



Tasmanian
Audit Office



**Report of the Auditor-General
No. 7 of 2011-12**

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

Volume 5

Other State entities 30 June 2011
and 31 December 2010

December 2011

Strive · Lead · Excel | To Make a Difference

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.



TASMANIA

**2011
PARLIAMENT OF TASMANIA**

**REPORT OF THE AUDITOR-GENERAL
No. 7 of 2011-12**

Volume 5

**Other State entities 30 June 2011
and 31 December 2010**

December 2011

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

14 December 2011

President
Legislative Council
HOBART

Speaker
House of Assembly
HOBART

Dear Madam President

Dear Mr Speaker

**Report of the Auditor-General No. 7 of 2011-12 – Financial Statements of State entities
– Volume 5 – Other State entities 30 June 2011 and 31 December 2010**

In accordance with the requirements of Section 29 of the *Audit Act 2008*, I have pleasure in presenting my Report on the audit of Other State entities for the year ended 30 June 2011 and 31 December 2010.

Yours sincerely



H M Blake
Auditor-General

© Crown in Right of the State of Tasmania December 2011

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>

This report is printed on recycled paper.

ISSN 1327 2608

FOREWORD

This Report is the fifth volume in our series of six planned for advising Parliament on the outcome of audits for the 2010-11 financial year. It deals with non-General Government Sector State entities specifically 15 reporting at 30 June 2011 and one at 31 December 2010.

At the time of preparing this Volume, five 30 June 2011 audits remained outstanding, four local government councils and Tasmanian Affordable Housing Ltd. Other than these five audits, this concludes our financial audit work in relation to the 2009-10 and 2010-11 financial reporting cycles.

There were no matters in relation to the 16 State entities reported in this volume warranting separate comment in this foreword.



HM Blake
Auditor-General
14 December 2011

TABLE OF CONTENTS

Foreword	4
INTRODUCTION	6
AUDIT SUMMARY	7
TIMELINESS AND QUALITY OF FINANCIAL STATEMENTS	10
SPECIAL CAPITAL INVESTMENT FUNDS	11
OTHER STATE ENTITIES 30 JUNE 2011	13
Aboriginal Land Council	14
Clyde Water Trust	16
Council of Law Reporting	18
Forest Practices Authority	19
Legal Aid Commission of Tasmania	21
Legal Profession Board	24
National Trust of Australia (Tasmania)	26
Private Forests Tasmania	30
Property Agents Board	32
Property Agents Trust	34
Tasmanian Beef Industry (Research and Development) Trust	36
Tasmanian Building and Construction Industry Training Board	37
Tasmanian Dairy Industry Authority	39
Teachers Registration Board of Tasmania	40
Wellington Park Management Trust	42
OTHER STATE ENTITIES 31 DECEMBER 2010	43
The Solicitors' Trust	44
Appendix 1 - Guide to Using this Report	46
Appendix 2 - Audit Status	53
Appendix 3 - Acronyms and Abbreviations	54
Appendix 4 - Recent Reports	55
Index	56
Vision and Purpose	57

INTRODUCTION

SCOPE OF THIS REPORT

This Report contains analysis of financial information for Other State entities which comprise those entities not consolidated in the General Government Sector, or that do not operate as a Government Business Enterprise, State Owned Company, Superannuation Fund or Local Government Authority.

Included are the outcomes from audits completed of financial statements prepared by 15 State entities with 30 June 2011 balance dates and one with a 31 December 2010 balance date.

In addition, a Chapter on an analysis of transactions in Special Capital Investment Funds is included.

STATUS OF AUDITS

All audits of Other State entities for the years ended 30 June 2011 and 31 December 2010 have been completed except for Tasmanian Affordable Housing Ltd and four local government councils. 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 audits covered by this Volume.

FORMAT OF THE REPORT

Unless specifically indicated, comments in this Report were current as at 30 November 2011.

The Report is based on the administrative arrangements set out under the provisions of the *Administrative Arrangements Act 1990* as at 30 June 2011 and 31 December 2010 and, in addition to this Introduction, includes:

- An Audit Summary
- Timeliness and Quality of Financial Statements
- Special Capital Investment Funds
- Other State entities reporting at 30 June 2011
- Other State entities reporting at 31 December 2010.

The order in which State entities are reported does not attempt to recognise any lines of responsibility they have through their appropriate Minister. Details of Responsible Ministers are included in each Chapter.

AUDIT SUMMARY

This Report contains analysis of financial information for Other State entities not consolidated in the General Government Sector, or those that operate as a Government Business Enterprise, State Owned Company, Superannuation Fund or Local Government Authority.

Included are details of individual entity operations and matters raised with entity management during the course of the 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.

Aboriginal Land Council

The Aboriginal Land Council (the Council) has significantly improved the timeliness in submitting its annual financial statements.

The Council recorded net deficits in each of the past three years and is dependent on Government funding for its continued operations. While the Council had sufficient cash balances to meet all its liabilities at 30 June 2011, the deficit results need to be addressed.

Testing of the Council's non-current assets indicated the Council last undertook a full revaluation of land and buildings assets in 2005-06. Although the valuation of the land and buildings is indexed annually, assets valued at fair value should be revalued on a regular basis to ensure the carrying amount reflects fair value. Indexation may allow an entity to maintain the currency of asset values, but can not be applied for any extended period of time. Failure to undertake full revaluations may result in the carrying value of an asset no longer reflecting fair value.

National Trust of Australia (Tasmania)

National Trust of Australia (Tasmania) (the Trust) recorded a Net Deficit from Operations of \$0.150m in 2010-11 (2009-10, surplus \$0.097m), a decrease of \$0.247m. This deterioration was mainly attributable to increased operational expenditure. Recognition of some of the Trust's heritage assets, \$1.227m, and the transfer of two properties from the State Government, \$2.709m, resulted in a Net Surplus of \$3.791m, (\$0.020m). The Net Surplus combined with an upward revaluation of properties of \$0.386m, (\$0.197m), resulted in the Trust's Total Equity increasing by \$4.177m at 30 June 2011.

At 30 June 2011 the Trust held \$0.274m, (\$0.472m), in current investments to meet specific purpose projects. Therefore, these funds were not available to meet general operating costs.

The audit opinion on the Trust's financial statements was qualified because certain heritage collections had not been recognised in its financial statements.

The Trust's had a working capital deficit of \$0.191m at 30 June 2011 and continued to rely on contributions from the State Government with \$0.300m provided in each of 2010-11 and 2009-10. The negative working capital position, and the ongoing reliance on State funding, raises doubts over the ability for the Trust to continue as a going concern without this level of support. However, the Trust's Directors expect to achieve an operating surplus in 2011-12 and therefore will be able to meet all obligations. In any event, the situation improved following extinguishment of its loan debt which happened in July 2011, achieved from the proceeds of the sale of Ellis House.

The Trust will need to continue to monitor its financial position during 2011-12.

Private Forests Tasmania

Private Forests Tasmania (the Authority) recorded net deficits in each of the past three years. It is dependent on Government funding for its continued operations. Despite these deficits, the Authority had sufficient cash balances at 30 June 2011 to meet all its liabilities. However, the Authority needs to address the continuing deficits.

In financial terms the Authority is relatively small with annual revenues averaging \$2.187m. The nature of the Authority's business is service driven and its operations are generally "not-for-profit." Consequently, it is expected the Authority will operate on a break-even basis.

Property Agents Trust

During the 2011 financial year the Property Agents Trust (the Trust) resolved to change its financial year end from 31 December to 30 June. This was done so as to align its financial reporting period with that of the Property Agents Board.

The Trust recorded a Net Surplus of \$0.416m, an improvement of \$0.118m, compared to the prior twelve months. Distributions made by the Trust during the six months ended 30 June 2011 were to the:

- Property Agents Board for education and training, \$0.329m, (\$0.473m),
- Real Estate Scholarship Board to assist in funding the employment and training of scholarship trainees, \$0.275m, (\$0.415m),
- Department of Justice for administration costs, \$0.288m, (\$0.507m).

Tasmanian Building and Construction Industry Training Board

Tasmanian Building and Construction Industry Training Board (the Board) recorded a Net Surplus \$0.194m, a decrease of \$1.331m mainly due to lower receipts from the Industry training levy. This was predominately due to one-off Commonwealth capital works stimulus funding in the building industry in 2009-10.

The Board's total assets mainly comprised cash investments of \$4.394m, (2010, \$4.739m), which will be spent on training fees payable to employers of apprentices.

Tasmanian Dairy Industry Authority

The Tasmanian Dairy Industry Authority's (the Authority) main source of revenue is license fees. It recorded Net deficits in each of the past two years, (2010-11, \$0.105m; 2009-10, \$0.038m). At 30 June 2011 the Authority had sufficient cash balances to meet its current liabilities but its deficits resulted in lower cash resources. The deficit results need to be addressed.

The Solicitors' Trust

A function of the Solicitors' Trust (the Trust) is to administer and manage the Solicitors Guarantee Fund (the Fund), which is utilised for operations prescribed under the Legal Profession Act 2007, including operation of tribunals, compensation of claimants, administration and for any other purpose approved by the Minister.

