Tasmanian Audit Office

Strive, lead, excel to Make a Difference

REPORT OF THE AUDITOR-GENERAL
No. 1 of 2010

Volume 1

Local Government Authorities, Including Business Units and Other State Entities June 2009 and December 2009

June 2010

THE ROLE OF THE AUDITOR-GENERAL

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

Our primary responsibility is to conduct financial or 'attest' audits of the annual financial reports of State entities. As defined by the Act, State entity includes all public sector entities including those established under the *Local Government Act 1993*. It includes an agency, council, Government Business Enterprise, State-owned Company, State Authority, Corporations established by the *Water and Sewerage Corporations Act 2008* and the governing body of any corporation, body of persons or institution that are appointed by a Minister or by the Governor.

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

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

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

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

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

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

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

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

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

TASMANIA

2010
PARLIAMENT OF TASMANIA

REPORT OF THE AUDITOR-GENERAL No. 1 of 2010

Volume One

Local Government Authorities, including Business Units and Other State Entities 2008–09

June 2010

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

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10 June 2010

President
Legislative Council
HOBART

Speaker
House of Assembly
HOBART

Dear Madam President

Dear Mr Speaker

In accordance with the requirements of Section 29 of the *Audit Act 2008*, I have pleasure in presenting my Report on the audit of the financial statements of Local Government Authorities and other State entities for the year ended 30 June 2009, as well as two State entities that reported at 31 December 2009.

Yours sincerely

H M Blake
Auditor-General

FOREWORD

In the 2008-09 financial year, collectively, Tasmania's 29 councils generated total revenues of $867m, incurred $240m in employee costs, employed 3 607 full time equivalent employees, managed assets recorded at $8.126bn and invested $255m in new infrastructure related assets. Councils make significant contributions to the financial activities of our State.

An assessment of the financial sustainability of all councils, performed by applying seven inter-related financial ratios, was conducted this year the outcomes from which are included in this Report. I concluded from this assessment that no single Tasmanian council is financially unsustainable. Of concern however was that 15 councils (17 in 2007-08 and 18 in 2006-07) incurred operating deficits, 10 of which had incurred deficits for at least three years in a row, and a number may not be investing sufficiently in renewal of existing infrastructure assets.

In the 2010-11 financial year all councils will be required to submit signed financial statements for audit to my Office by no later than 14 August 2011 which is 45 days after balance date. This will be challenging for many councils particularly for the eight who failed to meet the 90 day deadline this year and for the 20 whose financial statements required a number of amendments following audit completion. These councils are urged to prepare early for this change.

In addition to reporting the financial results of the 29 councils, this Report includes summaries of the financial results of three local government business units and seven other State entities including the University of Tasmania and Rivers and Water Supply Commission. The University is a significant business in the Tasmanian context. On a comprehensive income basis, the University generated a surplus of $58.163m for the year ended 31 December 2009; it had net assets under management of $678.875m; and invested $57.834m in property, plant and equipment.

HM Blake
Auditor-General
10 June 2010

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INTRODUCTION

This Report deals with the outcomes from financial statement audits of Local Government Authorities and four other State entities reporting for the financial year ended 30 June 2009. Also included are the results from our audits of the financial statements of two State entities reporting at 31 December 2009. In addition a comparative analysis covering all councils and water authorities is again included and reported for the first time is a Chapter dealing with our assessment of the financial sustainability of councils.

FORMAT OF THE REPORT

Unless specifically indicated, comments in this Report were current as at 30 April 2010.

The Report is based on the administrative arrangements set out under the provisions of the *Administrative Arrangements Act 1990* as at 30 June 2009 and, in addition to this Introduction, includes:

- An Audit Summary dealing with Matters of Significance and Follow-Up of Matters Previously Reported
- Timeliness and Quality of Financial Statements
- Basis for setting Audit Fees
- Audits Dispensed With
- Local Government Water Authorities
- Local Government Financial Sustainability
- Local Government Comparative Analysis
- Other State entities reporting at 30 June 2009
- Other State entities reporting at 31 December 2009
- Local Government Business Units.

The order in which State entities are reported does not attempt to recognise any lines of responsibility they have through their appropriate Minister. However, except in the case of Local Government Authorities, including Water Authorities, where the Responsible Minister is the Minister for Local Government, the Portfolio or Responsible Minister is stated in each case.

Individual Chapters for each of Tasmania's 29 councils appear in volume two of this Report.

AUDIT SUMMARY

This Report contains analysis of financial information of local government authorities and other State entities.

The accompanying text summarises key findings identified from our analysis of the financial statements and from the conduct of our audits. A cross reference to the relevant detailed report is provided. Not included are financial and reporting matters that are common across local government authorities and other State entities, such as timeliness of reporting, because these are dealt with separately in this Volume. However, included in this Audit Summary are key points highlighted from our Local Government Financial Sustainability and Comparative Analysis Chapters in this Report.

Our Report includes details of matters raised with entity management during the course of audits, but only where the matter(s) raised was significant. The rationale for inclusion or otherwise rests on our perception of the public interest in each point and the need to confine comments to those matters that have more than a managerial dimension. A section is again included here following up matters reported in previous Reports to Parliament.

OVERVIEW OF LOCAL GOVERNMENT

A significant component of this Report relates to local government councils and council related business entities. Collectively Tasmania's 29 councils make significant contributions in financial terms to the activities of our State. This observation is supported by the following statistics for the financial-year ended 30 June 2009 when councils:

- generated total revenues of $867m
- incurred $240m in employee costs employing 3 607 full time equivalent employees which represented 8.6 FTE for every 1000 people living in Tasmania
- managed assets recorded at $8.126bn of which $7.672bn was infrastructure related
- invested $255m in new infrastructure related assets.

Further summary information and details regarding Tasmania's councils are provided in individual council chapters in volume two of this Report and in the following chapters of this volume:

- Local Government Comparative Analysis
- Local Government Financial Sustainability
- Timeliness and Quality of Financial Statements
- Later in this Audit Summary.

ONGOING MATTERS IDENTIFIED IN PREVIOUS REPORTS

Recurring Deficits in Local Government Authorities (30 June 2009 Financial Statements)

A number of councils continue to incur deficits before capital grants, contributions and revaluation increments. This position cannot be sustained over the medium to long term and action is needed to increase revenues or reduce costs to the point where all costs are covered from normal operating revenues. In the relevant sections of this Report we have noted operating deficits at the following 15 (17 in 2007-08) councils:

- Break O'Day *
- Central Coast a*
- Central Highlands ** a
- Derwent Valley a
- Devonport City *a (although its deficit was significantly lower than in 2007-08)
- Flinders ** a
- Glenorchy City ** a
- Hobart City ** a
- King Island *
- Kingborough a
- Meander Valley a (although before accounting for losses incurred on the disposal of assets, this Council made surpluses in each of 2008-09 and 2007-08)
- Northern Midlands a
- Southern Midlands ** a
- Tasman
- Waratah-Wynyard.

Those Councils marked with an "a" recorded a deficit for a minimum of three successive financial years. Those marked with an "*" budgeted for an operating deficit before capital grants and contributions. Those with "**" budgeted for an overall deficit, irrespective of additional capital grants and contributions.

As noted in previous reports, to ensure long-term financial sustainability, we would expect a council, as a minimum, to budget for a break-even operating result before capital grants, contributions and revaluation increments. We acknowledge, however, that some councils may have long term strategies in place aimed at addressing deficits. Where information in this respect was available, details are provided in individual chapters.

Councils included in the above list at 30 June 2008 who generated surpluses in 2008-09 were Clarence, Dorset, Glamorgan Spring Bay, Kentish and Sorrell. Added to the above list this year were Break O'Day, King Island, and Tasman Councils.

Maintenance of Infrastructure Assets in Local Government Authorities (30 June 2009 Financial Statements)

In our previous reports we raised concerns at a number of reporting entities over their level of reinvestment in infrastructure assets. We expected to find asset replacement programs, at a minimum, consistent with depreciation charges being incurred. For a council, for example, a low level of reinvestment in existing infrastructure assets may indicate that council may not be sufficiently rating to maintain the current level of infrastructure and services. The Capital expenditure to depreciation and Capital expenditure on existing assets to depreciation ratios in the Financial Analysis section of each council within this Report provides detailed comments where relevant.

In our 2007-08 report we listed 22 Councils which recorded a capital expenditure on existing assets to depreciation ratio below the benchmark of 100%. For 2008-09 this number reduced by over half to 10, with the following entities noted as having a capital expenditure on existing assets to depreciation ratio below the benchmark of 100%:

- Brighton *
- Central Coast *
- Central Highlands *

- Circular Head
- Dorset *
- George Town *p
- Glenorchy City *p
- Hobart City *p
- Kingborough *
- Tasman.

A low ratio in a single year may not be a cause for concern, especially where there is a strategic capital works program or positive history of sufficient investment. However, those councils noted above with an "*" recorded, for a minimum of three successive financial years, a ratio below the 100% benchmark. Such a trend may indicate insufficient investment to maintain the entities' existing asset base. Those noted with "p" had a strategic capital works program.

Ensuring fair values remain current (30 June 2009 Financial Statements)

For a number of years we have been concerned about accounting and asset management practices by councils associated with long-lived infrastructure assets such as roads, bridges, water, sewerage, drainage, land and buildings. Accounting standard AASB 116 *Property, Plant and Equipment* requires entities measuring Property, plant and equipment at fair value to carry out revaluations with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at reporting date.

While we accept that it is not practical or cost effective for all entities to revalue assets annually, the use of appropriate indicies, applied as an interim measure, can ensure compliance with the requirements of AASB 116. In the absence of annual revaluations or indexing, the carrying amount of assets at fair value has the potential to become materially understated. Ideally assets should be revalued every three to five years.

In the relevant sections of this Report we raised concerns regarding the currency of infrastructure asset valuations at 30 June 2009 at the following councils:

- Break O'Day
- Brighton *
- Central Coast
- Dorset
- Flinders
- Hobart
- Kentish.

Brighton is marked with an "*" because it was listed as a concern in the prior year also. Sorell and West Coast Councils revalued long lived assets in 2008-09 thereby addressing concerns we raised in 2007-08.

Those charged with governance of state sector entities are responsible for ensuring that application of Australian Accounting Standards results in financial reports fairly presenting in all material respects or giving a true and fair view. They must take steps to ensure that the model they apply for recognising long-lived assets results in a true and fair view at each balance date.

US Sub-prime Market Downturn (30 June 2009 Financial Statements)

At 30 June 2009 three Councils continued to hold investments in Collaterised Debt Obligations (CDOs). As discussed in *Report No.1 2009, Volume 2 – Local Government Authorities 2007-08*, the value of CDOs held by three Councils fell significantly with the US Sub-prime market downturn and these investments were written down or impaired at 30 June 2008. The continued market downturn in 2008-09 meant that the CDOs were further written down by two of the three Councils as reported below:

Council	Valuation Date	Face Value	Fair Value 30 June 2009	Fair Value 30 June 2008
		$'000s	$'000s	$'000
Circular Head	30 June 2009	4 500	376	117
Huon Valley	30 June 2009	4 000	215	782
Sorell	30 June 2009	500	204	0

While the above councils were negatively impacted by investing in CDOs, we again note they did not contravene the broad investment guidelines in the *Local Government Act 1993*. In addition, councils must comply with the *Trustee Act 1898*, which also provides broad guidelines and criteria that a trustee should take into account when investing.

MATTERS ARISING FROM CURRENT AUDITS

Local Government Comparative Analysis (30 June 2009 Financial Statements)

The key matters identified from this comparative analysis included:

- 15 (2007-08; 17) of the 29 Tasmanian councils failed to achieve at least a break even operating margin with breakeven or better being indicated by an operating margin of one or greater than one. In our view, councils should, at a minimum, budget, and operate, to break even and to avoid operating deficits
- In both 2008-09 and 2007-08 the consolidated self financing ratio was greater than 25% indicating that, collectively, councils generate sufficient cash from their operating activities to contribute to asset replacement or repay debt
- On a consolidated basis, Tasmania's councils generated approximately 80% of their revenues from their own sources and this remained steady at least in the last two financial years
- Collectively, the current ratio in both years was well above the benchmark of one with, individually, no council having a ratio of less than one at 30 June 2009 indicating that councils were in a strong position to meet short term commitments
- The cities' populations represented 51.39% (51.62%) of the total population, but only covered 3.9% of the State area in square kilometres. Conversely, the 16 rural councils combined population represented 21.93% (21.78%) of the total population, but covered 67.2% of the State's area in square kilometres
- Excluding capital revenue sources, it could be argued that, on an "operating" basis, for the year ended 30 June 2009 councils recorded a combined deficit of $9.236m ($16.092m)
- Councils generated $462.747m ($434.289m) in rates for the 2008-09 year
- There were six councils (also six in 2007-08) with rate revenue to operating revenue ratios of less than 50% meaning that they were heavily reliant on recurrent grant funding. Four of these councils also had the lowest average rates per rateable valuation although they generated relatively high rate revenues per head of population

- Smaller rural councils' grants per head of population were considerably greater than other councils, for example Flinders, $1 776 and Tasman, $1 041 compared to Hobart, $61 or Clarence, $92
- At 30 June 2009, the average amount of annual, long service and some sick leave accrued by councils for their employees was $13 797 which appears reasonable. However, many councils hold balances for some employees well above two year's entitlements
- For all councils, the average of total capital expenditure to depreciation ratio was 144.0% (125.2%) indicating that most councils were re-investing in their non-current assets at an appropriate rate. However, some councils stand out as being below the target of 100% particularly major cities
- Rural councils manage a lower level of infrastructure assets, but across a larger geographical area
- A review of the debt service ratio and the cost of debt for each council indicated that, based on established benchmarks, the majority of councils are managing their debt appropriately
- Expressing rate debtors as a percentage of rates raised indicated that, in general, councils were recovering outstanding rate debts in a reasonable timeframe.

Local Government Financial Sustainability (30 June 2009 Financial Statements)

In the Chapter headed Local Government Financial Sustainability, we assessed the financial sustainability of the 29 councils using seven inter-related indicators. We concluded from this assessment that:

- no single Tasmanian council is financially unsustainable
- 23 councils, 79%, satisfied more than 50% of the seven financial sustainability ratios
- six councils, 21 %, only satisfied three or less ratios. Ratios not satisfied were not always the same but in common were the operating margin and renewal gap ratio. These councils were Central Highlands, Flinders, Glenorchy, Hobart, Kingborough and Southern Midlands. Further analysis is provided in individual chapters for each council
- while no single Tasmanian council is financially unsustainable, a number should use the comparative material provided to assess their own financial performance and position.

Local Government Financial Assistance Grants (30 June 2009 Financial Statements)

The Commonwealth Government provides local government councils with financial assistance grants which are paid quarterly and which are accounted for as revenue on a received basis. In June 2009 Tasmania's councils received the quarterly instalment relating to the quarter ended 30 September 2009. Accounting standards required this to be reported as revenue at 30 June 2009. The amount received totalled $14.948m.

All councils other than Glenorchy reported this advance instalment as revenue at 30 June 2009. Glenorchy accounted for the instalment as revenue received in advance.

In this Report, other than for Glenorchy, we have included this instalment as revenue in the Income Statements but as a receipt 'below the line', that is, after determining an 'operating' surplus or deficit. Our reasoning was that this item of revenue was not provided to fund expenditures incurred in the 2008-09 financial year. We note further that this early receipt will, other than Glenorchy, negatively impact the financial results of councils in 2010-11 because in that financial year they will have incurred costs associated with these grants but will report no revenue.

Water and Sewerage Reforms

On 25 February 2008, the Treasurer announced that State Cabinet had approved implementation of the Ministerial Water and Sewerage Taskforce's recommendations to reform the water and sewerage sector in Tasmania. Under the reforms, three new local government owned and regionally based entities were created together with a common service provider subsidiary company.

The *Water and Sewerage Corporations Act 2008* was proclaimed on 13 June 2008. The purposes of the Act are to:

- provide for matters relating to the establishment and governance of three Regional Corporations, each having as its primary purpose the provision of water and sewerage services to its region, owned by the constituent councils of that region
- establish a Common Services Corporation owned by the three Regional Corporations
- vest the water and sewerage assets, rights and liabilities of councils and bulk water authorities in the Regional Corporations and the Common Services Corporation
- make provision for the transfer of water and sewerage employees of councils and employees of bulk water authorities to the Regional Corporations and the Common Services Corporation.

In conjunction with the above Act, the *Water and Sewerage Industry Act 2008* was also proclaimed on 13 June 2008. This Act provides for the establishment of an economic regulatory framework for the water and sewerage industry, including the establishment of a licensing regime and providing for the regulation of prices, customer service standards and performance monitoring of that industry and for related matters.

The new corporations commenced minimal operations on 1 January 2009 with a target date of 1 July 2009 for the full transfer of water and sewerage assets, liabilities and staff. Full transition to the new water pricing and servicing standards is not expected until January 2012.

A Common Chair was appointed, along with three other common directors. In addition, each corporation had two Regional Directors appointed. CEOs were appointed for each of the four corporations.

So as to clearly report the value of assets and liabilities to be transferred by each council to the new Water and Sewerage Corporations, all councils were required to develop a 'completion balance sheet' at 30 June 2009 which were included in the 30 June 2009 financial statements of each council.

Councils were required to develop their 'completion balance sheets' based on defined accounting policies for the transfer and measurement of assets and liabilities, in line with the gazetted Transfer Order, at 1 July 2009 ensuring that asset and liability values transferred were determined on a consistent basis and representative of the estimated cost of the investment by each council in its respective corporation.

We audited these 'completion balance sheets'. Our objective was to ensure that the assets and liabilities transferred were appropriately disclosed in the notes to the financial statements based on Transfer Notice arrangements as at the date the audit was completed, including the amounts recorded as transferred.

Cradle Coast Water (the Authority) at 30 June 2009

Subsequent to the end of the financial year, and prior to the completion of the audit, it was discovered that an employee had misappropriated funds from the Authority's bank accounts over a number of years.

The fraud had apparently been concealed through the use of false general journal entries in the Authority's accounting software, which resulted in various expense, asset and liability groupings being misstated.

In October 2009 Cradle Mountain Water, to whom the Authority's assets, liabilities and staff were transferred, appointed a consultant to investigate the fraud and to quantify the amount of monies misappropriated. This investigation quantified at $1.205m the total amount misappropriated and the financial years in which they occurred (on a cash basis).

Northern Midlands Council at 30 June 2009

Questions were raised with Council concerning remedial and capital works totalling $3.192m expended at the Longford wastewater treatment plant. It was Council's understanding that once work was completed a major industrial user would reimburse Council. However, no formal agreement was entered into with the industrial user, and audit enquiries indicated that Council invoices raised to recover the $3.192m expended by Council would not be paid.

This matter was complicated by Council's view that the debt would be taken over by Ben Lomond Water (BLW) as part of the transfer of water and sewerage operations. Discussions with BLW indicated the debt was not included in the gazetted transfer notice and would not be taken over. The $3.192m incurred by Council was funded by borrowings with these transferred to BLW on 1 July 2009.

Consequently, the debtor balance of $3.192m raised by Council was written off in its Income Statement. Advice from Council's General Manager indicated legal advice was currently being sought to determine whether any recovery action is possible to recover the monies expended. Subsequent advice from the Mayor reaffirmed this course of action.

Waratah-Wynyard Council at 30 June 2009

The audit identified the need for Council to address internal controls regarding the acceptance of a major contract where expenditure incurred was greater than $100 000. Council failed to comply with the requirements of the Tenders and Contracts provisions of the *Local Government Act 1993*. Its Code for Procurement, Tenders and Contracts is under review with the intention of improving its tendering process.

Derwent Valley Council at 30 June 2009

Willow Court transactions

In recent years there has been press speculation about what has or has not happened to funds received by Council in relation to its redevelopment of Willow Court. Requests have also been made to our Office to investigate aspects of this. While no investigation was conducted, some details were obtained. Transactions entered into by Council commenced in the 1998-99 financial year and at the time of preparing this Chapter, were ongoing.

Various projects and project milestones were developed with primary sources of funding and expenditure, for the period 1999 to June 2009, summarised in the following table:

	Note references	**$**
Revenue	1	4 180 160
Expenditure	2	(2 944 336)
Cash on hand at 30 June 2009	**3**	**1 235 824**

Included in Revenues were funds received from the Commonwealth and State governments. Details are:

Commonwealth

Council entered into a Deed with the Commonwealth in 2004. It included the provision of $0.750m being a contribution towards the restoration of the Barracks precinct at Willow Court. To date $0.275m had been received with $0.025m spent to 30 June 2009. At 30 June 2009 the Commonwealth had taken action to recover all of the $0.275m provided to Council. Subsequent to 30 June 2009, Council settled the Commonwealth's claim by refunding to it $0.250m.

State Government

Council entered into a Deed with the State Government in August 2005 with the State agreeing to provide a grant of $0.750m which was intended as a one-off contribution to conserve and develop the Barracks and Bronte buildings on the historic Willow Court site. The Deed was initially between Council and the then Department of Tourism, Parks, Heritage and the Arts. This Deed is now administered by the Department of Primary Industries, Parks, Water and Environment (DPIPWE).

The Deed ceased in August 2009, however none of the funds had been expended and in November 2009 DPIPWE wrote to Council expressing its concern at the lack of progress with the project and seeking refund of the $0.750m plus interest totalling $0.190m. DPIPWE had, however, indicated its willingness to negotiate another grant deed with Council once there was clarity around how the funds would be allocated, and the governance and management of the projects were agreed. Negotiations are ongoing.

Derwent Valley Economic Renewal Group Inc. (Valley Vision)

We have also received requests to inquire into the activities of an organisation called Derwent Valley Economic Renewals Group Inc (referred to here as Valley Vision). No such investigation was conducted but information about its activities was obtained.

Valley Vision is an incorporated association managed by a Board of Management comprising 10 individuals, two of whom are nominated by Council. Its objectives are aimed at sustainable community and economic development in the Derwent Valley. Its funding sources included monies received from the Commonwealth and State governments. Of relevance to our review, is that in a July 2009 capability statement Valley Vision reported involvement in a number of activities with references to significant sums of money.

Our analysis of Valley Vision's Income Statements indicated that most of the amounts referred to on the capability statement were not received by it. It plays a facilitation role and there is some confusion regarding this role as against the responsibilities of Council. What was also clear from Valley Vision's Income Statements and Balance Sheets was that it had limited resources and few paid personnel with which to deliver its vision.

Recommendation

We recommend that both Valley Vision and Council take steps to clarify to the Derwent Valley community their respective roles, where these overlap and why.

Copping Refuse Disposal Management Authority at 30 June 2009

During our audit we noted that, taken together, the Authority's Indebtedness, Debt to equity, Interest cover and Debt to total assets ratios suggest that it is highly geared and it may find it difficult to service its borrowings without increasing its profitability or increasing equity to enable a reduction of borrowings. This is a matter the Authority will need to keep under close attention.

Launceston City Council at 30 June 2009

During our audit we noted that Council had:

- established the Launceston Flood Authority to take over from the Upper Tamar Regional Improvement Authority and to progress the Invermay flood protection enhancement project
- accrued costs totalling $25.836m at 30 June 2009 associated with the Invermay flood protection enhancement project with these costs capitalised as Property, plant and equipment. At 30 June 2009 Council had invested and or accrued a total of $30.706m on this project.

FINANCIAL OVERVIEW OF MAJOR NON-COUNCIL RELATED ENTITIES

University of Tasmania (UTAS) at 31 December 2009

Signed consolidated financial statements were received on 16 February 2010 and an unqualified audit report was issued on 17 February 2010. This was significantly ahead of UTAS' statutory deadline which is 30 June 2010.

On a turnover of $404.995m (2008; $380.719m), UTAS generated an 'operating' surplus before tax of $9.806m in 2009 (2008; $5.904m). On a comprehensive income basis, UTAS generated a surplus for 2009 of $58.163m ($7.307m before accounting for the revenue impact in 2008 of the one-off merger with Australian Maritime College). The significant improvement in 2009 was almost entirely due to the improvement in UTAS' investment performance with net revenues of $27.654m earned compared to losses in 2008 of $24.298m.

At balance date UTAS managed net assets of $678.875m compared to $620.712m at 31 December 2008 with the increase being due to the surplus of $58.163m. Net assets included cash and investment funds totalling in excess of $250m. During 2009 UTAS invested $57.834m in property, plant and equipment much of which was expended on the Health Sciences Co-Location project.

Rivers and Water Supply Commission at 30 June 2009

The activities of the Commission now include managing two wholly-owned subsidiaries:

- Tasmanian Irrigation Schemes Pty Ltd (TIS) and
- Tasmanian Irrigation Development Board Pty Ltd (TIDB).

The audits of the Commission and of these two subsidiaries were completed satisfactorily with no major issues outstanding. However, we raised with the Commission the need for improving the timeliness and quality of financial reporting.

The Commission considerably improved its equity position in 2008-09, mainly due to an equity injection by the State Government of $14.223m. Completion of Meander Dam and subsequent sales of water and irrigation rights in 2007-08 led to improved results in the last two years. The 2008-09 profit improved further due to additional Government grants, $3.700m, to assist with progressing new projects, and recognition of an Income Tax Benefit, $8.531m. Without these revenue sources the Commission's Net Profit after tax would have been a loss of $2.400m. This situation requires close management by the Commission's Board.

At 30 June 2009 the Commission managed assets totalling $41.548m (2007-08; $17.495m) with the improvement being due to the equity injection and surplus for the year. A major asset now managed by the Commission is current and long-term receivables from the sale of water rights. The cash balance was strong at 30 June 2009 primarily due to the equity injection of $14.223m. This injection assisted to fund completion of the Meander Dam and to provide working capital to manage long term receivables.

The Nominal Insurer at 30 June 2009

In 2008-09 The Nominal Insurer reported a Surplus of $7.237m, an increase of $2.517m compared to 2007-08. This positive result was due to a combination of higher contributions from Insurers, an upward reassessment of dividends receivable from the HIH liquidator and a reduction in claims as old HIH claims are being settled. The improved operating result allowed The Nominal Insurer to fully repay its Borrowings and improve its Cash balance. As a result, The Nominal Insurer reported positive Equity for the first time in the past four years.

TIMELINESS AND QUALITY OF FINANCIAL STATEMENTS

STATUTORY FINANCIAL REPORTING REQUIREMENTS

Local Government Councils

Pursuant to the *Local Government Act 1993* council General Managers are required to prepare financial statements within 90 days after the end of the financial year, being no later than 30 September, and submit them to us as soon as practicable. There was no legislated requirement for the audit to be completed within a specified timeframe but in all cases we endeavoured to complete the audits in time for papers to be distributed in advance of Council annual general meetings, which must be held by no later than 15 December.

Local Government Joint Authorities

The financial reporting requirements for Joint Authorities are the same as those for local government councils.

Other State entities

Financial reporting requirements vary depending on the nature of the entity and their establishing legislation. Details are provided for each entity later in this Chapter.

STATE ENTITIES REPORTING AT 30 JUNE 2009

This Report contains the financial results of five State entities whose audits were not completed in time for inclusion in our Report No 2 tabled in November 2009. These entities, and their performance in meeting their statutory financial reporting requirements, were:

Local Government Association of Tasmania (LGAT)

The *Local Government Act 1993* requires LGAT to prepare an annual financial statement by 31 August and submit this to the Auditor-General. Draft financial statements were received on 1 September 2009 with signed financial statements received on 5 November 2009. Our audit report was issued on 16 November 2009.

LGAT did not meet its statutory financial reporting requirements.

Rivers and Water Supply Commission (RWSC)

RWSC was required to complete annual financial statements for itself and its subsidiaries and submit them for audit by 15 August. This requirement was satisfied with signed statements received on 14 August 2009. However, adjustments were identified by the audit process resulting in final signed financial statements being received on 16 October 2009 and unqualified audit reports issued on 23 October 2009.

The Nominal Insurer

The *Workers Rehabilitation and Compensation Act 1988* requires The Nominal Insurer to provide to the Auditor-General financial statements within 45 days after the end of the financial year. Signed financial statements were received on 1 September 2009 with amended financial statements received on 27 October 2009. An unqualified audit report was issued on 29 October 2009.

The Nominal Insurer did not meet its statutory financial reporting deadline.

Aboriginal Land Council of Tasmania

The *Aboriginal Lands Act 1995* requires the Council to provide to the Auditor-General financial statements on or before 31 August each year. Signed financial statements were received on 7 September 2009 and an unqualified audit report was issued on 23 October 2009.

The Council did not meet its statutory financial reporting deadline.

Sullivans Cove Waterfront Authority

The *Sullivans Cove Waterfront Authority Act 2004* requires the Authority to provide to the Auditor-General financial statements by no later than 15 August each year. Signed financial statements were received on 14 August 2009. Changes were made to the statements resulting in them being re-signed on 30 September 2009 with our audit report thereon issued on 9 October 2009.

STATE ENTITIES REPORTING AT 31 DECEMBER 2009

This Report contains the results of two State entities which reported at 31 December 2009. These entities, and their performance in meeting their statutory financial reporting requirements, were:

Theatre Royal Management Board

The *Theatre Royal Management Act 1986* requires the Board to complete financial statements by no later than 31 March. Financial statements for the year ended 31 December 2009 were signed on 19 February 2010 and an unqualified audit report was issued on 25 February 2010.

University of Tasmania

The *University of Tasmania Act 1992* requires the University Council to complete its annual report, including its financial statements, by 30 June each year. Signed financial statements were received on 16 February 2010 and an unqualified audit report was issued on 17 February 2010.

LOCAL GOVERNMENT JOINT AUTHORITIES

The table below summarises the performance by five Joint Authorities included in this Report in satisfying their legislated financial reporting requirement.

Submission of financial statements for audit by Local Government Joint Authorities for the 2008-09 financial year

Joint Authority	Date initial signed statements received by Audit	Date amended or re-signed statements received by Audit	Date of audit report	Comment
Copping Refuse Disposal	16 October	n/a*	3 November	1
Dulverton Regional Waste Management	20 November	n/a*	20 November	2
Esk Water	24 August	29 September	30 September	3
Hobart Regional Water	17 September	n/a*	17 September	3
Cradle Coast Water	9 September	9 April 2010	27 April 2010	4

n/a – not applicable

Comments

1. Copping did not meet its statutory financial reporting deadline. The financial statements were signed when the new CEO was appointed to the position on 16 October 2009.
2. Dulverton did not meet its statutory financial reporting deadline.
3. These bulk water authorities satisfied their statutory financial reporting deadlines.
4. Cradle Coast Water submitted signed statements within its statutory financial reporting deadline. However, a fraud that was subsequently detected required preparation of new financial statements. These were received on 9 April 2010 with the audit opinion issued on 27 April 2010.

LOCAL GOVERNMENT COUNCILS

The table below summarises the performance by Tasmania's 29 councils in satisfying their legislated financial reporting requirement.

Submission of financial statements for audit by Local Government Councils for the 2008-09 financial year

Council	Date initial signed statements received by Audit	Date amended or re-signed statements received by Audit	Date of audit report	Comment
Cities				
Burnie	10 November	n/a	18 November	2
Clarence	25 September	25 October	30 October	1
Devonport	30 September	2 December	2 December	1
Glenorchy	13 October	n/a	14 October	5
Hobart	25 September	n/a	4 November	3
Launceston	29 September	19 October	20 October	1
Large Urban/Rural				
Central Coast	30 September	23 October	23 October	1
Circular Head	30 September	3 December	3 December	1
Huon Valley	25 September	20 October	21 October	1
Kingborough	30 September	9 November	10 November	1
Meander Valley	28 September	24 November	27 November	1
Waratah-Wynyard	29 September	19 November	23 November	1
West Tamar	28 September	19 November	19 November	1
Medium Rural				
Brighton	30 September	n/a	26 November	3
Derwent Valley	30 September	24 November	25 November	1
Dorset	30 September	n/a	1 December	3
George Town	27 November	2 December	2 December	2
Latrobe	22 October	30 November	1 December	2
Northern Midlands	10 January 2010	n/a	11 March 2010	2
Sorell	6 October	13 November	13 November	4
West Coast	30 September	17 October	20 November	1
Smaller Rural				
Break O'Day	1 October	2 December	2 December	4
Central Highlands	15 September	n/a	10 November	3

Council	Date initial signed statements received by Audit	Date amended or re-signed statements received by Audit	Date of audit report	Comment
Flinders	2 October	9 October	23 November	4
Glamorgan S/Bay	9 October	n/a	27 November	5
Kentish	30 September	1 December	2 December	1
King Island	27 November	n/a	7 December	2
Southern Midlands	30 September	28 October	15 November	1
Tasman	30 September	20 October	20 November	1

Comments

1. These Councils all satisfied their legislated responsibilities but the financial statements submitted required amendment prior to final completion and audit.
2. These Councils submitted their financial statements late therefore failing to comply with the *Local Government Act 1993.*
3. These Councils satisfied their legislated financial reporting requirements.
4. These Councils were marginally late in meeting the 30 September deadline for submitting their financial statements. However, in all cases, the financial statements submitted required amendment prior to final completion and audit.
5. These Councils submitted draft financial statements for audit in advance of the 90 day deadline and the subsequent delay to post the deadline was caused by my Office.

In summary:

Eight councils, two Joint Authorities and four other State entities failed to meet their statutory financial reporting deadlines.

The financial statements of 20 councils, three Joint Authorities and two other State entities required amendment prior to audit completion. The amendments were initiated either by management or by the audit process.

This high level of failure to comply with statutory reporting requirements and the still higher number of occasions where financial statements required amendment is disappointing. This is particularly so bearing in mind that the *Audit Act 2008* (the Audit Act) will, with effect from 30 June 2011, require all State entities (including councils and Joint Authorities) to submit financial statements for audit within 45 days.

The Audit Act provides for transitional arrangements for those State entities not currently required to submit statements within 45 days, including local government councils and their Joint Authorities. Therefore,

- State entities with a 30 June balance date – must submit their June 2011 financial statements within 45 days, and
- State entities with a December balance date, must submit their December 2011 financial statements within 45 days.

Steps taken by Audit to facilitate earlier financial reporting

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

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

- in the case of entities to which the transitional arrangements will apply (primarily councils), audit plans are proposing gradual tightening of completion timeframes so that by 2011 the revised deadlines can be achieved
- preparation of detailed completion timeframes for components of the financial statements
- where financial systems allow, conducting audit testing of selected balances prior to balance date thus minimising work post balance date.

Another initiative, now in its 12th year, is awards for the best working papers supporting financial statements. Separate awards are made for the different types of public sector entities. The purposes of effective financial statement working papers include:

- a framework for the compilation of financial statements by current and future preparers
- a central reference to the evidence required to support transactions, balances and estimates disclosed in the financial statements
- a trail between the entity's financial records for the year and the financial statements for the year, which can be followed by persons having a quality assurance function
- a record of the quality control processes employed in the preparation of the financial statements.

