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 1996*, 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.

PA00/7

8 March 2001

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 FCPA

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SECTION 1

INTRODUCTION

1 INTRODUCTION

1.1 CONTENT OF THIS REPORT

Introduction

The content of this Report is based on the Territory's whole of Government audited financial statements for the year ended 30 June 2000 and Territory agencies' audited financial statements for years ended between 31 December 1999 and 30 June 2000. The Report consists of five sections.

Sections of the Report

Section 1 – Section 1 consists of a brief introduction to the Report.

Section 2 – In previous Auditor-General's Reports, general comments have been made about financial reporting in the ACT Public Sector. This topic is addressed in this section of the Report. Comments are also provided on the Territory's spending on capital works.

The section also contains important recommendations to improve financial reporting and accountability in *Chapters 3,4* and *5*.

Section 3 – This section provides a discussion and analysis of the Territory's whole of government financial results for the year ended 30 June 2000. The discussion and analysis uses as its basis the audited whole of government financial statements tabled in the Assembly by the Treasurer in December 2000.

Section 4 – This section contains discussion and analysis of the financial operations of ACT Government agencies to which specific attention is drawn. Specific attention is drawn for various reasons, including agencies returning operating losses, not managing financial operations to budget and/or non compliance with the Financial Management Act.

Section 5 – Section 5 contains discussion and analyses of the financial operations of the agencies not included in Section 4. There are findings in relation to several of these agencies, however, the findings are not of the

same significance as some of those made for the agencies included in Section 4.

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 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 in completing the program of 1999-2000 audits.

SECTION 2

FINANCIAL REPORTING

FINANCIAL AUDITS WITH YEARS ENDING TO 30 JUNE 2000

2 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 ANNUAL FINANCIAL REPORTING FOR THE TERRITORY

Introduction

In accordance with the *Financial Management Act 1996* (the Act) the Treasurer prepared Consolidated Financial Statements for the Territory and forwarded these to the Auditor-General for auditing within the timeframe allowed by the Act.

As required by the Act the consolidated financial statements consisted of:

- Operating Statements;
- Statements of Financial Position;
- Statements of Cash Flows; and
- Supporting notes which describe the accounting policies applied and other explanatory material.

The statements have been prepared in accordance with Australian Accounting Standards, in particular, AAS31 *Financial Reporting by Governments*.

Agencies Included in Consolidated Financial Statements

The consolidated financial statements were prepared by consolidating the financial statements of most public sector entities.

The financial statements do not consolidate the Construction Industry Long Service Leave Board, the Rental Bonds Board, the Registrar of Financial Institutions, Community Housing Canberra Limited, Calvary Public Hospital and the University of Canberra because they are not Government controlled. Territory agencies are also responsible for a number of other Boards and Trusts, which have not been included in the consolidation as they are immaterial in nature.

Independent Audit Opinion for the Territorial Statements

Section 24 of the Act provides that the Auditor-General shall provide an audit opinion on the Territory's annual financial statements within 30 days of receiving the statements from the Treasurer. The statements were received from the Treasurer on 1 November 2000.

An unqualified audit opinion was signed on 30 November 2000 and provided to the Treasurer on that day.

A discussion and analysis of the Territory's financial operations and position, as represented in the audited statements is provided in *Section 3* of this Report.

2.3 DEPARTMENTAL ANNUAL FINANCIAL REPORTING

Introduction

Section 27 of the Act requires that Departments prepare annual financial statements. The statements are to consist of:

- Operating Statements;
- Statements of Financial Position;
- Statements of Cashflows;
- Statements of Performance; 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.

Section 29 of the Act requires that the statements be audited by the Auditor-General.

Financial Statements Prepared by Agencies (other than Statements of Performance)

Departments prepared their financial 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 a Departments' financial operations with the Departments' budgets.

As required by the Act all Departments' financial statements were audited and audit opinions issued. As a result of the audits it was not necessary to issue any qualified audit opinions.

One agency received an "Emphasis of Matter" paragraph in their audit report. This agency was ACT Forests and the Emphasis of Matter was in relation to the valuation of forest growing stock.

Statements of Performance Prepared by Departments

Departments are required to prepare Statements of Performance by the Act. These types of statements are not provided for in accounting standards and as a result there is limited external guidance available to assist Departments to prepare their statements.

Section 29 of the Act requires that the Auditor-General audit the Statements of Performance.

Four audit opinions were issued on Statements of Performance which 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 and/or had not been measured. The number of performance measures on which an audit opinion could not be formed was the same as 1998-99 but less than years prior to this.

2.4 DEPARTMENTAL BUDGETING

The Act 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 1999-2000 were tabled in the Legislative Assembly in May 1999.

As in previous years, the opportunity was taken as part of the financial statement 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 budget comparisons with actual are provided in *Section 4* and *Section 5* of this Report within the comments provided on individual audits. Overall the audit view is that most agencies' financial operations were consistent with their budgeted operating outcomes.

2.5 CAPITAL WORKS EXPENDITURE

Details of proposed capital works expenditure are included each year in Budget Papers 3 and 4. Departments are usually provided with capital injection appropriations to fund the expenditure.

In the 1999-2000 audits, the level of capital expenditure budgeted was compared with actual expenditure. Where there were significant variations, reasons were sought from Departments.

The overall results of the comparisons are provided in *Chapter 11: Territory's Capital Works Program Expenditure* of this Report. In addition, details for each Department are included in the relevant Chapter for the Department.

The overall outcome was that actual capital expenditure was significantly less than that budgeted.

2.6 STATUTORY AUTHORITY ANNUAL FINANCIAL REPORTING

Reporting Requirements

Statements of Intent

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

- estimated annual operating statements for the year;
- estimated statements of financial position at the end of the year;
- estimated cashflow statements;
- statements of the objectives of the Authorities for the year;
- statements 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 authorities may be assessed in relation to their objectives for the year.

Annual Financial Statements

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

- Operating Statements;
- Statements of Financial Position;
- Statements of Cashflows;
- Statements of Performance of authorities in achieving their objectives specified in their statements of intent for the year that was provided by the authorities pursuant to *Section 58* of the Act; and
- Supporting notes which describe the accounting policies applied and other explanatory material.

The Act requires that 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.

Section 61 of the Act provides for all Authorities' financial statements to be audited by the Auditor-General.

All audits have been completed for the year and unqualified opinions were issued on the financial statements of all Authorities.

3 REPORTED OUTPUTS AND PERFORMANCE MEASURES

3.1 INTRODUCTION

As explained in the previous Chapter, ACT agencies are required to prepare Statements of Performance as one of their financial statements. These Statements of Performance are intended to present the agencies' outputs. For each of the outputs several performance measures are presented under the headings of quantity, quality, timeliness and cost. Similar information is included in each year's Budget Papers.

The cost of identifying, estimating, recording, reporting and auditing the outputs and performance measures is considerable.

3.2 RELEVANCE AND APPROPRIATENESS OF REPORTED OUTPUTS AND MEASURES

The Audit Office has been giving consideration for some time to the outputs reported by agencies and the adequacy and relevance of their associated performance measures.

The Office is particularly concerned about the number of outputs and the measures which are included in the Budget papers and also in financial statements. Many outputs in the budget papers are not outputs; they are more in the nature of activities e.g. 'Revenue Management' and 'Ministerial Support' are clearly activities and not outputs. In turn, the measures reported for many 'activities' are in fact the outputs or deliverables of the activities. It is suggested that many outputs/deliverables which are currently reported are overheads and not Government outputs.

Departmental Advice

The Chief Executive Officer of Treasury has responded to this Office in relation to this matter as follows.

> *'Even a cursory glance at past Budget papers and Purchase Agreements leads to the fundamental conclusion that too many measures are included in the documents, with many 'outputs' and 'performance measures' reporting on peripheral activities, or, even worse, being inappropriately assigned (and no doubt inappropriately interpreted).*
>
> *Without diluting the completeness of the Budget papers and associated documents which, I believe, remain amongst the most comprehensive in Australia, we believe that a systematic effort should be made to determine which outputs and performance measures should be reported on regularly and in what format. Once again, it is our view that your Office should be invited to give input as it sees fit.'*

Recommendation

It is recommended that the systematic effort referred to by the Chief Executive of the Treasury should be undertaken as soon as possible.

4 REVIEW OF FINANCIAL MANAGEMENT ACT 1996

4.1 INTRODUCTION

Some brief comments are provided on the need to review the *Financial Management Act 1996* to ensure its continued relevance to Territory financial management.

4.2 REVIEW OF THE FINANCIAL MANAGEMENT ACT

The need for a review of the Financial Management Act has been recognised for at least eighteen months. The Government has agreed that a review is necessary and announced that it is being conducted. At the time of preparing this Report however the review was substantially incomplete.

Following are some important issues which the review of the Act should address:

- the Act does not contain a section or part that clearly sets out the role and accountability of Ministers for departmental financial operations;
- the responsibility and public accountability of Chief Executives is unclear;
- territory Authority boards are not responsible for Authorities' financial management or reporting;
- the implementation of the concept of net cash appropriations in an accrual based environment needs to be re-examined;
- the definition of capital injection needs to be clarified; and
- the definition of what the Territory can invest in needs to be clarified.

Departmental Response

The Chief Executive Officer of the Treasury has advised that a full review of the *Financial Management Act 1996* is to be undertaken. Conducting this review is strongly supported by this Office as the Act is the cornerstone of financial management and accountability in the Territory. The text of the Chief Executive's advice, dated 15 February 2000, is set out following.

> *'As discussed with you on 9 February a review of the FMA with respect to suggesting a number of "mechanical" amendments has been completed.*
>
> *A more fundamental review of the FMA, with a view to eliminating some ambiguities, and constructing a legal framework which is more capable of dealing with all aspects of contemporary accrual accounting systems, has not yet formally commenced. Progress has been limited, essentially due to lack of accounting and financial resources in Treasury. Hopefully, I will shortly be able to announce the appointment of a successful candidate to the position Director, Accounting Policy, a position that has been vacant for a considerable time.*
>
> *Commensurate with the appointment of a Director, Accounting Policy, I would like to place the FMA review on a more solid footing, with definite commitments linked to timeframes. I confirm our view that it is essential that your Office be given the opportunity to participate in such a review'*

Recommendation

It is recommended that the Treasury's review of the Financial Management Act be undertaken as a matter of priority.

5 2001 ELECTION – AVAILABILITY OF TERRITORY'S LATEST FINANCIAL RESULTS

5.1 LEGISLATIVE REQUIREMENTS

The next Legislative Assembly election has been scheduled to occur in October 2001.

Sections 23 to *25* of the *Financial Management Act 1996* specify the timeframe for the preparation, audit and tabling in the Legislative Assembly of the Whole of Government Annual Financial Statements of the Territory. Under this timetable, financial statements certified by the Treasurer and relevant Chief Executive are required to be provided to the Auditor-General by the Treasurer by no later than 31 October.[1] The audit opinion on these certified statements is required to be provided to the Treasurer within 30 days of the Auditor-General receiving the statements.[2] The Treasurer is then required to table the audited financial statements and audit opinion in the Legislative Assembly within 3 sitting days of receiving them.[3]

5.2 ISSUE

If the maximum periods provided for in the present legislative timetable are used to prepare, audit and publish the Territory's Whole of Government financial statements, the statements will not be available to the electorate until December 2001. This is after the election.

The quality of a Government's economic management is a regular issue assessed in Australian elections. One significant matter in assessing a Government's economic management is whether or not it has achieved its

[1] *Section 24(1)* – The Treasurer shall forward a copy of the annual financial statements relating to a financial year to the Auditor-General within 4 months after the end of the year.
[2] *Section 24(2)* – The Auditor-General shall, within 30 days after he or she receives a copy of annual financial statements under subsection (1), provide the Treasurer with an audit opinion concerning the statements.
[3] *Section 25* – Where the Treasurer receives, under subsection 24(2), an audit opinion concerning annual financial statements, he or she shall cause to be laid before the Legislative Assembly, within 3 sitting days after receiving the opinion – a copy of the annual financial statements and a copy of the audit opinion.

overall budget targets. Audited Whole of Government financial statements, if available to the electorate, would provide this information on the ACT Government's performance in a reliable and credible form. As previously stated, however, if the legislative timetable is adhered to, the audited statements will not be available before the election. The latest available audited statements would be for the year ended 30 June 2000 which is more than 15 months before the election.

The present legislative timetable was set when Legislative Assembly elections were held in February. Accordingly the timetable was suitable when legislated. With elections now to be in October the timetable in relation to the election schedule is inappropriate. The issue of the non-availability of audited financial statements for the latest completed year before an election will re-occur in future election years if the legislation is not changed i.e. in one year out of each three.

The issue of compliance with the legislative timetable was raised with the Chief Executive of the Treasury. His response is set out following.

Departmental Advice

> *"The complications arising from the timing of the ACT election are recognised by the Department of Treasury and Infrastructure. At present the election is set down for 20 October 2001, with the new assembly to be formed on 10 November 2001. Caretaker period will go from 36 days prior to the election until there is a clear, or in the case of change of Government, a new Chief Minister.*
>
> *Under the caretaker convention, while the Government must avoid making important decisions particularly those that bind an incoming Government, routine matters of public administration can still progress. Treasury considers that the certification of the Annual Financial Statements is a routine matter and does not involve the entering into of any major decisions of policy.*
>
> *Of more concern is the availability of public documents that provide stakeholders with information on the financial performance of the current government for the 2000-2001 financial year. Treasury considers that the preliminary June outcome will, although unaudited, provide a reasonable approximation of the 2000-2001 outcome."*

Further Audit Comment

The Audit Office agrees that the timetable can be complied with as described in the Chief Executive's response. The concern expressed in the last paragraph of the Chief Executive's response, however, is the Audit Office's major concern. The Audit view is that all methods should be explored which could be practically implemented to ensure the audited financial results are published prior to the election. The Audit Office believes publication of the audited statements before the election should be achievable.

The Chief Executive's response refers to the use of the preliminary June outcome as a reasonable approximation of the actual results. Past experience has shown that in some years the audited financial outcomes have been quite different to the unaudited preliminary outcomes. Requiring the electorate to rely on unaudited financial results should be avoided if at all possible.

It should also be noted that in past years Territory agencies' annual reports, which include their audited financial statements, were made public in late September or in October when tabled in the Legislative Assembly. As the Assembly's last sitting day before the election is to be 30 August 2001, if previous years' timetables and publication procedures continue, agencies' annual reports will not be available prior to the election. As with the Whole of Government statements the latest available agency annual reports will be for the year ended 30 June 2000.

Further Departmental Advice

> *"Treasury supports the Audit view that all methods should be explored that could be practically implemented to ensure the audited financial statements are published prior to the election."*

Recommendation

Procedures should be put in place to ensure audited Whole of Government financial statements and Territory agencies' annual reports for the year ended 30 June 2001 are available to the electorate prior to the election. If necessary, legislation should be amended to ensure this occurs.

6 MANAGEMENT DISCUSSION AND ANALYSIS REPORTING

6.1 INTRODUCTION

In recent years there has been much discussion on the merits of including supplementary narrative information in annual reports[4]. The presentation of this information has become known as management discussion and analysis (MD&A) reporting. MD&A reporting expands upon and explains the information in financial statements and assists report users to better understand an entity's current position and its likely future performance.

There is no requirement for ACT agencies to include MD&A reporting in their annual reports. There is also no requirement for MD&A reporting on the whole of Territory financial statements.

This Chapter:

- outlines the contemporary position on management discussion and analysis reporting in Australia and overseas;
- outlines the current reporting practice, regarding management discussion and analysis in the ACT;
- outlines the potential value of management discussion and analysis reporting;
- outlines possible best practice disclosure guidance for Territory agencies; and
- recommends that all Territory agencies which prepare financial statements include management discussion and analysis reporting in their annual report.

[4] The following publications were used in preparing the ensuing discussion. McBride, P. 1996, *Management Discussion and Analysis: An Australian Perspective*, *ASCPA, Melbourne* & Ernst and Young Australia. 2000, *Management Discussion and Analysis: Corporate Governance Series*

6.2 THE AUDITOR-GENERAL'S REPORT ON FINANCIAL AUDITS

Each year, in this Report, this Office provides a high level interpretation and commentary on information presented in the financial statements of ACT Government agencies. In essence this represents a form of discussion and analysis reporting for each of the agencies included. The reporting however has been prepared by the auditor and not by management as would happen with conventional MD&A reporting.

The Audit discussion and analysis is mainly provided to assist Legislative Assembly Members and interested community members to better understand the financial performance of agencies. MD&A reporting, however, should not be the responsibility of the auditor. The Audit Office has undertaken the task in an attempt to fill the information gap left because agencies do not include MD&A reporting in their annual reports. If comprehensive MD&A reporting by agencies were introduced the need for the Audit Office's discussion and analyses, as included in this Report, would be substantially reduced.

6.3 CONTEMPORARY MANAGEMENT DISCUSSION AND ANALYSIS REPORTING

Management Discussion and Analysis - International Practice

Requirements for MD&A reports have developed in a number of overseas jurisdictions. In the United States, Canada and New Zealand the report is titled 'Management Discussion and Analysis'. In the United Kingdom the report is titled 'Operating and Financial Review'.

United States

In the United States, MD&A reporting requirements date from the 1960's although more comprehensive requirements date from the 1980's. MD&A reports are mandatory for most publicly owned economic entities under requirements issued by the Securities and Exchange Commission. MD&A reports in the United States require specific discussion of:

- liquidity, capital resources and the results of operations;

- events and uncertainties that may make historical financial information non-indicative of future operations; and

- the causes of material changes in line items in financial reports.

United Kingdom

In the United Kingdom, successive parliamentary committees have examined MD&A reporting as part of their consideration of the financial aspects of corporate governance. As a result, the Accounting Standards Board released its Operating and Financial Review (OFR) Statement in July 1993. This Statement encourages the inclusion of an OFR report as part of a company's financial reporting but does not make it a mandatory requirement.

In accordance with the OFR Statement there should be a discussion of the business as a whole which gives insights into the facts that underlie the figures in the financial statements included with the financial reports of corporations. The OFR statement requires a consideration of the factors that will affect future performance as well as the year under review. It should be balanced and objective, dealing even-handedly with both good and bad aspects.

The essential features of an OFR are that it should be written in a clear succinct style which would be readily understood by the general readers of annual reports. The statement should not merely repeat the figures in the financial reports with little or no amplification. Rather it should contain analytical discussion of items in the financial reports.

Canada

MD&A reporting requirements were introduced in Canada in 1989 when both the Ontario and Quebec Securities Commission released a Policy Statement establishing disclosure requirements for MD&A reports. The MD&A reporting requirements in Canada are similar to those in the United States.

New Zealand

In 1994 the Financial Reporting Standards Board released Financial Reporting Standard No. 2 *Presentation of Financial Reports.* Section D of the report includes reference to MD&A and states that 'An understanding of financial reports may be assisted by an MD&A explaining the information in the financial reports and discussing the significance of that information.' Section D is voluntary and contains recommendations for all reporting entities.

The recommendations include disclosure of the resources used to produce goods and/or services, the objectives of the entity, highlights and historical summaries and possible future financial performance and position.

Management Discussion and Analysis Reporting in Australia

In Australia, at present, MD&A reporting is not required in the annual reports or financial statements of reporting entities. However, there are some requirements in the Corporations Law and in government reporting guidelines that encourage the inclusion of this type of information. These requirements are discussed below.

Corporations Law

Section 299 of the *Company Law Review Act (Commonwealth) 1998* requires the annual directors' report to include both general and specific information. *Section 299* of the Act requires general information about operations and activities. This report must:

- contain a review of operation's during the year and the results of those operations;
- give details of any significant changes in the company's state of affairs during the year;
- state the company's principal activities during the year and any significant changes in the nature of those activities during the year;

- give details of any matters that have arisen since the end of the year that have significantly affected, or may significantly affect the company's operations in future financial years, the results of those operations in future financial years or the company's state of affairs in future financial years;

- refer to likely developments in the company's operations in future financial years and the expected results of those operations; and

- if the company's operations are subject to any particular and significant environmental regulation either under a Commonwealth or State/Territory law, details of the company's performance in relation to the environmental regulation.

This Act also introduced the concept of concise annual reports. In accordance with the Act companies may send their members a 'full' set of financial statements or a 'concise' report. Concise reports must be drawn up in accordance with the Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

A key aspect of the Standard is that the financial statements must be accompanied by discussion and analysis to assist the understanding of members. The Standard suggests that the financial statements will be enhanced by a discussion of and analysis of the principal factors affecting each financial statement.

Government Reporting Requirements

Varying degrees of MD&A information is currently required in Commonwealth, State, and Territory Government financial reports with the exception of Queensland, South Australia and the Northern Territory.

The most stringent requirements appear to be in Western Australia where an entity is required to include a MD&A section in notes to the financial statements

The MD&A reporting requirements for Commonwealth, State and Territory Governments are summarised in *Annexure A* to this Chapter.

6.4 MD&A REPORTING AND THE ACT GOVERNMENT'S CURRENT REPORTING PROCESSES

Some comments follow on whether the ACT's present financial reporting processes include components of MD&A reporting.

Annual Reports

ACT agencies include a full and detailed set of audited financial statements in their annual reports. ACT agencies, however, in general, do not include MD&A information in the reports. The information is not required under the Annual Reporting Guidelines and thus it is rarely provided. (It is noted for information that the 1999-2000 Annual Report for the Department of Education and Community Services provides some analysis of the figures in the Department's financial statements.)

Agencies' financial statements include 'statements of performance'. These statements present agencies' outputs together with several performance measures for each output. Performance measures are reported at a very detailed level and are numerous. The volume of detail precludes the use of these measures for the type of high level analysis and interpretation which is necessary to comprehend an agencies' overall financial performance.

Performance measures are a component of the financial statements and while they do enhance accountability and expand some information in the financial statements, they only present actual results against budgeted targets. Performance measures are indicators of performance against a detailed set of criteria. Performance measures do not expand and explain the information in the financial statements, nor do they offer analytical discussion of items in the financial reports. Performance measures therefore do not constitute MD&A reporting.

Monthly Reporting

As part of the current monthly reporting requirements, ACT Government agencies are required to provide explanations to the Treasury for material variations in line items in their monthly financial reports. These explanations are used for internal reporting purposes as well as being provided to the Treasury to aid in the preparation of the Territory's Consolidated Financial Management Report. The agencies' monthly

reporting is not MD&A reporting for various reasons including that the reports are not made public.

The Territory's Consolidated Report is presented to the Legislative Assembly on a monthly basis and generally contains:

- a highlights section outlining, in general, the reasons for variations from budget in the major items of revenue and expense;

- an Executive Summary which shows total revenue and expenses and provides various financial ratios for additional information;

- a section covering the General Government Sector which provides a summary of the three main financial reports – on Operating Statement, Statement of Financial Position and a Cashflow Statement as well as a detailed analysis of the reasons for any material variation from budget in these reports; and

- a section covering the Public Trading Enterprise Sector which provides a summary of the three main financial reports - an Operating Statement, Statement of Financial Position and a Cashflow Statement as well as a detailed analysis of the reasons for any material variation from budget in these reports.

The various detailed analysis of reasons for variations in the Territory's monthly consolidated report constitutes a form of MD&A reporting. As the reporting, however, is not based on the annual audited financial statements it is not the MD&A reporting envisaged in the various national and international reporting requirements mentioned previously.

Annual Budget Estimates

The annual budget estimates prepared by the ACT Government contain discussion of financial reports including the Statement of Revenues and Expenses, Statement of Assets and Liabilities and Statement of Cashflows. As the Budget Papers are prepared in April of each year, this discussion is limited to explaining material variations in budget figures from the previous year's actuals. Due to the timing of the report, the current year's actual results cannot be compared to the previous year as the Budget Papers are prepared before the current year is ended. Thus,

although the Budget Papers contain a type of MD&A reporting the reporting does not constitute MD&A reporting as generally required.

