



2007

PARLIAMENT OF TASMANIA

**REPORT OF THE  
AUDITOR-GENERAL**

**No. 2 of 2007**

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

**Volume One**

**Executive and Legislature, Government Departments  
and Other Authorities**

**November 2007**

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# **EXECUTIVE AND LEGISLATURE, GOVERNMENT DEPARTMENTS AND OTHER AUTHORITIES**

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## **INTRODUCTION**

This Volume of the Report includes commentary on:

- Executive and Legislature;
- Government Departments;
- Other Statutory Authorities; and
- Miscellaneous Public Bodies.

# EXECUTIVE AND LEGISLATURE

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## INTRODUCTION

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

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

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

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

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

- Introduction;
- Audit of the 2006-07 Financial Statements;
- Financial Results; and
- Overall Comment.

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

## KEY FINDINGS

All agencies submitted financial statements within the statutory deadline.

- I issued four audit opinions on agencies' financial statements, all of which were unqualified. The audit opinions were issued on:
  - The House of Assembly                      22 October 2007
  - The Legislative Council                      22 October 2007
  - The Legislature-General                      22 October 2007
  - The Office of the Governor                      24 October 2007.
- My audits were all completed satisfactorily with no major issues outstanding.

# HOUSE OF ASSEMBLY

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## INTRODUCTION

Officers of the House of Assembly provide the House, its Committees, the Speaker of the House and Members with advisory, procedural, research and administrative support services to assist them to effectively undertake their constitutional and Parliamentary duties.

The House is predominantly funded by Parliamentary appropriations and Reserved by Law appropriations for the above services and for the administration of payments of salaries and allowances as prescribed by the *Parliamentary Salaries, Superannuation and Allowances Act 1973*.

## AUDIT OF THE 2006-07 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2007 and an unqualified audit report was issued on 22 October 2007.

## FINANCIAL RESULTS

### INCOME STATEMENT

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	5 379	6 088	5 196	5 128
Revenue from government - capital	0	0	100	100
Other revenue	0	3	4	6
<b>Total Income</b>	<b>5 379</b>	<b>6 091</b>	<b>5 300</b>	<b>5 234</b>
Employee and member benefits	4 446	5 393	4 496	4 290
Depreciation	39	51	46	25
Supplies and consumables	878	644	624	660
Other expenses	57	81	74	72
<b>Total Expenses</b>	<b>5 420</b>	<b>6 169</b>	<b>5 240</b>	<b>5 047</b>
<b>Net Surplus (Deficit)</b>				
<b>Attributable to the State</b>	<b>( 41)</b>	<b>( 78)</b>	<b>60</b>	<b>187</b>

### Comment

In a normal financial year Government agencies operate at a deficit because they are not funded for depreciation or increases in employee leave provisions. The surplus in 2004-05 and 2005-06 was primarily attributable to the Revenue from government - capital.

In respect to 2006-07, the House had a Net Deficit Attributable to the State of \$0.078m mainly due to Employee and member benefits increasing by \$0.897m as a result of award and Parliamentary salary increases, offset by an increase in Revenue from government of \$0.792m.

The report of the Second Committee of Review inquiring into Allowances and Benefits provided increases in benefits to members of the Tasmanian Parliament. This resulted in variances between the budget estimate and actual amounts of Revenue from government needed to fund Employee and member benefits.

## BALANCE SHEET

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Cash and deposits	7	8	8	7
Prepaid expenses	0	9	0	0
Receivables	16	14	16	16
<i>Non-financial Assets</i>				
Plant and equipment	1 172	1 415	1 405	1 168
<b>Total Assets</b>	<b>1 195</b>	<b>1 446</b>	<b>1 429</b>	<b>1 191</b>
<i>Liabilities</i>				
Payables	70	151	85	70
Employee entitlements	554	567	599	514
Advance from government	4	4	4	4
<b>Total Liabilities</b>	<b>628</b>	<b>722</b>	<b>688</b>	<b>588</b>
<b>Net Assets</b>	<b>567</b>	<b>724</b>	<b>741</b>	<b>603</b>
Asset revaluation reserve	214	275	214	134
Accumulated surpluses	353	449	527	469
<b>Total Equity</b>	<b>567</b>	<b>724</b>	<b>741</b>	<b>603</b>

## Comment

Total Equity decreased in 2006-07, mainly due to the \$0.078m deficit for the year partially offset by an increase in the Asset revaluation reserve of \$0.061m, resulting from a revaluation of assets.

The payables balance as at 30 June 2007 varies from the budgeted amount due to the unbudgeted effects of the increase in member benefits noted previously. The actual balances for Plant and equipment and reserves vary from the budgeted amounts due to the revaluations in 2005-06 and 2006-07, not yet being fully carried through into the budget.

## CASH POSITION

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	5 379	6 088	5 196	5 128
Receipts from government - capital	0	0	100	95
GST receipts	67	93	187	100
Other cash receipts	0	3	4	6
Payments to employees, members and suppliers	( 5 359)	( 6 091)	( 5 092)	( 5 042)
GST payments	( 67)	( 93)	( 186)	( 96)
<b>Cash from operations</b>	<b>20</b>	<b>0</b>	<b>209</b>	<b>191</b>
Payments for acquisition of assets	( 20)	0	( 208)	( 192)
<b>Cash (used in) investing activities</b>	<b>( 20)</b>	<b>0</b>	<b>( 208)</b>	<b>( 192)</b>
<b>Net increase (decrease) in cash</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>( 1)</b>
Cash at the beginning of the year	7	8	7	8
<b>Cash at end of the year</b>	<b>7</b>	<b>8</b>	<b>8</b>	<b>7</b>

## Comment

Reasons for variations in cash flow amounts reflect the comments made previously in the Income Statement and Balance Sheet sections of this Chapter.

## FINANCIAL ANALYSIS

	<b>Bench</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	<b>Mark</b>			
<b>Financial Performance</b>				
Result from operations (\$'000s)		( 78)	60	187
Operating margin	>1.0	0.99	1.01	1.04
<b>Financial Management</b>				
Debt collection	30 days	n/a	n/a	n/a
Creditor turnover	30 days	31	32	38
<b>Other Information</b>				
Staff numbers (FTE)		20	20	19
Average staff costs (\$'000s)		64	63	59
Average leave balance per FTE (\$'000s)		29	30	26



**Comment**

The Result from operations and the Operating margin are consistent with comments made under the Income Statement section.

The Average leave balance per FTE is high and reflects the level of leave owing to several employees.

**OVERALL COMMENT**

The 2006-07 audit was completed satisfactorily with no issues outstanding.

# LEGISLATIVE COUNCIL

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## INTRODUCTION

Officers of the Legislative Council provide the Council, its Committees, the President and Members with advisory, procedural, research and administrative support services to assist them to effectively undertake their constitutional and Parliamentary duties.

The Council is predominantly funded by Parliamentary appropriations and Reserved by Law appropriations for the above services and for the administration of payments of salaries and allowances as prescribed by the *Parliamentary Salaries, Superannuation and Allowances Act 1973*.

## AUDIT OF THE 2006-07 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2007 and an unqualified audit report was issued on 22 October 2007.

## FINANCIAL RESULTS

### INCOME STATEMENT

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	4 495	4 873	4 133	3 910
Other operating revenue	0	2	2	2
<b>Total Income</b>	<b>4 495</b>	<b>4 875</b>	<b>4 135</b>	<b>3 912</b>
Employee and member benefits	3 756	4 121	3 514	3 276
Depreciation	5	27	22	9
Supplies and consumables	642	650	533	620
Other operating expenses	109	90	67	68
<b>Total Expenses</b>	<b>4 512</b>	<b>4 888</b>	<b>4 136</b>	<b>3 973</b>
<b>Net Deficit Attributable to the State</b>	<b>( 17)</b>	<b>( 13)</b>	<b>( 1)</b>	<b>( 61)</b>

### Comment

In a normal financial year Government agencies operate at a deficit because they are not funded for depreciation or increases in employee leave provisions.

The Report of the Second Committee of Review inquiring into Allowances and Benefits provided increases in benefits to members of the Tasmanian Parliament. This resulted

in variances between the budget estimate and actual amounts of Revenue from government needed to fund Employee and member benefits.

## BALANCE SHEET

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Cash and deposits	3	4	3	3
Receivables	8	14	6	8
<i>Non-financial Assets</i>				
Furniture and equipment	968	1 141	1 162	1 003
Other	25	23	20	0
<b>Total Assets</b>	<b>1 004</b>	<b>1 182</b>	<b>1 191</b>	<b>1 014</b>
<i>Liabilities</i>				
Payables	166	145	152	166
Employee entitlements	648	675	663	628
Other liabilities	3	3	3	3
<b>Total Liabilities</b>	<b>817</b>	<b>823</b>	<b>818</b>	<b>797</b>
<b>Net Assets</b>	<b>187</b>	<b>359</b>	<b>373</b>	<b>217</b>
Asset revaluation reserve	0	221	221	64
Accumulated surpluses	187	138	152	153
<b>Total Equity</b>	<b>187</b>	<b>359</b>	<b>373</b>	<b>217</b>

## Comment

Total Equity decreased from \$0.373m at 30 June 2006 to \$0.359m at 30 June 2007 due to the Net deficit incurred for the year.

## CASH POSITION

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	4 495	4 873	4 133	3 771
GST receipts	27	75	62	53
Other cash receipts	0	2	2	5
Payments to employees and members	( 3 744)	( 4 141)	( 3 454)	( 3 136)
Payments to suppliers	( 642)	( 638)	( 565)	( 613)
Other payments	( 109)	( 86)	( 72)	0
GST payments	( 27)	( 75)	( 62)	( 53)
<b>Cash from operations</b>	<b>0</b>	<b>10</b>	<b>44</b>	<b>27</b>
Payments for acquisition of assets		( 9)	( 44)	( 29)
<b>Cash (used in) investing activities</b>	<b>0</b>	<b>( 9)</b>	<b>( 44)</b>	<b>( 29)</b>
<b>Net increase (decrease) in cash</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>( 2)</b>
Cash at the beginning of the year	3	3	3	5
<b>Cash at end of the year</b>	<b>3</b>	<b>4</b>	<b>3</b>	<b>3</b>

## Comment

Reasons for variations in cash flow amounts reflect the comments made previously in the Income Statement section of this Chapter.

## FINANCIAL ANALYSIS

	<b>Bench Mark</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
<b>Financial Performance</b>				
Result from operations (\$'000s)		( 13)	( 1)	( 61)
Operating margin	>1.0	0.99	0.99	0.98
<b>Financial Management</b>				
Debt collection	30 days	n/a	n/a	n/a
Creditor turnover	30 days	28	42	51
<b>Other Information</b>				
Staff numbers (FTE)		24	23	23
Average staff costs (\$'000s)		70	67	61
Average leave balance per FTE (\$'000s)		28	28	28

## **Comment**

The Result from operations and the Operating margin are consistent with comments made under the Income Statement section.

The Creditor turnover exceeded the benchmark in 2004-05 and 2005-06 due to the effects of some large contractual payments due at the end of those years.

The Average leave balance per FTE is high and reflects the levels of leave owing to several employees.

## **OVERALL COMMENT**

The 2006-07 audit was completed satisfactorily with no issues outstanding.

# LEGISLATURE – GENERAL

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## INTRODUCTION

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

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

## AUDIT OF THE 2006-07 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2007 and an unqualified audit report was issued on 22 October 2007.

## FINANCIAL RESULTS

### INCOME STATEMENT

	2006-07	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	4 531	5 035	4 697	3 937
Other revenue	172	330	269	278
<b>Total Income</b>	<b>4 703</b>	<b>5 365</b>	<b>4 966</b>	<b>4 215</b>
Employee entitlements	2 366	2 343	2 114	1 994
Depreciation	310	371	357	334
Other operating expenses	2 327	2 939	2 547	2 591
<b>Total Expenses</b>	<b>5 003</b>	<b>5 653</b>	<b>5 018</b>	<b>4 919</b>
<b>Net (Deficit) before:</b>	<b>( 300)</b>	<b>( 288)</b>	<b>( 52)</b>	<b>( 704)</b>
Revenue from government - capital	0	0	0	353
<b>Net (Deficit) Attributable to the State</b>	<b>( 300)</b>	<b>( 288)</b>	<b>( 52)</b>	<b>( 351)</b>

### Comment

In a normal financial year Government agencies operate at a deficit because they are not funded for depreciation or increases in employee leave provisions.

In respect to 2006-07, Legislature-General had a Net operating deficit of \$0.288m compared to \$0.052m in 2005-06 and \$0.351m in 2004-05. The increase of \$0.236m in the deficit from 2005-06 to 2006-07 was mainly due to:

- An increase in Employee entitlements, \$0.229m, an increase in supplies and consumables, \$0.346m, and an increase in purchases of stock, \$0.026m.

Offset in part by:

- Increased State Government Appropriation Funding, \$0.338m, and sales generated by the Parliamentary dining room, \$0.040m.

Appropriation revenue and other operating expenses were higher than budget in 2006-07 due to costs associated with a regional parliamentary sitting, sesquicentenary celebrations and essential repairs.

## BALANCE SHEET

	2006-07	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Cash and deposits	47	13	3	43
Receivables	47	85	54	55
<i>Non-financial Assets</i>				
Inventory	23	31	37	29
Prepaid expenses	12	24	18	1
Property, plant and equipment	25 944	26 378	26 420	26 509
<b>Total Assets</b>	<b>26 073</b>	<b>26 531</b>	<b>26 532</b>	<b>26 637</b>
<i>Liabilities</i>				
Payables	174	215	140	282
Employee entitlements	562	572	575	486
<b>Total Liabilities</b>	<b>736</b>	<b>787</b>	<b>715</b>	<b>768</b>
<b>Net Assets</b>	<b>25 337</b>	<b>25 744</b>	<b>25 817</b>	<b>25 869</b>
Accumulated surpluses	11 744	10 136	10 424	10 476
Asset revaluation reserve	13 593	15 608	15 393	15 393
<b>Total Equity</b>	<b>25 337</b>	<b>25 744</b>	<b>25 817</b>	<b>25 869</b>

## Comment

Net Assets decreased from \$25.869m at 30 June 2005, to \$25.744m at 30 June 2007. The main factors for the \$0.125m decrease were:

- An increase in liability for Employee entitlements, \$0.086m;
- A decrease in Property, plant and equipment, \$0.131m; and
- A decrease in Cash, \$0.030m.

These were partly offset by:

- An increase in Receivables, \$0.030m; and
- A decrease in Payables, \$0.067m.

The majority of budget variations compared to actual reflected the expectations at the time the budget was prepared.

## CASH POSITION

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	4 531	5 035	4 697	3 911
GST receipts	199	281	314	297
Other cash receipts	172	326	264	270
Payments to employees	( 2 326)	( 2 346)	( 1 996)	( 2 000)
Payments to suppliers	( 2 327)	( 2 867)	( 2 733)	( 2 497)
GST payments	( 199)	( 306)	( 318)	( 298)
<b>Cash from (used in) operations</b>	<b>50</b>	<b>123</b>	<b>228</b>	<b>( 317)</b>
Receipts from government - capital	0	0	0	353
Payments for acquisition of assets	( 50)	( 113)	( 268)	( 99)
<b>Cash from (used in) investing activities</b>	<b>( 50)</b>	<b>( 113)</b>	<b>( 268)</b>	<b>254</b>
<b>Net increase (decrease) in cash</b>	<b>0</b>	<b>10</b>	<b>( 40)</b>	<b>( 63)</b>
Cash at the beginning of the year	47	3	43	106
<b>Cash at end of the year</b>	<b>47</b>	<b>13</b>	<b>3</b>	<b>43</b>

## Comment

Reasons for variations in cash flow amounts and cash balances reflect the comments made previously in the Income Statement and Balance Sheet sections of this Chapter.



## FINANCIAL ANALYSIS

	<b>Bench Mark</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
<b>Financial Performance</b>				
Result from operations (\$'000s)		( 288)	( 52)	( 704)
Operating margin	>1.0	0.95	0.99	0.86
<b>Financial Management</b>				
Debt collection	30 days	94	49	43
Creditor turnover	30 days	27	15	37
<b>Other Information</b>				
Self-sufficiency %		6	5	13
Government funding %		95	99	92
Staff numbers (FTE)		30	27	27
Average staff costs (\$'000s)		78	80	74
Average leave balance per FTE (\$'000s)		18	19	18

### Comment

The increase in days taken to collect receivables reflects a number of accounts outstanding for longer than 60 days.

The Self-sufficiency ratio shows the level of independent funding that Legislature-General generated for use in achievement of its objectives.

The Government funding ratio is a little below 100% which represents a result below a break-even position.

The increase in Average staff costs in 2005-06 was caused by a large accrual for Hansard and Dining room casuals as Parliament sat for the full last week of June for Estimates Committees.

### OVERALL COMMENT

The 2006-07 audit was completed satisfactorily with no major issues outstanding.

# OFFICE OF THE GOVERNOR

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## INTRODUCTION

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

## AUDIT OF THE 2006-07 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2007 and an unqualified audit report was issued on 24 October 2007.

## FINANCIAL RESULTS

### INCOME STATEMENT

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	2 798	2 773	2 688	2 885
Revenue from government - capital				
Revenue from Special Capital				
Investment Funds	0	0	0	151
Other operating revenue	0	12	0	0
<b>Total Income</b>	<b>2 798</b>	<b>2 785</b>	<b>2 688</b>	<b>3 036</b>
Employee entitlements	2 134	2 081	1 995	2 227
Depreciation	125	210	210	125
Other operating expenses	684	692	585	746
<b>Total Expenses</b>	<b>2 943</b>	<b>2 983</b>	<b>2 790</b>	<b>3 098</b>
<b>Net (Deficit) Attributable to the State</b>	<b>( 145)</b>	<b>( 198)</b>	<b>( 102)</b>	<b>( 62)</b>

### Comment

The Office's recurrent funding does not cover depreciation, increases in provisions for employee entitlements and other movements in current assets and liabilities which is why there is a budgeted deficit of \$0.145m and actual deficits in each year under review.

Revenue from government and employee expenses were higher in 2004-05 to cover a termination payment for the previous Governor.

Special Capital Investment Funds of \$0.151m received in 2004-05 was to cover maintenance costs which, following 2004-05, were built into the recurrent appropriation.

Depreciation increased in 2005-06 following the revaluation of land and buildings at 1 July 2005. This increase has still to be flowed into the budget setting process.

Other operating expenses decreased by \$0.161m in 2005-06 due mainly to 2004-05 including higher costs associated with printing, relocation expenses, travel and IT equipment. These costs increased in 2006-07 primarily due to higher property maintenance costs incurred. Total increases in Other operating costs were in line with budget.

## BALANCE SHEET

	2006-07 Budget \$'000	2006-07 Actual \$'000	2005-06 Actual \$'000	2004-05 Actual \$'000
<i>Financial Assets</i>				
Cash and deposits	1	( 7)	1	1
Other financial assets	35	92	45	35
<i>Non-financial Assets</i>				
Property, plant and equipment	17 675	32 448	30 222	18 070
<b>Total Assets</b>	<b>17 711</b>	<b>32 533</b>	<b>30 268</b>	<b>18 106</b>
<i>Liabilities</i>				
Payables	80	52	64	95
Provisions	30	0	0	0
Employee entitlements	418	385	326	377
<b>Total Liabilities</b>	<b>528</b>	<b>437</b>	<b>390</b>	<b>472</b>
<b>Net Assets</b>	<b>17 183</b>	<b>32 096</b>	<b>29 878</b>	<b>17 634</b>
Reserves		18 830	16 414	4 052
Accumulated surpluses		13 266	13 464	13 582
<b>Total Equity</b>	<b>17 183</b>	<b>32 096</b>	<b>29 878</b>	<b>17 634</b>

## Comment

During the period under review the Office's Total Equity increased by \$14.462m due to:

- The upward revaluation by \$12.362m of land and buildings on 1 July 2005;
- Further upward revaluations in 2006-07 of land, buildings and heritage assets, \$2.436m; and
- Deficits in 2005-06 and 2006-07 totalling \$0.362m plus a further deficit in 2005-06 of \$0.016m which arose from an administrative restructure in that financial year.

The revaluations were not budgeted for and were the primary reason for the lower budgeted Total Equity.

The only other major movement on the balance sheet is the increase in Property, plant and equipment due to the asset revaluations referred to previously.

## CASH POSITION

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	2 798	2 773	2 688	2 885
Receipts from Special Capital				
Investment Funds	0	0	0	151
GST receipts	60	48	51	75
Interest received				
Payments to employees	( 2 114)	( 2 019)	( 2 031)	( 2 304)
Payments to suppliers	( 684)	( 745)	( 657)	( 887)
GST payments	( 60)	( 57)	( 51)	( 74)
<b>Cash (used in) operations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>( 154)</b>
Proceeds from disposal of assets	0	6	0	0
Payments for acquisition of assets	0	( 20)	0	0
Receipts from investments	0	6	0	0
<b>Cash (used in) investing activities</b>	<b>0</b>	<b>( 8)</b>	<b>0</b>	<b>0</b>
<b>Net (decrease) in cash</b>	<b>0</b>	<b>( 8)</b>	<b>0</b>	<b>( 154)</b>
Cash at the beginning of the year	0	1	1	155
<b>Cash at end of the year</b>	<b>0</b>	<b>( 7)</b>	<b>1</b>	<b>1</b>

## Comment

Reasons for variations in cash flow amounts reflect the comments made previously in the Income Statement section this Chapter.

## FINANCIAL ANALYSIS

	<b>Bench Mark</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
<b>Financial Performance</b>				
Result from operations (\$'000s)	( 145)	( 198)	( 102)	( 62)
Operating margin	0.95	0.93	0.96	0.98
<b>Financial Management</b>				
Debt collection	30 days	0	0	0
Creditor turnover	30 days	11	22	39
<b>Other Information</b>				
Staff numbers (FTE)		25	25	25
Average staff costs (\$'000s)		83	80	89
Average leave balance per FTE (\$'000s)		15	13	15

### Comment

The Creditor turnover ratio reduced from 39 days in 2004-05 to 11 days in 2006-07 reflecting lower level of payables at 30 June 2007.

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

## ADDITIONAL FINANCIAL INFORMATION

### Administered Transactions

Administered transactions are those that the Office manages on behalf of the Government. These transactions are not shown in the Office's Income Statement, Balance Sheet or Cash Flow Statement.

For 2004-05 the administered transactions all related to remuneration arrangements for the Governor. From 2005-06 these transactions were reclassified as controlled.

### Administered Revenues and Expenses

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$'000	\$'000	\$'000
Revenue from government - recurrent	0	0	337
<b>Total Revenue</b>	<b>0</b>	<b>0</b>	<b>337</b>
Employee entitlements	0	0	353
<b>Total Expenses</b>	<b>0</b>	<b>0</b>	<b>353</b>
<b>Net (Deficit)</b>	<b>0</b>	<b>0</b>	<b>( 16)</b>

## Comment

Nil.

## Administered Assets and Liabilities

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$'000	\$'000	\$'000
Liabilities			
Employee entitlements	0	0	16
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>16</b>
<b>Net Liabilities</b>	<b>0</b>	<b>0</b>	<b>( 16)</b>
Accumulated deficits	0	0	( 16)
<b>Total Deficit</b>	<b>0</b>	<b>0</b>	<b>( 16)</b>

## Comment

Nil.

## Administered Cash Flows

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$'000	\$'000	\$'000
Receipts from government -			
recurrent	0	0	337
Payments to employees	0	0	( 337)
<b>Cash from operations</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net increase (decrease) in cash</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cash at the beginning of the year	0	0	0
<b>Cash at end of the year</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Comment

Nil.

## OVERALL COMMENT

The 2006-07 audit was completed with satisfactory results.

## 2 MINISTERIAL DEPARTMENTS

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### INTRODUCTION

State Government Departments are established by order of the Governor under the provisions of the *State Service Act 2000* (SSA). Ministerial responsibility for departments is assigned under the provisions of the *Administrative Arrangements Act 1990*.

This part of the Report provides information on all Government Departments being the Departments of:

- Economic Development (including for the first time a separate Chapter on Tasmania Development and Resources)
- Education
- Health and Human Services (again including separate Chapters for Housing Tasmania and the Tasmanian Ambulance Service)
- Infrastructure, Energy and Resources
- Justice
- Police and Emergency Management
- Premier and Cabinet
- Primary Industries and Water
- Tourism, Arts and Environment (including for the first time a separate Chapter on Tourism Tasmania)
- Treasury and Finance

Tasmania Development and Resources (TDR) and Tourism Tasmania (TT) are separate statutory authorities which are, for accounting purposes, controlled by the Departments of Economic Development and Tourism, Arts and Environment respectively. Both TDR and TT prepare separate financial statements for audit.

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

- Introduction;
- Audit of the 2006-07 Financial Statements;
- Financial Results:
  - Income Statement;
  - Balance Sheet;
  - Cash Position; and
  - Financial Analysis;
- Additional Financial Information (administered transactions); and
- Overall Comment.

The financial results discussed are derived from the audited financial statements that include Cash and Accrual components. The reporting framework for departments is prescribed through Treasurer's Instructions issued under the *Financial Management and Audit Act 1990* and the requirements of Australian Accounting Standard AAS 29 *Financial Reporting by Government Departments*. In addition, departments comply with the relevant financial reporting requirements of Australian equivalents to International Financial Reporting requirements. Full (unabridged) financial statements are required to be published as part of each department's annual report which must be tabled in Parliament by 31 October following the end of the financial year; at which time they become public documents.

Agencies are required to present financial statements in accordance with the Model Departmental Financial Statements developed by Treasury, which require the inclusion of budget information, in line with the original budget, on the face of the statements. This was optional in 2005-06 but mandatory from 2006-07 onwards. I support this initiative, in particular the requirement for Agencies to provide explanations for variances. While the budget information reported is not subject to audit, we have ensured that the information reported agrees to the original Budget Papers.

## **KEY FINDINGS AND OUTCOMES FROM AUDITS**

- The audits of all departments have been completed with unqualified audit opinions issued in each case.
- All departments submitted financial statements within the statutory deadline.
- Audits were all completed satisfactorily with no major issues outstanding.
- Recommendations were made to the Departments of Economic Development and Tourism, Arts and Environment regarding the need for clarity in financial reporting and governance arrangements as it relates respectively to Tasmania Development and Resources and Tourism Tasmania.
- It is pleasing to report that many of the concerns regarding accounting and internal control practices raised in previous financial audits of the Department of Health and Human Services have, or are being, addressed by it.

However, the Department's cash position declined significantly from cash holdings of \$97.808m at 30 June 2004, to \$32.516m 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.

- It is pleasing to report that many of the concerns regarding accounting and internal control practices raised in previous financial audits have, or are being, addressed by Housing Tasmania.

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 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.

- It was pleasing to note the Tasmanian Ambulance Service's improvement by 36 days over the period in collecting outstanding receivables.
- In July 2006 the Department of Premier and Cabinet assumed responsibility for the Tasmanian Community Forest Agreement (TCFA) from Finance-General.

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

	<b>\$m</b>
Opening balance	1.710
Commonwealth grant	36.000
State grant	8.000
Payments*	(31.724)
<b>Closing balance</b>	<b>13.486</b>

*\* All paid to Forestry Tasmania*

- During 2006-07, the Tasmanian Government acquired rail infrastructure assets from Pacific National for the nominal amount of \$1. Due to a number of factors, the Department of Infrastructure Energy and Resources 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**

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## **INTRODUCTION**

The Department of Economic Development (the Department) is responsible for leading economic and industry development, including sport and recreation, in Tasmania.

The Department's output group structure incorporates the areas of Economic Development and Sport and Recreation for the 2006-07 financial year. Tasmania Development and Resources (TDR) activities are included within the Economic Development output group. TDR's activities are governed by the Tasmanian Development Board (TD Board). A separate chapter, following this one, has been prepared outlining the financial results of TDR. These two chapters should be read together.

On 31 March 2007, the activities of the former Tasmanian International Velodrome Management Authority (TIVMA) were transferred to the Department. This included the Silverdome complex (also known as the Tasmanian International Velodrome), which was owned by the Department of Primary Industries and Water (DPIW) and was leased to TIVMA. TIVMA governed the operations of the Silverdome until it was wound up on 31 March 2007. At the time of the transfer an independent valuation concluded that the value of the Silverdome complex transferred from DPIW was \$20.000m. Other net TIVMA assets transferred totalled \$0.124m. The Silverdome activities are included within the Sport and Recreation output group.

The Department is also responsible for managing the Intelligent Island program.

As at 30 June 2007 two Ministers had responsibility for activities of the Department –

- the Minister responsible for Economic Development is the Minister for Economic Development and Resources; and
- the Minister responsible for Sport and Recreation is the Minister for Community Development.

## **AUDIT OF THE 2006-07 FINANCIAL STATEMENTS**

Signed financial statements for the Department were received on 9 August 2007 and an unqualified audit report was issued on 31 August 2007.

## FINANCIAL RESULTS

### INCOME STATEMENT

	2006-07	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	43 648	45 439	43 218	43 188
Revenue from government - appropriation carried forward	1 100	1 100	0	1 300
Revenue from economic and social infrastructure funds	24 780	24 283	24 510	25 566
Grants	1 928	1 593	2 044	3 979
Interest revenue	1 550	4 098	4 177	4 156
Gain (loss) on sale of non-financial assets	0	12	( 54)	1 364
Gain on fair value revaluations	0	0	24	1 147
Other operating revenue	758	5 247	6 706	4 314
<b>Total Operating Income</b>	<b>73 764</b>	<b>81 772</b>	<b>80 625</b>	<b>85 014</b>
Employee entitlements	17 117	18 477	17 688	15 694
Depreciation and amortisation	794	1 049	752	617
Grants and subsidies	32 362	26 647	21 363	30 036
Borrowing costs	1 428	1 607	1 766	3 485
Impairment losses	0	( 169)	2 442	2 845
Loss on fair value revaluations	0	879	3 363	29
Write down of assets	0	12	33	2
Contracted services	0	19 894	21 424	12 595
Other operating expenses	30 397	13 845	13 367	12 895
<b>Total Operating Expenses</b>	<b>82 098</b>	<b>82 241</b>	<b>82 198</b>	<b>78 198</b>
<b>Net Operating Surplus (Deficit) before:</b>	<b>( 8 334)</b>	<b>( 469)</b>	<b>( 1 573)</b>	<b>6 816</b>
Resources received free of charge	0	20 124	115	0
Additional appropriation for debt repayment	0	0	0	19 865
Commonwealth debt forgiveness	0	0	6 065	0
<b>Net Surplus (Deficit) Attributable to the State</b>	<b>( 8 334)</b>	<b>19 655</b>	<b>4 607</b>	<b>26 681</b>

## Comment

The variance in the Net Surplus Attributable to the State between the years reported above was due mainly to:

- One-off funding from Government received in 2004-05 for the repayment of borrowings, \$19.865m;
- Debt forgiveness of \$6.065m in 2005-06 relating to the purchase of the War Service Land Settlement (WSLS) portfolio by the Department from the Australian Government; and
- The transfer of the net assets, for no consideration, of TIVMA, \$0.124m, and of the Silverdome from DPIW, \$20.000m, to the Department in 2006-07. The wind-up of TIVMA was not known at the time of developing the Department's 2006-07 Budget.

With the exception of 2004-05, and prior to bringing to account these one-off transactions, the Department operates at a deficit which is in line with its budgets.

In 2006-07 additional recurrent appropriation funding totalling \$3.100m was received for the refurbishment of the Callington Mill, \$1.200m, and for grants to the National Fitness Southern Recreation Association (NFSRA) for maintenance works at the Clarence and Moonah Sports Centres, \$1.900m.

Economic and Social Infrastructure Fund (ESIF) projects completed in 2004-05, included Northern Tasmania Sports, Domain Tennis Centre and the Trial Harbour Road Upgrade, with funds provided in 2005-06 for new and continuing projects including funding for the Launceston Aquatic Centre.

The decrease in Grants received in 2005-06 was attributed to one-off funding received for projects in 2004-05 where the Department was the Lead Agency, with no additional funding provided in 2005-06. In 2006-07 the decrease reflected a reduction in the Tasmanian Institute of Sport grant.

The Gain on sale of non-financial assets in 2004-05, \$1.364m was attributed to the disposal of the Antarctic and Southern Ocean Science Centre Pty Ltd (ASOSC).

Interest revenue is over budget mainly due to lower than expected funding being disbursed for the Intelligent Island program, leading to higher balances in the investment account. Comments on Intelligent Island are detailed later in this chapter.

Other operating revenue increased by \$2.392m in 2005-06 due mainly to funding received under the Tasmanian Community Forest Agreement of \$3.250m. This funding was used to pay for capital upgrades for two sawmills. This item was over budget in 2006-07 due to greater than anticipated revenue collected from investment properties, the Antarctic Midwinter Festival and activities associated with the Tasmanian Institute of Sport.

Employee entitlements increased in 2005-06 due to wage increases as a result of the State Service Wages Agreement (SSWA) and the recruitment of staff to fill previously vacant positions. Increases in 2006-07 were mainly due to increases under the SSWA, \$0.789m.

The decrease in 2005-06 in Grants and subsidies of \$8.673m was mainly attributable to timing of payments for ESIF projects. In addition, a number of projects were

completed in 2004-05. The increase in 2006-07 of \$5.284m was mainly due to grants provided under ESIF programs specifically in relation to Sport and Recreation facilities upgrades in accordance with Government election commitments. These included grant payments to the Tasmanian Hockey Centre and Aurora Netball Stadium. This item was under budget mainly as a result of Intelligent Island grants not being expended as anticipated.

Borrowing costs decreased by \$1.719m in 2005-06 due to lower levels of borrowing compared to the prior year.

Impairment losses in 2005-06 related to the write down of Loan advances, \$1.434m, and Equity investments, \$1.008m.

Loss on fair value revaluations of \$3.363m in 2005-06 related to valuation adjustments for investment property, \$2.117m, and land under the WSLs Portfolio, \$1.246m. In 2006-07 independent valuations undertaken effective 30 June 2007, resulted in a Loss on fair value revaluations of \$0.879m. The Business Incubation Centre Building at the Technopark decreased in value by \$1.817m due to most of the rental offices being empty during capital upgrades. This was off-set by increases of \$0.981m in other investment properties.

Contracted services totalled \$53.913m over the three years and in the main these costs relate to the gas rollout which commenced in early 2003. Stage 2A was completed in 2007 and gas reticulation now runs past more than 42 000 homes and businesses across the State, incorporating more than 1300 kilometres of pipeline.

Other operating expenses were over budget mainly due to unscheduled purchases of software licences and the reclassification of budgeted expenditures.

Over the three year period under review, the Department spent \$59.365m on its investment attraction and industry development programs and \$46.421m on the Stage 2A gas roll out.

## **INTELLIGENT ISLAND PROGRAM**

The Intelligent Island program aims to create higher, long-term sustainable growth of the State's Information Communications and Technology (ICT) industries.

The program is funded by the Australian Government (\$40.000m) from the partial sale of Telstra and is jointly managed by the Tasmanian Government through the Department and the Australian Government's Department of Communications, Information Technology and the Arts.

On 21 December 2005, the Australian and Tasmanian Governments jointly announced new directions for Phase 2 of the Intelligent Island Program. Phase 2 will see a new research centre established in the State and a new grants program that will encourage local ICT companies to develop products and market them on a global scale.

The table below shows the financial status of the program over the last 5 years.

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>	<b>2003-04</b>	<b>2002-03</b>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cash Opening Balance</b>	<b>31 953</b>	<b>30 984</b>	<b>31 274</b>	<b>33 218</b>	<b>36 993</b>
Interest received	1 749	1 592	1 686	1 649	1 659
Project grants	4 452	405	1 801	3 077	4 087
Administration	612	218	175	516	1 347
<b>Total Payments</b>	<b>5 064</b>	<b>623</b>	<b>1 976</b>	<b>3 593</b>	<b>5 434</b>
<b>Cash Closing balance</b>	<b>28 638</b>	<b>31 953</b>	<b>30 984</b>	<b>31 274</b>	<b>33 218</b>

## BALANCE SHEET

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Cash and deposits	49 363	55 209	61 630	60 301
Receivables	175	925	1 019	315
Loan advances	10 977	7 585	10 855	13 065
Equity investments	8 665	6 466	6 336	7 177
<i>Non-financial Assets</i>				
Property, plant and equipment	20 707	33 257	11 834	12 386
Investment property	0	11 450	10 331	7 835
Intangibles	0	274	348	0
Other non-financial assets	2 188	1 560	1 302	2 560
<b>Total Assets</b>	<b>92 075</b>	<b>116 726</b>	<b>103 655</b>	<b>103 639</b>
<i>Liabilities</i>				
Payables	444	3 065	2 506	1 398
Interest bearing liabilities	19 671	14 027	21 027	21 671
Provisions	382	807	1 185	0
Employee entitlements	3 319	3 229	3 064	2 926
Other liabilities	7 319	1 793	1 723	8 102
<b>Total Liabilities</b>	<b>31 135</b>	<b>22 921</b>	<b>29 505</b>	<b>34 097</b>
<b>Net Assets</b>	<b>60 940</b>	<b>93 805</b>	<b>74 150</b>	<b>69 542</b>
Reserves	647	647	647	646
Accumulated funds	60 293	93 158	73 503	68 896
<b>Total Equity</b>	<b>60 940</b>	<b>93 805</b>	<b>74 150</b>	<b>69 542</b>

## Comment

Net Assets increased from \$74.150m at 30 June 2006 to \$93.805m at 30 June 2007, due principally to the transfer of net assets from TIVMA and DPIW mentioned previously. Net Assets increased from \$69.542m at 30 June 2005 to \$74.150m at 30 June 2006, due principally to debt forgiveness of \$6.065m in 2005-06 relating to the purchase of the WSLs portfolio by the Department from the Australian Government and increased Investment property valuations.

The decrease in Cash and deposits in 2006-07 was mainly due to the repayment of borrowings, \$7.000m and \$4.452m spent on Intelligent Island projects. This was offset by \$5.405m from repayment of loans by other entities and \$4.055m from interest received on deposits held at Tascorp. Cash and deposits were over budget mainly due to Intelligent Island grants not being expended as anticipated.

Receivables increased by \$0.704m in 2005-06 due to costs for the fit-out of tenancy accommodation at the Hobart Technopark recoverable from tenants.

The main reason for a reduction in Loan advances in 2005-06 was finalisation of a number of loans in the Rural Adjustment Scheme (RAS) account totalling approximately \$1.386m. The further decrease in 2006-07 reflected the continued recovery of loans in RAS of \$0.268m, and recovery of loans made under the *Tasmanian Development Act 1983* (TD Act), \$3.620m, the majority of which represented the early loan repayment by the Tasmanian Cricket Association. The difference in budget to actual is mainly due to these earlier than expected loan repayments.

In 2005-06 Property, plant and equipment decreased by \$0.552m due mainly to a decrease of \$1.246m in rural property values as a result of a reduction in the fair value of the WSLs portfolio at 30 June 2006. This was offset partly by the recognition of make good provisions for operating leases resulting in an increase to leasehold improvements, \$0.851m. The increase in 2006-07, \$21.423m, was mainly attributable to the unexpected transfer of the Siverdome complex to the Department, discussed previously.

The Investment property balance increased by \$2.496m in 2005-06 with the main factors being land valuation increasing by \$1.950m and additional capitalisation of building works at the Technopark being subsequently revalued to fair value. A further increase in 2006-07 of \$1.119m reflected additional capital works undertaken on the Business Incubation Centre building at the Hobart Technopark, \$2.436m, offset by losses in property revaluations, \$0.836m.

Intangible assets of \$0.348m in 2005-06 related to the new Client Relationship Management System (CRM). The decrease in the balance for 2006-07 represented the increase in accumulated amortisation.

Other non-financial assets decreased by \$1.258m in 2005-06 as a result of a movement in the GST recoverable balance, which varies with the timing and value of payments around year end. An increase in GST Tax assets in 2006-07 was off set in part by decreases in prepayments of \$0.372m mainly due to the timing of rental and subscription payments associated with the library and the purchase of IT equipment.

The increase in Payables of \$1.108m in 2005-06 related to:

- Capital creditors of \$0.493m associated with capital works on the buildings at the Hobart Technopark;
- Accrued interest on borrowings increasing by \$0.290m due to the timing of maturities of borrowings; and
- Operating lease rentals of \$0.181m.

The increase in Payables of \$0.559m in 2006-07 was largely attributable to an increase in Sundry creditors of \$1.208m, due to funds held in trust on behalf of external entities offset by lower capital creditors of \$0.493m. Payables were greater than budget mainly due to additional funds held at 30 June 2007 on behalf of a number of external entities.

Monies received from Loan advances were used to pay overnight Interest bearing liabilities resulting in a decrease in Interest bearing liabilities of \$0.644m at 30 June 2006. The funds from the unexpected repayment of Loan advances and surplus cash holdings were used by the Department to repay Tascorp debt of \$7.000m in 2006-07. This repayment was not included in the 2006-07 budget position.

Other liabilities decreased by \$6.379m, in 2005-06, with the repayment, \$1.496m, and write-off, \$6.065m, of Australian Government Loans relating to the purchase of the WSLs Portfolio being the main factor. This was offset by \$1.100m of Appropriation carried forward under Section 8A of the *Public Account Act 1986*. Other liabilities were below budget mainly due to the Commonwealth forgiving debt associated with the WSLs scheme in June 2006. This occurred after the finalisation of the 2006-07 State Budget process.

## **Commitments**

Commitments are not recognised on the balance sheet, nor are they required to be. In the case of the Department, they are however a significant item of future expenditure. The Department's assistance to industry commitments reduced from \$50.420m in 2005-06 to \$20.250m in 2006-07. This was primarily due to lower Call Centre support assistance, a reduction in ESIF grants and the completion of the Stage 2A gas rollout.

Loan commitments also reduced from \$16.834m in 2005-06 to \$0.900m in 2006-07 due to a large Tasmanian company no longer requiring temporary support.



## CASH POSITION

	2006-07	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	43 648	46 748	43 218	43 188
Receipts from economic and social infrastructure funds	24 780	24 283	24 510	25 566
Grants	1 928	1 613	1 991	4 000
GST receipts	6 500	3 888	6 125	7 751
Interest received	1 550	4 055	3 797	4 243
Other cash receipts	763	4 731	6 226	2 641
Payments to employees	( 17 137)	( 18 295)	( 17 527)	( 15 214)
Grants and subsidies	( 32 262)	( 26 626)	( 21 356)	( 30 037)
Interest payments	( 1 478)	( 1 610)	( 1 472)	( 4 303)
GST payments	( 6 500)	( 4 493)	( 4 911)	( 8 961)
Other cash payments	( 30 382)	( 33 473)	( 34 756)	( 26 246)
<b>Cash from (used in) operations</b>	<b>( 8 590)</b>	<b>821</b>	<b>5 845</b>	<b>2 628</b>
Proceeds from disposal of assets	0	84	234	2 548
Repayment of loans by other entities	500	5 405	3 097	6 070
Receipts from government - capital	0	0	1 100	0
Receipts from investments	150	0	0	0
Net proceeds from trust activities	0	1 192	199	0
Loans made to other entities	0	( 1 518)	( 2 201)	( 1 017)
Payments for acquisition of assets	( 1 250)	( 4 820)	( 4 704)	( 1 665)
Payments for investments	0	( 585)	( 200)	( 268)
<b>Cash from (used in) investing activities</b>	<b>( 600)</b>	<b>( 242)</b>	<b>( 2 475)</b>	<b>5 668</b>
Additional appropriation for debt repayment	0	0	0	19 865
Proceeds from borrowings	0	24 000	30 000	43 144
Repayment of borrowings	( 1 175)	( 31 000)	( 32 041)	( 68 133)
<b>Cash (used in) financing activities</b>	<b>( 1 175)</b>	<b>( 7 000)</b>	<b>( 2 041)</b>	<b>( 5 124)</b>
Net increase (decrease) in cash	( 10 365)	( 6 421)	1 329	3 172
Cash at the beginning of the year	59 728	61 630	60 301	57 129
<b>Cash at end of the year</b>	<b>49 363</b>	<b>55 209</b>	<b>61 630</b>	<b>60 301</b>

### Comment

Reasons for variations in cash flow receipt and payment amounts reflect the comments made previously in the Income Statement and Balance Sheet sections of this Chapter. The main movements are discussed below.