The Trust primarily derives its income from interest earned on the Fund, on statutory deposits made by legal practitioners and on funds held in trust accounts of legal practitioners. The costs of administering the Trust are relatively low, with the main expenditure being for salaries and Trustee

remuneration. Receivables are raised for amounts to be recovered from solicitors when they are in default, but which are then provided against based on an assessment of recovery.

Other than the financial statements being submitted late, the audit was completed satisfactorily with no other matters outstanding. This was the first year the audit was carried out by the Auditor-General under the *Audit Act 2008*.

The Trust recorded a Net Surplus of \$1.165m after making distributions to the:

- Legal Profession Board, \$0.757m,
- Legal Aid Commission, \$0.250m,
- Department of Justice, \$0.150m.

SUMMARISED FINANCIAL RESULTS

Details of the Net Surplus (Deficit) and Net Assets of all Other State entities in this Report are set out in Table 1.

Table 1 Summarised Financial Results

30 June 2011 entities:	Net Surplus (Deficit)		Net Assets 30 June	
	2010-11	2009-10	2011	2010
	\$'000s	\$'000s	\$'000s	\$'000s
Aboriginal Land Council	(182)	(195)	22 289	21 848
Clyde Water Trust	1	1	1 977	1 976
Council of Law Reporting	1	2	13	12
Forest Practices Authority	(285)	(107)	883	1 168
Legal Aid Commission of Tasmania	878	488	4 445	3 567
Legal Profession Board	(95)	(157)	216	311
National Trust of Australia (Tasmania)	3 791	20	9 213	5 036
Private Forests Tasmania	(8)	(96)	1 118	1 126
Property Agents Board	(5)	29	493	497
Property Agents Trust *	416	298	12 944	12 529
Tasmanian Beef Industry (Research & Development) Trust	26	9	524	497
Tasmanian Building & Construction Industry Training Board	194	1 525	4 689	4 495
Tasmanian Dairy Industry Authority	(105)	(38)	129	234
Teachers Registration Board of Tasmania	(74)	(72)	1 167	1 241
Wellington Park Management Trust	(25)	178	421	446
31 December 2010 entities:	Net Surplus (Deficit)		Net Assets 31 December	
	2010	2009	2010	2009
	\$'000s	\$'000s	\$'000s	\$'000s
The Solicitors' Trust	1 165	2 221	7 825	6 660

* Previous financial year ended 31 December 2010. Refer to Chapter for further details.

TIMELINESS AND QUALITY OF FINANCIAL STATEMENTS

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 of within 45 days of the end of the financial year, or 15 August and 15 February for 30 June and 31 December year ends, respectively with date received:

- 30 June 2011
 - National Trust of Australia (Tasmania), 14 October 2011,
 - Property Agents Board, 25 August 2011,
 - Property Agents Trust, 31 August 2011,
 - Tasmanian Beef Industry (Research and Development) Trust, 7 October 2011,
 - Teachers Registration Board of Tasmania, 18 August 2011.
- 31 December 2010
 - The Solicitors' Trust, 27 May 2010.

These entities were reminded of their obligation to report within their prescribed deadline in future. It was acknowledged however, that the delay in submission of statements for the Teachers Registration Board of Tasmania was due to administrative error not within their control.

Overall quality was good with only two of the 16 financial statements submitted requiring amendment prior to completion of the audit.

SPECIAL CAPITAL INVESTMENT FUNDS

Infrastructure investment decisions are managed through the Government's Capital Investment Program (CIP). The CIP includes the Roads and Housing Programs, and is supplemented through allocations from Special Capital Investment Funds such as the Royal Hobart Hospital Redevelopment Fund and the Economic and Social Infrastructure Fund. Government established several new infrastructure related funds during 2007-08 including the Infrastructure Tasmania Fund, the Hospitals Capital Fund, the Urban Renewals and Heritage Fund, the Water Infrastructure Fund and the Housing Fund.

The following table sets out the transactions of each of the Funds during 2010-11.

	Opening Balance	Deposits	Transfers	Withdrawals	Closing Balance
	\$m	\$m	\$m	\$m	\$m
Economic and Social					
Infrastructure Fund	28.655	17.814	(12.000)	(10.264)	24.205
Infrastructure Tasmania Fund	85.269	0.000	0.000	(24.537)	60.732
Housing Fund	47.442	0.000	0.000	(14.410)	33.032
Hospitals Capital Fund	69.872	0.000	0.000	(21.109)	48.763
Royal Hobart Hospital					
Redevelopment Fund	0.764	0.000	0.000	(0.115)	0.649
Better Roads Fund	0.146	0.000	0.000	(0.130)	0.016
Urban Renewal and Heritage					
Fund	11.162	0.000	12.000	(16.692)	6.470
Water Infrastructure Fund	48.052	8.066	0.000	(27.676)	28.442
TOTAL	291.362	25.880	0.000	(114.933)	202.309

The **Economic and Social Infrastructure Fund (ESIF)** was established in 2003-04 and funds projects assisting economic development and the provision of social infrastructure. Social infrastructure projects relate to education, tourism, parks, heritage, health and housing throughout the State. Economic development projects relate to a range of infrastructure and related developments, including the maintenance of the State's roads and bridges, and water infrastructure. Total expenditure in 2010-11 from this fund was \$22.264m, including a \$12.000m transfer to the Urban Renewal and Heritage Fund and payments for:

- AFL Arrangement – Hawthorn Football Club, \$3.488m,
- Tasmanian Museum and Art Gallery, \$2.150m,
- Aurora Stadium, \$1.500m,
- Domain Tennis Centre, \$1.200m.

The **Infrastructure Tasmania Fund (ITF)** was created in 2007-08 to provide investment in Tasmania's major infrastructure including roads, health infrastructure and information technology. The ITF was established with the proceeds of \$312.900m from the sales of Hobart International Airport Pty Ltd and Printing Authority of Tasmania. A total of \$252.168m has now been expended, with a balance of \$60.732m remaining. Expenditure from the ITF for 2010-11 was \$24.537m and included:

- Health Infrastructure, \$11.201m,
- Brighton Transport Infrastructure, \$7.818m,
- Health Information Infrastructure, \$4.336m.

The **Housing Fund (HF)** was established in 2007-08 with initial funding of \$60.000m to assist with increasing the supply of public housing. Expenditure from the Housing Fund for 2010-11 was \$14.410m for the construction of new rental dwellings and social housing around the State.

The **Hospitals Capital Fund (HCF)** was established in 2007-08 with initial funding of \$75.000m to provide capacity to invest in the State's major hospital facilities at Hobart, Launceston and Burnie. Expenditure from the HCF for 2010-11 was \$21.109m for works which included the Launceston General Hospital car park and redevelopment of the Royal Hobart Hospital.

The **Royal Hobart Hospital (RHH) Redevelopment Fund** was established in 2004-05 to develop and enhance the facilities at the RHH. Expenditure from this fund was \$0.115m in 2010-11.

The **Better Roads Fund (BRF)** was established in 2004-05 for road projects including associated maintenance. Expenditure from the BRF for 2010-11 was \$0.130m.

The **Urban Renewal and Heritage Fund (URHF)** was established in 2007-08 with initial funding of \$25.000m from the ITF to provide for the restoration of heritage assets and the renewal of urban areas in communities throughout Tasmania. Expenditure from the URHF for 2010-11 was \$16.692m and comprised:

- Princes Wharf Renewal, \$8.512m,
- GASP! (Glenorchy Arts Sculpture Project), \$1.582m,
- Coles Bay Jetty, \$0.910m,
- Leven Wharf Development, \$0.760m,
- Maritime Museum, \$0.600m,
- Queen Victoria Museum and Art Gallery, \$0.537m,
- Franklin Wharf, \$0.525m.

The **Water Infrastructure Fund (WIF)** was established in 2007-08 with initial funding of \$80.000m from the ITF to facilitate major investment in Tasmania's water infrastructure. All payments were made to Rivers and Water Supply Commission by Department of Primary Industries, Water, Parks and Environment. Expenditure from the WIF for 2010-11 was \$27.676m.

OTHER STATE ENTITIES 30 JUNE 2011

ABORIGINAL LAND COUNCIL

INTRODUCTION

The Aboriginal Land Council of Tasmania (Council) was established as a statutory authority on 14 November 1995 under the *Aboriginal Lands Act 1995* (the Act).

Its primary functions are to:

- use and sustainably manage Aboriginal land and its natural resources for the benefit of all Aboriginal persons
- exercise, for the benefit of all Aboriginal persons, the Council's powers as owner of Aboriginal land
- prepare Management Plans in respect of Aboriginal land
- use and sustainably manage any other land in which the Council acquires an interest.

Schedule 3 of Section 27 of the Act vests land managed by the Council in the Council.

Council comprises eight councillors elected by eligible voters to represent five regions across the State.

The Responsible Minister is the Minister for Aboriginal Affairs.

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 26 July 2011 and an unqualified audit report was issued on 9 September 2011.

KEY FINDINGS AND DEVELOPMENTS

Council has significantly improved the timeliness in which it prepares its annual financial statements and submits them for audit.

