



2007

PARLIAMENT OF TASMANIA

**REPORT OF THE
AUDITOR-GENERAL**

No. 2 of 2007

**GOVERNMENT DEPARTMENTS
AND PUBLIC BODIES 2006-2007**

Executive Summary

November 2007

*Presented to both Houses of Parliament in accordance with the requirements of
Section 57 of the Financial Management and Audit Act 1990*

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20 November 2007

President
Legislative Council
HOBART

Speaker
House of Assembly
HOBART

Dear Sirs

In accordance with the requirements of Section 57 of the *Financial Management and Audit Act 1990*, I have pleasure in presenting my Report on the audit of the Treasurer's Annual Financial Report (my audit report covers the Public Account Statements and the Budget Outcomes Statements only), and on the financial statements of Government Departments, Government Business Enterprises, State-Owned Corporations and other public bodies and Local Government Authorities for the year ended 30 June 2007.

Yours sincerely

H M Blake
AUDITOR-GENERAL

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INTRODUCTION

This Report deals with the outcomes from audits completed of the Public Account Statements, the Budget Outcomes Statements, and financial statements prepared by Government Departments, State-Owned Corporations (SOC), Statutory Authorities, Government Business Enterprises (GBE), Local Government Authorities and other public bodies together with special comments on various other matters.

FORMAT OF THE REPORT

Unless specifically indicated, comments in this Report are current as at 31 October 2007.

The Report is based on the administrative arrangements set out under the provisions of the *Administrative Arrangements Act 1990* as at 30 June 2007 and has been prepared in accordance with the following classifications:

Executive Summary	Introduction; Guide to using this Report; Matters of Significance and Follow-Up of Matters Previously Reported; Treasurer's Annual Financial Report – Budget Outcomes Statements and Public Account Statements; and Timeliness and Quality of Financial Statements.
Volume 1	Executive and Legislature, Government Departments, Other Authorities and Public Bodies.
Volume 2	Government Businesses and Local Government Authorities.

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

FORMAT OF THE FINANCIAL ANALYSIS

Each entity's financial performance is analysed by discussing the Income Statement, Balance Sheet and Cash Flow Statement (noted as Cash Position) supplemented by financial analysis applying the indicators documented in the Financial Analysis sections of this Report. The layout of some of these primary statements has been amended from the audited statements to, where appropriate:

- Make the statements more relevant to the nature of the entity's business; and
- Highlight the entity's working capital, which is a useful measure of liquidity.

Departments are now required to present budget amounts on the face of their primary statements. As a consequence details and commentary in relation to these amounts have been included in this Report.

STATUS OF AUDITS

The majority of audits for the year ended 30 June 2007 have been completed with some exceptions as detailed in the preamble under each Volume of this Report. Outcomes from incomplete audits will be reported to Parliament in the first half of 2008.

Appendix 1 provides details of the status of all 30th June 2007 audits.

AUDITS DISPENSED WITH

Specific audits

Section 41 of the *Financial Management and Audit Act 1990 (FMAA)* permits the Auditor-General to dispense with audits. The decision to dispense with an audit is made annually with information provided to Members of Parliament in these reports to Parliament. The Auditor-General's No 1 Report for 2007, tabled on 18 April 2007, listed 30 entities the audits of which had been dispensed with. Since that time I have not dispensed with any further audits.

Categories of audits

Those public bodies that receive grant funding from the State Government via its various Departments.

Annual audits of these Departments continue to include audit work of their grant programs, an objective of which is to ensure that appropriate internal control arrangements are in place for making grant payments and for the acquittal thereof by the public bodies concerned. As a result, my Office did not conduct separate audits of these entities and I have not specifically dispensed with these audits.

FINANCIAL ANALYSIS

The following table illustrates the methods of calculating performance indicators used in the Financial Analysis sections of this Report, together with a number of benchmarks used to measure financial performance.

Financial Performance Indicator	Benchmark⁽¹⁾	Method of Calculation
Financial Performance		
Result from operations (\$'000s)		Operating Revenue less Operating Expenses
Earnings Before Interest and Tax (EBIT) (\$'000s)		Result from Operating Activities before Gross Interest Expense and before tax
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) (\$'000s)		Result from Operating Activities before Tax, before Gross Interest Expense, Depreciation and Amortisation
Operating margin	>1.0	Operating Revenue divided by Operating Expenses
Return on assets		EBIT divided by Average Total Assets
Return on equity		Result from Operating Activities after Taxation divided by Average Total Equity
Return on investments	5.5%	Net Investment income divided by Average Investments
Financial Management		
Debt to equity		Debt divided by Total Equity
Debt to total assets		Debt divided by Total Assets
Interest cover - EBIT	>3	EBIT divided by Gross Interest Expense
Interest cover - Cash from operations	>3	Cash from Operations plus Gross Interest Expense divided by Gross Interest Expense
Current ratio	>1	Current Assets divided by Current Liabilities
Leverage ratio		Total Assets divided by Shareholders' Equity
Cost of debt	7.5%	Gross Interest Expense divided by Average Borrowings (include finance leases)
Debt service ratio		Borrowing costs plus Repaid borrowings divided by Operating Revenue
Debt collection	30 days	Receivables divided by billable Revenue multiplied by 365
Creditor turnover	30 days	Payables divided by credit purchases multiplied by 365
Capital expenditure/ depreciation	100%	Payments for Property, plant and equipment divided by Depreciation expenses
Capital expenditure on existing assets/ depreciation*		Payments for Property, plant and equipment on existing assets divided by Depreciation expenses
Solvency ratio***		Net Assets less Deferred Tax Asset less dividend payable divided by provision for outstanding claims

Financial Performance Indicator	Benchmark⁽¹⁾	Method of Calculation
Returns to Government		
Dividends paid or payable (\$'000s)		Dividends paid or payable that relate to the year subject to analysis
Dividend payout ratio	50%	Dividend divided by Result from Operating Activities after Tax
Dividend to equity ratio		Dividend paid or payable divided by Average Total Equity
Income tax paid or payable (\$'000s)		Income Tax paid or payable that relates to the year subject to analysis
Effective tax rate	30%	Income Tax paid or payable divided by Result from Operating activities before Tax
Total return to the State (\$'000s)		Dividends plus Income Tax and Loan Guarantee fees
Total return to equity ratio		Total Return divided by Average Equity
Other Information		
Self sufficiency %**		Revenue from independent sources/Total Operating Expenses
Government funding %**		Revenues from Government/Net Cost of Services
Employee costs ⁽²⁾ as % of operating expenses*		Total employee costs divided by Total Operating Expenses
Employee costs expensed (\$'000)*		Total employee costs per Income Statement
Employee costs capitalised (\$'000)*		Capitalised employee costs
Staff numbers (FTEs)		Effective full time equivalents (Average)
Average staff costs ⁽²⁾ (\$'000s)		Total employee expenses (including capitalised employee costs) divided by Staff numbers
Average leave balances per FTE (\$'000s)		Total employee annual and long service leave entitlements divided by Staff numbers
<p>* relevant to local government authorities</p> <p>** relevant to Departments</p> <p>*** relevant to MAIB</p> <p>⁽¹⁾ Benchmarks vary depending on the nature of the business being analysed. For the purposes of this Report, single generic benchmarks have been applied where appropriate.</p> <p>⁽²⁾ Employee costs include capitalised employee costs, where applicable, plus all oncosts.</p>		

An explanation of the performance indicators is provided below:

- Result from operations – summarises revenue transactions and expense transactions incurred in the same period of time and calculates the difference;
- Earnings before income tax (EBIT) – measures how well an entity can earn a profit, regardless of how it is financed (debt or equity) and before it has to meet external obligations such as income tax. This is a measure of how well it goes about its core business;
- Earnings before income tax, depreciation and amortisation (EBITDA) – measures how well an entity can generate funds without the effects of financing (debt or equity), depreciation and amortisation and before it has to meet external obligations such as income tax. This measure is of particular relevance in cases of entities with large amounts of non-current assets as the distortionary accounting and financing effects on the entity's earnings are removed, enabling comparisons to be made across different entities and sectors;
- Operating margin – this ratio serves as an overall measure of operating effectiveness;
- Return on assets – measures how efficiently management used assets to earn profit. If assets are used efficiently, they earn profit for the entity. The harder the assets work at generating revenues, and thus profit, the better the potential return for the owners;
- Return on equity – measures the return the entity has made for the shareholders on their investment;
- Debt to equity – an indicator of the risk of the entity's capital structure in terms of the amount sourced from borrowings and the amount from Government;
- Debt to total assets – an indicator of the proportion of assets that are financed through borrowings;
- Interest cover – EBIT – an indicator of the ability to meet periodic interest payments from current profit (before interest expense). The level of interest cover gives a guide of how much room there is for interest payments to be maintained in the face of interest rate increases or reduced profitability;
- Interest cover – Cash from operations – examines the exposure or risk in relation to debt – an indicator of the ability to meet periodic interest payments from funds from operations (before interest expense). The level of interest cover gives a guide of how much room there is for interest payments to be maintained in the face of interest rate increases or reduced funds from operations;
- Current ratio – current assets should exceed current liabilities by a 'considerable' margin. It is a measure of liquidity that shows an entity's ability to pay its short term debts;
- Leverage ratio – measures the proportion of equity funding in the asset base;
- Cost of debt – reflects the average interest rate applicable to debt;
- Debt service ratio – indicates the capacity of the entity to service debt by repaying principal as well as interest on borrowings;
- Debt collection – indicates how effectively the entity uses debt collection practices to ensure timely receipt of monies owed by its customers;

- Creditor turnover – indicates how extensively the entity utilises credit extended by suppliers;
- Capital expenditure/depreciation – indicates whether the entity is maintaining its physical capital by reinvesting in or renewing non-current assets;
- Capital expenditure on existing assets/depreciation – indicates potential decline or improvement in asset condition and standard for existing council assets;
- Solvency ratio – solvency is the ability of an insurance company to pay future claims. In order to remain solvent, insurance companies must always keep an adequate surplus of funds in case an unforeseen increase in claims occurs;
- Dividends paid or payable – payment by the entity to its shareholders (whether paid or declared as a payable);
- Dividend payout ratio – the amount of dividends relative to the entity’s net income;
- Dividend to equity – the relative size an entity’s dividend payments to shareholders’ equity. A low dividend to equity ratio may indicate that profits are being retained by the entity to fund capital expenditure;
- Income tax paid or payable – tax payments (paid or payable) by the entity to the State;
- Effective tax rate – is the actual rate of tax paid on profits;
- Total return to the State – is the funds paid to the Government consisting of income tax, dividends and guarantee fees;
- Total return to equity ratio – measures the Government’s return on its investment in the entity;
- Self sufficiency % - shows the reduction in budget dependency resulting from revenue from independent sources such as user charges;*
- Government funding % - shows the extent to which the net cost of providing services is funded by Government;*
- Employee costs as a percentage of operating expenses – indicates the relative significance of employee costs compared to other operating expenses;
- Employee costs expensed – employee costs as reported in the Income Statement;
- Employee costs capitalised – employee costs not included in the Income Statement by virtue of being capitalised;
- Staff numbers (FTEs) – as at the end of the reporting period the average number of staff employed during the year expressed as full-time equivalents (FTEs);
- Average staff costs (\$’000) – measures the average cost of employing staff in the entity for the year; and
- Average leave balances per FTE (\$’000s) – indicates the extent of unused leave balances at balance date.

* *Michael Gibbins, Financial accounting; an integrated approach (Nelson College Indigenous, 2006, page 696)*

The above indicators are used because they are commonly applied to the evaluation of financial performance. Care should be taken in interpreting these measures, as by definition they are only indicators, and they should not be read in isolation.

The following ratios have been included for the first time:

- Capital expenditure on existing assets/depreciation;
- Self sufficiency %; and
- Government funding %.