Cash from operations were higher by \$3.217m, in 2005-06, mainly because of increased Other cash receipts, \$3.585m, and reduced payments for Grants and subsidies, \$8.681m and GST (net), \$2.424m offset by higher payments to employees, \$2.313m, and Other cash payments, \$8.510m.

Cash from operations decreased by \$5.024m, in 2006-07. The main contributing factors were increased payments for Grants and subsidies, in relation to Sport and Recreation facilities' upgrades, \$5.270m, a decrease in GST receipts, \$2.237m, and other cash receipts, \$1.495m. This was offset by additional recurrent funding received for the refurbishment of the Callington Mill, \$1.200m, and to the NFSRA for maintenance work at the Clarence and Moonah sport centres, \$1.900m.

Cash from investing activities declined by \$8.143m, in 2005-06, due to reduced receipts from the disposal of assets, \$2.314m, caused by the disposal of ASOSC in 2004-05, and lower recoveries of loans and advances made under the assistance to industry programs, \$2.973m. In addition, Payments for acquisition of assets increased by \$3.039m in 2005-06, relating mainly to capital works at the Ex Erico (now known as Tech 1 and Tech 2) building at the Hobart Technopark.

Over the three year period, \$11.189m was spent on the acquisition of non-financial assets, the majority of which was spent at the Hobart Technopark and on refurbishment of the Wirksworth property.

Over the three year period the Department repaid debt totalling \$34.030m.

## FINANCIAL ANALYSIS

	<b>Bench Mark</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
<b>Financial Performance</b>				
Result from operations (\$'000s)		( 469)	( 1 573)	6 816
Operating margin	>1.0	0.99	0.98	1.09
<b>Financial Management</b>				
Debt collection	30 days	36	49	16
Creditor turnover	30 days	25	20	13
<b>Other Information</b>				
Self-sufficiency %		13	16	19
Government funding %		99	98	111
Staff numbers (FTE)		240	232	211
Average staff costs (\$'000s)		77	76	74
Average leave balance per FTE (\$'000s)		13	13	14

## Comment

An operating margin slightly below one in the two most recent financial years is in line with budget and is consistent with observations made under the Income Statement section.

The decline in the Result from operations between 2004-05 and 2005-06 reflects:

- Reduced revenues from Appropriations and ESIF funds of \$2.356m; and

- Increased expenses for Employee entitlements, \$1.994m, other operating expenses, \$9.301m and Loss on revaluations, \$3.334m.

Offset by:

- A reduction in Grants and subsidies expenditure, \$8.673m and Borrowing costs, \$1.719m.

The Debt collection ratio was high in 2005-06 due to a one-off debt for costs met by Technopark tenants regarding capital works for tenancy fit-outs.

The Creditor turnover ratio increased over the reporting periods due to:

- A higher creditor balance at 30 June 2006 mainly due to operating leases, \$0.181m, capital works at the Technopark, \$0.493m, and increased interest on borrowings, \$0.290m; and
- Funds held in trust, at 30 June 2007, on behalf of external entities.

The Self-sufficiency ratio shows the level of independent funding that the Department generated for use in achievement of its objectives. This has declined slightly over the three years under review.

The Government funding ratio is trending towards 100% which represents a break-even position that is common to most departments.

Average staff costs rose over the three year period mainly due to annual 3.5% increases in wages as a result of the SSWA. The increase in staff numbers over the period shown reflects primarily the filling of vacant positions and additional staff from TIVMA.

## **OVERALL COMMENT**

The 2006-07 audit was completed satisfactorily with no major issues outstanding.

During the year a matter regarding financial reporting and governance aspects of TDR and the Department was raised. 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.

# **TASMANIA DEVELOPMENT AND RESOURCES**

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## **INTRODUCTION**

Tasmania Development and Resources (TDR) is 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).

The TD Board is responsible for the Economic Development output group under the Department of Economic Development (the Department). The TD Board's primary focus is on the creation of investment and associated employment through the implementation of the Government's economic and social strategies.

At 30 June 2007, the Board was comprised of eight members, including the Chief Executive. Board members are appointed by the Governor on the recommendation of the relevant Minister.

TDR separately prepares annual financial statements for audit. Its financial and operating performance is reported separately within the annual report of the Department. However the Department's annual financial statements also incorporate the activities of TDR.

The operations of TDR are funded by Appropriation to the Department which allocates funding to TDR for its grants to industry and other programs enhancing economic development in Tasmania. Funds are provided to industry in four ways – grants, loan advances, investments in property or investments in equity. Major initiatives currently underway include facilitating the:

- Gas infrastructure roll out; and
- Redevelopment of the Tasmanian Technopark Business Incubator.

This is the first time that a separate Chapter dealing with TDR's financial performance has been included in this Report.

As at 30 June 2007 the Responsible Minister was the Minister for Economic Development and Resources.

## **AUDIT OF THE 2006-07 FINANCIAL STATEMENTS**

Signed financial statements for TDR were received on 9 August 2007 and an unqualified audit report was issued on 31 August 2007.

## FINANCIAL RESULTS

### INCOME STATEMENT

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Actual	Actual	Actual
	\$'000	\$'000	\$'000
Revenue from government - recurrent	37 092	36 588	39 809
Revenue from economic and social infrastructure funds	17 461	19 920	16 389
Grants	27	199	1 790
Interest revenue	2 332	2 466	2 473
Gain on fair value revaluations	0	0	1 147
Gain(loss) on sale of non-financial assets	( 18)	( 67)	1 371
Resources received free of charge	0	115	0
Other operating revenue	3 542	5 777	4 026
<b>Total Operating Income</b>	<b>60 436</b>	<b>64 998</b>	<b>67 005</b>
Employee entitlements	15 167	14 679	13 036
Depreciation and amortisation	771	630	535
Grants and subsidies	10 077	11 652	16 738
Borrowing costs	1 607	1 766	3 485
Impairment losses	( 160)	2 442	2 838
Loss on fair value revaluations	836	3 363	0
Write down of assets	0	34	2
Contracted services	19 476	21 166	12 387
Other operating expenses	11 854	11 596	12 377
<b>Total Operating Expenses</b>	<b>59 628</b>	<b>67 328</b>	<b>61 398</b>
<b>Net Operating Surplus (Deficit) before:</b>	<b>808</b>	<b>( 2 330)</b>	<b>5 607</b>
Additional Government revenue for debt repayment	0	0	19 865
Commonwealth debt forgiveness	0	6 065	0
<b>Net Surplus</b>	<b>808</b>	<b>3 735</b>	<b>25 472</b>

### Comment

The variance in the Net Surplus Attributable to the State between the years reported above was due mainly to:

- One-off funding from Government received in 2004-05 for the repayment of borrowings, \$19.865m; and
- Debt forgiveness of \$6.065m in 2005-06 relating to the purchase of the War Service Land Settlement (WSLS) portfolio by the Department from the Australian Government.

Over the three year period under review, total income decreased by 10% or \$6.569m due primarily to one-off revenues in earlier years such as:

- Funding received in 2005-06 under the Tasmanian Community Forest Agreement of \$3.250m. This funding was used to pay for capital upgrades for two sawmills;
- A Gain on sale of non-financial assets in 2004-05 of \$1.371m which was mainly attributed to the disposal of the Antarctic and Southern Ocean Science Centre Pty Ltd (ASOSC); and
- A Gain on fair value revaluations in 2004-05 of \$1.147m.

The great majority of Economic and Social Infrastructure Funds (ESIF) monies received by TDR relate to funding for the gas infrastructure Stage 2A rollout.

Interest revenues arise from TDR's cash investments. Details of cash investments are provided under the Balance Sheet section later in this Chapter.

TDR has three main costs being:

- Employee entitlements which totalled \$42.882m over the three years under review. There were 197 FTEs at 30 June 2007. These staff are all employees of the Department but their costs are allocated to TDR as they work on TDR related projects.

Employee entitlements have risen steadily over the three year period as a result of the State Service Wages Agreement (SSWA), the recruitment to previously vacant positions, and increased costs associated with staff training.

- Grants and subsidies totalled \$38.467m over the three years. Grants and subsidies that provide industry assistance are mainly demand driven and will not necessarily be constant from year to year. Activity was higher in 2004-05, partly due to timing of payments and projects relating to TasColt, the Trial Harbour Road upgrade and the Catamaran Bridge.
- Contracted services totalled \$53.029m over the three years and in the main these costs relate to the gas rollout which commenced in early 2003. The Stage 2A gas rollout was completed in 2007 and gas reticulation now runs past more than 42 000 homes and businesses across the State, incorporating more than 1300 kilometres of pipeline.

Borrowing costs decreased by \$1.719m in 2005-06 due to lower levels of borrowing compared to the prior year.

Impairment losses in 2005-06 related to the write down of Loan advances, \$1.434m, and Equity investments, \$1.008m.

Loss on fair value revaluations of \$3.363m in 2005-06 related to valuation adjustments for investment property, \$2.117m, and land under the WSLs Portfolio, \$1.246m. TDR has invested in properties predominantly at the Hobart Technopark which are revalued annually. In 2006-07 independent valuations resulted in further write downs totalling \$0.836m comprising the Business Incubation Building at the Technopark, which decreased in value by \$1.817m due to most of the rental offices being empty due to capital works, and valuation increases of \$0.981m in other investment properties.

## BALANCE SHEET

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Actual	Actual	Actual
	\$'000	\$'000	\$'000
<i>Financial Assets</i>			
Cash and deposits	25 352	29 676	29 808
Receivables	676	817	262
Loan advances	7 245	10 524	12 734
Equity investments	6 466	6 336	7 177
<i>Non-financial Assets</i>			
Property, plant and equipment	7 600	8 358	9 208
Investment property	11 450	10 331	7 835
Intangibles	274	348	0
Other non-financial assets	1 552	1 281	2 234
<b>Total Assets</b>	<b>60 615</b>	<b>67 671</b>	<b>69 258</b>
<i>Liabilities</i>			
Payables	3 050	4 790	3 268
Interest bearing liabilities	14 027	21 027	21 671
Provisions	807	1 186	0
Employee entitlements	2 649	2 557	2 462
Other liabilities	1 753	590	8 072
<b>Total Liabilities</b>	<b>22 286</b>	<b>30 150</b>	<b>35 473</b>
<b>Net Assets</b>	<b>38 329</b>	<b>37 521</b>	<b>33 785</b>
Reserves	647	647	646
Accumulated funds	37 682	36 874	33 139
<b>Total Equity</b>	<b>38 329</b>	<b>37 521</b>	<b>33 785</b>

### Comment

Net Assets increased from \$33.785m at 30 June 2005 to \$37.521m at 30 June 2006, due principally to debt forgiveness of \$6.065m in 2005-06 relating to the purchase of the WSLs portfolio by the TDR from the Australian Government. There was a further increase in Net assets in 2006-07 due to the small operating surplus generated in that year.

As expected in view of TDR's operations, it has the following major types of assets:

- Cash balances - the bulk of which relates to the business of advancing loans and investing in property and shares in private companies through its Loan, Equity and Property Portfolio program. The decrease in Cash and deposits in 2006-07 is mainly due to the repayment of borrowings, \$7.011m, offset by interest earned and recoveries of loan advances.
- Loan advances - are made to assist private sector entities in the development of approved projects. This included the Rural Adjustment Scheme (RAS). The Loan advances balance has been decreasing in recent years due to finalisation of a number of loans in the RAS account and other loan recoveries and write offs.

The majority of the decrease in 2006-07 reflected the unexpected repayment of the \$3.900m Tasmanian Cricket Association loan.

- Equity investments (investments by TDR in shares in private companies). The carrying values of investments in private companies has remained reasonably constant.
- Investment property - main investment properties are:
  - Ex Erico (now known as Tech1 and Tech2) land and building, \$3.650m
  - Printing Authority of Tasmania land and buildings, \$1.900m
  - Business Incubation Centre land and buildings, \$1.650m.

The carrying value of investment properties increased by \$2.496m in 2005-06 with the main factors being increased land valuations, \$1.950m and additional building works at the Technopark capitalised and then subsequently revalued to fair value. A further increase in 2006-07 of \$1.119m reflected additional capital works undertaken at the Hobart Technopark, \$2.436m, offset in part by losses in property revaluations, \$0.836m.

- Property, plant and equipment - at 30 June 2007 mainly comprised:
  - Rural properties \$5.355m
  - Leasehold improvements \$1.516m
  - Plant, equipment and vehicles \$0.729m.

Balances decreased over the three years under review primarily due to annual depreciation charges.

Explanations for significant movements in other asset classes included:

- Receivables increased by \$0.555m in 2005-06 due to costs for the fit out of tenancy accommodation at the Hobart Technopark, to be met by tenants;
- Intangible assets brought to account for the first time in 2005-06 of \$0.348m related to a new Client Relationship Management System (CRM). The decrease in the balance for 2006-07 represented the increase in accumulated amortisation; and
- Other non-financial assets decreased by \$0.953m in 2005-06 caused by a movement in the GST recoverable balance, which varies with the timing and value of payments around year end.

TDR's largest liabilities are Borrowings (or Interest bearing liabilities) from Tascorp. These Borrowings were established some years ago and were utilised to fund TDR's loan advances, equity and property investments. In recent years TDR has been repaying Tascorp from monies collected from the repayment of Loan advances and surplus cash holdings. During 2006-07 Tascorp debt was repaid to the extent of \$7.000m, most of which was funded from loan recoveries of \$5.405m.



Explanations for significant movements in other liability classes are:

- Payables increased by \$1.522m in 2005-06 mainly due to:
  - Capital creditors of \$0.493m for works on the Tech 1 and Tech 2 building at Hobart Technopark
  - Accrued interest on borrowings increasing by \$0.290m due to the timing of maturities of borrowings
  - Operating lease rentals outstanding at year end totalling \$0.181m.
- Provisions decreased by \$0.379m in 2006-07 mainly due to the recalculation of costs associated with make-good requirements on office leases; and
- Other liabilities decreased by \$7.482m, in 2005-06, with the repayment, \$1.496m, and write-off, \$6.065m, of Australian Government Loans relating to the purchase of the WSLs Portfolio.

### **Commitments**

Commitments are not recognised on an entity's balance sheet nor are they required to be. In the case of TDR, they are however a significant item representing future outgoings to be funded from Government revenue. TDR's assistance to industry commitments reduced from \$39.188m in 2005-06 to \$15.220m in 2006-07. This was primarily due to lower commitments in regards to call centre support assistance, a reduction in ESIF grants and the winding down of the Stage 2A gas rollout.

Loan commitments also reduced from \$16.834m in 2005-06 to \$0.900m in 2006-07 due to a large Tasmanian company no longer requiring temporary support.

## CASH POSITION

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Actual	Actual	Actual
	\$'000	\$'000	\$'000
Receipts from government - recurrent	40 791	36 715	38 509
Receipts from Economic and Social Infrastructure Funds	17 461	19 920	16 389
Grants	32	201	1 790
GST receipts	3 888	6 125	7 751
Interest received	2 305	2 205	2 557
Other cash receipts	3 091	5 308	2 369
Payments to employees	( 15 061)	( 14 559)	( 13 416)
Grants and Subsidies	( 12 442)	( 11 656)	( 16 734)
Interest payments	( 1 610)	( 1 472)	( 4 303)
GST payments	( 4 475)	( 4 911)	( 8 961)
Other cash payments	( 31 057)	( 32 889)	( 24 691)
<b>Cash from operations</b>	<b>2 923</b>	<b>4 987</b>	<b>1 260</b>
Proceeds from disposal of assets	34	207	2 548
Repayment of loan advances	5 405	3 097	6 328
Net proceeds from trust activities	( 1 144)	653	0
Loans advanced	( 1 518)	( 2 201)	( 752)
Payments for acquisition of assets	( 2 439)	( 4 634)	( 1 206)
Payments for investments	( 585)	( 200)	( 268)
<b>Cash from (used in) investing activities</b>	<b>( 247)</b>	<b>( 3 078)</b>	<b>6 650</b>
Additional Government revenue for debt repayment	0	0	19 865
Proceeds from borrowings	24 000	30 000	43 144
Repayment of borrowings	( 31 000)	( 32 041)	( 68 133)
<b>Cash (used in) financing activities</b>	<b>( 7 000)</b>	<b>( 2 041)</b>	<b>( 5 124)</b>
<b>Net increase (decrease) in cash</b>	<b>( 4 324)</b>	<b>( 132)</b>	<b>2 786</b>
Cash at the beginning of the year	29 676	29 808	27 022
<b>Cash at end of the year</b>	<b>25 352</b>	<b>29 676</b>	<b>29 808</b>

### Comment

Reasons for variations in cash flow amounts and cash balances reflect the comments made previously for variations in the Income Statement and Balance Sheet sections of this Chapter. The main movements are discussed below.

Cash from operations was higher by \$3.727m, in 2005-06, mainly due to the increase of Other cash receipts, \$2.939m, and reduced payments for Grants and subsidies, \$5.078m and GST (net), \$2.424m offset by higher Payments to employees, \$1.143m, and Other cash payments, \$8.198m. Receipts from government were higher in 2006-07

due to the transfer of funds to TDR for Sullivans Cove Waterfront Authority operations of \$2.390m from the Department of Primary Industries and Water.

Cash from investing activities declined by \$9.728m in 2005-06, due to reduced receipts from Proceeds from the disposal of assets, \$2.341m, as a result of the disposal of ASOSC in 2004-05, and lower recoveries of loans and advances made under the Loans, Equity and Property Portfolio, \$3.231m. In addition, Payments for acquisition of assets increased by \$3.428m, relating mainly to capital works at the Tech 1 and Tech 2 building at the Hobart Technopark.

Over the three year period, \$8.279m was spent on the acquisition of non-financial assets, the majority of which was at the Hobart Technopark.

Over the three year period TDR repaid debt totalling \$34.030m, \$19.865m of which was funded by a one-off government allocation in 2004-05.

## FINANCIAL ANALYSIS

	<b>Bench Mark</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
<b>Financial Performance</b>				
Result from operations (\$'000s)		808	( 2 330)	5 607
Operating margin	>1.0	1.01	0.97	1.09
<b>Financial Management</b>				
Debt collection	30 days	20	38	38
Creditor turnover	30 days	26	27	41
<b>Other Information</b>				
Self-sufficiency %		10	12	15
Government funding %		102	96	111
Staff numbers (FTE)		197	192	180
Average staff costs (\$'000s)		77	76	72
Average leave balance per FTE (\$'000s)		13	13	14

### Comment

The Result from operations is consistently around a break-even position.

The Debt collection ratio was high in the two earlier years due to one-off charges levied for costs met by Technopark tenants in regards to capital works for tenancy fit outs.

The Self-sufficiency ratio shows the level of independent funding that TDR generated for use in achievement of its objectives. This ratio was abnormally high in 2004-05 due to large gains on revaluations and sales of non-financial assets.

The Government funding ratio is around 100%, reflecting a break-even position.

Average staff costs rose in 2005-06 due to a 3.5% increase in wages under the SSWA.

## OVERALL COMMENT

The 2006-07 audit was completed satisfactorily with no major issues outstanding.

# **DEPARTMENT OF EDUCATION**

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## **INTRODUCTION**

The Department of Education was formed on 18 September 1998 as a result of the *Administrative Arrangements Order (No 2) 1998*. The Department's areas of responsibility during 2006-07 included:

- State Schools and Colleges;
- Vocational Education and Training (VET);
- State Library Service;
- Archives Office of Tasmania;
- Adult Education; and
- Child Care Regulation and Support.

The Responsible Minister is the Minister for Education.

## **AUDIT OF THE 2006-07 FINANCIAL STATEMENTS**

Signed financial statements were received on 13 August 2007 and an unqualified audit report was issued on 16 October 2007.

## FINANCIAL RESULTS

### INCOME STATEMENT

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	719 025	720 490	694 896	648 055
User charges, fees and fines	26 851	18 668	17 796	16 898
Revenue from Special Capital				
Investment Funds	6 202	6 209	10 764	30 350
Interest revenue	1 563	2 325	1 755	1 859
Australian Government grants	2 655	3 300	4 477	7 796
School levies	9 180	9 180	8 992	8 474
Other operating revenue	4 445	23 868	26 533	23 747
<b>Total Operating Income</b>	<b>769 921</b>	<b>784 040</b>	<b>765 213</b>	<b>737 179</b>
Employee entitlements	513 306	509 651	499 423	461 103
Depreciation and amortisation	22 503	28 629	26 849	25 417
Grants and subsidies	96 136	93 276	86 927	82 786
Loss on sale of non-financial assets	0	0	0	48
Other operating expenses	176 169	169 783	183 737	171 617
<b>Total Operating Expenses</b>	<b>808 114</b>	<b>801 339</b>	<b>796 936</b>	<b>740 971</b>
<b>Net Operating (Deficit) before:</b>	<b>( 38 193)</b>	<b>( 17 299)</b>	<b>( 31 723)</b>	<b>( 3 792)</b>
Revenue from government - capital	18 596	13 546	23 342	20 523
Asset brought to account for first time	0	29 500	0	0
Loss on revaluation	0	0	0	( 9 902)
<b>Net Surplus (Deficit)</b>				
<b>Attributable to the State</b>	<b>( 19 597)</b>	<b>25 747</b>	<b>( 8 381)</b>	<b>6 829</b>

### Comment

In a normal financial year departments generally operate at a deficit because they are not funded for depreciation or increases in employee leave provisions. Therefore, the Net operating deficits recorded above are not unexpected. However, the final Net surplus (deficit in 2005-06) are due to receipt of capital and SCIF funds. In 2006-07 the Net surplus was further boosted by recognition of the Allport Library and Museum of Fine Arts heritage asset collection in the amount of \$29.500m.

Over the period under review, the Department's recurrent appropriation increased by \$72.435m or 11.17%. In the main this funded increases in employee entitlements of \$48.548m (10.52%), increases in grants and subsidies paid (primarily to TAFE Tasmania) of \$10.490m (12.67%) and to address lower Australian Government grant funding.

Explanations for significant movements in individual Income Statement line items in 2006-07 include:

- User charges, fees and fines rose by \$0.872m because of an increase in overseas students income, adult education fees and library fines;
- Other operating expenses reduced by \$13.954m because of a reduction in supplies and consumables of \$11.267m, communications of \$0.291m and information technology of \$3.698m;
- Australian Government grant funding, based on a four-year cycle, dropped due to the conclusion of a number of programs;
- Employee entitlements increasing by \$10.228m, due to increases in salaries for teachers of 6.41% and for staff under the State Service Wage Agreement (SSWA) of 3.5%. This had consequential effects, increasing employee leave liabilities and superannuation payments;
- Depreciation expense increasing primarily relating to the upward movement in values of buildings;
- Grants and subsidies rising by \$6.349m, mainly due to increases in payments made to TAFE Tasmania through the Purchase Agreement covering wage increases and rates;
- Actual Revenue from government – capital decreased by \$9.796m (also \$5.050m lower than budget) due to the nature of projects undertaken and also delays in budgeted projects. The latter included the Kingston High School Project (budget allocation \$3.000m, expended \$0.190m), Southern Branch Support Schools Project (budget allocation \$2.808m, expended \$0.058m) and Launceston Northern Suburbs Project (budget allocation \$1.462m, expended \$0.262m).
- Special capital investment funds decreased by \$4.555m due to the conclusion of the Community Health and Well Being (CHWB) program.

The loss on revaluation of \$9.902m recorded in 2004-05 resulted from an error in information provided by the Department's valuers, which required correction resulting in an "expense" in 2004-05.

## BALANCE SHEET

	2006-07 Budget \$'000	2006-07 Actual \$'000	2005-06 Actual \$'000	2004-05 Actual \$'000
<i>Financial Assets</i>				
Cash and deposits	37 236	61 069	48 317	66 771
Receivables	4 500	6 530	6 804	5 878
<i>Non-financial Assets</i>				
Assets held for sale	8 265	1 122	8 139	7 474
Heritage assets	12 139	42 458	12 664	12 139
Property, plant and equipment	5 331	5 686	5 864	6 474
Land and buildings	696 492	815 183	782 506	732 922
Library book stock	14 093	13 952	13 714	12 999
Other non-financial assets	5 494	3 507	4 403	5 375
<b>Total Assets</b>	<b>783 550</b>	<b>949 507</b>	<b>882 411</b>	<b>850 032</b>
<i>Liabilities</i>				
Payables	6 157	5 464	5 791	5 711
Employee entitlements	104 380	98 339	97 824	89 554
Other liabilities	1 000	14 083	10 716	10 042
<b>Total Liabilities</b>	<b>111 537</b>	<b>117 886</b>	<b>114 331</b>	<b>105 307</b>
<b>Net Assets</b>	<b>672 013</b>	<b>831 621</b>	<b>768 080</b>	<b>744 725</b>
Reserves		74 593	34 704	1 021
Accumulated funds		757 028	733 376	743 704
<b>Total Equity</b>	<b>672 013</b>	<b>831 621</b>	<b>768 080</b>	<b>744 725</b>

### Comment

Over the period under review, the Department's Total Equity increased due to net upward revaluations of its Land and buildings and the net surpluses generated.

In 2006-07 Net Assets increased by \$63.541m due to further asset revaluations totalling \$39.889m and the net surplus of \$25.747m which, as already reported, included the recognition of the Allport Library and Museum of Fine Arts heritage asset collection in the amount of \$29.500m.

Cash and deposit accounts include cash and bank balances held by schools and colleges \$45.130m (2005-06, \$38.528m) and cash held in the Special Deposits and Trust Fund \$15.158m (\$9.431m).

Land and buildings increased due to revaluation/indexation of fair values by \$32.677m, and additions of \$14.027m offset by depreciation and amortisation of \$28.629m.

Assets held for sale in 2006-07 decreasing by \$7.017m due to disposals completed during the year comprising; \$1.231m in sales and removal of \$5.786m in properties earmarked for possible affordable housing developments.

Other liabilities increased by \$3.367m in 2006-07 mainly due to higher amounts of revenue received in advance relating to revenues from government. This is primarily a result of appropriation carried forward under section 8A(2) *Public Account Act 1986*.

In relation to budget estimates:

- Cash and deposits were above expectations due to higher school account balances combined with section 8A(2) carry forwards;
- Property plant and equipment was more than expected due to valuation increments and prior year adjustments not being included in the budget; and
- The budget for Employee entitlements was higher than actual as it included payroll tax which is included in Other liabilities.

## CASH POSITION

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	719 025	721 190	694 896	648 055
Receipts from Special Capital Investment Funds	6 202	6 209	10 764	30 350
User charges, fees and fines	25 086	18 913	789	517
Grants	2 655	3 300	4 477	7 796
School levies	9 180	9 180	8 992	8 474
GST receipts	21 831	22 573	22 715	21 528
Interest received	1 563	2 325	1 755	1 859
Other cash receipts	4 972	24 011	32 971	24 067
Payments to employees	( 507 176)	( 509 159)	( 491 141)	( 470 654)
Grants and subsidies	( 96 136)	( 93 276)	( 87 574)	( 82 786)
Other cash payments	( 176 031)	( 171 168)	( 183 946)	( 163 731)
GST payments	( 21 831)	( 20 591)	( 22 752)	( 22 393)
<b>Cash from (used in) operations</b>	<b>(10 660)</b>	<b>13 507</b>	<b>( 8 054)</b>	<b>3 082</b>
Proceeds from disposal of assets	0	82	588	87
Capital grants	18 596	16 237	23 342	20 523
Payments for acquisition of assets	( 14 401)	( 17 074)	( 34 330)	( 26 714)
<b>Cash from (used in) investing activities</b>	<b>4 195</b>	<b>( 755)</b>	<b>(10 400)</b>	<b>( 6 104)</b>
<b>Net increase (decrease) in cash</b>	<b>( 6 465)</b>	<b>12 752</b>	<b>(18 454)</b>	<b>( 3 022)</b>
Cash at the beginning of the year	43 701	48 317	66 771	69 793
<b>Cash at end of the year</b>	<b>37 236</b>	<b>61 069</b>	<b>48 317</b>	<b>66 771</b>



## Comment

Reasons for variations in cash flow receipt and payment amounts reflect the comments made previously in the Income Statement and the Balance Sheet sections of this chapter.

Over the three period under review the Department spent \$78.118m on capital expenditure. In the main this expenditure was for ongoing capital projects, school redevelopments and upgrades throughout the state.

## FINANCIAL ANALYSIS

	<b>Bench Mark</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
<b>Financial Performance</b>				
Result from operations (\$'000s)		(17 299)	(31 723)	(3 792)
Operating margin	>1.0	0.98	0.96	0.99
<b>Financial Management</b>				
Debt collection	30 days	46	57	56
Creditor turnover	30 days	8	8	8
<b>Other Information</b>				
Self-sufficiency %		11	7	8
Government funding %		96	96	99
Teaching staff numbers (FTE)		4 732	4 878	4 954
Total staff numbers (FTE)		8 068	8 151	8 010
Average staff costs (\$'000s)		63	61	58
Average leave balance per FTE (\$'000s)		12	12	11

## Comment

Results from operations and the Operating margin are consistent with observations made in the Income Statement section of this chapter.

Outstanding Debt collection days remained high in 2006-07 due to debts by international students and workers compensation claims, which generally take longer to collect.

Creditor turnover continues to remain low due to low level of creditors at year end.

The Self-sufficiency ratio shows the level of independent funding that the Department generated for use in achievement of its objectives. This has increased slightly over the three years under review primarily due to the increase in User charges, fees and fines.

The Government funding ratio of 96% in 2006-07 is trending below 100% which approximates a break-even position that is common to most departments. The fact that the ratio is below 100% is consistent with the Operating deficit in each year.

Average staff costs rose over the three year period mainly due to salary increases for teachers (2005-06, 4.10%; 2006-07, 6.41%) and an increase in wages for other staff (3.5%, 3.5%) as a result of the State Service Wage Agreement.

In 2004-05 Teaching staff numbers included some non-teaching staff employed under the Teaching Service (Tasmanian Public Sector) Award. Improved reporting capabilities by the Department in 2005-06 enabled reporting specifically on staff teaching in schools, which resulted in what appears to be a decrease in numbers from the previous year.

Total staff numbers decreased over the past year due to natural attrition and due in part to declining student numbers in government schools. The increase in 2005-06 was principally related to the inclusion of Adult Education, staff from On-Line Access Centres, new positions in relation to Vocational Education and Training, and new staff as a result of other Government initiatives, such as school cluster administration support officers.

## ADDITIONAL FINANCIAL INFORMATION

### Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Income Statement, Balance Sheet or Cash Flow Statement.

### Administered Income and Expenses

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	39 024	40 944	37 911	36 333
Revenue from Special Capital Investment Funds	0	0	0	750
Australian government grants	226 719	231 487	222 504	193 758
User charges, fees and fines	659	364	337	343
Other revenue	0	88	89	1 476
<b>Total Revenue</b>	<b>266 402</b>	<b>272 883</b>	<b>260 841</b>	<b>232 660</b>
Grants and subsidies	157 563	163 889	152 236	142 186
Supplies and consumables	8 333	13 408	0	0
<b>Total Expenses</b>	<b>165 896</b>	<b>177 297</b>	<b>152 236</b>	<b>142 186</b>
<b>Net Surplus</b>	<b>100 506</b>	<b>95 586</b>	<b>108 605</b>	<b>90 474</b>
Transfer to Consolidated Fund	100 506	101 400	98 518	90 481
<b>Net Surplus (Deficit)</b>				
<b>Attributable to the State</b>	<b>0</b>	<b>( 5 814)</b>	<b>10 087</b>	<b>( 7)</b>

## Comment

Recurrent appropriations increased by \$3.033m in 2006-07, due mainly to additional Non-Government school grants. Capital funding from 2005-06 onward now flows through the Department of Treasury and Finance rather than directly from the Commonwealth Government of Australia.

Australian Government grants increased by \$8.983m in 2006-07. This is due to increases in Non-Government school recurrent funding from the Australian Government Department of Education, Science and Training (DEST) of \$9.740m, and additional capital receipts of \$7.530m provided for the *Investing in Our Schools Program*.

Other revenue decreased by more than \$1m from 2004-05 due to no administrative charges being received from Australian Government grant programs in either 2006-07 or 2005-06.

Grants and subsidies expenses increased in 2006-07 by \$11.653m mainly due to the increase in DEST funding to Non-Government Schools of \$9.740m outlined previously.

While the Schedule of Administered Income and Expenses shows a deficit of \$5.814m in 2006-07 (surplus of \$10.464m in 2005-06), most of this consists of timing differences from Australian Government grants received in the prior year in relation to the *Investing in Our Schools Program* being spent in the current year.

## Administered Assets and Liabilities

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Cash	365	4 650	10 464	365
Receivables	12	0	0	12
<b>Total Assets</b>	<b>377</b>	<b>4 650</b>	<b>10 464</b>	<b>377</b>
<i>Liabilities</i>				
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Assets</b>	<b>377</b>	<b>4 650</b>	<b>10 464</b>	<b>377</b>
Accumulated funds	377	4 650	10 464	377
<b>Total Equity</b>	<b>377</b>	<b>4 650</b>	<b>10 464</b>	<b>377</b>

## Comment

Most variations between administered assets and liabilities are due to timing issues. Cash decreased by \$5.996m in 2006-07 due to the grants received in 2005-06 in relation to the *Investing in Our Schools Program* being spent in the current year.

## Administered Cash Flows

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	39 024	40 944	37 911	36 333
Receipts from Special Capital Investment Funds	0	0	0	750
Australian government grants	226 719	231 487	222 504	193 758
User charges, fees and fines	659	364	337	343
Other receipts	0	88	101	1 371
<b>Cash inflows from operating activities</b>	<b>266 402</b>	<b>272 883</b>	<b>260 853</b>	<b>232 555</b>
Grants and subsidies	157 563	163 889	152 236	142 186
Transfers to Consolidated Fund	100 506	101 400	98 518	90 481
Supplies and Consumables	8 333	13 408	0	0
<b>Cash outflows from operating activities</b>	<b>266 402</b>	<b>278 697</b>	<b>250 754</b>	<b>232 667</b>
<b>Net increase (decrease) in cash</b>	<b>0</b>	<b>( 5 814)</b>	<b>10 099</b>	<b>( 112)</b>
Cash at the beginning of the year	365	10 464	365	477
<b>Cash at end of the year</b>	<b>365</b>	<b>4 650</b>	<b>10 464</b>	<b>365</b>

### Comment

Reasons for variations in cash flow receipt and payment amounts and movements in the cash amount reflect the comments made previously under the Administered Income and Expenses and the Administered Assets and Liabilities sections of this chapter.

### OVERALL COMMENT

The 2006-07 audit was completed satisfactorily with no major issues outstanding.

## INTRODUCTION

The Department of Health and Human Services (the Department or DHHS) provides integrated services in the areas of health, housing, ambulance, and community services to people in Tasmania. During the year the Department made administrative changes as part of an overall management reform strategy which focused on improving decision making, reducing organisational complexity, establishing clear lines of accountability and improving organisational performance. Services are now provided through the following output groups:

- **Acute Health Services** – a wide range of specialist hospital based treatment and care is provided through the State hospital system. The Tasmanian Ambulance Service (TAS) provides emergency ambulance care, rescue and transport services;
- **Community Health Services** – delivers primary health, population health and community support services to people in community settings. This includes a range of services targeted at developing and supporting communities and individuals to remain, maintain or improve levels of physical function or independence in the community. Service areas also focus on the needs of rural and remote communities, as well as the population health needs of Tasmanians generally. This group includes services to people who require, mental health services, palliative care services, aged care services, oral health services, alcohol and drug services, cancer screening and control, and community assessment, care and rehabilitation services;
- **Human Services** – combines the four previously distinctly different areas of Children and Family Services, Youth Justice Services, Disability Services and Housing Tasmania. This grouping is in recognition of the high degree of overlap in client groups as well as synergies that can be gained from these areas of operations working more closely together. Children and Family Services provides services for children, young people, families and individuals and the communities that support them. Services include child protection, child health and parenting, psychological support and therapeutic services, family violence counselling and support, and community support programs. Youth Justice Services assists young people in conflict with the law through provision of community services, support and custodial services for young offenders at the Ashley Youth Detention Centre. Disability Services provides accommodation support, community support, community access, respite, advocacy and information, and research and development for people with a disability. Housing Tasmania's focus is to ensure that low income Tasmanians have access to adequate, affordable, appropriate and secure housing options; and
- **Shared Services** – provides common business support services to the organisation across the areas of finance, human resources, information technology, communications and marketing and facility management. The group also provides services that support the Department's performance management and business planning activities.

The Tasmanian Ambulance Service (TAS) and Housing Tasmania also operate and report under their own legislation. Comments relating to these entities are briefly noted in this section of my report, with greater detail separately disclosed in the chapters that follow. Commentary on the following pages as it relates to the Department is on the consolidated results.

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

## **AUDIT OF THE 2006-07 FINANCIAL STATEMENTS**

Financial statements of the Department were received on 14 August 2007. Revised statements were received on 15 October 2007 and an unqualified opinion was issued on 18 October 2007.

## FINANCIAL RESULTS

### INCOME STATEMENT

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	1 041 606	1 051 521	947 101	842 051
Revenue from Special Capital				
Investment Funds	4 089	3 898	3 850	3 407
Grants	17 518	28 286	21 489	23 413
User charges	114 732	144 287	132 133	121 777
Interest revenue	1 402	2 499	3 368	5 127
Other operating revenue	22 591	24 207	19 635	20 011
<b>Total Operating Income</b>	<b>1 201 938</b>	<b>1 254 698</b>	<b>1 127 576</b>	<b>1 015 786</b>
Employee entitlements	674 656	708 455	632 177	539 287
Depreciation and amortisation	46 657	45 204	45 940	39 762
Supplies and consumables	139 397	159 184	149 094	123 943
Grants and subsidies	139 262	139 449	127 385	123 816
Medical, surgical and pharmacy expenses	114 361	137 366	118 415	106 468
Property expenses	85 887	94 252	92 779	79 195
Borrowing costs	10 988	10 998	11 523	12 324
Impairment losses	0	2 984	2 688	967
Other expenses	48 317	51 060	42 945	39 317
Loss on sale of assets	0	778	2 748	928
<b>Total Operating Expenses</b>	<b>1 259 525</b>	<b>1 349 730</b>	<b>1 225 694</b>	<b>1 066 007</b>
<b>Net Operating (Deficit) before:</b>	<b>( 57 587)</b>	<b>( 95 032)</b>	<b>( 98 118)</b>	<b>( 50 221)</b>
Revenue from government - capital	31 973	20 068	32 293	34 391
Revenue from Special Capital				
Investment Funds	21 580	18 187	21 698	25 503
Asset transfers	0	0	22 990	0
Actuarial superannuation adjustment	0	( 2 165)	8 238	( 118)
<b>Net Surplus (Deficit) Attributable to the State</b>	<b>( 4 034)</b>	<b>( 58 942)</b>	<b>( 12 899)</b>	<b>9 555</b>

### Comment

The Department recorded Net operating deficits in each of the three years under review. The primary reason is that the Department is funded on a cash basis, which excludes depreciation, asset impairments or increases in employee provisions. The above analysis has separated out capital funding, asset transfers and the recognised actuarial gain or loss on superannuation and recorded these below operating activities.

Revenue from special capital investment funds (SCIF) includes a recurrent allocation for expenditure under the Affordable Housing Strategy which has been recorded as operating income. This enables an assessment of the Department's management of operating revenues and expenses.

Before accounting for capital funding, Asset transfers and superannuation adjustments the Operating (deficit)/surplus comprises:

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$'000	\$'000	\$'000
DHHS	( 70 214)	( 64 081)	( 28 463)
Housing	( 22 180)	( 30 297)	( 16 266)
Ambulance	( 2 638)	( 3 740)	( 5 492)
<b>Total Operating (Deficit)</b>	<b>( 95 032)</b>	<b>( 98 118)</b>	<b>( 50 221)</b>

The Net Surplus (Deficit) comprises:

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$'000	\$'000	\$'000
DHHS	( 36 552)	( 5 444)	2 142
Housing	( 20 770)	( 11 701)	11 748
Ambulance	( 1 620)	4 246	( 4 335)
<b>Total Net Surplus (Deficit)</b>	<b>( 58 942)</b>	<b>( 12 899)</b>	<b>9 555</b>

Reasons for the movements as they relate to Housing and TAS are outlined in the separate chapters for each of these two entities. In 2006-07 DHHS recorded a substantial net deficit , \$36.552m, compared with prior years. This equates to a net deficit increase of \$31.109m from 2005-06 and \$38.694m over the period of review.

These deficits have had the effect of significantly reducing the Department's cash resources. A review of the Cash Position (see later in this Chapter) indicates that the Department operated at negative cash flows from operations in each of the three years under review which has contributed to the reduction in its cash reserves by \$63.292m from \$97.808m at 30 June 2004 to \$34.516m at 30 June 2007. Included in the closing balance of \$34.516m is Appropriation carried forward of \$15.614m.

Significant changes in operating expenses over the three years under review include:

- Employee costs have risen significantly over the period of review by \$92.890m (17.22%) in 2005-06 and a further \$76.278m (12.07%) in 2006-07. Costs in 2006-07 were \$33.799m (5.01%) above Budget estimates. The increases were caused by award wage rises and recruitment of an additional 977 FTEs (12%) over the three year period. Employee leave provisions also increased as a result of these increases. Increases in FTEs, assuming an average salary rate of \$63 000 (see Financial Analysis section) contributed in the order of \$61.551m to the higher employee costs;
- Depreciation expenses have risen by \$5.442m (13.69%) over the period with the expenses in 2005-06 (\$45.204m) and 2006-07 (\$45.940m) remaining reasonably



consistent. The large increase in 2005-06 of \$6.178m (16%) was primarily due to the first full year effect of substantial revaluations of Departmental buildings in 2004-05. Depreciation of dwelling stock within Housing remained reasonably constant;

- Expenditure on Supplies and consumables increased by \$35.241m (28.43%) and the expense for 2006-07, \$159.184m was \$19.787m (14.19%) above budget estimates. The increase over the three year period was mainly due to additional expenditure on Patient and client expenses \$9.206m, IT costs \$5.001m and Motor vehicles \$5.229m. Motor vehicle costs went up due to incentive employment arrangements relating to medical specialist packages introduced, associated increased running costs and higher costs for TAS including higher fuel costs;
- An increase in Grants and subsidies of \$15.633m (12.63%) over the period is mainly due to indexing grants for inflationary purposes. These grants provide funding to non-government organisations mainly in the provision of services for disability services, home and community care, and support accommodation assistance;
- Expenditure on Medical, surgical and pharmacy expenses increasing by \$30.898m (29.02%) and the expense for 2006-07, \$137.366m was \$23.005m (20.12%) above the budget estimate. The increase from budget reflects unbudgeted back payment and renegotiation of maternity and medical imaging contracts at the North West Regional Hospital; an increase in interstate charging above budget; increases in medical consumables related to new operating theatres and new medical imaging contracts; increases in pharmacy requisites including vaccines provided under the Australian Immunisation Agreement and vaccines for the human papilloma virus; and increases in blood and pathology expenditure;
- Property expenses increased by \$15.057m (19.01%) and the expense for 2006-07, \$94.252m was \$8.365m (9.74%) above the budget estimate. The most significant portion of this movement occurred between 2004-2005 and 2005-06 (\$13.584m). This was primarily due to building and infrastructure maintenance increasing \$9.838m (which included a \$3.659m rise in Housing maintenance) with the balance of the increase relating to other general Departmental stock including statutory maintenance of \$4.214m and programmed general maintenance of \$2.588m; and
- Other expense comprises Payroll tax with a minor portion being workers compensation expenses. Over the period Other expenses increased by \$11.743m (29.87%). As expected this is in correlation with movements in Employee entitlements.

