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PARLIAMENT OF TASMANIA

REPORT OF THE AUDITOR-GENERAL

COMPLETION OF JUNE 2003-04 AND DECEMBER 2004 AUDITS AND FORESTRY TASMANIA LAND SWAP

No. 1 of 2005

June 2005

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

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14 June 2005

President
Legislative Council
HOBART

Speaker
House of Assembly
HOBART

Dear Sirs

In accordance with the requirements of Section 57 of the *Financial Management and Audit Act 1990*, I have pleasure in presenting my Report on the audit of those public bodies and Local Government Authorities for the year ended 30 June 2004 that were incomplete at the time of presenting my Report in November 2004 and of the two public bodies that report on the calendar year basis to 31 December 2004.

Included in this report is a brief analysis of the Consolidated Financial Statements for the State of Tasmania for the year ended 30 June 2004 and my report on the Forestry Tasmania Land Swap which occurred in 1997.

Yours sincerely

A handwritten signature in black ink, appearing to read 'H M Blake', with a long horizontal flourish extending to the right.

H M Blake
AUDITOR-GENERAL

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GUIDE TO USING THIS REPORT

This Report is prepared under Section 57 (1) of the *Financial Management and Audit Act 1990*, which requires the Auditor-General, on or before 31 December in each year to report to Parliament in writing on the audit of Government departments and public bodies in respect of the preceding financial year. This requirement was satisfied for the 2004 calendar year when I tabled a report detailing the results of my audits of financial statements covering 30 June 2003 audits incomplete at 30 November 2003, 31 December 2003 and 30 June 2004 balance dates on 16 November 2004.

Consistent with the need for more timely reporting initiated by my predecessor, Dr Arthur McHugh, I have decided to prepare two reports to Parliament each calendar year as follows:

1. One tabled in May/June; and
2. A second tabled each November.

This is the first of my May/June reports and summarises the results of:

- 30 June 2004 financial year ends - audits outstanding or incomplete at the time of tabling my report on 16 November 2004. This includes my audit of the Consolidated Financial Statements of the State of Tasmania;
- 31 December 2004 year ends – my audits of two public sector entities with December balance dates; and
- My report following an investigation into the Forestry Tasmania Land Swap that occurred in 1997.

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

1 EXECUTIVE SUMMARY

THIS REPORT

This Report deals with the outcomes from my audit of the Consolidated Financial Statements of the State of Tasmania at 30 June 2004 and of 16 public sector entities with 30 June 2004 balance dates the audits of which were incomplete at the time of compiling my November 2004 report to the Parliament. In addition I have included in this Report the outcomes from my:

- Audits of two public sector entities with 31 December 2004 balance dates – the Theatre Royal Management Board and the University of Tasmania; and
- Investigation into Forestry Tasmania's Land Swap in 1997.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE STATE OF TASMANIA

The Consolidated Financial Statements (the Statements) are prepared based on Australian Accounting Standard 31 "Financial Reporting by Governments" and consolidates all entities controlled by the State with segmented financial information provided at General Government, Public Non-Financial Corporation, Public Financial Corporation and Whole of Government Consolidated levels.

There is no statutory requirement to prepare the Statements. It is however good practice and is consistent with practice in other Australian jurisdictions.

The financial analysis in this Report covers the period 1999-2000 to 2003-04 which therefore includes the introduction of the GST on 1 July 2000.

In overview my analysis of the financial position of the State is that:

- The State's financial position is sound;
- Revenue from the Commonwealth represents a significantly larger share of State revenue in 2004 (43%) compared with the position in 2000 (37%) primarily due to the introduction of the GST;
- Revenue from sales of goods and services decreased relative to total revenue sources from 35% in 2000 to 30% in 2004;
- Taxation revenue provides a decreasing share of State revenue – 18% in 2000 compared to 13% in 2004;
- Employee benefits increased significantly over the five years under review (up 52% over the period 1999-2000 to 2003-04) although the increase over the period 2000-01 to 2003-04 was less extreme being \$385m or 25%;

- Employee benefits represents a higher percentage of total costs – 36% in 1999-2000 compared to 42% at 2003-04. Increases in superannuation costs represents a large share of this change;
- Supplies and consumables costs increased by 31% although much of this increase is associated with the GST. The increase between 2000/01 and 2003/04 was a lower 11%;
- The State's net asset position improved by \$1 710m or 27% over this five year period primarily due to investments in infrastructure and asset revaluations;
- In total, State borrowings remained constant – \$ 4.648bn at both 30 June 2000 and at 30 June 2004, however the mix has varied with a greater amount due for repayment within 12 months at 30 June 2004;
- The State invested heavily in capital expenditure in the last three years when investment totalled \$587m, \$367m and \$590m respectively. During this period asset acquisitions included the purchase of Spirits of Tasmania I, II and III and investments totalling \$277m by the three energy utilities;
- Employee entitlements have remained at around \$370m since 2000 despite increases in staff numbers; and
- Consistent with information already reported to the Parliament, the State's exposure to unfunded superannuation continues to grow – up by 38% or \$715m over the five year period.

THE NATIONAL TRUST OF AUSTRALIA (TASMANIA)

At the time of preparing my November 2004 Report to the Parliament, the audits of the 2002-03 and 2003-04 financial years were still in progress. Both audits are now complete.

The Trust continues to operate in difficult financial circumstances and remains very much reliant upon support from the State Government. This support has grown despite which the Trust operated at a significant deficit in 2003-04. Its net working capital and equity positions continued to deteriorate during 2003-04.

In late 2004 an Administrator was appointed to manage the Trust for up to two years. A major objective is to resolve the financial difficulties that the Trust is experiencing.

OTHER 30 JUNE 2004 AUDITS

The audits of the financial statements of a further fifteen public sector entities have now been completed. There is now only one audit outstanding – that of the Clyde Water Trust, which has not yet submitted completed financial statements for the 2002-03 and 2003-04 financial years. Completion has been held up by receipt of asset valuations of the Trust's non-current assets. This will enable the Trust to complete full accrual based financial statements for the first time.

In addition, a number of matters were reported to management of the Department of Health and Human Services following completion of the audit of its financial statements at 30 June 2004 a summary of which is included in this Report.

THEATRE ROYAL MANAGEMENT BOARD

The Theatre operated at a deficit of \$0.094m in 2003-04 and its net assets at 30 June 2004 were \$0.017m. It remains economically dependent upon the continued financial support of its financiers by way of loans and through the assistance of administration and programme grants from the State Government so that it can continue as a going concern and pay its debts as and when they fall due.

UNIVERSITY OF TASMANIA

The University operated at a surplus of \$11.9m for the year ended 31 December 2004 and its net assets totalled \$363.9m at this date, which is 4% up on the position at the previous balance date.

FORESTRY TASMANIA LAND SWAP

The land exchange transaction took place in 1997 and involved the vesting, by proclamation, in Forestry Tasmania of approximately 77 000 hectares of land with the requirement that land of equal value was to be surrendered by Forestry Tasmania within three months.

A deed dated 30 September 1997 was prepared identifying land to be surrendered (the majority of the 1 500 parcels previously acquired by Forestry Tasmania), and land to be retained (some 200 parcels to which Forestry Tasmania now has title), by Forestry Tasmania. Whilst the majority of the 1 500 parcels were surrendered, all land involved in the exchange, and retained titles, was and remains State Forest administered by Forestry Tasmania and, therefore, under the control of Forestry Tasmania.

Details of the land surrendered by Forestry Tasmania compared with the land vested in it are:

	Hectares	\$'000
• Land vested	77 113	32 150
• Land surrendered	<u>71 598</u>	<u>32 320</u>
Difference	<u>5 515</u>	<u>170</u>

Therefore, Forestry Tasmania received 5 515 hectares more than it surrendered but the value of the land surrendered was greater by \$0.170m. This is consistent with the Proclamation, which required that land "equal to or in value greater than" should be surrendered.

The Valuer-General valued both the land acquired, and the land surrendered.

The titles selected for transfer to Forestry Tasmania comprised the majority of the established "Crown" softwood estate at that time.

Between 1997 and 2002 Forestry Tasmania obtained some 45 titles to areas of State forest totaling approximately 77 000 hectares now held as freehold by it. The creation of these titles enabled a rationalisation of Forestry Tasmania's land holdings and permitted an initial softwood joint venture to be registered.

No money changed hands in this transaction. Instead Forestry Tasmania received title to Crown land and effectively 'gave up' its rights in equity to land of equivalent value. In reality, however, Forestry Tasmania controlled both the land vested in it and the land surrendered by it before and after completion of the transaction.

I concluded from this investigation that, despite some relatively minor differences in the various documents:

- The exchange of land was based on valuations independently prepared;
- Legislative requirements were complied with; and
- Documentation supporting the land exchange was adequate.

However:

- The fact that the exchange of land had no financial impact on the operations of Forestry Tasmania could have been more clearly explained; and
- Public information about the land exchange and its consequences could have been handled better.

It is my view that, in addition to the publicly stated reasons for entering into the land exchange, it was motivated by the need to facilitate joint venture agreements under discussion at that time, to ensure achievement of best value from plantations for the State and to provide some certainty to the private parties to these discussions that Forestry Tasmania held title to the lands in question.

2 SUMMARY OF RECOMMENDATIONS

RECOMMENDATIONS

This Report contains the following recommendations:

Regarding the Consolidated Financial Statements for the State of Tasmania –

Consideration should be given by Treasury to completing the Consolidated Financial Statements by 1 November each year with a requirement that the audit thereof be completed by 30 November.

Regarding the Forestry Tasmania Land Swap –

Forestry Tasmania ensure that its public reporting of potentially sensitive property transactions involving the State Forest be comprehensive.

The Department of Treasury and Finance and Forestry Tasmania have provided comment on these recommendations in the relevant chapters of this Report.

3 CONSOLIDATED FINANCIAL STATEMENTS FOR THE STATE OF TASMANIA

INTRODUCTION

The Consolidated Financial Statements (the Statements) are prepared based on Australian Accounting Standard 31 "Financial Reporting by Governments" and consolidates all entities controlled by the State with segmented financial information provided at General Government, Public Non-Financial Corporation, Public Financial Corporation and Whole of Government Consolidated levels.

There is no statutory requirement to prepare the Statements. It is however good practice and is consistent with practice in other Australian jurisdictions. The Department of Treasury and Finance (Treasury) prepares the Statements and has done so since 1998-99 when the first Statements were published.

The Statements provide information about the financial performance, financial position and cash flows of the State of Tasmania with the principal objectives of providing to the Parliament informative, comprehensive and clear information on the State's overall financial position. The Statements should be read in conjunction with the Treasurer's Annual Financial Report (the Treasurer's Report), which was tabled prior to 31 October 2004. However, this is difficult due to the completion of the Treasurer's Report on a Government Finance Statistics (Uniform Presentation Framework) basis. The Australian Accounting Standards Board (AASB) is currently developing an accounting standard aimed at harmonising the Government Finance Statistics and Generally Accepted Accounting Principles frameworks. This is an essential project in assisting readers of budgets and financial reports as it will ensure that financial information is prepared based on a single framework.

It is important to note that the Treasurer's Report fulfils a separate but specific accountability obligation it being prepared in compliance with Section 26A of the *Financial Management and Audit Act* 1990. Consistent with the State's budget papers the Treasurer's Report is prepared on the Government Finance Statistics basis. The analysis below does not include commentary on the Treasurer's Report.

It is noted for information that page 10 of the published Statements comprises a reconciliation between the general government AAS31 operating surplus and the GFS based fiscal surplus for the financial year ended 30 June 2004.

AUDIT OF THE 2003-04 CONSOLIDATED FINANCIAL STATEMENTS

Signed financial statements were received on 21 April 2005 and an unqualified audit report was issued on 22 April 2005. The Statements were signed by the Treasurer and by the Secretary, Department of Treasury and Finance.

Initial draft statements were received for audit in December 2004 with audit field work completed prior to Christmas. Audit work identified the need for various changes to the draft statements with finalisation thereof delayed until April 2005.

Consideration should be given by Treasury to completing the Statements in a more timely manner. Whilst there is no legislative requirement for the Statements to be prepared, if they are to be completed at all, then the information should be timely. In my view, for the information to be of maximum benefit to its users, the Statements should be presented for audit in early November with audit completion by 30 November each year at the latest.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

The consolidated financial performance of the State over the past five years is summarised in Table 1.

Table 1 Summarised Statements of Financial Performance (\$million)

	Percentage change – 5 years	2003-04	2002-03	2001-02	2000-01	1999-00
Total revenue	25.51%	4 679	4 328	4 120	3 955	3 728
Total expenditure	28.80%	4 490	4 306	4 044	4 017	3 486
Operating Surplus/(deficit)	(21.90%)	189	22	76	(62)	242

Comment

Expenditure at a whole of state level is increasing at a faster rate than is revenue. However, the increases between 1999-00 and 2000-01 appear out of line with the movements in the following years. This is likely to be connected with the introduction of the GST in 2000 and the actuarial revaluation of the State's superannuation liability.

Movements in revenues and expenditures between 2000-01 and 2003-04 are:

- Revenues – up 18.31%;
- Expenditures – up 11.77%; and
- Improvement in the operating results by \$251m.

A more detailed breakdown to identify causes is set out in Tables 2 and 3.

Table 2 Revenue sources

Revenue sources	04 \$M	04 %	03 \$M	03 %	02 \$M	02 %	01 \$M	01 %	00 \$M	00 %	% incr- ease over 5 yrs
Taxation	610	13	543	13	497	12	515	13	669	18	(9%)
Grants and subsidies	1 996	43	1 856	43	1 788	43	1 646	42	1 383	37	44%
Sales of goods and services	1 415	30	1 327	31	1 269	31	1 405	36	1 295	35	9%
Investment income	274	6	249	6	254	6	287	7	174	5	57%
Other*	384	8	353	8	312	8	102	3	207	6	86%
Total	4 679	100	4 328	100	4 120	100	3 955	100	3 728	100	26%

* Movements in other revenues have not been separately analysed. This primarily comprises revenues from the disposal of non-financial assets, fees and fines and the value of assets received for no or nominal consideration.

Comment

- Whilst revenues from State taxes have increased over the last three years, revenue from the Commonwealth represents a significantly larger share of State revenue in 2004 (43%) compared with the position in 2000 (37%) primarily due to the introduction of the GST;
- Revenue from sales of goods and services, predominantly in Government Business Enterprises and State Owned Companies, whilst up by \$120m (or 9%), has decreased relative to total revenue sources from 35% in 2000 to 30% in 2004; and
- Taxation revenue provides a decreasing share of State revenue – 18% in 2000 compared to 13% in 2004.

Table 3 Expenditure

Expenditure types	04 \$M	04 %	03 \$M	03 %	02 \$M	02 %	01 \$M	01 %	00 \$M	00 %	% incr- ease over 5 yrs
Employee benefits	1 898	42	1 729	40	1 559	39	1 513	38	1 245	36	52
Supplies, consumables and costs of goods sold	1 146	26	964	22	910	23	1 018	25	872	25	31
Interest and other financing costs	386	9	382	9	379	9	446	11	407	12	(5)
Grants and transfer payments	387	9	441	10	479	12	398	10	403	12	(4)
Depreciation	366	8	349	8	329	8	310	8	298	9	23
Other*	307	7	441	10	388	10	332	8	261	7	18
Total	4 490	100	4 306	100	4 044	100	4 017	100	3 486	100	29

* Includes writes downs in the carrying values of assets and losses on disposals of assets

Comment

- Employee benefits increased significantly over the five years under review (up 52% over the period 1999-2000 to 2003-04) putting pressure on the overall state surplus. However, the increase over the period 2000-01 to 2003-04 was less extreme being \$385m or 25%. It is also noted that employee benefits represents a higher percentage of total costs – 36% in 1999-2000 compared to 42% in 2003-04. The large increase between 1999-2000 and 2000-01 was predominantly due to superannuation costs being \$226m in 2000-01 which was \$175m greater than in 1999-2000. This was due to the actuarial revaluation of the State's superannuation liability, with an unrealised loss of \$107m compared with an unrealised gain of \$38m in 1999-00;
- Supplies and consumables costs increased by 31% although much of this increase is associated with the GST. The increase between 2000 and 2004 was a lower 11%;
- As expected, interest and other financing costs have come down in line with decreasing interest rates over this period;
- Grants and transfer payments have remained constant in nominal terms resulting in a lower percentage of total State expenditure; and
- Depreciation expense increased in line with the State's investments in infrastructure and with upward asset revaluations over this five year period.

FINANCIAL POSITION

Table 4 below summarises movements in the State's consolidated assets and liabilities since 2000.