This process assists our staff in the conduct of audits and, more importantly, assists entity accounting staff in the timely completion of accurate and quality assured statements. At recently held client seminars awards were presented to the following for 2008-09 financial year:

Annual Working Paper Awards

Category	Overall Winner	Highly Commended
Agencies	Department of Primary Industries and Water	n/a
Local Government	West Tamar Council	Latrobe Council Hobart City Council
Government Business Enterprises and State-owned companies	TT-Line	Motor Accidents Insurance Board Metro Tasmania
Statutory Authorities and other State entities	University of Tasmania	n/a

BASIS FOR SETTING AUDIT FEES FOR CONDUCTING THE AUDITS OF THE FINANCIAL STATEMENTS OF STATE ENTITIES

BACKGROUND

Section 27 of the *Audit Act 2008* (Audit Act) provides that:

"(1) *The Auditor-General is to determine whether a fee is to be charged for an audit carried out by the Auditor-General under this Division and, if so –*

(a) *the amount of that fee; and*

(b) *the accountable authority liable to pay that fee."*

In relation to the tabling of Auditor-General's reports on audits of the financial statements of State entities the Audit Act also requires the following at section 29(3):

"(3) *A report under subsection (1) is to describe the basis on which audit fees are calculated."*

To comply with section 29(3) the basis for setting audit fees for conducting audits of the financial statements of State entities is detailed in this Chapter. Audit fees are not charged for performance audits, compliance audits or investigations.

DETERMINATION

We have determined that an audit fee will be charged for the audits of the financial statements of all State entities other than the University of Tasmanian Foundation Inc.

PRINCIPLE FOR AUDIT FEE DETERMINATION

Fees are set for each State entity commensurate with the size, complexity and risks of the engagement. These factors affect the mix of staff we assign to each audit and therefore the overall fee. Staff are assigned charge rates for use in determining the allocation of work on the audit and in computing the fee.

There is an expectation that audits of similar complexity and risks will have a similar mix of staff.

PRINCIPLE FOR DETERMINING CHARGE RATES

Charge rates are based on the principle of the Office being able to recover its costs of operation. Charge rates comprise two parts, direct salary cost and overhead recovery. To this base fee we add direct travel costs attributable to each audit. Other incidentals are covered by the overhead rate. Fees advised to audit clients are all inclusive before GST.

BASIS OF FEES

Fees are calculated on the basis that:

- current accounting systems will be operating throughout the year with a satisfactory appraisal of internal control
- no errors or issues requiring significant additional audit work will be encountered
- the standard period-end general ledger reconciliations will be available at the commencement of our year-end audit
- assistance for our staff will be provided with respect to reasonable requests for additional schedules and analysis throughout the audit
- agreed timetables will be met within reason, particularly with regards to the preparation of the financial statements
- the financial statements presented for audit are complete and do not require ongoing changes/adjustments
- additional work (including new accounting standards or issues associated with key risks and other matters arising) will be billed separately if it cannot be absorbed into the existing fee
- the nature of the entity's business and scale of operations will be similar to that of the previous financial year
- fees incorporate financial statement disclosure and other specific audit related advice.

ADDITIONAL AUDIT FEES

If the circumstances outlined under the section headed "Basis of Fees" change in a year, we would seek additional fees from the entity. Any future impact of agreed additional fees would be assessed in terms of the ongoing audit fee.

ADJUSTMENT TO FEES

In recognition that the major component of our costs are salary or salary related, fees will generally be adjusted annually in accordance with increases in Average Weekly Ordinary Time Earnings (AWOTE) as published by the Australian Bureau of Statistics each May.

Fees may be adjusted beyond the above in the following circumstances:

- changes to the size and nature of the entity and its operations
- changes to the risks associated with a particular engagement
- changes to accounting and auditing standards requiring greater effort on our part
- unavoidable increases in costs of maintaining our Office.

There may also be circumstances where, based on our assessment of size, complexity and risks of the engagement, our fees may be reduced. Fees also take into account our assessment of the relevance to our audits of work conducted by internal auditors. In all cases, fees are communicated to each accountable authority prior to audit commencement or during the planning phase.

TRANSPARENCY OF INDIVIDUAL AUDIT FEES

We have chosen to make the fee setting process for individual State entities more transparent. As a consequence, our staff are now required to explain:

- the specific factors taken into account in proposing the fee (particularly the risk assessment)

- the assumptions upon which the fee is based in terms of, for example, the standard of the client's control environment, coverage of internal audit, quality of working papers and so on
- what is included in the fee and what is not included
- what specific actions the client could take to reduce the level of its audit fee in the future
- the processes for agreeing additional fees if circumstances change or the assumptions upon which the fee is based are not met.

AUDIT FEE SCALES

A matrix (audit fee scale) has been developed to provide a guide for determining the expected time to be taken on an audit. The scales are based on the following key variables:

- The size of the entity based on its expected gross turnover. This was used to determine the base amount of time required to conduct the audit. Turnover was based on the client's actual income and expenditure for the preceding financial year, adjusted for any known factors (Fixed element)
- The risk and complexity profiles for each entity determined by our staff. These profiles include the corporate structure, complexity of systems, operations and financial statement reporting requirements. The time bands applied range from 40 per cent below to 40 per cent above the base time (Variable element).

The fee scales take account of:

- changes to Australian Auditing or Accounting Standards
- in some cases, particularly audits returning from contract, a change in scope of work being performed in line with our audit approach whereby certain probity matters will be considered during the course of all audits.

Fee scales are as follow:

Turnover *	**Base hours**	**Variable component**
<$100 000	15	+/-40%
$101 000 to $1.5m	30	+/-40%
$1.5m to $10m	100	+/-40%
$10m to $55m	155	+/-40%
$55m to $121m	270	+/-40%
$121m to $200m	460	+/-40%
$200m to $410m	610	+/-40%
$410m to $1bn	830	+/-40%
>$1bn	1 350	+/-40%

* may be adjusted in line with CPI movements.

Bandings are based on current cost experience in conducting audits.

After applying the above model, the hours to undertake the audit are allocated according to the staff mix necessary to conduct the audit. The respective staff charge rates are then applied to the allocated hours so as to determine a dollar amount (the audit fee). Where applicable, travel and other direct costs (out of pocket expenses) are added to the audit fee on a full cost recovery basis.

FEE SETTING

It is emphasised that the fee scales only provide a framework within which we set the actual fees charged to individual clients.

The level of fee, and any change, experienced by individual clients will therefore vary according to local circumstances and the risks each entity faces.

In certain circumstances, for example where a client faces a particular challenge to manage high risks or there are particular local circumstances, a fee may fall outside the noted bands. In these cases, the audit fee will be determined in discussion between our staff and client management, to reflect our assessment of risk and the extent and complexity of the audit work required.

SKILL-RELATED FEE SCALES

In certain circumstances, we may need to use staff with specialist skills in order to review specific local issues. We require use of appropriate senior and specialist staff on more complex parts of audits which can result in higher costs being incurred.

To facilitate the use of appropriately skilled staff, the actual fee charged will be determined in discussion between our staff and client management to reflect the size, complexity or any other particular difficulties in respect of the audit work required.

ADDITIONAL AUDIT WORK

In carrying out additional audit work, including government grant acquittals and other similar returns, we will recover, in respect of such work, an amount that covers the full cost of the relevant work undertaken.

The actual fees to be charged will be determined in discussion between our staff and client management to reflect the size, complexity or any other particular difficulties in respect of the audit in question. Fees will have regard to the time taken, the audit staff assigned and their respective charge rates.

Higher rates may be appropriate for certain pieces of work in order to allocate individuals with specialist knowledge. In such circumstances the client would be consulted in advance.

AUDITS DISPENSED WITH

The Auditor-General has the discretion, under the Audit Act to dispense with certain audits if considered appropriate in the circumstances. The dispensation is subject to conditions determined by the Auditor-General. We have imposed the following conditions:

- that the entity must demonstrate to us that its financial reporting and auditing arrangements are appropriate. To satisfy this condition, the dispensed with audit entities are required to submit their audited financial statements to us each year. The financial statements are reviewed and, where necessary, feedback on information presented in the financial statements is provided to the entity or
- that the entity is a subsidiary of a State entity whose financial transactions are not material and the results and balances are reviewed as part of the preparation of the consolidated financial statements of the controlling entity or
- grants made to a category of entities are properly managed under Treasurer's Instruction 709 *"Grant Management Framework"* (discussed further under the heading 'Categories of audits and Non-Government Organisations' later in this Chapter).

The Audit Act also requires the Auditor-General to consult with the Treasurer before exercising the power to dispense with audits. It is important to note that the dispensation with the audit does not limit any of the Auditor-General's functions or powers given under the Audit Act.

Following consultation with the Treasurer, the audits of the annual financial statements of the following specific audits or categories of audits were dispensed with:

Specific audits

Controlled Subsidiaries – Year Ended 31 December 2009 (controlling entity shown in brackets)

- Southern Ice Porcelain Pty Ltd (University of Tasmania)
- Tasmanian Therapeutics Pty Ltd (University of Tasmania)
- UTAS Innovation Ltd (University of Tasmania).

Registration Boards – Year Ended 31 December 2009

- Optometrists Registration Board
- Pharmacy Board of Tasmania
- Physiotherapists Registration Board
- Plumbers and Gasfitters Registration Board.

Controlled Subsidiaries – Year Ending 30 June 2010 (controlling entity shown in brackets)

- Agility Interactive Pty Ltd (TOTE Tasmania Pty Ltd)
- Auroracom Pty Ltd (Aurora Energy Pty Ltd)
- Aurora Gas Pty Ltd (Aurora Energy Pty Ltd)
- Ezikey Group Pty Ltd (Aurora Energy Pty Ltd)
- Flinders Island Ports Corporation Pty Ltd (Tasmanian Ports Corporation Pty Ltd)
- Metro Coaches (Tas) Pty Ltd (Metro Tasmania Pty Ltd)
- Newood Energy Pty Ltd (Newood Holdings Pty Ltd)
- Newood Huon Pty Ltd (Newood Holdings Pty Ltd)
- Newood Smithton Pty Ltd (Newood Holdings Pty Ltd)
- Ports Logistics and Services Pty Ltd (Tasmanian Ports Corporation Pty Ltd); wound up and deregistered 9 January 2010
- Tas Radio Pty Ltd (TOTE Tasmania Pty Ltd).

Drainage Trusts – Year Ending 30 June 2010

- Brittons Swamp District Water Board
- Brittons Swamp Drainage Trust
- Cheshunt Drainage Trust
- Egg Lagoon Drainage Trust
- Forthside Irrigation Water Trust
- Lake Nowhere-Else Dam/Whitehawk Creek Irrigation Trust
- Lawrenny Irrigation Trust
- Lower Georges River Works Trust
- Mowbray Swamp Drainage Trust
- Richmond Irrigation Trust
- Togari Drainage Trust.

We note that the Minister exempted the Lower Georges River Works Trust from submitting financial statements until September 2009 for the financial period November 2007 to June 2009 as the Trust was only formed in November 2007. Therefore, this Trust's first financial statements will cover a period commencing 1 October 2009.

Registration Boards – Year Ending 30 June 2010

- Chiropractors and Osteopaths Registration Board
- Dental Board of Tasmania
- Dental Prosthetists Registration Board
- Medical Council of Tasmania
- Medical Radiation Science Professionals Registration Board
- Nursing Board of Tasmania
- Podiatrists Registration Board
- Psychologists Registration Board.

Drainage Trusts – Year Ending 31 July 2010

- Elizabeth Macquarie Irrigation Trust.

Registration Boards – Year Ending 31 December 2010

- Physiotherapists Registration Board
- Plumbers and Gasfitters Registration Board.

Categories of audits and Non-Government Organisations

The definition of State entities encompasses public bodies and Non-Government Organisations that traditionally are in receipt of Government grants. Agencies managing these grants are subject to the provisions of Treasurer's Instruction 709 – *"Grant Management Framework"*.

Compliance with the requirements of Treasurer's Instruction 709 should ensure appropriate reporting and auditing requirements are satisfied. It is our intention to keep the status quo, that is, those agencies dispensing the funds will be responsible for implementing and monitoring the requirements of the above Treasurer's Instruction.

As a result, separate audits of these entities were not conducted by our Office and we have not specifically dispensed with each of these audits.

LOCAL GOVERNMENT WATER AUTHORITIES

INTRODUCTION

Section 30 of the *Local Government Act 1993* (the Act) enables councils to establish a single authority or a joint authority with one or more councils. A single or joint authority may be established to:

- carry out any scheme, work or undertaking
- provide facilities or services
- perform any functions or exercise any powers of a council under the Act or any other relevant legislation.

At 30 June 2009, there were three joint water authorities operating in Tasmania:

- Cradle Coast Water (CCW)
- Esk Water Authority (Esk)
- Hobart Regional Water Authority (Hobart).

However, on 1 July 2009, in line with the *Water and Sewerage Corporations Act 2008* (the Water Act), water assets, rights and liabilities and employees of the three bulk water authorities transferred to the Regional Water and Sewerage Corporations and a Common Services Corporation. As a result, the financial statements prepared at 30 June 2009 were each Authority's final statements, with Hobart and Esk being wound up by special resolutions at their subsequent annual general meetings. CCW has not yet been wound up due to delays in finalising its financial statements.

Owner Councils

The owner councils of these three Authorities were:

CCW	**Esk**	**Hobart**
Central Coast	George Town	Brighton
Circular Head	Launceston City	Clarence City
Devonport City	Meander Valley	Glenorchy City
Kentish	West Tamar	Hobart City
Latrobe		Kingborough
Waratah-Wynyard		Sorell
		Southern Midlands
		Derwent Valley

Councils which did not during 2008-09 participate in the three existing Authorities because they managed operating arrangements on their own account, were:

- Break O'Day
- Burnie City
- Central Highlands
- Dorset
- Flinders Island
- Glamorgan Spring Bay
- Huon Valley
- King Island

- Northern Midlands
- Tasman
- West Coast.

This Chapter analyses comparative performance of each Authority for the 2008-09 financial year. The information provided for CCW was sourced from final financial statements but in respect of which our audit was incomplete.

FINANCIAL RESULTS

INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	CCW	Esk	Hobart
	Draft	Final	Final
	$'000s	$'000s	$'000s
Sales revenue	11 021	10 405	26 706
Other operating revenue	1 392	1 045	4 908
Total Revenue	**12 413**	**11 450**	**31 614**
Borrowing costs	1 546	0	2 362
Depreciation	2 740	3 398	7 084
Other operating expenses	6 201	5 140	18 390
Total Expenses	**10 487**	**8 538**	**27 836**
Profit before:	**1 926**	**2 912**	**3 778**
Change in fair value of financial instruments	0	0	(261)
Asset revaluation increments to offset previously recognised decrements	0	3	0
Contributed assets	0	790	0
Loss arising from alleged misappropriation of funds	(379)	0	0
Profit before taxation	**1 547**	**3 705**	**3 517**
Income tax expense	453	1 084	1 101
Net profit after taxation	**1 094**	**2 621**	**2 416**

Comment

The majority of Operating revenue (86.8%) was received from bulk water sales, with constituent councils being the major customers. It is noted that all three Authorities continued to charge water at prices below the maximum recommended by the Government Prices Oversight Commission (GPOC) in a review completed in June 2007.

Esk repaid the balance of its debt in 2005-06 resulting in no Borrowing costs in this financial year. Hobart and CCW adopted a different strategy on borrowings and both maintained specific levels of debt.

The Authorities managed significant infrastructure assets with all three recognising these assets at fair value. Depreciation charges comprised a significant expense for each Authority, reflecting the significant carrying value of their infrastructure.

On average, Other operating expenses represented 53.6% (Hobart 58.2%, CCW 49.9% and Esk 44.9%) of Operating revenue, the major items being cost of sales and employee expenses.

As expected, being monopoly suppliers, all three Authorities recorded net profits before taxation and non-operating adjustments which averaged 15.5% of Operating revenue with Esk achieving the best return, 25.4%, followed by CCW, 15.5% and Hobart 12.0%. To a large extent this reflected Esk's lower operating costs, because it incurred no Borrowing costs and because it earned higher interest revenue relative to the other two.

CCW recorded an expense related to a Loss arising from misappropriation of funds. Further information on the misappropriation is detailed in the separate CCW Chapter of this Report.

To a large extent the tax expenses reported represent tax effect amounts arising from temporary differences between tax and accounting values of specified assets and liabilities and carried forward tax losses. Only Hobart paid tax which it elected to do despite it having tax losses available to it. Taxes were paid to the Joint Authorities.

BALANCE SHEETS AS AT 30 JUNE 2009

	CCW	Esk	Hobart
	Draft	Final	Final
	$'000s	$'000s	$'000s
Cash and investments	8 509	13 687	5 539
Receivables and prepayments	1 161	1 211	1 939
Inventories	250	269	1 534
Other	8	224	0
Total Current Assets	**9 928**	**15 391**	**9 012**
Payables	1 536	316	3 423
Borrowings	13 400	0	16 398
Provision for dividend	0	1 038	0
Provisions superannuation	78	96	313
Provisions - employee benefits	578	408	1 260
Current tax liability and other	1 150	1 195	422
Total Current Liabilities	**16 742**	**3 053**	**21 816**
Working Capital	**(6 814)**	**12 338**	**(12 804)**
Property, plant and equipment	122 351	122 803	347 831
Deferred tax assets, intangibles and other	3 774	3 675	1 263
Total Non-Current Assets	**126 125**	**126 478**	**349 094**
Borrowings	20 100	0	27 800
Provisions - superannuation	1 004	2 153	4 036
Provisions - employee benefits	107	13	269
Deferred tax liabilities	15 402	23 850	58 531
Total Non-Current Liabilities	**36 613**	**26 016**	**90 636**
Net Assets	**82 698**	**112 800**	**245 654**
Capital	0	81 548	0
Reserves	69 107	29 635	241 451
Retained earnings	13 591	1 617	4 203
Total Equity	**82 698**	**112 800**	**245 654**

Comment

As noted previously in the Income Statement section of this Chapter, all three Authorities managed significant assets, the majority of which were water infrastructure assets related to the treatment and supply of bulk water. All three recorded infrastructure assets at fair value.

The three Authorities managed their capital differently as evidenced by:

- CCW relied on a mix of retained earnings, revaluation reserves and debt of $33.500m (2007-08, $21.900m)
- Hobart relied on a mix of retained earnings, revaluation reserves, and debt of $44.198m ($33.198m)
- Esk relied only on equity in the form of retained earnings including Capital of $81.548m and revaluation reserves.

It is understood that CCW and Hobart use debt to an extent in recognition of the need to recognise inter-generational equity, in that future users of their water and other services should be expected to pay for those services in the form of interest charges.

To some extent, differing approaches to the management of capital also depended on approaches adopted by these Authorities to long-term asset management and replacement. The consequences of these differing approaches resulted in varying financial performance, as demonstrated by the Financial Analysis detailed later in this Chapter.

Borrowings in CCW and Hobart increased for the reasons outlined in the Cash Flow Statements section of this Chapter.

CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	CCW	Esk	Hobart
	Draft	Final	Final
	$'000s	$'000s	$'000s
Receipts from customers	12 773	11 396	39 173
Payments to suppliers and employees	(6 222)	(5 487)	(20 991)
Interest received	69	699	683
Borrowing costs	(1 546)	0	(2 658)
Income tax paid	0	0	(1 264)
Cash from operations	**5 074**	**6 608**	**14 943**
Payments for PP&E	(7 339)	(3 377)	(11 250)
Proceeds from sale of PP&E	59	55	180
Payments to terminate derivatives	0	0	(162)
Cash (used in) investing activities	**(7 280)**	**(3 322)**	**(11 232)**
Proceeds from borrowings	11 600	0	24 798
Repayment of borrowings	0	0	(13 798)
Dividends paid	(2 646)	(1 859)	(15 400)
Cash (used in) financing activities	**8 954**	**(1 859)**	**(4 400)**
Net increase in cash	6 748	1 427	(689)
Cash at the beginning of the year	1 761	12 260	6 228
Cash at end of the year	**8 509**	**13 687**	**5 539**

Comment

All three Authorities had positive cash flows from operations primarily due to their monopoly status, which allowed the determination of water prices to cover all operating expenses including depreciation and a profit margin on operations.

The cash generated from operations was used primarily to fund capital works and to provide dividends to the constituent councils. Net Borrowings at CCW and Hobart increased significantly in 2008-09 to fund capital expenditure not funded by cash from operations and opening cash holdings and, in part, to pay dividends.

Hobart recorded a decrease in its cash position due to significant capital works and the payment of special dividends. Esk and CCW both increased their cash balances, with the cash surpluses generated to be used to undertake future capital projects in the new water corporations.

FINANCIAL ANALYSIS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Bench Mark	CCW	Esk	Hobart
Financial Performance				
Result from operations ($'000s)		1 926	2 912	3 778
EBIT ($'000s)		3 093	3 705	5 879
Operating margin	>1.0	1.18	1.34	1.14
Return on assets*	4.5-7%	2.4%	2.6%	1.7%
Return on equity		1.3%	2.3%	1.0%
Underlying result ratio		12.5%	32.4%	11.1%
Self financing ratio		40.9%	57.7%	47.3%
Financial Management				
Debt to equity		40.5%	n/a	18.0%
Debt to total assets		24.6%	n/a	12.3%
Interest cover	>3	2.0	n/a	2.5
Current ratio	>1	0.6	5.0	0.4
Indebtness ratio		295.0%	227.2%	286.7
Cost of debt	7.5%	5.6%	n/a	6.1%
Debt service ratio		12%	n/a	10%
Debt collection	30 days	34	42	22
Creditor turnover	30 days	42	17	26
Capital expenditure/depreciation	>100%	268%	99%	159%
Returns to Owners				
Dividends paid or payable ($'000s)		2 646	1 888	15 400
Dividend payout ratio	50%	241.9%	72.0%	637.4%
Dividend to equity ratio		3.3%	1.7%	6.4%
Income tax paid or payable ($'000s)		0	0	1 313
Effective tax rate	30%	0.0%	0.0%	37.3%
Total return ($'000s)		2 646	1 888	16 713
Total return on equity ratio		3.3%	1.7%	7.0%
Other Information				
Staff numbers (FTEs)		32	25	106
Average staff costs ($'000s)		97	76	83
Average leave balance per FTE ($'000s)		21	16	14

* Target based on GPOC assessment

Comment

As noted in the Income Statement section of this Chapter, all three Authorities were monopoly suppliers and generated solid profits. The profitability of these Authorities was further illustrated by the strong Underlying result ratio. However, as the Authorities did not set prices in line with the maximum recommended by GPOC, the Return on assets and Return on equity ratios were below benchmark. Because the owner councils were also the major customers, the lower returns were offset by lower costs for bulk water.

Self financing ratios indicate the Authorities' ability to generate strong cash flows from their operations in comparison to their total Revenues. The cash generated was required to meet future capital funding requirements due to the Authorities managing significant long-life infrastructure assets. Operating cash flows were also utilised to pay dividends and build up cash reserves.

Debt to equity and Debt to total assets ratios reflect the capital management approaches of each Authority, as noted previously. Both Hobart and CCW maintained a specific level of debt as part of their financing strategies. Both Hobart and CCW cost of debt and interest cover ratios are within benchmark, however both ratios increased due to net borrowing increases by both Authorities.

Esk had strong working capital, as reflected by the current ratio, due to a high cash balance and no borrowing obligations. Hobart and CCW had current ratios below the benchmark, because the ratio was distorted by current-liabilities including $16.398m and $13.400m in borrowings respectively. In general, each entity was confident it had the ability to meet short-term liabilities as they arose.

Indebtedness ratio indicated each Authority's non current-liabilities were manageable compared to the revenue being generated.

The nature of the long life infrastructure assets managed by each Authority was driven by strategic asset management plans that included asset replacement schedules based on the age profile of their assets. Consequently, capital expenditure in any particular year fluctuated, as illustrated by each Authority's capital expenditure/depreciation ratio.

Each entity made a positive return to owners based on profits after tax being generated. Hobart and CCW both distributed dividends well in excess of the after tax profit as indicated by Dividend payout ratios of 637.4% and 241.9% respectively meaning that dividends were paid out of current and prior year profits. The payments included special dividends in advance of the wind up of each Authority. Esk did not pay any special dividends. In relation to tax, only Hobart made a tax payment, although it had carried forward tax losses.

LOCAL GOVERNMENT FINANCIAL SUSTAINABILITY

INTRODUCTION

In *Report of the Auditor-General No 1* issued in April 2007 we included a chapter comparing councils using demographic data and financial results based on their income statements, employee costs and balance sheets. The financial data covered the year ended 30 June 2006. In that report we noted our intention to "… build on this analysis in future years." Since April 2007 we have added commentary to the Local Government Comparative Analysis chapters in our No 1 reports issued in 2008 and 2009 and again in this Report.

The data used analysed council comparative performance for one year only. Now that we have built up fours year's data, in this Chapter we analyse financial sustainability of councils by applying seven selected financial ratios over this period.

It is emphasised that the analysis in the Chapter is limited to financial sustainability and does not include assessing social or environmental sustainability.

INDICATORS OF FINANCIAL SUSTAINABILITY

A generally accepted definition of financial sustainability is whether local government have sufficient current and prospective financial capacity to meet their current and prospective financial requirements. Therefore, to be sustainable, local government needs to have sufficient capacity to be able to manage future financial risks and shocks without having to radically adjust their current revenue or expenditure policies.[1]

The seven ratios were selected because they provide a set of interrelated indicators enabling self and comparative assessment. Because these ratios provide a method to analyse past results they can be helpful as indicators in forecasting and identifying trends. Therefore, local government can use ratios such as those applied here to assess its own current and future financial performance and position.

These ratios also facilitate comparative assessment between councils and can be used to assess both short and long term sustainability. However, this analysis should be read in conjunction with the individual Chapters on each council that are contained in this Report. The various ratios and observations reported below are only indicators of performance or of financial position.
They should not be considered in isolation. Despite this word of caution, taken together these ratios can indicate strong or weak financial sustainability. The indicators used in this Report are:

- Operating margin
- Current ratio
- Debt service ratio
- Investment gap
- Renewal gap
- Self financing ratio
- Own source revenue.

The table below provides a description of the indicator, the basis of its calculation and where applicable a generally accepted benchmark result. Where no generally accepted benchmark is noted, in our analysis on the following pages we calculated an average actual result by category of council, and then compared each council in the category against that average or against the whole of state average.

1 *Victorian Auditor-General's Report Local Government: Results of the 2008-09 Audits*

Indicator	Formula	Bench mark	Description
Operating margin	Operating revenue/ Operating expenditure	More than 1.0	This ratio serves as an overall measure of operating effectiveness. A result of less than one indicates a deficit. Operating deficits cannot be sustained in the long-term.
Current ratio	Current assets/ Current liabilities	More than 1.0	Current assets should exceed current liabilities by a 'considerable' margin. It is a measure of liquidity that shows the council's ability to pay its short term debts. A ratio of one or more means there is more cash and liquid assets than short-term liabilities.
Debt service ratio	Borrowing costs and repayment of borrowings/ Total revenue		Indicates the capacity of the council to service debt by repaying principal as well as interest on borrowings. The lower the percentage, the more effectively this can occur.
Investment gap	Capital spend/ Depreciation	More than 100%	Indicates whether the council is maintaining its physical capital by reinvesting in or renewing non-current assets. A result of greater than one indicates that spending is faster than the rate of depreciation.
Renewal gap	Renewal and upgrade expenditure/ Depreciation	At least 100%	Indicates whether the council has been maintaining existing assets at a consistent rate. A result of greater than one indicates that spending on existing assets is greater than the rate of depreciation.
Self financing ratio	Net operating cash flows/ Total underlying revenue		This is a measure of the council's ability to fund the replacement of assets from cash generated from operations. The higher the percentage, the more effectively this can be done.
Own source revenue	Total revenue less grants & external funding/ Total revenue		Represents revenue generated by a council through its own operations. It excludes any external government funding, contributed assets and revaluation adjustments. The higher the percentage, the less the dependance the council has on external funding.

On the following pages we apply these ratios to the consolidated position for all councils over a four year period and then comparatively averaging four year's performance to groups of councils. All data used in calculating the ratios and preparing the various graphs were sourced by us from audited financial statements of councils. Also, within the graphs, where relevant, a blue line represents the actual ratio each year or the benchmark, and a red line is the trend for the four year period.

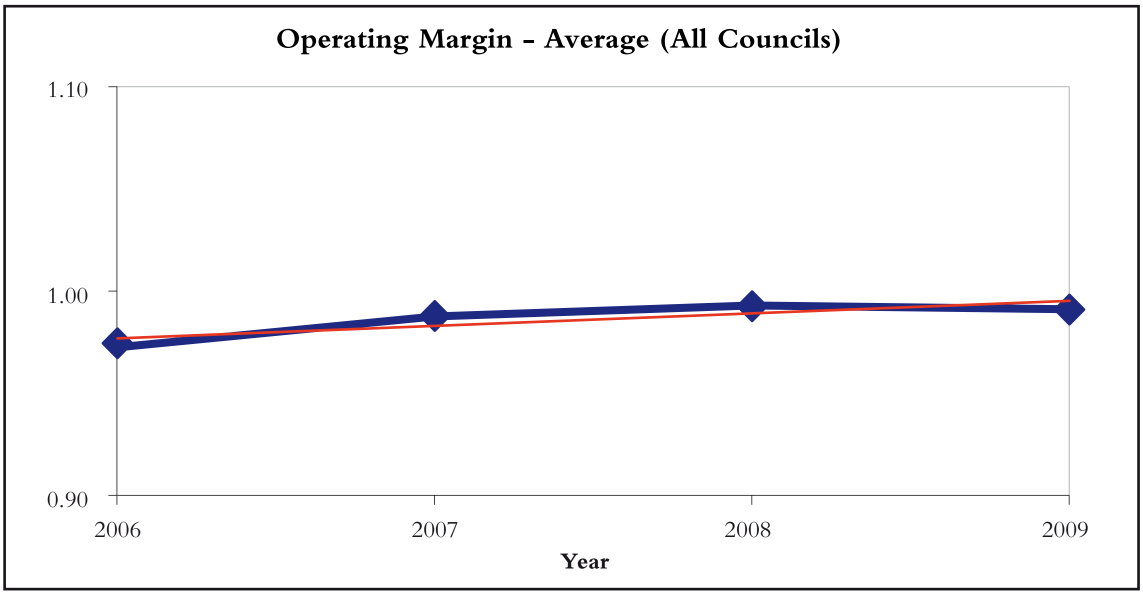
FINANCIAL SUSTAINABILITY TRENDS

OPERATING MARGIN

Operating Margin – All Councils

This ratio serves as an overall measure of financial operating effectiveness. To assure long term financial sustainability, councils should, at a minimum, budget and operate to break even and avoid operating deficits. Doing so would enable councils to generate sufficient revenue to fulfil their operating requirements including coverage of their depreciation charges. Breaking even is represented by an operating margin of one.

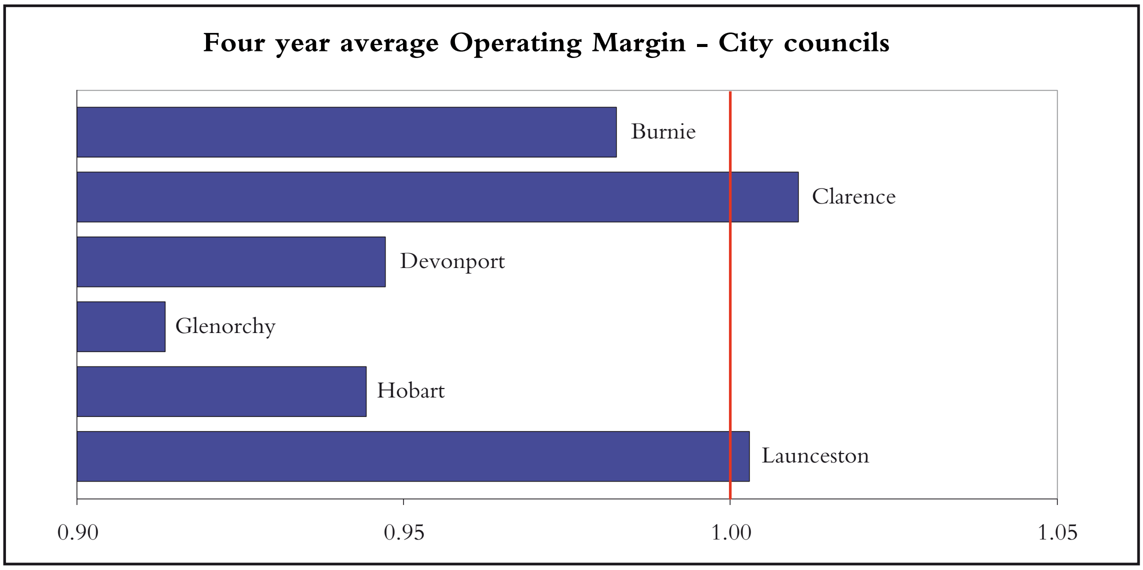
The graph below reports the operating margin achieved on a consolidated basis by all councils in each of the past four years.



The average operating margin was below the benchmark of one in all four years under review. The ratio improved from 0.97 in 2005-06 to 0.99 in 2008-09. The graph indicated revenue growth over the period exceeded expenditure growth. However, while this ratio indicated improvements, as shown on the graphs below, 14 councils, on average over the four year period, operated below benchmark.

Operating Margin – City councils

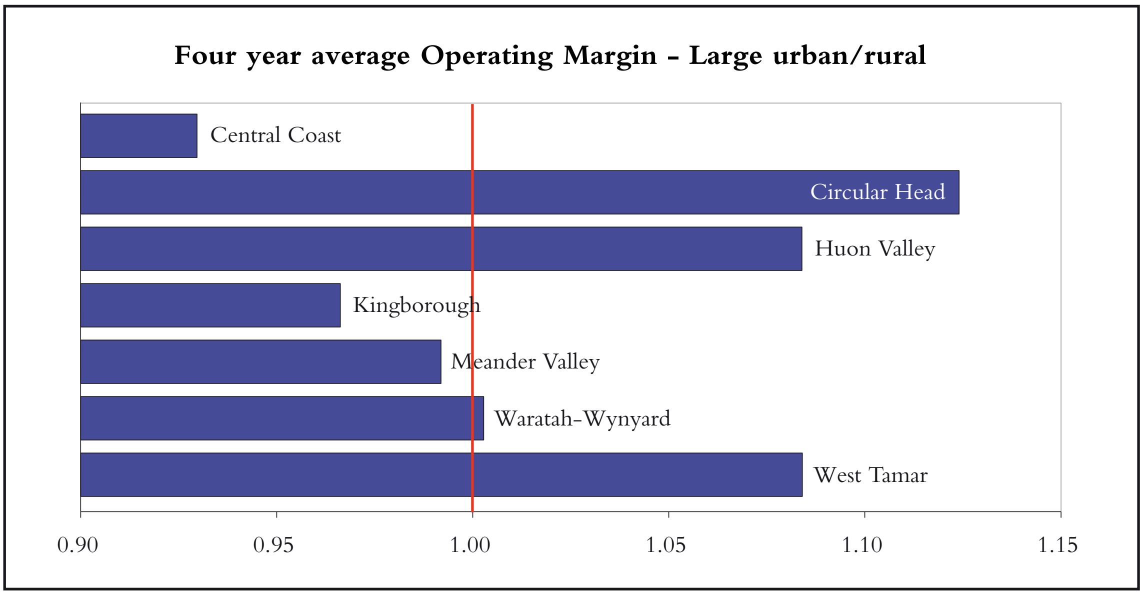
The graph below reports the average operating margin achieved by City councils over the past four years.



The analysis shows that over the four year period, only two City councils achieved an average operating margin above the benchmark although not significantly so. In the longer term, this may indicate action is needed by these four City councils to increase revenues or reduce costs to improve financial sustainability.

