02
Financial Management						
Debt collection	30 days	124	56	16	0	30
Creditor turnover	30 days	3	7	8	15	9
Other information						
Staff numbers FTEs		244.2	258.6	271.3	278.6	282.3
Average staff costs (\$'000s)		57	50	58	58	61

Comment

The calculated Debt collection duration was higher in 1998-99 due to the unusually high level of debts that were raised at the end of that year and is not representative of the year as a whole.

The fluctuations in creditor turnover are generally due to the timing of the receipt of accounts and the necessary funding being available for their payment by the end of each year.

Staff numbers have been increasing over the past five years in an endeavour to provide additional resources to satisfy the changing needs of the Department's key stakeholders. In particular, additional policy and operational positions have been created to resource government policy requirements in the areas of:

- Financial management and accounting services;
- State budget development and monitoring;
- Economic policy advice;
- Procurement and property; and
- Government prices oversight and energy regulation.

Employee expenses were overstated in 1998-99 due to an error in the calculation of leave entitlements, with an adjustment made in 1999-00. This had the effect of overstating and understating average staff costs in 1998-99 and 1999-00 respectively.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government, including those relating to the Finance-General Division. These transactions are not shown in the Department's Statement of Financial Performance or Statement of Financial Position.

Administered Revenues and Expenses

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	338 100	337 172	456 536	482 242	527 276
Commonwealth grants	985 383	986 310	1 299 282	1 421 228	1 514 728
User charges, fees and fines	670 452	730 350	573 347	546 347	591 353
Other operating revenue	355 667	534 744	328 396	371 360	417 560
Total Revenue	2 349 602	2 588 576	2 657 561	2 821 177	3 050 917
Borrowing costs	178 159	145 812	115 923	84 656	75 269
Depreciation	0	6 239	6 951	8 685	10 203
Grants and subsidies	63 240	65 523	117 647	178 133	152 143
Other operating expenses	264 564	183 240	307 003	353 014	463 633
Total Expenses	505 963	400 814	547 524	624 488	701 248
Result from operations	1 843 639	2 187 762	2 110 037	2 196 689	2 349 669
Transfer to Consolidated Fund	na	1 848 836	2 001 440	2 123 126	2 246 252
Net Result from Operations	-	338 926	108 597	73 563	103 418

Comment

Appropriations increased in 2000-01 and 2001-02 due mainly to additional costs associated with the administration of the Goods and Services Tax, the First Home Owners Scheme, and Appropriations to the Infrastructure Fund. The increase in 2002-03 was due to a supplementary appropriation to the Economic and Social Infrastructure Fund, offset by a number of savings totalling \$37.168m.

The increase in Commonwealth grants in 2000-01 and 2001-02 was due principally to the implementation of new tax arrangements between the Commonwealth and State Governments. The increase in 2002-03 resulted from an increase in the General Purpose Payments, due to growth in a number of components of the

Guaranteed Minimum Amount, in particular the growth of the Financial Assistance Grants foregone pool, as a result of the effect of indexation and national population growth, a rise in the level of Revenue Replacement Payments foregone and an increase in demand for First Home Owner Scheme grants.

User charges, fees and fines consist mainly of State taxation, together with revenue from the Motor Vehicle Pool and the Community Support Levy. Revenue from taxation decreased from 2000-01 mainly as a result of the abolition of the Safety Net Arrangements, with the introduction of national tax changes and the Government's decisions to abolish the Racing and Gaming tax, and reduce the Lottery and Casino taxes. The additional reduction in 2001-02 was due to a reduction in the Payroll Tax rate and threshold, and abolition of the Financial Institution Duty, and Electricity Entities Levy. The increase in 2002-03 was a result of an unexpected increase in taxation due to growth in the tax base, particularly Financial Transaction Tax, \$30.996m, because of the abnormally high level of activity in the property market experienced in the past two years.

Other operating revenue was high in 1999-00 due to the receipt of \$144.000m from the sale of the Trust Bank and \$40.000m from the Softwood Venture. The increase in 2001-02 was due principally to an increase in Income Tax Equivalents from State-owned companies and authorities and an increase in equity in State-owned companies. The increase in 2002-03 was mainly due to an increase of \$14.344m in Dividends received from State-owned companies and an adjustment of \$77.105m for Equity held by the Treasurer in State-owned companies.

The majority of Other operating expenses relates to superannuation for government agency employees. In 2002-03 this totalled \$303.265m (2001-02: \$235.676m).

Borrowing costs have been declining as loans have been repaid. Proceeds from the sale of the Trust Bank in 1999-00 have enabled State borrowings to be subsequently reduced.

Depreciation costs have been increasing since 1999-00 due to:

- A decrease in residual values of the Department's long-term lease vehicles following the introduction of GST;
- Increases in vehicle purchase costs (before GST);
- Small increases in the size of the fleet; and
- Increased utilisation, leading to shorter leasing periods and depreciation being spread over a shorter period of time.

The increase in Grants and subsidies from 2000-01 was due largely to the introduction of the First Home Owners Grant Scheme (FHOGS) and the Petroleum Equalisation Subsidy. The increase in 2001-02 was the result of the commencement of the Infrastructure Fund grants and an increase in FHOGS payments. Both of these items decreased in 2002-03. The FHOGS grants decreased due to the cessation of the Commonwealth funded additional FHOGS grants. While total expenditure from the Infrastructure Funds remained relatively constant in 2002-03, \$23.100m relating to the purchase of the optic fibre cable was classified as capital expenditure, resulting in a decrease in Grants and subsidies.

Other operating expenses include Superannuation, Contributions to authorities, Risk management, Property and Motor Vehicle Pool expenses.

The superannuation liability for all employees of agencies that contribute to the Superannuation Provision Account is disclosed as an administered liability of the Department. Since June 2000, actuarial assessments of the superannuation liability have been undertaken annually. Prior to 30 June 2000, an actuarial assessment of the Superannuation liability was undertaken on a triennial basis, with indexation used to determine the liability for intervening years. The increase in Other operating expenses in 2000-01 and 2001-02 was due mainly to the indexation of the liability for superannuation. Following the review in 1999-00, a decrease of \$39.657m was necessary, which resulted in lower Other operating expenses for that year.

The increase in 2002-03 was again due to the increased liability for superannuation, but also a payment of \$41.254m to the TT-Line Company Pty Ltd to assist with the purchase of the *Spirit of Tasmania I* and *Spirit of Tasmania II*.

Administered Assets and Liabilities

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	364 898	566 870	724 541	880 409	364 128
Receivables	39 805	35 600	46 354	48 225	55 042
Investments	95 633	41 502	38 002	21 946	88 380
Other	1 686	2 866	2 229	2 709	1 630
Total Current Assets	502 022	646 838	811 126	953 289	509 180
Infrastructure					23 061
Property, plant & equipment	88 894	85 836	86 999	80 822	79 145
Investments	749 394	717 573	718 745	730 309	791 814
Other	2 926	0	0	0	0
Total Non-Current Assets	841 214	803 409	805 744	811 131	894 020
Payables	51 853	2 809	614	359	2 155
Borrowings	477 125	641 726	876 446	752 187	180 526
Provisions	121 361	98 049	101 206	119 241	130 084
Other	107 861	232 752	222 140	240 117	320 073
Total Current Liabilities	758 200	975 336	1 200 406	1 111 904	632 838
Borrowings	1 551 141	1 153 713	883 519	955 981	775 901
Provisions	1 546 130	1 478 292	1 575 747	1 687 235	1 878 436
Other	19 391	44 036	51 253	29 860	33 167
Total Non-Current Liabilities	3 116 662	2 676 041	2 510 519	2 673 076	2 687 504
Net Assets	(2 531 626)	(2 201 130)	(2 094 055)	(2 020 560)	(1 917 142)
Retained surpluses	(2 531 626)	(2 200 514)	(2 094 056)	(2 020 560)	(1 917 142)
Total Equity	(2 531 626)	(2 200 514)	(2 094 056)	(2 020 560)	(1 917 142)

Comment

Cash consists of deposits at call with the Tasmanian Public Finance Corporation (Tascorp) and the bank. The increasing Cash amounts from 1998-99 to 2001-02 reflected the increase in Special Deposits and Trust Fund, particularly the T780 Superannuation Provision Account.

The decrease in Cash in 2002-03 is a result of the discontinuation of the end of year borrowing practice. Surplus cash is used to repay maturing debt within a financial year, thus delaying refinancing borrowing until the latest possible time and reducing borrowing costs. For this reason, both cash balances and gross debt are maintained as low as possible during the year. In past years, at the end of the financial year, a temporary overnight borrowing was undertaken which had the effect of grossing up both cash and debt as at 30 June. With the move to accrual budgeting, this practice

has been discontinued. As a consequence, temporary debt repayments made throughout the year are no longer offset by a temporary overnight borrowing at year end, and are now recorded in a new Temporary Debt Repayment Account within the Special Deposits and Trust Fund, which results in the Account being overdrawn. The decrease in Cash is reflected in the decrease in current Borrowings.

Receivables consists mainly of State Taxes, but also includes interest on loans to public bodies and other recoveries. The increase from 2002-01 was a result of improved recognition of accrued debtors for taxation. The increase in 2002-03 was due to the accrual of an Income Tax Equivalent, \$4.500m, for the year 2002-03 received from Hydro Tasmania in July 2003.

Investments consist of short-term deposits with Tascorp and loans made under various Acts of Parliament and to State Authorities. The outstanding balances are generally declining with repayments. During 1999-00 the Hydro-Electric Corporation refinanced its loans portfolio, which resulted in a decrease in both current and non-current Investments. The Hydro-Electric Corporation has also accelerated its repayment of loans since that year. An adjustment to investments of \$19.800m occurred in 2000-01 to current Investments to account correctly for true trust accounts. A similar adjustment was made to Retained Surpluses. The increase in 2002-03 was caused by an increase in short-term deposits with Tascorp.

Infrastructure in 2002-03, \$23.061m, consists of the Optic Fibre Cable purchased by the State.

Non-current Investments consists of mainly the Treasurer's equity in State-owned companies, loans to State Authorities and loans made under various Acts of Parliament. The equity in State-owned companies has been increasing significantly over each of the reported years, and particularly in 2002-03 due to Transend Networks Pty Ltd. Declining loans to State Authorities, particularly Hydro Tasmania for which the repayments have been accelerated, has offset these increases.

Borrowings comprise debt incurred by the Government, including borrowings on-lent to statutory authorities, from the Commonwealth, for and on behalf of the State, under the *Financial Agreement Act 1927*, and Tascorp. In 1990, it was agreed that the states would progressively take over responsibility for Commonwealth debt issued on their behalf. As a result, loans raised by the Commonwealth for and on behalf of the State are refinanced through Tascorp as they mature.

Total Borrowings have been declining over the years with a substantial reduction in 1999-00, mainly due to the application of \$98.240m from the proceeds of the sale of the Trust Bank to retiring State Debt. The large decline in current Borrowings in 2002-03 is the result of the practice of temporary debt repayments at year-end being discontinued, as noted above.

Provisions consist principally of unfunded superannuation liabilities (\$2.008bn as at 30 June 2003). In 1999, the Government made significant superannuation reforms and capped the unfunded liability. It was accepted, however, that the liability would continue to increase for a number of years (as salaries increased and members worked additional years of service), but eventually it will decline as membership of the closed schemes declines. It is estimated by the Actuary that the unfunded liability can be eliminated by 30 June 2018. Following the actuarial review in 1999-00, a decrease of \$39.657m was necessary, which resulted in a lower Provision for that year.

Other current liabilities include: agency accounts, other than those for Finance-General, in the Special Deposits and Trust Fund, which have been generally increasing; accrued interest; and risk management liability. The amount in 2002-03 also included an overpayment of \$24.800m paid by the Commonwealth and not advised until 30 June 2003. The overpayment was paid into the Treasurer's Suspense Account, pending repayment to the Commonwealth.

As a result of the above, the negative Net Assets and negative Total Equity is decreasing.

Administered Cash Flows

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations			456 535	484 087	527 714
Commonwealth grants			1 299 282	1 421 228	1 514 728
Receipts from customers			830 598	844 970	907 391
Payments to suppliers and employees			(2 311 139)	(2 493 208)	(2 635 876)
Interest received			30 195	24 944	26 110
Borrowing costs			(134 358)	(89 962)	(75 720)
Cash from operations			171 113	192 059	264 347
Proceeds from investments			38 224	26 643	57 748
Payments for investments			(4 495)	0	(51 904)
Payments for P, P & Equipment			(37 353)	(37 442)	(63 277)
Proceeds from sale of P, P & E			25 468	26 397	29 209
Cash used in investing activities			21 844	15 598	(28 224)
Repayment of borrowings			(35 286)	(51 789)	(752 404)
Cash from financing activities			(35 286)	(51 789)	(752 404)
Net increase/(decrease) in cash			157 671	155 868	(516 281)
Cash at the beginning of the period			566 870	724 541	880 409
Cash at end of the period			724 541	880 409	364 128

Comment

The cash flow figures are only available for three years, as Finance-General Administered Cash Flows were not reported prior to 2000-01. The movements between the three years reflect the movements in the Administered Revenues and Expenses.

Commonwealth grants increases are due to increases in GST Grant Revenue, offset by a decrease in the Budget Balancing Assistance Grant. Receipts from customers consists primarily of taxation receipts, and accordingly increased in 2002-03 due to increased revenue from taxation.

Payments to suppliers and employees comprises grants and subsidies and the increase this year is due mainly to the increase in Infrastructure Funds.

Borrowing costs are declining with outstanding borrowings.

Proceeds from investments are declining as loans advanced under Acts of Parliament and to State Authorities are being repaid.

Payments for Property, Plant and Equipment in 2002-03 included purchase of the Optic Fibre Cable, \$23.061m.

Repayment of borrowings is high and Cash at end of the period is low in 2002-03 due to the temporary overnight borrowings at 30 June being discontinued.

3 SUPERANNUATION FUNDS

A number of different superannuation arrangements operate in the Tasmanian public sector for public sector employees, members of Parliament, the judiciary and statutory legal officers.

Superannuation may be provided in a number of ways:

- *Defined benefit:* Such a scheme has benefits that accrue on resignation or retirement or death, and are predetermined according to a formula established in the scheme's rules or regulations. The employer's contributions will vary depending on the performance of the underlying investments and the lifespan of the pensioners, as well as the salary of the contributing employees immediately before their retirement;
- *Accumulation:* Under this scheme the employer's contribution is fixed according to the scheme's rules. The end benefit consists of the accumulated contributions by the employer and employee, together with the investment earnings on the contributions;
- *Unfunded:* An unfunded scheme is one in which the employer financed benefit component is met on an 'emerging costs' basis when the employee becomes entitled to receive his or her payout, and without any money set aside in the scheme by the employer for that individual's benefit; and
- *Funded:* In this type of scheme the employer makes a regular contribution to the fund reflecting the currently accruing liability in regard to employees.

The Retirement Benefits Fund Board (RFBF) is responsible for the management and administration of the Funds established under the *Retirement Benefits Act 1993*, *Retirement Benefits Regulations 1994*, the *Public Sector Superannuation Reform Act 1999*, and the *Retirement Benefits (Parliamentary Superannuation) Regulations 2002*.

The fully funded Tasmanian Accumulation Scheme (TAS) was established under the provisions of the *Public Sector Superannuation Reform Act 1999* and replaced the unfunded RBF non-contributory scheme on 25 April 2000. The Fund now has two Schemes (Contributory and Tasmanian Accumulation Scheme - TAS) and an Investment Account, each of which has separate

financial statements and specific governing rules within the Regulations. The Contributory Scheme has been closed to new members since 15 May 1999.

The *Retirement Benefits (Parliamentary Superannuation Trustee Arrangements and Miscellaneous Amendments) Act 2002* received Royal Assent on 27 November 2002 with effect from 1 January 2003. This resulted in the Parliamentary Superannuation Fund and the Parliamentary Retiring Benefits Fund being transferred to the Retirement Benefits Fund as sub-funds and the RBFB becoming the corporate Trustee of these sub-funds.

The *Retirement Benefits (Parliamentary Superannuation) Regulations 2002* also commence on 1 January 2003. The purpose of these regulations is to ensure that equivalent rights continued to be provided to members of the Parliamentary Funds upon their incorporation as sub-funds of the Retirement Benefits Fund.