Table 4 Financial Position as at 30 June (\$million)

	2004	2003	2002	2001	2000
Current Assets					
Cash and investments	1 291	469	889	898	1 090
Receivables	240	251	205	199	172
Other	76	163	150	142	143
Total Current Assets	1 607	883	1 244	1 239	1 405
Current liabilities					
Payables	312	112	110	104	99
Borrowings	1 706	1 761	1 669	1 649	1 377
Employee entitlements	170	214	192	183	218
Superannuation	189	181	163	142	127
Other	276	386	323	278	318
Total Current Liabilities	2 653	2 654	2 457	2 356	2 139
Net Working Capital	(1 046)	(1 771)	(1 213)	(1 117)	(734)
Non-Current Assets					
Investments	2 202	2 428	1 663	1 505	1 389
Land, buildings and Forest estate	3 559	3 778	3 677	3 808	3 820
Plant and equipment	684	714	691	484	421
Infrastructure	8 360	7 567	7 364	6 817	6 784
Other	242	53	84	96	131
Total Non-Current Assets	15 047	14 540	13 479	12 710	12 545
Non-Current Liabilities					
Borrowings	2 954	2 692	2 748	2 656	3 271
Employee entitlements	200	219	201	200	149
Superannuation	2 405	2 141	1 946	1 844	1 752
Other	481	488	447	456	388
Total Non-Current Liabilities	6 040	5 540	5 342	5 156	5 560
Net Assets or Equity	7 961	7 229	6 924	6 437	6 251

Comment

- The State's net asset position improved by \$1 710m or 27% over this five year period primarily due to asset revaluations and investments in infrastructure and the generation of small profits in most years;
- The State's increased negative net working capital position is predominantly due to the higher current portion of borrowing compared to the position five years ago. In total, borrowings have remained relatively constant – in the order of \$ 4.6bn at both 30 June 2000 and at 30 June 2004, however the mix has varied with a greater amount due for repayment within 12 months at 30 June 2004. The proportion of non-current investments has also increased over this period affecting the net working capital position. Liquidity (ideal is greater than 100%) has worsened slightly from 59% down to 58% over this five year period;
- Over the 5 years under review current and non-current investments increased by \$1 014m (from \$2 479m to \$3 493m) primarily due to:
 - Increases in non-cash investments and unrealised investment gains in the MAIB; and
 - The investment, lending and borrowing strategies of Tascorp. As noted earlier, on a net basis this has had no impact on total State debt;
- Non-current investments primarily comprises investments held by the State's two Public Financial Corporations (MAIB and Tascorp); and
- As expected, the State's investments in non-current non-financial assets has grown considerably particularly in infrastructure. Details on investments in non-financial assets over the past three years are set out in Table 5.

Table 5 Summary of the State's capital expenditure during the three years ended 30 June 2004 (Based on cash flow statements, not accrual) (\$million)

	Actual 2003-04	Actual 2002-03	Actual 2001-02
Capital Expenditure			
Departments	130	103	116
Government Business Enterprises and State Owned Companies	457	264	474
Total	587	367	590

Asset acquisitions were high in 2001-02 due to the purchase of Spirits of Tasmania I and II and in 2003-04 due to the purchase of Spirit of

Tasmania III and investments in assets in the three energy utilities of \$277m:

- Employee entitlements have remained at around \$370m since 2000 despite increases in staff numbers; and
- Consistent with information already reported to the Parliament, the State's exposure to unfunded superannuation continues to grow – up by 38% or \$715m over the five year period.

CASH POSITION

Table 6 below summarises movements in the State's consolidated cash flows since 2000.

Table 6 Summarised Statements of Cash Flows (\$ million)

	2003-04	2002-03	2001-02	2000-01	1999-00
Cash inflows from operations	4 507	4 343	4 105	3 843	3 845
Cash outflows from operations	(3 645)	(3 509)	(3 263)	(3 219)	(2 879)
Net Cash Inflows from Operations	862	834	812	624	966
Net acquisition of non-current assets	(532)	(302)	(571)	(212)	(140)
Net (increase)/decrease in investments	47	(15)	(59)	17	133
Net (increase)/decrease in customer loans	59	11	15	2	(31)
Other payments	0	0	0	(69)	(156)
Net cash used in Investing Activities	(426)	(306)	(615)	(262)	(194)
(Repayments)/receipts from borrowings/deposits	(189)	(11)	(30)	(116)	(119)
Finance lease principal repayments	0	(2)	(3)	(2)	(1)
Net cash Generated from/(Used in) Financing Activities	(189)	(13)	(33)	(118)	(120)
Net Cash flows from/(to) Financial Institutions	(262)	(469)	(157)	(681)	(293)
Net Increase/(Decrease) in cash	(15)	46	6	(437)	359
Cash at beginning of year	73	27	21	763	404
Cash held at year end	58	73	27	326*	763

* Between 2000-01 and 2001-02 there was a change in classification of cash for purposes of the cash flow statement. Prior to 2001-02 cash included Deposits at Call held in financial institutions. At 30 June 2001 Deposits at Call totalled \$299m (\$718m at 30 June 2000).

Comment

- The State has generated positive cash flows from operating activities in each of the five years under review. This has facilitated investment on non-current assets which was high in 2001-02, when TT-Line acquired Spirits of Tasmania I and II, and also in 2003-04 when Spirit III was paid for and investment by the three energy utilities was high;
- In net terms the State has been repaying debt – as indicated by net repayments in borrowings and deposits in each of the five years under review. However, State borrowings have remained relatively unchanged at about \$4.6bn meaning that some interest costs are being capitalised and elements of debt renegotiated;
- At the same time, the State has been increasing its investments in Non-Current Investments predominantly in Tascorp.

OVERALL COMMENT

The State's financial position is sound.

To facilitate consistency in public sector budgeting, reporting and performance assessment it is essential that the AASB complete its project harmonizing Australian Accounting Standards and Government Financial Statistics in a timely manner.

Consideration should be given by Treasury to completing the Consolidated Financial Statements by 1 November each year with a requirement that the audit thereof be completed by 30 November.

The Department of Treasury and Finance has commented:

Treasury recognises the need to bring forward the release of the Consolidated Financial Statements. The current systems and processes will be reviewed in order to enable the finalisation of the 2005-06 statements by 30 November 2005.

4 NATIONAL TRUST OF AUSTRALIA (TASMANIA)

INTRODUCTION

The National Trust of Australia (Tasmania) is an independent statutory body established under the *National Trust of Australia (Tasmania) Act 1975*. The Trust is governed by a State Council of 15 members and has regional committees in the North, Northwest and the South. The Trust owns and/or manages several properties throughout the State, including:

- Clarendon;
- Franklin House;
- Old Umbrella Shop;
- Ellis House;
- Penghana and other property in Queenstown;
- Oak Lodge;
- Hobart Penitentiary Chapel and Criminal Courts;
- Entally House (until July 2004);
- Runnymede; and
- Home Hill.

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

The Trust does not pay dividends or income tax equivalents.

In late 2004 an Administrator was appointed to manage the Trust for up to two years. A major objective is to resolve the financial difficulties that the Trust is experiencing.

AUDIT OF THE 2002-03 AND 2003-04 FINANCIAL STATEMENTS

As of the time of preparing my November 2004 Report to the Parliament, the audits of the 2002-03 and 2003-04 financial years were still in progress. Both audits are now complete with my audit report on the 30 June 2004 Financial Statements issued on 22 November 2004. The financial results reported in my November 2004 Report, which included the financial position at 30 June 2003, to the Parliament remain unchanged. This Report to Parliament now includes the audited position to 30 June 2004.

COMMENTARY PROVIDED IN THIS REPORT

Commentary on the financial position of the Trust was provided in my November 2004 Report. This commentary is not repeated here. The analysis that follows focuses on the financial results of the Trust not included in the November 2004 Report.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	2003-04	2002-03	2001-02	2000-01	1999-00
	\$'000	\$'000	\$'000	\$'000	\$'000
State Government grants - recurrent	80	80	80	103	93
Commonwealth grants - recurrent	70	70	69	67	66
Membership subscriptions	46	46	42	47	54
Property admission fees	149	148	147	157	180
Trading activities	128	122	116	111	133
Fundraising	30	37	29	30	37
Donations, bequests and sponsorships	132	62	44	45	49
Rentals	41	38	40	41	39
Other operating revenue	28	25	21	39	26
Non-operating revenue	0	224	20	0	273
Total Revenue before Capital Grants	704	852	608	640	950
Depreciation	17	19	16	18	15
Cost of goods sold	70	69	65	65	91
Employee expenses	346	350	354	380	372
Borrowing costs	19	35	18	15	13
Consultants and legal costs	113	44	10	11	26
Repairs and Maintenance expenses	55	44	116	51	68
Other operating expenses	313	284	301	296	289
Non-operating expenses	378	261	18	1	138
Total Expenses	1 311	1 106	898	837	1 012
Result before Capital Grants	(607)	(254)	(290)	(197)	(62)
State Government grants - specific purpose	280	131	52	0	6
Commonwealth grants - capital	0	0	604	367	179
Result from Ordinary Activities	(327)	(123)	366	170	123

Comment

The Trust continues to operate in difficult financial circumstances and remains very much reliant upon support from the State Government. This support has grown despite which the Trust operated at a significant deficit in 2003-04.

In these circumstances, to ensure ongoing viability the Trust must increase its recurrent revenue base, reduce operating costs or dispose of some of its property, plant and equipment.

The Trust administers appeal monies on behalf of individual restoration appeals. These monies belong to the Trust and the Trust must approve

expenditure before any appeal monies are paid out. The Trust accounts for appeal monies on a cash basis and records the movements in and out of the funds as income and expenditure. The level of appeal monies held at 30 June 2004, for which the Trust had a commitment to undertake specific works, totalled \$0.227m (2003 - \$0.146m). The timing of expenditure of these funds is generally expected to be greater than one year.

There may have been instances where the \$0.227m included funds in respect of which an appeal has been satisfied. The Trust needs to review these commitments to confirm their accuracy.

The Trust has a low level of paid employees as it relies heavily on volunteers.

FINANCIAL POSITION

	2003-04	2002-03	2001-02	2000-01	1999-00
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	12	10	36	41	34
Receivables	11	252	16	6	108
Inventories	71	72	77	73	102
Investments	155	69	46	167	64
Total Current Assets	249	403	175	287	308
Payables	168	102	78	86	147
Bank Overdraft	196	141	49	94	52
Borrowings	107	331	330	0	0
Provisions	25	24	47	24	19
Other	19	21	21	1	2
Total Current Liabilities	515	619	525	205	220
Working Capital	(266)	(216)	(350)	82	88
Property, plant and equipment	3 541	3 824	4 083	3 289	3 106
Total Non-Current Assets	3 541	3 824	4 083	3 289	3 106
Borrowings	109	114	119	100	100
Provisions	15	16	13	36	29
Total Non-Current Liabilities	124	130	132	136	129
Net Assets	3 151	3 478	3 601	3 235	3 065
Reserves	0	0	0	252	252
Retained surpluses	3 151	3 478	3 601	2 983	2 813
Total Equity	3 151	3 478	3 601	3 235	3 065

Comment

The Trust's net working capital and equity positions continued to deteriorate during 2003-04. Total debt, including the bank overdraft and monies owed to creditors, but after deducting from borrowings at 30 June

2003 the \$0.233m held in Receivables following the sale of Bennell's Townhouses, and after deducting financial assets increased as follows:

	2004 \$'000	2003 \$'000
Payables	168	102
Bank overdraft	196	141
Other interest bearing loans	216	444
Less Receivable for Bennell Townhouses	-	(233)
Less Financial assets	(155)	(69)
Net amount due to creditors, bank and other borrowings	425	385

This situation was caused by operating losses and losses on the disposal of non-current assets.

CASH POSITION

	2003-04 \$'000	2002-03 \$'000	2001-02 \$'000	2000-01 \$'000	1999-00 \$'000
State Government grants	360	211	132	103	93
Commonwealth grants	70	70	673	535	145
Receipts from customers	558	531	563	513	513
Interest received	3	4	5	12	10
Payments to suppliers and employees	(853)	(851)	(1 002)	(878)	(752)
Interest paid	(19)	(34)	(14)	(15)	(10)
Cash from operations	119	(69)	357	270	(1)
Proceeds from investments	0	0	121	300	23
Payments for investments	(85)	(23)	0	(404)	0
Payments for property, plant and equipment	(92)	(21)	(808)	(201)	(221)
Proceeds from sale of P, P & E	233	0	20	0	273
Cash used in investing activities	56	(44)	(667)	(305)	75
Repayment of borrowings	(228)	(5)	(1)	0	(100)
Proceeds from borrowings	0	0	351	0	7
Cash from financing activities	(228)	(5)	350	0	(93)
Net increase/(decrease) in cash	(53)	(118)	40	(35)	(19)
Cash at the beginning of the period	(131)	(13)	(53)	(18)	1
Cash at end of the period	(184)	(131)	(13)	(53)	(18)

Comment

Asset sales and State Government assistance in 2003-04 helped to improve the Trust's cash position although the use of some of these funds to retire debt meant that, once again there was a net decrease in cash holdings which reconfirms earlier observations that the Trust has operated beyond its means over this five year period.

FINANCIAL ANALYSIS

A financial analysis has not been included. Such analysis provides no additional information not already presented above.

OVERALL COMMENT

The audit opinion on the financial statements of the Trust for the year ended 30 June 2004 contained the following audit qualification:

Qualification

Included in revenue are amounts relating to proceeds from functions, fundraising activities, donations and admittance fees over which it is not practicable to establish accounting controls prior to receipt of such funds due to the cash nature of that revenue. Accordingly, it was not practicable for my examination to extend beyond amounts recorded as having been received and as shown in the accounting records of the National Trust of Australia (Tasmania).

The National Trust of Australia (Tasmania) has failed to adopt the requirements of Australian Accounting Standard AAS 4 'Depreciation' by not depreciating or amortising freehold buildings and leasehold improvements respectively. In addition, the Trust possesses certain heritage collections referred to in Note 1 of the financial statements, but neither these assets nor any applicable depreciation has been reflected in the financial statements.

Qualified Audit Opinion

In my opinion except for the effects of such adjustments, if any, as might have been determined necessary had the limitations and matters referred to in the qualification paragraphs not existed, the financial report of the National Trust of Australia (Tasmania):

- Presents fairly the financial position of the National Trust of Australia (Tasmania) as at 30 June 2004, and the results of its operations and its cash flows for the year then ended; and
- Is in accordance with the *National Trust of Australia (Tasmania) Act 1975* and applicable Accounting Standards and other mandatory financial reporting requirements in Australia.

In addition, the audit opinion on the financial statements of the Trust for the year ended 30 June 2004 contained the following emphasis of matter paragraph:

Inherent uncertainty regarding continuation as a going concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of matters described in Note 1(a), there is significant uncertainty whether the National Trust of Australia (Tasmania) will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

In relation to the audit qualification concerning AAS 4 "Depreciation", the Trust's Administrator has commented as follows:

The Trust's asset are not valued for balance sheet purposes at market value as the Trust believes that these are held in trust for future generations of Tasmanians/Australians.

If so valued it is estimated that the Trust's net asset position would be much greater.

This also explains why these assets are not depreciated as the Trust believes to do so would further reduce an already understated balance sheet.

5 AUDITS RELATING TO PRIOR REPORTING PERIODS

AUDITS IN PROGRESS AT 16 NOVEMBER 2005

As noted in my November 2004 Report, there were a number of audits that had not been completed at the time of tabling that Report relating to the 2003 and 2004 financial years.

A number of audits have now been completed and the following public bodies received **unqualified audit reports** on their financial statements for 2002-03:

- Tasmanian Heritage Council; and
- Tasmanian Wilderness World Heritage Area.

The following public body received a **qualified audit report** on its financial statements for 2002-03:

- The National Trust of Australia (Tasmania).

The following companies, statutory authorities and public bodies received **unqualified audit reports** on their financial statements for 2003-04:

- Aboriginal Land Council;
- Ben Lomond Skifield Management Authority;
- Legal Aid Commission of Tasmania;
- R 40 Pty Ltd;
- Southern Waste Management Authority;
- Tasmanian Beef Industry (Research and Development) Trust;
- Tasmanian Heritage Council;
- Tasmanian Risk Management Fund; and
- Tasmanian Wilderness World Heritage Area.

The following Councils and Local Government Business Units received **unqualified audit reports** on their financial statements for 2003-04:

- Derwent Valley Council;
- Dulverton Regional Waste Management Authority;
- Glamorgan Spring Bay Council; and
- Sorell Council.

My November 2004 Report contained detailed comment on the financial results of these four entities. No adjustments arose during final audit completion.

The following public body received a **qualified audit report** on its financial statements for 2003-04:

- The National Trust of Australia (Tasmania).

Updated analysis of the National Trust of Australia (Tasmania)'s financial statements and discussion of the qualifications is set out elsewhere in this Report.

AUDITS STILL TO BE COMMENCED

The Clyde Water Trust has not yet submitted complete financial statements for the 2002-03 and 2003-04 financial years.

The Trust is currently obtaining valuations relating to its opening balances for non-current assets as at 1 July 2002 and 2002-03 will be the first year the Trust will report on an accrual basis. Following this process, the Trust will forward signed financial statements to my Office for audit.

The audit of the Trust's financial statements remains the only 2002-03 and 2003-04 audits outstanding.

MATTERS OF SIGNIFICANCE RAISED IN COMPLETED AUDITS – DEPARTMENT OF HEALTH AND HUMAN SERVICES

In Part B Volume 1 of my November 2004 Report I reported that the audits of the Department of Health and Human Services (DHHS) and of Housing Tasmania had been completed with unqualified audit reports issued on 15 October 2004. Since November 2004 I have issued management reports to DHHS on matters arising from these two audits. Set out below is a summary of the major matters reported.

