Tasmanian
Audit Office

Report of the Auditor-General No. 4 of 2011-12

Auditor-General's Report on the Financial Statements of State entities

Volume 2

Executive and Legislature,
Government Departments and other
General Government Sector State entities 2010-11

November 2011

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THE ROLE OF THE AUDITOR-GENERAL

The roles and responsibilities of the Auditor-General, and therefore of the Tasmanian Audit Office, are set out in the *Audit Act 2008* (the Act).

Our primary responsibility is to conduct financial or 'attest' audits of the annual financial reports of State entities which includes an Agency, Council, Government Business Enterprise, State-owned Company, State Authority, Corporations established by the *Water and Sewerage Corporations Act 2008* and the governing body of any corporation, body of persons or institution that are appointed by a Minister or by the Governor.

We also audit those elements of the Treasurer's Annual Financial Report which report on financial transactions in the Public Account, the General Government Sector and the Total State Sector financial statements.

Audits of financial reports are designed to add credibility to assertions made by accountable authorities in preparing financial reports, enhancing their value to end users. Also, the existence of such audits provides a constant stimulus to State entities to ensure sound financial management.

In the main accountable authorities prepare financial reports consistent with Accounting Standards and other mandatory financial reporting requirements in Australia. On occasion reports are "special purpose financial reports" such as the Public Account Statements. In all cases our audits are conducted in accordance with Australian Auditing Standards.

Following a financial audit, we issue a variety of reports to State entities and Responsible Ministers, and we report periodically to the Parliament. In combination these reports give opinions on the truth and fairness of financial reports, and comment on compliance with certain laws, regulations and Government directives. They may comment on financial prudence, probity and waste, and recommend operational improvements.

We also conduct performance audits, compliance audits and carry out investigations. Performance audits examine whether a State entity is carrying out its activities effectively and doing so economically and efficiently and in compliance with relevant laws. Audits may cover all or part of a State entity's operations, or consider particular issues across a number of State entities.

Compliance audits are aimed at ensuring compliance with directives, regulations and appropriate internal control procedures. Audits focus on selected systems (including information technology systems), legislation, account balances or projects.

Investigations can relate only to public money or to public property.

Performance and compliance audits and investigations are reported separately and at different times of the year, whereas outcomes from financial statement audits are included in one of the regular volumes of the Auditor-General's reports to the Parliament normally tabled in May and November each year. In doing so the Auditor-General is providing information to the Parliament to assist both the Legislative Council and the House of Assembly in their review of the performance of Executive Government.

Where relevant, the Treasurer, a Minister or Ministers, other interested parties and accountable authorities are provided with opportunity to comment on any matters reported. Where they choose to do so, their responses, or summaries thereof, are detailed within the reports.

2011 (No. 34)

TASMANIA

2011
PARLIAMENT OF TASMANIA

REPORT OF THE AUDITOR-GENERAL
No. 4 of 2011-12

Volume 2

Executive and Legislature, Government Departments and other General Government Sector State entities 2010-11

November 2011

Presented to both Houses of Parliament in accordance with the requirements of Section 29 of the Audit Act 2008

Auditor-General's reports are available from the Tasmanian Audit Office, Hobart. This report and other recent reports published by the Office can be accessed via the Office's home page. For further information please contact:

Tasmanian Audit Office

GPO Box 851
Hobart
TASMANIA 7001

Phone: (03) 6226 0100, Fax (03) 6226 0199

Email: admin@audit.tas.gov.au

Home Page: http://www.audit.tas.gov.au

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Tasmanian
Audit Office

Level 4, Executive Building, 15 Murray Street, Hobart, Tasmania, 7000
Postal Address GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6226 0100 | Fax: 03 6226 0199
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

22 November 2011

President
Legislative Council
HOBART

Speaker
House of Assembly
HOBART

Dear Madam President

Dear Mr Speaker

Report of the Auditor-General No. 4 of 2011-12 – Financial Statements of State entities – Volume 2 – Executive and Legislature, Government Departments and other General Government Sector State entities 2010-11

In accordance with the requirements of Section 29 of the *Audit Act 2008*, I have pleasure in presenting my Report on the audit of the financial statements of Executive and Legislature, Government Departments and other General Government Sector State entities for the year ended 30 June 2011.

Yours sincerely

H M Blake
Auditor-General

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
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FOREWORD

This Report is the second Volume of my report to Parliament detailing outcomes of financial audit work. It summarises the results of audits, and the financial performance, of those State entities comprising the General Government Sector (GGS) and the Executive and Legislature for the year ended 30 June 2011. It covers the audits of nine government departments, 14 other GGS and 4 Executive and Legislature entities.

In the financial year ended 30 June 2011, entities making up government departments (excluding Finance – General) incurred $3.995bn expenses from transactions and managed $9.287bn assets. The Departments of Health and Human Services (45.7%) and Education (25.6%) made up 71.3% of these expenses with, Infrastructure, Energy and Resources (40.6%) and Health (27.0%), holding 67.6% of total assets. Major categories of expenditure on transactions included employee expenses (52.0%), supplies and consumables (23.1%) and grants and subsidies (14.8%) or 89.9% in total.

All audits were completed within statutory deadlines with unqualified audit opinions issued.

Where relevant, individual chapters in this Report draw attention to key findings and developments many of which are summarised in sections headed 'At a glance'.

HM Blake
Auditor-General
22 November 2011

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INTRODUCTION

SCOPE OF THIS REPORT

This Report deals with the outcomes from audits completed of the financial statements prepared by the Executive and Legislature, Government Departments and other General Government Sector State entities, together with comments on audit findings.

STATUS OF AUDITS

All audits for the year ended 30 June 2011 have been completed. Statutory financial reporting requirements are detailed in the Chapter headed "Timeliness and quality of financial statements".

Appendix 2 provides details of the status of all 30 June 2011 audits.

FORMAT OF THIS REPORT

Unless specifically indicated, comments in this Report were current as at 14 November 2011.

In addition to this Introduction this report includes:

- Audit Summary
- Timeliness and Quality of Financial Statements
- Executive and Legislature
- Government Departments
- Other General Government Sector State entities.

AUDIT SUMMARY

This Report contains analysis of financial information reported by the Executive and Legislature, Government Departments and other General Government Sector State entities.

Our Report includes details of matters raised with entity management during the course of audits but only where the matter(s) raised warrant it. The rationale for inclusion rests on our perception of the public interest in each point.

MATTERS RAISED FOR THE ATTENTION OF THOSE CHARGED WITH GOVERNANCE

Included in individual Chapters of this Report are brief outlines of matters reported to those charged with governance with details not provided here.

Timeliness of Financial Statements

All departments submitted financial statements within the statutory deadline of 45 days after the end of the financial year. For Executive and Legislature as well as General Government Sector State entities, with exception of the Nominal Insurer and Sullivans Cove Waterfront Authority, whose statements were received on 23 August 2011 and 25 August 2011 respectively, all these entities also submitted financial statements within the statutory deadline of 45 days after the end of the financial year.

Emphasis of Matter

Without qualifying the audit report for the Tasmanian Skills Institute (TSI), it included an 'emphasis of matter' comment. This 'emphasis of matter' drew attention to the TSI's economic dependency on Government.

FINANCIAL PERFORMANCE

EXECUTIVE AND LEGISLATURE

Audits of all four Executive and Legislature entities' financial statements were completed with unqualified audit opinions issued in each case. These entities reported Comprehensive net surpluses of $0.893m and Net assets of $66.896m. A summary of the financial results and position for 2010-11 is presented in the following table:

	Comprehensive surplus (deficit)	**Net Assets**
	$'000s	$'000s
House of Assembly	486	980
Legislative Council	389	700
Legislature-General	(489)	30 159
Office of Governor	507	35 057
Total	**893**	**66 896**

MINISTERIAL DEPARTMENTS

Audits of all departmental financial statements were completed with unqualified audit opinions issued in each case. These departments reported Comprehensive net deficits of $558.158m and Net assets of $9.287bn. A summary of the financial results and position for 2010-11 is presented in the following table:

	Surplus (deficit) from transactions	**Surplus (deficit) attributable to the State**	**Comprehensive result**	**Net Assets**
	$'000s	$'000s	$'000s	$'000s
Economic Development, Tourism and the Arts	(4 982)	(39 036)	(131 791)	466 085
Education	(55 485)	160 658	219 980	1 261 156
Health and Human Services	(28 345)	154 761	380 516	2 503 867
Housing Tasmania*	(23 666)	67 240	268 753	1 900 582
Ambulance Tasmania*	(1 457)	1 712	1 931	23 519
Infrastructure, Energy and Resources	(66 967)	(27 852)	(1 027 041)	3 770 065
Justice	(4 412)	(4 412)	(4 412)	142 907
Police and Emergency Management	(7 040)	(2 671)	1 220	165 589
Premier and Cabinet	3 952	3 737	3 737	6 035
Primary Industries, Parks, Water and Environment	(13 719)	(8 695)	2 718	974 134
Treasury and Finance	(3 053)	(3 085)	(3 085)	(2 908)
Total	**(80 051)**	**233 405**	**(558 158)**	**9 286 930**

* *These entities have not been included in the total as they are already consolidated into Health and Human Services*

OTHER GOVERNMENT ENTITIES

Audits of all Other General Government Sector State entities' financial statements were completed with unqualified audit opinions issued in each case. These entities reported Comprehensive net surpluses of $5.335m and Net assets of $253.470m. A summary of the financial results and position for 2010-11 is presented in the following table:

	Comprehensive surplus (deficit)	Net Assets
	$'000s	$'000s
Director of Public Prosecutions	(1 475)	804
Inland Fisheries Service	431	6 544
Integrity Commission	353	348
Marine and Safety Authority	(110)	26 204
Office of the Ombudsman	67	86
Royal Tasmanian Botanical Gardens	(1 014)	15 002
State Fire Commission	5 278	89 876
Sullivans Cove Waterfront Authority	80	(23)
Tasmanian Community Fund	(333)	6 817
Tasmanian Economic Regulator	(242)	(209)
Tasmanian Heritage Council	11	369
Tasmanian Skills Institute	(327)	99 456
The Nominal Insurer	2 616	8 196
Workcover Tasmania Board	0	0
Total	**5 335**	**253 470**

KEY DEVELOPMENTS

DEPARTMENT OF ECONOMIC DEVELOPMENT, TOURISM AND THE ARTS

The revaluation of Heritage and Building assets at 30 June 2011 resulted in a write-down of these assets by $124.401m, of which $92.755m was applied against the asset revaluation reserve with the balance, $31.646m, recognised as a decrement through the Statement of Comprehensive Income.

DEPARTMENT OF EDUCATION

The Department conducted an analysis in respect to how spare capacity was factored into the valuation of its School buildings. As a result of this analysis, the valuation of school buildings increased by $35.074m at 30 June 2011.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

The Department is responsible for implementing savings totalling $520.600m over the next four years to help manage the State's Budget. Reducing employment expenditure is one of the saving strategies identified in the Budget.

In September 2010, the Department purchased the North West Regional Hospital building in Burnie from its private owners for $29.000m. The building was previously leased to the Department.

The Royal Hobart Hospital is undergoing a $565.000m redevelopment funded by both the Australian and State Governments. Separate funding of $67.000m was provided to the Launceston General Hospital where capital works is being undertaken on the intensive care centre, Holman Clinic, cancer centre, acute medical unit, department of emergency services and car park.

DEPARTMENT OF INFRASTRUCTURE, ENERGY AND RESOURCES

The revaluation of Land under roads and within road reserves at 30 June 2011 resulted in a one-off write-down of this asset by $621.221m, of which $532.720m was applied against the asset revaluation reserve with the balance, $88.501m, recognised as a decrement through the Statement of Comprehensive Income.

The Department adopted the Australian Road Research Board methodology which calculated an age based depreciation for sealed roads. As a result, accumulated depreciation of roads increased by $569.000m causing the carrying amount of road assets to decrease by the same amount. This entire amount was applied to the asset revaluation reserve.

Over the past four years DIER invested $580.786m in roads, of which $397.443m was in the last two years. Major projects during the year included:

	Original Budget	Revised Budget	Actual Spent to date	Complete	Date due for Completion
	$'000s	$'000s	$'000s	%	
Brighton Bypass	176 000	191 100	149 328	75%	March 2013
Brighton Transport Hub	79 000	78 662	71 484	95%	January 2012
Kingston Bypass	41 500	50 000	41 379	95%	December 2011
East Tamar Highway	60 000	72 500	71 300	90%	March 2012

DEPARTMENT OF PRIMARY INDUSTRIES, PARKS, WATER AND ENVIRONMENT

The 2010-11 year saw completion of the Princes Wharf Renewal Project which related to the redevelopment of Princes Wharf Shed No.1 and its surrounds. The project's aim was to increase usage of the site by improving public access, its amenities and facilities. To date, total project costs amounted to $13.250m. As at 30 June 2011, the Valuer-General valued the Princes Wharf Shed No.1 at $2.700m.

DEPARTMENT OF TREASURY AND FINANCE (INCLUDING FINANCE - GENERAL)

Individual General Government Sector agencies do not recognise a liability for the accruing superannuation defined benefits of their employees. This liability is held centrally and is recognised within Finance-General's Statement of Financial Position at the latest actuarial assessment of members' entitlements, net of scheme assets. At 30 June 2011, the unfunded liability was $4.946bn (30 June 2010, $4.839bn) with the increase, $106.801m being a combination of an increase in the present value of superannuation commitments, $144.551m, offset by an increase in scheme assets, $37.750m.

The current target for the full funding of the unfunded superannuation liability is 2035. As indicated in the 2011-12 Budget[1]'… the Government's provisions against the unfunded superannuation liability will not be fully cash-backed. However, this position will be temporary. As the Budget returns to a sustainable position, and cash surpluses re-emerge, financial assets will rebuild over time to ensure that the superannuation provisions are fully cash-backed. The

1 *2011-12 Budget Paper No 1: The Fiscal Strategy*

Government retains the capacity to meet its current and future superannuation obligations. While the Government will continue to report on the status of the funding of the unfunded superannuation liability in the Budget Papers, it will no longer include this specific measure in the Fiscal Strategy.'

Our analysis indicates that the gap between the unfunded liability and the net unfunded liability is widening, because the combined amount of plan assets and the SPA account are not keeping pace with the present value of the defined benefit obligations. While the 2011–12 Budget estimates that there are sufficient receipts from agencies, the Reserved by Law contribution and from interest on the SPA balance to meet superannuation payment obligations as they become due over the Budget and forward estimates period until 2015, the capacity of the State to meet its future superannuation obligations will require close monitoring.

Equity investments increased by $233.827m. Equity investments vary each year depending on the net assets of GBEs and SOCs. The majority of the increase this year reflected Net gains from the revaluation of equity investments, $228.927m, and the equity injection to Aurora of $4.900m.

TASMANIAN SKILLS INSTITUTE

TSI received an unqualified audit report but with inclusion of an Emphasis of Matter paragraph which drew attention to its significant dependence on government for its funding. TSI generated a Net operating deficit of $4.661m (2009–10, $0.692m) indicating that it had not generated enough revenue to meet its operating requirements. The Board received confirmation of Government support so that TSI could continue to operate on a going concern basis.

TIMELINESS AND QUALITY OF FINANCIAL STATEMENTS

STATUTORY FINANCIAL REPORTING AND AUDITING TIMING REQUIREMENTS

Under Section 17 of the *Audit Act 2008* (the Audit Act) specific dates are set by when accountable authorities of State entities are to provide financial statements to the Auditor-General to formally allow the audit process to commence. The requirement is that financial statements are submitted for audit within 45 days after the end of the financial year. Transitional provisions applied to a number of entities whereby the provisions of the Audit Act did not apply until the year ended 30 June 2011.

Our responsibility under Section 19 of the Audit Act is to complete our audits within 45 days of receiving financial statements from State entities.

In all cases entities have a 30 June financial year-end making 15 August the statutory date by when financial statements are to be transmitted with our deadline 30 September.

These dates were set to allow sufficient time for audits to be completed and for the reporting entities to prepare annual reports for tabling in Parliament.

SIGNED STATEMENTS NOT RECEIVED ON OR BEFORE STATUTORY DEADLINES

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

15 AUGUST DEADLINE

Executive and Legislature, Departments and other General Government Sector State entities

- The Nominal Insurer (23 August 2011)
- Sullivans Cove Waterfront Authority (25 August 2011)

We accepted there were good reasons for these State entities missing this deadline.

COMPLIANCE WITH FINANCIAL REPORTING STANDARDS

Unless otherwise stated in legislation, General Government Sector State entities must prepare their annual financial statements in compliance with Australian Accounting Standards. Compliance with the Department of Treasury and Finance's 'model financial statements' achieves this.

QUALITY OF FINANCIAL REPORTING

Section 17 of the Audit Act also provides for the Auditor-General to determine whether the signed financial statements submitted are complete in all material respects. Upon receipt of signed financial statements, we immediately conduct a desk-top review, utilising a checklist, to ensure they are complete and presentation complies with Australian Accounting Standards. We also confirm the accuracy of comparatives, cross references, and ensure the statements are arithmetically correct.

Following audits, none of the financial statements had to be re-signed. However, three of the nine Departments', and three of the 18 other General Government Sector State entities' financial statements required major amendments, generally relating to technical or complex financial disclosures.

This indicated that overall, the quality of financial statements submitted for audit were of a high standard.

EXECUTIVE AND LEGISLATURE

AT A GLANCE

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. Legislature-General provides, amongst other matters, support for general parliamentary functions including Parliamentary Catering and Reporting Services.

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

- Legislative Council
- House of Assembly
- Legislature-General
- 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 with details not addressed here.

This Volume includes separate Chapters for each of the four Parliamentary agencies with financial information on each summarised under the following headings:

- Audit of the 2010-11 Financial Statements
- Key Findings and Developments
- Summary of Financial Results
- Other Information.

KEY FINDINGS, DEVELOPMENTS AND FINDINGS FROM AUDITS

Key findings and outcomes from our audits were:

- All four agencies submitted financial statements within the statutory deadline.
- Unqualified audit opinions on financial statements were issued on:

House of Assembly	30 September 2011
Legislative Council	28 September 2011
Legislature-General	9 September 2011
Office of the Governor	28 September 2011

- At House of Assembly and Legislature-General we again reported that levels of annual leave owing to several employees remained high. As in the previous year, management had provided assurances that steps are being taken to reduce levels of annual leave accrued. This year, the House of Assembly achieved a slight improvement whereas days due to employees of the Legislature-General increased.
- There were no other major findings or developments.

HOUSE OF ASSEMBLY

The House of Assembly's (the House) primary source of revenue is the annual Appropriation provided to fund Member benefits, salaries for House staff and operating costs.

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 11 August 2011 and an unqualified audit report was issued on 30 August 2011.

KEY FINDINGS AND DEVELOPMENTS

The audit was completed with satisfactory results and there were no major issues outstanding.

SUMMARY OF FINANCIAL RESULTS

	2010-11	**2009-10**
	Actual	Actual
	$'000s	$'000s
Total Revenue	7 400	7 131
Total Expenses	7 524	7 061
Net Surplus/(Deficit)	**(124)**	**70**
Other Comprehensive Income		
Changes in asset revaluation reserve	610	0
Comprehensive Surplus	**486**	**70**
Total Assets	1 945	1 351
Total Liabilities	965	857
Net Assets	**980**	**494**
Total Equity	**980**	**494**

Comment

The House incurred a Net Deficit of $0.124m, a negative turnaround of $0.194m when compared to the surplus of $0.070m in 2009-10. It is not unusual for entities like the House to incur Net Deficits and it budgeted for a deficit of $0.055m. The Deficit of $0.124m primarily arose from unfunded depreciation and increases in employee leave liabilities.

Movements in individual revenue and expense line items were mainly due to:

- higher employee and member benefits, up $0.388m, due to increased Parliamentary sitting days following the election in March 2010 and salary award increases
- increased supplies and consumables, $0.064m, resulting from the establishment of new electorate offices and higher overseas travel expenses
- higher recurring appropriation revenue, $0.269m, to assist in funding the increased expenditure.

The Comprehensive Surplus improved by $0.416m, due to heritage and culture asset revaluation increment, $0.610m, which offset the Net Deficit mentioned previously.

The House's Total Equity increased by $0.494m due to the Comprehensive Surplus.

Total Assets increased primarily due to the heritage and culture assets revaluation increments, $0.610m, offset by depreciation expenses, $0.045m.

The House's Payables and Other liabilities increased by $0.063m with its fringe benefits tax and pay as you go obligations not settled before year end and at 30 June 2011 there was an extra day accrued for salaries.

Employee entitlements increased, by $0.045m, due to annual salary award increases. As can be seen in the Other Information table below, average staff leave balances declined slightly.

OTHER INFORMATION

	Bench Mark	**2010-11**	**2009-10**	**2008-09**	**2007-08**
Other Information					
Staff numbers (FTEs)		18	17	17	18
Average staff costs ($'000s)		102	93	96	79
Average Recreational leave balance per FTE (days)	20	38	39	40	36
Average Long Service Leave balance per FTE (days)	100	61	66	72	66

Comment

The increase in average staff costs was mainly due to the impact of Tasmanian State Service Award and more overtime payments as a result of higher Parliamentary sitting days, previously discussed.

Average Recreational Leave balances per FTE were high throughout the period under review.

LEGISLATIVE COUNCIL

INTRODUCTION

Officers of the Legislative Council (the 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 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 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2011 and an unqualified audit report was issued on 28 September 2011.

KEY FINDINGS AND DEVELOPMENTS

The Council received an increase in recurrent funding in 2010-11. In addition to the need to meet normal budgeted increases, extra funding was provided for the appointment of additional committee staff, salary related expenditure at the regional office and a chamber design study.

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2010-11 Actual $'000s	2009-10 Actual $'000s
Total Revenue	5 985	5 656
Total Expenses	6 065	5 757
Net Surplus (Deficit)	**(80)**	**(101)**
Other Comprehensive Income		
Change in Asset Revaluation Reserve	469	0
Comprehensive Result	**389**	**(101)**
Total Assets	1569	1114
Total Liabilities	869	803
Net Assets	**700**	**311**
Total Equity	**700**	**311**

Comment

The Council incurred a Net deficit of $0.080m, slightly better than the 2009-10 result. Deficits are expected because the Council is not funded for depreciation or net movements in working capital and employee provisions which collectively totalled $0.077m in 2010-11.

The Comprehensive result was a surplus of $0.389m, an improvement from a net deficit of $0.101m in 2009-10, almost entirely due to the asset revaluation increment of $0.469m. This related to a valuation of Council's artefacts and artworks during the year.

Movements in individual line items were due to:

- increased recurrent appropriation, $0.329m, mainly for funding the appointment of additional committee staff and salary related expense at the regional office
- higher employee expenses, $0.223m, due to appointment of new staff, associated recruitment costs and increased annual leave expense
- increased supplies and consumables expenses of $0.070m due to various factors including:
    - higher audit fees
    - increased information and technology expense in a project to replace ageing equipment
    - increased consultant expenses associated with designing the chamber and the engagement of consultants by members
    - higher travel and transport costs.

Net assets increased by $0.389m in line with the Comprehensive surplus for 2010-11.

Total assets increased by $0.455m, mainly due to the revaluation of artefacts and artworks already referred to. Total Liabilities increased by, $0.066m, as a result of higher payables, $0.125m (2009-10, $0.064m) and higher employee entitlements, $0.744m ($0.739m).

OTHER INFORMATION

	Bench Mark	2010-11	2009-10	2008-09	2007-08
Financial Performance					
Net surplus (deficit)		389	(101)	(93)	145
Operating margin	>1.0	0.99	0.98	0.98	1.03
Other Information					
Staff numbers (FTEs)		30	29	28	25
Average staff costs ($'000s)		80	77	74	69
Average Recreational Leave balance per FTE (days)	20	29	35	35	40
Average Long Service Leave balance per FTE (days)	100	50	49	44	76

Comment

Operating margin remained below bench mark in 2010-11, primarily because the Council is not funded for depreciation, movements in working capital or increases in employee provisions.

The FTEs increased from 29 to 30 employees due to the employment of four additional staff offset by those who retired during the year. There was a slight increase in average staff costs in 2010-11 partly due to increased annual leave expense and recruitment costs of the additional employees.

Recreational leave balance, while still above bench mark in 2010-11, improved over the past year in response to the introduction of Council's leave management policy aimed at reducing accrued annual leave balances.

LEGISLATURE-GENERAL

The Legislature-General is funded by annual Appropriation to provide the Legislative Council and House of Assembly with administrative support.

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2011. Following the audit, the financial statements were re-signed on 8 September 2011 and an unqualified audit report was issued on 9 September 2011.

KEY FINDINGS AND DEVELOPMENTS

The audit was completed with satisfactory results and there were no major issues outstanding.

SUMMARY OF FINANCIAL RESULTS

	2010-11	2009-10
	Actual	Actual
	$'000s	$'000s
Total Revenue	6 309	5 984
Total Expenses	7 003	6 587
Net Deficit	**(694)**	**(603)**
Other Comprehensive Income		
Changes in asset revaluation reserve	205	0
Comprehensive Deficit	**(489)**	**(603)**
Total Assets	31 306	31 530
Total Liabilities	1147	882
Net Assets	**30 159**	**30 648**
Total Equity	**30 159**	**30 648**

Comment

The Legislature-General incurred a Net Deficit of $0.694m in 2010-11, primarily due to depreciation, $0.587m and the increase in employee entitlement, $0.117m, not being funded.

Total Revenue improved by $0.325m, primarily comprising $0.283m higher recurring appropriation revenue provided to meet increasing costs.

Total Expenses increased by $0.416m, almost entirely due to higher employee expenses of $0.445m, which was predominantly caused by:

- the transfer of six employees from the Department of Education (DoE) effective from 15 March 2011 with an impact of $0.126m
- more Parliamentary sitting days in 2010-11, with Hansard salaries increasing by $0.111m
- as a result of higher activity in the dining room and bistro, catering salaries increased by $0.062m
- the impact of Tasmanian State Service Award.

The $0.205m asset revaluation increment arose from an upward revaluation of heritage and cultural assets.

Total Assets declined by $0.224m due to depreciation of $0.587m, offset by additional plant and equipment, $0.120m, and the heritage and culture asset revaluation increment, $0.205m.

Total Liabilities increased by $0.265m in 2010-11 principally due to:

- higher payables of $0.149m resulting from deferring payments to meet the cash budget
- increased employee benefits, up $0.116m, which was largely a combination of additional leave provisions relating to employees transferred from DoE and annual wages and salaries increases.

Total Equity decreased by $0.489m in 2010-11 being the Comprehensive Deficit for the financial year.

OTHER INFORMATION

	Bench Mark	2010-11	2009-10	2008-09	2007-08
Other Information					
Staff numbers (FTEs)		36	32	33	33
Average staff costs ($'000s)		90	88	83	78
Average Recreational Leave balance per FTE (days)	20	28	25	26	25
Average Long Service Leave balance per FTE (days)	100	43	45	46	45

Comment

The increase in Staff numbers (FTEs) mainly resulted from additional staff from DoE from 15 March 2011, as well as higher casual staff recruited due to more Parliamentary sitting days and higher activity in the dining room and bistro, previously mentioned.

The increase in Average staff costs was consistent with state service wage increments.

Average Recreational Leave balances per FTE was high, reflecting levels of leave owing to several employees.

OFFICE OF THE GOVERNOR

INTRODUCTION

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

AUDIT OF 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2011 and an unqualified audit report was issued on 28 September 2011.

KEY FINDINGS AND DEVELOPMENTS

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2010-11	**2009-10**
	$'000s	$'000s
Total Revenue	3 274	3 078
Total Expenses	3 505	3 370
Net result from transactions	**(231)**	**(292)**
Sale of non-financial assets	48	0
Contributions received	200	0
Write off - outdoor equipment	(139)	0
Net result from continuing operations	**(122)**	**(292)**
Changes in physical asset revaluation reserve	629	1 174
Comprehensive result	**507**	**882**
Total Assets	35 661	35 045
Total Liabilities	604	496
Net Assets	**35 057**	**34 549**

Comment

The Office's Net results from transactions improved from a deficit of $0.292m in 2009-10 to a deficit of $0.231m in 2010-11. This was an improvement of $0.061m and was mainly due to increased Total Revenue, $0.196m, as a result of a higher annual appropriation, $0.204m, to fund the Office's maintenance works program in 2010-11.

The higher appropriation was partly offset by higher Total Expenses, $0.135m, due to increased employee benefits, $0.120m, mainly attributable to annual wage increases.

Net result from continuing operations, included:

- a gain of $0.048m from the disposal of the Office's vehicle which was traded in for a newer model
- a write off of outdoor equipment, $0.139m.
- the bringing to account of $0.200m as Contributions received of a heritage bookcase from the Department of Premier and Cabinet.

The Office's Net Assets increased by $0.507m to $35.057m in 2011 in line with the Comprehensive result.

Total Assets comprised predominantly land and buildings, $31.714m (2009-10, $31.957m), and heritage assets, $3.563m ($2.733m).

Heritage assets increased by $0.830m due to:

- an independent upward valuation of these assets in 2010-11 of $0.629m
- receipt of the bookcase already referred to.

The reported amount of land and buildings reduced by $0.243m due to the depreciation charge for the year.

Total liabilities were largely represented by provisions for employee entitlements, $0.523m (2009-10, $0.434m). The increase, $0.089, was due mainly to employees accruing another year of service and annual wage increases.

GOVERNMENT DEPARTMENTS

AT A GLANCE

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 summarised financial information on all departments being the Departments of:

- Economic Development, Tourism and the Arts (including separate Chapters on Tasmania Development and Resources (TDR), Tourism Tasmania (TT), and Tasmanian Museum and Art Gallery (TMAG))
- Education (with the Tasmanian Polytechnic and Academy consolidated into that report)
- Health and Human Services (including separate Chapters for Housing Tasmania and Ambulance Tasmania)
- Infrastructure, Energy and Resources
- Justice
- Police and Emergency Management
- Premier and Cabinet
- Primary Industries, Parks, Water and Environment
- Treasury and Finance.

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

- Audit of the 2010-11 Financial Statements
- Key Findings and Developments
- Financial Results:
  - Comprehensive Income Statement
  - Statement of Financial Position
  - Statement of Cash Flows
  - Financial Analysis
- Additional Financial Information
  - Administered Financial Transactions.

For those entities which are incorporated into the results of departments, namely, TDR, TT, TMAG, Housing Tasmania and Ambulance Tasmania, the information within their Chapters is summarised under the following headings:

- Audit of the 2010-11 Financial Statements
- Key Findings and Developments
- Abridged Comprehensive Income Statement
- Abridged Statement of Financial Position
- Financial Analysis.

The financial results discussed are derived from the audited financial statements of each entity. 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 Standards. 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.

Departments are required to present financial statements in accordance with the Model Departmental Financial Statements developed by Treasury, which require the inclusion of original budget information, on the face of the statements, along with explanations for variations against budget provided in the notes. While the budget information reported is not subject to audit, we have ensured that the information reported agrees to the original Budget Papers.

In all cases our audits concluded that departments completed their financial statements in accordance with Australian Accounting Standards. However, in our analysis of each department's financial performance we have, if necessary, reallocated certain revenue or expenditure items to better assist readers interpret financial performance.

KEY OUTCOMES, DEVELOPMENTS AND FINDINGS FROM AUDITS

Key outcomes from audits included:

- audits of all departmental financial statements were completed with unqualified audit opinions issued in each case
- all departments submitted financial statements within the statutory deadline of 45 days after the end of the financial year.

Key developments and findings included:

DEPARTMENT OF ECONOMIC DEVELOPMENT, TOURISM AND THE ARTS

The revaluation of Heritage and Building assets at 30 June 2011 resulted in a write-down of the valuation by $124.401m, of which $92.755m was applied against the asset revaluation reserve with the balance, $31.646m, recognised as a decrement through the Statement of Comprehensive Income.

Loan Advances increased by $5.492m due to the drawdown of loans approved in current and prior years. Also, a significant loan due by Tascot was impaired by $3.850m.

The majority of the Department's commitments relate to loans approved but not drawn down by clients totalling $3.379m (2010, $14.267m) and assistance to industry commitments, in the form of grants, of $66.385m (2010, $53.512m).

DEPARTMENT OF EDUCATION

On 1 January 2011, as a result of the restructuring of the Tasmania *Tomorrow* initiative, both the Tasmanian Polytechnic and Tasmanian Academy were transferred back into the Department. This restructure significantly impacted the Department's financial statements as highlighted in the Chapter.

The Department conducted an analysis in respect to how spare capacity was factored into the valuation of its School buildings. As a result of this analysis, the valuation of school buildings increased by $35.074m at 30 June 2011. In addition, there was a further asset revaluation of $24.248m (bringing the total to $59.322m) which related to the application of annual indexation adjustments.

The Building the Education Revolution Project (BER) was in its final stages of completion at 30 June 2011. Since 2008-09, the Department received $331.940m and spent $313.144m on BER projects of which $305.931m has been capitalised under the thresholds outlined within

Departmental asset policies. At 30 June 2011 a further $18.796m already received from the Commonwealth was committed which will be spent by 30 June 2012.

During our audit a number of opportunities to improve controls and processes related to the Department's accounting and reporting of transactions were identified. In noting this, it is acknowledged that the Department will revisit structures within its Finance area as a result of the transfer of staff from the Polytechnic.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

The Department is responsible for implement savings totalling $520.600m over the next four years to help manage the State's Budget. Reducing employment expenditure is one of the saving strategies identified in the Budget.

Since 30 June 2011, the State Government decided to set-up three Tasmanian Health Organisations (THOs) under the Australian Government's National Health and Hospital Network Reform. THOs will be independent, local organisations that will be responsible for managing public hospital services in their respective regions (South, North and North-West). THOs will each have their own governing council and a chief executive officer and are expected to be fully operational from 1 July 2012.

In September 2010, the Department purchased the North West Regional Hospital building in Burnie from its private owners for $29.000m. The building was previously leased to the Department.

The Royal Hobart Hospital is undergoing a $565.000m redevelopment funded by both the Australian and State Governments. Separate funding of $67.000m was provided to the Launceston General Hospital where capital works is being undertaken on the intensive care centre, Holman Clinic, cancer centre, acute medical unit, department of emergency services and car park.

A number of findings were identified during the audit although none were of a high risk nature. The majority of these findings were concerned with the lack of, or breakdowns in, systems of internal control.

HOUSING TASMANIA

Capital funding increased by $27.322m in 2010-11, to purchase or construct new rental dwellings and for improvements to its existing housing portfolio. The majority of funding represented the final stage of capital provided by the Australian Government under the Nation Building Economic Stimulus Program.

A new initiative was the National Rental Affordability Scheme. This is an Australian Government program which is aimed at investing in affordable rental accommodation. It involves the supply of new rental housing, as well as reducing rental costs and encouraging large scale investment in affordable accommodation options.

AMBULANCE TASMANIA

The major development at Ambulance Tasmania in 2010-11 was investment in new facilities at various locations around the State. This involved capital additions amounting to $6.038m.

DEPARTMENT OF INFRASTRUCTURE, ENERGY AND RESOURCES

The revaluation of Land under roads and within road reserves at 30 June 2011 resulted in a one-off write-down of the valuation by $621.221m, of which $532.720m was applied against the asset revaluation reserve with the balance, $88.501m, recognised as a decrement through the Statement of Comprehensive Income.

The Department adopted the Australian Road Research Board methodology which calculated an age based depreciation for sealed roads. As a result, accumulated depreciation of roads increased by $569.000m causing the carrying amount of road assets to decrease by the same amount. This entire amount was applied to the asset revaluation reserve.

Since 2007-08 DIER invested $580.786m in roads, of which $397.443m was in the last two years. Major projects progressed during the year included Brighton Bypass (75% complete to 30 June 2011), Brighton Transport Hub (95%), Kingston Bypass (95%) and East Tamar Highway (90%). Total of original budgets for these projects amounted to $356.500m. At 30 June 2011 budgets had been revised upwards to a total of $392.262m with $333.491m spent to date.

The Department provided a further $38.064m in equity contributions to Tasmanian Railway Pty Ltd (TasRail) to fund further upgrades to rail network infrastructure. In addition, $14.590m was also provided from administered funds in grant contributions to TasRail for administration and maintenance costs.

The Department provided $0.585m to Tasmanian Ports Corporation Pty Ltd for maintenance of the Flinders Island Port.

DEPARTMENT OF JUSTICE

The Office of the Director of Public Prosecutions and the Integrity Commission were separated from the Department from 1 July 2010 and 1 October 2010, respectively.

The introduction of the *Monetary Penalties Enforcement Act 2005* in April 2008 resulted in a significant improvement in the collection rate of infringements, court fines and fees over the last two years. This year there was a re-assessment of the provision for fine collections impairment and expected remissions resulting in a further overall favourable reduction of $4.361m in the provision for impairment for the recoverability of these fines.

DEPARTMENT OF POLICE AND EMERGENCY MANAGEMENT

The Department invested $8.297m in its assets, mainly for the refurbishment of police stations. This was up $2.285m on the prior year, and funding for capital works increased by $1.326m, to contribute to the refurbishment project.

DEPARTMENT OF PREMIER AND CABINET

The Department administers the Information Technology (IT) Transformation project which focuses on government use of email, identity management and the Department's IT service provider, TMD. The Department was provided $4.653m for this project this year.

DEPARTMENT OF PRIMARY INDUSTRIES, PARKS, WATER AND ENVIRONMENT

In 2008 the State government established an $80.000m Water Infrastructure Fund to enable major investment in the State's irrigation infrastructure. This year, the Department contributed $21.536m by an equity payment to Rivers and Water Supply Commission and received repayment of $6.710m, which was part of a previous equity contribution of $14.224m.

The Department may be under investing in existing assets as evidenced by an asset renewal ratio of 38% in 2010-11 with the average renewal ratio well below benchmark over the last three years. However, this lack of capital expenditure on existing assets may well be compensated by various maintenance programs operated by the Department.

The 2010-11 year saw completion of the Princes Wharf Renewal Project which related to the redevelopment of Princes Wharf Shed No.1 and its surrounds. The project's aim was to increase usage of the site by improving public access, amenities and facilities. To date, total project costs amounted to $13.250m. As at 30 June 2011, the Valuer-General valued the Princes Wharf Shed No.1 at $2.700m.

DEPARTMENT OF TREASURY AND FINANCE (INCLUDING FINANCE - GENERAL)

Individual General Government Sector agencies do not recognise a liability for the accruing superannuation defined benefits of their employees. This liability is held centrally and is recognised within Finance-General's Statement of Financial Position at the latest actuarial assessment of members' entitlements, net of scheme assets. At 30 June 2011, the unfunded liability was $4.946bn (30 June 2010, $4.839bn) with the increase, $106.801m being a combination of an increase in the present value of superannuation commitments, $144.551m, offset by an increase in scheme assets, $37.750m.

The current target for the full funding of the unfunded superannuation liability is 2035. As indicated in the 2011-12 Budget[1] '… the Government's provisions against the unfunded superannuation liability will not be fully cash-backed. However, this position will be temporary. As the Budget returns to a sustainable position, and cash surpluses re-emerge, financial assets will rebuild over time to ensure that the superannuation provisions are fully cash-backed. The Government retains the capacity to meet its current and future superannuation obligations. While the Government will continue to report on the status of the funding of the unfunded superannuation liability in the Budget Papers, it will no longer include this specific measure in the Fiscal Strategy.'

Our analysis indicates that the gap between the unfunded liability and the net unfunded liability is widening, because the combined amount of plan assets and the SPA account are not keeping pace with the present value of the defined benefit obligations. While the 2011-12 Budget estimates that there are sufficient receipts from agencies, the Reserved by Law contribution and from interest on the SPA balance to meet superannuation payment obligations as they become due over the Budget and forward estimates period until 2015, the capacity of the State to meet its future superannuation obligations will require close monitoring.

The Department experienced lower State taxation revenue, $10.222m, due to lower collections from land tax, $16.327m, following concessions awarded to holiday home owners, and financial transactions, $17.756m, as a result of a reduction in the number of property transactions. However, these reductions were offset by increased payroll tax and guarantee fees, $18.806m, and $5.781m respectively.

Equity investments increased by $233.827m. Equity investments vary each year depending on the net assets of GBEs and SOCs. The majority of the increase this year reflected Net gains from the revaluation of equity investments, $228.927m and the equity injection to Aurora of $4.900m.

The net loss on Tasmanian Risk Management Fund, $18.978m, reflected actuarial loses due to changes in the assumptions used by the actuary to value fund liabilities.

From 1 October 2010, the administrative responsibility for the Tasmanian Community Fund (TCF) was transferred to the Department of Premier and Cabinet.

1 *2011-12 Budget Paper No 1: The Fiscal Strategy*

SUMMARY FINANCIAL ANALYSIS

We summarise below significant financial results for each department. The commentary commences with discussion about any significant financial events followed by a summary of financial results and positions.

When evaluating the financial performance of departments it is important to note that, while they are funded on an accrual basis, this does not include funding for depreciation and amortisation charges or increases in provisions for employee entitlements, such as recreational and long service leave, or movements in payables and receivables.

Department of Economic Development, Tourism and the Arts (incorporating TDR, TMAG and TT) recorded a Net deficit from transactions of $4.982m this year. This deficit was consistent with budget, $5.603m, and the previous years result, $5.296m.

Other economic flows caused the result from transactions to drop further to a deficit of $39.036m. This was mainly due to a revaluation of heritage assets and buildings, which resulted in a Net loss on Heritage and Building assets of $31.646m, and the impairment of the loan to Tascot, $3.850m, offset by capital funding for the TMAG redevelopment project, $2.151m.

The Comprehensive deficit for 2010-11 amounted to $131.791m. This was due to a $92.755m asset revaluation decrement which arose from a downward valuation of heritage assets and buildings with this amount charged against previous revaluation reserves. The Department budgeted for a Comprehensive surplus of $5.698m in 2010-11 but achieved an actual deficit of $131.791m. This was primarily due to the revaluation decrement and the other economic flows mentioned previously.

Net assets decreased from $597.876m to $466.085m reflecting the Comprehensive deficit during 2010-11.

The Department's Administered transactions related to the Tasmanian Icons Program, Ten Days on the Island Program, Tasmanian Symphony Orchestra and the Theatre Royal Program. Revenues and expenditure both totalled $3.850m.

Department of Education reported a deficit from transactions of $55.485m, which was generally in line with 2009-10, $55.532m, and budget, $50.480m. It recorded a Net surplus attributable to the State of $160.658m in 2010-11 against a budget result of $189.060m. This surplus was primarily driven by the final instalments of Commonwealth BER funding recognised as income in the Statement of Comprehensive Income and supplementary recurrent appropriations from Government to fund skills development programs.

The Department achieved a Comprehensive surplus of $219.980m as a result of a $59.322m revaluation increment for land and buildings and the surplus mentioned above. This Comprehensive surplus was higher than budget by $64.732m which was attributable to various operating and non-operating factors but primarily the revaluation increment in respect of land and buildings of $59.322m.

Net assets increased by $202.874m to $1.261bn due mainly to the significant capital investment spend, $190.221m, primarily in respect to the BER initiative. Other factors increasing Net assets included an upwards revaluation of land and buildings, $59.322m. These movements were offset by the transfer of the Australian Technical College (South Burnie), $10.294m, to the Tasmanian Skills Institute and higher Employee benefits, $8.647m.

The Department's Administered transactions primarily relate to funding non-government schools, with grants and subsidies to this sector totalling $255.840m this year ($277.625m in 2009-10 and $241.233m budget).

Department of Health and Human Services (incorporating Housing Tasmania and Ambulance Tasmania, although in both cases separate commentary is provided below).

When compared to 2009-10, there was little change in the Net deficit from transactions. The deficit increased by $0.575m to $28.345m. However, Net surplus attributable to the State, $154.761m, increased $104.504m compared to the 2009-10 result of $50.257m. Recurrent, special capital investment funds and Capital Revenue from Government increased $233.319m, however the Department's employee entitlements grew by $67.335m, due to the recruitment of an additional 183 FTE's and award increases during the year.

The Comprehensive Surplus for 2010-11 amounted to $380.516m which was:

- better than the 2009-10 result of $72.377m mainly because of the revaluation increment for land and buildings, $226.667m,
- higher than the budget estimate of $206.640m, primarily due to the $173.269m variation in the revaluation increment.

Net assets increased by $380.583m to $2.503bn primarily due to the Net surplus of $154.761m and the Property, plant and equipment revaluation increment of $226.667m, which was mainly attributable to Housing Tasmania. The Department also recorded a net decrease in cash of $22.197m on the previous year which was mainly spent on the acquisition of assets.

The Department's Administered transactions relate primarily to funding community service obligations paid to Aurora Energy Pty Ltd to support pensioners and health card holders for power costs and to fund grant programs. Total revenue for the year amounted to $83.683m, Total expenses, $38.734m with transfers to the Consolidated Fund, $44.020m, being Australian government grants for the High Cost Drugs Program.

Housing Tasmania recorded a Net deficit from transactions of $23.666m in 2010-11, which was $3.566m higher than last year. It generated a Net surplus attributable to the State of $67.240m in 2010-11, a significant improvement of $33.425m on the prior year result of $33.815m. However, the improvement was almost entirely due to additional capital funding, provided by the Australian Government under the Nation Building Economic Stimulus Program of $70.000m, for the construction and purchase of new housing stock, and improvements to existing dwellings. This year is the second of a three year program.

The increase in Comprehensive Surplus to $268.753m, was due mainly to a net revaluation increment of rental dwelling and land, $201.513m.

Net assets increased by $268.753m, 16.5%, to $1.900bn. Property, plant and equipment increased $263.074m which consisted of additions, $105.779m, revaluation increment, $201.693m, offset by depreciation, $26.027m, and disposals and impairments, $12.607m. Cash and deposits decreased $9.530m which was spent from capital funding provided to finance the construction of new or upgraded dwellings.

Ambulance Tasmania reported a Net deficit from transactions of $1.457m in 2010-11, a slight improvement of $0.084m on the prior year. The Net surplus attributable to the State amounted to $1.712m this year (2009-10, $7.164m), a decrease of $5.452m. The decline in the result was primarily due to the actuarial superannuation adjustment being unfavourable this year, $2.505m, compared to last year's favourable movement of $2.593m.

Net assets increased $1.931m to $23.519m due to net capital additions, $3.312m, offset by the higher superannuation liability, $2.026m.

Department of Infrastructure, Energy and Resources recorded a Net Deficit from transactions of $66.967m in 2010-11, compared to $74.983m in 2009-10. The Net deficit attributable to the State amounted to $27.852m in 2010-11 compared to a Net surplus of $171.184m in the prior year. The deterioration in the result was primarily due to lower Revenue from government – capital, $66.821m, and an increase in the write down of assets of $134.797m.

Revenue from government – capital was high primarily due to funding for major projects such as the Brighton bypass, Brighton transport hub and Kingston bypass. Write down of assets, $149.480m, was predominately due to write down of land under roads, $88.501m, write down of road infrastructure, $60.121m, and write down of traffic signals, $0.681m.

The Comprehensive deficit for the year amounted to $1.027bn primarily because of the $999.189m asset revaluation decrement. The budgeted Comprehensive surplus, $267.944m, varied from actual primarily due to the $1.130bn variation in the asset revaluation reserve.

Net assets decreased by $1.065bn from $4.835bn to $3.770bn, mainly due to the $999.189m asset revaluation decrement. The decrement relates mainly to Road infrastructure and Land under roads. Road infrastructure represented 96% of total assets.

Transactions administered by the Department included the Forest Practices Authority, taxi licences, motor vehicle registrations, drivers' licenses and mining royalties. Total revenue was $174.324m, Total expenses, $82.250m, with $91.143m transferred to Consolidated Fund in 2010-11.

Department of Justice recorded a Net deficit from transactions of $4.412m, a decrease of $5.075m from the prior year's surplus of $0.663m. Total revenue fell by $2.966m while total expenditure increased by $2.109m. The fall in total revenue was primarily due to a reduction in revenue from government. This mainly related to the Office of Director of Public Prosecutions becoming a separate agency and no longer funded by the Department. This increase in expenditure was attributable to higher employee benefits, $3.323m, mainly because of the greater contributions to Treasury for the superannuation provision.

The Comprehensive deficit for the year was $4.412m, unchanged from the Net deficit, and in line with the budget estimate of a deficit of $5.246m.

Net Assets decreased by $6.687m to $142.907m. This movement comprised the 2010-11 comprehensive result, $4.412m, and the equity adjustment for an administration restructure, $2.275m.

The Department's administered transactions primarily relate to the collection of revenue through the enforcement of monetary penalties, $22.666m (2010, $33.519m), Supreme and Magisterial court services, Births, Deaths and Marriages, maintenance of a fair, safe and equitable market place and the activities of the WorkCover Tasmania Board. Total revenue amounted to $43.763m in 2010-11, Total expense, $12.159m, with a Consolidated Fund transfer of $28.378m.