RESPONSIBLE MINISTER

The Responsible Minister is the Treasurer.

3.1 PARLIAMENTARY SUPERANNUATION FUND

INTRODUCTION

The Parliamentary Superannuation and Retiring Benefits Trust was responsible for the management and administration of the Fund established under the *Parliamentary Superannuation Act 1973*.

The Parliamentary Superannuation Fund (PSF) was closed to new members as at 11 November 1985 with Retirement Benefits Fund being the default scheme for their superannuation.

Legislation was enacted in Parliament in 2002 to facilitate the wind up of PSF and transfer the funds to become a sub-fund of the Retirement Benefits Fund effective from 1 January 2003.

AUDIT OF THE FINANCIAL STATEMENTS FOR THE PERIODS ENDED 1 JANUARY 2003 AND 30 JUNE 2003

Signed statements for the period 1 July 2002 to 31 December 2002 were received on 4 October 2003 and an unqualified audit opinion was issued on 6 October 2003. Statements for the period 1 January 2003 to 30 June 2003 were included with those of the Retirement Benefits Fund Board.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Interest	7	5	5	5	65
Income from unit trusts	817	476	854	249	109
Dividends	0	0	0	0	103
Property rentals	0	0	0	0	10
Changes in net market values	(308)	305	(746)	(351)	(314)
Direct investment expense	0	0	0	0	(10)
Employers' contributions	1 541	1 565	757	1 261	1 137
Members' contributions	91	67	61	63	47
Total Revenue	2 148	2 418	931	1 227	1 147
Administration Expenses	88	83	80	95	73
Lump Sums	1 152	1 149	0	750	82
Pensions	1 178	1 188	1 218	1 212	1 301
Refund of contributions	0	2	0	0	0
Superannuation contributions surcharge	0	6	11	11	3
Total Expenses	2 418	2 428	1 309	2 068	1 459
Result from ordinary activities	(270)	(10)	(378)	(841)	(312)
Income tax expense	0	(4)	58	37	99
Net Assets available to pay benefits at year start	7 220	6 950	6 936	6 616	5 812
Net Assets available to pay benefits at year end	6 950	6 936	6 616	5 812	5 401

Comment

The Financial Performance reported above is a combination of the two six-month periods for the Fund, 1 July 2002 to 31 December 2002 and 1 January 2003 to 30 June 2003.

Performance of the Fund was still down due to the relatively small amounts of Members contributions and negative returns from current investments. In addition, the results for 2001-02 and 2002-03 reflect the downturn in the domestic and overseas equity markets.

However, the returns have become more stable since changing the investment strategy in 2000-01 to be more in line with the long-term objectives of the Fund. There have been decreases in the net market values for all of the reported years, except 1999-00. This has had a negative impact on income from unit trusts as long-term capital growth orientated fund managers generally provide less income. From 2002-03 there has been a diversification of investments, including shares, which should yield higher returns.

Reimbursements of benefits from the Department of Treasury (Finance-General) increased in 2001-02 mainly as a result of lump sum payments made by the Fund.

FINANCIAL POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Investments	7 068	6 952	6 509	5 588	5 477
Sundry debtors	4	33	0	245	92
Cash at Bank	0	53	156	52	13
Total Assets	7 072	7 038	6 665	5 885	5 582
Sundry Creditors	93	92	87	22	65
Accrued expenses	0	0	0	64	0
Income tax payable	0	0	(54)	(34)	95
Provision for deferred income tax	0	4	0	0	(1)
Superannuation contributions surcharge payable	0	6	16	21	22
Bank overdraft	29	0	0	0	0
Total Liabilities	122	102	49	73	181
Net Assets Available To Pay Benefits	6 950	6 936	6 616	5 812	5 401

Comment

The financial position of the Fund has remained stable, but with a gradual decrease in net assets, as new members cannot be accepted into the Fund. This impacts on the amount of funds available for investment, which has decreased in line with this trend. This restriction will be of lesser importance now that it is treated as a sub-fund of the Retirement Benefits Fund Board.

The liability for accrued benefits (scheme as a whole) as at 30 June 2003 was \$18.180m. The unfunded portion of the accrued benefits was \$12.624m. The liability for vested benefits (scheme as a whole) was \$18.869m. These amounts were determined by the State Actuary in accordance with Australian Accounting Standard AAS 25 "Financial Reporting by Superannuation Plans."

FINANCIAL ANALYSIS

	Bench Mark	1998-99	1999-00	2000-01	2001-02	2002-03
Financial Performance						
Net assets available to pay benefits		6 950	6 936	6 616	5 812	5 401
Results from ordinary activities		(270)	(10)	(378)	(841)	(312)
Operating margin	>1.0	0.89	1.00	0.71	0.59	0.79
Return on assets		-3.76%	-0.14%	-5.52%	-13.40%	-5.47%

Comment

Parliamentary Superannuation Fund performance continued its downward trend in 2002-03.

OVERALL COMMENT

The poor performance is expected to continue with the lack of new members joining the Fund, as this results in fewer members available to share increasing administration costs. Nevertheless, as a defined benefit scheme, this is of no concern to members as the unfunded liability must be met over time from the Consolidated Fund by appropriations through Finance-General.

3.2 PARLIAMENTARY RETIRING BENEFITS FUND

INTRODUCTION

The Parliamentary Superannuation and Retiring Benefits Trust was responsible for the management and administration of the Fund established under the *Parliamentary Retiring Benefits Act 1985*.

The Parliamentary Retiring Benefits Fund (PRBF) was closed to new members as at 1 July 1999 with Retirement Benefits Fund being the default scheme for their superannuation.

Legislation was enacted in Parliament in 2002 to facilitate the wind up of PRBF and transfer the funds to become a sub-fund of the Retirement Benefits Fund Board effective from 1 January 2003.

AUDIT OF THE FINANCIAL STATEMENTS FOR THE PERIODS ENDED 31 DECEMBER 2003 AND 30 JUNE 2003

Signed statements for the period 1 June 2002 to 31 December 2002 were received on 2 October 2003 and an unqualified audit opinion was issued on 6 October 2003. Statements for the period 1 January 2003 to 30 June 2003 were included with those of the Retirement Benefits Fund Board.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Interest	20	23	16	17	76
Income from unit trusts	0	0	0	49	2
Dividends	0	0	0	0	114
Property rentals	0	0	0	0	10
Changes in net market values	465	702	92	(226)	(135)
Direct investment expense	0	0	0	0	(9)
Employer contributions	679	1 150	662	664	2 386
Members' Contributions	250	236	230	237	202
Insurance Proceeds	335	0	0	0	0
Demutualisation proceeds	0	10	0	0	0
Total Revenue	1 749	2 121	1 000	741	2 646
Administration Expenses	118	152	102	116	65
Lump Sums	2 073	1 053	338	1 763	1 915
Superannuation contributions surcharge	0	108	126	57	56
Total Expenses	2 191	1 313	566	1 936	2 036
Result from ordinary activities	(442)	808	434	(1 195)	610
Income tax expense	87	154	86	85	393
Net Assets available to pay benefits at year start	6 774	6 245	6 899	7 247	5 967
Net Assets available to pay benefits at year end	6 245	6 899	7 247	5 967	6 184

Comment

The Financial Performance reported above is a combination of the two six-month periods for the Fund, 1 July 2002 to 31 December 2002 and 1 January 2003 to 30 June 2003.

Performance of the Fund was down in 2001-02 due to the reduction caused by negative change in market values. This trend has been experienced across institutional investors generally, due to the downturn in domestic and overseas markets since the events of 11 September 2001. The better performance in 2002-03 is attributable to higher Employer contributions.

From 2002-03 investments have been diversified to include property and shares, which should yield higher returns.

Employer contributions were also high in 1999-00 and 2002-03 due to the Department of Treasury and Finance making payments on the advice of the State Actuary.

Lump sum payments had been declining since the election held in the 1998-99 with fewer members leaving the Fund. In 2001-02 and 2002-03 members left the Fund resulting in further payments out of PRBF.

FINANCIAL POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Investments	5 546	6 993	7 215	6 043	6 869
Interest receivable	1	1	0	1	0
Sundry debtors	335	45	0	450	42
Cash at Bank	491	45	233	271	16
Total Assets	6 373	7 084	7 448	6 765	6 927
Sundry Creditors	64	65	96	632	398
Accrued expenses	0	0	0	95	0
Income tax payable	64	125	89	76	342
Provision for deferred income tax	0	6	(5)	(5)	(6)
Surcharge payable	0	(11)	21	0	9
Total Liabilities	128	185	201	798	743
Net Assets Available To Pay Benefits	6 245	6 899	7 247	5 967	6 184

Comment

The financial position of the Fund has remained stable, but new members cannot be accepted into the Fund.

Accrued expenses of \$0.095m in 2001-02 related to administration fees and group life insurance.

The liability for accrued benefits (scheme as a whole) as at 30 June 2003 was \$7.336m. The unfunded liability as at 30 June 2003 was \$0.375m. The liability for vested benefits (scheme as a whole) was \$6.387m. These amounts were determined by the State Actuary in accordance with Australian Accounting Standard AAS 25 "Financial Reporting by Superannuation Plans".

FINANCIAL ANALYSIS

	Bench Mark	1998-99	1999-00	2000-01	2001-02	2002-03
Financial Performance						
Net assets available to pay benefits		6 245	6 899	7 247	5 967	6 186
Results from ordinary activities		(442)	808	434	(1195)	612
Operating margin	>1.0	0.80	1.62	1.77	0.38	1.30
Return on assets		-6.6%	12.0%	6.0%	-16.8%	8.9%

Comment

The Parliamentary Retiring Benefits Fund performance for 2002-03 was comparable to prior year results.

OVERALL COMMENT

The poor performance is expected to continue with the lack of new members joining the Fund, as this results in fewer members available to share increasing administration costs. Nevertheless, as a defined benefit scheme, this is of no concern to members as the unfunded liability must be met over time from the Consolidated Fund by appropriations through Finance-General.

3.3 RETIREMENT BENEFITS FUND BOARD – CONTRIBUTORY SCHEME

INTRODUCTION

Members of the Contributory Scheme, a defined benefits scheme, receive benefits based on their final average salary, years of service and contribution rate. 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.

The financial statements are prepared in accordance with Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans'.

AUDIT OF THE 2002-03 FINANCIAL STATEMENTS

Signed financial statements were received on 28 October 2003 and an unqualified audit report was issued on 29 October 2003.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Investment Income	41 632	41 340	36 835	36 786	48 058
Change in net market value of investments	14 569	56 820	54 505	(33 079)	(26 625)
Direct investment expense	(3 729)	(5 156)	(3 914)	(3 978)	(4 442)
Employer contributions	186 117	116 113	125 826	116 154	123 945
Member contributions	60 161	56 995	59 585	65 092	71 549
Other revenue	4 359	2 008	1 139	254	355
Change in net market value of other assets	(1 991)	(1 838)	(1 349)	(1 517)	(1 749)
Total Revenue	301 118	266 282	272 627	179 712	211 091
Administration expenses	5 453	6 064	5 835	6 295	8 556
Superannuation contributions surcharge	0	1 081	739	384	662
Lump sums	171 245	72 412	82 947	71 944	68 368
Pensions	103 477	104 484	113 095	116 022	122 823
Refunds and interest	1 234	1 143	971	1 007	743
Miscellaneous Expenses	0	81 171	0	0	0
Total Expenses	281 409	266 355	203 587	195 652	201 152
Surplus before Tax	19 709	(73)	69 040	(15 940)	9 939
Income tax expense	(7 637)	13 545	1 631	10 623	11 557
Net Assets available to pay					
Benefits at year start	840 120	852 192	865 664	936 335	931 018
Net Assets available to pay					
Benefits at year end	852 192	865 664	936 335	931 018	952 514

Comment

The Change in net market value of investments was negative in 2001-02 and 2002-03 due to unfavourable movements in the world-wide investment market.

Employer contributions decreased by in 2001-02 but were offset by an increase in member contributions. Contributions were higher in 1998-99 due to redundancy programs. Additionally, changes to legislation since then have restricted the proportion of lump sums employers pay out on their ex-employees' death and invalidity benefits.

The higher Administration expenses in 2002-03 is attributed to salary increases of \$0.770m, due to reclassification of Board salaries, implementation of paid overtime and employment of

temporary employees, and interest paid to agencies as a result of holding upgrade contributions longer than was required.

Lump sum payments decreased in 2001-02 and 2002-03 reflecting the greater number of investment options open to members with a trend to members opting to take a pension in lieu of a pension and lump sum. The contribution from employing authorities is only recognised upon receipt following payment to the ex-employee; thus both items are directly related. Accordingly, the increase in lump sum payments in 1998-99 also relates to redundancy programs that took place during that and prior years, as well as subsequent changes to superannuation legislation that limits payouts of lump sums upon retirement.

Miscellaneous expenses of \$81.098m in 1999-00 relate to assets transferred to the Tasmanian Accumulation Scheme and the wind up of the Non-Contributory Scheme in accordance with the requirements of the *Public Sector Superannuation Reform Act 1999*.

The decrease in the Net assets of the Contributory Scheme in 2001-02 was mainly a result of losses from Australian and overseas equities experienced by the superannuation industry generally, but is now increasing due to stronger market conditions.

FINANCIAL POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash at bank	6 834	4 510	6 689	5 832	4 360
Investments	864 237	880 095	976 752	942 011	957 403
Contributions and pensions receivable	1 134	1 288	2 613	1 638	1 846
Interest and income receivable	841	1 070	654	1 818	2 025
Other receivables	10 199	4 147	1 751	2 859	4 592
Property, plant & equipment	3 386	6 646	6 613	6 557	6 341
Total Assets	886 631	897 756	995 072	960 715	976 567
Provision for income tax	9 407	(3 520)	(2 302)	(7 087)	(14 035)
Provision for deferred income tax	9 033	12 070	13 151	7 229	6 065
Provision for employee entitlements	5 015	5 426	5 763	6 924	8 116
Other Payables	921	6 246	30 960	10 103	9 142
Contributions and pensions payable	1 662	1 907	112	556	2 124
Contribution in advance	8 401	8 929	9 482	10 019	10 327
Superannuation contributions surcharge payable	0	1 034	1 572	1 953	2 314
Total Liabilities	34 439	32 092	58 738	29 697	24 053
Net Assets to Pay Benefits	852 192	865 664	936 334	931 018	952 514

Comment

The decrease in Investments in 2001-02 was a result of unfavourable reaction in the market to the events of 11 September 2001.

Other receivables in 1998-99 included prior year adjustments to investment revenue and member's funds.

Property, plant & equipment increased from 1999-00 mainly as a result of a \$2.800m major computer development in that year.

Fluctuations in Other payables are mainly due mainly to the timing of clearing inter-entity balances prior to the close of the financial years. Differences in the amounts can fluctuate markedly between reporting periods due to the nature of the account and timing of the settlements.

The Contribution in advance relates to an amount received in 1993, which covered the expected liability of all current and former employees of the Scheme who were previously employed by the Tasmanian Government Insurance Office.

The liability for accrued benefits (Scheme as a whole) and the liability to be funded from scheme assets as at 30 June 2003 have been determined at \$3.316bn and \$0.960bn respectively. Thus the unfunded liability is \$2.356bn.

The liability for vested benefits (Scheme as a whole) and the liability to be funded from Scheme assets as at the 30 June 2003 have been determined at \$3.829bn and \$1.078bn respectively.

Amounts for both accrued and vested benefits were determined in accordance with the methodology required by Australian Accounting Standard AAS25 "Financial Reporting by Superannuation Plans".

FINANCIAL ANALYSIS

	Bench Mark	1998-99	1999-00	2000-01	2001-02	2002-03
Financial Performance						
Investments (\$'000)		864 237	880 095	976 752	942 011	957 403
Net Investment Income (\$'000)		52 472	93 004	87 426	(271)	16 991
Return on Investments	5.5%	6.1%	10.7%	9.4%	0.0%	1.8%

Comment

The returns for 2001-02 and 2002-03 largely reflect the losses on Australian and Overseas shares.

Net investment income showed signs of recovery in 2002-03.

Return on Investments represents a return on average net investments for any given year.