Department of Health and Human Services

Disaster recovery plans – the audit identified that DHHS' disaster recovery plans were deficient in a number of respects. Minimal restart and recovery procedures were noted and documentation standards and dissemination were inconsistent. However, critical risks are documented and back-up policies are generally in place.

Backup policies and procedures – there are no standardised backup procedures that DHHS and its various divisions and application administrators are required to follow. In addition, application administrators are responsible for conducting their own backups of applications and consequently are application dependent.

These systems weaknesses could lead to losses of data in the event of a disaster or system corruption.

Collection of outstanding Receivables – a review of Receivables due to hospitals identified that 50% thereof were over 90 days past due. At 30 June 2004 \$4.630m was owing to the hospitals of which \$2.392m was more than 90 days overdue. The situation at Tasmanian Ambulance Services was worse where of \$5.337m uncollected at 30 June 2004, \$3.155m had been outstanding for more than one year.

Reconciliation of General Control and General Bank Accounts – DHHS is diligent in completing reconciliation of Collections and Expenditure bank accounts. However this is not the case with other general bank accounts. Such reconciliations are essential controls and must be completed and authorised.

Management of purchases and associated creditors – during the audit we noted:

- An occasion where a supplier to a hospital split its account for a single service into three invoices all under \$10,000. The invoices totalled more than \$10,000 and this appears to have been a case of invoice splitting to avoid a DHHS directive requiring purchases greater than \$10,000 to be forwarded to Central Finance for approval; and
- An instance where one supplier had two creditor codes.

In both instances management took prompt action to resolve these matters and to prevent re-occurrence.

Housing Tasmania (Housing)

The audit identified a number of areas where accounting and control weaknesses require improvement including:

- Timelines of bad debt write off authorisations;
- Accuracy of disclosures in the annual financial statements of financial instruments;
- Recording of fully depreciated assets in the associated asset records;
- Ensuring that all year end accruals are brought to account;
- Accounting for demolitions of buildings;
- Bank posting and reconciliation procedures;
- Accounting for revenues in general ledger accounts;
- Responsibility for follow-up of overdue outstanding sundry debtors; and
- The need for improvement to the preparation of, and quality control over, the year end financial statements.

Some of the matters reported above at both DHHS and Housing had been raised previously. Management responded positively to our recommendations and we anticipate noting improvements during the course of the 2005 audits.

6 THEATRE ROYAL MANAGEMENT BOARD

INTRODUCTION

The functions of the Board include the management of the Theatre Royal as a place of theatre and performing arts and to arrange for, organise and promote performing arts in the Theatre Royal and other places in Tasmania.

The Responsible Minister is the Minister for the Arts.

AUDIT OF THE YEAR ENDED 31 DECEMBER 2004 FINANCIAL STATEMENTS

Financial statements for the year ended 31 December 2004 were signed on 8 March 2005 and an unqualified audit report was issued on 21 March 2005.

Note 17 to the financial statements, Economic Dependency, includes the comment that 'the Theatre is economically dependent upon the continued financial support of the Theatre's financiers by way of loans and through the assistance of administration and programme grants through the State Government so that it can continue as a going concern and pay its debts as and when they fall due.' As a result, the financial statements were prepared on the basis that Theatre Royal is a going concern.

FINANCIAL RESULTS

FINANCIAL PERFORMANCE

	2004	2003	2002	2001	2000
	\$000s	\$000s	\$000s	\$000s	\$000s
Appropriations	0	0	0	0	0
Government grants	142	112	112	129	127
User charges and fees	468	580	542	465	498
Other operating revenue	495	587	793	829	701
Non-operating revenue	3	18	5	15	0
Total Revenue	1 108	1 297	1 452	1 438	1 326
Borrowing costs	0	0	0	0	0
Depreciation	19	19	16	22	17
Other operating expenses	1 183	1 310	1 353	1 414	1 279
Non-operating expenses	0	0	0	0	0
Total Expenses	1 202	1 329	1 369	1 436	1 296
Result from Ordinary Activities	(94)	(32)	83	2	30

Comment

While the Board returned positive results for the years 2000, 2001 and 2002 after grants and subsidies, it remains dependent upon Government support, at least in the foreseeable future, to enable it to meet its debts as and when they fall due.

For the 2004 year the Theatre recorded an operating deficit of \$0.094m, which was significantly greater than the deficit for 2003, \$0.032m. The main factor that contributed to the increased deficit was the net result from entrepreneurial ventures, which declined a further \$0.064m in 2004, to a deficit of \$0.161m. It is acknowledged that government funding is provided to supplement the Board's annual program and that the financial outcome is dependent on public support for the productions. It is also noted that the new management team has been working to arrest the decline in the Theatre's entrepreneurial performance that has been occurring since 2001. As this area impacts significantly on the overall financial result of the Theatre, the Board has been strongly urged to continue its efforts in minimising these deficits.

Income from user charges and fees was \$0.112m lower in 2004 but this was offset by a reduction in other operating expenses of \$0.127m mainly due to the Theatre's closure for 6 weeks in September/October and December for the upgrade program. Government Grants increased by \$0.030m due to additional funding to compensate for the closure of the Theatre during the upgrade program.

The upgrade program represents the first significant refurbishment to the Theatre since 1984 and is funded by the State Government through the Department of Primary Industry, Water and the Environment as building owner. A total of \$1.6m is expected to be spent over a 2 year period.

FINANCIAL POSITION

	2004	2003	2002	2001	2000
	\$000s	\$000s	\$000s	\$000s	\$000s
Cash	133	191	333	121	197
Receivables	107	43	44	25	19
Investments	0	0	0	0	0
Inventories	7	7	6	5	4
Other	4	14	4	4	5
Total Current Assets	251	255	387	155	225
Property, plant and equipment	48	62	67	19	34
Investments	0	0	0	0	0
Other	0	0	0	0	17
Total Non-Current Assets	48	62	67	19	51
Payables	169	90	218	51	99
Borrowings	6	6	8	2	7
Provisions	42	42	12	5	7
Other	56	53	53	56	90
Total Current Liabilities	273	191	291	114	203
Borrowings	0	0	0	0	0
Provisions	0	0	0	0	0
Borrowings	9	15	20	0	14
Total Non-Current Liabilities	9	15	20	0	14
Net Assets	17	111	143	60	59
Capital	0	0	0	0	0
Reserves	111	143	60	58	29
Surpluses/Deficits	(94)	(32)	83	2	30
Total Equity	17	111	143	60	59

Comment

The decrease in Other non-current assets of \$0.017m between 2000 and 2001 was due to a lease liability contract for a motor vehicle that was disposed of during 2001.

Receivables and Payables in 2004 included offsetting amounts relating to upgrading works.

The Payables balance at 31 December 2004 included an amount for advance ticket sales of \$0.132m (2003: \$0.084m).

CASH POSITION

	2004	2003	2002	2001	2000
	\$000s	\$000s	\$000s	\$000s	\$000s
Government grants	112	112	112	129	127
Receipts from customers	941	1 098	1 429	1 268	1 257
Payments to suppliers and employees	(1 106)	(1 342)	(1 293)	(1 463)	(1 230)
Interest received	7	13	4	0	1
Borrowing costs	(2)	(2)	(2)	(2)	(2)
Cash from operations	(48)	(121)	250	(68)	153
Proceeds from investments	0	0	0	0	0
Payments for investments	0	0	0	0	0
Payments for property, plant and equipment	(5)	(13)	(64)	(3)	(3)
Proceeds from sale of property, plant and equipment	1	0	0	15	0
Cash used in investing activities	(4)	(13)	(64)	12	(3)
Proceeds from borrowings	0	0	32	0	0
Repayment of borrowings	(6)	(8)	(6)	(20)	(4)
Cash from financing activities	(6)	(8)	26	(20)	(4)
Net increase/(decrease) in cash	(58)	(142)	212	(76)	146
Cash at the beginning of the period	191	333	121	197	51
Cash at end of the period	133	191	333	121	197

Comment

The increase in Payments to suppliers and employees in 2001 over 2000 was due to a number of factors, including increases in salaries and related costs; general administration costs; repairs and maintenance; insurance, and entrepreneurial expenses resulting from operations for the year.

The increase in receipts in 2002 was partly due to the significant receipt of advanced ticket sales. The reduction in payments was partly due to decreased entrepreneurial costs and an increase in payables at year-end.

The decrease in Payments to suppliers and employees in 2004 over that of the prior year was due the closure of the Theatre during the upgrade program. The decreases in receipts in 2004 were similarly due to the Theatre's closure.

The Board invested \$0.005m in equipment for the Theatre in 2004 (2003: \$0.013m).

The Board repaid a further \$0.006m of its loan from Arts Tasmania during 2004.

FINANCIAL ANALYSIS

	Bench Mark	2004	2003	2002	2001	2000
Financial Performance						
Result from operations (\$'000s)		(97)	(50)	78	(13)	30
Operating margin	>1.0	0.92	0.96	1.06	0.99	1.02
Financial Management						
Current ratio	>1	0.92	1.34	1.33	1.36	1.11

Comment

Apart from 2001, where a negative operating result was offset by asset disposals to return a positive result from operations, 2003 when Other operating revenue decreased by more than \$0.200m and 2004 when losses from entrepreneurial ventures increased, the Board made only small operating profits for the period under review. The nature of the Board's operations is that income is prone to unexpected fluctuations due to audience demand. The largest operating loss for the period under review occurred in 2004 for reasons noted previously.

OVERALL COMMENT

The Board remains dependent upon Government support to enable it to meet its debts as and when they fall due.

The 2004 audit was completed with satisfactory results.

7 UNIVERSITY OF TASMANIA

INTRODUCTION

The University of Tasmania (the University) is administered under the provisions of the *University of Tasmania Act 1992*. The University relies predominantly on Commonwealth support for its recurring activities.

The Consolidated financial report comprises the financial statements of the University, being the primary entity, and the entities under its control during the financial year. The controlled entities are University of Tasmania Foundation Inc, Utas Innovation Limited (formerly Unitas Company Limited) and Southern Ice Porcelain Pty Ltd.

The Department of Science, Education and Training (DEST) sets financial reporting guidelines that need to be adhered to by all Universities. The University reports on a calendar year basis, and hence the financial results relate to the year ended 31 December.

The Responsible Minister is the Minister for Education.

AUDIT OF THE 2004 FINANCIAL STATEMENTS

Signed financial statements were received on 6 May 2005 and an unqualified audit report was issued on 9 May 2005.

FINANCIAL RESULTS

The results detailed below are for the consolidated performance of the University.

FINANCIAL PERFORMANCE

	2004	2003	2002	2001	2000
	\$000s	\$000s	\$000s	\$000s	\$000s
State Government Grants	7 599	6 462	6 166	6 927	6 278
Commonwealth grants	132 790	121 115	111 742	101 708	98 018
Higher Education Contributions scheme	39 784	37 327	35 655	34 933	33 827
Other user charges and fees	32 989	28 518	24 883	18 083	13 639
Other operating revenue	24 085	21 015	19 791	20 715	22 291
Non-operating revenue	3 696	1 828	2 246	3 676	1 461
Total Revenue	240 943	216 265	200 483	186 042	175 514
Academic salary costs	69 960	64 714	61 337	56 424	51 847
Non-academic salary costs	58 930	53 660	52 129	50 235	48 515
Depreciation	16 318	17 127	17 012	16 703	14 734
Building and grounds	8 485	6 523	7 832	7 509	6 658
Other operating expenses	72 279	64 026	59 030	49 396	52 437
Non-operating expenses	3 080	2 481	2 300	3 934	1 617
Total Expenses	229 052	208 531	199 640	184 201	175 808
Result from Ordinary Activities	11 891	7 734	843	1 841	(294)

Comment

Commonwealth grant funds represent the University's major source of funding and have increased by 26% over the five years under review. The movement represents a general increase in funding. However, a significant increase of \$10.034m occurred in 2002 which included \$4.731m in the base Operating Grant, \$2.393m in DEST Research Financial Assistance Grants and \$2.265m in Commonwealth Government Research (non-ARC) Grants.

Another significant increase in Commonwealth grant funds occurred in 2003. The increase of \$9.373m was attributable to additional DEST Research Financial Assistance Grants of \$5.038m and \$2.463m in Commonwealth Government Research (non-ARC) Grants.

Commonwealth grant funds increased by \$11.675m in 2004 due to increases in the base Operating Grant of \$6.334m, Higher Educational Innovation Program funding of \$2.185m, Capital Development Pool of \$1.049m; Other Research Funding of \$2.904m; and Research Training Scheme of \$1.106m. The increases were offset by a decrease in Other Contract funding, totalling \$4.378m.

The increase in Other fees and charges over the five-year period totals \$19.350m and includes:

- A significant increase in fees from overseas students, in particular increases of \$1.993m in 2001, \$2.490m in 2002, \$1.840m in 2003 and \$3.406m in 2004;
- A change in accounting for the collection of Services and Amenities fees from recording them "gross" rather than "net" from 2002,

which added \$2.918m to this revenue source in 2004. Other operating expenses have similarly increased; and

- An increase in Accommodation Charges of \$1.143m in 2004, which included rental income from the new apartment development at the Sandy Bay campus.

Other operating revenue includes consultancy and contract research, donations and bequests, investment income, scholarships and prizes and miscellaneous income. Operating revenue remained relatively constant over the five-year period.

Academic staff and Non-Academic salary costs have increased steadily over the five-year period under review. A significant proportion of the increase relates to higher direct salaries, through award increases over the period. The University also incurred additional costs related to contributions to superannuation and pension schemes.

Depreciation expense has not varied significantly over the five-year period under review. However, in 2002, the University reviewed asset lives resulting in a change to depreciation rates that added an additional depreciation charge of \$2.050m. This was offset by the University increasing its asset recognition threshold from \$5 000 to \$10 000 which resulted in a reduction in the depreciation expense by approximately \$1.000m.

In 2004, the depreciation expense decreased by \$0.809m and relates to the University reviewing and extending the depreciation rates applicable to its buildings.

Other operating expenses increased significantly in 2002 by \$9.634m which was partly attributable to an expense of \$2.600m relating to the write off of assets between \$5 000 and \$10 000 resulting from the University changing its asset recognition threshold.

Another significant increase in other operating expenses, totalling \$8.253m occurred in 2004. The additional expenditure is attributable to increases of \$2.309m in scholarships and prizes, \$1.914m in consultancy services and \$0.981m in other expenditure.

FINANCIAL POSITION

	2004 \$000s	2003 \$000s	2002 \$000s	2001 \$000s	2000 \$000s
Cash	3 264	2 133	1 578	3 362	1 980
Receivables	5 629	5 042	4 991	4 657	5 219
Investments	102 476	89 767	81 619	78 583	53 848
Inventories	109	205	177	179	453
Other	4 264	2 840	3 357	3 023	2 448
Total Current Assets	115 742	99 987	91 722	89 804	63 948
Payables	6 315	4 515	5 395	6 253	5 300
Provisions	15 947	14 593	15 239	15 327	14 184
Other	7 085	17 308	14 715	14 535	11 897
Total Current Liabilities	29 347	36 416	35 349	36 115	31 381
Working Capital	86 395	63 571	56 373	53 689	32 567
Investments	6 803	14 570	10 350	10 038	33 498
Property, plant and equipment	284 779	284 422	252 167	255 313	253 078
Other	6 286	7 501	7 508	7 594	6 409
Total Non-Current Assets	297 868	306 493	270 025	272 945	292 985
Provisions	20 403	20 244	19 811	20 890	21 649
Total Non-Current Liabilities	20 403	20 244	19 811	20 890	21 649
Net Assets	363 860	349 820	306 587	305 744	303 903
Statutory Funds	27 131	25 049	21 861	20 933	21 027
Reserves	242 960	240 807	205 304	205 304	205 338
Retained surpluses	93 769	83 964	79 422	79 507	77 538
Total Equity	363 860	349 820	306 587	305 744	303 903

Comment

Current assets other than short-term investments remained stable over the five-year period under review whereas the University's total current and non-current investments increased by \$21.933m. The increase is attributable to a change in the mix of the Universities investments, as a result of its fund manager moving away from longer-term investments and investing heavily in shares and securities from 2000.

The majority of the non-current investments consisted of properties owned, which are used to provide accommodation to students.

Current liabilities remained fairly static over the period under review. The majority of Other current liabilities relates to revenue in advance, specifically prepaid grant funding. A change in the DEST funding arrangement in 2004 resulted in the first instalment of the base operating grant for 2005 being paid in January 2005 and not December 2004. The move by DEST not to prepay the grant is the major reason for the decrease of \$10.223m in Other current liabilities.

Property, plant and equipment remained reasonably constant over the period under review.

The 2003 balance for Property, plant and equipment increased by \$32.255m, to \$284.422m, which was attributable to a revaluation of land and buildings totalling \$35.503m. However, \$4.510m of this increase related to an increase in investment properties.

In 2004, the University revalued its Works of Art and Cultural collection resulting in a \$2.143m increase in value. The increase was recorded as an increment to the asset revaluation reserve. In addition, during 2004 the university completed work on the new apartment development at the Sandy Bay campus. The development, consisting of seven individual buildings, has been capitalised at a cost of \$10.986m and has the capacity to accommodate 173 student beds.

The majority of Other non current assets represents a receivable for a Commonwealth reimbursement for superannuation supplementation costs payable. The balance increases in line with the University's related superannuation liability.

