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PARLIAMENT OF TASMANIA

REPORT OF THE AUDITOR-GENERAL

GOVERNMENT DEPARTMENTS AND PUBLIC BODIES 2003-2004

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

November 2004

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

INTRODUCTION

This Volume of the Report includes commentary on 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 2003-04 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 2003-04 FINANCIAL STATEMENTS

Signed financial statements were received on 16 August 2004 and an unqualified audit report was issued on 4 October 2004.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	1 657	1 846	1 728	1 811	2 131
Capital Appropriation	278	8	8	8	8
Other operating revenue	24	174	252	200	278
Total Revenue	1 959	2 028	1 988	2 019	2 417
Depreciation	98	110	110	125	125
Employee expenses	1 253	1 408	1 370	1 464	1 541
Other operating expenses	694	558	705	609	936
Total Expenses	2 045	2 076	2 185	2 198	2 602
Result from Ordinary Activities	(86)	(48)	(197)	(179)	(185)

Comment

Other operating revenue represents maintenance funding from the Department of Treasury and Finance.

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

FINANCIAL POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	1	8	135	71	155
Receivables	0	0	0	0	0
Other	3	11	20	25	35
Total Current Assets	4	19	155	96	190
Property, plant and equipment	14 611	14 501	17 018	18 173	18 048
Total Non-Current Assets	14 611	14 501	17 018	18 173	18 048
Payables	44	35	188	133	257
Provisions	168	143	162	192	215
Total Current Liabilities	212	178	350	325	472
Provisions	156	136	187	210	216
Total Non-Current Liabilities	156	136	187	210	216
Net Assets	14 247	14 206	16 636	17 734	17 550
Retained surpluses	14 247	14 206	16 636	17 734	17 550
Total Equity	14 247	14 206	16 636	17 734	17 550

Comment

Cash increased in 2001-02 due to maintenance funding received from the Department of Treasury and Finance in June 2002. Similarly for 2003-04, the balance includes carry-over funding.

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 a revaluation of heritage assets.

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

Current and non-current provisions increased primarily as a result of higher employee leave balances.

CASH POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	1 935	1 854	1 736	1 819	2 139
Receipts from customers	15	220	300	253	340
Payments to suppliers and employees	(1 775)	(2 067)	(1 909)	(2 135)	(2 395)
Cash from operations	175	7	127	(63)	84
Payments for property, plant and equipment	(175)	0	0	0	0
Proceeds from sale of property, plant and equipment	0	0	0	0	0
Cash used in investing activities	(175)	0	0	0	0
Net increase in cash	0	7	127	(63)	84
Cash at the beginning of the period	1	1	8	134	71
Cash at end of the period	1	8	135	71	155

Comment

Cash increased in 2001-02 due to maintenance funding received from the Department of Treasury and Finance in June 2002. Similarly for 2003-04, the balance includes carry-over funding.

FINANCIAL ANALYSIS

	Bench Mark	1999-00	2000-01	2001-02	2002-03	2003-04
Financial Performance						
Result from operations (\$'000s)		(86)	(48)	(197)	(179)	(185)
Operating margin	>1.0	0.96	0.98	0.91	0.92	0.93
Financial Management						
Debt collection	30 days	n/a	n/a	n/a	n/a	n/a
Creditor turnover	30 days	15	13	37	23	18
Other information						
Staff numbers FTEs		24	25	25	25	25
Average staff costs (\$'000s)		53	57	56	59	62

Comment

Nil.

OVERALL COMMENT

The 2003-04 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

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	160	169	187	199	403
Other Revenue from Government	0	4	0	0	0
Total Revenue	160	173	187	199	403
Employee benefits	160	173	188	199	403
Total Expenses	160	173	188	199	403
Result from operations	0	0	(1)	0	0

Comment

The increase in appropriation and employee benefits for 2003-04 reflects increased costs associated with full taxation of the Governor's salary.

Administered Assets and Liabilities

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Provisions	4	4	5	5	0
Total Current Liabilities	4	4	5	5	0
Net Liabilities	(4)	(4)	(5)	(5)	0
Accumulated deficit	(4)	(4)	(5)	(5)	0
Total Equity	(4)	(4)	(5)	(5)	0

Comment

Nil.

Administered Cash Flows

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	160	173	187	199	403
Payments to suppliers and employees	(160)	(173)	(187)	(199)	(403)
Cash from operations	0	0	0	0	0
Net increase in cash	0	0	0	0	0
Cash at the beginning of the period	0	0	0	0	0
Cash at end of the period	0	0	0	0	0

Comment

Nil.

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 2003-04 FINANCIAL STATEMENTS

Signed financial statements were received on 13 August 2004 and an unqualified audit report was issued on 12 October 2004.

FINANCIAL RESULTS

During 2003-04 a review of administered and controlled classifications was undertaken with the result that all activities are now determined to be of a controlled nature. As a result, prior years' figures were adjusted in the following tables to include administered items as if they were always controlled.

FINANCIAL PERFORMANCE

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	2 921	3 008	3 318	3 342	3 771
Other operating revenue	76	59	11	3	5
Total Revenue	2 997	3 067	3 329	3 345	3 776
Depreciation	0	1	5	5	6
Employee expenses	2 415	2 604	2 755	2 911	3 191
Other operating expenses	476	515	517	514	629
Total Expenses	2 891	3 120	3 277	3 430	3 826
Result from Ordinary Activities	106	(53)	52	(85)	(50)

Comment

Nil.

FINANCIAL POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	4	36	11	5	3
Receivables	0	8	2	4	9
Other	11	4	3	4	7
Total Current Assets	15	48	16	13	19
Property, plant and equipment	854	907	967	961	984
Total Non-Current Assets	854	907	967	961	984
Payables	91	135	45	70	97
Provisions	402	482	494	317	346
Other	11	20	3	3	3
Total Current Liabilities	504	637	542	390	446
Provisions	16	21	28	256	279
Total Non-Current Liabilities	16	21	28	256	279
Net Assets	349	297	413	328	278
Reserves	0	0	64	64	64
Retained surpluses	349	297	349	264	214
Total Equity	349	297	413	328	278

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 increased in recent years due principally to higher employee leave balances. The change in 2002-03 was due to a re-assessment between current and non-current.

CASH POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	2 921	3 008	3 318	3 342	3 771
Receipts from customers	76	92	55	43	58
Payments to suppliers and employees	(2 997)	(3 014)	(3 398)	(3 391)	(3 802)
Cash from operations	0	86	(25)	(6)	27
Payments for property, plant and equipment	0	(54)	0	0	(29)
Cash used in investing activities	0	(54)	0	0	(29)
Net increase (decrease) in cash	0	32	(25)	(6)	(2)
Cash at the beginning of the period	4	4	36	11	5
Cash at end of the period	4	36	11	5	3

Comment

Nil.

FINANCIAL ANALYSIS

	Bench Mark	1999-00	2000-01	2001-02	2002-03	2003-04
Financial Performance						
Result from operations (\$'000s)		106	(53)	52	(85)	(50)
Operating margin	>1.0	1.04	0.98	1.02	0.98	0.99
Financial Management						
Debt collection	30 days	0	0	0	0	1
Creditor turnover	30 days	22	47	25	36	31
Other information						
Staff numbers FTEs		18	18	19	19	22
Average staff costs (\$'000s)		54	58	56	60	61

Comment

Nil.

OVERALL COMMENT

The 2003-04 audit was completed with satisfactory results.

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 2003-04 FINANCIAL STATEMENTS

Signed financial statements were received on 13 August 2004 and an unqualified audit report was issued on 12 October 2004.

FINANCIAL RESULTS

During 2003-04 a review of administered and controlled classifications was undertaken with the result that all activities are now determined to be of a controlled nature. As a result, prior years figures were adjusted in the following tables to include administered items as if they were always controlled.

FINANCIAL PERFORMANCE

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	4 187	4 293	4 514	4 658	4 869
Other operating revenue	7	19	10	10	2
Total Revenue	4 194	4 312	4 524	4 668	4 871
Depreciation	19	21	23	31	34
Employee expenses	3 428	3 552	3 774	4 048	4 183
Other operating expenses	691	782	678	691	636
Non-operating expenses	0	0	0	0	0
Total Expenses	4 138	4 355	4 475	4 770	4 853
Result from Ordinary Activities	56	(43)	49	(102)	18

Comment

Other operating revenue has fluctuated in recent years in line with increasing costs.

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

FINANCIAL POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	0	5	8	8	8
Receivables	0	14	3	25	25
Other	28	0	3	4	2
Total Current Assets	28	19	14	37	35
Property, plant and equipment	857	877	1 027	1 006	995
Total Non-Current Assets	857	877	1 027	1 006	995
Payables	94	114	62	119	93
Provisions	402	426	424	239	244
Other	0	4	4	4	4
Total Current Liabilities	496	544	490	362	341
Provisions	28	34	50	283	273
Total Non-Current Liabilities	28	34	50	283	273
Net Assets	361	318	501	398	416
Reserves	0	0	134	134	134
Retained surpluses	361	318	367	264	282
Total Equity	361	318	501	398	416

Comment

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

Property, plant and equipment increased in 2001-02 due principally to a revaluation increment of \$0.134m for furniture, artworks and artefacts.

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

CASH POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	4 187	4 293	4 514	4 658	4 870
Receipts from customers	7	83	86	80	72
Payments to suppliers and employees	(4 157)	(4 331)	(4 558)	(4 728)	(4 918)
Cash from operations	37	45	42	10	24
Payments for property, plant and equipment	(37)	(40)	(39)	(10)	(24)
Cash used in investing activities	(37)	(40)	(39)	(10)	(24)
Net increase (decrease) in cash	0	5	3	0	0
Cash at the beginning of the period	0	0	5	8	8
Cash at end of the period	0	5	8	8	8

Comment

Nil.

FINANCIAL ANALYSIS

	Bench Mark	1999-00	2000-01	2001-02	2002-03	2003-04
Financial Performance						
Result from operations (\$'000s)		56	(43)	49	(102)	18
Operating margin	>1.0	1.01	0.99	1.01	0.98	1.00
Financial Management						
Debt collection	30 days	n/a	n/a	n/a	n/a	n/a
Creditor turnover	30 days	30	26	19	37	27
Other information						
Staff numbers FTEs		18.0	18.0	18.6	18.6	19.5
Average staff costs (\$'000s)		52	53	55	59	59

Comment

Nil.

OVERALL COMMENT

The 2003-04 audit was completed with satisfactory results.

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 2003-04 FINANCIAL STATEMENTS

Signed financial statements were received on 13 August 2004 and an unqualified audit report was issued on 12 October 2004.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	3 741	3 639	3 453	3 493	3 759
Other operating revenue	409	285	209	482	566
Total Revenue	4 150	3 924	3 662	3 975	4 325
Depreciation	240	269	283	305	336
Employee expenses	1 885	1 820	1 874	1 965	2 033
Other operating expenses	2 263	2 080	1 747	1 786	2 223
Total Expenses	4 388	4 169	3 904	4 056	4 592
Result from Ordinary Activities	(238)	(245)	(242)	(81)	(267)

Comment

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

In 2002-03 and 2003-04 other operating revenue increased due to additional funds being received for essential maintenance.

FINANCIAL POSITION

	1999-00 \$'000s	2000-01 \$'000s	2001-02 \$'000s	2002-03 \$'000s	2003-04 \$'000s
Cash	33	(18)	8	47	106
Receivables	28	93	38	46	39
Inventories	33	26	24	23	26
Other	11	14	8	10	11
Total Current Assets	105	115	78	126	182
Property, plant and equipment	12 170	11 966	13 216	13 150	12 851
Other	0	0	0	0	0
Total Non-Current Assets	12 170	11 966	13 216	13 150	12 851
Payables	149	161	166	174	189
Provisions	376	428	349	226	235
Other	9	8	0	0	0
Total Current Liabilities	534	597	515	400	424
Provisions	53	41	78	256	256
Total Non-Current Liabilities	53	41	78	256	256
Net Assets	11 688	11 443	12 701	12 620	12 353
Reserves	0	0	1 500	1 500	1 500
Retained surpluses	11 688	11 443	11 201	11 120	10 853
Total Equity	11 688	11 443	12 701	12 620	12 353

Comment

The negative cash position as at 30 June 2001 was as a result of GST payments being in excess of receipts on implementation of the tax. Increased cash as at June 2004 included unspent maintenance funding.

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

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

The increase in payables in 2000-01 was due to the introduction of the GST.

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

CASH POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	3 741	3 414	3 453	3 493	3 759
Receipts from customers	410	705	562	731	857
Payments to suppliers and employees	(4 127)	(4 106)	(3 956)	(3 946)	(4 519)
Cash from operations	24	13	59	278	97
Proceeds from investments	0	0	0	0	0
Payments for investments	0	0	0	0	0
Payments for plant, property and equipment	(110)	(64)	(33)	(239)	(38)
Cash used in investing activities	(110)	(64)	(33)	(239)	(38)
Net increase in cash	(86)	(51)	26	39	59
Cash at the beginning of the period	119	33	(18)	8	47
Cash at end of the period	33	(18)	8	47	106

Comment

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

Increased cash as at June 2004 included unspent maintenance funding.

FINANCIAL ANALYSIS

	Bench Mark	1999-00	2000-01	2001-02	2002-03	2003-04
Profitability						
Result from operations (\$'000s)		(238)	(245)	(242)	(81)	(267)
Operating margin	>1.0	0.95	0.94	0.94	0.98	0.94
Financial Management						
Debt collection	30 days	25	127	66	35	25
Creditor turnover	30 days	28	27	31	32	29
Other information						
Staff numbers FTEs		28	28	28	28	28
Average staff costs (\$'000s)		67	65	68	70	73

Comment

The increase in days taken to collect receivables in 2000-01 was due mainly to the impact of the GST, while in 2001-02 there were a number of accounts outstanding for longer than 60 days.

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

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	56	114	55	40	38
Total Revenue	56	114	55	40	38
Other operating expenses	55	114	55	40	38
Total Expenses	55	114	55	40	38
Result from operations	1	0	0	0	0
Transfer to Consolidated Fund	0	0	0	0	0
Net Result from Operations	1	0	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

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Receivables	1	0	0	0	0
Total Current Assets	1	0	0	0	0
Payables	0	0	0	0	0
Total Current Liabilities	0	0	0	0	0
Net Assets	1	0	0	0	0
Retained surpluses	1	0	0	0	0
Total Equity	1	0	0	0	0

Comment

Since 1999-00 the Legislature-General had no administered assets or liabilities.

Administered Cash Flows

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	55	114	55	40	38
Payments to suppliers and employees	(55)	(114)	(55)	(40)	(38)
Cash from operations	0	0	0	0	0
Net increase in cash	0	0	0	0	0
Cash at the beginning of the period	0	0	0	0	0
Cash at end of the period	0	0	0	0	0

Comment

Nil.

OVERALL COMMENT

The 2003-04 audit was completed with satisfactory results.

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 2003-04 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 31 October following the end of the financial year; they then become public documents.

At the time of publication of this Report, 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 2003-04 included:

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

and incorporated the activities of the Tasmanian Development Board.

As at 30 June 2004 the Responsible Ministers were the Minister for Economic Development and the Minister for Sport and Recreation.

AUDIT OF THE 2003-04 FINANCIAL STATEMENTS

Signed financial statements were received on 6 August 2004 and an unqualified audit report was issued on 15 September 2004.

FINANCIAL RESULTS

As the Department was restructured in August 2002, only those figures from 2002-03 are shown.

During 2003-04 a review of administered and controlled classifications was undertaken and it was determined that all activities are of a controlled nature. This resulted in administered equity of \$33.100m being reflected in the 2003-04 controlled portion of the financial statements. As a result, some of the 2003-04 figures are not comparable with previous years.

FINANCIAL PERFORMANCE

	2002-03	2003-04
	\$'000s	\$'000s
Recurrent Appropriation	46 264	42 941
Commonwealth grants	339	690
User charges, fees and fines	0	0
Interest revenue	5 095	3 865
Other operating revenue	6 582	13 949
Non-operating revenue	6 591	6 299
Total Revenue	64 871	67 744
Grants and Subsidies	21 160	24 326
Borrowing costs	5 366	4 210
Depreciation	867	831
Employee expenses	12 935	14 300
Other operating expenses	15 414	19 685
Non-operating expenses	13 916	4 950
Total Expenses	69 658	68 302
Result from Ordinary Activities	(4 787)	(558)

Comment

Other operating revenue significantly increased in 2003-04 due to the receipt of \$9.573m in infrastructure funding for development projects.

Non-operating revenue in 2003-04 represented proceeds from asset disposals. In 2002-03 this amount represented the value of liabilities transferred as a result of the restructure.

Other operating expenses increased in 2003-04 due to disbursement of the abovementioned infrastructure funding.

FINANCIAL POSITION

	2002-03	2003-04
	\$'000s	\$'000s
Cash	14 454	57 129
Receivables	943	188
Other	9 909	6 335
Total Current Assets	25 306	63 652
Property, plant and equipment	26 914	21 371
Investments	8 737	9 405
Other	18 717	13 120
Total Non-Current Assets	54 368	43 896
Payables	2 317	2 102
Borrowings	16 624	31 650
Provisions	2 403	2 230
Other	1 500	2 811
Total Current Liabilities	22 844	38 793
Borrowings	35 478	15 201
Provisions	433	671
Other	8 404	8 228
Total Non-Current Liabilities	44 315	24 100
Net Assets	12 515	44 655
Reserves	2 882	2 440
Retained surpluses	9 633	42 215
Total Equity	12 515	44 655

Comment

The increase in cash during 2003-04 totalled \$42.675m, which included \$33.219m of previously administered cash transferred to controlled activities. It related to expenditure commitments for the Intelligent Island program. Retained surpluses increased by a similar amount.

Other current and non-current assets predominantly consist of loan advances.

Property, plant and equipment decreased due to a general reduction in property holdings.

Investments 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. The Department recently sold its interest in Australian Weaving Mills Ltd for \$1. A further payment of \$999,999 is payable to the Government by the new owner provided certain conditions are met over the next 5 years. The book value of the shares owned by the Government prior to sale was \$1.000m.

Borrowings (current plus non-current of \$46.851m, 2002-03: \$52.102m) decreased due to repayments made.

CASH POSITION

	2002-03	2003-04
	\$'000s	\$'000s
Revenue from Government	45 218	44 241
Commonwealth grants	339	718
Receipts from customers	13 441	18 811
Grants and transfer payments	(21 160)	(24 326)
Payments to suppliers and employees	(38 771)	(34 392)
Interest received	5 137	3 729
Borrowing costs	(5 625)	(4 133)
Cash from operations	(1 421)	4 648
Proceeds from investments	38 029	11 479
Payments for investments	(3 710)	(925)
Disbursement of loans to other entities	0	(2 071)
Payments for property, plant and equipment	(630)	(4 147)
Proceeds from sale of property, plant and equipment	338	5 899
Cash used in investing activities	34 027	10 235
Proceeds from borrowings	0	0
Repayment of borrowings	(35 800)	(5 427)
Cash from financing activities	(35 800)	(5 427)
Net increase/(decrease) in cash	(3 194)	9 456
Cash at the beginning of the period	17 648	14 454
Cash from administered activities	0	33 219
Cash at end of the period	14 454	57 129

Comment

The marked increase in receipts from customers during 2003-04 related to infrastructure funding discussed previously.

Proceeds from and payments for investments consist mainly of loans advanced to various industry groups and the redemption of those loans. The large proceeds from investments in 2002-03 reflect the repayment of loan advances made in the previous period, including a loan made to Incat Australia Pty Ltd, the recovery of which facilitated debt repayments.

FINANCIAL ANALYSIS

	Bench Mark	2002-03	2003-04
Financial Performance			
Result from operations (\$'000s)		17 116	8 470
Operating margin	>1.0	1.49	1.22
Financial Management			
Debt collection	30 days	29	10
Creditor turnover	30 days	29	17
Other information			
Staff numbers FTEs		205	201
Average staff costs (\$'000s)		63	71

Comment

Nil comments.

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 were not previously shown as controlled in the Department's Statements of Financial Performance or Financial Position.

As mentioned previously, during 2003-04 a review was undertaken of administered and controlled classifications within the Department and it was determined that all activities are of a controlled nature. As a result the Department no longer has administered transactions.

As the Department was restructured in August 2002, only those figures from 2002-03 are shown.

Administered Revenues and Expenses

	2002-03	2003-04
	\$'000s	\$'000s
Recurrent Appropriation	685	0
Other Revenue from Government	0	0
Commonwealth grants	0	0
Other operating revenue	1 662	0
Total Revenue	2 347	0
Grants and subsidies	4 303	0
Other operating expenses	1 899	0
Total Expenses	6 202	0
Result from operations	(3 855)	0
Net Result from Operations	(3 855)	0

Comment

Other operating revenues represented investment and sundry income.

Expenses for 2002-03 principally comprised grants associated with the Intelligent Island Program.

Administered Assets and Liabilities

	2002-03	2003-04
	\$'000s	\$'000s
Cash	972	0
Other	10	0
Total Current Assets	982	0
Investments	32 247	0
Other	29	0
Total Non-Current Assets	32 276	0
Payables	1	0
Provisions	100	0
Total Current Liabilities	101	0
Provisions	19	0
Total Non-Current Liabilities	19	0
Net Assets	33 138	0
Retained surpluses	33 138	0
Total Equity	33 138	0

Comment

Investments for 2002-03 represented funds received for the Intelligent Island Program.

Administered Cash Flows

	2002-03	2003-04
	\$'000s	\$'000s
Revenue from Government	685	0
Commonwealth grants	0	0
Receipts from customers	527	0
Payments to suppliers and employees	(2 298)	0
Grants and transfer payments	(4 303)	0
Interest received	27	0
Cash from operations	(5 362)	0
Payments for acquisition of assets	(37)	0
Proceeds from investments	4 900	0
Payments for investments	0	0
Cash used in investing activities	4 863	0
Net increase/(decrease) in cash	(499)	0
Cash at the beginning of the period	1 471	0
Cash at end of the period	972	0

Comment

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

OVERALL COMMENT

The 2003-04 audit was completed with satisfactory results.

2.2 DEPARTMENT OF EDUCATION

INTRODUCTION

The Department of Education was formed on 18 September 1998 as a result of the *Administrative Arrangements Order (No 2) 1998*. The Department's areas of responsibility during 2003-04 included:

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

The Portfolio Minister is the Minister for Education.

AUDIT OF THE 2003-04 FINANCIAL STATEMENTS

Signed financial statements were received on 13 August 2004 and an unqualified audit report was issued on 22 September 2004.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Recurrent appropriations	528 808	544 242	560 810	591 581	623 037
Capital appropriations	20 395	18 042	21 413	27 757	15 412
Commonwealth grants	35 701	14 116	17 866	16 404	11 407
User charges, fees and fines	478	428	455	518	485
Social Infrastructure Fund	0	0	10 000	737	7 087
School levies	6 633	6 671	7 616	7 343	8 110
Other operating revenue	27 522	23 645	30 319	33 938	28 181
Non-operating revenue	1 780	368	826	988	1 089
Total Revenue	621 317	607 512	649 305	679 266	694 808
Employee expenses	392 905	412 462	431 357	449 197	468 205
Depreciation	18 312	18 459	17 529	17 850	17 702
Grants and subsidies	66 793	66 068	71 753	78 558	79 785
Other operating expenses	127 394	122 958	131 414	127 728	129 235
Non-operating expenses	3 243	7 551	7 287	1 599	691
Total Expenses	608 647	627 498	659 340	674 932	695 618
Result from Ordinary Activities	12 670	(19 986)	(10 035)	4 334	(810)

Comment

Recurrent appropriations increased consistently each year. Appropriations include Commonwealth general grants for schools, TAFE and child care (\$85.663m in 2003-04), which were initially included with the Commonwealth grants (2003-04, \$176.524m) under administered revenue and then transferred to the Consolidated Fund. Commonwealth grants for specific purposes (2003-04, \$11.407m) were also included separately as revenue.

The capital appropriation in 2001-02 and 2002-03 provided funding for a higher number of projects within the Capital Investment Program (CIP) 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. The reduction in 2003-04 was due to the conclusion and reduction of funding for Tas Communities Online, Industry Technology Training, Environmental Tourism, Online Access Service for People with Disabilities and Teacher Learning programmes.

The increase in school levies in 2003-04 was a consequence of the new school levy policy, which combined school fees into a consolidated levy, with a resultant reduction in other student collections.

Other operating expenses have increased since 2000-01 with increased expenditure on information technology under the Networking the Nation program. In 2001-02 the increase included \$11.885m in building and infrastructure maintenance, mainly due to an additional \$10.000m provided from the Social Infrastructure Fund. These expenses were not capitalised as they individually fell below the Departmental capitalisation threshold.

From 2002-03 grants and subsidies paid included payments previously classified as administered transactions now classified as controlled transactions (2003-04, \$5.462m), due to the altered definition of controlled and administered transactions as set out in a revised Treasurer's Instruction.

Non-operating expenses in 2000-01 included a write-down of the Reece High School that was destroyed by fire, \$7.179m, and in 2001-02 included a write-down of the Chigwell Primary School due to fire damage, \$1.243m, and the write-down of library books, \$5.195m, resulting from a change in asset recognition criteria relating to school library books.

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 resulting in capitalised expenditure, compared with 2001-02 and forms part of the land and buildings valuation on the Statement of Financial Position; no asset write downs; and the reversal of revenue received in advance in 2001-02 as revenue being recognised as a recurrent appropriation in 2002-03.

FINANCIAL POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and deposit accounts	65 997	53 626	56 757	60 824	69 694
Receivables	1 711	3 157	3 341	3 742	2 969
Other	445	4 755	4 229	5 194	4 707
Total Current Assets	68 153	61 538	64 327	69 760	77 370
Property, plant and equipment	792 337	781 511	777 528	777 572	772 154
Total Non-Current Assets	792 337	781 511	777 528	777 572	772 154
Payables	5 663	5 591	6 903	5 328	5 220
Provision for employee entitlements	26 493	28 556	29 227	32 488	29 187
Other	0	0	4 340	0	5 520
Total Current Liabilities	32 156	34 147	40 470	37 816	39 927
Provision for employee entitlements	61 144	61 971	64 994	69 343	70 905
Total Non-Current Liabilities	61 144	61 971	64 994	69 343	70 905
Net Assets	767 190	746 931	736 391	740 173	738 692
Reserves	4 212	4 212	4 212	4 212	4 212
Retained surpluses	762 978	742 719	732 179	735 961	734 480
Total Equity	767 190	746 931	736 391	740 173	738 692

Comment

Cash and deposit accounts include cash and bank balances held by schools and colleges (2003-04, \$38.287m). In 1999-00, cash included an additional \$18.900m under the Networking the Nation program that continued to be expended in subsequent years. The amounts in 2001-02, \$4.340m, and 2003-04, \$5.520m, included revenue received in advance in accordance with section 8A(2) of the *Financial Management and Audit Act 1990*.

The increase in receivables and other current assets from 2000-01 was due to the impact of the GST. The reduction in 2003-04 was mainly due to some substantial debtors reductions, including insurance debtors for the Fairview Primary School fire, Commonwealth debtors and workers compensation claims.

Payables increased in 2001-02 as 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 provisions for employee entitlements in 2002-03 was 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 a new accounting standard.

Other current liabilities in 2001-02, \$4.340m, and 2003-04, \$5.520m, consisted of revenue received in advance.

Retained surpluses consist of the initial recognition of net equity on commencement of accrual accounting by the Department, adjusted by net surpluses and deficits since then.

CASH POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from Government	549 203	562 284	582 223	614 998	638 449
Commonwealth grants	35 701	14 116	17 866	16 404	11 407
Receipts from customers	33 322	51 133	70 030	58 246	67 199
Interest received	1 267	2 322	1 768	1 821	1 860
Payments to suppliers and employees	(577 871)	(627 483)	(648 749)	(668 897)	(696 957)
Cash from operations	41 622	2 372	23 138	22 572	21 958
Proceeds from sale of property, plant and equipment	113	368	575	680	731
Payments for property, plant and equipment	(15 562)	(15 111)	(20 582)	(19 185)	(13 819)
Cash used in investing activities	(15 449)	(14 743)	(20 007)	(18 505)	(13 088)
Net increase/(decrease) in cash	26 173	(12 371)	3 131	4 067	8 870
Cash at the beginning of the period	39 824	65 997	53 626	56 757	60 824
Cash at end of the period	65 997	53 626	56 757	60 824	69 694

Comment

As noted previously, an increase in cash for 2003-04 largely reflected revenue received in advance of \$5.520m.

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	1999-00	2000-01	2001-02	2002-03	2003-04
Financial Performance						
Result from operations (\$'000s)		14 133	(12 803)	(3 574)	4 945	(1 208)
Operating margin	>1.0	1.02	0.98	0.99	1.01	1.00
Financial Management						
Debt collection	30 days	19	43	39	38	35
Creditor turnover	30 days	22	23	25	17	16
Other information						
Staff numbers FTEs		7 721	7 616	7 674	7 705	7 799
Average staff costs (\$'000s)		52	54	56	58	60

Comment

The Result from operations excluded 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, 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 expenditure.