Council recorded net deficits in each of the past three years and is dependent on Government funding for its continued operations. While Council had sufficient cash balances to meet all its liabilities at 30 June 2011, the deficit results need to be addressed.

Testing of Council's non-current assets indicated Council last undertook a full revaluation of land and buildings assets in 2005-06. Although the valuation of the land and buildings is indexed annually, assets valued at fair value should be revalued on a regular basis to ensure the carrying amount reflects fair value. Indexation may allow an entity to maintain the currency of asset values, but can not be applied for any extended period of time. Failure to undertake full revaluations may result in the carrying value of an asset no longer reflecting fair value.

Apart from these matters, the audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2010-11	2009-10	2008-09
	\$'000s	\$'000s	\$'000s
Total Revenue	266	357	411
Total Expenses	448	552	426
Net Surplus (Deficit)	(182)	(195)	(15)
Total Assets	22 325	21 876	19 682
Total Liabilities	36	28	41
Net Assets	22 289	21 848	19 641
Total Equity	22 289	21 848	19 641

Comment

Council's Net Deficit improved slightly from \$0.195m in 2009-10 to \$0.182m in 2010-11. The majority of the Council's revenue, \$0.224m (2009-10, \$0.224m) was recurrent funding from the Tasmanian Government.

Its major expenses include:

- consultancy fees related to administration, \$0.056m, (2009-10, \$0.053m),
- depreciation of buildings and plant and equipment, \$0.135m, (\$0.128m),
- insurance, \$0.037m, (\$0.031m),
- land management, \$0.093m, (\$0.237m),
- wages \$0.056m, (\$0.043m).

The reduction in land management costs in 2010-11 related to savings made on the Risdon Cove footbridge, \$0.005m (2009-10, \$0.025m), Babel Island works, \$0.017m (\$0.074m) and Larapuna, \$0.011m (\$0.094m).

Council's major assets at 30 June 2011 were freehold land \$20.323m and buildings \$1.817m. Total Assets increased by \$0.449m primarily due to the revaluation of land and buildings, totalling \$0.623m. The revaluation increase was based on applying indexation to the carrying value of the assets, which were last fully revalued in 2005-06.

Council recorded an increase of \$0.441m in Total Equity due to the asset revaluation increment of \$0.623m, offset by is Net Deficit of \$0.182m

CLYDE WATER TRUST

INTRODUCTION

Clyde Water Trust (the Trust) was established in 1898 and currently operates under the *Water Management Act 1999*. The Trust owns assets which include control gates at Lake Sorell and Lake Crescent and a pump station at Lake Meadowbank. These assets allow farmers along the Clyde River to gain access to water for irrigation.

A lease arrangement for the use of the Trust's assets was in place between the Shannon Clyde Water Company Ltd (SCWC) and the Trust. SCWC has the role of metering the quantity of water taken up for irrigation by farmers along the river and collecting revenue for water taken. SCWC then make lease payments to the Trust which are its only revenue source. The Trust's expenses mainly consist of depreciation, interest expenses, and accounting and audit fees. Some operating expenses such as electricity and repairs are paid by SCWC.

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 August 2011 and an unqualified audit opinion issued on 30 September 2011.

The Trust has significantly improved the timeliness in which it prepares its annual financial statements and submits them for audit.

The audit was completed with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2010-11	2009-10	2008-09
	\$'000	\$'000	\$'000
Total Revenue	57	61	58
Total Expenses	56	60	55
Net Surplus	1	1	3
Total Assets	2 070	2 133	2 171
Total Liabilities	93	157	195
Net Assets	1 977	1 976	1 976
Total Equity	1 977	1 976	1 976

Comment

The Trust is a not-for-profit entity. Revenue, \$0.057m in 2010-11 comprised mainly of lease payments received.

Expenses, \$0.056m, comprised mainly of depreciation, \$0.039m, and interest on loans \$0.009m.

Equity, \$1.977m, comprised Accumulated funds, \$0.419m, and Asset revaluation reserve, \$1.558m. The Trust's irrigation assets were last revalued in 2009.

The Trust's Current Assets included Cash, \$0.017m, and Receivables \$0.030m.

Non-Financial Assets, \$2.024m, comprised the control gates, \$1.484m, pump station, \$0.455m, and weirs \$0.084m.

Liabilities, \$0.093m, comprised mainly of loans which decreased from \$0.147m in 2009-10 to \$0.083m in 2010-11 when the Trust repaid \$0.064m to lenders.

COUNCIL OF LAW REPORTING

INTRODUCTION

Council of Law Reporting for Tasmania (The Council) is a body corporate established under the *Council of Law Reporting Act of 1990*. It is responsible for law reporting in Tasmania and may prepare, publish and sell, or arrange for the preparation, publication and sale of, reports of judicial decisions. It may consult and work with other Councils of Law Reporting, and other persons concerned with law reporting, for the purpose of improving its service to the judiciary and the legal profession in Tasmania and elsewhere in the Commonwealth.

Council prepares its financial statements on a cash basis, therefore reporting receipts and payments and how these impact on its opening cash balance.

The Responsible Minister is the Minister for Justice.

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 12 August 2011 and an unqualified audit report was issued on 9 September 2011.

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2010-11	2009-10	2008-09
	\$'000s	\$'000s	\$'000s
Opening cash balance	12	10	14
Total Receipts	5	5	0
Total Expenditure	(4)	(3)	(4)
Closing cash balance	13	12	10

Comment

Council's operations were mainly funded by contributions from the Law Foundation of Tasmania Incorporated and/or from retained cash balances.

Total expenditure increased slightly due to one-off travel expenses.

FOREST PRACTICES AUTHORITY

INTRODUCTION

The Forest Practices Authority (the Authority) was established under the *Forest Practices Act 1985* (the Act). Its functions include the exercise of powers under the Act and to ensure that all forest practices are conducted in accordance with the Forest Practices Code. The Authority trains and authorises Forest Practices Officers to plan, supervise and monitor forest practices and imposes penalties for breaches of the Code.

The Authority is predominantly funded by Government Appropriation and its own activities. This own source revenue mainly relates to plan fees, which are charged to industry and landowners wishing to undertake forest practices within the State.

The Responsible Minister is the Minister for Energy and Resources.

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 items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2010-11	2009-10	2008-09
	\$'000s	\$'000s	\$'000s
Total Revenue	2 710	2 721	2 954
Total Expenses	2 995	2 828	2 911
Net Surplus (Deficit)	(285)	(107)	43
Total Assets	1 324	1 572	1 624
Total Liabilities	441	404	349
Net Assets	883	1 168	1 275
Total Equity	883	1 168	1 275

Comment

The Authority recorded consecutive deficits over the period under review, increasing by \$0.178m to \$0.285m in 2010-11.

Overall, Total Revenue remained relatively consistent, however, plan fees revenue reduced by \$0.327m in 2010-11. The continuing reduction in activity noted in the forest sector has seen a comparable decrease in the number of forest plans submitted for approval during 2010-11. This decrease is due to a decline in market opportunities and industry restructuring, which the Authority expects to continue. A one-off grant, \$0.250m, was contributed by the Department of Infrastructure, Energy and Resources in June 2011 which significantly improved the Authority's net result. Without this late cash injection, the Authority would have recorded a Deficit of \$0.535m.

Total Expenses increased by \$0.167m during 2010-11, the most significant item being a \$0.120m claim settlement in 2010-11. Under the Act, the Authority may be liable to pay compensation if it refuses an application for a private timber reserve.

The Authority's Net Assets decreased by \$0.285m to \$0.883m in line with the Net Deficit.

Total Assets comprised mainly cash and deposits, \$1.205m (2009-10, \$1.258m).

Total Assets decreased by \$0.248m primarily due to:

- lower receivables, \$0.104m, mainly due to timing differences, there were 35 outstanding accounts at 30 June 2010, which reduced to seven at 30 June 2011
- lower accrued revenue, \$0.104m, primarily due to almost \$0.090m being accrued for Forestry Tasmania and the Hobart City Council at 30 June 2010 and only \$0.026m at 30 June 2011.

The Authority's liabilities are mainly represented by employee entitlements of \$0.403m, (2010, \$0.373m) these increased slightly during 2011.

LEGAL AID COMMISSION OF TASMANIA

INTRODUCTION

The Commission is an independent statutory body established by the *Legal Aid Commission Act 1990*. It is principally funded by the State and Commonwealth Governments, with other sources of income derived from the recovery of legal costs in successful cases, contributions from legally assisted clients, interest on invested monies and distributions from The Solicitors' Trust.

The Commission seeks to increase access to justice for all Tasmanians by the provision of legal representation, advice, information and referral services. It ensures that within the limits of funds available, no person is denied access to the law by reason of financial or social disadvantage.

The Responsible Minister is the Attorney-General.

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2011 and an unqualified audit opinion was issued on 22 September 2011.

The audit was completed satisfactorily with no major items outstanding.

