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PARLIAMENT OF TASMANIA

## **REPORT OF THE AUDITOR-GENERAL**

### **GOVERNMENT DEPARTMENTS AND PUBLIC BODIES 2004-2005**

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

**November 2005**

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

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## **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

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## 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:

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

Appropriation of funds to the Ministerial and Parliamentary Support Division provides for certain expenses and administrative support of Ministers and other Members of Parliament. The financial transactions of this Division are reported in the financial statements prepared by the Department of Premier and Cabinet.

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

- Introduction;
- Audit of the 2004-05 Financial Statements;
- Financial Results:
  - Financial performance;
  - Financial position;
  - Cash position;
  - Financial analysis; and
- Overall comment.

Where relevant, commentary is also provided on administered transactions and balances.

## 1.1 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 2004-05 FINANCIAL STATEMENTS

Signed financial statements were received on 12 August 2005 and an unqualified audit report was issued on 12 October 2005.

### 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. Accordingly, prior years figures were adjusted in the following tables to include administered items as if they were always controlled.

### FINANCIAL PERFORMANCE

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	5 128	4 869	4 658	4 514	4 293
Other operating revenue	106	2	10	10	19
<b>Total Revenue</b>	<b>5 234</b>	<b>4 871</b>	<b>4 668</b>	<b>4 524</b>	<b>4 312</b>
Depreciation	25	34	31	23	21
Employee and member expenses	4 290	4 183	4 048	3 774	3 552
Other operating expenses	732	636	691	678	782
<b>Total Expenses</b>	<b>5 047</b>	<b>4 853</b>	<b>4 770</b>	<b>4 475</b>	<b>4 355</b>
<b>Result from Ordinary Activities</b>	<b>187</b>	<b>18</b>	<b>( 102)</b>	<b>49</b>	<b>( 43)</b>

## Comment

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

## FINANCIAL POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	7	8	8	8	5
Receivables	16	25	25	3	14
Other	0	2	4	3	0
<b>Total Current Assets</b>	<b>23</b>	<b>35</b>	<b>37</b>	<b>14</b>	<b>19</b>
Property, plant and equipment	1 168	995	1 006	1 027	877
<b>Total Non-Current Assets</b>	<b>1 168</b>	<b>995</b>	<b>1 006</b>	<b>1 027</b>	<b>877</b>
Payables	70	93	119	62	114
Provisions	210	244	239	424	426
Other	4	4	4	4	4
<b>Total Current Liabilities</b>	<b>284</b>	<b>341</b>	<b>362</b>	<b>490</b>	<b>544</b>
Provisions	304	273	283	50	34
<b>Total Non-Current Liabilities</b>	<b>304</b>	<b>273</b>	<b>283</b>	<b>50</b>	<b>34</b>
<b>Net Assets</b>	<b>603</b>	<b>416</b>	<b>398</b>	<b>501</b>	<b>318</b>
Reserves	134	134	134	134	0
Retained surpluses	469	282	264	367	318
<b>Total Equity</b>	<b>603</b>	<b>416</b>	<b>398</b>	<b>501</b>	<b>318</b>

## Comment

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

Property, plant and equipment increased in 2001-02 due principally to a revaluation increment of \$0.134m for furniture, artworks and artefacts. Increases in 2004-05 included equipment purchases of \$0.100m.

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



## CASH POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	5 128	4 870	4 658	4 514	4 293
Receipts from customers	201	72	80	86	83
Payments to suppliers and employees	( 5 138)	( 4 918)	( 4 728)	( 4 558)	( 4 331)
<b>Cash from operations</b>	<b>191</b>	<b>24</b>	<b>10</b>	<b>42</b>	<b>45</b>
Payments for property, plant and equipment	( 192)	( 24)	( 10)	( 39)	( 40)
<b>Cash used in investing activities</b>	<b>( 192)</b>	<b>( 24)</b>	<b>( 10)</b>	<b>( 39)</b>	<b>( 40)</b>
<b>Net increase (decrease) in cash</b>	<b>( 1)</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>5</b>
Cash at the beginning of the period	8	8	8	5	0
<b>Cash at end of the period</b>	<b>7</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>5</b>

## Comment

Reasons for variations in cash flow amounts reflect the comments made previously in the Statement of Financial Performance.

## FINANCIAL ANALYSIS

	Bench Mark	2004-05	2003-04	2002-03	2001-02	2000-01
<b>Financial Performance</b>						
Result from operations (\$'000s)		187	18	( 102)	49	( 43)
Operating margin	>1.0	1.04	1.00	0.98	1.01	0.99
<b>Financial Management</b>						
Debt collection	30 days	n/a	n/a	n/a	n/a	n/a
Creditor turnover	30 days	34	27	37	19	26
<b>Other information</b>						
Staff numbers FTEs		19.8	19.5	18.6	18.6	18.0
Average staff costs (\$'000s)		58	59	59	55	53

## Comment

Nil.

## OVERALL COMMENT

The 2004-05 audit was completed with satisfactory results.

## 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 2004-05 FINANCIAL STATEMENTS

Signed financial statements were received on 12 August 2005 and an unqualified audit report was issued on 12 October 2005.

### 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. Accordingly, prior years' figures were adjusted in the following tables to include administered items as if they were always controlled.

### FINANCIAL PERFORMANCE

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	3 910	3 771	3 342	3 318	3 008
Other operating revenue	2	5	3	11	59
<b>Total Revenue</b>	<b>3 912</b>	<b>3 776</b>	<b>3 345</b>	<b>3 329</b>	<b>3 067</b>
Depreciation	9	6	5	5	1
Employee and member benefits	3 276	3 191	2 911	2 755	2 604
Other operating expenses	688	629	514	517	515
<b>Total Expenses</b>	<b>3 973</b>	<b>3 826</b>	<b>3 430</b>	<b>3 277</b>	<b>3 120</b>
<b>Result from Ordinary Activities</b>	<b>( 61)</b>	<b>( 50)</b>	<b>( 85)</b>	<b>52</b>	<b>( 53)</b>

### Comment

Nil.

## FINANCIAL POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	3	3	5	11	36
Receivables	8	9	4	2	8
Other	0	7	4	3	4
<b>Total Current Assets</b>	<b>11</b>	<b>19</b>	<b>13</b>	<b>16</b>	<b>48</b>
Property, plant and equipment	1 003	984	961	967	907
<b>Total Non-Current Assets</b>	<b>1 003</b>	<b>984</b>	<b>961</b>	<b>967</b>	<b>907</b>
Payables	166	97	70	45	135
Provisions	330	346	317	494	482
Other	3	3	3	3	20
<b>Total Current Liabilities</b>	<b>499</b>	<b>446</b>	<b>390</b>	<b>542</b>	<b>637</b>
Provisions	298	279	256	28	21
<b>Total Non-Current Liabilities</b>	<b>298</b>	<b>279</b>	<b>256</b>	<b>28</b>	<b>21</b>
<b>Net Assets</b>	<b>217</b>	<b>278</b>	<b>328</b>	<b>413</b>	<b>297</b>
Reserves	64	64	64	64	0
Retained surpluses	153	214	264	349	297
<b>Total Equity</b>	<b>217</b>	<b>278</b>	<b>328</b>	<b>413</b>	<b>297</b>

### 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. The increase in 2004-05 included higher amounts owing to regional offices and member support and PAYG.

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

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	3 910	3 771	3 342	3 318	3 008
Receipts from customers	60	58	43	55	92
Payments to suppliers and employees	( 3 943)	( 3 802)	( 3 391)	( 3 398)	( 3 014)
<b>Cash from operations</b>	<b>27</b>	<b>27</b>	<b>( 6)</b>	<b>( 25)</b>	<b>86</b>
Payments for property, plant and equipment	( 27)	( 29)	0	0	( 54)
<b>Cash used in investing activities</b>	<b>( 27)</b>	<b>( 29)</b>	<b>0</b>	<b>0</b>	<b>( 54)</b>
<b>Net increase (decrease) in cash</b>	<b>0</b>	<b>( 2)</b>	<b>( 6)</b>	<b>( 25)</b>	<b>32</b>
Cash at the beginning of the period	3	5	11	36	4
<b>Cash at end of the period</b>	<b>3</b>	<b>3</b>	<b>5</b>	<b>11</b>	<b>36</b>

## Comment

Nil.

## FINANCIAL ANALYSIS

	Bench Mark	2004-05	2003-04	2002-03	2001-02	2000-01
<b>Financial Performance</b>						
Result from operations (\$'000s)		( 61)	( 50)	( 85)	52	( 53)
Operating margin	>1.0	0.98	0.99	0.98	1.02	0.98
<b>Financial Management</b>						
Debt collection	30 days	1	1	0	0	0
Creditor turnover	30 days	47	31	36	25	47
<b>Other information</b>						
Staff numbers FTEs		23	22	19	19	18
Average staff costs (\$'000s)		60	61	60	56	58

## Comment

The higher creditor turnover ratio is due in part to increased activity and a significant number of June invoices.

## OVERALL COMMENT

The 2004-05 audit was completed with satisfactory results.

## 1.3 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 2004-05 FINANCIAL STATEMENTS

Signed financial statements were received on 12 August 2005 and an unqualified audit report was issued on 12 October 2005.

### 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. Accordingly, prior years' figures were adjusted in the following tables to include administered items as if they were always controlled.

### FINANCIAL PERFORMANCE

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	3 937	3 771	3 533	3 508	3 753
Other operating revenue	631	566	482	209	285
<b>Total Revenue</b>	<b>4 568</b>	<b>4 337</b>	<b>4 015</b>	<b>3 717</b>	<b>4 038</b>
Depreciation	334	336	305	283	269
Employee expenses	1 994	1 915	1 965	1 874	1 820
Other operating expenses	2 591	2 379	1 826	1 802	2 194
<b>Total Expenses</b>	<b>4 919</b>	<b>4 630</b>	<b>4 096</b>	<b>3 959</b>	<b>4 283</b>
<b>Result from Ordinary Activities</b>	<b>( 351)</b>	<b>( 293)</b>	<b>( 81)</b>	<b>( 242)</b>	<b>( 245)</b>

## Comment

Other operating revenue has been high in recent years, due to additional funds being received for essential maintenance. Deficits are incurred primarily because depreciation is not funded.

## FINANCIAL POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	43	106	47	8	( 18)
Receivables	55	39	46	38	93
Inventories	29	26	23	24	26
Other	1	11	10	8	14
<b>Total Current Assets</b>	<b>128</b>	<b>182</b>	<b>126</b>	<b>78</b>	<b>115</b>
Property, plant and equipment	26 509	12 851	13 150	13 216	11 966
<b>Total Non-Current Assets</b>	<b>26 509</b>	<b>12 851</b>	<b>13 150</b>	<b>13 216</b>	<b>11 966</b>
Payables	282	189	174	166	161
Provisions	186	221	226	349	428
Other	0	26	0	0	8
<b>Total Current Liabilities</b>	<b>468</b>	<b>436</b>	<b>400</b>	<b>515</b>	<b>597</b>
Provisions	300	270	256	78	41
<b>Total Non-Current Liabilities</b>	<b>300</b>	<b>270</b>	<b>256</b>	<b>78</b>	<b>41</b>
<b>Net Assets</b>	<b>25 869</b>	<b>12 327</b>	<b>12 620</b>	<b>12 701</b>	<b>11 443</b>
Reserves	15 393	1 500	1 500	1 500	0
Retained surpluses	10 476	10 827	11 120	11 201	11 443
<b>Total Equity</b>	<b>25 869</b>	<b>12 327</b>	<b>12 620</b>	<b>12 701</b>	<b>11 443</b>

## 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. Revaluations in 2004-05 resulted in increments for buildings of \$12.693m and land of \$1.200m, with a resultant increase in reserves.

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

## CASH POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	3 911	3 759	3 493	3 453	3 414
Receipts from customers	919	857	731	562	705
Payments to suppliers and employees	( 4 794)	( 4 519)	( 3 946)	( 3 956)	( 4 106)
<b>Cash from operations</b>	<b>36</b>	<b>97</b>	<b>278</b>	<b>59</b>	<b>13</b>
Payments for plant, property and equipment	( 99)	( 38)	( 239)	( 33)	( 64)
<b>Cash used in investing activities</b>	<b>( 99)</b>	<b>( 38)</b>	<b>( 239)</b>	<b>( 33)</b>	<b>( 64)</b>
<b>Net increase in cash</b>	<b>( 63)</b>	<b>59</b>	<b>39</b>	<b>26</b>	<b>( 51)</b>
Cash at the beginning of the period	106	47	8	( 18)	33
<b>Cash at end of the period</b>	<b>43</b>	<b>106</b>	<b>47</b>	<b>8</b>	<b>( 18)</b>

## Comment

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

## FINANCIAL ANALYSIS

	Bench Mark	2004-05	2003-04	2002-03	2001-02	2000-01
<b>Financial Performance</b>						
Result from operations (\$'000s)		( 351)	( 293)	( 81)	( 242)	( 245)
Operating margin	>1.0	0.93	0.94	0.98	0.94	0.94
<b>Financial Management</b>						
Debt collection	30 days	32	25	32	53	127
Creditor turnover	30 days	21	28	31	30	25
<b>Other information</b>						
Staff numbers FTEs		32	28	28	28	28
Average staff costs (\$'000s)		63	68	70	68	65

## 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.

Staff FTE numbers as at 30 June can vary from year to year depending on the level of activity within the Parliament. As at 30 June 2005, a greater number of casuals were employed compared to previous years.

## **OVERALL COMMENT**

The 2004-05 audit was completed with satisfactory results.



## 1.4 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 2004-05 FINANCIAL STATEMENTS

Signed financial statements were received on 20 August 2005 and an unqualified audit report was issued on 12 October 2005.

### FINANCIAL RESULTS

#### FINANCIAL PERFORMANCE

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	2 885	2 131	1 811	1 728	1 846
Capital Appropriation	0	8	8	8	8
Other operating revenue	151	278	200	252	174
<b>Total Revenue</b>	<b>3 036</b>	<b>2 417</b>	<b>2 019</b>	<b>1 988</b>	<b>2 028</b>
Depreciation	125	125	125	110	110
Employee expenses	2 227	1 541	1 464	1 370	1 408
Other operating expenses	746	936	609	705	558
<b>Total Expenses</b>	<b>3 098</b>	<b>2 602</b>	<b>2 198</b>	<b>2 185</b>	<b>2 076</b>
<b>Result from Ordinary Activities</b>	<b>( 62)</b>	<b>( 185)</b>	<b>( 179)</b>	<b>( 197)</b>	<b>( 48)</b>

#### Comment

Appropriations and employee expenses increased in 2004-05 to cover a termination payment for the previous Governor.

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

## FINANCIAL POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	1	155	71	135	8
Receivables	32	32	0	0	0
Other	3	3	25	20	11
<b>Total Current Assets</b>	<b>36</b>	<b>190</b>	<b>96</b>	<b>155</b>	<b>19</b>
Property, plant and equipment	18 070	18 048	18 173	17 018	14 501
<b>Total Non-Current Assets</b>	<b>18 070</b>	<b>18 048</b>	<b>18 173</b>	<b>17 018</b>	<b>14 501</b>
Payables	95	257	133	188	35
Provisions	161	215	192	162	143
<b>Total Current Liabilities</b>	<b>256</b>	<b>472</b>	<b>325</b>	<b>350</b>	<b>178</b>
Provisions	216	216	210	187	136
<b>Total Non-Current Liabilities</b>	<b>216</b>	<b>216</b>	<b>210</b>	<b>187</b>	<b>136</b>
<b>Net Assets</b>	<b>17 634</b>	<b>17 550</b>	<b>17 734</b>	<b>16 636</b>	<b>14 206</b>
Asset Revaluation Reserve	4 052	3 906	3 906	2 627	0
Retained surpluses	13 582	13 644	13 828	14 009	14 206
<b>Total Equity</b>	<b>17 634</b>	<b>17 550</b>	<b>17 734</b>	<b>16 636</b>	<b>14 206</b>

### 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.

Receivables consist of GST.

Land and buildings were last valued in 2002 on a fair value basis. As the 2002 valuation is regarded as out of date, without qualification, an emphasis of matter was included in the audit report for 2004-05 to highlight this fact. The Office of the Governor has been urged to obtain an updated revaluation during the 2005-06 year.

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 in earlier years primarily as a result of higher employee leave balances.

## CASH POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	2 885	2 139	1 819	1 736	1 854
Receipts from customers	226	340	253	300	220
Payments to suppliers and employees	( 3 265)	( 2 395)	( 2 135)	( 1 909)	( 2 067)
<b>Cash from operations</b>	<b>( 154)</b>	<b>84</b>	<b>( 63)</b>	<b>127</b>	<b>7</b>
<b>Net increase in cash</b>	<b>( 154)</b>	<b>84</b>	<b>( 63)</b>	<b>127</b>	<b>7</b>
Cash at the beginning of the period	155	71	134	8	1
<b>Cash at end of the period</b>	<b>1</b>	<b>155</b>	<b>71</b>	<b>135</b>	<b>8</b>

## Comment

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

## FINANCIAL ANALYSIS

	Bench Mark	2004-05	2003-04	2002-03	2001-02	2000-01
<b>Financial Performance</b>						
Result from operations (\$'000s)		( 62)	( 185)	( 179)	( 197)	( 48)
Operating margin	>1.0	0.98	0.93	0.92	0.91	0.98
<b>Financial Management</b>						
Debt collection	30 days	n/a	n/a	n/a	n/a	n/a
Creditor turnover	30 days	32	18	23	37	13
<b>Other information</b>						
Staff numbers FTEs		25	25	25	25	25
Average staff costs (\$'000s)		89	62	59	56	57

## Comment

The average staff cost figure was abnormally high for 2004-05 due to a termination payment for the previous Governor.

## ADDITIONAL FINANCIAL INFORMATION

### Administered Transactions

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

The administered transactions all relate to remuneration arrangements for the Governor.

## Administered Revenues and Expenses

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	337	403	199	187	169
Other Revenue from Government	0	0	0	0	4
<b>Total Revenue</b>	<b>337</b>	<b>403</b>	<b>199</b>	<b>187</b>	<b>173</b>
Employee benefits	353	403	199	188	173
<b>Total Expenses</b>	<b>353</b>	<b>403</b>	<b>199</b>	<b>188</b>	<b>173</b>
<b>Result from operations</b>	<b>( 16)</b>	<b>0</b>	<b>0</b>	<b>( 1)</b>	<b>0</b>

## Comment

The increase in appropriation and employee benefits for 2003-04 reflects increased costs associated with full taxation of the Governor's salary. The decrease in 2004-05 is a result of changes in the Governor's salary in accordance with amendments to the *Governor of Tasmania Act 1982*.

## Administered Assets and Liabilities

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Provisions	16	0	5	5	4
<b>Total Current Liabilities</b>	<b>16</b>	<b>0</b>	<b>5</b>	<b>5</b>	<b>4</b>
<b>Net Liabilities</b>	<b>( 16)</b>	<b>0</b>	<b>( 5)</b>	<b>( 5)</b>	<b>( 4)</b>
Accumulated deficit	( 16)	0	( 5)	( 5)	( 4)
<b>Total Equity</b>	<b>( 16)</b>	<b>0</b>	<b>( 5)</b>	<b>( 5)</b>	<b>( 4)</b>

## Comment

Nil.

## Administered Cash Flows

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	337	403	199	187	173
Payments to suppliers and employees	( 337)	( 403)	( 199)	( 187)	( 173)
<b>Cash from operations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net increase in cash</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cash at the beginning of the period	0	0	0	0	0
<b>Cash at end of the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Comment

Nil.

## OVERALL COMMENT

The 2004-05 audit was completed with satisfactory results, however, it has been recommended that the Office obtain an updated revaluation on its assets during the 2005-06 year.

## 2 MINISTERIAL DEPARTMENTS

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### 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:

- Introduction;
- Audit of the 2004-05 Financial Statements;
- Financial Results;
- Financial Analysis; and
- Additional Financial Information.

The financial results discussed 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; at which time they then become public documents.

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

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## 2.1 DEPARTMENT OF ECONOMIC DEVELOPMENT

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### 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 2004-05 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 2005 the responsible Ministers were the Minister for Economic Development and the Minister for Sport and Recreation.

### AUDIT OF THE 2004-05 FINANCIAL STATEMENTS

Signed financial statements for both the Department and Tasmania Development and Resources were received on 11 August 2005 and unqualified audit reports for both entities were issued on 24 August 2005.

### FINANCIAL RESULTS

As the Department was restructured in August 2002, only those figures from 2002-03 are shown. The results analysed below reflect the consolidated position of the Department and Tasmania Development and Resources.

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 the previous year. However, the 2002-03 figures were adjusted in the

following tables to include administered items relating to the Intelligent Island program as if they were always controlled.

## FINANCIAL PERFORMANCE

	2004-05	2003-04	2002-03
	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	64 353	42 941	46 949
Commonwealth grants	521	690	339
User charges, fees and fines	0	0	0
Interest revenue	4 156	3 865	5 095
Other operating revenue	33 338	13 949	8 244
Non-operating revenue	2 548	6 299	6 591
<b>Total Revenue</b>	<b>104 916</b>	<b>67 744</b>	<b>67 218</b>
Grants and Subsidies	30 036	24 326	25 463
Borrowing costs	3 485	4 210	5 366
Depreciation	617	831	867
Employee expenses	16 621	14 300	12 935
Other operating expenses	24 563	19 685	17 313
Non-operating expenses	4 060	4 950	13 916
<b>Total Expenses</b>	<b>79 382</b>	<b>68 302</b>	<b>75 860</b>
<b>Result from Ordinary Activities</b>	<b>25 534</b>	<b>( 558)</b>	<b>( 8 642)</b>

## Comment

The increase in appropriation for 2004-05 is due mainly to additional funding received for repayment of borrowings, for operational costs for the Pulp Mill Project Team and refurbishment and relocation costs associated with the Wirksworth Park site in Bellerive. The 2004-05 appropriation includes \$19.865m to enable the Department to repay borrowings of this amount; this is discussed further under the commentary on the statement of financial position. This was a main contributing factor for the very high surplus for the year of \$25.534m.

The other main factor was the increase in other operating revenue in 2004-05 primarily due to Special Capital Investment Funds (SCIF) totalling \$25.566m pertaining to the Trial Harbour Road Upgrade, Gas Infrastructure (Stage 2A) and the Northern Tasmanian Sport Centres. In addition, the Department of Treasury and Finance (Treasury) forgave a \$1.500m debt owed by the Antarctic and Southern Ocean Science Centre (ASOSC). ASOSC traded as the now defunct Antarctic Adventure.

Interest revenue increased in 2004-05 due to the investment of additional funds from early client repayments and the continued investment of Intelligent Island funds being held at Tascorp.

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



Non-operating revenue represents proceeds from asset disposals. As only the Antarctic Adventure land and buildings were sold during 2004-05, proceeds from asset sales were lower than prior years. In 2002-03 this amount represented the value of liabilities transferred as a result of the restructure.

The increase in grants and subsidies for 2004-05 is mainly due to a number of additional one-off grants from the SCIF as detailed previously.

Other operating expenses increased during 2004-05 due to increased activity associated with the Pulp Mill Project Team, and the first payment in relation to the Stage 2 rollout of the gas infrastructure funded from SCIF. In 2003-04, increased expenditure was also due to disbursement of infrastructure payments.

Employee expenses have increased by 28.5% since 2002-03. This increase is primarily due to filling of vacant positions, State Service Wage Agreement increases and staff to assist in the successful completion of additional projects undertaken by the Department.

## FINANCIAL POSITION

	2004-05	2003-04	2002-03
	\$'000s	\$'000s	\$'000s
Cash	60 301	57 129	15 426
Receivables	315	188	943
Other	5 986	6 335	9 919
<b>Total Current Assets</b>	<b>66 602</b>	<b>63 652</b>	<b>26 288</b>
Property, plant and equipment	20 221	21 371	26 914
Investments	7 365	9 405	40 984
Other	9 451	13 120	18 746
<b>Total Non-Current Assets</b>	<b>37 037</b>	<b>43 896</b>	<b>86 644</b>
Payables	1 398	2 102	2 318
Borrowings	21 671	31 650	16 624
Provisions	1 560	2 230	2 503
Other	108	2 811	1 500
<b>Total Current Liabilities</b>	<b>24 737</b>	<b>38 793</b>	<b>22 945</b>
Borrowings	0	15 201	35 478
Provisions	1 799	671	452
Other	7 561	8 228	8 404
<b>Total Non-Current Liabilities</b>	<b>9 360</b>	<b>24 100</b>	<b>44 334</b>
<b>Net Assets</b>	<b>69 542</b>	<b>44 655</b>	<b>45 653</b>
Reserves	1 793	2 440	2 882
Retained surpluses	67 749	42 215	42 771
<b>Total Equity</b>	<b>69 542</b>	<b>44 655</b>	<b>45 653</b>

## **Comment**

Cash increased in 2004-05 as a result of funds being received from the repayment of loan advances by clients, slightly offset by debt repayments. The increase in cash during 2003-04 totalled \$42.675m, which included \$33.219m of previously administered cash transferred to controlled activities. This mainly related to expenditure commitments for the Intelligent Island program, which have still to eventuate.

Other current and non-current assets predominantly consist of loan advances. Property, plant and equipment decreased due to a general reduction in property holdings and depreciation.

Investments increased over the years prior to 2004-05 as the Government took equity in a number of emerging local industries, although some write-downs have occurred since the equity investments were purchased. The \$2.100m decrease in 2004-05 was associated mainly with the sale of Australian Weaving Mills Ltd (AWM) shares recorded at a book value of \$1.000m slightly offset by an increase in Screen Tasmania investments. During the year the Department sold its interest in AWM for \$1. A further payment of \$999,999 is payable from the new owners to the Department should certain conditions be met over the next five years.

Total Borrowings (2004-05: \$21.671m; 2003-04: \$46.851m) decreased in 2004-05 due to continued ongoing client repayments and the additional appropriation received from Treasury of \$19.865m to repay debt.

## CASH POSITION

	<b>2004-05</b>	<b>2003-04</b>	<b>2002-03</b>
	\$'000s	\$'000s	\$'000s
Revenue from Government	63 053	44 241	45 903
Commonwealth grants	2 215	718	339
Receipts from customers	37 743	18 811	13 968
Grants and transfer payments	( 30 037)	( 24 326)	( 25 463)
Payments to suppliers and employees	( 50 421)	( 34 392)	( 41 069)
Interest received	4 243	3 729	5 164
Borrowing costs	( 4 303)	( 4 133)	( 5 625)
<b>Cash from operations</b>	<b>22 493</b>	<b>4 648</b>	<b>( 6 783)</b>
Repayment of loans by other entities	6 070	11 479	38 029
Payments for investments	( 268)	( 925)	( 3 710)
Disbursement of loans to other entities	( 1 017)	( 2 071)	0
Payments for property, plant and equipment	( 1 665)	( 4 147)	( 667)
Proceeds from investments	0	0	4 900
Proceeds from sale of property, plant and equipment	2 548	5 899	338
<b>Cash used in investing activities</b>	<b>5 668</b>	<b>10 235</b>	<b>38 890</b>
Proceeds from borrowings	0	0	0
Repayment of borrowings	( 24 989)	( 5 427)	( 35 800)
<b>Cash from financing activities</b>	<b>( 24 989)</b>	<b>( 5 427)</b>	<b>( 35 800)</b>
<b>Net increase/(decrease) in cash</b>	<b>3 172</b>	<b>9 456</b>	<b>( 3 693)</b>
Cash at the beginning of the period	57 129	14 454	19 119
Cash from administered activities	0	33 219	( 972)
<b>Cash at end of the period</b>	<b>60 301</b>	<b>57 129</b>	<b>14 454</b>

## Comment

Revenue from Government increased during 2004-05 mainly due to additional funding received for the repayment of borrowings, operational costs for the Pulp Mill Project Team and refurbishment and relocation costs associated with the Wirksworth Park site in Bellerive. This flowed through to increases in grants and transfer payments, higher payments to suppliers and employees, and the high level of repayments of borrowings.