In 1999-00 the operating surplus included an amount of \$18.900m grant funding received in June for the Networking the Nation Program, which was approved for carry forward expenditure. This contributed to operating deficits in following years. In 2002-03 the surplus resulted from increased capital appropriations.

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

The improved creditor turnover from 2002-03 is a result of better management of accounts.

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

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from government	37 987	33 427	35 244	32 861	34 224
Commonwealth grants	135 832	141 992	154 672	160 569	176 524
User charges, fees and fines	6 926	6 893	6 557	6 749	7 212
Other operating revenue	1 258	1 261	1 288	1 538	1 464
Total Revenue	182 003	183 573	197 761	201 717	219 424
Grants and subsidies	103 748	102 336	112 629	114 320	125 085
Total Expenses	103 748	102 336	112 629	114 320	125 085
Result from operations	78 255	81 237	85 132	87 397	94 339
Transfer to Consolidated Fund	79 221	81 325	84 718	87 436	94 375
Net Result from Operations	(966)	(88)	414	(39)	(36)

Comment

Commonwealth grants were received and used for funding of public schools (2003-04, \$58.892m), non-government schools (\$90.861m) and TAFE colleges (\$26.551m).

The main component of User charges, fees and fines was for State Library Services (2003-04, \$6.988m).

Grants and subsidies consist mainly of grants to non-Government schools, (2003-04, \$31.811m) and allocations to non-government schools by the Commonwealth Department of Education, Science and Training (2003-04, \$90.861m). Grant revenues and expenditures increased principally due to additional funding related to TAFE and IT issues.

While 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 included in the Appropriation to the Department for expenditure on schools and TAFE.

Administered Assets and Liabilities

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	240	101	502	362	477
Receivables	47	10	97	58	22
Total Current Assets	287	111	599	420	499
Payables	87	33	140	0	115
Total Current Liabilities	87	33	140	0	115
Payables	67	33	0	0	0
Total Non-Current Liabilities	67	33	0	0	0
Net Assets	133	45	459	420	384
Retained surpluses	133	45	459	420	384
Total Equity	133	45	459	420	384

Comment

Most variations between administered assets and liabilities are due to timing issues.

Administered Cash Flows

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from Government	37 987	33 427	35 244	32 731	34 224
Commonwealth grants	135 832	141 992	154 672	160 569	176 524
Receipts from customers	8 163	8 191	7 758	8 326	8 827
Grants and subsidies	(103 989)	(102 424)	(112 555)	(114 320)	(125 085)
Transfers to the Consolidated Fund	(79 221)	(81 325)	(84 718)	(87 446)	(94 375)
Cash from operations	(1 228)	(139)	401	(140)	115
Net increase/(decrease) in cash	(1 228)	(139)	401	(140)	115
Cash at the beginning of the period	1 468	240	101	502	362
Cash at end of the period	240	101	502	362	477

Comment

As noted previously, variations between administered receipts and payments are primarily due to timing issues.

OVERALL COMMENT

Both on cash and accrual bases, the position of the Department appears sound and has been fairly consistent for the period under review. The audit for 2003-04 was completed with satisfactory results.

2.3 DEPARTMENT OF HEALTH AND HUMAN SERVICES

INTRODUCTION

The Department of Health and Human Services (the Department or 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 2003-04 FINANCIAL STATEMENTS

Financial statements of the Department were received on 13 August 2004. Revised statements were received on 15 October 2004 and an unqualified opinion was issued on 19 October 2004.

The financial statements of the Tasmanian Ambulance Service were received on 13 October 2004. An unqualified opinion was issued on 15 October 2004.

Housing Tasmania and HOAP financial statements were received on 13 August 2004. Final revised statements for HOAP were received on 13 October 2004 and an unqualified audit report was issued on 15 October 2004. Final revised statements for Housing Tasmania were received on 19 October 2004 and an unqualified audit report was issued on 19 October 2004.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	594 966	631 495	675 833	707 180	756 335
Capital Appropriation	26 037	28 101	17 424	22 813	19 780
Commonwealth grants	10 748	14 975	18 357	21 667	21 250
Patient User Charges	38 937	37 642	48 762	48 411	51 446
Tenant and Dwelling User Charges	45 436	47 137	47 338	47 471	47 918
Other operating revenue	35 576	29 963	32 382	42 983	45 719
Non-operating revenue	9 982	17 622	29 181	31 640	24 222
Total Revenue	761 682	806 935	869 277	922 165	966 670
Employee expenses	391 413	424 816	442 497	463 418	495 734
Goods and Services	75 874	85 230	85 970	94 339	107 124
Grants and Subsidies	103 360	90 975	100 061	105 359	102 581
Depreciation	23 873	24 927	24 246	25 196	28 453
Borrowing costs	15 441	15 512	14 564	14 027	13 459
Other operating expenses	140 588	165 315	174 225	189 699	185 570
Non-operating expenses	13 557	21 705	47 637	50 952	19 097
Total Expenses	764 106	828 480	889 200	942 990	952 018
Result from Ordinary Activities	(2 424)	(21 545)	(19 923)	(20 825)	14 652

Comment

In 2000-01 increases in the recurrent appropriation, \$36.529m, and the Capital appropriation, \$2.064m, were due mainly to the Government's commitment to maintaining the level of health services within the State. Further increases continued in recurrent appropriations in 2001-02,

\$44.388m and 2002-03, \$31.347m respectively. Capital funding fell in 2001-02 by \$10.677m although has remained reasonably stable since.

The Government's commitment to continuously improving services continued in 2003-04 including \$12.658m for staffing and award obligations, \$10.000m for improvements in Hospital infrastructure, \$5.600m to support Multi-Purpose Services within rural areas, \$5.200m to cover additional medical, surgical and pharmaceutical supplies and \$6.000m in a number of other child and family support and youth justice services throughout the State.

User charges comprise inpatient, outpatient and nursing home fees, and remained strong with increases in 2001-02 and 2003-04 driven by inpatient fees. Fees from dwelling tenants and other associated charges remained reasonably consistent over the period.

Other operating revenue included interest from borrowers and cost recoveries for salaries and wages, food and other items. In 2002-03 this item also included the addition of \$10.951m in assets identified during a partial stock-take review performed during the year, and in 2003-04 included an Economic and Social Infrastructure Fund (ESIF) contribution of \$10.806m.

Non-operating revenues comprised chiefly of proceeds from asset disposals. In 2001-02 this item also included the recognition of Community Housing Stock of \$12.185m not previously brought to account, comprising 199 properties operated by community organisations, with Housing Tasmania retaining a significant equity interest in the assets. The increases in 2002-03 were due to higher than anticipated proceeds derived from greater activity in Housing Tasmania's capital sales program. Housing Tasmania's gross proceeds totalled \$30.954m in 2002-03. This program was reduced in 2003-04.

Increases in funding correlates with the acquisition of goods and services and other operating costs. Employee costs generally moved in line with employee numbers. Increases in the provision of services, wage rises and resultant increases in leave provisions occurred throughout the period under review. Grants and subsidies remained relatively stable over the period.

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

In 2001-02 assets to the value of \$47.637m were disposed of realising \$16.996m. The loss on disposal of \$30.641m for the year included a loss of \$20.820m on the sale of 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 of realising \$31.640m. This included \$36.916m in Housing Tasmania assets and \$13.918m in Health assets written off as part of a major stock take. The overall loss on disposal for

the year was \$19.312m with \$9.400m relating to Housing Tasmania. In 2003-04 the majority of the balance relates to Housing with \$17.712m of stock sold at a gain on disposal of \$2.453m.

FINANCIAL POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	29 378	32 015	54 061	81 222	97 808
Receivables	7 100	8 714	10 207	13 528	14 724
Loan Advances	0	0	0	17 969	13 111
Inventories	3 986	5 553	5 680	5 894	6 171
Other	11 457	10 964	10 224	262	860
Total Current Assets	51 921	57 246	80 172	118 875	132 674
Property, plant and equipment	1 117 366	1 075 559	1 036 751	1 035 140	1 193 781
Loan Advances	61 725	60 025	53 976	37 138	26 753
Other	557	388	281	236	347
Total Non-Current Assets	1 179 648	1 135 972	1 091 008	1 072 514	1 220 881
Payables	22 267	20 256	17 252	18 898	20 298
Borrowings	50 716	49 759	43 895	35 384	24 085
Provisions	36 775	39 508	42 693	46 847	50 563
Other	21 920	25 883	35 489	41 361	28 002
Total Current Liabilities	131 678	135 406	139 329	142 490	122 948
Borrowings	278 307	273 549	268 694	263 629	258 344
Provisions	44 169	56 105	60 686	60 231	61 526
Total Non-Current Liabilities	322 476	329 654	329 380	323 860	319 870
Net Assets	777 415	728 158	702 471	725 039	910 737
Capital	6 094	6 094	6 094	6 094	6 094
Reserves	242 544	214 832	205 262	250 527	421 265
Retained surpluses	528 777	507 232	491 115	468 418	483 378
Total Equity	777 415	728 158	702 471	725 039	910 737

Comment

The increase in the cash balance in 2001-02 included \$12.303m of income received in advance. The 2002-03 and 2003-04 increases included \$19.244m and \$10.012m respectively, in Housing Tasmania's operating account relating to monies received from assets sales. These are committed funds held for future specific purchases and projects.

During 2000-01, Property, plant and equipment decreased by \$41.807m mainly due to an asset revaluation decrement of \$30.294m. This adjustment arose from an incorrect revaluation calculation in the previous year relating to dwelling stock maintained by the Department.

Assets continued to decrease in 2001-02 (\$38.808m) primarily due to the sale of the old Royal Derwent Hospital complex. Other than normal additions the principal increase in assets related 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, which were brought to account as a revenue item. For the remaining 257 properties title has since been transferred into the name of a Community Organisation, with the Department still holding a significant equity interest. These 257 properties, with a value of \$8.330m, were disclosed as a Contingent Asset and will be recognised as revenue should the properties be sold.

As a result of a revaluation of rental dwelling stock at 30 June 2004, Property plant and equipment increased by \$170.738m. This is reflected in an asset revaluation reserve within Equity.

In line with the Government policy to reduce debt, borrowings declined over the years with reductions from year to year of \$5.715m in 2000-01, \$10.719m in 2001-02, \$13.576m in 2002-03 and \$6.584m in 2003-04.

Provisions increased by \$14.669m during 2000-01 with the majority related 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 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 in annual leave, up \$2.701m to \$33.486m and long service leave, up \$3.191m to \$52.922m.

Leave provisions continued to rise in 2002-03, with annual leave increasing \$4.098m to \$37.584m, partly due to a change in the applicable Accounting Standard (AASB 1028). Effective 2002-03 this standard required benefits to be disclosed at prospective rates with allowance for future wage increases. An amount of \$1.470m was identified as the resulting increase. At the end of 2003-04 leave provisions increased by a further \$5.011m, with annual leave again the main contributor rising by \$2.702m on the prior year.

CASH POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	621 003	659 596	705 560	733 829	770 074
Commonwealth grants	9 830	14 975	18 356	21 667	21 250
Receipts from customers	120 458	137 790	156 785	157 414	174 946
Payments to suppliers and employees	(694 833)	(773 262)	(832 134)	(868 009)	(922 514)
Borrowing costs	(15 441)	(15 458)	(14 866)	(14 507)	(13 271)
Cash from operations	41 017	23 641	33 701	30 394	30 485
Proceeds from investments	3 069	1 803	6 049	8 970	15 243
Payments for property, plant and equipment	(35 311)	(34 714)	(27 429)	(23 896)	(35 340)
Proceeds from sale of property, plant and equipment	9 949	17 622	16 250	27 098	22 398
Cash used in investing activities	(22 293)	(15 289)	(5 130)	12 172	2 301
Proceeds from borrowings	0	194 536	224 523	137 459	127 383
Repayment of borrowings	(8 344)	(200 251)	(231 048)	(152 865)	(143 583)
Cash from financing activities	(8 344)	(5 715)	(6 525)	(15 406)	(16 200)
Net increase in cash	10 380	2 637	22 046	27 160	16 586
Cash at the beginning of the period	18 998	29 378	32 015	54 061	81 221
Cash at end of the period	29 378	32 015	54 061	81 221	97 807

Comment

The Department continued to receive additional appropriations over the years to meet increasing payments to suppliers and employees. Receipts from customers also increased in line with funding reflecting the increases in user charges and the provision of services over the period.

Borrowing costs remained reasonably constant up until 2000-2001. As noted previously reductions in the total borrowings portfolio resulted in reduced borrowing costs.

Payments and proceeds related to Property, plant and equipment are primarily transactions initiated by Housing Tasmania. Payments for the acquisition of assets for Housing Tasmania declined in recent years from \$26.020m in 2000-01, to \$15.215m in 2001-02, to \$14.772m in 2002-03. In 2003-04 there was a slight reversal to this trend with \$18.392m spent on asset acquisitions. Proceeds from sales for the same periods were \$16.877m, \$15.689m, \$30.954m and \$21.942m respectively. Public rental dwellings sold over this period were 336, 327, 587 and 293 dwellings respectively.

Over the period shown cash has steadily increased each year. Positive returns from operations have aided this result. At year-end 2003-04, \$45.212m of cash held (\$35.200m in 2002-03) related to Housing Tasmania, which contains committed funds for specific purchases and development projects.

FINANCIAL ANALYSIS

	Bench Mark	1999-00	2000-01	2001-02	2002-03	2003-04
Financial Performance						
Result from operations (\$'000s)		1 151	(17 462)	(1 467)	(1 513)	9 527
Operating margin	>1.0	1.00	0.98	1.00	1.00	1.01
Financial Management						
Debt collection	30 days	22	28	29	36	37
Creditor turnover	45 days	52	40	34	32	25
Other information						
Staff numbers FTEs		6 710	6 819	6 964	7 074	7 251
Average staff costs (\$'000s)		58	62	64	66	68
Dwelling Stock (No. of Properties)		13 405	13 178	12 656	12 004	12 511

Comment

The Department's operating result fluctuates markedly from year to year caused by the nature of its activities - health related services primarily funded by appropriation and housing related services primarily funded from rentals and housing sales. Despite this, the result is close to the benchmark of 1.0.

Recent increases in cash held at year-end have resulted in an improvement in the current ratio. Increasing receivables over the period raised the debt collection ratio. Despite increasing goods and services costs and higher operating expenditure over the five years under review, the Department contained growth in creditors indicating more timely payments to suppliers.

Employee numbers increased slightly in the last four years in line with increased funding for Government initiatives.

OVERALL COMMENT

At 30 June 2003 the audit report included an "emphasis of matter" paragraph on each of the Departmental financial statements and Housing Tasmania's financial statements. This related to inherent uncertainty regarding the valuation of rental dwellings.

At that date rental dwellings were recognised in the financial statements at a written down value of \$703.997m.

Between 2000 and 2003 Housing Tasmania disposed of a number of surplus rental dwellings at significant losses compared to the independent valuations provided by the Valuer-General. As part of the disposal process incentives were given in line with the policy of making affordable

housing available to eligible applicants. It was recognised that the losses incurred were substantially influenced by incentives offered to purchasers under the "Streets Ahead" sales initiative, and the targeting of sales from the Housing Tasmania portfolio to people on low incomes. During this period proceeds received from houses sold, before these allowances, were below the carrying value of these houses. With continuing losses being made the concern was that the recorded written down value of dwelling stock may have been overstated.

During 2003-04 Housing Tasmania disposed of 293 properties with a gain on disposal of \$2.453m, a substantial turn-around from the 2002-03 loss of \$9.400m. This result persuaded me to remove the "emphasis of matter" caution from my audit report. However the valuation of dwelling stock needs to be closely monitored by management.

The current valuation at 30 June 2004 of \$893.222m was based on the most recent valuation for each property indexed by factors provided by the Valuer-General. This gave rise to a revaluation increment of \$167.718m.

The Department pays payroll tax on wages paid to employees that are exempt under the *Payroll Tax Act 1971*. An exemption from pay-roll tax under section 10 of this Act applies to wages paid or payable for a public hospital (i.e. salaries and provisions). The annual appropriation covers this cost. The Department also pays penalties on late returns including any late payment of this payroll tax. During the year total payroll tax paid equated to \$26.551m (\$25.828m in 2002-03). Of this it is estimated that exempt hospital staff may approximate \$15.000m.

The effect of this was to overstate employee expenses, employee provisions and Government funding of the Department from the public account. Trust monies expended on staff salaries within a hospital context (eg. Medical Research) are also subject to payroll tax. The pay-roll tax rate was 6.1%.

This issue was raised in the prior year for discussion between DHHS and the Department of Treasury and Finance. Both parties acknowledge the existence of the exemption but, at the direction of the Department of Treasury and Finance and for ease of administration, payments continue to be made.

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

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriations	11 948	10 433	10 176	12 610	11 214
Commonwealth grants	69 012	75 999	78 911	80 677	81 356
User charges, fees and fines	7 793	4 917	0	0	0
Other operating revenue	689	270	0	0	0
Total Revenue	89 442	91 619	89 087	93 287	92 570
Grants and subsidies	8	203	0	0	0
Other operating expenses	16 903	16 720	10 167	12 847	11 381
Total Expenses	16 911	16 923	10 167	12 847	11 381
Result from operations	72 531	74 696	78 920	80 440	81 189
Transfer to Consolidated Fund	69 012	75 999	78 911	80 677	81 356
Net Result from Operations	3 519	(1 303)	9	(237)	(167)

Comment

Recurrent appropriations provide funding for a Community Service Agreement (CSA) with Aurora Energy Pty Ltd for the provision of pensioner concession, to approximately 64 500 Tasmanian pensioners, shown in the table as other operating expenses. 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 \$13.565m in 1999-00 to \$18.743m in 2003-04, and Disability Services from \$13.549m in 1999-00 to \$20.026m in 2003-04.

Other larger items for 2003-04 included funding under the Commonwealth State Housing Agreement (CSHA) of \$24.721m, Support Accommodation Assistance Program (SAAP), \$7.179m, and the High Cost Drugs grants, \$6.749m.

In 2001-02 the Department reviewed its classification of administered and controlled items in line with a Treasurer's Instruction. As a result a number of activities were transferred from administered to controlled. These included transactions in the Private Patient Scheme, research accounts, donation accounts and other special purpose accounts. Due to this change there were no items shown for User charges, fees and fines, Other operating revenue or Grants and subsidies expenditure from 2001-02 onwards.

Administered Assets and Liabilities

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	4 176	4 359	0	0	0
Total Current Assets	4 176	4 359	0	0	0
Payables	0	2 547	2 505	2 741	2 908
Borrowings	544	365	0	0	0
Other	4 176	4 359	0	0	0
Total Current Liabilities	4 720	7 271	2 505	2 741	2 908
Borrowings	365	0	0	0	0
Total Non-Current Liabilities	365	0	0	0	0
Net Assets	(909)	(2 912)	(2 505)	(2 741)	(2 908)
Retained surpluses	(909)	(2 912)	(2 505)	(2 741)	(2 908)
Total Equity	(909)	(2 912)	(2 505)	(2 741)	(2 908)

Comment

Administered borrowings related to the employee rationalisation program, which have now been fully repaid. Cash represented the balance of various trust accounts, which were offset by the Other liabilities. These items were reclassified to controlled transactions as mentioned previously.

The payables balance represented the accrued CSA payable to Aurora Energy Pty Ltd for pensioner discounts due at year-end.

Administered Cash Flows

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government		10 433	10 176	12 610	11 214
Commonwealth grants		75 999	78 911	80 677	81 356
Receipts from customers		4 917	0	0	0
Other cash receipts		270	0	0	0
Grants and subsidies		(203)	0	0	0
Other Cash Payments		(13 990)	(10 176)	(12 610)	(11 214)
Transfers to Consolidated Fund		(75 998)	(78 911)	(80 677)	(81 356)
Cash from operations		1 428	0	0	0
Transfers to Consolidated Fund		(544)	(4 359)	0	0
Cash from financing activities		(544)	(4 359)	0	0
Net increase/(decrease) in cash		183	(4 359)	0	0
Cash at the beginning of the period		4 176	4 359	0	0
Cash at end of the period		4 359	0	0	0

Comment

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

The 2000-01 figures contain the various trust fund monies that have now been treated as controlled transactions as mentioned earlier. Revenues from Government represented appropriation for payments to Aurora Energy Pty Ltd for pensioner discounts.

Commonwealth Grants 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). In 2003-04 the main movements contained a continued increase in HACC of \$1.440m, Disability Services \$2.426m and High Cost of Drugs funding \$0.516m. These were slightly off-set by a reduction in funding under the CSHA (\$1.908m) and the cessation of funding for Blood Transfusion Services (\$2.001m), which is now handled by the National Blood Authority.

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*.

The Department brings together the significant infrastructure activities of the State Government. Its focus is on achieving the following major outcomes:

- Facilitation of a safe, accessible and equitable transport system that enhances economic development;
- Promotion of reliable, efficient and safe energy systems;
- Promotion of productive, safe workplaces where the rights of employees, employers, principals and the community are being met;
- Facilitation of mineral exploration and land management for Tasmanian land and offshore waters; and
- Maintenance of probity and integrity in the racing industry.

The Department was predominantly funded by Parliamentary appropriations. Other funding sources include direct Commonwealth grants, industry grants and miscellaneous recoveries. The WorkCover Tasmania Board and Forest Practices Board are funded by industry contributions. The financial report encompasses all funds through which the Department controls resources to carry on its functions

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

AUDIT OF THE 2003-04 FINANCIAL STATEMENTS

Signed statements were received on 16 August 2004 and an unqualified audit report was issued on 12 October 2004.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Recurrent appropriation	40 070	40 013	40 703	43 072	44 332
Capital appropriation	90 941	82 325	70 198	73 243	69 484
Commonwealth grants	444	5 347	426	971	2 342
User charges, fees and fines	950	539	776	1 244	1 309
Other operating revenue	4 990	2 474	20 606	16 096	8 107
Non-operating revenue	13 099	1 437	29 121	104	27
Total Revenue	150 494	132 135	161 830	134 730	125 601
Employee expenses	29 533	29 283	31 339	33 666	34 744
Depreciation	65 920	66 693	72 121	79 338	79 812
Other operating expenses	47 201	44 940	48 805	52 408	49 028
Non-operating expenses	23 886	12 032	3 648	13 814	3 999
Total Expenses	166 540	152 948	155 913	179 226	167 583
Result from Ordinary Activities	(16 046)	(20 813)	5 917	(44 496)	(41 982)

Comment

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

User charges, fees and fines vary due to the one-off nature of larger items such as road works recoveries from Councils and traffic signal recoveries.

Other operating revenue increased in 2001-02 due to the inclusion of \$19.001m received under the Government's Infrastructure program. Infrastructure funding was reduced in 2002-03, and again in 2003-04.

Non-operating revenue generally comprised proceeds from the disposal of non-current assets. In 1999-00 the item included \$12.721m representing the value of roads taken over from various councils. In 2001-02 it included the recoupment of prior years' road revaluation decrements, \$28.976m, upon an upward revaluation of the State's road network. Further comment in this regard is provided later in this segment of this Report.

Depreciation increases in 2001-02 and 2002-03 were mainly a result of revaluation of the road infrastructure.

Non-operating expenses in 1999-00 and 2000-01 included \$17.800m and \$11.176m respectively related 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

	1999-00 \$'000	2000-01 \$'000	2001-02 \$'000	2002-03 \$'000	2003-04 \$'000
Cash and deposit accounts	6 374	14 150	6 381	5 860	2 238
Receivables	748	213	239	376	552
Other	811	1 247	2 119	3 741	5 252
Total Current Assets	7 933	15 610	8 739	9 977	8 042
Infrastructure, property & equipment	2 708 428	2 675 970	2 835 386	3 084 055	3 302 599
Receivables	255	255	238	233	226
Total Non-Current Assets	2 708 683	2 676 225	2 835 624	3 084 288	3 302 825
Payables	4 926	1 877	2 655	2 017	1 803
Employee entitlements	4 803	4 673	4 619	5 020	4 105
Other	0	0	1 090	3 433	463
Total Current Liabilities	9 729	6 550	8 364	10 470	6 371
Employee entitlements	4 897	4 815	5 433	5 880	6 088
Total Non-Current Liabilities	4 897	4 815	5 433	5 880	6 088
Net Assets	2 701 990	2 680 470	2 830 566	3 077 915	3 298 408
Asset Revaluation Reserve	363	126	143 757	441 505	703 977
Accumulated Surplus	2 701 627	2 680 344	2 686 809	2 636 410	2 594 431
Total Equity	2 701 990	2 680 470	2 830 566	3 077 915	3 298 408

Comment

Cash and deposit accounts in 2000-01 included a carry-over of Consolidated Fund allocations for various projects: 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 were higher in 1999-00 primarily due to outstanding contributions from other State Road and Traffic Authorities relating to the Mass Access Project. In the same year, Payables were also high due to accrued expenses relating to the Roads Program.

Other current assets chiefly comprised prepayments and stores.

Other current liabilities represented 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. The increase of \$262.392m in 2003-04 was again due to revaluation of the road infrastructure, including \$150.144m for land under roads, \$73.478m for roads and \$38.770m for bridges.

CASH POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from Government	130 111	122 338	111 979	118 657	110 845
Commonwealth grants	444	5 347	426	970	2 342
Receipts from customers	6 240	3 707	21 351	30 240	20 588
Payments to suppliers and employees	(75 039)	(76 190)	(80 183)	(97 851)	(97 675)
Cash from operations	61 756	55 202	53 573	52 016	36 100
Gross proceeds from disposal of assets	283	12	11	106	27
Payments for acquisition of assets	(56 990)	(47 438)	(61 353)	(50 774)	(39 749)
Cash used in investing activities	(56 707)	(47 426)	(61 342)	(50 668)	(39 722)
Net increase (decrease) in cash	5 049	7 776	(7 769)	1 348	(3 622)
Cash at the beginning of the period	1 325	6 374	14 150	4 512	5 860
Cash at end of the period	6 374	14 150	6 381	5 860	2 238

Comment

Receipts from customers increased from 2001-02 due to receipts from the Government's Infrastructure programmes.

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

Payments for Property, plant and equipment related mainly to road infrastructure. The amounts fluctuate due to particular works programs carried out by the Department, which was in part impacted 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) was not the same as cash at the end of 2001-02 of \$6.381m.

FINANCIAL ANALYSIS

	Bench Mark	1999-00	2000-01	2001-02	2002-03	2003-04
Financial Performance						
Result from operations (\$'000s)		(5 259)	(10 218)	(19 556)	(30 786)	(38 010)
Operating margin	>1.0	0.96	0.93	0.87	0.81	0.77
Financial Management						
Debt collection	30 days	57	68	63	74	91
Creditor turnover	30 days	16	6	20	14	13
Other information						
Staff numbers FTEs		619	601	608	619	674
Average staff costs (\$'000s)		48	49	52	54	52

Comment

In 1999-00 the Department changed its basis of depreciation of road infrastructure assets from a "condition-based" approach to a "useful-life" approach. This increased the annual depreciation charge and reduced the operating margin. The Department's main source of operating revenue remains its annual appropriation from Government.

Debt collection was in excess of the benchmark in each of the years under review and was deteriorating.

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.

Administered Revenues and Expenses

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Recurrent Appropriation	48 639	50 854	51 432	54 630	57 201
Commonwealth grants	38 382	32 355	21 372	24 862	14 098
User charges, fees and fines	37 618	36 343	36 523	40 117	43 971
Other operating revenue	160 249	187 209	209 691	277 348	218 101
Total Revenue	284 888	306 761	319 018	396 957	333 371
Employee entitlements	1 868	2 044	2 173	2 309	2 612
Depreciation	34	23	23	16	17
Grants and subsidies	49 363	50 330	51 788	56 076	56 113
Assets transferred	0	0	0	31 141	490 810
Other operating expenses	164 007	168 974	175 407	193 878	214 832
Total Expenses	215 272	221 371	229 391	283 420	764 384
Result from operations	69 616	85 390	89 627	113 537	(431 013)
Transfer to Consolidated Fund	74 826	67 577	57 422	61 155	56 520
Net Result from Operations	(5 210)	17 813	32 205	52 382	(487 533)

Comment

Commonwealth grants were received for road funding and were transferred to the Consolidated Fund for appropriation through the budget process. The decreases in 2001-02 and 2003-04 were a result of reductions in Commonwealth allocations of National Road Funds.

User charges, fees and fines related mainly to mineral royalties, driver licensing and vehicle registration.

Other operating revenue was primarily money collected on behalf of external bodies - third party property insurance, stamp duty, motor tax and fire levy. Until 2002-03 it also included the result of the equity increase in the investment in State-Owned Companies. In 2003-04 all these investments were transferred to the Treasurer with a resultant reduction in operating revenue. This gave rise to the assets transferred in 2003-04 of \$490.810m and to the significant deficit in that year.

Transfers to the Consolidated Fund included User charges and fees listed above as well as the transfer of Commonwealth road funding.