ABRIDGED COMPREHENSIVE INCOME STATEMENT

	2010-11	2009-10	2008-09
	\$'000s	\$'000s	\$'000s
Commonwealth grants and contributions	5 992	6 357	5 893
Commonwealth community legal centre grants	1 413	1 180	1 359
State government grants	5 810	5 446	5 281
Client contributions and cost recoveries	160	139	227
Interest	198	117	159
Other revenue	813	270	1 471
Total Revenue	14 386	13 509	14 390
Legal services expense	3 614	4 213	4 661
Employee expenses	6 346	5 472	5 565
Payments to community legal centres	1 567	1 490	1 819
Depreciation and amortisation	117	131	160
Other expenses	1 864	1 715	1 803
Total Expenses	13 508	13 021	14 008
Net Surplus	878	488	382
Comprehensive Result	878	488	382

Comment

The Commission is reliant on recurrent funding provided by the Commonwealth and State Government to deliver its services. The revenue sources represented 92% of its total revenue (96% in 2009-10). Its Net surplus improved by \$0.390m to \$0.878m, mainly resulting from Total Revenue increasing by \$0.877m, more than offsetting the \$0.487m increase in Total Expenses.

The increase in Total Revenue predominately resulted from:

- increased Other revenue, \$0.542m, due to a higher distribution from the Solicitors' Trust, which rose by \$0.552m to \$0.802m
- higher State government grants, \$0.364m,
- additional funding received from the Commonwealth for Community Legal Centres, \$0.233m.

However, funding provided by way of Commonwealth grants and contributions decreased by \$0.365m. The State entered into a new national partnership agreement for its legal assistance services with fixed grants for 2010-11. An indexation adjustment factor will be applied annually from this year onwards.

Total Expenses increased primarily due to higher Employee costs, \$0.876m, resulting from the impact of the Legal Practitioners Agreement 2010, combined with an increase in employee numbers, 3. To an extent the higher employee costs was offset by lower legal services expense, \$0.599m. This occurred as a result of reduced legal services payments to private sector business partners, for legal work undertaken during the year.

ABRIDGED STATEMENT OF FINANCIAL POSITION

	2011	2010	2009
	\$'000s	\$'000s	\$'000s
Total Current Assets	5 026	3 751	3 137
Total Non-Current Assets	801	912	975
Total Current Liabilities	1 250	910	836
Total Non-Current Liabilities	132	186	197
Net Assets	4 445	3 567	3 079
Total Equity	4 445	3 567	3 079

Comment

The increase in Equity and Net Assets reflects the Net Surplus of \$0.874m.

Current Assets increased by \$1.275m reflecting a higher Cash position of \$4.666m at 30 June 2011 (2010, \$3.398m). The increase was mainly due to the impact of the Commission generating \$1.274m in cash from its operating activities primarily due to the Net surplus for the year.

Cash includes restricted funds held:

- under the Civil Law Distribution Fund Loans Scheme, \$0.483m (2010, \$0.509m), to assist eligible applicants towards costs in State Civil Law matters and
- to meet future legal case commitments in respect of applications for accepted legal assistance, \$1.140m, (\$1.277m).

Lower Non-Current Assets reflected the depreciation of fixed assets for the year.

Current Liabilities increased by \$0.340m primarily reflecting higher employee provisions, \$0.268m.

FINANCIAL ANALYSIS

	Bench Mark	2010-11	2009-10	2008-09
Financial Performance				
Surplus (Deficit) (\$'000s)		878	488	382
Financial Management				
Creditor turnover	30 days	17	12	11
Other Information				
Staff numbers (FTEs)		68	65	68
Average staff costs (\$'000s)		94	84	81
Average Annual Leave balance per FTE (days)		16	16	15
Average Long Service balance per FTE (days)		19	18	16

Comment

The increase in Average staff costs was largely due to annual increments, structural adjustment under the Legal Practitioners Agreement 2010.

LEGAL PROFESSION BOARD

INTRODUCTION

Legal Profession Board of Tasmania (the Board) is an independent statutory body whose purpose is to:

- protect consumers of legal services within Tasmania against unsatisfactory professional conduct and professional misconduct of legal practitioners
- promote and enforce the application of professional standards, competence and honesty within the legal profession in Tasmania
- provide an effective and efficient redress mechanism for persons unhappy with the conduct of Australian legal practitioners in Tasmania.

The Board commenced operations on 31 December 2008 and comprises six Board members appointed by the Governor. It is required to submit an application for funding on an annual basis, with funds received from the Solicitors' Guarantee Fund.

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 19 August 2011.

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2010-11	2009-10	2008-09
	\$'000s	\$'000s	\$'000s
Total Revenue	797	510	908
Total Expenses	892	667	440
Net Surplus (Deficit)	(95)	(157)	468
Total Assets	276	363	1021
Total Liabilities	60	52	553
Net Assets	216	311	468
Total Equity	216	311	468

Comment

In 2010-11 the Board recorded a Net Deficit of \$0.095m, an improvement of \$0.062m on prior year.

The Board received an increase in revenue from the Solicitor's Guarantee Fund of \$0.277m which was based on the annual application to the Minister, pursuant to the Act.

Key expense items were:

- employee benefits, \$0.551m, (2009-10, \$0.394m),
- supplies and consumables, \$0.297m, (\$0.222m).

The Board reported total equity of \$0.216m at 30 June 2011, \$0.095m less than at 30 June 2010. This movement represented the 2010-11 Net Deficit. Net Assets moved accordingly with the major items being:

- decreased cash and deposits, \$0.070m,
- decline in receivables, \$0.012m,
- lower office improvements, plant and equipment, \$0.004m,
- higher payables, \$0.002m,
- higher employee benefits, \$0.006m.

In overview it is noted that, over the past two years of the Board's activities it has generated an average net deficit of \$0.126m. Should this continue, its Net equity will be negative prior to 30 June 2013.

NATIONAL TRUST OF AUSTRALIA (TASMANIA)

INTRODUCTION

The National Trust of Australia (Tasmania) (the Trust) is administered under the *National Trust Act 2006* (the Act), which came into effect on 22 December 2006.

Pursuant to the Act, the objects of the Trust are as follows:

- acquiring, promoting or ensuring the preservation and maintenance for the public benefit of places and objects of beauty or that have a historical, scientific, artistic, architectural or cultural interest
- encouraging and promoting, among the public, knowledge of, interest in and respect for those places and objects
- promoting or ensuring the provision and maintenance of amenities and services to facilitate the enjoyment by the public of those places and objects
- protecting and preserving the natural features of, and conserving the fauna and flora on, any place referred to in paragraph (a) and acquired by, or under the control of, the Trust
- encouraging and promoting public appreciation, knowledge and enjoyment of, respect for and interest in any land, buildings, works, structures or articles
- co-operating with the Crown or with any corporation, body or society, either within or outside Tasmania, having objects wholly or substantially similar to the objects of the Trust, in promoting the objects of the corporation, body or society or the Trust.

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

The Act provided for the appointment of a Board of seven Directors who were appointed by the Minister in March 2007. The Board includes the Trust's Managing Director.

The Responsible Minister is the Minister for Environment, Parks and Heritage.

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 14 October 2011, which was 60 days late, and a **qualified audit opinion** issued on 22 October 2011. The audit opinion contained the following "except for" audit qualification:

Qualification

The Trust possesses certain heritage collections referred to in Note 1(j) of the financial statements, but these assets have not been fully recognised in the financial statements. Due to the nature of the assets, it is not possible to quantify the financial effects of the Trust's failure to comply with Australian Accounting Standards AASB 116 Property, Plant and Equipment.

FINANCIAL RESULTS

The Trust recorded a Net Deficit from Operations of \$0.150m in 2010-11 (2009-10, surplus \$0.097m), a decrease of \$0.247m. This deterioration was mainly attributable to increased expenditure, which is detailed in the Abridged Comprehensive Income Statement section of this Chapter. Recognition of some of the Trust's heritage assets, \$1.227m, and the transfer of two properties from the State Government, \$2.709m, resulted in a Net Surplus of \$3.791m (\$0.020m).

In 2010-11, the Trust's Total Equity increased by \$4.177m, (\$0.217m). This increase comprised the Net Surplus of \$3.791m and an upward revaluation of properties of \$0.386m, (\$0.197m).

The Trust's had a working capital deficit of \$0.191m at 30 June 2011 and continued to rely on contributions from the State Government with \$0.300m provided in each of 2010-11 and 2009-10. The negative working capital position, and the ongoing reliance on State funding, raises doubts over the ability for the Trust to continue as a going concern without this level of support. However, the Trust's Directors expect to achieve an operating surplus in 2011-12 and therefore will be able to meet all obligations. In any event, the situation improved following extinguishment of its loan debt which happened in July 2011, achieved from the proceeds of the sale of Ellis House.

The Trust will need to continue to monitor its financial position during 2011-12.

ABRIDGED COMPREHENSIVE INCOME STATEMENT

	2010-11	2009-10	2008-09
	\$'000s	\$'000s	\$'000s
Total Revenue	974	1 001	873
Total Expenses	1 124	904	914
Net Surplus (Deficit) from Operations	(150)	97	(41)
Specific purpose grant revenue	431	3 165	298
Specific purpose grant expenses	(483)	(3 242)	(144)
State Government property transfers	2 709	0	0
Recognition heritage assets	1 227	0	0
Write back loan interest	57	0	0
GST adjustments from prior years	0	0	12
Net Surplus	3 791	20	125
Other Comprehensive Income			
Revaluation of properties	386	197	0
Comprehensive Surplus	4 177	217	125

Comment

In 2010-11 the Trust recorded a Net Deficit from Operations of \$0.150m (2009-10, surplus \$0.097m), a reduction of \$0.247m primarily due to:

- increased employee expenses of \$0.079m, as a result of the Trust employing an additional employee
- additional repairs and maintenance costs, with several specific purpose grant expenses totalling \$0.043m, that were in excess of budget, being borne by the Trust as an operating expense
- higher electricity, water and insurance costs of \$0.036m.