The Capital expenditure on existing assets/depreciation ratio used for councils should be treated with some caution as the amount of capital expenditure on existing assets has largely been provided by the respective councils and not subject to audit.

GUIDE TO USING THIS REPORT

This Report is prepared under Section 57 (1) of the *FMAA*, which requires the Auditor-General, on or before 31 December in each year, to report to Parliament in writing on the audit of Government Departments and public bodies in respect of the preceding financial year. The issue of more than one report now satisfies this requirement each year.

During the 2007 calendar year two reports were tabled:

- Report No. 1 of 2007 tabled on 18 April 2007 – this report dealt with June 2006 financial statement audits incomplete at the time of tabling the November 2006 report and financial statement audits with 31 December 2006 balance dates; and
- Report No. 2 of 2007 tabled on 20 November 2007 – which is this Report. It deals with those audits of financial statements of entities with a 30 June 2007 financial year-end completed on 31 October 2007. The outcomes from audits completed after this date will be reported in the first half of 2008.

This Report comprises three volumes:

- Executive Summary – which includes an analysis of the Budget Outcomes Statements and of the Public Account Statements;
- Volume 1 – Executive and Legislature, Government Departments, and Other Authorities; and
- Volume 2 – Government Businesses and Local Government Authorities.

Where relevant, Agencies and Entities are provided with the opportunity to comment on any of the matters reported. Where they choose to do so, responses are detailed within that particular section.

MATTERS OF SIGNIFICANCE AND FOLLOW-UP OF MATTERS PREVIOUSLY REPORTED

This Report contains analysis of financial information reported by Ministerial Departments, Government Businesses (including SOCs), Statutory Authorities, Local Government Authorities and other public bodies. Comparative information is also provided for groups of similar entities such as energy entities.

The accompanying text summarises significant matters identified from our analysis of the financial statements. A cross reference to the relevant detailed report is provided. Not included are financial and reporting matters that are common across public sector entities, such as timeliness of reporting, because these are dealt with separately in this Executive Summary. Also not included, for the same reason, are matters dealt with in the analysis of the Budget Outcomes Statements and the Public Account Statements which are reported as part of the Treasurer's Annual Financial Report.

The Report includes details of matters raised with entity management during the course of audits but only where the matter(s) raised warrant it. The rationale for inclusion or otherwise rests on my perception of the public interest in each point and the need to confine comments to those matters that have more than a managerial dimension. Also included below are summaries of the more significant accounting changes impacting some entities.

A section is again included here following up matters reported in previous reports to Parliament.

MATTERS IDENTIFIED IN PREVIOUS REPORTS

Aboriginal Land Council - (30 June 2006 Financial Statements)

- April 2007 Report, Page 233

I reported that, under the provisions of the Aboriginal Land Council's enabling legislation, it must submit financial statements to the Auditor-General for audit by 31 August each year. This timeframe has not been met in recent years and Council has been requested to provide financial statements by the legislative deadline in future.

Council's financial statements for 2006-07 were not received until 16 October 2007 (2005-06, 30 March 2007). While this marks a significant improvement over 2005-06 Council will need to review its processes to ensure compliance with the deadline in future years.

Clyde Water Trust

- June 2006 Report, Page 212

In preparation for the 2005-06 audit, a number of recommendations were made to the Trust in order to improve its financial reporting disclosures and corporate governance practices including:

- Preparation of full accrual general purpose financial statements;
- Clear documentation of all liabilities;

- Disclosure of interest owing on advances;
- Depreciation to be included as an expense;
- Disclosure of income and expenditures earned/made on behalf of the Trust which are not recorded in the Trust's accounts; and
- Good corporate governance principles including a record of all decisions made.

At the time of my June 2006 report, some progress had been made in respect to a business plan which would eventually see the Trust's assets, liabilities and operations being passed to a new entity. It was understood that the new entity would assume responsibility for the River Clyde Irrigation District and that it would be set up in order to meet contemporary business standards and governance principles. As at the date of my current Report, this matter was still being progressed.

At the time of writing my April 2007 Report, the final audit of the financial statements for 2005-06, which were to be prepared on a full accrual basis for the first time, had yet to be finalised.

The Trust's 2005-06 financial statements were initially received on 17 July 2006 but were incomplete. Amended and resigned final statements were finally received on 9 June 2007 and the audit thereof was completed on 5 September 2007. The audit opinion was unqualified.

MATTERS ARISING FROM CURRENT AND PREVIOUS AUDITS BROUGHT TO THE ATTENTION OF MANAGEMENT

Department of Health and Human Services (DHHS)

- November 2006 Report, Volume 1, Page 33
- November 2007 Report, Volume 1, (this Report)

Recent reports had commented on internal control weaknesses and related matters at DHHS. I noted that there has been an improvement in many areas previously reported including those relating to the use of the Tasmanian Government Card, although some control weaknesses were again identified and brought to the attention of management. Matters identified during the 2005-06 financial audit were noted in the separate DHHS chapter in Volume 1 of that Report.

It is pleasing to report that many of the concerns raised in previous financial audits for the DHHS have, or are being, addressed by it.

However, the Department's cash position has declined significantly from cash holdings of \$97.808m at 30 June 2004 to \$32.169m at 30 June 2007. Included in the latter amount is \$15.614m funds carried forward under Section 8A(2) of the *Public Account Act, 1986*. In my view at 30 June 2007 the Department was not in a strong liquid position.

Timeliness of Financial Reporting by Local Government Authorities

- November 2006 Report, Executive Summary, Page 17
- November 2007 Report, Executive Summary, (this Report)

The *Local Government Act 1993* requires Councils to provide financial statements to me as soon as practicable after 30 September each year. Satisfaction of this requirement facilitates the completion of annual reports and their tabling at annual general meetings to be held by 15 December each year.

I have interpreted the 30 September requirement as one where the financial statements submitted to me for audit must be complete in all respects, including certification by the General Manager. Two councils, Burnie City and Flinders, as well as Dulverton Regional Waste Management Authority failed to meet this financial reporting requirement in 2005-06. In November 2006 I wrote to all Councils reminding them of their financial reporting obligations.

In 2006-07 the situation did not improve with eight Local Government Authorities failing to meet the deadline (2005-06, two; 2004-05, six). Details are provided in the Timeliness and Quality of Financial Statements section.

MATTERS IDENTIFIED DURING 2006-07 AUDITS

This section summarises significant matters highlighted for information as well as matters that I consider may require management attention. Matters dealt with are entity specific. Further details are provided in specific chapters for each entity.

National Trust of Australia (Tasmania) – qualified audit report

- November 2007 Report, Volume 1, (this Report)

The audit opinion on the financial statements of the National Trust of Australia (Tasmania) (the Trust) for the year ended 30 June 2007 was qualified in relation to:

- Amounts included in revenue relating to proceeds from functions, fundraising activities, donations and admittance fees, totalling \$191 226 (2006, \$155 727) over which it is not practicable to establish accounting controls prior to receipt of such funds due to the cash nature of that revenue. Accordingly, it was not practicable for my examination to extend beyond amounts recorded as having been received and as shown in the accounting records of the Trust.
- The Trust failing to comply with Australian Accounting Standards AASB 116 *Property, Plant and Equipment* by not depreciating or amortising freehold buildings and leasehold improvements respectively. In addition, the Trust possesses certain heritage collections referred to in Note 1 of the financial statements, but these assets have not been recognised in the financial statements. Due to the nature of the assets, it is not possible to quantify the financial effects of the Trust's failure to comply with the accounting standard.

Housing Tasmania

- November 2007 Report, Volume 1 (this Report)

It is pleasing to report that many of the concerns raised in previous financial audits have, or are being, addressed by Housing. The 2006-07 audit was completed with no major matters outstanding.

However, Housing Tasmania operated at significant net losses in each of the last two years and its cash resources have declined by \$39.209m since 30 June 2004.

During 2006-07 a new affordable housing organisation in the form of a private not-for-profit unlisted public company was created with the registration of Tasmanian Affordable Housing Limited (TAHL). The company was established to ensure the provision of affordable housing using a head-lease model. All construction of housing will be undertaken by private sector investors who will develop and lease housing to TAHL. TAHL will then make that housing available to eligible tenants drawn from public housing waiting lists managed by Housing Tasmania.

TAHL is accountable as an independent company and the only transactions that will appear in the financial records of Housing Tasmania will be funds provided to TAHL from Government under a funding agreement. In terms of shareholdings in the company, the Crown holds one share as an ordinary shareholder under the constitution. The State has representatives on the board of TAHL. However, it was essential that the company be totally independent of Government as its business viability and financial status requires that there is no Government control.

There are currently agreements with private and not-for-profit developers for the construction of 245 new affordable homes, six of which have been completed.

Department of Infrastructure, Energy and Resources (DIER)

- November 2006 Report, Volume 1, Page 58
- November 2007 Report, Volume 1 (this Report)

During the course of the 2005-06 audit, DIER was queried on the;

- Extended period of time (since 1996) it had used indices to update bridge asset valuations; and the
- Currency of its review of useful lives used to determine the annual depreciation expense.

It is pleasing to note that in 2006-07 DIER undertook a revaluation of its major bridges together with a review of useful lives of its assets.

During 2006-07, the Tasmanian Government acquired rail infrastructure assets from Pacific National for the nominal amount of \$1. The rail infrastructure and its management, assessment and oversight is presently the responsibility of the Department. However, due to the geographical nature of the assets acquired and uncertainty over their general condition and repair, the Department could not establish a fair value for the assets. Consequently, the assets were recorded at their nominal amount with the Department to review their fair value in 2007-08.

Department of Economic Development

- November 2007 Report, Volume 1 (this Report)

The Department's annual financial statements include the financial results of Tasmania Development and Resources (TDR) which is a separate statutory authority established under the provisions of the *Tasmanian Development Act 1983* (the Act) to encourage and promote balanced economic development of Tasmania. The Act establishes the Tasmanian Development Board (TD Board) which is responsible for the performance of TDR and its functions.

During the year I raised a matter regarding the financial reporting and governance aspects of TDR and the Department. TDR operates under its own Act, which includes prescribed governance arrangements and associated functions. However all staff are employed by the Department but work predominantly on functions covered by TDR. For example, the number of employees (Full Time Equivalents - FTE) reported as working for TDR (see the separate TDR chapter) was 197 who are included in the Department's total FTE of 240.

I have questioned who these 197 FTE are in fact employed by - the Department or TDR. The answer to this would clarify where employee costs and provisions should be reported and whether the existing financial reporting arrangements are consistent with lines of authority and control.

The Secretary of the Department has advised that this issue will be reviewed during 2007-08.

Whilst I have raised this matter for review it is important to note that there has been no failure by either the Department or TDR to provide full disclosure of financial information as required by legislation.

Department of Tourism, Arts and the Environment

- November 2007 Report, Volume 1 (this Report)

The Department's annual financial statements include the financial results of Tourism Tasmania (TT), which is a separate statutory authority established under the provisions of the *Tourism Tasmania Act 1996* (the Act). Since 2002, TT has been part of the Department (or its forerunner departmental bodies). The Act establishes the Tourism Tasmanian Board which is responsible for the performance of TT and its functions.

During the year, I raised a matter regarding the financial reporting and governance arrangements between the Department and TT. TT has its own Act, prescribed governance arrangements and associated functions. However, as a business unit of the Department, all TT staff are employed by the Department in accordance with the *State Service Act 2000*. Questions arise as to, for example, where employee costs and provisions should be reported and, more broadly, whether the existing financial reporting arrangements are consistent with the current lines of authority and control. The number of FTE reported as working for TT (see the separate TT chapter) was 123 who are included in the Department's FTE of 757.

The Secretary of the Department has advised that this matter will be reviewed during 2007-08, as follows:

The financial reporting arrangements between the Department and Tourism Tasmania in terms of the legislative and governance arrangements that are in place will be reviewed. As part of that review the financial reporting arrangements of the Tasmanian Museum and Art Gallery and the Royal Tasmanian Botanical Gardens will also be considered. The primary emphasis of the review in the first instance will be on the financial reporting arrangements as opposed to a full review of the Acts governing each of the respective business units. A working group will be set up to undertake the review and we will consult with your Office and the Department of Treasury and Finance as the review is progressed.