Administered Assets and Liabilities

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and deposit accounts	3 750	1 819	1 543	3 725	3 567
Receivables	306	424	354	2 407	3 382
Other	0	1 763	2 124	0	40
Total Current Assets	4 056	4 006	4 021	6 132	6 989
Property, plant and equipment	59	50	52	34	18
Investments	388 160	406 061	438 807	490 810	22
Receivables	5	5	5	5	0
Total Non-Current Assets	388 224	406 116	438 864	490 849	40
Payables	1 383	1 380	1 387	1 283	2 624
Employee entitlements	227	238	226	231	209
Other	2 670	2 052	2 309	4 112	321
Total Current Liabilities	4 280	3 670	3 922	5 626	3 154
Employee entitlements	232	258	284	314	367
Total Non-Current Liabilities	232	258	284	314	367
Net Assets	387 768	406 194	438 679	491 041	3 508
Accumulated surpluses	387 768	406 194	438 679	491 041	3 508
Total Equity	387 768	406 194	438 679	491 041	3 508

Comment

Receivables increased in 2002-03 due to unpaid royalties brought to account at the end of the year. This included \$1.060m owed by Murchison United Ltd, which was included as a doubtful debt. Subsequently the Company was placed under a deed of arrangement with creditors accepting a \$1 share for every dollar owed. The increase in 2003-04 partly reflects the removal of the doubtful debt.

The administered investments represented the Ministerial share (one half) of the equity in Metro Tasmania Pty Ltd, the Port Corporations, Aurora Energy Pty Ltd, Transend Networks Pty Ltd, TT Line Company Pty Ltd and TOTE Tasmania Pty Ltd. In 2002-03 the share in TT Line Company Pty Ltd was transferred to the Minister for Tourism Parks and Heritage under a restructure of administrative arrangements and in 2003-04 all other shares were transferred to the Department of Treasury and Finance for no consideration. The amount remaining in 2003-04, \$0.022m was the market value of the shares held by the Minister in Murchison United Ltd, noted above.

Other current liabilities mainly consisted of funds awaiting transfer to third parties.

Administered Cash Flows

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from Government	48 639	50 854	51 631	54 685	57 262
Commonwealth grants	38 382	32 355	21 372	24 862	14 098
Receipts from customers	197 395	211 787	224 727	231 414	260 923
Interest received	15	118	46	64	65
Payments to suppliers and employees	(283 226)	(297 031)	(298 032)	(310 724)	(332 506)
Cash from operations	1 205	(1 917)	(256)	301	(158)
Gross proceeds from the disposal of assets	53	0	5	30	0
Payments for acquisition of assets	(40)	(14)	(25)	(18)	0
Cash used in investing activities	13	(14)	(20)	12	0
Net increase/(decrease) in cash	1 218	(1 931)	(276)	313	(158)
Cash at the beginning of the period	2 532	3 750	1 819	3 412	3 725
Cash at end of the period	3 750	1 819	1 543	3 725	3 567

Comment

Payments to suppliers and employees included 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) was not the same as cash at the end of 2001-02 (\$1.543m).

OVERALL COMMENT

The operating result for the Department will normally be negative due to the impact of depreciation of the roads network.

It should be noted that capital works funding received by the Department is spent primarily on maintaining the State's existing roads network rather than construction of new roads. The Department is not funded to meet its depreciation expenses.

2.5 DEPARTMENT OF JUSTICE

INTRODUCTION

The Department of Justice (the Department) 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 and the Office of Consumer Affairs and Fair Trading.

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

AUDIT OF THE 2003-04 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2004, with amended statements received on 15 October 2004. A **qualified audit report** was issued on 19 October 2004. The qualification relates to the authorisation of a \$10.061m payment that was authorised by a Department employee outside of delegated authority. Further details are provided later in this summary.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	50 776	53 431	54 018	59 004	61 027
Capital Appropriation	92	394	1 315	4 309	14 772
Commonwealth grants	0	123	47	57	60
User charges, fees and fines	10 102	6 654	6 522	5 767	5 794
Other operating revenue	794	1 985	6 378	10 014	11 745
Non-operating revenue	172	0	0	1 371	109
Total Revenue	61 936	62 587	68 280	80 522	93 507
Employee expenses	41 344	40 823	41 260	48 310	49 467
Depreciation	1 677	6 446	5 502	2 782	2 046
Grants and Subsidies	2 912	3 127	3 197	3 422	4 007
Other operating expenses	17 859	16 651	22 315	26 094	26 698
Non-operating expenses	0	0	0	4 976	11
Total Expenses	63 792	67 047	72 274	85 584	82 229
Result from Ordinary Activities	(1 856)	(4 460)	(3 994)	(5 062)	11 278

Comment

Recurrent Appropriations increased by 20% over the five years under review from \$50.776m in 1999-00 to \$61.027m in 2003-04, an average increase of \$2.562m per annum. The Capital Appropriation increased significantly in 2003-04, due to the commencement of the Prison Infrastructure Redevelopment program.

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 Prison Maintenance, \$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 included \$1.335m due to a section 8A carry forward from 2001-02 for the Prison Infrastructure Redevelopment Program, while \$1.465m was 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 2002-03 figure of \$1.371m for Non-operating revenue represented the recognition of assets that the Department owned but had not previously brought to account.

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 was due to a change in the depreciation method applied. However, during the 2002-03 year, it was determined that the Department would not demolish the entire prison and as a result, most of the useful lives of the prison buildings were adjusted back to 50 years, resulting in the depreciation expense reducing to \$2.782m in that year.

The increase in Employee expenses to \$48.310m in 2002-03 was partly due to Legal Aid salary recoveries previously being 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, would account for approximately \$3.218m of the increase. The remainder of the variance can be attributed 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 was consistent with the respective increase in Other operating revenues noted in that year as the Department netted off some revenue and expenses in 2000-01. The increase noted in 2002-03 was mainly due to consultancies in respect of the redevelopment of the prison infrastructure.

The amount disclosed as Non-operating expenses in the 2002-03 year of \$4.976m was 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

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	1 653	2 315	3 023	6 088	6 182
Receivables	1 092	1 480	1 796	728	2 008
Inventories	201	251	252	318	395
Other	0	0	0	0	10 061
Total Current Assets	2 946	4 046	5 071	7 134	18 646
Property, plant and equipment	80 625	74 381	69 371	76 492	76 803
Other	1 145	1 285	1 179	1 105	991
Total Non-Current Assets	81 770	75 666	70 550	77 597	77 794
Payables	2 344	981	1 221	1 510	1 644
Provisions	4 714	4 973	4 785	5 689	4 723
Other	0	0	263	0	2 030
Total Current Liabilities	7 058	5 954	6 269	7 199	8 397
Provisions	5 036	5 596	5 184	5 324	4 557
Other	0	0	0	0	0
Total Non-Current Liabilities	5 036	5 596	5 184	5 324	4 557
Net Assets	72 622	68 162	64 168	72 208	83 486
Reserves	0	0	0	13 102	13 102
Retained surpluses	72 622	68 162	64 168	59 106	70 384
Total Equity	72 622	68 162	64 168	72 208	83 486

Comment

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

Receivables decreased from \$1.796m in 2001-02 to \$0.728m in 2002-03 due to the Department being more pro-active 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 Andrew Inglis Clarke Integrated Library at the Supreme Court. The 2003-04 balance for receivables increased as it included a GST receivable of \$0.967m, and the provision for doubtful debts decreased from \$0.243m in 2002-03 to \$0.127m in 2003-04.

In 2003-04 Other current asset represented a prepayment for the Prison Infrastructure redevelopment program. The \$10.061m was prepaid to the contractor, as there was no mechanism within the *Public Account Act 1986* to carry these funds forward into the 2004-05 financial year. This payment led to the audit qualification mentioned previously. Further details are provided within the Overall Comment section of this summary.

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

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

The increase in current provisions noted in 2002-03 of \$0.904m was due to rises in accrued salaries of \$0.342m, annual leave entitlements of \$0.309m and long service leave entitlements of \$0.253m. The provisions balance decreased to \$4.723m in 2003-04 due to there being no accrued salaries, as the Department's pay period fell on 30 June 2004.

Reserves in 2002-03 represented an asset revaluation reserve that was created as a result of the AVO revaluation noted previously.

CASH POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	50 868	53 826	55 333	63 313	75 799
Commonwealth grants	0	123	47	57	60
Receipts from customers	10 533	10198	11 375	16 500	22 099
Payments to suppliers and employees	(60 375)	(63 328)	(65 646)	(75 849)	(85 578)
Borrowing costs	0	0	0	0	0
Cash from operations	1 026	819	1 109	4 021	12 380
Payments for property, plant and equipment	(449)	(157)	(450)	(355)	(12 286)
Proceeds from sale of property, plant and equipment	61	0	0	0	0
Cash used in investing activities	(388)	(157)	(450)	(355)	(12 286)
Net increase/(decrease) in cash	638	662	659	3 666	94
Cash at the beginning of the period	1 015	1 653	2 364	2 422	6 088
Cash at end of the period	1 653	2 315	3 023	6 088	6 182

Comment

The increases in appropriations received, \$63.313m in 2002-03, and \$75.799m in 2003-04, was consistent with the increases noted within the Financial Performance section of this summary. Similarly, the increases in payments to suppliers and employees were also consistent with the Statement of Financial Performance.

The \$12.286m noted for Payments for property, plant and equipment included the \$10.061m prepayment for the Prison Infrastructure Development project.

FINANCIAL ANALYSIS

	Bench Mark	1999-00	2000-01	2001-02	2002-03	2003-04
Financial Performance						
Result from operations (\$'000s)		(2 028)	(4 460)	(3 994)	(1 457)	11 180
Operating margin	>1.0	0.97	0.93	0.94	0.98	1.14
Financial Management						
Current ratio	>1	0.42	0.68	0.81	0.99	2.22
Debt collection	30 days	37	63	51	17	22
Creditor turnover	30 days	44	2	20	21	22
Other information						
Staff numbers FTEs		687	700	697	733	763
Average staff costs (\$'000s)		60	58	59	66	65

Comment

The Department recorded a negative result from operations in the first four years of this analysis, at an average loss of \$2.985m per annum. However, the result for the 2003-04 was a surplus from operations of \$11.180m, which was predominately due to funds being received for the capital works at the prison.

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

The Department had a low current ratio in the 1999-00 year of 0.42. Since then it has steadily improved to a point where the ratio of 0.99 in 2002-03 almost reached the benchmark figure. The improvement noted in the 2000-01 year 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 in 2002-03, due to an increase in cash. The result for 2003-04 was influenced by the large prepayment of \$10.061m for the prepaid capital works at the prison.

The debt collection ratio was quite high for the 2000-01 year, but this was 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 was principally due to an increase in other operating revenue, rather than a change in the collection rate.

OVERALL COMMENT

The 2003-04 audit was completed with satisfactory results, however the following items were raised for follow up with the Department:

Prison Project - Prepayment

On 30 June 2004, the Department made a prepayment for contract works for the new Prison redevelopment of \$10.061m, in response to an invoice from John Holland Pty Ltd detailed as 'Progress claim for early payment'. Discussion with Department staff established that, although the Department had investigated all possible alternatives, the prepayment was made as there was no legal mechanism to carry the funds forward into the 2004-05 financial year, given the constraints of the *Public Account Act 1986*.

It seems improper to forward such a large sum of money in advance to a contractor, when alternatively the money could be retained within the State Government until the funds were actually required. It was noted however that bank guarantees were in place to provide security over the prepayment.

Prison Project – Signatories

The invoice, for the prepayment noted above, was signed by the project program manager. The amount of \$10.061m is clearly above this position's delegated authority, as even the Secretary can only authorise amounts up to two million dollars. My officers could not find any delegated authority instrument to authorise this payment and as a result, a qualified audit opinion was issued to highlight the breakdown in controls and the non-compliance with Treasurer's Instructions and hence the *Financial Management and Audit Act 1990*.

After completing the audit I ascertained that, from management's perspective, the payment was made within the terms of an already approved contracted signed and dated on prior to 30 June 2004.

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.

The Department's administered statements included transactions relating to the fines collection system (FCS), the Office of Consumer Affairs and administration of the Criminal Injuries Compensation Fund.

Administered Revenues and Expenses

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	2 943	3 676	4 724	3 632	5 012
Commonwealth grants	1 346	0	0	3 806	3 747
User charges, fees and fines	14 183	15 752	15 316	13 968	14 881
Other operating revenue	6 461	4 731	11 303	6 207	6 670
Total Revenue	24 933	24 159	31 343	27 613	30 310
Other operating expenses	6 185	6 081	10 341	8 330	7 844
Total Expenses	6 185	6 081	10 341	8 330	7 844
Result from operations	18 748	18 078	21 002	19 283	22 466
Transfer to Consolidated Fund	17 195	17 059	17 047	18 396	21 254
Net Result from Operations	1 553	1 019	3 955	887	1 212

Comment

In 2003-04, Other operating expenses includes grants and subsidies paid of \$5.012m.

The net results earned on administered transactions reflect the timing of funds received with respect to the FCS, which are then forwarded to Treasury, as recorded in the Transfer to Consolidated Fund. Periods where a surplus is obtained, which was the case in each of the five years under review, identified that there were revenues earned that had not been collected, and a deficit represented a collection of prior year's revenues. These movements are reflected in the administered receivables noted in the following table.

Administered Assets and Liabilities

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	670	528	1 059	860	767
Receivables	5 985	7 204	10 590	11 212	12 528
Total Current Assets	6 655	7 732	11 649	12 072	13 295
Payables	506	673	673	81	92
Other	109	0	0	0	
Total Current Liabilities	615	673	673	81	92
Other	12	12	12	0	0
Total Non-Current Liabilities	12	12	12	0	0
Net Assets	6 028	7 047	10 964	11 991	13 203
Retained surpluses	6 028	7 047	10 964	11 991	13 203
Total Equity	6 028	7 047	10 964	11 991	13 203

Comment

Consistent with the comments noted above regarding the FCS, the fluctuations in receivables were in line with the amounts noted for transfer to the Consolidated Fund. It should also be noted that the gross receivable totals were significantly higher than the net receivable shown above. This was due to a significant level of doubtful debts that were provided for. For example, in the 2003-04 year, gross receivables amounted to \$36.773m with a provision for doubtful debts of \$21.858m 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 decreased moderately as the Fines Collection Unit instigated new procedures to follow up these outstanding debts. This was 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, was still in progress. At present it is too early to assess the effect on the collection process.

Administered Cash Flows

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government		3 676	4 712	3 632	5 012
Commonwealth grants		0	0	3 806	3 747
Receipts from customers		17 224	23 212	19 567	20 235
Payments to suppliers and employees		(3 983)	(10 308)	(8 808)	(7 833)
Transfers to Consolidated Fund		(17 059)	(17 047)	(18 396)	(21 254)
Cash from operations		(142)	569	(199)	(93)
Net increase/(decrease) in cash		(142)	569	(199)	(93)
Cash at the beginning of the period		670	490	1 059	860
Cash at end of the period		528	1 059	860	767

Comment

As noted above cash movements were 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 (the Department) 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 2003-04 FINANCIAL STATEMENTS

Signed financial statements were received on 18 August 2004 and an unqualified audit report was issued on 14 October 2004.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	102 951	106 668	111 420	115 754	127 870
Capital Appropriation	1 022	526	1 026	1 562	1 921
Commonwealth grants	0	856	229	430	1 336
User charges, fees and fines	0	1 577	2 027	2 238	4 187
Other operating revenue	4 155	3 046	5 207	4 433	4 740
Non-operating revenue	0	219	1 329	590	138
Total Revenue	108 128	112 892	121 238	125 007	140 192
Depreciation	2 344	1 788	1 363	1 325	1 411
Employee expenses	83 384	84 176	92 894	94 525	98 495
Other operating expenses	22 595	27 062	29 268	30 163	35 370
Non-operating expenses	0	668	858	394	444
Total Expenses	108 323	113 694	124 383	126 407	135 720
Result from Ordinary Activities	(195)	(802)	(3 145)	(1 400)	4 472

Comment

The increase in recurrent appropriation in 2003-04 reflected new initiative funding to counter terrorism as well as for handgun law reform.

Prior to 2000-01, user charges, fees and fines and Commonwealth grants were not separately identified. The increase in user charges in 2003-04 reflected salary reimbursements for various secondments by police officers.

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 acquired at no cost from the Department of Primary Industries, Water and Environment.

Depreciation decreased in the last three years due to changes in the useful lives of buildings.

Other operating expenses increased in 2000-01 due mainly to the Department taking control of Forensic Science Services. Further increases in 2001-02 included \$1.800m related to building and infrastructure maintenance. Expenses in 2003-04 included \$2.848m associated with the buy-back of handguns.

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. A further increase in 2003-04 reflected a rise in staff numbers of 32 and salary increases.

FINANCIAL POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	718	2 334	2 445	683	2 448
Receivables	110	919	698	497	954
Inventories	383	387	378	359	322
Other	1 023	159	0	352	827
Total Current Assets	2 234	3 799	3 521	1 891	4 551
Property, plant and equipment	57 713	57 126	58 063	58 525	88 783
Total Non-Current Assets	57 713	57 126	58 063	58 525	88 783
Payables	1 920	1 452	1 756	2 233	1 781
Provisions	25 422	14 933	16 303	16 452	14 461
Other Current Liabilities	0	0	1 928	444	1 968
Total Current Liabilities	27 342	16 385	19 987	19 129	18 210
Provisions	3 337	14 327	14 526	15 623	15 839
Other	0	0	0	0	0
Total Non-Current Liabilities	3 337	14 327	14 526	15 623	15 839
Net Assets	29 268	30 213	27 071	25 664	59 285
Reserves	0	1 748	1 748	1 748	30 896
Retained surpluses	29 268	28 465	25 323	23 916	28 389
Total Equity	29 268	30 213	27 071	25 664	59 285

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 for classification of provisions between current and non-current altered in 2000-01. The current component included only those amounts for long service leave that the Department expected to pay during the following year.

Other current liabilities for 2001-02 represented appropriation monies, \$1.928m, carried forward to 2002-03. In 2003-04, \$1.968m was carried forward to 2004-05.

A revaluation of the Department's buildings in 2000-01 resulted in the creation of an asset revaluation reserve. Land and buildings were revalued in 2003-04, which increased the reserve further.

CASH POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	103 973	107 194	114 374	117 666	129 441
Commonwealth grants	0	864	331	430	715
Receipts from customers	4 181	6 570	10 433	7 662	14 486
Payments to suppliers and employees	(106 149)	(113 110)	(123 301)	(125 403)	(139 921)
Cash from operations	2 005	1 518	1 837	355	4 721
Payments for property, plant and equipment	(1 583)	(121)	(1 779)	(2 183)	(2 966)
Proceeds from sale of property, plant and equipment	75	219	52	67	10
Cash used in investing activities	(1 508)	98	(1 727)	(2 116)	(2 956)
Net increase/(decrease) in cash	497	1 616	110	(1 761)	1 765
Cash at the beginning of the period	221	718	2 334	2 444	683
Cash at end of the period	718	2 334	2 444	683	2 448

Comment

The increase in appropriations in 2001-02 included the provision of salary indexation and additional funding for new initiatives. The increase in 2003-04 reflected new initiative funding to counter terrorism and handgun law reform.

Receipts from customers increased in 2000-01 due principally to GST refunds of \$2.300m. Further increases in 2001-02 included Infrastructure Program funds of \$2.600m, while for 2003-04 the increase consisted of salary reimbursements for various secondments of police officers.

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. In 2003-04 the increase included \$2.848m associated with the buy-back of handguns.

FINANCIAL ANALYSIS

	Bench Mark	1999-00	2000-01	2001-02	2002-03	2003-04
Financial Performance						
Result from operations (\$'000s)		(195)	(353)	(3 616)	(1 596)	4 778
Operating margin	>1.0	1.00	1.00	0.97	0.99	1.04
Financial Management						
Debt collection	30 days	10	31	17	17	47
Creditor turnover	30 days	31	24	22	24	12
Other information						
Staff numbers FTEs		1 421	1 474	1 517	1 503	1 535
Average staff costs (\$'000s)		59	57	61	63	64

Comment

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

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

The higher debt collection statistic for 2003-04 indicated a slowdown in the recovery of outstanding debtors.

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

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	341	0	0	0	0
Commonwealth grants	0	0	0	0	0
User charges, fees and fines	779	492	2 159	1 193	1 108
Other operating revenue	987	156	181	0	0
Total Revenue	2 107	648	2 340	1 193	1 108
Depreciation	189	0	0	0	0
Other operating expenses	2 411	766	746	0	0
Total Expenses	2 600	766	746	0	0
Result from operations	(493)	(118)	1 594	1 193	1 108
Transfer to Consolidated Fund	722	443	2 159	1 193	1 108
Net Result from Operations	(1 215)	(561)	(565)	0	0

Comment

User charges, fees and fines increased in 2001-02 due to firearm licence renewals, which occurs on a five-year 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 an administered component to a controlled component and this accounted 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

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	1 163	559	(3)	0	0
Total Current Assets	1 163	559	(3)	0	0
Property, plant and equipment	187	0	0	0	0
Total Non-Current Assets	187	0	0	0	0
Payables	4	0	3	0	0
Borrowings	125	0	0	0	0
Provisions	33	0	0	0	0
Other	21	0	0	0	0
Total Current Liabilities	183	0	3	0	0
Provisions	47	0	0	0	0
Total Non-Current Liabilities	47	0	0	0	0
Net Assets	1 120	559	(6)	0	0
Retained surpluses	1 120	559	(6)	0	0
Total Equity	1 120	559	(6)	0	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

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government		0	0	0	0
Commonwealth grants		0	0	0	0
Receipts from customers		648	2 339	1 193	1 108
Payments to suppliers and employees		(1 127)	(2 901)	(1 193)	(1 108)
Cash from operations		(479)	(562)	0	0
Repayment of borrowings		(125)	0	0	0
Cash from financing activities		(125)	0	0	0
Net increase/(decrease) in cash		(604)	(562)	0	0
Cash at the beginning of the period		1 163	559	0	0
Cash at end of the period		559	(3)	0	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 paid to the Consolidated Fund.

OVERALL COMMENT

The 2003-04 audit was completed with satisfactory results.

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 TMD, 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 Justice and Industrial Relations.

AUDIT OF THE 2003-04 FINANCIAL STATEMENTS

Signed financial statements were received on 20 August 2004 and an unqualified audit report was issued on 30 September 2004.

FINANCIAL RESULTS

With effect from 1 July 2002, TMD is 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

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	26 491	26 960	30 627	32 437	37 579
Commonwealth grants	1 645	2 444	897	1 698	1 807
User charges, fees and fines	4 484	4 784	4 850	24 102	25 752
Other operating revenue	840	1 339	1 982	3 113	1 434
Non-operating revenue	25	2	0	0	1
Total Revenue	33 485	35 529	38 356	61 350	66 573
Depreciation	152	124	120	654	610
Employee expenses	17 193	18 311	18 665	25 291	27 083
Grants and subsidies	0	0	0	0	1 272
Other operating expenses	15 593	16 206	19 995	35 055	38 393
Non-operating expenses	536	5	0	0	49
Total Expenses	33 474	34 646	38 780	61 000	67 407
Result from Ordinary Activities	11	883	(424)	350	(834)

Comment

Increased appropriations in 2001-02 were mainly due to Centenary of Federation Celebrations and increased costs associated with *Service Tasmania* shops. Increases in 2003-04 included additional funding for Ministerial and Parliamentary support services.

A reduction in Commonwealth grants in 2001-02 was 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.

Employee expenses increased in 2002-03 due to the inclusion of TMD operations.

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 were 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

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	2 476	3 457	3 127	4 541	5 511
Receivables	285	825	795	2 660	1 303
Other	335	248	225	2 756	2 961
Total Current Assets	3 096	4 530	4 147	9 957	9 775
Property, plant and equipment	341	348	353	1 315	1 203
Total Non-Current Assets	341	348	353	1 315	1 203
Payables	182	323	402	1 176	1 308
Provisions	2 269	2 419	2 360	3 629	2 912
Other	0	0	0	1 614	1 808
Total Current Liabilities	2 451	2 742	2 762	6 419	6 028
Provisions	2 168	2 435	2 462	2 880	3 811
Total Non-Current Liabilities	2 168	2 435	2 462	2 880	3 811
Net Assets	(1 182)	(299)	(724)	1 973	1 139
Reserves	0	0	0	62	62
Accumulated deficits	(1 182)	(299)	(724)	1 911	1 077
Total Equity	(1 182)	(299)	(724)	1 973	1 139

Comment

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

Payables increased in 2002-03 due to the inclusion of TMD operations.

Other current liabilities consisted mainly of revenue received in advance.

The classification of Provisions altered in 2003-04 to better reflect the current/non-current apportionment.

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

The Department accumulated deficits over the years, due primarily to significant employee leave liabilities that are funded on an emerging cost basis.

CASH POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	26 491	26 960	30 627	32 437	38 163
Commonwealth grants	1 645	2 444	897	1 243	2 261
Receipts from customers	5 397	7 421	9 408	33 259	33 708
Payments to suppliers and employees	(32 907)	(35 710)	(41 136)	(66 343)	(72 616)
Cash from operations	626	1 115	(204)	596	1 516
Payments for property, plant and equipment	(126)	(136)	(126)	(586)	(547)
Proceeds from sale of property, plant and equipment	25	2	0	0	1
Cash used in investing activities	(101)	(134)	(126)	(586)	(546)
Net increase/(decrease) in cash	525	981	(330)	10	970
Cash at the beginning of the period	1 951	2 476	3 457	4 531	4 541
Cash at end of the period	2 476	3 457	3 127	4 541	5 511

Comment

Increased appropriations in 2001-02 were due mainly to Centenary of Federation Celebrations and increased costs associated with *Service Tasmania* shops. Increases in 2003-04 included additional funding for Ministerial and Parliamentary support services.

Increased receipts from customers in 2001-02 resulted from Infrastructure Fund funding of \$0.904m and 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 previously, the increases for 2002-03 compared to the prior year were due to the classification of TMD's transactions as controlled rather than administered. This change resulted in the closing cash on 30 June 2002 (\$3.127m) not equalling the opening cash in the following year of \$4.531m.

FINANCIAL ANALYSIS

	Bench Mark	1999-00	2000-01	2001-02	2002-03	2003-04
Financial Performance						
Result from operations (\$'000s)		522	886	(424)	350	(786)
Operating margin	>1.0	1.02	1.03	0.99	1.01	0.99
Financial Management						
Debt collection	30 days	20	49	42	38	17
Creditor turnover	30 days	7	13	7	12	12
Other information						
Staff numbers FTEs		337	360	367	391	406
Average staff costs (\$'000s)		51	51	51	65	67

Comment

The debt collection statistic indicates an improvement in the collection of outstanding debts.

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

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

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.

With effect from 1 July 2002, TMD was 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

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	1 774	1 836	1 762	1 949	562
Commonwealth grants	27 174	1 810	3 571	2 981	11 034
User charges, fees and fines	14 465	15 587	17 715	0	0
Other revenue	295	558	101	45	16
Total Revenue	43 708	19 791	23 149	4 975	11 612
Depreciation	158	298	561	0	0
Transfers to third parties	24 525	2 060	2 539	3 522	0
Grants and subsidies	1 575	1 461	1 338	1 438	0
Other expenses	14 739	16 140	17 618	521	563
Total Expenses	40 997	19 959	22 056	5 481	563
Result from operations	2 711	(168)	1 093	(506)	11 049
Transfer to Consolidated Fund	44	9	24	34	27
Net Result from Operations	2 667	(177)	1 069	(540)	11 022

Comment

Commonwealth grants reduced significantly in 2000-01 due to a pause in funding under the Regional Forest Agreement (RFA). RFA and Private Forests Reserve Program (PFRP) funds increased again in 2003-04.

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

Transfers to third parties principally involved the disbursement of RFA funds to government agencies/authorities, which fluctuate from year to year.

From 2003-04 Grants and subsidies were classified as controlled, hence the reduction in this item and that of appropriations.

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

Administered Assets and Liabilities

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	15 399	14 994	17 054	15 244	26 278
Receivables	2 453	2 526	2 736	11	0
Other	310	377	523	0	0
Total Current Assets	18 162	17 897	20 313	15 255	26 278
Property, plant and equipment	371	674	944	0	0
Total Non-Current Assets	371	674	944	0	0
Payables	615	587	1 054	0	0
Provisions	704	897	939	10	0
Other	127	129	1 060	0	11
Total Current Liabilities	1 446	1 613	3 053	10	11
Other	0	0	166	0	0
Provisions	40	88	98	0	0
Total Non-Current Liabilities	40	88	264	0	0
Net Assets	17 047	16 870	17 940	15 245	26 267
Retained surpluses	17 047	16 870	17 940	15 245	26 267
Total Equity	17 047	16 870	17 940	15 245	26 267

Comment

Cash increased in 2003-04 due to funds received under the RFA and PFRP.

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 consisted predominantly of RFA monies that await disbursement.

