Tasmanian
Audit Office

Report of the Auditor-General No. 6 of 2012-13

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

Volume 2

Executive and Legislature, Government Departments, other General Government Sector State entities, other State entities and Superannuation Funds 2011-12

November 2012

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The Role of the Auditor-General

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

Our primary responsibility is to conduct financial or 'attest' audits of the annual financial reports of State entities. State entities are defined in the Interpretation section of the Audit Act. We also audit those elements of the Treasurer's Annual Financial Report reporting on financial transactions in the Public Account, the General Government Sector and the Total State Sector.

Audits of financial reports are designed to add credibility to assertions made by accountable authorities in preparing their financial reports, enhancing their value to end users.

Following financial audits, we issue a variety of reports to State entities and we report periodically to the Parliament.

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

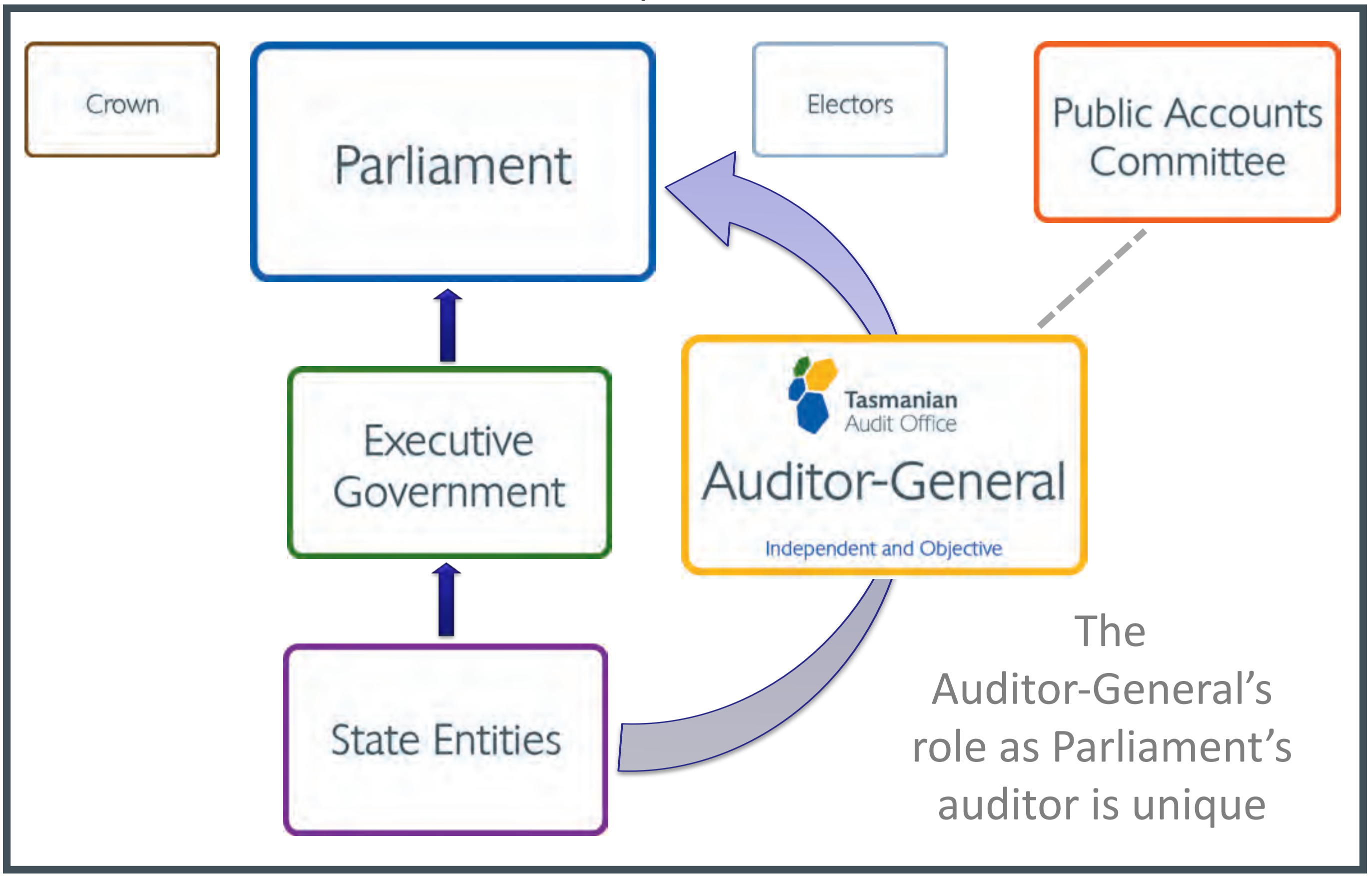
Compliance audits are aimed at ensuring compliance by State entities with directives, regulations and appropriate internal control procedures. Audits focus on selected systems (including information technology systems), account balances or projects.

We can also carry out investigations but only relating to public money or to public property.

Performance and compliance audits 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.

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.

The Auditor-General's Relationship with the Parliament and State Entities



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TASMANIA

2012
PARLIAMENT OF TASMANIA

REPORT OF THE AUDITOR-GENERAL
No. 6 of 2012-13

Volume 2

Executive and Legislature, Government Departments, other General Government Sector State entities, other State entities and Superannuation Funds 2011-12

November 2012

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

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

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22 November 2012

President
Legislative Council
HOBART

Speaker
House of Assembly
HOBART

Dear Madam President

Dear Mr Speaker

Report of the Auditor-General No. 6 of 2012-13 – Financial Statements of State entities – Volume 2 – Executive and Legislature, Government Departments, other General Government Sector State entities, other State entities and Superannuation Funds 2011-12

In accordance with the requirements of Section 29 of the *Audit Act 2008*, I have pleasure in presenting my Report on the audit of the financial statements of Executive and Legislature, Government Departments, other General Government Sector State entities, other State entities and Superannuation Funds for the year ended 30 June 2012.

Yours sincerely

H M Blake
Auditor-General

FOREWORD

This Report is the second Volume of my report to Parliament detailing outcomes of financial audit work. It summarises the results of audits, key developments and findings and the financial performance of those State entities comprising the Executive and Legislature, General Government Sector (GGS) (departments and other entities), other State entities and State Superannuation Funds for the year ended 30 June 2012. It covers the audits of four Executive and Legislature, nine Government Departments and five associated entities, 15 other GGS, and 15 Other State Entities. The State Superannuation Funds consist of 7 entities including Tas Financial Planning Pty Ltd.

In the financial year ended 30 June 2012, entities making up government departments (excluding Finance – General) incurred \$4.037bn expenses from transactions and managed \$9.972bn assets. The Departments of Health and Human Services (46.2%) and Education (26.0%) made up 72.2% of these expenses with, Infrastructure, Energy and Resources (40.1%) and Health (25.4%), holding 65.5% of total assets. Major categories of expenditure on transactions included employee expenses (55.0%), supplies and consumables (23.0%) and grants and subsidies (12.1%) or 90.1% in total.

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

The State's superannuation entities manage assets recorded at \$3.855bn, generated revenues totalling \$789.780m (contributions and investment revenue) and paid out member benefits of \$687.800m.

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

HM Blake
Auditor-General
22 November 2012

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INTRODUCTION

SCOPE OF THIS REPORT

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

STATUS OF AUDITS

All audits for the year ended 30 June 2012 have been completed. Compliance with statutory financial reporting requirements is detailed in the Chapter headed "Timeliness and quality of financial statements".

Appendix 2 provides details of the status of all 30 June 2012 audits.

FORMAT OF THIS REPORT

Unless specifically indicated, comments in this Report were current as at 11 November 2012.

In addition to this Introduction this report includes:

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

AUDIT SUMMARY

This Chapter summarises significant matters identified from our audits and analysis of financial statements of Executive and Legislature, Government Departments, other General Government Sector State and other State entities as well as the State's Superannuation Funds for the financial year ended 30 June 2012. Further detail can be found in the "At a Glance" summaries in this Report and in individual Chapters for each entity.

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

MATTERS RAISED FOR THE ATTENTION OF THOSE CHARGED WITH GOVERNANCE

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

Timeliness of Financial Statements

All departments and their subsidiary entities submitted financial statements within the statutory deadline of 45 days after the end of the financial year, with exception of Tasmanian Afforable Housing Limited whose statements were submitted on 26 October 2012, 71 days late.

For Executive and Legislature as well as other General Government Sector State entities, with exception of the Nominal Insurer and Workcover Tasmania Board, whose statements were received on 16 August 2012 and 20 August 2012, respectively, all these entities also submitted financial statements within the statutory deadline of 45 days after the end of the financial year.

All other State entities submitted financial statements within the statutory deadline of 45 days after the end of the financial year, with exception of the National Trust of Australia (Tasmania) whose financial statements were received 16 October 2012.

All the State's Superannuation Funds submitted financial statements within the statutory deadline of 45 days after the end of the financial year.

Emphasis of Matter

Without qualifying the audit report for Tasmanian Skills Institute (TSI), it included an 'emphasis of matter' comment, which drew attention to the TSI's economic dependency on Government. The Minister provided the Board with a letter of assurance that the Department of Education will continue to work with TSI Board and the Education Minister to ensure it is able to operate on a going concern basis in 2012-13.

FINANCIAL PERFORMANCE

EXECUTIVE AND LEGISLATURE

Audits of all four Executive and Legislature entities' financial statements were completed with unqualified audit opinions issued in each case. These entities reported Comprehensive net surpluses of $2.055m and Net assets of $68.950m. A summary of the financial results and position for 2011-12 is presented in the following table:

	Surplus (deficit) from transactions	Comprehensive surplus (deficit)	Net assets
	$'000s	$'000s	$'000s
House of Assembly	38	38	1 017
Legislative Council	30	30	730
Legislature-General	(502)	(502)	29 657
Office of Governor	(297)	2 489	37 546
Total	**(731)**	**2 055**	**68 950**

The Comprehensive result for the Office of Governor amounted to a surplus of $2.489m mainly due to an asset revaluation increment of $2.786m, based on an independent valuation of land and buildings.

MINISTERIAL DEPARTMENTS

Audits of all departmental financial statements were completed with unqualified audit opinions issued in each case. These departments reported Comprehensive net deficits of $499.339m and Net assets of $9.973bn. A summary of the financial results and position for 2011-12 is presented in the following table:

	Surplus (deficit) from transactions	Surplus (deficit) attributable to the State	Comprehensive result	Net assets
	$'000s	$'000s	$'000s	$'000s
Economic Development, Tourism and the Arts	(1 760)	19 171	22 799	488 884
Tasmanian Development and Resources**	2 085	18	18	33 814
Tourism Tasmania**	356	356	356	(359)
Tasmanian Museum and Art Gallery**	(1 654)	2 488	7 008	404 768
Education	(35 381)	19 209	85 757	1 605 806
Health and Human Services	(21 845)	16 638	29 899	2 534 353
Housing Tasmania*	(23 822)	(44 914)	(48 897)	1 851 735
Tasmanian Afforable Housing Ltd	47	47	47	1 089
Ambulance Tasmania*	(1 717)	(6 814)	(6 756)	16 763
Infrastructure, Energy and Resources	(66 623)	2 906	262 264	3 996 584
Justice	(6 258)	(6 295)	(15 602)	127 238
Police and Emergency Management	(10 581)	(4 288)	(13 402)	150 080
Premier and Cabinet	3 306	2 264	2 259	8 294
Primary Industries, Parks, Water and Environment	(16 850)	29 131	125 614	1 063 809
Treasury and Finance	(304)	(296)	(296)	(3 204)
Total	**(156 249)**	**78 487**	**499 339**	**9 972 933**

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

** *These entities have not been included in total as already consolidated into Economic Development, Tourism and the Arts.*

OTHER GENERAL GOVERNMENT STATE ENTITIES

Audits of all other General Government Sector State entities' financial statements were completed with unqualified audit opinions issued in each case. These entities reported Comprehensive net deficits of $14.175m and Net assets of $238.626m. A summary of the financial results and position for 2011-12 is presented in the following table:

	Surplus (deficit) from transactions	Comprehensive surplus (deficit)	Net assets
	$'000s	$'000s	$'000
Asbestos Compensation Fund	6	0	0
Office of the Director of Public Prosecutions	18	109	347
Inland Fisheries Service	(81)	857	7 401
Intergrity Commission	213	213	561
Marine and Safety Tasmania	(50)	(45)	26 159
Nominal Insurer	(8 419)	(8 419)	(223)
Office of the Ombudsman	(228)	(228)	(142)
Office of the Tasmanian Economic Regulator	47	47	(162)
Royal Tasmanian Botanical Gardens	(501)	(592)	14 409
State Fire Commission	3 706	(816)	89 060
Sullivans Cove Waterfront Authority	(44)	(44)	(67)
Tasmanian Community Fund	(254)	(254)	6 564
Tasmanian Heritage Council	(92)	(92)	174
Tasmanian Skills Institute	(7 492)	(4 911)	94 545
Workcover Tasmania Board	0	0	0
Total	**(13 171)**	**(14 175)**	238 626

STATE SUPERANNUATION FUNDS

Audits of all State Superannuation Fund financial statements were completed with unqualified audit opinions issued in each case. These entities reported changes in net assets (after tax) of $26.555m and Net assets of $3.856bn. A summary of the financial results and position for 2011-12 is presented in the following table:

	Surplus (deficit) from transactions	Net assets
	$'000s	$'000s
Contributory Scheme	(49 998)	1 452 024
Tas Accumulation Scheme	79 998	2 341 366
Parliamentary Super Fund	6	3 996
Parliamentary Retire Benefit Fund	(706)	2 663
State Fire Commission Scheme	(3 045)	17 882
Tas Ambulance Service Super Scheme	300	37 765
Total	**26 555**	**3 855 696**

KEY DEVELOPMENTS

DEPARTMENT OF ECONOMIC DEVELOPMENT, TOURISM AND THE ARTS

Revaluation increments of land and buildings, $13.169m at 30 June 2012 by independent valuers resulted in the write-back of a devaluation in 2010-11 and was applied to the asset revaluation reserve.

Loan advances remained static with only one new advance during the year of $1.174m offset by impairment. The impairment mainly related to $1.600m of a loan to Tasair Pty Ltd and Screen Tasmania Equity Investments of $0.476m offset by a return of $0.500m from Tascot Templeton which was previously impaired.

DEPARTMENT OF EDUCATION

The 2011-12 years saw the continuation of on-going reforms within the Department resulting from the merger of the Tasmanian Academy and Tasmanian Polytechnic midway through 2010-11.

The Commonwealth, Building the Education Revolution (BER) project was completed by 30 June 2012. Since 2008-09, the Department received $332m and spent this on BER projects of which $285.5m was capitalised under the thresholds outlined within Departmental asset policies.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

The Royal Hobart Hospital (RHH) is undergoing a $565m redevelopment funded by both the Australian and State Governments. Separate funding of $67m was provided to the Launceston General Hospital (LGH).

During the year, Housing Tasmania recorded an expense of $45.764m for Social Housing grants. These grants represented expenditure held in capital works in progress over recent years for the construction of community housing projects.

DEPARTMENT OF INFRASTRUCTURE, ENERGY AND RESOURCES

The value of land under roads and within road reserves and the rail corridor land were updated in 2011-12 with current average values provided by the Valuer-General. The result was a write-down of land under roads and within road reserves of $31.592m. The write-down of land under roads and within road reserves resulted from a $47.000m write-down adjustment relating to an overstatement in 2010-11, and the current year increment of approximately $16.000m. The valuation of the rail corridor land resulted in an increment of $9.599m.

Over the past four years DIER invested $856m in new roads, of which $416m was in the last two years. Major projects progressed and completed during 2011-12 included Brighton Bypass, Brighton Transport Hub, Kingston Bypass and East Tamar Highway. The table below provides details on those projects:

	Original Budget	**Revised Budget**	**Actual Spent to date**	**Complete**	**Date due for Completion**
	$'000s	$'000s	$'000s	%	
Brighton Bypass	176 000	191 100	186 189	97%	November 2012
Brighton Transport Hub	79 000	78 662	79 571	100%	January 2012
Kingston Bypass	41 500	50 620	52 349	100%	December 2011
East Tamar Highway	68 000	80 360	82 360	100%	March 2012
TOTAL	**364 500**	**402 742**	**400 469**		

DEPARTMENT OF POLICE AND EMERGENCY MANAGEMENT

The coastal patrol vessel 'PV Fortescue' (the Vessel) was purpose designed and built for the Department and launched in 2009. From the outset, design and build quality issues plagued the Vessel. The Vessel was found to be unsuited and incapable of safely and efficiently carrying out missions required of it. Consequently, the Vessel was impaired by $0.756m at 30 June 2012.

DEPARTMENT OF PRIMARY INDUSTRIES, PARKS, WATER AND ENVIRONMENT

During the year, the Department carried out a detailed revaluation of all infrastructure assets, which resulted in a revaluation increment of $84.318m, and the identification of new assets valued at $4.783m. There was also an increase in the value of National Parks, Reserves and Crown Land, from $729.918m to $755.409m.

DEPARTMENT OF TREASURY AND FINANCE (INCLUDING FINANCE - GENERAL)

At 30 June 2012, the unfunded defined benefit liability relating to General Government Sector employees was $6.888bn (2011, $4.946bn) with the increase, $1.942bn, being a combination of an increase in the present value of superannuation commitments, $1.945bn, offset by an increase in scheme assets, $0.003bn. The significant increase in the present value of the defined benefit obligation mainly related to the decline in the discount rate from 5.50% at 30 June 2011 to 3.45% at 30 June 2012, caused by the reduction in yields on Government bonds during the year.

Consequently, Finance – General reported a net deficit attributable to the State for 2011-12, $1.870bn.

TOTE Tasmania Pty Ltd (TOTE) was sold to Tatts Group Limited (Tatts), for an adjusted sale price of $104.125m, realising a profit of $89.039m.

SUPERANNUATION FUNDS

Investments write-downs experienced during recent years, including a $50.493m write-down of the Board's investment in the Hobart International Airport Pty Ltd (HIAPL) in 2011-12, highlighted the need for improvement in policies around investment decisions and monitoring.

From 2 May 2011, member administration processes and platform were outsourced to Mercer (Australia) Pty Ltd (Mercer). This arrangement aimed to mitigate future risks associated with the Board's ageing computer systems and reduce administration costs.

TIMELINESS AND QUALITY OF FINANCIAL STATEMENTS

STATUTORY FINANCIAL REPORTING AND AUDITING TIMING REQUIREMENTS

Under Section 17 of the *Audit Act 2008* (the Audit Act) specific dates are set by when accountable authorities of State entities are to provide financial statements to the Auditor-General to formally allow the audit process to commence. The requirement is that financial statements are submitted for audit within 45 days after the end of the financial year.

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

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

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

SIGNED STATEMENTS NOT RECEIVED ON OR BEFORE STATUTORY DEADLINES

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

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

- The Nominal Insurer (16 August 2012)
- Workcover Tasmania Board (20 August 2012)
- Tasmanian Affordable Housing Limited (26 October 2012)

Nominal Insurer missed the deadline by one day and the Workcover Tasmania Board Chairman was not available to sign the statements until 20 August 2012. The Tasmanian Affordable Housing Limited was late in submitting statements, primarily due to delays in their preparation.

Other State entities

- National Trust of Australia (Tasmania) (16 October 2012)

The Trust was, for a second year, late in submitting statements, primarily due to delays in their preparation.

Steps taken by Audit to facilitate earlier financial reporting

We continue to assist State entities to achieve early financial reporting. This is done in a number of ways including:

- where possible early planning of audits. As part of planning audits discussions are held with management, and where relevant those charged with governance, and agreements reached on financial reporting and auditing timeframes. These agreements are always aimed at completion within statutory reporting deadlines

- preparation of detailed completion timeframes for components of the financial statements
- where financial systems allow, conducting audit testing of selected balances prior to balance date thus minimising work at balance date.

COMPLIANCE WITH FINANCIAL REPORTING STANDARDS

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

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

Other State entities

Unless otherwise stated in legislation, Other State entities must prepare their annual financial statements in compliance with Australian Accounting Standards.

State Superannuation Funds

The financial statements for the Funds must comply with Australian Accounting Standard AAS 25 Financial Reporting by Superannuation Plans.

In some cases, in particular for smaller State entities, we accepted preparation of specific purpose financial reports. In all other cases, entities dealt with in this Volume, accounting standards were complied with.

QUALITY OF FINANCIAL REPORTING

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

Following audits, the financial statements had to be re-signed for:

- three of the nine departments
- one of the 15 other General Government Sector State entities
- one of the 15 other State entities

This indicated that overall, the quality of financial statements submitted for audit were satisfactory.

CROSS SECTOR REVIEW

PURCHASING TONER CARTRIDGES – ACROSS AGENCY REVIEW

Background

An investigation in another jurisdiction identified allegedly corrupt practises used by a Mainland company, referred to here as Company X, supplying toner cartridges. Company X is alleged to have used a reward scheme to induce public officers to purchase toner cartridges from one of a number of companies in the Company X group. Under the alleged reward scheme, the purchasing officer received points which could be redeemed for store vouchers and electronic goods. It was also alleged that the toner cartridges supplied were inferior to genuine brands and up to four times more expensive.

We carried out a cross sector review in the 2010 financial year when we examined toner cartridge purchasing practices for a selected number of State entities. The review objective was to identify the existence of any corrupt practices in the procurement of toner cartridges. The results of the audit found two instances where the fraud had occurred with details were provided to management.

Further allegations

In March 2012, the Department of Justice received unsolicited phone calls and emails from a company within the Company X group selling toner cartridges. This company, using false pretences, prepared a false purchase order for the acquisition of toner cartridges for the Department. The purchase order was subsequently dismissed by the Department. Further inquiry by the Department revealed that its Corrective Service division had purchased toner cartridges from this company earlier in the year.

Consequently, another cross sector review was initiated.

Scope of review

The scope of this cross sector review was limited to testing transactions for the acquisition of toner cartridges in the financial year ended 30 June 2012. The following entities were included in the review:

- Department of Primary Industries, Parks, Water and Environment (DPIPWE)
- Department of Infrastructure, Energy and Resources (DIER)
- Department of Police and Emergency Management (DEPM)
- Department of Justice (Justice)
- Department of Economic Development, Tourism and the Arts (DEDTA)
- •Forestry Tasmania (FT)
- Glenorchy City Council (GCC)
- Hobart City Council (HCC)
- Retirement Benefits Fund Board (RBF)
- Motor Accident Insurance Board (MAIB)
- Department of Treasury and Finance (DOTAF)

Testing for the cross sector review was finalised by 31 May 2012.

Tests for the cross sector review

Tests performed in the cross sector review included the following:

1. For the period 2011-12, determine if the entity used or is using companies within the Company X group. This included obtaining a complete list of suppliers from the supplier masterfiles for each of the State entities subjected to this review and:

   (i) checking whether any of the companies in the Company X group were included on the list

   (ii) determining the value of payments to those companies, if any.

2. For the same period, make enquiries regarding expenditure on toner cartridges. This included:

   (i) the identification of the suppliers (including Company X) where the State entities had contracts in place for the purchase of toner cartridges

   (ii) a review of general ledger listings for toner cartridges and identifying any possible Company X related suppliers. This included reviewing unusual, excessive and irregular payments.

A conclusion was then made regarding any risk of misuse of public sector resources or corruption in relation to practices in place for purchasing toner cartridges.

Results from the cross sector review tests

The results of the cross sector review tests are summarised in the following table:

	1(i)	1(ii)	2(i)	2(ii)
DPIPWE	✓	✓	✓	✓
DIER	✓	✓	✓	✓
DEPM	✓	✓	✓	✓
Justice	✗	✗	✓	✓
DEDTA	✓	✓	✓	✓
FT	✓	✓	✓	✓
GCC	✓	✓	✓	✓
HCC	✓	✓	✓	✓
RBF	✓	✓	✓	✓
MAIB	✓	✓	✓	✓
DOTAF	✓	✓	✓	✓

There were two adverse findings, details of which involved the Department of Justice (the Department), as mentioned earlier. The Department had made payments during the year to companies in the Company X group. However, no inducements were received through these purchases. The Department dealt with this matter promptly.

Conclusion

The cross sector review resulted in no significant findings in regards to ascertaining the existence of corrupt practise in the purchase of toner cartridges.

EXECUTIVE AND LEGISLATURE

AT A GLANCE

INTRODUCTION

The Parliament of Tasmania comprises the Crown (represented by the Governor), the Legislative Council and the House of Assembly that collectively form the Legislature. Legislature-General provides, amongst other matters, support for general parliamentary functions including Parliamentary Catering and Reporting Services.

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

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

Appropriation of funds to the Ministerial and Parliamentary Support Division provides for certain expenses and administrative support of Ministers and other Members of Parliament. The financial transactions of this Division are reported in the financial statements prepared by the Department of Premier and Cabinet with details not addressed here.

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

- Audit of the 2011-12 Financial Statements
- Key Findings and Developments
- Summary of Financial Results
- Other Information.

KEY FINDINGS, DEVELOPMENTS AND FINDINGS FROM AUDITS

Key findings and outcomes from our audits were:

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

House of Assembly	5 September 2012
Legislative Council	6 September 2012
Legislature-General	26 September 2012
Office of the Governor	26 September 2012

There were no other major findings or developments.

HOUSE OF ASSEMBLY

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

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 13 August 2012 and an unqualified audit report was issued on 5 September 2012.

KEY FINDINGS AND DEVELOPMENTS

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

SUMMARY OF FINANCIAL RESULTS

	2011-12	**2010-11**
	$'000s	$'000s
Total Revenue	7 409	7 400
Total Expenses	7 371	7 524
Net Surplus (Deficit)	**38**	**(124)**
Other Comprehensive Income		
Changes in asset revaluation reserve	0	610
Comprehensive Surplus	**38**	**486**
	2012	**2011**
Total Assets	1 914	1 945
Total Liabilities	897	965
Net Assets	**1 017**	**980**
Total Equity	**1 017**	**980**

Comment

The House's Net Surplus improved by $0.162m, mainly as a result of:

- lower supplies and consumables costs of $0.140m, attributed largely to a budget enforced reduction in spending in the areas of travel, entertainment, training and miscellaneous expenses
- higher other revenue of $0.023m, received for the sole purpose of commissioning a portrait of the former Tasmanian Premier, the Hon. Paul Lennon.

The House's Total Equity increased by $0.038m due to the Comprehensive Surplus.

Total Assets decreased, $0.031m, primarily due to lower receivables, $0.009m (2010-11, $0.042m), and a reduction in property, plant and equipment of $0.017m. These were partially offset by an increase in prepaid expenses, $0.019m. Reasons for movements include:

- prior year receivables consisted of a one-off invoice to Legislature-General relating to a salary recharge

- property, plant and equipment decreased due to annual depreciation of $0.040m, partially offset by an addition of $0.023m
- prepaid expenses were higher in 2011-12 due to travel expenses relating to a July departure date being booked before year end.

Total Liabilities decreased $0.068m, largely attributable to lower employee entitlements, $0.073m and other liabilities, $0.002m. This was a result of two long-term employees leaving, and was offset by increased payables of $0.007m.

OTHER INFORMATION

	Bench Mark	2011-12	2010-11	2009-10	2008-09
Other Information					
Average staff numbers (FTEs)		19	19	17	17
Average staff costs ($'000s)		86	102	93	96
Average Recreational leave balance per FTE (days)	20**	29	38	39	40
Average Long Service Leave balance per FTE (days)	100**	47	61	66	72

* *Financial data not available for 2009-10 and 2008-09*
** *These benchmarks are in line with those used for public sector employees*

Comment

The decrease in Average staff costs is mainly attributable to a reduction in overtime payments and the turnover of several long-term employees on higher salary increments. Average Recreational leave balances continue to decline as a result of on-going efforts to reduce excessive leave.

LEGISLATIVE COUNCIL

INTRODUCTION

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

The Council is predominantly funded by Parliamentary and Reserved by Law appropriations for the above services and for the administration of payments of salaries and allowances as prescribed by the *Parliamentary Salaries, Superannuation and Allowances Act 2012*.

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on the 10 August 2012 and an unqualified audit report was issued on 6 September 2012.

KEY FINDINGS AND DEVELOPMENTS

The Council received an increase in recurrent funding in 2011-12. In addition to the need to meet normal budgeted increases, extra funding was provided for the appointment of additional committee staff, regional office salary related expenditure and a chamber design study.

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2011-12	2010-11
	$'000s	$'000s
Total Revenue	6 345	5 985
Total Expenses	6 315	6 065
Net Surplus (Deficit)	**30**	**(80)**
Other Comprehensive Income		
Changes in asset revaluation reserve	0	469
Comprehensive Surplus	**30**	**389**
	2012	**2011**
Total Assets	1 590	1 569
Total Liabilities	860	869
Net Assets	**730**	**700**
Total Equity	**730**	**700**

Comment

The Council achieved a Net Surplus of $0.030m, an improvement of $0.110m, this can mainly be attributed to:

- Total Revenue improving by $0.360m, due to higher recurring appropriation revenue provided to meet increasing costs

- lower supplies and consumables costs of $0.109m, attributed largely due to reduced spending in the areas of committee travel, information technology, regional office support and miscellaneous expenses, offset by
- higher employee and member benefits $0.351.

Net assets increased by $0.030m in line with the Comprehensive surplus for 2011-12.

Total assets remained consistent, increasing slightly by $0.021m, mainly due to additions of $0.025m for leasehold improvement work in progress offset by depreciation expense of $0.004m.

Total Liabilities remained consistent, slightly decreasing by $0.009m, as a result of lower payables, $0.016m and higher employee entitlements, $0.007m

OTHER INFORMATION

	Bench Mark	2011-12	2010-11	2009-10	2008-09
Staff numbers (FTEs)		29	30	29	29
Average staff costs ($'000s)		91	80	77	74
Average Recreational Leave balance per FTE (days)	20**	28	29	35	35
Average Long Service Leave balance per FTE (days)	100**	50	50	49	44

* *Financial data not available for 2009-10 and 2008-09*

** *These benchmarks are in line with those used for public sector employees*

Comment

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

FTEs decreased from 30 to 29. While new staff were engaged this year, this was one less than the previous due to a retired during the year. There was an increase in staff costs in 2011-12 primarily due to higher annual leave expense and wage increases.

Recreational leave balance, while still above bench mark in 2011-12, improved over the past two years in response to the introduction of Council's leave management policy aimed at reducing accrued annual leave balances.

LEGISLATURE-GENERAL

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

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2012 and an unqualified audit report was issued on 26 September 2012.

KEY FINDINGS AND DEVELOPMENTS

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

SUMMARY OF FINANCIAL RESULTS

	2011-12	2010-11
	$'000s	$'000s
Total Revenue	6 568	6 309
Total Expenses	7 070	7 003
Net (Deficit)	**(502)**	**(694)**
Other Comprehensive Income		
Changes in asset revaluation reserve	0	205
Comprehensive (Deficit)	**(502)**	**(489)**
	2012	**2011**
Total Assets	30 740	31 306
Total Liabilities	1 083	1 147
Net Assets	**29 657**	**30 159**
Total Equity	**29 657**	**30 159**

Comment

Legislature-General incurred a Net Deficit of $0.502m in 2011-12, primarily due to depreciation, $0.618m and the increase in employee entitlement, $0.034m, not being funded.

Total Revenue improved by $0.259m, predominantly comprising $0.311m higher recurring appropriation revenue provided to meet increasing costs.

Total Expenses marginally increased by $0.067m, as a result of:

- higher employee expenses of $0.144m, mainly due to a full year impact of staff transfers from the Department of Education (DoE) from 15 March 2011 as well as state service wage increments
- offset by, lower supplier and consumables, and other expenses $0.077m, in response to the effective budgetary control strategies.

Total Assets declined by $0.566m mainly due to depreciation of $0.618m, offset by additional plant and equipment, $0.040m.

Total Liabilities decreased by $0.064m in 2011-12, attributable to:

- lower payables of $0.098m, because Legislature-General was more prompt in paying suppliers this year
- offset by, higher employee benefits, up $0.034m, which was largely a combination of additional leave provisions relating to the application of a lower discount rate in calculating the present value of the long service leave and annual wage provisions and salaries increases.

Total Equity decreased by $0.502m in 2011-12 being the Comprehensive Deficit for the financial year.

OTHER INFORMATION

	Bench Mark	2011-12	2010-11	2009-10	2008-09
Other Information					
Average staff numbers (FTEs)		41	36	32	33
Average staff costs ($'000s)		83	90	88	83
Average Recreational Leave balance per FTE (days)	20**	24	28	25	26
Average Long Service Leave balance per FTE (days)	100**	40	43	45	46

* *Financial data not available for 2009-10 and 2008-09*

** *These benchmarks are in line with those used for public sector employees*

Comment

The Average staff costs decrease was mainly due to a full year impact of new staff eployed who had average lower salaries, and the retirement of several employee on high salaries, offsetting the impact of increases under the Tasmanian State Service Award.

Average Recreational Leave balance per FTE was 24 days at 30 June 2012. This was still above benchmark but improved compared to 2011. This occurred following introduction of a leave management policy.

OFFICE OF THE GOVERNOR

INTRODUCTION

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

AUDIT OF 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 13 August 2012 and an unqualified audit report was issued on 26 September 2012.

KEY FINDINGS AND DEVELOPMENTS

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2011-12	**2011-12**	**2010-11**
	Estimate	Actual	Actual
	$'000s	$'000s	$'000s
Total Revenue	3 310	3 354	3 274
Total Expenses	3 589	3 651	3 505
Net result from transactions	**(279)**	**(297)**	**(231)**
Sale of non-financial assets	0	0	48
Contributions received	0	0	200
Write off - outdoor equipment	0	0	(139)
Net surplus (deficit) continuing operations	**(279)**	**(297)**	**(122)**
Changes in physical asset revaluation reserve	0	2 786	629
Comprehensive Surplus (Deficit)	**(279)**	**2 489**	**507**
		2012	**2011**
Total Assets		38 116	35 661
Total Liabilities		570	604
Net Assets		**37 546**	**35 057**
Total Equity		**37 546**	**35 057**

Comment

The Office's Net result from transactions slightly worsened from a deficit of $0.231m in 2010-11, to $0.297m this year. This higher deficit of $0.066m was mainly due to Total Expenses this year being $0.146m greater than in 2010-11. This was almost entirely due to an additional $0.110m in maintenance expenditure to bring heritage repairs and maintenance up to date. When assessing the financial performance of the Office, it needs to be borne in mind that it is not funded for depreciation or increases in employee provisions. Depreciation for 2011-12 was $0.312m (2010-11, $0.286m) without which the Office makes a small surplus of $0.015m ($0.055m).

The Net result, being a deficit, from continuing operations was higher this year due to the deficit from transactions and one-off events occurring in 2010-11:

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

The Comprehensive result amounted to a surplus of $2.489m (2010-11 $0.507m) mainly due to an asset revaluation increment of $2.786m, based on an independent valuation of land and buildings.

The Office's Total Equity increased by $2.489m to $37.546m in 2012 due to the Comprehensive result.

Total Assets comprised predominantly land and buildings, $34.242m (2011, $31.714m), and heritage assets, $3.563m ($3.563m).

Total Liabilities were largely represented by provisions for employee entitlements, $0.486m (2011, $0.523m). The decrease, $0.037m, was due mainly to three staff retirements, a Security Officer and Two House Attendants.

GOVERNMENT DEPARTMENTS

AT A GLANCE

INTRODUCTION

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

This part of the Report provides summarised financial information on all departments being the Departments of:

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

Unless otherwise stated, these entities are collectively referred to as departments.

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

- Audit of the 2011-12 Financial Statements
- Key Findings and Developments
- Financial Results:
    - Statement of Comprehensive Income
    - Statement of Financial Position
    - Statement of Cash Flows
    - Financial Analysis
- Additional Financial Information
    - Administered Financial Transactions.

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

- Audit of the 2011-12 Financial Statements
- Key Findings and Developments
- Abridged Statement of Comprehensive Income
- Abridged Statement of Financial Position
- Financial Analysis.

The financial results discussed are derived from the audited financial statements of each entity. The reporting framework for departments is prescribed through Treasurer's Instructions issued under the *Financial Management and Audit Act 1990* and the requirements of Australian Accounting Standards. Full (unabridged) financial statements are required to be published as part of each department's annual report which must be tabled in Parliament by 31 October following the end of the financial year; at which time they become public documents.

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

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

KEY OUTCOMES, DEVELOPMENTS AND FINDINGS FROM AUDITS

Key outcomes from audits included:

- audits of all departmental financial statements were completed with unqualified audit opinions issued in each case
- with the exception of TAHL, all departments submitted financial statements within the statutory deadline of 45 days after the end of the financial year. TAHL is the exception because its signed financial statements were received on 26 October 2012, 71 days late.

Key developments and findings included:

DEPARTMENT OF ECONOMIC DEVELOPMENT, TOURISM AND THE ARTS

Revaluation increments of land and buildings, $13.169m at 30 June 2012 by independent valuers resulted in the write back of a devaluation in 2010-11 and was applied to the asset revaluation reserve.

Loan advances remained static with only one new advance during the year of $1.174m offset by an impairment. The impairment mainly related to $1.600m of a loan to Tasair Pty Ltd and Screen Tasmania Equity Investments of $0.476m offset by a return of $0.500m from Tascot Templeton which was previously impaired.

The Department continues to enter into long-term loan and grant commitments. The majority of these commitments related to loans approved but not drawn down by clients totalling $3.611m (2010-11, $3.379m) and assistance to industry commitments, in the form of grants, $52.818m, ($66.385m).

DEPARTMENT OF EDUCATION

2011-12 saw the continuation of on-going reforms within the Department resulting from the merger of the Tasmanian Academy and Tasmanian Polytechnic midway through 2010-11.

The Commonwealth Building the Education Revolution (BER) project was completed by 30 June 2012. Since 2008-09, the Department received $332m and spent this on BER projects of which $285.5m was capitalised under the thresholds outlined within Departmental asset policies.

During the year the Department engaged an independent valuer to provide valuations for a sample of schools with varying characteristics that are representative of its school portfolio. This valuation was obtained to provide additional evidence over the current methodology applied by the Department to factor in spare capacity. It showed that the current methodology was not producing a material misstatement in the fair value of specialised school building assets.

During the year, to improve the efficiency and effectiveness of recording financial transactions within the Department, all schools and post year 10 entities (Polytechnic and Academy) were transferred from their existing finance systems to the Department's General Ledger system, Finance One. The transfer was subject to audit and resulted in the identification of costs not previously recognised totalling $14.346m in the Statement of Comprehensive Income as an 'other economic flow'.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Tasmanian Health Organisations (THOs) commenced on 1 July 2012. The THOs are independent local organisations, with their own governing council and a chief executive officer, which will be responsible for managing public hospital services in their respective regions (South, North and North-West).

The new structure is supported by a new funding model based on a national efficient price for health services determined by the Australian Government Independent Hospital Pricing Authority.

The Royal Hobart Hospital (RHH) is undergoing a $565.000m redevelopment funded by both the Australian and State Governments. The first stage was completed by 30 June 2012, including the completion of a Positron Emission Tomography and an X-Ray Computed Tomography unit, upgrades to the Medical Imaging Department and a range of other upgrades to improve existing facilities. Works are underway for the constructions of the Intensive Care Unit and Women's and Children's Hospital.

Separate funding of $67.000m was provided to the Launceston General Hospital (LGH) where capital works are being undertaken on the intensive care centre, Holman Clinic, Cancer Centre, Acute medical Unit, Department of Emergency Services and car park.

During 2011-12 the Mersey Hospital completed the upgrade of its emergency department and the first stage of the Clarence GP Super Clinic was constructed.

HOUSING TASMANIA

Social Housing Grants

During the year, Housing Tasmania (Housing) recorded an expense of $45.764m for Social Housing grants. These grants represented expenditure held in capital works in progress over recent years for the construction of community housing projects. Housing entered into numerous agreements with community organisations and local government councils for the construction of social housing funded by the Australian Government under the National Partnership Agreement on the Nation Building and Jobs Plan (Economic Stimulus Plan). Titles to respective properties were also transferred to community organisations and councils.

However, these organisations are required to satisfy certain conditions, such as maintaining the properties in good repair and provide accommodation only to residents who meet certain criteria. To ensure these conditions are met, and to protect the State's equity in the properties, the Minister for Human Services has a registered mortgage interest in these properties. The term of these arrangements is 30 years.

Public housing to be managed by community organisations and Brighton Council

The Better Housing Futures Program, which commenced in 2011-12, is part of reforms agreed to under the National Affordable Housing Agreement with the Australian Government. Under this Program, public housing properties will be managed by community housing organisations, which will be responsible for providing tenancy services and property maintenance. The first stage of the program will involve 504 dwellings and 78 vacant lots in the Rokeby and Clarendon Vale suburbs. While Housing will retain title to dwellings, the vacant land, valued at $2.331m as at 30 June 2012, will be transferred for no consideration.

In July 2012, the State Government signed a memorandum of understanding with Brighton Council to supply land, in conjunction with Council, to build affordable houses. Under this arrangement, Housing will transfer 41 vacant lots in the Bridgewater area to the Brighton Industrial and Housing Corporation at no consideration during 2012-13. The value of the land was $1.596m as at 30 June 2012.

Economic stimulus plan

Housing received lower capital funding during 2011-12, due to the current year being the final year of funds received from the Australian Government under its Economic Stimulus Plan. This three-year program released funds to the states and territories to stimulate the building sector, mainly through the construction of schools, social housing, defence service housing and transport infrastructure. Funding received in 2011-12 was $16.029m, whereas funding received in 2010-11 totalled to $69.877m.

National Rental Affordability grants

Housing paid out $1.236m in National Rental Affordability Scheme (NRAS) grants in 2011-12, down from $5.328m in the prior year, due to the reduced volume in building activity during the current year, with stage four of the NRAS program being delayed. The NRAS is an Australian Government initiative which is aimed at investing in affordable rental accommodation. It involves the supply of new rental housing, as well as reducing rental costs and encouraging large scale investment in affordable accommodation options.

The NRAS offers annual incentives for a period of ten years. The incentive comprises an Australian Government contribution in the form of a refundable tax offset or payment to the value of $6 000 per dwelling per year (indexed) and a State Government contribution in the form of direct financial support or an in-kind contribution to the value of at least $2 000 per dwelling per year (indexed). Properties under this program first became available in late 2009-10.

HomeShare

The HomeShare shared equity program was introduced by Government in December 2008 to assist Tasmanians with low to moderate incomes to transition into home ownership. HomeShare is a Shared Equity program administered by the Bendigo Bank. Under this scheme, surplus Housing properties are sold to eligible buyers and the Director of Housing (the Director) retains an equity share, typically 25%, in the property. Alternatively, the Director co-purchases with eligible scheme participants 20-25% equity in newly constructed houses. Where the Director purchased equity in new houses, the funds are provided from surplus funds held by the Home Ownership Affordability Program. These monies are expected to fund shared equity purchases for approximately the next five years.

TASMANIAN AFFORDABLE HOUSING LIMITED

This year a new chapter for Tasmanian Affordable Housing Limited (TAHL) is included in this Report. TAHL was established under the *Corporations Act 2001*, with the objective of increasing the supply of affordable housing for low income Tasmanians. The financial transactions for TAHL were not consolidated into Housing Tasmania (nor the Department of Health and Human Services) financial statements on the grounds of materiality.

AMBULANCE TASMANIA

Ambulance Tasmania implemented a new Ambulance Billing Information System (ABiS) on 1 July 2011. The ABiS system is integrated with other systems used by the Service, mainly the Computer Aided Despatch (CAD) system and a patient record system (VACIS) and has the potential to improve the accuracy of billing transport cases.

During our audit of the system, we noticed a large number of cases which were not billed and were pending review. Management acknowledged that timely processing of data is a priority and this will be progressed within available resources and temporary redirection of additional internal resources, noting that billing pressures will remain. Management has endorsed action plans to ensure that these are progressed in a timely manner.

DEPARTMENT OF INFRASTRUCTURE, ENERGY AND RESOURCES

Land under roads – calculations error

During audit testing of land under roads in 2011-12 and discussions with DIER's Asset Management Group, it was identified that the 2010-11 land under roads figure was incorrectly overstated by approximately $47.000m. The rates per hectare used by DIER, as provided by the Valuer-General, were correct, however, the hectares used were largely overstated due to an error when extracting data from the Geographic Information System (GIS) and input into the Road Information Management System (RIMS).

Revaluation of land under roads, land within road reserves and the rail corridor

Land under roads and within road reserves and the rail corridor land were updated in 2011-12 with current average values provided by the Valuer-General. The result was a write-down of land under roads and within road reserves of $31.592m. The write-down of land under roads and within road reserves resulted from the $47.000m write-down adjustment relating to an overstatement in 2010-11, previously mentioned, and the current year increment of approximately $16.000m. The valuation of the rail corridor land resulted in an increment of $9.599m.

Valuations of bridges

The last formal independent valuation of the Department's bridges was performed in 2007. Since that date, and until now, values were adjusted by indices annually, to predict movements in key cost drivers, in an effort to ensure values remained current. The seven major bridges underwent a full revaluation in the current year. An independent valuer was engaged to perform the revaluation based on the depreciated replacement cost methodology. In addition, all other bridges were revalued by the Department's engineers using the same methodology. The result was a revaluation increment of $97.934m.

Valuations of traffic signals and Bruny Island ferry

Traffic signals and the Bruny Island ferry underwent a full revaluation in the current year. The Department engaged the Australian Valuation Office (AVO) to perform the revaluation based on depreciated replacement cost. The result was a revaluation increment, $4.114m to traffic signal installations and $0.002m to the Bruny Island ferry.

Change in Depreciation methodology for Road Infrastructure

DIER changed its methodology by applying a more detailed 'line by line' approach to depreciating its roads infrastructure in 2011-12. The recorded amount for road infrastructure is now depreciated by the appropriate rate up to its residual value and no further. This means that, once a road reaches its residual value it is no longer depreciated unless its remaining useful life is reassessed.

Previously, the Department used an "average" rate which did not take into account the residual value. This had the effect of continuing to depreciate road infrastructure beyond the point of its residual value which tended to overstate the depreciation expense for the year and, therefore, understate the carrying amount of the asset.

The impact of this change resulted in depreciation decreasing by approximately $10.800m in 2011-12.

Equity transfers

The Department provided a further $34.745m (2010-11, $38.064m) in equity transfers to Tasmanian Railway Pty Ltd (TasRail) to fund further upgrades to rail network infrastructure. In addition, $18.775m ($14.590m) was provided from DIER's administered funds in grant contributions to TasRail to assist it to meet administration and maintenance costs.

Road investments

Over the past four years DIER has invested $856.000m in new roads, of which $416.000m was in the last two years. Major projects progressed and completed during 2011-12 included Brighton Bypass, Brighton Transport Hub, Kingston Bypass and East Tamar Highway.

DEPARTMENT OF JUSTICE

The Asbestos-Related Diseases (Occupational Exposure) Compensation Act 2011 received Royal Assent on 4 October 2011. The Act establishes the Asbestos Compensation Scheme which provides for the payment of compensation, and other claims to workers who develop an asbestos-related disease as a result of exposure to asbestos during the course of their work in Tasmania. The Department provide administrative support for the Fund.

DEPARTMENT OF POLICE AND EMERGENCY MANAGEMENT

The Department's new-look Bellerive police headquarters was officially opened on 18 November 2011. The $6.000m refurbishment and extension was a major 18 month project for the Department. Completion of the Bellerive Station is the first of three divisional headquarters replacement and refurbishment projects. By 30 June 2012 work had commenced on a new station for Devonport and an expression of interest for the purchase of properties at Main Road and Harold Street, Glenorchy had been submitted.

The coastal patrol vessel 'PV Fortescue' (the Vessel) was purpose designed and built for the Department and launched in 2009. From the outset, design and build quality issues plagued the Vessel. The Vessel was found to be unsuited and incapable of safely and efficiently carrying out missions required of it. Boat Sales Tasmania was contracted in 2011-12 to conduct an in-water inspection of the Vessel, to explore best solutions to dispose of it and to consider ways of financing a replacement vessel. Consequently, the Vessel was impaired by $0.756m at 30 June 2012.

DEPARTMENT OF PREMIER AND CABINET

In 2008, Government announced an Information Technology (IT) Transformation Project aiming at improving the way government services are delivered. The initial focus is on email and identity management and restructure and refocus of TMD, as Government's central IT service provider, to ensure it can support the delivery of the new services. Government committed over $8.900m to this project, with $4.653m provided in 2010-11 and $2.807m in the current year, and further funding of $1.501m budgeted in 2012-13.

In May 2012, TMD was relocated from Salamanca Place to Elizabeth Street and Macquarie Street. Annual accommodation savings were expected to be $0.470m. A lease incentive of $0.950m was provided to TMD to cover part of the relocation costs. The aggregate benefit of incentives was recognized as a reduction of rental expenses over the lease terms. As part of the relocation, TMD recorded fixed asset additions, being leasehold improvements in the new premises, of $0.786m while at the same time it recorded a net loss on non-financial assets of $1.042m being write-off of previously capitalised leasehold improvements at Salamanca place.

DEPARTMENT OF PRIMARY INDUSTRIES, PARKS, WATER AND ENVIRONMENT

During the year, the Department carried out a detailed revaluation of all infrastructure assets, which resulted in a revaluation increment of $84.318m, and the identification of new assets valued at $4.783m, recognised through the Statement of Comprehensive Income. The revaluation and asset identification resulted in a significant increase in the value of walking tracks, access roads, fire trails, and other road assets.

There was also an increase in the value of National Parks, Reserves and Crown Land, from $729.918m to $755.409m. The increase of $25.491m was principally due to the Crown Land Assessment and Classification Project (CLAC), where significant parcels of land were reclassified to Conservation Area status during the year. The values of new parcels of land, or existing parcels of land where the conservation areas had extended, were recognised through the Statement of Comprehensive Income.

This year, the Department made $35.939m equity and $5.107m grant payments from the Water Infrastructure Fund to Tasmanian Irrigation Pty Ltd. This included funding contributions provided from the Australian' Government's Water for the Future Fund under a National Partnership Agreement.

DEPARTMENT OF TREASURY AND FINANCE (INCLUDING FINANCE-GENERAL)

Determining the quantum of the defined benefit superannuation liabilities

The majority of General Government Sector agencies do not recognise a liability for the accrued superannuation defined benefits of their employees. The liability for those agencies is held centrally and is recognised within Finance-General's statement of financial position at the latest actuarial assessment of members' entitlements, net of scheme assets. At 30 June 2012, the unfunded liability was $6.888bn (2011, $4.946bn) with the increase, $1.942bn, being a combination of an increase in the present value of superannuation commitments, $1.945bn, offset by an increase in scheme assets, $0.003bn.

The significant increase in the present value of the defined benefit obligation in 2011-12 mainly related to the decline in the discount rate from 5.50% at 30 June 2011 to 3.45% at 30 June 2012, caused by the reduction in yields on Government bonds during the year. Given the long term nature of superannuation liabilities, material reductions in the discount rate caused significant increases in the liability.

Funding the defined benefit superannuation liabilities and the temporary debt repayment account

During the year, the Treasurer approved funding the emerging cash cost of the defined benefits superannuation liability directly from the Consolidated Fund rather than by notionally setting aside an un-backed provision in the form of the Superannuation Provision Account (SPA) within the Special Deposits and Trust Fund.

The approved terms and conditions of the SPA and the Temporary Debt Repayment Account (TDRA) were amended, to allow the TDRA to receive a contribution from the SPA and to explicitly provide for contributions received in the SPA to be used to fund the repayment of debt.

The residual overdraft of the TDRA was funded by a temporary overnight borrowing of $650.000m on 30 June 2012 the effect of which was to gross up Government's cash holdings to at least equal the balance of accounts in the Special Deposits and Trust Fund.

Our audit of the defined benefit superannuation liabilities

Additional audit procedures were carried out this year details of which are provided in the Superannuation Funds section of this Report and also in our report assessing the Treasurer's Annual Financial Report.

Sale of TOTE

On 1 December 2011, the Treasurer announced that TOTE Tasmania Pty Ltd (TOTE) would be sold to Tatts Group Limited (Tatts) for $103.000m subject to regulatory approval. The sale was completed on 26 March 2012. After that date, control of TOTE passed to Tatts. The adjusted sale price was $104.125m and, after deducting the Government's investment in TOTE, which comprised its net assets at the time of sale and totalled $15.086m, a gain on sale of $89.039m was recognised by Finance-General.

SUMMARY FINANCIAL ANALYSIS

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

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

Department of Economic Development, Tourism and the Arts. In 2011-12 the Department (incorporating TDR, TMAG and TT) recorded a net deficit from transactions of $1.760m, an improvement on the previous year deficit, $4.982m but substantially lower than an expected budget surplus of $7.612.

Other economic flows increased the surplus by $20.931m. This was mainly due to a net gain on non – financial asset of $13.169m, relating to land and buildings and heritage assets revalued at 30 June 2012, and an increase in contributions received relating to transfer of $5.107m to the Department mainly following the transfer of Princes Wharf for $4.938m from Treasury. The net gain on non – financial asset was mainly due to the Princes Wharf Number 1, $12.495m which arose from a revaluation on the take up of this asset during the year. The comprehensive deficit for 2011-12 was $22.799m.

Net assets increased by $22.799m between 2011 and 2012 reflecting the comprehensive surplus for the year.

In 2011-12 administered income and expenses related to the Tasmanian Icons Program, Ten Days on the Island Program, Tasmanian Symphony Orchestra and the Theatre Royal Program. Revenues and expenditure both totalled $3.891m.

Department of Education's net deficit from transactions was $35.381m compared to a budgeted deficit of $67.906m and a deficit in 2010-11 of $49.499m. The improved result was primarily driven by higher user charges; mainly revenue generated from school activities, levies and overseas student fees, and a substantial decrease in grants and subsidies expenses this year. Offsetting these benefits was an increase in employee benefits of more than $50m when compared to budget and prior year. The full year impact of consolidating the Academy and Polytechnic caused much of this increase.

On the basis of surplus/(deficit) attributable to the State, the Department's performance was a surplus of $54.590m, less than budget and lower than the $166.663m surplus in 2010-11 due to the significant drop in BER funding which came to an end this financial year.

The Department's statement of comprehensive income included changes in equity of $66.548m (2010-11, $59.322m) arising from the revaluation of land, buildings and heritage assets.

At 30 June 2012, the Department had total equity of $1 605.806m against the prior year of $1 525.625m. The difference of $80.181m was primarily due to the comprehensive result for the year of $85.757m offset by the distribution of equity associated with the Crown Law Administration Fund (CLAF) of $5.576m.

The Department's Administered transactions primarily relate to funding non-government schools, with grants and subsidies to this sector totalling $231.684m this year ($255.840m in 2010-11 and $220.896m budget).

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

Net deficit from transactions decreased from $28.357m in 2010-11 to $21.845m in the current year as total revenue went up by 3% to $1.843bn, while total expenses grew at a slower rate, 2%, to $1.864bn. Net surplus attributable to the state of $16.638m was a significant reduction on the surplus in the previous year of $153.849m. The decrease of $137.211m was principally due to a Social Housing grant, $45.764m, a significant reduction in capital appropriations, $76.927m, and actuarial losses on the defined benefit superannuation liability in Housing and Ambulance, $13.921m.

The comprehensive result for 2011-12 was a surplus of $29.899m compared to a surplus of $380.515m in 2010-11. Last year's surplus included a revaluation gain of $226.666m, which reflected higher values of land and buildings.

Total equity increased from $2.504bn to $2.534bn during 2011-12. The increase of $30.486m included the net surplus for the year, $16.638m, and other comprehensive income, $13.261m, principally a revaluation increment of land and buildings. Higher property, plant and equipment, $31.565m, was due to net additions to buildings, work in progress, and equipment, $138.611m and revaluation increments of $12.713m. These items were partly offset by depreciation of $60.200m and the expensing of the value of work under the Social Housing grant referred to earlier.

The Department's administered transactions relate primarily to funding community service obligations paid to Aurora Energy Pty Ltd to support pensioners and health card holders for power costs and to fund grant programs. Total revenue for the year amounted to $80.338m, total expenses, $38.734m with transfers to the Consolidated Fund, $45.479m, being Australian government grants for the High Cost Drugs and other health Programs.

Housing Tasmania recorded a net deficit from transactions of $23.822m compared to a deficit of $23.666m reported last year. Net deficit attributable to the State was $44.914m, compared to a surplus of $67.240m recorded in 2010-11. The turnaround of $111.434m resulted from a Social Housing grant, $45.764m, reduction in capital appropriation of $54.847m and a $5.019m actuarial loss on Housing's defined benefit superannuation liability.

The comprehensive result for 2011-12 was a deficit of $48.897m compared to a surplus of $268.513m in 2010-11. Last year's surplus included a revaluation gain of $201.513m, which reflected higher values of buildings. In 2011-12, the value of land and buildings decreased marginally, $3.983m, mainly due to decrease in the value of land.

Major reasons for the corresponding decline in net assets was a decrease in property, plant and equipment of $49.021m, mainly due to the transfer of completed social housing projects to non-government organisations and some local government councils and an increase in the defined benefit superannuation liability.

Ambulance Tasmania reported a net deficit from transactions of $1.717m, an improvement of $0.249m on the prior year. The improved result was mainly due to a recovery of charges relating to the provision of ambulance care and transport for patients of the Mersey Community Hospital since November 2008 of, approximately, $1.110m. In addition, recurrent funding from DHHS was $2.961m higher than last year.

Ambulance Tasmania recorded a comprehensive deficit of $6.756m for 2011-12, which was $0.085m more than the net deficit attributable to the state. The difference represented a revaluation increment relating to land and buildings.

Net assets decreased by $6.756m, mainly as a result of the increase in superannuation liability, $8.649m, which was partly offset by higher receivables, $2.132m, due to timing of charges and reimbursement claims.

Tasmanian Affordable Housing Limited recorded a net surplus of $0.047m compared to a surplus of $0.968m in 2010-11, a change of $0.921m. The majority of the Company's revenues comprises operating, $0.749m, (2010-11, $0.724m), and administration, $0.405m, ($0.829m), grants from DHHS and rental revenue $0.927m, ($0.956m). The increase in total expenses, $0.493m, was mainly due to an increase in property management expenses of $0.957m.

Net assets as at 30 June 2012 amounted to $1.089m which mainly comprised cash, $1.271m.

Department of Infrastructure, Energy and Resources recorded a net deficit from transactions of $66.623m in 2011-12, which was consistent with the previous year's result.

The net deficit attributable to the State amounted to $2.906m in 2011-12, an improvement on the previous year deficit, $27.852m. This was mainly due to revenue from government – capital, $114.958m and a write down of assets, $45.429m.

Total equity increased from $3.770bn to $3.997bn during 2011-12. The improvement of $226.519m comprised net surplus attributable to the State, $2.906m, net revaluation increments, $259.358m, equity transfers to Tasmanian Railway Pty Ltd, $35.189m and Tasmanian Ports Corporation Pty Ltd, $1.000m. the Department statement of financial position is dominated by road infrastructure assets, totalling $3.871bn (or 96.4% of total assets) at 30 June 2012, (2011, 96.4%).

Transactions administered by the Department included the Forest Practices Authority, taxi licences, motor vehicle registrations, drivers' licenses and mining royalties. Total revenue was $174.324m, total expenses, $77.446m, with $97.602m transferred to Consolidated Fund in 2011-12.

Department of Justice reported net deficit from transactions of $6.258m which was $1.667m higher than the prior year's deficit of, $4.591m. The net deficit was higher than the budgeted operating deficit of $5.260m.

Overall the Department's comprehensive deficit, $15.602m, was higher compared to 2010-11 by $11.190m. This was mainly due to the operating deficit and a revaluation decrement, $9.307m, which resulted from revaluations performed on land, buildings, prisons and other structures, and library assets during the year.

Total equity declined in comparison to the prior year by $15.669m. This movement represented the 2011-12 comprehensive result and the administrative restructure associated with the winding-up of the Sullivans Cove Waterfront Authority on 31 August 2011. As a result of this restructure, the Department assumed the remaining assets and liabilities, netting off to $0.067m.

The Department's administered transactions primarily relate to the collection of revenue through the enforcement of monetary penalties, $24.806m, supreme and magisterial court services, births, deaths and marriages, maintenance of a fair, safe and equitable market place and the activities of the WorkCover Tasmania Board. Total revenue amounted to $43.520m, total expense, $15.882m, with a Consolidated Fund transfer of $25.915m. Comprehensive income items mainly comprise the provision for compensation payable and future levies receivable, netting off to $5.910m, being the initial opening balances on creation of the Asbestos Compensation Fund.

Department of Police and Emergency Management reported a net deficit from transactions of $10.581m, an increase of $2.149m from the prior year. This was mainly due to lower appropriation revenue, higher payments of grants and subsidies offset by lower other expense and supplies and consumables. The net deficit attributable to the state increased from $2.671m in 2010-11 to $4.288m in 2011-12, the main item being $4.319m in capital reimbursements from the State Government for the Tasmanian Mobile Radio Network (TMRN) digital upgrade project.

The Department achieved a comprehensive deficit this year of $13.402m due to the net deficit attributable to the State, $4.288m and an asset revaluation decrement, $9.114m.

Total equity decreased in comparison to the prior year by $15.327m, being the comprehensive result for the year, $13,402m, and transfer of proceeds, $1.925m, to the CLAF arising from disposal of surplus police residences.

Administered transactions related primarily to Commonwealth recurrent grants for emergency management, Police Academy board payments, firearms registration and licence fees. Total revenue for 2011-12 was $1.719m all of which was transferred to Consolidated Fund.

Department of Premier and Cabinet recorded a net surplus from transactions of $3.306m compared to $3.952m in 2010-11. In 2011-12 there were decreases in total revenue, $5.926m and total expenses, $5.280m. The Department budgeted for a comprehensive deficit of $2.234m. The actual surplus in 2011-12 was $2.259m after net loss on non-financial assets, $1.042m, which represented the net loss on disposal of leasehold improvements at TMD's previous premises at Salamanca Place.

Total equity increased by $2.259m, being the comprehensive surplus for the year.

The Department's administered transactions solely relate to the Tasmanian Community Fund.

Department of Primary Industries, Parks, Water and Environment reported a net deficit from transactions, $16.850m, higher by $3.131m on the previous year's deficit of $13.719m. The higher deficit was attributable to a number of factors. Within the revenue and expense categories there were various offsetting movements, the major one being the reduction in revenue from government - recurrent of $10.192m, which had corresponding reductions in all the expense categories except for employee entitlements and depreciation and amortisation.

Net surplus attributable to the State was $29.131m for the year, compared to a deficit reported in 2010-11, $8.695m. The net Surplus of $29.131m was further increased by a revaluation increment of $97.826m, which related predominantly to infrastructure assets, resulting in the comprehensive surplus for the year of $125.614m.

The Department's total equity increased to $1.063bn at 30 June 2012. The increase of $89.675m comprised the comprehensive result of $125.614m reported in the statement of comprehensive income less net equity transfers to Tasmanian Irrigation Pty Ltd of $35.939m.

Administered items mainly included:

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

In 2011-12, total revenue from administered transactions amounted to $62.348m, total expense, $9.949m, with transfers to Consolidated Fund of $52.548m.

Department of Treasury and Finance recorded a net deficit from transactions of $0.304m, compared to a deficit of $3.031m last year. The large deficit in 2010-11 was mainly due to increases in Community Service Levy (CSL) and Community Service Obligation payments that year and the timing of CSL grants paid to the Department of Health and Human Services (DHHS), $1.769m, which related to the 2009-10 year. This year's result resembled more closely 'business as usual'.

Overall, the Department reported a net deficit attributable to the State of $0.296m, an improvement on the deficit of $3.085m reported last year.

Total equity declined by $0.296m being the comprehensive deficit for the year.

Finance-General reported a lower net deficit from transactions of $298.614m in 2011-12 The improved result was due to lower expenses, down 7.6%, $410.935m, offset partly by lower revenue, down 5.5%, $273.847m.

Transfers to the Consolidated Fund related to revenue collections administered by Finance-General, which largely comprised state taxation revenue, returns from government businesses, Australian government funding and interest income. The amount fluctuates depending on revenues collected and the decline this year, $486.282m, reflected decreases in some of those items, in particular Australian government grants.

The net deficit attributable to the state for 2011-12 amounted to $1.870bn, mainly due to the net actuarial loss on superannuation liability, $1.778bn. This loss resulted mainly from a significant decline in the discount rate used to calculate the present value of future liabilities from 5.5% at 30 June 2011 to 3.45% at 30 June 2012. This was caused by the reduction in yields on Government bonds during the year.

Total equity decreased by $1.870bn in 2011-12, being the comprehensive deficit for the year.

DEPARTMENT OF ECONOMIC DEVELOPMENT, TOURISM AND THE ARTS

In this Chapter the Department of Economic Development, Tourism and the Arts is referred to as Department.

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2012. Following the audit, the financial statements were re-signed on 27 September 2012 and an unqualified audit report was issued on the same day.

The audit was completed satisfactorily with no major matters outstanding.

BACKGROUND

The Department manages a number of activities including for example industry development, tourism marketing, support for the arts and participation in sport and recreation. These activities are managed by the Department itself or through statutory entities, being:

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

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

The Department, through TDR, provides industry support by making loans and grants.

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

KEY FINDINGS AND DEVELOPMENTS

Administration of grants

Audit identified delays in processing grant conditions and acquittals. Audit noted redundancies and restructuring over the past few months within the Department were factors in these delays. The Department agreed to recommendations to improve the review process, improve segregation of duties over grants administration and to investigate reporting on the status of grant acquittals to the Executive Team governance meetings.

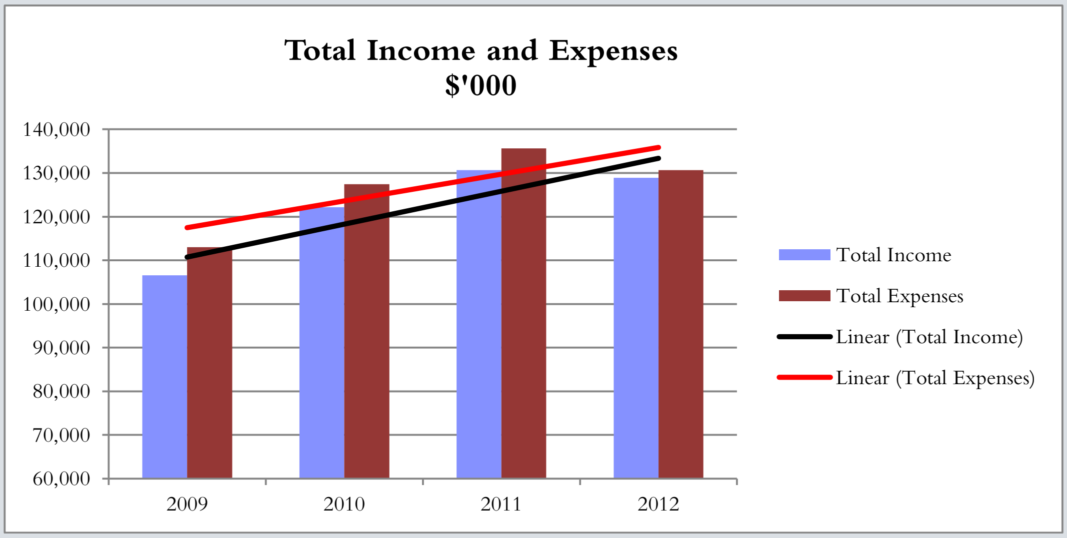
FINANCIAL RESULTS

Key financial results and transactions this year included:

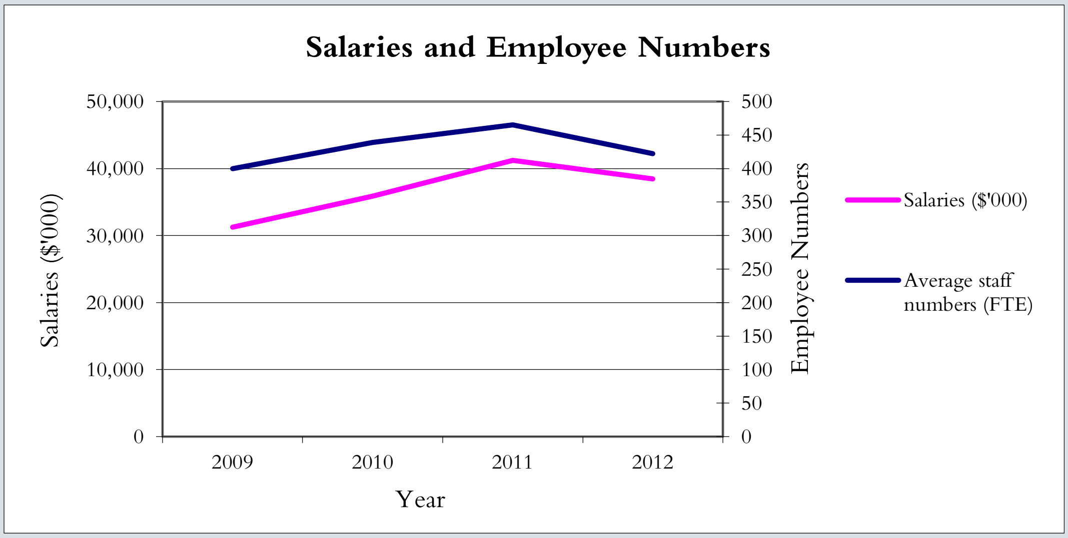
- the revaluation of $13.169m of land and buildings as at 30 June 2012 by independent valuers
- Loan advances which remained static with only one new advance in the year for $1.174m offset by an impairment. The impairment mainly related to $1.600m loan to Tasair Pty Ltd and Screen Tasmania Equity investments of $0.476m offset by a return of $0.500m from Tascot Templeton which was previously impaired.