MD&A reports require specific discussion of the actual results in the year-end financial statements, not just budget figures, and would generally include a more thorough analysis than that provided in the budget estimates. MD&A reports should include analysis of not only the causes of material changes in line items but also going concern issues, capital resources, future directions and future risks.

6.5 POTENTIAL VALUE OF MANAGEMENT DISCUSSION AND ANALYSIS REPORTING FOR THE WHOLE OF GOVERNMENT AND BY ACT AGENCIES

The objective of the Territory's Whole of Government financial report and the financial reports prepared by ACT agencies should be to meet the common information requirements of users. There must be considerable doubt, however, that the statements as now published do meet users' information requirements.

The statements contain a great deal of detail however no analyses or interpretation of the detailed content is provided.

While annual financial reports prepared by public companies have identifiably well informed users – particularly financial analysts, stockbrokers and investment advisers – no such clearly defined well informed users of public sector financial information exists. While financial reports are intended to provide important information to the Assembly and the community there is no 'de-coding' of the information in ways which would allow non-specialists in financial reporting to feel confident that they understand the implications of the financial statements content. Effective MD&A reporting would provide the necessary 'decoding'. This should enable better decisions to be made and also enhance the accountability process.

The introduction of MD&A reporting would supplement and enhance the usefulness of agencies' financial statements. This would be done by providing users, even those unaccustomed to reading financial reports, with a means of assessing the agencies' performance and financial

position and the agencies' likely future situations without the users having to conduct their own close analyses of the financial statements.

By introducing MD&A reporting into annual reports, the ACT Government would be providing information in a format more useful to users (Ministers and the community), enhance corporate governance and bring the Territory reporting standards and disclosures further towards international best practice.

Conclusion

ACT Government agencies are already maintaining some MD&A information in various forms. The information, however, is not co-ordinated and presented in annual reports.

The presentation of full MD&A reporting for the Whole of Government financial results, and for agencies in their annual reports, would provide more timely and more beneficial information than is currently available to Members of the Legislative Assembly and the community.

6.6 COST OF MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The costs associated with the preparation of MD&A reports should be minimal. ACT Government agencies are already required, as part of their monthly reporting, to maintain this type of information. Some additional work would be needed to develop an acceptable format and correlate the additional information for inclusion in annual reports. It is not likely the additional work would be great.

6.7 POSSIBLE BEST PRACTICE FOR TERRITORY AGENCIES

In recent publications, the accounting firm Ernst and Young, Australia and CPA Australia have derived best practice guides for MD&A reporting. The publications include a number of general principles and detailed guidance on MD&A reporting. Aspects of the guides relevant to public sector bodies are collated and summarised in the following paragraphs. Similar guidance would apply to Whole of Government reporting.

Responsibility

The preparation, presentation and accuracy of Departments' MD&A reports should be the responsibility of the Department's Chief Executives. If the reporting entity is a statutory Authority the entity's governing body should be responsible for the MD&A reporting.

General Principles

The Management Discussion and Analysis report should provide a framework for the agency to discuss and analyse its performance and should identify the opportunities and risks encountered by the agency which impacted on its results and financial condition. The report should include balanced and objective information, and deal even handedly with both favourable and unfavourable aspects of the entity's activities.

The report should be written in a clear and concise style. It should be easily understood by a general audience which may be unaccustomed to reading financial reports. The report should include analysis of the results and the position of the entity, rather than merely a description of the numbers. The analysis should explain why changes occurred.

Detailed Guidance

An entity's operating results and financial position are best interpreted and analysed in the light of its overall objectives. In the ACT, where output budgeting and reporting principles have been adopted, the MD&A reports would be prepared to be consistent with the agencies' main outputs as well as their objectives.

It is also desirable to include information on the entity's approach to identifying risk and the processes in place to manage those risks. Outlining these would be a suitable lead-in to discussing the agency's operating results and financial position.

A review of operations should be undertaken. This would discuss and analyse the agency's results. The discussion should focus on the factors influencing the results and the reasons the results were achieved.

Significant items in the operating statement should be discussed and analysed.

A review of the agency's financial position should also be undertaken. This would focus on the statement of financial position and statement of cash flows. It would provide an analysis of the agency's ability to pay its debts as they fall due, the maturity profiles of assets and liabilities and where appropriate, the risks inherent in the agency's capital structure.

Audit of Management Discussion and Analysis Reports

MD&A reports would not be subject to audit.

The lack of formal audit requirements would be offset to an extent by the review which the Auditor-General would undertake to comply with Auditing Standard AUS 212 *Other Information in Documents containing Audited Financial Statements*. This standard requires the Auditor-General to review MD&A reports and identify whether there is anything in the reports which conflicts with the information in the audited financial statements. The audit review would identify errors but not necessarily omissions from the report.

Recommendation

The benefits of MD&A reporting should be examined with a view to providing MD&A reporting on the Whole of Government financial results and also including MD&A reporting in the annual reports of all agencies. This would significantly improve the financial information available to users and bring the Territory's reporting requirements in line with best practice.

Annexure A

Australian Government MD&A Reporting Requirements		
Government	**Relevant Guideline/ Legislation**	**Summary of Requirement**
Commonwealth	*Requirements for Annual Reports – May 2000*	Under part 3 – Annual Report Requirements the Annual Report must include discussion and analysis of the department's financial performance for the year. It is suggested that this include discussion of any significant changes in financial results from the prior year, or from the budgeted financial statements for the financial year as set out in the Portfolio Budget Statements.
New South Wales	*Annual Reports (Statutory Bodies) Regulation 2000 under the Annual Reports (Statutory Bodies) Act 1984*	The Regulations suggest that Annual Reports of entity's should include a Report of Operations. Under Schedule 1 of these Regulations this Report should contain a narrative summary of the significant operations for the reporting year. Selected financial and other quantitative information associated with the administration of programs or the operations of the body.
Victoria	*Part 7 – Financial Management Act 1994*	The Act requires the Annual Report of a Department or Public Body to include a Report of Operations. This Report must include: a) a summary of financial results for the year with comparative results for the preceding four financial years; b) a summary of significant changes in financial position during the year; c) the operational and budgetary objectives of the entity for the financial year and performance against those objectives including significant activities and achievements during the year; and d) a summary of major factors which have affected the achievement of operational objectives for the year.

Queensland	*No requirement*	-
Western Australia	*Treasurer's Instruction 945*	An explanatory statement must be included in the notes to the financial statements providing reasons for and details of each significant variation of: a) revenue from estimates and the preceding year; b) expenditure from estimates where expenditure fell below annual estimates; c) expenditure authorised by other statutes (other than the Appropriation Act) where expenditure exceeded or was less than estimated expenditures; d) expenditure from any output or non-output expenditure identified in the annual estimates; and e) expenditure from the corresponding item in the previous year.
ACT		
South Australia	*No requirement*	-
Tasmania	*Financial Management Manual*	Under Section 701 – Contents of Reports, the Annual Report shall contain: a) a narrative summary of significant financial outcomes for Agency programs or activities, and any Ministerial directives in relation to financing or investment activities; b) economic and other factors which have affected the achievement of operational objectives.
Northern Territory	*No requirement*	-

SECTION 3

DISCUSSION AND ANALYSIS OF WHOLE OF TERRITORY FINANCIAL RESULTS

FINANCIAL AUDITS WITH YEARS ENDING TO 30 JUNE 2000

7 TERRITORY'S OPERATING RESULT

7.1 INTRODUCTION

This Chapter comments on overall financial results of the Territory in 1999-2000.

7.2 SIGNIFICANT FINDINGS

- ***The Territory made an operating surplus of $78m compared to the previous year's operating loss of $175m;***
- ***The operating surplus of $78m compares favourably with the budgeted operating loss of $64m. The favourable result compared to budget was mostly due to revenue exceeding budget expectations by $206m. Expenditure exceeded budget expectations by $64m; and***
- ***The operating surplus of $78m represents a turnaround from the trend of operating losses in recent years which have ranged from $153m in 1996-97 to $175m in 1998-99.***

7.3 OPERATING RESULT – WHOLE OF TERRITORY

The operating result is a key measure of the Government's financial performance and highlights the extent to which the costs of service delivery are covered by the revenue raised in the year. When assessed over a sequence of years the operating result is an important indicator of the financial sustainability of the Government's strategies and policies.

The table below summarises the Whole of Territory operating results from 1996-97 to 1999-2000.

Operating Results
Whole of Territory

	Actual 1999-00 $m	Variation* %	Actual 1998-99 $m	Variation* %	Actual 1997-98 $m	Variation* %	Actual 1996-97 $m
Revenue	2,252	17.4	1,918	0.2	1,915	0.3	1,910
Expenses	2,085	1.8	2,049	(0.7)	2,063	2.6	2,010
Operating Surplus before Abnormals	167	227.5	(131)	11.5	(148)	(48.0)	(100)
Abnormal Items (net)	89	#	44	#	21	#	53
Operating Surplus (Loss)	**78**	#	**(175)**	#	**(170)**	#	**(153)**

* Represents the percentage variation from the previous year. # Not Calculated

The Territory recorded an operating surplus of $78m in 1999-2000 compared to last year's operating loss of $175m. As the table shows this year's operating surplus represented a turnaround from the trend of past losses.

The improved financial result compared to previous years was mainly due to a substantial increase in revenue of $334m (17.4%). In comparison, expenditure increased by $36m (1.8%).

Chapter 10: Summary of Territory Revenue and Expenditure provides a detailed analysis of the movements in Territory revenue and expenses (including abnormal expenses).

7.4 SIGNIFICANCE OF THE OPERATING RESULT

Previous Auditor-General's Reports have commented on the future negative effects of the Territory expending more than its revenue. In this regard the comment in last year's Report[5] is repeated below:

The significance to the ACT community of the existence of the large losses is that the losses will eventually have to be met from future

[5] Auditor General's Report – Financial Audits with Years Ending to 30 June 1999 Report No 4, 1999.

Territory revenue and the revenue must be supplied either by the taxpayers in the community or by the Commonwealth Government through increased grants. Alternatively the Territory would have to significantly reduce services, and/or sell some of the taxpayers' significant public assets. Also almost certainly the capital works program would have to be cut.

The following table sets out projected operating results for 2000-01 to 2003-04 as set out in the ACT Budget Papers[6].

Projected Operating Results[7]
Whole of Territory

	Budget 1999-00 $m	Actual 1999-00 $m	Projected 2000-01 $m	Projected 2001-02 $m	Projected 2002-03 $m	Projected 2003-04 $m
Revenue	2,046	2,252	2,249	2,294	2,345	2,401
Expenses	2,110	2,174	2,227	2,237	2,224	2,274
Operating Surplus (Loss)	**(64)**	**78**	**22**	**57**	**121**	**127**
Surplus (Loss) as % of Revenue	**(3.1)**	**3.5**	**1.0**	**2.5**	**5.2**	**5.3**

The Budget Papers indicate that the Territory is expecting to make small increasing surpluses over the next few years.

The surpluses are so small (as indicated when they are expressed as a % of revenue) that they should be regarded as no more than breaking even.

[6] Budget 2000, Budget Paper No.3, page 55.
[7] Budget 2000, Budget Paper No.3, page 55.

8 TERRITORY'S FINANCIAL POSITION

8.1 INTRODUCTION

This Chapter comments on the Territory's financial position as at 30 June 2000.

8.2 SIGNIFICANT FINDINGS

- ***The net asset position increased slightly by $196m (2.9%) from $6,844m in 1998-99 to $7,040m in 1999-2000, mainly as a result of an increase in financial assets[8] of $561m which exceeded the increase of $359m in liabilities;***

- ***Liabilities increased significantly by $359m (14.9%) from $2,414m in 1998-99 to $2,773m in 1999-2000. This year's increase was a continuation of the trend of increasing liabilities over the period from 1996-97 to 1999-2000. Over this period liabilities increased by $701m (33.8%);***

- ***Total unfunded financial liabilities reduced by $202m (14.3%) from $1,415m in 1998-99 to $1,213m in 1999-2000. The main reason for the reduction in total unfunded financial liabilities was the increase in financial assets; and***

- ***Unfunded superannuation liabilities (which are part of total unfunded financial liabilities) fell significantly by $260m (29.4%) from $884m in 1998-99 to $624m in 1999-2000 reversing the trend of increasing unfunded superannuation liabilities in recent years.***

8.3 STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position is an important indicator of the Territory's financial strength and, when comparative balances are presented, of changes in its overall financial position.

[8] *Financial assets* are comprised of cash, investments and accounts receivable.

The following table summarises the Territory's Statement of Financial Position from 1996-97 to 1999-2000.

Statement of Financial Position
Whole of Territory

	Actual	Variation *	Actual	Variation *	Actual	Variation *	Actual
	1999-00		1998-99		1997-98		1996-97
	$m	%	$m	%	$m	%	$m
Assets							
Cash, investments and receivables	1,560	56.2	999	3.1	969	11.4	870
Physical Assets[9]	8,253	0	8,259	1.2	8,158	(1.7)	8,295
	9,813	**6.0**	**9,258**	**1.4**	**9,127**	**(0.4)**	**9,165**
Liabilities							
Borrowings, finance leases and creditors	1,140	27.8	892	(2.5)	915	5.5	867
Superannuation	1,368	10.1	1,243	13.0	1,100	17.8	934
Employee entitlements	227	0	229	0	229	3.2	222
Other	38	(24.0)	50	66.7	30	(38.8)	49
	2,773	**14.9**	**2,414**	**6.2**	**2,274**	**9.7**	**2,072**
Net Assets	**7,040**	**2.9**	**6,844**	**0**	**6,853**	**(3.4)**	**7,093**

* Represents the percentage variation from the previous year.

Assets

Assets of $9,813m are comprised of *Physical Assets* $8,253m (84%) and *Financial Assets* $1,560m (16%).

This year, assets increased by $555m (6.0%) from $9,258m at the end of 1998-99 to $9,813m at the end of 1999-2000. Most of the increase was in *Financial Assets* - $561m. *Physical Assets* remained at similar levels to the previous year.

Physical Assets

[9] *Physical Assets* are mainly comprised of property, plant and equipment (including capital works).

Physical assets are used to deliver services to the community e.g. roads, land, buildings including schools and hospitals, plant and equipment and other infrastructure.

Physical assets have remained at approximately the same level over the period from 1996-97 to 1999-2000.

Financial Assets

Financial assets increased by $561m (56.2%) from the prior year. This significant increase mainly comprised of a $522m increase in investments. Of the increased investments the majority were for superannuation. The investment assets of the Superannuation and Insurance Provision Unit increased by $385m in 1999-2000 following a $300m cash injection from the ACT Government[10] which was subsequently invested. The $300m injection by the Government was mostly funded by borrowing i.e. while financial assets increased, amounts owing also increased. (See later under the heading *Borrowings, Finance Leases and Creditors*.)

Liabilities

Liabilities increased significantly by $359m (14.9%) from $2,414m in 1998-99 to $2,773m in 1999-2000. Liabilities have increased steadily since 1996-97 with an increase of $701m (33.8%) from $2,072m in 1996-97 to $2,773m in 1999-2000.

Most of these increases have been in *Borrowings, Finance Leases and Creditors* and *Superannuation* which increased this year by $248m (27.8%) and $125m (10.1%) respectively. Over the period from 1996-97 to 1999-2000 these liabilities increased by $273m (31.5%) and $434m (46.5%) respectively. The major liabilities are discussed below.

Borrowings, Finance Leases and Creditors

Borrowings, Finance Leases and Creditors increased by $248m (27.8%) from $892m in prior year to $1,140m this year. The increase was mainly

[10] Readers should note that most of the increase in the investment assets of the Superannuation and Insurance Provision Unit was effectively funded by additional borrowings of $265m by ACTEW. ACTEW used borrowed funds (obtained from the Central Financing Unit, which had borrowed these funds externally on behalf of ACTEW) to fund a return of capital of $300m to the Territory. These funds were then provided to, and invested by, the Superannuation and Insurance Provision Unit.

due to borrowings made to fund ACTEW for a $300m capital payment to the Territory. The proceeds of the capital payment were used to increase superannuation investments.

Superannuation

The Superannuation liability increased by $125m (10.1%) from $1,243m in 1998-99 to $1,368m in 1999-2000. Since 1996-97 there has been a significant increase of $434m (46.5%) in this liability. For more information, see comments later in this Chapter under the heading 8.5: *Superannuation Assets and Liabilities*.

Employee Entitlements

In 1999-2000, Employee Entitlements (mostly the value of long service and annual leave balances owing to employees) have remained fairly steady at $227m (1998-99: $229m). There has been no significant movements in this liability which has averaged around $228m over the period from 1996-97 to 1999-2000.

8.4 TERRITORY'S UNFUNDED LIABILITIES

Financial liabilities existing at the close of the financial year arise from various past transactions and actions including requirements to repay past borrowings, to pay creditors for services provided prior to year end but not paid for at year end, and to meet employee entitlements arising as a result of work performed prior to year end but which do not need to be paid for in cash until sometime in the future (e.g. superannuation and long service leave). All the liabilities will have to be met in cash at some time in the future and therefore can be categorised as financial liabilities. Some liabilities will need to be met in cash in the immediate future while most will be payable over a much longer term.

Financial assets are generally cash or assets of a type which can be readily converted to cash. The Territory's financial assets are mostly comprised of investments and receivables. An entity's financial assets are the assets which it uses to meet its financial liabilities as they fall due.

The shortfall between financial assets and financial liabilities represents the Territory's *unfunded liabilities*. The following table compares the

Territory's *unfunded liabilities* as they stood at the end of the last four financial years.

Net Financial Liabilities
(Unfunded Liabilities)

	Actual	Variation *	Actual	Variation *	Actual	Variation *	Actual
	1999-00		1998-99		1997-98		1996-97
	$m	%	$m	%	$m	%	$m
Financial assets	1,560	56.2	999	3.1	969	11.4	870
Financial liabilities	2,773	14.9	2,414	6.2	2,274	9.7	2,072
Unfunded Financial Liabilities	**1,213**	**(14.3)**	**1,415**	**8.4**	**1,305**	**8.6**	**1,202**
Ratio between Financial Assets and Liabilities	0.56 to 1		0.41 to 1		0.43 to 1		0.42 to 1

* Represents the percentage variation from the previous year.

This table shows that unfunded financial liabilities fell for the first time in recent years. The unfunded financial liability fell by $202m from $1,415m in 1998-99 to $1,213m in 1999-2000.

The ratio between financial assets and liabilities shows that for every dollar of financial liability the Territory had $0.56 in financial assets at the end of 1999-2000. Although the ratio has improved, unfunded liabilities remain significantly higher than the financial assets available to meet them.

8.5 SUPERANNUATION ASSETS AND LIABILITIES

Superannuation Liabilities

The importance of superannuation liabilities is clear. These liabilities represent around 50% of the Territory's total liabilities and are the largest of the liabilities.

Under the superannuation arrangements with the Commonwealth Government, the Territory is responsible for meeting its share of the superannuation payments to former staff members who are members of

the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. Where staff were employed by the Commonwealth Government (prior to self-government, for example) the Commonwealth Government meets the cost arising from that employment. The ACT only pays for superannuation arising from ACT service from 1 July 1989.

The cash amounts which the ACT will have to pay in future years to meet superannuation payments to past employees have been estimated by the Government's superannuation consultants, Towers Perrin. The estimated annual payments are shown in the following table.

Emerging Cost Payment Schedule

Year Beginning July	$m
2000	18.8
2001	21.8
2002	25.1
2008	55.6
2014	98.3
2020	127.2
2026	146.7
2032	142.8
2038	109.0

The table illustrates that cash payments will begin to rise rapidly within a few years and continue this upward trend until about 2026. Beyond that year there will be a gradual fall.[11]

This escalation is the result of the combination of the short period of ACT responsibility for employees' superannuation and the ageing profile of ACT employees. The primary factor in the initial years is that the ACT liability related only to CSS/PSS members employed with the ACT Public Service (ACTPS) from 1 July 1989. The Commonwealth is liable prior to

[11] Although they would be quite small, some payments could continue into the century after next. It would be unlikely for any members of CSS or PSS to survive beyond about 2070. However, both schemes have provisions for spouses to receive pension benefits. It is possible that a much younger spouse could survive a member well past the year 2100.

that date. This means that the ACT share of the superannuation payments to long-serving retirees is at present quite low. This share will increase as service with the ACTPS becomes a larger proportion of total service.

The second factor is the ageing profile of ACT employees. In the early years of the 21st century many of these employees will be reaching retirement age when it will become necessary for the Territory to meet its obligations for their superannuation entitlements in cash. For many members, benefits will be taken as indexed pensions which will continue over the lives of the members and their surviving spouses.

The table also illustrates that after about the year 2026 the emerging cost will reduce in line with the decreasing number of surviving members of the CSS and PSS.

The superannuation liability is the net present value of the estimated future payments to members of the schemes. The liability is estimated by the Government's consultants who take into account wage and salary growth, member life expectancy, investment returns and inflation. As at 30 June 2000, the overall liabilities were estimated to be $1,368m for payments to be made to members over sixty or seventy years. Given the nature of the estimate, the amount should be regarded as an approximation. It can vary, depending on the factors used in its calculation.

Unfunded Superannuation Liabilities

The Territory has been setting aside some funds to be invested to meet the Superannuation liability as payments fall due. From 1 July 2000 these funds were quarantined to be used for superannuation purposes by the *Territory Superannuation Provision Protection Act 2000*[12]. At present the investments total $744m.

The Territory's unfunded superannuation liability is the total superannuation liability less investments set aside to meet the liability. The level of unfunded liabilities for superannuation over the past four years has been as follows.

[12] The intention of the *Territory Superannuation Provision Protection Act 2000* is to ensure that funds provided for superannuation are paid into a superannuation banking account. Once in that account the funds may only be used for superannuation purposes. Investment earnings will also be retained and may only be used for superannuation purposes. The *Territory Superannuation Provision Protection Act 2000* required that all moneys standing to the credit of the Superannuation Provision Unit at 30 June 2000 be paid into a new superannuation banking account.

Unfunded Superannuation Liabilities[13]

	Actual	Variation *	Actual	Variation *	Actual	Variation *	Actual
	1999-00		1998-99		1997-98		1996-97
	$m	%	$m	%	$m	%	$m
Investments	744	107.2	359	12.5	319	16.4	274
Less Superannuation liabilities	1,368	10.1	1,243	14.1	1,089	17.7	925
Unfunded Superannuation Liabilities	**624**	**(29.4)**	**884**	**14.8**	**770**	**18.3**	**651**
Ratio between investments held and superannuation liabilities	0.54:1		0.29:1		0.29:1		0.30:1

* Represents the percentage variation from the previous year.

The table shows that unfunded superannuation liabilities fell for the first time in 1999-2000.

The table also shows that the amount of investments set aside to meet the superannuation liabilities increased substantially by $385m (107.2%) from $359m in 1998-99 to $744m in 1999-2000. As this year's $385m increase in investments was significantly higher than the increase of $125m in the superannuation liability (from $1,243m in 1998-99 to $1,368m in 1999-2000), the unfunded portion of the liabilities fell substantially. The year's $260m fall in the unfunded superannuation liability is a turnaround from the trend of increasing unfunded liabilities over recent years.

The ratio between investments held and superannuation liabilities shows that, at the end of 1999-2000 financial year, the Territory had $0.54 in investments set aside to meet every dollar of superannuation liability. This is an improvement over recent years where only $0.29 – $0.30 in investments were set aside to meet the superannuation liability.

The significant growth in investments over the period from 1996-97 to 1998-99 mainly reflects the strong performance of economic markets over

[13] The amounts used for investments and Superannuation liabilities are sourced from Superannuation Insurance and Provision Unit's audited financial statements.

recent years. While this trend continued into 1999-2000, a significant part of this year's increase in superannuation investments was effectively funded by the borrowings related to ACTEW's capital payment. The proceeds of these borrowings were effectively invested as superannuation assets. A major part of the reduction in the unfunded superannuation liability was therefore, in effect, offset by increased Territory borrowings.