Operating Margin – Large urban/rural councils

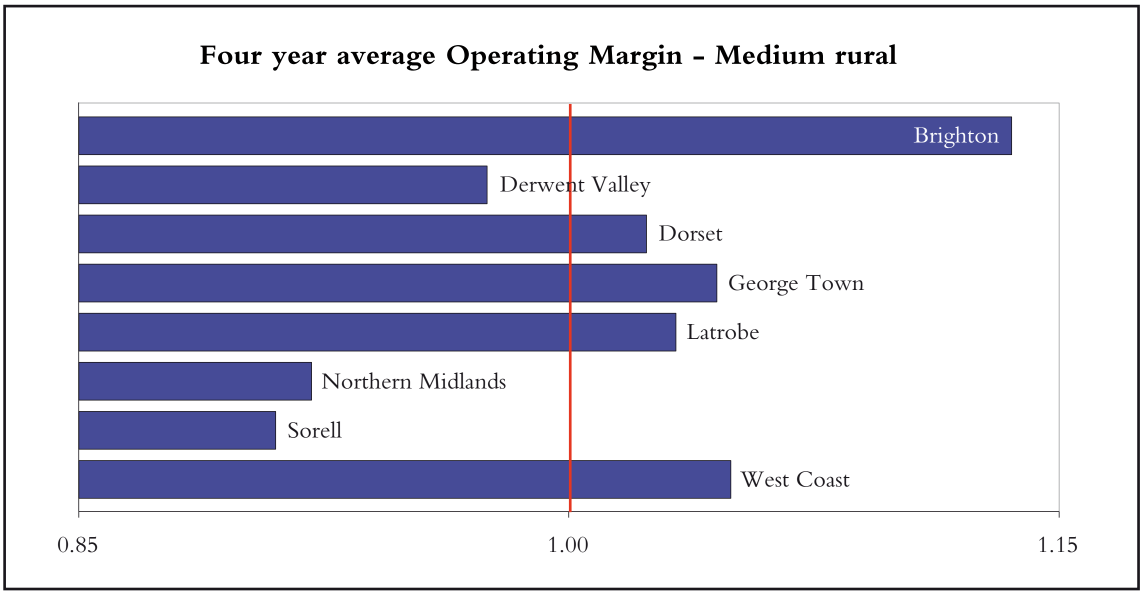
The graph below reports the average operating margin achieved by Large urban/rural councils over the past four years.



This analysis shows that over the four year period, on average four of the seven councils achieved positive operating margins. The margins achieved by Meander Valley and Kingborough were not significantly below the benchmark. However, in the longer term, this may indicate action is needed by these two Councils and by Central Coast to increase revenues or reduce costs to improve financial sustainability.

Operating Margin – Medium rural councils

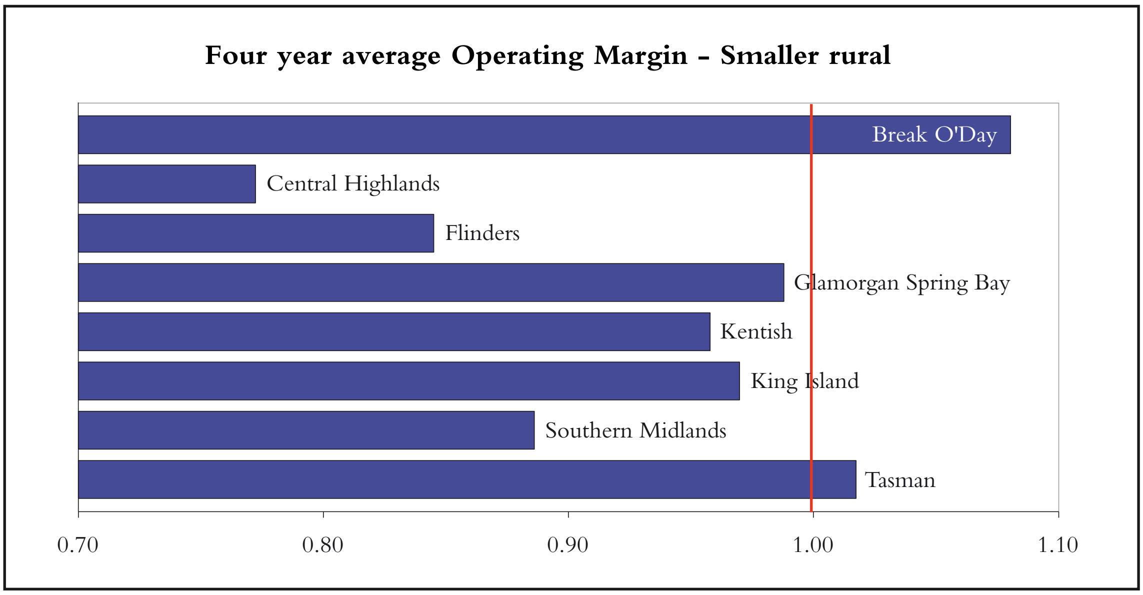
The graph below reports the average operating margin achieved by Medium rural councils over the past four years.



The analysis shows that over the period, on average five Medium rural councils achieved results better than benchmark and three councils, Northern Midlands, Sorell and Derwent Valley need to take action to reduce costs or increase revenues in order to assure financial sustainability over the longer term.

Operating Margin – Smaller rural councils

The graph below reports the average operating margin achieved by Smaller rural councils over the past four years.



The analysis indicates that on average only two smaller rural councils achieved an operating margin above the benchmark with another three only slightly below. However, action is needed by Southern Midlands, Flinders and Central Highlands to reduce costs or increase revenues in order to assure financial sustainability over the longer term.

Conclusion based on assessment of the operating margin over four years

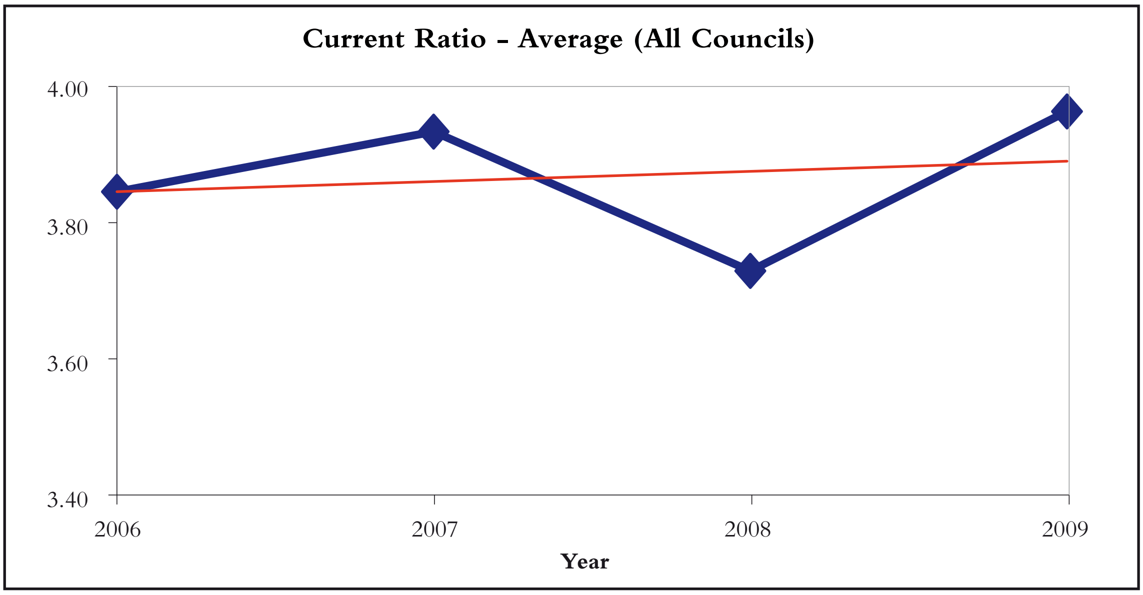
Fourteen of the 29 councils achieved an average operating margin below benchmark. This included councils of all sizes. These 14 councils need to monitor their operating margins and set objectives aimed at achieving as a minimum break-even.

CURRENT RATIO

Current Ratio – All Councils

The current ratio assesses the capacity of a council to meet its short term commitments from short term assets. The benchmark is greater than one which means an expectation that short term assets will be at least greater than short term liabilities. The ratio is computed by dividing total current assets by total current liabilities.

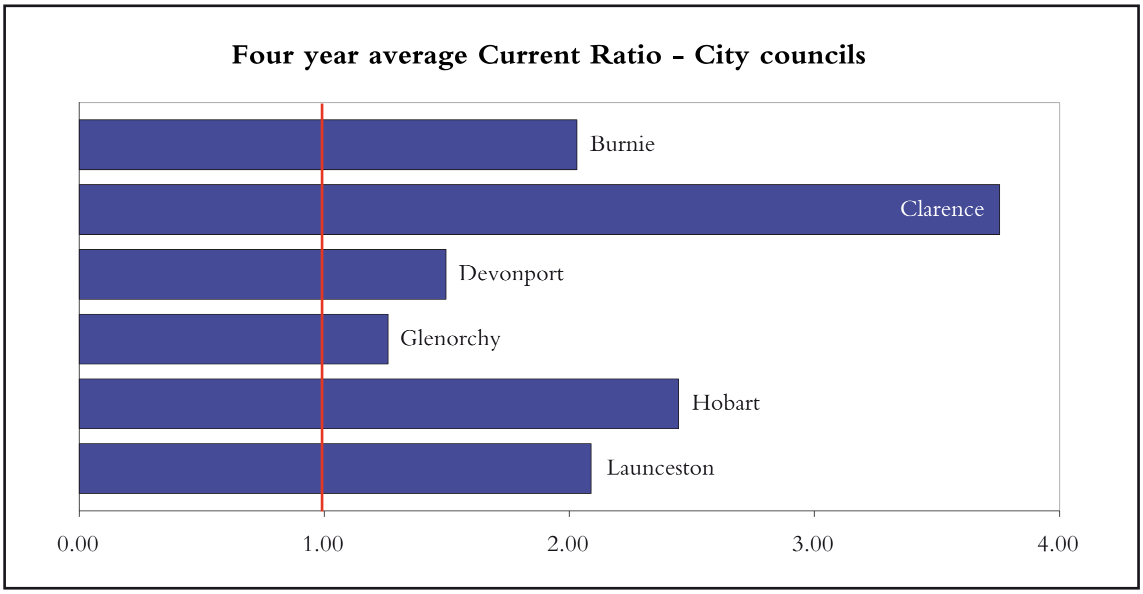
The graph below reports the current ratio achieved on a consolidated basis by all councils in each of the past four years.



The graph indicates that, despite the drop in 2007-08, collectively, the ratios were well in excess of the benchmark each year with the trend increasing.

Current Ratio – City councils

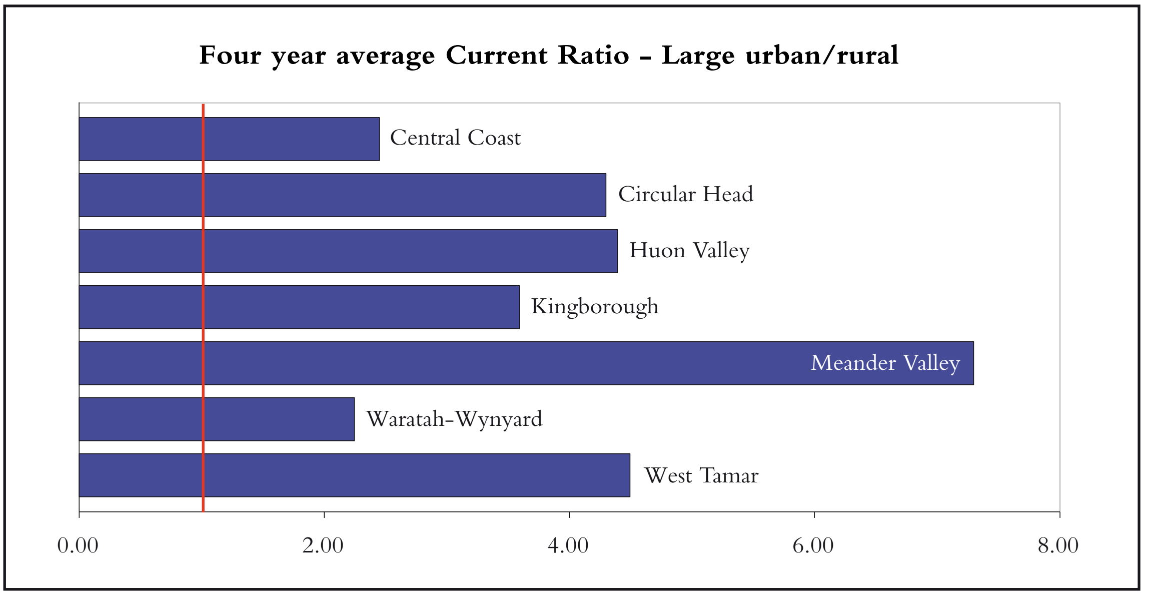
The graph below reports the average current ratio achieved by City councils over the past four years.



This analysis shows that on average all City councils achieved a current ratio of greater than one over the past four years.

Current Ratio – Large urban/rural councils

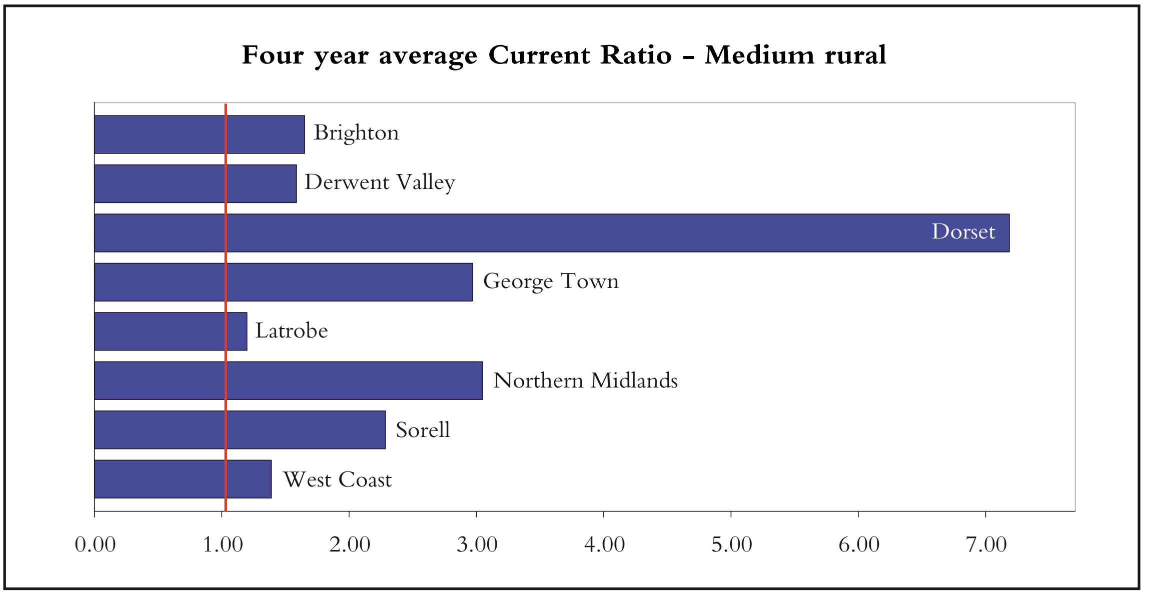
The graph below reports the average current ratio achieved by Large urban/rural councils over the past four years.



The analysis indicates that on average all councils in this category achieved strong current ratios, well above the benchmark of one.

Current Ratio – Medium rural councils

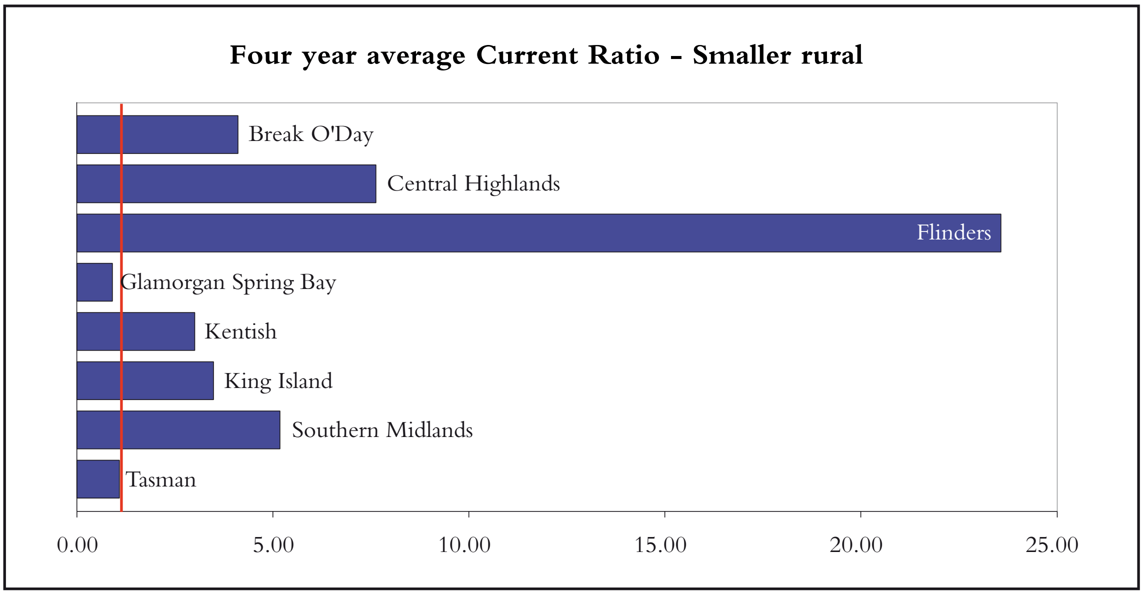
The graph below reports the average current ratio achieved by Medium rural councils over the past four years.



This analysis indicates that on average each of the councils in this category achieved a current ratio greater than the benchmark of one over the four year period.

Current Ratio – Smaller rural councils

The graph below reports the average current ratio achieved by Smaller rural councils over the past four years.



The analysis demonstrates that on average all but one of the smaller rural councils achieved a current ratio of greater than one. Glamorgan Spring Bay recorded an average current ratio of 0.91 and was the only council that did not, on average, meet the benchmark. At 30 June 2009, Glamorgan Spring Bay had a current ratio of 1.11, but the average was skewed by a poor ratio at 30 June 2006 of 0.5.

Flinders' ratio was well above the benchmark due mainly to large cash investments held at year end and no borrowings.

Conclusion based on assessment of current ratio over four years

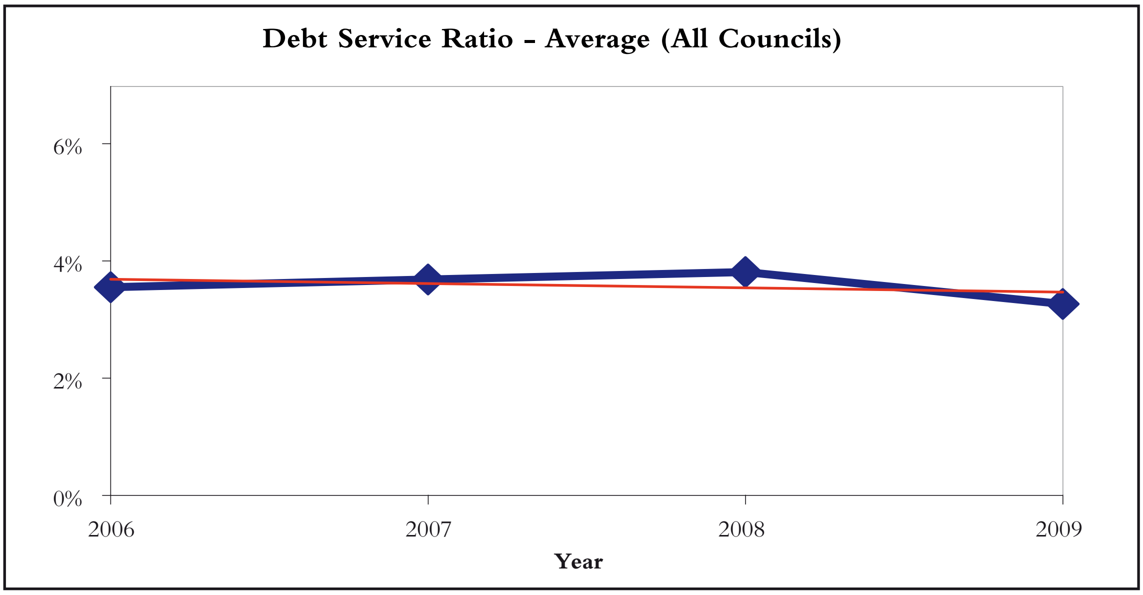
With the exception of Glamorgan Spring Bay, all councils had average current ratios in excess of the benchmark of one. Glamorgan Spring Bay's ratio improved over the period.

DEBT SERVICE RATIO

Debt Service Ratio – All Councils

This ratio indicates the capacity of a council to service its debt by paying both principal and interest. The lower the ratio, the stronger the council is in servicing debt. The ratio compares total debt servicing costs to total revenue. While there is no well-recognised benchmark, we understand that a ratio of greater than 10% might indicate a council would find it difficult to service its debt.

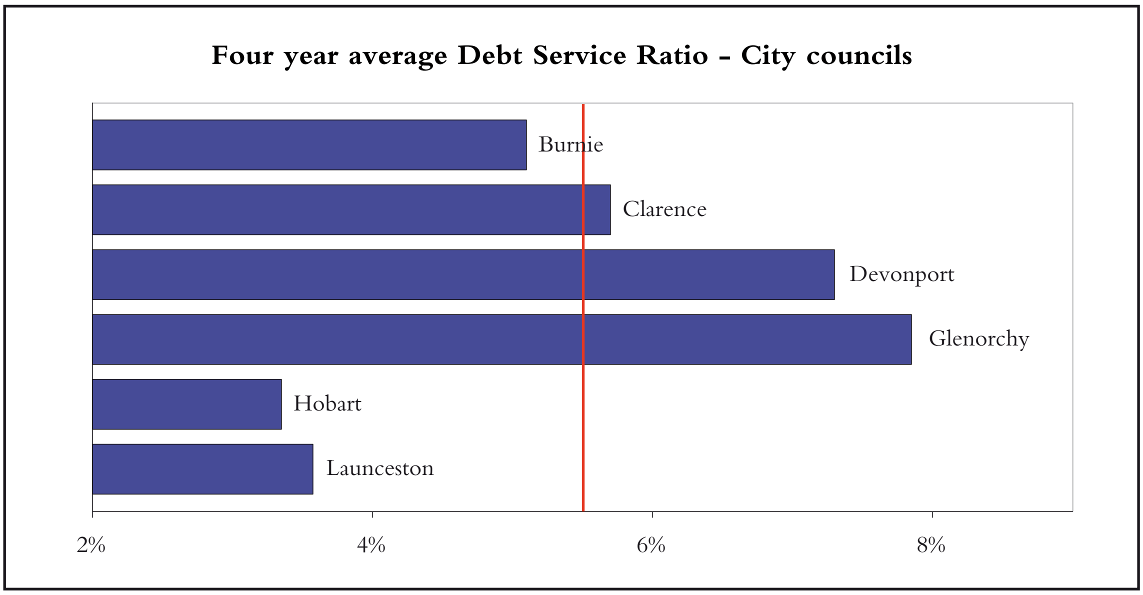
The graph below reports the debt service ratio achieved on a consolidated basis by all councils in each of the past four years.



The percentage of councils' revenue required to repay borrowings and cover interest charges decreased from 3.55% in 2005-06 to 3.14% in 2008-09 which, over all councils, is a positive trend. The ratio indicates that, on average, councils were in a strong position to meet their debt obligations from the revenue they generated meaning either revenue was increasing relative to debt service costs or borrowings were declining relative to movements in revenue.

Debt Service Ratio – City councils

The graph below reports the average debt service ratio achieved by City councils over the past four years.

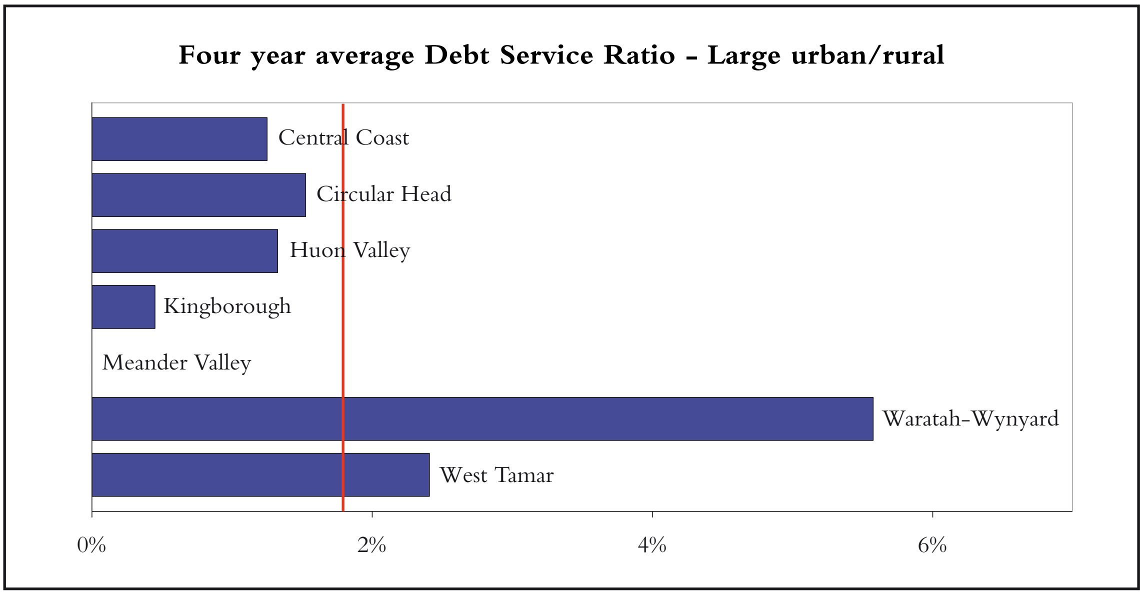


Each of the City council ratios exceeded the total council range of 3.55% to 3.14% achieved between 2005-06 and 2008-09 with Devonport and Glenorchy both being high at above 7%. The four year average ratio for City councils was 5.5% with Devonport and Glenorchy again operating outside the average for their peer group.

However, when read alongside the current ratio, none of the debt service ratios indicate concern any of the City councils may have difficulty meeting future loan or interest payments.

Debt Service Ratio – Large urban/rural councils

The graph below reports the average debt service ratio achieved by Large urban/rural councils over the past four years.

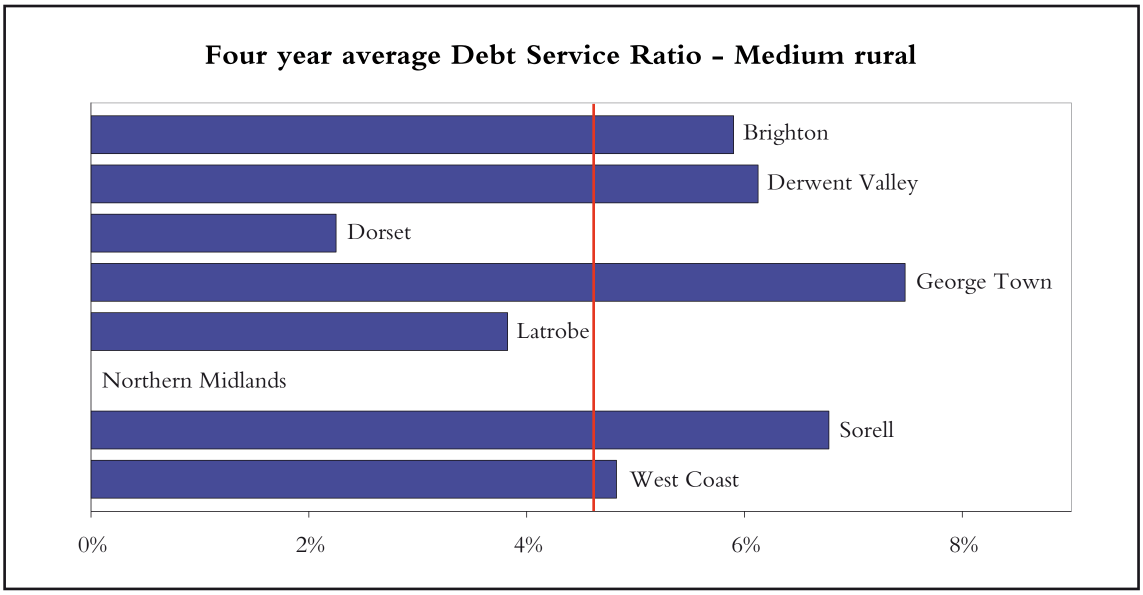


All but one of the councils, Waratah-Wynyard, were below the range of 3.55% to 3.14% achieved by all councils between 2005-06 and 2008-09. The four year average ratio for this category of councils was less than 2%. There was no indication that any of these councils cannot meet future loan or interest payments.

It is noted Meander Valley Council does not hold any debt.

Debt Service Ratio – Medium rural councils

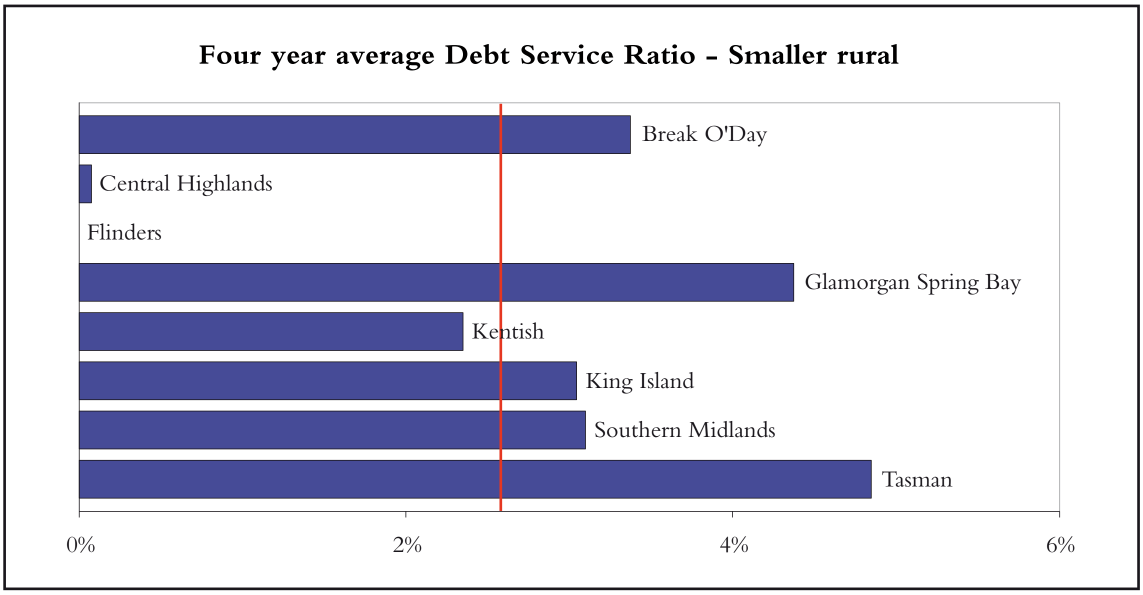
The graph below reports the average debt service ratio achieved by Medium rural councils over the past four years.



The majority of the council ratios exceeded the total council range of 3.55% to 3.14% achieved between 2005-06 and 2008-09 with Sorell and George Town high at around 7%. The four year average ratio for Medium rural councils was 4.6%. However, when read alongside the current ratio, none of the debt service ratios indicate concern any of the Medium rural councils may have difficulty meeting future loan or interest payments.

Debt service ratio – Smaller rural councils

The graph below reports the average debt service ratio achieved by Smaller rural councils over the past four years.



Three of the seven council ratios exceeded the total council range of 3.55% to 3.14% achieved between 2005-06 and 2008-09. However, the four year average ratio for Smaller rural councils was low at 2.6% suggesting, when read alongside the current ratio, none of the debt service ratios indicate concern any of the Smaller rural councils may have difficulty meeting future loan or interest payments.

It is noted Flinders Council does not hold any debt.

Conclusion based on assessment of the debt service ratio over four years

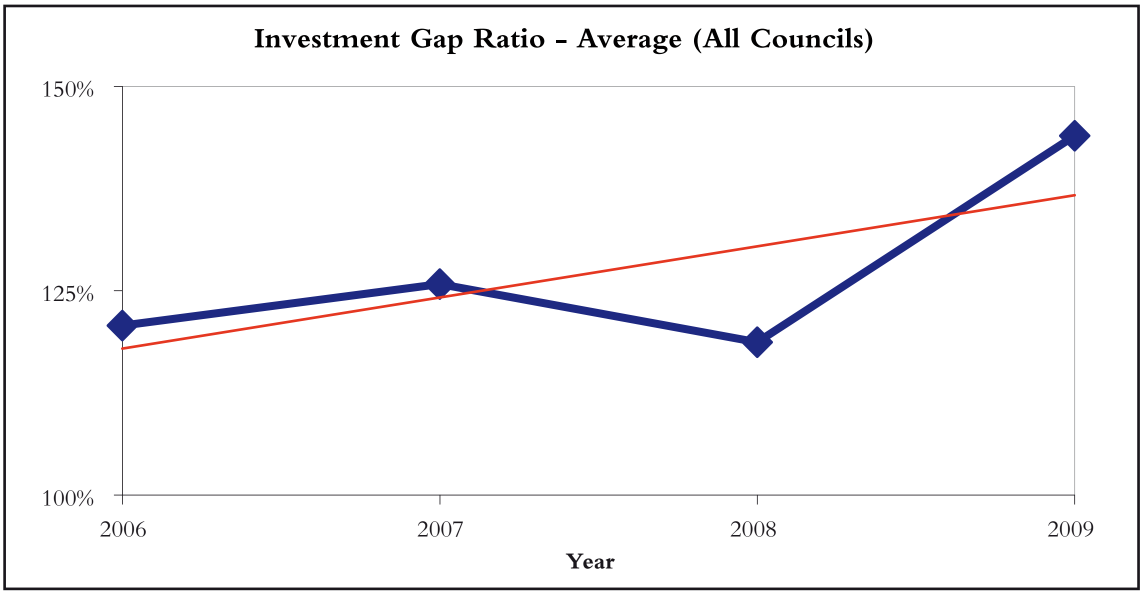
While some councils such as Glenorchy, Devonport, Sorell, George Town, Glamorgan Spring Bay and Tasman had relatively high debt service ratios compared to their peer councils, none of the debt service ratios indicate concern any councils may have difficulty meeting future loan or interest payments.

INVESTMENT AND RENEWAL GAP RATIOS

Investment Gap – All Councils

This ratio indicates whether a council was maintaining its physical capital by re-investing in or renewing non-current assets. It therefore includes investment in new assets. The higher the ratio, the stronger a council's investment strategy. The ratio compares total investment in infrastructure compared to the annual depreciation charge. The benchmark we have applied is greater than 100% with the reference to 'gap' being the extent to which the investment in infrastructure is less than the annual depreciation charge.

The graph below reports the investment gap ratio achieved on a consolidated basis by all councils in each of the past four years.



The graph indicates that, collectively, the investment gap ratios were well in excess of the 100% benchmark each year with the trend increasing despite the decline in 2007-08.