- the Department continues to enter into long-term loan and grant commitments. The majority of these commitments related to loans approved but not drawn down by clients totalling $3.611m (2010-11, $3.379m) and program/project commitments, in the form of grants, $52.818m, ($66.385m).

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



Operating expenses exceeded operating income in three out of the four years under review, as the trend lines indicate. This result was expected, as Departments are not funded for depreciation or increases in employee entitlements. The growth in operating income up until 2010-11 was driven predominantly by revenue from government. In 2011-12, the Department's revenue fell as a result of budget cutbacks, see Salaries and Employee Numbers graph below.



The Department's salaries and employee expenses fell as a result of budget cutbacks commencing in 2011-12. The number of Full Time Equivalents (FTEs) decreased in line with the expense. There was a reduction of 30 FTEs, mainly in Tourism which fell from 85 FTEs to 63 FTEs. Part of the reduction in Tourism resulted from a divisional restructure where Events Tasmania was transferred from the Tourism division to the division of Culture Recreation and Sport within the Department. Other reductions in FTEs were taken across general areas of the Department: Investment, Trade and Sectors, Strategy, Enterprise and Regions, Corporate Support, Sport and Recreation and Arts.

The increase up to 2011 was mainly due to administrative restructures transferring staff from Tourism, TMAG and Arts Tasmania to the Department.

STATEMENT OF COMPREHENSIVE INCOME

	2011-12 Budget $'000s	2011-12 Actual $'000s	2010-11 Actual $'000s	2009-10 Actual $'000s
Revenue from government - recurrent	97 016	99 551	108 483	96 644
Revenue from government - appropriation carried forward	1 650	2 520	969	140
Revenue from Special Capital Investment Funds	11 027	2 583	10 513	12 462
Grants	1 959	16 231	195	230
Sales of goods and services	2 021	2 226	3 002	3 977
Interest	2 862	1 965	3 238	3 268
Other revenue	1 310	3 805	4 240	5 452
Total Revenue	**117 845**	**128 881**	**130 640**	**122 173**
Employee benefits	37 934	40 388	41 833	38 807
Depreciation and amortisation	1 535	1 671	2 067	1 862
Supplies and consumables	29 240	29 339	33 306	33 031
Grants and subsidies	37 417	53 792	52 277	47 253
Finance costs	1 793	2 043	2 309	1 866
Other expenses	2 314	3 408	3 830	4 650
Total Expenses from transactions	**110 233**	**130 641**	**135 622**	**127 469**
Net (Deficit) from transactions	**7 612**	**(1 760)**	**(4 982)**	**(5 296)**
Other economic flows included in net result				
Net gain (loss) on non-financial assets	(50)	13 169	(31 812)	294
Net gain (loss) on financial instruments and statutory receivables/payables	0	(1 636)	(4 509)	(7 868)
Capital funding Economic and Social Infrastructure Fund	0	4 175	2 151	1 718
Fair value of land and buildings identified	0	0	0	3 050
Contributions received	0	5 223	116	251
Total other economic flows included in net result	**(50)**	**20 931**	**(34 054)**	**(2 555)**
Net Surplus (Deficit) attributable to the State	**7 562**	**19 171**	**(39 036)**	**(7 851)**
Net Surplus (Deficit) after other economic flows	**7 562**	**19 171**	**(39 036)**	**(7 851)**
Other economic flows - other non-owner changes in equity				
Changes in physical asset revaluation reserve	10 952	3 628	(92 755)	96 300
Comprehensive Surplus (Deficit)	**18 514**	**22 799**	**(131 791)**	**88 449**

Comment

In 2011-12 the Department recorded a Net Deficit from transactions of $1.760m. Factors in the Net Deficit included depreciation, $1.671m, and an increase in employee entitlements, $0.179m, neither of which was funded.

Major movements in individual line items were due mainly to:

- decreased appropriation from government, $8.392m in line with budget cutbacks
- increased approvals for carry forward appropriations of $1.551m for requests which include Regional Assistance program, Springboard into Tasmania, Food and Agriculture, McCain's taskforce and Enterprise Growth Program
- lower Revenue from Special Capital Investment Funds (SCIF), $7.930m. This occurred despite higher funding for the Tasmanian Museum and Art Gallery $2.024m. Reductions this year included lower funding for Hawthorn Football club, $1.799m and Aurora Stadium, $1.000m and completion of funding in 2010-11 for Domain Tennis Centre, $1.200m, Glenorchy Art Sculpture Park, $1.582m, Devonport Maritime Museum, $0.600m, Queen Victoria Museum & Art Gallery, $0.537m
- increased Grant revenue from government, $16.036m, primarily relating to the $16.000m Australian Government funded Tasmanian Forests Intergovernmental Agreement (TFIA) Grants Program. This amount was received and paid in June 2012 with the payment included in Grants and subsidies paid of $53.792m The TFIA funding and grants paid were the primary reason for the variance between actual and budgeted grant revenue and expenses
- lower interest of $1.273m because Treasury has changed its policy and now retains interest on Trust funds
- decreased Employee benefits, $1.445m, reflecting reduced staff numbers.

Other economic flows increased the surplus by $20.931m. This was mainly due to:

- revaluation of $13.169m of land and buildings and heritage assets as at 30 June 2012 by independent valuers. Included in the revaluation was:
    - a net increase in land and buildings including Princes Wharf Number 1 of $12.495m of which $3.628m was accounted for as Total other economic flows – Other non-owner changes in equity
    - decreased value of investment properties, $0.944m
    - increase in the value of heritage assets, $5.103m, being a reversal of last year's decrement
- a net loss on financial instruments of $1.636m which comprised impairment of a loan to Tasair Pty Ltd, $1.600m, and Screen Tasmania investments of $0.476m offset by a return of $0.500m on Tascot Templeton's loan which was previously impaired
- an increase in Capital funding from the Economic and Social Infrastructure Fund of $2.024m for the upgrade of the Tasmanian Museum and Art Gallery
- an increase in Contributions received relating to the transfer of $5.107m mainly due to the transfer of Princess Wharf for $4.938m from Treasury to the Department.

Movements in physical asset revaluation reserve of $3.628m increased Other economic flows - other non-owner changes in equity and resulted from the revaluation of land and buildings referred to earlier. The amount of $3.628m represents the valuation greater than previous impairments requiring this amount to be credited to a revaluation reserve account.

The Department budgeted for a Comprehensive Surplus of $18.514m. The actual result was a surplus of $22.799m. The primary reasons for variations between budget and actual results were:

- Net gain/(loss) on financial assets was higher by $13.219m due to the revaluation of land and buildings already referred to previously in Chapter

- Contributions recieved were higher mainly due the transfer of Princes Wharf to the Department
- revenue from SCIF was lower due to lower than anticipated expenditure on the TMAG redevelopment project
- Employee benefits exceeded budget by $2.454m or 6.5% due to a voluntary reduction in staffing levels.

INTELLIGENT ISLAND PROGRAM

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

Initial funding of $40.000m was provided by the Australian Government from the partial sale of Telstra.

Major payments during 2011-12 include $1.250m to the CSIRO ICT Centre and $0.450m to the University of Tasmania HITLAB project.

The table below shows the financial status of the program since 2008-09:

	2011-12	**2010-11**	**2009-10**	**2008-09**
	$'000s	$'000s	$'000s	$'000s
Cash Opening balance	**3 239**	**6 540**	**13 079**	**21 423**
Interest received	107	264	336	1 112
Project grants	1 804	3 484	6 748	8 987
Administration	0	81	127	469
Total Payments	**1 804**	**3 565**	**6 875**	**9 456**
Cash Closing balance	**1 542**	**3 239**	**6 540**	**13 079**

STATEMENT OF FINANCIAL POSITION

	2012	2011	2010	2009
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	8 488	20 386	27 533	31 964
Receivables	3 493	1 855	1 945	1 642
Loan advances	37 030	37 694	32 202	21 587
Equity investments	586	584	589	5 695
Non-financial Assets				
Inventories	376	559	459	0
Property, plant and equipment	84 809	63 495	71 852	38 069
Heritage and Cultural assets	376 739	371 237	486 520	0
Investment property	9 700	10 610	11 310	11 570
Intangibles	762	926	1 237	655
Other assets	2 125	2 323	2 313	2 138
Total Assets	**524 108**	**509 669**	**635 960**	**113 320**
Liabilities				
Payables	3 720	1 973	1 938	3 491
Interest bearing liabilities	18 021	26 621	25 021	12 021
Provisions	2 759	2 747	2 023	1 768
Employee entitlements	9 021	8 842	7 424	6 415
Other liabilities	1 703	3 401	1 678	1 109
Total Liabilities	**35 224**	**43 584**	**38 084**	**24 804**
Net Assets	**488 884**	**466 085**	**597 876**	**88 516**
Accumulated funds	478 053	458 882	497 272	84 212
Reserves	10 831	7 203	100 604	4 304
Total Equity	**488 884**	**466 085**	**597 876**	**88 516**

Comment

Total Equity increased by $22.799m between 2011 and 2012 and was the Comprehensive Surplus for the year. Significant movements which impacted on the corresponding increase in Net Assets included:

- lower Cash and deposits, $11.898m, which is discussed further in the Statement of Cash Flows section of this Chapter
- an increase in Receivables of $1.638m mainly due to the reclassification of tax assets from other assets to receivables
- an increase in the carrying amounts of Property, plant and equipment by $21.314m due to:
    - additions of $5.402m relating to building improvements
    - contributions received of $4.970m, represented mainly by Princes Wharf, $4.866m
    - revaluation increments of $12.495m relating to land and buildings

  offset by:
    - disposals of $0.272m
    - depreciation and amortisation of $1.281m

- an increase in Heritage and cultural assets of $5.502m due to a revaluation of these assets this year
- an increase in Payables of $1.747m due to continuing activity on the TMAG upgrade
- a fall in Interest bearing liabilities of $8.600m, due to a repayment and impairment of TDR borrowings
- a fall in Other liabilities of $1.698m mainly due to the catch up of disbursement delays on a number of initiatives and programs in 2010-11 which included Renewable Energy, $0.500m, Tasmania Now, $0.390m, Enterprise Growth Program, $0.350m, Strengthen the Economy, $0.250m, and Food and Agriculture, $0.250m.

Commitments

The majority of the Department's commitments related to loans approved but not drawn down by clients totalling $3.611m (2010-11, $3.379m) and program/project commitments, in the form of grants, $52.818m, ($66.385m). The movement in loans approved represents new loans approved offset by loans drawn down in 2010-11. The program/project commitments represent committed funding over a period greater than one year, on which the actual amount payable is dependent upon approved recipients meeting certain conditions.

Lease commitments, which represented rental costs for leased premises occupied by the Department, office equipment and motor vehicles, were estimated to be $45.663m at the end of the current year (2010-11, $48.972m).

Capital commitments of $12.716m relating to the TMAG redevelopment project are in place with the project expecting completion in 2012-13.

STATEMENT OF CASH FLOWS

	2011-12	2010-11	2009-10	2008-09
	$'000s	$'000s	$'000s	$'000s
Cash flows from operating activities				
Cash inflows				
Appropriation receipts - recurrent	100 551	111 003	97 613	78 255
Receipts from Special Capital Investment Funds	2 583	12 664	14 180	14 554
Grants	16 231	195	230	20
Sales of goods and services	2 424	2 985	2 675	3 378
GST receipts	7 939	8 086	7 490	700
Interest received	2 071	3 353	2 988	2 529
Other cash receipts	3 991	4 698	5 705	6 296
Total cash inflows	**135 790**	**142 984**	**130 881**	**105 732**
Cash Outflows				
Employee benefits	(40 191)	(40 398)	(39 273)	(31 457)
Grants and subsidies	(60 233)	(57 725)	(51 971)	(39 295)
GST payments	0	0	0	(7 793)
Interest payments	(2 032)	(2 229)	(2 143)	(1 477)
Supplies and consumables	(31 084)	(35 922)	(36 121)	(25 314)
Other cash payments	(3 623)	(3 692)	(4 434)	(5 530)
Total cash outflows	**(137 163)**	**(139 966)**	**(133 942)**	**(110 866)**
Cash from (used in) operations	**(1 373)**	**3 018**	**(3 061)**	**(5 134)**
Cash flows from investing activities				
Cash inflows				
Proceeds from disposal of non-financial assets	315	526	458	651
Receipts from Special Capital Investment Funds	4 175	0	0	0
Repayment of loans by other entities	2 955	5 649	1 347	2 249
Receipts from investments	133	57	39	690
Other Cash receipts	310	0	0	0
Total Cash inflows	**7 888**	**6 232**	**1 844**	**3 590**
Cash outflows				
Loans made to other entities	(3 492)	(15 074)	(14 114)	(17 130)
Payments for acquisition of assets	(5 710)	(2 038)	(1 665)	(1 628)
Payments for investments	(611)	(687)	(391)	(819)
Other cash payments	0	(198)	(721)	(158)
Total Cash outflows	**(9 813)**	**(17 997)**	**(16 891)**	**(19 735)**
Cash from (used in) investing activities	**(1 925)**	**(11 765)**	**(15 047)**	**(16 145)**
Cash flows from financing activities				
Cash inflows				
Proceeds from borrowings	0	3 600	18 000	0
Total cash inflows	**0**	**3 600**	**18 000**	**0**
Cash outflows				
Repayment of borrowings	(8 600)	(2 000)	(5 000)	(2 003)
Total cash outflows	**(8 600)**	**(2 000)**	**(5 000)**	**(2 003)**
Net cash from (used by) financing activities	**(8 600)**	**1 600**	**13 000**	**(2 003)**
Net increase (decrease) in cash	**(11 898)**	**(7 147)**	**(5 108)**	**(23 282)**
Cash at the beginning of the year	20 386	27 533	31 964	55 246
Cash inflow on administrative restructure	0	0	677	0
Cash at end of the year	**8 488**	**20 386**	**27 533**	**31 964**

Comment

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

The Department's cash balances decreased by $11.898m to $8.488m at 30 June 2012. The decrease was the cumulative impact of Cash used in investing activities, $1.925m, Cash used in operations, $1.373m, and cash expended on financing activities, $8.600m.

Cash used in operations totalled $1.373m this year, a reversal of $4.391m compared to 2010-11. The cash outflow of $1.373m is mainly represented by:

- the Department's Net deficit from transactions of $1.760m adjusted for
- increase in Receivables, $1.638m, and
- Depreciation and amortisation, $1.671m.

The key components of Cash used for investment activities were:

- Payments made for acquisition of assets, $5.710m
- Loans ganted, $3.492m
- Loans recovered, $2.955m.

The key components for Cash used in financing activities were:

- Repayment of borrowings, $8.600m.

FINANCIAL ANALYSIS

	Bench Mark	2011-12	2010-11	2009-10	2008-09
Financial Performance					
Result from operations ($'000s)		(1 760)	(4 982)	(5 296)	(6 381)
Own source revenue		7 996	10 480	12 697	12 969
Financial Management					
Debt collection	30 days	25	20	31	15
Creditor turnover	30 days	3	3	3	13
Capital Management					
Investment gap %	100%	342%	99%	89%	123%
Other Information					
Average staff numbers (FTEs)		422	452	447	400
Average staff costs ($'000s)		88	89	82	78
Average Recreational Leave balance per FTE (days)	20	18	17	16	16
Average Recreational Leave balance per FTE (days)	20	17	16	16	20

Comment

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

Debt collection days were better than or equal to benchmark for two out of four years under review. The days were slightly higher in the current year due to one large $0.088m debtor invoice in Arts which if not included would result in debt collection of 25 days.

The investment gap ratio was high due to capital expenditure on the TMAG development.

The number of FTE's increased from 400 in 2008-09 to 452 in 2010-11. This increase was mainly due to administrative restructures and involving the transfers of staff from Tourism, TMAG and Arts Tasmania to the Department, including associated corporate support staff. The fall in the current year reflects reduced staffing levels as part of budget saving strategies implemented this year.

ADDITIONAL FINANCIAL INFORMATION

Administered Financial Transactions

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

In 2011-12 Administered Income and Expenses related to the Tasmanian Icons Program, Ten Days on the Island, Tasmanian Symphony Orchestra and the Theatre Royal.

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

ADMINISTERED INCOME AND EXPENSES

	2011-12	2011-12	2010-11	2009-10
	Budget	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Administered revenue and other income from transactions				
Revenue from Government				
Appropriation revenue - recurrent	3 891	3 891	3 850	3 785
Total administered revenue and other income from transactions	**3 891**	**3 891**	**3 850**	**3 785**
Administered expenses from transactions				
Grants and subsidies	3 891	3 891	3 850	3 785
Total administered expenses from transactions	**3 891**	**3 891**	**3 850**	**3 785**
Administered net result from transactions attributable to the State	**0**	**0**	**0**	**0**

TASMANIA DEVELOPMENT AND RESOURCES

Tasmania Development and Resources (TDR) was established under the *Tasmanian Development Act 1983.* While it is a separate, stand-alone entity, TDR also forms part of the Department of Economic Development, Tourism and the Arts (the Department) with its financial statements consolidated into those of the Department.

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements for TDR were received on 15 August 2012. An unqualified audit report was issued on 27 September 2012.

KEY FINDINGS AND DEVELOPMENTS

Impairment of Loans

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

Loan advances impaired in 2011-12 related to a loan to Tasair Pty Ltd, $1.600m and an outstanding balance of a loan approved under the TISS program amounting to $0.054m.

On 3 February 2012, Tasair Pty Ltd was placed into liquidation by its owners and it immediately ceased flight operations. It is expected that some funds will be recouped from the sale of most of the aircraft, excluding the Jetstream J31, under the fixed charge. TDR impaired the total principal amount outstanding of $1.600m. Any funds received from the final liquidation will be used to clear unpaid interest of $0.026m and the remainder applied to the principal balance.

Cattle Country Australia Pty Ltd was engaged in producing Cattle Country Magazine. The magazine ceased production in late 2011 due to cash flow problems as a distributor defaulted on a payment. Production of the magazine was one of the conditions of the loan and a review was undertaken on its recoverability. It was determined there was minimal prospect of recovery and impairment of the outstanding balance of $0.054m was authorised by the Board.

State Advanced Borrowing

TDR does not include in its Statement of Financial Position an advance provided to it by Government during the 1980s of $7,895,391.72 because management are of the view that this advance was an interest only non-repayable loan. TDR believes the obligation to repay the loan was waived by the then Premier and Treasurer.

However, the Department of Treasury and Finance (Treasury), through Finance-General, includes the advance in Other administered financial assets. TDR continues to service interest costs associated with this advance.

Clearly, there is an inconsistency in accounting treatment that requires resolution. TDR has agreed to our recommendation that it engages with Treasury to resolve this matter in 2012-13.

Australian Government funded Tasmanian Forests Intergovernmental Agreement (TFIA)

The department received $16.000m in June 2012 from the Australian Government and fully disbursed this funding in accordance with the TFIA.

Loan Impairment documentation

As part of our audit we reviewed processes applied by TDR for assessing impairment of loan balances. We noted that this process could be improved by establishing and documenting impairment triggers which might identify the need to initiate an impairment provision earlier than currently occurs. This is not to say that the TDR Board does not already give careful consideration to impairment of loans at its regular meetings.

In response TDR noted its view that its existing approach was sound but agreed to develop a regular impairment regime in 2012-13.

ABRIDGED STATEMENT OF COMPREHENSIVE INCOME

	2011-12	2010-11	2009-10	2008-09
	$'000s	$'000s	$'000s	$'000s
Total Revenue	**64 931**	**52 953**	**49 244**	**48 482**
Total Expenses	**62 846**	**52 011**	**47 255**	**47 680**
Net surplus from transactions	**2 085**	**942**	**1 989**	**802**
Net gain (loss) on non financial assets	(915)	(400)	(261)	414
Net gain (loss) on financial instruments	(1 152)	(3 855)	(7 528)	75
Net surplus (deficit) attributable to the State	**18**	**(3 313)**	**(5 800)**	**1 291**
Comprehensive Surplus (Deficit)	**18**	**(3 313)**	**(5 800)**	**1 291**

Comment

In 2011-12, TDR recorded a Net surplus from transactions of $2.085m compared to $0.942m in 2010-11. TDR's primary sources of funding are appropriations provided via the Department, grants provided from the Infrastructure Funds and interest earned on loans made to the private sector. Appropriations were high this year because this revenue source included the $16.000m of TFIA payment referred to earlier. Without this grant, Total Revenue would have been $48.931m, less by $4.022m.

At the same time, without the payment of $16.000m, Total Expenses would have been $46.846m, which was $5.165m less than last year. Lower total costs led to a higher surplus from transactions which included:

- less expenditure on consumables of $2.161m directly connected with budget reduction strategies implemented by the Department and
- lower net expenditure on grants and subsidies of $2.474m also associated with budget reduction strategies
- offset by a reduction in interest revenue of $1.086m as Treasury ceased the arrangements where TDR received interest on trust funds.

The net loss on non-financial assets related to a revaluation of investment properties.

Net loss on financial instruments related mainly to the impairment of Tasair loan discussed earlier.

ABRIDGED STATEMENT OF FINANCIAL POSITION

	2011-12	2011	2010	2009
	$'000s	$'000s	$'000s	$'000s
Total Assets	60 870	71 064	70 257	62 317
Total Liabilities	27 056	37 268	33 020	19 280
Net Assets	33 814	33 796	37 237	43 037
Total Equity	33 814	33 796	37 237	43 037

Comment

Total Equity increased slightly by $0.018m being the Comprehensive surplus for the year. The corresponding increase in Net Assets comprised the following:

- lower cash, $9.982m, related mainly to a repayment of borrowings, $8.600m
- non-financial assets decreased by, $0.998m
- investment property decreased by, $0.910m, due to the revaluation already referred to
- lower loan advances, $0.783m, which was the net movement in loan advances arising from loans recovered, impairments, for example the impairment of the loan to Tasair of $1.600m, and new advances this year.

These reductions in assets were offset by:

- lower interest bearing liabilities of $8.600m repaid
- lower other liabilities, $2.050m, mainly due to a reduction in the appropriation carried forward. At 30 June 2011 $2.380m was carried forward whereas at 30 June 2012, only $0.500m was carried forward.

Commitments

At 30 June 2012, TDR had commitments related to loans approved but not drawn down by clients totalling $3.611m (2010-11, $3.379m) and Program/Project commitments of $23.148m ($19.835m). The movement in loans approved represents new loans approved offset by loans drawn down in 2011-12. The Program/Project commitments represented committed funding over a period greater than one year, on which the actual amount payable is dependent upon the approved recipients meeting certain conditions.

In addition, TDR had lease commitments, which represented rental costs for leased premises occupied by it, office equipment and motor vehicles, totalled $33.477m at 30 June 2012 ($34.575m). These commitments were, correctly, not recognised on TDR's Statement of Financial Position, however they represented future outgoings to be funded from Government revenue.

FINANCIAL ANALYSIS

	Bench Mark	2011-12	2010-11	2009-10	2008-09
Financial Performance					
Result from operations ($'000s)		2 085	942	1 989	802
Own source revenue ($'000s)		3 695	6 277	5 258	4 261
Operating margin	>1	1.03	1.02	1.04	1.02

Comment

The nature of TDR's operations, that is providing loans at commercial rates to industry, means there is an expectation it will operate at a surplus which it currently does, before accounting for non-performing loans. Financial Performance indicators show that TDR operated at a surplus each year. Reasons for the stronger Result this year from operations are provided earlier in this Chapter.

Own source revenue fell $2.582m compared to the prior year due to Treasury's decision to remove interest being earned on TDR trust funds and one-off revenue sources received in 2010-11, including a Tenancy lease incentive of $0.500m and funding received for the Vegetable Development Program $0.180m.

Operating margin was above benchmark, reflecting the positive Result from operations.

TOURISM TASMANIA

INTRODUCTION

Tourism Tasmania (the Authority) was established under the *Tourism Tasmania Act 1996*. While it is a separate, stand-alone entity, the Authority also forms part of the Department of Economic Development, Tourism and the Arts (the Department) with its financial statements consolidated into those of the Department.

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 16 August 2012. An unqualified audit report was issued on 24 September 2012.

KEY FINDINGS AND DEVELOPMENTS

Restructure and re-alignment

The Authority has been undergoing a significant restructure over recent years moving towards realignment from a full-service State Tourism Organisation to one that focuses on marketing and distribution. This restructure has impacted on the operational activities, staff numbers and the financial results of the Authority and must be taken into account when making comparisons between current and prior period financial results.

Events Tasmania

On 1 July 2011 control over Events Tasmania (Events) was transferred from the Authority to the Culture, Recreation and Sport division of the Department resulting in a decrease in the Authority's revenue, expenditure and equity. The transfer of assets and liabilities relating to Events totalled \$0.602m. The main balances transferred included assets of \$0.704m, representing Prepayments, and liabilities of \$0.020m for Employee benefit provisions.

ABRIDGED COMPREHENSIVE INCOME STATEMENT

	2011-12	**2010-11**	**2009-10**	**2008-09**
	\$'000s	\$'000s	\$'000s	\$'000s
Total Revenue	24 801	35 239	36 139	39 358
Total Expenses	24 445	35 625	36 829	37 738
Net surplus (deficit) from transactions	**356**	**(386)**	**(690)**	**1 620**
Net surplus (deficit) attributable to the State	**356**	**(408)**	**(690)**	**1 620**
Comprehensive Surplus (Deficit)	**356**	**(408)**	**(690)**	**1 620**

Comment

In 2011-12 the Authority recorded a Net surplus from transactions of \$0.356m. Its main source of income was appropriations via the Department of \$24.075m, (2010-11, \$30.724m) and its main expenditures were:

- employee costs, \$8.254m (\$10.205m)

- advertising and promotion, $8.794m,($9.561m)
- grants and subsidies, $2.073m, ($8.963m)

Total Revenue decreased by $10.438m, primarily due to lower appropriation revenue of $6.649m, of which around $4.000m related to the transfer of Events this year, and SCIF revenue of $3.558m, which mainly reflected the transfer of funding for the Hawthorn Football Club (Hawthorn), from the Authority to the Department.

Total Expenses decreased by $11.180m including:

- lower grants and subsidies, $6.890m, which includes decreased Regional tourism support payments of $0.574m. The main items no longer funded were those associated with Events, and payments to Hawthorn of $3.000m
- lower supplies and consumables, $1.325m, with decreases across the majority of expenditure items, reflecting partly the transfer of Events, and a significant reduction of $0.689m due to reduced use of consultants and contractor services
- decreased employee expenditure, $1.951m. FTE's fell by approximately 30 since 30 June 2011, due to staff accepting voluntary redundancies, $1.366m, and transfers to other State entities.

ABRIDGED STATEMENT OF FINANCIAL POSITION

	2012	2011	2010	2009
	$'000s	$'000s	$'000s	$'000s
Total Assets	1 617	2 759	2 871	5 716
Total Liabilities	1 976	2 872	2 576	4 731
Net Assets (Liabilities)	**(359)**	**(113)**	**295**	**985**
Total Equity	**(359)**	**(113)**	**295**	**985**

Comment

Total Equity decreased by $0.246m, which reflected the Comprehensive Surplus for the year, $0.356m, and the reduction in Net Assets resulting from the decision to transfer Events' net assets of $0.602m to the Department.

The remaining decrease in Net Assets was a result of:

- lower cash and deposits of $0.426m due to payments slightly exceeding receipts this year
- lower leasehold improvements, $0.066m, due to amortisation charges
- lower other assets, $0.450m, because the Authority did not incur pre-repayments associated with Events this year
- accrued expenses decreased by $0.230m also associated with no large accruals for Events this year
- lower employee benefits provisions by $0.626m, due mainly to reduced employee numbers and associated payouts of accrued employee benefits.

FINANCIAL PERFORMANCE

	Bench Mark	2011-12	2010-11	2009-10	2008-09
Financial Performance					
Result from operations ($'000s)		356	(386)	(690)	1 620
Operating margin	>1.0	1.01	0.99	0.98	1.04
Own source revenue ($'000s)		716	947	1 821	3 881
Financial Management					
Debt collection	30 days	8	22	27	11
Creditor turnover	30 days	7	5	5	26

Comment

The Operating margin was above benchmark due to a positive result from operations.

Lower Own source revenue related generally to fewer advertising and promotional campaigns where the Authority invoices clients involved to recover full or part of the costs.

TASMANIAN MUSEUM AND ART GALLERY

Tasmanian Museum and Art Gallery (TMAG) is managed by a board of trustees but administered by the Department of Economic Development Tourism and the Arts. There are seven Trustees appointed under Section 3 of the *Tasmanian Museum Act 1950*.

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2012 and an unqualified audit report was issued on 24 September 2012.

KEY FINDINGS AND DEVELOPMENTS

Redevelopment of the museum

Stage 1 of the Tasmanian Museum and Art Gallery's redevelopment is underway and for the duration of these works TMAG is a smaller museum. Stage 1 is focused on the restoration and refurbishment of TMAG's heritage buildings in order to create new and refreshed exhibitions spaces.

TMAG will continue to work with State and Australian Governments and with philanthropists and sponsors to secure the funding required to realise the full redevelopment aimed at being a tangible step towards realising the vision of a redeveloped TMAG.

It is anticipated that the completed heritage works and a suite of new exhibitions will be revealed in early 2013.

The audit was completed satisfactorily with no matters outstanding.

ABRIDGED STATEMENT OF COMPREHENSIVE INCOME

	2011-12	2010-11	2009-10	2008-09
	$'000s	$'000s	$'000s	$'000s
Total Revenue	8 498	8 961	8 582	8 723
Total Expenses	10 152	10 452	8 557	10 103
Net result from transactions	**(1 654)**	**(1 491)**	**25**	**(1 380)**
Other economic flows included in net result				
Revenue from Special Capital Investment funds	4 175	2 150	1718	2051
Net (loss) on non financial assets	(767)	(840)	(7)	0
Fair value of land and buildings identified	0	0	4 224	0
Contributions received	734	296	508	16 737
Total other economic flows included in net result	**4 142**	**1 606**	**6 443**	**18 788**
Net Surplus	**2 488**	**115**	**6 468**	**17 408**
Other economic flows				
Changes in physical asset revaluation reserve	4 520	(122 910)	94 565	9 552
Comprehensive result	**7 008**	**(122 795)**	**101 033**	**26 960**

Comment

TMAG recorded a Net deficit from transactions of $1.654m in 2011-12, compared to a Net Deficit of $1.491m in 2010-11.

TMAG was allocated this funding for specific projects from the Special Capital Investment Funds (SCIF). All SCIF revenue received and expenditure incurred relates to the TMAG Redevelopment Project.

Other economic flows caused the net result to increase to a surplus of $2.488m. This was mainly due to Contributions received of $0.734m offset by a downward revaluation of buildings. Contributions received represents donations, bequests and resources received free of charge.

The $4.520m asset revaluation increment arose from an upward revaluation of heritage assets and downward revaluation of land.

ABRIDGED STATEMENT OF FINANCIAL POSITION

	2012	2011	2010	2009
	$'000s	$'000s	$'000s	$'000s
Total Assets	408 309	399 308	521 907	421 281
Total Liabilities	3 541	1 548	1 352	1 759
Net Assets	**404 768**	**397 760**	**520 555**	**419 522**
Total Equity	**404 768**	**397 760**	**520 555**	**419 522**

Comment

Total Equity increased by $7.008m, due to revaluations, $4.520m, and the Net Surplus, $2.488m, previously noted.

Total Assets were predominantly made up of cash and deposits, $2.574m (2011, $2.533m), property, plant and equipment, $28.104m ($24.453m), and heritage and cultural assets, $376.739m ($371.237m).

Total Liabilities largely comprised provisions for employee entitlements, $1.529m (2011, $1.383m), and payables, $1.913m (2011, $0.076m). Payables were high at 30 June 2012 mainly due to accrued Work in progress costs of $1.796m.

DEPARTMENT OF EDUCATION

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2012. Re signed statements were subsequently received on 26 September 2012, with an unqualified audit report issued on 28 September 2012.

KEY FINDINGS AND DEVELOPMENTS

Changing structures within the Department

2011-12 saw a continuation of on-going reforms within the Department resulting from the merger into it of the Academy and Polytechnic half way through 2010-11. As a result this Chapter does not include financial results for 2009-10.

Australian Government's 'Building Education Revolution' (BER) Funding

The BER project was completed by 30 June 2012. Since 2008-09, the Department received $332.000m and spent $332.000m on BER projects of which $285.500m was capitalised under the thresholds outlined within Departmental asset policies.

Internal control related matters

During 2011-12 the Department addressed a number of internal control and process matters noted in the prior year audit. Notwithstanding this, opportunities remain for the Department to continue improving these controls and processes. For example, documentation and timing of review over reconciliations (relating to bank accounts, creditors, debtors, and BAS), ensuring all required documentation is on employee personnel files and is signed by delegated authority, and a review of Corporate Online access to ensure all parties require access provided.

Asset revaluations

Given the judgemental nature of the valuation of School buildings, the Department continued to monitor the on-going appropriateness of key assumptions used to value these assets. This valuation is complex due to the specialised nature of the assets as well as the need to factor in an adjustment for any spare capacity that may be embodied in current School buildings.

During the year the Department engaged an independent valuer to provide valuations for a sample of schools with varying characteristics that are representative of its school portfolio. This valuation was obtained to provide additional evidence over the current methodology applied by the Department to factor in spare capacity. It showed that the current methodology was not producing a material misstatement in the fair value of the specialised school building assets.

The Department will continue to monitor these key assumptions and methodologies going forward and will next conduct a full valuation, inclusive of recently added assets arising from the BER funding noted above, in 2015.

Transfer of Schools and Post year 10 entities to Finance One

During the year, to improve the efficiency and effectiveness of recording financial transactions within the Department, all schools and post year 10 entities (Polytechnic and Academy) were transferred from their existing finance systems to the Department's General Ledger system, Finance One. The post year 10 entities were transferred from 1 January 2012 while schools were transferred on a rolling basis with a number of schools transferring each month.

The transfer was subject to audit and resulted in the identification of costs not previously recognised totalling $14.346m in the Statement of Comprehensive Income as an 'other economic flow'. The noted variance is in part due to the overstatement of receivables and cash (due to understatement of payables) in prior years.

FINANCIAL RESULTS

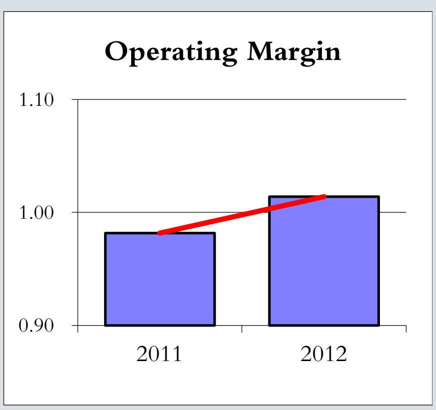
The Department's net deficit from transactions was $35.381m compared to a budgeted deficit of $67.906m and a deficit in 2010-11 of $49.499m. The improved result was primarily driven by higher User charges; mainly revenue generated from school activities, levies and overseas student fees, and a substantial decrease in Grants and subsidies expenses this year. Offsetting these benefits was an increase in Employee benefits of more than $50m when compared to budget and prior year. Reasons for these changes are outlined later in this Chapter.

On the basis of Surplus/(deficit) attributable to the State, the Department's performance was a surplus of $19.209m, less than budget for the reasons outlined under the matter titled Transfer of Schools and Post year 10 entities to Finance One referred to earlier, and lower than the $166.663m surplus in 2010-11 due to the significant drop in BER funding as this stimulus package came to an end this financial year.

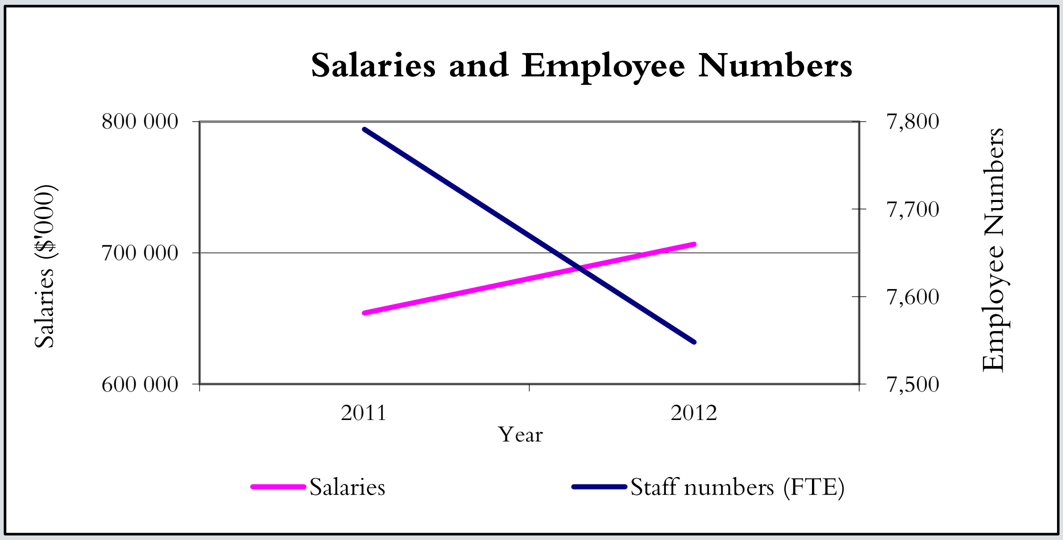
The Department's Statement of Comprehensive Income included, under Other economic flows – other non-owner changes in equity of $66.548m (2010-11, $59.322m) arising from a revaluation of land, buildings and heritage assets.

At 30 June 2012, the Department had Total Equity of $1 605.806m against the prior year of $1 525.625m. The difference of $80.181m was primarily due to the Comprehensive result for the year of $85.757m offset by the distribution of equity associated with the Crown Land Administration Fund (CLAF) of $5.576m.

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



The Operating margin is determined at the Net deficit from transactions level excluding depreciation. It trended upwards over the two year period and moved from slightly below the benchmark of 1.00 in 2010-11 to slightly over in 2011-12. The fact that the Department operates at a deficit is consistent with our expectation as depreciation is not funded.



Staff numbers (FTE) decreased by 243 staff in 2011-12, from approximately 7 791 to 7 548. The decrease in staff was a result of the issuance of 325 early retirement and Workforce Renewal Incentive Program (WRIP) packages to accepting staff (totalling costs of $4.870m however with ongoing savings of approximately $9.600m to the Department). Teaching staff numbers dropped by 226 FTE and non-teaching by 17 FTE.

Despite the decline in FTE, Salary costs continue to trend upwards with the key drivers being agreed annual increases and early retirement packages.

However, the salary data for 2010-11 noted in the graph only includes six months of Polytechnic and Academy salaries as the Department was re-structured on 1 January 2011. The 2011-12 figures reflect a full twelve months of employee entitlements for the Department inclusive of the Polytechnic and Academy.

STATEMENT OF COMPREHENSIVE INCOME

	2011-12 Budget Education $'000s	2011-12 Actual Consolidated $'000s	2010-11 Actual Consolidated $'000s
Revenue from government - recurrent	944 452	926 677	911 999
User charges, fees, fines and other revenue	73 303	77 190	51 268
Interest revenue	1 467	2 035	2 222
Australian Government grants	488	3 419	2 937
Gain(loss) on sale of non-financial assets	(179)	(3 777)	2 030
School levies		9 530	10 322
Total Revenue	**1 019 531**	**1 015 074**	**980 778**
Employee benefits	648 218	706 635	654 146
Depreciation	65 901	49 454	31 281
Grants and subsidies	132 427	44 623	112 951
Supplies and consumbles	193 034	207 571	182 288
Impairment losses	0	360	296
Other expenses	47 857	41 812	49 315
Total Expenses	**1 087 437**	**1 050 455**	**1 030 277**
Surplus (Deficit) from transactions	**(67 906)**	**(35 381)**	**(49 499)**
Other economic flows included in net result			
Revenue from government - works	64 161	68 825	215 165
Asset brought to account for first time	0	111	117
Insurance recovery re school damage	0	0	880
Transitional data transfer	0	(14 346)	0
Total other economic flows included in net result	**64 161**	**54 590**	**216 162**
Surplus (Deficit) attributable to the State	**(3 745)**	**19 209**	**166 663**
Other economic flows - other non-owner changes in equity			
Changes in asset revaluation reserve	12 163	66 548	59 322
Total other economic flows - Other non-owner changes in equity	**12 163**	**66 548**	**59 322**
Comprehensive Surplus (Deficit)	**8 418**	**85 757**	**225 985**

Comment

Overall the Department's comprehensive result of $85.757m was lower than prior year by $140.228m. This movement was attributable in combination to the operating, non operating and other comprehensive income movements as detailed below, however was mainly due to the decrease in Revenue from government – works which related to the completion of the BER program during the year:

The Department's Net deficit from transactions of $35.381m was less than prior year's deficit. The main movements related to:

- increased Revenue from government – recurrent of $14.678m to fund higher expenses noted in Employee benefits (associated with award increases as opposed to the increase arising from the full year impact of the Polytechnic and Academy), and Supplies and consumables. The increase in revenue pertains to a $16.700m Skills Development Contestable Funding initiative program from the Australian Government via a National Partnership Agreement

- Increased User charges, fees, fines and other revenue of $25,922m. This was a result of significant increases in revenues generated from overseas student fees, other student collections, corporate services, and other/miscellaneous revenues
- a significant decline in Grants and subsidies costs due to more accurate accounting for internal grants allocated to the Polytechnic. In the prior year, payments to the Polytechnic were treated as grants, however, in the current year have been allocated to the expense category to which the actual grants were expended. This has also impacted the movements in other expenses as noted below
- increased salaries and wages expenditure of $52.489m primarily in relation to salary increases in-line with wage agreements, issuance of early retirement and Workforce Renewal Incentive Program (WRIP) packages, realignment of grants and subsidies expenses as noted previously, and the inclusion of a full twelve months of Polytechnic and Academy expenses. Teaching staff of 4 701 FTEs decreased by 226 FTEs on prior year while non-teaching staff of 2 847 FTEs decreased by 17 FTEs. During the year there was issuance of 325 early retirement and WRIP packages to accepting staff. The costs for these packages amounted to $4.870m, however will deliver ongoing savings of approximately $9.600m to the Department
- an increase in Depreciation for two reasons, firstly because of capitalised BER costs and asset revaluations, and secondly because the Department took on assets transferred from the Polytechnic and Academy
- supplies and consumable increased by $25.283m primarily representing six months of costs for the Polytechnic and Academy and realignment of grants and subsidies expenses as noted above.

The Net surplus attributable to the State was $19.209m, down $147.454m compared to the prior year. This was due to items noted earlier (including the loss associated with transitional data transfers from the Schools) and due to lower Revenue from Government – works and services of $146.340m, attributable to the winding down of the BER program in 2011-12.

Other non-owner changes in equity increased by $7.226m compared to the prior year. This was primarily due to the higher revaluation increment in respect of Land and buildings as detailed in the Statement of Financial Position section of this Chapter.

Overall, the Department's Comprehensive surplus of $85.757m was higher than budget by $77.339m. This was attributable to the operating, non operating and other comprehensive income factors detailed below.

The current year Net deficit from transactions of $35.381m was better than budget by $32.525m. The following factors contributed to this improvement:

- lower than budgeted Depreciation expense of $16.447m as a result of timing delays in the expected and actual dates that BER related buildings were held ready for use and therefore commenced for depreciation purposes
- lower than budgeted Grants and subsidies expense of $87.804m due to more accurate accounting for internal grants allocated to the Polytechnic. For budget purposes the payments to the Polytechnic were treated as grants, however, for financial statement purposes have been allocated to the expense category to which the actual grants were expended. This led to other expense categories such as employee benefits and supplies and consumables being higher than budget by $58.417m and $15.537m respectively
- lower than budgeted Other expenses of $6.044m as a result of Government's decision to no longer require agencies to provide for payroll tax from 1 October 2012. The 2011-12 expense was impacted by the removal of payroll tax from the employee benefit liabilities (annual leave and long service leave) in the Statement of Financial Position.

The Net surplus attributable to the State was $19.209m, up $22.954m from budget due to an increase of $4.664m in Revenue from government – works and services compared to budget relating to BER and reasons stated above.

Other non-owner changes in equity was $54.385m higher than budget. This was primarily due to a higher revaluation increment in respect of land, buildings and heritage assets than budgeted, details of which is provided in the Statement of Financial Position section of this Chapter.

STATEMENT OF FINANCIAL POSITION

	2011-12 Consolidated $'000s	2010-11 Consolidated $'000s
Financial Assets		
Cash and deposits	66 553	60 547
Receivables	12 047	14 285
Non-financial Assets		
Assets held for sale	11 427	16 487
Heritage assets	63 343	60 337
Plant and equipment	9 514	9 301
Land and buildings	1 606 015	1 525 072
Library book stock	16 790	18 490
Other non-financial assets	1 818	2 139
Total Assets	**1 787 507**	**1 706 658**
Liabilities		
Payables	11 978	12 230
Employee benefits	154 249	148 603
Other liabilities	15 474	20 200
Total Liabilities	**181 701**	**181 033**
Net Assets	**1 605 806**	**1 525 625**
Reserves	320 745	254 197
Accumulated funds	1 285 061	1 271 428
Total Equity	**1 605 806**	**1 525 625**

Comment

In 2011-12 the Department's Total Equity increased by $80.181m (5.26%). This was mainly due to land and buildings increasing in value by $80.943m.

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

- decreased Assets held for sale, $5.060m, attributable to the sale of school land and buildings during the year of $4.313m
- increased Land and buildings of $80.943m, which related to the following factors:
    - formal revaluation of specialised building assets combined with the indexation applied to Land and buildings assets at 30 June 2012, which resulted in a further net increment of $59.860m
    - further significant capital investment spending of $67.048m, which comprised of the BER initiative and the Department's own capital investment program. Of the total spent, $19.000m pertains to the BER initiative
    - Depreciation charges of $49.454m, as detailed in the Statement of Comprehensive Income section of this Chapter
- higher cash position of $6.006m, which is explained in the Statement of Cash Flows section of this Chapter. The Department's cash position remained high at $66.553m ($60.547m) but of which $34.803m ($43.299m) related to school bank accounts

- higher Employee benefits of $5.646m, primarily reflective of the annual wage agreement increase as noted previously under the Statement of Comprehensive Income section with only a minimal increase from discount factors applied to arrive at the long service leave balance. There has been a slight decrease in the number of days of long service leave outstanding
- decrease in Other liabilities of $4.726m due to the changes in of Payroll Tax from 1 October 2012 previously included in annual and long service leave liabilities of $12.015m, offset by increased revenue received in advance of $6.947m related to income carried forward under Section 8A(2) of the *Public Account Act 1986* for unused funding in 2011–12. The carried forward balance in 2011–12 related to unspent capital funding for the completion of the Child and Family Centre projects at Chigwell, New Norfolk and Burnie.

STATEMENT OF CASH FLOWS

	2011-12 Consolidated $'000s	2010-11 Consolidated $'000s
Receipts from government - recurrent	932 956	921 064
User charges, other cash receipts, fees and fines	68 004	53 604
Grants	3 419	1 557
School levies	9 530	10 322
GST receipts	43 853	58 436
Interest received	2 035	2 216
Payments to employees	(700 989)	(645 367)
Grants and subsidies	(44 623)	(116 403)
Other cash payments	(260 960)	(238 004)
GST payments	(42 644)	(56 618)
Cash from (used in) operations	**10 581**	**(9 193)**
Proceeds from disposal of assets	917	2 078
Appropriations - Works and Services	61 384	188 618
Other Revenue from Government	1 162	12 206
Payments for acquisition of assets	(68 038)	(197 892)
Cash from (used in) investing activities	**(4 575)**	**5 010**
Cash inflow/(outflow) on administrative restructure	0	1 415
Cash from (used in) financing activities	**0**	**1 415**
Net increase (decrease) in cash	**6 006**	**(2 768)**
Cash at the beginning of the year	60 547	63 315
Cash at end of the Year	**66 553**	**60 547**

Comment

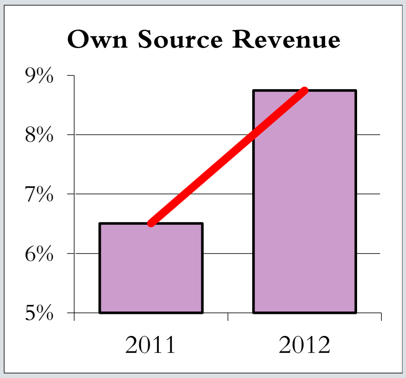
Comment

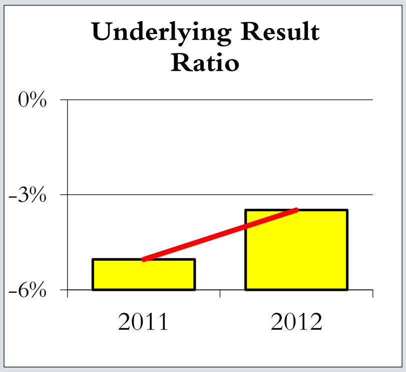
Overall the final cash position at 30 June 2012 was up on prior year by $6.006m. In this regard we note:

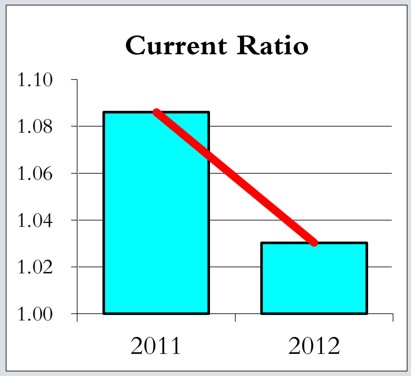
- net operating cash flows for the year ended 30 June 2012 were up $19.774m on the prior year to $10.581m. That is, the Department's Net deficit from transactions of $35.381m and, adjusting this for Depreciation of $49.454m, Loss on sale of non-financial assets of $3.777m and decrease in employee liabilities due to payroll tax abolition of $11.647m would translate to expected Cash from operations of $11.410m which is in line with the actual of $10.581m
- net cash flows from investing activities were down $9.585m due primarily to a decrease in other revenue from government as a result of $13.575m reduction in the non-operational capital funding of the Capital Investment Program.

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

FINANCIAL ANALYSIS







	Bench Mark	2011-12	2010-11
Financial Performance			
Result from operations ($'000s)		(35 381)	(49 499)
Own source revenue		88 755	63 812
Financial Management			
Debt collection	30 days	51	85
Creditor turnover	30 days	17	14
Capital Management			
Investment gap %	100%	138%	633%
Other Information			
Teaching staff numbers (FTEs)		4 701	4 927
Non-Teaching staff (FTEs)		2 847	2 864
Total staff numbers (FTEs)		7 548	7 791
Average staff costs ($'000s)		94	84
Average Annual Leave balance per FTE (days)	20	5.95	4.84
Average Long Service Leave balance per FTE (days)	100	53.05	32.05

Comment

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

Own source revenue, represented by revenue generated by the Department from user charges, fees, fines and other sources plus interest earned, increased by approximately 2%. This is a result of a $28.276m increase in revenues generated from overseas student fees, other student collections, corporate services and other/miscellaneous revenues.

Outstanding Debt collection days improved in the current year from 85 days to 51 days. This was primarily due to lower debtors at 30 June 2012 because of a reduction in GST receivables related to the BER expenditures at 30 June 2012. In addition, there was a continued effort in respect to the follow up and collection of aged receivables. The outstanding debt collection days remained above the benchmark of 30 days.

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

Overall FTE staff decreased by 243 as a result of the issuance of 325 early retirement and WRIP packages to accepting staff (totalling costs of $4.870m however with ongoing annual savings of approximately $9.600m to the Department). This, together with the annual salary increments, caused the average staff cost to increase over the prior year. In addition, the inclusion of the full twelve months of Polytechnic and Academy employee entitlements also caused this figure to increase compared to the prior year.

ADDITIONAL FINANCIAL INFORMATION

Administered Financial Transactions

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

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

ADMINISTERED INCOME AND EXPENSES

	2011-12 Budget $'000s	**2011-12** Actual $'000s	**2010-11** Actual $'000s
Revenue from government - recurrent	220 896	231 895	255 840
Australian government grants	474	661	2 308
Sale of goods, services, fees and fines	336	177	196
Other revenue	0	5	22
Total Revenue	**221 706**	**232 738**	**258 366**
Grants and subsidies	220 896	231 877	255 840
Total Expenses	**220 896**	**231 877**	**255 840**
Net Surplus	**810**	**861**	**2 526**
Transfer to Consolidated Fund	810	864	2 529
Net Surplus (Deficit) Attributable to the State	**0**	**(3)**	**(3)**
Other Comprehensive Income	**0**	**0**	**0**
Comprehensive Results	**0**	**(3)**	**(3)**

Comment

The Net deficit attributable to the State of $0.003m was consistent with last year's ending balance and remains slightly above budget. The overall net result was a function of receiving lower levels of funding from the Commonwealth Government offset by administered payment of these amounts to non government operated schools.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

In this Chapter the Department of Health and Human Services is referred to as either DHHS or the Department.

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2012, with amended financial statements received on 27 September 2012. An unqualified opinion was issued on 28 September 2012.

The audit was completed satisfactorily with no major items outstanding.

KEY FINDINGS AND DEVELOPMENTS

Tasmanian Health Organisations

Tasmanian Health Organisations (THOs) commenced on 1 July 2012. The THOs are independent local organisations, with their own governing council and a chief executive officer, which will be responsible for managing public hospital services in their respective regions (South, North and North-West).

The new structure is supported by a new funding model based on a national efficient price for health services determined by the Australian Government Independent Hospital Pricing Authority.

Capital Expenditure

The Royal Hobart Hospital (RHH) is undergoing a $565.000m redevelopment funded by both the Australian and State Governments. The first stage was completed by 30 June 2012, including the completion of a Positron Emission Tomography and an X-Ray Computed Tomography (PET/CT) unit, upgrades to the Medical Imaging Department and a range of other upgrades to improve existing facilities. Works are underway for the constructions of the Intensive Care Unit and Women's and Children's Hospital.

Separate funding of $67.000m was provided to the Launceston General Hospital (LGH) where capital works are being undertaken on the intensive care centre, Holman Clinic, Cancer Centre, Acute Medical Unit, Department of Emergency Services and car park.

In addition, during 2011-12 the Mersey Hospital completed the upgrade of its Department of Emergency Services and the first stage of the Clarence GP Super Clinic was constructed.

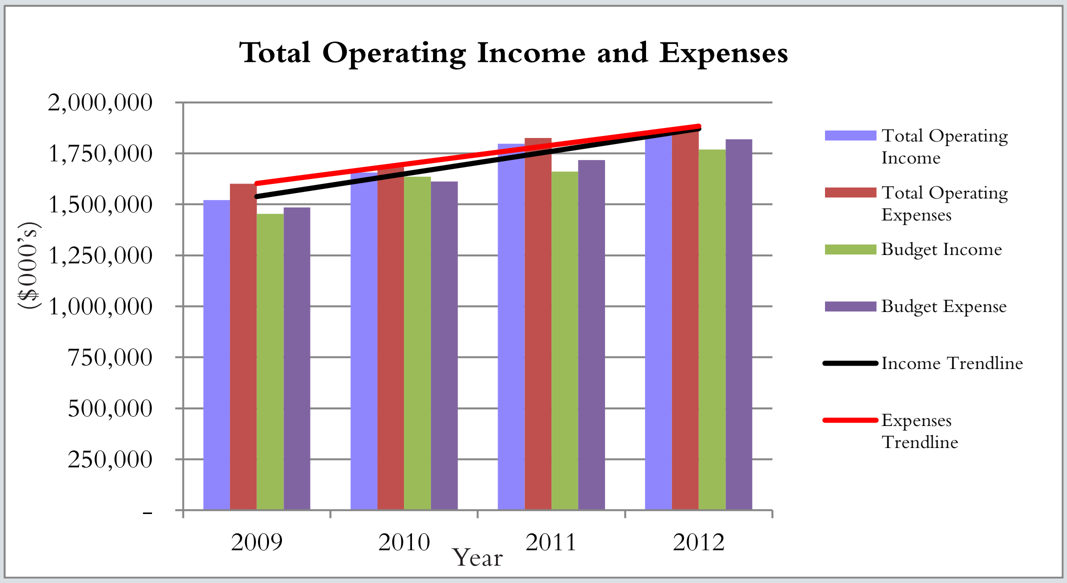
Capital projects undertaken by Ambulance Tasmania included the construction of new headquarters, including a new communication centre and the purchase of new ambulance vehicles. Further information can be found in the Chapter for Ambulance Tasmania, $4.693m was spent on these capital developments in 2011-12.

During 2011-12, the Department's housing stock increased and construction of additional community housing buildings were undertaken through a number of projects funded by the State and Australian governments. Total spend on these capital projects was $40.499m, and this is covered in the Housing Tasmania Chapter of this Report.

Social Housing Grant

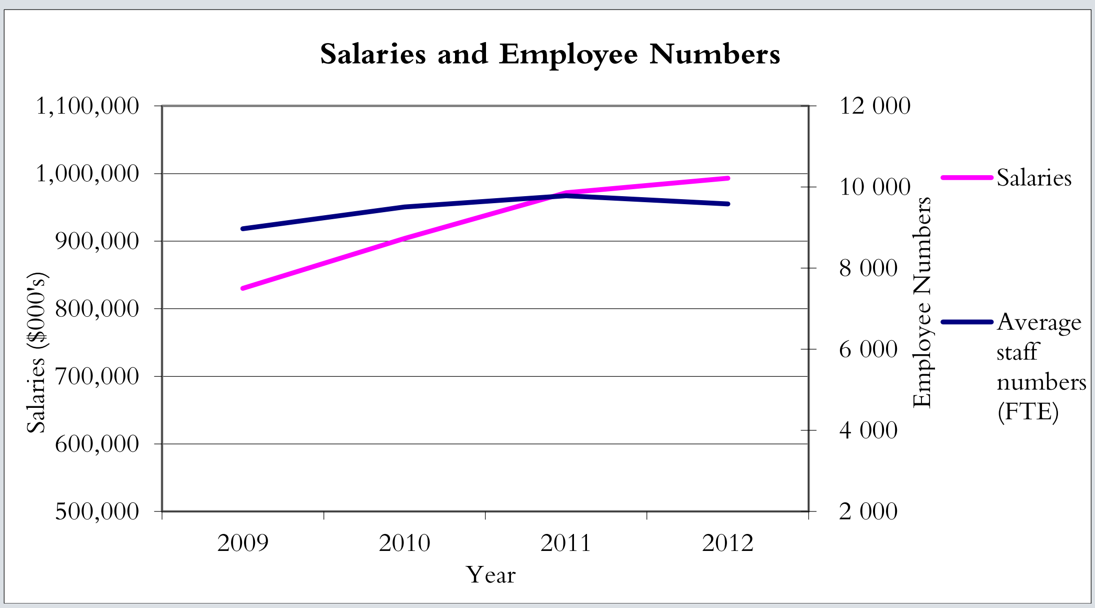
During the year, Housing recorded an expense of $45.764m for Social Housing grants. These grants represented expenditure held in capital works in progress over recent years for the construction of community housing projects. Further details are in the Housing Tasmania Chapter of this Volume.

FINANCIAL RESULTS



Operating expenses exceeded operating income in all years under review, however the trend lines indicate that the gap is closing. Operating deficits are expected, as departments are not funded for depreciation or increases in employee provisions.

The growth in total income over the past four years, 21.2%, was driven predominantly by revenue from government, with other sources of funding representing on average only 12.1% of total revenue. The increase in appropriations was necessary to cover the rising costs associated with higher demand for services, especially employee expenses, which increased by 20.7% over the past four years.



Salaries and related expenses represented more than half of the Department's total operating expenses. Salaries grew significantly over the period under review, especially between 2009 and 2011, due to a combination of annual and structural adjustment increases under various wages agreements, other increments and staff changes. Average staff numbers increased steadily between 2009 and 2011 as a result of the growing demand for health and related services provided by the Department. The continued growth in staff numbers was reversed in 2011-12 as the Department, in the face of significant budget cuts, abolished 589 FTE positions.

STATEMENT OF COMPREHENSIVE INCOME

	2011-12	**2011-12**	**2010-11**	**2009-10**
	Budget	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from government - recurrent	1 488 641	1 540 002	1 526 489	1 395 487
Revenue from Special Capital Investment Funds - recurrent	13 249	13 249	9 850	10 208
Grants	65 000	63 600	59 742	54 504
Sale of goods and services	175 942	185 868	168 958	159 345
Interest revenue	1 371	770	2 344	1 349
Contributions received	0	0	90	0
Other revenue	24 445	39 554	29 918	34 224
Total Revenue	**1 768 648**	**1 843 043**	**1 797 391**	**1 655 117**
Employee entitlements	964 094	1 002 020	971 688	903 953
Depreciation and amortisation	51 857	61 044	59 467	50 612
Supplies and consumables	446 807	462 719	471 341	451 698
Grants and subsidies	275 588	260 423	234 504	191 348
Finance costs	9 623	9 626	9 913	10 197
Other expenses	71 230	69 056	78 835	75 079
Total Expenses	**1 819 199**	**1 864 888**	**1 825 748**	**1 682 887**
Net Surplus (Deficit) from transactions	**(50 551)**	**(21 845)**	**(28 357)**	**(27 770)**
Profit (loss) on sale of assets	9 225	(4 941)	2 437	1 143
Impairment of non-finanical assets	0	(1 842)	(2 731)	(7 701)
Impairment of loans and receivables	0	(2 767)	(910)	877
Revenue from government - capital	113 377	58 040	141 518	59 787
Revenue from Special Capital Investment Funds - capital	95 044	49 678	43 127	22 185
Social Housing Grant	0	(45 764)	0	0
Actuarial superannuation adjustment	0	(13 921)	(1 235)	2 613
Net Surplus (Deficit) attributable to the State	**167 095**	**16 638**	**153 849**	**51 134**
Other Comprehensive Income				
Changes in physical asset revaluation reserve	53 436	13 261	226 666	21 243
Comprehensive Surplus	**220 531**	**29 899**	**380 515**	**72 377**

Comment

The Net Surplus (Deficit) from transactions comprised:

	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s
DHHS*	3 694	(2 725)	(6 240)
Housing*	(23 822)	(23 666)	(20 100)
Ambulance*	(1 717)	(1 966)	(1 430)
Total (Deficit)	**(21 845)**	**(28 357)**	**(27 770)**

* *Results before elimination of internal transactions*

Net Deficit from transactions decreased from $28.357m in 2010-11 to $21.845m in the current year as Total Revenue went up by 3% to $1.843bn, while Total Expenses grew at a slower rate, 2%, to $1.865bn.

The smaller deficit of $6.512m was attributed to:

- increased funding from recurrent appropriation and Special Capital Investment Funds, $16.912m
- indexation of the Australian Government's funding for running the Mersey Community Hospital, $3.858m
- increased revenue from Sale of goods and services, $16.901m, due to increased rentals received from Housing tenants, inpatient and outpatient fees, pharmaceutical benefits scheme (PBS) payments from Medicare and private patient scheme revenues
- higher Other revenue, $9.636m, due to increased operating and workers compensation recoveries
- higher Employee entitlements, $30.332m. In dollar terms, Employee entitlements were the Department's single largest expenditure at $1.002bn, or 53.7% of Total Expenses. The increase in 2011-12 of 3.1% was the lowest in the past three years and reflected a reduction in staffing levels during the year by 589 FTEs, from 9 879 FTEs at 30 June 2011 to 9 290 FTEs at 30 June 2012. At the 2010-11 average salary (refer Financial Analysis section later in this Chapter) of $99 000, this represents a saving in employee costs of approximately $58.475m
- lower Supplies and consumables, $8.622m, due principally to savings in discretionary spending
- higher Grants and subsidies, $25.919m, mainly due to payments to the disability sector under the National Disability Agreement. Increases were also identified in various subsidies for community support, rental affordability and home and community care programs
- lower Other expenses, $9.779m, predominantly due to a reduction in payroll tax obligations relating to employee provisions following changes to payroll tax arrangements for agencies.

The primary reason for the Department's deficit was that it's funding excluded depreciation, impairment losses or increases in employee provisions. Depreciation and amortisation increased by $1.577m this year, and this figure will continue to increase in the future, due to the significant level of capital works in progress.

Net Surplus attributable to the State of $16.638m was a significant reduction on the surplus in the previous year of $153.849m. The decrease of $137.211m was principally due to:

- Social Housing grant, $45.764m, which related to a transfer of completed social housing projects to non-government organisations and some local government councils, discussed in the Housing Tasmania Chapter of this Volume

- a significant reduction in Capital appropriations, $76.927m, which was a combination of the winding down of projects funded from the Australian Government's National Partnership Agreement on the Nation Building and Jobs Plan (Economic Stimulus Plan) and delays in major capital projects including the RHH development, the LGH Acute Medical and Surgical Unit, the National Health and Hospitals Network Reform and the State-wide Cancer Services
- actuarial losses on the defined benefit superannuation liability in Housing and Ambulance Tasmania, $13.921m, which reflected the reduction in discount rates from 5.5% to 3.45% caused by the lower yields on Commonwealth bonds during the year and in particular at 30 June 2012.

Comprehensive result for 2011-12 was a surplus of $29.899m compared to a surplus of $380.515m in 2010-11. Last year's surplus included a revaluation gain of $226.666m, which reflected higher values of land and buildings.

The net surplus was $150.457m below the original budget estimate of $167.095m due to a number of offsetting factors:

- additional funding provided by government, $51.361m, to meet cost pressures
- unbudgeted revenues for medical procedures and recoveries from other parties, $25.033m
- higher Employee entitlements, $37.926m, due to the implementation of Targeted Voluntary Redundancy Arrangements
- higher Supplies and consumables, $15.912m, predominantly as a result of increased costs associated with property services, medical and surgical services and information technology
- lower Grants and subsidies, $15.165m (excluding the impact of Social Housing grant), following reduction in some programs, namely those funded by the Economic Stimulus Program
- unanticipated losses on disposals of assets compared to estimated gain, $14.166m, including the demolition of damaged Housing properties
- lower capital revenue, $100.703m, predominantly due to delay in major capital projects
- unbudgeted Social Housing grant, $45.764m
- unbudgeted actuarial loss on the defined benefit superannuation liability, $13.921m.

STATEMENT OF FINANCIAL POSITION

	2012	2011	2010	2009
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	85 650	61 035	83 232	56 446
Receivables	22 783	21 457	21 023	20 897
Loan advances	4 567	5 855	7 130	9 201
Equity investments	4 623	3 152	2 459	188
Other financial assets	6 720	10 015	7 363	6 197
Non-financial Assets				
Inventory	13 832	11 265	11 896	11 007
Assets held for sale	6 093	8 841	6 161	6 301
Property, plant and equipment	2 898 600	2 867 035	2 486 379	2 446 445
Intangibles	16 399	13 716	11 952	4 099
Other non-financial assets	5 090	5 377	2 491	1 434
Total Assets	**3 064 357**	**3 007 748**	**2 640 086**	**2 562 215**
Liabilities				
Payables	38 760	40 431	42 720	48 270
Interest bearing liabilities	209 808	216 620	223 289	229 820
Other financial liabilities	36 147	31 367	19 614	6 590
Superannuation liability	29 228	15 645	14 877	17 251
Employee entitlements	208 492	183 930	176 753	186 509
Other liabilities	7 569	15 888	39 549	22 868
Total Liabilities	**530 004**	**503 881**	**516 802**	**511 308**
Net Assets	**2 534 353**	**2 503 867**	**2 123 284**	**2 050 907**
Contributed capital	6 094	6 094	6 094	6 094
Accumulated funds	1 921 389	1 908 128	435 728	384 594
Reserves	606 870	589 645	1 681 462	1 660 219
Total Equity	**2 534 353**	**2 503 867**	**2 123 284**	**2 050 907**

Comment

Total Equity increased from $2.504bn to $2.534bn during 2011-12. The increase of $30.486m included the Net Surplus for the year, $16.638m, and Other Comprehensive Income, $13.261m, representing a revaluation increment of land and buildings.