As the full extent of the unfunded liability does not have to be met for some years there is no current threat to the Territory's solvency or its credit ratings. However, the ACT Government will have to fund its superannuation commitment from future operating profits to ensure that the shortfall continues to fall and does not eventually grow to a size which will create serious financial difficulties for the Territory. Prudent planning and effective financial management is essential particularly as an increasing number of employees will seek retirement over the next ten years.

9 TERRITORY'S CASH FLOWS

9.1 INTRODUCTION

This Chapter comments on Territory cash flows in 1999-2000.

9.2 SIGNIFICANT FINDINGS

- ***The Territory received a net cash inflow from operating activities of $382m. This result was higher than the net annual average inflow of $189m received from operations in recent years;***

- ***The increase in net cash inflows from operating activities was largely due to an increase of $262m in operating receipts. In comparison operating payments only increased by $71m;***

- ***There was a net cash outflow on capital assets of $142m (mainly capital works). Financing items (mainly borrowings) increased by $202m and cash and investments increased by $442m; and***

- ***Cash expenditure on property, plant and equipment and capital works increased significantly from $175m in 1998-99 to $241m in 1999-2000.***

9.3 STATEMENT OF CASH FLOWS

The Statement of Cash Flows summarises the inflows and outflows of cash by their source or purpose. It provides information on how the Territory obtains cash and the uses to which it puts the cash received.

The Statement of Cash Flows provides an important link between the Operating Statement which shows revenue and expenses on an accrual basis and the assets and liabilities recognised in the Statement of Financial Position.

9.4 WHOLE OF TERRITORY CASH FLOWS

The following table summarises the Whole of Territory's Statement of Cash Flows between 1996-97 and 1999-2000.

Modified Statement of Cash Flows[14] – Whole of Territory

	Actual 1999-00 $m	Actual 1998-99 $m	Actual 1997-98 $m
Cash Flows from Operating Activities			
Operating receipts	2,155	1,893	1,850
Operating payments	(1,773)	(1,702)	(1,659)
Net Cash Inflow	**382**	**191**	**191**
Investing Activities			
Sale of property, plant and Equipment	65	47	38
Payments for property, plant and equipment and capital works	(241)	(175)	(194)
Repayment of home loan principal	34	35	27
Net Cash Outflow	**(142)**	**(93)**	**(129)**
Net Cash Inflow from Operating and Investing Activities	**240**	**98**	**62**
Financing Activities			
Proceeds from borrowings	1,133	471	1,162
Repayments of borrowings and finance leases	(931)	(529)	(1,137)
Net Cash Inflow/(Outflow) from Financing Activities	**202**	**(58)**	**25**
Movement in			
Investments	465	38	(14)
Cash	(23)	2	101
Increase in Cash and Investments	**442**	**40**	**87**

[14] The Statement of Cash Flows as presented in the *Australian Capital Territory Consolidated Annual Financial Statements* was modified by removing receipts (proceeds from sale/maturity of investments) and payments (purchase of investments) relating to investments from the Cash Flows from Investing Activities. The effect of these modifications is that the above table explains the overall increase in cash and investments (and not just the increase in cash).

Cash Flows from Operating Activities

Cash flows from operating activities are generally those receipts and payments which relate to the operations of ACT Government entities in providing goods and services. Operating receipts include cash received from taxes, fees and fines, any receipts generated from providing goods and services and grants received from the Commonwealth. Operating expenses include a wide range of expenses. Examples include payments to employees and contractors and administration costs of operating Government agencies.

Cash received from operating activities rose significantly by $262m from $1,893m in 1998-99 to $2,155m in 1999-2000. Operating payments increased by $71m from $1,702m in 1998-99 to $1,773m in 1999-2000.

As operating payments did not increase by as much as operating receipts the net cash inflow from the Territory's operating activities increased substantially from $191m in 1998-99 to $382m in 1999-2000. This year's increase is a significant change from the trend of recent years where net cash received from operations has remained steady at around $191m per year.

This year's significant increase in the cash received from operations is mostly due to increases in Territory revenue which is explained in *Chapter 10: Territory Revenue and Expenditure*.

Cash Flows from Investing Activities[15]

The Territory's main investing activity involves the purchase of property, plant and equipment (including capital works). In recent years cash paid for property, plant and equipment (including capital works) decreased significantly from $194m in 1997-98 to $175m in 1998-99. This year's payments for property, plant and equipment (including capital works) of

[15] The following are examples of *cash flows from investing activities*:

(a) payments for property, plant and equipment (including capital works), and proceeds from the sale of such assets;

(b) payments to acquire ownership interests of other entities, and proceeds from the sale of such interests; and

(c) other equity contributions, for example, acquisition of an ownership interest in a partnership.

$241m is a $66m (38%) increase from the last year's expenditure of $175m and represents a significant change from the downward trend of recent years.

This year's $66m increase was mainly due to:

- a $45m increase in the amounts spent on capital works for infrastructure assets by the Department of Urban Services; and

- ACT Housing spending $19m more on the purchase of properties and capital works. (These payments on capital works were funded by the sale of properties).

Financing Activities[16]

The Territory's financing activities mostly relate to borrowings and loan repayments.

Cash received from financing activities increased significantly by $260m over the previous year. This increase was comprised of a $662m increase in borrowings offset by a $402m increase in the repayment of borrowings. The net $260m increase in financing activities was mostly due to borrowings used to fund a capital payment of $300m to the Territory by ACTEW. The capital payment was invested in superannuation assets. Further details on this transaction is provided in *Chapter 8: Territory's Financial Position.*

Movement in Cash and Investments

There was a significant increase of $442m in cash and investments held by the Territory in 1999-2000. The increase was due to increases in the net cash inflow from operating activities ($382m) and net borrowings ($202m) partially offset by an increased payments for property, plant and equipment (including capital works).

[16] The following are examples of *cash flows arising from financing activities*:
(a) proceeds from issuing equity instruments and outlays to buy back such instruments;
(b) proceeds from short-term or long-term borrowings and repayments of borrowings; and
(c) payments of dividends.

9.5 CASH FLOWS FROM OPERATIONS

The following information has been extracted from the Territory's Statement of Cash Flows.

Cash Flows from Operating Activities – Whole of Territory

	Actual 1999-00 $m	Actual 1998-99 $m	Actual 1997-98 $m	Actual 1996-97 $m
Cash flows from operating activities				
Receipts	2,155	1,893	1,850	1,820
Payments	(1,773)	(1,702)	(1,659)	(1,634)
Net Inflow	**382**	**191**	**191**	**186**
Cash flows from capital activities				
Purchase of capital assets	(241)	(175)	(194)	(206)
Proceeds from capital assets	65	47	38	39
Net Outflow	**(176)**	**(128)**	**(156)**	**(167)**
Total Net Inflow	**206**	**63**	**35**	**19**

In 1999-2000 the net cash flow from operating activities increased substantially over the previous year by $191m to $382m. The inflow was substantially higher than the average net annual inflow of $189m received from operations in the previous years.

The table shows that the Territory's operations produced a cash surplus of $206m this year. This follows smaller but increasing cash surpluses ranging from $19m to $63m in recent years. This effectively means that after the Territory met the year's cash requirements for the provision of services and its capital program there was $206m cash remaining.

It should be noted that the $206m is not necessarily available to fund expansion of services to the community. Cash surpluses are required in order to meet liabilities as they fall due in the future such as repayment of past borrowings and payments for superannuation obligations to retired employees.

10 SUMMARY OF TERRITORY REVENUE AND EXPENDITURE

10.1 INTRODUCTION

This Chapter comments on Territory revenue and expenditure in 1999-2000.

10.2 SIGNIFICANT FINDINGS

Revenue

- ***Territory revenue increased by $334m (17.4%) from $1,918m in 1998-99 to $2,252m in 1999-2000. This increase was derived from Territory sources and Commonwealth Grants which increased by $248m and $86m respectively;***

- ***This year's increase of $334m in Territory revenue was much higher than the comparatively small increases of recent years. This year's $334m increase represented a 17.4% increase over the prior year's revenue compared to the small increase of $3m (0.2%) reported in 1998-99 financial year; and***

- ***The main contributors to this year's increase in Territory revenue were Territory taxes - $67m (mainly Payroll Tax - $18m and Stamp Duty - $34m), Charges for Goods and Services - $41m, Sales/Rentals of Land Stocks - $74m, Gains on Investments - $43m and Commonwealth Grant Revenue - $86m.***

Expenditure

- ***Expenditure increased by $81m (3.9%) from $2,093m in 1998-99 to $2,174m in 1999-2000; and***

- ***The $81m increase in expenditure was mainly due to increases in Administration and Other Expenses - $22m, Cost of Goods Sold - $46m, Grants and Purchased Services - $18m and***

Abnormal Expenses[17] - $45m (mainly downward asset revaluation decrements - $20m, emerging cost deficit for superannuation - $20m and the transfer of houses from ACT Housing to Community Housing Canberra Limited - $8m) offset by a $46m fall in Superannuation expenses[18].

10.3 REVENUE

Territory revenue as reported in the Territory's consolidated annual financial statements is summarised in the following table.

Summary of Territory Revenue

	Actual	Variation *	Actual	Variation *	Actual
	1999-00		1998-99		1997-98
	$m	%	$m	%	$m
Territory Sources					
Territory taxes	609	12.4	542	3.0	526
Charges for goods and Services	573	7.7	532	(6.2)	567
Sales/rentals of land stocks	125	145.1	51	(10.5)	57
Regulatory fees and fines	107	5.9	101	9.8	92
Gains on investments	53	430.0	10	(61.5)	26
Interest	50	22.0	41	8.9	45
Other	56	16.7	48	17.1	41
	1,573	18.7	1,325	(2.1)	1,354
Commonwealth Grants					
General purposes	349	13.7	307	11.6	275
Specific purposes	309	16.2	266	0	266
Other	21	5.0	20	0	20
	679	14.5	593	5.7	561
Total Territory Revenue	**2,252**	**17.4**	**1,918**	**0.2**	**1,915**

* Represents the percentage variation from the previous year.

[17] 'Abnormal expenses' – expenses which are considered abnormal by reason of the size and effect on the operating result.

[18] The $46m fall in superannuation costs was due to revision in the estimate of the superannuation liability by an actuary.

Territory revenue increased by $334m from $1,918m in 1998-99 to $2,252m in 1999-2000. This increase was derived from both Territory sources and Commonwealth Grants which increased by $248m and $86m respectively.

This year's increase of $334m (17.4%) is substantially higher than the revenue growth experienced in recent years.

Territory revenue increased by $337m from $1,915m in 1997-98 to $2,252m in 1999-2000. This represents a 17.6% increase in three years or an average annual increase of 5.9%. As indicated most of the increase occurred in 1999-2000.

This year's substantial increase in Territory revenue was mostly due to increases in:

- Territory taxes - $67m;
- Charges for goods and services - $41m;
- Sales/rentals of land stocks - $74m;
- Fines and regulatory fees - $6m;
- Gains on investments - $43m; and
- Commonwealth grant revenue - $86m.

Comments on each of these sources of revenue are provided in the following paragraphs.

Territory Taxes

The following table sets out the composition of *Territory taxes*.

Summary of Territory Taxes

	Actual	Variation *	Actual	Variation *	Actual
	1999-00		1998-99		1997-98
	$m	%	$m	%	$m
Stamp duty	148	29.8	114	(10.9)	128
Payroll tax	137	15.1	119	9.2	109
Liquor and franchise fees	99	5.3	94	6.8	88
General rates	92	2.2	90	1.1	89
Gambling taxes	52	8.3	48	9.1	44
Land tax	29	(3.3)	30	(6.2)	32
Financial institutions duty	25	38.9	18	(5.3)	19
Bank account debit tax	14	(12.5)	16	6.0	16
General insurance levy	9	(18.2)	11	new tax	0
Other taxes	3	50.0	2	50.0	1
	609	**12.4**	**542**	**3.0**	**526**

* Represents the percentage variation from the previous year.

Territory taxes increased by $67m (12.4%) in 1999-2000, with most of the growth occurring in Stamp Duty - $34m and Payroll Tax - $18m.

The Department of Treasury and Infrastructure advised that the increase in Stamp Duty was mainly due to a pre-GST increase in conveyancing and the increase in Payroll Tax was as a result of improved economic activity. Most other taxes showed comparatively small increases or falls. Liquor and Franchise Fees and Gambling Taxes continued to increase by about $6m and $4m per year respectively.

Charges for Goods and Services

The composition of *Charges for Goods and Services* is set out in the table below.

Summary of Charges for Goods and Services

	Actual	Variation *	Actual	Variation *	Actual
	1999-00		1998-99		1997-98
	$m	%	$m	%	$m
Electricity services	201	14.2	176	(10.7)	197
Water and sewerage	116	10.5	105	1.0	104
Housing rentals	48	4.3	46	(50.0)	92
Hospital and other health services	60	5.3	57	5.5	54
Totalisator sales	19	5.0	20	11.1	18
Bus services	17	0.0	17	(5.6)	18
Milk sales	15	0.0	15	(6.3)	16
Vocational, tertiary education and training	25	(7.4)	27	35.0	20
Parking fees	11	0.0	11	10.0	10
Forestry log sales	10	11.1	9	12.5	8
Fire and ambulance services	8	0.0	8	14.3	7
Other	43	4.9	41	78.3	23
	573	**7.7**	**532**	**(6.2)**	**567**

* Represents the percentage variation from the previous year.

Charges for Goods and Services increased by $41m from $532m in 1998-99 to $573m in 1999-2000 mostly due to an increase in revenue from Electricity Services - $25m and Water and Sewerage - $11m.

The increase in revenue from Electricity Services was due to new customers obtained by ACTEW Energy (mostly in NSW) and seasonal factors (cold weather). It should be noted that the increase in electricity services revenue derived from new customers is offset by increases in the costs of electricity purchased to supply those customers.

The increase in Water and Sewerage revenue was mainly due to seasonal factors (hot weather) which resulted in higher demand for water this year and the increase in sewerage revenue was mainly due to an increase in property numbers.

Sales/Rentals of Land Stocks

Revenue from *sales/rentals of land stocks* increased significantly by $74m from $51m in 1998-99 to $125m in 1999-2000. This increase was mostly due to an increase in pre-GST residential land sales.

Fines and Regulatory Fees

The following table sets out the composition of *fines and regulatory fees*.

Summary of Fines and Regulatory Fees

	Actual	Variation *	Actual	Variation *	Actual
	1999-00		1998-99		1997-98
	$m	%	$m	%	$m
Motor vehicle registrations	52	(1.9)	53	17.8	45
Betterment fees	4	0.0	4	0.0	4
Drivers' licenses	5	0.0	5	0.0	5
Traffic infringements	6	20.0	5	25.0	4
Parking fines	5	(28.6)	7	16.7	6
Other fines and regulatory fees	35	29.6	27	(3.6)	28
	107	**5.9**	**101**	**9.8**	**92**

* Represents the percentage variation from the previous year.

Overall, *fines and regulatory fees* increased by $6m (5.9%) from 1998-99 mostly due to an $8m (29.6%) increase in *other fines and regulatory fees*. The $8m increase was mainly due to the increase in regulatory fees collected by the Office of Fair Trading ($5m) as a result of an increase in regulatory activity and the introduction of speed and red light cameras in the Territory in 1999-2000.

Gains on Investments

This year's increase of $43m in *Gains on Investments* was comprised of $18m in realised gains and $25m in unrealised gains on investments.

These gains were mostly due to better financial return from investments held in overseas equities.

Commonwealth Grant Revenue

Commonwealth grant revenue increased by $118m (21%) from $561m in 1997-98 to $679m in 1999-2000. Most of this increase occurred in this year where Commonwealth grant revenue increased by $86m (14.5%).

This year's increase of $86m was represented by an increase in the General Purpose Grant ($42m) and the Specific Purpose Grant ($43m). There was:

- a $42m increase in the General Purpose Grant which arose from a recommendation by the Commonwealth Grants Commission to increase payments to the Territory after adjusting for inflation and population changes; and

- an increase in the Specific Purpose Grant of $43m mainly due to the additional funding provided this year for the Revenue Assistance Grant ($13m), National Highway Grant ($13m), Commonwealth State Housing Agreement (CSHA) Block Assistance Grant for Housing ($5m), Non-Government School Grant ($4m) and the Hospital Grant ($3m).

10.4 EXPENDITURE

The composition of Territory expenditure is set out in the following table.

Summary of Territory Expenditure

	Actual	Variation *	Actual	Variation *	Actual
	1999-00		1998-99		1997-98
	$m	%	$m	%	$m
Wages, salaries and other employees costs	745	(0.3)	747	(1.2)	756
Superannuation	143	(24.3)	189	2.7	184
	888	(5.1)	936	(0.4)	940
Administration and other expenses	488	4.7	466	(4.9)	490
Cost of goods sold	230	25.0	184	11.5	165
Depreciation	198	(2.5)	203	(4.2)	212
Grants and purchased services	221	8.9	203	4.6	194
Interest and finance costs	60	5.3	57	(8.1)	62
	2,085	1.8	2,049	(0.7)	2,063

Abnormal expenses	89	102.3	44	91.3	23
Total Territory expenses	**2,174**	**3.9**	**2,093**	**0.3**	**2,086**

* Represents the percentage variation from the previous year.

Total expenditure increased in 1999-2000 by $81m (3.9%) from $2,093m in 1998-99 to $2,174m. This increase represents a continuation of the small upward trend in Territory expenditure in recent years. This year's increase was mainly due to increases in administration and other expenses $22m, cost of goods sold $46m, grants and purchased services $18m and abnormal expenses $45m offset by a $46m fall in the superannuation expense.

Administration and other expenses increased by $22m (4.7%) from $466m in 1998-99 to $488m in 1999-2000. Administrative and other expenses encompasses a broad range of expenses including contractor costs, office administration, loss on disposal of fixed assets and school managed costs.

Cost of goods sold includes costs associated with the development of land through the Government's participation in land development joint ventures, inventory sales by the Department of Health and Community Care, ACT Milk Authority and Totalcare and electricity purchases by ACTEW.

Cost of goods sold increased by $46m (25%) from $184m in 1998-99 to $230m in 1999-2000. This increase was mainly due to higher electricity purchase costs incurred by ACTEW associated with higher electricity sales - $24m, additional costs incurred by Totalcare - $13m (in the areas of Facilities management services - $10m and Fleet management services - $3m) and an increase in the cost of land sales - $10m associated with higher land sales.

Grants and purchased services have increased in each of the past two years, with an increase of $18m (8.9%) from $203m in 1998-99 to $221m in 1999-2000. Most grant and purchased services expenditure is attributable to the Department of Health and Community Care (mainly for Calvary Hospital and other providers), the Department of Education and Community Services (mainly for non-government schooling) and to non-government organisations for the provision of community services.

Superannuation costs fell by $46m (24.3%) from $189m in 1998-99 to $143m in 1999-2000. Superannuation costs are brought to account based

on actuarial estimations. The decrease is due to the actuary providing a revised estimation of the superannuation liability in 1999-2000.

10.5 ABNORMAL EXPENSES

The composition of *abnormal expenses*[19] is set out in the following table.

Summary of Abnormal Expenses

	Actual 1999-00 $m	Actual 1998-99 $m	Actual 1997-98 $m
Downward asset revaluations			
Bruce Stadium	23	14	1
Other	32	21	14
	55	35	15
Transfer of houses to Community Housing Canberra Limited	17	9	0
Recognition of emerging cost deficit for superannuation	20	0	0
Other	(3)	0	8
Total Abnormal Expenses	**89**	**44**	**23**

The 1999-2000 *abnormal expenses* are mainly comprised of the following.

Downward asset revaluations ($55m) – this is comprised of a $23m write - off of Bruce Stadium assets and $32m on other downward asset revaluations.

The $23m write down of *Bruce Stadium* relates to the write down of the Stadium's property plant and equipment, including the redevelopment, by the Stadium's management based on their assessment that the cost of the Stadium is expected to exceed the cash which will be earned from the Stadium's operations.

The $32m write down due to *other revaluations* mostly relates to a write down of $16m in CIT's building asset values following a revaluation in

[19] 'Abnormal expenses' – expenses which are considered abnormal by reason of the size and effect on the operating result.

December 1999 and a write down of $16m in the property portfolio (mostly land and buildings) held by the Office of Asset Management.

Transfer of Houses to Community Housing Canberra Limited - $17m – this represents the expensing of properties transferred from ACT Housing to Community Housing Canberra Limited[20]. During 1999-2000 ACT Housing transferred 117 properties (83 last year) to Community Housing Canberra Limited.

Emerging cost deficit for superannuation - $20m – the ACT Government is liable for the reimbursement of the emerging costs of the benefits paid each year to the members of the CSS/PSS for ACT Government service after 1 July 1999. Payments to the Commonwealth to reimburse the costs of superannuation benefits paid to ACT retirees for each three year period is based on estimates agreed with the Commonwealth.

The estimates for the period 1995-96 to 1998-99 were reviewed by an actuary in 1999-2000 and a deficit of $20m was noted in the amount previously agreed with the Commonwealth. Consequently the estimate of amount payable to the Commonwealth was revised upwards by $20m.

[20] Community Housing Canberra Limited was established in January 1998 and is a not for profit company, limited by guarantee. It has seven members on the board, three members appointed by Minister of Urban Services and four members by community housing providers. The Company was set up to provide low cost housing to people in need of assistance in Canberra. The Company is not owned or controlled by the Government.

11 TERRITORY'S CAPITAL WORKS PROGRAM EXPENDITURE

11.1 INTRODUCTION

This Chapter comments on Territory's expenditure on capital works. The purpose of this Chapter is to indicate whether the budgeted expenditure on capital works as stated in the Budget Papers was actually spent in the year it was budgeted. This Chapter does not comment on how well the projects were managed in terms of expenditure.

11.2 SIGNIFICANT FINDINGS

- ***This year's under expenditure was $21.5m (23%) compared to an under expenditure of $35m (30%) in 1998-99;***

- ***Budgets were underspent mainly due to delays in the commencement of projects; and***

- ***The capital works program budget presented in the Budget Papers cannot be reconciled to agencies' budgeted financial statements or to the budgeted consolidated financial statements also presented in the Budget Papers.***

11.3 CAPITAL WORKS BUDGET

Under the Territory's current operations, the capital works budget involves approximately $120m to $140m[21] in funding. This budget provides funding for most of the Territory's capital works including school, construction, road, bridge and other infrastructure, and minor new works. The capital works program also includes major upgrades to Territory owned buildings and other facilities.

[21] This is based on an average calculated using last year's and this year's capital works budget. This year's capital works funding was $95.2m (last year $83.8m) plus funding for ACT Housing's capital works funded by the sale of rental properties of $46.6m (last year $34.6m) giving a total of $141.8m (last year $118.4m).

The table below summarises the extent to which agencies achieved their capital works budgets. Details for each agency are included in the relevant chapter relating to that agency in this Report.

Project	Expenditure met from Capital Works Budget $000	Capital Works Budget	Over /(Under) Spend
		$000	$000
Department of Urban Services	29,859	31,589	(1,730)
Department of Education and Community Services	11,750	15,764	(4,014)
InTACT	10,000	10,000	0
Calvary Hospital	6,121	7,745	(1,624)
The Canberra Hospital	5,563	9,781	(4,218)
Gungahlin Development Authority	3,422	3,463	(41)
Canberra Institute of Technology[22]	2,553	5,545	(2,992)
Department of Health and Community Care	2,175	3,225	(1,050)
Office of Asset Management	404	533	(129)
Chief Minister's Department	371	2,594	(2,223)
Cultural Facilities Corporation	290	354	(64)
ACT Community Care	442	1,076	(634)
Department of Treasury and Infrastructure	0	900	(900)
Department of Justice and Community Safety	429	2,300	(1,871)
Exhibition Park in Canberra	355	355	0
ACT Housing[23]	0	0	0
	73,734	**95,224**	**(21,490)**

Almost all agencies underspent their capital works program budgets. The amount underspent was $21.5m (23%). This represents a continuation of he trend of the previous year where $35.1m (30.0%) of the $118.4m capital works budget (excluding Bruce Stadium) was not spent.

