Auditing for the Australian Capital Territory

The Auditor-General is head of the Auditor-General's Office. He and his Office act independently of the Government. The Office assists the Auditor-General to carry out his duties, which are set out in the Auditor-General Act 1997, by undertaking audits of management performance and the financial statements of public sector bodies. The aim is to improve public sector management and accountability by firstly, ensuring the Legislative Assembly and the electorate are provided with accurate and useful information about the management of public sector resources and secondly, by providing independent advice and recommendations for improving the management of public resources.

PA98/25

10 December 1998

Speaker
ACT Legislative Assembly
South Building
London Circuit
CANBERRA ACT 2601

Dear Mr Speaker

In accordance with the Authority contained in the *Auditor-General Act 1996*, I transmit to the Legislative Assembly a Report on the ACT Public Service.

Yours sincerely

John A Parkinson

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TABLE OF CONTENTS

PAGE

* * * * * *

SECTION 1

INTRODUCTION AND GENERAL COMMENTS

1. INTRODUCTION

1.1 CONTENT OF THIS REPORT

This Report is based mainly on the audits of Agencies' financial statements for years ended between 31 December 1997 and 30 June 1998.

The majority of the Report consists of comments on each of the Territory's agencies audited. Comments are provided in alphabet order of the names of the agencies.

In previous Auditor-General's Reports, general comments have been made about financial reporting and accountability in the ACT Public Sector. This topic is also addressed in this Report.

In the corresponding Report for 1996-97 comments were also provided on the Territory's operating results and its financial position. For 1997-98 comments of this nature are being provided in a separate Report.

A major component of this Report are comparisons against budget and the previous year's results of agencies financial performance as reported in their accrual operating statements. Where appropriate an explanation for variances has been supplied. The performance of this comparison has been facilitated by the implementation of accrual budgeting and reporting by Departments.

1.2 ACKNOWLEDGMENTS

I would like to acknowledge the cooperation and assistance provided to my staff by Chief Executives and staff of the audited Agencies during the conduct of the financial audits. Staff involved in financial statement preparation in the Agencies must again be specifically acknowledged. Without their continued improvement in knowledge and performance and dedicated efforts it would have been impossible for my staff to have efficiently conducted the audits.

I would also like to acknowledge the excellent performance of Audit Office staff who completed the program of 1997-98 audits earlier than in any previous year.

1.3 SIGNIFICANT ISSUES IN THIS REPORT

The significant issues in this Report are summarised following:

GENERAL FINDINGS (Chapter 2-3)

General

- *1997-98 was the second year of the Territory's new budget and financial initiatives; and*

- *it is considered that substantial progress has been made with the initiatives however there remains work to be done.*

Departmental Financial Statements other than Performance Statements

- *A sound standard of Departmental financial statement preparation was evident in 1997-98; and*

- *No departmental financial statements received qualified audit opinions in 1997-98.*

Departmental Performance Statements

- *1997-98 was the second year for which Departments were required to prepare Performance Statements;*

- *Generally the Performance Statements were of a significantly higher standard than in 1996-97; and*

- *6 Departments' audit opinions contained an Emphasis of Matter paragraph referring to performance measures on which audit opinions could not be formed.*

Departmental Budgets

- *The Departmental budgets prepared for 1997-98 contained flaws however there were less flaws than in 1996-97 budgets.*

Statutory Authorities' Financial Statements other than Performance Statements

- *As in previous years the standard of authorities' financial statements preparation was mostly good.*

Statutory Authorities' Performance Statements

- *The requirements for Performance Statements to be prepared by Authorities was new for 1996-97; the position for 1997-98 was that although most Authorities were aware of the requirements several were unsure how to address them; consequently various approaches were adopted.*

FINDINGS IN RELATION TO INDIVIDUAL AGENCIES

ACTEW Energy Limited [page 28]

- *During 1997-98 ACTEW Energy Limited's activities grew significantly as a result of entering into arrangements to supply both ACT and interstate customers with electricity.*

ACTION (ACT Internal Omnibus Network) [page 32]

- *During 1997-98 ACTION entered into a sale and leaseback arrangement for its midi bus fleet; ACTION received a cash injection of $6.5m from this transaction;*

- *ACTION's 1997-98 operations resulted in a loss of $7.7m compared to a loss of $6.2m in the previous year;*

- *As in 1996-97 ACTION was unable to manage its operations to budget in 1997-98; and*

- *ACTION's revenue budget was unrealistic; there was never any likelihood of the revenue budget being achieved.*

ACTTAB Ltd [page 38]

- *ACTTAB's operating performance decreased significantly from a profit of $2.9m in 1996-97 to a loss of $20,000 in 1997-98;*

- *Total expenditure increased by $3.5m in 1997-98, with only a marginal increase in revenue;*

- *ACTTAB was required to pay an additional 0.5% of turnover to the racing industry from 1 January 1998; ACTTAB paid $5.0m to the racing industry in 1997-98; and*

- *A supplementary license fee of $1.8m was required to be paid to the Government under a Deed of Agreement with the ACT Government.*

Agents Board Of The ACT [page 40]

- *the relevant legislation, the Agents Act, does not require banks to transfer interest earned on agents trust accounts to the Agents Board; this finding was also reported in 1995, 1996 and 1997.*

Australian International Hotel School [page 45]

- *The AIHS incurred a loss of $2.5m in 1997-98;*

- *Borrowings from the Central Finance Unit were $2.1m in 1996-97;*

- *The survival of the AIHS is dependent on the substantial Government funding it receives; the Government has agreed to provide a total of a further $4.8m over the next three financial years;*

- *The AIHS is not likely to be profitable in the short or medium term; there continues to be uncertainty over longer term profitability;*

- *The School incurred an unrealised foreign exchange loss of $280,530 following the revaluation of the Cornell loan as at 30 June 1998; and*

- *AIHS is continuing to negotiate the development of an affiliation agreement with an Australian University.*

Business, Employment, Tourism, The Arts, Regulatory Reform And Industrial Relations [page 51]

- *This year $14.7m was spent in cash on the Bruce Stadium redevelopment; this exceeded the $5.6m received as a capital injection for the project; the shortfall was met by borrowing $9.7m from the Commonwealth Bank; $17.4m has been expended on the redevelopment to year end with a further $10m committed at balance date; and*

- *Last year, the Territory obtained land at Kingston Foreshore from the Commonwealth; the cost of this land was $10.25m (represented by $7.25m in land at Acton Peninsula plus an additional payment of $3.m); this year the land was written down to its independent valuation of $5.05m resulting in an abnormal loss of $5.2m to the Territory.*

Canberra Public Cemeteries [page 63]

- *Cemeteries 1997-98 operations resulted in a loss of $150,000 compared to a surplus of $53,000 in 1996-97; and*

- *Cemeteries did not manage its operations to budget during 1997-98.*

Canberra Tourism And Events Corporation [page 67]

- *The Corporation returned an operating surplus of $2,000 compared to a budgeted surplus of $235,000; and*

- *Net expenses totalling $643,000 were incurred during the year in respect of Floriade 1998 and expenses totalling $67,000 were incurred during the year in respect of the 1998 Rally of Canberra; these amounts were carried forward in the Corporation's accounts in order that they will be taken into account in determining the financial operating result for the 1998 events.*

CanDeliver Limited [page 70]

- *The Company returned an operating loss after income tax equivalents and extraordinary items of $119,664; and*

- *The Company's current ratio is a matter for concern and will need to be monitored very closely by the Company if it is not to experience liquidity difficulties.*

Construction Industry Long Service Leave Board [page 85]

- *The Board had an operating loss in 1997-98 of $80,000, compared to a surplus of $1.8m in 1996-97; the loss was attributable to a significant fall in investment income during the year which was $1.2m in the current year compared to $2.9m in the previous year; and*

- *The Board continues to hold funds in excess of its estimated liabilities for long service leave payments; at 30 June 1998 the excess was estimated at $21m.*

Cultural Facilities Corporation [page 88]

- *In 1997-98 the Canberra Theatre received Government Payment for Outputs of $1.17m (1996-97 $1.20m) which equates to a government subsidy of $11.74 per patron per visit; this represents a 31% increase on the 1996-97 Government subsidy figure of $8.93 per person per visit.*

Department Of Education And Community Services [page 92]

- *The Department's 1997-98 budget could have been prepared more accurately.*

Emergency Services Bureau [page 102]

- *At 30 June 1998 liabilities for employees' unused recreation leave and long service leave entitlements stood at $10.8m; the significance of the size of the liability is illustrated by the fact that it is the equivalent of 44% of the Bureau's total 1998 employee expenditure;*

- *The operating result for year end 1998 was a loss of $643,000 compared to a budgeted operating loss of $272,000;*

- *Ambulance debtors to the value of $665,000 were written off during 1997-98 due to the introduction of a new policy of writing off debts which are over 180 days old; and*

- *The Bureau's budget could have been formulated better.*

Exhibition Park In Canberra [page 107]

- *EPIC returned operating losses, before abnormal items, over the past three years; these were $174,000 in 1997-98, $374,000 in 1996-97 and $425,000 in 1995-96;*

- *the improvement in 1997-98 was due in the main to the inclusion of a Community Service Obligation payment by the Government of $292,000;*

- *excluding the Community Service Obligation Payment, EPIC's revenue increased by 16 % whereas its expenses increased by 18 %; and*

- *EPIC's short term financial position improved following the Government's decision to make Community Service Obligation payments to the organisation in recognition of its non-commercial activities.*

Forests [page 112]

- *In 1997-98 Forests operating loss was $178,000 which compares favourably to the budgeted loss of $425,000 and the previous years loss of $282,000;*

- *Forests has returned operating losses every year since 1991-92, and has budgeted for future losses until 2001-02;*

- *In 1997-98 a loan of $960,000, which was received in the previous year, was converted to equity; the repayment term of the majority of the remaining borrowings was extended from 5 to 10 years; and*

- *Log sales have increased from $7m in 1996-97 to $8.1m in 1997-98; the additional revenue from log sales was spent on forest rehabilitation.*

Healthpact [page 128]

- *Healthpact has not been fully successful in managing its finances to its published budget; for the second year running expenses have been in excess of its revenue.*

Housing [page 136]

- *Expenditure on Repairs and Maintenance of housing stock increased by $11m or 102% during 1997-98; this increase reflects a commitment by the government to increase spending on this item;*

- *Housings property portfolio was revalued on 31 March 1998; the outcome was a revaluation downward of $15m; while housing stock values fell, they are decreasing in value by a lesser amount than in previous years; in March 1997 they had been revalued down by $133.6m;*

- *During 1997-98 the government agreed to transfer the management of 200 properties to the community sector; this transfer will more than double the number of properties managed by the community housing sector;*

- *Housing currently has $2.1m worth of capital invested in the Braddon Gardens residential unit development; the capital represents 23 unsold units which are currently being leased to tenants under market conditions; and*

- *Housing did not manage its operations to budget during 1997-98.*

InTACT Group [page 144]

- *InTACT's loss for 1997-98 was $15.3m compared to a loss of $1.9m in the previous year;*

- *The adoption of a depreciation accounting policy of a useful life of two years for all IT assets transferred on 30 June 1997 to InTACT resulted in higher than budgeted depreciation expense being brought to account in 1997-98; the financial effect of adopting this policy was an additional $6m in depreciation expense for the year;*

- *As a result of the adoption of the depreciation policy, all IT plant and equipment transferred to InTACT on 30 June 1997 now has a written down value of nil;*

- *InTACT's 1997-98 budget was a transitional budget as InTACT was still in an early stage of development; consequently no meaningful comparisons of actual to budget can be made; and*

- *InTACTs current ratio at year end was significantly below normal levels; a low current ratio indicates that InTACT could have difficulty meeting its commitments as they fall due in the next twelve months.*

Justice And Community Safety [page 150]

- *As was the case in 1996-97 no audit opinion was expressed on a large number of the Department's performance measure results.*

Office Of Asset Management [page 166]

- *The Office of Asset Management recorded abnormal losses as a result of the sale of the John Knight Hostel of $1.5m and a downward revaluation of the property portfolio of $5.7m;*

- *The Office of Asset Management was involved in 10 land development joint ventures during the year; these joint ventures were adversely affected by the continued downturn in the residential property market with only 353 of the expected 600 blocks being sold during the year;*

- *the joint ventures contributed $3.6m to the operating result of the Office of Asset Management in 1997-98. This represents a return of 21.7% on sales of $16.6m;*

- *the results of the joint ventures in Dunlop have generally been poor; unaudited projections by joint venture management indicate that the Territory may lose some of its $2.5m investment in the Dunlop Hills Estate joint venture at Dunlop 1;*

- *negotiations for the replacement of Dunlop 4 - Halls Creek Estate land with land at Amaroo are continuing; the Territory paid $0.3m to reimburse the joint venture for the costs of work done on the site prior to the discovery of certain protected native grasses on the site; and*

- *Nicholls Lakeside Estate (a new joint venture which commenced on 17 October 1997) and Southside Estates have shown positive results.*

Public Trustee For The ACT [page 174]

- *The total amount held in Trust increased by $ 4.8m during 1997-98, from $47m to $51.8m.*

Superannuation Provision Unit [page 183]

- *The Unit experienced an operating loss of $112m in 1997-98 compared with a loss of $59.1m in 1996-97; and*

- *Unfunded superannuation liabilities (ie total liabilities less investments) increased from $651.2m in 1996-97 to $770.4m in 1997-98; the level of unfunded superannuation liabilities has increased over the past three years and will continue to increase for many years.*

The Canberra Hospital [page 187]

- *The Canberra Hospital incurred an operating loss of $13.6m which exceeds the budgeted operating loss of $10.3m by $3.3m.*

Totalcare Industries Limited [page 192]

- *there were deficiencies in the levels of accounting expertise in some areas of the company particularly in the Works and Commercial Services Group; documentation of policies and procedures were also inadequate;*

- *Totalcare's operating profit before abnormal items and tax was only $248,000 on revenue of $87.6m;*

- *Totalcare's operating profit after abnormal items and before tax was $8.4m; Totalcare received abnormal revenue of $14.8m which was contributed primarily from government; this revenue was the reason for the $8.4m profit;*

- *operating revenue increased from $58.1m in 1996-97 to $87.6m in 1997-98; the increase is primarily a result of the full year effect in 1997-98 of the transfer to the company of the Works and Commercial Services from the Department of Urban Services; and*

- *Totalcare's short term financial position is currently reasonably sound however this is only due to prepayments by ACT agencies to Totalcare.*

Urban Services Department [page 196]

- *An opinion was issued on all of the Department's performance measures in 1997-98; this was a significant turn around from the 1996-97 situation where no opinion could be expressed on over 100 of the Department's performance measures;*

- *Revenue from Land Sales increased from $16.8m to $29.5m in 1997-98; the reason for this increase was mainly due to the sale during the year of a large parcel of land together with a number of expensive sites;*

- *As a result of the Audit process, the Department expensed $1.2m of Work in Progress and transferred another $14.4m from Work in Progress to other asset categories; at year end Work in Progress totalled $16.2m compared to $29.3m at 30 June 1997; and*

- *The budget for Territorial transactions particularly for "depreciation and amortisation" was poorly formulated.*

FINANCIAL AUDITS WITH YEARS ENDING TO 30 JUNE 1998

2. GENERAL FINDINGS ON AGENCIES' FINANCIAL REPORTING

2.1 FINANCIAL FRAMEWORK

The accountability framework for the Territory's finances is set by the Commonwealth's ACT Self Government Act 1988, the ACT's Financial Management Act 1996 and the Auditor-General Act 1996. These Acts establish the external financial reporting and audit arrangements for the Territory's public sector. The reporting and audit arrangements are intended to facilitate the Government's accountability to the Assembly, and the public, for its financial management of public sector resources.

2.2 SIGNIFICANT FINDINGS

General

- ***1997-98 was the second year of the Territory's new budget and financial initiatives; and***

- ***it is considered that substantial progress has been made with the initiatives however there remains work to be done.***

Departmental Financial Statements other than Performance Statements

- ***A sound standard of Departmental financial statement preparation was evident in 1997-98; and***

- ***No departmental financial statements received qualified audit opinions in 1997-98.***

Departmental Performance Statements

- ***1997-98 was the second year for which Departments were required to prepare Performance Statements;***

- ***Generally the Performance Statements were of a significantly higher standard than in 1996-97; and***

- ***6 Departments' audit opinions contained an Emphasis of Matter paragraph referring to performance measures on which audit opinions could not be formed.***

Departmental Budgets

- ***The Departmental budgets prepared for 1997-98 contained flaws however there were less flaws than in the 1996-97 budgets.***

Statutory Authorities' Financial Statements other than Performance Statements

- ***As in previous years the standard of authorities' financial statements preparation was mostly good.***

Statutory Authorities' Performance Statements

- ***The requirements for Performance Statements to be prepared by authorities was new for 1996-97; the position for 1997-98 was that although most Authorities were aware of the requirements several were unsure how to address them; consequently various approaches were adopted.***

3. ANNUAL FINANCIAL REPORTS BY TERRITORY AGENCIES

3.1 DEPARTMENTAL ANNUAL FINANCIAL REPORTING

Introduction

Section 27 of the *Financial Management Act 1996 (the Act)* requires that Departments prepare annual financial statements. The statements are to consist of:

- Operating statement;
- Statement of financial position;
- Cashflow statement;
- Performance statement; and
- Supporting notes which describe the accounting policies applied and other explanatory material.

The Act requires that the statements be prepared in accordance with generally accepted accounting practice. They are also to be in a form which facilitates a comparison of the Department's financial operations with the budget for the Department.

Financial Statements other than Performance Statements

Departments prepared their 1997-98 statements in conformity with Australian Accounting Standard AAS29 *"Financial Reporting by Government Departments"* and therefore complied with the Act. The formats used also facilitated comparison of operations with budgets.

Financial Statement Preparation by Departments

In 1996 it was reported that the requirement for the first time that Department's 1995-96 statements be prepared based on generally accepted accounting practices resulted in many errors being made in the statements submitted to the Auditor General for audit. It was considered that these errors arose through a lack of understanding by Departmental officers of accounting standards, concepts and principles.

In 1997 it was reported that the situation was considerably improved for the 1996-97 statements although auditors again spent considerable time correcting various types of errors. It is pleasing to report that the 1997-98 statements were again significantly improved indicating that a process of effective continuing improvement is occurring.

On the basis of the 1996-97 and 1997-98 audits it is clear that Departmental officials have responded well to the need to develop and maintain their financial management and accounting expertise.

Independent Audit Opinions on Financial Statements other than Performance Statements

As required by the Financial Management Act all Department Financial Statements were audited and audit opinions issued. As a result of the audits it was not necessary to issue any ***qualified*** audit opinions.

Departments' Statements Of Performance

Operating Statements, Statements of Financial Position and Cash Flow Statements are standard components of financial statements prepared using generally accepted accounting principles. Statements of Performance however as required by the ACT's *Financial Management Act* are not provided for in the accounting standards, etc and therefore there is limited external guidance available to assist Departments in preparing these statements.

1996-97 was the first year in which Departments had been required to publicly present performance measure results in statements subjected to independent audit. As this was the first year, and given the quantity of measures to be reported it was unlikely that problems would not have been encountered in establishing the systems and/or procedures needed to produce accurate, complete and relevant measures. This indeed proved to be the situation. To varying degrees Departments made genuine efforts in 1996-97 to establish appropriate and reliable systems and/or processes. For many measures however these efforts were not successful.

The position in 1997-98 was a major improvement on 1996-97. In most cases Departments have now developed and implemented sound procedures and systems from which to extract the information required to be published in the Performance Statements.

Independent Audit Opinions on Statements of Performance

As a result of the audits some audit opinions issued on Statements of Performance contained an *Emphasis of Matter* paragraph or paragraphs. The content of the paragraph or paragraphs generally indicated that audit opinions could not be formed on certain measures reported by the Departments in their Statements of Performance as the measures were not supported by reliable systems or processes, or had not been measured. The number of performance measures on which an audit opinion could not be formed was much less in 1997-98 than in 1996-97.

3.2 DEPARTMENTAL BUDGETING

The *Financial Management Act 1996* requires that Departmental budgets be presented to the Legislative Assembly as part of the annual Budget Papers. The budgets are prepared on an accrual basis and consist of similar statements to those required for financial reporting.

An underlying principle is that the budget statements for a year, and the financial statements which report the results for that year, should be prepared using the same accounting basis. This is to facilitate accountability by ensuring that budgets and results can be readily compared.

Departments' budgets for 1997-98 were the second prepared on the accrual basis. The Departmental budgets were tabled in the Legislative Assembly in May 1997.

As in 1996-97, the opportunity was taken as part of the 1997-98 audit process to compare Departments' budgets with results reported in Departments' financial statements. The comparisons were limited to comparing the Departments' Budget Operating Statements with the end of year Operating Statements, and the results for the year with the previous year.

The results of the comparisons are provided in later sections of this Report within the comments provided on the results of individual audits.

As in 1996-97 the comparisons revealed several instances where Departmental financial operations had apparently not been managed to the budget. From analysis and discussion, however it was clear that faulty or

unrealistic budget projections or the application of inappropriate accounting principles in the budget were the cause of variances in several of these instances rather than a failure to manage to achievable targets. It should be noted that these instances were less in 1997-98 than in 1996-97.

A fundamental issue which apparently continues not to be always understood in some Departments was that the accounting principles used for presenting planned transactions in Departments' budgets must be the same as those which have to be adopted in Department annual financial statements. As the annual financial statements must comply with generally accepted accounting practice it follows that budget presentation must also follow generally accepted accounting practice if they are to be consistent with each other.

3.3 STATUTORY AUTHORITY ANNUAL FINANCIAL REPORTING

Reporting Requirements

Under *Section 58*, of the *Financial Management Act*, Authorities are to prepare Statements of Intent which are to be provided to the Treasurer each year. The statements are to comprise:

- estimated annual operating statement for the year;
- estimated statement of financial position at the end of the year;
- estimated cashflow statement;
- statement of the objectives of the Authority for the year;
- statement of the nature and scope of the activities to be undertaken in the year; and
- performance criteria and other measures by which the performance of the authority may be assessed in relation to its objectives for the year.

Section 59 of the *Financial Management Act* requires that each of the Territory's Statutory Authorities prepare annual financial statements. The statements are to consist of:

- operating statement;
- statement of financial position;
- cashflow statement;

- a statement of the performance of the authority in achieving the objectives specified in the statement of intent for the year that was provided by the authority pursuant to section 58 of the Act; and
- supporting notes which describe the accounting policies applied and other explanatory material.

The Act requires that the financial statements are to be prepared in accordance with generally accepted accounting practice. They are also to be in a form which facilitates a comparison of the Authority's financial operations with the Authority's Statement of Intent which Authorities are required to prepare by *Section 58* of the Act.

Financial Statement Preparation by Statutory Authorities

As in previous years the usual financial statements prepared by statutory authorities (i.e. operating statement, cashflow statement and financial position statement) were mostly of a high standard and required few adjustments as a result of the audit process. The position however with Performance Statements was similar to 1996-97 i.e to some extent Authorities were not fully aware of the requirements or were unsure how to address the requirements. Consequently various approaches were adopted.

The purpose of a Performance Statement is to provide end of year assessments of whether Authorities have achieved their objectives, by comparing their actual performance for that year against the criteria and measures presented in their Statements of Intent for the year.

Although there was more consistency in 1997-98 the position was still not entirely satisfactory.

The position with Statements of Intent and Statements of Performance can be improved further. It is considered that the Chief Minister's Department should provide clear guidance to the Authorities to assist the Authorities to prepare consistent and useful statements.

Audit Opinions on Statutory Authority Financial Statements

The *Financial Management Act (Section 61)* provides for all authorities' financial statements to be audited by the Auditor-General.

As a result of the audits ***unqualified*** opinions were issued on the financial statements of all authorities.

3.4 CONCLUSION

1997-98 year was the second year of new budget and financial reporting initiatives for the Territory. The 1996-97 and 1997-98 Budgets were fully prepared on an accrual basis. In addition Performance Statements were prepared for Departments and Statutory Authorities. The Performance Statements were also subject to independent audit. Most of these initiatives are unique to the Territory.

As reported last year, the identification for the first time of the services delivered by Government agencies, and their full cost, should enable the Government and agencies to be able to focus on the real costs and benefits of services, and to manage financial performance according to a more informed decision making process. The initiatives are clearly a great improvement in accountability over the systems which operated previously. The initiatives have the potential to also greatly improve planning and control by agency management.

Although difficulties were encountered in some areas, implementation of the initiatives can be regarded as reasonably successful.

From the outcomes of the 1997-98 financial audit processes it is clear that most Departments and Authorities expended considerable effort developing sound systems and procedures from which to prepare their Statements of Performance to a satisfactory standard for 1997-98.

There was again evidence that some Departmental budgets prepared for 1997-98 contained flaws of various types. It is recognised that 1997-98 was only the second accrual budget prepared and also that the budget was substantially prepared in early 1997, well before 1996-97 outcomes were known. The benefits of early budgeting are well known however early budgets bring with them an increased potential for the budgets prepared to be unrealistic, in the sense of either being overly generous, unachievable or simply overtaken by events. Budgets of this nature can easily become irrelevant for management and also irrelevant for accountability purposes.

On the basis of the Audit's comparison of actual results with budgets it is considered that a close evaluation by Departments of their budget

development processes would be very worthwhile. There should be involvement of the Chief Minister's Department in co-ordinating these reviews.

SECTION 2

AGENCY FINANCIAL STATEMENT AUDIT RESULTS

4. ACTEW CHINA LIMITED

4.1 INTRODUCTION

ACTEW China Limited was incorporated on 31 October 1997 as a wholly owned subsidiary of ACTEW Corporation Limited. The principal activities of the company involve the marketing and manufacture of water and wastewater flow meters. At present negotiations are under way to establish a joint venture in the People's Republic of China to achieve these objectives.

Financial transactions were negligible in 1997-98.

4.2 AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was issued to the company on 17 August 1998.

5. ACTEW CORPORATION LIMITED

5.1 INTRODUCTION

ACTEW Corporation Limited is responsible for the supply, promotion and management of water and electricity and the provision and management of sewerage services within the Territory.

ACTEW Corporation Ltd has five subsidiaries:

- Ecowise Services Ltd
- Ecowise Environmental Ltd
- ACTEW Investments Pty Ltd
- ACTEW Energy Ltd
- ACTEW China Pty Ltd

The subsidiaries are reported separately in this Report.

5.2 AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion on the financial statements was issued to the company on 4 September 1998.

5.3 MATTERS ARISING FROM THE AUDIT

The audit identified several matters where the financial operations of ACTEW Corporation could be improved or where internal controls were not operating satisfactorily. These instances have been reported to the Board and management with appropriate recommendations.

5.4 FINANCIAL ANALYSIS

The following table summarises the Corporation's consolidated revenue and expenditure.

ACTEW Summary Profit and Loss Statement

	Actual 1997-98 $ m	**Actual 1996-97 $ m**	**Actual 1995-96 $ m**
Revenue			
Electricity revenue	212.5	232.2	228.7
Water revenue	52.6	40.8	36.7
Sewerage revenue	48.4	45.3	43.6
Other Sales Revenue	10.7	9.4	1.6
Other Revenue	32.1	27.6	28.6
	356.3	355.3	339.2
Operating expenses	282.5	281.6	292.9
Operating result	**73.8**	**73.7**	**46.3**

Comments follow on the major sources of revenue and expenditure which show significant variations from the prior year results.

Revenue items

Overall, revenue increased by $1m from $355.3m in 1996-97 to $356.3m in 1997-98

Electricity revenue is the major source of operating revenue for the ACTEW Corporation comprising 60% of the consolidated *total operating revenue* in 1997-98. *Electricity revenue* fell by $19.7m or 8% in 1997-98 compared to the previous year. The fall was predominantly due to price reductions resulting from the introduction of competition into the electricity markets in the ACT.

Water revenue increased by $11.8m or 29% in 1997-98 compared to the previous year. This was mainly attributable to an increase in demand during the hot and dry conditions experienced in 1997-98 with water consumption increasing by 18% over the previous year.

Other revenue which is comprised of non-core activities such as Interest, Capital Contributions and a Commonwealth Subvention, increased by $4.5m in 1997-98. The major increase was in Capital Contributions which rose from $3.6m in 1996-97 to $5.3m in 1997-98.

Operating Expenditure

Operating expenses for the year totaled $282.5m in 1997-98. This was an increase of 1.8% over the previous year's expenses.

Operating Result

For the year ending 30 June 1998, ACTEW Corporation reported an Operating Profit before abnormals and tax of $78.7m. The result was an increase of 4.2% over the previous year's profit of $75.5m.

5.5 SHORT TERM FINANCIAL POSITION

The *current ratio*, which represents the ratio of current assets to current liabilities, is indicative of an entity's ability to meet its obligations in the

short term. Details of the current assets and liabilities and the current ratio for the last three years are presented in the following table.

ACTEW Current Assets and Liabilities

	1997-98 $000	1996-97 $000	1995-96 $000
Current Assets			
Cash	1,979	9,603	17,559
Receivables	57,027	58,546	49,777
Investments	16,963	43,622	5,278
Inventories	6,007	7,573	9,398
Intangibles & Other	991	1,229	1,631
	82,967	**120,573**	**83,643**
Current Liabilities			
Creditors and Borrowings	27,479	28,600	43,869
Provisions	28,183	33,891	34,072
Other	3,887	6,532	2,488
	59,549	**69,023**	**80,429**
Current Ratio	**1.4 to 1**	**1.7 to 1**	**1.0 to 1**

A current ratio in the range of 1:1 to 1.5 :1 is the minimum usually desirable in a business. That is, it is desirable to have current assets at least equal to current liabilities, and preferable to have at least 50% more current assets than current liabilities. The Corporation's current ratio has remained at a satisfactory level of 1.4: 1 in 1997-98 indicating that its short term financial position is unlikely to cause problems.

6. ACTEW ENERGY LIMITED

6.1 INTRODUCTION

ACTEW Energy Limited is a wholly owned subsidiary of ACTEW Corporation Limited. The company purchases electricity from ACTEW

Corporation and suppliers in Victoria and NSW and sells it to commercial customers.

6.2 SIGNIFICANT FINDINGS

- ***During 1997-98 ACTEW Energy Limited's activities grew significantly as a result of entering into arrangements to supply both ACT and interstate customers with electricity.***

6.3 AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was issued to the company on 7 August 1998.

6.4 FINDINGS FROM THE AUDIT

During the audit instances were identified where the operations of ACTEW Energy could be improved. These instances have been advised to management with recommendations.

In 1996-97, audit found that the billing and debtor system was inappropriate given the nature and the anticipated growth in ACTEW Energy's operations. Procedures were introduced by ACTEW Energy to overcome these system weaknesses. The controls operated satisfactorily during 1997-98.

6.5 FINANCIAL ANALYSIS

The following table summaries ACTEW Energy's Operating Statement:

ACTEW Energy Summary Profit and Loss Statement		
	1997-98	**1996-97**

	$000	$000
Revenue		
Sales revenue - electricity business	119,122	11,990
Other	319	73
	119,441	**12,063**
Expenses		
Depreciation - Plant & Equipment	2	0
Doubtful debts	67	33
All other expenses	109,770	11,611
	109,839	**11,644**
Operating Surplus	**9,602**	**419**

ACTEW Energy made an Operating Profit before Income Tax Equivalents of $9.6m in 1997-98, compared with $419,000 in 1996-97. The significant increase in both sales revenue and operating expenditure is attributable to the expansion in the operations of the company in 1997-98. During the year ACTEW Energy entered into a number of contracts to supply electricity to both ACT and interstate markets. The Operating Profit after Tax Equivalents of $6.15m was fully paid as a dividend to ACTEW Corporation Ltd.