Before accounting for inter-entity transactions, Equity comprised:

	2012	2011	2010	2009
	$'000s	$'000s	$'000s	$'000s
DHHS	665 855	579 766	469 867	430 981
Housing	1 851 735	1 900 582	1 631 829	1 606 061
Ambulance	16 763	23 519	21 588	13 865
Total Equity	**2 534 353**	**2 503 867**	**2 123 284**	**2 050 907**

The corresponding increase in Net Assets, $30.486m, was principally due to:

- increased Cash and deposits, $24.615m, for reasons provided in the Statement of Cash Flows section of this Chapter
- decreased Other financial assets, $3.295m, representing a decrease of $1.546m in GST receivable due to lower or delayed capital works, and a decrease in accrued revenue of $1.621m due to improved billing by the hospitals and reduced revenue required to be accrued by Housing and Disability Services
- higher Property, plant and equipment, $31.565m, primarily as a result of additions to buildings, work in progress, and equipment, $138.611m, and net revaluation increments of $12.713m. These items were partly offset by depreciation of $60.200m and the expensing of the value of work under the Social Housing grant, 45.764m
- decrease in Interest bearing liabilities, $6.812m, representing a repayment of social housing development loans from the Australian and State Governments
- increase in the superannuation liability, $13.583m, as a result of an actuarial review undertaken during 2011-12. The Superannuation liability of $29.228m represented the net value of the Department's present obligation for superannuation entitlements of some former and current employees of Housing Tasmania, $17.402m (2011, $12.468m), and Ambulance Tasmania, $11.826m ($3.177m)
- despite the drop in FTEs by 589, Employee entitlements increased, $24.562m, representing mainly a rise in accrued salaries of $5.157m, annual leave liability of $9.613m arising from an increase in wages and salaries and days accrued, as well as an increase in long service leave liability of $8.890m due to lower discount rates used in the calculation of the liability.

During the year, the Department completed the following major capital projects:

- Launceston General Hospital (LGH) – Emergency Department
- Ambulance Tasmania Headquarters – Stage 1
- Royal Hobart Hospital (RHH) upgrade, including Medical Imaging and new kitchen at Cambridge
- RHH redevelopment assessment and planning
- Mersey Hospital – Emergency Department
- numerous Housing projects.

The following projects were ongoing at 30 June 2012:

- Clarence GP Super Clinic
- LGH – Integrated Care Centre, Acute Medical and Surgical Unit, Emergency Department and car park
- RHH redevelopment, including works on the Women's and Children's Hospital and Intensive Care Unit.

STATEMENT OF CASH FLOWS

	2011-12	2010-11	2009-10	2008-09
	$'000s	$'000s	$'000s	$'000s
Cash flows from operating activities				
Cash inflows				
Receipts from government – recurrent	1 537 214	1 523 494	1 395 917	1 204 718
Receipts from special capital investment funds – recurrent	13 249	9 850	11 354	0
Grants	63 666	60 113	59 947	101 370
Sales of goods and services	187 139	165 597	155 476	156 390
Interest received	701	2 071	1 593	2 224
Other cash receipts	41 306	38 315	32 349	36 296
GST receipts	87 293	87 780	70 823	64 902
Total cash inflows	**1 930 568**	**1 887 220**	**1 727 459**	**1 565 900**
Cash outflows				
Payments to employees	977 146	965 812	904 617	803 395
Supplies and consumables	469 113	480 365	454 973	464 889
Community grants	260 833	233 987	191 213	169 957
Finance costs	9 626	9 913	10 197	10 469
Other cash payments	79 467	79 053	75 889	57 093
GST Payments	85 912	90 569	70 412	65 648
Total cash outflows	**1 882 097**	**1 859 699**	**1 707 301**	**1 571 451**
Cash from (used in) operations	**48 471**	**27 521**	**20 158**	**(5 551)**
Cash flows from investing activities				
Cash inflows				
Receipts from government – capital	60 945	125 472	74 454	22 783
Receipts from special capital investment funds – capital	50 222	42 583	22 121	24 785
Proceeds from disposal of assets	12 662	17 942	26 147	6 188
Receipts from investments	1 167	1 186	1 445	2 215
Total cash inflows	**124 996**	**187 183**	**124 167**	**55 971**
Cash outflows				
Payments for acquisition of assets	141 479	229 485	110 252	57 394
Payment for equity investment	561	747	755	0
Total cash outflows	**142 040**	**230 232**	**111 007**	**57 394**
Cash from (used in) investing activities	**(17 044)**	**(43 049)**	**13 160**	**(1 423)**
Cash flows from financing activities				
Cash outflows				
Repayment of borrowings	(6 812)	(6 669)	(6 532)	(6 260)
Cash (used in) financing activities	**(6 812)**	**(6 669)**	**(6 532)**	**(6 260)**
Net increase (decrease) in cash	**24 615**	**(22 197)**	**26 786**	**(13 234)**
Cash at the beginning of the year	61 035	83 232	56 446	69 680
Cash at end of the year	**85 650**	**61 035**	**83 232**	**56 446**

Comment

As at 30 June 2012, the Department's cash balance was $85.650m, compared to $61.035m last year. The increase of $24.615m was mainly due to cash from operations of $48.471m offset by cash used in investing activities, $17.044m and repayment of borrowings, $6.812m.

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

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

	2012	**2011**	**2010**	**2009**
	$'000s	$'000s	$'000s	$'000s
DHHS	67 347	43 437	56 104	41 947
Housing	18 303	17 598	27 128	14 499
Ambulance *	0	0	0	0
Total Cash at year end	**85 650**	**61 035**	**83 232**	**56 446**

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

The Department's balance at 30 June 2010 included $19.458m of funds carried forward under Section 8A(2) of the *Public Account Act 1986*. The carried forward amounts for the past two years were $0.485m (2012) and $0.367m (2011) respectively.

FINANCIAL ANALYSIS

	Bench Mark	2011-12	2010-11	2009-10	2008-09
Financial Performance					
Result from operations ($'000s)		(21 845)	(28 357)	(27 770)	(80 184)
Own source revenue ($'000s)		226 192	201 220	194 918	197 284
Financial Management					
Debt collection (excluding GST)	30 days	30	28	35	32
Creditor turnover	30 days	9	13	16	29
Capital Management					
Rental Dwellings (Housing)					
Asset Investment ratio	100%	67.4%	228.4%	266.1%	65.2%
Asset Sustainability ratio		4.8%	7.3%	19.0%	13.6%
Buildings (Health)					
Asset Investment ratio	100%	251%	167%	n/a	n/a
Asset Sustainability ratio		n/a	n/a	n/a	n/a
Other Information					
Staff numbers (FTEs)		9 290	9 879	9 696	9 322
Average staff costs ($'000s)		104	99	95	93
Average Recreational Leave balance per FTE (days)	20	22	20	20	22
Average Long Service Leave balance per FTE (days)	100	40	42	39	37

Comment

Results from operations deficits were recorded for the reasons outlined previously in the Statement of Comprehensive Income section and the fact that agencies are not funded for depreciation or movements in employee entitlements. If the effects of these items were eliminated, the Department would have recorded a surplus of $63.761m in 2011-12 (2010-11, $37.420m). This improvement is reflected in the increase in own source revenue in 2011-12 of $24.972m, mainly patient charges and other recoveries, as noted previously in this Chapter.

Debt collection remained near the benchmark of 30 days, while the time it took the Department to pay its suppliers reduced to nine days.

The Asset investment ratio for rental dwellings peaked in 2009-10 and 2010-11 as the Department received funding under the Economic Stimulus Plan to increase supply, and for improvements to, its existing housing portfolio. Spending on housing projects declined this year as the Economic Stimulus Plan was winding down, but the commencement of the RHH redevelopment and other major capital projects in acute and community health services areas led to an increase in the Asset investment ratio for buildings other than rental dwellings.

Asset sustainability ratio for rental dwellings was low, as maintenance costs were expensed rather than accounted for as an upgrade and capitalised. The ratio is difficult to calculate in relation to buildings, other than rental dwellings, due to the extent and complexity of recent capital works at major hospital sites. Based on work in progress information as at 30 June 2012, the proportion of capital expenditure spent on new assets was 54.7%. This included projects such as Clarence

GP Super Clinic, LGH Intensive Care and Acute Medical Units, RHH Women's and Children's Hospital. The remaining 45.3% was spent on upgrading existing infrastructure, including LGH Holman Clinic and RHH Integrated Cancer Centre and the RHH redevelopment.

Average staff costs increased this year by 5.1%, which was consistent with general increases in award rates and other increments in addition to the dollar effect of the increased annual leave balances. Average recreational leave per full time equivalent was two days above the benchmark for the first time since 2008-09.

ADDITIONAL FINANCIAL INFORMATION

Administered Financial Transactions

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

ADMINISTERED INCOME AND EXPENSES

	2011-12	**2011-12**	**2010-11**	**2009-10**
	Budget	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from government - recurrent	24 876	34 859	37 550	38 653
Australian government grants	36 680	45 479	46 133	28 385
Total Revenue	**61 556**	**80 338**	**83 683**	**67 038**
Grants and subsidies	24 957	35 720	38 734	36 155
Total Expenses	**24 957**	**35 720**	**38 734**	**36 155**
Net Surplus	**36 599**	**44 618**	**44 949**	**30 883**
Transfer to Consolidated Fund	36 600	46 057	44 020	42 052
Comprehensive Surplus (Deficit)	**(1)**	**(1 439)**	**929**	**(11 169)**

Comment

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

Recurrent revenue from government, $34.859m, and Grants and subsidies, $35.720m, related mainly to Aurora Energy Pensioner Concession payments and Children Abused in Care claims. The Aurora Energy Pensioner Concession payments in 2010-11 included a one-off $100 payment to eligible concession holders as additional cost of living support for Tasmanian low income households.

Australian government grants, $45.479m, and corresponding Transfer to Consolidated Fund, $46.057m, related to Commonwealth Own Purpose Expenditure (COPE) paid to the Department and receipted to the Consolidated fund for:

- Highly Specialised Drugs
- Medical Specialist Outreach Program
- Transitional Care Program
- Extended Aged Care at Home and Community Aged Care Packages
- Regional Health Services Program.

HOUSING TASMANIA

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Financial statements were received on 15 August 2012 and an unqualified audit report was issued on 28 September 2012.

The audit was completed satisfactorily with no major items outstanding.

KEY FINDINGS AND DEVELOPMENTS

Special Purpose Financial Statements

A special purpose financial report is one that does not comply with all of the disclosure requirements of Australian Accounting Standards but which must comply with those Standards referred to in Report of the Auditor-General No. 9 of 2011-12.

This year was the first time that Housing Tasmania (Housing) prepared a special purpose financial report. It did not include financial instruments disclosures and provided reduced superannuation disclosures. Full disclosures were included in the financial statements of the Department of Health and Human Services (DHHS).

We accepted preparation of a special purpose financial report as an appropriate accounting framework for Housing because:

- its financial results and disclosures are consolidated in full in the annual financial statements of DHHS
- Housing has no statutory responsibility to prepare an annual financial report
- there are unlikely to be users of Housing's financial report who cannot demand further information should it be required.

Social Housing Grant

During the year, Housing recorded an expense of $45.764m for Social Housing grants. These grants represented expenditure held in capital works in progress over recent years for the construction of community housing projects. Housing entered into numerous agreements with community organisations and local government councils for the construction of social housing funded by the Australian Government under the National Partnership Agreement on the Nation Building and Jobs Plan (Economic Stimulus Plan). The aim was to increase the supply of social housing and provide much needed accommodation to many disadvantaged Australians, particularly those who are homeless or at risk of becoming homeless. Titles to respective properties were also transferred to community organisations and councils. However, these organisations are required to satisfy certain conditions, such as maintaining the properties in good repair and provide accommodation only to residents who meet certain criteria. To ensure these conditions are met, and to protect the State's equity in the properties, the Minister for Human Services has a registered mortgage interest in these properties. As a result, the participating organisations must not demolish, sell or otherwise dispose of the properties without consent from the Minister. The term of these arrangements is 30 years.

Better Housing Futures Program

The Better Housing Futures Program (the Program) is part of reforms agreed to under the National Affordable Housing Agreement. Under the Program, public housing properties will be managed by community housing organisations, which will be responsible for providing tenancy services and property maintenance.

The first stage of the Program will involve 504 dwellings and 78 vacant lots in the Rokeby and Claredon Vale suburbs. While Housing will retain title to the dwelling, the vacant land, valued at $2.331m as at 30 June 2012, will transferred for no consideration.

Brighton Industrial and Housing Corporation

In July 2012, the State Government signed a memorandum of understanding with Brighton Council to supply land, in conjunction with Council, to build affordable houses. Under this arrangement, Housing will transfer 41 vacant lots in the Bridgewater area to Brighton Industrial and Housing Corporation at no consideration during 2012-13. The value of the land was $1.596m as at 30 June 2012.

Economic Stimulus Funding

Housing received decreased capital funding during 2011-12, due to the current year being the final year of funds received from the Australian Government under its Economic Stimulus Plan. This three-year program released funds to the states and territories to stimulate the building sector, mainly through the construction of schools, social housing, defence service housing and transport infrastructure. Funding received in 2011-12 amounted to $16.029m, whereas funding received in 2010-11 totalled to $69.877m.

National Rental Affordability Scheme

The National Rental Affordability Scheme (NRAS) is an Australian Government initiative which is aimed at investing in affordable rental accommodation. It involves the supply of new rental housing, as well as reducing rental costs and encouraging large scale investment in affordable accommodation options. The NRAS offers annual incentives for a period of ten years. The incentive comprises an Australian Government contribution in the form of a refundable tax offset or payment to the value of $6 000 per dwelling per year (indexed) and a State Government contribution in the form of direct financial support or an in-kind contribution to the value of at least $2 000 per dwelling per year (indexed). Properties under this program first became available in late 2009-10. Housing paid out $1.236m in NRAS grants in 2011-12, down from $5.328m in the prior year, due to the reduced volume in building during the current year, with stage four of the NRAS program being delayed.

HomeShare

The HomeShare shared equity program was introduced by the Government in December 2008 to assist Tasmanians with low to moderate incomes to transition into home ownership. HomeShare is a Shared Equity program administered by the Bendigo Bank. Under this scheme, surplus Housing properties are sold to eligible buyers and the Director of Housing (the Director) retains an equity share, typically 25%, in the property. Alternatively, the Director co-purchases with eligible scheme participants 20-25% equity in newly constructed houses. Where the Director purchased equity in new houses, the funds are provided from surplus funds held by the Home Ownership Affordability Program (HOAP). These monies are expected to fund shared equity purchases for approximately the next five years.

STATEMENT OF COMPREHENSIVE INCOME

	2011-12	2010-11	2009-10	2008-09
	$'000s	$'000s	$'000s	$'000s
Attributed recurrent appropriation	40 275	49 185	42 375	39 802
Attributed revenue from Special Capital Investment Funds	1 250	3 164	0	0
Rental revenue	73 883	68 993	65 219	63 365
Other revenue	6 538	6 489	7 515	8 971
Total Revenue	**121 946**	**127 831**	**115 109**	**112 138**
Employee benefits	17 047	17 809	16 913	15 824
Depreciation	26 641	26 027	26 241	24 933
Grants and subsidies	12 534	12 843	4 202	3 230
Property cost	69 343	66 780	60 028	65 336
Finance costs	9 623	9 913	10 195	10 467
Other expenses	10 580	18 125	17 630	15 515
Total Expenses	**145 768**	**151 497**	**135 209**	**135 305**
Net (Deficit) from transactions	**(23 822)**	**(23 666)**	**(20 100)**	**(23 167)**
Attributed capital appropriation	28 974	78 826	51 504	12 443
Attributed revenue from Special Capital Investment Funds	6 703	11 698	9 055	4 087
Social Housing grant	(45 764)	0	0	0
Net gain (loss) on sale of assets	(2 637)	2 054	1 672	(568)
Impairment of assets	(1 850)	(2 728)	(7 801)	(1 706)
Impairment of receivables	(800)	(768)	(536)	(677)
Net gain on disposal of equity investment	(699)	554	0	0
Actuarial superannuation adjustment	(5 019)	1 270	21	2 385
Net Surplus (Deficit) attributable to the State	**(44 914)**	**67 240**	**33 815**	**(7 203)**
Other Comprehensive Income				
Changes in physical asset revaluation reserve	(3 983)	201 513	(8 047)	81 755
Comprehensive Surplus (Deficit)	**(48 897)**	**268 753**	**25 768**	**74 552**

Comment

In 2011-12 Housing recorded a Net Deficit from transactions of $23.822m compared to a deficit of $23.666m reported last year. The slight increase in this year's deficit was due to:

- lower Attributed recurrent appropriation and Attributed revenue from Special Capital Investment Funds (SCIF), $8.910m and $1.914m, respectively, due to a decrease in Australian Government's Specific Purpose and National Partnership Payments and reduced appropriation from State Government
- increased Rental revenue, $4.890m, due to annual indexation, changes to determining tenant contributions, which is now based on a standardised 25% of household income, and removal of concessions available to aged pensioners
- savings in employee costs, $0.762m, achieved by an administrative restructure, including the abolition of 26 positions

- higher Property costs, $2.563m, mainly due to an increase in rates and charges levied by local government councils and higher insurance costs, partly offset by lower maintenance expenditure
- decreased Other expenses, $7.545m, reflecting budget savings strategies, which resulted in lower costs of consultants, communications, motor vehicles and other general expenditure.

Net Deficit attributable to the State was $44.914m, compared to a surplus of $67.240m recorded in 2010-11. The turnaround of $111.434m resulted from:

- a one-off Social Housing grant, $45.764m
- a reduction in capital appropriation of $54.847m

which were both discussed in the Key Findings and Developments section previously.

In addition, Net deficit attributable to the State was also negatively affected by a $5.019m actuarial loss on Housing's defined benefit superannuation liability, reflecting the reduction in discount rates from 5.5% to 3.45% caused by lower yields on Commonwealth bonds during the year and in particular at 30 June 2012.

Comprehensive result for 2011-12 was a deficit of $48.897m compared to a surplus of $268.513m in 2010-11. Last year's surplus included a revaluation gain of $201.513m, which reflected higher values of buildings. In 2011-12, the value of land and buildings decreased marginally, $3.983m, mainly due to lower value of land.

The table below provides details of rental revenue and associated property costs. Potential rental income represents market rent set by the Valuer-General and is the upper limit of rent charged by Housing. Rebates represent the difference between market rent and Tenants Contributions based on an assessment of their income and other circumstances.

Rental Revenue Break Down	**2011-12**	**2010-11**	**2009-10**	**2008-09**
	$'000s	$'000s	$'000s	$'000s
Potential rental income	126 643	118 113	105 725	103 740
Rebates	(52 760)	(49 120)	(40 506)	(40 375)
Tenants Contributions	**73 883**	**68 993**	**65 219**	**63 365**
Recurrent maintenance	35 919	36 840	31 573	38 953
Depreciation	26 641	26 027	26 241	24 933
Insurance	11 762	10 442	9 624	8 249
Rates and charges	21 662	19 498	18 831	18 134
Finance costs	9 623	9 913	10 195	10 467
Direct Property Costs	**105 607**	**102 720**	**96 464**	**100 736**
Net Rental Result	**(31 724)**	**(33 727)**	**(31 245)**	**(37 371)**

The table shows that Direct Property Costs considerably exceed Tenants Contributions and thus the reliance by Housing on Government to fund its recurrent and capital expenditure.

ABRIDGED STATEMENT OF FINANCIAL POSITION

	2012	2011	2010	2009
	$'000s	$'000s	$'000s	$'000s
Total Financial Assets	29 830	29 313	38 651	26 645
Total Non Financial Assets	2 060 947	2 112 167	1 846 908	1 842 069
Total Assets	**2 090 777**	**2 141 480**	**1 885 559**	**1 868 714**
Total Financial Liabilities	215 987	222 367	230 296	242 723
Total Non Financial Liabilities	23 055	18 531	23 434	19 930
Total Liabilities	**239 042**	**240 898**	**253 730**	**262 653**
Net Assets	**1 851 735**	**1 900 582**	**1 631 829**	**1 606 061**
Contributed capital	6 094	6 094	6 094	6 094
Accumulated funds	1 541 831	1 545 814	281 434	247 619
Reserves	303 810	348 674	1 344 301	1 352 348
Total Equity	**1 851 735**	**1 900 582**	**1 631 829**	**1 606 061**

Comment

Housing's Total Equity decreased by $48.847m in 2011-12 in line with the Net deficit attributable to the State of $44.914m and the downward revaluation of assets of $3.983m.

Major reasons for the corresponding decline in Net Assets was a decrease in property, plant and equipment of $49.021m, mainly due to the transfer of completed social housing projects to non-government organisations and some local government councils and an increase in the defined benefit superannuation liability.

FINANCIAL ANALYSIS

	Bench Mark	2011-12	2010-11	2009-10	2008-09
Financial Performance					
Result from operations ($'000s)		(23 822)	(23 666)	(20 100)	(23 167)
Operating margin	>1.0	0.84	0.84	0.85	0.83
Own source revenue ($'000s)		80 421	75 482	72 734	72 336
Financial Management					
Debt collection	30 days	11	9	9	11
Creditor turnover	30 days	20	12	18	50
Capital Management					
Rental Dwellings					
Asset investment ratio	100%	67.4%	228.4%	266.1%	65.2%
Asset sustainability ratio		4.8%	7.3%	19.0%	13.6%
Non-Rental Dwellings					
Asset investment ratio	100%	1 299.7%	1 585.6%	0.0%	0.0%
Asset sustainability ratio		0.0%	0.0%	0.0%	0.0%
Other Information					
Average staff numbers (FTEs)		194	219	218	226
Average staff costs ($'000s)		79	81	78	72
Average recreational leave balance per FTE (days)	20	15	16	16	15
Average long service leave balance per FTE (days)	100	39	35	35	34
Rental dwellings (no. of properties)*		13 441	13 243	13 082	12 645
Occupancy rate (%) *		97.8%	98.7%	99.3%	99.3%

* *Not subject to audit.*

Comment

Operating margin remained below benchmark in 2011-12, primarily because Housing is not funded for Depreciation and does not charge full market rents to tenants. However, own source revenue, which comprised mainly rent, continued to grow in line with increases in market rents and reassessments of Tenants' Contributions.

Debt collection remained similar to the prior year, which is expected with recoveries of rental charges assisted by the fact that the majority of tenants pay by direct debit.

Creditor turnover continued to be better than the benchmark in 2011-12, but increased due to a significant capital creditor outstanding at year end.

Asset investment ratio for rental dwellings fluctuated over the period of review, with the peaks in 2010-11 and 2009-10 coinciding with the first two years of funding provided under the Economic Stimulus Plan. The expenditure was lower in the current year as the majority of these projects were winding up. The low results for the Asset sustainability ratio for rental dwellings shows that the vast majority of expenditure was being carried out on the purchase or construction of new assets and less so on existing assets.

Over the past two years, Housing made a significant investment in new Non-Rental dwellings under various programs. The value represents Housing's equity in these properties, which are owned jointly with other parties. Housing is not responsible for maintenance and upkeep of those properties, hence the Asset sustainability ratio being at 0%.

The four Capital Management ratios over the last three years reflected the significant increase in capital funding provided mainly under the Economic Stimulus Plan and the focus on increasing the supply of new dwelling and upgrading existing stock. The repairs and maintenance component of the Economic Stimulus Plan is not reflected in these ratios, as the cost was expensed rather than accounted for as an upgrade and capitalised.

The decrease in Average staff numbers was due to a redundancy program implemented during 2011-12 as part of Housing's budget saving strategies. In 2011-12, redundancy payments totalled $1.796m.

Rental dwellings included public housing, aboriginal housing and community housing stock. The increase in the number of properties in the portfolio reflected the increased level of construction and procurement of new dwellings. Occupancy rate remained strong and the slight decrease over the past two years reflected the increase in supply.

TASMANIAN AFFORDABLE HOUSING LIMITED

INTRODUCTION

Tasmanian Affordable Housing Limited (the Company or TAHL) was established under the *Corporations Act 2001* (the Act), with the objective of increasing the supply of affordable housing for low income Tasmanians. At the time of establishing TAHL, there were seven shareholders, five of whom represented the community sector in Tasmania and two representing the State government. In 2011, the Community shareholding in the Company was transferred to the State Government which, together with the ordinary shareholding, results in the State being the sole shareholder.

Due to changes in Federal and State policies and programs on affordable housing during the 2011 financial year, management of the properties leased by the Company were transferred to Housing Choices Tasmania Pty Ltd, a Company engaged by TAHL to manage the portfolio. The Government also determined that it did not intend to consent to any extension or renewal of any existing leases in particular as these related to guarantees contained in lease terms. Consequently, no additional leases are being signed, and future obligations are being kept to a minimum. The Company is expected to fulfil its current obligations in relation to the leases of its existing properties.

Now that all of the Company's shares are owned by government, changes in directorships were made resulting in it now being managed by a Board consisting of three directors, all of whom are senior employees in the Department of Health and Human Services (DHHS).

The Company has a portfolio of 114 leased houses, which are sub-leased to people from the Housing Tasmania waiting list. Tenants leasing the properties from the Company pay a discounted rental. The Company receives grant funding from DHHS for:

- the difference between the rent received from tenants and that paid to property owners and
- administration costs.

The Responsible Minister is the Minister for Human Services.

AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Signed financial statements were received on 26 October 2012 and an unqualified audit report was issued on 31 October 2012.

Other than the late submission of the financial statements (see comments below) the audit was completed satisfactorily with no items outstanding.

KEY FINDINGS AND DEVELOPMENTS

Timely financial reporting

The Company was required under section 17 of the *Audit Act 2008* to submit its financial statements to the Auditor-General within 45 days after the end of the financial year. Receipt of signed financial statements on 26 October 2012 meant that the Company was 71 days late.

SUMMARY OF FINANCIAL RESULTS

	2012	2011
	$'000s	$'000s
Total Revenue	2 122	2 550
Total Expenses	2 075	1 582
Net Surplus (Deficit)	**47**	**968**
	2012	2011
Total Assets	1 417	1 200
Total Liabilities	328	158
Net Assets	**1 089**	**1 042**
Total Equity	**1 089**	**1 042**

Comment

The Company recorded a Net Surplus of $0.047m compared to a surplus of $0.968m in 2010-11, a change of $0.921m.

The majority of the Company's revenues comprises operating, $0.749m, (2010-11, $0.724m), and administration, $0.405m, ($0.829m), grants from DHHS and rental revenue $0.927m, ($0.956m). The reduction in administration funding was the main reason for the decrease in Total Revenue.

The increase in Total Expenses, $0.493m, was mainly due to:

- an increase in Housing Choices Tasmania property management expenses of $0.957m, due to increases in leasing and repairs and maintenance costs
- offset by a reduction in company management expenses, $0.395m, due to the transfer of responsibilities to Housing Choices Tasmania.

Total Assets comprised cash, $1.271m, (2010-11, $0.834m), and receivables, $0.146m, ($0.366m). The movement in receivables was due to the timing of rents receivable from tenants.

Total Liabilities comprised trade payables, $0.056m, ($0.086m), and provisions, $0.271m, ($0.072m). The increase in provisions was due to a rise in estimated costs required for property refurbishment, or "make good", at the end of the lease term.

AMBULANCE TASMANIA

AUDIT OF THE 2011-12 SPECIAL PURPOSE FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2012 and an unqualified audit report was issued on 28 September 2012.

KEY FINDINGS, DEVELOPMENTS AND FINANCIAL INFORMATION

Special Purpose Financial Statements

A special purpose financial report is one that does not comply with all of the disclosure requirements of Australian Accounting Standards but which must comply with those Standards referred to in Report of the Auditor-General No. 9 of 2011-12.

This year was the first time that Ambulance Tasmania (the Service) prepared a special purpose financial report. The special purpose financial report did not include a Statement of Cash Flows, as the Service does not operate a bank account, reconciliation of cash to net operating result and financial instruments disclosures. Superannuation disclosure was reduced to a reconciliation of movements in the superannuation liability and amounts recognised in comprehensive income. Full disclosures were included in the financial statements of the Department of Health and Human Services (DHHS).

We accepted preparation of a special purpose financial report as an appropriate accounting framework for the service because:

- its financial results and disclosures are consolidated in full in the annual financial statements of DHHS
- the Service has no statutory responsibility to prepare an annual financial report
- there are unlikely to be users of the Service's financial report who cannot demand further information should it be required.

Ambulance Billing Information System

The Service implemented a new Ambulance Billing Information System (ABiS) on 1 July 2011. The ABiS system is integrated with other systems used by the Service, mainly the Computer Aided Despatch (CAD) system and a patient record system (VACIS) and has the potential to improve the accuracy of billing transport cases.

During our audit of the system, we noticed a large number of cases which were not billed and were pending review. Delays in reviewing cases and billing may have a negative impact on the Service's cash flow and its ability to collect charges in the future. In addition, information presented in the financial statements around revenue and receivables may be incorrect. Management acknowledged that timely processing of data is a priority and this will be progressed within available resources and temporary redirection of additional internal resources, noting that billing pressures will remain. Management has endorsed action plans to ensure that these are progressed in a timely manner.

Furthermore, we suggested that management attempts to quantify the value of unbilled charges and if necessary, consider strategies to clear the backlog in a cost-effective and timely manner. We also made recommendation for improving collection and recording of data in ABiS and those are also being addressed by management.

Other than matters identified above, the audit was completed satisfactorily with no other major matters outstanding.

ABRIDGED STATEMENT OF COMPREHENSIVE INCOME

	2011-12	2010-11	2009-10	2008-09
	$'000s	$'000s	$'000s	$'000s
Total Income	57 786	52 756	44 889	39 321
Total Expenses	59 503	54 722	46 319	41 049
Net (Deficit) from transactions	**(1 717)**	**(1 966)**	**(1 430)**	**(1 728)**
Capital contributions	3 206	6 183	6 001	3 966
Actuarial superannuation assessment	(8 902)	(2 505)	2 593	(5 867)
Extended care paramedic program	599	0	0	0
Net Surplus (Deficit) attributable to the State	**(6 814)**	**1 712**	**7 164**	**(3 629)**
Other Comprehensive Income				
Change in physical asset revaluation reserve	58	219	559	589
Comprehensive Surplus (Deficit)	**(6 756)**	**1 931**	**7 723**	**(3 040)**

Comment

In 2011-12 the Service recorded a Net Deficit from transactions of $1.717m, an improvement of $0.249m on the prior year. The improved result was mainly due to a recovery of charges relating to the provision of ambulance care and transport for patients of the Mersey Community Hospital since November 2008 of, approximately, $1.110m. In addition, the recurrent funding from DHHS was $2.961m higher than last year.

The Service's expenses comprised mainly employee related costs, transport and care expenses. Employee costs increased by $2.896m in line with salary and wages increments under the *Ambulance Tasmania Agreement 2010* and *Health and Human Services (Tasmanian State Service) Award* and due to an additional 19 ambulance officers recruited during the year. The increase in transport and care, $3.205m, included a contribution towards the cost of the Tasmania Police Rescue Helicopter, $1.331m, purchase of new ambulance stretchers, $0.750m, a contribution to the Tasmanian Fire Service for an extention of the radio network, $0.350m, and an upgrade of portable radio equipment, $0.200m.

The Service reported a Net Deficit arributable to the State of $6.814m in 2011-12. The deficit was predominantly a result of:

- actuarial loss on the defined benefit superannuation liability, $8.902m, reflecting the reduction in discount rates from 5.5% to 3.45% caused by the lower yields on Commonwealth bonds during the year and in particular at 30 June 2012
- lower Capital contributions, $2.977m, as major capital projects were completed or nearing completion.

Extended Care Paramedic Program, $0.599m, represented funding from Health Workforce Australia under its Workplace Innovation and Reform – Expanded Scopes of Practice Program which looks at extending the role of paramedics in rural and regional settings. The program will be carried out in 2012-13.

Overall, the Service recorded a Comprehensive Deficit of $6.756m for 2011-12, which was $0.058m more than the Net deficit atributable to the State. The difference represented a revaluation increment of land and buidlings.

ABRIDGED STATEMENT OF FINANCIAL POSITION

	2012	2011	2010	2009
	$'000s	$'000s	$'000s	$'000s
Total Assets	39 387	37 154	32 986	27 641
Total Liabilities	22 624	13 635	11 398	13 776
Net Assets	**16 763**	**23 519**	**21 588**	**13 865**
Total Equity	**16 763**	**23 519**	**21 588**	**13 865**

Comment

Total Equity decreased by $6.756m in line with the Comprehensive Deficit for the year. Net Assets decreased by the same amount, mainly as a result of the increase in superannuation liability, $8.649m, which was partly offset by higher receivables, $2.132m, due to timing of charges and reimbursement claims.

FINANCIAL ANALYSIS

	Bench Mark	2011-12	2010-11	2009-10	2008-09
Financial Performance					
Result from operations ($'000s)		(1 717)	(1 966)	(1 541)	(1 757)
Operating margin	>1.0	0.97	0.96	0.97	0.96
Own source revenue ($'000s)		5 747	4 584	4 371	4 786
Own source revenue (%)		9.9%	8.7%	9.7%	12.2%
Financial Management					
Debt collection (exclude DVA billings)*	**	213	144	111	67
Creditor turnover	30 days	20	21	16	35
Capital Management					
Asset replacement % (renewal gap)	100%	47%	115%	202%	228%
Asset investment % (investment gap)	100%	105%	208%	279%	316%
Other Information					
Staff numbers (FTEs)		358	339	300	278
Average staff costs ($'000s)		106	103	96	94
Average Annual Leave balance per FTE (days)	90 days	33	39	41	n/a
Average Long Service Leave balance per FTE (days)	100 days	44	47	47	n/a

* *DVA is the Department of Veterans Affairs*

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

Comment

Operating margin remained below benchmark in 2011-12, primarily because the Service is not funded for depreciation. Own source revenue continued to grow, both in terms of dollar value and percentage of total income. However, delays in billing and back charges for services provided to DVA and the Mersey Community Hospital's patients make comparisions between years difficult. Despite the limitations of the data used, the analysis illustrates the Service's heavy reliance on government funding.

Debt collection (excluding DVA billings and non-Ambulance fee charges) increased over the four year period. The ratio provides an indication of the effectiveness of debt collection practices to ensure timely receipt of monies owed. The Service has historically experienced a relatively slow collection of debts which may be indicative of the industry. However, ineffective debt collection practices may have a negative impact on the Service's cash flow and its ability to collect charges in the future.

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

Capital Management ratios were above benchmarks in the first three years of the period under review, as the Service embarked on major capital projects, including the replacement of Ambulance vehicles and medical equipment, refurbishment and construction of Ambulance stations and a new communication centre. Both Asset replacement and Investment gap ratios fell gradually as these projects were completed.

Staff numbers increased by 19 FTE's between 2010-11 and 2011-12. The majority of staff, 84%, are operational and their wages and salaries account for 91.4% of total employee cost.

The change in Average staff costs in 2011-12 is commensurate with the employee benefits increases mentioned previously in this Chapter.

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

DEPARTMENT OF INFRASTRUCTURE, ENERGY AND RESOURCES

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2012. An unqualified audit report was issued on 18 September 2012.

KEY FINDINGS AND DEVELOPMENTS

The audit was completed satisfactorily with no major items outstanding.

Land Under Roads and within Road Reserves

During audit testing of land under roads in 2011-12 and discussions with the Department of Infrastructure, Energy and Resources' (DIER or the Department) Asset Management Group, it was identified that the 2010-11 land under roads figure was overstated by approximately $47.000m. The rates per hectare used by DIER, as provided by the Valuer-General, were correct, however, the hectares used were largely overstated due to an error when extracting data from the Geographic Information System (GIS) and input into the Road Information Management System (RIMS).

DIER uses a system which included the 'casement' (the area either side of the road corridor, approximately 10 metres either side from the centre line of the road, a total of 20.150 metres). However, there were a number of instances where private land was incorrectly included in the casement which had the effect of increasing the hectares and therefore overstating the balance. This year the private land sections were removed from the casement which resulted in a large decrease in the number of hectares. Using prior year figures the reduction was approximately 2 935 hectares, amounting to a write-down of approximately $47.000m.

Road Valuation Methodology

During the audit we noted that the Department will undertake a full revaluation of its road infrastructure during 2012-13. We support this as it will ensure that there is not a divergence from fair values given the last formal independent valuation of the Department's road infrastructure was performed at 30 June 2008. Since that date, so as to ensure annual financial statements report current values, the carrying amounts of road infrastructure have been adjusted by indexation factors relevant to asset components.

Bridge Valuations

The last formal independent valuation of the Department's bridges was performed in 2007. Since that date, and until now, values were adjusted by indices annually, to predict movements in key cost drivers, in an effort to ensure current values. The seven major bridges underwent a full revaluation in the current year. An independent valuer was engaged to perform the revaluation based on depreciated replacement cost, a valuation basis which we support. The seven major bridges are:

- Tasman Bridge
- Pattersons Bridge
- Bridgewater Bridge
- Batman Bridge
- Bowen Bridge
- Denison Canal Bridge
- Bruny Island Ferry Terminals.

In addition, all other bridges were revalued by the Department's engineers also using the depreciated replacement cost methodology.

The result was a revaluation increment of $97.934m.

Valuations of Traffic Signal Installations and the Bruny Island Ferry

The last formal independent valuation of the Department's traffic signals and Bruny Island ferry was performed in 2007. Traffic signals and the Bruny Island ferry underwent a full revaluation in the current year. The Department engaged the Australian Valuation Office (AVO) to perform the revaluation based on depreciated replacement cost.

The result was a revaluation increment, $4.114m to traffic signal installations and $0.002m to the Bruny Island ferry.

Valuations of Land under Roads and within Road Reserves and the Rail Corridor Land

Land under roads and within road reserves and the rail corridor land were updated in 2011-12 with current average values provided by the Valuer-General. The result was a write-down of land under roads and within road reserves of $31.592m. The write-down of land under roads and within road reserves resulted from the $47.000m write-down adjustment relating to an overstatement in 2010-11, previously mentioned, and the current year increment of approximately $16.000m. The valuation of the rail corridor land resulted in an increment of $9.599m.

Change in Depreciation methodology for Road Infrastructure

DIER changed its methodology by applying a more detailed 'line by line' approach to depreciating its roads infrastructure in 2011-12. The recorded amount for road infrastructure is now depreciated by the appropriate rate up to its residual value and no further. This means that, once a road reaches its residual value it is no longer depreciated unless its remaining useful life is reassessed.

Previously, the Department used an "average" rate which did not take into account the residual value. This had the effect of continuing to depreciate road infrastructure beyond the point of its residual value which tended to overstate the depreciation expense for the year and, therefore, understate the carrying amount of the asset.

The impact of this change resulted in depreciation decreasing by approximately $10.800m in 2011-12.

Equity and Grant Transfers

The Department provided a further $34.745m (2010-11, $38.064m) in equity to Tasmanian Railway Pty Ltd (TasRail) to fund upgrades to rail network infrastructure. In addition, $18.775m ($14.590m) was provided from DIER's administered funds in grant contributions to TasRail to assist it to meet administration and maintenance costs.

The Department provided $1.000m ($0.585m) to Tasmanian Ports Corporation Pty Ltd (Tasports) for maintenance of the Flinders Island Port.

Major Projects

Over the four years DIER invested $856.000m in new roads, of which $416.000m was in the last two years. Major projects progressed and completed during the 2011-12 included:

	Original Budget	Revised Budget	Actual Spent to date	Complete	Date due for Completion/ Completed
	$'000s	$'000s	$'000s	%	
Brighton Bypass	176 000	191 100	186 189	98%	November 2012
Brighton Transport Hub	79 000	78 662	79 571	100%	January 2012
Kingston Bypass	41 500	50 620	52 349	100%	December 2011
East Tamar Highway	68 000*	82 360**	82 360	100%	March 2012
TOTAL	**364 500**	**402 742**	**400 469**		

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

* *$60m funding from the Australian Government plus $8m contribution from the State.*

** *The budget for this project increased by $14.360m which was enabled by:*

- *funding provided by the Commonwealth was provided in June 2006, many months prior to commencing the project. The Department earned interest on these funds of $12.500m*
- *an additional contribution of $1.860m was provided by the State government.*

1. Brighton Bypass

The southern section of the Bypass was completed in March 2011 and opened to the public earlier in December 2010. The original completion date for this component of the project was May 2012. The scope of the northern section of the Bypass was expanded with the inclusion of the construction of a long span bridge over the Jordan River levee. The original budget allocation was $176.000m but with the substantial change in scope the budget was increased to $191.000m. Following approval of the amended scope, the completion date is now listed as March 2013. The northern section opened in November 2012.

2. Brighton Transport Hub

The original budget was $79.000m. Most of the works were delivered as part of the Brighton Bypass contract. The major contract works were completed in March 2011, with other accommodation works continuing until June 2012 and $79.571m having been spent to 30 June 2012. TasRail occupied the site as operator early in 2012 and had staff on site prior to June 2012.

3. Kingston Bypass

Final works were completed in early December 2011, which was six months ahead of the announced completion date of June 2012. Significant additional costs of approximately $5.000m were incurred due to a number of scope changes necessary during the project development to meet approvals and stakeholder requirements, higher property acquisition costs, acquisition of the corridor for the future duplication of the bypass and market pressures at the time the contract was tendered. In addition, Aboriginal heritage approval delays added costs of approximately $4.500m. The Department is in the process of selling surplus land in Kingston. Estimated proceeds of around $1.000m will partly offset the overruns.

It is noted that additional works of $1.170m were completed on behalf of, and reimbursed by, Southern Water. The total cost of the project was $52.349m as at 30 June 2012.

4. East Tamar Highway

This project is a package of works completed at the end of March 2012. The East Tamar Highway works were originally due for completion by September 2011, however wet weather from the late summer of 2010-11 resulted in delays in completing the intelligent transport system (weather station) resulting in a final completion date of March 2012.

Existing roads that are replaced by new road works are written off when stages of each project are completed. As a result, in 2011-12 $12.982m, (2010-11, $60.121m) was written-off.

Fixed assets useful life

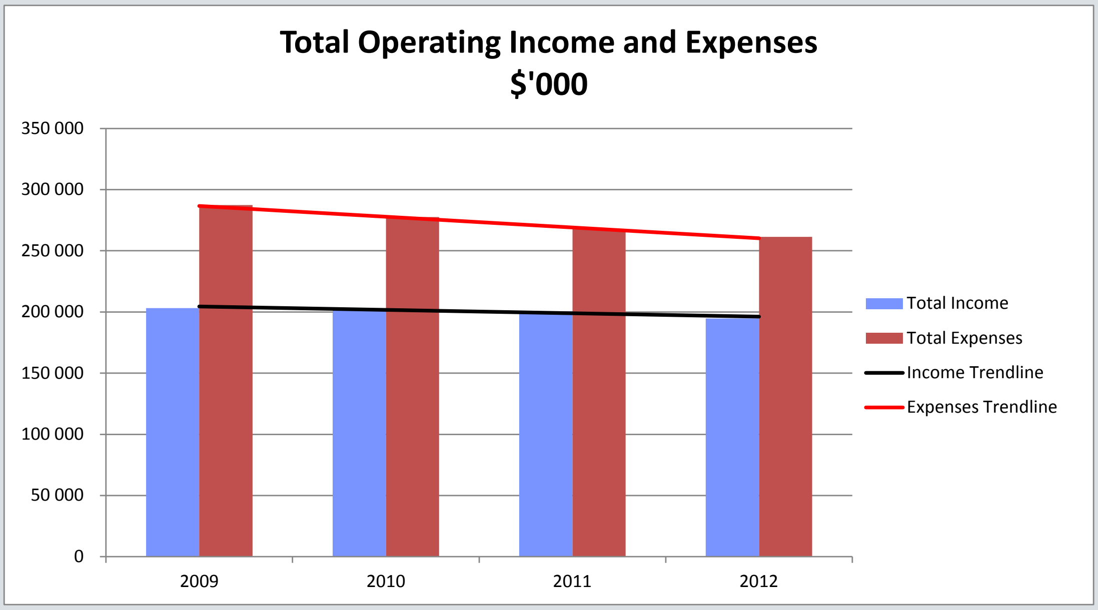
During our audit we noted that, in aggregate, the Department's Plant and equipment and Computer hardware are nearing their useful lives. This estimation was based on the levels of accumulated depreciation and amortization compared to the cost of the associated class of assets. An estimation of this nature can tell a reader one, or a combination of, three things:

- rough age of assets in the class and/or
- deprecation or amortisation rates need re-assessment and/or
- some assets within a class may already have been fully depreciated but are still in effective use.

It is important that the Department regularly assess all of these factors including having in place an appropriate asset replacement program.

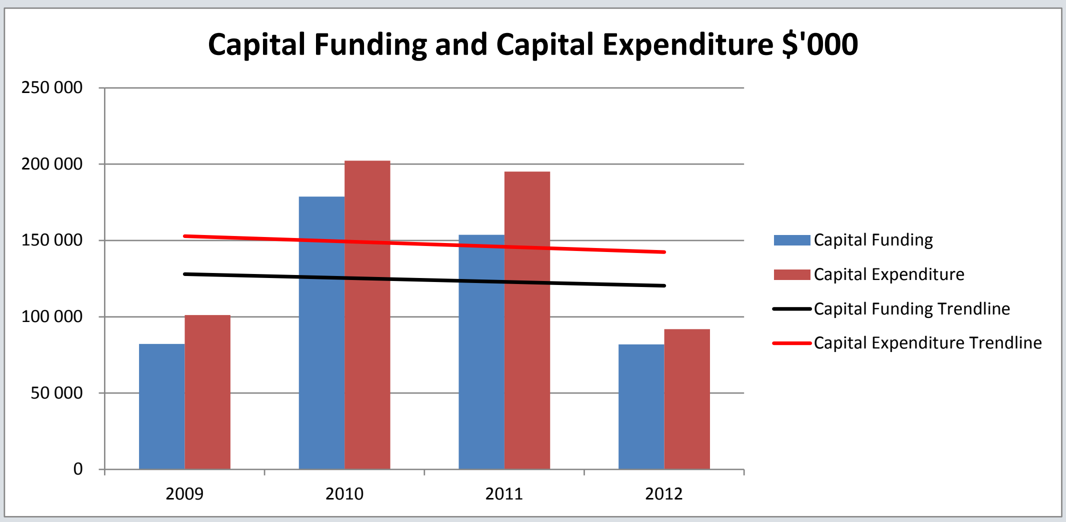
FINANCIAL RESULTS

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



Total operating income decreased marginally over the four year period primarily due to lower appropriations. Components of Total operating income, other than appropriations, amounted to less than 10% of the total.

Total operating expenses also decreased over the four year period although to a higher extent resulting in lower Net deficits from transactions over the four year period. These deficits were less than the annual depreciation charge and movement in employee provisions, which are not funded, indicating the Department was effective in achieving operational efficiencies.

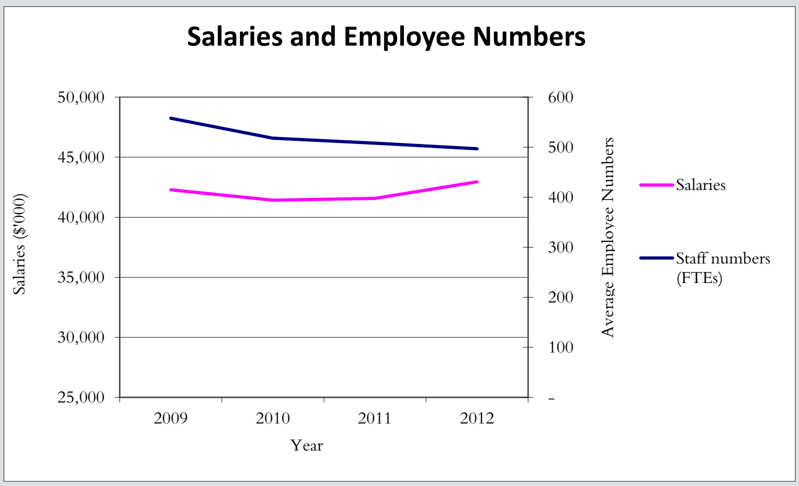


Total capital expenditure, $590.390m exceeded capital funding, $496.609m over the four year period. The difference of $93.781m was primarily due to:

- expenditure of $60.000m for the East Tamar Highway fund provided by the Australian Government in June 2006, plus interest earned, $12.500m, but which was only spent during 2008-09 to 2011-12
- expenditure, $26.840m, funded from other sources, such as recurrent appropriations, expended on computers and plant and equipment
- additional grants
- funds held over from prior years
- recoveries from the public for damages to traffic signals.

The widening of the gap between capital expenditure and capital funding between 2009 and 2011 was mainly attributable to East Tamar Highway funds, particularly in 2010-11 when $28.000m was expended. Now that the East Tamar Highway funds are expended the gap has narrowed, which is depicted in the graph.

The increase in capital funding and expenditure in 2009-10 and 2010-11 was driven by the commencement of major projects, including Brighton Bypass, Brighton Transport Hub and the Kingston Bypass.



Average FTE's declined by 11 in 2011-12, however employee benefits increased by $1.390m, primarily because of *Enterprise Bargaining Agreement (EBA)* pay rises during the year:

- March 2011, 2%
- April 2012, 2%, backdated to December 2011.

On an average staff cost basis, employee expenses went up by $4 000 in 2011-12

In 2011-12, increased pay rises and progressions within salary bands were offset against reduced FTE's.

STATEMENT OF COMPREHENSIVE INCOME

	2011-12 Budget $'000s	2011-12 Actual $'000s	2010-11 Actual $'000s	2009-10 Actual $'000s
Revenue from government - recurrent	118 989	112 500	105 051	93 083
Revenue from government - capital maintenance	57 474	64 385	73 721	90 920
Revenue from special capital investment funds	0	2 389	2 664	1 381
Grants	1 069	1 475	1 708	1 714
Sales of goods and services	654	1 508	1 533	1 361
Fines and regulatory fees	11 294	11 961	10 195	10 009
Interest	0	28	679	1 399
Other revenue	1 046	512	5 064	2 759
Total Revenue	**190 526**	**194 758**	**200 615**	**202 626**
Employee entitlements	39 790	42 957	41 567	41 425
Depreciation and amortisation	99 969	77 424	88 266	89 513
Grants and subsidies	71 677	69 605	65 179	61 600
Supplies and consumables	51 739	67 820	69 988	82 275
Other expenses	2 653	3 575	2 582	2 796
Total Expenses	**265 828**	**261 381**	**267 582**	**277 609**
Net Surplus (Deficit) from transactions	**(75 302)**	**(66 623)**	**(66 967)**	**(74 983)**
Revenue from government - capital	127 202	114 958	180 375	247 196
Write down of assets	4	(45 429)	(149 480)	(14 683)
Contributions received	0	0	0	2 170
Loss on sale of assets	0	0	(330)	(1 986)
Revenue from special capital investments funds - capital	0	0	8 550	13 470
Net Surplus (Deficit) attributable to the State	**51 904**	**2 906**	**(27 852)**	**171 184**
Other Comprehensive Income				
Changes to asset revaluation reserve	132 674	259 358	(999 189)	86 204
Comprehensive Surplus (Deficit)	**184 578**	**262 264**	**(1 027 041)**	**257 388**

Comment

In 2011-12, DIER recorded a Net Deficit from transactions of $66.623m, which was consistent with the previous year's result. The major line items which fluctuated from prior year were:

- decreased Other revenue, $4.552m, due primarily to 2010-11 being abnormally high with a $2.242m reimbursement from TasRail and a large influx of mine rehabilitation bonds
- lower Depreciation and amortisation, $10.842m, primarily due to the change in the methodology for calculating depreciation for roads infrastructure. A more accurate method was adopted which included the introduction of residual amounts below which depreciation is not charged resulting in a lower depreciation charge
- Grants and subsidies increased, $4.426m, due to:
  - higher Community Service Obligation payments to Metro Tasmania Pty Ltd, $35.713m (2010-11, $33.124m)
  - increased payments for contracted services to school bus operators, $28.529m ($16.890m)
  - no forest contractors financial support program payments made in 2011-12 ($5.362m)
  - lower funding to Councils for road works and other projects, $2.496m ($5.990m).

Revenue from government – capital, $114.958m, reduced by $65.417m primarily because funding for major projects such as the Brighton Transport Hub and Kingston Bypass ceased.

Write down of assets, $45.429m, was predominantly due to:

- write down of land under roads and within road reserves, $31.592m. There was no asset revaluation reserve for this class of asset, therefore, the write down was accounted for through Comprehensive Income
- write down of road infrastructure, $12.982m, due to the write-off of existing road assets replaced by new roads.

In 2011-12 DIER budgeted for a Surplus attributable to the State of $51.904m but achieved a surplus of $2.906m, a total shortfall of $48.998m, primarily due to the Write down of assets, $45.429m, not budgeted for.

Other significant variances to budget were:

- Supplies and consumables budget was $16.081m less than actual due to budget overestimation of the proportion of road contractor expenses capitalised. Total cash expended on capital and maintenance was $20.384m less than budget due to a budget over estimation of the proportion of road contractor expenses, salaries and other expenses that would be capitalised in the road program
- the budget for depreciation, $99.969m, was $22.545m higher than actual depreciation for 2011-12. The difference was due to the change in the methodology for calculating depreciation for roads infrastructure referred to earlier.

STATEMENT OF FINANCIAL POSITION

	2012	2011	2010	2009
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	13 937	17 190	37 627	48 301
Receivables	3 372	6 742	8 682	2 116
Other financial assets	307	37	105	5 101
Non-financial Assets				
Plant and equipment	10 759	11 798	12 007	12 078
Land and buildings	85 253	74 921	71 932	71 742
Road infrastructure	3 870 808	3 658 328	4 707 501	4 512 421
Other infrastructure	17 236	12 008	11 581	10 911
Intangibles	11 110	13 062	14 988	16 841
Other assets	881	1 169	1 713	2 616
Total Assets	**4 013 663**	**3 795 255**	**4 866 136**	**4 682 127**
Liabilities				
Payables	4 095	8 114	16 217	9 702
Employee entitlements	10 991	11 129	10 804	11 014
Other liabilities	1 993	5 947	3 360	1 179
Total Liabilities	**17 079**	**25 190**	**30 381**	**21 895**
Net Assets	**3 996 584**	**3 770 065**	**4 835 755**	**4 660 232**
Reserves	1 339 732	1 080 374	2 079 563	1 993 359
Accumulated funds	2 656 852	2 689 691	2 756 192	2 666 873
Total Equity	**3 996 584**	**3 770 065**	**4 835 755**	**4 660 232**

Comment

As is evident from the Statement of Financial Position, the Department's assets are dominated by Road infrastructure assets, totalling $3.871bn (or 96.4% of Total Assets) at 30 June 2012, (2011, 96.4%). During 2011-12 DIER continued major projects such as the Brighton Transport Hub, and Brighton Bypass.

Total Equity increased from $3.770bn to $3.997bn during 2011-12. The improvement of $226.519m comprised:

- Net Surplus attributable to the State, $2.906m (2011, Deficit $27.852m)
- net revaluation increments, $259.358m, comprising mainly:
    - Road infrastructure, $143.231m
    - bridges, $97.934m
- equity transfer to TasRail, $35.189m (2011, $38.064m)
- equity transfer to Tasports, $1.000m (2011, $0.585m).

The corresponding increase in Net Assets at 30 June 2012 resulted in the following major line item movements:

- lower Cash and deposits, $3.253m, details of which are provided in the Statement of Cash Flows section of this Chapter
- decreased Receivables, $3.370m, primarily due to timing differences, where some larger debtors outstanding at 2010-11 were not outstanding at 2011-12. In addition, the 30 June 2012 GST refund was $1.404m lower than last year due to lower capital expenditure as most larger projects were completed
- higher Land and buildings, $10.332m, due mainly to the revaluation increment of rail corridor land, $9.599m
- increased Road Infrastructure, $212.480m, due primarily to:
  - annual indexation increment of road infrastructure, $143.231m
  - revaluation of bridges, $97.934m
  - capital improvements, $33.849m
  - additions to work in progress, $51.151m
- offset by:
  - Depreciation expense, $72.399m
  - write down of land under roads and within road reserves, $31.592m
  - replaced roads write-off, $12.758m
- higher Other infrastructure (traffic signal installations), $5.228m, primarily due to revaluation increments, $4.114m, net additions, $1.678m, offset by depreciation, $0.564m
- lower Payables, $4.019m, mainly because of timing differences and less road construction activity in June 2012 compared to June 2011 due to the substantial completion of major projects
- decreased Other liabilities, $3.954m, due primarily to lower Section 8A carry forward funds of $2.770m in 2011-12.

STATEMENT OF CASH FLOWS

	2011–12	2010–11	2009–10	2008–09
	$'000s	$'000s	$'000s	$'000s
Receipts from government – recurrent	112 473	105 005	93 756	96 443
Receipts from government – capital maintenance	57 387	74 282	90 686	78 485
Revenue from special capital investment funds	3 338	1 653	1 381	4 885
Grants	1 798	1 693	2 157	2 448
Sales of goods and services	1 243	1 572	1 336	1 035
Fines and regulatory fees	11 956	10 195	10 015	9 711
GST receipts	23 350	35 592	32 483	23 476
Other cash receipts	927	5 261	4 733	6 210
Payments to employees	(45 264)	(41 309)	(41 618)	(40 804)
Grants and subsidies	(70 008)	(64 804)	(61 536)	(59 173)
Payments to suppliers	(64 891)	(71 409)	(85 220)	(95 160)
GST payments	(22 186)	(33 216)	(34 715)	(24 445)
Other cash payments	(3 697)	(2 510)	(2 437)	(2 403)
Cash from operations	**6 426**	**22 005**	**11 021**	**708**
Receipts from government – capital	81 944	144 923	165 331	71 646
Revenue from special capital investment funds	0	8 815	13 470	10 480
Proceeds from disposal of assets	3	0	18	4
Payments for acquisition of assets	(91 852)	(195 129)	(202 314)	(101 095)
Receipts from government – TasRail	35 189	38 064	81 865	0
Receipts from government – TasPorts	1 000	585	0	0
Equity transfers to other government entities	(35 745)	(38 649)	(81 865)	0
Cash used in investing activities	**(9 461)**	**(41 391)**	**(23 495)**	**(18 965)**
Trust receipts	663	833	2 125	0
Urban Renewal and Heritage fund transfer	0	0	0	(25 000)
Trust Payments	(881)	(1 884)	(325)	0
Cash flows from (used in) financing activities	**(218)**	**(1 051)**	**1 800**	**(25 000)**
Net increase (decrease) in cash	**(3 253)**	**(20 437)**	**(10 674)**	**(43 257)**
Cash at the beginning of the year	17 190	37 627	48 301	91 558
Cash at end of the year	**13 937**	**17 190**	**37 627**	**48 301**

Comment

Cash at the end of the year decreased by \$3.253m to \$13.937m mainly because net capital investment in property, plant and equipment, mainly roads, of \$9.908m was funded by cash generated from operations and cash reserves brought forward.

Positive cash generated from operations, \$6.426m, approximates the Operating loss of \$66.623m adjusted for depreciation charges of \$77.424m and other largely offsetting movements in assets and liabilities.

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

Payments for acquisition of assets, \$91.852m comprised mainly:

- Brighton Bypass, \$36.486m (2010-11, \$58.224m)
- Kingston Bypass, \$9.603m (\$27.993m)
- Brighton Transport Hub, \$5.843m (\$30.838m)
- infrastructure development – continuing projects, \$2.942m (\$31.091m)
- various community roads package, West Coast Roads, Tarkine Drive, road safety and traffic management projects, \$30.700m (\$27.500m).

FINANCIAL ANALYSIS

	Bench Mark	2011-12	2010-11	2009-10	2008-09
Financial Performance					
Operating deficit ($'000s)	>1	(66 623)	(66 967)	(74 983)	(84 081)
Own source revenue ($'000s)		15 484	18 500	16 522	21 290
Financial Management					
Debt collection	30 days	10	32	29	39
Creditor turnover	30 days	22	42	56	29
Capital Management					
Roads					
Asset investment ratio	100%	223%	495%	309%	138%
Asset sustainability ratio	>100%	125%	265%	111%	124%
Consumption ratio	>60%	54%	54%	68%	68%
Asset renewal funding ratio	90%-100%	N/A	N/A	N/A	N/A
Bridges					
Asset investment ratio	100%	56%	173%	80%	53%
Asset sustainability ratio	>100%	56%	173%	80%	53%
Consumption ratio	>60%	72%	72%	72%	73%
Asset renewal funding ratio	90%-100%	N/A	N/A	N/A	N/A
ABT railway infrastructure					
Asset Investment ratio	100%	0%	0%	0%	0%
Asset Sustainability ratio	>100%	0%	0%	0%	0%
Consumption ratio	>60%	77%	79%	89%	92%
Asset renewal funding ratio	90%-100%	N/A	N/A	N/A	N/A
Other Information					
Average staff numbers (FTEs)		497	508	518	558
Average staff costs ($'000s)		86	82	80	76
Average Annual Leave balance per FTE (days)	20	21	21	22	20
Average Long Service Leave balance per FTE (days)	100	48	49	48	46

Comment

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

Own source revenue fluctuated over the four year period of the review. The decrease in 2011-12 was attributable to reimbursement of costs associated with the Brighton Transport Hub from TasRail, $2.242m in 2010-11.

Debt collection varied over the four year period and in 2011-12 was within benchmark, due to decreased Receivables, $1.018m, primarily due to timing differences relating to some larger debtors outstanding at 2010-11 were not outstanding at 2011-12.

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

Asset investment ratio for roads was well in excess of benchmark in each of the years under review. This reflected the large amount of capital expenditure on new and existing roads over the four-year period.

Consumption ratio for roads in 2011-12 indicated roads had almost reached the midpoint in terms of service potential. Taking into account the useful life of the asset, this may indicate that the capital expenditure had not kept up with the associated depreciation charge. The Asset sustainability ratio for the period under review, albeit a short time span in the useful life of the asset, had been in excess of benchmark, indicating that capital expenditure had been more than adequate. In contrast, the Consumption ratio had deteriorated since 2008-09, where 32% of the service potential of the asset had been consumed down to 46%, in 2011-12. In 2010-11 there was a one-off increase to accumulated depreciation of $569.000m as a result of a change in the valuation methodology for sealed roads. Consequently, the Consumption ratio in 2010-11 dropped from 64% to 54%. Recent investment in roads had assisted in sustaining the life of the asset, but more is required to address what appears to be under expenditure in the past.

Asset investment ratio for bridges had varied over the period of review. The Department failed to reach benchmark in all years, except 2010-11, however the ratio averaged 90.5%. The Asset sustainability ratio for bridges was the same result as for the Asset investment ratio due to all capital expenditure being made on existing bridges, that is, there was no investment in new bridges.

Consumption ratio for bridges was steady at an average of 72% over the four year period. This indicated that 28% of the service potential of bridges had been consumed. Given that the Asset sustainability ratio had averaged 91% over the four years, which indicates that a reasonable level of expenditure had been spent on bridges, this may explain the steady result achieved by the Consumption ratio. Further factors that would affect the useful life of these assets are maintenance programs and the degree to which construction, especially older bridges, being over-engineered.

The Asset investment and Asset sustainability ratios for ABT railway infrastructure for the period of review was zero due to the Department not spending any funds on the infrastructure for the period under review.

Consumption ratio for ABT railway infrastructure declined steadily over the period of review. As at 2011-12, the result was 77% which indicated that approximately 23% of the service potential of this asset had been consumed.

The Department does not utilise an Asset renewal funding ratio for roads, bridges and the ABT Railway infrastructure as it assesses roads and bridge replacement on a Program model based on a 10 year forward plan which is informed by asset condition information, changes to usage and other factors such as freight volumes and changing demographics. These parameters are critical to inform capital expenditure decisions and their exclusion lowers the priority for undertaking this calculation.

Average staff numbers reduced by 11 FTE's in 2011-12. This reduction occurred across the Department. In 2011-12, the Department did not have a redundancy program, instead instituted vacancy control to meet its budget savings objectives.

Average staff costs generally increased over the four year period. The increase in 2011-12, only $0.004m (2010-11, $0.002m), was primarily because of Enterprise Bargaining Agreement (EBA) pay rises during the year, 2% in March 2011 and 2% in December 2011. Department's total employee costs increased by only $1.390m or 3.3% in 2011-12 indicating successful steps taken to control this cost which represented 16.4% (2010-11, 15.5%) of total costs.

The Department has an ageing workforce, with the majority of employees being within the 35 to 59 years of age category. The Department needs to ensure it has adequate succession plans in place to address this issue.

ADDITIONAL FINANCIAL INFORMATION

Administered Financial Transactions

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

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

ADMINISTERED INCOME AND EXPENSES

	2011-12 Budget $'000s	2011-12 Actual $'000s	2010-11 Actual $'000s	2009-10 Actual $'000s
Receipts from government - recurrent	77 878	75 140	79 230	63 821
Grants	417	452	363	154
Sales of goods and services	53 121	54 762	52 385	40 133
Fines and regulatory fees	45 017	43 859	42 214	40 502
Other receipts	33	115	132	105
Total Revenue	**176 466**	**174 328**	**174 324**	**144 715**
Payments to employees	982	2 179	1 923	1 958
Depreciation and amortisation	1	21	27	22
Grants and subsidies	77 743	73 683	78 004	62 517
Other cash payments	718	1 563	2 296	1 898
Total Expenses	**79 444**	**77 446**	**82 250**	**66 395**
Net Surplus before:	**97 022**	**96 882**	**92 074**	**78 320**
Transfers to the consolidated fund	97 143	97 602	91 143	79 166
Receipts from government - capital	0	0	0	0
Net gain(loss) on financial and non-financial assets	1	1	(2)	360
Net Surplus (Deficit) Attributable to the State	**(120)**	**(719)**	**929**	**(486)**
Comprehensive Surplus (Deficit)	**(120)**	**(719)**	**929**	**(486)**

Comment

Net Surplus of $97.022m was a slight improvement of $0.140m on the previous year's result.

Major Grants and subsidies expended in 2011-12, based on allocations from Treasury, included:

- school bus operators route service subsidies, $15.634m (2010-11, $23.234m),
- Tasmanian Racing assistance grant, $28.033m (27.510m),
- TasRail grant, $18.775m ($14.590m).

DEPARTMENT OF JUSTICE

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 10 August 2012. An unqualified audit report was issued on the same day.

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

KEY FINDINGS AND DEVELOPMENTS

Asbestos Compensation Fund

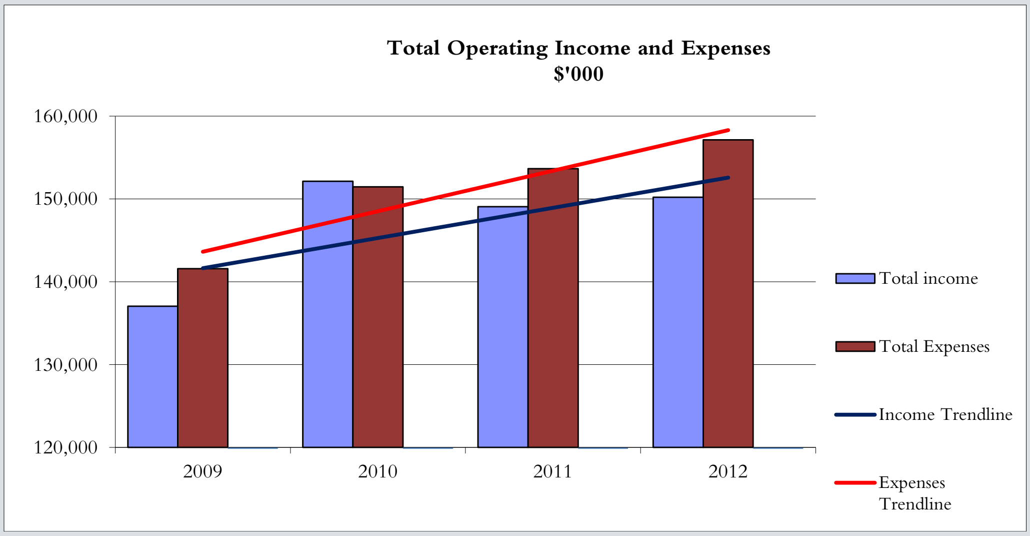
The A*sbestos- Related Diseases (Occupational Exposure) Compensation Act 2011* (the Act) received Royal Assent on 4 October 2011. The Act establishes the Asbestos Compensation Scheme (the Scheme) which provides for the payment of compensation, and other claims to workers who develop an asbestos-related disease as a result of exposure to asbestos during the course of their work in Tasmania.

The Act requires that the Asbestos Compensation Commissioner (the Commissioner) administer the Scheme through the Asbestos Compensation Fund (the Fund) which commenced operations on 31 October 2012.

Department of Justice (Justice) provide administrative support for the Fund. For more information on the Fund refer to the Asbestos Compensation Fund chapter in this volume.

FINANCIAL RESULTS

The following two graphs highlight important aspects of the Department's operating activities.