Whilst I have raised this matter for review, it is important to note that there has been no failure by either the Department or TT to provide full disclosure of financial information as required by legislation.

Department of Premier and Cabinet - Tasmanian Community Forest Agreement

- November 2007 Report, Volume 1 (this Report)

In July 2006 the Department assumed responsibility for the Tasmanian Community Forest Agreement (TCFA) from Finance General.

Transactions in the TCFA account for 2006-07 were as follows:

	2006-07
	\$m
Opening balance	1.710
Commonwealth grant	36.000
State grant	8.000
Payments*	(31.724)
Closing balance	13.486

* All paid to Forestry Tasmania

State Fire Commission

- November 2007 Report, Volume 1 (this Report)

The Commission operated at a net deficit in 2006-07 following surpluses of \$2.622m in 2004-05 and \$2.114m in 2005-06. Its cash reserves declined by \$3.573m from \$4.485m at 30 June 2004 to \$0.912m at 30 June 2007. During the three-year period 2004-05 to 2006-07 the Commission invested net \$20.884m in capital expenditure which was funded from operating cash flows, asset sales and a contribution of \$2.000m from the State Government in 2004-05. The Commission has not resorted to borrowings. Over the three year period its borrowings remained unchanged at \$4.698m. In my view, the Commission cannot sustain its high level of capital investment without reverting to operating at surpluses, borrowing, or seeking further contributions from the State Government.

Hydro-Electric Corporation (Hydro Tasmania)

– November 2007 Report, Volume 2 (this Report)

2006-07 has been a challenging year for Hydro. It has had to adapt operationally to the new environment of operating with Basslink and market conditions under the National Energy Market (NEM). At the same time it has had to manage historically low storage inflows at a time of high market prices.

It recorded a net profit after tax of \$79.4m (2005-06, \$25.2m) and its net assets at 30 June 2007 were \$958.2m (2006, \$917.8m). The most significant accounting issue for 2007 has been the recording of movements in fair value of key assets and liabilities. These issues arise because of the impact on Hydro of participation in the NEM and the strategies it has put in place to manage the risks associated with that participation in accordance with the risk management policies adopted by the Board.

Hydro availed itself of the option to recognise actuarial gains and losses on its defined benefit superannuation fund directly through retained earnings. The actuarial loss for 2007 was \$31.2m (2006 \$27.3m gain). This treatment was adopted to assist in managing earnings volatility associated with the measurement of these liabilities.

Hydro's capital investment program continued in 2006-07 and was targeted at sustaining assets required to assist it to respond to its changed operating environment under the NEM and Basslink. Over the past three years Hydro paid \$249.1m in capital expenditure funded by a mix of internal resources and borrowings.

Hydro has historically had a high level of borrowings. At disaggregation it was left with \$1.046b in debt. During 2006-07 gross debt increased by \$115.2m. At the same time, Hydro's cash holdings increased by \$35.8m meaning that, on a net basis, debt increased by \$79.4m to \$1 140.6m. The debt increase came about due to a number of factors including low water inflows during the year which impacted storages, reducing hydro generation resulting in greater than planned reliance on the gas-fired Bell Bay plant, all of which impacted cash flow from operations. Cash was also applied to:

- Fund continued investment in Roaring 40s;
- Fund the capital refurbishment program;
- Satisfy the liquidity requirements of its Australian Financial Services Licence; and
- Fund working capital.

Hydro's liquidity and Balance Sheet position is tight and its challenge is to determine a sustainable level of expenditure to enable it to balance a reasonable return to Government, preservation of its assets and investment in growth opportunities while not increasing its borrowings to an unsustainable level. Achieving this balance will be complicated by the need for Hydro to manage the risk around international markets and the need to continue to meet its share of the Roaring 40s joint venture capital expenditure commitments.

Motor Accidents Insurance Board

- November 2007 Report, Volume 2 (this Report)

The Motor Accidents Insurance Board performed strongly in financial terms in 2006-07. It made a net profit after tax of \$113.084m (2005-06, \$96.187m) with net assets of \$339.474m at 30 June 2007 (2006 – \$248.452m).

Advice from the Board's investment advisors indicates a minimal exposure arising from the downturn in August 2007 of the US sub-prime market.

Forestry Tasmania

- November 2007 Report, Volume 2 (this Report)

Before bringing to account the impact of the actuarial revision of its defined benefit superannuation obligations and forest net market valuation adjustment, Forestry Tasmania operated at a net profit of \$19.321m in 2006-07 and its net assets were \$586.560m at 30 June 2007.

Aurora Energy Pty Ltd

- November 2007 Report, Volume 2 (this Report)

Aurora has similarly had to adapt to operating on the NEM. It is trading in a competitive environment at a time when its liquidity is tight particularly due to its capital expenditure program. Management will need to manage carefully the associated risks.

It is noted that this conclusion was reached not taking into account any impacts on Aurora's profitability and liquidity of the recent price determination made by the industry regulator.

In 2006-07 its operating profit was \$45.011m (2005-06, \$27.372m) and its net assets grew from \$333.145m at 30 June 2006 to \$403.162m at 30 June 2007. During the period June 2004 to June 2007, Aurora invested net \$357.762m in property, plant and equipment and intangible assets which was funded internally and by increased borrowings totalling \$139.814m. It also paid \$86.028m in taxes and dividends to the State Government.

It is further noted that Aurora:

- Is subject to price controls fixed five yearly, with the most recent price increase awarded in 2003. Price increases in between five years are generally limited to inflation, set within the framework determined by the Tasmanian Energy Regulator. A new pricing structure is expected to operate from 1 January 2008 until 1 July 2010 as determined by the Regulator;
- Faces competition from other retailers over the next four years as the Tasmanian market is progressively opened up through a series of annual tranches, dated 1 July 2006 progressively through to 1 July 2010 leading to full contestability subject to public benefit assessment;
- Is pioneering pre-paid metering in Tasmania and is receiving encouraging take-up levels of the product in South Australia;

- Has entered a fully contestable market interstate winning 90 customers, among them a number of hotels and factories, with licences to operate in Victoria, South Australia, the ACT, New South Wales and Queensland; and
- Is trialling Broadband Over Powerlines (BPL), delivering high-speed internet and telephony services over powerlines via power points through Auroracom Pty Ltd (which holds the telecommunication license) to support commercial opportunities.

TT-Line Company Pty Ltd

- November 2007 Report, Volume 2 (this Report)

TT-Line's improved results in 2006-07 reflect the positive impact on the financial position of the Company of the sale of Spirit III. Its operating profit was \$4.237m (2005-06, operating loss of \$33.853m). Other contributing factors to the turnaround included increased passenger/vehicle fares, the introduction of a winter fare to increase passenger numbers, cancellation of Sunday sailings in winter, special daylight crossing fares, strong performance in the freight business and fuel hedging. In addition, passenger, vehicle and freight numbers increased.

Tasmanian Ports Corporation Pty Ltd (TasPorts)

- November 2007 Report, Volume 2 (this Report)

TasPorts reported a profit of \$7.541m before tax in its first full year of operations to 30 June 2007. The result is a significant improvement on the \$7.244m loss recorded in its initial six months of operations to 30 June 2006. Its net assets increased by \$5.422m from \$114.324m to \$119.746m at 30 June 2007.

In the May 2007 Budget, the State Government announced that it intended to sell the Hobart International Airport Pty Ltd, a wholly owned subsidiary of TasPorts. This fact is noted in both the consolidated and the company's audited financial statements. At the time of preparing this Report, arrangements to enable the sale are underway.

During the 2005-06 audit, I reviewed with Tasports' management the valuation basis applied to recognising its property, plant and equipment: TasPorts adopts the cost basis. As a considerable proportion of these assets include long-life wharves and infrastructure assets, I consider TasPorts should adopt the fair value basis for recognising these assets.

As an initial step towards revaluing its infrastructure assets, TasPorts included a note in its 2006-07 financial statements disclosing a fair value assessment of its Property, plant and equipment. The fair value disclosed totalled \$140.684m which was based on an independent market valuation and an income-based approach which considered the future income-earning capacity of these assets. This value is \$24.460m greater than the amount at which property, plant and equipment are recorded on the balance sheet of the company. Management will give further consideration on how best to record these assets during the 2007-08 financial year.

TOTE Tasmania Pty Ltd

- November 2007 Report, Volume 2 (this Report)

TOTE Tasmania Pty Ltd's (TOTE) results in 2006-07 in relation to the prior year, along with its improved net asset position, are characterised by improved profits and the completion of the Elwick race facility.

Growth in operating activities, in particular wagering, was significant for 2006-07 due to increased turnover on horse and greyhound racing garnered through large and internet betting customers. The \$5.750m in funds received from Government with respect to the licensing of Betfair in Tasmania has been returned to the racing industry via to prize-money, benefits and incentives.

Racecourse redevelopments

The 2004-05 Budget papers provided funding from the Economic and Social Infrastructure Fund to TOTE of \$22m and noted these funds will be used to "redevelop the Elwick (\$16.0 million) and Mowbray racecourses (\$6.0 million)".

TOTE acknowledged receipt of the funds as an injection of equity in its 2004-05 financial statements when it noted "On 5 August 2004, the members paid the Company for an additional 22.6 million \$1 ordinary shares in the Company. Under an agreement with the members, these funds have been, are being or will be applied to improving specified racetracks and infrastructure."

The additional \$0.600m was provided to TOTE as contributions of \$0.300m each for expenditure it incurred in 2003-04 on re-surfacing the Devonport Showgrounds and the costs of installing harness lights at Tasman Park.

In round terms, TOTE has invested funds in racetrack infrastructure in the last three years as follows:

Infrastructure	How funded	\$m
Brighton race course – expenditure incurred over the period 2004-05 to 2006-07	Applied TOTE's own resources together with interest earned on the \$22.6m	5.8
Elwick race course – expenditure incurred over the period 2005-06 to 2006-07	Applied TOTE's own resources and the shareholder funding provided*	25.6
Mowbray race course – expenditure incurred over the period 2004-05 to 2006-07	Applied TOTE's own resources**	1.9
Spreyton race day stalls - expenditure incurred in 2006-07	Applied TOTE's own resources	0.2
Total		33.5

* This is a net amount. TOTE also raised funding from other sources totalling \$1.5m to offset this cost.

** While \$1.9m has been spent on the Mowbray racecourse, none of this related to the re-development envisaged by the \$6m equity injection. I am informed that since 30 June 2007, TOTE has committed and entered into contracts for \$1m regarding the Mowbray race course and the Board is exploring options regarding this development. I am further advised that, TOTE's cash holdings at 30 June 2007 totalled \$4.897m, the anticipated investment will exceed \$6m.

The TOTE Board has confirmed its commitment to funding the Mowbray racecourse redevelopment.

Transend Networks Pty Ltd

- November 2007 Report, Volume 2 (this Report)

Transend has a strong net asset position enhanced in 2006-07 due to the revaluation of network assets. The Company's long-term capital investment program is to upgrade and modernise Tasmania's electricity transmission system. However, its liquidity is tight due primarily to the mix of short-term and long-term debt and the funding thereof from internal sources and borrowings. While noting that liquidity is tight, it is acknowledged that a debt equity ratio of 15.4% is low and that Transend has unused borrowing capacity available to it.

US Sub-prime market downturn

- November 2007 Report, Volume 2 (this Report)

Concerns arose in NSW over losses incurred by a number of councils in that State from the effects of the downturn in August 2007 of the US sub-prime market. I have read that those councils had invested in a particular collateralised debt obligation (CDO) product. A review of council investments in Tasmania conducted by my Office indicated that no Tasmanian council had invested in that product. At least two councils had invested in other CDOs but these had not been significantly effected.