Administered Cash Flows

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	1 774	1 836	1 762	1 949	562
Commonwealth grants	27 263	1 811	3 552	3 010	11 034
Receipts from customers	14 611	17 505	20 331	34	27
Payments for employee entitlements	(2 970)	(3 220)	(4 317)	(511)	(562)
Other payments	(38 088)	(17 927)	(18 437)	(4 994)	(27)
Interest received	0	4	0	0	0
Cash from operations	2 590	9	2 891	(512)	11 034
Payments for P, P & Equipment	(274)	(414)	(831)	0	0
Proceeds from sale of P, P & E	1	0	0	0	0
Cash used in investing activities	(273)	(414)	(831)	0	0
Net increase/(decrease) in cash	2 317	(405)	2 060	(512)	11 034
Cash at the beginning of the period	13 082	15 399	14 994	15 756	15 244
Cash at end of the period	15 399	14 994	17 054	15 244	26 278

Comment

The reduction of Commonwealth grants and other expenditures in 2000-01 was due to a pause in funding under the RFA. RFA and PFRP funds increased again in 2003-04.

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

OVERALL COMMENT

The 2003-04 audit was completed with satisfactory results.

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 Royal Tasmanian Botanical Gardens being transferred to the new Department of Tourism, Parks, Heritage and the Arts.

The Department's mission is to manage the State's natural resources for the benefit of all Tasmanians.

The Responsible Ministers are the Minister for Primary Industries and Water and the Minister for Environment and Planning.

AUDIT OF THE 2003-04 FINANCIAL STATEMENTS

Signed financial statements were received on 16 August 2004 with amended statements being received on 14 September 2004. An unqualified audit report was issued on 22 September 2004.

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 reviews of controlled and administered activities were undertaken in 2002-03 and 2003-04, resulting in a number of re-classifications.

FINANCIAL PERFORMANCE

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	75 674	79 659	77 016	75 747	69 489
Capital Appropriation	1 691	1 479	5 485	154	154
Commonwealth grants	32 536	31 996	28 168	13 681	24 355
User charges, fees and fines	11 418	12 466	9 934	8 645	10 264
Other operating revenue	15 235	15 340	19 524	35 276	27 264
Non-operating revenue	2 051	2 243	48 802	3 667	14 656
Total Revenue	138 605	143 183	188 929	137 170	146 182
Depreciation	7 639	7 002	9 382	3 726	3 381
Employee expenses	68 062	67 751	70 309	61 409	62 349
Grants and subsidies	14 969	14 565	17 165	28 053	22 614
Other operating expenses	41 653	50 078	48 585	37 640	50 096
Non-operating expenses	265	14 561	11 340	1 984	8 015
Total Expenses	132 588	153 957	156 781	132 812	146 455
Result from Ordinary Activities	6 017	(10 774)	32 148	4 358	(273)

Comment

Recurrent appropriations reduced in 2003-04 due to \$8.833m of appropriations being treated as administered. Capital appropriations decreased in 2002-03 due to the restructure.

The reduction in Commonwealth grants in 2002-03 reflected the restructure in that year. The increase in 2003-04 included an additional \$9.210m for Natural Resource Management.

The reduction in user charges, fees and fines in 2001-02 represented 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 change of accounting policy that no longer allows the netting of expense recoveries. The increase in 2002-03 included 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, due to a project still underway of updating the asset register, and an adjustment of an error from the previous year of \$35.839m relating to non-current assets. The 2003-04 amount included \$7.418m in previously unrecorded assets plus \$7.238m of proceeds for disposal of non current assets.

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 reflected a reduction in assets due to the restructure.

Employee expenses reduced in 2002-03 due to the restructure.

Grants and subsidies increased in 2002-03 due to inclusion of amounts previously classified as administered.

Other operating expenses were higher in 2000-01, due to the commencement and ongoing costs of *Service Tasmania* shops. The increase in 2003-04 included a transfer of \$11.603m from the Crown Land Administration Fund trust account to the Consolidated Fund.

Non-operating expenses increased in 2000-01 due to a downward revaluation of land and in 2001-02 a downward revaluation of buildings. The 2003-04 amount included disposed assets totalling \$7.240m.

FINANCIAL POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	36 964	41 706	43 537	53 052	59 498
Receivables	1 372	1 321	2 775	7 329	6 950
Investments	0	0	0	0	0
Other	1 040	1 935	628	1 140	643
Total Current Assets	41 538	46 978	48 956	63 452	68 342
Property, plant and equipment	428 605	462 540	466 880	205 540	218 228
Receivables	0	0	187	10 155	9 554
Total Non-Current Assets	428 605	462 540	467 067	215 695	227 782
Payables	1 888	1 596	2 145	1 545	1 383
Provisions	17 307	8 070	8 112	6 698	5 067
Other	69	176	2 644	3 914	7 765
Total Current Liabilities	19 264	9 842	12 901	12 157	14 215
Provisions	1 699	11 120	11 343	9 958	10 617
Other	3 004	2 022	1 665	1 308	932
Total Non-Current Liabilities	4 703	13 142	13 008	11 266	11 549
Net Assets	446 176	486 534	490 114	255 724	270 360
Reserves	2 638	53 771	25 203	6 821	21 730
Retained surpluses	443 538	432 763	464 911	248 903	248 630
Total Equity	446 176	486 534	490 114	255 724	270 360

Comment

The increase in cash in earlier 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. Cash at 30 June 2004 included amounts held in the Department's operating account of \$32.350m, Crown Lands Administration Fund of \$17.881m, environmental bonds of \$4.000m and other miscellaneous accounts of \$5.176m.

Receivables increased in 2002-03 due to a reclassification from administered to controlled activities with the majority owed by Australian Bulk Minerals.

Increases in Property, plant and equipment in 2000-01 included \$28.178m for the recognition of buildings not previously recorded. The decrease in 2002-03 reflected a reduction in assets due to the restructure.

Provisions comprised solely of employee entitlements. 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 reflected a reduction in staff numbers due to the restructure.

Other current liabilities in 2001-02 included appropriation funds of \$2.300m carried forward to 2002-03. Increases in recent years represented holdings of environmental bonds.

Other non-current liabilities represented a finance lease for the Lands Building fit out.

The increase in reserves in 2000-01 was a result of revaluations of Property, plant and equipment. 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 reflected a reduction in assets due to the restructure. Further increases in 2003-04 were attributable to a revaluation of land.

CASH POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	77 365	81 138	84 801	78 201	69 701
Commonwealth grants	32 536	31 996	28 168	13 681	24 355
Receipts from customers	30 270	30 889	28 233	39 432	41 332
Payments to suppliers and employees	(124 233)	(135 642)	(134 761)	(128 275)	(135 392)
Interest received	0	0	0	1 325	861
Borrowing costs	0	0	0	0	0
Cash from operations	15 938	8 381	6 441	4 364	857
Payments for property, plant and equipment	(4 970)	(4 254)	(4 646)	(1 993)	(1 649)
Proceeds from sale of property, plant and equipment	2	615	36	3 151	7 238
Cash used in investing activities	(4 968)	(3 639)	(4 610)	1 158	5 589
Net increase/(decrease) in cash	10 970	4 742	1 831	5 522	6 446
Cash at the beginning of the period	25 994	36 964	41 706	47 530	53 052
Cash at end of the period	36 964	41 706	43 537	53 052	59 498

Comment

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

FINANCIAL ANALYSIS

	Bench Mark	1999-00	2000-01	2001-02	2002-03	2003-04
Financial Performance						
Result from operations (\$'000s)		4 231	1 544	(5 314)	2 675	(6 914)
Operating margin	>1.0	1.03	1.01	0.96	1.02	0.95
Financial Management						
Debt collection	30 days	44	18	31	186	247
Creditor turnover	30 days	16	12	15	15	13
Other information						
Staff numbers FTEs		1 374	1 404	1 443	1 043	1 040
Average staff costs (\$'000s)		50	48	49	59	60

Comment

The Department's results from operations fluctuate from year to year, and it is not unusual for departments generally to have deficits due to timing differences in receipt and payment of grants.

The high debt collection statistic for 2002-03 and 2003-04 was due principally to a debt of \$14.514m owed by Australian Bulk Minerals. This debtor was shown as an administered item in 2001-02. Excluding this debt the collection days for 2003-04 were 63 compared with 68 for 2002-03.

Staff numbers for 2002-03 declined due to the Department's restructure as mentioned above, however Average staff costs increased. Reasons for this increase include changes in the staff profile and the 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

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	11 462	12 449	12 781	0	8 833
Commonwealth grants	10 861	5 690	6 027	0	0
User charges, fees and fines	33 175	37 176	32 239	36 547	30 766
Service Tasmania collections	168 799	187 218	0	0	0
Other revenue	15 332	19 889	34 065	2 413	11 665
Total Revenue	239 629	262 422	85 112	38 960	51 264
Borrowing costs	0	0	0	0	0
Depreciation	0	0	0	0	0
Grants and subsidies	17 676	16 665	18 048	0	8 833
Service Tasmania transfers	168 799	187 218	0	0	0
Transfers to other agencies	0	0	0	0	0
Other expenses	5 642	9 952	5 165	0	0
Total Expenses	192 117	213 835	23 213	0	8 833
Result from operations	47 512	48 587	61 899	38 960	42 431
Transfer to Consolidated Fund	41 265	50 943	52 264	38 851	42 713
Net Result from Operations	6 247	(2 356)	9 635	109	(282)

Comment

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

User charges, fees and fines increased during 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 reduction in 2003-04 was due to lower abalone licence fees.

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

The increase in other revenue in 2001-02 included a receivable brought to account for the first time of \$14.040m relating to the remediation of the Savage River site. The reduction in 2002-03 was due to a reclassification to controlled. Included in this item for 2003-04 was an amount of \$11.600m representing amounts transferred from the Crown Lands Administration Fund.

Expenditures related to Grants and subsidies and Other were classified as controlled from 2002-03. In 2003-04 grants that were disbursed by the Department without discretion on behalf of the Government were included as administered transactions. These grants were funded by an Appropriation of \$8.833m.

Administered Assets and Liabilities

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	15 443	11 593	11 085	0	0
Receivables	2 051	3 491	13 483	930	648
Investments	625	625	625	0	0
Inventories	0	0	0	0	0
Other	253	253	253	0	0
Total Current Assets	18 372	15 962	25 446	930	648
Total Non-Current Assets	0	0	0	0	0
Other	245	191	40	0	0
Total Current Liabilities	245	191	40	0	0
Total Non-Current Liabilities	0	0	0	0	0
Net Assets	18 127	15 771	25 406	930	648
Retained surpluses	18 127	15 771	25 406	930	648
Total Equity	18 127	15 771	25 406	930	648

Comment

Administered Cash in past years consisted of funds held in the Crown Lands Administration Fund. These funds were reclassified as controlled in 2002-03.

Receivables in 2001-02 included a \$14.040m debt 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 were classified as controlled.

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

Administered Cash Flows

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	11 462	12 449	12 781	0	8 833
Commonwealth grants	10 861	5 690	6 027	0	0
Receipts from customers	28 390	39 388	38 786	36 438	31 110
Other cash receipts	189 519	202 884	17 375	2 413	11 603
Grants and subsidies	(17 676)	(16 665)	(18 048)	0	(8 833)
Payments to suppliers and employees	(5 642)	(9 435)	(5 165)	0	0
Transfers to Consolidated Fund	(41 265)	(50 943)	(52 264)	(38 851)	(42 713)
Transfers to other agencies	(168 799)	(187 218)	0	0	0
Transfers to controlled activities	0	0	0	(11 085)	0
Cash from operations	6 850	(3 850)	(508)	(11 085)	0
Cash used in investing activities	0	0	0	0	0
Cash from financing activities	0	0	0	0	0
Net increase/(decrease) in cash	6 850	(3 850)	(508)	(11 085)	0
Cash at the beginning of the period	8 593	15 443	11 593	11 085	0
Cash at end of the period	15 443	11 593	11 085	0	0

Comment

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 caused environmental harm to the Savage River catchment area. The principal cause of degradation was 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 ABM, jointly with the principal banker of Goldamere Pty Ltd.

Between 1996 and 2002, only a small portion of the debt was repaid by ABM and unpaid interest was 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 was to be increased in accordance with CPI; and
- A bank guarantee of \$2.800m was to be provided by Goldamere Pty Ltd as security for the debt.

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

It is understood that the bank guarantee cannot be called upon for non-payment of interest because the interest has been capitalized.

The Board of Environmental Management and Pollution Control endorsed a strategic plan in October 2003, which required ABM to complete works to the value of the outstanding debt.

The outstanding balance shown as a receivable as at 30 June 2004 was \$14.514m, comprising \$12.000m for remediation works and \$2.514m in accrued interest. Of that amount, \$4.960m was shown as a current liability, as it is expected that ABM will complete this value of work by June 2005. There was no provision for doubtful debts attached to the receivable in the financial statements. ABM made no payments during 2003-04.

OVERALL COMMENT

The audit for 2003-04 was completed with satisfactory results. As the Department is continuing to verify the data on its asset register, it is expected that additional land will be brought to account. This is a significant task for the Department, as it is responsible for management of the State's Crown Lands, which has been an ongoing project since it adopted an accrual basis of reporting.

2.9 DEPARTMENT OF TOURISM, PARKS, HERITAGE AND THE ARTS

INTRODUCTION

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

The Department's areas of responsibility during 2003-04 included:

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

As at 30 June 2004 the Responsible Ministers were the Minister for Tourism, Parks and Heritage and the Minister for the Arts.

AUDIT OF THE 2003-04 FINANCIAL STATEMENTS

Signed financial statements were received on 16 August 2004 and an unqualified audit report was issued on 1 October 2004.

FINANCIAL RESULTS

Due to the formation of the new Department in July 2002, financial information is only provided for 2002-03 and 2003-04.

FINANCIAL PERFORMANCE

	2002-03	2003-04
	\$'000s	\$'000s
Recurrent Appropriation	57 750	61 675
Capital Appropriation	3 372	1 117
Commonwealth grants	574	160
User charges, fees and fines	11 938	13 060
Other operating revenue	4 309	17 400
Non-operating revenue	0	3 388
Total Revenue	77 943	96 800
Employee expenses	31 641	35 127
Depreciation	8 512	8 609
Grants and subsidies	8 593	12 303
Other operating expenses	38 973	40 221
Non-operating expenses	0	227
Total Expenses	87 719	96 487
Result from Ordinary Activities	(9 776)	313

Comment

Recurrent appropriations for 2003-04 reflected additional funding for ongoing recurrent operations of the Department.

User charges, fees and fines related mainly to tourism wholesale revenue and park entry fees. The increase in 2003-04 was mainly attributable to tourism revenues.

Other operating revenue in 2003-04 included \$12.937m from the Infrastructure Fund. Expenditures from this Fund included \$3.732m for national parks and heritage projects, \$3.600m for the upgrade of York Park and \$3.186m for tourism marketing.

Non-operating revenue in 2003-04 included \$3.099m of assets not previously recognised.

The increase in Employee expenses for 2003-04 reflected additional funding received as mentioned above.

Grants and subsidies increased in 2003-04 due mainly to expenditures of \$3.871m relating to infrastructure funding.

The improvement in the 2003-04 result compared with 2002-03 was primarily due to revenue received from the Infrastructure Fund and \$3.099m of assets not previously recognised.

FINANCIAL POSITION

	2002-03 \$'000s	2003-04 \$'000s
Cash	7 975	8 487
Receivables	1 796	1 716
Other	1 012	1 643
Total Current Assets	10 783	11 846
Property, plant and equipment	261 347	258 993
Total Non-Current Assets	261 347	258 993
Payables	4 045	3 559
Provisions	3 154	2 886
Other	2 008	2 185
Total Current Liabilities	9 207	8 630
Provisions	5 040	5 100
Total Non-Current Liabilities	5 040	5 100
Net Assets	257 883	257 109
Contributed Capital	249 278	250 041
Reserves	18 381	16 531
Accumulated deficits	(9 776)	(9 463)
Total Equity	257 883	257 109

Comment

Property, plant and equipment as at 30 June 2004 included land \$148.836m, infrastructure \$76.026m and buildings of \$29.512m.

Contributed capital represented the net assets transferred to the Department on formation in July 2002. The increase in 2003-04 reflected a transfer from reserves of \$0.763m that was no longer required.

Reserves were revaluation reserves relating to infrastructure \$12.741m and land \$3.790m in 2002-03. The reduction in 2003-04 reflected the adjustment as mentioned above plus a correction to the initial take-on amount for the infrastructure component.

CASH POSITION

	2002-03 \$'000s	2003-04 \$'000s
Revenue from Government	59 584	62 792
Commonwealth grants	574	160
Receipts from customers	20 026	40 314
Grants and transfer payments	0	0
Payments to suppliers and employees	(81 110)	(98 799)
Interest received	63	61
Cash from operations	(863)	4 528
Payments for property, plant and equipment	(3 225)	(4 470)
Proceeds from sale of property, plant and equipment	0	289
Cash used in investing activities	(3 225)	(4 181)
Repayment of loans by other entities	114	264
Loans made to other entities	(145)	(99)
Cash from financing activities	(31)	165
Net increase in cash	(4 119)	512
Cash at the beginning of the period	12 094	7 975
Cash at end of the period	7 975	8 487

Comment

Reasons for variations in cash flow amounts and cash balances reflected the comments made above for the Statement of Financial Performance and the Statement of Financial Position.

FINANCIAL ANALYSIS

	Bench Mark	2002-03	2003-04
Financial Performance			
Result from operations (\$'000s)		(9 776)	(2 848)
Operating margin	>1.0	0.89	0.97
Financial Management			
Debt collection	30 days	50	37
Creditor turnover	30 days	20	28
Other information			
Staff numbers FTEs		562	626
Average staff costs (\$'000s)		56	56

Comment

Additional staff were taken on in 2003-04 for the Parks and Wildlife Service and Tourism Tasmania. This included a number of casual staff being converted to part-time.

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

	2002-03	2003-04
	\$'000s	\$'000s
Recurrent Appropriation	5 139	3 982
Capital Appropriation	2 000	2 000
Commonwealth grants	4 300	3 400
Other operating revenue	383	445
Total Revenue	11 822	9 827
Grants and subsidies	7 139	5 982
Other operating expenses	10 642	0
Total Expenses	17 781	5 982
Result from operations	(5 959)	3 845
Transfer to Consolidated Fund	4 683	3 845
Net Result from Operations	(10 642)	0

Comment

Commonwealth grants represent funds for world heritage purposes.

Grants and subsidies in 2003-04 included payments to the Royal Tasmanian Botanical Gardens of \$2.109m, the Port Arthur Historic Site of \$2.000m and the Tasmanian Icon program of \$1.000m.

Other operating expenses in 2002-03 represented a transfer of investments, being the Ministerial Share (one half) of the equity in TT-Line Company Pty Ltd.

Administered Assets and Liabilities

	2002-03	2003-04
	\$'000s	\$'000s
Cash	0	0
Total Current Assets	0	0
Investments	20 500	0
Total Non-Current Assets	20 500	0
Net Assets	20 500	0
Retained surpluses	20 500	0
Total Equity	20 500	0

Comment

Administered investments represented the Ministerial share (one half) of the equity in TT Line Company Pty Ltd. Administrative restructuring during 2003-04 resulted in this investment now being recognised by the Department of Treasury and Finance. This investment was initially brought to account in 2002-03 in an amount of \$31.142m with a write-down of \$10.642m in 2002-03.

Administered Cash Flows

	2002-03	2003-04
	\$'000s	\$'000s
Revenue from Government	7 139	5 982
Commonwealth grants	4 300	3 400
Receipts from customers	383	445
Grants and transfer payments	(11 822)	(9 827)
Cash from operations	0	0
Proceeds from investments	0	0
Payments for investments	0	0
Cash used in investing activities	0	0
Net increase in cash	0	0
Cash at the beginning of the period	0	0
Cash at end of the period	0	0

Comment

Details of the nature of cash flows were reflected in the comments made under administered revenues and expenses.

OVERALL COMMENT

The 2003-04 audit was completed with satisfactory results.

2.10 DEPARTMENT OF TREASURY AND FINANCE

INTRODUCTION

The Department of Treasury and Finance (the Department) carries out functions associated with the State's economic and financial management, including the collection of major forms of State taxation and management of the Government's debt and superannuation commitments. The Department also undertakes a number of service, regulatory and compliance activities on behalf of the Government including administration of gaming, the motor vehicle fleet, building services, the Tasmanian Risk Management Fund and payments to Government businesses.

Consolidated Fund Expenditure is provided under two Divisions (2: Finance-General; and 15: Treasury and Finance) of the *Consolidated Fund Appropriation Act 2003*.

During 2003-04 the Department undertook a review of its controlled and administered activities and reclassified activities of both the Treasury and Finance and the Finance-General Divisions from administered to controlled. Comparative information presented in the following tables has not been reclassified.

The Portfolio Ministers for the Department are the Treasurer and the Minister for Finance.

AUDIT OF THE 2003-04 FINANCIAL STATEMENTS

Draft financial statements were received on 16 August 2004. Signed financial statements were received on 27 August and amended re-signed financial statements were received on 7 October 2004. An unqualified audit report was issued on 8 October 2004.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Recurrent appropriations	25 873	22 986	23 398	24 688	399 963
Capital appropriations					8 609
Other revenue from Government					31 618
Commonwealth Government grants					3 869
User charges, fees and fines	2 268	443	420	185	21 843
Gross proceeds from disposal of assets					31 221
Other operating revenue	68	792	698	859	154 993
Total Revenue	28 209	24 221	24 516	25 732	652 116
Borrowing costs					65 523
Employee expenses	11 591	14 331	14 741	15 543	17 733
Superannuation	1 237	1 402	1 465	1 549	345 915
Depreciation	2	26	74	104	10 973
Grants and subsidies					17 852
Written down value of disposed assets					28 160
Other operating expenses	13 179	8 384	8 842	8 054	101 639
Total Expenses	26 009	24 143	25 122	25 250	587 795
Result from Ordinary Activities	2 200	78	(606)	482	64 321

Comment

Increased Recurrent appropriation was provided in 1999-00 for the costs of consultants and other expenses associated with the reform of the electricity supply industry, reflected in increased Other operating expenses. The increase in 2003-04, as for most amounts, was a result of the reclassification of controlled and administered items, noted previously. The major components of the Recurrent appropriation was for Borrowing costs and Superannuation expenses.

Other revenue from Government represented the Gross Consolidated Fund Surplus, which was used by the Finance-General Division to repay debt on behalf of the Government.

Commonwealth Government grants consisted mainly of payments received under the *Financial Agreement Act 1994* in compensation for excess costs incurred due to redemption of Commonwealth debt.

The high amount of 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 also higher in 1999-00 as a result of the reform of the electricity supply industry and the introduction of gaming machines. From 2003-04 this item included motor vehicle leasing charges and Community Support Levy funding.

Gross proceeds from disposal of assets and Written down value of disposed assets included sale of motor vehicles and property.

Other operating revenue increased from 2000-01 as a result of a change of policy in recovering costs from other agencies. From 2003-04 this item included agency contributions and recoveries, interest on investments and property related revenue.

Borrowing costs consisted of interest payments to the Commonwealth Government and the Tasmanian Public Finance Corporation (Tascorp).

Superannuation from 2003-04 included superannuation payments and the movement in the accrued unfunded liability of the State.

Depreciation from 2003-04 included depreciation of motor vehicles and buildings.

Grants paid included grants to non-profit organisations, Community Service Obligations, and grants from the Tasmanian Community Fund.

Other operating expenses in 2003-04 included leasing and maintenance of property and risk management payments.

FINANCIAL POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and deposit accounts	1 536	2 244	1 622	2 245	608 000
Receivables	347	20	0	15	1 067
Tax assets					896
Other financial assets					9 316
Other current assets	80	104	204	168	4 227
Total Current Assets	1 963	2 368	1 826	2 428	623 506
Property, equipment and vehicles	132	265	303	292	79 430
Other financial assets					261 618
Total Non-Current Assets	132	265	303	292	341 048
Payables	280	175	340	195	1 406
Employee entitlements	1 338	1 710	1 760	1 819	1 425
Superannuation					141 142
Interest-bearing liabilities					187 917
Other current liabilities	26	0	0	0	304 029
Total Current Liabilities	1 644	1 885	2 100	2 014	635 919
Employee entitlements	2 032	2 251	2 235	2 430	2 646
Superannuation					2 100 704
Interest-bearing liabilities					590 200
Other non-current liabilities					64 019
Total Non-Current Liabilities	2 032	2 251	2 235	2 430	2 757 569
Net Assets	(1 581)	(1 503)	(2 206)	(1 724)	(2 428 934)
Asset revaluation reserve	0	0	6	6	6
Accumulated surplus (deficit)	(1 581)	(1 503)	(2 212)	(1 730)	(2 428 940)
Total Equity	(1 581)	(1 503)	(2 206)	(1 724)	(2 428 934)

Comment

The increase in Cash and deposit accounts in 2003-04, as for most amounts, was a result of the reclassification of controlled and administered items, noted previously.

Receivables in 1999-00 consisted mainly of recoverable gaming machine validation costs. From 2003-04 this item included debts for the lease of motor vehicles and property, risk management and loans to public bodies.

Tax assets consist of GST to be recovered from the Australian Taxation Office.

Other financial assets (both current and non-current) included Non-Financial Agreement (Housing) debt, which was reimbursed by the Department of Health and Human Services, and loans made under various Acts of Parliament and to State Authorities.

The higher amounts of Property, equipment and vehicles from 2000-01 related to purchases of computer equipment and installation of a security system. From 2003-04 this item included the motor vehicle fleet and property.

The Superannuation liabilities consisted of the State's unfunded liability (accrued benefits less market value of plan assets) of \$2 241.846m as at 30 June 2004.

Interest-bearing liabilities consisted of borrowings from Tascorp and the Commonwealth Government (Financial and Non-Financial Agreement Debt) of \$778.117m as at 30 June 2004.

Other current and non-current liabilities included deposits held on behalf of agencies and the risk management fund liability determined by the actuary.

The large negative Equity in 2003-04 was primarily a result of the inclusion of the unfunded superannuation and borrowings (both previously reported as administered items).

CASH POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from Government	25 873	22 986	23 398	24 687	452 714
Commonwealth Government grants					3 869
GST refunds					15 927
Interest received					11 569
Other cash receipts	2 080	1 560	1 100	1 053	153 772
Employee entitlements	(13 674)	(15 177)	(16 166)	(16 832)	(18 139)
Superannuation					(113 077)
Borrowing costs					(70 844)
Grants and subsidies					(18 789)
GST payments					(15 890)
Transfers to the Consolidated Fund	0	0	(103)	0	(329)
Other cash payments	(13 100)	(8 477)	(8 550)	(8 034)	(71 389)
Cash from operations	1 179	892	(321)	874	329 394
Gross proceeds from the disposal of assets					31 811
Repayment of loans by other entities					14 564
Receipts from investments					60 785
Payments for acquisition of assets	(59)	(184)	(301)	(251)	(39 052)
Other cash payments					(42 628)
Cash used in investing activities	(59)	(184)	(301)	(251)	25 480
Cash receipts from restructuring					388 175
Cash receipts from deposits held for agencies					42 530
Repayment of borrowings					(179 824)
Cash from financing activities					250 881
Net increase/(decrease) in cash	1 120	708	(622)	623	605 755
Cash at the beginning of the period	416	1 536	2 244	1 622	2 245
Cash at end of the period	1 536	2 244	1 622	2 245	608 000

Comment

The Finance-General Division manages the cash resources of the total Special Deposits and Trust Fund (SDTF), which at 30 June 2004 was \$623.863m, which includes true trust accounts totalling \$28.768m. These cash resources are held as investments with Tascorp. Although Treasury and Finance holds cash within the SDTF, this cash is included within the cash held by Finance-General on behalf of other agencies.

The closing cash balance (\$608.000m in 2003-04) represents the overnight investment held with Tascorp. The remaining overdraft balance held is reported as an administered liability.

FINANCIAL ANALYSIS

	Bench Mark	1999-00	2000-01	2001-02	2002-03	2003-04
Financial Performance						
Result from operations (\$'000)		2 200	78	(606)	482	64 321
Operating margin	>1.0	1.08	1.00	0.98	1.02	1.11
Financial Management						
Debt collection	30 days	56	16	0	30	18
Creditor turnover	30 days	8	8	15	9	8
Other information						
Staff numbers FTEs		259	271	279	282	297
Average staff costs (\$'000)		45	53	53	55	60

Comment

The fluctuations in creditor turnover were 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 increased over the past five years to provide additional resources to satisfy the changing needs of the Department's key stakeholders. In particular, additional policy and operational positions were 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 understating average staff costs in 1999-00.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

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

Administered Revenues and Expenses

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Recurrent appropriations	337 172	416 536	416 042	464 220	187 068
Capital appropriations	0	40 000	66 200	61 256	87 700
Other revenue from Government	0	0	0	1 800	2 194
Commonwealth grants	986 310	1 299 282	1 421 228	1 514 728	1 637 646
State taxation	708 926	556 476	526 717	570 362	639 147
Other revenue	556 168	345 267	390 990	438 551	322 995
Total Revenue	2 588 576	2 657 561	2 821 177	3 050 917	2 876 750
Borrowing costs	145 812	115 923	84 656	75 269	0
Depreciation	6 239	6 951	8 685	10 203	0
Grants and subsidies	65 523	117 647	178 133	152 143	165 769
Other expenses	183 240	307 003	353 014	463 633	17 196
Total Expenses	400 814	547 524	624 488	701 248	182 965
Result from operations	2 187 762	2 110 037	2 196 689	2 349 669	2 693 785
Transfer to Consolidated Fund	1 848 836	2 001 440	2 123 126	2 246 252	2 496 178
Net Result from Operations	338 926	108 597	73 563	103 418	197 607

Comment

Recurrent appropriations increased in 2000-01 and 2001-02 mainly due to additional costs associated with the administration of Goods and Services Tax (GST), 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 decrease in 2003-04 was a result of the reclassification of controlled and administered items, noted previously.