The marked increase in receipts from customers during 2003-04 and 2004-05 related to infrastructure funding discussed previously.

Payments for investments relate mainly to equity investments described previously.

Disbursement and repayment of loans refers to loans advanced to various industry groups and the redemption of these loans. The large recoveries of these loans in 2002-03 reflect the repayment of loan advances, including a loan made to Incat Australia Pty Ltd, the recovery of which facilitated debt repayments.

## FINANCIAL ANALYSIS

	<b>Bench Mark</b>	<b>2004-05</b>	<b>2003-04</b>	<b>2002-03</b>
<b>Financial Performance</b>				
Result from operations (\$'000s)		23 744	8 470	15 902
Operating margin	>1.0	1.52	1.22	1.44
<b>Financial Management</b>				
Debt collection	30 days	11	10	29
Creditor turnover	30 days	12	17	29
<b>Other information</b>				
Staff numbers FTEs		211	200	224
Average staff costs (\$'000s)		79	72	58

### Comment

The increased result from operations for 2004-05 reflects the \$19.865m for repayment of borrowings, and Treasury forgiving the ASOSC debt of \$1.500m.

Staff numbers increased slightly throughout the Department during 2004-05 and together with other factors noted earlier contributed to the increase in average staff costs.

## 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, Financial Position or Cash Flows.

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.

## OVERALL COMMENT

The 2004-05 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 2004-05 included:

- State Schools and Colleges;
- TAFE Tasmania;
- State Library Service;
- Archives Office of Tasmania;
- Adult Education (transferred to the Department from TAFE on 1 July 2004); and
- Strategic Development and Evaluation Services.

The Portfolio Minister is the Minister for Education.

### AUDIT OF THE 2004-05 FINANCIAL STATEMENTS

Signed financial statements were received on 12 August 2005 and an unqualified audit report was issued on 30 September 2005.

### FINANCIAL RESULTS

#### FINANCIAL PERFORMANCE

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Recurrent appropriations	652 775	623 037	591 581	560 810	544 242
Capital appropriations	35 453	15 412	27 757	21 413	18 042
Australian Government grants	7 796	11 407	16 404	17 866	14 116
User charges, fees and fines	517	485	518	455	428
Social Infrastructure Fund	10 700	7 087	737	10 000	0
School levies	8 474	8 110	7 343	7 616	6 671
Other operating revenue	41 746	28 181	33 938	30 319	23 645
Non-operating revenue	328	1 089	988	826	368
<b>Total Revenue</b>	<b>757 789</b>	<b>694 808</b>	<b>679 266</b>	<b>649 305</b>	<b>607 512</b>
Employee expenses	495 997	468 205	449 197	431 357	412 462
Depreciation	22 289	17 702	17 850	17 529	18 459
Grants and subsidies	82 786	79 785	78 558	71 753	66 068
Other operating expenses	136 723	129 235	127 728	131 414	122 958
Non-operating expenses	57 590	691	1 599	7 287	7 551
<b>Total Expenses</b>	<b>795 385</b>	<b>695 618</b>	<b>674 932</b>	<b>659 340</b>	<b>627 498</b>
<b>Result from Ordinary Activities</b>	<b>( 37 596)</b>	<b>( 810)</b>	<b>4 334</b>	<b>( 10 035)</b>	<b>( 19 986)</b>

## Comment

Recurrent appropriations have increased by an amount of \$27.133m each year. Appropriations include Australian Government general grants for schools, TAFE and childcare (2004-05, \$88.652m), which were, in the first instance, included with Australian Government grants (2004-05, \$193.758m) reported as administered revenue and then transferred to the Consolidated Fund.

Australian Government grants for specific purposes (2004-05, \$7.796m) are included separately as controlled revenue. There are many specific purpose grants which are received for a variety of purposes. In 2001-02 and 2002-03 capital funding was provided 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 2004-05 capital funding was provided for both CIP for school building upgrades and the Community Health and Well Being (CHWB) initiative, \$20.400m. From this CHWB funding, \$3.824m has been spent on the construction or upgrade of gymnasiums, multipurpose centres and general learning areas; \$2.455m has been provided to Government and Non-Government schools and childcare centres for sports equipment, playground equipment and fitness facilities; and the balance, \$14.121m, remains in a trust account to be spent during 2005-06.

Australian Government grants are funded over a four-year cycle. In 1999-00 Australian Government grants included an additional \$18.900m under the Networking the Nation program, which contributed to the deficits in following years as the grant was expended. The reduction in 2003-04 and 2004-05 was due to the conclusion and reduction of funding of various Australian Government programs such as for Tas Communities Online, Industry Technology Training, Environmental Tourism, Online Access Service for People with Disabilities and Teacher Learning programmes, Learnscope and VET in schools.

Social infrastructure funds increased in 2004-05 in line with the Appropriation. This funding relates to a variety of programs, including the Department's information and communications technology strategy; increased child care provision in schools, library resources, students with higher needs, school-based apprenticeship and TAFE programs.

The increase in school levies from 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 revenue in 2004-05 included initial recognition of the Crowther and Launceston Local Studies Collections as Heritage Assets and the transfer of Adult Education from TAFE effective 1 July 2004.

Employee expenses increased by \$27.792m in 2004-05, which was due to:

- Engagement of additional staff \$12.360m
- Pay increases and other \$15.432m

Depreciation primarily relates to buildings and the charge was higher in 2004-05 mainly as a result of changes to useful lives.

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.

Non-operating expenses in 2000-01 included a write-down of 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 2004-05 this item included Loss on Revaluation, \$57.455m, following a net downward revaluation of school and other buildings owned by the Department. This item is commented upon in greater detail in the analysis of the Statement of Financial Position later in this report.

In 2002-03 the Department achieved a surplus of \$4.334m from ordinary activities. This was mainly due to there being no asset write downs; and the reversal of revenue received in advance in 2001-02 resulting in it being recognised as a recurrent appropriation in 2002-03.

The deficit in 2004-05 was a result of the downward revaluation of school and other buildings. Without this cost, the Department would have returned a positive operating result of \$19.859m, which is greater than normal due to the high capital appropriations in this year.

## FINANCIAL POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and deposit accounts	66 652	69 694	60 824	56 757	53 626
Receivables	5 878	2 969	3 742	3 341	3 157
Other	5 494	4 707	5 194	4 229	4 755
<b>Total Current Assets</b>	<b>78 024</b>	<b>77 370</b>	<b>69 760</b>	<b>64 327</b>	<b>61 538</b>
Property, plant and equipment	727 583	772 154	777 572	777 528	781 511
<b>Total Non-Current Assets</b>	<b>727 583</b>	<b>772 154</b>	<b>777 572</b>	<b>777 528</b>	<b>781 511</b>
Payables	5 711	5 220	5 328	6 903	5 591
Provision for employee entitlements	24 452	29 187	32 488	29 227	28 556
Other	1 300	5 520	0	4 340	0
<b>Total Current Liabilities</b>	<b>31 463</b>	<b>39 927</b>	<b>37 816</b>	<b>40 470</b>	<b>34 147</b>
Provision for employee entitlements	73 844	70 905	69 343	64 994	61 971
<b>Total Non-Current Liabilities</b>	<b>73 844</b>	<b>70 905</b>	<b>69 343</b>	<b>64 994</b>	<b>61 971</b>
<b>Net Assets</b>	<b>700 300</b>	<b>738 692</b>	<b>740 173</b>	<b>736 391</b>	<b>746 931</b>
Reserves	1 021	4 212	4 212	4 212	4 212
Retained surpluses	699 279	734 480	735 961	732 179	742 719
<b>Total Equity</b>	<b>700 300</b>	<b>738 692</b>	<b>740 173</b>	<b>736 391</b>	<b>746 931</b>

### Comment

Cash and deposit accounts include cash and bank balances held by schools and colleges (2004-05, \$34.058m) and cash held in the Special Deposits and Trust Fund (2004-05, \$32.459). The cash held in the Special Deposits and Trust Fund increased by \$1.189m principally due to the creation of the Community Health and Well Being Account, \$14.121m, offset by a reduction of \$12.877m in the Department's Operating Account. The reduction in the Department's Operating Account was primarily the result of the cessation of Australian Government programs funded in advance.

The reduction in Receivables in 2003-04 was due mainly to some substantial debtors reductions, including insurance debtors for the Fairview Primary School fire, Commonwealth debtors and workers' compensation claims. The increase in 2004-05 was due to an increase in debts by International Students, changes in debt collection practices by some schools and in relation to a number of specific and miscellaneous debtors to the Department.

Property, plant and equipment decreased in 2004-05 following a revaluation of school and other Departmental land and buildings. Land increased from \$54.977m in 2003-04 to \$270.994m in 2004-05. However, buildings decreased from \$692.975m in 2003-04 to \$412.640m in 2004-05. As part of calculating the value and depreciation of buildings, as well as taking into account the age of the buildings, a building occupancy factor was applied for the first time. In applying this factor the



independent valuer considered the likely building occupancy requirements for schools.

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 following the adoption of a new accounting standard.

Other current liabilities in 2001-02 and 2003-04 consisted of Appropriation carried forward and Teachers' Registration Fees paid in advance. The amount in 2004-05 consisted of Teachers' Registration and International Student fees paid 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

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from Government	688 228	638 449	614 998	582 223	562 284
Australian Government grants	7 796	11 407	16 404	17 866	14 116
Receipts from customers	65 286	67 199	58 246	70 030	51 133
Interest received	1 859	1 860	1 821	1 768	2 322
Payments to suppliers and employees	( 739 584)	( 696 957)	( 668 897)	( 648 749)	( 627 483)
<b>Cash from operations</b>	<b>23 585</b>	<b>21 958</b>	<b>22 572</b>	<b>23 138</b>	<b>2 372</b>
Proceeds from sale of property, plant and equipment	87	731	680	575	368
Payments for property, plant and equipment	( 26 714)	( 13 819)	( 19 185)	( 20 582)	( 15 111)
<b>Cash used in investing activities</b>	<b>( 26 627)</b>	<b>( 13 088)</b>	<b>( 18 505)</b>	<b>( 20 007)</b>	<b>( 14 743)</b>
<b>Net increase/(decrease) in cash</b>	<b>( 3 042)</b>	<b>8 870</b>	<b>4 067</b>	<b>3 131</b>	<b>( 12 371)</b>
Cash at the beginning of the period	69 694	60 824	56 757	53 626	65 997
<b>Cash at end of the period</b>	<b>66 652</b>	<b>69 694</b>	<b>60 824</b>	<b>56 757</b>	<b>53 626</b>

## Comment

The increase in cash for 2003-04 largely reflected revenue received in advance, \$5.520m.

Australian Government grants have been reducing since 2001-02 with the cessation of various programmes.

Receipts from customers increased significantly from 2000-01 due to GST refunds and was higher in 2001-02 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 and in 2004-05 increased capital expenditure on school upgrades.

## FINANCIAL ANALYSIS

	<b>Bench Mark</b>	<b>2004-05</b>	<b>2003-04</b>	<b>2002-03</b>	<b>2001-02</b>	<b>2000-01</b>
<b>Financial Performance</b>						
Result from operations (\$'000s)		19 666	( 1 208)	4 945	( 3 574)	( 12 803)
Operating margin	>1.0	1.03	1.00	1.01	0.99	0.98
<b>Financial Management</b>						
Current ratio	>1	2.48	1.94	1.84	1.59	1.80
Debt collection	30 days	64	35	38	39	43
Creditor turnover	30 days	10	9	10	15	13
<b>Other information</b>						
Teacher numbers FTEs		4,954	4,962	4,950	4,953	4,946
Total staff numbers FTEs		8,013	7,799	7,705	7,674	7,616
Average staff costs (\$'000s)		62	60	58	56	54

## Comment

The Result from operations excludes non-operating revenue and non-operating expenses and would normally result in a deficit. This 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 Capital Appropriations, Australian Government 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, as was the case in 2004-05.

Outstanding days receivables increased in 2004-05 due to an increase in debts by International Students, a change in debt collection practices by some schools, workers compensation claims to be reimbursed, and debts for Australian Government programmes.

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

The number of staff has increased over the past years, especially between 2003-04 and 2004-05. This increase is principally related to the inclusion of Adult Education, staff from On-Line Access Centres, new positions in relation to Vocational Education and Learning, and new staff as a result of

other Government initiatives, such as school cluster administration support officers.

## 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, Financial Position or Cash Flows.

### Administered Revenues and Expenses

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from government	37 083	34 224	32 861	35 244	33 427
Australian Government grants	193 758	176 524	160 569	154 672	141 992
User charges, fees and fines	343	7 212	6 749	6 557	6 893
Other operating revenue	1 476	1 464	1 538	1 288	1 261
<b>Total Revenue</b>	<b>232 660</b>	<b>219 424</b>	<b>201 717</b>	<b>197 761</b>	<b>183 573</b>
Grants and subsidies	142 186	125 085	114 320	112 629	102 336
<b>Total Expenses</b>	<b>142 186</b>	<b>125 085</b>	<b>114 320</b>	<b>112 629</b>	<b>102 336</b>
<b>Result from operations</b>	<b>90 474</b>	<b>94 339</b>	<b>87 397</b>	<b>85 132</b>	<b>81 237</b>
Transfer to Consolidated Fund	90 481	94 375	87 436	84 718	81 325
<b>Net Result from Operations</b>	<b>( 7)</b>	<b>( 36)</b>	<b>( 39)</b>	<b>414</b>	<b>( 88)</b>

### Comment

Australian Government grants were received for funding of public schools (2004-05, \$58.892m), non-government schools (\$105.106m) and TAFE colleges (\$28.360m).

The main component of User charges, fees and fines was for State Library Services, which was discontinued from 2004-05 as a result of a State and Local Government neutrality agreement.

Grants and subsidies consist mainly of grants to non-Government schools, (2004-05, \$34.339m) and allocations to non-government schools by the Australian Government Department of Education, Science and Training (2004-05, \$105.106m). Grant revenues and expenditures increased principally due to additional funding related to TAFE and IT issues.

While the Schedule of Administered Revenues and Expenses shows a high result from operations, most of this consists of Commonwealth grants that

are transferred to the Consolidated Fund and included in Appropriation to the Department for expenditure on schools and TAFE.

## Administered Assets and Liabilities

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	365	477	362	502	101
Receivables	12	22	58	97	10
<b>Total Current Assets</b>	<b>377</b>	<b>499</b>	<b>420</b>	<b>599</b>	<b>111</b>
Payables	0	115	0	140	33
<b>Total Current Liabilities</b>	<b>0</b>	<b>115</b>	<b>0</b>	<b>140</b>	<b>33</b>
Payables	0	0	0	0	33
<b>Total Non-Current Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>33</b>
<b>Net Assets</b>	<b>377</b>	<b>384</b>	<b>420</b>	<b>459</b>	<b>45</b>
Retained surpluses	377	384	420	459	45
<b>Total Equity</b>	<b>377</b>	<b>384</b>	<b>420</b>	<b>459</b>	<b>45</b>

## Comment

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

## Administered Cash Flows

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from Government	37 083	34 224	32 731	35 244	33 427
Australian Government grants	193 758	176 524	160 569	154 672	141 992
Receipts from customers	1 714	8 827	8 326	7 758	8 191
Grants and subsidies	( 142 186)	( 125 085)	( 114 320)	( 112 555)	( 102 424)
Transfers to the Consolidated Fund	( 90 481)	( 94 375)	( 87 446)	( 84 718)	( 81 325)
<b>Cash from operations</b>	<b>( 112)</b>	<b>115</b>	<b>( 140)</b>	<b>401</b>	<b>( 139)</b>
<b>Net increase/(decrease) in cash</b>	<b>( 112)</b>	<b>115</b>	<b>( 140)</b>	<b>401</b>	<b>( 139)</b>
Cash at the beginning of the period	477	362	502	101	240
<b>Cash at end of the period</b>	<b>365</b>	<b>477</b>	<b>362</b>	<b>502</b>	<b>101</b>

## Comment

Australian Government grants for TAFE, schools and childcare have been increasing over the five-year period, with corresponding payments to Non-Government Schools (included in Grants and subsidies) and TAFE (included in transfers to the Consolidated Fund).

## **OVERALL COMMENT**

Both on cash and accrual bases, the position of the Department, with the exception of the land and building revaluations in 2004-05, has been fairly consistent for the period under review. The audit for 2004-05 was completed with satisfactory results.

## 2.3 DEPARTMENT OF HEALTH AND HUMAN SERVICES

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### 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.

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## **AUDIT OF THE 2004-05 FINANCIAL STATEMENTS**

Financial statements of the Department were received on 15 August 2005. Revised statements were received on 19 October 2005 and an unqualified opinion was issued on 19 October 2005. Without qualification to the opinion expressed, an emphasis of matter was included drawing attention to the valuation of Housing Tasmania dwelling stock. This also applied to the Housing Tasmania opinion. Further details are provided under the overall comment below.

The financial statements of the Tasmanian Ambulance Service were received on 19 October 2005 and an unqualified opinion was issued on the same day.

Housing Tasmania and HOAP financial statements were received on 15 August 2005. Final revised statements for Housing Tasmania and for HOAP were received on 19 October 2005 and an unqualified audit report was issued on the same day.

### **OVERALL COMMENT**

Housing Tasmania's dwellings stock and vacant land were disclosed in the financial statements at a carrying value of \$1.542b. The value is based on independent valuations from the Valuer-General, in accordance with his municipal revaluation cycle, which takes seven years to value the entire state. Between such valuations, Housing Tasmania, utilises indices obtained from the Valuer-General to ensure that valuations each year approximate fair value.

However, at the time that the valuation listing was updated, approximately 16% of total properties, worth an estimated \$280m, had not been independently revalued by the Valuer-General since 1995-1996. Furthermore, approximately \$695m of rental dwellings, or 41% of the total, has not been revalued for over 5 years. While it is acknowledged that valuations for all properties have been indexed by factors provided by the Valuer-General, the use of indices should only be regarded as a short-term measure.

Due to timing of the receipt of the final signed financial statements, a detailed financial analysis is not provided. This will be included in my report to Parliament to be tabled early next year.

## **2.4 DEPARTMENT OF INFRASTRUCTURE, ENERGY AND RESOURCES**

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### **INTRODUCTION**

The Department of Infrastructure, Energy and Resources 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 is 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 Department's financial report encompasses all funds through which it controls resources to carry on its functions and includes the activities of the WorkCover Tasmania Board and the Forest Practices Board as administered entities. Also included in 2004-05 for the first time is the Abt Railway Ministerial Corporation, which is now reported as controlled by the Department.

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

### **AUDIT OF THE 2004-05 FINANCIAL STATEMENTS**

Signed statements were received on 15 August 2005. Amended statements were received on 9 September 2005. An unqualified audit report was issued on 6 October 2005.



## FINANCIAL RESULTS

### FINANCIAL PERFORMANCE

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Recurrent appropriation	91 277	44 332	43 072	40 703	40 013
Capital appropriation	85 690	69 484	73 243	70 198	82 325
Commonwealth grants	974	2 342	971	426	5 347
User charges, fees and fines	1 798	1 309	1 244	776	539
Other operating revenue	8 966	8 107	16 096	20 606	2 474
Non-operating revenue	34 213	27	104	29 121	1 437
<b>Total Revenue</b>	<b>222 918</b>	<b>125 601</b>	<b>134 730</b>	<b>161 830</b>	<b>132 135</b>
Employee expenses	36 102	34 744	33 666	31 339	29 823
Depreciation	79 560	79 812	79 338	72 121	66 693
Grants and subsidies	46 163	1 635	2 132	2 527	269
Other operating expenses	42 722	47 393	50 246	46 278	44 131
Non-operating expenses	216	3 999	13 844	3 648	12 032
<b>Total Expenses</b>	<b>204 763</b>	<b>167 583</b>	<b>179 226</b>	<b>155 913</b>	<b>152 948</b>
<b>Result from Ordinary Activities</b>	<b>18 155</b>	<b>( 41 982)</b>	<b>( 44 496)</b>	<b>5 917</b>	<b>( 20 813)</b>

### Comment

In a normal financial year the Department would operate at a deficit because it is not funded for depreciation. Capital appropriations are provided to fund capital expenditure and asset maintenance costs. The fluctuating Result from Ordinary Activities arises due to the various factors detailed below. A more realistic picture of the Department's operational performance is detailed in the segment of this Report dealing with the Financial Analysis of the Department.

The amount of controlled Recurrent appropriations in 2004-05 was \$91.277m, and Grants and subsidies was \$46.163m, as a result of bus and other transport subsidies being reclassified from administered to controlled transactions.

In terms of the capital appropriation, in 2004-05 \$59.751m of the \$85.690m represented appropriation for capitalised roads and bridges improvements (2003-04: \$37.896m). The remainder of this appropriation was for expenditure primarily related to routine maintenance on roads and bridges and improvements to other departmental assets.

Commonwealth grants 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. The increase in 2004-05 was largely due to the introduction of the Building Permit Levy.

Other operating revenue increased in 2001-02 due to the inclusion of \$19.001m received under the Government's Infrastructure program, but has reduced in subsequent years.

Non-operating revenue generally comprises proceeds from the disposal of non-current assets. In 2001-02 it included the recoupment of prior years' road revaluation decrements, \$28.976m, following an upward revaluation of the State's road network. Further comment in this regard is provided later in this segment of this Report. During 2004-05 the Department consolidated the Abt Railway Ministerial Corporation into its financial statements, bringing to account assets at a value of \$34.212m on the Statement of Financial Position, and an equivalent amount of revenue in the Statement of Financial Performance.

Over the five years under review, employee expenses increased by \$6.279m or 21%. This was due to increases in staff numbers by 57 FTE (representing \$2.850m or 45% of the increase) and salary indexation of \$3.429m.

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

Non-operating expenses in 2000-01 included \$11.176m 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 materials costs, which resulted in a revaluation increment of \$168.866m. In accordance with Australian Accounting Standards, a portion of this increment was taken 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

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and deposit accounts	3 477	2 238	5 860	6 381	14 150
Receivables	1 271	552	376	239	213
Other	4 036	5 252	3 741	2 119	1 247
<b>Total Current Assets</b>	<b>8 784</b>	<b>8 042</b>	<b>9 977</b>	<b>8 739</b>	<b>15 610</b>
Infrastructure, property & equipment	3 550 122	3 302 599	3 084 055	2 835 386	2 675 970
Receivables	226	226	233	238	255
<b>Total Non-Current Assets</b>	<b>3 550 348</b>	<b>3 302 825</b>	<b>3 084 288</b>	<b>2 835 624</b>	<b>2 676 225</b>
Payables	1 807	1 803	2 017	2 655	1 877
Employee entitlements	4 228	4 105	5 020	4 619	4 673
Other	1 032	463	3 433	1 090	0
<b>Total Current Liabilities</b>	<b>7 067</b>	<b>6 371</b>	<b>10 470</b>	<b>8 364</b>	<b>6 550</b>
Employee entitlements	6 194	6 088	5 880	5 433	4 815
<b>Total Non-Current Liabilities</b>	<b>6 194</b>	<b>6 088</b>	<b>5 880</b>	<b>5 433</b>	<b>4 815</b>
<b>Net Assets</b>	<b>3 545 871</b>	<b>3 298 408</b>	<b>3 077 915</b>	<b>2 830 566</b>	<b>2 680 470</b>
Asset Revaluation Reserve	933 021	703 977	441 505	143 757	126
Accumulated Surplus	2 612 850	2 594 431	2 636 410	2 686 809	2 680 344
<b>Total Equity</b>	<b>3 545 871</b>	<b>3 298 408</b>	<b>3 077 915</b>	<b>2 830 566</b>	<b>2 680 470</b>

## 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.

Other current assets are chiefly prepayments of property rental, the annual Austroads contribution and information technology support, the amount of which varies annually.

Infrastructure, property and equipment consists of the State's road infrastructure, land and buildings and plant and equipment. The road infrastructure is revalued each year, based on road condition surveys conducted in February/March of each financial year. This balance includes the Abt Railway transfer referred to previously. After excluding from 2004-05 the impacts of consolidating for the first time the Abt Railway, the Department's investment in Infrastructure, property and equipment increased by \$839.940m or 31% since 30 June 2001. This increase is primarily due to asset revaluations over this five-year period, which is reflected in the increasing balance on the asset revaluation reserve. It is noted that the reserve balance of \$933.021m is greater than the increase in the carrying amount of the asset because annual depreciation charges have exceeded annual investments in capital expenditure.

A measure commonly applied to assessing the performance of local government entities in maintaining their asset base is the ratio of capital expenditure to depreciation. Effective performance is regarded as being 100% assuming that expenditure being incurred on assets is appropriate. This ratio is normally calculated annually and suggests that entities managing infrastructure type assets should be re-investing funds in infrastructure at rates at least equal to the annual depreciation charge.

While DIER is clearly not a local government entity, it manages similar assets and I examined its performance, as assessed by the application of this ratio. Over the past five years DIER's depreciation charges have totalled \$377.524m while amounts invested in road infrastructure during this period amounted to \$263.105m. This represents a ratio of 70% and, assuming the ratio has validity, represents a shortfall of 30% over this period.

However, is it fair to suggest that DIER has "under invested" in road infrastructure, as measured by this ratio, over the past five years? Various factors need to be examined in considering this further including:

- The annual depreciation charge may be too high (due to inappropriate lives being attributed to infrastructure assets);
- Insufficient investment is being made in the road network;
- The impact on the depreciation charge of regular revaluations of the infrastructure assets;
- The levels of maintenance expenditures; and/or
- The impact of the current high levels of inflation in the building sector.

There are, no doubt, many other factors to be considered and I recommend that DIER review its current levels of investment in light of the above and other factors (see DIER's response to this recommendation at the end of this chapter).

Other current liabilities represents income received in advance.

The Department generally operates at a deficit each year despite which it has significant accumulated surpluses totalling \$2 612.850m at 30 June 2005. In the main the accumulated surpluses represent the adjustment required when bringing net assets to account upon adopting accrual accounting.

The Asset revaluation reserve primarily relates to road infrastructure. Of the total increment of \$229.044m for 2004-05, \$44.374m comprised roads revaluation, \$146.260m for land under roads, and \$38.334m for bridges. Comparable amounts for the prior year were \$73.478m for roads, \$150.144m for land under roads, and \$38.770 for bridges. The large revaluation increases in land under roads in recent years reflected the Department's methodology of using the surrounding municipal land valuations as the basis of the land under roads value. Accordingly, large increases in land values, particularly surrounding the Hobart and Launceston areas, have caused the marked increase in this component of the road infrastructure asset.

## CASH POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from Government	177 468	110 845	118 657	111 979	122 338
Commonwealth grants	584	2 342	970	426	5 347
Receipts from customers	24 304	20 588	30 240	21 351	3 707
Payments to suppliers and employees	( 137 327)	( 97 675)	( 97 851)	( 80 183)	( 76 190)
<b>Cash from operations</b>	<b>65 029</b>	<b>36 100</b>	<b>52 016</b>	<b>53 573</b>	<b>55 202</b>
Gross proceeds from disposal of assets	1	27	106	11	12
Payments for acquisition of assets	( 63 791)	( 39 749)	( 50 774)	( 61 353)	( 47 438)
<b>Cash used in investing activities</b>	<b>( 63 790)</b>	<b>( 39 722)</b>	<b>( 50 668)</b>	<b>( 61 342)</b>	<b>( 47 426)</b>
<b>Net increase (decrease) in cash</b>	<b>1 239</b>	<b>( 3 622)</b>	<b>1 348</b>	<b>( 7 769)</b>	<b>7 776</b>
Cash at the beginning of the period	2 238	5 860	4 512	14 150	6 374
<b>Cash at end of the period</b>	<b>3 477</b>	<b>2 238</b>	<b>5 860</b>	<b>6 381</b>	<b>14 150</b>

## Comment

It would be reasonable to expect that in a normal financial year the Department would achieve break even in cash terms from operations and after net expenditure on capital expenditure. This has been the case in each of the last three financial years.