3.4 RETIREMENT BENEFITS FUND BOARD – INVESTMENT ACCOUNT

INTRODUCTION

The investment account is an accumulation scheme, fully funded by members. Member Investment Choice was introduced on 1 October 1999. Member Investment Choice was subsequently expanded to include members of both the TAS-SG Account and the Allocated Pension Account.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Investment income	8 500	9 333	10 624	12 557	18 662
Change in net market values	5 236	16 261	15 030	(12 576)	(11 376)
Direct investment expense	(768)	(1 142)	(863)	(981)	(961)
Employer contributions	7 460	10 690	13 516	21 233	23 868
Members contributions	21 558	13 132	22 298	25 582	22 916
Transfers from other funds	89 190	32 579	46 564	62 896	74 072
Other revenue	0	0	2	1	0
Total Revenue	131 176	80 853	107 171	108 712	127 181
Superannuation contributions surcharge	0	68	32	46	564
General operating fee	2 782	2 891	1 881	2 744	2 108
Other expenses	3 346	0	0	7	0
Total Expenses	6 128	2 959	1 913	2 797	2 672
Benefits Accrued before Tax	125 048	77 894	105 258	105 915	124 509
Income tax expense	(1 593)	(2 395)	690	(4 052)	(4 701)
Benefits Accrued as a result of operations	123 455	75 499	105 948	101 863	119 808
Benefits paid	(32 840)	(53 312)	(52 220)	(53 211)	(63 682)
Liability for Accrued Benefits at year start	127 569	218 184	240 371	294 099	342 751
Liability for Accrued Benefits at year end	218 184	240 371	294 099	342 751	398 877

Comment

Investment income has been increasing significantly, corresponding with the number of members and amounts of investments. Part of the increase in 2002-03 was due to improved performance.

The negative Change in net market values in 2001-02 and 2002-03 was a result of losses experienced in the overseas and Australian shares markets. The economy is now showing signs of improving.

Employer contributions increased from 2001-02 mainly due to increased salary sacrificing.

The increase in Transfers from other funds in 2001-02 and 2002-03 was the result of both new and existing members consolidating their superannuation by rolling in investments from other superannuation funds. The amount was abnormally high in 1998-99 due to transfers associated with redundancy programs.

The Contributory Scheme of the Fund pays the operating expenses of the Investment Account. To recoup the outlay, the Investment Account is charged a General operating fee based on net assets on a weekly basis.

The amount of Other expenses in 1998-99, \$3.346m, was an adjustment for prior year inter-fund transfers.

The higher amount of Benefits paid in 2002-03 was largely due to increased withdrawals by members.

FINANCIAL POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Investments	224 600	245 319	279 707	344 590	397 151
Cash at bank	5 535	3 341	2 615	5 500	5 782
Interest receivable	179	242	146	520	639
Other receivable	2 198	2 449	15 774	987	4 211
Total Assets	232 512	251 351	298 242	351 597	407 783
Other payables	10 275	5 771	14	2 172	1 342
Provision for income tax	1 251	1 437	3 065	3 937	5 985
Provisions for deferred income tax	2 802	3 760	5	121	(1 288)
General operating provision	0	0	0	987	1 204
Superannuation contribution surcharge payable	0	12	1 059	1 629	1 663
Total Liabilities	14 328	10 980	4 143	8 846	8 906
Net Assets Available To Pay					
Benefits	218 184	240 371	294 099	342 751	398 877
Represented by:					
Liability for Accrued Benefits					
Allocated to members accounts	215 639	233 169	284 260	339 550	397 028
Not yet allocated	2 545	7 202	9 839	3 201	1 849
Total Liability For Accrued Benefits	218 184	240 371	294 099	342 751	398 877

Comment

Other receivables were higher than normal due to the timing of clearing inter-entity balances prior to the close of the financial year.

Other payables were higher in 1998-99 and 1999-00 mainly due to the timing of clearing inter-entity balances prior to the close of the financial year.

Variations in the amount of the Provision for income tax are due to timing differences of tax benefits and liabilities.

The General operating provision was first introduced in 2001-02 for the recovery of management costs by the Contributory Scheme.

The item Superannuation contributions surcharge payable is a liability calculated by the Australian Taxation Office each year.

Net assets available to pay benefits have been increasing largely as a result of new and existing members rolling over funds from other funds.

CASH POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Employer contributions	7 194	10 825	13 685	21 233	23 868
Member contributions	21 446	13 380	21 627	26 143	22 952
Transfers from other funds	89 190	32 579	46 564	62 896	74 072
Interest received	6 184	3 307	2 139	2 347	5 636
Dividends received	4 578	6 544	919	1 938	1 719
Benefits paid	(31 035)	(53 837)	(53 043)	(53 211)	(62 340)
Income tax paid	(1 122)	(1 251)	(1 437)	(3 065)	(4 061)
Direct investment expenses	(589)	(1 228)	(761)	(980)	(933)
Interfund transfers	(1 795)	(621)	(13 807)	17 940	(4 526)
Other expenses	0	(5 576)	0	(7)	0
Other contributions to be allocated	0	1 587	0	0	0
Operating fees paid	(1 623)	(2 782)	(4 772)	(2 763)	(2 730)
Superannuation contribution surcharge	0	(57)	(44)	(44)	(597)
Other Income	0	0	2	1	0
Cash from operations	92 428	2 870	11 072	72 428	53 060
Proceeds from the sale of investments *	0	0	237 197	140 671	117 423
Payments for purchase of investments *	0	0	(247 089)	(181 882)	(119 620)
Cash used in investing activities	(102 226)	(3 208)	(9 892)	(41 211)	(2 197)
Net increase/(decrease) in cash	(9 798)	(338)	1 180	31 217	50 863
Cash at the beginning of the period	26 656	16 858	16 520	17 700	48 917
Cash at end of the period	16 858	16 520	17 700	48 917	99 780

Comment

Cash flows from Member and Employer Contributions were invested in Australian and Overseas shares, direct property and mortgages.

Cash flows may change from year to year because of the timing of clearing inter-entity balances prior to the close of the financial year.

Cash from operations for 1998-99 was high because of an inter-fund transfer of \$89.190m.

FINANCIAL ANALYSIS

	1998-99	1999-00	2000-01	2001-02	2002-03
Financial Performance					
Investments (\$'000)	224 600	245 319	279 707	344 590	397 151
Net Investment Income (\$'000)	12 968	24 452	24 791	(1 000)	6 325
Return on Investments	7.5%	10.4%	9.4%	-0.3%	1.7%

Comment

The returns for 2001-02 and 2002-03 largely reflect the losses on Australian and Overseas shares, indicated by the lower Net investment income and Return on investments.

3.5 RETIREMENT BENEFITS FUND BOARD – TASMANIAN ACCUMULATION SCHEME

INTRODUCTION

The Tasmanian Accumulation Scheme (TAS) was established under the *Public Sector Reform Act 1999* and commenced on 25 April 2000. Currently employers contribute to TAS at the rate of 9% of the gross salaries of those employees who are members of the Scheme. Government departments pay an additional 2% to the Special Deposits and Trust Accounts T780 Superannuation Provision Account so that the total expense is identical regardless of whether an employee is in the Contributory Scheme or TAS.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s
Investment Income	955	4 178	5 155	7 823
Change in net market values	2 724	6 064	(4 736)	(4 972)
Direct Investment Expense	(164)	(339)	(425)	(465)
Employer contributions	3 240	28 945	32 979	41 165
Member contributions	3 127	12 109	10 657	12 468
Other contributions	78 132	(1 024)	(112)	(138)
Total Revenue	88 014	49 933	43 518	55 881
Superannuation contributions surcharge	16	197	86	284
General operating fee	175	1 200	1 704	1 738
Death and incapacity insurance	107	1 805	1 992	2 433
Total Expenses	298	3 202	3 782	4 455
Benefits Accrued before Tax	87 716	46 731	39 736	51 426
Income tax expense	510	4 616	5 375	6 083
Benefits Accrued as a result of operations	87 206	42 115	34 361	45 343
Benefits paid	527	13 015	16 579	19 253
Liability for Accrued Benefits at year start	0	86 679	115 779	133 561
Liability for Accrued Benefits at year end	86 679	115 779	133 561	159 651

Comment

The negative Change in net market value of TAS in 2001-02 and 2002-03 is mainly a result of negative gains from Australian and Overseas equities. This trend has been evident across the superannuation industry generally.

Employer contributions have been increasing from 2001-02 with the closure of the Contributory Scheme. There has been little change to Member contributions as only employers must contribute and member contributions are for allocated pensions.

TAS is charged a management fee based on a percentage of net assets of the Scheme which varies between investment choices.

FINANCIAL POSITION

	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s
Investments	85 751	112 216	140 606	169 264
Cash at bank	971	884	984	988
Interest receivable	90	63	246	345
Other receivables	1 761	9 167	181	297
Total Assets	88 573	122 330	142 017	170 894
Other payables	175	8	87	873
Provision for income tax	453	4 623	5 337	6 498
Provisions for deferred income tax	57	51	89	(504)
Provision for death and incapacity insurance	728	1 854	2 762	3 930
Contributions payable	477	0	0	25
General operating provisions	0	0	181	420
Superannuation contribution surcharge payable	4	15	0	0
Total Liabilities	1 894	6 551	8 456	11 242
Net Assets Available To Pay Benefits	86 679	115 779	133 561	159 652
Represented by:				
Liability for Accrued Benefits				
Allocated to members accounts	84 084	113 914	134 310	158 800
Not yet allocated	2 595	1 865	(749)	852
Total Liability For Accrued Benefits	86 679	115 779	133 561	159 652

Comment

TAS was initially funded using surplus assets from the Contributory Scheme.

Investments have been increasing with the increasing proportion of contributions from members to this fund compared with the defined benefit scheme. This trend is set to continue as contributors to the RBF Contributory Scheme retire and new State Service employees join TAS.

Other receivables were higher in 2000-01 mainly due to the timing of clearing inter-entity balances at the close of the financial year.

The Provision for death and incapacity insurance is based on advice from the State Actuary and is increasing with the number of members.

The Australian Taxation Office calculates the Superannuation contributions surcharge payable.

CASH POSITION

	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s
Employer contributions	3 696	28 945	32 979	41 165
Member contributions	3 127	11 625	10 664	12 492
Other contributions	77 359	(231)	(112)	(138)
Interest received	406	788	876	1 284
Dividends received and property returns	630	388	512	898
Benefits paid	(527)	(13 007)	(16 579)	(19 159)
Direct investment expenses	(164)	(296)	(424)	(450)
Management fees paid	0	(1 375)	(1 722)	(1 615)
Income tax paid	0	(452)	(4 623)	(5 515)
Interfund transfers	(268)	(8 891)	9 247	694
Death and incapacity benefits paid	28	21	(1 084)	(1 265)
Superannuation contribution surcharge	(118)	(186)	(101)	(284)
Cash from operations	84 169	17 329	29 633	28 107
Proceeds from the sale of investments *		99 900	60 467	52 012
Payments for purchase of investments *		(116 045)	(87 333)	(71 819)
Cash used in investing activities	(79 370)	(16 145)	(26 866)	(19 807)
Net increase/(decrease) in cash	4 799	1 184	2 767	8 300
Cash at the beginning of the period	0	4 799	5 983	8 750
Cash at end of the period	4 799	5 983	8 750	17 050

Comment

On 25 April 2000, the initial balances of TAS, being the account balances of the Non-Contributory Scheme as at that date, were funded using surplus assets from within the Contributory Scheme, adjusted to take account of the income taxation differences between the two Schemes. These amounts are included as Other contributions in 1999-00, \$77.359m.

FINANCIAL ANALYSIS

	Bench Mark	1999-00	2000-01	2001-02	2002-03
Financial Performance					
Investments (\$'000)		85 751	112 216	140 606	169 264
Net Investment Income (\$'000)		3 515	9 903	(6)	2 386
Return on Investments	5.5%	8.2%	10.0%	0.0%	1.5%
Profit Return on Total Assets		10.2%	34.4%	24.2%	26.5%
Revenue on Total Assets		11.2%	40.8%	30.6%	32.7%
Contribution Revenue on Benefits Paid		1208.2%	307.6%	262.5%	277.9%

Comment

It should be noted that 1999-00 relates only to the period 25 April to 30 June 2002.

The returns for 2001-02 and 2002-03 largely reflect the losses on Australian and Overseas shares.

Return on Investments represents a return on average net investments for any given year.

OVERALL COMMENT

Total funds under management for RFBF have increased since 1996-97. The rate of return on total funds under management has been solid with the rate outperforming the average return for growth-orientated funds.

During 2002-03 RFBF performed poorly in absolute terms, but well in comparison with other Australian Superannuation Funds.

4 OTHER AUTHORITIES

INTRODUCTION

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 fulfil a regulatory or supervisory function.

RESPONSIBLE MINISTER/S

The Ministers responsible for the entities within this group as at 30 June 2003 were as follows:

Entity	Responsible Minister
Abt Railway Ministerial Corporation	Premier
Inland Fisheries Service	Minister for Primary Industries, Water and Environment
Legal Aid Commission	Minister for Justice and Industrial Relations
Marine and Safety Authority	Minister for Infrastructure, Energy and Resources
Nominal Insurer	Minister for Infrastructure, Energy and Resources
Private Forests Tasmania	Minister for Infrastructure, Energy and Resources
State Fire Commission	Minister for Health and Human Services
TAFE Tasmania	Minister for Education
Tasmanian Beef Industry (Research & Development) Trust	Minister for Primary Industries, Water and Environment
Tasmanian Risk Management Fund	Treasurer
Theatre Royal Management Board	Minister for Infrastructure, Energy and Resources
University of Tasmania	Minister for Education

4.1 ABT RAILWAY MINISTERIAL CORPORATION

INTRODUCTION

In 1998, the Commonwealth Government approved an allocation of \$20.450m from the Prime Minister's Federation Fund for the re-establishment of the Abt Railway from Queenstown to Strahan as a major tourist attraction.

The Abt Railway Ministerial Corporation (ARMC) was established under the *Abt Railway Development Act 1999*. This Act authorises the construction, maintenance and operation of a railway between Queenstown and Strahan.

The assets held by the Corporation consist of all assets associated with the operation of the railway. These include railway track, rolling stock, station buildings, associated land and plant and equipment, which have been valued at cost. It is understood that these assets will be revalued during 2004. Whilst the greatest expenditures have been incurred in rail and bridge construction, some of the assets were purchased from the founding operator, Mr R Smith, which included two railway stations, maintenance facilities, a locomotive and a number of wagons.

In April 2002, the Government entered into a lease agreement (20 years) with a provider to manage and operate the railway. This lease was assigned to a new provider, Federal Holdings Tas Pty Ltd – formerly ACN 097 627 677 Pty Ltd, on 1 August 2002. This agreement provides for a rental payment on two buildings and a lease payment to the Government when a certain level of annual gross revenue is attained. Due to the short time frame since the commencement of the lease and opening of the railway, no assessment of revenues has yet been made. The lease has been treated as an operating lease because ARMC retains the risks and benefits of the leased assets.

The railway was officially opened in April 2003.

As at 30 June 2003 the Responsible Minister was the Minister for Economic Development, Energy and Resources.

AUDIT OF THE FINANCIAL STATEMENTS

Signed financial statements of the Corporation for 2001-02 were received on 9 October 2003 and an unqualified audit report was issued on 3 November 2003.

Signed financial statements of the Corporation for 2002-03 were received on 27 October 2003 and an unqualified audit report was issued on 3 November 2003.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$000s	\$000s	\$000s	\$000s	\$000s
State Government grants			1 020	6 112	0
Commonwealth grants			19 620	780	50
Other operating revenue			44	557	5
Total Revenue			20 684	7 449	55
Depreciation			0	4	179
Other operating expenses			44	10	17
Total Expenses			44	14	196
Result from Ordinary Activities			20 640	7 435	(141)

Comment

The majority of Commonwealth grants were received in 2000-01.

In order to complete the project, State Government funding was required, the majority of which was received in 2001-02.