The increase in Commonwealth grants was principally due to the implementation of tax arrangements between the Commonwealth and State Governments. The increase in 2003-04 was due primarily to the increase in GST as a result of growth in the total GST revenue pool and an increase in Tasmania's estimated population. There was also an increase of \$8.674m funding under the Australian Health Care Agreement.

State taxation decreased from 2000-01 mainly as a result of the abolition of the Safety Net Arrangements; the introduction of national tax changes; and the Government's decisions to abolish the Racing and Gaming tax, and to 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 increases in 2002-03 and 2003-04 were a result of an increase in taxation due to growth in the tax base, particularly Financial Transactions Tax, because of the abnormally high level of activity in the property market.

Other 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 Joint Venture. The increase in 2001-02 was due principally to an increase in Income Tax Equivalent Payments 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 in Dividends received from State-owned companies and an adjustment for Equity held by the Treasurer in State-owned companies. The decrease in 2003-04 was a result of the reclassification of controlled and administered items, noted previously, offset by a revaluation of Equity investments.

Borrowing costs declined as loans were repaid. Proceeds from the sale of the Trust Bank in 1999-00 enabled State borrowings to be subsequently reduced. In 2003-04 borrowings were reclassified as controlled.

Depreciation costs have increased 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.

In 2003-04 the motor vehicle fleet and buildings were reclassified as controlled.

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. Whilst total expenditure from the Infrastructure Funds remained relatively constant in 2002-03, \$23.061m relating to the purchase of the optic fibre cable was classified as capital expenditure, resulting in a decrease in Grants and subsidies.

The increase in Grants and subsidies paid in 2003-04 was primarily due to the increased payments from the Economic and Social Infrastructure Fund, offset by a decrease in the FHOGS payments.

Other expenses prior to 2003-04 included Superannuation, Contributions to authorities, Risk Management Fund payments, Property and Motor Vehicle Fleet expenses. The increase in Other expenses in 2000-01 and 2001-02 was due mainly to the indexation of the liability for superannuation. The increase in 2002-03 was again due to the increased liability for superannuation, but also due to 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*.

The main component of Other expenses from 2003-04 was the Government's contribution for the administration of the GST.

Administered Assets and Liabilities

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and deposit accounts	566 870	724 541	880 409	364 128	(7 917)
Receivables	35 600	46 354	48 225	55 042	59 484
Other financial assets	41 502	38 002	21 946	88 380	280
Other current assets	2 866	2 229	2 709	1 630	143
Total Current Assets	646 838	811 126	953 289	509 180	51 990
Other financial assets	329 414	312 684	291 502	275 902	2 081
Infrastructure	0	0	0	23 061	23 061
Property, plant and equipment	85 836	86 999	80 822	79 145	0
Equity investments	388 160	406 061	438 807	515 912	4 196 479
Total Non-Current Assets	803 410	805 744	811 131	894 020	4 221 621
Payables	2 809	614	359	2 155	0
Interest-bearing liabilities	641 726	876 446	752 187	180 526	0
Superannuation	97 920	101 206	119 241	130 084	0
Other current liabilities	232 882	222 140	240 117	320 073	3 580
Total Current Liabilities	975 337	1 200 406	1 111 904	632 838	3 580
Interest-bearing liabilities	1 153 713	883 519	955 981	775 901	0
Superannuation	1 478 292	1 575 747	1 687 235	1 878 436	0
Other non-current liabilities	44 036	51 253	29 860	33 167	0
Total Non-Current Liabilities	2 676 041	2 510 519	2 673 076	2 687 504	0
Net Assets	(2 201 130)	(2 094 055)	(2 020 560)	(1 917 142)	4 270 031
Accumulated surplus (deficit)	(2 201 130)	(2 094 055)	(2 020 560)	(1 917 142)	4 270 031
Total Equity	(2 201 130)	(2 094 055)	(2 020 560)	(1 917 142)	4 270 031

Comment

Until 2002-03, Cash and deposit accounts consisted of deposits at call with the Tascorp and the bank. The increasing Cash amounts from 1999-00 to 2001-02 reflected the increase in SDTF, particularly the Superannuation Provision Account.

Surplus cash was used to repay maturing debt within a financial year, thus delaying refinancing borrowing until the latest possible time and reducing borrowing costs. 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 in 2002-03, this practice was discontinued, which resulted in a decrease in Cash and current Interest-bearing liabilities.

The decrease in Cash in 2003-04 was a result of the reclassification of controlled and administered items, noted previously. The amount as at 30 June consisted of the overdrawn balance of the Treasurer's Account.

Receivables consisted mainly of State Taxes, but also included interest on loans to public bodies and other recoveries. The increase from 2000-01 was a result of improved recognition of accrued debtors for taxation. The

increases in 2002-03 and 2003-04 were mainly due to the accrual of Income Tax Equivalent receivables in the following financial year.

Until 2003-04, Other financial assets consisted of short-term deposits with Tascorp and loans made under various Acts of Parliament and to State Authorities. The outstanding balances were 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 amounts in that and subsequent years. 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 the Accumulated surplus. The increase in 2002-03 was caused by an increase in short-term deposits with Tascorp.

The decrease in Other financial assets from 2003-04 was a result of the reclassification of controlled and administered items, such that the amounts as at 30 June consisted only of various advances.

The decrease in Other current assets from 2003-04 was a result of the reclassification of controlled and administered items, such that the amounts as at 30 June consisted only of assets held for sale.

Infrastructure, \$23.061m, consists of the optic fibre cable purchased by the State in 2002-03.

Property, plant and equipment consisted of property and the motor vehicle fleet until 2003-04, when it was reclassified as controlled.

Equity investments consisted of the Treasurer's equity in State-owned companies, and has been increasing significantly over each of the reported years, and particularly in 2002-03 due to Transend Networks Pty Ltd, because of a revaluation of its network assets. In 2003-04 all shares in State-owned companies were transferred from the Minister for Infrastructure, Energy and Resources and the Minister for Tourism, Parks and Heritage to the Treasurer, while equity in Government Business Enterprises was recognised for the first time in 2003-04.

Payables were reclassified as controlled from 2003-04.

Interest-bearing liabilities comprised debt incurred by the Government, including borrowings on-lent to Government Business Enterprises and 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 liabilities have declined over the years. The large decline in the current amount in 2002-03 was the result of the practice of temporary debt repayments at year-end being discontinued, as noted previously. From 2003-04, this item was reclassified as controlled.

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. From 2003-04, Superannuation was reclassified as controlled.

Until 2002-03, Other current liabilities included: agency accounts, other than those for Finance-General, in the SDTF, which had been generally increasing; accrued interest; and the risk management liability. The amount in 2002-03 also included an overpayment of \$24.800m paid by the Commonwealth and not advised to the state until 30 June 2003. From 2003-04, most of this item was reclassified as controlled, with the balance consisting of Revenue and Gaming Division creditors.

As a result of the increase in Equity investments and reclassification of most liabilities as controlled, the Total Equity changed from being negative in prior years to positive in 2003-04.

Administered Cash Flows

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from Government		456 535	484 087	527 714	230 151
Commonwealth grants		1 299 282	1 421 228	1 514 728	1 612 734
State taxation		548 756	528 470	567 927	637 748
GST refunds		11 457	15 708	18 430	
Interest received		30 195	24 944	26 110	20 881
Other cash receipts		270 385	300 792	321 034	177 324
Superannuation		(99 707)	(106 309)	(100 450)	0
Borrowing costs		(134 358)	(89 962)	(75 720)	0
GST payments		(11 811)	(15 595)	(18 653)	0
Grants and subsidies		(110 406)	(166 623)	(140 832)	(164 592)
Other cash payments		(87 775)	(81 553)	(129 644)	(8 336)
Transfers to the Consolidated Fund		(2 001 440)	(2 123 127)	(2 246 297)	(2 497 768)
Cash from operations		171 113	192 060	264 347	8 142
Repayments of loans by other entities		24 383	16 412	21 058	603
Gross proceeds from disposal of assets		25 468	26 397	29 209	0
Other cash receipts		13 841	9 428	36 690	0
Payment for acquisition of assets		(37 353)	(37 442)	(63 277)	0
Net payments for investments		(4 495)	802	(51 904)	0
Cash used in investing activities		21 844	15 597	(28 224)	603
Other cash receipts					3 581
Repayment of borrowings		(35 286)	(51 789)	(752 404)	
Other cash payments					(383 000)
Cash from financing activities		(35 286)	(51 789)	(752 404)	(379 419)
Net increase/(decrease) in cash		157 671	155 868	(516 281)	(370 674)
Cash at the beginning of the period		566 870	724 541	880 409	364 128
Cash at end of the period		724 541	880 409	364 128	(6 546)

Comment

The cash flow figures are only available for four years, as Finance-General Administered Cash Flows were not reported prior to 2000-01. The movements between the four years reflected the movements in the Administered Revenues and Expenses and the reclassification of controlled and administered activities, noted previously.

In addition, the comparatives presented for the Administered Cash Flow statement were not consolidated and represented the aggregated total of the Finance-General Division and Treasury and Finance Division cash flows. The balance of cash reported as at 30 June 2003 was accordingly overstated by \$1.362m.

Commonwealth grants increases were due to increases in GST Grant Revenue, offset by a decrease in the Budget Balancing Assistance Grant.

State taxation increases in 2002-03 and 2003-04 reflected the increased revenue from Financial Transactions Tax, noted previously.

Interest received was declining as loans advanced under Acts of Parliament and to State Authorities are being repaid.

Borrowing costs were declining along with the decrease in outstanding borrowings.

Payments for Property, plant and equipment in 2002-03 included purchase of the optic fibre cable, \$23.061m.

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

OVERALL COMMENT

The 2003-04 audit was completed with satisfactory results.

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 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 have 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 RBF as sub-funds and the RBFB becoming the corporate Trustee of these sub-funds.

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

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 The 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. This sub-fund still prepares an annual financial report for audit and inclusion with the annual report of the RFBF.

AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

Signed statements were received on 20 October 2004 and an unqualified audit opinion was issued on the same day.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Interest	5	5	5	65	62
Income from unit trusts	476	854	249	109	0
Dividends	0	0	0	103	172
Property rentals	0	0	0	10	17
Changes in net market values	305	(746)	(351)	(314)	517
Direct investment expense	0	0	0	(10)	(28)
Employer contributions	1 565	757	1 261	1 137	813
Member contributions	67	61	63	47	31
Total Revenue	2 418	931	1 227	1 147	1 584
Pensions	1 188	1 218	1 212	1 301	1 285
Lump sums	1 149	0	750	82	0
Refund and interest	2	0	0	0	2
Administration expenses	83	80	95	73	138
Superannuation contributions surcharge	6	11	11	3	0
Total Expenses	2 428	1 309	2 068	1 459	1 425
Result from ordinary activities	(10)	(378)	(841)	(312)	159
Income tax expense	(4)	58	37	99	11
Net Assets available to pay benefits at year start	6 950	6 936	6 616	5 812	5 401
Net Assets available to pay benefits at year end	6 936	6 616	5 812	5 401	5 571

Comment

The Fund performed well in 2003-04 despite relatively small Members' contributions. The strong investment returns and increase in market values facilitated this. The results for 2001-02 and 2002-03 reflected the downturn in the domestic and overseas equity markets at that time. From 2002-03 there was a diversification of investments, including shares, which was aimed at yielding higher returns in the long-term.

FINANCIAL POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank	53	156	52	13	13
Receivables	33	0	245	92	13
Investments	6 952	6 509	5 588	5 477	5 688
Total Assets	7 038	6 665	5 885	5 582	5 714
Payables	92	87	86	65	147
Income tax payable	0	(54)	(34)	95	(67)
Provision for deferred income tax	4	0	0	(1)	40
Superannuation contributions surcharge payable	6	16	21	22	23
Total Liabilities	102	49	73	181	143
Net Assets Available To Pay Benefits	6 936	6 616	5 812	5 401	5 571

Comment

The financial position of the Fund 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 however this restriction is of lesser importance now that the PSF is a sub-fund of the RFBF.

The liability for accrued benefits (scheme as a whole) determined by the State Actuary as at 30 June 2004 was \$17.666m resulting in an unfunded portion of accrued benefits of \$12.095m. The liability for vested benefits (scheme as a whole) was \$18.333m.

FINANCIAL ANALYSIS

	Bench Mark	1999-00	2000-01	2001-02	2002-03	2003-04
Financial Performance						
Net assets available to pay benefits		6 936	6 616	5 812	5 401	5 571
Results from ordinary activities		(10)	(378)	(841)	(312)	159
Operating margin	>1.0	1.00	0.71	0.59	0.79	1.11
Return on assets		-0.14%	-5.52%	-13.40%	-5.44%	2.82%

Comment

The PSF's performance in 2003-04 showed a reversal of the previous downward trend primarily due to the improvement in the market value of the Fund's investments as at 30 June 2004.

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 (the Fund) was closed to new members as at 1 July 1999 with The 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 RBFB effective from 1 January 2003. This sub fund still prepares an annual financial report for audit and inclusion in the annual report of the RBFB.

AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

Signed statements for the year ended 30 June 2004 were received on 20 October 2004 and an unqualified audit opinion was issued on the same day.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Interest	23	16	17	76	77
Income from unit trusts	0	0	49	2	0
Dividends	0	0	0	114	202
Property rentals	0	0	0	10	21
Changes in net market values	702	92	(226)	(135)	631
Direct investment expense	0	0	0	(9)	(35)
Employer contributions	1 150	662	664	2 386	511
Member contributions	236	230	237	202	192
Other revenue	10	0	0	0	(4)
Total Revenue	2 121	1 000	741	2 646	1 595
Lump sums	1 053	338	1 763	1 915	1 948
Administration expenses	152	102	116	65	129
Superannuation contributions surcharge	108	126	57	56	0
Total Expenses	1 313	566	1 936	2 036	2 077
Result from ordinary activities	808	434	(1 195)	610	(482)
Income tax expense	154	86	85	393	152
Net Assets available to pay benefits at year start	6 245	6 899	7 247	5 967	6 184
Net Assets available to pay benefits at year end	6 899	7 247	5 967	6 184	5 550

Comment

Performance of the Fund was down in 2001-02 due to a negative change in market values and lower employer contributions received. This trend was 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 was attributable to high Employer contributions.

From 2002-03 investments were diversified to include property and shares, which was aimed at yielding higher returns.

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

FINANCIAL POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank	45	233	271	16	14
Receivables	46	0	451	42	33
Investments	6 993	7 215	6 043	6 869	6 038
Total Assets	7 084	7 448	6 765	6 927	6 085
Payables	65	96	727	398	414
Provision for income tax	125	89	76	342	61
Provision for deferred income tax	6	(5)	(5)	(6)	48
Superannuation contributions surcharge payable	(11)	21	0	9	12
Total Liabilities	185	201	798	743	535
Net Assets Available To Pay Benefits	6 899	7 247	5 967	6 184	5 550

Comment

The financial position of the Fund remained stable, but new members cannot be accepted into the Fund, which will result in a gradual decline in net assets.

The liability for accrued benefits (scheme as a whole) determined by the State Actuary as at 30 June 2004 was \$6.801m resulting in an unfunded liability as at 30 June 2004 of \$1.251m. The liability for vested benefits (scheme as a whole) was \$6.944m.

FINANCIAL ANALYSIS

	Bench Mark	1999-00	2000-01	2001-02	2002-03	2003-04
Financial Performance						
Net assets available to pay benefits		6 899	7 247	5 967	6 184	5 550
Results from ordinary activities		808	434	(1195)	610	(482)
Operating margin	>1.0	1.62	1.77	0.38	1.30	0.77
Return on assets		12.0%	6.0%	-16.8%	8.9%	-7.4%

Comment

The Fund's performance varies considerably, as with most small funds.

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 2003-04 FINANCIAL STATEMENTS

Signed financial statements were received on 20 October 2004 and an unqualified audit report was issued on the same day.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Investment income	41 340	36 835	36 786	48 058	47 275
Change in net market value of investments	56 820	54 505	(33 079)	(26 625)	95 817
Direct investment expense	(5 156)	(3 914)	(3 978)	(4 442)	(4 307)
Employer contributions	116 113	125 826	116 154	123 945	130 879
Member contributions	56 995	59 585	65 092	71 549	87 069
Other revenue	2 008	1 139	254	355	54
Change in net market value of other assets	(1 838)	(1 349)	(1 517)	(1 749)	(1 941)
Total Revenue	266 282	272 627	179 712	211 091	354 846
Pensions	104 484	113 095	116 022	122 823	131 026
Lump sums	72 412	82 947	71 944	68 368	70 866
Refunds and interest	1 143	971	1 007	743	548
Administration expenses	6 064	5 835	6 295	8 556	8 382
Superannuation contributions surcharge	1 081	739	384	662	18
Miscellaneous expenses	81 171	0	0	0	0
Total Expenses	266 355	203 587	195 652	201 152	210 840
Surplus before Tax	(73)	69 040	(15 940)	9 939	144 006
Income tax expense	13 545	1 631	10 623	11 557	7 068
Net Assets available to pay benefits at year start	852 192	865 664	936 335	931 018	952 514
Net Assets available to pay benefits at year end	865 664	936 335	931 018	952 514	1 103 588

Comment

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

Employer contributions decreased in 2001-02 but were offset by an increase in member contributions.

The higher Administration expenses in 2002-03 was attributed to salary increases of \$0.770m, due to reclassification of Board staff, implementation of paid overtime, employment of temporary employees, and interest paid to agencies as a result of holding upgrade contributions longer than was required.

Lump sum payments decreased from 2001-02, 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 was only recognised upon receipt following payment to the ex-employee; thus both items were directly related.

Miscellaneous expenses of \$81.171m in 1999-00 related 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. This improved dramatically in 2003-04.

FINANCIAL POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank	4 510	6 689	5 832	4 360	4 077
Contributions and pensions receivable	1 288	2 613	1 638	1 846	1 271
Income receivable	1 070	654	1 818	2 025	2 321
Other receivables	4 147	1 751	2 859	4 592	761
Investments	880 095	976 752	942 011	957 403	1 113 280
Property, plant and equipment	6 646	6 613	6 557	6 341	5 734
Provision for income tax	3 520	2 302	7 087	14 035	11 203
Total Assets	901 276	997 374	967 802	990 602	1 138 647
Other Payables	6 246	30 960	10 103	9 142	2 688
Contributions and pensions payable	1 907	112	556	2 124	490
Contributions in advance	8 929	9 482	10 019	10 327	10 395
Provision for employee entitlements	5 426	5 763	6 924	8 116	9 494
Provision for deferred income tax	12 070	13 151	7 229	6 065	9 822
Superannuation contributions surcharge payable	1 034	1 571	1 953	2 314	2 170
Total Liabilities	35 612	61 039	36 784	38 088	35 059
Net Assets Available to Pay Benefits	865 664	936 335	931 018	952 514	1 103 588

Comment

The decrease in Investments in 2001-02 was a result of unfavourable reaction in the market to the events of 11 September 2001. The increase in 2003-04 reflected the recovery from the investment market situation of the past two years.

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

The Contributions in advance related 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 2004 have been determined at \$3.713bn and \$1.118bn respectively. Thus the unfunded liability is \$2.595bn, which is funded by the State Government on an emerging costs basis.

The liability for vested benefits (Scheme as a whole) and the liability to be funded from Scheme assets as at the 30 June 2004 were determined at \$4.069bn and \$1.178bn respectively.

Amounts for both accrued and vested benefits were determined in accordance with the methodology required by Australian Accounting Standard AAS 25 "Financial Reporting by Superannuation Plans".

FINANCIAL ANALYSIS

	Bench Mark	1999-00	2000-01	2001-02	2002-03	2003-04
Financial Performance						
Investments (\$'000)		880 095	976 752	942 011	957 403	1 113 280
Net investment income (\$'000)		93 004	87 426	(271)	16 991	138 785
Return on investments	5.5%	10.7%	9.4%	0.0%	1.8%	13.4%

Comment

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

Net investment income showed signs of recovery in 2002-03, with a full recovery in 2003-04.

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 (MIC) was introduced on 1 October 1999. MIC was subsequently expanded to include members of both the TAS-SG Account and the Allocated Pension Account.

AUDIT OF THE 2003-04 FINANCIAL STATEMENTS

Signed financial statements were received on 20 October 2004 and an unqualified audit report issued on the same day.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Investment income	9 333	10 624	12 557	18 662	21 399
Changes in net market values	16 261	15 030	(12 576)	(11 376)	36 444
Direct investment expenses	(1 142)	(863)	(981)	(961)	(1 438)
Employer contributions	10 690	13 516	21 233	23 868	29 534
Member contributions	13 132	22 298	25 582	22 916	33 857
Transfers from other funds	32 579	46 564	62 896	74 072	83 216
Other revenue	0	2	1	0	12
Total Revenue	80 853	107 171	108 712	127 181	203 024
General operating fee	2 891	1 881	2 744	2 108	6 348
Superannuation contributions surcharge	68	32	46	564	352
Other expenses	0	0	7	0	0
Total Expenses	2 959	1 913	2 797	2 672	6 700
Benefits Accrued before Tax	77 894	105 258	105 915	124 509	196 324
Income tax expense	(2 395)	690	(4 052)	(4 701)	(7 987)
Benefits Accrued as a result of operations	75 499	105 948	101 863	119 808	188 337
Benefits paid	(53 312)	(52 220)	(53 211)	(63 682)	(79 419)
Liability for Accrued Benefits at year start	218 184	240 371	294 099	342 751	398 877
Liability for Accrued Benefits at year end	240 371	294 099	342 751	398 877	507 795

Comment

Investment income has increased significantly, corresponding with the number of members and growth in investments.

The Change in net market values was negative in 2001-02 and 2002-03 as a result of losses experienced on the Australian and overseas share markets.

The increase in Transfers from other funds from 2001-02 was the result of both new and existing members consolidating their superannuation by rolling in investments from other superannuation funds.

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 significant rise in 2003-04 correlates with the increase in net assets.

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

FINANCIAL POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank	3 341	2 615	5 500	5 782	2 974
Interest receivable	242	146	520	639	970
Other receivables	2 449	15 774	987	4 211	4 410
Investments	245 319	279 707	344 590	397 151	510 035
Total Assets	251 351	298 242	351 597	407 783	518 389
Other payables	5 771	14	2 172	1 342	0
Contributions payable	12	1 059	1 629	1 663	1 804
General operating provision	0	0	987	1 204	5 583
Provision for income tax	1 437	3 065	3 937	5 985	1 259
Provisions for deferred income tax	3 760	5	121	(1 288)	1 948
Total Liabilities	10 980	4 143	8 846	8 906	10 594
Net Assets Available To Pay Benefits	240 371	294 099	342 751	398 877	507 795
Represented by:					
Liability for Accrued Benefits					
Allocated to members accounts	233 169	284 260	339 550	397 028	500 505
Not yet allocated	7 202	9 839	3 201	1 849	7 290
Total Liability For Accrued Benefits	240 371	294 099	342 751	398 877	507 795

Comment

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

The significant growth in Investments during 2003-04 reflected the strong market conditions experienced during the year.

Variations in the amounts of the Provisions for income tax and deferred income tax were due to timing differences of tax benefits and liabilities.

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

Net assets available to pay benefits were boosted by new and existing members rolling over their superannuation investments from other funds.

CASH POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Employer contributions	10 825	13 685	21 233	23 868	29 534
Member contributions	13 380	21 627	26 143	22 952	33 998
Transfers from other funds	32 579	46 564	62 896	74 072	83 215
Interest received	3 307	2 139	2 347	5 636	3 204
Dividends received	6 544	919	1 938	1 719	6 415
Benefits paid	(53 837)	(53 043)	(53 211)	(62 340)	(79 964)
Income tax paid	(1 251)	(1 437)	(3 065)	(4 061)	(9 478)
Direct investment expenses	(1 228)	(761)	(980)	(933)	(1 066)
Interfund transfers	(621)	(13 807)	17 940	(4 526)	(998)
Other expenses	(5 576)	0	(7)	0	0
Other contributions to be allocated	1 587	0	0	0	0
Operating fees paid	(2 782)	(4 772)	(2 763)	(2 730)	(2 257)
Superannuation contribution surcharge	(57)	(44)	(44)	(597)	(351)
Other Income	0	2	1	0	12
Cash from operations	2 870	11 072	72 428	53 060	62 264
Proceeds from the sale of investments	0	237 197	140 671	117 423	174 604
Payments for purchase of investments	0	(247 089)	(181 882)	(119 620)	(259 786)
Cash used in investing activities	(3 208)	(9 892)	(41 211)	(2 197)	(85 182)
Net increase/(decrease) in cash	(338)	1 180	31 217	50 863	(22 918)
Cash at the beginning of the period	16 858	16 520	17 700	48 917	99 780
Cash at end of the period	16 520	17 700	48 917	99 780	76 862

Comment

Cash on hand increased strongly between 2000 and 2003 to \$99.780m due to new and existing members rolling over their superannuation investments from other funds. However, cash decreased in 2003-04 due to large withdrawals of payments for benefits and, even more so, because of investment of surplus cash holdings in investments.

FINANCIAL ANALYSIS

	1999-00	2000-01	2001-02	2002-03	2003-04
Financial Performance					
Investments (\$'000)	245 319	279 707	344 590	397 151	510 035
Net investment income (\$'000)	24 452	24 791	(1 000)	6 325	56 405
Return on investments	10.4%	9.4%	-0.3%	1.7%	12.4%

Comment

The returns for 2001-02 and 2002-03 largely reflected the losses on Australian and Overseas shares, indicated by the lower net investment income. This position reversed strongly in 2003-04.

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.

AUDIT OF THE 2003-04 FINANCIAL STATEMENTS

Signed financial statements were received on 20 October 2004 and an unqualified audit report was issued on the same day.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Investment income	955	4 178	5 155	7 823	9 088
Changes in net market values	2 724	6 064	(4 736)	(4 971)	17 414
Direct investment expense	(164)	(339)	(425)	(465)	(692)
Employer contributions	3 240	28 945	32 979	41 165	47 889
Member contributions	3 127	12 109	10 657	12 468	16 238
Other income	78 132	(1 024)	(112)	(138)	32
Total Revenue	88 014	49 933	43 518	55 882	89 969
General operating fee	175	1 200	1 704	1 738	3 940
Death and incapacity insurance	107	1 805	1 992	2 433	2 779
Superannuation contributions surcharge	16	197	86	284	206
Total Expenses	298	3 202	3 782	4 455	6 925
Benefits Accrued before Tax	87 716	46 731	39 736	51 427	83 044
Income tax expense	510	4 616	5 375	6 083	7 820
Benefits Accrued as a result of operations	87 206	42 115	34 361	45 344	75 224
Benefits paid	(527)	(13 015)	(16 579)	(19 253)	(27 502)
Liability for Accrued Benefits at year start	0	86 679	115 779	133 561	159 652
Liability for Accrued Benefits at year end	86 679	115 779	133 561	159 652	207 374

Comment

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

Employer contributions have increased from 2001-02 with the closure of the Contributory Scheme. There was little change to Member

contributions 1999-00 as only employers must contribute and member contributions are for allocated pensions.

On 25 April 2000, the initial balances of TAS, being the account balances of the Non-Contributory Scheme 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. The resulting income was included with Other income in 1999-00.

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

FINANCIAL POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank	971	884	984	988	770
Interest receivable	90	63	246	345	473
Other receivables	1 761	9 167	181	297	1
Investments	85 751	112 216	140 606	169 264	220 762
Total Assets	88 573	122 330	142 017	170 894	222 006
Payables	652	8	87	898	3 134
Provision for death and incapacity insurance	728	1 854	2 762	3 930	5 101
General operating provisions	0	0	181	420	2 582
Provision for income tax	453	4 623	5 337	6 498	3 129
Provisions for deferred income tax	57	51	89	(504)	686
Superannuation contribution surcharge payable	4	15	0	0	0
Total Liabilities	1 894	6 551	8 456	11 242	14 632
Net Assets Available To Pay Benefits	86 679	115 779	133 561	159 652	207 374
Represented by:					
Liability for Accrued Benefits					
Allocated to members accounts	84 084	113 914	134 310	158 800	204 151
Not yet allocated	2 595	1 865	(749)	852	3 223
Total Liability For Accrued Benefits	86 679	115 779	133 561	159 652	207 374

Comment

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

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

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

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

The Australian Taxation Office calculated the Superannuation contributions surcharge payable.