Revenue from Government and Payments to suppliers and employees were higher in 2004-05 than prior years as a result of the reclassification of bus and other transport subsidies as controlled transactions.

Receipts from customers increased in 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 relate mainly to road infrastructure. The amounts fluctuate due to particular works programs carried out by the Department, which is 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 of \$4.512m was not the same as cash at the end of 2001-02 of \$6.381m.

## FINANCIAL ANALYSIS

	Bench Mark	2004-05	2003-04	2002-03	2001-02	2000-01
<b>Financial Performance</b>						
Result from operations (\$'000s)		( 15 842)	( 38 010)	( 30 756)	( 19 556)	( 10 218)
Operating margin	>1.0	0.92	0.77	0.81	0.87	0.93
<b>Financial Management</b>						
Debt collection	30 days	142	91	74	63	68
Creditor turnover	30 days	11	10	5	7	6
<b>Other information</b>						
Staff numbers FTEs		658	674	619	608	601
Average staff costs (\$'000s)		55	52	54	52	50

## Comment

The Department's main source of operating revenue is its annual appropriation from Government. Its largest expense is the annual depreciation charge, for which the Department is not funded. Accordingly, this results in a negative operating result each year.

Debt collection has been in excess of the benchmark in each of the years under review. The abnormally long time for debt collection in 2004-05 was caused by invoices totalling \$0.802m raised in June 2005, including the Australian Greenhouse Office and Hobart Water. These invoices were not paid until August and September 2005 respectively. In addition, \$0.369m relates to billings for the West Coast Wilderness Railway (WCWR) before June 2005, of which \$0.308m was over 90 days old. These invoices are the subject of continuing discussion. The Department considers them to be collectible.

Prior years Receivable balances also included significant billings in May and June that resulted in high debt collection days. Debts relating to the Motor Accidents Insurance Board were included in both 2002-03 and 2003-04 and debts were also due by the WCRC in 2003-04. If these debtors are excluded, the average turnover is 31 days.

## 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, Financial Position or Cash Flows. Administered areas for the Department include the Forest Practices Board and the Workplace Safety Board. Until 2004-05 payments to school bus operators and to Metro Tasmania Pty Ltd in respect of the

Company's Community Service Obligation, as well as a range of other grants and subsidy items, were also classified as administered transactions, but are now reported as 'controlled'.

## Administered Revenues and Expenses

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Recurrent Appropriation	15 036	57 201	54 630	51 432	50 854
Commonwealth grants	31 623	14 098	24 862	21 372	32 355
User charges, fees and fines	53 822	43 971	40 117	36 523	36 343
Other operating revenue	6 105	218 101	277 348	209 691	187 209
<b>Total Revenue</b>	<b>106 586</b>	<b>333 371</b>	<b>396 957</b>	<b>319 018</b>	<b>306 761</b>
Employee entitlements	2 949	2 612	2 309	2 173	2 044
Depreciation	12	17	16	23	23
Grants and subsidies	16 124	56 113	56 076	51 788	50 330
Assets transferred	0	490 810	31 141	0	0
Other operating expenses	3 136	214 832	193 878	175 407	168 974
<b>Total Expenses</b>	<b>22 221</b>	<b>764 384</b>	<b>283 420</b>	<b>229 391</b>	<b>221 371</b>
<b>Result from operations</b>	<b>84 365</b>	<b>( 431 013)</b>	<b>113 537</b>	<b>89 627</b>	<b>85 390</b>
Transfer to Consolidated Fund	84 901	56 520	61 155	57 422	67 577
<b>Net Result from Operations</b>	<b>( 536)</b>	<b>( 487 533)</b>	<b>52 382</b>	<b>32 205</b>	<b>17 813</b>

## Comment

In 2004-05 the amount of administered Recurrent appropriations was \$15.036m, and Grants and subsidies was \$16.124m as a result of bus and other transport subsidies being reclassified as controlled transactions.

Commonwealth grants were received for road funding and were transferred to the Consolidated Fund for appropriation through the budget process. The fluctuations are the result of variations in Commonwealth allocations of National Road Funds.

User charges, fees and fines relates mainly to mineral royalties, driver licensing and vehicle registration. The increase in 2004-05 was mainly from mineral royalties.

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. From 2004-05 the collection and transfer of revenue collected on behalf of other agencies and organisations (\$225.956m in 2004-05) was excluded from the statements.

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

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and deposit accounts	3 543	3 567	3 725	1 543	1 819
Receivables	3 262	3 382	2 407	354	424
Other	0	40	0	2 124	1 763
<b>Total Current Assets</b>	<b>6 805</b>	<b>6 989</b>	<b>6 132</b>	<b>4 021</b>	<b>4 006</b>
Property, plant and equipment	19	18	34	52	50
Investments	67	22	490 810	438 807	406 061
Receivables	0	0	5	5	5
<b>Total Non-Current Assets</b>	<b>86</b>	<b>40</b>	<b>490 849</b>	<b>438 864</b>	<b>406 116</b>
Payables	2 935	2 624	1 283	1 387	1 380
Employee entitlements	261	209	231	226	238
Other	321	321	4 112	2 309	2 052
<b>Total Current Liabilities</b>	<b>3 517</b>	<b>3 154</b>	<b>5 626</b>	<b>3 922</b>	<b>3 670</b>
Employee entitlements	402	367	314	284	258
<b>Total Non-Current Liabilities</b>	<b>402</b>	<b>367</b>	<b>314</b>	<b>284</b>	<b>258</b>
<b>Net Assets</b>	<b>2 972</b>	<b>3 508</b>	<b>491 041</b>	<b>438 679</b>	<b>406 194</b>
Accumulated surpluses	2 972	3 508	491 041	438 679	406 194
<b>Total Equity</b>	<b>2 972</b>	<b>3 508</b>	<b>491 041</b>	<b>438 679</b>	<b>406 194</b>

## 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 provision for doubtful debts.

As discussed previously, 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.

Payables increased from 2003-04 as a result of the reclassification of controlled and administered transactions.

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



## Administered Cash Flows

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from Government	15 036	57 262	54 685	51 631	50 854
Commonwealth grants	31 623	14 098	24 862	21 372	32 355
Receipts from customers	60 350	260 923	231 414	224 727	211 787
Interest received	85	65	64	46	118
Payments to suppliers and employees	( 107 105)	( 332 506)	( 310 724)	( 298 032)	( 297 031)
<b>Cash from operations</b>	<b>( 11)</b>	<b>( 158)</b>	<b>301</b>	<b>( 256)</b>	<b>( 1 917)</b>
Gross proceeds from the disposal of assets	0	0	30	5	0
Payments for acquisition of assets	( 13)	0	( 18)	( 25)	( 14)
<b>Cash used in investing activities</b>	<b>( 13)</b>	<b>0</b>	<b>12</b>	<b>( 20)</b>	<b>( 14)</b>
<b>Net increase/(decrease) in cash</b>	<b>( 24)</b>	<b>( 158)</b>	<b>313</b>	<b>( 276)</b>	<b>( 1 931)</b>
Cash at the beginning of the period	3 567	3 725	3 412	1 819	3 750
<b>Cash at end of the period</b>	<b>3 543</b>	<b>3 567</b>	<b>3 725</b>	<b>1 543</b>	<b>1 819</b>

## Comment

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

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

## OVERALL COMMENT

The operating result for the Department is normally a deficit due to the impact of depreciation of the roads network, but was a surplus in 2004-05 as the result of the consolidation of the Abt Railway Ministerial Corporation assets.

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.

***With regard to the recommendation that DIER review its current levels of investment in road infrastructure, DIER has responded as follows:***

*The agency has a "maintenance-first" policy to ensure effective and efficient resourcing decisions on the road infrastructure with the available funds. The total amount of funding provided for roads infrastructure is of course beyond the immediate control of the Agency and is subject to the allocation of State and Commonwealth funds. As also referred to in this report, the 30% shortfall is assuming the validity of the ratio used to support this recommendation. The Department would be reluctant to*

*commit resources to determining the extent to which the other factors mentioned may explain this ratio, given that the remedy for each factor is a book adjustment which means that the level of investment is appropriate.*

The 2004-05 was completed with satisfactory results.

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## **2.5 DEPARTMENT OF JUSTICE**

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### **INTRODUCTION**

The Department of Justice 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 2004-05 FINANCIAL STATEMENTS**

Signed financial statements of the Department were received on 15 August 2005, with amended statements received on 14 October 2005. An unqualified audit report was issued on 14 October 2005.

## FINANCIAL RESULTS

### FINANCIAL PERFORMANCE

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	73 031	61 027	59 004	54 018	53 431
Capital Appropriation	13 559	14 772	4 309	1 315	394
Commonwealth grants	47	60	57	47	123
User charges, fees and fines	5 050	5 794	5 767	6 522	6 654
Other operating revenue	8 431	11 745	10 014	6 378	1 985
Non-operating revenue	30	109	1 371	0	0
<b>Total Revenue</b>	<b>100 148</b>	<b>93 507</b>	<b>80 522</b>	<b>68 280</b>	<b>62 587</b>
Employee expenses	52 844	49 467	48 310	41 260	40 823
Depreciation	2 065	2 046	2 782	5 502	6 446
Grants and Subsidies	4 515	4 007	3 422	3 197	3 127
Other operating expenses	27 797	26 698	26 094	22 315	16 651
Non-operating expenses	24	11	4 976	0	0
<b>Total Expenses</b>	<b>87 245</b>	<b>82 229</b>	<b>85 584</b>	<b>72 274</b>	<b>67 047</b>
<b>Result from Ordinary Activities</b>	<b>12 903</b>	<b>11 278</b>	<b>( 5 062)</b>	<b>( 3 994)</b>	<b>( 4 460)</b>

### Comment

Recurrent Appropriations increased by 36% over the period under review from \$53.431m in 2000-01 to \$73.031m in 2003-04, an average increase of \$4.900 per annum. The increase in Recurrent Appropriations in 2004-05 primarily relates to additional funding for the 'Safe at Home' initiative, prison operations, development of Monetary Penalties Enforcement System and transfer of Criminal Injuries Compensation Fund from administered to controlled in 2004-05.

The Capital Appropriation increased significantly in 2003-04, due to the commencement of the Prison Infrastructure Redevelopment Program, which continued into 2004-05 with an expected completion date of 2006.

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 2002-03 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 amount of \$1.371m for non-operating income represents the recognition of assets that the Department owned but had not previously brought to account.

Depreciation expenses increased in 2000-01 due 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 from \$6.446m in 2000-01 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's 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, this would account for approximately \$3.218m of the increase. The remainder of the variance can be attributable to salary award increases across the Department as well as increases in annual and long service leave entitlements. Employee expenses increased by \$6.629m to \$52.844m in 2004-05, primarily due to an increase in FTE's (from 710 to 740) and annual and long service leave entitlements and related on-costs.

The increase in other operating expenses for 2001-02 is consistent with the respective increase in other operating revenues noted in that year as the Department netted off some revenues and expenses against one another in 2000-01. The increase in 2002-03 is mainly due to consultancies in respect of the development of the prison infrastructure. Included in other operating expenses in 2004-05 is \$4.235m that was transferred from administered to controlled relating to costs awarded to victims of crime. This increase was offset by decreases in other operating expenses.

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

## FINANCIAL POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	5 557	6 182	6 088	3 023	2 315
Receivables	1 180	2 008	728	1 796	1 480
Inventories	379	395	318	252	251
Other	0	10 061	0	0	0
<b>Total Current Assets</b>	<b>7 116</b>	<b>18 646</b>	<b>7 134</b>	<b>5 071</b>	<b>4 046</b>
Property, plant and equipment	103 519	76 803	76 492	69 371	74 381
Other	1 751	991	1 105	1 179	1 285
<b>Total Non-Current Assets</b>	<b>105 270</b>	<b>77 794</b>	<b>77 597</b>	<b>70 550</b>	<b>75 666</b>
Payables	5 195	1 644	1 510	1 221	981
Provisions	5 088	4 723	5 689	4 785	4 973
Other	55	2 030	0	263	0
<b>Total Current Liabilities</b>	<b>10 338</b>	<b>8 397</b>	<b>7 199</b>	<b>6 269</b>	<b>5 954</b>
Provisions	5 659	4 557	5 324	5 184	5 596
Other	0	0	0	0	0
<b>Total Non-Current Liabilities</b>	<b>5 659</b>	<b>4 557</b>	<b>5 324</b>	<b>5 184</b>	<b>5 596</b>
<b>Net Assets</b>	<b>96 389</b>	<b>83 486</b>	<b>72 208</b>	<b>64 168</b>	<b>68 162</b>
Reserves	13 102	13 102	13 102	0	0
Retained surpluses	83 287	70 384	59 106	64 168	68 162
<b>Total Equity</b>	<b>96 389</b>	<b>83 486</b>	<b>72 208</b>	<b>64 168</b>	<b>68 162</b>

### Comment

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

Receivables 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 Justice Andrew Inglis Clarke 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. The 2004-05 balance for receivables decreased by \$0.828m due to the GST receivable reducing by \$0.288m and user charges debtors being lower by \$0.538m. The decrease in user charges was primarily a result of improved collection of debtors and \$0.322m one off debtors incurred in 2003-04.

The high Other asset in 2003-04 represents 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.

The decrease in Property, plant and equipment from \$74.381m in 2000-01 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 of \$26.716m to \$103.519m in 2004-05 was primarily due to the Prison Infrastructure Redevelopment Program expenditure totalling \$27.647m.

The increase in Other non-current assets of \$0.760m to \$1.751m was due to the Monetary Penalties Enforcement Project (software development) expenditure totalling \$0.822m.

The increase in current payables of \$3.551m to \$5.195m in 2004-05 is primarily due to one accrual totalling \$3.016m relating to the Prison Infrastructure Redevelopment Program.

The increase in current provisions noted in 2002-03 of \$0.904m was due to a rise 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. Total provisions increased by \$1.467m in 2004-05 due to increases in annual leave entitlements of \$0.257m, long service leave entitlements of \$1.024m and accrued salaries of \$0.186m.

The increase in other current liabilities in 2003-04 related to appropriation carried forward under section 8A of the *Public Account Act 1986* in respect to the Prison Infrastructure Redevelopment Program.

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

## CASH POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	84 560	75 799	63 313	55 333	53 826
Commonwealth grants	47	60	57	47	123
Receipts from customers	19 187	22 099	16 500	11 375	10 198
Payments to suppliers and employees	( 87 962)	( 85 578)	( 75 849)	( 65 597)	( 63 328)
Borrowing costs	0	0	0	0	0
<b>Cash from operations</b>	<b>15 832</b>	<b>12 380</b>	<b>4 021</b>	<b>1 158</b>	<b>819</b>
Payments for property, plant and equipment	( 16 457)	( 12 286)	( 355)	( 450)	( 157)
Proceeds from sale of property, plant and equipment	0	0	0	0	0
<b>Cash used in investing activities</b>	<b>( 16 457)</b>	<b>( 12 286)</b>	<b>( 355)</b>	<b>( 450)</b>	<b>( 157)</b>
<b>Net increase/(decrease) in cash</b>	<b>( 625)</b>	<b>94</b>	<b>3 666</b>	<b>708</b>	<b>662</b>
Cash at the beginning of the period	6 182	6 088	2 422	2 315	1 653
<b>Cash at end of the period</b>	<b>5 557</b>	<b>6 182</b>	<b>6 088</b>	<b>3 023</b>	<b>2 315</b>

## Comment

Cash balance at the beginning of the period in 2002-03, \$2.422m, differs from Cash at the end of the period in 2001-02, \$3.023, due to a correction relating to the Westpac Clearing Account.

The increase in appropriations received, \$63.313m in 2002-03, \$75.799m in 2003-04 and \$84.560m in 2004-05, are consistent with the increases noted within the Financial Performance section of this summary. Similarly, the increases in payments to suppliers and employees are also consistent with the Statement of Financial Performance.

The \$12.286m noted for payments for Property, plant and equipment includes the \$10.061m prepayment for the Prison Infrastructure Development project. The \$16.457m payments for Property, plant and equipment in 2004-05 relates primarily to the Prison Infrastructure Redevelopment Program and the Monetary Penalties Enforcement Project.

## FINANCIAL ANALYSIS

	Bench Mark	2004-05	2003-04	2002-03	2001-02	2000-01
<b>Financial Performance</b>						
Result from operations (\$'000s)		12 897	11 180	( 1 457)	( 3 994)	( 4 460)
Operating margin	>1.0	1.15	1.14	0.98	0.94	0.93
<b>Financial Management</b>						
Current ratio	>1	0.69	2.22	0.99	0.81	0.68
Debt collection	30 days	32	22	17	51	63
Creditor turnover	30 days	29	22	21	20	2
<b>Other information</b>						
Staff numbers FTEs		740	763	733	697	700
Average staff costs (\$'000s)		71	65	66	59	58

## Comment

The Department recorded a negative result from operations in the first three years of this analysis, at an average loss of \$3.303m per annum. However, the result is a surplus from operations of \$11.180m for the 2003-04 and \$12.897m for 2004-05, which is predominately due to funds being received for the capital works at the prison.

The low 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 current ratio steadily improved from 0.68 in 2000-01 to 0.99 in



2002-03. The improvement noted in 2000-01 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 result for 2004-05 of 0.69 has been influenced by the decrease in the prepayment referred to and an increase in payables, which was primarily due to a \$3.016m accrual relating to the prison works.

The debt collection ratio was quite high for 2000-01, 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. The decrease in 2004-05 is due to improvements in collections as referred to in the financial position section above.

## 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, Financial Position, or Cash Flows.

The Department's administered statements include 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

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	1 544	5 012	3 632	4 724	3 676
Commonwealth grants	3 774	3 747	3 806	0	0
User charges, fees and fines	19 570	14 881	13 968	15 316	15 752
Other operating revenue	6 068	6 670	6 207	11 303	4 731
<b>Total Revenue</b>	<b>30 956</b>	<b>30 310</b>	<b>27 613</b>	<b>31 343</b>	<b>24 159</b>
Other operating expenses	8 480	7 844	8 330	10 341	6 081
<b>Total Expenses</b>	<b>8 480</b>	<b>7 844</b>	<b>8 330</b>	<b>10 341</b>	<b>6 081</b>
<b>Result from operations</b>	<b>22 476</b>	<b>22 466</b>	<b>19 283</b>	<b>21 002</b>	<b>18 078</b>
Transfer to Consolidated Fund	21 569	21 254	18 396	17 047	17 059
<b>Net Result from Operations</b>	<b>907</b>	<b>1 212</b>	<b>887</b>	<b>3 955</b>	<b>1 019</b>

## Comment

In 2003-04, Other operating expenses includes grants and subsidies paid of \$5.012m. During 2004-05 recurrent appropriation and related expenses in respect to Criminal Injuries Compensation Fund were reclassified from Administered to Controlled.

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 is the case in each of the five years under review, identifies that there are revenues earned which have not been collected, and a deficit represents a collection of prior year revenues in the following year. These movements are reflected in the administered receivables noted in the following table.

## Administered Assets and Liabilities

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	449	767	860	1 059	528
Receivables	13 703	12 528	11 212	10 590	7 204
<b>Total Current Assets</b>	<b>14 152</b>	<b>13 295</b>	<b>12 072</b>	<b>11 649</b>	<b>7 732</b>
Payables	83	92	81	673	673
Other	0	0	0	0	0
<b>Total Current Liabilities</b>	<b>83</b>	<b>92</b>	<b>81</b>	<b>673</b>	<b>673</b>
Other	0	0	0	12	12
<b>Total Non-Current Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>12</b>
<b>Net Assets</b>	<b>14 069</b>	<b>13 203</b>	<b>11 991</b>	<b>10 964</b>	<b>7 047</b>
Retained surpluses	14 069	13 203	11 991	10 964	7 047
<b>Total Equity</b>	<b>14 069</b>	<b>13 203</b>	<b>11 991</b>	<b>10 964</b>	<b>7 047</b>

## Comment

Consistent with the comments noted above regarding the FCS, the fluctuations in receivables are in line with the amounts noted for transfers to the consolidated fund. It should also be noted that the gross receivable totals are significantly higher than the net receivable shown above. This is due to a significant level of doubtful debts provision. For example, in 2004-05, gross receivables amounted to \$39.573m with a provision for doubtful debts of \$23.555m and a provision for expected remissions of \$2.387m.

The level of doubtful debts has been significant for many years. However, for 2000-01 and 2001-02, the ratio of doubtful debts to total receivables

decreased moderately as the Fines Enforcement Unit instigated new procedures to follow up these outstanding debts. This is reflected in the increase of \$3.386m in debtor balances between 2000-01 and 2001-02 in line with the increased expectation for recovery.

A new Monetary Penalties Enforcement Project commenced in 2004-05 which includes the development of software to manage the fines debtors. It is also noted that subsequent to the reporting date the Department of Police and Public Safety commenced an investigation in to the accuracy of red light cameras which has brought in to question fines previously issued. These fines issued have been recorded in the administered accounts since the inception of the red light cameras, some of which are recorded as debtors as at the reporting date. At 30 June 2005 the investigation had not been completed and the financial effect, if any, of this event has not been recognised as the impact is not reliably estimable at signing date. It is anticipated that the impact, if any, will be identified and recorded in the 2005-06 statements.

## Administered Cash Flows

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	1 544	5 012	3 632	4 712	3 676
Commonwealth grants	3 774	3 747	3 806	0	0
Receipts from customers	24 461	20 235	19 567	23 212	17 224
Payments to suppliers and employees	( 8 487)	( 7 833)	( 8 808)	( 10 308)	( 3 983)
Transfers to Consolidated Fund	( 21 569)	( 21 254)	( 18 396)	( 17 047)	( 17 059)
<b>Cash from operations</b>	<b>( 277)</b>	<b>( 93)</b>	<b>( 199)</b>	<b>569</b>	<b>( 142)</b>
<b>Net increase/(decrease) in cash</b>	<b>( 277)</b>	<b>( 93)</b>	<b>( 199)</b>	<b>569</b>	<b>( 142)</b>
<b>Reclassification to carry forward to Trustee</b>	<b>( 41)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cash at the beginning of the period	767	860	1 059	490	670
<b>Cash at end of the period</b>	<b>449</b>	<b>767</b>	<b>860</b>	<b>1 059</b>	<b>528</b>

## Comment

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

## OVERALL COMMENT

The 2004-05 audit was completed with satisfactory results.

## **2.6 DEPARTMENT OF POLICE AND PUBLIC SAFETY**

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### **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 2004-05 FINANCIAL STATEMENTS**

Signed financial statements were received on 18 August 2005 and an unqualified audit report was issued on 14 September 2005.

## FINANCIAL RESULTS

### FINANCIAL PERFORMANCE

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	136 309	127 870	115 754	111 420	106 668
Capital Appropriation	1 016	1 921	1 562	1 026	526
Commonwealth grants	1 024	1 336	430	229	856
User charges, fees and fines	4 598	4 187	2 238	2 027	1 577
Other operating revenue	3 650	4 740	4 433	5 207	3 046
Non-operating revenue	35	138	590	1 329	219
<b>Total Revenue</b>	<b>146 632</b>	<b>140 192</b>	<b>125 007</b>	<b>121 238</b>	<b>112 892</b>
Depreciation	2 381	1 411	1 325	1 363	1 788
Employee expenses	111 563	98 495	94 525	92 894	84 176
Other operating expenses	37 745	35 370	30 163	29 268	27 062
Non-operating expenses	0	444	394	858	668
<b>Total Expenses</b>	<b>151 689</b>	<b>135 720</b>	<b>126 407</b>	<b>124 383</b>	<b>113 694</b>
<b>Result from Ordinary Activities</b>	<b>( 5 057)</b>	<b>4 472</b>	<b>( 1 400)</b>	<b>( 3 145)</b>	<b>( 802)</b>

### Comment

During the period under review the Department's recurrent appropriation increased by 28% or \$29.641m. Set out below are reasons for relevant movements on a year-by-year basis. In the main, the increase has been to fund a 33% (\$27.387m) increase in employee costs over this period. Employee costs rose due to 115 additional staff, representing \$6.555m of the increase, and increases in pay awarded of \$20.832m.

The increase in recurrent appropriation in 2003-04 reflected new initiative funding to counter terrorism, as well as for handgun law reform. Further increases in 2004-05 related to new initiatives including "Safe at Home" and "Project U-Turn" as well as salary and wage indexation and funding for the cost of council rate payments.

The increase in user charges in 2003-04 reflected salary reimbursements for various secondments by police officers and also contributed to the operating surplus for that year.

Other operating revenue in 2001-02 included an amount of \$2.600m drawn from the Infrastructure Fund, used for building and infrastructure maintenance.

Non-operating revenue in 2001-02 included \$0.808m, which represented 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 increased in 2004-05 due to the revaluation of property, plant and equipment in 2003-04.

Other operating expenses in 2001-02 included \$1.800m relating to building and infrastructure maintenance. Expenses in 2003-04 included \$2.848m associated with the buy-back of handguns. Increases in 2004-05 related mainly to vehicle costs including fuel of approximately \$1.000m.

## FINANCIAL POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	816	2 448	683	2 445	2 334
Receivables	248	954	497	698	919
Inventories	652	322	359	378	387
Other	1 091	827	352	0	159
<b>Total Current Assets</b>	<b>2 807</b>	<b>4 551</b>	<b>1 891</b>	<b>3 521</b>	<b>3 799</b>
Property, plant and equipment	101 144	88 783	58 525	58 063	57 126
<b>Total Non-Current Assets</b>	<b>101 144</b>	<b>88 783</b>	<b>58 525</b>	<b>58 063</b>	<b>57 126</b>
Payables	2 299	1 781	2 233	1 756	1 452
Provisions	16 080	14 461	16 452	16 303	14 933
Other Current Liabilities	0	1 968	444	1 928	0
<b>Total Current Liabilities</b>	<b>18 379</b>	<b>18 210</b>	<b>19 129</b>	<b>19 987</b>	<b>16 385</b>
Provisions	18 344	15 839	15 623	14 526	14 327
<b>Total Non-Current Liabilities</b>	<b>18 344</b>	<b>15 839</b>	<b>15 623</b>	<b>14 526</b>	<b>14 327</b>
<b>Net Assets</b>	<b>67 228</b>	<b>59 285</b>	<b>25 664</b>	<b>27 071</b>	<b>30 213</b>
Reserves	30 896	30 896	1 748	1 748	1 748
Retained surpluses	36 332	28 389	23 916	25 323	28 465
<b>Total Equity</b>	<b>67 228</b>	<b>59 285</b>	<b>25 664</b>	<b>27 071</b>	<b>30 213</b>

## Comment

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

Receivables decreased in 2004-05 as a result of improved debtor practices.

Inventories increased in 2004-05 due to the purchase of protective vests.

Land and buildings were revalued in 2003-04, which increased the reserve significantly. An additional \$13.000m of property was acquired during 2004-05 at no cost, but was treated as an equity injection from the Crown and contributed to the increase in retained surpluses. This related to the Police building at 32 Bathurst Street, Hobart that was transferred to the Department from Treasury. Provisions have been steadily rising over the years due mainly to increased salary indexation. In total the provisions have increased by \$5.164m since 30 June 2001.

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.

## CASH POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	135 357	129 441	117 666	114 374	107 194
Commonwealth grants	1 592	715	430	331	864
Receipts from customers	12 306	14 486	7 662	10 433	6 570
Payments to suppliers and employees	( 149 170)	( 139 921)	( 125 403)	( 123 301)	( 113 110)
<b>Cash from operations</b>	<b>85</b>	<b>4 721</b>	<b>355</b>	<b>1 837</b>	<b>1 518</b>
Payments for property, plant and equipment	( 1 752)	( 2 966)	( 2 183)	( 1 779)	( 121)
Proceeds from sale of property, plant and equipment	35	10	67	52	219
<b>Cash used in investing activities</b>	<b>( 1 717)</b>	<b>( 2 956)</b>	<b>( 2 116)</b>	<b>( 1 727)</b>	<b>98</b>
<b>Net increase/(decrease) in cash</b>	<b>( 1 632)</b>	<b>1 765</b>	<b>( 1 761)</b>	<b>110</b>	<b>1 616</b>
Cash at the beginning of the period	2 448	683	2 444	2 334	718
<b>Cash at end of the period</b>	<b>816</b>	<b>2 448</b>	<b>683</b>	<b>2 444</b>	<b>2 334</b>

## 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. Further increases in 2004-05 relates to new initiatives including "Safe at Home" and "Project U-Turn" as well as salary and wage indexation and funding for the cost of council rate payments.