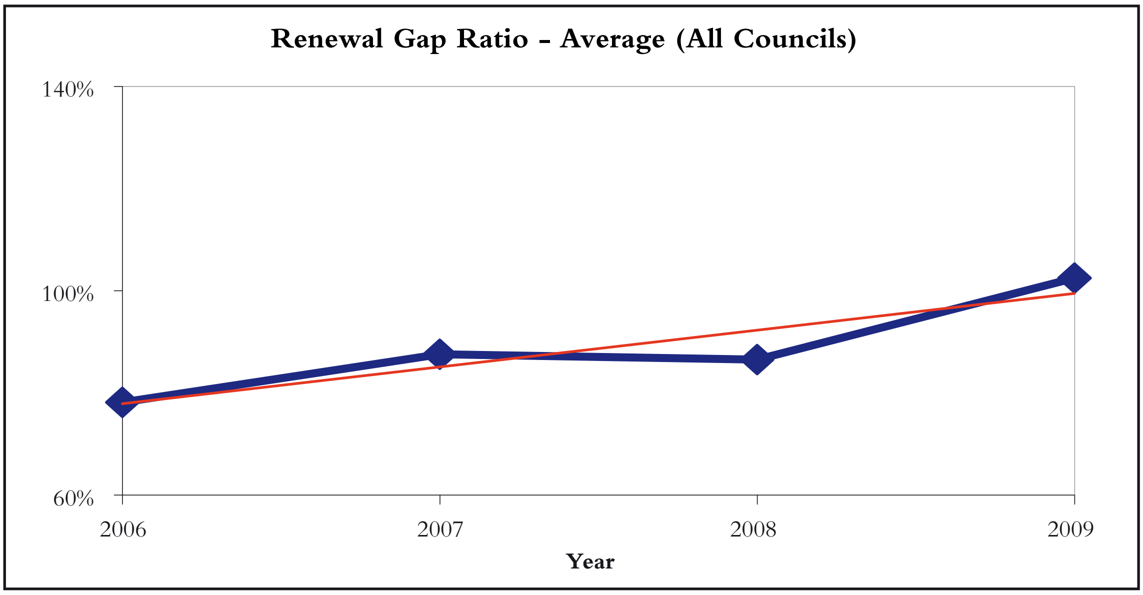
The investment ratio for the councils as a whole was 141.9% in 2008-09, an improvement of 16.9% from the 2005-06 position of 120.7%. This shows an increase in spending on capital infrastructure compared to the depreciation expense.

Renewal Gap – All Councils

This ratio indicates whether a council was maintaining its existing physical capital by renewing existing non-current assets. The higher the ratio, the stronger is a council's renewal strategy. The ratio compares total investment in existing infrastructure compared to the annual depreciation charge. The benchmark we have applied is 'at least' 100% with the reference to 'gap' being the extent to which the investment in existing infrastructure is less than the annual depreciation charge.

While both the investment and renewal gap ratios are important in assessing financial sustainability, it is our view that the renewal gap has greater relevance to maintaining existing services to ratepayers. To a large extent the difference between the investment gap and the renewal gap ratios represents investment in new assets often funded by capital grants.

The graph below reports the renewal gap ratio achieved on a consolidated basis by all councils in each of the past four years.

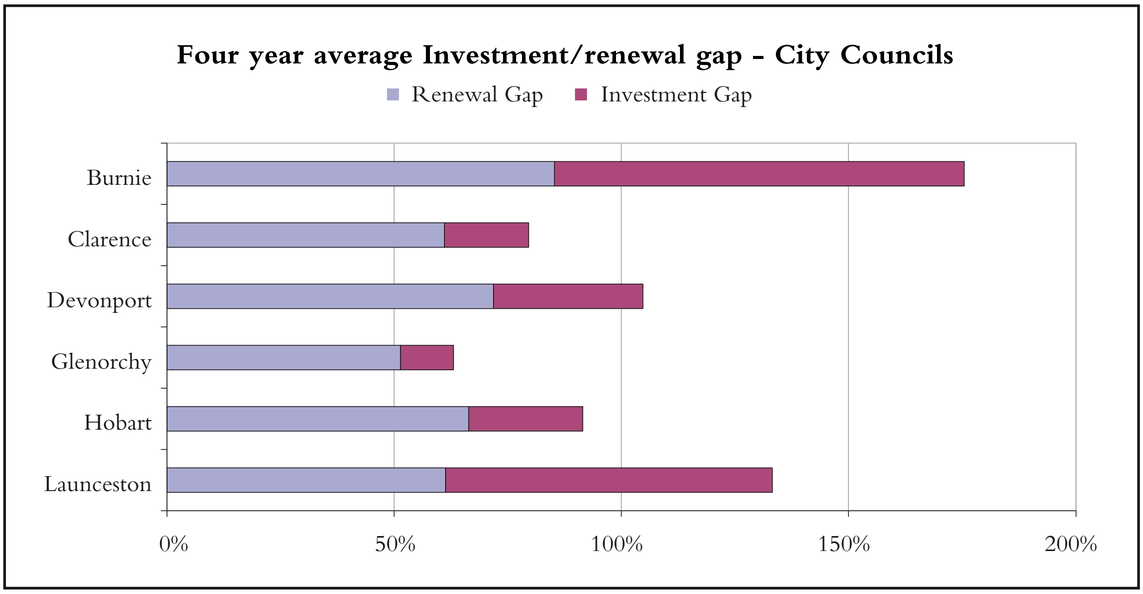


The renewal gap ratio for all councils was 118.3% in 2008-09, an improvement of 50.5% on the position in 2005-06 when it was 78.6%. The graph indicated in each of the three years prior to 2008-09, on average and in total, councils did not expend sufficient funds to renew, restore and replace existing infrastructure.

Individual council percentages for both the investment and renewal gaps ratios varied from the benchmark. Details are provided in the following graphs.

Investment and Renewal Gap – City councils

The graph below reports the average investment and renewal gap ratios achieved by City councils over the past four years.



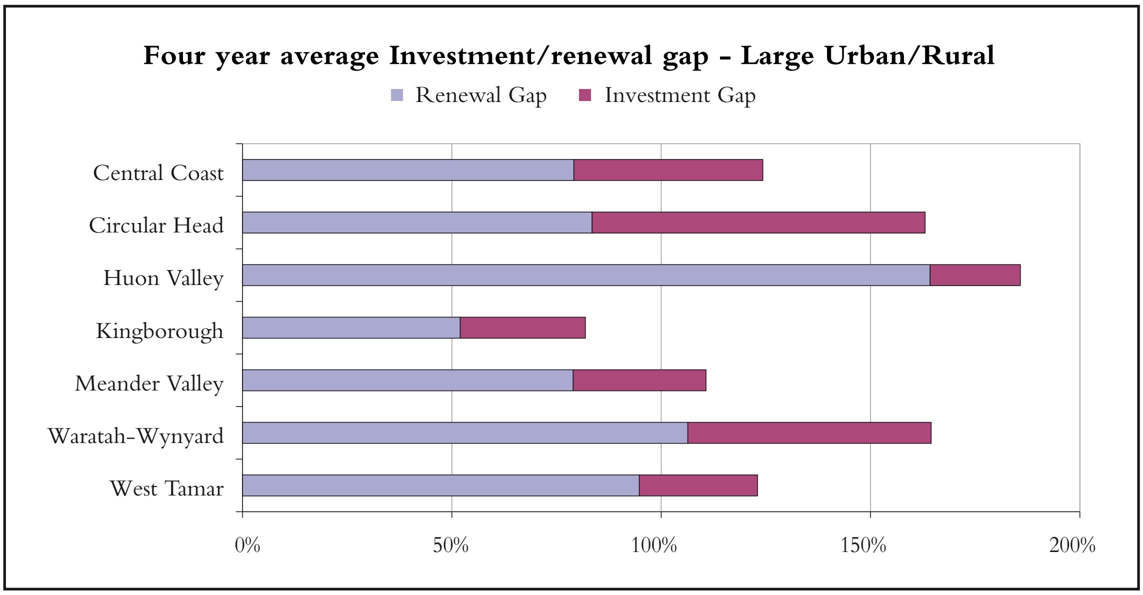
Note: Hobart City's ratio for renewal gap is a 3 year average only, as data was unavailable for this ratio in 2005-06

For this category of councils, the average renewal ratio was 66.2% and investment ratio about 110%. On the basis of the average renewal gap, none of the City Councils met the renewal benchmark of 100% for expenditure on existing assets. Three councils achieved an investment ratio of above 100%

but Hobart, Clarence and Glenorchy were below both benchmarks. The analysis indicated that none of these councils may be investing sufficiently in maintaining existing assets in those years. In making this statement, we acknowledge that some may have in place asset management plans dealing with this – details are provided in individual Chapters.

Investment and Renewal gap – Large urban/rural councils

The graph below reports the average investment and renewal gap ratios achieved by Large urban/rural councils over the past four years.

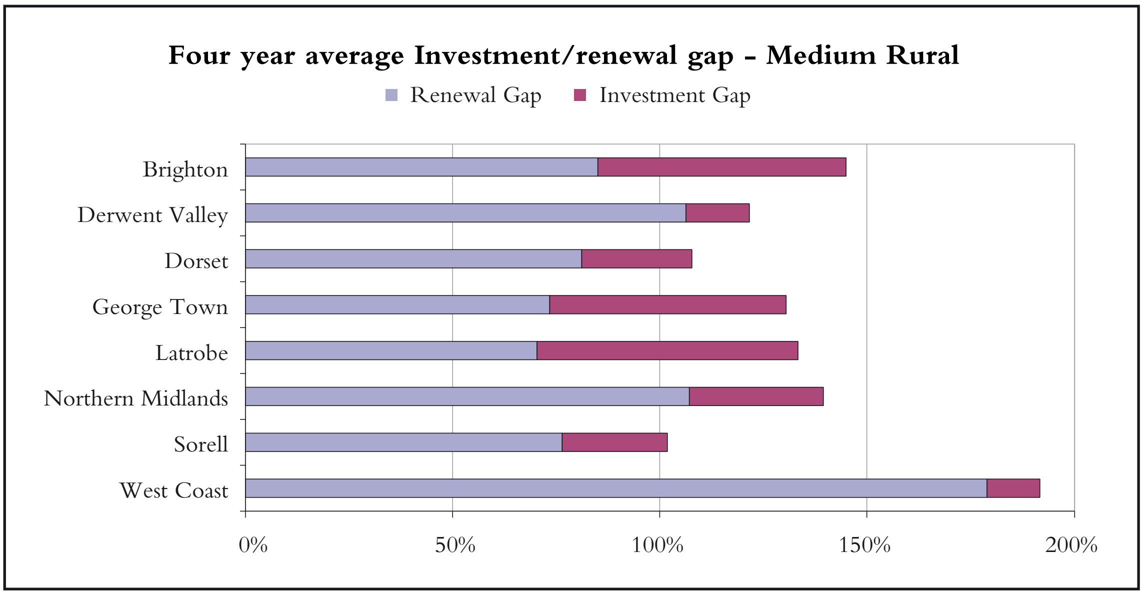


The majority of the councils in this category expended amounts greater than their depreciation expenses on capital investment and renewal over the four year period. However, Huon and Waratah-Wynyard were the only councils to meet the renewal benchmark of at least 100% for expenditure on existing assets (renewal). Considering total capital expenditure, Kingborough was unable to achieve a combined investment and renewal percentage above 100%.

The analysis indicates Kingborough, Meander Valley, Circular Head and Central Coast Councils may not, on average, have invested sufficiently in maintaining existing assets in those years.

Investment and Renewal gap – Medium rural councils

The graph below reports the average investment and renewal gap ratios achieved by Medium rural councils over the past four years.

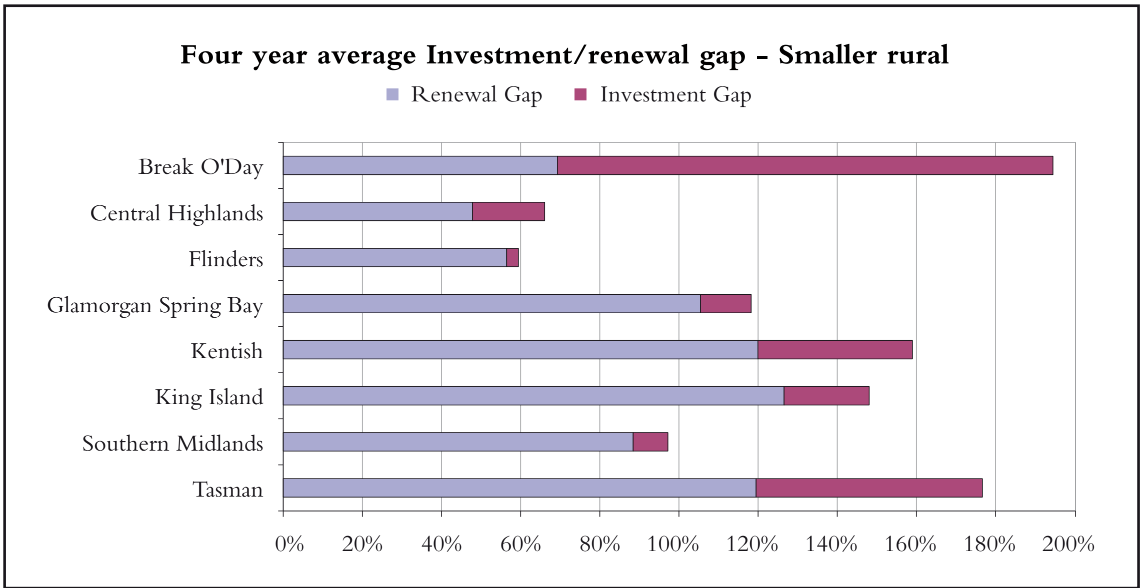


All the councils in this category expended, on average, amounts greater than their depreciation expenses on capital investment and renewal over the four year period. However, only Northern Midlands, West Coast and Derwent Valley achieved the renewal benchmark of at least 100% for expenditure on existing assets.

The analysis therefore indicates that on average, Dorset, Latrobe, Sorell, George Town and Brighton Councils may not have invested sufficiently in maintaining existing assets in those years.

Investment and Renewal Gap – Smaller rural councils

The graph below reports the average investment and renewal gap ratios achieved by Smaller rural councils over the past four years.



Tasman, King Island, Kentish and Glamorgan Spring Bay were the only councils, on average, to meet the renewal benchmark of at least 100% for expenditure on existing assets. However, when also considering total capital expenditure, Southern Midlands, Flinders and Central Highlands failed to achieve a combined investment and renewal ratio of above 100%.

This analysis indicates the Southern Midlands, Flinders, Central Highlands and Break O'Day may not on average have invested sufficiently in maintaining existing assets in those years.

Conclusion based on assessment of the investment and renewal gap ratio over four years

The graphs indicated that:

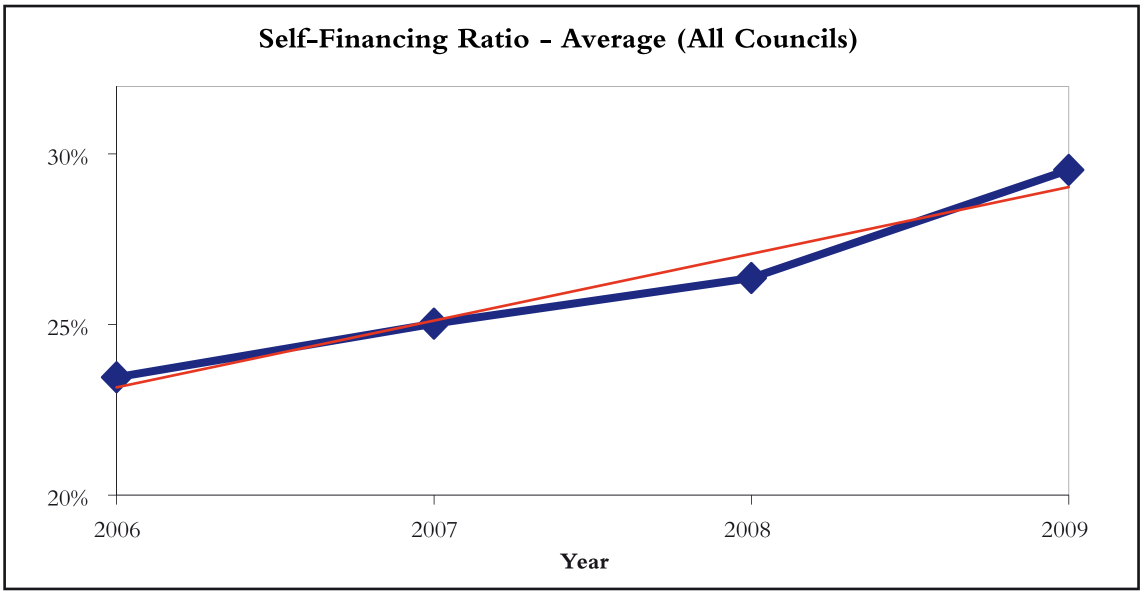
- in each of the three years prior to 2008-09, councils did not on average and in total, expended sufficient funds to renew, restore and replace existing infrastructure
- no City councils achieved renewal gap ratios close to the 100% benchmark
- in the Large urban/rural category, Kingborough, Meander Valley, Circular Head and Central Coast Councils may not, on average, have invested sufficiently in maintaining existing assets in the four years under review
- in the Medium rural category, on average, Dorset, Latrobe, Sorell, George Town and Brighton Councils may not have invested sufficiently in maintaining existing assets
- in the Smaller rural category, Southern Midlands, Flinders, Central Highlands and Break O'Day may not on average have invested sufficiently in maintaining existing assets in those years.

SELF-FINANCING RATIO

Self-Financing Ratio – All Councils

This ratio measures a council's ability to fund asset replacement from cash generated from operations. There is no generally accepted benchmark for this ratio so we have again applied the average achieved by categories of councils as a benchmark.

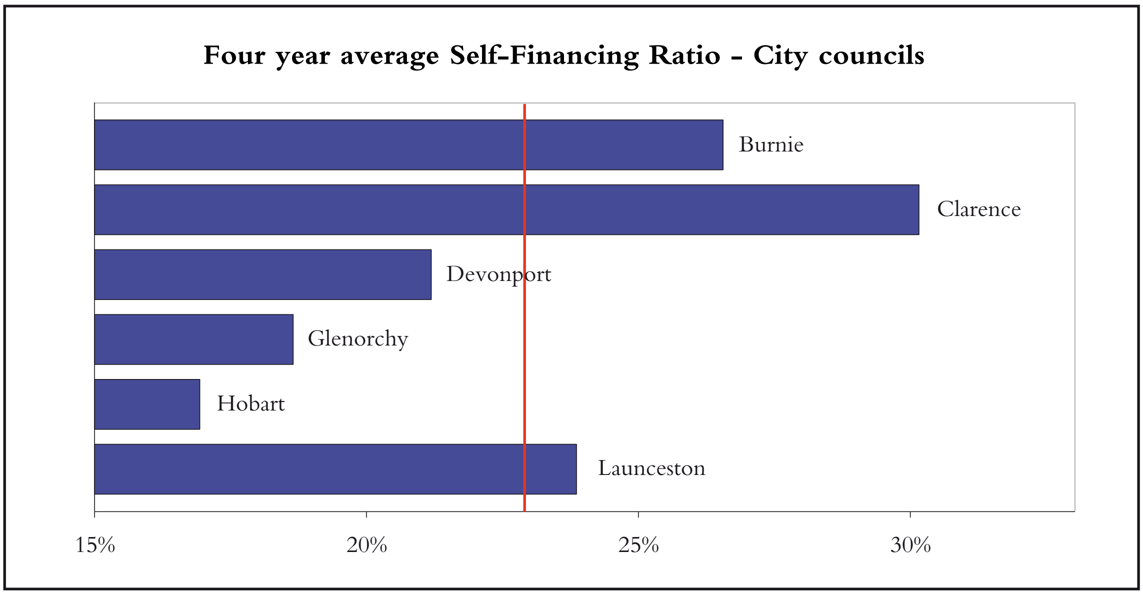
The graph below reports the self-financing ratio achieved on a consolidated basis by all councils in each of the past four years.



The self-financing ratio for all councils was 28.0% in 2008-09 and steadily increased since 2005-06 when it was 23.5%. The trend indicated growth in cash generated from operating activities when compared to total revenues earned.

Self-Financing Ratio – City councils

The graph below reports the average self-financing ratio achieved by City councils over the past four years.

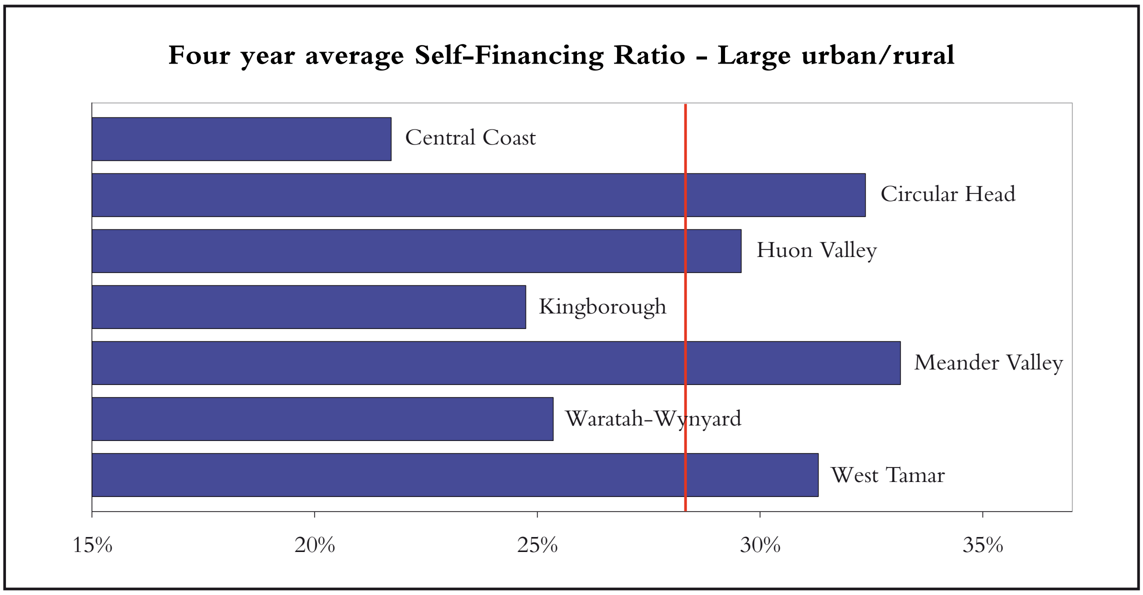


The four year average achieved by these City councils was 22.9%. Applying this as a benchmark, Burnie, Clarence and Launceston exceeded the category peer average with Hobart being the lowest at less than 17%.

However, while the range varied between the City councils, each was generating sufficient cash to contribute to its investing and financing activities.

Self-Financing Ratio – Large urban/rural councils

The graph below reports the average self-financing ratio achieved by Large urban/rural councils over the past four years.

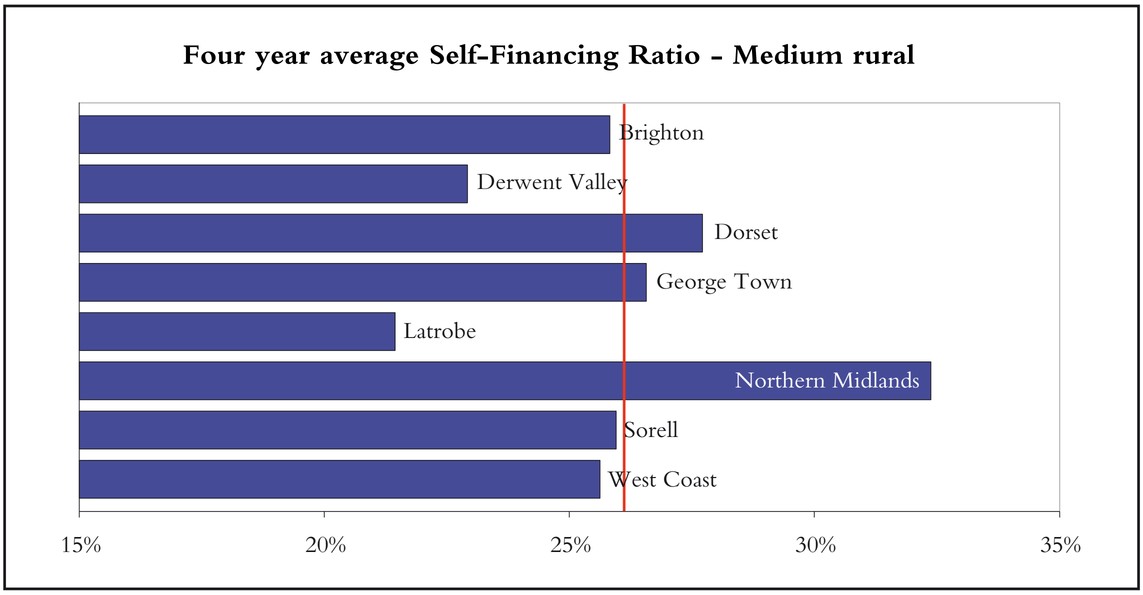


The four year average achieved by these Large urban/rural councils was 28.3% with Meander the highest at 33.2% and Central Coast the lowest at 21.7%.

As for City councils, while the range of ratios varied, each council was generating sufficient cash to contribute to its investing and financing activities.

Self-Financing Ratio – Medium rural councils

The graph below reports the average self-financing ratio achieved by Medium rural councils over the past four years.

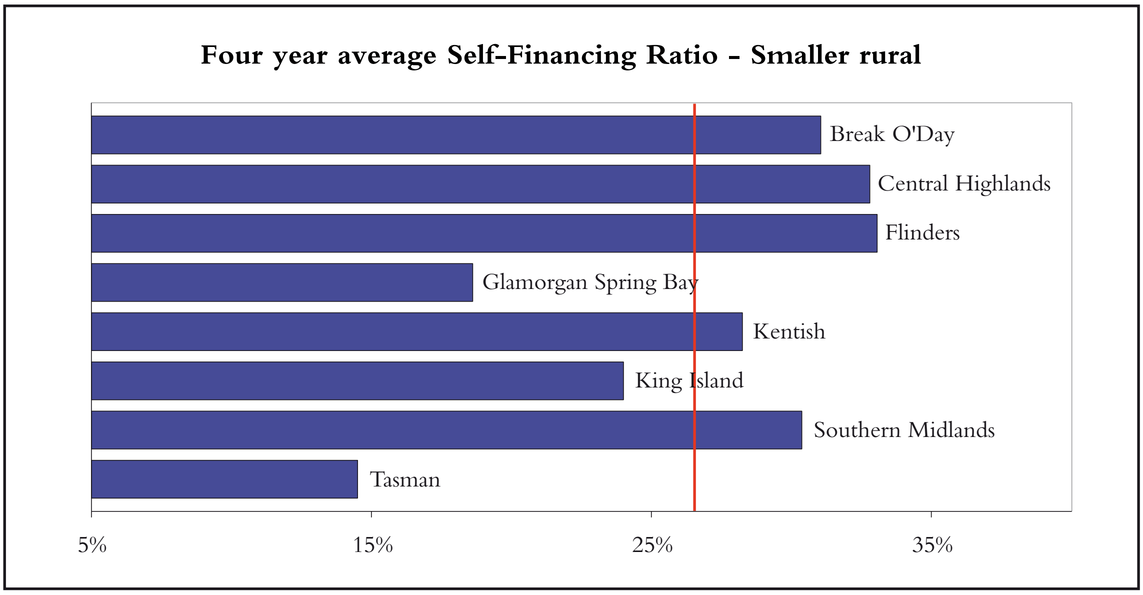


The four year average achieved by these Medium rural councils was 26.1% which was exceeded by Northern Midlands on 32.4%, with Latrobe comparatively low at 21.5%.

As for City councils, while the range of ratios varied, each council was generating sufficient cash to contribute to its investing and financing activities.

Self-Financing Ratio – Smaller rural councils

The graph below reports the average self-financing ratio achieved by Smaller rural councils over the past four years.



The four year average achieved by these Smaller councils was 26.6%. Tasman and Glamorgan Spring Bay were well below this peer benchmark at 14.5% and 18.6% respectively.

However, as for City councils, while the range of ratios varied each council was generating sufficient cash to contribute to its investing and financing activities.

Conclusion based on assessment of the self-financing ratio over four years

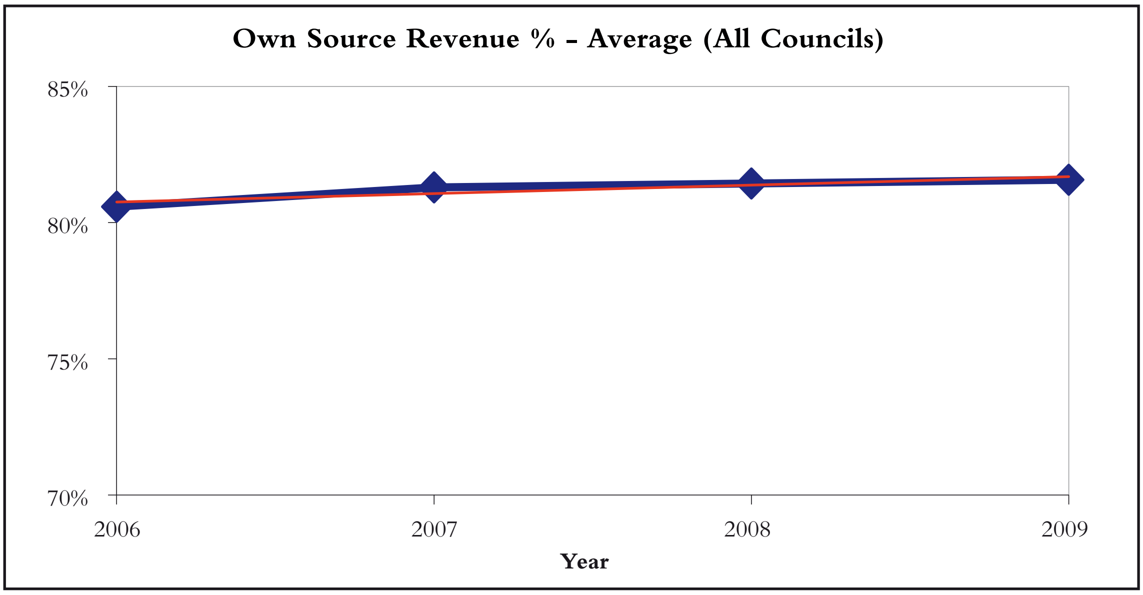
All councils had positive self-financing ratios indicating that they all generated sufficient cash from their operations to contribute to asset replacement or repay debt. Councils that generated ratios that were low when compared with their peer category and the total state range of 23.5% to 28% included Hobart, Devonport, Glenorchy, Launceston, Central Coast, Kingborough, Waratah-Wynyard, Derwent Valley, Latrobe, Glamorgan Spring Bay, Tasman, Kentish and King Island.

OWN SOURCE REVENUE RATIO

Own Source Revenue – All Councils

This ratio calculates the extent to which a council generates revenue from its own sources. The higher the percentage, the less reliant a council is on external funding such as Commonwealth financial assistance grants. There is no generally accepted benchmark for this ratio so we have again applied the average achieved by categories of councils as a benchmark.

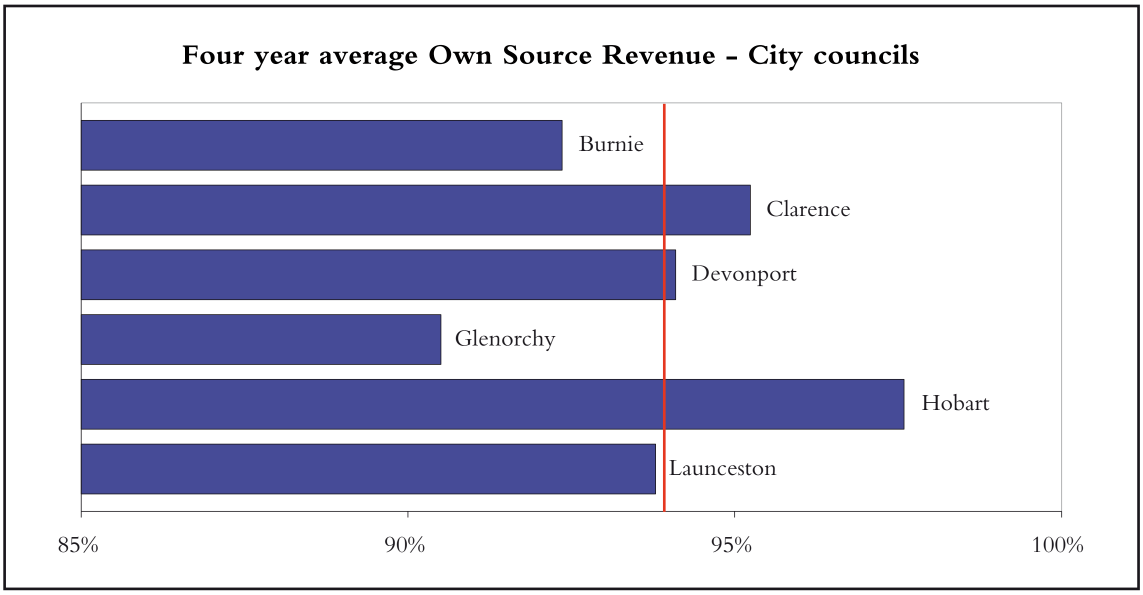
The graph below reports the own source revenue ratio achieved on a consolidated basis by all councils in each of the past four years.



Tasmanian councils generated, on average, 81.5% of their 2008-09 revenue from their own sources, slightly up from 80.6% in 2005-06. This analysis indicated that over the four year period, there was a slight positive trend, indicating that councils became slightly less reliant on external assistance.

Own Source Revenue – City councils

The graph below reports the average own source revenue ratio achieved by City councils over the past four years.

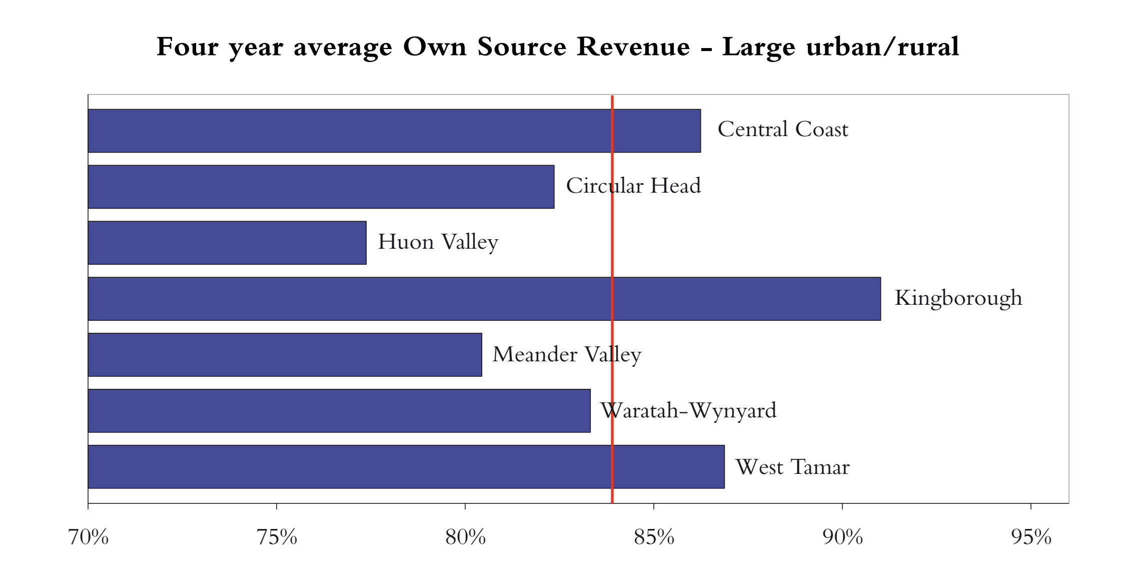


The City councils generated significantly more of their own revenue in comparison to councils as a whole averaging 93.9% compared to the whole state range of 80.6% to 81.5%. A larger rate-payer base provided these councils with comparatively higher rate revenue than smaller councils therefore reducing dependence on grant funding.