The Department of Treasury and Infrastructure (DTI) has advised that unspent funds at the end of 1999-2000 have been withheld or returned to

[22] The Capital Works figures reported for the Canberra Institute of Technology are for the calendar year.
[23] ACT Housing's capital works program was predominantly funded from the sale of rental properties older than 40 years. An internal Budget of $41.6m was set. Total cash expenditure was $4.9m greater than the budget.

budget. Agencies have been provided financing through appropriation in 2000-01 to complete the projects which remain in progress at the end of 1999-2000. In addition, DTI has advised that agencies will not be permitted to draw down appropriated funds where it becomes apparent, after the appropriation has been made, that the money is not required in that financial year. These changes should increase control over the capital works budget.

11.4 REASONS FOR UNDER EXPENDITURE

The preceding table shows a significant under expenditure of this year's capital works budget.

The under expenditure of this year's capital works budget is mainly due to under spending by the following agencies The Canberra Hospital - $4.2m, Department of Education and Community Services - $4.0m, Canberra Institute of Technology - $3.0m and Chief Minister's Department - $2.2m.

The reasons for under spending by these agencies are outlined below. A more detailed explanation for under spending by projects is outlined in the capital works section of the Chapter for the relevant agency.

The Canberra Hospital

The Canberra Hospital spent $5.6m of its $9.8m estimated budgeted capital works expenditure for 1999-00. The main reason for the $4.2m under expenditure of this year's capital works budget was due to delays in the commencement of projects. The major projects delayed were the Building 7 Refurbishment - $1.2m, Energy Management Project - $900,000, Pathology Building Refurbishment - $700,000 and Secure Care Project - $500,000.

Department of Education and Community Services

The Department of Education and Community Services spent $11.7m of the $15.7m budgeted capital works resulting in an under spending of the capital works budget of $4.0m.

The under spending was mainly due to delays in projects relating to Manuka Oval and the Football Park Upgrade and the Belconnen Pool.

Canberra Institute of Technology

The under spending of $3.0m on this year's capital works budget was mainly due to delays in the commencement of the refurbishment of the Reid Campus to relocate the School of Applied Arts and Design from Watson Campus.

Chief Minister's Department

The under spending of $2.2m on the capital works budget is due to delays in the commencement of the Aboriginal and Torres Strait Islander (ATSI) Cultural Centre project.

11.5 REPORTING CAPITAL WORKS EXPENDITURE

While there may be good reasons for some areas of under expenditure against budget in the capital works program, the current level of under expenditure raises issues about the processes for budgeting, monitoring and controlling capital works expenditure in agencies.

To arrive at the simple presentation provided previously in this Chapter a considerable amount of information gathering and analysis was required. This is because agencies fund capital expenditure from sources other than the capital works program.

Some information on actual capital expenditure on projects is already included in the Budget papers. However this information is often out of date as the Budget papers are prepared several months before year-end. Further, the budget for the capital works program for the agencies does not reconcile to the Territory's or agencies budget or annual financial statements.

It is considered that there would be benefit to the Assembly if agencies' annual financial statements included reporting on the budgeted and actual expenditure on capital works.

The Territory's and agencies' budgeted actual and financial statements show opening and closing amount for capital assets. The net increase or decrease in capital assets can therefore be readily identified.

As would be easily understood delivering of the capital works program is an important part of Government's activity. It is therefore important that annual reporting clearly identifies whether or not the programmed expenditure had been made. At present the current legislated reporting requirements, either in the budget papers, or in the end of year financial statements, does not require this to occur.

The situation is that, under the current arrangements, reporting to facilitate public accountability for the amounts expended from the capital works program is inadequate.

Recommendation

To address the issue it is suggested that a statement which sets out the components of the movements in the Territory's capital assets, as shown in budgeted financial statements, should also be included in the budget papers. A similar statement should be included in the budget papers for each agency. To facilitate accountability, corresponding statements should be included in the Territory's and agencies' end of year financial statements.

The statement in the Budget Papers could be along the lines set out in the following table.

Statement of Annual Movement in Capital Assets

	Notes	$000	$000
Balance of capital assets at beginning of year	1		xxx

Add New capital assets to be purchased, constructed etc.			
- financed from current year's capital works program	2	xxx	
- financed from previous years' capital works program	2	xxx	
- financed from other sources	3	xxx	
			xxx
Less Capital assets disposed of	4		xxx
			xxx
Less/plus Asset revaluations	5		xxx
			xxx
Less Depreciation			xxx
Balance of capital assets at end of year	6		xxx

The content of the notes would be:

Note 1: The Statement of Financial Position balances at the end of the previous year which make up total capital assets e.g. 'property, plant and equipment' and 'capital works in progress'.
Note 2: The individual capital works projects which are to be financed from each year's capital works program.
Note 3: The capital assets which are to be acquired using finance from sources other than capital works programs.
Note 4: The capital assets which is planned to be disposed of during the year.
Note 5: The revaluations which are planned to occur during the year.
Note 6: The Statement of Financial Position balances at the end of the year which make up total capital assets.

General Comment: The level of detail to be included in the notes will need to be a materiality judgement.

FINANCIAL AUDITS WITH YEARS ENDING TO 30 JUNE 2000

SECTION 4

AGENCY FINANCIAL STATEMENT AUDIT RESULTS TO WHICH ATTENTION IS SPECIFICALLY DRAWN

FINANCIAL AUDITS WITH YEARS ENDING TO 30 JUNE 2000

12 ACTION (ACT INTERNAL OMNIBUS NETWORK)

12.1 INTRODUCTION

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

12.2 SIGNIFICANT FINDINGS

- ***ACTION did not manage its operations to budget (in accordance with 1999-2000 budget papers) in that its operations resulted in a loss of $4.3m compared to a loss of $12.4m in the previous year and a budgeted loss of $3.4m;***

- ***ACTION received an Injection for Operating Requirements of $5.2m in 1999-2000 compared to $2.3m in 1998-99 and budget of $1.9m. Additional funding of $3.3m was appropriated during the year;***

- ***Revenue increased in 1999-2000 by $3.5m to $60.4m due to an increase in the Pricing Community Service Obligation (CSO);***

- ***ACTION's current ratio has improved during 1999-2000 but is still weak. Current liabilities have increased by $800,000 to $9.9m while current assets increased by $2.1m to $4.6m; and***

- ***ACTION received a capital contribution of $2.8m in 1999-2000. This amount was used for the repayment of borrowings and finance leases as well as redundancy payments.***

12.3 AUDIT OF 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Urban Services on 26 September 2000.

12.4 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 were not operating satisfactorily. These instances were notified to management with appropriate recommendations.

12.5 FINANCIAL ANALYSIS

The following table summarises ACTION's operating statement.

ACTION Summary Operating Statement

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000
Revenue			
Government Sources			
Pricing Community Service Obligation	*	17,839	14,189
General Route Off Peak Services CSO	*	9,262	9,455
School Transport Services	*	9,592	9,780
Concessional Travel Payments	*	4,301	4,159
Injection for Operating Requirements	1,943	5,241	2,326
Special Needs Transport	*	1,637	1,712
	40,990	47,872	41,621
Other Sources			
Non ACT Government			
Fares	*	16,617	16,266
Other	*	1,085	1,212
	19,416	17,702	17,478
Profit on Sale of Non Current Assets	0	93	141
Resources Received Free of Charge	7	0	0
Interest	0	0	25
	19,423	17,795	17,644
Total revenue	**60,413**	**65,667**	**59,265**
Expenditure			
Employee Costs	39,521	44,635	46,280
Administrative Expenses	12,893	17,228	15,027
Depreciation and Amortisation	5,720	5,181	6,418

Interest	2,114	2,154	2,428
Other	3,607	1,634	1,519
Total expenses	**63,855**	**70,832**	**71,672**
Operating Loss before Abnormal Items	**(3,442)**	**(5,165)**	**(12,407)**
Abnormal Items	0	825	0
Operating Loss	**(3,442)**	**(4,340)**	**(12,407)**

Note: * The breakdown of some totals in the budget column is unavailable due to the budget containing no line by line figures.

The results as presented in ACTION's audited financial statements have been reformatted in the table to more clearly highlight ACTION's performance against its budget.

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

Revenue Items

Total revenue for 1999-2000 was $6.4m above the previous year's actual revenue and $5.3m above budget. The increased revenue was the result of increased funds provided through Government appropriations.

Funds from Government appropriations increased by $6.3m from $41.6m in 1998-99 to $47.9m in 1999-2000. The increase partly occurred in *Pricing Community Service Obligation (CSO)*, which went up by $3.6m over last year's figure. The pricing CSO relates to the amount which the Government determines that it will provide to ACTION to compensate ACTION for reduced fare income arising from ACTION's role in meeting community requirements fare revenue (the difference between a commercial fare and that paid by an adult passenger on an ACTION service). In the ACT fares are regulated by the Independent Competition and Regulatory Commission.

ACTION received an *Injection for Operating Requirements* appropriation of $5.2m during the year compared to $2.3m last year - an additional $2.9m or 125% more than last year and $3.3m or 169% over the original budgeted injection. ACTION needed additional funds to meet a shortfall in working capital due to actual employee and administrative expenses being higher than estimated in the budget process.

An additional $7.7m of appropriation was made to the Department of Urban Services and on-passed to ACTION in accordance with

Appropriation Act 1999-2000 (No. 3). These amounts were used to address pressure faced by ACTION in both its costs and revenues. These pressures included delays in achieving projected savings from last year's enterprise bargaining agreement and revisions in services; lower than expected fare revenue as a result of the trend towards the purchase of discounted and periodical tickets; a significant price increase in fuel; the cost of legal settlements arising from accidents prior to 1998; increases in workers compensation insurance costs; and employee expenses.

Although revenue from *Fares* increased by 2.2% during 1999-2000 actual total revenue from Non-ACT Government sources increased only slightly by $200,000 compared to last year. The total was below budget by $1.7m (16.8%).

The budgeted passenger boardings for 1999-2000 were 16.3m. The actual passenger boardings for the year were 16.0m representing a shortfall of 0.3m or 1.9%.

Expenditure Items

Total expenditure for the year fell by $800,000 from last year, but was above budget by $7.0m.

Employee Costs were $1.6m lower than the 1998-99 actual figure. The decrease from the previous year's actual expenditure resulted from fewer redundancies paid during 1999-2000. Current year employee costs were $5.1m above budget.

Administrative Expenses increased during 1999-2000 by $2.2m over the previous year. The increase was mainly due to a rise in bus maintenance costs and fuel prices. These costs are inappropriately described as administrative expenses in the budget papers and in ACTION's financial statements. Administrative Expenses also exceeded budget by 33% due to the operating costs associated with bus maintenance and running expenses and the implementation of the new bus network being higher than anticipated in the budget.

Depreciation and Amortisation decreased by 19% from the previous year due to an extension of the estimated useful life of buses from 17 to 20 years and a lesser asset base as more buses were sold during the year, with no additional acquisitions.

Interest fell by 11% or $300,000 mainly as a result of the decrease in outstanding borrowings over the year.

Abnormal Items

The *Abnormal Items* represents payment from the Commonwealth Department of Education, Training and Youth Affairs ($1.0m) for ACTION to conduct a National Driving Accreditation Program for its drivers offset by losses on disposal of assets ($200,000).

Operating Result

ACTION's 1999-2000 Operating Loss before *Abnormal Items* was $4.3m compared to last year's loss of $12.4m and the budget estimate of a loss of $3.4m.

Conclusion

On the basis of the reasons identified for the major variations from its budget, the audit has concluded that ACTION did not manage its operations satisfactorily to its budget in 1999-2000. The main reasons the budget was not achieved were that the budgeted reductions in employee numbers were not achieved and that higher operating costs related to bus maintenance and running expenses were incurred resulting in employee and administrative costs exceeding budget. The target in fares revenue was not achieved as budgeted, and this also contributed to a below budget outcome.

While the audit has concluded ACTION did not fully manage its operations to its budget, the audit makes no comment on the appropriateness of the budget set, or on whether ACTION could reasonably have been expected to achieve its budget.

12.6 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.

ACTION
Current Assets and Liabilities

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Current Assets			
Cash	2,012	218	1,916
Receivables	844	632	671
Other	1,755	1,613	1,823
	4,611	**2,463**	**4,410**
Current Liabilities			
Creditors	789	1,197	521
Borrowings	2,501	2,501	2,713
Employee Entitlements	5,453	4,732	4,739
Lease Liability	328	285	250
Other Provisions	902	414	1,474
	9,973	**9,129**	**9,697**
Current Ratio	0.46 to 1	0.27 to 1	0.45 to 1

ACTION's low current ratio (0.46 to 1) has improved from the previous year, but is still low. The low current ratio indicates that ACTION could have difficulty meeting its commitments from its available funds as they fall due in the short term. Careful cash management will therefore be required.

13 AUSTRALIAN INTERNATIONAL HOTEL SCHOOL

13.1 INTRODUCTION

The Australian International Hotel School (AIHS) provides a degree program in Hotel Management in affiliation with Cornell University. The prime function of the AIHS is to provide education and training to develop knowledge and skills in relation to hotel management and related fields.

13.2 SIGNIFICANT FINDINGS

- ***The AIHS incurred a loss of $2.3m in 1999-2000. Accumulated losses at 30 June 2000 were $19.0m;***

- ***The School incurred an unrealised foreign exchange loss of $90,708 on the Cornell establishment fee during the year;***

- ***The AIHS is not likely to be profitable in the short or medium term. There is little expectancy of longer term profitability; and***

- ***Borrowings from the Central Financing Unit were $6.3m at 30 June 2000.***

13.3 AUDIT OF THE 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Treasurer on 7 September 2000.

13.4 FINDINGS FROM THE AUDIT

The audit identified minor internal control weaknesses that were advised to management with appropriate recommendations.

13.5 FINANCIAL ANALYSIS

The following table summarises the School's Operating Statement.

Australian International Hotel School
Summary Operating Statement

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Revenue			
Student Fees; Hotel Trading Receipts	5,235	4,700	4,043
Grants and Donations	19	33	52
Other Revenue	99	187	81
Total revenue	**5,353**	**4,920**	**4,176**
Expenses			
Salaries and Related Costs	3,643	3,563	3,375
Communications, Marketing and Travel; Services Facilities Expenses; Affiliation Expenses	2,621	2,338	2,196
Interest Expense	536	323	121
Depreciation	149	138	134
Other Expenses	602	609	800
Unrealised Foreign Exchange Loss	91	0	281
Total expenses	**7,642**	**6,971**	**6,907**
Operating Loss	**(2,289)**	**(2,051)**	**(2,731)**

The School incurred a loss of $2.3m in 1999-2000. The loss, which was more than the budgeted loss of $1.7m, was due to both higher expenses incurred and less revenue generated than planned for the year. The loss increased from the previous year's loss of $2.1m.

Revenue has increased in 1999-2000 over the previous year mainly because of increases in the number of students from 151 to 205.

Revenue was above the budget mainly because the increased student numbers boosted student residence, food and beverage and accommodation revenue.

Expenses also increased in 1999-2000 because of a large increase in interest expense as the School drew down more loan moneys from the Central Financing Unit. Most other expenditure was comparable to the previous year.

Management has forecast an operating loss of $1.3m in 2000-2001. On current budget estimates, there can be little expectancy of profitability either in the short term or long term.

13.6 SHORT TERM FINANCIAL POSITION

Australian International Hotel School
Current Assets and Liabilities

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Current Assets			
Cash at Bank and On Hand	592	636	198
Debtors	224	217	364
Other	95	120	35
Establishment/Affiliation Fees	351	351	351
Consumables	59	61	46
	1,321	**1,385**	**994**
Current Liabilities			
Bank Overdraft	0	0	118
Creditors and Accruals	673	677	434
Fees in Advance	987	717	423
Provisions	197	189	173
Other (Cornell Fees)	167	153	210
	2,024	**1,736**	**1,358**
Current Ratio	0.65 to 1	0.80 to 1	0.73 to 1

The School's current ratio (0.65 to 1) has declined from last year. The School would be unable to meet its liabilities as they fall due if regular Government financial support was not being provided. In this regard liabilities have increased in 1999-2000 mainly due to the additional loan funding of $1m provided by the ACT Government to ensure that AIHS remains financially viable in the short term.

13.7 GOING CONCERN

A key issue in 1999-2000, 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 can only continue to survive with ACT Government support. The Government has agreed to provide funding for a comprehensive review of the operations of the AIHS. Once the results of this review are known the Government has indicated it will decide on future funding of the AIHS.

14 BRUCE OPERATIONS PTY LIMITED

14.1 INTRODUCTION

The main financial effects of the redeveloped stadium's operating activities are reflected in the financial statements of Bruce Operations Pty Limited (the Company). The Company's revenue mainly relates to events held at the Stadium. A significant amount of this revenue is derived from football games played at the Stadium by the Canberra Raiders, the Brumbies and the Canberra Cosmos. A detailed analysis has been provided in this Report under the heading 'Bruce Stadium Special Purpose Financial Statements'.

14.2 AUDIT OF THE 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was issued to the Company on 4 October 2000.

14.3 MATTERS ARISING FROM THE AUDIT

As a result of the audit a number of instances were identified where the financial operations or internal controls of the Company could be improved. These instances have been reported to the Board along with appropriate recommendations.

15 BRUCE PROPERTY TRUST

15.1 INTRODUCTION

A detailed analysis of the Bruce Stadium's operations (incorporating the Bruce Property Trust) has been provided in this Report under the heading on the 'Bruce Stadium Special Purpose Financial Statements'.

15.2 AUDIT OF THE 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was issued to the Trustee's on 4 October 2000.

16 BRUCE STADIUM SPECIAL PURPOSE FINANCIAL STATEMENTS

16.1 INTRODUCTION

"Special Purpose" financial statements were prepared at the request of the Auditor-General because, under the financial arrangements in place for the development and operations of the Stadium, the main financial effects of its activities were reported separately in the financial statements of Bruce Operations Pty Limited and The Bruce Property Trust. The purpose of preparing the special purpose financial statements was to combine the main financial effects of Stadium activities and the redevelopment into one

"notional" entity to provide the Legislative Assembly with overall financial information on the Stadium activities.

A performance audit has been completed on Bruce Stadium and the financial results of the Stadium including the likely financial prospects has been canvassed in that report. The significant findings noted below in relation to this year's results are consistent with the findings of the performance audit.

16.2 AUDIT OF THE 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was issued to the members of the Legislative Assembly on 4 October 2000.

16.3 SIGNIFICANT FINDINGS

- ***Bruce Stadium's operations incurred an operating loss of $29.3m compared to the previous year's operating loss of $18.9m. Total accumulated losses from Stadium activities are $48.2m;***

- ***One reason for the operating losses is the write off of all property, plant and equipment (including the costs of the redevelopment) used in the Stadium's operations;***

- ***The write off is an acceptance by Stadium's management that more has been paid for the redevelopment than is expected to be recovered from its use;***

- ***The audit considers that on the basis of the available financial information and a reasonable assessment of the likely future outcomes, the Stadium will continue to incur significant operating losses for the foreseeable future;***

- ***The Bruce Stadium operations have received $39.8m in contributions from the Government over the past 2 years;***

- ***Further contributions will be required by the Government in future years; and***

- ***The Stadium as an entity is technically insolvent and completely reliant on the Government's contributions to enable it to meet its financial obligations as they fall due.***

16.4 FINANCIAL ANALYSIS

The following table summarises the Stadium's Operating Statement. The following table presents the results of the Stadium activities to show the amount of revenue available after the Stadium meets its revenue sharing and revenue assurance obligation to the Stadium's hirers.

Bruce Stadium Special Purpose
Summary Operating Statement

	Actual 1999-00 $000	**Actual 1998-99 $000**
Revenue		
Sales revenue	4,574	2,145
Other revenue	271	194
	4,845	2,339
Less **Contract Commitments to Major Hirers**		
Hirers' share of ticket sales	2,055	888
Revenue assurance payments to hirers	2,191	1,329
	4,246	2,217
Available revenue after commitments to the major hirers were met	**599**	**122**

Operating Expenses		
Depreciation	2,090	2,266
Other operating expenses*	5,221	2,345
	7,311	**4,611**
Operating Loss before abnormal items	**(6,712)**	**(4,489)**
Abnormal items		
Write down of property, plant equipment on the basis of the Board's assessment of the "recoverable amount"	(22,985)	(14,409)
Cash received from the National Rugby League relating to a debt previously written off	400	0
	(22,585)	**(14,409)**
Operating Loss	**(29,297)**	**(18,898)**

Note: * Other Operating Expenses includes: repairs and maintenance, interest expense, hire of video replay board, contractors, ground hire, electricity, water and sewerage and other minor expenses.

The above table shows that the Stadium incurred a substantial operating loss of $29.3m (last year $18.9m).

A large part of the operating losses was due to the write down by the Stadium's management of the Stadium's property, plant and equipment (including the redevelopment). The write down was based on management's assessment that the cost of the Stadium will exceed the cash which can be earned from the Stadium's operations.

Excluding the write down of property plant and equipment the above table also shows that the Stadium's operations incurred losses of $6.7m (last year $4.5m). Significantly, the table shows that most of the sales revenue (ticket sales, hiring of Stadium, and the sale of corporate suites, boxes and other products) from the Stadium's operations is paid out to the hirers under revenue sharing and revenue assurance contracts in place with the hirers. After meeting these hirers' obligations, there are few funds available to meet the other operating expenses of the Stadium. It is also significant that other operating expenses of $5.2m (last year $2.3m), which exclude hirers' obligations of $4.2m (last year $2.2m) and depreciation of $2m (last year $2.3m) exceed the total revenue of the entity by $400,000 (last year $6,000) which indicates that the Stadium would have returned losses even if all ticket sales revenue was retained and no revenue assurance payments were payable to the hirers.

The $5.2m in operating expenses (last year $2.3m) of the Stadium includes repairs and maintenance, security, insurance, employee wages, contractors

etc. These are mostly unavoidable costs. As the revenue from Stadium activities is mostly paid to the hirers, there appears to be little scope for improving the financial results of the Stadium's operations in the foreseeable future.

If the past trend continues into the future the Stadium's operations are reasonably expected to incur future operating losses of around $2m-$5m per annum while existing arrangements with hirers continue to apply. (This estimate excludes depreciation charges which will not occur in future because the property, plant and equipment has been written off.)

16.5 SHORT TERM FINANCIAL ANALYSIS

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.

Bruce Stadium Special Purpose
Current Assets and Liabilities

	Actual 1999-00 $000	**Actual 1998-99 $000**
Current Assets		
Cash	919	7,035
Debtors	674	924
	1,593	**7,959**
Current Liabilities		
Bank overdraft	0	3
Creditors	2,540	3,193
Borrowings	0	28,489
Employee entitlements	31	0
Finance lease	438	0
Other – revenue received in advance	219	40
	3,228	**31,725**

Current Ratio	0.5 to 1	0.2 to 1

The Stadium's current ratio (0.5 to 1) has improved, however this is mostly due to the substantial amounts of financial support provided by the Government during the year. This financial support was used to repay borrowings and the ongoing obligations of the Stadium resulting in an improvement in the current ratio. The Stadium as an entity cannot meet its liabilities when they fall due without regular Government financial support being provided.

17 CANBERRA BUSINESS DEVELOPMENT FUND

17.1 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 to:

- Provide funding to existing businesses to develop and implement innovative ideas and proposals;
- Focus on helping existing businesses to expand or diversify;
- Provide finance to appropriate businesses in the form of either an investment or a commercial loan; and
- Earn a commercial rate of return on investment funds provided to support specific business proposals.

Each unitholder holds 50% of the units in the trust. The ACT's investment in the Fund is $2m.

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.