FINANCIAL POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$000s	\$000s	\$000s	\$000s	\$000s
Cash			0	332	13
Total Current Assets			0	332	13
Property, plant & equipment			21 811	27 744	27 921
Total Non-Current Assets			21 811	27 744	27 921
Payables			378	1	0
Other			793	0	0
Total Current Liabilities			1 171	1	0
Net Assets			20 640	28 075	27 934
Retained surpluses			20 640	28 075	27 934
Total Equity			20 640	28 075	27 934

Comment

Property, plant and equipment as at 30 June 2003 includes infrastructure assets of \$21.705m (railway track and bridges), plant, equipment and vehicles of \$2.690m and buildings of \$2.549m.

CASH POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$000s	\$000s	\$000s	\$000s	\$000s
State Government grants			1 020	6 112	0
Commonwealth grants			19 620	780	50
Receipts from customers			44	557	5
Payments to suppliers and employees			(44)	(9)	(18)
Cash from operations			20 640	7 440	37
Payments for P, P & Equipment			(21 433)	(6 315)	(356)
Cash used in investing activities			(21 433)	(6 315)	(356)
Net increase/(decrease) in cash			(793)	1 125	(319)
Cash at the beginning of the period			0	(793)	332
Cash at end of the period			(793)	332	13

Comment

See comments as shown above.

OVERALL COMMENT

The 2001-02 and 2002-03 audits were completed with satisfactory results.

4.2 INLAND FISHERIES SERVICE

INTRODUCTION

The Director of Inland Fisheries is a corporate sole established under the *Inland Fisheries Act 1995*. In March 2000 the Director replaced the Inland Fisheries Commission, which had been operating from the late 1950s. The Inland Fisheries Service (IFS) is the operational arm of the Director. A Director and Deputy Director manage the Service.

The Director is responsible for the sustainable management of Tasmania's freshwater resources, ensuring that the best use is made of these resources and also ensuring that the freshwater fauna and its habitat are protected for the benefit of future generations.

AUDIT OF THE 2002-03 FINANCIAL STATEMENTS

Accrual financial statements were prepared for the first time in 2001-02. Signed financial statements were received on 31 October 2003 and an unqualified audit opinion issued on 3 November 2003.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	2001-02	2002-03
	\$'000s	\$'000s
Licence fees	1 084	1 139
Grants	789	1 774
Other operating revenue	248	298
Non-operating revenue	264	245
Total Revenue	2 386	3 456
Operating expenses	2 314	2 393
Depreciation	139	157
Non-operating expenses	465	269
Total Expenses	2 918	2 819
Result from ordinary activities	(532)	637

Comment

In 2002-03 the State Government paid \$0.300m to cover the previous year's deficit.

External grants increased in total by \$0.246m. 2002-03 was the final year for many external grants with IFS receiving final reimbursement payments. This resulted in a net revenue balance of \$0.410m as opposed to a net expense of \$0.213m in 2001-02.

Angling and commercial licences increased by \$0.055m as a result of an increase in licence fees for 2002-03 and receipt of revenue from 2001-02 licenses paid after 30 June 2002.

The increase in Operating costs in 2002-03 can be mainly attributed to an increase in salary awards from the prior year resulting in increased personnel costs. Non-operating costs reduced in 2002-03 due to external grants producing a net revenue result as mentioned earlier.

FINANCIAL POSITION

	2001-02	2002-03
	\$'000s	\$'000s
Cash	138	686
Receivables	190	22
Total Current Assets	328	708
Property, plant & equipment	3 239	3 651
Total Non-Current Assets	3 239	3 651
Payables	48	154
Provisions	347	646
Total Current Liabilities	395	800
Provisions	341	91
Total Non-Current Liabilities	341	91
Net Assets	2 832	3 468
Reserves	171	171
Accumulated Funds	(539)	98
Capital	3 200	3 200
Total Equity	2 832	3 468

Comment

In 2002-03 the IFS received nearly \$0.500m in State and Federal funding for capital improvements at the Salmon Ponds. Most external projects ceased during the year and IFS received final reimbursement funding.

Active management of debtors in 2002-03 has resulted in a substantial decrease in accounts receivable from 2001-02. Non-current assets increased with the addition of a new building for Salmon Ponds.

Payables increased substantially in 2002-03 due to a concerted effort to identify accounts that were still outstanding at 30 June. Current provisions increased with a corresponding decrease in non-current provisions due to a large number of staff reaching 10 years' service.

CASH POSITION

	2001-02	2002-03
	\$'000s	\$'000s
Receipts from customers	1 493	1 542
Payments to suppliers and employees	(3 720)	(3 594)
Interest received	72	44
Receipts from Government	1 275	1 411
Receipts from External Projects	427	1 351
Cash from operations	(453)	754
Payments for P, P & Equipment	(561)	(451)
Proceeds from sale of P, P & E	234	245
Cash used in investing activities	(327)	(206)
Net increase/(decrease) in cash	(780)	548
Cash at the beginning of the period	918	138
Cash at end of the period	138	686

Comment

The increase in receipts from customers in 2002-03 reflects the increase in licences fees mentioned earlier.

Receipts from external projects increased in 2002-03 due to final reimbursement payments. Receipts from Government increased with a one-off payment, mentioned earlier.

FINANCIAL ANALYSIS

	Bench Mark	2001-02	2002-03
Financial Performance			
Result from operations (\$'000s)		(1 229)	(1 254)
Operating margin	>1.0	0.47	0.48
Return on equity	12%	-17.5%	20.2%
Financial Management			
Current ratio	>1	0.83	0.89
Creditor turnover	30 days	24	42
Other information			
Staff numbers FTEs		44	37
Average staff costs (\$'000s)		35	43

Comment

The high creditors turnover in 2002-03 is attributed to a large increase in the sundry creditor balance due to a large number of outstanding accounts being identified at 30 June.

An increase in revenues from grants and licence fees has resulted in a positive result from ordinary activities in 2002-03, as reported in the statement of financial performance. This has resulted in a substantial improvement to Return on equity for 2002-03.

Average staff costs have increased in 2002-03 due to a number of staff leaving during the year, but these employee costs include salary payments to them prior to their departure.

OVERALL COMMENT

Inland Fisheries has undergone a number of major changes in 2002-03 in its management of accounting processes. Whilst it has been a very difficult time for the staff, it is considered that their efforts will result in a much more efficient process for the preparation of future years' financial statements.

4.3 LEGAL AID COMMISSION

INTRODUCTION

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.

AUDIT OF THE 2002-03 FINANCIAL STATEMENTS

Signed financial statements of the Commission were received on 29 August 2003 and an unqualified audit report was issued on 17 September 2003.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$000s	\$000s	\$000s	\$000s	\$000s
State Government Grants	2 735	2 770	3 086	2 852	3 001
Commonwealth grants	4 581	4 687	4 727	6 298	4 109
User charges, fees and fines	537	402	310	208	360
Other operating revenue	82	56	62	102	115
Non-operating revenue	0	0	1	0	0
Total Revenue	7 935	7 915	8 186	9 460	7 585
Depreciation	257	200	99	134	139
Other operating expenses	9 136	8 375	7 219	7 965	8 574
Total Expenses	9 393	8 575	7 318	8 099	8 713
Result from Ordinary Activities	(1 458)	(660)	868	1 361	(1 128)

Comment

The slight increase in State Government Grants for the 2002-03 year of \$0.149m is due to CPI indexation and an increase of \$100,000 in the base grant for Criminal Law.

The decrease in Commonwealth Grants for the 2002-03 year of \$2.189m is due to the revenue in advance of the 2002-03 year base grant in the 2001-02 of \$0.970m and the one off Commonwealth Expensive Case Provision of \$0.200m in 2002-03.

The revenue in advance and the Commonwealth Expensive Case Provision, along with an increase in commonwealth disbursements to community legal centres of \$0.491m, account for the increase in Commonwealth Grants for the 2001-02 year of \$1.571m from the 2000-01 period.

During 2002-03 the Legal Aid Commission reached settlement and recovered costs on a case previously finalised to the amount of \$0.110m. This primarily accounts for the increased revenue from user charges, fees and fines of \$0.152m.

The decrease in the depreciation expense for 2000-01 arose as the commission had depreciated the majority of its office equipment

down to a nil value during the 1999-00 year, with most items having a useful life of four years. Hence, depreciation expense for the 2000-01 year only included depreciation on new office equipment purchased during the year.

The significant variation of other operating expense items is dependant upon the timeliness of processing of accounts. The change over the period of 1999-00 to 2000-01 is mainly attributed to the reduction in payments to Private Legal Practitioners, due to the cessation of the State Civil law program.

FINANCIAL POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$000s	\$000s	\$000s	\$000s	\$000s
Cash	687	353	1 230	2 697	1 732
Receivables	340	135	183	129	72
Other	18	42	11	5	14
Total Current Assets	1 045	530	1 424	2 831	1 818
Property, plant & equipment	653	498	477	453	416
Total Non-Current Assets	653	498	477	453	416
Payables	88	104	108	119	143
Provisions	291	284	315	335	373
Total Current Liabilities	379	388	423	454	516
Provisions	69	50	19	12	11
Total Non-Current Liabilities	69	50	19	12	11
Net Assets	1 250	590	1 459	2 818	1 707
Capital	325	325	325	325	325
Reserves	0	0	0	0	17
Retained surpluses	925	265	1 134	2 493	1 365
Total Equity	1 250	590	1 459	2 818	1 707

Comment

The increase in cash noted in the 2000-01 year is a function of the decrease in payments to private practitioners, as noted previously. The significant cash increase for the 2001-02 year is attributable to Commonwealth grant monies for the 2002-03 year being received in advance. As a result, these funds being received in the 2001-02

year accounts for the reduction in cash that can be seen in the 2002-03 year.

The decrease in receivables by \$0.057m in the 2002-03 year is primarily due to the resolution of a disputed transaction through revenue offset of \$0.054m.

A revaluation of \$0.017m in the Commission's buildings accounts for the reserves balance that exists for the first time in the 2002-03 year.

CASH POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$000s	\$000s	\$000s	\$000s	\$000s
State Government Grants	2 717	3 004	3 022	2 916	3 055
Commonwealth grants	4 581	4 687	4 727	6 298	4 109
Receipts from customers	517	348	309	183	332
Payments to suppliers and employees	(9 130)	(8 386)	(7 155)	(7 921)	(8 486)
Interest received	87	57	52	99	111
Cash from operations	(1 228)	(290)	955	1 575	(879)
Payments for P, P & Equipment	(106)	(44)	(78)	(110)	(85)
Cash used in investing activities	(106)	(44)	(78)	(110)	(85)
Net increase/(decrease) in cash	(1 334)	(334)	877	1 465	(964)
Cash at the beginning of the period	2 022	687	353	1 232	2 696
Cash at end of the period	688	353	1 230	2 697	1 732

Comment

The largest recorded net deficit in cash occurred in the 1998-99 year, which amounted to \$1.334m. This increased deficit was due to the increase in payments to private legal practitioners during the financial year. This deficit has gradually decreased in line with the decrease in payments to the private practitioners. Ultimately, this resulted in an increment in cash of \$0.877m in the 2000-01 year. This encouraging trend continued for the 2001-02 year, with a significant increase of cash being held of \$1.465m. However, this figure is distorted by the revenue in advance of \$0.970m mentioned in the Financial Performance analysis. A significant decrease in cash being held for the 2002-03 year resulted in deficit of \$0.964m.

The change in Payments to suppliers and employees over the period of 1999-00 to 2000-01 is mainly attributed to the reduction in payments to Private Legal Practitioners.

The increase in payments to suppliers and employees for the 2002-03 year of \$0.565m can be attributed to an increase in staff in the Commission and an increased level of business productivity, associated with the adoption of a performance management program. An increase in productivity, and hence expenditure, does not produce a corresponding increase in revenue, as the Legal Aid Commission relies on grant funding for its operations. This situation is therefore reflected in the deficit for the 2002-03 year.

The explanation for the change in Commonwealth Grants in the 2001-02 and 2002-03 years is directly linked to the movements noted in the Statement of Financial Performance analysis explained previously.

FINANCIAL ANALYSIS

	Bench Mark	1998-99	1999-00	2000-01	2001-02	2002-03
Financial Performance						
Result from operations (\$'000s)		(1 458)	(660)	867	1 361	(1 128)
Operating margin	>1.0	0.84	0.92	1.12	1.17	0.87
Financial Management						
Current ratio	>1	2.76	1.37	3.37	6.24	3.52
Debt collection	30 days	n/a	n/a	n/a	n/a	n/a
Creditor turnover	30 days	12	13	14	15	15
Other information						
Staff numbers FTEs		56	51	50	52	57
Average staff costs (\$'000s)		49	57	57	55	57

Comment

The increase in the result from operations for 2001-02 of \$0.494m is attributable to the additional Commonwealth Grant funding received in advance. The decrease of \$2.489m in operations in 2002-03 can be primarily attributed to the prior year prepayment of revenue. The increased level of activity by the Commission increased expenditure and also partly accounts for the reduction in operating result.

The current ratio throughout the five-year analysis, and in particular for the 2001-02 financial year, shows that Legal Aid can comfortably meet short-term financial commitments. This has reduced for the 2002-03 year but is still well above the benchmark.

The debt collection ratio has been deemed not applicable, as the vast majority of the Legal Aid Commissions' revenue is derived from Commonwealth and State Government Grants, which are not invoiced for. In light of this, receivables balances are traditionally low, with little impact on the operations of the Commission.

OVERALL COMMENT

The audit of the Commission's accounts for the 2002-03 financial years was completed satisfactorily with no major issues outstanding.

4.4 MARINE AND SAFETY AUTHORITY

INTRODUCTION

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 commenced operations on 30 July 1997. The former Department of Transport and the former Port Authorities transferred a large number of marine facilities to the Authority. The Port Authorities divested all boat ramps and jetties and all the navigation aids that were outside their immediate port areas or were not part of their core commercial activities. The Authority also assumed the assets and liabilities of the former Navigation and Survey Authority of Tasmania.

AUDIT OF THE 2002-03 FINANCIAL STATEMENTS

An unqualified audit report was issued on 30 September 2003.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Operating revenue	2 252	2 325	2 659	3 544	3 873
Total Revenue	2 252	2 325	2 659	3 544	3 873
Depreciation	567	575	582	597	569
Other operating expenses	2 213	2 564	2 390	2 952	2 986
Non-operating expenses	0	121	0	0	0
Total Expenses	2 780	3 260	2 972	3 549	3 555
Result from ordinary activities	(528)	(935)	(313)	(5)	318

Comment

A general increase in Operating revenue each year is a result of the significant increase in the number of recreational vessel registrations and increasing activity in the aquaculture/fishing industries. This was augmented in 2000-01 when a \$10 Safety levy was introduced to fund specific boating safety programs. During 1998-99 a new fee structure for certificates of competency was introduced, and in 2000-01 a new fee structure for commercial vessel survey was implemented resulting in a decrease in revenue but delivering significant cost savings to industry and the Authority.

During 2001-02 the Authority received an additional appropriation of \$0.615m from the Infrastructure Fund for six jetties and ramps. An incentive payment of \$0.098m was also received to take over the lease of office accommodation in Hobart. A further amount of \$0.089m was received from the Commonwealth Government to provide a replacement HF radio communications system.

In 2002-03, triennial recreational licences were received which resulted in an increase of \$0.772m in fees. The Treasury appropriation decreased from \$1.315m in 2001-02 to \$1.250m in 2002-03. The revenue indicated in the table does not include the component of Treasury funding applied to the Southport ramp and car park owned by the Huon Valley Council (\$0.190m) and the work in progress on the Port Sorell pontoon (\$0.085m).

The increase in Depreciation from 1998-99 was due to the take on of the Ulverstone breakwater, wharf and training wall from 16 June 1997. The decrease in 2002-03 was mainly due to the timing for scrapping the old and the taking on of the new Dennes Point Jetty.

The increase in Operating expenses from 1998-99 was due to increased maintenance works on marine facilities. Also in that year there were recreational boating expenses. The increase in Operating expenses in 2001-02 was due to expenditure on the maintenance projects funded by the Infrastructure Fund. Similar expenses were incurred in 2002-03.

Non-operating expenses in 1999-00 was a write-off of marine facilities where ownership had been vested originally in the Authority, but subsequently discovered that ownership vested elsewhere.