On a peer comparison basis, Glenorchy appeared low at 90.5%.

Own Source Revenue – Large urban/rural councils

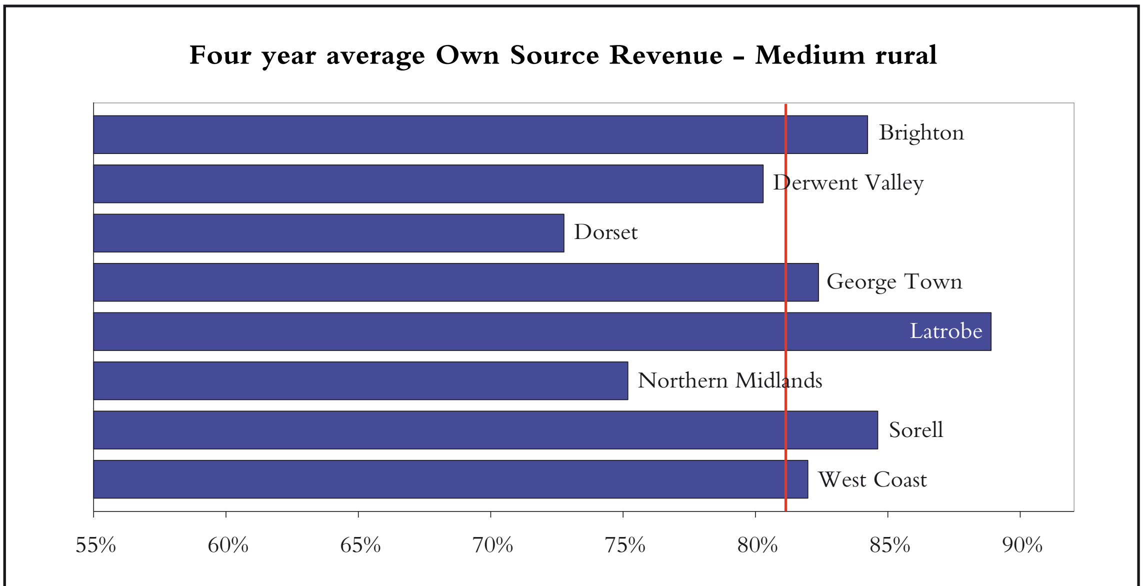
The graph below reports the average own source revenue ratio achieved by Large urban/rural councils over the past four years.



On average these councils generated own source revenue at the level of 83.9% for the four year period under review. If Kingborough was excluded, this ratio drops to about 80%. Huon Valley and Meander Valley appear low compared to their peer group at 77.4% and 80.4% respectively.

Own Source Revenue – Medium rural councils

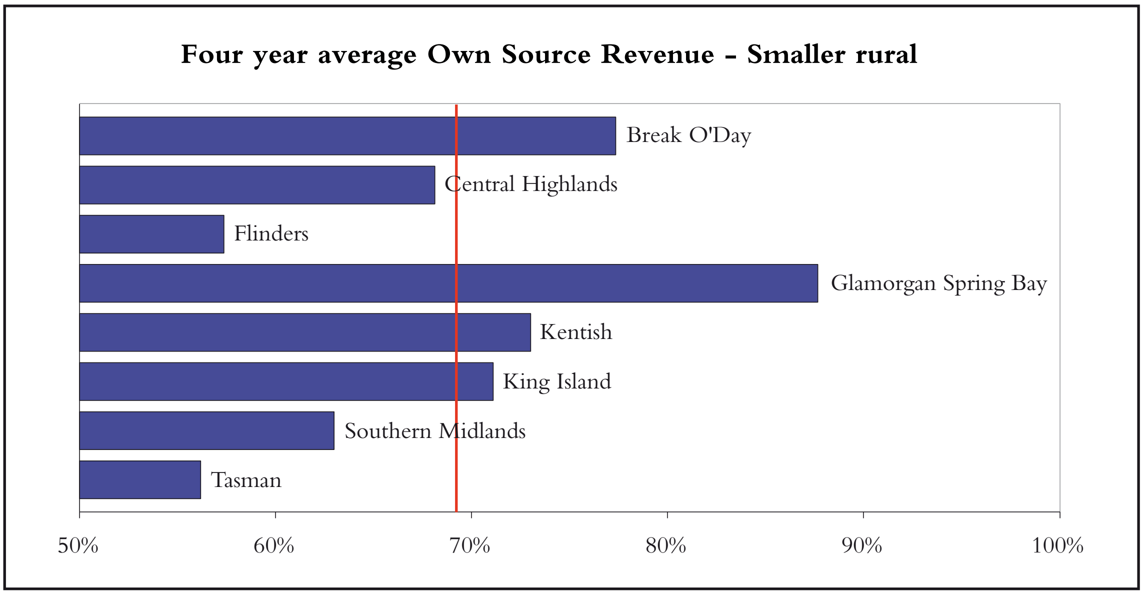
The graph below reports the average own source revenue ratio achieved by Medium rural councils over the past four years.



The average own source revenue ratio for the Medium rural council category was 81.3% with Latrobe significantly exceeding this average at 88.9% and Dorset and Northern Midlands well below at 73% and 75%, respectively. This indicates these two councils were much more dependent on financial assistance grants than their peer councils.

Own source Revenue – Smaller rural councils

The graph below reports the average own source revenue ratio achieved by Smaller rural councils over the past four years.



The average own source revenue ratio for the Smaller rural council category was 69.2% indicating these councils were much more dependent on external funding than the whole of state average range of 80.6% to 81.5%. Flinders and Tasman councils were well below their peer average at 57.4% and 56.2% respectively while Glamorgan Spring Bay significantly exceeded the peer average at 87.7%.

A smaller rate-payer base reduces these councils' flexibility to raise revenue from their own sources. Consequently, there was a greater reliance on grant funding.

Conclusion based on assessment of the own source revenue ratio over four years

On average, over the four year period, there was a slight positive trend in the own source revenue ratio indicating that councils became slightly less reliant on external assistance.

In the Smaller rural council category, the average own source revenue ratio was 69.2% indicating these councils were much more dependent on external funding than the whole of state average range of 80.6% to 81.5%.

OVERALL FINANCIAL SUSTAINABILITY ASSESSMENT

As indicated at the commencement of this Chapter, assessment of financial sustainability needs to consider all of these ratios together. The table below summarises all of the above ratios with conclusions drawn beneath it.

In the table we have noted those councils that have or have not satisfied each of the seven ratios bearing in mind that, as it relates to the Debt servicing, Self-financing and Own source revenue ratios, the ranking is based on our assessment against the whole of state average or against a category average.

An indicator scored in green means a council satisfied the ratio whereas, a scoring in red indicates a council did not satisfy the ratio or was worse than the whole of state average or than the peer group of councils.

Local Government Financial Sustainability assessments - 2006-2009

The table below summarises our assessment of each council's financial performance or financial condition based on seven inter-related ratios

	Operating Margin Ratio	Current Ratio	Debt Service Ratio	Investment Gap Ratio	Renewal Gap Ratio	Self Financing Ratio	Own Source Revenue	Overall assessment
Cities								
Burnie	X	✔	✔	✔	X	✔	o	4
Clarence	✔	✔	✔*	X	X	✔	✔	5
Devonport	X	✔	✔*	✔	X	o	✔	4
Glenorchy	X	✔	✔*	X	X	o	o	2
Hobart	X	✔	✔	X	X	o	✔	3
Launceston	✔	✔	✔	✔	X	✔	o	5
Large Urban and Rural								
Central Coast	X	✔	✔	✔	X	o	✔	5
Circular Head	✔	✔	✔	✔	X	✔	o	5
Huon Valley	✔	✔	✔	✔	✔	✔	o	6
Kingborough	X	✔	✔	X	X	o	✔	3
Meander Valley	X	✔	✔	✔	X	✔	o	4
Waratah-Wynyard	✔	✔	✔*	✔	✔	o	o	5
West Tamar	✔	✔	✔*	✔	X	✔	✔	6
Medium Rural								
Brighton	✔	✔	✔*	✔	X	o	✔	5
Derwent Valley	X	✔	✔*	✔	✔	o	o	4
Dorset	✔	✔	✔	✔	X	✔	o	5
George Town	✔	✔	✔*	✔	X	✔	✔	6
Latrobe	✔	✔	✔	✔	X	o	✔	5
Northen Midlands	X	✔	✔	✔	✔	✔	o	5
Sorell	X	✔	✔*	✔	X	o	✔	4
West Coast	✔	✔	✔*	✔	✔	o	✔	6
Smaller Rural								
Break O'Day	✔	✔	✔*	✔	X	✔	✔	6
Central Highlands	X	✔	✔	X	X	✔	o	3
Flinders	X	✔	✔	X	X	✔	o	3
Glamorgan Spring Bay	X	X	✔*	✔	✔	o	✔	4
Kentish	X	✔	✔	✔	✔	✔	✔	6
King Island	X	✔	✔*	✔	✔	o	✔	5
Southern Midlands	X	✔	✔*	X	X	✔	o	3
Tasman	✔	✔	✔*	✔	✔	o	o	5

✔ = council exceeded the benchmark or the performance was regarded as satisfactory.

X = council's performance was below benchmark or its performance was regarded as evidence of possible financial sustainability risk.

o = council's performance was below the average achieved by peer councils within a category. This does not however necessarily mean a lack of financial sustainability.

✔* = while the performance of these councils was satisfactory, their debt service ratios were higher than the all state average.

In the right hand column we have recorded the number of occasions a council satisfied a ratio. This exercise indicates to us that:

- no single Tasmanian council is financially unsustainable
- 23 councils, 79%, satisfied more than 50% of the ratios
- six councils, 21 %, only satisfied three or less ratios. Ratios not satisfied were not always the same but in common were the operating margin and renewal gap ratio. These councils were Central Highlands, Flinders, Glenorchy, Hobart, Kingborough and Southern Midlands. Further analysis is provided in individual Chapters for each council
- while no single Tasmanian council is financially unsustainable, a number should use the comparative material in this Chapter to assess their own financial performance and position.

LOCAL GOVERNMENT COMPARATIVE ANALYSIS

INTRODUCTION

Comparative analysis covering financial and other information and ratios for all Tasmanian Councils has been compiled with results provided in four appendices to this Chapter. The information provided is for the financial year ended 30 June 2009. The appendices have been presented with councils grouped as either city; large urban/rural; medium rural; and smaller rural.

This is the fourth year that this analysis has been included in this Report. While only one year's data is provided, comparison with prior years is showing a high degree of consistency in the various ratios between years. Trend analysis is provided in the Chapter of this Report headed "Local Government Financial Sustainability".

The appendices are:

1. Demographics
2. Employee Costs
3. Income Statements
4. Balance Sheets.

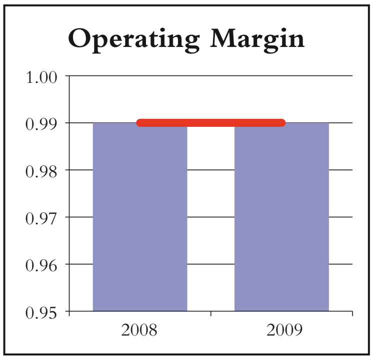
Our analysis of the appendices is of a general nature and should be read in conjunction with the individual Chapters on each council in volume two of this Report and the Local Government Financial Sustainability Chapter in volume one.

When considering the various ratios and observations reported in this Chapter, it needs to be borne in mind that they are only indicators of performance or of financial position. The various ratios should not be considered in isolation. However, taken together various ratios can indicate good or poor financial condition or performance. It is also important to consider these ratios over time with the analysis in this Chapter only considering performance for the single 2008-09 financial year.

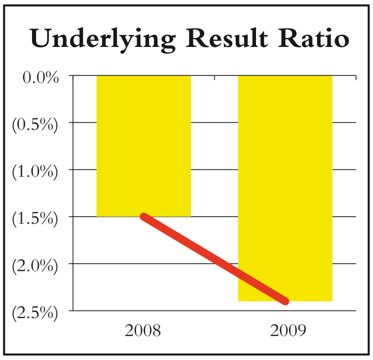
An example of why a single indicator should not be considered in isolation is the ratio of expenditure in a financial year on non-current assets compared to depreciation charged in that year. Our target for this ratio is 100% because we would anticipate infrastructure investment, in particular on existing rather than new assets, to approximate the annual depreciation charge. A council or councils could be less than 100% for a variety of reasons and still be adequately managing their asset replacement due to other factors such as their maintenance programs or the timing of asset replacement based on long term asset management plans. Also, a ratio well above 100% may not necessarily indicate a good result because expenditure in a particular year may be due to one-off investment in a new asset funded, for example, by government grants. In addition, this ratio should probably be assessed over more than one financial period which is done in individual council chapters.

Consolidated operating sustainability

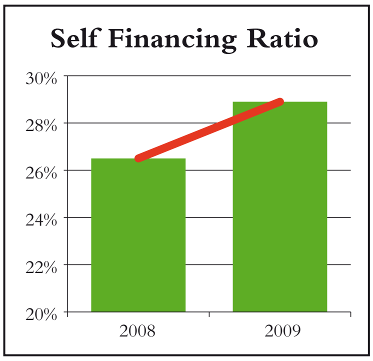
The following five graphs summarise key ratios highlighting important aspects of the consolidated financial performance of all Tasmanian councils over the past two years. In general, the ratios indicate:



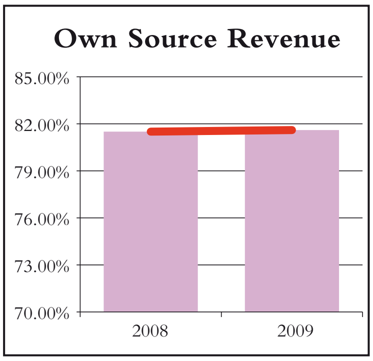
Operating margin was marginally below the benchmark one in each of the past two years. At a detailed level, the income statements noted on Appendix 2 reveals 15 (2007-08; 17) of the 29 Tasmanian councils failed to achieve at least a break even benchmark with break even or better being indicated by an operating margin of one or greater than one. In our view, councils should, at a minimum, budget, and operate, to break even and to avoid operating deficits. Doing so would enable councils to generate sufficient revenue to fulfil their operating requirements. This should include rating to cover annual depreciation charges.



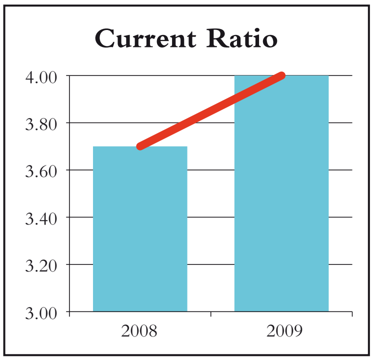
Another measure of a council's operating capability is the Underlying result ratio. This ratio provides a measure of the strength of the operating result. On a consolidated basis, the ratio was just negative in both years, increasing in 2008-09, confirming the existence of, in consolidated terms, operating deficits. The ratio is calculated by dividing the net operating surplus by operating revenue.



Self financing ratio is a measure of councils' ability to fund the replacement of assets from cash generated from operations. The ratio is calculated by dividing cash flows from operating activities by operating revenue. We are not aware of any particular benchmark for this ratio although clearly, particularly in view of the relatively high depreciation charges incurred by councils, it needs to be significantly greater than zero percent and, in dollar terms, should be no less than the annual depreciation charge of $181.321m. In both years the ratio was greater than 25% indicating that, collectively, councils generate sufficient cash from their operating activities to contribute to asset replacement or repay debt. Also, cash generated from operations by all councils totalled $195.799m, $14.478m greater than total depreciation.



Councils' Own source revenues represent operating revenue other than recurrent grants. Expressing Own source revenues as a percentage of total operating revenues indicates councils' abilities to generate their own funding, without relying on recurrent government grants. On a consolidated basis, Tasmania's councils generated approximately 80% of their revenues from their own sources and this remained steady, at least in the last two financial years.



Normal convention suggests that the Current ratio, being total current assets divided by total current liabilities, should be greater than one. Collectively, the ratio in both years was well above this benchmark with, individually, no council having a ratio of less than one at 30 June 2009.

Overall, we note that councils exhibiting an operating margin of less than one, a negative underlying result and a low self financing ratio may be experiencing, or could in the future experience, financial difficulty. Appendix 2 indicates that all but one council in Tasmania had a positive Self financing ratio (2007-08, 29), with 15 (16) councils recording a negative Underlying result and 15 (17) having negative Operating margins.

Demographics (note most recent data available is for 2007-08)

The Tasmanian population, as recorded by the Australian Bureau of Statistics – Regional Population Growth, increased by 4 188, 0.85%, from 2006-07 to 2007-08. Across the State, populations of each municipal area vary considerably, ranging from 905 (2006-07, 877) at Flinders to 65 222 (64 931) at Launceston. The cities' populations represented 51.39% (255 662) (51.62% and 254 727) of the total population, but only covered 3.9% of the State area in square kilometres (2 708 sq kms). Conversely, the 16 medium and smaller rural councils combined population represented 21.93% (109 121) (21.78% and 107 431) of the total population, but covered 67.2% of the State's area in square kilometres (45 567 sq kms).

As noted in previous years, Rural councils can face difficulties in providing and maintaining services because they do not have access to the higher ratepayer base of larger councils. This was highlighted in the number of rateable valuations per square kilometre ratio which reflects the population and area disparity between the councils already referred to.

Income Statements

Income statement information in Appendix 3 was extracted from audited Financial Statements for the financial year 2008-09.

The combined net Surplus totalled $112.017m, an improvement of 100.3% from 2007-08 ($55.937m) and included:

- $50.007m (2007-08, $29.426m) in capital grant funding
- $45.867m ($46.565m) in contributed assets, mainly through subdivisions
- $14.948m (nil in 2007-08) in Financial Assistance Grants relating to 2009-10 received in June 2009
- $14.404m ($1.519m) in non-current asset adjustments, offset by
- $0.512m ($7.897m) in unrealised losses from three councils investing in Collateralised Debt Obligations (CDOs)
- $3.460m in expenditure incurred by two councils that did not relate to either maintaining or improving their own assets. This related to expenditure incurred by Tasman Council on the Pirate bay visitor zone and by Northern Midland Council on the Longford wastewater treatment plant.

Excluding these items, it could be argued that, on an "operating" basis, for the year ended 30 June 2009 councils recorded a combined deficit of $9.236m ($16.092m).

Revenue raising capacities

Councils generated $462.747m ($434.289m) in rates for the 2008-09 year. Cities and larger urban and rural councils, in general, obtain a greater percentage of their operating revenue from rates. This was reflected in the rate revenue to operating revenue ratio. In contrast, councils that had a lower rate to operating revenue ratio, receive a higher percentage of recurrent grant revenue. It was noted that there were six councils (2007-08, six) with rate revenue to operating revenue ratios of less than 50% meaning that they were heavily reliant on recurrent grant funding. Four of these councils also had the lowest average rates per rateable valuation although they generated relatively high rate revenues per head of population.

Councils' own source revenues represent operating revenue other than recurrent grants. Expressing own source revenues as a percentage of total operating revenues indicated a council's ability to generate its own funding, without relying on recurrent government grants. In general terms, the resulting ratios on Appendix 2 highlight that, consistent with ratios discussed previously, smaller councils generate lower amounts of own source revenues in percentage terms.

Also reported on Appendix 2 are the ratios of operating (or recurrent) grants per head of population and operating grants compared to operating revenues. These ratios confirm previous observations that smaller councils were more reliant on recurrent operating grants. To illustrate this point, smaller rural councils' grants per head of population were considerably greater than other councils, for example Flinders, $1 776 and Tasman, $1 041 compared to Hobart, $61 or Clarence, $92.

Depreciation coverage

The depreciation to operating revenue ratio provides an indication of the extent to which a council was funding, from current revenues, its future asset replacement through depreciation. There is no benchmark for this ratio except that, as previously noted, we anticipate that councils should at least budget to breakeven on an operating basis therefore fully covering annual depreciation charges.

In general the ratio of depreciation to current revenues for major cities and other urban councils was around the average of 24.8% (2007-08; 25.7%) with the total average for all councils being 27.3%. However, there were considerable fluctuations in the smaller rural council percentages, these varying between 16.3% at Tasman, which had a comparatively low infrastructure assets base with non-current infrastructure assets per head of population of $6 697, to 81.9% at Central Highlands where the non-current infrastructure assets per head of population was $49 968. This highlighted the importance of having long term asset management plans and budgeting to ensure that operating revenues are sufficient to cover all operating costs, including depreciation. It is acknowledged that the latter will be more difficult in regional communities with significant infrastructure.

However, it is inappropriate to consider this ratio in isolation with further discussion about this when reviewing the depreciation to capital expenditure ratios later in this Chapter.

Employee Costs

Appendix 2 summarises Employee costs, Employee entitlements and Full Time Equivalents (FTE's) for each council.

Councils in Tasmania employed 3 607 (2007-08; 3 661) FTE's at 30 June 2009 and incurred employee costs of $240.236m ($226.820m) for the financial year. Average employee costs per FTE vary from a high of $77 000 per FTE to a low of $48 000 per FTE with the average being $64 000.

Councils' FTEs per 1000 head of population also varies with smaller rural councils having lower population bases and higher ratios. Both Flinders and King Island Councils have ratios above twenty FTEs per 1000 head of population due to their small populations. The average for all councils was 8.6 FTE per 1000 head of population.

At 30 June 2009, the amount of annual, long service and some sick leave accrued by councils for their employees totalled $52.087m ($48.933m). On a per FTE basis this equated to $13 797 with variations between councils ranging from $3 237 per FTE at Tasman to $24 983 at Derwent Valley. While the average balance of $13 797 appears reasonable, many councils hold balances for some employees well above two year's entitlements. This has been acknowledged by those councils who are working to reduce their balances.

Balance Sheet

Comments here are made by reference to Appendix 4.

Management of working capital

On the basis that a working capital ratio of one or better is effective, all councils manage their working capital (total current assets less total current liabilities expressed as a ratio greater or less than one) effectively with most exhibiting a ratio of well above one at 30 June 2009. This ratio provides an indication as to whether or not an entity can meet its short term commitments from existing current assets.

It is noted, however, that all councils had large or reasonably large bank and investment balances some of which are committed to future capital projects. Details are provided in individual chapters.

Management of infrastructure and other non-current assets

Included in Total non-current assets, which amounted to $7.672bn (2007-08; $7.026bn), are Infrastructure assets controlled by councils at 30 June 2009 totalling $7.196bn ($6.579bn). This included $2.751bn of Roads and bridges infrastructure, $801.745m of Water infrastructure and $990.242m in Sewerage infrastructure. These balances indicate the significant responsibility local government have in managing infrastructure assets in the provision of services to all Tasmanians.

In 2008-09 payments made by councils for property, plant and equipment totalled $254.783m ($178.938m) and depreciation charged on these assets totalled $181.321m ($172.758m). A useful measure to assess the extent to which a council was adequately investing in its non-current asset base is expenditure on these assets expressed as a percentage of depreciation with an ideal target of 100%. However, a better measure for this ratio is to express expenditure on <u>existing</u> assets as a percentage of depreciation. This particular measure is further assessed in the Chapter dealing with Financial Sustainability.

For all councils, the average of total capital expenditure, on existing and new assets, to depreciation ratio was 144.0% (125.2%) indicating that most councils were re-investing in their non-current assets at an appropriate rate. However, some councils stand out as being below the target of 100% particularly major cities. In each case, further details are provided in individual council chapters of this Report.

Another indicator which can be used to assess whether or not a council is adequately re-investing in its non-current asset base is to compare rate revenue to non-current infrastructure assets. This ratio indicates the level of rating undertaken in relation to the infrastructure bases being managed by each council. The higher the ratio the better. Lower ratios were noted in the rural councils possibly indicating that these councils were under-rating. As noted previously under the Income Statement discussion of this Chapter, the smaller rural councils had a greater dependence on grant funding and had lower rate revenue per rateable valuation.

The analysis of non-current infrastructure assets per square kilometre and per head of population confirms the concentration of infrastructure and people in the major cities and larger urban areas. Rural councils manage a lower level of infrastructure assets, but across a larger geographical area.

The ratio of non-current infrastructure assets per rateable valuation indicated that each rateable valuation supported a fairly consistent level of infrastructure. We have not analysed why it is that some councils vary significantly from the average of $22 895.

Management of debt

We have included in our analysis relevant ratios around debt management because how councils manage debt and associated interest costs can have short and long term impacts on rating strategies and asset replacement programs. Inter-generational equity also needs to be considered as does the impact of asset replacement programs and any effect of proposed new initiatives.

A review of the debt service ratio and the cost of debt for each council indicated that, based on established benchmarks, the majority of councils are managing their debt appropriately. Kingborough had the highest cost of debt, 13.2%, due to several interest only loans with interest rates well above current market rates. This Council has investigated early settlement of these loans, but doing so would incur costs equal to interest charges over the remaining loan terms. The final interest only loan will be settled in 2011-12.

It is noted that Meander Valley, Northern Midlands, Central Highlands and Flinders Councils did not hold any loan debt at 30 June 2009.

The indebtedness ratio complements the current ratio and illustrates a council's ability to meet longer term commitments. The ratio compares non-current liabilities to a council's own source revenue, the lower the percentage the stronger a council's position to meet longer term liabilities. Those councils with ratios well above the average of 24.1% (2007-08; 22.6%) were holding higher levels of non-current borrowings at 30 June 2009. However, the ratios indicate all councils can meet future longer term debt commitments.

Collection of rates

Rate debts owing to councils at 30 June 2009 totalled $12.987m ($13.237m) with an average per council of $448 000 ($456 000). Expressing rate debtors as a percentage of rates raised indicated that, in general, councils were recovering outstanding rate debts in a reasonable timeframe. King Island Council at 11.1% had the highest ratio. It is noted, however, that all councils had significant power under the *Local Government Act 1993* to recover rate debts against a property.

APPENDIX 1. DEMOGRAPHICS – 2008-09

Council	Population	Area in Square Kilometres	Population Per Square Kilometre	Number of Rateable Valuations	Number of Rateable Valuations Per Square Kilometre	Average Rateable Valuations Per Head of Population
Burnie	19 682	610	32.3	9 401	15.4	0.5
Clarence	51 506	377	136.6	23 382	62.0	0.5
Devonport	25 208	111	227.1	12 639	113.9	0.5
Glenorchy	44 433	120	370.3	20 725	172.7	0.5
Hobart	49 611	78	637.7	28 038	360.4	0.6
Launceston	65 222	1 411	46.2	30 190	21.4	0.5
Central Coast	21 571	931	23.2	10 499	11.3	0.5
Circular Head	8 212	4 891	1.7	4 875	1.0	0.6
Huon Valley	14 858	5 498	2.7	12 001	2.2	0.8
Kingborough	32 787	719	45.6	17 598	24.5	0.5
Meander Valley	19 329	3 320	5.8	9 569	2.9	0.5
Waratah-Wynyard	14 022	3 526	4.0	7 459	2.1	0.5
West Tamar	21 967	690	31.8	10 959	15.9	0.5
Brighton	15 198	171	88.9	6 464	37.8	0.4
Derwent Valley	9 920	4 104	2.4	4 929	1.2	0.5
Dorset	7 294	3 223	2.3	5 003	1.6	0.7
George Town	6 723	653	10.3	4 231	6.5	0.6
Latrobe	9 329	600	15.5	6 251	10.4	0.7
Northern Midlands	12 524	5 126	2.4	6 624	1.3	0.5
Sorell	12 795	583	21.9	8 211	14.1	0.6
West Coast	5 222	9 575	0.5	5 251	0.5	1.0
Break O'Day	6 311	3 521	1.8	6 307	1.8	1.0
Central Highlands	2 339	7 976	0.3	5 151	0.6	2.2
Flinders	905	1 994	0.5	1 270	0.6	1.4
Glamorgan Spring Bay	4 464	2 522	1.8	5 456	2.2	1.2
Kentish	6 130	1 155	5.3	4 330	3.7	0.7
King Island	1 716	1 094	1.6	1 598	1.5	0.9
Southern Midlands	5 934	2 611	2.3	5 225	2.0	0.9
Tasman	2 317	659	3.5	3 437	5.2	1.5
Total	**497 529**	**67 849**	**7.3**	**277 073**		
Average per Council	**17 156**	**2 340**	**60**	**9,554**	**30.9**	**0.8**

Average Population per square kilometre for Tasmania	7.33
Average Rateable properties per square kilometere	4.08
Average Rateable properties per Head of Population	0.56

Source

Population figures derived from Australian Bureau of Statistics - Regional Population Growth, Australia 2007-08.
Local Government areas taken from ABS website "2001 Census Community Profile Series" Statistics estimated at 30 June 2005.
Rateable properties obtained from Valuer-General's office as at 1 October 2008

APPENDIX 2. EMPLOYEE COSTS – 2008-09

Council	Total Employee Costs	FTE's	Average Cost per FTE *	FTE per 1000 Population	Total Labour Costs to Operating Revenue	Total Labour Costs to Operating Expenditure	Provisions for Employee Entitlements	Employee Entitlements per FTE
	$'000s	No.	$'000s	No.	%	%	$'000s	$
Burnie	13 195	208	63	10.6	33.5	34.1	1 903	9 149
Clarence	15 303	250	61	4.9	23.4	24.4	3 084	12 336
Devonport	13 098	202	65	8.0	33.3	33.2	2 519	12 470
Glenorchy	22 735	297	77	6.7	34.9	32.2	6 115	20 589
Hobart	43 333	597	73	12.0	42.6	39.7	9 569	16 028
Launceston	33 292	475	70	7.3	33.0	33.7	7 703	16 217
Central Coast	9 873	162	61	7.5	37.6	35.4	2 477	15 290
Circular Head	3 435	52	66	6.3	23.3	24.4	674	12 962
Huon Valley	9 340	143	65	9.6	43.9	44.9	1 307	9 140
Kingborough	10 968	180	61	5.5	30.0	28.0	1 685	9 361
Meander Valley	4 937	74	67	3.8	26.0	26.0	1 050	14 189
Waratah-Wynyard	4 819	82	59	5.8	28.8	27.9	1 167	14 232
West Tamar	6 310	97	65	4.4	28.2	30.5	1 585	16 340
Brighton	3 636	53	69	3.5	22.8	27.2	803	15 151
Derwent Valley	2 874	60	48	6.0	25.9	25.8	1 499	24 983
Dorset	3 609	53	68	7.3	27.2	30.7	996	18 792
George Town	3 182	46	69	6.8	30.1	30.9	552	12 000
Latrobe	3 316	54	61	5.8	29.1	29.6	633	11 722
Northern Midlands	4 549	71	64	5.7	29.0	27.3	1 047	14 746
Sorell	5 445	84	65	6.6	36.9	37.2	1 028	12 238
West Coast	3 700	63	59	12.1	30.4	34.9	804	12 762
Break O'Day	4 053	61	66	9.7	33.1	31.5	795	13 033
Central Highlands	1 902	32	59	13.7	32.3	20.2	625	19 531
Flinders	1 150	19	61	21.0	30.6	25.4	152	8 000
Glamorgan Spring Bay	2 584	44	59	9.9	22.9	24.6	412	9 364
Kentish	1 962	30	65	4.9	22.5	24.4	252	8 400
King Island	2 057	35	59	20.4	38.9	36.7	615	17 571
Southern Midlands	3 096	45	69	7.6	38.4	33.7	913	20 289
Tasman	2 483	38	65	16.4	41.1	40.5	123	3 237
Total	**240 236**	**3 607**					**52 087**	
Average per Council	**8 284**	**124**	**64**	**8.6**	**31.4**	**30.9**	**1 796**	**13 797**

* *Staff costs include capitalised salaries and wages*

APPENDIX 3. INCOME STATEMENTS – 2008-09

Council	Operating Revenue $'000s	Non-Operating Revenue * $'000s	Total Revenue $'000s	Operating Expenditure $'000s	Non-Operating Expenditure* $'000s	Total Expenditure $'000s	Surplus/ (Deficit) $'000s	Surplus/ (Deficit) to Total Revenue %	Operating Surplus/ (Deficit)	Operating Margin No.
Burnie	39 375	7 946	47 321	38 706	206	38 912	8 409	17.8	669	1.02
Clarence	65 532	7 439	72 971	62 824		62 824	10 147	13.9	2 708	1.04
Devonport	39 304	2 470	41 774	39 470	–	39 470	2 304	5.5	(166)	1.00
Glenorchy **	65 065	8 270	73 335	70 657	–	70 657	2 678	3.7	(5 592)	0.92
Hobart	101 617	17 461	119 078	109 209	–	109 209	9 869	8.3	(7 592)	0.93
Launceston	100 971	13 528	114 499	98 648	–	98 648	15 851	13.8	2 323	1.02
Central Coast	26 240	7 472	33 712	27 858	–	27 858	5 854	17.4	(1 618)	0.94
Circular Head	14 761	2 368	17 129	14 060	–	14 060	3 069	17.9	701	1.05
Huon Valley	21 269	7 604	28 873	20 782	567	21 349	7 524	26.1	487	1.02
Kingborough	36 575	11 203	47 778	39 141	3,695	42 836	4 942	10.3	(2 566)	0.93
Meander Valley	18 980	2 434	21 414	19 019	–	19 019	2 395	11.2	(39)	1.00
Waratah-Wynyard	16 752	1 842	18 594	17 275	1,766	19 041	(447)	(2.4)	(523)	0.97
West Tamar	22 341	10 969	33 310	20 661	–	20 661	12 649	38.0	1 680	1.08
Brighton	15 969	1 411	17 380	13 370	–	13 370	4 010	23.1	2 599	1.19
Derwent Valley	11 086	1 225	12 311	11 129	–	11 129	1 182	9.6	(43)	1.00
Dorset	13 292	2 903	16 195	11 751	–	11 751	4 444	27.4	1 541	1.13
George Town	10 573	1 293	11 866	10 284	–	10 284	1 582	13.3	289	1.03
Latrobe	11 406	2 513	13 919	11 198	–	11 198	2 721	19.5	208	1.02
Northern Midlands	15 691	4 869	20 560	16 636	2,160	18 796	1 764	8.6	(945)	0.94
Sorell	14 737	3 129	17 866	14 651	204	14 855	3 011	16.9	86	1.01
West Coast	12 171	2 562	14 733	10 608	154	10 762	3 971	27.0	1 563	1.15
Break O'Day	12 237	1 595	13 832	12 861	–	12 861	971	7.0	(624)	0.95
Central Highlands	5 893	2 017	7 910	9 400	–	9 400	(1 490)	(18.8)	(3 507)	0.63
Flinders	3 764	1 021	4 785	4 531	–	4 531	254	5.3	(767)	0.83
Glamorgan Spring Bay	11 279	556	11 835	10 505	–	10 505	1 330	11.2	774	1.07
Kentish	8 701	1 901	10 602	8 055	–	8 055	2 547	24.0	646	1.08
King Island	5 287	1 115	6 402	5 607	307	5 914	488	7.6	(320)	0.94
Southern Midlands	8 067	2 090	10 157	9 182	–	9 182	975	9.6	(1 115)	0.88
Tasman	6 035	406	6 441	6 128	1,300	7 428	(987)	(15.3)	(93)	0.98
Total	734 970	131 612	866 582	744 206	10 359	754 565	112 017		(9 236)	
Average per Council	25 344	4 538	29 882	25 662	370	26 019	3 863	12.3	(318)	0.99