Hobart City Council

- November 2007 Report, Volume 2 (this Report)

Whilst Hobart City Council has a policy of regular revaluations, some property assets have not been re-valued for a number of years. I have been advised that Council will have this completed in 2007-08.

Waratah-Wynyard Council

- November 2007 Report, Volume 2 (this Report)

It was recommended that the Waratah-Wynyard Council adopt a fair value basis for measuring the carrying value of all property, equipment and infrastructure assets (excluding roads which are already included at fair value) and update the road valuation which was last performed at 30 June 2005.

By applying appropriate indices from the previous valuation date, Council has determined that at 30 June 2007 the fair value of Property, plant and equipment on a current fair-value basis is \$109.403m, as opposed to that shown in the financial report of \$83.427m. This difference of \$25.976m could give rise to a number of potential impacts for Council including:

- Asset replacement programs could be too low;
- Depreciation charges are likely to increase; and
- Under-rating.

This recommendation was agreed to by the General Manager.

TREASURER'S ANNUAL FINANCIAL REPORT

– BUDGET OUTCOMES STATEMENTS AND PUBLIC ACCOUNT STATEMENTS

INTRODUCTION

The Budget Outcomes Statements are a special purpose financial report prepared on an accrual Uniform Presentation Framework basis (UPF). These Statements comprise an Operating Statement, Balance Sheet, Cash Flow Statement and notes thereto for the General Government Sector (GGS). The Statements are a special purpose financial report because they have not been prepared in accordance with Australian Accounting Standards.

Explanations of the UPF basis for preparing the statements are provided in notes to Budget Outcomes Statements and are not repeated here.

The Public Account Statements are a special purpose financial report prepared on a cash accounting basis. Explanations for applying this basis for preparing the Public Account Statements are provided in Note 1 to these Statements and are not repeated here.

LEGISLATIVE REQUIREMENTS

The Treasurer and the Secretary of the Department of Treasury and Finance sign both of these Statements, which are chapters within the Treasurer's Annual Financial Report (the TAFR).

The requirement for the TAFR to be prepared is spelt out in section 26A of the *FMAA*, which requires that:

- 1) As soon as practicable after the end of each financial year, the Treasurer is to prepare an annual report for that financial year.
- 2) The annual report is to contain for the financial year to which the report relates:
 - a) The original estimates disclosed in the budget papers in respect of the major Government Finance Statistics (GFS) statements;
 - b) The results in respect of the major GFS statements; and
 - c) Statements reporting on the transactions within the Public Account during that financial year and the balances in the Public Account at the end of that financial year;
 - d) An explanation of any significant variations between the results for the financial year and the financial estimates and projections described in the budget papers;
 - e) The Auditor-General's report on the results and statements referred to in section 26B; and
 - f) The Treasurer may include in the annual report, in such form or manner as the Treasurer may determine, any other financial or statistical report.

The Budget Outcomes Statements satisfy the requirements specified in section 26A(2) (a) and (b) above and the Public Account Statements satisfy the requirements specified in section 26A(2)(c) above.

ACCOUNTING DEVELOPMENTS

A number of recent accounting developments will have major impacts on future financial reporting in the public sector. These flow from work currently underway by the Australian Accounting Standards Board (AASB) to:

- Harmonise the reporting requirements of Australian Generally Accepted Accounting Principles (AGAAP) and the GFS frameworks. In September 2006, the AASB issued a new accounting standard, AASB 1049 *Financial Reporting of General Government Sectors by Governments*. This new accounting standard will be applicable for accounting periods beginning on or after 1 July 2008 although earlier adoption is permitted. This standard will require that governments prepare and issue the GGS financial report and the separate consolidated Whole of Government financial report (currently prepared under AAS 31 *Financial Reporting by Governments*) at the same time; and
- Review several current public sector-specific accounting standards with the view to their integration with other "sector neutral" standards or the creation of new public sector topic specific standards.

I will continue to monitor the development of accounting standards and their application in contributing to the enhancement of the overall quality of financial reporting by the State.

AUDIT OF THE 2006-07 BUDGET OUTCOMES STATEMENTS AND PUBLIC ACCOUNT STATEMENTS

Section 26B, referred to in section 26A(2)(e), requires that the statements referred to in sections 26A(2)(b) and (c) must be submitted to the Auditor-General for audit before 30 September in each year. Signed Budget Outcomes Statements and signed Public Account Statements were submitted on 28 September 2007.

To enable the Treasurer to table audited Budget Outcomes Statements and audited Public Account Statements by no later than 31 October 2007, I must complete my audits of these statements prior to this date. Separate unqualified audit opinions were issued on 16 October 2007.

BUDGET OUTCOMES STATEMENTS

This analysis focuses on the Budget Outcomes Statements (referred to from now onwards as 'the Statements'). The format of the analysis is consistent with that applied to individual entities reported elsewhere in this Report. The analysis is limited to four financial years because preparation of the Statements in their current form commenced in 2003-04.

The TAFR includes commentary explaining the 2006-07 financial results against prior years and budget.

In preparing this analysis, some material does not appear in the Statements and has been extracted from other Chapters in this Report. Examples include FTE staffing numbers for the last three years and details of grants paid.

FINANCIAL RESULTS

OPERATING STATEMENT

	2006-07	2005-06	2004-05	2003-04
	\$m	\$m	\$m	\$m
Revenue				
Grants and subsidies	2 274	2 215	2 115	1 997
Taxation revenue	748	703	686	631
Sales of goods and services	319	299	248	237
Interest income	43	33	43	33
Dividends and income tax	173	188	190	181
Other revenue	138	134	96	134
Total Revenue	3 695	3 572	3 378	3 213
Expenditure				
Depreciation	207	206	183	165
Employee expenses	1 742	1 612	1 448	1 321
Other operating expenses	943	874	765	819
Nominal superannuation expense	148	137	115	112
Other interest expense	23	27	49	67
Grants and transfers	617	596	578	433
Total Expenditure	3 680	3 452	3 138	2 917
Net Operating Result	15	120	240	296
Less Net acquisition of non-financial assets				
Purchase of non financial assets	(233)	(293)	(254)	(161)
Less Sale of non financial assets	60	50	42	69
Less Depreciation	207	206	183	165
Net acquisition of non financial assets	34	(37)	(29)	73
Fiscal Surplus (also referred to as Fiscal Balance)	49	83	211	369

COMMENT

Both the Net Operating Result and the Fiscal Surplus are positive for each of the four years under review although these surpluses have been declining.

In its Preliminary Outcomes Report 2006-07 issued in August 2007 the Department of Treasury and Finance noted, at that time, the Fiscal Surplus estimated would be \$58m compared with the Original Budgeted Deficit of \$84m. The final outcome was a Surplus of \$49m, an improvement of \$133m against budget.

In total GGS expenditure increased by 6.57% (2005-06, 10.00%) and because revenue growth was lower at 3.44% (2005-06, 5.74%), the Net Operating Result, again declined by \$105m (2005-06, \$120m).

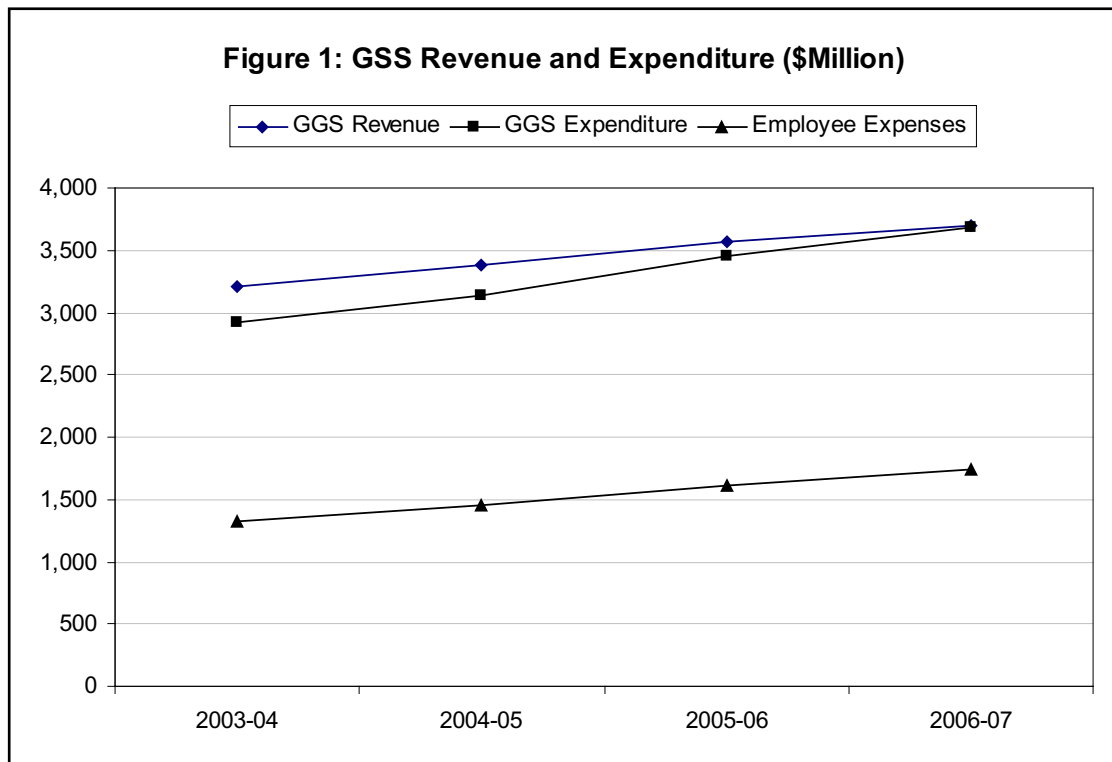
Revenue exceeded the original budget by \$163m, reflecting increased:

- Financial transactions tax;
- Income tax received from SOCs and GBEs;
- Mineral royalties;
- Grants and subsidies;
- Hospital inpatient fees; and
- Other recoveries and revenue.

These were, in the main, offset partly by expenses exceeding the original budget by \$58m reflecting increased:

- Employee expenses; and
- Medical, surgical and pharmacy supply costs.

Figure 1 presents revenue, expenditure and employee cost trends for the GGS over the past four years. It indicates that the rate of expenditure growth from 2003-04 to 2006-07 (annual average of 8.73%) has exceeded the rate of revenue growth (annual average of 5.00%).



Grants and subsidies revenues primarily comprise revenues from the Australian Government in the form of general purpose payments (GST), specific purpose grants

and capital grants. In percentage terms, the GST represented 42.4% of the State's revenues as illustrated below:

Revenues expressed as a percentage			
	2006-07	2005-06	2004-05
Australian Government - General purpose payments	42.4	42.6	43.3
Australian Government - Specific purpose payments	12.0	12.4	12.5
Australian Government - Capital grants	1.3	1.3	1.3
Total revenue from the Australian Government	55.7	56.3	57.2
Other grants and subsidies	5.9	5.7	5.4
Payroll tax	5.9	6.0	5.7
Taxes on property	7.6	7.0	7.7
Gambling taxes	2.4	2.2	2.4
Motor vehicle fees and taxes	3.3	3.4	3.5
Taxes on insurance	1.0	1.0	1.0
Sales of goods and services	8.6	8.4	7.4
Dividends and income taxes	4.7	5.3	5.6
Interest income	1.2	0.9	1.3
Other revenue	3.7	3.8	2.8
Total	100.0	100.0	100.0

In 2006-07 total State revenues increased by 3.44% or \$123m with State taxes increasing by 6.40% (\$45m) and Australian Government grants by 2.24% (\$45m). However, as can be seen from the summary by percentages, the sources of revenue have remained relatively unchanged suggesting that Tasmania is no more or less reliant on the Australian Government for funding.