Current and non-current provisions consists of annual leave, long service leave and superannuation. At the end of 2004, the University's liability for provisions comprised annual leave \$3.576m, long service leave \$14.835m and superannuation \$17.939m of which \$7.006m was recoverable from the Commonwealth.

The University's equity includes Statutory Funds, which under granting conditions can only be utilised for specific purposes. These funds cannot be allocated to general purpose expenditure categories. The Reserves balance comprises solely of an Asset Revaluation Reserve.

CASH POSITION

	2004	2003	2002	2001	2000
	\$000s	\$000s	\$000s	\$000s	\$000s
State government grants	7 882	6 647	6 337	6 928	6 277
Commonwealth grants	125 971	124 627	114 013	104 317	100 121
Receipts from customers	96 377	87 750	84 519	69 904	61 507
Payments to suppliers and employees	(213 493)	(194 139)	(190 616)	(161 357)	(160 523)
Interest received	3 234	3 337	1 747	2 640	6 788
Cash from operations	19 971	28 222	16 000	22 432	14 170
Proceeds from investments	0	0	0	0	0
Payments for investments	(6 012)	(13 216)	(2 201)	(8 541)	(8 891)
Payments for property, plant and equipment	(17 595)	(16 763)	(15 766)	(22 872)	(11 667)
Proceeds from sale of property, plant and equipment	3 696	1 466	1 329	3 096	837
Cash used in investing activities	(19 911)	(28 513)	(16 638)	(28 317)	(19 721)
Net increase/(decrease) in cash	60	(291)	(638)	(5 885)	(5 551)
Cash at the beginning of the period	8 393	8 684	9 322	15 207	20 758
Cash at end of the period	8 453	8 393	8 684	9 322	15 207

Comment

At the end of the 2004 calendar year, the University reported a cash on hand balance of \$8.453m which comprised the cash balance from the

Statement of Financial Position, \$3.264m plus short term deposits at call, totalling \$2.215m and bills of exchange, \$2.974m. The later two items were included in the investment balance.

Over the five-year period under review, the University recorded a strong surplus in Cash from operations. As noted under the Financial Performance comments, Commonwealth grant revenue and Fees and charges have increased. However, the increase in revenue was offset by increases in staff salary costs and other operating expenses.

The University's cash balance decreased by \$6.754m over the five-year period. However, payments for investments, \$38.861m more than exceeded the decrease in cash. It is University policy to hold surplus cash in investments such as shares and securities rather than bank bills and deposits.

As noted above, the University generated significant cash surpluses from operations. This position was assisted by accounting requirements, which require all grants, irrespective of purpose, to be recorded as operating receipts. Consequently, capital purpose grants are recorded as part of operating activities.

The majority of Payments for property, plant and equipment comprise plant and equipment, library acquisitions and building improvements and additions.

FINANCIAL ANALYSIS

	Bench Mark	2004	2003	2002	2001	2000
Financial Performance						
Result from operations (\$'000s)		11 275	8 387	897	2 099	(138)
Operating margin	>1.0	1.05	1.04	1.00	1.01	1.00
Fees and Charges						
Commonwealth Grants as a % of operating income		56%	56%	56%	56%	56%
HECS as a % of operating income		17%	17%	18%	19%	19%
Fees and Charges as a % of operating income		14%	13%	13%	10%	8%
Salaries and related Expenditure as a % of operating income	50 - 70%	54%	55%	57%	58%	58%
Financial Management						
Current ratio	>1	3.94	2.75	2.59	2.49	2.04
Debt collection	30 days	31	33	35	37	41
Creditor turnover	30 days	29	23	31	41	33
Other information						
Academic Teaching Staff numbers (FTE's, including casuals)		765	750	729	712	718
Total Staff numbers FTEs (including casual staff)		1,787	1,777	1,751	1,674	1,641
Average staff costs (\$'000s)		72	67	65	64	61
Student (FTE's)		12,426	11,431	10,932	10,153	10,019

Comment

The University recorded a surplus from operations in four of the five years under review. The operating margin equalled or exceeded the benchmark rate in all five years.

The viability of the University is dependant upon grant funding, with approximately three quarters of its revenue being obtained through Commonwealth and HECS grants. However, the University has made a concerted effort to increase revenue from fees and charges, in particular fee paying overseas students. This was reflected in the percentage increase from 8% to 14% of fees and charges to total operating income.

As previously noted, salaries and related expenditure increased steadily over the five-year period. However, salaries and related expenditure as a percentage of total expenditure remained constant.

The current ratio was well above the benchmark. This was because the majority of the University's investments were current in nature.

The debt collection ratio continued to improve from 2000 when the collection period was 41 days. The high ratio was primarily due to the slow collection of some large accounts relating to health and hospital authorities.

Average staff costs increased in line with award increases to both general and academic staff.

OVERALL COMMENT

The 2004 audit was completed with satisfactory results.

8 FORESTRY TASMANIA – LAND SWAP REPORT

APPENDICES

1. Extracts from Relevant Legislation.
2. Copy of the Gazette and proclamation dated 30 June 1997 and the associated Rule number 81 confirming vesting in Forestry Tasmania of 77 121.7 hectares of Crown land.
3. Copy of the Valuer-General's valuation of the land vested in Forestry Tasmania.
4. Copy of Deed of arrangement dated 30 September 1997 documenting land to be retained and surrendered by Forestry Tasmania.
5. Copy of a schedule of land surrendered by Forestry Tasmania to the Crown.
6. Copy of map showing the locations of land vested.
7. Details of the \$71 million received by Forestry Tasmania under the Regional Forest Agreement.
8. Details of tests of sample of 45 titles issued to Forestry Tasmania.

ABBREVIATIONS AND GLOSSARY

Estate in fee simple – absolute ownership. The proprietor is commonly called the the owner of the land. The estate lasts as long as the original owner or any of his heirs survive.

Estate in freehold - for life or in Fee simple

DELM – Department of the Environment and Land Management

DPIWE - Department of Primary Industries Water and Environment

GBE – Government Business Enterprise

CLAC – Crown Lands Assessment and Classification Project

SAC 4 – Statement of Accounting Concepts 4 “Definition and Recognition of Elements of Financial Statements”

Sovereign Risk – This is a risk that a subsequent Government or Parliament may legislate contrary to current legislation or deny liability to agreements entered into by its predecessors. A basic tenet of the Westminster system is that a government cannot bind its successors.

TAO - Tasmanian Audit Office.

Title in equity – claim to title. Not registered with the Recorder of Titles

Title – a certificate issued by the Recorder of Titles guaranteeing the proprietor or owner’s right to the land

Vesting land – vesting as it relates to the land exchange means to confer or bestow, the legal right to property, an absolute right to title or ownership.

WHY THIS AUDIT WAS CONDUCTED, CONCLUSIONS REACHED AND RECOMMENDATIONS

Introduction

My Office has received correspondence raising concerns relating to an arrangement entered into between the Tasmanian Government and Forestry Tasmania for an exchange of land that occurred in 1997. In addition, newspaper articles raised a number of matters relating to this transaction. My review of these letters and articles persuaded me to examine the transaction in order to:

- Understand, document and report on the nature of the transaction and why it was entered into;
- Ascertain the status of land under State Forest – is it freehold, Crown Land, etc;
- Ascertain the extent to which details of the transaction were publicly reported in Forestry Tasmania’s annual report;
- Ascertain whether or not the land transferred to Forestry Tasmania was recorded on the valuation role and assess issues relating to rating and land taxes;
- Document the titles and land areas exchanged;
- Document the requirements of the *Government Business Enterprises Act 1995 (GBE Act)* and of any other relevant legislation as they relate to property matters;
- Ascertain the extent to which Forestry Tasmania can buy and sell land and whether or not any of the land it received as part of the exchange was subsequently sold;
- Review the reliability of the land records at both Forestry Tasmania and at the Department of Primary Industries, Water and Environment (DPIWE) which is responsible for the recording land titles;
- Ascertain and document Joint Venture arrangements entered into by Forestry Tasmania and their relevance, if any, to the land exchange;
- Ascertain the extent of any involvement by my Office in this transaction; and
- Establish the reasons for the removal of 121,409 hectares from State forest in the 2000/2001 financial year.

Mandate

I am not obliged to investigate matters referred to me by members of the public nor am I obliged to respond to matters raised by the press. However, under the provisions of section 44(a) of the *Financial Management and Audit Act 1990* the Auditor-General may:

"at any time conduct any investigation that the Auditor-General considers necessary concerning any matter relating to the accounts of the Treasurer"

AUDIT OBJECTIVES AND SCOPE

My objective was to ascertain if there is any substance to the matters that have been raised and in doing so to report my understanding of what transpired.

The scope of my work centred on the exchange of land that took place between Forestry Tasmania and the Crown during 1997. In order to gain a full understanding of the transaction. I extended my work to financial years ending before and after 1997.

METHODOLOGY

The audit centred on the two parties involved in the exchange of land – Forestry Tasmania and the Division of Crown Land Services in the DPIWE formerly the Department of Environment and Land Management (DELM). The work included discussions with the a former, and the current, Valuers-General, the Recorder of Titles, interviews with other relevant staff in both agencies and examinations of files, titles, asset registers and other financial records.

AUDIT OPINION

I am satisfied that, despite some relatively minor variations between the various documents:

- the exchange of land was based on valuations independently prepared;
- legislative requirements were complied with; and
- documentation supporting the land exchange was adequate.

However:

- The fact that the exchange of land had no financial impact on the operations of Forestry Tasmania could have been more clearly explained;
- Public information about the land exchange and its consequences could have been handled better; and

- There is a need for DPIWE to improve its land title records including clearer identification of those areas of land surrendered by Forestry Tasmania. DPIWE's Crown Land Assessment and Classification project (CLAC) should go a long way towards achieving this.

It is my view that, in addition to the publicly stated reasons for entering into the land exchange, it was motivated by the need to facilitate joint venture agreements under discussion at that time, to ensure achievement of best value from plantations for the State and to provide some certainty to the private parties to these discussions that Forestry Tasmania held title to the lands in question.

RECOMMENDATIONS

It is recommended that:

Forestry Tasmania ensure that its public reporting of potentially sensitive property transactions involving the State Forest be comprehensive.

The Managing Director of Forestry Tasmania has commented:

The land exchange was conducted in accordance with the statutory law. The land swap was motivated by a desire to maximise returns for the State from the issuing of forestry rights associated with plantation investments. We agree that additional public statements may have improved stakeholder understanding of this project.

RELEVANT BACKGROUND MATERIAL

LEGISLATIVE BACKGROUND TO THE TRANSACTION

Purchases of land by the former Forestry Commission took place since its inception as the Forestry Department under the *Forestry Act 1920*. The majority of purchased land became State Forest.

The *Forestry Legislation (Forestry Corporation) Act 1994* established a corporation, subsequently named Forestry Tasmania, and vested in this corporation lands which had previously been purchased by the Forestry Commission. This land was in over 1,500 parcels with a total area of approximately 89,000 hectares.

Forestry Tasmania became a Government Business Enterprise (GBE) on 1 July 1995 with the enactment of the *Government Business Enterprise Act 1995* (Part 2 of Schedule 1) (the GBE Act).

Section 97 of the GBE Act enabled a GBE to agree to the transfer of Crown land within two years of the proclamation of the Act or within two years of the organisation becoming a GBE. As Forestry Tasmania was declared a GBE from 1 July 1995, this vesting mechanism expired on 30 June 1997. Such a transfer could only occur upon a joint recommendation by the Governor and by the portfolio and stakeholder Ministers after consultation with the then Lands Minister. Forestry Tasmania also had to agree to any transfer.

This meant that any transfer of Crown land had to be completed by 30 June 1997.

Discussions regarding an exchange of land commenced in 1996 and this process was completed and proclaimed under the GBE Act, Statutory Rule number 81 which was notified in the Government Gazette on 30 June 1997.

REQUIREMENTS OF LEGISLATION

Details of the relevant legislation are set out in Appendix 1.

Explanation of title arrangements in Tasmania as it affects this land transfer

The Forestry Act 1920 created a Department of Forestry to administer State forests. On 15 April 1947, *the Forestry Act 1946* proclaimed the then Department of Forestry a Commission. This agency acquired and purchased land in its own right. Subsequent legislation, *the Crown Lands Act 1957*, which was repealed by *the Crown Lands Act 1976*, required all

Crown land to be administered and controlled by one Government agency, the then Department of Lands, which now forms part of DPIWE.

As all Crown land was administered by the former Department of Lands, any purchases of land by any Government Department (including the former Forestry Commission) that involved freehold land (that is, private land where an individual held a title to this land) was recorded as Crown land on transfer. Over a period of time, details of these titles were removed from the Recorder of Titles records, as there was no apparent need to retain them. All Crown land was noted under one designation and was not identified by title reference. As all land under the former Forestry Commission's control was Crown land, no titles existed.

On 10 July 1994, *the Forestry Amendment (Forestry Corporation) Act 1994* received Royal assent and the then Forestry Commission became a corporation. On the same date, *the Forestry Legislation (Transitional Provisions) Act 1994* also received Royal assent and it is important to note here that section 13 of this Act 'vested' land previously acquired by Forestry in the newly created Forestry corporation. Section 13 of the latter Act states –

- 1). *All land acquired by or on behalf of the Commission vests in the Forestry corporation.*
- 2). *All property, rights and interests in property and management and control of property that were vested in or belonged to the Commission or Department of Forestry immediately before the commencement day vest in and belong to the Forestry corporation.*
- 3). *Any property forfeited to the Crown under, or by order of a court under, the Former Act and not sold or disposed of by the Commission before that day vests in the Forestry corporation.*
- 4). *Any property seized under section 53 (1) of the former Act that is the property of the Crown immediately before that day vests in the Forestry Corporation until otherwise ordered by a court of petty sessions under section 53 (1) of the Former Act.*

Therefore, all lands acquired by the former Forestry Commission prior to 10 July 1994 were vested in Forestry Tasmania.

What is Vesting?

'Vesting' in the above sense means to confer or bestow, the legal right to property, an absolute right to title or ownership. It is important to note the distinction between land that is 'vested' and land where a title exists.

Parliament had 'vested' land in the Former Hydro Electric Commission and the Rivers and Water Supply Commission in addition to the Forestry Corporation. To obtain title in 'fee simple' to this land, all that was required was for the particular corporation to apply to the Recorder of Titles to have those titles issued to secure tenure over the land. Such

applications involve considerable costs to those organisations, as the parcels of land needed to be surveyed to establish boundaries etc. that are noted on the title.

Forestry Tasmania is a GBE owned by the Crown and it did not perceive the necessity to incur the substantial costs involved in having title issued in its name as the land was designated 'Crown land' dedicated as State Forest and therefore classified appropriately for forestry purposes. Recent advice from the Valuer-General is that 'vested land' is valued at a lesser value than land where title exists due to the cost of surveying and recording those details on the title. The fact that land was 'vested' in Forestry Tasmania meant that it had secured those lands for its role as designated by the Parliament as custodian and administrator of State forests.

ADEQUATENESS OF FORESTRY TASMANIA'S LAND RECORDS

It is noted here that Forestry Tasmania maintained an accurate register of all lands that it had acquired and could identify them on request. The parcels of land that it owned had been valued by the Valuer-General as was that land (which included plantations) it received in exchange. The details of these valuations are reported in detail later on in this Report.

RELEVANT REQUIREMENTS OF AUSTRALIAN ACCOUNTING STANDARDS

In relation to the land exchange transaction there are two accounting requirements that are particularly relevant:

- Definition of an Asset (as detailed in Statement of Accounting Concept 4 "Definition and Recognition of the Elements of Financial Statements" – SAC 4) – *assets are future economic benefits controlled by the entity as a result of past transactions or other past events;* and
- Definition of "Control" – SAC 4 defines control as follows - control of an asset means the capacity of the entity to benefit from the asset in the pursuit of the entity's objectives and to deny or regulate the access of others to that benefit.

The relevance of these accounting requirements is explained on page 47 of this Report.

SUMMARY OF THE TRANSACTION

The land exchange transaction is summarised as follows:

- A proclamation dated 30 June 1997 vested areas (approximately 77 000 hectares) of land in Forestry Tasmania and identified the vested areas by reference to Schedule 1 of that proclamation and

- to plans lodged in the Central Plan Register held by the Division of Crown Land Services in DPIWE;
- Land of equal value was to be surrendered by Forestry Tasmania within three months of the proclamation;
 - A deed dated 30 September 1997 (Number 71/1568) was prepared identifying land to be surrendered (the majority of the 1,500 parcels previously acquired by Forestry Tasmania), and land to be retained (some 200 parcels to which Forestry Tasmania now has title), by Forestry Tasmania;
 - Whilst the majority of the 1 500 parcels were surrendered, all land involved in the exchange, and retained titles, was and remains State Forest administered by Forestry Tasmania and, therefore, under the control of Forestry Tasmania;
 - The Valuer-General valued both the land acquired, and the land surrendered, by Forestry Tasmania;
 - The titles selected for transfer to Forestry Tasmania comprised the majority of the established "Crown" softwood estate at that time;
 - Between 1997 and 2002 Forestry Tasmania obtained some 45 titles to areas of State forest totaling approximately 77 000 hectares now held as freehold by it; and
 - The creation of these titles enabled a rationalisation of Forestry Tasmania's land holdings and permitted an initial softwood joint venture to be registered.