* *Non operating revenue and expenditure include capital grants, contributed assets and revaluation and impairment adjustments. Also, Non operating revenue includes 2010 Financial Assistance Grant received in June 2009*

** *Council treated 2010 Financial Assistance Grant as revenue in advance*
Operating grant revenue excludes 2010 Financial Assistance Grant

Underlying Result	Self Financing Ratio	Rate Revenue	Rate Revenue to Operating Revenue	Average Rate Per Rateable Valuation	Rate Revenue Per Head of Population	Councils' Own Source Revenue	Councils' Own Source Revenue to Operating Revenue	Operating Government Grants *	Operating Grants per Head of population	Operating Government Grants to Operating Revenue	Depreciation to Operating Revenue
%	%	$'000s	%	$	$	$'000s	%	$'000s	$	%	%
1.7	33.7	23 877	60.6	2 540	1 213	36 634	93.0	2 741	139	7.0	26.0
4.1	42.2	47 656	72.7	2 038	925	60 806	92.8	4 726	92	7.2	21.1
(0.4)	26.8	26 777	68.1	2 119	1 062	36 721	93.4	2 583	102	6.6	24.7
(8.6)	19.1	41 582	63.9	2 006	936	59 061	90.8	6 004	135	9.2	26.4
(7.5)	14.1	67 875	66.8	2 421	1 368	98 592	97.0	3 025	61	3.0	20.4
2.3	24.8	66 168	65.5	2 192	1 015	94 678	93.8	6 293	96	6.2	22.6
(6.2)	23.0	15 191	57.9	1 447	704	22 633	86.3	3 607	167	13.7	27.7
4.7	32.5	7 546	51.1	1 548	919	12 152	82.3	2 609	318	17.7	20.4
2.3	24.7	10 685	50.2	890	719	16 787	78.9	4 482	302	21.1	21.5
(7.0)	21.4	25 502	69.7	1 449	778	33 581	91.8	2 994	91	8.2	32.3
(0.2)	40.3	10 983	57.9	1 148	568	14 726	77.6	4 254	220	22.4	28.2
(3.1)	28.3	9 994	59.7	1 340	713	13 769	82.2	2 983	213	17.8	21.4
7.5	36.0	14 186	63.5	1 294	646	19 349	86.6	2 992	136	13.4	24.4
16.3	27.6	8 863	55.5	1 371	583	13 542	84.8	2 427	160	15.2	17.4
(0.4)	24.9	7 002	63.2	1 421	706	8 791	79.3	2 295	231	20.7	21.1
11.6	37.8	6 581	49.5	1 315	902	9 871	74.3	3 421	469	25.7	34.0
2.7	26.5	6 735	63.7	1 592	1 002	8 621	81.5	1 952	290	18.5	20.9
1.8	33.7	7 729	67.8	1 236	828	9 982	87.5	1 424	153	12.5	24.8
(6.0)	34.4	8 528	54.3	1 287	681	11 848	75.5	3 843	307	24.5	33.8
0.6	25.5	9 899	67.2	1 206	774	12 759	86.6	1 978	155	13.4	27.7
12.8	28.6	7 607	62.5	1 449	1 457	10 223	84.0	1 948	373	16.0	18.5
(5.1)	19.6	7 272	59.4	1 153	1 152	9 539	78.0	2 698	428	22.0	25.3
(59.5)	38.3	2 819	47.8	547	1 205	3 967	67.3	1 926	823	32.7	81.9
(20.4)	52.0	1 058	28.1	833	1 169	2 157	57.3	1 607	1 776	42.7	40.3
6.9	25.7	7 186	68.1	1 317	1 610	10 300	90.7	979	219	9.3	18.7
7.4	48.1	4 744	54.5	1 096	774	6 518	74.9	2 183	356	25.1	27.1
(6.1)	29.8	2 061	39.0	1 290	1 201	3 854	72.9	1 433	835	27.1	25.6
(13.8)	37.3	3 724	46.2	713	628	5 199	64.4	2 868	483	35.6	41.0
(1.5)	(0.2)	2 917	48.3	849	1 259	3 622	60.0	2 413	1 041	40.0	16.3
		462 747						84 688			
(2.2)	29.5	15 674	57.9	1 417	948	22 424	81.6	2 920	351	18.4	27.3

APPENDIX 4. BALANCE SHEETS – 2008-09

Council	Current Assets	Current Liabilities	Working Capital	Current Ratio	Non-Current Assets	Non Current Liabilities	Debt Service Ratio
	$000	$000	$'000s	No.	$'000s	$'000s	%
Burnie	19 900	8 848	11 052	2.2	345 073	19 210	6.0
Devonport	12 346	12 119	227	1.0	458 543	7 625	6.7
Clarence	63 831	24 349	39 482	2.6	611 872	12 460	7.1
Glenorchy	23 291	12 286	11 005	1.9	693 154	19 047	6.2
Hobart	44 308	22 181	22 127	2.0	1 061 374	34 632	3.2
Launceston	78 181	66 802	11 379	1.2	1 172 088	32 328	3.5
Central Coast	11 616	4 727	6 889	2.5	324 108	3 822	0.5
Circular Head	7 090	1 928	5 162	3.7	109 535	581	1.1
Huon Valley	11 355	3 342	8 013	3.4	175 267	5 542	0.4
Kingborough	29 581	7 001	22 580	4.2	525 140	5 446	0.6
Meander Valley	17 907	2 264	15 643	7.9	249 560	2 561	–
Waratah-Wynyard	6 962	3 026	3 936	2.3	129 802	3 205	4.9
West Tamar	16 962	2 949	14 013	5.8	220 434	1 245	2.0
Brighton	6 005	3 424	2 581	1.8	142 970	1 170	4.0
Derwent Valley	3 736	1 701	2 035	2.2	85 616	2 038	4.4
Dorset	17 672	1 795	15 877	9.8	107 785	3 045	1.7
George Town	4 786	995	3 791	4.8	98 806	3 267	7.7
Latrobe	5 452	4 025	1 427	1.4	120 994	1 794	1.8
Northern Midlands	12 253	9 844	2 409	1.2	218 109	90	
Sorell	9 675	3 328	6 347	2.9	194 523	6 234	7.2
West Coast	6 348	5 002	1 346	1.3	81 233	3 224	3.8
Break O'Day	8 557	2 329	6 228	3.7	106 102	3 129	3.0
Central Highlands	6 545	786	5 759	8.3	114 691	31	–
Flinders	7 732	348	7 384	22.2	35 006	192	–
Glamorgan Spring Bay	3 207	2 896	311	1.1	63 188	2 037	3.5
Kentish	5 143	1 887	3 256	2.7	69 429	2 270	3.3
King Island	4 561	1 263	3 298	3.6	55 004	943	3.5
Southern Midlands	7 969	1 404	6 565	5.7	86 653	1 377	2.9
Tasman	1 136	741	395	1.5	15 643	1 304	5.7
Total	**454 107**	**213 590**	**240 517**		**7 671 702**	**179 849**	
Average per Council	**15 659**	**7 365**	**8 294**	**4.0**	**264 541**	**6 202**	**3.4**

Cost of Debt	Indebtedness Ratio	Rate Debtors	Rate Debtors to Rates Raised	Payments for Property, Plant & Equipment	Depreciation $000	Capital Expenditure to Depreciation Ratio	Rate Revenue to Non-Current Infrastructure Assets	Non-Current Infrastructure Assets per Square Kilometre	Non-Current Infrastructure Assets per Head of Population	Non-Current Infrastructure Assets per Rateable Valuation
%	%	$'000s	%	$'000s		%	%	$	$	$
7.1	52.4	908	3.8	20 006	10 256	195.1	6.9	565 662	17 531	36 704
6.9	20.8	481	1.8	19 599	13 853	141.5	8.5	1 481 332	10 843	23 884
6.7	20.5	1 717	3.6	16 316	9 701	168.2	6.3	3 848 027	16 944	33 795
6.9	32.2	749	1.8	10 441	17 161	60.8	6.8	5 118 758	13 824	29 638
8.8	35.1	1 060	1.6	29 043	20 719	140.2	7.0	12 446 426	19 518	34 536
6.1	34.1	1 868	2.8	42 947	22 813	188.3	6.0	775 595	16 779	36 249
5.2	16.9	316	2.1	10 496	7 265	144.5	5.0	324 047	13 986	28 735
6.1	4.8	134	1.8	4 878	3 008	162.2	7.5	20 679	12 316	20 747
3.6	33.0	277	2.6	10 784	4 578	235.6	6.1	31 839	11 782	14 586
13.2	16.2	595	2.3	10 860	11 826	91.8	5.1	698 566	15 319	28 541
–	17.4	316	2.9	6 020	5 357	112.4	4.6	72 052	12 376	24 999
5.8	23.3	61	0.6	6 280	3 588	175.0	8.4	33 874	8 518	16 013
6.6	6.4	624	4.4	7 632	5 457	139.9	7.1	291 506	9 156	18 354
7.2	8.6	164	1.9	4 129	2 783	148.4	6.8	766 614	8 626	20 280
5.6	23.2	497	7.1	3 259	2 338	139.4	9.2	18 603	7 696	15 489
6.2	30.8	95	1.4	4 149	4 518	91.8	6.1	33 407	14 762	21 521
6.0	37.9	25	0.4	2 719	2 211	123.0	7.3	141 433	13 737	21 828
3.8	18.0	182	2.4	3 275	2 830	115.7	6.8	188 847	12 146	18 126
–	0.8	426	5.0	7 633	5 298	144.1	3.9	42 550	17 415	32 927
7.5	48.9	375	3.8	4 985	4 089	121.9	5.3	322 281	14 685	22 883
3.8	31.5	493	6.5	8 195	2 255	363.4	9.4	8 469	15 528	15 442
5.7	32.8	360	4.9	3 734	3 091	120.8	6.9	30 120	16 804	16 815
–	0.8	186	6.6	2 377	4 828	49.2	2.5	14 361	48 973	22 238
–	8.9	93	8.8	1 106	1 518	72.9	3.1	17 556	38 681	27 564
6.0	19.8	236	3.3	2 906	1 977	147.0	11.4	25 033	14 143	11 571
6.4	34.8	35	0.7	3 463	2 360	146.7	7.1	58 074	10 942	15 491
5.6	24.5	228	11.1	2 163	1 354	159.7	3.7	50 278	32 054	34 421
5.8	26.5	315	8.5	3 816	3 305	115.5	4.4	32 157	14 149	16 069
6.6	36.0	171	5.9	1 572	984	159.8	18.8	23 546	6 697	4 515
		12 987		**254 783**	**181 321**					
5.5	**24.0**	**448**	**3.8**	**8 786**	**6 252**	**144.0**	**6.8**	**947 645**	**16 067**	**22 895**

OTHER PUBLIC BODIES
YEAR ENDED 30 JUNE 2009

RIVERS AND WATER SUPPLY COMMISSION

INTRODUCTION

The Rivers and Water Supply Commission (the Commission) operates under the *Rivers and Water Supply Commission Act 1999.* The Commission is a government business enterprise responsible for the management of State Government owned irrigation schemes and progress of new water and irrigation developments.

In September 2008, the Commission established two wholly-owned subsidiaries:

- Tasmanian Irrigation Schemes Pty Ltd (TIS)
- Tasmanian Irrigation Development Board Pty Ltd (TIDB).

TIS is responsible for managing the following irrigation and water schemes:

- Togari Water Supply Scheme
- South East Irrigation Scheme
- Furneaux Drainage Scheme
- Meander Valley Irrigation Scheme
- Welcome River Improvement Scheme
- Montagu River Improvement Scheme.

TIBD is responsible for developing new water and irrigation schemes from feasibility assessment through to construction and operational stages.

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

AUDIT OF THE 2008-09 FINANCIAL STATEMENTS

Signed financial statements for each of the Commission and its two subsidiaries were received on 14 August 2009. Final amended statements were received on 16 October 2009 and unqualified audit reports were issued on 19 October 2009.

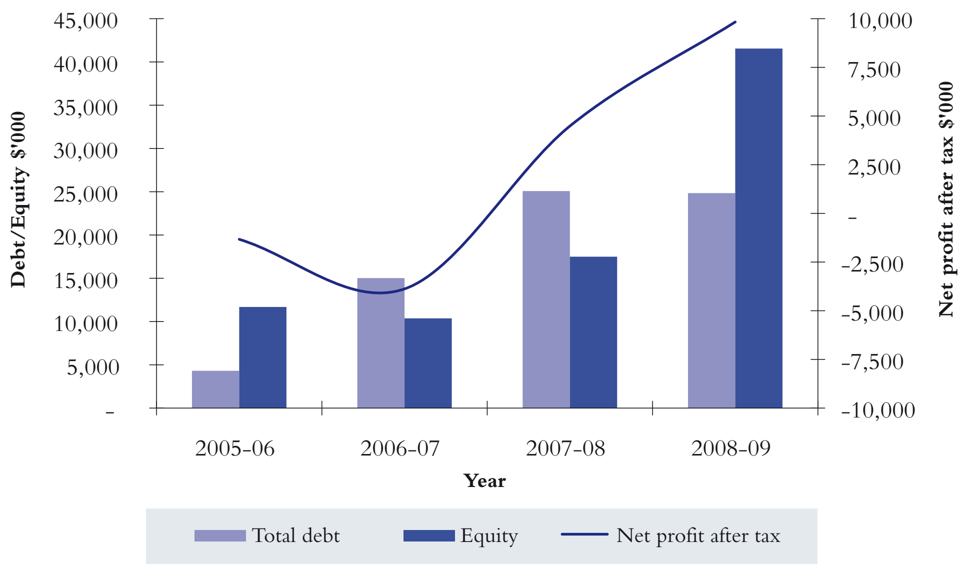
The audits were completed satisfactorily with no major issues outstanding.

We did however raise with the Commission the need for improving the quality of financial reporting.

FINANCIAL RESULTS

The analysis on the following pages is based the results of the Commission as a single entity until September 2008. Since that date, the analysis is based on the results of a consolidated entity. Nevertheless, the restructure had no impact on the analysis, as any inter-company transactions were eliminated on consolidation.

The graph below details movements in the Commission's debt, equity and net profit after tax.



The Commission considerably improved its equity position in 2008-09, mainly due to an equity injection by the State Government, $14.223m. This capital contribution was facilitated through an equity transfer from the former Department of Primary Industries and Water (the Department). Completion of Meander Dam and subsequent sales of water and irrigation rights in 2007-08 led to improved results in the last two years. The 2008-09 profit improved further due to additional Government grants, $3.700m, to assist with progressing new projects, and recognition of an Income Tax Benefit, $8.531m. Without these revenue sources the Commission's Net Profit after tax would have been a loss of $2.400m.

INCOME STATEMENT

	2008-09	2007-08	2006-07	2005-06
	$'000s	$'000s	$'000s	$'000s
Irrigation rights and water charges	4 400	11 629	1 812	1 199
State Government interest contribution	1 314	1 040	201	365
Grants	3 700	35	0	0
Other revenue	1 193	914	126	235
Total Revenue	**10 607**	**13 618**	**2 139**	**1 799**
Empoyee expenses	1 961	297	332	217
Superannuation	18	(205)	64	37
Borrowing costs	1 783	53	242	404
Depreciation	626	545	683	758
Other expenses	4 498	1 329	1 000	728
Total Expenses	**8 886**	**2 019**	**2 321**	**2 144**
Profit (Loss) before:	**1 721**	**11 599**	**(182)**	**(345)**
Impairment losses	421	7 114	2 167	1 557
Derecognition of deferred tax asset	0	0	(1 529)	0
Income tax expense (benefit)	(8 531)	0	0	(570)
Net Profit (Loss)	**9 831**	**4 485**	**(3 878)**	**(1 332)**

Comment

The Commission's profit, before accounting for tax and impairment losses, fell from $11.599m in 2007-08 to $1.721m in 2008-09. The decline in the 2008-09 profit of $9.878m was a result of:

- reduced Irrigation rights and water charges, $7.229m, due to the majority of irrigation rights from the newly completed Meander Dam project being sold in 2007-08
- increased Employee expenses, up $1.887m, following an increase in staff numbers as the Commission began developing new projects
- increased Borrowing costs, up $1.812m, due to a different treatment of interest expenses in 2008-09. Borrowing costs attributed to the construction of Meander Dam were capitalised until the project was completed in 2007-08
- increased Other expenses, up $3.144m, due to the Commission progressing new irrigation and water developments. Major movements included Contractors and consultants, up $1.847m, Grants paid, up $0.584m, and Office expenses, up $0.158.

These were offset by additional Grants from the State Government, up $3.665m, for TIDB operations.

Overall profit increased from $4.485m in 2007-08 to $9.831m in 2008-09. The increase of $5.346m was attributed to Income Tax Benefit, $8.531m, recognised in the current year. In prior years, Income tax benefits were not recognised due to the low probability that future taxable Profit would be available against which unused tax losses could be used. The Commission reassessed its future projections and determined that it will be able to generate sufficient profits and thus utilise tax losses from prior years.

BALANCE SHEET

	2008–09	2007–08	2006–07	2005–06
	$'000s	$'000s	$'000s	$'000s
Cash and deposits	12 024	3 095	1 700	3 038
Receivables	1 358	831	2 127	669
Fixed repayment plans	670	277	0	0
Water stock	508	491	165	171
Total Current Assets	**14 560**	**4 694**	**3 992**	**3 878**
Payables	3 536	803	2 631	742
Unearned revenue	1 803	893	6 301	2 900
Borrowings	1 814	991	4 475	3 311
Provisions	174	69	192	169
Total Current Liabilities	**7 327**	**2 756**	**13 599**	**7 122**
Working Capital	**7 233**	**1 938**	**(9 607)**	**(3 244)**
Property, plant and equipment	44 298	36 778	30 490	14 332
Deferred tax asset	8 531	0	0	1 529
Fixed repayment plans	4 478	2 779	0	0
Other	426	426	426	426
Total Non-Current Assets	**57 733**	**39 983**	**30 916**	**16 287**
Borrowings	23 027	24 088	10 546	1 000
Provisions	391	338	394	358
Total Non-Current Liabilities	**23 418**	**24 426**	**10 940**	**1 358**
Net Assets	**41 548**	**17 495**	**10 369**	**11 685**
Reserves	0	965	0	0
Accumulated losses	(12 391)	(23 187)	(27 672)	(23 794)
Government contributions	53 939	39 717	38 041	35 479
Total Equity	**41 548**	**17 495**	**10 369**	**11 685**

Comment

Total Equity increased from $17.495m as at 30 June 2008 to $41.548m as at 30 June 2009. The main reasons for this $24.053m improvement were:

- the net profit after tax for the year of $9.831m, which resulted in the lower Accumulated losses
- the equity contribution from Government of $14.224m.

Major movements in balance sheet line items were:

- higher Cash and deposits, $8.929m, due to reasons discussed in the Cash Position section of this Chapter
- increased Property, plant and equipment, $7.520m, due to the addition of new assets, $1.519m, and work in progress, $7.057m, predominantly in relation to the Meander Dam Irrigation Scheme. The increase was partly offset by Depreciation, $0.626m, and Impairment losses, $0.421m. Property, plant and equipment comprised mainly dams, $32.888m and water infrastructure, $11.377m
- recognition of Deferred tax assets, $8.531m, discussed earlier in the Income Statement section

- increased Fixed repayment plans, up $1.699m, due to a greater number of irrigators participating in the loan scheme.

These increases in assets were offset in part by increased Payables, up $2.733m, due to increased activity by the Commission in developing new water and irrigation schemes, including the construction of Meander Dam Irrigation Scheme.

CASH POSITION

	2008–09	2007–08	2006–07	2005–06
	$'000s	$'000s	$'000s	$'000s
Receipts from customers	2 974	4 965	3 401	3 612
Government grants and contributions	4 431	765	554	365
Interest received	505	203	57	45
Payments to suppliers and employees	(2 565)	(3 243)	(1 196)	(824)
Borrowing costs	(1 784)	(50)	(260)	(423)
Other	(75)	(6)	46	607
Cash from operations	**3 486**	**2 634**	**2 602**	**3 382**
Payments for property, plant and equipment	(8 575)	(13 038)	(17 256)	(3 393)
Proceeds from sale of property, plant and equipment	36	66	44	15
Cash (used in) investing activities	**(8 539)**	**(12 972)**	**(17 212)**	**(3 378)**
Capital contribution from Government	14 223	1 675	2 561	4 797
Proceeds from borrowings	824	26 195	31 295	1 135
Repayment of borrowings	(1 065)	(16 137)	(20 584)	(3 562)
Cash from financing activities	**13 982**	**11 733**	**13 272**	**2 370**
Net increase (decrease) in cash	**8 929**	**1 395**	**(1 338)**	**2 374**
Cash at the beginning of the year	3 095	1 700	3 038	664
Cash at end of the year	**12 024**	**3 095**	**1 700**	**3 038**

Comment

Cash at the end of the year increased by $8.929m to $12.024m at 30 June 2009. This improvement in cash position was a result of:

- higher cash generated from operations; $3.486m, an improvement of $0.852m, consistent with explanations provided in the Income Statement section of this Chapter
- lower investments in Property, plant and equipment. This was down by $4.433m as Meander Dam was completed in 2007-08 and the Meander Irrigation Scheme was nearing completion at 30 June 2009
- the equity contribution from Government of $14.223m. In prior years, the majority of capital was raised by borrowings.

FINANCIAL ANALYSIS

	Bench Mark	2008-09	2007-08	2006-07	2005-06
Financial Performance					
Result from operations ($'000s)		1 721	11 599	(182)	(345)
EBIT ($'000s)		3 504	11 652	60	59
Operating margin	>1.0	1.19	6.74	0.92	0.84
Return on assets		6.0%	29.3%	0.2%	0.4%
Return on equity		33.3%	32.2%	(35.2%)	(20.2%)
Financial Management					
Debt to equity		59.8%	143.3%	144.9%	36.9%
Debt to total assets		34.4%	56.1%	43.0%	21.4%
Interest cover	>2	2.0	219.8	0.2	0.1
Current ratio	>1	1.99	1.70	0.29	0.54
Cost of debt	6.9%	7.1%	0.3%	2.5%	7.3%
Returns to Government					
Dividends paid or payable ($'000s)		0	0	0	0
Income tax paid or payable ($'000s)		0	0	0	0
Total return to the State ($'000s)		0	0	0	0
Other Information					
Staff numbers (FTEs)		21	15	12	7
Average staff costs ($'000s)		97	43	56	50
Average leave balance per FTE ($'000s)		10	5	5	9

Comment

Financial Performance indicators fluctuated throughout the four-year period and were largely affected by the timing of income from the sale of irrigation rights. Increased Results from Operations in 2007-08 and partly in 2008-09 were due to the sale of water rights from the newly constructed Meander Dam.

The decline in Debt to equity ratio reflected the capital injection from the State Government of $14.224m in 2008-09. In previous years, investments were funded from Borrowings. The movement in Interest cover ratio reflected movements in Earnings before interest and tax (EBIT) and the quantum of interest expenses charged to the Income Statement. Capitalisation of interest expenses during the construction of Meander Dam also impacted on the Cost of debt ratio.

Current ratio improved considerably since 2007-08. The improvement was credited to the completion of Meander Dam and subsequent increase in irrigation rights sales.

Interest cover ratio was just below the benchmark of greater than two. In 2007-08, the ratio was largely skewed by the income from the sale of irrigation rights, discussed previously.

The increase in Staff numbers was due the Commission progressing new irrigation and water developments. The increased Average staff costs reflected different treatment of employee related expenses in 2008-09. Staff costs attributed to the construction of Meander Dam were capitalised until the project was completed in 2007-08. Average leave balance per employee increased as additional staff were transferred from the Department to the new subsidiaries.

THE NOMINAL INSURER

INTRODUCTION

The Nominal Insurer is an independent statutory body established under section 121 of the *Workers Rehabilitation and Compensation Act 1988* (the *1988 Act*). Its main purpose is to ensure that a worker is not disadvantaged in circumstances where an employer is not insured, where an employer cannot be located, or has been declared bankrupt, or where an employer/insurer has defaulted in payment of an accepted claim. The entity's main activity is to make payment of claims arising under the above scenarios. The ability to pay claims settled is by way of contributions received from licensed insurers and self-insurers in accordance with section 128 of the *1988 Act*.

The Nominal Insurer operates the following four funds:

- The Nominal Insurer No.1 Account, an account established in accordance with sections 16A through 16D of the former *Workers Compensation Act 1927* (the *1927 Act*). This act has now been amended by the *1988 Act*
- The Nominal Insurer No.4 Account, an account established under Division 5, sections 121-131 of the *1988 Act*
- The Nominal Insurer No.5 Account (National Employers' Mutual), an account established under sections 16A through 16D of the former *1927 Act*. This act has now been amended by the *1988 Act*
- The Nominal Insurer No.6 Account (HIH Group), an account established under section 127B of the *Workers Rehabilitation and Compensation Amended Act 2001*.

Approved insurers under the *1927 Act* have the responsibility to meet the cost of the *1927 Act* claims. Under the *1988 Act*, licensed and self-insurers are required to accept liability for claims against uninsured employers and failed workers' compensation insurers.

The collapse of HIH Insurance Ltd (HIH) in 2001-02 had a profound impact on the workers' compensation coverage for the State, and resulted in a dramatic impact on outstanding claims. The amount of outstanding claims has continued to decrease over subsequent years as HIH claims have been identified and settled.

The Responsible Minister is the Minister for Justice.

AUDIT OF THE 2008-09 FINANCIAL STATEMENTS

Signed financial statements were received on 1 September 2009, with amended financial statements received on 27 October 2009. An unqualified audit report was issued on 29 October 2009.

The 1998 Act requires The Nominal Insurer to provide to the Auditor-General financial statements within 45 days after the end of the financial year.

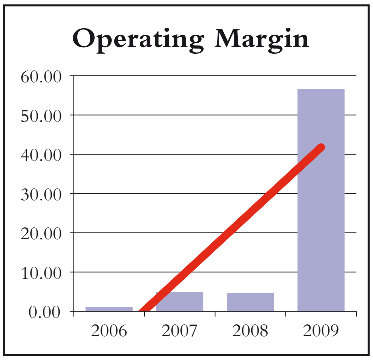
Other than non compliance with the statutory reporting deadline, the audit was completed satisfactorily with no other issues outstanding.

FINANCIAL RESULTS

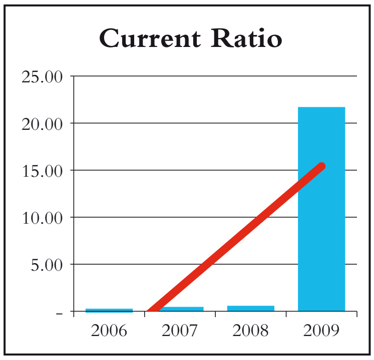
The financial statements for the year ended 30 June 2009 were prepared on an aggregate basis combining the four insurance funds referred to in the Introduction to this Chapter.

The Nominal Insurer is not an insurance company. Therefore, it does not receive insurance premiums and does not have reinsurance. The Nominal Insurer has no revenue or expenses of its own. The ability to pay claims settled is by way of contributions received from licensed insurers and self-insurers as and when necessary called up in accordance with Section 128 of the *1988 Act*. In respect to the No. 6 Account, special contributions are obtained from Policy Holders and Self-Insurers.

In 2008-09 The Nominal Insurer reported a large Surplus of $7.237m, an increase of $2.517m compared to 2007-08. This positive result was due to a combination of higher contributions from Insurers, an upward reassessment of dividends receivable from the HIH liquidator and a reduction in claims as old HIH claims are being settled. The improved operating result allowed The Nominal Insurer to fully repay its Borrowings and improve its Cash balance. As a result, The Nominal Insurer reported positive Equity for the first time in the past four years.



Operating margin exceeded the benchmark of one in 2008 and 2009. In the current year, the Operating margin rose to 56.67 as The Nominal Insurer continued to collect contributions and levies while at the same time the amount of claims paid reduced.



Current ratio was below the bench mark of one in 2006-07 and 2007-08. This was due to high levels of borrowings held to cover insurance claims after the HIH collapse. The loan was fully repaid during 2008-09 and this was reflected in the significant improvement in the Current ratio.

INCOME STATEMENT

	2008–09	2007–08	2006–07	2005–06
	$'000s	$'000s	$'000s	$'000s
Insurers contributions	5 977	5 256	5 426	5 632
Adjustment to dividend from liquidator	1 304	736	1 402	1 794
Reimbursements / recoveries	85	31	158	2 079
Interest	1	6	11	19
Other	0	0	20	43
Total Revenue	**7 367**	**6 029**	**7 017**	**9 567**
Claims	(113)	575	214	6 783
Interest	123	601	962	1 322
Administration expenses	114	95	88	97
Redemptions	6	38	169	96
Total Expenses	**130**	**1 309**	**1 433**	**8 353**
Surplus	**7 237**	**4 720**	**5 584**	**1 214**

Comment

In 2008–09 The Nominal Insurer recorded a Surplus of $7.237m, compared to $4.720m in the prior year. The increase of $2.517m was predominately due to:

- increased Insurers' contributions, up $0.721m, primarily as a result of an increase in premiums by Licenced Insurers as the levy remained unchanged at 4%
- increased dividends from the liquidation of the HIH Group, up $0.567m, as more funds were expected to be recovered by the liquidator
- lower Claims, down $0.688m, mainly due to HIH claims being settled
- reduced interest costs, down $0.478m, due to the repayment of funds borrowed to fund claims after the collapse of HIH.

BALANCE SHEET

	2008–09	2007–08	2006–07	2005–06
	$'000s	$'000s	$'000s	$'000s
Cash	1 061	180	886	455
Receivables	3 714	3 093	5 269	4 626
Total Current Assets	**4 775**	**3 273**	**6 155**	**5 081**
Total Assets	**4 775**	**3 273**	**6 155**	**5 081**
Outstanding claims	180	600	480	659
Borrowings	0	4 949	12 648	17 785
Provisions	40	40	41	40
Other	0	0	1	1
Total Current Liabilities	**220**	**5 589**	**13 170**	**18 485**
Outstanding claims	418	784	806	0
Total Non-Current Liabilities	**418**	**784**	**806**	**0**
Total Liabilities	**638**	**6 373**	**13 976**	**18 485**
Net Assets	**4 137**	**(3 100)**	**(7 821)**	**(13 404)**
Insurance funds – (Deficit)	4 137	(3 100)	(7 820)	(13 404)
Equity-(Deficit)	**4 137**	**(3 100)**	**(7 820)**	**(13 404)**

Comment

Equity increased significantly during 2008-09 due to the Surplus of $7.237m and was positive for the first time in the past four years.

The improved position was a result of:

- higher Cash held, up by $0.881m, following an increase in Insurers' contributions and repayment of debt
- increased Receivables, up $0.618m, mainly due to the upward adjustment of dividends expected to be received from the liquidation of HIH
- reduction in Outstanding claims, down $0.786m, due to the majority of claims being settled
- extinguishment of debt, $4.494m.

CASH POSITION

	2008-09	2007-08	2006-07	2005-06
	$'000s	$'000s	$'000s	$'000s
Insurance contribution	5 977	5 256	5 427	5 632
Reimbursement from liquidator	685	2 913	1 402	1 794
Claims recovery	85	31	142	97
Reinsurance recovery	0	0	15	1 979
Claims expenses	(664)	(460)	(213)	(6 777)
Payments to suppliers	(110)	(89)	(89)	(90)
Step-down provision payments	(6)	(39)	(169)	(96)
Other	(15)	(18)	16	(3)
Cash from operations	**5 952**	**7 594**	**6 531**	**2 536**
Proceeds from borrowings	0	0	0	6 000
Repayment of borrowings	(4 949)	(7 699)	(5 138)	(8 027)
Interest paid	(122)	(601)	(962)	(1 322)
Cash (used in) financing activities	**(5 071)**	**(8 300)**	**(6 100)**	**(3 349)**
Net (decrease) in cash	**881**	**(706)**	**431**	**(813)**
Cash at the beginning of the year	180	886	455	1 268
Cash at end of the year	**1 061**	**180**	**886**	**455**

Comment

During 2008-09 cash increased $0.881m to $1.061m. This favourable movement reflected the comments made previously in the Income Statement and Balance Sheet sections of this Chapter.

FINANCIAL ANALYSIS

	Bench Mark	2008-09	2007-08	2006-07	2005-06
Financial Performance					
Result from operations ($'000s)		7 237	4 720	5 584	1 214
Operating margin	>1.0	56.67	4.61	4.90	1.15
Financial Management					
Debt to equity		0.0%	(159.6%)	(161.7%)	(132.7%)
Debt to total assets		0.0%	151.2%	205.5%	350.0%
Interest cover	>2	59	8	6	1
Current ratio	>1	21.70	0.59	0.47	0.27
Cost of debt	7.5%	5.0%	6.8%	6.3%	12.1%

Comment

The Financial Performance ratios reflected the positive results for the year. Debt to equity and Debt to total assets ratios were reduced to 0% in 2008-09 due to debt repayment. The extinguishing of debt and improved cash balance contributed to an improved Current ratio, which was above the bench mark for the first time over the period under review.

ABORIGINAL LAND COUNCIL OF TASMANIA

INTRODUCTION

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

Its primary functions are to:

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

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

At a land handover ceremony at Risdon Cove on 10 December 1995, twelve parcels of land were returned to the Tasmanian Aboriginal Community. Since this date four more parcels of land have been handed over, including Wybalenna (1999) and Cape Barren Island and Clarke Island on 10 May 2005.

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

The Responsible Minister is the Premier.

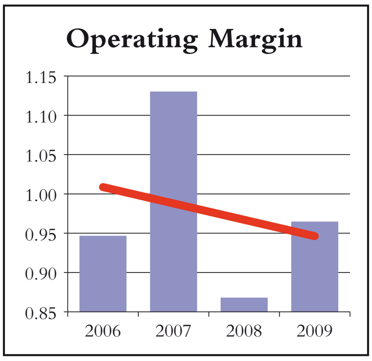
AUDIT OF THE 2008-09 FINANCIAL STATEMENTS

The Act requires the Council to provide to the Auditor-General financial statements on or before 31 August each year. Signed financial statements were received on 7 September 2009 and an unqualified audit report was issued on 23 October 2009.

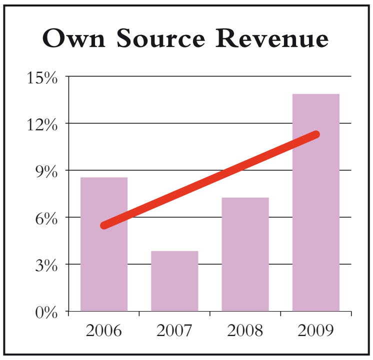
Other than non-compliance with the statutory reporting deadline, the audit was completed satisfactorily with no major items outstanding.