The effects of the foregoing were offset in part by:

- Over the period there have been significant increases in the Department's Recurrent appropriation as part of Government initiatives and commitments to fund services. In 2005-06 Recurrent appropriations increased by \$105.050m (or 12.50%) followed by a similar increase of \$107.420m (or 11.03%) in 2006-07. The Department's output statements reported in its financial statements indicate increases in funding across a number of key areas, (eg. hospitals, mental health, disability services and child and family services). A significant portion of this increase is to fund the provision of higher staffing levels aimed at improving services (already referred to) and to meet increments in awards; and

- User charges increased steadily by \$12.154m (8.5%) in 2006-07 and \$10.356m (9.20%) in 2005-06. Rentals from dwelling tenants and other associated charges increased significantly by \$6.353m in 2006-07 due to up-dating of market rentals during the year (2005-06, \$1.160m). Patient user charges include inpatient, outpatient, ambulance, private patients and nursing home fees and these were the main drivers for the remainder of this increase.

The above items contributed to an increase in total revenues over the period of review of \$238.912m (23.52%). This however was off-set by a greater rise in expenditure of \$283.723m (26.62%) resulting in an increase in the Net operating deficit by \$44.811m from \$50.221 in 2004-05 to \$95.032m in 2006-07 before capital, asset transfers and superannuation adjustments.

Capital appropriations include funding for Hospital and Housing Infrastructure. Appropriations over the period totalled \$86.752m and have decreased with completion of major works such as the redevelopment of the Department of Emergency Medicine at the Royal Hobart Hospital, (2006-07, \$7.508m; 2005-06, \$7.227m and 2004-05, \$0.486m). Other components include redevelopment of Multi-Purpose Services within rural areas and Housing works.

The Asset transfer totalling \$22.990m in 2005-06 related to the transfer, for no consideration, of the Secure Mental Health Unit buildings, and associated plant and equipment at Risdon Prison, from the Department of Justice. Being a voluntary transfer between the two Departments, this must be recorded through the Income Statement as a revenue/expense for the transferring agencies, in accordance with Treasurer's Instruction 207 *Administrative Restructuring of Agencies*.

The Department is responsible for meeting the obligations of defined benefit schemes for Housing Tasmanian and the Tasmanian Ambulance Service Superannuation Scheme (TASSS). Actuaries undertook actuarial valuations of the present value of benefit obligations as part of recognition requirements under accounting standards in 2004-05. Whilst the operational service costs and employer contributions are recorded within Employee entitlements, fluctuations in the recognised actuarial gain or loss have been separately recognised in the Income Statement. Of the recent reviews 2006-07 resulted in the recognition of an actuarial loss of \$2.615m and 2005-06 a gain with \$8.238m. This gain arose from strong investment performance by scheme assets in that year.

## BALANCE SHEET

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Cash and deposits	32 170	34 516	45 666	81 922
Receivables	17 103	17 765	19 455	17 218
Loan advances	21 050	14 695	20 598	27 978
Superannuation asset	0	6 002	5 883	0
<i>Other financial assets</i>	540	1 314	438	665
<i>Non-financial Assets</i>				
Inventory	7 454	7 811	7 281	7 618
Property, plant and equipment	2 046 702	2 056 772	2 032 138	1 953 882
Other non-financial assets	191	0	0	0
<b>Total Assets</b>	<b>2 125 210</b>	<b>2 138 875</b>	<b>2 131 459</b>	<b>2 089 283</b>
<i>Liabilities</i>				
Payables	16 126	38 101	33 467	16 127
Interest bearing liabilities	242 299	242 081	249 434	262 115
Superannuation liability	17 547	17 229	15 489	17 501
Employee entitlements	140 099	151 937	137 857	118 835
Other liabilities	12 842	31 991	17 923	28 637
<b>Total Liabilities</b>	<b>428 913</b>	<b>481 339</b>	<b>454 170</b>	<b>443 215</b>
<b>Net Assets</b>	<b>1 696 297</b>	<b>1 657 536</b>	<b>1 677 289</b>	<b>1 646 068</b>
<i>Equity</i>				
Contributed capital	6 094	6 094	6 094	6 094
Reserves	1 203 528	1 242 127	1 203 528	1 159 408
Accumulated funds	486 675	409 315	467 667	480 566
<b>Total Equity</b>	<b>1 696 297</b>	<b>1 657 536</b>	<b>1 677 289</b>	<b>1 646 068</b>

### Comment

Net assets increased from \$1 646.068m as at 30 June 2005 to \$1 657.536m as at 30 June 2007. Before accounting for inter-entity transactions, the Net assets comprised:

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$'000	\$'000	\$'000
DHHS	256 910	294 301	300 323
Housing	1 389 793	1 371 964	1 339 546
Ambulance	10 833	11 024	6 199
<b>Total</b>	<b>1 657 536</b>	<b>1 677 289</b>	<b>1 646 068</b>

The overall equity increase of \$11.468m was primarily due to increases in Housing \$50.247m and Ambulance \$4.634m, off-set by a reduction in the Department itself of \$43.413m due mainly to operating deficits.

The increases in Reserves over the period of \$82.719m was the result of asset revaluations in Housing Tasmania. The rest of the Department's revaluations are scheduled for 2007-08.

Significant movements in Assets and Liabilities over the years under review include:

- Cash and deposits decreased by \$47.406m over the period and is explained under the Cash Position analysis later in this Chapter;
- Loan advances continued to decline as clients pay off their debts and no new loans are made. The reduction of \$13.283m relates primarily to the Home Ownership Assistance Program (HOAP) which is further discussed under the Housing Tasmania Chapter which follows;
- Property, plant and equipment increased by \$102.890m due to additions, transfers and revaluations off-set by disposals and depreciation. Of this \$78.256m occurred in 2005-06 predominately due to additions of \$91.114m (including the \$22.990m for the Secure Mental Health Unit transferred from the Department of Justice and \$41.570m in Housing Tasmania), an increase in the revaluation of Housing stock of \$44.120m, off-set by disposals of \$11.037m and depreciation of \$45.940m. The remaining increase of \$24.634m in 2006-07 comprised mainly of additions of \$43.969m, the revaluation of Housing stock of \$38.627m, off-set by disposals of \$9.868m and depreciation of \$45.177m. In March 2007 the Royal Hobart Hospital's new Emergency Department opened;
- The fluctuation in Other liabilities is mainly due to a movements in appropriations carried forward. The totals in 2004-05, 2005-06 and 2006-07 included carried forward funds of \$13.788m \$4.644m and \$15.614m respectively;
- Payables more than doubled over the period of review increasing some \$21.974m. This increase is due to higher operating costs, higher capital creditors outstanding and a stricter adherence to payment terms (see further discussion in the Financial Analysis section);
- Interest bearing liabilities declined by \$21.974m over the period. Borrowings relate solely to Housing Tasmania. The largest reduction occurred within long term State and Commonwealth loans, \$13.205m, with the remaining balance comprising the HOAP debt portfolio, \$8.769m, which was fully repaid in 2006-07; and
- An increase, as expected, in Employee entitlements of \$33.102m over the period was mainly due to award increases in salary and wage rates, and an increase in the number of employees. The main contributing factors to the rise were the resulting increases in annual leave of \$13.227m (32.61%) and long service leave of \$10.662m (19.30%).

The Superannuation asset and liability represents the Department's present obligations and/or benefits under the defined benefit schemes of Housing Tasmania and TASSS.

These Superannuation assets and liabilities are now recorded in the Balance Sheet due to accounting changes required under Australian Accounting Standard under AASB 119 *Employee Benefits*. The Department:

- Meets the emerging costs of these schemes when they are in deficit (as is the case with the Housing scheme); and
- Benefits when they are in surplus (as is the case with the TASSS).

Actuarial reviews of Housing Tasmania's defined benefit scheme found a present liability of \$16.500m in 2004-05, \$15.489m in 2005-06 and \$17.229m in 2006-07. For

TASSS a liability of \$1.001m was reported in 2004-05, but this then reversed with the scheme assessed to be in surplus by \$5.883m in 2005-06 and \$6.002m in 2006-07.

## CASH POSITION

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	1 041 606	1 051 879	947 101	827 992
Receipts from Special Capital				
Investment Funds	4 089	3 898	3 850	3 407
Grants	17 518	28 414	21 489	23 413
User charges	114 732	143 845	132 664	117 673
Interest received	1 402	2 499	3 368	5 127
Other cash receipts	14 711	23 953	20 121	19 226
GST receipts	33 058	44 981	41 136	36 796
Payments to employees	(663 022)	(693 395)	(630 970)	(564 008)
Community grants	(139 262)	(139 449)	(127 385)	(123 816)
Borrowing costs	(10 988)	(10 993)	(11 490)	(12 226)
Other cash payments	(387 962)	(433 238)	(365 273)	(313 064)
GST payments	(33 058)	(47 955)	(45 531)	(38 527)
<b>Cash from (used in) operating activities</b>	<b>(7 176)</b>	<b>(25 561)</b>	<b>(10 920)</b>	<b>(18 007)</b>
Receipts from government - capital	31 973	30 680	23 149	46 883
Receipts from special capital investment funds	21 580	18 187	21 698	25 503
Proceeds from disposal of assets	9 500	9 091	7 228	4 692
Receipts from investments	2 036	5 576	3 880	11 912
Payments to acquisition of assets	(66 988)	(41 770)	(68 608)	(66 555)
<b>Cash from (used in) investing activities</b>	<b>(1 899)</b>	<b>21 764</b>	<b>(12 653)</b>	<b>22 435</b>
Proceeds from borrowings	0	0	342	61 470
Repayment of borrowings	(7 351)	(7 353)	(13 025)	(81 784)
<b>Cash (used in) financing activities</b>	<b>(7 351)</b>	<b>(7 353)</b>	<b>(12 683)</b>	<b>(20 314)</b>
<b>Net increases (decrease) in cash</b>	<b>(16 426)</b>	<b>(11 150)</b>	<b>(36 256)</b>	<b>(15 886)</b>
Cash at the beginning of the year	48 595	45 666	81 922	97 808
<b>Cash at end of the year</b>	<b>32 170</b>	<b>34 516</b>	<b>45 666</b>	<b>81 922</b>

## Comment

The cash and deposits balance decreased by \$63.292m since the balance of \$97.808m at 30 June 2004. This decrease was due to outflows from operations totalling \$54.488m

and net financing activities totalling \$40.350m, offset by inflows in net investing activities \$31.546m.

In 2006-07 the Department recorded a net outflow from operating activities of \$25.561m. Included in this net figure over the same period, Housing Tasmania had inflows of \$1.899m and TAS a minor outflow of \$0.979m meaning that the Department's own outflows totalled \$26.481m. Reasons for variations in cash flow receipt and payment amounts reflect the comments made previously in the Income Statement and the Balance Sheet sections of this Chapter. This also holds for budget variances.

The Department paid \$176.933m over the period for the acquisition of assets. In 2006-07 and 2004-05 these were predominately funded by capital appropriations and SCIF funding. 2005-06 required the utilisation of cash balances which contributed to the net decrease in cash in that year.

Financing outflows have fallen in line with the reduction in total borrowings held, as noted previously in the Balance Sheet section of this chapter.

It is noted that the cash resources of the Department at 30 June were allocated to:

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$'000	\$'000	\$'000
DHHS	25 075	36 861	51 123
Housing	9 441	8 805	30 799
Ambulance	0	0	0
<b>Total</b>	<b>34 516</b>	<b>45 666</b>	<b>81 922</b>

Included in the Department's balance at 30 June 2007 was \$15.614m being funds received in 2006-07 carried forward under Section 8A(2) of the *Public Account Act 1986*. This analysis suggests to me that at 30 June 2007 the Department was not in a healthy liquidity position.

## FINANCIAL ANALYSIS

	<b>Bench Mark</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
<b>Financial Performance</b>				
Result from operations (\$'000s)		( 95 032)	( 98 118)	( 50 221)
Operating margin	>1.0	0.93	0.92	0.95
<b>Financial Management</b>				
Debt collection	30 days	41	49	47
Creditor turnover	30 days	38	31	17
<b>Other Information</b>				
Self-sufficiency %		13%	13%	14%
Government funding %		92%	91%	95%
Staff numbers (FTE)		8 992	8 685	8 015
Average staff costs (\$'000s)		68	63	58
Average leave balance per FTE (\$'000s)		17	16	15
<b>Selected Hospital Statistics *</b>				
Department of Emergency				
Medicine Presentations		119 544	116 802	103 540
Outpatient Department -				
Occasions of Service		823 643	784 187	741 931
Admitted Patients -Weighted				
Separations		98 363	97 092	89 939

\* Not subject to audit.

### Comment

The Results from operations are in deficit for the reasons outlined in the Income Statement Section explained previously. The above figures are before capital revenues, asset transfers and the effects of actuarial movements on superannuation liabilities. Consistent with the Result from operations the Operating margin remains below the benchmark of 1.0.

Increasing receivables in 2005-06 raised the Debt collection ratio in that year which subsequently fell as receivables declined in 2006-07. The increase in payables at 30 June 2007, the reasons for which are noted earlier, results in the ratio being greater than 30 days.

The Self-sufficiency ratio indicates that the Department's own source revenues have remained at around 13% during the period.

The Government funding ratio is less than 100% due to the net operating deficits being incurred by the Department.

The movements in Staff numbers, Average staff costs and Average leave balances have been commented on previously.

Hospital statistics indicate a rise in the provision of services. Department of Emergency Medicine and Outpatient Services are based on the number of people presented. Admitted Patients is an activity measure that highlights admissions at each hospital, weighted by the complexity of their treatment or medical condition. A comprehensive list of performance measures can be found in the Department's Annual Report, page 33.

## ADDITIONAL FINANCIAL INFORMATION

### Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Income Statement, Balance Sheet or Cash Flow Statement and they relate only to the Department.

### Administered Income and Expenses

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	18 905	19 502	19 010	20 502
Australian government grants	289 075	291 174	275 545	85 602
<b>Total Revenue</b>	<b>307 980</b>	<b>310 676</b>	<b>294 555</b>	<b>106 104</b>
Grants and subsidies	18 905	20 218	18 494	20 414
<b>Total Expenses</b>	<b>18 905</b>	<b>20 218</b>	<b>18 494</b>	<b>20 414</b>
<b>Net Surplus</b>	<b>289 075</b>	<b>290 458</b>	<b>276 061</b>	<b>85 690</b>
Transfer to Consolidated Fund	289 075	291 174	275 545	85 602
<b>Net Surplus (Deficit)</b>				
<b>Attributable to the State</b>	<b>0</b>	<b>( 716)</b>	<b>516</b>	<b>88</b>

### Comment

Recurrent appropriations from government comprise a Community Service Agreement (CSA) with Aurora Energy Pty Ltd and ex-gratia payments. These are also shown as expenses in the table as Grants and subsidies.

The CSA with Aurora Energy Pty Ltd is for the provision of pensioner concessions to approximately 64 500 Tasmanian pensioners and Government Health Care Card Holders.

Recurrent appropriations in 2006-07 also included \$8.299m (2005-06, \$7.064m; 2004-05, \$8.628m) in ex-gratia payments under the Listen to the Children program for adults who were abused as children whilst in State care.

The movement in Australian government grants was largely due to a change in the treatment of the Australian Health Care Agreement (AHCA) grant. During 2004-05 and previous financial years the grant was administered by the Department of Treasury and Finance, however from 2005-06 responsibility for administering the grant transferred



to the Department. The grant of \$185.309m in 2005-06 increased to \$194.513m in 2006-07 and is the main movement in both years.

### Administered Assets and Liabilities

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
<i>Liabilities</i>				
Payables	2 820	3 020	2 304	2 820
<b>Total Liabilities</b>	<b>2 820</b>	<b>3 020</b>	<b>2 304</b>	<b>2 820</b>
<b>Net Liabilities</b>	<b>( 2 820)</b>	<b>( 3 020)</b>	<b>( 2 304)</b>	<b>( 2 820)</b>
Accumulated Deficits	( 2 820)	( 3 020)	( 2 304)	( 2 820)
<b>Total Deficit</b>	<b>( 2 820)</b>	<b>( 3 020)</b>	<b>( 2 304)</b>	<b>( 2 820)</b>

### Comment

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

### Administered Cash Flows

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	18 905	19 502	19 010	20 502
Australian government grants	289 075	291 174	275 545	85 602
<b>Total Cash Inflows</b>	<b>307 980</b>	<b>310 676</b>	<b>294 555</b>	<b>106 104</b>
Transfers to the Consolidated Fund	289 075	291 174	275 545	85 602
Other cash payments	18 905	19 502	19 010	20 502
<b>Total Cash Outflows</b>	<b>307 980</b>	<b>310 676</b>	<b>294 555</b>	<b>106 104</b>
<b>Net Cash Flow From Operations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Increase (Decrease) in cash</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cash at the beginning of the year	0	0	0	0
<b>Cash at End of the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Comment

There was no movement in net cash in any of the three years. Reasons for movements in cash flow receipt and payment amounts reflect the comments made previously

in the Administered Income and Expenses and Administered Assets and Liabilities sections of this Chapter.

## **OVERALL COMMENT**

I am pleased to report that many of the concerns raised in previous financial audits have, or are being, addressed by the Department. While the 2006-07 audit was completed with an unqualified audit opinion issued, I note my view that at 30 June 2007 the Department was not in a strong liquid position.

# **HOUSING TASMANIA**

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## **INTRODUCTION**

Housing Tasmania (Housing) was established under the *Homes Act 1935* to provide housing assistance and to improve housing conditions for persons within Tasmania.

Its major focus is to ensure that low income Tasmanians have access to affordable, appropriate and secure housing options. In addition to the provision of public housing, financial assistance is available to low income Tasmanians to access or maintain housing in the private rental market or they may be assisted in purchasing their own home through the Home Ownership Assistance Program (HOAP).

Housing Tasmania operates as a fully integrated division within The Department of Health and Human Services (the Department or DHHS).

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

This Chapter provides commentary on the aggregated results of Housing and HOAP.

## **AUDIT OF THE 2006-07 FINANCIAL STATEMENTS**

Financial statements for HOAP were received on 15 August 2007 and an unqualified audit report was issued on 11 October 2007.

Financial statements for the Director of Housing were received on 14 August 2007 with revised statements received on 15 October 2007. An unqualified report was issued on 18 October 2007.

## FINANCIAL RESULTS

### INCOME STATEMENT

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	37 851	32 357	29 488	28 575
Revenue from Special Capital				
Investment Funds	4 089	3 898	3 850	3 407
User charges	1 285	1 246	1 504	1 663
Interest revenue	203	1 583	2 603	3 915
Rental revenue	46 949	53 258	46 905	46 358
Gain (Loss) on sale of assets	( 500)	( 187)	( 2 032)	1 570
Other revenue	744	2 439	4 647	4 134
<b>Total Operating Income</b>	<b>90 621</b>	<b>94 594</b>	<b>86 964</b>	<b>89 622</b>
Employee entitlements	17 015	15 251	14 729	12 935
Depreciation and amortisation	25 949	23 112	23 884	24 513
Goods and services	21 651	24 528	23 515	20 836
Recurrent maintenance	23 522	22 734	24 552	20 132
Administration	5 731	7 752	7 803	7 242
Grants and subsidies	9 751	4 975	4 728	1 683
Borrowing costs	10 980	10 997	11 523	12 323
Impairment losses	933	3 025	2 038	1 945
Costs on sale of disposed assets	0	666	531	243
Other expenses	2 004	3 734	3 958	4 037
<b>Total Operating Expenses</b>	<b>117 536</b>	<b>116 774</b>	<b>117 261</b>	<b>105 888</b>
<b>Net Operating (Deficit) before:</b>	<b>( 26 915)</b>	<b>( 22 180)</b>	<b>( 30 297)</b>	<b>( 16 266)</b>
Revenue from government - capital	3 258	3 258	7 262	9 514
Revenue from Special Capital				
Investment Funds	0	0	10 255	19 800
Actuarial superannuation adjustment	0	( 1 848)	1 078	( 1 300)
<b>Net Surplus (Deficit)</b>				
<b>Attributable to the State</b>	<b>( 23 657)</b>	<b>( 20 770)</b>	<b>( 11 701)</b>	<b>11 748</b>

### Comment

The above analysis has separated out capital funding and the recognised actuarial gain or loss on superannuation and recorded it below operating activities. Revenue from Special Capital Investment Funds (SCIF) includes a recurrent allocation for expenditure under the Affordable Housing Strategy which has been recorded as operating income. This enables an assessment of the Housing's management of operating revenues and expenses.

Housing recorded Net operating deficits in each of the three years under review. The primary reason is that Housing does not charge full market rents to tenants, offering rebates based on an assessment of tenant incomes. Had this occurred the total operating deficit over the period of \$68.743m would have been a deficit of \$4.068m. Potential rental income and the rebates over the three years of review were as follows:

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$'000	\$'000	\$'000
Potential rental income	76 286	67 574	66 796
Rebate	( 23 028)	( 20 669)	( 20 438)
<b>Rental revenue</b>	<b>53 258</b>	<b>46 905</b>	<b>46 358</b>

The Rental revenue increased in 2006-07 of \$6.353m (13.55%) was due to the updating of market rents during the year.

Over the period of review Revenue from government for recurrent spending increased marginally by \$3.782m. At the same time revenues from capital SCIF, declined by \$19.800m and capital appropriation declined by \$6.256m, primarily due to a shift away from the capital funding component of the Affordable Housing Strategy.

The Loss on sale of non-financial assets in 2005-06, \$2.032m, relates mainly to a loss of \$1.600m being the cost of the Welcome Inn at Kingston, which was transferred out of Housing during that year.

Detailed below are a number of reasons for variations in levels of expenditure particularly between 2005-06 and 2004-05 when total expenditure increased by \$11.373m or 11%. Total expenditure was well controlled in 2006-07.

Employee entitlements increased by \$2.316m since 2004-05 due to increases in salaries under the State Service Wage Agreement (SSWA) of 3.5% in both 2005-06 and 2006-07.

Goods and services costs rose by \$3.692m over the period with the largest increases being in insurance \$2.891m and rates and charges \$1.329m.

Recurrent maintenance, which includes the provision of general maintenance, exterior painting, landscape maintenance and vacation maintenance increased in 2005-06 due to renegotiated contracts and general market and industry movements.

Administration expenses increased by \$0.562m in 2005-06, mainly due to the contribution to DHHS for salary and administration expenses of \$0.287m, rent on the administrative building of \$0.158m, and information technology expenses of \$0.126m.

Grants and subsidies increased in 2005-06 due to the commencement of a number of projects under the Community Housing Program, especially in relation to grants under the Commonwealth State Housing Agreement (CSHA).

Borrowing costs declined by \$1.326m (10.76%) over the three years, due to elimination of the HOAP loan portfolio in 2006-07 from \$8.769m in 2004-05 and because of payments made against the CSHA loan.

Housing is responsible for meeting the obligations of its defined benefit superannuation scheme. An actuarial valuation was undertaken of the present value of benefit

obligations as part of recognition requirements under new accounting standards in 2004-05. Whilst the operational service costs and employer contributions are recorded within Employee entitlements, fluctuations in the recognised actuarial gain or loss have been separately disclosed. Of the recent reviews 2006-07 and 2004-05 resulted in the recognition of an actuarial losses with a gain recorded in 2005-06.

## BALANCE SHEET

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Cash and deposits	6 100	9 441	8 805	30 799
Receivables	1 500	3 701	1 017	1 288
Other financial assets	16 500	16 014	21 258	29 092
<i>Non-financial Assets</i>				
Property, plant and equipment	1 650 000	1 631 062	1 616 512	1 564 908
<b>Total Assets</b>	<b>1 674 100</b>	<b>1 660 218</b>	<b>1 647 591</b>	<b>1 626 088</b>
<i>Liabilities</i>				
Payables	3 000	2 864	3 797	1 421
Interest bearing liabilities	242 081	242 081	249 433	262 114
Superannuation	15 500	17 229	15 489	16 500
Employee entitlements	3 200	3 224	3 061	2 904
Other liabilities	4 000	5 027	3 846	3 604
<b>Total Liabilities</b>	<b>267 781</b>	<b>270 425</b>	<b>275 627</b>	<b>286 542</b>
<b>Net Assets</b>	<b>1 406 319</b>	<b>1 389 793</b>	<b>1 371 964</b>	<b>1 339 546</b>
<i>Equity</i>				
Contributed capital	6 094	6 094	6 094	6 094
Reserves	1 113 200	1 112 690	1 074 091	1 029 972
Accumulated funds	287 025	271 009	291 779	303 480
<b>Total Equity</b>	<b>1 406 319</b>	<b>1 389 793</b>	<b>1 371 964</b>	<b>1 339 546</b>

## Comment

During the period of review Housing's equity increased by \$50.247m primarily due to \$82.718m in asset revaluation increments, reflected in Reserves, off-set by deficits to Accumulated funds of \$32.471m (2005-06, \$11.701m and 2006-07, \$20.770m).

In relation to Housing's Assets and Liabilities the most significant movements over the three year period were due to:

- An increase in Property, plant and equipment, \$66.154m;
- A reduction in Interest bearing liabilities, \$20.033m;
- A reduction in Other financial assets including loan advances, 13.078m; and
- A decrease in Cash and deposits held, \$21.358m.

The majority of the increase in Property, plant and equipment occurred in 2005-06, \$51.604m (2006-07, \$14.550m). This was due to revaluation increments of \$44.119m (\$38.599m) and additions of \$41.570m (10.924m), offset by disposals and demolitions, \$10.272m (\$11.274m) and depreciation, \$23.330m (\$23.112m). The capital allocation phase of the Affordable Housing Program concluded at the end of 2004-05.

The reduction in Interest bearing liabilities was due to the reduction in State and Commonwealth loans, \$11.264m and the complete extinguishing of HOAP debt, \$10.370m. The remaining borrowings comprise long-term State and Commonwealth loans at favourable fixed rates.

Loan advances in the Housing portfolio continued to decline as clients paid off their debt, and no new loans were made. This is reflected in the reductions in Other financial assets of \$5.244m in 2006-07 and \$7.834m in 2005-06. At the end of 2006-07 Other financial assets comprised mainly HOAP loans and equity investments of \$10.607m and Housing's unmatured (long term advances) loan balance of \$4.089m. Rises in house prices in recent years led to an increase in the total loan amount needed to be borrowed. This in turn led to increased capital and servicing costs, which resulted in a reduction in the demand for HOAP assistance.

Cash and deposits decreased by \$21.358m over the period mainly due to the aforementioned reduction in Interest bearing liabilities, purchase or construction of Property, plant and equipment off-set by the recovery of Loan advances. This is further explained under the Cash Position analysis later in this Chapter.

Although Receivables fluctuated due to timing, this balance was higher than usual at 30 June 2007 when it included \$2.200m in debtors for the sale of land at year end.

## CASH POSITION

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Cash inflows				
Receipts from government - recurrent	37 851	32 357	29 488	28 575
Receipts from Special Capital				
Investment Funds	4 089	3 898	3 850	3 407
User charges, fees and fines	1 285	1 259	1 565	1 696
Rent received from tenants	46 949	52 925	48 690	46 198
Interest received	203	1 486	2 666	3 904
Other cash receipts	744	2 223	3 488	3 870
<b>Total cash inflows</b>	<b>91 121</b>	<b>94 148</b>	<b>89 747</b>	<b>87 650</b>
Cash outflows				
Payments to employees	14 260	15 197	14 889	12 925
Payments to suppliers	21 651	24 513	21 164	20 836
Community grants	9 751	4 975	4 374	1 683
Interest payments	10 988	11 007	11 563	12 417
Administration	5 741	9 206	10 451	7 293
Other cash payments	25 520	27 549	27 964	25 107
<b>Total cash outflows</b>	<b>87 911</b>	<b>92 447</b>	<b>90 404</b>	<b>80 261</b>
<b>Net cash from (used in) operating activities</b>	<b>3 210</b>	<b>1 701</b>	<b>(657)</b>	<b>7 389</b>
Cash flows from investing activities				
Cash inflows				
Receipts from government - capital	3 258	3 258	7 262	9 514
Receipts from Special Capital				
Investment Funds		0	10 255	19 800
Proceeds from disposal of assets	9 500	6 788	7 137	4 356
Repayment of loan advances	6 800	6 207	9 816	14 591
<b>Total cash inflows</b>	<b>19 558</b>	<b>16 253</b>	<b>34 470</b>	<b>48 261</b>
Cash outflows				
Payments for acquisition of assets	15 757	8 953	40 351	50 475
Loan advances	3 000	1 013	2 776	2 711
<b>Total cash outflows</b>	<b>18 757</b>	<b>9 966</b>	<b>43 127</b>	<b>53 186</b>
<b>Net cash from (used in) investing activities</b>	<b>801</b>	<b>6 287</b>	<b>(8 657)</b>	<b>(4 925)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	0	0	342	61 469
Repayment of borrowings	7 352	7 352	13 023	81 784
<b>Net cash (used in) financing activities</b>	<b>(7 352)</b>	<b>(7 352)</b>	<b>(12 681)</b>	<b>(20 315)</b>
<b>Net increase (decrease) in cash</b>	<b>(3 341)</b>	<b>636</b>	<b>(21 995)</b>	<b>(17 851)</b>
Cash at the beginning of the year	9 441	8 805	30 799	48 650
<b>Cash at end of the year</b>	<b>6 100</b>	<b>9 441</b>	<b>8 805</b>	<b>30 799</b>



## Comment

Cash and deposits decreased by \$39.209m over the three year period under review as a result of net debt repayments, \$40.348m, net acquisitions/construction of property, plant and equipment, \$81.498m, loans advanced \$6.500m, which was partly funded by recoveries of loan advances, \$30.614m, inflows from operating activities of \$8.433m and capital and SCIF funding of \$50.089m.

The outflows in financing activities were due to Housing reducing total debt as mentioned previously. Net repayments were substantially higher in 2004-05 due to surplus funds under HOAP being used to retire debt. Total HOAP outflows in that year were \$15.030m, followed by \$7.168m in 2005-06, with final extinguishment of debt occurring in 2006-07, \$1.601m. Annual repayments of Long term State and Commonwealth loans averaged \$5.516m over the period.

Investing activities includes Payments for acquisition or construction of assets which represents capital expenditure on Housing assets. Significant additions occurred in 2004-05, \$50.475m, and 2005-06, \$40.351m, which were reflected in Property, plant and equipment balances in those years. Funding for these constructions was through receipt of government capital revenues, SCIF revenues and Cash and deposits monies held from prior years for construction purposes. These movements were the principal reason for the deficits in investing activities in those years. In 2006-07 there was a reduction in construction activity.

Other movements in investing activities were due to proceeds received from the disposal of assets and net inflows from loan advances. Proceeds from disposal of non-current assets were higher in 2005-06 and 2006-07 due to increased asset sales combined with an increase in general market prices received.

The Net cash from operating activities, with the exception of a minor deficit in 2005-06 of \$0.657m, has generally been in surplus indicating Housing has received sufficient funding, although only marginally, to sustain operating activities. This contrasts with the Net operating losses reported in the Income Statement and, to a large extent represents the non-cash nature of depreciation charges.

Reasons for variations in other cash flow receipts and payment amounts reflect the comments made previously in the Income Statement section of this Chapter.

## FINANCIAL ANALYSIS

	Bench Mark	2006-07	2005-06	2004-05
<b>Financial Performance</b>				
Result from operations (\$'000s)		( 22 180)	( 30 297)	( 16 266)
Operating margin	>1.0	0.81	0.74	0.85
<b>Financial Management</b>				
Debt collection	30 days	25	8	10
Creditor turnover	30 days	19	25	11
<b>Other Information</b>				
Self-sufficiency %		50%	47%	54%
Government funding %		62%	52%	66%
Potential rental income (\$'000s)		76 286	67 574	66 796
Rental Rebate (\$'000s)		( 23 028)	( 20 669)	( 20 438)
Net rents payable by tenants (\$'000s)		53 258	46 905	46 358
Rental dwellings (no. of properties)		12 602	12 373	12 668
Occupancy Rate (%) *		98.9%	98.7%	98.5%
Number of applicants housed *		1 146	1 095	1 155
Staff numbers (FTE)		208	196	197
Average staff costs (\$'000s)		66	60	52
Average leave balance per FTE (\$'000s)		16	16	15

\* Not subject to audit.

### Comment

With the Result from operations consistently being in deficit over the three years under review the Operating margin remains well below the bench mark. Although Housing sources revenues from tenants, it does so at reduced rates and is not fully funded for the shortfall.

Debt collection remains low as Housing benefits from prompt payment by its residential tenants. Changes to creditor payment procedures have increased the Creditor turnover but it remains within the benchmark.

The Self-sufficiency ratio indicates that Housing's own source revenues are around 50% during the period.

The Government funding ratio is significantly less than 100% due to the net operating losses being incurred by Housing.

Potential rental income represents the maximum rent that can be charged (full market rent), whilst the value of the rental rebates reflects the difference between the maximum rental and the rent payable by tenants based on their personal income assessment. Although stock numbers fell in 2005-06 recent additions have reversed this position. The updating of market rents and the slight increase in the Occupancy rate has increased Potential rental income and Net rents payable by tenants.

Average staff costs have risen mainly due to increases in rates of pay.

## OVERALL COMMENT

I am pleased 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.

It is noted, however that Housing operated at significant net losses in each of the last two years and its cash resources declined by \$39.209m since 30 June 2004.

There are two other matters highlighted, that due to their nature, are not clear from an analysis of the annual primary financial statements of Housing. These are:

- A number of Community Housing properties are held as dwelling stock. These properties are operated by community organisations throughout the State. The total value at 30 June 2007 was \$81.898m. Of these properties, 261 have titles that have been transferred into the name of a community organisation, with Housing still holding a significant equity interest. These properties are disclosed as a Contingent asset with a value of \$30.518m. The remainder of the properties, with a value of \$51.380m, remain in the title of the "Director of Housing" as non-rental dwellings.
- 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 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.

# **TASMANIAN AMBULANCE SERVICE**

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## **INTRODUCTION**

The Tasmanian Ambulance Service (the Service) is part of the Acute Health Services output group within the Department of Health and Human Services (DHHS). The Service was established and operates under the *Ambulance Service Act 1982*.

The Service provides emergency ambulance care, rescue and transport services (including air transport and non-urgent transfers) and safety cover at various sporting and public events. It operates through a network of 47 stations staffed by salaried and volunteer ambulance officers.

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

## **AUDIT OF THE 2006-07 FINANCIAL STATEMENTS**

Signed financial statements were received on 15 August 2007. An unqualified audit report was issued on 15 October 2007.

## FINANCIAL RESULTS

### INCOME STATEMENT

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Revenue from Government - recurrent	28 180	26 322	23 513	19 922
User charges	2 968	3 299	3 115	3 614
Other revenue	172	517	465	571
<b>Total Operating Income</b>	<b>31 320</b>	<b>30 138</b>	<b>27 093</b>	<b>24 107</b>
Employee entitlements	22 061	21 061	18 972	17 602
Client travel	3 123	3 219	3 127	3 100
Motor vehicle expenses	1 085	1 383	1 339	1 072
Depreciation	2 232	1 139	1 940	2 028
Goods and services	873	1 023	1 104	808
Administration	847	847	703	765
Impairment losses	0	3	427	1 291
Other expenses	3 588	4 101	3 221	2 933
<b>Total Operating Expenses</b>	<b>33 809</b>	<b>32 776</b>	<b>30 833</b>	<b>29 599</b>
<b>Net Operating Deficit before:</b>	<b>(2 489)</b>	<b>(2 638)</b>	<b>(3 740)</b>	<b>(5 492)</b>
Revenue from Government - capital	2 370	1 835	882	0
Actuarial superannuation assessment	0	( 317)	7 160	1 182
Loss on sale of assets	( 60)	( 500)	( 56)	( 25)
<b>Net Surplus (Deficit) Attributable to the State</b>	<b>( 179)</b>	<b>(1 620)</b>	<b>4 246</b>	<b>(4 335)</b>

### Comment

Consistent with funding arrangements for government departments, the service is not funded for depreciation, asset impairments or movements in employee leave entitlements. The budgeted deficit of \$2.489m is consistent with this arrangement with the depreciation budget being \$2.232m. The 2006-07 Net operating deficit of \$2.638m is reasonably consistent with budget although there are offsetting factors the main ones being:

- Appropriation revenue was down on budget by \$1.858m;
- Salaries and wages were below budget by \$1.000m;
- Depreciation was less than budget by \$1.093m; and
- Other expenses exceeded budget by \$0.513m.

Further review of the differences between the 2006-07 budgeted and actual results note that Recurrent appropriations were 7% below budget. This drop in government funding was partly offset by higher than expected revenues from User charges and contributions for the Electronic Patient Care Records(ePCR) project. Higher prices of fuel and medical goods contributed to the negative variance between budget and actual Motor vehicle expenses and Goods and service expenses. However, the favourable variance in Depreciation expense, which was overestimated in the original budget, resulted in Operating expenses being only marginally over budget. Capital appropriations were based on the 2006 Election commitment to upgrade the entire ambulance fleet over the next four years. The replacement program was slightly behind budget.

The Service reduced its operating deficit by almost 52% over the period under review from \$5.429m in 2004-05 to \$2.638m in the current year. This improved result was mostly due to the boost in Government funding, which increased by 32% during the same period. Other reasons for the better result in 2006-07 include:

- Very low asset impairment losses; and
- The lower depreciation charge.

User charges were fairly steady and reflected the annual indexation of ambulance fees (3.4% in 2006-07; 2.6% in 2005-06) together with the increase in billable cases which correlated with the increasing case load. In 2005, the Service underwent an internal investigation, following the discovery of fraudulent activities by a senior administration officer. Part of the investigation was a comprehensive review of unbilled cases, which resulted in additional revenues and the higher amount of User charges reported in 2004-05.

Other revenue remained stable during the period under review.

The largest expense item was Employee entitlements, which represented around 60% of the Service's Operating expenses. The increase in employee related expenditure over the period was caused by:

- A 13% increase in the number of FTE's since 2004-05; and
- The annual indexation of wages under an Enterprise Bargaining Agreement (7.5% in December 2006; 7% in December 2005 and 7% in December 2004).

The 25% increase in Motor vehicle expenses in 2005-06 was predominantly the result of escalating fuel prices, a trend which started in 2006 and continues to the present.

The increase in Other operating expenses over the last three years was a result of:

- A rise in corporate overheads from \$1.320m in 2004-05 to \$1.511m in 2006-07 caused by rising administration costs;
- Workers compensation insurance expense of \$0.555m incurred directly by the Service for the first time in 2006-07 (following an administration change, whereby the responsibility for these costs was transferred from the Corporate division to individual budget centres); and
- An additional \$0.210m spent on information technology in 2006-07 as part of the ePCR project.

Additional medical and general equipment for the newly purchased ambulance vehicles and new ambulance stations (discussed later) made up the balance.

The current year's decline in Depreciation expenses reflected the age of the Service's fleet. A large majority of ambulance vehicles were commissioned in 2000-01. These were fully depreciated at the end of the 2005-06, thus reducing depreciation charges by \$0.750m. Large stocks of medical equipment also became fully depreciated by the end of 2005-06, reducing the depreciation expenditure by an additional \$0.105m.

High Impairment losses reported in 2004-05 and 2005-06 corresponded with write-offs of bad debts in those years. These write-offs were in relation to long outstanding accounts which became uncollectable.

The significant variation in non-operating items was due to an actuarial re-assessment of the Tasmanian Ambulance Service Superannuation Scheme (TASSS) in 2005-06. Based on the review, TASSS's net liability of \$1.001m in 2004-05 was revalued to a net superannuation asset of \$5.883m in 2005-06. Whilst the operational service costs and employer contributions are recorded within Employee entitlements, fluctuations in the recognised actuarial gain or loss have been separately disclosed. Consequently, \$7.160m was recognised as actuarial gain in 2005-06. This gain arose from strong investment performance by scheme assets in that year.

In 2006, the State Government committed \$10.670m over four years for the purchase of 100 new ambulances. The increase in this year's capital funding is a direct result of that commitment (the fleet replacement program is discussed further in the Balance Sheet section). Capital appropriations in 2005-06 mainly comprised funding for the construction of an ambulance station at Sheffield and completion of a new station at Latrobe.

Loss on sale of non-financial assets included a write-off of a former ambulance station at Devonport, which was sold and the proceeds, \$0.175m, transferred to the Tasmanian Fire Service. The carrying value of the land and building written-off as a result of the sale was \$0.556m, partly off-set by a net gain of \$0.056m on the sale of decommissioned ambulance vehicles.

## BALANCE SHEET

	2006-07	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Cash and deposits	0	0	0	0
Receivables	1 007	818	932	1 007
Superannuation	0	6 002	5 883	0
<i>Non-financial Assets</i>				
Inventory	392	268	219	392
Property, plant and equipment	12 640	12 470	11 824	12 601
<b>Total Assets</b>	<b>14 039</b>	<b>19 558</b>	<b>18 858</b>	<b>14 000</b>
<i>Liabilities</i>				
Payables	418	614	663	418
Employee entitlements	5 590	7 268	6 566	5 849
Superannuation	0	0	0	1 001
Other liabilities	792	843	605	533
<b>Total Liabilities</b>	<b>6 800</b>	<b>8 725</b>	<b>7 834</b>	<b>7 801</b>
<b>Net Assets</b>	<b>7 239</b>	<b>10 833</b>	<b>11 024</b>	<b>6 199</b>
Reserves	8 583	8 583	8 583	8 583
Accumulated funds (deficits)	(1 344)	2 250	2 441	(2 384)
<b>Total Equity</b>	<b>7 239</b>	<b>10 833</b>	<b>11 024</b>	<b>6 199</b>

### Comment

The favourable revaluation of TASSS arrangements from a net liability of \$1.001m in 2004-05, to a net asset of \$5.883m in 2005-06 caused relatively significant increases in both the assets and equity of the Service. The Superannuation asset and liability represents present obligations and/or benefits of the Service under TASSS.

The movements in Accumulated funds from year to year represents the Net surplus or deficit reported in the Income Statement adjusted for the extent of which the operations of the service were supported by DHHS - \$1.429m in 2006-7 and \$0.579m in 2005-06 – see Cash Position section.

In relation to cash, it should be noted that the Service does not operate its own bank account. Instead, all cash transactions are processed through bank accounts operated by the DHHS.

Apart from Superannuation, the only other major item on the Service's Balance Sheet is Property, plant and equipment. The drop of \$0.777m between 2004-05 and 2005-06 was due to the depreciation of ambulance vehicles, \$1.035m, and the writing-off of old vehicles and equipment. The decrease was partly off-set by the acquisition of three new ambulances, \$0.305m, and one secondary response vehicle, \$0.046m, during that year. In the current year, the fleet replacement program continued with the Service



acquiring and fitting-out an additional 14 ambulances, \$1.436m, and eight secondary response vehicles, \$0.367m.

In addition, two new ambulance stations were constructed and put into service during the period under review, one at Latrobe, \$0.286 in 2005-06, and another at Sheffield, \$0.687 in 2006-07.

There was a noticeable increase in Payables of almost 60% or \$0.245m between 2004-05 and 2005-06. A number of internal and external factors contributed to this rise, including:

- Higher cost of supplies, especially those which are medical and travel related;
- Larger volume of purchases due to increased activity; and
- Changes to the management of creditors, resulting in the average payment period moving closer to the 30 day benchmark.

Employee entitlements increased in line with annual indexation and as a result of additional staff. The increase in Other liabilities in 2006-07 was mainly due to revenue received in advance, \$0.128m, for the ePCR project.

The variance between budget and actual Balance Sheet items is due to the budget being based on 2004-05 actual figures.