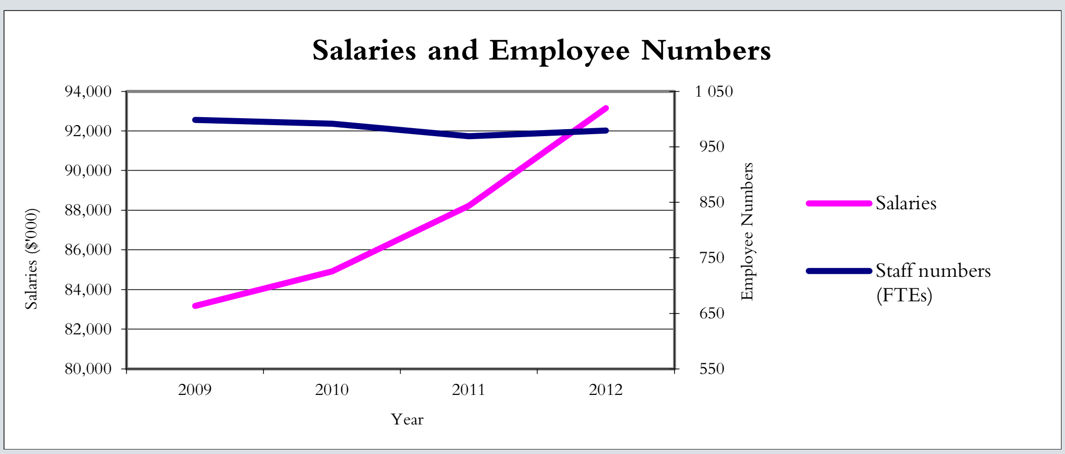


Total operating expenses exceeded Total operating income in all four years except for 2010. This result would be expected, as Departments are not funded for depreciation and amortisation or increases in employee annual leave and long service leave provisions.

Total operating income increased by $1.828m from $149.052m in 2010-11 to $150.880m in 2011-12. This was as a result of higher government appropriation revenue, $1.049m, revenue from Sale of goods, fees and fines, and grants, $1.419m.

However, Total operating expenses increased at a greater rate from $153.643 in 2010-11 to $157.138m mainly due to higher Employee benefits, $4.918m and Depreciation and amortisation expenses, $0.557m. Employee benefits are discussed in the next graph. Depreciation costs increased due to new assets for Community Corrections and the Tasmanian Planning Commission and adjustments to the useful lives of buildings, prison building and structures as a result of revaluation.

The graph below summarises employee costs and movements in full time equivalents staffing over the past four years.



Over the last four years the number of FTE's had decreased slightly for the Department. The Department's FTEs grew by 10 FTE this year, with the re-employment of the former Sullivans Cove Waterfront Authority employees also reflecting increased staffing in Community Corrections and Monetary Penalties Enforcement Service partly offset by falls in other parts of the Department. The Department had not implemented a general redundancy scheme but had offered two targeted redundancies, and had relied upon vacancy controls to meet budget savings goals.

Employee benefits increased progressively over the four years under review. This increase primarily represented higher general salary movements from award increases, termination payments and superannuation contributions for defined benefits scheme members. Employee benefits were higher than budget this year due to greater overtime payments at Prisons and salary increases for judges and magistrates.

STATEMENT OF COMPREHENSIVE INCOME

	2011-12 Budget $'000s	2011-12 Actual $'000s	2010-11 Actual $'000s	2009-10 Actual $'000s
Revenue from government - recurrent	127 727	129 085	128 036	129 884
Revenue from Special Capital Investment Funds	0	0	525	475
Sale of goods and services, fees and fines and grants	10 164	15 144	13 725	14 262
Other revenue	4 682	6 651	6 766	7 497
Total Revenue	**142 573**	**150 880**	**149 052**	**152 118**
Employee benefits	82 643	93 151	88 233	84 910
Depreciation and amortisation	4 364	5 113	4 556	4 407
Grants and subsidies	11 865	12 420	13 124	13 292
Impairment losses	0	722	(30)	647
Other expenses	48 961	45 732	47 760	48 200
Total Expenses	**147 833**	**157 138**	**153 643**	**151 456**
Net surplus (deficit) from transactions	**(5 260)**	**(6 258)**	**(4 591)**	**662**
Other economic flows included in net result				
Capital appropriations	3 500	823	100	0
Net gain/(loss) on non - financial assets	0	(860)	79	1
Total other economic flows included in net result	**3 500**	**(37)**	**179**	**1**
Net surplus (deficit) attributable to the State	**(1 760)**	**(6 295)**	**(4 412)**	**663**
Other economic flows - other non-owner changes in equity				
Changes in physical asset revaluation reserve	**0**	**(9 307)**	**0**	**0**
Total other econcomic flows - other non-owner changes in equity	**0**	**(9 307)**	**0**	**0**
Comprehensive Surplus (Deficit)	**(1 760)**	**(15 602)**	**(4 412)**	**663**

Comment

In 2011-12 the Department's Net deficit from transactions was $6.258m which was higher than the prior year, $4.591m. The Net deficit was higher than expectations varying by $0.998m on the budgeted operating deficit of $5.260m.

Changes this year included:

- Special Capital Investment Funds revenue decreased by $0.525m mainly due to the completion of the Franklin Wharf Redevelopment project in 2010-11
- Sale of goods and services, fees and fines, and grants increased by $1.419m due to:
    - higher grants, $0.837m, predominately due to grants received from State Government and non-government sources for works associated with the Structured Infrastructure Investment Review Process, $0.267m, the Wellbeing Advisory Program, $0.270m, and the Sentencing Advisory Council, $0.250m
    - higher income from the Sale of goods and services, $0.276m, mainly due to Hayes Prison Farm produce sales, $0.067m, and Risdon Prison industry sales, $0.156m
    - increased fees and fines, $0.306m, mainly comprising higher Workplace Standards revenue

- increased Employee benefits, $4.918m, attributable to higher general salary movements, superannuation contributions to Treasury and additional lump sum terminations payments
- higher Depreciation and amortisation expenses, $0.557m, primarily because of new assets for Community Corrections and the Tasmanian Planning Commission and due to adjustments to the useful lives of buildings, prison building and structures. In all cases, lives were shortened resulting in higher depreciation
- decreased Grants and subsidies expense, $0.704m, as a result of the completion of grant programs with Councils
- Impairment of accounts receivable of $0.722m which related to a long outstanding debt owed by the Walker Corporation
- lower Other expenses, $2.028m. This comprised lower supplies and consumables expenses and on costs for leave entitlement due to the abolition of payroll tax for Departments. Also in the prior year there was a $0.532m contribution cost related to the transfer of Measurement Standards to the Commonwealth.

Overall the Department's Comprehensive Deficit, $15.602m, was higher compared to 2010-11 by $11.190m. This movement was mainly due to the operating deficit discussed previously and:

- increased Revenue from government, $0.823m, which included additional funding for Prison Infrastructure and Risdon Prison Redevelopment Program Stage D
- net loss on the disposal of non-financial assets, $0.860m, being the devaluation on prison buildings in excess of the asset revaluation reserve
- a revaluation decrement, $9.307m, which resulted from revaluations performed on land, buildings, prisons and other structures, and library assets during the year. The revaluation was based on fair value. Where possible assets have been valued on the basis of market value. However, due to nature of some of the Department's assets, including prisons and court buildings, which are unlikely to transact in the market for existing use, these assets have been valued on a depreciated replacement cost basis.

As noted previously, in 2011-12 the Net deficit from transactions was worse than budget by $0.998m. The major variances were as follows:

- Revenue from government was higher than the budget, $1.358m mainly due to increased appropriations to fund salaries of judges and magistrates as well as expenses of Parliamentary elections
- Sale of goods and services, fees and fines, and grants exceeded budget by $4.980m due to additional revenues received by Workplace Standards for the Building Administration Fund, Building Practitioner Accreditation and Electrical Safety Inspection Service
- Grants received from the State Government including grants for works associated with the Structured Infrastructure Review Process, $0.267m, and the Wellbeing Advisory Program, $0.270m. Grants received from non-government sources included grants for the Sentencing Advisory Council, $0.250m, and other minor grants. There was no budget for grants
- Other revenue exceeded budget by $1.969m, primarily due to additional revenues received by the Tasmanian Electoral Commission for Local Government elections
- Employee benefits exceeding budget by $10.508m largely due to salary costs incurred by the Prison Service, $4.000m being mainly overtime, and increased salary costs of Statutory Officers such as judges and magistrates, $1.000m, in addition to increased general salaries and leave provisions.

STATEMENT OF FINANCIAL POSITION

	2012	2011	2010	2009
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	15 654	15 999	17 136	15 079
Receivables	865	1 712	4 016	3 060
Non-financial Assets				
Inventory	476	386	441	461
Property, plant and equipment	133 048	145 645	148 680	150 085
Intangibles	3 930	4 022	3 807	4 278
Total Assets	**153 973**	**167 764**	**174 080**	**172 963**
Liabilities				
Payables	2 319	3 059	2 992	3 288
Employee entitlements	23 586	20 537	19 114	18 646
Other liabilities	830	1 261	2 380	2 098
Total Liabilities	**26 735**	**24 857**	**24 486**	**24 032**
Net Assets	**127 238**	**142 907**	**149 594**	**148 931**
Reserves	31 517	40 824	40 824	40 824
Accumulated funds	95 721	102 083	108 770	108 107
Total Equity	**127 238**	**142 907**	**149 594**	**148 931**

Comment

Total Equity declined in comparison to the prior year by $15.669m. This movement represented the 2012 comprehensive result and the administrative restructure associated with the winding-up of the Sullivans Cove Waterfront Authority on 31 August 2011. As a result of this restructuring, the Department assumed the remaining assets and liabilities, netting off to $0.067m, together with staff of the former Authority.

Net Assets moved accordingly with the major changes being:

- lower Cash and deposits, $0.345m, lower Receivables, $0.847m, primarily representing impairment of the Walker Corporation debt
- decreased Property, plant and equipment, $12.597m, mainly because of the downward revaluation of land, buildings and library assets as at 31 March 2012 referred to earlier. This valuation was carried out by independent valuers
- decreased Intangibles, $0.092m, mainly due to annual amortisation
- higher Employee entitlements, $3.049m, due to the flow-on effect of salary increases, increased annual and long service leave balances
- lower Payables, $0.740m, primarily due to timing of receipt of invoices in comparison to prior year
- lower Other liabilities, $0.431m, as there was no appropriation carry-forward under Section 8A of the *Public Account Act 1986* in 2012 and no on-cost accrual required for payroll tax

STATEMENT OF CASH FLOWS

	2011-12	2010-11	2009-10	2008-09
	$'000s	$'000s	$'000s	$'000s
Receipts from government - recurrent	129 085	128 203	130 596	119 750
Sales of goods and services, fees and fines and grants	15 257	13 964	14 550	13 247
GST receipts	5 058	5 101	4 921	4 376
Other cash receipts	6 699	6 786	5 695	4 050
Payments to employees	(90 376)	(86 412)	(84 188)	(80 598)
Payments to suppliers	(59 683)	(59 323)	(61 852)	(54 384)
GST payments	(5 154)	(4 855)	(5 163)	(4 337)
Interest payments	(9)	0	0	0
Cash from (used in) operations	**877**	**3 464**	**4 559**	**2 104**
Receipts from government - capital	1 500	100	0	11 905
Payments for acquisition of assets	(2 930)	(2 177)	(2 502)	(1 845)
Cash outflow on administrative restructure	208	(2 524)	0	0
Cash from (used in) investing activities	**(1 222)**	**(4 601)**	**(2 502)**	**10 060**
Repayment of borrowings (including interest)	0	0	0	(11 278)
Cash used in financing activities	**0**	**0**	**0**	**(11 278)**
Net increase (decrease) in cash	**(345)**	**(1 136)**	**2 057**	**886**
Cash at the beginning of the year	15 999	17 136	15 079	14 193
Cash at end of the year	**15 654**	**15 999**	**17 136**	**15 079**

Comment

Cash generated from operations during 2011-12 amounted to $0.877m, which was lower than 2010 11 by $2.587m. The Cash from operations, $0.877m can be explained by:

- Department's Net deficit attributable to the state of $6.295m adjusted for Depreciation and amortisation of $5.113m, and the increase in Employee entitlements, $3.049m providing $1.867m in operating cash inflows, adjusted:
- by adding Receipts from government – capital, $1.500m which had been classified as an investing activity in the Statement of Cash Flows
- less the decrease in Payables, $0.740m and Other liabilities, $0.431m

The Cash outflow on administrative restructure, $0.208m, related to cash and deposits transferred from Sullivans Cove Waterfront Authority to the Department.

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

FINANCIAL ANALYSIS

	Bench Mark	2011-12	2010-11	2009-10	2008-09
Financial Performance					
Result from operations (deficit) ($'000s)		(6 258)	(4 591)	662	(4 528)
Own source revenue ($'000s)		20 918	20 451	21 604	17 645
Financial Management					
Debt collection	30 days	14	39	93	76
Creditor turnover	30 days	8	12	18	14
Capital Management					
Buildings					
Asset investment ratio*	100%	65%	n/a	n/a	n/a
Asset sustainability ratio*	>100%	16%	n/a	n/a	n/a
Prison Buildings					
Asset investment ratio*	100%	45%	n/a	n/a	n/a
Asset sustainability ratio*	>100%	14%	n/a	n/a	n/a
Other Information					
Staff numbers (FTEs)		979	969	991	998
Average staff costs ($'000s)		95	91	89	87
Average recreational leave balance per FTE (days)	20	24	24	23	24
Average long service leave balance per FTE (days)	100	46	45	72	69

* Information not available to calculate ratio for some years

Comment

The Result from operations over the four year period indicates the Department incurred deficits which approximate the unfunded depreciation and amortisation expense, as expected.

Own source revenue increased steadily over the four year period under review apart from a slight decline in 2010-11 due to lower commercial and civil fees.

Debt collection days were better than benchmark in 2011-12. The spike in previous years included a few major outstanding debts that were impaired in 2011-12.

In 2011-12, the benchmark for the Asset investment ratio for both Buildings and the Prison Buildings was not achieved. This indicated that the Department may not be spending enough funds to maintain its physical assets.

In 2011-12, Asset sustainability ratio benchmark for Buildings and the Prison buildings was not achieved also indicating the Department is not spending sufficient funds to restore and replace existing buildings. However, the Department does have maintenance programs which may mitigate the risk of this under investment to some extent. Maintenance is expensed in the period in which it occurs.

Asset consumption and renewal funding ratios could not be calculated at present as the required information is not available. The Department had a draft Strategic Asset Management Plan (SAMP) for the next 3 years which is dependent on funding decisions by Government.

Over the four year period, staff numbers have decreased from 998 in 2008-09 to 979 in 2011-12. An explanation of this movement is provided previously in this Chapter.

Average staff costs in 2011-12 were higher, attributable to greater than expected overtime payments at Prisons and salary increases for judges and magistrate and general wage increases under state award.

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

ADDITIONAL FINANCIAL INFORMATION

Administered Financial Transactions

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

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

ADMINISTERED INCOME AND EXPENSES

	2011-12	**2011-12**	**2010-11**	**2009-10**
	Budget	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from government - recurrent	335	335	1 732	1 755
Sales of goods and services, fees and fines	33 722	24 875	22 706	33 565
Other revenue	5 413	10 060	6 761	5 945
Contribution Received	0	8 250	0	0
Total Revenue	**39 470**	**43 520**	**31 199**	**41 265**
Grants and subsidies	1 135	889	1 939	1 755
Employee entitlements	1 095	2 645	2 463	2 104
Depreciation and amortisation	0	2	2	2
Other expenses	3 958	12 346	7 755	7 312
Total Expenses	**6 188**	**15 882**	**12 159**	**11 173**
Net Surplus before transfer	**33 282**	**27 638**	**19 040**	**30 092**
Transfer to Consolidated Fund	32 030	25 915	28 378	27 301
Net Surplus (Deficit)	**1 252**	**1 723**	**(9 338)**	**2 791**
Reversal of Impairment of accounts receivable	0	2 660	10 917	12 711
Provision for compensation payable	0	(137 120)	0	0
Future levies receivable	0	131 210	0	0
Administered Comprehensive Surplus (Deficit)	**1 252**	**(1 527)**	**1 579**	**15 502**
Other Comprehensive Income	**0**	**0**	**0**	**0**
Comprehensive Surplus (Deficit)	**1 252**	**(1 527)**	**1 579**	**15 502**

Comment

In 2011-12, the Department reported a Net Comprehensive Deficit, $1.527m, from administered transactions compared to a surplus of $1.579m in 2010-11. The deficit resulted from:

- wounding-up of the Sullivans Cove Waterfront Authority (SCWA), which resulted in less Revenue from government. In 2010-11, Revenue from government included $1.732m for SCWA compared to $0.335m 2011-12. In 2011-12, the SWCA operated for only two months
- increased Other expenses, $4.591m, mainly due to asbestos compensation paid, $3.527m, increased WorkCover costs for a case management system, $0.360m,
- increased Provision for compensation payable and Future levies receivable, netting off to $5.910m, being the initial opening balances on creation of the Asbestos Compensation Fund – refer to the separate chapter dealing with this Fund elsewhere in the volume.
- lower Reversal of accounts receivables impairments of $8.257m due to reclassification of fees and fines collection receivables from the provision of impairment to the provision for expected remission. In addition, this is the first year the Department discounted future cashflows to determine the impairment balance.

These were partially offset by:

- Contribution received, $8.250m, through the Asbestos Compensation Fund from the Nominal Insurer to create a balance to allow compensation to be paid prior to any levies being received by the Fund
- increased Other revenue, $3.299m, primarily due to other income from the Asbestos Compensation Fund and WorkCover
- a lower Transfer to Consolidated Fund of $2.463m.

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

	2011-12	**2010-11**	**Movement**
	$'000s	$'000s	$'000s
Fines Collection Receivables	63 095	67 343	(4 248)
Provision for Impairment	(2 831)	(5 495)	2 664
Provision for expected remissions	(7 735)	(7 827)	92
Total	**52 529**	**54 021**	**(1 492)**

In 2011-12, impairment of fines collection receivables was reassessed. This reassessment resulted in a reduction in the Provision of $2.664m. This was directly attributable to introduction of the *Monetary Penalties Enforcement Act 2005* (the Act) in April 2008 which resulted in improved collections. The Act changed the way monetary penalties, and specifically infringement notices are issued and enforced.

DEPARTMENT OF POLICE AND EMERGENCY MANAGEMENT

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2012. An unqualified audit report was issued on 11 September 2012. The audit was completed satisfactorily with no major items outstanding.

KEY FINDINGS AND DEVELOPMENTS

Completion of redevelopment of Bellerive Police Headquarters

The Department of Police and Emergency Management's (the Department) new-look Bellerive police headquarters was officially opened on 18 November 2011.

The $6.000m refurbishment and extension was a major 18 month project for the Department doubling the space that was previously available and resulting in improvement in the standard of accommodation. In addition to building improvements, Bellerive is the first of Tasmania Police's stations to be fully equipped with wi-fi facilities and has up-to-date computer hardware.

The completion of the Bellerive Station is the first of three divisional headquarters replacement and refurbishment projects. By 30 June 2012 work had commenced on a new station for Devonport and an expression of interest for the purchase of properties at Main Road and Harold Street, Glenorchy had been submitted.

Disposal of police residences

The Department disposed of a number of police residences considered surplus to its requirements in 2011-12. These sales were managed by the Department of Treasury and Finance with Departmental employees and members of the public able to express interest in purchasing a residence.

Proceeds from sale of surplus police residences of $1.925m were transferred to the Crown Land Administration Fund (CLAF), an account within the Special Deposits and Trust Fund of the Public Account.

Impairment of coastal patrol vessel 'PV Fortescue'

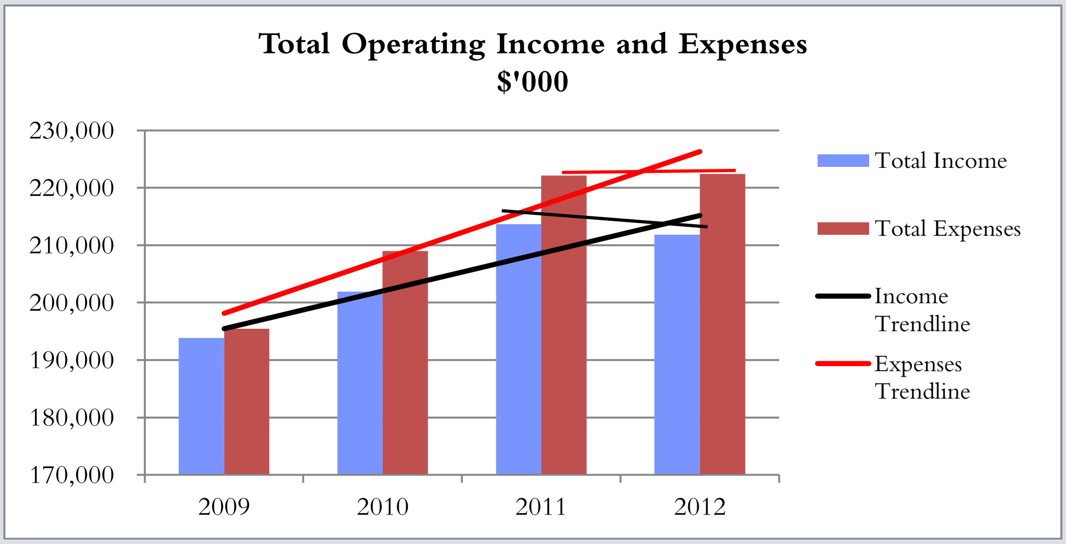
The coastal patrol vessel 'PV Fortescue' (the Vessel) was purpose designed and built for the Department and launched in 2009. From the outset, design and build quality issues plagued the Vessel. The Vessel was found to be unsuited and incapable of safely and efficiently carrying out missions required of it.

Boat Sales Tasmania was contracted in 2011-12 to conduct an in-water inspection of the Vessel, to explore best solutions to dispose of it and to consider ways of financing a replacement vessel.

As part of the inspection, Boat Sales Tasmania assessed the market value of the Vessel as at 30 June 2012 and provided the Department with two valuation options. The Department adopted the valuation option which assumed that the Vessel was sold in current condition as a going concern. However, the Department had not arrived at a decision as to the future of the Vessel at the time of preparing the financial statements. The other valuation option assumed that the vessel was to be broken up and scrapped. However, the Vessel was impaired by $0.756m at 30 June 2012.

FINANCIAL RESULTS

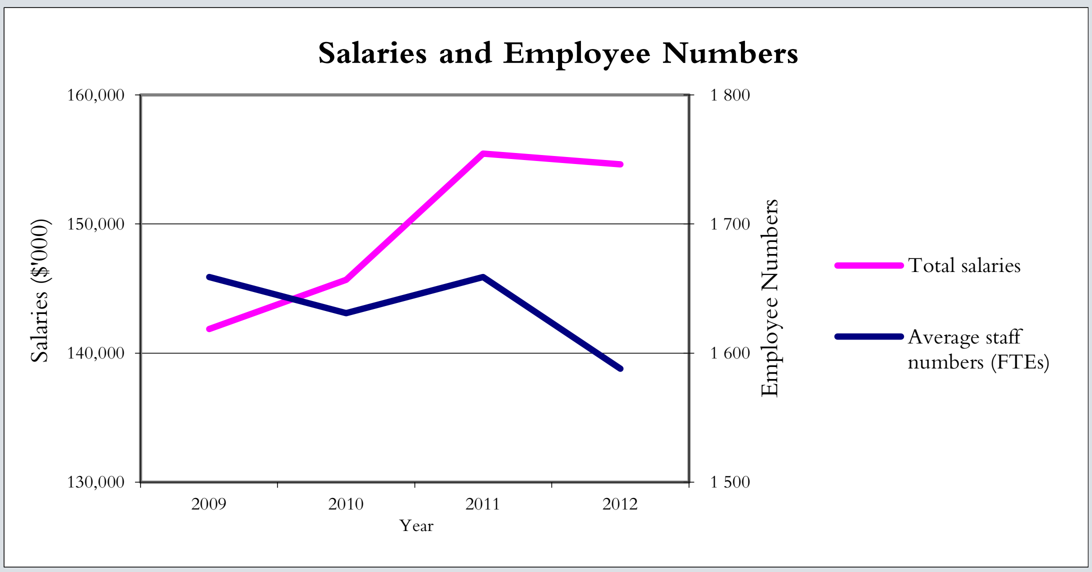
The following two graphs highlight important aspects of the Department's operating activities:



Two sets of trend lines are included as this more clearly shows the impact of government decisions to reduce costs in the latter two years.

Total operating income increased over the four year period by 9.2%, primarily due to additional appropriations. The components of Total operating income, other than appropriations, amount to less than 10.60% of the total.

Total operating expenses increased by 13.78%, over the four year period, higher than the growth in Total operating income mainly due to a 9.58% increase in employee costs, discussed in the next graph.



Average staff numbers (FTE's) remained relatively constant for the three years ended 30 June 2011. FTEs decreased in 2011-12 due mainly to employee separations of 33.34 FTEs under Targeted Voluntary Redundancy Arrangements (TVRA) and the Workforce Renewal Incentive Program (WRIP).

Total salaries in 2011-12 used in the graph are net of one-off separation payments. There were WRIP payments for eleven employees, capped at $0.020m each, and TVRA payments, approximately $0.398m, for 22.34 FTEs.

Whilst Average FTEs decreased over the four year period, employee expenses increased by 9.00%, an annual average of 2.25%. The increase was predominantly due to public sector wage agreement indexation, including a new enterprise bargaining agreement for police officers in 2010-11. Salaries represented 78.56% of the annual appropriation in 2008-09 increasing to 81.40% in 2011-12 (including one-off separations payments), or relative additional annual salary costs of $3.398m.

STATEMENT OF COMPREHENSIVE INCOME

	2011-12 Budget $'000s	2011-12 Actual $'000s	2010-11 Actual $'000s	2009-10 Actual $'000s
Revenue from government				
Appropriation revenue - recurrent	187 465	190 982	193 073	180 513
Other revenue from Government	591	1 504	1 265	646
Grants	2 674	2 853	3 152	5 581
Other revenue	6 486	16 481	16 189	15 179
Total Revenue	**197 216**	**211 820**	**213 679**	**201 919**
Employee benefits	147 000	155 450	155 445	145 678
Depreciation and amortisation	5 758	7 314	6 599	5 235
Supplies and consumables	35 434	42 154	43 443	40 238
Grants and subsidies	2 267	5 978	3 284	5 119
Other expenses	12 121	11 505	13 340	12 725
Total Expenses	**202 580**	**222 401**	**222 111**	**208 995**
Net Surplus (Deficit) from transactions	**(5 364)**	**(10 581)**	**(8 432)**	**(7 076)**
Appropriation revenue - works and services	8 193	2 820	4 430	3 104
Other revenue - TMRN digital upgrade	0	5 711	1 392	0
Net gain (loss) on sale of non-financial assets	0	(1 482)	(9)	0
Impairment of non-financial assets	0	(756)	0	0
Net gain (loss) on financial instruments	0	0	(52)	(282)
Net Surplus (Deficit) Attributable to the State	**2 829**	**(4 288)**	**(2 671)**	**(4 254)**
Other Comprehensive Income				
Changes in physical asset revaluation reserves	14 271	(9 114)	3 891	8 016
Comprehensive Surplus (Deficit)	**17 100**	**(13 402)**	**1 220**	**3 762**

Comment

In 2011-12 the Department's Net Deficit from transactions was $10.581m, an increase in deficit of $2.149m from the prior year. As is the case with all departments, appropriation funding is not provided for Depreciation and amortisation, $7.314m (2010-11, $6.599m), and movement in employee entitlements, $2.357m ($3.941m). Had the Department been fully funded its net deficit would have decreased to $0.910m, as opposed to a net surplus of $2.108m in 2010-11.

Bearing these observations in mind, the Net Deficit from transactions in 2011-12 was mainly attributable to:

- lower Appropriation revenue – recurrent, $2.091m, reflecting the impact of budget savings strategies and completion of the Police Connectivity project
- higher Grants and subsidies, $2.694m, mainly attributable to funding payments for the Launceston flood risk management project
- higher Depreciation and amortisation, $0.715m, due to capitalisation of Tasmanian Mobile Radio Network (TMRN) infrastructure assets of $13.019m half way through 2010-11 and thus contributing to more depreciation in that year and even more so in 2011-12.

The forgoing were partially off-set by:

- lower Other expenses, $1.835m, mainly as a result of changes to the payroll tax regime effective from 1 October 2012. Accordingly, there was no provision for payroll tax on employee entitlement benefits at 30 June 2012
- lower Supplies and consumables, $1.289m, in line with budget savings strategies.

The Net Deficit attributable to the State increased from $2.671m in 2010-11 to $4.288m in 2011-12. The items that contributed to the higher deficit were:

- lower Appropriation revenue – works and services, $2.820m (2010-11, $4.430m). Funding in 2011-12 related to the Bellerive Headquarters refurbishment, $0.930m, a new police residence at Dunalley, $0.331m, redevelopment and refurbishment of Devonport police station, $0.401m, forensic and protective equipment upgrades, $0.952m and purchase of 24 Wenvoe Street, Devonport for the construction of the new Devonport Police Headquarters as a result of a land and building exchange with the Devonport City Council. This source of funding was higher in 2010-11 due to the refurbishment of Bellerive Police Station
- higher Net loss on sale of non-financial assets, $1.482m ($0.009m), associated with:
    - write-off of physical assets, $0.807m, which were not owned by the Department and incorrectly included on its asset register in prior years
    - net loss from disposal of a number of surplus police residences, $0.125m
    - a land and building exchange with the Devonport City Council which resulted in net loss from disposal of 15-17 Oldaker Street, Devonport, $0.461m
    - net loss from disposal of five properties held for sale as at 30 June 2011, $0.088m
- impairment of the coastal patrol vessel 'PV Fortescue', $0.756m, mentioned previously.

The forgoing were off-set by higher scheduled expenditure, $4.319m, in the TMRN digital upgrade project and resultant capital reimbursements from the State Government.

The Department achieved a Comprehensive Deficit this year of $13.402m due to the Net deficit attributable to the State, $4.288m and an asset revaluation decrement, $9.114m. The asset revaluation decrement arose from a full independent revaluation of Departmental land and buildings at 30 June 2012. The $9.114m comprised a downward valuation of buildings of $10.037m offset by an upward revaluation of land of $0.923m.

The reasons for major variations between the 2011-12 Budget and Actual figures are as follows:

- Other revenue was higher than originally budgeted by $9.995m due to
    - additional contracted revenue received to offset the costs of the TMRN service fees, $6.473m
    - higher reimbursement for helicopter evacuations, $1.249m, from Ambulance Tasmania to cover the Department's share of operational costs of emergency services helicopters
    - reimbursements for the provision of emergency rescue services to Cyclone Yasi and the Queensland floods, $0.192m
    - contribution of $1.029m from the Commonwealth for the provision of policing services to the Pontville Detention Centre
- Supplies and consumables were above budget by $6.720m mainly, as a result of higher than expected TMRN service fees
- Grants and subsidies expenditure was $3.711m over budget, mainly due to the final instalment of the Launceston flood risk management project not originally budgeted
- Appropriation revenue – works and services was below budget by $5.373m, mainly due to divisional headquarter refurbishment program delay at Glenorchy and Devonport.

STATEMENT OF FINANCIAL POSITION

	2012	2011	2010	2009
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	4 443	6 978	7 092	10 401
Receivables	1 456	1 039	1 995	708
Other financial assets	386	760	547	0
Non-financial Assets				
Inventory	863	669	635	585
Assets held for sale	1 630	1 761	0	0
Property, plant and equipment	196 700	209 119	205 587	196 907
Other non-financial assets	1 097	795	607	1 170
Total Assets	**206 575**	**221 121**	**216 463**	**209 771**
Liabilities				
Payables	3 224	3 389	4 190	3 902
Employee benefits	50 262	47 905	43 964	42 053
Other liabilities	3 009	4 420	3 940	3 209
Total Liabilities	**56 495**	**55 714**	**52 094**	**49 164**
Net Assets	**150 080**	**165 407**	**164 369**	**160 607**
Accumulated funds	37 239	41 043	43 896	48 150
Reserves	112 841	124 364	120 473	112 457
Total Equity	**150 080**	**165 407**	**164 369**	**160 607**

Comment

Total Equity decreased in comparison to the prior year by $15.327m, being the Comprehensive result for the year, $13.402m, and transfer of proceeds, $1.925m, to the CLAF arising from disposal of surplus police residences.

The corresponding decrease in Net Assets resulted in the following major line item movements:

- lower Cash and deposits balance, down $2.535m, which is discussed further in the Statement of Cash Flows section of this Chapter
- decreased Property, plant and equipment, $12.419m, mainly due to the revaluation decrement of land and buildings, $9.114m, disposal of surplus police residences, $3.059m, depreciation and amortisation, $7.314m, and reclassification of land and buildings as Assets held for sale, $1.014m. These were partly offset by additions, $3.528m and capital work in progress, $6.112m
- higher Employee benefits, $2.357m, mainly as a result of the movements in the discount factors and annual salary increments
- lower Other liabilities, $1.411m, mainly due to the change in the payroll tax regime whereby the Department is no longer subject to payroll tax effective from 1 October 2012. Accordingly, no provision for this on-cost was included in employee benefits entitlements at 30 June 2012.

STATEMENT OF CASH FLOWS

	2011-12	2010-11	2009-10	2008-09
	$'000s	$'000s	$'000s	$'000s
Receipts from government - recurrent	190 982	193 073	180 513	180 579
Revenue from government - other	0	510	1 265	646
Grants	2 853	3 152	5 654	4 458
GST receipts	6 416	6 317	5 682	6 358
Other cash receipts	16 044	16 875	13 605	10 079
Payments to employees	(153 143)	(152 733)	(143 574)	(136 010)
Payments to suppliers	(43 036)	(43 060)	(39 993)	(35 066)
Grants and transfer payments	(5 818)	(3 323)	(5 190)	(2 698)
Other cash payments	(13 339)	(13 145)	(12 596)	(12 385)
GST payments	(6 388)	(6 304)	(5 772)	(5 924)
Cash from (used in) operations	**5 429**	**(1 362)**	**(406)**	**10 037**
Revenue from government - works and services	2 820	4 430	3 104	1 207
Revenue from government - other capital	2 260	994	0	0
Other revenue - TMRN digital upgrade	5 711	1 392	0	0
Proceeds from disposal of assets	1 600	0	0	13
Payments for acquisition of assets	(9 495)	(8 292)	(6 007)	(10 065)
Cash (used in) investing activities	**(2 896)**	**(1 476)**	**(2 903)**	**(8 845)**
Proceeds from borrowings	375	0	0	0
Repayment of borrowings	(377)	0	0	0
Cash (used in) financing activities	**(2)**	**0**	**0**	**0**
Net increase (decrease) in Cash	**(2 535)**	**(114)**	**(3 309)**	**1 192**
Cash at the beginning of the year	6 978	7 092	10 401	9 209
Cash at end of the year	**4 443**	**6 978**	**7 092**	**10 401**

Comment

During 2011-12 Cash decreased $2.535m to $4.443m, as a result of a decrease in Cash from operations, $6.791m off-set by an increase in cash from investing activities, $4.372m.

Movements in operating cash flows reflect comments made in previous sections of this Chapter. In summary, Cash used in operations improved by $6.791m to $5.429m which included:

- Department's Net deficit attributable to the State of $4.288m adjusted for depreciation and amortisation of $7.314m and increase in Employee benefits of $2.357m, non-cash items, and loss on non-financial assets of $2.238m, a non-operating item, providing $7.621m in operating cash inflows, and offset by
- a decrease in creditors and other liabilities of $1.929m and an increase in inventories and prepayments of $0.361m, reflecting additional cash outflows.

the following revenue items were reclassified as Cash flows from investing activities in this section of the Chapter to give a better result of operating cash flows:

- Revenue from government – works and services of $2.820m
- Other revenue - TMRN digital upgrade of $5.711m
- Revenue from government - other capital, relating to carry-forward of capital funding of $2.260m to 2012-13 for the refurbishment of Police Headquarters.

The Department invested $9.495m in its assets, mainly for the construction and refurbishment of police stations, TMRN digital upgrade project and equipment replacement. Proceeds of $1.600m were from the disposal of 15-17 Oldaker Street, Devonport as a result of a land and building exchange with the Devonport City Council.

FINANCIAL ANALYSIS

	Bench Mark	2011-12	2010-11	2009-10	2008-09
Financial Performance					
Result from operations ($'000s)		(10 581)	(8 432)	(7 076)	(1 602)
Own source revenue ($'000s)		16 481	16 189	15 179	9 288
Financial Management					
Debt collection	30 days	27	16	48	28
Creditor turnover	30 days	14	15	14	20
Capital Management					
Buildings					
Asset Investment ratio**	100%	68%	96%	N/A	N/A
Asset Sustainability ratio**	100%	37%	96%	N/A	N/A
Other Information					
Average staff numbers (FTEs)		1 588	1 635	1 631	1 658
Average staff costs ($'000s)		97	95	89	86
Average Recreational Leave per FTE (days)	30*	28	30	30	31
Average Long Service Leave per FTE (days)	100	52	50	49	48

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

** *Ratio not available in some years*

Comment

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

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

Creditor turnover remained relatively consistent from 2008-09 and better than benchmark, reflecting the Department's policy of paying outstanding creditors within a 30 day period.

Asset Investment and Asset Sustainability ratios for buildings did not meet benchmark in either of the last two years suggesting the Department is not investing sufficiently in its building assets, in particular existing buildings. However, the Department did undertake major capital projects in both years, including redevelopment and refurbishment of Bellerive Police Headquarter and Devonport Police Station and forensic services upgrade, which were commented upon previously in this Chapter. The Asset sustainability ratio, which measures investment in existing assets, benefited in both years from completion of the redevelopment of the Bellerive Police Headquarters.

The asset consumption and asset renewal funding ratios could not be calculated as the requisite information was not available.

Average staff numbers (FTE's) declined in 2011-12 due to budget savings strategies which included voluntary separation programs. There were WRIP payments for eleven employees, capped at $0.020m each, and TVRA payments, approximately $0.398m, for 22.34 FTEs.

Average staff costs exclude one-off employee separation payments. There was an upward trend in Average staff costs because of award increases as mentioned previously in this Chapter.

ADDITIONAL FINANCIAL INFORMATION

Administered Financial Transactions

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

ADMINISTERED INCOME AND EXPENSES

	2011–12	**2011–12**	**2010–11**	**2009–10**
	Budget	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Grants	0	0	0	250
Sales of goods and services	209	150	213	177
Fees and fines	1 000	1 569	517	545
Total Revenue	**1 209**	**1 719**	**730**	**972**
Transfer to Consolidated Fund	1 209	1 719	730	972
Net Surplus (Deficit) Attributable to the State	**0**	**0**	**0**	**0**
Other Comprehensive Income	**0**	**0**	**0**	**0**
Comprehensive Result	**0**	**0**	**0**	**0**

Comment

The variance between Budget and Actual for Sale of goods and services reflected cessation of police recruitment courses in 2011–12 and the collection of Academy Trainee Board fees.

The variance between Budget and Actual for Fees and fines was due to greater than anticipated revenue from firearms licences and registrations.

All administered income was transferred to the Consolidated Fund.

DEPARTMENT OF PREMIER AND CABINET

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2012 and an unqualified audit report was issued on 23 August 2012.

The audit was completed satisfactorily with no major items outstanding.

KEY FINDINGS AND DEVELOPMENTS

IT Transformation Project

In 2008, the Government announced an Information Technology (IT) Transformation Project aiming at improving the way government services are delivered. A report into Reforming the Management of Information and Communication Technology in the Tasmanian Public Sector, finalised in January 2009, proposed a number of changes to the way information and communication technology services are delivered and managed. Current services will continue to be provided and the changes to IT management will be implemented incrementally. The Government committed over $8.900m to this project, with $4.653m provided in 2010-11 and $2.807m in the current year, and further funding of $1.501m budgeted in 2012-13. The initial focus is on email and identity management and restructure and refocus of TMD, as the Government's central IT service provider, to ensure it can support the delivery of the new services.

TMD relocation

In May 2012, TMD was relocated from Salamanca Place to Elizabeth Street and Macquarie Street. Annual accommodation savings were expected to be $0.470m, approximately 54%. A lease incentive of $0.950m was provided to TMD to cover part of the relocation costs. The aggregate benefit of incentives was recognized as a reduction of rental expenses over the lease terms. As part of the relocation, TMD recorded fixed asset additions, being leasehold improvements in the new premises, of $0.786m while at the same time it recorded a net loss on non-financial assets of $1.042m being write-off of previously capitalised leasehold improvements at Salamanca Place.

Operating lease make-good provision

In accordance with accounting standards, the Department provided make-good provisions for three operating leases located in 15 Murray Street, 144 Macquarie Street and 86 Collins Street. Make-good provision represented the present value of estimated expenditure for dismantling and removing specified leasehold improvements under existing lease agreements. Transactions in 2011-12 included:

- operating lease make-good provision, $0.647m
- net make-good provision asset, $0.491m – included in Other non-financial assets
- unwinding of lease make-good discount, $0.012m, (this is an expense item) and Amortisation expenses, $0.143m, both of which impact the Department's net surplus from transactions.

Fixed assets useful life

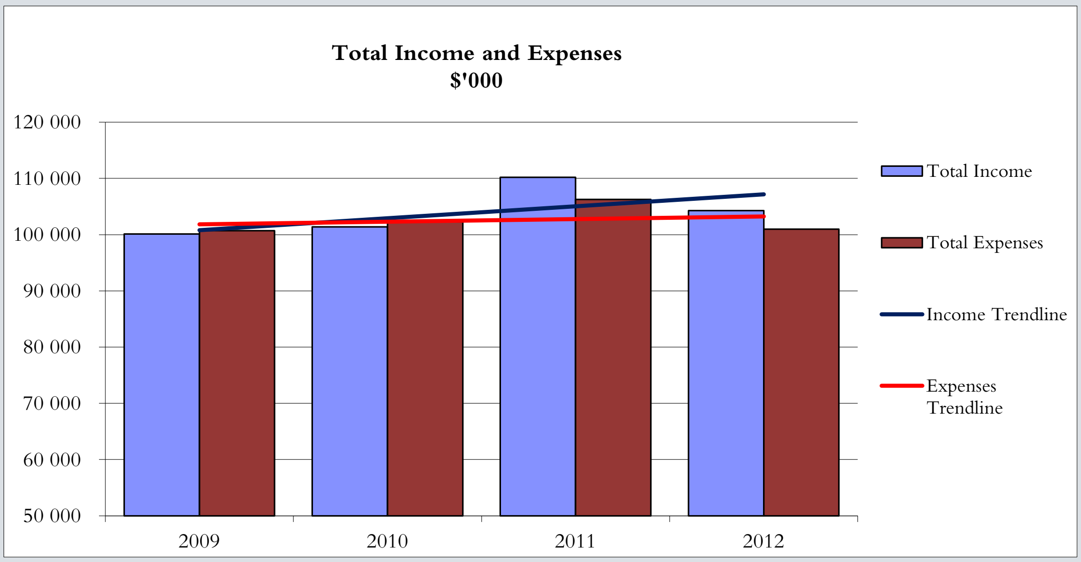
During our audit we noted that, in aggregate, the Department's plant and equipment, computer hardware, infrastructure and intangible assets are nearing their useful lives. This estimation was based on the levels of accumulated depreciation and amortisation compared to the cost of the associated class of assets. An estimation of this nature can tell a reader one or a combination of, three things:

- rough age of assets in the class and/or
- depreciation or amortisation rates need re-assessment and/or
- some assets within a class may already have been fully depreciated but are still in effective use.

It is important that the Department regularly assess all of these factors including having in place an appropriate asset replacement program.

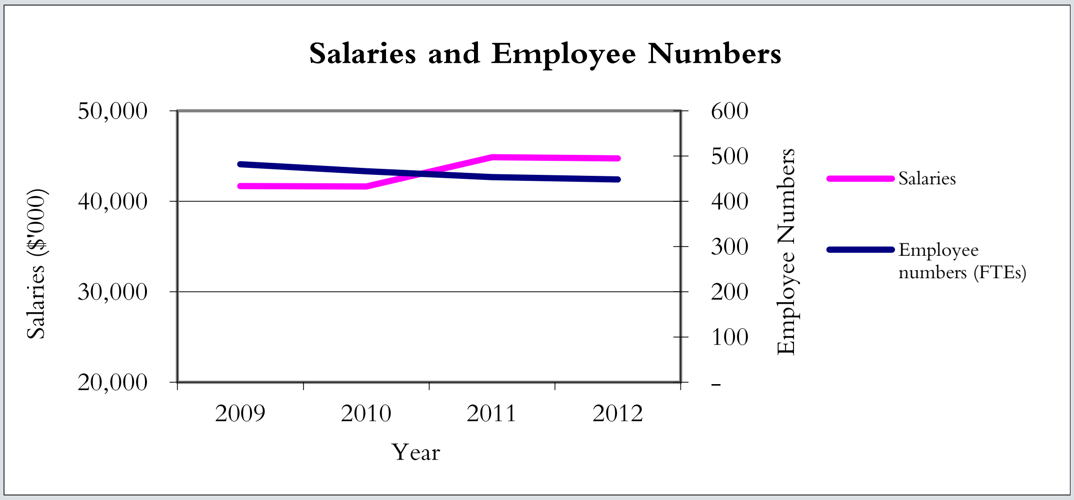
FINANCIAL RESULTS

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



Income rose by, 4%, $4.142m, over the four years under review, and peaked in 2010-11, with the majority of the increase attributed to appropriation for the IT Transformation Project. Total expenses increased by $5.521m between 2008-09 to 2010-11, primarily due to growth in employee costs and expenditure incurred relating to the IT Transformation project.

Total Income and Total Expenses decreased by 6% and 5% in 2011-12, compared to 2010-11. The decline of income was primarily due to lower appropriation and a decrease in Sale of goods and services, principally the provision of telecommunication and training services. Both reductions were in line with whole-of-government budget savings strategies. The positive result achieved in the current year mainly related to unspent IT Transformation Project expenditure of $2.500m which has been deferred until 2012-13. Overall, the Department's income and expenses were closely aligned throughout the four-year period under review.



Salaries and Employee numbers remained stable between 2010-11 and 2011-12. Salaries increased by 7% over the four years due to a combination of annual and structural adjustment increments under the State Service Wages Agreement, and other increments. Staff numbers declined from an average of 482 FTEs in 2008-09 to an average of 448 FTEs in 2011-12. In the main, reductions resulted from staff changes following the March 2010 State election, Voluntary Targeted Employee Separation Arrangements (VTESA), and the implementing the State Service Vacancy Control process as part of cost saving strategies.

STATEMENT OF COMPREHENSIVE INCOME

	2011-12 Budget $'000s	2011-12 Actual $'000s	2010-11 Actual $'000s	2009-10 Actual $'000s
Revenue from government	70 648	71 828	77 968	68 761
Revenue from Special Capital Investment Funds	0	32	724	1 107
Grants	0	218	176	284
Sale of goods and services	33 603	29 538	30 333	30 520
Other revenue	0	2 655	996	716
Total Income	**104 251**	**104 271**	**110 197**	**101 388**
Employee benefits	44 120	44 733	44 887	41 640
Supplies and consumables	43 618	33 258	36 173	35 262
Transfers to Service Tasmania lead agencies	11 442	11 450	11 202	11 008
Other transfer payments	0	2 517	1 280	3 665
Grants and subsidies	3 369	5 540	8 896	6 509
Depreciation and amortisation	1 174	1 244	956	958
Other expenses	2 762	2 223	2 851	3 242
Total Expenses	**106 485**	**100 965**	**106 245**	**102 284**
Net Surplus (Deficit) from transactions	**(2 234)**	**3 306**	**3 952**	**(896)**
Contributions provided	0	0	(215)	0
Net gain(loss) on non-financial assets	0	(1 042)	0	(113)
Net Surplus (Deficit) attributable to the State	**(2 234)**	**2 264**	**3 737**	**(1 009)**
Other Comprehensive Income				
Asset revaluation increment	0	(5)	0	0
Comprehensive Surplus (Deficit)	**(2 234)**	**2 259**	**3 737**	**(1 009)**

Comments

In 2011-12 the Department recorded a Net Surplus from transactions of $3.306m compared to $3.952m in 2010-11. A Net surplus from transactions is unusual because Departments are not funded for depreciation or increases in employee annual and long service leave provisions, and, was not expected as evidenced by the budgeted deficit of $2.234m.

This year's Net Surplus was primarily due to:

- unspent IT Transformation Project expenditure of $2.500m, which is expected will be spent in 2012-13 with the outcome in that year being expenses incurred without the associated revenue
- revenue received for initiatives and projects that had not commenced during 2011-12 or had commenced but not completed in 2011-12 for which allocated funds had been received but were unspent, $1.329m
- on-going Service Tasmania programs with revenue exceeding expenditure in 2011-12, $0.136m
- various projects yet to commence or commenced but not completed for which specific Commonwealth funds were allocated and the projects will continue into 2012-13, $0.074m
- unspent Other agencies transfers which is expected to be spent in 2012-13, $0.506m, including State Emergency Service Mitigation of Natural Hazards,$0.234m, VTESA funding, $0.141m, and Tasmania Emergency Web Portal Project $0.120m.

Total Revenue decreased by $5.926m, predominantly due to:

- lower Revenue from Government and Revenue from the Special Capital Investment Fund, down $6.140m and $0.692m respectively, attributed primarily to:

- lower IT Infrastructure Project funding, $1.846m, as mentioned in Key Findings and Developments
- smaller Grants Payments of $3.356m, comprising lower Premier's Discretionary Fund payment, $1.839m, a reduction in Community Capacity Building Grants, $0.700m, less Special Capital fund payment to the Main Street Makeover programme, $0.692m, lower Tasmanian Climate Change Office Grant, $0.395m, a decline in Other grants, subsidies, donations and contributions, $0.779m, partly offset by a higher Social Inclusion Grant payment, $1.234m
- fund lower Supplies and consumables (excluding Telecommunication expenses), down $1.408m. The decrease was derived from the Department's efficient budgetary control strategy
- fund less Employee benefits, $0.671m, this amount being adjusted for the leave provision movement, $0.517m, as Departments are not funded for increased leave provisions. The decline was attributable to implementing VTESA and the State Service Vacancy Control process as part of cost saving strategies
- fund increased local government reform project payments, $0.963m

- lower Sale of goods and services, $0.795m, largely due to a decrease in TMD TASINET charges revenue, down $1.276m, training service revenue, down $0.074m, offsetting a growth in Other miscellaneous revenue $0.555m, including legislation drafting revenue of $0.225m. The decrease in TASINET charges was predominantly a result of:
    - lower TASINET charge rates in response to a decline in Telecommunication expenses, $1.507m, as TMD attempted to engage with different suppliers to obtain better offers
    - TMD delivered customised packages to agencies, for instance, maximisation of mobile plans. More data usage was consumed, arising from the rapid change in communication methods
    - demand for services provided by TMD declined, due to budget management strategies implemented throughout government
- higher Other revenue of $1.659m, due to higher Other agencies transfers, including additional funding for VTESA payment, $0.650m, State Emergency Services Mitigation of Natural Hazards, $0.250m, Power Savings for Tenants program, $0.295m, and higher Salary reimbursements from other agencies for staff seconded.

Total expenses decreased by $5.280m, being lower Grants and Subsidies, $3.356m, and Supplies and consumables, $2.915m, which was partially offset by higher Other transfer payments of $1.237m, including Local Government reform project payment funded by the Australian Government, $0.963m, as explained earlier.

Net loss on non-financial assets, $1.042m, represented the net loss on disposal of leasehold improvements at TMD's previous premises at Salamanca Place.

The Department budgeted for a Comprehensive deficit of $2.234m. The actual surplus in 2011-12 was $2.259m. The favourable variance, $4.493m, mainly arose from:

- Total income $104.271m in 2011-12 was in line with the budget amount, $104.251m. The difference between actual and budget figures for Revenue from Government, Other Revenue and Sales of goods and services offset each other as follow:
    - higher than budgeted Revenue from Government, $1.180m, due to additional funding for Local Government Reform of $0.923m and ministerial rental payments
    - higher actual Other revenue, $2.655m not budgeted for
    - lower than budgeted Sales of goods and services, $4.065m, explained previously
- lower than budgeted Total expenses, $5.520m, reflecting a reduction in telecommunication expenses and because $2.500m of the IT Transformation Project expenditure was deferred until 2012-13. In addition, the budget excluded eliminations between the Department and its commercial entities
- higher actual Net loss on non-financial assets, $1.042m, not budgeted for.

STATEMENT OF FINANCIAL POSITION

	2012	2011	2010	2009
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	15 171	10 278	5 902	4 695
Receivables	4 419	4 770	4 909	5 153
Non-financial Assets				
Property, plant and equipment	3 383	3 828	3 412	3 998
Other non-financial assets	2 670	2 816	2 660	3 104
Total Assets	**25 643**	**21 692**	**16 883**	**16 950**
Liabilities				
Payables	2 878	2 522	2 488	2 795
Interest bearing liabilities	0	227	915	0
Employee entitlements	10 933	10 416	9 007	9 346
Operating lease make-good provision	647	0	0	0
Other liabilities	2 891	2 492	2 175	1 502
Total Liabilities	**17 349**	**15 657**	**14 585**	**13 643**
Net Assets	**8 294**	**6 035**	**2 298**	**3 307**
Accumulated funds	8 289	6 025	2 118	3 127
Reserves	5	10	180	180
Total Equity	**8 294**	**6 035**	**2 298**	**3 307**

Comment

Total Equity increased by $2.259m, being the Comprehensive surplus for the year. The corresponding increase in Net Assets was primarily affected by:

- higher Cash and deposits balance, up $4.893m, which is discussed further in the Cash Flow Statement section of this Chapter
- reduced Interest bearing liabilities, down $0.227m, as a result of the Department repaying the remaining $0.227m VTESA debt
- Receivable, down $0.351m, in line with declined Sales of goods and services
- net decrease in Property, plant and equipment of $0.445m, comprising:
    - write-off of leasehold improvements in Salamanca Place of $1.042m
    - depreciation and amortisation expenses, $1.101m, offset by:
    - fixed assets additions, $1.703m, including leasehold improvements, $0.786m, computer hardware, $0.677m, software, $0.215m, and plant and equipment $0.025m
- Other non-financial assets, down $0.146m, was due principally to:
    - lower prepaid rent, $0.635m, offset by
    - higher lease make-good assets, $0.491m, as mentioned in Key Findings and Developments section of this Chapter
- Payables, up $0.356m, mainly consisted of:
    - increase in TMD payables of $0.665m, being supplier billing time differences
    - decrease in payable of $0.323m in the Departmental and Ministerial area, due to earlier closing of year end procurement payment processes

- higher Employee entitlements, up $0.517m. This was largely driven by application of a lower discount rate when calculating the present value of the long service leave provision
- Operating lease make-good provision, up $0.647m, as mentioned in Key Findings and Developments section
- Other liabilities, up $0.399m, included the lease incentive liability, $0.942m, referred to earlier, relating to the relocation of TMD, partially offsetting a payroll tax liability reduction on accrued long service and recreational leave of $0.541m.

STATEMENT OF CASH FLOWS

	2011-12	2010-11	2009-10	2008-09
	$'000s	$'000s	$'000s	$'000s
Receipts from government	72 287	78 208	69 322	67 673
Receipts from Special Capital Investment Fund	32	724	1 099	1 702
Grants	218	176	284	422
Sale of goods and services	29 409	30 506	30 966	29 185
GST receipts	6 924	6 668	6 461	6 411
Other cash receipts	3 695	1 016	620	1 112
Employee benefits	(44 212)	(43 440)	(41 847)	(40 637)
GST payments	(6 783)	(6 727)	(6 452)	(6 404)
Supplies and consumables	(32 402)	(36 628)	(35 363)	(38 049)
Other cash payments	(22 346)	(23 853)	(24 427)	(19 610)
Cash from (used in) operations	**6 822**	**6 650**	**663**	**1 805**
Proceeds from disposal of assets	0	0	0	0
Payments for acquisition of non-financial assets	(1 702)	(1 586)	(371)	(794)
Cash from (used in) investing activities	**(1 702)**	**(1 586)**	**(371)**	**(794)**
Proceeds from borrowings	0	0	915	0
Repayment of borrowings	(227)	(688)	0	0
Net cash from (used by) financing activities	**(227)**	**(688)**	**915**	**0**
Net (decrease) increase in cash	**4 893**	**4 376**	**1 207**	**1 011**
Cash at the beginning of the year	10 278	5 902	4 695	3 684
Cash at end of the year	**15 171**	**10 278**	**5 902**	**4 695**

Comment

The Department increased its cash balance by $4.893m to $15.171m at 30 June 2012, with Cash from operations, $6.822m, being more than sufficient to meet Payments for acquisition of non-financial assets, $1.702m, and Repayment of borrowings, $0.227m.

Cash held by the Department was in its Special Deposits and Trust Fund and comprised:

- funding held in the trust fund for Australian and State government funded projects commenced but not completed totalling $3.728m
- unspent IT Transformation Project fund, $2.500m
- funds carried forward to assist with the redevelopment of the job website, to implement changes in relation to the review of the State service, and to review of the *Climate Change (State Action) Act 2008,* $1.133m, under Section 8A(2) of the *Public Account Act 1986*
- lease incentive payment, $0.942m

- a contract payment due to a supplier of software, $0.700m
- the remaining cash balance which was held to meet operating activities such as funding year end accruals and creditors.

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

FINANCIAL ANALYSIS

	Bench Mark	2011-12	2010-11	2009-10	2008-09
Financial Performance					
Result from operations ($'000s)		3 306	3 952	(896)	(595)
Own source revenue ($'000s)		29 538	31 329	31 236	30 154
Financial Management					
Debt collection	30 days	24	25	45	52
Creditor turnover	30 days	24	19	18	20
Other Information					
Average staff numbers (FTEs)		448	454	466	482
Average staff costs ($'000s)		100	99	89	86
Average Recreational Leave balance per FTE (days)	20	19	18	15	18
Average Long Service Leave balance per FTE (days)	100	43	40	33	39

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

Comment

Own source revenue was mainly driven by revenues generated by TMD, Service Tasmania transaction fees and revenue from the Training Consortium. The decrease in 2011-12 was due to budget management strategies implemented throughout government.

The time it took the Department's customers to pay invoices was 24 days, comparable with 2010-11, but which more than halved from the average of 49 days between 2008-09 and 2009-10. To a degree, Debt collection days were affected by the timing of billing cycles. However, the improvement is largely attributed to a requirement imposed on government agencies to strictly adhere to credit terms.

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

ADDITIONAL FINANCIAL INFORMATION

Administered Financial Transactions

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

From 1 October 2010, the Department assumed the administrative responsibility for the Tasmanian Community Fund (TCF) from Treasury.

ADMINISTERED INCOME AND EXPENSES

	2011-12 Budget $'000s	**2011-12** Actual $'000s	**2010-11** Actual $'000s	**2009-10** Actual $'000s
Receipts from government	5 792	5 735	5 617	18 000
Grants and transfer payments	0	0	0	0
Other revenue	0	0	0	0
Total Revenue	**5 792**	**5 735**	**5 617**	**18 000**
Transfers to the Consolidated Fund	0	0	0	0
Tasmanian Community Forest Agreement	0	0	0	19 911
Tasmanian Community Fund	5 792	5 735	5 617	0
Total Expenses	**5 792**	**5 735**	**5 617**	**19 911**
Net Deficit Attributable to the State	**0**	**0**	**0**	**(1 911)**
Comprehensive Deficit	**0**	**0**	**0**	**(1 911)**

Comment

Receipts from government in 2011-12 were solely for the purpose of funding the TCF. The Department transferred all the receipts to the TCF in 2011-12, resulting in a Nil Comprehensive result.

In 2009-10, the Department administered the State's and Commonwealth's contributions under the Tasmanian Community Forest Agreement (TCFA) and payments to Forestry Tasmania.

The reserved by law appropriation budget for the transfer of funding to the TCF was in line with actual.

DEPARTMENT OF PRIMARY INDUSTRIES, PARKS, WATER AND ENVIRONMENT

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2012 with an unqualified audit report issued on 29 August 2012.

The audit was completed satisfactorily with no major items outstanding.

KEY FINDINGS AND DEVELOPMENTS

Infrastructure Revaluations and Asset Contributions

During the year, the Department carried out a detailed revaluation of all infrastructure assets, which resulted in a revaluation increment of $84.318m, and the identification of new assets valued at $4.783m, recognised through the Statement of Comprehensive Income. The revaluation and asset identification resulted in a significant increase in the value of walking tracks, from $23.929m to $64.401m, as well as large increases in the values of access roads, $23.171m, fire trails $16.021m, and other road assets, $14.444m.

These changes can be explained by the following factors:

- the remaining useful life methodology used for infrastructure assets was revised, where a condition based assessment was used for each asset, compared to a standardised remaining useful life used in the past
- a number of assets previously below the capitalisation threshold of $10,000 were assigned a value under the new methodology
- as a result of the overall improvement in the Parks Asset Information Management System (IMS), a large number of assets were recorded for the first time. It is expected that these system improvements may identify assets still not brought to account
- the new valuation of walking tracks were based on per linear metre rates by class which are higher than the previous rates that were regularly indexed.

There was also an increase in the value of National Parks, Reserves and Crown Land, from $729.918m to $755.409m. The increase of $25.491m was principally due to the Crown Lands Assessment and Classification Project (CLAC), where significant parcels of land were reclassified to Conservation Area status during the year. The values of new parcels of land, or existing parcels of land where the conservation areas had extended, were identified through the Statement of Comprehensive Income.

Water Infrastructure Fund

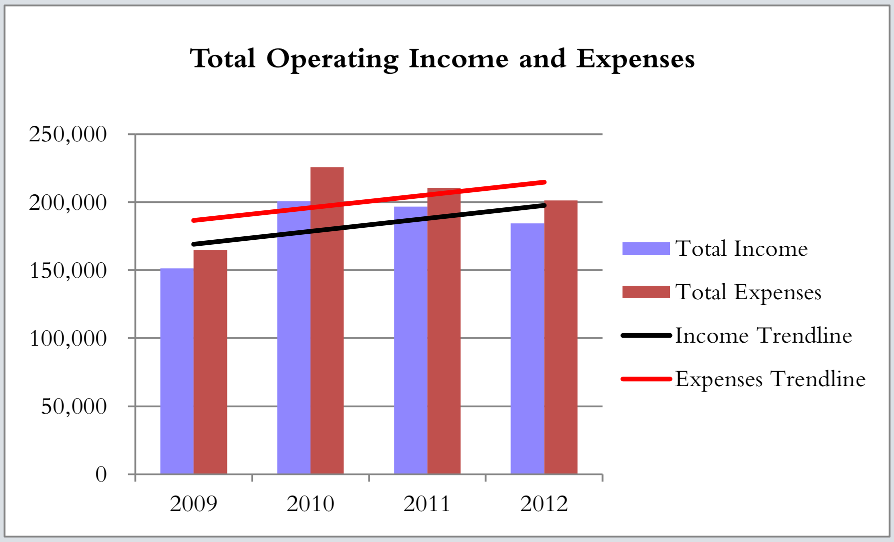
In 2008 the State government established an $80.000m Water Infrastructure Fund (WIF) to enable major investment in the State's irrigation infrastructure. The WIF is supplemented with Australian Government funding of $140.000m which is expected to be fully utilised by 2014-15.

This year, the Department made $35.939m equity and $5.107m grant payments from the WIF to Tasmanian Irrigation Pty Ltd (TIPL). This included funding contributions provided from the Australian Government's Water for the Future Fund under a National Partnership Agreement. The table below provides a summary of the Water Infrastructure Fund since its establishment:

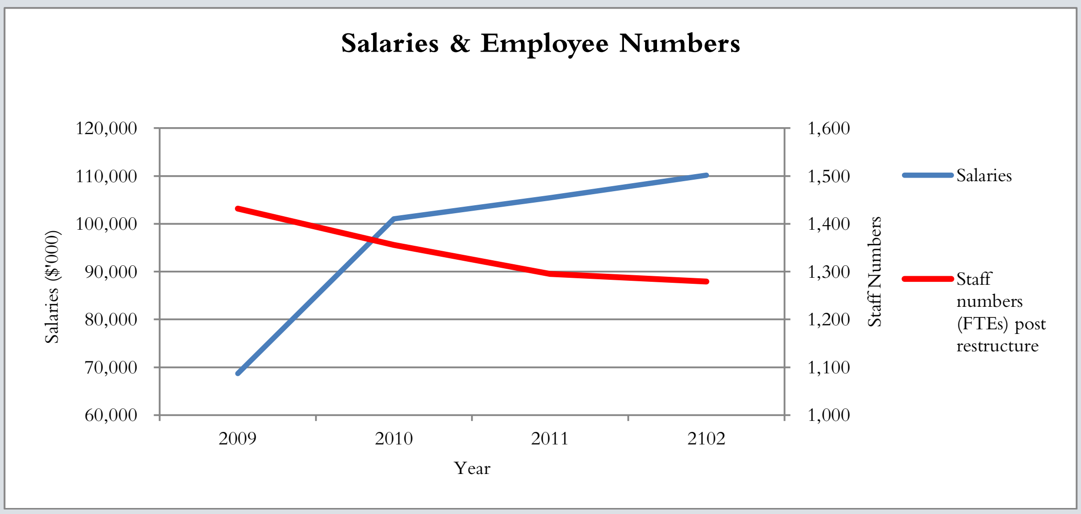
Water Infrastructure Fund	**2011-12**	**2010-11**	**2009-10**
	$'000's	$'000's	$'000's
Opening balance at 1 July	28 442	48 052	62 076
Receipts from Australian Government funding	28 395	1 356	18 015
Equity contributions paid to TIPL	(35 939)	(21 536)	(21 890)
Grants paid	(5 107)	(6 140)	(10 149)
Equity contribution repayments received from TIPL	0	6 710	0
Closing balance at 30 June	**15 791**	**28 442**	**48 052**

FINANCIAL RESULTS

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



Total Operating Income declined by 5%, while Total Operating Expenses dropped by 4%, in 2011-12. This was mainly a result of lower appropriation received due to State Government's budget savings strategies initiated during the year, fixed term program cessations (e.g. Priority Asset Maintenance Program) or changed expenditure profiles (e.g. reduced expenditure in 2011-12 for the Macquarie Island Pest Eradication Program). The increase in both income and expenses in 2009-10 was largely due to the Department taking on some functions of the former Department of Environment, Parks, Heritage and Arts (with the exception of Arts Tasmania and the Tasmanian Museum and Art Gallery). The graph indicates that in all four years under review, operating expenses were in excess of operating revenue. This is an expected result, as Departments are not funded for depreciation and increases in employee annual and long service leave entitlements.



The sharp increase in salaries in 2010 was predominantly due to the restructure of the Department, effective 1 July 2009. This was followed by a rationalisation of some functions and implementation of budget savings strategies, which resulted in a reduction in employee numbers in the following three years. However, salaries increased marginally despite the smaller workforce, mainly due to an annual indexation of salaries and wages, other increments, an increase in the rate of superannuation contribution for employees in the defined benefit scheme and discount rate impacts on the Long Service Leave provision. Note that the salaries figures above are net of redundancies.

STATEMENT OF COMPREHENSIVE INCOME

	2011-12 Budget $'000's	2011-12 Actual $'000's	2010-11 Actual $'000's	2009-10 Actual $'000's
Revenue from government - recurrent	135 094	133 549	143 741	145 904
Revenue from government - capital works and services	556	556	556	1 056
Revenue from special capital investment funds - recurrent	1 986	825	2 020	3 813
Grants	539	3 070	3 835	4 347
Sales of goods and services	14 537	15 080	14 342	14 287
Fees and fines	7 481	8 020	7 574	8 097
Interest revenue	1 802	1 313	1 816	1 602
Other revenue	18 606	21 949	22 920	21 513
Total Revenue	**180 601**	**184 362**	**196 804**	**200 619**
Employee entitlements	105 322	111 057	105 467	101 048
Depreciation and amortisation	9 082	12 265	10 021	10 230
Grants and subsidies	15 705	21 176	23 291	40 527
Supplies and consumables	51 281	47 816	60 486	58 301
Other expenses	12 939	8 898	11 258	15 557
Total Expenses	**194 329**	**201 212**	**210 523**	**225 663**
Net Surplus (Deficit) from transactions	**(13 728)**	**(16 850)**	**(13 719)**	**(25 044)**
Other economic flows included in net result				
Revenue from government - capital	8 200	3 000	500	4 000
Revenue from Special Capital Investment Funds	0	1 556	495	2 262
Revenue from government - Water infrastructure fund	43 145	28 395	1 356	18 015
Grants - Capital	0	1 600	0	0
Gain on sale of non-financial assets	0	2 245	(251)	1 551
Contribtions received	9 314	36 915	20 544	16 111
Contributions provided	0	(16 245)	(12 620)	(21 802)
Transfer to Administered funds	(6 400)	(11 485)	(5 000)	(42 000)
Total other economic flows included in net result	**54 259**	**45 981**	**5 024**	**(21 863)**
Net surplus (deficit) attributable to the State	**40 531**	**29 131**	**(8 695)**	**(46 907)**
Other economic flows - other non-owner changes in equity				
Changes in physical asset revaluation reserve	2 845	97 826	11 600	77 543
Change in estimate of non-financial assets	0	(1 261)	(83)	(28 220)
Net gain (loss) of financial instruments	0	(82)	(104)	128
Total other economic flows - other non-owner changes in equity	**2 845**	**96 483**	**11 413**	**49 451**
Comprehensive Surplus (Deficit)	**43 376**	**125 614**	**2 718**	**2 544**

Comment

In 2011-12 the Department reported a Net Deficit from transactions, $16.850m, which was an increase of $3.131m on the previous year's deficit of $13.719m. The higher deficit was attributable to a number of factors. Within the revenue and expense categories there are various offsetting movements, the major one being the reduction in Revenue from government - recurrent of $10.192m, which had corresponding reductions in all the expense categories except for Employee entitlements and Depreciation and amortisation. As noted previously in this Chapter, the reduction in recurrent revenue from government was due to budget savings strategies initiated during the year, fixed term program cessations or changed expenditure profiles for major programs. Other factors included:

- the increase in the long service component of Employee entitlements of $2.584m which was largely a result of an increase in the long service leave liability due to application of a lower discount factor
- a rise in Depreciation and amortisation expense of $2.244m as a result of the revaluation of building assets in the prior year.