7. ACTEW INVESTMENTS PTY LTD

7.1 INTRODUCTION

ACTEW Investments Pty Ltd is a subsidiary of ACTEW Corporation. Its main functions are to manage and develop business investment opportunities, and to make recommendations on projects for ACTEW.

7.2 AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was issued to the company on 5 August 1998.

7.3 FINANCIAL ANALYSIS

The following table summarises ACTEW Investment's Operating Statement:

ACTEW Investments Summary Profit and Loss Statement

	1997-98 $000	1996-97 $000
Revenue		
Sales revenue	2,129	1,694
Other revenue	1,481	1,953
	3,610	**3,647**
Expenses		
Operating expenses	3,537	3,475
	3,537	**3,475**
Operating Surplus	**73**	**172**

For the period ended 30 June 1998 ACTEW Investments made an Operating Profit before Income Tax Equivalents of $73,000 and an Operating Profit after Income Tax Equivalents of $66,000. The Operating Profit after Tax and Retained Profits of $88,000, carried over from 1996-97, were fully paid as a dividend to ACTEW Corporation Ltd in 1997-98.

8. ACTION (ACT INTERNAL OMNIBUS NETWORK)

8.1 INTRODUCTION

ACTION operates Canberra's public bus network and school services with the objective of providing an effective and accessible passenger service for the community. It also provides charter bus services and administers the rural school bus services that are provided by other operators.

8.2 SIGNIFICANT FINDINGS

- ***During 1997-98 ACTION entered into a sale and leaseback arrangement for its midi bus fleet; ACTION received a cash injection of $6.5m from this transaction;***

- ***ACTION's 1997-98 operations resulted in a loss of $7.7m compared to a loss of $6.2m in the previous year;***

- ***As in 1996-97 ACTION was unable to manage its operations to budget in 1997-98; and***

- ***ACTION's revenue budget was unrealistic; there was never any likelihood of the revenue budget being achieved.***

8.3 AUDIT OF 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Urban Services on 18 September 1998.

8.4 FINDINGS FROM THE AUDIT

As a result of the audit several instances were identified where the financial operations of ACTION could be improved or where internal controls are not operating satisfactorily. These instances have been notified to management with appropriate recommendations.

The 1996-97 audit found that ineffective controls were exercised by ACTION over the custody and distribution of bus tickets. Controls were introduced by ACTION to overcome these system weaknesses. The controls operated satisfactorily during 1997-98.

8.5 SALE OF MIDI BUSES

In June 1998 ACTION sold its fleet of Midi buses under a sale and leaseback arrangement. As part of this arrangement ACTION entered into an operating lease with the purchaser for a period of 5 years. ACTION received a cash injection of $6.5m from this sale. The proceeds from the sale were used by ACTION to finance their operations during the year.

8.6 FINANCIAL ANALYSIS

The following table summarises ACTION's Operating Statement:

ACTION Summary Operating Statement

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000
REVENUE			
Government Sources			
Pricing Community Service Obligation		13,376	16,340
General Route Off Peak Services Community Service Obligation		7,779	9,038
School Services Community Service Obligation		9,684	9,387
General Subsidy		1,000	3,000
Concessional Travel Payments		3,606	3,501
Special Needs Transport		1,922	1,022
Other		31	49
	37,495	37,398	42,337
Other Sources			
Non ACT Government			
Fares		16,583	17,235
Other		1,288	1,593
	22,860	17,871	18,828
Profit on Sale of Non Current Assets	0	780	1,200
Interest	95	0	16
Total Other	22,955	18,651	20,044
Total Revenue	**60,450**	**56,049**	**62,381**
EXPENDITURE			
Employee Costs	37,684	39,300	39,945
Administrative Expenses	12,799	13,924	14,930
Depreciation and Amortisation	7,493	7,041	7,368
Interest	3,440	3,441	6,381
Total Expenditure	**61,416**	**63,706**	**68,624**
Operating Surplus (Loss)	**(966)**	**(7,657)**	**(6,243)**

Note: For comparative purposes, actual figures for 1998 have been adjusted to exclude Recoveries for Redundancies and Redundancy Payments, Resources Received free of Charge have been shown as User Charges Non-ACT Government and School Services CSO is shown as revenue from Government.

Comment follows on the major sources of revenue and expenditure items which show significant variations from budget.

Revenue Items

Revenue received from Government for the provision of services decreased during 1997-98 from $42.3m to $37.4m. This decline of $5m mainly occurred in Pricing Community Service Obligation reduction of $3m, the General Subsidy reduction of $2m and General Route Off Peak services reduction of $1m. Some of these reductions were offset by an increase in revenue of $1m for the Provision of Special Needs Transport.

Actual revenue from *Fares* and other Non-ACT Government sources decreased during the current year by $1m or 5.3%. This decrease reflects a continuing decline in the revenue from usage of ACTION services over the past few years. As well, there was a decrease of $5m in *Fares* and other Non-ACT Government revenue when compared with budget. This indicates that Budget figures for this item were unrealistic given the trend in decline in revenue from this source.

For the 1997-98 budget, the fare revenue estimate was based on total passenger boardings of 20.6m however actual passenger boardings for the year were only 17.1m. This represents a 20.5% decrease in budgeted passenger boardings and a 4.7% reduction in passenger boardings from 1996-97.

Total Revenue

Total revenue was $6.3m below the previous years revenue and $4.4m lower than budget. Total revenue in 1997-98 was below last years revenue due to a reduction in ACTION's revenue received directly from the Government for service provision and a reduction in *Fares* and revenue from other ACT Government agencies.

Expenditure Items

Although *Employee Expenses* were $1.6m or 4.3% higher than the budgeted figure they were in line with previous years actual figures. ACTION has advised that *"There were delays in achieving the level of savings required in 1997-98 and the savings that were made were offset to some extent with wage increases totaling 3.5%"*.

Administrative Expenses decreased during 1997-98 by $1m. This decrease was not due to one particular item but instead was the net result of

increases in expenditure on some items offset by decreases in expenditure on other items.

Expenditure on *Interest Payable* fell from $6.4m to $3.4m during 1997-98. This decrease reflects a conversion of most of ACTION's borrowings from debt to equity which occurred during 1996-97 when $24m of debt was converted to equity. The conversion by the Government of this debt to equity means that ACTION is relieved from making interest payments. The reduction in interest therefore is due to the Government agreeing to absorb ACTION's borrowings and therefore is not a result of financial management on the part of ACTION.

Total Expenditure

Total expenditure for the year decreased by $4.9m mainly due to the reduction in *Interest Payable.* This reduction as explained above is not a result of financial management by ACTION. Total expenditure was however still above budget by $2.3m for the year.

Conclusion

ACTION's operating loss for the year was $7.7m compared to $6.2m in the previous year. Revenue was down on 1996-97 amounts due to reductions in both funding from the Government and reductions in fare revenues.

While expenditure for the year also declined, the main reason for this decline was in *Interest Payable,* a decline of $3m. The decline in *Interest Payable* was due to the conversion of $24m of debt to equity in 1996-97.

During 1997-98 actual revenue was below budget by $4.4m, while actual expenditure was above budget by $2.3m. It can therefore be concluded that ACTION neither managed its revenue or expenditure to budget in 1997-98.

Budgeted revenue appears to have been set at a very optimistic level, and therefore the likelihood of ACTION ever achieving budget revenue was unrealistic from the beginning.

8.7 SHORT TERM FINANCIAL POSITION

The *current ratio*, which represents the ratio of current assets to current liabilities, is indicative of an entity's ability to meet its obligations in the short term. Details of the current assets and liabilities and the current ratio for the last three years are presented in the following table.

ACTION's Current Assets and Liabilities

	1997-98 $000	1996-97 $000	1995-96 $000
Current Assets			
Cash	1,916	1,063	853
Receivables	671	1,373	1,210
Other	1,823	2,245	3,790
	4,410	**4,681**	**5,853**
Current Liabilities			
Creditors	521	1,247	1,270
Borrowings	2,713	2,714	4,961
Employee Entitlements	4,739	4,355	4,512
Lease Liability	250	214	0
Other Provisions	1,474	1,388	388
	9,697	**9,918**	**11,131**
Current Ratio	**0.45 to 1**	**0.47 to 1**	**0.52 to 1**

A current ratio in the range of 1 :1 to 1.5 :1 is the minimum usually desirable in a business.

ACTION's current ratio has remained reasonably constant at 0.45 to 1 over the past two years. Such a low current ratio indicates that ACTION could have difficulty meeting its commitments as they fall due in the next twelve months. ACTION will need to rely upon continued Government assistance to ensure the continuation of its operations in the next financial year.

9. ACTTAB LTD

9.1 INTRODUCTION

ACTTAB Limited is a Territory Owned Corporation. The principal activity of the company is the provision of a totalisator betting service, offering a wide range of bet types and betting facilities, in active competition with other gambling mediums. In November 1997 the principal activities of the business were extended with the introduction of ACTTAB Keno.

9.2 SIGNIFICANT FINDINGS

- ***ACTTAB's operating performance decreased significantly from a profit of $2.9m in 1996-97 to a loss of $20,000 in 1997-98;***

- ***Total expenditure increased by $3.5m in 1997-98, with only a marginal increase in revenue;***

- ***ACTTAB was required to pay an additional 0.5% of turnover to the racing industry from 1 January 1998; ACTTAB paid $5.0m to the racing industry in 1997-98; and***

- ***A supplementary license fee of $1.8m was required to be paid to the Government under a Deed of Agreement with the ACT Government.***

9.3 AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion on the 1997-98 financial statements was provided to the company on 9 September 1998.

9.4 FINANCIAL ANALYSIS

ACTTAB Limited is required to pay 4.0% of turnover each month to the ACT Racing Industry, through the ACT Bureau of Sport, Recreation and Training. Commencing 1 January 1998, a further 0.5% of turnover is required to be paid to the ACT Racing Development Fund pursuant to a

Ministerial Direction. In 1997-98 ACTTAB contributed $5.0m to the racing industry.

In addition, as part of the Deed granting ACTTAB Limited an exclusive license to conduct totalisator betting services in the ACT, the company was required to pay the ACT Government a total amount of $5.6m during 1997-98. To the extent that the amount of the payment to the Government was not covered by the totalisator licence fee, income tax equivalents and dividends, a supplementary license fee has to be paid. As an operating loss was generated in 1997-98, income tax and dividends were not payable to the Government. As a result a supplementary license fee of $1.8m was required.

An extraordinary expense of $710,000 was incurred as costs of representation of ACTTAB Limited in the inquiry conducted by Mr R Burbidge QC.

9.5 PROFITABILITY

ACTTAB Limited operations resulted in an operating loss of $20,000 in 1997-98 compared with a surplus of $2.9m in 1996-97. The loss is mainly attributable to expenditure increasing by $3.5m in 1997-98 and revenue only increasing marginally. The increase in expenditure was due to a number of factors such as new product establishment and commission costs, Northern Territory TAB Information Technology development costs, an additional 0.5% paid to racing clubs pursuant to a Ministerial Direction commencing 1 January 1998, new leasing costs, depreciation/amortisation increases and the supplementary license fee. However, revenue remained fairly constant over the two years increasing by just $590,000 in 1997-98.

9.6 SHORT TERM FINANCIAL POSITION

ACTTAB Current Assets and Liabilities

	1997-98 $000	1996-97 $000
Current Liabilities		
Creditors and Borrowings	4,236	2,491
Provisions	1,021	2,656
	5,257	**5,147**
Current Assets		
Cash	5,345	6,540
Receivable	1,789	822
Other	17	94
Inventories	88	28
	7,239	**7,484**
Current Ratio	**1 to 1.4**	**1 to 1.5**

The current ratio, which represents the ratio of current assets to current liabilities, is indicative of an entity's ability to meet its obligations in the short term. A current ratio in the range of 1:1 to 1:1.5 is the minimum usually desirable in a business. The Company's current ratio has remained fairly constant at a satisfactory level of 1:1.4 in 1997-98 (1:1.5 in 1996-97) indicating a reasonable short term financial position.

10. AGENTS BOARD OF THE ACT

10.1 INTRODUCTION

The Agents Board of the ACT was established pursuant to the *Agents Act 1968* and acts as the licensing authority for the real estate and travel industries in the ACT. The Board created the Agents Fidelity Guarantee

Fund on 1 July 1992 in accordance with the *Agents (Amendment) Act 1992*, with the purpose to provide funds for the protection of consumers in the event that a licensed agent fails to account for monies held in trust (other than travel agents, who operate under a separate scheme). Persons who are dealing with a licensed agent who suffer monetary loss are entitled to make a claim for compensation from the Fund.

Under the *Agents Act*, licensed agents are required to maintain a trust account. The banks transfer interest earned on these accounts directly to the Board. This interest is the Board's principal source of income.

10.2 SIGNIFICANT FINDING

- ***the relevant legislation, the Agents Act, does not require banks to transfer interest earned on agents trust accounts to the Agents Board; this finding was also reported in 1995, 1996 and 1997.***

10.3 AUDIT OF 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Justice and Community Safety on 20 August 1998.

10.4 FINDINGS FROM THE AUDIT

Previous reports recommended an amendment to the *Agents Act 1968* to require banks to transfer to the Board interest earned on agents' trust accounts. Currently, there is only an agreement with the various banks that the interest be passed on to the Board.

10.5 FINANCIAL ANALYSIS

Operating Results

The table on the following page summarises the Agents Board's Operating Statement:

Agents Board Summary Operating Statement

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000	Actual 1995-96 $000
Revenue				
Bank Interest on Agents Trust Deposit	866	791	941	916
Registration and License Fees	94	95	93	90
Investment Interest	210	166	183	131
	1,170	**1,052**	**1,217**	**1,137**
Expenditure				
Board Costs	27	25	24	11
Salaries and Employee Entitlements	321	290	239	272
Real Estate Licensing Authorities Conference	0	0	0	12
Office and Administration	88	82	35	35
Office Relocation	0		0	7
	436	**397**	**298**	**337**
Operating Surplus	**734**	**655**	**919**	**800**

Comments follow on the major sources of revenue and expenditure which show significant variations from prior year amounts and/or 1997-98 budget amounts.

Revenue Items

Revenue from *Bank Interest on Agents Trust Deposits* fell by $150,000 or 16% in 1997-98 compared to the previous year. In prior years, *Revenue from Bank Interest on Interest on Agents Trust Accounts* was higher due to the Board receiving interest on agents accounts from a past error by a bank in calculating the interest transferred to the Board and a reduction in investments held by the Board.

Total Revenue

The Board's revenue for the year totaled $1.1m. Total revenue was $165,000 less than the prior year and below budget by $118,000. The decrease was mainly attributable to less revenue received from *Bank Interest on Agents Trust Accounts* and from *Investment Interest*.

Expenditure Items

Salaries and Employee Entitlements of $290,000 for the year was the largest item of expenditure. Salaries and Employee Entitlements increased by $51,000 compared to the previous year. This increase was due to the Board employing new staff at higher salary levels during 1997-98.

Office and Administration expenditure increased from $35,000 in 1996-97 to $82,000. This increase was largely due to the Board having to pay rent for the first time for the premises they occupy. The remaining increase was due to Doubtful debts expense and also due to higher Board Inquiry costs in 1997-98 than in prior years.

Total Expenditure

Total reported expenditure increased by $99,000 in 1997-98. As mentioned above, the increase was largely due to increases in *Salaries and Employee Entitlements* and *Office and Administration*. In comparison to the budget, the actual expenditure was $39,000 less than budget mainly due to the Board not incurring as much *Salaries and Employee Entitlements* as the budget estimate.

Conclusion

From the Audit review of the financial statements and the explanations for variations from prior year results and the budget , the conclusion has been drawn that, the Agents Board, in an overall sense managed its operations to budget.

10.6 SHORT TERM FINANCIAL POSITION

The *current ratio*, which represents the ratio of the current assets to current liabilities, is indicative of an entity's ability to meet its obligations

in the short term. Details of the current assets and liabilities and the current ratio for the last three years are presented in the following table.

Agents Board Current Assets and Liabilities

	1997-98 $000	1996-97 $000	1995-96 $000
Current Assets			
Cash	300	72	229
Receivables and Notes	125	193	77
Investments	3,287	2,842	1,987
	3,712	**3,107**	**2,293**
Current Liabilities			
Creditors and Accruals	5	3	10
Fees Paid in Advance	72	70	63
Provisions	61	27	28
	138	**100**	**101**
Current Ratio	**27 to 1**	**31 to 1**	**23 to 1**

A current ratio in the range of 1 :1 to 1.5 :1 is the minimum usually desirable in a business. The Board has however a current ratio of 27 to 1. This reflects the fact that Agents Board functions include the purpose of compensating agents' clients in proven cases where agents have misappropriated clients deposits or other monies. The Board is increasing its financial asset holdings over the next few years following a recent risk assessment of its exposure to the risk of possible claims. This assessment was performed by the Board in conjunction with the Office of Financial Management.

11. AUSTRALIAN INTERNATIONAL HOTEL SCHOOL

11.1 INTRODUCTION

The Australian International Hotel School (AIHS) provides a degree program in Hotel Management in affiliation with Cornell University. The key objective of the school is to improve expertise in hospitality management and develop service industry employment skills and opportunities.

11.2 SIGNIFICANT FINDINGS

- ***The AIHS incurred a loss of $2.5m in 1997-98;***
- ***Borrowings from the Central Finance Unit were $2.1m in 1996-97;***
- ***The survival of the AIHS is dependent on the substantial Government funding it receives; the Government has agreed to provide a total of a further $4.8m over the next three financial years;***
- ***The AIHS is not likely to be profitable in the short or medium term; there continues to be uncertainty over longer term profitability;***
- ***The School incurred an unrealised foreign exchange loss of $280,530 following the revaluation of the Cornell loan as at 30 June 1998; and***
- ***AIHS is continuing to negotiate the development of an affiliation agreement with an Australian University.***

11.3 AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided on 15 September 1998.

11.4 FINDINGS FROM THE AUDIT

The audit identified several instances where the financial operations of the AIHS could be improved or where internal controls were not operating

satisfactorily. These instances have been advised to management with appropriate recommendations.

11.5 FINANCIAL ANALYSIS

The following table summarises the School's Operating Statement.

Australian International Hotel School Summary Operating Statement

	Budget 1997-98 $000	Actual 1997-98 $000	Actual* 1996-97 $000
Revenue			
Student Fees; Hotel Trading Receipts	4,823	4,124	1,570
Grants and Donations	69	52	79
	4,892	**4,176**	**1,649**
Expenses			
Salaries and Related Costs	2,928	3,375	1,489
Communications, Marketing and Travel; Services Facilities Expenses; Affiliation Expenses	3,189	2,196	1,138
Interest Expense	178	121	43
Depreciation	60	134	153
Other Expenses	0	800	357
	6,355	**6,626**	**3,181**
Operating Loss Before Abnormals	**(1,463)**	**(2,450)**	**(1,532)**
Abnormal Income/Expense	—	(281)	582
Operating Loss	**(1,463)**	**(2,731)**	**(950)**

*The financial data for 1996-97 is for the six months to 30 June 1998.

AIHS incurred a loss of $2.4m in 1997-98. The loss, which was significantly greater than the budgeted result of $1.5m, was due to less revenue and higher expenses than planned for the year.

Revenue has increased in 1997-98 over the annualised revenue for the six months to 30 June 1997 for several reasons. These include two major exhibitions held at the National Gallery of Australia, increased interest in the Chifley's Restaurant after its shortlisting by the Restaurant and Catering Association Award for Excellence, and an increase in the number of students (i.e. average 91 for 6 months to 30 June 1997 up to 122 for the year ended 30 June 1998).

Despite these factors revenue was under budget mainly because of an overestimation of fees from students enrolled before January 1996 and lower numbers of students in residence.

Expenses also increased in 1997-98 because of a payment of US$50,000 for Cornell establishment fees to cover the six months to 30 June 1997, payments for services previously provided free by CIT, the introduction of a comprehensive insurance program and costs relating to the determination of sales tax equivalents. Actual expenditure was higher than budgeted.

Under the affiliation arrangements with Cornell, the AIHS owes an amount of $1.45m to Cornell for annual fees. This amount is denominated in US dollars. Following the movements in $A/$US exchange rate, the School incurred an unrealised foreign exchange loss of $280,530. This was brought to account as an abnormal item.

Management has forecast an operating loss of $2.6m in 1998-99. On current budget estimates it is unlikely that the School will be profitable until the middle of the next decade. There can be no certainty at this stage of longer term profitability.

11.6 SHORT TERM FINANCIAL POSITION

AIHS's Current Assets and Liabilities

	1997-98 Actual $000	1996-97 Actual $000	1996 * Actual $000
Current Assets			
Cash at Bank and On Hand	198	193	304
Debtors	364	213	262
Other	35	65	60
Establishment/Affiliation Fees	351	351	0
Consumables	46	47	61
	994	**869**	**687**
Current Liabilities			
Bank Overdraft	118	0	0
Creditors and Accruals	434	388	977
Fees in Advance	423	421	94
Provisions	173	109	94
Other (Cornell Fees)	210	348	165
	1,358	**1,266**	**1,330**
Current Ratio	**0.73 to 1**	**0.69 to 1**	**0.52 to 1**

* Note: The actual figures are as at 31 December 1996.

A current ratio in the range of 1:1 to 1:1.5 is the minimum usually desirable in a business. That is, it is desirable to have current assets at least equal to current liabilities, and preferable to have at least 50% more current assets than current liabilities.

While the School's current ratio has been improving, it is obvious that the School could not meet its liabilities as they fall due if regular Government financial support was not being provided. In this regard liabilities have increased in 1997-98 mainly due to planned borrowings of $2.1m from the ACT Government to ensure that AIHS is financially viable in the short term.

As a result of the revaluation of Cornell fees, there has been a decrease in liabilities of $65,517 (see later).

Assets have decreased due to the amortisation of the Cornell Affiliation Asset by $350,825 (see later).

11.7 STUDENT NUMBERS

Enrolments

Actual undergraduate student enrolments at June 1998 were 117 students confirmed and 136 at the end of September. Although in accordance with agreed plan these numbers are still well below the number which is required to make the AIHS profitable.

Management forecasts for the next 3 years are positive, with a steady increase expected as follows:

Year	No of students
1999	151
2000	203
2001	256

Graduations

This is consistent with the number of students graduating over this time frame. Seventeen students graduated in June 1998 and more are forecast in the future:

Year	Number of students
1999	30
2000	44
2001	63

The AIHS advised that all graduates have received firm employment offers.

11.8 GOING CONCERN

A key issue in 1997-98, as in previous years, has been the ability of AIHS to be a commercially viable entity. With the current deficiency of net assets and continuing losses into the foreseeable future the AIHS will only continue to survive with ACT Government support. The Government has

agreed to provide a total of $4.8m to the School over the next three financial years.

11.9 CORNELL FEES

A new agreement was renegotiated with regard to Cornell Fees. Under this arrangement the remainder of the Establishment Service Fee will be paid at the rate of USD $100,000 per annum in two equal instalments to cover the six months to 30 June 1997. An additional US$50,000 was paid in 1997-98. Interest payable on outstanding Establishment Service Fees have also been waived.

Under the new agreement the outstanding loan of USD $850,000 was restated at the USD rate as at 30 June 1998. As a result of the significant drop in the value of the Australian dollar over the last few months, an unrealised foreign exchange loss on the revaluation of the Cornell loan occurred.

11.10 AFFILIATION WITH AN AUSTRALIAN UNIVERSITY

In 1997-98 the AIHS was in the process of negotiating an affiliation agreement with an Australian University. The draft agreement is in the final stages of negotiations and has been endorsed by the responsible Minister and Cornell University.

Affiliation costs will initially be based on a standard fee for each international student recruited through the university. The fee will be consistent with normal agent commission. When student enrolments reach 315 the payment will revert to 5% of fees for new students recruited.

12. BUSINESS, EMPLOYMENT, TOURISM, THE ARTS, REGULATORY REFORM AND INDUSTRIAL RELATIONS

12.1 INTRODUCTION

On 31 March 1998, the Department of Business, the Arts, Sport and Tourism (BASAT) was abolished. Functions relating to business, employment, tourism, arts, regulatory reform and industrial relations were transferred to the Chief Minister's Department.

For financial reporting purposes for 1997-98, the transferred functions were treated as a notional separate department - the Department of Business, Employment, Tourism, the Arts, Regulatory Reform and Industrial Relations (BETARIR). Budget information was adjusted accordingly

Responsibility for the land development joint ventures were transferred to the Office of Asset Management on 1 July 1997.

12.2 SIGNIFICANT FINDINGS

- ***This year $14.7m was spent in cash on the Bruce Stadium redevelopment; this exceeded the $5.6m received as a capital injection for the project; the shortfall was met by borrowing $9.7m from the Commonwealth Bank; $17.4m has been expended on the redevelopment to year end with a further $10m committed at balance date; and***

- ***Last year, the Territory obtained land at Kingston Foreshore from the Commonwealth; the cost of this land was $10.25m (represented by $7.25m in land at Acton Peninsula plus an additional payment of $3.m); this year the land was written down to its independent valuation of $5.05m resulting in an abnormal loss of $5.2m to the Territory.***

12.3 AUDIT OF 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Chief Minister on 21 September 1998.

An *Emphasis of Matter* paragraph was included in the audit report indicating that *"the results for several performance measures were not measured or were estimated"* and that therefore no audit opinion could be expressed on these measures.

12.4 FINANCIAL ANALYSIS

DEPARTMENTAL TRANSACTIONS

The table on the opposite page summarises the Department's Operating Statement.

Business, Employment, Tourism, the Arts, Regulatory Reform and Industrial Relations Summary Operating Statement

	Budget[1] 1997-98 $000	Actual 1997-98 $000	Actual[2] 1996-97 $000
Revenue			
Government Sources			
Government Payment for Outputs	23,936	24,187	15,385
Superannuation Liability Assumed	584	883	1,129
Resources Received Free of Charge	368	560	907
User charges	75	75	-
	24,963	25,705	17,421
Other Sources			
Hire of Facilities, Fees for Service, Sales	215	1,028	1,553
Other	33	159	1,476
	248	1,187	3,029
	25,211	**26,892**	**20,450**
Expenditure			
Employee Expenses			
Employee Expenses		5,815	
Superannuation Expenses		1,072	
	4,241	6,887	10,160
Administrative Expenses			
Consultants and contractors		1,410	
Fees for services		7,648	
Advertising and promotions		1,012	
Grants and subsidies		5,914	
Travel, Transport and Communications		578	
Accommodation and other materials		2,529	
Cleaning, security and equipment		1,411	
Other		1,402	
	21,177	21,904	9,524
Other	48	108	301
	25,466	**28,899**	**19,985**
Operating (Loss) / Surplus	**(255)**	**(2,007)**	**465**

Note The Budget figures for Government Payments for Outputs was increased by $600k to recognise funds received for AusIndustry.

[1] The budget information for 1997-98 reflects the allocation of the Budget for the former Department of Business, the Arts, Sport and Tourism for the functions transferred to the Department of Business, Employment, Tourism, the Arts, Regulatory Reform and Industrial Relations.

[2] The information for 1996-97 relates to the relevant functions in the former Department of Business, the Arts, Sport and Tourism.

Comments follow on the major sources of revenue and expenditure which how significant variations from budget and/or the previous year.

Revenue Items

At $26.9m, total revenue exceeded the budgeted revenue of $25.2m by $1.7m and the prior year actual revenue of $20.5m by $6.4m.

The increase in revenue of $1.7m against budget was mainly due to an increase in the *Government Payment for Outputs* over budget by $0.3m and the *Hire of Facilities and Fees for Services* exceeding budget by $0.8m.

The increase in *Government Payment for Outputs* was due to the receipt of a Treasurer's Advance of $0.2m for the opening of the Canberra Museum and Gallery.

Revenue from fees and services exceeded budget expectations.

The variance of $6.4m against the previous year was mostly due to an increase in the *Government Payment for Outputs* associated with new initiatives and newly acquired functions. Major new initiatives included the 'Feel the Power' campaign ($0.5m), Employment programs ($0.8m), Highspeed train ($0.5m) and Helpshop program ($0.3m). New functions transferred to the Department were ACT Business Licence Information Service (ACTBLIS) ($1.2m) and AusIndustry ($2.5m).

Expenditure Items

At $28.9m expenses exceeded the budget of $25.5m by $3.4m and the prior year's actual expenditure of $19.9m by $9.0m.

The increase of $3.4m over budget was mostly due to employee expenses exceeding budget by $2.7m. Employee expenses for the Museums and Galleries ($1.5m) and allocation of corporate employee expenses had not been included in the budget.

The $9.0m increase from the prior year was mostly due to a $12.3m increase in administrative expenses, partially offset by a $3.2m reduction in employee expenses. The increases in administrative expenses were

associated with the new initiatives and newly acquired functions previously mentioned.

Operating Result

The Department's operating loss was $2m compared with a budgeted loss of $0.3m. The Department's increase in revenue over budget was not sufficient to match the increase in its expenditure over budget.

Conclusion

From the audit review of the financial statements and the explanations for variations from budget, the conclusion has been drawn that the Department, in an overall sense, has managed its Departmental operations to its budget.

Bruce Stadium Redevelopment

In 1997-98, an amount of $14.7m was spent on construction work for the Bruce Stadium redevelopment. This amount exceeded the $5.6m appropriated as a capital injection for the project.

The Department obtained the extra funds by borrowing $9.7m from the Central Financing Unit through the year. At year end, the loan from the CFU was repaid using an overnight loan from the Commonwealth Bank to an entity controlled by the Chief Minister's Department. The loan was repaid to the Bank on the 1 July the next day by the Chief Minister's Department.

Overall, $17.4m in expenditure had been incurred on the redevelopment to year end with a further $10m committed at balance date.

TERRITORIAL TRANSACTIONS

Territorial Revenue

Territorial revenue other than amounts received from the Central Financing Unit comprised:

Business, Employment, Tourism, the Arts, Regulatory Reform and Industrial Relations' Territorial Revenue

	Budget[3] 1997-98 $000	Actual 1997-98 $000	Actual[4] 1996-97 $000
Taxes, Fees and Fines	350	602	565
Commonwealth Grants	355	1,192	785
Land Revenue	4,104	300	1,328
Other	4,696	4,996	4,808
	9,505	**7,090**	**7,486**

Revenue Items

Territorial Revenue at $7.1m was below the budget $9.5m and 1996-97 revenue of $7.5m by $2.4m and $0.4m respectively. Revenue being below budget is mainly due to revenue from land sales by land joint ventures being included in the budget for this Department but being accounted for by the Office of Asset Management. Responsibility for the land joint ventures was transferred to the Office of Asset Management on 1 July 1997.

Expenditure Items

Territorial expenditure other than transfers made to the Central Financing Unit for Commonwealth Grants received, and rates, etc. charged comprised:

[3] The budget information for 1997-98 reflects the allocation of the Budget for the former Department of Business, the Arts, Sport and Tourism for the functions transferred to the Department of Business, Employment, Tourism, the Arts, Regulatory Reform and Industrial Relations.

[4] The information for 1996-97 relates to the relevant functions in the former Department of Business, the Arts, Sport and Tourism.