## CASH POSITION

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Receipts from Government - recurrent	28 180	26 322	23 513	19 922
User charges	2 968	3 410	2 763	3 554
Other cash receipts	172	645	720	186
<b>Total cash inflows</b>	<b>31 320</b>	<b>30 377</b>	<b>26 996</b>	<b>23 662</b>
Employee entitlements	21 399	20 685	19 218	17 248
Goods and services	873	1 121	686	971
Client travel	3 123	3 219	3 127	3 100
Motor vehicle expenses	1 085	1 383	1 339	1 072
Administration	847	847	949	765
Other payments	3 588	4 101	2 165	649
<b>Total cash outflows</b>	<b>30 915</b>	<b>31 356</b>	<b>27 484</b>	<b>23 805</b>
<b>Cash from (used in) operations</b>	<b>405</b>	<b>(979)</b>	<b>(488)</b>	<b>(143)</b>
Receipts from Government - capital	2 370	1 835	882	0
Proceeds from disposal of assets	0	62	45	21
<b>Total cash inflows</b>	<b>2 370</b>	<b>1 897</b>	<b>927</b>	<b>21</b>
Payments for acquisition of assets	405	2 347	1 018	216
<b>Total cash outflows</b>	<b>405</b>	<b>2 347</b>	<b>1 018</b>	<b>216</b>
<b>Cash from (used in) investing activities</b>	<b>1 965</b>	<b>(450)</b>	<b>(91)</b>	<b>(195)</b>
<b>Net increase (decrease) in cash held by central DHHS operating account attributable to the Service</b>	<b>2 370</b>	<b>(1 429)</b>	<b>(579)</b>	<b>(338)</b>
Eliminate portion of operating account attributable to DHHS	(2 370)	1 429	579	530
Transfer of DHHS land and buildings to the Service	0	0	0	(192)
Cash at the beginning of the year	0	0	0	0
<b>Cash at end of the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Comment

Despite the increase in Government funding and rising cash receipts from User charges and Other receipts, the Service continued to operate under negative operating cash flow. The operating cash flow worsened each year in the period under review and reached \$0.979m in 2006-07. This indicates that payments made to employees and suppliers were increasing faster than recurrent receipts, which is confirmed by the line "Net increase (decrease) in cash held by central DHHS operating account". This

means that DHHS has provided financial support to the Service in each of the three years under review.

The increased cash outflow from investing activities was a result of the construction of new ambulance stations at Latrobe and Sheffield and the acquisition of new ambulance and secondary response vehicles over the period under review.

## FINANCIAL ANALYSIS

	<b>Bench Mark</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
<b>Financial Performance</b>				
Result from operations (\$'000s)		( 2 638)	( 3 740)	( 5 492)
Operating margin	>1.0	0.92	0.88	0.81
<b>Financial Management</b>				
Debt collection	30 days	66	86	102
Creditor turnover	30 days	5	23	3
<b>Other Information</b>				
Self-sufficiency %		12	12	14
Government funding %		91	86	78
Staff numbers (FTE)		252	232	223
Average staff costs (\$'000s)		78	74	70
Average leave balance per FTE (\$'000s)		25	25	24
<b>Ambulance Statistics *</b>				
Emergency ambulance responses		31 032	31 487	29 144
Total ambulance responses		62 756	61 774	56 066

\* Not subject to audit.

## Comment

The Operating margin still remains bellow the benchmark, despite improvements over the period under review. Changes to debt collection practices implemented in 2005-06, where Corporate Finance oversees the follow-up of outstanding debts, resulted in a fall in the average collection period from 102 days three years ago to 66 days in the current year.

The turnover of Creditors increased to 23 days in 2005-06. The increase was a result of payments being processed on or close to their due dates. The number of days creditors at 30 June 2007 was low due to the very low level of creditors to be paid at this date.

The Self-sufficiency ratio indicates that the Service's own source revenues have remained at around 12% during the period.

The Government funding ratio is less than 100% due to the net operating losses being incurred by the Service.

As discussed previously, there was a 13% increase in Staff numbers from 223 FTEs in 2004-05 to 252 FTEs in 2006-07. Average staff costs also increased on average by 5.5% each year due to the annual indexation of salaries and wages under various Awards. Average leave balance per FTE remained steady over the years under review. However, this average is distorted by new starters who commenced their employment in recent years. It was noted during the audit that some Service employees continue to maintain high leave balances.

## **OVERALL COMMENT**

The 2006-07 audit was completed satisfactorily with no major issues outstanding. It was pleasing to note the Service's improvement by 36 days over the period in collecting outstanding receivables.

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

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## **INTRODUCTION**

The Department of Infrastructure, Energy and Resources (the Department) brings together the significant infrastructure activities of the State Government.

Its focus is on achieving the following major outcomes:

- Facilitation of a safe, accessible and equitable transport system that enhances economic development;
- Promotion of reliable, efficient and safe energy systems;
- Facilitation of mineral exploration and land management for Tasmanian land and offshore waters; and
- Maintenance of probity and integrity in the racing industry.

The Department is predominantly funded by Parliamentary appropriations. Other funding sources include direct Commonwealth grants, industry grants and miscellaneous recoveries. The Forest Practices Authority is funded by industry contributions.

The Department's financial report encompasses all funds through which it controls resources to carry on its functions and includes the activities of the Forest Practices Authority and the WorkCover Tasmania Board (until 1 April 2006) as administered entities.

The Responsible Ministers are the Minister for Infrastructure, the Minister for Economic Development and Resources, the Minister for Energy and the Minister for Racing.

## **AUDIT OF THE 2006-07 FINANCIAL STATEMENTS**

Signed financial statements were received on 15 August 2007, with final amended statements received on 10 October 2007. An unqualified audit report was issued on 15 October 2007.

## FINANCIAL RESULTS

### INCOME STATEMENT

	2006-07 Budget \$'000	2006-07 Actual \$'000	2005-06 Actual \$'000	2004-05 Actual \$'000
Revenue from government - recurrent	97 208	97 929	94 125	91 277
Revenue from government - capital	104 472	42 935	39 420	28 990
Revenue from Special Capital Investment Funds	23 600	6 219	4 349	2 329
Grants	999	3 079	2 134	974
Sales of goods and services	425	1 222	616	1 536
Fines and regulatory fees	224	441	1 000	262
Other revenue	208	5 180	3 094	1 573
<b>Total Operating Income</b>	<b>227 136</b>	<b>157 005</b>	<b>144 738</b>	<b>126 941</b>
Employee entitlements	30 751	31 320	35 382	33 011
Depreciation and amortisation	79 228	78 949	75 713	79 560
Grants and subsidies	48 452	52 473	49 181	46 163
Supplies and consumables	58 052	68 171	55 417	42 722
Loss (profit) on sale of assets	( 4)	392	603	60
Written down of assets	0	371	14 842	155
Other expenses	2 363	1 982	2 223	2 173
<b>Total Operating Expenses</b>	<b>218 842</b>	<b>233 658</b>	<b>233 361</b>	<b>203 844</b>
<b>Net Operating Surplus (Deficit) before:</b>	<b>8 294</b>	<b>(76 653)</b>	<b>(88 623)</b>	<b>(76 903)</b>
Revenue from government - capital	0	51 590	44 218	56 700
Revenue from Special Capital Investment Funds - capital	0	11 036	16 935	5 064
Commonwealth Grant - East Tamar Highway	0	0	60 000	0
Non-operating revenue	0	0	637	34 212
<b>Net Surplus (Deficit) Attributable to the State</b>	<b>8 294</b>	<b>(14 027)</b>	<b>33 167</b>	<b>19 073</b>

### Comment

The Department has consistently reported operating deficits in the three years under review. The primary reason for the deficits is that the Department is funded on a cash basis, which excludes depreciation or increases in employment provisions. The operating deficits are funded to a certain extent by significant capital grant and Special Capital Investment Funds (SCIF) funding. The capital funding is used to facilitate both asset replacement and asset maintenance. The above analysis has separated capital funding expended on asset replacement and recorded it below operating activities.

Revenue from government – capital and SCIF used in asset maintenance are recorded as operating income. This enables an assessment of the Department’s management of operating revenues and expenditures.

Revenues from government – recurrent were in line with budget and increased by \$6.652m (or 7.29%) from 2004-05. Over the same period, total Revenues from government – capital increased by \$8.835m (10.31%). However, over the same period total operating expenses increased by \$29.814m (14.63%).

Significant changes in operating expenses over the three years under review include:

- Employee entitlements decreased in 2006-07 by \$4.062m (11.48%) due to the transfer of employees, when the Workplace Standards Authority was moved to the Department of Justice;
- Grants and subsidies increased by \$6.310m (13.67%) due to an increase in the Community Service Obligation payment to Metro Tasmania Pty Ltd (Metro) and payments to school bus operators. The increases were driven by inflation and linked to the Regular Passenger Transport Index (RPTI). The RPTI is contained within the contracts for Metro, School Contract Bus Services and Bruny Island Ferry Service; and
- Supplies and consumables increased by \$25.190m (58.96%) and the expense for 2006-07, \$68.171m was \$10.119m above the Budget estimate. The increase was principally the result of increased spending on roads following the Government’s election commitments and expenditure relating to maintenance of rail infrastructure assets taken up during the year. Further information on the rail asset take-up is provided under the Balance Sheet analysis.

The Write-down of assets in 2005-06, \$14.842m, was the written-down value of replaced roads resulting principally from the construction of the Ulverstone by-pass.

Capital funding from revenue from government – capital and SCIF funding expended on capital projects in the three years totals \$185.543m, with depreciation and amortisation totalling \$234.222m in the same period. This represents a deficit of \$48.649m and indicates the Department may not be investing sufficiently in maintaining its infrastructure base. However, this indicator does not take into account the impact of the Department’s investment in maintenance which may counterbalance this shortfall. It is also noted that in June 2006 the Department received Commonwealth funding of \$60.000m for the redevelopment of the East Tamar Highway. No significant expenditure in relation to this grant had been incurred to 30 June 2007.

In 2004-05, Non-operating revenue totalled \$34.212m when the Department took over the activities of the ABT Railway Ministerial Corporation Pty Ltd resulting the consolidation of its activities into the Department’s financial statements.

## BALANCE SHEET

	2006-07	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Cash and deposits	56 625	71 207	66 495	3 477
Receivables	1 496	1 123	827	1 497
Other financial assets	4 010	5 866	4 660	4 036
<i>Non-financial Assets</i>				
Assets held for sale	0	10	121	0
Plant and equipment	11 659	12 862	11 780	12 527
Land and buildings	14 429	20 801	14 277	14 338
Road infrastructure	3 484 025	3 840 916	3 786 477	3 487 052
Other infrastructure	31 969	36 702	32 413	33 451
Intangibles	9 538	8 770	5 503	2 754
<b>Total Assets</b>	<b>3 613 751</b>	<b>3 998 257</b>	<b>3 922 553</b>	<b>3 559 132</b>
<i>Liabilities</i>				
Payables	1 232	7 277	2 501	1 807
Employee entitlements	8 536	8 563	8 179	9 504
Other liabilities	488	3 993	1 353	1 032
<b>Total Liabilities</b>	<b>10 256</b>	<b>19 833</b>	<b>12 033</b>	<b>12 343</b>
<b>Net Assets</b>	<b>3 603 495</b>	<b>3 978 424</b>	<b>3 910 520</b>	<b>3 546 789</b>
Reserves	1 273 609	1 345 516	1 263 585	933 021
Accumulated funds	2 329 886	2 632 908	2 646 935	2 613 768
<b>Total Equity</b>	<b>3 603 495</b>	<b>3 978 683</b>	<b>3 910 520</b>	<b>3 546 789</b>

### Comment

During the period under review the Department's equity increased by \$67.904m primarily due to \$81.931m in asset revaluation increments. The Department revalues road, land under roads and bridge infrastructure on an annual basis through full revaluations or by applying indices.

The movements in the cash and deposits balances are explained under the Cash Position analysis later in this Chapter.

As illustrated in the Balance Sheet, the Department's assets are dominated by road infrastructure assets, totalling \$3.840bn (or 96.6% of total assets).

In 2005-06, Road infrastructure increased by \$299.425m due to the revaluation of the asset, \$340.243m and capital improvements, \$57.246m, offset by assets written off during the year, \$14.811m, and depreciation expenses of \$83.253m. The increase in 2006-07 of \$54.439m was primarily the result of capital improvements, \$61.208m, and revaluation of roads, \$98.734m, offset by depreciation, \$76.497m, and devaluation of bridges, \$59.985m. The budget estimate was made in May 2005 and could not anticipate the increase.



The devaluation of bridges is primarily due to the valuation of the major Tasmanian bridges (ie. Tasman, Bowen, Bridgewater and Batman Bridges). In undertaking the valuation, it was found that modern construction costs of larger bridges have fallen relative to construction costs of bridges in general. The Department has been indexing all its bridge values since 1996, which overstated the value of major bridges, which was found in the 2006-07 revaluation.

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.

Intangibles represent the costs associated with the redevelopment of the Motor Registry System (MRS) project and from 2006-07 the Roads Information Management System (RIMS) project. The RIMS project is being funded from SCIF and the MRS project from Appropriation.

The increase in Payables in 2006-07, \$4.516m was primarily due to roads program invoices and payments to bus drivers held over to July 2007. These matters were not anticipated when the budget estimates were prepared.

The increase in Other liabilities in 2006-07 was principally due to the carry-forwards of unspent Appropriated Funds noted previously. The carry-forwards were not anticipated when the budget estimates were prepared.

## CASH POSITION

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	96 208	97 929	94 125	91 160
Receipts from government - capital	0	45 122	39 719	29 608
Revenue from Special Capital				
Investment Funds	0	6 219	4 348	2 329
Grants	999	2 713	2 277	584
Sales of goods and services	649	1 127	765	1 598
Fines and regulatory fees	0	443	998	261
GST receipts	10 398	16 153	16 093	13 326
Other cash receipts	23 808	5 233	3 307	1 726
Payments to employees	( 30 619)	( 30 948)	( 34 704)	( 36 174)
Grants and subsidies	0	( 50 456)	( 49 350)	( 46 280)
Payments to suppliers	( 108 867)	( 64 882)	( 55 403)	( 39 954)
GST payments	( 10 399)	( 17 331)	( 15 734)	( 13 662)
Other cash payments	0	( 1 965)	( 3 405)	( 1 257)
<b>Cash from (used in) operations</b>	<b>( 17 823)</b>	<b>9 357</b>	<b>3 036</b>	<b>3 265</b>
Receipts from government - capital	104 472	51 591	44 218	56 700
Commonwealth Grant - East Tamar Highway	0	0	60 000	0
Revenue from Special Capital				
Investment Funds	0	11 036	16 935	5 064
Proceeds from disposal of assets	4	3	5	1
Payments for acquisition of assets	( 92 671)	( 67 275)	( 61 176)	( 63 791)
<b>Cash from (used in) investing activities</b>	<b>11 805</b>	<b>( 4 645)</b>	<b>59 982</b>	<b>( 2 026)</b>
<b>Net increase (decrease) in cash</b>	<b>( 6 018)</b>	<b>4 712</b>	<b>63 018</b>	<b>1 239</b>
Cash at the beginning of the year	62 643	66 495	3 477	2 238
<b>Cash at end of the year</b>	<b>56 625</b>	<b>71 207</b>	<b>66 495</b>	<b>3 477</b>

### Comment

The Cash and deposits balance increased by \$68.969m over the three year period under review principally as a result of the \$60.000m grant funding relating to the redevelopment of the East Tamar Highway, as noted in the Income Statement section.

Excluding the \$60.000m grant reveals the cash position has increased by \$8.969m over the period, with Cash from operations totalling \$15.568m offset by net cash used in investing activities of \$6.689m. The Department has paid \$192.242m over the period for the acquisition on assets, which has been funded predominately by capital appropriations, SCIF and grant funding of \$185.553m (excludes \$60.000m grant).

The difference between the budget estimate and actual amount of Cash and deposits was due to lower than expected expenditure of East Tamar Highway funds and the carry-forward of unspent Appropriated Funds for election commitments in accordance with Section 8A(2) of the *Public Accounts Act 1986*.

## FINANCIAL ANALYSIS

	<b>Bench Mark</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
<b>Financial Performance</b>				
Result from operations (\$'000s)		( 76 653)	( 88 623)	( 76 903)
Operating margin	>1.0	0.67	0.62	0.62
<b>Financial Management</b>				
Debt collection	30 days	33	32	107
Creditor turnover	30 days	26	8	11
<b>Other Information</b>				
Self-sufficiency (%)		4	3	2
Government funding (%)		84	75	73
Staff numbers (FTE)		503	512	618
Average staff costs (\$'000s)		62	69	53
Average leave balance per FTE (\$'000s)		17	16	15

### Comment

An operating margin well below one in all three years under review is consistent with observations made under the Income Statement section, relating to the Department not being funded for depreciation or increases in employee entitlements. Because depreciation is a significant expense, it is expected that a deficit operating result and poor operating margin will continue.

The unusually high Debt collection ratio for 2004-05 was due to invoices totalling \$0.802m being raised in June 2005, but not settled until August and September 2005.

The Self-sufficiency ratio shows the level of independent funding that the Department generated for use in achievement of its objectives. This increased slightly over the three years under review. The improvement is partly attributable to an increase in interest revenue for the year, \$3.510m, (\$0.046m, 2005-06) due to the Department holding \$60.000m in grant funds.

The Government funding ratio is below 100%, which represents a break-even position that is common to most departments. The ratio has been impacted by the significant

operating deficits incurred by the Department primarily due to depreciation not being funded.

Average staff costs rose over the three year period mainly due to a 3.5% increase in wages as a result of the SSWA. The average costs in 2005-06 have been impacted by the transfer of 124 employees from Workplace Standards Tasmania (WST). Of the total Employee entitlements expense in 2005-06, \$35.382m (see Income Statement), \$5.867m related to WST in the calculation of Average staff costs. This left staff costs of \$29.515m which, if divided by 512 FTEs would have resulted in an average staff cost of \$0.058m per FTE.

## ADDITIONAL FINANCIAL INFORMATION

### Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Income Statement, Balance Sheet or Cash Flow Statement. Transactions administered by the Department include the Forest Practices Authority and the WorkCover Tasmania Board (until 1 April 2006).

### Administered Income and Expenses

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	19 389	17 922	16 586	15 036
Revenue from government - capital	0	600	850	0
Grants	39 721	32 569	34 446	37 488
Sales of goods and services	23 359	41 513	28 702	22 306
Fines and regulatory fees	31 599	36 388	32 191	31 516
Other revenue	2 009	618	102	240
<b>Total Revenue</b>	<b>116 077</b>	<b>129 610</b>	<b>112 877</b>	<b>106 586</b>
Employee entitlements	3 149	1 634	3 227	2 893
Depreciation and amortisation	1	4	9	12
Grants and subsidies	17 508	18 040	17 127	16 124
Supplies and consumables	639	575	1 956	2 872
Resources provided free of charge	0	0	2 776	0
Other expenses	206	106	330	0
<b>Total Expenses</b>	<b>21 503</b>	<b>20 359</b>	<b>25 425</b>	<b>21 901</b>
<b>Net Surplus</b>	<b>94 574</b>	<b>109 251</b>	<b>87 452</b>	<b>84 685</b>
Transfer to Consolidated Fund	( 94 690)	( 105 876)	( 87 678)	( 84 901)
Equity interests	0	0	0	( 264)
<b>Net Surplus (Deficit)</b>	<b>( 116)</b>	<b>3 375</b>	<b>( 226)</b>	<b>( 480)</b>

## Comment

In comparing actual to budget for 2006-07, major variances relate to:

- Grants received were \$7.152m less than that anticipated when preparing the budget estimate that included expected increased funding from the Australian Government for National Roads, which was subsequently revised downwards by \$4.000m; and
- Other revenue included anticipated revenue from access to the Tasmanian Rail network which did not eventuate.

The increase in Sales of goods and services in 2006-07 was principally due to increased Mineral Royalties due to strong commodity prices, which also caused the difference compared to the budget estimate.

The increase in Fines and regulatory fees in 2006-07 was due to increases of \$1.905m in Public vehicle licensing; \$1.086m in Driver licensing; and \$1.231m in Vehicle registration, which exceeded the budget estimate.

Major Grants and subsidies expended in 2006-07 included:

- School bus operators route service, \$8.132m;
- Transport access scheme, \$2.687m;
- National Road Transport Commission, local government contribution, \$1.500m;
- Tasmanian racing assistance, \$1.060m; and
- Contribution to Marine and Safety Tasmania, \$0.800m.

The amount of Resources provided free of charge in 2005-06, \$2.776m, was the result of a restructuring of administrative arrangements in which the Department relinquished its responsibilities for the activities of Workplace Standards Tasmania and WorkCover Tasmania effective from 1 April 2006.

Transfer to Consolidated Fund was higher in 2006-07 and exceeded the budget estimate due to larger revenue collections, particularly Minerals Royalties, Public vehicle licensing, Vehicle registration and Driver licensing, noted previously.

## Administered Assets and Liabilities

	2006-07	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Cash	1 817	3 258	1 935	3 543
Receivables	3 262	3 120	2 933	3 262
Other financial assets	67	2 747	82	67
<i>Non-financial Assets</i>				
Property, plant and equipment	11	2	6	19
<b>Total Assets</b>	<b>5 157</b>	<b>9 127</b>	<b>4 956</b>	<b>6 891</b>
<i>Liabilities</i>				
Payables	2 063	705	1 740	2 935
Employee entitlements	375	356	293	607
Other liabilities	321	1 889	121	321
<b>Total Liabilities</b>	<b>2 759</b>	<b>2 950</b>	<b>2 154</b>	<b>3 863</b>
<b>Net Assets</b>	<b>2 398</b>	<b>6 177</b>	<b>2 802</b>	<b>3 028</b>
Accumulated funds	2 398	6 177	2 802	3 028
<b>Total Equity</b>	<b>2 398</b>	<b>6 177</b>	<b>2 802</b>	<b>3 028</b>

### Comment

The changes in Total Equity are attributable to the Net surpluses (deficits) recorded.

Decreases in Cash, Receivables, Payables, Employee entitlements and Other liabilities in 2005-06 were caused by to the transfer of WST and the WorkCover Tasmania Board, as noted previously.

Until 2005-06 Other financial assets consisted solely of the market value of shares held by the Minister in Murchison United Ltd. The amount in 2006-07 included accrued revenue, primarily \$2.166m, received from Australian Bulk Minerals.

Other liabilities increased by \$1.768m from 2006-07, which reflects a change in the Department's disclosure of monies held in trust. In prior years the balance was offset the cash balance. In 2006-07, the disclosure was made on a gross basis.

## Administered Cash Flows

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	19 189	17 922	16 386	15 036
Receipts from government - capital	0	600	850	0
Grants	39 721	32 587	33 335	31 623
Sales of goods and services	23 359	39 033	28 875	22 291
Fines and regulatory fees	31 599	36 242	32 183	31 563
Other receipts	2 008	975	104	6 581
Payments to employees	(3 138)	(1 571)	(3 293)	(2 880)
Grants and subsidies	(17 508)	(17 344)	(17 110)	0
Other cash payments	(845)	(1 245)	(5 260)	(19 324)
Transfers to the Consolidated Fund	(94 690)	(105 876)	(87 678)	(84 901)
<b>Cash (used in) operating activities</b>	<b>(305)</b>	<b>1 323</b>	<b>(1 608)</b>	<b>(11)</b>
<b>Cash (used in) investing activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(13)</b>
<b>Net increase (decrease) in cash</b>	<b>(305)</b>	<b>1 323</b>	<b>(1 608)</b>	<b>(24)</b>
Cash at the beginning of the year	2 122	1 935	3 543	3 567
<b>Cash at end of the year</b>	<b>1 817</b>	<b>3 258</b>	<b>1 935</b>	<b>3 543</b>

### Comment

Reasons for changes in cash flow items have been discussed previously in the Administered Income and Expense section.

Reasons for variances between budget estimates and actual amounts in the Cash Flow Statement are the same as those noted in the Administered Income and Expenses section.

### OVERALL COMMENT

The 2006-07 audit was completed with satisfactory results.

# **DEPARTMENT OF JUSTICE**

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## **INTRODUCTION**

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

The Department provides administrative support for the Supreme and Magisterial Courts, Tasmanian Industrial Commission, Tasmanian Legal Aid Commission, Resource Management and Planning Appeal Tribunal, Resource Planning and Development Commission, WorkCover Board, Guardianship and Administration Board, Mental Health Tribunal, Forensic Tribunal, Public Guardian, Tasmanian Electoral Commission, Workers' Rehabilitation and Compensation Tribunal and Parole Board. It also supports the statutory offices of the Solicitor-General, the Director of Public Prosecutions, the Ombudsman, the Health Complaints Commissioner, the Energy Ombudsman, the Legal Ombudsman, and the Anti-Discrimination Commissioner. Some of these areas are separately accountable to Parliament.

The Department is also directly responsible for services delivered by the Tasmanian Prison Service, Community Corrections, Crown Law, Office of Consumer Affairs and Fair Trading, Registry of Births, Deaths and Marriages, Victims Support Services, Workplace Standards Tasmania, Land Use Planning, Poppy Advisory and Control Board, Fines Enforcement, the Office of the Legislation Development and Review, Operation Review Unit and Private Sector Industrial Relations.

The Responsible Minister is the Attorney-General, Minister for Justice, Workplace Relations and Minister for Planning.

## **AUDIT OF THE 2006-07 FINANCIAL STATEMENTS**

Signed financial statements were received on 15 August 2007, with amended statements received on 28 September 2007. An unqualified audit report was issued on 3 October 2007.



## FINANCIAL RESULTS

### INCOME STATEMENT

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	104 131	106 904	91 154	73 031
Revenue from Special Capital Investment Funds	0	1 248	1 812	1 632
Sale of goods and services, fees and fines & grants	10 359	9 227	7 512	6 032
Resources received free of charge	0	0	0	30
Other operating revenue	2 271	7 935	6 566	5 864
<b>Total Operating Income</b>	<b>116 761</b>	<b>125 314</b>	<b>107 044</b>	<b>86 589</b>
Employee entitlements	69 371	72 887	62 787	49 622
Depreciation	2 969	3 993	2 187	2 065
Grants and subsidies	5 373	4 736	4 378	4 515
Other operating expenses	43 045	46 093	39 022	31 043
<b>Total Operating Expenses</b>	<b>120 758</b>	<b>127 709</b>	<b>108 374</b>	<b>87 245</b>
<b>Net Operating (Deficit) before:</b>	<b>( 3 997)</b>	<b>( 2 395)</b>	<b>( 1 330)</b>	<b>( 656)</b>
Capital appropriations	19 904	19 904	15 896	13 559
Asset transfers	0	0	( 22 990)	0
<b>Net Surplus (Deficit) Attributable to the State</b>	<b>15 907</b>	<b>17 509</b>	<b>( 8 424)</b>	<b>12 903</b>

### Comment

Recurrent appropriations increased, primarily due to the transfer of funds from other agencies due to the administrative restructuring which took effect in April 2006. The impact of this administrative restructure resulted in \$11.327m of additional appropriations in 2006-07. In addition, over the last three years there have been progressive increases in recurrent appropriations to fund the Correctional Officers' Agreement 2005, funding to cover the cost of the new operating model relating to the recently completed prison redevelopment and funding to cover the cost of the 15 year maintenance contract.

The Department received additional recurrent appropriations over its original 2006-07 budget totalling \$2.773m relating to:

- Transfer on administrative restructure relating to the transfer of private industrial relations from Department of Premier and Cabinet, \$0.322m;
- Additional staffing costs for the Resource Planning and Development Commission to meet an increase demand for services, \$0.210m;

- Beaconsfield mine inquiry, \$1.000m;
- Increased cost of providing jury services, \$0.100m;
- Costs associated with the January 2007 riot at the Hobart reception prison, \$0.130m; and
- Items Reserved By Law, including \$0.800m for the *Criminal Injuries Compensation Act*, \$1.011m.

Capital appropriation increases over the past three years primarily relate to the Prison Infrastructure Redevelopment Program (PIRP), which commenced in 2003-04 and was completed in October 2006. The funding of the PIRP was through the Capital Investment Program however from September 2005 bridging funding was provided by an external bank loan (to fast-track the completion of the process) which has two repayments outstanding due in July 2007 and 2008. Capital Appropriations received by the Department are used to repay the external borrowing commitments.

Special capital investment funds continue to be provided for the Monetary Penalty Enforcement Project (MPEP) which is expected to be completed in 2007-08. An additional \$0.026m was provided in 2006-07 to meet costs relating to the development of a Victims Services Computer system.

Sales of goods and services, fees and fines and grants increased 53% over the three years under review. In 2005-06 the administrative restructure resulted in an additional \$0.190m in grants and there was also an increase in user charges of \$0.753m. In 2006-07 the full year effect of the restructure resulted in an increase of \$0.777m in fees and fines. Also, a new Commonwealth grant of \$0.969m was received relating to the Court Mandated Drug Diversion Program.

Other Operating revenue increased 35% over the three years. Revenues for the Electoral Commission vary each year depending on the timing of State and local council election activity and resulted in an increase in 2005-06. In 2006-07 electoral revenue was reduced by \$1.029m, in addition, the Ombudsman's office revenue (received to offset expenditure incurred) reduced \$0.653m due to the completion of the Child Abuse Review in the prior year. This reduction was offset by additional revenue (received to off-set expenditure incurred) for work undertaken on the assessment of the proposed pulp mill which totalled \$2.914m and which was a significant increase on budget.

The increase in employee entitlement expenses from \$62.787m in 2005-06 to \$72.887m in 2006-07 was due to including the full year effect of the administrative restructure carried out in 2005-06 resulting in an additional \$7.000m of wages or 154 FTEs. Wage increases across the Department were on average 3.5% resulting in an increase of \$1.000m in total. There has only been a small increase in FTEs from 961 in 2005-06 to 972 in 2006-07 including the administrative restructure which occurred in April 2006. The new prison operating model resulted in an increase in prison staff from 307 in 2004-05 to 337 in 2005-06 and currently there are 344 staff working in the prison. The actual 2006-07 cost is \$3.516m over budget due to an incorrect budget allocation that resulted in variations to budget being costed to other operating expenses, not employee entitlements.

Depreciation increased by \$1.928m over the three year period, which is mainly due to the completion of the new prison. The women's prison was completed in 2005-06 and the main prison in 2006-07. Providing for depreciation on the majority of the new

prison buildings and related plant and equipment commenced in 2006-07 resulting in an increased charge of \$1.790m which was not accurately budgeted for.

The increase in other operating expenses over the three years of 26% in 2005-06 and 18% in 2006-07 is consistent with the increase in recurrent appropriation of 25% in 2005-06 and 17% in 2006-07 and is therefore attributed to the same reasons as noted above for recurrent appropriations. As mentioned previously, in relation to other operating revenue, there were additional costs and revenues which were not accurately budgeted for in relation to work undertaken on the assessment of the proposed pulp mill.

The asset transfer of \$22.990m in 2005-06 relates to the transfer for no consideration of the Secure Mental Health facility at the Risdon Prison to the Department of Health and Human Services.

## BALANCE SHEET

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Cash and deposits	6 168	8 436	9 490	5 557
Receivables	1 000	3 336	2 119	1 180
<i>Non-financial Assets</i>				
Inventory	484	433	441	336
Property, plant and equipment	155 520	135 463	135 563	104 491
Intangibles	0	2 576	1 489	822
<b>Total Assets</b>	<b>163 172</b>	<b>150 244</b>	<b>149 102</b>	<b>112 386</b>
<i>Liabilities</i>				
Payables	1 886	3 190	7 424	5 195
Interest bearing liabilities	18 399	19 343	32 083	0
Employee entitlements	13 449	14 880	14 432	10 129
Other liabilities	160	1 005	846	673
<b>Total Liabilities</b>	<b>33 894</b>	<b>38 418</b>	<b>54 785</b>	<b>15 997</b>
<b>Net Assets</b>	<b>129 278</b>	<b>111 826</b>	<b>94 317</b>	<b>96 389</b>
Reserves	19 302	19 302	19 302	13 102
Accumulated funds	109 976	92 524	75 015	83 287
<b>Total Equity</b>	<b>129 278</b>	<b>111 826</b>	<b>94 317</b>	<b>96 389</b>

## Comment

The Department's Total Equity increased by \$15.437m over the period under review primarily due to:

- Net surpluses in 2005-06 and 2006-07 of \$9.085m; and
- Asset revaluations in 2005-06 of \$6.200m.

The movement in Cash is consistent with the movements noted in the Cash Position section that follows.

Since 2004-05, receivables increased \$2.156m due to a change in the method used to account for Crown Law Work In Progress which resulted in a permanent increase in debtors at year end of \$0.191m in 2005-06 and \$0.492m in 2006-07. Included in the receivables balance of \$3.336m at 30 June 2007 is an amount of \$1.271m due from the Department of Economic Development, relating to work performed by external consultants in relation to the proposed Tasmanian Pulp Mill.

Between 2004-05 and 2006-07 approximately \$52.412m was added to Property, plant and equipment relating to the new prison which was completed in September 2006 with \$2.711m being depreciated in 2006-07. This increase was offset by the transfer in 2005-06 of the Secure Mental Health unit component of the PIRP, \$22.990m to the Department of Health and Human Services. The budget figures are significantly higher than actual due to inaccurate budget estimates and variations which will be corrected going forward.

Intangibles continue to increase and relate to the capitalisation of costs associated with the MPEP (software development) and the new Supreme Court Civil Registry Management System (CRMS). Current year expenditure on these projects totalled \$1.087m, comprising \$0.267m for the CRMS and \$0.820m for MPEP. MPEP and phase one of CRMS are both due for completion by 2007-08. The Department has not yet committed to phase two of CRMS. Expenditure for both projects was budgeted under other expenditure and not intangibles.

The payables balance in 2004-05 and 2005-06 was impacted by the prison, with a tight cash flow budget at year end in 2005-06. The balance in 2006-07 is more representative of the Department's payables balance in the absence of one-off significant projects. The nature of the operation results in the Payables balance changing significantly and provides difficulty in comparing the actual balance to the budget estimates.

Interest bearing liabilities appeared for the first time in 2005-06 and related to a financing arrangement entered into in September 2005 between the Department, ANZ and John Holland/Fairbrother in respect to the PIRP. In September 2006 the PIRP was completed and therefore no additional costs were financed. July 2006 saw the first of three annual payments to ANZ resulting in a reduced balance in 2006-07. The interest rate relating to the borrowings was 6.38% as at 30 June 2007. The interest expense totalled \$1.191m at 30 June 2007 and due to the completion of the project was fully expensed.

Employee entitlements increased by 47% since 2004-05 mainly due to the administrative restructuring in April 2006 which resulted in an additional 154 FTEs. In addition, during 2005-06 there were significant salary and wage increases relating to the Correctional Officers Agreement 2005 and the Legal Practitioners Agreement 2005. The increase in employee entitlements from \$14.432m in 2005-06 to \$14.880m in 2006-07 is primarily due to an average 3.5% increase in salaries with average leave balance per employee and FTEs remaining consistent with the prior year.

Other liabilities relate to payroll tax obligations in respect of employee entitlement balances. Payroll tax has been 6% over the three years and these liabilities directly correlate with movements in the employee entitlement balances. Payroll tax on employee entitlements was not budgeted for, hence the significant increase on budget.

## CASH POSITION

	2006-07	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	104 131	106 904	91 154	71 001
User charges, fees and fines and grants	10 059	9 383	7 295	7 679
GST receipts	1 700	6 861	7 996	8 025
Other cash receipts	2 271	11 353	8 008	6 411
Payments to employees	(68 921)	(73 096)	(64 909)	(48 001)
Payments to suppliers	(48 118)	(54 378)	(37 685)	(35 166)
GST payments	(1 700)	(6 765)	(7 525)	(7 676)
<b>Cash from (used in) operations</b>	<b>(578)</b>	<b>262</b>	<b>4 334</b>	<b>2 273</b>
Receipts from government - capital	19 904	19 904	15 896	13 559
Proceeds from disposal of assets	0	0	29	0
Payments for acquisition of assets*	(5 539)	(7 290)	(17 010)	(16 457)
<b>Cash from (used in) investing activities</b>	<b>14 365</b>	<b>12 614</b>	<b>(1 085)</b>	<b>(2 898)</b>
Proceeds from administrative restructuring - cash transferred in	0	0	684	0
Repayment of borrowings (including interest)	(13 555)	(13 930)	0	0
<b>Cash from financing activities</b>	<b>(13 555)</b>	<b>(13 930)</b>	<b>684</b>	<b>0</b>
<b>Net increase (decrease) in cash</b>	<b>232</b>	<b>(1 054)</b>	<b>3 933</b>	<b>(625)</b>
Cash at the beginning of the year	5 936	9 490	5 557	6 182
<b>Cash at end of the year</b>	<b>6 168</b>	<b>8 436</b>	<b>9 490</b>	<b>5 557</b>

\* This excludes capital expenditure funded by the ANZ bank - see previous comments.

### Comment

The increase in capital and recurrent appropriations received are consistent with the increases noted in the Income Statement section of this Chapter. Similarly, the increases in payments to suppliers and employees are also consistent with the comments made previously.

Budget variances in relation to GST receipts and payments, payments to employees and payments to suppliers are again due to inaccurate allocations of budget estimates

The \$7.290m noted for Payments for acquisition of assets relates primarily to the PIRP, the MPEP and the CRMS and is significantly lower when compared to 2005-06 due to the completion of the PIRP in September 2006. As noted previously, in September 2005 the Department entered into an arrangement with ANZ bank and John Holland/Fairbrother in respect to the PIRP. This involved the ANZ bank making net progress payments to John Holland/Fairbrother, the Department paying the GST and being required to make three annual payments commencing July 2006. Consequently, payments for the

acquisition of non-financial assets do not correspond to the capital costs of the PIRP project. As noted in the Balance Sheet analysis above, the Department has a loan liability in relation to funding by the ANZ.

## FINANCIAL ANALYSIS

	<b>Bench Mark</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
<b>Financial Performance*</b>				
Result from operations (\$'000s)		( 2 395)	( 1 330)	( 656)
Operating margin	>1.0	0.98	0.99	0.99
<b>Financial Management</b>				
Debt collection	30 days	132	103	71
Creditor turnover	30 days	25	69	61
<b>Other Information</b>				
Self-sufficiency %		13	13	14
Government funding %		98	99	99
Staff numbers (FTE)		972	961	740
Average staff costs (\$'000s)		75	65	67
Average leave balance per FTE (\$'000s)		15	15	14

\* Before asset transfers

### Comment

As expected, because departments are not funded for depreciation or increases in employee entitlements, the Result from operations is in deficit for each year resulting in an Operating margin slightly below 1.

The Debt collection ratio has been impacted by the \$1.271m debt at 30 June 2007 relating the Pulp Mill discussed under the Balance Sheet (receivables) rather than necessarily a change in the collectability of receivables.

The Department's normal payment period for creditors is 28 days. However, there are a number of expenditure streams which required shorter payment periods resulting in the 2006-07 Creditor turnover ratio being 25 days. In 2005-06 there were unusually large creditors' balances which distorted the ratio due to tight cash flow as discussed above under Balance Sheet section (payables).

The Self-sufficiency ratio shows the level of independent funding that the Department generated for use in achievement of its objectives. This has remained constant over the three years under review.

The Government funding ratio is trending towards 100% which represents a break-even position that is common to most departments.

Average staff costs for 2005-06 are distorted due to 154 FTEs transferred to the Department in April 2006 due to the administrative restructure. The average staff cost of \$0.075m in 2006-07 is up on 2004-05 due to significant pay rises for correctional officers and legal practitioners which were effected in 2005-06.

The movements in staff numbers and average leave balances have been commented on previously in this Chapter.

## ADDITIONAL FINANCIAL INFORMATION

### Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Income Statement, Balance Sheet or Cash Flows.

The Department's administered statements primarily relate to the enforcement of monetary penalties, Supreme and Magisterial court services, Births, Deaths and Marriages, maintenance of a fair, safe and equitable market place and workplace standards. All revenue is transferred to the Consolidated Fund.

As a part of the State Government's administrative restructuring, effective 1 April 2006, the Department assumed responsibility for Workplace Standards Tasmania (WST) and Resource Planning, which includes the Resource Planning Development Commission, Resource Management Planning Appeals Tribunal and Land Use Planning. There were no administrative restructures in 2006-07.

### Administered Income and Expenses

	2006-07	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Revenue from government -				
recurrent	0	0	0	1 544
Australian government grants	0	4 022	3 869	3 774
Sales of goods and services, fees				
and fines	21 370	28 886	21 759	21 267
Other revenue	5	5 384	2 984	6 068
<b>Total Revenue</b>	<b>21 375</b>	<b>38 292</b>	<b>28 612</b>	<b>32 653</b>
Grants and subsidies	0	3	0	0
Employee entitlements	0	1 453	340	0
Depreciation and amortisation	0	3	1	0
Impairment losses	0	0	2 014	1 697
Other expenses	0	5 390	4 786	8 480
<b>Total Expenses</b>	<b>0</b>	<b>6 849</b>	<b>7 141</b>	<b>10 177</b>
<b>Net Surplus</b>	<b>21 375</b>	<b>31 443</b>	<b>21 471</b>	<b>22 476</b>
Transfer to Consolidated Fund	21 375	23 944	21 319	21 569
<b>Net Surplus Attributable to the State</b>	<b>0</b>	<b>7 499</b>	<b>152</b>	<b>907</b>

## **Comment**

The decrease in revenue from government - recurrent from \$1.544m in 2004-05 to nil in 2005-06 and 2006-07 was due to the recurrent appropriation and related expenses in respect to Criminal Injuries Compensation Fund being reclassified from Administered to Controlled.

User charges, fees and fines are made up predominantly of fines collected by Fines Enforcement. In the current year there was a change in the accounting estimation of impairment of fines debtors. This resulted in a decrease of \$3.123m in the provision which was recognised against the fines income and contributes to the \$7.127m increase from 2005-06. Another \$2.934m is attributable to a general increase in fines revenue and the remaining increase of \$1.000m is due to the full year effect of the administrative restructure in 2005-06.

The increase in other revenue from \$2.984m in 2005-06 to \$5.384m in 2006-07 includes the full year effect of the administrative restructure. In 2005-06 there was a \$3.000m reduction in income relating to the legal practitioners fund, an uncontrollable stream of revenue which is dependent on the number of cases which go to court each year.

The increase in employee entitlement expenses relates to the full year effect of the administrative restructure effective 1 April 2006.

There was no impairment loss in 2006-07, rather a reversal of prior year provisions which is shown against fees and fines income, as discussed above.

Consistent with the increase in other revenue, other expenses increased due to the full year effect of the administrative restructuring.

Net surpluses on administered transactions reflect the timing of funds received, which are then forwarded to Treasury, as recorded in the Transfer to Consolidated Fund and an operating surplus relating to WorkCover Board.



## Administered Assets and Liabilities

	2006-07	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Cash	1 965	2 179	2 359	449
Receivables	13 703	22 697	15 031	13 703
<i>Non-financial Assets</i>				
Property, plant and equipment	8	0	3	0
<b>Total Assets</b>	<b>15 676</b>	<b>24 876</b>	<b>17 393</b>	<b>14 152</b>
<i>Liabilities</i>				
Payables	955	86	155	83
Employee entitlements	306	282	229	0
Other liabilities	0	13	13	0
<b>Total Liabilities</b>	<b>1 261</b>	<b>381</b>	<b>397</b>	<b>83</b>
<b>Net Assets</b>	<b>14 415</b>	<b>24 495</b>	<b>16 996</b>	<b>14 069</b>
Accumulated funds	14 415	24 496	16 996	14 069
<b>Total Equity</b>	<b>14 415</b>	<b>24 496</b>	<b>16 996</b>	<b>14 069</b>

### Comment

Receivables primarily relate to outstanding fines and penalties. The net receivable balance for 2006-07 shown above comprises:

- Gross receivables of \$47.413m (2005-06, \$42.962m; 2004-05, \$39.573m);
- Provision for impairment of \$23.595m (2005-06, \$25.569m; 2004-05, \$23.555m); and
- Provision for expected remissions of \$1.238m (2005-06, \$2.387m; 2004-05, \$2.387m).

The level of impairment has been significant for many years. As noted above, an impairment loss has been recognised for Administered fines receivables totalling \$23.595m. Australian Accounting Standard AASB 139 *Financial Instruments: Recognition and Measurement* requires receivables to be measured at amortised cost, and discounted to present value where relevant, and financial assets to be assessed for impairment on the basis of objective evidence.