FINANCIAL POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	716	280	542	863	1 174
Receivables	148	28	77	84	137
Other	6	6	19	7	25
Total Current Assets	870	314	638	954	1 336
Property, plant & equipment	9 144	8 669	8 141	7 792	7 812
Total Non-Current Assets	9 144	8 669	8 141	7 792	7 812
Payables	303	202	230	215	255
Provisions	83	80	147	126	160
Total Current Liabilities	386	282	377	340	415
Provisions	12	19	6	15	24
Total Non-Current Liabilities	12	19	6	15	24
Net Assets	9 616	8 682	8 396	8 391	
Capital	9 939	9 939	9 939	9 939	9 939
Reserves	186	0	29	29	29
Retained profits/(losses)	(509)	(1 257)	(1 572)	(1 577)	(1 259)
Total Equity	9 616	8 682	8 396	8 391	8 709

Comment

The high Cash balance at the end of 1998-99 was due mainly to a Treasury appropriation not spent until 1999-00 on capital purchases. Similarly, the balance at the end of 2001-02 was the result of unspent funds from the Department of Infrastructure, Energy and Resources (DIER) as part of the Infrastructure Fund. The balance at the end of 2002-03 is attributable to the receipt of fees from the reissue of Recreational Motor Boat Licences.

The Receivables at the end of 1998-99 reflected moneys being owed from Treasury for the sale of slipways, \$0.085m, and salaries for the secondment of a staff member, \$0.032m. Receivables increased from 2000-01 due to the new fee structure for commercial vessels. Receivables further increased in 2002-03 due to outstanding mooring fees for the "Cotswold Prince".

The reduction in Property, plant and equipment over the period is the result of depreciation.

Payables were slightly higher than usual in 1998-99 as a result of outstanding payments for work carried out on the Denison Canal and redevelopments at Bicheno.

The increase in Provisions in 2000-01 is due to the inclusion of superannuation, FBT and Payroll Tax attributable to leave entitlements.

In 1998-99 and 1999-00 there were transfers from the Facilities Maintenance Reserve to Retained profits/(losses). The amount from 2000-01 is due to the net result of a total asset revaluation undertaken during that year.

The increasing Retained losses are a result of operating losses sustained during 1998-99 to 2000-01. The accumulated loss sustained by the Authority as at 30 June 2001, \$1.572m, relates mainly to non-cash transactions, in particular depreciation expenses for Navigation Aids and Marine Facilities. The accumulated loss decreased in 2002-03 due to the operating surplus recorded.

CASH POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000
Receipts from customers	2 157	2 401	2 576	3 498	3 744
Payments to suppliers and employees	(2 028)	(2 583)	(2 305)	(2 943)	(2 897)
Interest received	41	34	32	39	55
Cash from operations	170	(148)	303	595	902
Payments for P, P & Equipment	(229)	(288)	(41)	(274)	(610)
Proceeds from sale of plant					19
Cash used in investing activities	(229)	(288)	(41)	(274)	(591)
Net increase/(decrease) in cash	(59)	(436)	262	321	311
Cash at the beginning of the period	775	716	280	543	863
Cash at end of the period	716	280	542	863	1 174

Comment

Reasons for variations in Cash flows amounts and Cash balances reflect the comments made for variations in the Statement of Financial Performance and movements in the Cash amount in the Statement of Financial Position.

The cash position of the Authority has remained relatively strong since the Authority's inception in 1997.

In 2001-02 cash inflows increased due to extra funds provided from the Infrastructure Fund. The Cash outflow increase is due mainly to the reconstruction of the Southport jetty and work in progress on other jetties. Further funds of \$0.275m were provided by the Infrastructure Fund in 2002-03.

Cash outflows related to the construction of the Southport Ramp and Car Park in 2002-03 have been excluded from the table as ownership is vested in the Huon Valley Council.

FINANCIAL ANALYSIS

	Bench	1998-99	1999-00	2000-01	2001-02	2002-03
	Mark					
Financial Performance						
Result from operations (\$'000s)		(528)	(814)	(313)	(5)	318
Operating margin	>1.0	0.81	0.74	0.89	1.00	1.09
Financial Management						
Current ratio	>1	2.25	1.11	1.69	2.80	3.22
Debt collection	30 days	5	15	6	14	10
Creditor turnover	30 days	50	35	44	28	36
Other information						
Staff numbers FTEs		14	14	17	17	17
Average staff costs (\$'000s)		51	66	59	72	69

Comment

Most performance indicators show fluctuations over the five years in accordance with the activities of the Authority.

Extra funds provided from the Infrastructure Fund have resulted in an improvement in the result from operations as well as the current ratio for 2001-02 and 2002-03.

Debtor and creditor turnover ratios are reasonable.

The Authority has no debt.

The increase in Average staff costs in 2001-02 was due primarily to a redundancy payment for a Senior Engineer.

OVERALL COMMENT

The cash position of the Authority is strong, however, accumulated losses are due to revaluation decrements and unfunded depreciation.

4.5 NOMINAL INSURER

INTRODUCTION

The Nominal Insurer is an independent statutory body established under section 121 of the *Workers Rehabilitation and Compensation Act 1988*. Its main purpose is to ensure that a worker is not disadvantaged in circumstances where an employer is not insured, where an employer cannot be located, or has been declared bankrupt, or where an employer/insurer has defaulted in payment of an accepted claim. The entity's main activity is to make payment of claims arising under the above scenarios. The ability to pay claims settled is by way of contributions received from licensed insurers and self-insurers as and when necessary to call up in accordance with section 128 of the Act.

The Nominal Insurer operates the following funds:

- An account established in accordance with sections 16A through 16D of the *Workers Compensation Act 1927* (the 1927 Act);
- The Nominal Insurer No 4 Account established under sections 121-131 of the *Workers Compensation Act 1988* (the 1988 Act); and
- The Nominal Insurer No 5 Account (National Employers' Mutual) established under sections 16A through 16D of the 1927 Act.
- The Nominal Insurer No 6 Account (HIH Group) established under section 127B of the *Workers Rehabilitation and Compensation Act 2001*.

Approved insurers under the 1927 Act have the responsibility to meet the cost of the 1927 Act claims. Under the 1988 Act, licensed and self-insurers are required to accept liability for claims against uninsured employers and failed workers' compensation insurers.

The collapse of HIH Ltd had a profound impact on the workers' compensation coverage for the State, and has resulted in a dramatic impact in outstanding claims as reported in the financial statements from 2001-02.

AUDIT OF THE 2002-03 FINANCIAL STATEMENTS

Signed statements were received on 30 September and an unqualified audit report was issued on 2 October 2003.

FINANCIAL RESULTS

1999-00 was the first year that the Nominal Insurer prepared financial statements on an accrual basis. The Nominal Insurer has no revenue or expenses of its own, all payments being recovered from the Insurers and/or by way of special contributions from policyholders and Self-Insurers; accordingly, a Statement of Financial Performance is not appropriate.

FINANCIAL POSITION

	1999-00	2000-01	2001-02	2002-03
	\$000s	\$000s	\$000s	\$000s
Cash	391	509	311	809
Receivables	413	17 111	12 992	30 470
GST Receivable	0	32	0	28
Total Current Assets	804	17 652	13 303	31 307
Receivables	808	33 258	32 391	11 528
Total Non-Current Assets	808	33 258	32 391	11 528
Outstanding claims	362	17 061	6 468	15 405
Borrowings	0	0	6 458	15 000
Provisions	51	50	65	65
GST Payable	0	0	10	0
Total Current Liabilities	413	17 111	13 001	30 470
Outstanding claims	808	33 258	22 537	5 899
Borrowings	0	0	9 854	5 630
Insurers' funds	391	541	301	837
Total Non-Current Liabilities	1 199	33 799	32 692	12 365

Comment

Receivables are an estimate of the outstanding claims to be settled. The amount and timing (current/non-current) is based on advice from solicitors who are handling the claims. The amount outstanding is subject to annual review and the value can change each year. The amount for HIH is based on an actuarial report. The impact of HIH Ltd's collapse was evident in the marked increase in the total current and non-current receivables in 2000-01, with overall decreases in the following years. Consistent with this, there has been a shift of \$20.863m from non-current to current for Receivables in 2002-03, with an overall decrease of \$3.390m from the prior year.

Similarly, Outstanding claims includes the same amounts under current and non-current liabilities that relate to outstanding claims, with a similar decrease in the total current and non-current amounts as for Receivables. It is expected that approximately \$15.000m of outstanding claims will be settled within 12 months to 30 June 2004, due to negotiations with the claims manager.

Borrowings were necessary from Tascorp in 2001-02 to meet the immediate claims for HIH. Further borrowings in connection with these claims during 2002-03 resulted in a net increase of \$4.318m. In line with the expected settlement of claims in the next 12 months, short-term borrowings have increased with a decrease in noncurrent borrowings.

Insurers' funds represent the surplus or deficit that results each year due to timing differences between claims being made and recovery of those claims.

CASH POSITION

	1999-00	2000-01	2001-02	2002-03
	\$000s	\$000s	\$000s	\$000s
Receipts from customers	706	745	174	5 698
Payments to suppliers and employees	(963)	(644)	(16 233)	(8 609)
Interest received	20	17	7	8
Cash from operations	(237)	118	(16 052)	(2 902)
Proceeds from borrowings	0	0	15 854	4 200
Repayment of borrowings	0	0	0	(800)
Cash from financing	0	0	15 854	3 400
Net increase/(decrease) in cash	(237)	118	(198)	498
Cash at the beginning of the period	628	391	509	311
Cash at end of the period	391	509	311	809

Comment

The largest component of Receipts from customers in 2002-03 was Insurers Contributions, \$5.160m, including \$4.822m in regard to HIH.

Payments to suppliers and employees consist of Claims expenses, Administration expenses and Input Tax Credits. The amounts included claims expenses relating to HIH in 2001-02, \$15.740m, and 2002-03, \$8.004m.

As noted above, borrowings were made to meet HIH claims in 2001-02 and again in 2002-03.

OVERALL COMMENT

The volume of activity for the Nominal Insurer has increased dramatically over the past three years since the collapse of HIH Ltd, and is expected to continue for the foreseeable future, due to the large number of policies held by employers with that insurer and the ongoing processing of HIH-related insurance claims.

4.6 PRIVATE FORESTS TASMANIA

INTRODUCTION

Private Forests Tasmania was established as a state authority on 1 July 1994 under the *Private Forests Act 1994*. Its primary functions are to develop and advocate strategic and policy advice to the Minister and forestry partners, and to work in partnership with growers, managers, investors and industry to sustainably develop and manage Tasmania's private forests and to initiate extended or new market opportunities.

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.

At 30 June 2003 the Responsible Minister was the Minister for Economic Development, Energy and Resources.

AUDIT OF THE 2002-03 FINANCIAL STATEMENTS

Signed financial statements of were received on 29 August 2003 and an unqualified audit report was issued on 4 September 2003.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Operating revenue	1 891	1 858	2 273	2 750	2 967
Total Revenue	1 891	1 858	2 273	2 750	2 967
Borrowing costs	130	125	102	95	86
Depreciation	41	41	60	58	78
Other operating expenses	1 735	1 804	2 039	2 304	2 608
Non-operating expenses	0	0	0	9	0
Total Expenses	1 906	1 970	2 201	2 466	2 772
Result from ordinary activities	(15)	(112)	72	284	195

Comment

The nature of Private Forests' operations is not to provide substantial returns to Government but rather to perform a function. The operating results for the last five years reflect this aim.

The Authority made a loss of \$0.112m for the 1999-00 year. Operating grants were \$0.021m less for 1999-00 than the previous year, the remainder of the revenue reduction is attributable to reduced consultancy fees. The 2001-02 operating profit of \$0.284m result was due predominantly to a 21% increase in operating revenue (\$0.477m) principally as a result of an increase in Commonwealth grant funding of \$0.260m.

Revenue is mainly derived from Commonwealth Grants and Consolidated Fund appropriations. The amount of grants and appropriations received varies from year to year depending on project schedules and priorities.

An amendment to the *Private Forests Act 1994* received Royal Assent on 6 December 2001. The amendment allowed for the introduction of a private forest service levy and is applicable to forest practices plans certified since 24 August 2001. The new levy contributed \$0.085m to revenue for the 2001-02 year and \$0.228m for the 2002-03 year.

Other revenue is derived substantially through interest on investments and from pine loan debtors. The pine loan debtor interest is largely offset by borrowing costs payable to the State Government. Borrowing costs have been steadily reducing over the five-year period as the outstanding borrowings decrease.

FINANCIAL POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	827	111	595	141	176
Receivables	23	30	53	425	245
Investments	850	1 850	1 900	1 800	1 400
Other	175	178	168	161	155
Total Current Assets	1 875	2 169	2 716	2 527	1 976
Property, plant & equipment	142	184	192	249	197
Other	1 844	1 552	1 390	1 303	1 208
Total Non-Current Assets	1 986	1 736	1 582	1 552	1 405
Payables	26	58	56	105	58
Borrowings	170	171	161	153	145
Provisions	203	213	239	250	253
Other	931	1 315	1 757	1 269	532
Total Current Liabilities	1 330	1 757	2 213	1 777	988
Borrowings	2 277	2 002	1 856	1 783	1 707
Provisions	9	13	24	30	36
Total Non-Current Liabilities	2 286	2 015	1 880	1 813	1 743
Net Assets	245	133	205	489	650
Retained profits	245	133	205	489	650
Total Equity	245	133	205	489	650

Comment

The cash balance for Private Forests Tasmania reduced at the end of 1999-00 as surplus funds of \$1.000m were transferred to investments.

Receivables as at 30 June 2002 include \$0.301m of grant and consolidated fund appropriations relating to the 2001-02 year as

well as increased debtors due to the new private forest service levy. Receivables at 30 June 2003 only include \$0.090m of consolidated fund revenue which accounts for the majority of the decrease in the receivables balance of \$0.180m.

Property, plant and equipment increased by \$0.042m in 1999-00. During this year the Authority purchased computer equipment and geographic information systems software for new projects, including National Heritage Trust projects. Property, plant and equipment increased by a net \$0.057m during 2001-02. Purchases included office equipment, computer equipment and software, and plant items for specific projects, \$0.064m. The property, plant and equipment balance reduced during 2002-03 as depreciation on existing assets outweighed asset purchases.

Other non-current assets are private pine plantation loan debtor receivables.

Payables at 30 June 2002 include \$0.044m in capital expenditure creditors for computer hardware and software.

The borrowings balance of \$1.852m for 2002-03, (2001-02, \$1.936m), represents loan funds advanced by the State Government to fund private plantation loans.

Other current liabilities are comprised of accrued expenses and unexpended grants. Under Treasurer's Instruction GBE 08-52-01 all government grants & subsidies received by the Authority are to be recognised as revenue in the year the expense is incurred. This accounting treatment results in a liability being recognised for the amount of any unexpended grants. Unexpended grants at 30 June 2003 totalled \$0.492m (2002, \$1.231m). A number of projects either reached or neared completion of their current stage during 2002-03, thus the substantial decrease of \$0.739m in unexpended grants held at balance date.

CASH POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Receipts from customers	2 032	2 139	2 642	1 894	2 471
Payments to suppliers and employees	(1 691)	(1 849)	(2 179)	(2 448)	(2 928)
Interest received	61	84	144	126	118
Borrowing costs	(82)	(98)	(96)	(95)	(86)
Cash from operations	320	276	511	(523)	(425)
Proceeds from investments	0	0	0	100	400
Payments for investments	0	(1 000)	(50)	0	0
Payments for P, P & Equipment	(43)	(83)	(68)	(126)	(26)
Proceeds from sale of P, P & E	0	0	0	3	0
Cash used in investing activities	(43)	(1 083)	(118)	(23)	374
Proceeds from borrowings	146	364	273	189	187
Repayment of borrowings	(73)	(273)	(182)	(97)	(101)
Cash from financing activities	73	91	91	92	86
Net increase/(decrease) in cash	350	(716)	484	(454)	35
Cash at the beginning of the period	477	827	111	595	141
Cash at end of the period	827	111	595	141	176

Comment

The timing of cash transactions due to project scheduling can cause disparity between cash receipts and payments. Project funding is shown as a receipt from customers for the year during which it is received. As projects can run for long periods, the corresponding payments to suppliers and employees are spread over a number of financial years. The level of unexpended grants funding contributes to the level of cash and investments held within the Authority. Receipts from customers is substantially lower for 2001-02 than the previous year due to the timing of grant payments. Funding for many of the projects undertaken during the year was held in unexpended grants at 30 June 2001 and actually received during 2000-01, explaining the increase in receipts from customers for the 2000-01 year.