The matters detailed in the above summary of the transaction are expanded upon in the remainder of this Report.

It must be stated from the outset that no money changed hands; instead Forestry Tasmania received title to Crown land and effectively 'gave up' its rights in equity to land of equivalent value. In reality, however, Forestry Tasmania controlled both the land vested in it and the land surrendered by it before and after completion of the transaction.

WORK CONDUCTED

What I did not do

I did not:

- Examine issues relating to Freedom of Information legislation as it impacts Forestry Tasmania;
- Physically inspect land areas; nor did I
- Unless specifically stated, revisit previous audit work conducted.

What did I do?

I examined relevant legislation and:

- the records relating to this transaction held by Forestry Tasmania and DPIWE;
- extracts from HANSARD; and
- the documentation provided by parties who had written to my Office.

What did I find?

A fair exchange of land took place, however:

Crown Land vested in Forestry Tasmania - The Tasmanian Government Gazette on Monday 30 June 1997 contained a Proclamation issued under the GBE Act (see Appendix 2) which:

- Specified areas of Crown land totaling 77 169.71 hectares to be vested in Forestry Tasmania;
- Required Forestry Tasmania to surrender all its estates and interests in land having a total value equivalent to, or more than, the total value of the land vested; and
- Required the Valuer-General to value both the land vested and the land surrendered.

The Proclamation gave rise to Statutory Rule No. 81 of 1997.

The Crown land to be vested was valued by the Valuer General in an amount of \$32 149 812 on the basis of comparable sales evidence in the various localities of the land being vested. This amount did not include timber values which remained the property of Forestry Tasmania. A copy of the document prepared by the then Valuer-General is attached at Appendix 3 – it details the process used to value the vested land and includes details of the individual properties vested in Forestry Tasmania.

The area of land vested in Forestry Tasmania valued by the Valuer-General totals 77 112.7 hectares which differs from the land vested under the Proclamation by 57.01 hectares due to:

- Plan Name – Harford, plan number on Central Plan Register 3906 was recorded in the Proclamation as 2 259 hectares but by the Valuer-General as 2 202 hectares, a difference of 57 hectares. On the basis of the Valuer-General's valuation this difference would have equated to \$34 200; and
- A rounding difference of 0.01 hectares.

Land surrendered by Forestry Tasmania – when researching this matter I made reference to a Deed dated 30 September 1997 between Forestry Tasmania and the Crown in the Right of the State of Tasmania (the Crown). A copy of this Deed is at Appendix 4 from which it is noted that:

- Reference is made to statutory Rule No. 81 of 1997 requiring Forestry Tasmania to surrender all its estates and interests in land

having a value equivalent to or more than the total value of land transferred to it; and

- Forestry Tasmania had identified the land in which it was to surrender all estate and interest and that it entered into the Deed to give effect to such surrender.

The Deed does not, however, include a schedule of the land, or its value, to be surrendered. Instead, the Deed refers to:

- Land that Forestry Tasmania will not surrender – documented in schedules 1 and 2 to the Deed; and
- Land listed and identified in Forestry Tasmania’s Land Purchase Register held by it at its offices in 79 Melville Street, Hobart.

On raising the matter of the land surrendered with Forestry Tasmania, I was advised that it:

- Holds documents from the Valuer-General confirming that the value of the land surrendered totalled \$32 319 626 (see Appendix 5); and
- Acknowledged that the Deed did not explicitly state the area of land surrendered but that “...its compilation and agreement by the parties was subsequent to, and dependent on, a detailed procedure to ascertain their extent and value, based on the records contained in Forestry Tasmania’s Land Purchase Register (details are disclosed in Appendix 5).”

In view of this, I sample tested the details of parcels of land and the relevant valuations from Forestry Tasmania’s records and I am satisfied as to the areas of land surrendered and the accompanying valuations.

Details of the land surrendered by Forestry Tasmania compared with the land vested in it are set out in Table 1.

Table 1 Land vested in, and surrendered by, Forestry Tasmania

	Hectares	\$
Land vested	77 112.70	32 149 812
Land surrendered	71 598.32	32 319 626
Difference	5 514.38	(169 814)

It is noted from this table that Forestry Tasmania received 5 514.38 hectares more than it surrendered but that the value of the land surrendered was greater by \$169 814. This is consistent with the Proclamation which required that land “equal to or in value greater than” should be surrendered.

The deed also referred to procedures required to test the title and other land records held at Forestry Tasmania. I examined the detailed procedure referred to at that time and confirm that these procedures

related to testing the validity of the titles that Forestry Tasmania was to retain. Staff from my Office assisted in this exercise.

However, did Forestry Tasmania surrender all of its estates and interests?

It is noted that the Deed dated 30 September 1997 required Forestry Tasmania to surrender all of its estates and interests. In reality, this could not occur.

The significance of the concept of control as set out on page 43 is that because both the vested land and the surrendered land were State forest, and because Forestry Tasmania 'controlled' all of this land both before and after the land exchange, no accounting entries were required in the financial records of Forestry Tasmania.

Whilst this may appear contrary to the above deed and to the proclamation dated 30 June 1997, relevant accounting standards, in particular SAC 4 require Forestry Tasmania to recognise this land in its financial records.

As a result, I extended my enquiries to consider this further.

On 12 August 1997, the Senior Surveyor of Forestry Tasmania wrote to the Solicitor General seeking his advice on the following matters:

"Would the land surrendered by Forestry Tasmania as stated in the proclamation gazetted on 30 June 1997 whereby Forestry Tasmania surrendered all of its estates and interests to the Crown lose its status as State Forest provided by section 4B(1)(b) of the Forestry Act 1920, by virtue of section 16(2) of that Act?"

"Would those areas of land that were on State forest which was not multiple use forest land and was State forest only because it had been purchased by or on behalf of the corporation need to be rededicated as State forest?"

The Solicitor General replied on 29 August 1997 that " *I am therefore of the view that it would be safer to assume that section 16(2) of the Forestry Act will apply to the proposed dispositions, whereby the subject land will cease to be State Forest. That will involve its rededication*".

He stated further that he would prepare a proclamation for the dedication as State forest of all the land so surrendered, describing it in precisely the same way as would appear in the deed of surrender. The Solicitor-General went on to advise the Senior Surveyor "... *you will provide me a draft list of those parcels to be excepted and, on the basis of it, I will have the Crown Solicitor prepare a deed of surrender. We would then prepare a proclamation for the dedication as State Forest of all of the land so surrendered...*"

However, the Solicitor-General received no further communication on this matter from Forestry Tasmania which meant that he had no list of parcels

of land to be excepted by deed of surrender, and thus no instructions for the preparation of a proclamation. This therefore created some confusion as to the status of the land surrendered.

I have subsequently established that *the Public Land (Administration and Forests) Act 1991*, namely section 132 (1) addresses this issue. This section states:

"The land that is shown as multiple use forest land on each of the plans specified in the index map set out in Schedule 9 is, by virtue of this section, entered in the Register of Multiple Use Forest Land"

Multiple Use Forest Land as specified in the index map set out in schedule 9 of section 132(1) covers 95% of State forest, and is estimated by Forestry Tasmania to cover the majority of land surrendered under the deed. The few surrendered parcels, which were not registered as Multiple Use Forest, remain as Crown Land, available to be re-dedicated as State forest. The current Crown Land Assessment and Classification Project (CLAC), which is discussed below, provides an opportunity for Forestry Tasmania to recommend dedication for these parcels if they are still required as State forest.

Section 4(B)(1)(c) of *the Forestry Act 1920* defines **State forest** as land:

That is entered in the Register of Multiple Use Forest Land; or...

The question of whether the land surrendered by Forestry Tasmania lost its status as State forest is now irrelevant as *the Public Land (Administration of Forests) Act 1991* includes this land in the Register of Multiple Use Forest land. Therefore it did not lose its status as "State forest".

Examination of Forestry Tasmania's Financial Statements and Annual Reports disclosed that the surrendered land was not removed from the Multiple Use Forest Land Register. It therefore has been classified as State forest and has been included in Forestry Tasmania's Financial Statements since the requirement to report on and value all forest assets controlled by it.

Crown Land Assessment and Classification project

The CLAC project was established to assess and classify unallocated Crown land and Public Reserves under the *Crown Lands Act 1976* and is a response to commitments under the Regional Forest Agreement and the recent Statewide Partnership Agreement on Financial Reform between the State Government and Tasmanian Councils.

One aspect of the process will allow the State to levy taxes on Local government (eg Payroll tax) and will in turn allow Councils to rate Government agencies and state owned authorities (including GBE's). All relevant Crown land has to be identified, valued and included on the

valuation rolls for rating purposes. There are approximately 9 000 parcels of land (approximately 7 000 properties) to be assessed which are:

- widely scattered throughout the state;
- mostly smaller than 10 hectares;
- only in a few cases greater than 500 hectares; and
- in total nearly 3% of the land area of Tasmania.

The project will only identify those parcels of land not rededicated as State Forest. It is envisaged that this process will be completed during 2006.

Reasons ascertained for entering into the land exchange, however:

The reasons given, that I have been able to find documentary evidence of, include:

- Minister for DPIWE - ... to enable Forestry Tasmania to obtain consolidated title to its major plantations;
- Forestry Tasmania's 1997/98 annual report – the purpose of the exercise was to enable titles to be provided to Forestry Tasmania for owned land more efficiently than would have been the case with the previous tenure arrangement. In support of this reason, I located documents indicating that:
 - Forestry Tasmania had acquired and controlled land "in equity" but it held no titles to this land;
 - In view of the difficulties anticipated in obtaining titles and due to the cost involved being estimated at approximately \$130 000, the options available under section 97 of *the Government Business Enterprises Act 1995* allowed Forestry Tasmania to proceed with the vesting options and subsequently obtain title without incurring the necessary costs previously identified; and
- The majority of the vested land is land zoned for ongoing plantation investment and will form part of the proposed new softwood joint venture (letter from Minister for Forests to Minister for Environment and Land Management dated 1 July 1997).

My own initial observations, determined prior to commencing this examination, (supported by the Chief Executive Officer of Forestry Tasmania) was that the overall intention of the land reconciliation appeared to have resulted from the various structural changes that were made to the management of Tasmania's forests over the last few decades which may have identified issues relating to land holdings including title and the need to consolidate Forestry Tasmania's land holdings to facilitate certainty in the management of forests on the related land holdings.

However, my examination suggests to me that, in addition to the reasons provided above, the Land exchange was motivated by the need to facilitate joint venture agreements under discussion at that time, to ensure achievement of best value from plantations for the State and to provide some certainty to the private parties to these discussions that

Forestry Tasmania held title to the lands in question. I also note that the *Forestry Rights Registration Act 1990* was the mechanism intended to protect the plantation interests of joint venture partners from sovereign risk associated with the sale or reservation of State Forest land. Registration under that Act requires the land to be on a title. Vesting was sought to achieve this. The majority of softwood and recent hardwood joint venture plantations have since been registered under this Act (see further details regarding the joint venture arrangements on page 56).

Locations of the lands exchanged

One of the concerns raised with me was the lack of publicly disclosed information about the locations of the land exchanged. The Proclamation and the Deed outlined land districts, parishes, etc. of the land retained.

Appendix 3 is the land vested in Forestry Tasmania and Appendix 6 details a map of the locations of this land. What has not been made public are the details of the land surrendered (See Appendix 5). I have not been provided with maps for the land surrendered.

The land was identified in Forestry Tasmania's land purchase register but was not able to be identified by Crown Land Services, which is a branch of the Division of Information and Land Services in DPIWE, due to Forestry Tasmania's land purchase register not being compatible with details of Crown land held at the Crown Land Services. Also, the original title references of some of the land acquired by Forestry Tasmania were not retained for reasons stated earlier when all Crown land was under the stewardship and control of the then Department of Lands.

Audits conducted of the land records held by Forestry Tasmania and by DELM at the time of the land exchange indicated that Forestry Tasmania's records were the more reliable.

The situation is currently being addressed by Crown Land Services through the CLAC project (referred to previously – page 48) which is currently assessing and classifying unallocated Crown Land and Public Reserves under the *Crown Lands Act 1976*. However the present scope of the CLAC project does not cover the retrospective identification of all the specific areas of land surrendered by Forestry Tasmania. The CLAC project will, however, enable the Crown to:

- Identify and record any Crown land transferred/sold to any other organisations, including Forestry Tasmania, in the future; and
- Provide the opportunity to reconcile Forestry Tasmania's land portfolio with that of Crown land administered by DPIWE. DPIWE advises that this exercise has been completed and procedures put in place to ensure that both are reconcilable in the future.

However, the CLAC project will not be able to document those specific areas of land previously surrendered by Forestry Tasmania.

Issuing of titles to the land vested in Forestry Tasmania

Titles to the vested lands were issued gradually by the Titles Office between 1997 and 2002. In total 45 titles were issued. I have sighted and tested 20 titles totaling 50 484 hectares at Forestry Tasmania. Details of these properties are at Appendix 8.

Value in Equity of land held by Forestry Tasmania at the time of the exchange of land

The then Valuer-General's valuation dated 25 June 1997 contains the following comment (refer Appendix 3)

"It will be ascertained that the value of the vested areas is less than the value of land currently owned in equity by Forestry Tasmania and available for transfer to the Crown by the surrender of interest."

In the background section of this Report I outlined that predecessor organisations of Forestry Tasmania had over a number of years acquired approximately 89,000 hectares of land which it held 'in equity' not having been provided with formal title. The land surrendered included most of this land.

Forestry Tasmania's liability for State-Taxes and Local Government Rates

I examined this matter because I was concerned that Forestry Tasmania may have avoided paying these taxes.

Section 50 of *the GBE Act* states:

'A Government Business Enterprise or subsidiary is not exempt from a State charge merely because it is or may be the Crown'.

Section 7 of the *Land Tax Act 2000* makes Forestry Tasmania liable to pay land tax on all land that is a private timber reserve under the *Forest Practices Act 1985*; or a State Forest under *the Forestry Act 1920*. This land is classified as Primary Production Land which has a current tax rate of zero.

The possibility that Forestry Tasmania deliberately withheld land from the Valuation rolls to avoid land tax cannot be sustained by virtue of the above section 50 of the GBE Act and section 7 of the *Land Tax Act 2000*. I am informed that the majority of land held by Forestry Tasmania has been identified by the Revenue, Gaming and Licensing Division of the Department of Treasury and Finance and those parcels of land subject to the *Land Tax Act 2000* are being levied with land tax.

I also checked whether Forestry Tasmania was avoiding Local Government rates by withholding details of land from the valuation rolls. Prior to 1 July 2004, section 87(1) (b) of the *Local Government Act 1993* exempted the

Crown from general and separate rates, any rate made by a statutory authority (eg, Port Authority) and construction rates on land that was unoccupied or occupied exclusively for public purposes. As Forestry Tasmania was a GBE not specified in schedule 8 of the GBE Act and therefore the Crown, under section 87 (4) of the *Local Government Act 1993*, it was not required to pay those rates specified.

Section 87 (1) (b) of the *Local Government Act 1993* has been amended and makes Forestry Tasmania, other GBE's and Government agencies subject to local government rates and charges as from 1 July 2004. However, section 87 (1) (b) (viii) exempts a forest reserve within the meaning of the *Forestry Act 1920*. Accordingly, all State Forest (except Forest reserves), whether Crown land, vested or freehold, is now to be valued and subject to rates. This includes both the surrendered land and the vested land.

Since 2000, a draft policy was issued by Forestry Tasmania directing that local government rates be paid on all land that had been purchased for plantations where a joint venture exists. Forestry Tasmania had acknowledged that this land could no longer be considered exclusively for public purposes.

At the time of the 'land swap', the Valuer-General assigned valuations to those parcels of land acquired by Forestry Tasmania on the basis of general descriptions of boundaries and other identifiable landmarks. Due to the strict time limits imposed on both Forestry Tasmania and the Division of Crown Land Services, there was no time to have these parcels of land surveyed which is a requirement of the Titles Office to accurately identify land tenures. Until this requirement was satisfied, these parcels of land could not be entered onto the valuation rolls as they had not been through the required process to accurately identify them. I have established that valuations are currently in progress and that at least one council has received this information which will enable rating to be imposed on all lands which were included in the 'land swap'.

Disclosure in Forestry Tasmania's annual reports

Forestry Tasmania's annual reports provide a good deal of information about the Forest estate. Table 2 below summarises relevant extracts from the Annual Report from which it will be seen that, as expected, the land exchange had no impact on the Forest Estate because, as previously mentioned, the land exchange comprised land all of which was always part of the estate.

Table 2

Statistical tables in Annual Reports re land tenure. The following are the balances comprising State forest (in hectares) including purchased land at the balance dates noted:

Balance 30 June 1995	1 600 200
Balance 30 June 1996	1 600 800
Balance 30 June 1997	1 598 500
Balance 30 June 1998	1 600 600
Balance 30 June 1999	1 620 800
Balance 30 June 2000	1 620 000
Balance 30 June 2001	1 502 000

The reduction in the Forest estate in 2000/2001 includes a reduction of 121 409 hectares. Appendix 7 details the reasons for this reduction in the Forest estate and notes the compensation received by Forestry Tasmania from the Commonwealth in 1997/98. The corresponding reduction in the Forest estate (being recorded in 2000/2001) took longer to process due to the need for legislative and survey requirements following the proclamation of the Regional Forest Agreement (Land Classification Act) 1998. This forest is now preserved under the Agreement, has been removed from 'state forest' under that Act and is managed by Parks and Wildlife Services.