These factors were partially offset by a reduction in the payroll tax component of Other expenses of $1.218m, which included a lower payroll accrual this year as a result of the payroll tax scheme for the Department finishing in October 2012.

Net surplus attributable to the State was $29.131m for the year, compared to a deficit reported in 2010-11, $8.695m. This year's result was largely affected by:

- Revenue from government – capital, $3.000m, being funding for the Three Capes walking track project
- Revenue from government – Water infrastructure fund, $28.395m, discussed previously in this Chapter
- Gain on sale of non – financial asset, mainly as a result of the sale of Domain House, $2.187m
- Transfers to Administered funds, $11.485m, with $10.900m being transfers from the Crown Land Administration Fund (CLAF)
- Contributions received, $36.915m represented the following:
    - fair value of Conservation Areas proclaimed through the year, $25.322m. This related to Crown land not previously recognised that had its status changed to Conservation area during the year
    - Crown Land transferred to the Department, $6.506m, prior to disposal either by sale through the Crown Land Administration Fund (CLAF) or transfers as part of the Crown Land Assessment and Classification (CLAC) project
    - fair value of infrastructure items and buildings recognised for the first time through the revaluation and identification process, $4.783m and $0.304m respectively
- Contributions provided, $16.245m represented mainly the value of Crown land transferred from the Department to local government under CLAC ($6.700m) and the transfer of the Princes Wharf Shed, Female Factory, Port Arthur land and Speedway Drive to other Government bodies ($9.500m).

The Net Surplus of $29.131m was further increased by a revaluation increment of $97.826m, which related predominantly to infrastructure assets, resulting in the Comprehensive Surplus for the year of $125.614m.

The budgeted Net Surplus attributable to the State of $40.531m varied from the actual result of $29.131m by $11.400m. The difference was mainly due to:

- higher Transfer to Administered funds, $4.500m, due to an increase in the Crown Land Administration Fund transfer to the Consolidated Fund from $6.400m to $10.900m as determined by the Department of Treasury and Finance
- lower Revenue from Government – capital works and services of $5.200m which mainly relates to changes in the timing of reimbursement for project expenditure relating to the Three Capes Track
- actual Revenue from government – Water Infrastructure Fund being $14.750m less than the budget figure of $43.145m due to adjustments in the timing of expenditure outflows in relation to major water infrastructure projects.

The above factors were partly offset by higher net contributions, $11.356m, as the Department does not budget for estimates of the fair value of assets received and provided free of charge.

STATEMENT OF FINANCIAL POSITION

	2012	2011	2010	2009
	$'000's	$'000's	$'000's	$'000's
Financial Assets				
Cash and deposits	91 127	101 553	123 958	143 555
Receivables	3 591	4 799	3 161	3 357
Other financial assets	1 283	1 390	1 476	693
Non-financial Assets				
Inventory	661	714	801	272
Property, plant and equipment	844 497	828 250	818 848	237 513
Infrastructure	154 856	68 092	70 269	2 576
Intangibles	1 546	1 185	1 346	675
Other non-financial assets	10 955	10 849	11 024	1 176
Total Assets	**1 108 516**	**1 016 832**	**1 030 883**	**389 817**
Financial Liabilities				
Payables	1 915	2 212	4 732	3 059
Employee entitlements	29 075	25 231	22 900	16 114
Provisions	9 686	9 624	9 785	172
Other liabilities	4 031	5 631	7 224	1 377
Total Liabilities	**44 707**	**42 698**	**44 641**	**20 722**
Net Assets	**1 063 809**	**974 134**	**986 242**	**369 095**
Contributed capital	636 493	636 493	636 493	0
Accumulated funds	133 954	129 454	133 552	216 417
Reserves	277 571	179 745	168 145	90 602
Water Infrastructure Fund	15 791	28 442	48 052	62 076
Total Equity	**1 063 809**	**974 134**	**986 242**	**369 095**

Comment

The Department's Total Equity increased to $1.064bn at 30 June 2012. The increase of $89.675m comprised the Comprehensive result of $125.614m reported in the Statement of Comprehensive Income less net equity transfers to TIPL of $35.939m.

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

- lower Cash and deposits, $10.426m, discussed in the Statement of Cash Flows section of this Chapter
- an increase in Property, plant and equipment, $16.247m, due to:
  - additions, fair value of assets recognised and work-in-progress amounting to $34.462m
  - the revaluation increment for the year of $13.508m
  - less disposals and contributions provided of $24.904m, and Depreciation expense of $6.800m
- an increase in Infrastructure, $86.764m, due principally to the revaluation increment of $84.318m as discussed previously in this Chapter

- higher Employee entitlements, $3.844m, due principally to an increase in the long service leave liability of $3.086m. As noted, this increase arose primarily due to the application of lower discount rates and an increase in probability factors in the liability calculation, offset partly by the exclusion of payroll tax in the liability calculation, as it is no longer payable by to the Department after October 2012.

The lower Net Assets recorded in 2009 were due to the fact that only balances for the previous Department of Primary Industries and Water are included. The Department was restructured and commenced operating in its current for on 1 July 2009

Crown Land Administration Fund (CLAF)

	2011-12	2010-11	2009-10	2008-09
	$'000's	$'000's	$'000's	$'000's
Opening balance	**16 357**	**11 544**	**39 170**	**53 251**
Receipts (Note 1)	18 493	16 390	19 106	11 770
Transfers out (Note 2)	(13 895)	(11 577)	(46 732)	(25 851)
Closing Balance	**20 955**	**16 357**	**11 544**	**39 170**
Note 1 - Receipts				
Proceeds from asset sales	10 940	9 270	12 591	4 126
Rent on Government owned properties	6 882	6 549	5 960	7 081
Other receipts	671	571	534	563
Total Receipts	**18 493**	**16 390**	**19 085**	**11 770**
Note 2 - Transfers Out				
Employee entitlements	856	509	687	674
Professional and consulting fees	501	392	1 296	5 105
Disbursement of revenue to other agencies	172	0	0	381
Legal costs	189	608	1 360	465
General property expenses	752	4 513	823	370
Other Transfers	525	555	565	956
Total Administration costs	**2 995**	**6 577**	**4 731**	**7 951**
Transfer to administered funds	10 900	5 000	42 000	17 900
Total Transfers Out	**13 895**	**11 577**	**46 731**	**25 851**

Comment

Receipts into CLAF were $2.103m more than last year, mainly due to higher Proceeds from asset sales, $1.670m, attributable to the higher values of properties sold.

Transfers out of CLAF were $2.318m more than last year, with increased funds available to be paid into the Consolidated Fund, there was a $5.900m increase in the transfer this year, offset by a decrease in Total Administration costs, $3.582m. The decrease in Total Administration costs was mainly due to the decrease in General property expenses, $3.761m, associated with the Princes Wharf Renewal Project and Parliament Square development works in the prior year.

STATEMENT OF CASH FLOWS

	2011-12	2010-11	2009-10	2008-09
	$'000's	$'000's	$'000's	$'000's
Receipts from government - recurrent	134 105	142 297	148 960	91 489
Receipts from special capital investment funds - recurrent	825	2 020	3 813	0
Grants	3 214	3 679	4 856	21 446
Sales of goods and services	14 756	14 170	14 076	3 270
Fees and fines	8 335	7 430	8 275	6 476
Contributions received	4 336	7 515	8 893	
Interest received	1 369	1 795	1 490	1 142
Other cash receipts	31 136	31 090	33 407	34 363
Payments to employees	(107 181)	(103 058)	(102 433)	(66 236)
Payments to suppliers	(83 091)	(100 420)	(116 235)	(98 534)
Cash from (used in) operations	**7 804**	**6 518**	**5 102**	**(6 584)**
Water Infrastructure Fund (WIF)				
Funds received - appropriation revenue	28 395	1 356	18 015	0
Equity contribution repayments received from RWSC	0	6 710	0	0
Grants Paid	(5 107)	(6 140)	(10 149)	(3 700)
Funds transferred to Tasmanian Irrigation Pty Ltd	(35 939)	(21 536)	(21 890)	(14 224)
Cash from (used in) WIF	**(12 651)**	**(19 610)**	**(14 024)**	**(17 924)**
Proceeds from disposal of assets	6 762	1 818	3 845	4 346
Receipts from government - capital	3 000	500	4 000	1 056
Revenue from Special Capital Investment Funds	1 556	495	2 262	0
Receipts from non-operational capital funding - Grants	1 600	0	0	0
Loan payment received	108	31	16	23
Payments for acquisition of assets	(7 120)	(7 157)	(9 586)	(3 137)
Transfer to Administered Funds	(11 485)	(5 000)	(42 000)	(17 900)
Administrative restructure	0	0	30 788	0
Cash from (used in) investing activities	**(5 579)**	**(9 313)**	**(10 675)**	**(15 612)**
Net increase (decrease) in cash	**(10 426)**	**(22 405)**	**(19 597)**	**(40 120)**
Cash at the beginning of the year	101 553	123 958	143 555	183 675
Cash at end of the year	**91 127**	**101 553**	**123 958**	**143 555**

Comment

The Department's net cash holdings declined by $10.426m in 2011-12, representing a net equity contribution to Tasmanian Irrigation Pty Ltd from the Water Infrastructure Fund, $12.651m, Cash used in investing activities, $5.579m offset by Cash from operations, $7.804m.

Cash from operations, $7.804m, increased by $1.286m compared to last year. Movements in cash from operations are largely affected by timing differences between when funding is received and when payments are made under various programs. The major revenue movement between financial years, being the reduction in recurrent revenue from government, had corresponding reductions in the expense categories. As previously noted, the reduction in recurrent revenue from government was due to Government's budget savings strategies initiated during the year, fixed term program cessations, for example Priority Asset Maintenance Program or changed expenditure profiles, for example reduced expenditure in 2011-12 for the Macquarie Island Pest Eradication Program.

Cash from operations, $7.804m, can be further explained as follows:

- Department's Net surplus attributable to the State of $29.131m adjusted for Depreciation and amortisation of $12.265m and increase in Employee benefits of $3.844m, non-cash items, gain on non-financial assets of $2.245m, a non-cash item, providing $42.995m in operating cash inflows:
    - less net contributions, $20.670m, being a non-operating item
    - less net Water Infrastructure transactions amounting to an outflow $23.288m which are classified as an Investing activity in the Statement of Cash flows
    - add capital funding items amounting to an inflow $6.156m which are classified as an Investing activity in the Statement of Cash flows.

FINANCIAL ANALYSIS

	Bench Mark	2011-12	2010-11	2009-10	2008-09
Financial Performance					
Result from operations ($'000s)		(16 850)	(13 719)	(25 044)	(13 672)
Own source revenue ($'000s)		46 362	46 652	45 499	36 259
Financial Management					
Debt collection	30 days	23	27	15	34
Creditor turnover	30 days	6	7	10	6
Capital Management					
Buildings					
Asset investment ratio	100%	28%	149%	9%	93%
Asset sustainability ratio	>100%	10%	115%	3%	45%
Infrastructure					
Asset investment ratio	100%	85%	38%	141%	217%
Asset sustainability ratio	> 100%	6%	18%	11%	154%
Other Information					
Staff numbers (average FTEs)		1 280	1 295	1 356	984
Average staff costs ($'000s)		86	81	75	70
Average recreational leave balance per FTE (days)	20	21	21	19	19
Average long service leave balance per FTE (days)	100	46	45	42	42

Comment

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

Own source revenue has been consistent over the past three years. The increase in 2009-10 of $9.240m was predominantly the result of the merged operations of the Department, in particular fees earned by Parks and Wildlife.

Both Debt collection ratio and Creditor turnover were better than the benchmark in 2011-12 as well as in prior years.

The asset ratios are heavily reliant on the different types of capital works being undertaken during each financial year and as a result fluctuated significantly over the period of the analysis.

In the 2011-12 year, $1.472m of expenditure was capitalised on buildings, compared to $5.173m of depreciation. This ratio indicates that the Department is not spending enough to match the deterioration of the asset base.

This is reinforced by the Asset sustainability - Buildings ratio for 2011-12 of 10%, indicating that the majority of capital expenditure on buildings related to new assets, and not the renewal or replacement of existing assets. The higher ratios recorded in 2010-2011 were due to the works undertaken on the existing Princes Wharf No.1 Shed, which resulted in additions of $2.505m. The prior year also had reduced depreciation charges of $2.706m, as the effect of buildings revaluations undertaken at the end of the 2010-11 did not impact upon depreciation expense until the 2011-12 year.

The Asset sustainability – infrastructure ratio was also low, at only 6%, which contrasts to the much higher investment ratio of 85%. This shows that the significant levels of capital expenditure for infrastructure during the year were spent on new assets. The significant portion of this expenditure relates to capital funds spent on the Three Capes track.

The high ratios recorded in 2008–09 were related to the low levels of infrastructure deprecation, before the Department assumed control of assets transferred from the former Department of Environment, Parks, Heritage and the Arts, where the majority of assets transferred were infrastructure assets.

Overall, the asset ratios indicate the Department is, subject to adequate asset maintenance programs, under investing in its existing assets. However, we were advised that the Department operates various maintenance programs including the essential maintenance program and Crown Land Services structural assets upgrade program which may mitigate this.

Information to complete an Asset consumption ratio was not available as the Department revalues their assets on a Net basis, and therefore, a detailed history of the gross asset values was not obtained. Furthermore, the Asset renewal funding ratio cannot be calculated as the Department does not have a long term asset management plan which outlines capital expenditure required to be undertaken.

Average staff numbers declined slightly in 2011–12 as the Department reduced its workforce in line with budget saving strategies. Despite the fall in numbers, Employee entitlements continued to rise, as mentioned previously in this Chapter. Consequently, Average staff costs also rose. There was also a slight increase in Average leave balances, with the average recreational leave balance only slightly over the benchmark for the second consecutive year. This is mainly due to a number of staff members with high leave balances. We are advised that management are taking steps to reduce these balances.

ADDITIONAL FINANCIAL INFORMATION

Administered Financial Transactions

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

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

Administered items included:

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

ADMINISTERED INCOME AND EXPENSES

	2011–12	2011–12	2010–11	2009–10
	Budget	Actual	Actual	Actual
	$'000's	$'000's	$'000's	$'000's
Revenue from government - recurrent	9 449	9 949	9 854	8 344
Australian Government Grants	15 197	5 801	6 052	11 603
Fees and fines	38 311	35 698	33 211	34 037
Other revenue	6 400	10 900	5 000	42 000
Total Revenue	**69 357**	**62 348**	**54 117**	**95 984**
Grants and subsidies	9 449	9 949	9 854	8 344
Total Expenses	**9 449**	**9 949**	**9 854**	**8 344**
Net Surplus before:	**59 908**	**52 399**	**44 263**	**87 640**
Transfer to the Consolidated Fund	59 908	52 548	44 663	87 365
Net Surplus (Deficit) Attributable to the State	**0**	**(149)**	**(400)**	**275**
Other Comprehensive Income				
Net gain (loss) on financial instruments	0	149	(64)	(275)
Comprehensive Surplus (Deficit)	**0**	**0**	**(464)**	**0**

Comment

Net surplus before Transfer to Consolidated Fund in 2011-12 was $52.399m, being $8.136m more than the previous year due to:

- Fees and fines revenue being $2.487m more than the previous year, the major reasons being increased land title office dealings ($3.086m) offset by lower environmental permits ($0.463m) and quarantine fees ($0.391m)
- Other revenue was higher by $5.900m, due to the increase in administered revenue being the transfer from the CLAF.

DEPARTMENT OF TREASURY AND FINANCE

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 13 August 2012, with final amended statements received on 28 September 2012. An unqualified audit report was issued on the same day.

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

Appropriation from the Consolidated Fund is provided to the Department under two Divisions (3: Finance-General, and 11: Department of Treasury and Finance) of the *Consolidated Fund Appropriation Act (No.1) 2011.*

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

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

KEY FINDINGS AND DEVELOPMENTS

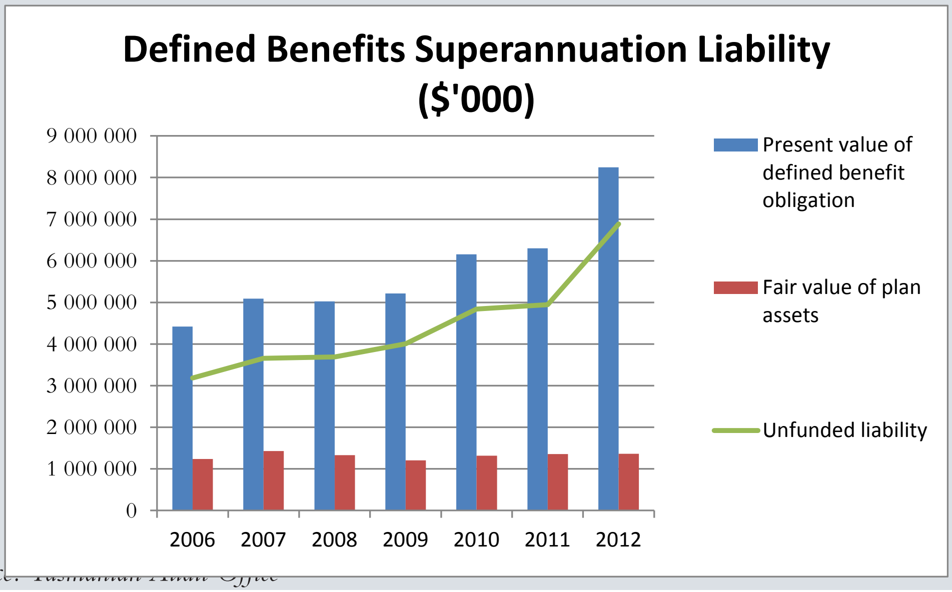
Defined Benefit Superannuation Liability

The majority of General Government Sector agencies do not recognise a liability for the accrued superannuation defined benefits of their employees. The liability for those agencies is held centrally and is recognised within Finance-General's Statement of Financial Position at the latest actuarial assessment of members' entitlements, net of scheme assets. At 30 June 2012, the unfunded liability was \$6.888bn (2011, \$4.946bn) with the increase, \$1.942bn, being a combination of an increase in the present value of superannuation commitments, \$1.945bn, offset by an increase in scheme assets, \$0.003bn.

The unfunded liability comprised the following schemes and arrangements: Retirement Benefits Fund (RBF) Contributory Scheme and Parliamentary Superannuation Schemes (Parliamentary Superannuation Fund and Parliamentary Retiring Benefits Fund) administered by the RBF Board, \$6.817bn (2011, \$4.891bn) and \$24.187m (\$19.408m) respectively and Judges Contributory Pensions, \$46.703m (\$35.382m). As these schemes are not fully funded, benefits are met on an emerging cost basis.

The net superannuation liability recorded on Finance-General's Statement of Financial Position does not include the net unfunded superannuation liability of Housing Tasmania, the Tasmanian Ambulance Service Superannuation Scheme or State Fire Commission Superannuation Scheme, which are presented in the financial statements of the Department of Health and Human Services (DHHS) and the State Fire Commission respectively.

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



Source: Tasmanian Audit Office

The significant increase in the Present value of the defined benefit obligation in 2011-12 predominantly related to the decline in the discount rate from 5.50% at 30 June 2011 to 3.45% at 30 June 2012, caused by the reduction in yields on Government bonds during the year. AASB 119 Employee Benefits prescribes, in respect of not-for-profit public sector entities, post employment benefit obligations denominated in Australian currency shall be discounted using market yields on government bonds. Given the long term nature of Superannuation liabilities, material reductions in the discount rate cause significant increases in the liability.

The balance of the Superannuation Provision Account (SPA) at 30 June 2012 was nil as it was transferred to the Temporary Debt Repayment Account (TDRA) and both accounts were closed. This change arose as part of the process of developing the 2012-13 Budget, whereby the Treasurer approved funding the emerging cash cost of the defined benefits superannuation liability directly from the Consolidated Fund rather than by notionally setting aside an un-backed provision in the form of the SPA within the Special Deposits and Trust Fund.

As noted, the emerging cash cost will now be funded from the Consolidated Fund, by an adjusted Reserved by Law contribution equalling the Government's share of the pension and lump sum benefits costs, which will be offset within the Consolidated Fund by the payment of agency contributions into that Fund rather than the Special Deposits and Trust Fund.

Temporary Debt Repayment Account at 30 June 2012

The approved terms and conditions of the SPA and the TDRA were amended, to allow the TDRA to receive a contribution from the SPA and to explicitly provide for contributions received in the SPA to be used to fund the repayment of debt.

The residual overdraft of the TDRA was funded by a temporary overnight borrowing of $650.000m on 30 June 2012, the effect of which was to gross up the Government's cash holdings to at least equal, the balance of accounts in the Special Deposits and Trust Fund.

Sale of TOTE Tasmania

TOTE Tasmania Pty Ltd (TOTE) was a State-owned company with its shares held in trust, for the Crown, by the Treasurer and the Minister for Racing. In early January 2009, the then Treasurer announced the intention to sell TOTE. To facilitate the sale, Parliament passed the *TOTE Tasmania (Sale) Act 2009* (the 2009 Sale Act), which gave the Treasurer the power to sell or transfer shares in TOTE as he or she considered appropriate, but the Treasurer was required to have regard to achieving a fair and reasonable price.

Whilst interest was received from potential buyers in 2009, the then Treasurer did not receive any final binding offers that were acceptable and the sale process was abandoned although the 2009 Sale Act remained in place.

In October 2011, the Treasurer indicated that the Government would consider selling TOTE if the return to the taxpayer was sufficient. Consultants were engaged to advise on whether a fair and reasonable price for TOTE was offered.

On 1 December 2011, the Treasurer announced that TOTE would be sold to Tatts Group Limited (Tatts) for $103.000m subject to regulatory approval. The sale was completed on 26 March 2012. After that date, control of TOTE passed to Tatts.

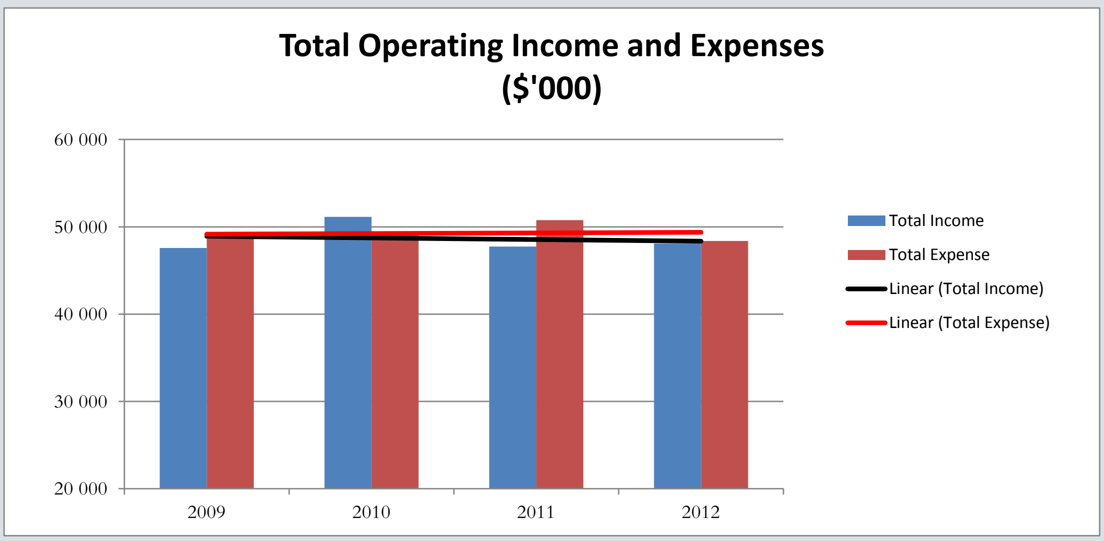
The adjusted sale price was $104.125m and, after deducting the Government's investment in TOTE, which comprised its net assets at the time of sale and totalled $15.086m, a gain on sale of $89.039m was recognised by Finance-General.

Loan to Tasmania Development and Resources

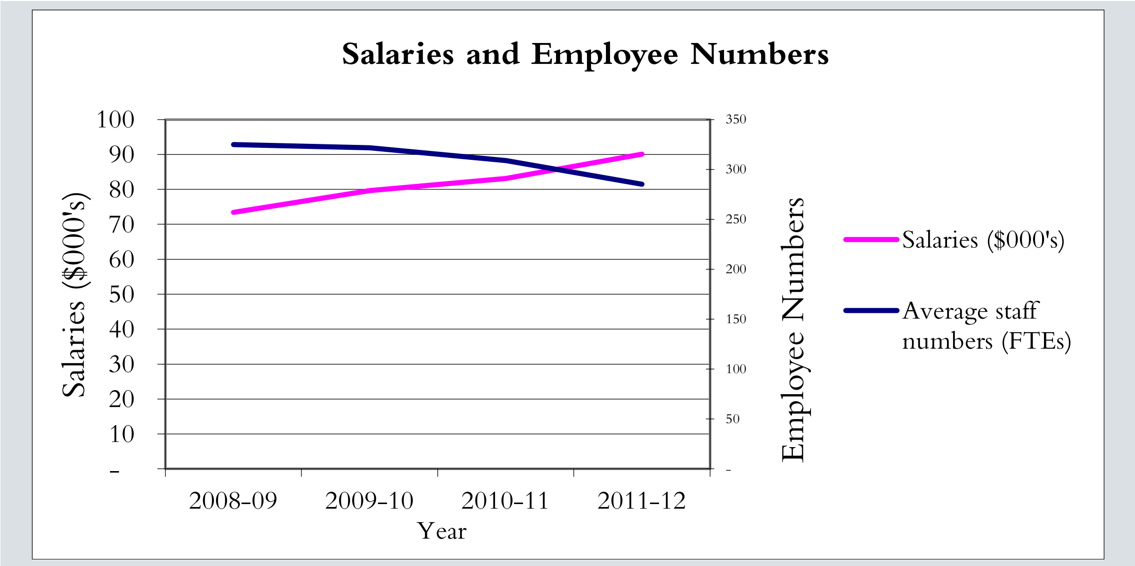
The Department recognises a loan of $7.895m to Tasmania Development and Resources (TDR) in the accounts of Finance-General on the basis that, as far as Treasury is concerned, TDR has an obligation to repay this loan. However, this advance is not recognised as a liability in TDR's financial statements on the basis that, as far as TDR is concerned, it is non-repayable. Treasury has advised the Auditor-General that this matter will be resolved during 2012-13.

FINANCIAL RESULTS

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



Total Expenses exceeded Total Income in three out of the four years under review. It is not unusual for Departments to incur deficits or to break even, as they are not funded for depreciation expenses and movements in employee leave liabilities. Total Income grew by 1%, $0.487m and peaked in 2009-10, due primarily to one off revenue from Special Capital Investment Funds for the Princes Wharf Renewal project. The upward trend in Total Expenses was mainly driven by increased employee expenses, up 17.2% over the four year period.



Employee number (FTEs) remained fairly consistent from 2008-09 to 2009-10 but declined steadily since due the abolition of a number of positions and associated redeployment measures implemented by the Department as part of cost saving strategies. Despite the decline in FTE, average salaries increased by 15.4%, an average of 5.1% per annum, over the four years due to a combination of annual and structural adjustment increases under the Public Service Wage Agreement, and other increments.

STATEMENT OF COMPREHENSIVE INCOME - TREASURY AND FINANCE

	2011-12 Budget $'000s	2011-12 Actual $'000s	2010-11 Actual $'000s	2009-10 Actual $'000s
Revenue from government - recurrent	40 814	40 552	40 171	40 871
Revenue from Special Capital Investment Funds	0	0	0	1 717
Fees and Fines	8 880	6 454	6 697	6 574
Other revenue	947	1 069	858	1 969
Contributions revenue	0	0	22	0
Total Revenue	**50 641**	**48 075**	**47 748**	**51 131**
Employee expenses	27 962	25 704	25 676	25 627
Depreciation and amortisation	296	390	517	565
Supplies and consumables	6 996	6 696	7 446	10 150
Grants and subsidies	14 497	14 312	15 488	11 264
Other expenses	1 738	1 277	1 652	1 630
Total Expenses	**51 489**	**48 379**	**50 779**	**49 236**
Net result from transactions	**(848)**	**(304)**	**(3 031)**	**1 895**
Other economic flows included in net result				
Net gain (loss) on statutory receivables	0	0	(47)	0
Liquor licensing revenue	0	835	806	773
Transfer to the Consolidated Fund	(728)	(827)	(813)	(776)
Total other economic flows included in net result	**(728)**	**8**	**(54)**	**(3)**
Net result attributable to the State	**(1 576)**	**(296)**	**(3 085)**	**1 892**
Other economic flows - other non-owner changes in equity				
Changes in physical asset revaluation reserve	0	0	0	(7)
Total other economic flows - Other non-owner changes in equity	**0**	**0**	**0**	**(7)**
Comprehensive Surplus (Deficit)	**(1 576)**	**(296)**	**(3 085)**	**1 885**

Comment

In 2011-12 the Department recorded a net deficit from transactions of $0.304m, compared to a deficit of $3.031m last year. The large deficit in 2010-11 was mainly due to increases in Community Service Levy (CSL) and Community Service Obligation payments that year and the timing of CSL grants paid to DHHS, $1.769m, which related to the previous year. This year's result resembled more closely 'business as usual'.

The Transfer to Consolidated Fund represented liquor licensing fees collected by Treasury on behalf of the State Government. Slight increases in both Liquor licensing revenue, $0.029m, and Transfer to Consolidated Fund, $0.014m, were in line with the increase in liquor licensing fees.

Overall, the Department reported a net deficit attributable to the State of $0.296m, which, for the reasons already outlined, was an improvement on the deficit of $3.085m reported last year.

When comparing actual results and budget estimates, it is important to understand that the Office of the Tasmanian Economic Regulator (OTTER) is included in budget figures but excluded from actuals. OTTER's financial results are discussed in a separate Chapter elsewhere in this Report.

In addition, Liquor licensing revenue, for budget purposes, is treated as administered revenue whereas, for reporting purposes, it is included within the Department's controlled activities. If the budget estimates are adjusted for the difference in the classification of Liquor licensing revenue and for transactions relating to OTTER, the loss attributable to the state was $0.764m lower than originally estimated. The difference was predominantly a result of lower Employee expenses, following the abolition of a number of positions and associated redeployment measures adopted by Treasury in 2011-12 as part of budget saving strategies.

STATEMENT OF FINANCIAL POSITION - TREASURY AND FINANCE

	2012	2011	2010	2009
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	2 893	3 712	4 911	2 878
Receivables	259	98	307	260
Other financial assets	853	679	717	649
Non-financial Assets				
Plant and equipment	116	217	253	133
Leasehold improvements	554	731	866	1 078
Heritage assets	84	84	62	73
Intangibles	414	217	303	579
Total Assets	**5 173**	**5 738**	**7 419**	**5 650**
Liabilities				
Payables	120	139	147	1 705
Employee entitlements	6 970	6 313	5 949	5 307
Other liabilities	1 287	2 194	1 146	346
Total Liabilities	**8 377**	**8 646**	**7 242**	**7 358**
Net Assets (Liabilities)	**(3 204)**	**(2 908)**	**177**	**(1 708)**
Accumulated funds (deficit)	(3 204)	(2 908)	177	(1 715)
Reserves	0	0	0	7
Total Equity (Deficit)	**(3 204)**	**(2 908)**	**177**	**(1 708)**

Comment

Total Equity declined by $0.296m being the Comprehensive Deficit for the year. Significant movements in 2012 that impacted on the corresponding increase Net Liabilities included:

- lower Cash and deposits, $0.819m, which is discussed further in the Statement of Cash Flows section of this Chapter
- higher Receivables, $0.161m, due to increases in the number of contract management fees invoiced in June 2012
- increased Other financial assets, $0.174m, mainly due to a $0.149m increase in accrued revenue as a result of improved processes employed to capture revenue accruals in 2012
- lower Plant and equipment and Leasehold improvements, which decreased by $0.101m and $0.177m respectively due predominantly to Depreciation for the year, $0.295m
- higher Intangibles, $0.197m, due to the development of a new Revenue and Taxation system
- higher Employee entitlements, $0.657m, mainly due to a significant decrease in the discount rates used in calculating the present value of the long service leave liability
- decreased Other liabilities, $0.907m, which was lower for two reasons:
    - lower revenue received in advance for appropriation carried forward, $0.480m, this year and
    - annual and long service leave on-costs excluded payroll tax of $0.379m due to changes to payroll tax arrangements for government agencies from October 2012.

STATEMENT OF CASH FLOWS - TREASURY AND FINANCE

	2011-12	2010-11	2009-10	2008-09
	$'000s	$'000s	$'000s	$'000s
Receipts from government - recurrent	39 899	41 038	40 871	39 266
Receipts from Special Capital Investment Funds	0	0	1 717	347
Fees and fines	6 964	7 457	7 450	7 367
Other cash receipts	2 165	2 426	2 882	2 200
Payments to employees	(25 061)	(25 674)	(24 978)	(23 244)
Grants and subsidies	(14 421)	(15 233)	(12 014)	(14 239)
Supplies and consumables	(9 228)	(10 140)	(12 922)	(10 923)
Transfers to the Consolidated Fund	(827)	(813)	(776)	(5 738)
Cash from (used in) operations	**(509)**	**(939)**	**2 230**	**(4 964)**
Payments for acquisition of assets	(310)	(260)	(197)	(134)
Cash from (used in) investing activities	**(310)**	**(260)**	**(197)**	**(134)**
Net increase (decrease) in cash	**(819)**	**(1 199)**	**2 033**	**(5 098)**
Cash at the beginning of the year	3 712	4 911	2 878	7 976
Cash at end of the year	**2 893**	**3 712**	**4 911**	**2 878**

Comment

The Department decreased its cash balance by $0.819m to $2.893m at 30 June 2012. Cash used in operations improved by $0.430m mainly due to savings made in Payments to employees, $0.613m, and Supplies and consumables, $0.912m. These savings were necessary in light of Treasury's reduced appropriation, $1.139m, and lower Fees and fines collected, $0.493m.

The Department spent $0.310m on new assets, mainly on the replacement of the Revenue and Taxation system.

FINANCIAL ANALYSIS - TREASURY AND FINANCE

	Bench Mark	2011-12	2010-11	2009-10	2008-09
Financial Performance					
Result from operations ($'000s)		(304)	(3 031)	1 895	(1 072)
Own source revenue ($'000s)		7 523	7 577	8 543	7 975
Financial Management					
Debt collection	30 days	25	10	35	43
Creditor turnover	30 days	1	1	1	1
Other Information					
Average staff numbers (FTEs)		297	315	323	321
Average staff costs ($'000s)		86	81	79	74

Comment

Result from operations fluctuated over the four year period. The $2.272m improved result in 2011-12 was discussed in the Statement of Comprehensive Income section of this Chapter.

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

Debt collection was affected by the timing of billing cycles as well as customer payment patterns. The number of debt collection days increased to 25 days in 2011-12, which correlated with the increase in Receivables due to more contract management fee invoices raised in June 2012. Creditor turnover remained low, consistent with the Department's policy of paying its suppliers in a timely manner.

The decline in Average staff numbers reflected Treasury's reduced workforce due to the abolition of a number of positions and associated redeployment implemented during the year in order to facilitate budget savings. Average staff costs rose in line with annual indexation of salaries and other increments.

ADDITIONAL FINANCIAL INFORMATION

Administered Financial Transactions

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

SCHEDULE OF ADMINISTERED COMPREHENSIVE INCOME - FINANCE-GENERAL

	2011-12 Budget $'000s	2011-12 Actual $'000s	2010-11 Actual $'000s	2009-10 Actual $'000s
Revenue from government - recurrent	406 779	411 604	622 068	421 826
Revenue from government - capital	26 900	26 900	1 000	18 470
Revenue from government - other	0	13 383	5 390	0
Australian Government grants	2 795 105	2 894 306	3 063 293	2 983 559
State taxation	941 560	914 130	903 587	913 809
Sales of goods and services	80 337	75 108	80 434	76 678
Investment income	247 598	248 584	170 036	156 938
Other revenue	100 382	103 150	115 205	83 817
Total Revenue	**4 598 661**	**4 687 166**	**4 961 013**	**4 655 097**
Superannuation	343 518	377 546	380 111	323 851
Depreciation and amortisation	19 198	19 337	21 054	20 961
Supplies and consumables	113 244	84 318	80 785	70 581
Grants and subsidies	252 955	296 925	216 956	221 401
Borrowing costs	17 615	15 521	19 468	22 813
Transfer to the Consolidated Fund	4 217 747	4 192 008	4 678 290	4 338 506
Other expenses	100	124	50	5 809
Total Expenses	**4 964 377**	**4 985 779**	**5 396 714**	**5 003 922**
Net (Deficit) Surplus from transactions	**(365 716)**	**(298 613)**	**(435 701)**	**(348 825)**
Non-Operating capital funding				
Revenue from Government - Aurora equity injection	0	0	4 900	4 900
Net Result before Other economic flows	**(365 716)**	**(298 613)**	**(430 801)**	**(343 924)**
Other economic flows included in net result				
Net gain (loss) on revaluation of equity investments	316 458	121 284	228 927	1 814 643
Net gain (loss) on non-financial assets	0	2 202	4 356	4 452
Net actuarial gain (loss) on superannuation liability	0	(1 777 631)	84 822	(699 509)
Net actuarial gain (loss) on Tasmanian risk Management Fund liability	(188)	(5 216)	(18 978)	(4 851)
Net gain (loss) on financial instruments and statutory receivables	0	(1 380)	(560)	(471)
Net gain (loss) on sale of TOTE Tasmania Pty Ltd	0	89 039	0	0
Total other economic flows included in net result	**316 270**	**(1 571 703)**	**298 567**	**1 114 264**
Net Result attributable to the State	**(49 446)**	**(1 870 316)**	**(132 234)**	**770 340**
Other economic flows - other non-owner changes in equity				
Crown land transfers	(3)	0	0	(3 600)
Changes in physical asset revaluation reserve	0	0	0	13 553
Total other economic flows - other non owner changes in equity	**(3)**	**0**	**0**	**9 953**
Comprehensive Surplus (Deficit)	**(49 449)**	**(1 870 316)**	**(132 234)**	**780 293**

Comment

Net Deficit from transactions improved by $137.088m to $298.614m in 2011-12 which resulted from a combination of lower Total Expenses, down 7.6%, $410.935m, offset by lower Total Revenue, down 5.5%, $273.847m.

This year's results were affected by:

- lower Revenue from government - recurrent, $210.464m. The higher revenue in 2010-11 included additional Australian Government funding that was carried forward and transferred to the Special Deposits and Trust Fund
- decreased Australian Government grants of $168.987m. This reflected funding received in 2010-11 for the redevelopment of the Royal Hobart Hospital, $270.000m, and the winding down of projects under the Nation Building – Economic Stimulus Plan programs, mainly in the education, infrastructure and housing sectors. These decreases were partly offset by additional funding received during this year, including funding for the implementation of the Tasmanian Forests Intergovernmental Agreement (TFIA), $66.000m, higher funding for health services under the National Partnerships Program, $22.885m, Macquarie Point Rail-yards Remediation Project, $50.000m, Water for the Future - Sustainable Rural Water Use and Infrastructure, $28.564m, Temporary Assistance for Tasmanian Exporters, $20.000m, and higher local government grants, $19.890m (refer to further comment on the higher local government grants received below)
- increased Investment income, $78.548m, due to higher dividends and tax equivalents from State Owned Companies (SOCs) and Government Business Enterprises (GBEs), up $90.044m offset by lower interest income, down $11.688m, due to lower cash holdings and lower interest rates
- higher Grants and subsidies expenses, $79.969m, which was mainly driven by:
    - payments made under the TFIA, $65.633m
    - local government grants, $90.565m (2010-11, $73.425m) included an advance payment of $35.620m paid to local governments before 30 June 2012, from the 2012-13 allocation (2010-11, $17.161m). The advance payment in 2011-12 was for half of next year's allocation, compared to one quarter paid in advance in 2010-11.

Transfers to the Consolidated Fund related to revenue collections administered by Finance-General, which largely comprised State taxation revenue, returns from Government businesses, Australian Government funding and interest income. The amount fluctuates depending on revenues collected and the decline this year, $486.282m, reflected decreases in some of those items, in particular Australian Government grants.

Net gain from the revaluation of equity investments represented higher net assets of GBEs and SOCs, $121.284m. Revaluations of these investments represented changes in the net assets of GBEs and SOCs between 30 June 2011 and 30 June 2012. This is discussed further in the Administered Assets and Liabilities section of this Chapter.

The Net actuarial loss on superannuation liability, $1.778bn, was mainly due to a significant decline in the discount rate used to calculate the present value of future liabilities from 5.5% at 30 June 2011 in 2010-11, to 3.45% at 30 June 2012. This was caused by the reduction in yields on Government bonds during the year.

The Net actuarial loss of the Tasmanian Risk Management Fund, $5.216m, reflected the latest actuarial assessment of the Fund, which considered the impact of economic factors, such as discount and inflation rates, and the net effect of new claims and assumptions about future claims on the Fund.

The Net gain on sale of TOTE Tasmania Pty Ltd (TOTE), $89.039m, was the gain attributable to the State for the sale after taking the proceeds for the sale, $104.125m, less the value of TOTE's net assets at the time of sale, $15.086m.

The actual Net result attributable to the State was a deficit of $1.870bn, which was $1.821bn higher than budget. The significant variance between original estimates and actual outcomes was predominately caused by the Net actuarial loss on superannuation liability, $1.778bn, which could not be expected to be budgeted for. Another reason why the actual deficit exceeded budget was because the Net gain on revaluation of equity investments was $195.174m lower than budget.

Other material variances included:

- Other revenue from government, $13.383m, which related to a carry forward from 2010-11 for the Mobile Radio Network Project that was not included in the 2011-12 budget
- higher than budgeted Superannuation expense, $34.028m, primarily due to higher than anticipated lump sum payments made during 2011-12 due to retirements and a reduction in staffing across the government sector
- lower than budgeted Supplies and consumables, $28.926m, due mainly to savings of $20.000m in the Treasurer's Reserve provision as well as lower than anticipated claim costs for the Tasmanian Risk Management Fund, $4.700m
- higher than budgeted Grants and subsidies, $43.970m, reflects expenditure associated with the TFIA, $65.632m, local government grants (mainly increased payments under the Natural Disaster Relief and Recovery Arrangements and Financial Assistance Grants), $35.620m, offset by lower than expected expenditure on Special Capital Infrastructure Fund projects, $44.426m.

Tasmanian Risk Management Fund

The Tasmanian Risk Management Fund (the Fund) is the Government's self-insurance fund managed by the Department. A Fund Administration Agent is retained on a contract basis for claims administration, the provision of advice in relation to claims management and the placement of insurance as required.

In 2011-12, the Fund reported a net surplus from transactions of $4.362m compared to $22.714m reported last year. The decline in operating result, $18.352m, was primarily due to reduced agency contributions of $3.385m, higher claims costs of $7.831m and reduced Revenue from Government of $6.548m. The Fund reported a Net deficit of $0.854m predominantly as a result of the actuarial loss, $5.216m, previously mentioned.

Net assets decreased by $0.855m, from $11.476m at 30 June 2011 to $10.621m at 30 June 2012. The decrease was a result of the Fund's higher Payables, up $0.840m, and Outstanding claims liability, up $0.296m, which was partially offset by increased Cash and cash equivalents, up $0.868m.

The value of Outstanding claims liability is assessed by an actuary each year and is made up of the following five sections:

Risk Area	**2012**	**2011**
	$'000s	$'000s
Personal Injury	80 728	81 663
General Property	6 245	6 690
Motor Vehicle	162	316
General Liability	8 810	8 590
Medical Liability	70 210	68 600
Total	**166 155**	**165 859**

The increase in Outstanding claims liability, $0.296m, reflected the latest actuarial assessment of the liability, which took into consideration changes in economic factors, such as the lower discount rate and higher inflation rate (being a combination of allowance for wage inflation and superimposed inflation, which is added to reflect the tendency for benefits to increase over time at a faster rate than other measures of inflation), including changes to assumptions about future claims. The following table reconciles the movement in the Outstanding claims liability between 30 June 2011 and 30 June 2012:

	$'000s
Liability at 30 June 2011	165 859
Impact of discount rates	13 300
Impact of inflation rates	(6 100)
All other changes	(6 904)
Liability at 30 June 2012	**166 155**

Source: Tasmanian Risk Management Fund External Peer Review - 30 June 2012

SCHEDULE OF ADMINISTERED ASSETS AND LIABILITIES - FINANCE - GENERAL

	2012	**2011**	**2010**	**2009**
Financial Assets				
Cash and deposits	1 273 568	600 618	914 132	1 166 977
Receivables	81 927	86 586	80 446	73 786
Equity investments	6 217 356	6 111 159	5 877 332	4 056 928
Other financial assets	221 219	226 695	233 181	240 505
Non-financial Assets				
Assets held for sale	874	1 095	1 237	4 668
Motor vehicles	63 441	71 456	67 708	70 777
Land and buildings	56 312	57 656	58 730	46 105
Total Assets	**7 914 697**	**7 155 265**	**7 232 766**	**5 659 746**
Liabilities				
Payables	9 338	10 633	7 546	4 839
Interest-bearing liabilities	872 810	238 333	243 794	275 986
Superannuation	6 888 108	4 946 387	4 839 586	4 005 869
Other liabilities	540 696	485 851	535 545	547 050
Total Liabilities	**8 310 952**	**5 681 204**	**5 626 471**	**4 833 744**
Net Assets (Liabilities)	**(396 255)**	**1 474 061**	**1 606 295**	**826 002**
Accumulated funds (deficits)	(417 629)	1 452 544	1 584 778	810 932
Asset revaluation reserve	21 374	21 517	21 517	15 070
Total Equity (Deficit)	**(396 255)**	**1 474 061**	**1 606 295**	**826 002**

Comment

Total Equity decreased by $1.870bn in 2011-12, being the Comprehensive Deficit for the year, and which resulted in total liabilities exceeding total assets. Significant movements which impacted on the overall decrease in Net Assets included:

- increased Cash and deposits, $672.950m. Cash and deposits included an investment of proceeds of the overnight end of year borrowing undertaken on 29 June 2012, $650.00m, to gross up the Government's cash holdings to equate to the estimated balance of accounts in the Special Deposits and Trust Fund. The majority of these monies were invested with Tasmanian Public Finance Corporation. The increase is discussed later in the Administered Cash Flows section of this Chapter
- higher Equity investments, $106.197m. Equity investments vary depending on the net assets of GBEs and SOCs. The majority of the increase reflected Net gains from the revaluation of equity investments, $121.284m offset by the sale of TOTE, $15.086m
- increased Interest-bearing liabilities, $634.477m which was mainly due to the overnight borrowing of $650.000m from Tascorp on 29 June 2012 in order to gross up cash holdings to equate to the estimated balance of accounts in the Special Deposits and Trust Fund
- higher Superannuation liability of $1.942bn which, as previously noted, arose primarily from changes in actuarial assumptions used to value the liability, including the application of a lower discount rate
- increased Other liabilities, $54.845m, due mainly to:
    - higher Deposits held on behalf of agencies, $63.643m
    - higher Prepayments received, $6.772m, relating to state taxes
    - offset by lower Section 8A Appropriation carried forwards in the current year, $15.583m.

SCHEDULE OF ADMINISTERED CASH FLOWS - FINANCE - GENERAL

	2011-12 Budget $'000s	2011-12 Actual $'000s	2010-11 Actual $'000s	2009-10 Actual $'000s
Receipts from government - recurrent	406 779	412 604	638 651	427 216
Receipts from government - capital	26 900	26 900	1 000	18 470
Australian Government grants	2 795 105	2 894 306	3 063 293	2 983 559
State taxation	941 560	926 131	896 321	909 685
Sales of goods and services	80 337	78 462	79 605	74 264
GST receipts	13 500	20 554	19 866	18 099
Interest received	28 605	34 291	45 774	50 120
Dividends and income tax equivalents	218 214	211 009	125 643	106 351
Other cash receipts	100 382	102 992	115 071	83 367
Superannuation	(187 997)	(215 981)	(185 407)	(187 418)
Supplies and consumables	(113 699)	(89 994)	(96 519)	(72 595)
Finance costs	(17 090)	(15 637)	(19 705)	(20 005)
GST payments	(13 500)	(20 335)	(20 108)	(17 925)
Grants and subsidies	(252 955)	(296 924)	(216 956)	(222 068)
Transfers to the Consolidated Fund	(4 217 747)	(4 195 208)	(4 678 290)	(4 338 506)
Other cash payments	(100)	(86)	(105)	(8 293)
Cash from (used in) operations	**(191 706)**	**(126 916)**	**(231 866)**	**(195 680)**
Proceeds from disposal of assets	25 000	23 131	28 942	26 416
Repayment of loans by other entities	(2 666)	6 913	7 260	6 632
Receipts from non-operating capital funding	0	0	4 900	4 900
Sale of Government Business	0	104 125	0	0
Payments for acquisition of assets	(42 515)	(31 186)	(48 017)	(37 483)
Payments for investments	0	(1 247)	(4 996)	(5 073)
Cash from (used in) investing activities	**(20 181)**	**101 736**	**(11 912)**	**(4 608)**
Proceeds from borrowings	0	650 000	0	0
Public Account cash collections	0	63 643	0	0
Repayment of borrowings	(15 514)	(15 513)	(5 461)	(34 830)
Public Account cash reimbursement	(41 675)	0	(64 274)	(17 727)
Cash from (used in) financing activities	**(57 189)**	**698 129**	**(69 735)**	**(52 557)**
Net increase (decrease) in cash	**(269 076)**	**672 950**	**(313 513)**	**(252 845)**
Cash at the beginning of the year	443 979	600 618	914 132	1 166 977
Cash at end of the year	**174 903**	**1 273 568**	**600 618**	**914 132**

Comments

Finance-General increased its cash balance by $672.950m to $1.274bn at 30 June 2012. The major reason for this increase was due to the overnight borrowing of $650.000m from Tascorp on 29 June 2012 in order to gross up cash holdings to equate the estimated balances of accounts in the Special Deposits and Trust Fund.

If this borrowing was eliminated, the cash movement is an increase of $22.950m. The increase was due to the net impact of positive cash flows from investing, $101.736m, financing, $48.130m offset by negative cash flows from operations, ($126.916m).

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

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

- the sale of TOTE, $104.125m
- payments for acquisition of non-financial assets, $31.186m and proceeds from disposal of non-financial assets $23.131m, these two amounts mainly comprise motor vehicles bought and sold in the Government vehicle fleet
- Loan repayments totalled $15.513m primarily relating to annual repayments of the Commonwealth-State Housing Agreement debt and a repayment of a $10.000m Tascorp loan
- Public Account cash collections of $63.643m, which represented net movement of funds held on behalf of agencies in the Special Deposits and Trust Fund.

There was a significant difference between actual cash on hand at 30 June 2012 of $1.274bn and the budget of $0.175bn in the main due to the:

- cash expended on operating activities was $64.790m better than budget
- overnight borrowing of $650.000m was not included in the budget
- sale of TOTE was not included in the budget
- Public Account reimbursement – the budget anticipated an outflow of funds of $41.675m whereas the actual result was an inflow of $63.643m.

OTHER GENERAL GOVERNMENT SECTOR STATE ENTITIES

AT A GLANCE

INTRODUCTION

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

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

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

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

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

- Introduction
- Audit of the 2011-12 Financial Statements
- Key Findings and Developments
- Financial results
    - Statement of Comprehensive Income
    - Statement of Financial Position
    - Statement of Cash Flows
    - Financial Analysis

- ○ Additional Financial Information.

However, in Chapters for smaller entities we apply a more abridged form of reporting as follows:

- Introduction
- Audit of the 2011–12 Financial Statements
- Key Findings and Developments
- Abridged Statement of Comprehensive Income
- Abridged Statement of Financial Position
- Financial Analysis

or, for even smaller entities:

- Introduction
- Audit of the 2011–12 Financial Statements
- Key Findings and Developments
- Summary of Financial Results.

KEY OUTCOMES, DEVELOPMENTS AND FINDINGS FROM AUDITS

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

Except for the Nominal Insurer and Workcover Tasmania Board, whose statements were received on 16 August 2012 and 20 August 2012, respectively, all entities submitted financial statements within the statutory deadline of 45 days after the end of the financial year.

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

ASBESTOS COMPENSATION FUND

The *Asbestos-Related Diseases (Occupational Exposure) Compensation Act 2011* received Royal Assent on 4 October 2011 and was proclaimed on 31 October 2011. The Act established the Asbestos Compensation Fund (the Fund) which provides for the payment of compensation, and certain expenses incurred by prescribed workers who develop an asbestos-related disease as a result of exposure to asbestos during the course of their work in Tasmania.

As this was the first year of the Fund's operations, its financial statements did not include comparative information. The Fund was funded by an $8.250m transfer from the Nominal Insurer's HIH account and $1.365m being levies on insurance premiums from licensed insurers and self-insurers. It is expected that the levies will be the main source of funds in future years. The Fund awarded beneficiaries $3.491m in compensation.

At 30 June 2012, the Fund had a provision for compensation payable, $137.120m, based upon a valuation provided by an independent actuary. The Fund at 30 June 2012 had assets consisting of cash, $5.914m, and future levies receivables, $131.120m.

ROYAL TASMANIAN BOTANICAL GARDENS (RTBG)

During the audit it was noted that RTBG's last full revaluation of its infrastructure assets was conducted on 30 June 2006. Considerable time has elapsed since the last full revaluation resulting in a risk that the carrying amount of infrastructure assets does not reflect fair value, which in the RTBG's case is written down replacement cost.

RTBG operated at a deficit in each of the four years under review and its cash reserves declined from $0.759m at 1 July 2008 to $0.289m at 30 June 2012. It is evident from the summary later in this Report that RTBG's Board has taken a number of steps to identify alternative revenue sources, and to contain costs, but it remains heavily dependent on government for much of its revenue

STATE FIRE COMMISSION

During the year a direction hearing was held in relation to the Myer fire to test section 121 of the *Fire Service Act 1979,* which provides legal immunity to the Commission, its members, agents and brigades. The Court ruled that the matter of immunity was to progress to a preliminary hearing. The outcome of this hearing was determined on 24 August 2012 with the Court deciding that section 121 provided immunity to the Commission and its Chief Officer. No contingent liability was raised in relation to the Myer fire case in the current year or prior years and this Court decision had no impact on the operations or the state of the affairs of the Commission.

SULLIVANS COVE WATERFRONT AUTHORITY

The Authority was wound-up on 31 August 2011 under the *Sullivans Cove Waterfront Authority (Repeal) Act 2011.* At that time planning and other development roles and responsibilities reverted to Hobart City Council (Council).

The remaining assets, liabilities and staff of the Authority were transferred to the Department of Justice on 1 September 2011.

The wind-up of the Authority resulted in a number of its responsibilities being transferred to Council. Consequently, Council and Government entered into a Memorandum of Understanding outlining issues to be addressed as a result of the this change. Government has agreed to indemnify Council from any losses as a result of any improper or wrongful acts committed by the Authority.

TASMANIAN SKILLS INSTITUTE (TSI)

The TSI was established on 1 January 2009, emerging from the separation of TAFE Tasmania into the TSI, Tasmanian Polytechnic and Tasmanian Academy under Government's then Tasmania Tomorrow initiative. On 1 January 2011 Tasmanian Polytechnic and Tasmanian Academy were transferred to the Department of Education (DoE) and TSI remained as a stand alone entity.

Signed financial statements for TSI were received on 15 August 2012 and an unqualified audit report was issued on 21 September 2012. However, the audit report drew attention to Note 1.2 of the financial statements which states:

> *'The financial statements have been prepared as a going concern. The continued existence of the Skills Institute, in its present form, undertaking its current activities, is dependent on government policy and on continuing funding by Skills Tasmania for the Skills Institute's administration and activities.'*

The Minister provided the Board with a letter of assurance that DoE will continue to work with the Board and the Minister to ensure TSI is able to operate on a going concern basis in 2012-13. This confirmation of Government support enabled the Board to prepare its financial statements on the basis that TSI is a going concern. We note that at 30 June 2011, 30 June 2010 and 30 June 2009, TSI was similarly reliant on Government for financial support.

During the audit it was noted that TSI continued to generate negative operating cash flows despite an advance payment under the 2012-13 Memorandum of Understanding of $2.500m. This payment was made by Skills Tasmania in June 2012 and was provided to fund wage commitments. The $2.500m was recognised as income in 2011-12 and will have a consequent negative impact on TSI's operations in 2012-13, a situation the Board has begun to address with a reduction in staff numbers in 2012 and will need to continue to monitor closely.

However, in the short to long-term it is expected that TSI will be merged into a new provider, TasTAFE, in which case it will need to bear these funding arrangements in mind. It is anticipated that the assets, liabilities, contracts and staff of TSI will be transferred either to the new TasTAFE statutory authority, or DoE. Should this occur, assets and liabilities will be transferred at net book value.

SUMMARY FINANCIAL ANALYSIS

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

When evaluating the financial performance of these entities it is important to note that in most cases, although they are funded on an accruals basis, this does not include funding for depreciation and amortisation charges or increases in provisions for employee entitlements such as recreation and long service leave or movements in payables and receivables. The Nominal Insurer incurred no depreciation and amortisation charges or provisions for employee entitlements.

Nominal Insurer recorded a Deficit, $8.419m compared to a Net Surplus of $2.616m in 2010-11. This was almost entirely due to the transfer of funds from the Nominal Insurer to the Department of Justice for the newly established Asbestos Compensation Scheme, mentioned earlier. As a consequence of the deficit, the Nominal Insurer recorded accumulated deficits of $0.223m at 30 June 2012.

Tasmanian Skills Institute (TSI) in 2011-12 recorded a net operating deficit of $7.492m, an increase in deficit of $2.967m from the prior year. The higher deficit can be attributable to lower sales of goods and services, $1.538m, mainly due to less activity caused by the current economic environment and the one-off Commonwealth funding kickstart pre-apprenticeship program in 2010-11. There was higher depreciation, $1.963m, consistent with the transfer of buildings from DoE effective from 1 January 2011. The depreciation on those assets transferred was for 12 months in 2011-12 as opposed to six months in 2010-11.

TSI's comprehensive deficit amounted $4.911m (2010-11, $0.327m) after accounting for the advance instalment of $2.500m on the 2012-13 MoU funding from Skills Tasmania received on 1 June 2012 to assist TSI meet its wage commitments.

Total equity decreased by $4.911m at 30 June 2012 in line with the comprehensive deficit for the year resulting in accumulated funds being in deficit. This would be a concern in the long-term, however, TSI is expected to be merged into a new state entity on 30 June 2013.

ASBESTOS COMPENSATION FUND

INTRODUCTION

The *Asbestos- Related Diseases (Occupational Exposure) Compensation Act 2011* (the Act) received Royal Assent on 4 October 2011 and was proclaimed on 31 October 2011.

The Act establishes the Asbestos Compensation Scheme (the Scheme) which provides for the payment of compensation, and certain expenses incurred by prescribed workers who develop an asbestos-related disease as a result of exposure to asbestos during the course of their work in Tasmania. The Act requires that the Asbestos Compensation Commissioner (the Commissioner) administer the Scheme through the Asbestos Compensation Fund (the Fund).

The Fund was initially funded by a lump sum of $8.250m from the Nominal Insurer HIH account. Ongoing, a levy will be payable by insurers and self-insurers and the Fund may also earn investment income. Levies will be set at a levels aimed at ensuring the Fund breaks even.

The Responsible Minister is the Minister for Workplace Relations.

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2012. An unqualified audit report was issued on 24 August 2012. The financial statements cover the eight month period 1 November 2011 to 30 June 2012.

KEY FINDINGS AND DEVELOPMENTS

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	8 months to 30th June 2012
	$'000s
Total Revenue	9 615
Total Expenses	3 705
Net Surplus	**5 910**
Other economic flows included in net result	
Provision for Compensation Payable	(137 120)
Future levies receivable	131 210
Total other economic flows included in net result	**(5 910)**
Comprehensive result	**0**
	30 June 2012
	$'000s
Total Assets	137 184
Total Liabilities	137 184
Net Assets	**0**
Total Equity	**0**

As this is the Fund's first eight months of operation, there were no comparatives or budget figures for the purpose of analysis.

The Fund is predominately funded through a levy, set by the Minster for Workplace Relations each year, payable by licensed insurers and self-insurers. The rate for 2011-12 was 4 per cent of the premiums of licensed insurers and the notional premiums of self-insurers. Total levies received were $1.365m.

The Act required the Nominal Insurer to pay into the Fund the amounts standing to the credit of the Special HIH Account in the Nominal Insurer Fund, less $0.100m. The purpose of this transfer of HIH funds was to provide initial funding to allow compensation to be paid prior to any levies being received by the Fund. The total of this one-off transfer was $8.250m.

Major expense for the Fund was compensation awarded of $3.491m.

The Other economic flows included a liability (payable) being the present value of expected future compensation payments and a receivable being the future levies required by the Fund to meet these expected payments net of existing assets at 30 June 2012. The payable of $137.120m comprised a mix of the opening balance and periodic movement in the present value of expected future compensation payments as determined by an independent actuary. As the Act did not require a valuation on commencement of the Fund, accounting for the expected amount to be paid has been treated as expense in the period under review.

As noted, the receivable represents the amount to be recovered from licensed insurers and self-insurers and at 30 June 2012 this equalled the unfunded portion of the compensation payable.

The Comprehensive result amounted to nil as the Net surplus represented the funded portion of the closing compensation liability offset by the movement in the unfunded compensation liability from other economic flows.

DIRECTOR OF PUBLIC PROSECUTIONS

INTRODUCTION

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

AUDIT OF 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2012. An unqualified audit report was issued on 21 September 2012.

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2011-12	2010-11
	$'000s	$'000s
Total Revenue	7 075	6 779
Total Expenses	7 057	6 487
Net Surplus (Deficit)	**18**	**292**
Gain (Loss) on financial asset	91	(16)
Comprehensive Result	**109**	**276**
	2012	**2011**
Total Assets	2 004	1 771
Total Liabilities	1 657	1 533
Net Assets	**347**	**238**
Total Equity	**347**	**238**

Comment

In 2011-12, DPP recorded a lower Comprehensive Result of $0.109m compared to $0.276m in 2010-11. This was mainly due to the following offsetting factors:

- the operation of the Child Protection Service (the Service) which commenced during the year. Attributable to the Service was increased revenue from the sale of services to the Department of Health and Human Services, $0.399m, offset by employment of extra staff and higher duties allowances paid amounting to $0.998m
- decreased supplies and consumables, $0.414m, as the previous year included a one-off payment to the Department of Justice for IT set-up costs
- gain on financial asset, $0.091m, arose on the transfer of the responsibilities for the collection of the pecuniary penalty orders to the Monetary Penalties Enforcement Service.

The DPP reported Net Assets of $0.347m compared to $0.238m at 30 June 2011, an increase of $0.109m with the major movements being:

- higher leasehold improvements, plant and equipment, $0.173m, mainly due to purchase of videoconferencing equipment and completion of fit-out for Burnie Office
- lower other liabilities, $0.243m, mainly due to no Section 8A(a) carry forward at 30 June 2012
- higher employee benefits, $0.321m, in line with appointment of extra staff and general salary increases.

INLAND FISHERIES SERVICE

The Inland Fisheries Service (the Service) is the State's natural resource manager of freshwater fisheries in Tasmania. The Inland Fisheries Act 1995 created the position of the Director of Inland Fisheries.

The principal role of the Service is to provide advice to the Minister for Primary Industries and Water on all matters relating to freshwater fisheries' policy and management and to manage the State's freshwater fisheries.

The Director manages the Service and is responsible for the sustainable management of Tasmania's freshwater resources; ensuring the best use is made of these resources and ensuring the freshwater fauna and its habitat are protected for the benefit of future generations. The Service grows its own fish stocks at its New Norfolk premises with ova sourced from wild fish stocks.

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

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 24 July 2012 and an unqualified audit opinion was issued on 7 September 2012.

KEY FINDINGS, DEVELOPMENTS AND FINANCIAL RESULTS

Investment Properties

During the year the Service's Derwent Park property was sold for $2.539m, realising a profit of $0.938m, and was replaced by two investment properties. Revenue generated from investment properties is used to supplement the fixed appropriation and fund the business operations

Financial results

The Service recorded a deficit of $0.081m in 2011-12 compared to a surplus of $0.068m in 2010-11 This was due to a small reduction in total revenue coupled with a 2% increase in the Services' overall operating costs even though savings were made on employee expenses by not filling vacancies.. Despite the operating deficit, the Service's Net assets increased from $6.544m to $7.401m at 30 June 2012 due to the profit on the sale of the Derwent Park property.

The audit was completed satisfactorily with no major items outstanding.

ABRIDGED STATEMENT OF COMPREHENSIVE INCOME

	2011-12	2010-11	2009-10	2008-09
	$'000s	$'000s	$'000s	$'000s
Licence fees	1 741	1 628	1 619	1 529
Government grants	1 611	1 641	1 292	1 230
External grants and reimbursements	200	300	602	512
Other revenue	560	602	537	535
Total Revenue	**4 112**	**4 171**	**4 050**	**3 805**
Employee expenses	2 288	2 357	2 370	2 149
Other expenses	1 658	1 521	1 537	1 232
Depreciation	247	225	219	217
Total Expenses	**4 193**	**4 103**	**4 126**	**3 598**
Net Surplus (Deficit) from transactions	**(81)**	**68**	**(76)**	**207**
Fair value adjustment for investment property	0	0	202	0
Gain on sale of non-financial assets	938	14	0	0
Net Surplus after accounting for other economic flows	**857**	**82**	**126**	**207**
Other Comprehensive Income				
Valuation adjustment to land and buildings	0	349	0	0
Comprehensive Surplus	**857**	**431**	**126**	**207**

Comment

In 2011-12 the Service recorded a Net Deficit from transactions, $0.081m, less than $0.149m compared to the prior year. This was primarily due to an increase in the Service's operating costs and a slight reduction in total revenue. Reasons for movements in line items include:

- lower Government grants, $0.030m, due primarily to not receiving an essential maintenance grant in 2012
- lower Other revenue, $0.042m, due to decreased investment property rental income resulting from time lags in reinvesting funds from the sale of Derwent Park property
- lower External grants and reimbursements, $0.100m, due to decreased demand for some specific projects in 2011-12
- higher Other expenses, $0.0137m, due mainly to increased contract services for the Service's Carp eradication program, $0.102m.

Gain on sale of non-financial assets mainly represented the sale of the Derwent Park investment property as mentioned earlier.

ABRIDGED STATEMENT OF FINANCIAL POSITION

	2012	2011	2010	2009
	$'000s	$'000s	$'000s	$'000s
Cash	1 701	1 150	1 076	1 186
Receivables	66	93	165	184
Total Current Assets	**1 767**	**1 243**	**1 241**	**1 370**
Property, plant and equipment	4 199	4 339	3 968	4 027
Investment property	2 230	1 745	1 745	1 398
Total Non-Current Assets	**6 429**	**6 084**	**5 713**	**5 425**
Payables	207	244	350	262
Provisions	278	280	240	257
Total Current Liabilities	**485**	**524**	**590**	**519**
Provisions	310	259	251	290
Total Non-Current Liabilities	**310**	**259**	**251**	**290**
Net Assets	**7 401**	**6 544**	**6 113**	**5 986**
Reserves	2 058	2 058	1 709	1 709
Accumulated funds	2 143	1 286	1 204	1 077
Contributed capital	3 200	3 200	3 200	3 200
Total Equity	**7 401**	**6 544**	**6 113**	**5 986**

Comment

Total Equity increased by $0.857m being the Comprehensive result for the year.