17.2 SIGNIFICANT FINDINGS

- ***The Fund reported an operating profit of $72,000 for the six months ended 31 December 1999 compared to an operating loss of $110,000 for the six months ended 31 December 1998;***

- ***The Fund purchased an equity interest in a local firm for $300,000 in August 1998. This investment had been written down by $131,000 to $169,000 by 31 December 1999; and***

- ***The manager of the Fund had not finalised the financial statements of the Fund for the period ended 30 June 2000 at the time of the preparation of this report in contravention of the Deed of Trust which established the Fund.***

17.3 AUDIT OF THE FINANCIAL STATEMENTS

An ***unqualified*** audit opinion on the financial statements for the six months ended 31 December 1999 was provided to the Canberra Business Development Fund on 24 July 2000. These financial statements were not received until 13 July 2000 in contravention of the Deed of Trust.

17.4 FINANCIAL ANALYSIS

The Fund recorded an operating profit of $72,000 for the six months ended 31 December 1999. For this period, revenue increased 4.2%, from $95,000 to $99,000. The majority of the revenue was interest received ($92,000). This interest was earned on the $4m originally provided by the ACT Government and FAI Insurance Pty Ltd at the commencement of the Fund in March 1997.

Only $300,000 had been invested in local firms by August 1998. During 1999 the Fund loaned $175,000 to another local firm for development and marketing of its computer sound card product. This is a total of $475,000 invested or loaned since the inception of the fund in 1997.

Whilst it is an objective of the Fund to provide support to businesses, the Fund is also required to earn a commercial rate of return on business proposals. To date this has not occurred. The ACT Government could

have earned a greater rate of return by investing the original $4m in fixed term deposit accounts.

17.5 COMPLIANCE WITH DEED OF TRUST

At the time of preparation of this report, the manager of the Fund had not finalised the financial statements for the year ended 30 June 2000 for the Canberra Business Development Fund in breach of the Trust Deed that established the Fund.

17.6 SUBSEQUENT EVENTS

The Fund signed a formal agreement take an equity interest for the value of $250,000 in a local firm to assist with the research and development of its products.

18 CANBERRA TOURISM AND EVENTS CORPORATION

18.1 INTRODUCTION

The Canberra Tourism and Events Corporation (the Corporation) was established as a statutory authority 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 three separate events, GMC 400, Floriade and the Rally of Canberra. The financial details of these events are included in the Corporation's financial statements.

18.2 SIGNIFICANT FINDINGS

- ***The Corporation's operating profit was $2.4m in 1999-2000 compared to a loss of $581,000 in 1998-99; the profit was achieved due to the $7m in Government funding provided for the GMC 400; and***

- ***The Corporation's operating result includes a profit of $2.7m in relation to the GMC 400, a profit of $35,000 in respect of Floriade and a loss of $74,000 in respect of the Rally of Canberra.***

18.3 AUDIT OF 1999-2000 FINANCIAL STATEMENTS

An unqualified audit opinion was provided to the Chief Minister on 18 September 2000.

18.4 MATTERS ARISING FROM THE AUDIT

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

18.5 FINANCIAL ANALYSIS

The following table summarises the Corporation's Operating Statement.

Canberra Tourism and Events Corporation
Summary Operating Statement

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000
Revenue			
User Charges – Government	9,492	16,721	8,311
User Charges – Non Government	2,717	6,857	2,258

Resources Received Free of Charge	0	252	0
Interest	52	173	37
Other	0	0	4
Total revenue	**12,261**	**24,003**	**10,610**
Expenses			
Employee Expenses	2,421	2,763	2,361
Administrative Expenses	9,533	18,239	8,560
Other	284	552	270
Total expenses	**12,238**	**21,554**	**11,191**
Operating Profit (Loss)	**23**	**2,449**	**(581)**

Revenue Items

In 1999-2000, the major catalyst for the increase in the Corporation's total revenue was the introduction of the GMC 400. The GMC 400 contributed an additional $11.5m in revenue to the Corporation with $7m of this revenue being provided by way of a Government contribution.

Expenditure Items

The Corporation's expenditure increased over the previous year and budget as a result of additional expenditure of $8.8m incurred as part of the GMC 400.

Operating Result

The Corporation returned an operating profit of $2.4m in the current year compared to a loss of $581,000 in 1998-99. The surplus was a result of $2.7m profit in relation to the GMC 400 as well as the improved financial result of Floriade that turned a loss of $878,000 in 1998-1999 to a profit of $35,000 in 1999-2000.

Financial Results of the Corporation's Three Main Events

During 1997-98, the Corporation adopted an accounting policy that resulted in all revenue and expenses relating to a particular event being reported in one financial year. Under this policy all revenue and expenses relating to the event, including amounts earned or incurred prior to the start of the year, are matched to provide information about the financial result for the event.

The Corporation's operating profit of $2.4m includes an operating profit of $2.7m for the GMC 400, an operating profit of $35,000 for Floriade and an operating loss of $74,000 for the Rally of Canberra.

The GMC 400 generated revenue of $11.479m and expenses of $8.8m in 1999-2000. This resulted in the operating profit mentioned above of $2.671m. However, this profit was mainly a result of the $7m Government contribution. It is unlikely the 2000-2001 event will generate the same level of profit and may even return a loss, as Government revenue is expected to fall by at least $4.5m and expenses will increase by around $850,000 after the full year effect of depreciation of the GMC 400 assets is taken to account. As the GMC assets were acquired late in 1999-2000, depreciation for only the equivalent of a part year was brought to account in 1999-2000.

The improved result for the 1999 Floriade event (1998 Floriade lost $900,000) occurred following a large reduction in event operational expenses rather than an increase in revenue.

The loss of $74,000 for the Rally of Canberra was a deterioration of $65,000 from the previous year's loss of $9,000. Whilst revenue increased by $118,000 due mainly to admission charges, expenses increased by $183,000 due to higher event operational expenses and employee expenses. Sponsorship revenue contributed 35% of the total revenue for the 2000 Rally of Canberra.

18.6 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. The following table summarises the Corporation's current assets and liabilities.

Canberra Tourism and Events Corporation
Summary Current Assets and Liabilities

	Actual 1999-00 $000	Actual 1998-99 $000
Current Assets		

Cash	1,055	30
Receivables	1,714	77
Inventories	123	26
Investments	0	400
	2,892	**533**
Current Liabilities		
Creditors	3,889	849
Employee Entitlements	409	282
Borrowings	25	0
	4,323	**1,131**
Current Ratio	0.67 to 1	0.47 to 1

The Corporation's current ratio of 0.67 to 1 has been arrived at after eliminating items from the Corporation's published financial statements, which are not convertible to cash.

As can be seen from the table, the Corporation's current ratio is low. This indicates that the Corporation will have to carefully manage its liquidity if it is not to experience difficulty in meeting its commitments as they fall due over the next twelve months.

19 CHIEF MINISTER'S DEPARTMENT

19.1 INTRODUCTION

The Chief Minister's Department contributes to the achievement of the Government's objectives by:

- providing policy and strategic advice to the Chief Minister and Government;
- exhibiting leadership in public sector reform;
- attracting new business investment and assisting existing businesses to grow; and

- guiding, coordinating and supporting various activities across all ACT Government agencies.

The functions of the Department included Government Strategy, Financial Act 1 July 1999 and Economic Management, Government Asset Management, the Central Financing Unit, the Superannuation and Insurance Provision Unit and the InTACT Group.

On 6 August 1999, functions relating to financial, budget, revenue, economic and asset and infrastructure management, including the Central Financing Unit and Superannuation and Insurance Provision Unit, were transferred to the newly established Department of Treasury and Infrastructure.

For reporting purposes the Chief Minister's Department and the Department of Treasury and Infrastructure prepared statements as if they had been separate entities for the entire financial year. The InTACT Group and the ACT Executive also reported separately this year.

19.2 AUDIT OF 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Chief Minister on 21 September 2000.

19.3 SIGNIFICANT FINDINGS

- ***The Department breached Section 6 of the Financial Management Act 1996; and***

- ***Under expenditure of $2.2m of the capital works budget was mainly attributable to delays in the commencement of the Aboriginal and Torres Strait Islander (ATSI) Cultural Centre project.***

19.4 MATTERS ARISING FROM THE AUDIT

As a result of the audit a number of instances were identified where the financial operations or internal controls of the Department could be

improved. These instances were reported to management along with appropriate recommendations.

19.5 BREACH OF THE FINANCIAL MANAGEMENT ACT 1996

The Department's financial statements include a Statement of Appropriation which discloses that the Department breached *Section 6* of the *Financial Management Act 1996*. *Section 6* states that no payment of public money should be made without an appropriation. The Statement of Appropriation discloses that:

- *"Section 6 requires that no payment of public money shall be made otherwise than in accordance with an appropriation. Due to the complex nature of the Administrative Restructure of 6 August 1999 appropriations were inadvertently drawn into the wrong bank account in breach of the Financial Management Act 1996. This situation has since been rectified; and"*

- *"Section 16 requires that instruments to transfer appropriations between Departments be prepared and tabled within three sitting days of the direction to vary the responsibility for the function or service being given. The complex nature and the timing of the transfer in 1999-2000 did not make it possible for these requirements to be met, resulting in a delay of presenting the relevant instrument. This has resulted in an unintended breach of the Financial Management Act 1996 (FMA)."*

Management Comments

The following comments were provided by the Chief Minister's Department:

"The breaches of Section 6 and Section 16 of the Financial Management Act 1996 (FMA) took place due to the split of the Department from Department of Treasury and Infrastructure under an Administrative Arrangement Order. Administrative rearrangements of this size are always difficult and take time to determine and agree the

amounts to be transferred. The time allowed for transfers to take place under the FMA will be reconsidered as part of a review of the FMA."

Audit Comments

This is a matter which requires prompt attention.

19.6 FINANCIAL ANALYSIS

DEPARTMENTAL TRANSACTIONS

The following table summarises the Department's Operating Statement.

Chief Minister's Department
Summary Operating Statement

	Budget 1999-00 $000	Actual 1999-00 $000
Revenue		
Government sources		
Government payment for outputs	47,609	48,973
User Charges and Other	2,006	2,242
	49,615	51,215
Other sources		
User Charges and Other	2,596	2,004
	2,596	2,004

Total revenue	**52,211**	**53,219**
Expenditure		
Employee expenses		
Employee expenses	12,519	13,715
Superannuation	1,707	1,419
	14,226	15,134
Administrative expenses		
Accommodation	*	1,973
Consultants and contractors	*	2,614
Equipment	*	2,270
Grants	*	351
Payment to SOCOG	*	1,930
Olympic games activities	*	1,766
Other administrative expenses	*	6,223
	18,338	17,127
Depreciation	389	590
Capital charge	512	516
Other expenses	18,421	18,606
	19,322	19,712
Total expenses	**51,886**	**51,973**
Operating Surplus	**325**	**1,246**

Note:. *The breakdown of these expenses in the budget column are unavailable as the budget does not separately identify these amounts.

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

Revenue

Overall, revenue from departmental activities ($53.2m) marginally exceeded the budget ($52.2m) by $1m mostly due to a small increase in the amounts for *Government Payment for Outputs*.

Expenditure

At $52m, expenditure for the year was slightly higher than budget of $51.9m because of an increase in *employee expenses* ($908,000) and *other expenses* ($185,000) offset by a reduction in *administrative expenses* of $1.2m. The increase in employee expenses was mainly due to the use of

more full time employees rather than contractors. There was a consequent decrease in administrative expenses.

Other expenses of $18.6m is mostly comprised of payments to the Canberra Tourism and Events Corporation (CTEC) ($12.2m) and the Cultural Facilities Corporation ($6.1m). The increase of $185,000 is mostly represented by payments for other miscellaneous items (council and committee support, subsidies to ACT Industry, technology support centres etc) that were not included in the 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 managed its operations to its budget.

TERRITORIAL TRANSACTIONS

Territorial Expenditure

Territorial expenditure mostly includes Grants, Subsidies and Transfer payments.

Chief Minister's Department
Territorial Expenditure

	Budget 1999-00 $000	Actual 1999-00 $000
Grants, subsidies and transfer payments	4,062	6,947

Grants, subsidies and transfer payments are payments made to community organisations for community activity programs such as arts, music and dance activities. These payments exceeded budget by $2.9m because a $3m contribution towards the cost of the National Museum on Acton Peninsula which was unbudgeted in 1999-2000 was paid in 1999-

2000. The contribution was included in a budget a few years ago. The funds for this contribution were drawn down by the Department of Urban Services in the year the funds were budgeted but not expended in that year. Following a restructure of responsibilities, this year, the $3m cash which had been held by the Department of Urban Services since it was drawn down was transferred to the Chief Minister's Department and subsequently paid to the relevant Commonwealth agency.

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 Territorial operations to its budget.

19.7 CAPITAL WORKS

Expenditure on capital works was budgeted to be $2.6m for the Chief Minister's Department. The following table shows the projects which made up the budget and the actual expenditure on each of the projects.

Chief Minister's Department
Summary of Capital Works Budget and Expenditure

Project	Expenditure Financed from this Year's Capital Works Budget	Capital Works Budget	Over (Under) Spend
		$000	
	$000		$000
Aboriginal and Torres Strait Islander cultural centre	70	1,850	(1,780)
Minor New Works – Essential Arts	99	247	(148)
Public arts program 1999	97	300	(203)
Feasibility Study – Glass Facility	30	30	0
Fitout Ainslie Public School	75	167	(92)
	371	**2,594**	**(2,223)**

Explanation of Significant Variances from Budget

The under expenditure of $2.223m on the budgeted capital works was mainly attributable to delays in the commencement of the Aboriginal and Torres Strait Islander (ATSI) Cultural Centre project mentioned previously under the heading 'Territorial Transactions'.

20 EXHIBITION PARK IN CANBERRA

20.1 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 are to:

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

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

20.2 SIGNIFICANT FINDINGS

- ***EPIC has made operating losses over the past three years of $347,000 (1999-2000); $247,000 (1998-99); and $175,000 (1997-98); and***

- ***EPIC's revenue decreased by 1.9%, while its expenses increased by 3%.***

20.3 AUDIT OF THE 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Chief Minister on 26 September 2000.

20.4 FINANCIAL ANALYSIS

The following table summarises EPIC's Operating Statement.

Exhibition Park In Canberra
Summary Operating Statement

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Revenue			
Exhibitions and Shows	531	539	508
Lease Rental	335	298	262
Other Activities	108	198	381
Community Service Funding	292	292	292
Other	502	475	464
Total revenue	**1,768**	**1,802**	**1,907**
Expenditure			
Repairs and Maintenance	283	280	304
Depreciation	452	538	506
Event Costs	149	156	237
Salaries and Wages	681	573	535
Rates	98	97	121
Other	452	405	379
Total expenses	**2,115**	**2,049**	**2,082**
Operating Loss	**(347)**	**(247)**	**(175)**

Revenue

Operating revenue decreased by $34,000 or 1.9% in 1999-2000. There was an increase in revenue from exhibitions and shows, lease rental and other revenue, however, there was a significant decrease in revenue due to the facilities not being required for election activities. EPIC continued to receive the same amount of the Community Service Obligation payment of $292,000 from the Government in recognition of the cost of EPIC's non-

commercial activities. The Community Service Obligation payment recognises that EPIC has a number of long term licensing agreements made on terms and conditions favourable to the community but commercially unfavourable to EPIC.

Expenses

Total expenditure for 1999-2000 was $2.1m, which represents an increase of $66,000 or 3% against the previous year. There was a 19% increase in salaries and wages as the result of redundancy payments, maternity leave and an increase in employee provisions being incurred. Depreciation expense decreased by 17% during the year, however, other expenses rose by 5% due to increases in advertising and marketing, trust payments, consultants and sundry costs.

The increase in the operating loss in the current year was mainly due to the increase in expenses resulting from a staffing restructure and increased employee entitlement liabilities.

20.5 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.

Exhibition Park In Canberra
Current Assets and Current Liabilities

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Current Assets			
Cash	73	370	176
Receivables	110	107	61
Investments	259	0	0

Other	7	0	26
	449	**477**	**263**
Current Liabilities			
Creditors	151	134	103
Employee Entitlements	97	54	0
Other Current Liabilities	25	63	141
	273	**251**	**244**
Current Ratio	1.6 to 1	1.9 to 1	1.1 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 preferably to have up to at least 50% more current assets than current liabilities.

EPIC's current ratio has decreased from 1.9:1 to 1.6:1 in the current year. Whilst this is still acceptable it is a concern that the net cash inflow from operations fell in the current year from $275,000 to only $45,000.

20.6 CAPITAL WORKS

EPIC received a capital injection of $355,000 to cover expenditure on minor new capital works. The full amount of the budget was spent on various projects such as refurbishing the Mallee Pavilion, replacing the grandstand seating, improving internal roads, and heating and cooling the Quokka Pavilion.

21 FORESTS

21.1 INTRODUCTION

ACT Forests operates as a public trading enterprise providing commercial forest industry products. It manages 26,900 hectares of land including 16,200 hectares of commercial pine and eucalypt plantations. The plantations provide raw material for the local saw milling industry, which produces timber for use in housing construction in the ACT, Sydney and Brisbane markets. The forests, which attract over 780,000 recreational

visitors a year, also provide a variety of world class venues for international sporting events.

ACT Forests manages non-plantation areas for conservation purposes and is responsible for protecting natural and cultural heritage sites, and for the protection of plantation resources. It also provides diverse forest-based recreational and educational opportunities for the community.

21.2 SIGNIFICANT FINDINGS

- ***In 1999-2000 ACT Forests' operating loss was $32,000 which is a significant improvement on the prior year operating loss of $685,000 and compares favourably against the budgeted loss of $613,000;***

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

- ***Log sales have increased from $9.1m in 1998-99 to $9.9m in 1999-2000. As a result of additional revenue from log sales, there were extra costs and expenses associated with log harvesting, haulage and log purchases.***

21.3 AUDIT OF 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion with an *Emphasis of Matter* was provided to the Minister for Urban Services on 7 September 2000. The *Emphasis of Matter* related to the existence of an inherent uncertainty regarding the valuation of Plantation Growing Stock.

21.4 FINDINGS FROM THE AUDIT

In addition to the *Emphasis of Matter* mentioned, management was advised where internal controls over the implementation of a new financial system for 2000-01 could be improved along with appropriate recommendations.

21.5 FINANCIAL ANALYSIS

The following table summarises ACT Forests' Operating Statement for the last three years.

Forests Summary Operating Statement

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Operating Revenue				
Non Government Sources				
Log Sales	*	9,875	9,075	8,108
Other	*	348	236	306
	11,971	10,223	9,311	8,414
Government Sources				
Public Use of Forests	*	540	520	470
Other	*	120	174	211
	1,420	660	694	681
Interest	5	19	32	17
Resources Received Free of Charge	0	844	850	49
Other	4	0	120	0
Total revenue	**13,400**	**11,746**	**11,007**	**9,161**
Expenditure				
Employee Costs	2,633	2,563	2,503	2,650
Other Operating and Administrative				
Harvesting and Haulage	*	4,048	4,048	3,333
Plantation Establishment and Tending	*	728	1,590	901
Log Purchases	*	2,190	907	673
Vehicle and Plant Fleet	*	401	526	590
Insurance	*	844	850	0
Other	*	653	1,181	852
	11,068	8,864	9,102	6,349
Depreciation	172	162	194	199
Interest	140	154	140	138
Other	0	35	93	3
Total expenses	**14,013**	**11,778**	**12,032**	**9,339**
Operating Loss Before Abnormals	**(613)**	**(32)**	**(1,025)**	**(178)**
Abnormal Items	0	0	340	0
Operating Loss	**(613)**	**(32)**	**(685)**	**(178)**

***Note*: *** No detailed budget breakdown available in the Budget Papers for 1999-2000.

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

Revenue Items

ACT Forests' revenue for the year totaled $11.7m. This is $700,000 higher than the previous year but $1.7m lower than budget.

Revenue from Non Government sources in 1999-2000 was $10.2m. This represents 87% of total revenue for the year and is a $900,000 increase on the 1998-99 figure. The additional revenue is primarily due to increased log sales to major customers, which resulted in the 10% rise in *Log Sales* from $9.1m in 1998-99 to $9.9m in 1999-2000.

Although an improvement over the previous year, actual revenue from Non Government sources was below budget by $1.7m due to an optimistic estimate of sales being anticipated in the budget.

Resources Received Free of Charge of $844,000 relates to the 1999-2000 insurance levy paid by the Department of Urban Services on behalf of ACT Forests.

Expenditure Items

Total expenditure for 1999-2000 was $11.8m, which was $2.2m less than budget and $200,000 less than the 1998-99 figure. The decrease is primarily due to the fall in other *Operating and Administrative Expenses*.

Operating and Administrative Expenses of $8.9m accounted for 75% of total expenditure in 1999-2000 (76% in 1998-99). This represents a $200,000 decrease on the 1998-99 actual figure and a $2.2m decrease on the 1999-2000 budget. The reduction is attributable mainly to reduced *Plantation Establishment and Tending* costs by $900,000, and other operating and administrative expenses by $500,000.

There was an increase in *Log Purchases*. The reduced availability of mature sawlogs from ACT Forest's plantations required increased *Log Purchases* from New South Wales State Forests. Log purchases increased from $907,000 in 1998-99 to $2.3m in 1999-2000.

Employee Expenses increased by 2% compared to the previous year. The final result was (3%) less than the budget, mainly due to less than expected overtime payments as a result of a mild fire season.

21.6 OPERATING LOSS

ACT Forests has recorded operating losses every year since 1991-92. The commercial performance of ACT Forests has been reviewed by consultants during 1999-2000. The consultants concluded that the reasons for these losses have varied each year, but included substantial expenditure on plantation rehabilitation programs, the lack of markets for lower grade logs, the high costs of forest operations and management overheads as well as inadequate funding of Community Service Obligations. At this stage ACT Forests has budgeted for operating losses until at least the year 2001-02.

In 1999-2000, ACT Forests recorded an operating loss of $32,000 compared to a loss before abnormal items of $1m in the previous year. The operating loss for the year was significantly less than the budgeted loss of $613,000. This result is due to the increase in log sales revenue and a reduction in forest management operating expenses. The reduction in these expenses is more in the nature of a deferral of expenditure, rather than a sustainable expenditure reduction.

21.7 VALUATION OF THE PLANTATION GROWING STOCK

The valuation of growing stock is a complex matter. The current valuation is based on a simulation model with several assumptions.

While the valuation method adopted by ACT 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.

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. A similar *'Emphasis of Matter'* was also included in the 1997-98 and 1998-99 audit reports.

ACT Forests has been working towards the adoption of the new Australian Accounting Standard AAS 35, *Self Generating and Regenerating Assets* to address the issue of the valuation of the

plantations since 1998-99. However, due to the complexity of the new valuation model and delays in receiving new site data from a contractor, ACT Forests could not finalise the new valuation model for inclusion in the 1999-2000 financial statements. ACT Forests intends to revalue the plantations for inclusion in the 2000-01 financial statements in accordance with the requirement to apply the Australian Accounting Standard AAS 35 to the reporting periods ending on or after 30 June 2001.

21.8 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 current assets and liabilities and the current ratio for the last three years are presented in the table below. For purposes of assessing ACT Forests' financial position, *Plantation Growing Stock* has been excluded from *Current Assets.*

Forests
Current Assets and Liabilities

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Current Assets			
Cash	295	90	67
Receivables	1,506	1,106	1,017
Investments	550	400	400
Inventories	56	96	50
Prepayments	175	149	81
	2,582	**1,841**	**1,615**
Current Liabilities			
Creditors	1,085	333	200
Borrowings	30	30	30
Employee Entitlements	430	419	391
Other	33	215	189
	1,578	**997**	**810**
Current Ratio	1.6 to 1	1.8 to 1	2.0 to 1

As shown in the table, Forests has a satisfactory current ratio in 1999-2000 of 1.6 to 1. The ratio has slightly decreased from the previous year's level of 1.8 to 1. Although Forests has been regularly returning losses, it is still in a satisfactory short-term financial position.