Disclosure in Forestry Tasmania's annual financial reports

This section documents the manner in which the land exchange and associated matters were disclosed in the annual financial reports prepared by Forestry Tasmania. Included are disclosures of joint venture balances and relevant transactions relating to the Regional Forest Agreement.

The land exchange was entered into in two financial periods as follows:

- at 30 June 1997 – land transferred by the Tasmanian Government to Forestry Tasmania on 30 June 1997; and
- on 30 September 1997 (and therefore in the financial year ended 30 June 1998) – land surrendered by Forestry Tasmania.

I have included details and balances covering a longer period in order to provide some context to the transaction under examination. Details are provided in table 3 covering the period June 1995 to June 1998.

Below table 3 are notes documenting the reasons behind certain transactions that Forestry Tasmania recorded during this period. None of these transactions specifically relate to the land exchange because, as has been noted earlier, both the vested and the surrendered land were always part of the Forest estate on the basis that Forestry Tasmania controlled these areas of land. As a result, the primary movements in the Forest estate are the annual revaluations of the total estate inclusive of the exchanged land. However, at the time of the introduction of SAC 4,

Forestry Tasmania established that this land had been double counted. This was corrected in 1996/1997 - see Table 3, note 3.

Table 3 Disclosures in Forestry Tasmania's Annual Financial Reports (all amounts in \$'000)

Details of movements and balances	Joint venture (JV) balance	Freehold land balance	Forest Estate balance – non-current	Forest Estate balance – current	Total Forest Estate balance
Balances reported 30 June 1995	0	38 076	558 255	0	558 255
Revaluation	0	0	27 501	0	27 501
Other movements	0	457	3 996	0	3 996
JV balances booked	1 266	0	0	0	1 266
Balances reported 30 June 1996	1 266	38 533 ¹	589 752	0	591 018
Revaluation	1 608	9	22 666	0	24 274
Revaluation transfer (land reserve)	0	(27 639) ¹	27 639	0	27 639
Adjustment	0	(7 831) ¹	(35 781) ¹	0	(35 781)
Other	880	(1 420) ²	(15 310) ³	26 921 ⁴	12 491
Balances reported 30 June 1997	3 754	1 652	588 966	26 921	619 641
Revaluation	6 742	(345)	228 204	(2893)	232 053 ⁵
Balances reported 30 June 1998	10 496	1 307	817 170	24 028	851 6945

1. \$38 533m represents 83 490 ha of freehold land which is State forest by virtue of its purchase on or on behalf of Forestry Tasmania. Forestry Tasmania manages a further 1 495 180 ha of Crown land dedicated as State forest but for which no value has been attributed. Following the implementation of SAC 4 Forestry Tasmania recognized for the first time land dedicated as State forest as part of Forest Assets. However, part of this land had been purchased over time by Forestry Tasmania and was already included in the Financial Statements under Property Plant and Equipment. Double counting of land under forests of \$35.470m (both as land and part of the forest asset) was disclosed by Forestry Tasmania in Note 1(c) of the 1997 Financial Statements. These entries are to eliminate freehold land and the associated asset revaluation reserve.
2. Although the bulk of the freehold land purchased by the former Commission was used for forestry purposes, part of it was land under buildings. \$1.420m represents a downward revaluation of that land.
3. As stated earlier, because the vested land and the surrendered land were at all times State forest, no accounting entry was required. However, following the transfer, the Forestry Tasmania believed that values for the vested land were inappropriate. The vested land was therefore down valued by \$15.310m.
4. From 1996/97 Forestry Tasmania divided the Forest estate into current and non-current portions. \$26.921m represents the current component

5. This amount includes a reduction of \$68.000m in the value of the forest estate due to the Regional Forest Agreement. This amount relates to \$71.000m received over three years from the Commonwealth Government for compensation for the loss of productive State forest under the Agreement. Details of other amounts are disclosed at page 5 in the 1998 Financial Statements which were published with the Annual Report of that year. A more detailed explanation is summarised on Appendix 7.

Disclosure in DPIWE's annual reports and in its annual financial reports

DPIWE have not included the land received from Forestry Tasmania as a result of the 'land swap' in its Financial Statements due to the fact that Forestry Tasmania controlled the majority of this land for Forestry purposes and had recognised this land in its Financial Statements. Those smaller parcels that were not classified for forestry purposes and were ceded to the Crown will be identified under the CLAC currently in progress.

Land title records at DPIWE

During this audit, I attempted to identify the parcels of land by title or other means that were transferred to the State by Forestry Tasmania. As noted earlier in the Report, the details of Forestry Tasmania's land register were not compatible with maps and details at Crown Land Services and it was not and is not possible to identify those individual parcels of land.

It must be noted that all Crown land is under the stewardship (not to be confused with control) of DPIWE and whilst the individual parcels could not be identified, I have been assured that the land in total was always recorded as Crown land. I note that Crown Land Services is currently addressing the issue of identification of individual parcels under the CLAC project.

Involvement by TAO Staff in overseeing the process

The validity of the land exchange was raised with representatives of Forestry Tasmania by the Legislative Council on 5 March 2004. The transcripts of these discussions have been reviewed and I have noted regular references to "the process being overseen by the Auditor-General".

I note that my staff were initially involved in checking a sample of fifty properties of those parcels that Forestry Tasmania was to retain. This was to test the accuracy of Forestry Tasmania's Land register. I have not noted any other involvement since those tests.

Has Forestry Tasmania sold any of the land vested in it?

Section 16 of the *Forestry Act 1920* allows Forestry Tasmania to sell or otherwise dispose of land that has been declared as 'State forest'. Land will cease to be State forest only if it has been deleted from the register of Multiple Use Forest by the provisions of Section 17(13) of the *Forestry Act 1920*.

This audit identified that only 46 hectares of the vested land has been sold by Forestry Tasmania for \$92 830 and these 46 hectares were sold to adjoining owners due to the land being unsuitable for Forestry purposes.

Joint ventures

Forestry Tasmania, as administrator of the State's forests, enters into joint ventures with other parties to harvest softwood and hardwood and generates profits from these operations. I previously noted that, in my view, one of the reasons for the land exchange was connected to Forestry Tasmania's joint venture operations. Detailed in table 4 below is a summary of land areas subject to existing joint ventures at 30 June 2004. The table is followed by commentary on why ownership of land was important to Forestry Tasmania and to its joint venture partners.

Table 4 Areas of land under joint venture at 30 June 2004

Joint Venture arrangement	Area of Plantation at 30 June (in hectares)
GMO Renewable Resources	38 349
Other Joint Ventures	2 002
TOTAL	40 351

Why was title to land important?

Forestry Tasmania, as part of its normal operations, oversees the harvesting and replanting operations of the State forest. As noted above, it also enters into joint ventures with other parties to harvest timber from softwood plantations.

Prior to entering into the land swap, the Board of Forestry Tasmania examined options for maximising value from its softwood plantations for the State. The Board identified that by Forestry Tasmania holding 'good and equitable title' to its land holdings, would facilitate achievement of best value. An extensive process followed including issuing of an information memorandum, expressions of interest and the appointment of a probity auditor prior to the appointment of a joint venture partner for the softwood plantations.

Common business practice is that companies borrow funds to finance their operations. In this particular instance, the successful joint venturer, would have needed evidence of security of tenure by Forestry Tasmania over the plantation. Forestry Tasmania as a joint partner needed to supply a 'good and equitable title' which it subsequently did on completion of the 'land swap' and receipt of titles.

OVERALL CONCLUSION

I am satisfied that, despite some relatively minor variations between the various documents:

- the exchange of land was based on valuations independently prepared;
- legislative requirements were complied with; and
- documentation supporting the land exchange was adequate.

However:

- The fact that the exchange of land had no financial impact on the operations of Forestry Tasmania could have been more clearly explained;
- Public information about the land exchange and its consequences could have been handled better; and
- There is a need for DPIWE to improve its land title records including clearer identification of those areas of land surrendered by Forestry Tasmania. DPIWE's Crown Land Assessment and Classification project (CLAC) should go a long way towards achieving this.

It is my view that, in addition to the publicly stated reasons for entering into the land exchange, it was motivated by the need to facilitate joint venture agreements under discussion at that time, to ensure achievement of best value from plantations for the State and to provide some certainty to the private parties to these discussions that Forestry Tasmania held title to the lands in question.

Appendix 1

EXTRACTS FROM RELEVANT LEGISLATION

Relevant legislation includes:

The following legislation affects the land transfer between Forestry Tasmania and the Crown:

The Forestry Act 1920 – Sections 4(B)(1)(b) & (c), 16(2) and 17(13)

Forestry Act 1946

*Crown Lands Act 1976*¹

Financial Management and Audit Act 1990 – Section 44

Forestry Amendment (Forestry Corporation) Act 1994

Forestry Legislation (Transitional Provisions) Act 1994 – section 13

Forestry Rights Registration Act 1990

Regional Forest Agreement (Land Classification) Act 1998

The Government Business Enterprises Act 1995 – Sections 50, 97, Part 2 of Schedule 1 and Schedule 8

Public Land (Administration and Forests) Act 1991 – Section 132(1) and Schedule 9

The Land Titles Act 1980

The Local Government Act 1993 – Sections 87(1)(b) and 87(4)

*The Land Tax Act 2000*² – Section 7

*The Valuation of Land Act 2001*³

Statutory Rule No. 81 of 1997

1. This act repealed *the Crown Lands Act 1957*

2 This act repealed *the Land Tax and Income Tax Act 1910*

3. This act repealed *the Land Valuation Act 1971*

Appendix 2

**COPY OF THE GAZETTE AND PROCLAMATION DATED 30 JUNE 1997
AND THE ASSOCIATED RULE NUMBER 81 CONFIRMING THE
VESTING IN FORESTRY TASMANIA OF 77 121.7 HECTARES OF
CROWN LAND**

TASMANIA

**PROCLAMATION UNDER THE
GOVERNMENT BUSINESS ENTERPRISES
ACT 1995**

STATUTORY RULES 1997, No. 81

I, the Lieutenant-Governor in and over the State of Tasmania and its Dependencies in the Commonwealth of Australia, acting with the advice of the Executive Council and on the joint recommendation of the Minister for Forests and the Minister for Finance and with the agreement of Forestry Tasmania to the transfer of land, by this my proclamation made under section 97 of the *Government Business Enterprises Act 1995* declare that –

- (a) each area of land specified in Schedule 1 to this proclamation vests in Forestry Tasmania subject to all estates and interests in that area held by persons immediately before the day on which this proclamation takes effect; and
- (b) within 3 months after this proclamation takes effect, Forestry Tasmania must make compensation in respect of the transfer of the land referred to in paragraph (a) by surrendering to the Crown in accordance with section 59 of the *Crown Lands Act 1976* all its estates and interests in land having a total value equivalent to, or more than, the total

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1997 *Government Business Enterprises –* No. 81
Proclamation

**SCHEDULE 1 - LAND TRANSFERRING TO
FORESTRY TASMANIA**

Map Name	Plan Number in Central Plan Register	Lot Number on Plan	Approximate land area in hectares
Milabena	3891	1	309.0
Milabena	3891	2	126.0
Milabena	3891	3	613.0
Folly	3892	1	242.0
Folly	3892	2	345.0
Wynyard	3893	1	48.0
Wynyard	3893	2	0.0056
Wynyard	3893	3	0.2
Calder	3894	1	2641.0
Calder	3894	2	578.0
Yolla	3895	1	831.0
Yolla	3895	2	60.0
Yolla	3895	3	5.0
Tewksbury	3896	1	2776.0
Loongana	3897	1	658.0
Kindred	3898	1	35.0

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No. 81 *Government Business Enterprises –* 1997
Proclamation

Kindred	3898	2	668.0
Castra	3899	1	1541.0
Castra	3899	2	507.0
Wilmot	3900	1	479.0
Wilmot	3900	2	1095.0
Wilmot	3900	3	32.0
Cethana	3901	1	386.0
Cethana	3901	2	5.0
Cethana	3901	3	1.0
Railton	3902	1	1027.0
Railton	3902	2	211.0
Railton	3902	3	1014.0
Sheffield	3903	1	344.0
Sheffield	3903	2	32.0
Sheffield	3903	3	79.0
Sheffield	3903	4	162.0
Sheffield	3903	5	94.0
Sheffield	3903	6	13.0
Gog	3904	1	3136.0
Port Sorell	3905	1	159.0
Harford	3906	1	2259.0

1997 *Government Business Enterprises –* No. 81
Proclamation

Harford	3906	2	69.0
Harford	3906	3	221.0
Harford	3906	4	283.0
West Frankford	3907	1	935.0
West Frankford	3907	2	91.0
West Frankford	3907	3	348.0
West Frankford	3907	4	337.0
West Frankford	3907	5	420.0
West Frankford	3907	6	87.0
Weymouth	3908	1	54.0
Retreat	3909	1	2972.0
Dilston	3910	1	105.0
Nabowla	3911	1	1180.0
Nabowla	3911	2	822.0
Lisle	3912	1	4159.0
Lisle	3912	2	227.0
Lisle	3912	3	126.0
Lisle	3912	4	28.0
Lisle	3912	5	1020.0
Lisle	3912	6	1484.0
Patersonia	3913	1	1771.0

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No. 81 *Government Business Enterprises –* 1997
Proclamation

Scottsdale	3915	1	4247.0
Pearly Brook	3915	1	4044.0
Scottsdale	3915	2	70.0
Springfield	3916	1	6196.0
Springfield	3916	2	18.0
Springfield	3916	3	1.0
Maurice	3917	1	633.0
Pioneer	3918	1	863.0
Pioneer	3918	2	35.0
Pioneer	3918	3	109.0
Derby	3919	1	832.0
Derby	3919	2	233.0
Ringarooma	3920	1	2376.0
Saddleback	3921	1	4504.0
Saddleback	3921	2	266.0
Saddleback	3921	3	893.0
Saddleback	3921	4	180.0
Mathinna	3922	1	2714.0
Mathinna	3922	2	651.0
Mathinna	3922	3	1.0
Mathinna	3922	4	390.0

1997 *Government Business Enterprises –* No. 81
Proclamation

Mathinna	3922	5	4.0
Mathinna	3922	6	0.5
Mathinna	3922	7	68.0
Mangana	3923	1	2013.0
Brilliant	3924	1	326.0
Brilliant	3924	2	766.0
Dublin Town	3925	1	47.0
Dublin Town	3925	2	2068.0
Dublin Town	3925	3	453.0
St Marys	3926	1	11.0
St Marys	3926	2	3.0
St Marys	3926	3	71.0
St Marys	3926	4	5.0
St Marys	3926	5	8.0
Beaumauris	3927	1	2644.0
Parkham	3928	1	41.0
Fluted Cape	3929	1	19.0
Lilydale	3930	1	116.0

Appendix 3

**COPY OF THE VALUER-GENERAL'S VALUATION OF THE LAND
VESTED IN FORESTRY TASMANIA**

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Mr Westwood
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Secretary, Department of Environment and Land Management

VESTING OF CROWN LAND TO FORESTRY

It is advised that staff members of this Office and Valuation Services have undertaken a valuation exercise in conjunction with Forestry Tasmania in order to establish the value of land to be vested.


The exercise involved identification of the land areas to be transferred and valuation of those lands on the basis of comparable sales evidence in the various localities. The figures do not include timber values which remain as the property of Forestry Tasmania.

The process of valuation began by identification of "valuation zones" which were considered by Forestry Tasmania to be contiguous in terms of land component for forestry purposes. The areas to be vested were then delineated by Forestry having regard to natural boundaries and manageable forestry blocks. The delineated areas were again revalued with regard to their particular soil types and values for alternative use.

The same process will be used to determine the value of land parcels to be transferred to the Crown by Forestry.

The attached schedule shows a combined valuation of \$32,149,812 (Thirty two million, one hundred and forty nine thousand, eight hundred and twelve dollars).

It will be ascertained that the value of the vested areas is less than the value of land currently owned in equity by Forestry Tasmania and available for transfer to the Crown by surrender of interest.