Payments for property, plant and equipment during 2001-02 of \$0.126m, included \$0.091m relating to specific State and Commonwealth grant funded projects.

Proceeds from borrowings vary significantly from year to year. Private Forests Tasmania administers plantation loans. The life span of these loan agreements is 30 years. Plantation owners may defer the repayment of their loans for part of the period. During recent years a number of loan debtors have elected to pay the full portion of their loan balances resulting in increased proceeds from borrowings. The additional repayments have then been passed on to the State Government by Private Forests Tasmania as repayment of its debt to Treasury.

FINANCIAL ANALYSIS

	Bench Mark	1998-99	1999-00	2000-01	2001-02	2002-03
Financial Performance						
Result from operations (\$'000s)		(15)	(112)	72	293	195
EBIT (\$'000s)		115	13	174	379	281
Operating margin	>1.0	0.99	0.94	1.03	1.12	1.07
Return on assets		3.1%	0.3%	4.2%	9.0%	7.5%
Return on equity		-5.9%	-59.3%	42.6%	81.8%	34.2%
Financial Management						
Debt to equity		998.8%	1633.8%	983.9%	395.9%	284.9%
Debt to total assets		63.4%	55.6%	46.9%	47.5%	54.8%
Interest cover	>3	1	0	2	4	3
Current ratio	>1	1.41	1.23	1.23	1.42	2.00
Cost of debt	7.5%	5.3%	5.4%	4.9%	4.8%	4.5%
Creditor turnover	30 days	11	23	24	35	16
Other information						
Staff numbers FTEs		15	19	21	22	21
Average staff costs (\$'000s)		62	51	59	59	57

Comment

Private Forests Tasmania is not required to pay income tax equivalent or dividend payments to the Tasmanian Government.

Due to the nature of Private Forest Tasmania's operations and the composition of the Statement of Financial Position the return on asset and equity ratios vary from year to year. The solid operating results for the 2001-02 and 2002-03 years has seen substantial increases in these ratios for these years. The Authority's operating margin has consistently remained around the benchmark for the five years under review.

The level of borrowings held to facilitate the private plantation loans is substantial. This has resulted in consistently large debt to equity and debt to total asset ratios. The debt to total assets ratio has been steadily declining as the borrowings are repaid, with the exception of the current year. Due to the reduction in unexpended grants during the year the investment balance has decreased by \$0.400m resulting in a lower total asset value and a higher debt to total asset ratio. The debt to equity ratio has dramatically decreased for the 2001-02 and 2002-03 years. The operating results for these years has increased the equity balance of the Authority to \$0.650m. This increase combined with the reducing debt level has led to the substantial decrease in the ratio.

Private Forests Tasmania's cost of debt has been steadily decreasing as a result of a reduction in overall interest rates.

As the majority of revenue is derived from funding received from either State or Commonwealth Governments, the debt collection ratio is not relevant to Private Forests Tasmania. The creditor turnover has increased for 2002 primarily due to the increased payables balance which includes \$0.044m of capital expenditure creditors.

OVERALL COMMENT

In the five years under review Private Forests Tasmania recorded a total operating surplus of \$0.424m.

The 2002-03 audit was completed satisfactorily with no major issues outstanding.

4.7 STATE FIRE COMMISSION

INTRODUCTION

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 Volunteer Firefighters Association, one nominated by the Tasmanian Volunteer Fire Brigades Association, one nominated by the Secretary of the Department of Treasury and Finance and two nominated by the Local Government Association of Tasmania.

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

AUDIT OF THE 2002-03 FINANCIAL STATEMENTS

Signed financial statements of the Commission were received on 29 August 2003, with subsequent revised financial statements being received on 30 September 2003. An unqualified audit report was issued on 1 October 2003.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$000s	\$000s	\$000s	\$000s	\$000s
State government contribution	1 982	2 741	4 026	3 388	5 734
Commonwealth contribution	168	168	184	183	177
User charges, fees and fines	2 504	2 899	3 080	3 164	3 063
Other operating revenue	29 085	29 521	31 535	35 101	40 118
Non-operating revenue	1 097	1 567	912	703	981
Total Revenue	34 836	36 896	39 737	42 539	50 073
Borrowing costs	594	584	474	330	349
Depreciation	2 499	2 615	2 780	3 004	3 367
Other operating expenses	28 517	30 642	34 032	35 520	39 444
Non-operating expenses	1 257	1 941	1 028	1 058	1 053
Total Expenses	32 867	35 782	38 314	39 912	44 213
Result from Ordinary Activities	1 969	1 114	1 423	2 627	5 860

Comment

The variations in State Government contributions relate to the receipt of additional wildfire fighting contributions, which is dependant on the incidence of fires experienced within the state. The 2002-03 year includes an amount of \$2.090m due to the significant number of wildfires experienced during the summer months. A high level of fire-fighting activity was also noted during the summer of 2001, reflecting the revenue increase in the 2000-01 year.

Other operating revenue consists mainly of fire service contributions from local councils, the fire levy paid by insurance companies and the motor vehicle fire levy. The variation noted in other operating revenue for 2002-03 was mainly due to an increase in the insurance fire levy, which increased from \$10.103m in 2001-02 to \$14.771m in 2002-03.

The increase in other operating expenses recorded in 2002-03 is a result of a number of factors. There was a 2.5 per cent wage increase for administration staff and a 3 per cent wage increase for fire-fighters, effective from May 2002. In addition, there was a further wage increase of 2.5 per cent for all staff from September

2002. There was also a general increase across selected expenditure areas caused by the busy fire season mentioned above.

FINANCIAL POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$000s	\$000s	\$000s	\$000s	\$000s
Cash	2 977	542	3 708	4 458	3 465
Receivables	368	509	819	1 242	1 252
Investments	0	1 500	0	0	0
Inventories	602	627	697	617	719
Other	1 967	2 457	1 111	1 463	1 671
Total Current Assets	5 914	5 635	6 335	7 780	7 107
Property, plant & equipment	52 200	52 090	55 317	56 213	62 605
Total Non-Current Assets	52 200	52 090	55 317	56 213	62 605
Payables	3 280	1 897	3 843	3 282	4 817
Borrowings	2 868	1 830	4 698	1 368	1 368
Provisions	4 483	4 702	1 983	2 090	2 565
Other	0	0	464	1 251	0
Total Current Liabilities	10 631	8 429	10 988	7 991	8 750
Borrowings	2 841	3 879	1 011	4 341	3 330
Provisions	246	249	3 166	3 368	3 966
Total Non-Current Liabilities	3 087	4 128	4 177	7 709	7 296
Net Assets	44 396	45 168	46 487	48 293	53 666
Capital	5 464	0	0	0	0
Reserves	1 704	1 362	1 258	0	74
Retained surpluses	37 228	43 806	45 229	48 293	53 592
Total Equity	44 396	45 168	46 487	48 293	53 666

Comment

Property, Plant and Equipment in the 2003-03 year increased to \$62.605m due to significant additions and work in progress for buildings and fire appliances. The building expenditure includes the upgrade of the Commission's head office in Hobart.

Payables decreased during the 1999-00 year as at that time, the Commission could not demonstrate that capital commitments met the definition of a liability, and hence they were not recorded. Since

the 2001-02 year, further analysis of capital commitments was undertaken, and some of these commitments are now being included as payables. The increase in capital commitments from \$0.850m in 2001-02 to \$1.238m in 2002-03 explains a significant amount of the payables increase noted in the 2002-03 year. The remainder of the variance was due to the Commission not undertaking a major cheque run at the end of the 2002-03 year, to avoid an overdraft position. Such a cheque run was made at the end of the 2001-02 year, and as a result, a bank overdraft of \$1.251m was recorded, noted as other current liabilities in the table above.

Although borrowings have moved significantly between the current and non-current classification in the first four years under review, the net outstanding balance always remained at \$5.709m. This was due to the fact that the Commission annually refinanced its borrowings portfolio held with Tascorp. In 2002-03 year, borrowings of \$1.010m were paid from cash accumulated over the previous years.

In 2001-02 the Commission changed the way it calculated the current and non-current components of its provision for long service leave. The current provision is now calculated as the amount of the liability expected to be paid in the forthcoming financial year instead of being the existing entitlement as in previous years. There was a corresponding change to the 2000-01 provision amounts in the Statement of Financial Position.

The increases noted in 2002-03 for both current and non-current provisions are in accordance with amendments to the accounting standard AASB 1028 Employee Benefits, as the Commission has calculated leave liabilities using the remuneration rates the Commission expects to pay when the obligations are settled.

Prior to the 1999-00 year, the Commission had a general capital balance that represented the net assets taken up by the Commission on conversion to accrual accounting. This amount was transferred to retained surpluses in accordance with changes to Australian Accounting Standards.

In 2001-02 the amount for Reserves, which is solely the Asset Revaluation Reserve was reduced to zero. During that year, Land and Buildings were revalued downwards by \$1.216m, with the asset revaluation reserve being debited by \$0.922m which amounted to the part of the reserve that was attributable to previous revaluation increments. At that time, the remainder of the reserve related to assets now recorded on a cost basis and hence the Commission

transferred the remaining balance to Retained operating surpluses in accordance with Australian Accounting Standards. In the 2002-03 year, land and buildings were re-valued to a fair valuation basis and valuation increments were taken to a new Asset Revaluation Reserve.

CASH POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$000s	\$000s	\$000s	\$000s	\$000s
Receipts from customers	33 208	34 011	39 015	40 581	48 199
Payments to suppliers and employees	(27 434)	(30 131)	(32 096)	(35 532)	(37 525)
Interest received	77	75	88	73	110
Borrowing costs	(594)	(585)	(474)	(330)	(349)
Cash from operations	5 257	3 370	6 533	4 792	10 435
Proceeds from investments	1 600	0	1 500	0	0
Payments for investments	0	(1 500)	0	0	0
Payments for P, P & Equipment	(6 192)	(5 872)	(6 242)	(5 532)	(10 147)
Proceeds from sale of P, P & E	1 097	1 567	912	703	981
Cash used in investing activities	(3 495)	(5 805)	(3 830)	(4 829)	(9 166)
Repayment of borrowings	0	0	0	0	(1 011)
Cash from financing activities	0	0	0	0	(1 011)
Net increase/(decrease) in cash	1 762	(2 435)	2 703	(37)	258
Cash at the beginning of the period	1 214	2 976	541	3 244	3 207
Cash at end of the period	2 976	541	3 244	3 207	3 465

Comment

The increase in Cash from operations in the 2002-03 year is due to the large increase in receipts from customers of \$7.618m. This is due mainly to the increased receipts from insurance companies and increased contribution from the State Government.

Payments for property, plant and equipment have increased due to extensive capital works on buildings, such as the Hobart head-office, and fire appliances.

The decrease in cash in the 1999-00 year was due principally to payments for investments of \$1.500m. In several other years proceeds from the sale of investments assisted in a net increase in cash being recorded.

FINANCIAL ANALYSIS

	Bench Mark	1998-99	1999-00	2000-01	2001-02	2002-03
Financial Performance						
Result from operations (\$'000s)		2 129	1 488	1 539	2 805	5 932
Operating margin	>1.0	1.07	1.04	1.04	1.07	1.14
Financial Management						
Current ratio	>1	0.56	0.67	0.58	0.97	0.81
Debt collection	30 days	6	7	11	19	19
Creditor turnover	30 days	35	30	64	41	59
Other information						
Staff numbers FTEs		387	407	420	415	428
Average staff costs (\$'000s)		51	51	53	57	61

Comment

The result from operations and the operating margin have both improved in the 2002-03 year, principally due to increased revenues and contributions received during the year.

The current ratio improved significantly in 2001-02 due to the change in accounting policy to record the current long service leave balance as that amount expected to be paid in the following year, and the reclassification of a significant portion of borrowings as non-current after the latest refinancing arrangement. The small decline in the 2002-03 year is due to increased payables noted previously.

The creditor turnover has remained high since 2000-01, with the peak in 2000-01 due to the purchase of a significant amount of computer equipment at the end of the year. The increase noted for the 2002-03 year is due to the reduced creditors payment run at the end of the year.

OVERALL COMMENT

The 2002-03 audit was completed with satisfactory results.

4.8 TAFE TASMANIA

INTRODUCTION

TAFE Tasmania was established under the *TAFE Tasmania Act 1997* as a provider of vocational and further education.

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

The Responsible Minister is the Minister for Education.

AUDIT OF THE 2002-03 FINANCIAL STATEMENTS

The Audit Office received signed financial statements of the Authority on 1 October 2003 and an unqualified audit report was issued on the same day.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$000s	\$000s	\$000s	\$000s	\$000s
State Government grants	65 139	66 763	65 640	69 741	75 944
User charges, fees and fines	6 664	6 072	6 711	6 429	7 302
Other operating revenue	7 293	9 047	8 326	9 004	8 984
Total Revenue	79 096	81 882	80 677	85 174	92 230
Borrowing costs	0	226	147	55	7
Depreciation	6 617	6 498	6 733	6 815	7 114
Other operating expenses	72 609	74 308	74 983	78 951	81 131
Non-operating expenses	97	3 208	312	135	1 169
Total Expenses	79 323	84 240	82 175	85 956	89 421
Result from Ordinary Activities	(227)	(2 358)	(1 498)	(782)	2 809

Comment

State Government Grants increased by \$4.101m in 2001-02 due principally to additional Commonwealth revenue provided under agreements to improve vocational education and training programs, including the development of a natural gas industry in Tasmania. Further increases in Commonwealth revenue also occurred in 2002-03.

In 1999-00, other operating revenue rose significantly due to increases in commercial training activities provided on a fee for service basis.

Other operating expenses increased by \$3.873m in 2001-02 due mainly to increased teaching salaries, \$1.890m, offset by reduced non-teaching salaries, \$1.249m, together with increases in minor equipment purchases, \$1.193m, power and heating, \$0.362m, and repairs and maintenance, \$0.374m.

Increases in Non-operating expenses for 1999-00 principally comprise a loss on asset revaluations and the transfer of assets to the Crown valued at \$3.172m. For 2002-03 these expenses represent losses on disposal of fixed assets.

Borrowing costs relate to a loan facility through the Department of Treasury and Finance to fund a redundancy program. The loan balance was fully repaid in 2002-03.

FINANCIAL POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$000s	\$000s	\$000s	\$000s	\$000s
Cash	3 991	8 493	4 182	3 846	4 784
Receivables	1 797	2 349	2 221	1 615	2 219
Inventories	459	394	446	373	396
Other	61	74	525	21	491
Total Current Assets	6 308	11 310	7 374	5 855	7 890
Property, plant & equipment	145 855	141 676	143 069	143 154	142 984
Total Non-Current Assets	145 855	141 676	143 069	143 154	142 984
Payables	1 328	2 379	1 852	1 808	1 635
Borrowings	581	629	305	160	0
Provisions	9 044	4 027	4 316	4 053	3 396
Other	730	399	90	13	178
Total Current Liabilities	11 683	7 434	6 563	6 034	5 209
Borrowings	2 404	1 770	680	0	0
Provisions	1 576	7 209	6 940	7 493	7 374
Other	0	10	12	16	16
Total Non-Current Liabilities	3 980	8 989	7 632	7 509	7 390
Net Assets	136 500	136 563	136 248	135 466	138 275
Reserves	0	2 421	3 605	3 605	3 605
Retained surpluses	136 500	134 142	132 643	131 861	134 670
Total Equity	136 500	136 563	136 248	135 466	138 275

Comment

Cash increased in 1999-00 due mainly to the timing of the receipt of Government funding.

Borrowings relate to a loan facility through the Department of Treasury and Finance to fund a redundancy program. The loan balance was fully repaid in 2002-03.

A re-assessment of employee entitlement provisions in 1999-00 resulted in a change in amounts classified as current and non-current. The decrease in current provisions in 2002-03 was due to the non-accrual of salaries compared with the previous year.

The asset revaluation reserve of \$3.605m culminated from successive revaluations of infrastructure assets during 1999-00 and 2000-01.