21.9 CAPITAL WORKS

ACT Forests received capital injections of $340,000 to cover expenditure on capital works. ACT Forests undertook two capital works projects relating to road maintenance (Road Network Refurbishment and Blue Range Mountain Bike Facility) and one project relating to the forward design of a camping/recreation site based at the former Kowen Depot. The majority (96%) of funds allocated have been used during the year.

22 GOLD CREEK COUNTRY CLUB

22.1 INTRODUCTION

On 24 December 1997 the ACT Government acquired full ownership of the golf course and the outstanding shares in Gold Creek Country Club Pty Limited, the manager of the golf course. During 1999-2000 the Office of Asset Management had overall responsibility for Gold Creek Club Pty Limited and the golf course.

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

22.2 AUDIT OF THE 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was issued to the Treasurer on 21 September 2000.

22.3 SIGNIFICANT FINDINGS

- ***The club is reliant on the ACT Government to financially support its continued operations.***

22.4 OPERATING RESULT

The following table summarises the Club's operations in 1999-2000.

Gold Creek Country Club
Summary Profit and Loss Statement

	Actual 1999-00 $000	Actual 1998-99 $000
Revenue		
Gross Profit Golf Club	1,127	757
Gross Profit Bar	241	63
Gross Profit Pro Shop	32	21
Gross Profit Health Club	146	0
Other revenue	38	33
Total revenue	**1,584**	**874**
Expenses		
Administrative	261	183
Employment	315	141
Golf course	443	480
Club House	591	262
Health Club	30	0
Plant and Equipment	113	83
Other expenses	230	153
Total expenses	**1,983**	**1,302**
Operating Loss	**(399)**	**(428)**

The year has been one of increased activity with new areas of operations being opened following completion of the new clubhouse. There has been an increase in all the main revenue areas but there have been comparable increases in the costs of operations. As a result, the club made an operating loss ($400,000) which was similar to the previous year's loss ($428,000).

The club had a net asset deficiency and accumulated losses of $920,000 at 30 June 2000 (1998-1999 $520,000).

22.5 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 are presented in the following table.

Gold Creek Country Club
Current Assets and Liabilities

	Actual 1999-00 $000	Actual 1998-99 $000
Current Assets		
Cash	46	28
Receivables	37	3
Inventories	83	26
Other	3	16
	169	**73**
Current Liabilities		
Creditors	261	123
Provisions	54	48
Other	85	32
	400	**203**
Current Ratio	0.42 to 1	0.36 to 1

A current ratio in the range of 1:1 to 1.5:1 is the minimum usually desirable in a business. Although the current ratio has increased from 1998-1999 it is still well below the desirable current ratio of 1 to 1. The Club is reliant on the ACT Government to support its continued operations and to assist in meeting its commitments as they fall due in the next twelve months.

23 HOUSING

23.1 INTRODUCTION

ACT Housing provides property management and tenancy management services for public housing in accordance with the *Housing Assistance Act 1987* and the *Commonwealth State Housing Agreement (CSHA) 1999*. The services provided include information to tenants and prospective tenants on available housing assistance options, assessment of eligibility for public housing and assessment and provision of rental assistance to eligible tenants.

Housing also manages the Territory's public housing assets, including the acquisition, disposal, redevelopment and also repairs, maintenance and improvement of those assets.

23.2 SIGNIFICANT FINDINGS

- ***The value of properties transferred to community organisations in 1999-2000 amounted to $16.7 million;***

- ***The staged introduction of increasing rental charges to 25% of a tenant's income reduced rental rebates by $4.1m during the year and resulted in increased rental income by $2.3m;***

- ***Total capital works for the year was $4.9m higher than budget and was funded from the sale of old dwellings;***

- ***Expenditure on repairs and maintenance rose by 6% or $1.1m from last year. Depreciation and amortisation fell by $12.2m due to the reassessment of remaining useful life and residual value of properties;***

- ***Housing's property portfolio was revalued on 31 March 2000; the indicative value was assessed at $1.35b or an increase in stock value of $152m or 12.7%; and***

- ***Overall, Housing reasonably managed its operations to budget during 1999-2000.***

23.3 AUDIT OF 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Urban Services on 5 October 2000.

23.4 MATTERS ARISING FROM THE AUDIT

Several instances were identified where the operation of Housing could be improved or where internal controls could be enhanced. These instances have been advised to management with appropriate recommendations.

23.5 FINANCIAL ANALYSIS

The following table summarises Housing's operating statement.

ACT Housing Summary Operating Statement

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Revenue				
Government Sources				
ACT Government	26,433	25,581	22,110	28,370
Other Sources				
Rent Revenue Net of Rebates	46,332	46,944	44,662	45,839
Interest	500	1,325	1,096	15,064
Other	3,063	8,986	3,889	2,182
Total revenue	**76,328**	**82,836**	**71,757**	**91,455**
Expenditure				
Employee Expenses	10,774	10,060	10,703	11,351
Superannuation Expenses	1,600	1,497	1,572	1,662
	12,374	11,557	12,275	13,013
Administrative Expenses				
Accommodation	*	1,589	1,645	2,043
Repairs and Maintenance	*	20,019	18,878	22,405
Rates	*	12,078	12,141	12,348
Other	*	10,354	9,059	7,799
	43,519	44,040	41,723	44,595
Other Expenses				
Depreciation and Amortisation	23,534	8,809	21,042	24,704
Interest	6,437	6,441	6,598	16,122
Other	3,880	4,966	5,647	5,999
Total expenses	**89,744**	**75,813**	**87,285**	**104,433**
Operating Surplus/(Loss) before Abnormals	**(13,416)**	**7,023**	**(15,528)**	**(12,978)**
Abnormal Revenue (Loss)	(18,283)	(16,660)	(9,756)	984
Operating Loss	**(31,699)**	**(9,637)**	**(25,284)**	**(11,994)**

Note: * The breakdown of 1999-2000 Administrative Expenses was not provided in the Budget Papers. The 1998-99 figures have been reclassified in line with 1999-2000 presentations.

Comments on significant revenue and expenditure items are as follows.

Revenue Items

Total revenue this year was up by $11.1m or 15% from last year and $6.5m more or 9% compared to budget. The reason for the increase over last year were rises in *Revenue received from the ACT Government, Rent Revenue* and *Other* revenue. The variance between actual total revenue and the budgeted figure for the year was mainly attributable to a significant difference in *Other* revenue.

Revenue from the ACT Government increased by $3.5m (16%) over last year mainly due to an increase in Commonwealth State Housing Agreement (CSHA) funding by $5.4m. The increase was mostly offset by a reduction in funding primarily due to the transfer of funding to Community Housing Canberra Ltd and the completion of the Kickstart Program totalling $1.3m.

Rent Revenue is calculated by subtracting rental rebates from the gross market value of rent (market rent) for the year. Market rent fell by $1.8m from the 1998-99 level mainly due to less properties being rented to tenants than in the previous year. This reduction in properties resulted from the sale of properties including Lachlan Court, and the transfer of properties to community housing providers (see later under heading 'Abnormal Items'). The reduction in market rent was offset by a fall in rental rebates ($4.1m) which occurred as a result of increases in rental charges to a minimum of 25% of a tenant's income. The net effect was an increase in rent revenue after rebates by $2.3m compared to last year. Rent revenue was slightly higher than budget by $600,000.

Interest increased to $1.3m in 1999-2000 due to property sales generating funds which were invested over the year. Better returns from the investments with Central Financing Unit also contributed to this increase.

Other revenue increased significantly by $5.1m from $3.4m last year to $9.0m in current year or an increase by $5.9m (193%) against budget. This was mainly due to the higher number of properties sold and better than expected revenues from those sales. The properties were mainly located in the inner north and inner south suburbs of Canberra with the sale of Lachlan Court also receiving a higher than estimated price.

Expenditure Items

Total expenditure decreased by $11.5m or 13% from last year and was $13.9m or 15% less than budget mainly due to a significant fall in *Depreciation and Amortisation.*

Employee Expenditure decreased by $600,000 over last year and $700,000 against budget. This was the result of a conservative approach to filling vacant positions.

Administrative Expenses rose by $2.3m or 6% from last year and was slightly higher than budget by $520,000. The increase was mainly due to higher expenditure on repairs and maintenance of dwelling stocks.

Depreciation and Amortisation was $8.8m in 1999-2000 compared to $21.0m the previous year - a fall of $12.2m or 58%. The 1999-2000 figure was also substantially less than budget by $14.7m or 63%. The fall was due to the reassessment of remaining useful life and residual value of properties. This affected the calculation of depreciation expenses substantially during the year.

Other expenses, which included Land Tax equivalent, bad and doubtful debts and demolitions, fell by 12% from last year. The reduction was mainly due to a reduction in the number of demolitions during the year. The cost of demolitions this year was $950,000 compared to $2.1m last year.

Abnormal Items

Abnormal Items totaled $16.7m. The abnormal items were comprised of 117 properties (including the MacPherson Court) being transferred to Community Housing Canberra Ltd, one transferred property to the Abbeyfield Society and the Narrabundah Long Stay Caravan Park transferred to the Koomari Association ACT Incorporated.

A total of 200 dwellings, including 83 in 1998-99, have been transferred on long term lease to Community Housing Canberra Ltd in accordance with the Government's agreement with Community Housing Canberra Ltd. The total book value of the 200 properties transferred to Community Housing Canberra Ltd is $20.8m.

The community housing organisations are responsible for the management and control of the properties and tenancy matters.

Housing advised that as part of the 1999-2000 budget negotiations, the Government has agreed to transfer additional properties to community

housing sector management. The proposal was to transfer some 100 properties each year for the next 5 years.

Conclusion

Based on the review of the financial statements and the explanations supporting the variances, in an overall sense, ACT Housing managed reasonably its departmental operations to its budget.

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 two years are presented in the following table.

ACT Housing
Current Assets and Liabilities

	Actual 1999-00 $'000	Actual 1998-99 $'000
Current Assets		
Cash	98	403
Receivables	2,126	1,376
Investments	15,590	16,966
Inventories	610	1,359
Other	130	313
	18,544	**20,417**
Current Liabilities		
Creditors	2,365	4,694
Borrowings	6,597	4,442
Employee Entitlements	2,670	2,689
Other	1,616	1,386
	13,248	**13,211**
Current Ratio	1.4 to 1	1.5 to 1

On the basis of its current ratio, Housing had a reasonable liquidity position at 30 June 2000.

23.7 PROPERTY PORTFOLIO

ACT Housing's land and dwellings are revalued at 31 March each year to incorporate valuation changes reflecting market fluctuations. As a result of the 31 March 2000 revaluation, subsequent acquisitions, disposals, capital improvements and depreciation, the net value of the property portfolio as at 30 June 2000 increased from last year by 11.4% or $139.4m. The increase was made up of a $109.7m increase in the value of land and a $29.7m increase in the value of buildings.

ACT Housing
Number and Value of Land and Dwellings

	1999-00	***1998-99**
Number of Land parcels	7,037	7,202
Land Value ($000)	788,504	678,816
Number of Dwellings	11,674	11,987
Dwellings Value ($000)	567,903	538,189

* Revised to be consistent with accounting treatment in 1999-2000.

The number of dwellings fell by 313 or 2.6% during 1999-2000.

The properties range widely in value, depending on size, condition and location. The influence of these factors is illustrated in the value of ACT Housing's stock of 3 bedroom houses which range from $69,000 to $539,000 ($62,000 to $491,000 in 1998-99).

23.8 CAPITAL WORKS

The following table shows the actual expenditure compared to budget for Departmental Capital Works and Work in Progress:

ACT Housing Capital Works Expenditure

Project	Budget 1999-00 $'000	Actual 1999-00 $'000	Actual 1998-99 $'000
New Capital Works	30,040	33,344	15,056
Work in Progress	11,591	13,214	10,031
Total	**41,631**	**46,558**	**25,087**

The capital works program was predominantly funded from the sale of rental properties older than 40 years. Total cash expenditure in 1999-2000 was $4.9m greater than budget. Spending more than budget was possible due to better than expected sale prices being received.

24 INTACT GROUP

24.1 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.

During 1999-2000 InTACT was responsible for finalising the implementation of the Information Technology (IT) Modernisation Program. InTACT advised that the implementation of the Modernisation Program was materially completed in December 1999.

24.2 SIGNIFICANT FINDINGS

- ***InTACT's operating loss for 1999-2000 was $4.8m ($7.6m in 1998-99) compared with a budgeted operating loss of $2.9m. InTACT received an injection for operating requirements of $2.6m which improved the operating result to a loss of $2.1m;***

- ***InTACT received a $10m capital injection to meet partial costs of IT modernisation infrastructure;***

- ***In December 1999, InTACT entered into a new leasing facility including a sale and leaseback arrangement with a commercial bank. The value of the assets transferred was approximately $12m with a total lease liability of $9.9m at year-end; and***

- ***InTACT did not achieve its budgeted result in 1999-2000.***

24.3 AUDIT OF 1999-2000 FINANCIAL STATEMENT

An ***unqualified*** audit opinion was provided to the Chief Minister on 6 October 2000.

24.4 MATTERS ARISING FROM THE AUDIT

During the audit a number of instances were identified where InTACT's financial 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.

24.5 FINANCIAL ANALYSIS

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

InTACT Summary Operating Statement

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000
Revenue			
Government Payment for Outputs	0	0	82
User Charges			
ACT Government	58,541	49,496	38,888
Non ACT Government	0	410	181
Injection for Operating Requirements	2,640	2,640	0
Resources Received Free of Charge	0	336	126
Interest	0	116	27
Other	0	52	1,445
Total revenue	**61,181**	**53,050**	**40,749**
Expenses			
Employee Expenses			
Wages and Salaries	8,420	6,996	8,218
Superannuation Expenses	1,725	1,225	1,365
	10,145	8,221	9,583
Administrative Expenses			
Voice and Data Line Charges	*	8,899	7,840
Contractors & Consultants	*	7,462	9,548
Software Licences and Maintenance	*	3,687	2,739
Other Communication Costs	*	2,057	1,102
IT Facilities Charges	*	1,319	1,695
Other	*	5,817	3,996
	32,874	29,241	26,920
Depreciation/Amortisation	14,305	15,009	8,154
Interest	4,089	2,710	2,122
Other	0	0	1,545
Total expenses	**61,412**	**55,181**	**48,324**
Operating Loss	**(231)**	**(2,131)**	**(7,575)**

Note: * A break up of budgeted Administrative Expenses is not provided in the budget papers for 1999-2000

Comments follow on the major sources of revenue and expenditure.

Revenue Items

InTACT's total revenue for 1999-2000 was $53.1m, of which $49.9m came from *User Charges*. The vast majority of this ($49.5m) was from ACT Government agencies for IT services and the leasing of IT equipment.

The 1999-2000 revenue from *User Charges* from ACT Government agencies was $10.6m higher than the previous year. This was mainly due to an increase of approximately $8.1m from increased recurrent charges to agencies for network usage and maintenance and capital contributions charged to the agencies. The capital contributions are required from agencies to partially meet modernisation infrastructure costs which totaled approximately $29m. InTACT received a $10m capital injection to cover part of the infrastructure cost. The remainder, $19m, is being recovered from agencies over the next 7 years through the capital contributions.

In comparison to the budgeted amount, revenue from *User Charges* from ACT Government agencies in 1999-2000 at $49.5m was significantly below the budgeted figure of $58.5m. The budgeted revenue had been based on the assumption the completion of the modernisation program would be earlier in 1999-2000 than actually occurred. Budgeted revenue was over estimated by 18%.

During 1999-2000 InTACT received a $2.6m operating injection, which reduced its operating loss (before *Injection for Operating Requirements*) from $4.7m to $2.1m. In accordance with the 1999-2000 budget papers, InTACT anticipated to have an operating loss of $231,000 only.

In 1998-99 the operating loss was $7.6m since InTACT did not receive any operating injection but borrowed $28m from the Chief Minister's

Department. The borrowings were used to fund the modernisation project and to upgrade IT infrastructure.

Expenditure Items

In 1999-2000, InTACT's total expenses were $55.2m ($48.3m in 1998-99). The major expense items were $8.2m for *Employee Expenses*, $29.2m for *Administrative Expenses*, $15.0m for *Depreciation* and $2.7m for *Interest*.

Total *Employee Expenses* at $8.2m represented a reduction of $1.4m in staffing costs compared to the previous year ($9.6m). The reduction was primarily due to a staffing restructure and reorganisation undertaken during the year. Employee expenses were also less than the budget of $10.1m due to staff numbers (permanent full time) not reaching the levels anticipated in the budget.

Administrative Expenses increased slightly by $780,000 (2.7%) from the previous year. Increases in operating costs associated with *Voice and Data Line Charges* (by 13.5%), *Software Licences and Maintenance* (34%), and *Other Communication Costs* (103%) were offset by a reduction in *Contractors and Consultants*. Payments to *Contractors and Consultants* of $7.5m in the current year were $2.1m (or 22%) less than the last year's figure of $9.6m due to reduced contractors' costs after the finalisation of the Modernisation Program in early January 2000.

Depreciation and amortisation charges were significantly higher than the previous year due to the capitalisation of the modernisation infrastructure and increased assets under finance leases.

In accordance with InTACT's policy, capitalised expenditure in relation to the modernisation project is being amortised over a period of 5 years, except for cabling, which is the lesser of either 7 years or the period of the lease of the premises in which the cabling is installed.

Interest expense increased by $590,000 (or 27%) from the previous year. Higher interest payments were incurred in 1999-2000 due to the repayment of interest on debts from Government. Borrowings from Government, amounted to $32m as at 30 June 2000. These borrowings were used to finance modernisation infrastructure costs and working capital needs. InTACT has advised that borrowings will be repaid through future user

charges revenue i.e. the borrowings will be repaid by agencies. The actual *Interest expense* for the year ($2.7m) was $1.4m less than the budgeted figure of $4.1m. This was due to delays in the finalisation of a new lease facility. As a result interest was only paid from 1 January 2000 whereas the budget was based on interest payments for a full year.

In 1999-2000, InTACT also received a $10m capital injection to partially meet the of infrastructure costs ($29m) of the modernisation program and borrowings of $5m from Government to supplement its working capital.

Conclusion

The completion of the modernisation project had a significant impact on InTACT's operating result for the year. Consequently, the operating loss from the previous year reduced dramatically. The loss for 1999-2000 was $2.1m, which is equivalent to 28% of the previous year's loss.

InTACT has made an operating loss every year since its inception. The losses totaled $29.6m as at 30 June 2000. The additional funding from Government mentioned previously has reduced InTACT's accumulated losses for the year to $148,000 ($8.1m last year).

InTACT has advised that *"The majority of these losses relate to costs borne by InTACT at inception with the transfer of IT services, practices and assets from agencies. With the introduction in the 1999-2000 of new modernisation infrastructure and the development of new Service Level Agreements for 2000-01 and beyond, it is anticipated that InTACT will move to a position of full-cost recovery (breakeven) in the 2000-01 financial year."*

From the audit review of the financial statements and the explanations for variations from budget, the conclusion has been drawn that InTACT has not managed to its budgeted result in 1999-2000. The Audit view is that InTACT will be reliant upon Government funding and policy support to continue its operations in the future.

24.6 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 three years of operations are shown in the following table.

InTACT Current Assets and Liabilities

	1999-00 Actual $000	1998-99 Actual $000	1997-98 Actual $000
Current Assets			
Cash	451	(540)	898
Receivables	9,042	5,309	3,060
Investments	10,437	10,404	2,761
Inventories	39	29	30
Capital Works in Progress	0	9,100	0
Other	695	521	277
	20,664	**24,823**	**7,026**
Current Liabilities			
Creditors	14,754	5,987	5,432
Finance Leases	10,346	8,180	4,326
Employee Entitlements	1,260	1,540	1,334
Borrowings	2,366	0	0
Other	2,378	1,880	1,351
	31,104	**17,587**	**12,443**
Current Ratio	0.66:1	1.41 : 1	0.56 : 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 deteriorated from a desirable level of 1.41:1 in 1998-99 to 0.66:1 in 1999-2000. A current ratio around this level indicates that InTACT needs to manage its resources carefully in order to meet its short-term obligations as they fall due in the next twelve months.

25 THE CANBERRA HOSPITAL

25.1 INTRODUCTION

The Canberra Hospital, as a service provider, contracts with the ACT Department of Health and Community Care and other purchasers 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.

25.2 AUDIT OF THE 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Health and Community Care on 6 October 2000.

25.3 SIGNIFICANT FINDINGS

- ***If the effects of prior period accounting adjustments are excluded from this year's results, then the operating loss before injections for operations would have been $33.1m which compares unfavourably with the budgeted loss of $29.8m;***

- ***The audit has concluded that The Canberra Hospital did not fully manage its operations to its budget; and***

- ***The Canberra Hospital spent $5.6m of this year's estimated budgeted capital expenditure of $9.8m.***

25.4 FINANCIAL ANALYSIS

The table below summarises The Canberra Hospital's Operating Statement. The financial results as reported in the audited financial statements of The Canberra Hospital have been reformatted in this table to

facilitate a more direct comparison with the budget and the prior year's results.

The Canberra Hospital
Summary Operating Statement

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000
Revenue			
Government Sources			
Revenue from the provision of hospital services	176,169	177,568	182,975
Injections for operating requirements	12,952	18,452	18,357
Resources received free of charge	200	0	3,389
	189,321	196,020	204,721
Other Sources			
Patient fees, use of facilities, meals and accommodation	20,755	18,880	19,778
Interest and other	8,851	10,789	13,221[24]
	29,606	29,669	32,999
Total revenue	**218,927**	**225,689**	**237,720**
Expenditure			
Employee Expenses			
Salary and wages	*	98,710	109,500
Annual and long service leave	*	10,126	10,046[25]
Comcare premiums	*	4,174	5,244
Superannuation	18,197	16,911	19,655
Other employee expenses	*	10,825	8,437
Redundancy expenses	4,560	2,527	0
	137,321	143,273	152,882
Administrative Expenses			
Medical surgical and special service supplies	*	17,464	17,465
Visiting medical officers: fees	*	13,824	11,849
Pharmaceuticals	*	12,147	12,385
Domestic services	*	6,421	6,226
Depreciation	8,934	9,009	8,465
Property, plant & equipment expense	*	5,243	8,267[26]

[24] Interest and other revenue of $13.2m is represented by: Commonwealth Grants ($7.0m), interest ($178,000), other ($3.0m) and the receipt of the NRMA Trauma Grant ($3m).

[25] Annual and long service leave at $10.0m is represented by: Annual leave ($9.7m), long service leave ($1.7m) adjusted for the overstatement in leave loading bonus ($1.3m).

Payroll, asset & records management	*	4,237	4,176
Utilities	*	2,640	2,688
Insurance	*	3,344	3,389
Lease and hire expenditure	*	3,901	3,189
Consultancies and contractors	*	2,395	2,674
Other	*	16,483	11,925
	98,501	97,108	92,698
Total expenses	235,822	240,381	245,580
Operating Loss	**(16,895)**	**(14,692)**	**(7,860)**

Note* The breakdown of these expenses in the budget column are unavailable as the budget does not separately identify these amounts.

Note** The financial results as reported in the audited financial statements of The Canberra Hospital were amended to facilitate a more direct comparison with the budget and the prior year's results as follows:

- Actual and budgeted *redundancy expenses* were reclassified from "abnormal expense" to employee costs so that all employee expenses can be directly compared to budget; and
- *Prior period adjustments* were classified as abnormal items in the 1999-2000 results and increased the operating result for 1999-2000 by $3.3m from budget.

To remove the effect of these adjustments on the 1999-2000 results, and to allow the results to be directly compared to the budget, these adjustments were recorded in the 1998-99 year.

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

Revenue Items

At $225.7m revenue exceeded the budget of $218.9m by $6.8m and was less than the previous year's revenue of $237.7m by $12m.