Department of Police and Emergency Management recorded a Net Deficit from transactions of $7.040m in 2010-11, which was relatively consistent with the prior year result. Revenue from government increased by $12.560m to fund frontline services and road safety initiatives and was offset by additional employee benefits of $9.767m.

The Comprehensive surplus for the year amounted to $1.220m primarily the result of the Net deficit and a revaluation increment of $3.891m. The Comprehensive surplus budget estimate, $3.870m, differed from actual mainly because expenses exceeded budget.

Total Net assets increased by $1.220m to $165.589m mainly due to an upward revaluation of land and buildings, assets held for resale offset by higher employee benefits.

Administered transactions related primarily to Commonwealth recurrent grants for emergency management, Police Academy board payments, firearms registration and licence fees. Total revenue for 2010-11 was $0.730m all of which was transferred to Consolidated Fund.

Department of Premier and Cabinet recorded a Net Surplus from transactions of $3.952m in 2010-11, compared to a Net Deficit of $0.896m in 2009-10. Total revenue increased by $8.809m, 7.9%, to $110.197m and total expenditure increased by $3.961m, 3.9%, to $106.245m.

The Comprehensive surplus for the year amounted to $3.737m. The Department budgeted for a Comprehensive surplus of $0.058m. The favourable variance, $3.679m, was a result of additional

Revenue from Government, $7.118m, to fund additional programs and activities. This was partially offset by a fall in Sales of goods and services, $3.198m, as demand for services provided by TMD declined due to budget management strategies implemented throughout the Government.

The increase in the Department's Total Equity of $3.737m to $6.035m represented the Net surplus achieved this year.

The Department's administered transactions solely relate to the Tasmanian Community Fund (TCF). From 1 October 2010 the Department assumed administrative responsibility for the TCF from Treasury. Grants paid totalled $5.617m.

Department of Primary Industries, Parks, Water and Environment recorded a Net Deficit from transactions $13.719m, which was an improvement of $11.325m on the previous year's deficit of $25.044m. Net deficit attributable to the State for the year was $8.695m compared to $46.907m for the previous year. If transfers to the consolidated fund are eliminated the deficits become $3.695m and $4.907m, respectively. This improvement can be attributable to a reduction in Grants and subsidies, $17.236m, lesser Contributions provided, $9.182m, and a smaller Transfer to Administered funds, $37.000m.

The Net Deficit of $8.695m was offset by a revaluation increment relating predominantly to buildings, $11.600m, which resulted in a Comprehensive Surplus for the year of $2.718m. The budgeted deficit was $27.359m, with the improvement primarily due to the revaluation increments.

Total equity for the year decreased by $12.108m to $974.134m. This was due to the current year's Comprehensive surplus of $2.718m, Repayment of Water Infrastructure Fund (WIF) equity, $6.710m, offset by WIF equity payments of $21.536m.

The decrease in Net assets of $12.108m can be largely attributed to lower Cash and deposits, $22.405m, offset by the revaluation increment of $11.600m.

Administered items mainly included:

- grants paid to research and industry body joint ventures
- grants paid to the Inland Fisheries Service, Port Arthur Historic Site Management Authority and contributions to Commonwealth, State and Industry organisations
- Australian Government grants
- Land Titles Office fees for land dealings and copies
- abalone licences, other marine licence, water royalty and quarantine fees
- transfers from CLAF
- environmental permits.

In 2010-11, Total revenue from administered transactions amounted to $54.117m, Total expense, $9.854m, with transfers to Consolidated Fund of $44.663m.

Department of Treasury and Finance reported a Net deficit from transactions of $3.053m compared to the 2009-10 Net surplus of $1.895m. The decline of $4.948m was mainly due to higher Grants and subsidies, $4.224m, following increases in Community Service Levy (CSL) grants and Community Service Obligation payments, $1.309m and $1.124m, respectively, and the timing of CSL grants to the Department of Health and Human Services, $1.769m, which related to 2009-10 but were made in 2010-11.

The Comprehensive deficit for the year amounted to $3.085m. Actual total income and expenses were under budget by $4.034m, or 7.8%, and $1.924m, 3.7%, respectively. The Fees and fines budget figure included Liquor licensing revenue, with the combined actual revenue totalling $7.503m, $1.666m less than budget.

Total Equity at 30 June 2011 was negative $2.908m, a turnaround of $3.085m. The decrease in Net Assets included lower Cash and deposits, $3.712m (2010, $4.911m), due to the 2009-10 CSL grant payment being paid.

Division of Finance-General reported a Net deficit from transactions of $435.701m (2010, $132.234m) and Net assets of $1.474bn ($1.606bn).

Australian Government funding increased $195.342m due primarily to additional Australian Government funding that was carried forward and transferred to the Special Deposits and Trust Fund. Australian Government grants increased by $79.734m, comprising general grants, $14.293m, Special Purpose Payments, $43.216m, and National Partnership Payments (NPP), $22.224m. The increase in NPP was affected by additional funding for redevelopment of the Royal Hobart Hospital, $270.000m, offset in part by lower payments for schools, $132.456m.

The Comprehensive deficit for the year amounted to $132.234m. This was $91.620m less than budget, primarily due to the Net actuarial gain on superannuation and Net actuarial loss on Tasmanian Risk Management Fund.

Total Equity decreased by $132.234m in 2010-11, being the Comprehensive Deficit for the year.

DEPARTMENT OF ECONOMIC DEVELOPMENT, TOURISM AND THE ARTS

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2011. Following the audit, the financial statements were re-signed on 27 September 2011 and an unqualified audit report was issued on the same day.

BACKGROUND

The Department manages a number of activities including for example culture, recreation and sport and industry development. These activities are managed by itself or through statutory entities, being:

- Tasmania Development and Resources (TDR)
- Tourism Tasmania (Tourism)
- Tasmanian Museum and Art Gallery (TMAG).

It also provides corporate support for its own activities as well as the above three entities.

The Department, through TDR, provides industry support by making loans and grants from its own resources.

For a more detailed analysis of the operations of the three entities, separate Chapters have been included in this Report with this Chapter reporting financial outcomes at a consolidated departmental level.

KEY FINDINGS AND DEVELOPMENTS

The audit was completed satisfactorily with no major matters outstanding.

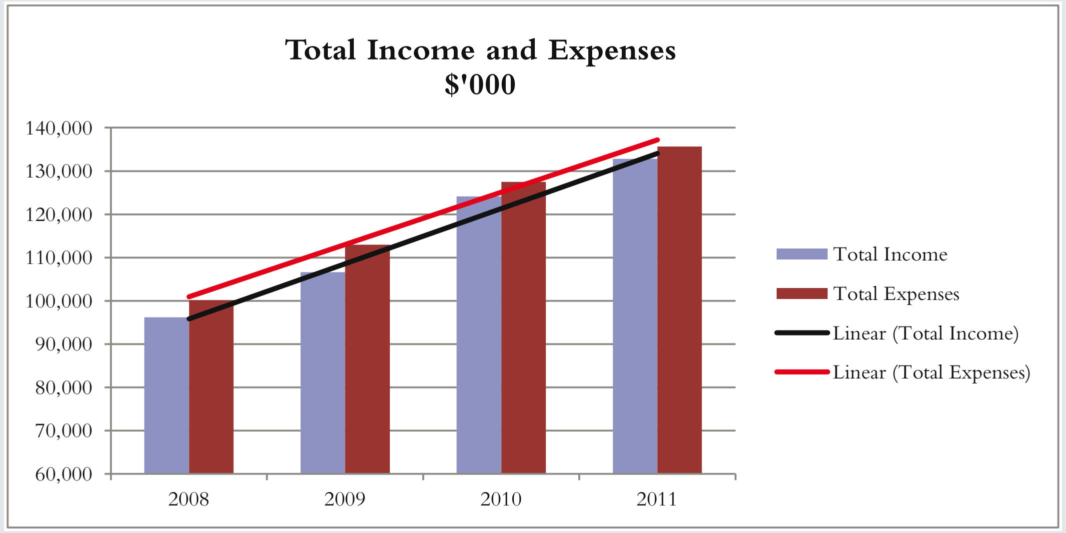
FINANCIAL RESULTS

The revaluation of Heritage and Building assets at 30 June 2011 resulted in a write-down of the valuation by $124.401m, of which $92.755m was applied against the asset revaluation reserve with the balance, $31.646m, recognised as a decrement through the Statement of Comprehensive Income.

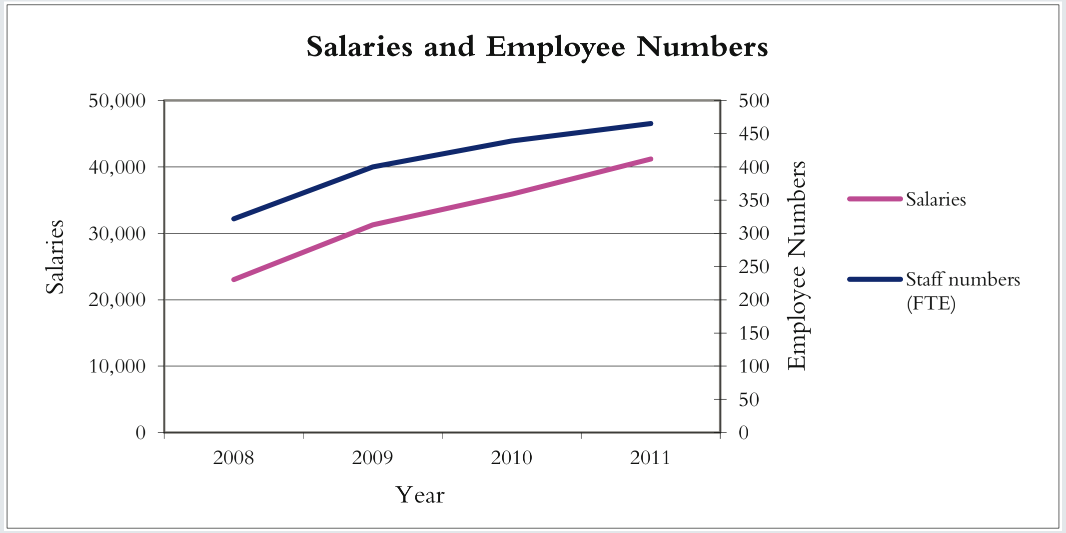
Loan Advances increased by $5.492m due to the drawdown of loans approved in current and prior years. Also, a significant loan due by Tascot was impaired by $3.850m.

The majority of the Department's commitments relate to loans approved but not drawn down by clients totalling $3.379m (2010, $14.267m) and assistance to industry commitments, in the form of grants, of $66.385m (2010, $53.512m).

The following two graphs highlight important aspects of the Department's financial results:



Operating expenses exceeded operating income in all years under review and, as the trend lines indicated, the gap in funding was fairly consistent but narrowing slightly. This result was expected, as Departments are not funded for depreciation or increases in employee entitlements. The growth in total income was driven predominantly by revenue from government, with other sources of funding representing on average only 12% of the total.



The Department's salaries and employee expenses continue to grow. The number of Full Time Equivalents increased in line with the expense. The increase from 2008 to 2011 was mainly due to administrative restructures transferring staff from Tourism, TMAG and Arts Tasmania to the Department, including associated corporate support staff.

COMPREHENSIVE INCOME STATEMENT

	2010-11 Budget $'000s	2010-11 Actual $'000s	2009-10 Actual $'000s	2008-09 Actual $'000s
Revenue from government - recurrent	112 526	108 483	96 644	78 114
Revenue from government - appropriation carried forward	389	969	140	940
Revenue from Special Capital Investment Funds	7 411	10 513	12 462	14 554
Grants	1 924	195	230	20
Sales of goods and services	2 031	3 002	3 977	3 684
Interest	2 900	3 238	3 268	2 426
Other revenue	1 029	4 240	5 452	6 859
Total Revenue	**128 210**	**130 640**	**122 173**	**106 597**
Employee benefits	34 494	41 833	38 807	32 388
Depreciation and amortisation	1 611	2 067	1 862	1 321
Supplies and consumables	37 163	33 306	33 031	27 805
Grants and subsidies	56 603	52 277	47 253	44 413
Finance costs	2 323	2 309	1 866	1 302
Other expenses	1 619	3 830	4 650	5 749
Total Expenses from transactions	**133 813**	**135 622**	**127 469**	**112 978**
Net (Deficit) from transactions	**(5 603)**	**(4 982)**	**(5 296)**	**(6 381)**
Other economic flows included in net result				
Net gain (loss) on non-financial assets	650	(31 812)	294	398
Net gain (loss) on financial instruments and statutory receivables/payables	0	(4 509)	(7 868)	75
Capital funding Special Capital Investment Funds	6 000	2 151	1 718	0
Fair value of land and buildings identified	0	0	3 050	0
Contributions received	0	116	251	0
Total other economic flows included in net result	**6 500**	**(34 054)**	**(2 555)**	**473**
Net (Deficit) attributable to the State	**(1 047)**	**(39 036)**	**(7 851)**	**(5 908)**
Net (Deficit) after other economic flows	**(1 047)**	**(39 036)**	**(7 851)**	**(5 908)**
Other economic flows - other non-owner changes in equity				
Changes in physical asset revaluation reserve	10 651	(92 755)	96 300	805
Comprehensive Surplus (Deficit)	**11 698**	**(131 791)**	**88 449**	**(5 103)**

Comment

In 2010-11 the Department recorded a Net Deficit from transactions of $4.982m which was consistent with 2009-10 and substantially in line with budget. The Net Deficit was primarily due to depreciation, $2.067m, and an increase in employee entitlements, $1.418m, neither of which were funded.

Major movements in individual line items were due mainly to:

- increased Revenue from government, $11.839m, primarily due to Gas to Ulverstone, $3.000m, Surf Life Saving Tasmania, $2.440m, Forest Contractors Support Program, $1.800m, Call Centre Assistance, $1.627m, Kingston Twin Ovals, $1.600m, and Sporting Infrastructure in Southern Tasmania, $1.150m,
- lower Revenue from Special Capital Investment Funds (SCIF), $1.949m, primarily due to completion of funding for Bellerive Oval Lighting, $2.850m, offset by new funding for Aurora Stadium, $1.500m,
- lower Other revenue, $1.212m, due to reduced fees and recoveries for the following programs; Sport and Recreation Development, $0.296m, Hockey Squad, $0.144m, Cycling Squad, $0.135m, Rowing Squad, $0.106m, Sport Science, $0.084m, and Indigenous Sports, $0.082m,
- increased Employee benefits, $3.026m, related to wage agreement rises, salary progressions, positions funded from external sources and accrued employee benefits especially Long service leave increase, $0.841m,
- increased Grants and subsidies, $5.024m, mainly due to new grants disbursed for Gas to Ulverstone, $3.000m, Kingston Twin Ovals, $1.600m, and Southern Tasmania Sporting Infrastructure, $1.150m.

Other economic flows caused the result from transactions to drop further to a deficit of $39.036m. This was mainly due to a revaluation of heritage assets and buildings, which resulted in a net negative Other economic flow of $31.646m, and impairment of the loan to Tascot, $3.850m, offset by capital funding for the TMAG redevelopment project, $2.151m.

The $92.755m asset revaluation decrement arose from a downward revaluation of heritage assets and buildings with this amount charged against previous revaluation reserves. The revaluation totalled $124.401m with the decrement of $31.646m being the extent to which the downward revaluation of $124.401m was greater than asset revaluation reserves.

The Department budgeted for a Comprehensive Surplus of $11.698m. The actual result was a deficit of $131.791m. The primary reasons for variations between budget and actual results were:

- Revenue from Special Capital Investment Funds higher than budget due to delayed payments of 2009-10 Economic and Social Infrastructure Funds (ESIF) including Domain Tennis Centre, $1.200m, and Aurora Stadium, $1.500m,
- Grants lower than budget mainly due to reclassification of funds received under the Community Support Levy, $0.900m, Silverdome activities, $0.254m, and Tasmanian Institute of Sports programs, $0.760m,
- Sales of goods and services above budget due to higher than anticipated revenue, including a Tenancy lease incentive, $0.500m, funding received for the Vegetable Development Program, $0.180m, and Wealth from Water, $0.120m,
- Other revenue above budget due to reclassification of funds received from the Community Support Levy, $0.900m, Silverdome activities, $0.254m, and Tasmanian Institute of Sports programs, $0.760m,
- Employee benefits higher than budget due to the impact of increases as a result of wage agreement rises, salary progressions, positions funded from external sources and accrued employee benefits
- Other expenses above budget due to higher than anticipated expenditure for salary on-costs mainly as a result of increased employee benefits
- Capital funding from SCIF below budget due to slower than expected progress in relation to the TMAG redevelopment project
- Net gain/loss on non-financial assets related to loan/equity investment impairments and the revaluation of Heritage, cultural assets and Buildings which were not budgeted.

INTELLIGENT ISLAND PROGRAM

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

Initial funding of $40.000m was provided by the Australian Government from the partial sale of Telstra. On 21 December 2005, the Australian and Tasmanian Governments jointly announced new directions for Phase 2 of the Intelligent Island Program, which included a new research centre established in the State and a new grants program that would encourage local ICT companies to develop products and market them globally.

Phase two comprised two initiatives:

- grants program for the ICT industry called Market Access and Partnership Program (MAPP)
- establishment of the CSIRO Tasmanian ICT Centre (TasICTC).

MAPP allocated approximately $18.258m to 32 projects representing 25 individual organisations between 2005-06 and 2007-08. Since the commencement of MAPP, approximately $17.984m has already been disbursed to recipients who have generated in excess of 180 full time and part time jobs and over $18.000m in revenue.

TasICTC continues to progress satisfactorily against its milestones outlined in its funding agreements and activities identified in its annual activity plan.

The table below showed the financial status of the program since 2007-08:

	2010-11	2009-10	2008-09	2007-08
	$'000s	$'000s	$'000s	$'000s
Cash Opening balance	**6 540**	**13 079**	**21 423**	**28 638**
Interest received	265	336	1 112	1 659
Project grants	3 484	6 748	8 987	8 437
Administration	81	127	469	437
Total Payments	**3 565**	**6 875**	**9 456**	**8 874**
Cash Closing balance	**3 239**	**6 540**	**13 079**	**21 423**

STATEMENT OF FINANCIAL POSITION

	2011	2010	2009	2008
	Actual	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	20 386	27 533	31 964	55 246
Receivables	1 855	1 945	1 642	3 121
Loan advances	37 694	32 202	21 587	5 995
Equity investments	584	589	5 695	6 142
Non-financial Assets				
Inventories	559	459	0	0
Property, plant and equipment	63 495	71 852	38 069	37 740
Heritage and cultural assets	371 237	486 520	0	0
Investment property	10 610	11 310	11 570	11 100
Intangibles	926	1 237	655	550
Other assets	2 323	2 313	2 138	1 238
Total Assets	**509 669**	**635 960**	**113 320**	**121 132**
Liabilities				
Payables	1 973	1 938	3 491	4 399
Interest bearing liabilities	26 621	25 021	12 021	14 024
Provisions	2 747	2 023	1 768	1 541
Employee entitlements	8 842	7 424	6 415	5 106
Other liabilities	3 401	1 678	1 109	2 443
Total Liabilities	**43 584**	**38 084**	**24 804**	**27 513**
Net Assets	**466 085**	**597 876**	**88 516**	**93 619**
Accumulated funds	458 882	497 272	84 212	90 120
Reserves	7 203	100 604	4 304	3 499
Total Equity	**466 085**	**597 876**	**88 516**	**93 619**

Comment

Total Equity declined by $131.791m between 2011 and 2010 being the Comprehensive Deficit for the year. Significant movements which impacted on the corresponding decrease in Net Assets included:

- lower Cash and deposits, $7.147m, which is discussed further in the Statement of Cash Flows section of this Chapter
- increased Loan advances by $5.492m due to a number of assistance to industry loans that were approved during 2009-10 and disbursed during 2010-11. This included one large drawdown. Interest income did not grow at the same rate due to a number of loans having interest free periods incorporated into the loan agreements
- a decline in the carrying amounts of Heritage and cultural assets and Property, plant and equipment by $115.283m and $8.357m, respectively, due to the revaluation of assets, $124.401m, depreciation, $1.574m, offset by additions, $1.332m, and Work in Progress, $1.115m,
- increased Interest bearing liabilities of $1.600m, due to new borrowings to fund assistance to industry

- higher Employee entitlements of $1.418m, primarily due to increases as a result of the award translation processes and wage agreement increases, positions funded from external sources and accrued employee benefits
- increased Other liabilities, $1.723m, mainly due to Section 8A(2) carry forward requests, $2.520m. Funds were carried forward because of disbursement delays on a number of initiatives and programs, including specific conditions and milestones not being met by Grantees. Some of the programs were Renewable Energy, $0.500m, Tasmania Now, $0.390m, Enterprise Growth Program, $0.350m, Strengthen the Economy, $0.250m, and Food and Agriculture, $0.250m.

Commitments

The majority of the Department's commitments related to loans approved but not drawn down by clients totalling $3.379m (2009-10, $14.267m) and assistance to industry commitments, in the form of grants, $66.385m ($53.512m). The movement in loans approved represents new loans approved offset by loans drawn down in 2010-11. The assistance to industry commitments represent committed funding over a period greater than one year, on which the actual amount payable is dependent upon approved recipients meeting certain conditions.

Lease commitments, which represented rental costs for leased premises occupied by the Department, office equipment and motor vehicles, were estimated to be $48.972m at the end of the current year (2009-10, $7.181m). The increase was predominantly due to renegotiation of the ANZ Centre tenancy to a 15 year lease.

STATEMENT OF CASH FLOWS

	2010-11 Actual $'000s	2009-10 Actual $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s
Cash flows from operating activities				
Cash inflows				
Appropriation receipts - recurrent	111 003	97 613	78 255	61 240
Receipts from Special Capital Investment Funds	12 664	14 180	14 554	17 281
Grants	195	230	20	262
Sales of goods and services	2 985	2 675	3 378	6 571
GST receipts	8 086	7 490	700	5 013
Interest received	3 353	2 988	2 529	4 094
Other cash receipts	4 698	5 705	6 296	2 306
Total cash inflows	**142 984**	**130 881**	**105 732**	**96 767**
Cash Outflows				
Employee benefits	(40 398)	(39 273)	(31 457)	(23 040)
Grants and subsidies	(57 725)	(51 971)	(39 295)	(37 999)
GST payments	0	0	(7 793)	(6 023)
Interest payments	(2 229)	(2 143)	(1 477)	(1 747)
Supplies and consumables	(35 922)	(36 121)	(25 314)	
Other cash payments	(3 692)	(4 434)	(5 530)	(29 461)
Total cash outflows	**(139 966)**	**(133 942)**	**(110 866)**	**(98 270)**
Cash from (used in) operations	**3 018**	**(3 061)**	**(5 134)**	**(1 503)**
Cash flows from investing activities				
Cash inflows				
Proceeds from disposal of non-financial assets	526	458	651	2 050
Repayment of loans by other entities	5 649	1 347	2 249	4 814
Receipts from investments	57	39	690	569
Total Cash inflows	**6 232**	**1 844**	**3 590**	**7 433**
Cash outflows				
Loans made to other entities	(15 074)	(14 114)	(17 130)	(2 060)
Payments for acquisition of assets	(2 038)	(1 665)	(1 628)	(2 516)
Payments for investments	(687)	(391)	(819)	(533)
Other cash payments	(198)	(721)	(158)	(540)
Total Cash outflows	**(17 997)**	**(16 891)**	**(19 735)**	**(5 649)**
Cash from (used in) investing activities	**(11 765)**	**(15 047)**	**(16 145)**	**1 784**
Cash flows from financing activities				
Cash inflows				
Proceeds from borrowings	3 600	18 000	0	25 000
Total cash inflows	**3 600**	**18 000**	**0**	**25 000**
Cash outflows				
Repayment of borrowings	(2 000)	(5 000)	(2 003)	(25 003)
Total cash outflows	**(2 000)**	**(5 000)**	**(2 003)**	**(25 003)**
Net cash from (used by) financing activities	**1 600**	**13 000**	**(2 003)**	**(3)**
Net increase (decrease) in cash	**(7 147)**	**(5 108)**	**(23 282)**	**278**
Cash at the beginning of the year	27 533	31 964	55 246	55 209
Cash inflow on administrative restructure	0	677	0	(241)
Cash at end of the year	**20 386**	**27 533**	**31 964**	**55 246**

Comment

Reasons for variations in cash operating flows reflected the comments made in previous sections of this Chapter.

The Department's cash balance decreased by $7.147m, to $20.386m at 30 June 2011. The decrease was due to cash used in investing activities, $11.765m, offset by cash from operations, $3.018m, and financing activities, $1.600m.

Cash from operations improved by $6.079m to $3.018m which included the Department's Net deficit from transactions of $4.982m adjusted for:

- depreciation and amortisation of $2.067m,
- increase in employee benefits, $1.418m,
- increase in section 8A(2) carry forwards, $1.551m,
- increase in provisions, $0.724m, which did not result in a cash outflow
- capital funding from Economic and Social Infrastructure Fund, $2.151m, not included in the result from transactions.

The key components for Cash used in investing and financing activities were:

- Net loan advances, $9.425m, as explained in the Statement of Financial Position section previously. Over the period the Department advanced a total of $48.378m and received repayments of $14.059m
- Payments for acquisition of assets, $2.038m, totalling $7.847m over the last four years.
- Net proceeds from borrowings, $1.600m, used to in part fund loan advances, and amounting to $12.594m over the last four years.

FINANCIAL ANALYSIS

	Bench Mark	2010-11	2009-10	2008-09	2007-08
Financial Performance					
Result from operations ($'000s)		(4 982)	(5 296)	(6 381)	(3 978)
Own source revenue		10 480	12 697	12 969	17 008
Financial Management					
Debt collection	30 days	20	31	15	21
Creditor turnover	30 days	3	3	13	10
Capital Management					
Investment gap %	100%	99%	89%	123%	224%
Capital replacement %	100%	99%	89%	123%	224%
Other Information					
Average staff numbers (FTEs)		452	447	400	322
Average staff costs ($'000s)		89	82	78	72
Average Recreational Leave balance per FTE (days)	20	17	16	16	20

Comment

As expected, because departments are not funded for depreciation or increases in employee entitlements, the Result from operations was in deficit in all years under review.

Debt collection days were better than or equal to benchmark for three out of four years under review. The days were slightly higher in 2009-10 due to an outstanding invoice for Industry Capability Network Ltd of $0.138m.

The number of FTE's increased from 322 in 2007-08 to 452 in 2010-11 This increase was mainly due to administrative restructures and involved the transfers of staff from Tourism, TMAG and Arts Tasmania to the Department, including associated corporate support staff. The higher Average Staff costs in 2010-11 was due to increases as a result of the wage agreement rises, award translation process and salary progressions.

ADDITIONAL FINANCIAL INFORMATION

Administered Financial Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions were not shown in the Department's Statement of Comprehensive Income, Statement of Financial Position or Statement of Cash Flows. The Department has recorded administered activities since 2007-08, following a transfer of activities resulting from a departmental restructure.

In 2010-11 Administered Income and Expenses related to the Tasmanian Icons Program, Ten Days on the Island Program, Tasmanian Symphony Orchestra and the Theatre Royal Program.

The table below summarises administered income and expenditure, which were in line with budget.

ADMINISTERED INCOME AND EXPENSES

	2010-11	**2010-11**	**2009-10**	**2008-09**
	Budget	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Administered revenue and other income from transactions				
Revenue from Government				
Appropriation revenue - recurrent	3 850	3 850	3 785	1 000
Total administered revenue and other income from transactions	**3 850**	**3 850**	**3 785**	**1 000**
Administered expenses from transactions				
Grants and subsidies	3 850	3 850	3 785	1 000
Total administered expenses from transactions	**3 850**	**3 850**	**3 785**	**1 000**
Administered net result from transactions attributable to the State	**0**	**0**	**0**	**0**

TASMANIA DEVELOPMENT AND RESOURCES

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements for Tasmania Development and Resources (TDR) were received on 15 August 2011. An unqualified audit report was issued on 23 September 2011.

KEY FINDINGS AND DEVELOPMENTS

Under the provisions of the *Tasmanian Development Act 1983*, TDR has the power to provide loans to clients that assist in the development and expansion of the Tasmanian economy. Generally these loans are provided on the basis of commercial terms, conditions, interest rates and security.

Loan advances impaired in 2010-11 related to a *Tasmanian Development Act 1983* loan to Tascot Templeton Carpets Pty Ltd (Tascot), $3.850m. On 23 September 2010, Tascot was placed in voluntary administration due to concerns by its Director over future product orders which were slowing to the point where potentially insolvent trading may occur. TDR holds mortgages and other charges as security for these loans.

As a result of Administrative Arrangement (Assignment of Administration) Order 2010, Screen Tasmania was transferred from TDR's administrative responsibility to Arts. The Net assets relinquished on the Arrangement was $$0.128m.

The audit was completed satisfactorily with no majors matters outstanding.

ABRIDGED COMPREHENSIVE INCOME STATEMENT

	2010-11	2009-10	2008-09	2007-08
	$'000s	$'000s	$'000s	$'000s
Total Revenue	**52 953**	**49 244**	**48 482**	**55 941**
Total Expenses	**52 011**	**47 255**	**47 680**	**52 524**
Net surplus from transactions	**942**	**1 989**	**802**	**3 417**
Net gain (loss) on non financial assets	(400)	(261)	414	0
Net gain (loss) on financial instruments	(3 855)	(7 528)	75	0
Net surplus (deficit) attributable to the State	**(3 313)**	**(5 800)**	**1 291**	**3 417**
Comprehensive Surplus (Deficit)	**(3 313)**	**(5 800)**	**1 291**	**3 417**

Comment

In 2010-11, TDR recorded a Net surplus from transactions of $0.942m compared to a Net surplus from transactions of $1.989m in 2009-10. The lower surplus resulted from increased expenditure on grants and subsidies, $4.266m, and employee benefits, $1.086m. These were partly funded through increased appropriation, $2.502m, carried forward appropriations, $0.829m, and other revenue, $1.015m, together with savings in supplies and consumables, $1.327m.

Other revenue increased due to tenancy lease incentive funding, $0.500m, received for the Vegetable Development program, $0.180m, and Wealth from Water program, $0.120m.

Grants and subsidies increase related to new programs, Call Centres - Industry Assistance, $1.627m, Strengthening the Economy, $1.412m, Forest Contractors Support Program, $1.800m, Gas to Ulverstone, $3.000m, offset by reduced funding for the North West/North Assistance Package, $3.100m.

Net loss on financial instruments comprised largely of the impairment of the loan to Tascot, $3.850m.

ABRIDGED STATEMENT OF FINANCIAL POSITION

	2011	2010	2009	2008
	$'000s	$'000s	$'000s	$'000s
Total Assets	71 064	70 257	62 317	63 078
Total Liabilities	37 268	33 020	19 280	21 332
Net Assets	33 796	37 237	43 037	41 746
Total Equity	33 796	37 237	43 037	41 746

Comment

Total Equity decreased by $3.441m, being the Comprehensive result for the year and the equity transfer of Screen Tasmania, $0.128m. The corresponding decrease in Net Assets comprised the following:

- a decrease in the carrying value of investment properties, $0.700m, due to downward valuation
- an increase in other liabilities, $1.543m, due to higher appropriation carried forward, $1.411m, compared to $0.829m carried forward in 2009-10
- higher employee benefits, $0.775m, mainly due to increased accrued salaries (one extra day accrued) and annual and long service leave due to salary increases
- higher provisions, $0.529m, due to renegotiation of the ANZ Centre tenancy to a 15 year lease.

During the year TDR also made additional loan advances of $4.540m, funded from cash reserves, $3.140m, and borrowings, $1.600m.

Commitments

At 30 June 2011 TDR had commitments related to loans approved but not drawn down by clients totalling $3.379m (2009-10, $14.268m) and assistance to industry commitments of $36.857m ($19.835m). The movement in loans approved represents new loans approved offset by loans drawn down in 2010-11. The assistance to industry commitments represented committed funding over a period greater than one year, on which the actual amount payable is dependent upon the approved recipients meeting certain conditions.

In addition, TDR had lease commitments, which represented rental costs for leased premises occupied by it, office equipment and motor vehicles estimated at $34.575m at 30 June 2011 (2009-10, $4.422m). The increase was predominantly due to renegotiation of the ANZ Centre tenancy to a 15 year lease.

The above commitments were not recognised on TDR's Statement of Financial Position, however they represented future outgoings to be funded from Government revenue.

FINANCIAL ANALYSIS

	Bench Mark	2010-11	2009-10	2008-09	2007-08
Financial Performance					
Result from operations ($'000s)		942	1 989	802	3 417
Own source revenue ($'000s)		6 277	5 258	4 261	5 939
Operating margin	>1	1.02	1.04	1.02	1.07
Financial Management					
Debt collection	30 days	26	61	32	29
Creditor turnover	30 days	19	19	18	25

Comment

The nature of TDR's operations, that is providing loans at commercial rates to industry, means there is an expectation it will operate at a surplus which it currently does, before accounting for bad loans. Financial Performance indicators show that TDR operated at a surplus each year. TDR's overall results were greatly affected by non-operating transactions, such as movement in fair-value of its investment properties and impairment losses. Operating margin was above benchmark, reflecting the positive Result from operations. Own source revenue increased in comparison to prior year due to higher interest revenue.

Debt collection was above the 30 day benchmark in 2009-10 due to an outstanding invoice for, $0.138m.

TOURISM TASMANIA

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2011. An unqualified audit report was issued on 23 September 2011.

KEY FINDINGS AND DEVELOPMENTS

There were no key findings or developments. The audit was completed satisfactorily with no major items outstanding.

ABRIDGED COMPREHENSIVE INCOME STATEMENT

	2010-11	2009-10	2008-09	2007-08
	$'000s	$'000s	$'000s	$'000s
Total Revenue	35 239	36 139	39 358	42 330
Total Expenses	35 625	36 829	37 738	43 411
Net surplus (deficit) from transactions	**(386)**	**(690)**	**1 620**	**(1 081)**
Net surplus (deficit) attributable to the State	**(408)**	**(690)**	**1 620**	**(1 081)**
Comprehensive Surplus (Deficit)	**(408)**	**(690)**	**1 620**	**(1 081)**

Comment

In 2010-11, Tourism Tasmania (the Authority) recorded a Net deficit from transactions of $0.386m which was primarily due to depreciation, $0.273m, and an increase in employee entitlements, $0.186m, neither of which were funded.

Total Revenue decreased by $0.900m, primarily due to lower user charges of $0.919m. User charges decreased due to lower fees and recoveries, $0.387m, based on less campaign activity. The Authority funds advertising campaigns for the tourism sector as a whole then recoups part of this expenditure through charges to operators. The remaining decrease related mainly to other revenue, $0.684m, for Tas Temptation Holidays (TTH) (business unit ceased operations on 30 September 2009).

Total Expenses decreased by $1.204m, almost entirely due to lower advertising expenditure of $1.240m, reflecting less advertising campaigns, and decreased net employee entitlements, $0.449m, partly due to less expenditure on redundancies of $1.343m. These were offset partly by increased annual leave, $0.249m, long service leave, $0.406m, and contributions to the defined benefit scheme, $0.191m.

ABRIDGED STATEMENT OF FINANCIAL POSITION

	2010-11	2009-10	2008-09	2007-08
	$'000s	$'000s	$'000s	$'000s
Total Assets	2 759	2 871	5 716	4 686
Total Liabilities	2 872	2 576	4 731	5 321
Net Assets (Liabilities)	**(113)**	**295**	**985**	**(635)**
Total Equity	**(113)**	**295**	**985**	**(635)**

Comment

Total Equity decreased by $0.408m, being the Comprehensive result for the year. The corresponding decrease in Net Assets resulted in the following:

- lower receivables, $0.086m, because of large outstanding balances in 2009-10 not repeated this year
- lower intangible assets, $0.150m, due to amortisation charges
- higher payables, $0.133m, due to accruals for the Mark Webber Challenge
- higher employee benefits,$0.205m, mainly due to increased accrued salaries (one extra day accrued) and annual and long service leave due to salary increases.

FINANCIAL ANALYSIS

	Bench Mark	2010-11	2009-10	2008-09	2007-08
Financial Performance					
Result from operations ($'000s)		(386)	(690)	1 620	(1 081)
Operating margin	>1.0	0.99	0.98	1.04	0.98
Own source revenue ($'000s)		947	1 821	3 881	4 639
Financial Management					
Debt collection	30 days	18	27	11	7
Creditor turnover	30 days	5	5	26	14

Comment

The majority of the Authority's own source revenue was represented by sales revenue generated by TTH which, as noted previously, ceased operations on 30 September 2009. This together with reduced campaign activity resulted in the decrease from last year.

TASMANIAN MUSEUM AND ART GALLERY

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2011. Following the audit, the financial statements were re-signed on 27 September 2011 and an unqualified audit report was issued on the same day.

KEY FINDINGS AND DEVELOPMENTS

Markree House Museum and Garden

Markree House Museum and Garden (Markree) was officially opened by the Premier on Saturday, 11 June 2011. Markree, a house museum which specialises in the art, decorative arts and social history of the early 20th century was established through a bequest from Mr Henry Graham Baldwin, whose family has owned Markree House since it was built in the 1920s.

Redevelopment of the new museum

The largest cultural infrastructure project in Tasmania's history, the redevelopment of TMAG, progressed significantly this year. This followed the release of the architectural concept plan for the $200 million redevelopment, which shows the shape and form a redeveloped TMAG will take; and the commencement of works for Stage One. Preparatory works are now well underway and the announcement of the opening of tenders for the construction works was announced in June 2011. The main works are scheduled to commence in late 2011, with the completed Stage One works, along with a suite of new exhibitions, planned for the end of 2012.

Revaluations of Assets

Land, Buildings and Heritage assets were revalued in the current year to ensure they reflected fair value at balance date. The revaluations were performed by qualified valuers.

The revaluation increased the amount reported for Land by $6.112m to $12.500m, decreased Buildings by $14.202m to $11.601m and decreased Heritage assets by $115.665m to $371.237m.

In 2010-11 a new valuer was appointed to undertake the valuation of the Heritage assets. However, due to the volume and diversity of the Heritage assets, a number of valuers were required. The valuation methodology involved selecting a random sample of individual collection items to determine a representative value for the collection, with each valuer bringing a unique perspective on how to allocate the Heritage assets into these samples.

The determination of the fair market value of the Heritage assets is a combination of two distinct components – individual valuation of iconic items in the collection, and representative sampling of the remaining objects. Individual valuation relies upon the specialist expertise of the valuer and their knowledge of the market. The representative sampling derived an average value which was assigned to the remaining objects.

With respect to the 2010-11 valuation, it should be noted:

- that all objects in Heritage assets were represented in the total sample
- the number of methodologies for valuing numismatic objects for Heritage assets had changed from the previous assessment. In this assessment they were appraised on the weight of precious metals at current market rates, as opposed to a market value. In the opinion of the new valuers this was a better assessment of the fair market value
- changes in the value of the Fine Arts collections due to the volatility of the market
- the collection value in 2011, for a scientific specimen, remained at $400 per specimen on average (same as the last time the assessment was undertaken). Given that the total fair market value was subject to indexation for the years between assessments, this led to a correction of the value of the scientific specimens
- variations in samples due to additions to Heritage assets led to a correction in the value of the asset over the previous year's valuations. It is anticipated that fluctuations in the collection value will continue in future years.

These various factors led to the lower valuations reported previously.

The audit was completed satisfactorily with no matters outstanding.

ABRIDGED STATEMENT OF COMPREHENSIVE INCOME

	2010-11	2009-10	2008-09	2007-08
	Actual	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Total Revenue	11 111	10 300	10 774	9 913
Total Expenses	10 452	8 557	10 103	9 623
Net result from transactions	**659**	**1 743**	**671**	**290**
Other economic flows included in net result				
Net (loss) on non financial assets	(840)	(7)	0	0
Fair value of land and buildings identified	0	4 224	0	0
Contributions received	296	508	16 737	0
Change in accounting estimates	0	0	0	(484)
Total other economic flows included in net result	**(544)**	**4 725**	**16 737**	**(484)**
Net Surplus (Deficit)	**115**	**6 468**	**17 408**	**(194)**
Other economic flows				
Changes in physical asset revaluation reserve	(122 910)	94 565	9 552	0
Comprehensive Surplus (Deficit)	**(122 795)**	**101 033**	**26 960**	**(194)**

Comment

TMAG recorded a Net surplus from transactions of $0.659m in 2010-11, compared to a Net Surplus of $1.743m in 2009-10.

Total Revenue increased by $0.811m, primarily due to a one-off Appropriation transfer of $1.610m from Economic Development. This was due to an operating shortfall. The funding shortfall arose from a number of factors including the imposition of optimistic savings targets set at the time of the departmental amalgamation, the efficiency dividend and other budget management strategies, the full year effect of State Service Wages Agreement and Award Translation impacts and increased facilities and insurance expenses. The additional appropriation was offset by lower grant revenue, $0.459m, primarily because of one-off grants of $0.463m received in 2009-10.

Total Expenses increased by $1.895m, predominately due to:

- increased employee benefits, $1.067m, mainly due to wage increases of 3.5% and 2.5% in December and March, respectively, and an increase of $0.483m for other employee entitlements
- increased supplies and consumables, $0.683m, primarily due to higher insurance costs, $0.207m, relating to an assessment of TMAG's Heritage assets and Buildings, and $0.208m, relating to the opening of the Markree Museum.

Other economic flows caused the net result to drop to a deficit of $0.115m. This was mainly due to the decrease in the value of buildings, $0.840m, offset by Contributions received, $0.296m.

The $122.910m asset revaluation decrement arose from a downward revaluation of heritage assets and buildings which was discussed earlier.

ABRIDGED STATEMENT OF FINANCIAL POSITION

	2011	2010	2009	2008
	$'000s	$'000s	$'000s	$'000s
Total Assets	399 308	521 907	421 281	393 777
Total Liabilities	1 548	1 352	1 759	1 215
Net Assets	**397 760**	**520 555**	**419 522**	**392 562**
Total Equity	**397 760**	**520 555**	**419 522**	**392 562**

Comment

Total Equity decreased by $122.795m, due to revaluations, $122.910m, and Net Surplus, $0.115m, previously noted.

Total Assets were predominantly made up of cash and deposits, $2.533m (2010, $2.503m), property, plant and equipment, $24.453m ($31.624m), and heritage and cultural assets, $371.237m ($486.522m).

Total liabilities largely comprised provisions for employee entitlements, $1.383m (2010, $1.198m).

DEPARTMENT OF EDUCATION

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2011. Resigned statements were subsequently received on 30 September 2011, with an unqualified audit report was issued on the same day.

KEY FINDINGS AND DEVELOPMENTS

Tasmania *Tomorrow* reforms

On 1 January 2011, as a result of restructuring the Tasmania *Tomorrow* initiative, both the Tasmanian Polytechnic (Polytechnic) and Tasmanian Academy (Academy) were transferred into the Department of Education (the Department). Comparative and budget information contained within this Chapter does not include the Polytechnic and Academy.

This restructure significantly impacted the Department's financial statements. As a result this Chapter focuses on comparing the results of the Department prior to the consolidation of the Polytechnic and Academy. The main impacts arising from the consolidation on the Department's financial statements were:

- A total equity contribution totalling $248.007m resulting from the transfer of net assets on 1 January 2011.
- The transfer of 1 151.82 FTE's.
- *Statement of comprehensive income:*
    - Total additional revenue, after eliminating transactions between the Department, Polytechnic and Academy for the six months to 30 June 2011 was $12.919m, which primarily comprised $8.376m for sales of goods and services and $2.426m other revenue. Total revenue before eliminations was $76.982m.
    - Total additional expenses, after eliminating transactions between the Department, Polytechnic and Academy for the six months to 30 June 2011 was $6.915m. Total expenses before eliminations was $70.978m.
- *Statement of financial position:*
    - Assets totalling $273.962m were transferred to the Department on 1 January, which primarily comprised $260.773m land and buildings and $9.414m plant and equipment.
    - Liabilities totalling $25.955m, which primarily comprised $21.564m employee benefits, $2.351m other liabilities (for example, payroll tax relating to employee benefits) and $2.040m payables.
    - As part of this restructure, the Department agreed that the control of land and buildings of three campuses previously held by the Polytechnic totalling $82.822m, and the buildings at the South Burnie Australian Technical College previously held by the Department of Education totalling $4.772m, be transferred directly to the Tasmanian Skills Institute.

- *Statement of cash flows:*
    - Total net cash flows included in the Department's Statement of cash flows for the six months to 30 June 2011 was $6.196m, which comprised $10.938m for operating cash inflows and $4.472m for investing cash outflows.

In view of these reforms, financial statements in this Chapter include the results of the Department both before and after consolidating the Polytechnic and Academy. However, our commentary focuses on the Department's financial statements with separate results detailed for the Polytechnic and Academy.

Commonwealth 'Building Education Revolution' (BER) Funding

The BER project was in its final stages of completion at 30 June 2011. Since 2008-09, the Department received $331.940m and spent $313.144m on BER projects of which $305.931m has been capitalised under the thresholds outlined within Departmental asset policies. At 30 June 2011 a further $18.796m already received from the Commonwealth was committed which will be spent by 30 June 2012.

Internal control related matters

During our audit a number of opportunities to improve controls and processes related to the Department's accounting and reporting of transactions were identified. In noting this, it is acknowledged the Department will revisit structures within its Finance area as a result of the restructure previously mentioned. This is likely to include taking up finance staff from the Academy and Polytechnic which we support.

Asset revaluation

In the prior year, the Department committed to conducting further analysis in respect to how spare capacity was factored into the valuation of its School buildings. As a result of this further analysis, the valuation increased by $35.074m at 30 June 2011. The further asset revaluation of $24.248m (bringing the total to $59.322m) related to annual indexation adjustments applied. Given the judgemental nature of the valuation of School buildings, the Department has resolved to continually monitor this going forward and in particular engage in 2011-12 an independent valuer to provide evidence over a representative sample of School buildings as to the validity of replacement costs used in the Department's valuation assessments.

FINANCIAL RESULTS

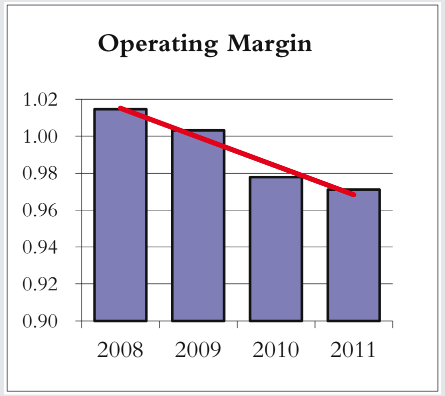
The Department returned a Net surplus attributable to the State of $160.658m in 2010-11 against a budget result of $189.060m. This surplus was primarily driven by the final instalments of Commonwealth BER funding recognised as income in the Statement of Comprehensive Income and supplementary recurrent appropriations from Government to fund skills development programs.

The Department's Net deficit from transactions was $55.485m compared to a budgeted deficit of $50.480m and a deficit in 2009-10 of $55.532m. The consolidated result was a deficit from transactions of $49.499m, $5.986m better as a result of the surplus recorded by the Academy and Polytechnic for the six months.

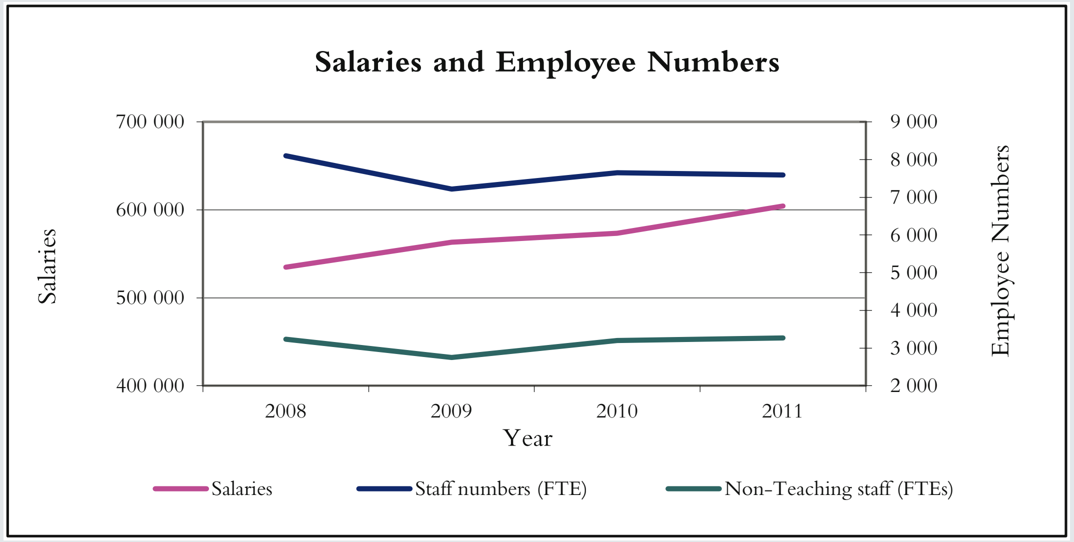
The Department's Statement of Comprehensive Income included, under Other economic flows – other non-owner changes in equity, $59.322m arising from a revaluation of land, buildings and heritage assets.