The Trust incurred a number of non-operating transactions in 2010-11 which resulted in a Net Surplus of \$3.791m, an improvement of \$3.941m from the Net Deficit from Operations. The improved result was primarily because the Trust:

- received the freehold title to Runnymede and the Penitentiary Chapel Historical Site from the State Government. These properties were recognised, based on the Valuer-General's valuation, at \$3.190m less leasehold improvement costs of \$0.481m previously recognised by the Trust when it managed both sites

- commenced updating an Objects Register and valued an assortment of furniture held in a number of its properties. The valuation of these items was, in most cases, undertaken by an external antiques expert. The recognition of these assets resulted in a revenue item of \$1.227m. As noted in the Audit of the 2010-11 Financial Statements section of this Chapter, the Trust's audit opinion was qualified for not recognising all of its heritage assets which occurred because the Objects register is not complete and, therefore, it is not possible to determine a value for the unrecognised assets.

In addition, the Trust receives monies to fund special projects. Often these monies are to fund projects not relating to Trust assets resulting in costs being expensed rather than being capitalised. In general, grant revenue and expenses offset. In 2009-10, the Trust managed a number of significant projects, including St David's Heritage Stimulus, \$1.323m, Clarendon Colonial Agricultural Heritage, \$0.796m, and Runnymede Heritage Stimulus, \$0.521m. The expenditure incurred in relation to these grants was \$1.338m, \$0.797m, and \$0.526m, respectively.

The Trust's Comprehensive Surplus for 2010-11 was \$4.177m (2009-10, \$0.217m), after accounting for an upward revaluation of properties of \$0.386m (\$0.197m).

The Trust does not pay dividends or income tax equivalents.

ABRIDGED STATEMENT OF FINANCIAL POSITION

	2011	2010	2009
	\$'000s	\$'000s	\$'000s
Total Current Assets	575	1 211	615
Total Current Liabilities	(766)	(1 185)	(584)
Total Non-Current Assets	9 421	5 319	5 113
Total Non-Current Liabilities	(17)	(309)	(325)
Net Assets	9 213	5 036	4 819
Total Equity	9 213	5 036	4 819

Comment

Equity increased by \$4.177m in 2010-11, due to the Comprehensive Surplus for the year.

Current assets decreased by \$0.636m primarily due to lower cash and other financial assets of \$0.588m which was used to fund operations, restoration activities and specific purpose grant expenditure and to settle the overdraft. The decrease in cash was partly offset by proceeds totalling \$0.195m from the sale of Ellis House which was received before 30 June 2011.

The decrease in current assets was partly offset by lower Current liabilities of \$0.419m, mainly due to:

- lower trade and other payables of \$0.314m caused by expenditure on specific purpose projects during 2010-11
- repayment of the bank overdraft, \$0.149m,
- reduced current restoration fund provision by \$0.142m due the expenditure of funds during 2010-11, offset by
- loan debt of \$0.177m being recorded as current, as the Trust repaid the balance in July 2011 from the sale proceeds of Ellis House.

The Trust held current investments of \$0.274m at 30 June 2011 (2010, \$0.472m), which related to restoration appeal funds held for specific purposes which were not available to meet general

operating costs. The Trust administers appeal monies on behalf of individual restoration appeals. The shortfall between investments held and the provision for restoration appeal funds at 30 June 2011 was \$0.113m. This represented a slight improvement on the shortfall recorded at 30 June 2010 of \$0.115m. Given the nature of the funds, we have previously recommended that the Trust take appropriate action to ensure the restoration appeal liability is fully cash backed.

The Trust's Non-Current Assets increased by \$4.102m, as noted previously, primarily due to:

- recognition of freehold title, transferred to the Trust by the State Government, to Runnymede and the Penitentiary Chapel Historical Site
- the valuation and recognition of heritage furniture held in a number of its properties.

FINANCIAL ANALYSIS

	Bench Mark	2010-11	2009-10	2008-09
Financial Performance				
Result from operations (\$'000s)		(150)	97	(41)
Own source revenue		62.2%	62.2%	56.7%
Financial Management				
Current ratio	>1	0.75	1.02	1.05
Indebtedness ratio		2.8%	49.6%	65.7%
Debt to equity		1.9%	7.6%	7.4%
Debt to total assets		1.8%	5.9%	6.2%
Cost of debt	6.9%	8.2%	7.0%	9.0%
Debt collection	30 days	18	11	28
Creditor turnover	30 days	34	42	43
Other Information				
Staff numbers (FTE)		7	6	6
Average staff costs (\$'000s)		57	53	53
Average leave balance per FTE (\$'000s)		13	14	12

Comment

The Trust recorded a negative Result from operations in 2010-11 of \$0.150m compared with a surplus in 2009-10 of \$0.097m. As previously noted, the worse result was mainly due to higher operating expenditure.

Current ratio decreased below benchmark and reflected the Trust's deteriorating cash position. Indebtedness ratio decreased significantly in 2010-11 due mainly to loan debt being recorded as a current liability.

Debt to equity and total assets ratios improved due to the repayment of the Trust's bank overdraft in 2010-11 and \$0.057m in accrued loan interest written off at 30 June 2011, recorded as Write back loan interest in the Comprehensive Income Statement, after it was agreed to repay the principal debt in July 2011. Cost of debt increased in 2010-11 due to the write-off of accrued loan interest, which reduced the average debt balance at 30 June 2011.

Creditor turnover was worse than the benchmark in all three years, but improved in 2010-11. The number of days in 2009-10 was primarily due to a number of large creditors outstanding at 30 June relating to specific grant projects. All amounts were subsequently paid.

PRIVATE FORESTS TASMANIA

INTRODUCTION

Private Forests Tasmania (the Authority) was established as a statutory authority on 1 July 1994 under the *Private Forests Act 1994* (the Act). Its primary functions are to develop and advocate strategic and policy advice to the Minister and forestry partners, to work in partnership with growers, managers, investors and industry to sustainably develop and manage Tasmania's private forests and to initiate extended or new market opportunities.

According to the Authority's Strategic Plan, '*...The objectives of the Authority are to facilitate and expand the development of the private forest resource in Tasmania for commercial purposes and to maintain a healthy and productive rural environment in a manner which is consistent with sound forest land management practice....*'

The Authority's Board of Directors consists of five members appointed by the Responsible Minister, and the Chief Executive Officer.

The Responsible Minister is the Minister for Energy and Resources.

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.

The audit was completed satisfactorily with no major items outstanding.

KEY FINDINGS AND DEVELOPMENTS

The Authority recorded net deficits in each of the past three years. It is dependent on Government funding for its continued operations. The Authority needs to address the continuing deficits.

Despite these deficits, the Authority had sufficient cash balances at 30 June 2011 to meet all its liabilities.

In financial terms the Authority is relatively small with annual revenues averaging \$2.187m. The nature of the Authority's business is service driven to achieve the objectives noted earlier in this Chapter and its operations are generally "not-for-profit". Consequently, it is expected the Authority will operate on a break-even basis.

SUMMARY OF FINANCIAL RESULTS

	2010-11	2009-10	2008-09
	\$'000s	\$'000s	\$'000s
Total Revenue	2 342	2 086	2 134
Total Expenses	2 350	2 182	2 438
Net Deficit	(8)	(96)	(304)
Total Assets	2 238	2 311	2 441
Total Liabilities	1 120	1 185	1 219
Net Assets	1 118	1 126	1 222
Total Equity	1 118	1 126	1 222

Comments

The Authority's Net deficit improved from \$0.096m in 2009-10 to \$0.008m in 2010-11. However, the improved result included additional grant revenue of \$0.500m for a Forest Certification project, for which there was no expenditure incurred. If this grant was excluded from the 2010-11 result, the deficit would have been \$0.508m.

As noted previously, the majority of the Authority's revenue was recurrent funding from Government, \$1.378m, (2009-10, \$1.347m).

The Authority's major expenses included:

- employee entitlements, \$1.246m, (2009-10, \$1.255m),
- consultancies and contractor expenses, \$0.228m, (\$0.007m),
- office rental, \$0.175m, (\$0.149m),
- depreciation of plant and equipment, \$0.169m, (\$0.198m).

Higher consultancy and contractor expenses were due to the commencement of two new projects, both externally funded, and were the major factor in the increase in Total expenses.

Total Equity and Net Assets both decreased by \$0.008m. Major line item movements included:

- increased cash of \$0.238m primarily due to:
 - grant funds received for a Forest Certification project of \$0.500m, which were unexpended at 30 June 2011, offset by
 - increased cash outflows resulting from a decline in Private Forest service levy income of \$0.134m
- decreased borrowings of \$0.053m due to loan repayments – see further comments at the foot of this Chapter
- reduced property, plant and equipment due to depreciation charges of \$0.169m
- decreased total receivables of \$0.142m, primarily due to the recovery of private forestry loans.