Employee expenses in 2006-07 represented 47.34% (2005-06, 46.68%) of total expenditure and this cost increased by 8.06% or \$130m in 2006-07. The increase from 46.68% to 47.34% equates to approximately \$24.288m in additional expenditure.

The GGS is primarily comprised of Government Departments and their FTE staffing levels at 30 June 2007 were 0.94% greater than the position at 30 June 2006 (11.83% greater than at 30 June 2004) as is evident from the table below. (Note that these are not the average staffing levels and impacts on costs should be viewed with caution.)

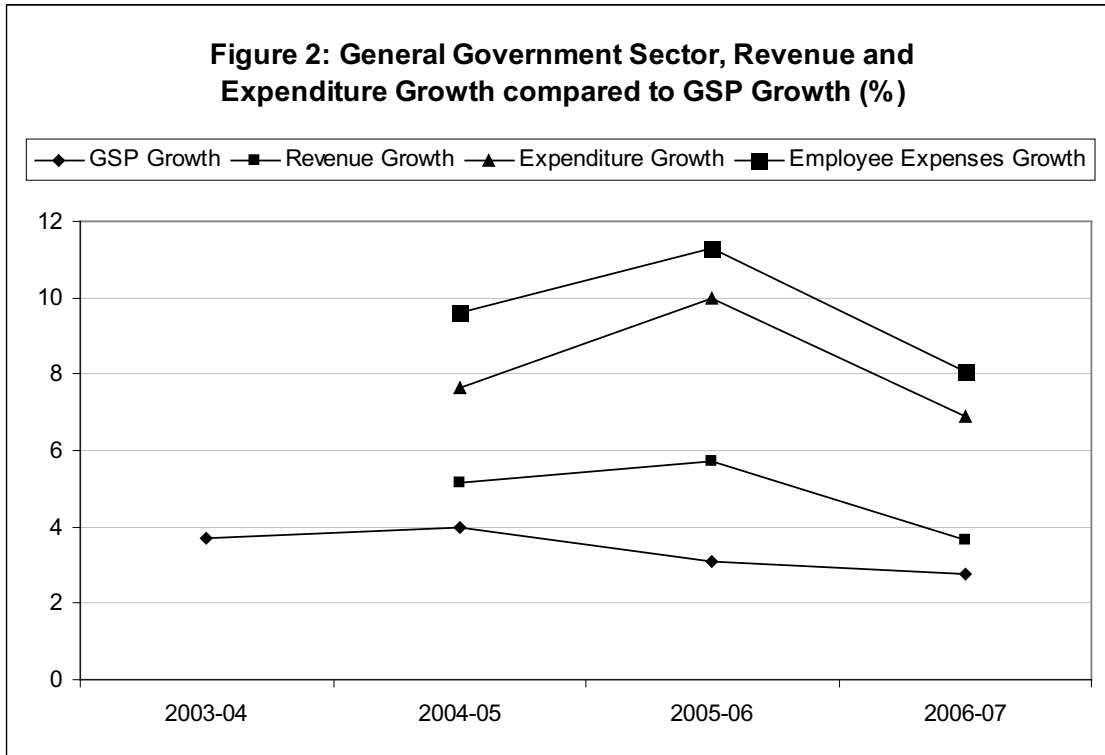
Government Departments	FTE at 30 June 2007	FTE at 30 June 2006	FTE at 30 June 2005	FTE at 30 June 2004
Economic Development	240	232	211	200
Education	8 068	8 151	8 010	7 799
Health and Human Services	8 992	8 685	8 015	7 251
Infrastructure, Energy and Resources	503	512	618	674
Justice	972	961	740	710
Police and Emergency Management	1 658	1 652	1 589	1 535
Premier and Cabinet	467	454	407	406
Primary Industries and Water	966	976	1 085	1 040
Tourism, Arts and Environment	757	785	664	607
Treasury and Finance (excluding GPOC)	324	324	316	297
Total	22 947	22 732	21 655	20 519

Other operating expenses increased by 14.24% in 2005-06 and 7.89% in 2006-07 mainly due to building maintenance, travel and transport, medical, surgical and pharmacy supplies, minor equipment and supplies and consumables (including payments under the Tasmanian Community Forest Agreement).

Nominal superannuation expense represents nominal interest on the unfunded superannuation liability. The basis for the calculation of this expense changed from July 2005, which resulted in changes to the discount rate as applied by the State Actuary. This had the effect of increasing this expense item in 2005-06 by \$22m or 19.13% (2006-07, \$11m, 8.03%).

The gross investment in non-financial assets in 2006-07 was \$60m lower than the previous year. Expenditure on non-financial assets is commented upon in the Balance Sheet section of this Chapter.

Figure 2 compares the growth in revenues, expenditures and employee expenses with the growth in the State economy – Gross State Product (GSP) over the past three years. Because preparation of the Statements in their current form commenced in the 2003-04 financial year, growth rates for revenues and expenditures are only measurable from 2004-05 onwards.



Note: The growth rates in revenue and expenditure to 2004-05 are based on AGAAP, while the growth rates from 2005-06 are based on AIFRS.

GSP data for financial years up to 2005-06 is sourced from the ABS, while the estimated GSP for 2006-07 is sourced from the Department of Treasury and Finance. GSP is defined equivalently to Gross Domestic Product (GDP) but refers to production at a state level. Therefore, GSP is the total market value of goods and services produced in Tasmania within a given period, after deducting the cost of goods and services used up in the process of production, but before deducting allowances for the consumption of fixed capital.

Figure 2 shows that both GGS revenue and GGS expenditure have been growing at a faster rate than the Tasmanian economy in each of the years under review (2006-07: revenue, 3.67%; expenditure, 6.89%). As previously mentioned, the major contributors to increased 2006-07 expenditures were employee expenses (8.06%) and medical, surgical and pharmacy supplies (16.10%).

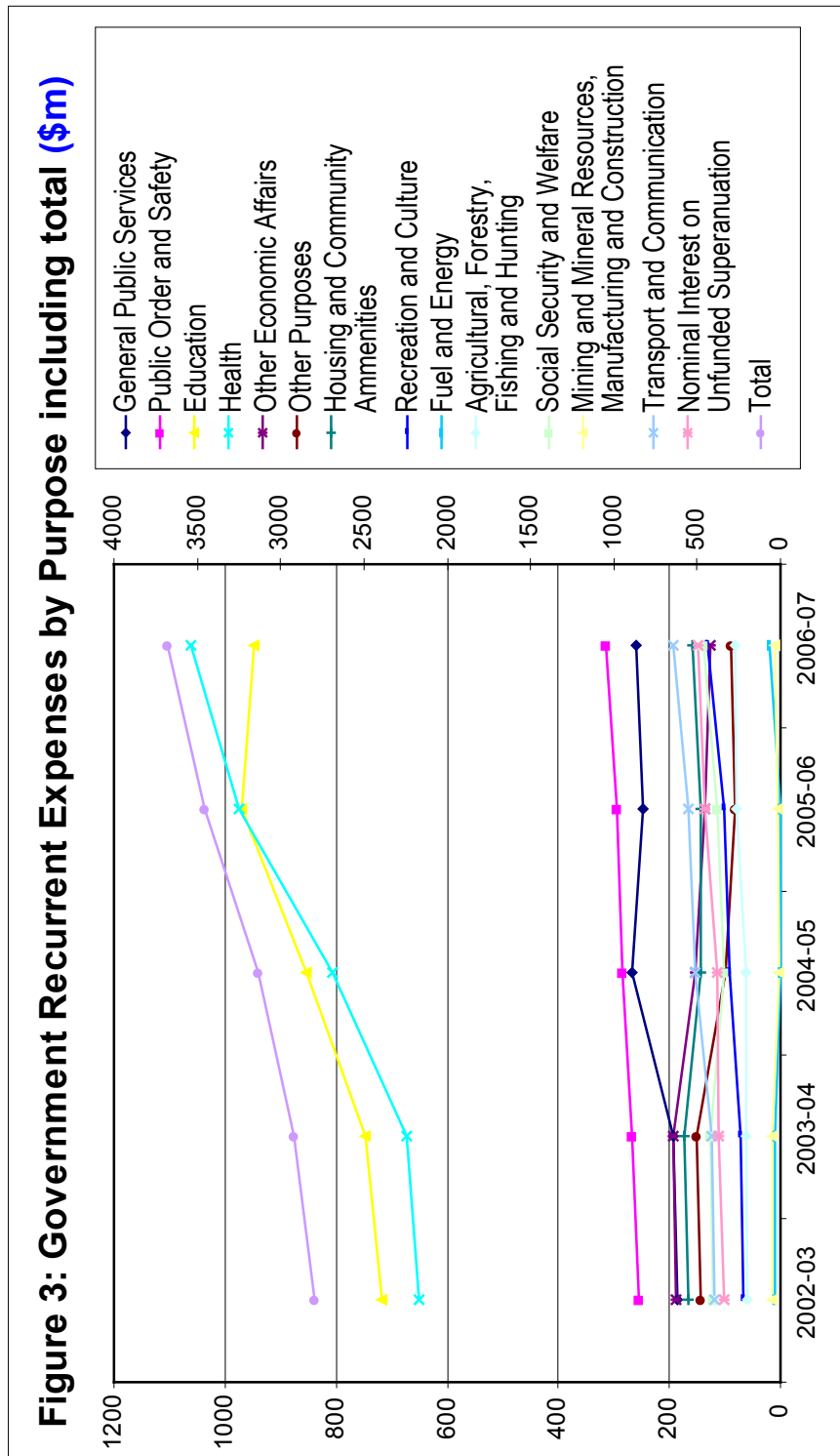
Factors which pose a degree of risk and that could have major impacts on the State's financial performance and condition include:

- The performance of the national economy, including decisions of the Australian Government, which influence the level of grants to the State;
- The performance of the State economy and property markets, which influence state-sourced revenues;
- The performance of financial and equity markets, which influence the investment revenues and superannuation expenses of the State;
- Changes in the State's population; and
- Wage and salary growth pressures, which contribute to increased employment costs.

While some of these factors are outside the State's control, Figure 2 reconfirms the need to manage expenditure carefully.