At 30 June 2011, the Department had Total Equity of $1.261bn against the prior year of $1.058bn. The difference of $202.874m was primarily due to the Comprehensive result for the year. On a consolidated basis, the Department's Total Equity was $1.525bn, an additional $264.469m which related to net assets of the Academy and Polytechnic at 30 June 2011.

The graphs below highlight relevant aspects of the Department's financial performance:



The Operating margin is determined at the Net deficit from transactions level. It trended downwards over the four year period to slightly below the benchmark of one in 2009-10 and 2010-11. The lower margin in these two years is consistent with our expectation because depreciation and other accrual movements are not funded.



Staff numbers (FTE's) decreased slightly in 2010-11 after a slight increase in 2009-10. This slight increase was attributable to non-teaching staff, as the Teacher FTEs remained consistent with the prior year.

Salary costs continue to trend upwards with the key drivers being agreed annual increases and a 1.30% increase to the superannuation contribution. 2010-11 also included $1.311m in early retirement packages, (2009-10, $nil).

In 2008-09 overall Staff numbers (FTE's) decreased by 367 FTE's and teaching staff FTE's by 406 FTE's, primarily due the transferring of staff to the Academy and Polytechnic.

STATEMENT OF COMPREHENSIVE INCOME

	2010-11 Budget Education $'000s	2010-11 Actual Consolidated $'000s	2010-11 Actual Education $'000s	2009-10 Actual Education $'000s
Revenue from government - recurrent	886 246	911 999	911 999	877 308
User charges, fees, fines and other revenue	46 159	51 268	41 504	37 820
Interest revenue	2 528	2 222	1 953	1 382
Australian Government grants	970	2 937	1 108	3 502
Gain(loss) on sale of non-financial assets	(1 027)	2 030	2 029	1 029
School levies	9 284	10 322	9 284	9 243
Total Revenue	**944 160**	**980 778**	**967 877**	**930 284**
Employee benefits	616 858	654 146	604 377	573 206
Depreciation	44 537	31 281	26 854	27 898
Grants and subsidies	115 674	112 951	176 320	174 372
Supplies and consumables	174 159	182 288	169 680	168 522
Impairment losses	0	296	296	219
Other expenses	43 412	49 315	45 835	41 599
Total Expenses	**994 640**	**1 030 277**	**1 023 362**	**985 816**
Net (deficit) from transactions	**(50 480)**	**(49 499)**	**(55 485)**	**(55 532)**
Other economic flows included in net result				
Revenue from government - works	239 450	215 165	215 146	228 645
Asset brought to account for first time	90	117	117	13 343
Insurance recovery re school damage	0	880	880	12 043
Total other economic flows included in net result	**239 540**	**216 162**	**216 143**	**254 031**
Net surplus (deficit) attributable to the State	**189 060**	**166 663**	**160 658**	**198 499**
Other economic flows - other non-owner changes in equity				
Changes in asset revaluation reserve	(33 812)	59 322	59 322	68 806
Total other economic flows - Other non-owner changes in equity	**(33 812)**	**59 322**	**59 322**	**68 806**
Comprehensive Surplus (Deficit)	**155 248**	**225 985**	**219 980**	**267 305**

Comment

Overall the Department's comprehensive result of $219.980m was lower than prior year by $47.325m. This movement was attributable to the operating, non-operating and other comprehensive income movements as detailed below.

The Department's Net deficit from transactions of $55.485m was consistent with prior year. The main movements related to:

- increased Revenue from government – recurrent of $34.691m to fund higher expenses noted in Employee benefits, Grants and subsidies (primarily due to increased payments to the Tasmanian Skills Institute) and Supplies and consumables. These increases related to:
  - $9.300m for supplementary Commonwealth funding in regard to Skills Development
  - $1.100m supplementary State funding in regard to operational shortfalls arising from Post Year 10 reforms
  - and $13.800m to meet wage agreements.
- increased salaries and wages expenditure of $31.171m primarily in relation to slightly higher FTEs, salary increases in-line with wage agreements and a 1.30% increase in superannuation contributions. Teaching staff of 4 399 FTE's decreased by 47 FTE's on prior year while non-teaching staff of 3 272 FTE's increased slightly by 68 FTE's. 2010-11 also included $1.311m in early retirement packages, (2009-10, $nil).

The Net surplus attributable to the State was $160.658m, down $37.841m compared to prior year. This was due to items noted above and the following:

- decreased revenue from Government – works and services of $13.499m, attributable to BER expenditure being under budget for the period
- decreased other economic flows arising from assets identified and brought to account for the first time of $13.226m, related to the transfer in of the Australian Technical College to the Department in the prior year
- lower insurance recoveries of $11.163m, related to the Burnie High School fire and New Town High School flood insurance claims in the prior year.

Other non-owner changes in equity decreased by $9.484m compared to the prior year. This was primarily due to the lower revaluation increment in respect of land and buildings as detailed in the Statement of Financial Position section of this Chapter.

Overall, the Department's Comprehensive surplus of $219.980m was higher than budget by $64.732m. This was attributable to the operating, non-operating and other comprehensive income factors detailed below.

The current year Net deficit from transactions of $55.485m was lower than budget by $5.005m. The following factors contributed to this improvement:

- lower than budgeted employee benefits expenses of $12.481m due to a mismatch between the budget for Post-Compulsory Education which was actually paid to the Polytechnic and Academy as grant expenditure, rather than against employee entitlements for the Department
- lower than budgeted depreciation expense of $17.683m as a result of the reassessment of the useful life of a number of specialised assets in prior year after the budget was finalised
- higher than budgeted recurrent appropriation revenue received of $25.753m consistent with comments previously.

These factors were partly offset by higher than budgeted Grants and Subsidies expense of $60.646m due to reallocation and additional expenditure, some of which was classified in other areas of the budget in respect of payments made under the Tasmania *Tomorrow* educational initiatives. Additionally, there were increased grant payments associated with the supplementary Commonwealth and State funding noted previously.

The Net surplus attributable to the State was $160.658m, down $28.402m from budget. In addition to the reasons noted previously, this was also related to lower than budgeted revenue from Government – works of $24.304m due to a number of projects under the BER agreement coming in under budget and $6.280m approved Capital Investment Program (CIP) carry forwards.

Other non-owner changes in equity was $93.134m higher than budget. This was primarily due to the revaluation increment in respect of land, buildings and heritage assets details of which is provided in the Statement of Financial Position section of this Chapter. The Department budgeted for a decrease in non-owner changes in equity of $33.812m due to the expectation of an asset revaluation decrement.

The table below provides a breakdown of the Polytechnic and Academy for the six months from 1 January to 30 June 2011. As discussed in the Key Findings and Developments section of this Chapter, these figures are prior to the elimination of internal transactions between these entities and the Department.

	2011	**2011**
	6 months	6 months
	Polytechnic	Academy
	$'000s	$'000s
Revenue from government - recurrent	31 822	21 520
Other revenue from government	2 670	408
User charges, fees, fines and other revenue	9 486	1 699
Interest revenue	229	40
Australian Government grants	8 789	319
Total Revenue	**52 996**	**23 986**
Employee benefits	28 708	21 061
Depreciation	4 415	12
Grants and subsidies	253	58
Supplies and consumables	10 247	2 744
Other expenses	2 350	1 130
Total Expenses	**45 973**	**25 005**
Net Surplus (Deficit) from transactions	**7 023**	**(1 019)**

STATEMENT OF FINANCIAL POSITION

	2011 Actual Consolidated $'000s	2011 Actual Education $'000s	2010 Actual Education $'000s
Financial Assets			
Cash and deposits	60 547	52 935	63 315
Receivables	14 285	12 884	15 687
Non-financial Assets			
Assets held for sale	16 487	16 487	9 633
Heritage assets	60 337	60 317	58 320
Plant and equipment	9 301	5 277	5 231
Land and buildings	1 525 072	1 252 938	1 050 883
Library book stock	18 490	13 711	13 880
Other non-financial assets	2 139	1 604	2 081
Total Assets	**1 706 658**	**1 416 153**	**1 219 030**
Liabilities			
Payables	12 230	10 823	21 424
Employee benefits	148 603	126 740	118 093
Other liabilities	20 200	17 434	21 231
Total Liabilities	**181 033**	**154 997**	**160 748**
Net Assets	**1 525 625**	**1 261 156**	**1 058 282**
Reserves	254 197	254 197	194 875
Accumulated funds	1 271 428	1 006 959	863 407
Total Equity	**1 525 625**	**1 261 156**	**1 058 282**

Comment

In 2010-11 the Department's Total Equity increased by $202.874m, 19.17%. This was mainly due to the Net surplus in 2010-11 of $160.658m, and an Asset revaluation reserve increment of $59.322m.

The corresponding increase in Net Assets resulted in the following main line item movements:

- increased assets held for sale, $6.854m, attributable to a number of land and building assets identified by the Department as surplus to requirements as a result of school amalgamations in both Hobart and Burnie
- increased land and buildings, $202.055m, which related to the following factors:
  - formal revaluation of specialised building assets combined with the indexation applied to land and buildings assets at 30 June 2011, which resulted in a further net increment, $59.322m. This adjustment was primarily due to the Department obtaining further details on the valuation of its specialised assets, and in particular the application of the adjustment for spare capacity, as recommended in the prior year audit
  - significant capital investment spend, $190.221m, in respect to the BER initiative and the Department's own capital investment program
  - net asset transfers out, $4.772m, relating to the Australian Technical College (South Burnie) transferred from the Department to the Tasmanian Skills Institute
  - depreciation charges, $26.854m, as detailed in the Statement of Comprehensive income section of this Chapter
  - transfer of $10.393m land and buildings surplus to the Department's needs to assets held for sale
- decreased payables, $10.601m, as a result of the reduction in capital creditors associated with the BER program as it continues to wind down
- decreased revenue received in advance of $5.511m related to income carried forward under Section 8A(2) of the *Public Account Act 1986* for unused funding in 2010-11. The carried forward balance in 2010-11 related to unspent capital funding
- lower cash position, $10.380m, which is explained in the Statement of Cash Flows section of this Chapter
- higher employee benefits, $8.647m, primarily reflective of the annual wage agreement increase and the 1.30% increase to superannuation contributions as noted previously under the Statement of Comprehensive Income section.

The table below provides a breakdown of the financial positions of the Polytechnic and Academy at 30 June 2011. It includes the assets contributed to the Department as equity on the 1 January 2011 and the outcome from six months trading from 1 January to 30 June 2011. As discussed in the Key Findings and Developments section of this Chapter, these figures are prior to the elimination of internal balances between these entities and the Department.

	2011 Polytechnic $'000s	2011 Academy $'000s
Financial Assets		
Cash and deposits	6 557	1 055
Receivables	5 333	258
Non-financial Assets		
Plant and equipment	275 946	213
Other assets	5 303	32
Total Assets	**293 139**	**1 558**
Liabilities		
Payables	4 187	1 412
Employee benefits	13 824	8 038
Other liabilities	2 219	548
Total Liabilities	**20 230**	**9 998**
Net Assets (Liabilities)	**272 909**	**(8 440)**
Equity		
Contributed Equity	265 885	(7 421)
Accumulated funds	7 024	(1 019)
Total equity	**272 909**	**(8 440)**

STATEMENT OF CASH FLOWS

	2010-11 Actual Consolidated $'000s	2010-11 Actual Education $'000s	2009-10 Actual Education $'000s
Receipts from government - recurrent	921 064	911 999	893 005
User charges, other cash receipts, fees and fines	53 604	43 431	34 925
Grants	1 557	1 108	3 502
School levies	10 322	9 284	9 243
GST receipts	58 436	51 831	48 496
Interest received	2 216	1 953	1 382
Payments to employees	(645 367)	(595 708)	(566 699)
Grants and subsidies	(116 403)	(176 321)	(174 372)
Other cash payments	(238 004)	(225 228)	(212 302)
GST payments	(56 618)	(51 525)	(50 024)
Net Cash from (used in) operations	**(9 193)**	**(29 176)**	**(12 844)**
Proceeds from disposal of assets	2 078	2 077	59
Appropriations - Works and Services	188 618	203 355	221 036
Other Revenue from Government	12 206	6 514	0
Payments for acquisition of assets	(197 892)	(193 150)	(203 776)
Cash from (used in) investing activities	**5 010**	**18 796**	**17 319**
Cash inflow/outflow on administrative restructure	1 415	0	(359)
Cash from (used in) financing activities	**1 415**	**0**	**(359)**
Net increase (decrease) in cash	**(2 768)**	**(10 380)**	**4 116**
Cash at the beginning of the year	63 315	63 315	59 199
Cash at end of the Year	**60 547**	**52 935**	**63 315**

Comment

Overall the final cash position at 30 June 2011 was down on prior year by $10.380m. In this regard we note:

- net operating cash flows for the year ended 30 June 2011 were down $16.332m on the prior year but in line with our expectation. That is, the Department's Net deficit from transactions totalled $55.485m and, adjusting this for depreciation of $26.854m would translate to expected cash from operations of $28.631m which is in line with the actual of $29.176m
- net cash flows from investing activities were up $1.477m due to works and services appropriations and other revenue from government exceeding payment for assets.

Detailed reasons for movements in cash flows are consistent with commentary already provided in the Statement of Comprehensive Income and the Statement of Financial Position sections of this Chapter.

The table below provides a breakdown of the Polytechnic and Academy for the six months from 1 January to 30 June 2011. As discussed in the Key Findings and Developments section of this chapter, these figures are prior to the elimination of transactions between these entities and the Department.

	2011 6 months Polytechnic $'000s	2011 6 months Academy $'000s
Receipts from government - recurrent	31 822	21 520
Other revenue from government	2 670	408
User charges, other cash receipts, fees and fines	7 502	1 089
Grants	4 460	319
GST receipts	4 361	2 244
Interest received	225	38
Other cash receipts	2 150	411
Payments to employees	(31 935)	(17 724)
Grants and subsidies	(253)	(58)
Other cash payments	(10 161)	(3 057)
GST payments	(3 625)	(1 468)
Net Cash from operations	**7 216**	**3 722**
Proceeds from disposal of assets	1	0
Payments for acquisition of assets	(4 742)	0
Cash (used in) investing activities	**(4 741)**	**0**
Net increase in cash	**2 475**	**3 722**
Cash at the beginning of the year	4 082	(2 667)
Cash at end of the Year	**6 557**	**1 055**

FINANCIAL ANALYSIS

	Bench Mark	2010-11	2009-10	2008-09	2007-08
Financial Performance					
Result from operations ($'000s)		(49 499)	(55 532)	(53 399)	(28 581)
Own source revenue		67 464	48 445	55 651	53 974
Financial Management					
Debt collection	30 days	72	122	58	75
Creditor turnover	30 days	10	19	7	7
Capital Management					
Investment gap %	100%	617%	730%	130%	68%
Other Information					
Teaching staff numbers (FTEs)		4 319	4 446	4 465	4 871
Non-Teaching staff (FTEs)		3 272	3 204	2 750	3 231
Total staff numbers (FTEs)		7 591	7 650	7 215	8 102
Average staff costs ($'000s)		86	75	78	66
Average Annual Leave balance per FTE (days)	20	4.66	4.92	5.29	4.85
Average Long Service Leave balance per FTE (days)	100	45.56	43.79	34.58	31.68

Comment

Comparative and budget information contained within this Chapter does not include the Polytechnic and Academy which were transferred to the Department on 1 January 2011. However, as previously mentioned in the Financial Result section of this Chapter, Staff numbers in Other Information for 2007-08 includes staff subsequently transferred to the Academy and Polytechnic in 2008-09.

Results from operations are consistent with observations made previously in the Statement of Comprehensive Income section of this Chapter.

Own source revenue represented revenue generated by the Department from User charges, fees, fines and other sources plus interest earned.

Outstanding Debt collection days improved in the current year. This was primarily due to lower debtors at 30 June 2011 because of a reduction in GST receivables as a result of lower BER expenditure toward the end of the current year, additional effort in respect to aged debtor follow up and collection, as well as higher fees and charges revenue compared to prior year. The days collection of 72 days was higher than the benchmark of 30 days because, of the total receivables of $12.844m at 30 June 2011, $2.546m related to workers compensation claims outstanding which had longer recovery times than school receivables.

Capital renewal ratio percentage has not been reported as expenditure was primarily on the construction of new assets. The Department's primary assets are maintained through maintenance programs rather than direct capital replacement.

Overall FTE decreased by 59 which incorporates a decrease in teaching staff of 127 FTE's and an increase in non-teaching staff of 68 compared to prior year. Average staff costs increased on prior year, consistent with the increase in FTEs and salary increases discussed in the Statement of Comprehensive Income section of this Chapter.

ADDITIONAL FINANCIAL INFORMATION

Administered Financial Transactions

Administered transactions are those the Department managed on behalf of the Government. These transactions are not shown in the Department's Statements of Comprehensive Income, Financial Position or Cash Flows.

The Department's Administered statements primarily relate to the funding of non-government schools.

ADMINISTERED INCOME AND EXPENSES

	2010-11 Budget $'000s	2010-11 Actual $'000s	2009-10 Actual $'000s	2008-09 Actual $'000s
Revenue from government - recurrent	241 233	255 840	277 625	59 029
Australian government grants	1 200	2 308	15 388	200 171
Sale of goods, services, fees and fines	329	196	184	194
Other revenue	0	22	46	41
Total Revenue	**242 762**	**258 366**	**293 243**	**259 435**
Grants and subsidies	241 233	255 840	277 625	200 674
Supplies and consumables	0	0	218	1 653
Total Expenses	**241 233**	**255 840**	**277 843**	**202 327**
Net Surplus	**1 529**	**2 526**	**15 400**	**57 108**
Transfer to Consolidated Fund	1 529	2 529	16 361	57 999
Net (Deficit) Attributable to the State	**0**	**(3)**	**(961)**	**(891)**
Other Comprehensive Income	**0**	**0**	**0**	**0**
Comprehensive Deficit	**0**	**(3)**	**(961)**	**(891)**

Comment

The Net deficit attributable to the State of $0.003m was less than last year and slightly above budget. The overall net result was essentially a function of receiving lower levels of funding from the Commonwealth Government offset by administered payment of these amounts to non-government operated schools.

The variance between budget and actual recurrent revenue was the result of additional funding from the Australian Government for non-government schools.

The variance between 2009-10 and 2008-09 actual recurrent revenue related to a change in funding arrangements whereby during 2009-10 funding from the Australian Government was paid into Consolidated fund and then subsequently appropriated to the Department through its controlled activities.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements of the Department of Health and Human Services (the Department or DHHS) were received on 15 August 2011 and an unqualified opinion was issued on 29 September 2011.

The audit was completed satisfactorily with no major items outstanding.

KEY FINDINGS AND DEVELOPMENTS

A number of findings were identified during the audit although none were of a high risk nature. The majority of these findings were concerned with the lack of, or breakdowns in, systems of internal control. The Department is responsible for implementing savings totalling $520.600m over the next four years to help manage the State's Budget. Reducing employment expenditure is one of the saving strategies identified in the Budget. However, reducing staffing levels, particularly in what are referred to as corporate support areas, may impact negatively on the application of internal controls, especially segregation of duties. The Department needs to ensure that an adequate system of internal control is maintained.

Since 30 June 2011, the State Government decided to setup three Tasmanian Health Organisations (THOs) under the Australian Government's National Health and Hospital Network Reform. THOs will be independent local organisations that will be responsible for managing public hospital services in their respective regions (South, North and North-West). THOs will each have their own governing council and a chief executive officer and are expected to be fully operational from 1 July 2012.

In September 2010, the Department purchased the North West Regional Hospital (NWRH) building in Burnie from its private owners for $29.000m. The building was used by NWRH and previously leased to the Department.

The Royal Hobart Hospital (RHH) is undergoing a $565.000m redevelopment funded by both the Australian and State Governments. The first phase will see completion of a PET/CT unit, upgrades to the Medical Imaging Department and a range of other upgrades to improve existing facilities. Separate funding of $67.000m was provided to the Launceston General Hospital (LGH) where capital works will be undertaken on the intensive care centre, Holman Clinic, cancer centre, acute medical unit, department of emergency services and car park.

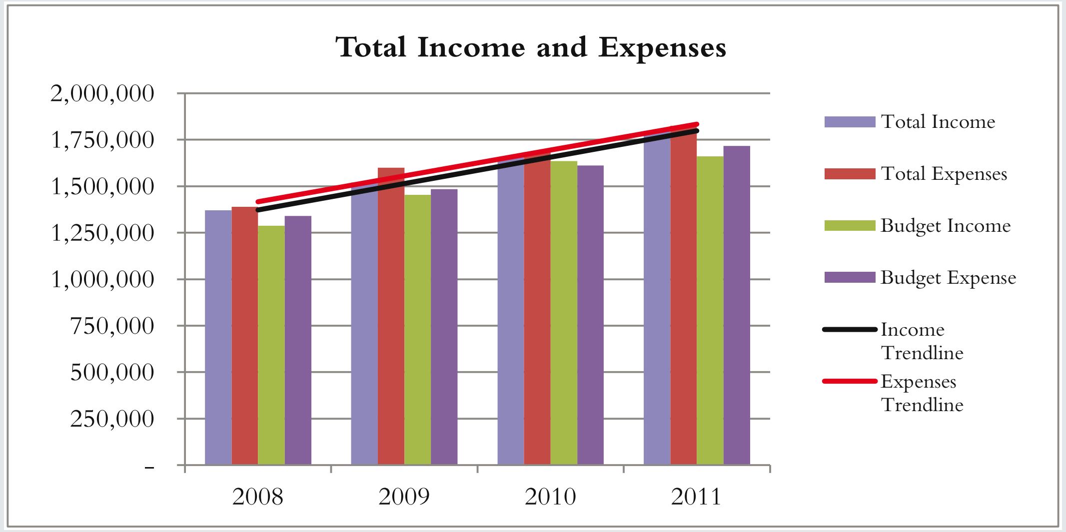
In addition, during 2010-11 the Mersey Hospital commenced the upgrade of its department of emergency services and a GP Super Clinic was constructed at Clarence.

Capital projects undertaken by Ambulance Tasmania included the construction of new headquarters, communication centre, three new stations in regional areas and the purchase of new ambulance vehicles. Further information can be found in the Chapter for Ambulance Tasmania. $5.742m was spent on these capital developments in 2010-11.

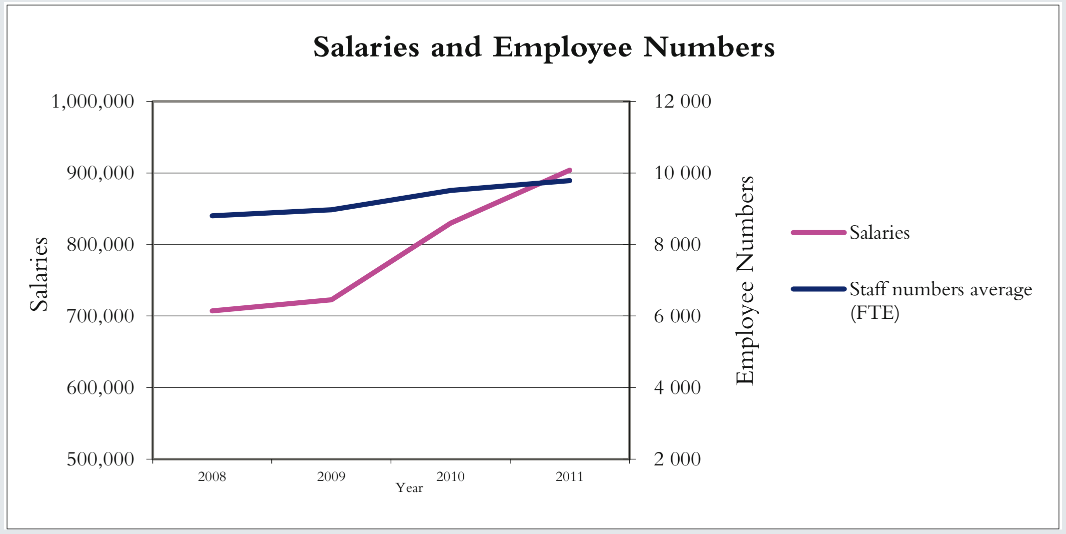
During 2010-11, the Department's housing stock increased and was improved through a number of projects funded by the State and Australian governments; this is covered in the Housing Tasmania Chapter of this Report. $107.740m was spent on these capital projects.

FINANCIAL RESULTS

The following two graphs summarise aspects of the Department's financial performance.



Operating expenses exceeded operating income in all years under review and, as the trend lines indicated, the gap in funding was fairly consistent. This result was expected, as Departments are not funded for depreciation or increases in employee provisions. The growth in total income was driven predominantly by revenue from government, with other sources of funding representing on average only 12% of total revenue. The increase in appropriations was necessary to cover the rising costs associated with the rising demand for services, especially employee expenses, which increased by 34% over the past four years.



Salaries and related expenses represented more than a half of the Department's total operating expenses. Salaries grew significantly over the period under review, especially between 2009 and 2011, due to a combination of annual and structural adjustment increases under various wages agreements, other increments and staff changes. Average staff numbers increased by 983 Full Time Equivalents between 2008 and 2011. The increase in staff numbers was a result of a growing demand for health and related services provided by the Department.

COMPREHENSIVE INCOME STATEMENT

	2010-11 Budget $'000s	2010-11 Actual $'000s	2009-10 Actual $'000s	2008-09 Actual $'000s
Revenue from government - recurrent	1 402 144	1 526 489	1 395 487	1 204 068
Revenue from Special Capital Investment Funds - recurrent	4 238	9 850	10 208	12 041
Mersey Community Hospital funding*	60 000	59 742	54 504	104 902
Sale of goods and services	160 855	162 558	159 345	159 119
Interest revenue	1 357	2 344	1 349	2 181
Contributions received	0	90	0	2 029
Other revenue	31 458	36 318	34 224	35 984
Total Revenue	**1 660 052**	**1 797 391**	**1 655 117**	**1 520 324**
Employee entitlements	907 631	971 688	903 953	829 984
Depreciation and amortisation	51 965	59 467	50 612	49 714
Supplies and consumables	443 293	471 341	451 698	464 389
Grants and subsidies	237 756	234 504	191 348	169 519
Finance costs	9 923	9 913	10 197	10 469
Other expenses	65 773	78 834	75 079	76 433
Total Expenses	**1 716 341**	**1 825 747**	**1 682 887**	**1 600 508**
Net Surplus (Deficit) from transactions	**(56 289)**	**(28 356)**	**(27 770)**	**(80 184)**
Loss on sale of assets	5 520	2 437	1 143	(851)
Impairment of non-finanical assets	0	(2 731)	(7 701)	(2 987)
Impairment of loans and receivables	0	(910)	877	0
Revenue from government - capital	146 682	141 519	59 787	41 569
Revenue from Special Capital Investment Funds - capital	57 329	43 127	22 185	13 825
Actuarial superannuation adjustment	0	(1 235)	2 613	(3 482)
Net Surplus (Deficit) attributable to the State	**153 242**	**153 851**	**51 134**	**(32 110)**
Other Comprehensive Income				
Changes in physical asset revaluation reserve	53 398	226 667	21 243	106 344
Other	0	0	0	898
Comprehensive Surplus	**206 640**	**380 518**	**72 377**	**75 132**

* *2008-09 and prior years also included general grants from Australian Government*

Comment

The Net Surplus (Deficit) from transactions comprised:

	2010-11 $'000s	2009-10 $'000s	2008-09 $'000s
DHHS	(3 222)	(6 129)	(55 260)
Housing	(23 666)	(20 100)	(23 167)
Ambulance	(1 457)	(1 541)	(1 757)
Total (Deficit)	**(28 345)**	**(27 770)**	**(80 184)**

In 2010-11, Total Revenue went up by 8.6% to $1.797bn, while Total Expenses grew at a similar rate, 8.5%, to $1.826bn. This meant that, when compared to 2009-10, there was little change in the Net deficit from transactions. The deficit increased by $0.575m to $28.345m.

During the year, the Department's recurrent appropriation and funding from Special Capital Investment Funds spent on operational expenditure amounted to $1.536bn, which represented an increase of $130.656m, 9.3%, compared to 2009-10. The higher base funding was necessary to cover increasing costs and to fund major initiatives aimed at enhancing frontline services, elective surgery, the four national access targets, sub-acute beds and staffing at the LGH. In addition to the recurrent appropriation, the Department received direct funding from the Commonwealth Government for running the Mersey Community Hospital, $59.742m, and generated own revenue from the Sale of goods and services, $162.558m. The only other major source of revenue was Other revenue which primarily comprised cost recoveries and donations.

Increased demand for service provided by the Department led to increases in all expenditure items, apart from Finance costs. In dollar terms, Employee entitlements were the Department's single largest expenditure at $971.688m, or 53.2% of Total Expenses, followed by Supplies and consumables, $471.341m, 25.8%, and Grants and subsidies, $234.504m, 12.8%.

Employee entitlement expenses grew by $67.735m, 7.5%. Around 56.1% of this increase was due to a growth in employee numbers, with the remaining 43.9% attributable to annual increases under various wages agreements and other increments. At 30 June 2011, the Department employed 9 879 Full Time Equivalent (FTE) employees. This represented an increase of 183 FTEs, including 123 nurses, 19 ambulance officers, 78 medical practitioners and 25 allied health professionals, offset by 62 fewer administrative employees.

Supplies and consumables rose by $19.643m due to higher:

- property services, $6.926m, mainly due to increased cost of rental of private sector properties, increased fuel, light and power costs, and higher municipal rates and council charges
- medical supplies, $7.001m, corresponding with the increased demand for acute health services
- patient services, $6.766m, due to additional accommodation, carer payments, travel and bedding costs
- general maintenance on Housing properties, $5.267m,
- refund of an overpayment to the Commonwealth Department of Veterans Affairs, $2.100m.

These increases in Supplies and consumables were partly offset by savings in information technology, $5.939m, mainly due to reduced expenditure on lower value information technology equipment purchased to support the eHealth Technology and the Statewide Patient Administration Systems in 2009-10.

Grants and subsidies increased by $43.156m mainly due to payments to the disability sector under the National Disability Agreement. Also included were various subsidies for community support, rental affordability and home and community care programs.

The primary reason for the Department's deficit was that its funding excluded depreciation, impairment losses or increases in employee provisions. Depreciation and amortisation increased by $8.855m this year. A significant amount of this increase related to new housing being commissioned through the National Building Economic Stimulus Package. The purchase of the NWRH added about $1.000m to the depreciation expense.

Net Surplus attributable to the State of $153.851m was a significant improvement on the result in the previous year of $50.257m, an increase of $104.504m. This was principally due to:

- Capital appropriations, $141.518m, used to fund the following projects:
  - LGH Acute Medical and Surgical Unit, $16.092m,
  - Housing – construction of new dwellings under the Nation Building – Economic Stimulus Plan, $72.164m,
  - Purchase of NWRH, $29.000m,
  - Launceston Integrated Care Centre, $10.310m,
  - LGH Emergency Department, $4.256m,
  - Clarence GP Super Clinic, $3.617m,
- Capital revenue from the Special Capital Investment fund, $43.127m, was used to fund the following projects:
  - RHH redevelopment, $16.095m,
  - LGH car park, $4.563m,
  - Department's contributions to the Housing fund, $14.414m,
  - Clarence GP Super Clinic, $4.699m,
  - Tasmanian Ambulance Service station headquarters upgrade, $2.302m,
  - Longford/Westbury Health Care Centre upgrade, $1.695m,
  - Medical Imaging project, $1.691m.

The Comprehensive Surplus this year amounted to $380.516m (2009-10, $72.377). The final determinant of this result was an increase in the value of land and buildings, $226.667m.

The net surplus was marginally higher, $1.519m, or 1%, than the original estimate of $153.242m.

STATEMENT OF FINANCIAL POSITION

	2011	2010	2009	2008
	Actual	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	61 035	83 232	56 446	69 680
Receivables	28 563	25 159	26 076	19 886
Loan advances	5 855	7 130	9 201	11 583
Equity investments	3 152	2 459	188	0
Superannuation asset	0	0	0	2 038
Other financial assets	2 909	3 227	1 018	0
Non-financial Assets				
Inventory	11 265	11 896	11 007	7 710
Assets held for sale	8 841	6 161	6 301	
Property, plant and equipment	2 867 035	2 486 379	2 446 445	2 348 862
Intangibles	13 716	11 952	4 099	236
Other non-financial assets	5 377	2 491	1 434	5 753
Total Assets	**3 007 748**	**2 640 086**	**2 562 215**	**2 465 748**
Liabilities				
Payables	40 431	42 720	48 270	43 580
Interest bearing liabilities	216 620	223 289	229 820	236 081
Other financial liabilities	31 367	19 614	6 590	6 042
Superannuation liability	15 645	14 877	17 251	15 915
Employee entitlements	183 930	176 753	186 509	154 933
Other liabilities	15 888	39 549	22 868	33 422
Total Liabilities	**503 881**	**516 802**	**511 308**	**489 973**
Net Assets	**2 503 867**	**2 123 284**	**2 050 907**	**1 975 775**
Contributed capital	6 094	6 094	6 094	6 094
Accumulated funds	1 908 128	435 728	384 594	415 806
Reserves	589 645	1 681 462	1 660 219	1 553 875
Total Equity	**2 503 867**	**2 123 284**	**2 050 907**	**1 975 775**

Comment

Total Equity increased from $2.123bn to $2.504bn during 2010-11. The increase of $380.583m comprised the Net Surplus for the year, $154.761m, and Other Comprehensive Income, $225.757m, being mainly a revaluation increment of land and buildings.

Before accounting for inter-entity transactions, Net Assets comprised:

	2011	2010	2009	2008
	$'000s	$'000s	$'000s	$'000s
DHHS	579 766	469 867	430 981	428 887
Housing	1 900 582	1 631 829	1 606 061	1 531 509
Ambulance	23 519	21 588	13 865	15 379
Total Net Assets	**2 503 867**	**2 123 284**	**2 050 907**	**1 975 775**

The corresponding increase in Net Assets, $380.583m, was due to:

- decreased Cash and deposits, $22.197m, for reasons provided in the Statement of Cash Flows section of this Chapter
- increased Receivables, $3.404m, representing an increase of $2.970m in GST receivable due to increased capital works
- higher Property, plant and equipment, $380.656m, following a revaluation of land and buildings, $226.667m, and net additions to buildings, including work in progress, and equipment, $221.511m. These items were partly offset by depreciation of $58.930m
- increased Other non-financial assets, namely prepayments, $2.886m, due to rises in the cost of rates, insurance and software licences
- decrease in Interest bearing liabilities, $6.669m, representing a repayment of social housing development loans from the Australian and State Governments
- increase in Other financial liabilities, $11.753m, representing mainly unpaid tax instalments, payroll tax and employee deductions and due to the timing of the last pay before year end
- increase in Employee entitlements, $7.177m, representing mainly a rise in the annual leave provision, $5.359m, due to increases in salaries and wages, as well as the increase in staff numbers
- decrease in Other liabilities, $23.661m, being a decline in funds carried forward, $19.091m, and revenue in advance from the Commonwealth Government for the Mersey Hospital, $5.000m.

Superannuation liability of $15.645m represented the net value of the Department's present obligation for superannuation entitlements of some former and current employees of Housing Tasmania, $12.468m (2010, $13.726m), and Ambulance Tasmania, $3.177m ($1.151m).

STATEMENT OF CASH FLOWS

	2010-11 Actual $'000s	2009-10 Actual $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s
Cash flows from operating activities				
Cash inflows				
Receipts from government - recurrent	1 523 494	1 395 917	1 204 718	1 134 943
Receipts from special capital investment funds - recurrent	9 850	11 354	0	3 209
Grants	60 113	59 947	101 370	44 524
Sales of goods and services	165 597	155 476	156 390	144 438
Interest received	2 071	1 593	2 224	3 177
Other cash receipts	38 315	32 349	36 296	28 228
GST receipts	87 780	70 823	64 902	52 282
Total cash inflows	**1 887 220**	**1 727 459**	**1 565 900**	**1 410 801**
Cash outflows				
Payments to employees	965 812	904 617	803 395	713 301
Supplies and consumables	480 365	454 973	464 889	390 170
Community grants	233 987	191 213	169 957	153 087
Finance costs	9 913	10 197	10 469	10 725
Other cash payments	79 053	75 889	57 093	55 081
GST Payments	90 569	70 412	65 648	55 846
Total cash outflows	**1 859 699**	**1 707 301**	**1 571 451**	**1 378 210**
Cash from (used in) operations	**27 521**	**20 158**	**(5 551)**	**32 591**
Cash flows from investing activities				
Cash inflows				
Receipts from government - capital	125 472	74 454	22 783	29 198
Receipts from special capital investment funds - capital	42 583	22 121	24 785	15 740
Proceeds from disposal of assets	17 942	26 147	6 188	8 895
Receipts from investments	1 186	1 445	2 215	3 100
Total cash inflows	**187 183**	**124 167**	**55 971**	**56 933**
Cash outflows				
Payments for acquisition of assets	229 485	110 252	57 394	48 360
Payment for equity investment	747	755	0	0
Net loans granted(repaid)	0	0	0	0
Total cash outflows	**230 232**	**111 007**	**57 394**	**48 360**
Cash from (used in) investing activities	**(43 049)**	**13 160**	**(1 423)**	**8 573**
Cash flows from financing activities				
Cash outflows				
Repayment of borrowings	(6 669)	(6 532)	(6 260)	(6 000)
Cash (used in) financing activities	**(6 669)**	**(6 532)**	**(6 260)**	**(6 000)**
Net increase (decrease) in cash	**(22 197)**	**26 786**	**(13 234)**	**35 164**
Cash at the beginning of the year	83 232	56 446	69 680	34 516
Cash at end of the year	**61 035**	**83 232**	**56 446**	**69 680**

Comment

As at 30 June 2011, the Department's cash balance was $61.035m, compared to $83.232m last year. The decline of $22.197m was mainly due to capital works being funded partly from last year's unspent Cash from investing activities, offset by cash from this year's operations.

Reasons for variations in cash flow amounts mostly reflect comments made previously in the Comprehensive Income Statement and Statement of the Financial Position sections of this Chapter.

The cash resources of the Department at 30 June were attributable to:

	2011	2010	2009	2008
	$'000s	$'000s	$'000s	$'000s
DHHS	43 437	56 104	41 947	60 015
Housing	17 598	27 128	14 499	9 665
Ambulance *	0	0	0	0
Total Cash at year end	**61 035**	**83 232**	**56 446**	**69 680**

* *Ambulance is nil because it does not operate its own bank account. All of its cash is managed by DHHS.*

Included in the Department's balances in 2009-10 and 2008-09 were $19.458m and $4.362m, respectively, being funds carried forward under Section 8A(2) of the *Public Account Act 1986.* The carried forward for 2010-11 was $0.367m.

FINANCIAL ANALYSIS

	Bench Mark	2010-11	2009-10	2008-09	2007-08
Financial Performance					
Result from operations ($'000s)		(28 345)	(27 770)	(80 184)	(20 102)
Own source revenue ($'000s)		201 220	194 918	197 284	182 669
Financial Management					
Debt collection (excluding GST)	30 days	44	44	44	37
Creditor turnover	30 days	10	14	26	33
Capital Management					
Asset replacement ratio %	100%	226%	178%	116%	106%
Asset renewal ratio %	100%	137%	88%	N/A	N/A
Consumption ratio %*		N/A	N/A	N/A	N/A
Other Information					
Average staff numbers (FTEs)		9 788	9 509	8 970	8 805
Average staff costs ($'000s)		99	95	93	82
Average Recreational Leave balance per FTE (days)	20	20	20	23	22
Average Long Service Leave balance per FTE (days)	100	42	40	39	N/A

**Information not provided due to unavailability of reliable data*

Comment

Results from operations deficits for reasons outlined previously in the Comprehensive Income Statement section and the fact that agencies are not funded for depreciation and movements in employee entitlements. If the effects of these items were eliminated, the Department would have recorded a surplus of $37.420m in 2010-11. Own source revenue increased in 2010-11 by $6.302m, but the increase was as a result of a GST refund.

Debt collection remained relatively high at 44 days, while the time it took the Department to pay its suppliers dropped to 10 days.

Asset replacement ratio was above benchmark in the four year period of review, as capital asset additions, excluding land, were well in excess of the depreciation expense. This reflected substantial capital works undertaken by the Department in relation to hospital and housing stock.

Asset renewal ratio for the current year was above benchmark, an improvement on the previous year. This indicated that capital expenditure on existing assets exceeded annual depreciation charge. The improvement was caused mainly by the substantial capital works program underway aimed at improving existing infrastructure.

Capital spent on existing assets	2010-11	2009-10
Buildings	15 679	4 500
Plant & equipment	1 452	8 782
Buildings WIP	64 610	31 439
	81 741	44 721

Average staff costs increased this year by 4.2%, which was consistent with general increases in award rates and other increments. Average recreational leave per full time equivalent met benchmark this year and improved over the period under review. Average long service leave per full time equivalents also met benchmark but increased slightly on the previous year.

ADDITIONAL FINANCIAL INFORMATION

Administered Financial Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions relate primarily to funding community service obligations paid to Aurora Energy Pty Ltd to support pensioners and health card holders for power costs and to fund grant programs. The Australian Government grants consisted primarily of funding for administered purposes.

ADMINISTERED INCOME AND EXPENSES

	2010-11	2010-11	2009-10	2008-09
	Budget	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from government - recurrent	37 566	37 550	38 653	25 992
Australian government grants	25 237	46 133	28 385	311 787
Total Revenue	**62 803**	**83 683**	**67 038**	**337 779**
Grants and subsidies	37 645	38 734	36 155	30 616
Total Expenses	**37 645**	**38 734**	**36 155**	**30 616**
Net Surplus	**25 158**	**44 949**	**30 883**	**307 163**
Transfer to Consolidated Fund	25 161	44 020	42 052	295 787
Comprehensive Surplus (Deficit)	**(3)**	**929**	**(11 169)**	**11 376**

Comment

The purpose of administered activities is break even and surpluses or deficits are generally the result of timing differences in payments or transfers to the Consolidated Fund.

The major movements in 2010-11 were:

- additional funding from Australian Government, $17.748m, mainly for the High Cost Drugs Program
- decrease in recurrent funding, $1.103m, due to the winding down of the Listen to the Children Program
- higher Grants and subsidies payments, $2.579m, representing mainly increased cost of community service obligations

The Community Service Agreement with Aurora is for the provision of pensioner concessions to approximately 67 000 Tasmanian pensioners and Health Care Card Holders. The increased subsidy payments followed recent electricity price rises.

Transfer to Consolidated Fund rose by $1.968m and was attributed to an increase in grants from the Australian Government.

HOUSING TASMANIA

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Financial statements were received on 15 August 2011 and an unqualified audit report was issued on 16 September 2011.

KEY FINDINGS AND DEVELOPMENTS

The audit identified no key findings. Key ongoing developments included:

- Housing Tasmania (Housing) received an increase in capital funding for 2010-11 to purchase or construct new rental dwellings and for improvements to its existing housing portfolio. Capital funding increased by $27.322m in 2010-11, with the majority representing capital funds provided by the Australian Government under the Nation Building Economic Stimulus Program (NBESP). This three-year program released funds to the states and territories to stimulate the building sector, mainly through the construction of schools, social housing, defence service housing and transport infrastructure.
- The National Rental Affordability Scheme (NRAS) is an Australian Government initiative which is aimed at investing in affordable rental accommodation. It involves the supply of new rental housing, as well as reducing rental costs and encouraging large scale investment in affordable accommodation options. The NRAS offers annual incentives for a period of ten years. The incentive comprises an Australian Government contribution in the form of a refundable tax offset or payment to the value of $6 000 per dwelling per year (indexed) and a State Government contribution in the form of direct financial support or an in-kind contribution to the value of at least $2 000 per dwelling per year (indexed). Properties under this program first became available in late 2009-10. Housing paid out $5.328m in NRAS grants in 2010-11.
- The HomeShare shared equity program was introduced by the Government in December 2008 to assist Tasmanians with low to moderate incomes to transition into home ownership. HomeShare is a Shared Equity program administered by the Bendigo Bank. Under this scheme, surplus Housing properties are sold to eligible buyers and the Director of Housing (the Director) retains an equity share, typically 25%, in the property. Alternatively, the director co-purchases with eligible scheme participants 20-25% equity in newly constructed houses. Where the Director purchased equity in new houses, the funds are provided from surplus funds held by the Home Ownership Affordability Program (HOAP). These monies are expected to fund shared equity purchases for approximately the next five years.

The audit was completed satisfactorily with no major items outstanding.

COMPREHENSIVE INCOME STATEMENT

	2010-11	2009-10	2008-09	2007-08
	$'000s	$'000s	$'000s	$'000s
Attributed recurrent appropriation	49 185	42 375	39 802	32 991
Attributed revenue from Special Capital Investment Funds	3 164	0	0	0
Rental revenue	68 993	65 219	63 365	59 632
Other revenue	6 489	7 515	8 971	6 393
Total Revenue	**127 831**	**115 109**	**112 138**	**99 016**
Employee benefits	17 809	16 913	15 824	14 068
Depreciation	26 027	26 241	24 933	25 407
Grants and subsidies	12 843	4 202	3 230	4 024
Property costs	66 780	60 028	65 336	53 111
Finance costs	9 913	10 195	10 467	10 727
Other expenses	18 125	17 630	15 515	14 271
Total Expenses	**151 497**	**135 209**	**135 305**	**121 608**
Net deficit from transactions	**(23 666)**	**(20 100)**	**(23 167)**	**(22 592)**
Attributed capital appropriation	78 826	51 504	12 443	4 086
Attributed revenue from Special Capital Investment Funds	11 698	9 055	4 087	3 598
Net gain (loss) on sale of assets	2 054	1 672	(568)	(18)
Impairment of assets	(2 728)	(7 801)	(1706)	(1 351)
Impairment of receivables	(768)	(536)	(677)	(1 047)
Net gain on disposal of equity investment	554	0	0	0
Actuarial superannuation adjustment	1 270	21	2 385	1 136
Net surplus (deficit) attributable to the State	**67 240**	**33 815**	**(7 203)**	**(16 188)**
Other Comprehensive Income				
Changes in physical asset revaluation reserve	201 513	(8 047)	81 755	157 903
Comprehensive Surplus	**268 753**	**25 768**	**74 552**	**141 715**

Comment

In 2010-11 Housing recorded a Net deficit from transactions of $23.666m, which was $3.566m higher than last year. The Net deficit from transactions indicated that Housing had not generated sufficient operating revenue to fulfil all of its operating requirements, mainly depreciation for which it is not funded. The higher deficit also arose because, while revenues increased by $12.722m or 11%, expenditure increased by $16.288m or 12%, mainly due to higher grants and subsidies paid and property related costs.

Housing received increased attributed revenue from government, $9.974m, and collected additional Rental revenue, $3.774m, which helped to fund:

- higher Employee benefits, $0.896m, due to additional staff and increases in award salaries under the State Service Wages Agreement
- increased Grants and subsidies, $8.641m, which included the provision of funding under NRAS for the first full financial year, $5.328m, and grants for supported residential facilities KEYS and STAY, $2.500m,
- higher Property costs, $6.752m, mainly due to additional maintenance works, followed by higher insurance costs, rates and other charges.

Net surplus attributable to the State was $67.240m, which was almost double the result in 2009-10. Non-operational funding increased due to:

- capital funds provided under NBESP, which represented the majority of capital funding this year
- a reduction in impairment losses associated with demolitions of rental stock, down $4.900m. This year's losses related mainly to demolition of properties damaged in fires, while in 2009-10 the unusually high losses included a large number of properties demolished as part of stock renewal.

The increase in Comprehensive Surplus to $268.753m, was due mainly to a net revaluation increment of rental dwelling and land, $201.513m.

The table below provides details of rental revenue as well as a comparison of property costs. Potential rental income represents market rent set by the Valuer-General and is the upper limit of rent charged by Housing. Rebates represent the difference between market rent and Tenants Contributions based on an assessment of their income and other circumstances. The table shows that Direct Property Costs exceed considerably Tenants Contributions and thus the reliance of Housing on government to fund its recurrent and capital expenditure.