Business, Employment, Tourism, the Arts, Regulatory Reform and Industrial Relations' Territorial Expenditure

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000
Grants and Subsidies			
Arts development funding program (eg grants to professional artists, awards and other activities by groups to promote artwork)		4,764	
Capital Grants (for National Gallery Extension)		2,000	
Government contribution to Candeliver		600	
Racing Development Fund grants		5,027	
	11,637	12,391	16,044
Other	0	99	39
	11,637	**12,490**	**16,083**

The increase in Grants and Subsidies from budget ($0.8m) relates to $0.6m for Candeliver and $0.2m of additional funding for Racing Development Fund.

The reduction of $3.6m in Grants, Subsidies and Transfer Payments from 1996-97 reflects the transfer of AusIndustry ($2.5m) and ACTBIS ($1.2m) from the Territorial accounts to the Departmental.

Kingston Foreshore - Abnormal loss

Last year, the Territory obtained land at Kingston Foreshore from the Commonwealth. The cost of this land ($10.25m) was made up of $7.25m for the Acton Peninsula site plus an additional payment of $3.0m. This year the land was independently valued at $5.05m and written down, resulting in an abnormal loss of $5.2m to the Territory.

Conclusion

From the audit review of the financial statements and the explanations for variations from the budget, the conclusion has been drawn that the Department, in an overall sense, has managed its Territorial operations to its budget.

12.5 ACT AUSINDUSTRY

The ACT AusIndustry program operates under a bilateral agreement between the Commonwealth and the ACT Government. The primary aim of the program is to improve the efficiency of Australian businesses and therefore increase their competitiveness. The programs financial transactions are recorded in the ACT AusIndustry's Cash Transaction Register and in the Department's audited financial statements. Funds are held in the Department's Territorial Account and Trust Account.

A joint account reconciliation statement has been prepared by the ACT AusIndustry and an ***unqualified*** audit opinion has been provided in relation to this statement.

As in previous years, the commitments of $772,229 approximate the amount of the carry forward of funds at the end of the year, which was $786,597.

The ACT AusIndustry Bilateral Agreement expired on 30 June 1998. There is no intention for the agreement to be renewed by either party. The Department has advised that the ACT AusIndustry will cease operations as of 31 December 1998. The ACT Government will administer any funding still held after this date.

13. CANBERRA BUSINESS DEVELOPMENT FUND

13.1 INTRODUCTION

CBDF Pty Limited is the trustee of the Canberra Business Development Fund. The Fund is a joint venture between the ACT Government and FAI Insurance Pty Limited with the aim of fostering the development of business in Canberra. Each unitholder holds 50% of the units in the trust. The ACT's investment in the Fund is $2m.

13.2 AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

The agreement between CBDF Management (Manager) and CBDF Pty Ltd (Trustee) requires the manager to prepare half yearly financial statements that are required to be audited.

An ***unqualified*** audit opinion on the financial statements for the six months ended 31 December 1997 was provided to the Canberra Business Development Fund on 23 April 1998.

An ***unqualified*** audit opinion on the financial statements for the year ended 30 June 1998 was provided to the Canberra Business Development Fund on 8 October 1998.

13.3 FINANCIAL ANALYSIS

The Fund recorded an operating profit of $179,000 for the year ended 30 June 1998.

As at 30 June 1998 the Fund had not commenced operations. Income of $191,000 was interest earned on cash on deposit, and operating expenses of $12,000 were miscellaneous in nature.

13.4 SUBSEQUENT EVENT

Subsequent to 30 June 1998, the Canberra Business Development Fund entered into an agreement to take an equity interest in a local private company for a value of $300,000.

14. CANBERRA INSTITUTE OF TECHNOLOGY

14.1 INTRODUCTION

The Canberra Institute of Technology (CIT) is a statutory authority established on 4 January 1988 under the Canberra Institute of Technology Act 1987. The functions of the Institute include conducting an educational institution in the fields of technical and further education, and supporting industry, commerce and the community in the ACT. It serves the vocational, educational and training needs of the ACT and its region from six main campuses. The Institute has a 31 December year end for financial reporting.

14.2 AUDIT OF THE 1997 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided the Minister for Education and Community Services on 11 March 1998.

14.3 OPERATING RESULT

Revenue and expenditure for 1997 were marginally lower than for 1996. Total revenue has decreased by $2.5m and there was a fall in expenses of $1.8m. As a result CIT's net operating loss of $1m for 1997 exceeded the loss for the previous year of $0.3m by $0.7m.

CIT improved on its budgeted operating loss of $1.4m by $0.4m. While revenue for 1997 was in line with budget, expenditure was slightly less than budget.

From 1 January 1998 the Government Payment for Outputs previously received directly by CIT was received through the Department of Education and Training under a purchase contract. Consequently, for comparison purposes the revenue item Fees from the Department of Education is generally comparable with Government Payments for Outputs. A summarised operating statement for CIT follows.

Canberra Institute of Technology Summary Operating Statement

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000
REVENUE			
Government Sources			
Government Payment for Outputs	27,008	27,409	54,310
Fees from Department of Education for provision of public access courses and other	26,350	27,862	3,044
Liabilities Assumed by Government	6,864	5,537	5,589
Resources Received Free of Charge	1,927	1,547	1,933
	62,149	62,355	64,876
Other Sources			
Student fees and labor maker programs and grants	16,151	15,712	15,469
Interest	642	557	781
	16,793	16,269	16,250
	78,942	**78,624**	**81,126**
EXPENDITURE			
Employee Expenses			
Salary and Wages		41,651	46,179
Long Service and Annual Leave		4,584	1,962
Superannuation		7,177	7,186
Other Employee Expenses		600	934
	55,575	54,012	56,261
Administrative Expenses			
Materials and Services		6,596	5,309
Property and Equipment Maintenance		8,671	8,583
Operating Leases		1,729	34
Other		2,593	4,432
	19,243	19,589	18,358
Depreciation	5,024	4,812	5,373
Other	507	1,239	1,490
	80,349	**79,652**	**81,482**
Operating Loss	**(1,407)**	**(1,028)**	**(356)**

Conclusion

From the audit review of the financial statements and explanations for variations from budget and previous year's figures, the conclusion has been drawn that the Canberra Institute Technology, in an overall sense has managed its operations to its budget.

14.4 SHORT TERM FINANCIAL POSITION

The current ratio, which represents the ratio of current assets to current liabilities, is indicative of an entity's ability to meet its obligations in the short term. Details of the current assets and liabilities and the current ratio for the last three years are presented in the following table.

Canberra Institute of Technology Current Assets and Liabilities

	Actual 1997-98 $000	Actual 1996-97 $000	Actual 1995-96 $000
Current Assets			
Cash	405	488	319
Receivables	5,269	3,852	1,860
Investments	5,420	6,010	6,763
Other	649	446	702
	11,743	**10,796**	**9,644**
Current Liabilities			
Creditors	2,073	2,357	966
Borrowings	0	55	10
Other	1,571	2,018	655
Finance Leases	47	46	84
Employee Entitlements	5,902	5,783	5,103
	9,593	**10,259**	**6,818**
Current Ratio	**1.2:1**	**1.1:1**	**1.4:1**

A current ratio in the range of 1:1 to 1.5:1 is the minimum usually desirable in a business.

As can be seen from the table at the end of 1997, CIT has a reasonable current ratio of 1.2:1.

15. CANBERRA PUBLIC CEMETERIES

15.1 INTRODUCTION

The principle activities of the Canberra Public Cemeteries Trust consists of the management and operation of the Gungahlin, Hall and Woden cemeteries. The Trust operates pursuant to the provision of the *Cemeteries Act 1933*.

15.2 SIGNIFICANT FINDING

- ***Cemeteries 1997-98 operations resulted in a loss of $150,000 compared to a surplus of $53,000 in 1996-97; and***

- ***Cemeteries did not manage its operations to budget during 1997-98.***

15.3 AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Urban Services on 10 September 1998.

15.4 FINDINGS FROM THE AUDIT

As a result of the audit, several instances were identified where operations of the Trust could be improved or where internal controls are not operating satisfactory. These instances have been notified to management with appropriate recommendations.

15.5 FINANCIAL ANALYSIS

The following table summarises the Trust's Operating Statement:

Canberra Cemeteries Summary Operating Statement

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000	Actual 1995-96 $000
Revenue				
User Charges - Non Govt.	820	702	686	630
Government Payment for Output	246	230	240	225
Interest	45	73	69	57
Other	0	11	24	85
	1,111	**1,016**	**1,019**	**997**
Expenditure				
Employee Expenses	290	296	258	301
Administrative Expenses	656	679	520	554
Depreciation	174	191	188	191
	1,120	**1,166**	**966**	**1,046**
Operating Surplus/(loss)	**(9)**	**(150)**	**53**	**(49)**

Comment follows on the major sources of revenue and expenditure items which show significant variations from prior year results or budget.

Revenue Items

User Charges - Non Government includes revenue from allotment and reservation fees, burial fees, maintenance fees, sale of plaques, monuments and vaults and memorial permit fees. User Charges increased slightly in 1997-98 compared to the previous year. This was mainly attributable to the increase in allotment and reservation fees as more people decided to purchase and reserve burial sites in 1997-98 than in the previous years. User Charges for the year were significantly below budget as the budget

for revenue from maintenance fees was not prepared on the basis on which these fees were accounted for.

Total Revenue

The Trust's revenue for the year totaled $1.1m in 1997-98. Total revenue fell slightly by 0.2% in 1997-98 compared to the previous year. This was due to fall in *Other Revenue* and *Government Payment for Output* but was compensated by increases in *User Charges* and *Interest Revenue*.

Expenditure Items

Employee Expenses increased by $38,000 in 1997-98. The increase was largely a result of salary increases, employment of a trainee and an apprentice and temporary employment to fill a position while a staff member was on leave.

Administrative Expenses increased by $159,000 or 23% in 1997-98 compared to the previous year. Additional expenditure was incurred during the year on grave digging $43,000; grounds maintenance $42,000; purchase of vaults $40,000 and increased water charges of $35,000 due to the drought.

Total Expenditure

Total reported expenditure increased by $200,000 or 21% in 1997-98. As mentioned above, the increase was largely due to increases in *Employee Expenses* and *Administration Expenses*. In comparison to the budget, the actual expenditure was $46,000 over the budget estimate mainly due to a combination increase in *Administration Expenses* and *Depreciation Expenses*. Depreciation expense was higher than budget in 1997-98, as more assets were acquired during the year.

Operating Loss

The Trust has gone from an operating profit of $53,000 in 1996-97 to an operating loss of $150,000 in 1997-98. This change was mainly attributable to significant increase in expenditure as explained above which were not matched by equivalent increases in income. The budget estimated a loss of $9,000 for the year. However, actual revenue for the year was significantly below budget.

Conclusion

From the Audit review of the financial statements and the explanations for variations from prior year results and the budget, the conclusion has been drawn that, the Trust, in an overall sense did not manage its operations to budget during 1997-98, especially in relation to revenue.

15.6 SHORT TERM FINANCIAL POSITION

The *current ratio*, which represents the ratio of the current assets to current liabilities, is indicative of an entity's ability to meet its obligations in the short term. Details of the current assets and liabilities and the current ratio for the last three years are presented in the following table.

Canberra Cemeteries Current Assets and Liabilities

	1997-98 $'000	**1996-97 $'000**	**1995-96 $'000**
Current Assets			
Cash	99	1,002	639
Receivables and Notes	69	78	37
Investments	1,083	0	0
Other	1	2	1
	1,252	**1,082**	**677**
Current Liabilities			
Creditors and Borrowings	34	28	56
Provisions	38	32	24
Other	104	97	69
	176	**157**	**149**
Current Ratio	**7 to 1**	**7 to 1**	**5 to 1**

A current ratio in the range of 1 :1 to 1.5 :1 is the minimum usually desirable in a business. The Trusts current ratio remained constant at 7 to 1 over the past two years. This appears to be a high current ratio. The Trust however has significant non current liabilities for deferred maintenance fees and burial fees received in advance. These will need to

be met from Trust investments which are presently short term i.e. included in current assets. The Trusts short term financial position is satisfactory.

16. CANBERRA TOURISM AND EVENTS CORPORATION

16.1 INTRODUCTION

The Canberra Tourism and Events Corporation was established as a statutory corporation by the *Canberra Tourism and Events Corporation Act 1997*. It commenced operations on 1 July 1997. The Corporation aims to maximise the social, cultural, economic and employment benefits of tourist visitation to the ACT community through the provision of quality tourism events and services.

The Corporation operates the Canberra Visitors Centre and undertakes a range of promotional and marketing activities. The Corporation's Board also oversights two separate events, Floriade and the Rally of Canberra. The financial statements of both events are included in the Corporation's financial statements.

16.2 SIGNIFICANT FINDINGS

- ***The Corporation returned an operating surplus of $2,000 compared to a budgeted surplus of $235,000; and***

- ***Net expenses totalling $643,000 were incurred during the year in respect of Floriade 1998 and expenses totalling $67,000 were incurred during the year in respect of the 1998 Rally of Canberra; these amounts were carried forward in the Corporation's accounts in order that they will be taken into account in determining the financial operating result for the 1998 events.***

16.3 AUDIT OF 1997-98 FINANCIAL STATEMENTS

An unqualified audit opinion was provided to the members of the Legislative Assembly on 10 September 1998.

16.4 FINDINGS FROM THE AUDIT

As a result of the audit, a number of instances were identified where the Corporation's financial operations and internal controls could be enhanced. These instances have been notified to management with appropriate recommendations and the Corporation has agreed to implement them.

16.5 FINANCIAL ANALYSIS

The following table summaries the Corporation's Operating Statement:

Canberra Tourism and Events Corporation
Summary Operating Statement

	Budget 1997-98 $000	Actual 1997-98 $000
REVENUE		
User Charges — Government	7,349	7,349
Advertising Sales	423	497
Sponsorships Received	505	432
Produce Sales	193	222
Concession Fees	185	158
Parking Fees	96	157
Other	1,024	630
	9,775	**9,445**
EXPENSES		
Employee Expenses	2,123	2,423
Administrative Expenses	7,305	6,798
Other	112	222
	9,540	**9,443**
Operating Profit	**235**	**2**

Revenue Items

During 1997-98, the Corporation's total revenue was $9.45m compared to a budget of $9.78m. Non-Government user charges were $322,000 less than expected. Within this item, product and advertising sales were higher than expected, however, booking service commissions, sponsorships and concession fees did not meet budget expectations.

Expenditure Items

The Corporation's expenses during the year were $9.44m compared to a budget of $9.54m. Administrative expenses, the largest expenditure item, was 7% lower than expected, whereas employee expenses were 14% higher than the budget estimate. The overall reduction in expenses was not, however, sufficient to offset the reduction in non-Government revenue.

Operating Result

The Corporation returned an operating surplus of $2,000 compared to a budgeted surplus of $235,000. This result includes revenue earned and expenses incurred during the year in respect of Floriade 1997 and the 1997 Rally of Canberra. It does not, however, include expenses incurred and revenue earned in respect of those two events in the previous financial year. As a result of that practice, the reported results overstate the actual results for both 1997 events.

During 1997-98, the Corporation adopted an accounting policy which will result in all revenue and expenses relating to a particular event being reported in one financial year. As a result, net expenses totalling $643,000, which were incurred during the 1997-98 financial year, in respect of Floriade 1998 and expenses totalling $67,000, which were incurred during the year, in respect of the 1998 Rally of Canberra were carried forward in the Corporation's 1997-98 balance sheet. These amounts will be taken into account in the Corporation's 1998-99 operating statement in determining the financial results in respect of Floriade 1998 and the 1998 Rally of Canberra. The change in accounting policy will correct the anomaly whereby the Corporation's two main events were not being reported in a manner conducive to evaluation of the total financial results of each event.

16.6 CONCLUSION

Given the inherent difficulties of budgeting for a first year of operations, the Corporation generally managed to budget.

The Corporation's 1998-99 financial statements will be the first time in which the full results of its major events will be reported in the one year. As Floriade and the Rally together represent more than 50 percent of the Corporation's non-Government revenue, the outcome for these two events will be important elements in determining the Corporation's overall results in the future.

16.7 SHORT TERM FINANCIAL POSITION

The current ratio, which represents the ratio of current assets to current liabilities, is indicative of an entity's ability to meet its obligations in the short term. The Corporation's current ratio was 1.9:1 compared to a target of 1.1:1. This favourable outcome arose because current assets held at year end were significantly higher than projected. This was mainly as a result of the Corporation receiving a capital injection for capital works expenditure (extensions to the Canberra Visitors Centre) prior to year end which was unexpended at 30 June.

17. CANDELIVER LIMITED

17.1 INTRODUCTION

CanDeliver Limited was incorporated on 22 September 1998 and commenced trading on 1 October 1998. The Company's main activity is prime contracting of public sector corporate and support services. To achieve this, the Company uses local business firms in consortia. This enables some firms to be involved in bids for large contracts that would otherwise be beyond their capacity. The ACT Government holds all shares in the Company.

The Company tendered for two large Commonwealth out-sourcing contracts towards the end of the financial year. It has been nominated as the preferred supplier for the Department of the Prime Minister and Cabinet. It is expected that the Company will tender for more contracts during the coming year.

The ACT Government announced in the 1998-99 Budget that its information technology agency, the InTACT Group, would be transferred to CanDeliver Limited subject to due diligence processes being completed. In the course of those processes it became apparent that substantial work would be required to allow InTACT to migrate to a fully commercial environment. In addition, the efforts required to achieve this outcome would impact severely on InTACT's ability to complete the modernisation program for which it was responsible within the timeframes required to ensure Y2K compliance. Accordingly, the Government has been decided that the transfer should be deferred for 12 to 18 months. In the interim InTACT has become part of the Chief Minister's Department.

17.2 SIGNIFICANT FINDINGS

- ***The Company returned an operating loss after income tax equivalents and extraordinary items of $119,664; and***

- ***The Company's current ratio is a matter for concern and will need to be monitored very closely by the Company if it is not to experience liquidity difficulties.***

17.3 AUDIT OF 1997-98 FINANCIAL STATEMENTS

An unqualified audit opinion was provided to the members of the Company and the members of the Legislative Assembly on 18 September 1998.

17.4 FINDINGS FROM THE AUDIT

As a result of the audit, a number of instances were identified where the Company's operations could be improved or where internal controls are not operating satisfactorily. These instances have been notified to management with appropriate recommendations.

17.5 FINANCIAL ANALYSIS

The following table summaries the Company's Operating Statement:

CanDeliver Summary Profit and Loss Statement	
	Actual 1998 $000
Revenue	
Sales	57
Other	56
Interest	4
	117
Expenses	
Cost of Sales	502
Employment expenses	94
Professional fees	77
Consultants	67
Legal fees	20
Other	77
	837
Operating Loss before Extraordinary Items	**(720)**
Extraordinary Income Items	600
Operating Loss	**(120)**

During 1997-98, the Company's total revenue was $717,000 including extraordinary items. Extraordinary items comprised initial start up payments of $600,000 contributed by the ACT Government. Operating revenue of $117,339 was achieved against a target of $50,000.

The Company returned an operating loss of $119,664 after extraordinary items and income tax equivalents.

Conclusion

The Company has only been in existence for nine months and has yet to secure a major contract. The company's financial future will depend on its ability to secure at least one major contract.

17.6 SHORT TERM FINANCIAL POSITION

The current ratio, which represents the ratio of current assets to current liabilities, is indicative of an entity's ability to meet its obligations in the short term. A current ratio in the range of 1:1 to 1.5:1 is the minimum usually desirable in a business. The Company's ratio was 0.59:1 compared to a budget target of 1.46:1. This adverse ratio should be a matter for concern to management and will need to be monitored closely by the Company if it is not to experience liquidity difficulties.

18. CASINO SURVEILLANCE AUTHORITY

18.1 INTRODUCTION

The Casino Surveillance Authority was established by Section 22 of the Casino Control Act 1988. The Act provides for the establishment and control of a casino in the Australian Capital Territory. The Casino Surveillance Authority supervises the operation of the casino in Canberra and provides policy advice to the Government on related matters. The casino licence for the permanent casino was issued on 28 July 1994.

The Casino Control Act 1988 requires that the casino licensee remit an annual licence fee, together with monthly taxation payments. The taxation payments are paid to the ACT Revenue Office, while the licence fee is paid to the Authority. Casino taxation payable is calculated as 20% of the gross profit derived by the Casino licensee from the gaming operations of the Casino.

18.2 AUDIT OF 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Chief Minister on 18 August 1998.

18.3 FINDINGS FROM THE AUDIT

As a result of the audit a number of minor matters were identified and reported to the Authority's management with appropriate recommendations.

18.4 FINANCIAL ANALYSIS

Operating Result

The Authority achieved an operating surplus for the year of $9,278 compared to a surplus of $42,012 in 1996-97. While revenue has remained constant over the last two years (mainly from the Casino licence fee), expenses increased slightly in 1997-98.

19. CENTRAL FINANCING UNIT

19.1 INTRODUCTION

The Central Financing Unit (CFU) is a separate reporting entity within the Chief Minister's Department.

The CFU is responsible for the funds management activities of the Government through the CFU departmental account. The unit manages the surplus cash balances of the ACT and invests funds in the money market within known cash flow requirements and established investment policies. The CFU's function is to maximise the returns on investments for all the investing agencies.

The CFU manages the central finances of Government through its Territorial account operations. Territory revenues collected by Departments are paid to the CFU by the Departments. The CFU is responsible for making *Government Payment for Outputs, Expenditure on Behalf of the Territory and Capital Injection payments* to the Departments in accordance with appropriations. As well it is responsible for debt servicing payments and the administration of the Territory debt portfolio.

19.2 AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Chief Minister on 21 September 1998.

19.3 FINANCIAL ANALYSIS

The table below summarises the Department's Operating Statement.

Central Finance Unit's Summary Operating Statement

	1997-98 Actual $000	1996-97 Actual $000	1995-96 Actual $000
Debt servicing interest from clients	22,570	28,122	26,606
Income from market investments	19,269	20,164	19,175
Total Operating Revenue	**41,839**	**48,286**	**45,781**
Expenses on market investments	9,636	9,476	11,367
Interest paid to client	8,336	7,733	7,877
Interest payments	21,081	26,807	23,546
Administration	608	821	875
Total Operating Expense	**39,661**	**44,837**	**43,665**
Operating Profit	**2,178**	**3,449**	**2,116**

Comment follows on the major sources of revenue and expenditure which show significant variations from the previous year.

DEPARTMENTAL TRANSACTIONS

Revenue

Revenue for the year fell by $6.447m from $48.286m to $41.839m. This movement was largely the result of a fall in domestic interest rates for semi-government borrowings and a reduction in the level of home loan borrowings by ACT Housing from CFU of $20m in the year.

Income from market investments remained largely unchanged.

Expenditure

Operating expenses fell by $5.177m from $44.838m in 1996-97 to $39.661m. As with the reduction in revenue, there was a fall in interest payments on commercial debt for home loan funding ($2.835m), semi - government borrowings ($1.827m) and commercial paper ($2.155m) reflecting lower domestic interest rates, the rollover of some of the commercial borrowings into Samurai bonds and the reduction of home loan borrowings. Samurai bond interest rose by $0.997m, to take into account the full year effect of the loans.

Profitability

CFU's profitability fell in 1997-98. The profit for the year ($2.178m) was 5.2% of revenue, compared with 7.1% ($3.448m) in 1996-97.

The Chief Minister's Department advised that "*the main reason for the fall in profitability during 1997-98 was as a result of larger amounts of investment interest being paid to clients than what was actually received from market investments. This was due to the CFU Territorial account being in overdraft for a large part of the year because the capital repayment of $100m from ACTEW was not forthcoming until June 1998.*

The effect of this was that the amount of funds available for investment by agencies was offset by the overdraft position. CFU was obliged to pay agencies interest on their full amount of invested funds but did not receive interest earnings from Territorial balances due to the overdraft position."

TERRITORIAL TRANSACTIONS

The CFU Territorial transactions cover most ACT Government revenue and expenditure activity. An analysis of the Consolidated Financial Statement for the Territory is included in a separate Auditor-General's Report tabled in the Legislative Assembly. As CFU Territorial transactions are reflected in the Consolidated Statement no analysis is presented here.

20. CHIEF MINISTER'S DEPARTMENT

20.1 INTRODUCTION

The Chief Minister's Department assists the Government in achieving its strategic objectives and implementing its programs. It has functions in a range of areas including:

- Public Service management;
- Government strategic priorities management; and
- financial and economic management.

Within the Chief Minister's Department three areas of activity are separate entities for financial reporting purposes and consequently are presented separately from the Chief Minister's Department in this Report. The areas of activity are:

- Central Financing Unit;
- Office of Asset Management; and
- Superannuation Provision Unit.

20.2 AUDIT OF 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Chief Minister on 22 September 1998.

An Emphasis of Matter paragraph was included in the audit report indicating that *"the result for a performance measure was not measured"* and therefore this measure could not be audited.

20.3 FINDINGS FROM THE AUDIT

During the audit some instances were noted where the financial operations of the Department could be improved or where internal controls were not operating satisfactorily. These instances have been reported in a management letter addressed to the Department.

20.4 FINANCIAL ANALYSIS

DEPARTMENTAL TRANSACTIONS

The table on the opposite page summarises the Department's Operating Statement.

Chief Minister's Department Summary Operating Statement

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000
Revenue			
Government payment for outputs	28,952	29,499	34,582
Superannuation assumed	2,839	2,376	2,752
Resources received free of charge	296	1,096	638
Sales of goods and services	1,183	599	1,372
Interest	73	228	126
Other	0	237	27
	33,343	**34,035**	**39,497**
Expenditure			
Employee Expense			
Salaries and wages		14,807	17,587
Workers' compensation		423	310
Annual and long service leave		1,071	(210)
Superannuation		2,742	3,137
	19,834	19,043	20,824
Administrative			
Accommodation		2,802	3,981
Consultants and contractors		2,909	3,928
Equipment		3,560	1,835
Professional Services		2,180	1,689
Printing and Stationery		487	981
Communication		268	823
Other		1,762	1,400
	12,657	13,968	14,637
Depreciation	379	147	1521
Other	0	146	52
	32,871	**33,304**	**37,034**
Operating Surplus	**472**	**731**	**2,463**

Comment follows on the major sources of revenue and expenditure which show significant variations from budget and/or the previous year.

Revenue

Overall, revenue for Departmental activities ($33.3m) increased marginally over budget. There was a reduction in revenue from the previous year ($39.5m) due to a reduction in the *Government Payment for Outputs* falling from $34.6m to $29.5m. This was the result of the transfer of functions to other departments.

Expenditure

Expenditure for the year was slightly higher than budget because of an increase in *Administrative Expenses* of $1.3m offset by a reduction in *Employee Expenses* of $0.80m.

Expenditure in 1997-98 was less than in 1996-97 because of the transfer of functions to other departments. *Employee Expenses* fell by $1.8m and *Administrative Expenses* by $0.67m.

Operating Result

The Operating Surplus ($0.731m) was marginally increased over budget of ($0.472m) but significantly less than the surplus for 1996-97 of $2.5m.

Conclusion

From the audit review of the financial statements and the explanations for variations from budget, the conclusion has been drawn that the Department, in an overall sense, managed its Departmental operations to its budget.

TERRITORIAL TRANSACTIONS

The Territorial revenues of the Chief Minister's Department are mainly taxes and Commonwealth grants. These transactions are reported on in a separate Auditor-General's Report tabled in the Legislative Assembly. No analysis is therefore provided here.

21. CIT SOLUTIONS PTY LTD

21.1 INTRODUCTION

CIT Solutions Pty Ltd is wholly owned by the Canberra Institute of Technology. It undertakes projects, courses and other commercial ventures connected with the Institute. For financial reporting the company has a 31 December year end and is consolidated with the Institute.

21.2 AUDIT OF THE 1997 FINANCIAL STATEMENTS

An ***unqualified*** audit report was issued to the company on 11 March 1998.

22. COMMUNITY CARE

22.1 INTRODUCTION

ACT Community Care, as a service provider, has contracts with the Department of Health and Community Care to provide specific outputs to achieve health outcomes for the community.

ACT Community Care provides community health and disability services for all sections of the community, individuals, families and groups with special needs. The services include caring for people with an illness, promotion of health, prevention of illness and maintaining and improving the quality of life.

22.2 AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

An *unqualified* audit opinion was provided to the Minister for Health and Community Care on 18 August 1998.

22.3 FINANCIAL ANALYSIS

The table on the following page summarises ACT Community Care's Operating Statement.

ACT Community Care's Summary Operating Statement

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000
REVENUE			
Government Sources			
Receipts for the Provision of Health Services	47,742	48,682	45,212
Superannuation Liability Assumed	4,447	3,938	3,570
Resources Received Free of Charge	22	34	2,598
	52,211	52,654	51,380
Other Sources			
Inpatient Fees and Non Inpatient Fees, Meals, Rentals, Grants and Service Fees	1,752	2,250	2,044
Interest and Other	1,320	1,846	915
	3,072	4,096	2,959
Total Revenue	**55,283**	**56,750**	**54,339**
EXPENDITURE			
Employee Expenses			
Salary and Wages		28,930	27,779
Long Service and Annual Leave		3,171	2,765
Comcare Premiums		2,129	3,612
Superannuation		4,893	4,513
Other Employee Expenses		1,276	802
	42,337	40,399	39,471
Administrative Expenses			
Agency/non-contract staff		1,637	816
Property, plant and equipment expenses		981	1,239
Lease and hire expenditure		4,044	3,939
Utilities		1,187	1,303
Payment to provider for payroll, asset management, financial and records management services		950	1,136
Medical, surgical and special services supplies		868	1,221
Other		4,590	3,734
	12,559	14,257	13,388
Depreciation and Other Expenses	2,344	2,005	1,783
	57,240	**56,661**	**54,642**
Operating (Loss)/Surplus Before Abnormal (Loss)/Surplus	**(1,957)**	**89**	**(303)**
Abnormal (Loss)/Surplus	(1,750)	(1,403)	253
Operating (Loss)	**(3,707)**	**(1,314)**	**(50)**

Note: The loss of $1.8m on the transfer of Lower Jindalee to the Chief Minister's Department was classified as an *other* expense in the budget. To facilitate comparison with the 1998 actual result, the budgeted *other* expense of $1.8m has been reclassified as an abnormal loss in this statement.

Last year, amounts received from the Department of Health and Community Care included funding of $2.6m for capital works as revenue. In a change in accounting treatment, this revenue was treated as a capital injection and not included in the operating result. To facilitate comparison with this year's budget and actual result, the prior year result was amended to exclude the $2.6m in funding received for capital works.

Revenue Items

At $56.8m total revenue was slightly higher than the budgeted revenue of $55.3m by $1.5m and higher than the prior year's revenue of $54.3m by $2.5m.

Revenue Comparison with Prior Year Actual

The increase of $2.5m compared to the prior year was mainly due to the increase in payments by the Department of Health and Community Care for services provided by ACT Community Care. This increase in revenue was partially offset by a reduction in resources received free of charge. Resources received free of charge fell because accommodation previously received free of charge is now paid for.

Expenditure Items

At $56.7m, overall expenditure was consistent with the budgeted expenditure of $57.2m and $2.1m higher than the prior year's expenditure of $54.6m.

Conclusion

The table shows that ACT Community Care performed better than its budgeted operating loss by $2.4m.

At $1.3m the actual operating loss exceeded the previous year's operating loss of $0.05m due mainly to a loss of $1.8m on the transfer of Lower Jindalee to the Chief Minister's Department.

From the audit review of the financial statements and explanations for variations from the budget, the conclusion has been drawn that ACT Community Care managed its operations to its budget.

22.4 SHORT TERM FINANCIAL POSITION

The current ratio, which represents the ratio of current assets to current liabilities, is indicative of an entity's ability to meet its obligations in the short term. Details of the current assets and liabilities and the current ratio of the last two year's are presented in the following table.