In prior years, due to the restrictions of the fines receivable subsidiary ledger and its inability to provide appropriate data and reports to management, the Department was unable to obtain objective evidence to support the validity of the estimated impairment losses. However, in 2006-07 an independent auditor was commissioned to make an assessment of impairment of fines debtors. Three years data was obtained and used to gain an understanding of the historical level of bad debts. The resulting profile was applied to current debts to give an objective assessment of the impairment of fines receivables. Findings resulted in a decrease in both the provision for impairment and remissions, which was off-set against fines income as noted previously.

The Fines Enforcement and Management System (MPEP) which has been in development since April 2004, is expected to assist the Department in obtaining additional evidence to support its assessment of the impairment of fines receivables and expected timing of cash flows. This new system is expected to be completed and implemented in 2007-08.

### Administered Cash Flows

	2006-07 Budget \$'000	2006-07 Actual \$'000	2005-06 Actual \$'000	2004-05 Actual \$'000
Receipts from government - recurrent	0	0	0	1 544
Australian government grants	0	4 022	3 869	3 774
User charges, fees and fines	21 370	19 884	17 192	18 300
Other receipts	5	5 215	2 997	6 161
Payments to employees	0	( 1 454)	( 354)	0
Payments to suppliers	0	( 3 904)	( 3 496)	( 8 487)
Transfers to the Consolidated Fund	( 21 375)	( 23 943)	( 21 319)	( 21 569)
<b>Cash (used in) operations</b>	<b>0</b>	<b>( 180)</b>	<b>( 1 111)</b>	<b>( 277)</b>
Proceeds from administrative restructuring - cash transferred in	0	0	3 021	0
<b>Cash from financing activities</b>	<b>0</b>	<b>0</b>	<b>3 021</b>	<b>0</b>
<b>Net increase (decrease) in cash</b>	<b>0</b>	<b>( 180)</b>	<b>1 910</b>	<b>( 277)</b>
Re-classification of carry forward to True Trust	0	0	0	( 41)
Cash at the beginning of the year	1 965	2 359	449	767
<b>Cash at end of the year</b>	<b>1 965</b>	<b>2 179</b>	<b>2 359</b>	<b>449</b>

### Comment

Cash movements are basically a reflection of the timing of funds received.

The increases in other receipts, payments to suppliers and employees are consistent with the comments made previously.

There is no detailed split of budgeted figures for administered cash flows.

### OVERALL COMMENT

The 2006-07 audit was completed with satisfactory results.

# **DEPARTMENT OF POLICE AND EMERGENCY MANAGEMENT**

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## **INTRODUCTION**

Under the *Administrative Arrangements Order 2006* the Department of Police and Public Safety was renamed as the Department of Police and Emergency Management (the Department) from 1 April 2006. The Department includes Tasmania Police, the State Emergency Service and Forensic Science Services Tasmania. Tasmania Police comprises four geographic districts assisted by specialised police support units.

The Department is responsible for:

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

The Responsible Minister is the Minister for Police and Emergency Management.

## **AUDIT OF THE 2006-07 FINANCIAL STATEMENTS**

Signed financial statements were received on 15 August 2007 and an unqualified audit report was issued on 16 October 2007.

## FINANCIAL RESULTS

### INCOME STATEMENT

	2006-07 Budget \$'000	2006-07 Actual \$'000	2005-06 Actual \$'000	2004-05 Actual \$'000
Revenue from government - recurrent	158 862	161 713	148 044	136 309
Grants	6 149	6 688	4 669	3 609
Other revenue	3 148	8 124	6 758	5 663
Gain (loss) on sale of assets	0	( 130)	36	35
<b>Total Operating Income</b>	<b>168 159</b>	<b>176 395</b>	<b>159 507</b>	<b>145 616</b>
Employee entitlements	122 743	124 760	115 941	105 055
Depreciation and amortisation	1 548	2 705	2 697	2 381
Supplies and consumables	0	24 106	23 512	0
Grants and subsidies	3 490	3 525	2 953	2 280
Other expenses	39 813	22 754	18 798	41 973
<b>Total Operating Expenses</b>	<b>167 594</b>	<b>177 850</b>	<b>163 901</b>	<b>151 689</b>
<b>Net Operating Surplus (Deficit)</b>				
<b>before:</b>	<b>565</b>	<b>( 1 455)</b>	<b>( 4 394)</b>	<b>( 6 073)</b>
Revenue from government - capital	700	1 100	2 500	1 016
Equity interests	0	0	0	13 000
<b>Net Surplus (Deficit)</b>				
<b>Attributable to the State</b>	<b>1 265</b>	<b>( 355)</b>	<b>( 1 894)</b>	<b>7 943</b>

### Comment

The Department had a Net operating deficit in all reported years, principally because depreciation is not funded by appropriation, nor are increases in Employee provisions, in common with all Government departments.

Significant changes during the three-year period under review were as follows.

- Revenue from government – recurrent increased by \$11.735m in 2005-06 to fund increases in salary and non-salary expenses, together with funding for 48 additional police officers, \$1.100m, Whole-of-Government Radio Network, \$1.100m, Natural Disaster Mitigation Reform initiative, \$0.800m, and the Safe at Home programme, \$0.800m.
- Revenue from government – recurrent increased by \$13.669m in 2006-07, in accordance with the Budget to fund 12 additional police officers, \$1.300m, an additional three 'at risk' Youth Officers, \$0.240m, continuation of Project U-Turn, \$0.150m, and the State's national obligations in relation to counter terrorism.

The variance between the budget estimate and actual receipts for this item, \$2.851m, was the result of a Supplementary Appropriation and Requests for Additional Funds approved for:

- Freycinet replacement vessel, \$0.800m;
  - Outboard motors and vessel maintenance, \$0.950m;
  - Equipment for Forensic Science Service Tasmania, \$1.291m;
  - Firearms re-licensing, \$0.259m; and
  - Government radio network, \$0.686m.
- The increase in Grants, \$1.060m, in 2005-06 was largely due to increased funding from the Australian Government for State Emergency Service Disaster Mitigation Funding (SESDMF), \$0.822m, and new projects including Airport Security, \$0.880m, National Drug Law Enforcement Research Fund (NDLERF), \$0.909m, and the Investigation and Consequence Management Exercise, \$0.450m.
  - The increase in Grants, \$2.019m, in 2006-07 was largely due to increased funding from the Australian Government for NDLERF, \$1.727m, and Minimum Nationwide Person Profile, \$0.614m, and funding from the Economic and Social Infrastructure Fund, \$0.750m, for the Huonville Police, Citizens and Youth Club (PCYC). The Department will receive instalments of \$0.750m in both 2006-07 and 2007-08 to enable it to make equal grants to the Huonville PCYC for the construction of a new Huon Police and Community Youth Club at Huonville.
  - Other revenue has been gradually rising mainly due to contributions from the Motor Accident Insurance Board for the Road Safety Taskforce, police officers seconded to other police jurisdictions, including the Australian Federal Police, national crime history checks and recognition of assets not previously brought to account. Some of this revenue was not anticipated at the time of the preparation of the budget, so the actual revenue greatly exceeded the budget estimate.
  - Employee costs rose by \$10.886m in 2005-06 due to 115 additional staff, an 8% pay rise for Police officers from December 2005 and a 3.5% pay rise for state service staff; and by \$8.819m in 2006-07 due to additional officers for the Public Order Response Team, a further 8% pay rise for Police officers from December 2006 and a 3.5% pay rise for state service staff.
  - Supplies and consumables were included with Other expenses until 2004-05, which caused the significant difference between the actual amounts of both items and the budget estimates in 2006-07. Increases in this item have been generally due to increasing grants with related expenses, increasing Revenue from government for specific projects, and associated costs with increased staff numbers and wage increases.
  - The increase in expenditure for Grants and subsidies in 2005-06, \$0.673m, was principally due to an additional \$0.722m to Councils for SESDMF, \$0.200m for Chemical Biological Radiological Enhancement and the Global Information System project.
  - The increase in expenditure for Grants and subsidies in 2006-07, \$0.572m, was largely due to the grant to the Huonville PCYC, noted above as Grants received.

- Revenue from government – capital included \$1.500m in 2005-06 for the development of additional forensic science facilities. The variance with the budget estimate was associated with the refurbishment of the Launceston Police Station for which a Request for Additional Funding was approved.
- Equity interests in 2004-05 arose from an increase in assets resulting from an administrative restructuring.

## BALANCE SHEET

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Cash and deposits	816	1 897	3 405	816
Receivables	248	1 437	1 587	248
<i>Non-financial Assets</i>				
Inventory	652	688	632	652
Property, plant and equipment	100 868	150 875	101 160	101 144
Other non-financial assets	1 091	1 981	1 450	1 091
<b>Total Assets</b>	<b>103 675</b>	<b>156 878</b>	<b>108 234</b>	<b>103 951</b>
<i>Liabilities</i>				
Payables	2 298	3 041	2 493	2 299
Employee entitlements	34 726	37 540	38 292	34 424
Other liabilities	0	1 517	2 115	0
<b>Total Liabilities</b>	<b>37 024</b>	<b>42 098</b>	<b>42 900</b>	<b>36 723</b>
<b>Net Assets</b>	<b>66 651</b>	<b>114 780</b>	<b>65 334</b>	<b>67 228</b>
Reserves	30 896	72 225	30 896	30 896
Accumulated funds	35 755	42 555	34 438	36 332
<b>Total Equity</b>	<b>66 651</b>	<b>114 780</b>	<b>65 334</b>	<b>67 228</b>

## Comment

Significant changes during the three-year period under review were:

- Cash increased by \$2.589m in 2005-06 due to the overall increase in expenditure being less than the overall increase in revenue (see Cash Position below). The difference between the budget estimate and actual amount in 2006-07 is due to the supplementary funding referred to earlier, unanticipated grants and the timing of their receipts and payments.
- Receivables increased from 2004-05 largely as a result of the need to raise invoices for reimbursements from various bodies, particularly for security arrangements, seconded police officers, and insurance recoveries for rescues. This also caused the variance of the budget estimate and actual amounts in 2006-07.
- Property, plant and equipment increased by \$49.715m in 2006-07 principally due to a revaluation of land and buildings, \$41.329m, and transfer of the radio

network at value \$8.472m to the Department upon settlement with Ericsson Australia Pty Ltd. The revaluation was not reflected in the budget estimate, thus causing the variance. The Department, together with Hydro Tasmania, had been in litigation with Ericsson in relation to usage of the current mobile radio network. As part of the settlement, the Government purchased the network from Ericsson (paid by the Department of Treasury and Finance – Finance-General as part of the *Supplementary Appropriation Bill 2007*) and transferred the asset to the Department of Police and Emergency Management.

On 25 June 2007 the Department also entered into a contract, \$1.179m to replace the vessel 'Freycinet,' currently recorded in the Department's asset register at a written-down value of under \$3 132. The contract allows for bundled payments under which the Department paid \$0.766m on 28 June 2007. This was paid into a trust account with interest earned accruing to the Department. This amount is included in Property, plant and equipment as Work-in-Progress. The contract requires the vessel to be delivered within 33 weeks from commencement of construction.

- Payables increased in 2006-07 because of a change in the cut-off date for the calculation of creditors. See further comment in Financial Analysis section.
- Employee entitlements increased from 2005-06 mainly due to the additional staff and salary increases noted previously.
- Other liabilities of \$2.115m in 2005-06 consisted of Appropriation carried forward under section 8A(2) of the *Public Account Act 1986*. Other liabilities in 2006-07 consisted of accrued payroll tax, due to a change of accounting method, which was not anticipated when the budget was prepared.
- The increase of \$41.329m in Reserves in 2006-07 was due to the revaluation of land and buildings noted earlier.
- The increase in Accumulated Funds in 2006-07, \$8.117m, consisted of an equity contribution of \$8.472m for the transfer of the radio network noted previously, offset by the Net deficit, \$0.355m.

## CASH POSITION

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	156 612	160 598	148 044	134 340
Grants	6 149	7 191	5 985	4 110
Sale of goods and services	1 814	0	0	35
GST receipts	3 000	5 063	4 346	3 889
Other cash receipts	1 334	7 053	5 996	5 865
Payments to employees	(122 856)	(124 053)	(112 192)	(107 360)
Payments to suppliers	(43 303)	(50 846)	(45 558)	(37 615)
GST payments	(3 000)	(5 307)	(4 213)	(4 195)
<b>Cash from (used in) operations</b>	<b>( 250)</b>	<b>( 301)</b>	<b>2 408</b>	<b>( 931)</b>
Proceeds from disposal of assets	0	0	36	35
Receipts from government - capital	700	1 100	2 500	1 016
Payments for acquisition of assets	(2 700)	(2 307)	(2 355)	(1 752)
<b>Cash from (used in) investing activities</b>	<b>(2 000)</b>	<b>(1 207)</b>	<b>181</b>	<b>( 701)</b>
<b>Net increase (decrease) in Cash</b>	<b>(2 250)</b>	<b>(1 508)</b>	<b>2 589</b>	<b>(1 632)</b>
Cash at the beginning of the year	816	3 405	816	2 448
<b>Cash at end of the year</b>	<b>(1 434)</b>	<b>1 897</b>	<b>3 405</b>	<b>816</b>

### Comment

Reasons for variations in cash flow receipt and payment amounts reflect the comments made previously in the Income Statement and the Balance Sheet sections of this Chapter.



## FINANCIAL ANALYSIS

	<b>Bench Mark</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
<b>Financial Performance</b>				
Result from operations (\$'000s)		( 1 325)	( 4 430)	( 6 108)
Operating margin	>1.0	0.99	0.97	0.96
<b>Financial Management</b>				
Debt collection	30 days	71	33	16
Creditor turnover	30 days	43	29	13
<b>Other Information</b>				
Self-sufficiency %		8	7	6
Government funding %		99	97	96
<b>Staff numbers (FTE)</b>				
Commissioned officers		1 216	1 214	1 153
Non-commissioned staff		442	438	437
<b>Total</b>		<b>1 658</b>	<b>1 652</b>	<b>1 589</b>
Average staff costs (\$'000s)		75	70	66
Average leave balances per FTE (\$'000s)		23	23	22

### Comment

The Net operating deficits, explained previously, are the reason for the Operating margins being below the benchmark of 1.

The higher average Debt collections in 2005-06 and more so in 2006-07 are the result of delays in reimbursements and outstanding insurance claims noted previously.

The increase in the average Creditor turnover is the result of changes to the method of calculation of outstanding creditors, which was more effective in capturing expenditure in the following year that relates to the current year.

The Self-sufficiency ratio suggests that the Department generates non-appropriation revenues to fund its activities to the extent of 8% in 2006-07. Most of these revenues are Grants and Other revenue (see comments under the Income Statement section), which have both increased over the period under review resulting in the growing percentage.

The increasing Government funding ratio has been caused by the decreasing deficit.

Staff number and cost increases in 2005-06 and 2006-07 are due to the employment of additional police officers and salary increases noted previously.

## ADDITIONAL FINANCIAL INFORMATION

### Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Income Statement, Balance Sheet or Cash Flow Statement.

### Administered Income and Expenses

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Grants	228	160	160	171
Sales of goods and services	612	285	288	666
Fees and fines	0	1 546	322	371
<b>Total Revenue</b>	<b>840</b>	<b>1 991</b>	<b>770</b>	<b>1 208</b>
Transfer to Consolidated Fund	840	1 991	770	1 208
<b>Net Surplus (Deficit)</b>				
<b>Attributable to the State</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Comment

Sales of goods and services decreased from 2005-06 due to there being less recoverable expenditure. A proportion of the Budget amount should have been allocated to Fees and fines, thus causing variances for both items.

Fees and fines consists of firearm licences and registrations. The increase of \$1.224m in 2006-07 was due to the 3 or 5 year cycle of licensing; this being a re-licensing year.

All administered income is transferred to the Consolidated Fund. The Budget did not include the revenue from firearms licences.

### Administered Assets and Liabilities

The Department has no Administered Assets or Liabilities.

## Administered Cash Flows

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Grants	228	160	160	171
Sales of goods and services	612	285	288	666
Fees and fines	0	1 546	322	371
Transfer to the Consolidated Fund	( 840)	( 1 991)	( 770)	( 1 208)
<b>Cash From Operations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Increase (Decrease) in</b>				
<b>Cash</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cash at the beginning of the year	0	0	0	0
<b>Cash at End of the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Comment

See previous comments under Administered Income and Expenses.

### OVERALL COMMENT

The 2006-07 audit was completed satisfactorily with no major issues outstanding.

# DEPARTMENT OF PREMIER AND CABINET

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## INTRODUCTION

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

The Department comprises a number of divisions and sub-divisions being:

- Executive;
- Policy;
- Parliamentary Counsel;
- Corporate Services;
- Government Information and Services which includes:
  - The Inter Agency Policy and Projects Unit;
  - The *Service* Tasmania Unit; and
  - TMD, a controlled activity of the Department;
- Public Sector Management Office;
- State Service Commissioner; and
- Community Development which includes:
  - Office of Aboriginal Affairs;
  - Local Government Office;
  - Multicultural Tasmania;
  - Seniors Bureau;
  - Women Tasmania;
  - Office of Children and Youth Affairs; and
  - Disability Bureau.

For the purposes of this Report the Department also includes Ministerial and Parliamentary Support.

On 1 July 2006 the Department assumed financial responsibility for the Tasmanian Community Forest Agreement from Finance General.

The Responsible Ministers to whom the Department is responsible are the Premier, the Minister for Community Development and the Minister assisting the Premier on Local Government.

## AUDIT OF THE 2006-07 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2007 and an unqualified audit report was issued on 21 September 2007.

### FINANCIAL RESULTS

#### INCOME STATEMENT

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	49 958	56 526	45 329	42 184
Revenue from special capital investment funds	2 000	1 171	268	84
Grants	28	1 541	123	1 003
User charges, fees and fines - TASINET charges	16 166	16 608	17 403	17 900
User charges, fees and fines - other	9 476	9 810	9 841	9 185
Other operating revenue	96	1 545	1 537	1 129
<b>Total Operating Income</b>	<b>77 724</b>	<b>87 316</b>	<b>74 501</b>	<b>71 485</b>
Employee entitlements	31 253	32 906	29 306	27 420
Depreciation and amortisation	497	683	620	517
Grants and subsidies	4 430	5 295	2 345	1 693
Other operating expenses - TASINET Communications	11 518	12 484	13 226	14 179
Other operating expenses - other	30 750	33 471	28 212	28 003
Net loss from sale of assets	0	115	0	0
<b>Total Operating Expenses</b>	<b>78 448</b>	<b>84 954</b>	<b>73 709</b>	<b>71 812</b>
<b>Net Operating Surplus (Deficit) before:</b>	<b>( 724)</b>	<b>2 362</b>	<b>792</b>	<b>( 327)</b>
Revenue from government - capital	500	260	299	0
<b>Net Surplus (Deficit) Attributable to the State</b>	<b>( 224)</b>	<b>2 622</b>	<b>1 091</b>	<b>( 327)</b>

#### Comment

The Net surplus attributable to the State improved \$2.949m over the period of review. This resulted primarily from the provision of Consolidated Fund funding of \$1.934m to meet costs relating to new accommodation for TMD and capitalisation of \$1.759m of the expenditure incurred.

Reasons for movements in individual Income Statement line items included:

- Recurrent appropriation revenue increased over the period by \$14.342m to fund a range of support services for Government, and other activities, programs and grants. Additional recurrent appropriation monies were also received to fund:
  - the Premier’s sundry grants program;
  - grants and contributions to the Jim Bacon Foundation;
  - the Timor Leste Eye Program; and
  - Tasmanian Early Years Foundation.

In addition a contribution to the Flinders Council was made following the transfer of Crown land on Cape Barren and Clarke Islands to the Tasmanian Aboriginal Community.

There was a corresponding increase over the period of \$3.602m in expenditure for grant payments and subsidies in relation to these programs. Additional recurrent appropriation was also received to fund salary increases awarded in accordance with the SSWA;

- Additional revenue from special capital investment funds mainly to fund the Main Street Makeover program;
- Employee entitlements increased over the period mainly due to:
  - salary increases in both years in accordance with the SSWA;
  - restructuring of support services to Ministers in 2005-06, (prior to 2005-06 salaries of Ministers were recorded as an administered activity);
  - in 2006-07, additional support staff for Members’ electorate offices, additional salary costs primarily for support to the Stolen Generations Assessor and additional resources for new and expanded tasks (including establishing the Community Development Division) undertaken by the Department; and
  - During the period under review the Department’s FTE increase by 60 from 407 in 2004-05 to 467 in 2006-07, which, at an average staff cost of \$69 000 represents additional costs of \$4.140m over a two year period;
- Income from Grants varied over the period. This was due to funding in 2004-05 for the National Communications project Broadband for Regional Tasmania (BRT). Completion of this project in that financial year resulted in a decrease in grant receipts of \$0.787m in 2005-06. The Department received unbudgeted grants of \$1.541m in 2006-07, primarily for a second National Communications project Broadband for Regional Communities (BRC) for TMD, \$1.450m;
- TASINET revenues dropped over the period due to reduced communications contract costs subsequently recovered from agencies. Communications costs decreased correspondingly; and
- Other operating expenses increased by 19.53% (\$5.468m) over the period due to:
  - An increase in transfers to other agencies (the increase in 2006-07 was \$1.833m);

- Increases in accommodation rent costs (the increase in 2006-07 was \$1.716m) due to the additional activities that the Department has taken on, which included the recruitment and transfer of additional staff; and
- Higher consulting and advertising and promotion costs (the increase in 2006-07 was \$1.666m) primarily to fund the pulp mill assessment and advertising.

Capital appropriation revenue, totalling \$0.559m, was received in 2005-06 and 2006-07 for the *Service Tasmania Shops* capital investment.

In 2006-07 there were significant budget to actual variances as follows.

Recurrent Revenue from government varied from budget by \$6.568m due to a need to provide for a number of expenditures including:

- an unbudgeted contribution to Flinders Council following the transfer of Crown land on Cape Barren and Clarke Islands to the Aboriginal community, \$1.955m;
- compensation to former Crown Land leaseholders on Cape Barren Island for improvements made to properties on the island, \$0.158m, support for the Stolen Generations Assessor and assessment process, \$0.353m;
- additional salaries payable to Ministers of the Crown, \$0.007m;
- payment to the Australian Workers Union to assist with expenses relating to the Beaconsfield Mine Inquiry, \$0.100m;
- funding a payment to the former Chair and Executive Commissioner of the Resource Planning and Development Commission, \$0.095m;
- costs associated with new accommodation for TMD, \$1.934m; and
- costs associated with the northern pulp mill assessment process, \$1.049m, and new and expanded tasks and responsibilities undertaken by the Department including Community development.

It is also noted that the Department is responsible for providing administrative support to the *Service Tasmania Board* and is consequently responsible for management of Board approved funding. Details of funding arrangements are: Note 5.4 to the Department's financial statements details retained revenue derived by *Service Tasmania* from fees and charges (transaction based) and contributions from agencies (including transfer of budget allocations retained in various agency budgets).

Note 6.5 to the Department's financial statements details funding transferred to the *Service Tasmania* lead agencies (DPIW, Education and TMD) for operation of *Service Tasmania* delivery channels, including over the counter, phone and internet). This funding is from sources including the Consolidated Fund allocation to the Department and retained revenue as detailed in Note 5.4.

## BALANCE SHEET

	2006-07	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Cash and deposits	2 866	4 508	3 834	4 129
Receivables	1 185	2 231	1 932	1 171
Other financial assets	2 911	5 188	4 295	3 849
<i>Non-financial Assets</i>				
Inventory	22	6	11	20
Property, plant and equipment	3 183	2 628	1 008	1 130
Infrastructure		1 451	1 630	62
Intangibles		80	176	276
<b>Total Assets</b>	<b>10 167</b>	<b>16 092</b>	<b>12 886</b>	<b>10 637</b>
<i>Liabilities</i>				
Payables	1 398	2 535	1 599	1 386
Provisions	205	410	392	416
Employee entitlements	6 497	7 222	6 921	6 873
Other liabilities	1 188	1 393	2 060	1 150
<b>Total Liabilities</b>	<b>9 288</b>	<b>11 560</b>	<b>10 972</b>	<b>9 825</b>
<b>Net Assets</b>	<b>879</b>	<b>4 532</b>	<b>1 914</b>	<b>812</b>
Reserves	62	97	97	62
Accumulated funds	817	4 435	1 817	750
<b>Total Equity</b>	<b>879</b>	<b>4 532</b>	<b>1 914</b>	<b>812</b>

### Comment

Total equity increased over the period of review by \$3.720m and is almost all attributable to the net surpluses in 2005-06 and 2006-07. A large component of this increase, referred to under the Income Statement section of this chapter, related to the provision of Consolidated Fund funding of \$1.934m for new accommodation for TMD and capitalisation of \$1.759m of the expenditure incurred.

Major movements in Balance Sheet line items result from:

- Other financial assets increasing over the period by \$1.339m. This balance primarily comprises Prepayments (2007, \$2.514m; 2006, \$2.130m) and accrued revenues (2007, \$2.228m; 2006, \$1.964m). Prepayments are primarily rent and IT related and Accrued revenues arose from unbilled work in progress earned by TMD;
- Property, plant and equipment increased by \$1.498m which is net of depreciation and asset disposals during the period. The major item of capital expenditure was leasehold improvements to TMD's premises at Salamanca Square, \$1.759m, in 2006-07;



- Payables increased by \$1.149m over the period. The higher balance outstanding at 30 June 2007 was predominantly due to accruals in relation to the Commonwealth BRC funded program, \$0.650m;
- Employee provisions increased primarily due to higher staff numbers; and
- Other liabilities decreased by \$0.667m in 2006-07. In 2005-06 this balance included \$0.849m appropriation carried forward under section 8A(2) of the *Public Account Act 1986*. The balance carried forward at 30 June 2007 was only \$0.223m.

## CASH POSITION

	2006-07	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	49 109	56 672	46 178	41 600
Receipts from special capital investment funds	2 000	1 084	268	84
Grants	28	910	104	1 003
User charges, fees and fines	25 642	27 093	28 013	28 428
GST receipts	4 772	6 085	4 616	5 404
Other cash receipts	96	1 366	1 662	1 315
Employee entitlements	( 31 225)	( 34 384)	( 29 411)	( 28 906)
GST payments	( 4 772)	( 6 326)	( 5 013)	( 5 370)
Other cash payments	( 46 218)	( 50 158)	( 45 066)	( 44 157)
<b>Cash from (used in) operations</b>	<b>( 568)</b>	<b>2 342</b>	<b>1 351</b>	<b>( 599)</b>
Proceeds from disposal of assets	0	0	54	0
Capital grants	500	260	299	0
Payments for acquisition of assets	( 753)	( 1 928)	( 1 999)	( 783)
<b>Cash (used in) investing activities</b>	<b>( 253)</b>	<b>( 1 668)</b>	<b>( 1 646)</b>	<b>( 783)</b>
<b>Net (decrease) increase in cash</b>	<b>( 821)</b>	<b>674</b>	<b>( 295)</b>	<b>( 1 382)</b>
Cash at the beginning of the year	3 687	3 834	4 129	5 511
<b>Cash at end of the year</b>	<b>2 866</b>	<b>4 508</b>	<b>3 834</b>	<b>4 129</b>

## Comment

The Department's cash position improved at 30 June 2007 due to the small net increase in cash generated totalling \$0.674m. During the period under review the Department spent \$4.710m, predominantly from the Consolidated Fund, on capital items such as the TMD leasehold improvements, the TMD data centre and *Service Tasmania* shops' establishment and refurbishment.

## FINANCIAL ANALYSIS

	Bench Mark	2006-07	2005-06	2004-05
<b>Financial Performance</b>				
Result from operations (\$'000s)		2 362	792	( 327)
Operating margin	>1.0	1.03	1.01	0.99
<b>Financial Management</b>				
Debt collection	30 days	29	25	15
Creditor turnover	30 days	20	14	12
<b>Other Information</b>				
Self-sufficiency %		33	39	39
Government funding %		104	102	99
Staff numbers (FTE)		467	426	407
Average staff costs (\$'000s)		70	69	67
Average leave balance per FTE (\$'000s)		15	16	17

### Comment

Late billing of clients in 2006-07 resulted in a higher outstanding debtor's balance leading to a higher number of days outstanding than in 2004-05. However, the days debtors is still within the benchmark.

The Self sufficiency ratio suggests that the Department generates non-appropriation revenues to fund its expenses to the extent of 33%. Most of these revenues are TASINET which have decreased over the period under review resulting in the declining percentage.

The dropping Self sufficiency ratio has caused the increase to the percentage government funding. The Government funding percentage is greater than 100% due to the surplus earned the reasons for which were outlined in the Income Statement section.

Whilst there have been increases in staff numbers over the period, there was little change in Average staff costs.

## ADDITIONAL FINANCIAL INFORMATION

### Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Income Statement, Balance Sheet or Cash Flow Statement.

Effective 1 July 2005 Reserved by Law revenue and expenses have been treated as 'controlled' expenses of the Department, in accordance with the revised definition of 'administered' and 'controlled' as detailed in Treasurer's Instruction 704 *Definition of Administered and Controlled*. This includes Ministerial salaries and allowances.

As a result, the Department did not administer any activities during 2005-06. The impact of these changes on the Department's Income Statement was not significant.

However, a further change was made in 2006-07 when the Department assumed responsibility for management (including receipt and distribution) of Tasmanian Community Forest Agreement funding.

### Administered Income and Expenses

	2006-07	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	8 000	8 000	0	607
Commonwealth grants and transfer payments	49 200	38 210	0	0
Other revenue	2	8	1	10
<b>Total Revenue</b>	<b>57 202</b>	<b>46 218</b>	<b>1</b>	<b>617</b>
Employee entitlements	0	0	0	596
Other expenses - Tasmanian Community Forest Agreement	48 300	32 224	0	26 278
<b>Total Expenses</b>	<b>48 300</b>	<b>32 224</b>	<b>0</b>	<b>26 874</b>
<b>Net Surplus (Deficit)</b>	<b>8 902</b>	<b>13 994</b>	<b>1 ( 26 257)</b>	
Transfer to Consolidated Fund	2	8	1	10
<b>Net Surplus (Deficit) Attributable to the State</b>	<b>8 900</b>	<b>13 986</b>	<b>0 ( 26 267)</b>	

### Comment

In 2004-05, Regional Forest Agreement funding was transferred to the then Department of Primary Industries, Water and Environment. The transfer of \$26.278m recorded above was the opening balance of cash on hand at 1 July 2004.

As noted previously, Employee entitlements were transferred to 'controlled' activities of the Department in 2005-06.

All transactions in 2006-07 relate to the Tasmanian Community Forest Agreement, which was funded by the State, \$8.000m and by the Commonwealth, \$38.210m. The Commonwealth component is below budget due to the timing of receipt of payments by the Commonwealth. The payment of \$32.224m was all made to Forestry Tasmania.

## Administered Assets and Liabilities

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Cash	8 900	13 986	0	0
<b>Total Assets</b>	<b>8 900</b>	<b>13 986</b>	<b>0</b>	<b>0</b>
<i>Liabilities</i>				
Payables	0	0	0	0
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Assets (Liabilities)</b>	<b>8 900</b>	<b>13 986</b>	<b>0</b>	<b>0</b>
Accumulated Funds	8 900	13 986	0	0
<b>Total Equity</b>	<b>8 900</b>	<b>13 986</b>	<b>0</b>	<b>0</b>

## Comment

There were no Administered Assets or Liabilities recorded for 2004-05 and 2005-06. However, the \$13.986m bank balance at 30 June 2007 represented undistributed funding received under the Tasmanian Community Forest Agreement. This was greater than budget due to the timing of receipt and distribution of funding in accordance with provisions of the Tasmanian Community Forest Agreement.

## Administered Cash Flows

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Receipts from government -				
recurrent	8 000	8 000	0	607
Commonwealth grants	49 200	18 000	0	0
Other cash receipts	2	20 218	1	10
Reserved by Law - Ministerial				
salaries and allowances	0	0	0	( 607)
Grants and subsidies	( 48 300)	32 224	0	( 26 278)
Transfers to Consolidated Fund	( 2)	8	( 1)	( 10)
<b>Cash from (used in) operations</b>	<b>8 900</b>	<b>13 986</b>	<b>0</b>	<b>( 26 278)</b>
<b>Net increase (decrease) in cash</b>	<b>8 900</b>	<b>13 986</b>	<b>0</b>	<b>( 26 278)</b>
Cash at the beginning of the year			0	26 278
<b>Cash at end of the year</b>	<b>8 900</b>	<b>13 986</b>	<b>0</b>	<b>0</b>

**Comment**

Variations in cash flow amounts and cash balances have been discussed in comments under the Administered Income and Expenses section of this Chapter.

**OVERALL COMMENT**

The 2006-07 audit was completed with satisfactory results.

# **DEPARTMENT OF PRIMARY INDUSTRIES AND WATER**

## **INTRODUCTION**

The Department of Primary Industries and Water (DPIW or the Department) is responsible for delivering services across diverse areas which include agriculture, fisheries and aquaculture, land and water resource management, nature conservation, Crown land management, biosecurity, land titles, valuation and mapping, and *Service Tasmania* shop management.

Previously, DPIW was also responsible for environmental management and pollution control and some planning functions. Following a restructure in April 2006, the Environment Protection and Analytical Services division transferred to the newly named Department of Tourism, Arts and the Environment (DTAE). Land Use Planning, Resource Planning and Development Commission, and Resource Management and Planning Appeal Tribunal were transferred to the Department of Justice at the same time.

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

## **AUDIT OF THE 2006-07 FINANCIAL STATEMENTS**

Signed financial statements were received on 15 August 2007. An unqualified audit report was issued on 5 October 2007.

## FINANCIAL RESULTS

### INCOME STATEMENT

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	75 621	74 670	75 487	74 417
Revenue from Special Capital				
Investment Funds	1 257	470	9 595	1 845
Grants	11 965	24 911	27 900	48 137
User charges, fees and fines	14 609	8 728	10 455	10 199
Interest revenue	740	2 037	2 744	2 565
Other operating revenue	17 808	28 088	25 623	22 993
<b>Total Operating Income</b>	<b>122 000</b>	<b>138 904</b>	<b>151 804</b>	<b>160 156</b>
Employee entitlements	60 637	59 428	63 002	61 920
Depreciation and amortisation	3 205	3 229	4 205	3 267
Grants and subsidies	17 182	21 515	17 089	11 343
Other operating expenses	50 041	52 810	53 558	57 411
<b>Total Operating Expenses</b>	<b>131 065</b>	<b>136 982</b>	<b>137 854</b>	<b>133 941</b>
<b>Net Operating Surplus (Deficit) before:</b>	<b>( 9 065)</b>	<b>1 922</b>	<b>13 950</b>	<b>26 215</b>
Revenue from government - capital	3 051	1 147	4 891	1 512
Gain on sale of assets	35 924	21 753	14 389	5 992
Assets recognised for the first time	0	5 161	0	0
Assets transferred to other agencies	0	( 28 975)	0	0
Assets written off	0	( 2 914)	( 399)	( 442)
Transfer to administered funds	( 21 000)	0	( 11 501)	( 6 103)
<b>Net Surplus (Deficit) Attributable to the State</b>	<b>8 910</b>	<b>( 1 906)</b>	<b>21 330</b>	<b>27 174</b>

### Comment

The current year's Operating surplus of \$1.922m was in contrast to abnormally high surpluses reported in the previous two years, which were the results of:

- Additional funding received in 2004-05 under the Supplementary Agreement to the Tasmanian Regional Forrest Agreement signed in May 2005 (\$26.278m included in Grants income); and
- Capital funding of \$9.595m in 2005-06 (discussed below).

This year's Net Operating Surplus indicates a return to 'normal', as government agencies are not expected to report such high surpluses, especially as no funding is provided for depreciation or increases in employee leave provisions.

Fluctuations in operating results are also, to a certain extent, due to timing differences between Grants revenue and Grants and subsidies paid, as grant monies are generally paid in instalments and the number and timing of grant programs may also vary between years.

As mentioned previously, the 2006 financial year saw a sharp increase in capital funding due to a number of major capital projects, including:

- Meander Dam, \$6.700m, transferred to the Rivers and Waters Supply Commission;
- Water infrastructure, \$1.146m; and
- St Helen's sewerage, \$1.000m.

The decrease in 2006-07 capital funding was due to no new projects commencing in that year.

Total Operating income was 14% above budget in 2006-07, as revenue from grants was underestimated in the original budget (actual amount received was more than double the initial estimates). While the variance between budget and actual results for User charges and Other operating revenue was due to classification differences and the overall variance for these two items was insignificant, there was a noticeable movement between 2006-07 and the previous two years. The Environment division, which was part of DPIW until April 2006, generated around \$1.600m in fees each year. Without this income stream, User charges were reduced from an average of \$10.000m per year to \$8.728m. However, was offset by strong growth in rent on Crown land properties (part of Other revenue).

Total Operating expenses were only 4.5% above budget and fairly consistent with prior years. Staff numbers reduced following the Department's restructure and consequently there was a decrease in Employee related expenses in 2006-07.

The movement in Depreciation expenses over the three years under review reflected the fact that some 350 items of Plant and equipment were fully depreciated by the end of 2005-06, thus reducing the amount of depreciation in the current year by \$0.705m. A further decrease of \$0.306m was due to a devaluation of buildings (discussed further in the Balance Sheet section).

The amount of grants redistributed by DPIW is continually increasing. This is attributed to greater levels of activity mainly in the Natural Resource Management and Natural Heritage Trust programs.

Gain on sale of assets mainly comprises proceeds from the sale of Crown land and buildings and associated costs of acquiring these assets. Crown properties are sold through the Crown Lands Administration Fund (CLAF), which is administered by DPIW. All sales revenue relating to the sale of Crown property is deposited in CLAF. Some of the largest sales through CLAF that contributed to the sharp increase in proceeds from sales included Henty House in Launceston, \$11.068m, and Prospect Offices, \$3.817m. Other CLAF sales, \$2.993m, together with sales under other schemes, including the Shack Site Project and the Crown Land Assessment and Classification Project (CLAC), totalling \$6.868m, made up the balance. Further commentary on funds held in CLAF is made in the Balance Sheet section.



Following a full revaluation of its land and buildings, the Department recognised, in 2006-07, for the first time \$5.161m of assets not previously recorded on its Balance Sheet.

Another considerable non-operating item, Assets transferred to other agencies, \$28.975m, related to land and buildings transferred to other government entities under the CLAC Project. This project was established in 2005 with one of its objectives being the assessment of the allocation of Crown land. In 2006-07, land and buildings valued at \$28.358m were transferred to other Government agencies and authorities. The primary items making up this expense were:

- Silverdome in Launceston transferred to the Department of Economic Development, \$13.106m; and
- Narryna Folk Museum transferred to DTAE, \$1.600m.

The bulk of the remaining balance was transfers of land primarily to DTAE and Forestry Tasmania. These assets were transferred for no consideration.

Assets written off included a \$2.352m accounting adjustment representing the value of land and buildings sold in previous years but not recorded in the Department's asset register.

The reason for budget variances in non-operating items is due, firstly, to delays in the sale of the former Marine Board Building and, secondly, because the budget did not provide for transfers of assets between agencies and other write-offs. The budget provided for a transfer of \$21.000m from the CLAF to administered funds which did not occur.

## BALANCE SHEET

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Cash and deposits	63 863	118 548	82 686	83 691
Receivables	1 831	4 442	9 573	17 688
Other financial assets	625	625	625	625
<i>Non-financial Assets</i>				
Inventory	1 534	2 218	2 029	1 404
Assets held for sale				
Equity investments				
Property, plant and equipment	256 946	242 305	256 730	233 384
Infrastructure	2 799	2 092	2 305	2 125
Other assets	2 588	2 791	2 878	3 021
Prepayments	0	1 690	1 089	630
<b>Total Assets</b>	<b>330 186</b>	<b>374 711</b>	<b>357 915</b>	<b>342 568</b>
<i>Liabilities</i>				
Payables	1 014	5 292	1 993	1 035
Interest bearing liabilities	141	121	535	933
Employee entitlements	16 029	13 847	15 214	16 376
Other liabilities	1 310	1 215	1 734	3 278
<b>Total Liabilities</b>	<b>18 494</b>	<b>20 475</b>	<b>19 476</b>	<b>21 622</b>
<b>Net Assets</b>	<b>311 692</b>	<b>354 236</b>	<b>338 439</b>	<b>320 946</b>
Reserves		84 629	74 940	45 141
Accumulated funds		269 605	263 499	275 805
<b>Total Equity</b>	<b>311 692</b>	<b>354 234</b>	<b>338 439</b>	<b>320 946</b>

### Comment

During the period under review DPIW's Equity increased due to a combination of factors, mainly:

- Surpluses in 2004-05 and 2005-06 of \$27.174m and \$21.330m, respectively; and
- Asset revaluation increments in each of the three years.

However, the increase of Equity in 2005-06 was partly offset by a net reduction of \$33.636m due to the administrative restructure of the Department discussed earlier.

The CLAF balance of \$58.657m (2005-06, \$28.373m) made up almost half of the \$118.658m cash balance at 30 June 2007. This increase of \$30.285m was due to the major sales of Crown land and buildings and raising revenues from rent on government owned properties, with no transfers to administered funds. The table below details the movements in the CLAF account over the past three years.

## Crown Land Administration Fund (CLAF)

	2006-07	2006-07	2005-06
	\$'000	\$'000	\$'000
<b>Opening balance</b>	<b>28 372</b>	<b>20 116</b>	<b>17 881</b>
Receipts (Note 1)	35 570	25 184	16 219
Transfers out (Note 2)	( 5 285)	( 16 928)	( 13 984)
<b>Closing Balance</b>	<b>58 657</b>	<b>28 372</b>	<b>20 116</b>
<b>Note 1 - Receipts</b>			
Proceeds from asset sales	26 032	18 193	7 957
Rent on Government owned properties	9 066	7 003	6 742
Other receipts	472	( 12)	1 520
<b>Total Receipts</b>	<b>35 570</b>	<b>25 184</b>	<b>16 219</b>
<b>Note 2 - Transfers Out</b>			
Administration costs	5 285	5 428	7 881
Transfer to administered funds	0	11 500	6 103
<b>Total Transfers Out</b>	<b>5 285</b>	<b>16 928</b>	<b>13 984</b>

In relation to Receivables, the current year's balance was more representative in its composition than in the previous two years. The 2005-06 balance included \$5.500m of financial assistance committed by the Commonwealth Government under the Supplementary Regional Forest Agreement for the establishment of the Forest Conservation Fund. The 2004-05 balance included \$13.916m due from Australian Bulk Minerals that was later transferred to DTAE.

In 2005-06, the Department revalued both land and building assets upwards by \$23.481m and \$6.037m, respectively. The revaluation was based on the land value adjustment factors published by the Office of the Valuer-General. The adjustment factors reflect the fluctuations in the property market from year to year and are commonly used to estimate property values between revaluation cycles. In the current reporting period, and based on a valuation done by the Valuer-General, the value of land increased by an additional \$29.888m, while the value of buildings dropped by \$12.303m. However, the overall increase in value was largely offset by the value of land and buildings transferred for no consideration as part of the CLAC Project. The value transferred in 2007 was around \$30.000m and, as mentioned previously, included the Silverdome in Launceston and the Narryna Folk Museum.

The variance between budget and total assets was due mainly to the increase in funds held in CLAF and assets revaluations.

The amount of Payables more than doubled since 2005-06. A number of internal and external factors contributed to this rise, including:

- A back-pay of \$1.122m due to the Australian Tax Office (ATO). This was a result of a Goods and Services Tax (GST) audit, which found that GST from CLAF sales was claimed incorrectly by Treasury instead of DPIW. The net effect on the whole of Government was nil;

- Changes in the creditors' payment policy. DPIW used to pay its creditors on the receipt of invoice, and now pays in accordance with specified credit terms; and
- Increased Grants payable from \$0.300m in 2006 to \$1.006m in 2007 as a result of the higher activity in the Natural Resource Management and Natural Heritage Trust programs.