The Authority's main liability at 30 June 2011 was its borrowings from Department of Treasury and Finance of \$0.793m (2009-10, \$0.846m). Government provided funds through loan agreements for the initial purpose of assisting in the establishment of "*Pinus radiata*" plantations on private land, and, secondly, for improvements to these plantations. The life span of these loan agreements is 30 years. Plantation owners may defer the repayment of their loan for the first 10 years, thereafter they have 20 years to repay the loan. Loan instalments are raised by the Authority and repayments received each year are then remitted to the Department of Treasury and Finance.

PROPERTY AGENTS BOARD

INTRODUCTION

The Property Agents Board (the Board) was established under the *Property Agents and Land Transactions Act 2005*. The functions of the Board are, for the protection of the public, to ensure acceptable standards of conduct by property agents (real estate agents, property managers, general auctioneers, assistant property managers and property consultants). The Board administers registration of property agents, carries out educational and advisory functions, investigates complaints and supervises trust accounts.

The Responsible Minister is the Minister for Corrections and Consumer Protection.

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 25 August 2011, which was 10 days late. Following the audit, the financial statements were re-signed on 6 October 2011 and an unqualified audit report was issued on 10 October 2011.

KEY FINDINGS AND DEVELOPMENTS

Other than the financial statements being submitted late and re-signed, the audit was completed satisfactorily with no other matters outstanding.

SUMMARY OF FINANCIAL RESULTS

	2010-11	2009-10	2008-09
	\$'000s	\$'000s	\$'000s
Total Revenue	1 339	795	958
Total Expenses	1 344	766	861
Net Surplus (Deficit)	(5)	29	97
Total Assets	545	580	636
Total Liabilities	52	83	168
Net Assets	493	497	468
Total Equity	493	497	468

Comment

The Board recorded a Net Deficit of \$0.005m compared to a surplus of \$0.029m in 2009-10. This was due to an increase in the Board's administration expenditure of \$0.078m, 30%, whilst operational income only increased \$0.044m, 15%. Increases in registration fees, secretarial funding from the Property Agents Trust (the Trust) and interest income, was insufficient to cover higher employee, tribunal and legal expenses. The Board's administration expenses totalled \$0.344m in 2010-11, (2009-10, \$0.266m).

The majority of the Board's revenue comprises funds received from the Trust to fund training for estate agents, research and the Real Estate Scholarships Board of Tasmania, (RESB). Training and research activities are provided by the Real Estate Institute of Tasmania (REIT). In the 2010-11 financial year the Board received \$1.000m, (2009-10, \$0.501m) from the Trust and paid \$0.451m, (\$0.501m), to the REIT and \$0.549m to RESB, (\$nil).

Total Assets comprised predominantly of Cash, \$0.071m, (2009-10, \$0.080m), and term deposits, \$0.450m, (\$0.450m).

PROPERTY AGENTS TRUST

INTRODUCTION

The Property Agents Trust (the Trust) was established under the *Property Agents and Land Transactions Act 2005* (the Act). The functions of the Trust are to manage the Property Agents Guarantee Fund (the Fund) and to generate income to distribute to specified entities in accordance with the Act.

In managing the Fund, the Trust's functions include:

- establishing and maintaining the fund to meet claims for loss suffered by people as a result of certain acts and omissions of real estate agents, property managers and general auctioneers, their directors, employees or agents
- paying any compensation arising from claims made under section 169 'Right to claim compensation' of the Act.

The Responsible Minister is the Minister for Corrections and Consumer Protection.

AUDIT OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

Signed financial statements were received on 31 August 2011, which was 16 days late. An unqualified audit report was issued on 10 October 2011.

KEY FINDINGS AND DEVELOPMENTS

During the 2011 financial year the Trust resolved to change its financial year end from 31 December to 30 June. This was done so as to align its financial reporting period with that of the Property Agents Board.

Other than the financial statements being submitted late, the audit was completed satisfactorily with no major items outstanding.

ABRIDGED SUMMARY OF FINANCIAL RESULTS

	2011	2010	2009
	\$'000s	\$'000s	\$'000s
	6 months	12 months	12 months
Total Revenue	1 334	2 064	1 459
Total Expenses	918	1 766	2 126
Net Surplus (Deficit)	416	298	(667)
Total Assets	12 946	12 542	12 233
Total Liabilities	2	13	2
Net Assets	12 944	12 529	12 231
Total Equity	12 944	12 529	12 231

Comment

The Summary of Financial Results includes two full years and the preceding six months for comparison. In the six months to 30 June 2011, the Trust recorded a Net Surplus of \$0.416m, an improvement of \$0.118m, compared to the prior twelve months. This was predominately due to interest revenues remaining strong for the shorter period, down only \$0.730m or 35.60%, combined with a reduction in Trust distributions, down \$0.844m or 48.62%. Distributions were to the:

- Property Agents Board for education and training, \$0.329m, (2010, \$0.473m),
- Real Estate Scholarship Board to assist in funding the employment and training of scholarship trainees, \$0.275m, (\$0.415m),
- Department of Justice for administration costs, \$0.288m, (\$0.507m), and no distribution to the Rental Bond Authority in 2011, (\$0.340m).

The Trust's administration expenses totalled \$0.026m in 2011, (2010, \$0.029m).

Total Assets comprised predominantly Cash, \$1.268m, (2010, \$0.599m), and other financial assets including deposits and floating rate notes, \$11.302m, (\$11.718m). In the main these cash balances represent the Fund which the Act requires must be no less than \$3.000m. These funds are invested as prescribed by section 166 of the Act, with net income generated, together with interest earned on trust accounts managed by real estate agents, property managers, general auctioneers and conveyancers, added to the Fund.

TASMANIAN BEEF INDUSTRY (RESEARCH AND DEVELOPMENT) TRUST

INTRODUCTION

The Tasmanian Beef Industry (Research and Development) Trust (the Trust) was established as a statutory authority on 11 July 1990 under the *Tasmanian Beef Industry (Research and Development) Trust Act 1990* (the Act).

The Trust was created to provide that the unexpended balance of the Tasmanian Meat Industry Residue Testing Fund (the fund) may be used for purposes of research and development in the beef industry. The fund was originally established by contributions paid voluntarily by Tasmanian beef producers at the time of sale of their livestock for testing of carcasses for chemical residues.

The Trust consists of three members appointed by the Minister.

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

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 7 October 2011, which was 53 days late, and an unqualified audit report was issued on 11 October 2011. The *Audit Act 2008* requires the Trust to provide to the Auditor-General financial statements on or before 15 August each year. The Trust failed to meet this time requirement.

Apart from late submission of the Trust's financial statements, the audit was completed satisfactorily with no significant matters outstanding.

SUMMARY OF FINANCIAL RESULTS

	2010-11	2009-10	2008-09
	\$'000s	\$'000s	\$'000s
Total Revenue	28	22	26
Total Expenses	2	13	2
Net Surplus	26	9	24
Total Assets	525	499	490
Total Liabilities	1	2	2
Net Assets	524	497	488
Total Equity	524	497	488

Comment

The Trust's Net Surplus improved by \$0.017m to \$0.026m in 2010-11 which was primarily due to higher interest income of \$0.006m and a reduction in expenditure of \$0.011m. Expenditure in 2010-11 did not include any funding related to beef research projects.

Total Equity and Net Assets increased by \$0.026m in 2010-11, which represented the surplus for the year. The Trust's assets at 30 June each year comprised cash and investments.

TASMANIAN BUILDING AND CONSTRUCTION INDUSTRY TRAINING BOARD

INTRODUCTION

The Tasmanian Building and Construction Industry Training Board (the Board) was established under the *Building and Construction Industry Training Fund Act 1990*. The functions of the Board are to provide advice to Government on matters relating to training and skills in the building and construction industry, promote training in the industry, and facilitate training by means of the training fund. The Board contributes to quality training by providing training funding for personnel in the industry.

The Responsible Minister is the Minister for Education and Skills.

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 8 August 2011. An unqualified audit report was issued on 19 August 2011.

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2010-11	2009-10	2008-09
	\$'000s	\$'000s	\$'000s
Total Revenue	3 150	4 385	3 122
Total Expenses	2 956	2 860	2 796
Net Surplus	194	1 525	326
Total Assets	4 907	5 196	3 627
Total Liabilities	218	701	657
Net Assets	4 689	4 495	2 970
Total Equity	4 689	4 495	2 970

Comment

The Board's Net Surplus decreased by \$1.331m to \$0.194m in 2010-11. There were two primary reasons for this:

- Lower Total Revenue which decreased by \$1.235m mainly due to receipts from the Industry training levy dropping by \$1.274m. This was mainly due to one-off Commonwealth Government capital works stimulus funding in the building industry in 2009-10 undertaken in the State.
- Higher Total Expenses which increased by \$0.096m in 2010-11 primarily due to:
 - higher legal fees, \$0.053m, as a result of a disputed employment contract with a former employee
 - increased course fees, \$0.066m, due to a comparable increase in the number of funding requests approved during the year.