ACT Community Care's Current Assets and Liabilities

	Actual 1997-98 $000	Actual 1996-97 $000
Current Assets		
Cash	323	373
Receivables	382	389
Investments	2,360	1,390
Inventories	187	0
Other	359	99
	3,611	**2,251**
Current Liabilities		
Creditors	1,304	1,622
Employee Entitlements	4,248	4,240
Other	388	946
	5,940	**6,808**
Current Ratio	**0.6:1**	**0.3:1**

A current ratio in the range of 1:1 to 1.5:1 is the minimum usually desirable in a business.

The ACT Community Care current ratio has improved from last year's level of 0.3:1 to 0.6:1 in 1997-98. Such a low current ratio indicates that ACT Community Care could have difficulty meeting its commitments as they fall due in the next twelve months. However as most of its revenue is received from Government sources any problem should be manageable. Community Care will need to manage its financial assets carefully to ensure it does not have problems in this regard.

23. CONSTRUCTION INDUSTRY LONG SERVICE LEAVE BOARD

23.1 INTRODUCTION

The ACT Construction Industry Long Service Leave Board was established by the *Long Service Leave (Building and Construction Industry) Act 1981*. The Board administers a scheme to provide long service leave benefits to employees and sub-contractors in the ACT construction industry, based on service in the industry rather than service with a particular employer. The scheme allows employees who work in the industry for some time but who work for several employers to accrue long service leave benefits. It also provides a mechanism which ensures that money is available to meet those long service leave benefits. Similar schemes exist in the Australian States.

The scheme is funded by a levy payable by the employer. The levy is a set percentage of the basic remuneration payable to the employees. The levy rate (currently 1%) is set under the Act and can be varied through a determination.

23.2 SIGNIFICANT FINDINGS

- ***The Board had an operating loss in 1997-98 of $80,000, compared to a surplus of $1.8m in 1996-97; the loss was attributable to a significant fall in investment income during the year which was $1.2m in the current year compared to $2.9m in the previous year; and***

- ***The Board continues to hold funds in excess of its estimated liabilities for long service leave payments; at 30 June 1998 the excess was estimated at $21m.***

23.3 AUDIT OF 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Chief Minister on 2 September 1998.

23.4 FINDINGS FROM THE AUDIT

Some minor findings from the audit were reported to management.

23.5 OPERATING RESULTS

Construction Industry Long Service Leave Board Summary Operating Statement

	Actual 1997-98 $000	Actual 1996-97 $000	Actual 1995-96 $000
Revenue			
Contributions from employers and contractors	1,053	1,116	985
Income from investments	1,246	2,862	1,891
Net rental income transferred from rental income and expenditure account	954	994	1,044
Revenue from other sources	63	65	86
Net gain from sale of fixed assets		4	3
	3,316	**5,041**	**4,009**
Expenses			
Depreciation and amortisation of fixed assets	119	131	91
General and administrative costs	251	262	289
Long service leave benefits	2,041	1,870	1,960
Accrued long service leave liability	300	200	500
Salaries and oncost	364	315	292
Training fund levy	282	482	100
Other	39	26	45
	3,396	**3,286**	**3,277**
Operating Surplus (Loss)	**(80)**	**1,755**	**732**

The Board reported an operating loss of $80,000 for the year ended 30 June 1998 compared to an operating profit of $1.8m in the previous year.

The fall in operating profit is attributable to a fall in investment income of $1.6m in 1997-98, mainly from fund investments in Australian equities (income: $210,000 in 1997-98, $1.4m in 1996-97). It included losses from

falls in the realisable value of investments. In 1997-98 the Return on Investment of Equities was approximately 3% compared to 26% in 1996-97. The movement was due to changes in market conditions in Australia.

In 1997-98, the Board reviewed its investment portfolio. It now plans to invest some of its funds in overseas equities in order to diversify its risks and returns.

Although investment income has fallen in 1997-98, the value of investments remains unchanged. Overall, despite the loss incurred in 1997-98, the Board significantly maintains a strong financial position. The Board continues to hold funds in excess of its estimated liabilities for long service leave payments. As at 30 June 1998, the excess was $21m.

23.6 SHORT TERM FINANCIAL POSITION

The *current ratio*, which represents the ratio of current assets to current liabilities, is indicative of an entity's ability to meet its obligations in the short term. Details of the current assets and liabilities and the current ratio for the last three years are presented in the following table.

Construction Industry Long Service Leave Board Current Assets and Liabilities

	1997-98 $000	**1996-97 $000**	**1995-96 $000**
Current Assets			
Investments	27,891	27,575	25,376
Receivables	277	306	292
Cash	106	94	302
Other	18	14	17
	28,292	**27,989**	**25,987**
Current Liabilities			
Creditors and Borrowings	166	258	225
Provisions	2,000	2,000	2,000
	2,166	**2,258**	**2,225**
Current Ratio	**13:1**	**12:1**	**12:1**

A current ratio in the range of 1:1 to 1.5:1 is the minimum usually desirable in a business. That is, it is desirable to have current assets at

least equal to current liabilities, and preferable to have at least 50% more current assets than current liabilities.

As can be seen from the table at the end of 1997-98 the Board has an extremely good current ratio of 13:1. This was an improvement on the previous years ratio of 12:1, and illustrates that although the Board suffered an operating loss in 1997-98, it is in a very good financial position.

24. CULTURAL FACILITIES CORPORATION

24.1 INTRODUCTION

The Cultural Facilities Corporation was established on 1 November 1997 by the *Cultural Facilities Act 1997*. The Corporation comprises of the Canberra Theatre Centre, the Canberra Museum and Gallery as well as a number of other historic sites. The Corporation is also responsible for the management and promotion of Civic Square.

24.2 AUDIT OF 1997-98 FINANCIAL STATEMENTS

Cultural Facilities Corporation 1/11/97-30/6/98

An ***unqualified*** audit opinion was provided to the Minister for Arts and Heritage on 22 September 1998. The opinion related to the 8 month period from 1 November 1997, when the Corporation was established, to 30 June 1998.

Canberra Theatre Trust 1/7/97-31/10/97

On 31 October 1997, the Canberra Theatre Trust was abolished and its assets transferred to the newly created Cultural Facilities Corporation. An ***unqualified*** audit opinion was provided to the Minister for Arts and Heritage on 5 August 1998 in respect of the Trust's financial statements for the period 1 July 1997 to 31 October 1998.

Until 30 June 1998, the Canberra Theatre was the Corporation's only activity. For the purposes of this report the two statements have been combined and comment provided for the entire 12 months ended 30 June 1998.

24.3 SIGNIFICANT FINDINGS

- ***In 1997-98 the Canberra Theatre received Government Payment for Outputs of $1.17m (1996-97 $1.20m) which equates to a government subsidy of $11.74 per patron per visit; this represents a 31% increase on the 1996-97 Government subsidy figure of $8.93 per person per visit.***

24.4 FINANCIAL RESULTS

The table on the following page summarises the Canberra Cultural Facilities Operating Statement for 1997-98. Figures from the previous year for the Canberra Theatre Centre are included to enable comparisons.

Canberra Cultural Facilities Summary Operating Statement

	1997-98 Actual $000	1996-97 Actual $000
Revenues		
Appropriations Received	1,172	1,197
Venue Hire and Associated Revenue	972	1,310
Ticket Sales	383	1,344
Other	202	613
	2,729	**4,464**
Expenditure		
Salaries and Related Expenditure	1,473	1,734
Depreciation	586	427
Advertising and Marketing	258	448
Production Fees and Royalties	220	1,420
Other Operating Expenditure	776	848
	3,313	**4,877**
Operating Loss	**(584)**	**(413)**

The Cultural Facilities Corporation reported an operating loss of $408,327 for the 8 months to 30 June 1998. The Canberra Theatre reported an operating loss of $175,576 for the four months ending 31 October 1997.

Overall, the Operating loss of $584,000, is consistent with last years loss of $413,000 after allowing for an increase in *Depreciation Expense*. However revenue and expenditure for 1997-98 are both less than 1996-97, reflecting differences in the activities of the Canberra Theatre over the two years.

Revenue from *Ticket Sales* declined from $1.3m to $383,000 in the current year. During 1997-98, unlike the previous year, the Canberra Theatre did not present as many inhouse productions. Instead, most productions were presented by touring companies. For these productions the Theatre receives revenue from *Venue Hire* but not from *Ticket Sales*. This also explains the decline in *Production and Royalty Fees* in 1997-98 as these fees are not incurred when productions are performed by outside companies.

The inherent nature of the Theatre Centre's performing arts business activities means that expenditure and revenue variations, sometimes significant, are to be expected. For example, the timing, frequency, and type of theatre venue hirings and internal programming events, and associated box office ticket sales — and hence directly related costs and revenues — are highly variable.

An overall downturn in the level of activities at the Canberra Theatre also contributed to the fall in revenue and expenditure. Specifically:

- the Canberra Theatre was unavailable for use from mid December 1997 through to early February 1998, due to a major refurbishment; and

- while this situation was counterbalanced to some extent by the availability of the Playhouse from late April 1998 onwards, the main focus of the Centre staff during the year was on the completion of this major capital works project rather than on pursuing additional business.

Government Subsidy

During the year, attendance at Canberra Theatre performances totalled 99,862 compared with 134,739 in 1996-97. *Government Payment for Outputs* to the Theatre totaled $1,172,000. Using these figures as a base means the Government paid a subsidy of $11.74 for each person who visited the Canberra Theatre in 1997-98. The amount per person for 1996-97 was $8.93. This represents an increase in the government subsidy paid for each patron of $2.81 on the previous year. Although the total amount of the subsidy fell from $1,197,000 in 1996-97 the fall in patronage for the year caused the subsidy per patron to increase.

24.5 SHORT TERM FINANCIAL POSITION

The *current ratio*, which represents the ratio of current assets to current liabilities, is indicative of an entity's ability to meet its obligations in the short term. The table on the following page represents the Corporations *current ratio* for the 1997-98 financial year.

Cultural Facilities Corporation
Current Assets and Liabilities

	1997-98 Actual $000
Current Assets	
Cash	199
Receivables	742
Inventories	17
Other	83
	1,041
Current Liabilities	
Creditors and Accruals	490
Employee Provisions	269
Revenue and Funding Received in Advance	62
	821
Current Ratio	1.3 : 1

A *current ratio* in the range of 1:1 and 1.5:1 is the minimum usually desirable in a business.

As can be seen from the table above, the Corporation's current ratio is 1.3:1. On this basis the Corporation's short term financial position appears sound.

25. DEPARTMENT OF EDUCATION AND COMMUNITY SERVICES

25.1 INTRODUCTION

The objectives of the Department are as follows.

Education

The provision of Government education services in the ACT is required under the Education Act 1937 and Schools Authority Act 1976. Education services are provided to students in ACT Government primary and high schools, secondary colleges, special schools and other specific centres such as introductory english centres. The Department is also responsible for the provision of funding support and registration of non-government schools.

Training

The Vocational Education and Training Authority (VETA) and the Accreditation and Registration Council operate as part of the Department and has responsibility for the co-ordination, planning and purchase of vocational education and training. The VETA acts as a training authority for the ACT under the Vocational Education and Training Act 1995.

Children's, Youth and Family Services

The Department has responsibility for delivering services to enhance the education, development, care, protection and well being of children, young people, families and others in the community with specific needs. The services include early intervention, childcare, pre-schools, child health and development services, childcare and protection, juvenile justice, community development, youth policy and youth programs.

25.2 SIGNIFICANT FINDINGS

- ***The Department's 1997-98 budget could have been prepared more accurately.***

25.3 AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Education and Community Services on 14 September 1998.

25.4 FINANCIAL ANALYSIS

Departmental Transactions

The following table summarises the Department's Operating Statement.

Education and Community Services Summary Operating Statement

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000
REVENUE			
Government Sources			
Government Payment for Outputs	334,016	338,766	278,604
Superannuation Assumed	33,157	31,543	31,986
Resources Received Free of Charge	717	306	782
Hire of Facilities and Provision of Training Courses	658	301	107
	368,548	370,916	311,479
Other Sources			
Commonwealth Government Contributions, International Private Student Fees and Facilities Hire Charges	3,932	6,494	5,045
Interest	224	1,116	1,089
Other – Mostly moneys collected directly by schools (including voluntary contributions, fundraising and excursion funds)	8,994	12,561	11,884
	13,150	20,171	18,018
	381,698	**391,087**	**329,497**
EXPENDITURE			
Employee Expenditure			
Salaries and Related Costs		201,027	198,211
Superannuation Expense		31,678	31,986
Comcare Premium Expense		4,273	3,172
Increase in Leave Provisions		1,578	2,440
	236,100	238,556	235,809
Administrative and Other Expenditure			
Costs Incurred Directly By Schools and Property Maintenance		51,723	49,670
Grant Payments		19,340	15,825
Materials and Services		8,546	7,662
Operating Lease Costs		3,227	2,732
Other		3,945	3,643
	81,519	86,781	79,532
Purchases of CIT Services	50,069	50,069	0
Interest Expense	26	69	59
Depreciation	19,251	18,433	18,519
	386,965	**393,908**	**333,919**
Operating Loss	**(5,267)**	**(2,821)**	**(4,422)**

Note: Amounts shown as expenditure for the Purchase of CIT Services were previously paid directly to CIT and thus no amount is shown in the previous year. Money received by the Department of $56m to purchase these services from the CIT is included in the Government Payment for Outputs.

Comment follows on the major sources of revenue and expenditure, which show significant variations from budget and/or the previous year.

Revenue

At $391.1m revenue exceeded the budget of $381.7m by $9.4m and the prior year's actual of $329.5m by $61.6m.

The main reasons that total revenue exceeded budget by $9.4m are:

- *Government Payment for Outputs* exceeding budget by $4.8m due to $4.3m greater than anticipated in the budget being received from the Commonwealth; and

- *Superannuation Liability Assumed* was less than budgeted by $1.7m. This was due to a budget overestimation of the amount;

Commonwealth Government Contributions, International Private Student Fees and Hire of Facilities exceeded budget by $2.6m (65%) due mainly to $1.8m in revenue from the Commonwealth for Jervis Bay and Telopea Schools being inadvertently omitted from the budget.

Other Revenue exceeded the budget by $3.6m due to an underestimation in the budget of the amount of money to be collected directly by the schools (including voluntary contributions, fundraising and excursion funds).

This year's revenue exceeded the prior year's revenue by $61.6m because of an increase of that amount in the *Government Payment for Outputs*. Most of this increase was due to $50.1m being received directly by the Department to purchase services from the Canberra Institute of Technology. Previously this funding was paid directly to the Institute by the Central Financing Unit. The remainder was mainly due to an increase in Government Payment for Outputs in Government Schooling ($3.4m) and Training ($6.8m).

Expenditure

At $393.9m total expenditure exceeded the budget of $387.0m by $6.9m and the prior year's actual of $333.9m by $60m.

The variance of $6.9m compared to the budget was mostly due to the following:

Employee Expenses at $238.6m exceeded budget of $236.1m by $2.5m due to the net effect of changes in superannuation costs, a decrease in Comcare premiums and an increase in salaries of $2.9m.

Administrative and Other Expenditure at $86.8m exceeded budget of $81.5m by $5.3m (6.5%) mainly due to the following:

- costs associated with certain maintenance and repairs of $8.5m were incorrectly treated as capital expenditure in the 1997-98 Budget and therefore were not included in budgeted administrative expenses. These costs, when incurred, were accounted for in accordance with accounting standards as operating expenses for financial statement reporting purposes; and

- a general fall in administrative expenditure of $3.5m.

Operating Result

The operating statement shows that the Department improved on the budgeted operating loss by $2.5m.

Conclusion

From the audit review of the financial statements and the explanations for variations from budget, the conclusion has been drawn that the Department, in an overall sense has managed its operations to its budget. However, the reported improvement on budget performance has mainly arisen from budget errors. After allowing for budget errors the budgeted operating loss should have been approximately $2.1m. On this basis, the actual result would have been approximately $700,000 below budget.

25.5 SHORT TERM FINANCIAL POSITION

The Current Ratio, which represents the ratio of current assets to current liabilities, is indicative of an entity's ability to meet its obligations in the short term. Details of the Department's current assets and current liabilities for the last three years are presented in the table on the next page.

Department of Education and Community Services Current Assets and Liabilities

	1997-98 Actual $000	1996-97 Actual $000	1995-96 Actual $000
Current Assets			
Cash	14,764	9,404	7,116
Receivables	260	343	299
Investments	1,700	3,200	0
Other	524	129	438
	17,248	**13,076**	**7,853**
Current Liabilities			
Creditors	2,094	3,703	2,071
Finance Leases	248	257	319
Employee Entitlements	17,229	16,695	14,849
Other	1,469	1,560	676
	21,040	**22,215**	**17,915**
Current Ratio	**0.82 : 1**	**0.59 : 1**	**0.44 : 1**

A current ratio in the range of 1:1 to 1.5:1 is the minimum usually desirable in a business. That is, it is desirable to have current assets at least equal to current liabilities, and preferably to have up to at least 50% more current assets than current liabilities.

As can be seen from the above table, the Department's Current Ratio has improved from 0.44:1 two years ago to 0.82:1 in 1997-98. This is still below the minimum usually desirable in a business however given the nature of the Department's operations and that almost all its funding is from Government sources the ratio is reasonable.

TERRITORIAL TRANSACTIONS

Territorial Revenue

Territorial revenue other than amounts received from the Central Financing Unit comprised:

Department of Education and Community Services Territorial Revenue

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000
Commonwealth Government Grants	5,614	5,160	1,674
Other	45	21	37
	5,659	**5,181**	**1,711**

No major budget variations were noted for Territorial Revenue.

Territorial Expenditure

Territorial expenditure other than transfers made to the Central Financing Unit for the Commonwealth Grants received and other revenue comprised:

Department of Education and Community Services Territorial Expenditure

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000
* Grants, Subsidies and Concession Payments	33,018	31,355	13,911

* Note: Payments are made to reimburse various subsidised organisations for services such as general rates, electricity, water and sewerage, bus travel and the supply of spectacles provided to eligible applicants.

Conclusion

From the audit review of the financial statements and the explanations for variations from the budget, the conclusion has been drawn that the Department, in an overall sense, managed its Territorial operations to its budget.

26. ECOWISE ENVIRONMENTAL LIMITED

26.1 INTRODUCTION

ECOWISE Environmental Limited is a subsidiary of ACTEW Corporation Ltd.

The principal activities of the company include the provision of professional services in monitoring stations for water level and flow along with the design or assessment of water and sewerage works.

26.2 AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was issued to the company on 6 August 1998.

26.3 FINDINGS FROM THE AUDIT

In the audit, instances were identified where the financial operations of the Company could be improved or where internal controls were not operating satisfactorily. These instances have been advised to management with appropriate recommendations.

26.4 FINANCIAL ANALYSIS

The table on the next page summaries ECOWISE Environmental's Operating Statement:

Ecowise Environmental Summary Operating Statement

	1997-98 $000	1996-97 $000
Revenue		
Sales revenue	5,727	5,078
Applied research and development for parent entity	500	
Funds provided by parent to fund costs of relocation	174	
Assets provided by parent entity	101	36
Other revenue	97	101
	6,599	**5,215**
Expenses		
Operating expenses	6,930	5,620
	6,930	**5,620**
Operating Loss	**(330)**	**(404)**

As at 30 June 1998 ECOWISE Environmental made an Operating Loss before Income Tax Equivalents of $330,000, compared to $404,000 in 1996-97. Most of the company's revenue is derived from services to the parent company, ACTEW Corporation Ltd.

27. ECOWISE SERVICES LIMITED

27.1 INTRODUCTION

Ecowise Services Limited ("Ecowise") is a wholly owned subsidiary of ACTEW Corporation Limited ("ACTEW"). Ecowise's main business is electrical contracting, equipment distribution and energy management consulting.

27.2 AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was issued to the company on 6 August 1998.

27.3 FINDINGS FROM THE AUDIT

As a result of the audit several matters were identified where the operations of Ecowise could be improved or where internal controls were not operating satisfactorily. These matters were advised to management with appropriate recommendations.

27.4 FINANCIAL ANALYSIS

The following table summarises Ecowise's Operating Statement:

Ecowise Services Summary Operating Statement

	1997-98 $000	**1996-97 $000**
Revenue		
Sales revenue	7,101	5,940
Interest	40	74
Assets provided free of charge	67	0
Other revenue	60	128
	7,268	**6,142**
Expenses		
Operating expenses	7,149	6,199
	7,149	**6,199**
Operating Surplus/(Loss) before Abnormals	**118**	**(57)**
Abnormal items	219	0
Operating Surplus/(Loss)	**337**	**(57)**

For the year ended 30 June 1998, Ecowise Services had an Operating Profit Before Income Tax Equivalents of $337,000 compared with a loss of $57,000 in the previous year. In 1997-98, a dividend of $240,500 was paid to ACTEW Corporation Ltd.

27.5 SALE OF BUSINESS

The Legislative Assembly has approved the sale of the net assets of Ecowise Services Ltd to an employee consortium. The sale took place on 31 October 1998.

28. EMERGENCY SERVICES BUREAU

28.1 INTRODUCTION

The Emergency Services Bureau is responsible for providing fire, ambulance, bushfire and emergency services to the community. From 1 July 1998 the Emergency Services Bureau was amalgamated with the Department of Justice and Community Safety and will no longer report in the future as a separate entity.

28.2 SIGNIFICANT FINDINGS

- ***At 30 June 1998 liabilities for employees' unused recreation leave and long service leave entitlements stood at $10.8m; the significance of the size of the liability is illustrated by the fact that it is the equivalent of 44% of the Bureau's total 1998 employee expenditure;***

- ***The operating result for year end 1998 was a loss of $643,000 compared to a budgeted operating loss of $272,000;***

- ***Ambulance debtors to the value of $665,000 were written off during 1997-98 due to the introduction of a new policy of writing off debts which are over 180 days old; and***

- ***The Bureau's budget could have been formulated better.***

28.3 AUDIT OF 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion on the financial statements was provided to the Minister for Police and Emergency Services on 10 September 1998. An *'Emphasis of Matter'* included in the audit report explained that no audit opinion was expressed on several performance measures.

28.4 FINDINGS FROM THE AUDIT

As a result of the Audit, a number of instances were identified where the Bureau's financial operations could be improved or where internal controls were not operating satisfactorily. These instances have been notified to management with appropriate recommendations.

28.5 INVENTORY RECORDS

The Bureau holds inventory comprising uniforms, stationery, medical and first aid items etc. The system by which this inventory is accounted for is not linked to the general ledger, nor were reconciliations between the two records performed during the year. At year end, at Audit's request, a reconciliation between the two records was performed. The reconciliation revealed a net discrepancy between the two records of approximately $26,000. More seriously, the reconciliation revealed large discrepancies between the different classes of inventory. For example, the stocktake result for uniforms was more than $100,000 above the value recorded in the general ledger and the stocktake result for materials/consumables was around $200,000 less than the figure recorded in the general ledger.

The value of this inventory was $669,000 at year end compared with, $409,000 in the previous year.

28.6 FINANCIAL ANALYSIS

DEPARTMENTAL TRANSACTIONS

The following table summarises the Department's Operating Statement.

Emergency Services Summary Operating Statement

	1997-98 Budget $000	1997-98 Actual $000	1996-97 Actual $000
Revenues			
Government Sources			
Government Payment For Outputs	21,361	21,260	17,974
Superannuation Assumed	2,771	2,874	2,615
	24,132	24,134	20,589
Other Sources			
Sales of Services - Government	0	526	106
Sales of Services - Non Government	6,480	6,709	7,355
Interest	0	201	229
Other	6	140	56
	6,486	7,576	7,746
	30,618	**31,710**	**28,335**
Expenditure			
Employee Expenses	23,278	24,337	21,293
Administrative Expenses			
Buildings - Services/Repairs & Maintenance		1,185	891
Uniforms/Protective Clothing		709	442
Fuel/Vehicle Hire costs		698	540
Repairs & Maintenance Vehicles		803	678
Materials- Hardware/Firefighting/Medical		506	412
Firefighting/Standby/Detection		480	184
Other		2,270	1,925
	5,972	6,651	5,072
Depreciation and Amortisation	1,713	1,365	1,562
	30,963	**32,353**	**27,927**
Operating Loss	**(272)**	**(643)**	**408**

Comment follows on the major sources of revenue and expenditure which varied significantly from budget.

Revenue Items

Government Payment for Outputs were $21.3m which was on line with the budget figure of $21.4m. However, 1997-98 *Government Payment for*

Outputs were $3.3m greater than the prior year. This increase was due to the Bureau employing an additional 30 staff during 1997-98.

Sales of Services to non ACT Government Organisations were $6.7m in 1997-98 compared to a budget figure of $6.5m. However, when compared to the 1996-97 amount of $7.4m, *Sales of Services to non ACT Government Organisations* has decreased by $646,000. This decrease is attributable to Ambulance Debtors of $665,000 being written off during the year after the introduction of a new debtors policy. The Bureau introduced a policy in 1997-98 that all debtors outstanding for more than 180 days are to be written off. At 30 June 1997 Ambulance Debtors totalled $851,000 compared to $648,000 at 30 June 1998. Of the $6.7m *Sales of Services*, $5.7m was paid by the Commonwealth Government for fire services relating to Commonwealth property.

Total Revenue

The Bureau's revenue for the year totaled $31.7m. Total revenue was $1.1m more than budget. The increase is mainly attributable to revenue from *Sales of Goods and Services to Government* of $526,000 and *Interest* of $201,000. For an unknown reason both these revenue items were not included in the 1997-98 budget although revenue had been received from these sources in 1996-97.

Expenditure Items

The largest item of expenditure was *Employee Expenses* of $24.3m. This amount exceeded budget by $1.1m and the prior year's *Employee Expenses* by $3m. The main reasons for the variance were the employment of additional staff in 1997-98 and larger than budgeted overtime payments.

Administrative Expenses in 1997-98 totaled $6.6m. This was $700,000 over budget and $1.6m above the previous year's figure. The reasons for this increase are; unbudgeted costs incurred as a result of the Thredbo incident, a longer than expected fire season and the opening of the Joint Emergency Services Centre at Gungahlin. The increase in Bureau staff numbers during the year also contributed to the *Administrative Expense* increase.

Total Expenditure

Total reported expenditure was $32.4m compared to a budget figure of $31m. This figure represents an increase of $4.4m on the previous year's expenditure.

Operating Result

The Bureau recorded an operating loss of $643,000 compared to a surplus of $408,000 in the previous year. The result can be mainly attributed to the Bureau writing off *Ambulance Debtors* of $665,000 and greater than budgeted *Employee* and *Administrative Expenses*.

Conclusion

Although in 1997-98 the Bureau's expenditure was 4% over budget, the reasons for the overrun were not foreseen at the time the budget was formulated. Therefore, from the Audit review of the financial statements, and the explanations for variations from budget, the conclusion has been drawn that the Bureau, in an overall sense, has managed its operations to a reasonable standard. The formulation of the budget however could have been better.

TERRITORIAL TRANSACTIONS

Revenue

The composition of Territorial revenue other than amounts received from the Central Financing Unit is set out in the table on the following page.

Total Territorial Revenue for 1997-98 was $300,000 over budget. This was due to the underestimation in the budget revenues from the Road Rescue Fee which was in its first full year of operation. The increase of $1.1m on the 1996-97 result is due to the Road Rescue Fee only operating for 6 months of that year, while the Fire Alarm Charges in 1996-97 related to the collection of two years worth of revenue.

Emergency Services Summary of Territorial Revenue

	1997-98 Budget $000	1997-98 Actual $000	1996-97 Actual $000

Fire Alarm Fees		549	929
Road Rescue Fees		2793	1262
	3008	**3313**	**2191**

29. EXECUTIVE

29.1 INTRODUCTION

ACT Executive Appropriation Unit is administered by the Chief Minister's Department. An appropriation is made to the Executive Appropriation Unit for salaries and administrative expenses associated with Ministers and the staff of Ministers.

29.2 AUDIT OF 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Chief Minister on 21 September 1998.

30. EXHIBITION PARK IN CANBERRA

30.1 INTRODUCTION

The National Exhibition Centre Trust is a statutory authority established under the *National Exhibition Centre Trust Act 1976*. It is responsible for managing the Exhibition Park in Canberra (EPIC). The major objectives of the Trust, as set out in its Act, are to:

- manage the Centre and to conduct exhibitions, sporting, recreational and cultural activities and any other activities approved by the Minister; and

- to provide buildings and other facilities as appropriate to the conduct of activities described above.

30.2 SIGNIFICANT FINDINGS

- ***EPIC returned operating losses, before abnormal items, over the past three years; these were $174,000 in 1997-98, $374,000 in 1996-97 and $425,000 in 1995-96;***

- ***the improvement in 1997-98 was due in the main to the inclusion of a Community Service Obligation payment by the Government of $292,000;***

- ***excluding the Community Service Obligation Payment, EPIC's revenue increased by 16 % whereas its expenses increased by 18 %; and***

- ***EPIC's short term financial position improved following the Government's decision to make Community Service Obligation payments to the organisation in recognition of its non-commercial activities.***

30.3 AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Chief Minister on 22 September 1998.

30.4 ANALYSIS OF FINANCIAL DATA

The following table summarises EPIC's Operating Statement.

EPIC Summary Operating Statement

	1997-98 Actual $000	1996-97 Actual $000	1995-96 Actual $000
Operating Revenue			

Exhibitions and Shows	508	588	465
Lease Rental	262	263	256
Other Activities	381	129	170
Community Service Funding	292	0	0
Other	382	340	301
	1,825	**1,320**	**1,192**
Operating Expenditure			
Repairs and Maintenance	304	286	288
Depreciation	506	428	319
Event Costs	237	54	95
Salaries and Wages	535	509	464
Rates	121	104	86
Other	296	314	365
	1,999	**1,694**	**1,617**
Operating Loss Before Abnormals	**(174)**	**(374)**	**(425)**
Abnormal Revenue	0	1,428	496
Profit/(Loss)	**(174)**	**1,054**	**71**

Revenue

Operating revenue increased by $505,000 in 1997-98. However much of this increase was due to the Government's decision to make a Community Service Obligation payment of $292,000 to the Organisation. The payment was made in recognition of the cost of EPIC's non-commercial activities which support a number of longstanding licensing agreements made on terms and conditions favourable to the community. The agreements include those with the Royal National Capital Agricultural Society and the Canberra Harness Racing Club. The payments are estimated to continue into the future.

Revenue from *Exhibitions and Shows* fell from $588,000 to $508,000 in the current year. EPIC has advised that the fall was occasioned by a number of one off events which were held in 1996-97 and which were not held in 1997-98 and the transfer of some events from 1997-98 to 1998-99. This fall was offset by a small increase in *Other Revenue* due to increased effort on recovering costs from hirers.

Expenses

Total expenditure for 1997-98, was $2m. This represents an increase of $305,000 on the previous year's figure. This increase is mainly attributable to an increase in payments to the catering contractor of approximately $153,000 and an increase in Depreciation Expense of $78,000.

Conclusion

The financial performance of EPIC, before abnormal items improved from a loss of $374,000 in 1996-97 to a loss of $174,000 in 1997-98. The improvement was due in the main to them inclusion of a Community Service Obligation payment by the Government of $292,000. Excluding this amount, EPIC's revenue increased by 16 percent, whereas its expenses increased by 18 percent. Without the Community Service Obligation payment, the result would have been a loss of $463,000. This would have been a significant deterioration on the loss in 1996-97 and would have been comparable with EPIC's financial results in 1995-96.