Employee entitlements, comprising mainly annual and long service leave provisions, showed a slight decrease of \$1.367m in 2005-06 following the previously mentioned restructure of the Department.

There were some major variances between budget and actual amounts of Payables and Employee entitlements. Both the negative results of the GST audit and changes to the creditor management discussed previously could not be anticipated in the budget and thus the variance in Payables. In relation to Employee entitlements, the budget did not take into account the Department's initiative of reducing outstanding leave balances, resulting in a decrease in annual and long service leave balances.

### **Commitments**

Commitments are not recognised on the balance sheet nor are they required to be. However, there was a significant increase in DPIW's commitments reported in this year's financial statements. Future expenditure in relation to operating leases increased from \$38.145m in 2005-06 to \$93.835m in 2006-07. This increase is due to changes in lease arrangements for buildings sold by Treasury.

## CASH POSITION

	2006-07	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	73 717	73 638	75 487	75 211
Receipts from Special Capital Investment Funds	0	470	9 595	1 845
User charges, fees and fines	14 609	11 119	10 455	8 031
Grants	11 965	30 207	26 526	48 137
Interest received	740	1 993	2 744	2 565
Other cash receipts	23 078	27 811	21 400	18 614
Payments to employees	( 60 182)	( 60 786)	( 66 149)	( 65 286)
Payments to suppliers	( 72 889)	( 74 199)	( 66 985)	( 65 808)
<b>Cash from (used in) operations</b>	<b>( 8 962)</b>	<b>10 253</b>	<b>13 073</b>	<b>23 309</b>
Proceeds from disposal of assets	35 924	26 289	18 439	7 577
Receipts from government - capital	3 051	1 147	4 891	1 512
Payments for acquisition of assets	( 500)	( 1 827)	( 3 071)	( 2 102)
Transfer to Administered Funds	( 21 000)	0	( 11 501)	( 6 103)
<b>Cash from investing activities</b>	<b>17 475</b>	<b>25 609</b>	<b>8 758</b>	<b>884</b>
<b>Net increase in cash</b>	<b>8 513</b>	<b>35 862</b>	<b>21 831</b>	<b>24 193</b>
Cash at the beginning of the year	55 350	82 686	83 691	59 498
Cash transferred due to administrative restructure	0	0	( 22 836)	0
<b>Cash at end of the year</b>	<b>63 863</b>	<b>118 548</b>	<b>82 686</b>	<b>83 691</b>

### Comment

The overall cash inflow from operating activities decreased on average by around 3.5% when compared to the past two years. This drop is mainly attributed to the decline in government appropriations, especially revenues from the Special Capital Investment Fund in 2006-07, and the unusually high cash inflows in 2005 were a result of the previously explained transfer of the Regional Forest Agreement funding to DPIW. Payments to suppliers include grants and subsidies paid by the Department. The greater level of activity in the Natural Resource Management and Natural Heritage Trust programs contributed to the increase in operating payments and consequently led to the overall decline in cash from operations.

The sharp increase in Cash from investing activities over the past two years was a result of the increased number of sales through CLAF, discussed earlier. Furthermore, in the current year, Cash from investing activities was also affected by the absence of the transfer between CLAF and administered funds.

The variance between budget and actual cash flow was due to the following factors:

- Grants income was underestimated in the initial budget;
- The sale of the Marine Board building was postponed, resulting in a negative budget variance in proceeds from disposal of non-financial assets; and
- No funds were transferred from CLAF to administered funds.

## FINANCIAL ANALYSIS

	<b>Bench Mark</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
<b>Financial Performance</b>				
Result from operations (\$'000s)		1 922	13 950	26 215
Operating margin	>1.0	1.01	1.10	1.20
<b>Financial Management</b>				
Debt collection	30 days	16	17	14
Creditor turnover	30 days	37	Nil	7
<b>Other Information</b>				
Self-sufficiency %		47	48	63
Government funding %		77	86	78
Staff numbers (FTE)		966	1 090	1 061
Average staff costs (\$'000s)		62	58	58
Average leave balance per FTE (\$'000s)		14	13	15

### Comment

The Department recorded strong operating results in both the 2004-05 and 2005-06 financial years due to the factors discussed earlier, which also impacted on operating margins in those two periods. This year's operating margin of 1.01 was closer to the benchmark for government agencies.

The Debt collection ratio remained steady over the past three years at an average of 16 days, which is well below the benchmark and is due to the 'cash on receipt' nature of DPIW's operations (issue of licences, Land Titles Office charges). The Creditor turnover ratio is now 37 days, compared to 7 days two years ago and zero last year. This sharp increase is due to changes in creditors' management implemented by the Department in the current financial year. Under the changes, payments are made according to the credit terms and not on receipt of invoice.

The Self-sufficiency ratio shows the level of independent funding that the Department generated for use in achievement of its objectives. In 2004-05, the Department's Self-sufficiency ratio was abnormally high at 63%, due to the transfer of the Regional Forest Agreement funding. In the following two years, the ratio remained steady at around 47%.

The current year's government funding ratio returned to the 2004-05 level at around 77%, following an increase in 2006, which was due to the additional Special Capital Investment Funding received that year.

The number of full time equivalents (FTE) dropped to 966, following the restructure of the Department in April 2006. The slight increase in the average staff costs is due to the annual increment of 3.5% as per the State Service Wages Agreement.

## ADDITIONAL FINANCIAL INFORMATION

### Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Income Statement, Balance Sheet or Cash Flow Statement.

### Administered Income and Expenses

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Revenue from government -				
recurrent	11 181	8 785	10 446	8 935
User charges, fees and fines	30 423	34 593	30 891	28 916
Other revenue	22 300	4	11 513	6 242
<b>Total Revenue</b>	<b>63 904</b>	<b>43 382</b>	<b>52 850</b>	<b>44 093</b>
Grants and subsidies	11 181	8 753	10 412	8 707
<b>Total Expenses</b>	<b>11 181</b>	<b>8 753</b>	<b>10 412</b>	<b>8 707</b>
<b>Net Surplus</b>	<b>52 723</b>	<b>34 629</b>	<b>42 438</b>	<b>35 386</b>
Transfer to Consolidated Fund	52 723	34 629	42 557	35 253
<b>Net Surplus (Deficit)</b>	<b>0</b>	<b>0</b>	<b>( 119)</b>	<b>133</b>

### Comment

There is a continuing increase in revenue for services provided by the Lands Titles Office, abalone royalties and other fees and licences collected by DPIW. Part of the increase in User charges, fees and fines was due also to improved accounting and reporting practices adopted this year. For the first time, the Department fully accrued charges for services provided in 2006-07, but which were billed in the new financial year. Examples of these include fees for the use of the Land Information System of Tasmania (LIST) and abalone royalties.

There is a close relationship between the amount of government appropriations received and the amount of grants and subsidies paid out.

The amount of both the government appropriations and grants paid returned close to their 2004-05 levels, following additional funding for the Sullivans Cove Waterfront Authority of around \$1.500m in 2005-06.

There were no monies transferred from CLAF this year, which resulted in the decrease of other revenue between 2005-06 and 2006-07 and was the reason for the variance between budget and actual revenue. The increase in Other revenue in 2005-06 was

due to an increase in CLAF sales during that period. The Transfers to Consolidated Fund went down similarly and were also below budget for the same reason.

### Administered Assets and Liabilities

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Receivables	1 334	3 531	1 052	1 430
<b>Total Assets</b>	<b>1 334</b>	<b>3 531</b>	<b>1 052</b>	<b>1 430</b>
<i>Liabilities</i>				
Payables	0	2 519	4	0
Revenue received in advance	547	548	584	649
<b>Total Liabilities</b>	<b>547</b>	<b>3 067</b>	<b>588</b>	<b>649</b>
<b>Net Assets</b>	<b>787</b>	<b>464</b>	<b>464</b>	<b>781</b>
Accumulated funds	787	464	464	781
<b>Total Equity</b>	<b>787</b>	<b>464</b>	<b>464</b>	<b>781</b>

### Comment

The increase in receivables in 2006-07 of almost \$2.000m was due to the improved billing processes discussed previously. This had a consequent increase in Payables, because funds collected will be paid into the Consolidated Fund.

In 2005-06, the Department transferred \$0.286m of Receivables to DTAE under the previously mentioned restructuring arrangements.

### Administered Cash Flows

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Receipts from government -				
recurrent	11 181	8 785	10 446	8 935
User charges, fees and fines	30 423	30 626	30 896	29 150
Other receipts	22 300	0	11 500	6 103
Grants and subsidies	( 11 181)	( 8 747)	( 8 240)	( 8 935)
Transfers to the Consolidated Fund	( 52 723)	( 30 664)	( 44 602)	( 35 253)
<b>Cash from operations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net increase (decrease) in cash</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cash at the beginning of the year	0	0	0	0
<b>Cash at end of the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



**Comment**

Reasons for variations in cash flow amounts and cash balances reflect the comments made in the Administered Income and Expenses and the Administered Assets and Liabilities sections.

**OVERALL COMMENT**

The 2006-07 audit was completed with satisfactory results and no major issues outstanding.

# DEPARTMENT OF TOURISM, ARTS AND THE ENVIRONMENT

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## INTRODUCTION

Under the *Administrative Arrangements Order 2006* the Department of Tourism, Parks, Heritage and the Arts was renamed as the Department of Tourism, Arts and the Environment (the Department) from 1 April 2006. The new Department includes the transfer of the Environment Division from the former Department of Primary Industries, Water and the Environment.

The Department's primary goals are to benefit current and future generations through the development and recognition of Tasmania's:

- Unique natural, Aboriginal and historic heritage;
- Clean and healthy environment;
- World renowned parks and reserve system;
- Innovative and creative arts;
- Iconic botanical, heritage and visitor sites; and
- Attractiveness to visitors.

The Department's financial results incorporate those of the statutory authority, Tourism Tasmania. A separate chapter, following this one, has been prepared outlining the financial results of Tourism Tasmania. These two chapters should be read together.

As at 30 June 2007 the Responsible Minister was the Minister for Tourism, Arts and the Environment.

## AUDIT OF THE 2006-07 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2007. An unqualified audit report was issued on 26 September 2007.

## FINANCIAL RESULTS

### INCOME STATEMENT

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	78 074	81 028	71 150	62 945
Revenue from Special Capital				
Investment Funds	5 395	12 076	9 971	27 198
Grants	916	3 139	3 029	2 720
Sales of goods and services	15 594	15 979	14 127	15 751
Fees and fines	895	1 254	811	0
Gain (loss) on sale of assets	0	14	( 175)	( 842)
Interest revenue	860	1 293	522	61
Other operating revenue	30	1 754	1 143	727
<b>Total Operating Income</b>	<b>101 764</b>	<b>116 537</b>	<b>100 578</b>	<b>108 560</b>
Employee entitlements	42 834	44 139	37 787	33 781
Depreciation and amortisation	6 148	7 394	6 180	5 969
Supplies and consumables	47 175	45 451	40 480	0
Grants and subsidies	9 701	13 546	14 415	29 099
Impairment losses	0	25	10	11
Write down of assets	0	102	378	0
Other expenses	2 983	3 908	3 207	39 497
<b>Total Operating Expenses</b>	<b>108 841</b>	<b>114 565</b>	<b>102 457</b>	<b>108 357</b>
<b>Net Operating Surplus (Deficit) before:</b>	<b>( 7 077)</b>	<b>1 972</b>	<b>( 1 879)</b>	<b>203</b>
Resources received free of charge	0	4 612	0	2 736
Resources provided free of charge	0	( 570)	0	0
Revenue from government - capital	10 940	4 690	2 717	101
Recognition of TMAG collection	0	0	343 729	0
<b>Net Surplus Attributable to the State</b>	<b>3 863</b>	<b>10 704</b>	<b>344 567</b>	<b>3 040</b>

### Comment

The increased Operating Surplus in 2006-07, \$1.972m compared to a deficit of \$1.879m in 2005-06 was mainly due to additional revenue including interest revenue received but not yet expended and grant revenue provided for the purchase of heritage assets at the Tasmanian Museum and Art Gallery (TMAG). The Department recorded a Net Surplus Attributable to the State of \$344.567m in 2005-06 compared to \$3.040m in 2004-05. This was due to the initial recognition of the TMAG collection of \$343.729m in 2005-06. The net Operating surplus of around breakeven in each year under review is a reasonable result bearing in mind that the Department is not funded for depreciation.

Revenue from government (recurrent and capital) varied between the periods and to budget due to:

- Additional funding in 2006-07 provided for 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 operating costs resulting from the administrative restructure that was effective from 1 April 2006;
- Actual Revenue from government - recurrent in 2006-07 exceeded the budget amount by \$2.954m due to approved additional funding for fire suppression costs, World Heritage List site nominations and bushfire hazard reduction funding;
- Revenue from government - capital was \$6.250m less than the budgeted amount for 2006-07 due to approved carry forwards and inter-year transfers, primarily comprising funding of \$5.784m for the Cradle Mountain sewage treatment plant transferred to 2007-08; and
- Additional funding in 2005-06 provided for improvements to TMAG infrastructure, Parks and Wildlife Service infrastructure projects, Environment Division operational costs from 1 April 2006 resulting from the administrative restructure and funding for a legal compensation payment.

During the three year period under review, the Department received \$49.245m for projects funded through the Economic and Social Infrastructure Fund (referred to as Special Capital Investment Funds (SCIF) in the income statement). Major projects included:

- The Tourism Promotion Plan, \$4.618m, the Hawthorn Football Club Agreement, \$2.285m, Tourism Infrastructure, \$1.874m and the building of a new Analytical Services Laboratory, \$1.646m in 2006-07;
- The Queen Victoria Museum, \$3.000m, Parks and Heritage Infrastructure, \$1.907m, Tourism Infrastructure, \$1.633m, and the Cradle Tourism Development Plan, \$2.028m, in 2005-06; and
- The York Park development, \$9.616m, Symmons Plains infrastructure \$5.240m, Parks and Heritage Infrastructure, \$4.310m, and TT-Line marketing, \$2.014m, in 2004-05.

The increase in Interest revenue to budget for 2006-07 reflects larger than forecast revenue relating to the holding of cash in the Environment Division for remediation works at Mt Lyell and Savage River. Interest revenue was higher in 2005-06 because of the increase in the Department's cash balances attracting interest resulting from the administrative restructure.

The increase in Sales of goods and services mainly relates to the full year impact of the Environment Division's transactions resulting from the administrative restructure.

Resources received free of charge represent the fair value of land assumed under the *Nature Conservation Act 2002* and in 2006-07 included the fair value of the Narryna Heritage Museum assumed at no cost.

The increase in Employee entitlements in 2006-07 is a consequence of the first full year effect of the transfer of staff of the Environment Division to the Department. This increase was to some extent offset by a decrease in FTEs in 2006-07 resulting

from the closure of Tourism Tasmania's interstate Retail Sales Centres in Melbourne and Sydney.

The increase in 2005-06 is mainly due to the effect of the administrative restructure, \$1.684m, and the effect of wage increases, approximately \$1.200m.

Until 2005-06 Supplies and consumables expenses were included with Other operating expenses. The main expenditures associated with this category include tourism advertising and promotion and travel and transport costs.

Grants and subsidies in 2006-07 included grants under the Tourism Promotion Plan and the agreement with Hawthorn Football Club, noted earlier. These items were not included in the original budget. Grants and subsidies were considerably higher in 2004-05 due to grants from SCIF for projects noted previously.

## BALANCE SHEET

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Cash and deposits	35 141	34 591	34 073	8 943
Receivables	2 329	1 446	1 458	1 201
Other financial assets	0	417	424	397
<i>Non-financial Assets</i>				
Inventory	271	690	603	271
Property, plant and equipment	523 991	598 174	557 082	520 539
Heritage assets	0	353 724	344 704	0
Intangibles	0	1 490	1 056	423
Other non-financial assets	16 195	12 285	15 992	3 604
<b>Total Assets</b>	<b>577 927</b>	<b>1 002 817</b>	<b>955 392</b>	<b>535 378</b>
<i>Liabilities</i>				
Payables	3 195	2 314	3 004	2 510
Employee entitlements	9 461	9 590	9 255	7 703
Provisions	0	10 711	13 839	0
Other liabilities	3 958	5 517	7 505	3 487
<b>Total Liabilities</b>	<b>16 614</b>	<b>28 132</b>	<b>33 603</b>	<b>13 700</b>
<b>Net Assets</b>	<b>561 313</b>	<b>974 685</b>	<b>921 789</b>	<b>521 678</b>
Contributed equity	0	348 120	348 120	326 215
Reserves	0	277 717	235 525	201 886
Accumulated funds (deficits)	561 313	348 848	338 144	( 6 423)
<b>Total Equity</b>	<b>561 313</b>	<b>974 685</b>	<b>921 789</b>	<b>521 678</b>

## Comment

Equity increased from \$921.789m at 30 June 2006 to \$974.685m at 30 June 2007, due to the revaluation of land, buildings and infrastructure, \$42.192m, and the surplus

for the year of \$10.704m. Equity increased from \$521.678m at 30 June 2005 to \$921.789m at 30 June 2006, due principally to:

- Accumulated funds increasing by \$344.567m, of which \$343.729m was due to recognition of the TMAG collection;
- Increase to Contributed equity following the transfer of the Environment Division; and
- Reserves increasing by \$33.639m as a result of the revaluation of land, buildings and infrastructure.

Cash and deposits increased significantly in 2005-06 due principally to the transfer of \$23.244m for the Environment Division associated with the administrative restructure referred to earlier. The majority of the cash balance as at 30 June 2007 relates to funds held for the remediation of the Savage River and Mt Lyell mine sites, approximately \$21.000m.

Receivables similarly increased in 2005-06 due mainly to the transfer of debtors totalling \$0.415m from the Environment Division.

The difference between budget and actual amounts of Receivables in 2006-07 is due to the reallocation of Environment Division permit related debtors from controlled assets to administered assets. The original budget also includes an amount for Other financial assets.

Most of the increase in Inventory in 2005-06 was the result of the initial recognition of stock held by TMAG and was not included in the original 2006-07 budget estimates.

The increase in Property, plant and equipment in 2005-06 included the revaluation of land, buildings and infrastructure, \$33.639m. In 2006-07 further revaluations totalled \$33.920m and there were further acquisitions of such assets costing \$9.847m.

Heritage assets consist of the TMAG collection, first recognised in 2005-06 at a value of \$343.729m. This amount was re-valued in 2006-07 but these valuation details were not available at the time of preparation of the 2006-07 original budget estimates.

Other non-financial assets increased significantly in 2005-06 due to the transfer of the Australian Bulk Mineral Agreement debt from the Department of Primary Industries and Water, \$13.839m, relating to the remediation of the Savage River mine site. A corresponding provision for remediation works was recognised for the first time in 2005-06 under Provisions. Both Other non-financial assets and Provisions decreased in 2006-07 due to the completion of works under the Agreement, details of which were not included in the original budget estimates.

Employee entitlements increased from 2005-06 as a consequence of the transfer of staff of the Environment Division noted previously.

The changes in Other liabilities are principally due to the amounts of Appropriation carried forward under section 8A of the *Public Account Act 1986*, and Environment bonds transferring with the Environment Division in 2005-06. Employee on-costs were provided for under Employee Entitlements in the 2006-07 budget estimates, thus contributing to Other liabilities being greater than budget.

## CASH POSITION

	2006-07	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	77 389	81 308	70 380	63 715
Receipts from special capital investment funds	5 395	12 076	9 971	27 198
Grants	916	2 520	3 007	2 673
Sale of goods and services	15 594	15 653	14 503	14 694
Fees and fines	895	1 283	727	742
GST receipts	8 300	7 265	7 425	6 303
Interest received	860	1 285	498	61
Other cash receipts	30	1 701	1 069	1 152
Employee entitlements	( 42 982)	( 43 805)	( 37 850)	( 35 175)
Other cash payments	( 59 912)	( 62 588)	( 57 298)	( 9 139)
GST payments	( 8 300)	( 7 638)	( 6 769)	( 67 057)
<b>Cash from (used in) operations</b>	<b>( 1 815)</b>	<b>9 060</b>	<b>5 663</b>	<b>5 167</b>
Proceeds from disposal of assets	0	14	6	93
Receipts from government - capital	9 303	2 669	5 288	101
Repayment of loans by other entities	0	109	123	110
Payments for acquisition of assets	( 11 016)	( 11 182)	( 8 952)	( 4 745)
Loans made to other entities	0	( 152)	( 242)	( 270)
<b>Cash (used in) investing activities</b>	<b>( 1 713)</b>	<b>( 8 542)</b>	<b>( 3 777)</b>	<b>( 4 711)</b>
<b>Net increase (decrease) in cash</b>	<b>( 3 528)</b>	<b>518</b>	<b>1 886</b>	<b>456</b>
Cash at the beginning of the year	38 669	34 073	8 943	8 487
Funds transferred on administrative restructure	0	0	23 244	0
<b>Cash at end of the year</b>	<b>35 141</b>	<b>34 591</b>	<b>34 073</b>	<b>8 943</b>

## COMMENT

Reasons for variations in cash flow amounts predominantly reflect the comments made previously in the Income Statement and Balance Sheet sections of this Chapter.

Cash from operations was higher by \$3.397m, in 2006-07 mainly because of increased revenues from government, \$13.033m, offset by higher payments to employees, \$5.955m, and Other cash payments, \$5.290m.

Over the three year period, \$24.879m was spent on the acquisition of assets, covering a range of parks and heritage infrastructure and building assets as well as environmental air monitoring equipment and the building of a new Analytical Services Laboratory. This was primarily funded by capital appropriations and SCIF funding.

## FINANCIAL ANALYSIS

	<b>Bench Mark</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
<b>Financial Performance</b>				
Result from operations (\$'000s)		1 972	( 1 879)	203
Operating margin	>1.0	1.02	0.98	1.00
<b>Financial Management</b>				
Debt collection	30 days	33	35	28
Creditor turnover	30 days	18	22	23
<b>Other Information</b>				
Self-sufficiency %		20	19	18
Government funding %		102	98	100
Staff numbers (FTE)		757	785	664
Average staff costs (\$'000s)		58	48	51
Average leave balance per FTE (\$'000s)		13	12	12

### Comment

The Debt collection ratio increased in 2005-06 due to the inclusion of debtors transferred with the Environment Division, including a number of long outstanding debtors.

The Self-sufficiency ratio shows the level of independent funding that the Department generated for use in achievement of its objectives. This has increased slightly over the three years under review.

The Government funding ratio is around 100% which represents a break-even position that is common to most departments.

The decrease in FTEs in 2006-07 mainly relates to Tourism Tasmania and specifically lower staffing levels in relation to distribution activities (travel sales) which includes the impact of the closure of interstate Retail Sales Centres in Melbourne and Sydney.

The increase in FTEs in the last quarter of 2005-06 caused the decrease in average staff costs, which is calculated as the total staff costs for the year divided by the number of FTEs at 30 June. Staff within the Environment Division were transferred from 1 April 2006.

## ADDITIONAL FINANCIAL INFORMATION

### Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Income Statement, Balance Sheet or Statement of Cash Flows.



## Administered Income and Expenses

	2006-07	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	9 821	10 121	8 024	5 472
Revenue from government - capital	0	0	0	2 000
Australian government grants	3 400	3 400	3 400	3 400
Fees and fines	1 752	1 631	729	415
<b>Total Revenue</b>	<b>14 973</b>	<b>15 152</b>	<b>12 153</b>	<b>11 287</b>
Grants and subsidies	9 821	10 121	8 024	7 472
<b>Total Expenses</b>	<b>9 821</b>	<b>10 121</b>	<b>8 024</b>	<b>7 472</b>
<b>Net Surplus</b>	<b>5 152</b>	<b>5 031</b>	<b>4 129</b>	<b>3 815</b>
Transfer to Consolidated Fund	5 152	5 031	4 129	3 815
<b>Net Surplus Attributable to the State</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Comment

Revenue from government (recurrent) was higher in 2006-07 mainly due to increased allocations of \$1.800m for the North East Tourist Trail and \$0.643m to the Theatre Royal.

Australian Government grants represent funds for world heritage purposes.

Grants and subsidies paid in 2006-07 were: \$m

- Royal Tasmanian Botanical Gardens 2.303
- Wellington Park Management Authority 0.110
- Ten Days on the Island 0.800
- Tasmanian Symphony Orchestra 1.465
- Tasmanian Icon Program 1.000
- North East Tourist Trail 1.800
- Theatre Royal 0.643
- Port Arthur Historic Site Management Authority 2.000

## Administered Assets and Liabilities

	2006-07	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Cash and deposits	0	0	0	215
Receivables	0	291	373	0
<b>Total Assets</b>	<b>0</b>	<b>291</b>	<b>373</b>	<b>215</b>
<i>Liabilities</i>				
Payables	0	291	373	215
<b>Total Liabilities</b>	<b>0</b>	<b>291</b>	<b>373</b>	<b>215</b>
<b>Net Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Accumulated funds	0	0	0	0
<b>Total Equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Comment

Administered cash and liabilities in 2004-05 consisted of Appropriation carried forward under section 8A of the *Public Account Act 1986*.

## Administered Cash Flows

	2006-07	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	9 821	10 121	7 809	5 687
Receipts from government - capital	0	0	0	2 000
Australian government grants	3 400	3 400	3 400	3 400
User charges, fees and fines	1 752	1 631	729	415
Grants and subsidies	( 9 821)	( 10 121)	( 8 024)	( 7 472)
Transfers to the Consolidated Fund	( 5 152)	( 5 031)	( 4 129)	( 3 815)
<b>Cash from (used in) Operations</b>	<b>0</b>	<b>0</b>	<b>( 215)</b>	<b>215</b>
<b>Net increase (decrease) in cash</b>	<b>0</b>	<b>0</b>	<b>( 215)</b>	<b>215</b>
Cash at the beginning of the year	0	0	215	0
<b>Cash at end of the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>215</b>

### Comment

Details of the nature of cash flows are reflected in the comments made under Administered Income, Expenses, Assets and Liabilities.

## OVERALL COMMENT

The 2006-07 audit was completed satisfactorily with no major issues outstanding.

I have raised as a matter to address or clarify going forward, the financial reporting and governance arrangements between the Department and Tourism Tasmania (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 full time equivalent employees reported as working for TT (see the separate TT chapter) was 123 who are included in the Department's full time equivalent 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 the 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.

# **TOURISM TASMANIA**

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## **INTRODUCTION**

Tourism Tasmania (the Authority or TT) operates as a statutory authority under the *Tourism Tasmania Act 1996*. Since 2002, the Authority has been part of the Department of Tourism, Arts and the Environment (or its forerunner departmental bodies).

The Tourism Tasmania Board (the Board) is responsible for the performance of the Authority and its functions. The Board comprises seven members including the Authority's Chief Executive Officer. With the exception of the Chief Executive Officer, Board members are appointed by the Governor on the recommendation of the Portfolio Minister.

The Authority's primary goal is to lead the tourism industry to jointly deliver marketing and development programs that drive benefits for Tasmania from domestic and international tourism.

In accordance with the *Tourism Tasmania Act 1996*, the Authority prepares annual financial statements for audit and it also prepares its own annual report. In addition, its financial and operating performance is reported within the annual report of the Department of Tourism, Arts and the Environment (the Department) which reports aggregated financial performance.

The Authority's operations are predominantly funded from two sources:

- Revenue from Government incorporating recurrent funding and project funding from Special Capital Investment Funds (SCIF); and
- Revenue from travel sales, advertising and other user charges.

These funds are expended on:

- Payment of salaries and related on-costs;
- Payments of grants and subsidies in support of tourism; and
- Advertising and promotion. This cost represented 49% of total expenditure in 2006-07 (37% in 2005-06).

This is the first time that a separate Chapter dealing with the Authority's financial performance has been included in this Report.

As at 30 June 2007 the Responsible Minister was the Minister for Tourism, Arts and the Environment.

## **AUDIT OF THE 2006-07 FINANCIAL STATEMENTS**

Signed financial statements were received on 15 August 2007. An unqualified audit report was issued on 20 September 2007.

## FINANCIAL RESULTS

### INCOME STATEMENT

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$'000	\$'000	\$'000
Revenue from government - recurrent	24 462	23 141	22 768
Revenue from Special Capital Investment			
Funds	4 597	0	2 497
Grants	164	53	151
Sales of goods and services	6 347	6 707	8 700
Gain on sale of assets	5	0	1
Other operating revenue	310	156	142
<b>Total Operating Income</b>	<b>35 885</b>	<b>30 057</b>	<b>34 259</b>
Employee entitlements	9 414	10 200	10 470
Depreciation and amortisation	253	71	120
Grants and subsidies	2 616	1 693	3 749
Advertising and promotion	16 683	11 159	12 109
Other expenses	5 386	6 642	7 787
<b>Total Operating Expenses</b>	<b>34 352</b>	<b>29 765</b>	<b>34 235</b>
<b>Net Surplus</b>	<b>1 533</b>	<b>292</b>	<b>24</b>

### Comment

The increase in Revenue from government since 2004-05 is 7.44% which is in line with CPI.

Revenues from SCIF fluctuated with funding provided as follows:

- \$2.497m in 2004-05 with the major component being \$2.210m for TT-Line marketing;
- Nil in 2005-06; and
- \$4.597m in 2006-07 for the Tourism Promotion Plan. This is part of a total allocation of \$16.000m over three years.

The decrease in Sales of goods and services income since 2004-05 is the result of a reduction in travel sales through Tasmania Temptations' Holidays and Retail Travel Centres reflecting changed patterns of Australian consumer behaviour and spending.

Travel sales are recorded on a net basis on the Income Statement. The gross position over the three year period is noted in Table 1 below.

**Table 1: Sales of Goods and Services**

<b>Revenue (expense) item</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$'000	\$'000	\$'000
Travel sales	29 423	36 041	41 704
Cost of sales	(24 283)	(29 870)	(34 215)
<b>Surplus</b>	<b>5 140</b>	<b>6 171</b>	<b>7 489</b>
<b>Surplus expressed as a % of sales</b>	<b>17%</b>	<b>17%</b>	<b>18%</b>
Advertising revenue	902	168	1 018
Other user charges	305	368	193
<b>Net sales of goods and services</b>	<b>6 347</b>	<b>6 707</b>	<b>8 700</b>

The decrease in employee entitlements in 2006-07 is mainly due to lower staffing levels in relation to distribution activities (travel sales) which includes the impact of the closure of interstate Retail Sales Centres in Melbourne and Sydney.

Over the three year period TT paid grants and subsidies totalling \$8.058m. Recurrently funded programs comprise regional tourism support, convention program support and other tourism development assistance. In addition, grant expenditure out of SCIF included \$2.210m in 2004-05 for TT-Line Marketing and \$0.750m in 2006-07 for grants under the Tourism Promotion Plan.

Advertising and promotion costs totalled \$39.951m over the three years. The additional expenditure in 2006-07 is principally due to an increase in advertising and promotion expenditure for a new marketing campaign that included television advertising and documentaries as well as advertising and promotion funded under the Tourism Promotion Plan.

Other costs decreased from \$7.787m in 2004-05 to \$5.386m in 2006-07. The movement reflects lower FTE levels over the period, the closure of interstate Retail Sales Centres in Melbourne and Sydney, and one-off expenses in 2004-05 relating to SCIF projects. The movement is also due to 2005-06 and 2004-05 results including expenditure relating to the Department's overheads whereas the 2006-07 results only include the Authority's direct costs.

## BALANCE SHEET

	2006-07	2005-06	2004-05
	\$'000	\$'000	\$'000
<i>Financial Assets</i>			
Cash and deposits	3 740	3 669	3 726
Receivables	249	139	367
<i>Non-financial Assets</i>			
Property, plant and equipment	170	222	59
Intangibles	444	276	0
Other non-financial assets	1 028	743	739
<b>Total Assets</b>	<b>5 631</b>	<b>5 049</b>	<b>4 891</b>
<i>Liabilities</i>			
Payables	1 185	1 778	1 903
Employee entitlements	1 903	2 201	2 303
Provisions	326	0	0
Other liabilities	1 838	2 224	2 131
<b>Total Liabilities</b>	<b>5 252</b>	<b>6 203</b>	<b>6 337</b>
<b>Net Assets (Liabilities)</b>	<b>379</b>	<b>( 1 154)</b>	<b>( 1 446)</b>
Accumulated funds (deficits)	379	( 1 154)	( 1 446)
<b>Total Equity</b>	<b>379</b>	<b>( 1 154)</b>	<b>( 1 446)</b>

### Comment

Cash and deposits primarily represent the balance of the distribution (travel sales) trading account.

The increase in Other assets is mainly attributable to the \$0.184m recognised in respect of make good on office premise operating leases not yet amortised. There is a corresponding liability representing a provision for make-good on the expiry of office premise operating leases.

The decrease in employee entitlements mainly relates to lower FTE levels in relation to distribution activities (travel sales) which includes the impact of the closure of interstate Retail Sales Centres in Melbourne and Sydney referred to previously.

Other liabilities decreased due to less revenue received in advance for tourism sales.

Total Equity improved by \$1.533m in 2006-07, which was the net operating surplus for the year.

## CASH POSITION

	2006-07	2005-06	2004-05
	\$'000	\$'000	\$'000
Receipts from government - recurrent	24 512	23 141	22 768
Receipts from special capital investment funds	4 597	0	2 497
Grants	164	130	75
Sale of goods and services	5 979	6 659	7 985
Other cash receipts	306	156	218
Employee entitlements	( 9 708)	( 10 302)	( 11 014)
Other cash payments	( 25 559)	( 19 331)	( 23 743)
<b>Cash from (used in) operations</b>	<b>291</b>	<b>453</b>	<b>( 1 214)</b>
Proceeds from disposal of assets	5	0	1
Payments for acquisition of assets	( 225)	( 510)	0
<b>Cash from (used in) investing activities</b>	<b>( 220)</b>	<b>( 510)</b>	<b>1</b>
<b>Net increase (decrease) in cash</b>	<b>71</b>	<b>( 57)</b>	<b>( 1 213)</b>
Cash at the beginning of the year	3 669	3 726	4 939
<b>Cash at end of the year</b>	<b>3 740</b>	<b>3 669</b>	<b>3 726</b>

## COMMENT

TT's Cash Position remained stable in the three-year period.

Reasons for variations in cash flow amounts reflect the comments made previously in the Income Statement section of this Chapter.

## FINANCIAL ANALYSIS

	Bench Mark	2006-07	2005-06	2004-05
<b>Financial Performance</b>				
Result from operations (\$'000s)		1 533	292	24
Operating margin	>1.0	1.04	1.01	1.00
<b>Financial Management</b>				
Debt collection	30 days	14	6	15
Creditor turnover	30 days	19	35	32
<b>Other Information</b>				
Self-sufficiency %		20	23	26
Government funding %		106	101	100
Staff numbers (FTE)		123	175	186
Average staff costs (\$'000s)		77	58	56
Average leave balance per FTE (\$'000s)		15	13	12



## **Comment**

The Result from operations and the Operating margin are consistent with comments made in the analysis of the Income Statement.

The Self-sufficiency ratio shows the level of independent funding that the Authority generated for use in achievement of its objectives. This decreased slightly over the three years under review reflecting the declining contribution being made by Tasmania Temptation activities. A Government funding ratio of 100% represents a break-even position. However, these two ratios will fluctuate depending on the tourism related initiatives funded from SCIF which increased in 2006-07 as outlined previously.

The decrease in FTEs in 2006-07 reflects the closure of interstate Retail Sales Centres as mentioned earlier and a restructure of the Authority.

The increase in Average staff costs in 2006-07 reflects a level of seasonality in the tourism industry and the timing of staff reductions.

## **OVERALL COMMENT**

The 2006-07 audit was completed satisfactorily with no major issues outstanding.

# **DEPARTMENT OF TREASURY AND FINANCE**

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## **INTRODUCTION**

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

Appropriation from the Consolidated Fund is provided to the Department under two Divisions (3: Finance-General, and 16: Treasury and Finance) of the *Consolidated Fund Appropriation Act 2006*.

The activities of the Division of Treasury and Finance are reported as controlled and those of the Division of Finance-General as administered.

The Responsible Minister for the Department is the Treasurer.

## **AUDIT OF THE 2006-07 FINANCIAL STATEMENTS**

Signed financial statements were received on 13 August 2007, with final amended statements being received on 9 October 2007. An unqualified audit report was issued on 10 October 2007.

## FINANCIAL RESULTS

### INCOME STATEMENT – Treasury and Finance

	2006-07 Budget \$'000	2006-07 Actual \$'000	2005-06 Actual \$'000	2004-05 Actual \$'000
Revenue from government - recurrent	35 705	35 669	35 123	32 748
Revenue from Special Capital				
Investment Funds	100	198	427	1 791
Sales of goods and services	9 218	6 948	7 291	7 534
Gain on sale of assets	0	0	6 998	1 720
Other operating revenue	0	982	1 059	2 555
<b>Total Operating Income</b>	<b>45 023</b>	<b>43 797</b>	<b>50 898</b>	<b>46 348</b>
Employee expenses	23 142	21 798	20 258	19 486
Depreciation	350	359	172	86
Supplies and consumables	8 668	5 374	5 983	0
Grants and subsidies	12 470	11 520	13 328	14 945
Write down of assets	0	0	0	3
Transfer receipts on disposal of assets to CLAF	0	0	7 319	1 559
Other operating expenses	1 495	3 417	3 200	10 973
<b>Total Operating Expenses</b>	<b>46 125</b>	<b>42 468</b>	<b>50 260</b>	<b>47 052</b>
<b>Net Operating Surplus (Deficit)</b>	<b>( 1 102)</b>	<b>1 329</b>	<b>638</b>	<b>( 704)</b>
Transfer to the Consolidated Fund	( 602)	( 721)	( 665)	( 577)
<b>Net Surplus (Deficit)</b>				
<b>Attributable to the State</b>	<b>( 1 704)</b>	<b>608</b>	<b>( 27)</b>	<b>( 1 281)</b>

### Comment

In most years departments operate at a deficit because they are not funded for depreciation or increases in employee leave provisions. Over the three years under review the Department's deficit turned to a surplus in 2006-07 primarily due to:

- Revenue from government - recurrent increasing by \$2.375m in 2005-06 from additional funding for the Bass Strait Islands Community Service Obligation (CSO) and the Telecommunications Infrastructure project;
- Grants and subsidy expenses decreasing by \$1.617m in 2005-06. The 2004-05 amounts included \$0.631m as a loan repayment for the Triabunna Call Centre. Grants from the Community Support Levy (CSL) decreased by \$0.256m as a result of less funding being available due to the reduction in Gaming tax. The Bass Strait CSO was \$0.537m lower than the previous year mainly due to timing of recognising the grant expenditure. There was a further decrease of \$1.808m in 2006-07, principally due to a reduction in funds carried forward from the previous year in the CSL Trust Fund; and

- Gain on sale of assets increasing by \$5.278m in 2005-06 due to a higher number of Government property sales compared to 2004-05, which was offset by Transfer receipts on disposal of assets to the Crown Lands Administration Fund (CLAF). This ceased after 2005-06 due to the transfer of Government property sales to Finance-General.

The effects of the foregoing were offset in part by:

- Other operating revenue decreasing by \$1.496m in 2005-06 mainly due to reductions in property related revenue, \$0.518m, due to fewer property disposals, and lower recoveries of expenses, \$0.991m, because the 2004-05 amount included recoveries for the Gaming and Liquor Information System, the Telecommunications Infrastructure Project and the Capital Investment Program, which was not repeated in 2005-06. These decreases were offset by an increase in management fees, \$0.105m, relating to the sale of Government property; and
- Employee expenses increasing by \$2.312m, over the period primarily due to salary indexation of 3.5% in each year, increases in the number of FTEs, and increasing tenure of staff.

Until 2004-05 Supplies and consumables expenses were included with Other operating expenses.

Actual revenue from the Sale of goods and services was lower than the budget estimate in 2006-07. This was due to the budget estimate including the budget for Other operating revenue, however the Treasurer's Instructions require Sale of goods and services and Other operating revenue to be separated in the Income Statement. The budget estimate includes revenue for the Government Prices Oversight Commission (GPOC) and the Office of the Tasmanian Energy Regulator (OTTER) of \$2.119m, but the financial performance of GPOC and OTTER are not included in Treasury's actual results.

Transfers to the Consolidated Fund consist of Liquor Licence fees collected.

## BALANCE SHEET – Treasury and Finance

	2006-07	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Cash and deposits	3 236	7 734	6 906	7 849
Receivables	171	114	183	543
<i>Non-financial Assets</i>				
Plant and equipment	924	118	114	83
Leasehold improvements	0	942	988	318
Heritage assets	0	73	73	73
Intangibles	0	1 132	1 172	394
Other non-financial assets	516	469	521	1 003
<b>Total Assets</b>	<b>4 847</b>	<b>10 582</b>	<b>9 957</b>	<b>10 263</b>
<i>Liabilities</i>				
Payables	2 113	792	1 218	1 747
Employee entitlements	4 880	4 727	4 327	4 341
Other liabilities	0	306	263	0
<b>Total Liabilities</b>	<b>6 993</b>	<b>5 825</b>	<b>5 808</b>	<b>6 088</b>
<b>Net Assets (Liabilities)</b>	<b>( 2 146)</b>	<b>4 757</b>	<b>4 149</b>	<b>4 175</b>
Accumulated funds (deficits)	( 2 146)	4 750	4 142	4 169
Reserves	0	7	7	6
<b>Total Equity</b>	<b>( 2 146)</b>	<b>4 757</b>	<b>4 149</b>	<b>4 175</b>

### Comment

Treasury's Total equity improved at 30 June 2007 due to the \$0.608m net surplus generated for the 2007 financial year.

Net Assets increased from \$4.175m at 30 June 2005 to \$4.757m at 30 June 2007. The main factors contributing to this were:

- Leasehold improvements increasing by \$0.670m in 2005-06 due to additional improvements to 80 Elizabeth Street and to Henty House. The variance between the budget estimate and actual amounts of Leasehold improvements has occurred as a result of tenancy fit-out costs being capitalised;
- Intangibles, consists of computer software developments, and increased by \$0.778m in 2005-06 due to work associated with the Gaming and Liquor Information System; and
- Payables decreasing by \$0.955m over the period due to the amounts of the Bass Strait Islands CSO required to be accrued at year-end. In 2005-06 two months was accrued, but in 2006-07 an interim invoice was paid in June, so the accrual required was significantly less.

The effects of the foregoing were offset in part by:

- Receivables decreasing by \$0.360m in 2005-06 due to timing issues associated with the billing cycle. The reason that the actual amount of Receivables is lower than the budget estimate is the result of debtors promptly paying outstanding invoices prior to 30 June 2007;
- Employee entitlements increasing primarily due to salary indexation of 3.5% in each year, increases in the number of FTEs, and increasing tenure of staff; and
- Cash and deposits were lower in 2005-06, principally as the result of an accelerated grants program associated with the CSL (grants exceeded revenue from the Levy). The reason that the actual amount of Cash and deposits is higher than the budget estimate for 2006-07, is that the budget estimates were compiled in May 2006 prior to finalisation of the actual outcomes for 30 June 2006.

Other liabilities from 2005-06 include Payroll tax and Workers Compensation insurance, which were previously included with Employee entitlements, and were not transferred when determining the budget for Other liabilities at 30 June 2007.