FINANCIAL RESULTS

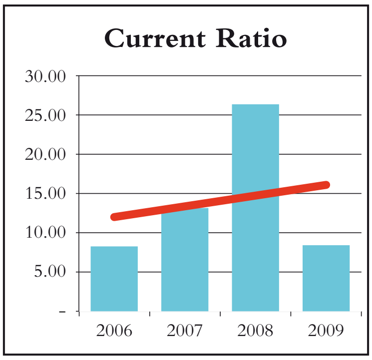
The following three graphs summarise key ratios highlighting important aspects of Council's financial performance over the past four years. In general, the ratios indicate:



Operating margin was below the benchmark of one in three of the four years under review. An operating margin below the benchmark indicated the Council might not be generating sufficient revenue to fulfil its operating requirements. The Council should, at a minimum, seek to operate at a break-even position. However, it was pleasing to note steps taken to reduce operating costs in 2008-09 resulting in an almost break-even position this financial year.



While improving, the Own source revenue percentage showed the Council's economic dependency on continued funding from both State and Commonwealth Governments. Without this financial support, the viability of the Council's operation would be uncertain.



Current ratio was above the benchmark of one in all four years indicating that the Council was able to meet all short-term liabilities.

INCOME STATEMENT

	2008-09	2007-08	2006-07	2005-06
	$'000s	$'000s	$'000s	$'000s
State government operating grant	224	153	153	153
Other grants	130	384	548	286
Other	57	42	28	41
Total Revenue	**411**	**579**	**729**	**480**
Employee costs	45	46	70	46
Depreciation	116	114	112	113
Other grant expenditure	53	405	342	212
Other expenses	212	102	121	136
Total Expenses	**426**	**667**	**645**	**507**
Surplus (Deficit) from operations before:	**(15)**	**(88)**	**84**	**(27)**
Income tax expense				
Result after taxation				
Land and buildings vested in Council	0	0	100	12 076
Surplus (Deficit)	**(15)**	**(88)**	**184**	**12 049**

Comment

In 2008-09 the Council recorded a Deficit of $15 000 compared to a Deficit of $88 000 in the prior year. The nature of the Council's operations is to administer grant funding in completing its functions defined in the Introduction. Consequently, it operated at effectively a break even position this financial year.

In 2008-09 Council received $0.224m from the State Government towards its general operations, an increase of $71 000 from 2007-08.

Other grants related to specific funding of projects and included:

- National Heritage Trust funding to progress work on Big Dog Island of $76 000 (2007-08, $0.283m)
- State government funding for Cape Barren Island of $31 000 ($71 000).

Council employs one full time Office Manager with casual staff engaged as required to perform management functions on land controlled by it.

Depreciation expense related to buildings, plant and equipment and motor vehicles owned by the Council.

Other grant expenditure was tied to the level of specific grant funding received by the Council. In 2008-09, the Council expenditure related to the National Heritage Trust funding for Big Dog Island.

Other expenses represent general operating costs including land management, insurance, consultant's fees, rent and rates. During 2008-09 land management costs increased by $73 000 due to:

- Council purchased back a land lease from an individual lease holder on Big Dog Island
- significant repairs to a generator on Big Dog Island
- additional contract works and machinery hire on Clarke Island
- increased freight costs incurred for shipping to and from Clarke Island.

BALANCE SHEET

	2008–09	2007–08	2006–07	2005–06
	$'000s	$'000s	$'000s	$'000s
Cash	281	359	340	183
Receivables	0	7	5	6
Other	5	3	10	1
Total Current Assets	**286**	**369**	**355**	**190**
Payables	28	8	21	17
Provisions – employee benefits	6	6	6	6
Total Current Liabilities	**34**	**14**	**27**	**23**
Working Capital	**252**	**355**	**328**	**167**
Property, plant and equipment	19 396	18 981	18 038	18 014
Total Non-Current Assets	**19 396**	**18 981**	**18 038**	**18 014**
Provisions – employee benefits	8	7	6	5
Total Non-Current Liabilities	**8**	**7**	**6**	**5**
Net Assets	**19 640**	**19 329**	**18 360**	**18 176**
Accumulated surpluses	14 538	14 553	14 641	14 457
Revaluation reserve	5 102	4 776	3 719	3 719
Total Equity	**19 640**	**19 329**	**18 360**	**18 176**

Comment

Total Equity increased by $0.311m during 2008–09 due to:

- Net asset revaluation increments of $0.327m as a result of CPI adjustments to Council's land and building asset, offset by
- Council's deficit of $15 000 in 2008–09.

The corresponding movement in Net assets was mainly due to Property, plant and equipment increasing by $0.415m primarily due to additions of $0.204m (mainly the construction of a commercial mutton bird shed on Babel Island) and revaluation increments of $0.327m, offset by depreciation totalling $0.116m.

The increase in fixed assets was offset by the:

- decrease in the Cash balance of $78 000 – see comments in the Cash Position analysis
- Payables balance increasing $20 000 due to invoices outstanding at 30 June 2009 related to the construction of a commercial mutton bird shed.

CASH POSITION

	2008–09	2007–08	2006–07	2005–06
	$'000s	$'000s	$'000s	$'000s
Operating grant receipts	354	537	703	483
Receipts from customers	41	20	5	38
Payments to suppliers and employees	(292)	(567)	(528)	(430)
Interest revenue	18	29	13	0
Cash from (used in) operations	**121**	**19**	**193**	**91**
Proceeds from disposal of assets	5	0	0	0
Payments for property, plant and equipment	(204)	0	(36)	(19)
Cash (used in) investing activities	**(199)**	**0**	**(36)**	**(19)**
Net increase (decrease) in cash	**(78)**	**19**	**157**	**72**
Cash at the beginning of the year	359	340	183	111
Cash at end of the year	**281**	**359**	**340**	**183**

Comment

The Council's cash position decreased $78 000 due to Cash expended on Property, plant and equipment $0.204m, which included the construction of a commercial mutton bird shed on Babel Island.

The expenditure on Property, plant and equipment was partially funded by Cash from operations of $0.121m.

FINANCIAL ANALYSIS

	Bench Mark	2008–09	2007–08	2006–07	2005–06
Financial Performance					
Result from operations ($'000s)		(15)	(88)	84	(27)
Operating margin	>1.0	0.96	0.87	1.13	0.95
Underlying result ratio		(0.04)	(0.15)	0.12	(0.06)
Self financing ratio		29.4%	3.3%	26.5%	19.0%
Own source revenue (%)		13.9%	7.3%	3.8%	8.5%
Financial Management					
Current ratio	>1	8.41	26.36	13.15	8.26
Debt collection	30 days	n/a	n/a	n/a	n/a
Creditor turnover	30 days	22	6	15	17
Other Information					
Staff numbers FTEs		1	1	1	1
Average staff costs ($'000s)		45	46	47	46
Average leave balance per FTE ($000s)		14	13	12	11

Comment

As noted previously, the Council is dependent upon government funding for its operations and consequently, strong operating results are not expected. It recorded a deficit operating result in three of the four years under review, which was reflected in the Operating margin ratios being less than one in those three years and low Underlying result ratios.

Self financing ratio fluctuated between years and was affected by the level of grant revenue expended for either maintenance or capital purposes. However, as previously noted, cash flows from its operations are dependent on grant funding.

The reliance on government funding is further illustrated by the Council's Own source revenue being low in comparison to total revenue.

Current ratio was well above the benchmark in all the years under review and was driven from a sound cash position, low levels of payables and provision balances, and no loan debt.

The nature of Council funding resulted in an immaterial receivables balance causing the Debt collection ratio to be irrelevant. Creditor turnover results were within benchmark in three of the years under review.

Average staff costs and Average leave balances remained stable in the four-year period under review, with any movements attributable to general salary increases.

SULLIVANS COVE WATERFRONT AUTHORITY

INTRODUCTION

The Sullivans Cove Waterfront Authority was established in 2005 by the State Government in response to concerns over the quality of planning outcomes in the Cove. Its enabling legislation is the *Sullivans Cover Waterfront Authority Act 2004* (the Act). The intention was for the Authority to be a temporary body that would be disbanded after ten years and the rejuvenation of the waterfront through facilitation was completed. At this time control over planning would revert to the Hobart City Council.

Under the Act the Authority has the following functions:

- To identify and, where appropriate, maintain and enhance the cultural, historic, social and economic components of the planning area
- To facilitate the use or development of land in the planning area
- To assess and approve or refuse the use or development of land in the planning area
- Such other functions as may be imposed on it by this Act, or any other Act.

The major aims of the Authority are to:

- Assess planning, building and plumbing applications and improve the quality of planning outcomes
- Further develop the Authority's strategic planning framework to enhance the social and economic vibrancy of the Cove
- Enhance the overall Cove experience by improving the quality of public spaces and connections, making it possible for year-round activity to take place
- Safeguard the authenticity of the Cove by promoting heritage and cultural values and maintaining a mix of recreational water use alongside the working port, while supporting local businesses and the creative community.

The Authority is a planning authority under the *Land Use Planning and Approvals Act 1993* and its statutory role extends beyond this to include building and plumbing regulations under the *Building Act 2000.* The Authority receives, advertises and refers works applications to the Tasmanian Heritage Council under the *Historic Cultural Heritage Act 1995.*

In 2008-09, due to issues relating to existing governance arrangements, processes and outcomes for development across Sullivans Cove, the Premier implemented a review of planning and development on Hobart's waterfront.

The Responsible Minister is the Minister for Planning.

THIS REPORT

This is the first time that a Chapter has been included regarding the financial performance of the Authority. It is not a large State entity and as a result a Financial Analysis section has not been included.

AUDIT OF THE 2008-09 FINANCIAL STATEMENTS

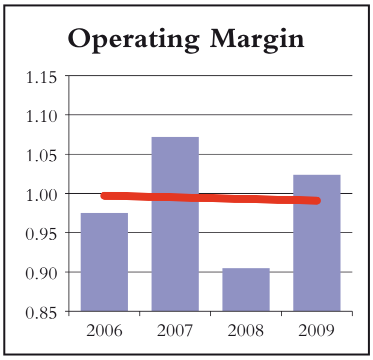
Signed financial statements were received on 14 August 2009. Changes were made to the statements resulting in them being re-signed on 30 September 2009 with our audit report thereon issued on 9 October 2009.

The audit was completed satisfactorily with no major items outstanding.

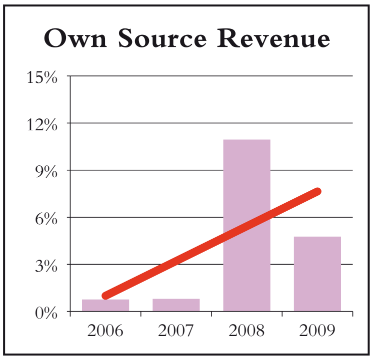
FINANCIAL RESULTS

The Authority's predominant source of funding is by way of State government grants. It does not have a profit motive. Over the four year period of this analysis, it operated at a surplus twice and at a deficit twice. Grant revenues grew by 14% with the major costs being employee costs, which increased by 15% and consultancies which grew by 55%.

The following two graphs summarise key ratios highlighting important aspects of the Authority's financial performance over the past four years. In general, the ratios indicate:



On average the Operating margin approximated the benchmark of one over the period indicating that the Authority operated within its budget.



While on average improving, the Authority's Own source revenue remains low confirming its reliance on State government grants.

INCOME STATEMENT

	2008-09	2007-08	2006-07	2005-06
	$'000s	$'000s	$'000s	$'000s
State government grants	1955	2085	2 390	1 791
Fines and fees	43	30	87	35
Other revenue	100	260	20	14
Total Revenue	**2 098**	**2 375**	**2 497**	**1 840**
Employee costs	1128	1180	1 067	982
Depreciation	1	1	1	1
Consultants	329	842	411	289
Lease expenses	201	197	194	194
Other expenses	390	405	656	421
Total Expenses	**2 049**	**2 625**	**2 329**	**1 887**
Surplus (Deficit) attributable to the State	**49**	**(250)**	**168**	**(47)**

Comment

As indicated under the Financial Results section earlier in this Chapter, the Authority's predominant source of funding is by way of State government grants with the primary objective being to ensure that the Authority at least breaks even annually. Grant revenues do not fund increases in employee provisions, depreciation or net changes in accruals for receivables or payables. Over the four year period it operated at a deficit of $0.080m when:

- Grant revenues grew by 14% while other revenue sources fluctuated. Other revenue in 2008-09 and 2007-08 comprised project cost recoveries
- Employee costs increased by 15% in line with award increases
- Consultancy costs grew by 55% but fluctuated in line with projects managed by the Authority. The cost of $0.842m in 2007-08 was high due to the Rail yards project, which constituted over half of the total expenditure
- Other expenses decreased but were high in 2006-07 when the Authority incurred $0.160m on an international design competition. Other major categories of expenditure included in Other were advertising and promotion, contracted services, payroll tax and other employee related on-costs and travel and transport expenses.

BALANCE SHEET

	2008-09	2007-08	2006-07	2005-06
	$'000s	$'000s	$'000s	$'000s
Cash	8	(49)	211	0
Receivables	4	10	5	4
Other	3	30	10	0
Total Current Assets	**15**	**(9)**	**226**	**4**
Payables	22	43	40	40
Provisions	133	146	128	78
Other	8	0	8	5
Total Current Liabilities	**163**	**189**	**176**	**123**
Working Capital	**(148)**	**(198)**	**50**	**(119)**
Property, plant and equipment	1	2	3	4
Total Non-Current Assets	**1**	**2**	**3**	**4**
Net Assets (liabilities)	**(147)**	**(196)**	**53**	**(115)**
Accumulated (deficits) surpluses	(147)	(196)	53	(115)
Total (Deficit) Equity	**(147)**	**(196)**	**53**	**(115)**

Comment

Due to the nature of its activities, the Authority did not have any major assets or liabilities. The negative equity situation was expected in view of the manner in which it was funded and should not be read as indicating the Authority was not a going concern at 30 June 2009.

The primary reason for the negative equity situation was that Employee provisions were unfunded. This will need to be addressed when the times comes to close the Authority.

CASH POSITION

	2008-09	2007-08	2006-07	2005-06
	$'000s	$'000s	$'000s	$'000s
State government grants	1 955	2 085	2 390	1 791
Fines, fees and other receipts	179	303	105	45
Payments to suppliers and employees	(2 077)	(2 647)	(2 285)	(1 836)
Cash from (used in) operations	**57**	**(259)**	**210**	**0**
Net increase (decrease) in cash	**57**	**(259)**	**210**	**0**
Cash at the beginning of the year	(49)	210	0	0
Cash at end of the year	**8**	**(49)**	**210**	**0**

Comment

Cash generated from operating activities was consistent with movements in the Authority's Income Statement. Explanations for variances were provided in that section of this Chapter.

OTHER PUBLIC BODIES
YEAR ENDED 31 DECEMBER 2009

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.

During 2008 the Australian Maritime College (AMC) was established as an Institute within the University. AMC had a fully owned subsidiary, AMC Search Limited. The integration resulted through the passing of the *Maritime Legislation Amendment Act 2007*, with all AMC assets and liabilities transferring to the University, effective 1 January 2008.

The Consolidated financial report comprises the financial statements of the University, being the parent entity, and entities under its control during the financial year. The controlled entities are University of Tasmania Foundation Inc, UTAS Innovation Limited (deregistered 27 January 2010), AMC Search Limited and Southern Ice Porcelain Pty Ltd.

The Commonwealth Department of Education, Employment and Workplace Relations (DEEWR) sets financial reporting guidelines that Universities must adhere to. These requirements are consistent with Australian Accounting Standards and the University complies with these guidelines and standards.

The University reports on a calendar year basis, hence the financial results relate to the year ended 31 December 2009. The results reported in this Chapter relate to the University's consolidated financial performance.

The Responsible Minister is the Minister for Education and Skills.

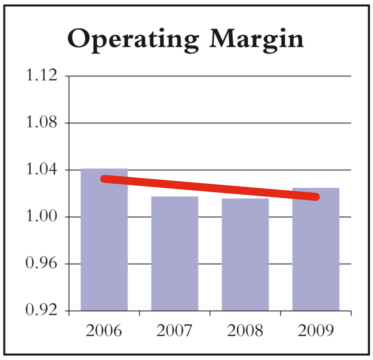
AUDIT OF THE 2009 FINANCIAL STATEMENTS

Signed financial statements were received on 16 February 2010 and an unqualified audit report was issued on 17 February 2010.

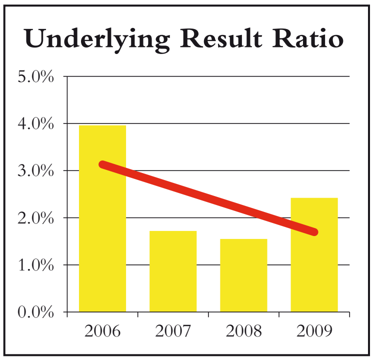
The audits of the University's financial statements, and those of its various subsidiary entities that were subjected to audit, were completed successfully with no material matters outstanding.

FINANCIAL RESULTS

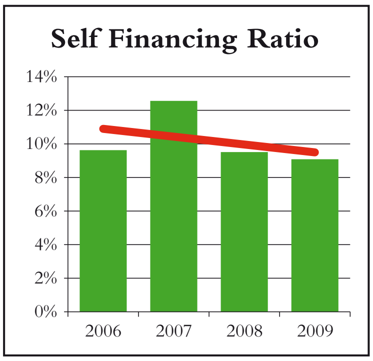
The following five graphs summarise key ratios highlighting important aspects of the University's financial performance over the past four years. Calculation of these ratios varies from those performed in prior years for the reasons outlined under the heading Income Statement later in this Chapter. In general, the ratios indicated:



Operating margin was slightly above the expected benchmark of one in all four years. The Operating margin is calculated before taxation and non-operating transactions.

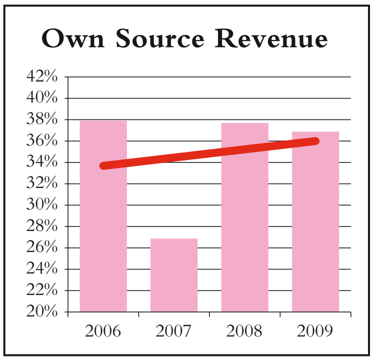


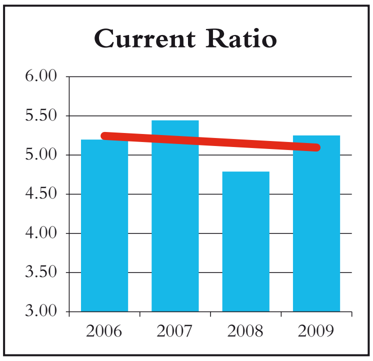
Underlying results ratio moved in line with the Operating margin. The ratio is derived from the Net Surplus before taxation and non-operating transactions.



Self financing ratio is derived from net operating cash flows divided by operating revenues and assists to measure the University's ability to fund the replacement of assets from operational cash flows. The ratio was consistent over the four year period.

Own source revenue percentage showed that the University generated the majority of its operating revenue from Commonwealth funding with the percentage relatively consistent over the period. The decline in 2007 was primarily due to lower other operating revenues in that year, including donations and contract revenue, and a higher proportion of Commonwealth grants used for operating activities rather than capital purposes in 2007.





Current ratio was above the benchmark of one in all four years indicating that the University was able to meet all short-term liabilities.

STATEMENT OF COMPREHENSIVE INCOME

The Income Statement detailed below differs from that reported in previous years. It is structured to arrive at a net surplus or deficit before accounting for investment returns, capital grants, movements in actuarial reassessments of defined benefit superannuation liabilities funded by the Commonwealth and one off impacts such as the financial effect of the AMC merger. These changes also affected the graphs reported in the Financial Results section earlier in this Chapter.

	2009	2008	2007	2006
	$'000s	$'000s	$'000s	$'000s
State government grants	17 881	19 512	17 901	9 691
Commonwealth grants	237 774	217 674	208 295	163 605
Higher Education Contributions scheme	58 277	48 513	42 737	42 870
User charges and fees	53 380	49 513	38 743	36 732
Other operating revenue	37 683	45 507	1 631	26 194
Total Revenue	**404 995**	**380 719**	**309 307**	**279 092**
Academic salary costs	118 166	116 139	93 889	83 195
Non-academic salary costs	100 577	96 365	80 701	71 407
Depreciation	17 777	16 810	14 846	16 022
Repairs and maintenance	18 010	16 592	13 937	11 705
Other operating expenses	140 659	128 909	100 617	85 708
Total Expenses	**395 189**	**374 815**	**303 990**	**268 037**
Net surplus before taxation and non-operating adjustments	**9 806**	**5 904**	**5 317**	**11 055**
Income Tax Expense (benefit)	(2)	3	(2)	2
Net surplus after taxation, before non-operating adjustments	**9 808**	**5 901**	**5 319**	**11 053**
Investment gains (losses)	27 654	(24 298)	14 117	22 576
Capital grants received	18 000	23 449	2 000	10 825
Net result from restricted grant funds	5 560	(915)	28 717	7 610
Actuarial reassessment of Commonwealth funded superannuation liability	(2 859)	3 170	802	(1 536)
Income recognised upon integration with AMC	0	62 775	0	0
Surplus for the year	**58 163**	**70 082**	**50 955**	**50 528**
Gain (loss) on revaluation of land and buildings	0	5 084		
Total comprehensive income*	**58 163**	**75 166**		

* = *Reporting of Comprehensive Income applicable for the first time for the 2009 financial statements.*

Comment

In 2009 the Surplus for the year decreased by $11.919m. A number of variations in financial performance occurred between 2008 and 2009 including:

- Income recognised upon integration with AMC in 2008, $62.775m, was one-off
- the $51.952m favourable turnaround in investment performance. The University enjoyed strong investment returns in 2009 due to strengthening of the Australian and other equities markets. The 2008 operating result was significantly impacted by the poor performance of financial markets in that year
- a movement in the Commonwealth funded superannuation liability, $6.029m
- an increase in salary costs of $6.239m due to enterprise bargaining increases, adjustments to staff superannuation liabilities, and higher staff numbers
- an increase in other operating expenses, $11.750m, primarily comprising non-capitalised equipment, $3.887m, research subcontractors and consultancy services, $3.917m, and scholarships and prizes, $1.468m
- higher Commonwealth Government grants of $14.651m, 6%. This increase was primarily due to the new Commonwealth Government Education Investment Fund initiative
- higher HECS Help payments of $9.764m, including an increase in Australian Government payments of $6.810m in line with higher student numbers
- higher Net result from restricted grant funds, $5.560m. Restricted funds in the main represented cash flows generated from research grant funds, which had still to be expended for the purposes intended. The timing of receipt of such grants and their subsequent expenditure, which may be in a later accounting period, will impact the operating surplus at any point in time.

STATEMENT OF FINANCIAL POSITION

	2009	2008	2007	2006
	$'000s	$'000s	$'000s	$'000s
Cash	37 871	16 365	23 259	27 792
Receivables	11 339	16 388	18 688	8 937
Financial assets at fair value	212 809	213 079	198 081	166 089
Inventories	582	691	636	170
Non current assets held for sale	0	0	0	0
Other	3 250	6 229	5 062	3 447
Total Current Assets	**265 851**	**252 752**	**245 726**	**206 435**
Payables	13 118	16 813	13 358	10 171
Provisions	23 653	22 598	19 253	18 482
Other	13 864	13 368	12 536	11 067
Total Current Liabilities	**50 635**	**52 779**	**45 147**	**39 720**
Working Capital	**215 216**	**199 973**	**200 579**	**166 715**
Investments	2 059	2 059	2 764	2 764
Property, plant and equipment	475 090	438 132	358 589	355 531
Other	13 623	12 408	9 261	8 230
Total Non-Current Assets	**490 772**	**452 599**	**370 614**	**366 525**
Provisions	27 113	31 860	25 647	25 099
Total Non-Current Liabilities	**27 113**	**31 860**	**25 647**	**25 099**
Net Assets	**678 875**	**620 712**	**545 546**	**508 141**
Reserves	239 529	239 529	234 445	247 995
Retained surpluses	439 346	381 183	311 101	260 146
Total Equity	**678 875**	**620 712**	**545 546**	**508 141**

Comment

Equity increased by $58.163m, 9.4%, during 2009 due to the Net surplus of this amount.

Major movements in individual balance sheet line items were due to:

- improved Cash position of $21.506m. Refer to Cash Position section of this Chapter
- increased Property, plant and equipment, $36.958m, due predominately to additions, $55.955m, offset by depreciation of $17.777m. Included in the additions of $55.955m was capital work in progress of $40.282m which primarily related to the Health Sciences Co-Location project, $27.453m, Plant and equipment additions, $6.999m which primarily consisted of scientific and administrative equipment and motor vehicles; and land additions $5.056m mainly related to land purchases on Bathurst street.

CASH POSITION

The cash flow statements detailed below vary from those reported in previous reports to Parliament in that capital grant funding has been disclosed as an 'investing' activity rather than 'operating'.

	2009	2008	2007	2006
	$'000s	$'000s	$'000s	$'000s
State government grants	19 669	21 463	15 872	10 660
Commonwealth grants and funding	287 757	268 710	238 096	201 823
Receipts from customers	125 715	111 688	82 809	81 991
Payments to suppliers and employees	(398 989)	(368 756)	(297 923)	(267 607)
Investment receipts	2 646	3 111	0	0
Cash from operations	**36 798**	**36 216**	**38 854**	**26 867**
Capital grant funding	18 000	23 449	2 000	10 825
Net proceeds on disposal from (payments for) investments	14 418	(56 871)	(17 875)	(6 923)
Dividends and interest received*	10 763	14 464		
Payments for property, plant and equipment and intangibles	(57 834)	(39 503)	(28 381)	(31 466)
Proceeds from sale of property, plant and equipment	995	1 140	545	13 989
Cash acquired on integration with AMC	0	15 061	0	0
Other investing cash flows	(1 634)	(850)	324	3 492
Cash (used in) investing activities	**(15 292)**	**(43 110)**	**(43 387)**	**(10 083)**
Net increase in cash	**21 506**	**(6 894)**	**(4 533)**	**16 784**
Cash at the beginning of the year	16 365	23 259	27 792	11 008
Cash at end of the year	**37 871**	**16 365**	**23 259**	**27 792**

* Cash dividends and interest receipts were not available for 2007 and 2006.

Comment

The University reported a surplus for the year of $58.163m for 2009 whereas cash generated from operations reported in the cash flow statement was $36.798. The major differences were:

- treatment of the $18.000m as an investing activity
- depreciation charges of $17.777m which reduced the surplus but had no cash impact
- unrealised gains on investments of $13.359m which increased the surplus but also had no cash impact
- dividends and interest recognised in the surplus but classified as investing activities of $10.763m
- net positive cash flows from movements in working capital which had no impact on the surplus but improved operating cash flows by $3.775m.

Cash from operations for 2009 was $36.798m which was similar to cash generated from operations in 2008 and slightly less than in 2007. Given the level of capital expenditure for 2009, $57.834m, investments realised, dividends and interest receipts and capital grant funding were available to fund the gap of $21.036m and to increase net cash by $21.506m.

FINANCIAL ANALYSIS

The changes made to the structure of the Income Statement referred to earlier resulted in changes to the financial performance ratios referred to in the table below.

	Bench Mark	2009	2008	2007	2006
Financial Performance					
Result from operations before tax & non-operating adjustments ($'000s)		9 806	5 904	5 317	11 055
Operating margin	>1.0	1.02	1.02	1.02	1.04
State grants as a % of operating income		4%	5%	6%	3%
Commonwealth grants as a % of operating income		59%	57%	67%	59%
HECS as a % of operating income		14%	13%	14%	15%
Underlying results ratio		2%	2%	2%	4%
Self financing ratio		9%	10%	13%	10%
Own source revenue (%)		37%	38%	27%	38%
Financial Management					
Current ratio	>1.0	5.25	4.79	5.44	5.20
Debt collection	30 days	27	31	36	32
Creditor turnover	30 days	16	27	26	25
Other Information					
Salaries and related expenditure as a % of operating income	50 – 70%	54%	56%	56%	55%
Academic staff numbers (FTE's)		1 099	1 036	951	871
Total staff numbers (FTEs) (including casual staff)		2 386	2 269	2 060	1 972
Average staff costs ($'000s)		92	94	85	78
Average leave balance per FTE ($'000s)		11	11	13	13
Student Load		15 190	14 426	13 463	13 300

Comment

The University recorded a surplus from operations in each of the four years under review. The Operating margin equalled or exceeded the benchmark.

The University is dependant upon grant funding, with approximately 69% of its revenue obtained through Commonwealth grants and HECS payments in 2009. However, management made a concerted effort to increase revenue from other sources such as User fees and charges, particularly from overseas fee-paying students. This source of revenue totalled $39.371m in 2009 (2008, $35.439m; 2007, $28.678; 2006, $26.502m).

As previously noted, salaries and related expenditure were the University's major costs. This increased by 3% in the current year, but remained consistent as a percentage of total expenditure over the four years.

Average staff costs were consistent with previous years, with the slight decrease due to higher non academic staff compared to academic staff. It should be noted that due to changes in discount rates in 2008 and 2009, there were significant one-off movements in provision balances and related salary cost adjustments.

Current ratio was well above benchmark. This was because the majority of investments were current in nature. However, this was before taking into account commitments for capital works, research obligations and other restrictions on University resources.

Debt collection and Creditor turnover ratios were within the benchmarks and indicated the University managed this component of its working capital effectively.

RESULTS OF SUBSIDIARY ENTITIES

University of Tasmania Foundation Inc (the Foundation)

The Foundation operated at a surplus of $4.474m (2008, deficit of $3.068m). This result was mainly due to investment gains of $3.522m in 2009 compared to investments losses of $2.861m in 2008. Net assets at 31 December 2009 totalled $27.528m (2008, $23.054m).

UTAS Innovation Ltd (UTIL)

UTIL reported an operating loss of $0.015m in 2009, (2008, loss $0.382m). Its Balance Sheet at 31 December 2009 reported Equity of nil (2008, negative equity of $0.511m). During 2009 the University's transferred UTIL's business activities back to the University to administer and deregistered the Company on 27 January 2010.

AMC Search Ltd (AMC Search)

AMC Search operated at a surplus of $0.740m (2008, $1.001m). Net assets at 31 December 2009 totalled $3.563m (2008, $3.925m).

Southern Ice Porcelain Pty Ltd

This company operated at a deficit of $4 000 on a turnover of $1 000 (2008, surplus of $6 000 on turnover of $14 000). Net assets at 31 December 2009 totalled $44 000 (2008, $48 000).

THEATRE ROYAL MANAGEMENT BOARD

INTRODUCTION

The functions of the Theatre Royal Management Board (the Board) include the management of the Theatre Royal (the Theatre) as a place of theatre and performing arts and to arrange for, organise and promote performing arts in the Theatre and other places in Tasmania. The Theatre employed five full time employees during the year.

The Responsible Minister is the Minister for Tourism and the Arts.

AUDIT OF THE 2009 FINANCIAL STATEMENTS

Financial statements for the year ended 31 December 2009 were signed on 19 February 2010 and an unqualified audit report was issued on 25 February 2010.

Note 16 to the financial statements, Economic Dependency, includes the comment that

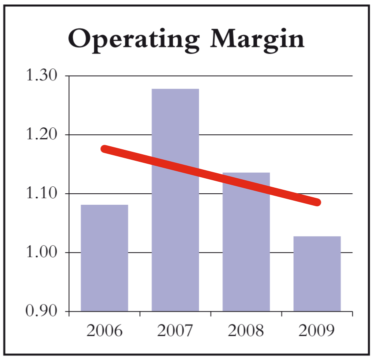
> 'the Theatre is economically dependent upon the continued financial support through the assistance of administration and programme grants by the State Government so that it can continue as a going concern and pay its debts as and when they fall due.'

As a result, the financial statements were prepared on the basis that the Theatre is a going concern.

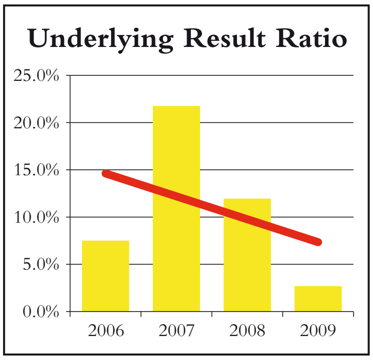
The 2009 audit was completed with satisfactory results with no major issues outstanding.

FINANCIAL RESULTS

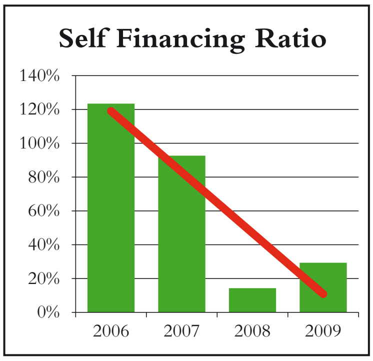
The following five graphs summarise key ratios highlighting important aspects of the Theatre's financial performance over the past four years. In general, the ratios indicate:



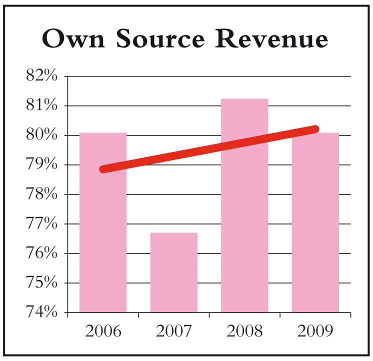
Operating margin exceeded the benchmark of one in each of the four years under review. This indicates that the Theatre maintained its financial performance over the review period.



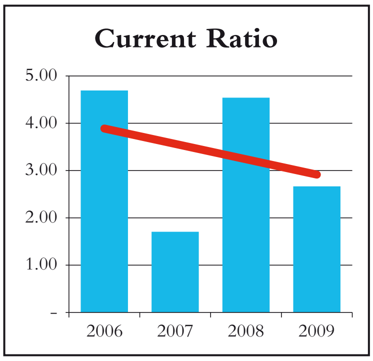
Underlying result ratio was positive for each year of the review period. This was a direct result of annual surpluses generated. To ensure long-term financial sustainability, we would expect the Theatre to produce, at a minimum, a break-even operating result which it was exceeding.



Self financing ratio, whilst fluctuating over the period of review, was positive but showed a significant decrease in 2007-08. The ratio is derived from dividing net operating cash flow by operating revenues and assists measurement of the Theatre's ability to fund its operation and program.



Own source revenue ratio showed that the Theatre continued to generate the majority of its operating revenue from its own sources. The increased own source revenue ratio in recent years was achieved through greater marketing and publicity activities in promoting shows and the theatre itself to attract higher audiences.



Current ratio was above the benchmark of one in all four years indicating that the Board was able to meet all short-term liabilities.