The corresponding increase in Net Assets was primarily due to:

- higher Cash, up $0.552m, due to the increase in net cash provided by investment activities, $0.529m. This was almost entirely due to the sale of the Service’s property at Derwent Park
- a net increase in Investment property of, $0.485m, due to the purchase of two new properties mentioned previously less the sale of the Derwent Park property.

FINANCIAL ANALYSIS

	Bench Mark	2011-12	2010-11	2009-10	2008-09
Financial Performance					
Result from operations ($'000s)		(81)	68	(76)	207
Own source revenue ($'000s)		2 301	2 230	2 156	2 064
Financial Management					
Debt collection	30 days	10	15	28	34
Creditor turnover	30 days	28	36	52	28
Other Information					
Staff numbers (FTEs)		23	25	25	30
Average staff costs ($'000s)		101	92	94	72
Average Recreational Leave balances per FTE (days)	20	22	20	20	8
Average Long Service Leave balances per FTE (days)	100	46	42	31	33

Comment

Own source revenue gradually increased over the period under review in line with annual increases in licence fees offset by slight decreases in rental income.

Debt collection days have steadily improved over the review period. This improvement was due to focused efforts from management to improve collection.

Creditor turnover was generally consistent with benchmark except for 2009-10 which was affected by six large non-routine payments included in 30 June 2010 creditors.

Average staff costs increased due to indexation allowances in relevant Awards and a corresponding increase in provisions despite a reduction in FTEs.

INTEGRITY COMMISSION

INTRODUCTION

The Integrity Commission (the Commission) was established by the *Integrity Commission Act 2009* and commenced operations on 1 October 2010. The main aim of the Commission is to promote and enhance standards of ethical conduct by public officers in the Tasmanian public sector including local government councils. The Commission consists of a Board with six members and a Chief Commissioner, a statutorily appointed Chief Executive Officer, and a number of staff who undertake the various functions of the Commission.

The Commission promotes and strengthens ethical conduct in the Tasmanian public sector to enhance public confidence. It has a strong educative and training role, as well as developing standards and guidelines to help public officers perform their duties ethically.

The Auditor-General is an ex-officio member of the Board of the Commission. As a result, the audit of the Commission is managed by the Deputy Auditor-General.

AUDIT OF 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 13 August 2012. An unqualified audit report was issued on 28 August 2012 and a revised audit opinion was issued on 3 September 2012.

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2011-12	**2010-11**
	$'000s	$'000s
Total Revenue	3 182	3 199
Total Expenses	2 969	2 846
Net Surplus	**213**	**353**
	2012	**2 011**
Total Assets	883	642
Total Liabilities	322	294
Net Assets	**561**	**348**
Total Equity	**561**	**348**

Comment

The Commission recorded a Net Surplus of $0.213m, a decrease of $0.140m when compared to 2010-11, $0.353m. This was primarily due to:

- higher depreciation and amortisation expenses, $0.054m, attributable to changes in rates and charges for new assets
- increased supplies and consumables expenses, $0.068m, mainly due to purchase of new electrical equipment
- higher other expenses, $0.024m, for legal advice in relation to investigations.

Net Assets at 30 June 2012, $0.561m, were $0.213m higher than at 30 June 2011 with the main movements being:

- higher cash and deposits, $0.072m, mainly consisting of approved Section 8A carry forwards relating to an incomplete investigation and funds required to implement the case management system
- increased intangible assets, $0.178m, due to purchase of a case management system and website development
- higher employee benefits, $0.038m, following appointment of State Service staff with existing leave entitlements.

MARINE AND SAFETY AUTHORITY

INTRODUCTION

Marine and Safety Authority, trading as Marine and Safety Tasmania (MAST), seeks to be widely recognised as a proactive, approachable and knowledgeable organisation, effectively carrying out its functions under the *Marine and Safety Authority Act 1997*. These functions are to:

- ensure safe operations of vessels
- provide and manage marine facilities and
- manage environmental issues relating to vessels.

MAST is largely self-funding with income derived from recreational boat registrations and licence fees. Income is also received from commercial vessel owners for the inspection of vessels and licensing of operators. These activities are largely fee for service.

An annual appropriation is received through DIER and used for the maintenance and management of commercial marine facilities. Further funding from the Capital Investment Program is also received for specific rebuilding projects.

The Responsible Minister is the Minister for Infrastructure.

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 9 August 2012 and an unqualified audit report issued on the same day.

The audit was completed satisfactorily with no items outstanding.

KEY FINDINGS AND DEVELOPMENTS

There were no key findings or developments.

ABRIDGED STATEMENT OF COMPREHENSIVE INCOME

	2011-12	**2010-11**
	$'000s	$'000s
Total Income	6 741	5 196
Total Expenses	6 791	6 323
Net Deficit from transactions	**(50)**	**(1 127)**
State capital investment program grants	0	1 150
Loss on disposal of non-current assets	(103)	(134)
Net Surplus (Deficit) after accounting for other economic flows	**(153)**	**(111)**
Other Comprehensive Income		
Changes in physical asset revaluation reserve	108	0
Comprehensive Surplus (Deficit)	**(45)**	**(111)**

Comment

When assessing MAST's financial performance it must be borne in mind that its Net result varies significantly each year due to the timing of triennial motor boat licence renewals and State capital investment program grants.

MAST's Net Deficit from transactions improved by $1.077m, from a deficit of $1.127m in 2010-11 to a deficit of $0.050m in 2011-12. This better result was largely due to:

- increased Recreational boating fees, $3.846m in 2011-12 as against $2.285m in 2010-11, as a result of the timing of recreational boating fees which, as previously noted, are renewed on a triennial basis
- higher other income, $0.075m. This comprised a pontoon and walkway structure received as a contribution from Department of Primary Industries, Parks, Water and Environment
- lower facilities maintenance expenses, $0.036m, mainly due to project delays in gaining environmental approvals.

These were partly offset by:

- higher depreciation expenses, $0.035m, due to new infrastructure and asset revaluation
- higher supplies and consumables expenses, $0.336m mainly due to:
    - higher property services expenses attributable to new office space and refurbishment expenses
    - consultant expenses for risk assessments, preparation for proposed new work place health and safety legislation, various investigations and a study on the future of East Coast marine facilities
    - increased communication costs for triennial license renewal mail-outs
    - higher contractor expenses due to the use of contract surveyors
- increased recreational boating fund expenditure, $0.186m, financed from the carry forward of unspent funds from 2010-11 as a result of contractor unavailability, planning and weather delays
- decreased interest revenue, $0.106m, resulting from lower cash holdings during the year
- the Comprehensive result, a deficit in both years, improved from $0.111m to $0.045m. The deficit in 2011-12 related to a Loss on disposal of non-current assets, $0.103m most of which resulted from the demolition of the Pirates Bay Jetty. The revaluation in 2011-12 related to a revaluation of Navigation Aids.

ABRIDGED STATEMENT OF FINANCIAL POSITION

	2012	2011
	$'000s	$'000s
Total Assets	26 971	26 997
Total Liabilities	812	793
Net Assets	**26 159**	**26 204**
Total Equity	**26 159**	**26 204**

Comment

Total Equity declined in comparison to prior year by $0.045m. This movement represented the 2011-12 Comprehensive result. Net Assets moved accordingly with the major movements being:

- higher receivables, $0.044m, relating to higher unpaid invoices and increased vessel survey activity
- increased property, plant and equipment, $0.723m, due primarily to:
    - additions, $1.623m, represented primarily by marine facility additions which included the Pirates Bay Jetty, $1.149m, Cremorne Pontoon, $0.163m, and Bicheno Landing, $0.154m
- offset by:
    - depreciation expense, $0.906m
    - disposals of $0.103m, the most significant being marine facilities, $0.097m, previously mentioned
- Employee benefits fell by $0.101m as a result of the CEO retiring in August with the position filled internally.

These items were offset by:

- decreased cash and deposits, $0.758m, used during year to fund construction and recreational boating fund programs
- increased payables, $0.127m, mainly due to timing of invoices for a number of projects.

FINANCIAL ANALYSIS

	Bench Mark	2011-12	2010-11	2009-10	2008-09
Financial Performance					
Result from Operations ($'000)		(50)	(1 127)	(286)	662
Operating margin	>1.0	0.99	0.82	0.95	1.13
Own source revenue ($'000s)		5 701	4 157	4 531	4 930
Financial Management					
Debt collection	30 days	28	30	24	16
Creditor turnover	30 days	25	20	23	54
Capital Management					
Navigation Aids					
Asset investment ratio	100%	17%	39%	42%	53%
Asset sustainability ratio	>100%	0%	0%	0%	n/a
Asset consumption ratio*		n/a	n/a	n/a	n/a
Asset renewal funding ratio*		n/a	n/a	n/a	n/a
Marine Facilities					
Asset investment ratio	100%	188%	284%	307%	459%
Asset sustainability ratio	>100%	8%	0%	0%	n/a
Asset consumption ratio*		n/a	n/a	n/a	n/a
Asset renewal funding ratio		17%	n/a	n/a	n/a
Other Information					
Staff numbers (FTEs)		18	19	17	17
Average staff costs ($'000s)		101	106	102	97
Average Recreational Leave balance per FTE (days)	20	14	14	16	16
Average Long Service Leave balance per FTE (days)	100	45	44	56	57

*Information not available to calculate ratio for some or all years.

Comment

Operating margin and own source revenue are consistent with explanations previously provided in the Abridged Statement of Comprehensive Income section of this Chapter.

Debt collection is generally in line with the benchmark.

Creditor turnover was within benchmark in each year except 2008-09 mainly due to timing of creditor invoices received for a number of capital projects at the end of that financial year.

The benchmark for Asset investment ratio has not been met for the period under review. This indicates that MAST may not be spending enough to maintain its existing assets. However, MAST does have maintenance programs which may mitigate the risks of this under investment. Maintenance is expensed in the period in which it occurs.

Asset consumption and renewal funding ratios for Navigation aids cannot be calculated at present as the information required to calculate these ratios is not currently available.

For the Asset investment ratio for Marine Facilities, MAST met the benchmark in each of the years under review. This indicates that the Authority is investing strongly in new Marine facilities.

However, the Asset sustainability ratio for Marine facilities indicates that the Authority may not be investing sufficient funds to restore and replace existing Marine infrastructure. However, all Marine facilities under the Authority's management fall under a comprehensive maintenance plan aimed at prolonging the life of these assets. The majority of the maintenance work undertaken is expensed and not capitalised.

The Asset consumption and renewal funding ratio for Marine facilities could not be calculated as the information required to calculate these ratios is not currently available.

Staff numbers have remained stable over the four year period of review. Average long service and recreational leave balances per FTE (days) were below the benchmark. Average long service leave balance per FTE (days) decreased over the four year period of review. There was a significant drop in 2010-11 where it decreased by 12 days mainly due to a number of employees taking long service leave during that year.

OFFICE OF THE OMBUDSMAN AND HEALTH COMPLAINTS COMMISSIONER

INTRODUCTION

The Ombudsman and Health Complaints Commissioner is an independent officer appointed by the Governor, and answerable to the Parliament.

The role of the Ombudsman is to investigate the administrative actions of public authorities to ensure that their actions are lawful, reasonable and fair. The Ombudsman also has central functions under the *Right to Information Act 2009* (the Act), principally that of reviewing decisions by public authorities not to release information under the Act.

Authorities within the Ombudsman's jurisdiction include Tasmanian government departments, local government councils, water and sewerage corporations, prisons, state-owned companies, government business enterprises and a range of other public authorities.

The Health Complaints Commissioner's role is to:

- promote and protect the rights of consumers who use health services
- help resolve problems between consumers and providers of health services
- improve the safety and quality of health services in Tasmania.

This section of the Office investigates complaints from individuals or organisations about the provision of health services in both the public and private sectors.

The Ombudsman is also the Energy Ombudsman as well as responsible for the Mental Health Official Visitor Scheme.

Office of the Ombudsman and Health Complaints Commissioner (the Office) receives parliamentary appropriation to meet recurrent expenditure.

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2012 and an unqualified audit report was issued on 12 September 2012.

KEY FINDINGS AND DEVELOPMENTS

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2011-12	2010-11
	$'000s	$'000s
Total Revenue	2 655	2 595
Total Expenses	2 883	2 528
Net Surplus (Deficit)	**(228)**	**67**
	2012	**2011**
Total Assets	321	457
Total Liabilities	463	371
Net Assets (Liabilities)	**(142)**	**86**
Total Equity (Accumulated Deficits)	**(142)**	**86**

Comment

The Office achieved a Net Deficit of $0.228m in 2011-12, a decrease of $0.295m compared to the 2010-11 Net Surplus. The deficit was mainly due to higher Total Expenses, $0.355m, while Total Revenue only increased by $0.060m.

Major movements in expenditure related to increased employee benefits, $0.308m, attributable to:

- lump sum termination and redundancy payments paid to two staff members, $0.192m,
- two new staff members transferred to the Office from within the State Service with significant accrued leave balances.

Total Assets decreased by $0.136m mainly due to lower:

- cash and deposits of $0.073m used to fund operations
- intangible assets, $0.048m, due to the amortisation for the year. Intangible assets include the Resolve case management system, website upgrade, and TRIM document and records management system.

Total Liabilities increased by $0.080m mainly because of a change in the probability factors used by the Office in its long service leave provision.

Total Equity decreased by $0.228m during 2011-12, due to the Net Deficit such that, by 30 June 2012 the Office was in a position where its liabilities exceeded its assets resulting in an Accumulated deficit at this date. While we acknowledge there were one-off circumstances which contributed to this in 2011-12, and the Office is mainly funded by Parliamentary Appropriation, the Office will need to monitor this position.

ROYAL TASMANIAN BOTANICAL GARDENS

INTRODUCTION

Royal Tasmanian Botanical Gardens (RTBG) is a State entity, governed by the *Royal Tasmanian Botanical Gardens Act 2002* and administered by the Department of Primary Industries, Parks, Water and Environment (DPIPWE). RTBG is managed by the Botanical Gardens Board appointed by the Minister.

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

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2012 and an unqualified audit report was issued on 14 September 2012.

KEY FINDINGS AND DEVELOPMENTS

Revaluation of Infrastructure assets

During the audit it was noted that RTBG's infrastructure assets were revalued using adjustment indices at 30 June 2012 provided by an external valuer. Applying indices in this manner does not constitute a full revaluation with RTBG's last full revaluation of its infrastructure assets conducted on 30 June 2006.

Considerable time has therefore elapsed since the last full revaluation resulting in a risk that the carrying amount of infrastructure assets does not reflect fair value, which in the RTBG's case is written down replacement cost. It was recommended, and RTBG agreed to undertake a full revaluation in 2012-13.

Other than this finding, the audit was completed satisfactorily with no other major matters outstanding.

Operating results

RTBG has operated at a deficit in each of the four years under review over which period its cash reserves declined from $0.759m at 1 July 2008 to $0.289m at 30 June 2012. It is evident from the summary later in this Chapter that the Board has taken a number of steps to identify alternative revenue sources, and to contain costs, but it remains heavily dependent on Government for much of its revenue. In 2011-12 Government provided 60.2% of RTBG's total revenue (61.6% in 2010-11). The Board needs to continue to monitor this position.

SUMMARY OF FINANCIAL RESULTS

	2011-12	2010-11	2009-10	2008-09
	$'000s	$'000s	$'000s	$'000s
Total Revenue	4 603	4 433	4 316	4 228
Total Expenses	5 104	4 974	5 085	5 020
Net (Deficit) from transactions	**(501)**	**(541)**	**(769)**	**(792)**
Other Economic Flows included in net result				
Land received at no cost	0	0	0	153
Write-off of non-financial assets	0	(234)	0	0
Net Surplus (Deficit) Attributable to the State	**(501)**	**(775)**	**(769)**	**(639)**
Other Comprehensive Income				
Changes in Asset Revaluation Reserve	(91)	(239)	1 832	0
Comprehensive Surplus (Deficit)	**(592)**	**(1 014)**	**1 063**	**(639)**
	2012	**2011**	**2010**	**2009**
Total Assets	15 156	15 683	16 690	15 533
Total Liabilities	747	682	675	581
Net Assets	**14 409**	**15 001**	**16 015**	**14 952**
Total Equity	**14 409**	**15 001**	**16 015**	**14 952**

Comment

In 2011-12 RTBG recorded a Net Deficit from transactions of $0.501m, a slight improvement of $0.040m on the prior year. However, the deficit indicated RTBG was not generating sufficient revenue to fulfil its operating requirements.

The improvement of $0.040m in 2011-12 was mainly due to:

- increased State Government grant, $0.044m, primarily due to additional funding received from DPIPWE to meet RTBG's budget shortfall for 2011-12
- higher RTBG generated income, mainly due to:
    - higher donations and sponsorship, $0.062m, as a result of the introduction of gold coin entry donations from November 2011 earning $0.042m and an additional $0.020m donation by Friends of the Gardens
    - additional revenue from vocational pursuits, venue and site hire as well as minor sales, $0.112m. RTBG is now offering to the general public horticulture courses at certificate level and community garden classes for a fee.

The foregoing were partially off-set by:

- lower other grants, $0.011m, due to finalisation of the five-year funding arrangement for the Kew Millennium Seedbank project and the non-renewal of the Green Corps Project. Other grants fluctuate from year to year depending on the success of the applications submitted by RTBG
- increased Total Expenses, mainly due to higher:
    - public programs and operations expenses, $0.132m, mainly due to a redundancy payment of $0.086m and increased water rates of $0.038m as a result of irregular timing of billings by Southern Water
    - arbor consultancies, $0.088m, mainly attributable to a new apprentice position

The write-off of non-financial assets, $0.234m in 2010-11 related to the Discovery Interpretation Centre deemed no longer of use and dismantled.

The revaluation included in Other Comprehensive Income was a decrement of $0.091m following a revaluation of land, buildings and infrastructure assets as at 30 June 2012 using indices.

In line with the total Comprehensive Result, Total Equity declined by $0.592m. Total Assets comprised predominately:

- cash and cash equivalents, $0.289m, (2010-11, $0.312m)
- property, plant and equipment, $14.695m, ($15.235m) a decrease of $0.540m mainly due to:
    - revaluation decrement of land, buildings and infrastructure assets $0.091m
    - depreciation expenses, $0.498m
- off-set by additions to plant and equipment and computers, $0.050m
- inventories, $0.094m, ($0.101m).

Total Liabilities were largely represented by provisions for employee entitlements, $0.542m, ($0.511m) and trade and other payables, $0.205m, ($0.171m).

STATE FIRE COMMISSION

INTRODUCTION

The State Fire Commission (the Commission) was established under the *Fire Service Act 1979*. The role of the Commission is to protect life, property and the environment from fire and other emergencies. The Commission provides a rapid emergency response and promotes fire safety in partnership with the community.

The Commission comprises seven members: one person being the Chief Officer (Chairperson), one person each nominated by the United Firefighters Union (Tasmanian Branch), the Tasmanian Retained Firefighters Association, the Tasmanian Volunteer Fire Brigades Association, the Secretary of the Department of Treasury and Finance and two nominated by the Local Government Association of Tasmania.

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

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2012, with revised and re-signed financial statements received on 31 August 2012. An unqualified audit report was issued on 17 September 2012.

KEY FINDINGS AND DEVELOPMENTS

Myer fire

During the year a directions hearing was held in relation to the Myer fire to test section 121 of the *Fire Service Act 1979,* which provides legal immunity to the Commission, its members, agents and brigades. The Court ruled that the matter of immunity was to progress to a preliminary hearing. The outcome of this hearing was determined on 24 August 2012 with the Court deciding that section 121 provided immunity to the Commission and Chief Officer. Given the ruling, it is considered unlikely that any further legal action will be taken against the Commission or Chief Officer. No contingent liability was raised in relation to the Myer fire case in the current year or prior years and this Court decision had no impact on the operations or the state of the affairs of the Commission.

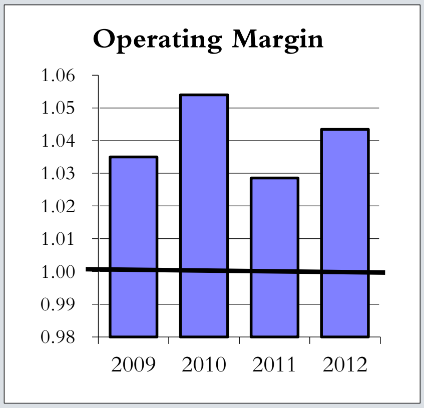
FINANCIAL RESULTS

The Commission recorded a Net Surplus of $3.706m in 2011-12 (2010-11, $2.644m). This increase was driven by higher fire service contributions and insurance fire levies, partly offset by higher employee related expenses.

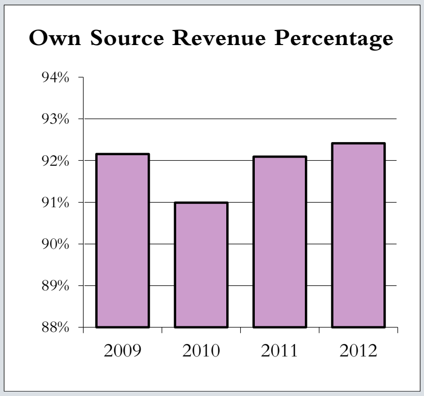
Analysis of the finances of the Commission shows a continued improvement in Working Capital over the past four years, with a positive working capital position achieved at 30 June 2012. The Commission budgets for operating and capital expenditure in accordance with available funds. The quarterly receipt of the fire service contribution places periodic strain on the Commission's finances, but it has an adequate overdraft facility and cash balances to help meet short-term financial obligations.

The Commission received additional State capital funding for the Bushfire Preparedness Program, $0.790m, and joint funding from Ambulance Tasmania, $0.550m, for upgrades to communications and radio network capabilities and State Emergency Service, $0.210m, for construction of shared facilities.

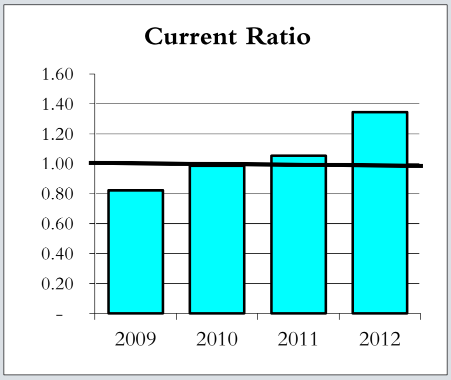
The following three graphs summarise key ratios highlighting important aspects of the Commission's financial performance over the past four years.



Operating margin was above the expected benchmark of one for each of the past four years, indicating the Commission was generating sufficient revenue to fulfil operational requirements.



Own source revenue percentage shows the Commission generated on average 92% of revenue from its own sources. Own source revenue has steadily increased over the period, with 2009-10 being lower due to additional State contributions to meet wildfire expenses.



Current ratio continued to improve steadily such that by 30 June 2012 it was significantly above benchmark. This improvement reflected the Commission's better net working capital position as reported in its Statement of Financial Position. The improvement was due to a decrease in current borrowings compared to 30 June 2011 which resulted from borrowings being re-negotiated on longer terms in 2011-12. It should be noted that the quantum of total borrowings has not changed. Without this change, the ratio would have been 1.12 at 30 June 2012.

STATEMENT OF COMPREHENSIVE INCOME

	2011-12	2010-11	2009-10	2008-09
	$'000s	$'000s	$'000s	$'000s
Fire service contribution	32 289	31 348	29 856	28 434
Insurance fire levy	17 556	16 322	17 016	15 574
Motor vehicle fire levy	6 826	6 389	6 457	5 739
State contribution - recurrent	2 331	3 375	3 073	2 810
State contribution - wildfire expenses	1 649	658	2 486	1 511
Commonwealth contribution	1 338	1 250	855	573
Fire prevention charges	5 607	5 982	8 523	5 480
Other revenue	2 528	1 508	2 939	2 276
Total Revenue	**70 124**	**66 832**	**71 205**	**62 397**
Salaries, wages and related expenses	43 687	41 774	40 538	38 079
Financing costs	283	315	336	337
Depreciation	5 114	4 994	4 688	4 591
Other expenses	18 124	17 895	21 996	17 280
Total Expenses	**67 208**	**64 978**	**67 558**	**60 287**
Net Surplus (Deficit) before contributions to capital program	**2 916**	**1 854**	**3 647**	**2 110**
State contribution to capital program	790	790	790	500
Net Surplus (Deficit)	**3 706**	**2 644**	**4 437**	**2 610**
Other comprehensive income				
Gain (loss) on movement in superannuation scheme obligation	(4 352)	1 721	5 210	(9 394)
Increase (decrease) in asset revaluation reserve	(170)	913	797	3 171
Total other comprehensive income (deficit)	**(4 522)**	**2 634**	**6 007**	**(6 223)**
Total comprehensive surplus (deficit) for the year	**(816)**	**5 278**	**10 444**	**(3 613)**

Comment

The Commission recorded a Comprehensive deficit for the year of $0.816m compared to a surplus of $5.278m in 2010-11. This result was principally due to the loss of $4.352m (2010-11, gain of $1.721m) on the change in the net superannuation scheme obligation, which was partially offset by the Net Surplus of $3.706m ($2.644m). The increase in Net Surplus of $1.062m compared to the prior year can be attributed to:

Movements	**2011-12**	
	$'000s	Ref
Fire service contribution and levies	2 612	(1)
State contribution - recurrent	(1 044)	(2)
Other revenue	1 120	(3)
Wildfire fighting reimbursement	991	(4)
Salaries and related expenses	(1 913)	(5)
Operating expenses	(317)	(6)
Other net movements	(287)	
Increase in net surplus	**1 062**	

1. Fire service contributions and levies increased by $2.612m, which reflected higher Fire service contributions coupled with higher levies received from insurers and motor vehicle registrations.
2. Decrease in State recurrent contribution towards operations, $1.044m.
3. Increase in Other Income, $1.020m, principally from an increase in reimbursement from Ambulance Tasmania for shared facilities and work on its radio and communications facilities of $0.677m. An additional $0.165m was also received from the State Emergency Service towards shared facilities.
4. Higher wildfire fighting reimbursement of $0.991m reflected the increase in the number of such fires during 2011-12. This resulted in greater usage of helicopters and heavy equipment requiring more reimbursement.
5. Increase in salaries and related expenses of $1.914m. primarily due to pay increases as FTE numbers decreased by 4% from 2010-11.
6. Operating expense increased by $0.317m primarily due to the increase in wildfire fighting helicopter expenses and equipment hire.

In addition to the increase in the Commission's superannuation obligations of $4.352m, already referred to, other movements in Comprehensive income related to a decrease in the Commission's asset revaluation reserve of $0.170m (2010-11, increase of $0.913m).

STATEMENT OF FINANCIAL POSITION

	2012	2011	2010	2009
	$'000s	$'000s	$'000s	$'000s
Cash	15 186	12 464	8 938	6 884
Receivables	2 093	1 949	1 960	1 863
Inventories	1 401	1 622	1 672	2 713
Other	3 223	2 429	2 886	1 857
Total Current Assets	**21 903**	**18 464**	**15 456**	**13 317**
Payables	4 824	3 693	4 413	4 770
Borrowings	0	3 330	1 368	1 830
Provisions - leave and other	11 464	10 482	9 907	9 604
Total Current Liabilities	**16 288**	**17 505**	**15 688**	**16 204**
Net Working Capital	**5 615**	**959**	**(232)**	**(2 887)**
Property, plant and equipment	93 163	93 253	88 873	85 920
Capital work in progress	4 026	1 828	5 686	5 851
Total Non-Current Assets	**97 189**	**95 081**	**94 559**	**91 771**
Borrowings	4 698	1 368	3 330	2 868
Superannuation fund net liability	8 160	3 809	5 529	10 741
Provisions - leave and other	886	987	870	1 123
Total Non-Current Liabilities	**13 744**	**6 164**	**9 729**	**14 732**
Net Assets	**89 060**	**89 876**	**84 598**	**74 152**
Reserves	15 034	15 204	14 290	13 493
Accumulated surpluses	74 026	74 672	70 308	60 659
Total Equity	**89 060**	**89 876**	**84 598**	**74 152**

Comment

In line with the Commission's Comprehensive result, Total Equity decreased by $0.816m to $89.060m at 30 June 2012.

Corresponding to the decrease in Total Equity, Net Assets also decreased by $0.816m with main movements in line items being:

- increase of $4.351m in the Commission's provision for its obligations under the Superannuation fund net liability
- higher Cash of $2.722m due to delays in capital projects and strong operating cash flows
- increase of $2.198m in Capital work in progress, including significant upgrades and additions projects for fire appliances, $3.540m
- Property, plant and equipment decreased by $0.090m, due primarily to the net impact of the following:
  - completion of capital work in progress and additions, $5.564m
  - lower land and building revaluation decrements of $0.170m
  - depreciation expense, $5.114m
  - less asset disposals, $0.370m (net).

Working Capital was positive and was a significant improvement on the prior year due to the increase in Cash and the movement of current Borrowings to non-current during the year. While there was no change in the level of total borrowings, re-negotiation of expiring debt resulted in a reduction of $3.330m in current Borrowings, which was replaced with a matching increase in non-current Borrowings. Without this change, working capital would still have been positive at approximately $2.285m which is an improvement of $1.326m on the position at 30 June 2011.

STATEMENT OF CASH FLOWS

	2011-12	2010-11	2009-10	2008-09
	$'000s	$'000s	$'000s	$'000s
Receipts from operating activities	69 751	68 227	70 884	59 925
Payments to suppliers and employees	(60 670)	(60 468)	(63 210)	(54 489)
Interest received	493	365	98	165
Financing costs	(283)	(315)	(336)	(337)
Cash from operations	**9 291**	**7 809**	**7 436**	**5 264**
Proceeds from sale of property, plant and equipment	562	417	412	323
State contribution to capital program	790	790	790	500
Payments for property, plant and equipment	(7 921)	(5 490)	(6 584)	(6 049)
Cash (used in) investing activities	**(6 569)**	**(4 283)**	**(5 382)**	**(5 226)**
Proceeds from borrowings	(3 330)	(1 368)	(1 368)	1 500
Repayment of borrowings	3 330	1 368	1 368	(1 500)
Cash from financing activities	**0**	**0**	**0**	**0**
Net increase (decrease) in cash	**2 722**	**3 526**	**2 054**	**38**
Cash at the beginning of the year	12 464	8 938	6 884	6 846
Cash at end of the year	**15 186**	**12 464**	**8 938**	**6 884**

Comment

The Commission generated positive Cash from operations in each of the past four years. In 2011-12, cash from operations increased $1.482m (2010-11, increase of $0.373m). The movement in operating receipts and payment was discussed previously in the Statement of Comprehensive Income section.

Payments for property, plant and equipment increased by $2.431m compared to the previous year. This increase mainly related to the major additions for the year being fire appliances and radio and communication equipment. In general, the Commission maintains a relatively stable capital investment program and this continued in 2011-12.

FINANCIAL ANALYSIS

	Bench Mark	2011-12	2010-11	2009-10	2008-09
Financial Performance					
Operating margin ($'000s)		2 916	1 854	3 647	2 110
Own source revenue ($'000s)		64 806	61 549	64 791	57 503
Financial Management					
Debt collection	30 days	20	19	19	20
Creditor turnover	30 days	68	47	40	84
Capital Management					
Capital replacement % (renewal gap)	100%	155%	110%	140%	132%
Investment gap %	100%	107%	178%	160%	142%
Other Information					
Staff numbers (FTEs) - total		442	460	460	462
- Operational - firefighters (FTEs)		299	309	277	290
- Support staff (FTEs)		143	151	183	169
Average staff costs ($'000s)		89	82	79	74
Average Annual Leave balance per FTE (days)	25*	22	22	23	25
Average Long Service Leave balance per FTE (days)	100	57	54	53	51

* *Average Annual Leave benchmark was based on a weighted average of operational and non-operational staff entitlements.*

Comment

Operating margin and Own source revenue are consistent with explanations previously provided in the Comprehensive Income Statement and Financial Results sections of this Chapter.

Creditor turnover above the 30 day benchmark in each of the years under review, and with a significant increase of 21 days at 30 June 2012. This was a function of timing of cash outflows at the end of the financial year as the majority of creditors at 30 June 2012 were current (i.e. less than 30 days old), demonstrating that the increase in creditors was not reflective of a lag in payments made by the entity.

Average staff costs increased during the year, primarily due EBA wage increases (2%-3%), annual increments and a reduction in lower paid support staff, slightly offset by a decrease in casual and temporary salaries. Average Annual Leave days per FTE and Average Long Service days per FTE were below benchmarks reflecting that, on average, employees are taking leave when entitled to do so.

SULLIVANS COVE WATERFRONT AUTHORITY

INTRODUCTION

Sullivans Cove Waterfront Authority (the Authority) was established in 2005 by the State Government in response to concerns over the quality of planning outcomes in the Cove. Its enabling legislation was the *Sullivans Cover Waterfront Authority Act 2004.* The intention was for the Authority to be only a temporary body. It was ultimately wound-up on 31 August 2011 under the *Sullivans Cove Waterfront Authority (Repeal) Act 2011.* At that time planning and other development roles and responsibilities reverted to Hobart City Council (Council).

The Responsible Minister is the Minister for Planning.

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 17 July 2012 and our audit report was issued on 20 July 2012.

The audit was completed satisfactorily with no other matters outstanding.

SUMMARY OF FINANCIAL RESULTS

	Two months to 31-Aug-11	**Twelve months to 30-Jun-11**
	$'000s	$'000s
Total Revenue	316	1 881
Total Expenses	360	1 801
Net Surplus (Deficit)	**(44)**	**80**
	31-Aug-11	**30-Jun-11**
Total Assets	208	207
Total Liabilities	275	230
Net Liabilities	**(67)**	**(23)**
Accumulated (Deficits)	**(67)**	**(23)**

Comment

The Authority recorded a Net Deficit for the two months it operated of $0.044m. Its Total Revenue amounted to $0.316m which was predominantly from State government grants.

Total expenditure for the period amounted to $0.360m with employee benefits of $0.230m being the most significant item.

The remaining assets, liabilities and staff of the Authority were transferred to the Department of Justice on 1 September 2011.

The wind-up of the Authority resulted in a number of its responsibilities being transferred to Council. Consequently, Council and the State Government entered into a Memorandum of Understanding outlining issues to be addressed as a result of the this change. The State Government has agreed to indemnify Council from any losses as a result of any improper or wrongful acts committed by the Authority.

TASMANIAN COMMUNITY FUND

INTRODUCTION

The Tasmanian Community Fund (the Fund) and the Tasmanian Community Fund Board (the Board) were established in 1999 under the *Trust Bank Sale Act 1999*. The Fund and the Board were continued when this Act was repealed in 2005 at which time Parliament passed stand–alone legislation, the *Tasmanian Community Fund Act 2005* (the Act), to govern the Board's operation.

The Board's functions are to provide funding for projects undertaken by community organisations that make a difference by improving social, environmental and economic outcomes for the Tasmanian community. The Fund is used to finance the payment of grants for various community purposes, as independently determined by the Board.

From 1 October 2010, the administrative responsibility of the Fund was transferred from the Department of Treasury and Finance to the Department of Premier and Cabinet.

The Responsible Minister is the Minister for Community Development.

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed special purpose financial statements were received on 14 August 2012 and an unqualified audit report was issued on 24 August 2012. The Act requires the Board to prepare a statement of accounts as soon as practicable after 30 June each year.

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2012–12	**2010–11**
	$'000s	$'000s
Total Revenue	6 229	6 024
Total Expenses	6 483	6 357
Net Surplus (Deficit)	**(254)**	**(333)**
	2012	**2011**
Total Assets	6 845	7 373
Total Liabilities	281	556
Net Assets	**6 564**	**6 817**
Total Equity	**6 564**	**6 817**

Comment

The Board's Net Deficit decreased by $0.079m to $0.254m in 2011-12. The lower deficit was predominantly due to:

- higher Total revenue, up $0.205m, mainly resulting from increased Section 5 receipts, $0.118m. Section 5 receipts, which are provided by Government, are adjusted in accordance with the CPI index each year
- Offset by a minor increase in Total Expenses, up $0.126m, which was primarily caused by an increase of $0.190m in grants paid under section 7 of the Act. Under section 7, the Fund does not have a set amount which must be spent each year with the Board deciding grants to be made on a case-by-case basis.

Despite recording a deficit, the Board maintained a significant cash balance, $6.758m (2010-11, $7.307m), which comprised the majority of Total Assets.

While the Board reported consecutive deficits, decisions made regarding section 7 grants are not only based on whether they will result in surpluses or deficits. When assessing grants for approval, the Board takes into account a number of factors including anticipated receipts from Government, interest earned on its investments and available cash balances built up in the past.

TASMANIAN ECONOMIC REGULATOR

INTRODUCTION

On 1 June 2010, the Economic Regulator Act 2009 was proclaimed by the Governor of Tasmania. This Act established the Tasmanian Economic Regulator (the Regulator) and a three-person Tasmanian Economic Regulator board which replaced the statutory positions of Electricity Regulator, Director of Gas, Government Prices Oversight Commission and Water and Sewerage Economic Regulator.

The Regulator's statutory functions include the regulation of the electricity and gas supply industries, the economic regulation of the water and sewerage sector and the undertaking of independent pricing reviews, for example premiums charged by the Motor Accidents Insurance Board, on behalf of Government.

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2012 and an unqualified audit report was issued on 27 September 2012.

KEY FINDINGS AND DEVELOPMENTS

The audit was completed satisfactorily with no items outstanding.

COMPREHENSIVE INCOME STATEMENT

	2011-12	2010-11
	$'000s	$'000s
Total Revenue	1 736	1 449
Total Expenses	1 689	1 691
Net Surplus (Deficit)	**47**	**(242)**
	2012	**2011**
Total Assets	275	292
Total Liabilities	437	501
Net Assets (Liabilities)	**(162)**	**(209)**
Total Equity (Accumulated Deficits)	**(162)**	**(209)**

Comment

In 2011-12 the Regulator reported a Net Surplus of $0.047m compared to a Deficit of $0.242m last year. This result was achieved despite no appropriation being provided to the Regulator as it moved towards a self-funded model based on full cost recovery.

Total Revenue, $1.736m, comprised recoveries from electricity, gas and water and sewerage related activities. The $0.287m increase in revenue in 2011-12 related predominantly to fees in connection with the Price Determination investigation on prices and service standards for water and sewerage services.

The Regulator also collects licence fees under the *Gas Act 2000* and the *Gas Pipelines Act 2000,* components of which are transferred to the Department of Justice (Justice). In 2011-12, the Regulator recovered $0.221m from gas related activities and transferred $0.133m to Justice.

Expenses comprised mainly employee related costs, $1.146m (2010-11, $1.200m). The Regulator had 10.0 FTEs at 30 June 2012 (2011, 11.4)

Net Liabilities decreased by $0.047m, being the Net Surplus for the year. The Accumulated Deficits, $0.162m, was predominantly due to the provision for annual and long service leave, $0.248m, for which the Regulator was not previously funded.

TASMANIAN HERITAGE COUNCIL

INTRODUCTION

The Tasmanian Heritage Council (the Council) was established under the *Historic Cultural Heritage Act 1995* (the Act). The functions of the Council are to maintain the Tasmanian Heritage Register, and to oversee the administration of the Act. The Council's primary role is as a resource management and planning body, focused on heritage conservation issues. Any developments on heritage listed sites requires its approval. The Council did not employ any staff, with its operational functions administered by the Department of Primary Industries, Parks, Water and Environment.

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

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2012 and an unqualified audit report was issued on 24 September 2012.

The audit was completed satisfactorily with no major matters outstanding.

SUMMARY OF FINANCIAL RESULTS

	2011-12	**2010-11**
	$'000s	$'000s
Total Revenue	187	164
Total Expenses	279	210
Net Deficit	(92)	(46)
	2012	**2011**
Total Assets	177	268
Total Liabilities	3	3
Net Assets	**174**	**265**
Total Equity	**174**	**265**

Comment

Total Revenue was primarily from Government Appropriation, $0.177m (2010-11, $0.144m), with the remainder comprising interest on funds held, $0.010m ($0.020m). The Appropriation, which is provided via DPIPWE, funded all operational expenditure including salaries to Board members and grants. The increased Appropriation this year was to meet higher salary costs which included a one-off payment of $0.027m to a departing Chairperson.

Council's higher Net Deficit was almost entirely due to:

- the one-off payment referred to above for $0.027m
- Grants of $0.101m to a number of projects for the conservation of heritage structures
- a reduction in interest revenues, $0.010m.

These higher costs were offset to an extent by no repeat of an impairment loss of $0.065m incurred in 2010-11. Council's Total Assets and Equity decreased in line with the Net Deficit.

The Council's Total Assets mainly comprises its bank balance, referred to in its financial statements as the Heritage Fund. Movements in the bank balance this year were:

	2011–12
	$'000s
Opening balance	**267**
Interest earned	10
Loan recovered	102
Expenses	(203)
Closing balance	**176**

The loan recovered represents a loan provided to the National Trust of Tasmania some years ago now recovered in full.

TASMANIAN SKILLS INSTITUTE

INTRODUCTION

Tasmanian Skills Institute (TSI) was established on 1 January 2009, following the separation of TAFE Tasmania into TSI and Tasmanian Polytechnic under Government's Tasmania *Tomorrow* initiative. This initiative was later refined with transfer of Tasmanian Polytechnic and Tasmanian Academy to the Department of Education (DoE) effective 1 January 2011. However, TSI remained as a standalone entity.

TSI is a Registered Training Organisation governed by the *Education and Training (Tasmanian Skills Institute) Act 2008*. It provides training for qualifications and customized skills sets to employers and employees of Australian-wide and international clients and trains in more than 30 industry sectors delivering in excess of 700 training products. As a business-to-business training provider, TSI has evolved from the traditional TAFE model to an integrated partner with industry, identifying and providing training opportunities based on quantifiable demand.

The Responsible Minister is the Minister for Education and Skills.

The Comprehensive Income Statement, Statement of Financial Position, Statement of Cash Flows and Financial Performance sections of this Chapter disclose 2010-11 and 2011-12 information only. Due to the transition to the new general ledger, Finance One, from 1 January 2012 and the implementation of a new Chart of Accounts, it was not possible to produce comparatives for the 2009-10 and 2008-09 financial years.

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2012 and an unqualified audit report was issued on 21 September 2012. However, the audit report drew attention to Note 1.2 of the financial statements which states:

> 'The financial statements have been prepared as a going concern. The continued existence of the Skills Institute, in its present form, undertaking its current activities, is dependent on government policy and on continuing funding by Skills Tasmania for the Skills Institute's administration and activities.'

The Minister provided the Board with a letter of assurance that DoE will continue to work with the Board and the Minister to ensure TSI is able to operate on a going concern basis in 2012-13.

This confirmation of Government support enabled the Board to prepare its financial statements on the basis that TSI is a going concern. We note that at 30 June 2011, 30 June 2010 and 30 June 2009, TSI was similarly reliant on Government for financial support.

KEY FINDINGS AND DEVELOPMENTS

Operating cash flows

During the audit it was noted that TSI continued to generate negative operating cash flows despite an advance payment under the 2012-13 Memorandum of Understanding (MoU) of $2.500m. This payment was made by Skills Tasmania in June 2012 and was provided to fund wage commitments. The $2.500m was recognised as income in 2011-12 and will have a consequent negative impact on TSI's operations in 2012-13, a situation the Board has begun to address with a significant reduction in staff numbers in 2012 and will need to continue to monitor closely.

However, in the short to long-term it is expected (see comments below under the heading 'Future Vocational Education and Training') that TSI will be merged into a new provider, TasTAFE, in which case it will need to bear these funding arrangements in mind.

Future Vocational Education and Training

The Minister for Education and Skills announced on 5 June 2012 that as a result of the outcome of a review into the role and function of Tasmanian's public Vocational Education and Training (VET) providers, a new single public VET provider would be established in Tasmania from 1 July 2013, subject to the passage of legislation.

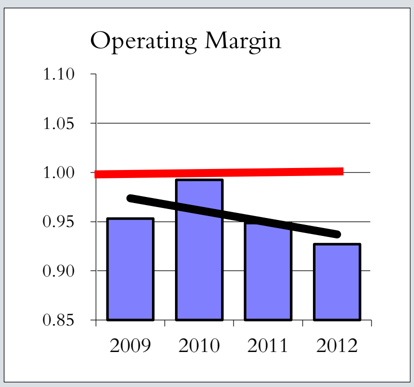
This new provider will be known as TasTAFE and will be created using the combined resources of TSI and Tasmanian Polytechnic.

It is expected that the *Education and Training (Tasmanian Skills Institute) Act 2008* will be repealed and a new single VET Act will be developed to cover all aspect of VET governance, delivery, administration and co-ordination.

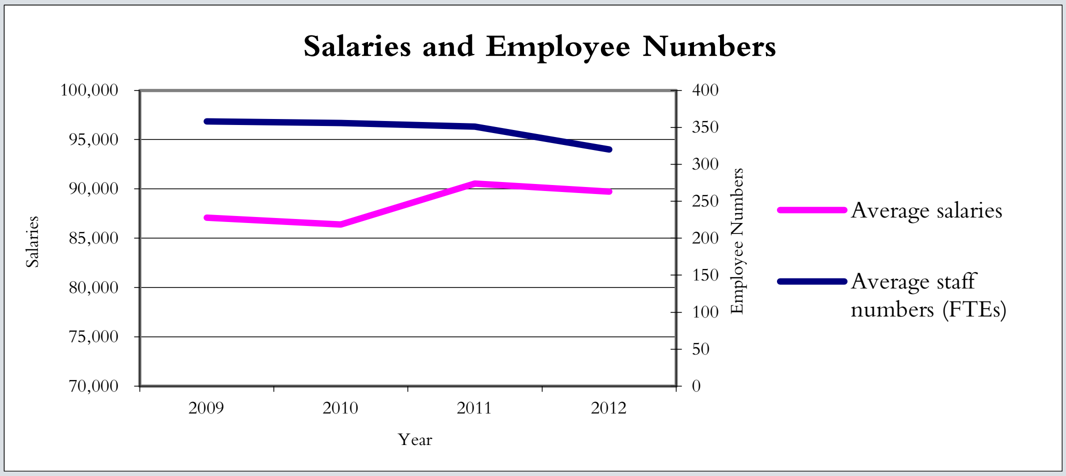
It is anticipated that the assets, liabilities, contracts and staff of TSI will be transferred either to the new TasTAFE statutory authority, or to the DoE. Should this occur, assets and liabilities will be transferred at net book value.

FINANCIAL RESULTS

The two graphs below summarise important aspects of TSI's financial performance. In the graph showing the operating margin, the red line represents the benchmark of one.



TSI's Operating margin was below the benchmark in all four years under review, indicating that it was not generating sufficient revenue to fulfil all of its operating requirements. The Operating Margin for 2011-12 included the $2.500m advance payment under the 2012-13 MoU.



Average staff numbers (FTE's) remained relatively constant for the three years ended 30 June 2011. FTEs decreased in 2011-12 due mainly to employee separations of 26.32 FTEs under Targeted Voluntary Redundancy Arrangements (TVRA) and the Workforce Renewal Incentive Program (WRIP). There were WRIP payments for four employees, capped at $0.020m each, and TVRA payments, approximately $1.657m, for 22.32 FTEs. As a result, employee numbers fell to 285.89 FTEs at 30 June 2012.

The Average salaries used in the graph are net of the one-off separation payments. Average salaries in 2011-12 remained relatively consistent with the prior year despite a decrease in average FTEs. This was mainly attributable to general annual salary increases. Those increases were, for administration and clerical staff, 2.00% in December 2011, and Senior Executive Service officers, 3.5% in November 2011. Teaching staff received a salary increment of 2.00% in September 2012 backdated to 1 March 2012.

STATEMENT OF COMPREHENSIVE INCOME

	2011-12	2010-11
	$'000s	$'000s
Grants	27 081	26 988
Sale of goods & servcies	12 805	14 343
Interest	37	232
Other revenue	454	862
Total Revenue	**40 377**	**42 425**
Employee expenses	30 448	30 055
Depreciation	4 316	2 353
Supplies & consumables	11 526	12 497
Other expenses	1 579	2 045
Total Expenses	**47 869**	**46 950**
Net Operating (Deficit)	**(7 492)**	**(4 525)**
Capital funding	0	4 334
Net gain (loss) on non-financial assets	81	(136)
Advance Memorandum of Understanding funding	2 500	0
Net Deficit	**(4 911)**	**(327)**
Comprehensive (Deficit)	**(4 911)**	**(327)**

Comment

In 2011-12 TSI recorded a Net Operating Deficit of $7.492m, an increase in deficit of $2.967m from the prior year. The deficit indicated that TSI was unable to generate sufficient revenue to fulfil its operating requirements, including coverage of depreciation charges. The MoU with Skills Tasmania, under which TSI operates, does not include funding for depreciation and the level of capital funding was not linked to the depreciation charge.

Main reasons contributing to the higher Net Operating Deficit were:

- lower Sales of goods and services, $1.538m, mainly due to less activity caused by the current economic environment and one-off Commonwealth funding of $1.453m received for the Kickstart pre-apprenticeship program in 2010-11
- lower Interest, $0.195m. Higher interest revenue in 2010-11 was earned on one-off capital funds received in 2010-11 for the construction of the Green Skills Centre of Excellence at Alanvale which was completed in March 2012
- lower Other revenue, $0.408m, mainly due to reduction in recoveries for work undertaken in the previous year for Tasmanian Polytechnic. Due to budget constraints Tasmanian Polytechnic did not engage TSI's services in 2011-12
- higher Employee expenses, $0.393m, mainly attributable to separation payments to 26.32 FTEs in 2011-12 under TVRA and WRIP previously mentioned, offset by the resulting decrease in ordinary salaries and wages due to less average FTEs in 2011-12
- increased Depreciation, $1.963m, consistent with the transfer of buildings of $87.225m from DoE effective from 1 January 2011. The depreciation on those assets transferred was for 12 months in 2011-12 as opposed to six months in 2010-11.

These factors were partially off-set by:

- lower Supplies and consumables, $0.971m, due to various factors including:
  - a reduction in the level corporate services obtained from DoE
  - lower teaching contractor expenses in 2011-12 driven by the downturn in activity due to the economic environment and market demand
  - budget savings measures in 2011-12
- lower Other expenses, $0.466m, mainly due to a change in the payroll tax regime whereby TSI is on longer subject to payroll tax effective from 1 October 2012. Accordingly, no provision for this on-cost was recognised in employee benefits entitlements at 30 June 2012.

TSI's Comprehensive Deficit amounted, $4.911m (2010-11, $0.327m). Advance MoU funding related to an advance instalment of $2.500m on the 2012-13 MoU funding from Skills Tasmania received on 1 June 2012 to assist TSI meet its wage commitments. One-off Capital funding of $4.334m in 2010-11 was mainly for the construction of the Green Skills Centre of Excellence at Alanvale.

STATEMENT OF FINANCIAL POSITION

	2012	2011
	$'000s	$'000s
Financial Assets		
Cash and deposits	1 710	235
Receivables	1 611	1 602
Non-financial Assets		
Property, plant and equipment	99 649	103 971
Other assests	144	126
Total Assets	**103 114**	**105 934**
Liabilities		
Payables	1 130	551
Employee benefits	5 524	5 587
Other liabilities	1 915	340
Total Liabilities	**8 569**	**6 478**
Net Assets	**94 545**	**99 456**
Accumulated funds (deficits)	(613)	4 298
Contributed equity	95 158	95 158
Total Equity	**94 545**	**99 456**

Comment

Total Equity decreased by $4.911m at 30 June 2012 in line with the Comprehensive Deficit for the year resulting in Accumulated Funds being in deficit. This would be a concern in the long-term, however, TSI is expected to be expected to be merged into a new state entity on 30 June 2013

Net Assets also decreased by $4.911m, the significant movements being as follows:

- increased Cash and deposits, $1.475m, discussed further in the Statement of Cash Flows section in this Chapter
- lower Property, plant and equipment, $4.322m, mainly associated with the depreciation expense of $4.316m
- higher Payables, $0.579m, due to factors including:
    - periodic fluctuation and timing of payment runs
    - GST liability of $0.250m associated with advance payment of the 2012-13 MoU funding instalment received in early June 2012 mentioned previously in this Chapter
    - GST liability adjustment of $0.200m related to a 2011-12 MoU funding instalment of $2.200m (GST inclusive) received in December 2011 and incorrectly recorded as GST exempt
- higher Other liabilities, $1.575m. The increase was the result of an initial loan of $1.874m to fund the Targeted Voluntary Redundancy Program approved by the Department of Treasury and Finance (Treasury) in April 2012. The increase was partly off-set by the lower provision for payroll tax, $0.299m, due to the abolition of payroll tax effective from 1 October 2012.

STATEMENT OF CASH FLOWS

	2011-12	2010-11
	$'000s	$'000s
Grants	29 580	26 988
Sale of goods and services	12 752	14 954
GST receipts	2 858	3 271
Interest received	37	242
Other cash receipts	459	861
Employee benefits	(30 511)	(30 029)
GST payments	(2 963)	(3 289)
Supplies and consumables	(10 821)	(12 068)
Other cash payments	(1 877)	(2 044)
Cash (used in) operating activities	**(486)**	**(1 114)**
Grants - works and services	0	4 334
Proceeds from disposal of assets	87	79
Payments for acquisition of assets	0	(6 557)
Cash from (used in) investing activities	**87**	**(2 144)**
Loan advance	1 874	0
Cash from (used in) financing activities	**1 874**	**0**
Net increase (decrease) in cash	**1 475**	**(3 258)**
Cash at the beginning of the year	235	3 493
Cash at end of the year	**1 710**	**235**

Comment

TSI's cash position increased by $1.475m to $1.710m as at 30 June 2012. This improved cash position was mainly due to a loan of $1.847m from Treasury to fund TSI's employment separation costs, off-set by cash used in operating activities, $0.486m.

In 2011-12, TSI continued to generate negative operating cash flows despite an advance receipt of $2.500m out of the 2012-13 MoU funding from Skills Tasmania. Without the one-off forward advance of $2.500m, included in Grant revenue, TSI would have experienced difficulty in meeting its short-term commitments. Reasons for variations in cash flow amounts mostly reflect comments made previously in the Comprehensive Income Statement and the Statement of the Financial Position sections of this Chapter.

FINANCIAL ANALYSIS

	Bench Mark	2011-12	2010-11
Financial Performance			
Result from operations ($'000s)		(7 492)	(4 525)
Own source revenue ($'000s)		13 296	15 437
Financial Management			
Debt collection	30 days	44	38
Creditor turnover	30 days	21	10
Capital Management			
Investment gap %	100%	0%	279%
Other Information			
Average staff numbers (FTEs) - total		320	351
Average staff costs ($'000s)		90	91
Average Recreational Leave balance (days)*	20	15	20
Average Long Service Leave balance per (days)*	100	47	50

* *Recreational leave and long service leave are based on number of employees entitled to leave not FTE's. Not all employees are entitled to recreational and long service leave.*
Recreational leave excludes teaching staff who are required to use up all flexible leave in a calendar year

Comment

Debt collection days were well above benchmark in years under review. This was due to delays in payments by some larger debtors at year end. Improved debt collection would improve TSI's liquidity position.

There were no capital projects undertaken or acquisition of new assets in 2011-12. The high investment gap ratio in 2010-11 was predominantly due to the construction of the Green Skills Centre of Excellence at Alanvale.

The FTEs are an average over the year, the actual FTEs at year end was 285.89 excluding casuals and sessionals.

Average salaries excludes one-off employee separation payments mentioned previously under Financial Results section of this chapter. Average salaries in 2011-12 remained relatively consistent with the prior year despite a decrease in average FTEs. This was mainly attributable to annual salary increments for administration and clerical staff, 2.00% in December 2011, and Senior Executive Service officers, 3.5% in November 2011. Teaching staff received a salary increment of 2.00% in September 2012 backdated to 1 March 2012.

THE NOMINAL INSURER

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

The *Workers Rehabilitation and Compensation Act 1988* requires the Nominal Insurer to provide to the Auditor-General financial statements within 45 days after the end of the financial year.

Signed financial statements were received on 16 August 2012, whichwas one day after the statutory reporting deadline. The same situation was reported in 2010-11. An unqualified audit opinion was issued on 28 September 2012.

The Responsible Minister is the Minister for Workplace Relations.

KEY FINDINGS AND DEVELOPMENTS

The audit was completed satisfactorily with no issues outstanding.

SUMMARY OF FINANCIAL RESULTS

	2011-12	**2010-11**
	$'000	$'000
Total Revenue	559	3 027
Total Expenses	8 978	411
Net Surplus/ (Deficit)	**(8 419)**	**2 616**
	2012	**2011**
Total Assets	499	8 807
Total Liabilities	722	611
Net Assets/ (Liabilities)	**(223)**	**8 196**
Total Equity/ (Accumulated Deficits)	**(223)**	**8 196**

Comment

In 2011-12, the Nominal Insurer recorded a Deficit, $8.419m compared to a Net Surplus of $2.616m in 2010-11. This was almost entirely due to the transfer of funds from the Nominal Insurer to the Department of Justice for the newly established Asbestos Compensation Scheme.

The State Government established an Asbestos Compensation Scheme, which commenced on 31 October 2011, to provide statutory compensation to workers who were exposed to asbestos dust while at work, and as a result developed an asbestos-related disease. The Nominal Insurer contributed $0.180m towards the set-up of the scheme in 2010-11 and transferred $8.250m into the scheme in 2011-12 which is one of the main reasons why the Nominal Insurer reported Accumulated Deficits at 30 June 2012. Funding required to meet any shortfall of total liabilities over total assets are sourced from the insurance industry within Tasmania, and are generated by the Nominal Insurer making a 'funding call' upon those insurers as required.

Net Assets comprised mainly cash held at bank and term deposits, $0.230m. Net Liabilities included outstanding claims, $0.682m and provision for administration and claim expenses, $0.040m.

WORKCOVER TASMANIA BOARD

INTRODUCTION

The role of the WorkCover Tasmania Board (the Board) is to oversee, promote, review and ensure the efficient operation of workers rehabilitation and compensation procedures in accordance with the *Workers Rehabilitation and Compensation Act 1988.* The Board advises the Minister on matters relating to workers' compensation and rehabilitation. The Department of Justice provides administrative support to the Board.

The Responsible Minister is the Minister for Workplace Relations.

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 20 August 2012, which was five days late, and an unqualified audit report was issued on 28 September 2012.

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2011-12	**2010-11**
	$'000s	$'000s
Total Revenue	8 528	7 585
Total Expenses	8 528	7 585
Net surplus (Deficit)	**0**	**0**
	2012	**2011**
Total Assets	2 395	2 459
Total Liabilities	2 395	2 459
Net Assets	**0**	**0**
Total Equity	**0**	**0**

Comment

The Board is funded by contributions from insurers based upon an annual estimate of the amount required to discharge its obligations and charges. At year end an accrual for contribution revenue is calculated being the difference between total expenses and income to recognise the Board's annual obligation. Consequently, the Board does not accumulate surpluses or deficits from year to year.

Total Revenue increased by $0.943m in 2011-12 mainly from greater contributions revenue, $0.913m, due to higher levies charged and additional other revenue, $0.142m, offset by lower interest income which declined by $0.025m.

The higher Contributions and other income were needed to fund an increase in Total Expenses primarily caused by:

- higher employee benefits expense, $0.183m, due to additional FTEs and hiring of staff from employment agencies during the development and implementation of a new workers compensation administration system (the new system)
- higher information and technology expenses, $0.158m, as a result of non-capital costs associated with the new system
- higher grant payments, $0.347m, including a new grant to Unions Tasmania, $0.200m, which was for the provision of employee assistance for injury management in the Tasmanian workers' compensation scheme
- an increase in the cost of corporate services provided by Department of Justice, $0.269m, and an additional transfer to cover costs of the Workers Rehabilitation and Compensation Tribunal, $0.246m arising from increased activity.

Total Assets decreased by $0.064m mainly due:

- lower cash on hand, $0.488m, resulting from drawdowns to fund the new system
- offset by increased intangible assets, $0.399m, being costs incurred on the new system capitalised.

Total Liabilities also reduced by $0.064m with payables and accrued expenses lower, $0.098m, mainly due to timing of creditor payments, and decreased other liabilities, $0.029m, related to provision for payroll tax on leave balances not being required due to the cessation of payroll tax payments in 2012-13. These were offset by a higher employee benefits provision, $0.063m, due to an increased annual leave provision and an extra day of salary accrual this year.

OTHER STATE ENTITIES

AT A GLANCE

INTRODUCTION

This Report contains analysis of financial information for Other State entities not consolidated in the General Government Sector financial statements, 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 rational for inclusion rests on our perception of the public interest in each point.

Aboriginal Land Council

Council recorded Net Deficits in each of the past four 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 2012, 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 and as an interim measure has been applying indexation to this asset class each year. Whilst indexation is acceptable over a limited number of years, assets should be independently valued on a regular basis to ensure the carrying amount reflects fair value.

Council is not directly responsible for maintaining the Cape Barren Island's roads assets. Instead, maintenance is undertaken by a local residents' association funded by the Department of Infrastructure, Energy and Resources.

While Council currently has no maintenance role, the *Aboriginal Lands Act 1995* is clear in that Council owns the roads. However, as Council does not 'control' the roads they have not been recognised in its financial statements. This treatment will continue unless control is established. What this highlights, however, is that the road infrastructure on the Island is not recorded on the financial statements of any State entity. Previously this infrastructure was recorded in the financial statements of Flinders Council.

Legal Aid Commission of Tasmania

The Commission is reliant on recurrent funding provided by the Commonwealth and State Governments to deliver its services. These revenue sources represented 97% of its total revenue (92% in 2010-11). It recorded a Net Deficit of $0.672m in 2011-12, compared to a surplus of $0.878m in 2010-11. The decrease in 2011-12 was mainly due to a non-recurring distribution from the Solicitors' Trust of $0.802m recognised last year and higher legal service payments, $0.644m this year, which occurred as a result of additional legal work. The decrease in Net Assets reflected the Net Deficit of $0.672m.

National Trust of Australia (Tasmania)

Section 17 (1) of the *Audit Act 2008*, requires financial statements to be submitted to the Auditor-General within 45 days of the end of each financial year. For the second consecutive year, the Trust failed to comply with the 45 day timeframe. The Trust will need to review its year end reporting processes to ensure it complies with the requirements in future.

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 held current investments of $0.342m at 30 June 2012 (2010-11, $0.274m), 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 2012 was $0.118m. This represented a slight increase on the shortfall recorded at 30 June 2011 of $0.113m. Given the nature of the funds, we continue to recommend the Trust take appropriate action to ensure the restoration appeal liability is fully cash backed.

The Trust had a working capital deficit of $0.117m at 30 June 2012 and continued to rely on contributions from the State Government with $0.300m provided in each of the four years under review. The negative working capital position, and continued reliance on State funding, raises doubts over the ability of the Trust to continue as a going concern without ongoing support. However, the Trust's Directors expect to achieve a small operating surplus in 2012-13 and therefore expect to be able to meet all obligations.

The Trust recorded a Net Surplus of $0.083m in 2011-12 (2010-11, $3.791m), a decrease of $3.708m. This deterioration was mainly attributable to the recognition of some of the Trust's heritage assets, $1.227m, and the transfer of two properties from the State Government, $2.709m during the previous year. The Net Surplus resulted in the Trust's Net Assets increasing to $9.295m at 30 June 2012.

Private Forests Tasmania

The Authority recorded Net Deficits in each of the past four years. It is dependent on Government funding for its continued viability. The current conditions in the timber industry have significantly impacted the Authority's operations and may affect its longer term viability. Despite these deficits, the Authority had sufficient cash balances at 30 June 2012 to meet its liabilities.

In financial terms the Authority is relatively small with annual revenues averaging $2.036m although revenue in 2011-12 dropped to $1.580m due to lower grant funds received. The Authority received grant funding of $0.631m in 2010-11, which included $0.500m for the Forest Certification project.

Property Agents Trust

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. The financial results for 2011-12 were for a full year and 2010-11 was for six months.

In the 12 months to 30 June 2012, the Trust recorded a Net Surplus of $0.527m, an improvement of $0.111m, compared to the prior six months. This was predominantly due to interest revenues over a longer period, increasing, $0.707m, offset by an increase in Trust distributions, up $0.341m, and increased administrative expenses.

Tasmanian Building and Construction Industry Training Board

The Board's Net Surplus decreased by $0.923m to a deficit, $0.729m, in 2011-12. The overall deficit can be attributed to a further decrease in overall revenue which was largely due to a reduction in building and construction activities throughout the State following the winding down of the Australian Government's stimulus package. Specifically, there were lower receipts from Industry training levies of $0.286m. Total expenses increased by $0.648m in 2011-12 primarily due to redundancy and legal costs, $0.440m, which were incurred in settlement of a contract dispute with a previous employee.

Teachers Registration Board of Tasmania

The Board's self-funds its operations, with its main source of revenue being teacher registration fees. The Board recorded a Net Deficit in 2011-12, $0.240m, which was $0.166m higher than the previous deficit of $0.074m, mainly due to lower interest revenue, $0.075m, because the Department of Treasury and Finance no longer paid interest on amounts it held for the Board. The Board incurred higher total expenses of $0.069m, as a result of increased employee benefits, $0.125m, due to part time staff extending their hours due to heavier workloads associated with increased registration numbers, offset by a reduction of IT expenditure, $0.084m, due to the completion of a records digitisation project in the previous year.

Wellington Park Management Trust

The Trust recorded a Net Surplus of $0.140m in 2011-12, an improvement of $0.165m from prior year. This was mainly due to increased Total Revenue of $0.204m, predominantly due to one-off Commonwealth grant funding from the Multi-Day Walk Fund of $0.200m received in 2011-12.

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 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2012 and an unqualified audit report was issued on 21 August 2012.

KEY FINDINGS AND DEVELOPMENTS

Submission financial statements

Council significantly improved the timeliness in which it prepared its annual financial statements and submitted them for audit within the 45 days required by section 17 (1) of the *Audit Act 2008.*

Currency asset valuation

Council last undertook a full revaluation of buildings assets in 2005-06 and as an interim measure has been applying indexation to this asset class each year. Whilst indexation is acceptable over a limited number of years, assets should be independently valued on a regular basis to ensure the carrying amount reflects fair value.

Economic dependency

Council recorded net deficits in all of the four years under review and is dependent on Government funding for its continued operations. While Council had sufficient cash balances to meet all its liabilities at 30 June 2012, the deficit results need to be addressed.

Cape Barren Island road infrastructure

The Act vested title to land on Cape Barren Island to the Council, including all road infrastructure. However, the Act reserves to the public, at all times, a right of access over all roads and vehicular tracks.

Council are not directly responsible for maintaining the island's roads assets. Instead, maintenance is undertaken by a local residents' association funded by the Department of Infrastructure, Energy and Resources.

While Council currently has no maintenance role, the Act is clear in that Council owns the roads. However, as Council does not 'control' the roads they have not been recognised in its financial statements. This treatment will continue unless control is established. What this highlights, however, is that the road infrastructure on the Island is not recorded on the financial statements of any State entity. Previously this infrastructure was recorded in the financial statements of Flinders Council.

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

SUMMARY OF FINANCIAL RESULTS

	2011-12	2010-11	2009-10	2008-09
	$'000s	$'000s	$'000s	$'000s
Total Revenue	293	266	357	411
Total Expenses	435	448	552	426
Net Surplus (Deficit)	**(142)**	**(182)**	**(195)**	**(15)**
	2012	**2011**	**2010**	**2009**
Total Assets	21 454	22 325	21 876	19 682
Total Liabilities	38	36	28	41
Net Assets	**21 416**	**22 289**	**21 848**	**19 641**
Total Equity	**21 416**	**22 289**	**21 848**	**19 641**

Comment

Council's Net Deficit improved slightly from $0.182m in 2010-11 to $0.142m in the current year. The majority of the Council's revenue, $0.265m (2010-11, $0.224m) was recurrent funding from the Tasmanian Government. In addition to the recurrent grant funding, a further amount of $0.014m was received from the Tasmanian Government in 2011-12.

Its major expenses included:

- consultancy fees related to administration, $0.059m (2010-11, $0.056m)
- depreciation of buildings, plant and equipment, $0.141m ($0.135m)
- insurance, $0.041m ($0.038m)
- land management, $0.068m ($0.093m)
- salary and wages, $0.049m ($0.056m).

Council's major asset classes at 30 June 2012 were freehold land $19.555m and buildings $2.501m. Revaluation of land and buildings at 30 June 2012 resulted in a decrement of $0.732m. Land was revalued using the Valuer-General's land values, whilst buildings were indexed using ABS indices. As noted previously, buildings were last fully revalued in 2005-06.

Council recorded a decrease of $0.873m in Total Equity due to the asset revaluation decrement of $0.732m and Net Deficit of $0.142m.

CLYDE WATER TRUST

INTRODUCTION

The 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 the water taken. SCWC then makes lease payments to the Trust which are its only revenue source. The Trust's expenses mainly consist of depreciation, interest expenses, and accountant and audit fees. Some operating expenses such as electricity and repairs are paid by SCWC.