## CASH POSITION – Treasury and Finance

	2006-07	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	35 705	35 669	35 123	32 748
Receipts from Special Capital				
Investment Funds	100	198	427	1 791
GST receipts	1 600	1 404	2 759	1 973
Other cash receipts	9 218	8 067	9 016	9 182
Payments to employees	( 23 007)	( 22 753)	( 21 581)	( 20 559)
GST payments	( 1 600)	( 1 388)	( 2 563)	( 2 151)
Grants and subsidies	( 12 470)	( 11 959)	( 13 833)	( 13 837)
Transfers to the Consolidated Fund	( 602)	( 721)	( 665)	( 577)
Other cash payments	( 10 163)	( 7 411)	( 14 974)	( 11 114)
<b>Cash from (used in) operations</b>	<b>( 1 219)</b>	<b>1 106</b>	<b>( 6 291)</b>	<b>( 2 544)</b>
Proceeds from disposal of assets	0	0	6 998	1 727
Payments for acquisition of assets	0	( 278)	( 1 650)	( 751)
<b>Cash from (used in) investing activities</b>	<b>0</b>	<b>( 278)</b>	<b>5 348</b>	<b>976</b>
<b>Net increase (decrease) in cash</b>	<b>( 1 219)</b>	<b>828</b>	<b>( 943)</b>	<b>( 1 568)</b>
Cash at the beginning of the year	3 853	6 906	7 849	9 417
<b>Cash at end of the year</b>	<b>2 634</b>	<b>7 734</b>	<b>6 906</b>	<b>7 849</b>

## Comment

Reasons for variations in cash flow receipt and payment amounts reflect the comments made previously in the Income Statement and the Balance Sheet sections of this chapter.

## FINANCIAL ANALYSIS – Treasury and Finance

	<b>Bench Mark</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
<b>Financial Performance</b>				
Result from operations (\$'000s)		1 329	638	( 704)
Operating margin	>1.0	1.03	1.01	0.99
<b>Financial Management</b>				
Debt collection	30 days	20	23	26
Creditor turnover	30 days	1	1	5
<b>Other Information</b>				
Self-sufficiency %		19	17	21
Government funding %		104	102	98
Staff numbers (FTE)		324	324	316
Average staff costs (\$'000s)		67	63	62
Average leave balance per FTE (\$'000s)		15	13	14

## Comment

Results from operations are before transfers to the Consolidated Fund.

The Self-sufficiency ratio shows that the level of independent funding that the Department generates for use in achievement of its objectives remained around 19% throughout the period under review.

The Government funding ratio has moved to slightly above the break-even position of 100% over the period, representing the surplus for the year.

Staff numbers increased in 2005-06 to provide additional resources to satisfy the changing needs of the Department's key stakeholders.

## ADDITIONAL FINANCIAL INFORMATION

### Administered Transactions

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

## Administered Income and Expenses – Finance-General

	2006-07	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	396 082	432 938	501 124	536 880
Revenue from government - capital	21 325	21 325	0	75 909
Revenue from government - other	0	24 609	16 570	8 672
Australian Government grants	1 618 381	1 629 342	1 629 057	1 725 822
State Taxation	756 733	780 978	729 481	706 060
Sales of goods and services	58 596	69 468	62 796	59 924
Interest revenue	41 599	49 642	35 392	49 066
Revaluation of equity investments	0	215 245	101 566	( 368 745)
Other revenue	301 576	263 113	264 646	235 017
Loss on sale of assets	( 2 796)	4 152	( 721)	( 204)
<b>Total Revenue</b>	<b>3 191 496</b>	<b>3 490 812</b>	<b>3 339 911</b>	<b>3 028 401</b>
Employee expenses	13 070	0	0	0
Superannuation	243 384	607 284	( 56 000)	648 643
Depreciation and amortisation	17 397	20 139	16 666	12 712
Supplies and consumables	92 627	81 898	73 335	0
Grants and subsidies	231 960	242 248	247 529	248 726
Borrowing costs	28 270	32 504	30 516	51 248
Impairment losses	0	10	88	0
Other expenses	8 543	16 909	13 777	76 878
<b>Total Expenses</b>	<b>635 251</b>	<b>1 000 992</b>	<b>325 911</b>	<b>1 038 207</b>
<b>Net Surplus</b>	<b>2 556 245</b>	<b>2 489 820</b>	<b>3 014 000</b>	<b>1 990 194</b>
Transfer to the Consolidated Fund	(2 561 305)	(2 643 824)	(2 508 177)	(2 638 746)
<b>Net Surplus (Deficit)</b>				
<b>Attributable to the State</b>	<b>(5 060)</b>	<b>(154 004)</b>	<b>505 823</b>	<b>(648 552)</b>

### Comment

Revenue from government – recurrent decreased by \$35.756m in 2005-06 mainly due to a decrease in debt servicing cost funding, \$40.900m, and a reduction in the equity contribution to the TT-Line, \$15.000m, offset by increases in interest credited to accounts in the Special Deposits and Trust Fund, \$10.600m, and miscellaneous payments, \$5.900m.

There was a large decrease of \$68.186m in 2006-07. This decrease reflects numerous positive and negative variances, but may be mainly attributed to a budgeted reduction of \$64.415m in the contribution to the Superannuation Provision Account. This reduction is in accordance with the Government's new Fiscal Strategy, introduced



in the 2006-07 Budget, which extends the target date to extinguish the State's net unfunded superannuation liability from 2018 to 2033.

The actual amount of Revenue from government – recurrent received was \$36.856m more than the budget estimate principally due to additional funding approved by the Treasurer for:

- Additional funds for the Tasmanian Community Forest Agreement, \$18.000m. The Australian Government Department of Agriculture, Fisheries and Forestry paid Finance-General \$18.000m, which was receipted to the Consolidated Fund;
- Payment of interest on the balance of the T900 Temporary Debt Repayment Account, \$13.300m;
- Increased interest on sundry deposits due to increases in the balances of interest bearing accounts within the Special Deposits and Trust Fund, together with increases in interest rates, \$12.657m;
- Additional transfers of funds to ESIF for:
  - Arrangement with the Hawthorn Football Club, \$3.000m;
  - Redevelopment of the Tasmanian Hockey Centre, \$1.750m;
  - Aurora Netball Stadium, \$0.690m; and
  - Pirates Bay redevelopment, \$1.300m;
- Costs associated with the acquisition from Ericsson of the radio network used by the Department of Police and Emergency Management and the Tasmanian Electricity Supply Industry, and to settle a litigation claim by Ericsson, \$11.296m; and
- Additional payment to the State Fire Commission for wildfire fighting, \$2.000m.

Revenue from government – capital in 2004-05 included a one-off amount for the Better Roads Fund, \$25.000m, and the Royal Hobart Hospital Redevelopment, \$35.000m. Appropriation for the essential maintenance component of the capital investment program has since been devolved to agency recurrent budgets. The \$21.325m in 2006-07, consisted of a transfer to ESIF. Appropriation is provided in Finance-General's Budget to enable transfers to ESIF, which are transferred in turn to government departments as funding of approved projects is required.

Revenue from government – other represents the Consolidated Fund surplus transferred at 30 June each year to the T900 Temporary Debt Repayment Account.

Australian government grants in 2006-07 consisted of:

### **General**

- GST Revenue, \$1 567.616m.

### **Specific**

- Local Government Grants, \$55.299m;

- Pensioner Concession Compensation, \$6.411m; and
- Natural Disaster Grant, \$0.016m.

The reduction in these grants in 2005-06 compared to 2004-05 was largely due to the Health Care Grant (2004-05, \$178.764m) being transferred from Finance-General to the Department of Health and Human Services from 2005-06, offset by an increase in GST Revenue, \$59.586m.

Significant changes in State taxation during the three-year period under review have been:

- Increases in Payroll tax resulting from employment and wages growth;
- Increases in Land tax, particularly in 2006-07, due to the growth in property values; and
- A decrease in Financial transactions tax in 2005-06 as a result of the abolition of Debits Duty from 1 July 2005. The increase since, is the result of growth in property sales.

The table below shows the various levels of tax receipts over the last three years.

<b>State Taxation</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$'000	\$'000	\$'000
Payroll tax	321 280	307 476	276 936
Land tax	61 969	49 104	43 616
Motor vehicle tax	57 528	55 762	51 925
Financial transactions tax	244 075	229 612	245 165
Gambling taxes	86 253	79 028	81 003
Other taxes	1 233	1 306	4
Guarantee taxes	8 640	7 193	7 411
<b>Total Revenue</b>	<b>780 978</b>	<b>729 481</b>	<b>706 060</b>

The actual amount of Taxation received was \$24.245m more than the budget estimate due to increases not anticipated when the budget was prepared.

Sales of goods and services consists of payments from agencies for property, motor vehicle fleet and risk management services. The increase in 2006-07 was largely the result of higher lease rates for vehicles and increased rents for property resulting from the acquisition of properties of the former Hobart Ports Corporation in 2005-06. The actual receipts were \$10.872m higher than the budgeted estimate due to the receipt of revenues unforeseen at the time of preparation of the budget.

Interest revenue decreased considerably during 2005-06 primarily due to early repayment of debt, which resulted in a reduction in Public Account cash available for investment. The increase in 2006-07 was due to the effect of interest rate increases and an increase in the balance of Public Account cash available for investment. The actual interest received was \$8.043m higher than the budget estimate for the same reason.

The Revaluation of equity investments represents changes in the net carrying amounts of the Government's investments in Government Business Enterprises (GBEs) and State-owned Companies (SOCs). Net carrying amounts of these investments represent

the net assets at each 30 June of these entities. The net increase of \$215.245m in 2006-07 was principally due to increases in the equity of:

- Motor Accidents Insurance Board, \$76.548m;
- Aurora Energy Pty Ltd, \$68.792m;
- Hydro Tasmania, \$37.694m;
- Transend Networks Pty Ltd, \$26.932m; and
- Forestry Tasmania, \$21.767m.

In the 2007-08 State Budget, the Government announced the planned sale of the Hobart International Airport Pty Ltd (a subsidiary company of the Tasmanian Ports Corporation Pty Ltd), the Printing Authority of Tasmania and the Southern Regional Cemetery Trust. The Government has subsequently announced its intention to sell each business as a going concern through a competitive bid process, and to finalise these transactions before 30 June 2008. The Net Assets of each of the relevant businesses as at 30 June 2007 and included in the Administered Equity Investments, totaling \$54.924m, is as follows:

- Hobart International Airport Pty Ltd, \$44.644m;
- Printing Authority of Tasmania, \$2.580m; and
- Southern Regional Cemetery Trust, \$7.700m.

The Revaluation of equity investments revenue item was combined with Other revenue in the budget figures and has been disaggregated for this report. A budget estimate cannot be provided for the Revaluation of equity investments due to the uncertainty of changes that will occur.

Other revenue consists principally of Superannuation contributions from agencies and authorities, Dividends and tax equivalent income. Other revenue in 2005-06 exceeded that of 2004-05 by \$29.629m largely as a result of:

- Increased dividends from GBEs and SOCs, \$14.764m;
- Refund of a payment to the Launceston City Council for the Aquatic Centre, \$8.018m, as the Council did not meet the requirements of a grant;
- Revaluation of the superannuation liability for former Australian National Railways employees, \$5.000m; and
- Receipt of an upfront fee from Betfair, \$5.000m.

Offset by:

- A decrease in the special dividend from Hydro Tasmania, \$9.400m; and
- Guarantee fees being reclassified to State Taxation, \$7.411m.

The 2006-07 budget estimate for Employee expenses included a provision for wage increases of \$13.000m above the current amounts provided to agencies. No expenditure is recorded directly against this provision, but rather is reflected in the financial statements of those agencies where the expense is incurred. This provision ceased from the 2007-08 Budget, with the funding having been devolved to agencies

as a result of the simplification and harmonisation of indexation arrangements applying to agencies budgets for Employee expenses.

The superannuation gain or loss each year results from an actuarial revaluation of the State's net liability in respect of the contributory service of current and past government employees. The gain of \$56.000m in 2005-06 was caused principally by an increase in the discount rate applied and strong investment performance by fund assets.

The loss of \$607.284m in 2006-07 was due to an increase in the discount rate resulting in a higher nominal interest expense, an increase in employer service costs, and a large increase in contributions tax, which doubled from 7% to 14% due to the expected loss of pre-1 July 1988 funding credits. The actual expense in 2006-07 exceeded the budget estimate by \$363.900m primarily due to a higher than anticipated valuation of the liability and lower than budgeted opening balance of the unfunded superannuation liability.

The Depreciation expense relates to Government-owned buildings and the motor vehicle fleet. The increase in 2005-06 resulted from property transferred from the Hobart Ports Corporation Pty Ltd and an increase in motor vehicles. The increase in 2006-07 is principally due to an increase in the value of the vehicle fleet.

Until 2004-05 Supplies and consumables expenses were included with Other expenses. The increase in 2006-07 was principally due to increased expenses of the Tasmanian Risk Management Fund, \$7.498m, due to an increase in payments of \$2.505m for medical negligence and \$2.942m for workers' compensation. However, the actual expenses were \$10.729m less than budget, primarily as no expenditure was required from the Treasurer's Reserve.

The table below shows the Grants and subsidies paid over the last three years.

<b>Grants and Subsidies</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$'000	\$'000	\$'000
Special Capital Investment Fund grants	81 517	99 360	105 491
Local Government grants	55 299	53 400	50 710
First Home Owner grants	20 375	18 538	16 740
Tasmanian Community Forest Agreement	19 710	27 980	14 500
TT-Line	0	2 210	4 296
Tasmanian Community Fund	4 986	0	0
Launceston Flood Protection	10 000	0	0
Payroll tax assistance	5 421	5 473	4 726
Other grants	10 427	8 783	20 573
Equalisation payments and subsidies	14 487	14 062	14 776
Payments under <i>Local Government (Rates and Charges Remissions) Act 1991</i>	15 277	14 955	14 396
Other subsidies	4 749	2 768	2 518
<b>Total Payments</b>	<b>242 248</b>	<b>247 529</b>	<b>248 726</b>

Borrowing costs decreased by \$20.732m in 2005-06 primarily due to the repayment of maturing debt. Actual costs exceeded the budget estimate by \$4.234m in 2006-07 due to an increase in interest paid on sundry deposits resulting from increases in interest rates and the balances of interest-bearing accounts within the Special Deposits and Trust Fund.

Other expenses exceeded the budget estimate by \$8.366m primarily due to an increase in the actuarial estimate of the Tasmanian Risk Management Fund liability.

Transfers to the Consolidated Fund include the transfer of State Taxation and Australian Government revenues.

### Administered Assets and Liabilities – Finance-General

	2006-07 Budget \$'000	2006-07 Actual \$'000	2005-06 Actual \$'000	2004-05 Actual \$'000
<i>Financial Assets</i>				
Cash and deposits	451 328	678 208	543 503	534 428
Receivables	56 339	67 224	81 949	56 239
Equity investments	3 139 736	3 281 428	3 042 282	2 894 224
Other financial assets	251 929	253 301	259 007	272 748
<i>Non-financial Assets</i>				
Assets held for sale	1 300	701	4 615	1 449
Motor vehicles	58 933	65 755	63 617	56 439
Land and buildings	45 451	70 590	63 080	45 015
Infrastructure	43 515	26 738	23 573	23 331
Other non-financial assets	3 107	4 942	2 887	3 891
<b>Total Assets</b>	<b>4 051 638</b>	<b>4 448 887</b>	<b>4 084 513</b>	<b>3 887 764</b>
<i>Liabilities</i>				
Payables	448	924	1 279	448
Interest-bearing liabilities	323 845	323 679	328 551	590 931
Superannuation	3 613 082	3 659 971	3 183 893	3 308 124
Other liabilities	348 901	512 579	456 031	368 728
<b>Total Liabilities</b>	<b>4 286 276</b>	<b>4 497 153</b>	<b>3 969 754</b>	<b>4 268 231</b>
<b>Net Assets (Liabilities)</b>	<b>(234 638)</b>	<b>(48 266)</b>	<b>114 759</b>	<b>(380 467)</b>
Accumulated funds (deficits)	(234 638)	(63 336)	114 759	(380 467)
Asset revaluation reserve	0	15 070	0	0
<b>Total Equity (Deficit)</b>	<b>(234 638)</b>	<b>(48 266)</b>	<b>114 759</b>	<b>(380 467)</b>

### Comment

Finance-General's Total Equity varied considerably over the period under review. In summary what has happened is that:

- The deficit at 30 June 2005 resulted from the adoption of International Financial Reporting Standards, which had the effect of reducing Finance General's equity by \$1.896b. This was caused by an increase in the Unfunded Superannuation

liability, \$1.016b and decreases in the carrying amounts of net assets of GBEs and SOCs, \$880.662m. Further reasons for these significant changes are outlined in Volume One of my November 2006 Report;

- Finance-General generated a Net surplus of \$505.823m in 2005-06 which is the predominant reason for the equity of \$114.759m; and
- The net deficit for the 2007 financial year of \$154.004m, together with decreases in net assets totalling \$24.092m recognised directly in equity, caused equity to revert to an overall deficit, which was, to an extent, offset by the revaluation of assets by \$15.070m during 2006-07.

Reasons for movement in Finance-General's various assets and liabilities during the period under review were:

- Cash and deposits increased over the period by \$134.705m, and above the budget estimate in 2006-07 by \$226.880m. Both primarily reflect the growth in the balances of accounts. Cash and deposits includes the balance of the Special Deposits and Trust Fund Accounts held by Finance-General and other cash held, which are administered or held in a trustee capacity or agency arrangement;
- Receivables increased by \$25.710m in 2005-06. Amounts for 2005-06 were abnormally high and included \$18.000m owing by the Australian Government's Department of Agriculture, Fisheries and Forestry for the Tasmanian Community Forest Agreement. Receivables at 30 June 2007, \$67.224m, exceeded the budget estimate, \$56.339m, due primarily to increases in outstanding taxation revenue. Receivables consist mainly of State Taxes, but also include interest on loans to public bodies and other recoveries;
- Equity investments vary each year depending on the net assets of GBEs and SOCs, with the most notable increases during 2006-07 listed earlier in this chapter;
- Assets held for sale increasing by \$3.166m in 2005-06, reflecting the listing of 171 Westbury Road, Prospect;
- Other financial assets consist largely of Commonwealth-State Housing Debt for housing and loans made under various Acts of Parliament and to State Authorities. These are gradually declining as repayments are being made, with no new loans being provided;
- Motor vehicles have increased in each of the years under review. The largest increase was \$7.178m in 2005-06 due mainly to the acquisition of 171 additional vehicles, including 119 for medical officers in the Department of Health and Human Services;
- Land and buildings increased by \$18.065m in 2005-06 due largely to property transferred from the former Hobart Ports Corporation Pty Ltd on amalgamation of the four port corporations. The budget estimate for 2006-07 was prepared before the results of the valuation and additions and sales could be known, thus resulting in the actual amount, \$70.590m, being \$25.139m above the budget estimate;
- Infrastructure consists of the optic fibre cable purchased by the State in 2002-03 for \$23.061m plus costs capitalised since then. The budget estimate, \$43.515m,

exceeded the actual amount, \$26.738m, in 2006-07 due to an overstatement that has been corrected in the 2007-08 budget;

- Interest-bearing liabilities decreased by \$262.380m in 2005-06 due to the repayment of three large loans from Tascorp, together with the final repayment of Financial Agreement Debt to the Australian Government totalling \$7.217m;
- The Superannuation liability decreased by \$124.231m in 2005-06 mainly due to the actuarial estimation noted previously. The liability increased by \$476.078m in 2006-07 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 assumption changes, including lower pensioner mortality rates.

In 1999 the State Government made significant reforms to superannuation arrangements, including the closure of defined benefit schemes, and capped the unfunded liability. It was accepted, however, that the unfunded liability would continue to increase for a number of years (as salaries increased and members worked additional years of service), but that eventually this liability would decline as membership of the closed schemes declines. The State Actuary has advised that, subject to changes in economic assumptions such as discount rates, the Unfunded Superannuation Liability is likely to increase by around 6% per annum for another 7 years. This is because the average age of fund members is 48 with retirement available from age 55. It is now estimated that the unfunded liability will be eliminated by 30 June 2033; and

- Other liabilities increased significantly during the period under review principally due to increases in the Special Deposits and Trust Fund held by Finance-General on behalf of agencies, \$120.938m, and the Tasmanian Risk Management Fund liability, \$27.760m, offset by a decrease in interest payable, \$8.029m. The actual amount exceeded the budget estimate in 2006-07 by \$163.678m due primarily to unforeseen increases in monies held on behalf of agencies within the Special Deposits and Trust Fund, \$143.400m.

## Administered Cash Flows – Finance General

	<b>2006-07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	396 082	451 921	523 319	536 880
Receipts from government - capital	21 325	21 325	0	75 909
Australian Government grants	1 618 381	1 647 342	1 611 057	1 725 822
State taxation	756 733	766 215	715 515	693 295
Sales of goods and services	58 596	68 573	91 364	0
GST receipts	13 500	17 144	17 379	15 527
Interest received	41 507	50 785	35 641	47 427
Dividends and income tax equivalents received	142 779	168 144	160 884	166 779
Other cash receipts	81 919	101 981	83 304	155 237
Employee entitlements	(13 070)	0	0	0
Superannuation	(124 333)	(131 206)	(119 401)	(115 743)
Supplies and consumables	(92 627)	(82 216)	(72 910)	(56 462)
Borrowing costs	(28 560)	(32 373)	(38 672)	(54 018)
GST payments	(13 500)	(17 667)	(16 655)	(16 298)
Grants and subsidies	(231 960)	(242 295)	(247 663)	(248 722)
Transfers to the Consolidated Fund	(2 561 305)	(2 643 824)	(2 508 177)	(2 638 868)
Other cash payments	(2 300)	( 533)	( 152)	(5 568)
<b>Cash from operations</b>	<b>63 167</b>	<b>143 316</b>	<b>234 833</b>	<b>281 197</b>
Proceeds from disposal of assets	27 750	26 316	24 265	26 320
Repayment of loans by other entities	6 122	6 151	5 892	9 706
Receipts from investments	0	0	7 994	0
Other cash receipts	0	125 139	2 137	0
Payments for acquisition of assets	(50 864)	(58 046)	(47 548)	(42 246)
Payments for investments	(23 500)	( 508)	0	(99 243)
<b>Cash from (used in) investing activities</b>	<b>(40 492)</b>	<b>99 052</b>	<b>(7 260)</b>	<b>(105 463)</b>
Other cash receipts	0	0	51 171	0
Repayment of borrowings	(34 066)	(107 663)	(255 239)	(234 095)
Other cash payments	0	0	(14 430)	(7 294)
<b>Cash (used in) financing activities</b>	<b>(34 066)</b>	<b>(107 663)</b>	<b>(218 498)</b>	<b>(241 389)</b>
<b>Net increase (decrease) in cash</b>	<b>(11 391)</b>	<b>134 705</b>	<b>9 075</b>	<b>(65 655)</b>
Cash at the beginning of the year	462 719	543 503	534 428	600 083
<b>Cash at end of the year</b>	<b>451 328</b>	<b>678 208</b>	<b>543 503</b>	<b>534 428</b>



## **Comments**

Reasons for variations in cash flow receipt and payment amounts reflect the comments made previously under the Administered Income and Expenses and the Administered Assets and Liabilities sections of this chapter.

Cash at the end of the period consists of balances within the Special Deposits and Trust Fund, excluding true trust accounts.

## **OVERALL COMMENT**

The 2006-07 audit was completed satisfactorily with no major issues outstanding.

### 3 OTHER AUTHORITIES

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#### INTRODUCTION

Statutory authorities that are subject only to the specific requirements specified in their enabling legislation are sometimes also referred to as State authorities. Statutory authorities usually fulfil a regulatory or supervisory function. There are 11 State authorities whose financial statements are subjected to audit:

Entity	Responsible Minister	Status of Audit
Private Forests Tasmania	Minister for Economic Development and Resources	Complete
RBF-TAS Planning Pty Ltd	Not applicable	Complete*
Retirement Benefits Fund Board - 7 entities	Treasurer	Complete**
State Fire Commission	Minister for Police and Emergency Management	Complete
Sullivans Cove Waterfront Authority	Minister for Economic Development and Resources	Complete*
TAFE Tasmania	Minister for Education	Complete
Tasmanian Community Fund	Treasurer	Complete*
Tasmanian Dairy Industry Association	Minister for Primary Industries and Water	Complete*
Tasmanian Teachers Registration Board	Minister for Education	Complete*
Travel Agents Registration Board	Minister for Justice and Workplace Relations	In progress*

\* *These entities are too small to warrant separate chapters in this Report*

\*\* *Audit completed prior to 31 October 2007 but too late for inclusion in this Report*

#### KEY FINDINGS

- At the time of publication of this Report, nine of the ten State authority audits had been completed. Unqualified audit opinions were issued for all but one of these.
- Seven of the ten authorities submitted financial statements within the statutory deadline.
- Eight audits were completed with satisfactory results.
- The **State Fire 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 although 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.

# **PRIVATE FORESTS TASMANIA**

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## **INTRODUCTION**

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

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

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

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

## **AUDIT OF THE 2006-07 FINANCIAL STATEMENTS**

Signed financial statements were received on 28 September 2007 with amended and resigned statements received on 23 October 2007. An unqualified audit report was issued on 24 October 2007.

## FINANCIAL RESULTS

### INCOME STATEMENT

	2006-07	2005-06	2004-05
	\$'000s	\$'000s	\$'000s
Government contributions	1 243	1 247	1 214
Commonwealth grants	536	667	341
Private Forests service levy	432	472	325
Interest on Pine Loans	48	59	67
Bank interest	123	124	100
Other operating revenue	202	291	170
<b>Total Revenue</b>	<b>2 584</b>	<b>2 860</b>	<b>2 217</b>
Salary, wages and employee entitlements	1 299	1 325	1 101
Borrowing costs	48	60	67
Depreciation	56	56	76
Other operating expenses	1 197	899	845
Loss on disposal of assets	0	0	37
<b>Total Expenses</b>	<b>2 600</b>	<b>2 340</b>	<b>2 126</b>
<b>Surplus (Deficit) for the year</b>	<b>( 16)</b>	<b>520</b>	<b>91</b>

### Comment

In 2006-07 the Authority recorded a small deficit of \$0.016m, compared to surpluses of \$0.520m in 2005-06 and \$0.091m in 2004-05. The main movements in revenue and expense items are discussed below.

As in prior years, Total Revenue was mainly derived from Commonwealth Grants and Government contribution appropriations. The amount of grants and appropriations received varies from year to year depending on project schedules and priorities. Prior to 2005-06, government grants received by the Authority as contributions to operating expenses were recognised in the year the expense was incurred, in accordance with Treasurer's Instructions. From 1 July 2005, the relevant Treasurer's Instruction was changed and grants are now recognised as revenue in the year of receipt or entitlement.

In 2005-06, the Authority received new project funding for Sustainable Farm Forestry, \$0.290m (\$0.268m in 2006-07), and Targeted Protection of High Priority Terrestrial and Riparian Vegetation, \$0.180m (\$0.215m in 2006-07).

An amendment to the *Private Forests Act 1994* in 2001 allowed for the introduction of a Private forests service levy on all certified forest practices plans. The Authority charges the levy on a per hectare basis. The Authority raised the levy on certified forest practices plans totalling an area of approximately 23 000 hectares in 2004-05, compared with approximately 33 000 hectares in 2005-06 and 30 000 hectares in 2006-07. This resulted in the increased Private forests services levy in 2005-06 of \$0.472m and a reduction in 2006-07 to \$0.432m. The levy raised is dependent on the

number of forest practices plans certified each year and the area of forest operations included in those plans.

Other revenue in 2005-06, \$0.291m, included \$0.100m relating to a contribution for a satellite imagery project. Other revenue in 2006-07, \$0.202m, included a further contribution of \$0.073m for the project, which is due to be completed in 2007-08.

Employee costs decreased by \$0.026m in 2006-07 due to a decrease in gross salaries paid as a result of a staff retirement in 2005-06 and non-replacement of that position and the resulting impact on superannuation and payroll tax.

Employee costs increased by \$0.224m in 2005-06 due to a combination of factors, including:

- An increase in gross salaries paid of \$0.120m due to a 3.5% pay rise for all staff in December 2005 under a State Service Wages Agreement, a termination payment, employment of project staff for a greater length of time and at increased salary levels, and conversion of a part-time position to full-time;
- An increase in leave provisions of \$0.018m; and
- An increase in payroll tax, superannuation and fringe benefits tax expenses totalling \$0.067m.

Other operating expenses increased from \$0.899m in 2005-06 to \$1.197m in 2006-07 due primarily to:

- An increase in devolved grants paid to landowners of \$0.177m; and
- An increase in consultancy and contractor expenses of \$0.064m. Consultancy fees in 2006-07 included project leader costs for the Targeted Protection of High Priority Terrestrial and Riparian Vegetation project and development costs for the Farm Forestry Toolbox project.

## BALANCE SHEET

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$'000s	\$'000s	\$'000s
Cash	1 586	1 339	1 379
Receivables	621	801	319
Loans for private forestry	60	58	62
Other	6	8	7
<b>Total Current Assets</b>	<b>2 273</b>	<b>2 206</b>	<b>1 767</b>
Property, plant and equipment	94	124	140
Loans for private forestry	679	887	963
<b>Total Non-Current Assets</b>	<b>773</b>	<b>1 011</b>	<b>1 103</b>
Payables	94	72	40
Borrowings	60	58	62
Provisions	224	209	206
Other	48	30	137
<b>Total Current Liabilities</b>	<b>426</b>	<b>369</b>	<b>445</b>
Borrowings	1 219	1 427	1 539
Provisions	28	32	17
<b>Total Non-Current Liabilities</b>	<b>1 247</b>	<b>1 459</b>	<b>1 556</b>
<b>Net Assets</b>	<b>1 373</b>	<b>1 389</b>	<b>869</b>
Accumulated Surpluses	1 373	1 389	869
<b>Total Equity</b>	<b>1 373</b>	<b>1 389</b>	<b>869</b>

### Comment

The Authority's Total Equity increased by \$0.504m from 30 June 2005 to 30 June 2007 due to a surplus recorded in 2005-06, \$0.520m, and a deficit incurred in 2006-07, \$0.016m.

The Receivables balance at 30 June 2007, \$0.621m, represented a decrease on the prior year of \$0.180m. The decrease was due primarily to:

- Inclusion of two grant debtors at 30 June 2006 totalling \$0.343m, compared with \$0.203m at 30 June 2007; and
- A decrease in Private forests services levy debtors and accruals of \$0.062m.

Receivables increased by \$0.482m in 2005-06 as a result of two main factors:

- An increase in Private Forest's services levy debtors of \$0.104m which is in line with the increase in revenue discussed previously. It should be noted that payment of levies is not required until six months after certification; and
- Inclusion of two grant debtors totalling \$0.343m, as noted above.

Total Loans for private forestry (current and non-current) decreased by \$0.286m from 30 June 2005 to 30 June 2007. The balance of private pine plantation loan debtors is

continuing to decrease as loan instalments are repaid and some loans are fully repaid due generally to the sale of property.

The balance of Other current liabilities at 30 June 2005, \$0.137m, included \$0.128m relating to unexpended grant funding. As previously noted in this chapter, prior to 2005-06, government grants received by the Authority as contributions to operating expenses were recognised in the year the expense was incurred. At 30 June 2005, the Authority had received grants totalling \$0.128m which had not yet been expended. A liability was therefore recognised for the amount of funding not spent at year-end.

The decrease in total Borrowings (current and non-current) from 30 June 2005 to 30 June 2007, \$0.322m, is a result of repayments made to the Department of Treasury and Finance of \$0.410m, less interest charged of \$0.129m plus write-offs and other adjustments of \$0.041m.

## CASH POSITION

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$'000s	\$'000s	\$'000s
Receipts from customers	2 843	2 212	2 135
Payments to suppliers and employees	( 2 703)	( 2 332)	( 2 152)
Interest received on surplus funds	133	120	120
Borrowing costs	( 69)	( 60)	( 67)
<b>Cash from (used in) operations</b>	<b>204</b>	<b>( 60)</b>	<b>36</b>
Payments for property, plant and equipment	( 26)	( 40)	( 36)
<b>Cash (used in) investing activities</b>	<b>( 26)</b>	<b>( 40)</b>	<b>( 36)</b>
Receipts from pine loan repayments	264	145	255
State Government loans repaid	( 195)	( 85)	( 191)
<b>Cash from financing activities</b>	<b>69</b>	<b>60</b>	<b>64</b>
<b>Net increase (decrease) in cash</b>	<b>247</b>	<b>( 40)</b>	<b>64</b>
Cash at the beginning of the year	1 339	1 379	1 315
<b>Cash at end of the year</b>	<b>1 586</b>	<b>1 339</b>	<b>1 379</b>

## Comment

Overall, the Authority recorded an increase in cash from 30 June 2004 to 30 June 2007 of \$0.271m. The main movement was in 2006-07, \$0.247m, which was principally due to increased grant receipts. As noted under the Balance Sheet section of this chapter, the Receivables balance at 30 June 2006 included two grant debtors totalling \$0.343m which were received in 2006-07.



## FINANCIAL ANALYSIS

	Bench Mark	2006-07	2005-06	2004-05
<b>Financial Performance</b>				
Result from operations (\$'000s)		( 16)	520	91
EBIT (\$'000s)		32	580	158
Operating margin	>1.0	0.99	1.22	1.04
Return on assets		1.0%	19.1%	5.4%
Return on equity		(1.2%)	46.1%	11.1%
<b>Financial Management</b>				
Debt to equity		93.15%	106.91%	184.23%
Debt to total assets		41.99%	46.16%	55.78%
Interest cover	>3	1	10	2
Current ratio	>1	5.34	5.98	3.97
Cost of debt	7.5%	7.00%	7.00%	7.00%
Debt collection	30 days	n/a	n/a	n/a
Creditor turnover	30 days	31	32	19
<b>Other Information</b>				
Staff numbers (FTE)		19	19	19
Average staff costs (\$'000s)		68	70	58
Average leave balance per FTE (\$'000s)		13	13	12

### Comment

The Financial Performance ratios show the Authority recorded operating surpluses in both 2004-05 and 2005-06 and a small deficit in 2006-07.

Due to the nature of the Authority's operations and the composition of its Balance Sheet, the Return on asset and Return on equity ratios vary from year to year. In 2006-07, the Return on assets ratio of 1.0% reflects the EBIT of \$0.032m and the negative Return on equity ratio of 1.2% results from the deficit of \$0.016m. The improved operating result for 2005-06 resulted in a substantial increase in both of these ratios for that year.

The level of borrowings held by the Authority to facilitate the private plantation loans is substantial. This resulted in unusually large Debt to equity and Debt to total asset ratios. Both ratios have improved since 2004-05 as a result of repayments made during 2005-06 and 2006-07.

The Current ratio was well above benchmark in the three years indicating the Authority was able to meet all short-term liabilities.

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

The Creditor turnover ratio was slightly above the benchmark of 30 days in 2005-06 and 2006-07. This was due to an increase in the year end Payables balance which included purchases of computer equipment at 30 June 2006 and grants to landowners totalling \$0.047m at 30 June 2007.

While staff numbers remained stable, Average staff costs decreased in 2006-07 due to the impact of a staff retirement in 2005-06 and non-replacement for that position, and the resulting decrease in superannuation and payroll tax. The increase in 2005-06, approximately \$0.012m per employee, was due to the reasons noted previously under the Income Statement section.

## **OVERALL COMMENT**

The 2006-07 audit was completed satisfactorily with no major items outstanding.

# **STATE FIRE COMMISSION**

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## **INTRODUCTION**

The State Fire Commission (the Commission) was established under the *Fire Service Act 1979*. The role of the Commission is to protect life, property and the environment from fire and other emergencies. The Commission provides a rapid emergency response and promotes fire safety in partnership with the community.

The Commission comprises seven members: one person being the Chief Officer (Chairperson), one person nominated by the United Firefighters Union (Tasmanian Branch), one nominated by the Tasmanian Volunteer Firefighters Association, one nominated by the Tasmanian Volunteer Fire Brigades Association, one nominated by the Secretary of the Department of Treasury and Finance and two nominated by the Local Government Association of Tasmania.

## **AUDIT OF THE 2006-07 FINANCIAL STATEMENTS**

Signed financial statements were received on 7 August 2007, with revised financial statements received on 2 October 2007. An unqualified audit report was issued on 3 October 2007.

## FINANCIAL RESULTS

### INCOME STATEMENT

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$000s	\$000s	\$000s
Fire service contribution	24 617	21 882	20 940
Insurance fire levy	12 942	14 486	14 498
Motor vehicle fire levy	5 403	5 023	4 533
State contribution - recurrent	2 812	2 808	3 453
State contribution - wildfire expenses	4 120	730	0
Commonwealth contribution	500	889	322
Fire prevention charges	4 406	4 413	4 221
Other operating revenue	1 712	1 136	1 886
<b>Total Revenue</b>	<b>56 512</b>	<b>51 367</b>	<b>49 853</b>
Salaries, wages and related expenses	34 938	31 398	29 780
Borrowing costs	396	332	290
Depreciation	4 632	4 374	3 974
Other operating expenses	17 701	13 149	13 187
<b>Total Expenses</b>	<b>57 668</b>	<b>49 253</b>	<b>47 231</b>
<b>Net surplus (deficit) before:</b>	<b>( 1 157)</b>	<b>2 114</b>	<b>2 622</b>
State contribution to capital program	0	0	2 000
<b>Surplus (Deficit) for the period</b>	<b>( 1 157)</b>	<b>2 114</b>	<b>4 622</b>

#### Comment

Following successive years of operating surpluses, the Commission operated at a deficit in 2006-07 despite increases in the Fire service contribution of 12% and in the State Government contribution of 96% in the current financial year. This deficit was predominantly due to:

- An 11% decrease in the Insurance fire levy or \$1.544m. This decrease came about because of cyclical market conditions in the insurance industry, which resulted in reduced premiums.
- An 11% increase in Employee related costs, \$3.540m because of:
  - Salary increases of 6.4% for operational staff and 3.5% for non-operational staff. These increases flowed through to the expenses associated with movements in Provisions for Employee Related Expenses, which increased by \$1.144m.
  - significant wildfire activity resulting in an increase of wildfire related salary expenses of \$0.725m.

- There was a marginal impact from the increase of FTEs between 2007 and 2006 of around 25 staff, however, 18 of these were new recruits hired in June 2007 and had minimal effect on the expense.
- Borrowing costs increased due to higher amounts and periods of overdraft and to a lesser extent, higher interest rates.
- A 35% increase in Other operating costs, \$4.552m. This is entirely attributable to wildfire expenditure which totalled \$4.700m for the year. A number of costs increased during 2006-07 including higher:
  - Advertising costs, \$0.335m, associated principally with the production of a DVD to educate the public in how to survive bushfires, \$0.263m.
  - Fire suppression and control costs, \$0.330m, and Protective clothing costs, 0.164m, due to a higher number of fire incidents this financial year.
  - Travelling expenses which in 2006-07 included helicopter costs used during wildfires of \$2.000m (2005-06, \$0.600m).

During 2006-07 Wildfire fighting revenues increased significantly as indicated by a much higher contribution from the State government and the increase in Other operating revenue was for the same reason although those revenues were from sources other than the State.

In prior years the Commission's Surplus was boosted by:

- The receipt in 2004-05 of a \$2.000m contribution from the State Government towards the Commission's capital expenditure program; and
- Other operating revenue of \$0.924m in 2004-05 asset sales and the revaluation in that year of the Commission's head office in Hobart.

## BALANCE SHEET

	2006-07	2005-06	2004-05
	\$000s	\$000s	\$000s
Cash	912	2 115	1 109
Receivables	1 020	891	1 209
Inventories	1 310	1 143	1 021
Other	2 021	2 156	2 150
<b>Total Current Assets</b>	<b>5 263</b>	<b>6 305</b>	<b>5 489</b>
Bank overdraft	0	0	595
Payables	2 645	2 643	2 686
Borrowings	1 368	1 830	2 868
Provisions - leave and other	8 165	7 236	3 015
<b>Total Current Liabilities</b>	<b>12 178</b>	<b>11 709</b>	<b>9 164</b>
<b>Working Capital</b>	<b>( 6 915)</b>	<b>( 5 404)</b>	<b>( 3 675)</b>
Property, plant and equipment	76 504	75 300	70 892
Capital work in progress	3 654	3 454	4 669
Superannuation fund asset	5 050	1 029	0
<b>Total Non-Current Assets</b>	<b>85 208</b>	<b>79 783</b>	<b>75 561</b>
Borrowings	3 330	2 868	1 830
Provisions - superannuation	0	0	6 508
Provisions - leave and other	1 448	1 233	4 954
<b>Total Non-Current Liabilities</b>	<b>4 778</b>	<b>4 101</b>	<b>13 292</b>
<b>Net Assets</b>	<b>73 515</b>	<b>70 278</b>	<b>58 594</b>
Reserves	4 029	3 657	1 624
Accumulated surpluses	69 486	66 621	56 970
<b>Total Equity</b>	<b>73 515</b>	<b>70 278</b>	<b>58 594</b>

### Comment

While the Commission operated at a deficit in 2006-07 of \$1.156m, its Total Equity increased in that financial year by \$3.237m due to:

- A net increase in the carrying value of the Commission's Superannuation fund asset of \$4.022m. This occurred because assets held in the Superannuation scheme increased by \$7.713m, while its defined benefit obligation increased by the smaller amount of \$3.691m. This improvement did not impact on the Commission's Operating results because it has taken the option available in the accounting standards to record gains and deficits in its superannuation obligations as adjustments directly to equity; and
- An upward revaluation of \$0.372m in Commission's land and buildings.

The only other major movements in assets and liabilities during the period under review was an increase in Provisions for employee entitlements, such as annual and long service leave, which increased by \$1.144m in line with higher salaries and wages paid. The Commission's net working capital position appears to have deteriorated at

30 June 2007. This was partly due to the Commission's lower cash holdings at this date (see further comment in the Cash Position section of this Chapter) but primarily due to the classification of a significant part of Employee provisions as a current rather than a non-current liability.

## CASH POSITION

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$000s	\$000s	\$000s
Receipts from operating activities	55 230	50 320	46 662
Payments to suppliers and employees	( 50 194)	( 43 473)	( 40 407)
Interest received	48	45	97
Borrowing costs	( 396)	( 332)	( 290)
<b>Cash from operations</b>	<b>4 688</b>	<b>6 560</b>	<b>6 062</b>
Contributions to capital program	0	0	2 000
Payments for property, plant and equipment	( 6 604)	( 5 639)	( 14 296)
Proceeds from sale of property, plant and equipment	712	680	2 263
<b>Cash (used in) investing activities</b>	<b>( 5 892)</b>	<b>( 4 959)</b>	<b>( 10 033)</b>
Proceeds from borrowings	1 830	2 868	1 500
Repayment of borrowings	( 1 830)	( 2 868)	( 1 500)
<b>Cash from financing activities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net increase (decrease) in cash</b>	<b>( 1 203)</b>	<b>1 601</b>	<b>( 3 971)</b>
Cash at the beginning of the year	2 115	514	4 485
<b>Cash at end of the year</b>	<b>912</b>	<b>2 115</b>	<b>514</b>

## Comment

Despite Operating deficits, the Commission generated positive cash from operations in each year under review. These operating cash flows, \$17.310m for the three years ended 30 June 2007, together with the one-off contribution of \$2.000m in the 2005 financial year from the State government towards the Commission's capital program, were applied to its capital investment program with \$26.539m paid during this period. In the main this expenditure was on the Commission's vehicle fleet and on fire appliances.

This expenditure resulted in a reduction in the Commission's cash resources over the period by \$3.573m. It is my view that the Commission cannot sustain this level of capital investment without reverting to operating at surpluses, increasing borrowings, something it has not done over this three year period, or seeking further contributions from the State government.

## FINANCIAL ANALYSIS

	Bench Mark	2006-07	2005-06	2004-05
<b>Financial Performance</b>				
Result from operations (\$'000s)		( 1 157)	2 114	2 622
Operating margin	>1.0	0.98	1.04	1.06
<b>Financial Management</b>				
Current ratio	>1	0.43	0.54	0.60
Debt collection	30 days	13	12	17
Creditor turnover	30 days	55	60	61
<b>Other Information</b>				
Staff numbers (FTE)		462	437	437
Comprising - firefighters		303	286	284
- other FTE		159	151	153
Average staff costs (\$'000s)		54	59	55
Average leave balance per FTE (\$'000s)		20	18	17

### Comment

The Result from operations and Operating margin are consistent with explanations provided in the Income Statement section of this chapter.