Increases in receipts from customers in 2001-02 included Infrastructure Program funds of \$2.600m, while for 2003-04 the increase consisted of salary reimbursements for secondments of various police officers.

The increase in payments to suppliers and employees 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 and in 2004-05, increases were mainly attributed to salary indexation and increased numbers of staff.

## FINANCIAL ANALYSIS

	<b>Bench Mark</b>	<b>2004-05</b>	<b>2003-04</b>	<b>2002-03</b>	<b>2001-02</b>	<b>2000-01</b>
<b>Financial Performance</b>						
Result from operations (\$'000s)		( 5 092)	4 778	( 1 596)	( 3 616)	( 353)
Operating margin	>1.0	0.97	1.04	0.99	0.97	1.00
<b>Financial Management</b>						
Debt collection	30 days	11	47	17	17	31
Creditor turnover	30 days	24	12	24	22	24
<b>Other information</b>						
Staff numbers FTEs		1 589	1 535	1 503	1 517	1 474
Average staff costs (\$'000s)		70	64	63	61	57

### Comment

The operating surplus for 2003-04 related to an increased recurrent appropriation. Staff numbers and staff costs include both sworn and unsworn officers.

Average staff costs have increased 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 Statements of Financial Performance, Financial Position or Cash Flows.



## Administered Revenues and Expenses

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	0	0	0	0	0
Commonwealth grants	0	0	0	0	0
User charges, fees and fines	1 208	1 108	1 193	2 159	492
Other operating revenue	0	0	0	181	156
<b>Total Revenue</b>	<b>1 208</b>	<b>1 108</b>	<b>1 193</b>	<b>2 340</b>	<b>648</b>
Depreciation	0	0	0	0	0
Other operating expenses	0	0	0	746	766
<b>Total Expenses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>746</b>	<b>766</b>
<b>Result from operations</b>	<b>1 208</b>	<b>1 108</b>	<b>1 193</b>	<b>1 594</b>	<b>( 118)</b>
Transfer to Consolidated Fund	1 208	1 108	1 193	2 159	443
<b>Net Result from Operations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>( 565)</b>	<b>( 561)</b>

## 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. In the main this revenue source now comprises search fees and firearms licences/registrations.

## Administered Assets and Liabilities

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	0	0	0	( 3)	559
<b>Total Current Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>( 3)</b>	<b>559</b>
Property, plant and equipment	0	0	0	0	0
<b>Total Non-Current Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Payables	0	0	0	3	0
Borrowings	0	0	0	0	0
Provisions	0	0	0	0	0
Other	0	0	0	0	0
<b>Total Current Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>
Provisions	0	0	0	0	0
<b>Total Non-Current Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>( 6)</b>	<b>559</b>
Retained surpluses	0	0	0	( 6)	559
<b>Total Equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>( 6)</b>	<b>559</b>

## Comment

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

## Administered Cash Flows

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	0	0	0	0	0
Commonwealth grants	0	0	0	0	0
Receipts from customers	1 208	1 108	1 193	2 339	648
Payments to suppliers and employees	( 1 208)	( 1 108)	( 1 193)	( 2 901)	( 1 127)
<b>Cash from operations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>( 562)</b>	<b>( 479)</b>
Repayment of borrowings	0	0	0	0	( 125)
<b>Cash from financing activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>( 125)</b>
<b>Net increase/(decrease) in cash</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>( 562)</b>	<b>( 604)</b>
Cash at the beginning of the period	0	0	0	559	1 163
<b>Cash at end of the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>( 3)</b>	<b>559</b>

## Comment

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

## **OVERALL COMMENT**

The deficit of \$5.057m in 2004-05 was mainly due to increased depreciation charges, and increased salary costs that flow through into higher employee provisions.

The 2004-05 audit was completed with satisfactory results.

## **2.7 DEPARTMENT OF PREMIER AND CABINET**

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### **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, the Minister for Justice and Industrial Relations and the Minister for Women Tasmania.

### **AUDIT OF THE 2004-05 FINANCIAL STATEMENTS**

Signed financial statements were received on 19 August 2005 and an unqualified audit report was issued on 7 October 2005.

### **FINANCIAL RESULTS**

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 the 2001-02 and 2002-03 results.

## FINANCIAL PERFORMANCE

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	42 184	37 579	32 437	30 627	26 960
Grants	1 087	1 807	1 698	897	2 444
User charges, fees and fines	27 085	25 752	24 102	4 850	4 784
Other operating revenue	1 129	1 434	3 113	1 982	1 339
Non-operating revenue	0	1	0	0	2
<b>Total Revenue</b>	<b>71 485</b>	<b>66 573</b>	<b>61 350</b>	<b>38 356</b>	<b>35 529</b>
Depreciation	517	610	654	120	124
Employee expenses	29 521	27 083	25 291	18 665	18 311
Grants and subsidies	1 693	1 272	0	0	0
Other operating expenses	40 081	38 393	35 055	19 995	16 206
Non-operating expenses	0	49	0	0	5
<b>Total Expenses</b>	<b>71 812</b>	<b>67 407</b>	<b>61 000</b>	<b>38 780</b>	<b>34 646</b>
<b>Result from Ordinary Activities</b>	<b>( 327)</b>	<b>( 834)</b>	<b>350</b>	<b>( 424)</b>	<b>883</b>

### Comment

In a normal financial year the Department would operate at a deficit because it is not funded for depreciation. Capital appropriations are provided to fund capital expenditure and asset maintenance costs. The fluctuating Result from Ordinary Activities arises due to the various factors detailed below. A more realistic picture of the Department's operational performance is detailed in the segment of this Report dealing with the Financial Analysis of the Department.

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. Increases in 2004-05 included Tsunami Aid appeal, \$0.579m, refurbishment of TMD computer room, \$0.600m and IT and grants projects.

A reduction in 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 2002-03 due to the inclusion of TMD operations and a consolidation of Department-wide phone services with Tasinet, in line with the increased Tasinet revenue. Expenses for 2004-05 included communications of \$15.957m, transfers to *Service Tasmania* lead agencies (\$8.593m), rent (\$3.647m) and information technology ( \$2.377m).

## FINANCIAL POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	4 129	5 511	4 541	3 127	3 457
Receivables	1 171	1 303	2 660	795	825
Other	3 869	2 961	2 756	225	248
<b>Total Current Assets</b>	<b>9 169</b>	<b>9 775</b>	<b>9 957</b>	<b>4 147</b>	<b>4 530</b>
Property, plant and equipment	1 468	1 203	1 315	353	348
<b>Total Non-Current Assets</b>	<b>1 468</b>	<b>1 203</b>	<b>1 315</b>	<b>353</b>	<b>348</b>
Payables	1 386	1 308	1 176	402	323
Provisions	2 897	2 912	3 629	2 360	2 419
Other	1 324	1 808	1 614	0	0
<b>Total Current Liabilities</b>	<b>5 607</b>	<b>6 028</b>	<b>6 419</b>	<b>2 762</b>	<b>2 742</b>
Provisions	3 976	3 811	2 880	2 462	2 435
Other	242	0	0	0	0
<b>Total Non-Current Liabilities</b>	<b>4 218</b>	<b>3 811</b>	<b>2 880</b>	<b>2 462</b>	<b>2 435</b>
<b>Net Assets</b>	<b>812</b>	<b>1 139</b>	<b>1 973</b>	<b>( 724)</b>	<b>( 299)</b>
Reserves	62	62	62	0	0
Accumulated surplus (deficit)	750	1 077	1 911	( 724)	( 299)
<b>Total Equity</b>	<b>812</b>	<b>1 139</b>	<b>1 973</b>	<b>( 724)</b>	<b>( 299)</b>

## 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 in 2004-05 consisted mainly of revenue received in advance and provision for payroll tax.

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

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.

## CASH POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	41 600	38 163	32 437	30 627	26 960
Grants	1 087	2 261	1 243	897	2 444
Receipts from customers	35 147	33 708	33 259	9 408	7 421
Payments to suppliers and employees	( 78 433)	( 72 616)	( 66 343)	( 41 136)	( 35 710)
<b>Cash from operations</b>	<b>( 599)</b>	<b>1 516</b>	<b>596</b>	<b>( 204)</b>	<b>1 115</b>
Payments for property, plant and equipment	( 783)	( 547)	( 586)	( 126)	( 136)
Proceeds from sale of property, plant and equipment	0	1	0	0	2
<b>Cash used in investing activities</b>	<b>( 783)</b>	<b>( 546)</b>	<b>( 586)</b>	<b>( 126)</b>	<b>( 134)</b>
<b>Net increase/(decrease) in cash</b>	<b>( 1 382)</b>	<b>970</b>	<b>10</b>	<b>( 330)</b>	<b>981</b>
Cash at the beginning of the period	5 511	4 541	4 531	3 457	2 476
<b>Cash at end of the period</b>	<b>4 129</b>	<b>5 511</b>	<b>4 541</b>	<b>3 127</b>	<b>3 457</b>

## 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.

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 at 30 June 2002 (\$3.127m) not equalling the opening cash in the following year (\$4.531m).

## FINANCIAL ANALYSIS

	Bench Mark	2004-05	2003-04	2002-03	2001-02	2000-01
<b>Financial Performance</b>						
Result from operations (\$'000s)		( 327)	( 786)	350	( 424)	886
Operating margin	>1.0	1.00	0.99	1.01	0.99	1.03
<b>Financial Management</b>						
Debt collection	30 days	15	17	38	42	49
Creditor turnover	30 days	13	12	12	7	13
<b>Other information</b>						
Staff numbers FTEs		407	406	391	367	360
Average staff costs (\$'000s)		73	67	65	51	51

## Comment

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

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

The higher average staff costs from 2002-03 onward resulted from increased salary rates and the inclusion of TMD expenses as controlled rather than administered. TMD staff were previously included in the staff numbers (FTEs) and the increase in average staff costs reflects the higher salaries of these officers.

## 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, Financial Position or Cash Flows.

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 reported results.

### Administered Revenues and Expenses

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	607	562	1 949	1 762	1 836
Commonwealth grants	0	11 034	2 981	3 571	1 810
User charges, fees and fines	0	0	0	17 715	15 587
Other revenue	10	16	45	101	558
<b>Total Revenue</b>	<b>617</b>	<b>11 612</b>	<b>4 975</b>	<b>23 149</b>	<b>19 791</b>
Depreciation	0	0	0	561	298
Transfers to third parties	26 278	0	3 522	2 539	2 060
Grants and subsidies	0	0	1 438	1 338	1 461
Other expenses	596	563	521	17 618	16 140
<b>Total Expenses</b>	<b>26 874</b>	<b>563</b>	<b>5 481</b>	<b>22 056</b>	<b>19 959</b>
<b>Result from operations</b>	<b>( 26 257)</b>	<b>11 049</b>	<b>( 506)</b>	<b>1 093</b>	<b>( 168)</b>
Transfer to Consolidated Fund	10	27	34	24	9
<b>Net Result from Operations</b>	<b>( 26 267)</b>	<b>11 022</b>	<b>( 540)</b>	<b>1 069</b>	<b>( 177)</b>

### Comment

Grants received increased significantly in 2003-04 due to the receipt of Regional Forest Agreement (RFA) and Private Forests Reserve Program (PFRP) funds.



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 (for example to Forestry Tasmania), which fluctuate from year to year. In 2004-05 RFA funding was transferred to the Department of Primary Industries, Water and Environment. The transfer of \$26.278m recorded above was the balance of cash on hand at 30 June 2004 – see Administered Assets and Liabilities in the next section.

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

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	0	26 278	15 244	17 054	14 994
Receivables	0	0	11	2 736	2 526
Other	0	0	0	523	377
<b>Total Current Assets</b>	<b>0</b>	<b>26 278</b>	<b>15 255</b>	<b>20 313</b>	<b>17 897</b>
Property, plant and equipment	0	0	0	944	674
<b>Total Non-Current Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>944</b>	<b>674</b>
Payables	0	0	0	1 054	587
Provisions	0	0	10	939	897
Other	0	11	0	1 060	129
<b>Total Current Liabilities</b>	<b>0</b>	<b>11</b>	<b>10</b>	<b>3 053</b>	<b>1 613</b>
Other	0	0	0	166	0
Provisions	0	0	0	98	88
<b>Total Non-Current Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>264</b>	<b>88</b>
<b>Net Assets</b>	<b>0</b>	<b>26 267</b>	<b>15 245</b>	<b>17 940</b>	<b>16 870</b>
Retained surpluses	0	26 267	15 245	17 940	16 870
<b>Total Equity</b>	<b>0</b>	<b>26 267</b>	<b>15 245</b>	<b>17 940</b>	<b>16 870</b>

## Comment

Cash increased in 2003-04 due to funds received under the RFA and PFRP. All RFA funds were transferred to the Department of Primary Industries, Water and Environment in 2004-05.

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 awaiting disbursement.

## Administered Cash Flows

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Appropriations	607	562	1 949	1 762	1 836
Commonwealth grants	0	11 034	3 010	3 552	1 811
Receipts from customers	10	27	34	20 331	17 505
Payments for employee entitlements	( 607)	( 562)	( 511)	( 4 317)	( 3 220)
Other payments	( 26 288)	( 27)	( 4 994)	( 18 437)	( 17 927)
Interest received	0	0	0	0	4
<b>Cash from operations</b>	<b>( 26 278)</b>	<b>11 034</b>	<b>( 512)</b>	<b>2 891</b>	<b>9</b>
Payments for P, P & Equipment	0	0	0	( 831)	( 414)
Proceeds from sale of P, P & E	0	0	0	0	0
<b>Cash used in investing activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>( 831)</b>	<b>( 414)</b>
<b>Net increase/(decrease) in cash</b>	<b>( 26 278)</b>	<b>11 034</b>	<b>( 512)</b>	<b>2 060</b>	<b>( 405)</b>
Cash at the beginning of the period	26 278	15 244	15 756	14 994	15 399
<b>Cash at end of the period</b>	<b>0</b>	<b>26 278</b>	<b>15 244</b>	<b>17 054</b>	<b>14 994</b>

## Comment

Reasons for variations in cash flow amounts and cash balances reflect the comments made previously for variations in the Statements of Administered Revenues and Expenses and Assets and Liabilities.

## OVERALL COMMENT

The 2004-05 audit was completed with satisfactory results.

## **2.8 DEPARTMENT OF PRIMARY INDUSTRIES, WATER AND ENVIRONMENT**

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### **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 and the Tasmanian Heritage Office being transferred to the 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 2004-05 FINANCIAL STATEMENTS**

Signed financial statements were received on 16 August 2005. Due to changes to the statements during the course of the audit they were re-signed on 28 September 2005. An unqualified audit report was issued on 4 October 2005.

### **FINANCIAL RESULTS**

As the Department was restructured in August 2002, reported results 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

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	74 417	69 489	75 747	77 016	79 659
Capital Appropriation	1 512	154	154	5 485	1 479
Infrastructure funding	1 845	1 625	0	0	0
Grants	48 137	24 355	13 681	28 168	31 996
User charges, fees and fines	10 199	10 264	8 645	9 934	12 466
Other operating revenue	25 476	25 639	35 276	19 524	15 340
Non-operating revenue	11 307	14 656	3 667	48 802	2 243
<b>Total Revenue</b>	<b>172 893</b>	<b>146 182</b>	<b>137 170</b>	<b>188 929</b>	<b>143 183</b>
Depreciation	3 267	3 381	3 726	9 382	7 002
Employee expenses	65 978	62 349	61 409	70 309	67 751
Grants and subsidies	11 343	22 614	28 053	17 165	14 565
Other operating expenses	59 441	50 096	37 640	48 585	50 078
Non-operating expenses	5 690	8 015	1 984	11 340	14 561
<b>Total Expenses</b>	<b>145 719</b>	<b>146 455</b>	<b>132 812</b>	<b>156 781</b>	<b>153 957</b>
<b>Result from Ordinary Activities</b>	<b>27 174</b>	<b>( 273)</b>	<b>4 358</b>	<b>32 148</b>	<b>( 10 774)</b>

### Comment

Recurrent appropriations increased in 2004-05 to fund new initiatives including Natural Resource Management, Regional Forest Agreement (RFA) review and quarantine services. The reduction in 2003-04 was due to \$8.833m of appropriations being treated as administered. Capital appropriations decreased in 2002-03 due to the restructure.

The reduction in Grants in 2002-03 reflected the restructure in that year. The increase in 2003-04 included an additional \$9.210m for Natural Resource Management. During 2004-05 the Department received a transfer of RFA funding from the Department of Premier and Cabinet of \$26.278m, which contributed to the high operating result. These funds are committed to the RFA and will be spent in future years.

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 2002-03 and 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 at that time 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 being proceeds from the disposal of non current assets. Non-operating revenue in 2004-05 consisted of \$7.984m in proceeds from the disposal of non current assets

and \$3.323m in previously unrecorded assets. Non-current asset sales relate primarily to sales of Crown land.

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. These costs increased in 2004-05 due to an additional 45 FTE staff and salary increases.

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

Other operating expenses in 2003-04 included a transfer of \$11.603m from the Crown Land Administration Fund (CLAF) trust account to the Consolidated Fund. Other operating expenses in 2004-05 included an amount of \$11.060m relating to agreements and costs associated with the RFA.

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

## FINANCIAL POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	83 691	59 498	53 052	43 537	41 706
Receivables	9 143	6 950	7 329	2 775	1 321
Inventories	1 404	1 251	1 931	2 016	2 016
Other	1 255	643	1 140	628	1 935
<b>Total Current Assets</b>	<b>95 493</b>	<b>68 342</b>	<b>63 452</b>	<b>48 956</b>	<b>46 978</b>
Property, plant and equipment	238 530	218 228	205 540	466 880	462 540
Receivables	8 545	9 554	10 155	187	0
<b>Total Non-Current Assets</b>	<b>247 075</b>	<b>227 782</b>	<b>215 695</b>	<b>467 067</b>	<b>462 540</b>
Payables	1 035	1 007	1 545	2 145	1 596
Provisions	4 792	5 067	6 698	8 112	8 070
Other	3 674	8 141	3 914	2 644	176
<b>Total Current Liabilities</b>	<b>9 501</b>	<b>14 215</b>	<b>12 157</b>	<b>12 901</b>	<b>9 842</b>
Provisions	11 584	10 617	9 958	11 343	11 120
Other	537	932	1 308	1 665	2 022
<b>Total Non-Current Liabilities</b>	<b>12 121</b>	<b>11 549</b>	<b>11 266</b>	<b>13 008</b>	<b>13 142</b>
<b>Net Assets</b>	<b>320 946</b>	<b>270 360</b>	<b>255 724</b>	<b>490 114</b>	<b>486 534</b>
Capital					
Reserves	45 141	21 730	6 821	25 203	53 771
Retained surpluses	275 805	248 630	248 903	464 911	432 763
<b>Total Equity</b>	<b>320 946</b>	<b>270 360</b>	<b>255 724</b>	<b>490 114</b>	<b>486 534</b>

## Comment

Cash increased in 2002-03, 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 and CLAF of \$17.881m.

The Department's significant cash holdings of \$83.691m at 30 June 2005 comprise:



Receivables increased in 2002-03 due to a reclassification from administered to controlled activities with the majority owed by Australian Bulk Minerals (see comments below under Savage River rehabilitation). The increase in 2004-05 is due to in part to higher GST balances.

Property, plant and equipment decreased in 2002-03 reflecting a reduction in assets due to the restructure. The increase in 2004-05 includes a revaluation increment for buildings of \$23.412m.

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.

Reserves reduced in 2001-02 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 and 2004-05 were attributable to a revaluation of land and a revaluation of buildings, respectively.

## CASH POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	76 723	69 701	78 201	84 801	81 138
Grants	48 137	24 355	13 681	28 168	31 996
Receipts from customers	28 490	41 332	39 432	28 233	30 889
Payments to suppliers and employees	( 137 197)	( 135 392)	( 128 275)	( 134 761)	( 135 642)
Interest received	2 565	861	1 325	0	0
<b>Cash from operations</b>	<b>18 718</b>	<b>857</b>	<b>4 364</b>	<b>6 441</b>	<b>8 381</b>
Payments for property, plant and equipment	( 2 102)	( 1 649)	( 1 993)	( 4 646)	( 4 254)
Proceeds from sale of property, plant and equipment	7 577	7 238	3 151	36	615
<b>Cash used in investing activities</b>	<b>5 475</b>	<b>5 589</b>	<b>1 158</b>	<b>( 4 610)</b>	<b>( 3 639)</b>
<b>Net increase/(decrease) in cash</b>	<b>24 193</b>	<b>6 446</b>	<b>5 522</b>	<b>1 831</b>	<b>4 742</b>
Cash at the beginning of the period	59 498	53 052	47 530	41 706	36 964
<b>Cash at end of the period</b>	<b>83 691</b>	<b>59 498</b>	<b>53 052</b>	<b>43 537</b>	<b>41 706</b>

## 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	2004-05	2003-04	2002-03	2001-02	2000-01
<b>Financial Performance</b>						
Result from operations (\$'000s)		21 557	( 6 914)	2 675	( 5 314)	1 544
Operating margin	>1.0	1.15	0.95	1.02	0.96	1.01
<b>Financial Management</b>						
Debt collection	30 days	327	247	186	31	18
Creditor turnover	30 days	7	10	15	15	12
<b>Other information</b>						
Staff numbers FTEs		1 085	1 040	1 043	1 443	1 404
Average staff costs (\$'000s)		61	60	59	49	48

## Comment

During 2004-05 the Department received a transfer of RFA funding from the Department of Premier and Cabinet of \$26.278m, which contributed to the strong operating result.

The high number of days being taken to collect debtors for 2002-03, 2003-04 and 2004-05 was due principally to the 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 period for 2004-05 was 26 days compared with 63 for 2003-04.

Staff numbers for 2002-03 declined due to the Department's restructure as mentioned previously, however average staff costs increased. Reasons for this increase include changes in the staff profile and the methodology used in calculation of FTE statistics. Increases in staff numbers for 2004-05 related to areas of resource management, RFA and corporate services.

## 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, Financial Position or Cash Flows.

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

### Administered Revenues and Expenses

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	8 935	8 833	0	12 781	12 449
Grants	0	0	0	6 027	5 690
User charges, fees and fines	28 916	30 766	36 547	32 239	37 176
Service Tasmania collections	0	0	0	0	187 218
Other revenue	6 242	11 665	2 413	34 065	19 889
<b>Total Revenue</b>	<b>44 093</b>	<b>51 264</b>	<b>38 960</b>	<b>85 112</b>	<b>262 422</b>
Grants and subsidies	8 707	8 833	0	18 048	16 665
Service Tasmania transfers	0	0	0	0	187 218
Other expenses	0	0	0	5 165	9 952
<b>Total Expenses</b>	<b>8 707</b>	<b>8 833</b>	<b>0</b>	<b>23 213</b>	<b>213 835</b>
<b>Result from operations</b>	<b>35 386</b>	<b>42 431</b>	<b>38 960</b>	<b>61 899</b>	<b>48 587</b>
Transfer to Consolidated Fund	35 253	42 713	38 851	52 264	50 943
<b>Net Result from Operations</b>	<b>133</b>	<b>( 282)</b>	<b>109</b>	<b>9 635</b>	<b>( 2 356)</b>

### Comment

From 2002-03, grant revenues were classified as controlled.

User charges, fees and fines consist mainly of Land Titles Office collections, abalone royalties, marine farm licences and water royalties. Increases during 2000-01 were due to 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 and 2004-05 was due mainly 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.

Other revenue in 2000-01 included an amount of \$11.200m received from the Crown Lands Administration Fund (CLAF). Other revenue for 2001-02 included a receivable of \$14.040m brought to account for the first time 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 and 2004-05 were amounts of \$11.600m and \$6.103m respectively, representing amounts transferred from the CLAF and then transferred to the Consolidated Fund.

Expenditures related to Grants and subsidies and Other were classified as controlled from 2002-03. In 2003-04 and 2004-05 grants that were disbursed by the Department without discretion on behalf of the Government were included as administered transactions. These grants in 2004-05 included contributions to the Rivers and Water Supply Commission of \$2.763m and research grants of \$4.242m.

## Administered Assets and Liabilities

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	0	0	0	11 085	11 593
Receivables	828	648	930	13 483	3 491
Investments	0	0	0	625	625
Other	0	0	0	253	253
<b>Total Current Assets</b>	<b>828</b>	<b>648</b>	<b>930</b>	<b>25 446</b>	<b>15 962</b>
Receivables	602	0	0	0	0
<b>Total Non-Current Assets</b>	<b>602</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other	91	0	0	40	191
<b>Total Current Liabilities</b>	<b>91</b>	<b>0</b>	<b>0</b>	<b>40</b>	<b>191</b>
Other	558	0	0	0	0
<b>Total Non-Current Liabilities</b>	<b>558</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Assets</b>	<b>781</b>	<b>648</b>	<b>930</b>	<b>25 406</b>	<b>15 771</b>
Retained surpluses	781	648	930	25 406	15 771
<b>Total Equity</b>	<b>781</b>	<b>648</b>	<b>930</b>	<b>25 406</b>	<b>15 771</b>

## 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 due by Australian Bulk Minerals 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.

In 2002-03 other current liabilities were reclassified as controlled.

## Administered Cash Flows

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue from Government	8 935	8 833	0	12 781	12 449
Grants	0	0	0	6 027	5 690
Receipts from customers	29 150	31 110	36 438	38 786	39 388
Other cash receipts	6 103	11 603	2 413	17 375	202 884
Grants and subsidies	( 8 935)	( 8 833)	0	( 18 048)	( 16 665)
Payments to suppliers and employees	0	0	0	( 5 165)	( 9 435)
Transfers to Consolidated Fund	( 35 253)	( 42 713)	( 38 851)	( 52 264)	( 50 943)
Transfers to other agencies	0	0	0	0	( 187 218)
Transfers to controlled activities	0	0	( 11 085)	0	0
<b>Cash from operations</b>	<b>0</b>	<b>0</b>	<b>( 11 085)</b>	<b>( 508)</b>	<b>( 3 850)</b>
<b>Net increase/(decrease) in cash</b>	<b>0</b>	<b>0</b>	<b>( 11 085)</b>	<b>( 508)</b>	<b>( 3 850)</b>
Cash at the beginning of the period	0	0	11 085	11 593	15 443
<b>Cash at end of the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11 085</b>	<b>11 593</b>

## Comment

Reasons for variations in cash flow amounts and cash balances reflect the comments made for variations in the Schedule of Administered Revenues and Expenses and movements in the cash amount in the Schedule of Administered 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 2005 was \$13.646m. 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 2006. There was no provision for doubtful debts attached to the receivable in the financial statements. ABM completed work to the value of \$1.215m during 2004-05, whilst interest of \$0.346m was added to the outstanding amount.

## **OVERALL COMMENT**

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 as the Department is responsible for management of the State's Crown Lands, and has been an ongoing project since the Department adopted the accrual basis of reporting.

During the interim audit phase our officers enquired as to policies and procedures surrounding the levying and collection of development offset revenues received from property developers. This work identified that the Department has recently put policies and procedures in place, and their operation will be further reviewed during the 2005-06 audit.

The audit for 2004-05 was completed with satisfactory results.

## **2.9 DEPARTMENT OF TOURISM, PARKS, HERITAGE AND THE ARTS**

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### **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 2004-05 included:

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

As at 30 June 2005 the Responsible Ministers were the Minister for Tourism, Minister for Parks and Heritage and the Minister for the Arts.

### **AUDIT OF THE 2004-05 FINANCIAL STATEMENTS**

Signed financial statements were received on 15 August 2005 and final amended statements were received on 30 September 2005. An unqualified audit report was issued on 4 October 2005.