INCOME STATEMENT

	2009	2008	2007	2006
	$000s	$000s	$000s	$000s
Government grants	295	287	273	175
User charges and fees	773	760	585	442
Other revenue	495	481	313	261
Non-operating revenue	12	2	1	1
Total Revenue	**1 574**	**1 530**	**1 172**	**879**
Borrowing costs	0	0	1	2
Depreciation	103	75	30	16
Salaries and related expenses	854	786	591	540
Entrepreneurial ventures deficit (surplus)	114	120	(15)	12
Other operating expenses	461	366	310	243
Total Expenses	**1 532**	**1 347**	**917**	**813**
Net Surplus Before :	**42**	**183**	**255**	**66**
Capital grant - building improvements	0	0	0	1 095
Capital grant - new seating	0	500	0	0
Asset management plan	45	0	0	0
Architechtural study grant	30	0	0	0
Prior year depreciation - upgrade	(29)	0	0	0
Net Surplus After Capital Grants	**88**	**683**	**255**	**1 161**

Comment

In 2009 the Board recorded a Surplus before Architectural study grant, Asset management plan and Prior year depreciation for the year of $0.042m, compared to a Surplus before Capital Grants – new seating of $0.183m in the prior year. The operating result decreased in 2009 predominantly due to:

- increased Depreciation expense of $0.028m primarily due to completion of the seating upgrade project in June 2009 resulting in higher depreciation for half of this year. The increase was also due to full year depreciation of the bio-box extension in 2009 following a change to accounting policy.
- Salaries and related expenses increased by $0.068m, mainly due to annual salary increase for full time employees, employment of a Technical Supervisor and hire of more casual backstage staff in line with the utilisation of the Theatre Royal for its hirer program activities and its Entrepreneurial programs.
- Other expenses increased partly as a result of more costs incurred on marketing and publicity activities in promotion of shows and the theatre itself to attract more audiences. This was also due to increased subscribers in 2009 where subscribers received free drinks and ticket vouchers for first night function invitations which were paid by the Theatre.

The above factors were offset partly by improved result from Entrepreneurial Ventures of $0.006m due to increased average entrepreneurial tickets sales per audience member. In 2009 the number of risk sharing and entrepreneurial show days was 33 (2008, 33) and associated attendance was 13,036 (13,620), remaining reasonably consistent with the prior year.

BALANCE SHEET

	2009	2008	2007	2006
	$000s	$000s	$000s	$000s
Cash	1 642	1 291	1 449	906
Receivables	177	32	43	202
Inventories	5	3	3	3
Other	55	40	20	6
Total Current Assets	**1 880**	**1 366**	**1 515**	**1 117**
Property, plant and equipment	16	12	16	22
Work in progress	128	520	263	338
Leasehold improvements	1 024	658	609	19
Total Non-Current Assets	**1 168**	**1 190**	**888**	**379**
Payables	659	272	325	169
Borrowings	0	0	0	4
Provisions - employee benefits	46	29	62	56
Grants received in advance	0	0	500	0
Other- deferred income	0	0	1	9
Total Current Liabilities	**705**	**301**	**888**	**238**
Provisions - employee benefits	62	63	6	3
Total Non-Current Liabilities	**62**	**63**	**6**	**3**
Net Assets	**2 281**	**2 193**	**1 509**	**1 255**
Retained surpluses	2 281	2 192	1 508	1 254
Reserves	0	1	1	1
Total Equity	**2 281**	**2 193**	**1 509**	**1 255**

Comment

The Theatre's Equity increased by the Net Surplus after Capital Grants of $0.088m during 2009 with movements in individual Balance Sheet line items predominantly due to:

- improved Cash position of $0.351m. Refer to Cash Position section of this Chapter for details
- Receivables increased by $0.145m mainly due to:
    - outstanding Arts Tasmania Grants of $0.061m
    - an outstanding contribution of $0.030m from the Department of Economic Development, Tourism and the Arts for the Architecture pre feasibility assessment in co-locating the Conservatorium of music on the site
    - increased deposits of $0.019m payable by hirers of the Theatre in December 2009.
- decreased non-current assets due to a change to accounting policy whereby the bio-box extension and seating, part of a larger refurbishment, were depreciated from when they were ready for use (July 2007). Previously the Theatre was only depreciating such assets when the entire project was complete
- higher Payables of $0.387m mainly due to higher advance ticket sales of $0.230m. There were more ticket sales in 2009 in relation to shows to be performed in 2010, which fluctuates from year to year depending on the popularity of upcoming shows. The increase in Payable was also as a result of an invoice relating to the foyer decoration project of $63,298 due for payment after 31 December.

CASH POSITION

	2009	2008	2007	2006
	$000s	$000s	$000s	$000s
Government grants	227	287	273	1 276
Receipts from customers	2 001	1 662	1 602	874
Payments to suppliers and employees	(1 811)	(1 806)	(852)	(1 101)
Interest received	46	77	64	38
Interest paid	0	0	(1)	(2)
Cash from (used in) operations	**462**	**219**	**1 086**	**1 085**
Payments for property, plant and equipment	(5)	(5)	(6)	(6)
Payments for leasehold improvements	(106)	(371)	(533)	(357)
Proceeds from sale of property, plant and equipment	0	0	0	0
Cash from (used in) investing activities	**(111)**	**(376)**	**(539)**	**(363)**
Repayment of borrowings	0	0	(4)	(6)
Cash (used in) financing activities	**0**	**0**	**(4)**	**(6)**
Net increase (decrease) in cash	**351**	**(157)**	**543**	**716**
Cash at the beginning of the year	1 291	1 448	905	189
Cash at end of the year	**1 642**	**1 291**	**1 448**	**905**

Comment

The Theatre's cash position increased $0.351m at 31 December 2009 mainly due to:

- increased tickets sales for shows to be performed in 2010. The volume of advance tickets sales for shows to be performed in the following year fluctuates from year to year, depending on the popularity of upcoming shows. Lower advance tickets sales in 2008 were also explained by the global financial crisis
- one-off grant of $0.045m for repairs and maintenance of the Theatre and the development of an Asset Management Plan
- decreased cash payments for leasehold improvements because of completion of a significant portion of the seating upgrade project in 2008 funded by the Department of Primary Industries, Parks, Water and Environment. (DPIPWE).

FINANCIAL ANALYSIS

	Bench Mark	2009	2008	2007	2006
Financial Performance					
Result from operations ($'000s) (before capital grant)		42	183	255	65
Operating margin	>1.0	1.03	1.14	1.28	1.08
Underlying result ratio		2.7%	12.0%	21.8%	7.5%
Self financing ratio		29.3%	14.3%	92.7%	123.4%
Own source revenue (%)		81.3%	81.2%	76.7%	80.1%
Financial Management					
Current ratio	>1.0	2.67	4.54	1.71	4.69

Comment

The financial performance ratios showed that the Theatre recorded surpluses before Capital items in all four years under review. The recorded surpluses indicate that it was generating sufficient revenue to fulfil all of its operating requirements, including coverage of its depreciation charges. This was also demonstrated by its Operating margin, which was above the benchmark of one, and positive Underlying result ratio over the period under review.

The Self-financing ratio showed the level of the Theatre's ability to fund its operations and programs and the replacement of assets from cash generated from its operations. In other words, an entity is expected to generate enough cash from its operations to meet its depreciation expense in order to provide for future capital investments. While the ratio showed a decline in the Theatre's ability to generate cash from operations in 2008 it remained positive although in recent years significant capital works were funded by the Tasmanian Government, which owns the Theatre.

APPENDIX 1 - GUIDE TO USING THIS REPORT

This Report is prepared under section 29 of the *Audit Act 2008* (the Audit Act), which requires the Auditor-General, on or before 31 December in each year, to report to Parliament in writing on the audit of State entities and audited subsidiaries of State entities in respect of the preceding financial year. The issue of more than one report now satisfies this requirement each year.

During the 2009 calendar year two reports were tabled:

- Report No. 1 of 2009 tabled on 19 May 2009 – this report dealt with June 2008 financial statement audits incomplete at the time of tabling the November 2008 report and those financial statement audits with 31 December 2008 balance dates
- Report No. 2 of 2009 tabled on 17 November 2009– this report dealt with those audits of financial statements of entities with a 30 June 2009 financial year-end completed on 31 October 2009 with the exception of Local Government Authorities.

This Report now covers the 30 June 2009 audits of the financial statements of Local Government Authorities not completed at 31 October 2009 and Other Public Bodies incomplete at the time of the 17 November 2009 Report and the audits of entities with a 31 December 2009 balance date.

This Report comprises two volumes:

- Volume 1 – Audit Summary, Timeliness and Quality of Financial Statements, Basis for Setting Audit Fees, Audit Dispensed With, Local Government Water Authorities - summary of three entities, Local Government Financial Sustainability, Local Government Comparative analysis, Other State Entities reporting at 30 June 2009 and Other State Entities reporting at 31 December 2009
- Volume 2 – Local Government Authorities, Local Government Business Units and Local Government Water Authorities

Where relevant, entities are provided with the opportunity to comment on any of the matters reported. Where they choose to do so, entity responses are detailed within that particular section.

FORMAT OF THE FINANCIAL ANALYSIS

Each entity's financial performance is analysed by discussing the Income Statement, Balance Sheet and Cash Flow Statement (noted as Cash Position) supplemented by financial analysis applying the indicators documented in the Financial Analysis sections of this Report. The layout of some of these primary statements has been amended from the audited statements to, where appropriate:

- make the statements more relevant to the nature of the entity's business
- highlight the entity's working capital, which is a useful measure of liquidity.

STATUS OF AUDITS

Three audits for the year ended 30 June 2009 are still outstanding. All audits with a 31 December 2009 have been completed and are included in this Report.

Appendix 2 provides details of the status of all audits that remained outstanding in this Report.

FINANCIAL ANALYSIS

The following tables illustrate the methods of calculating:

- performance indicators used in the individual financial analysis sections of this Report, together with a number of benchmarks used to measure financial performance
- additional performance indicators used in the local government comparative analysis.

Financial Performance Indicator	Benchmark[1]	Method of Calculation
Financial Performance		
Earnings Before Interest and Tax (EBIT) ($'000s)		Result from Ordinary Activities before Tax and before Gross Interest Expense
EBITDA ($'000s)		Result from Ordinary Activities before Tax, before Gross Interest Expense, Depreciation and Amortisation
Operating margin	>1.0	Operating Revenue divided by Operating Expenses
Own source revenue		Total Revenue less Total Grant Revenue, Contributed Assets and Asset Revaluation Adjustments
Result from operations ($'000s)		Operating Revenue less Operating Expenses
Return on assets		EBIT divided by Average Total Assets
Return on equity		Result from Ordinary Activities after Taxation divided by Average Total Equity
Return on investments	5.5%	Net Investment income divided by Average Investments
Self financing ratio		Net Operating Cash Flows divided by Operating Revenue
Underlying result ratio		Operating Net Surplus divided by Operating Revenue
Financial Management		
Capital expenditure/depreciation	>100%	Payments for Property, plant and equipment divided by Depreciation expenses
Capital expenditure on existing assets/depreciation *	100%	Payments for Property, plant and equipment on existing assets divided by Depreciation expenses
Cost of debt	6.9%	Gross Interest Expense divided by Average Borrowings (include finance leases)
Creditor turnover	30 days	Payables divided by credit purchases multiplied by 365
Current ratio	>1	Current Assets divided by Current Liabilities
Debt collection	30 days	Receivables divided by billable Revenue multiplied by 365
Debt service ratio		Borrowing costs plus Repaid borrowings divided by Operating revenue
Debt to equity		Debt divided by Total Equity
Debt to total assets		Debt divided by Total Assets
Indebtedness Ratio		Non Current Liabilities divided by Own Source Revenue

Financial Performance Indicator	Benchmark[1]	Method of Calculation
Interest cover – EBIT	>2	EBIT divided by Gross Interest Expense
Interest cover – Funds from Operations	>2	Cash from Operations plus Gross Interest Expense divided by Gross Interest Expense
Leverage ratio		Total Assets divide by Shareholders' Equity
Returns to Government		
Dividends paid or payable ($'000s)		Dividends paid or payable that relate to the year subject to analysis
Dividend payout ratio	50%	Dividend divided by Result from Ordinary Activities after Tax
Dividend to equity ratio		Dividend paid or payable divided by Average Total Equity
Effective tax rate	30%	Income Tax paid or payable divided by Result form Ordinary Activities before Tax
Income tax paid or payable ($'000s)		Income Tax paid or payable that relates to the year subject to analysis
Total return to the State ($'000s)		Dividends plus Income Tax and Loan Guarantee fees
Total return to equity ratio		Total Return divided by Average Equity
Other Information		
Average staff costs (2) ($'000s)		Total employee expenses (including capitalised employee costs) divided by Staff Numbers
Average leave per FTE ($'000s)		Total employee annual and long service leave entitlements divided by Staff Numbers
Employee costs (2) as a % of operating system*		Total employee costs divided by Total Operating Expenses
Employee costs capitalised ($'000s) *		Capitalised employee costs
Employee costs expensed ($'000s) *		Total employee costs per Income Statement
Government Funding %		Income from Government divided by Surplus/Deficit excluding Income from Government.
Staff numbers FTEs		Effective full time equivalents
Self Sufficiency %		Own Source Revenue divided by Operating Expenses.

* *Relevant to local government authorities.*

1 *Benchmarks vary depending on the nature of the business being analysed. For the purposes of this Report, a single generic benchmark has been applied.*

2 *Employee costs include capitalised employee costs, where applicable, plus on-costs.*

An explanation of the performance indicators is provided below:

FINANCIAL PERFORMANCE

- Earnings before interest and tax (EBIT) – measures how well an entity can earn a profit, regardless of how it is financed (debt or equity) and before it has to meet external obligations such as income tax. This is a measure of how well it goes about its core business.
- Earnings before income tax, depreciation and amortisation (EBITDA) – measures how well an entity can generate funds without the effects of financing (debt or equity), depreciation and amortisation and before it has to meet external obligations such as income tax. This

measure is of particular relevance in cases of entities with large amounts of non-current assets as the distortionary accounting and financing effects on the entity's earnings are removed, enabling comparisons to be made across different entities and sectors.

- Operating margin – this ratio serves as an overall measure of operating effectiveness.
- Own source revenue – represents revenue generated by a council' through its own operations. It excludes any external government funding, contributed assets and revaluation adjustments.
- Result from operations – summarises revenue transactions and expense transactions incurred in the same period of time and calculates the difference.
- Return on assets – measures how efficiently management used assets to earn profit. If assets are used efficiently, they earn profit for the entity. The harder the assets work at generating revenues, and thus profit, the better the potential return for the owners.
- Return on equity – measures the return the entity has made for the shareholders on their investment.
- Return on investments – measures how effective management have been in earning interest income from available investment assets.
- Self financing ratio – this is a measure of council's ability to fund the replacement of assets from cash generated from operations.
- Underlying results ratio - this ratio provides a measure of the strength of the operating result. The higher the ratio, the stronger the result. Negative results indicate an operating deficit that can not be sustained in the longer term.

FINANCIAL MANAGEMENT

- Capital expenditure/depreciation – indicates whether the entity is maintaining its physical capital by reinvesting in or renewing non-current assets (caution should be exercised when interpreting this ratio for entities with significant asset balances at cost as the level of depreciation may be insufficient).
- Capital expenditure on existing assets/depreciation – indicates whether the entity is maintaining its physical capital by reinvesting in or renewing existing non-current assets (caution should be exercised when interpreting this ratio as the amount of capital expenditure on existing assets has largely been provided by the respective councils and not subject to audit).
- Cost of debt – reflects the average interest rate applicable to debt.
- Creditors turnover – indicates how extensively the entity utilises credit extended by suppliers.
- Current ratio – current assets should exceed current liabilities by a 'considerable' margin. It is a measure of liquidity that shows an entity's ability to pay its short term debts.
- Debt collection – indicates how effectively the entity uses debt collection practices to ensure timely receipt of monies owed by its customers.
- Debt service ratio – indicates the capacity of the entity to service debt by repaying principal as well as interest on borrowings.
- Debt to equity – an indicator of the risk of the entity's capital structure in terms of the amount sourced from borrowings and the amount from Government.
- Debt to total assets – an indicator of the proportion of assets that are financed through borrowings.
- Indebtedness ratio – compliments the liquidity ratio and illustrates a council's ability to meet longer term commitments.

- Interest cover – EBIT – an indicator of the ability to meet periodic interest payments from current profit (before interest expense). The level of interest cover gives a guide of how much room there is for interest payments to be maintained in the face of interest rate increases or reduced profitability.
- Interest cover – Funds from operations – examines the exposure or risk in relation to debt, an indicator of the ability to meet periodic interest payments from funds from operations (before interest expense). The level of interest cover gives a guide of how much room there is for interest payments to be maintained in the face of interest rate increases or reduced funds from operations.
- Leverage ratio – measures the proportion of equity funding in the asset base.

RETURNS TO GOVERNMENT

- Dividends paid or payable – payment by the entity to its shareholders (whether paid or declared as a payable).
- Dividend payout ratio – the amount of dividends relative to the entity's net income.
- Dividend to equity – the relative size an entity's dividend payments to shareholders' equity. A low dividend to equity ratio may indicate that profits are being retained by the entity to fund capital expenditure.
- Effective tax rate – is the actual rate of tax paid on profits.
- Income tax paid or payable – tax payments (paid or payable) by the entity to the State.
- Total return to the State – is the funds paid to the Owners consisting of income tax, dividends and guarantee fees.
- Total return to equity ratio – measures the Government's return on its investment in the entity.

OTHER INFORMATION

- Average staff costs – measures the average cost of employing staff in the entity for the year.
- Average leave balance per FTE ($'000s) – indicates the extent of unused leave at balance date.
- Employee costs as a percentage of operating expenses indicates the relative significance of employee costs compared to other operating expenses.
- Employee costs capitalised ($'000s) – represents employee costs that have been capitalised rather than expensed.
- Employee costs expensed ($'000s) – represents the level of employee costs expensed, ie. included in the Income Statement. This together with the Employee costs Capitalised will provide a total employee cost figure for use in other related ratios.
- Government funding percentage – indicates the level of reliance on government funding.
- Staff numbers FTEs – as at the end of the reporting period the number of staff employed expressed as full-time equivalents (FTEs).
- Self sufficiency percentage – shows the level of independent funding that the entity generated for use in achievement of its objectives.

The above indicators are used because they are commonly applied to the evaluation of financial performance. Care should be taken in interpreting these measures, as by definition they are only indicators, and they should not be read in isolation.

Entity	Financial statements: Financial Statement Deadline	Financial statements: Signed Financial Statements Received	Financial statements: Clear Opinion Issued	Audit Opinion Signed	Timeliness of Audit Opinion Issue from Balance Date: < 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
EXECUTIVE AND LEGISLATURE, GOVERNMENT DEPARTMENTS, SUPERANNUATION FUNDS AND OTHER AUTHORITIES OR BODIES										
Executive & Legislature										
House of Assembly	15 August 2009	15 August 2009	✔	24 September 2009				•		
Legislative Council	15 August 2009	11 August 2009	✔	25 September 2009				•		
Legislature-General	15 August 2009	15 August 2009	✔	24 September 2009				•		
Office of the Governor	15 August 2009	15 August 2009	✔	28 September 2009				•		
Ministerial Departments										
Department of Economic Development and Tourism	15 August 2009	14 August 2009	✔	30 September 2009				•		
Tasmanian Development and Resources	15 August 2009	14 August 2009	✔	29 September 2009				•		
Tourism Tasmania	15 August 2009	14 August 2009	✔	29 September 2009				•		
Department of Education	15 August 2009	14 August 2009	✔	29 September 2009				•		
Department of Health and Human Services	15 August 2009	15 August 2009	✔	30 September 2009				•		
Housing Tasmania	No date	9 September 2009	✔	17 November 2009						•
Tasmanaina AmbulanceService	No date	15 October 2009	✔	15 October 2009					•	
Department of Infrastructure, Energy and Resources	15 August 2009	14 August 2009	✔	30 September 2009				•		
Department of Justice	15 August 2009	14 August 2009	✔	22 September 2009			•			
Department of Police and Emergency Management	15 August 2009	14 August 2009	✔	23 September 2009				•		
Department of Premier and Cabinet	15 August 2009	14 August 2009	✔	11 September 2009			•			
Department of Primary Industry and Water	15 August 2009	14 August 2009	✔	29 September 2009				•		
Department of Environment, Parks, Heritage and the Arts	15 August 2009	13 August 2009	✔	14 August 2009	•					
Department of Treasury and Finance	15 August 2009	14 August 2009	✔	25 September 2009				•		
General Government Financial Statements & Public Account Statements	30 September 2009	29 September 2009	✔	28 October 2009						•
Total State Financial Statements	No date	9 October 2009	✔	28 October 2009						•
Superannuation Funds										
Retirement Benefits Fund Board - Contributory Scheme	No date	24 September 2009	✔	6 October 2009				•		
Retirement Benefits Fund Board - Investment Account	No date	24 September 2009	✔	6 October 2009				•		
Retirement Benefits Fund Board - Tasmanian Accumulation Scheme	No date	24 September 2009	✔	6 October 2009				•		
Parliamentary Superannuation Fund	No date	24 September 2009	✔	6 October 2009				•		
Parliamentary Retiring Benefits Fund	No date	24 September 2009	✔	6 October 2009				•		
Retirement Benefits Fund Board - Tasmanian Ambulance Service Superannuation Scheme	No date	24 September 2009	✔	6 October 2009				•		
Retirement Benefits Fund Board - State Fire Commission Superannuation Scheme	No date	24 September 2009	✔	6 October 2009				•		
Other State Entities										
Aboriginal Land Council	31 August 2009	7 September 2009	✔	23 October 2009						•
Clyde Water Trust	31 August 2009	8 December 2009	-	-						
Council of Law Reporting	15 August 2009	17 August 2009	✔	15 September 2009			•			
Forest Practices Authority	31 October 2009	14 August 2009	✔	29 September 2009				•		
Government Prices Oversight Commission	No date	17 August 2009	✔	25 September 2009				•		
Home Ownership Assistance Program	No date	21 October 2009	✔	3 November 2009						•
Inland Fisheries Service	15 August 2009	15 July 2009	✔	29 September 2009			•			
Jim Bacon Foundation	31 October 2009	12 August 2009	✔	25 August 2009	•					
Legal Aid Commission of Tasmania	31 August 2009	15 August 2009	✔	15 October 2009					•	
Marine and Safety Authority	15 August 2009	3 August 2009	✔	21 August 2009	•					
National Trust of Australia (Tasmania)	31 October 2009	23 October 2009	x	23 October 2009						•
Nominal Insurer	15 August 2009	1 September 2009	✔	29 October 2009						•
Northern Tasmanian Regional Development Board Ltd	-	-	-	-						
Office of Ombudsman	15 August 2009	14 August 2009	✔	10 September 2009			•			
Office of the Tasmanian Energy Regulator	No date	17 August 2009	✔	25 September 2009				•		
Private Forests Tasmania	15 August 2009	14 August 2009	✔	30 September 2009				•		
RBF Tas Planning Pty Ltd	No date	9 September 2009	✔	9 September 2009			•			
Royal Tasmanian Botanical Gardens	15 August 2009	17 August 2009	✔	30 September 2009				•		
State Fire Commission	15 August 2009	14 August 2009	✔	21 September 2009			•			
Sullivans Cove Waterfront Authority	15 August 2009	14 August 2009	✔	9 October 2009					•	
Tasmanian Academy	15 August 2009	13 August 2009	✔	30 September 2009				•		
Tasmanian Beef Industry (Research & Development) Trust	31 October 2009	17 November 2009	-	5 November 2009						•

Entity	Financial statements				Timeliness of Audit Opinion Issue from Balance Date					
Entity	Financial Statement Deadline	Signed Financial Statements Received	Clear Opinion Issued	Audit Opinion Signed	< 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
Tasmanian Building and Construction Industry Training Board	30 September 2009	15 August 2009	✔	15 September 2009			•			
Tasmanian Community Fund	No date	7 September 2009	✔	30 September 2009				•		
Tasmanian Dairy Industry Authority	30 September 2009	7 September 2009	✔	14 October 2009					•	
Tasmanian Heritage Council	30 September 2009	13 August 2009	✔	20 October 2009					•	
Tasmanian Museum and Art Gallery	15 August 2009	20 October 2009	✔	20 November 2009						•
Tasmanian Polytechnic	15 August 2009	13 August 2009	✔	30 September 2009				•		
Tasmanian Racing Board	15 August 2009	13 August 2009	✔	6 October 2009					•	
Tasmanian Skills Institute	15 August 2009	13 August 2009	✔	30 September 2009				•		
Teachers Registration Board	31 August 2009	28 August 2009	✔	13 October 2009					•	
Theatre Royal Management Board	31 March 2010	19 February 2010	✔	25 February 2010		•				
Tsuneichi Fujii Fellowship Trust	15 August 2009	30 June 2009	✔	25 August 2009	•					
University of Tasmania	30 June 2010	16 February 2010	✔	17 February 2010	•					
Wellington Park Management Trust	31 August 2009	17 August 2009	✔	15 October 2009					•	
WorkCover Tasmanian Board	No date	14 August 2009	✔	22 September 2009			•			
GOVERNMENT BUSINESSES										
Government Business Enterprises										
Forestry Tasmania	15 August 2009	14 August 2009	✔	15 August 2009	•					
Hydro-Electric Corporation	15 August 2009	13 August 2009	✔	13 August 2009	•					
Motor Accidents Insurance Board	15 August 2009	13 August 2009	✔	13 August 2009	•					
Port Arthur Historic Site Management Authority	15 August 2009	14 August 2009	✔	25 September 2009				•		
Rivers and Water Supply Commission	15 August 2009	14 August 2009	✔	23 October 2009						•
Tasmanian Irrigation Schemes Pty Ltd	15 August 2009	13 August 2009	✔	23 October 2009						•
Tasmanian Irrigation Development Board Pty Ltd	15 August 2009	14 August 2009	✔	23 October 2009						•
Tasmanian Public Finance Corporation (TASCORP)	15 August 2009	10 August 2009	✔	10 August 2009	•					
The Public Trustee	15 August 2009	14 August 2009	✔	31 August 2009		•				
State Owned Corporations										
Aurora Energy Pty Ltd	No date	21 September 2009	✔	23 September 2009				•		
Metro Tasmania Pty Ltd	No date	13 August 2009	✔	13 August 2009	•					
TOTE Tasmania Pty Ltd	No date	25 August 2009	✔	26 August 2009		•				
Transend Networks Pty Ltd	No date	27 August 2009	✔	9 September 2009			•			
TT-Line Company Pty Ltd	No date	20 August 2009	✔	27 August 2009		•				
Tasmanian Ports Corporation Pty Ltd	No date	17 September 2009	✔	17 September 2009			•			
King Island Ports Corporation Pty Ltd	No date	7 August 2009	✔	11 August 2009	•					
LOCAL GOVERNMENT AUTHORITIES										
Major Cities										
Clarence City Council	30 September 2009	25 September 2009	✔	30 October 2009						•
Glenorchy City Council	30 September 2009	13 October 2009	✔	14 October 2009					•	
Hobart City Council	30 September 2009	25 September 2009	✔	4 November 2009						•
Launceston City Council	30 September 2009	29 September 2009	✔	20 October 2009					•	
Other Urban and Large Rural Councils										
Brighton Council	30 September 2009	30 September 2009	✔	26 November 2009						•
Burnie City Council	30 September 2009	10 November 2009	✔	18 November 2009						•
Central Coast Council	30 September 2009	30 September 2009	✔	23 October 2009						•
Derwent Valley Council	30 September 2009	30 September 2009	✔	25 November 2009						•
Devonport City Council	30 September 2009	30 September 2009	✔	2 December 2009						•
Huon Valley Council	30 September 2009	25 September 2009	✔	21 October 2009						•
Kingborough Council	30 September 2009	30 September 2009	✔	10 November 2009						•
Meander Valley Council	30 September 2009	28 September 2009	✔	27 November 2009						•
Northern Midlands Council	30 September 2009	10 January 2010	✔	11 March 2010						•
Sorell Council	30 September 2009	6 October 2009	✔	13 November 2009						•

	Financial statements				Timeliness of Audit Opinion Issue from Balance Date					
Entity	**Financial Statement Deadline**	**Signed Financial Statements Received**	**Clear Opinion Issued**	**Audit Opinion Signed**	**< 8 weeks**	**8 to 10 weeks**	**10 to 12 weeks**	**12 to 14 weeks**	**14 to 16 weeks**	**> 16 weeks**
Waratah-Wynyard Council	30 September 2009	29 September 2009	✔	23 November 2009						•
West Tamar Council	30 September 2009	28 September 2009	✔	19 November 2009						•
Other Rural Councils										
Break O'Day Council	30 September 2009	1 October 2009	✔	2 December 2009						•
Central Highlands Council	30 September 2009	15 September 2009	✔	10 November 2009						•
Circular Head Council	30 September 2009	30 September 2009	✔	3 December 2009						•
Dorset Council	30 September 2009	30 September 2009	✔	1 December 2009						•
Flinders Council	30 September 2009	2 October 2009	✔	23 November 2009						•
George Town Council	30 September 2009	27 November 2009	✔	2 December 2009						•
Glamorgan-Spring Bay Council	30 September 2009	9 October 2009	✔	27 November 2009						•
Kentish Council	30 September 2009	30 September 2009	✔	2 December 2009						•
King Island Council	30 September 2009	27 November 2009	✔	7 December 2009						•
Latrobe Council	30 September 2009	22 October 2009	✔	1 December 2009						•
Southern Midlands Council	30 September 2009	30 September 2009	✔	15 November 2009						•
Tasman Council	30 September 2009	30 September 2009	✔	20 November 2009						•
West Coast Council	30 September 2009	30 September 2009	✔	20 November 2009						•
Local Government Business Units										
Copping Refuse Disposal Site Joint Authority	30 September 2009	16 October 2009	✔	3 November 2009						•
Dulverton Regional Waste Management Authority	30 September 2009	20 August 2009	✔	20 November 2009						•
Southern Waste Strategy Authority	30 September 2009	5 October 2009	✔	5 November 2009						•
Southern Tasmanian Councils Authority	No date	23 October 2009	✔	9 November 2009						•
Local Government Water Authorities										
Cradle Coast Authority	30 September 2009	9 September 2009	✔	1 October 2009				•		
Cradle Coast Water	30 September 2009	9 September 2009	✔	27 April 2010						•
Esk Water Authority	30 September 2009	24 August 2009	✔	30 September 2009				•		
Hobart Regional Water Authority	30 September 2009	17 September 2009	✔	17 September 2009			•			
Tasmanian Water and Sewerage Corporation (North Western Region) Pty Ltd	15 August 2009	12 August 2009	✔	13 August 2009	•					
Tasmanian Water and Sewerage Corporation (Northern Region) Pty Ltd	15 August 2009	12 August 2009	✔	13 August 2009	•					
Tasmanian Water and Sewerage Corporation (Southern Region) Pty Ltd	15 August 2009	12 August 2009	✔	13 August 2009	•					
Tasmanian Water and Sewerage Corporation (Common Services) Pty Ltd	15 August 2009	12 August 2009	✔	13 August 2009	•					
Local Government Other										
Local Government Association of Tasmania	31 August 2009	5 November 2009	✔	16 November 2009						•

APPENDIX 3 – ACRONYMS AND ABBREVIATIONS

AASB	Australian Accounting Standards Board
AAV	Assessed Annual Valuation
AMC	Australian Maritime College
ARC	Australian Research Council
ATO	Australian Tax Office
AUD	Australian Dollar
AWOTE	Average Weekly Ordinary Time Earnings
BAC	Burnie Airport Corporation Unit Trust
BLW	Ben Lomond Water
BSE	Burnie Sports and Events Unit Trust
CBD	Central Business District
CCC	Central Coast Council
CCW	Cradle Coast Water Authority
CDO	Collateralised Debt Obligation
CEO	Chief Executive Officer
CPI	Consumer Price Index
CMW	Cradle Mountain Water
CPM	Creative Paper Mills Pty Ltd
DEEWR	Department of Education, Employment and Workplace Relations
DIER	Department of Infrastructure, Energy and Resources
DPIW	Department of Primary Industries and Water
DPIPWE	Department of Primary Industries, Parks, Water and Environment
DP&EMP	Development Proposal and Environmental Management Plan
DRWMA	Dulverton Regional Waste Management Authority
DVI	Derwent Valley Investments Pty Ltd
EBA	Enterprise Bargaining Agreement
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
eDAP	Electronic Development Assessment Program
EMPHC	Esperance Multi Purpose Health Centre
EPU	Elderly Persons Unit
Esk	Esk Water Authority
FAG	Financial Assistance Grant
FTE	Full Time Equivalents
GIS	Geographical Information System
GMC	General Management Committee
GPOC	Government Prices Oversight Commission
GST	Goods and Services Tax
HDNS	Hobart District Nursing Service
HECS	Higher Education Contribution Scheme
HHW	Household Hazardous Waste Pilot Collection Program
HIH	HIH Insurance Ltd
ICN	Integrated Community Networks Unit Trust
LGAT	Local Government Association of Tasmania
MPS	Tasman Multipurpose Service
NHT	Natural Heritage Trust
NRM	Natural Resource Management
PPE	Property, Plant and Equipment
RLCIP	Regional and Local Community Infrastructure Program
RWSC	Rivers and Water Supply Commission
SCBC	Stronger Councils, Better Service
SWIS	Sassafras-Wesley Vale Irrigation Scheme
TIDB	Tasmanian Irrigation Development Board Pty Ltd
TIS	Tasmanian Irrigation Schemes Pty Ltd
UTAS	University of Tasmania
UTRIA	Upper Tamar River Improvement Authority
WIP	Work in Progress

APPENDIX 4 – RECENT REPORTS

YEAR	REPORT TITLE
2009	Government Departments and Other State Entities 2008-2009
2009	Special Report No. 86 Major works procurement: Nation Building projects, Treasurer's Instructions 1299 and 1214
2009	Special Report No. 85 Speed-detection devices
2009	Special Report No. 84 Funding the Tasmanian Education Foundation
2009	Special Report No. 83 Communications by Government and The Tasmanian Brand project
2009	Special Report No. 82 Head of Agency contract renewal
2009	Special Report No. 81 Contract management
2009	Local Government Authorities, Including Business Units and Other State Entities 2007-2008
2009	Special Report No. 80 Hydro hedges
2009	Special Report No. 79 Follow up of performance audits
2009	Special Report No. 78 Management of threatened species

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Our Vision

STRIVE | LEAD | EXCEL | *TO MAKE A DIFFERENCE*

Our Purpose

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

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For further information please contact:

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

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AUDIT MANDATE AND STANDARDS APPLIED

MANDATE

Section 17(1) of the *Audit Act 2008* states that "… An accountable authority other than the Auditor-General, as soon as possible and within 45 days after the end of each financial year, is to prepare and forward to the Auditor-General a copy of the financial statements for that financial year which are complete in all material respects. …"

Under the provisions of section 18, the Auditor-General:

"...(1) is to audit the financial statements and any other information submitted by a State entity or an audited subsidiary of a State entity under section 17(1).

Under the provisions of section 19, the Auditor-General:

"...(1) is to prepare and sign an opinion on an audit carried out under section 18(1) in accordance with requirements determined by the Australian Auditing and Assurance Standards.

(2) is to provide the opinion prepared and signed under subsection (1), and any formal communication of audit findings that is required to be prepared in accordance with the Australian Auditing and Assurance Standards, to the State entity's appropriate Minister and provide a copy to the relevant accountable authority.

STANDARDS APPLIED

Section 31 specifies that:

'… The Auditor-General is to perform the audits required by this or any other Act in such a manner as the Auditor-General thinks fit having regard to –

(a) the character and effectiveness of the internal control and internal audit of the relevant State entity or audited subsidiary of a State entity; and

(b) the Australian Auditing and Assurance Standards. …'

The auditing standards referred to are Australian Auditing Standards as issued by the Australian Auditing and Assurance Standards Board.

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