The Trust is a not-for-profit entity.

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

AUDIT OF THE 2011–12 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2012 and an unqualified audit opinion issued on 28 September 2012.

The audit was completed with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2010-11	2009-10
	$'000	$'000
Total Revenue	78	57
Total Expenses	54	56
Net Surplus	**24**	**1**
	2012	**2011**
Total Assets	2 049	2 070
Total Liabilities	48	93
Net Assets	**2 001**	**1 977**
Total Equity	**2 001**	**1 977**

Comment

Revenue, $0.078m in 2011-12, comprised mainly of lease income. The increase in lease income, $0.020m, was due to greater usage of Trust assets by SCWC during the year.

Expenses, $0.054m comprised mainly of depreciation, $0.039m, interest on loans, $0.005m, auditing and accounting fees, $0.007m and surveyor costs, $0.002m.

Equity, $2.001m comprised accumulated funds, $0.443m and an asset revaluation reserve, $1.558m. The Trust's irrigation assets were last revalued in June 2009.

The Trust's current assets included cash and deposits, $0.043m and receivables, $0.022m.

Non-financial assets, $1.985m, comprised the control gates, $1.467m, pump station, $0.409m, and weirs, $0.109m.

Liabilities, $0.048m comprised mainly of loans which decreased from $0.083m, 2010-11 to $0.037m, 2011-12 when the Trust repaid $0.046m 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 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 31 July 2012 and an unqualified audit report was issued on 17 August 2012.

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2011-12	2010-11
	$'000s	$'000s
Opening cash balance	**12**	**12**
Total Receipts	8	5
Total Expenditure	(6)	(4)
Closing cash balance	**14**	**12**

Comment

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

Total revenue increased due to copyright remuneration received for copying of documents published by the Council.

Total expenditure increased slightly mainly due to higher 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 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 9 August 2012 and an unqualified audit report was issued on 19 September 2012.

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2011-12	**2010-11**
	$'000s	$'000s
Total Revenue	2 103	2 995
Total Expenses	2 396	2 973
Net Surplus (Deficit)	**(293)**	**(285)**
	2012	**2011**
Total Assets	1 024	1 324
Total Liabilities	434	441
Net Assets	**590**	**883**
Total Equity	**590**	**883**

Comment

The Authority recorded consecutive deficits over the period under review, which increased by $0.008m to $0.293m in 2011-12.

Overall, Total Revenue decreased by $0.892m. The main revenue source, Appropriation revenue, $1.350m (2010-11, $1.317m) remained fairly consistent. However, Forest Practices Plan fees revenue fell by $0.361m in 2011-12. The reduction in forest harvesting activity saw a corresponding decrease in the number of forest plans submitted for approval during 2011-12. This decrease was due to a decline in market opportunities and industry restructuring, which the Authority expects to continue. In 2010-11 the Authority also received a one-off recurrent grant for $0.250m from the Department of Infrastructure, Energy and Resources to cover the drop in revenue.

Total Expenses decreased by $0.577m during 2011-12. This was a result of strict cost reduction measures implemented by the Authority to offset the lower revenue.

The Authority's Net Assets decreased by $0.293m to $0.590m in line with the Net Deficit.

Total Assets comprised mainly cash and deposits, $0.910m (2010-11, $1.205m), which decreased to fund the deficit.

The Authority's liabilities were mainly represented by employee entitlements of $0.421m (2010-11, $0.403m). These increased slightly during 2012 due to salary increases, despite a fall in FTEs.

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 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2012 and an unqualified audit opinion was issued on 21 August 2012.

The audit was completed satisfactorily with no major items outstanding.

ABRIDGED STATEMENT OF COMPREHENSIVE INCOME

	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s
Commonwealth grants and contributions	5 993	5 992	6 357
Commonwealth community legal centre grants	1 473	1 413	1 180
State government grants	5 962	5 810	5 446
Client contributions and cost recoveries	163	160	139
Interest	216	198	117
Other revenue	26	813	270
Total Revenue	**13 833**	**14 386**	**13 509**
Legal services expense	4 258	3 614	4 213
Employee expenses	6 597	6 346	5 472
Payments to community legal centres	1 718	1 567	1 490
Depreciation and amortisation	102	117	131
Other expenses	1 830	1 864	1 715
Total Expenses	**14 505**	**13 508**	**13 021**
Net Surplus (Deficit) for the year	**(672)**	**878**	**488**
Other Comprehensive Income	**0**	**0**	**0**
Comprehensive Result	**(672)**	**878**	**488**

Comment

The Commission is reliant on recurrent funding provided by the Commonwealth and State Governments to deliver its services. These revenue sources represented 97% of its total revenue (92% in 2010-11). Revenue was higher in 2010-11 mainly as a result of a non-recurring distribution from the Solicitors' Trust of $0.802m recognised in Other revenue last year.

It recorded a Net Deficit of $0.672m, compared to a surplus of $0.878m in 2010-11. The deficit was primarily due to:

- lower Other revenue, $0.787m, due mainly to a non-recurring distribution from the Solicitors' Trust previously mentioned
- higher legal service payments to private sector business partners, $0.644m. This occurred as a result of additional legal work undertaken during the year
- higher Employee costs, $0.251m, resulting from the impact of the Legal Practitioners Agreement 2010.

ABRIDGED STATEMENT OF FINANCIAL POSITION

	2012	**2011**	**2010**
	$'000s	$'000s	$'000s
Total Current Assets	4 612	5 026	3 751
Total Non-Current Assets	732	801	912
Total Current Liabilities	1 378	1 250	910
Total Non-Current Liabilities	193	132	186
Net Assets	**3 773**	**4 445**	**3 567**
Total Equity	**3 773**	**4 445**	**3 567**

Comment

The decrease in Equity and Net Assets reflected the Net Deficit of $0.672m.

Current Assets decreased by $0.414m indicating a lower Cash position of $4.172m at 30 June 2012 (2011, $4.666m). The decline in cash arose because the Commission generated negative $0.461m in cash from its operating activities for reasons outline in the Abridged Statement of Comprehensive Income section previously.

Cash included restricted funds held as follows:

- under the Civil Law Distribution Fund Loans Scheme, $0.467m ($0.483m), 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, $1.322m, ($1.140m).

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

Current Liabilities and Non-current Liabilities increased by $0.128m and $0.061m respectively primarily representing higher employee provisions, $0.134m.

FINANCIAL ANALYSIS

	Bench Mark	2011-12	2010-11	2009-10
Financial Performance				
Surplus (Deficit) ($'000s)		(672)	878	488
Financial Management				
Creditor turnover	30 days	23	18	12
Other Information				
Staff numbers (FTEs)		65	68	65
Average staff costs ($'000s)		101	94	84
Average Annual Leave balance per FTE (days)	40 days	19	16	16
Average Long Servie balance per FTE (days)	100 days	22	19	18

Comment

The increase in Average staff costs was largely due to annual increments and structural adjustments 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, competency and honesty within the legal profession in Tasmania
- provide an effective and efficient redress mechanism for persons unhappy with the conduct of legal practitioners in Tasmania.

The Board commenced operations on 31 December 2008 and comprises six members appointed by the Governor. It is required to submit an annual application for funding from funds held in the Solicitor's Guarantee Fund.

The Responsible Minister is the Minister for Justice.

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2012 and an unqualified audit report was issued on 27 August 2012.

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2011-12	2010-11
	$'000s	$'000s
Total Revenue	879	797
Total Expenses	917	892
Net Surplus (Deficit)	**(38)**	**(95)**
	2012	**2011**
Total Assets	261	276
Total Liabilities	83	60
Net Assets	**178**	**216**
Total Equity	**178**	**216**

Comment

In 2011-12 the Board recorded a Net Deficit of $0.038m, an improvement of $0.057m on the prior year due to greater revenue from the Solicitor's Guarantee Fund of $0.054m.

The Board reported Total Equity of $0.178m at 30 June 2012, $0.038m less than at 30 June 2011 which represented the Net Deficit for the year. Net Assets moved accordingly with the major changes being:

- increased cash and deposits, $0.015m
- lower office improvements, plant and equipment, $0.028m, in the main caused by the annual depreciation charge
- higher employee benefits, $0.029m, due to the extra day in the salary accrual for this year, an annual leave entitlement transferred to the Board on employment of a state service employee and higher accumulated leave balances.

At 30 June 2012 the Board's main asset was its bank balance, $0.208m, and highest liability was provision for employee benefits, $0.069m.

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:

a. acquiring, promoting or ensuring the preservation and maintenance for the public benefit of places and objects of beauty or that have a historical, scientific, artistic, architectural or cultural interest
b. encouraging and promoting, among the public, knowledge of, interest in and respect for those places and objects
c. promoting or ensuring the provision and maintenance of amenities and services to facilitate the enjoyment by the public of those places and objects
d. protecting and preserving the natural features of, and conserving the fauna and flora on, any place referred to in paragraph (a) and acquired by, or under the control of, the Trust
e. encouraging and promoting public appreciation, knowledge and enjoyment of, respect for and interest in any land, buildings, works, structures or articles
f. 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 appointed by the Minister. The Board includes the Trust's Managing Director.

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

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 16 October 2012 and a **qualified audit report** issued on 24 October 2012. The audit opinion contained the following "except for" audit qualification:

> ***Bases for Qualified Opinion***
>
> *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.*

Submission of financial statements

Section 17 (1) of the *Audit Act 2008,* requires financial statements to be submitted to the Auditor-General within 45 days of the end of each financial year. For the second consecutive year, the Trust failed to comply with the 45 day timeframe.

The Trust will need to review its year end reporting processes to ensure it complies with the requirements in future.

Restoration provision

The Trust held current investments of $0.342m at 30 June 2012 (2011, $0.274m), 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 2012 was $0.118m. This represented a slight increase on the shortfall recorded at 30 June 2011 of $0.113m.

Given the nature of the funds, we continue to recommend the Trust take appropriate action to ensure the restoration appeal liability is fully cash backed.

Apart from the qualification and failure to meet reporting deadlines, the audit was completed satisfactorily with no other major matters outstanding.

FINANCIAL RESULTS

The Trust recorded a Net Deficit from Operations of $0.209m in 2011-12 (2010-11, $0.150m), worse by $0.059m. However, after accounting for specific purpose grant funding, $0.092m, and the recognition of land situated in Lenah Valley, provided as part of a subdivision approval, $0.200m, the Trust achieved a Net Surplus of $0.083m ($3.791m).

In 2011-12, the Trust's Total Equity increased by $0.083m (2011, $4.177m), represented by the Net Surplus.

The Trust had a working capital deficit of $0.117m at 30 June 2012 and continued to rely on contributions from the State Government with $0.300m provided in each of the four years under review. The negative working capital position, and continued reliance on State funding, raises doubts over the ability for the Trust to continue as a going concern without ongoing support. However, the Trust's Directors expect to achieve a small operating surplus in 2012-13 and therefore expect to be able to meet all obligations.

ABRIDGED STATEMENT OF COMPREHENSIVE INCOME

	2011-12	2010-11	2009-10
	$'000s	$'000s	$'000s
Total Revenue	862	974	1 001
Total Expenses	(1 071)	(1 124)	(904)
Net Surplus (Deficit) from Operations	**(209)**	**(150)**	**97**
Specific purpose grant revenue	312	431	3 165
Specific purpose grant expenses	(220)	(483)	(3 242)
Property transfers	200	2 709	0
Recognition heritage assets	0	1 227	0
Write back loan interest	0	57	0
Net Surplus	**83**	**3 791**	**20**
Other Comprehensive Income			
Revaluation of properties	0	386	197
Comprehensive Surplus	**83**	**4 177**	**217**

Comment

In 2011-12 the Trust recorded a Net Deficit from Operations of $0.209m (2010-11, $0.150m), a decline of $0.059m primarily due to:

- decreased revenue of $0.112m, mainly due to the write-back of a restoration fund no longer considered a liability in 2011 of $0.058m, offset by
- lower repairs and maintenance costs of $0.057m due to specific purpose grant expenses totalling $0.043m, that were in excess of budget, being borne by the Trust as an operating expense in 2011.

The Trust achieved a Net Surplus of $0.083m (2010-11, $3.791m), up $0.292m from the Net Deficit from Operations because the Trust:

- earned a net surplus from Specific purpose grant funds of $0.092m, which were partially expended. The balance will be expended in 2012-13
- received title to land for no consideration. The land was recognised at its assessed market value of $0.200m. The land, situated in Lenah Valley, was provided to the Trust as part of a subdivision approval.

The Trust incurred a number of non-operating transactions in 2010-11 which resulted in the unusually high Net Surplus of $3.791m. The transactions included:

- receipt of 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
- updating of an Objects Register and the valuation of 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. However, as noted earlier in this Chapter, the Trust's audit report 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 unrecognised assets.

We also note that from time to time, 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 does not pay dividends or income tax equivalents.

ABRIDGED STATEMENT OF FINANCIAL POSITION

	2012	2011	2010
	$'000s	$'000s	$'000s
Cash	164	215	605
Investments relating to restoration funds	342	274	472
Property, plant and equipment	9 551	9 421	5 319
Other assets	173	86	134
Total Assets	**10 230**	**9 996**	**6 530**
Bank overdraft	185	0	149
Interest bearing liabilities	60	177	234
Restoration fund provision	460	387	587
Other liabilities	230	219	524
Total Liabilities	**935**	**783**	**1 494**
Net Assets	**9 295**	**9 213**	**5 036**
Total Equity	**9 295**	**9 213**	**5 036**

Comment

Equity increased by $0.082m in 2011-12, being to the Comprehensive Surplus for the year. The main movements in balances were:

- the Trust's net cash position at 30 June 2012 was a bank overdraft of $0.021m representing a turnaround of $0.236m compared to cash on hand at 30 June 2011 of $0.215m. This change was mainly due to:
  - net cash used to fund operating activities of $0.123m, reflecting comments made in the Abridged Statement of Comprehensive Income section of this Chapter
  - loan repayments of $0.117m
- investments relating to restoration funds increased by $0.068m which was consistent with the increase in the Restoration provision fund of $0.073m
- Property, plant and equipment increased by $0.130m due to the transfer of a block of land to the Trust valued at $0.200m less depreciation expense in 2011-12 of $0.069m
- Interest bearing liabilities decreased by $0.117m due to loan repayments made during the year.

FINANCIAL ANALYSIS

	Bench Mark	2011-12	2010-11	2009-10
Financial Performance				
Result from operations ($'000s)		(209)	(150)	97
Own source revenue		55.7%	62.2%	62.2%
Financial Management				
Current ratio	>1	0.85	0.75	1.02
Indebtedness ratio		29.0%	2.8%	49.6%
Debt to equity		2.6%	1.9%	7.6%
Debt to total assets		2.4%	1.8%	5.9%
Cost of debt		10.0%	8.2%	7.0%
Debt collection	30 days	70	18	11
Creditor turnover	30 days	46	34	42
Other Information				
Staff numbers (FTEs)		8	7	6
Average staff costs ($'000s)		58	57	53
Average leave balance per FTE ($'000s)		13	13	14

Comment

The Trust recorded negative operating results in two of the three years under review and on average incurred a deficit of $0.087m. As noted in the Financial Results section of this Chapter, the Trust's operations are reliant on State Government funding and its financial position requires monitoring from year to year.

Current ratio decreased below benchmark in 2010-11 reflecting the Trust's deteriorating cash position. The Indebtedness ratio decreased significantly in 2010-11 due mainly to loan debt being recorded as a current liability. Current and Indebtedness ratios increased in 2011-12 due mainly to an increase in the non-current restoration fund liability of $0.122m caused by the reclassification of a restoration fund liability from current to non-current.

Debt to equity and debt to total assets ratios increased slightly in 2011-12 due to the bank overdraft at 30 June of $0.185m offset by the repayment of loans totalling $0.117m. Cost of debt increased in 2011-12 due to higher interest rate charged on the bank overdraft compared with the loan liabilities.

Debt collection days worsened significantly in 2011-12 due to an increase in the balance of Receivables from $0.018m at 30 June 2011 to $0.105m at 30 June 2012. The increase was mainly due to a large debt outstanding at 30 June 2012 relating to grant funding. Part of the debt was paid after 30 June and the Trust is confident that the remaining funds will also be paid.

Creditor turnover was worse than the benchmark in all three years. The days improved in 2010-11, but declined again in 2011-12 to 46 days. A review of creditors at 30 June 2012 indicated that all amounts were subsequently paid.

Average staff costs and leave balances were consistent with the prior year.

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 three members appointed by the Responsible Minister, and the Chief Executive Officer, with two vacancies.

The Responsible Minister is the Minister for Energy and Resources.

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2012 and an unqualified audit report was issued on 27 September 2012.

The audit was completed satisfactorily with no major items outstanding.

KEY FINDINGS AND DEVELOPMENTS

The Authority recorded Net Deficits in each of the past two years. It is dependent on Government funding for its continued viability. The current conditions in the timber industry have significantly impacted the Authority's operations and may affect its longer term viability.

Despite these deficits, the Authority had sufficient cash balances at 30 June 2012 to meet all its liabilities.

In financial terms the Authority is relatively small with annual revenues averaging $1.961m although revenue in 2011-12 dropped to $1.580m due to lower grants funds received. 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

	2011-12	2010-11
	$'000s	$'000s
Total Revenue	1 580	2 342
Total Expenses	1 993	2 350
Net (Deficit)	**(413)**	**(8)**
	2012	**2011**
Total Assets	1 733	2 238
Total Liabilities	1 028	1 120
Net Assets	**705**	**1 118**
Total Equity	**705**	**1 118**

Comments

The Authority's Net Deficit increased from $0.008m in 2010-11 to $0.413m in 2011-12. The higher deficit was mainly attributable to:

- lower grant income as the Authority received $0.631m in 2010-11, which included $0.500m for the Forest Certification project. During 2011-12, the authority expended $0.154m on the project
- reduced private forest service levies income of $0.076m, offset by
- lower consultancy and contractor expenses of $0.148m, due to a reduction in funded projects
- decreased depreciation of plant and equipment, $0.097m, due to many assets having reached the end of their useful lives
- a reduction in sitting fees of $0.035m, with only three directors engaged during the year.

The majority of the Authority's revenue was recurrent funding from Government, $1.408m (2011, $1.378m). Major expenses included employee entitlements, $1.311m ($1.246m), and office rental, $0.162m ($0.175m).

Total Equity and Net Assets both decreased by $0.413m consistent with the Net Deficit. Major line item movements included:

- decreased cash of $0.219m, primarily due to grant funds carried forward from 2010-11 being expended in the current year
- lower borrowings of $0.077m, due to loan repayments – see comments later in this Chapter
- reduced property, plant and equipment due to depreciation charges of $0.072m
- decreased total receivables of $0.214m, with the recovery of private forestry loans and forest service levy debtors.

The Authority's main liability at 30 June 2012 was its borrowings from the Department of Treasury and Finance of $0.716m (2011, $0.793m). Government provided funds through loan agreements, firstly for assisting in the establishment of "Pinus radiate" 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 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 9 August 2012, re-signed on 29 August 2012 and an unqualified audit report was issued on 7 September 2012.

KEY FINDINGS AND DEVELOPMENTS

The audit was completed satisfactorily with no outstanding issues.

SUMMARY OF FINANCIAL RESULTS

	2011-12	**2010-11**
	$'000s	$'000s
Total Revenue	942	1 339
Total Expenses	936	1 344
Net Surplus (Deficit)	**6**	**(5)**
	2012	**2011**
Total Assets	622	545
Total Liabilities	**123**	**52**
Net Assets	499	493
Total Equity	**499**	**493**

Comment

The Board recorded a Net Surplus of $0.006m compared to a deficit of $0.005m in 2010-11, a change of $0.011m.

The majority of the Board's revenue comprises funds received from the Property Agents Trust (the Trust) to fund training for property 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 2011-12 the Board received $0.592m, ($1.000m), from the Trust and paid $0.361m, ($0.451m), to the REIT and $0.231m, to RESB, ($0.549m).

The decline in funds received from the Trust for distribution was the main reason for lower revenues and expenses. Excluding funds received for distribution, the improved result was a direct result of an increase in other revenues of $0.011m, as other administration expenses remained at a consistent $0.344m. Other revenues included an increase of $0.006m in funds from the Trust for secretarial services.

Total Assets comprised predominantly of Cash, $0.105m, ($0.071m), 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 2012

Signed financial statements were received on 13 August 2012 and an unqualified audit report was issued on 7 September 2012.

The audit was completed satisfactorily with no major items outstanding.

ABRIDGED SUMMARY OF FINANCIAL RESULTS

	2012	**2011**	**2010**
	$'000s	$'000s	$'000s
	12 months	6 months	12 months
Total Revenue	2 041	1 334	2 064
Total Expenses	1 514	918	1 766
Net Surplus	**527**	**416**	**298**
	2012	2011	
Total Assets	13 717	12 946	12 542
Total Liabilities	246	2	13
Net Assets	**13 471**	**12 944**	**12 529**
Total Equity	**13 471**	**12 944**	**12 529**

Comment

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. The above Summary of Financial Results includes one full year and the preceding six months for comparison.

In the 12 months to 30 June 2012, the Trust recorded a Net Surplus of $0.527m, an improvement of $0.111m, compared to the prior six months. This was predominantly due to interest revenues over the longer period, increasing $0.707m or 53.00%, offset by an increase in Trust distributions, up $0.341m or 38.26%, and increased administrative expenses following the recognition of a provision, discussed further below, of $0.254m. Distributions were to the:

- Property Agents Board for education and training, $0.403m, (2011, $0.329m),
- Real Estate Scholarship Board to assist in funding the employment and training of scholarship trainees, $0.329m, ($0.275m),
- Department of Justice for administration costs, $0.502m, ($0.289m).

The Trust's operational administration expenses totalled $0.040m in 2012, ($0.026m).

Total Assets comprised predominantly Cash, $3.963m, ($5.067m), and other financial assets including term deposits and floating rate notes, $9.502m, ($7.502m). 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.

Total Liabilities increased mainly due to the creation of a provision for a claim made by the ANZ bank in calculating the interest payable to the Trust on Statutory Trust Account balances from 1 July 2007 to 1 February 2012. The Trust had provided for an amount, but had sought legal advice in dispute of the claim.

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 ensure that the unexpended balance of the Tasmanian Meat Industry Residue Testing Fund (the Fund) is 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 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2012 and an unqualified audit report was issued on 14 September 2012.

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2011-12	**2010-11**
	$'000s	$'000s
Total Revenue	31	28
Total Expenses	1	2
Net Surplus	**30**	**26**
	2012	**2011**
Total Assets	555	525
Total Liabilities	1	1
Net Assets	**554**	**524**
Total Equity	**554**	**524**

Comment

The Trust's Net Surplus improved by $0.004m to $0.030m in 2011-12 primarily due to interest income increasing to $0.031m due to higher level of cash and investments. Expenditure in 2011-12 did not include any funding related to beef research projects, as no acceptable research and development applications were received.

Total Equity and Net Assets at 30 June 2012 increased by the Net Surplus. 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 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 3 August 2012. An unqualified audit report was issued on 14 September 2012.

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2011-12	**2010-11**
	$'000s	$'000s
Total Revenue	2 875	3 150
Total Expenses	3 604	2 956
Net Surplus (Deficit)	**(729)**	**194**
	2012	**2011**
Total Assets	4 204	4 907
Total Liabilities	244	218
Net Assets	**3 960**	**4 689**
Total Equity	**3 960**	**4 689**

Comment

The Board's Net Surplus decreased by $0.923m to a deficit, $0.729m, in 2011-12. The overall deficit can be attributed to a further decrease in overall revenue which was largely due to a reduction in building and construction activities throughout the State following the winding down of the Australian Government's stimulus package. Specifically, the deficit was predominantly due to:

- lower receipts from industry training levies, $0.286m
- higher Total Expenses which increased by $0.648m in 2011-12 primarily due to:
    - redundancy and legal costs, $0.440m, which were incurred in settlement of a contract dispute with a former employee

- expenditure increased, in accordance with budget forecasts, on school career programs as well as general promotion including heritage buildings skills, and training options as the Board responded to the State of the Industry Report
- the planned increase in expenditure included research into woman in construction, heritage skills and building information management.

The Board's Net Assets decreased in-line with the Net Deficit of $0.729m to $3.960m.

Total Assets comprised predominantly term deposits, $3.671m, and short-term bank bills (2010-11, $4.394m). The decrease of $0.703m was primarily due to the redundancy payment, other employee entitlements, increased legal costs and promotional costs.

Total Liabilities mainly consisted of employee provisions, $0.162m (2011, $0.154m) and accrued salaries, $0.042m ($0.027m).

The majority of the Board's cash investments will be spent on training fees payable to employers and host employers of apprentices, $2.442m (2011, $2.323m), and industry training courses, $0.611m ($0.581m). 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.

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 objectives are to:

- develop and implement programs in relation to the manufacture of dairy produce designed to ensure the safeguard of public health and protection of consumers
- develop and implement policies to achieve, as far as practicable, economies in the dairy industry
- consult with the Tasmanian dairy industry
- advise the Minister about dairy industry matters or any other matter referred to it by the Minister.

The Authority's Board comprises five members.

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

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2012 and an unqualified audit report was issued on 14 September 2012.

The audit was completed satisfactorily with no major items outstanding.

The Authority's main source of revenue is license fees. It recorded a Net Surplus of $0.032m in 2011-12 following deficits in the preceding two years. Over the four year period, the Authority averaged an annual deficit of $0.010m. At 30 June 2012 the Authority had sufficient cash balances to meet its current liabilities.

SUMMARY OF FINANCIAL RESULTS

	2011-12	2010-11
	$'000s	$'000s
Total Revenue	509	426
Total Expenses	477	531
Net Surplus (Deficit)	**32**	**(105)**
	2012	**2011**
Total Assets	274	249
Total Liabilities	113	120
Net Assets	**161**	**129**
Total Equity	**161**	**129**

Comment

The Authority recorded a Net Surplus of $0.032m in 2011-12, an improvement of $0.137m from the 2010-11 deficit of $0.105m.

The majority of the Authority's revenue was derived from milk license fees of $0.504m (2010-11, $0.421m). The higher fees, $0.083m, were mainly due to a 10% increase in the milk licence fee together with an increase in milk volume during the year.

Its major expense was salaries and wages of $0.337m ($0.369m), which decreased by $0.032m due to a reduction in employee numbers. The Authority made a decision not to renew a contract employee in order to improve its financial performance in 2011-12.

The increase in revenue and saving in employee costs were the main reasons for the improved operating result in 2011-12.

The Authority's Total Equity and Net Assets increased by the Net Surplus of $0.032m in 2011-12. The major movement was the Authority's higher cash balance of $0.152m, an increase of $0.039m, primarily due to improved operating cash flows from increased fees and lower salaries and wages discussed previously.

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 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2012 and an unqualified audit report was issued on 19 September 2012.

The audit was completed satisfactorily with no major matters outstanding.

SUMMARY OF FINANCIAL RESULTS

	2011-12	**2010-11**
	$'000s	$'000s
Total Revenue	1 089	1 186
Total Expenses	1 329	1 260
Net (Deficit)	**(240)**	**(74)**
	2012	**2011**
Total Assets	1 668	1 898
Total Liabilities	741	731
Net Assets	**927**	**1 167**
Total Equity	**927**	**1 167**

Comment

The Board self-funds its operations, with its main source of revenue being Teacher registration fees. The Board recorded a Net Deficit in 2011-12, $0.240m, which was $0.166m higher than the previous year deficit of $0.074m, mainly due to:

- decreased revenue because the Department of Treasury and Finance no longer paid interest on amounts it held for the Board, causing interest revenue to fall by $0.075m
- higher Total Expenses of $0.069m, as a result of:
  - increased employee benefits, $0.125m, as some part time staff had extended hours due to heavier workloads associated increased registration numbers
  - increased amortisation expense as new software was implemented and amortised for the first time in 2011-12, $0.031m
  - offset by, a reduction of IT expenditure, $0.084m, due to the completion of records digitisation project in the previous year.

Total Assets comprised predominantly cash, $1.478m, (2010-11, $1.788m). This balance decreased in 2011-12 due to the operating deficit. Total Assets also included the new registration system, $0.159m, which has provided teachers with on-line access, and enabled registration for a 5-year period. The Board advised that its current cash reserves are sufficient for it to meet its annual cash flow requirements. At present, the Board is able to maintain registration processes and undertake research or special projects without the need to increase registration fees.

Total Liabilities, $0.741m (2010-11, $0.731m), comprised mainly teachers registration fees received in advance, $0.511m ($0.543m), and employee benefits, $0.164m ($0.149m).

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 Minster for Environment, Parks and Heritage.

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2012 and an unqualified audit report was issued on 31 August 2012.

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

	2011-12	**2010-11**
	$'000s	$'000s
Total Revenue	542	338
Total Expenses	402	363
Net Surplus (Deficit)	**140**	**(25)**
	2012	**2011**
	$'000s	$'000s
Total Assets	673	501
Total Liabilities	112	80
Net Assets	**561**	**421**
Total Equity	**561**	**421**

Comment

The Trust recorded a Net Surplus of $0.140m in 2011-12. This was primarily due to increased Total Revenue of $0.204m, predominantly due to Commonwealth grant funding from the Multi-Day Walk Fund of $0.200m received in 2011-12 but not 2010-11.

Expenditure remained relatively constant from year to year. An additional $0.012m of the URHF grant received in 2010-11 was spent in 2011-12 ($0.005m). There was $0.096m spent on the new management plan in 2011-12 ($0.022m). The Trust advised that Commonwealth Grants were received at year end. As a result, the bulk of the grant received remains in the Trust's cash reserves causing Total Assets to be higher this year.

Total Liabilities increased by $0.032m which mainly comprised higher leave liabilities, $0.005m, and payables, $0.027m, for GST payable.

SUPERANNUATION FUNDS

INTRODUCTION

A number of different superannuation arrangements operate in the Tasmanian public sector for public sector employees and Members of Parliament.

Superannuation may be provided in a number of ways:

- *Defined benefit:* Such a scheme has benefits that accrue on resignation or retirement or death, and are predetermined according to a formula established in the scheme's rules or regulations. The employer's contributions will vary depending on the performance of the underlying investments and the lifespan of the pensioners, as well as the salary of contributing employees immediately before their retirement
- *Accumulation:* Under this scheme the employer's contribution is fixed according to the scheme's rules. The end benefit consists of the accumulated contributions by the employer and employee, together with the investment earnings on the contributions
- *Unfunded:* An unfunded scheme is one in which the employer financed benefit component is met on an 'emerging costs' basis when the employee becomes entitled to receive his or her payout, and without any money set aside in the scheme by the employer for that individual's benefit
- *Funded:* In this type of scheme the employer makes a regular contribution to the fund reflecting the currently accruing liability in regard to employees.

The Retirement Benefits Fund (RBF) is Tasmania's public sector superannuation fund and has been Tasmanian-owned and operated since it was established in 1904. Membership is available to people working on a casual, contract, permanent or temporary, full or part-time basis for a Tasmanian public sector employer and their spouses. Members who leave the Tasmanian public sector may, on satisfying certain conditions, continue to contribute voluntarily to the RBF Tasmanian Accumulation Scheme.

The Retirement Benefits Fund Board (RBFB) is responsible for the management and administration of the Funds established under the *Retirement Benefits Act 1993, Retirement Benefits Regulations 2005, Retirement Benefits (State Fire Commission Superannuation Scheme) Act 2005, Retirement Benefits (Tasmanian Ambulance Service Superannuation Scheme) Act 2006, the Public Sector Superannuation Reform Act 1999,* and the *Retirement Benefits (Parliamentary Superannuation) Regulations 2002.*

The fully funded Tasmanian Accumulation Scheme (TAS) was established under the provisions of the *Public Sector Superannuation Reform Act 1999* and replaced the partly funded RBF non-contributory scheme on 25 April 2000. The Fund had four accounts, Superannuation Guarantee (SG) Account, Investment (from October 2010), Allocated Pension and Term Allocated Pension.

The Contributory Scheme has been closed to new members since 15 May 1999.

The *Retirement Benefits (Parliamentary Superannuation Trustee Arrangements and Miscellaneous Amendments) Act 2002* received Royal Assent on 27 November 2002 with effect from 1 January 2003. This resulted in the Parliamentary Superannuation Fund and the Parliamentary Retiring Benefits Fund being transferred to RBF as sub-funds and the RBFB becoming the corporate Trustee of these sub-funds.

The *Retirement Benefits (Parliamentary Superannuation) Regulations 2002* also commenced on 1 January 2003. The purpose of these regulations was to ensure that equivalent rights continued to be provided to members of the Parliamentary Funds upon their incorporation as sub-funds of RBF.

The *Retirement Benefits (Tasmanian Ambulance Service Superannuation Scheme) Act 2006* received Royal Assent on 26 June 2006 with effect from 30 June 2006. This resulted in the Fund being transferred to RBF as a sub-fund and RBFB becoming the corporate Trustee of this sub-fund.

The *Retirement Benefits (State Fire Commission Superannuation Scheme) Act 2006* received Royal Assent on 24 June 2005 with effect from 1 May 2006. This resulted in the Fund being transferred to RBF as a sub-fund and RBFB becoming the corporate Trustee of this sub-fund.

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

Superannuation arrangements for judges are specified in the *Judges' Contributory Pensions Act 1968*. There is no superannuation scheme setup specifically for judges and the cost of retirement benefits is met by the State Government. Member contributions made by judges, at the rate of 5% of salary, which is consistent with other contributory schemes, are paid into the Consolidated Fund. The value of retirement benefits payable to judges who are entitled to pensions under this arrangement was estimated to be $46.703m at 30 June 2012 (2011, $35.382m). This arrangement was closed to new entrants from 1 July 1999 and is managed by Finance-General within the Department of Treasury and Finance.

Below is a chart showing the funds managed by the RBF Board.

RBF Board

Contributory Scheme	State Fire Commision Superannuation Scheme	Parliamentarian Superannuation Trustee Arrangements and Miscellaneous Amendments
Tasmanian Accumulation Scheme, Investments account merged with Superannuation Guarantee account, Allocated Pension account, Term Allocated Pension account	Tasmanian Ambulance Service Superannuation Scheme	Parliamentarian Superannuation Fund

The RBF Board has the following fully owned subsidiaries:

- RBF Financial Planning Pty Ltd - referred to later in this Volume
- 66-80 Collins Street Pty Ltd*
- RBF Property Pty Ltd*.

*Audits of these Companies were dispensed with. We have reviewed the financial reports to obtain sufficient audit evidence about the amounts and disclosures in the financial statements of the RBF Board. However, we did not issue separate audit reports.

KEY FINDINGS AND DEVELOPMENTS

The audit of the financial statements of the RBF Board, which comprise financial statements of the RBF Contributory Scheme, Tasmanian Accumulation Scheme, Parliamentary Superannuation Fund, Parliamentary Retiring Benefits Fund, State Fire Commission Superannuation Scheme and Tasmanian Ambulance Service Superannuation Scheme were completed satisfactorily with no major items outstanding.

Investment Write-downs

The RBF Board experienced investments write-downs during recent years, including a $50.493m write-down of the Board's investment in the Hobart International Airport Pty Ltd (HIAPL) in 2011-12.

Investment Processes

During the 2011-12 audit, we reviewed controls in place around investment management processes. We noted that investment processes were well documented as part of the process leading up to the application for an Australian Prudential Regulation Authority's Registerable Superannuation Entity (RSE) licence, and made some recommendations.

Actuarial Peer Review

The value of defined benefit superannuation obligations is based on a valuation which considers economic factors, such as discount and inflation rates, demographics and other assumptions. Actuarial assumptions, some of which are volatile, increase the risk that the valuation of defined benefit superannuation obligations may be misstated. To address this risk, we engaged an independent expert to review the work of the State Actuary.

Our expert was satisfied that the data, assumptions and methodology used were reasonable and concluded that:

- the source of data used is relevant and appropriate for the purpose of the valuation
- the assumptions and methodology used are consistent with the relevant accounting and
- professional standards and have been determined in a manner consistent with prior periods
- the assumptions are consistent with industry practice
- the method and calculations applied are appropriate.

Registrable Superannuation Entity

RBF is an Exempt Public Sector Superannuation Scheme for the purposes of the *Superannuation Industry (Supervision) Act 1993*. The Board complies with the spirit and intent of this Act.

Changes to the Provision of Member Services

From 2 May 2011, member administration processes and platform were outsourced to Mercer (Australia) Pty Ltd (Mercer). This arrangement aimed to mitigate future risks associated with the Board's ageing computer systems and reduce administration costs.

These changes led to variations in the composition of administration costs, whereby employee expenses decreased due to lower staff numbers in the IT and member services areas but outsourcing costs increased due to the full year of compared to only two months last year. The following table provides a breakdown of administration costs, excluding death and incapacity insurance fees, superannuation contribution surcharge and taxes:

	2011-12	2010-11
	$000's	$000's
Employee benefits and related payments	13 009	14 781
Superannuation expenses	5 210	785
Outsourcing of member services	10 020	1 607
Outsourcing set-up costs	1 352	4 888
Information systems	1 271	1 763
Goods and services tax	750	827
Other	5 156	4 444
Total Administration Fees	**36 768**	**29 095**
Staff numbers at 30 June (FTE)	114	136

The increase in Outsourcing of member services expenses reflected that the arrangement was in place for the full year. The fee for this service is based on a per member per fund schedule. Outsourcing set-up costs included transformation expenses and redundancies paid to staff in the outsourced areas. The increase in Superannuation expenses included actuarial losses of $4.011m due to the increase in the present value of the defined benefit obligations following the decrease in discount rates.

Different Frameworks for Measuring Accrued Benefits

The Board, being a superannuation plan within the meaning of AAS 25 Financial Reporting by Superannuation Plans, measures the accrued benefits of its defined benefit contribution plans in accordance with this standard. Employers on the other hand, including the State, apply AASB 119 Employee Benefits to value their defined benefit superannuation obligations. However, these two standards determine accrued benefits according to different measurement rules, largely due to the use of different discount rates.

The concept of accrual accounting for post-employment benefits including interests in defined benefit plans was introduced by AASB 119 in January 2005, as part of Australia's convergence to international accounting standards. Prior to this, the accounting standards did not specify measurement rules. Actuaries use demographic and financial assumptions (for example the discount rate, future salary increase, the expected rate of return on plan assets etc.) to calculate the present value of accrued benefits. AASB 119 requires that actuarial assumptions shall be unbiased and mutually compatible. Most importantly, it requires that market yields on high quality corporate bonds at reporting date be used to discount post-employment benefit obligations (and if the market is not "deep", market yields on government bonds shall be used).

AAS 25 is less prescriptive. Similar to AASB 119, it too requires accrued benefits to be measured at present value using actuarial assumptions and valuations. However, the actuary is left to determine the discount rate by reference to a current, market determined, risk adjusted rate of return appropriate to the plan, i.e. the rate of return that the plan anticipates it could achieve if, at the measurement date, sufficient funds were available to meet accrued benefits as they fall due.

To illustrate these differences, the discount rate used by the actuary to value the accrued benefits of the Parliamentary Superannuation Fund (PSF) under AASB 119 was 3.45% in 2011-12 (2010-11, 5.5%), which was based on the Government bond yield consistent with the term of the liabilities and adjusted for investment income tax. However, in determining the liability under AAS 25, the actuary used a discount rate of 8.0% (8.0%), based on the long term earnings rate of the scheme, net of investment income tax. Other economic assumptions, such as salary inflation and price inflation rates did not differ between the two valuations. The value of accrued benefits of PSF as at 30 June 2012 under AASB 119 was $26.028m (30 June 2011, $21.824m) and under AAS 25 the liability was $16.692m ($16.245m). This example illustrates the sensitivity of the valuation of accrued benefits to the discount rate.

FINANCIAL RESULTS

The consolidated financial results, assets and obligations managed by the RBFB are noted in the following table. Five years' data is included as this covers the period pre and post the global financial crisis:

	2011-12	2010-11	2009-10	2008-09
	$m	$m	$m	$m
Investment revenues	0.1	316.6	255.2	(353.9)
Contributions from members, employers and transfers	786.1	749.5	773.2	701.8
Benefits paid	687.8	599.1	637.3	554.2
Administration and other expenses	40.7	38.8	22.1	23.5
Defined Benefit Schemes				
Net assets under management	1 514.3	1 567.7	1 484.9	1 461.1
Liability for acrued benefits	5 673.7	5 581.3	5 694.0	5 296.5
Net unfunded superannuation liability	**(4 159.3)**	**(4 013.6)**	**(4 209.1)**	**(3 835.5)**
Tasmanian Accumulation Scheme				
Net assets under management	2 341.4	2 261.4	1 950.4	1 620.8
Liability for acrued benefits	2 341.4	2 261.4	1 950.4	1 620.8
Net unfunded superannuation liability	**0.0**	**0.0**	**0.0**	**0.0**
Net funds under management Defined and Accumulated	**3 855.7**	**3 829.1**	**3 435.3**	**3 081.9**
Total vested benefits	**5 904.0**	**5 963.3**	**5 864.8**	**5 519.9**

Comment

The effects of the 2007-08 sub-prime crisis in the United States combined with a sustained stock market decline, at least until late in 2008-09, flowed through into International and Australian equities markets. The effect was of particular relevance in that each of RBFB's diversified options, including those in the Contributory Scheme, had significant exposure to equity markets. Australian and international equity markets had been particularly buoyant in 2006-07. Up until 31 December 2007 returns remained high, but experienced significant deterioration leading up to 30 June 2008 and for most of 2008-09. The net market value of Property investments in 2008-09 was also significantly impacted, recording a negative result for the first time during the four years of our analysis. Following the recovery of financial markets in 2009-10, Investment revenues and Net assets showed signs of improvement in 2010-11.

In 2011-12, the global economy entered into a period of further uncertainty arising from the sovereign debt crises in Europe combined with weaker economic growth. There were concerns among investors of default in Greece and the prospect of default spreading to Italy, Ireland, Spain and Portugal. This uncertainty affected equity markets in two phases. During the 2011 September quarter equity markets fell sharply when it became apparent that the first bailout loan for Greece was not sufficient. The markets regained confidence during October and December 2011 as Eurozone leaders agreed to offer a second bailout loan for Greece and the European Central Bank commenced a three year liquidity operation providing funding to the European banking sector. The markets peaked between April and May 2012. The inconclusive election results in Greece were attributed to the public reaction to harsh austerity measures. Equity markets fell as there was doubt Greece would stay in the Eurozone and there was a risk of it being able to repay its debt commitments. Much of the recovery from the fall from September 2011 quarter was lost in May 2012. There was a slight recovery from the fall in May by the end of June 2012. By the end of October 2012, the markets rose slightly when compared to June 2012.

Overall, in 2011-12 the United Kingdom and European equity markets finished down offset by a small increase in United States and Japan stock markets. Australian equities were down caused by a slowing economy in China, which was impacted by the fall in its export markets in Europe. The Table below shows stock exchange indices at 30 June 2011 and 30 June 2012 with the percentage change.

Stock Exchange Indices	30 June 2011 Close	30 June 2012 Close	Change	% change
Dow Jones Industrial	12 414	12 880	466	3.8%
Euro Stoxx 50	2 848	2 264	(584)	(20.5%)
FTSE 100	5 945	5 571	(374)	(6.3%)
Japan Nikkei	8 530	9 006	476	5.6%
ASX All Ordinaries	4 660	4 385	(275)	(5.9%)

Source: Tasmanian Audit Office

The above events are partly reflected in the equities return in the RBF portfolio in the year ended 30 June 2012. The table below shows the year to date percentage return and the percentage return per annum over the past three years and the past five years. Note that the return in the past five years incorporates the severe down turn in equity values resulting from the global financial crisis in late 2008 and 2009.

	Year to Date Return	3 Year return (Pa)	5 Year return (Pa)
Australian Equities	(7.0%)	5.6%	(4.2%)
Overseas Equity	0.1%	3%	(6.1%)
Overseas Equity (Hedged)	0.9%	13.8%	(1.6%)

Source: Tasmanian Audit Office

Property returns in the portfolio over the past year were relatively stable.

	Year to Date Return	3 Year return (Pa)	5 Year return (Pa)
Unlisted property	11%	12.2%	(12.6%)
Direct Propert	8.8%	7.2%	4.3%

Source: Tasmanian Audit Office

In response to the European debt problems, RBF's fixed income managers moved away from developed market government debt with a greater focus on corporate debt and emerging market government debt. In 2011-12, Australian and overseas bonds performed well and returns on cash were stable as illustrated in the table below:

	Year to Date Return	3 Year return (Pa)	5 Year return (Pa)
Australian Bonds	12.4%	8.6%	8.2%
Overseas Bonds (hedged)	11.8%	8.7%	9.3%
Cash	4.7%	4.5%	5.3%

Source: Tasmanian Audit Office

In relation to other items, Contributions from members, employers and transfers and Benefits paid increased in 2011-12 due to a combination of:

- processing of transactions deferred during the limited service period. A limited service period was introduced from mid-April to June 2011 to assist with the transition of member administration processes and platform to a third party. As a result, some members experienced delays in processing new pension claims, personal contributions and Member Investment Choice switches. Payments of existing pensions were not affected. To a degree, limitations on services provided during the transition period affected the amount of co-contributions, transfers and benefits paid in 2010-11
- indexation of pensions, which are adjusted twice a year in accordance with increases in the national Consumer Price Index (CPI)
- higher voluntary and compulsory contributions, partly due to increases in wages and salaries
- increased number of retirements following staff reductions in Schemes participating employers.

Administration expenses increased due to:

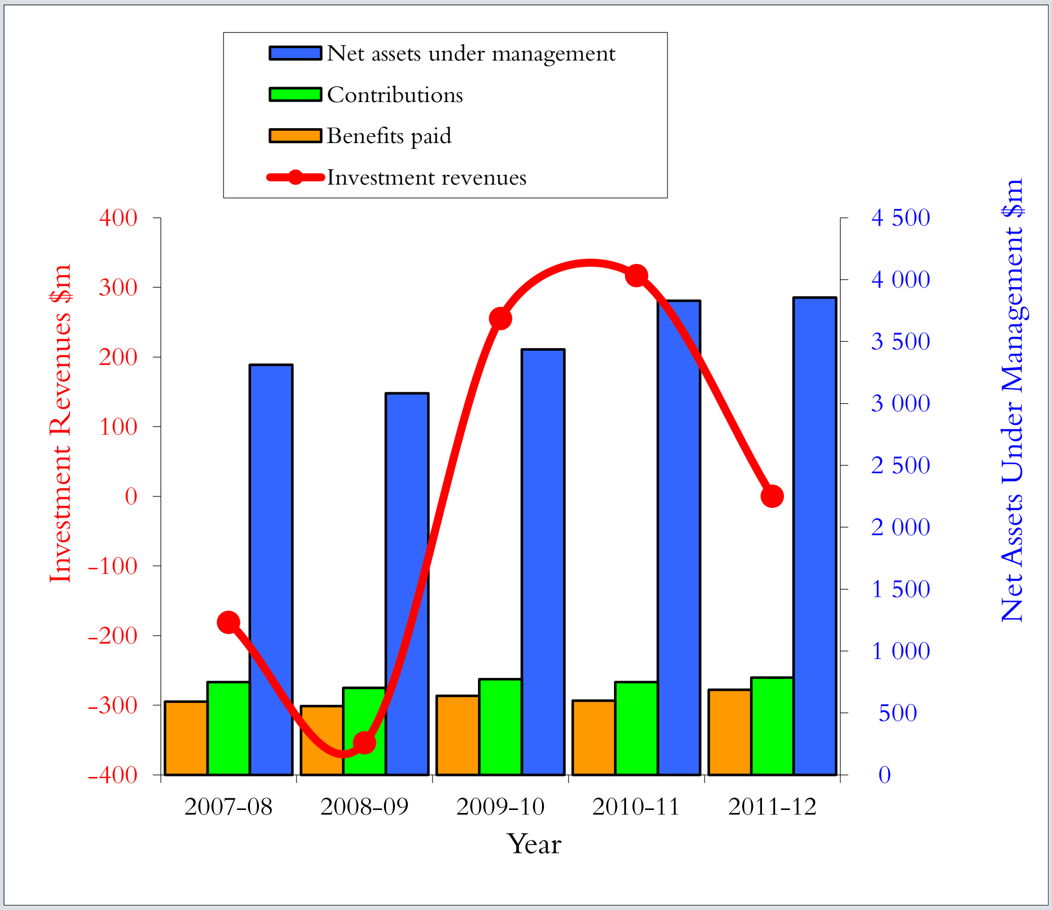
- higher outsourcing cost, which reflected the full year of outsourcing member services compared to only two months last year
- increase in the defined benefit Superannuation liability, due primarily to the lower discount rate caused by the reduction in the yield on Government bonds
- continuation of preparation for an RSE license.

These costs were partly offset by savings achieved by reducing staff numbers due to the completion of projects associated with the outsourcing of member services and redundancies in the outsourced areas.

Net assets under management fell because of the decline in the value of equities discussed above, while the Liability for accrued benefits increased slightly to reflect membership changes. Other assumptions, such as discount rate, salary inflation, pension increases, etc remained unchanged since the most recent actuarial investigation as at 30 June 2010.

With regard to the defined benefit schemes, the State Government is responsible for funding the shortfall between Net Assets and the value of accrued benefits for members employed by general government sector (GGS) entities. This liability, as it relates to the Contributory Scheme and Parliamentary Schemes is held centrally and is recognised within the Department of Treasury and Finance – Finance-General's statement of financial position at the latest actuarial assessment. Other state entities who participate in the Contributory Scheme are responsible for meeting their own obligations although the State is ultimately responsible for the full liability.

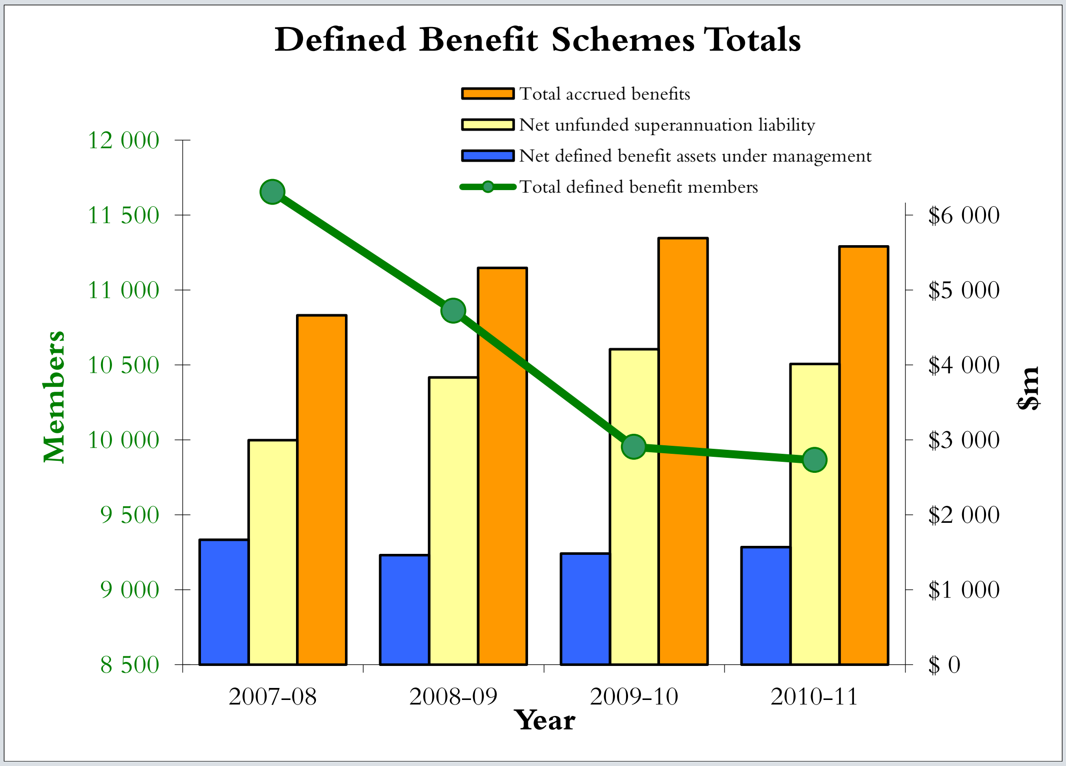
The RBFB's performance is summarised in the following graph:



Source: Tasmania Audit Office

Contributions and Benefits paid to members remained reasonably consistent over the five years of review. The increase in Investment revenues in 2009-10 and 2010-11 reflected investment gains following the recovery of stock and property markets. However the sovereign debt crisis in Europe resulted in falls in the values of equities in 2011-12 severely constraining growth in Net assets under management.

The Defined Benefit Schemes' net asset position compared to the Net unfunded superannuation liability and Total accrued benefits is summarised in the following graph:



Source: Tasmania Audit Office

Total accrued benefits were valued as at the end of each financial year under AAS 25. The State Government is responsible for funding the shortfall between net assets and the value of accrued benefits for members employed by general government sector (GGS) entities. Other state entities who participate in the Contributory Scheme are responsible for meeting their own obligations although the State is ultimately responsible for the full liability.

DEFINITIONS

Accrued Benefits

Represents the present obligation to pay benefits to a member and beneficiaries and has been determined on the basis of the present value of expected future payments arising from membership to a scheme up to the reporting date. Calculations are based on expected future salary levels and by application of a market-based risk-adjusted discount rate and relevant actuarial assumptions.

Vested Benefits

Vested benefits are benefits which are not conditional upon continued membership of a scheme (other than resignation) and include benefits which members were entitled to receive had they terminated their membership as at the reporting date. Vested benefits are guaranteed by regulations related to the particular fund or scheme

Member Investment Choice (MIC)

Members who have an RBF Investment Account, RBF-TAS SG Account, an RBF Allocated Pension, or an RBF Term Allocated Pension Account, have access to 10 different investment options. This allows individual exposure options to portfolio diversification and returns. The default option is RBF Actively Managed, which aims to provide a moderate to high level of capital growth over the medium to long term.

REPORTING

The remainder of this section of this Report provides commentary on each fund managed by RBFB.

RETIREMENT BENEFITS FUND BOARD - CONTRIBUTORY SCHEME

INTRODUCTION

Members of the Contributory Scheme, which is a closed defined benefits scheme, receive benefits based on their average salary during the last three years of service, length of service and contribution rate. Members of the Contributory Scheme are required to make compulsory contributions, with the default contribution set at 5% of salary. A closed group of members are able to contribute at the rate of 2.5% of their salary. The maximum member contribution rate is 15%.

Membership of the Contributory Scheme includes all permanent public sector employees, including permanent employees of Government Business Enterprises, State-owned Companies and statutory authorities who were employed before 15 May 1999. The scheme also applies to some temporary or fixed-term employees. Since the Contributory Scheme is closed to new members, its membership will slowly decline over future years.

The State or relevant State Employing Authority (participating employer) is required to meet a proportion of the costs of benefits paid by the Board. Based on the latest actuarial advice, the proportion payable by the State or the participating employer is 75%, with the balance of 25% met by the RBF Board.

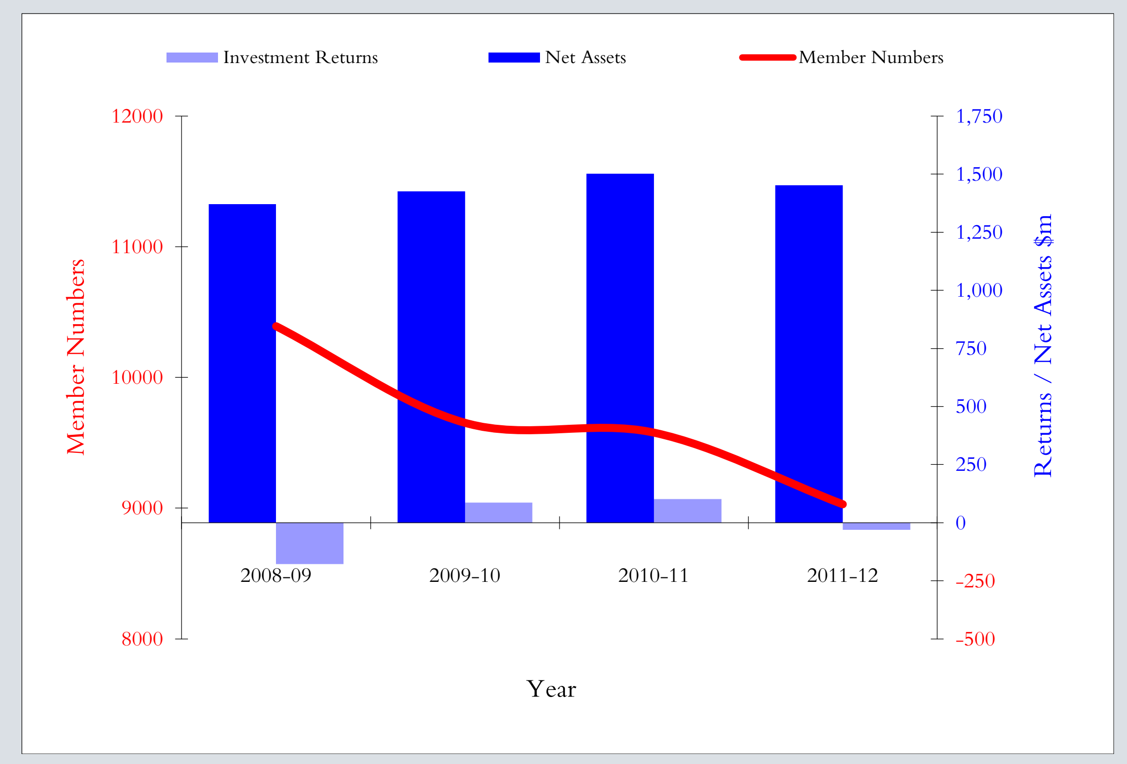
AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2012 and an unqualified audit report was issued on 21 August 2012.

KEY FINDINGS AND DEVELOPMENTS

Key developments and findings are discussed in the Superannuation Funds Chapter of this Volume.

FINANCIAL RESULTS



Being a closed scheme Member numbers continued to fall over the four year period although only slightly in 2010-11 but resuming the rate of departures in 2011-12. A limited services period was introduced from mid-April to June 2011 to assist with the transition of member administration processes and platform to an outsourced provider, which impacted on processing of new pension claims during that period. The increase in departures during 2011-12 was partly due to clearing the backlog caused by the limited services period, but mainly the increased number of retirements following staff reductions by Scheme's participating employers in response to economic conditions.

Net assets and investment returns showed signs of improvements during 2009-10 and 2010-11 as the financial markets started to recover following their crash in 2008. This trend was reversed in 2011-12 due to the sovereign debt crisis in Europe and the continued slow world economic growth.

The State Government is responsible for funding the shortfall between Net Assets and the value of accrued benefits for members employed by general government sector (GGS) entities. This liability is held centrally and is recognised within the Department of Treasury and Finance – Finance-General's statement of financial position at the latest actuarial assessment*. Other state entities who participate in the Contributory Scheme are responsible for meeting their own obligations although the State is ultimately responsible for the full liability.

The total unfunded liability of the Contributory Scheme increased significantly over the period 2008-09 to 2011-12 despite declining fund membership. There is no single factor causing this increase. Contributing factors included:

- lower Australian government bond yields leading to application of lower discount rates pushing up the liability
- salary and wages increments at a rate greater than forecast by the actuary
- pension options available to benefit recipients
- anti-detriment provisions
- life expectancy
- tax changes.

* An analysis of the unfunded superannuation liability is included within the Department of Treasury and Finance Chapter of this Volume.

STATEMENT OF CHANGES IN NET ASSETS

	2011-12	2010-11	2009-10	2008-09
	$'000s	$'000s	$'000s	$'000s
Investment revenue	57 586	63 624	55 524	75 667
Change in net market values	(58 282)	63 909	52 882	(233 918)
Direct investment expenses	(5 167)	(5 500)	(5 129)	(5 088)
Employer contributions	310 853	227 253	229 400	202 364
Member contributions	36 062	31 729	34 752	42 540
Other revenue	(932)	(1 304)	(4 026)	(3 280)
Total Revenue	**340 120**	**379 711**	**363 403**	**78 285**
Pensions	217 932	204 567	186 639	176 095
Lump sum benefits paid	151 525	85 798	107 902	90 181
Refunds and interest	(30)	22	374	1 354
Administration expenses	24 081	18 484	13 122	11 379
Superannuation contributions surcharge	0	(8)	114	109
Total Expenses	**393 508**	**308 863**	**308 151**	**279 118**
(Deficit) Surplus before tax	**(53 388)**	**70 848**	**55 252**	**(200 833)**
Income tax benefit (expense)	3 418	4 735	(265)	14 651
Net (Deficit) Surplus	**(49 970)**	**75 583**	**54 987**	**(186 182)**
Net Assets available to pay benefits at start of year	1 501 994	1 426 411	1 371 424	1 557 606
Net Assets Available to Pay Benefits at End of Year	**1 452 024**	**1 501 994**	**1 426 411**	**1 371 424**

Comment

In 2011-12 the Contributory Scheme recorded a Deficit before tax of $53.388m compared to a surplus of $70.848m reported last year. The turnaround of $124.236m was predominantly due to:

- lower Investment revenue, $6.038m, from interest and dividends mainly in the form of dividends from Australian equities
- decrease in the net market value of investments, $122.191m, being a combination of:
  - net unrealised losses of $54.055m, down $91.080m from an unrealised gain of $37.025m last year. All asset classes with the exception of Diversified fixed interest recorded unrealised losses this year. The unrealised losses included $30.295m in Australian equities and $3.433m in international equities. Unrealised losses from Property and Alternative investments, totalling $24.255m, included write-downs of the Scheme's share of investments in unlisted trusts and the Hobart International Airport Pty Ltd
  - net realised losses of $4.227m were made up predominantly of losses on Australian and International equities investments of $5.995m and $3.222m respectively. This compared to the 2010-11 realised gains on Australian equities of $6.294m and International equities of $19.409m. Losses on equities were partly offset by realised gains on Diversified fixed interest investments, $4.846m
- higher Employer contributions, $83.600m, which predominantly reflected the increase in benefits paid discussed below
- higher Member contributions, $4.333m, due to higher voluntary and compulsory contributions. Compulsory contributions increased in line with increases in wages and salaries

- higher benefit payments, which included Pensions, $13.365m and Lump sums, $65.727m, due to a combination of processing lump sum payments deferred during the limited service period between mid-April and June 2011 and an increased number of retirements following staff reductions by Scheme's participating employers. In addition, Pensions were indexed twice a year in accordance with increases in the national Consumer Price Index (CPI)
- increased Administration expenses, $5.597m, discussed in the Superannuation Funds Summary Chapter of the Volume.

After accounting for an Income tax benefit of $3.418m, the Contributory Scheme returned a Net Deficit of $49.970m. Net Assets available to pay benefits at 30 June 2012 totalled $1.452bn.

STATEMENT OF NET ASSETS

	2012	2011	2010	2009
	$'000s	$'000s	$'000s	$'000s
Cash at bank	13 374	10 276	0	1 206
Receivables	149 251	124 894	103 565	92 103
Investments	1 329 712	1 398 873	1 362 071	1 314 433
Plant, equipment and intangibles	1 561	1 555	2 867	4 405
RBF Financial Planning Pty Ltd	168	150	150	139
Total Assets	**1 494 066**	**1 535 748**	**1 468 653**	**1 412 286**
Payables	**7 775**	**5 556**	**5 265**	**4 909**
Contributions and pensions payable	7 086	2	559	735
Contributions in advance	3 925	4 280	14 507	14 688
Provision for employee entitlements	19 976	16 985	18 126	17 053
Deferred tax liability	1 566	4 833	1 458	733
Superannuation contribution surcharge payable	1 714	2 098	2 327	2 744
Total Liabilities	**42 042**	**33 754**	**42 242**	**40 862**
Net Assets Available to Pay Benefits	**1 452 024**	**1 501 994**	**1 426 411**	**1 371 424**

Comment

Net Assets Available to Pay Benefits decreased by $49.970m, 3.3%, consistent with the Net Deficit for the year. This was mainly represented by:

- higher Cash at bank, $3.098m, in order to maintain sufficient funds in a clearing account
- lower Investments, $69.161m, due to the low returns and losses discussed earlier in the Statement of Changes in Net Assets section of this Chapter
- increased Receivables, $24.357m, mainly due to an increase monies owed by other Schemes as a result of rebalancing asset allocations and other transactions within the Fund
- higher Contributions and pensions payable, $7.084m, representing mainly overpayments made by participating employers due to incorrect claims issued by the outsourced provider. These overpayments will be offset against contribution claims in 2012-13
- higher Provision for employee entitlements, $2.991m, due to an increase in the actuarial valuation of the defined benefit superannuation liability for the Fund's employees
- decreased Deferred tax liability of $3.267m, due mainly to falls in the value of investments.

The Contributory Scheme's Statement of Net Assets represents the assets available to pay members' benefits. The Accrued and Vested benefits for the Scheme were reviewed in 2011-12 and disclosed in the notes to the Financial Statements. A full actuarial review was undertaken in 2011-12. As at 30 June 2012, the value of Accrued benefits, $5.566bn, was greater than scheme assets, $1.452bn, resulting in an unfunded liability of $4.114bn. This shortfall will be funded by the State Government and other entities participating in the Contributory Scheme on an emerging cost basis.

Vested benefits, which were unconditional benefits members were entitled to receive had they terminated their membership as at the reporting date, were $5.899bn at 30 June 2012.

FINANCIAL ANALYSIS

	2011-12	2010-11	2009-10	2008-09
Financial Performance				
Investments ($'000s)	1 329 712	1 398 873	1 362 071	1 314 433
Net investment income (loss) ($'000s)	(5 863)	122 033	103 277	(163 339)
Return on investments	(0.4%)	8.8%	7.7%	(11.1%)
Other Information				
Members (number)	9 030	9 578	9 653	10 392
Net assets ($'000)	1 452 024	1 501 994	1 426 411	1 371 424
Return on net assets	(0.4%)	8.3%	7.4%	(11.153%)
Staff numbers (FTEs)	114	136	172	167
Average staff costs ($'000s)	89	81	62	63
Average annual and long service leave per FTE ($'000s)	6	8	6	6

Comment

Investments values and returns fluctuated over the past four years due to the events discussed in the Financial Results sections of Superannuation Funds Summary Chapter. In summary, the increasing value of investments and corresponding investment income up until June 2011 were predominantly due to a recovery of financial markets following the effect of the 2007-08 sub-prime crisis in the United States and the stock market decline. This trend was reversed in 2011-12 due to the sovereign debt crisis in Europe and slow worldwide economic growth.

Return on investments represents a return on average net investments for any given year. The movements in the percentages over the period of review reflected changes in investment income previously discussed. The movement in Net Assets also reflected this.

The reduction in staffing since 2009-10 reflected the outsourcing of member administration and IT functions. The increase in Average staff costs over the last two years reflected the use of temporary and fixed term employees to assist with the transition.

RETIREMENT BENEFITS FUND BOARD - TASMANIAN ACCUMULATION SCHEME

INTRODUCTION

The Tasmanian Accumulation Scheme (TAS) was established under the *Public Sector Reform Act 1999* and commenced operating on 25 April 2000. On this date, the initial balances of TAS, being the account balances of the Non-Contributory Scheme at that time, were funded using surplus assets from the Contributory Scheme, adjusted to take account of the income taxation differences between the two Schemes.

TAS comprises four accounts being Superannuation Guarantee, Investment (from October 2010), Allocated Pension and Term Allocated Pension accounts.

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

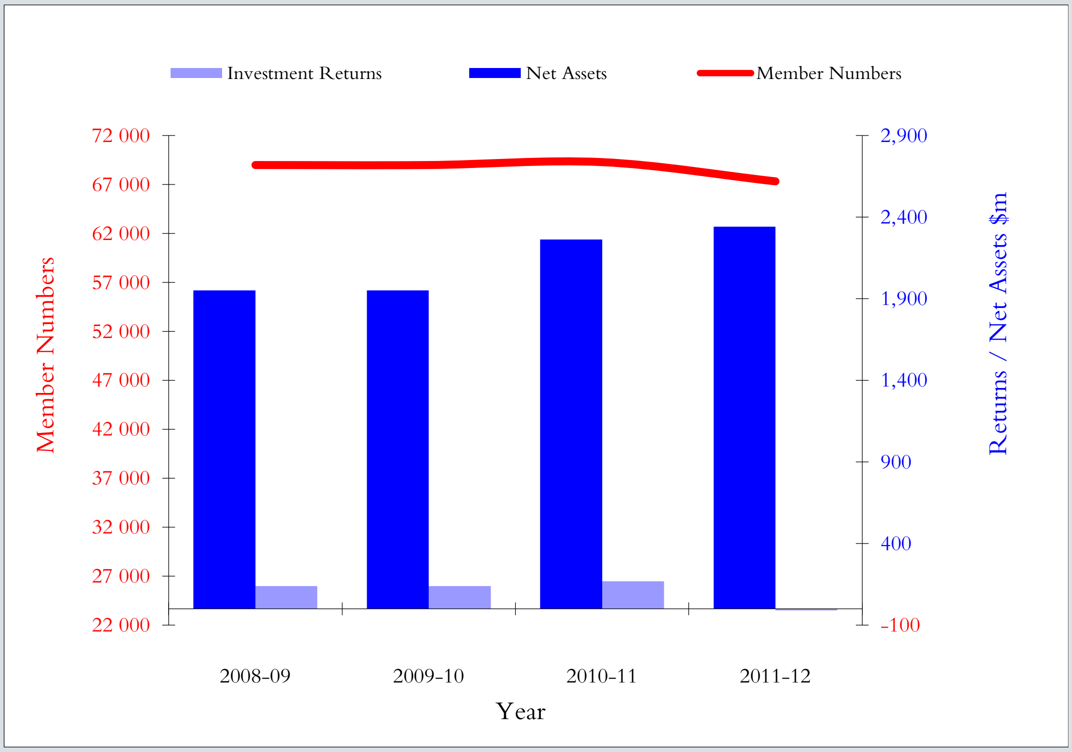
Signed financial statements were received on 15 August 2012 and an unqualified audit report was issued on 21 August 2012

KEY FINDINGS AND DEVELOPMENTS

Key developments and findings are discussed in the Superannuation Funds Chapter of this Volume.