### **FINANCIAL RESULTS**

Due to the formation of the new Department in July 2002, financial information is only provided for 2002-03, 2003-04 and 2004-05. This information includes the activities of the Tourism Tasmania Board.

## FINANCIAL PERFORMANCE

	2004-05	2003-04	2002-03
	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	62 945	61 675	57 750
Capital Appropriation	101	1 117	3 372
Grants	2 720	1 281	574
User charges, fees and fines	15 751	14 405	11 938
Infrastructure funding	27 198	12 937	0
Other operating revenue	788	1 997	4 309
Non-operating revenue	2 829	3 388	0
Correction of fundamental error	73 062	0	0
<b>Total Revenue</b>	<b>185 394</b>	<b>96 800</b>	<b>77 943</b>
Employee expenses	36 193	35 127	31 641
Depreciation	5 859	8 609	8 512
Grants and subsidies	29 099	12 303	8 593
Other operating expenses	37 096	40 221	38 973
Non-operating expenses	935	227	0
<b>Total Expenses</b>	<b>109 182</b>	<b>96 487</b>	<b>87 719</b>
<b>Result from Ordinary Activities</b>	<b>76 212</b>	<b>313</b>	<b>( 9 776)</b>

### Comment

The increase in recurrent appropriations for 2003-04 reflected additional funding for ongoing operations of the Department.

User charges, fees and fines relates mainly to tourism wholesale revenue and park entry fees. The increase in 2003-04 was mainly attributable to tourism revenues, whilst that for 2004-05 represented increases in park entry fees.

Infrastructure funding in 2004-05 included funding for the York Park development \$9.616m, Symmons Plains infrastructure, \$5.240m, national parks and heritage projects, \$4.310m, and TT Line marketing, \$2.014m. Funding in 2003-04 included \$3.732m for national parks and heritage projects, \$3.600m for the upgrade of York Park and \$3.186m for tourism marketing.

Grants and subsidies have been increasing over the past two years due to a greater level of infrastructure funding, details of which are described above.

Non-operating revenue consists predominantly of assets not previously recognised.

The correction of \$73.062m represents the value of land controlled by the Department, under the *Nature Conservation Act 2002* which had not been previously reported.

The increase in employee expenses for 2003-04 reflected additional staffing and wage increases.

Depreciation reduced in 2004-05 as a result of changing useful lives of walking tracks.

Other operating expenditures included \$12.478m in 2002-03, \$16.789m in 2003-04 and \$12.980m in 2004-05 for advertising, marketing and promotion primarily in the Tourism sector.

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. The large surplus for 2004-05 is due to \$75.798m of land not previously reported.

## FINANCIAL POSITION

	2004-05	2003-04	2002-03
	\$'000s	\$'000s	\$'000s
Cash	8 943	8 487	7 975
Receivables	1 391	1 716	1 796
Other	3 875	1 643	1 012
<b>Total Current Assets</b>	<b>14 209</b>	<b>11 846</b>	<b>10 783</b>
Receivables	207	0	0
Property, plant and equipment	517 960	258 993	261 347
<b>Total Non-Current Assets</b>	<b>518 167</b>	<b>258 993</b>	<b>261 347</b>
Payables	2 746	3 559	4 045
Provisions	3 174	2 886	3 154
Other	2 759	2 185	2 008
<b>Total Current Liabilities</b>	<b>8 679</b>	<b>8 630</b>	<b>9 207</b>
Provisions	5 021	5 100	5 040
<b>Total Non-Current Liabilities</b>	<b>5 021</b>	<b>5 100</b>	<b>5 040</b>
<b>Net Assets</b>	<b>518 676</b>	<b>257 109</b>	<b>257 883</b>
Contributed Capital	250 041	250 041	249 278
Reserves	201 886	16 531	18 381
Accumulated surplus (deficit)	66 749	( 9 463)	( 9 776)
<b>Total Equity</b>	<b>518 676</b>	<b>257 109</b>	<b>257 883</b>

## Comment

Other current assets for 2004-05 include GST receivables of \$2.144m and prepayments of \$1.460m.

Property, plant and equipment as at 30 June 2005 included land \$403.170m, infrastructure \$71.280m and buildings of \$39.143m. The increase over 2003-04 was predominantly due to land and buildings being re-valued upwards by \$189.205m and the recognition of \$73.062m of land previously not reported. Reserves have increased as a consequence of the revaluation.

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

Reserves in 2004-05 were revaluation reserves and included land \$182.326m, buildings \$10.669m and infrastructure \$8.797m.

## CASH POSITION

	2004-05	2003-04	2002-03
	\$'000s	\$'000s	\$'000s
Revenue from Government	63 816	62 792	59 584
Grants	29 871	14 218	574
Receipts from customers	22 891	26 256	20 026
Payments to suppliers and employees	( 111 371)	( 98 799)	( 81 110)
Interest received	61	61	63
<b>Cash from operations</b>	<b>5 268</b>	<b>4 528</b>	<b>( 863)</b>
Payments for property, plant and equipment	( 4 745)	( 4 470)	( 3 225)
Proceeds from sale of property, plant and equipment	93	289	0
<b>Cash used in investing activities</b>	<b>( 4 652)</b>	<b>( 4 181)</b>	<b>( 3 225)</b>
Repayment of loans by other entities	110	264	114
Loans made to other entities	( 270)	( 99)	( 145)
<b>Cash from financing activities</b>	<b>( 160)</b>	<b>165</b>	<b>( 31)</b>
<b>Net increase in cash</b>	<b>456</b>	<b>512</b>	<b>( 4 119)</b>
Cash at the beginning of the period	8 487	7 975	12 094
<b>Cash at end of the period</b>	<b>8 943</b>	<b>8 487</b>	<b>7 975</b>

## Comment

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

## FINANCIAL ANALYSIS

	Bench Mark	2004-05	2003-04	2002-03
<b>Financial Performance</b>				
Result from operations (\$'000s)		1 256	( 2 848)	( 9 776)
Operating margin	>1.0	1.01	0.97	0.89
<b>Financial Management</b>				
Debt collection	30 days	32	34	50
Creditor turnover	30 days	27	28	20
<b>Other information</b>				
Average staff numbers FTEs		629	607	562
Average staff costs (\$'000s)		58	58	56

## Comment

Results from operations have improved over the years, due partly to capitalisation of infrastructure funds.

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, Financial Position or Cash Flows.

### Administered Revenues and Expenses

	2004-05	2003-04	2002-03
	\$'000s	\$'000s	\$'000s
Recurrent Appropriation	5 472	3 982	5 139
Capital Appropriation	2 000	2 000	2 000
Commonwealth grants	3 400	3 400	4 300
Other operating revenue	415	445	383
<b>Total Revenue</b>	<b>11 287</b>	<b>9 827</b>	<b>11 822</b>
Grants and subsidies	7 472	5 982	7 139
Other operating expenses	0	0	10 642
<b>Total Expenses</b>	<b>7 472</b>	<b>5 982</b>	<b>17 781</b>
<b>Result from operations</b>	<b>3 815</b>	<b>3 845</b>	<b>( 5 959)</b>
Transfer to Consolidated Fund	3 815	3 845	4 683
<b>Net Result from Operations</b>	<b>0</b>	<b>0</b>	<b>( 10 642)</b>

## Comment

Commonwealth grants represent funds for world heritage purposes.

Grants and subsidies in 2004-05 included payments to the Royal Tasmanian Botanical Gardens of \$2.357m, the Port Arthur Historic Site of \$2.000m, Ten Days on the Island of \$1.600m 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

	2004-05	2003-04	2002-03
	\$'000s	\$'000s	\$'000s
Cash	215	0	0
<b>Total Current Assets</b>	<b>215</b>	<b>0</b>	<b>0</b>
Investments	0	0	20 500
<b>Total Non-Current Assets</b>	<b>0</b>	<b>0</b>	<b>20 500</b>
Other current liabilities	215	0	0
<b>Total Current Liabilities</b>	<b>215</b>	<b>0</b>	<b>0</b>
<b>Net Assets</b>	<b>0</b>	<b>0</b>	<b>20 500</b>
Retained surpluses	0	0	20 500
<b>Total Equity</b>	<b>0</b>	<b>0</b>	<b>20 500</b>

## 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.

The cash balance represents funds carried forward for disbursement to the Tasmanian Symphony Orchestra.

## Administered Cash Flows

	2004-05	2003-04	2002-03
	\$'000s	\$'000s	\$'000s
Revenue from Government	7 687	5 982	7 139
Commonwealth grants	3 400	3 400	4 300
Receipts from customers	415	445	383
Grants and transfer payments	( 11 287)	( 9 827)	( 11 822)
<b>Cash from operations</b>	<b>215</b>	<b>0</b>	<b>0</b>
<b>Cash used in investing activities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net increase in cash</b>	<b>215</b>	<b>0</b>	<b>0</b>
Cash at the beginning of the period	0	0	0
<b>Cash at end of the period</b>	<b>215</b>	<b>0</b>	<b>0</b>

## **Comment**

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

## **OVERALL COMMENT**

The 2004-05 audit of both the Department and Tourism Tasmania was completed with satisfactory results.

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## 2.10 DEPARTMENT OF TREASURY AND FINANCE

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### 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 (3: Finance-General; and 16: Treasury and Finance) of the *Consolidated Fund Appropriation Act 2004*.

During 2003-04 the Department undertook a review of its controlled and administered transactions and reclassified activities of both the Treasury and Finance and the Finance-General Divisions from administered to controlled. After a further review, and to enhance comparability and usefulness, this treatment was discontinued from 1 July 2004. Details are noted in the Department's financial report. Comparative information for 2003-04 is presented in the following tables as though the changes introduced in that year had not been made.

The effect of these changes is that, for purposes of the analysis below, the activities of the Division of Treasury and Finance are reported as controlled and of the Division of Finance-General as administered.

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

### AUDIT OF THE 2004-05 FINANCIAL STATEMENTS

Draft financial statements were received on 5 August 2005. Signed financial statements were received on 15 August 2005 and an unqualified audit report was issued on 12 October 2005.

## FINANCIAL RESULTS

### FINANCIAL PERFORMANCE – Division of Treasury and Finance

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Recurrent appropriations	32 748	29 031	24 688	23 398	22 986
User charges, fees and fines	6 957	6 487	185	420	443
Other operating revenue	4 923	2 869	859	698	792
Gross proceeds from disposal of assets	1 720	3 693	0	0	0
<b>Total Revenue</b>	<b>46 348</b>	<b>42 080</b>	<b>25 732</b>	<b>24 516</b>	<b>24 221</b>
Employee expenses	18 835	17 733	15 543	14 741	14 331
Superannuation	1 906	1 763	1 549	1 465	1 402
Depreciation	86	102	104	74	26
Grants and subsidies	14 945	11 121	0	0	0
Other operating expenses	11 280	13 030	8 054	8 842	8 384
<b>Total Expenses</b>	<b>47 052</b>	<b>43 749</b>	<b>25 250</b>	<b>25 122</b>	<b>24 143</b>
<b>Result from Ordinary Activities</b>	<b>( 704)</b>	<b>( 1 669)</b>	<b>482</b>	<b>( 606)</b>	<b>78</b>

### Comment

Recurrent appropriation and other operating revenues increased in 2003-04 as a result of the reclassification of controlled and administered items, which occurred in that year. During 2004-05 the Bass Strait Community Service Obligation grant increased by \$2.971m over the prior year. From 2003-04, user charges, fees and fines include the Community Support Levy and associated administrative component. Gross proceeds from the disposal of assets relate to land and buildings. Other operating revenue includes Recovery of Infrastructure Fund expenses.

From 2003-04 Grants and subsidies expenses included grants to non-profit organisations and Community Service Obligations.

From 2003-04 Other operating expenses included the transfer of receipts on disposal of assets to the Crown Lands Administration Fund.

## FINANCIAL POSITION – Division of Treasury and Finance

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and deposit accounts	7 849	9 417	2 245	1 622	2 244
Receivables	543	132	15	0	20
Tax assets	318	172	0	0	0
Other current assets	685	242	168	204	104
<b>Total Current Assets</b>	<b>9 395</b>	<b>9 963</b>	<b>2 428</b>	<b>1 826</b>	<b>2 368</b>
Property, equipment and vehicles	868	206	292	303	265
<b>Total Non-Current Assets</b>	<b>868</b>	<b>206</b>	<b>292</b>	<b>303</b>	<b>265</b>
Payables	1 747	642	195	340	175
Employee entitlements	1 702	1 425	1 819	1 760	1 710
<b>Total Current Liabilities</b>	<b>3 449</b>	<b>2 067</b>	<b>2 014</b>	<b>2 100</b>	<b>1 885</b>
Employee entitlements	2 639	2 646	2 430	2 235	2 251
<b>Total Non-Current Liabilities</b>	<b>2 639</b>	<b>2 646</b>	<b>2 430</b>	<b>2 235</b>	<b>2 251</b>
<b>Net Assets</b>	<b>4 175</b>	<b>5 456</b>	<b>( 1 724)</b>	<b>( 2 206)</b>	<b>( 1 503)</b>
Asset revaluation reserve	6	6	6	6	0
Accumulated surplus (deficit)	4 169	5 450	( 1 730)	( 2 212)	( 1 503)
<b>Total Equity</b>	<b>4 175</b>	<b>5 456</b>	<b>( 1 724)</b>	<b>( 2 206)</b>	<b>( 1 503)</b>

### Comment

The increase in Cash and deposit accounts and Other current assets from 2003-04 was primarily due to the reclassification of controlled and administered items, noted previously.

Receivables were higher in 2004-05 due to four outstanding major invoices that have since been paid.

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

Property, equipment and vehicles increased in 2004-05 largely due to acquisition of security equipment for the Franklin Square building.

Payables increased to \$1.747m in 2004-05 due to accrued expenses for the Bass Strait Islands Community Service Obligation and the Public Trustee Community Service Obligation. Both were settled in the new financial year.

The decrease in Equity of \$1.281m in 2004-05 comprised the net operating deficit of \$0.704m and transfers to the Consolidated Fund of \$0.577.

## CASH POSITION – Division of Treasury and Finance

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from Government	32 748	29 031	24 687	23 398	22 986
GST receipts	1 973	2 581	0	0	0
Other cash receipts	11 012	9 376	1 053	1 100	1 560
Employee entitlements	( 18 675)	( 18 139)	( 16 832)	( 16 166)	( 15 177)
Superannuation	( 1 884)	( 1 813)	0	0	0
Grants and subsidies	( 13 837)	( 10 663)	0	0	0
GST payments	( 2 151)	( 2 389)	0	0	0
Transfers to the Consolidated Fund	( 616)	( 329)	0	( 103)	0
Other cash payments	( 11 114)	( 13 518)	( 8 034)	( 8 550)	( 8 477)
<b>Cash from operations</b>	<b>( 2 544)</b>	<b>( 5 863)</b>	<b>874</b>	<b>( 321)</b>	<b>892</b>
Gross proceeds from the disposal of assets	1 727	3 724	0	0	0
Payments for acquisition of assets	( 751)	( 15)	( 251)	( 301)	( 184)
<b>Cash used in investing activities</b>	<b>976</b>	<b>3 709</b>	<b>( 251)</b>	<b>( 301)</b>	<b>( 184)</b>
Cash receipts from restructuring	0	9 326	0	0	0
<b>Cash from financing activities</b>	<b>0</b>	<b>9 326</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net increase/(decrease) in cash</b>	<b>( 1 568)</b>	<b>7 172</b>	<b>623</b>	<b>( 622)</b>	<b>708</b>
Cash at the beginning of the period	9 417	2 245	1 622	2 244	1 536
<b>Cash at end of the period</b>	<b>7 849</b>	<b>9 417</b>	<b>2 245</b>	<b>1 622</b>	<b>2 244</b>

### Comment

As at 30 June 2005 the closing cash balance represents the totals of: T525 Operating Account, \$1.224m (2003-04 - \$1.641m); T615 Contract Management Account, \$4.918m (\$4.680m); and T624 Community Support Levy Account, \$1.707m (\$3.096m).

Cash receipts from restructuring in 2003-04 resulted from the reclassification of controlled and administered transactions in that year. Other cash payments also decreased from 2003-04 due to the reclassification.

Gross proceeds from the disposal of assets represents sales of properties owned by other agencies to be transferred to the Crown Lands Administration Fund.

The decrease in cash at year-end at 30 June 2005 reflects increased activity in the Community Support Levy Account through additional grants being disbursed.

## FINANCIAL ANALYSIS – Division of Treasury and Finance

	Bench Mark	2004-05	2003-04	2002-03	2001-02	2000-01
<b>Financial Performance</b>						
Result from operations (\$'000)		( 865)	( 1 732)	482	( 606)	78
Operating margin	>1.0	0.98	0.96	1.02	0.98	1.00
<b>Financial Management</b>						
Debt collection	30 days	28	7	30	0	16
Creditor turnover	30 days	4	4	7	13	6
<b>Other information</b>						
Staff numbers FTEs		316	297	282	279	271
Average staff costs (\$'000)		60	60	55	53	53

### 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.

## ADDITIONAL FINANCIAL INFORMATION

### Administered Transactions

Administered transactions are those that the Department manages on behalf of the whole of Government. These transactions are shown in the Department's Administered Statements and comprise the activities of Finance-General.

## Administered Revenues and Expenses – Finance General

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Recurrent appropriations	536 880	558 000	464 220	416 042	416 536
Capital appropriations	75 909	96 309	61 256	66 200	40 000
Other revenue from Government	8 672	33 812	1 800	0	0
Australian Government grants	1 725 822	1 641 515	1 514 728	1 421 228	1 299 282
State taxation	698 649	639 147	570 362	526 717	556 476
Gross proceeds on asset sales	28 029	27 528	0	0	0
Other revenue	351 417	492 741	438 551	390 990	345 267
<b>Total Revenue</b>	<b>3 425 378</b>	<b>3 489 052</b>	<b>3 050 917</b>	<b>2 821 177</b>	<b>2 657 561</b>
Borrowing costs	51 248	65 523	75 269	84 656	115 923
Superannuation	164 464	345 193	303 265	235 676	199 481
Depreciation	12 437	10 871	10 203	8 685	6 951
Grants and subsidies	248 726	172 500	152 143	178 133	117 647
Written down value of sold assets	28 331	28 160	0	0	0
Other expenses	611 161	106 556	160 368	117 338	107 522
<b>Total Expenses</b>	<b>1 116 367</b>	<b>728 803</b>	<b>701 248</b>	<b>624 488</b>	<b>547 524</b>
<b>Result from operations</b>	<b>2 309 011</b>	<b>2 760 249</b>	<b>2 349 669</b>	<b>2 196 689</b>	<b>2 110 037</b>
Transfer to Consolidated Fund	2 638 746	2 496 178	2 246 252	2 123 126	2 001 440
<b>Net Result from Operations</b>	<b>( 329 735)</b>	<b>264 071</b>	<b>103 418</b>	<b>73 563</b>	<b>108 597</b>

### Comment

Recurrent appropriations increased in 2002-03 due to a supplementary appropriation to the Economic and Social Infrastructure Fund, offset by a number of savings totalling \$37.168m. The increase in 2003-04 was a result of the reclassification of controlled and administered items, noted previously.

The increase in Australian Government grants over the five year period was principally due to the implementation of tax arrangements between the Australian and State Governments. The increases have been primarily due to higher GST revenues as a result of growth in the total GST revenue pool and an increase in Tasmania's estimated population.

State taxation decreased in 2001-02 due to a reduction in the Payroll Tax rate and threshold, and abolition of the Financial Institution Duty and of the 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. The major sources of tax increases in 2004-05 were: Payroll Tax, due to an increase in employment, wage increases and the payment of payroll taxes by local government for the first time as a result of State Local Government reforms; Financial Transaction Tax, due to an unexpected increase in activity in the commercial property market; Land Tax, due to land values being increased by the Valuer-General; and Casino and Other Gambling Taxes.



Gross proceeds from the disposal of assets and the expense item Written-down value of disposed assets mainly relates to the Government motor vehicle fleet, which was transferred from the Treasury and Finance Division to the Finance General Division's administered activities.

Other revenue in previous years has included increases in the equity investments held in Government Business Enterprises and State-owned Companies following the annual revaluation of Equity investments. However, as noted later in this chapter, there was a net decrease on revaluation of these investments in 2004-05.

Borrowing costs declined as loans were repaid. In 2003-04 borrowings were classified as controlled, and in 2004-05 were reclassified as administered.

The Superannuation expense calculation is based on the movement in the superannuation liability calculated from actuarial valuations. The actuarial liability decreased significantly in 2004-05 because of the net impact of the following: a decrease in unfunded past service liability; increases in salaries (which would increase the expense); compulsory preserved benefits and pensions having a decreased effect on the liabilities; and a greater than expected increase in Contributory Scheme assets.

Depreciation costs have increased since 2000-01 due to:

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

The increase in Grants and subsidies from 2000-01 was due largely to the introduction of the First Home Owners Grant Scheme (FHOGS) and the Petroleum Equalisation Subsidy. The increase in 2001-02 was the result of the commencement of the Infrastructure Fund grants and an increase in FHOGS payments. Both of these items decreased in 2002-03. The FHOGS grants decreased due to the cessation of the Commonwealth funded additional FHOGS grants. 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 (ESIF), offset by a decrease in the FHOGS payments. The increase in 2004-05 included increased payments from ESIF and \$14.500m for the Tasmanian Community Forest Agreement, \$12.500m of which was forwarded to Forestry Tasmania and the remaining \$2.000m was paid to a company associated with a Forestry Tasmania joint venture.

Other expenses increased in 2002-03 due to a payment of \$41.254m to the TT-Line Company Pty Ltd to assist with the purchase of *Spirit of Tasmania I* and *Spirit of Tasmania II*. Other expenses in 2004-05 included a Revaluation expense, \$534.284m principally due to a decrease in equity investments in GBEs and SOCs. This related primarily to a write-down of Hydro Tasmania's generation assets, details of which are provided in the Hydro Tasmania chapter of this Report. The write-down also included a loss associated with the transfer of a building from Treasury to Police, details of which are included in their respective chapters of this Report and in Part A, Significant Matters.

## Administered Assets and Liabilities – Finance General

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and deposit accounts	534 428	600 083	364 128	880 409	724 541
Receivables	56 238	60 419	55 042	48 225	46 354
Other financial assets	16 094	10 320	88 380	21 946	38 002
Other current assets	2 977	4 128	1 630	2 709	2 229
<b>Total Current Assets</b>	<b>609 737</b>	<b>674 950</b>	<b>509 180</b>	<b>953 289</b>	<b>811 126</b>
Property, plant and equipment	102 843	79 224	79 145	80 822	86 999
Infrastructure	23 331	23 061	23 061	0	0
Equity investments	3 774 886	4 196 479	515 912	438 807	406 061
Other financial assets	257 668	263 699	275 902	291 502	312 684
<b>Total Non-Current Assets</b>	<b>4 158 728</b>	<b>4 562 463</b>	<b>894 020</b>	<b>811 131</b>	<b>805 744</b>
Payables	448	764	2 155	359	614
Superannuation	146 594	141 142	130 084	119 241	101 206
Interest-bearing liabilities	268 303	187 917	180 526	752 187	876 446
Other current liabilities	295 555	317 026	320 073	240 117	222 140
<b>Total Current Liabilities</b>	<b>710 900</b>	<b>646 849</b>	<b>632 838</b>	<b>1 111 904</b>	<b>1 200 406</b>
Superannuation	2 145 646	2 100 704	1 878 436	1 687 235	1 575 747
Interest-bearing liabilities	322 627	590 200	775 901	955 981	883 519
Other non-current liabilities	73 173	64 019	33 167	29 860	51 253
<b>Total Non-Current Liabilities</b>	<b>2 541 446</b>	<b>2 754 923</b>	<b>2 687 504</b>	<b>2 673 076</b>	<b>2 510 519</b>
<b>Net Assets</b>	<b>1 516 119</b>	<b>1 835 641</b>	<b>(1 917 142)</b>	<b>(2 020 560)</b>	<b>(2 094 055)</b>
Asset revaluation reserve	19 885	0	0	0	0
Accumulated surplus (deficit)	1 496 234	1 835 641	(1 917 142)	(2 020 560)	(2 094 055)
<b>Total Equity</b>	<b>1 516 119</b>	<b>1 835 641</b>	<b>(1 917 142)</b>	<b>(2 020 560)</b>	<b>(2 094 055)</b>

## Comment

Cash and deposit accounts consist of deposits at call with Tascorp and the bank. Until 2002-03, surplus cash was used to repay maturing debt within a financial year, thus delaying refinancing until the latest possible time and reducing borrowing costs. At the end of each 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 in that year.

The increase in Cash in 2003-04 was a result of increased revenues resulting from favourable economic conditions.

Receivables consist mainly of State Taxes, but also includes interest on loans to public bodies and other recoveries. Some increases are the 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 due in the following financial year.

Other financial assets (both current and non-current) consist of Non-Financial Agreement Debt for Housing and loans made under various Acts of Parliament and to State Authorities. The outstanding balances are generally declining as repayments are being made. The increase in current Other financial assets in 2002-03 was caused by an increase in short-term deposits with Tascorp.

Property, plant and equipment consists of Government properties and the motor vehicle fleet.

Infrastructure consists of the optic fibre cable purchased by the State in 2002-03 for \$23.061m plus additions made since then.

Equity investments consist of the Treasurer's equity in GBEs and State-owned Companies, and had been increasing over each of the reported years, particularly in 2002-03 following a revaluation of Transend Networks Pty Ltd's 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. As noted previously, the decrease in 2004-05 was primarily due to a write-down of Hydro Tasmania's generation assets (\$523.033m), and reductions in the net assets of Forestry Tasmania (\$25.000m).

In 1999 the State Government made significant reforms to superannuation arrangements, including the closure of defined benefit schemes, and capped the unfunded liability. It was accepted, however, that the unfunded liability would continue to increase for a number of years (as salaries increased and members worked additional years of service), but that eventually this liability would decline as membership of the closed schemes declines. It is estimated that the unfunded liability can be eliminated by 30 June 2018.

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

Total Interest-bearing liabilities have declined over the five 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. The reduction in 2004-05 was the result of the maturing of several loans that were not refinanced.

Other current liabilities include: agency accounts, other than those for Finance-General, in the Special Deposit and Trust Fund, 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 Australian Government and not advised to the State until 30 June 2003.

The Asset revaluation reserve of \$19.885m in 2004-05 is the result of the revaluation of Government-owned land and buildings administered by the Department.

As a result of the increase in Equity investments, the Total Equity changed from being negative in prior years to positive from 2003-04.