CASH POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
	\$000s	\$000s	\$000s	\$000s	\$000s
State Government grants	65 501	66 763	65 640	69 741	75 944
Receipts from customers	14 039	13 997	21 474	22 736	23 350
Interest Received				720	400
Payments to suppliers and employees	(71 136)	(73 256)	(84 812)	(87 429)	(90 795)
Borrowing costs	0	(226)	(146)	(55)	(7)
Cash from operations	8 404	7 278	2 156	5 713	8 892
Payments for P, P & Equipment	(7 258)	(2 240)	(5 185)	(5 546)	(7 997)
Proceeds from sale of P, P & E	29	51	131	323	203
Cash used in investing activities	(7 229)	(2 189)	(5 054)	(5 223)	(7 794)
Repayment of borrowings	(294)	(587)	(1 413)	(826)	(160)
Cash from financing activities	(294)	(587)	(1 413)	(826)	(160)
Net increase/(decrease) in cash	881	4 502	(4 311)	(336)	938
Cash at the beginning of the period	3 110	3 991	8 493	4 182	3 846
Cash at end of the period	3 991	8 493	4 182	3 846	4 784

Comment

Cash increased in 1999-00 due mainly to the timing of the receipt of government funding.

State Government Grants increased in 2001-02 due principally to additional Commonwealth revenue referred to earlier in this segment of the Report. Further increases in Commonwealth revenue also occurred in 2002-03 due to increases in the Capital Funding Program.

Receipts from customers and payments to suppliers and employees have increased during 2000-01 due principally to the introduction of the GST.

Payments for property, plant and equipment have increased in 2002-03 due to a significant capital works program currently underway.

FINANCIAL ANALYSIS

	1998-99	1999-00	2000-01	2001-02	2002-03
Financial Performance					
Result from operations (\$'000s)	(130)	850	(1 186)	(647)	3 978
Operating margin	1.00	1.01	0.99	0.99	1.05
Current ratio	0.54	1.52	1.12	0.97	1.51
Debt collection	47	59	56	40	52
Creditor turnover	25	41	34	29	28
Other information					
Staff numbers FTEs	923	955	931	936	948
Average staff costs (\$'000s)	56	56	59	60	63

Comment

Results from operations have substantially improved in 2002-03 due to increases in Government grants.

The current ratio has improved since 1998-99 due mainly to a reclassification of employee provisions.

While the debt collection statistic is comparatively high the Authority is working towards improving the situation.

Staff numbers as shown do not include sessional teacher, adult education tutors or casual staff. The FTE equivalent for these categories of staff is between 150-190 in any given year. As such the average staff costs disclosed are overstated. Based on an estimated staff FTE of 1 120 the average staff costs in 2002-03 are approximately \$53 000.

OVERALL COMMENT

The 2002-03 audit was completed with satisfactory results.

4.9 TASMANIAN BEEF INDUSTRY (RESEARCH AND DEVELOPMENT) TRUST

INTRODUCTION

On 17 August 1987, the Tasmanian Industry Residue Testing Fund was established for the purpose of testing of carcasses of cattle for chemical residue. On 29 February 1988 this function was assumed by the Australian Meat and Livestock Corporation and the Fund was no longer required.

An equitable distribution of the balance of the Residual Testing Fund could not be determined. Consequently the Tasmanian Beef Industry (Research and Development) Trust (the Trust) was established on the 11 July 1990 by the *Tasmanian Beef Industry (Research and Development) Trust Act 1990*. The Act provided for the transfer of \$0.296m held by the Tasmanian Industry Residue Testing Fund to the Trust.

The objectives of the Trust are to encourage and promote, through project funding, any undertakings which may assist in improving any aspect of the Tasmanian beef industry. The Trust performs this function by utilising the proceeds from investment funds for project funding. The Trust is exempt from income tax.

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

The Board comprises three members appointed by the Minister who are responsible for administering the Trust.

AUDIT OF THE 2002-03 FINANCIAL STATEMENTS

Signed financial statements of the Tasmanian Beef Industry (Research and Development) Trust had not been received at the date of preparation of this report. The audit of the draft financial statements is in progress.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1998-99	1999-00	2000-01	2001-02	2002-03
Operating revenue	27	22	24	21	35
Total Revenue	27	22	24	21	35
Depreciation	0	1	1	0	1
Other operating expenses	18	11	13	8	26
Total Expenses	19	12	14	9	27
Result from ordinary activities	8	10	10	12	8

Comment

Operating revenue consists primarily of interest revenue earned on investment funds. Revenue for 2002-03 includes interest revenue of \$0.021m and a receipt from a Beef Expo of \$0.014m.

Other operating expenses consist primarily of project funding, which is variable depending upon grant applications received and approvals given in any particular period. In 2002-03, the Trust had project funding of \$0.017m and travel scholarships of \$0.009m.

FINANCIAL POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
Cash	12	14	0	10	15
Receivables	2	3	1	1	3
Investments	375	371	397	408	403
Total Current Assets	390	388	398	419	421
Property, plant & equipment	5	4	4	3	3
Total Non-Current Assets	5	4	4	3	3
Payables	14	1	1	9	3
Total Current Liabilities	14	1	1	9	3
Total Non-Current Liabilities	0	0	0	0	0
Net Assets	380	391	401	413	421
Capital	296	296	296	296	296
Retained profits	84	95	105	117	125
Total Equity	380	391	401	413	421

Comment

The majority of the Trust's funds are held in term deposits.

Receivables each year consist of accrued interest revenue.

Payables primarily comprise expenses associated with projects and vary according to the timing of project funding. The balance at 30 June 1999 included \$0.010m for a Garlic Pour-on Trial. The balance at 30 June 2002 included project funding of \$0.005m for a Beef Profitability Study submitted by the King Island Beef Group.

Equity includes a capital amount of \$0.296m. This represents the initial equity transferred from the Tasmanian Meat Industry Residue Testing Fund upon establishment of the Trust.

CASH POSITION

	1998-99	1999-00	2000-01	2001-02	2002-03
Receipts from customers	7	1	0	0	14
Payments to suppliers and employees	(5)	(24)	(14)	(0)	(32)
Interest received	21	21	26	21	18
Cash from operations	22	(2)	12	21	0
Payments for P, P & Equipment	(5)	0	0	0	0
Cash used in investing activities	(5)	0	0	0	0
Net increase/(decrease) in cash	17	(2)	12	21	0
Cash at the beginning of the period	370	387	385	397	418
Cash at end of the period	387	385	397	418	418

Comment

The Trust's cash position has increased from \$0.387m at 30 June 1999 to \$0.418m at 30 June 2002. Approved project funding was below interest revenue for the four-years to 30 June 2002, resulting in the cash growth.

In 2002-03, the Trust spent \$0.032m on project funding and scholarships, compared with interest receipts of \$0.014m. The cash balance remained steady at \$0.418m due to the Beef Expo receipt of \$0.014m.

FINANCIAL ANALYSIS

	Bench Mark	1998-99	1999-00	2000-01	2001-02	2002-03
Financial Performance						
Result from operations		8	10	10	12	8
Operating margin	>1.0	1.45	1.86	1.72	2.43	1.30
Return on equity		2.2%	2.7%	2.5%	3.1%	1.9%
Financial Management						
Current ratio	>1	27.61	286.94	399.87	47.17	140.33

Comment

The Trust's result from operations has been consistent over the last few years. The Trust is maintaining an operating margin which is above the benchmark and for the 2002-03 year, attained a level of 1.30.

The return on equity ratio has remained consistent for the five years under review, ranging from 1.9% in 2002-03 to 3.1% in 2001-02. The 2002-03 return was lower due to greater project funding commitments.

The Trust's current ratio remains strong due to the nature of its operations.

The Trust has no employees.

OVERALL COMMENT

Equity in the Trust has increased from \$0.296m received on establishment in 1990 to \$0.421m at 30 June 2003 as proceeds earned from invested funds have not been spent towards the Trust's objectives of encouraging, promoting and improving the Tasmanian beef industry.

The 2002-03 financial statement audit is still in progress.

4.10 TASMANIAN RISK MANAGEMENT FUND

INTRODUCTION

The Tasmanian Risk Management Fund is a self-insurance arrangement established within the Tasmanian State Service to provide a whole-of-government approach to the treatment of all risks to which agencies are exposed. The Fund was established on 1 January 1999 and operates on a fully funded basis. On 1 July 2001, the Tasmanian State Service Workers' Compensation Scheme merged with the Fund.

The Department of Treasury and Finance is responsible for the administration of the Fund, and an inter-agency Steering Committee is responsible for the strategic operation of the Fund. In addition, the Fund has three Sub-Committees to deal with operational issues.

A Fund Administration Agent is retained on a contract basis for claims administration, the provision of advice in relation to the identification, quantification and financing of risk and the placement of insurance as required.

The Responsible Minister is the Treasurer.

AUDIT OF THE 2002-03 FINANCIAL STATEMENTS

Draft financial statements were received on 21 August 2003. Signed financial statements were received on 24 October 2003 and an unqualified audit report was issued on 12 November 2003.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	2001-02	2002-03
	\$'000	\$'000
Agency contributions & recoveries	27 796	26 850
Investment revenue	3 368	3 696
Total Revenue	31 164	30 546
Claims expense	25 621	47 412
Other underwriting expenses	426	1 132
General administration expenses	286	376
Total Expenses	26 333	48 920
Result from ordinary activities	4 831	(18 374)

Comment

Agency contributions comprise amounts required to be paid by participating agencies of the TRMF to meet the costs of claims.

Claims expense increased in 2002-03 due to the assumption of liability for all pre 1 July 2001 medical malpractice claims and an increase in outstanding claims as determined by the actuary. It is understood that additional funding will be provided to the TRMF over the next five years to fully fund the pre 1 July 2001 medical malpractice liabilities.

Other underwriting expenses increased in 2002-03 because of a contribution for the first time to the Nominal Insurer as a result of the HIH collapse and amendments to the *Workers Rehabilitation and Compensation Act 1988*.

The increase in General administration expenses in 2002-03 was for salaries resulting from full staffing levels being maintained for 2002-03.

The increased Total expenses in 2002-03 resulted in an operating deficit of \$18.374m for the year.

FINANCIAL POSITION

	2001-02	2002-03
	\$'000s	\$'000s
Cash	73 603	76 052
Receivables	493	1 082
Total Current Assets	74 096	77 134
Outstanding claims	21 964	25 223
Payables	1 592	2 129
Provisions	35	38
Total Current Liabilities	23 591	27 390
Outstanding claims	28 789	46 402
Total Non-Current Liabilities	28 789	46 402
Net Assets	21 716	3 342
Retained profits	21 716	3 342
Total Equity	21 716	3 342

Comment

The increase in Receivables in 2002-03 was the result of an additional workers' compensation contribution.

The increase in Outstanding claims in 2002-03 was due to an increase in the liability for outstanding workers' compensation claims as determined by the actuary and the recognition of pre 1 July 2001 medical malpractice liabilities.

The increase in Payables in 2002-03 was due to a larger number of workers' compensation claims not reimbursed at 30 June 2003.

The operating deficit in 2002-03 reduced the Retained profits at the end of that year. The financial position of the Fund continues to be satisfactory.

CASH POSITION

	2001-02 \$'000s	2002-03 \$'000s
Agency contribution	28 561	26 284
Interest received	3 100	3 673
Claims and expenses paid	(22 141)	(24 233)
Fund management fees	(1 710)	(1 768)
Underwriting expenses	(426)	(1 132)
General and administration expenses	(335)	(375)
Cash from operations	7 049	2 449
Net increase/(decrease) in cash	7 049	2 449
Cash at the beginning of the period	66 554	73 603
Cash at end of the period	73 603	76 052

Comment

The Cash position of the Fund increased by \$2.449m in 2002-03.

FINANCIAL ANALYSIS

	Bench Mark	2001-02	2002-03
Financial Performance			
Result from operations (\$'000s)		4 831	(18 374)
Operating margin	>1.0	1.18	0.62
Financial Management			
Current ratio	>1	3	3
Debt collection	30 days	6	15
Creditor turnover	30 days	22	16

Comment

The lower Operating margin in 2002-03 reflects the operating deficit in that year.

Staff numbers and Average staff costs have not been reported, as they are included with the Department of Treasury and Finance.

OVERALL COMMENT

The Fund is in a satisfactory financial state and continues to provide savings in insurance costs to government agencies.

4.11 THEATRE ROYAL MANAGEMENT BOARD

INTRODUCTION

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.

As at 1 January 2002 the responsible Minister was the Minister for State Development and from 9 August 2002 the Responsible Minister became the Minister for the Arts.

AUDIT OF THE 2002 FINANCIAL STATEMENTS

The Theatre Royal Management Board's financial statements for the year ended 31 December 2002 were signed on 18 March 2003 and an unqualified audit report was issued on 20 March 2003.

Notes to the financial statements include comment that 'the ability of the Theatre to continue as a going concern and to pay its debts as and when they fall due is dependent upon the continued financial support of the Theatre's financiers by way of loans and through the assistance of administration and programme grants through the State Government.'

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1998	1999	2000	2001	2002
	\$000s	\$000s	\$000s	\$000s	\$000s
Government grants	272	120	127	129	112
User charges and fees	360	509	498	465	542
Other operating revenue	629	731	701	829	793
Non-operating revenue	0	0	0	15	5
Total Revenue	1 261	1 360	1 326	1 438	1 452
Depreciation	22	20	17	22	16
Other operating expenses	1 362	1 262	1 279	1 414	1 353
Total Expenses	1 384	1 282	1 296	1 436	1 369
Result from Ordinary Activities	(123)	78	30	2	83

Comment

The circumstances leading to the significant loss that occurred in 1998 were described on page 204 of my 1999 Report. The Board sustained a loss on both Theatre Royal activities and on Entrepreneurial activities, which resulted in the Board disclosing negative equity at 31 December 1998.

With the appointment of a new Chief Executive Officer in March 1999, more selective scheduling of productions for 1999, and the implementation of improved financial reporting mechanisms, the Board reduced expenses in 1999 to record an Operating surplus for the year. The operating result after both abnormal items and grants and subsidies, for the 1999 year was a surplus of \$0.078m compared with a deficiency in the prior year of \$0.123m.

While the Board returned positive results for the years 2000, 2001 and 2002 after grants and subsidies, there is no doubt that it remains dependent upon Government support, at least in the foreseeable future, to enable it to meet its debts as they fall due.

In 2002, the Board recorded an improved result from box office fees and from the hire of venues but the income from entrepreneurial ventures was down on the previous year by more than \$0.047m. However, the corresponding expenses attributable to entrepreneurial ventures also reduced by more than \$0.067m and

some other expenses also decreased, resulting in a net surplus for the year of \$0.083m, the best result for many years.

FINANCIAL POSITION

	1998	1999	2000	2001	2002
	\$000s	\$000s	\$000s	\$000s	\$000s
Cash	6	52	197	121	333
Receivables	165	18	19	25	44
Inventories	2	5	4	5	6
Other	5	2	5	4	4
Total Current Assets	178	77	225	155	387
Property, plant & equipment	47	43	34	19	67
Other	24	21	17	0	0
Total Non-Current Assets	71	64	51	19	67
Payables	164	53	99	51	218
Borrowings	42	7	7	2	8
Provisions	8	7	7	5	12
Other	62	27	90	56	53
Total Current Liabilities	276	94	203	114	291
Other	22	18	14	0	20
Total Non-Current Liabilities	22	18	14	0	20
Net Assets	(49)	29	59	60	143
Reserves	74	(49)	29	58	60
Surpluses	(123)	78	30	2	83
Total Equity	(49)	29	59	60	143

Comment

The significant movements which occurred in 1998 are referred to above.

Receivables in 1998 included the special purpose grant assistance from the Department of State Development, which was used to pay creditors and accruals resulting from 1998 operations. Receivables in 2002 includes trade debtors and GST that can be recouped.

The movement in other Non Current Assets over the period is due to a lease liability contract for a motor vehicle that was disposed of during 2001.

Payables within current liabilities in 2002 include an amount for advance ticket sales \$0.159m.

The Board had a loan balance from Arts Tasmania of \$0.026m at year end.

The Board concluded 1999 with a positive equity of \$0.029m compared with a negative equity of \$0.049m for the 1998 year. Equity improved gradually to \$0.060m in 2001 with a significant improvement in 2002 to \$0.143m.