Revenue Comparison to Budget

Revenue marginally exceeded budgeted revenue by $6.8m mainly because of increased payments for hospital services ($1.4m) and increased other revenue received mainly relating to Commonwealth grants. These increases were partially offset by a decrease in patient fee revenue ($2m) predominantly because of overestimations of private patients using hospital services in the budget.

The Hospital advised that "*budget private patient revenue for 1999-2000 was estimated to be consistent with the prior year*".

Revenue Comparison with Prior Year Actual

The decrease in revenue compared to the previous year of $12m was mainly due to decreases in revenue received from the provision of hospital

[26] Property plant and equipment expense of $8.3m is represented by property plant and equipment expense ($7.2m) adjusted for the overstatement of the original cost of radiographic unit assets ($1.1m).

services ($5.4m) and resources received free of charge ($3.4m) from the Department of Health and Community Care. Resources received free of charge revenue was less than the previous year because the Department of Health and Community Care ceased paying for the insurance premium on behalf of The Canberra Hospital. The premium is now paid by the hospital. Other revenue also fell because of the one off receipt of an NRMA Trauma Grant ($3m) in 1998-99.

Expenditure Items

At $240.4m expenditure exceeded budgeted expenditure of $235.8m by $4.6m and was less than the previous year's expenditure of $245.6m by $5.2m.

Expenditure Comparison with Budget

Employee expenses of $143.3m exceeded the budget of $137.3m by $6m because planned reductions in employee numbers and associated costs were not achieved. This was the main reason why The Canberra Hospital did not fully achieve its budget and the payment of a second injection for operations appropriation of $5.5m became necessary.

At $97.1m administrative expenses were marginally less ($1.4m) than budget expectations.

The Hospital advised that *"although the under achievement of planned reductions was the main reason why the Hospital did not achieve its budget, there were also unbudgeted cost increases during the year which contributed to the problem"*.

Expenditure Comparison to Prior Year Actual

Employee expenses of $143.3m were less than the previous year's expense of $152.9m by $9.6m. This was mostly due to the transfer of the Allied Health Services Unit to ACT Community Care.

Administrative expenses of $97.1m exceeded the previous year's expenditure of $92.7m by $4.4m. The increase is mostly due to the first

time payments to ACT Community Care for services provided by the Allied Health Services Unit ($3.7m).

Operating Results

The results as presented in The Canberra Hospital's audited financial statements have been formatted in the operating statement table in this Report to more clearly highlight the hospital's performance against its budget.

The operating statement shows that the Hospital's operating loss of $14.7m is $2.2m less than the budgeted loss of $16.9m. It should be noted however that prior year accounting adjustments made in the current year effectively reduced the operating loss by $3.3m. If the effect of these adjustments are excluded from this year's results then the operating loss would have been $18m which compares unfavourably with the budgeted loss of $16.9m.

On the basis of the reasons identified for the major variations from its budget, the audit has concluded that the hospital was unable to fully manage its operations to its budget. The main reason the budget was not achieved was that budgeted reductions in employee numbers were not achieved resulting in employee costs exceeding budget.

While the audit has concluded the Hospital did not fully manage its operations to its budget, the audit is not able to comment on the appropriateness of the budget or on whether the Hospital could reasonably have been expected to achieve its 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 current assets and liabilities and the current ratios of the last three years are presented in the following table.

The Canberra Hospital
Current Assets and Liabilities

	Actual 1999-00	Actual 1998-99	Actual 1997-98

	$000	$000	$000
Current Assets			
Cash	3,493	5,037	3,648
Receivables	6,134	5,011	4,924
Investments (excluding investments not available to meet current liabilities)	0	404	2,054
Inventories	2,970	2,560	2,479
Other (excluding prepayments)	61	31	12
Total Current Assets	**12,658**	**13,043**	**13,117**
Current Liabilities			
Creditors	12,755	8,385	8,225
Employee entitlements	21,041	22,699	20,186
Other	3,008	5,164	1,740
Total Current Liabilities	**36,804**	**36,248**	**30,151**
Current Ratio	0.34 to 1	0.36 to 1	0.44 to 1

The Canberra Hospital current ratio has declined marginally from last year's ratio of 0.36:1 to 0.34:1. A low current ratio indicates that the Hospital is being funded at a level which is only just sufficient to meet its obligations as they fall due. As most of its revenue is received from Government sources any problem in meeting commitments as they fall due should be manageable. The Hospital will need to continue to manage its financial assets carefully to ensure it does not have problems in this regard.

25.6 CAPITAL WORKS

The following table set compares the amount actually spent on capital works to the amount that The Canberra Hospital estimated would be spent in 1999-2000 in the *1999-2000 Budget Estimates Paper No: 4*.

The Canberra Hospital Capital Works Expenditure

Project	Expenditure Financed from this Year's Capital Works Budget $'000	Capital Works Budget $'000	Over (Under) Spend $'000

New Capital Works			
Building 7 Refurbishment	394	1,558	(1,164)
Building 12 Day Surgery	5	850	(845)
Medi-Hotel Development	0	150	(150)
Minor New Works	1,290	1,200	90
Cook Chill Project	0	0	0
	1,689	3,758	(2,069)
Works In Progress			
Pathology Building Refurbishment	3,872	4,600	(728)
Secure Extended Care Facility	2	500	(498)
Energy Management Project	0	923	(923)
	3,874	6,023	(2,149)
Total Capital Works	**5,563**	**9,781**	**(4,218)**

Readers should note that the Hospital expected to spend $9.781m in 1999-2000 according to the *1999-2000 Budget Estimates Paper No: 4* and financing of $12.158m was approved. The funding was eventually revised downward to the amount expected to be spent on these projects in the current year. Consequently, only $5.8m of the originally approved amount of $12.158m was paid to the Hospital for capital works. The amount paid was not significantly different to the $6.1m actually spent by the Hospital during the year.

Agency Explanation of Significant Variations from its Capital Works Budget

The table shows that the Hospital spent $5.6m of its $9.8m estimated budgeted capital works expenditure for 1999-2000. The Hospital advised that the $4.2m under expenditure was due to delays in a number of projects.

The Hospital has provided the following information in relation to under expenditures on the more significant projects:

- *Building 7 Refurbishment* – the $1.2m under expenditure was due to delays arising from the greater than expected temporary works required to move the Mental Health Service clinical ward to an adjacent building. The forecast completion date for this project of December 2000 is not expected to be affected by these delays.

- *Building 12 Day Surgery* – the $845,000 under expenditure was due to an early re-evaluation of the need for more large-scale refurbishment. Several studies have been carried out to develop acceptable construction options.

- *Medi-Hotel Project* – options for the provision of this facility are still being explored by the hospital.

- *Cook Chill Project* – approved funding[27] of $1.357m for this project occurred during 1999-2000 and authorisation to proceed with this project was received in February 2000. The 9-month engagement, design and construction program for this project was initiated in March. Expenditure forecasts remain unaltered and the approved expenditure of $1.357m is expected to be made by the time project is completed in December 2000.

- *Pathology Building Refurbishment* – the $728,000 under expenditure is due to construction delays between phases 2 and 3 of the project. The forecast completion date for this project is now November 2000.

- *Energy Management Project* – the $923,000 under expenditure was due to the delays arising from the energy audit phase and scoping study which assessed a range of energy saving strategies.

- *Secure Care Project* – the $498,000 under expenditure was due to delays in the authorisation for the works to proceed which slowed this project. This project was initiated in early January 2000. The engagement of the consultant team and design of the facility proceeded through March – June/2000 in keeping with the original program. The project will go to the market in November 2000. Construction is forecast to be completed in July 2001.

[27] As the funding for this project was approved after the *1999-00 Budget Estimates Paper No: 4* was prepared the funding of $1.357m does not appear in the above table.

26 TOTALCARE INDUSTRIES LIMITED

26.1 INTRODUCTION

Totalcare Industries Limited is a Territory Owned Corporation. The business activities offered include services to the health and commercial accommodation sector, building construction, civil engineering, property and facilities management, engineering maintenance, and leasing and fleet management services to clients in the ACT and interstate.

26.2 SIGNIFICANT FINDINGS

- ***Operating revenue increased from $92.2m in 1998-99 to $117.7m in 1999-2000 primarily as a result of increased sales. Approximately $15m of this revenue is received for on payment to other parties;***

- ***Totalcare's operating profit before abnormal items and income tax equivalents was only $1.5m from total revenue of $117.7m;and***

- ***Totalcare's short-term financial position has deteriorated in 1999-2000. The Company reported an excess of current liabilities over current assets.***

26.3 AUDIT OF THE 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion on the financial statements was issued on 8 September 2000.

26.4 MATTERS ARISING FROM THE AUDIT

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

26.5 FINANCIAL ANALYSIS

A summary of Totalcare's Operating Statement is shown in the following table.

Totalcare Industries Limited
Summary Operating Statement

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Revenue			
Operating Activities	105,177	90,273	86,144
Other	12,537	1,948	1,435
Total revenue	**117,714**	**92,221**	**87,579**
***Less* Expenses**	**116,247**	**90,929**	**87,331**
Operating Profit before Abnormal Items and Income Tax	**1,467**	**1,292**	**248**
Abnormal items	(2,638)	(3,363)	8,193
Income tax equivalents	853	(371)	(166)
Operating Profit (Loss)	**(318)**	**(2,442)**	**8,275**

Operating revenue increased from $92.2m in 1998-99 to $117.7m in 1999-2000. The increase is a result of Leasing and Fleet Management Services and Facilities, Asset Management and Construction Services generating additional sales along with the sale of surplus non-current assets ($12.3m). As a result of the increased sales activity mentioned above, expenses have also increased proportionately.

Abnormal Items

Abnormal expenses of $7.1m contributed to the overall operating loss before tax equivalents. Abnormal expenses included the severance pay component of voluntary redundancies of $5.8m and restructuring costs of $1.3m.

Abnormal income of $3.8m was earned on the Williamsdale Quarry joint venture project. There was also an abnormal income due to a change in accounting policy for employee entitlements of $700,000.

Operating Result

Operating profit before abnormal items and income tax equivalents increased marginally in the current year. The operating loss after abnormal items and income tax equivalents of $300,000 improved by $2.1m over the previous year. The operating profit of $1.5m represents only 1.25% of revenue which is a poor return.

26.6 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.

Totalcare Industries Limited
Current Assets and Liabilities

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Current Assets			
Cash	2,019	1,898	6,326
Receivables	21,600	15,920	12,079
Investments	8,500	9,060	17,300
Other	3,420	3,363	2,875
	35,539	**30,241**	**38,580**
Current Liabilities			
Creditors	18,467	8,725	9,601
Payments received in advance	13,122	16,945	17,365
Provisions	3,312	4,396	4,956
Borrowings	1,946	469	574
	36,847	**30,535**	**32,496**

Current Ratio	0.96 to 1	0.99 to 1	1.2 to 1

Totalcare's current ratio has been slowly deteriorating over the last 3 years and had fallen to 0.96 to 1 at 30 June 2000. On this basis the Company's short-term financial position is below the normally accepted liquidity benchmark. Totalcare has implemented a number of initiatives to improve its current liquidity position.

27 TREASURY AND INFRASTRUCTURE DEPARTMENT

27.1 INTRODUCTION

The Department of Treasury and Infrastructure was created under the administrative arrangements orders of 6 August 1999. The Department assists the Government in managing the financial and economic functions of the Territory.

The Department is responsible for functions relating to financial, budget, revenue and economic management. These functions were transferred from the Chief Minister's Department on 6 August 1999. For reporting purposes the Chief Minister's Department and the Department of Treasury and Infrastructure prepared statements as if they had been separate entities for the entire financial year.

27.2 AUDIT OF 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Treasurer on 21 September 2000. An Emphasis of Matter paragraph was included in the audit report indicating that *"the result for some performance measures were not measured"* and therefore audit was not able to form an opinion on these measures.

27.3 SIGNIFICANT FINDINGS

- ***During the year the Department breached Section 6 of the Financial Management Act 1996; and***

- ***Some capital works projects completed in 1998-99 were included in the 1999-2000 capital works budget. The projects had been funded from the Department's 1998-99 capital injection for capital works which had been budgeted to be used on projects which were not carried out in that year.***

27.4 MATTERS ARISING FROM THE AUDIT

As a result of the audit a number of instances were identified where the financial operations or internal controls of the Department could be improved. These instances were reported to management along with appropriate recommendations.

27.5 BREACH OF THE FINANCIAL MANAGEMENT ACT 1996

The Department's financial statements include a Statement of Appropriation which discloses that the Department breached *Section 6* of the Financial Management Act 1996. *Section 6* states that no payment of public money should be made without an appropriation. The Statement of Appropriation discloses that:

- *"Section 16 requires that instruments to transfer appropriations between Departments be prepared and tabled within three sitting days of the direction to vary the responsibility for the function or service being given. The complex nature and the timing of the transfer in 1999-2000 did not make it possible for these requirements to be met, resulting in a delay of presenting the relevant instrument. This has resulted in an unintended breach of the Financial Management Act 1996 (FMA);" and*

- *"Section 6 requires that no payment of public money shall be made otherwise than in accordance with an appropriation. Due to the complex nature of the Administrative Restructure of 6 August 1999*

appropriations were inadvertently drawn into the wrong bank account in breach of the Financial Management Act 1996. This situation has since been rectified."

Management Comments

The following comments were provided by the Department of Treasury and Infrastructure.

"The breaches of Section 6 and Section 16 of the Financial Management Act 1996 (FMA) took place due to the split of the Department from the Chief Minister's Department under an Administrative Arrangement Order. Administrative rearrangements of this size are always difficult and take time to determine and agree the amounts to be transferred. The time allowed for transfers to take place under the FMA will be reconsidered as part of a review of the FMA."

Audit Comments

This is a matter that requires prompt attention.

27.6 FINANCIAL ANALYSIS

DEPARTMENTAL TRANSACTIONS

The following table summarises the Department's Operating Statement.

Department of Treasury and Infrastructure
Summary Operating Statement

	Budget 1999-00 $000	Actual 1999-00 $000
Revenue		
Government sources		
Government payment for outputs	19,731	20,497
Other	439	583
	20,170	21,080
Other sources		
User charges, interest and other	67	475

Total revenue	**20,237**	**21,555**
Expenditure		
Employee expenses		
Employee expenses	8,103	5,329
Superannuation	1,375	1,225
	9,478	6,554
Administrative expenses		
Contractors	*	2,568
Equipment	*	2,401
Corporate services fee	*	1,367
Accommodation	*	1,283
Agents and bank fees	*	942
Capital works write-off	*	889
Other (including depreciation)	*	2,821
	10,276	12,306
Total expenses	**19,754**	**18,860**
Operating Surplus	**483**	**2,695**

Note: *The breakdown of these expenses in the budget column are unavailable as the budget does not separately identify these amounts

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

Revenue

Overall, revenue from Departmental activities ($21.6m) increased marginally over budget ($20.2m) by $1.4m mostly due to an increase in the amounts received from the *Government Payment for Outputs* appropriation to the Department.

Expenditure

At $18.9m, expenditure for the year was slightly lower than the budget of $19.8m because of a decrease in *employee expenses* ($3m) offset by an increase in *administrative expenses* of $2m. The reduction in employee expenses was mainly due to employee positions not being filled as anticipated at the time the budget was prepared. The increase in *administrative expenses* was mostly due to the use of contractors as full time employee positions were not filled.

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 operations to its budget.

TERRITORIAL TRANSACTIONS

The Territorial revenue of the Department of Treasury and Infrastructure are mainly rates, taxes, fees and fines and Commonwealth grants. These transactions are reported separately in *Chapter 10: Summary of Territory Revenue and Expenditure* of this Report. No analysis is therefore provided here.

27.7 CAPITAL WORKS

Expenditure on capital works was budgeted to be $900,000 for the Department of Treasury and Infrastructure.

Department of Treasury and Infrastructure Capital Works Expenditure

Project	Expenditure Financed from this Year's Capital Works Budget $000	Capital Works Budget $000	Over (Under) Spend $000
Construction of additional carparks at Bruce Outdoor Stadium	0	250	(250)
Construction of Braybrooke Street	0	100	(100)
Construction of Horticultural Facility	0	550	(550)
	0	**900**	**(900)**

Explanation of Significant Variances from Budget

The Department of Treasury and Infrastructure has advised that the under spending of this year's capital works budget by the Department arose because certain projects which were undertaken and completed in 1998-99 were included in the 1999-2000 capital works budget. The projects were funded in 1998-99 from the Department's capital injection appropriation

for capital works which was not fully required in that year as some projects provided for were not carried out in that year.

FINANCIAL AUDITS WITH YEARS ENDING TO 30 JUNE 2000

SECTION 5

OTHER AUDITS

FINANCIAL AUDITS WITH YEARS ENDING TO 30 JUNE 2000

28 ACTEW CORPORATION LIMITED

28.1 INTRODUCTION

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

Subsequent to balance date the electricity retail and distribution operations were transferred from the Company to the ActewAGL Joint Venture which commenced on 1 October 2000.

ACTEW Corporation Limited has six subsidiaries:

- ECOWISE Services Limited;
- ECOWISE Environmental Limited;
- ACTEW Investments Pty Limited;
- ACTEW Energy Limited;
- ACTEW China Pty Limited; and
- TransAct Carrier Pty Limited.

The consolidated results of the Company and its subsidiaries are reported on in this Chapter. All subsidiaries, except TransAct Carrier Pty Limited which was not audited as it was a dormant company, are reported on separately in this Report.

TransACT Communications Pty Limited (TransACT) was incorporated on 25 February 2000. TransACT's principle operating activity is the development of a telecommunication network in the Australian Capital Territory. At balance date TransACT was jointly owned and controlled by ACTEW and TVG Transact Holdings Limited. As TransACT was not "controlled by" ACTEW for financial reporting purposes its results are not consolidated in the financial results of ACTEW.

An unqualified audit opinion was issued on TransACT's financial statements by its auditors, PricewaterhouseCoopers on 2 November 2000. TransACT's audited financial statements disclose that TransACT incurred an operating loss of $4.5m for the period from 25 February to 30 June 2000.

28.2 AUDIT OF THE 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion on the Company's financial statements was issued to the Company on 29 August 2000.

28.3 MATTERS ARISING FROM THE AUDIT

As a result of the audit a number of instances were identified where internal controls could be improved. These instances were reported to management along with appropriate recommendations.

28.4 FINANCIAL ANALYSIS

The following table summarises the Company's consolidated profit and loss statement.

ACTEW Corporation Limited Consolidated
Summary Profit and Loss Statement

	Actual 1999-00 $m	**Actual 1998-99 $m**	**Actual 1997-98 $m**
Revenue			
Electricity revenue	228	203	213
Water revenue	47	45	53
Sewerage revenue	53	49	48
Other sales revenue	17	18	21
Assets received free of charge from developers	11	6	5
Other revenue	18	29	22
	374	350	361
Less **Total Expenses**	**300**	**283**	**283**
Operating profit before income tax equivalents expense	**74**	**67**	**78**
Income tax equivalents expense	9	22	20
Operating profit	**65**	**45**	**58**

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

Revenue items

At $374m, the Company's consolidated operating revenue exceeded last year's revenue by $24m or 6.8% due to the following:

Electricity revenue continued to be the major source of revenue for ACTEW comprising 61% of the consolidated total revenue in 1999-2000. This year *electricity revenue* increased by $25m (12%) compared to last year. The increase was due to new customers obtained by ACTEW Energy (mostly in NSW) and seasonal factors (cold weather).

Water revenue increased by $2m (4%) compared to the previous year. This was mostly due to seasonal factors (hot weather) which resulted in higher water demand this year.

Sewerage revenue increased by $4m (8%) compared to the previous year due to increased property numbers.

Other revenue is comprised of non-core revenues such as interest, capital contributions, proceeds from the sale of non-current assets and some Commonwealth assistance for providing water supply and sewerage services as they relate to the inland location of Canberra and also national capital influences. Other revenue decreased by $11m. The reason for the decrease was mostly the level of asset sales ($14.8m in 1998-99) being significantly less in the current year.

Expenses

This year's operating expenditure increased by $17m (6%) from $283m to $300m. Most of these increases in expenditure related to the increase in electricity purchase costs associated with higher electricity sales. The Company also incurred higher interest costs ($7.7m) associated with additional borrowings of $265m taken out by the Company to fund a $300m return of capital to the Territory.

Operating Profit

Overall, the $20m increase in the operating profit was mostly due to a decrease in income tax equivalents expense of $13m. This decrease arose from expected reductions in the corporate tax rate, and a $6m increase in assets received by the Company from developers free of charge. The

other variations in revenue and expenditure identified previously mostly offset each other.

28.5 CAPITAL RESTRUCTURING

ACTEW paid $300m of capital to the Government. This capital payment was mostly funded by borrowings of $265m with the balance of $35m being from ACTEW's available funds.

28.6 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.

ACTEW Corporation Limited Consolidated
Current Assets and Liabilities

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Current Assets			
Cash	1,350	1,027	1,979
Receivables	77,443	62,396	57,027
Investments	12,448	36,492	16,963
Inventories	7,281	5,836	6,007
Other	7,155	528	991
	105,677	**106,279**	**82,967**
Current Liabilities			
Creditors and Borrowings	61,902	31,386	27,479
Provisions	27,535	20,583	28,183
Other	11,793	8,377	3,887
	101,230	**60,346**	**59,549**
Current Ratio	1 to 1	1.8 to 1	1.4 to 1

The Company's current ratio has decreased significantly from 1.8 to 1 in 1998-99 to 1 to 1 in 1999-2000.

The significant decline in the Company's current ratio is mostly due to the previously mentioned capital payment by the Company to the Government

during the year. The need to fund the capital payment resulted in a significant increase in the Company's borrowings and significant reductions in investments. In addition, included in the provisions is $18.7m for the final dividend payable to the Government for the 1999-2000 year.

29 ACTEW ENERGY LIMITED

29.1 INTRODUCTION

ACTEW Energy Limited (the Company) is a wholly owned subsidiary of ACTEW Corporation Limited. The principal activities of the Company are to purchase electricity for the Company and ACTEW Corporation Limited, sell electricity to contestable customers, promote the products and services of ACTEW Corporation Limited and other related business activities.

Subsequent to balance date, the Company became the vehicle for ACTEW Corporation Limited's investment in the ActewAGL retail partnership.

The Company's results are consolidated into ACTEW Corporation Limited's financial statements.

29.2 AUDIT OF THE 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was issued to the Company on 11 August 2000.

29.3 FINANCIAL ANALYSIS

The following table summarises the Company's profit and loss statement.

ACTEW Energy Limited
Summary Profit and Loss Statement

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Revenue			
Sales revenue – electricity business	150,729	124,912	119,122
Other	117	182	319
Total revenue	**150,846**	**125,094**	**119,441**
Expenses			
Operating expenses	145,282	117,290	109,839
Total expenses	**145,282**	**117,290**	**109,839**
Operating profit before income tax equivalents expense	**5,564**	**7,804**	**9,602**
Income tax equivalents expense	2,009	2,811	3,452
Operating profit	**3,555**	**4,993**	**6,150**

Revenue and expense items

This year's sales increased by $25.8m from last year. This significant increase in sales was mostly due to the provision of electricity to new customers, mainly interstate customers. This increase in revenue was offset by $28m increase in operating expenses from $117.3m to $145.3m. Most of the increase in expenses related to the increased electricity purchase costs associated with the higher sales levels.

Overall, the increase in sales did not improve the operating result compared to last year as the increased sales were offset by increased expenses.

Operating result

The Company made an operating profit before income tax equivalents expense of $5.6m in 1999-2000, compared to $7.8m in 1998-99. This

year's operating profit of $3.6m was declared as a dividend to ACTEW Corporation Limited.

30 ACTEW INVESTMENTS PTY LIMITED

30.1 INTRODUCTION

ACTEW Investments Pty Limited (the Company) is a subsidiary of ACTEW Corporation Limited. The principal activities of the Company are to administer overseas contracts, market the skills of ACTEW employees in Australia and overseas and identify opportunities for contracting and consulting projects in Australia and overseas.