CJ Wilkinson
VALUER-GENERAL

25 June, 1997

Encl

Areas of Land Proposed for Vesting in Forestry Tasmania

25/06/97

1:25,000 Name	Sheet No	CPO No	Parcel	Area (Ha)	Value/Ha	Value	Progressive
Milabena	3645	3891	1	309.0	\$800	\$247,200	\$ 247,200
Milabena	3645	3891	2	126.0	\$750	\$94,500	\$ 341,700
Milabena	3645	3891	3	613.0	\$400	\$245,200	\$ 586,900
Folly	3644	3892	1	242.0	\$700	\$169,400	\$ 756,300
Folly	3644	3892	2	345.0	\$275	\$94,875	\$ 851,175
Wynyard	3846	3893	1	48.0	\$850	\$40,800	\$ 891,975
Wynyard	3846	3893	2	0.0056	\$850	\$5	\$ 891,980
Wynyard	3846	3893	3	0.2	\$850	\$170	\$ 892,150
Calder	3845	3894	1	2641.0	\$850	\$2,244,850	\$ 3,137,000
Calder	3845	3894	2	578.0	\$700	\$404,600	\$ 3,541,600
Yolla	3844	3895	1	831.0	\$500	\$415,500	\$ 3,957,100
Yolla	3844	3895	2	60.0	\$750	\$45,000	\$ 4,002,100
Yolla	3844	3895	3	5.0	\$500	\$2,500	\$ 4,004,600
Tewksbury	3843	3896	1	2776.0	\$750	\$2,082,000	\$ 6,086,600
Loongana	4041	3897	1	658.0	\$500	\$329,000	\$ 6,415,600
Kindred	4243	3898	1	35.0	\$500	\$17,500	\$ 6,433,100
Kindred	4243	3898	2	668.0	\$600	\$400,800	\$ 6,833,900
Castra	4242	3899	1	1541.0	\$500	\$770,500	\$ 7,604,400
Castra	4242	3899	2	507.0	\$500	\$253,500	\$ 7,857,900
Wilmot	4241	3900	1	479.0	\$500	\$239,500	\$ 8,097,400
Wilmot	4241	3900	2	1095.0	\$500	\$547,500	\$ 8,644,900
Wilmot	4241	3900	3	32.0	\$500	\$16,000	\$ 8,660,900
Cethana	4240	3901	1	386.0	\$500	\$193,000	\$ 8,853,900
Cethana	4240	3901	2	5.0	\$500	\$2,500	\$ 8,856,400
Cethana	4240	3901	3	1.0	\$500	\$500	\$ 8,856,900
Railton	4442	3902	1	1027.0	\$1,000	\$1,027,000	\$ 9,883,900
Railton	4442	3902	2	211.0	\$1,000	\$211,000	\$ 10,094,900
Railton	4442	3902	3	1014.0	\$950	\$963,300	\$ 11,058,200
Sheffield	4441	3903	1	344.0	\$950	\$326,800	\$ 11,385,000
Sheffield	4441	3903	2	32.0	\$950	\$30,400	\$ 11,415,400
Sheffield	4441	3903	3	79.0	\$900	\$71,100	\$ 11,486,500
Sheffield	4441	3903	4	162.0	\$600	\$97,200	\$ 11,583,700
Sheffield	4441	3903	5	94.0	\$950	\$89,300	\$ 11,673,000
Sheffield	4441	3903	6	13.0	\$500	\$6,500	\$ 11,679,500
Gog	4440	3904	1	3136.0	\$500	\$1,568,000	\$ 13,247,500
Port Sorell	4644	3905	1	159.0	\$600	\$95,400	\$ 13,342,900
Harford	4643	3906	1	2202.0	\$600	\$1,321,200	\$ 14,664,100
Harford	4643	3906	2	69.0	\$700	\$48,300	\$ 14,712,400
Harford	4643	3906	3	221.0	\$950	\$209,950	\$ 14,922,350
Harford	4643	3906	4	283.0	\$950	\$268,850	\$ 15,191,200
West Frankford	4642	3907	1	935.0	\$900	\$841,500	\$ 16,032,700
West Frankford	4642	3907	2	91.0	\$1,000	\$91,000	\$ 16,123,700
West Frankford	4642	3907	3	348.0	\$950	\$330,600	\$ 16,454,300
West Frankford	4642	3907	4	337.0	\$950	\$320,150	\$ 16,774,450
West Frankford	4642	3907	5	420.0	\$900	\$378,000	\$ 17,152,450
West Frankford	4642	3907	6	87.0	\$900	\$78,300	\$ 17,230,750
Weymouth	5045	3908	1	54.0	\$350	\$18,900	\$ 17,249,650
Retreat	5044	3909	1	2972.0	\$350	\$1,040,200	\$ 18,289,850
Dilston	5042	3910	1	105.0	\$500	\$52,500	\$ 18,342,350

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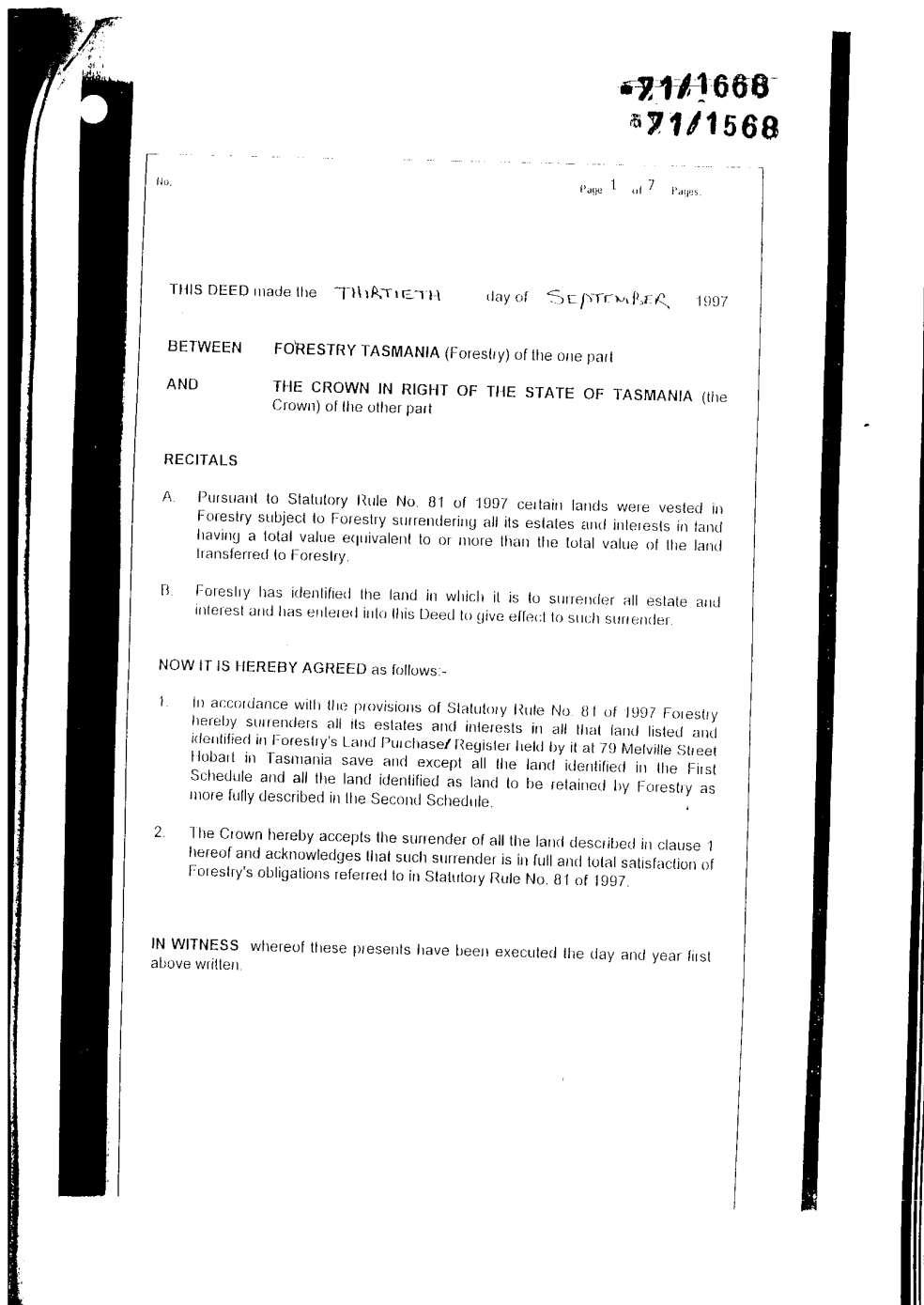
Areas of Land Proposed for Vesting in Forestry Tasmania

25/06/97

Nabowla	5244	3911	1	1180.0	\$300	\$354,000	\$ 18,696,350
Nabowla	5244	3911	2	822.0	\$300	\$246,600	\$ 18,942,950
Lisle	5243	3912	1	4159.0	\$300	\$1,247,700	\$ 20,190,650
Lisle	5243	3912	2	227.0	\$275	\$62,425	\$ 20,253,075
Lisle	5243	3912	3	126.0	\$300	\$37,800	\$ 20,290,875
Lisle	5243	3912	4	28.0	\$300	\$8,400	\$ 20,299,275
Lisle	5243	3912	5	1020.0	\$300	\$306,000	\$ 20,605,275
Lisle	5243	3912	6	1484.0	\$300	\$445,200	\$ 21,050,475
Patersonia	5242	3913	1	1771.0	\$325	\$575,575	\$ 21,626,050
Scottsdale	5444	3915	1	4247.0	\$325	\$1,380,275	\$ 23,006,325
Pearly Brook	5445	3915	1	4044.0	\$275	\$1,112,100	\$ 24,118,425
Scottsdale	5444	3915	2	70.0	\$300	\$21,000	\$ 24,139,425
Springfield	5443	3916	1	6196.0	\$300	\$1,858,800	\$ 25,998,225
Springfield	5443	3916	2	18.0	\$400	\$7,200	\$ 26,005,425
Springfield	5443	3916	3	1.0	\$325	\$325	\$ 26,005,750
Maurice	5442	3917	1	633.0	\$325	\$205,725	\$ 26,211,475
Pioneer	5645	3918	1	863.0	\$275	\$237,325	\$ 26,448,800
Pioneer	5645	3918	2	35.0	\$275	\$9,625	\$ 26,458,425
Pioneer	5645	3918	3	109.0	\$275	\$29,975	\$ 26,488,400
Derby	5644	3919	1	832.0	\$325	\$270,400	\$ 26,758,800
Derby	5644	3919	2	233.0	\$350	\$81,550	\$ 26,840,350
Ringarooma	5643	3920	1	2376.0	\$300	\$712,800	\$ 27,553,150
Saddleback	5641	3921	1	4504.0	\$250	\$1,126,000	\$ 28,679,150
Saddleback	5641	3921	2	266.0	\$250	\$66,500	\$ 28,745,650
Saddleback	5641	3921	3	893.0	\$275	\$245,575	\$ 28,991,225
Saddleback	5641	3921	4	180.0	\$275	\$49,500	\$ 29,040,725
Mathinna	5640	3922	1	2714.0	\$225	\$610,650	\$ 29,651,375
Mathinna	5640	3922	2	651.0	\$250	\$162,750	\$ 29,814,125
Mathinna	5640	3922	3	1.0	\$250	\$250	\$ 29,814,375
Mathinna	5640	3922	4	390.0	\$250	\$97,500	\$ 29,911,875
Mathinna	5640	3922	5	4.0	\$250	\$1,000	\$ 29,912,875
Mathinna	5640	3922	6	0.5	\$275	\$138	\$ 29,913,012
Mathinna	5640	3922	7	68.0	\$250	\$17,000	\$ 29,930,012
Mangana	5639	3923	1	2013.0	\$225	\$452,925	\$ 30,382,937
Brilliant	5841	3924	1	326.0	\$275	\$89,650	\$ 30,472,587
Brilliant	5841	3924	2	766.0	\$250	\$191,500	\$ 30,664,087
Dublin Town	5840	3925	1	47.0	\$225	\$10,575	\$ 30,674,662
Dublin Town	5840	3925	2	2068.0	\$250	\$517,000	\$ 31,191,662
Dublin Town	5840	3925	3	453.0	\$250	\$113,250	\$ 31,304,912
St Marys	5839	3926	1	11.0	\$225	\$2,475	\$ 31,307,387
St Marys	5839	3926	2	3.0	\$225	\$675	\$ 31,308,062
St Marys	5839	3926	3	71.0	\$225	\$15,975	\$ 31,324,037
St Marys	5839	3926	4	5.0	\$225	\$1,125	\$ 31,325,162
St Marys	5839	3926	5	8.0	\$225	\$1,800	\$ 31,326,962
Beaumaris	6041	3927	1	2644.0	\$275	\$727,100	\$ 32,054,062
Parkham	4641	3928	1	41.0	\$950	\$38,950	\$ 32,093,012
Fluted Cape	5219	3929	1	19.0	\$700	\$13,300	\$ 32,106,312
Lilydale	5043	3930	1	116.0	\$375	\$43,500	\$ 32,149,812
		TOTAL	AREA	77112.7			

Appendix 4

COPY OF THE DEED DATED 30 SEPTEMBER 1997 BETWEEN FORESTRY TASMANIA AND THE DEPARTMENT OF PRIMARY INDUSTRIES WATER AND THE ENVIRONMENT DETAILING LAND TO BE RETAINED BY FORESTRY TASMANIA AND LAND TO BE SURRENDERED



0217/1000

0217/1568

No.

FIRST SCHEDULE

LAND DISTRICT	PARISH/TOWN	LPR NO	TOTAL AREA	Certificate of Title	
				VOLUME	FOLIO
BUCKINGHAM	LONNA	91	26.17	3365	65
BUCKINGHAM	THROCKMORTON	94	20.26	4264	46
BUCKINGHAM	LONNA	95	22.26	3359	38
BUCKINGHAM	THROCKMORTON	96	10.16	4264	47
BUCKINGHAM	THROCKMORTON	96	24.53	4264	98
BUCKINGHAM	THROCKMORTON	96	20.22	4264	48
BUCKINGHAM	THROCKMORTON	98	20.26	2484	34
CORNWALL	FINGAL	63	0.08	4703	4
CORNWALL	MOUNTJOY	106	2.92	127750	2
DEVON	STAVERTON	37	20.13	200942	1
DEVON	BRADWORTHY	229	0.2	101988	5
DEVON	KENTISBURY	283	0.16	19371	1
DEVON	BELSTONE	329	21.03	114973	1
DORSET	HALL	182	1.62	124642	1
DORSET	HALL	182	34.75	124624	2
DORSET	LISLE	432	18.25	4877	71
DORSET	LISLE	432	11.13	4877	72
DORSET	LISLE	432	0.3301	4877	73
DORSET	HURST	442	1.67	4856	39
DORSET	WAREHAM	447	35.4	117730	1
DORSET	BRANXHOLM	449	6.16	210132	1
DORSET	BRANXHOLM	449	37.61	211591	1
DORSET	BRANXHOLM	449	10.07	240580	1
DORSET	BRANXHOLM	449	58.48	107626	1
DORSET	HALL	450	131	242245	1
DORSET	HURST	451	74.39	211982	6
DORSET	BRANXHOLM	452	10.48	230254	1
DORSET	BRANXHOLM	452	16.19	234791	1
DORSET	BRANXHOLM	452	21.4	234810	1
DORSET	BRANXHOLM	452	0.8094	242585	1
DORSET	BRANXHOLM	453	60.82	126209	2
DORSET	HALL	389 & 454	0.87	127270	1
DORSET	SCOTSDALE	122	0.28	120175	1
KENT	DOVER	135	0.08	2544	99
KENT	PRICE	151	10.1	2550	93
KENT	HONEYWOOD	157	20.16	111684	1
KENT	HONEYWOOD	157	9.29	111684	2
KENT	HONEYWOOD	157	71.33	201062	1
KENT	LEITHBRIDGE	157	39.86	201514	1
KENT	LEITHBRIDGE	157	20.84	201515	1
KENT	HONEYWOOD	157	25.74	201525	1
KENT	LEITHBRIDGE	157	73.98	202766	1
KENT	LEITHBRIDGE	157	86.84	203921	1
KENT	LEITHBRIDGE	157	65.25	204597	1
KENT	LEITHBRIDGE	157	14.27	204647	1
KENT	HONEYWOOD	157	13.5	207446	1
KENT	HONEYWOOD	157	40.62	209061	1
KENT	HONEYWOOD	157	40.27	209065	1
KENT	HONEYWOOD	157	41.7	213204	1
KENT	LEITHBRIDGE	157	35.11	218456	1
KENT	LEITHBRIDGE	157	19.77	220556	1
KENT	LEITHBRIDGE	157	22.47	230687	1
KENT	HONEYWOOD	157	60.91	235707	1
KENT	LEITHBRIDGE	157	20.31	235709	1
KENT	LEITHBRIDGE	157	20.44	235710	1

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SECOND SCHEDULE

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DISTRICT	LPR NO	AREA	DESCRIPTION
BUCKINGHAM	4	2.04	
BUCKINGHAM	12	0.5005	
BUCKINGHAM	41(PART)	526.5	Lot 1 on CPR Plan No. 4011
BUCKINGHAM	41(PART)	1787.65	East of Repulse River
BUCKINGHAM	79(PART)	46.84	Lot 1 on CPR Plan No. 4010
CORNWALL	12	80.93	
CORNWALL	13	80.55	
CORNWALL	14	157.23	
CORNWALL	16	80.93	
CORNWALL	22	0.11	
CORNWALL	33	0.19	
CORNWALL	41	0.87	
CORNWALL	42	0.71	
CORNWALL	51	111.42	
CORNWALL	65	0.17	
CORNWALL	88	0.05	
CORNWALL	94	143.62	
CORNWALL	111	20.23	
CORNWALL	117	0.2	
CUMBERLAND	38	2143	
DEVON	10	28.33	
DEVON	13	50.89	
DEVON	21	20.12	
DEVON	44	39.32	
DEVON	94	12.36	
DEVON	95	29.77	
DEVON	133	23.79	
DEVON	163	40.46	
DEVON	164	124.72	
DEVON	165	129.3	
DEVON	202	20.05	
DEVON	264	12.05	
DEVON	296	0.07	
DEVON	308	916	
DEVON	328	19.4	
DORSET	69	59.89	
DORSET	70	52.25	
DORSET	125	77.06	
DORSET	185	59.99	
DORSET	199	130.58	
DORSET	231	122.21	
DORSET	233	15.57	
DORSET	259	40.43	
DORSET	264	40.31	
DORSET	279	0.19	
DORSET	285	115.33	
DORSET	290	49.37	
DORSET	297	243.16	
DORSET	303	40.39	
DORSET	311	90.67	
DORSET	320	8.62	
DORSET	321	52.65	
DORSET	350	139.55	
DORSET	404	115.1	
DORSET	417	40.03	
DORSET	431	0.15	
DORSET	436	53.16	
DORSET	Various	52.71	Lots 1 to 8 on CPR Plan No. 4012

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Page 7 of 7 Pages.