Rental Revenue Break Down	**2010-11**	**2009-10**	**2008-09**	**2007-08**
	$'000s	$'000s	$'000s	$'000s
Potential rental income	118 113	105 725	103 740	94 206
Rebates	(49 120)	(40 506)	(40 375)	(34 574)
Tenants Contributions	**68 993**	**65 219**	**63 365**	**59 632**
Recurrent maintenance	36 840	31 573	38 953	29 996
Depreciation	26 027	26 241	24 933	25 407
Insurance	10 442	9 624	8 249	5 718
Rates and charges	19 498	18 831	18 134	17 397
Finance costs	9 913	10 195	10 467	10 727
Direct Property Costs	**102 720**	**96 464**	**100 736**	**89 245**
Net Rental Result	**(33 727)**	**(31 245)**	**(37 371)**	**(29 613)**

ABRIDGED STATEMENT OF FINANCIAL POSITION

	2011	**2010**	**2009**	**2008**
	$'000s	$'000s	$'000s	$'000s
Total Financial Assets	29 313	38 651	26 645	25 090
Total Non-Financial Assets	2 112 167	1 846 908	1 842 069	1 768 918
Total Assets	**2 141 480**	**1 885 559**	**1 868 714**	**1 794 008**
Total Financial Liabilities	222 367	230 296	242 723	239 697
Total Non-Financial Liabilities	18 531	23 434	19 930	22 802
Total Liabilities	**240 898**	**253 730**	**262 653**	**262 499**
Net Assets	**1 900 582**	**1 631 829**	**1 606 061**	**1 531 509**
Contributed capital	6 094	6 094	6 094	6 094
Accumulated funds	1 545 814	281 434	247 619	254 822
Reserves	348 674	1 344 301	1 352 348	1 270 593
Total Equity	**1 900 582**	**1 631 829**	**1 606 061**	**1 531 509**

Comment

Housing Tasmania's Total Equity increased by $268.753m in 2010-11 due to the Net surplus attributable to the State of $67.240m and the upward revaluation of assets of $201.513m.

Major reasons for the corresponding rise in Net Assets was an increase in property plant and equipment of $263.074m, due to the revaluation increment relating to land and buildings, $201.693m, and capital additions of $105.799m, offset by depreciation, $26.027m, and disposals $12.607m.

FINANCIAL ANALYSIS

	Bench Mark	2010-11	2009-10	2008-09	2007-08
Financial Performance					
Result from operations ($'000s)		(23 666)	(20 100)	(23 167)	(22 592)
Operating margin	>1.0	0.84	0.85	0.83	0.81
Own source revenue ($'000s)		75 482	72 734	72 336	66 025
Financial Management					
Debt collection	30 days	9	9	11	9
Creditor turnover	30 days	12	18	50	17
Capital Management					
Investment ratio	100%	413.0%	274.5%	90.5%	58.0%
Other Information					
Average staff numbers (FTEs)		219	218	226	229
Average staff costs ($'000s)		81	78	72	67
Average Recreational Leave balance per FTE (days)	20	16	16	15	15
Average Long Service Leave balance per FTE (days)	100	35	35	34	36
Rental dwellings (no. of properties)*		13 243	13 082	12 645	12 563
Occupancy Rate (%) *		98.7%	99.3%	99.3%	99.3%

* *Not subject to audit.*

Comment

Operating margin remained below benchmark in 2010-11, primarily because Housing is not funded for depreciation and does not charge full market rents to tenants. However, Own source revenue, which comprised mainly rent, continued to grow in line with increases in market rents and reassessments of tenants' contributions.

Debt collection remained at around 9 days, which is expected with rental and is assisted by the majority of tenants paying by direct debit. Long outstanding debts generally relate to rent and other charges owed by former tenants.

Creditor turnover continued to get better partially due to improved processes around the payment of monthly maintenance contracts.

Investment ratio increased substantially again in 2010-11, due to significant capital works. The strong results over the past two years were the result of funding provided under NBESP.

The increase in staff numbers was due to the additional staff necessary to manage the capital works program.

Total rental dwellings included public housing, aboriginal housing and community housing stock. The increase in the number of properties in the portfolio reflected the increased level of construction and procurement of new dwellings. Occupancy rate remained strong, despite the increase in rental properties and reflected the high demand for affordable accommodation in Tasmania.

AMBULANCE TASMANIA

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2011 and an unqualified audit report was issued on 23 September 2011.

KEY FINDINGS, DEVELOPMENTS AND FINANCIAL INFORMATION

The audit identified no key findings. The major development at the Service in 2010-11 was investment in new facilities at various locations around the State.

Ambulance Tasmania (the Service) received a significant increase in attributed recurrent appropriation and Special Capital Investment (SCIF) funding in 2010-11. These increases funded the internal transfer of patient transport from the Area Health Services, growing salary costs and investment of $5.742m in new facilities and ambulances, including:

- construction of the State headquarters and communication centre in Hobart
- construction of stations in Scottsdale, Nubeena and Triabunna, all commissioned in 2010-11,
- extensions to the Launceston station
- purchase of ambulance vehicles and costs associated with internal fit out.

The audit was completed satisfactorily with no major items outstanding.

ABRIDGED COMPREHENSIVE INCOME STATEMENT

	2010-11	2009-10	2008-09	2007-08
	$'000s	$'000s	$'000s	$'000s
Total Income	53 147	44 685	39 240	32 668
Total Expenses	54 604	46 226	40 997	36 181
Net (deficit) from transactions	**(1 457)**	**(1 541)**	**(1 757)**	**(3 513)**
Attributed revenue from Special Capital Investment Funds	2210	1058	468	0
Attributed works and services appropriation	0	2 091	2 930	4 114
Attributed recurrent appropriation to capital	3 532	2 852	568	562
Actuarial superannuation assessment	(2 505)	2 593	(5 867)	(3 964)
Gain (loss) on sale of assets	50	204	81	(154)
Impairment losses	(118)	(93)	(52)	(179)
Net surplus (deficit) attributable to the State	**1 712**	**7 164**	**(3 629)**	**(3 134)**
Other Comprehensive Income				
Change in physical asset revaluation reserve	219	559	589	6 724
Comprehensive Surplus (Deficit)	**1 931**	**7 723**	**(3 040)**	**3 590**

Comment

In 2010-11 the Service recorded a Net deficit from transactions of $1.457m, a slight improvement of $0.084m on prior year. The Net deficit from transactions indicated the Service had not generated sufficient operating revenue to fulfil all of its operating requirements, including depreciation of $2.764m for which it is not funded.

The Service received an increase in appropriation funding of $6.474m and one-off Corporate funding support from DHHS of $1.959m which were used to fund higher expenses from transactions because:

- attributed employee benefits increased $6.178m, mainly due to:
  - an average career structural adjustment of 7.3% effective July 2010
  - pay increase of 1.0% for ambulance officers under the Ambulance Tasmania Agreement, which commenced December 2010
  - additional 39 employees recruited during the year, including directors for Emergency and Medical Services, and the Clinical Services Unit and positions for the newly commissioned Triabunna and Nubeena stations
  - additional shift for an afternoon crew based in Hobart (eight FTEs plus relief)
- an increase in supplies and consumables expenses of $1.082m due to various factors including:
  - transfer of patient transport services from North and Northwest Area Health Services to the Service
  - additional staff travel costs for the secondment of north and northwest based staff to Hobart
  - additional property costs for new ambulance stations commissioned
  - consultancy costs resulting from a budget initiative for a helicopter emergency medical service. The budget for this project was subsequently withdrawn and the Service was required to internally fund the costs already expended
- an increase in depreciation of $0.611m arising from the commissioning of defibrillators from 1 July 2010 and as a result of the construction of new facilities.

Non-operational funding and expenses remained high due to:

- recurrent and capital appropriation revenue of $5.742m, used to fund major building projects, included the new State headquarters and communication centre in Hobart, $2.167m, new stations in Scottsdale, Nubeena and Triabunna, $0.407m, and redevelopment of Launceston ambulance station, $0.338m. Other projects funded included the purchase of new ambulance vehicles and fit out, $2.041m,
- the actuarial loss of $2.505m incurred by the defined benefit superannuation plan, the Tasmanian Ambulance Service Superannuation Scheme (TASSS), due to adverse results achieved from TASSS investment activities. The Retirement Benefits Fund Board provided trustee, fund administration and investment functions for TASSS.

ABRIDGED STATEMENT OF FINANCIAL POSITION

	2011	2010	2009	2008
	$'000s	$'000s	$'000s	$'000s
Total Assets	37 154	32 986	27 641	24 328
Total Liabilities	13 635	11 398	13 776	8 949
Net Assets	**23 519**	**21 588**	**13 865**	**15 379**
Total Equity	**23 519**	**21 588**	**13 865**	**15 379**

Comment

Total Equity increased by $1.931m in line with the Comprehensive surplus for the year. Major reasons for the increase in Net Assets were as follows:

- higher receivables at 30 June 2011 of $0.593m, mainly due to outstanding Department of Veteran's Affair (DVA) invoices, $2.310m (2010, $1.825m), due by the Commonwealth
- increased property, plant and equipment of $3.312m, due to the revaluation increment relating to buildings and land of $0.219m and capital additions of $6.038m, offset by depreciation of $2.764m.

These factors were offset by a higher net superannuation liability of $2.026m attributable to adverse results achieved from TASSS investment activities and other actuarial adjustments.

FINANCIAL ANALYSIS

	Bench Mark	2010-11	2009-10	2008-09	2007-08
Financial Performance					
Result from operations ($'000s)		(1 457)	(1 541)	(1 757)	(3 513)
Operating margin	>1.0	0.97	0.97	0.96	0.90
Own source revenue ($'000s)		7 499	4 993	5 224	4 799
Financial Management					
Debt collection (exclude DVA billings)*	**	72	65	59	55
Creditor turnover	30 days	21	16	35	28
Capital Management					
Capital replacement % (renewal gap)	100%	97%	194%	228%	N/A
Capital investment % (investment gap)	100%	208%	279%	316%	234%
Other Information					
Staff numbers (FTEs)		339	300	278	273
Average staff costs ($'000s)		103	96	94	85
Average Annual Leave balance per FTE (days)	45 days	39	41	N/A	N/A
Average Long Service Leave balance per FTE (days)	100 days	47	47	N/A	N/A

* *DVA is the Department of Veterans Affairs*
** *The benchmark of 30 days applied to other State entities is not regarded as realistic for the Service because much of the billing for ambulance services relates to workers compensation and motor vehicle accidents. Accounts are generated and sent to patients and not the third parties that may ultimately be responsible for their payment. As such, it is the patient's responsibility to complete the required paperwork and forward accounts to the third party who then needs to assess whether the account is accepted for payment. This process creates obvious time lags, which may be further compounded if the patient is in hospital for any length of time (during which the account is likely to remain unresolved).*

Comment

Operating margin remained below benchmark in 2010-11, primarily because the Service is not funded for depreciation.

Debt collection (excluding DVA billings) increased over the four year period. The ratio provides an indication of the effectiveness of debt collection practises to ensure timely receipt of monies owed. The Service has historically experienced a relatively slow collection of debts which may be indicative of the industry.

Creditor turnover remained better than benchmark in each year with the exception of 2008-09 when there were unpaid invoices as at 30 June 2009 for the purchase of new Ambulance vehicles.

Capital replacement ratio was above benchmark each year primarily due to the State Government's four-year Capital Investment Program for replacement of ageing ambulance vehicles. This program was wound down in 2010-11.

Investment gap remained above benchmark for each year due to capital expenditure on new buildings mentioned previously in this Chapter. The fall in the Capital replacement and Investment gap ratios in 2010-11 can be attributed to finalisation of projects.

The change in Average staff costs in 2010-11 is commensurate with the employee benefit increases mentioned previously in this Chapter.

Ambulance employees employed under the Tasmanian Ambulance Service Award are entitled to 35 annual leave days per annum plus 10 accrued days off taken in one or two week blocks. All other staff received an entitlement of 20 days annual leave days per annum. For each year actual balances are not in excess of benchmark.

DEPARTMENT OF INFRASTRUCTURE, ENERGY AND RESOURCES

In this Chapter the Department of Infrastructure, Energy and Resources is referred to as either DIER or the Department.

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2011. An unqualified audit report was issued on 28 September 2011.

KEY FINDINGS AND DEVELOPMENTS

A number of findings were identified during the audit; none were of a high risk nature. The audit was completed satisfactorily with no major items outstanding.

A number of developments arose in the 2010-11 financial year including:

Land Under Roads and within Road Reserves

Land under roads and within road reserves value was determined by the Valuer-General from the most recent valuations of land titles adjoining and within a 200 metre corridor of the State road network. The Valuer-General provided average values per hectare or square metre for the urban and non-urban sectors in each Municipality, and the Department used these to derive the valuation of land under roads.

The new methodology utilised by the Valuer-General resulted from more accurate data employing GIS (Geographic Information System) data. In the past the valuation was done on the basis of overall municipal valuations, whereas the new methodology uses the land adjacent to road only.

The revaluation of Land under roads and within road reserves at 30 June 2011 resulted in a one-off write-down of the valuation by $621.221m, of which $532.720m was applied against the asset revaluation reserve with the balance, $88.501m, recognised as a decrement through the Statement of Comprehensive Income.

Road Valuation Methodology

During 2010-11 the Department engaged an external consultant to review its road valuation methodology, including the stratification of components that form a road (earthworks, pavement and surface), and the useful lives of each component based on experience and data gathered in Tasmania and interstate. The Department adopted the Australian Road Research Board (ARRB) methodology which calculated an age based depreciation for sealed roads. As a result, accumulated depreciation of roads increased by $569.000m causing the carrying amount of road assets to decrease by the same amount, this entire amount was applied to the asset revaluation reserve. The methodology adopted by the Department is considered more accurate in terms of the estimation of the useful lives of asset components, and reflected best practice.

Equity and Grant Contributions

The Department provided a further $38.064m in equity contributions to Tasmanian Railway Pty Ltd (TasRail) to fund further upgrades to rail network infrastructure. In addition, $14.590m was also provided from administered funds in grant contributions to TasRail for administration and maintenance costs.

The Department provided $0.585m to Tasmanian Ports Corporation Pty Ltd (Tasports) for maintenance of the Flinders Island Port.

Major Projects

Over the four years DIER invested $580.786m in roads, of which $397.443m was in the last two years. Major projects progressed and completed during the year included:

	Note	Original Budget	Revised Budget	Actual Spent to date	Complete	Date due for Completion
		$'000s	$'000s	$'000s	%	
Brighton Bypass	1	176 000	191 100	149 328	75%	March 2013
Brighton Transport Hub	2	79 000	78 662	71 484	95%	January 2012
Kingston Bypass	3	41 500	50 000	41 379	95%	December 2011
East Tamar Highway	4	60 000	72 500	71 300	90%	March 2012

Information in the table supplied by DIER as is the commentary below

1. Brighton Bypass

The southern section of the Bypass was completed by 30 June 2011. The original completion date for this component of the project was May 2012. The scope of the project was expanded with the inclusion of the construction of a long span bridge over the Jordan River levee. The original budget allocation was $176.000m but with the substantial change in scope the budget was increased to $191.100m. Following approval of the amended scope, the completion date is now listed as March 2013. The contractor for the northern section is currently running ahead of schedule with an anticipated completion of late 2012. Works were approximately 75% complete with $149.328m spent to 30 June 2011.

2. Brighton Transport Hub

The original budget was $79.000m. Most of the works were delivered as part of the Brighton Bypass contract. The works are on target to be completed by late January 2012 with $71.484m having been spent to 30 June 2011. Outstanding work remaining at 30 June 2011 was the administration building. TasRail, as the Hub Operator, is expected to occupy once completed. This is anticipated to occur in February 2012.

3. Kingston Bypass

The project was approximately 95% complete with $41.379m having been spent at 30 June 2011. Final works are due to be completed in early December 2011. This was six months ahead of the announced completion date of June 2012. Significant additional costs, in the order of $5.000m to date, were separately incurred by DIER. The additional costs were due to a number of scope changes necessary during the project development to meet approvals (including Aboriginal heritage) and stakeholder requirements, higher property acquisition costs, acquisition of the corridor for the future duplication of the Kingston Bypass and market pressures at the time the contract was tendered.

In addition, Aboriginal heritage concerns added between $4.500m to $5.000m being the major single contributor to the higher budget requirement of $50.000m. The Department advises that it is tightly managing project costs to realise savings to defray these unexpected additional costs.

4. East Tamar Highway

This project is a package of works due to be completed by the end of March 2012. This is based on favourable weather conditions and the receipt of all outstanding equipment which includes all road works plus intelligent transport systems to be installed at the end of the northern section of the Dilston Bypass.

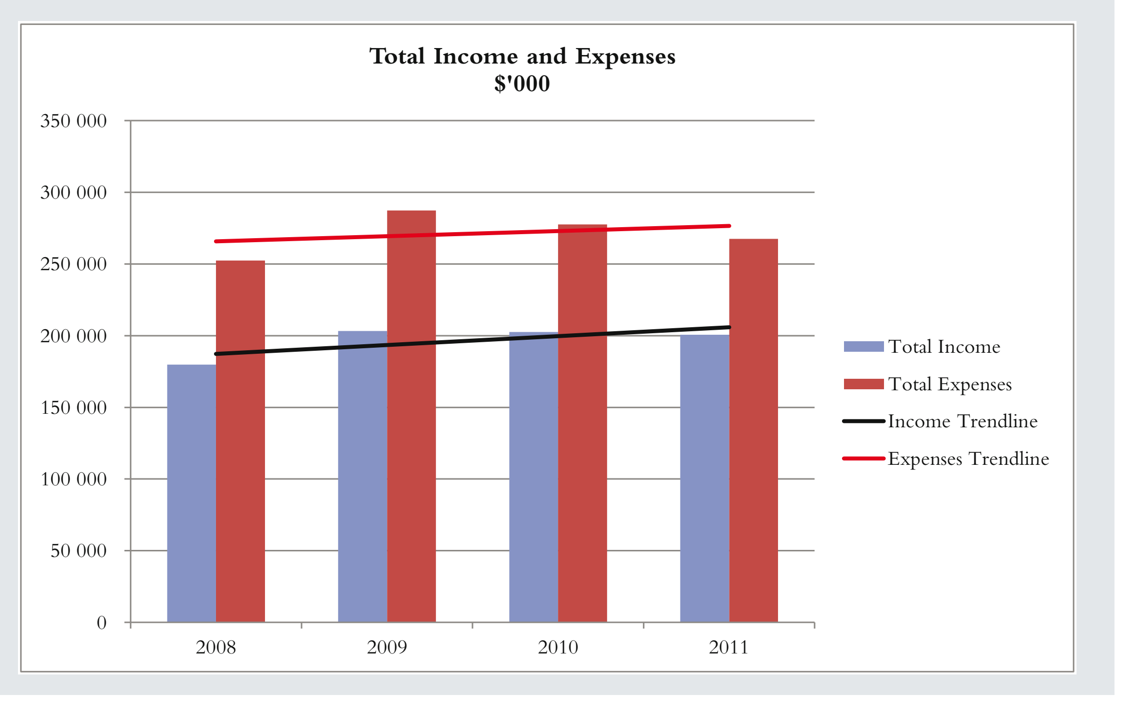
The East Tamar Highway package of works was originally due for completion by September 2011, however wet weather delays from the late summer of 2010-11 resulted in delays. The project was approximately 90% complete at 30 June 2011.

The project's budget was $72.500m, comprising $60.000m funding from the Australian Government in 2006 plus interest earned of $12.500m. In addition, to date the State has contributed $9.860m to the works and a total of $71.300m had been spent to 30 June 2011. The project is being closely managed by the Department as it risks exceeding budget.

Existing roads that are replaced by new road works are written off when stages of each project are completed. As a result, in 2010-11 $60.121m was written-off.

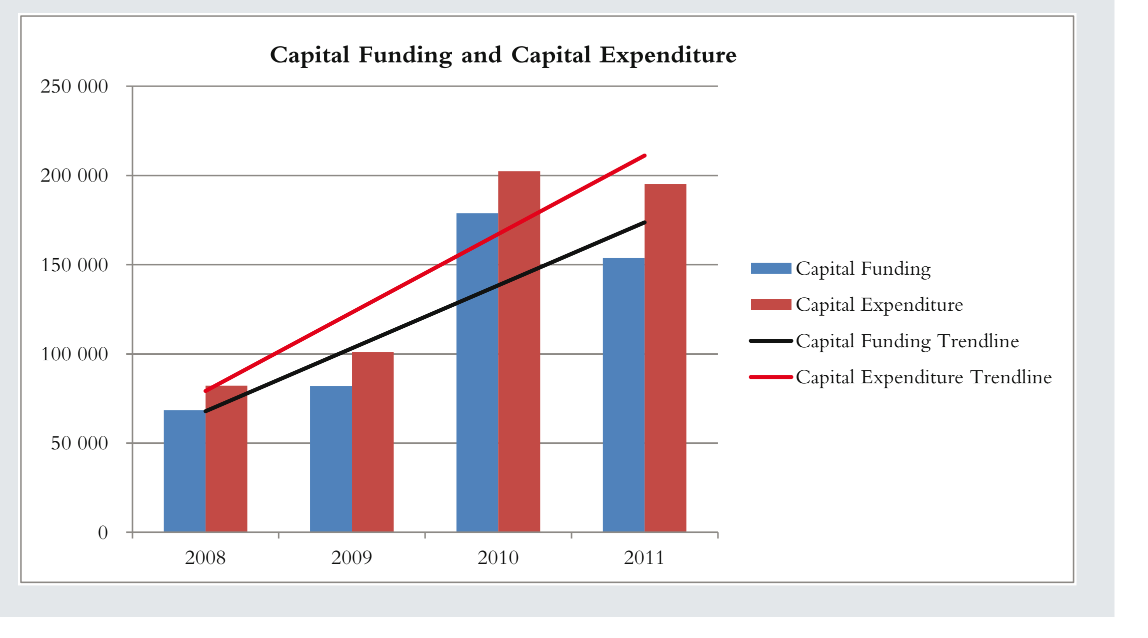
FINANCIAL RESULTS

The following three graphs highlight important aspects of the Department's operating activities:



Total income increased marginally over the four year period primarily due to additional appropriations. Components of Total income, other than appropriations, amounted to less than 10% of the total. The Department's ability to provide infrastructure and related services for the social and economic development of Tasmania depends on these appropriations.

Total expenses increased over the four year period in line with changes in Total revenue. However, the Net deficit from transactions steadily decreased over the four year period. These deficits were less than the annual depreciation charge and movement in employee provisions, which are not funded, indicating the Department was effective in achieving operational efficiencies.

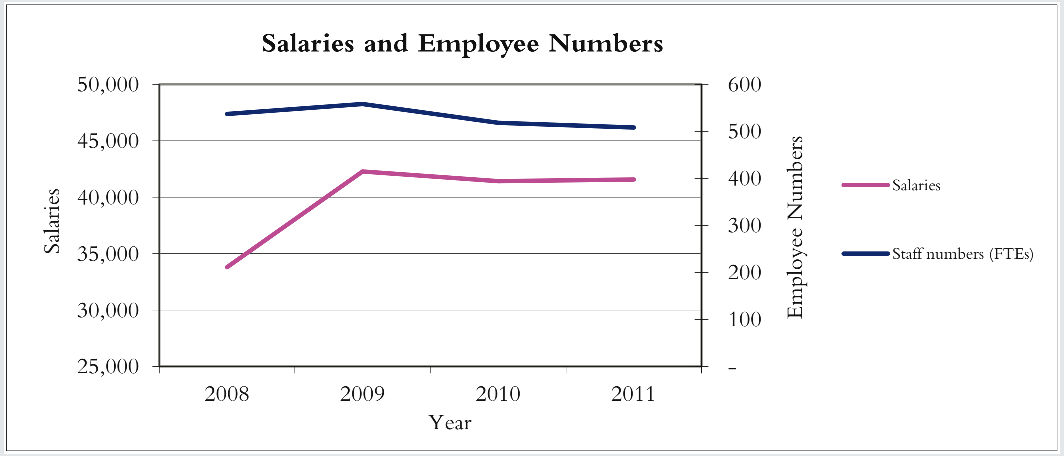


Total capital expenditure, $580.786m was more than capital funding, $483.049m over the four year period. The difference of $97.737m was primarily due to:

- expenditure of $60.000m for the East Tamar Highway fund provided by the Federal Government in June 2006 plus interest earned, $12.550m, ($1.305m remaining at 30 June 2011). The total project expenditure of $71.250m was not funded from capital appropriations
- expenditure, $26.840m, funded from other sources, such as recurrent appropriations, expended on computers and plant and equipment
- grants from other Federal and State governments
- funds held over from prior years
- recoveries from the public for damages to traffic signals.

The widening of the gap between capital expenditure and capital funding over the four year period was mainly attributable to East Tamar Highway funds, particularly in 2010-11 when $28.000m was expended. Now that the East Tamar Highway funds are nearly expended the gap is expected to narrow to $5.000m - $10.000m in future years.

The increase in capital funding and expenditure from 2009-10 was driven by the commencement of major projects, including Brighton Bypass, Brighton Transport Hub and the Kingston Bypass.



FTE's declined by 10 in 2010-11, however employee benefits increased by $0.142m, primarily because of higher employer superannuation contributions which increased from 11% to 12.3%, effective 1 July 2010. It is noted in the Financial Performance section of this Chapter that Average staff costs increased by only $0.002m.

In 2010-11, increased pay rises and superannuation contributions were offset against reducing FTE's.

COMPREHENSIVE INCOME STATEMENT

	2010-11 Budget $'000s	2010-11 Actual $'000s	2009-10 Actual $'000s	2008-09 Actual $'000s
Revenue from government - recurrent **	104 849	105 051	93 083	96 578
Revenue from government - capital maintenance	68 488	73 721	90 920	81 898
Revenue from Special Capital Investment Funds	2 416	2 664	1 381	4 885
Grants	1 121	1 708	1 714	3 195
Sales of goods and services	618	1 533	1 361	1 730
Fines and regulatory fees	9 984	10 195	10 009	9 707
Interest	75	679	1 399	0
Other revenue	1 046	5 064	2 759	5 259
Total Revenue	**188 597**	**200 615**	**202 626**	**203 252**
Employee benefits	37 656	41 567	41 425	42 280
Depreciation and amortisation	95 429	88 266	89 513	86 941
Grants and subsidies	65 290	65 179	61 600	59 328
Supplies and consumables	47 580	69 988	82 275	96 167
Other expenses	3 748	2 582	2 796	2 617
Total Expenses	**249 703**	**267 582**	**277 609**	**287 333**
Net Surplus (Deficit) from transactions	**(61 106)**	**(66 967)**	**(74 983)**	**(84 081)**
Revenue from government - capital **	189 474	180 375	247 196	71 646
Write down of assets	4	(149 480)	(14 683)	(570)
Contributions received	0	0	2 170	0
Loss on sale of assets	0	(330)	(1 986)	(25)
Revenue from special capital investments funds - capital	8 185	8 550	13 470	10 480
Net Surplus (Deficit) before	**136 557**	**(27 852)**	**171 184**	**(2 550)**
Urban Renewal and Heritage Fund transfer *	0	0	0	(25 000)
Net Surplus (Deficit) attributable to the State	**136 557**	**(27 852)**	**171 184**	**(27 550)**
Other Comprehensive Income				
Rail corridor land not previously brought to account	0	0	0	46 530
Changes to asset revaluation reserve	131 387	(999 189)	86 204	210 948
Comprehensive Surplus	**267 944**	**(1 027 041)**	**257 388**	**229 928**

* *Government established the Urban Renewal and Heritage Fund in 2007-08 allocating it to the Department. In 2008-09 this Fund was transferred to the Department of Treasury and Finance.*

** *The original current appropriation budget included $68.750m that was allocated for equity transfer to TasRail (later reduced to $38.649m). This has been moved from recurrent to capital.*

Comment

In 2010-11, DIER recorded a Net Deficit from transactions of $66.967m, compared to $74.983m in 2009-10. The improvement of $8.016m was primarily due to lower Supplies and consumables, $12.287m, while Total Revenue remained relatively constant, reducing by only $2.011m or 1%. Lower expenditure on Supplies and consumables was primarily due to a greater proportion of road contractor costs capitalised in major projects such as Brighton bypass, Kingston bypass and East Tamar Highway in 2010-11.

Grants and subsidies increased, $3.579m, due to higher subsidy payments. The most significant being:

- Community Service Obligation payments to Metro Tasmania Pty Ltd, $33.124m (2009-10, $32.344m), and school bus operators – contracted services, $16.890m ($16.719m),
- forest contractors financial support program payments, $5.362m ($nil),
- funding to Councils for road works and other projects, $5.990m ($10.387m).

Revenue from government – capital, $180.375m, remained high primarily because of funding for major projects such as the Brighton bypass, Brighton Transport Hub and Kingston bypass.

Write down of assets, $149.480m, was predominately due to:

- write down of land under roads, $88.501m. The fair value of land under roads at 30 June 2010 was $812.939m with a corresponding asset revaluation reserve of $532.720m. When land under roads was written down to $191.718m, the reserve was written back to zero and the remaining $88.501m recognised in the Comprehensive Income Statement
- write down of road infrastructure, $60.121m, due to the write-off of existing road assets now replaced by new road works in the Brighton bypass and East Tamar highway projects
- write down of traffic signals, $0.681m, due to the write-off of existing assets as a result of the upgrade of over 50 traffic lights to light emitting diode (LED) lamp technology during 2010-11.

Revenue from Special Capital Investment Funds, $8.550m, was used for:

- Major Capital Projects Fund, $8.012m, predominately for the Brighton Transport Hub, $8.000m,
- Urban Renewal and Heritage Fund, 0.538m, mainly for the Tasman Bridge facilities upgrade.

In 2010-11 DIER budgeted for a Surplus attributable to the State of $136.557m but achieved a deficit of $27.852m, a total shortfall of $164.409m, primarily due to:

- Write down of assets, $149.480m, not budgeted. Details are provided above
- Supplies and consumables budget was $22.408m less than actual due to budget overestimation of the proportion of road contractor expenses capitalised. Total cash expended on capital and maintenance was in line with budget
- The budget for depreciation, $95.429m, was $7.163m higher than actual depreciation for 2010-11. The difference was due to the change in depreciation for sealed roads which resulted from the change in methodology, mentioned in the Key Findings and Developments section of this Chapter. In addition, the useful life of pavements increased for lower freight carrying road categories, resulting in a $1.247m reduction in actual depreciation expense compared to 2009-10. Budget assumed straight line growth in depreciation expense and did not anticipate changes to methodology or estimates.

STATEMENT OF FINANCIAL POSITION

	2011	2010	2009	2008
	Actual	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	17 190	37 627	48 301	91 558
Receivables	6 742	8 682	2 116	1 265
Other financial assets	37	105	5 101	3 970
Non-financial Assets				
Plant and equipment	23 806	23 588	12 078	12 536
Land and buildings	62 913	60 351	25 212	21 568
Road infrastructure	3 658 328	4 707 501	4 489 346	4 266 946
Other infrastructure	12 008	11 581	33 986	34 504
Intangibles	13 062	14 988	16 841	17 252
Other assets	1 169	1 713	2 616	1 126
Total Assets	**3 795 255**	**4 866 136**	**4 635 597**	**4 450 725**
Liabilities				
Payables	8 114	16 217	9 702	6 128
Employee entitlements	11 129	10 804	11 014	9 581
Other liabilities	5 947	3 360	1 179	4 712
Total Liabilities	**25 190**	**30 381**	**21 895**	**20 421**
Net Assets	**3 770 065**	**4 835 755**	**4 613 702**	**4 430 304**
Contributed capital	(120 514)	(81 865)	0	0
Reserves	1 080 374	2 079 563	1 993 359	1 782 411
Accumulated funds	2 810 205	2 838 057	2 620 343	2 647 893
Total Equity	**3 770 065**	**4 835 755**	**4 613 702**	**4 430 304**

Comment

As is evident from the Statement of Financial Position, the Department's assets are dominated by road infrastructure assets, totalling $3.658bn (or 96.4% of Total Assets) at 30 June 2011 (2010, 96.7%). During 2010-11 DIER continued major projects such as the Kingston bypass, Brighton transport hub, Brighton bypass and East Tamar Highway.

Total Equity reduced from $4.836bn to $3.770bn during 2010-11. The decrease of $1.066bn comprised:

- Net Deficit attributable to the State, $27.852m (2010, Surplus $171.184m),
- loss on revaluation of Road infrastructure, $999.189m,
- equity contribution to TasRail, $38.064m,
- equity contribution to Tasports, $0.585m.

The corresponding decrease in Net Assets at 30 June 2011 resulted in the following major line item movements:

- lower Cash and deposits, $20.437m, details of which are provided in the Statement of Cash Flows section of this Chapter

- decreased Road Infrastructure, $1.049bn, due primarily to:
  - revaluation decrement of land under roads and within road reserves, $621.221m,
  - revaluation decrement of roads, $506.429m, following the Department's change in valuation methodology for sealed roads. This comprised a $569.000m increase in accumulated depreciation less the annual indexing increment of $63.000m,
  - depreciation expense, $83.975m,
  - write off of replaced roads, $60.121m.

  offset by:
  - revaluation increment of bridges, $36.762m,
  - capital improvements, $37.826m,
  - additions to work in progress, $148.054m.
- lower Payables, $8.103m, primarily due to timing differences and less activity in June 2011 compared to June 2010. There were less major road projects, particularly the East Tamar highway which was nearly completed.

STATEMENT OF CASH FLOWS

	2010-11 Actual $'000s	2009-10 Actual $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s
Receipts from government - recurrent	105 005	93 756	96 443	94 879
Receipts from government - capital maintenance	74 282	90 686	78 485	69 868
Revenue from special capital investment funds	1 653	1 381	4 885	411
Grants	1 693	2 157	2 448	3 006
Sales of goods and services	1 572	1 336	1 035	994
Fines and regulatory fees	10 195	10 015	9 711	5 538
GST receipts	35 592	32 483	23 476	20 980
Other cash receipts	5 261	4 733	6 210	5 868
Payments to employees	(41 309)	(41 618)	(40 804)	(32 835)
Grants and subsidies	(64 804)	(61 536)	(59 173)	(53 119)
Payments to suppliers	(71 409)	(85 220)	(95 160)	(83 029)
GST payments	(33 216)	(34 715)	(24 445)	(21 116)
Other cash payments	(2 510)	(2 437)	(2 403)	(2 235)
Cash from operations	**22 005**	**11 021**	**708**	**9 210**
Receipts from government - capital	144 923	165 331	71 646	52 196
Revenue from special capital investment funds	8 815	13 470	10 480	16 188
Proceeds from disposal of assets	0	18	4	5
Payments for acquisition of assets	(195 129)	(202 314)	(101 095)	(82 248)
Receipts from government - TasRail	38 064	81 865	0	0
Receipts from government - Tasports	585	0	0	0
Equity transfers to other government entities	(38 649)	(81 865)	0	0
Cash from (used in) investing activities	**(41 391)**	**(23 495)**	**(18 965)**	**(13 859)**
Trust receipts	833	2 125	0	0
Urban Renewal and Heritage fund transfer	0	0	(25 000)	25 000
Trust Payments	(1 884)	(325)	0	0
Cash flows from (used in) financing activities	**(1 051)**	**1 800**	**(25 000)**	**25 000**
Net increase (decrease) in cash	**(20 437)**	**(10 674)**	**(43 257)**	**20 351**
Cash at the beginning of the year	37 627	48 301	91 558	71 207
Cash at end of the year	**17 190**	**37 627**	**48 301**	**91 558**

Comment

Cash at the end of the year decreased by $20.437m to $17.190m mainly because net capital investment in property, plant and equipment, mainly roads, of $41.391m was funded by cash generated from operations and cash reserves brought forward.

Positive cash generated from operations, $22.005m, approximates the Operating loss of $67.967m adjusted for depreciation charges of $88.266m. Cash from operations increased by $10.984m primarily due to lower Payments to suppliers, $13.811m, mentioned previously.

Reasons for variations in cash flow receipt and payment items reflect comments made previously in the Comprehensive Income Statement and Statement of Financial Position sections of this Chapter.

Payments for acquisition of assets, $195.129m comprised mainly:

- Kingston Bypass, $27.993m (2009-10, $8.229m),
- Brighton Transport Hub, $30.838m ($33.447m),
- Brighton Bypass, $58.224m ($78.928m),
- Dilston Bypass, $28.466m ($11.133m),
- Infrastructure development – continuing projects, $31.091m ($22.750m).

FINANCIAL ANALYSIS

	Bench Mark	2010-11	2009-10	2008-09	2007-08
Financial Performance					
Operating deficit ($'000s)		(66 967)	(74 983)	(84 081)	(72 592)
Own source revenue ($'000s)		18 575	16 522	21 920	15 402
Financial Management					
Debt collection	30 days	32	29	39	25
Creditor turnover	30 days	42	56	29	14
Capital Management					
Asset replacement ratio	100%	221%	226%	115%	102%
Asset renewal ratio	100%	54%	79%	76%	91%
Consumption ratio % - Roads	>60%	54%	68%	68%	68%
Consumption ratio % - Bridges *	>60%	72%	72%	73%	75%
Other Information					
Staff numbers (FTEs)		508	518	558	537
Average staff costs ($'000s)		82	80	76	63
Average Annual Leave balance per FTE (days)	20	21	22	20	18
Average Long Service Leave balance per FTE (days)	100	49	48	46	46

** provided by DIER not subject to audit*

Comment

Operating deficit was in line with prior years and with commentary provided in the Statement of Comprehensive Income section of this Chapter. The result was less than benchmark primarily due to the unfunded depreciation expense. Because depreciation was such a significant expense, it is expected that a deficit operating result will continue.

Own source revenue fluctuated over the four year period of the review. The increase in 2010-11 was attributable to reimbursement of costs associated with the Brighton Transport Hub from TasRail, $2.242m.

Debt collection varied over the four year period and in 2010-11 was higher than benchmark, although only by two days. Given the relatively small size of Receivables, this ratio fluctuated over the period without any particular reason.

Creditor turnover varied over the four year period. The ratio was affected by the amount of project activity undertaken by the Department with consequential impact on the size of contractor payments unpaid at balance date.

Asset replacement ratio was well in excess of benchmark in each of the past two years and above benchmark each year. This reflected the large amount of capital expenditure on new and existing roads over the four-year period.

Asset renewal ratio, which provides an indication whether investment in existing physical assets was in line with our expectation that they be replaced at least to the extent of the annual depreciation charge, was lower expected. The average ratio over the four year period was 75% indicating that, based on our 100% benchmark, the Department was under investing in existing assets to the extent of 25% on average per annum. It is acknowledged that this measure does not take into account the Department's annual maintenance program. Despite this the Department may need to increase its investment on existing road infrastructure. This has been confirmed by results from the consumption ratios for roads and bridges.

Consumption ratio for roads in 2010-11 indicated roads had almost reached the midpoint in terms of service potential. The ratio indicated capital expenditure on roads had not kept up with the associated depreciation charge. This conclusion supports our view that investment in existing roads may not be sufficient.

Consumption ratio for bridges was steady at an average of 73% over the four year period. This indicated that bridges had approximately 27% of their service potential remaining. However, the average age of Tasmanian bridges is 42.6 years with a useful life expectancy of most bridges of 70 to 100 years. A revaluation of bridges in 2011-12 should address this inconsistency. The ratio declined from 75% to 72% over the four year period primarily due to the Department adopting a parabolic depreciation methodology, under which consumption accelerates with age.

Staff numbers reduced by 10 FTE's in 2010-11. This reduction occurred across the Department.

Average staff costs generally increased over the four year period. The increase in 2010-11, only $0.002m, was primarily due to higher employer superannuation contributions which increased from 11% to 12.3%, effective 1 July 2010. This resulted in increased superannuation expense, $0.546m. The Department's total employee costs increased by only $0.142m in 2010-11 indicating successful steps taken to control this cost which represented 15.5% (2009-10, 14.9%) of total costs.

ADDITIONAL FINANCIAL INFORMATION

Administered Financial Transactions

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

Transactions administered by the Department included the Forest Practices Authority, taxi licences, motor vehicle registrations, drivers' licenses and mining royalties. Commentary below focuses only on the administered statement of income and expenses.

ADMINISTERED INCOME AND EXPENSES

	2010-11	2010-11	2009-10	2008-09
	Budget	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Receipts from government - recurrent	85 775	79 230	63 821	28 245
Grants	417	363	154	73 725
Sales of goods and services	41 299	52 385	40 133	33 863
Fines and regulatory fees	40 835	42 214	40 502	38 660
Other receipts	33	132	105	197
Total Revenue	**168 359**	**174 324**	**144 715**	**174 690**
Payments to employees	983	1 923	1 958	1 886
Depreciation and amortisation	1	27	22	15
Grants and subsidies	85 639	78 004	62 517	29 078
Other cash payments	718	2 296	1 898	2 055
Total Expenses	**87 341**	**82 250**	**66 395**	**33 034**
Net Surplus before:	**81 018**	**92 074**	**78 320**	**141 656**
Transfers to the consolidated fund	81 139	91 143	79 166	143 906
Receipts from government - capital	0	0	0	2 000
Net gain (loss) on financial and non-financial assets	1	(2)	360	446
Net Surplus (Deficit) attributable to the State	**(120)**	**929**	**(486)**	**196**
Comprehensive Surplus (Deficit)	**(120)**	**929**	**(486)**	**196**

Comment

Net Surplus of $92.074m was an improvement of $13.754m on the previous year's result. This improvement was primarily due to increased Sales of goods and services, $12.252m, caused mainly by higher mineral royalties received, $11.015m, as a result of better mining conditions in 2010-11. In addition, vehicle registration fees increased by $1.499m.

Major Grants and subsidies expended in 2010-11, based on allocations from Treasury, included:

- school bus operators route service subsidies, $23.234m (2009-10, $23.804m),
- Tasmanian Racing assistance grant, $27.510m ($27.000m),
- TasRail grant, $14,590m ($nil).

DEPARTMENT OF JUSTICE

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 11 August 2011. An unqualified audit report was issued on the same day.

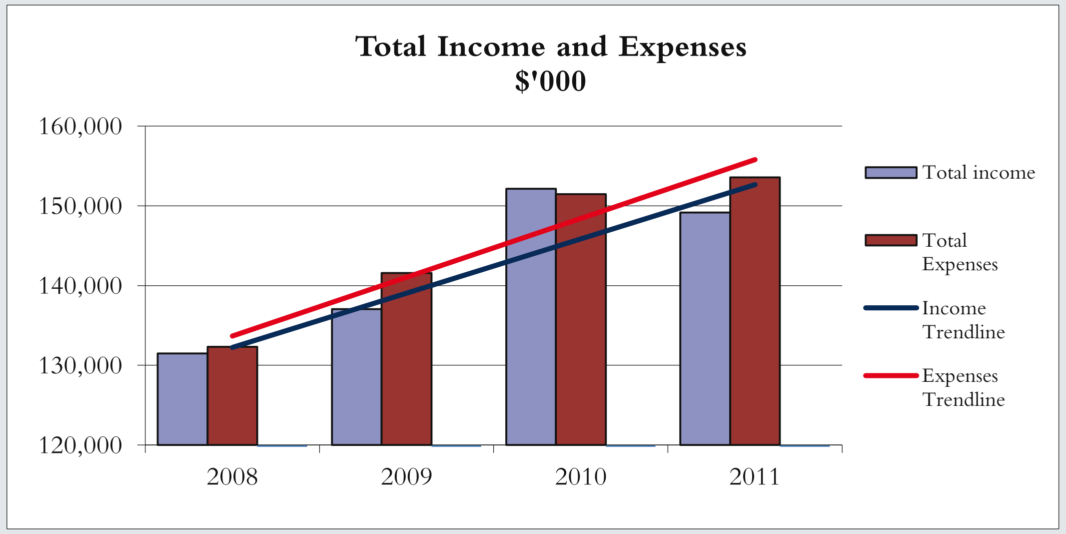
KEY FINDINGS AND DEVELOPMENTS

The Office of the Director of Public Prosecutions (ODPP) and the Integrity Commission became separate entities from the Department from 1 July 2010 and 1 October 2010, respectively.

A number of audit findings were raised with the Secretary and remedial action agreed with management. Those findings were all of a low risk nature except for the provision for impairment of administered receivables, rated as moderate risk, which was raised because the provision was not discounted nor was it determined in accordance with the Department's accounting policy.

The audit was completed satisfactorily with no other major items outstanding.

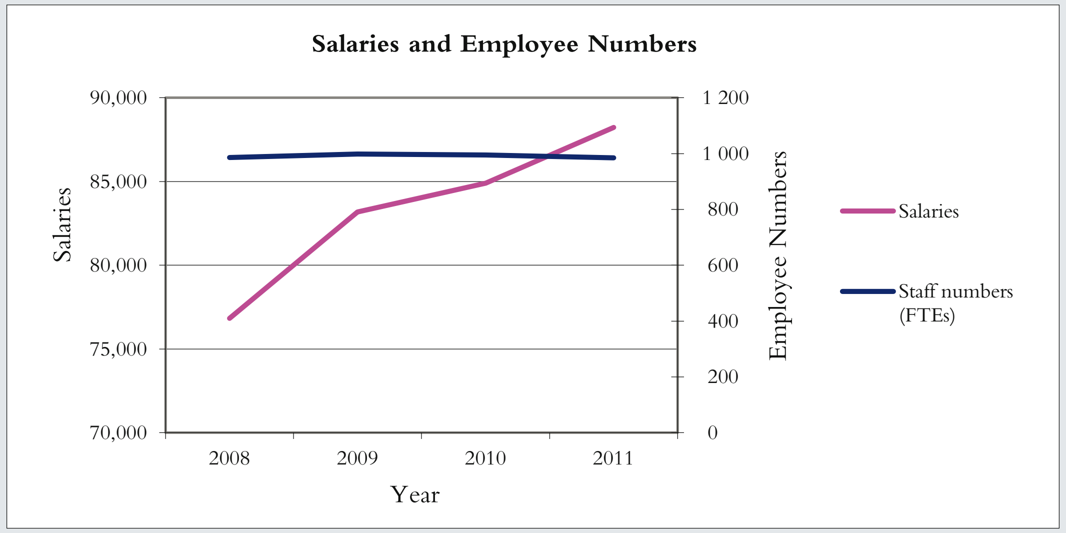
FINANCIAL RESULTS



Total expenses exceeded Total income in all four years except for 2010. This result would be expected, as Departments are not funded for depreciation and amortisation or increases in employee annual leave and long service leave provisions. The 2010 outlier is explained as being carried forward appropriation revenue for the purpose of capital expenditure on Risdon prison of $0.700m and grant payments under the Regional Planning Initiative of $0.266m. The trend lines indicate that Total expenses are increasing at a rate more rapid than Total income. The Department needs to monitor these trends.

Total income increased in three of the four years with the exception being 2010-11. Total income decreased from $152.118m in 2009-10 to $149.152m in 2010-11. This was the result of lower government appropriation revenue as 2009-10 included funding for the ODPP, $4.285m, and additional funding for Elections and Referendums, $1.800m.

Total expenses in 2010-11 were higher than the prior year due to increased employee costs as a result of the public sector wage agreement indexation and higher superannuation payments to the Department of Treasury and Finance. The graph below summarises employee costs and movements in full time equivalents staffing over the past four years.



There was a slight decrease in staff numbers between 2008 and 2011. Employee costs increased by 14.83%, or an average of 3.7% per annum, over the 4 years. As previously noted, this increase primarily represented public sector wage agreement indexation and higher payments to Treasury to cover Departmental employees in the defined benefits superannuation scheme.

COMPREHENSIVE INCOME STATEMENT

	2010-11 Budget $'000s	2010-11 Actual $'000s	2009-10 Actual $'000s	2008-09 Actual $'000s
Revenue from government - recurrent	124 891	128 136	129 884	118 784
Revenue from Special Capital Investment Funds	250	525	475	0
Sale of goods and services, fees and fines and grants	10 071	13 725	14 262	13 264
Other revenue	3 401	6 766	7 497	4 991
Total Revenue	**138 613**	**149 152**	**152 118**	**137 039**
Employee benefits	81 438	88 233	84 910	83 180
Depreciation and amortisation	4 364	4 556	4 407	4 450
Grants and subsidies	11 648	13 124	13 292	8 691
Impairment losses (gain)	0	(30)	647	131
Other expenses	46 409	47 681	48 199	45 120
Total Expenses	**143 859**	**153 564**	**151 455**	**141 572**
Net Surplus (Deficit) from transactions	**(5 246)**	**(4 412)**	**663**	**(4 533)**
Other economic flows included in net result				
Capital appropriations	0	0	0	11 905
Total other economic flows included in net result	**0**	**0**	**0**	**11 905**
Net Surplus (Deficit) attributable to the State	**(5 246)**	**(4 412)**	**663**	**7 372**
Other economic flows - other non-owner changes in equity				
Changes in physical asset revaluation reserve	0	0	0	21 522
Total other economic flows - other non-owner changes in equity	**0**	**0**	**0**	**21 522**
Comprehensive Surplus (Deficit)	**(5 246)**	**(4 412)**	**663**	**28 894**

Comment

In 2010-11 the Department's Net Deficit was $4.412m whereas it generated a small surplus of $0.663m in the prior year. The Net Deficit was in line with expectations varying by only $0.834m on the budgeted deficit of $5.246m.