FINANCIAL RESULTS

The graph below provides a snapshot of TAS financial performance.



In 2011-12, TAS experienced a reduction in Members for the first time in the period under review. This decline in membership is attributed to a reduction in staff numbers across the Tasmanian Public Sector and State entities.

Net Assets and Investment returns declined significantly in 2008-09 due to the downturn in Australian and International markets associated with the global financial crisis. Following the recovery of financial markets in 2009-10, Investment returns and Net Assets started to improve until 2011-12 when sovereign debt issues in Europe and a decline in world growth became evident.

STATEMENT OF COMPREHENSIVE INCOME

	2011-12	2010-11	2009-10	2008-09
	$'000s	$'000s	$'000s	$'000s
Investment revenue	106 817	112 058	83 958	97 238
Changes in net market values	(91 094)	84 749	66 227	(267 756)
Direct investment expenses	(9 293)	(9 071)	(7 043)	(5 898)
Employer contributions	149 575	175 709	167 870	159 018
Member contributions	52 877	125 507	114 508	136 933
Transferred from other funds	231 020	184 165	220 868	153 625
General operating provision	(5 977)	(4 209)	19 239	0
Other revenue	0	41	4	38
Total Revenue	**433 925**	**668 949**	**665 631**	**273 198**
General operating fee	8 928	12 782	(2 419)	13 137
Death and incapacity insurance	6 483	6 374	5 734	5 214
Superannuation contributions surcharge	31	(11)	74	103
Total Expenses	**15 442**	**19 145**	**3 389**	**18 454**
Benefis accrued before tax	**418 483**	**649 804**	**662 242**	**254 744**
Income tax expense	(27 441)	(32 907)	(33 699)	(4 426)
Benefits accrued after tax	**391 042**	**616 897**	**628 543**	**250 318**
Benefits paid	(311 044)	(305 918)	(298 973)	(275 374)
Liability for accrued benefits at start of year	2 261 368	1 950 389	1 620 819	1 645 875
Liability for Accrued Benefits at End of Year	**2 341 366**	**2 261 368**	**1 950 389**	**1 620 819**

Comment

In 2011-12, Benefits accrued before tax, $418.483m, were significantly lower than last year. The decrease of $231.321m was predominantly caused by:

- lower Investment revenue of $5.241m, predominantly due to falling diversified interest and dividends income
- decrease in the net market value of investments, $175.843m, being a combination of:
  - unrealised losses of $84.451m, down $117.666m from an unrealised gain of $33.215m last year. All asset classes with the exception of Diversified fixed interest returned unrealised losses this year. The unrealised losses included $65.466m in Australian equities and $6.844m in International equities. Unrealised losses from Property and Alternative investments, totalling $22.040m, included write-downs of TAS's share of investments in unlisted trusts and the Hobart International Airport Pty Ltd
  - net realised losses of $6.643m were made up of realised losses on Australian and international equities investments of $12.456m and $6.373m respectively. These losses were partly offset by realised gain on Diversified fix interest investments, $11.767m
- lower contributions from both employers and members, $26.134m and $72.630m, partly offset by higher transfers in, $46.855m. These movements in contributions were a result of employers and member ceasing to contribute due to the loss of employment and/or members exiting TAS. On the other hand the increase in transfers in reflected the increase in retirement of Contributory Scheme members, who then reinvest lump sums received in one of the TAS's accounts

- lower General operating fee, $3.854m, due predominantly to a reduction in taxation component, $4.210m, offset by an increase in general administration costs discussed in the Superannuation Funds Summary Chapter of this Volume.

Liability for Accrued Benefits decreased by $79.998m to $2.341bn at 30 June 2012. The movement comprised Benefits accrued after tax, $391.042m, less Benefits paid, $311.044m.

STATEMENT OF FINANCIAL POSITION

	2012	2011	2010	2009
	$'000s	$'000s	$'000s	$'000s
Cash at bank	6 124	9 364	11 133	9 391
Receivables	1 138	281	419	23 934
Investments	2 467 728	2 371 834	2 033 372	1 701 019
Deferred tax asset	28 320	21 299	24 572	29 308
Total Assets	**2 503 310**	**2 402 778**	**2 069 496**	**1 763 652**
Payables	82 259	73 264	61 152	61 754
Provision for death and incapacity insurance	19 597	17 477	15 056	15 322
General operating provisions	25 979	20 215	14 111	40 766
Provision for income tax	34 109	30 440	28 766	24 989
Superannuation contribution surcharge payable	0	14	22	2
Total Liabilities	**161 944**	**141 410**	**119 107**	**142 833**
Net Assets Available to Pay Benefits	**2 341 366**	**2 261 368**	**1 950 389**	**1 620 819**
Represented by:				
Liability for Accrued Benefits				
Allocated to members accounts	2 325 785	2 210 363	1 929 202	1 629 565
Not yet allocated	(12 596)	12 850	1 948	(8 746)
Total Liability For Accrued Benefits	**2 313 189**	**2 223 213**	**1 931 150**	**1 620 819**
Reserves	28 177	38 155	19 239	0
Net Liability for Accrued Benefits	**2 341 366**	**2 261 368**	**1 950 389**	**1 620 819**

Comment

As at 30 June 2012, TAS held $2.341bn of Net Assets Available to Pay Benefits compared to $2.261bn at the same time last year. Generally, the movement between years represented the net movement in investments, being new investments purchased from contributions received, earnings, changes in market values, and the costs of running TAS and any benefits paid.

This increase in Net Assets Available to Pay Benefits of $79.998m was represented by:

- lower Cash at bank, $3.240m
- higher Receivables, $0.857m, representing distributions declared but not yet received
- increased Investments, $95.894m, being the net movement in investments purchased from contributions and transfers in, earnings, changes in market values, investment expenses including taxes and benefits paid. In 2011-12, the value of Investments was significantly impacted by lower earning and unrealised losses recognised at year end
- higher Payables, $8.995m, representing monies owed to other Schemes, mainly the Contributory Scheme as a result of rebalancing asset allocations and other transactions within the Fund. The increase was partly due to higher administration expenses discussed previously
- higher Provision for death and invalidity insurance, $2.120m, in line with actuarial assessment of the liability

- increased General operating provision, $5.764m, representing the difference between the amount deducted from members for administration and income tax expenses and actual payments made to the Board. In 2011-12, TAS returned $5.888m from the General operating provision back to its members.

Net Assets Available to Pay Benefits comprised:

- Total Liability for Accrued Benefits, $2.313bn, representing the value of member benefits at 30 June 2012, less transactions yet to be processed
- Equity, $28.177m, represented by an operating risk reserve, $12.740m, and a strategic development reserve, $15.437m. Both reserves were created in 2009-10 from income generated by TAS but which cannot be allocated to individual members.

STATEMENT OF CASH FLOWS

	2011-12	2010-11	2009-10	2008-09
	$'000s	$'000s	$'000s	$'000s
Employer contributions	149 575	175 709	167 869	159 018
Member contributions	52 654	124 824	114 902	137 225
Transferred from other funds	231 020	184 165	220 868	153 625
Investment income received	9 975	12 636	30 829	19 331
Interfund transfers	9 218	12 953	17 493	107 134
Other	0	41	4	75
Benefits paid	(311 044)	(305 918)	(298 907)	(275 307)
Direct investment expenses	(6 437)	(7 147)	(6 077)	(6 229)
Management fees paid	(11 020)	(9 325)	(7 493)	(10 969)
Death and incapacity benefits paid	(4 363)	(3 953)	(6 000)	(4 570)
General operating provision	(977)	(3 486)	723	0
Income tax paid	(30 793)	(27 960)	(25 186)	(27 684)
Superannuation contribution surcharge	(45)	3	(101)	(171)
Cash from operations	**87 763**	**152 542**	**208 924**	**251 478**
Proceeds from the sale of investments	36 151	950 414	1 087 830	591 859
Payments for purchase of investments	(105 713)	(1 104 285)	(1 326 835)	(644 943)
Cash (used in) investing activities	**(69 562)**	**(153 871)**	**(239 005)**	**(53 084)**
Net increase (decrease) in cash	**18 201**	**(1 329)**	**(30 081)**	**198 394**
Cash at the beginning of the year	391 143	392 472	422 553	224 159
Cash at end of the year	**409 344**	**391 143**	**392 472**	**422 553**

Comment

Cash at bank disclosed in the Statement of Financial Position varied from the cash balance in the Statement of Cash Flows, as the majority of cash is invested and included within Investments. The amount of Cash at end of the year depends largely on member investment choice allocations between different types of investments of varying liquidity and risk appetite. The cash position will therefore fluctuate in line with members' investment strategies. The increase in 2008-09 was partly due to members increasing investments in cash deposits seeking to avoid risks associated with market volatility. This reversed in following years as markets stabilised but increased again in the current year in light of the falling equity markets.

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

The variance between Investment income received, $9.975m, and Investment income disclosed in the Statement of Comprehensive Income, $106.817m, was due to TAS reinvesting $99.402m of proceeds in additional investment units.

FINANCIAL ANALYSIS

	2011-12	2010-11	2009-10	2008-09
Financial Performance				
Investments ($'000s)	2 467 728	2 371 834	2 033 372	1 701 019
Net investment income ($'000s)	6 430	187 736	143 142	(176 416)
Return on investments	0.27%	8.52%	7.67%	(10.56%)
Other Information				
Members (number)	67 308	69 270	68 973	65 132

Comment

Investments under management continued to grow with the majority of the growth in 2011-12 being attributed to contributions and transfers in rather than earning and investment gains.

Return on investments represents a return on average net investments for any given year before fees and taxes are deducted. Return on investments in 2008-09 was negative due to adverse performance of financial markets. Over the four year period average Return on investments was 1.47%. MIC allows members to access different investment options and returns will vary according to the objective and potential risk exposure of each option.

RETIREMENT BENEFITS FUND BOARD - PARLIAMENTARY SUPERANNUATION FUND

INTRODUCTION

The Parliamentary Superannuation and Retiring Benefits Trust was responsible for the management and administration of the Parliamentary Superannuation Fund (PSF or the Scheme) established under the *Parliamentary Superannuation Act 1973*. The PSF was closed to new members on 11 November 1985 with the Retirement Benefits Fund being the default scheme for their superannuation.

Legislation was enacted by Parliament in 2002 to facilitate the winding up of the PSF and the transfer of funds to a sub-fund of the Retirement Benefits Fund Board (RBFB) effective from 1 January 2003. This sub-fund prepares an annual financial report for audit and inclusion with the annual report of the RBFB and retains its status as a defined benefits scheme. The PSF provides members with a benefit paid as a pension.

The PSF's growth and performance will be affected by the lack of new members and as existing members leave the fund. The number of fund members as at 30 June 2012 was one. Nevertheless, as a defined benefit scheme, any unfunded liability must be met by the State Government.

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

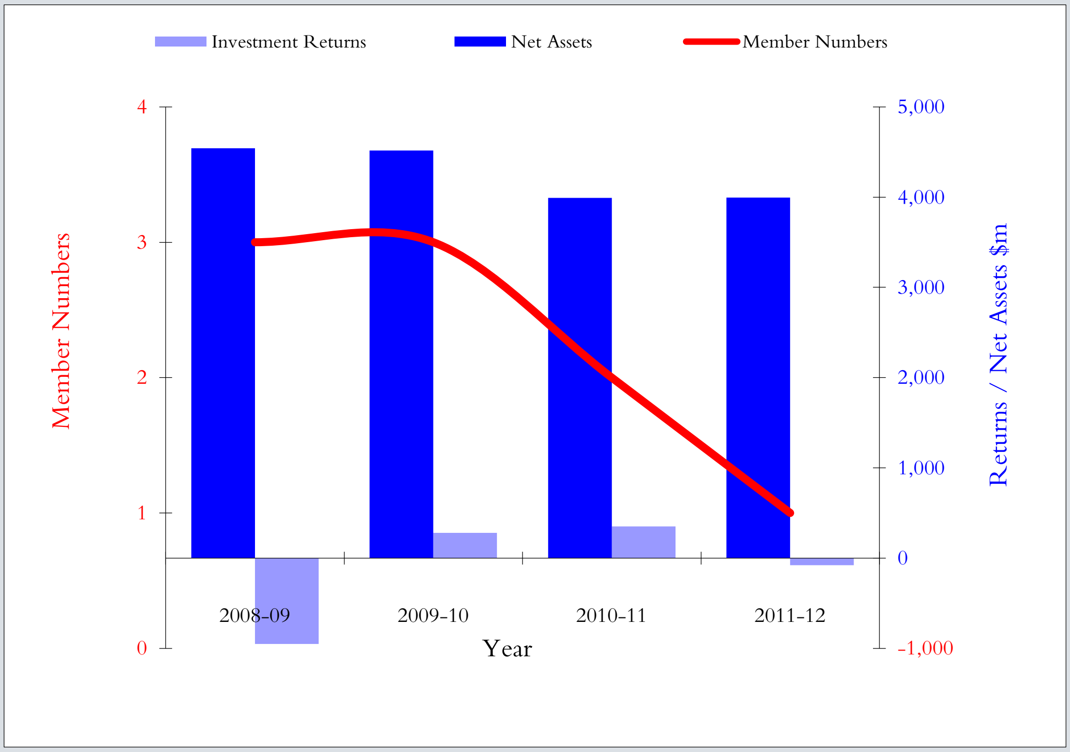
Signed financial statements were received on 15 August 2012 and an unqualified audit report was issued on 21 August 2012

KEY FINDINGS AND DEVELOPMENTS

Key developments and findings are discussed in the Superannuation Funds Chapter of this Volume.

FINANCIAL RESULTS

The graphs below provide a snapshot of the PSF's financial performance.



In 2011-12 one member exited the Scheme and as a result PSF has only one active member. Net assets increased slightly, $0.006m, as no lump sum was paid and employer contributions increased to top-up the Scheme's deficit. Investments returns showed signs of recovery during 2009-10 and 2010-11 after their sharp decline in 2008-09 following the global financial crisis. This trend was reversed in 2011-12 due to the sovereign debt crisis in Europe and slow worldwide economic growth. As a result, Net investment income was a deficit of $0.040m in 2011-12.

The PFS total unfunded liability fluctuated between the years due to movements in Net Assets and the value of accrued benefits. There is no single factor causing this increase. Contributing factors included:

- lower Australian government bond yields leading to application of lower discount rates pushing up the liability
- salary and wages increments at a rate greater than forecast by the actuary
- pension options available to benefit recipients
- anti-detriment provisions
- life expectancy.

The deficit will be funded by the State Government on an emerging cost basis.

STATEMENT OF CHANGES IN NET ASSETS

	2011-12	2010-11	2009-10	2008-09
	$'000s	$'000s	$'000s	$'000s
Investment revenue	274	286	259	365
Changes in net market values	(291)	277	254	(1 159)
Direct investment expenses	(23)	(23)	(22)	(28)
Employer contributions	1 404	857	969	994
Member contributions	18	32	40	40
Total Revenue	**1 382**	**1 429**	**1 500**	**212**
Pensions	1 336	1 212	1 298	1 366
Lump sums	0	548	0	0
Refunds and interest	0	8	0	0
Administration expenses	43	192	209	131
Superannuation contributions surcharge	0	(3)	3	(2)
Total Expenses	**1 379**	**1 957**	**1 510**	**1 495**
Change in net assets before tax	**3**	**(528)**	**(10)**	**(1 283)**
Income tax benefit (expense)	3	1	(15)	34
Change in net assets after tax	**6**	**(527)**	**(25)**	**(1 249)**
Net Assets available to pay benefits at start of year	3 990	4 517	4 542	5 791
Net Assets Available to Pay Benefits at End of Year	**3 996**	**3 990**	**4 517**	**4 542**

Comment

In 2011-12 the PFS recorded a small increase in net assets after tax of $0.006m. The decrease of $0.527m reported in 2011-11 was due to a Lump sum paid to a member who exited during that year, $0.548m. One member exited during 2011-12, but no lump sum was paid. The increase in Employer contributions, $0.547m, represented top-up contributions to fund last year's deficit.

The negative Change in net market values, $0.291m was a combination of realised and unrealised losses, $0.022m and $0.269m, respectively, for reasons discussed in the Financial Results section of the Superannuation Funds Chapter in this Volume.

Net Assets available to pay benefits at 30 June 2012 totalled $3.996m. In view of the absence of new members and as existing members exit, subject to improved investment performance, net assets will gradually decline.

STATEMENT OF NET ASSETS

	2012	2011	2010	2009
	$'000s	$'000s	$'000s	$'000s
Receivables	474	0	18	24
Investments	6 446	6 244	5 921	5 549
Total Assets	**6 920**	**6 244**	**5 939**	**5 573**
Payables	2092	1421	735	540
General operating provision	813	811	641	468
Deferred tax liabilities	19	22	46	23
Total Liabilities	**2 924**	**2 254**	**1 422**	**1 031**
Net Assets Available To Pay Benefits	**3 996**	**3 990**	**4 517**	**4 542**

Comment

Net Assets Available to Pay Benefits increased by $0.006m, consistent with the after-tax surplus for the year. This was mainly represented by:

- higher receivables, $0.474m, representing outstanding contributions from employers
- higher Investments, $0.202m, driven predominantly by higher value of investments in Australian equities, $0.284m, and Cash deposits, $0.180m, partly offset by lower values of investments in other categories
- higher Payables, $0.671m, representing monies owed to other Schemes as a result of rebalancing asset allocations and other transactions within the Fund.

Net Assets available to pay benefits at 30 June 2012 totalled $3.996m. In view of the absence of new members and as existing members exit, subject to improved investment performance, net assets will gradually decline.

Net Assets represents the assets available to pay members' benefits.. The Accrued and Vested benefits for the Scheme were valued at 30 June 2012 using the assumptions reviewed at the last triennial actuarial investigation as at 30 June 2010. The valuation methodology and assumptions used are disclosed in the notes to the Financial Statements.

As at 30 June 2012, the value of Accrued benefits, $16.692m, was greater than net scheme assets, $3.996m , resulting in an unfunded liability of $12.696m. This shortfall will be funded by the State Government on an emerging cost basis.

Vested benefits, which were unconditional benefits members were entitled to receive had they terminated their membership as at the reporting date, were $16.913m at 30 June 2012 ($16.478m).

FINANCIAL ANALYSIS

	2011-12	2010-11	2009-10	2008-09
Financial Performance				
Investments ($'000s)	6 446	6 244	5 921	5 549
Net investment income ($'000s)	(40)	540	491	(822)
Return on investments	(0.6%)	8.9%	8.5%	(13.1%)
Other Information				
Members (number)	1	2	3	3

Comment

As with most small funds, the PSF's performance varies considerably due to the volatility of investment markets and the amount of benefits paid out in any one financial year.

Net investment income, calculated as investment income adjusted for changes in net market values less direct investment expenses, was a deficit of $0.040m for the reasons discussed in the Financial Results section of the Superannuation Funds Chapter in this Volume.

Over the four year period, the average Return on investments was 0.9%.

RETIREMENT BENEFITS FUND BOARD - PARLIAMENTARY RETIRING BENEFITS FUND

INTRODUCTION

The Parliamentary Superannuation and Retiring Benefits Trust was responsible for the management and administration of the Parliamentary Retiring Benefits Fund (PRBF or the Scheme) established under the *Parliamentary Retiring Benefits Act 1985.* The PRBF was closed to new members on 1 July 1999 with the Retirement Benefits Fund being the default scheme for their superannuation.

Legislation was enacted by Parliament in 2002 to facilitate the winding up of PRBF and transfer of funds to a sub-fund of the Retirement Benefits Fund Board (RBFB) effective from 1 January 2003. This sub-fund prepares an annual financial report for audit and inclusion in the annual report of the RBFB and it retains its status as a defined benefits scheme. The PRBF provides members with a benefit paid as a lump sum. The number of fund members at 30 June 2012 was 6 (2011, 7). The PRBF's performance was affected by the lack of new members and payments to exiting members on retirement.

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

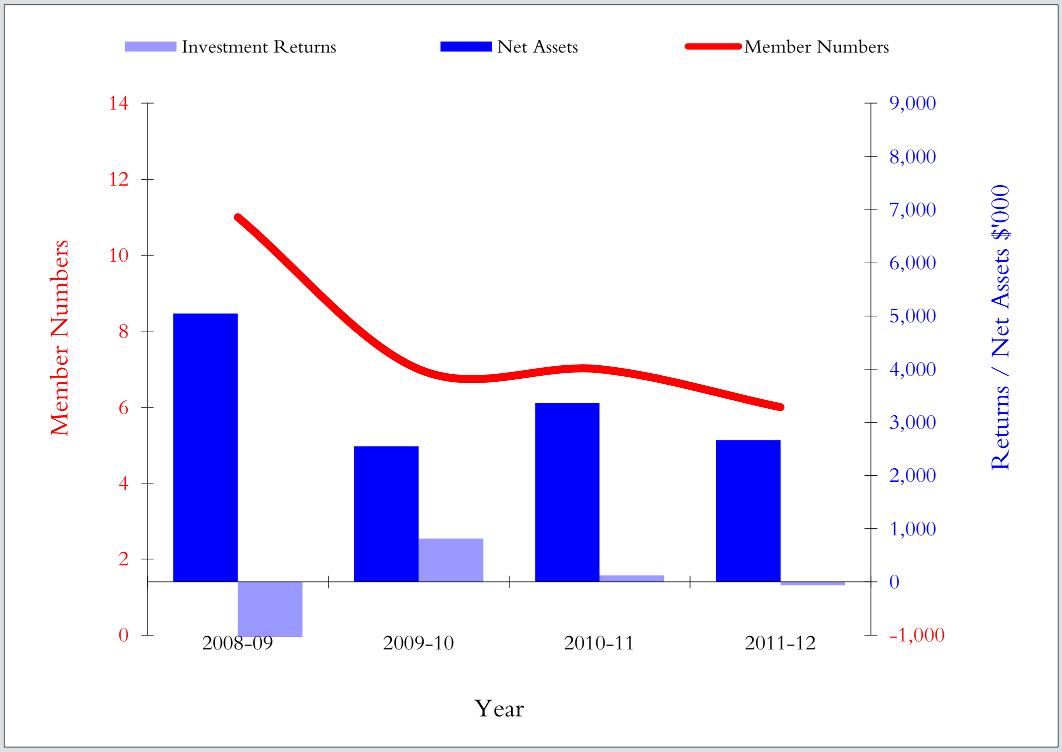
Signed financial statements were received on 15 August 2012 and an unqualified audit report was issued on 21 August 2012.

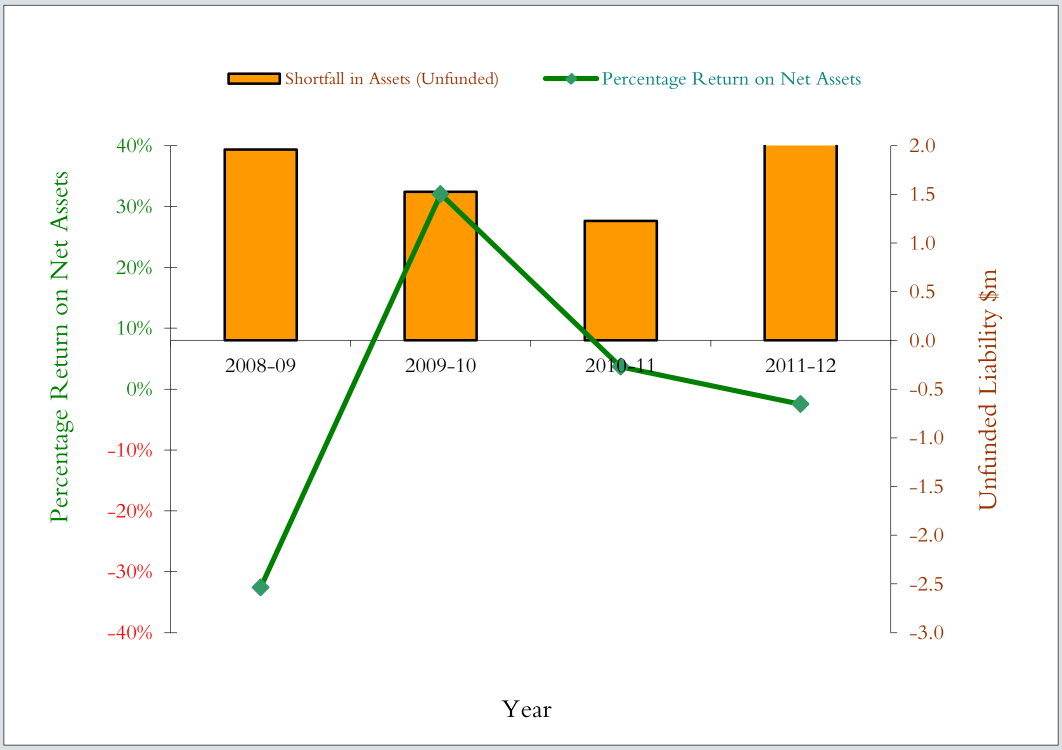
KEY FINDINGS AND DEVELOPMENTS

Key developments and findings are discussed in the Superannuation Funds Chapter of this Volume.

FINANCIAL RESULTS

The graphs below provide a snapshot of the Scheme's financial performance.





In 2011-12 one member exited the Scheme and as a result PRBF has six active members. Net assets declined, $0.706m, mainly due to a lump sum payment to the exiting member. Investments returns showed signs of recovery during 2009-10 and 2010-11 after their sharp decline in 2008-09 following the global financial crisis. This trend was reversed in 2011-12 due to the sovereign debt crisis in Europe and slow worldwide economic growth. As a result, Net investment income was a deficit of $0.024m in 2011-12.

The PRBF total unfunded liability fluctuated between the years due to movements in Net Assets and the value of accrued benefits. There is no single factor causing this increase. Contributing factors included:

- lower Australian government bond yields leading to application of lower discount rates pushing up the liability
- salary and wages increments at a rate greater than forecast by the actuary
- pension options available to benefit recipients
- anti-detriment provisions
- life expectancy.

The deficit will be funded by the State Government on an emerging cost basis.

STATEMENT OF CHANGES IN NET ASSETS

	2011-12	2010-11	2009-10	2008-09
	$'000s	$'000s	$'000s	$'000s
Investment revenue	209	216	277	441
Changes in net market values	(215)	207	417	(1 460)
Direct investment expense	(18)	(17)	(25)	(31)
Employer contributions	237	190	294	338
Member contributions	133	88	113	131
Total Revenue	**346**	**684**	**1 076**	**(581)**
Lump sum benefits paid	1 010	0	3 455	1 803
General operating fees	25	54	32	167
Superannuation contributions surcharge	0	(228)	0	(3)
Total Expenses	**1 035**	**(174)**	**3 487**	**1 967**
Change in net assets before tax	**(689)**	**858**	**(2 411)**	**(2 548)**
Income tax (expense) benefit	(17)	(40)	(86)	84
Change in net assets after tax	**(706)**	**818**	**(2 497)**	**(2 464)**
Net Assets available to pay benefits at start of year	3 369	2 551	5 048	7 512
Net Assets available to Pay Benefits at End of Year	**2 663**	**3 369**	**2 551**	**5 048**

Comment

In 2011-12 PRFB recorded a decrease in net assets after tax of $0.706m, compared to an increase of $0.818m reported last year. The turnaround of $1.524m was due to:

- a negative Change in net market values, $0.215m, which was a combination of realised and unrealised losses, $0.017m and $0.198m respectively, for reasons discussed in the Financial Results section of the Superannuation Funds Chapter in this Volume
- Lump sum benefits paid, $1.010m, following the exit of one member during the year
- Superannuation contribution surcharge refund paid last year, $0.228m, which arose from a comprehensive review of the Board's superannuation contribution surcharge obligations.

Net Assets available to pay benefits at 30 June 2012 totalled $2.663m. In view of the absence of new members and as existing members exit, subject to improved investment performance, net assets will gradually decline.

Net Assets represents the assets available to pay members' benefits. The Accrued and Vested benefits for the Scheme were valued at 30 June 2012 using the assumptions reviewed at the last triennial actuarial investigation as at 30 June 2010. The valuation methodology and assumptions used are disclosed in the notes to the Financial Statements.

As at 30 June 2012, the value of Accrued benefits, $5.057m (2011, $4.595m), was greater than scheme assets, $2.663m ($3.369m), resulting in an unfunded liability of $2.394m ($1.226m). This shortfall will be funded by the State Government on an emerging cost basis.

Vested benefits, which were unconditional benefits members were entitled to receive had they terminated their membership as at the reporting date, were $5.849m at 30 June 2012 ($5.379m).

STATEMENT OF NET ASSETS

	2012	2011	2010	2009
	$'000s	$'000s	$'000s	$'000s
Cash at bank	0	15	0	0
Receivables	1	0	19	65
Investments	4 908	4 798	4 201	6 323
Other assets	145	125	140	109
Total Assets	**5 054**	**4 938**	**4 360**	**6 497**
Payables	1 694	859	974	675
General operating provision	517	537	510	495
Other liabilities	180	173	325	279
Total Liabilities	**2 391**	**1 569**	**1 809**	**1 449**
Net Assets Available To Pay Benefits	**2 663**	**3 369**	**2 551**	**5 048**

Comment

Net Assets Available to Pay Benefits declined by $0.706m, consistent with the deficit for the year. This was mainly represented by:

- higher Investments, $0.110m, representing the net value of investments purchased from contributions received during the year, adjusted for changes in market values
- higher Payables, $0.835m, representing monies owed to other Schemes as a result of rebalancing asset allocations and other transactions within the Fund.

Vested benefits, which were unconditional benefits members were entitled to receive had they terminated their membership as at the reporting date, were $5.849m at 30 June 2012.

FINANCIAL ANALYSIS

	2011-12	2010-11	2009-10	2008-09
Financial Performance				
Investments ($'000s)	4 908	4 798	4 201	6 323
Net Investment Income ($'000s)	(24)	406	669	(1 050)
Return on investments	(0.5%)	8.9%	12.3%	(13.5%)
Other Information				
Members (number)	6	7	7	11

Comment

As with most small funds, the PRBF's performance varies considerably due to the volatility of investment markets and the amount of benefits paid out in any one financial year. Net investment income, calculated as investment income adjusted for changes in net market values less direct investment expenses, was a deficit of $0.024m due to reasons discussed in the Financial Results section of the Superannuation Funds Chapter in this Volume.

Over the four year period, the average Return on investments was 1.8%.

RETIREMENT BENEFITS FUND BOARD - TASMANIAN AMBULANCE SERVICE SUPERANNUATION SCHEME

INTRODUCTION

The Tasmanian Ambulance Service Superannuation Scheme (TASSS or the Scheme) is a Defined Benefit Scheme that provides benefits to its members pursuant to the provisions of the *Retirement Benefits (Tasmanian Ambulance Service Superannuation Scheme) Act 2006.* Membership was open to permanent employees of Ambulance Tasmania (formerly the Tasmanian Ambulance Service) who were employed prior to 30 June 2006 from which date the Scheme was closed to new members.

The TASSS was transferred to the Retirement Benefits Fund Board (RBFB) on 30 June 2006 under a Successor Fund arrangement. This arrangement involved the trustee, fund administration and investment functions of the Scheme being transferred to the RBFB.

Benefits of members are calculated by way of formulae defined in the Tasmanian Ambulance Service Superannuation Trust Deed.

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

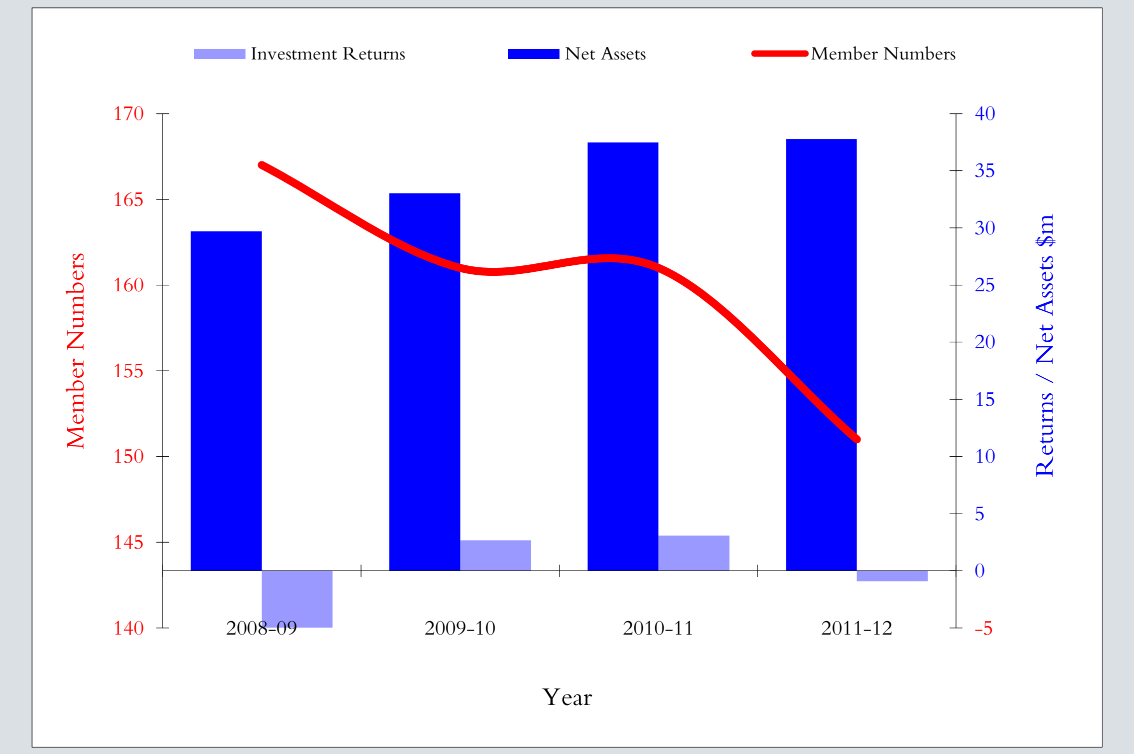
Signed financial statements were received on 15 August 2012 and an unqualified audit report was issued on 21 August 2012.

KEY FINDINGS AND DEVELOPMENTS

Key developments and findings are discussed in the Superannuation Funds Chapter of this Volume.

FINANCIAL RESULTS

The graph below provides a snapshot of the Scheme's financial performance.



Being a closed scheme Member numbers continued to fall over the four year period although only slightly in 2010-11 but increasing again in 2011-12. A limited services period was introduced from mid-April to June 2011 to assist with the transition of member administration processes and platform to an outsourced provider, which impacted on processing of new pension claims during that period. The increase in departures during 2011-12 was a combination of clearing the backlog caused by the limited services period and higher number of retirements.

Net assets and investment returns showed signs of improvements during 2009-10 and 2010-11 as the financial markets started to recover following the crash in 2008. This trend was reversed in 2011-12 due to the sovereign debt crisis in Europe and continued slow world economic growth.

STATEMENT OF CHANGES IN NET ASSETS

	2011-12	2010-11	2009-10	2008-09
	$'000s	$'000s	$'000s	$'000s
Investment revenue	1 768	1 842	1 538	2 020
Changes in net market values	(1 874)	1 784	1 360	(6 409)
Direct investment expenses	(151)	(149)	(123)	(146)
Employer contributions	2 111	2 096	1 839	1 819
Member contributions	399	441	429	511
Total Revenue	**2 253**	**6 014**	**5 043**	**(2 205)**
Benefits paid	1 291	740	1 083	2 477
Administration expenses	510	398	94	433
Total Expenses	**1 801**	**1 138**	**1 177**	**2 910**
Change in net assets before tax	**452**	**4 876**	**3 866**	**(5 115)**
Income tax (expense) benefit	(152)	(432)	(540)	189
Change in net assets after tax	**300**	**4 444**	**3 326**	**(4 926)**
Net assets available to pay benefits at start of year	37 465	33 021	29 695	34 621
Net Assets Available to Pay Benefits at End of Year	**37 765**	**37 465**	**33 021**	**29 695**

Comment

In 2011-12 the Scheme recorded a surplus before tax of $0.452m (2011, $4.876m), which was $4.424m lower than last year's result. The fall in the result was predominantly due to:

- slightly lower Investment revenue, $0.074m
- decrease in the net market value of investments, $1.874m, being a combination of:
  - net unrealised losses of $1.731m, down $2.721m from an unrealised gain of $0.990m last year. All asset classes with the exception of Diversified fixed interest recorded unrealised losses this year. The unrealised losses included $1.029m in Australian equities and $0.129m in international equities. Unrealised losses from Property and Alternative investments, totalling $0.697m, included write-downs of investments in unlisted trusts and the Hobart International Airport Pty Ltd
  - net realised losses of $0.143m were made up predominantly of losses on Australian and International equities investments of $0.192m and $0.106m, respectively. This compared to 2010-11 realised gain on Australian equities of $0.178m and International equities of $0.580m. Losses on equities were partly offset by realised gains on Diversified fixed interest investments, $0.153m
- higher benefit payments, of $1.291m, due to a combination of processing lump sum payments deferred during the limited service period between mid-April and June 2011 and normal attrition rate of members in the scheme
- higher Administration expenses, $0.112m, mainly due to changes in the allocation basis and increased taxation component of the general operating fee.

After accounting for an Income tax expense of $0.152m, the Scheme reported a net surplus of $0.300m. Net Assets available to pay benefits at 30 June 2012 totalled $37.765m.

STATEMENT OF NET ASSETS

	2012	2011	2010	2009
	$'000s	$'000s	$'000s	$'000s
Cash at bank	1 434	488	0	0
Receivables	13	4	119	140
Investments	42 037	40 463	36 416	31 239
Deferred tax asset	907	735	862	899
Total Assets	**44 391**	**41 690**	**37 397**	**32 278**
Payables	5 808	3 549	3 585	1 837
General Operating Provision	493	353	287	445
Provision for income tax	325	323	504	301
Deferred tax Liability	0	0	0	0
Total Liabilities	**6 626**	**4 225**	**4 376**	**2 583**
Net Assets Available To Pay Benefits	**37 765**	**37 465**	**33 021**	**29 695**

Comment

Net Assets Available to Pay Benefits increased by $0.300m consistent with the net surplus for the year. This was mainly represented by:

- increase in Cash at bank, $0.946m
- higher Investments, $1.574m, principally due to:
    - a net increase in Australian equities, $1.857m, represented by new capital investment of $2.574m and reinvested distributions, $0.504m, less unrealised losses, $1.029m, and realised losses, $0.192m
    - a net decrease in international equities, $1.536m, made up of capital withdrawal of $0.932m, unrealised losses, $0.129m and realised losses, $0.106m offset by revenue $0.142m
    - a net increase in cash deposits, $1.160m, mainly due to additional investments of $1.052m and revenue of $0.114m
- higher Payables, $2.259m, relating to inter-fund payables and representing monies owed to other Schemes as a result of rebalancing asset allocations and other transactions within the Fund.

Net Assets available to pay benefits at 30 June 2012 totalled $37.765m. In view of the absence of new members and as existing members exit, subject to improved investment performance, net assets will gradually decline.

Net Assets represent the assets available to pay members' benefits. The Accrued benefits for the Scheme were valued at 30 June 2012. The valuation methodology and assumptions used are disclosed in the notes to the Financial Statements. As at 30 June 2012, the value of Accrued benefits, $36.974m, was lower than scheme assets, $37.765m, resulting in a small surplus of $0.791m.

Vested benefits, which were unconditional benefits members were entitled to receive had they terminated their membership, which were last valued at 30 June 2011, were $37.970m.

Superannuation information presented in Ambulance Tasmania's Financial Statements

A valuation of Ambulance Tasmania's superannuation liability under AASB 119 Employee Benefits was undertaken by its actuary as at 30 June 2012 and disclosed in the financial statements for that year. Bearing in mind the differences in valuations calculated under AASB 119 and AAS 25 discussed in the Financial Results section of the Superannuation Funds Chapter in this Volume, the present value of Ambulance Tasmania's defined benefit superannuation obligation was $50.901m at 30 June 2012 (2011, $40.658m). Net liability recognised by Ambulance Tasmania was $11.826m at 30 June 2012, ($3.177m). The increase in the net liability was predominantly due to an increase in the present value of the obligation as a result of lower discount rates.

FINANCIAL ANALYSIS

	2011-12	2010-11	2009-10	2008-09
Financial Performance				
Investments ($'000s)	42 037	40 463	36 416	31 239
Net investment income ($'000s)	(257)	3 477	2 775	(4 535)
Return on investments	(0.6%)	9.0%	7.6%	(14.5%)
Other Information				
Members (number)	151	161	161	167

Comment

Investments under management continued to grow with the majority of the growth in 2011-12 being attributed to capital contributions rather than investment gains.

Net investment income, calculated as investment income adjusted for changes in net market values less direct investment expenses, was a deficit of $0.257m due to reasons discussed in the Financial Results section of the Superannuation Funds Chapter in this Volume.

Over the four year period, the average Return on investments was 0.4%.

RETIREMENT BENEFITS FUND BOARD - STATE FIRE COMMISSION SUPERANNUATION SCHEME

INTRODUCTION

The State Fire Commission Superannuation Scheme (SFCSS or the Scheme) is a defined benefit scheme. The Scheme was closed to new members from 1 July 2005. It was established for permanent uniformed employees of the Tasmania Fire Service (TFS). The SFCSS was transferred to the Retirements Benefit Fund Board (RBFB) on 1 May 2006 under a Successor Fund arrangement. This arrangement involved the trustee, fund administration and investment functions of the Scheme being transferred to the RBFB. Accumulation entitlements in SFCSS were rolled over to the RBF Investment Account effective 1 May 2006.

Members receive benefits based on their final average salary and years of service and they contribute at the rate of 5%. Member Investment Choice does not apply to these contributions. Members wishing to contribute more than 5% do so via the RBF Investment Account. The employer, State Fire Commission (SFC), contributes at the rate of 11% for each employee and it retains responsibility for any shortfall in fund assets.

Being a closed scheme, growth and performance will be affected by the lack of new members in future years and as existing members exit from the scheme. Nevertheless, as a defined benefit scheme, any future unfunded liability must be met over time by the SFC.

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

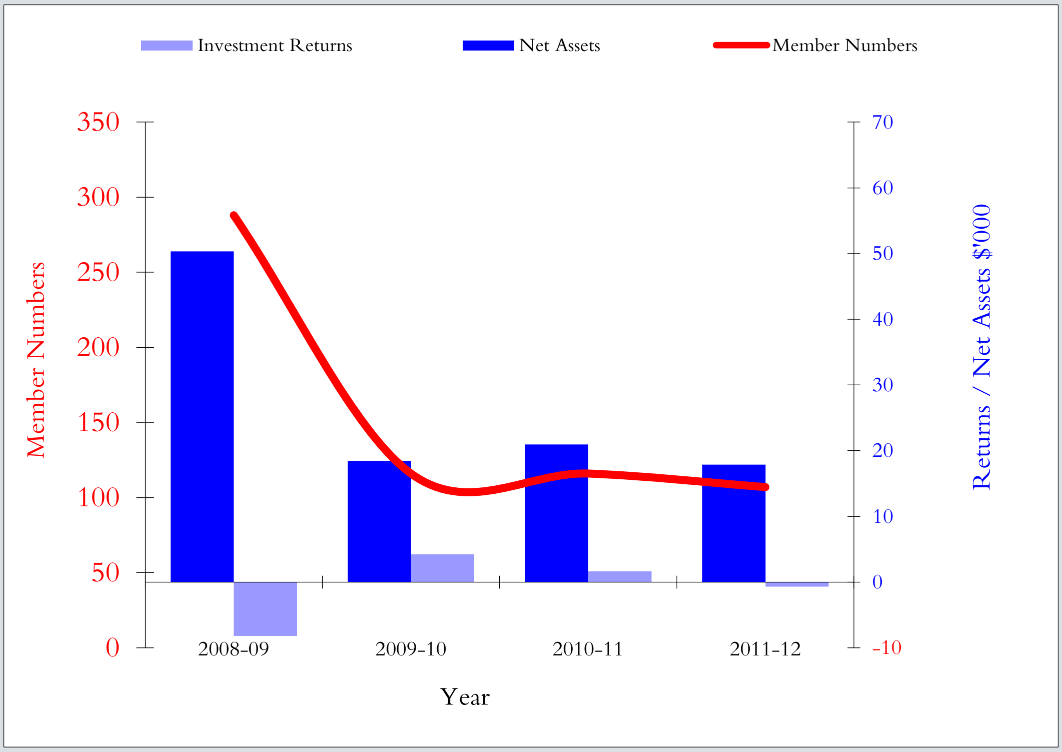
Signed financial statements were received on 15 August 2012 and an unqualified audit report was issued on 21 August 2012.

KEY FINDINGS AND DEVELOPMENTS

Key developments and findings are discussed in the Superannuation Funds Chapter of this Volume.

FINANCIAL RESULTS

The graph below provides a snapshot of the Scheme's financial performance.



Being a closed scheme Member numbers continued to fall over the four year period although only slightly since 2009-10. A limited services period was introduced from mid-April to June 2011 to assist with the transition of member administration processes and platform to an outsourced provider, which impacted on processing of new pension claims during that period. The slight increase in departures during 2011-12 was a combination of clearing the backlog caused by the limited services period and higher number of retirements following staff reductions by the SFC in response to budget pressures.

Net assets and investment returns showed signs of improvements during 2009-10 and 2010-11 as the financial markets started to recover following their crash in 2008. This trend was reversed in 2011-12 due to the sovereign debt crisis in Europe and the continued slow world economic growth.

STATEMENT OF CHANGES IN NET ASSETS

	2011-12	2010-11	2009-10	2008-09
	$'000s	$'000s	$'000s	$'000s
Investment revenue	1 231	1 292	1 577	3 443
Changes in net market values	(1 304)	1 265	3 366	(10 932)
Direct investment expenses	(105)	(105)	(144)	(248)
Employer contributions	1 319	1 333	1 994	3 195
Member contributions	66	72	139	271
Total Revenue	**1 207**	**3 857**	**6 932**	**(4 271)**
Benefits paid	3 711	322	37 542	5 597
Administration expenses	464	798	585	488
Total Expenses	**4 175**	**1 120**	**38 127**	**6 085**
Change in Net Assets Before Tax	**(2 968)**	**2 737**	**(31 195)**	**(10 356)**
Income tax (expense) benefit	(77)	(252)	(714)	291
Change in Net Assets after Tax	**(3 045)**	**2 485**	**(31 909)**	**(10 065)**
Net assets available to pay benefits at start of year	20 927	18 442	50 351	60 416
Net Assets Available to Pay Benefits at End of Year	**17 882**	**20 927**	**18 442**	**50 351**

Comment

In 2011-12 the Scheme recorded a deficit before tax of $2.968m, (2011, $2.737m surplus), which was $5.705m lower than last year's result. The fall in the result was predominantly due to:

- lower Investment revenue, $0.061m
- decrease in the net market value of investments, $2.569m, being a combination of:
  - net unrealised losses of $1.205m, down $1.909m from an unrealised gain of $0.704m last year. All asset classes with the exception of Diversified fixed interest recorded unrealised losses this year. The unrealised losses included $0.719m in Australian equities and $0.086m in international equities. Unrealised losses from Property and Alternative investments, totalling $0.486m, included write-downs of investments in unlisted trusts and the Hobart International Airport Pty Ltd
  - net realised losses of $0.099m which were made up predominantly of losses on Australian and international equities investments of $0.132m and $0.074m, respectively. This compared to 2010-11 realised gain on Australian equities of $0.127m and International equities of $0.407m. Losses on equities were partly offset by realised gains on Diversified fixed interest investments, $0.106m
- higher benefit payments, of $3.389m, due to a combination of processing lump sum payments deferred during the limited service period between mid-April and June 2011 and nine members exiting the scheme due to retirement
- lower administration costs, $0.334m, mainly due to changes in the allocation basis.

After accounting for an Income tax benefit of $0.077m, the Scheme reported a net deficit of $3.045m. Net Assets available to pay benefits at 30 June 2012 totalled $17.882m.

STATEMENT OF NET ASSETS

	2012	2011	2010	2009
	$'000s	$'000s	$'000s	$'000s
Cash at bank	0	220	0	0
Receivables	9	143	13	234
Investments	29 245	28 124	25 647	54 078
Deferred tax asset	2 085	1 965	2 063	1 626
Total Assets	**31 339**	**30 452**	**27 723**	**55 938**
Payables	12 618	8 803	7 704	4 424
General operating provision	642	532	428	623
Provision for income tax	197	190	1 149	540
Total Liabilities	**13 457**	**9 525**	**9 281**	**5 587**
Net Assets Available To Pay Benefits	**17 882**	**20 927**	**18 442**	**50 351**

Comment

Net Assets Available to Pay Benefits decreased by $3.045m consistent with the net deficit for the year. This was mainly represented by:

- reduction in Cash at bank, $0.220m, to nil
- higher Investments, $1.121m, principally due to:
  - a net increase in Australian equities, $1.263m, represented by new capital investment of $1.763m and reinvested distributions, $0.351m, less unrealised losses, $0.719m and realised losses, $0.132m
  - a net decrease in international equities, $1.039m, made up of capital withdrawal of $0.978m, unrealised losses, $0.086m, and realised losses, $0.074m, offset by revenue $0.099m
  - a net increase in cash, $0.812m, mainly due to additional capital investment of $0.737m and revenue of $0.079m
- higher Payables, $3.815m, mainly due to an increase in lump sums payable, $2.336m, and an increase in inter-fund payables of $1.479m representing monies owed to other Schemes as a result of rebalancing asset allocations and other transactions within the Fund.

Net Assets available to pay benefits at 30 June 2012 totalled $17.882m. In view of the absence of new members and as existing members exit, subject to improved investment performance, net assets will gradually decline.

Net Assets represent the assets available to pay members' benefits. The Accrued benefits for the Scheme were valued at 30 June 2009 at the time of the last triennial actuarial investigation. The valuation methodology and assumptions used are disclosed in the notes to the Financial Statements.

As at 30 June 2009, the value of Accrued benefits, $49.181m, was greater than scheme assets, $17.882m at 30 June 2012, resulting in an unfunded liability of $31.299m (2011, $28.254m). This shortfall will be funded by the State Fire Commission, and ultimately by the State Government, on an emerging cost basis. We acknowledge that this actuarial assessment is three years old and does not reflect the significant movement in membership since 2009. A new triennial actuarial investigation is due to be completed in calendar year 2012.

Vested benefits, which were unconditional benefits members were entitled to receive had they terminated their membership, which were last valued at 30 June 2011, were $22.690m.

Superannuation information presented in State Fire Commission's Financial Statements

A valuation of the SFC's superannuation liability under AASB 119 Employee Benefits was undertaken by its actuary as at 30 June 2012 and disclosed in the financial statements for that year. Bearing in mind the differences in valuations calculated under AASB 119 and AAS 25, discussed in the Financial Results section of the Superannuation Funds Chapter in this Volume, the present value of the SFC's defined benefit superannuation obligation was $25.703m at 30 June 2012 (2011, $24.668m). Net liability recognised by the SFC was $8.160m at 30 June 2012, ($3.808m). The increase in the net liability was a combination of the fall in the Scheme's Net Assets and an increase in the present value of the obligation due to lower discount rates.

FINANCIAL ANALYSIS

	2011-12	2010-11	2009-10	2008-09
Financial Performance				
Investments ($'000s)	29 245	28 124	25 647	54 078
Net investment income ($'000s)	(178)	2 452	4 799	(7 737)
Return on investments	(0.6%)	6.0%	18.7%	(14.3%)
Other Information				
Members (number)	107	116	116	288

Comment

Investments under management continued to grow with the majority of the growth in 2011-12 being attributed to capital contributions rather than investment gains.

Net investment income, calculated as investment income adjusted for changes in net market values less direct investment expenses, was a deficit of $0.178m due to reasons discussed in the Financial Results section of the Superannuation Funds Chapter in this Volume.

Over the four year period, the average Return on investments was 2.45%.

RETIREMENT BENEFITS FUND BOARD - RBF FINANCIAL PLANNING PTY LTD

INTRODUCTION

RBF Financial Planning Pty Ltd (the Company) is a wholly owned subsidiary of the Retirement Benefits Fund Board (the RBF Board), established to provide RBF members with financial planning advice. The Company's revenue is derived primarily from financial planning fees charged to RBF members.

AUDIT OF THE 2011-12 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2012 and an unqualified audit report was issued on 21 August 2012.

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

SUMMARY OF FINANCIAL RESULTS

	2011-12	**2010-11**
	$	$
Total Receipts	260 735	280 115
Total Payments	250 135	263 851
Profit before income tax expense	**10 600**	**16 264**
Income tax expense	3 543	4 879
Net Surplus	**7 057**	**11 385**
	2012	**2011**
Total Assets	294 247	207 928
Total Liabilities	126 102	46 840
Net Assets	**168 145**	**161 088**
Total Equity	**168 145**	**161 088**

Comment

Net Surplus decreased, $4 328, primarily due to lower receipts as a result of a change in the Company's strategy from expanding its customer base to focusing on existing clients.

Total Equity increased in line with the Net Surplus. The increase in both Total Assets, $86 319, and Total Liabilities, $79 262, was due to an outstanding reimbursement of employee costs payable by the Company to the RBF Board. This resulted in higher cash and payables balances.

Total Assets comprised mainly of cash, $243 136. The Company holds an AFS (Australian Financial Services) licence requiring it to maintain a liquidity level of at least $100 000.

APPENDIX 1 - GUIDE TO USING THIS REPORT

This Report is prepared under section 29 of the *Audit Act 2008* (the Audit Act), which requires the Auditor-General, on or before 31 December in each year, to report to Parliament in writing on the audit of State entities and audited subsidiaries of State entities in respect of the preceding financial year. The issue of more than one report entitled the *Auditor-General's Report on the Financial Statements of State Entities*, comprising six volumes, satisfies this requirement each year. The volumes are:

- Volume 1 – Analysis of the Treasurer's Annual Financial Report
- Volume 2 – Executive and Legislature, Government Departments, other General Government State entities, other State entities and Superannuation Funds
- Volume 3 – Government Business Enterprises, State Owned Corporations and Water Corporations
- Volume 4 – Local Government Authorities
- Volume 5 - Other State entities 31 December, including University of Tasmania.

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

FORMAT OF THE FINANCIAL ANALYSIS

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

- make the statements more relevant to the nature of the entity's business
- highlight the entity's working capital, which is a useful measure of liquidity.

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

FINANCIAL ANALYSIS

The following tables illustrate the methods of calculating:

- performance indicators used in the individual financial analysis sections of this Report, together with a number of benchmarks used to measure financial performance

Financial Performance Indicator	Benchmark[1]	Method of Calculation
Financial Performance		
Earnings Before Interest and Tax (EBIT) ($'000s)		Result from Ordinary Activities before Gross Interest Expense and Tax
EBITDA ($'000s)		Result from Ordinary Activities before Gross Interest Expense, Tax, Depreciation and Amortisation
Operating margin	>1.0	Operating Revenue divided by Operating Expenses
Operating surplus (deficit) ($'000s)		Result from Operating Revenues less Operating Expenses
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		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		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		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 weakening.

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 statements					Audit opinion signed	Timeliness of audit opinion issue from balance date					
	Financial Statement deadline	Signed Financial Statements Received	Re-signed/ Amended Financial Statements Received	Emphasis of matter	Clear opinion issued		< 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
EXECUTIVE AND LEGISLATURE, GOVERNMENT DEPARTMENTS AND OTHER GENERAL GOVERNMENT SECTOR STATE ENTITIES												
EXECUTIVE & LEGISLATURE												
House of Assembly	15 August 2012	13 August 2012			✓	5 September 2012		✓				
Legislative Council	15 August 2012	10 August 2012			✓	6 September 2012		✓				
Legislature-General	15 August 2012	15 August 2012			✓	26 September 2012				✓		
Office of the Governor	15 August 2012	13 August 2012			✓	26 September 2012				✓		
GOVERNMENT DEPARTMENTS												
Department of Economic Development and Tourism and the Arts	15 August 2012	15 August 2012	27 September 2012		✓	27 September 2012				✓		
Tasmanian Development and Resources	15 August 2012	15 August 2012			✓	27 September 2012				✓		
Tourism Tasmania	15 August 2012	16 August 2012			✓	24 September 2012				✓		
Tasmanian Museum and Art Gallery	15 August 2012	15 August 2012			✓	24 September 2012				✓		
Department of Education	15 August 2012	15 August 2012	26 September 2012		✓	28 September 2012				✓		
Department of Health and Human Services	15 August 2012	15 August 2012	27 September 2012		✓	28 September 2012				✓		
Housing Tasmania	15 August 2012	15 August 2012			✓	28 September 2012				✓		
Tasmanian Affordable Housing Limited	15 August 2012	26 October 2012			✓	31 October 2012						✓
Ambulance Tasmania	15 August 2012	15 August 2012			✓	28 September 2012				✓		
Department of Infrastructure, Energy and Resources	15 August 2012	15 August 2012			✓	18 September 2012			✓			
Department of Justice	15 August 2012	10 August 2012			✓	10 September 2012			✓			
Department of Police and Emergency Management	15 August 2012	15 August 2012			✓	11 September 2012			✓			
Department of Premier and Cabinet	15 August 2012	15 August 2012			✓	23 August 2012	✓					
Department of Primary Industries, Parks, Water and Environment	15 August 2012	15 August 2012			✓	29 August 2012		✓				

Entity	Financial Statement deadline	Signed Financial Statements Received	Re-signed/ Amended Financial Statements Received	Emphasis of matter	Clear opinion issued	Audit opinion signed	< 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
	Financial statements						Timeliness of audit opinion issue from balance date					
Department of Treasury and Finance	15 August 2012	13 August 2012			✓	28 September 2012				✓		
OTHER GENERAL GOVERNMENT SECTOR STATE ENTITIES												
Asbestos Compensation Fund	15 August 2012	15 August 2012			✓	29 August 2012		✓				
Director of Public Prosecutions	15 August 2012	14 August 2012			✓	21 September 2012			✓			
Inland Fisheries Service	15 August 2012	24 July 2012			✓	7 September 2012		✓				
Integrity Commission	15 August 2012	13 August 2012			✓	3 September 2012		✓				
Marine and Safety Authority	15 August 2012	9 August 2012			✓	9 August 2012	✓					
Office of the Ombudsman and Health Complaints Commissioner	15 August 2012	14 August 2012			✓	12 September 2012			✓			
Office of the Tasmanian Economic Regulator	15 August 2012	14 August 2012			✓	27 September 2012				✓		
Royal Tasmanian Botanical Gardens	15 August 2012	15 August 2012			✓	14 September 2012			✓			
State Fire Commission	15 August 2012	14 August 2012	31 August 2012		✓	17 September 2012			✓			
Sullivans Cove Waterfront Authority	n/a	17 July 2012			✓	20 July 2012	✓					
Tasmanian Community Fund	15 August 2012	14 August 2012			✓	24 August 2012	✓					
Tasmanian Heritage Council	15 August 2012	15 August 2012			✓	24 September 2012				✓		
Tasmanian Skills Institute	15 August 2012	15 August 2012		✓	✓	21 September 2012			✓			
The Nominal Insurer	15 August 2012	16 August 2012			✓	28 September 2012				✓		
Workcover Tasmania Board	15 August 2012	20 August 2012			✓	28 September 2012				✓		
OTHER STATE ENTITIES												
Aboriginal Land Council	15 August 2012	14 August 2012			✓	21 August 2012	✓					
Clyde Water Trust	15 August 2012	15 August 2012			✓	28 September 2012				✓		
Council of Law Reporting	15 August 2012	31 July 2012			✓	31 August 2012		✓				
Forest Practices Authority	15 August 2012	9 August 2012			✓	19 September 2012			✓			
Legal Aid Commission of Tasmania	15 August 2012	15 August 2012			✓	21 August 2012	✓					
Legal Profession Board of Tasmania	15 August 2012	15 August 2012			✓	27 August 2012		✓				

Entity	Financial statements: Financial Statement deadline	Signed Financial Statements Received	Re-signed/ Amended Financial Statements Received	Emphasis of matter	Clear opinion issued	Audit opinion signed	Timeliness of audit opinion issue from balance date: < 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
National Trust of Australia (Tasmania)	15 August 2012	16 October 2012			×	24 October 2012						✓
Private Forests Tasmania	15 August 2012	15 August 2012			✓	27 September 2012				✓		
Property Agents Board	15 August 2012	9 August 2012	29 August 2012		✓	7 September 2012		✓				
Property Agents Trust	15 August 2012	13 August 2012			✓	7 September 2012		✓				
Tasmanian Beef Industry (Research & Development) Trust	15 August 2012	14 August 2012			✓	14 September 2012			✓			
Tasmanian Building and Construction Industry Training Board	15 August 2012	3 August 2012			✓	14 September 2012			✓			
Tasmanian Dairy Industry Authority	15 August 2012	14 August 2012			✓	14 September 2012			✓			
Teachers Registration Board of Tasmania	15 August 2012	15 August 2012			✓	19 September 2012			✓			
Wellington Park Management Trust	15 August 2012	15 August 2012			✓	31 August 2012			✓			
SUPERANNUATION FUNDS												
Retirement Benefits Fund Board - Contributory Scheme	15 August 2012	15 August 2012			✓	21 August 2012	✓					
Retirement Benefits Fund Board - Tasmanian Accumulation Scheme	15 August 2012	15 August 2012			✓	21 August 2012	✓					
Parliamentary Superannuation Fund	15 August 2012	15 August 2012			✓	21 August 2012	✓					
Parliamentary Retiring Benefits Fund	15 August 2012	15 August 2012			✓	21 August 2012	✓					
Retirement Benefits Fund Board - Tasmanian Ambulance Service Superannuation Scheme	15 August 2012	15 August 2012			✓	21 August 2012	✓					
Retirement Benefits Fund Board - State Fire Commission Superannuation Scheme	15 August 2012	15 August 2012			✓	21 August 2012	✓					
RBF Financial Planning Pty Ltd	15 August 2012	14 August 2012			✓	21 August 2012	✓					

APPENDIX 3 - ACRONYMS AND ABBREVIATIONS

AAS	Australian Accounting Standard
AASB	Australian Accounting Standards Board
Abt	The Abt Railway
BER	Building the Education Revolution
BTF	Better TAFE Facilities
CIP	Capital Investment Program
CLAF	Crown Land Administration Fund
COMNAP	Council of Managers of National Antarctic Programs
CPI	Consumer Price Index
CSA	Community Service Agreement
CSL	Community Support Levy
CSO	Community Service Obligation
DEPHA	Department of Environment, Parks, Heritage and the Arts
DHHS	Department of Health and Human Services
DIER	Department of Infrastructure, Energy and Resources
DoE	Department of Education
DPIPWE	Department of Primary Industries, Parks, Water and Environment
DPIW	Department of Primary Industries and Water
DPP	Director of Public Prosecutions
DVA	Department of Veterans Affairs
EBA	Enterprise Bargaining Agreement
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EG	Etech Group Pty Ltd
EGI	Etech Group International Pty Ltd
ESIF	Economic and Social Infrastructure Fund
ET	Etech Tasmania Pty Ltd
FMAA	Financial Management and Audit Act 1990
FTE	Full-time equivalent
FTE	Full Time Equivalents
GBE	Government Business Enterprise
GST	Goods and Services Tax
GST	Goods and Services Tax
HCF	Hospitals Capital Fund
HF	Housing Fund
HOAP	Home Ownership Assistance Program
ICT	Information Communications and Technology
ITF	Infrastructure Tasmania Fund
MAIB	Motor Accidents Insurance Board
MAST	Marine and Safety Authority
MoU	Memorandum of Understanding
MPEA	Monetary Penalty Enforcement Act 2005
MPES	Monetary Penalty Enforcement Service
NBESP	National Building Economic Stimulus Program
NBN	National Broadband Network
Onstream	Water and Sewerage Corporation – Common Services
PNT	Pacific National Tasmania

PPE	Property, Plant and Equipment
PRBF	Parliamentary Retiring Benefits Fund
PSF	Parliamentary Superannuation Fund
PTY LTD	Proprietary Limited
RBF	Retirement Benefits Fund
RBF	Retirement Benefits Fund
RBFB	Retirement Benefits Fund Board
REIT	Real Estate Institute of Tasmania
RESB	Real Estate Scholarships Board of Tasmania
RHH	Royal Hobart Hospital
RTBG	Royal Tasmanian Botanical Gardens
SCIF	Special Capital Investment Funds
SCIF	Special Capital Investment Fund
SCWC	Shannon Clyde Water Company Ltd
SFC	State Fire Commission
SFCSS	State Fire Commission Superannuation Scheme
SOC	State Owned Company
SPA	Superannuation Provision Account
SSA	State Service Act 2000
TAFE	TAFE Tasmania
TAS	Tasmanian Accumulation Scheme
Tascot	Tascot Templeton Carpets Pty Ltd
Tasracing	Tasmanian Racing Board
TasRail	Tasmanian Railway Pty Ltd
TASSS	Tasmanian Ambulance Service Superannuation Scheme
TASSS	Tasmanian Ambulance Service Superannuation Scheme
TCFA	Tasmanian Community Forest Agreement
TDR	Tasmania Development and Resources
TIIFT	Training Infrastructure for Tomorrow
TISS	Tasmanian Industry Support Scheme
TMAG	Tasmanian Museum and Art Gallery
TMRN	Tasmanian Mobile Radio Network
TPP	Tourism Promotion Plan
TSI	Tasmanian Skills Institute
TT	Tourism Tasmania
TTH	Tasmania's Temptations Holidays
URHF	Urban Renewal and Heritage Fund
VACIS	Victorian Ambulance Clinical Information System
VTESA	Voluntary Targeted Employment Separation Arrangement
WIF	Water Infrastructure Fund
WIF	Water Infrastructure Fund

APPENDIX 4 - RECENT REPORTS

TABLED		No.	TITLE
May	2011	97	Follow of special reports 69–73
May	2011		Volume 5: Other State Entities 30 June 2010 and 31 December 2010, including University of Tasmania
Jun	2011	98	Premier's Sundry Grants Program and Urban Renewal and Heritage Fund
Jun	2011	99	Bushfire management
Jun	2011		Volume 4 Part 1: Local Government Authorities and Business Units 2009–10
Jun	2011		Volume 4 Part 2: Local Government Authorities and Business Units 2009–10
Jul	2011	100	Financial and economic performance of Forestry Tasmania
Sep	No. 1 of 2011–12		Tourism Tasmania: is it effective?
Sep	No. 2 of 2011–12		Children in out of home care
Nov	No. 3 of 2011–12		Financial Statements of State Entities: Volume 1 — Analysis of the Treasurer's Annual Financial Report 2010–11
Nov	No. 4 of 2011–12		Financial Statements of State Entities: Volume 2 — Executive and Legislature, Government Departments and other General Government Sector entities 2010–11
Nov	No. 5 of 2011–12		Financial Statements of State Entities: Volume 3 — Government Business Enterprises, State Owned Companies, Water Corporations and Superannuation Funds 2010–11
Nov	No. 6 of 2011–12		Financial Statements of State Entities: Volume 4 Part I — Local Government Authorities 2010–11
Dec	No. 7 0f 2011–12		Financial Statements of State entities: Volume 5 — Other State Entities 30 June 2011 and 31 December 2010
Mar	No. 8 of 2011–12		The assessment of land-use planning applications
Jun	No. 9 of 2011–12		Financial Statements of State Entities: Volume 6 — Other State Entities 30 June 2011 and 31 December 2011
Jun	No. 10 of 2011–12		Public Trustee: Management of minor trusts
Jun	No. 11 of 2011–12		Updating the Motor Registry System
Jun	No.12 of 2011–12		Follow up of special Reports 75–81
Jul	No. 1 of 2012–13		Sale of TOTE Tasmania
Oct	No. 2 of 2012-13		TasPorts: benefits of amalgamation

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

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Our Vision

STRIVE I LEAD I EXCEL I TO MAKE A DIFFERENCE

Our Purpose

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

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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 & Garry Moore

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