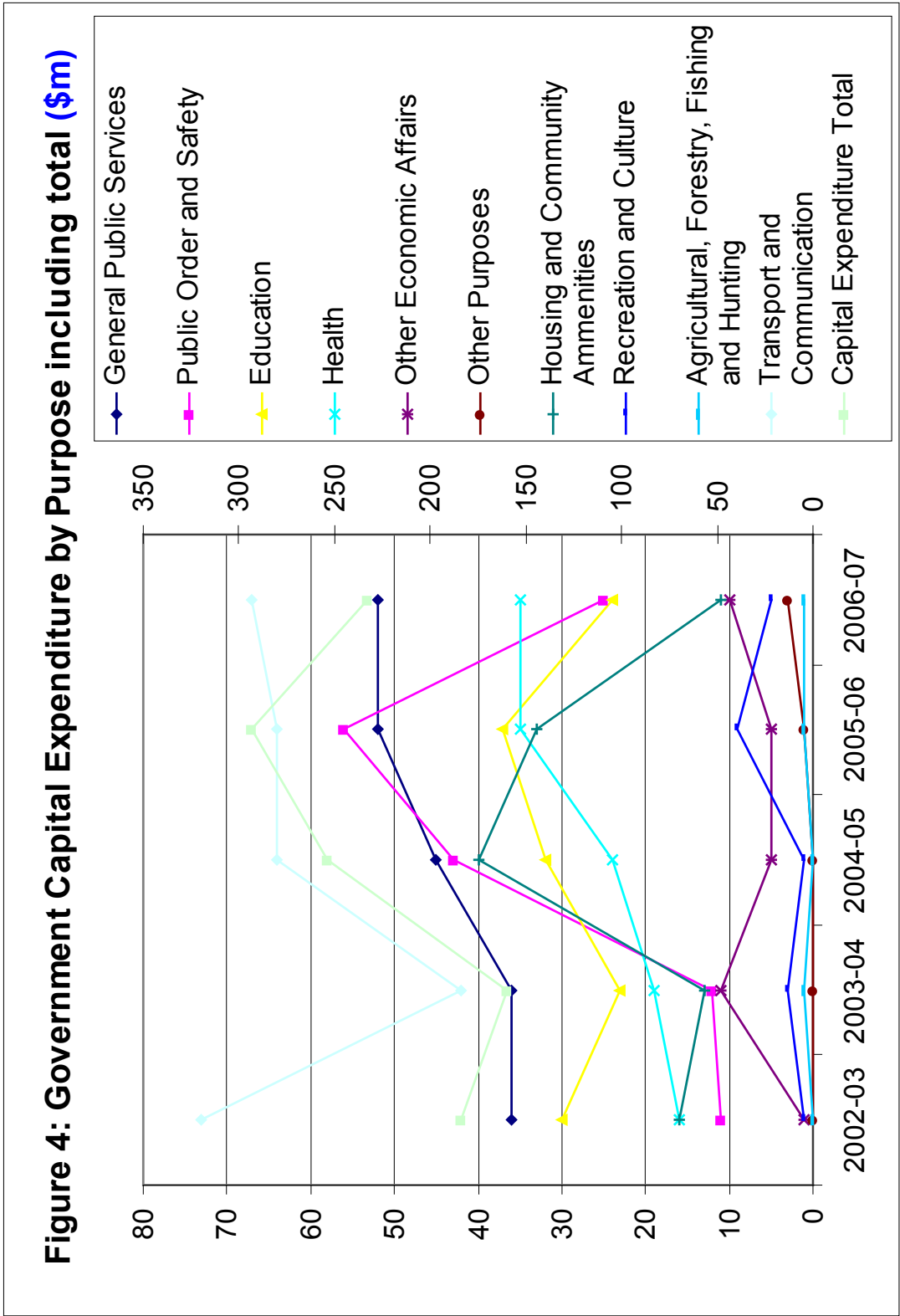
General Government Expenses by Purpose

The Uniform Government Reporting section, which is not audited, of the TAFR includes details of general government expenses by purpose for both recurrent and capital expenditure. Expressed graphically recurrent and capital expenditure over the past four years has been incurred for the following purposes:



* Data for this graph is sourced from the Treasurer's Annual Financial Report and is not audited

Figure 3 highlights the increasing investment in health and education and, to a lesser extent, in Public Order and Safety and Recreation and Culture.



* Data for this graph is sourced from the Treasurer's Annual Financial Report and is not audited

Capital expenditure dropped in 2006-07 with the main reductions in the areas of Public Order and Safety and Housing and Community Amenities.

BALANCE SHEET

		2006	2005	2004	2003
		- 2007	- 2006	- 2005	- 2004
		\$m	\$m	\$m	\$m
Assets					
<i>Financial Assets</i>					
Cash and deposits	A	740	607	623	685
Advances paid	A	33	56	42	66
Investments, loans and placements	A	13	2	10	12
Other non-equity assets	B	1 109	1 039	334	314
Equity in GBEs and SOCs	B	3 584	3 049	3 782	4 206
<i>Total Financial Assets</i>	C	5 479	4 753	4 791	5 283
<i>Non-Financial Assets</i>					
Land and other fixed assets		8 884	8 584	7 633	6 323
Other non-financial assets		62	58	61	22
<i>Total non-financial assets</i>		8 946	8 642	7 694	6 345
<i>Total assets</i>	D	14 425	13 395	12 485	11 628
Liabilities					
Advances received	E	242	248	261	273
Borrowings	E	135	157	387	603
Superannuation	F	3 677	3 199	2 292	2 242
Other employee provisions		382	356	329	311
Other non-equity liabilities		329	327	210	218
<i>Total liabilities</i>	G	4 765	4 287	3 479	3 647
Net Worth	D-G	9 660	9 108	9 006	7 981
Net Financial Worth	C-G	714	466	1 312	1 636
Net Financial Liabilities	H+F	3 268	2 939	2 265	2 355
Net Debt	H=E-A	(409)	(260)	(27)	113

Comment

The GGS has shown a negative net debt position for the last three years because debt-related financial assets exceeded gross debt liabilities (by \$409m as at 30 June 2007). This improvement is principally the result of fiscal surpluses, the repayment of borrowings and increased cash investments.

The State's investments in its GBEs and SOCs represent 100% of the net assets of these entities, which at 30 June 2007 were:

	2006 - 2007	2005 - 2006	2004 - 2005	2003 - 2004
GBE/SOC	\$m	\$m	\$m	\$m
Forestry Tasmania	597	569	697	727
Hydro Tasmania	958	907	1 538	2 056
Motor Accidents Insurance Board	339	249	173	122
Port Arthur Historic Site	11	11	12	10
Printing Authority	3	3	3	3
Private Forests Tasmania	1	1	1	1
The Public Trustee	4	4	4	3
Rivers and Waters Supply Commission	10	14	43	36
Southern Regional Cemetery Trust	7	7	6	6
Tasmanian Public Finance Corporation	22	20	20	10
Aurora Energy	403	333	404	376
Burnie Ports Corporation*	-	-	21	19
Hobart Ports Corporation*	-	-	64	59
Metro Tasmania	30	21	21	21
Port of Devonport Corporation*	-	-	38	37
Port of Launceston Corporation*	-	-	27	27
Tasmanian Ports Corporation	157	146	-	-
TOTE Tasmania	42	40	40	16
Transend Networks	757	529	572	552
TT-Line Company	235	188	110	114
Total net assets	3 576	3 042	3 794	4 195

* Transferred to Tasmanian Ports Corporation on 1 January 2006.

In almost all cases, the State's GBEs and SOCs operated profitably in 2006-07, which was the main contributor to the increase of \$535m in Equity in SOCs and GBEs. The significant decrease of \$733m in net assets in 2005-06 was primarily caused by the impact of the adoption of new accounting standards in that year.

Other non-equity assets increased by \$704m in 2005-06, principally due to deferred income tax assets, which also reflected changes resulting from the introduction of new accounting standards. These amounts were shown as liabilities in the financial statements of GBEs and SOCs.

Land and other fixed assets increased by \$951m in 2005-06 primarily due to: asset construction/acquisitions in Education, Health, DIER, DTAE, Justice and Treasury, \$244m; Museum collections valued for the first time, \$344m; and net revaluation surpluses in Education, Health, DIER, DTAE and DPIW, \$488m; offset by Depreciation of \$170m.

The increase of \$300m in 2006-07 was primarily due to asset construction/acquisitions in Education, Health, DIER, DTAE and Treasury.

Borrowings decreased consistent with Government policy of reducing net debt. During the year Borrowings reduced by \$22m (2005-06, \$230m). However, net financial liabilities remain high at \$3.268b, almost all of which comprises unfunded superannuation liabilities.

The Superannuation liability increased by \$907m in 2005-06, due to changes in actuarial assumptions, particularly the discount rate applied by the State Actuary, on application of new accounting standards. The liability increased by \$478m in 2006-07 primarily due to a one-off change in contributions tax liability, following changes to Australian Government tax legislation relating to pre-1 July 1988 Funding Credits and actuarial assumptions, including lower pensioner mortality rates.

The State Actuary advised that, subject to changes in economic assumptions such as discount rates, the Superannuation liability is likely to increase by around 6% per annum for another seven years. This is because the average age of fund members is 48 with retirement available from age 55. It is now estimated that the liability will be eliminated by 30 June 2033.

Net worth grew by \$552m in 2006-07 to \$9.660b. The Budget Outcomes Statements include a reconciliation of movements in Net Worth, which is repeated below as follows:

	2006 - 2007	2005 - 2006	2004 - 2005	2003 - 2004
	\$m	\$m	\$m	\$m
Opening Net Worth	9 108	9 008	7 980	7 222
Net operating result	15	120	240	296
Net revaluations of non-financial assets	218	214	1 256	460
Assets brought to account for the first time	60	353	79	0
Equity investment revaluations	511	102	(520)	160
Revaluation of superannuation liability	(378)	(808)	20	(234)
Other changes in net assets	126	119	(47)	76
Closing Net Worth	9 660	9 108	9 008	7 980

The main components in this reconciliation have been commented upon previously.

CASH POSITION

		2006-07 \$m	2005-06 \$m	2004-05 \$m	2003-04 \$m
Cash receipts from operating activities	A	3 835	3 680	3 417	3 269
Cash payments for operating activities	B	(3 494)	(3 229)	(2 971)	(2 776)
Net cash flows from operations	C=A-B	341	451	446	493
Sale of assets		60	50	42	76
Purchase of assets		(233)	(262)	(241)	(169)
Net cash flows (used in) acquisitions of non-financial assets	D	(173)	(212)	(199)	(93)
Net cash flows from investments in financial assets for policy purposes	E	10	5	22	69
Net cash flows from (used in) investments in financial assets for liquidity purposes	F	(2)	8	0	(11)
Advances received		(6)	(13)	(13)	(50)
Net borrowings repaid		(25)	(254)	(242)	(145)
Other financing		(25)	(16)	(106)	(20)
Net cash flows (used in) financing activities	G	(56)	(283)	(360)	(215)
Cash surplus*	H=C-D	168	239	247	400
Net increase (decrease) in cash held	I=H+G+E+F	120	(31)	(90)	243
Cash at beginning of year		607	623	685	441
Cash at end of year		607	607	623	685

* Cash surplus is equal to Net cash flows from operating activities plus Net cash flows from investments in non-financial assets.

Comment

Reasons for movements in the State's cash flows are consistent with the commentary already provided relating to the Operating Statement and Balance Sheet.

PUBLIC ACCOUNT STATEMENTS

	2006-07	2005-06	2004-05	2003-04
	\$'000	\$'000	\$'000	\$'000
Special deposits and trust fund	1 889 092	1 783 242	1 539 679	1 446 193
Balance 30 June (before Temporary debt repayments)	1 889 092	1 783 242	1 539 679	1 446 193
Less Temporary debt repayments	(1 170 233)	(1 203 160)	(973 086)	(822 330)
Balance 30 June (after Temporary debt repayments)	718 859	580 082	566 593	623 863
Represented by:				
Westpac Banking Corporation	(45 307)	(34 999)	19 016	(11 498)
Treasurer's account fixed deposits	709 955	584 339	519 780	608 000
Advances to Heads of Agency	211	210	210	210
Specific trust account fixed deposits	54 000	30 532	27 587	27 151
Balance 30 June	718 859	580 082	566 593	623 863

Comment

The Special Deposits and Trust Fund (SDTF) consists of various accounts established by the Treasurer. The majority of these funds represent departmental operating accounts, where funds appropriated from the Consolidated Fund by the annual Consolidated Fund Appropriation Act are deposited. These operating accounts also retain funds that are not identified for return to the Consolidated Fund.

Other accounts in the SDTF include trust, approved overdraft, whole-of-government, business unit accounts and accounts established under legislation.

Surplus cash is used to repay maturing debt within a financial year; thus delaying any refinancing until the latest possible time and to minimise borrowing costs. This is shown above as Temporary debt repayments.

CONSOLIDATED FUND OUTCOME

	2006-07 Original Budget \$'000	2006-07 Actual \$'000	2005-06 Actual \$'000	2004-05 Actual \$'000
BALANCE 1 JULY	0	0	0	0
Receipts				
Recurrent receipts	3 076 854	3 156 432	2 993 767	2 917 054
Capital receipts	53 192	48 448	46 435	45 147
Total	3 130 046	3 204 880	3 040 202	2 962 201
Expenditure				
Recurrent services	2 918 402	2 994 413	2 861 599	2 699 784
Works and services	207 868	191 483	161 973	253 815
Total	3 126 270	3 185 896	3 023 572	2 953 599
Consolidated Fund Outcome	3 776	18 984	16 630	8 602
Financing				
Net loan repayments	(3 776)	(18 984)	(16 630)	(8 602)
Total	(3 776)	(18 984)	(16 630)	(8 602)

Comment

Recurrent receipts in 2006-07 increased by \$162.665m compared to 2005-06 and were also above budget by \$79.578m. The major factors for variations over the prior year include increased:

- GST revenue from the Australian Government, \$63.660m;
- Health Care Grant from the Australian Government, \$9.204m;
- Tasmanian Community Forest Agreement from the Australian Government, \$12.008m;
- State taxation of \$50.914m, mainly in the areas of payroll tax, land tax and stamp duties;
- Mineral royalties, \$9.872m; and
- Interest on investments, \$15.530m.