These negative impacts on the Board's Net surplus were offset by lower superannuation expenses, \$0.049m, due to the departure of an employee who salary sacrificed a significant portion of their salary.

The Board's Net Assets increased in-line with the Net Surplus in 2010-11 of \$0.194m to \$4.689m.

Total Assets comprised predominantly short-term bank bills, \$4.394m, (2009-10, \$4.739m). The decrease of \$0.345m was primarily due to a redundancy payment and other related employee provisions.

Total Liabilities mainly consisted of employee provisions, \$0.154m, (2009-10, \$0.637m). The decrease of \$0.483m was mainly due to redundancy and employee provision payments previously mentioned.

The majority of the Board's cash investments will be spent on training fees payable to employers and host employers of apprentices, \$2.323m, (2009-10, \$2.648m), and industry training courses, \$0.581m, (\$0.662m). These items are not recorded as liabilities on the Board's statement of financial position, but are reported as contingencies still to be realised in the notes to its financial report. The cyclical nature of the construction industry impacts on the Board's training costs, revenues and, therefore, its cash flows. The Board adopts a conservative position on its cash requirements and the current cash balances were designed to address the lows in the building industry cycle.

Also reported as a contingent liability at 30 June 2011 was \$0.408m relating to a legal dispute over a former employee's contract. This matter was carried forward from the prior year with the Board disputing the amount claimed based on legal advice.

TASMANIAN DAIRY INDUSTRY AUTHORITY

INTRODUCTION

The Tasmanian Dairy Industry Authority (the Authority) was established as a statutory authority under the *Dairy Industry Act 1994* (the Act) on 26 May 1994.

The Authority's aim is to assure proper maintenance and development of the dairy industry. It ensures that proper processes and practices are followed in regards to manufacture and processing of dairy products to protect consumer health.

The Authority's Board comprises five members.

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

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 10 August 2011 and an unqualified audit report was issued on 21 September 2011.

The audit was completed satisfactorily with no major items outstanding.

The Authority's main source of revenue is license fees. It recorded Net deficits in each of the past two years. At 30 June 2011 the Authority had sufficient cash balances to meet its current liabilities but its deficits resulted in lower cash resources. The deficit results need to be addressed.

SUMMARY OF FINANCIAL RESULTS

	2010-11	2009-10	2008-09
	\$'000s	\$'000s	\$'000s
Total Revenue	426	410	437
Total Expenses	531	448	368
Net Surplus (Deficit)	(105)	(38)	69
Total Assets	249	348	355
Total Liabilities	120	114	84
Net Assets	129	234	271
Total Equity	129	234	271

Comment

The Authority's Net Deficit increased from \$0.038m in 2009-10 to \$0.105m in 2010-11. The majority of the Authority's revenue was derived from milk license fees of \$0.421m. Its major expense was salaries and wages of \$0.369m, which increased by \$0.053m due to the recruitment of an additional employee which is primarily the reason for the higher deficit.

The Authority's Total Equity and Net Assets decreased by \$0.105m in 2010-11, which represented the deficit for the year. Major line item movements included lower:

- cash of \$0.100m, primarily due to the higher wage and salary costs discussed previously
- property, plant and equipment which dropped \$0.015m to \$0.099m due to depreciation charges of \$0.032m, offset by asset additions.

TEACHERS REGISTRATION BOARD OF TASMANIA

INTRODUCTION

The Teachers Registration Board of Tasmania (the Board) was established under the *Teacher's Registration Act 2000* (the Act). The main functions of the Board are to maintain a register of teachers under the Act, promote the teaching profession and to develop and improve teaching standards. The Board administers registration of teachers and conducts investigations into complaints to determine whether there have been breaches of the Act.

The Responsible Minister is the Minister for Education and Skills.

AUDIT OF THE 2010-11 FINANCIAL STATEMENTS

Signed financial statements were received on 18 August 2011, three days after the deadline under the *Audit Act 2008*. This delay was due to an administrative error within the Department of Education, as the financial statements were signed by the Board on 5 August 2011. An unqualified audit report was issued on 28 September 2011.

The audit was completed satisfactorily with no major matters outstanding.

SUMMARY OF FINANCIAL RESULTS

	2010-11	2009-10	2008-09
	\$'000s	\$'000s	\$'000s
Total Revenue	1 186	963	916
Total Expenses	1 260	1 035	890
Net Surplus (Deficit)	(74)	(72)	26
Total Assets	1 898	1 723	1 761
Total Liabilities	731	482	448
Net Assets	1 167	1 241	1 313
Total Equity	1 167	1 241	1 313

Comment

The Board is self-funded, with its main source of revenue being teacher registration fees. It operated at a deficit, \$0.074m in 2010-11, which is consistent with the operating deficit of \$0.072m in the prior year. Despite the result, revenue increased significantly, due to:

- increased teacher registration fees, up \$0.185m, largely due to inaugural registrations by instructors at the Tasmanian Polytechnic
- higher interest revenue due to higher average cash balances held, up \$0.022m.

The effects of the foregoing were offset by higher Total Expenses, \$0.225m predominantly due to heavier workloads associated with the increase in registration numbers. Employee benefits increased by \$0.173m as additional staff were employed during the year to meet demand and a number of Higher Duties Allowances were also paid.

Total Assets comprised predominantly of Cash, \$1.788m, (2009-10, \$1.693m). This balance increased in 2010-11 due to additional registration fees paid in advance. These advance funds are represented by the Board's major liability class, Revenue received in advance, \$0.544m, (\$0.309m).

The Board advised that its cash reserves enable it to manage its annual cash flow requirements, review and update registration processes and undertake research or special projects without the need to increase its revenue base (registration fees).

The Board also capitalised its online customer management system, TRB Online, during the year at a cost of \$0.082m. The system provided improved control for teachers over their registration status, and enabled registration for a 5-year period for the first time.

WELLINGTON PARK MANAGEMENT TRUST

INTRODUCTION

The Wellington Park Management Trust (the Trust) was established under the *Wellington Park Act 1993*. The Trust is responsible for:

- delivering coordinated and effective management of Wellington Park
- preserving the area's unique conservation and water catchment values
- promoting appropriate tourism and recreation opportunities.

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.

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2010-11	2009-10	2008-09
	\$'000s	\$'000s	\$'000s
Total Revenue	338	558	357
Total Expenses	363	380	264
Net Surplus (Deficit)	(25)	178	93
Total Assets	501	495	336
Total Liabilities	80	49	68
Net Assets	421	446	268
Total Equity	421	446	268

Comment

The Trust recorded a Net Deficit of \$0.025m in 2010-11. This was primarily due to decreased Total Revenue of \$0.220m, predominantly because grant funding from the Urban Renewal and Heritage Fund (URHF) of \$0.231m was received in 2009-10 but not 2010-11. The URHF grant was provided for projects on the renewal, conservation, presentation and interpretation of heritage water pipelines, the bridge on the pipeline, tracks and huts in the park.

Expenditure remained relatively constant from year to year. Only \$0.005m of the URHF grant was spent in 2010-11 and none of this grant was spent in the prior year. The Trust advised that delays in commencing the projects for which the funds were provided result from the need to complete a conservation management plan and other studies. As a result, the bulk of the grant received remains in the Trust's cash reserves.

Total Liabilities increased by \$0.031m which mainly comprised higher leave liabilities, \$0.020m and payables, \$0.008m, for sitting fees outstanding at year end.

OTHER STATE ENTITIES

31 DECEMBER 2010

THE SOLICITORS' TRUST

INTRODUCTION

The Solicitors' Trust (the Trust) was established under the *Legal Professional Act 1959* and has continued under the *Legal Profession Act 2007* (the Act). The Trust consists of three Trustees appointed by the Governor, comprising two legal practitioners nominated by the Law Society and one person nominated by the Minister who is a member of a recognised accounting body. The function of the Trust is to administer and manage the Solicitors Guarantee Fund (the Fund).

The Fund is utilised for operations prescribed under the Act including operation of the Legal Profession Board and the Disciplinary Tribunal, compensation of claimants, administration and for any other purpose approved by the Minister.

The following monies are deposited into the Fund:

- interest earned on statutory deposits made by legal practitioners
- interest earned on trust accounts operated by legal practitioners
- unclaimed money that remains unclaimed 12 months after the date of an annual publication by the Trust of an advertisement detailing unclaimed money paid by legal practitioners since the previous advertisement
- interest on funds held.

Statutory Deposits from funds contributed by law firms are in accordance with quarterly calculations prescribed by the Act. These funds are not owned by the Trust and are available for recall by the law firms at any time. The Statutory Deposits earn interest which is either deposited to the Trust's operating account or reinvested on maturity.

The Trust invests funds in accordance with the *Trustee Act 1898* and applies income arising from funds invested to meet operational expenses and to maintain the Fund. The Fund is required to be maintained at an amount of \$3.500m, or such greater amount as the Minister and the Trust determine (\$4.500m as at 31 December 2010). The Trust is required to advise the Minister if the Fund exceeds \$3.500m, or the greater amount determined by the Minister and the Trust. The Minister may then invite law bodies, such as the Legal Profession Board, Legal Aid Commission of Tasmania, Law foundation of Tasmania or any other law related body to make application for a grant of money from the Fund. The Minister may also specify conditions under which a grant is made.