CASH POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Employer contributions	3 696	28 945	32 979	41 165	47 890
Member contributions	3 127	11 625	10 664	12 492	16 223
Other contributions	77 359	(231)	(112)	(138)	32
Interest received	406	788	876	1 284	623
Dividends received and property returns	630	388	512	898	3 043
Benefits paid	(527)	(13 007)	(16 579)	(19 159)	(27 502)
Direct investment expenses	(164)	(296)	(424)	(450)	(492)
Management fees paid	0	(1 375)	(1 722)	(1 615)	(2 091)
Income tax paid	0	(452)	(4 623)	(5 515)	(10 000)
Interfund transfers	(268)	(8 891)	9 247	694	2 642
Death and incapacity benefits paid	28	21	(1 084)	(1 265)	(1 546)
Superannuation contribution surcharge	(118)	(186)	(101)	(284)	(206)
Cash from operations	84 169	17 329	29 633	28 107	28 616
Proceeds from the sale of investments	0	99 900	60 467	52 012	82 609
Payments for purchase of investments	0	(116 045)	(87 333)	(71 819)	(108 369)
Cash used in investing activities	(79 370)	(16 145)	(26 866)	(19 807)	(25 760)
Net increase/(decrease) in cash	4 799	1 184	2 767	8 300	2 856
Cash at the beginning of the period	0	4 799	5 983	8 750	17 050
Cash at end of the period	4 799	5 983	8 750	17 050	19 906

Comment

The cash position of the Fund is expected to increase rapidly with the growth of members.

FINANCIAL ANALYSIS

	Bench Mark	1999-00	2000-01	2001-02	2002-03	2003-04
Financial Performance						
Investments (\$'000)		85 751	112 216	140 606	169 264	220 762
Net investment income (\$'000)		3 515	9 903	(6)	2 387	25 810
Return on investments	5.5%	8.2%	10.0%	0.0%	1.5%	13.2%
Profit return on total assets		10.2%	34.4%	24.2%	26.5%	33.9%
Revenue on total assets		11.2%	40.8%	30.6%	32.7%	40.5%
Contribution revenue on benefits paid		1208.2%	307.6%	262.5%	277.9%	233.3%

Comment

It should be noted that 1999-00 related only to the period 25 April to 30 June 2000 with TAS commencing on 25 April 2000.

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

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

OVERALL COMMENT

Total funds under management increased by more than 150% since 1999-00. The rate of return on total funds under management has been solid with the rate outperforming the average return for growth-orientated funds.

During 2003-04 TAS performed well not only in absolute terms, but also 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

The Ministers responsible for the entities within this group as at 30 June 2004 were as follows:

Entity	Responsible Minister
Abt Railway Ministerial Corporation	Minister for Infrastructure, Energy and Resources
Inland Fisheries Service	Minister for Primary Industries and Water
Legal Aid Commission	Minister for Justice and Industrial Relations
Marine and Safety Authority	Minister for Infrastructure, Energy and Resources
National Trust of Australia (Tasmania)	Minister for Tourism, Parks and Heritage
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 Risk Management Fund	Minister for Finance
Theatre Royal Management Board	Minister for the Arts
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 (the Corporation) was established under the *Abt Railway Development Act 1999*. This Act authorised the construction, maintenance and operation of a railway between Queenstown and Strahan.

In April 2002, the Government entered into a twenty-year lease agreement with a provider to manage and operate the railway. This lease was assigned to a new provider, Federal Holdings Tas Pty Ltd (the Lessee) – formerly ACN 097 627 677 Pty Ltd, on 1 August 2002. This agreement provided for a rental payment on two buildings and a lease payment to the Government when a certain level of annual gross revenue is attained. No assessment of revenues has been made, as the revenue level has not yet been reached. The Corporation controls the railway assets and manages the arrangement with the Lessee.

The railway was officially opened in April 2003.

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

AUDIT OF THE 2003-04 FINANCIAL STATEMENTS

Signed financial statements were received on 16 August 2004 and an unqualified audit report was issued on 8 October 2004.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000
State Government grants	1 020	6 112	0	4 000
Commonwealth grants	19 620	780	50	0
Other operating revenue	44	557	5	124
Non-operating revenue	0	0	0	4 783
Total Revenue	20 684	7 449	55	8 907
Depreciation	0	4	179	822
Other operating expenses	44	10	17	1 419
Non-operating expenses	0	0	0	3 465
Total Expenses	44	14	196	5 706
Result from Ordinary Activities	20 640	7 435	(141)	3 201

Comment

The majority of Commonwealth grants, totalling \$20.450m, was received in 2000-01.

In order to complete the project, State Government funding was required, most of which was received in 2001-02. A further grant of \$4.000m was received from the Economic and Social Infrastructure Fund in 2003-04.

Non-operating revenue in 2003-04, \$4.783m, was the correction of a fundamental error. The administrative functions of the Corporation were transferred from the Department of Economic Development to the Department of Infrastructure, Energy and Resources (DIER) under the *Administrative Arrangements Order No. 2 of 2004*. As a result, it was identified that revenue and expenses transacted through DIER in 2002-03 had not been accounted for in the Corporation's financial statements.

Depreciation was higher in 2003-04 being for a full year. In 2002-03, depreciation commenced in April 2003 when the Railway was opened for use.

Higher operating expenses were incurred in 2003-04 when the project was completed. These costs were partly funded from the Economic and Social Infrastructure Fund.

Non-operating expenses in 2003-04, \$3.465m, comprised the loss on revaluation of infrastructure.

FINANCIAL POSITION

	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000
Cash	0	332	13	430
Receivables	0	0	0	124
Other	0	0	0	67
Total Current Assets	0	332	13	621
Payables	378	1	0	2
Other	793	0	0	11
Total Current Liabilities	1 171	1	0	13
Working Capital	(1 171)	331	13	608
Property, plant and equipment	21 811	27 744	27 921	34 212
Total Non-Current Assets	21 811	27 744	27 921	34 212
Net Assets	20 640	28 075	27 934	34 820
Retained surpluses	20 640	28 075	27 934	31 135
Revaluation Reserve	0	0	0	3 685
Total Equity	20 640	28 075	27 934	34 820

Comment

The assets held by the Corporation consist of railway track, rolling stock, station buildings, associated land and plant and equipment. These assets were revalued at 30 June 2004: infrastructure assets (railway track and bridges), \$23.865m; plant, equipment and vehicles, \$6.170m; and land and buildings, \$2.376m.

The Revaluation Reserve as at 30 June 2004, \$3.685m, consisted of the revaluation increment for plant, equipment and vehicles, \$3.103m, and buildings, \$0.160m. The revaluation of infrastructure assets resulted in a write-down of \$3.465m, which was charged against profits.

CASH POSITION

	2000-01 \$'000	2001-02 \$'000	2002-03 \$'000	2003-04 \$'000
State Government grants	1 020	6 112	0	4 000
Commonwealth grants	19 620	780	50	0
Receipts from customers	44	557	5	0
Correction of fundamental error	0	0	0	4 727
Payments to suppliers and employees	(44)	(9)	(18)	(1 417)
Cash from operations	20 640	7 440	37	7 310
Payments for infrastructure, property, plant and equipment	(21 433)	(6 315)	(356)	(3 098)
Correction of fundamental error	0	0	0	(3 795)
Cash used in investing activities	(21 433)	(6 315)	(356)	(6 893)
Net increase/(decrease) in cash	(793)	1 125	(319)	417
Cash at the beginning of the period	0	(793)	332	13
Cash at end of the period	(793)	332	13	430

Comment

The cash flows reflect the activities of the Corporation discussed previously.

FINANCIAL ANALYSIS

	Bench Mark	2000-01	2001-02	2002-03	2003-04
Financial Performance					
Result from operations (\$'000s)		20 640	7 435	(141)	1 883
Operating margin	>1.0	470.09	532.07	0.28	1.84

Comment

The Result from operations and abnormally high Operating margin in 2000-01 and 2001-02 were due to the large grants, low expenditure and high payments for infrastructure in those years.

OVERALL COMMENT

The 2003-04 audit was completed with satisfactory results.

4.2 INLAND FISHERIES SERVICE

INTRODUCTION

The Inland Fisheries Service (the Service) is the premier natural resource manager of inland fisheries in Tasmania.

The *Inland Fisheries Act 1995* creates the position of the Director of Inland Fisheries and provides that the Director be a corporation. In March 2000 the Director replaced the Inland Fisheries Commission, which had been operating from the late 1950s. The Service is the operational arm of the Director.

The Inland Fisheries Advisory Council (IFAC) was formally established under the *Inland Fisheries Act 1995*. IFAC comprises twelve members, appointed by the Minister, who represent segments of the industry. The principal role of IFAC is to provide direction and advice on behalf of the Service to the Minister for the Department of Primary Industries, Water and Environment on all matters relating to Freshwater Fisheries policy and management.

The Director manages the Service. He 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.

During 2002-03 a number of changes to the legislation were implemented, the main ones being:

- The *Inland Fisheries Act 1995* was amended to enact recommendations for the 2001 Legislative Review Process, undertaken to meet the State's obligations under the National Competition Policy; and
- A new Act, *Inland Fisheries (Director of Inland Fisheries Validation) Act 2003* was enacted to rectify an anomaly in the instrument of appointment of the Director of Inland Fisheries during the period from 1 March 2000 to 26 May 2003. The effect of this Act was to validate all actions and decisions taken by the Director during that period.

In addition to legislative changes in 2002-03, following a review by the State Government it was decided that the Service would continue as an independent organisation, but with a new strategic direction. The strategic direction would focus on the delivery of the following "core" activities:

- Freshwater recreational fisheries management;
- Native fish management;
- Pest fish management;
- Salmon Ponds hatchery;

- Hydro and biological services; and
- Corporate services.

AUDIT OF THE 2003-04 FINANCIAL STATEMENTS

Accrual financial statements were prepared for the first time in 2001-02. Signed financial statements were received on 20 August 2004 and an unqualified audit opinion issued on 12 October 2004.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s
Licence fees	1 067	1 084	1 139	1 213
Government grants	784	789	1 364	1 596
External grants and reimbursements	147	0	410	0
Other operating revenue	252	248	298	473
Non-operating revenue	336	264	245	216
Total Revenue	2 585	2 386	3 456	3 498
Operating expenses	2 099	2 314	2 393	3 086
Depreciation	141	139	157	150
Non-operating expenses	346	465	269	249
Total Expenses	2 586	2 918	2 819	3 484
Result from ordinary activities	(1)	(532)	637	14

Comment

In 2000-01 supplementary funding of \$0.417m, to cover a projected deficit and State Service wages increase, was provided to the Service. In 2002-03 the State Government paid an additional \$0.300m to cover the previous year's deficit. 2002-03 was the final year for a number of external grants with the Service receiving final reimbursement payments. This resulted in a net surplus of \$0.637m as opposed to a net deficit of \$0.532m in 2001-02.

In 2003-04 there were no new external projects. This resulted in a decrease in grant revenue and reimbursements, which was partly offset by the inclusion of the CIP Essential Maintenance funding and increase in eel and carp funding.

Non-operating revenue decreased in 2001-02 as a result of a reduction in vehicle sales due to a lesser number of vehicles reaching the changeover date/kilometrage in the financial year.

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

In 2003-2004 licensing revenue increased as a result of the implementation of programs designed to increase fisheries performance and participation. These included the stocking of Atlantic salmon at Craighourne dam, Lake Barrington and Meadowbank.

Other revenue increased in 2003-04 due to the Hydro Bioconsultancy fee that is charged to Hydro Tasmania for monitoring and reporting.

The main factors influencing the increase in operating expenses in 2001-02 were:

- Increased expenditure on uniforms and protective clothing to meet OH&S requirements;
- Higher consultancy costs to carry out heritage assessments as part of the Salmon Ponds redevelopment. Consultants were also used on the public consultation process for the Western Lakes Fishery Management Plan and the development of the Service's strategic planning process. The Service also enhanced its angler licensing system through the use of contractors; and
- Increased advertising costs associated with the Western Lakes Fishery Management Plan, the promotion of the Salmon Ponds Heritage complex and the development of the new angler handbook.

These increased costs, and reduction in vehicle sales and grants contributed to the overall net loss from ordinary activities for 2001-02.

Operating costs increased further in 2002-03. This was 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 the receipt of final reimbursements for external grants producing a net surplus as mentioned earlier.

Operating costs increased again in 2003-04 due to another increase in salary awards and a considerable increase in building and maintenance costs. Building and maintenance costs relate, in the main, to expenditure at Cora Lynn on repairs to the houses that were previously in very poor condition and maintenance works conducted at the Salmon Ponds.

FINANCIAL POSITION

	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s
Cash	918	138	686	492
Receivables	100	190	22	370
Total Current Assets	1 018	328	708	862
Property, plant and equipment	2 920	3 239	3 651	3 453
Total Non-Current Assets	2 920	3 239	3 651	3 453
Payables	58	48	154	63
Provisions	269	347	646	300
Total Current Liabilities	327	395	800	363
Provisions	293	341	91	471
Total Non-Current Liabilities	293	341	91	471
Net Assets	3 319	2 832	3 468	3 481
Reserves	61	171	171	171
Accumulated funds	(1)	(539)	98	110
Contributed Capital	3 259	3 200	3 200	3 200
Total Equity	3 319	2 832	3 468	3 481

Comment

In 2001-02 a number of factors resulted in a significant decrease in the cash balance from 2000-01. These factors included:

- Unforeseen delays in reimbursements from the Fisheries Research Development Corporation (FRDC) and the University of Tasmania that resulted in a number of externally funded accounts being overdrawn;
- Treasury rejected an earlier undertaking to fund the 2000-01 deficit; and
- A significant increase in sundry debtors mainly due to delays in reimbursements/advances from Hydro Tasmania until the Bioconsultancy arrangement.

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

Reduced receipts from Government and external projects in 2003-04 resulted in a decrease in the cash balance for the year.

As mentioned earlier, Receivables increased in 2001-02 due to delays in reimbursements. Active management of receivables in 2002-03 resulted in a substantial decrease. However, Receivables rose again, significantly,

in 2003-04 due to late billing of some large items, late reimbursements and some large overdue payments.

Non-current assets increased in 2002-03 with the addition of a new building for the Salmon Ponds. A number of vehicles were disposed of in 2003-04 reducing the balance for non current assets.

The decrease in the level of Payables as at 30 June 2002 reflected improved expenditure control with a concerted effort being made to ensure that the majority of June accounts were finalised by that date. Provisions increased due to higher salary levels together with an overall increase in accumulated years of service for the Service's staff.

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.

In 2003-04 provisions for long service leave were adjusted to better reflect the current/non-current apportionment.

CASH POSITION

	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s
Receipts from customers	1 499	1 493	1 615	1 663
Payments to suppliers and employees	(3 470)	(3 720)	(3 419)	(3 358)
Interest received	45	72	44	51
Receipts from Government	1 412	1 275	1 411	1 292
Receipts from external projects	600	427	1 277	140
Cash from operations	86	(453)	928	(212)
Payments for property, plant and equipment	(431)	(561)	(626)	(199)
Proceeds from sale of property, plant and equipment	336	234	245	216
Cash used in investing activities	(95)	(327)	(381)	17
Net increase/(decrease) in cash	(9)	(780)	547	(195)
Cash at the beginning of the period	927	918	138	686
Cash at end of the period	918	138	685	491

Comment

The increase in receipts from customers in 2002-03 reflected the increase in licences fees mentioned earlier. A further increase in 2003-04 occurred as a result of new programs implemented to encourage increased fisheries performance and participation.

Supplementary funding in 2000-01 increased receipts from Government. In 2002-03 they increased again with a one-off payment, discussed earlier under Statement of Financial Performance. Receipts from external projects increased due to final reimbursement payments. There were no new external grants in 2003-04 and, with the Service receiving a number of final reimbursements in 2002-03, there was a significant decrease in

revenues from external projects for 2003-04. The decrease in receipts from government for 2003-04 reflected the one off payment made in 2002-03.

The decrease in Payments for property, plant and equipment in 2003-04 was mainly attributable to the work on Salmon Ponds being completed in the prior year and the Service's on going program in fleet reduction. This resulted in the Service having few large payments in this area for the year.

The reduction in receipts from external projects was the major factor in the decrease in cash at the end of the period.

FINANCIAL ANALYSIS

	Bench Mark	2000-01	2001-02	2002-03	2003-04
Financial Performance					
Result from operations (\$'000s)		9	(331)	660	47
Operating margin	>1.0	1.00	0.87	1.26	1.01
Return on equity	12%	0.0%	-17.3%	20.2%	0.4%
Financial Management					
Current ratio	>1	3.11	0.83	0.89	2.37
Debt collection	30 days	28	49	2	46
Creditor turnover	30 days	32	24	42	26
Other information					
Staff numbers FTEs		55	44	37	37
Average staff costs (\$'000s)		25	35	43	58

Comment

The high creditors turnover in 2002-03 was attributed to a large increase in the sundry creditor balance due to a large number of outstanding accounts identified at 30 June. This reverted to a more typical position in 2003-04.

An increase in revenues from grants and licence fees resulted in a positive result from ordinary activities in 2002-03, as reported in the section dealing with the Statement of Financial Performance. This resulted in a substantial improvement to return on equity for 2002-03.

Average staff costs increased in 2002-03 due to a number of staff departures and leave entitlement payments. Staff numbers remained the same for 2003-04 however costs rose due to an increase in award rates.

OVERALL COMMENT

Inland Fisheries implemented a number of major changes to its management of accounting processes in 2002-03. These were ongoing in

2003-04. It is envisaged that the efforts of all those involved will realise benefits in the accounting process and preparation of financial statements in the future.

4.3 LEGAL AID COMMISSION OF TASMANIA

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 2003-04 FINANCIAL STATEMENTS

Draft financial statements were received on 18 October 2004 and the final phase of the audit was being undertaken at the time of completing this Report. The 2003-04 figures detailed in this Report are therefore unaudited and commentary in this report may not be complete.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$000s	\$000s	\$000s	\$000s	\$000s
State Government grants	2 770	3 086	2 852	3 001	3 515
Commonwealth grants	4 687	4 727	6 297	4 109	5 188
User charges, fees and fines	402	310	208	360	191
Other operating revenue	56	62	102	115	119
Non-operating revenue	0	1	0	0	0
Total Revenue	7 915	8 186	9 459	7 585	9 013
Employee costs	2 873	2 807	2 858	3 251	3 410
Depreciation	200	99	134	139	144
Payments to legal service providers	3 344	2 771	3 002	3 103	3 327
Other operating expenses	2 158	1 641	2 106	2 220	2 428
Non-operating expenses	0	0	0	0	0
Total Expenses	8 575	7 318	8 100	8 713	9 309
Result from Ordinary Activities	(660)	868	1 359	(1 128)	(296)

Comment

State Government Grants remained reasonably constant over the period of review. The largest increase of \$0.514m in 2003-04 was due to CPI indexation in the State Government Base Grant \$0.264m and an increase of \$0.250 for the State Civil Law Disbursements Program.

Commonwealth Grants were higher in 2001-02 due to the inclusion of a one off Commonwealth Expensive Case Provision amount of \$0.200m and the receipt in advance of \$0.970m base grant revenues for 2002-03. This advance receipt contributed significantly to the \$1.339m surplus in 20001-02 and, equally, to the deficit in 2002-03 when the associated cost were met.

During 2002-03 the Commission reached settlement and recovered costs on a case previously finalised to the amount of \$0.110m. This primarily accounted 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 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 that year.

The significant reduction in payments to legal practitioners in 2000-01 was mainly attributed to the cessation of the State Civil Law Program.

FINANCIAL POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$000s	\$000s	\$000s	\$000s	\$000s
Cash	353	1 230	2 697	1 732	1 446
Receivables	135	183	129	72	82
Other	42	11	5	14	28
Total Current Assets	530	1 424	2 831	1 818	1 556
Property, plant and equipment	498	477	453	416	404
Total Non-Current Assets	498	477	453	416	404
Payables	104	108	119	143	49
Provisions	284	315	335	373	420
Other	0	0	0	0	0
Total Current Liabilities	388	423	454	516	469
Provisions	50	19	12	11	80
Total Non-Current Liabilities	50	19	12	11	80
Net Assets	590	1 459	2 818	1 707	1 411
Capital	325	325	325	325	325
Reserves	0	0	0	17	17
Retained surpluses	265	1 134	2 493	1 365	1 069
Total Equity	590	1 459	2 818	1 707	1 411

Comment

The increase in cash noted in 2000-01 was a result of the decrease in payments to private practitioners, as noted previously. The significant cash increase for 2001-02 was attributable to Commonwealth grant monies for 2002-03 being received in advance. Receipt of these funds in the 2001-02 year, to meet costs in 2002-03, accounted for the reduction in cash that occurred in 2002-03.

The decrease in receivables by \$0.057m in the 2002-03 year was 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 accounted for the reserves balance that existed for the first time in the 2002-03 year.

CASH POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$000s	\$000s	\$000s	\$000s	\$000s
State Government Grants	3 004	3 022	2 916	3 055	3 516
Commonwealth grants	4 687	4 727	6 298	4 109	5 188
Receipts from customers	348	309	183	332	159
Payments to suppliers and employees	(8 386)	(7 155)	(7 921)	(8 486)	(9 136)
Interest received	57	52	99	111	118
Cash from operations	(290)	955	1 575	(879)	(155)
Payments for property, plant and equipment	(44)	(78)	(110)	(85)	(131)
Cash used in investing activities	(44)	(78)	(110)	(85)	(131)
Net increase/(decrease) in cash	(334)	877	1 465	(964)	(286)
Cash at the beginning of the period	687	353	1 230	2 696	1 732
Cash at end of the period	353	1 230	2 696	1 732	1 446

Comment

A reduction in payments to private practitioners from 1999-00 to 2000-01 contributed to the increase in cash of \$0.877m in 2000-01. This trend continued in 2002-03 however was distorted by the revenue in advance of \$0.970m, as mentioned in the Financial Performance analysis.

Increased employee and legal payments in 2002-03 and 2003-04 contributed to the cash deficits in those years.

The increase in payments to suppliers and employees for 2002-03, \$0.565m and 2003-04, \$0.650m, can be attributed to an increase in staff at the Commission and an increased level of business activity, associated with the adoption of a performance management program. An increase in activity, and hence expenditure, did not produce a corresponding increase in revenue, as the Commission relies on grant funding for its operations. This situation caused the cash deficits for the 2002-03 and 2003-04 years.

FINANCIAL ANALYSIS

	Bench Mark	1999-00	2000-01	2001-02	2002-03	2003-04
Financial Performance						
Result from operations (\$'000s)		(660)	867	1 359	(1 128)	(296)
Operating margin	>1.0	0.92	1.12	1.17	0.87	0.97
Financial Management						
Current ratio	>1	1.37	3.37	6.24	3.52	3.32
Debt collection	30 days	n/a	n/a	n/a	n/a	n/a
Creditor turnover	30 days	13	14	15	15	13
Other information						
Employee costs as a % of operating expenses		34%	38%	35%	37%	37%
Staff numbers FTEs		51	50	52	57	54
Average staff costs (\$'000s)		57	57	55	57	63

Comment

The increase in the Result from operations for 2001-02 of \$0.492m was attributable to the additional Commonwealth Grant funding received in advance. The \$2.487m negative change in operating results in 2002-03 was primarily attributed to the prior year prepayment of revenue. Higher levels of activity by the Commission increased expenditure, which also accounted for the reduction in the operating result. Over the five-year period of review, the Commission has recorded a surplus of \$0.142m.

The Current ratio throughout the five-year analysis, and in particular for the 2001-02 financial year, shows that the Commission can comfortably meet short-term financial commitments. Although reduced over the last two years, the ratio is still above the benchmark.

The Debt collection ratio is not applicable, as the vast majority of the Commission's revenue is derived from Commonwealth and State Government Grants, which are not invoiced. 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 financial statements for the 2003-04 was in progress at the time of preparation of this Report.

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 2003-04 FINANCIAL STATEMENTS

Financial statements were signed on 28 September 2004 and an unqualified audit report was issued on 29 September 2004.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Commercial Vessel Licences	570	550	541	526	554
Certificates of Competency Fees	95	120	126	123	125
Recreational Boating Licences	900	1 085	1 111	1 884	1 710
Treasury Appropriation	700	700	1 315	975	820
Interest Received	33	33	39	55	97
Other Operating Revenue	27	171	412	310	322
Non-operating revenue	0	0	0	0	0
Total Revenue	2 325	2 659	3 544	3 873	3 628
Employee expenses	918	1 007	1 217	1 181	1 281
Depreciation	576	582	597	569	511
Other operating expenses	1 625	1 358	1 701	1 762	1 922
Non-operating expenses	141	25	34	43	76
Total Expenses	3 260	2 972	3 549	3 555	3 790
Result from ordinary activities	(935)	(313)	(5)	318	(162)

Comment

Over the five-year period under review, there were significant increases 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 2000-01 a new fee structure for commercial vessel surveys was implemented resulting in a minor 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 commenced 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 did 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 decrease in Depreciation during 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 in 2001-02 was due to expenditure on maintenance projects funded by the Infrastructure Fund. Similar expenses were incurred in 2002-03.

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

As the Authority does not receive enough generated or appropriated revenue to offset all operating expenses, such as depreciation, it is expected that deficits will occur regularly, and this has been the case in four of the five years under review.

FINANCIAL POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	280	542	863	1 174	1 372
Receivables	28	77	84	137	103
Other	6	19	7	25	31
Total Current Assets	314	638	954	1 336	1 506
Property, plant and equipment	8 669	8 141	7 792	7 812	7 409
Total Non-Current Assets	8 669	8 141	7 792	7 812	7 409
Payables	202	230	215	255	211
Provisions	80	147	126	160	139
Total Current Liabilities	282	377	340	415	350
Provisions	19	6	15	24	38
Total Non-Current Liabilities	19	6	15	24	38
Net Assets	8 682	8 396	8 391	8 709	8 527
Capital	9 939	9 939	9 939	9 939	9 939
Reserves	0	29	29	29	9
Accumulated losses	(1 257)	(1 572)	(1 577)	(1 259)	(1 421)
Total Equity	8 682	8 396	8 391	8 709	8 527

Comment

The strong Cash balance at the end of 2001-02 was the result of unspent funds from the Department of Infrastructure, Energy and Resources as part of the Infrastructure Fund. The balances at the end of 2002-03 and 2003-04 were also attributable to the receipt of fees from the reissue of Recreational Motor Boat Licences.

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 was the result of depreciation.

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

In 1999-00 there were transfers from the Facilities Maintenance Reserve to Retained profits/(losses) resulting in a nil reserve balance. The balance of reserves from 2000-01 was due to the net result of a total asset revaluation undertaken during that year.

The increasing Accumulated losses related mainly to non-cash transactions, in particular depreciation expenses for Navigation Aids and Marine Facilities.

CASH POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000	\$'000
Receipts from customers	2 401	2 576	3 498	3 744	3 464
Payments to suppliers and employees	(2 583)	(2 305)	(2 943)	(2 897)	(3 310)
Interest received	34	32	39	55	97
Cash from operations	(148)	303	595	902	251
Payments for property, plant and equipment	(288)	(41)	(274)	(610)	(53)
Proceeds from sale of plant	0	0	0	19	1
Cash used in investing activities	(288)	(41)	(274)	(591)	(52)
Net increase/(decrease) in cash	(436)	262	321	311	199
Cash at the beginning of the period	716	280	543	863	1 174
Cash at end of the period	280	542	863	1 174	1 373

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 was 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 were excluded from the table as ownership vests in the Huon Valley Council.

FINANCIAL ANALYSIS

	Bench Mark	1999-00	2000-01	2001-02	2002-03	2003-04
Financial Performance						
Result from operations (\$'000s)		(1631)	(1390)	(1757)	(1805)	(1879)
Operating margin	>1.0	0.26	0.28	0.24	0.23	0.23
Financial Management						
Current ratio	>1	1.11	1.69	2.80	3.22	4.30
Debt collection 30 days	30 days	15	6	14	10	11
Creditor turnover 30 days	30 days	35	44	28	36	26
Other information						
Staff numbers FTEs		14	17	17	20	20
Average staff costs (\$'000s)		66	59	72	59	64

Comment

Most performance indicators show fluctuations over the five years consistent with the activities of the Authority reported previously.

Extra funds provided from the Infrastructure Fund 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 does not pay tax or dividends.

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 continue to grow primarily due to revaluation decrements and unfunded depreciation.

The 2003-04 audit was completed with satisfactory results.

4.5 NATIONAL TRUST OF AUSTRALIA (TASMANIA)

INTRODUCTION

The National Trust of Australia (Tasmania) is an independent statutory body established under the *National Trust of Australia (Tasmania) Act 1975*. The Trust is governed by a State Council of 15 members and has regional committees in the North, Northwest and the South. The Trust owns and/or manages several properties throughout the State, including:

- Clarendon;
- Franklin House;
- Old Umbrella Shop;
- Ellis House;
- Penghana and other property in Queenstown;
- Oak Lodge;
- Hobart Penitentiary Chapel and Criminal Courts;
- Entally House (until July 2004);
- Runnymede; and
- Home Hill.