## Administered Cash Flows – Finance General

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from Government	621 266	654 308	527 714	484 087	456 535
Australian Government grants	1 725 822	1 616 603	1 514 728	1 421 228	1 299 282
State taxation	693 295	637 748	567 927	528 470	548 756
GST receipts	15 527	13 346	18 430	15 708	11 457
Interest received	47 427	32 450	26 110	24 944	30 195
Other cash receipts	313 539	323 559	321 034	300 792	270 385
Superannuation	( 115 743 )	( 112 352 )	( 100 450 )	( 106 309 )	( 99 707 )
Borrowing costs	( 54 018 )	( 70 844 )	( 75 720 )	( 89 962 )	( 134 358 )
GST payments	( 16 298 )	( 13 501 )	( 18 653 )	( 15 595 )	( 11 811 )
Grants and subsidies	( 248 722 )	( 172 718 )	( 140 832 )	( 166 623 )	( 110 406 )
Transfers to the Consolidated Fund	(2 638 868)	(2 497 768)	(2 246 297)	(2 123 127)	(2 001 440)
Other cash payments	( 62 029 )	( 67 432 )	( 131 016 )	( 81 553 )	( 87 775 )
<b>Cash from operations</b>	<b>281 198</b>	<b>343 399</b>	<b>262 975</b>	<b>192 060</b>	<b>171 113</b>
Gross proceeds from disposal of assets	26 320	28 087	29 209	26 397	25 468
Repayments of loans by other entities	9 706	15 167	21 058	16 412	24 383
Receipts from investments	0	60 785	0	0	0
Other cash receipts	0	0	36 690	9 428	13 841
Payment for acquisition of assets	( 42 246 )	( 39 037 )	( 63 277 )	( 37 442 )	( 37 353 )
Net payments for investments	( 99 243 )	( 33 211 )	( 51 904 )	802	( 4 495 )
<b>Cash used in investing activities</b>	<b>( 105 463 )</b>	<b>31 791</b>	<b>( 28 224 )</b>	<b>15 597</b>	<b>21 844</b>
Other cash receipts	0	424 960	0	0	0
Repayment of borrowings	( 234 095 )	( 179 824 )	( 752 404 )	( 51 789 )	( 35 286 )
Other cash payments	( 7 294 )	( 383 000 )	0	0	0
<b>Cash from financing activities</b>	<b>( 241 389 )</b>	<b>( 137 864 )</b>	<b>( 752 404 )</b>	<b>( 51 789 )</b>	<b>( 35 286 )</b>
<b>Net increase/(decrease) in cash</b>	<b>( 65 654 )</b>	<b>237 326</b>	<b>( 517 653 )</b>	<b>155 868</b>	<b>157 671</b>
Cash at the beginning of the period	600 082	362 756	880 409	724 541	566 870
<b>Cash at end of the period</b>	<b>534 428</b>	<b>600 082</b>	<b>362 756</b>	<b>880 409</b>	<b>724 541</b>

## Comment

Australian Government grants increases are chiefly due to increases in GST Grant Revenue, offset by a decrease in the Budget Balancing Assistance Grant.

State taxation increases from 2002-03 to 2004-05 reflect the increased revenue from Financial Transactions Tax, noted previously.

Interest received declined as loans advanced under Acts of Parliament and to Statutory Authorities were being repaid, but increased in 2004-05 with improved cash deposits.

Borrowing costs declined along with the decrease in outstanding borrowings.

Payments for acquisition of assets in 2002-03 included the purchase of the fibre optic 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 2004-05 audit was completed with satisfactory results.

## 3 SUPERANNUATION FUNDS

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### INTRODUCTION

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 RBF 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.

The financial statements for the Contributory Scheme (as well as for the State's four other superannuation schemes included elsewhere in this Report) are prepared in accordance with Australian Accounting Standard AAS 25 "Financial Reporting by Superannuation Plans." Note that in the case of the Contributory Scheme and the other two defined benefit schemes, this Standard does not require the preparation of a cash flow statement.

## **RESPONSIBLE MINISTER**

The Responsible Minister is the Treasurer.

## 3.1 PARLIAMENTARY RETIRING BENEFITS FUND

### INTRODUCTION

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

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

Legislation was enacted by Parliament in 2002 to facilitate the winding up of PRBF and transfer of funds to a sub-fund of the RFBF effective from 1 January 2003. This sub-fund prepares an annual financial report for audit and inclusion in the annual report of the RFBF and it retains its status as a defined benefits scheme.

### AUDIT OF THE 2004-05 FINANCIAL STATEMENTS

Signed statements were received on 19 October 2005 and an unqualified audit opinion was issued on the same day.

### FINANCIAL RESULTS

### FINANCIAL PERFORMANCE

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Investment income	460	299	202	66	16
Changes in net market values	475	631	( 135)	( 226)	92
Direct investment expense	( 31)	( 35)	( 9)	0	0
Employer contributions	518	512	2 386	664	662
Member contributions	184	192	202	237	230
Other revenue	408	( 4)	0	0	0
<b>Total Revenue</b>	<b>2 014</b>	<b>1 595</b>	<b>2 646</b>	<b>741</b>	<b>1 000</b>
Lump sums	390	1 948	1 915	1 763	338
General operating fees	124	129	65	116	102
Superannuation contributions surcharge	48	0	56	57	126
<b>Total Expenses</b>	<b>562</b>	<b>2 077</b>	<b>2 036</b>	<b>1 936</b>	<b>566</b>
<b>Result from ordinary activities</b>	<b>1 452</b>	<b>( 482)</b>	<b>610</b>	<b>( 1 195)</b>	<b>434</b>
Income tax expense	106	152	393	85	86
Net Assets available to pay benefits at year start	5 550	6 184	5 967	7 247	6 899
<b>Net Assets available to pay benefits at year end</b>	<b>6 896</b>	<b>5 550</b>	<b>6 184</b>	<b>5 967</b>	<b>7 247</b>



## Comment

Investment income has increased over the period under review, particularly in 2002-03 and 2004-05 with the improved performance of the Australian market. Performance of the PRBF was down in 2001-02 due to a negative change in market values and lower investment income. 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 PRBF now takes advantage of economies of scale due to the RBFB managing the investments of the scheme. These economies are represented by reduced investment fees and more flexible liquidity options.

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

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

Other revenue for 2004-05 related to a group life recovery.

## FINANCIAL POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank	0	14	16	271	233
Receivables	54	33	42	451	0
Investments	7 526	6 038	6 869	6 043	7 215
Other assets	2	0	0	0	0
<b>Total Assets</b>	<b>7 582</b>	<b>6 085</b>	<b>6 927</b>	<b>6 765</b>	<b>7 448</b>
Payables	359	362	398	632	96
General operating provision	100	52	0	95	0
Tax liabilities	227	121	345	71	105
<b>Total Liabilities</b>	<b>686</b>	<b>535</b>	<b>743</b>	<b>798</b>	<b>201</b>
<b>Net Assets Available To Pay Benefits</b>	<b>6 896</b>	<b>5 550</b>	<b>6 184</b>	<b>5 967</b>	<b>7 247</b>

## Comment

The financial position of the PRBF remains stable, but new members cannot be accepted into the PRBF, 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 2005 was \$7.351m resulting in an unfunded liability as at 30 June 2005 of \$0.455m. The liability for vested benefits (scheme as a whole) was \$7.822m.

## FINANCIAL ANALYSIS

	2004-05	2003-04	2002-03	2001-02	2000-01
<b>Financial Performance</b>					
Investments (\$'000)	7 526	6 038	6 869	6 043	7 215
Net Investment Income (\$'000)	904	895	58	( 160)	108
Return on investments	13.2%	13.8%	0.8%	-2.3%	1.5%

### Comment

As with most small funds, the PRBF's performance varies considerably depending on the volatility of the investment market and the amounts of benefits paid out in any one financial year.

### OVERALL COMMENT

The PRBF's performance will be affected by the lack of new members. This results in fewer members available to share increasing administration costs. Nevertheless, as a defined benefit scheme, any unfunded liability must be met over time from the Consolidated Fund by appropriations through Finance-General.

The 2004-05 audit was completed with satisfactory results.

## 3.2 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 by Parliament in 2002 to facilitate the winding up of the PSF and transfer funds to a sub-fund of the Retirement Benefits Fund effective from 1 January 2003. This sub-fund prepares an annual financial report for audit and inclusion with the annual report of the RBF.

### AUDIT OF THE 2004-05 FINANCIAL STATEMENTS

Signed statements were received on 19 October 2005 and an unqualified audit opinion was issued on the same day.

### FINANCIAL RESULTS

### FINANCIAL PERFORMANCE

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Investment income	382	250	287	254	859
Changes in net market values	405	517	( 314)	( 351)	( 746)
Direct investment expense	( 27)	( 28)	( 10)	0	0
Employer contributions	997	813	1 137	1 261	757
Member contributions	32	31	47	63	61
<b>Total Revenue</b>	<b>1 789</b>	<b>1 583</b>	<b>1 147</b>	<b>1 227</b>	<b>931</b>
Pensions	1 236	1 285	1 301	1 212	1 218
Lump sums	0	0	82	750	0
Refunds and interest	0	2	0	0	0
Administration expenses	116	138	73	95	80
Superannuation contributions surcharge	( 2)	0	3	11	11
<b>Total Expenses</b>	<b>1 350</b>	<b>1 425</b>	<b>1 459</b>	<b>2 068</b>	<b>1 309</b>
<b>Result from ordinary activities</b>	<b>439</b>	<b>158</b>	<b>( 312)</b>	<b>( 841)</b>	<b>( 378)</b>
Income tax expense	( 8)	11	99	37	58
Net Assets available to pay benefits at year start	5 571	5 401	5 812	6 616	6 936
<b>Net Assets available to pay benefits at year end</b>	<b>6 002</b>	<b>5 570</b>	<b>5 401</b>	<b>5 812</b>	<b>6 616</b>

## Comment

The Fund performed well in 2004-05 as a result of strong investment returns and increases in market values. 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

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank	0	13	13	52	156
Receivables	28	13	92	245	0
Investments	6 260	5 688	5 477	5 588	6 509
Other assets	1	0	0	0	0
<b>Total Assets</b>	<b>6 289</b>	<b>5 714</b>	<b>5 582</b>	<b>5 885</b>	<b>6 665</b>
Payables	30	45	65	86	87
General operating provision	187	102	0	0	0
Tax liabilities	70	( 4)	116	( 13)	( 38)
<b>Total Liabilities</b>	<b>287</b>	<b>143</b>	<b>181</b>	<b>73</b>	<b>49</b>
<b>Net Assets Available To Pay Benefits</b>	<b>6 002</b>	<b>5 571</b>	<b>5 401</b>	<b>5 812</b>	<b>6 616</b>

## Comment

The financial position of the PSF remained stable, but with a declining net asset base, as new members cannot be accepted into the PSF. This impacts on the amount of funds available for investment. The PSF now takes advantage of economies of scale due to the RBFB managing the investments of the scheme. These economies are represented by reduced investment fees and more flexible liquidity options.

The liability for accrued benefits (scheme as a whole) determined by the State Actuary as at 30 June 2005 was \$17.840m resulting in an unfunded portion of accrued benefits of \$13.023m. The liability for vested benefits (scheme as a whole) was \$18.442m.

## FINANCIAL ANALYSIS

	2004-05	2003-04	2002-03	2001-02	2000-01
<b>Financial Performance</b>					
Investments (\$'000)	6 260	5 688	5 477	5 588	6 509
Net investment income (\$'000)	760	739	( 37)	( 97)	113
Return on investments	12.7%	13.1%	-0.6%	-1.5%	1.6%

### Comment

With the recovery of the Australian share market, the Fund's performance from 2003-04 has showed a reversal of the previous downward trend.

### OVERALL COMMENT

The Fund's performance will be affected by the lack of new members. This results in fewer members available to share increasing administration costs. Nevertheless, as a defined benefit scheme, any unfunded liability must be met over time from the Consolidated Fund by appropriations through Finance-General.

The 2004-05 audit was completed with satisfactory results.

## 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.

### AUDIT OF THE 2004-05 FINANCIAL STATEMENTS

Signed financial statements were received on 19 October 2005 and an unqualified audit report was issued on the same day.

### FINANCIAL RESULTS

#### FINANCIAL PERFORMANCE

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Investment income	77 423	47 275	48 058	36 786	36 835
Change in net market value of investments	86 873	95 817	( 26 625)	( 33 079)	54 505
Direct investment expense	( 5 119)	( 4 307)	( 4 442)	( 3 978)	( 3 914)
Employer contributions	127 901	130 879	123 945	116 154	125 826
Member contributions	58 570	87 069	71 549	65 092	59 585
Other revenue	255	54	355	254	1 139
Change in net market value of other assets	( 1 977)	( 1 941)	( 1 749)	( 1 517)	( 1 349)
<b>Total Revenue</b>	<b>343 926</b>	<b>354 846</b>	<b>211 091</b>	<b>179 712</b>	<b>272 627</b>
Pensions	137 509	131 026	122 823	116 022	113 095
Lump sums	55 475	70 866	68 368	71 944	82 947
Refunds and interest	518	548	743	1 007	971
Administration expenses	8 504	8 382	8 556	6 295	5 835
Superannuation contributions surcharge	1 026	18	662	384	739
<b>Total Expenses</b>	<b>203 032</b>	<b>210 840</b>	<b>201 152</b>	<b>195 652</b>	<b>203 587</b>
<b>Surplus before Tax</b>	<b>140 894</b>	<b>144 006</b>	<b>9 939</b>	<b>( 15 940)</b>	<b>69 040</b>
Income tax expense	10 830	7 068	11 557	10 623	1 631
Net Assets available to pay benefits at start of year	1 103 588	952 514	931 018	936 335	865 664
<b>Net Assets available to pay benefits at end of year</b>	<b>1 255 312</b>	<b>1 103 588</b>	<b>952 514</b>	<b>931 018</b>	<b>936 335</b>

## Comment

Investment income increased significantly in 2004-05, corresponding with the high return on investments due to the strong performance of the Australian share market.

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 as a percentage of pensions and lump sums, otherwise known as "the Employer Funding Share", has remained constant for the period under review. The decrease in member contributions in 2004-05 corresponds with the finish of the member upgrade project.

The higher Administration expenses from 2002-03 were primarily attributed to interest paid to agencies as a result of holding upgrade contributions longer than was required.

Lump sum payments decreased from 2001-02, with a trend to members opting to take a pension in lieu of a pension and lump sum. This trend continued during 2004-2005 combined with a fall in retirements and redundancies. The contribution from employing authorities is recognised upon receipt following payment to the ex-employee; so these items are directly related.

## FINANCIAL POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank	4 092	4 077	4 360	5 832	6 689
Contributions and pensions receivable	3 515	1 271	1 846	1 638	2 613
Income receivable	397	2 321	2 025	1 818	654
Other receivables	714	761	4 592	2 859	1 751
Investments	1 274 775	1 113 280	957 403	942 011	976 752
Property, plant and equipment	6 117	5 734	6 341	6 557	6 613
Future income tax benefit	22 377	11 203	14 035	7 087	2 302
RBF-TAS Planning Pty Ltd	100	0	0	0	0
<b>Total Assets</b>	<b>1 312 087</b>	<b>1 138 647</b>	<b>990 602</b>	<b>967 802</b>	<b>997 374</b>
Other Payables	18 680	2 688	9 142	10 103	30 960
Contributions and pensions payable	243	490	2 124	556	112
Contributions in advance	10 420	10 395	10 327	10 019	9 482
Provision for employee entitlements	9 974	9 494	8 116	6 924	5 763
Provision for deferred income tax	14 537	9 822	6 065	7 229	13 151
Superannuation contributions surcharge payable	2 921	2 170	2 314	1 953	1 571
<b>Total Liabilities</b>	<b>56 775</b>	<b>35 059</b>	<b>38 088</b>	<b>36 784</b>	<b>61 039</b>
<b>Net Assets Available to Pay Benefits</b>	<b>1 255 312</b>	<b>1 103 588</b>	<b>952 514</b>	<b>931 018</b>	<b>936 335</b>

## Comment

Total assets have increased over the five years under review, particularly the last two years, in line with stronger market performance. 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.

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 2004-05 reflects the recovery from the investment market situation of prior years.

The movement in the Future income tax benefit for 2004-05 was due primarily to a significant movement in the pension exemption, which in turn was brought about by an increase in imputation credits for the period. These credits almost doubled during 2004-05, and as the Fund is allowed to claim these credits on exempt pension income, the Fund's entitlement has increased. As well, the movement of realised income between 2003-04 and 2004-05 has doubled and unrealised income has decreased 20-25%. This mix also impacts on the pension exemption.

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

The increase in Provision for deferred income tax to \$14.537m primarily arose from timing differences relating to increased unrealised investment income, accrued contributions, and movements in the provisions for depreciation and administration fees.

The Provision for employee entitlements at 30 June 2005 includes \$1.451m being the superannuation liability for those members of the Board's staff who are members of the defined benefit scheme. The provision for superannuation represents the Board's share of the Contributory scheme liability to RBF staff who are members of the Contributory scheme.

The Contributory Scheme's Statement of Net Assets represents the assets available to pay member's benefits. The Accrued and Vested benefits for the Scheme are disclosed in notes of the statement. As at 30 June 2005, the Accrued liability and liability to be funded from scheme assets was \$3.893b and \$1.179b respectively. As at 30 June 2005, Vested liability



and liability to be funded from scheme assets was \$4.260b and \$1.253b respectively.

The Contributory Scheme's Statement of Financial Position does not recognise the liability for accrued benefits as it relates to other public sector employees (Scheme as a whole). However, this information is provided in the notes to the Scheme's financial statements where it is noted that the liability to be funded from scheme assets as at 30 June 2005 was determined at \$3.893b and \$1.179b respectively. Thus the unfunded liability is \$2.714b, which will be 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 2005 were determined at \$4.260b and \$1.253b 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	2004-05	2003-04	2002-03	2001-02	2000-01
<b>Financial Performance</b>						
Investments (\$'000)		1 274 775	1 113 280	957 403	942 011	976 752
Net investment income (\$'000)		159 177	138 785	16 991	( 271)	87 426
Return on investments	6.5%	15.4%	13.4%	1.8%	0.0%	9.4%

## Comment

Total funds under management increased from \$0.976b in 2000-01 to \$1.274b in 2004-05.

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 strong recovery in 2003-04. The increase in net investment income for 2004-05 reflected the strong performance of the Australian share market.

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

## OVERALL COMMENT

The 2004-05 audit was completed with satisfactory results.

## 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-Superannuation Guarantee Account and the Allocated Pension Account.

### AUDIT OF THE 2004-05 FINANCIAL STATEMENTS

Signed financial statements were received on 19 October 2005 and an unqualified audit report issued on the same day.

### FINANCIAL RESULTS

#### FINANCIAL PERFORMANCE

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Investment income	39 596	21 399	18 662	12 557	10 624
Changes in net market values	36 422	36 444	( 11 376)	( 12 576)	15 030
Direct investment expenses	( 1780)	( 1438)	( 961)	( 981)	( 863)
Employer contributions	35 444	29 534	23 868	21 233	13 516
Member contributions	54 255	33 857	22 916	25 582	22 298
Transfers from other funds	84 548	83 216	74 072	62 896	46 564
Other revenue	0	12	0	1	2
<b>Total Revenue</b>	<b>248 485</b>	<b>203 024</b>	<b>127 181</b>	<b>108 712</b>	<b>107 171</b>
General operating fee	6 615	6 348	2 108	2 744	1 881
Superannuation contributions surcharge	487	352	564	46	32
Other expenses	0	0	0	7	0
<b>Total Expenses</b>	<b>7 102</b>	<b>6 700</b>	<b>2 672</b>	<b>2 797</b>	<b>1 913</b>
<b>Benefits Accrued before Tax</b>	<b>241 383</b>	<b>196 324</b>	<b>124 509</b>	<b>105 915</b>	<b>105 258</b>
Income tax expense	( 8 046)	( 7 987)	( 4 701)	( 4 052)	690
<b>Benefits Accrued as a result of operations</b>	<b>233 337</b>	<b>188 337</b>	<b>119 808</b>	<b>101 863</b>	<b>105 948</b>
Benefits paid	( 80 704)	( 79 419)	( 63 682)	( 53 211)	( 52 220)
Liability for Accrued Benefits at year start	507 795	398 877	342 751	294 099	240 371
<b>Liability for Accrued Benefits at year end</b>	<b>660 428</b>	<b>507 795</b>	<b>398 877</b>	<b>342 751</b>	<b>294 099</b>

### Comment

Investment income has increased significantly, as a result of increased investment funds and excellent investment returns, particularly over 2003-04 and 2004-05.

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

The increase in Member contributions for 2004-05 was the result of higher levels of salary sacrifice by member employees while the increase in Employee contributions for 2004-05 was the result of higher levels of voluntary contributions including co-contributions, membership growth, spouse accounts and rollovers from members' other superannuation funds.

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 superannuation balances from other superannuation funds.

The Investment Account deducts from members an administration and taxation fee based upon set percentages. This is disclosed as the general operating fee. The increase in this fee in 2003-04 was due to a significant increase in the taxation component due to improved investment returns. The Contributory Scheme of the Fund pays the operating expenses of all of RBFB's administration. The Investment Account reimburses the Contributory scheme from the General Operating Provision based upon an activity-based costing model.

The higher amount of Benefits paid since 2002-03 is largely due to increased withdrawals by members as the scheme grows.

## FINANCIAL POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank	1 311	2 974	5 782	5 500	2 615
Interest receivable	179	970	639	520	146
Other receivables	16 649	4 410	4 211	987	15 774
Investments	663 459	510 035	397 151	344 590	279 707
Other assets	168	0	0	0	0
<b>Total Assets</b>	<b>681 766</b>	<b>518 389</b>	<b>407 783</b>	<b>351 597</b>	<b>298 242</b>
Other payables	90	0	1 342	2 172	14
Contributions payable	1 505	1 804	1 663	1 629	1 059
General operating provision	9 420	5 583	1 204	987	0
Provision for income tax	6 882	1 259	5 985	3 937	3 065
Provisions for deferred income tax	3 441	1 948	( 1 288)	121	5
<b>Total Liabilities</b>	<b>21 338</b>	<b>10 594</b>	<b>8 906</b>	<b>8 846</b>	<b>4 143</b>
<b>Net Assets Available To Pay Benefits</b>	<b>660 428</b>	<b>507 795</b>	<b>398 877</b>	<b>342 751</b>	<b>294 099</b>
Represented by:					
<b>Liability for Accrued Benefits</b>					
Allocated to members accounts	648 154	500 505	397 028	339 550	284 260
Not yet allocated	12 274	7 290	1 849	3 201	9 839
<b>Total Liability For Accrued Benefits</b>	<b>660 428</b>	<b>507 795</b>	<b>398 877</b>	<b>342 751</b>	<b>294 099</b>

## Comment

Other receivables and Other payables fluctuate from year to year 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 and 2004-05 reflects the strong market performance, an increase in employer and member contributions and transfers from other funds.

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

The General operating provision was first introduced in 2001-02 and consists of administration and taxation reserves of the Scheme.

Net assets available to pay benefits were boosted from 2003-04 by new and existing members rolling over their superannuation balances from other funds.

## CASH POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Employer contributions	35 444	29 534	23 868	21 233	13 685
Member contributions	53 957	33 998	22 952	26 143	21 627
Transfers from other funds	84 548	83 215	74 072	62 896	46 564
Interest received	7 041	3 204	5 636	2 347	2 139
Dividends received	1 552	6 415	1 719	1 938	919
Benefits paid	( 80 704)	( 79 964)	( 62 340)	( 53 211)	( 53 043)
Income tax paid	( 1 097)	( 9 478)	( 4 061)	( 3 065)	( 1 437)
Direct investment expenses	( 1 648)	( 1 066)	( 933)	( 980)	( 761)
Interfund transfers	( 12 268)	( 998)	( 4 526)	17 940	( 13 807)
Other expenses	0	0	0	( 7)	0
Operating fees paid	( 2 935)	( 2 257)	( 2 730)	( 2 763)	( 4 772)
Superannuation contribution surcharge	( 366)	( 351)	( 597)	( 44)	( 44)
Other Income	0	12	0	1	2
<b>Cash from operations</b>	<b>83 524</b>	<b>62 264</b>	<b>53 060</b>	<b>72 428</b>	<b>11 072</b>
Proceeds from the sale of investments	184 775	174 604	117 423	140 671	237 197
Payments for purchase of investments	( 267 245)	( 259 786)	( 119 620)	( 181 882)	( 247 089)
<b>Cash used in investing activities</b>	<b>( 82 470)</b>	<b>( 85 182)</b>	<b>( 2 197)</b>	<b>( 41 211)</b>	<b>( 9 892)</b>
<b>Net increase/(decrease) in cash</b>	<b>1 054</b>	<b>( 22 918)</b>	<b>50 863</b>	<b>31 217</b>	<b>1 180</b>
Cash at the beginning of the period	76 862	99 780	48 917	17 700	16 520
<b>Cash at end of the period</b>	<b>77 916</b>	<b>76 862</b>	<b>99 780</b>	<b>48 917</b>	<b>17 700</b>

## Comment

Cash on hand varies over the five years under review. This amount is determined by the member investment choice allocation between different types of investments of varying liquidity and risk appetite. The cash

position of the Investment Account will, therefore, fluctuate in line with members' investment strategies.

## FINANCIAL ANALYSIS

<b>Financial Performance</b>	<b>Bench Mark</b>	<b>2004-05</b>	<b>2003-04</b>	<b>2002-03</b>	<b>2001-02</b>	<b>2000-01</b>
Investments (\$'000)		663 459	510 035	397 151	344 590	279 707
Net investment income (\$'000)		74 238	56 405	6 325	( 1 000)	24 791
Return on investments	6.5%	16.4%	12.4%	1.7%	-0.3%	9.4%

## Comment

Total funds under management increased from \$0.279bn in 2000-01 to \$0.663bn in 2004-05.

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. The increase in net investment income for 2004-05 reflected the strong performance of the Australian share market.

## OVERALL COMMENT

The 2004-05 audit was completed with satisfactory results.

## 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.

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. 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 2004-05 FINANCIAL STATEMENTS

Signed financial statements were received on 19 October 2005 and an unqualified audit report was issued on the same day.

### FINANCIAL RESULTS

#### FINANCIAL PERFORMANCE

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Investment income	17 548	9 088	7 823	5 155	4 178
Changes in net market values	16 737	17 414	( 4 971)	( 4 736)	6 064
Direct investment expense	( 823)	( 692)	( 465)	( 425)	( 339)
Employer contributions	55 649	47 889	41 165	32 979	28 945
Member contributions	28 485	16 238	12 468	10 657	12 109
Other income	( 44)	32	( 138)	( 112)	( 1 024)
<b>Total Revenue</b>	<b>117 552</b>	<b>89 969</b>	<b>55 882</b>	<b>43 518</b>	<b>49 933</b>
General operating fee	3 131	3 940	1 738	1 704	1 200
Death and incapacity insurance	3 287	2 779	2 433	1 992	1 805
Superannuation contributions surcharge	127	206	284	86	197
<b>Total Expenses</b>	<b>6 545</b>	<b>6 925</b>	<b>4 455</b>	<b>3 782</b>	<b>3 202</b>
<b>Benefits Accrued before Tax</b>	<b>111 007</b>	<b>83 044</b>	<b>51 427</b>	<b>39 736</b>	<b>46 731</b>
Income tax expense	9 161	7 820	6 083	5 375	4 616
<b>Benefits Accrued as a result of operations</b>	<b>101 846</b>	<b>75 224</b>	<b>45 344</b>	<b>34 361</b>	<b>42 115</b>
Benefits paid	( 31 381)	( 27 502)	( 19 253)	( 16 579)	( 13 015)
Liability for Accrued Benefits at year start	207 374	159 652	133 561	115 779	86 679
<b>Liability for Accrued Benefits at year end</b>	<b>277 839</b>	<b>207 374</b>	<b>159 652</b>	<b>133 561</b>	<b>115 779</b>

## Comment

The increase in net investment income for 2004-05 reflected the strong performance of the Australian share market.

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

Employer contributions increased from 2001-02 with the closure of the Contributory Scheme. The increase in 2004-05 was the result of an increase in members and salary increases.

The TAS deducts from members an administration and taxation fee based upon set percentages. This is disclosed as the general operating fee. The Contributory Scheme of the Fund pays the operating expenses of all of RFBF's administration. The TAS reimburses the Contributory scheme from the General Operating Provision based upon an activity-based costing model.

Benefits paid increased from 2000-01 as a result of fund maturity, fund choice and greater competition.

## FINANCIAL POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank	248	770	988	984	884
Interest receivable	97	473	345	246	63
Other receivables	5	1	297	181	9 167
Investments	300 105	220 762	169 264	140 606	112 216
Other assets	67	0	0	0	0
<b>Total Assets</b>	<b>300 522</b>	<b>222 006</b>	<b>170 894</b>	<b>142 017</b>	<b>122 330</b>
Payables	1 647	3 134	898	87	8
Provision for death and incapacity insurance	7 350	5 101	3 930	2 762	1 854
General operating provisions	3 607	2 582	420	181	0
Provision for income tax	9 032	3 129	6 498	5 337	4 623
Provisions for deferred income tax	1 040	686	( 504)	89	51
Superannuation contribution surcharge payable	7	0	0	0	15
<b>Total Liabilities</b>	<b>22 683</b>	<b>14 632</b>	<b>11 242</b>	<b>8 456</b>	<b>6 551</b>
<b>Net Assets Available To Pay Benefits</b>	<b>277 839</b>	<b>207 374</b>	<b>159 652</b>	<b>133 561</b>	<b>115 779</b>
<b>Represented by:</b>					
<b>Liability for Accrued Benefits</b>					
Allocated to members accounts	270 198	204 151	158 800	134 310	113 914
Not yet allocated	7 641	3 223	852	( 749)	1 865
<b>Total Liability For Accrued Benefits</b>	<b>277 839</b>	<b>207 374</b>	<b>159 652</b>	<b>133 561</b>	<b>115 779</b>

## Comment

Other receivables in 2000-01, \$9.167m, were high mainly due to the timing of clearing inter-entity balances at the close of the financial year.