Changes this year included:

- decreased revenue from Government – recurrent, $1.748m. Recurrent funding in 2009-10 was greater due to appropriation for the ODPP and funding for Parliamentary Elections and Referendums in that year
- lower income from the Sale of goods and services, fees and fines and grants, $0.537m. Less grants were received from non-government sources, $0.105m, and Sale of goods and services fell by $1.056m, mainly in the areas of commercial and civil fees. In addition, 2009-10 included funding of $0.150m to set up the Sentencing Advisory Council. These items were partially offset by increased Fees and fines of $0.634m in 2010-11
- lower Other revenue, $0.731m, due to inclusion in the prior year of cash received on behalf of third parties of the ODPP and cost recoveries for Local Government election funding
- increased Employee benefits, $3.323m, mainly due to additional superannuation payments and increased salary rates
- lower Other expenses, by $0.518m. This comprised lower supplies and consumables, $2.668m, offset by additional miscellaneous expenses, $1.707m, as well as a one-off contribution, $0.532m, for the transfer of Measurement Standards to the Australian Government Department of Innovation, Industry, Science and Research.

As noted previously, in 2010-11 the Net deficit from transactions was less than budget by $0.834m. The major variances were as follows:

- Revenue from government – recurrent exceeded budget by $3.245m because of Supplementary Appropriation for a budget initiative to expand enforcement activities undertaken by the Monetary Penalties Enforcement Service (MPES), Palmer Inquiry, Risdon Prison Maximum Security works and Interim Planning Schemes, Requests for Additional Funds for Prison overtime due to additional security events in 2010-11, Community Corrections cost pressures, additional Commonwealth grant funding for the Legal Aid Commission and the Seamless National Economy Project
- Sales of goods and services, fees and fines and grants exceeded budget by $3.654m, mainly due to additional revenues received by Workplace Standards for the Building Administration Fund and the Building Practitioner Accreditation and Electrical Safety Inspection Service which were not included in the 2010-11 budget
- Other revenue exceeded budget by $3.365m, significantly due to the one-off transfer of funds from ODPP's Confiscation of Profits account to the Victims of Crime Assistance Account
- Employee benefits exceeding budget by $6.795m largely due to additional superannuation payments required to be paid to the Department of Treasury and Finance for Superannuation Provision Account
- higher grants and subsidies payments, $1.476m, mainly due to grants paid as part of the Regional Planning Project which was not included in the budget.

STATEMENT OF FINANCIAL POSITION

	2011 Actual $'000s	2010 Actual $'000s	2009 Actual $'000s	2008 Actual $'000s
Financial Assets				
Cash and deposits	15 999	17 136	15 079	14 193
Receivables	1 712	4 016	3 060	2 267
Non-financial Assets				
Inventory	386	441	461	436
Property, plant and equipment	145 645	148 680	150 085	131 737
Intangibles	4 022	3 807	4 278	3 718
Total Assets	**167 764**	**174 080**	**172 963**	**152 351**
Liabilities				
Payables	3 059	2 992	3 288	4 192
Interest bearing liabilities	0	0	0	11 311
Employee entitlements	20 537	19 114	18 646	15 850
Other liabilities	1 261	2 380	2 098	961
Total Liabilities	**24 857**	**24 486**	**24 032**	**32 314**
Net Assets	**142 907**	**149 594**	**148 931**	**120 037**
Reserves	40 824	40 824	40 824	19 302
Accumulated funds	102 083	108 770	108 107	100 735
Total Equity	**142 907**	**149 594**	**148 931**	**120 037**

Comment

Total Equity declined in comparison to the prior year by $6.687m. This movement represented the 2010-11 comprehensive result and the administrative restructure. Net Assets moved accordingly with the major changes being:

- lower cash on hand, $1.137m, and Receivables, $2.304m, primarily representing the transfer of these assets to the ODPP
- decreased Property, plant and equipment, $3.035m, mainly because the Department invested $2.178m in new assets but this was exceeded by depreciation of $4.556m
- increased Intangibles, $0.215m, mainly due the capitalisation of software development costs
- higher employee entitlements, $1.423m, due to higher salary rates
- lower Other liabilities, $1.119m, as there was no carry-forward under Section 8A of the *Public Account Act 1986* in 2010-11.

STATEMENT OF CASH FLOWS

	2010-11 Actual $'000s	2009-10 Actual $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s
Receipts from government - recurrent	128 303	130 596	119 750	112 941
Sales of goods and services, fees and fines and grants	13 964	14 550	13 247	11 841
GST receipts	5 101	4 921	4 376	4 812
Other cash receipts	6 786	5 695	4 050	7 670
Payments to employees	(86 412)	(84 188)	(80 598)	(74 893)
Payments to suppliers	(59 323)	(61 852)	(54 384)	(49 900)
GST payments	(4 855)	(5 163)	(4 337)	(4 878)
Cash from (used in) operations	**3 564**	**4 559**	**2 104**	**7 593**
Receipts from government - capital	0	0	11 905	9 242
Payments for acquisition of assets	(2 178)	(2 502)	(1 845)	(2 022)
Cash outflow on administrative restructure	(2 524)	0	0	(315)
Cash from (used in) investing activities	**(4 702)**	**(2 502)**	**10 060**	**6 905**
Repayment of borrowings (including interest)	0	0	(11 278)	(8 741)
Cash (used in) financing activities	**0**	**0**	**(11 278)**	**(8 741)**
Net increase (decrease) in cash	**(1 137)**	**2 057**	**886**	**5 757**
Cash at the beginning of the year	17 136	15 079	14 193	8 436
Cash at end of the year	**15 999**	**17 136**	**15 079**	**14 193**

Comment

Cash generated from operations during 2010-11 of $3.564m, while lower by $0.995m compared to 2009-10, was generally in line with expectation. Our expectation is that cash generated from operations would be in line with the actual deficit from transactions adjusted for the annual depreciation and amortisation charge and movements in employee provisions and current receivables and payables which was the case with the Department.

Cash from operations funded approximately 60% of the Department's investment in new assets. The Cash outflow on administrative restructure, $2.524m, related to cash transferred from the Department to the ODPP and Integrity Commission.

Reasons for other variations in cash flow receipts and payment items are to a large extent the same as those already provided in the Statement of Comprehensive Income and Statement of Financial Position sections of this Chapter.

FINANCIAL ANALYSIS

	Bench Mark	2010-11	2009-10	2008-09	2007-08
Financial Performance					
Result from operations (deficit) ($'000s)		(4 412)	663	(4 533)	(816)
Own source revenue ($'000s)		20 451	21 604	17 645	16 302
Financial Management					
Debt collection	30 days	46	103	84	69
Creditor turnover	30 days	23	23	27	34
Capital Management					
Asset replacement ratio %	100%	53%	57%	41%	47%
Asset renewal ratio %	100%	53%	64%	N/A	N/A
Building consumption ratio %		95%	99%	N/A	N/A
Asset consumption ratio%		93%	97%	N/A	N/A
Other Information					
Staff numbers (FTEs)		977	992	998	999
Average staff costs ($'000s)		90	86	83	77
Average Recreational leave balance per FTE (days)	20	26	23	24	22
Average Long Service leave balance per FTE (days)	100	45	72	69	66

Comment

Own source revenue increased steadily over the four year period under review but declined slightly in 2010-11 due to lower commercial and civil fees and because 2009-10 included receipt of electoral recoveries.

Debt collection days worsened in the first three years but in 2010-11 improved to 46 days mainly because of the transfer of receivables to the ODPP. The current balance of receivables includes a large amount owing by one debtor which is over twelve months old that the Department is pursuing, as well as a number of other Crown Law and Court debtors.

Asset replacement and renewal ratios were well below benchmark in all years. This is not a major issue given the relatively small stock of assets held by the Department. The declines in 2010-11 were due to reduced capital expenditure and finalisation of projects in that year. Building and Asset consumption ratios remained high, indicating remaining service potential was high. To a significant extent these ratios were positively influenced by the relatively recent construction of Risdon Prison.

Average recreation leave balance per FTE remained relatively consistent over the period. The ratio tended to exceed benchmark because Corrective Services officers are, in accordance with the *State Service Act 2000*, entitled to hold up to 80 days annual leave.

ADDITIONAL FINANCIAL INFORMATION

Administered Financial Transactions

Administered transactions are those the Department manages on behalf of the Government.

The Department's administered statements primarily relate to the collection of revenue through the enforcement of monetary penalties, Supreme and Magisterial court services, Births, Deaths and Marriages, Maintenance of a fair, safe and equitable market place and the activities of WorkCover Tasmania Board.

ADMINISTERED INCOME AND EXPENSES

	2010-11 Budget $'000s	2010-11 Actual $'000s	2009-10 Actual $'000s	2008-09 Actual $'000s
Revenue from government - recurrent	1 755	1 732	1 755	0
Australian government grants	0	0	0	610
Sales of goods and services, fees and fines	38 551	22 706	33 565	36 944
Other revenue	5 257	8 408	5 945	6 207
Impairment gain on accounts receivable	0	10 917	12 711	0
Total Revenue	**45 563**	**43 763**	**53 976**	**43 761**
Grants and subsidies	2 555	1 939	1 755	43
Employee benefits	1 059	2 463	2 104	2 143
Depreciation and amortisation	0	2	2	0
Impairment losses	0	0	0	3 066
Other expenses	3 516	7 755	7 312	6 168
Total Expenses	**7 130**	**12 159**	**11 173**	**11 420**
Net Surplus	**38 433**	**31 604**	**42 803**	**32 341**
Transfer to Consolidated Fund	32 551	28 378	27 301	25 720
Comprehensive Surplus	**5 882**	**3 226**	**15 502**	**6 621**

Comment

The 2010-11 Comprehensive Surplus decreased by $12.276m compared to 2009-10. This was primarily due to lower income from fees and fines, which dropped by $10.859m, because of lower numbers of infringement notices issued, $4.304m and reassessment of remissions, $6.555m.

The Revenue from government – recurrent, $1.732m, related to funding for the Sullivan's Cove Waterfront Authority the payment of which was reflected in Grants and subsidies paid.

One of the Department's largest administered assets was Receivables for fees and fines outstanding at each 30 June. The table below summarises these Receivables, and related impairment assessments.

	2010-11	**2009-10**	**Variance**
	$'000s	$'000s	$'000s
Fines Collection Receivables	67 343	68 858	(1 515)
Provision for Impairment	(5 498)	(16 414)	10 916
Provision for expected remissions	(7 827)	(1 272)	(6 555)
Total	**54 018**	**51 172**	**2 846**

As can be seen from the table, the amount regarded as impaired improved significantly in each of the last two financial years. This was directly attributable to introduction of the *Monetary Penalties Enforcement Act 2005* (the Act) in April 2008 which resulted in improved collections. The Act changed the way monetary penalties, and specifically infringement notices, are issued and enforced.

The provision for expected remissions increased by $6.555m to $7.827m, due to a reassessment of the collectability of fees and fines.

DEPARTMENT OF POLICE AND EMERGENCY MANAGEMENT

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

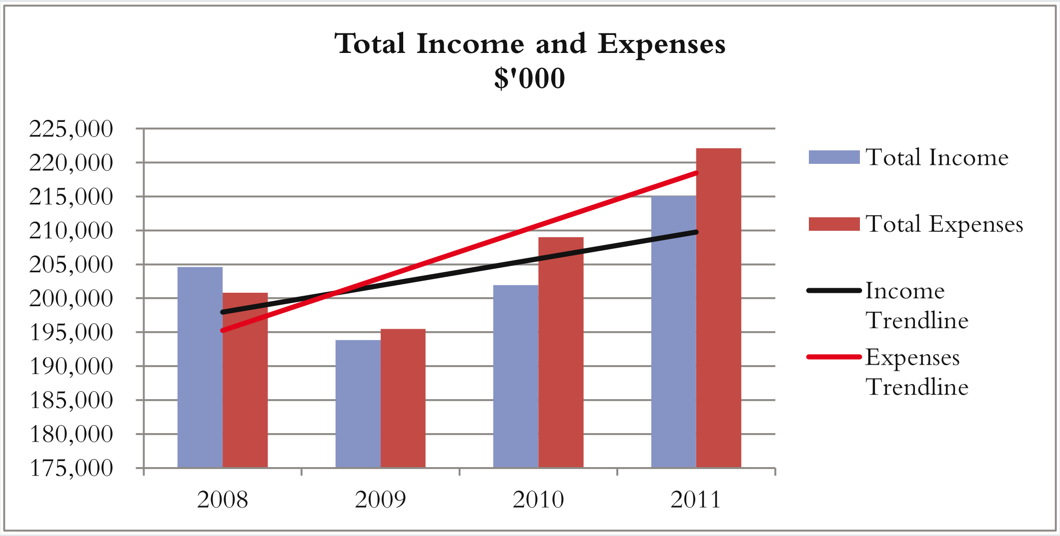
Signed financial statements were received on 11 August 2011. An unqualified audit report was issued on 31 August 2011.

KEY FINDINGS AND DEVELOPMENTS

The audit was completed satisfactorily with no other major items outstanding.

FINANCIAL RESULTS

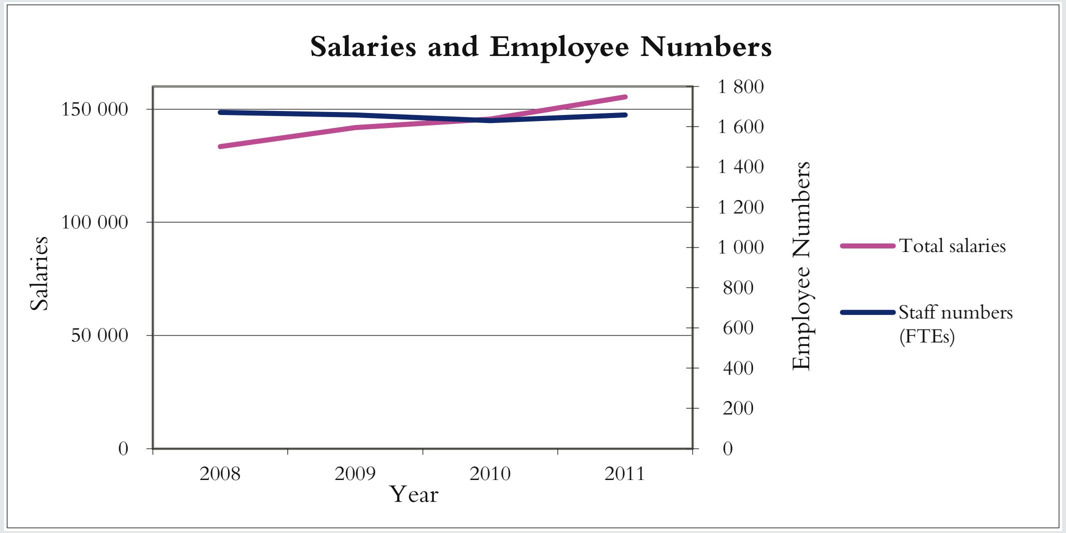
The following two graphs highlight important aspects of the Department of Police and Emergency Management's (the Department) operating activities:



Total income increased over the four year period by 5.0%, primarily due to additional appropriations. The components of Total income, other than appropriations, amount to less than 10.0% of the total.

Total expenses increased by 10.0%, over the four year period, higher than the growth in Total income mainly due to a 16% increase in employee costs, which are discussed in the next graph.

Total Revenue and Total Expenses in 2007-08 was high, as it included one-off Federal Government funding for Launceston Flood Levies, $11.553m.



Whilst employee numbers (FTE's) decreased marginally over the four year period, employee expenses increased 16.4%, an annual average of 4.1%. The increase was predominately due to public sector wage agreement indexation, including a new enterprise bargaining agreement in 2010-11. Salaries represented 78.87% of the annual appropriation in 2007-08 increasing to 80.51% in 2010-11, or relative additional annual salary costs of $3.167m.

COMPREHENSIVE INCOME STATEMENT

	2010-11	2010-11	2009-10	2008-09
	Budget	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from government				
Appropriation revenue - recurrent	190 283	193 073	180 513	180 579
Other revenue from Government	0	1 265	646	0
Grants	464	3 152	5 581	3 998
Other revenue	6 427	17 581	15 179	9 288
Total Revenue	**197 174**	**215 071**	**201 919**	**193 865**
Employee benefits	146 953	155 445	145 678	141 859
Depreciation and amortisation	5 375	6 599	5 235	4 715
Supplies and consumables	34 506	43 443	40 238	34 428
Grants and subsidies	1 997	3 284	5 119	2 550
Other expenses	13 605	13 340	12 725	11 915
Total Expenses	**202 436**	**222 111**	**208 995**	**195 467**
Net Surplus (Deficit) from transactions	**(5 262)**	**(7 040)**	**(7 076)**	**(1 602)**
Appropriation revenue - works and services	4 461	4 430	3 104	1 207
Net gain (loss) on sale of non-financial assets	0	(9)	0	(29)
Net gain (loss) on financial instruments and statutory receivables/payables	0	(52)	(282)	0
Net Surplus (Deficit) attributable to the State	**(801)**	**(2 671)**	**(4 254)**	**(424)**
Other Comprehensive Income				
Changes in physical asset revaluation reserves	4 671	3 891	8 016	21 043
Comprehensive Surplus (Deficit)	**3 870**	**1 220**	**3 762**	**20 619**

Comment

In 2010-11, the Department recorded a Net Deficit from transactions of $7.040m which was relatively consistent with the prior year result. As is the case with all departments, appropriation funding is not provided for Depreciation and amortisation, $6.599m (2009-10, $5.235m), and movement in employee benefits, $3.941m ($1.911m). Had these been fully funded the Department would have produced a net surplus of $3.500m ($0.070m). Compared on this basis, the improvement in 2010-11 was mainly due to increased Other revenue of $2.402m, because of a higher level of recoveries related to officer secondments to the Australian Federal Police or other jurisdictions, $1.810m, and increased reimbursement for helicopter evacuations, $0.453m.

Total Expenditure increased by $13.116m, predominately due to the increase in Employee benefits of $9.767m as a result public sector wage indexation, higher full time equivalent employees due to new police officer positions, as well as increased wages based upon the new enterprise bargaining agreement. Also, Supplies and consumables increased, $3.205m, due to higher helicopter expenses and Tasmanian Mobile Radio Network (TMRN) service fees.

Appropriations revenue for works and services, was mainly for the refurbishment of Bellerive Police Station, $4.430m.

The $3.891m asset revaluation increment arose from an upward revaluation of buildings offset by a small devaluation of land.

The reasons for major variations between the 2010-11 Budget and Actual figures are as follows:

- Grants revenue was above budget by $2.688m mainly due to a number of unbudgeted items including the marine reserve patrolling program, payments towards Automatic Vehicle Location (AVL) Stage 2, and receipt of funding for joint State/Australian Government exercises
- Other revenue was higher than originally budgeted by $11.154m due to unbudgeted revenue received for the continued secondment of officers to the Australian Federal Police and other jurisdictions, the TMRN Upgrade, seized and found money, helicopter reimbursement, and contracted revenue received to offset the costs of the TMRN service fees
- Supplies and consumables were above budget by $8.937m as a result of higher than expected helicopter expenses and increased TMRN service fees
- Grants and subsidies expenditure was $1.287m over budget mainly due to grant funding associated with the National Disaster Resilience Program and contributions to National police programs not budgeted.

STATEMENT OF FINANCIAL POSITION

	2011	2010	2009	2008
	Actual	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	6 978	7 092	10 401	9 209
Receivables	1 039	1 995	708	1 339
Other financial assets	942	547	0	0
Non-financial Assets				
Inventory	669	635	585	600
Assets held for sale	1 761	0	0	0
Property, plant and equipment	209 119	205 587	196 907	170 331
Other non-financial assets	795	607	1 170	2 087
Total Assets	**221 303**	**216 463**	**209 771**	**183 566**
Liabilities				
Payables	3 389	4 190	3 902	3 321
Employee benefits	47 905	43 964	42 053	37 944
Other liabilities	4 420	3 940	3 209	2 313
Total Liabilities	**55 714**	**52 094**	**49 164**	**43 578**
Net Assets	**165 589**	**164 369**	**160 607**	**139 988**
Accumulated funds	41 225	43 896	48 150	48 574
Reserves	124 364	120 473	112 457	91 414
Total Equity	**165 589**	**164 369**	**160 607**	**139 988**

Comment

Total Equity increased by $1.220m, being the Comprehensive result for the year. The corresponding increase in Net Assets mainly resulted in:

- lower Cash and deposits balance, down $0.114m, which is discussed further in the Cash Flow Statement section of this Chapter
- decreased Receivables, $0.956m, as a result of three significant invoices being raised towards the end of 2009-10
- increased Assets held for sale, $1.761m, as a result of land and buildings assets being approved for sale by the Minister
- increased Property, plant and equipment, $3.532m, mainly due to the revaluation of land and buildings, $3.891m, additions, $3.537m, and work-in-progress, $4.656m. These were partly offset by depreciation, $6.599m, and the reclassification of land and buildings as Assets held for sale, $1.761m,
- lower Payables, $0.801m, because of pay as you go tax being outstanding at 30 June 2010
- increased Employee benefits, $3.941m, mainly due to salary increases noted previously in the Comprehensive Income Statement section of this Chapter.

STATEMENT OF CASH FLOWS

	2010-11	2009-10	2008-09	2007-08
	Actual	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Receipts from government - recurrent	193 073	180 513	180 579	169 275
Revenue from government - other	1 504	1 265	646	0
Grants	3 152	5 654	4 458	18 062
GST receipts	6 317	5 682	6 358	5 831
Other cash receipts	18 267	13 605	10 079	16 445
Payments to employees	(152 733)	(143 574)	(136 010)	(132 180)
Payments to suppliers	(43 060)	(39 993)	(35 066)	(61 403)
Grants and transfer payments	(3 323)	(5 190)	(2 698)	0
Other cash payments	(13 145)	(12 596)	(12 385)	0
GST payments	(6 304)	(5 772)	(5 924)	(5 997)
Cash from (used in) operations	**3 748**	**(406)**	**10 037**	**10 033**
Revenue from government - works and services	4 430	3 104	1 207	1 000
Revenue from special capital investments	0	0	0	1 102
Proceeds from disposal of assets	0	0	13	122
Payments for acquisition of assets	(8 292)	(6 007)	(10 065)	(4 945)
Cash (used in) investing activities	**(3 862)**	**(2 903)**	**(8 845)**	**(2 721)**
Net increase (decrease) in cash	**(114)**	**(3 309)**	**1 192**	**7 312**
Cash at the beginning of the year	7 092	10 401	9 209	1 897
Cash at end of the year	**6 978**	**7 092**	**10 401**	**9 209**

Comment

During 2010-11 Cash decreased $0.114m to $6.978m, despite an increase in Cash from operations of $4.154m from the prior year.

The increase in operating cash flow of $4.154m was primarily due to:

- higher Recurrent receipts from government, $12.560m, to cover public sector wage indexation and a new Police enterprise bargaining agreement
- increased Other cash receipts, $4.662m, as a result of a higher level of secondments to the Australian Federal Police or other jurisdictions, greater number of helicopter call outs and significant invoices included as receivables at 30 June 2010 received in 2010-11.

The higher receipts were off set by increases in Payments to employees, $9.159m.

The Department invested $8.292m in its assets, mainly for the refurbishment of police stations. This was up $2.285m on the prior period, and funding for capital works increased by $1.326m, to contribute to the refurbishment project.

FINANCIAL ANALYSIS

	Bench Mark	2010-11	2009-10	2008-09	2007-08
Financial Performance					
Result from operations ($'000s)		(7 040)	(7 076)	(1 602)	3 802
Own source revenue ($'000s)		17 581	15 179	9 288	11 696
Financial Management					
Debt collection	30 days	14	41	28	29
Creditor turnover	30 days	21	31	38	25
Capital Management					
Asset replacement ratio	100%	126%	115%	213%	110%
Asset renewal ratio	100%	92%	65%	78%	77%
Other Information					
Staff numbers (FTEs)		1 635	1 631	1 658	1 672
Average staff costs ($'000s)		95	89	86	80
Average Recreational Leave balance per FTE (days)	30*	30	30	31	30
Average Long Service Leave balance per FTE (days)	100	34	33	48	47

** Police officers are entitled to 30 annual leave days*

Comment

Comments on Results from operations and Own source revenue are included in the Comprehensive Income Statement section of this Chapter.

Debt collection days were better than benchmark in all years except 2009-10. The spike in that year predominately related to three significant invoices raised in June 2010.

Creditor turnover was worse than benchmark in two out of the four years under review. The improved position at 30 June 2011 was a result of the lower Payables balance at this date because the pay as you go tax liability was settled prior to year end.

Asset replacement ratio was well in excess of benchmark in all years reflecting the large amount of capital expenditure on new and existing buildings as a result of the Department's refurbishment program.

Asset renewal ratio was consistently below benchmark in all years. This indicates the Department's investment in existing assets, predominately buildings, may not be adequate. However, this measure does not take into account the Department's maintenance program.

Staff numbers declined slightly over the period but there was an upward trend in Average staff costs because of award increases.

ADDITIONAL FINANCIAL INFORMATION

Administered Financial Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Comprehensive Income Statement, Statement of Financial Position or Statement of Cash Flows and relate primarily to Commonwealth recurrent grants for emergency management, Police Academy board payments, firearms registration and licence fees.

ADMINISTERED INCOME AND EXPENSES

	2010-11	**2010-11**	**2009-10**	**2008-09**
	Budget	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Grants	342	0	250	160
Sales of goods and services	344	213	177	305
Fees and fines	0	517	545	470
Total Revenue	**686**	**730**	**972**	**935**
Transfer to Consolidated Fund	686	730	972	935
Net Surplus (Deficit) attributable to the State	**0**	**0**	**0**	**0**
Comprehensive Result	**0**	**0**	**0**	**0**

Comment

The variance between Budget and Actual for Grants revenue was because the budget included an amount for the State Support Package program that ceased in 2010-11. This also accounted for the reduction in the Grants revenue from prior year.

All administered income was transferred to the Consolidated Fund.

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2011 and an unqualified audit report was issued on 25 August 2011.

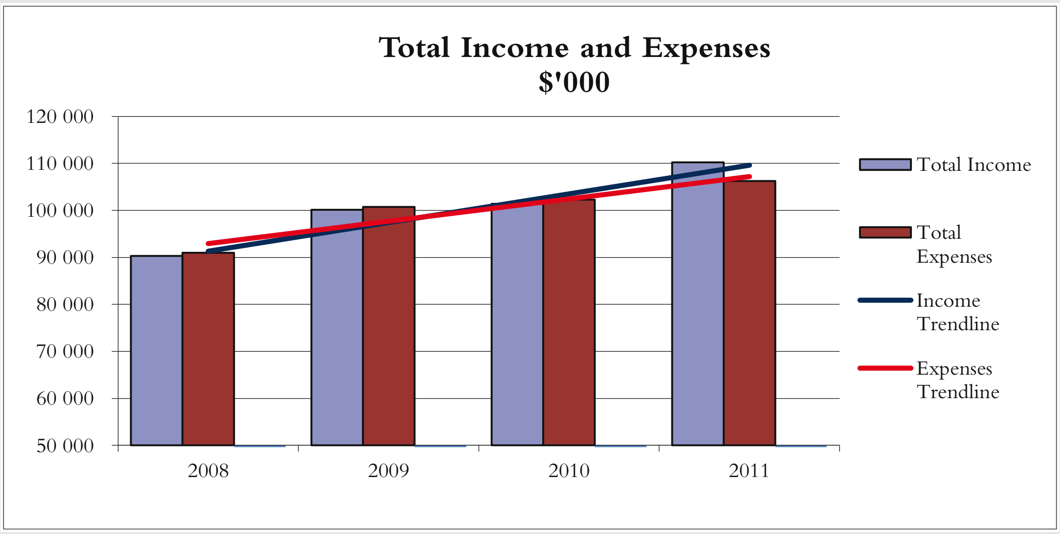
KEY FINDINGS AND DEVELOPMENTS

IT Transformation Project

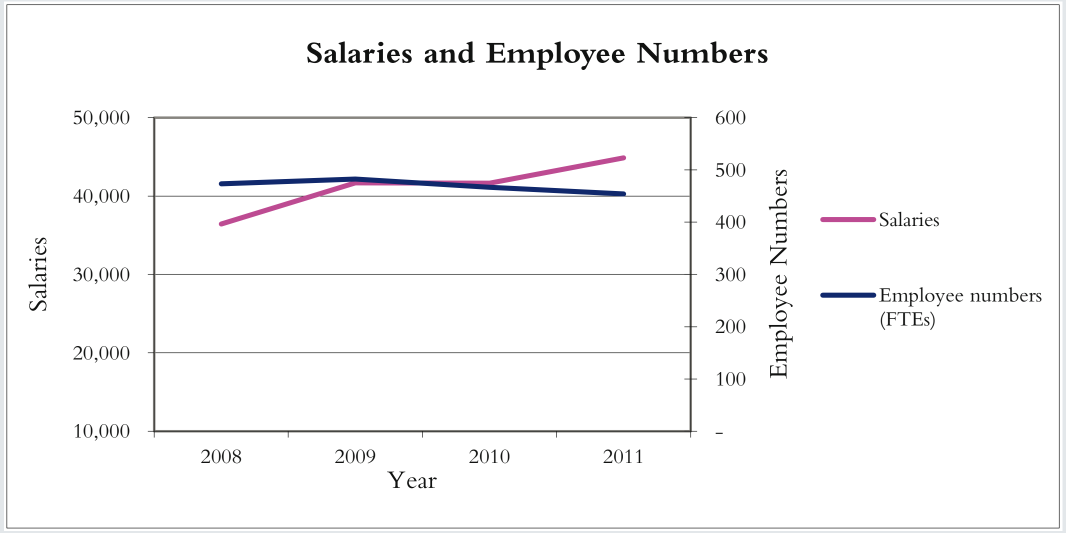
In 2008, the Government announced an Information Technology (IT) Transformation Project aiming at improving the way government services are delivered. A report into Reforming the Management of Information and Communication Technology in the Tasmanian Public Sector, finalised in January 2009, proposed a number of changes to the way information and communication technology services are delivered and managed. Current services will continue to be provided and the changes to IT management will be implemented incrementally. The Government committed over $8.900m to this project, with $4.653m provided in the current year and further funding of $2.807m and $1.501m budgeted for 2011-12 and in 2012-13 respectively. The initial focus is on email and identity management and restructure and refocus of TMD, as the Government's central IT service provider, to ensure it can support the delivery of the new services.

The audit was completed satisfactorily with no major items outstanding.

FINANCIAL RESULTS



Total Income grew by 22.1% between 2008 and 2011, with the majority of the increase attributed to appropriations, followed by an increase in revenue from the Department's commercial operations, mainly the provision of telecommunication services. Total Expenses grew by 16.8% over the same period, with the largest increase being employee costs at 23.2%. Overall, the Department's income and expenses were closely aligned throughout the four-year period under review. The positive result achieved in the current year was due to timing of the IT Transformation Project funding received by TMD, which was in an early phase of its implementation at the end of 2010-11.



Salaries grew by 23.2% over the last four years due to a combination of annual and structural adjustment increases under the Public Service Wage Agreement, other increments and staff changes. Staff numbers peaked to average 482 FTEs in 2009 and declined to average 454 FTEs in 2011. The decrease over the last two years was a result of staff changes following the March 2010 State election and Voluntary Target Employee Separation Arrangements (VTESA).

COMPREHENSIVE INCOME STATEMENT

	2010-11	2010-11	2009-10	2008-09
	Budget	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from government	70 850	77 968	68 761	67 858
Revenue from Special Capital Investment Funds	0	724	1 107	1 693
Grants	12	176	284	424
Sale of goods and services	33 531	30 333	30 520	29 044
Other revenue	0	996	716	1 110
Total Income	**104 393**	**110 197**	**101 388**	**100 129**
Employee benefits	39 040	44 887	41 640	41 675
Supplies and consumables	44 716	36 173	35 262	35 836
Transfers to Service Tasmania lead agencies	9 080	11 202	11 008	10 520
Other transfer payments	962	1 280	3 665	2 585
Grants and subsidies	5 036	8 896	6 509	6 160
Depreciation and amortisation	1 190	956	958	889
Other expenses	4 311	2 851	3 242	3 059
Total Expenses	**104 335**	**106 245**	**102 284**	**100 724**
Net Surplus (Deficit) from transactions	**58**	**3 952**	**(896)**	**(595)**
Contributions provided	0	(215)	0	0
Net gain(loss) on non-financial assets	0	0	(113)	(5)
Net Surplus (Deficit) attributable to the State	**58**	**3 737**	**(1009)**	**(600)**
Other Comprehensive Income				
Asset revaluation increment	0	0	0	83
Comprehensive Surplus (Deficit)	**58**	**3 737**	**(1009)**	**(517)**

Comment

The Department recorded a Net Surplus from transactions of $3.952m in 2010-11, compared to a Net Deficit of $0.896m in 2009-10. The turnaround of $4.848m was mainly due to funding received by TMD for the IT Transformation Project, $4.653m, which was only in an early phase of its implementation at the end of 2010-11.

The overall increase in Revenue from government, $9.207m, apart from the IT Infrastructure Project funding, was mainly due to the following:

- establishment of the Electricity Industry Supply Review Panel to review the Tasmanian electricity supply industry, $1.234m,
- implementation of the Sullivans Cove Masterplan, $0.727m,
- Local Government Reform Fund projects, including *Development of Local Government*, $0.256m, and *Future Proofing Tasmania's Councils*, $0.100m,
- to fund annual wage increases under the Public Service Wage Agreement and additional staff for the Electricity Industry Expert Panel and the IT Transformation Project
- to fund increased payments under the Premier's Sundry Grants Program[1] totalling $2.315m, up $1.474m, and Community Development Grants, up $0.526m.

Contributions provided represented the value of heritage assets transferred to the Office of the Governor, $0.200m, and the Department of Treasury and Finance (Treasury), $0.015m.

The Department budgeted for a Comprehensive surplus of $0.058m. The actual surplus in 2010-11 was $3.737m. The favourable variance, $3.679m, was a result of additional Revenue from Government, $7.118m, to fund additional programs and activities. This was partially offset by a fall in Sales of goods and services, $3.198m, as demand for services provided by TMD declined due to budget management strategies implemented throughout the Government. The higher surplus was also caused by funding for the IT Transformation Project, which, as noted previously, was in an early phase of its implementation at the end of 2010-11.

1 Auditor-General Special Report No.98 Premier's Sundry Grant Program and Urban Renewal and Heritage Fund tabled in Parliament in June 2011 assessed the expenditure incurred in recent years and compliance with the approved protocols and budgets.

STATEMENT OF FINANCIAL POSITION

	2011	2010	2009	2008
	Actual	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	10 278	5 902	4 695	3 684
Receivables	4 770	4 909	5 153	5 291
Non-financial Assets				
Property, plant and equipment	3 828	3 412	3 998	4 014
Other non-financial assets	2 816	2 660	3 104	3 478
Total Assets	**21 692**	**16 883**	**16 950**	**16 467**
Liabilities				
Payables	2 522	2 488	2 795	2 646
Interest bearing liabilities	227	915	0	0
Employee entitlements	10 416	9 007	9 346	8 030
Other liabilities	2 492	2 175	1 502	1 967
Total Liabilities	**15 657**	**14 585**	**13 643**	**12 643**
Net Assets	**6 035**	**2 298**	**3 307**	**3 824**
Accumulated funds	6 025	2 118	3 127	3 727
Reserves	10	180	180	97
Total Equity	**6 035**	**2 298**	**3 307**	**3 824**

Comment

Total Equity increased by $3.737m, being the Comprehensive result for the year. The corresponding increase in Net Assets was driven mainly by:

- higher Cash and deposits balance, up $4.376m, which is discussed further in the Cash Flow Statement section of this Chapter
- net increase in Property, plant and equipment of $0.416m, comprising:
  - fixed assets additions, $1.007m, including computer software, $0.496m, hardware, $0.488m, and leasehold improvements, 0.023m,
  - work in progress for leasehold improvements at 15 Murray Street, $0.580m. The project will be completed in 2011-12
  - transfer of heritage assets, $0.215m, and deprecation and amortisation expenses, $0.956m,
- reduced Interest bearing liabilities, down $0.688m, as a result of the Department repaying $0.688m of its VTESA debt
- higher Employee entitlements and Other liabilities, up $1.409m and $0.317m, respectively, reflecting a growth in annual and long service leave balances and corresponding on-costs.

STATEMENT OF CASH FLOWS

	2010-11	2009-10	2008-09	2007-08
	Actual	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Receipts from government	78 208	69 322	67 673	60 434
Receipts from Special Capital Investment Fund	724	1 099	1 702	1 520
Grants	176	284	422	51
Sale of goods and services	30 506	30 966	29 185	26 660
GST receipts	6 668	6 461	6 411	6 153
Other cash receipts	1 016	620	1 112	915
Employee benefits	(43 440)	(41 847)	(40 637)	(35 614)
GST payments	(6 727)	(6 452)	(6 404)	(6 124)
Supplies and consumables	(36 628)	(35 363)	(38 049)	(34 068)
Other cash payments	(23 853)	(24 427)	(19 610)	(20 056)
Cash from (used in) operations	**6 650**	**663**	**1 805**	**(129)**
Proceeds from disposal of assets	0	0	0	8
Payments for acquisition of non-financial assets	(1 586)	(371)	(794)	(703)
Cash from (used in) investing activities	**(1 586)**	**(371)**	**(794)**	**(695)**
Proceeds from borrowings	0	915	0	0
Repayment of borrowings	(688)	0	0	0
Cash from (used in) financing activities	**(688)**	**915**	**0**	**0**
Net increase (decrease) in cash	**4 376**	**1 207**	**1 011**	**(824)**
Cash at the beginning of the year	5 902	4 695	3 684	4 508
Cash at end of the year	**10 278**	**5 902**	**4 695**	**3 684**

Comment

The Department increased its cash balance by $4.376m to $10.278m at 30 June 2011. This increase was caused predominantly by unspent funding for the IT Transformation Project.

Reasons for variations in cash flow amounts mostly reflect comments made previously in the Comprehensive Income Statement and Statement of the Financial Position sections of this Chapter.

FINANCIAL ANALYSIS

	Bench Mark	2010-11	2009-10	2008-09	2007-08
Financial Performance					
Result from operations ($'000s)		3 952	(896)	(595)	(677)
Own source revenue ($'000s)		31 329	31 236	30 154	28 239
Financial Management					
Debt collection	30 days	25	45	52	56
Creditor turnover	30 days	19	18	20	21
Capital Management					
Asset Investment Ratio*	100%	N/A	N/A	N/A	N/A
Asset Renewal Ratio*	100%	N/A	N/A	N/A	N/A
Total Asset Consumption Ratio *		N/A	N/A	N/A	N/A
Employee Information					
Average staff numbers (FTEs)		454	466	482	473
Average staff costs ($'000s)		99	89	86	77
Average Recreational Leave balance per FTE (days)	20	18	15	18	18
Average Long Service Leave balance per FTE (days)	100	40	33	39	38

* *Asset Investment Ratio, Asset Renewal Ratio and Total Asset Consumption Ratio are not applicable to the Department.*

Comment

The growth in Own source revenue over the past four years was mainly driven by revenues generated by TMD, *Service Tasmania* transaction fees and revenue from the Training Consortium. The growth slowed in 2010-11 due to budget management strategies implemented throughout the Government.

The time it took the Department's customers to pay invoices more than halved from average 51 days between 2007-08 and 2009-10 to 25 days in 2010-11. To a degree, Debt collection days was affected by the timing of billing cycles. However, the improvement is largely attributed to a requirement imposed on government agencies to strictly adhere to credit terms. Creditor turnover remained fairly steady at around 19 days.

Average staff numbers (FTE) decreased over the last two years, resulting from the staff changes following the March 2010 State election and VTESA, previously mentioned. Average staff costs increased in line with the public service wage annual increments. Average leave balances, expressed in days due, slightly increased in 2010-11.

ADDITIONAL FINANCIAL INFORMATION

Administered Financial Transactions

Administered transactions are those the Department manages on behalf of the Government. These transactions are not shown in the Department's Statements of Comprehensive Income, Financial Position or Cash Flows.

From 1 October 2010, the Department assumed the administrative responsibility for the Tasmanian Community Fund (TCF) from Treasury. This change was not budgeted for.

ADMINISTERED INCOME AND EXPENSES

	2010-11 Budget $'000s	2010-11 Actual $'000s	2009-10 Actual $'000s	2008-09 Actual $'000s
Receipts from government	0	5 617	18 000	15 000
Grants and transfer payments	0	0	0	19 200
Other revenue	0	0	0	8
Total Revenue	**0**	**5 617**	**18 000**	**34 208**
Transfers to the Consolidated Fund	0	0	0	8
Tasmanian Community Forest Agreement	0	0	19 911	41 400
Tasmanian Community Fund		5 617		
Total Expenses	**0**	**5 617**	**19 911**	**41 408**
Net Deficit Attributable to the State	**0**	**0**	**(1 911)**	**(7 200)**
Comprehensive Deficit	**0**	**0**	**(1 911)**	**(7 200)**

Comment

Receipts from government in 2010-11 were solely for the purpose of funding the TCF. The Department transferred all the receipts to the TCF in 2010-11, resulting in a Nil Comprehensive result.

In previous years, the Department administered the State's and Commonwealth's contributions under the Tasmanian Community Forest Agreement (TCFA) and payments to Forestry Tasmania.

The reserved by law appropriation budget for the transfer of funding to the TCF was nil, as the original budget amount was included in the Treasury's budget.

DEPARTMENT OF PRIMARY INDUSTRIES, PARKS, WATER AND ENVIRONMENT

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2011 with an unqualified audit report issued on 25 August 2011.

KEY FINDINGS AND DEVELOPMENTS

The audit was completed satisfactorily with no major items outstanding.

Water Infrastructure Fund

In 2008 the State government established an $80.000m Water Infrastructure Fund to enable major investment in the State's irrigation infrastructure. This year, the Department made a $21.536m equity payment to Rivers and Water Supply Commission (RWSC) and received repayment of a previous equity contribution of $6.710m which was paid into the Water Infrastructure Fund. The repayment was sourced from the sale of water rights in connection with the Meander Valley Pipeline Extension project. The table below provides a summary of the Water Infrastructure Fund since its establishment:

Water Infrastructure Fund	**2010-11**	**2009-10**	**2008-09**
	$'000's	$'000's	$'000's
Opening balance at 1 July	48 052	62 076	0
Initial contribution	0	0	80 000
Receipts from government	1 356	18 015	0
Equity contributions paid to RWSC	(21 536)	(21 890)	(14 224)
Grants paid	(6 140)	(10 149)	(3 700)
Equity contribution repayments received from RWSC	6 710	0	0
Closing balance at 30 June	**28 442**	**48 052**	**62 076**

Management of existing assets

The Department may be under investing in existing assets as evidenced by an asset renewal ratio of 38% in 2010-11 and it has been well under the capital management benchmark for asset renewal in each of the last three years, as highlighted in the Financial Analysis section of the Chapter. However, this lack of capital expenditure on existing assets would in part be compensated by various maintenance programs operated by the Department.

Princes Wharf Renewal Project

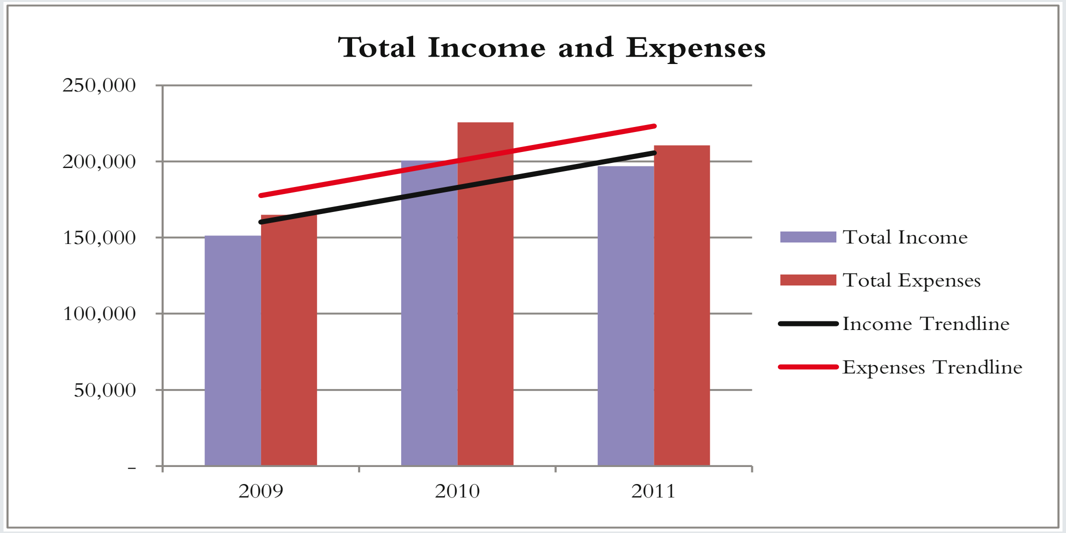
In December 2008 the Government announced plans for the renewal of Princes Wharf Shed No 1 and its surrounds as part of the redevelopment of Hobart's waterfront. The project aimed at increasing usage of the site by improving public access and its amenities and facilities. The estimated costs were $15.635m, excluding public consultation and design costs. The project was completed in the second half of 2011.

The Department controlled the asset, despite the renewal project being funded and managed by Treasury. The value of the structure was written down to $Nil in 2006-07, based on a valuation by the Office of the Valuer-General. After the redevelopment, the structure was revalued to $2.700m. The table below provides details of the project funding until 2010-11, including funding for public consultation and design costs, but excluding final construction costs which were paid in early 2011-12.

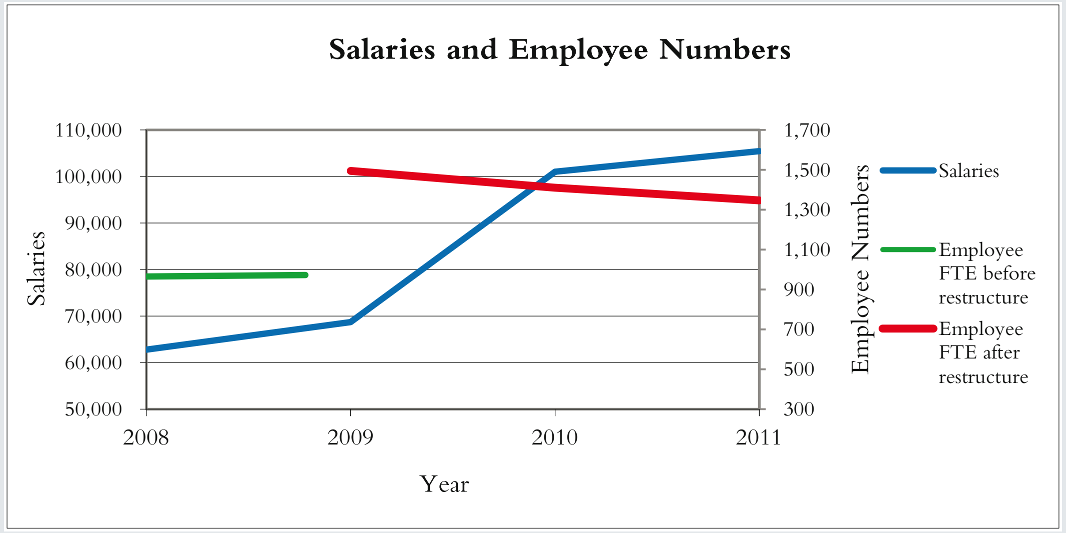
Princes Wharf Renewal Project Funding	**2010-11**	**2009-10**	**2008-09**	**Total**
	$'000's	$'000's	$'000's	$'000's
Department of Treasury and Finance				
Urban Renewal and Heritage Fund	0	1 717	347	2 064
Department of Treasury and Finance - Finance -General				
Urban Renewal and Heritage Fund	8 512	164	0	8 676
Crown Lands Administration Fund	2 600	0	0	2 600
Recurrent appropriation	1 792	0	0	1 792
Project Costs	**12 904**	**1 881**	**347**	**15 132**

FINANCIAL RESULTS

The following two graphs summarise aspects of the Department's financial performance.



Total Income declined by 2%, while Total Expenses dropped by 7%, in 2010-11. This was as a result of lower appropriation due to the cessation of, or reduction in, programs carried out by the Department. The increase in both income and expenses in 2009-10 was largely due to the Department taking on some functions of the former Department of Environment, Parks, Heritage and Arts (with the exception of Arts Tasmania and the Tasmanian Museum and Art Gallery). The graph indicates that in all three years under review, operating expenses were in excess of operating revenue. This is an expected result, as Departments are not funded for depreciation and increases in employee entitlements. On average, there was a steady increase in both income and expenses over the three year period and the deficit was in proportion to the increase in transactions.