DISTRICT	LPR NO	AREA	DESCRIPTION
LINCOLN	21	97.64	
LINCOLN	22	126.31	
LINCOLN	23	21.79	
LINCOLN	25	86.77	
PEMBROKE	1	240.06	
PEMBROKE	8	32.45	
PEMBROKE	9	90.86	
PEMBROKE	16	4.45	
PEMBROKE	24	215.56	
PEMBROKE	31	1.58	
PEMBROKE	32	0.06	
PEMBROKE	38	0.13	
PEMBROKE	42	12.17	
PEMBROKE	43	40.67	
PEMBROKE	51	4.17	
PEMBROKE	54	1.6	
WELLINGTON	3	80.94	
WELLINGTON	42	52.69	
WELLINGTON	44	11.49	
WELLINGTON	51	27.67	
WELLINGTON	83	59.4	
WELLINGTON	85	54.98	
WELLINGTON	87	68.84	
WELLINGTON	103	7.3	
WELLINGTON	109	62.72	
WELLINGTON	129	63.81	
WELLINGTON	142	47.11	
WELLINGTON	163	18.35	
WELLINGTON	164	23.77	
WELLINGTON	180	0.05	
WELLINGTON	206	0.11	
WELLINGTON	221	0.18	
WELLINGTON	223	0.74	
WELLINGTON	242	0.05	
WELLINGTON	243	0.1	
WELLINGTON	244	0.05	
WELLINGTON	245	0.05	
WELLINGTON	248	20.01	
WELLINGTON	251	0.1	
WESTMORLAND	12	481.58	
WESTMORLAND	42	0.69	
WESTMORLAND	46	0.3	

42

Total 42

Grand Total 155

The duty payable hereon was this day assessed by me at \$ _____

This is to certify that this instrument was produced to me pursuant to Section 7 of the Stamp Duties Act 1931 on the _____ day of _____ 19____, and that upon being so produced the full amount of duty (namely \$ _____) was duly denoted thereon.

Assessor/Commissioner of Stamp Duties. _____

Date _____ Assessor/Commissioner of Stamp Duties. _____

DATED 1997

FORESTRY TASMANIA

AND

THE CROWN IN RIGHT OF THE STATE OF TASMANIA

DEED _____

Registered this 30th day of September 1997.

at 12.50 p.m.

No. ~~57111668~~ 57111568

W. B. O'Connell
Recorder of Deeds
RECORDED BY TITLES

05 x 644

05 x 660

**COPY OF A SCHEDULE OF LAND SURRENDERED BY FORESTRY
TASMANIA TO THE CROWN**

Office of the Valuer General



Inquiries: Mr Westwood
Phone : 3720
Fax : 6775
Our ref : 06-06-07
Your ref :

Secretary
DEPARTMENT OF ENVIRONMENT AND LAND MANAGEMENT

**VESTING AND EXCHANGE OF CROWN LAND
FORESTRY TASMANIA**

I advise that this Office has been extensively consulted by Forestry Tasmania in the determination of land values to facilitate the above process.

The procedure has been undertaken in several steps which have also been subject to scrutiny by the Audit Office.

STEP 1 OWNERSHIP RECORDS

In order to initiate the vesting and exchange process, it was firstly necessary for this Office to check by random sample the computerised land ownership records held by FT against details of the actual title areas.

It was found that the incidence of incompatibility of the records was very minor (approximately .5%). Subsequent to that exercise, FT took steps to verify the existing records against the land sale records held by this Agency.

STEP 2 - VALUATION ZONES

This Office provided valuation advice based on "valuation zones" which were considered by this Office and FT to be contiguous in terms of land component for forestry use. The valuation information was set out on the basis of rates per hectare for these zones of which there were 46 identified throughout the State.

It should be noted that the figures did not contain timber values which remain in the equitable ownership of FT.

The rates per hectare were calculated on valuation principles which had regard to average values across the zones for particular soil types, topography and values for alternative use.

STEP 3 - VALUATION OF VESTED AREAS

The areas to be vested were delineated by FT having regard to natural boundaries and manageable forestry blocks.

The vested areas then became the subject of a more detailed valuation exercise.

Department of Environment and Land Management
134 Macquarie Street or GPO Box 44A Hobart Tasmania 7001

Recycled paper

2.

The beforementioned "valuation zones" were further broken down to values appropriate to the contiguous vested areas within the zones (see Schedule A Vested Land Values).

The local knowledge and records of the Senior Valuers in the appropriate localities were utilised to complete this assignment. In some cases there were substantial variations from the values shown in the original "valuation zones".

The resultant total value of land within the vested areas was ascertained at \$32,317,462 (Schedule A - Vested Land Values), the appropriate date for valuation being 30th June 1997. A figure approximating the above was advised to you by memorandum of 25th June 1997 and stated as being less than the value of land owned in equity by FT and available for transfer to the Crown by surrender of interest.

STEP 4 - VALUATION OF LAND TO BE TRANSFERRED

The titles originally held in the ownership of FT included the following categories of land:

- (a) Land sold from the original titles.
- (b) Land held in forest reserves, conservation areas and recommended areas for protection.
- (c) Land within the vested areas.
- (d) Land to be retained by FT (includes land within urban areas, land held under titles in FT's name and areas subject to sale contracts).
- (e) Land available for transfer to the Crown in compensation for the vested areas including (b) and (c) above. (see Schedule B attached - Summary of Land Values).

(b)

The Office of the Valuer-General was further asked to determine a mark down or discounted value of these lands having regard to the nature of the restrictions placed upon their use.

The determination of 30% discount was based upon the loss in service potential of the land subject to the conservation restrictions. All such areas are located outside the vested areas.

(c)

The land originally held within the vested areas was attributed the same rate per hectare as the contiguous areas previously valued.

(d)

Following the determination of value of the land available for surrender, further areas were identified by FT to be retained to bring the value of the land to be transferred in approximate value equilibrium to that of the vested land. These areas are shown in Schedule C attached and have been incorporated into Schedule B.

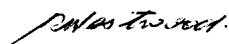
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(e)

The valuation of land identified for transfer to the Crown was ascertained at \$32,318,857 in compensation for the total vested land value of \$32,317,462.

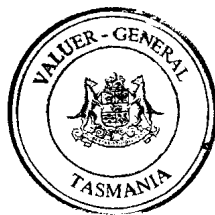
Final auditing of the records will be undertaken by the Audit office but this will not be possible prior to the settlement date of 30th September 1997.

Forestry Tasmania has advised that comprehensive internal checks have virtually eliminated the chances of error in the recording process.



R M Westwood, Lfvle
MANAGER PROJECTS

26 September, 1997



The amounts of \$32 318 857 and \$32 317 462 were adjusted on finalisation of the transaction – see Table 1 on page 46.

Land owned by Forestry Tasmania to be transferred

Map 1:25 000 Name	Parcel	Owned Land (ha)	Owned Land Value (\$)	Value (\$)
Fluted Cape	1	19	700	13 300
Total		19		13 300
Ringarooma	1	90	300	27 000
Beaumaris	1	165	275	45 375
Total		255		72 375
Saddleback	1	75	250	18 750
Mathinna	1	170	225	38 250
Mangana	1	150	225	33 750
Dublin Town	2	105	250	26 250
Total		500		117 000
Retreat	1	989	350	346 150
Nabowla	1	300	300	90 000
Lisle	1	1 565	300	469 500
Lisle	3	120	300	36 000
Lisle	5	1 000	300	300 000
Lisle	6	1 040	300	312 000
Patersonia	1	630	325	204 750
Pearly Brook	1	2 000	275	550 000
Scottsdale	1	3 130	325	1 017 250
Scottsdale	2	60	300	18 000
Springfield	1	4 080	300	1 224 000
Maurice	1	260	325	84 500
Pioneer	1	775	275	213 125
Lilydale	1	116	375	43 500
Total		16 065		4 908 775
Harford	1	452	600	271 200
East Frankford	4	90	950	85 500
Total		542		356 700
East Frankford	1	20	900	18 000
Total		20		18 000
Wilmot	2	830	500	415 000
Sheffield		79	900	71 100
Gog	1	1 750	500	875 000
Total		2 659		1 361 100
Railton	1	15	1000	15 000
Total		15		15 000
Railton	3	750	950	712 500
Sheffield	1	310	950	294 500
Sheffield	2	40	950	38 000
Total		1 100		1 045 000
Kindred	2	500	600	300 000
Castra	1	1 210	500	605 000
Castra	2	255	500	127 500

Wilmot	1	300	500	150 000
Cethana	1	250	500	125 000
		2 515		1 307 500
Calder	1	2 550	850	2 167 500
		2 550		2 167 500
Tewksbury	1	1 760	750	1 320 000
		1 760		1 320 000
Milabena	1	200	800	160 000
Milabena	2	100	750	75 000
Milabena	3	280	700	196 000
Folly	1	290	700	203 000
Folly	2	200	475	95 000
Calder	2	360	700	252 000
Yolla	1	320	500	160 000
		1 750		1 141 000
		29 750		13 843 250

Details and value of land surrendered by Forestry Tasmania

Value of Land Surrendered by Forestry Tasmania

Purchased (No Title)	Sold	In Forest Reserves @ 70% of value	Retained Land	Remainder	Value per Hectare	Value	Owned Land	Value	Total Value
25.05	4.80		27.00						
288.58	3.43	310	2403.00	285.55	325	92,803.75			92,803.75
4908.8	138.40		2143.00	2057.40	300	511,740.00			511,740.00
2537.67	1.58	200	631.77	393.09	325	117,927.00			117,927.00
1928.45				1096.68	450	556,506.00			556,506.00
189.46				189.46	550	104,203.00			104,203.00
660.59	20.00	117		504.59	500	293,245.00	19	13,300.00	306,545.00
2.64				2.64	400	1,056.00			1,056.00
184.32	0.15		5.77	178.40	225	40,140.00			40,140.00
380.28				380.28	550	209,154.00			209,154.00
612.52	7.33		586.29	18.90	450	8,505.00			8,505.00
2903.64	14.39		812.00	2077.11	500	1,038,555.00			1,038,555.00
3161.35	145.98		724.00	2291.41	500	1,145,705.00			1,145,705.00
1069.56			47.00	1022.72	450	460,224.00			460,224.00
179.62		44		135.62	150	94,963.00			94,963.00
1021.17	100.04		334.40	586.73	225	132,013.25			132,013.25
3850.46	566.48	25	717.27	2286.71	350	806,473.50	255	72,375.00	878,848.50
2828.91	1.21	78	143.62	2106.08	275	591,187.00	500	117,000.00	711,187.00
379.32			336.75	143.57	275	91,706.75			91,706.75
2363.23	174.62	655	485.30	1048.31	225	339,032.25			339,032.25
23003.72	1422.59	775	440.34	4300.79	300	1,452,957.00	16065	4,908,775.00	6,361,762.00
1475.2	290.42	185		457.78	450	204,278.00			204,278.00
2232.97	17.56	33	2749.37	2162.41	900	1,966,959.00	20	18,000.00	1,984,959.00
8721.76	221.91	850		2241.46	400	1,134,582.00	2659	1,361,100.00	2,495,682.00
2151.58	28.37	50		2073.21	425	895,989.25			895,989.25
701.16	1.68	137		547.48	850	611,211.00	15	15,000.00	626,211.00
1727.39	18.41			608.98	850	517,633.00	1100	1,045,000.00	1,562,633.00
471.98	80.95	70		321.03	850	314,525.50			314,525.50
5084.35	145.89			2423.46	600	1,454,076.00	2515	1,307,500.00	2,761,576.00
3806.73	131.85		137.51	867.37	1000	967,370.00	2550	2,167,500.00	3,154,870.00
2144.31	166.62			217.69	750	163,267.50	1760	1,320,000.00	1,483,267.50
4564.17	1220.59		380.63	1212.95	700	899,025.00	1750	1,141,000.00	1,990,025.00
316.12	17.36	90	162.74	116.00	700	81,200.00			81,200.00
192.87	12.94	45		89.93	600	91,758.00			91,758.00
66.65				23.65	450	24,817.50			24,817.50
176.95				176.95	725	128,288.75			128,288.75
529.35	0.38	40		488.97	100	51,697.00			51,697.00
1431.50	120.85			1310.65	450	589,792.50			589,792.50
309.40	2.10	225		282.30	120	52,776.00			52,776.00
346.90				346.90	200	69,380.00			69,380.00
590.59	4.43	225		369.16	325	171,164.50			171,164.50
0.14				0.14	250	35.00			35.00
230.83				230.83	500	115,415.00			115,415.00
89962.65	5083.33	4154	13287.76	37694.36		\$19,476,376.00	29750	\$13,843,250.00	\$32,319,626.00

Nil. The owned land and value columns are summarised here and transferred from the previous table.

Appendix 6

COPY OF MAP SHOWING THE LOCATIONS OF LAND VESTED

See attached map.

Appendix 7**REGIONAL FOREST AGREEMENT****Compensation received under the Regional Forest Agreement**

The 1997/98 Annual Financial Report included the following in note 7:

"During 1997/98 Forestry Tasmania received \$20.1 million of funds payable under the Regional Forest Agreement. The total funding package, payable over 3 years is \$68.1 million and is treated as a capital receipt in the financial statements. Upon receipt, the funds have been deposited in either a short term investment account or Forestry Tasmania's general bank account. The package is to compensate the State for loss of productive State forest area of 121,409 hectares under the Regional Forest Agreement. A corresponding reduction in the forest estate has been recognized in addition to a receivable for the balance of the funds. The loss of forest production was evaluated at \$68.1 million. Included in this is the value of land lost of \$11.02 million."

The compensation was increased to \$71 million in the 1998/99 financial year. The transaction was recognized in the financial reports as follows (all amounts in \$000):

Over the three years ended 30 June 2000, Forestry Tasmania received in cash \$71 million as follows:

	\$m
1998	20
1999	28
2000	<u>23</u>
Total	71

Note 1 - Whilst the note to the financial report refers to receipt of the monies from the Commonwealth as being "on capital account", no capital account was credited. Instead the entry applied was to credit the relevant asset accounts as follows:

			<u>\$'000</u>
In 1997/98	Forest Estate	forest component	57 111
		land component	11 020
In 1998/99	Forest Estate	forest component	<u>2 900</u>
Total			<u>71 031</u>

Appendix 8

Title Verification.

Following copies of titles were sighted at Forestry. Originals are at Titles Offices

Parish/ Town	Certificate of Title	Reservations and Conditions	Ha
Milabena	129698/1	GMO rights recorded on title C245100 30/06/00 No area on title.	309
Milabena	129698/2	GMO rights recorded on the title C245100 30/06/00	126
Tewkesbury	129695/1	C267948 Instrument creating Forestry right for Softwood Tas (Operator P L) for term of 70 years from 20 October 1999.	2 836
Castra	129696/1	C267948 Instrument creating Forestry right for Softwood Tas (Operator P L)	2 244
Castra	129697/1	C267948 Instrument creating Forestry right for Softwood Tas (Operator P L)	507
Beaumaris	1310187/1	GMO rights recorded on the title C245100 30/06/00	2 644
Brilliant	130012/1	GMO rights recorded on the title C245100 30/06/00	326
Lisle	130013/1		227
Lisle	130540/1	GMO rights recorded on the title C245100 30/06/00	10 154
Harford	130014/1	GMO rights recorded on the title C245100 30/06/00	1 004
Derby	130024/1	GMO rights recorded on the title C245100 30/06/00	233
Nabowla	130042/1	GMO rights recorded on the title C245100 30/06/00	976
Nabowla	130102/1	GMO rights recorded on the title C245100 30/06/00	5 339
Railton	130270/1	GMO rights recorded on the title C245100 30/06/00	1 027
Pearly Brook	130491/1	GMO rights recorded on the title C245100 30/06/00	10 131
Mathinna	130278/1	GMO rights recorded on the title C245100 30/06/00	5 148
Folly	130371/1	GMO rights recorded on the title C245100 30/06/00	1 656
Folly			958
Parkham	130237/1	GMO rights recorded on the title C245100 30/06/00	1 497
Lilydale	130238/1	GMO rights recorded on the title C245100 30/06/00	3 142
Fluted Cape	130370/1		19
			50 484

Test Results

Copy titles which represent approximately 65% of the vested land area sighted at Forestry. In the main, Forestry records only included the front page of the title. Usually no map was included so area data was obtained from client work papers.