30.5 SHORT TERM FINANCIAL POSITION

The *current ratio*, which represents the ratio of current assets to current liabilities, is indicative of an entity's ability to meet its obligations in the short term. Details of the current assets and liabilities and the current ratio for the last three years are presented in the table on the next page.

EPIC Current Assets and Liabilities

	1997-98 Actual $000	1996-97 Actual $000	1995-96 Actual $000
Current Assets			
Cash	176	0	0
Receivable	61	50	108
Other	26	23	23
	263	**74**	**131**
Current Liabilities			
Sundry Creditors	103	145	57
Bank Overdraft	0	122	286
Other Current Liabilities	141	121	163
	244	**388**	**506**
Current Ratio	**1.1:1**	**0.19:1**	**0.26 : 1**

A current ratio in the range of 1:1 to 1.5:1 is the minimum usually desirable in a business. That is, it is desirable to have current assets at least equal to current liabilities, and preferably to have up to at least 50% more current assets than current liabilities.

EPIC's current ratio has improved significantly in the last year. The bank overdraft has been eliminated and cash balances increased. The improvement, however, was in part a result of the Community Service Obligation payment of $292,000.

EPIC's cash flow is now more evenly spread over the year as a result of an increase in winter events held at Exhibition Park. This increase is largely due to the recent capital works expenditure to heat the venue.

31. FORESTS

31.1 INTRODUCTION

Forests is responsible for the maintenance and management of pine plantations within the Territory and for the supply of raw materials to local timber mills on a commercial basis. Forests also maintains recreational areas in the forests for the Canberra community.

31.2 SIGNIFICANT FINDINGS

- ***In 1997-98 Forests operating loss was $178,000 which compares favourably to the budgeted loss of $425,000 and the previous years loss of $282,000;***

- ***Forests has returned operating losses every year since 1991-92, and has budgeted for future losses until 2001-02;***

- ***In 1997-98 a loan of $960,000, which was received in the previous year, was converted to equity; the repayment term of the majority of the remaining borrowings was extended from 5 to 10 years; and***

- ***Log sales have increased from $7m in 1996-97 to $8.1m in 1997-98; the additional revenue from log sales was spent on forest rehabilitation.***

31.3 AUDIT OF 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion with an *Emphasis of Matter* was provided to the Minister for Urban Services on 18 September 1998. The "Emphasis of Matter" related to the existence of an inherent uncertainty regarding valuation of plantation growing stock. This *Emphasis of Matter* is discussed below.

31.4 FINANCIAL ANALYSIS

The following table summarises ACT Forests Operating Statement for 1997-98 and includes figures for the two preceding years to enable comparisons to be made.

Forest Summary Profit and Loss Statement

	1997-98 Budget $000	1997-98 Actual $000	1996-97 Actual $000	1995-96 Actual $000
Operating Revenue				
Non Government Sources				
Log Sales		8,108	6,960	6,949
Other		306	254	429
	7,371	8,414	7,214	7,378
Government Sources				
Public Use of Forests		470	410	422
Other		211	221	103
	540	681	631	525
Interest	10	17	8	7
Other	16	49	7	130
	7,937	9,161	7859	8,040
Operating Expenditure				
Employee Expenses				
Salary and Wages		2,237	1,985	2,198
Other		413	435	443
	2,371	2,650	2,420	2,641
Operational & Administrative Expenses				
Harvesting and Haulage		3,333	3,192	3,251
Plantation Establishment & Tending		901	510	1,171
Log Purchases		673	510	344
Vehicle and Plant Fleet		590	468	459
Other		852	578	821
	5,572	6,349	5,258	6,046
Depreciation	138	199	246	233
Interest	281	138	177	139
Other	0	3	40	88
	8,362	9,339	8,141	9,147
Operating result before Abnormals and Extraordinary Items	**(425)**	**(178)**	**(282)**	**(1,107)**

For the purposes of comparison, budgeted other expenses have been incorporated into *Employee Expenses* in column 3 as this is where the expenses are displayed in the 1997-98 actual results.

Comments follow on the major sources of revenue and expenditure which varied significantly from previous years.

Revenue Items

Revenue from *Non Government Sources* in 1997-98 was $8.4m. This represents 92% of total revenue for the year and is a $1.2m increase on the 1996-97 figure. The additional revenue is primarily due to a higher demand for forest products in the construction industry which saw *log sales* rise from $7m in 1996-97 to $8.1m in 1997-98. This increase in *log sales* was not budgeted for and thus 1997-98 actual revenue from *Non Government Sources* was $1m over budget.

Total Revenue

ACT Forests revenue for the year totaled $9.2m. This is $1.3m greater than the previous year and $1m higher than budget.

Expenditure Items

Operational and Administrative Expenses at $6.3m accounted for 68% of expenditure in 1997-98. This represents a $1.1m increase on the 1996-97 figure of $5.2m and an $800,000 increase on the 1997-98 budget figure. The increase in expenditure is attributable to additional log harvesting and haulage costs as well as increased costs associated with plantation establishment and tending.

Expenses for *Log Harvesting, Haulage and Purchases* only increased by 8% in 1997-98, which compares favourably with the 16% rise in *Log Sales* revenue. The extra revenue associated with the increase in log sales has allowed an acceleration of the plantation rehabilitation program and thus, expenditure on *Plantation Establishment and Tending* has risen from $510,000 in 1996-97 to $901,000 in 1997-98.

Employee Expenses also accounted for a major part of expenditure in 1997-98. The total expense for this item was $2.6m. This is an increase of $230,000 on the 1996-97 figure of $2.4m and a $406,000 increase on the budget figure of $2.2m. The increase in *Employee Expenses* is related to overtime payments which were around $290,000 over budget. The additional payments were due to a bush fire season which was more severe

than expected. An unbudgeted separation payment also contributed to the increase in *Employee Expenses.*

Total Expenditure

Total expenditure for 1997-98 was $9.3m which was $1m over budget and $1.2m greater than the 1996-97 figure. The increase can be attributed to added *Employee* and *Administrative Expenses.* The reasons behind these increases are outlined in the paragraph above.

31.5 OPERATING RESULT

Profitability

In 1993 Forests identified the need to implement a plantation rehabilitation program. The aim of this program was to replenish the forests stocks to a commercially sustainable and profitable level. As a result of this, Forests have incurred additional costs related to the silvicultural program over the past 8 years. These additional costs have contributed to the generation of operating losses recorded by Forests every year since 1991-92. In 1997-98 Forests recorded an operating loss of $178,000 compared to a loss of $282,000 in the previous year. The loss for the year was less than the budgeted loss of $425,000 due to increased *log sales* which were not budgeted for and lower than expected interest charges. Interest charges were reduced after a $960,000 loan Forests received from the Central Financing Unit in the previous year was converted to equity. At this stage Forests have budgeted for operating losses until at least the year 2001-02.

Conversion of Debt To Equity

In 1996-97 the Central Financing Unit provided Forests with a loan for $960,000 to fund the plantation rehabilitation program. The Government decided, in 1997-98, to convert this loan to equity.

Forests remaining debt after this capital restructure was $1.7m. Of this, the repayment period for $1.5m of the remaining debt, has been extended from 5 to 10 years.

The conversion of the debt to equity has relieved Forests of paying annual interest charges of approximately $67,000.

31.6 VALUATION OF THE PLANTATION

The valuation of growing stock is a complex matter. At the time the 1997-98 financial statements were prepared and audited there was no Australian Accounting Standard for the valuation and accounting for forest plantations. The current valuation is based on a simulation model with several assumptions.

While the valuation method adopted by Forests is not unreasonable there are various other methods which could also be used. These alternative methods may result in materially different valuation figures being presented for Plantation Growing Stock than those currently presented. For example, a net present value valuation may produce a different valuation than the market value method currently adopted.

Given the uncertainty that exists in respect of how forest plantations should be valued, the uncertainty was brought to the attention of financial statement readers via an *'Emphasis of Matter'* in the audit report for this year.

Australian Accounting Standard 35 *Self Generating and Regenerating Assets* has now been developed and will address the issue of how assets such as forest plantations are to be valued. This standard applies to all financial statements prepared after 30 June 2000.

31.7 SHORT TERM FINANCIAL POSITION

The current ratio, which represents the ratio of current assets to current liabilities, is indicative of an entity's ability to meet its obligations in the short term. Details of the current assets and liabilities and the current ratio for the last three years are presented in the table on the next page. For the purposes of assessing Forests financial position, *Plantation Growing Stock* has been excluded from *Current Assets.*

Forest Current Assets and Liabilities

	1997-98 Actual $000	1996-97 Actual $000	1995-96 Actual $000
Current Assets			
Cash	67	573	243
Receivables	1,017	822	778
Investments	400	0	0
Inventories	50	80	19
Prepayments	81	109	12
	1,615	**1,584**	**1,052**
Current Liabilities			
Creditors	200	373	334
Borrowings	30	30	30
Employee Entitlements	391	362	475
Other	189	236	229
	810	**1,001**	**1,068**
Current Ratio	2 : 1	1.6 : 1	1 : 1

A current ratio in the range of 1:1 to 1.5:1 is the minimum usually desirable in a business. That is, it is desirable to have current assets at least equal to current liabilities, and preferably to have at least 50% more current assets than liabilities.

As can be seen from the table above, in 1997-98 Forests has a good current ratio of 2:1. This was an improvement on the previous years ratio of 1.6:1 and illustrates that although Forests has been regularly returning losses it is still in a good short term financial position.

31.8 CONCLUSION

From the Audit review of the financial statements and explanations for variations from budget and previous years figures, the conclusion has been drawn that Forests, in an overall sense, has managed its operations to its budgeted operating loss. Forests budgeted for a loss of $425,000 but actually achieved a loss of $178,000.

32. GOLD CREEK COUNTRY CLUB

32.1 INTRODUCTION

The development of the Harcourt Hill Estate is being performed as part of a joint venture agreement between the ACT Government and Cygnet Corporation Pty Limited. This development is comprised of residential development and a championship golf course.

The Gold Creek Country Club Pty Limited, which manages the operations of the Golf Course, was controlled by the Harcourt Hill Estate joint venture up until 24 December 1997. On 24 December 1997 the ACT Government acquired full ownership of the golf course for $2.75m. In conjunction with the sale of the Gold Creek Golf Course to the ACT, the Territory acquired the outstanding shares in Gold Creek Country Club Pty Ltd, the manager of the golf course. Gold Creek Country Club Pty Limited continues to be responsible for the management of the golf course. The Office of Asset Management has overall responsibility for Gold Creek Country Club Pty Limited and the golf course.

Fees from the golf course and bar and shop sales are the major sources of revenue for the Club. Major expenses relate to the maintenance of the golf course, employee expenses etc.

32.2 AUDIT OF THE 1998 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Chief Minister on 12 October 1998.

32.3 OPERATING RESULT

The Gold Creek Country Club Pty Limited made an operating loss before abnormal items of $0.4m (1997 $0.01m loss). This loss was mainly due to a discontinuation of the payment of management fees by Harcourt Hill as a consequence of the transfer of the golf course to the Territory ($0.4m), and increases in expenditure for golf course renovations ($0.2m) and rates and taxes ($0.1m).

The club had a net asset deficiency and accumulated losses of $0.09m at 30 June 1998 (1997 $0.05m) and is reliant on ACT Government support to continue operations.

33. GUNGAHLIN DEVELOPMENT AUTHORITY

33.1 INTRODUCTION

The Gungahlin Development Authority was established by the *Gungahlin Development Authority Act 1996*. The main object of the Gungahlin Development Authority is to ensure that the Gungahlin Central Area and Town Centre is developed in accordance with the principles and policies for that area as set out in the Territory Plan in order to provide for the social and economic needs of the community. The Gungahlin Development Authority is expected to act on a commercial basis.

33.2 AUDIT OF THE FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Treasurer on 9 September 1998.

33.3 FINANCIAL ANALYSIS

The table on the next page summarises the Authority's Operating Statement:

Gungahlin Development Authority Summary Operating Statement

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000
Revenue			
Land Sales	4,200	5,401	-
Interest	103	32	5
Land Contribution from ACT Government	-	50	-
Other	-	-	-
	4,303	**5,483**	**5**
Expenditure			
Cost of Land Sales	2,100	435	-
Employee Expenses	224	268	210
Administration Expenses	121	91	54
Depreciation	2	-	-
Infrastructure to be Returned to the Territory	-	3,657	-
Yerrabi Ponds Park	-	700	-
Other	316	261	180
	2,763	**5,412**	**444**
Operating Surplus(loss)	**1,540**	**71**	**(439)**

Comment follows on the major sources of revenue and expenditure items which show significant variations from prior year results.

Revenue Items

Land Sales — During 1997-98 the Authority received cash and infrastructure to the value of $5.4m from the sale of land to developers within the Gungahlin Central Area and Town Centre. Infrastructure to be received comprises roadworks, water and sewerage works etc. Revenue from land sales at $5.4m was significantly above the budget amount of $4.2m.

Total Revenue

The Authority's total revenue for the year was $5.5m which reflected growth in the Authority's operations from the previous year when total revenue was $5,000.

Expenditure Items

Infrastructure to be Returned to the Territory — The Authority's largest expenditure item for the year was $3.7m which represents the value of infrastructure the Authority is required to return to the Government once infrastructure is completed and passed to the Authority by developers. As mentioned previously the value of this infrastructure is part of the sale price developers are required to commit to when purchasing land from the Authority. At the time of the land sale, the Authority recognises a liability to the Government equal to the infrastructure component of the revenue recognised on sale of the land.

Yerrabi Ponds Park — During 1997-98 the Authority committed itself to providing $700,000 for the development of a park within the Gungahlin Central Area.

Total Expenditure

Total expenditure for the year was $5.4m which was significantly above budget of $2.8m and the previous years amount of $444,381. The difference between budget and actual amounts is mainly because the budget failed to include any amount for *Infrastructure to be Returned to the Territory.*

Operating Result

The Authority achieved an operating profit for the year of $70,517 compared to a loss of $439,057 in the previous year.

Conclusion

As 1997-98 was the first year the Authority sold land to developers. It is too soon to comment on the long term financial operations of the Authority.

33.4 SHORT TERM FINANCIAL POSITION

A *current ratio* representing the ratio of current assets which will convert to cash in the short term and to current liabilities which will have to be met in cash in the short term, is indicative of the Authority's ability to meet its obligations in the short term. Details of the current assets and liabilities and the current ratio for the last two years are presented in the following table.

Gungahlin Development Authority
Current Assets and Liabilities

	1997-98	**1996-97**
	$000	**$000**
Current Assets		
Cash	341	444
Receivables	252	815
Inventories	-	385
Investments	1,060	-
Other	5	7
	1,658	**1,651**
Current Liabilities		
Creditors and Accruals	78	39
Employment Entitlements	34	30
Borrowings	-	800
Other	700	-
	812	**869**
Current Ratio	**2 to 1**	**1.9 to 1**

A current ratio in the range of 1:1 to 1.5 : 1 is the minimum usually desirable in a business. The ratio at the Gungahlin Development Authority is 2 to 1 which indicates a sound short term financial position.

34. HEALTH AND COMMUNITY CARE DEPARTMENT

34.1 INTRODUCTION

The Department plans and implements health policy and provides public health services. It plans and purchases services to meet the needs of residents of the Canberra region, and evaluates those services. The Department also provides support and information to the Government, other agencies and individuals.

34.2 AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Health and Community Care on 15 September 1998.

34.3 FINANCIAL ANALYSIS

DEPARTMENTAL TRANSACTIONS

The table on the next page summarises the Department's Operating Statement.

Department of Health and Community Care's Summary Operating Statement

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000
REVENUE			
Government Sources			
Government Payments for Health Care Services	291,552	286,118	314,535
Business Services Bureau Support and Other Charges.	4,680	5,025	5,704
Superannuation Assumed	2,192	1,808	1,948
Resources Received Free of Charge	1,094	678	1,831
	299,518	293,629	324,018
Other Sources			
Interstate Cross Border Receipts	28,200	31,599	43,007
Fees for Services, Interest and Other	901	1,591	1,336
	328,619	**326,819**	**368,361**
EXPENDITURE			
Purchases of Services and Grants			
ACT Community Care		48,539	45,117
The Canberra Hospital		175,679	182,952
Calvary Hospital		43,658	40,979
Healthpact		2,149	3,109
Grants to Non Government Organisations		23,224	21,122
Other Transfers and Grants		1,407	291
	305,939	294,656	293,570
Employee Expenses			
Salary and Wages		11,781	10,928
Long Service, Annual and Other Leave		2,423	951
Superannuation		1,760	2,342
Comcare Premiums		458	298
Termination Payments		306	595
	16,650	16,728	15,114
Administrative Expenses			
Property and Rental Expenses		1,223	1,089
Legal Expenses		652	641
Clinical Expenses		687	619
Consultants Fees		392	769
Contractors Fees		294	500
Business Service Bureau Support		444	750
Legal Settlements		3,290	6,785
Other Administrative Expenses		3,737	4,939
	6,537	10,719	16,092
Depreciation	761	369	1,056
Cross Border Receipts Transferred to the Central Financing Unit	0	0	42,808
	329,887	**322,472**	**368,640**
Operating (Loss)/Surplus before Abnormal Items	**(1,268)**	**4,347**	**(279)**
Abnormal Item		(8,337)	111
Operating (Loss)/Surplus after Abnormal Items	**(1,268)**	**(3,990)**	**168**

Note: Major adjustments to the operating statement have been made to facilitate comparison with the budget and prior year actual results. The abnormal item relates to the loss on disposal of Goodwin Homes in Ainslie and Farrer. The assets were transferred to Goodwin Aged Care Services Incorporated in August 1997. Last year, amounts received from the Central Financing Unit included funding of $11.8m for capital works as revenue. In a change in accounting treatment, this revenue was treated as capital injection and not included in the operating result. The prior year result has been amended to exclude $11.8m in funding received for capital works. Purchase of services from ACT Community Care, The Canberra Hospital and Calvary Hospital have been adjusted to remove the capital component in those payments to the value of $11.8m.

Comments follow on major sources of revenue and expenditure, which show significant variations from budget and/or the previous year.

Revenue Items

At $326.8m total revenue was less than budget of $328.6m by $1.8m.

Revenue Comparison with Budget

Government Payments for Health Care Services were less than budget by $5.4m. This was largely due to the significant savings in the Comcare premiums for the Canberra Hospital for 1997-98. Following a reassessment of the Comcare premium at The Canberra Hospital, which resulted in a significant reduction in this expense for the Hospital, the amount of revenue required by the Department to pass on to The Canberra Hospital was also reduced.

Resources Received Free of Charge were less than budget mainly because InTACT revised the value of resources it provides to the Department downwards. The resources are represented by the personal computers transferred "free of payment" from the Department to the control of InTACT when InTACT was established.

The previously mentioned items, which were less than budget were partially offset by *Cross Border Receipts* which exceeded the budget by $3.4m. *Cross Border Receipts* are the net receipts received from other States and Territories for health services provided by the ACT health services to residents of those states and territories. This revenue varies depending on the numbers of interstate users and negotiations between the Governments.

Revenue Comparison with 30 June 1997 Actual

At $314.5m, the previous year's *Government Payment for Health Care Services* is shown as exceeding 1997-98 ($286.1m) by $28.4m. The decrease of $28.4m over the prior year reflects a change to accounting for *Cross Border Receipts*. Cross border receipts are now collected and retained by the Department resulting in a corresponding reduction in the amount of *Government Payment for Health Care Services* received.

Actual *Cross Border Receipts* were $11.4m less than the previous year. This was primarily attributable to the previous year's revenue including a one off receipt of $11m from the NSW Department of Health, following negotiation of cross border services arrangements with NSW relating to prior years.

Resources Received Free of Charge have fallen against the prior year mainly because of the revision of the value of resources provided free of charge by the ACT Government Solicitor and because the Department's accommodation is no longer received free of charge.

Expenditure Items

At $322.5m, total expenditure was less than the budgeted expenditure of $329.9m by $7.4m.

Expenditure Comparisons to Budget

At $294.7m, expenditure on *Purchasers of Services and Grants* abovementioned were less than the budget of $305.9m by $11.2m. The reduction is due to the Comcare Premiums savings and delayed implementation of several Commonwealth/ACT shared projects.

Operating Result

The Department recorded a surplus before abnormal items of $4.3m compared to a budgeted loss of $1.3m. This was achieved primarily because revenue from *cross border receipts* exceeded budget and *depreciation expense* was less than budget.

Conclusion

From the audit review of the financial statements and the explanations for variations from budget, the conclusion has been drawn that the Department, in an overall sense, has managed its Departmental operations to its budget.

TERRITORIAL TRANSACTIONS

Revenue Items

Territorial revenue other than amounts received from the Central Financing Unit and Commonwealth grants comprised.

Department of Health and Community Care's Territorial Revenue

	1997-98 Budget $000	1997-98 Actual $000	1996-97 Actual $000
Fees and Fines	363	388	305
Revenue from the National Capital Private Hospital in exchange for a parcel of land at The Canberra Hospital site.	2,100	2,100	500
	2,463	**2,488**	**305**

35. HEALTH AND COMMUNITY CARE SERVICE

35.1 INTRODUCTION

The ACT Health and Community Care Service (the Service) is comprised of ACT Community Care and The Canberra Hospital. The Service was established as a statutory authority under the *Health and Community Care Services Act 1996* (the Act).

The objectives of the Service as stated in the Act are to:

- provide health and community care services for residents of the Territory that promote, protect and maintain public health;
- maintain quality standards of health and community care services;

- take all measures to ensure the efficient and economic operation of its resources; and
- effectively coordinate the provision of health and community care services.

The Service acts as a provider of health and community care services under Service Purchasing Agreements with the ACT Department of Health, The Canberra Hospital and ACT Community Care.

35.2 1997-98 FINANCIAL STATEMENT AUDIT

An ***unqualified*** audit opinion was provided to the Minister for Health and Community Care on 8 September 1998.

As the Service's financial statements are a consolidation of The Canberra Hospital and ACT Community Care no specific comment on the Service is provided in this Report.

See Chapter 51 for The Canberra Hospital and Chapter 22 for ACT Community Care for further information.

36. HEALTHPACT

36.1 INTRODUCTION

The Health Promotions Board, known as 'Healthpact', was established in November 1995 under the *ACT Health Promotion Act 1995* (the Act). The Act stipulates that revenue from the Health Promotions Board equal to 5% of the projected total of the tobacco franchise fees to be received by the Territory in that financial year, or such higher percentage of the projected total of those fees as determined by the Minister shall be paid to the Board.

The functions of the Board include the promotion of good health in the community through sponsorship and the funding of activities and research and development projects.

36.2 SIGNIFICANT FINDINGS

- ***Healthpact has not been fully successful in managing its finances to its published budget; for the second year running expenses have been in excess of its revenue.***

36.3 AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Chief Executive of Healthpact and to the Minister for Health and Community Care on 18 August 1998.

36.4 FINANCIAL ANALYSIS

The table on the next page summarises Healthpact's operating statement for 1997-98.

Healthpact's Summary Operating Statement

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000	Actual 1995-96 $000
REVENUE				
Government Sources				
Payment from Government for Healthpact Services	2,149	2,149	2,059	2,215
Other Sources				
Interest	40	45	46	0
Other	0	111	0	43
	2,189	**2,305**	**2,105**	**2,258**
Expenditure				
Employee Expenses				
Salary and Wages		249	196	164
Superannuation		34	30	28
Annual, Long Service and Sick Leave		45	10	54
Other Employee Expenses		4	0	1
	285	332	236	247
Administrative Expenses	141	325	114	69
Grants and Sponsorship				
Grant Payments	0	894	1547	729
Sponsorship Payments	2,050	1,135	336	233
	2,050	2,029	1,883	962
	2,476	**2,686**	**2,233**	**1278**
Operating Surplus/(Loss)	**(287)**	**(381)**	**(128)**	**980**

Expenditure for 1997-98 increased from budget by $210,000 (8%) due to increases in *employee expenses* and *administrative expenses*, offset by a small reduction in expenditure for *Grants, Subsidies and Sponsorship payments*. Approximately half of the increase in expenditure was attributable to the costs associated with the Active Australian Campaign for which $100k was also received from the profits of the Australian Masters Games. Although there was a small increase in revenue the Operating Loss increased by $94,000.

Conclusion

From the audit review of the financial statements and explanations for variations from budget and the previous year's figures, the conclusion has been drawn that Healthpact, was not fully successful in managing its finances to its published budget.

36.5 SHORT TERM FINANCIAL POSITION

The current ratio, which represents the ratio of current assets to current liabilities, is indicative of an entity's ability to meet its obligations in the short term. Details of the current assets and liabilities and the current ratio of the last two years are presented in the following table.

Healthpact Current Assets and Liabilities

	Actual 1997-98 $000	Actual 1996-97 $000	Actual 1995-96 $000
Current Assets			
Cash	553	919	0
Receivables	0	2	1,050
	553	**921**	**1,050**
Current Liabilities			
Creditors	7	19	12
Employee Entitlements	37	23	34
	44	**42**	**46**
Current Ratio	**13:1**	**22:1**	**23:1**

A current ratio in the range of 1:1 to 1.5:1 is the minimum usually desirable in a business.

As can be seen from the table at the end of 1997-98 Healthpact has a high current ratio of 12:1. The high ratio is the result of a large surplus from 1995-96 when Healthpact was first established. However the table also shows declining current ratio positions because of the losses over the last two years. The viability of Healthpact is not in question in the short term.

However the operations of Healthpact cannot be sustained at current levels of activity in the medium term if losses continue to be sustained.

37. HERITAGE

37.1 INTRODUCTION

On 31 March 1998, the Department of Business, the Arts, Sport and Tourism (BASAT) was abolished. Functions relating to Heritage were transferred to the Department of Urban Services.

For financial reporting purposes for 1997-98, the transferred functions were treated as a notional separate department - the Department of Heritage. Budget information was adjusted accordingly.

37.2 AUDIT OF 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Heritage on 18 September 1998.

An *Emphasis of Matter* paragraph was included in the audit report indicating that *"the results for some performance measures were either not measured or were estimated"***.** No audit opinion was expressed on these performance measures.

37.3 FINANCIAL ANALYSIS

DEPARTMENTAL TRANSACTIONS

The table on the next page summarises the Department's Operating Statement.

Heritage Summary Operating Statement

	Budget[5] 1997-98 $000	Actual 1997-98 $000	Actual[6] 1996-97 $000
Revenue			
Government Sources			
Government Payment for Outputs	2,907	2,816	1,869
Superannuation Assumed	331	306	300
Resources Received Free of Charge	186	76	146
	3,424	3,198	2,315
Other Sources			
Fees for Service, Sales	99	48	163
Other	48	183	294
	147	231	457
	3,571	**3,429**	**2,772**
Expenditure			
Employee Expenses			
Employee Expenses		2,304	
Superannuation		306	
	2,365	2,610	2,197
Administrative Expenses			
Consultants and Contractors		113	
Occupancy (Electricity, water, security, etc)		332	
Other materials and services		104	
Travel, transport and communications		165	
Property and equipment		82	
Advertising and printing and stationery		52	
Other		104	
	1,185	952	723
Depreciation	3	171	189
	3,553	**3,733**	**3,109**
Operating Surplus / (Loss)	**18**	**(307)**	**(337)**

Note:

1. Property, Plant & Equipment was transferred from the Territorial Statements to the Departmental Statements, the comparative amounts for Depreciation were therefore adjusted by $0.189m to facilitate comparison with last year.

2. Revenue and expenses relating to the Construction Industry Board has been netted out.

[5] The budget information for 1997-98 reflects the allocation of the Budget for the former Department of Business, the Arts, Sport and Tourism for the functions transferred to the Department of Heritage.

[6] The information for 1996-97 relates to the relevant functions in the former Department of Business, the Arts, Sport and Tourism.

Comments follow on the major sources of revenue and expenditure which show significant variations from budget or previous year.

Revenue Items

At $3.4m, total revenue was consistent with the budgeted revenue of $3.5m and higher than the prior year actual revenue of $2.8m by $0.6m. The increase in revenue compared to the previous year was mainly due to the increase in the allocation of *Government Payment for Outputs* to meet the increase in employee and administrative expenses detailed later.

Expenditure Items

At $3.7m, total expenses were consistent with the budgeted expenses of $3.6m and higher than prior year actual expenses of $3.1m by $0.6m.

The increase of $0.6m from last year is mainly as a result of an increase in employee expenses ($0.4m) and administrative expenses ($0.2m).

The increase in employee expenses was mainly as a result of allocation of corporate overheads ($0.3m).

The increase in administrative expenses ($0.2m) was as a result of the Department being required to pay for the first time for ACT Workcover and Agents Board accommodation at FAI House.

Operating Result

The Department's operating loss of $0.3m was less than the budgeted profit of $0.02m. As indicated above, this was caused by the allocation of corporate overheads.

Conclusion

From the audit review of the financial statements and the explanations for variations from budget, the conclusion has been drawn that the Department, in an overall sense, managed its Departmental operations to its budget.

TERRITORIAL TRANSACTIONS

Territorial Revenue

Territorial revenue other than amounts received from the Central Financing Unit comprised:

Heritage Territorial Revenue

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000
Taxes, fees and fines	577	231	366
Commonwealth Grants	0	1	28
	577	**232**	**394**

At $0.2m, Territorial Revenue is lower than the budget of $0.6m by $0.4m and the prior year actual of $0.4m by $0.2m. The decrease largely relates to a reduction in fees collected from issuing "Notices of Intent" on new buildings. The Department has advised that this reduction is consistent with the downturn of the building industry and the economy.

Territorial Expenditure

Territorial expenditure other than transfers made to the Central Financing Unit comprised:

Heritage Territorial Expenditure

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000
Grants and Subsidy Payments	362	243	137

The decrease in grants and subsidy payments from budget of $119,000 mainly relates to an amount initially allocated in the budget for the National Estate Grant Program ($112,000). The purpose of the program was to identify and protect heritage places. Funds were provided to all states and territories from the Commonwealth Government for this purpose. The Department advised that the program is now administered at commonwealth level and therefore the expected funding was not received by the Territory.

Conclusion

From the audit review of the financial statements and the explanations for variations from the budget, the conclusion has been drawn that the Department, in an overall sense, managed its Territorial operations to its budget.

38. HOUSING

38.1 INTRODUCTION

Housing provides assistance and services in accordance with the Housing Assistance Act 1987 and the Commonwealth State Housing Agreement (CSHA) 1989. Assistance is provided through public rental housing, rent relief for private rental tenants, home loans mortgage relief, emergency housing, supported accommodation and community based housing assistance.

38.2 SIGNIFICANT FINDINGS

- ***Expenditure on Repairs and Maintenance of housing stock increased by $11m or 102% during 1997-98; this increase reflects a commitment by the government to increase spending on this item;***

- ***Housings property portfolio was revalued on 31 March 1998; the outcome was a revaluation downward of $15m; while housing stock***

values fell, they are decreasing in value by a lesser amount than in previous years; in March 1997 they had been revalued down by $133.6m;

- ***During 1997-98 the government agreed to transfer the management of 200 properties to the community sector; this transfer will more than double the number of properties managed by the community housing sector;***

- ***Housing currently has $2.1m worth of capital invested in the Braddon Gardens residential unit development; the capital represents 23 unsold units which are currently being leased to tenants under market conditions; and***

- ***Housing did not manage its operations to budget during 1997-98.***

38.3 AUDIT OF 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Housing on 18 September 1998.

38.4 FINDINGS FROM THE AUDIT

As a result of the audit a number of instances were identified where the operations of Housing could be improved or where the internal controls are not operating satisfactorily. These instances have been advised to management with appropriate recommendations.