The sharp increase in salaries in 2010 was predominantly due to the restructure of the Department effective 1 July 2009. This was followed by a rationalisation of some functions, which resulted in a reduction in employee numbers in both 2010 and 2011. However, salaries increased marginally despite the smaller workforce, mainly due to an annual indexation of salaries and wages, other increments and an increase in the rate of superannuation contribution for employees in the defined benefit scheme.

COMPREHENSIVE INCOME STATEMENT

	2010-11 Budget $'000s	**2010-11** Actual $'000s	**2009-10** Actual $'000s	**2008-09** Actual $'000s
Revenue from government - recurrent	143 755	143 741	145 904	93 860
Revenue from government - capital works & services	556	556	1 056	0
Revenue from special capital investment funds - recurrent	2 092	2 020	3 813	0
Grants	539	3 835	4 347	21 209
Sales of goods and services	13 874	13 641	14 287	2 701
Fees and fines	7 708	8 275	8 097	6 502
Interest revenue	1 776	1 816	1 602	1 042
Other revenue	18 514	22 920	21 513	26 014
Total Revenue	**188 814**	**196 804**	**200 619**	**151 328**
Employee benefits	102 233	105 467	101 048	68 685
Depreciation and amortisation	9 135	10 021	10 230	2 687
Grants and subsidies	29 755	23 291	40 527	38 988
Supplies and consumables	54 739	60 486	58 301	42 441
Other expenses	11 190	11 258	15 557	12 199
Total Expenses	**207 052**	**210 523**	**225 663**	**165 000**
Net Surplus (Deficit) from transactions	**(18 238)**	**(13 719)**	**(25 044)**	**(13 672)**
Other economic flows included in net result				
Revenue from government - capital	400	500	4 000	500
Revenue from Special Capital Investment Funds	2 060	495	2 262	506
Revenue from government - Water infrastructure fund	0	1 356	18 015	0
Gain (loss) on sale of non-financial assets	0	(251)	1 551	1 599
Contributions received	15 000	20 544	16 111	1 864
Contributions provided	0	(12 620)	(21 802)	(208)
Transfer to Administered funds	(29 000)	(5 000)	(42 000)	(17 900)
Total other economic flows included in net result	**(11 540)**	**5 024**	**(21 863)**	**(13 639)**
Net Surplus (Deficit) attributable to the State	**(29 778)**	**(8 695)**	**(46 907)**	**(27 311)**
Other economic flows - other non-owner changes in equity				
Changes in physical asset revaluation reserve	2 419	11 600	77 543	(421)
Change in estimate of non-financial assets	0	(83)	(28 220)	(7 179)
Net gain (loss) of financial instruments	0	(104)	128	(17)
Total other economic flows - other non-owner changes in equity	**2 419**	**11 413**	**49 451**	**(7 617)**
Comprehensive Surplus (Deficit)	**(27 359)**	**2 718**	**2 544**	**(34 928)**

Comment

In 2010-11 the Department reported a Net Deficit from transactions, $13.719m, which was an improvement of $11.325m on the previous year's deficit of $25.044m. The improved result was achieved mainly through:

- lower Grants and subsidies, $17.236m, attributable to cessation of, or reduction in, payments under various grant programs, including Drought Relief, Urban Renewal and Heritage Fund, Agricultural Research Centres and Dairy Assistance. Grants from the Water Infrastructure Fund to Rivers and Water Supply Commission were $4.010m lower and the administration of payments to Natural Resource Management organisations, $5.700m in 2009-10, was transferred to Finance-General within the Department of Treasury and Finance (Treasury)
- a reduction in Other expenses, $4.299m, primarily due to a decrease in covenant costs and agreement fees, $5.646m, to landowners who placed covenants on their land for nature conservation purposes.

The above factors were partly offset by:

- a decline in recurrent revenue from government, $2.163m, due to the net impact of new policy initiatives, changes in fixed term funding programs and budget savings requirements
- lower capital appropriation, $0.500m, as well as less revenue from Special Capital Investment Funds (SCIF), $1.800m, reflecting the wind down and cessation of programs discussed previously
- higher Employee benefits, $4.419m, due to a combination of annual and structural adjustment increases under the Public Service Wage Agreement, other increments and an increase in superannuation contributions for defined benefit scheme members to 12.3%. The increased costs were partly offset by a decrease in voluntary separation payments, $3.071m, as the majority were paid in 2009-10.

Net deficit attributable to the State was $8.695m for the year, compared to a much large deficit of $46.907m reported in 2009-10. This year's result was largely affected by:

- a fall in capital and SCIF funding, $5.267m, following the wind down of capital projects
- lower appropriation into the Water Infrastructure Fund, $16.659m,
- an increase in net contributions, $13.615m, following an increase in Contributions received of $4.433m and a decrease in Contributions provided of $9.182m. Contributions received represented fair value of Conservation Areas proclaimed through the year, $8.745m, and Crown Land transferred to the Department prior to disposal either by sale through the Crown Land Administration Fund (CLAF) or transfers as part of the Crown Land Assessment and Classification (CLAC) project. Contributions provided represented mainly the value of Crown land transferred from the Department to local government under CLAC
- lower transfers from CLAF to Administered funds, $37.000m.

The Net Deficit of $8.695m was offset by a revaluation increment related predominantly to buildings and associated land, $11.600m, which resulted in Comprehensive Surplus for the year of $2.718m.

The budgeted Net Deficit attributable to the State of $29.778m differed from the actual result of $8.695m by $21.083m. The difference was mainly due to:

- higher Grants received, $3.296m, due to administrative responsibilities for various programs being transferred to the Department, and industry and private sector contributions not included in the original estimates
- higher Other revenue, $4.406m, due to reimbursements of expenses not budgeted such as insurance recoveries
- lower Grants and subsidies paid, $6.464m, mainly due to a change in the administration of payment to Natural Resources Management organisations discussed previously
- higher Contributions received, $5.544m, due to the recognition of land identified during the year
- lower Transfer to Administered funds, $24.000m, due to a reduction in the amount available to be transferred from CLAF to the Consolidated Fund.

The above factors were partly offset by:

- higher Employee benefits, $3.234m, due to greater than expected salary, annual and long service leave expenses
- Contributions provided, $12.620m, mainly related to land transferred to local government under the CLAC project.

STATEMENT OF FINANCIAL POSITION

	2011 Actual $'000s	2010 Actual $'000s	2009 Actual $'000s
Financial Assets			
Cash and deposits	101 553	123 958	143 555
Receivables	4 799	3 161	3 357
Other financial assets	1 390	1 476	693
Non-financial Assets			
Inventory	714	801	272
Property, plant and equipment	828 250	818 848	237 513
Infrastructure	68 092	70 269	2 576
Intangibles	1 185	1 346	675
Other non-financial assets	10 849	11 024	1 176
Total Assets	**1 016 832**	**1 030 883**	**389 817**
Financial Liabilities			
Payables	2 212	4 732	3 059
Employee entitlements	25 231	22 900	16 114
Provisions	9 624	9 785	172
Other liabilities	5 631	7 224	1 377
Total Liabilities	**42 698**	**44 641**	**20 722**
Net Assets	**974 134**	**986 242**	**369 095**
Contributed capital	636 493	636 493	0
Accumulated funds	129 454	133 552	216 417
Reserves	179 745	168 145	90 602
Water Infrastructure Fund	28 442	48 052	62 076
Total Equity	**974 134**	**986 242**	**369 095**

Comment

The Department's Total Equity decreased to $974.134m at 30 June 2011. The decrease of $12.108m comprised the Comprehensive surplus of $2.718m reported in the Comprehensive Income Statement less net equity transfers to RWSC of $14.826m ($21.536m paid to RWSC less a repayment by RWSC of previous equity contributions, $6.710m).

The corresponding decrease in Net Assets was mainly a result of:

- lower Cash and deposits, $22.405m, discussed in the Statement of Cash Flows section of this Chapter
- higher Receivables, $1.638m, mainly due to the timing of billing and customers taking longer to pay amounts due to the Department
- an increase in Property, plant and equipment, $9.402m, due to:
  - additions, contributions and work-in-progress amounting to $25.512m,
  - disposals and contributions provided of $22.206m,
  - the revaluation increment for the year of $11.600m,
  - the depreciation expense for the year of $4.465m,
- lower Payables, $2.520m, representing a decrease in accrued expenses due to timing
- higher Employee entitlements, $2.331m, due to an annual indexation of wages and salaries, other increments and increase in superannuation contributions, combined with a small increase in the overall hours accrued for annual and long service leave
- lower Other liabilities, $1.593m, mainly due to a decrease in funds carried forward, $2.000m. No funds were carried forward in 2010-11.

The table below details the movements in the CLAF account.

Crown Land Administration Fund (CLAF)

	2010-11 $'000s	2009-10 $'000s	2008-09 $'000s
Opening balance	**11 544**	**39 170**	**53 251**
Receipts (Note 1)	16 390	19 085	11 770
Transfers out (Note 2)	(11 577)	(46 732)	(25 851)
Closing Balance	**16 357**	**11 523**	**39 170**
Note 1 - Receipts			
Proceeds from asset sales	9 270	12 591	4 126
Rent on Government owned properties	6 549	5 960	7 081
Other receipts	571	534	563
Total Receipts	**16 390**	**19 085**	**11 770**
Note 2 - Transfers Out			
Employee benefits	509	687	674
Professional and consulting fees	392	1 296	5 105
Disbursement of revenue to other agencies	0	0	381
Legal costs	608	1 360	465
General property expenses	4 513	823	370
Other Transfers	555	566	956
Total Administration costs	**6 577**	**4 732**	**7 951**
Transfer to administered funds	5 000	42 000	17 900
Total Transfers Out	**11 577**	**46 732**	**25 851**

Comment

Receipts into CLAF were $2.716m less than last year due to:

- lower Proceeds from asset sales, $3.321m, attributable to a decline in the number of properties sold
- offset by higher Rent from government owned properties, $0.589m mainly due to annual rent increases.

Transfers out of CLAF were $35.155m less than last year, due to less funds available to be paid into the Consolidated Fund with $37.000m less transferred this year, offset by an increase in Administration costs, $1.846m. The increase in Administration costs was mainly due to:

- an increase in General property expenses, $3.690m, associated with the Princes Wharf Renewal Project and Parliament Square development works
- offset by lower Professional and consulting fees, $0.904m, and Legal costs, $0.752m.

STATEMENT OF CASH FLOWS

	2010-11 Actual $'000's	2009-10 Actual $'000's	2008-09 Actual $'000's	2007-08 Actual $'000's
Receipts from government - recurrent	142 297	148 960	91 489	79 925
Receipts from special capital investment funds - recurrent	2 020	3 813	0	1 934
Grants	3 679	4 856	21 446	29 397
Sales of goods and services	13 597	14 076	3 270	0
Fees and fines	8 003	8 275	6 476	9 493
Contributions received	7 515	8 893	0	0
Interest received	1 795	1 490	1 142	1 936
Other cash receipts	31 090	33 407	34 363	33 380
Payments to employees	(103 058)	(102 433)	(66 236)	(62 918)
Payments to suppliers	(100 420)	(116 235)	(98 534)	(94 772)
Cash from (used in) operations	**6 518**	**5 102**	**(6 584)**	**(1 625)**
Water Infrastructure Fund				
Intital contribution	0	0	0	80 000
Receipts from government	1 356	18 015	0	0
Equity contributions paid to RWSC	(21 536)	(21 890)	(14 224)	0
Grants paid	(6 140)	(10 149)	(3 700)	0
Equity contribution repayments received from RWSC	6 710	0	0	0
Receipts to (payments from) Water Infrastructure Fund	**(19 610)**	**(14 024)**	**(17 924)**	**80 000**
Proceeds from disposal of assets	1 818	3 845	4 346	27 718
Receipts from government - capital	500	4 000	1 056	1 143
Revenue from Special Capital Investment Funds	495	2 262	0	0
Loan payment received	31	16	23	16
Payments for acquisition of assets	(7 157)	(9 586)	(3 137)	(5 450)
Transfer to Administered Funds	(5 000)	(42 000)	(17 900)	(36 675)
Administrative restructure	0	30 788	0	0
Cash from (used in) investing activities	**(9 313)**	**(10 675)**	**(15 612)**	**(13 248)**
Net increase (decrease) in cash	**(22 405)**	**(19 597)**	**(40 120)**	**65 127**
Cash at the beginning of the year	123 958	143 555	183 675	118 548
Cash at end of the year	**101 553**	**123 958**	**143 555**	**183 675**

Comment

The Department's net cash holdings declined by $22.405m in 2010-11, representing a net equity contribution to RWSC from the Water Infrastructure Fund, $19.610m, and net Cash used in investing activities, $9.313m, offset by Cash from operations, $6.518m.

Cash from operations, $6.518m, increased compared to last year. Movements in Cash from operations are largely affected by timing differences between when funding is received and when payments are made under various programs and largely reflected comments made previously in the Comprehensive Income Statement section of this Chapter.

FINANCIAL ANALYSIS

	Bench Mark	2010-11	2009-10	2008-09
Financial Performance				
Result from operations ($'000s)		(13 719)	(25 044)	(13 672)
Own source revenue ($'000s)		46 652	45 499	36 259
Financial Management				
Debt collection	30 days	27	15	34
Creditor turnover	30 days	7	10	6
Capital Management				
Asset investment ratio %	100%	71%	94%	117%
Asset renewal ratio %	100%	38%	17%	22%
Consumption ratio %*		N/A	N/A	N/A
Other Information				
Staff numbers (average FTEs)		1 321	1 325	984
Average staff costs ($'000s)		80	76	70
Average Recreational leave balance per FTE (days)	20	20	19	19
Average Long Service leave balance per FTE (days)	100	44	43	42

* *Information not provided due to unavailability of reliable data*

Comment

Results from operations were in deficit for reasons outlined previously in the Comprehensive Income Statement section of this Chapter.

Own source revenue increased slightly in 2010-11. The increase in 2009-10 of $9.240m was predominantly the result of the merged operations of the Department, in particular fees earned by Parks and Wildlife.

Debt collection days fluctuate due to the timing of billing. In 2010-11, the collection period lengthened to 27 days with the larger amount of Receivables on hand at year end.

Asset investment ratio declined steadily over the period of review from 117% to 71% and below benchmark. Asset renewal ratio varied over the three year period of review but remained well below benchmark. The sharp decrease in 2009-10 was a result of the Department assuming control of assets transferred from the former Department of Environment, Parks, Heritage and the Arts. Apart from land, the majority of assets transferred through the restructure were infrastructure assets, such as road, tracks, amenities and facilities, including wastewater treatment plants, in national parks and reserves. The value of assets transferred was $617.832m, which resulted in additional depreciation and amortisation expense of $7.543m and impacted on the movement in both ratios. However, the ratios indicate the Department is under investing in new assets, and subject to adequate asset maintenance programs, the Department may be under-investing in existing assets. We were advised that the Department operates various maintenance programs including the Priority Asset Maintenance Program for parks and reserves, essential maintenance program and Crown Land Services structural assets upgrade program.

Average staff numbers declined slightly in 2010-11 as the Department reduced its workforce in line with budget saving strategies. Despite the fall in numbers, Employee entitlements continued to rise, as mentioned previously in this Chapter. Consequently, Average staff costs also rose. There was also a slight increase in average leave balances, but balances did not exceed benchmarks.

ADDITIONAL FINANCIAL INFORMATION

Administered Financial Transactions

Administered transactions are those the Department manages on behalf of the Government. These transactions are not shown in the Department's Statements of Comprehensive Income Statement, Financial Position or Cash Flows.

The funding arrangements between States and Commonwealth have changed over the three year period of review, resulting in all Australian Government grants being directed to Treasury and then appropriated to the Department.

Administered items included:

- grants paid to research and industry body joint ventures. The Tasmanian Institute of Agricultural Research (TIAR) and Tasmanian Aquaculture and Fisheries Institute (TAFI) are joint ventures between the University of Tasmania (UTAS) and the Department. TIAR has research centres in Hobart, New Town, Launceston, Devonport and Burnie. TIAR works closely with industry in research, development and extension programs to address agricultural productivity, efficiency, safe food production, social and national resource management issues. TAFI is a marine research centre that supports the development and sustainable management of living marine resources with UTAS
- grants paid to Inland Fisheries Service, Port Arthur Historic Site Management Authority, contributions to Wellington Park Management Authority and to Commonwealth, State and Industry organisations
- Australian Government grants
- Land Titles Office fees for land dealings and copies
- abalone licences, other marine licence, water royalty and quarantine fees
- transfers from CLAF
- environmental permits.

ADMINISTERED INCOME AND EXPENSES

	2010-11	2010-11	2009-10	2008-09
	Budget	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from government - recurrent	9 244	9 854	8 344	6 218
Australian Government Grants	8 023	6 052	11 603	13 175
Fees and fines	34 399	33 211	34 037	29 672
Other revenue	29 000	5 000	42 000	17 900
Total Revenue	**80 666**	**54 117**	**95 984**	**66 965**
Grants and subsidies	9 244	9 854	8 344	6 194
Total Expenses	**9 244**	**9 854**	**8 344**	**6 194**
Net Surplus before:	**71 422**	**44 263**	**87 640**	**60 771**
Transfer to the Consolidated Fund	71 422	44 663	87 365	60 775
Net Surplus (Deficit) attributable to the State	**0**	**(400)**	**275**	**(4)**
Other Comprehensive Income				
Net gain (loss) on financial instruments	0	(64)	(275)	4
Comprehensive Surplus (Deficit)	**0**	**(464)**	**0**	**0**

Comment

Net surplus before Transfer to Consolidated Fund in 2010-11 was $44.263m, being $43.377m less than the previous year due to:

- Australian government grants $5.551m less than the previous year as a result of the new Federal financial funding arrangements, mentioned previously in this Chapter
- Other revenue declined $37.000m, due to the reduction in administered revenue being the transfer from the CLAF
- Grant and subsidies increased $1.510m, with extra payments to Inland Fisheries, $0.400m, and Port Arthur Management Authority, $1.110m.

DEPARTMENT OF TREASURY AND FINANCE

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 12 August 2011, with final amended statements received on 26 September 2011. An unqualified audit report was issued on the same day.

The Department of Treasury and Finance (the Department) is responsible for implementing strategies to achieve the Government's economic and financial objectives and is the central agency responsible for management of Government financial resources.

Appropriation from the Consolidated Fund is provided to the Department under two Divisions (3: Finance-General, and 11: Treasury and Finance) of the *Consolidated Fund Appropriation Act (No.1) 2010*.

The resources of the Department are managed through the Treasury and Finance Division and are reported as controlled including all funds through which the Department controls its resources to carry out its functions.

The Administered Statements encompass all activities of the Finance-General Division that are administered on behalf of Government. The revenues and expenditure that are managed through the Finance-General Division reflect whole-of-Government activities. These include management of Government's financial assets and liabilities, accounting for State taxation receipts and the majority of Australian Government funding, meeting the Government's superannuation commitments, administration of the Tasmanian Risk Management Fund, management of the Government's light vehicle fleet and property portfolio and transactions with Government businesses.

KEY FINDINGS AND DEVELOPMENTS

Defined Benefit Superannuation Liability

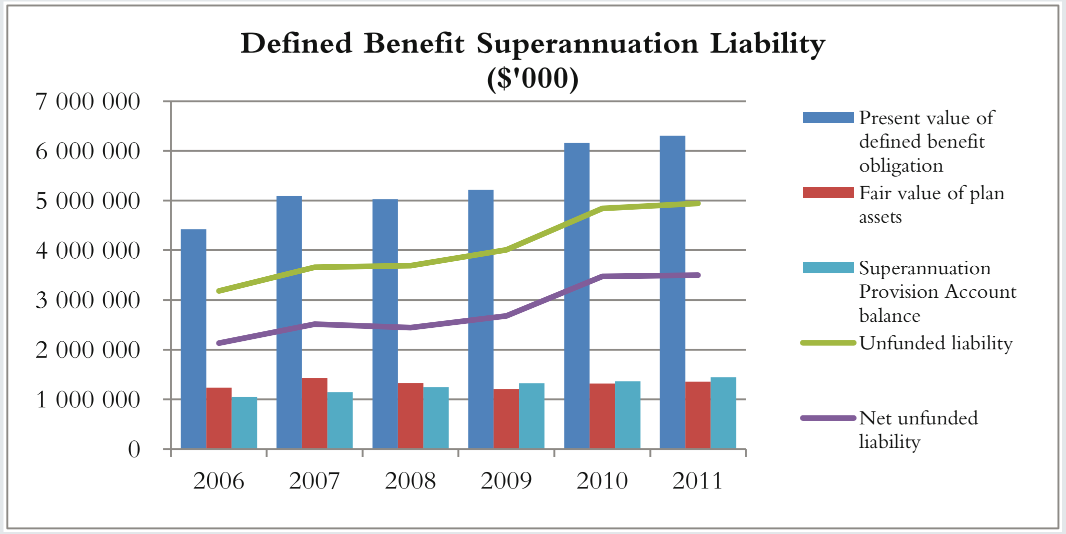
Individual General Government Sector agencies do not recognise a liability for the accrued superannuation defined benefits of their employees. This liability is held centrally and is recognised within Finance-General's Statement of Financial Position at the latest actuarial assessment of members' entitlements, net of scheme assets. At 30 June 2011, the unfunded liability was $4.946bn (2010, $4.839bn) with the increase, $106.801m being a combination of an increase in the present value of superannuation commitments, $144.551m, offset by an increase in scheme assets, $37.750m.

The unfunded liability comprised the following schemes and arrangements: Retirement Benefit Fund (RBF) Contributory Scheme and Parliamentary Superannuation Schemes (Parliamentary Superannuation Fund and Parliamentary Retiring Benefits Fund) administered by the RBF Board, $4.891bn (2009-10, $4.786bn) and $19.408m ($19.720m) respectively and Judges Contributory Pensions, $35.382m ($33.592m). As these schemes are unfunded, benefits are met on an emerging cost basis.

Effective from 1 July 2010, contributions by General Government Sector agencies to the Superannuation Provision Account (SPA) increased from 11% to 12.3% of salary for RBF Contributory Scheme members. The employer share of pensions and lump sum payments payable to retiring RBF Contributory Scheme members are reimbursed to the RBF Board from the SPA. The employer component of retirement benefits increased at the same time from 70% to 75%. The remaining part of the benefit is met by RBF Board from investment proceeds. In addition, General Government Sector agencies are required to pay into the SPA a 'gap' payment equivalent to 3.3% of salary in respect of each permanent employee appointed after the Contributory Scheme was closed. The gap payment is the difference between the 12.3% employer contribution rate and the superannuation guarantee rate of 9%.

The increases in both the gap (difference between the contribution rate and the superannuation guarantee rate of 9%) and employer component of a benefit were based on an actuarial review conducted in 2009-10. It is current practice for these contribution rates to be reviewed at each triennial review. The next review is due in 2012-13.

The graph below shows movements in the unfunded liability, being the difference between the present value of the defined benefit obligation and fair value of plan assets, as well as movement in the net unfunded liability, being the difference between the unfunded liability and the balance of the SPA.



The current target for the full funding of the unfunded superannuation liability is 2035. As indicated in the 2011-12 Budget[1]'… the Government's provisions against the unfunded superannuation liability will not be fully cash-backed. However, this position will be temporary. As the Budget returns to a sustainable position, and cash surpluses re-emerge, financial assets will rebuild over time to ensure that the superannuation provisions are fully cash-backed. The Government retains the capacity to meet its current and future superannuation obligations. While the Government will continue to report on the status of the funding of the unfunded superannuation liability in the Budget Papers, it will no longer include this specific measure in the Fiscal Strategy.'

The graph indicates that the gap between the unfunded liability and the net unfunded liability is widening, because the combined amount of plan assets and the SPA account are not keeping pace with the present value of the defined benefit obligations. While the 2011-12 Budget estimates that there are sufficient receipts from agencies, the Reserved by Law contribution and from interest on the SPA balance to meet superannuation payment obligations as they become due over the Budget and forward estimates period until 2015, the capacity of the State to meet its future superannuation obligations will require close monitoring.

The unfunded liability recorded on Finance-General's Statement of Financial Position did not include the superannuation liability of Housing Tasmania, Tasmanian Ambulance Service Superannuation Scheme (TASSS) or State Fire Commission Superannuation Scheme (SFCSS). As at 30 June 2011, net liabilities of Housing Tasmania were $12.468m (2009-10, $13.726m), TASSS $3.177m ($1.151m) and SFCSS $3.809m ($5.529m). TASSS and SFCSS were administered by the RBF Board. Housing Tasmania and TASSS superannuation liabilities were recognised in the financial statements of the Department of Health and Human Services. The liability for the SFCSS was recognised in the financial statements of the State Fire Commission.

1 *2011-12 Budget Paper No 1: The Fiscal Strategy*

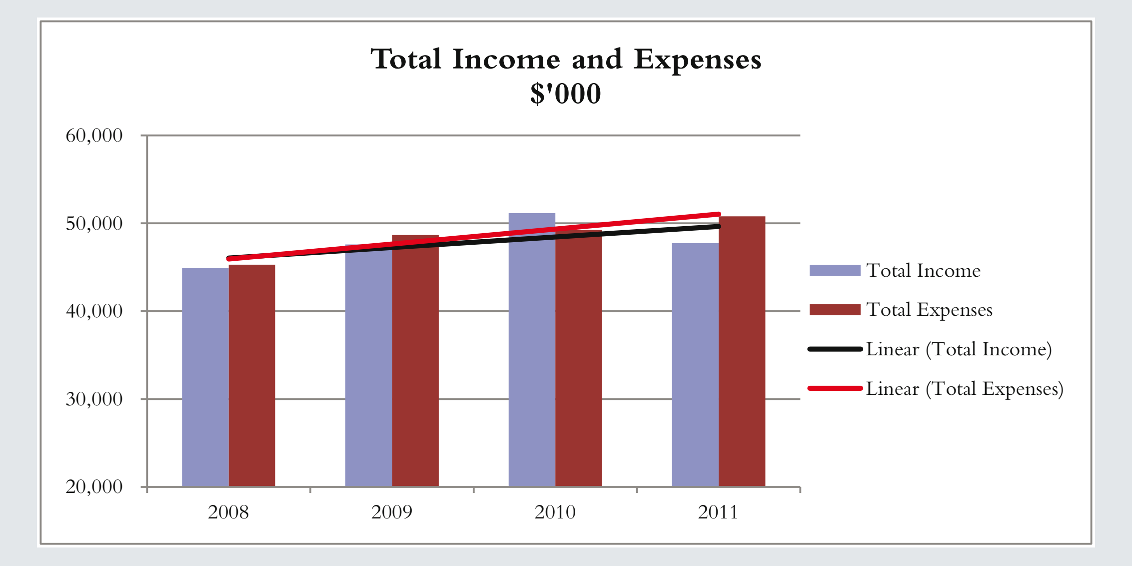
Tasmanian Community Fund

From 1 October 2010, the administrative responsibility for the Tasmanian Community Fund (TCF) was transferred to the Department of Premier and Cabinet.

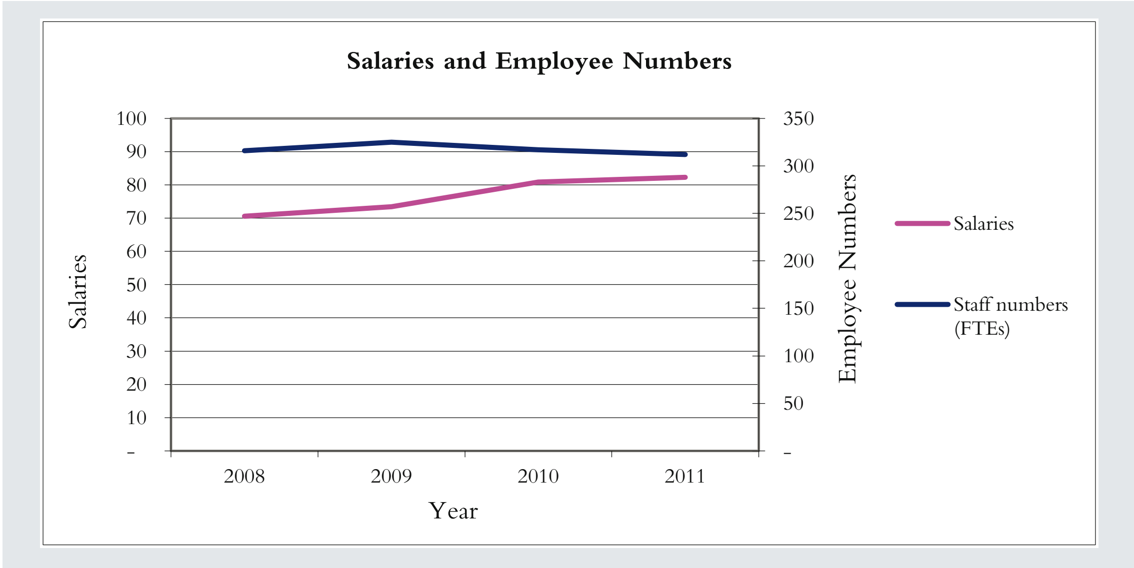
The audit was completed satisfactorily with no major items outstanding.

FINANCIAL RESULTS

The following two graphs summarise aspects of Treasury's financial performance.



Total Expenses exceeded Total Income in three out of the four years under review. It is not unusual for Departments to incur deficits or to break even, as they are not funded for depreciation expenses and movements in employee leave liabilities. Total Income grew by 6%, $2.870m and peaked in 2009-10 due primarily to one off revenue from Special Capital Investment Funds for the Princes Wharf Renewal project in that year. The upward trend in Total Expenses was mainly driven by increased employee expenses, up 13.1% and higher grants and subsidies, up 15.2%, mainly Community Service Levy grants and Community Service Obligation payments.



Employee number (FTEs) remained relatively constant between 2007-08 and 2009-10, but declined this year as a result of vacancy control measures implemented by the Department as part of cost saving strategies. Salaries increased by 14.9%, an average of 5.0% per annum, over first three years due to a combination of annual and structural adjustment increases under the Public Service Wage Agreement, and other increments. Employee costs stabilised this year following a reduction in the number of staff.

COMPREHENSIVE INCOME STATEMENT - TREASURY AND FINANCE

	2010-11 Budget $'000s	2010-11 Actual $'000s	2009-10 Actual $'000s	2008-09 Actual $'000s
Revenue from government - recurrent	41 253	40 171	40 871	39 266
Revenue from Special Capital Investment Funds	0	0	1 717	347
Fees and Fines	9 169	6 697	6 574	6 784
Other revenue	1 360	858	1 969	1 191
Total Revenue	**51 782**	**47 726**	**51 131**	**47 588**
Employee expenses	28 460	25 676	25 627	23 866
Depreciation	428	517	565	522
Supplies and consumables	8 098	7 446	10 150	8 435
Grants and subsidies	13 971	15 488	11 264	14 325
Other expenses	1 746	1 652	1 630	1 512
Total Expenses	**52 703**	**50 779**	**49 236**	**48 660**
Net result from transactions	**(921)**	**(3 053)**	**1 895**	**(1 072)**
Other economic flows included in net result				
Impairment of receivables	0	(47)	0	0
Liquor licensing revenue	0	806	773	742
Transfer to the Consolidated Fund	(704)	(813)	(776)	(5 738)
Contributions revenue	0	22	0	0
Total other economic flows included in net result	**(704)**	**(32)**	**(3)**	**(4 996)**
Net result attributable to the State	**(1 625)**	**(3 085)**	**1 892**	**(6 068)**
Other economic flows - other non-owner changes in equity				
Changes in physical asset revaluation reserve	0	0	(7)	0
Comprehensive Surplus (Deficit)	**(1 625)**	**(3 085)**	**1 885**	**(6 068)**

Comment

In 2010-11 the Department recorded a net deficit from transactions of $3.053m, compared to a surplus of $1.895m last year. The turnaround of $4.948m was mainly due to higher Grants and subsidies, $4.224m, following increases in Community Service Levy (CSL) grants and Community Service Obligation payments, $1.309m and $1.124m respectively, and the timing of CSL grants to the Department of Health and Human Services (DHHS), $1.769m, which related to 2009-10 but were made in 2010-11.

The decrease in Revenue from Special Capital Investment Funds, $1.717m, was due to one off funding from the Urban Renewal and Heritage Fund for the Princes Wharf Renewal project received in 2009-10. There was a corresponding decrease in Supplies and consumables.

The Transfer to the Consolidated Fund represented liquor licensing fees collected by Treasury on behalf of the State Government. Slight increases in both Liquor licensing revenue, $0.033m, and Transfer to the Consolidated Fund, $0.037m, were in line with additional liquor licences issued.

Contributions revenue, $0.022m, represented the value of antique furniture transferred at no consideration from the Department of Premier and Cabinet.

Actual total income and expenses were under budget by 7.8%, $4.056m, and 3.7%, $1.924m, respectively. The Fees and fines budget figure included Liquor licensing revenue, with the combined actual revenue totalling $7.503m, $1.666m less than budget.

The lower than expected revenues were offset by savings in expenses, mainly comprised of:

- lower Employee expenses, $2.784m as the result of vacancy control measures adopted by Treasury in 2010-11
- decreased Supplies and consumables, $0.652m
- offset by higher Grants and subsidies, $1.517m, due to a CSL grant payment to DHHS, as previously discussed.

STATEMENT OF FINANCIAL POSITION - TREASURY AND FINANCE

	2011 Actual $'000s	2010 Actual $'000s	2009 Actual $'000s	2008 Actual $'000s
Financial Assets				
Cash and deposits	3 712	4 911	2 878	7 976
Receivables	98	307	260	55
Other financial assets	309	339	0	0
Non-financial Assets				
Plant and equipment	217	253	133	126
Leasehold improvements	731	866	1 078	1 196
Heritage assets	84	62	73	73
Intangibles	217	303	579	856
Other non-financial assets	370	378	649	652
Total Assets	**5 738**	**7 419**	**5 650**	**10 934**
Liabilities				
Payables	139	147	1 705	1 478
Employee entitlements	6 313	5 949	5 307	4 786
Other liabilities	2 194	1 146	346	310
Total Liabilities	**8 646**	**7 242**	**7 358**	**6 574**
Net Assets (Liabilities)	**(2 908)**	**177**	**(1 708)**	**4 360**
Accumulated funds (deficit)	(2 908)	177	(1 715)	4 353
Reserves	0	0	7	7
Total Equity (Deficit)	**(2 908)**	**177**	**(1 708)**	**4 360**

Comment

Total Equity declined by $3.085m being the Comprehensive Deficit for the year. Significant movements in 2010-11 which impacted on the corresponding decrease in Net Assets included:

- lower Cash and deposits, $1.199m, which is discussed further in the Cash Flow Statement section of this Chapter
- lower Receivable, $0.209m, due to the timing of payments
- lower Plant and equipment, $0.036m, Leasehold improvements, $0.135m, and Intangibles, $0.086m, reflecting Depreciation for the year, $0.517m, partly offset by new additions, $0.283m,
- higher Employee entitlements, $0.364m, due to an extra day accrual for salaries as well as increased long service leave provision which resulted from annual salary award increases
- higher Other liabilities, $1.048m, due to increased Revenue received in advance for appropriation carried forward, $0.780m and higher Community Service Obligations, $0.281m.

STATEMENT OF CASH FLOWS - TREASURY AND FINANCE

	2010-11 Actual $'000s	2009-10 Actual $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s
Receipts from government - recurrent	41 038	40 871	39 266	37 395
Receipts from Special Capital Investment Funds	0	1 717	347	143
Fees and fines	7 457	7 450	7 367	7 048
Other cash receipts	2 426	2 882	2 200	1 922
Payments to employees	(25 674)	(24 978)	(23 244)	(22 125)
Grants and subsidies	(15 233)	(12 014)	(14 239)	(12 555)
Supplies and consumables	(10 140)	(12 922)	(10 923)	(10 444)
Transfers to the Consolidated Fund	(813)	(776)	(5 738)	(691)
Cash from (used in) operations	**(939)**	**2 230**	**(4 964)**	**693**
Payments for acquisition of assets	(260)	(197)	(134)	(451)
Cash from (used in) investing activities	**(260)**	**(197)**	**(134)**	**(451)**
Net increase (decrease) in cash	**(1 199)**	**2 033**	**(5 098)**	**242**
Cash at the beginning of the year	4 911	2 878	7 976	7 734
Cash at end of the year	**3 712**	**4 911**	**2 878**	**7 976**

Comment

The Department decreased its cash balance by $1.199m to $3.712m at 30 June 2011. This was caused predominantly by a payment of the 2009-10 CSL grants to DHHS, $1.769m, less funding carried forward, $0.780m.

Explanations for variations in cash flow receipt and payment amounts reflect the comments made previously in the Comprehensive Income Statement and the Statement of Financial Position sections of this Chapter.

FINANCIAL ANALYSIS - TREASURY AND FINANCE

	Bench Mark	2010-11	2009-10	2008-09	2007-08
Financial Performance					
Result from operations ($'000s)		(3 053)	1 895	(1 072)	(399)
Own source revenue ($'000s)		7 555	8 543	7 975	7 337
Financial Management					
Debt collection	30 days	18	35	43	11
Creditor turnover	30 days	1	1	1	2
Capital Management					
Asset investment ratio	100%	50%	35%	26%	98%
Asset renewal ratio	100%	50%	35%	26%	98%
Other Information					
Average staff numbers (FTEs)		315	321	321	320
Average staff costs ($'000s)		82	80	74	70

Comment

Own source revenue comprised the Community Support Levy, contract management fees, gaming machine revenue and other charges, but excluded liquor licensing revenue. The increase in 2009-10 related to additional recoveries of costs associated with the redevelopment of parliament square, Directors Selection Advisory Panel and water and sewerage regulations.

Debt collection was affected by the timing of billing cycles as well as customer payment patterns. The number of debt collection days decreased to 18 days in 2010-11, which correlated with the decrease in Receivables. Creditor turnover remained low consistent with the Department's policy of paying its suppliers in a timely manner.

The investment and capital replacement gap ratios are below benchmark with the Department's assets primarily comprising of office equipment, furniture and leasehold improvements.

The decline in Average staff numbers reflected Treasury's reduced workforce as a result of budget saving strategies implemented during the year. Average staff costs rose in line with annual indexation of salaries and other increments.

ADDITIONAL FINANCIAL INFORMATION

Administered Financial Transactions

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

SCHEDULE OF ADMINISTERED COMPREHENSIVE INCOME – FINANCE - GENERAL

	2010-11 Budget $'000s	2010-11 Actual $'000s	2009-10 Actual $'000s	2008-09 Actual $'000s
Revenue from government - recurrent	403 229	622 068	421 826	469 695
Revenue from government - capital	1 000	1 000	18 470	17 650
Revenue from government - other	0	5 390	0	0
Australian Government grants	2 870 718	3 063 293	2 983 559	1 940 205
State taxation	916 090	903 587	913 809	855 278
Sales of goods and services	80 713	80 434	76 678	72 623
Investment income	201 531	170 036	156 938	226 159
Other revenue	99 736	115 205	83 817	130 006
Total Revenue	**4 573 017**	**4 961 013**	**4 655 097**	**3 711 616**
Employee expenses	6 000	0	0	0
Superannuation	338 804	380 111	323 851	347 667
Depreciation and amortisation	18 958	21 054	20 961	21 972
Supplies and consumables	138 950	80 785	70 581	73 905
Grants and subsidies	232 045	216 956	221 401	210 675
Borrowing costs	21 577	19 468	22 813	24 553
Transfer to the Consolidated Fund	4 295 801	4 678 290	4 338 506	3 143 149
Other expenses	200	50	5 809	71
Total Expenses	**5 052 335**	**5 396 714**	**5 003 922**	**3 821 992**
Net Deficit from transactions	**(479 318)**	**(435 701)**	**(348 825)**	**(110 376)**
Non-operating capital funding				
Revenue from Government	4 900	4 900	4 900	102 900
Net Deficit before	**(474 418)**	**(430 801)**	**(343 925)**	**(7 476)**
Net gain (loss) on revaluation of equity investments	238 609	228 927	1 814 643	236 497
Net gain (loss) on non-financial assets	0	4 356	4 452	(27 449)
Net actuarial gain (loss) on superannuation liability	0	84 822	(699 509)	(137 916)
Net actuarial gain (loss) on TRMF	11 955	(18 978)	(4 851)	(15 616)
Impairment of receivables and financial instruments	0	(560)	(471)	(1 087)
Total other economic flows included in net result	**250 564**	**298 567**	**1 114 264**	**54 429**
Net Result attributable to the State	**(223 854)**	**(132 234)**	**770 339**	**46 953**
Other economic flows - other non-owner changes in equity				
Crown land transfers	0	0	(3 600)	0
Changes in physical asset revaluation reserve	0	0	13 553	0
Comprehensive Surplus (Deficit)	**(223 854)**	**(132 234)**	**780 292**	**46 953**

Comment

Net Deficit from transactions increased by $86.876m to $435.714m in 2010-11. The increase in the deficit was a combination of higher revenue, up 6.6%, $305.916m, offset by higher expenses, up 7.8%, $392.792m.

This year's results were affected by:

- increased Revenue from government-recurrent, $200.242m, primarily due to additional unspent Australian Government funding that was carried forward and transferred to the Special Deposits and Trust Fund
- increased Australian Government grants of $79.734m, comprising general grants, up $14.293m, Specific Purpose Payments, up $43.216m, and National Partnership Payments (NPP), up $22.224m. The increase in NPP was affected by additional funding for the redevelopment of the Royal Hobart Hospital, $270.000m, offset in part by a decrease in payments for schools, $132.456m.
- lower State taxation revenue, $10.222m, due to lower collections from land tax, $16.327m, following concessions awarded to holiday home owners, and financial transactions, $17.756m, as a result of a reduction in the number of property transactions. However, there was an increase in payroll tax and guarantee fees, $18.806m, and $5.781m respectively
- increased Investment income, $13.098m, due to higher dividends from State Owned Companies (SOCs) and Government Business Enterprises (GBEs), up $28.632m, offset by decreased income tax equivalents, down $9.589m and lower interest income, down $6.195m, due to lower cash holdings
- increased Other revenue, $31.388m, due to higher superannuation contributions from agencies and authorities, $21.019m, following an increase in superannuation contributions from 11% to 12.3% and employer share of retirement benefits from 70% to 75%. Also included is a receipt of $9.700m of surplus funds in a TGIO Reserve Account held by the RBF Board
- increased Superannuation expenses, $56.260m, due to higher service cost and interest cost following an annual actuarial reassessment of the unfunded superannuation liability
- increased Supplies and consumables, $10.204m, including payments for the Princes Wharf Renewal, $9.000m and Parliament Square Redevelopment, $1.900m
- decreased Grants and subsidies, $4.445m, which was driven by:
  - lower Business land tax rebates, down $13.664m
  - lower payment to Tasmanian Community Fund (TCF), $5.459m, due to the administrative responsibility of TCF being transferred to the Department of Premier and Cabinet
  - decreased First Home Ownership grants of $7.154m
  - increased Local Government grant, $10.478m,
  - higher Special Capital Investment Fund grants, $8.737m,
  - higher Payroll tax assistance, $1.611m.

Transfers to the Consolidated Fund related to revenue collections administered by Finance-General, which largely comprised, State taxation revenue, returns from Government businesses, Australian Government funding and interest income. The amount fluctuates depending on revenues collected and the increase this year, $339.784m, reflected increases in those items.

Net gain from the revaluation of equity investments represented growth in the net assets of entities owned by the Government, $228.927m. Revaluations of equity investments represented changes in the net carrying amounts of the Government's ownership interests in GBEs and SOCs. This is discussed further in the Administered assets and liabilities section of this Chapter.

The actuarial gain on superannuation liability, $84.822m, arose from a combination of better than expected return on fund assets and changes to actuarial assumptions, including changes to member demographics and increased expected rate of return from 7% to 7.5% respectively.

The net actuarial loss of the Tasmanian Risk Management Fund, $18.978m reflected actuarial loses due to changes in the assumptions used by the actuary to value the liability.

The actual Net result attributable to the State amounted to a deficit of $132.234m, $91.620m less than budget. Variances between original estimates and actual outcomes were largely the result of movements previously explained. Other material variances included:

- lower than budgeted Investment income, $31.495m, driven by lower than expected income tax equivalents paid by Government businesses
- higher than budgeted Other revenue, $15.469m, due mainly to an unbudgeted refund of surplus funds in the RBF Board's TGIO Reserve Account, $9.700m
- lower than budgeted Employee benefits, $6.000m, representing loans to agencies to assist with redundancies. For financial reporting purposes, loans are accounted for through the Statement of Financial Position while in the budget these were shown as expenses
- higher than budgeted Depreciation and amortisation, $2.096m, following a revaluation of buildings last year and higher than anticipated motor vehicle replacements during 2010-11
- lower Supplies and consumables, $58.165m, due primarily to a saving of $20.000m for the Treasurer's Reserve provision and less than expected claims cost through the Tasmanian Risk Management Fund. In addition,
- mobile radio network project costs, budgeted at $11.400m are included in Grants and subsidies
- lower Grants and subsidies,$15.089m, which was caused by savings achieved in programs such as the First Home Owners Scheme, $5.600m, Water and Sewerage Reforms, $6.000m, the transfer of administration of the Tasmanian Community Fund which had not been reflected in the original Finance-General Division budget estimates, $5.600m, Housing Fund, $5.000m and the Infrastructure Tasmanian Fund, $5.000m. These savings partially offset increased Financial Assistance Grant payments to Local Government, $17.000m, and the Natural Disaster Relief and Recovery Arrangement grant payments for the flooding in northern Tasmanian, $3.000m
- lower Borrowing cost, $2.109m, mainly due to interest and amortisation costs for a Capital Index Bond, $2.100m, which was included in the original 2010-11 budget, but the Bond was closed out on 30 June 2010.

Tasmanian Risk Management Fund

The Tasmanian Risk Management Fund (the Fund) is the Tasmanian Government's self-insurance fund managed by the Department. 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.

In 2010-11, the Fund's Net surplus from transactions rose by $14.032m, compared to 2009-10, which was primarily due to the impact of amendments to the *Worker Rehabilitation and Compensation Act 1988* resulting in higher agency contributions received. While the Net surplus from transactions improved, the Fund's Net result slightly dropped by $0.095m. The decrease was caused by actuarial loses, $18.978m, previously mentioned.

Net assets increased by $3.737m, from $7.739m at 30 June 2010 to $11.476m at 30 June 2011. The increase was a result of the Fund's higher Cash position, up $7.525m, which was partially offset by growth in Outstanding claim, up $4.065m. The increase in Outstanding claims liability was caused by:

- higher personal injury liability, $8.722m, due to higher average claim sizes assumed and a lower discount rate adopted for the Workers' compensation risk category
- higher medical claim liability, $10.260m, due to unfavourable claims experience, which along with a lower discount rate adopted by the actuary, increased the outstanding liability
- decrease in the Fund's property related liabilities, $14.000m, due to payments made on the Bridgewater High School and Burnie High School claims within this financial year.

SCHEDULE OF ADMINISTERED ASSETS AND LIABILITIES – FINANCE-GENERAL

	2011	**2010**	**2009**	**2008**
	Actual	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	600 618	914 132	1 166 977	1 240 588
Receivables	86 586	80 446	73 786	68 598
Equity investments	6 111 159	5 877 332	4 056 928	3 717 531
Other financial assets	226 695	233 181	240 505	245 548
Non-financial Assets				
Assets held for sale	1 095	1 237	4 668	1 687
Motor vehicles	71 456	67 708	70 777	65 263
Land and buildings	57 656	58 730	46 105	50 970
Infrastructure	0	0	0	29 659
Total Assets	**7 155 265**	**7 232 766**	**5 659 746**	**5 419 844**
Liabilities				
Payables	10 633	7 546	4 839	3 245
Interest-bearing liabilities	238 333	243 794	275 986	279 911
Superannuation	4 946 387	4 839 586	4 005 869	3 692 994
Other liabilities	485 851	535 545	547 050	664 646
Total Liabilities	**5 681 204**	**5 626 471**	**4 833 744**	**4 640 796**
Net Assets (Liabilities)	**1 474 061**	**1 606 295**	**826 002**	**779 048**
Accumulated funds (deficits)	1 452 544	1 584 778	810 932	763 978
Asset revaluation reserve	21 517	21 517	15 070	15 070
Total Equity (Deficit)	**1 474 061**	**1 606 295**	**826 002**	**779 048**

Comment

Total Equity decreased by $132.234m in 2010-11, being the Comprehensive Deficit for the year. Significant movements which impacted on the overall decrease in Net Assets included:

- increased Equity investments, $233.827m. Equity investments vary each year depending on the net assets of GBEs and SOCs. As mentioned previously, the majority of the increase reflected Net gains from the revaluation of equity investments, $228.927m and the equity injection to Aurora $4.900m
- lower Cash and deposit, $313.514m. Cash and deposits included the balance of the Special Deposits and Trust Fund Accounts held by Finance-General and other cash administered or held in a trustee capacity or under an agency arrangement. The majority of these monies were invested with Tasmanian Public Finance Corporation. The decrease is discussed later in the Administered Cash Flows section of this Chapter
- increased Superannuation liability of $106.801m which arose from changes in actuarial assumptions used to value the liability, including the application of a higher discount rate as well as fund experience adjustments, such as membership movements and salary increases
- decreased Other liabilities, $49.694m, due predominately to:
  - lower Deposits held on behalf of agencies, $64.275m
  - higher Appropriation carried forward from current year under Section 8A, $11.193m
  - higher Tasmanian Risk Management Fund outstanding Claims Liability, $4.065m.