The Trust primarily derives its income from interest earned on the Fund, on statutory deposits made by legal practitioners and on funds held in trust accounts of legal practitioners. The costs of administering the Trust are relatively low, with the main expenditure being for salaries and Trustee remuneration. Receivables are raised for amounts to be recovered from solicitors when they are in default, but which are then provided against based on an assessment of recovery.

The primary purpose of the Fund is to provide compensation to clients of legal firms for the loss of money or other property held in trust as a result of default in specified circumstances.

The Trust reports on a calendar year basis.

The Responsible Minister is the Attorney-General

AUDIT OF THE 31 DECEMBER 2010 FINANCIAL STATEMENTS

Signed financial statements were received on 27 May 2011, which was over 3 months late, (101 days). Following the audit, re-signed financial statements were received on 20 July 2011 and an unqualified audit report was issued on 9 August 2011.

KEY FINDINGS AND DEVELOPMENTS

Other than the financial statements being submitted late, the audit was completed satisfactorily with no other matters outstanding. This was the first year the audit was carried out by the Auditor-General under the *Audit Act 2008*, thus only two years of financial information are shown. The Trust was advised of the need for it to report by 15 February in future.

SUMMARY OF FINANCIAL RESULTS

	2010	2009
	\$'000s	\$'000s
Income	2 717	2 383
Expenditure	172	120
Net Surplus from Operations	2 545	2 263
Movement in provisions	(223)	1 114
Net Surplus after Non-Operating Items	2 322	3 377
Distributions:		
Legal Profession Board	757	1 156
Legal Aid Commission	250	0
Department of Justice	150	0
Net Surplus after Distributions	1 165	2 221
Cash	8 180	7 060
Accounts receivable	1 193	1 162
Provision for costs	279	271
Other assets	7	7
Total Assets	9 659	8 500
Payables	33	18
Provision for costs	278	432
Provision for Guarantee claims	1 523	1 390
Total Liabilities	1 834	1 840
Total Equity	7 825	6 660

Comment

The Trust achieved an increase in Net Surplus from Operations of \$0.282m. This was due to a \$0.777m increase in interest revenue, offset by the decrease in unclaimed monies income. The unclaimed monies income for 2009 was materially impacted by the changes in the Act as it related to the recording of unclaimed monies liabilities.

The Net Surplus after Non-Operating Items decreased by \$1.055m over the prior year, principally due to 2009 being positively impacted by an improved assessment of the recoverability of a receivable by a legal firm.

The Trust made \$1.157m in distributions in 2010 comprising, \$0.757m to the Legal Profession Board, \$0.250m to the Legal Aid Commission and \$0.150m to the Department of Justice.

Total Assets comprised predominantly Cash, \$8.180m (2009, \$7.060m), and accounts receivable (liquidator's reimbursements), \$1.193m (\$1.162m). Liabilities were principally the Provision against guarantee claims, \$1.523m (\$1.390m).

At balance date the Trust administered \$27.413m, (\$26.394m) of Statutory Deposits.

APPENDIX I - 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 2011 and 31 December 2010
- 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

The following Financial Analysis applies to all Reports of the Auditor-General for 2010-11.

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

Financial Performance Indicator	Benchmark ¹	Method of Calculation
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	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
30 JUNE 2011 AUDITS											
Aboriginal Land Council	15 August 2011	26 July 2011		✓	9 September 2011		✓				
Clyde Water Trust	15 August 2011	15 August 2011		✓	30 September 2011			✓			
Council of Law Reporting	15 August 2011	12 August 2011		✓	9 September 2011		✓				
Forest Practices Authority	15 August 2011	15 August 2011		✓	23 September 2011			✓			
Legal Aid Commission of Tasmania	15 August 2011	15 August 2011		✓	22 September 2011		✓				
Legal Profession Board of Tasmania	15 August 2011	15 August 2011		✓	19 August 2011	✓					
National Trust of Australia (Tasmania)	15 August 2011	14 October 2011		✗	22 October 2011						✓
Private Forests Tasmania	15 August 2011	15 August 2011		✓	16 September 2011		✓				
Property Agents Board	15 August 2011	25 August 2011	6 October 2011	✓	10 October 2011					✓	
Property Agents Trust	15 August 2011	31 August 2011		✓	10 October 2011					✓	
Tasmanian Beef Industry (Research & Development) Trust	15 August 2011	7 October 2011		✓	11 October 2011					✓	
Tasmanian Building and Construction Industry Training Board	15 August 2011	8 August 2011		✓	19 August 2011	✓					
Tasmanian Dairy Industry Authority	15 August 2011	10 August 2011		✓	21 September 2011			✓			
Teachers Registration Board of Tasmania	15 August 2011	18 August 2011		✓	28 September 2011					✓	
Wellington Park Management Trust	15 August 2011	15 August 2011		✓	26 September 2011					✓	
31 DECEMBER 2010 AUDITS											
The Solicitors' Trust	31 December 2010	27 May 2011	20 July 2011	✓	9 August 2011						✓

APPENDIX 3 - ACRONYMS AND ABBREVIATIONS

AASB	Australian Accounting Standards Board
CIP	Capital Investment Program
ESIF	Economic and Social Infrastructure Fund
FTE	Full Time Equivalents
GST	Goods and Services Tax
HCF	Hospitals Capital Fund
HF	Housing Fund
ITF	Infrastructure Tasmania Fund
PPE	Property, Plant and Equipment
PTY LTD	Proprietary Limited
REIT	Real Estate Institute of Tasmania
RESB	Real Estate Scholarships Board of Tasmania
RHH	Royal Hobart Hospital
SCIF	Special Capital Investment Fund
SCWC	Shannon Clyde Water Company Ltd
URHF	Urban Renewal and Heritage Fund
WIF	Water Infrastructure Fund

APPENDIX 4 - RECENT REPORTS

TABLED	TITLE
November 2011 No.6 of 2011-12	Auditor General's Report on the Financial Statements of State entities – Volume 4 – Local Government Authorities 2010-11
November 2011 No.5 of 2011-12	Auditor General's Report on the Financial Statements of State entities – Volume 3 – Government Business Enterprises, State Owned Companies, Water Corporations and Superannuation Funds 2010-11
November 2011 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 entities 2010-11
November 2011 No.3 of 2011-12	Auditor General's Report on the Financial Statements of State entities – Volume 1 – Analysis of the Treasurer's Annual Financial Report 2010-11
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

Auditor-General's reports are available from the Tasmanian Audit Office. These and other published reports can be accessed via the Office's homepage www.audit.tas.gov.au

INDEX

A

ABORIGINAL LAND
COUNCIL OF TASMANIA,
7, 9, 14

ACRONYMS AND
ABBREVIATIONS, 54

AUDIT SUMMARY, 7

AUDIT STATUS, 53

C

CLYDE WATER TRUST, 9,
17

COUNCIL OF LAW
REPORTING, 9, 18

F

FOREST PRACTICES
AUTHORITY, 9, 19

FOREWORD, 4

FORMAT OF THE
REPORT, 6

G

GUIDE TO USING THIS
REPORT, 46

I

INTRODUCTION, 6

L

LEGAL AID COMMISSION
OF TASMANIA, 9, 21

LEGAL PROFESSION
BOARD, 9, 24

N

NATIONAL TRUST OF
AUSTRALIA (TASMANIA),
7, 9, 10, 26

O

OTHER STATE ENTITIES
30 JUNE 2011, 12

OTHER STATE ENTITIES
31 DECEMBER 2010, 43

P

PRIVATE FORESTS
TASMANIA, 8, 9, 30

PROPERTY AGENTS
BOARD, 8, 9, 10, 31, 34

PROPERTY AGENTS
TRUST, 8, 9, 10, 34

R

RECENT REPORTS, 55

S

SOLICITORS' TRUST,
THE, 8, 9, 10, 44

SPECIAL CAPITAL
INVESTMENT FUNDS, 11

T

TASMANIAN BEEF
INDUSTRY (RESEARCH
AND DEVELOPMENT)
TRUST, 9, 10, 36

TASMANIAN BUILDING
AND CONSTRUCTION
INDUSTRY TRAINING
BOARD, 8, 9, 37

TASMANIAN DAIRY
INDUSTRY AUTHORITY,
8, 9, 39

TEACHERS
REGISTRATION BOARD
OF TASMANIA, 9, 10, 40

TIMELINESS AND
QUALITY OF FINANCIAL
STATEMENTS, 10

W

WELLINGTON PARK
MANAGEMENT TRUST,
9, 42



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 | LEAD | EXCEL | 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.

© Crown in Right of the State of Tasmania December 2011

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 Geoff Murray

Phone (03) 6226 0100
Fax (03) 6226 0199
email admin@audit.tas.gov.au
Web www.audit.tas.gov.au

Address Level 4, Executive Building
15 Murray Street, Hobart
Postal Address GPO Box 851, Hobart 7001
Office Hours 9am to 5pm Monday to Friday