Capital receipts in 2006-07 increased by \$2.013m compared to 2005-06, but were \$4.744m below budget. This was mainly because the original budget reflected increased funding from the Australian Government for National Roads, which was subsequently revised downward by \$4.000m.

Recurrent expenditure increased by \$132.814m in 2006-07 compared to 2005-06, and exceeded the budget by \$76.011m. The major factors for variations over the prior year included increases in:

- Education expenditures, \$29.327m, mainly due to staffing and wage increases;
- Health and Human Services expenditures, \$105.478m, to fund higher staffing levels in hospitals as well as salary increments;
- Justice expenditures, \$17.781m, principally due to additional staff, operational costs in correctional services (mainly salary increases), and transfers due to administrative restructuring;
- Police expenditures, \$12.554m, to fund salary increases and additional police officers;
- Premier and Cabinet expenditures, \$15.902m, largely to provide the State's contribution to the Tasmanian Community Forest Agreement; and
- Tourism expenditures, \$13.240m, mainly due to a new tourism marketing campaign, environmental air quality monitoring programs, Parks and Wildlife Service infrastructure projects (including the Cradle Mountain sewage treatment plant) and full year funding for the Environment Division operational costs resulting from the administrative restructure that was effective from 1 April 2006.

Works and Services expenditure increased in 2006-07 by \$29.510m compared to 2005-06. The major factors for this included:

- Finance-General transfer to the Economic and Social Infrastructure Fund, which is transferred in turn to government departments as funding of approved projects is required, \$21.325m; and
- Infrastructure, Energy and Resources to provide additional funding to meet election promises.

Instances where departments required additional funding through "Requests for Additional Funds" were:

- Economic Development, \$5.490m, including:
 - \$1.200m for the refurbishment and restoration of the Callington Mill Historic Site at Oatlands; and
 - \$1.900m to enable a grant to be provided to the National Fitness Southern Recreation Association to meet urgent maintenance works at the Clarence and Moonah Sports Centres;
- Finance-General, \$44.875m, including:
 - \$25.957m due to rising interest rates and an increase in interest on agency balances in the SDTF and interest on the balance of the Temporary Debt Repayment Account, in accordance with the changed terms and conditions of that Account approved by the Treasurer on 16 May 2007; and
 - \$18.000m to enable payment of the same amount received from the Australian Government to the Tasmanian Community Forest Agreement Account;
- Health and Human Services, \$11.678m, for additional costs associated with the North West Regional Hospital; and

- Premier and Cabinet, \$8.321m, including:
 - \$1.934m to assist with costs associated with the refurbishment of new accommodation for TMD;
 - \$2.000m to provide for expenses relating to a payment to the Flinders Council following the transfer of Crown land on Cape Barren and Clarke Islands to the Tasmanian Aboriginal community; and
 - \$1.049m for costs associated with the pulp mill assessment process.

ASSESSMENT OF SIGNIFICANT ITEMS IMPACTING THE GENERAL GOVERNMENT SECTOR

This section provides brief commentary on significant matters impacting financial reporting in 2006-07.

Unfunded Superannuation Liability

As mentioned earlier in this chapter, the Superannuation liability increased by \$478m in 2006-07 primarily due to a one-off change in contributions tax liability following changes to Australian Government tax legislation relating to pre-1 July 1988 Funding Credits and actuarial assumptions, including lower pensioner mortality rates. This liability now totals \$3.677b, \$3.199b at 30 June 2006, and represents 25%, 24% at 30 June 2006, of total State assets.

OVERALL COMMENT

The State's financial position is sound.

My audits of the 2006-07 Budget Outcomes Statements and of the Public Account Statements were completed with satisfactory results.

TIMELINESS AND QUALITY OF FINANCIAL STATEMENTS

STATUTORY FINANCIAL REPORTING REQUIREMENTS

Under section 28 of the *Financial Management and Audit Act 1990* (FMAA) and section 52 of the *Government Business Enterprises Act 1995* (GBE) specific dates are set by when relevant entities are to provide financial statements to Audit to formally allow the audit process to commence. In both cases the requirement is that these entities submit financial statements for audit within 45 days after the end of the financial year.

Whilst no specific deadline is set for completion of financial statements of Statutory Authorities, I have taken the view that similar deadlines apply.

In most cases entities have a 30 June financial year-end making 15 August the statutory date by when financial statements are to be transmitted to my Office.

These dates have been set to allow sufficient time for audits to be completed and for the reporting entities to prepare their Annual Reports for tabling in Parliament by 31 October each year. To facilitate this I set an internal deadline requiring my staff and my contractors to complete audits by no later than 15 October.

For Local Government, Council General Managers are, pursuant to the *Local Government Act 1993*, required to prepare financial statements within 90 days after the end of the financial year, which I have interpreted as 30 September and submit them to me as soon as practicable. State-Owned Companies must comply with the reporting requirements detailed in the *Corporations Act 2001*.

SIGNED STATEMENTS NOT RECEIVED ON OR BEFORE STATUTORY DEADLINES

Listed below are entities whose signed financial statements were not received prior to the statutory deadline. Dates shown in brackets represent the date signed financial statements were received, unless otherwise stated.

15 AUGUST DEADLINE

Under the FMAA the entities listed below are required to submit completed financial statements within 45 days of financial year-end:

Government Business Enterprises

- Printing Authority of Tasmania (21 August 2007) and
- The Public Trustee (21 August 2007).

Other Statutory and Public Bodies

- Council of Law Reporting (outstanding)
- Inland Fisheries Service (12 October 2007)
- Marine and Safety Authority (2 October 2007)

- National Heritage Trust (11 September 2007)
- Nominal Insurer (17 August 2007)
- Private Forests Tasmania (28 September)
- Royal Tasmanian Botanical Gardens (24 October 2007)
- Tasmanian Wilderness Heritage Area (outstanding)
- Tasmanian Community Fund (18 September 2007)
- Tasmanian Museum and Art Gallery (18 October 2007)
- Tasmanian Risk Management Fund (27 September 2007) and
- Travel Agents Licensing Board (outstanding).

31 AUGUST DEADLINE

Statutory Bodies

- Aboriginal Land Council (16 October 2007)
- Ben Lomond Skifield Management Authority (3 September 2007)
- Clyde Water Trust (outstanding)
- Legal Aid Commission of Tasmania (4 October 2007) and
- Local Government Association of Tasmania (outstanding).

30 SEPTEMBER DEADLINE

Local Government

- Devonport City (12 October 2007)
- Dulverton Regional Waste Management Authority (19 October 2007)
- Flinders Council (outstanding)
- King Island Council (12 October 2007)
- Northern Midlands Council (outstanding)
- Southern Waste Strategy Authority (outstanding) and
- West Coast Council (4 October 2007).

31 OCTOBER DEADLINE

Statutory Bodies

- Tasmanian Beef Industry (Research & Development) Trust (outstanding).

Reporting Timeframes

With the tighter reporting timeframe now in place for FMAA entities and GBEs, the prospect of even tighter deadlines in the future together with an increased desire by Boards or others charged with governance to achieve earlier sign off, an effective internal quality assurance process and accurate work papers supporting all elements of the financial statements are essential. Work papers should contain sufficient detail to enable verification by both management and my staff when conducting audits.

Steps taken by Audit to facilitate earlier financial reporting

My Office continues to assist public sector entities to achieve early financial reporting. This year we have again taken the following steps towards helping entities to meet their financial reporting requirements:

- Based on completion of 2005-06 financial audits, presented awards for best working papers supporting financial statements. Separate awards were made for the different types of public sector entities, details of which are shown below. The purposes of effective financial statement working papers include:
 - A framework for the compilation of financial statements by current and future preparers;
 - A central reference to the evidence required to support transactions, balances and estimates disclosed in the financial statements;
 - A trail between the entity's financial records for the year and the financial statements for the year, which can be followed by persons having a quality assurance function; and
 - A record of the quality control processes employed in the preparation of the financial statements.

This process assists my staff in the conduct of audits and, more importantly, assists entity accounting staff in the timely completion of accurate and quality assured statements; and

- Held a seminar for entity accounting staff dealing with changes to accounting standards and related matters. This session was held in June 2007 in Hobart and provided guidance on steps to take to facilitate earlier financial reporting;
- Provision of regular newsletter to clients highlighting changes to accounting standards and other developments.

Annual Working Paper Awards

Category	Overall Winner	Highly Commended
Agencies	Primary Industries and Water	Police and Emergency Management
Local Government	Hobart City	Launceston City
GBEs and SOCs	Motor Accidents Insurance Board	Aurora Energy
Statutory Authorities	Retirement Benefits Fund Board	Esk Water

APPENDIX 1 – AUDIT STATUS

Entity	Financial Statements		Timeliness of audited financial statement completion						
	Signed Financial Statements Received	Clear opinion issued	Audit opinion signed	< 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
ALL AUDITS - 30 JUNE 2007 BALANCE DATES									
EXECUTIVE AND LEGISLATURE, GOVERNMENT DEPARTMENTS, SUPERANNUATION FUNDS AND OTHER AUTHORITIES OR BODIES									
Executive & Legislature									
House of Assembly	14 August 2007	✓	22 October 2007						•
Legislative Council	14 August 2007	✓	22 October 2007						•
Legislature-General	14 August 2007	✓	22 October 2007						•
Office of the Governor	15 August 2007	✓	24 October 2007						•
Ministerial Departments									
Department of Economic Development	9 August 2007	✓	31 August 2007		•				
– Tasmania Development and Resources	9 August 2007	✓	31 August 2007		•				
Department of Education	13 August 2007	✓	16 October 2007					•	
Department of Health and Human Services	14 August 2007	✓	18 October 2007					•	
– Housing Tasmania	14 August 2007	✓	18 October 2007					•	
– Tasmanian Ambulance Service	15 August 2007	✓	15 October 2007					•	
Department of Infrastructure, Energy and Resources	15 August 2007	✓	15 October 2007					•	
Department of Justice	15 August 2007	✓	3 October 2007			•			
Department of Police and Emergency Management	15 August 2007	✓	16 October 2007					•	
Department of Premier and Cabinet	15 August 2007	✓	24 Sept 2007		•				
Department of Primary Industries and Water	15 August 2007	✓	5 October 2007				•		
Department of Tourism, Arts and the Environment	15 August 2007	✓	26 Sept 2007				•		
– Tourism Tasmania	15 August 2007	✓	20 Sept 2007		•				
Department of Treasury and Finance	13 August 2007	✓	10 October 2007					•	
Treasurer's Annual Financial Report	28 Sept 2007	✓	16 October 2007					•	
Superannuation Funds									
Retirement Benefits Fund Board - Contributory Scheme	24 October 2007	✓	30 October 2007						•
Retirement Benefits Fund Board - Investment Account	24 October 2007	✓	30 October 2007						•
Retirement Benefits Fund Board - Tasmanian Accumulation Scheme	24 October 2007	✓	30 October 2007						•