38.5 CHANGES IN OPERATIONS

Following a Government decision home loan mortgages are no longer provided by the ACT Government. Accordingly no new loans were issued by Housing in 1997-98. The Home Loans program was transferred to the Office of Asset Management on 1 July 1998.

As well the Department of Urban Services and Housing entered into a purchaser — provider arrangement on 1 July 1998. Under this arrangement the Department of Urban Services is now responsible for

providing policy advice on housing and housing assistance issues. Prior to these new arrangements this function was performed by Housing.

38.6 FINANCIAL ANALYSIS

The table on the following page summarises the Housing's Operating Statement.

Comment follows on the major sources of revenue and expenditure.

Revenue Items

Actual *Government Payment for Outputs* for the year were $28.2m which was below budget by $2.5m. *Government Payment for Outputs* were below budget due to a reduction in Commonwealth funding as the ACT funding matches Commonwealth funding dollar for dollar.

Rent Revenue is calculated by subtracting rental rebates from the gross market value of rent for the year. *Net rent revenue* for the year was $45.8m. This was below the budget amount of $47.0m due to a review of the market rents performed during the year which resulted in a reduction in rents being charged by Housing. The rent revenue collected in 1997-98 was 2.3% less than in 1995-96 and 2.5% less than in 1996-97.

Housing Summary Operating Statement

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000	Actual 1995-96 $000
REVENUE				
Government Sources				
Payment for Outputs	30,764	28,225	23,376	31,331
Other Sources				
Rent Revenue Net of Rebates	47,096	45,839	47,034	46,896
Interest	16,440	15,064	21,086	25,278
Other	698	2,327	974	1,277
	64,234	63,230	69,094	73,451
	94,998	**91,455**	**92,470**	**104,782**
EXPENDITURE				
Employee Expenditure				
Employee Expenses	12,636	11,351	12,076	11,490
Superannuation Expenses	1,155	1,662	1,785	1,551
	13,791	13,013	13,861	13,041
Administration Expense				
Accommodation		2,043	2,004	1,713
Repairs and Maintenance		22,405	11,074	15,035
Rates		12,348	12,130	14,396
Other Administration		7,799	6,679	5,505
	41,816	44,595	31,887	36,649
Other Expenses				
Depreciation	31,055	24,704	27,767	31,358
Interest	16,238	16,122	18,425	19,636
Other	5,508	5,999	5,074	7,800
Total Expenditure	**108,408**	**104,433**	**97,014**	**108,484**
Operating Loss before Abnormal Item(s)	**(13,410)**	**(12,978)**	**(4,544)**	**(3,702)**
Abnormal Item(s)	-	984	(3,616)	(4,030)
Operating Loss after Abnormal Item(s)	**(13,410)**	**(11,994)**	**(8,160)**	**(7,732)**

Actual *Interest Revenue* was below budget interest revenue by $1.4m. Interest revenue for the year was substantially less than in prior years (1996-97 $21.1m) due to a reduction in interest being received from housing loan debtors. This reduction was a result of a decrease in interest rates in 1997-98.

Other Revenue of $2.3m was substantially more than budget of $698,000 or prior years amount of $974,000. This increase in other revenue in 1997-98 is mainly explained by a greater recovery in maintenance costs from tenants during the year.

Total Revenue

Total revenue for the year was $91.5m compared to budget of $95.0m. The difference represents a variance of 3.7% less than budget and is mainly explained by rents received for the year being below budget. This drop in revenue can be primarily attributed to a fall in Housing's assessment of market rents. Total revenue has been decreasing over the past three years.

Expenditure Items

Total *Administrative Expenses* were $12.7m more than in the previous year. This increase is explained by a significant increase in *repairs and maintenance* expenditure in 1997-98 as a result of government policy to spend more on repairs and maintenance.

Painting expenditure increased by $4.6m during the year due to the continuation of a program to repaint all properties currently painted with lead based paint. In 1996-97 the planned amount of expenditure on this program was not achieved, hence increased expenditure was required in 1997-98. In addition previous to 1997-98 the cyclical painting program was not funded to the level required to maintain the rolling program. An injection of funds in 1997-98 has now put the painting program for internal and external work on track and it is planned to maintain this level of funding in the future.

Vacated property repairs increased $1.1m in 1997-98 due to repairs to internal paint work and floor coverings being performed properties when properties are vacant. Housing now consider that it is more cost effective if this type of work is carried out while a property is vacant. Performing

these repairs while a property is vacant also reduces the demand on the Planned Maintenance Program.

General repairs (minor civil, plumbing, glazing etc) increased $2.6m during the year due to a program being put in place to carry out annual inspections on properties which has resulted in the identification of repairs not previously identified or reported by tenants.

External Works increased by $1.8m in 1997-98 due to increased work on the fencing program required as a result of the accumulated age of properties, the insulation program for properties. Due also to the age of the underground services across the ACT it was necessary to target those areas which required more than minor repairs.

Depreciation decreased by $3m in 1997-98 over the previous year. In addition it was below budget by $6.3m and has been falling since 1995-1996. The continual fall in the depreciation charge between years is explained by the value of the property portfolio falling in the past three years. The large variation between actual and budget however is the result of poor budget formulation.

In response to the above the Department advised "*ACT Housing notes that the budget for 1997-98 was compiled in March 1997. There have been two revelations of the portfolio conducted since that time. ACT Housing does not believe it is possible in a fluctuating property market to predict the valuation of the portfolio up to 18 months in advance*".

Total Expenditure

Total expenditure for the year was $104m which was $4.0m or 3.8% below budget. With the exception of depreciation, all major categories of expenses did not vary considerably from budget. The variation in depreciation from budget was a result of poor budget formulation.

Administrative Expenditure (Repairs and Maintenance) was the only category that varied substantially from previous years amounts. All other expenditure was on line with previous years amounts.

Conclusion

Total revenue was below budget by $3.5m in 1997-98. Revenue did not achieve budget due to a combination of *Government Payment for Outputs* and *Rent Revenue Net of Rebates* being less than budget. Total expenditure was also below budget by $4m and is attributable to *Depreciation Expense* being $6.4m less than budget The 'saving' in *Depreciation Expense* was not controllable by Housing and reflects an initial budget which was not accurate. This reduction in *Depreciation Expense* was partially offset by overruns in *Administration Expenditure* of $2.8m.

It cannot be said that ACT Housing's fully managed its departmental operations to budget. While the Departments net result was close to budget this result is mainly attributable to matters outside the control of management.

38.7 PROPERTY PORTFOLIO

Number and Value of Dwellings

	1997-98	1996-97	1995-96
Dwelling Numbers	12,209	12,289	12,500
Carrying Value ($000)	1,197,452	1,236,241	1,399,276

ACT Housings dwellings are revalued at 31 March each year to incorporate into valuations changes as a result of market conditions. As a result of the 31 March 1998 revaluation the value of the portfolio fell by 3% or $15m. This is a much better result than the 31 March 1997 revaluation, where the value of the portfolio fell by 12% or $133.6m.

ACT Housings properties range in value from $28,500 to $394,000 reflecting market value and condition of these properties in various locations across the ACT. The average value of these properties fell from $100,597 to $97,791

Transfer of Properties to Community Housing Canberra

During 1997-98 a decision was made by Government to transfer 200 properties to the community housing sector. The properties will be transferred to the community housing sector on long term operating leases. The community housing organisations will be responsible for the

management and control of the properties and tenancy matters, while ownership will remain with Housing. The first four houses were transferred at the beginning of 1998-99. None were transferred in 1997-98.

38.8 JOINT VENTURE

Housing entered into a venture with a joint venture partner to construct and sell 85 units at Braddon in February 1993. Construction of the units was completed in 1995-96 with 52 of the units being sold by 30 June 1996.

During 1997-98 a further 10 units were sold generating a net profit from sales of $11,900. Housing currently has $2.1m worth of capital invested in the venture. This amount represents Housing's share of the remaining 23 unsold units which are currently being leased under market conditions to tenants who may not be eligible for public housing. These units are intended to be sold to private owners as market conditions become more favourable.

During 1997-98 leasing of the unsold units generated a profit of $93,000. The profit resulted from $285,000 in revenues and expenses of $192,000. Housing's net return is 2.2% pa on the capital invested.

38.9 TERRITORIAL TRANSACTIONS

Revenues

Territory Revenue for the year was $14.8m of which $14.5m was received from the Commonwealth Government.

Commonwealth Government Grants — Housing primarily receive grants under the Commonwealth State Housing Agreement. All grants received by Housing from the Commonwealth are transferred immediately from Housing to the Central Financing Unit which is part of the Chief Minister's Department. Housing budgeted to receive $20.6m in Commonwealth grants but only received $14.5m. The difference of $6.1m was primarily explained by Housing's $5.4m funding of the Governments State Fiscal Contribution to the Commonwealth Government for its deficit reduction strategy. The Commonwealth Government reduced Housing's funding by this amount.

Expenditure

Territorial expenditure totalled $14.8m for the year. $14.5m of this amount represents transfers made to the Central Financing Unit of Commonwealth grant moneys.

Of the remaining $327,000, $312,000 went to the Community Housing program and $15,000 went to the Supported Accommodation Assistance Program.

Conclusion

From the Audit review of the financial statements and the explanations for variations from budget the conclusion has been drawn that the Department, in an overall sense, managed its Territorial operations to its budget.

39. INTACT GROUP

39.1 INTRODUCTION

InTACT (Information Technology in the ACT) commenced its formal operations on 1 July 1996. The primary objectives of InTACT are to manage existing information technology infrastructure services on a whole of government basis and deliver cost efficient infrastructure services to the Government.

39.2 SIGNIFICANT FINDINGS

- ***InTACT's loss for 1997-98 was $15.3m compared to a loss of $1.9m in the previous year;***

- ***The adoption of a depreciation accounting policy of a useful life of two years for all IT assets transferred on 30 June 1997 to InTACT resulted in higher than budgeted depreciation expense being brought to account***

in 1997-98; the financial effect of adopting this policy was an additional $6m in depreciation expense for the year;

- ***As a result of the adoption of the depreciation policy, all IT plant and equipment transferred to InTACT on 30 June 1997 now has a written down value of nil;***

- ***InTACT's 1997-98 budget was a transitional budget as InTACT was still in an early stage of development; consequently no meaningful comparisons of actual to budget can be made; and***

- ***InTACTs current ratio at year end was significantly below normal levels; a low current ratio indicates that InTACT could have difficulty meeting its commitments as they fall due in the next twelve months.***

39.3 AUDIT OF 1997-98 FINANCIAL STATEMENT

An ***unqualified*** audit opinion was provided to the Minister for Urban Services on 18 September 1998. An *'Emphasis of Matter'* was included in the audit report. No audit opinion was expressed on 2 performance measures because the disclosed results for the performance measures were not available and therefore could not be audited.

InTACT was required to report on performance measures for the first time in 1997-98.

39.4 FINDINGS FROM THE AUDIT

During the audit a number of instances were identified where InTACT's operations could be improved or where internal controls were not operating satisfactorily. These instances have been reported in a management letter along with appropriate recommendations.

39.5 FINANCIAL ANALYSIS

The table on the following page summarises InTACT's operating statement.

Comment follows on the major sources of revenue and expenditure.

Revenue Items

InTACT's total revenue for 1997-98 was $31m, of which $27.9m came from *User Charges*. $27.1m of *User Charges* revenue was earned from ACT Government agencies. The majority of this revenue came from the provision of IT services.

User Charges revenue in 1997-98 at $27.1m was significantly below the budget figure of $37m. InTACT's 1997-98 budget was a transitional one, partly based on information provided by other Departments. When compared to actual results for 1997-98, it is clear that the information on which this budget was formulated was inaccurate.

InTACT received *Government Payment For Outputs* of $617,000. This was for the provision of information technology support to the whole of the ACT Government. In 1997-98 InTACT only provided services to the value of $535,000. The remaining $82,000 in *Government Payment for Outputs* was accounted for as revenue received in advance at year end.

InTACT Summary Operating Statement

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000
Revenue			
Government Payment for Outputs	617	535	0
Liabilities assumed by Govt	1408	1352	778
Resources received free of charge	1400	1108	0
Other Bodies	0	852	675
User Charges			
ACT Government	37436	27074	17614
Interest	99	90	163
Other	0	2	2
	40,960	**31,013**	**19,232**
Expenses			
Employee expenses	11,042	10,320	6,435
Operational Expenses			
Voice and Data Line Charges		5,678	6,299
Consultants and Contractors		5,726	2,675
Software Licences and Maintenance		2,136	1,063
Other Communication Costs		1,105	364
IT Facilities Charges		535	1,379
Other		3,073	1,252
	31,147	18,252	13,032
Depreciation	4,890	15,852	1,423
Interest	0	727	135
Other	0	1,172	87
	47,079	**46,323**	**21,112**
Operating Loss	**(6,119)**	**(15,310)**	**(1,880)**

Expenditure Items

In 1997-98, InTACT's total expenses were $46.3m, of which $10.3m related to *Employee Expenses*, $18.2m to *Operational Expenses* and $15.8m to *Depreciation*. Of the $18.2m of *Operational Expenses*, the largest items were $5.7m for *Voice and Data Line Charges (*$6.3m in the previous year) and $5.7m for the employment of *Consultants and Contractors.* Additional *Consultants and Contractors* were employed to provide assistance with the preparation of Request-for-Offer documentation, electronic mail assistance and help desk services in 1997-

98. As a result, the expenditure related to these services increased by $3m from the 1996-97 figure of $2.7m.

Depreciation for the year was $15.9m compared to a budget of $4.9m. This larger than budgeted depreciation was due to InTACT adopting a useful life accounting policy for all IT assets of 2 years. The effect of adopting this policy was an additional $6m *Depreciation Expense* for the year. All IT equipment transferred from other ACT Government entities to InTACT on 30 June 1997 is now fully depreciated.

Conclusion

No meaningful comparison of InTACT's operations can be made to its budget for the year. As was previously noted, the budget was a transitional one, and largely based on information provided by other Departments. As the table above shows information used in the preparation of the budget was not accurate. InTACT has advised that "*the information provided ... rests heavily on expectations about existing numbers of equipment, usage rates and outcomes from the Request For Offers exercise. In order to validate the actual results, the period 1997-98 will serve as a transition year for all Departments, enabling full cost identification to be established*".

It cannot be said that InTACT operated to budget for 1997-98.

39.6 SHORT TERM FINANCIAL POSITION

The Current Ratio, which represents the ratio of current assets to current liabilities, is indicative of an entity's ability to meet its obligations in the short term. Details of the current assets and liabilities and the current ratio for InTACT's last two years of operations are shown in the table on the next page.

InTACT Current Assets and Liabilities

	1997-98 Actual $000	1996-97 Actual $000
Current Assets		
Cash	898	903
Receivables	3,060	3,391
Investments	2,761	1,979
Inventories	30	19
Other	277	74
	7,026	**6,366**
Current Liabilities		
Creditors	5,432	2,313
Finance Leases	4,326	1,253
Employee Entitlements	1,334	1,114
Other	1,351	222
	12,443	**4,902**
Current Ratio	**0.56 : 1**	**1.3 : 1**

A current ratio in the range of 1:1 to 1.5:1 is the minimum usually desirable in a business.

InTACT's current ratio has fallen from a reasonable level of 1.3:1 in 1996-97 to 0.56:1 in 1997-98. Such a low current ratio indicates that InTACT could have difficulty meeting its commitments as they fall due in the next twelve months. InTACT will need to carefully manage its liquid assets if it is ensure that it can meet its commitments as they fall due in the next financial year without seeking special assistance.

40. JUSTICE AND COMMUNITY SAFETY

40.1 INTRODUCTION

On 31 March 1998 the former administrative units of the Attorney Generals' Department and The Emergency Service's Bureau were combined into the Department of Justice and Community Safety.

The Department of Justice and Community Safety is responsible for the provision of legal and emergency services for the community. It also provides programs and funding to deliver community legal services, the administration of justice, and the maintenance of law and order within the ACT.

40.2 SIGNIFICANT FINDINGS

- ***As was the case in 1996-97 no audit opinion was expressed on a large number of the Department's performance measure results.***

40.3 AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit report on the financial statements was provided to the Attorney General on 15 September 1998. However, an *Emphasis of Matter* was included in the audit report in relation to several measures and outputs in the Statements of Performance forming part of the financial statements.

40.4 STATEMENT OF PERFORMANCE

The large number of performance measures for which an opinion could not be expressed was due to the Department not having adequate evidence of the type and quality required to support reported performance measure results or to enable the recording of an accurate result.

As was the case in 1996-97 the Department was reporting against some newly introduced measures which required the development of information and reporting systems. The Department conducted a review of its outputs and performance indicators after the 1996-97 audit. The review was

intended to improve the process for 1997-98. It identified a number of measures which have not been continued in 1998-99. It is important that management establish internal controls to ensure that systems are in place to record verifiable results for the measures contained in the 1998-99 Statements of Performance.

40.5 FINDINGS FROM THE AUDIT

As a result of the audit a number of instances were identified where the financial operations of the Department could be improved or where internal controls were not operating satisfactorily. These instances have been notified to management with appropriate recommendations.

40.6 FINANCIAL ANALYSIS

DEPARTMENTAL TRANSACTIONS

The table on the following page summarises the Department's Operating Statement.

Departmental Operating Statement

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000
REVENUE			
Government Sources			
Government Payment for Outputs	46,647	47,975	44,236
Resources Received Free of Charge	422	385	385[7]
Superannuation Assumed	2,984	3,420	2,914
	50,053	51,780	47,535
Other Sources			
Sales of Services	631	606	618
Interest	1,150	1,031	577
Other	7	238	49
	1,788	1,875	1,244
	51,841	**53,655**	**48,779**
EXPENDITURE			
Employee	29,057	30,862	27,467
Administrative	22,536	22,403	19,985
Depreciation	843	888	1,359
Other	344	285	250
	52780	**54438**	**49,060**
Operating Surplus (Loss)	**(939)**	**(783)**	**(281)[8]**

Comment follows on the major sources of revenue and expenditure.

Revenue

Government Payments for Outputs — the $3.7m increase in variance for *Government Payment for Outputs* from the previous year is due to budgeted increases in activity expanding the capacity of the Parliamentary Counsel's Office to provide legislative drafting services; transfer of the Land and Planning Appeals Board and the Statutory Commissioner for

[7] Services no longer provided to the Department of Justice and Community Safety by the Chief Minister's Department and the Department of Urban Services of $933,000 have been removed.

[8] Adjustments have been made to the actual revenue and expenditure figures for the NSW Prison or Payment ($6.4m) and the Community Service Payment for the Office of the Public Trustee ($182,000)

Land and Planning to the Department; the full year effect of the transfer of the Office of Rental Bonds to the Department; and the anticipated costs of the 1998 ACT Election.

The total amount received from the Central Financing Unit exceeded budget by $1.3m. This was due to the Department receiving $737,000 from the Treasurer's Advance Account following appointment of a fourth Supreme Court Judge and for the NSW Prisoner Payment. An additional $590,000 of appropriation was given for the transfer of court security from a Territorial to Departmental function, and the transfer of Agents Board to the Department.

Superannuation Assumed — there was an increase of $506,000 in *Superannuation Assumed* between actual revenue 1997-98 and actual revenue 1996-97 because of an increase in corresponding staff costs. These increases were due to expansion of the Parliamentary Counsel's Office to provide drafting services; increased activity due to the ACT Elections; transfer of the Agents Board from another ACT Department; transfer of transactions with the Public Trustees Office Territorial to Departmental Expenditure; transfer of the Office of Rental Bonds to the Department on 1 January 1997; creation of the ACT Human Rights Office; creation of the security unit for the ACT Magistrates Court; and creation of the Management Assessment Panel.

Interest — there was a $454,000 increase in *Interest Revenue* in 1997-98 compared to the previous year. As the Office of Rental Bonds was only transferred to the Department on 1 January 1997, the Department's actual figures for 1996-97 did not represent a full years operations. This statement includes revenue for a full year.

Expenditure Items

Employee Expenses — actual expenditure for 1997-98 exceeded the previous years expenditure by $3.4m. The variation is explained by the increases to staff numbers mentioned previously.

Administrative Expenditure — the increase in expenses of $2.4m between 1996-97 and 1997-98 is due to expansion in the Department's activities. In 1997-98, the administrative costs to the Department increased due to expansion of the Parliamentary Counsel's Office to include legislative drafting; the full year effect of the transfer of the Rental Bonds Office; an increase in activity due election costs, increase in costs following the

appointment of a fourth Supreme Court Judge, and unanticipated increases in litigation activity at the Government Solicitor's Office.

Depreciation and Amortisation — the decrease in depreciation charges of $471,000 between 1996-97 and 1997-98 was due to the corresponding decline in assets in the books of the Department. The Department's IT assets were transferred to InTACT in 1996-97.

Total Expenditure

Total actual expenditure for 1997-98 exceeded the 1996-97 figure by $5.4m. This is explained by an increase in employee and administrative expenses due to the expansion of the Department's activities.

Total actual expenditure for 1997-98 exceeded budget by $1.7m. This excess over budget is explained by an increase in the Department's staff numbers after the budget had been formulated.

Conclusion

There are significant variations in revenue and expenditure between actual 1996-97 and actual 1997-98 expenditure. These variations had been anticipated in the budget process for 1997-98. From the audit review of the financial statements and the explanations for actual and budget variations, the conclusion has been drawn that the Department, in an overall sense, managed its Departmental operations to its budget.

TERRITORIAL TRANSACTIONS

Revenue

Territorial revenue, other than payments received from the Central Financing Unit and Commonwealth Grants for specific purposes, is shown in the table on the next page.

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000
Revenue			
Taxes Fees and Fines	9,031	8,601	8,303
Other Revenue	78	231	177
	9,109	**8,832**	**8,480**

Taxes Fees and Fines — the actual variance of a $298,000 increase in Taxes, Fees and Fines is due to higher levels of activity in fees for regulatory services. Although Taxes Fees and Fines were budgeted to increase in 1997-98, the actual increase was less than expected.

Other Revenue — the significant increase in other revenue of $153,000 is made up of Government Solicitor's Office debt recovery and other miscellaneous revenue.

Expenditure

Territorial expenditure other than transfers made to the Central Financing Unit for licenses and fines collected comprised:

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000
Expenses			
Grants, Subsidies and Transfer Payments			
Payment to Australian Federal Police		54,509	53,322
Compensation and Legal Payments		7783	9728
Payment to Legal Aid Commission		4841	4000
Weapons Compensation		1108	2923
Other		228	48
	65,279	68,469	70021
Depreciation	805	696	688
Other	0	77	0
	66,084	**69,242**	**70,709**[9]

Grants, Subsidies and Transfer Payments — have decreased by $1.6m in 1997-98. This is mainly due to a decrease in compensation payments by $1.9m and weapons payments by $1.8m. This large decrease has been

[9] Adjustments have been made to the actual figures for the MJW Prisoner Payment ($6.4m) and the Community Service payment for the Office of the Public Trustee ($182,000).

partially offset by an increase in policing costs in 1997-98 in an effort to increase the operational strength of the Australian Federal Police.

Conclusion

Territorial expenditure exceeded budget by $3.2m, primarily due to larger then anticipated increases in compensation, legal and criminal injuries payments.

41. LEGAL AID COMMISSION (ACT)

41.1 INTRODUCTION

The Legal Aid Commission (ACT) was established by the *Legal Aid Act 1977*. The Commission provides legal assistance to eligible people by arranging for the services of private legal practitioners to be made available at the expense of the Commission or by making available the services of Commission officers.

41.2 AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Attorney-General on 2 September 1998.

41.3 FINDINGS FROM THE AUDIT

During the audit several matters were identified where the operations of the Commission could be improved or where internal controls were not operating satisfactorily. These matters were reported in a management letter to the Commission with recommendations.

41.4 FINANCIAL ANALYSIS

The following table summarises the Commission's Operating Statement.

Legal Aid Commission Summary Operating Statement

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000	Actual 1995-96 $000
Revenue				
Client Contributions and Recovered Costs	820	954	1,173	1,253
Government Contributions	4,891	4,769	4,236	5,097
Interest	445	471	454	398
	6,156	**6,194**	**5,863**	**6,748**
Expenses				
Employee Expenses	2,677	2,586	2,393	2,680
Administrative Expenses		1,004	549	573
Other Expenses	3,348	2,345	2,587	3,670
Depreciation and Amortisation	131	107	128	131
	6,156	**6,042**	**5,657**	**7,054**
Operating Surplus (Loss)	**0**	**152**	**206**	**(306)**

Comments follow on the major sources of revenue and expenditure which show significant variations from prior year results.

Revenue Items

Client Contributions and Recovered Costs — these revenue items fell by $219,000 (23%) in 1997-98 compared to the prior year. This decrease was mainly attributable to fewer civil law cases being held as well as variation in the type of cases from which Legal Aid was allowed to recover costs.

Government Contributions — these are made up of funds contributed by the ACT and Commonwealth Governments. Revenue from this item increased by $533,000 in 1997-98 due to a new inter government agreement between the Commonwealth and the ACT.

Total Revenue

Total revenue for the year at $6.0m was an increase of 6% from the previous year. As mentioned, this was largely due to an increase in Government contributions received. *Total Revenue* received was reasonably close to the budget estimate.

Expenditure Items

Employee Expenses at $2.6m were $193,000 more than in 1996-97. This increase was primarily attributable to an increase in the number of employees and pay increments during the year.

Administration Expenses and Other Expenses rose by 7% in 1997-98. The major increase was in *Administration Expenses* which increased from $549,026 in 1997 to $1m in 1998. The increase was a result of the following two major projects undertaken during the year:

- introduction of a new computer system which involved the cost of software, major purchases of hardware and substantial consultant fees for the aims study, implementation, training, etc; and

- opening of an Office at Woden incorporating a new telephone information/advice line with associated establishment and recurrent costs.

Total Expenditure

Total actual expenditure increased by $385,000 however there was no significant variation between expenditure and the budget estimate.

41.5 CONCLUSION

From the review of the financial statements and the explanations for variations from prior year results, the conclusion has been drawn that the Commission, in an overall sense, managed its operations to its budget.

41.6 SHORT TERM FINANCIAL POSITION

The current ratio, which represents the ratio of current assets to current liabilities, is indicative of an entity's ability to meet its obligations in the short term.

Legal Aid Commission Current Assets and Liabilities

	Actual 1997-98 $000	Actual 1996-97 $000	Actual 1995-96 $000
Current Assets			
Cash	323	107	123
Receivables	354	355	497
Investments	300	429	0
Other	40	49	38
	1,017	**940**	**658**
Current Liabilities			
Creditors	403	384	357
Employee Entitlements	303	443	473
	706	**827**	**830**
Current Ratio	**1:1.4**	**1:1.1**	**1:0.8**

A current ratio in the range of 1:1 to 1.5 is the minimum usually desirable in a business. The Commission's current ratio has significantly improved over the past three years, from 0.79:1 in 1995-96 to 1.1:1 in 1996-97 to 1.4:1 in 1997-98. The short term financial position of the Commission therefore appears sound.

42. LEGISLATIVE ASSEMBLY SECRETARIAT

42.1 INTRODUCTION

This Legislative Assembly Secretariat provides all the procedural and administrative machinery necessary to conduct the business of the ACT Legislative Assembly and its committees. It also provides a range of services and facilities for Members and their staff.

42.2 AUDIT OF 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Speaker on 10 September 1998.

The ACT Legislative Assembly Secretariat provided a Statement of Performance in its financial statements although it is not specifically required to do so under the *Financial Management Act 1996.*

42.3 FINDINGS FROM THE AUDIT

During the audit a number of instances were identified where the financial operations of the Secretariat could be improved or where internal controls were not operating satisfactorily. These instances have been reported to the Secretariat management along with the appropriate recommendations.

42.4 FINANCIAL ANALYSIS

The table on the next page summarises the Secretariat's Operating Statement.

Legislative Assembly Secretariat Summary Operating Statement

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000
Revenue			
Government Sources			
Payment for Outputs	3,264	3,264	3,179
Superannuation Assumed	158	208	196
	3,422	**3,472**	**3,375**
Other Sources			
Resources Received Free of Charge	0	153	60
Interest	2	14	2
Other	6	6	7
	8	**173**	**69**
	3,430	**3,645**	**3,444**
Expenditure			
Employee Expenses	1,668	1,725	1,682
Administrative Expenses	1,659	1,734	1,696
Depreciation	179	136	144
	3,506	**3,595**	**3,522**
Operating Surplus (Loss)	**(76)**	**50**	**(78)**

Comment follows on the major sources of revenue and expenditure which varied significantly from Budget.

Revenue Items

The Assembly received a *Government Payment for Outputs* of $3.3m in 1997-98 compared to $3.2m in the previous year.

Resources Received Free of Charge for the year were $153,000, however no amount was budgeted for this item. The source of this additional revenue was services provided by the Department of Justice and Community Safety for drafting and legal advice at no charge.

Total Revenue was $215,000 greater than budget due mainly to the additional revenue from *Resources received free of charge* and additional Superannuation liabilities assumed by Government.

Expenditure Items

Employee Expenses were $1.7m for the year which was slightly over budget.

Depreciation was $136,000 compared to a budgeted amount of $179,000. The difference between actual and budget arose from a reduction in assets as a result of asset disposals made in 1997-98.

Total Expenditure was $89,000 greater than budget mainly as a result of increased *Employee Expenses*.

Conclusion

The Secretariat received higher than budgeted revenue in 1997-98 which was partially offset by higher than expected expenses. This enabled the Secretariat to achieve an operating surplus of $50,000 for the year compared to a budgeted loss of $76,000. The conclusion can be drawn that the Secretariat managed its operations to budget.

43. MILK AUTHORITY OF THE ACT

43.1 INTRODUCTION

The Milk Authority of the Australian Capital Territory was established by the Milk Authority Act 1971. The Authority is responsible for engaging in, regulating and controlling the supply, sale and distribution of milk in the ACT. It regulates the maximum prices at which milk may be sold and the maximum charges which can be made in connection with the sale of milk.

43.2 AUDIT OF 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Chief Minister on 8 September 1998.

43.3 FINANCIAL ANALYSIS

The following table summarises the Milk Authority's Operating Statements for the past three years:

Milk Authority Summary Operating Statement

	Actual 1997-98 $000	**Actual 1996-97 $000**	**Actual 1995-96 $000**
Revenue			
Sales	15,991	15,985	15,101
Less Cost of sales	14,514	14,529	13,512
	1,477	1,456	1,589
Interest Received	61	73	72
Miscellaneous Income	5	15	26
Trade Mark User Fees	456	404	217
	1,999	**1,948**	**1,904**
Expenditure			
Depot Expenses	262	286	269
Administrative Expenses	597	565	658
Promotions Expenses	724	717	675
Trade Mark User Fees	242	232	217
	1,825	**1,800**	**1,819**
Operating Profit	**174**	**148**	**85**

The Milk Authority made a net profit in 1997-98 of $174,000 (1996-97 $148,000). Both revenue and expenses have remained largely constant over the period. Although the value of sales has been stable over the two years, sales volume fell by 1.72% over that time.

In 1997-98 the Authority paid a dividend to the ACT Government of $86,844 compared with $42,760 in the previous year.

43.4 SHORT TERM FINANCIAL POSITION

The short term financial position of ACT Milk Authority has not changed significantly over the last three years. The current ratio (i.e. the rate of current liabilities to current assets) improved from 1:1.3 to 1:1.7 in the year. This is a satisfactory level.