Investments have grown due to strong investment returns fuelled by increasing contributions from members to this fund, and membership growth. This trend will continue as contributors to the RBF Contributory Scheme retire and new State Service employees join TAS. Investments are also high due to the increasing contributions from employers. As this is an accumulation Scheme, movements in the investments balance is reflected in movements in the liabilities for accrued benefits.

The Provision for death and invalidity insurance represents the accumulation of surpluses of the Death and Invalidity insurance arrangement of the Scheme. This scheme is a self-administrated insurance arrangement and has experienced strong membership growth and low expense claims which have contributed to successive surpluses. The Actuary reviews this insurance arrangement annually.

The Australian Taxation Office calculates the Superannuation contributions surcharge payable.

## CASH POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Employer contributions	55 650	47 890	41 165	32 979	28 945
Member contributions	28 478	16 223	12 492	10 664	11 625
Other contributions	( 44)	32	( 138)	( 112)	( 231)
Interest received	2 640	623	1 284	876	788
Dividends received and property returns	731	3 043	898	512	388
Benefits paid	( 31 290)	( 27 502)	( 19 159)	( 16 579)	( 13 007)
Direct investment expenses	( 757)	( 492)	( 450)	( 424)	( 296)
Management fees paid	( 2 185)	( 2 091)	( 1 615)	( 1 722)	( 1 375)
Income tax paid	( 2 971)	( 10 000)	( 5 515)	( 4 623)	( 452)
Interfund transfers	( 1 574)	2 642	694	9 247	( 8 891)
Death and incapacity benefits paid	( 1 040)	( 1 546)	( 1 265)	( 1 084)	21
Superannuation contribution surcharge	( 119)	( 206)	( 284)	( 101)	( 186)
<b>Cash from operations</b>	<b>47 519</b>	<b>28 616</b>	<b>28 107</b>	<b>29 633</b>	<b>17 329</b>
Proceeds from the sale of investments	84 269	82 609	52 012	60 467	99 900
Payments for purchase of investments	( 126 393)	( 108 369)	( 71 819)	( 87 333)	( 116 045)
<b>Cash used in investing activities</b>	<b>( 42 124)</b>	<b>( 25 760)</b>	<b>( 19 807)</b>	<b>( 26 866)</b>	<b>( 16 145)</b>
<b>Net increase/(decrease) in cash</b>	<b>5 395</b>	<b>2 856</b>	<b>8 300</b>	<b>2 767</b>	<b>1 184</b>
Cash at the beginning of the period	19 906	17 050	8 750	5 983	4 799
<b>Cash at end of the period</b>	<b>25 301</b>	<b>19 906</b>	<b>17 050</b>	<b>8 750</b>	<b>5 983</b>

## Comment

Cash on hand varies over the five years under review. This amount is determined by the member investment choice allocation between different



types of investments of varying liquidity and risk appetite. The cash position of the Investment Account will thus fluctuate in line with members' investment strategies.

## FINANCIAL ANALYSIS

	<b>Bench Mark</b>	<b>2004-05</b>	<b>2003-04</b>	<b>2002-03</b>	<b>2001-02</b>	<b>2000-01</b>
<b>Financial Performance</b>						
Investments (\$'000)		300 105	220 762	169 264	140 606	112 216
Net investment income (\$'000)		33 462	25 810	2 387	( 6)	9 903
Return on investments	6.5%	12.8%	13.2%	1.5%	0.0%	10.0%

## Comment

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 160% since 2000-01. The rate of return on total funds under management was solid in all years other than 2001-02.

During 2004-05 TAS performed well as a result of the strong performance of the Australian share market.

The 2004-05 audit was completed with satisfactory results.

## 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 2005 were as follows:

<b>Entity</b>	<b>Responsible Minister</b>	<b>Status of Audit</b>
Inland Fisheries Service	Minister for Primary Industries and Water	Complete
Legal Aid Commission	Minister for Justice and Industrial Relations	Outstanding
Marine and Safety Authority	Minister for Infrastructure, Energy and Resources	Complete
National Trust of Australia (Tasmania)	Minister for Tourism, Parks and Heritage	Outstanding
Nominal Insurer	Minister for Infrastructure, Energy and Resources	Complete
Private Forests Tasmania	Minister for Infrastructure, Energy and Resources	Complete
State Fire Commission	Minister for Health and Human Services	Complete
TAFE Tasmania	Minister for Education	Complete
Tasmanian Risk Management Fund	Minister for Finance	Complete

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## 4.1 INLAND FISHERIES SERVICE

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### INTRODUCTION

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

The *Inland Fisheries Act 1995* created the position of the Director of Inland Fisheries. 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 Primary Industries and Water on all matters relating to Freshwater Fisheries policy and management.

The Director manages the Service and is responsible for the sustainable management of Tasmania's freshwater resources, ensuring that the best use is made of these resources and 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 2004-05 FINANCIAL STATEMENTS

Signed financial statements were received on 24 August 2005 and an unqualified audit report was issued on 14 October.

## FINANCIAL RESULTS

### FINANCIAL PERFORMANCE

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Licence fees	1 332	1 213	1 139	1 084	1 067
Government grants	1 015	1 510	1 364	789	784
External grants and reimbursements	385	305	410	0	147
Other operating revenue	724	251	298	248	252
Non-operating revenue	289	216	245	264	336
<b>Total Revenue</b>	<b>3 744</b>	<b>3 496</b>	<b>3 456</b>	<b>2 386</b>	<b>2 585</b>
Operating expenses	3 225	3 086	2 393	2 314	2 099
Depreciation	153	150	157	139	141
Non-operating expenses	331	248	269	465	346
<b>Total Expenses</b>	<b>3 709</b>	<b>3 484</b>	<b>2 819</b>	<b>2 918</b>	<b>2 586</b>
<b>Result from ordinary activities</b>	<b>35</b>	<b>12</b>	<b>637</b>	<b>( 532)</b>	<b>(1)</b>

### Comment

Licensing revenue has increased over the five-year period as a result of the implementation of programs designed to increase fisheries performance and participation.

In 2002-03 the State Government paid additional funds to cover the previous year's deficit. This resulted in a net surplus of \$0.637m as opposed to a net deficit of \$0.532m in 2001-02. Additional funding was also provided in 2003-04 and 2004-05 for capital works under the Capital Investment Program (CIP).

Other operating revenue increases in 2004-05 included property rent, \$0.089m, and the Hydro Tasmania bioconsultancy fee for monitoring and reporting, \$0.212m.

Non-operating revenue decreased after 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.

Operating costs increased in 2003-04 and again in 2004-05 due to salary awards and higher building and maintenance costs. Building and maintenance costs related mainly to repairs to the houses at Cora Linn and to maintenance works conducted at the Salmon Ponds.

## FINANCIAL POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	1 017	492	686	138	918
Receivables	127	370	22	190	100
<b>Total Current Assets</b>	<b>1 144</b>	<b>862</b>	<b>708</b>	<b>328</b>	<b>1 018</b>
Property, plant and equipment	3 281	3 453	3 651	3 239	2 920
<b>Total Non-Current Assets</b>	<b>3 281</b>	<b>3 453</b>	<b>3 651</b>	<b>3 239</b>	<b>2 920</b>
Payables	166	63	154	48	58
Provisions	618	300	646	347	269
<b>Total Current Liabilities</b>	<b>784</b>	<b>363</b>	<b>800</b>	<b>395</b>	<b>327</b>
Provisions	125	471	91	341	293
<b>Total Non-Current Liabilities</b>	<b>125</b>	<b>471</b>	<b>91</b>	<b>341</b>	<b>293</b>
<b>Net Assets</b>	<b>3 516</b>	<b>3 480</b>	<b>3 468</b>	<b>2 832</b>	<b>3 319</b>
Reserves	171	171	171	171	61
Accumulated funds	145	110	98	( 539)	( 1)
Contributed Capital	3 200	3 200	3 200	3 200	3 259
<b>Total Equity</b>	<b>3 516</b>	<b>3 480</b>	<b>3 468</b>	<b>2 832</b>	<b>3 319</b>

## 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 under 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.

The increase in Cash in 2004-05 was the result of sales of motor vehicles and vessels that were not replaced. The Lake Leake shack was also sold.

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 receipts.

Property was last valued in 2000 on a fair value basis. As the 2000 valuation is regarded as out of date, without qualification, an "emphasis of matter" was included in the audit report for 2004-05 to highlight this fact. The Service has been urged to obtain an updated revaluation during the 2005-06 year.

Property, plant and equipment increased in 2002-03 with the addition of a new building for the Salmon Ponds. As noted previously, a number of vehicles were disposed of in 2003-04 and 2004-05, thus reducing the balance for non-current assets.

Payables increased substantially in 2002-03 due to a concerted effort to identify accounts that were still outstanding at 30 June. The increase in 2004-05 was due to some large unpaid accounts on hand and the inclusion of accrued salaries, which should have been included with provisions.

Current provisions increased in 2002-03 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. The changes in 2004-05 were due to staff leaving, taking leave during the year, non-inclusion of accrued salaries (noted above) and increased numbers likely to take long service leave during 2005-06.

## CASH POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from customers	2 219	1 663	1 615	1 493	1 499
Payments to suppliers and employees	( 3 389)	( 3 358)	( 3 419)	( 3 720)	( 3 470)
Interest received	81	51	44	72	45
Receipts from Government	1 233	1 292	1 411	1 275	1 412
Receipts from external projects	405	140	1 277	427	600
<b>Cash from operations</b>	<b>548</b>	<b>( 211)</b>	<b>929</b>	<b>( 453)</b>	<b>86</b>
Payments for property, plant and equipment	( 312)	( 199)	( 626)	( 561)	( 431)
Proceeds from sale of property, plant and equipment	289	215	245	234	336
<b>Cash used in investing activities</b>	<b>( 23)</b>	<b>17</b>	<b>( 381)</b>	<b>( 327)</b>	<b>( 95)</b>
<b>Net increase/(decrease) in cash</b>	<b>525</b>	<b>( 194)</b>	<b>548</b>	<b>( 780)</b>	<b>( 9)</b>
Cash at the beginning of the period	492	686	138	918	927
<b>Cash at end of the period</b>	<b>1 017</b>	<b>492</b>	<b>686</b>	<b>138</b>	<b>918</b>

## Comment

The increase in receipts from customers in 2004-05 reflected the increases from Licence fees and other revenue previously referred to.

Receipts from external projects increased in 2002-03 due to a large number of final reimbursement payments in that year.

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 of fleet reduction.

## FINANCIAL ANALYSIS

	Bench Mark	2004-05	2003-04	2002-03	2001-02	2000-01
<b>Financial Performance</b>						
Result from operations (\$'000s)		77	44	660	( 331 )	9
Operating margin	>1.0	1.02	1.01	1.26	0.87	1.00
Return on equity	12%	1.0%	0.3%	20.2%	-17.3%	0.0%
<b>Financial Management</b>						
Current ratio	>1	1.46	2.37	0.89	0.83	3.11
Debt collection	30 days	23	53	2	49	28
Creditor turnover	30 days	51	26	42	24	32
<b>Other information</b>						
Staff numbers FTEs		31	37	37	37	37
Average staff costs (\$'000s)		66	59	45	41	38

## Comment

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.

The high creditor 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. The high amount in 2004-05 was due to a number of large unpaid accounts on hand and the inclusion of accrued salaries, which should have been included with provisions, noted previously.

Average staff costs increased significantly during 2003-04 and 2004-05 mainly as a result of changes to salary awards. Staff numbers reduced by six in 2004-05 as a consequence of: not filling the Deputy Director's position since May 2003; four full-time employees left the Service as a result of obtaining other employment or their contracts expired; and a

number of employees reduced their hours of work from full-time to part-time.

## **OVERALL COMMENT**

The audit for 2004-05 was completed with satisfactory results, however, we have recommended that the Commission obtain an updated revaluation on its assets during the 2005-06 year.



## 4.2 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 2004-05 FINANCIAL STATEMENTS

Signed financial statements were received on 27 September 2005 and an unqualified audit report was issued on 29 September 2005.

### FINANCIAL RESULTS

#### FINANCIAL PERFORMANCE

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Commercial Vessel Fees	560	554	526	541	550
Certificates of Competency Fees	137	125	123	126	120
Recreational Boating Fees	1 505	1 710	1 884	1 111	1 085
Government Appropriation	1 126	820	975	1 315	700
Interest Received	94	97	55	39	33
Other Operating Revenue	214	322	310	412	171
<b>Total Revenue</b>	<b>3 636</b>	<b>3 628</b>	<b>3 873</b>	<b>3 544</b>	<b>2 659</b>
Employee expenses	1289	1281	1 181	1 217	1 007
Depreciation	446	511	569	597	582
Other operating expenses	2 395	1 922	1 762	1 701	1 358
Non-operating expenses	29	76	43	34	25
<b>Total Expenses</b>	<b>4 159</b>	<b>3 790</b>	<b>3 555</b>	<b>3 549</b>	<b>2 972</b>
<b>Result from ordinary activities</b>	<b>( 523)</b>	<b>( 162)</b>	<b>318</b>	<b>( 5)</b>	<b>( 313)</b>

## Comment

The increase in the operating deficit in 2004-05 was attributable to higher operating expenses due to the completion of works deferred in 2003-04 due, at that time, to unavailability of contractors. In addition, a loss of \$0.873m was incurred on the transfer of the Darlington jetty to the Department of Primary Industries, Water and Environment.

The Government appropriation was higher in 2004-05 as it included funding for reconstruction of the Opossum Bay jetty (\$0.200m) and funds for dredging the Denison canal and the St Helens barway (\$0.200m). Income from recreational boating decreased due to the triennial basis for paying licences commencing in 2002-03 resulting in no income from renewals during the current financial year.

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

In 2002-03, triennial recreational licensing commenced which resulted in an increase of \$0.772m in fees. The Government appropriation decreased from \$1.315m in 2001-02 to \$1.250m in 2002-03. The revenue indicated in the table includes the component of 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).

Depreciation expense decreased throughout the period of review due to asset disposals (either by transfer or by demolition), downward revaluations, the application of longer useful lives of newly constructed assets due to improved materials and construction methods and leasing of IT equipment and software. The timing for scrapping the old, and the taking on of the new, Dennes Point jetty further contributed to the decrease in 2003-04. In 2004-05 the transfer of the Darlington jetty also contributed to reduced depreciation.

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.

As the Authority does not receive enough self 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

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	1 526	1 372	1 174	863	542
Receivables	102	103	137	84	77
Other	19	31	25	7	19
<b>Total Current Assets</b>	<b>1 647</b>	<b>1 506</b>	<b>1 336</b>	<b>954</b>	<b>638</b>
Property, plant and equipment	6 943	7 409	7 812	7 792	8 141
<b>Total Non-Current Assets</b>	<b>6 943</b>	<b>7 409</b>	<b>7 812</b>	<b>7 792</b>	<b>8 141</b>
Payables	356	211	255	215	230
Provisions	191	139	160	126	147
<b>Total Current Liabilities</b>	<b>547</b>	<b>350</b>	<b>415</b>	<b>340</b>	<b>377</b>
Provisions	39	38	24	15	6
<b>Total Non-Current Liabilities</b>	<b>39</b>	<b>38</b>	<b>24</b>	<b>15</b>	<b>6</b>
<b>Net Assets</b>	<b>8 004</b>	<b>8 527</b>	<b>8 709</b>	<b>8 391</b>	<b>8 396</b>
Capital	9 939	9 939	9 939	9 939	9 939
Reserves	9	9	29	29	29
Accumulated losses	( 1 944)	( 1 421)	( 1 259)	( 1 577)	( 1 572)
<b>Total Equity</b>	<b>8 004</b>	<b>8 527</b>	<b>8 709</b>	<b>8 391</b>	<b>8 396</b>

### Comment

The higher Cash balance at the end of 2001-02 was the result of unspent funds from the Department of Infrastructure, Energy and Resources received from the Infrastructure Fund. The increasing balances at the end of 2002-03 and 2003-04 were attributable to the receipt of fees from the reissue of recreational motor boat licences. In 2004-05 the increase in cash was attributable to the timing of government funding relating to Opossum Bay jetty and dredging works.

Receivables 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 and the disposal of a number of marine facilities.

The increase in payables in 2004-05 related to the higher operating expenses.

The increase in provisions for 2004-05 relates to higher provision for long service leave.

The increasing Accumulated losses related mainly to the Authority's inability to generate sufficient revenue to cover non-cash transactions, in particular depreciation expenses for navigation aids and marine facilities.

## CASH POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000s	\$'000s
Receipts from customers	3 543	3 464	3 744	3 498	2 576
Payments to suppliers and employees	( 3 417)	( 3 310)	( 2 897)	( 2 943)	( 2 305)
Interest received	94	97	55	39	32
<b>Cash from operations</b>	<b>220</b>	<b>251</b>	<b>902</b>	<b>595</b>	<b>303</b>
Payments for property, plant and equipment	( 67)	( 53)	( 610)	( 274)	( 41)
Proceeds from sale of plant	0	1	19	0	0
<b>Cash used in investing activities</b>	<b>( 67)</b>	<b>( 52)</b>	<b>( 591)</b>	<b>( 274)</b>	<b>( 41)</b>
<b>Net increase/(decrease) in cash</b>	<b>153</b>	<b>199</b>	<b>311</b>	<b>321</b>	<b>262</b>
Cash at the beginning of the period	1 373	1 174	863	543	280
<b>Cash at end of the period</b>	<b>1 526</b>	<b>1 373</b>	<b>1 174</b>	<b>863</b>	<b>542</b>

## 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.

Despite incurring operating losses, the Authority's cash position 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. Higher Cash payments for property plant and equipment in 2001-02 were due mainly to the reconstruction of the Southport jetty and work in progress on other jetties. In 2002-03 further funds of \$0.275m were provided by the Infrastructure Fund.

Cash outflows related to the construction of the Southport ramp and car park in 2002-03 are included in payments to suppliers and employees as ownership vests in the Huon Valley Council.

## FINANCIAL ANALYSIS

	<b>Bench Mark</b>	<b>2004-05</b>	<b>2003-04</b>	<b>2002-03</b>	<b>2001-02</b>	<b>2000-01</b>
<b>Financial Performance</b>						
Result from operations (\$'000s)		( 494)	( 86)	361	29	( 288)
Operating margin	>1.0	0.88	0.98	1.10	1.01	0.90
<b>Financial Management</b>						
Current ratio	>1	3.01	4.30	3.22	2.80	1.69
Debt collection	30 days	8	11	10	14	6
Creditor turnover	30 days	48	26	36	28	44
<b>Other information</b>						
Staff numbers FTEs		20	20	20	17	17
Average staff costs (\$'000s)		64	64	59	72	59

## 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 2004-05 audit was completed with satisfactory results.

## 4.3 THE NOMINAL INSURER

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### 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 Rehabilitation and 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 2004-05 FINANCIAL STATEMENTS

Signed statements were received on 11 October 2005 and an unqualified audit report was issued on 24 October 2005.

## 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

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	1 269	1 507	809	311	509
Receivables	15 767	24 085	30 470	12 992	17 111
GST Receivable	351	10	28	0	32
<b>Total Current Assets</b>	<b>17 387</b>	<b>25 603</b>	<b>31 307</b>	<b>13 303</b>	<b>17 652</b>
Receivables	11 332	6 178	11 528	32 391	33 258
<b>Total Non-Current Assets</b>	<b>11 332</b>	<b>6 178</b>	<b>11 528</b>	<b>32 391</b>	<b>33 258</b>
<b>Total Assets</b>	<b>28 719</b>	<b>31 781</b>	<b>42 835</b>	<b>45 694</b>	<b>50 910</b>
Outstanding claims	6 727	9 085	15 405	6 468	17 061
Borrowings	4 000	15 000	15 000	6 458	0
Provisions	40	45	65	65	50
GST Payable	1	20	0	10	0
<b>Total Current Liabilities</b>	<b>10 768</b>	<b>24 150</b>	<b>30 470</b>	<b>13 001</b>	<b>17 111</b>
Outstanding claims	519	436	5 899	22 537	33 258
Borrowings	15 814	5 743	5 630	9 854	0
Insurers' funds	1 619	1 452	838	302	541
<b>Total Non-Current Liabilities</b>	<b>17 951</b>	<b>7 631</b>	<b>12 366</b>	<b>32 693</b>	<b>33 799</b>
<b>Total Liabilities</b>	<b>28 719</b>	<b>31 781</b>	<b>42 835</b>	<b>45 694</b>	<b>50 910</b>

## 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 Receivables in 2002-03, with an overall decrease of \$3.385m from the prior year.

Outstanding claims represent the actuarially assessed amounts due for outstanding workers' compensation claims. It is expected that approximately \$6.727m of outstanding claims will be settled within 12 months to 30 June 2006. The amount has decreased over the five-year period as HIH claims have been settled.

Borrowings were raised from Tascorp in 2001-02 to meet the immediate claims arising from employers insured with HIH. Further borrowings were raised to meet claims during 2002-03 and 2004-05. These borrowings will be settled from Receivables balances.

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

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from customers	5 878	6 292	5 698	174	745
Interest received	28	17	8	7	17
Payments to suppliers and employees	( 4 146)	( 4 610)	( 8 609)	( 16 233)	( 644)
<b>Cash from operations</b>	<b>1 761</b>	<b>1 698</b>	<b>( 2 902)</b>	<b>( 16 052)</b>	<b>118</b>
Proceeds from borrowings	1 500	0	4 200	15 854	0
Repayment of borrowings	( 3 500)	( 1 000)	( 800)	0	0
<b>Cash from financing</b>	<b>( 2 000)</b>	<b>( 1 000)</b>	<b>3 400</b>	<b>15 854</b>	<b>0</b>
<b>Net increase/(decrease) in cash</b>	<b>( 239)</b>	<b>698</b>	<b>498</b>	<b>( 198)</b>	<b>118</b>
Cash at the beginning of the period	1 507	809	311	509	391
<b>Cash at end of the period</b>	<b>1 269</b>	<b>1 507</b>	<b>809</b>	<b>311</b>	<b>509</b>

## Comment

The largest component of Receipts from customers was Insurers Contributions in 2002-03, \$5.160m, 2003-04, \$5.898m, and 2004-05, \$5.541m.

Payments to suppliers and employees consisted of Claims paid, Administration expenses, Step-down provision and Input Tax Credits. The amounts included claims paid relating to HIH in 2001-02, \$15.740m, 2002-03, \$8.004m, 2003-04, \$4.437m and 2004-05, \$3.796m.

As noted previously, borrowings were raised to meet HIH claims in 2001-02, 2002-03 and 2004-05.

## OVERALL COMMENT

The 2004-05 audit was completed with satisfactory results.



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## 4.4 PRIVATE FORESTS TASMANIA

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### INTRODUCTION

Private Forests Tasmania (the Authority) was established as a statutory 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 objectives of the Authority are 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.

### AUDIT OF THE 2004-05 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2005, with amended and re-signed financial statements received on 16 September 2005. An unqualified audit report was issued on 23 September 2005.

## FINANCIAL RESULTS

### FINANCIAL PERFORMANCE

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Consolidated Fund	1 214	1 263	1 235	1 384	1 250
Commonwealth Grants	341	693	1 195	947	687
Private Forests Service Levy	325	290	228	85	0
Interest on Pine Loans	67	80	86	95	102
Bank Interest	100	88	99	109	123
Other	170	110	124	130	111
<b>Total Revenue</b>	<b>2 217</b>	<b>2 524</b>	<b>2 967</b>	<b>2 750</b>	<b>2 273</b>
Salary, wages and employee entitlements	1 101	1 026	1 202	1 292	1 208
Borrowing costs	67	80	86	95	102
Depreciation	76	69	78	58	60
Other expenses	845	1 235	1 406	1 012	831
Non-operating Expenses	37	0	0	9	0
<b>Total Expenses</b>	<b>2 126</b>	<b>2 410</b>	<b>2 772</b>	<b>2 466</b>	<b>2 201</b>
<b>Result from ordinary activities</b>	<b>91</b>	<b>114</b>	<b>195</b>	<b>284</b>	<b>72</b>

### 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 varies from year to year depending on project schedules and priorities.

The 2001-02 operating profit of \$0.284m 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 revenue raised from the levy has now increased to \$0.325m since its introduction and exceeds the withdrawal of \$0.300m in consolidated fund appropriation in 1999-2000.

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 have been repaid.

## FINANCIAL POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Cash	( 21)	315	176	141	595
Receivables	305	217	245	425	53
Investments	1 400	1 000	1 400	1 800	1 900
Other	134	149	155	161	168
<b>Total Current Assets</b>	<b>1 818</b>	<b>1 681</b>	<b>1 976</b>	<b>2 527</b>	<b>2 716</b>
Property, plant and equipment	140	217	197	249	192
Receivables	913	1 088	1 208	1 303	1 390
<b>Total Non-Current Assets</b>	<b>1 053</b>	<b>1 305</b>	<b>1 405</b>	<b>1 552</b>	<b>1 582</b>
Payables	40	103	58	105	56
Borrowings	127	144	145	153	161
Provisions	206	223	253	250	239
Other	137	79	532	1 269	1 757
<b>Total Current Liabilities</b>	<b>510</b>	<b>549</b>	<b>988</b>	<b>1 777</b>	<b>2 213</b>
Borrowings	1 489	1 644	1 707	1 783	1 856
Provisions	17	29	36	30	24
<b>Total Non-Current Liabilities</b>	<b>1 506</b>	<b>1 673</b>	<b>1 743</b>	<b>1 813</b>	<b>1 880</b>
<b>Net Assets</b>	<b>855</b>	<b>764</b>	<b>650</b>	<b>489</b>	<b>205</b>
Retained profits	855	764	650	489	205
<b>Total Equity</b>	<b>855</b>	<b>764</b>	<b>650</b>	<b>489</b>	<b>205</b>

## Comment

The cash position at 30 June 2005 is showing as an overdraft. However, the net cash position including investments is still positive. The overdraft results from timing differences at year-end.

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 since 2000-01 have also increased due to the introduction of the private forests service levy. Higher levels of debt are held since the introduction of the levy due to the raising of an invoice upon certification of forest practices plans, but payment not being required until six months after the certification.

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. During 2004-05 leasehold improvement assets with a written down value of \$0.033m were written off following major reconstruction works of the tenancy at the State Government Offices at Prospect. The remainder of the reduction is once again due to depreciation outweighing 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 \$1.616m at 30 June 2005, (2004, \$1.788m), represented loan funds advanced by the State Government to fund private plantation loans. The balance has decreased each year as the debt has been 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 2005 totalled \$0.128m (2004, \$0.077m). 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 both 30 June 2004 and 30 June 2005 related to ongoing projects commenced during these years.