SCHEDULE OF ADMINISTERED CASH FLOWS – FINANCE - GENERAL

	2010-11	**2009-10**	**2008-09**	**2007-08**
	Actual	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Receipts from government - recurrent	638 651	427 216	572 595	421 338
Receipts from government - capital	1 000	18 470	17 650	493 043
Australian Government grants	3 063 293	2 983 559	1 940 205	1 729 001
State taxation	896 321	909 685	831 243	878 915
Sales of goods and services	79 605	74 264	73 570	70 824
GST receipts	19 866	18 099	19 507	19 714
Interest received	45 774	50 120	77 886	76 648
Dividends and income tax equivalents	125 643	106 351	152 167	165 805
Other cash receipts	115 071	83 367	132 634	90 787
Superannuation	(185 407)	(187 418)	(171 462)	(145 707)
Supplies and consumables	(96 519)	(72 595)	(77 494)	(92 534)
Finance costs	(19 705)	(20 005)	(25 255)	(30 497)
GST payments	(20 108)	(17 925)	(19 518)	(19 123)
Grants and subsidies	(216 956)	(222 068)	(210 220)	(298 360)
Transfers to the Consolidated Fund	(4 678 290)	(4 338 506)	(3 143 149)	(3 214 655)
Other cash payments	(105)	(8 293)	0	(4 482)
Cash from operations	**(231 867)**	**(195 679)**	**170 359**	**140 717**
Proceeds from disposal of assets	28 942	26 416	28 358	27 482
Repayment of loans by other entities	7 260	6 632	6 364	6 466
Receipts from non-operating capital funding	4 900	4 900	0	50 000
Other cash receipts	0	0	0	304 602
Payments for acquisition of assets	(48 017)	(37 483)	(52 261)	(47 880)
Payments for investments	(4 996)	(5 073)	(104 414)	0
Cash from (used in) investing activities	**(11 912)**	**(4 608)**	**(121 953)**	**340 670**
Public Account cash collection	0	0	0	124 434
Repayment of borrowings	(5 461)	(34 830)	(3 926)	(43 441)
Public Account cash reimbursement	(64 274)	(17 727)	(118 091)	0
Cash from (used in) financing activities	**(69 735)**	**(52 557)**	**(122 017)**	**80 993**
Net increase (decrease) in cash	**(313 514)**	**(252 844)**	**(73 611)**	**562 380**
Cash at the beginning of the year	914 132	1 166 977	1 240 588	678 208
Cash at end of the year	**600 618**	**914 132**	**1 166 977**	**1 240 588**

Comments

Finance-General decreased its cash balance by $313.514m to $600.618m at 30 June 2011. The decrease was due to the net impact of negative cash flows from operations, ($231.867m), investing, ($11.912m) and financing ($69.735m).

Reasons for variations in operating cash flow reflected the comments made previously under the Administered Income and Expenses and the Administered Assets and Liabilities sections of this Chapter.

The key components for Cash used in investing and financing activities were:

- payments for acquisition of assets, $48.017m and proceeds from disposal of assets $28.942m, mainly motor vehicles in the Government vehicle fleet
- Public Account cash reimbursements of $64.274m, which represented net movement of funds held on behalf of agencies in the Special Deposits and Trust Fund.

Cash at the end of the period consists of balances within the Special Deposits and Trust Fund, excluding true trust accounts.

OTHER GENERAL GOVERNMENT SECTOR STATE ENTITIES

AT A GLANCE

INTRODUCTION

The general government sector consists of all government departments and non-profit State entities controlled and mainly financed by Government. Non-profit State entities are created for the purpose of producing or distributing goods and services but are not a source of income, profit or other financial gain for the Government.

Audits of annual financial statements are conducted by virtue of requirements specified in enabling legislation or other arrangements.

This part of the Report provides information on other General Government Sector State entities being:

- Director of Public Prosecutions
- Inland Fisheries Service
- Integrity Commission
- Marine and Safety Authority
- Office of the Ombudsman and the Health Complaints Commissioner
- Royal Tasmanian Botanical Gardens
- State Fire Commission
- Sullivans Cove Waterfront Authority
- Tasmanian Community Fund
- Tasmanian Economic Regulator
- Tasmanian Heritage Council
- Tasmanian Skills Institute
- The Nominal Insurer
- Workcover Tasmania Board.

Depending on their size, this Report includes separate Chapters for each of these entities with financial information on each summarised either under the following headings:

- Introduction
- Audit of the 2010-11 Financial Statements
- Key Findings and Developments
- Financial results
    - Comprehensive Income Statement
    - Statement of Financial Position
    - Statement of Cash flows
    - Financial Analysis
    - Additional Financial Information

Or, what we refer to as abridged versions, under the following headings:

- Introduction
- Audit of the 2010-11 Financial Statements
- Key Findings and Developments
- Abridged Comprehensive Income Statement
- Abridged Statement of Financial Position
- Financial Analysis.

Or, what we refer to as lite versions, under the following headings:

- Introduction
- Audit of the 2010-11 Financial Statements
- Key Findings and Developments
- Summary of Financial Results.

KEY OUTCOMES, DEVELOPMENTS AND FINDINGS FROM AUDITS

Audits of other General Government Sector State entities were completed with unqualified audit reports issued in each case. However, without qualification the audit report for the Tasmanian Skills Institute included an 'emphasis of matter' comment. This 'emphasis of matter' drew attention to the economic dependency of the entity on Government.

Except for the Nominal Insurer and Sullivans Cove Waterfront Authority, whose statements were received on 23 August 2011 and 25 August 2011, respectively, all entities submitted financial statements within the statutory deadline of 45 days after the end of the financial year.

Summary information is provided below where matters raised in individual Chapters warrant inclusion in this "At a Glance" section.

DIRECTOR OF PUBLIC PROSECUTIONS

On 1 July 2010, the Office of Director of Public Prosecutions (ODPP) was established as a separate agency. To further enhance the independence and accountability of the DPP, the Office was removed from the Department of Justice to a stand alone agency. ODPP's main purpose is to provide criminal and civil law services to the State of Tasmania.

As this was the first year of ODPP's operations, its financial statements did not include comparative information. ODPP's principal source of funding is Government appropriations which totalled $5.797m, less than the budget of $6.271m. Overall, the ODPP reported a Comprehensive Deficit of $1.475m, primarily due to a $1.213m impairment of receivables raised for confiscation of profits from crime.

INTEGRITY COMMISSION

On 1 October 2010, the Integrity Commission (the Commission) commenced operations. It was established under the *Integrity Commission Act 2009* with the main aim of promoting and enhancing standards of ethical conduct by public officers in the Tasmanian public sector.

As this was the first period of the Commission's operations, its financial statements did not include comparative information. The Commission is funded by appropriation and in its first period of operation reported a Comprehensive surplus of $0.353m, despite a number of start-up costs. This was mainly due to two offsetting factors - the receipt of $0.591m, $0.509m from Department of Justice and $0.082m from its landlord, to fund the Commission's office fit-out, less lower than budgeted appropriation revenue of $0.301m. This mainly arose because of savings in costs arising from a delay in implementing a case management system and implementation of other necessary information systems.

STATE FIRE COMMISSION

An analysis of the Commission's 2010-11 finances showed its Working Capital was positive for the first time in the four years under review. This was despite the higher level of current borrowings at 30 June 2011 and was mainly due to holding much higher cash holdings, which totalled $12.464m at this date.

SULLIVANS COVE WATERFRONT AUTHORITY

Sullivans Cove Waterfront Authority (the Authority), which was established in 2005, was wound up on 31 August 2011. The Authority will produce a final set of financial statements on completion of the wind-up process.

For the year ended 30 June 2011, the Authority's Statement of Financial Position reported Net liabilities of $0.023m (2010, $0.103m) which mainly consisted of Employee entitlements of $0.183m offset by Cash and deposits of $0.174m.

TASMANIAN SKILLS INSTITUTE

The Tasmanian Skills Institute (the TSI) was established on 1 January 2009, emerging from the separation of TAFE Tasmania into the TSI, Tasmanian Polytechnic and Tasmanian Academy under the State Government's Tasmania *Tomorrow* initiative.

On 1 January 2011 the Polytechnic and the Academy were transferred to the Department of Education with information about these two entities now included in that Chapter of this Volume. The TSI remained a standalone entity as a registered training organisation.

The TSI received an unqualified audit report but with inclusion of an "emphasis of matter" paragraph which drew attention to the TSI's significant dependency on government for its funding. It generated a Net operating deficit of $4.661m (2009-10, $0.692m) indicating that it had not generated enough revenue to meet its operating requirements. The TSI received confirmation of Government support so that it could continue to operate on a going concern basis.

SUMMARY FINANCIAL ANALYSIS

We summarise below significant financial results but only where this warrants inclusion in this "At a Glance" section.

When evaluating the financial performance of these entities it is important to note in most cases, SFC is an exception, while they are funded on an accruals basis, this does not include funding for depreciation and amortisation charges or increases in provisions for employee entitlements such as recreation and long service leave or movements in payables and receivables.

State Fire Commission recorded a Net surplus of $1.854m in 2010-11 a decrease of $1.813m on the prior year. This decrease was driven by lower Fire prevention charges and lower wildfire contribution income, partly offset by higher income from contribution levies and lower operating expenses.

The Commission recorded a Comprehensive surplus for the year of $5.278m compared to a surplus of $10.444m in 2009-10. This result was mainly due to the gain of $1.721m (2009-10, $5.210m) on the change in the superannuation scheme obligation and Net Surplus after capital contributions of $2.644m ($4.437m).

Corresponding to the Comprehensive surplus for the year, Net Assets also increased by $5.278m to $89.876m. Working Capital was positive, a significant improvement over the past three years when there were working capital deficits.

Tasmanian Skills Institute (TSI) recorded a Net operating deficit of $4.661m in 2010-11, an increase of $3.969m on the deficit reported in the prior year. The TSI generated a Net Deficit of $0.327m after including capital funding of $4.334m. Major capital projects funded included construction of the Green Skills Centre of Excellence at Alanvale.

Total Equity increased from $6.958m to $99.456m during 2010-11, primarily due to contributed equity received from Department of Education (DoE), $92.825m. The contributed equity consisted mainly of land and buildings formerly part of the asset portfolio of the Tasmanian Polytechnic and DoE.

DIRECTOR OF PUBLIC PROSECUTIONS

INTRODUCTION

The Office of Director of Public Prosecutions (ODPP) was established as a separate agency on 1 July 2010.

ODPP provides criminal and civil law services to the State of Tasmania. The Director of Public Prosecutions (the Director) is appointed under the *Director of Public Prosecutions Act 1973*, has complete independence in decision-making and is accountable to Parliament through the Attorney-General.

The Responsible Minister is the Minister for Justice.

AUDIT OF 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2011. An unqualified audit report was issued on 23 September 2011.

KEY FINDINGS AND DEVELOPMENTS

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2010-11	**2010-11**
	Budget	Actual
	$'000s	$'000s
Total Revenue	7 029	7 262
Total Expenses	7 090	8 737
Net Surplus (Deficit)	**(61)**	**(1 475)**
Total Assets	1 201	2 337
Total Liabilities	1 285	1 533
Net Assets	**(84)**	**804**
Total Equity	**(84)**	**804**

Comment

As this is the ODPP's first year of operations as a stand alone agency, no comparatives are available so the budget was used for the purposes of analysis.

The Net deficit of $1.475m could indicate that ODPP did not generate sufficient revenue to cover its expenses. However, included in expenses was a one-off unbudgeted impairment charge of $1.213m for Confiscation of Profit receivables. Receivables specified as Confiscation of Profit relate to Orders made in the Supreme Court under the *Crime (Confiscation of Profit) Act 1993*. Of these receivables approximately 96% relate to Pecuniary Penalty Orders (PPO's), which are problematic, especially where the defendant has no capacity to make payment.

After accounting for this impairment, the ODPP recorded a net deficit of $0.262m, compared to a budgeted deficit of $0.061m.

The deficit resulted from:

- additional supplies and consumables costs, $0.370m, due to costs incurred in upgrading data software
- higher other expenses, $1.056m, which included a one off, unbudgeted, transfer of funds of $1.038m from the Confiscation of Profit account to the Victims of Crime Assistance Account held by the Department of Justice.

The above factors were partly offset by:

- greater revenue from sale of services, $0.312m more than that was budgeted
- higher other revenue, $0.395m, due to collection of pecuniary penalty orders also not budgeted
- decreased employee expenses, $1.011m, as the Office was unable to fill every vacant position during 2010-11.

ODPP recorded Total Equity of $0.804m which was a significant improvement on the budgeted result, $(0.084)m. This represents an improvement of $0.888m which mainly comprised:

	$'000
Unbudgeted net assets transferred to ODPP from Department of Justice on 1 July 2010 (administrative restructure)	2 279
Deficit for the Year	(1 475)
Equity at 30 June 2011	**804**

INLAND FISHERIES SERVICE

The Inland Fisheries Service (the Service) is the State's natural resource manager of freshwater fisheries in Tasmania. The *Inland Fisheries Act 1995* created the position of the Director of Inland Fisheries.

The principal role of the Service is to provide advice to the Minister for Primary Industries and Water on all matters relating to freshwater fisheries' policy and management and to manage the State's freshwater fisheries.

The Director manages the Service and is responsible for the sustainable management of Tasmania's freshwater resources; ensuring the best use is made of these resources and ensuring the freshwater fauna and its habitat are protected for the benefit of future generations. The Service produces its own fish stocks at its New Norfolk premises with ova sourced from wild fish stocks.

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

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 15 July 2011 and an unqualified audit opinion was issued on 30 August 2011.

KEY FINDINGS, DEVELOPMENTS AND FINANCIAL RESULTS

The audit was completed satisfactorily with no major items outstanding.

The Service recorded an improved operating result for 2010-11, a surplus of $0.068m, compared to a deficit, $0.076m, in 2009-10. The Service's Net assets increased from $6.113m to $6.544m.

ABRIDGED COMPREHENSIVE INCOME STATEMENT

	2010-11	2009-10	2008-09	2007-08
	$'000s	$'000s	$'000s	$'000s
Licence fees	1 628	1 619	1 529	1 479
Government grants	1 641	1 292	1 230	1 179
External grants and reimbursements	300	602	512	742
Other revenue	602	537	535	586
Total Revenue	**4 171**	**4 050**	**3 805**	**3 986**
Employee expenses	2 357	2 370	2 149	2 401
Other expenses	1 521	1 537	1 232	1 405
Depreciation	225	219	217	228
Total Expenses	**4 103**	**4 126**	**3 598**	**4 034**
Net operating surplus (deficit) from transactions	**68**	**(76)**	**207**	**(48)**
Fair value adjustment for investment property	0	202	0	0
Gain on sale of non-financial assets	14	0	0	0
Net surplus (deficit) after accounting for other economic flows	**82**	**126**	**207**	**(48)**
Other Comprehensive Income				
Valuation adjustment to land and buildings	349	0	0	0
Comprehensive Surplus (Deficit)	**431**	**126**	**207**	**(48)**

Comment

In 2010-11 the Service recorded a Net operating surplus from transactions, $0.068m, an improvement of $0.144m on the prior year. This was primarily because the Service contained its costs in 2010-11 while improving revenue. Reasons for movements in line items include:

- higher Government grants, $0.349m, due primarily to a $0.400m grant provided for the Carp Management Project
- higher Other revenue, $0.065m, due mainly to increased interest received, $0.048m, attributable to additional funds invested and higher interest rates
- lower External grants and reimbursements, $0.302m, due to decreased demand for some services in 2010-11 and a number of smaller grants received in the prior year were for specific projects.

ABRIDGED STATEMENT OF FINANCIAL POSITION

	2011	2010	2009	2008
	$'000s	$'000s	$'000s	$'000s
Cash	1 150	1 076	1 186	977
Receivables	93	165	184	226
Total Current Assets	**1 243**	**1 241**	**1 370**	**1 203**
Property, plant and equipment	4 339	3 968	4 027	5 108
Investment property	1 745	1 745	1 398	0
Total Non-Current Assets	**6 084**	**5 713**	**5 425**	**5 108**
Payables	244	350	262	163
Provisions	280	240	257	265
Total Current Liabilities	**524**	**590**	**519**	**428**
Provisions	259	251	290	298
Total Non-Current Liabilities	259	251	290	298
Net Assets	**6 544**	**6 113**	**5 986**	**5 585**
Reserves	2 058	1 709	1 709	1 524
Accumulated funds	1 286	1 204	1 077	861
Contributed capital	3 200	3 200	3 200	3 200
Total Equity	**6 544**	**6 113**	**5 986**	**5 585**

Comment

Total equity increased from $6.113m to $6.544m during 2010-11. This increase of $0.431m comprised:

- Net surplus after accounting for other economic flows, $0.082m (2010, $0.126m)
- Valuation adjustment to land and buildings, $0.349m.

The corresponding increase in Net Assets was primarily due to higher Property, plant and equipment, $0.371m, related to:

- revaluation of land and buildings which resulted in a net increment of $0.349m
- additions to motor vehicles, plant and equipment and work in progress, $0.306m,

partly offset by

- depreciation expense, $0.225m,
- disposals of motor vehicles, $0.059m.

FINANCIAL ANALYSIS

	Bench Mark	2010-11	2009-10	2008-09	2007-08
Financial Performance					
Result from operations ($'000s)		68	(76)	207	(48)
Own source revenue ($'000s)		2 230	2 156	2 064	2 065
Financial Management					
Debt collection	30 days	15	28	34	42
Creditor turnover	30 days	36	52	28	26
Capital Management					
Investment ratio	100%	124%	143%	127%	146%
Renewal ratio	100%	66%	121%	N/A	N/A
Other Information					
Staff numbers (FTEs)		26	25	30	31
Average staff costs ($'000s)		92	94	72	76
Average Recreational Leave balances per FTE (days)	20	20	20	8	9
Average Long Service Leave balances per FTE (days)	100	29	31	33	36

Comment

Own source revenue gradually increased over the period under review in line with annual increases in licence fees and rental income.

Debt collection days steadily improved over the four year period and by 30 June 2010 it was better than the benchmark. This improvement was due to focused efforts from management to improve collection.

Creditor turnover was generally consistent with benchmark except for 2009-10 which was affected by six large non-routine payments included in 30 June 2010 creditors.

Investment ratio was above benchmark in all years which was in line with the Service budgeting for less capital expenditure.

The lower Renewal ratio in 2010-11 was mainly due to the lower level of capital expenditure in the year while depreciation increased. A major acquisition in 2010-11 was $0.080m spent on a new solar system for the Service's main building.

INTEGRITY COMMISSION

INTRODUCTION

The Integrity Commission (the Commission) was established by the *Integrity Commission Act 2009* and commenced operations on 1 October 2010. The main aim of the Commission is to promote and enhance standards of ethical conduct by public officers in the Tasmanian public sector including local government councils. The Commission consists of a Board with six members and a Chief Commissioner, a statutorily appointed Chief Executive Officer, and a number of staff who undertake the various functions of the Commission.

The Commission promotes and strengthens ethical conduct in the Tasmanian public sector to enhance public confidence. It has a strong educative and training role, as well as developing standards and guidelines to help public officers perform their duties ethically.

The Commission also deals with complaints of misconduct which, in some instances, may lead to investigations, and has the power to monitor and audit internal investigation processes conducted by public authorities.

The Auditor-General is an ex-officio member of the Board of the Commission. As a result, the audit of the Commission is managed by the Deputy Auditor-General.

The Responsible Minister is the Minister for Justice.

AUDIT OF 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 11 August 2011. An unqualified audit report was issued on 31 August 2011.

KEY FINDINGS AND DEVELOPMENTS

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2010-11 Budget $'000s	**2010-11** Actual $'000s
Total Revenue	2 909	3 199
Total Expenses	2 973	2 846
Net Surplus (Deficit)	**(64)**	**353**
Total Assets	434	642
Total Liabilities	337	294
Net Assets	**97**	**348**
Total Equity	**97**	**348**

Comment

As this is the Commission's first year of operations as a separate agency, there were no comparatives so budget was used for the purposes of analysis.

The Commission receives Parliamentary appropriation to meet recurrent expenditure and in 2010-11, it recorded a Net Surplus from transactions of $0.353m, compared to budgeted deficit, $0.064m. This first period of the Commission's activities was unusual in that it operated for nine months and invested funds in office fit-out and recruiting staff.

The Net Surplus of $0.353m was unusual and resulted from a number of offsetting factors including:

- increased revenue from government, $0.509m, due to the transfer of funds held by the Department of Justice. The Department received these funds in the 2009-10 financial year but which were unexpended at 30 June 2010. They were provided to assist in setting up the Commission and were transferred to it on the commencement of its operations. All of the $0.509m was expended on office fit-out
- higher other revenue, $0.082m, primarily being reimbursements from the Commission's landlord for the office fit-out
- lower than budgeted appropriation revenue by $0.301m. This represented funds identified by the Commission as budget savings for which approval was granted to add this amount to its 2011-12 budget. The funds are aimed at acquiring a case management system and implementation of other necessary information systems
- the Commission underspent its expenditure budget by $0.127m primarily due to savings in staffing as it was still recruiting.

At 30 June 2011 the Commission reported Total Equity of $0.348m which was $0.251m higher than budgeted equity and arose for the reasons outlined above. Total Equity differed from the Net Surplus of $0.353m because the administrative restructure between the Commission and the Department resulted in the transfer to the Commission of liabilities totalling $0.005m.

The main components of the Commission's Net Assets were:

- leasehold improvements and office equipment reported at $0.576m
- provisions for employee annual leave and long service leave obligations of $0.187m.

MARINE AND SAFETY AUTHORITY

INTRODUCTION

Marine and Safety Authority, trading as Marine and Safety Tasmania (MAST) seeks to be widely recognised as a proactive, approachable and knowledgeable organisation, effectively carrying out its functions under the *Marine and Safety Authority Act 1997*. These functions are to:

- ensure safe operations of vessels
- provide and manage marine facilities and
- manage environmental issues relating to vessels.

MAST reports to the Minister for Infrastructure.

MAST is largely self-funding with income derived from recreational boat registrations and licence fees. Income is also received from commercial vessel owners for the inspection of vessels and licensing of operators. These activities are largely fee for service.

An annual appropriation is received through DIER and used for the maintenance and management of commercial marine facilities. Further funding from the Capital Investment Program is also received for specific rebuilding projects.

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 11 August 2011 and an unqualified audit report issued on 12 August 2011.

KEY FINDINGS AND DEVELOPMENTS

The audit was completed satisfactorily with no items outstanding.

ABRIDGED COMPREHENSIVE INCOME STATEMENT

	2010-11	**2009-10**
	$'000s	$'000s
Total Income	5 196	5 581
Total Expenses	6 322	5 617
Net (deficit) from transactions	**(1 126)**	**(36)**
State capital investment program grants	1 150	1 300
Loss on disposal of non-current assets	(134)	(40)
Net surplus (deficit) after accounting for other economic flows	**(110)**	**1 224**
Other Comprehensive Income		
Changes in physical asset revaluation reserve	0	9 878
Comprehensive Surplus (Deficit)	**(110)**	**11 102**

Comment

When assessing MAST's financial performance it must be borne in mind that its Net result varies significantly each year due to the timing of triennial motor boat licence renewals and State capital investment program grants.

MAST's Net deficit from transactions worsened from a deficit of $0.036m in 2009-10 to a deficit of $1.126m in 2010-11. This decline of $1.090m indicated that it was not generating sufficient revenue to fulfil its operating requirements. This result was largely due to:

- lower recreational boating revenue, $0.536m, due to recreational boating licenses being renewed in 2009-10
- higher employee expenses, $0.170m, due primarily to:
  - salary increases of 5.5% under MAST's Enterprise Bargaining Agreement
  - appointment of a Manager Planning Development, a new position established during the year
  - higher training expenses for staff in 2010-11
  - increased board sitting fees, $0.004m as approved by the Minister
- higher supplies and consumables expenses, $0.089m mainly due to:
  - printing of a special gazette in relation to new by-laws for fees and commercial vessels
  - consultant expenses for the recruitment of the replacement Chief Executive Officer
  - survey of all recreational boat owners and licence holders that occurs every 3 years
- increased recreational boating fund expenditure, $0.452m, primarily due to a higher number of projects completed in 2010-11 in comparison to 2009-10 because of the availability of suitably qualified contractors
- higher deprecation expenses, $0.349m, due to the full year effect of the revaluation increment of marine facilities in 2009-10.

These higher costs were partly offset by:

- higher commercial vessels and certificate of competency revenue, $0.058m, primarily due to general increase in the number of certificates issued in 2010-11
- increased interest revenue, $0.046m, resulting from higher cash holdings during the year because of delays in completing projects due to planning delays and contractor unavailability
- higher other income, $0.065m, due to one-off funding received from the Department of Economic Development, Tourism and the Arts, $0.040m and Glamorgan Spring Bay Council $0.010m, towards developing an East Coast Boating Facilities strategy that MAST is coordinating
- lower facilities maintenance expenses, $0.382m, because of less maintenance works to jetties and navigation aids in 2010-11 due to timing of contractor availability. MAST has carried forward unspent amounts to 2011-12.

The Net deficit after accounting for other economic flows included:

- State Capital Investment Program grants, $1.150m, for the following projects:
  - Kettering Jetty, $0.540m
  - Bicheno Jetty and Landing Stage, $0.450m
  - Swansea Jetty Inner Walkway, $0.100m
  - Dredging St Helens, $0.410m
  - Marine Facilities – Preventative Maintenance, $0.689m.

The Loss on disposal of non-current assets, $0.134m. The most significant transactions in this amount were the disposal of navigation aids and write off of the Margate and Kettering Jetties due to their being demolished and replaced. There were no proceeds from the disposal of these assets.

ABRIDGED STATEMENT OF FINANCIAL POSITION

	2011	**2010**
	$'000s	$'000s
Total Assets	26 997	27 125
Total Liabilities	793	811
Net Assets	**26 204**	**26 314**
Total Equity	**26 204**	**26 314**

Comment

Total Equity declined in comparison to prior year by $0.110m. This movement represented the 2010-11 comprehensive result. Net assets moved accordingly with the major movements being:

- higher receivables, $0.032m, relating to higher unpaid invoices and increased activity for commercial vessels towards year end
- increased property, plant and equipment, $1.181m, due primarily to:
  - additions, $2.186m, represented primarily by marine facility additions which included the Margate Jetty, $1.374m and Kettering Jetty $0.653m.

  offset by:

  - depreciation expense, $0.871m
  - disposals of $0.134m, the most significant being marine facilities, $0.075m, previously mentioned.

FINANCIAL ANALYSIS

	Bench Mark	2010-11	2009-10	2008-09	2007-08
Financial Performance					
Result from operations ($'000)		(1 126)	(36)	662	33
Operating margin	>1.0	0.82	0.99	1.13	1.01
Own source revenue ($'000s)		4 157	4 531	4 930	3 436
Financial Management					
Debt collection	30 days	30	24	16	33
Creditor turnover	30 days	20	23	54	28
Capital Management					
Capital Investment % (investment gap)	100%	252%	241%	299%	90%
Capital investment % (renewal gap)	100%	247%	218%	132%	64%
Other Information					
Staff numbers (FTEs)		18	17	17	16
Average staff costs ($'000s)		106	102	97	91
Average Recreational Leave balance per FTE (days)	20	14	16	16	17
Average Long Service Leave balance per FTE (days)	100	44	56	57	53

Comment

Operating margin is in line with recent deficits and was below our benchmark of one in each of the last two years. This is predominately due to increased employee provisions and depreciation which was not funded.

Debt collection is generally in line with the benchmark. The slightly higher days debt collection in 2010-11 was due to the timing of invoices at year end.

Creditor turnover was within benchmark in each year except 2008-09 mainly due to timing of creditor invoices received for a number of capital projects at the end of that financial year.

The investment and renewal ratios remained above the benchmark for each year due to capital works on infrastructure undertaken by MAST.

Average long service leave balance per FTE (days) decreased by 12 due to a number of employees taking long service leave during the year.

OFFICE OF THE OMBUDSMAN AND HEALTH COMPLAINTS COMMISSIONER

INTRODUCTION

The Ombudsman and Health Complaints Commissioner is an independent officer appointed by the Governor, and answerable to the Parliament.

The role of the Ombudsman is to investigate the administrative actions of public authorities to ensure that their actions are lawful, reasonable and fair. The Ombudsman also has central functions under the *Right to Information Act 2009* (the Act), principally that of reviewing decisions by public authorities not to release information under the Act.

Authorities within the Ombudsman's jurisdiction include Tasmanian government departments, local government councils, water and sewerage corporations, prisons, state-owned companies, government business enterprises and a range of other public authorities.

The Health Complaints Commissioner's role is to:

- promote and protect the rights of consumers who use health services
- help resolve problems between consumers and providers of health services
- improve the safety and quality of health services in Tasmania.

This section of the Office looks into complaints from individuals or organisations about the provision of health services in both the public and private sectors.

The Ombudsman is also the Energy Ombudsman and responsible for the Mental Health Official Visitor Scheme.

Office of the Ombudsman and Health Complaints Commissioner (the Office) receives parliamentary appropriation to meet recurrent expenditure.

The Responsible Minister is the Minister for Justice.

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2011 and an unqualified audit report was issued on 16 August 2011.

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2010-11	2009-10
	Actual	Actual
	$'000s	$'000s
Total Revenue	2 595	2 121
Total Expenses	2 528	2 140
Net Surplus (Deficit)	**67**	**(19)**
Total Assets	457	355
Total Liabilities	371	336
Net Assets	**86**	**19**
Total Equity	**86**	**19**

Comment

The Office's Net Surplus improved by $0.086m to $0.067m in 2010-11. It budgeted to incur a small deficit of $0.020m which is consistent with not being funded for depreciation and increases in employee leave provisions.

The improved surplus was mainly due to higher Total Revenue, $0.474m, while Total Expenses increased by $0.388m. Major movements included:

- higher recurrent appropriations, $0.430m, to implement the *Right to Information Act 2009*, to increase the investigative capacity of the Office and for the administration of the Mental Health Official Visitors Scheme, transferred to the Office on 1 July 2009
- increased revenue from energy entities, $0.043m,
- increased employee benefits, $0.229m, attributable to:
    - creation of the position of Director, Office of the Ombudsman
    - employment of additional investigative officers
    - increased State government salary/wage awards
    - higher employer superannuation contributions, which increased from 11% to 12.3%, effective 1 July 2010
    - increased workload of mental health and prison official visitors in 2010-11
    - remuneration for prison officer visitors paid at an hourly rate replacing an annual stipend
- higher supplies and consumables, $0.089m, mainly due to increased rent paid for additional office space occupied
- increased other expenses, $0.058m, mainly due to charges from 1 July 2010 by the Department of Justice for the provision of corporate services.

Total Equity increased by $0.067m during 2010-11, due to the Net surplus earned by the Office.

Total Assets comprised predominantly:

- special deposits and trust fund account held by the Office, $0.171m (2009-10, $0.127m)
- intangible assets which included the Office's Resolve case management system, its website upgrade and TRIM document and records management system, $0.143m, ($0.145m)
- leasehold improvements on additional office space under an operating lease, $0.067m ($nil).

Total liabilities were largely represented by provisions for employee entitlements, $0.317m (2009-10, $0.281m).

ROYAL TASMANIAN BOTANICAL GARDENS

INTRODUCTION

The Royal Tasmanian Botanical Gardens (RTBG) is a State entity, governed by the *Royal Tasmanian Botanical Gardens Act 2002* and administered by the Department of Primary Industries, Parks, Water and Environment (DPIPWE). The RTBG is managed by the Botanical Gardens Board appointed by the Minister.

The responsible Minister is the Minister for Environment, Parks and Heritage.

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2011 and an unqualified audit report was issued on 26 September 2011.

KEY FINDINGS AND DEVELOPMENTS

A number of findings were identified during the audit and corrective action agreed with management, none were of a high risk nature.

During the audit we noted the RTBG will undertake a full revaluation of its infrastructure assets during 2011-12. We support this as it will ensure that there is not a divergence from fair values given the last formal independent valuation of the RTBG's infrastructures assets was performed at 30 June 2006.

The RTBG receives parliamentary appropriation to meet recurrent expenditure. A one-off operating grant of $0.356m was received from DPIPWE in 2010-11.

The audit was completed satisfactorily with no major items outstanding

SUMMARY OF FINANCIAL RESULTS

	2010-11	2009-10
	$'000s	$'000s
Total Revenue	4 433	4 316
Total Expenses	4 974	5 085
Net (deficit) from transactions	**(541)**	**(769)**
Impairment of non financial assets	(234)	0
Net Surplus (Deficit) attributable to the State	**(775)**	**(769)**
Other Comprehensive Income		
Changes in Asset Revaluation Reserve	(239)	1 832
Comprehensive Result	**(1 014)**	**1 063**
Total Assets	15 684	16 690
Total Liabilities	682	675
Net Assets	**15 002**	**16 015**
Total Equity	**15 002**	**16 015**

Comment

The RTBG's Net Deficit from transactions improved from a deficit of $0.769m in 2009-10 to a deficit of $0.541m in 2010-11. The deficit indicates the RTBG was not generating sufficient revenue to fulfil its operating requirements. The improvement of $0.228m in 2010-11 was mainly due to:

- increased recurrent appropriation, $0.352m, primarily due to a one-off additional grant received from DPIPWE, previously mentioned
- higher botanical shop sales revenue, $0.020m, and consultancy work revenue, $0.034m,
- decreased Total Expenses, mainly due to lower:
    - botanical shop expenses, $0.015m,
    - marketing and events expense, $0.070m,
    - education expenses, $0.026m,
    - depreciation expense, $0.146m.

This was partially offset by:

- decreased other grants received, $0.151m, due to the finalisation of five year funding received for the Kew Millennium Seedbank project
- lower RTBG generated income, $0.064m, primarily due to decreased:
    - concert events, $0.062m,
    - restaurant sales, $0.010m,
    - interest income, $0.009m,
    - training subsidies/reimbursements, $0.009m,
    - venue hire, education, site hire, minor sales, $0.010m,
- increased other projects expenditure supported by Industry, $0.110m, due to higher number of educational projects organised by RTBG.

The impairment of $0.234m related to the Discovery Centre Interpretation due to it being dismantled and no longer used. The revaluation included in Other Comprehensive Income was a decrement of $0.239m following a revaluation of buildings carried out this year.

In line with the total Comprehensive result, Total Equity declined by $1.014m. Total assets comprised predominately:

- Cash and cash equivalents, $0.312m, (2009-10, $0.390m),
- Property, plant and equipment, $15.235m, ($16.166m) a decrease of $0.931m mainly due to:
    - revaluation decrement of buildings, $0.239m,
    - impairment of Discovery Centre Interpretation, $0.234m,
    - depreciation expenses, $0.506m,
    - disposals of plant and equipment, $0.010m,

    offset by:

    - additions to plant and equipment and utility services infrastructure, $0.057m,
- Inventories, $0.101m, ($0.098m).

Total liabilities were largely represented by provisions for employee entitlements, $0.511m, (2009-10, $0.530m) and trade and other payables, $0.171m, ($0.145m).

STATE FIRE COMMISSION

INTRODUCTION

The State Fire Commission (the Commission) was established under the *Fire Service Act 1979*. The role of the Commission is to protect life, property and the environment from fire and other emergencies. The Commission provides a rapid emergency response and promotes fire safety in partnership with the community.

The Commission comprises seven members: one person being the Chief Officer (Chairperson), one person each nominated by the United Firefighters Union (Tasmanian Branch), the Tasmanian Retained Firefighters Association, the Tasmanian Volunteer Fire Brigades Association, the Secretary of the Department of Treasury and Finance and two nominated by the Local Government Association of Tasmania.

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

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 12 August 2011, with revised financial statements received on 15 September 2011. An unqualified audit report was issued on 16 September 2011.

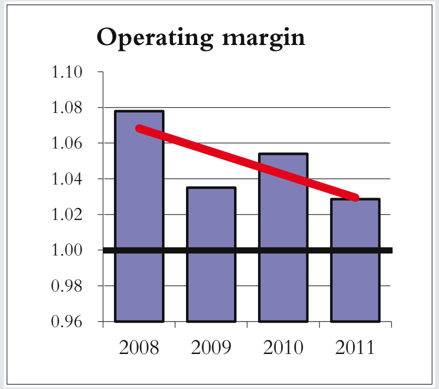
FINANCIAL RESULTS

There were no significant findings or developments

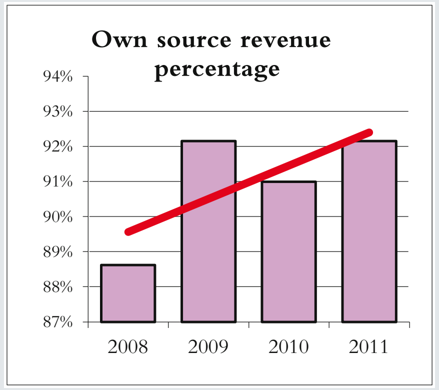
The Commission recorded a Net Surplus of $2.644m in 2010-11 (2009-10, $4.437m). This decrease was driven by lower Fire prevention charges and lower wildfire contribution income, partly offset by higher income from contribution levies and lower operating expenses.

Analysis of the finances of the Commission shows a continued improvement in Working Capital over the past four years, with a positive working capital position achieved at 30 June 2011. The Commission budgets for operating and capital expenditure in accordance with available funds. The quarterly receipt of the Fire Service Contribution places periodic strain on the Commission's finances, but it has an adequate overdraft facility and cash balances to help meet short-term financial obligations.

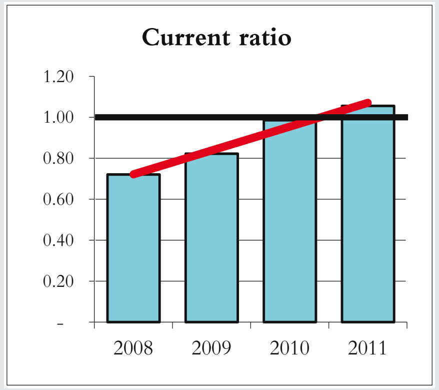
The following three graphs summarise key ratios highlighting important aspects of the Commission's financial performance over the past four years.



Operating margin was above the expected benchmark of one for each of the past four years, indicating the Commission was generating sufficient revenue to fulfil operational requirements.



Own source revenue percentage shows the Commission generated on average 90% of revenue from its own sources. Own source revenue has steadily increased over the period, with 2009-10 being lower due to additional State contributions to meet wildfire expenses.



Current ratio continued to improve steadily such that by 30 June 2011 it was just above benchmark. This improvement reflected the Commission's better Net Working Capital position as reported on its Statement of Financial Position later in this Chapter. This is a strong improvement particularly in view of the higher level of current borrowings at 30 June 2011 compared to the three prior years. It should be noted that the quantum of total borrowings has not changed, only the mix between current and non-current.

COMPREHENSIVE INCOME STATEMENT

	2010-11	2009-10	2008-09	2007-08
	$000s	$000s	$000s	$000s
Fire service contribution	31 348	29 856	28 434	27 080
Insurance fire levy	16 322	17 016	15 574	14 793
Motor vehicle fire levy	6 389	6 457	5 739	5 544
State contribution - recurrent	3 375	3 073	2 810	2 810
State contribution - wildfire expenses	658	2 486	1 511	2 790
Commonwealth contribution	1 250	855	573	1 258
Fire prevention charges	5 982	8 523	5 480	4 492
Other revenue	1 508	2 939	2 276	1 480
Total Revenue	**66 832**	**71 205**	**62 397**	**60 247**
Salaries, wages and related expenses	41 774	40 538	38 079	35 633
Borrowing costs	315	336	337	397
Depreciation	4 994	4 688	4 591	4 803
Other expenses	17 895	21 996	17 280	15 060
Total Expenses	**64 978**	**67 558**	**60 287**	**55 893**
Net Surplus before contributions to capital program	**1 854**	**3 647**	**2 110**	**4 354**
State contribution to capital program	790	790	500	0
Net Surplus	**2 644**	**4 437**	**2 610**	**4 354**
Other comprehensive income				
Gain/(loss) on movement in superannuation scheme obligation	1 721	5 210	(9 394)	(6 397)
Increase in asset revaluation reserve	913	797	3 171	6 292
Total other comprehensive income	**2 634**	**6 007**	**(6 223)**	**(105)**
Total comprehensive income for the year	**5 278**	**10 444**	**(3 613)**	**4 249**

Comment

The Commission recorded a Comprehensive surplus for the year of $5.278m compared to a surplus of $10.444m in 2009-10. This result was principally due to the gain of $1.721m (2009-10, $5.210m) on the change in the superannuation scheme obligation and the Net Surplus of $2.644m ($4.437m). The reduction in Net Surplus of $1.793m from the prior year can be attributed to:

	2010-11	
	$000s	Note
Fire service contribution and levies	730	(1)
Wildfire fighting reimbursement	(1 828)	(2)
Fire prevention charges	(2 541)	(3)
Salaries and related expenses	(1 236)	(4)
Operating expenses	3 816	(5)
Other net movements	(734)	
Reduction in net surplus	**(1 793)**	

1. Fire service contributions and levies increased by $0.730m, which reflected higher Fire service contributions off-set by lower levies received from insurers and motor vehicle registrations.
2. Lower wildfire fighting reimbursement, $1.828m, reflected the significantly fewer number of such fires during 2010-11. This resulted in lower usage of helicopters and heavy equipment requiring less reimbursed.
3. Fire prevention charges decreased by $2.541m, which was expected as in 2009-10 an additional charge was made to customers who were required to change to a wireless internet protocol solution that required the purchase of an additional piece of alarm equipment. This did not recur in 2010-11. Additional revenue generated from the sale of the alarm equipment in 2009-10 was almost entirely offset by an increase in the cost of sales of those alarms. In addition, the 2009-10 year was inflated by revenue of $0.874m from a one-off project to supply fire suppression systems to an interstate wind farm, with related cost of sales of $0.836m.
4. Increase in salaries and related expenses of $1.236m was primarily due to pay increases as FTE numbers remained consistent with 2009-10.
5. Operating expense declined by $3.810m primarily due to the decrease in cost of sales of fire alarm equipment and lower wildfire costs.

In addition to the decline in the Commission's superannuation obligations of $1.721m already referred to, other movements in Comprehensive income related to an increase in the Commission's asset revaluation reserve of $0.913m (2009-10, $0.797m).

STATEMENT OF FINANCIAL POSITION

	2011	2010	2009	2008
	$000s	$000s	$000s	$000s
Cash	12 464	8 938	6 884	6 846
Receivables	1 949	1 960	1 863	1 042
Inventories	1 622	1 672	2 713	1 360
Other	2 429	2 886	1 857	1 610
Total Current Assets	**18 464**	**15 456**	**13 317**	**10 859**
Payables	3 693	4 413	4 770	5 016
Borrowings	3 330	1 368	1 830	1 500
Provisions - leave and other	10 482	9 907	9 604	8 556
Total Current Liabilities	**17 505**	**15 688**	**16 204**	**15 072**
Net Working Capital	**959**	**(232)**	**(2 887)**	**(4 213)**
Property, plant and equipment	93 253	88 873	85 920	81 266
Capital work in progress	1 828	5 686	5 851	6 331
Total Non-Current Assets	**95 081**	**94 559**	**91 771**	**87 597**
Borrowings	1 368	3 330	2 868	3 198
Superannuation fund net liability	3 809	5 529	10 741	1 347
Provisions - leave and other	987	870	1 123	1 075
Total Non-Current Liabilities	**6 164**	**9 729**	**14 732**	**5 619**
Net Assets	**89 876**	**84 598**	**74 152**	**77 765**
Reserves	15 204	14 290	13 493	10 321
Accumulated surpluses	74 672	70 308	60 659	67 443
Total Equity	**89 876**	**84 598**	**74 152**	**77 765**

Comment

In line with the Commission's Comprehensive result, Total Equity increased by $5.278m to $89.876m at 30 June 2011.

Corresponding to the increase in Total Equity, Net Assets also increased by $5.278m with main movements in line items being:

- decrease of $1.720m in the Commission's provision for its obligations under the superannuation fund net liability
- higher Cash of $3.526m due to delays in capital projects and strong operating cash flows
- Property plant and equipment increased by $4.380m, due primarily to:
  - completion of capital work in progress and additions, $8.885m,
  - land and building revaluation increments of $0.913m,
  - less depreciation expense, $4.994m,
  - less disposals, $0.425m.

Working Capital was positive, a significant improvement over the past three years when there were working capital deficits. This was despite the much higher level of current borrowings at 30 June 2011 and was mainly due to the much higher cash holdings. As previously mentioned, it should be noted that there has been no change in the level of total current and non-current borrowings.

STATEMENT OF CASH FLOWS

	2010-11	2009-10	2008-09	2007-08
	$000s	$000s	$000s	$000s
Receipts from operating activities	69 016	71 674	60 425	59 320
Payments to suppliers and employees	(60 467)	(63 210)	(54 489)	(47 027)
Interest received	365	98	165	57
Borrowing costs	(315)	(336)	(337)	(397)
Cash from operations	**8 599**	**8 226**	**5 764**	**11 953**
Payments for property, plant and equipment	(5 490)	(6 584)	(6 049)	(6 159)
Proceeds from sale of property, plant and equipment	417	412	323	140
Cash (used in) investing activities	**(5 073)**	**(6 172)**	**(5 726)**	**(6 019)**
Proceeds from borrowings	(1 368)	(1 368)	1 500	1 368
Repayment of borrowings	1 368	1 368	(1 500)	(1 368)
Cash from financing activities	**0**	**0**	**0**	**0**
Net increase (decrease) in cash	**3 526**	**2 054**	**38**	**5 934**
Cash at the beginning of the year	8 938	6 884	6 846	912
Cash at end of the year	**12 464**	**8 938**	**6 884**	**6 846**

Comment

The Commission generated positive Cash from operations in each of the past four years. In 2010-11, Cash from operations was comparable with 2009-10, increasing $0.373m. The movement in operating receipts and payment was discussed in the Comprehensive Income Statement section.

Payments for property, plant and equipment declined $1.094m compared to previous year. In general, the Commission adopts a stable capital investment program and this continued in 2010-11. Delays in capital projects over recent years have contributed to the growth in the Commission's cash position.

FINANCIAL ANALYSIS

	Bench Mark	2010-11	2009-10	2008-09	2007-08
Financial Performance					
Operating margin ($'000s)		1 854	3 647	2 110	4 354
Own source revenue ($000s)		61 589	64 791	57 503	53 389
Financial Management					
Debt collection	30 days	19	19	20	12
Creditor turnover	30 days	47	40	84	87
Capital Management					
Capital replacement % (renewal gap)		110%	140%	132%	128%
Investment gap %		178%	160%	142%	72%
Other Information					
Staff numbers (FTEs) - total		460	460	462	459
- Operational - firefighters (FTEs)		272	277	290	290
- Support staff (FTEs)		188	183	169	169
Average staff costs ($'000s)		82	79	74	65
Average Annual Leave balance per FTE (days)	25*	22	23	25	23
Average Long Service Leave balance per FTE (days)	100	54	53	51	51

* *Average Annual Leave benchmark was based on a weighted average of operational and non-operational staff entitlements.*

Comment

Operating margin and Own source revenue are consistent with explanations previously provided in the Comprehensive Income Statement and Financial Results sections of this Chapter.

Creditor turnover was longer than the 30 day benchmark in each of the years under review but there was a significant improvement in the last two years which saw it reduce to below 50 days. This reduction was driven by a lower creditor balance as a result of efforts to pay creditors prior to the year end.

Average staff costs remained relatively consistent in 2010-11 compared to 2009-10 reflecting stability in staffing numbers throughout the year. Average Annual Leave days per FTE and Average Long Service days per FTE were below benchmarks reflecting that, on average, employees are taking leave when entitled to do so.

SULLIVANS COVE WATERFRONT AUTHORITY

INTRODUCTION

The Sullivans Cove Waterfront Authority (the Authority) was established in 2005 by the State Government in response to concerns over the quality of planning outcomes in the Cove. Its enabling legislation is the *Sullivans Cove Waterfront Authority Act 2004.*

The Authority was wound up on 31 August 2011 with planning and other development functions returned to Hobart City Council. The Authority will produce a final set of financial statements on completion of the wind-up process. Control of all assets and liabilities passed to the Department of Justice.