The Trust's primary aim is to promote the awareness and appreciation of Tasmania's built heritage. It is a member organisation of the National Trust of Australia.

The Trust does not pay dividends or income tax equivalents.

Analysis of the financial position of the Trust has not been included in reports to Parliament in recent years because the Trust's audit was dispensed with under section 41 of the *Financial Management and Audit Act 1990*. My Office is responsible for the 2003-04 audit.

AUDIT OF THE 2002-03 AND 2003-04 FINANCIAL STATEMENTS

As of the time of preparing this Report, the audits of the 2002-03 and 2003-04 financial years were still in progress. Draft unaudited results for 2002-03 are included in the analysis that follows, however 2003-04 draft amounts were not yet available.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1999-00	2000-01	2001-02	2002-03
	\$'000	\$'000	\$'000	\$'000
State Government grants - recurrent	93	103	80	80
Commonwealth grants - recurrent	66	67	69	70
Membership subscriptions	54	47	42	46
Property admission fees	180	157	147	148
Trading activities	133	111	116	122
Fundraising	37	30	29	37
Donations, bequests and sponsorships	49	45	44	62
Rentals	39	41	40	38
Other operating revenue	26	39	21	25
Non-operating revenue	273	0	20	224
Total Revenue before Capital Grants	950	640	608	852
Depreciation	15	18	16	19
Cost of goods sold	91	65	65	69
Employee expenses	372	380	354	350
Borrowing costs	13	15	18	35
Consultants	26	11	10	39
Repairs and Maintenance expenses	68	51	116	44
Other operating expenses	289	296	301	289
Non-operating expenses	138	1	18	261
Total Expenses	1 012	837	898	1 106
Result before Capital Grants	(62)	(197)	(290)	(254)
State Government grants - capital	6	0	52	131
Commonwealth grants - capital	179	367	604	0
Result from Ordinary Activities	123	170	366	(123)

Comment

The Trust is very much reliant upon revenue from Government grants and Property income to meet its operating expenses. In 2002-03 recurrent Commonwealth and State Grants represented 36% of the total operating revenue for that year.

In terms of self-generated revenue, Property admission fees and Membership subscriptions declined over the four years, while trading and rental revenues remained steady and did not increase in line with inflation.

Employee costs make up the largest single type of expenditure for the Trust; in 2002-03 they represented 32% of total expenditure. Other operating costs represented 76% of total expenses and in the main comprised:

- Advertising and promotion costs

- Engagement of architectural and other heritage consultants;
- Insurance premiums;
- Repairs and maintenance; and
- Rents paid.

The Trust increased its borrowings substantially over the period. These borrowings were used to acquire assets and meet operating costs and caused the increased borrowing costs.

Commonwealth Capital Grants for 1999-00 through 2001-02 related to Federation Fund moneys received for conservation and restoration works at 'Clarendon'.

As shown in the analysis, if capital grants are not included in the calculation of the operating results, there would have been losses for each of the four years under review.

In these circumstances, to ensure ongoing viability the Trust must increase its recurrent revenue base, reduce operating costs or dispose of some of its property, plant and equipment.

The Trust administers appeal monies on behalf of individual restoration appeals. These monies belong to the Trust and the Trust must approve expenditure before any appeal monies are paid out. The Trust accounts for appeal monies on a cash basis and records the movements in and out of the funds as income and expenditure. The level of appeal monies held at 30 June 2003 for which the Trust had a commitment to undertake specific works totalled \$0.146m. The timing of expenditure of these funds is generally expected to be greater than one year.

There may be instances where the \$0.146m included funds in respect of which an appeal has been satisfied. The Trust needs to review these commitments to ascertain the accuracy of the commitment.

FINANCIAL POSITION

	1999-00	2000-01	2001-02	2002-03
	\$'000	\$'000	\$'000	\$'000
Cash	34	41	36	10
Receivables	108	6	16	252
Inventories	102	73	77	72
Investments	64	167	46	69
Total Current Assets	308	287	175	403
Payables	147	86	78	102
Bank Overdraft	52	94	49	141
Borrowings	0	0	330	331
Provisions	19	24	47	24
Other	2	1	21	21
Total Current Liabilities	220	205	525	619
Working Capital	88	82	(350)	(216)
Property, plant and equipment	3 106	3 289	4 083	3 824
Total Non-Current Assets	3 106	3 289	4 083	3 824
Borrowings	100	100	119	114
Provisions	29	36	13	16
Total Non-Current Liabilities	129	136	132	130
Net Assets	3 065	3 235	3 601	3 478
Reserves	252	252	0	0
Retained surpluses	2 813	2 983	3 601	3 478
Total Equity	3 065	3 235	3 601	3 478

Comment

Receivables for 1999-00 included \$0.100m of the Federation Fund grant for Clarendon. In 2002-03, receivables included \$0.233 of proceeds receivable for the sale of Bennell's Townhouses. It is understood that these townhouses were sold to reduce the loan on Franklin House and to provide ordinary operating funds.

The increase in Investments 2000-01 related to the abovementioned Federation Funding.

Payables have varied from year to year as part of normal operations, although they are high in relation to operating expenses.

The Trust's net working capital position has deteriorated significantly over the period of this analysis from a positive \$0.088m to negative \$0.449m (after excluding the capital receivable of \$0.233m due at 30 June 2003). This situation was caused by operating losses requiring debt funding.

Total Borrowings, including the bank overdraft, increased from \$0.152m in 1999-00 to \$0.586m in 2002-03, to meet day-to-day operations.

The Heritage Restoration Fund, which is shown under Reserves, was fully exhausted in 2000-01.

The increases in Property, plant and equipment reflect restoration works to the Trust's properties, mainly at Clarendon House.

CASH POSITION

	1999-00	2000-01	2001-02	2002-03
	\$'000	\$'000	\$'000	\$'000
State Government grants	93	103	132	211
Commonwealth grants	145	535	673	70
Receipts from customers	513	513	563	531
Interest received	10	12	5	4
Payments to suppliers and employees	(752)	(878)	(1 002)	(851)
Interest paid	(10)	(15)	(14)	(34)
Cash from operations	(1)	270	357	(69)
Proceeds from investments	23	300	121	0
Payments for investments	0	(404)	0	(23)
Payments for property, plant and equipment	(221)	(201)	(808)	(21)
Proceeds from sale of P, P & E	273	0	20	0
Cash used in investing activities	75	(305)	(667)	(44)
Repayment of borrowings	(100)	0	(1)	(5)
Proceeds from borrowings	7	0	351	0
Cash from financing activities	(93)	0	350	(5)
Net increase/(decrease) in cash	(19)	(35)	40	(118)
Cash at the beginning of the period	1	(18)	(53)	(13)
Cash at end of the period	(18)	(53)	(13)	(131)

Comment

The Trust has experienced net cash outflows during each of the four years under review, with the cash deficit of \$0.131m for 2002-03 the most prominent, even with the receipt of \$0.350 in loan funds during 2001-02.

This summary reconfirms earlier observations that the Trust has operated beyond its means in at least each of the four years to 30 June 2003. This is further demonstrated by:

- The need to sell assets generating \$0.273m in 1999-00 to alleviate the operating loss and capital expenditure in that year and to repay debt of \$0.100m;
- Negative total cash flows of \$0.035m in 2001-02;

- The need to raise net borrowings of \$0.350m in 2001-02, without which a negative year-end cash position of \$0.363m would have eventuated;
- Receipts from grants in both 2000-01 and 2001-02 include capital grants; and
- The substantial increase in the overdraft at 30 June 2003.

FINANCIAL ANALYSIS

	Bench Mark	1999-00	2000-01	2001-02	2002-03
Financial Performance					
Result from operations (\$'000s)		(197)	(196)	(292)	(217)
EBIT (\$'000s)		110	155	348	(158)
Operating margin	>1.0	0.59	0.56	0.50	0.57
Return on assets		0.03	0.04	0.09	0.04
Return on equity		0.04	0.05	0.11	0.03
Financial Management					
Debt to equity		3.26%	3.09%	12.47%	12.79%
Debt to total assets		1.41%	1.68%	1.41%	0.95%
Interest cover	>3	8	10	19	5
Current ratio	>1	1.40	1.40	0.33	0.65
Cost of debt	7.5%	7.6%	15.0%	6.6%	7.8%
Debt collection	30 days	97	6	17	-
Creditor turnover	30 days	110	72	56	78
Other information					
Staff numbers FTEs		11	11	10	9
Average staff costs (\$'000s)		34	35	35	39

Comment

The negative result from operations underlies the reliance of the Trust upon capital grants to enhance its operating result. The Operating margin falls well below the benchmark of 1 for each of the four years, and the returns on assets and equity were close to nil for the first three years under review and negative for 2002-03.

Meanwhile, with the increased borrowings and depleted reserves, the debt to equity ratio has increased sharply for the last two years, and interest cover has dropped to -5 for 2002-03. Consistent with the Trust's cash management problems, creditor turnover exceeds 30 days for each of the four years.

The Trust has a low level of paid employees as it relies heavily on volunteers.

OVERALL COMMENT

The most recent audit opinion issued on the Trust's financial statements, for the year ended 30 June 2002, included an "emphasis of matter" section detailing an inherent uncertainty as to whether the Trust was able to continue as a going concern. While the audits for 2002-03 and 2003-04 are incomplete, the continued operating loss position of the Trust and its considerable debts signify that similar audit opinions are likely to be issued for these years.

4.6 THE 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 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);
- The Nominal Insurer No 5 Account (National Employers' Mutual) established under sections 16A through 16D of the 1927 Act; and
- 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 Insurance Ltd (HIH) had a profound impact on the workers' compensation coverage for the State, and resulted in a dramatic impact in outstanding claims as reported in the financial statements from 2001-02.

AUDIT OF THE 2003-04 FINANCIAL STATEMENTS

Draft statements were received on 22 July 2004. Signed statements were received on 27 October 2004 and an unqualified audit report was issued on the same day.

FINANCIAL RESULTS

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, preparation of a Statement of Financial Performance is not appropriate.

FINANCIAL POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	391	509	311	809	1 507
Receivables	413	17 111	12 992	30 470	24 085
GST Receivable	0	32	0	28	10
Total Current Assets	804	17 652	13 303	31 307	25 603
Receivables	808	33 258	32 391	11 528	6 178
Total Non-Current Assets	808	33 258	32 391	11 528	6 178
Total Assets	1 612	50 910	45 694	42 835	31 781
Outstanding claims	362	17 061	6 468	15 405	9 085
Borrowings	0	0	6 458	15 000	15 000
Provisions	51	50	65	65	45
GST Payable	0	0	10	0	20
Total Current Liabilities	413	17 111	13 001	30 470	24 150
Outstanding claims	808	33 258	22 537	5 899	436
Borrowings	0	0	9 854	5 630	5 743
Insurers' funds	391	541	302	837	1 452
Total Non-Current Liabilities	1 199	33 799	32 693	12 365	7 631
Total Liabilities	1 612	50 910	45 694	42 834	31 781

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 carrying values of Receivables relating to HIH claims are based on an actuarial report. The impact of the HIH 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 was 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 included 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 \$9.040m of outstanding claims will be settled within 12 months to 30 June 2005.

Borrowings were made from Tascorp in 2001-02 to meet the immediate claims arising from employers insured with HIH. Further borrowings raised to meet claims during 2002-03 resulted in a net increase in borrowings of \$4.318m.

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	2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from customers	706	745	174	5 698	6 292
Interest received	20	17	7	8	17
Payments to suppliers and employees	(963)	(644)	(16 233)	(8 609)	(4 610)
Cash from operations	(237)	118	(16 052)	(2 902)	1 698
Proceeds from borrowings	0	0	15 854	4 200	0
Repayment of borrowings	0	0	0	(800)	(1 000)
Cash from financing	0	0	15 854	3 400	(1 000)
Net increase/(decrease) in cash	(237)	118	(198)	498	698
Cash at the beginning of the period	628	391	509	311	809
Cash at end of the period	391	509	311	809	1 507

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 consisted of Claims paid, Administration expenses and Input Tax Credits. The amounts included claims paid relating to HIH in 2001-02, \$15.740m, 2002-03, \$8.004m and 2003-04, \$4.437m.

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

OVERALL COMMENT

The volume of activity for the Nominal Insurer increased dramatically over the past three years since the collapse of HIH, 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.

4.7 PRIVATE FORESTS TASMANIA

INTRODUCTION

Private Forests Tasmania (the Authority) 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, and the Chief Executive Officer.

At 30 June 2004 the Responsible Minister was the Minister for Infrastructure, Energy and Resources.

AUDIT OF THE 2003-04 FINANCIAL STATEMENTS

Signed financial statements of were received on 12 August 2004 and an unqualified audit report was issued on 20 August 2004.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Consolidated Fund	995	1 250	1 384	1 235	1 263
Commonwealth Grants	551	687	947	1 195	693
Private Forests Service Levy	0	0	85	228	290
Interest on Pine Loans	122	102	95	86	80
Interest on Bank	90	123	109	99	88
Other	100	111	130	124	110
Total Revenue	1 858	2 273	2 750	2 967	2 524
Salary, wages and employee entitlements	968	1 208	1 292	1 202	1 026
Borrowing costs	125	102	95	86	80
Depreciation	41	60	58	78	69
Other expenses	836	831	1 012	1 406	1 235
Non-operating Expenses	0	0	9	0	0
Total Expenses	1 970	2 201	2 466	2 772	2 410
Result from ordinary activities	(112)	72	284	195	114

Comment

The nature of the Authority's operations is not to provide substantial returns to Government but rather to facilitate forest functions with and between stakeholders. The operating results for the last five years reflect this aim.

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

The Authority made a loss of \$0.112m for the 1999-00 year. Operating grants were less for 1999-00 than for the subsequent years under review. 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.

An amendment to the *Private Forests Act 1994* received Royal Assent on 6 December 2001. The amendment allowed for the introduction of a private forests service levy and was applicable to forest practices plans certified since 24 August 2001. The new levy contributed \$0.085m to revenue for 2001-02, \$0.228m for 2002-03, and \$0.290m for the 2003-04 year.

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

FINANCIAL POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	111	595	141	176	315
Receivables	30	53	425	245	217
Investments	1 850	1 900	1 800	1 400	1 000
Other	178	168	161	155	149
Total Current Assets	2 169	2 716	2 527	1 976	1 681
Property, plant and equipment	184	192	249	197	217
Receivables	1 552	1 390	1 303	1 208	1 088
Total Non-Current Assets	1 736	1 582	1 552	1 405	1 305
Payables	58	56	105	58	103
Borrowings	171	161	153	145	144
Provisions	213	239	250	253	223
Other	1 315	1 757	1 269	532	79
Total Current Liabilities	1 757	2 213	1 777	988	549
Borrowings	2 002	1 856	1 783	1 707	1 644
Provisions	13	24	30	36	29
Total Non-Current Liabilities	2 015	1 880	1 813	1 743	1 673
Net Assets	133	205	489	650	764
Retained profits	133	205	489	650	764
Total Equity	133	205	489	650	764

Comment

Current Receivables as at both 30 June 2002 and 30 June 2003 included grant and consolidated fund appropriations relating to the previous year (\$0.301m and \$0.090m respectively). Receivables for the 2002, 2003 and 2004 year also increased from the first two years under review due to the introduction of the private forests service levy.

Property, plant and equipment increased by a net \$0.057m during the 2001-02 year. Project specific purchases of equipment, software, and plant items during this year totalled \$0.091m. The Property, plant and equipment balance reduced during 2002-03 as depreciation on existing assets outweighed asset purchases.

Non-current receivables consisted of private pine plantation loan debtor receivables and are decreasing as loan instalments are paid.

Payables at 30 June 2002 included \$0.044m in capital expenditure creditors for computer hardware and software. Payables at 30 June 2004 included capital and other non-recurring expenditure of \$0.043m.

The borrowings balance of \$1.788m for 2003-04, (2002-03, \$1.852m), represented loan funds advanced by the State Government to fund private plantation loans. The balance decreased as the debt was repaid.

Other current liabilities comprised of accrued expenses and unexpended grants. Under Treasurer's Instruction GBE 08-52-01 all government grants and subsidies received by the Authority are to be recognised as revenue in the year the expense was incurred. This accounting treatment resulted in a liability being recognised for the amount of any unexpended grants. Unexpended grants at 30 June 2004 totalled \$0.077m (2003, \$0.492m). A number of projects reached completion of their current stage during the 2003 and 2004 years, thus the substantial decrease of \$0.739m between unexpended grants held at 30 June 2002 and 30 June 2003. The majority of unexpended grants at 30 June 2004 related to projects commenced during the 2003-04 financial year.

CASH POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Receipts from customers	2 139	2 642	1 894	2 471	2 179
Payments to suppliers and employees	(1 849)	(2 179)	(2 448)	(2 928)	(2 462)
Interest received on surplus funds	84	144	126	118	107
Borrowing costs	(98)	(96)	(95)	(86)	(80)
Taxation expense	0	0	0	0	0
Cash from operations	276	511	(523)	(425)	(256)
Proceeds from investments	0	0	100	400	400
Payments for investments	(1 000)	(50)	0	0	0
Payments for property, plant and equipment	(83)	(68)	(126)	(26)	(89)
Proceeds from sale of property, plant and equipment	0	0	3	0	0
Cash used in investing activities	(1 083)	(118)	(23)	374	311
Receipts from pine loan repayments	364	273	189	187	164
State Government loans repaid	(273)	(182)	(97)	(101)	(80)
Cash from financing activities	91	91	92	86	84
Net increase/(decrease) in cash	(716)	484	(454)	35	139
Cash at the beginning of the period	827	111	595	141	176
Cash at end of the period	111	595	141	176	315

Comment

The timing of cash transactions due to project scheduling can cause disparity between cash receipts and payments. Project funding was shown as a receipt from customers for the year during which it was received. As projects can run for long periods, the corresponding payments to suppliers and employees were spread over a number of financial years. The level of unexpended grant funding contributed to the level of cash and investments held within the Authority. Receipts from customers were 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 receipted 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.

The Authority administers pine plantation loans. The life span of these loan agreements was 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 receipts from pine loan payments. The additional repayments have then been passed on to the State Government by the Authority as repayment of its debt to Treasury. Both proceeds and repayments from borrowings vary significantly from year to year for this reason.

FINANCIAL ANALYSIS

	Bench Mark	1999-00	2000-01	2001-02	2002-03	2003-04
Financial Performance						
Result from operations (\$'000s)		(112)	72	293	195	114
EBIT (\$'000s)		13	174	379	281	194
Operating margin	>1.0	0.99	1.26	1.19	0.79	0.91
Return on assets		0.3%	4.2%	9.0%	7.5%	6.1%
Return on equity		-59.3%	42.6%	81.8%	34.2%	16.1%
Financial Management						
Debt to equity		1633.8%	983.9%	395.9%	284.9%	234.03%
Debt to total assets		55.6%	46.9%	47.5%	54.8%	59.88%
Interest cover	>3	0	2	4	3	2
Current ratio	>1	1.23	1.23	1.42	2.00	3.06
Cost of debt	7.5%	5.4%	4.9%	4.8%	4.5%	4.40%
Debt collection	30 days	-	-	-	-	-
Creditor turnover	30 days	23	24	35	16	31
Other information						
Staff numbers FTEs		19	21	22	21	18
Average staff costs (\$'000s)		51	59	59	57	57

Comment

The Authority was not required to pay income tax equivalent or dividend payments to the Tasmanian Government.

Due to the nature of the Authority's operations and the composition of the Statement of Financial Position the return on asset and equity ratios vary from year to year. The increased operating result for the 2001-02 year caused a substantial increase in these ratios for that year.

The Authority's operating margin remained relatively consistent with the benchmark for the five years under review.

The level of borrowings held to facilitate the private plantation loans was substantial. This resulted in consistently large debt to equity and debt to total asset ratios.

The debt to equity ratio dramatically decreased during the 2001-02 year due to the operating result for this year increasing the equity balance of the Authority to \$0.489m. This increase combined with the reducing debt level led to the substantial decrease in the ratio. Profit results for last two years have built on this initial decrease and continued the trend.

The debt to total assets ratio remained at a level of 45% to 60% for the five years under review. Whilst there have been reductions in the debt balance over the period, total assets have also reduced causing the ratio to remain at a high level. The reductions in asset values were mainly due to reduced investment balances held at year-end, as unexpended grant funding from prior years was extinguished.

As the majority of revenue was derived from funding received from either State or Commonwealth Governments, the debt collection ratio was not relevant to the Authority. The creditor turnover increased for 2002 and 2004 primarily due to the increased payables balance for each of these years.

OVERALL COMMENT

In the five years under review the Authority recorded a total operating surplus of \$0.553m.

The 2003-04 audit was completed satisfactorily with no major issues outstanding.

4.8 STATE FIRE COMMISSION

INTRODUCTION

The State Fire Commission (the Commission) was established under the *Fire Service Act 1979*. The role of the Commission is to protect life, property and the environment from fire and other emergencies. 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 2003-04 FINANCIAL STATEMENTS

Signed financial statements were received on 17 August 2004, with revised financial statements being received on 3 September 2004. An unqualified audit report was issued on 9 September 2004.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$000s	\$000s	\$000s	\$000s	\$000s
Fire Service Contribution	18 493	19 085	19 506	19 968	20 449
Insurance Fire Levy	6 938	7 601	10 103	14 772	14 144
Motor Vehicle Fire Levy	3 640	3 674	3 835	4 005	4 545
State Government contribution	2 741	4 026	3 388	5 734	4 741
Commonwealth contribution	168	184	183	177	278
Fire Prevention Charges	2 899	3 080	3 164	2 812	3 420
Other operating revenue	450	1 175	1 657	1 624	1 993
Non-operating revenue	0	0	0	251	115
Total Revenue	35 329	38 825	41 836	49 343	49 685
Salaries, Wages and related expenses	20 738	22 445	23 725	25 936	27 172
Borrowing costs	584	474	330	349	291
Depreciation	2 615	2 780	3 004	3 367	3 696
Other operating expenses	9 904	11 587	12 088	13 711	13 187
Non-operating expenses	374	116	62	120	75
Total Expenses	34 215	37 402	39 209	43 483	44 421
Result from Ordinary Activities	1 114	1 423	2 627	5 860	5 264

Comment

The Fire service contribution from councils has increased by \$1.956m over the five-year period covered by this analysis. This represents an increase of approximately \$0.489m per annum on average.

The Insurance fire levy increased from \$10.103m in 2001-02 to \$14.772m in 2002-03 due to a significant increase in re-insurance rates.

The variations in State Government contributions relate to the receipt of additional wildfire fighting contributions, which was dependant on the incidence of fires experienced within the state. The 2002-03 year included 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.

Salaries, wages and related expenses increased by \$6.434m over the past five years, at an average of \$1.609m per annum. There have been a number of pay increases over the period of analysis, for both fire-fighters and administration staff.

The increase in Other operating expenses in 2002-03 was due to a general increase across several expenditure areas, caused by the busy fire season which impacted upon the revenue as explained above.

FINANCIAL POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$000s	\$000s	\$000s	\$000s	\$000s
Cash	542	3 708	4 458	3 465	4 485
Receivables	509	819	1 242	1 252	1 219
Investments	1 500	0	0	0	0
Inventories	627	697	617	719	969
Other	2 457	1 111	1 463	1 671	1 726
Total Current Assets	5 635	6 335	7 780	7 107	8 399
Payables	1 897	3 843	3 282	4 817	3 394
Borrowings	1 830	4 698	1 368	1 368	1 500
Provisions	4 702	1 983	2 090	2 565	2 645
Other	0	464	1 251	0	0
Total Current Liabilities	8 429	10 988	7 991	8 750	7 539
Working Capital	(2 794)	(4 653)	(211)	(1 643)	860
Property, plant and equipment	50 122	52 629	54 344	59 381	60 173
Work in progress	1 968	2 688	1 869	3 224	5 593
Total Non-Current Assets	52 090	55 317	56 213	62 605	65 766
Borrowings	3 879	1 011	4 341	3 330	3 198
Provisions	249	3 166	3 368	3 966	4 498
Total Non-Current Liabilities	4 128	4 177	7 709	7 296	7 696
Net Assets	45 168	46 487	48 293	53 666	58 930
Reserves	1 362	1 258	0	74	74
Retained surpluses	43 806	45 229	48 293	53 592	58 856
Total Equity	45 168	46 487	48 293	53 666	58 930

Comment

In 2003-04, the Commission recorded its first positive working capital balance covered by the period of review. This was due in part to reduced payables balances in conjunction with higher cash holdings at year-end.

Property, plant and equipment in the 2002-03 year increased to \$59.381m due to significant additions and works undertaken for buildings and fire appliances. The building expenditure included the upgrade of the Commission's head office in Hobart.

The increase in payables in 2002-03 was due to the Commission not undertaking a major cheque run at the end of the financial 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. The payables balance decreased in 2003-04 due to two main factors:

- There was no accrual for payroll, as the pay date fell on the last day of the financial year. In the prior year, the related accrual amounted to \$0.795m; and

- Capital works commitments that were recorded as payables decreased from \$1.239m to \$0.795m.

The issue of capital commitments being recorded as payables has been discussed for a number of years. In 1999-00, the Commission did not include any capital commitments as payables, instead they correctly recorded these amounts within a note to the financial statements only. Since that time, the Commission reintroduced such capital commitments into the financial statements. It was only due to the immaterial nature of the amounts involved that the treatment was deemed reasonable. Recording such items as liabilities is incorrect because such commitments do not meet the definition of a liability. Conversely, the committed work in progress asset does not meet the definition of an asset. Going forward the Commission will not include such items as payables, even if the effect is immaterial.

Although borrowings moved significantly between the current and non-current classifications in the first three 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 repaid from cash accumulated over the previous years.

In 2000-01 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 that is 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 calculated leave liabilities using the remuneration rates it expects to pay when the obligations are settled.

In 2001-02 the amount for Reserves, which was 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 that 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

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$000s	\$000s	\$000s	\$000s	\$000s
Receipts from customers	34 011	39 015	40 581	48 199	48 468
Payments to suppliers and employees	(30 131)	(32 096)	(35 532)	(37 525)	(39 987)
Interest received	75	88	73	110	92
Borrowing costs	(585)	(474)	(330)	(349)	(291)
Cash from operations	3 370	6 533	4 792	10 435	8 282
Proceeds from investments	0	1 500	0	0	0
Payments for investments	(1 500)	0	0	0	0
Payments for property, plant and equipment	(5 872)	(6 242)	(5 532)	(10 147)	(8 039)
Proceeds from sale of property, plant and equipment	1 567	912	703	981	777
Cash used in investing activities	(5 805)	(3 830)	(4 829)	(9 166)	(7 262)
Proceeds from borrowings	0	0	0	0	1 368
Repayment of borrowings	0	0	0	(1 011)	(1 368)
Cash from financing activities	0	0	0	(1 011)	0
Net increase/(decrease) in cash	(2 435)	2 703	(37)	258	1 020
Cash at the beginning of the period	2 976	541	3 244	3 207	3 465
Cash at end of the period	541	3 244	3 207	3 465	4 485

Comment

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

The increase in payments to suppliers and employees in 2003-04 was linked to the pay increases to employees and the decrease in payables, both noted previously within this analysis.

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

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

FINANCIAL ANALYSIS

	Bench Mark	1999-00	2000-01	2001-02	2002-03	2003-04
Financial Performance						
Result from operations (\$'000s)		1 488	1 539	2 689	5 729	5 224
Operating margin	>1.0	1.04	1.04	1.07	1.13	1.12
Financial Management						
Current ratio	>1	0.67	0.58	0.97	0.81	1.11
Debt collection	30 days	7	11	19	19	17
Creditor turnover	30 days	30	64	41	59	58
Other information						
Staff numbers FTEs		407	420	415	428	437
Average staff costs (\$'000s)		51	53	57	61	62

Comment

The Result from operations and the Operating margin in 2002-03 improved significantly due to increased revenues and insurance fire levies received during the year.

The Current ratio improved significantly in 2001-02 due to the change in accounting policy in 2000-01 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 in 2001-02 as non-current after a refinancing arrangement.

The current year was the first time that the current ratio was above the benchmark of 1.

The creditor turnover 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 was due to the reduced creditors payment run at the end of the year.

OVERALL COMMENT

The 2003-04 audit was completed with satisfactory results.

4.9 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 2003-04 FINANCIAL STATEMENTS

Signed financial statements were received on 16 August 2004 and an unqualified audit report was issued on 8 September 2004.

FINANCIAL RESULTS

The Institute of TAFE Tasmania (TAFE) is the largest registered training organisation in Tasmania. TAFE currently accesses approximately 80% of its funds via a Purchase Agreement with the State Government and relies on capital funds from Commonwealth and State Government sources to develop, maintain and refurbish its capital assets.

As at 30 June 2004 TAFE had a strong cash position with a positive current ratio due principally to its large cash holdings. This cash position however, does not compare with recent years and has resulted from the timing of receipts and expenditure during 2003 and 2004.