44. NICHOLLS PRIMARY SCHOOL SHARED FACILITIES

44.1 INTRODUCTION

Shared primary school facilities exist at Nicholls Primary School. The shared facilities consist of the library, hall/gymnasium, canteen, a computer laboratory, two general use rooms, a carpark and surroundings. These facilities are jointly used by both Holy Spirit Primary School, which is operated by the Roman Catholic Church, and Gold Creek School (formerly Nicholls Primary School). Both schools commenced operation at the beginning of Term 1 in January 1996.

An agreement was made on 21 December 1995 between the ACT and the Trustees of the Roman Catholic Church for the Archdiocese of Canberra and Goulburn concerning the development and use of the shared facilities at Nicholls. The agreement specifies that costs for operation of the joint facilities be funded in the proportions of 53% by the ACT and 47% by the Trustees of the Roman Catholic Church.

44.2 AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

The audit of the Nicholls Primary School shared facilities was conducted by the Auditor-General's Office, with an ***unqualified*** audit opinion being issued on 22 July 1998.

45. NOMINAL INSURER

45.1 INTRODUCTION

The Nominal Insurer is appointed by the Minister pursuant to Section 18B of the *Workers' Compensation Act 1951*. The current Nominal Insurer is a senior officer within ACT Workcover, which was part of the Department of Heritage in the 1998 financial year but is now part of the Department of Urban Services.

The responsibility of the Nominal Insurer is to meet employees' entitlements to workers' compensation where employers fail to meet their obligations. The Nominal Insurer is empowered by the Act to recover from employers any payments made to injured employees.

Under *Section* 18H of the *Workers' Compensation Act 1951* the Nominal Insurer can raise levies from approved workers' compensation insurers and exempt employers (large employers which have been permitted to self insure). The amount of levies is based on the level of payments made or expected to be made in relation to compensation claims.

The Nominal Insurer has an advisory committee made up of representatives of approved insurers and exempt employers. This committee advises the Nominal Insurer on the amount of levies required on each claim.

45.2 AUDIT OF 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Urban Services on 18 September 1998.

45.3 FINANCIAL POSITION

The Nominal Insurer raises funds to meet obligations on an ongoing basis. As at 30 June 1998, the Nominal Insurer had liabilities of $344,889. Offsetting this amount were assets of $259,752 in cash and $85,137 in levies receivable. Levies are imposed on approved insurers and exempt employers in order to meet claims on the Nominal Insurer.

The Nominal Insurer is also actively pursuing recovery from employers of several claims paid in recent years.

46. OFFICE OF ASSET MANAGEMENT

46.1 INTRODUCTION

The Office of Asset Management (OAM - formerly Accommodation and Property Services) is a reporting entity in the Chief Minister's Department. It is responsible for the overall management of the office accommodation and property assets of the ACT Government.

Responsibility for ACT land development joint ventures was transferred to the OAM from the former Department of Business, the Arts, Sport, and Tourism on 1 July 1997.

46.2 SIGNIFICANT FINDINGS

- ***The Office of Asset Management recorded abnormal losses as a result of the sale of the John Knight Hostel of $1.5m and a downward revaluation of the property portfolio of $5.7m;***

- ***The Office of Asset Management was involved in 10 land development joint ventures during the year; these joint ventures were adversely affected by the continued downturn in the residential property market with only 353 of the expected 600 blocks being sold during the year;***

- ***the joint ventures contributed $3.6m to the operating result of the Office of Asset Management in 1997-98. This represents a return of 21.7% on sales of $16.6m;***

- ***the results of the joint ventures in Dunlop have generally been poor; unaudited projections by joint venture management indicate that the Territory may lose some of its $2.5m investment in the Dunlop Hills Estate joint venture at Dunlop 1;***

- ***negotiations for the replacement of Dunlop 4 - Halls Creek Estate land with land at Amaroo are continuing; the Territory paid $0.3m to reimburse the joint venture for the costs of work done on the site prior to the discovery of certain protected native grasses on the site; and***

- ***Nicholls Lakeside Estate (a new joint venture which commenced on 17 October 1997) and Southside Estates have shown positive results.***

46.3 AUDIT OF 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Chief Minister on 22 September 1998.

46.4 FINANCIAL ANALYSIS

Comparison of OAM's operating result to the budget and prior year actual results is limited for the following reasons:

- the land development joint ventures were transferred to OAM on 1 July 1997 and the controlling interest in Gold Creek Country Club Pty Limited was acquired by OAM on 23 December 1997. As these events occurred after the preparation of the 1997-98 budget these transactions were not included in the budget; and

- the prior year actual results related to Output 10.1 Accommodation and Property Services only cover 5 months because Accommodation and Property Services only commenced operations in February 1997.

The following analysis is therefore based on the individual output classes:

- Output 10.1 - Accommodation and Property Services; and

- Output 10.2 - Land Joint Ventures.

Output 10.1 Accommodation and Property Services

The operating result before abnormal items of $6.7m exceeded the budgeted operating surplus of $4.4m mainly because administrative expenses (in particular building outgoings such as electricity, cleaning, security, repairs and maintenance) were less than budget.

Office of Asset Management Summary Operating Statement for Output Class 10.1 Accommodation and Property Services

	Actual 1997-98 $000	Budget 1997-98 $000
Revenue		
Rent Revenue	31,408	32,692
Other Revenue	2,779	2,537
Total Revenue	**34,187**	**35,229**
Expenditure		
Leased property expenses and outgoings	20,928	23,786
Depreciation	2,302	2,127
Interest on borrowings	3,803	3,788
Other	486	1,140
	27,519	**30,841**
Operating Surplus before Abnormal Losses	**6,668**	**4,388**
Abnormal Losses	(7,218)	0
Operating (Loss) / Surplus	**(550)**	**4,388**

Abnormal losses arose from the sale of the John Knight Hostel ($1.5m) and a downward revaluation of the property portfolio ($5.7m). As a result, there was a loss of $0.550m.

Conclusion

From the audit review of the financial statements and explanations for variations against budget, the conclusion has been drawn that the Accommodation and Property Services output class of OAM has managed its operations to its budget.

Output 10.2 Land Joint Ventures

The following table presents the Territory's share of the operating surplus of the land joint ventures. A summary of the results of the land joint ventures is set out later in this commentary.

Office of Asset Management Summary Operating Statement for Output Class 10.2 Land Joint Ventures

	Actual 1997-98 $000	Budget 1997-98 $000
Revenue		
Land Sales	16,633	10,625
Other Revenue	100	75
	16,733	**10,700**
Expenditure		
Cost of Land Sales	12,124	**8,321**
Other	965	**2,032**
	13,089	**10,353**
Operating Surplus before abnormal items	**3,644**	**347**

There was a substantial increase in the operating surplus before abnormals, reflecting the strong sales from the Nicholls Lakeside Joint Venture and changes to the accounting policies of the operating results of the Harcourt Hill Estate and Dunlop 3 The Village joint ventures.

46.5 SUMMARY OF THE LAND JOINT VENTURES

The ACT Government was involved in 10 land development joint ventures during the year. A table summarising the financial operations and other data related to the joint ventures follows:

Joint Venture	ACT receipts since commencement	Joint venture accumulated Profits /	Number of Blocks in the Development	Number of Blocks Serviced	Number of Blocks Sold	Number of Remaining Blocks to Sell

[10] ACT receipts includes revenue from the sale of land to the joint ventures.

	[10] $m	(Losses) [11] $m				
Ngunnawal 3A	3.712	3.880	441	441	441	0
Ngunnawal 3B	2.800	1.046	449	449	449	0
Harcourt Hill	6.889	(7.622)	1,567	588	546	1,021
Dunlop 1	0.650	(2.836)	345	183	170	175
Dunlop 2	3.525	2.250	235	235	235	0
Dunlop 3	1.349	(0.298)	400	179	102	298
Dunlop 4	*	(0.179)	*	*	*	*
Southside Estates	1.827	3.161	460	225	222	238
Huntley Estate	0.852	(0.487)	390	287	52	338
Nicholls Lakeside Estate	0.433	3.783	241	184	51	190
	22.037	**2.698**	**4,528**	**2,771**	**2,268**	**2,260**

***Replacement land at Amaroo for Dunlop 4 is still being negotiated**

This table shows that:

- overall, there are 4,528 blocks in the land joint ventures. Of these 2,771 blocks have been serviced and completed for sale, 2,268 have been sold and 2,260 blocks remain to be sold;

- Homestead Grove (Ngunnawal 3A), Golden Grove (Ngunnawal 3B) and Dunlop Hills (Dunlop 2) have sold all blocks and are effectively completed. Dunlop 4 has yet to commence development operations. This leaves 6 joint ventures which are still servicing and selling land;

- as at 30 June 1998, the joint ventures had made an overall profit since inception of $2.698m. Allowing for the writedown of the Gold Creek Golf Course, the profit from the residential joint ventures has been $11.404m;

- since commencement, the ACT Government has received $22m from these joint ventures. This is represented by land sales of $18.3m and profit share of $3.7 received from Ngunnawal 3A, Dunlop 2 and Southside Estates.

Brief details of each of the joint ventures follow:

Homestead Grove - Ngunnawal 3A

[11] Accumulated profits and losses cover the total returns to the joint ventures, not only the returns to the ACT. Abnormal items are included.

This joint venture is nearly finalised with some landscaping, accounting and audit costs still outstanding.

This joint venture has accumulated profits of $3.9m with $1.9m being received by the Territory. The profits are 23.4% of sales of $16.7m.

Golden Grove Estate - Ngunnawal 3B

This joint venture is in the process of being finalised. All land has been sold and on completion of some vergeworks and settlement of the outstanding creditors, final distributions will be made.

The joint venture has accumulated profits since inception to 30 June 1998 of around $1m.

Harcourt Hill Estate

The operating profit before abnormal losses in 1997-98 of $0.5m (1996-97 $1.3m) resulted from changes to accounting policies. These changes in policy brought this joint venture's policies into conformity with other joint ventures. The changes in policy increased the amount of sales revenue recognised in the current year (by bringing forward the point of recognition to the date of exchange) and capitalised the interest on borrowings thereby increasing the operating result by $1.9m. Had these changes in accounting policy not been introduced, there would have been an operating loss of $1.4m.

The Gold Creek Golf Course was sold to the ACT Government for $2.75m on 24 December 1997. The loss realised on this sale - an abnormal expense of $198,000 - was recognised in the 1997-98 financial statements.

At 30 June 1998 the Harcourt Hill Joint Venture had a net asset deficiency of $6.6m. Borrowings by the joint venture are guaranteed by the ACT.

During the year, beneficial ownership of the joint venture partner, Cygnet Corporation Pty Limited, was transferred to the Canberra Investment Corporation Limited.

Jaramlee Park - Dunlop 1

The joint venture has accumulated losses of $2.8m as at 30 June 1998. The net asset position has deteriorated from $1.8m on 30 June 1997 to $1.6m in 1998. A positive net asset position was only achieved because of equity injections of $4.5m in 1996-97 ($2.5m of the $4.5m was provided by the Territory). Under the agreement for the equity injection, the Territory's share of profit increased to 82.5%. The share of losses has remained at 50%.

Unaudited projections by joint venture management indicate that there may be an overall loss of approximately $70,000 by the end of the project. This means that the Territory may eventually lose some of its $2.5m investment.

Dunlop Hills - Dunlop 2

The joint venture was completed in 1997. Profits of $2.2m were earned over the life of the joint venture with the Territory's share $1.1m.

This amount represents 20% of sales of $11.0m. Because of the poor housing market in the ACT, the overall result was less than the $3.1m profit (or 26.7% of estimated sales of $11.6m) expected when the joint venture commenced.

The Village - Dunlop 3

At 30 June 1998, this joint venture had accumulated losses of $0.3m.

The operating loss for this year of $41,560 was significantly improved by a change in accounting policy for the recognition of revenue. The change in policy was made to bring this joint venture's policy into conformity with other joint ventures. Under the changed policy, income is now recognised at the date of exchange of contract rather than at the date of settlement. The change in accounting policy brought forward revenue and increased the amount of revenue recognised in the current year. Had there been no change in accounting policy, there would have been a loss of $186,747 in 1998.

It is understood that the Government and its joint venture partner, Habitat Land Pty Limited have agreed to restructure the joint venture due to its poor financial performance.

Halls Creek Estate - Dunlop 4

In 1996-97, the Dunlop 4 development ceased. Following the discovery of certain protected native grasses on that site $3.7m in land at Dunlop 4 was withdrawn by the Territory.

The Territory reimbursed the joint venture in 1997-98 for $0.3m in costs incurred on the development of Dunlop 4 prior to the discovery of the native grasses. As a result of this reimbursement, the joint venture recorded a small profit of $0.1m (1997 $0.09m loss).

At 30 June 1998, the joint venture had a net asset deficiency of $0.2m. The ability of the joint venture to continue as a going concern depends on the ongoing support of the joint venturers and the proposed replacement of the Dunlop 4 site with land at Amaroo. Negotiations relating to the land at Amaroo are still being finalised.

Southside Estates

This joint venture, which operates in Conder and Gordon, made an operating profit of $2.3m (1997: $0.8m).

It is understood that sales prices have been above expectations contributing to a greater than expected operating result.

The significant increase in cash provided by operating activities was used to repay loans to the joint venture partner, the Landco Group, and pay $1.3m in dividends ($0.6m to the Territory).

Huntley Estate

The Huntley Estate is located at Bruce adjacent to Fern Hill and the University of Canberra campus. The operating result increased from a loss of $0.4m in 1996-97 to an operating profit of $0.09m in 1997-98.

The joint venture had a net liabilities of $0.5m at 30 June 1998, mainly because of loans of $1.5m from the joint venture partners.

Unaudited cash flow projections suggest the project will generate a positive cash flow over the life of the project of around $2.8m after the sale of the remaining stages. The achievement of these projections is of course dependent on future sales levels.

Nicholls Lakeside Estate

The Nicholls Lakeside Estate Joint Venture reported an operating result of $3.8m for the period from October 1997 to 30 June 1998.

Sales prices, which are understood to have been above expectations, have contributed to a better than expected operating result.

47. PUBLIC TRUSTEE FOR THE ACT

47.1 INTRODUCTION

The Office of the Public Trustee was established by the Public Trustee Act 1985. The Public Trustee prepares wills, acts as an executor of wills or as administrator of estates for deceased persons, and as a trustee for deceased estates. The Public Trustee also manages finances under Enduring Power of Attorney and an Order of the Guardianship and Management of Property Tribunal and provides asset services in relation to Proceeds of Crime forfeitures. The Trustee acts as a trustee of moneys awarded by the court to minors and persons with a disability.

The public Trustee is generally assigned administration for trusts, management orders etc by the Courts, and also by the Guardianship and Management of Property Tribunal.

47.2 SIGNIFICANT FINDINGS

- ***The total amount held in Trust increased by $ 4.8m during 1997-98, from $47m to $51.8m.***

47.3 AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

The Public Trustee prepares two sets of financial statements: "Corporate" financial statements which relate to the activities of operating the Office of the Public Trustee; and the "Trust Account" financial statements relating to deceased estates and trusts which are administered by the Public Trustee.

Unqualified audit opinions for both the corporate and trust financial statements were provided to the Public Trustee on 17 August 1998.

47.4 FINDINGS FROM THE AUDIT

As a result of the audit a number of instances were identified where the financial operations of the Trustee could be improved or where the internal controls were not operating satisfactorily. These instances have been advised to management with appropriate recommendations.

47.5 FINANCIAL ANALYSIS

The table on the next page summarises the Public Trustee's Office activities.

Public Trustee Summary Operating Statement

	Actual 1997-98 $000	Actual 1996-97 $000	Actual 1995-96 $000
Income			
Operating Revenues			
Operating Revenue	618	477	503
Management Fee	404	305	231
Interest	52	44	30
	1,074	826	764
Government Community Service Obligation and Service Payments	185	172	137
	1,259	**998**	**901**
Expenditure			
Employee Expenses	698	605	566
Other Operating Expenses	269	232	214
	967	**837**	**780**
Operating Profit	**292**	**161**	**121**
Trust Account			
Estates and Trusts etc Held under administration	**51,886**	**47,041**	**34,875**

47.6 OFFICE ACTIVITIES

Total operating revenue for the Office increased by 30%, from $826,000 in 1996-97 to $1.1m in 1997-98. The increase was primarily due to a larger trust base as fees and commissions earned are based on the size of the trust base.

As a result of the Office increasing its funds held in trust substantially over the past few years, expenditure has also increased. The increase over the last two years has averaged 11% .

47.7 TRUST ACTIVITIES

There has been a substantial increase in operations of the Trust over the last few years. In 1994-95 Estates, Trusts, etc. under administration amounted to $31.8m. This amount has increased by 63% over the last 3 years to $51.9 as at 30 June 1998.

47.8 SHORT TERM FINANCIAL POSITION

The *current ratio*, which represents the ratio of current assets to current liabilities, is indicative of an entity's ability to meet its obligations in the short term. Details of the Office's current assets and liabilities and the current ratio for the last three years are presented in the following table.

Public Trustee for the ACT Current Assets and Liabilities

	1997-98 $000	1996-97 $000	1995-96 $000
Current Assets			
Cash	11	13	173
Investments	1,190	820	420
Receivable	44	67	40
	1,245	**900**	**633**
Current Liabilities			
Creditors and Borrowings	35	28	26
Provisions	71	67	65
Other Liabilities	11	5	
	117	**100**	**91**
Current Ratio	**11 to 1**	**9 to 1**	**7 to 1**

A current ratio in the range of 1:1 to 1.5:1 is the minimum usually desirable in a business. The Public Trustee Office's current ratio is 11 to 1. This indicates that the Office has a large surplus of current assets over its current liabilities and therefore the Office is financially very secure.

Over the last few years funds held in trust by the Office have grown dramatically. As the Office receives a set percentage of revenue from

funds managed, Office revenue has also grown dramatically. However during this time expenses of the Office have not grown at the same rate as revenue. This accounts for the offices current strong short term financial position. It must however be noted that funds held in trust may fluctuate from year to year depending on client and court decisions.

48. REGISTRAR OF FINANCIAL INSTITUTIONS

48.1 INTRODUCTION

The ACT Registrar of Financial Institutions is a corporation sole established by the Financial Institutions (Supervisory Authority) Act 1992. It supervises credit unions and building societies in the ACT as part of a uniform national scheme.

48.2 AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

The ACT Registrar of Financial Institutions (RFI) prepares two sets of financial statements. One statement covers the ACT Credit Unions Contingency Fund, which provides protection for members of credit unions; the other is for the Supervision Fund, which records the revenue and expenses relating to the supervision of credit unions.

Unqualified audit opinions were issued and provided to the Chief Minister on 17 August 1998 for both financial statements.

48.3 OTHER MATTERS

All the costs relating to supervision of credit unions are borne by the Supervision Fund in accordance with the Financial Institutions Code.

The net assets of the ACT Credit Unions Contingency Fund were $1.9m at 30 June 1998. The interest earned on investments of this Fund was sufficient to cover the expenses incurred by the Supervision Fund.

The ACT Credit Unions Contingency Fund is expected to cease operations on 1 July 1999 as a result of an agreement between the States and Territories and the Commonwealth to transfer prudential supervision of non-bank financial institutions to the Australian Prudential Regulatory Authority.

49. SPORT AND RECREATION

49.1 INTRODUCTION

On 31 March 1998, the Department of Business, the Arts, Sport and Tourism (BASAT) was abolished. Functions relating to sport and recreation were transferred to the Department of Education and Community Services.

For financial reporting purposes for 1997-98, the transferred functions were treated as a notional separate department - the Department of Sport and Recreation. Budget information was adjusted accordingly.

49.2 AUDIT OF 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Sport and Recreation on 15 September 1998.

An *Emphasis of Matter* paragraph was included in the audit report indicating that *"the results for two performance measures were estimated"* No audit opinion was therefore expressed on these performance measures.

49.3 FINANCIAL ANALYSIS

DEPARTMENTAL TRANSACTIONS

The following table summarises the Department's Operating Statement.

Sport and Recreation Summary Operating Statement

	Budget[12] 1997-98 $000	Actual 1997-98 $000	Actual[13] 1996-97 $000
REVENUE			
Government Sources			
Government Payment for Outputs	8,798	8,805	9,056
Superannuation Liability Assumed	426	347	409
Resources received free of charge	157	210	436
	9,381	9,362	9,901
Other Sources			
Hire of Facilities, Fees for Service, Sales	1,931	1,566	3,160
Other	183	232	595
	2,114	1,798	3,755
	11,495	**11,160**	**13,656**
EXPENDITURE			
Employee Expenses			
Employee		2,764	
Superannuation		421	
	3,082	3,185	4,005
Administrative Expenses			
Maintenance of sportsground		2,200	
Water and electricity for sportsground		1,500	
Subsidies		834	
Travel, Transport and communications		490	
Consultants and contractors		263	
Office Accommodation		206	
Maintenance of building and property		340	
Other materials and occupancy services		1,557	
Other		614	
	7,787	8,004	10,254
Depreciation	747	1,826	2,246
Other	0	498	27
	11,616	13,513	16,532
Operating Loss before the Abnormal Loss	**121**	**2,353**	**2,876**
Abnormal Loss	0	1,252	0
Operating Loss after the Abnormal Loss	**121**	**3,605**	**2,876**

Note: All Property, Plant & Equipment was transferred from the Territorial Statements to the Departmental Statements. The prior year actual amount for depreciation was therefore adjusted by $1.6m to facilitate comparison with this year. No amount was Budgeted for depreciation on these assets.

[12] The budget information for 1997-98 reflects the allocation of Budget for the former Department of Business, the Arts, Sport and Tourism for the functions transferred to the Department of Sport and Recreation.

[13] The information for 1996-97 relates to the relevant functions (Sport and Recreation & Racing) in the former Department of Business, the Arts, Sport and Tourism.

Comments follow on the major sources of revenue and expenditure which show significant variations from budget and/or the previous year.

Revenue Items

At $11.2m, total revenue was consistent with the budgeted revenue of $11.5m and lower than the prior year actual revenue of $13.7m by $2.5m. The reduction in revenue compared to the previous year was mainly due to the fall in revenue from the hire of facilities and fees following the closure of Bruce Stadium for redevelopment for six months.

Expenditure Items

At $13.5m expenses exceeded the budget of $11.6m by $1.9m and were lower than the prior year actual of $16.5m by $3.0m.

The variance of $1.9m from budget was largely due to depreciation not being reflected in the budget for the Departmental or Territorial Statements.

The fall in expenditure of $3.0m from 1996-97 is mainly a result of a decrease in administrative expenses following the transfer of the Erindale Leisure Centre to the Department of Education, and the contracting out of the Tuggeranong and Olympic pools to Leisure Australia.

Operating Result

The Department's operating loss of $3.6m was significantly more than the budgeted loss of $0.1m. The $3.5m variance resulted from the unexplained omission from the budget of depreciation related to assets transferred from the Territorial Statements and an abnormal loss associated with an adjustment to the carrying value of Manuka Oval.

Conclusion

From the audit review of the financial statements and the explanations for variations from budget, the conclusion has been drawn that the Department, in an overall sense, has managed its Departmental operations to its budget. The budget however, particularly for depreciation, was not well formulated.

TERRITORIAL TRANSACTIONS

Territorial Revenue

Territorial revenue other than amounts received from the Central Financing Unit comprised:

Sport and Recreation Territorial Revenue

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000
Commonwealth Grants	291	287	277
Other	100	102	100
	391	389	377

No major variations were noted for Territorial Revenue.

Territorial Expenditure

Territorial expenditure other than transfers made to the Central Financing Unit for Commonwealth Grants received and other revenue comprised:

Sport and Recreation Territorial Expenditure

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000
Grants, Subsidies and Transfer Payments	2,692	3,292	2,148
Other	0	0	100
	2,692	3,292	2,248

The increase in Grants, Subsidies and Transfer Payments from the Budget and last year largely relates to additional funding to Soccer Canberra to develop soccer in ACT in the context of Canberra's successful bid to host preliminary rounds of 2000 Olympics Football Competition.

Conclusion

From the audit review of the financial statements and the explanations for variations from the budget, the conclusion has been drawn that the Department, in an overall sense, has managed its Territorial operations to its budget.

50. SUPERANNUATION PROVISION UNIT

50.1 INTRODUCTION

The ACT Superannuation Provision Unit (Unit) is a separate reporting unit within the Chief Minister's Department. It was established to receive funds and make payments in connection with the management of the superannuation liabilities of the Territory, Territory Authorities and Territory Owned Corporations.

50.2 SIGNIFICANT FINDING

- ***The Unit experienced an operating loss of $112m in 1997-98 compared with a loss of $59.1m in 1996-97; and***

- ***Unfunded superannuation liabilities (ie total liabilities less investments) increased from $651.2m in 1996-97 to $770.4m in 1997-98; the level of unfunded superannuation liabilities has increased over the past three years and will continue to increase for many years.***

50.3 AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Chief Minister on 14 September 1998.

50.4 FINANCIAL ANALYSIS

A summary of the Superannuation Provision Unit's Operating Statement follows:

Superannuation Provision Unit Summary Operating Statement

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000
Revenue			
Investment Revenue			
Interest	5,835	7,429	6,278
Dividends	6,365	6,635	4,506
Changes in Net Market Values	21,134	24,035	35,210
Other Income	77	79	113
Direct Investment Expense		(1,467)	(1,438)
	33,411	36,711	44,669
Contributions Movement			
Agency Employer Contributions	11,819	12,768	11,421
Payment to ComSuper	(11,732)	(11,732)	(8,826)
	87	1,036	2,595
Government Appropriations	16,544	16,544	13,324
	50,042	**54,291**	**60,588**
Expenses			
General Administrative Expense	3,359	1,925	1,674
Accrued Superannuation Expense	194,059	164,401	117,977
	197,418	**166,326**	**119,651**
Operating Loss	**(147,376)**	**(112,035)**	**(59,063)**

In 1997-98 the Unit incurred an operating loss of $112m compared with $59.1m in the previous year. This increased loss was mainly as a result of an increase in actuarial estimates of the superannuation liability. The liability rose $164.4m in 1997-98 compared to a rise of $118m last year. This increase in superannuation liabilities is part of a continuing trend and reflects several factors including salary increases. It is sensitive to changes to the actual assumptions on which the estimate is based, including the discount rate.

Although the assets of the Unit increased by $45.9m in 1997-98 there was a fall in net investment revenue. This was mainly due to a lower increase in the net market values of investments in 1997-98 ($24m) than in 1996-97 ($35.2m). The average return from the investments by the external funds managers was 12.2% compared to 19.5% in 1996-97. The fall was a reflection of market conditions. Most of the fall in investment income in 1997-98 was due to unrealised losses in Australian equities. Recent falls in the value of international equities could have a similar impact on the 1998-99 accounts.

50.5 UNFUNDED SUPERANNUATION LIABILITIES

The level of *unfunded liabilities* for superannuation over the past four years has been as follows:

Superannuation Provision Unit Unfunded Liabilities

	1997-98 $000	**1996-97 $000**	**1995-96 $000**	**1994-95 $000**
Total Superannuation Liabilities	1,089,137	924,736	820,614	577,456
Less Investments Held	318,705	273,524	221,051	191,817
Unfunded Liabilities	**770,432**	**651,212**	**599,563**	**385,639**
Unfunded Liabilities as a % of Total Liabilities	**70.3%**	**69.5%**	**72.7%**	**66.6%**

At 30 June 1998, the ACT Government had total unfunded superannuation liabilities of $770.4m, funding for which will need to be obtained from future income. Unfunded liabilities will continue to increase in future years.

The ACT Government meets the reimbursement to the Australian Government Retirement Benefits Office (AGRBO), of the emerging costs of benefits paid each year to members of CSS/PSS for ACT Government Service after 1 July 1989. Payment for services before 1 July 1989 is made by the Commonwealth Government. Payments to AGRBO to reimburse the costs of superannuation benefits paid to ACT retirees for each three year period are based on preliminary estimates agreed with the Commonwealth at the start of the three years. Adjustments because of under or over estimates in the previous triennium may also be made. The amount paid during 1997-98 was $16.5m (1996-97 $13.3m) which included the emerging cost of $11.7m (1996-97 $8.8m) plus an amount of $4.8m ($4.5m) to cover prior years 'deficits' including interest.

50.6 SUPERANNUATION CHANGES

During 1997-98 the Unit carried out a review which addressed the continued growth in unfunded liabilities.

The general conclusion of the review was that by making contributions earlier the Government could:

- reduce the present value of Government appropriations required to fund the liability; and

- reduce the emerging unfunded liability.

The Government announced that from 1 July 1999 the Public Sector Superannuation Scheme will be closed to new members. (The other scheme, the Commonwealth Superannuation Scheme, was closed to new members in 1991.) All new employees can nominate a fund to receive employer contributions at the statutory level of 7%, rising to 8% in 2000 and 9% in 2002. Where a new employee does not nominate a fund, it is proposed that a default fund will be set up. The default fund will be selected through a tender process. The Commonwealth Government has announced similar changes. This measure will ensure that there are no unfunded superannuation liabilities in respect of new employees i.e. the schemes for new employees will be created fully funded schemes.

51. THE CANBERRA HOSPITAL

51.1 INTRODUCTION

The Canberra Hospital, as a service provider, contracts with the ACT Department of Health and Community Care to provide specific services including medical, rehabilitation, geriatric, surgical, critical care, pathology, mental health, imaging, allied health and women's and children's health for the ACT and the south eastern region of NSW.

51.2 AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Health and Community Care on 8 September 1998.

51.3 SIGNIFICANT FINDING

- ***The Canberra Hospital incurred an operating loss of $13.6m which exceeds the budgeted operating loss of $10.3m by $3.3m.***

51.4 FINANCIAL ANALYSIS

The table on page 190 summarises The Canberra Hospital's Operating Statement.

Revenue Items

At $215.9m total revenue was less than the budget of $223.5m by $7.6m and less than the previous year's revenue of $224.9m by $9m.

Revenue Comparison with Prior Year Actual

The reduction of $9m compared to the previous year was mainly due to the $10.3m reduction in payments received for hospital services from the Department of Health and Community Care Services. $6.2m of the $10.3m reduction resulted from a $7.3m reduction in Comcare premiums payable determined as a result of reassessment of the Hospital's premium

rate. A further $1.5m reduction compared to the previous year related to "one off" funding provided in the previous year for equipment and set up costs to establish cardiac surgery at the hospital. The balance of the reduction resulted from changes to the mix of services to that provided in the previous year under the contract between The Canberra Hospital and the Department of Health and Community Care.

Revenue Comparison to Budget

The variance of $9.4m against budget for Government source revenue was mostly due to:

- the superannuation liability assumed being less than budget by $5.2m in line with a corresponding reduction in the salary and wages expense;
- the previously mentioned reduction in Comcare premiums; and
- changes to the mix of services purchased by the ACT Department of Health and Community Care.

Expenditure Items

At $230.7m total expenditure was less than budgeted expenditure of $233.8m by $3.1m and prior year actual expenditure of $230.2m by $0.5m.

Expenditure Comparison to Prior Year Actual

Employee Expenses of $147.8m were less than the previous year of $150.5m by $2.7m. The main reason for this reduction was a large fall in Comcare premiums of $7.3m after re-assessment of the Hospital's premium rate. This reduction in Comcare premiums was mostly offset by an increase in the salary and wages expenses of $5.8m (5.8%) from a new enterprise bargaining agreement and a decrease in termination payments of $0.9m.

Administrative Expenses of $73.5m exceeded the previous year's expenditure of $70.5m by $3m. Small increases occurred in a wide range of expenses, including pharmaceutical and medical supplies information technology services and Visiting Medical Officers' fees for services.