The responsible Minister is the Minister for Justice.

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 25 August 2011, which was 11 days late, with an unqualified audit report issued on 16 September 2011.

The audit was completed satisfactorily with no other matters outstanding.

SUMMARY OF FINANCIAL RESULTS

	2010-11	2009-10
	$'000s	$'000s
Total Revenue	1 880	1 872
Total Expenses	1 800	1 827
Net Surplus	**80**	**45**
Total Assets	207	73
Total Liabilities	230	176
Net Liabilities	**(23)**	**(103)**
Total Equity	**(23)**	**(103)**

Comment

In the main, the Authority received State government grants to perform its functions and it is able to charge fees for carrying out its functions.

In 2010-11, the Authority recorded a Net surplus from transactions, $0.080m, an improvement of $0.035m. This was the result of higher fees and other revenue primarily due to the cost recovery from projects the Authority performed for the Department of Justice. These additional revenues were partially offset by higher supplies, consumables, and other expenses.

The Authority reported a negative Equity of $0.023m at 30 June 2011, an improvement of $0.080m on prior year, $0.103m. This movement represented the 2010-11 net surplus.

Net Liabilities moved accordingly, with the major movements being:

- increased Cash and deposits, $0.161m,
- decreased receivables, $0.028m,
- higher payables, $0.023m,
- increased employee benefits, $0.028m.

TASMANIAN COMMUNITY FUND

INTRODUCTION

The Tasmanian Community Fund (the Fund) and the Tasmanian Community Fund Board (the Board) were established in 1999 under the *Trust Bank Sale Act 1999.* The Fund and the Board were continued when this Act was repealed in 2005 at which time Parliament passed stand-alone legislation, the *Tasmanian Community Fund 2005* (the *Act*), to govern the Board's operation. The Board's functions are to provide funding for projects undertaken by community organisations that make a difference by improving social, environmental and economic outcomes for the Tasmanian community. The Fund is used to finance the payment of grants for various community purposes, as independently determined by the Board.

From 1 October 2010, the administrative responsibility of the Fund was transferred from the Department of Treasury and Finance to the Department of Premier and Cabinet.

The Responsible Minister is the Minister for Community Development.

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed special purpose financial statements were received on 10 August 2011 and an unqualified audit report was issued on 2 September 2011. The *Act* requires the Board to prepare a statement of accounts as soon as practicable after 30 June each year.

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2010-11	**2009-10**
	Actual	Actual
	$'000s	$'000s
Total Revenue	6 024	5 908
Total Expenses	6 357	7 001
Net Surplus (Deficit)	**(333)**	**(1 093)**
Total Assets	7 373	7 595
Total Liabilities	556	444
Net Assets	**6 817**	**7 151**
Total Equity	**6 817**	**7 151**

Comment

The Board's Net Deficit decreased by $0.760m to $0.333m in 2010-11. The lower deficit was predominantly due to:

- a decrease in Total Expenses, down $0.644m, which was primarily caused by a drop of $0.645m in Grants paid under section 7 of the *Act*. Under section 7, the Fund does not have a set amount which must be spent each year with the Board deciding grants to be made on a case by case basis
- higher Total revenue, up $0.116m, mainly resulting from an increase in section 5 receipts by $0.127m. Section 5 receipts, which are provided by Government, are adjusted in accordance with the CPI index each year.

Despite recording a deficit, the Board maintained a significant cash balance, $7.307m (2009-10, $7.566m), which comprised the majority of Total assets.

While the Board reported consecutive deficits, decisions made regarding section 7 grants are not only based on whether they will result in surpluses or deficits. When assessing grants for approval, the Board takes into account a number of factors including anticipated receipts from Government, interest earned on its investments and available cash balances built up in the past.

TASMANIAN ECONOMIC REGULATOR

INTRODUCTION

On 1 June 2010, the *Economic Regulator Act 2009* was proclaimed by the Governor of Tasmania. This Act established the Tasmanian Economic Regulator (the Regulator) and a three-person Tasmanian Economic Regulator board which replaced the statutory positions of Electricity Regulator, Director of Gas, Government Prices Oversight Commission and Water and Sewerage Economic Regulator.

The Responsible Minister is the Treasurer.

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 12 August 2011 and an unqualified audit report was issued on 21 September 2011.

KEY FINDINGS AND DEVELOPMENTS

The audit was completed satisfactorily with no items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2010-11	2009-10
	Actual	Actual
	$'000s	$'000s
Total Revenue	1 449	1 205
Total Expenses	1 691	1 458
Net Deficit	**(242)**	**(253)**
Total Assets	292	434
Total Liabilities	501	401
Net Assets (Liabilities)	**(209)**	**33**
Total Equity (Total Deficit)	**(209)**	**33**

Comment

The Regulator incurred a Net Deficit of $0.242m which was consistent with the prior year. Total Revenue improved, $0.244m, due to higher fees revenue, up $0.317m, predominately generated from water and sewerage activities offset by lower appropriation revenue, $0.073m, as part of the strategy of the Regulator being self-funded by 2011-12.

Total Expenses increased by $0.233m primarily due to higher employee benefits as a result of the Tasmanian State Service Award.

Total Assets declined by $0.142m, predominately resulting from:

- decreased receivables by $0.077m, as all billed revenue were received by year end
- lower other assets, down $0.084m, due to no accrued revenue at year end.

Total Liabilities increased by $0.100m, mainly due to:

- higher payables, up $0.103m, being gas fees received on behalf of the Department of Justice in 2010-11
- increased employee benefits provision, $0.046m, due to higher long service leave hours and higher average award salaries
- lower other liabilities, down $0.049m, due to a greater level of revenue received in advance in 2009-10 for fees generated on gas and electricity activities.

Total Equity decreased by $0.242m in 2010-11 being the Net deficit for the financial year.

TASMANIAN HERITAGE COUNCIL

INTRODUCTION

The Tasmanian Heritage Council (the Council) was established under the *Historic Cultural Heritage Act 1995* (the Act). The functions of the Council are to maintain the Tasmanian Heritage Register, and to oversee the administration of the Act. The Council's primary role is as a resource management and planning body, focused on heritage conservation issues. Any developments on heritage listed sites requires its approval. The Council did not employ any staff, with its operational functions administered by the Department of Primary Industries, Parks, Water and Environment.

The Responsible Minister is the Minister for Environment, Parks and Heritage.

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2011 and an unqualified audit report was issued on 23 September 2011.

The audit was completed satisfactorily with no major matters outstanding.

SUMMARY OF FINANCIAL RESULTS

	2010-11	**2009-10**
	Actual	Actual
	$'000s	$'000s
Total Revenue	155	148
Total Expenses	144	140
Net Surplus	**11**	**8**
Total Assets	369	415
Total Liabilities	0	0
Net Assets	**369**	**415**
Total Equity	**369**	**415**

Comment

Council's Net Surplus improved by $0.003m to $0.011m in 2010-11. This improvement was due to increased revenue, up $0.007m as a result of:

- higher interest receipts, up $0.003m due to more favourable Treasury rates
- a slight increase in the contribution from the consolidated fund, up $0.004m in line with the Hobart CPI.

The effects of the foregoing were offset in part by an increase in Total Expenses, up marginally, $0.004m, due to higher Board fees and other operating costs.

Total Assets comprised predominantly Cash, $0.267m (2009-10, $0.256m) and a Loan to the National Trust of Australia (Tasmania) including interest receivable, $0.167m ($0.159m). The Council recognised a provision for impairment for the first time in 2010-11, which related to the Minister's decision to write-off all interest accrued on the Loan. The Loan was repaid in July 2011.

TASMANIAN SKILLS INSTITUTE

INTRODUCTION

The Tasmanian Skills Institute (the TSI) was established on 1 January 2009, emerging from the separation of TAFE Tasmania into the TSI and Tasmanian Polytechnic under the State Government's Tasmania *Tomorrow* initiative. This initiative was later refined with transfer of the Tasmanian Polytechnic and Tasmanian Academy to the Department of Education (DoE) effective 1 January 2011. However, the TSI remained as a standalone entity.

The TSI is a Registered Training Organisation governed by the *Education and Training (Tasmanian Skills Institute) Act 2008*. It provides training for complete qualifications and customized skills sets to employers and employees of Australia-wide and international clients and trains in more than 30 industry sectors delivering in excess of 700 training products. As a business-to-business training provider, the TSI has evolved from the traditional TAFE model to an integrated partner with industry, identifying and providing training opportunities based in quantifiable demand.

The Responsible Minister is the Minister for Education and Skills.

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2011 and an unqualified audit report was issued on 16 September 2011. However, the audit report drew attention to the TSI's economic dependency on Government by inclusion of the following comment:

> 'The Secretary of the Department of Education, on behalf of the Minister, has provided the Board of the Skills Institute with a letter of assurance that the Department will continue to work with the Board and with the Minister for Education to ensure that the Tasmanian Skills Institute is able to operate on a going concern basis.'

This comment was included because, as indicated on the TSI's Comprehensive Income Statement, it is significantly reliant on Government for its funding.

This confirmation of Government support enabled the Board to prepare its financial statements on the basis that the TSI is a going concern. We note that at 30 June 2010 and 30 June 2009, the TSI was similarly reliant on Government for financial support.

KEY FINDINGS AND DEVELOPMENTS

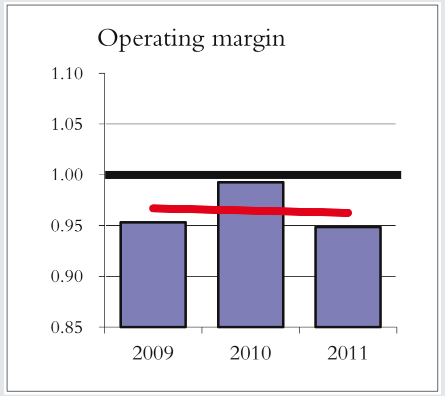
Resulting from the administrative restructuring of post-year ten education associated with unwinding the Tasmania *Tomorrow* initiative, Land and buildings, $92.825m, formerly part of the asset portfolio of the Tasmanian Polytechnic and DoE were transferred to the TSI effective 1 January 2011. The transfer was recognised as contributed equity.

In addition, Shared Services, previously housed within the Polytechnic, also with effect from 1 January 2011, formed part of corporate services at DoE. The TSI use these corporate services for the provision of financial, human resource, facility, capital planning, student information management, information communication technology and client services. However, there was no Service Level Agreement (SLA) in place between the TSI and DoE as at 30 June 2011. TSI agreed to a contribution for the provision of above services by DoE for 2011 and are in negotiations on an agreed contribution for 2012. Development of a SLA is expected in 2013-14 when the amalgamation with DoE is finalised.

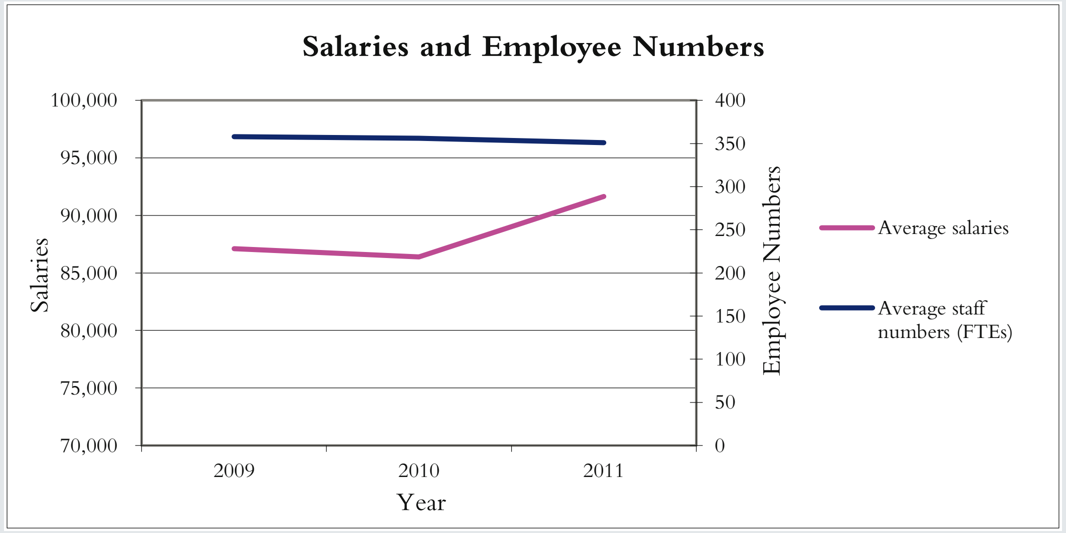
During the audit it was noted that over the period since its formation, TSI's cash balance decreased slightly from $0.253m at 1 January 2009 to $0.235m at 30 June 2011. At 30 June 2011 the TSI had up to $1.242m in unspent capital funding, effectively resulting in a cash deficit of $1.007m at that date. This is a situation that the Board will need to monitor closely. It is also noted that as at 30 June 2011, the TSI only had $0.013m in capital expenditure commitments.

FINANCIAL RESULTS

The two graphs below summarise important aspects of the TSI's financial performance. In the graph showing the Operating margin, the black line represents the benchmark of one.



TSI's Operating margin was slightly below the benchmark in all three years under review, indicating that it was not generating sufficient revenue to fulfil all of its operating requirements.



Average staff numbers (FTE's) remained relatively constant over the period under review.

The increase in Average salaries was mainly attributable to annual salary increments for teaching staff, 4.2% in March 2010 and 5.13% in March 2011, and administration and clerical staff, 3.5% in November 2010 plus 2.0% in March 2011. There were also separation costs in 2010-11 for three employees, approximately $0.100m each and Workplace Renewal Incentive Program (WRIP) payments for four employees. In addition, there were higher employer superannuation contributions which increased from 11% to 12.3%, effective 1 July 2010.

COMPREHENSIVE INCOME STATEMENT

	2010-11	2009-10	6 Months to 30 June 2009
	$'000s	$'000s	$'000s
Memorandum of Understanding recurrent funding	26 763	26 799	12 679
Other government revenue	4 641	7 200	1 384
User charges, fees and fines	2 592	3 160	2 407
Commercial services	7 335	6 590	2 811
Other revenue	1 094	596	728
Total Revenue	**42 425**	**44 345**	**20 009**
Employee expenses	32 164	30 753	15 590
Depreciation	2 353	361	176
Corporate services expenses	7 004	7 783	3 019
Other expenses	5 565	6 140	2 385
Total Expenses	**47 086**	**45 037**	**21 170**
Net operating surplus (deficit)	**(4 661)**	**(692)**	**(1 161)**
Capital funding	4 334	6 478	0
Net Surplus (Deficit)	**(327)**	**5 786**	**(1 161)**
Comprehensive Surplus (Deficit)	**(327)**	**5 786**	**(1 161)**

Comment

In 2010-11 the TSI recorded a Net operating deficit of $4.661m, an increase of $3.969m from the prior year. The deficit indicated that the TSI failed to generate sufficient revenue to fulfil its operating requirements, including coverage of depreciation charges. The Memorandum of Understanding (MoU) with Skills Tasmania, under which the TSI operates, does not include funding for depreciation and the level of capital funding was not linked to the depreciation charge.

Main reasons contributing to the higher Net operating deficit were:

- higher Employee expenses, $1.411m, mainly due to annual salary, wage increases and increments and staff separation costs
- increased Depreciation, $1.992m, following the transfer of buildings, $87.225m, from DoE effective 1 January 2011
- lower Other government revenue, $2.559m, mainly due to one-off MoU Gap funding, $2.600m, and Contestable Funding, $1.400m, received from DoE in 2009-10. This was off-set to an extent by additional Commonwealth funding received in 2010-11 primarily for the Kick Start program, $1.352m.

These factors were partially off-set by:

- increased Revenue from commercial services, $0.745m, due to greater demand for training courses and increased student activities in the domestic market. Commercial training activities were provided by the TSI on a fee for service basis or by the provision of retail trading operations, which were a by-product of training activities
- higher Other revenue, $0.498m, due to recoveries made from the Polytechnic for costs incurred on shared campuses in 2010-11
- decreased Corporate service expenses, $0.779m, partly due to some former corporate activities being undertaken by the TSI and cost efficiencies achieved by the Corporate service of DoE, formerly shared services housed within the Polytechnic

- lower Other expenses, $0.575m. The decrease was primarily due to:
  - lower materials and supplies, $0.249m, which were subject to greater scrutiny by senior management in 2010-11 with a view to streamlining operations
  - decreased financial expenses, the result of less doubtful debts expense, $0.278m, because of more active debt management
  - reduced travel related expenses, $0.127m, due to the introduction of software for teleconferencing.

The TSI generated a Net Deficit of $0.327m after including capital funding of $4.334m. Major capital projects funded included construction of the Green Skills Centre of Excellence at Alanvale as detailed in the Statement of Financial Position section of this Chapter.

STATEMENT OF FINANCIAL POSITION

	2011	2010	6 Months to 30 June 2009	On Formation 1 January 2009
	$'000s	$'000s	$'000s	$'000s
Cash	235	3 493	(2 761)	253
Receivables	1 602	2 492	5 872	1 967
Inventories	120	159	180	202
Other	5	368	11	2
Total Current Assets	**1 962**	**6 512**	**3 302**	**2 424**
Property, plant and equipment	103 971	7 156	4 821	4 902
Total Non-Current Assets	**103 971**	**7 156**	**4 821**	**4 902**
Payables	551	481	765	0
Employee provisions	4 549	4 449	4 733	1 097
Other	276	601	289	39
Total Current Liabilities	**5 376**	**5 531**	**5 787**	**1 136**
Employee provisions	1 038	1 111	1 097	3 636
Other	63	68	67	221
Total Non-Current Liabilities	**1 101**	**1 179**	**1 164**	**3 857**
Net Assets	**99 456**	**6 958**	**1 172**	**2 333**
Accumulated surpluses (deficits)	4 298	4 625	(1 161)	0
Contributed equity	95 158	2 333	2 333	2 333
Total Equity	**99 456**	**6 958**	**1 172**	**2 333**

Comment

Total Equity increased from $6.958m to $99.456m during 2010-11. The increase of $92.498m comprised:

- contributed equity received from DoE, $92.825m. As noted previously, as a result of the administrative restructuring of post-year ten education associated with unwinding the Tasmania Tomorrow initiative, land and buildings recorded at $92.825m, formerly part of the asset portfolio of the Tasmanian Polytechnic and DoE, were transferred to the TSI effective 1 January 2011. The transfer was recognised as contributed equity
- the Comprehensive deficit of $0.327m.

The corresponding movements in Net Assets mainly related to:

- decreased Cash, $3.258m, explained in the Statement of Cash Flows section later in this Chapter
- lower receivables, $0.890m, mainly due to timing differences. The 2009-10 balance was high because pre 30 June 2010 MoU funding, $0.445m, was not received until 2010-11
- higher Property, plant and equipment, $96.815m, attributable to contributed equity received from the DoE, $92.825m and additions to buildings and plant and equipment, $7.685m, the most significant being the construction of the Green Skills Centre of Excellence at Alanvale, $6.593m. These additions to assets were offset by the depreciation expense of $2.353m and disposals of buildings and plant and equipment, $1.404m.

STATEMENT OF CASH FLOWS

	2010-11	2009-10	6 Months to 30 June 2009
	$'000s	$'000s	$'000s
Government grants	31 113	34 291	11 516
Receipts from customers	14 960	17 207	5 642
Interest received	242	222	21
Payments to suppliers and employees	(47 429)	(49 249)	(20 110)
Cash from (used in) operations	**(1 114)**	**2 471**	**(2 931)**
Capital receipts	4 334	6 478	0
Payments for property, plant and equipment	(6 557)	(2 695)	(83)
Proceeds from disposal of assets	79	0	0
Cash from (used in) investing activities	**(2 144)**	**3 783**	**(83)**
Net increase (decrease) in cash	**(3 258)**	**6 254**	**(3 014)**
Cash at the beginning of the period	3 493	(2 761)	253
Cash at end of the period	**235**	**3 493**	**(2 761)**

Comment

TSI's cash position decreased by $3.258m to $0.235m at 30 June 2011. The cash position was higher at 30 June 2010 mainly due to $3.783m capital grants received in that year remaining unspent at balance date.

In 2010-11, the TSI generated negative operating cash flows which is a matter requiring the Board's attention. This is consistent with the comments made in the Comprehensive Income Statement section earlier in this Chapter, in that the TSI failed to generate sufficient revenue to fulfil its operating requirements.

This analysis indicates to us that since its formation the TSI received $10.812m in capital funding and paid $9.335m for property, plant and equipment. Over that time the cash balance decreased slightly, from $0.253m to $0.235m. Of concern is that at 30 June 2011, there was up to $1.242m in unspent capital funding used to fulfil operational requirements, effectively resulting in a cash deficit of $1.007m at that date. This is a situation that the Board will need to monitor closely. It is noted that at 30 June 2011, the TSI only had $0.013m in capital expenditure commitments.

FINANCIAL ANALYSIS

	Bench Mark	2010-11	2009-10	6 Months to 30 June 2009
Financial Performance				
Result from operations ($'000s)		(4 661)	(692)	(1 161)
Own source revenue ($'000s)		11 021	10 346	5 946
Financial Management				
Debt collection	30 days	54	90	205
Creditor turnover	30 days	10	10	10
Capital Management				
Investment gap %	100%	279%	747%	47%
Other Information				
Average staff numbers (FTEs) - total		351	356	358
Average staff costs ($'000s)		92	86	44
Average Recreational Leave balance (days)*	20	20	21	19
Average Long Service Leave balance per (days)*	100	50	48	46

* *Recreational leave and long service leave are based on number of employees entitled to leave not FTE's. Not all employees are entitled to recreational and long service leave.*
Recreational leave excludes teaching staff who are required to use up all flexible leave in a calendar year

Comment

While there was improvement, Debt collection days were well above benchmark in all years under review. This was due to delays in payments by some larger debtors at year end. Improved debt collection would ease the TSI's liquidity.

Creditor turnover was below benchmark for the period under review reflecting TSI's and Shared Service's policy of paying outstanding creditors within a 30 days period.

The investment gap remained well above benchmark because of the TSI, as evidenced by payments reported in the Cash Flow Statement, invested strongly in new assets in each of the past two financial years.

Average staff costs increased in 2010-11 due mainly to annual salary and wage increases during 2010-11. The increase in Average salaries was mainly attributable to annual salary increments for teaching staff, 4.2% in March 2010 and 5.13% in March 2011, and administration and clerical staff, 3.5% in November 2010 plus 2.0% in March 2011. There were also separation costs in 2010-11 for three employees, approximately $0.100m each and Workplace Renewal Incentive Program (WRIP) payments for four employees. In addition, there were higher employer superannuation contributions which increased from 11% to 12.3%, effective 1 July 2010.

THE NOMINAL INSURER

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

The *Workers Rehabilitation and Compensation Act 1988* requires The Nominal Insurer to provide to the Auditor-General financial statements within 45 days after the end of the financial year. Signed financial statements were received on 23 August 2011, which was eight days after the statutory reporting deadline. The same situation was reported in 2009-10. An unqualified audit report was issued on 5 October 2011.

The Responsible Minister is the Minister for Workplace Relations.

KEY FINDINGS AND DEVELOPMENTS

Other than non compliance with the statutory reporting deadline, the audit was completed satisfactorily with no other issues outstanding.

SUMMARY OF FINANCIAL RESULTS

	2010-11	**2009-10**	**2008-09**
	Actual	Actual	Actual
Total Revenue	3 027	1 997	7 367
Total Expenses	411	555	130
Net Surplus	**2 616**	**1 442**	**7 237**
Total Assets	8 807	6 335	4 775
Total Liabilities	611	755	638
Net Assets	**8 196**	**5 580**	**4 137**
Total Equity	**8 196**	**5 580**	**4 137**

Comment

In 2010-11 The Nominal Insurer recorded a Surplus of $2.616m, a $1.174m increase on the prior period. The increase was predominantly due to further dividends from the liquidator of HIH Group, $1.794m, offset partly by lower contributions from insurers, reflecting lower claims expenditure and strong cash reserves. The State Government established an asbestos compensation scheme, which provides statutory compensation to workers that suffered asbestos exposure at work, and as a result developed an asbestos-related disease. The Nominal Insurer contributed $0.180m towards the set-up of the scheme in 2010-11 and will pay further funds into this scheme in 2011-12.

Net Assets comprised mainly cash held at bank and term deposits, $7.623m.

WORKCOVER TASMANIA BOARD

INTRODUCTION

The role of the WorkCover Tasmania Board (the Board) is to oversee, promote, review and ensure the efficient operation of workers rehabilitation and compensation procedures in accordance with the *Workers Rehabilitation and Compensation Act 1988*. The Board advises the Minister on matters relating to workers compensation and rehabilitation. The Department of Justice provides administrative support to the Board.

The Responsible Minister is the Minister for Workplace Relations.

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 11 August 2011 and an unqualified audit report was issued on 16 September 2011.

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2010-11	**2009-10**
	Actual	Actual
	$'000s	$'000s
Total Revenue	7 585	6 248
Total Expenses	7 585	6 248
Net surplus (deficit) from transactions	**0**	**0**
Total Assets	2 459	1 846
Total Liabilities	2 459	1 846
Net Assets	**0**	**0**
Total Equity	**0**	**0**

Comment

The Board is funded by contributions from insurers based upon an annual estimate of the amount required to discharge its obligations and charges. At year end an accrual for Contribution revenue is calculated being the difference between total expenses and income to recognise the Board's annual obligation. Consequently, the Board does not accumulate surpluses or deficits from year to year.

Total revenue increased by $1.337m in 2010-11. This was a result of increased Contributions revenue, $1.426m, from higher levies charged, offset by lower interest income and other revenue which together declined by $0.089m.

Total expenses increased by the same amount due to:

- higher employee benefits expense, $0.358m, due to additional employer superannuation contributions and salary and wage increases

- increased advertising and promotion expense, $0.517m, primarily due to a television awareness campaign relating to workers compensation
- higher information and technology expenses, $0.034m, as a result of website upgrades
- grant payments to Safework Australia, $0.207m,
- a larger transfer to the Workers Rehabilitation and Compensation Tribunal, $0.246m.

Total assets increased by $0.613m on previous year mainly due to:

- higher Treasury Trust account, $0.274m, as a result of increased levies that the Board did not fully spend on operations
- increased intangible assets, $0.387m, as a result of new software purchased during year.

Total liabilities increase by the same amount due to:

- Payables and accrued expenses increased by $0.480m with a higher accrual refund for Contributions
- higher Employee benefits obligations, $0.125m, predominately due to increased annual and long service leave provisions.

APPENDIX 1 - GUIDE TO USING THIS REPORT

This Report is prepared under section 29 of the *Audit Act 2008* (the Audit Act), which requires the Auditor-General, on or before 31 December in each year, to report to Parliament in writing on the audit of State entities and audited subsidiaries of State entities in respect of the preceding financial year. The issue of more than one report entitled the *Auditor-General's Report on the Financial Statements of State Entities*, comprising six volumes, satisfies this requirement each year. The volumes are:

- Volume 1 – Analysis of the Treasurer's Annual Financial Report
- Volume 2 – Executive and Legislature, Government Departments and other General Government Sector State entities
- Volume 3 – Government Business Enterprises, State Owned Corporations, and Water Corporations and Superannuation Funds
- Volume 4 – Local Government Authorities
- Volume 5 – Other State entities 30 June
- Volume 6 - Other State entities 31 December, including University of Tasmania.

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

FORMAT OF THE FINANCIAL ANALYSIS

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

- make the statements more relevant to the nature of the entity's business
- highlight the entity's working capital, which is a useful measure of liquidity.

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

FINANCIAL ANALYSIS

The following tables illustrate the methods of calculating:

- performance indicators used in the individual financial analysis sections of this Report, together with a number of benchmarks used to measure financial performance

Financial Performance Indicator	Benchmark[1]	Method of Calculation
Financial Performance		
Earnings Before Interest and Tax (EBIT) ($'000s)		Result from Ordinary Activities before Gross Interest Expense and Tax
EBITDA ($'000s)		Result from Ordinary Activities before Gross Interest Expense, Tax, Depreciation and Amortisation
Operating margin	>1.0	Operating Revenue divided by Operating Expenses
Operating surplus (deficit) ($'000s)		Own source revenue percentage
Operating surplus ratio	>0	Net operating surplus (deficit) divided by total operating revenue
Own source revenue		Total Revenue less Total Grant Revenue, Contributed Assets and Asset Revaluation Adjustments
Return on assets	5.21%	EBIT divided by Average Total Assets
Return on equity		Result from Ordinary Activities after Taxation divided by Average Total Equity
Self financing ratio		Net Operating Cash Flows divided by Operating Revenue

Financial Performance Indicator	Benchmark[1]	Method of Calculation
Financial Management		
Asset consumption ratio	Between 40% and 80%	Depreciated replacement cost of asset (eg. infrastructure, roads, bridges) divided by current replacement cost of asset
Asset renewal funding ratio	90%-100%	Future (planned) asset replacement expenditure divided by future asset replacement expenditure (actual) required
Asset sustainability ratio	>100%	Renewal and upgrade expenditure on existing assets divided by depreciation on existing assets
Capital Investment Gap, Asset investment ratio or Investment gap	>100%	Payments for Property, plant and equipment divided by Depreciation expenses
Capital Replacement Gap, Asset renewal ratio or Renewal gap	100%	Payments for Property, plant and equipment on existing assets divided by Depreciation expenses
Cost of debt	6.9%	Gross Interest Expense divided by Average Borrowings (include finance leases)
Creditor turnover	30 days	Payables divided by credit purchases multiplied by 365
Current ratio	>1	Current Assets divided by Current Liabilities
Debt collection	30 days	Receivables divided by billable Revenue multiplied by 365
Debt to equity		Debt divided by Total Equity
Debt to total assets		Debt divided by Total Assets
Indebtedness Ratio		Non-Current Liabilities divided by Own Source Revenue
Interest coverage ratio	3:1	Net operating cashflows less interest and tax payments divided by Net interest payments
Interest cover – EBIT	>2	EBIT divided by Gross Interest Expense
Interest cover – EBITDA	>2	EBITDA divided by Gross Interest Expense
Interest cover – Funds from Operations	>2	Cash from Operations plus Gross Interest Expense divided by Gross Interest Expense
Liquidity ratio	2:1	Liquid assets divided by current liabilities other than provisions
Net financial assets (liabilities) ($'000s)		Total financial liabilities less liquid assets
Net financial liabilities ratio	0 – (50%)	Total liabilities less liquid assets divided by total operating income

Financial Performance Indicator	Benchmark[1]	Method of Calculation
Returns to Government		
CSO funding ($'000)		Amount of community service obligation funding received from Government
Dividend payout ratio	50%	Dividend divided by Result from Ordinary Activities after Tax
Dividend to equity ratio		Dividend paid or payable divided by Average Total Equity
Dividends paid or payable ($'000s)		Dividends paid or payable that relate to the year subject to analysis
Effective tax rate	30%	Income Tax paid or payable divided by Result form Ordinary Activities before Tax
Government guarantee fees ($'000)		Amount of guarantee fees paid to owners (usually Government)
Income tax paid ($'000s)		Income Tax paid or payable that relates to the year subject to analysis
Total return to equity ratio		Total Return divided by Average Equity
Total return to the State ($'000s) or total return to owners		Dividends plus Income Tax and Loan Guarantee fees
Other Information		
Average leave per FTE ($'000s)		Total employee annual and long service leave entitlements divided by Staff Numbers
Average long service leave balance	Not more than 100 days	Actual long service leave provision days due divided by average FTE's
Average recreational leave balance	20 days [3]	Actual annual leave provision days due divided by average FTE's
Average staff costs [(2)] ($'000s)		Total employee expenses (including capitalised employee costs) divided by Staff Numbers
Employee costs [(2)] as a % of operating expenses		Total employee costs divided by Total Operating Expenses
Employee costs capitalised ($'000s)		Capitalised employee costs
Employee costs expensed ($'000s)		Total employee costs per Income Statement
Operating cost to rateable property		Operating expenses plus finance costs divided by rateable properties per valuation roll
Rates per capita		Population of council area divided by rates revenue
Rates per operating revenue		Total rates divided by operating revenue including interest income
Rates per rateable property		Total rates revenue divided by rateable properties per valuation rolls
Staff numbers FTEs		Effective full time equivalents

1 *Benchmarks vary depending on the nature of the business being analysed. For the purposes of this Report, a single generic benchmark has been applied.*
2 *Employee costs include capitalised employee costs, where applicable, plus on-costs.*
3 *May vary in some circumstances because of different award entitlements.*

An explanation of most financial performance indicators is provided below:

FINANCIAL PERFORMANCE

- **Earnings before interest and tax (EBIT)** – measures how well an entity can earn a profit, from its operations, regardless of how it is financed (debt or equity) and before it has to meet external obligations such as income tax. This is a measure of how well it goes about its core business.
- **Earnings before income tax, depreciation and amortisation (EBITDA)** – measures how well an entity can generate funds without the effects of financing (debt or equity), depreciation and amortisation and before it has to meet external obligations such as income tax. This measure is of particular relevance in cases of entities with large amounts of non-current assets as the distortionary accounting and financing effects on the entity's earnings are removed, enabling comparisons to be made across different entities and sectors.
- **Operating margin** – this ratio serves as an overall measure of operating effectiveness.
- **Operating Surplus (Deficit) or Result from operations** – summarises revenue transactions and expense transactions incurred in the same period of time and calculates the difference.
- **Operating surplus ratio** – a positive result indicates a surplus with the larger the surplus the stronger surplus and therefore stronger assessment of sustainability. However, too strong a result could disadvantage ratepayers. A negative result indicates a deficit which cannot be sustained in the long-term.
- **Own source revenue** – represents revenue generated by a council through its own operations. It excludes any external government funding, contributed assets and revaluation adjustments.
- **Return on assets** – measures how efficiently management used assets to earn profit. If assets are used efficiently, they earn profit for the entity. The harder the assets work at generating revenues, and thus profit, the better the potential return for the owners.
- **Return on equity** – measures the return the entity has made for the shareholders on their investment.
- **Self financing ratio** – this is a measure of council's ability to fund the replacement of assets from cash generated from operations.

FINANCIAL MANAGEMENT

- **Asset consumption ratio** – shows the depreciated replacement cost of an entity's depreciable assets relative to their "as new" (replacement) value. It therefore shows the average proportion of new condition left in the depreciable assets.
- **Asset renewal funding ratio** – measures the capacity to fund asset replacement requirements. An inability to fund future requirements will result in revenue, expense or debt consequences, or a reduction in service levels. This is a most useful measure relying on the existence of long-term financial and asset management plans.
- **Asset sustainability ratio** – provides a comparison of the rate of spending on existing infrastructure, property, plant and equipment through renewing, restoring and replacing existing assets, with depreciation. Ratios higher than 100% indicate that spending on existing assets is greater than the depreciation rate. This is a long-term indicator, as capital expenditure can be deferred in the short-term if there are insufficient funds available from operations and borrowing is not an option.
- **Capital Investment Gap, Asset investment ratio or Investment gap** – indicates whether the entity is maintaining its physical capital by reinvesting in or renewing non-current assets (caution should be exercised when interpreting this ratio for entities with significant asset balances at cost as the level of depreciation may be insufficient).
- **Capital Replacement Gap, Asset renewal ratio or Renewal gap** – indicates whether the entity is maintaining its physical capital by reinvesting in or renewing existing non-current assets (caution should be exercised when interpreting this ratio as the amount of capital expenditure on existing assets has largely been provided by the respective councils and not subject to audit).
- **Cost of debt** – reflects the average interest rate applicable to debt.
- **Creditors turnover** – indicates how extensively the entity utilises credit extended by suppliers.
- **Current ratio** – current assets should exceed current liabilities by a 'considerable' margin. It is a measure of liquidity that shows an entity's ability to pay its short term debts.
- **Debt collection** – indicates how effectively the entity uses debt collection practices to ensure timely receipt of monies owed by its customers.
- **Debt to equity** – an indicator of the risk of the entity's capital structure in terms of the amount sourced from borrowings and the amount from Government.
- **Debt to total assets** – an indicator of the proportion of assets that are financed through borrowings.
- **Interest cover** – EBIT – an indicator of the ability to meet periodic interest payments from current profit (before interest expense). The level of interest cover gives a guide of how much room there is for interest payments to be maintained in the face of interest rate increases or reduced profitability.
- **Interest cover** – Funds from operations – examines the exposure or risk in relation to debt, an indicator of the ability to meet periodic interest payments from funds from operations (before interest expense). The level of interest cover gives a guide of how much room there is for interest payments to be maintained in the face of interest rate increases or reduced funds from operations.
- **Net financial liabilities ratio** – indicates the extent to which net liabilities can be met by operating income. A falling ratio indicates that the entity's capacity to meet its financial obligations from operating income is strengthening.

RETURNS TO GOVERNMENT

- **Dividend payout ratio** – the amount of dividends relative to the entity's net income.
- **Dividend to equity ratio** – the relative size an entity's dividend payments to shareholders' equity. A low dividend to equity ratio may indicate that profits are being retained by the entity to fund capital expenditure.
- **Dividends paid or payable** – payment by the entity to its shareholders (whether paid or declared as a payable).
- **Effective tax rate** – is the actual rate of tax paid on profits.
- **Income tax paid** – tax payments by the entity to the State in the year.
- **Total return to equity ratio** – measures the Government's return on its investment in the entity.
- **Total return to the State** – is the funds paid to the Owners consisting of income tax, dividends and guarantee fees.

OTHER INFORMATION

- **Average leave balance per FTE ($'000s)** – indicates the extent of unused leave at balance date.
- **Average long service leave balance or days long service leave due** – records the average number of days long service leave accumulated per staff member. In general public servants cannot accrue more than 100 days annual leave.
- **Average recreational leave balance or days annual leave due** – records the average number of days annual leave accumulated per staff member. In general public service employees accrue 20 days annual leave per annum.
- **Average staff costs** – measures the average cost of employing staff in the entity for the year.
- **Employee costs as a percentage of operating expenses** - indicates the relative significance of employee costs compared to other operating expenses.
- **Employee costs capitalised ($'000s)** – represents employee costs that have been capitalised rather than expensed.
- **Employee costs expensed ($'000s)** – represents the level of employee costs expensed, ie. included in the Income Statement. This together with the Employee costs Capitalised will provide a total employee cost figure for use in other related ratios.
- **Staff numbers FTEs** – as at the end of the reporting period the number of staff employed expressed as full-time equivalents (FTEs).

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

APPENDIX 2 - AUDIT STATUS

Entity	Financial Statement deadline	Signed Financial Statements Received	Re-signed/ Amended Financial Statements Received	Emphasis of matter	Clear opinion issued	Audit opinion signed	< 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
EXECUTIVE AND LEGISLATURE, GOVERNMENT DEPARTMENTS AND OTHER GENERAL GOVERNMENT SECTOR STATE ENTITIES												
EXECUTIVE & LEGISLATURE												
House of Assembly	15 August 2011	11 August 2011			✓	30 August 2011		✓				
Legislative Council	15 August 2011	15 August 2011			✓	28 September 2011				✓		
Legislature-General	15 August 2011	15 August 2011	8 September 2011		✓	9 September 2011			✓			
Office of the Governor	15 August 2011	15 August 2011			✓	28 September 2011				✓		
GOVERNMENT DEPARTMENTS												
Department of Economic Development, Tourism and the Arts	15 August 2011	15 August 2011	27 September 2011		✓	27 September 2011				✓		
Tasmanian Development and Resources	15 August 2011	15 August 2011			✓	23 September 2011				✓		
Tourism Tasmania	15 August 2011	15 August 2011			✓	23 September 2011				✓		
Tasmanian Museum and Art Gallery	15 August 2011	15 August 2011	27 September 2011		✓	27 September 2011				✓		
Department of Education	15 August 2011	15 August 2011	30 September 2011		✓	30 September 2011				✓		
Department of Health and Human Services	15 August 2011	15 August 2011			✓	29 September 2011				✓		
Housing Tasmania	15 August 2011	15 August 2011			✓	16 September 2011			✓			
Ambulance Tasmania	15 August 2011	15 August 2011			✓	23 September 2011				✓		
Department of Infrastructure, Energy and Resources	15 August 2011	15 August 2011			✓	28 September 2011				✓		
Department of Justice	15 August 2011	11 August 2011			✓	11 August 2011	✓					
Department of Police and Emergency Management	15 August 2011	11 August 2011			✓	31 August 2011		✓				
Department of Premier and Cabinet	15 August 2011	15 August 2011			✓	25 August 2011	✓					
Department of Primary Industries, Parks, Water and Environment	15 August 2011	15 August 2011			✓	25 August 2011	✓					
Department of Treasury and Finance	15 August 2011	12 August 2011	26 September 2011		✓	26 September 2011				✓		
OTHER STATE ENTITIES												
Director of Public Prosecutions	15 August 2011	15 August 2011			✓	23 September 2011				✓		
Inland Fisheries Service	15 August 2011	15 July 2011			✓	30 August 2011		✓				
Integrity Commission	15 August 2011	11 August 2011			✓	31 August 2011		✓				
Marine and Safety Authority	15 August 2011	11 August 2011			✓	12 August 2011	✓					
Office of Ombudsman and Health Complaints Commissioner	15 August 2011	15 August 2011			✓	16 August 2011	✓					
Tasmanian Economic Regulator	15 August 2011	12 August 2011			✓	21 September 2011			✓			
Royal Tasmanian Botanical Gardens	15 August 2011	15 August 2011			✓	26 September 2011				✓		
State Fire Commission	15 August 2011	12 August 2011	15 September 2011		✓	16 September 2011			✓			
Sullivans Cove Waterfront Authority	15 August 2011	25 August 2011			✓	16 September 2011			✓			
Tasmanian Community Fund	15 August 2011	10 August 2011			✓	2 September 2011		✓				
Tasmanian Heritage Council	15 August 2011	15 August 2011			✓	23 September 2011				✓		
Tasmanian Skills Institute	15 August 2011	15 August 2011		✓	✓	16 September 2011			✓			
Nominal Insurer	15 August 2011	23 August 2011			✓	5 October 2011				✓		
WorkCover Tasmanian Board	15 August 2011	11 August 2011			✓	16 September 2011			✓			

APPENDIX 3 - ACRONYMS AND ABBREVIATIONS

AAS	Australian Accounting Standard
AASB	Australian Accounting Standards Board
Abt	The Abt Railway
BER	Building the Education Revolution
BTF	Better TAFE Facilities
CLAF	Crown Land Administration Fund
COMNAP	Council of Managers of National Antarctic Programs
CPI	Consumer Price Index
CSA	Community Service Agreement
CSL	Community Support Levy
CSO	Community Service Obligation
DEPHA	Department of Environment, Parks, Heritage and the Arts
DHHS	Department of Health and Human Services
DIER	Department of Infrastructure, Energy and Resources
DoE	Department of Education
DPIW	Department of Primary Industries and Water
DPIPWE	Department of Primary Industries, Parks, Water and Environment
DPP	Director of Public Prosecutions
DVA	Department of Veterans Affairs
EBA	Enterprise Bargaining Agreement
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EG	Etech Group Pty Ltd
EGI	Etech Group International Pty Ltd
ET	Etech Tasmania Pty Ltd
FMAA	Financial Management and Audit Act 1990
FTE	Full-time equivalent
GBE	Government Business Enterprise
GST	Goods and Services Tax
HOAP	Home Ownership Assistance Program
ICT	Information Communications and Technology
MAST	Marine and Safety Authority
MAIB	Motor Accidents Insurance Board
MoU	Memorandum of Understanding
MPEA	Monetary Penalty Enforcement Act 2005
MPES	Monetary Penalty Enforcement Service
NBESP	National Building Economic Stimulus Program
NBN	National Broadband Network
Onstream	Water and Sewerage Corporation – Common Services
PNT	Pacific National Tasmania
RBF	Retirement Benefits Fund
RTBG	Royal Tasmanian Botanical Gardens
SCIF	Special Capital Investment Funds
SOC	State Owned Company
SSA	State Service Act 2000
SPA	Superannuation Provision Account
TAFE	TAFE Tasmania
Tascot	Tascot Templeton Carpets Pty Ltd
Tasracing	Tasmanian Racing Board
TasRail	Tasmanian Railway Pty Ltd
TASSS	Tasmanian Ambulance Service Superannuation Scheme
TCFA	Tasmanian Community Forest Agreement
TDR	Tasmania Development and Resources
TIIFT	Training Infrastructure for Tomorrow
TISS	Tasmanian Industry Support Scheme
TMAG	Tasmanian Museum and Art Gallery
TMRN	Tasmanian Mobile Radio Network
TPP	Tourism Promotion Plan
TSI	Tasmanian Skills Institute
TT	Tourism Tasmania
TTH	Tasmania's Temptations Holidays
VACIS	Victorian Ambulance Clinical Information System
VTESA	Voluntary Targeted Employment Separation Arrangement
WIF	Water Infrastructure Fund

APPENDIX 4 - RECENT REPORTS

TABLED	TITLE
September 2011 No.2 of 2011–12	Children in out of home care
September 2011 No.1 of 2011–12	Tourism Tasmania: is it effective?
July 2011	Special Report No. 100 Financial and economic performance of Forestry Tasmania
June 2011	Special Report No. 99 Bushfire management
June 2011	Special Report No. 98 Premier's Sundry Grants Program and Urban Renewal and Heritage Fund
May 2011	Other State Entities 30 June 2010 and 31 December 2010, including University of Tasmania
May 2011	Special Report No. 97 Follow up of Special Reports 69-73
April 2011	Special Report No. 96 Appointment of the Commissioner for Children
February 2011	Special Report No. 95 Fraud control
November 2010	Analysis of Treasurer's Annual Financial Report
November 2010	Executive and Legislature, Government Department and other General Government State Sector Entities
November 2010	Government Business Enterprises, State Owned Companies and Superannuation Funds
November 2010	Special Report No. 94 Election promise: five per cent price cap on electricity prices
November 2010	Special Report No. 93 Investigations 2004-2010
October 2010	Special Report No. 92 Public sector productivity: a ten-year comparison
September 2010	Special Report No. 91 Follow up of special reports: 62-65 and 70
July 2010	Special Report No. 90 Science education in public high schools
June 2010	Special Report No. 89 Post-Year 10 enrolments
June 2010	Special Report No. 88 Public Trustee: management of deceased estates
June 2010	Special Report No. 87 Employment of staff to support MPs

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Tasmanian Audit Office

Level 4, Executive Building, 15 Murray Street, Hobart, Tasmania, 7000
Postal Address GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6226 0100 | Fax: 03 6226 0199
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

Our Vision

STRIVE I LEAD I EXCEL I TO MAKE A DIFFERENCE

Our Purpose

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector

Availability of reports

Auditor-General's reports are available from the Tasmanian Audit Office, Hobart. This report and other recent reports published by the Office can be accessed via the Office's home page. For further information please contact the Office.

This report is printed on recycled paper.

AUDIT MANDATE AND STANDARDS APPLIED

MANDATE

Section 17(1) of the *Audit Act 2008* states that:

> "An accountable authority other than the Auditor-General, as soon as possible and within 45 days after the end of each financial year, is to prepare and forward to the Auditor-General a copy of the financial statements for that financial year which are complete in all material respects."

Under the provisions of section 18, the Auditor-General:

"(1) is to audit the financial statements and any other information submitted by a State entity or an audited subsidiary of a State entity under section 17(1)."

Under the provisions of section 19, the Auditor-General:

"(1) is to prepare and sign an opinion on an audit carried out under section 18(1) in accordance with requirements determined by the Australian Auditing and Assurance Standards.

(2) is to provide the opinion prepared and signed under subsection (1), and any formal communication of audit findings that is required to be prepared in accordance with the Australian Auditing and Assurance Standards, to the State entity's appropriate Minister and provide a copy to the relevant accountable authority."

STANDARDS APPLIED

Section 31 specifies that:

"The Auditor-General is to perform the audits required by this or any other Act in such a manner as the Auditor-General thinks fit having regard to –

(a) the character and effectiveness of the internal control and internal audit of the relevant State entity or audited subsidiary of a State entity; and

(b) the Australian Auditing and Assurance Standards."

The auditing standards referred to are Australian Auditing Standards as issued by the Australian Auditing and Assurance Standards Board.

Tasmanian
Audit Office

Photo courtesy of Tourism Tasmania and Sean Fennessy

Phone	(03) 6226 0100	**Address**	Level 4, Executive Building
Fax	(03) 6226 0199		15 Murray Street, Hobart
email	admin@audit.tas.gov.au	**Postal Address**	GPO Box 851, Hobart 7001
Web	www.audit.tas.gov.au	**Office Hours**	9am to 5pm Monday to Friday