Overall, TAFE's revenues and expenditures increased steadily, due primarily to growth in student numbers, as well as capital works funding over the last two years.

FINANCIAL PERFORMANCE

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$000s	\$000s	\$000s	\$000s	\$000s
Purchase agreement recurrent funding	55 198	56 523	60 123	60 777	64 859
Capital Funding	4 420	4 500	4 591	10 113	4 639
Other government revenue	7 145	4 617	5 027	5 054	5 277
User charges, fees and fines	6 072	6 711	6 429	7 302	7 584
Commercial Services	7 860	7 060	7 466	7 607	8 340
Other operating revenue	1 187	1 266	1 538	1 377	1 787
Non-operating revenue	0	0	0	0	0
Total Revenue	81 882	80 677	85 174	92 230	92 486
Borrowing costs	226	147	55	7	0
Depreciation	6 498	6 733	6 815	7 114	7 369
Employee expenses	54 941	53 107	56 305	59 888	62 906
Other operating expenses	19 367	21 876	22 646	21 243	22 080
Non-operating expenses	3 208	312	135	1 169	463
Total Expenses	84 240	82 175	85 956	89 421	92 818
Result from Ordinary Activities	(2 358)	(1 498)	(782)	2 809	(332)

Comment

Recurrent funding revenue 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 also occurred in 2003-04, primarily to fund salary indexation.

Capital funding increased in 2002-03 due mainly to the redevelopment of the Hobart and Clarence campuses and this was the cause of the surplus in that year.

User charges, fees and fines have steadily risen due to increases in government funded activity.

In 2003-04, commercial services revenue rose significantly due to increases in commercial training activities provided on a fee for service basis.

Employee expenses increased in recent years due mainly to increased staff and associated salaries.

Non-operating expenses for 1999-00 principally comprised a loss on asset revaluations and the transfer of assets to the Crown for no consideration valued at \$3.172m. For 2002-03 similar expenses were disclosed as losses on disposal of non-current 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

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$000s	\$000s	\$000s	\$000s	\$000s
Cash	8 493	4 182	3 846	4 784	8 774
Receivables	2 349	2 221	1 615	2 219	1 533
Inventories	394	446	373	396	460
Other	74	525	21	502	45
Total Current Assets	11 310	7 374	5 855	7 901	10 812
Property, plant and equipment	141 676	143 069	143 154	142 984	140 765
Total Non-Current Assets	141 676	143 069	143 154	142 984	140 765
Payables	2 379	1 852	1 808	1 635	2 044
Borrowings	629	305	160	0	0
Provisions	4 027	4 316	4 053	3 396	3 051
Other	399	90	13	189	168
Total Current Liabilities	7 434	6 563	6 034	5 220	5 263
Borrowings	1 770	680	0	0	0
Provisions	7 209	6 940	7 493	7 374	8 355
Other	10	12	16	16	16
Total Non-Current Liabilities	8 989	7 632	7 509	7 390	8 371
Net Assets	136 563	136 248	135 466	138 275	137 943
Reserves	2 421	3 605	3 605	3 605	3 605
Retained surpluses	134 142	132 643	131 861	134 670	134 338
Total Equity	136 563	136 248	135 466	138 275	137 943

Comment

Cash increased in 1999-00 and 2003-04 due mainly to the timing of the receipt of Government funding.

Payables rose in 2003-04 reflecting an increase in activity in the organisation as mentioned previously.

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.

The decrease in current Provisions for 2002-03 was due to a more accurate measurement of estimates for the current component and in 2003-04 the non-accrual of salaries.

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

CASH POSITION

	1999-00	2000-01	2001-02	2002-03	2003-04
	\$000s	\$000s	\$000s	\$000s	\$000s
Government grants	66 763	65 640	69 741	75 944	74 775
Receipts from customers	13 557	20 975	22 736	23 350	25 061
Interest Received	440	499	720	400	511
Payments to suppliers and employees	(73 256)	(84 812)	(87 429)	(90 795)	(91 390)
Borrowing costs	(226)	(146)	(55)	(7)	0
Cash from operations	7 278	2 156	5 713	8 892	8 957
Payments for property, plant and equipment	(2 240)	(5 185)	(5 546)	(7 997)	(5 614)
Proceeds from sale of property, plant and equipment	51	131	323	203	647
Cash used in investing activities	(2 189)	(5 054)	(5 223)	(7 794)	(4 967)
Repayment of borrowings	(587)	(1 413)	(826)	(160)	0
Cash from financing activities	(587)	(1 413)	(826)	(160)	0
Net increase/(decrease) in cash	4 502	(4 311)	(336)	938	3 990
Cash at the beginning of the period	3 991	8 493	4 182	3 846	4 784
Cash at end of the period	8 493	4 182	3 846	4 784	8 774

Comment

Cash increased in 1999-00 and 2003-04 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 increased during 2000-01 due principally to the introduction of the GST. Increases in both these items over the years are explained earlier in this segment of the Report.

Payments for property, plant and equipment increased in 2002-03 due to a significant capital works program during that year.

FINANCIAL ANALYSIS

	Bench Mark	1999-00	2000-01	2001-02	2002-03	2003-04
Financial Performance						
Result from operations (\$000s)		850	(1 186)	(647)	3 978	131
Operating margin	>1.0	1.01	0.99	0.99	1.05	1.00
Current ratio	>1	1.52	1.12	0.97	1.51	2.05
Debt collection	30 days	59	56	40	52	34
Creditor turnover	30 days	41	34	26	21	24
Other information						
Staff numbers FTEs		955	931	936	948	961
Average staff costs (\$'000s)		56	59	60	63	65

Comment

Results from operations substantially improved in 2002-03 due to increases in grants.

The current ratio improved in 2003-04 due mainly to increased cash holdings.

Debt collection improved significantly over the years.

Staff numbers as shown do not include sessional teachers, 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 2003-04 were approximately \$0.056m.

OVERALL COMMENT

The 2003-04 audit was completed with satisfactory results.

4.10 TASMANIAN RISK MANAGEMENT FUND

INTRODUCTION

The Tasmanian Risk Management Fund (the Fund or TRMF) 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.

Classes of insurance provided by the Fund include:

- Workers' compensation;
- Liability;
- Medical liability;
- Property; and
- Motor vehicles.

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 two 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 Minister for Finance.

AUDIT OF THE 2003-04 FINANCIAL STATEMENTS

Signed financial statements were received on 17 August 2004. As at 31 October 2004 the audit was still in progress.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000
Agency contributions and recoveries	27 796	26 850	26 881
Investment revenue	3 368	3 696	4 366
Other revenue	0	0	3 289
Total Revenue	31 164	30 546	34 536
Claims expense	25 621	47 412	39 222
Other underwriting expenses	426	1 132	1 232
General administration expenses	286	376	496
Total Expenses	26 333	48 920	40 950
Result from ordinary activities	4 831	(18 374)	(6 414)

Comment

Agency contributions comprise amounts paid by participating agencies of the TRMF to meet the costs of claims. Rates of contribution are set annually for each agency by an independent actuary, engaged by the Fund.

Claims expense increased from 2002-03 due to the assumption of liability for all pre 1 July 2001 medical liability claims and an increase in outstanding claims as determined by the actuary. Commencing 1 July 2003, additional funding is being provided to the Fund annually until all pre-1 July 2001 medical liabilities are fully funded. \$3.000m was received in 2003-04.

Other revenue includes an amount of \$0.289m, which was funded through the Consolidated Fund to meet the costs of a specific liability claim that was made against an agency that no longer exists. This was in addition to the \$3.000m received for outstanding medical claims, noted above.

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 increased claims expenses in 2002-03 and 2003-04 resulted in operating deficits for those years.

FINANCIAL POSITION

	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000
Cash	73 603	76 052	85 773
Receivables	493	1 082	407
Total Current Assets	74 096	77 134	86 180
Outstanding claims	21 964	25 223	24 411
Payables	1 592	2 129	750
Provisions	35	38	72
Total Current Liabilities	23 591	27 390	25 233
Working Capital	50 505	49 744	60 947
Outstanding claims	28 789	46 402	64 019
Total Non-Current Liabilities	28 789	46 402	64 019
Net Assets	21 716	3 342	(3 072)
Retained profits/(losses)	21 716	3 342	(3 072)
Total Equity	21 716	3 342	(3 072)

Comment

The increase in Receivables in 2002-03 was the result of an additional workers' compensation contribution outstanding at year end.

The higher Outstanding claims in 2002-03 and 2003-04 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 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 large increases in Outstanding claims in 2002-03 and 2003-04 have resulted in a negative Equity position at the end of 2003-04. Subject to further increases in claims costs, an annual contribution of \$5.000m from 1 July 2004 onwards until medical liabilities are fully funded, should start to address this negative position.

CASH POSITION

	2001-02	2002-03	2003-04
	\$'000	\$'000	\$'000
Agency contributions	28 561	26 284	27 750
Other revenue	0	0	3 289
Interest received	3 100	3 673	4 261
Claims and expenses paid	(22 141)	(24 233)	(22 151)
Fund management fees	(1 710)	(1 768)	(1 832)
Underwriting expenses	(426)	(1 132)	(1 232)
General and administration expenses	(335)	(375)	(364)
Cash from operations	7 049	2 449	9 721
Net increase/(decrease) in cash	7 049	2 449	9 721
Cash at the beginning of the period	66 554	73 603	76 052
Cash at end of the period	73 603	76 052	85 773

Comment

The cash position of the Fund continued to improve. This is principally because a large element of the claims expense (\$16.805m in 2003-04) was an estimate for future claims costs. The amount paid in cash during this year was \$22.151m resulting in a build up of cash investments which will be needed to meet anticipated insurance claims in the future.

FINANCIAL ANALYSIS

	Bench Mark	2001-02	2002-03	2003-04
Financial Performance				
Result from operations (\$'000s)		4 831	(18 374)	(6 414)
Operating margin	>1.0	1.18	0.62	0.84
Financial Management				
Current ratio	>1	3	3	3
Debt collection	30 days	6	15	6
Creditor turnover	30 days	22	16	7
Other information				
Staff numbers FTEs		4	5	5
Average staff costs (\$'000s)		41	50	56

Comment

The lower Operating margins in 2002-03 and 2003-04 reflect the operating deficits in those years.

While the Fund has 5.2 FTEs, it pays for 4.2 FTEs, with the remaining officer funded by Treasury.

As expected for this type of business, Debt collection and Creditor turnover are both well within the benchmarks.

OVERALL COMMENT

Subject to ongoing support from the State government, particularly as it relates to the pre-1 July 2001 medical malpractice liabilities, the Fund is in a reasonable financial position.

The existence of the Fund should provide savings in insurance costs to government agencies. However, agencies must manage their workers compensation, medical liability and other insurable activities to ensure contributions to the Fund stay low.

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.

The Responsible Minister is the Minister for the Arts.

AUDIT OF THE YEAR ENDED 31 DECEMBER 2003 FINANCIAL STATEMENTS

Financial statements for the year ended 31 December 2003 were signed on 19 March 2004 and an unqualified audit report was issued on 26 March 2004.

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

	1999	2000	2001	2002	2003
	\$000s	\$000s	\$000s	\$000s	\$000s
Government grants	120	127	129	112	112
User charges and fees	509	498	465	542	580
Other operating revenue	731	701	829	793	587
Non-operating revenue	0	0	15	5	18
Total Revenue	1 360	1 326	1 438	1 452	1 297
Depreciation	20	17	22	16	19
Other operating expenses	1 262	1 279	1 414	1 353	1 310
Total Expenses	1 282	1 296	1 436	1 369	1 329
Result from Ordinary Activities	78	30	2	83	(32)

Comment

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 that year.

While the Board returned positive results for the years 2000, 2001 and 2002 after grants and subsidies, 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.

For the 2003 financial year, the net result from entrepreneurial ventures decreased by \$0.057 from the previous year. This, together with an increase in repairs and maintenance expenditure of \$0.048m and a further increase in employee benefits expenditure by \$0.080m contributed significantly to the net deficit for the year of \$0.032m.

FINANCIAL POSITION

	1999	2000	2001	2002	2003
	\$000s	\$000s	\$000s	\$000s	\$000s
Cash	52	197	121	333	191
Receivables	18	19	25	44	43
Inventories	5	4	5	6	7
Other	2	5	4	4	14
Total Current Assets	77	225	155	387	255
Property, plant and equipment	43	34	19	67	62
Other	21	17	0	0	0
Total Non-Current Assets	64	51	19	67	62
Payables	53	99	51	218	90
Borrowings	7	7	2	8	6
Provisions	7	7	5	12	42
Other	27	90	56	53	53
Total Current Liabilities	94	203	114	291	191
Borrowings	18	14	0	20	15
Total Non-Current Liabilities	18	14	0	20	15
Net Assets	29	59	60	143	111
Reserves	(49)	29	58	60	143
Surpluses/Deficits	78	30	2	83	(32)
Total Equity	29	59	60	143	111

Comment

Receivables in 2002 and 2003 included trade debtors and GST that can be recouped.

The movement in Other non-current assets over the period was due to a lease liability contract for a motor vehicle that was disposed of during 2001.

The Payables balance at 31 December 2003 included an amount for advance ticket sales of \$0.084m (2002: \$0.159m).

The Board has a loan from Arts Tasmania, which amounted to \$0.020m at 31 December 2003 (2002: \$0.026m).

CASH POSITION

	1999	2000	2001	2002	2003
	\$000s	\$000s	\$000s	\$000s	\$000s
Government grants	248	127	129	112	112
Receipts from customers	1 224	1 257	1 268	1 429	1 098
Payments to suppliers and employees	(1 373)	(1 230)	(1 463)	(1 293)	(1 342)
Interest received	0	1	0	4	14
Borrowing costs	(2)	(2)	(2)	(2)	(2)
Cash from operations	97	153	(68)	250	(120)
Payments for property, plant and equipment	(13)	(3)	(3)	(64)	(13)
Proceeds from sale of property, plant and equipment	0	0	15	0	0
Cash used in investing activities	(13)	(3)	12	(64)	(13)
Proceeds from borrowings	0	0	0	32	0
Repayment of borrowings	(6)	(4)	(20)	(6)	(8)
Cash from financing activities	(6)	(4)	(20)	26	(8)
Net increase/(decrease) in cash	78	146	(76)	212	(141)
Cash at the beginning of the period	(27)	51	197	121	333
Cash at end of the period	51	197	121	333	192

Comment

The increase in Payments to suppliers and employees in 2001 over that of the prior year was 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. Another factor contributing to the cash movements between periods was the timing of payments to suppliers around the balance date. Amounts due to suppliers varied from \$0.099m at 2000 compared with only \$0.051m at 2001, suggesting higher payments to suppliers in 2001, which is the case.

The increase in receipts in 2002 was partly due to the significant receipt of advanced ticket sales. The reduction in payments was partly due to decreased entrepreneurial costs and an increase in payables at year-end.

The Board invested \$0.013m in equipment for the Theatre in 2003 (2002: \$0.064m).

The Board borrowed \$0.032m from Arts Tasmania during 2002 but repaid \$0.006m by the end of that year, and a further \$0.008m by the end of 2003.

FINANCIAL ANALYSIS

	Bench Mark	1999	2000	2001	2002	2003
Financial Performance						
Result from operations (\$'000s)		78	30	(13)	78	(50)
Operating margin	>1.0	1.06	1.02	0.99	1.06	0.96
Financial Management						
Current ratio	>1	0.82	1.11	1.36	1.33	1.34

Comment

Apart from 2001 where a negative operating result was offset by asset disposals to return a positive Result from operations, and 2003 when Other operating revenue decreased by more than \$0.200m, the Board made only small operating profits for the period under review. The nature of the Board's operations is that income is prone to unexpected fluctuations due to audience demand. The largest operating loss for the period under review occurred in 2003 for reasons noted previously.

OVERALL COMMENT

The Board remains dependent upon Government support to enable it to meet its debts as they fall due.

The 2003 audit was completed with satisfactory results.

4.12 UNIVERSITY OF TASMANIA

INTRODUCTION

The University of Tasmania (the University) 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 report comprises the financial statements of the University, being the primary entity, and the entities under its control during the financial year. The controlled entities are University of Tasmania Foundation Inc, Unitas Company Limited and Southern Ice Porcelain Pty Ltd.

The Department of Science, Education and Training (DEST) sets 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.

The Responsible Minister is the Minister for Education.

AUDIT OF THE 2003 FINANCIAL STATEMENTS

Signed financial statements were received on 5 May 2004 and an unqualified audit report was issued on the same day.

FINANCIAL RESULTS

The results detailed below are for the consolidated performance of the University.

FINANCIAL PERFORMANCE

	1999 \$000s	2000 \$000s	2001 \$000s	2002 \$000s	2003 \$000s
State Government Grants	7 349	6 278	6 927	6 166	6 462
Commonwealth grants	99 264	98 018	101 708	111 742	121 115
Higher Education Contributions scheme	29 294	33 827	34 933	35 655	37 327
Other user charges and fees	13 172	13 639	18 083	24 883	28 518
Other operating revenue	18 871	22 291	20 715	19 791	21 015
Non-operating revenue	9 892	1 461	3 676	2 246	1 828
Total Revenue	177 842	175 514	186 042	200 483	216 265
Academic salary costs	49 263	51 847	56 424	61 337	64 714
Non-academic salary costs	48 951	48 515	50 235	52 129	53 660
Depreciation	14 322	14 734	16 703	17 012	17 127
Building and grounds	2 025	6 658	7 509	7 832	6 523
Other operating expenses	47 105	52 437	49 396	59 030	64 026
Non-operating expenses	1 945	1 617	3 934	2 300	2 481
Total Expenses	163 611	175 808	184 201	199 640	208 531
Result from Ordinary Activities	14 231	(294)	1 841	843	7 734

Comment

Commonwealth grant funds increased by 22% 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 included \$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.

Another significant increase in Commonwealth grant funds occurred in 2003. The increase of \$9.373m was attributable to additional DEST Research Financial Assistance Grants of \$5.038m and of \$2.463m in Commonwealth Government Research (non-ARC) Grants.

The University received additional revenue from increases in HECS funding from the Commonwealth government whereas student contributions have decreased. HECS increases include, \$4.348m in 2000, \$1.646m in 2001 and \$1.038m in 2002. Student contributions decreased by 17% over the five year period reviewed.

The increase in Other fees and charges over the five-year period totals \$15.345m with main increases being:

- A significant increase in fees from overseas students, in particular increases of \$1.993m in 2001, \$2.490m in 2002 and \$1.840m in 2003; and
- A change in accounting for the collection of Services and Amenities fees from recording them "gross" rather than "net" from 2002, which added \$2.674m to this revenue source in 2002 and \$2.798m in 2003. Other operating expenses increased similarly in these two years.

Other operating revenue includes consultancy and contract research, donations and bequests, investment income, scholarships and prizes and miscellaneous income. Operating revenue remained relatively constant over the five-year period.

In 2001 Academic staff salary costs increased by \$4.577m, of which \$2.634m related to an increase in direct salaries. The movement related to a rate increase of 2% from July 2000 and 3% from July 2001. The University also incurred additional costs related to contributions to superannuation and pension schemes.

Academic staff salary costs increased by a further \$4.913m in 2002 as a result of an award increase of 3.5% effective July 2002 plus the full year effect of increases awarded in 2001.

Academic staff salary costs increased by a further \$3.377m in 2003, of which \$2.852m related to salary increases in prior years and another 3.5% increase in July 2003.

Non-Academic salaries increased by 10% over the five-year period under review.

Depreciation expense has not varied significantly over the five-year period under review. However, in 2002, the University reviewed asset lives resulting in a change to depreciation rates that added an additional depreciation charge of \$2.050m. This was offset by the University increasing its asset recognition threshold from \$5 000 to \$10 000 which resulted in a reduction in the depreciation expense by approximately \$1.000m.

In 2000, Other operating expenses increase by \$5.332m to \$52.347m. The movement related to a general increase in expenditure across the University, including increases in consumables, \$1.825m, library materials, \$1.084m, and scholarships and prizes, \$1.039m.

Other operating expenses increased significantly in 2002 by \$9.634m which was partly attributable to an expense of \$2.600m relating to the write off of assets between \$5 000 and \$10 000 resulting from the University changing its asset recognition threshold.

FINANCIAL POSITION

	1999	2000	2001	2002	2003
	\$000s	\$000s	\$000s	\$000s	\$000s
Cash	1 380	1 980	3 362	1 578	2 133
Receivables	4 256	5 219	4 657	4 991	5 042
Investments	43 784	53 848	78 583	81 619	89 767
Inventories	646	453	179	177	205
Other	1 085	2 448	3 023	3 357	2 840
Total Current Assets	51 151	63 948	89 804	91 722	99 987
Payables	6 083	5 300	6 253	5 395	4 515
Provisions	13 192	14 184	15 327	15 239	14 593
Other	9 288	11 897	14 535	14 715	17 308
Total Current Liabilities	28 563	31 381	36 115	35 349	36 416
Working Capital	22 588	32 567	53 689	56 373	63 571
Investments	40 822	33 498	10 038	10 350	14 570
Property, plant and equipment	256 024	253 078	255 313	252 167	284 422
Other	6 188	6 409	7 594	7 508	7 501
Total Non-Current Assets	303 034	292 985	272 945	270 025	306 493
Provisions	21 889	21 649	20 890	19 811	20 244
Total Non-Current Liabilities	21 889	21 649	20 890	19 811	20 244
Net Assets	303 733	303 903	305 744	306 587	349 820
Statutory Funds	14 664	21 027	20 933	21 861	25 049
Reserves	204 786	205 338	205 304	205 304	240 807
Retained surpluses	84 283	77 538	79 507	79 422	83 964
Total Equity	303 733	303 903	305 744	306 587	349 820

Comment

Current assets other than short-term investments remained stable over the five-year period under review.

Total current and non-current investments increased by \$19.731m from \$84.606m to \$104.337m. Over the period of this review the mix of the Universities investments has changed due to its fund manager moving away from longer-term investments and investing heavily in shares and securities from 2000. The majority of the non-current investments consisted of properties owned, which were used to provide accommodation to students.

Current liabilities remained fairly static over the period under review. The majority of Other current liabilities related to revenue in advance, specifically prepaid grant funding. The increase in other current liabilities in 2000, \$2.609m, was due mainly to the advance receipt of \$1.402m in student fees.

Property, plant and equipment remained reasonably constant over the period under review. Asset acquisitions over this period, net of depreciation charges, totalled \$0.979m

The 2003 balance for Property, plant and equipment increased by \$32.255m, to \$284.422m, which was attributable to a revaluation of land and buildings totalling \$35.503m. However, \$4.510m of this increase related to an increase in investment properties.

In 1999, the University recorded a receivable amounting to \$6.188m being the Commonwealth's reimbursement for superannuation supplementation costs payable. The balance, which increased in line with the University's superannuation liability, comprises the majority of Other non current assets.

Current and non-current provisions consisted of annual leave, long service leave and superannuation. At the end of 2003, the University's liability for provisions comprised annual leave \$3.232m, long service leave \$12.948m and superannuation \$18.657m of which \$6.832m was recoverable from the Commonwealth.

The University's equity includes Statutory Funds, which under granting conditions can only be utilised for specific purposes. These funds cannot be allocated to general purpose expenditure categories. The Reserves balance was comprised solely of an Asset revaluation reserve.

CASH POSITION

	1999	2000	2001	2002	2003
	\$000s	\$000s	\$000s	\$000s	\$000s
State government grants	7 349	6 277	6 928	6 337	6 647
Commonwealth grants	99 144	100 121	104 317	114 013	124 627
Receipts from customers	52 582	61 507	69 904	84 519	87 750
Payments to suppliers and employees	(148 042)	(160 523)	(161 357)	(190 616)	(194 139)
Interest received	4 520	6 788	2 640	1 747	3 337
Cash from operations	15 553	14 170	22 432	16 000	28 222
Proceeds from investments	0	0	0	0	0
Payments for investments	(4 027)	(8 891)	(8 541)	(2 201)	(13 216)
Payments for property, plant and equipment	(13 809)	(11 667)	(22 872)	(15 766)	(16 763)
Proceeds from sale of property, plant and equipment	1 395	837	3 096	1 329	1 466
Cash used in investing activities	(16 441)	(19 721)	(28 317)	(16 638)	(28 513)
Net increase/(decrease) in cash	(888)	(5 551)	(5 885)	(638)	(291)
Cash at the beginning of the period	21 646	20 758	15 207	9 322	8 684
Cash at end of the period	20 758	15 207	9 322	8 684	8 393

Comment

At the end of the 2003 calendar year, the University recorded a cash flow balance of \$8.393m which comprised the cash balance from the Statement of Financial Position, \$2.133m plus short term deposits at call, totalling \$3.284m and bills of exchange, \$2.976m. The later two items were included in the investment balance.

Over the five-year period under review, the University recorded a strong surplus in Cash from operations. As noted under the Financial Performance comments, Commonwealth grant revenue and Fees and charges have increased. However, the increase in revenue was offset by increases in staff salary costs and other operating expenses.

The University's cash balance decreased by \$12.265m over the five-year period. However, payments for investments, \$36.876m more than exceeded the decrease in cash. It is University policy to hold surplus cash in investments such as shares and securities rather than bank bills and deposits.

As noted above, the University generated significant cash surpluses from operations. This position was assisted by accounting requirements, which require all grants, irrespective of purpose to be recorded as operating receipts. Consequently, capital purpose grants are recorded as part of operating activities.

The majority of Payments for property, plant and equipment comprise plant and equipment, library acquisitions and building improvements and additions.

FINANCIAL ANALYSIS

	Bench Mark	1999	2000	2001	2002	2003
Financial Performance						
Result from operations (\$'000s)		6 284	(138)	2 099	897	8 387
Operating margin	>1.0	1.04	1.00	1.01	1.00	1.04
Fees and Charges						
Commonwealth Grants as a % of operating income		59%	56%	56%	56%	56%
HECS as a % of operating income		17%	19%	19%	18%	17%
Fees and Charges as a % of operating income		8%	8%	10%	13%	13%
Salaries and related Expenditure as a % of operating income	50 - 70%	58%	58%	58%	57%	55%
Financial Management						
Current ratio	>1	1.79	2.04	2.49	2.59	2.75
Debt collection	30 days	33	41	37	35	33
Creditor turnover	30 days	41	33	41	31	23
Other information						
Academic Teaching Staff numbers (FTE's)		615	623	618	645	668
Total Staff numbers FTEs		1,418	1,466	1,504	1,503	1,540
Average staff costs (\$'000s)		69	68	71	75	77
Student (FTE's)		9,433	9,251	9,168	9,415	9,407

Comment

The University recorded a surplus from operations in four of the five years under review. The operating margin equalled or exceeded the benchmark rate in all five years.

The viability of the University is dependant upon grant funding, with approximately three quarters of its revenue being obtained through Commonwealth and HECS grants. However, the University has made a concerted effort to increase revenue from fees and charges, in particular fee paying overseas students. This was reflected in the percentage increase from 7% to 13% of fees and charges to total operating income.

As previously noted, salaries and related expenditure increased steadily over the five-year period. However, salaries and related expenditure as a percentage of total expenditure remained constant.

The current ratio was well above the benchmark. This was because the majority of the University's investments were current in nature.

The debt collection ratio continued to improve from 2000 when the collection period was 41 days. The high ratio was primarily due to the slow collection of some large accounts relating to health and hospital authorities.

Average staff costs increased in line with award increases to both general and academic staff.

OVERALL COMMENT

The 2003 audit was completed with satisfactory results.

5 MISCELLANEOUS PUBLIC BODIES

Audits Completed

The following public bodies received ***unqualified audit reports*** on their financial statements for 2003-04. No particular comments are required.

- Anzac Day Trust;
- Council of Law Reporting;
- Cradle Coast 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;
- RBF-TAS Planning Pty Ltd;
- Royal Tasmanian Botanical Gardens;
- Southern Combined Planning Authority;
- Tasmanian Building and Construction Industry Training Board;
- Tasmanian Community Fund;
- Tasmanian Dairy Industry Association;
- Tasmanian Teachers Registration Board;
- Travel Agents Licensing Board;
- Tsuneichi Fujii Fellowship Trust;
- Wellington Park Management Trust; and
- WorkCover Tasmania Board.

Audits in Progress

The following public body has submitted financial statements for 2002-03 and for 2003-04 the audits of which are currently in progress:

- Tasmanian Wilderness World Heritage Area.

The following public bodies have submitted financial statements for 2003-04 the audits of which are currently in progress:

- Aboriginal Land Council;
- Ben Lomond Skifield Management Authority;
- R40 Pty Ltd;
- Southern Waste Strategy Authority;
- Tasmanian Beef Industry (Research and Development) Trust; and
- Tasmanian Wilderness World Heritage Area.

Other

The following entity had not submitted financial statements for 2002-03 as at 31 October 2004:

- Tasmanian Heritage Council.

The following entities had not submitted financial statements for 2003-04 as at 31 October 2004:

- Clyde Water Trust; and
- Tasmanian Heritage Council.