Expenditure Comparison with Budget

Employee Expenses of $147.8m were less than the budget of $155.5m by $7.7m (5%). Factors contributing to this result were:

- The budget projected an increase in superannuation costs of $5.6m which did not eventuate;

- The budget projected a net increase in termination payments of $0.5m. Actual termination payment fell $0.9m resulting in a net gain of $1.4m; and

- The budget projected enterprise bargaining increases of $3.3m to be off set by a fall in Comcare premiums. The actual fall in Comcare premiums was $7.3m resulting in a benefit against the budget of $4m.

The cumulative effect of the above items on *employee expenses* is that actual expenditure was a reduction against budgeted of $11m. This however was offset by increases in other employee expense areas over budget of $3.3m. In relation to these increases, The Canberra Hospital advised that: *"although the number of full time equivalents in June 1998 decreased by 69 compared with June 1997, the capacity of the hospital to further reduce staff to budgeted levels was effectively constrained by patient demand in excess of output levels funded under the 1997-98 Purchase Agreement"*.

Administrative Expenses of $73.5m exceeded the budget of $67.5m by $6m. Not all expected saving in administrative expenditure items identified in the budget eventuated. In relation to this budget performance, The Canberra Hospital advised that: *"direct patient care costs of medical and surgical supplies, pharmaceuticals and Visiting Medical Officer payments exceeded budget by $4.0m primarily due to unfunded patient throughput and introduction of new drug therapies. Most of the remaining $2.0m overrun was due to the underestimation of the cost of information technology services under the new arrangements with InTACT"*.

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000
Revenue			
Government Sources			
Receipts for the Provision of Hospital Services	180,554	175,679	185,976
Resources Received Free of Charge	296	980	278
Superannuation Liability Assumed	21,520	16,327	16,658
	202,370	192,986	202,912
Other Sources			
Patient Fees, Use of Facilities, Meals and Accommodation	15,908	17,200	16,969
Interest	100	571	429
Other	5,078	5,184	4,635
	21,086	22,955	22,033
	223,456	**215,941**	**224,945**
Expenditure			
Employee Expenses			
Salary and Wages		105,024	99,271
Annual and Long Service Leave		11,660	11,677
Comcare Premiums		4,996	12,293
Superannuation		19,774	19,967
Other Employee Expenses		6,334	7,308
	155,485	147,788	150,516
Administrative Expenses			
Property Plant and Equipment expense		6,832	7,508
Medical Surgical and Special Service Supplies		16,303	15,399
Visiting Medical Offices: fee for services/sessional		12,293	11,622
Pharmaceuticals		10,577	9,126
Domestic Services		6,105	6,129
Payroll, Asset and Records Management		3,825	4,551
Utilities		2,793	3,501
Other		14,759	12,659
	67,515	73,487	70,495
Depreciation	10,778	8,300	9,238
	233,778	**230,675**	**230,249**
Operating Loss	**10,322**	**13,634**	**5,304**

Note: Last year, amounts received from the Department of Health and Community Care included funding of $5.7m for capital works as revenue. In a change in accounting treatment, this revenue was treated as capital injection and not included in the operating result, the prior year result has been amended to exclude $5.7m in funding received for capital works.

Pathology fees received from Calvary Hospital were offset against administrative expenses in the budget. To facilitate comparison with the budget the current year actual figures and prior year actual figures were adjusted to offset pathology fees against expenses.

Conclusion

From the audit review of the financial statements and the explanations for variations from budget, the conclusion has been drawn that The Canberra Hospital has not fully managed its operations to its budget on the basis that it did not meet its budgeted operating result. The result was mostly due to overspending against its budget for administrative expenses.

The Canberra Hospital has advised: *"the fact that patient activity exceeded funded output levels contributed significantly to the expense budget overrun (particularly for administrative expenses) and therefore to the unfavourable budget outcome on the net operating result"*.

51.5 SHORT TERM FINANCIAL POSITION

The current ratio, which represents the ratio of current assets to current liabilities, is indicative of an entity's ability to meet its obligations in the short term. Details of the current assets and liabilities and the current ration of the last two years are presented in the following table.

The Canberra Hospital's Current Assets and Liabilities

	Actual 1997-98 $000	Actual 1996-97 $000
Current Assets		
Cash	3,648	4,931
Receivables	4,924	5,137
Investments	2,054	5,284
Inventories	2,479	2,068
Other	830	556
Total Current Assets	**13,935**	**17,976**
Current Liabilities		
Creditors	8,225	8,673
Employee Entitlements	20,186	18,830
Other	1,740	1,469
Total Current Liabilities	**30,151**	**28,972**
Current Ratio	**0.46:1**	**0.62:1**

A current ratio in the range of 1:1 to 1.5:1 is the minimum usually desirable in a business.

The Canberra Hospital current ratio has deteriorated from last year's level of 0.62:1 to 0.46:1 in 1997-98. The low level indicates that The Canberra Hospital will have to manage its liquid resources carefully if it is to avoid problems emerging in meeting its commitments as they fall due in the next twelve months.

52. TOTALCARE INDUSTRIES LIMITED

52.1 INTRODUCTION

Totalcare Industries Limited is a Territory Owned Corporation. It provides linen hire, waste management, sterilising, engineering, building and property maintenance, fleet, architectural and automotive maintenance services to the ACT Government and commercial customers.

52.2 SIGNIFICANT FINDINGS

- ***there were deficiencies in the levels of accounting expertise in some areas of the company particularly in the Works and Commercial Services Group; documentation of policies and procedures were also inadequate;***

- ***Totalcare's operating profit before abnormal items and tax was only $248,000 on revenue of $87.6m;***

- ***Totalcare's operating profit after abnormal items and before tax was $8.4m; Totalcare received abnormal revenue of $14.8m which was contributed primarily from government; this revenue was the reason for the $8.4m profit;***

- ***operating revenue increased from $58.1m in 1996-97 to $87.6m in 1997-98; the increase is primarily a result of the full year effect in 1997-98 of the transfer to the company of the Works and Commercial Services from the Department of Urban Services; and***

- ***Totalcare's short term financial position is currently reasonably sound however this is only due to prepayments by ACT agencies to Totalcare.***

52.3 AUDIT OF THE 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion on the financial statements was issued on 24 September 1998.

52.4 FINDINGS FROM THE AUDIT

Although an ***unqualified*** opinion was issued on the financial statements, there were substantial delays in the completion of the audit for the following reasons;

- poor quality accounting information was provided to audit;

- the timeliness of the receipt of auditable financial statements - the first draft set of statements was not provided until 19 August 1998. These statements were not complete as many accounting issues were yet to be resolved by Totalcare;

- there were some material issues which had to be worked through with the agencies; and

- a significant number of issues were identified as the audit progressed and Totalcare took time to develop a position.

The audit found that there were deficiencies in the levels of accounting and financial management expertise in some areas of the company, particularly in the former Works and Commercial Services.

As well, documented policies and procedures for staff were inadequate, resulting in inconsistent application of business rules and processes. The risk for the company from these deficiencies is that the directors and managers cannot have confidence in the financial and other management information produced. There is also a risk that staff and managers may incur liabilities without the authorisation of the company.

52.5 FINANCIAL ANALYSIS

A summary of Totalcare's Operating Statement follows:

Totalcare Industry Limited Summary Operating Statement

	Actual 1997-98 $000	Actual 1996-97 $000	Actual 1995-96 $000
Revenue			
Sales	77,891	56,233	11,945
Fees	8,253	1,403	4,664
Other	1,435	524	119
	87,579	**58,160**	**16,728**
Expenses	**87,331**	**57,463**	**15,915**
Operating surplus before abnormal items and before income tax	248	697	813
Abnormal items	8,193	15,914	-
Operating surplus	**8,441**	**16,611**	**813**

Operating revenue increased from $58.1m in 1996-97 to $87.6m in 1997-98. The increase is primarily a result of the full year effect in 1997-98 of the transfer to the company of the Works and Commercial Services section of the Department of Urban Services (transferred 1 January 1997). As well the company has been expanding its laundry operations. As a result of these expansions in activity, expenses have also increased proportionately.

Operating profits before abnormal items fell by $449,000 over 1996-97. This decrease was as a result of the costs of restructuring operations necessary for the company to maintain its competitive market position and depressed margins in some operating areas of the business.

Abnormal Items

Abnormal revenue of $14.8m contributed to the good final result. Most of the operating profit arose from these abnormal items which reflected transactions with the Government. Plant and equipment valued at $8.9m was transferred from the Chief Minister's Department to the company. As

well, the company treated as abnormal revenue work in progress of $2.5m. which had been transferred from the Department of Urban Services on 1 January 1997 but not recognised in the 1996-97 accounts.

Abnormal expenses after tax of $6.6m include costs of $1.2m associated with the Coronial Inquiry into the demolition of Royal Canberra Hospital, a severance pay component of voluntary redundancies and redeployee costs of $3m, the superannuation component of annual and long service leave of $1.1m, and a decrease in valuation of fixed assets of $865,000.

52.6 SHORT TERM FINANCIAL POSITION

Totalcare Industry Limited Current Assets and Liabilities

	1997-98 $000	**1996-97 $000**	**1995-96 $000**
Current Assets			
Cash	6,326	18,464	668
Receivable	12,079	18,688	2, 130
Investments	17,300		
Other	2,875	1,498	388
	38,580	**38,650**	**3186**
Current Liabilities			
Creditors and borrowings	9,601	9,497	1,562
Payments received in advance	17,365	16,621	
Provisions	4,956	4,743	1, 079
Borrowings	574	454	454
	32,496	**31,315**	**3,095**
Current Ratio	1 to 1.2	1 to 1.2	1 to 1.0

The current ratio, which represents the ratio of current assets to current liabilities, is indicative of an entity's ability to meet its obligations in the short term. A current ratio in the range of 1:1 to 1.5:1 is the minimum usually desirable in a business. The Company's current ratio in 1997-98 was 1:1.2. On this basis the Company's short term financial position is reasonable. It should be noted however that this position is only created by *Payments received in Advance* of $17.4m. These payments represent advances by ACT agencies to Totalcare.

53. UNIVERSITY OF CANBERRA

53.1 INTRODUCTION

On 30 November 1997 the Commonwealth Government transferred the University of Canberra to the ACT Government, under the *University of Canberra (Transfer) Act 1997*.

The University now has an accountability to the ACT Legislative Assembly, and is subject to the requirements of the *Financial Management Act 1996* and the *Auditor-General Act 1996*. The ACT Audit Office therefore from 30 November 1997 became responsible for the audit of the University's financial statements.

As the University reports on a calender year, the audit for the period 1 January to 30 November 1997 was performed by the Australian National Audit Office, with the audit for the period 1 to 31 December 1997 performed by the ACT Audit Office.

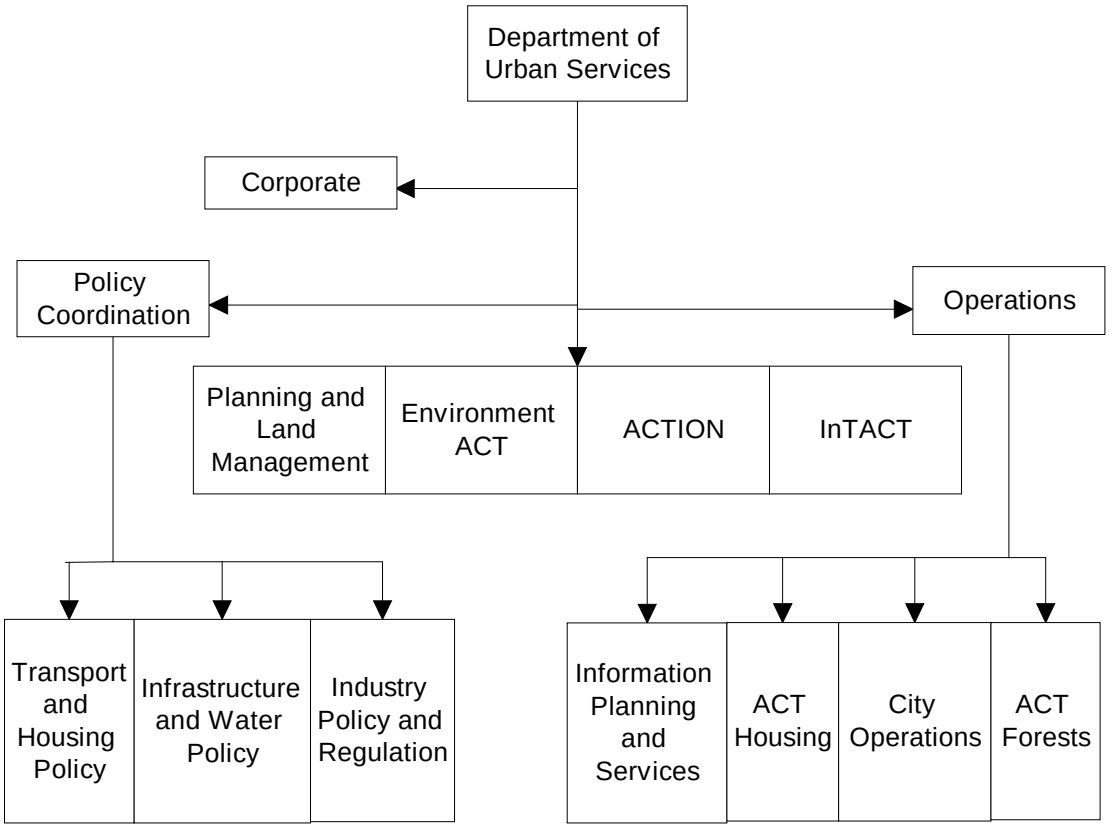
53.2 FINDINGS FROM THE AUDIT

As a result of the audit a number of instances were identified where the financial administration of the University could be improved or where internal controls were not fully effective. These instances were notified to management with appropriate recommendations.

54. URBAN SERVICES DEPARTMENT

54.1 INTRODUCTION

The Department of Urban Services provides a wide range of urban, rural and commercial services to the ACT community and to other ACT Public Service agencies. At 30 June 1998 the department had the following organisation structure:



The Department undertakes a broad range of activities including:

- municipal and city-state type services such as management of garbage and recycling services, Canberra's parks and open spaces, infrastructure (roads and stormwater), street cleaning, libraries and information services and road use;
- planning and land management services including building control;
- environmental management and control;
- energy related issues including implementation of the national reform agendas for electricity, water and gas;
- provision of a public bus service (ACTION);
- provision and management of housing assistance and rental accommodation (ACT Housing);
- management of renewable forest resources (ACT Forests); and
- the ACT Government's information technology group (InTACT).

The Department also liaises with and oversights the activities of a number of government owned business enterprises and public trading enterprises.

54.2 REPORTING ENTITIES

For reporting purposes the Department consists of five financial entities. Each of these entities prepare financial statements which are subject to audit:

- Department of Urban Services (comprising City Operations, Policy Coordination, Information Planning and Services, Environment ACT, Planning and Land Management, and Corporate);
- ACT Housing;
- ACTION;
- InTACT; and
- ACT Forests.

Unqualified audit opinions were provided for each of these entities. Comments on each of the entities are presented separately in this report.

54.3 AUDIT OF THE DEPARTMENT'S 1997-98 FINANCIAL STATEMENTS

The Department's financial statements comprise City Operations, Policy Coordination, Information Planning and Services, Environment ACT, Planning and Land Management, and Corporate. An ***unqualified*** audit opinion on the 1997-98 Financial Statements was provided to the Minister for Urban Services and the Minister for the Environment, Land and Planning on 18 September 1998.

On 1 April 1998 the functions of ACT Heritage and ACT Workcover were transferred to the Department. These functions were previously part of the Department of Business, the Arts, Sport and Tourism. The functions of ACT Heritage and ACT Workcover were reported in the Department of Heritages financial statements for 1997-98.

54.4 SIGNIFICANT FINDINGS

- ***An opinion was issued on all of the Department's performance measures in 1997-98; this was a significant turn around from the 1996-97 situation where no opinion could be expressed on over 100 of the Department's performance measures;***

- ***Revenue from Land Sales increased from $16.8m to $29.5m in 1997-98; the reason for this increase was mainly due to the sale during the year of a large parcel of land together with a number of expensive sites;***

- ***As a result of the Audit process, the Department expensed $1.2m of Work in Progress and transferred another $14.4m from Work in Progress to other asset categories; at year end Work in Progress totalled $16.2m compared to $29.3m at 30 June 1997; and***

- ***The budget for Territorial transactions particularly for "depreciation and amortisation" was poorly formulated.***

54.5 FINDINGS FROM THE AUDIT

As a result of the audit a number of instances were identified where the financial operations of the Department could be improved or where internal controls were not operating satisfactorily. These instances have been notified to management with appropriate recommendations.

54.6 FINANCIAL ANALYSIS

DEPARTMENTAL TRANSACTIONS

The table on the following page summarises the Department's operating statement**.**

Urban Services Department Summary Operating Statement

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000	Actual 1995-96 $000
Revenues				
Government Sources				
Government Payment for Outputs	156,359	157,345	157,098	162,829
Superannuation Assumed	12,307	9,635	11,297	17,956

Sales of Goods and Services to other ACT Government entities	11,737	9,213	52,272	53,851
	180,403	176,193	220,667	234,636
Other Sources				
Sales of Goods and Services	5,854	8,432	10,719	10,635
Interest	185	536	438	3
Other	2,058	1,623	7,706	10,710
	8,097	10,591	18,863	21,348
	188,500	**186,784**	**239,530**	**255,984**
EXPENDITURE				
Employee Expenses	88,331	84,869	101,341	129,082
Administration:				
Rental expense relating to operating leases		9,356	5,878	8,897
Professional Services		20,706	16,991	0
Hire Charges		8,975	9,122	0
Utilities		8,048	5,170	0
Repairs and Maintenance		22,411	24,735	36,723
Cost of Goods Sold		0	49,050	65,635
Other		25,767	13,776	15,481
	96,080	95,263	124,722	126,736
Depreciation	4,822	4,225	9,049	11,742
Interest	869	771	942	1,183
Other	374	916	3,472	14,120
Total Expenditure	**190,476**	**186,044**	**239,526**	**282,869**
Operating Surplus (Loss)	**(1,976)**	**740**	**4**	**(26,885)**

Comment follows on the major sources of revenue and expenditure.

Revenue Items

Government Payment for Outputs — the Department's main source of revenue is *Government Payments for Outputs*. The amount received has been reasonably constant for the last three years. In 1997-98 the amount received for *Government Payments for Outputs* was slightly more than the budget.

Sales of Goods and Services to other ACT Government entities — revenue from this source fell by $43.1m or by 82% in 1997-98 compared to the

previous year. This was largely attributable to the transfer of Works and Commercial Services on 1 January 1997 to Totalcare. 1997-98 was the first full financial period that the Departments results did not include any Works and Commercial Services transactions.

Other Revenue fell by $6m in 1997-98 compared to the prior year. Other revenue was escalated in 1996-97 by the receipt of revenue from the Government for reimbursements of redundancy costs.

Total Revenue

The department's revenue for the year totaled $186.7m. Total revenue fell by $52.7m or by 22% in 1997-98 compared to the previous year. As mentioned this was mainly attributable to less revenue received from *Sale of Goods and Services to Other ACT Government Entities* following the transfer of Works and Commercial Services to Totalcare part way through 1996-97.

Expenditure Items

Employee Expenses fell by $16.5m or 16.3% in 1997-98 compared to the prior year. As with the reduction in revenue this was mainly attributable to the transfer of Works and Commercial Services on 1 January 1997 to Totalcare. The Department's 1996-97 *Employee Expenses* included salaries of the staff of Works and Commercial Services for six months, while these employee costs were not included in 1997-98 figures.

Administrative Expenses decreased by $29.4m in 1997-98. Most of this decrease was due to a reduction in expenditure on cost of goods sold during 1997-98 again due to transfer of Works and Commercial Services from the Department on 1 January 1997. The Department managed administration expenses to budget in 1997-98.

Total Expenditure

Total expenditure was under budget by $4.4m and fell by $53.5m in 1997-98 compared to the previous year. As explained above this was mainly due to decreases in *Employee Expenses* and *Administration Expenses* following the transfer of Works and Commercial Services to Totalcare on 1 January 1997. The 1996-97 figure included Works and Commercial Services transactions for six months while these were not part of 1997-98 figures.

Conclusion

From the audit review of the financial statements and the explanations for variations from prior year results and budget, the conclusion has been drawn that the Department, in an overall sense, managed its Departmental operations to budget during 1997-98.

TERRITORIAL TRANSACTIONS

Revenue

Territorial revenue other than payments received from the Central Financing Unit or Commonwealth Grants are shown in the table on the next page.

Urban Services Department Territorial Revenues

	Budget 1997-98 $000	Actual 1997-98 $000	Actual 1996-97 $000	Actual 1995-96 $000
Taxes, Fees And Fines				
Motor vehicle registration		48,128	48,326	46,730
Fees for regulatory services		13,474	13,910	12,642
Betterment		3,653	4,535	5,778
Parking fines		5,674	5,136	3,847
Traffic fines		3918	3,955	3,575
Drivers' license		5,343	5,199	7,223
Miscellaneous		0	75	740
	79,481	80,190	81,136	80,535
Land Revenue				
Land Sales		29,525	16,800	20,034
Land Rentals		5,418	5,155	4,765
	19,600	34,943	21,955	24,799
Other Revenue				
Parking Fees	11,263	9,978	8,913	6,927
Other	0	630	1,421	1,596
Interest	20	0	0	0
	110,364	**125,741**	**113,425**	**113,857**

Taxes, Fees and Fines — the Department collected $80.2m of *Taxes, Fees and Fines* on behalf of the Territory during 1997-98. The amount collected has been reasonably constant for the last three years. The budget estimate was slightly lower than the actual amount collected in 1997-98.

Land Revenue increased by $13m or to $35m in 1997-98 compared to the prior year. This increase was mainly attributable to *Land Sales* increasing by $12.7m in 1997-98 due to a number of significant land sales occurring in 1997-98, ie. sales at Forest ($3m), Griffith ($8m) and the Lakeside Estate ($7m).

Total Revenue

The Department's revenue collected on behalf of the Territory for the year totaled $125.7m in 1997-98. Total revenue increased by 11% in 1997-98 compared to the previous year mainly due to increased revenue from *Land*

Sales. Total Revenue exceeded budget by 14%. This appears to have been partly due to Land Revenue having been conservatively budgeted, and some Land Revenue being budgeted for in 1996-97 but actually received in 1997-98.

Expenditure

Territorial expenditure other than transfers made to the Central Financing Unit for Taxes, Fees and Fines, Land Revenue, and Parking Fees collected comprised:

Urban Services Department Territorial Expenditure

	Budget 1998 $000	Actual 1998 $000	Actual 1997 $000	Actual 1996 $000
Depreciation and Amortisation	52,577	62,839	59,782	41,978
Other	3,138	8,369	8,181	0
Administrative Expense	7,016	5,410	7,749	121
Grants and Subsidy Payments	0	3,298	4,599	0
Bad and Doubtful Debts Expense	0	667	4,367	(1,460)
Employee Expenses	120	165	230	55
	62,851	**80,748**	**84,908**	**40,694**

The *Depreciation and Amortisation* amount relates to depreciation on the Territory's infrastructure assets which are managed on behalf of the Territory by the Department. These infrastructure assets consist of roads, bridges, the stormwater network etc.

Actual depreciation was $3.1m more in 1997-98 than in the previous year. This increase in depreciation from prior year is primarily due to a revaluation of bridges which occurred during 1997-98. This revaluation had the effect of increasing the annual depreciation expense for bridges by approximately $5m in 1997-98 compared to the previous year.

Budgeted depreciation for the year was $52.6m compared to actual depreciation of $62.8m. The budget amount was a very inaccurate

estimate. This is obvious when the previous year's depreciation at $59.8m is noted.

In response to the above the Department advised *"Urban Services notes that the budget for 1997-98 was compiled in March 1997. Since that time there have been a number of revelations and re-assessments of useful lives of assets which have resulted in higher depreciation charges"*.

Administration Expenses decreased by $2.4m or 30% in 1997-98 compared to the previous year. In 1996-97, *Administrative Expenses* were larger due to a one-off expense relating to preparation of the Acton Peninsula site ($2.8m) for transfer to the Commonwealth Government.

Bad and Doubtful Debts Expense for the year fell by $3.7m. In 1996-97 *Bad and Doubtful Debts Expense* was greater due to the initial implementation of a policy which wrote off long outstanding traffic and parking fines.

Total Expenditure

Total reported expenditure for the year decreased by $4.2m in 1997-98 due to decreases in expenditure relating to *Administration Expenses* and *Bad and Doubtful Debts Expenses*. Total Expenditure however exceeded budget by $17.9m. This variance was mainly due to unbudgeted expenses for Grants and Subsidy Payments ($3.3m), Bad and Doubtful Debts ($667 000), Other Expenditure ($5.2m) and Depreciation and Amortisation ($10.3m).

Work in Progress

At Audits request the Department reviewed the projects which comprised Territorial *Work In Progress* at year end. Audit was concerned that the projects listed as *Work In Progress* may not actually result in the creation of assets, or these projects had in fact been completed. Following the review, $1.2m from *Work In Progress* was expensed as the projects were in fact operating expenditure, and $14.4m was transferred to other asset categories as the projects had been completed. The Department has been requested to implement procedures to ensure *Work In Progress* projects are regularly reviewed to ensure completed projects are transferred to other asset categories on a timely basis and projects recorded as capital Works In Progress are in fact of a capital nature.

Conclusion

Generally it can be said that the Department managed its Territorial revenue operations to budget in 1997-98. While total actual revenue exceeded total budget revenue by $15.3m, this was due to only one item exceeding budget. Actual land revenue exceeded budget by $15.3m due to a number of material land sales occurring during 1997-98 which were not budgeted for, or were budgeted to occur in 1996-97.

Actual Territorial expenditure exceeded budget by $17.9m. This difference occurred for a variety of reasons which included inaccurate budget estimates and no budget being set for transactions of the same nature as some which had occurred in the previous year. The largest variance between actual and budget expenditure related to *Depreciation and Amortisation*, a difference of $10.3m.

55. WORKERS' COMPENSATION SUPPLEMENTATION FUND

55.1 INTRODUCTION

The ACT Workers' Compensation Supplementation Fund was established pursuant to the Workers' Compensation Supplementation Fund Act 1980. The purpose of the Fund is to accept responsibility for the payment of workers' compensation in the event that an insurance company failed or was unable to meet its liabilities arising from workers' compensation insurance policies. The fund is managed by an officer in the Department of Heritage in the 1998 financial year but is now part of the Department of Urban Services.

55.2 AUDIT OF 1997-98 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Urban Services on 18 September 1998.

55.3 FINANCIAL ANALYSIS

The operating surplus increased significantly by $1.2m mainly due to a large refund from an insurance company liquidator of $1.3m offset by an increase in the payment of claims by $0.1m. This also resulted in an increase in the net asset position by approximately the same amount.

At present the fund has net assets of $8.5m. Audit has been advised that an actuarial study has been Commissioned to determine whether these assets are sufficient to meet likely claims.

Annexure

Reports Published in 1992

1 Information Technology Management Policies in the ACT Government Service

2 Financial Audits with Years Ending to 30 June 1991

3 GAO Annual Management Report for Year Ended 30 June 1992

4 ACT Board of Health - Management of Information Technology

5 Budget Outcome Presentation and the Aggregate Financial Statement for the Year Ended 30 June 1992

6 Financial Audits with Years Ending to 30 June 1992

Reports Published in 1993

1 Management of Capital Works Projects

2 Asbestos Removal Program

3 Various Performance Audits Conducted to 30 June 1993
- **Debt Recovery Operations by the ACT Revenue Office**
- **Publicity Unaccountable Government Activities**
- **Motor Vehicle Driver Testing Procedures**

4 Various Performance Audits
- **Government Home Loans Program**
- **Capital Equipment Purchases**
- **Human Resources Management System (HRMS)**
- **Selection of the ACT Government Banker**

5 Visiting Medical Officers

6 Government Schooling Program

7 Annual Management Report for the Year Ended 30 June 1993

8 Redundancies

9 Overtime and Allowances

10 Family Services Sub-Program

11 Financial Audits with Years Endings to 30 June 1993

12 Reports were issued prior to 1992. Details can be obtained from the Government Audit Office.

Annexure (continued)

Reports Published in 1994

1 Overtime and Allowances - Part 2

2 Department of Health - Health Grants
- Management of Information Technology

3 Public Housing Maintenance

4 ACT Treasury - Gaming Machine Administration
- Banking Arrangements

5 Annual Management Report for Year Ended 30 June 1994

6 Various Agencies - Inter-Agency Charging
- Management of Private Trust Monies

7 Various Agencies - Overseas Travel - Executives and Others
- Implementation of Major IT Projects

8 Financial Audits with Years Ending to 30 June 1994

9 Performance Indicators Reporting

Reports Published in 1995

1 Government Passenger Cars

2 Whistleblower Investigations Completed to 30 June 1995

3 Canberra Institute of Technology - Comparative Teaching Costs and Effectiveness

4 Government Secondary Colleges

5 Annual Management Report for Year Ended 30 June 1995

6 Contract for Collection of Domestic Garbage/Non-Salary Entitlements for Senior Government Officers

7 ACTEW Benchmarked

8 Financial Audits With Years Ending to 30 June 1995

Reports Published in 1996

1 Legislative Assembly Members - Superannuation Payments/Members' Staff - Allowances and Severance Payments

2 1995 Taxi Plates Auction

12 Reports were issued prior to 1992. Details can be obtained from the Government Audit Office.

Annexure (continued)

3 VMO Contracts

4 Land Joint Ventures

5 Management of Former Sheep Dip Sites

6 Collection of Court Fines

7 Annual Management Report For Year Ended 30 June 1996

8 Australian International Hotel School

9 ACT Cultural Development Funding Program

10 Implementation of 1994 Housing Review

11 Financial Audits with Years Ending to 30 June 1996

Reports Published in 1997

1 Contracting Pool and Leisure Centres

2 Road and Streetlight Maintenance

3 1995-96 Territory Operating Loss

4 ACT Public Hospitals - Same Day Admissions
Non Government Organisation - Audit of Potential Conflict of Interest

5 Management of Leave Liabilities

6 The Canberra Hospital Management's Salaried Specialists Private Practice

7 ACT Community Care - Disability Program and Community Nursing

8 Salaried Specialists' Use of Private Practice Privileges

9 Fleet Leasing Arrangements

10 Public Interest Disclosures - Lease Variation Charges
- Corrective Services

11 Annual Management Report for Year Ended 30 June 1997

12 Financial Audits with Years Ending to 30 June 1997

13 Management of Nursing Services

12 Reports were issued prior to 1992. Details can be obtained from the Government Audit Office.

Annexure (continued)

Reports Published in 1998

1 Management of Preschool Education

2 Lease Variation Charges - Follow-up Review

3 Major IT Projects - Follow-up Review

4 Annual Management Report for Year Ended 30 June 1998

5 Management of Housing Assistance

6 Assembly Members' Superannuation and Severance Payments to Former Members' Staffers

7 Magistrates Court Bail Processes

8 Territory Operating Losses and Financial Position

9 Financial Audits With Years Ending To 30 June 1998

12 Reports were issued prior to 1992. Details can be obtained from the Government Audit Office.

Availability of Reports

Copies of Reports issued by the ACT Auditor-General's Office are available from:

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BRADDON ACT 2601

or

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CIVIC SQUARE ACT 2608

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