Entity	Financial Statements			Timeliness of audited financial statement completion					
	Signed Financial Statements Received	Clear opinion issued	Audit opinion signed	< 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
Parliamentary Superannuation Fund	24 October 2007	✓	30 October 2007						•
Parliamentary Retiring Benefits Fund	24 October 2007	✓	30 October 2007						•
Retirement Benefits Fund Board - Tasmanian Ambulance Service Superannuation Scheme	24 October 2007	✓	30 October 2007						•
Retirement Benefits Fund Board - State Fire Commission Superannuation Scheme	24 October 2007	✓	30 October 2007						•
Other Authorities									
Private Forests Tasmania	28 Sept 2007	✓	24 October 2007						•
RBF Tas Planning Pty Ltd	28 Sept 2007	✓	28 Sept 2007				•		
State Fire Commission	7 August 2007	✓	3 October 2007				•		
Sullivans Cove Waterfront Authority	15 August 2007	✓	16 October 2007					•	
TAFE Tasmania	15 August 2007	✓	10 October 2007					•	
Tasmanian Community Fund	18 Sept 2007	✓	9 October 2007					•	
Tasmanian Dairy Industry Authority	7 August 2007	✓	16 October 2007					•	
Teachers Registration Board	14 August 2007		-						•
Travel Agents Licensing Board	-		-						
Miscellaneous Public Bodies									
Aboriginal Land Council	16 October 2007	✓	16 October 2007					•	
Ben Lomond Ski Field Management	3 Sept 2007	✓	10 Sept 2007		•				
Clyde Water Trust	-		-						
Council of Law Reporting	-		-						
Ezikey Pty Ltd	22 August 2007	✓	5 Sept 2007		•				
Forest Practices Authority	16 August 2007	✓	29 October 2007					•	
Forestry and Forests Industry Council	13 August 2007	✓	13 August 2007	•					
Government Prices Oversight Commission	14 August 2007	✓	5 October 2007				•		
Home Ownership Assistance Program	15 August 2007	✓	11 October 2007					•	
Inland Fisheries Service	12 October 2007		30 October 2007					•	
Jim Bacon Foundation	15 August 2007	✓	8 October 2007					•	
Legal Aid Commission of Tasmania	4 October 2007		-						
Marine and Safety Authority	2 October 2007	✓	3 October 2007				•		
National Heritage Trust	11 Sept 2007	✓	5 October 2007				•		
National Trust of Australia (Tasmania)	16 October 2007	×	19 October 2007					•	
Nominal Insurer	17 August 2007		-						
Office of the Tasmanian Energy Regulator	14 August 2007	✓	5 October 2007				•		

Entity	Financial Statements			Timeliness of audited financial statement completion					
	Signed Financial Statements Received	Clear opinion issued	Audit opinion signed	< 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
Royal Tasmanian Botanical Gardens	24 October 2007	✓	24 October 2007						•
Tasmanian Wilderness Heritage Area	-		-						
Tasmanian Beef Industry (Research & Development) Trust	-		-						
Tasmanian Building and Construction Industry Training Board	24 July 2007	✓	24 Sept 2007				•		
Tasmanian Heritage Council	15 August 2007	✓	15 October 2007					•	
Tasmanian Museum and Art Gallery	18 October 2007		-						
Tasmanian Risk Management Fund	27 Sept 2007	✓	24 October 2007						•
Tsuneichi Fujii Fellowship Trust	15 August 2007	✓	8 October 2007					•	
Wellington Park Management Trust	6 August 2007	✓	4 October 2007				•		
WorkCover Tasmanian Board	15 August 2007		-						
GOVERNMENT BUSINESSES									
Government Business Enterprises									
Forestry Tasmania	13 August 2007	✓	12 Sept 2007			•			
Hydro-Electric Corporation	14 August 2007	✓	14 August 2007	•					
Motor Accidents Insurance Board	13 August 2007	✓	29 August 2007	•					
Port Arthur Historic Site Management Authority	15 August 2007	✓	2 October 2007				•		
Printing Authority of Tasmania	21 August 2007	✓	4 Sept 2007	•					
Rivers and Water Supply Commission	15 August 2007	✓	17 October 2007					•	
Southern Regional Cemetery Trust	13 August 2007	✓	12 October 2007					•	
Tasmanian International Velodrome Management Authority	22 October 2007	✓	31 October 2007						•
Tasmanian Public Finance Corporation (TASCORP)	10 August 2007	✓	10 August 2007	•					
The Public Trustee	21 August 2007	✓	26 October 2007						•
State Owned Corporations									
Aurora Energy Pty Ltd	30 August 2007	✓	7 Sept 2007		•				
Metro Tasmania Pty Ltd	10 Sept 2007	✓	11 Sept 2007			•			
TOTE Tasmania Pty Ltd	6 Sept 2007	✓	7 Sept 2007		•				
Transend Networks Pty Ltd	2 October 2007	✓	3 October 2007				•		
TT-Line Company Pty Ltd	6 Sept 2007	✓	13 Sept 2007			•			
Tasmanian Ports Corporation Pty Ltd	20 Sept 2007	✓	27 Sept 2007				•		
Hobart International Airport Corporation Pty Ltd	23 August 2007	✓	27 August 2007	•					
King Island Ports Corporation Pty Ltd	24 Sept 2007	✓	28 Sept 2007				•		

Entity	Financial Statements			Timeliness of audited financial statement completion					
	Signed Financial Statements Received	Clear opinion issued	Audit opinion signed	< 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
LOCAL GOVERNMENT AUTHORITIES									
Major Cities									
Clarence City Council	27 Sept 2007	✓	24 October 2007						•
Glenorchy City Council	21 Sept 2007	✓	29 Sept 2007				•		
Hobart City Council	12 Sept 2007	✓	18 October 2007					•	
Launceston City Council	25 Sept 2007	✓	19 October 2007					•	
Other Urban and Large Rural Councils									
Brighton Council	30 Sept 2007		-						
Burnie City Council	28 Sept 2007		-						
Central Coast Council	9 August 2007	✓	16 August 2007	•					
Derwent Valley Council	1 October 2007		-						
Devonport City Council	12 October 2007	✓	26 October 2007						•
Huon Valley Council	28 Sept 2007		-						
Kingborough Council	14 Sept 2007		-						
Meander Valley Council	28 Sept 2007		-						
Northern Midlands Council	-		-						
Sorell Council	7 August 2007		-						
Waratah-Wynyard Council	26 August 2007	✓	5 Sept 2007	•					
West Tamar Council	13 Sept 2007	✓	24 Sept 2007				•		
Other Rural Councils									
Break O'Day Council	28 Sept 2007	✓	12 October 2007						•
Central Highlands Council	19 Sept 2007		-						
Circular Head Council	28 Sept 2007		-						
Dorset Council	28 Sept 2007		-						
Flinders Council	-		-						
George Town Council	21 Sept 2007		-						
Glamorgan Spring Bay Council	28 Sept 2007		-						
Kentish Council	28 Sept 2007		-						
King Island Council	12 October 2007	✓	22 October 2007						•
Latrobe Council	11 Sept 2007	✓	11 October 2007					•	
Southern Midlands Council	28 Sept 2007		-						
Tasman Council	27 Sept 2007		-						
West Coast Council	4 October 2007		-						

Entity	Financial Statements			Timeliness of audited financial statement completion					
	Signed Financial Statements Received	Clear opinion issued	Audit opinion signed	< 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
Local Government Business Units									
Cradle Coast Authority	4 Sept 2007	✓	18 Sept 2007			•			
Dulverton Regional Waste Management Authority	19 October 2007	✓	22 October 2007						•
Southern Waste Strategy Authority	-		-						
Local Government Water Authorities									
Cradle Coast Water	20 August 2007	✓	18 Sept 2007			•			
Esk Water Authority	28 August 2007	✓	12 Sept 2007			•			
Hobart Regional Water Authority	20 Sept 2007	✓	20 Sept 2007			•			
Local Government Other									
Local Government Association of Tasmania	-		-						

APPENDIX 2 – LIST OF ACRONYMS AND ABBREVIATIONS

AASB	Australian Accounting Standards Board
AAV	Assessed Annual Valuation
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
AFSL	Australian Financial Services Licence
AGAAP	Australian Generally Accepted Accounting Principles
AHCA	Australian Health Care Agreement
AIFRS	Australian International Financial Reporting Standards
APRA	Australia Prudential Regulation Authority
APU	Aged Person Unit
ASOSC	Antartic and Southern Ocean Science Centre Pty Ltd
ATO	Australian Tax Office
BBP	Bell Bay Power Pty Ltd
BPL	Broadband Over Powerlines
BRC	Broadband for Regional Communities
BRT	Broadband for Regional Tasmania
CAPM	Capital Asset Pricing Model
CCW	Cradle Coast Water
CDO	Collateralised Debt Obligation
CGT	Capital Gains Tax
CHWB	Community Health and Well Being
CLAC	Crown Land Assessment and Classification
CLAF	Crown Lands Administration Fund
CPI	Consumer Price Index
CRM	Client Relationship Management Scheme
CRMS	Supreme Court Civil Registry Management System
CSA	Community Service Agreement
CSHA	Commonwealth State Housing Agreement
CSL	Community Support Levy
CSO	Community Service Obligation
DEST	Department of Education, Science and Training
DHHS	Department of Health and Human Services
DIER	Department of Infrastructure, Energy and Resources
DPAC	Department of Premier and Cabinet
DPIW	Department of Primary Industries and Water
DPIWE	Department of Primary Industries, Water and Environment
DTA	Deferred Tax Asset
DTAE	Department of Tourism, Arts and the Environment
DTL	Deferred Tax Liability
EBA	Enterprise Bargaining Agreement
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ePCR	Electronic Patient Care Records
ESIF	Economic and Social Infrastructure Fund
FMAA	Financial Management and Audit Act 1990
FTE	Full Time Equivalents
GBE	Government Business Enterprise
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GGG	General Government Sector

GMO	Grantham, Mayo and Otterloo Renewable Resources
GPOC	Government Prices Oversight Commission
GSP	Gross State Product
GST	Goods and Services Tax
HEC	Hydro Electric Corporation
HOAP	Home Ownership Assistance Program
IBNR	Incurred But Not Reported
ICT	Information and Technology Industries
LIST	Land Information System of Tasmania
MAIB	Motor Accidents Insurance Board
MPEP	Monetary Penalty Enforcement Project
NDLERF	National Drug Law Enforcement Research Fund
NEM	National Energy Market
NEM	National Electricity Market
NEMMCO	National Electricity Market Management Company
NFSRA	National Fitness Southern Recreation Association
NTER	National Tax Equivalents Regime
OTTER	Office Of The Tasmanian Energy Regulator
PCYC	Police, Citizens and Youth Club
PIRP	Prison Infrastructure Redevelopment Program
R40s	Roaring 40s Renewable Energy Pty Ltd
RAS	Rural Adjustment Scheme
RBF	Retirements Benefits Fund
RFA	Regional Forest Agreement
RPTI	Regular Passenger Transport Index
RSTF	Road Safety Task Force
SCIF	Special Capital Investment Funds
SDTF	Special Deposits and Trust Fund
SESDMF	State Emergency Service Disaster Mitigation Funding
SOC	State Owned Company
SSA	State Service Act
SSWA	State Services Wages Agreement
TAFR	Treasurer's Annual Financial Report
TAHL	Tasmanian Affordable Housing Limited
TAS	Tasmanian Ambulance Service
TASCORP	Tasmanian Public Finance Corporation
TasPorts	Tasmanian Ports Corporation Pty Ltd
TASSS	Tasmanian Ambulance Service Superannuation Scheme
TCFA	Tasmanian Community Forestry Agreement
TD Act	Tasmanian Development Act 1983
TD Board	Tasmanian Development Board
TDR	Tasmania Development and Resources
TIVMA	Tasmanian International Velodrome Management Authority
TMAG	Tasmanian Museum and Art Gallery
TNSP	Transmission Network Service Provider
TT	Tourism Tasmania
UPF	Uniform Presentation Framework
VAR	Value at Risk
VET	Vocational Education and Training
WACC	Weighted Average Cost of Capital
WACD	Weighted Average Cost of Debt
WSLS	War Service Land Settlement
WST	Workplace Standards Tasmania

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