CASH POSITION

	1998	1999	2000	2001	2002
	\$000s	\$000s	\$000s	\$000s	\$000s
Government grants	272	248	127	129	112
Receipts from customers	892	1 224	1 257	1 268	1 429
Payments to suppliers and employees	(1 210)	(1 373)	(1 230)	(1 463)	(1 295)
Interest received	0	0	1	0	4
Borrowing costs	(1)	(2)	(2)	(2)	0
Cash from operations	(47)	97	153	(68)	250
Payments for P, P & Equipment	(6)	(13)	(3)	(3)	(64)
Proceeds from sale of P, P & E	19	0	0	15	0
Cash used in investing activities	13	(13)	(3)	12	(64)
Proceeds from borrowings	3	0	0	0	32
Repayment of borrowings	(6)	(6)	(4)	(20)	(6)
Cash from financing activities	(3)	(6)	(4)	(20)	26
Net increase/(decrease) in cash	(37)	78	146	(76)	212
Cash at the beginning of the period	10	(27)	51	197	121
Cash at end of the period	(27)	51	197	121	333

Comment

The significant movements in 1998 and 1999 have been previously commented on earlier in this segment of the Report. The increase in Payments to suppliers and employees in 2001 over that of the prior year is due to a number of factors including increases in salaries and related costs; general administration costs; repairs and

maintenance; insurance, and entrepreneurial expenses resulting from operations for the year. The other contributing factor related to the timing of amounts payable to suppliers at year-end which totalled \$0.099m as at 31 December 2000 compared with \$0.051m at 31 December 2001.

The increase in receipts in 2002 is partly due to the significant receipt of advanced ticket sales. The reduction in payments is partly due to decreased entrepreneurial costs and an increase in payables at year end.

The Board invested \$0.064m in equipment for the Theatre in 2002.

The Board also borrowed \$0.032m from Arts Tasmania during the year but repaid \$0.006m by year end.

FINANCIAL ANALYSIS

	Bench Mark	1998	1999	2000	2001	2002
Financial Performance						
Result from operations (\$'000s)		(123)	78	30	(13)	78
Operating margin	>1.0	0.91	1.06	1.02	0.99	1.06
Financial Management						
Current ratio	>1	0.64	0.82	1.11	1.36	1.33

Comment

Apart from 1998 when a significant operating loss occurred, and 2001 where a negative operating result was offset by asset disposals to return a positive Result from Ordinary Activities, the Authority had made only small operating profits up until 2002. The nature of the Board's operations is that income is prone to unexpected fluctuations due to audience demand.

OVERALL COMMENT

The Board remains dependent upon Government support to enable it to meet its debts as they fall due.

4.12 UNIVERSITY OF TASMANIA

INTRODUCTION

The University of Tasmania is administered under 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 University of Tasmania Foundation Inc., Unitas Company Limited and Southern Ice Porcelain Pty Ltd.

The Department of Science, Education and Training (DEST) set financial reporting guidelines that need to be adhered to by all Universities. The University reports on a calendar year basis, and hence the financial results relate to the year ended 31 December 2002.

The Responsible Minister is the Minister for Education.

AUDIT OF THE 2002 FINANCIAL STATEMENTS

The Tasmanian Audit Office received signed financial statements of the University of Tasmania on 27 May 2003 and an unqualified audit report was issued on 2 June 2003.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1998	1999	2000	2001	2002
	\$000s	\$000s	\$000s	\$000s	\$000s
State government grants	3 594	7 349	6 277	6 927	6 166
Commonwealth grants	95 509	99 264	98 018	101 708	111 742
User charges, fees and fines	41 880	42 466	47 466	53 016	60 538
Other operating revenue	20 349	18 871	22 291	20 715	19 791
Non-operating revenue	1 345	9 892	1 461	3 676	2 246
Total Revenue	162 677	177 842	175 513	186 042	200 483
Depreciation	7 950	14 322	14 734	16 703	17 012
Other operating expenses	137 109	147 344	159 457	163 564	180 328
Non-operating expenses	3 812	1 945	1 617	3 934	2 300
Total Expenses	148 871	163 611	175 808	184 201	199 640
Result from Ordinary Activities	13 806	14 231	(295)	1 841	843

Comment

Commonwealth grant funds have increased over the five years under review. A significant increase of \$10.034m occurred in 2002. Although the movement relates to a number of different grants, significant increases include \$4.731m in the base Operating Grant, \$2.393m in DEST Research Financial Assistance Grants and \$2.265m in Commonwealth Government Research (non-ARC) Grants.

The increase in User charges, fees and fines over the five-year period totals \$18.658m. There has been a significant increase in fees from overseas students, in particular an increase of \$1.993m in 2001 and \$2.490m in 2002. The University has also received additional revenue from increases in HECS funding from the Commonwealth government. HECS increases include, \$4.348m in 2000, \$1.646m in 2001 and \$1.038m in 2002. For the first time in 2002, the University has recorded the collection of Services and Amenities fees as part of User Fees and Charges, totalling \$2.674m. A corresponding expense item relating to the Service and amenities fees payment to Student Unions, totalling \$2.451m has been recorded under Other expenses.

Other operating income includes investment income, consultancy and contract research, donations and bequests, scholarships and prizes and miscellaneous income. Although the revenue appears

relatively consistent, investment income has decreased in the past two years. Investment income in 2000 totalled \$6.540m, which is significantly higher than \$2.165m in 2001 and \$1.798m in 2002. The majority of the University's investments are managed as a pooled fund by an independent portfolio manager and have been affected by the downturn in the financial markets.

The reduction in investment income has been partially offset by increases in donations and bequests and consultancy and contract research revenue.

The majority of non-operating revenue relates to the proceeds from the sale of assets, which can vary between years due to the nature of assets sold. However, in 1999 non-operating revenue included \$1.592m from a decrease in the supplementary pension scheme liability and \$6.905m in recognition of the Commonwealth's supplementation of the retirement benefit fund liability.

In 1999, there was a significant increase in depreciation, which was due to the University increasing the general depreciation rate for Buildings from 1% up to 2.5%, reflecting a change in useful lives from 100 years to 40 years. This resulted in an additional expense of \$5.213m. Although the depreciation expense did not increase significantly in 2002, the University undertook a number of changes in depreciation rates. Computing equipment, audio equipment, motor vehicles and library books and publications had increases in their depreciation rates. The change in rates resulted in an increase of \$2.050m in the depreciation expense. This increase was offset by the University increasing its asset recognition threshold from \$5 000 to \$10 000. This resulted in a reduction in the depreciation expense of approximately \$1m.

Other operating expenses rose to \$147.344m in 1999 due principally to an increase in employee benefits of \$9.624m. This resulted from a 4% pay increase to academic staff and a 2.5% wage increase for general staff.

The increase in other operating expenses in 2000 is due mainly to an increase in employee benefits of \$1.847m and a general increase in expenditure across the University, including increases in consumables, \$1.825m, maintenance, \$2.892m, library materials, \$1.084m, and scholarships and prizes, \$1.039m.

The increase in other operating expenses in 2001 is due to an increase of \$6.685m in employee expenses. Salary award increases of 2% from July 2000 and 3% from July 2001 were paid to both general and academic staff.

The increase in other operating expenses in 2002 is due to an increase of \$6.720m in employee expenses. A salary award increase of 3.5% from July 2002 was paid to both general and academic staff. In addition, other operating expenses include \$2.6m, which relates to the write off of assets between \$5 000 and \$10 000 resulting from the University increasing its asset recognition threshold.

FINANCIAL POSITION

	1998	1999	2000	2001	2002
	\$000s	\$000s	\$000s	\$000s	\$000s
Cash	469	1 380	1 980	3 362	1 578
Receivables	2 634	4 256	5 219	4 657	4 991
Investments	42 997	43 784	53 848	78 583	81 619
Inventories	663	646	453	179	177
Other	735	1 085	2 448	3 023	3 357
Total Current Assets	47 498	51 151	63 948	89 804	91 722
Investments	37 902	40 822	33 498	10 038	10 350
Property, Plant and Equipment	323 868	256 024	253 078	255 313	252 167
Other	0	6 188	6 409	7 594	7 508
Total Non-Current Assets	361 770	303 034	292 985	272 945	270 025
Payables	6 119	6 083	5 300	6 253	5 395
Borrowings	67	0	0	0	0
Provisions	13 006	13 192	14 184	15 327	15 239
Other	9 901	9 288	11 897	14 535	14 715
Total Current Liabilities	29 093	28 563	31 381	36 115	35 349
Provisions	24 493	21 889	21 649	20 890	19 811
Total Non-Current Liabilities	24 493	21 889	21 649	20 890	19 811
Net Assets	355 682	303 733	303 903	305 744	306 587
Statutory Funds	11 445	14 664	21 027	20 933	21 861
Reserves	270 966	204 786	205 338	205 304	205 304
Retained surpluses	73 271	84 283	77 538	79 507	79 422
Total Equity	355 682	303 733	303 903	305 744	306 587

Comment

There was a change in the mix of investments held at the end of the year 2000, when the University's fund manager moved away from

longer-term investments, and instead invested heavily in shares and securities. This development continued in 2001 and as a result, the University disclosed the entire investment portfolio controlled by its fund manager as a current asset, due to the discretionary nature of the directions given to its fund manager. The majority of the balance of non-current investments consists of properties owned, which are used to provide accommodation to students.

There was a significant decrease in Property, plant and equipment during 1999 due to the revaluation of land and buildings and a reassessment of the useful lives of buildings from 100 years to 40 years. In subsequent periods, Property, plant and equipment levels have remained constant. However, the University has completed significant capital works and purchased numerous assets, and these increases have been offset by annual depreciation.

In 1999, the University recorded an asset amounting to \$6.188m, which reflected the Commonwealth's supplementation of the retirement benefit fund liability. The balance, which has increased in line with the University's superannuation liability, comprises the majority of Other non current assets.

Current and non-current provisions consist of annual leave, long service leave and superannuation. At the end of the 2002 financial year, the University's liability for provisions comprised annual leave \$3.109m, long service leave \$12.211m and superannuation \$19.730m.

The increase in other current liabilities in 2000, \$2.609m, is due mainly to student fees in advance of \$1.402m. The remaining increase is due primarily to an increase in accrued services fees. The increase of \$2.638m in 2001 is due mainly to an increase in various types of income received in advance. Aspects of this increase included DETYA funding, \$0.641m, student fees, \$0.346m and University Business Enterprise income, \$0.329m. The remaining difference is essentially due to accrued back pay of \$0.742m.

The University's equity includes Statutory Funds, which under granting conditions, can only be utilised for specific purposes. These funds can not be allocated to general purpose expenditure categories. The reserves balance is comprised solely of an Asset revaluation reserve.

CASH POSITION

	1998	1999	2000	2001	2002
	\$000s	\$000s	\$000s	\$000s	\$000s
State government grants	3 606	7 349	6 277	6 928	6 337
Commonwealth grants	95 274	99 144	100 121	104 317	114 013
Receipts from customers	54 634	52 582	61 507	69 904	84 519
Payments to suppliers and employees	(139 973)	(148 042)	(160 523)	(161 357)	(190 616)
Interest received	6 851	4 520	6 788	2 640	1 747
Cash from operations	20 392	15 553	14 170	22 432	16 000
Payments for investments	(30 480)	(4 027)	(8 891)	(8 541)	(2 201)
Payments for P, P & Equipment	(15 458)	(13 809)	(11 667)	(22 872)	(15 766)
Proceeds from sale of P, P & E	1 345	1 395	837	3 096	1 329
Cash used in investing activities	(44 593)	(16 441)	(19 721)	(28 317)	(16 638)
Net increase/(decrease) in cash	(24 201)	(888)	(5 551)	(5 885)	(638)
Cash at the beginning of the period	45 847	21 646	20 758	15 207	9 322
Cash at end of the period	21 646	20 758	15 207	9 322	8 684

Comment

At the end of the 2002 financial year, the University recorded a cash flow balance of \$8.684m. This balance comprises the cash balance from the Statement of Financial Position, \$1.578m plus short term deposits at call, totalling \$4.139m and bills of exchange, \$2.967m. The later two items are included in the investment balance.

Over the five-year period under review, the University has recorded a strong surplus in Cash from operations. As noted under the Financial Performance comments, Commonwealth grant revenue and User charges, fees and fines have increased. However, the increase in revenue has been offset by increases in Other operating expenses, particularly employee expenses.

Although the cash balance has decreased over the five-year period, payments for investments have exceeded the decrease. This is a result of the University policy of holding its investments as shares and securities rather than bank bills and deposits.

As noted above, the University generates significant cash surpluses from operations. This position is assisted by accounting requirements, which require all grants, irrespective of purpose to be recorded as operating. Consequently, capital purpose grants are recorded as part of operations.

The University's payments for Property, plant and equipment have been consistent with the operating cash surplus. The majority of payments for Property, plant and equipment comprise plant and equipment, library acquisitions and building improvements and additions.

FINANCIAL ANALYSIS

	Bench Mark	1998	1999	2000	2001	2002
Financial Performance						
Result from operations (\$'000s)		16 273	6 284	(139)	2 099	897
Operating margin	>1.0	1.11	1.04	1.00	1.01	1.00
Financial Management						
Current ratio	>1	1.63	1.79	2.04	2.49	2.59
Debt collection	30 days	24	33	41	37	35
Creditor turnover	30 days	40	41	33	41	31
Other information						
Staff numbers FTEs		1,387	1,418	1,466	1,504	1,503
Average staff costs (\$'000s)		64	69	68	71	75

Comment

The University has recorded a surplus from operations in four of the five years under review. The operating margin has been equal to or exceeded the benchmark rate in all five years.

The current ratio is well above the benchmark. This is because the majority of the University's investments are recorded as current assets.

The debt collection ratio has continued to improve from 2000 ratio of 41 days. The high ratio was primarily due to the slow collection of some large accounts relating to health and hospital authorities.

The creditor turnover ratio has fluctuated over the period of review. However, the University has maintained its policy of paying outstanding creditors within a 30 day period.

Average staff costs have risen on a consistent basis over the five-year period under review. This is directly attributable to annual salary award increases to both general and academic staff.

OVERALL COMMENT

The year 2002 audit was completed with satisfactory results, however several issues were addressed to the University Council. These issues included:

- Problems in reconciling the University's asset system (Pinnacle) with the general ledger system FMIS). An adjustment of \$1.88m was required to the general ledger, which was recorded under Other revenue.
- An overstatement in the depreciation expense relating to changes in depreciation rates for computers, motor vehicles, audio-visual equipment and library books. The change in rates were restated to reflect depreciation from the date of acquisition of the asset, which is contrary to Australian Accounting Standard AAS 4 "*Depreciation*".
- A variance of \$1.789m between the carrying amount of investments at 31 December 2002 and the market value of the investments and trust funds held.
- A deficit of \$7.76m between the estimated market value of assets and accrued benefits of the UniSuper Limited superannuation fund.

5 MISCELLANEOUS PUBLIC BODIES

The following public bodies received **unqualified audit reports** on their financial statements for 2002-03. No particular comments are required.

- Anzac Day Trust;
- Ben Lomond Skifield Management Authority;
- Forest Practices Board;
- Government Prices Oversight Commission;
- Launceston Sailors Home Fund Trust;
- Local Government Association of Tasmania;
- Natural Heritage Trust
- Office of the Tasmanian Electricity Regulator;
- Royal Botanical Gardens;
- Southern Waste Management Authority;
- Tasmanian Building and Construction Industry Training Board;
- Tasmanian Community Fund;
- Tasmanian Dairy Industry Association;
- Tasmanian Teachers Registration Board;
- Travel Agents Licensing Board;
- Tsuneichi Fujji Fellowship Trust;
- Wellington Park Management Trust; and
- WorkCover Tasmania Board.

Other

The following auditees have not submitted financial statements for 2002-03 as at 12 November 2003:

- Clyde Water Trust;
- Council of Law Reporting;
- Southern Combined Planning Authority;
- Tasmanian Heritage Council; and
- Tasmanian Wilderness World Heritage Area.

The following public bodies have submitted draft statements for 2002-03 and the audit of the their accounts is currently in progress:

- Aboriginal Land Council; and
- Cradle Coast Authority.