## CASH POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Receipts from customers	2 135	2 179	2 471	1 894	2 642
Payments to suppliers and employees	( 2 152)	( 2 462)	( 2 928)	( 2 448)	( 2 179)
Interest received on surplus funds	120	107	118	126	144
Borrowing costs	( 67)	( 80)	( 86)	( 95)	( 96)
<b>Cash from operations</b>	<b>36</b>	<b>( 256)</b>	<b>( 425)</b>	<b>( 523)</b>	<b>511</b>
Proceeds from investments	0	400	400	100	0
Payments for investments	( 400)	0	0	0	( 50)
Payments for property, plant and equipment	( 36)	( 89)	( 26)	( 126)	( 68)
Proceeds from sale of property, plant and equipment	0	0	0	3	0
<b>Cash used in investing activities</b>	<b>( 436)</b>	<b>311</b>	<b>374</b>	<b>( 23)</b>	<b>( 118)</b>
Receipts from pine loan repayments	255	164	187	189	273
State Government loans repaid	( 191)	( 80)	( 101)	( 97)	( 182)
<b>Cash from financing activities</b>	<b>64</b>	<b>84</b>	<b>86</b>	<b>92</b>	<b>91</b>
<b>Net increase/(decrease) in cash</b>	<b>( 336)</b>	<b>139</b>	<b>35</b>	<b>( 454)</b>	<b>484</b>
Cash at the beginning of the period	315	176	141	595	111
<b>Cash at end of the period</b>	<b>( 21)</b>	<b>315</b>	<b>176</b>	<b>141</b>	<b>595</b>

## Comment

Grants received from the Commonwealth are for specified projects. The timing of grants received and 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 are spread over a number of financial years. The level of unexpended grant funding contributed to the levels of cash and

investments held by the Authority at each balance date. 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 received during 2000-01.

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 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 used by the Authority to repay its debt to Treasury. Both proceeds and repayments from borrowings vary significantly from year to year for this reason.

## FINANCIAL ANALYSIS

	Bench Mark	2004-05	2003-04	2002-03	2001-02	2000-01
<b>Financial Performance</b>						
Result from operations (\$'000s)		128	114	195	293	72
EBIT (\$'000s)		158	194	281	379	174
Operating margin	>1.0	1.23	0.91	0.79	1.19	1.26
Return on assets		5.4%	6.1%	7.5%	9.0%	4.2%
Return on equity		11.2%	16.1%	34.2%	81.8%	42.6%
<b>Financial Management</b>						
Debt to equity		189.01%	234.03%	284.9%	395.9%	983.9%
Debt to total assets		56.29%	59.88%	54.8%	47.5%	46.9%
Interest cover	>3	2	2	3	4	2
Current ratio	>1	3.56	3.06	2.00	1.42	1.23
Cost of debt	7.5%	3.94%	4.40%	4.5%	4.8%	4.9%
Debt collection	30 days	-	-	-	-	-
Creditor turnover	30 days	19	31	16	35	24
<b>Other information</b>						
Staff numbers FTEs		19	18	21	22	21
Average staff costs (\$'000s)		58	57	57	59	59

## Comment

The Authority is 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 that year increasing the Authority's equity balance to \$0.489m. This increase combined with the reducing debt level led to the substantial improvement in the ratio. Profit results for the last three years have built on this initial improvement and continued the trend.

The debt to total assets ratio remained at a level of between 45% and 60% for the five years under review. Whilst there have been reductions in the level of borrowings over the period, total assets have also reduced causing the ratio to remain high.

As the majority of the Authority's revenue is derived from funding received from either State or Commonwealth Governments, the debt collection ratio is not relevant.

The creditor turnover increased for 2001-02 and 2003-04 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 surplus of \$0.756m.

The 2004-05 audit was completed with satisfactory results.

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## 4.5 STATE FIRE COMMISSION

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### 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.

### AUDIT OF THE 2004-05 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2005, with revised financial statements being received on 22 September 2005. An unqualified audit report was issued on 27 September 2005.

## FINANCIAL RESULTS

### FINANCIAL PERFORMANCE

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$000s	\$000s	\$000s	\$000s	\$000s
Fire Service Contribution	20 940	20 449	19 968	19 506	19 085
Insurance Fire Levy	14 498	14 144	14 772	10 103	7 601
Motor Vehicle Fire Levy	4 533	4 545	4 005	3 835	3 674
State Government contribution	5 453	4 741	5 734	3 388	4 026
Commonwealth contribution	322	278	177	183	184
Fire Prevention Charges	3 459	3 420	2 812	3 164	3 080
Other operating revenue	1 359	1 993	1 624	1 657	1 175
Non-operating revenue	526	115	251	0	0
<b>Total Revenue</b>	<b>51 090</b>	<b>49 685</b>	<b>49 343</b>	<b>41 836</b>	<b>38 825</b>
Salaries, Wages and related expenses	29 780	27 172	25 936	23 725	22 445
Borrowing costs	290	291	349	330	474
Depreciation	3 974	3 696	3 367	3 004	2 780
Other operating expenses	12 424	13 187	13 711	12 088	11 587
Non-operating expenses	0	75	120	62	116
<b>Total Expenses</b>	<b>46 468</b>	<b>44 421</b>	<b>43 483</b>	<b>39 209</b>	<b>37 402</b>
<b>Result from Ordinary Activities</b>	<b>4 622</b>	<b>5 264</b>	<b>5 860</b>	<b>2 627</b>	<b>1 423</b>

### Comment

The Fire service contribution from councils has increased by \$1.855m over the five-year period covered by this analysis. This represents an average increase of approximately \$0.464m per annum.

The Insurance fire levy increased from \$10.103m in 2001-02 to \$14.772m in 2002-03 due to a significant increase in insurance premium 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. The State Government contribution figure of \$5.453m in 2004-05 included an additional \$2.000m contribution towards the Commission's capital expenditure program.

Salaries, wages and related expenses increased by \$7.335m over the period, at an average of \$1.834m 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 2004-05 was \$2.608m and occurred despite a drop in FTE's of 8 meaning that, based on the expenditure on salaries, wages and related costs for the 2003-04 financial year, the increase can be summarised as follows:



Decrease due to lower FTE	(0.424)
Increases in 2004-05	<u>3.032</u>
Net increase	<u>2.608</u>

This represents an increase of 11.1% and includes \$0.350m additional contribution by the Commission to make up a shortfall in the superannuation fund. The increase was predominantly caused by increases in salary rates, which had a flow on impact on provisions for annual and long service leave and superannuation contributions.

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

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$000s	\$000s	\$000s	\$000s	\$000s
Cash	1 109	4 485	3 465	4 458	3 708
Receivables	1 209	1 082	1 252	1 242	819
Inventories	1 021	969	719	617	697
Other	2 150	1 726	1 671	1 463	1 111
<b>Total Current Assets</b>	<b>5 489</b>	<b>8 262</b>	<b>7 107</b>	<b>7 780</b>	<b>6 335</b>
Bank Overdraft	595	0	0	1 251	464
Payables	2 686	3 256	4 817	3 282	3 843
Borrowings	2 868	1 500	1 368	1 368	4 698
Provisions	3 015	2 646	2 565	2 090	1 983
<b>Total Current Liabilities</b>	<b>9 164</b>	<b>7 402</b>	<b>8 750</b>	<b>7 991</b>	<b>10 988</b>
<b>Working Capital</b>	<b>( 3 675)</b>	<b>860</b>	<b>( 1 643)</b>	<b>( 211)</b>	<b>( 4 653)</b>
Property, plant and equipment	70 892	60 173	59 381	54 344	52 629
Work in progress	4 669	5 593	3 224	1 869	2 688
<b>Total Non-Current Assets</b>	<b>75 561</b>	<b>65 766</b>	<b>62 605</b>	<b>56 213</b>	<b>55 317</b>
Borrowings	1 830	3 198	3 330	4 341	1 011
Provisions	4 954	4 498	3 966	3 368	3 166
<b>Total Non-Current Liabilities</b>	<b>6 784</b>	<b>7 696</b>	<b>7 296</b>	<b>7 709</b>	<b>4 177</b>
<b>Net Assets</b>	<b>65 102</b>	<b>58 930</b>	<b>53 666</b>	<b>48 293</b>	<b>46 487</b>
Reserves	1 624	74	74	0	1 258
Retained surpluses	63 478	58 856	53 592	48 293	45 229
<b>Total Equity</b>	<b>65 102</b>	<b>58 930</b>	<b>53 666</b>	<b>48 293</b>	<b>46 487</b>

## Comment

In 2003-04, the Commission recorded its first positive working capital balance for the period of review. This was due in part to a lower payables balances and higher cash holdings at year-end. The higher cash holding was due to strong cash generated from operations and a lower investment in new assets compared to 2002-03 and 2004-05. Net working capital was

negative at 30 June 2005 primarily due to the Commission's high capital investment program in that year.

Property, plant and equipment in the 2002-03 year increased to \$59.381m due to significant capital 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 2004-05 was due to the further additions to buildings including the Youngtown and Cambridge sites and an investment of \$6.067m on Fire Appliances, which included a number of light and heavy tankers.

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. Such a cheque run was made at the end of the 2001-02 year, and as a result, a bank overdraft of \$1.251m occurred. 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 payables decreased from \$1.239m to \$0.795m.

Although borrowings moved significantly between the current and non-current classifications in the first two years under review, the net outstanding balance always remained at \$5.709m. This was due to the fact that the Commission refinanced its borrowings portfolio held with Tascorp annually. In the 2002-03 year, borrowings of \$1.010m were repaid from cash accumulated over the previous years. Since that time, the level of borrowings has remained constant, as the Commission continued to refinance borrowings as they become due.

The increases noted in 2002-03 for both current and non-current provisions are in accordance with amendments to Australian 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. Increases since that time are primarily due to projected wage increases allowed for in the expected future outflows, and an increase in the average number of days leave owing for both annual leave and long service leave.

In 2001-02 the amount for Reserves, which comprised an 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 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 years 2002-03 and 2004-05, land and buildings were re-valued to a fair value basis and valuation increments were taken to a new Asset revaluation reserve.

## CASH POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$000s	\$000s	\$000s	\$000s	\$000s
Receipts from customers	48 662	48 468	48 199	40 581	39 015
Payments to suppliers and employees	( 40 407)	( 39 987)	( 37 525)	( 35 532)	( 32 096)
Interest received	97	92	110	73	88
Borrowing costs	( 290)	( 291)	( 349)	( 330)	( 474)
<b>Cash from operations</b>	<b>8 062</b>	<b>8 282</b>	<b>10 435</b>	<b>4 792</b>	<b>6 533</b>
Proceeds from investments	0	0	0	0	1 500
Payments for investments	0	0	0	0	0
Payments for property, plant and equipment	( 14 296)	( 8 039)	( 10 147)	( 5 532)	( 6 242)
Proceeds from sale of property, plant and equipment	2 263	777	981	703	912
<b>Cash used in investing activities</b>	<b>( 12 033)</b>	<b>( 7 262)</b>	<b>( 9 166)</b>	<b>( 4 829)</b>	<b>( 3 830)</b>
Proceeds from borrowings	1 500	1 368	0	0	0
Repayment of borrowings	( 1 500)	( 1 368)	( 1 011)	0	0
<b>Cash from financing activities</b>	<b>0</b>	<b>0</b>	<b>( 1 011)</b>	<b>0</b>	<b>0</b>
<b>Net increase/(decrease) in cash</b>	<b>( 3 971)</b>	<b>1 020</b>	<b>258</b>	<b>( 37)</b>	<b>2 703</b>
Cash at the beginning of the period	4 485	3 465	3 207	3 244	541
<b>Cash at end of the period</b>	<b>514</b>	<b>4 485</b>	<b>3 465</b>	<b>3 207</b>	<b>3 244</b>

## 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 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 were high in each of the last three years due to extensive capital works on buildings and purchase of fire appliances. The 2002-03 year included the upgrade of the Hobart head-office whilst 2004-05 included the Youngtown and Cambridge sites and purchase of fire appliances noted earlier.

The large capital expenditure in 2004-05 is the main reason for the net decrease in cash recorded for the year. Proceeds from the sale of investments offset some of the cash decrease and arose from the sale of properties no longer required.

## FINANCIAL ANALYSIS

	<b>Bench Mark</b>	<b>2004-05</b>	<b>2003-04</b>	<b>2002-03</b>	<b>2001-02</b>	<b>2000-01</b>
<b>Financial Performance</b>						
Result from operations (\$'000s)		4 096	5 224	5 729	2 689	1 539
Operating margin	>1.0	1.09	1.12	1.13	1.07	1.04
<b>Financial Management</b>						
Current ratio	>1	0.60	1.12	0.81	0.97	0.58
Debt collection	30 days	17	15	19	19	11
Creditor turnover	30 days	65	54	59	41	64
<b>Other information</b>						
Staff numbers FTEs		437	445	428	415	420
Average staff costs (\$'000s)		55	51	49	46	45

### Comment

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

The Current ratio improved significantly in 2001-02 due to the change in accounting policy in that year 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 decrease in the current ratio back to below 1 in 2004-05 is due to less cash holdings at year end, combined with increased borrowings becoming due within the next twelve months.

The creditor turnover remains high across each of the years in the analysis. The high level in 2000-01 was due to the purchase of a significant amount of computer equipment at the end of the year. The current position is due to a general rise in the level of year-end creditors, which includes creditors for capital expenditure. The Commission is still able to pay its creditors on time, although this ratio, when combined with the lower current ratio, indicates that liquidity may be tight, a position that will require monitoring by management.

The staff numbers noted above equals the actual number of FTE's as at 30 June each year. In isolation, it appears that the average staff costs for 2004-05 have increased, but given that employee separations occur progressively during the year, the actual increase in average costs may not have been as significant.

### OVERALL COMMENT

The 2004-05 audit was completed with satisfactory results.

## **4.6 TAFE TASMANIA**

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### **INTRODUCTION**

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

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

TAFE is the largest registered training organisation in Tasmania.

In 2004-05, TAFE accessed 83% 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.

On 1 July 2004, the Adult Education Division was transferred to the Department of Education.

### **AUDIT OF THE 2004-05 FINANCIAL STATEMENTS**

Signed financial statements were received on 15 August 2005 and an unqualified audit report was issued on 25 August 2005.

## FINANCIAL RESULTS

### FINANCIAL PERFORMANCE

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$000s	\$000s	\$000s	\$000s	\$000s
Purchase agreement recurrent funding	64 531	64 859	60 777	60 123	56 523
Capital Funding	5 111	4 639	10 113	4 591	4 500
Other government revenue	5 579	5 277	5 054	5 027	4 617
User charges, fees and fines	5 552	7 584	7 302	6 429	6 711
Commercial services	8 303	8 340	7 607	7 466	7 060
Other operating revenue	1 495	1 787	1 377	1 538	1 266
<b>Total Revenue</b>	<b>90 571</b>	<b>92 486</b>	<b>92 230</b>	<b>85 174</b>	<b>80 677</b>
Borrowing costs	0	0	7	55	147
Depreciation	8 261	7 369	7 114	6 815	6 733
Employee expenses	62 607	62 906	59 888	56 305	53 107
Other operating expenses	23 020	22 080	21 243	22 646	21 876
Non-operating expenses	189	463	1 169	135	312
<b>Total Expenses</b>	<b>94 077</b>	<b>92 818</b>	<b>89 421</b>	<b>85 956</b>	<b>82 175</b>
<b>Result from Ordinary Activities</b>	<b>( 3 506)</b>	<b>( 332)</b>	<b>2 809</b>	<b>( 782)</b>	<b>( 1 498)</b>
<b>Result before Capital Funding</b>	<b>( 8 617)</b>	<b>( 4 971)</b>	<b>( 7 304)</b>	<b>( 5 373)</b>	<b>( 5 998)</b>

### 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, although reduced by approximately \$2.400m in 2004-05 due to the transfer of Adult Education programs to the Department of Education.

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

Borrowing costs related 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.

Depreciation increased in 2004-05 due to increased building values as a result of a recent revaluation.

Employee expenses have increased in recent years due mainly to increased staff and associated salaries. The slight reduction in 2004-05 due to the transfer of Adult Education.

Non-operating expenses for 2002-03 represented losses on disposal of non-current assets.

The deficit of \$3.506m in 2004-05 is primarily due to increased depreciation, salaries and repairs and maintenance.

The result before capital funding appears consistent with the Government policy of not funding depreciation in the Purchase Agreement. Capital funding is generally below the annual depreciation charge and this gap will grow as a result of the asset revaluation suggesting that capital funding may have to increase.

## FINANCIAL POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$000s	\$000s	\$000s	\$000s	\$000s
Cash	6 398	8 774	4 784	3 846	4 182
Receivables	1 594	1 533	2 219	1 615	2 221
Inventories	436	460	396	373	446
Other	900	45	502	21	525
<b>Total Current Assets</b>	<b>9 328</b>	<b>10 812</b>	<b>7 901</b>	<b>5 855</b>	<b>7 374</b>
Property, plant and equipment	190 084	140 765	142 984	143 154	143 069
<b>Total Non-Current Assets</b>	<b>190 084</b>	<b>140 765</b>	<b>142 984</b>	<b>143 154</b>	<b>143 069</b>
Payables	1 419	2 044	1 635	1 808	1 852
Borrowings	0	0	0	160	305
Provisions	2 716	3 051	3 396	4 053	4 316
Other	152	168	189	13	90
<b>Total Current Liabilities</b>	<b>4 287</b>	<b>5 263</b>	<b>5 220</b>	<b>6 034</b>	<b>6 563</b>
Borrowings	0	0	0	0	680
Provisions	8 871	8 355	7 374	7 493	6 940
Other	16	16	16	16	12
<b>Total Non-Current Liabilities</b>	<b>8 887</b>	<b>8 371</b>	<b>7 390</b>	<b>7 509</b>	<b>7 632</b>
<b>Net Assets</b>	<b>186 238</b>	<b>137 943</b>	<b>138 275</b>	<b>135 466</b>	<b>136 248</b>
Reserves	58 215	3 605	3 605	3 605	3 605
Accumulated losses	( 8 096)	( 4 590)	( 4 258)	( 7 067)	( 6 285)
Contributed equity	136 119	138 928	138 928	138 928	138 928
<b>Total Equity</b>	<b>186 238</b>	<b>137 943</b>	<b>138 275</b>	<b>135 466</b>	<b>136 248</b>

## Comment

Cash increased in 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. In 2004-05 a further reduction was due to staff reductions associated with the transfer of Adult Education.

The decrease in contributed equity in 2004-05 reflects net assets of \$2.809m for the Adult Education program being transferred to the Department of Education.

The asset revaluation reserve of \$58.215m includes the recent revaluation of land and buildings of \$54.610m during 2004-05. Without this revaluation overall equity would have reduced by \$6.315m due to the current operating deficit and the transfer of the Adult Education program.

## CASH POSITION

	2004-05	2003-04	2002-03	2001-02	2000-01
	\$000s	\$000s	\$000s	\$000s	\$000s
Government grants	75 221	74 775	75 944	69 741	65 640
Receipts from customers	21 245	25 061	23 350	22 736	20 975
Interest Received	552	511	400	720	499
Payments to suppliers and employees	( 93 602)	( 91 390)	( 90 795)	( 87 429)	( 84 812)
Borrowing costs	0	0	( 7)	( 55)	( 146)
<b>Cash from operations</b>	<b>3 416</b>	<b>8 957</b>	<b>8 892</b>	<b>5 713</b>	<b>2 156</b>
Payments for property, plant and equipment	( 5 968)	( 5 614)	( 7 997)	( 5 546)	( 5 185)
Proceeds from sale of property, plant and equipment	176	647	203	323	131
<b>Cash used in investing activities</b>	<b>( 5 792)</b>	<b>( 4 967)</b>	<b>( 7 794)</b>	<b>( 5 223)</b>	<b>( 5 054)</b>
Repayment of borrowings	0	0	( 160)	( 826)	( 1 413)
<b>Cash from financing activities</b>	<b>0</b>	<b>0</b>	<b>( 160)</b>	<b>( 826)</b>	<b>( 1 413)</b>
<b>Net increase/(decrease) in cash</b>	<b>( 2 376)</b>	<b>3 990</b>	<b>938</b>	<b>( 336)</b>	<b>( 4 311)</b>
Cash at the beginning of the period	8 774	4 784	3 846	4 182	8 493
<b>Cash at end of the period</b>	<b>6 398</b>	<b>8 774</b>	<b>4 784</b>	<b>3 846</b>	<b>4 182</b>

## Comment

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 decreased during 2004-05 due principally to the transfer of Adult Education as mentioned previously.

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



Cash increased in 2003-04 due mainly to the timing of the receipt of government funding.

## FINANCIAL ANALYSIS

	<b>Bench Mark</b>	<b>2004-05</b>	<b>2003-04</b>	<b>2002-03</b>	<b>2001-02</b>	<b>2000-01</b>
<b>Financial Performance</b>						
Result from operations (\$'000s)		( 3 317)	131	3 978	( 647)	( 1 186)
Operating margin	>1.0	0.96	1.00	1.05	0.99	0.99
Current ratio	>1	2.18	2.05	1.51	0.97	1.12
Debt collection	30 days	36	31	47	40	56
Creditor turnover	30 days	13	24	21	26	34
<b>Other information</b>						
Staff numbers FTEs		936	961	948	936	931
Average staff costs (\$'000s)		67	65	63	60	59

## Comment

Results from operations substantially improved in 2002-03 due to increases in grants but decreased in 2004-05 due to increased depreciation, salaries and repairs and maintenance.

The current ratio improved in 2003-04 and 2004-05 due mainly to increased cash holdings compared to previous years.

Staff numbers as shown do not include sessional teachers, or casual staff, therefore average staff costs disclosed are overstated.

## OVERALL COMMENT

As at 30 June 2005 TAFE had a strong cash position with a positive current ratio.

The 2004-05 audit was completed with satisfactory results.

## **4.7 TASMANIAN RISK MANAGEMENT FUND**

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### **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 insurable 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.

### **AUDIT OF THE 2004-05 FINANCIAL STATEMENTS**

Signed financial statements were received on 18 August 2005 and an unqualified audit report was issued on 17 October.

## FINANCIAL RESULTS

### FINANCIAL PERFORMANCE

	2004-05	2003-04	2002-03	2001-02
	\$'000	\$'000	\$'000	\$'000
Agency contributions and recoveries	29 285	26 881	26 850	27 796
Investment revenue	5 069	4 366	3 696	3 368
Other revenue	5 021	3 289	0	0
<b>Total Revenue</b>	<b>39 375</b>	<b>34 536</b>	<b>30 546</b>	<b>31 164</b>
Claims expense	39 636	39 222	47 412	25 621
Other underwriting expenses	1 343	1 232	1 132	426
General administration expenses	644	496	376	286
<b>Total Expenses</b>	<b>41 623</b>	<b>40 950</b>	<b>48 920</b>	<b>26 333</b>
<b>Result from ordinary activities</b>	<b>( 2 248)</b>	<b>( 6 414)</b>	<b>( 18 374)</b>	<b>4 831</b>

### 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. This is reported as the amount, Other revenue. Other revenue in 2003-04 included 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.

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 to 2004-05 resulted in operating deficits for those years.

## FINANCIAL POSITION

	2004-05	2003-04	2002-03	2001-02
	\$'000	\$'000	\$'000	\$'000
Cash	95 961	85 773	76 052	73 603
Receivables	839	407	1 082	493
<b>Total Current Assets</b>	<b>96 800</b>	<b>86 180</b>	<b>77 134</b>	<b>74 096</b>
Outstanding claims	28 350	24 411	25 223	21 964
Payables	531	750	2 129	1 592
Provisions	66	72	38	35
<b>Total Current Liabilities</b>	<b>28 947</b>	<b>25 233</b>	<b>27 390</b>	<b>23 591</b>
<b>Working Capital</b>	<b>67 853</b>	<b>60 947</b>	<b>49 744</b>	<b>50 505</b>
Outstanding claims	73 173	64 019	46 402	28 789
<b>Total Non-Current Liabilities</b>	<b>73 173</b>	<b>64 019</b>	<b>46 402</b>	<b>28 789</b>
<b>Net Assets</b>	<b>( 5 320)</b>	<b>( 3 072)</b>	<b>3 342</b>	<b>21 716</b>
Retained profits/(losses)	( 5 320)	( 3 072)	3 342	21 716
<b>Total Equity</b>	<b>( 5 320)</b>	<b>( 3 072)</b>	<b>3 342</b>	<b>21 716</b>

### Comment

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

The Outstanding claims consist mainly of the liability for outstanding workers' compensation claims as determined by the Actuary and the recognition during 2002-03 of pre 1 July 2001 medical liabilities.

Outstanding claims for workers' compensation increased by \$5.390m in 2002-03, and medical claims amounting to \$13.470m were recognised for the first time in that year. Outstanding claims increased significantly in 2003-04 due principally to increases of \$11.935m in medical liability claims, \$4.007m in Workers' compensation claims and \$1.553m in public and professional liability claims. Outstanding claims increased again in 2004-05 due principally to a further increase of \$11.785m in outstanding medical liability claims.

The large increases in Outstanding claims in 2003-04 and 2004-05 have resulted in a negative Equity position in those years. Subject to further increases in claims costs, an annual contribution from the Consolidated Fund of \$5.000m from 1 July 2004 onwards until medical liabilities are fully funded, is aimed at addressing this negative position.

## CASH POSITION

	2004-05	2003-04	2002-03	2001-02
	\$'000	\$'000	\$'000	\$'000
Agency contributions	28 851	27 750	26 284	28 561
Other revenue	5 021	3 289	0	0
Interest received	5 035	4 261	3 673	3 100
Claims and expenses paid	( 24 880)	( 22 151)	( 24 233)	( 22 141)
Fund management fees	( 1 865)	( 1 832)	( 1 768)	( 1 710)
Underwriting expenses	( 1 343)	( 1 232)	( 1 132)	( 426)
General and administration expenses	( 631)	( 364)	( 375)	( 335)
<b>Cash from operations</b>	<b>10 188</b>	<b>9 721</b>	<b>2 449</b>	<b>7 049</b>
<b>Net increase/(decrease) in cash</b>	<b>10 188</b>	<b>9 721</b>	<b>2 449</b>	<b>7 049</b>
Cash at the beginning of the period	85 773	76 052	73 603	66 554
<b>Cash at end of the period</b>	<b>95 961</b>	<b>85 773</b>	<b>76 052</b>	<b>73 603</b>

## Comment

The cash position of the Fund has continued to improve. This is principally because Cash inflows from agencies and other revenue exceeded the Cash outflows for claims and other expenses. A large element of the claims expenses are anticipations for future costs. The build-up of cash will be needed to meet these insurance claims in the future.

## FINANCIAL ANALYSIS

	Bench Mark	2004-05	2003-04	2002-03	2001-02
<b>Financial Performance</b>					
Result from operations (\$'000s)		( 2 248 )	( 6 414 )	( 18 374 )	4 831
Operating margin	>1.0	0.95	0.84	0.62	1.18
<b>Financial Management</b>					
Current ratio	>1	3	3	3	3
Debt collection	30 days	10	6	15	6
Creditor turnover	30 days	5	7	16	22
<b>Other information</b>					
Staff numbers FTEs		4	4	4	3
Average staff costs (\$'000s)		67	71	71	65

## Comment

The lower Operating margins in 2002-03 to 2004-05 reflect the operating deficits in those years.

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 2004-05 audit was completed with satisfactory results.

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## 5 MISCELLANEOUS PUBLIC BODIES

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### Audits Completed

The following public bodies received ***unqualified audit reports*** on their financial statements for 2004-05. No particular comments are required.

- Anzac Day Trust;
- Cradle Coast Authority.
- Forest Practices Board;
- Government Prices Oversight Commission;
- Jim Bacon Foundation;
- Launceston Sailors Home Fund Trust;
- Office of the Tasmanian Electricity Regulator;
- RBF-TAS Planning Pty Ltd;
- Royal Tasmanian Botanical Gardens;
- Southern Combined Planning Authority;
- Sullivans Cove Waterfront 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 bodies have submitted financial statements for 2004-05 the audits of which are currently in progress:

- Aboriginal Land Council;
- Local Government Association of Tasmania;
- Southern Waste Strategy Authority; and
- Tasmanian Beef Industry (Research and Development) Trust.

### Other

The following entities had not submitted financial statements for 2004-05 as at 31 October 2005:

- Council of Law Reporting; and
- Clyde Water Trust.

At the time of completing my November 2004 report, the audit of the financial statements of the Clyde Water Trust was outstanding. This audit has now been completed and analysis and comment will be included in my first report for 2005-06.