The low Current ratio is explained in the Balance Sheet section.

The Creditor turnover remains high at 55 days. Over the period under review the Commission's Payables have remained at around \$2.650m some of which relates to its high capital expenditure program. I have not investigated this further and I am advised that the Commission pays its suppliers in a timely manner.

The increase in Average staff costs for 2006-07 is mainly due to a pay rate increase of 3.5% for management and corporate staff under the State Service Wage Agreement, and 6.4% for officers and fire fighters under the Tasmanian Fire Fighting Industry Employees Award. These increases flowed through to the expenses associated with movements in provisions for employee related expenses. In addition significant wildfire activity resulted in an increase of wildfire related salary expenses.

### OVERALL COMMENT

The 2006-07 audit was completed satisfactorily with no major issues outstanding.

I repeat the observation made earlier in this Chapter that, in my view, the Commission cannot sustain its high level of capital investment without reverting to operating at surpluses, increasing borrowings, something it has not done over this three year period, or seeking further contributions from the State government.



# **TAFE TASMANIA**

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## **INTRODUCTION**

TAFE Tasmania (TAFE) was established under the *TAFE Tasmania Act 1997* as a provider of vocational and further education. It is managed by a board of seven directors appointed by the Government.

TAFE is the largest registered training organisation in Tasmania. It provides vocational education and training at 15 sites throughout the State.

In 2006-07, TAFE accessed 83% of its funds via a Purchase Agreement with the Minister for Education and relies on capital funds from Commonwealth and State Government sources to develop, maintain and refurbish its non-financial assets.

TAFE provides concessions and exemptions of service fees for students under various circumstances. These fees are not recorded in student fees revenue and no expense is recognised for revenue foregone. Concessions were 34% of the gross value of student fees for 2006-07 (2005-06, 37%).

TAFE also provides commercial services on a fee for service basis. Delivery programs include commercial training and retail trading as a by product of certain training activities such as in the restaurant industry.

## **AUDIT OF THE 2006-07 FINANCIAL STATEMENTS**

Signed financial statements were received on 15 August 2007 and an unqualified audit report was issued on 10 October 2007.

## FINANCIAL RESULTS

### INCOME STATEMENT

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$000s	\$000s	\$000s
Purchase agreement recurrent funding	80 215	68 086	64 531
Other government revenue	5 310	5 259	5 579
User charges, fees and fines	6 588	6 122	5 552
Commercial services	8 746	8 467	8 303
Other operating revenue	1 931	1 816	1 307
Gain on sale of assets	122	518	0
<b>Total Revenue</b>	<b>102 912</b>	<b>90 268</b>	<b>85 272</b>
Depreciation	8 105	8 534	8 261
Employee expenses	75 533	69 418	62 607
Other operating expenses	23 677	24 048	23 021
<b>Total Expenses</b>	<b>107 315</b>	<b>102 000</b>	<b>93 889</b>
<b>Deficit before:</b>	<b>( 4 403)</b>	<b>( 11 732)</b>	<b>( 8 617)</b>
Capital Funding	5 016	7 105	5 111
<b>Surplus (Deficit) for the year</b>	<b>613</b>	<b>( 4 627)</b>	<b>( 3 506)</b>

### Comment

The Deficit before Capital funding decreased over the period from \$8.617m to \$4.403m after peaking in 2005-06. This is principally due to revenues increasing by 20% over the period, compared to expenditures increasing by 14%. This improvement also resulted in the small Surplus after capital funding in 2006-07. It is noted that the funding agreement under which TAFE operates does not include funding for depreciation and the level of capital funding is not linked to the depreciation charge.

While still a deficit, the lower deficit in 2006-07 was brought about by the following:

- Increased recurrent funding of \$12.129m due principally to the flow on effects of additional Commonwealth revenue provided in 2005-06 under agreements to improve vocational education and training programs and to fund increasing demand across the State for training places in traditional trades in 2006-07;
- Improvements in revenues from User charges and Commercial services (7.61% and 3.30% respectively). These sources of revenue are increasing due to greater demand for training courses and increased student activity, driven in part by more concessions for students;
- Lower Depreciation charges of \$0.429m primarily caused by some assets (computer equipment) having been fully depreciated;
- Controls of Other operating expenses. A review of the types of costs making up the \$23.677m indicates that:

- No single item makes up more than 16% of these costs – this was Materials and supplies, \$3.725m (2005-05, \$3.454m); and
- Savings in costs were made in Repairs and maintenance and Minor equipment purchases – total saving in 2006-07 was \$1.621m; and
- However, the improved financial results were offset by higher Employees expenses which increased by 20.65%, or \$12.926m across the period due mainly to:
  - Higher levels of staff brought about by greater student activity and commercial courses. The Financial Analysis section of this chapter notes that FTE increased over the period under review by 125 which at an average staff cost of \$66 000 represents additional Employee costs of \$8.250m; and
  - Wage increases.

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

Over the period under review, Capital funding totalled \$17.232m which, in the main, related to major capital projects at the following campuses:

- Campbell Street - learning centre;
- Claremont - plumbing upgrade;
- Clarence – bricklaying and plastering;
- Alanvale – trades and natural resources developments; and
- Burnie – trades redevelopments.

## BALANCE SHEET

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$000s	\$000s	\$000s
Cash	7 328	6 309	6 398
Receivables	5 025	2 149	1 594
Inventories	447	494	436
Other	104	81	900
<b>Total Current Assets</b>	<b>12 904</b>	<b>9 033</b>	<b>9 328</b>
Property, plant and equipment	192 513	186 086	190 084
<b>Total Non-Current Assets</b>	<b>192 513</b>	<b>186 086</b>	<b>190 084</b>
Payables	2 522	1 386	1 419
Provisions	2 785	2 895	2 716
Other	0	0	152
<b>Total Current Liabilities</b>	<b>5 307</b>	<b>4 281</b>	<b>4 287</b>
Provisions	10 499	9 557	8 872
Other	16	16	16
<b>Total Non-Current Liabilities</b>	<b>10 515</b>	<b>9 573</b>	<b>8 888</b>
<b>Net Assets</b>	<b>189 595</b>	<b>181 265</b>	<b>186 237</b>
Reserves	65 971	57 869	58 215
Accumulated deficits	( 12 109)	( 12 723)	( 8 097)
Contributed equity	135 733	136 119	136 119
<b>Total Equity</b>	<b>189 595</b>	<b>181 265</b>	<b>186 237</b>

### Comment

Over the period under review, TAFE's Equity increased by a net \$3.358m due to:

- Asset revaluations (primarily revaluations of TAFE's buildings) of \$7.756m; and
- The deficits of \$4.014m.

In addition, there was a small decrease in Contributed equity in 2006-07 of \$0.386m caused by the transfer to Finance General of TAFE's Hopkins Street property. This was effectively a transfer to the Crown and appropriately recorded as a contribution to owners and therefore as a reduction in equity.

The main factors contributing to movements in the balances of assets and liabilities over the period were:

- Property, plant and equipment increased, due to net capital additions of \$5.882m and revaluation increments of \$8.651m, offset by depreciation of \$8.105m;
- Receivables increasing by \$3.431m or 215% due mainly to increased courses, higher student numbers and commercial activity. In addition, a large receivable of \$2.882m was recorded on 29 June 2007. This represent the final instalment due under the purchase agreement;

- Provisions increasing by \$1.696m due to wage and salary indexation and higher staff numbers; and
- An increase in Payables of \$1.103m due to more stringent systems for capturing data at year-end.

## CASH POSITION

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$000s	\$000s	\$000s
Government grants	82 562	74 171	70 110
Receipts from customers	25 329	23 902	21 245
Interest received	573	469	552
Payments to suppliers and employees	( 105 800)	( 101 373)	( 93 602)
<b>Cash from/(used in) operations</b>	<b>2 664</b>	<b>( 2 831)</b>	<b>( 1 695)</b>
Receipts from government - capital	5 016	7 105	5 111
Payments for property, plant and equipment	( 7 330)	( 5 436)	( 5 968)
Proceeds from sale of property, plant and equipment	669	1 073	176
<b>Cash from (used in) investing activities</b>	<b>( 1 645)</b>	<b>2 742</b>	<b>( 681)</b>
<b>Net increase (decrease) in cash</b>	<b>1 019</b>	<b>( 89)</b>	<b>( 2 376)</b>
Cash at the beginning of the year	6 309	6 398	8 774
<b>Cash at end of the year</b>	<b>7 328</b>	<b>6 309</b>	<b>6 398</b>

## Comment

TAFE's cash generated from operations improved significantly over the period predominantly because of the improvements in its operations as detailed in the Income Statement section of this Chapter. These funds were applied towards payment for property, plant and equipment and contributed to the increase in cash holdings at 30 June 2007 of \$1.019m.

Reasons for variations in individual cash flow receipt and payment amounts reflect the comments made previously in the Income Statement and the Balance Sheet sections of this Chapter.

## FINANCIAL ANALYSIS

	Bench Mark	2006-07	2005-06	2004-05
<b>Financial Performance</b>				
Result from operations (\$'000s)		( 4 403)	( 11 732)	( 8 617)
Operating margin	>1.0	0.96	0.88	0.91
Current ratio	>1	2.43	2.11	2.18
Debt collection	30 days	37	45	36
Creditor turnover	30 days	30	14	13
<b>Other Information</b>				
Self-sufficiency %		16	16	19
Government funding %		101	89	93
Staff numbers (FTE)* - total		1 061	1 028	936
Admin and teaching support (FTE)*		498	485	441
Delivery (FTE)* (teaching)		563	543	495
Average staff costs (\$'000s)		70	66	65
Average leave balance per FTE (\$'000s)		11	12	12
Student enrolments at 30 June		35 258	32 342	31 686

\* Excludes casual staff

### Comment

Results from operations shows a deficit for each of the three years under review as explained earlier in this Chapter.

Debt collection days have been above the benchmark for the period due to an increase in student activity, in particular debtors within the 60 to 90 days category.

The Self-sufficiency ratio shows the level of independent funding that TAFE generated for use in achievement of its objectives. This has decreased slightly over the three years under review.

The Government funding ratio is around 100% which represents a break-even position which is calculated after capital funding.

Higher Staff numbers reflect increases in student activity and a greater demand for training courses.

As at 30 June 2007, TAFE had a strong working capital position as indicated by the positive current ratio.

### OVERALL COMMENT

The 2006-07 audit was completed satisfactorily with no major issues outstanding.

## 4 MISCELLANEOUS PUBLIC BODIES

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### INTRODUCTION

Miscellaneous Public Bodies fulfil a variety of functions. Audits of their annual financial statements are conducted by virtue of requirements specified in enabling legislation or other arrangements. There are 27 such bodies, details of which are provided in Appendix 1, Status of Audits, of this Report.

### KEY FINDINGS

- At the time of publication of this Report, the audits of 19 of the 27 miscellaneous public bodies had been completed. All audit opinions were unqualified.
- Fourteen of the miscellaneous public bodies did not submit financial statements within the applicable statutory deadlines.
- Audits were completed satisfactorily with no major issues outstanding.
- The audit opinion on the financial statements of the **National Trust of Australia (Tasmania)** for the year ended 30 June 2007 was qualified for two reasons:
  - the inability to audit, other than once recorded, revenue totalling \$191 226 (2005-06, \$155 727) generated from functions, fundraising activities, donations and admittance fees; and
  - the Trust's failure to comply with Australian Accounting Standards AASB 116 *Property, Plant and Equipment* in that it does not depreciate freehold buildings or leasehold improvements and it does not bring to account certain heritage collections.

### AUDITS IN PROGRESS

The audits of following public bodies are either in progress or are due to commence shortly:

- Clyde Water Trust
- Council of Law Reporting
- Legal Aid Commission
- Nominal Insurer
- Tasmanian Wilderness Heritage Area
- Tasmanian Beef Industry (Research and Development) Trust
- Tasmanian Museum and Art Gallery
- WorkCover Tasmanian Board.

# **MARINE AND SAFETY AUTHORITY OF TASMANIA**

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## **INTRODUCTION**

The *Marine and Safety Authority Act 1997* created the Authority and its functions are to:

- Ensure safe operations of vessels;
- Provide and manage marine facilities; and
- Manage environmental issues relating to vessels.

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

The Responsible Minister is the Minister for Infrastructure.

## **AUDIT OF THE 2006-07 FINANCIAL STATEMENTS**

Signed financial statements were received on 2 October 2007 and an unqualified audit report was issued on 3 October 2007.



## FINANCIAL RESULTS

### INCOME STATEMENT

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$'000s	\$'000s	\$'000s
Commercial vessel fees	714	658	560
Certificates of competency fees	150	129	137
Recreational boating fees	2 317	2 383	1 505
Mooring	255	269	172
Government recurrent contribution	800	700	700
Interest received	168	131	94
Other operating revenue	77	301	42
<b>Total Revenue</b>	<b>4 481</b>	<b>4 571</b>	<b>3 210</b>
Employee expenses	1 369	1 317	1 289
Depreciation	468	415	446
Other operating expenses	2 614	2 535	2 424
<b>Total Expenses</b>	<b>4 451</b>	<b>4 267</b>	<b>4 159</b>
<b>Surplus (deficit) from operations before:</b>	<b>30</b>	<b>304</b>	<b>( 949)</b>
Commonwealth grants	172	73	0
State capital investment program grants	600	950	426
<b>Surplus (Deficit) for the year</b>	<b>802</b>	<b>1 327</b>	<b>( 523)</b>

### Comment

In 2006-07 the Authority recorded a Surplus for the year of \$0.802m, compared to a surplus of \$1.327m in 2005-06 and a deficit of \$0.523m in 2004-05. The Authority's operating result varied significantly during the period under review. This is predominantly due to two reasons:

- Timing of the receipt and recognition of Recreational boating fees. These are renewed on a triennial basis resulting an increase in income from renewals during the 2005-06 financial year, continuing into the 2006-07 year; and
- The quantum of the State capital investment program grants received in any one year.

Income from Recreational boating fees increased during 2005-06 due to the triennial basis for paying licences resulting in \$0.907m income from renewals during the 2005-06 financial year. Renewals continued into the 2006-07 year. There was no income from renewals during the 2004-05 year due to the triennial basis.

State capital investment program grants were higher in 2005-06 due to funding for the reconstruction of the Dover, \$0.500m, and Triabunna, \$0.350m, jetties. The decrease in the Capital contribution in 2006-07, received under the State capital investment program, was due to the completion of the reconstruction of the Dover and Triabunna

jetties during the course of the 2006-07 year. The Government contribution in 2004-05 included funding for reconstruction of the Opossum Bay jetty, \$0.200m, and funds for dredging the Denison canal and the St Helens barway, \$0.200m.

As the Authority does not receive enough self-generated or government revenue to offset all operating expenses, such as Depreciation, it is expected that deficits will occur regularly, and this has been the case in recent years, with surplus results coinciding with the triennial recreational motor boat licence renewals.

Expenditure over the period under review has been well controlled increasing by 7%. Major expenditure during the period has related to projects such the Opossum Bay, Dover and Triabunna jetties. Operating expenses vary consistent with the timing of triennial recreational boating licence renewals, reflecting the associated expenditure. Depreciation remains consistent, with slight fluctuations due to a combination of the contribution of assets, disposals and revaluations over the period of review.

## BALANCE SHEET

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$'000s	\$'000s	\$'000s
Cash	2 049	2 401	1 526
Receivables	359	166	102
Other	74	20	19
<b>Total Current Assets</b>	<b>2 482</b>	<b>2 587</b>	<b>1 647</b>
Property, plant and equipment	9 460	7 754	6 943
<b>Total Non-Current Assets</b>	<b>9 460</b>	<b>7 754</b>	<b>6 943</b>
Payables	392	387	356
Provisions	162	151	191
<b>Total Current Liabilities</b>	<b>554</b>	<b>538</b>	<b>547</b>
Provisions	151	129	39
<b>Total Non-Current Liabilities</b>	<b>151</b>	<b>129</b>	<b>39</b>
<b>Net Assets</b>	<b>11 237</b>	<b>9 674</b>	<b>8 004</b>
Capital	9 939	9 939	9 939
Reserves	1 186	426	9
Accumulated surpluses (deficits)	112	( 691)	( 1 944)
<b>Total Equity</b>	<b>11 237</b>	<b>9 674</b>	<b>8 004</b>

## Comment

Equity increased by \$3.233m over the period of review due predominantly to:

- Net operating surpluses of \$1.606m; and
- Asset revaluation reserve increases of \$1.177m. In 2006-07 asset revaluation reserve increased as a result of revaluations to marine facilities. The increase in asset revaluation reserve in 2005-06 resulted from a revaluation of Navigation Aids.

The Authority's cash position as at 30 June 2007 was \$2.049m (2005-06, \$2.410m, 2004-05 \$1.526m). In 2006-07 cash decreased due to payments for capital projects, in particular the Opossum Bay and Swansea jetties and the completion of the Port Sorell Pontoon. In 2005-06 the increase in Cash was attributable to the timing of the receipt of recreational motor boat licence renewal fees. In addition Commonwealth funding of \$0.072m had been received and held in a separate bank account in respect of the Port Sorell project.

In 2006-07, receivables were \$0.359m (2005-06 \$0.166m, 2004-05 \$0.102m). Receivables increased in 2006-07 due to amounts invoiced to the Commonwealth for Grants received under the Recreational Fishing Programme. Receivables increased in 2005-06 due to the balance of accrued revenue for *Service Tasmania* transactions, \$0.440m and GST Input Tax credits for capital works, \$0.310m due at the end of the reporting period.

Property, plant and equipment increased by \$2.517m due to:

- The revaluation of marine facilities \$0.759m (2005-06 revaluation of navigation aids, \$0.427m);
- The contribution of assets as a result of the audit of Navigation Aids, \$0.232m; and
- Payments totalling \$1.420m on capital projects (2005-06, \$0.623m).

Main Property, plant and equipment purchases during 2006-07 included:

- Completion of the Opossum Bay, Dover and Triabunna jetties which commenced in 2005-06;
- The Port Sorell launching ramp and pontoon;
- Swansea jetty; and
- the Purchase of a replacement patrol vessel.

Main Property, plant and equipment purchases during 2005-06 included Opossum Bay, Dover and Triabunna jetties.

In 2006-07, Payables were \$0.392m (2005-06, \$0.387m, 2004-05, \$0.35b). Payables increased in 2005-06 including capital works creditors and remain consistent in 2006-07.

The increase in provisions for 2004-05, 2005-06 and 2006-07 relates to higher provision for long service leave.

## CASH POSITION

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$'000s	\$'000s	\$'000s
Receipts from customers	4 271	4 143	3 117
Payments to suppliers and employees	( 3 991)	( 3 726)	( 3 417)
Interest received	168	131	94
<b>Cash from (used in) operations</b>	<b>448</b>	<b>548</b>	<b>( 206)</b>
Payments for property, plant and equipment	( 1 420)	( 623)	( 67)
Proceeds from sale of property, plant and equipment	21	0	0
Capital investment program grants	600	950	426
<b>Cash from (used in) investing activities</b>	<b>( 799)</b>	<b>327</b>	<b>359</b>
<b>Net increase (decrease) in cash</b>	<b>( 351)</b>	<b>875</b>	<b>153</b>
Cash at the beginning of the year	2 401	1 526	1 353
<b>Cash at end of the year</b>	<b>2 050</b>	<b>2 401</b>	<b>1 506</b>

### Comment

Overall, for 2006-07 the Authority recorded a decrease in cash of \$0.351m (2005-06, an increase of \$0.875m).

The Authority's cash position improved significantly over the period of review for the reasons set out in the Income Statement and movements in the Cash amount in the Balance Sheet reported earlier in this Chapter.

In 2006-07 cash decreased due to payments for capital projects. In 2005-06 the increase in Cash was attributable to the timing of the receipt of recreational motor boat licence renewal fees. This was partially offset by increases in Payments to suppliers and employees due to general increases in employee costs and operating expenses.

Increased cash payments for Property, plant and equipment were due mainly to the capital projects spanning over 2005-06 and 2006-07.

## FINANCIAL ANALYSIS

	<b>Bench Mark</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
<b>Financial Performance</b>				
Result from operations (\$'000s)		30	304	( 523)
Operating margin	>1.0	1.01	1.07	0.87
<b>Financial Management</b>				
Current ratio	>1	4.48	4.81	3.01
Debt collection	30 days	39	7	8
Creditor turnover	30 days	38	47	48
<b>Other Information</b>				
Staff numbers (FTE)		19	20	20
Average staff costs (\$'000s)		72	66	64
Average leave balance per FTE (\$'000s)		16	14	12

### Comment

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

Extra funds provided from the triennial recreational boat licence renewal resulted in an improvement in the Result from operations as well as the Current ratio during 2005-06.

Debtor turnover appears low due to the fact that the majority of income, including licence renewals and boat registrations, is not collected through debtors invoicing. The increase in 2006-07 is due to receivables including grants invoiced and outstanding at 30 June 2007.

Creditor turnover appeared high during 2005-06 due to creditors at year end including significant capital work in progress. This has improved in 2006-07 due to the completion of major capital projects.

The Authority does not pay tax or dividends.

The Authority has no debt.

Average staff costs are calculated based upon staff numbers at 30 June 2007. Until May 2007 the staff numbers were 20 FTE's, hence the actual average is \$0.068m, being consistent with wage and salary increases.

### OVERALL COMMENT

The Authority's net working capital position improved over the period under review as did its total Equity. Accumulated deficits were eliminated with a retained surplus being recorded in 2006-07 for the first time since commencement in 1997. This is a result of consecutive surpluses generated over the last two years. In prior years annual deficits resulted primarily due to unfunded depreciation.

The 2006-07 audit was completed with satisfactory results.

# **TASMANIAN RISK MANAGEMENT FUND**

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## **INTRODUCTION**

The Tasmanian Risk Management Fund (the Fund) is a self-insurance arrangement established within the Tasmanian Government to provide a whole-of-government approach to funding and managing specific identified insurable liabilities of inner-budget Agencies. The Fund was established on 1 January 1999 with the intention that it operates on a fully funded basis. On 1 July 2001 the Tasmanian State Service Workers Compensation Scheme merged with the Fund.

Classes of risk covered by the fund include:

- Personal injury
  - Workers' compensation
  - Personal accident
- Property
  - General property
  - Motor vehicle
  - Marine hull
- Liability
  - General liability
  - Medical liability
- Miscellaneous
  - Travel
  - Government contingency.

The Department of Treasury and Finance is responsible for the management of the Fund, and an inter-agency Steering Committee serves as a consultative forum through which agencies can provide input into the operations of the Fund.

A Fund Administration Agent is retained on a contract basis for claims administration, the provision of advice in relation to claims management and the placement of insurance as required.

The Responsible Minister is the Treasurer.

## **AUDIT OF THE 2006-07 FINANCIAL STATEMENTS**

Signed financial statements were received on 27 September 2007 and an unqualified audit report was issued on 24 October 2007.

## FINANCIAL RESULTS

### INCOME STATEMENT

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$'000	\$'000	\$'000
Agency contributions	27 837	29 451	28 560
Recoveries	1 232	1 012	725
Investment income	7 581	6 322	5 069
Revenue from government	5 000	5 000	5 000
Other income	2	27	21
<b>Total income</b>	<b>41 652</b>	<b>41 812</b>	<b>39 375</b>
Claims expense	44 053	36 402	39 636
Other underwriting expenses	1 440	1 435	1 343
General administration expenses	320	426	644
<b>Total expenses</b>	<b>45 813</b>	<b>38 263</b>	<b>41 623</b>
<b>Surplus (Deficit) for the year</b>	<b>( 4 161)</b>	<b>3 549</b>	<b>( 2 248)</b>

### Comment

The changes in the surplus (deficit) for the year are principally due to changes in the Underwriting result, which varies from year to year because claim payments are for incidents that occur in both current and previous years. The makeup of the Underwriting result is shown in the following table.

<b>Underwriting Result</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$'000	\$'000	\$'000
Agency contributions	27 837	29 451	28 560
Recoveries	1 232	1 012	725
Claims expense	( 44 053)	( 36 402)	( 39 636)
Other underwriting expenses	( 1 440)	( 1 435)	( 1 343)
<b>Underwriting deficit</b>	<b>( 16 424)</b>	<b>( 7 374)</b>	<b>( 11 694)</b>

The Underwriting deficit is part funded by investment income and contributions from the Agencies and the Government.

Recoveries comprise costs recovered from legally liable third parties and excess payments from agencies.

The Fund receives a Government contribution of \$5.000m each year for the unfunded pre-1 July 2001 medical liability claims. The Fund meets the costs of medical liability claims in excess of \$50 000 including post-1 July 2001 claims.

The makeup of the Claims expense is shown in the following table.

<b>Claims Expense</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$'000	\$'000	\$'000
Claims paid	28 745	19 949	23 997
Claims accrued	(653)	764	384
Movement in outstanding claims	13 983	13 777	13 390
Management expenses	1 978	1 912	1 865
<b>Total expenses</b>	<b>44 053</b>	<b>36 402</b>	<b>39 636</b>

Claims paid will vary from year to year depending on the type and nature of claims processed in any given year.

The Movement in outstanding claims is the increase each year in the Outstanding claims liability, which is calculated by the Actuary (see further comments under the Balance Sheet section).

## **BALANCE SHEET**

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$'000	\$'000	\$'000
Cash and cash equivalents	122 735	112 805	95 961
Receivables	1 386	2 104	839
<b>Total Assets</b>	<b>124 121</b>	<b>114 909</b>	<b>96 800</b>
Outstanding claims	129 283	115 300	101 523
Payables	709	1 315	531
Provisions	61	65	66
<b>Total Liabilities</b>	<b>130 053</b>	<b>116 680</b>	<b>102 120</b>
Net Liabilities	( 5 932)	( 1 771)	( 5 320)
Accumulated deficits	( 5 932)	( 1 771)	( 5 320)
<b>Total Equity</b>	<b>( 5 932)</b>	<b>( 1 771)</b>	<b>( 5 320)</b>

## **Comment**

The Fund had negative Equity in each of the three years under review principally due to the Outstanding claims liability being greater than Cash and cash equivalents.

The Actuary determines the Outstanding claims liability. The largest changes in the provisions have been for the workers' compensation and medical liability risks.

The main reason for the increase in workers' compensation liability is the changed development pattern assumed for the calculation, which assumes that more claim payments will occur in later years, which tends to increase the recognised liability.

Previously the medical liabilities calculations were based on parameters obtained from external sources, but as at 30 June 2007 are based on the Fund's own data, which is more comprehensive.



Cash and cash equivalents have been increasing because claims paid are less than the sum of contributions from agencies and the Government.

Payables include reimbursements owing to the Fund Administration Agent and vary from year to year depending on the amount and timing of invoices submitted for payment.

The increase in Receivables in 2005-06 resulted from a timing change for collecting estimated salaries from agencies for the purpose of calculating workers' compensation contributions.

## CASH POSITION

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$'000	\$'000	\$'000
Agency contributions	28 681	28 275	28 126
Recoveries	1 202	1 064	725
Other revenue	5 000	5 000	5 021
Interest received	7 487	6 208	5 035
Claims and expenses paid	( 28 745)	( 19 949)	( 24 880)
Fund management fees	( 1 817)	( 1 913)	( 1 865)
Underwriting expenses	( 1 440)	( 1 435)	( 1 343)
General and administration expenses	( 438)	( 406)	( 631)
<b>Cash from operations</b>	<b>9 930</b>	<b>16 844</b>	<b>10 188</b>
<b>Net increase in cash</b>	<b>9 930</b>	<b>16 844</b>	<b>10 188</b>
Cash at the beginning of the year	112 805	95 961	85 773
<b>Cash at end of the year</b>	<b>122 735</b>	<b>112 805</b>	<b>95 961</b>

## Comment

The Cash Position of the Fund has continued to improve. This is principally because cash inflows from agencies and other revenue exceeded the cash outflows for claims and other expenses.

## FINANCIAL ANALYSIS

	<b>Bench Mark</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
<b>Financial Performance</b>				
Result from operations (\$'000s)		( 4 161 )	3 549	( 2 248 )
Operating margin	>1.0	0.91	1.09	0.95
<b>Financial Management</b>				
Debt collection	30 days	9	19	5
Creditor turnover	30 days	6	13	5
<b>Other Information</b>				
Staff numbers (FTE)		3	4	4
Average staff costs (\$'000s)		88	70	67

### Comment

The lower Operating margins in 2004-05 and 2006-07 reflect the operating deficits in those years.

As expected for this type of business, Debt collection and Creditor turnover are both well within the benchmarks. The increases in 2005-06 correspond with the increases in Receivables and Payables noted under the Balance Sheet section.

The fluctuations in average staff costs are largely due to staff movements throughout the year, though the number of FTEs is determined at 30 June each year, and salary award increases. The increase in 2006-07 was caused by the need to employ an additional staff member for six months during the year.

### OVERALL COMMENT

The 2006-07 audit was completed satisfactorily with no outstanding issues.

# **NATIONAL TRUST OF AUSTRALIA (TASMANIA)**

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## **INTRODUCTION**

The National Trust of Australia (Tasmania) (the Trust) is an independent statutory body that was established under the *National Trust of Australia (Tasmania) Act 1975*.

In December 2004 an Administrator was appointed to manage the Trust for up to two years. A major objective was to resolve the Trust's financial difficulties. The period of administration ceased when the *National Trust Act 2006* (the Act) came into effect on 22 December 2006. The Act provides for the Trust to continue as a body corporate with perpetual succession.

Pursuant to the Act, the objects of the Trust are as follows:

- a) Acquiring, promoting or ensuring the preservation and maintenance for the public benefit of places and objects of beauty or that have a historical, scientific, artistic, architectural or cultural interest;
- b) Encouraging and promoting, among the public, knowledge of, interest in and respect for those places and objects;
- c) Promoting or ensuring the provision and maintenance of amenities and services to facilitate the enjoyment by the public of those places and objects;
- d) Protecting and preserving the natural features of, and conserving the fauna and flora on, any place referred to in paragraph (a) and acquired by, or under the control of, the Trust;
- e) Encouraging and promoting public appreciation, knowledge and enjoyment of, respect for and interest in any land, buildings, works, structures or articles; and
- f) Cooperating with the Crown or with any corporation, body or society, either within or outside Tasmania, having objects wholly or substantially similar to the objects of the Trust, in promoting the objects of the corporation, body or society or the Trust.

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

The Trust owns and/or manages several properties throughout the State, including:

- Clarendon;
- Franklin House;
- Old Umbrella Shop;
- Ellis House;
- Penghana and other property in Queenstown;
- Oak Lodge;
- Hobart Penitentiary Chapel and Criminal Courts;

- Runnymede;
- Home Hill;
- Courthouse Museum in Latrobe; and
- White House in Westbury.

The Trust does not pay dividends or income tax equivalents.

The Act provided for the appointment of an initial Board of Directors who were appointed by the Minister in March 2007. The Board includes the Trust's Managing Director.

The Responsible Minister is the Minister for Tourism, Arts and the Environment.

## **AUDIT OF THE 2006-07 FINANCIAL STATEMENTS**

Signed financial statements were received on 16 October 2007 and a **qualified audit opinion** issued on 19 October 2007.

## FINANCIAL RESULTS

### INCOME STATEMENT

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$'000's	\$'000's	\$'000's
State Government grants - recurrent	275	240	164
Commonwealth grants - recurrent	73	72	70
State Government grants - specific purpose	57	128	87
Subscriptions and admission fees	166	144	191
Trading activities	106	106	109
Fundraising	27	26	30
Donations, bequests and sponsorships	37	20	42
Rentals	51	38	40
Other operating revenue	28	35	18
Profit on sale of assets	0	23	3
<b>Total Revenue</b>	<b>820</b>	<b>832</b>	<b>754</b>
Depreciation	22	12	17
Cost of goods sold	56	64	77
Employee expenses	303	268	286
Borrowing costs	38	55	26
Consultants and legal costs	25	28	9
Repairs and maintenance expenses	110	144	45
Other operating expenses	272	285	303
Loss on sale of assets	3	0	0
<b>Total Expenses</b>	<b>829</b>	<b>856</b>	<b>763</b>
<b>Deficit from Operating Activities before:</b>	<b>( 9 )</b>	<b>( 24 )</b>	<b>( 9 )</b>
Proceeds from sale of asset to State Government	0	0	150
<b>Surplus (Deficit) for the year</b>	<b>( 9 )</b>	<b>( 24 )</b>	<b>141</b>

### Comment

The Trust recorded small operating deficits in all three years under review. This reflects the Trust's inability to generate sufficient revenue from its operations and indicates its future operations are dependant upon continued financial assistance from the State Government. The surplus of \$0.141m recorded in 2004-05 was due to proceeds from the sale of an antique desk to the State Government, \$0.150m.

The Trust generates revenue from a number of sources including admissions, membership, rentals and donations, bequests and sponsorship. Despite this revenue, as noted previously, the Trust is reliant on recurrent government funding, which has

increased from \$0.234m in 2004-05 to \$0.348m in 2006-07. The majority of this funding is received from the State Government.

Specific purpose grants in 2005-06, \$0.128m, included \$0.064m for the restoration of Penghana in Queenstown.

The Trust has few paid employees as it relies heavily on volunteers. Employee expenses decreased from \$0.286m in 2004-05 to \$0.268m in 2005-06, due to a reduction in the gross salaries and wages paid following the resignation of staff. Employee expenses increased by \$0.035m in 2006-07 due primarily to the commencement in September 2006 of the Managing Director. The Administrator's costs were previously paid by the State Government.

Borrowing costs increased by \$0.029m in 2005-06 due mainly to interest charged by the Tasmanian Heritage Council of \$0.024m. The interest relates to a loan of \$0.102m, which originally had a fixed term of one year from 13 May 2002. The loan bears interest at a fixed rate in arrears upon full repayment of the loan. Up until 30 June 2005, the Trust had not recognised the accrued interest on the loan. However, in June 2006, the Tasmanian Heritage Council wrote to the Trust seeking repayment of the loan together with interest incurred of \$0.024m. Additional interest of \$0.008m was charged in 2006-07. The Trust is currently seeking to have this debt discharged as a grant without reimbursement.

Repairs and maintenance expenses for 2005-06, \$0.144m, included \$0.064m for the repair of the Penghana roof, as well as miscellaneous repairs and painting work undertaken during the year. Repairs and maintenance expenses for 2006-07, \$0.110m, included repairs to walls and paths at Clarendon, plastering undertaken at Garden Cottage, Runnymede and glass replacement.

It is pleasing to report an improvement in the profitability of the Trust's trading activities. While these are reported prior to allocation of employee costs, the gross profit improved from 29% in 2004-05 to 47% in 2006-07. It is also pleasing to note a decrease in the total expenses incurred by the Trust.

## BALANCE SHEET

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$'000's	\$'000's	\$'000's
Cash	45	275	154
Receivables	33	14	17
Inventories	72	59	54
Investments	179	199	157
<b>Total Current Assets</b>	<b>329</b>	<b>547</b>	<b>382</b>
Payables	126	141	127
Bank overdraft	199	198	187
Borrowings	102	105	107
Employee benefit provisions	40	41	39
Other	76	244	33
<b>Total Current Liabilities</b>	<b>543</b>	<b>729</b>	<b>493</b>
<b>Working Capital</b>	<b>( 214)</b>	<b>( 182)</b>	<b>( 111)</b>
Property, plant and equipment	3 608	3 557	3 549
<b>Total Non-Current Assets</b>	<b>3 608</b>	<b>3 557</b>	<b>3 549</b>
Borrowings	100	100	103
Employee benefit provisions	8	7	9
Other	258	230	265
<b>Total Non-Current Liabilities</b>	<b>366</b>	<b>337</b>	<b>377</b>
<b>Net Assets</b>	<b>3 028</b>	<b>3 038</b>	<b>3 061</b>
Accumulated surpluses	3 028	3 038	3 061
<b>Total Equity</b>	<b>3 028</b>	<b>3 038</b>	<b>3 061</b>

### Comment

The Trust's Equity decreased by \$0.033m from 30 June 2005 to 30 June 2007 due to deficits incurred in 2005-06, \$0.024m, and 2006-07, \$0.009m.

The Trust's Cash balance at 30 June 2007 totalled \$0.045m (2005-06, \$0.275m). This balance comprised operating bank accounts, cash on hand and funds held by committees and groups. The Trust also had a bank overdraft of \$0.199m at 30 June 2007 (2005-06, \$0.198m). The negative Cash balance highlights the financial problems created by ongoing operating losses. The Trust's overdraft facility is \$0.200m.

While the Trust held current Investments of \$0.179m, 2005-06, \$0.199m, of these balances relate to restoration appeal funds held for specific purposes and which were not available to meet general operating costs. The Trust administers appeal monies on behalf of individual restoration appeals and it must approve expenditure before any appeal monies are paid out.

The Trust had negative Working Capital in all years under review. At 30 June 2007 Working Capital was negative, \$0.214m (2005-06, -\$0.182m), giving a current ratio

of 0.61 (2005-06, 0.75) which reflects the Trust's continued need for government support in meeting its cash flow commitments.

The balances of Other liabilities (current and non-current) at 30 June 2006 comprised the restoration appeal funds liability, \$0.349m, and State Government funding received in advance, \$0.125m. The balances of Other liabilities at 30 June 2007, \$0.334m, pertained solely to restoration appeal funds. As noted previously, the balance of Investments includes cash held for restoration appeals totalling \$0.179m (2005-06, \$0.199m). Therefore, the Trust has a deficit relating to these funds. I consider this to be a significant issue, given the nature of the funds, and have recommended that the Trust take appropriate action to ensure the liability is fully represented by cash.

The majority of the Trust's Property, plant and equipment balance consists of freehold properties and leasehold property improvements recorded on a cost basis. The Trust has also recognised Antiques at cost totalling \$0.279m (2005-06, \$0.259m). In addition, the Trust owns a considerable quantity of furniture, within the properties, which have not been valued or recorded. As a result of the 2006-07 audit, I have recommended that the Trust either obtain a market valuation for its assets or disclose the fair value of its major asset classes in the notes to the financial statements. I recognise that the cost of obtaining a market valuation may be assessed as too expensive.

At 30 June 2007, the Trust had Borrowings totalling \$0.202m (2005-06, \$0.205m). The current portion, \$0.102m, relates to the interest only loan from the Tasmanian Heritage Council which is secured by a first registered mortgage over Franklin House. As noted in the Income Statement section of this chapter, the Tasmanian Heritage Council has sought reimbursement of the loan, plus accrued interest of \$0.032m.

Non-current Borrowings, \$0.100m, comprised an interest only loan from Tasmanian Trustees Limited, secured by a first registered mortgage over The Old Umbrella Shop. The loan does not have any fixed term and interest is payable quarterly in arrears.



## CASH POSITION

	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
	\$'000's	\$'000's	\$'000's
State Government grants	207	493	251
Commonwealth grants	73	72	70
Receipts from customers	485	448	409
Interest received	0	1	0
Payments to suppliers and employees	( 891)	( 885)	( 740)
Interest paid	( 30)	( 27)	( 26)
<b>Cash from (used in) operations</b>	<b>( 156)</b>	<b>102</b>	<b>( 36)</b>
Proceeds from investments	4	9	65
Payments for non current assets	( 86)	( 19)	( 26)
Proceeds from sale of non current assets	10	23	153
<b>Cash from (used in) investing activities</b>	<b>( 72)</b>	<b>13</b>	<b>192</b>
Repayment of borrowings	( 3)	( 5)	( 5)
<b>Cash (used in) financing activities</b>	<b>( 3)</b>	<b>( 5)</b>	<b>( 5)</b>
<b>Net (decrease) increase in cash</b>	<b>( 231)</b>	<b>110</b>	<b>151</b>
Cash at the beginning of the year	77	( 33)	( 184)
<b>Cash at end of the year*</b>	<b>( 154)</b>	<b>77</b>	<b>( 33)</b>

\* Net of the bank overdraft

### Comment

The Trust recorded net increases in cash flow in the first two years under review. However, a net decrease in cash, \$0.231m, was recorded in 2006-07. The increase in cash in 2004-05 of \$0.151m was primarily due to the receipt of \$0.150m from the State Government for the sale of the antique desk. The Trust recorded an increase in cash of \$0.110m in 2005-06 due mainly to the State Government funding received in advance in June 2006 of \$0.125m. Over the period under review, the Trust's cash position improved slightly from a net overdraft of \$.0184m at 30 June 2004 to \$0.154m at 30 June 2007.

The higher Payments to suppliers and employees recorded in 2005-06 and 2006-07 were mainly due to increased Repairs and maintenance expenses noted under the Income Statement section of this Chapter.

Payments for non current assets in 2006-07, \$0.086m, included \$0.033m for a new motor vehicle and \$0.007m for two ride-on mowers.

## FINANCIAL ANALYSIS

	<b>Bench Mark</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
<b>Financial Performance</b>				
Result from operations (\$'000s)		( 9)	( 24)	( 9)
Earnings before interest (\$'000s)		( 47)	( 79)	115
Operating margin	>1.0	0.99	0.97	0.99
Return on assets		(1.2%)	(2.0%)	3.0%
Return on equity		(0.3%)	(0.8%)	4.5%
<b>Financial Management</b>				
Debt to equity		13.24%	13.27%	12.97%
Debt to total assets		10.19%	9.82%	10.10%
Interest cover	>3	(1.24)	(1.44)	4.42
Current ratio	>1	0.61	0.75	0.77
Cost of debt	7.5%	9.5%	13.8%	6.4%
Debt collection	30 days	32	16	28
Creditor turnover	30 days	53	65	86
<b>Other Information</b>				
Staff numbers (FTE)		6	6	7
Average staff costs (\$'000s)		50	42	41
Average leave balance per FTE (\$'000s)		8	7	7

### Comment

A review of the financial analysis confirms the Trust continues to experience tight liquidity. Areas of concern include:

- Consistent deficits from operations;
- Operating margins below benchmark; and
- A poor Current ratio, well below the benchmark.

The table below highlights the Trust's exposure to meeting short term commitments:

	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Payables	126	141	127
Bank overdraft	199	198	187
Current interest bearing loans	102	105	110
Current restoration fund liability	76	119	33
Less Financial assets	(257)	(488)	(328)
<b>Net amount due</b>	<b>246</b>	<b>75</b>	<b>129</b>

The above table shows a shortfall between current financial assets and financial liabilities of \$0.246m at 30 June 2007. This represented an increase of \$0.171m from 30 June 2006, due primarily to the receipt of government funding in advance in June 2006 of \$0.125m.

The Debt to equity and total assets ratios were fairly consistent over the period under review. The Interest cover reflected the surplus in 2004-05 and small deficits in 2005-06 and 2006-07. The Cost of debt in 2005-06 was relatively high at 13.8% due to the interest accrued on the Tasmanian Heritage Council loan of \$0.024m.

The Debt collection ratio was slightly above the benchmark in 2006-07 (32 days) due to two larger debtors outstanding at 30 June 2007. The debts related to invoices raised for use of Trust properties.

The Creditor turnover ratio was over the benchmark in all three years under review. The ratio of 86 days in 2004-05 was due to three large creditors outstanding at 30 June 2005 totalling \$0.054m. All three amounts were subsequently paid.

Average staff costs increased from \$0.042m in 2005-06 to \$0.050m in 2006-07 due mainly to the commencement of the Managing Director.

## **OVERALL COMMENT**

The audit opinion on the financial statements of the Trust for the year ended 30 June 2007 contained the following audit qualification:

### **Qualification**

Included in revenue are amounts 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 National Trust of Australia (Tasmania).

The National Trust of Australia (Tasmania) has failed 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.

### **Qualified Audit Opinion**

In my opinion except for the effects of such adjustments, if any, as might have been determined necessary had the limitations and matters referred to in the qualification paragraphs not existed, the financial statements of the National Trust of Australia (Tasmania):

- a) present fairly, in all material respects, the financial position of the National Trust of Australia (Tasmania) as at 30 June 2007, and its financial performance, cash flows and changes in equity for the year then ended; and
- b) are in accordance with the *National Trust Act 2006* and Australian Accounting Standards (including the Australian Accounting Interpretations).