The Company effectively ceased business on 30 June 2000. Projects previously managed by the Company are now managed by the ActewAGL Joint Venture Partnership.

The Company's results are consolidated into ACTEW Corporation Limited's financial statements.

30.2 AUDIT OF THE 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was issued to the Company on 11 August 2000.

30.3 FINANCIAL ANALYSIS

The following table summarises the Company's profit and loss statement.

ACTEW Investments Pty Limited
Summary Profit and Loss Statement

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Revenue			
Sales revenue	1,727	2,380	2,129
Other revenue	780	780	1,481
Total revenue	**2,507**	**3,160**	**3,610**
Expenses			
Operating expenses	1,935	2,788	3,537
Total expenses	**1,935**	**2,788**	**3,537**
Operating profit before income tax equivalents expense	**572**	**372**	**73**
Income tax equivalents expense	208	137	7
Operating profit	**364**	**235**	**66**

This year the Company made an operating profit before income tax equivalents expense of $570,000. The operating profit of $364,000 was declared as a dividend to ACTEW Corporation Limited.

31 ACTEW CHINA PTY LIMITED

31.1 INTRODUCTION

ACTEW China Pty Limited (the Company) was incorporated on 31 October 1997 as a wholly owned subsidiary of ACTEW Corporation Limited. The principal activity of the Company was to seek business opportunities in the Peoples' Republic of China.

The Company's operations were restructured during the year to include all China based activities including some investments previously held by ACTEW Corporation Limited.

The Company's results are consolidated into ACTEW Corporation Limited's financial statements.

31.2 AUDIT OF THE 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was issued to the Company on 11 August 2000.

31.3 FINANCIAL ANALYSIS

The following table summarises the Company's profit and loss statement.

ACTEW China Pty Limited
Summary Profit and Loss Statement

	Actual 1999-00 $000	**Actual 1998-99 $000**	**Actual 1997-98 $000**
Revenue			
Sales revenue	15	0	0
Other revenue	8	0	0
Total revenue	**23**	**0**	**0**
Expenses			
Operating expenses	100	41	2
Total expenses	**100**	**41**	**2**
Operating loss before abnormal item	**(77)**	**(41)**	**(2)**
Abnormal item – Reduction in the investment provision	80	**0**	**0**
Operating profit/(loss) before income tax equivalents expense	**3**	**(41)**	**(2)**
Income tax equivalents expense	28	1	**0**
Operating profit/(loss)	**31**	**(40)**	**(2)**

32 ACTTAB LIMITED

32.1 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. The principal activities of the business also include ACTTAB Keno since November 1997.

32.2 SIGNIFICANT FINDINGS

- ***ACTTAB's operating profit after abnormal and extraordinary items and income tax equivalents, fell from $1.1m in 1998-99 to $710,000 in 1999-2000; and***

- ***Total turnover for 1999-2000 decreased by 5.7%, whilst expenditure rose by 1%.***

32.3 AUDIT OF THE 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion on the 1999-2000 financial statements was provided to the Company on 29 August 2000.

32.4 FINDINGS FROM THE AUDIT

As a result of the audit, a number of instances were identified where the Company's financial operations and internal controls could be improved. These instances have been notified to management with appropriate recommendations. Management has already implemented some of these recommendations.

32.5 FINANCIAL ANALYSIS

A summary of ACTTAB's Profit and Loss Statement follows.

ACTTAB
Profit and Loss Statement

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Operating revenue			
Commission on Turnover			
Commission	18,946	19,454	18,511
Unclaimed and Non-investment Dividends	383	307	294
Other Revenue	1,135	1,114	1,000
Total revenue	**20,464**	**20,875**	**19,805**
***Less* Total Operating Expenditure**	**19,691**	**19,684**	**19,825**
Operating profit (loss) before abnormals and income tax equivalents	773	1,191	(20)
Abnormal Items	263	70	42
Income Tax Equivalents	(329)	(168)	0
Operating profit (loss) after abnormals and income tax equivalents	707	1,093	22
Extraordinary Items	0	0	(710)
Operating profit (loss)	**707**	**1,093**	**(688)**

The operations of ACTTAB Limited resulted in an operating surplus of $770,000 before abnormal and extraordinary items and income tax equivalents compared to an operating profit of $1.19m in 1998-99. The decline in profits is mainly due to reduced turnover levels compared to the previous year.

Brief comment follows on ACTTAB's major sources of revenue and expenditure.

The main source of revenue is ACTTAB's commission on the amount of gambling 'turnover' (i.e. gambling receipts from racing, ACTTAB Keno and Footy TAB). A 5.7% fall in gambling turnover from $125.7m in 1998-99 to $118.5m in 1999-2000 resulted in a $508,000 (2.6%) decline in

ACTTAB's commission revenue from $19.5m in 1998-99 to $18.9m in 1999-2000.

Total Expenditure increased to $19.7m in 1999-2000, representing a minor increase of 1% on the 1998-99 financial year. Payments to the ACT racing industry fell during 1999-2000 as a result of the reduced turnover. However this was offset by the increase in operational costs due to an increase in staff related expenses and an increase in payments to the ACTTAB agency network as a result of ACTAB Limited's new enterprise bargaining agreement.

The abnormal revenue of $263,000 this year consists of a profit received on revaluation of properties and the successful claim for a refund of sales tax.

ACTTAB Limited is exempt from income tax under the provisions of the *Income Tax Assessment Act*. However, the Company is required to pay *Income Tax Equivalents* to the ACT Government in accordance with the *Territory Owned Corporations Act 1990*. In 1999-2000 *Income Tax Equivalents* attributable to operating profit were $329,000 ($168,000 for 1998-99).

32.6 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.

ACTTAB Current Assets and Liabilities

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Current Assets			
Cash	5,590	6,938	5,345
Receivable	507	210	1,789
Other	303	100	17
Inventories	63	62	88
	6,463	**7,310**	**7,239**
Current Liabilities			
Creditors and Borrowings	1,561	2,634	4,237
Provisions	1,104	1,545	1,020
	2,665	**4,179**	**5,257**
Current Ratio	2.4 to 1	1.7 to 1	1.4 to 1

The Company's current ratio (2.4 to 1) has increased significantly in 1999-2000 (1.7 to 1 in 1998-99), indicating a strong short-term financial position.

33 AGENTS BOARD OF THE ACT

33.1 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.

33.2 SIGNIFICANT FINDINGS

- ***The funds to be transferred from the Agents Fidelity Guarantee Fund to the Statutory Interest Fund have not been transferred due to the current review of the Agents Act 1968; and***

- ***Under the current Agents Act 1968, banks are not required to transfer interest earned on the Agents Accounts to the Agents Board. This issue was first raised in 1995 and is also being addressed in the current review of the legislation.***

33.3 AUDIT OF 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Justice and Community Safety on 24 July 2000.

33.4 MATTERS ARISING FROM THE AUDIT

The Agents Fidelity Guarantee Fund was established on 1 July 1992 with the purpose of protecting consumers from any licensed real estate, stock and station or business agent's failure to account for moneys held in trust accounts.

The *Agents Act 1968* provides that supplementation to the Fund can only be made from the operating surplus accumulated in prior years. The Board sought approval from the Minister to supplement the Fund by a further $500,000 from the 1997-98 operating surplus, however, approval was not granted, pending the outcome of the review of the *Agents Act 1968*.

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 is passed on to the Board. This issue is being examined in the current review of the *Agents Act 1968* and will be resolved in the near future.

33.5 FINANCIAL ANALYSIS

The following table summarises the Agents Board's Operating Statement.

Agents Board
Summary Operating Statement

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Revenue				
Bank Interest on Deposits	745	1,227	866	791
Registration and License Fees	92	102	100	95
Investment Interest	220	293	184	166
Other Revenue	0	0	18	0
Total revenue	**1,057**	**1,622**	**1,168**	**1,052**
Expenditure				
Board Costs	50	12	17	25
Employee Expenses	332	232	244	290
Office and Administration	130	72	81	82
Total expenses	**512**	**316**	**342**	**397**
Operating surplus	**545**	**1,306**	**826**	**655**

Comments follow on the Board's revenue and expenditure.

Total Revenue

The Board's revenue for the year totaled $1.6m. Total revenue was $454,000 higher than the prior year and exceeded budget by $565,000. The increase was mainly attributable to more revenue received from *Bank Interest on Agents Trust Accounts* and from *Investment Interest*.

Total Expenditure

Total reported expenditure decreased by $26,000 in 1999-2000 in comparison to 1998-99 and below the budgeted estimate by $196,000. The decrease was largely due to the less Board Meetings held than originally budgeted for and the employment of part-time staff to fill positions originally held by full-time staff.

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 its budget.

33.6 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

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Current Assets			
Cash	198	19	300
Receivables	231	123	125
Investments	5,430	4,435	3,287
	5,859	**4,577**	**3,712**
Current Liabilities			
Creditors and Accruals	62	87	5
Fees Paid in Advance	50	66	72
Provisions	32	28	61
	144	**181**	**138**
Current Ratio	41 to 1	25 to 1	27 to 1

The Board's current ratio reflects a very strong financial position.

34 BUILDING & CONSTRUCTION INDUSTRY TRAINING FUND BOARD

34.1 INTRODUCTION

The Building and Construction Industry Training Fund Board was established as a statutory authority on 22 November 1999.

The principal objective of the Board is to make training grants for skills identified as being in short supply to people in eligible occupations and eligible employment within the building and construction industry.

34.2 AUDIT OF 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Education and Community Services on 30 November 2000.

34.3 FINANCIAL ANALYSIS

The following table summarises the Board's Operating Statement for the period 22 November 1999 to 30 June 2000.

Building and Construction Industry Training Fund Board
Operating Statement

	Actual 22/11/99 to 30/06/00 $000
Revenue	
Levy Income	380
Interest	2
Total revenue	**382**
Expenses	
Employee Expenses	13
Administrative Expenses	48
Board Members' Fees	12
Total expenses	**73**

Brief comments follow on the Board's revenue and expenditure.

Revenue Items

The main source of income for the period was levies collected under the *Building and Construction Industry Training Fund Levy Act 1999*. Under this legislation owners of eligible building and construction work are required to pay a levy equal to 0.2% of the total value of the work.

Expenditure Items

The main source of expenditure was administrative in nature with the majority of this relating to the costs associated with establishing the Board. Other costs of the Board related to the employment of staff and payment of Board members' remuneration.

35 CANBERRA INSTITUTE OF TECHNOLOGY

35.1 INTRODUCTION

The Canberra Institute of Technology (CIT or the Institute) 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 for the purpose of fostering excellence 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.

35.2 SIGNIFICANT FINDINGS

- ***CIT's non-current assets (land and buildings) were revalued as at***

31 December 1999. The revaluation resulted in a net decrement of $16.4m, which was reported as an abnormal expense;

- ***CIT's operating loss increased from $6.3m in 1998 to $20.7m in the current year mainly due to the abnormal expense arising from the asset revaluation; the 1999 operating loss was also higher than the budgeted loss of $5.7m by $15m; and***

- ***Capital works expenditure was $3.0m less than the capital injection paid to the Institute because of delays in commencing projects.***

35.3 AUDIT OF THE 1999 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Education and Community Services on 21 March 2000.

35.4 MATTERS ARISING FROM THE AUDIT

A number of instances were identified during the audit where the Institute's financial operations could be improved or where internal controls were not operating satisfactorily. These instances were notified to management with appropriate recommendations.

35.5 FINANCIAL ANALYSIS

Revenue Items

Total revenue decreased by $5.6m or 7% compared to last year's actual and was below budget by $1.4m or 1.9%.

The most significant portion of the decrease in revenue was attributable to a fall in revenue provided from Government Sources. This was mainly due to purchase agreement payments to the CIT from the Department of Education and Community Services being reduced. The reduced payments related to the provision of public access courses. The decrease was from $52m in 1998 to $48m in 1999. The reduction in funding reflected an agreed savings program.

The injection for operations received by CIT for the year increased to $8.7m compared to last year's actual of $3.5m. The amount of the injection for operations received in 1998 represented Government funding for a 6-month period (July to December 1998) while the amount received in 1999 was for a 12-month period.

The following table summarises CIT's Operating Statement.

Canberra Institute of Technology
Summary Operating Statement

	Budget 1999 $000	Actual 1999 $000	Actual 1998 $000
Revenue			
Government sources			
Fees for public access courses and Government funding	48,326	47,675	52,059
Injection for Operations	8,869	8,869	3,480
Liabilities Assumed by Government	0	0	2,759
Resources Received Free of Charge	80	31	3,637
	57,275	56,575	61,935
Other sources			
Student fees and labour market programs	14,365	13,641	13,734
Interest	280	298	438
	14,645	13,939	14,172
Total Revenue	**71,920**	**70,514**	**76,107**
Expenditure			
Salaries and Wages	*	38,976	42,322
Long Service and Annual Leave	*	3,431	4,379
Superannuation	*	6,585	7,022
	49,841	48,992	53,723
Administrative expenses			
Materials	*	6,329	5,388
Consultants and Contractors	*	2,326	1,967
Property and Equipment Maintenance	*	8,147	9,077
Operating Leases	*	1,502	1,070
InTACT Equipment Charges	*	0	3,557
Other	*	2,299	2,654
	22,776	20,603	23,713
Depreciation	4,022	4,008	3,859
Interest and Other	977	1,182	1,075
Total expenses	**77,616**	**74,785**	**82,370**
Operating Loss Before Abnormal Items	**(5,696)**	**(4,271)**	**(6,263)**
Abnormal Items	0	(16,384)	0

Operating Loss	**(5,696)**	**(20,655)**	**(6,263)**

Note: * No detailed breakdowns of Employee and Administrative Expenditure was provided in the 1999 Budget Papers.

Expenditure Items

Total expenses fell by $7.6m or 9% from last year and was $2.8m or 4% lower than budget.

The net decrease in Total Expenses of $7.6m from last year was mainly due to a fall in employee expenses of $4.7m brought about by a reduction in staff.

Administrative expenses fell by $3.6m from $23.7m in 1998 to $20.1m in 1999. Total administrative expenses for the year were $2.2m less than the budgeted figure of $22.8m.

Within administrative expenses material expenses rose by $940,000 (or 17%) mainly due to the purchase of new software and increased charges by InTACT for software and hardware usage. Payments to consultants and contractors also increased by $360,000 (18%) primarily due to an increase in the number of staff on contract during the year. These increases were offset by a reduction in property and equipment maintenance costs by $930,000 (10%) as a result of reduced expenditure in property maintenance and purchase of equipment.

Operating Result

For the year ending 31 December 1999, the Canberra Institute of Technology reported an operating loss of $20.7m compared to $6.3m in 1998. Abnormal expenses of $16.4m were due to a decrement on revaluation of the Institute's land and buildings undertaken during 1999 which was not anticipated in the budget. As a result the operating loss for the year was significantly greater than the budgeted loss of $5.7m.

35.6 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.

Canberra Institute of Technology
Current Assets and Liabilities

	Actual 1999 $000	Actual 1998 $000	Actual 1997 $000
Current Assets			
Cash	579	544	405
Receivables	3,870	2,216	5,269
Investments	4,950	4,665	5,420
Other	838	744	649
	10,237	**8,169**	**11,743**
Current Liabilities			
Creditors	1,451	1,130	2,073
Other	2,531	1,335	1,571
Finance Leases	0	52	47
Employee Entitlements	5,900	5,632	5,902
	9,882	**8,149**	**9,593**
Current Ratio	1.0 to 1	1.0 to 1	1.2 to 1

With a ratio of 1.0 to 1 indications are that the Institute will have to manage its liquid resources carefully if it is to avoid problems emerging in meeting its commitments as they fall due.

35.7 CAPITAL WORKS

The following table shows the capital works expenditure of CIT for the year ended 31 December 1999.

Canberra Institute of Technology
Capital Works Expenditure

	Budget 1999 $000	Actual 1999 $000
ANTA Capital Works	2,880	386
CIT/ACT Public Works	2,665	2,167
Total	**5,545**	**2,553**

CIT advised that the budget for the Australian National Training Authority (ANTA) Capital Works was for the refurbishment of the Reid Campus to relocate the School of Applied Arts and Design from Watson Campus. The work on this project commenced in December 1999 with very little expenditure incurred in that year. The unspent funds in 1999 are to be spent in 2000.

36 CANBERRA PUBLIC CEMETERIES

36.1 INTRODUCTION

The principal activities of the Canberra Public Cemeteries Trust consist of the management and operation of the Gungahlin, Hall and Woden cemeteries. The Trust operates pursuant to the provisions of the *Cemeteries Act 1933*. The Trust aims to operate the cemeteries in a sustainable manner and on a user pays principle to minimise the cost to the Government and the community.

36.2 AUDIT OF THE 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Urban Services on 28 August 2000.

36.3 FINANCIAL ANALYSIS

Revenue Items

The Trust's revenue decreased by $14,000 (1%) to $1.1m in 1999-2000. The decrease was attributable to the Trust receiving no government payment for output in 1999-2000 ($234,000 in 1998-99). This was offset

by increases in user charges – non Government and interest revenue during the year.

User Charges - Non Government includes revenue received from the public for allotment fees and reservation fees, burial fees, maintenance fees, sale of plaques, monuments and vaults and memorial permit fees. User Charges increased in 1999-2000 by $194,000 or 24%, primarily due to the increase in the number of burials from 434 in 1998-99 to 527 in 1999-2000 and an increase in fees by 10%.

The following table summarises the Trust's Operating Statement.

Canberra Cemeteries
Summary Operating Statement

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Revenue				
User Charges – Non Govt.	1,101	1,004	810	695
Government Payment for Output	0	0	234	230
Interest	135	96	73	73
Other	0	15	12	17
Total revenue	**1,236**	**1,115**	**1,129**	**1,015**
Expenditure				
Employee Expenses	400	399	368	296
Administrative Expenses	500	534	492	678
Depreciation	185	253	213	191
Interest	7	0	0	0
Total expenses	**1,092**	**1,186**	**1,073**	**1,165**
Operating Surplus (Loss)	**144**	**(71)**	**56**	**(150)**

Comments on the major sources of revenue and expenditure items which show significant variations from prior year's results or the budget are as follows.

Expenditure Items

Employee Expenses increased by $57,000 or 17% in 1999-2000. The increase was mainly due to the hiring of two additional staff to perform

burial services and ground maintenance at the Woden and Gungahlin Cemeteries.

Administrative Expenses increased by $16,000 or 3% in 1999-2000 compared to the previous year. The increase was mainly due to additional costs associated with improving burial areas and other administrative expenses, which increased by $77,000. Costs of handling fees to funeral directors, plaques, monuments and vaults also increased by $27,000 resulting from increased number of burials during the year. Increases in these items were mainly offset by decreases in grave digging and ground maintenance expenses. The fall in grave digging and ground maintenance expenses by $62,000 was due to the employment of two salaried staff to replace the contractors during the year.

Depreciation expense increased by $40,000 (19%) compared to 1998-99 and $68,000 (37%) against the 1999-2000 budget. The variations were mainly due to the construction of a security fence at the Woden Cemetery and acquisition of additional equipment for grave digging and ground maintenance.

Operating Result

As a result of the decreased revenue and the increase in operating expenses, the Trust has moved from an operating profit of $56,000 in 1998-99 to an operating loss of $71,000 in 1999-2000.

Conclusion

From the review of financial statements and the explanations for variations from prior year's results and budget, it is concluded that the Trust, in an overall sense, managed its operations satisfactorily during 1999-2000.

36.4 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.

The Trust has maintained its current ratio constant at 7 to 1 for the third consecutive year. This indicates that the Trust's short-term financial position is satisfactory. However, the Trust has significant non-current liabilities for deferred maintenance fees and burial fees received in advance. These will need to be met from the Trust's investments.

Canberra Cemeteries
Current Assets and Liabilities

	Actual 1999-00 $'000	Actual 1998-99 $'000	Actual 1997-98 $'000
Current Assets			
Cash	692	461	99
Receivables	24	84	69
Investments	1,419	1,079	1,083
Other	4	7	2
	2,139	**1,631**	**1,253**
Current Liabilities			
Creditors and Borrowings	37	34	34
Provisions	49	44	38
Other	209	148	104
	295	**226**	**176**
Current Ratio	7 to 1	7 to 1	7 to 1

37 CANDELIVER LIMITED

37.1 INTRODUCTION

CanDeliver Limited was incorporated as a public company on 22 September 1997 under the Corporations Law and the *Territory Owned Corporations Act 1990* and commenced trading on 1 October 1997. CanDeliver Limited entered into a member's voluntary liquidation on 30 June 2000 with the view to the Company being wound up.

Whilst in operation, the Company provided a range of prime contracting and contract management services primarily to government clients.

37.2 AUDIT OF 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the members of the Company on 16 October 2000.

37.3 OPERATIONS IN 1999-2000

In December 1999 the Board of CanDeliver Limited recommended to the Government Ministers who were the Company's shareholders that the company's business operations should be discontinued. This recommendation was made on the basis of the Company's financial position and the prospect of not being able to break-even for some time. The recommendation was accepted.

To assist in delivering its services, CanDeliver had contracted Rel Corp Management Services Pty Ltd to operate a business centre. Rel Corp agreed to purchase CanDeliver's existing contracts and assumed control of operations on 1 January 2000. The sale of the contracts to Rel Corp was completed when all contracts signed on 24 May 2000.

37.4 FINANCIAL ANALYSIS

The following table summaries the Company's profit and loss statement.

CanDeliver
Summary Profit and Loss Statement

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000
Revenue			
Sales	3,715	1,275	1,117
Other	0	0	320
Interest	2	15	5
Total revenue	**3,717**	**1,290**	**1,442**

Expenses			
Employment Expenses	265	163	326
Administrative Expenses	4,344	1,649	1,852
Other	3	0	54
Total expenses	**4,612**	**1,812**	**2,232**
Operating Loss before Abnormal and Extraordinary Items	**`(895)**	**(522)**	**(790)**
Abnormal Items	1,850	0	0
Profit on Extraordinary Items	0	1,604	0
Operating Profit (Loss)	**955**	**1,082**	**790**

The reduction in revenue and expenditure is directly attributable to the decision in December 1999 to cease operations. Had CanDeliver completed a full year of operations, it is likely that revenue and expenditure would have exceeded the previous year's result.

The extraordinary revenue in 1999-2000 was the ACT Government's contribution to the start up costs of the company as well as the net profit on sale of the business, less the costs of winding up. An $850,000 loan from the Government was repaid in August 1999.

38 CASINO SURVEILLANCE AUTHORITY

38.1 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 supervised the operation of the casino in Canberra and provided policy advice to the Government on related matters.

The Authority was abolished on 30 November 1999. Its assets, liabilities and functions were transferred to the newly formed Gambling and Racing Commission, established on 1 December 1999 under *Section 5* of the *Gambling and Racing Control Act 1999*.

Comments on the Commission are provided in this Report under the heading 'Gambling and Racing Commission'.

38.2 AUDIT OF FINANCIAL STATEMENTS

An ***unqualified*** audit opinion on the financial statements of the Authority for the 5-month period ended 30 November 1999 was provided to the Chief Minister on 24 August 2000.

38.3 FINANCIAL ANALYSIS

The Authority reported total revenue of $260,000 for its 5 months' operations, with *Casino Licence Fee* of $240,000 as its major source of revenue. Since the Authority had sufficient funds to operate for the 5-month period, no Government funding was appropriated to the Authority. Total expenses for the period amounted to $400,000, of which $300,000 related to payments of employee entitlements.

The Authority reported an operating loss of $150,000.

39 CENTRAL FINANCING UNIT

39.1 INTRODUCTION

The Central Financing Unit (CFU) is responsible for the funds management activities of the Government through the CFU Departmental account. The CFU manages the Government's surplus cash balances 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, which is responsible for paying appropriations for *Government Payment for Outputs, Expenditure on Behalf of the Territory* and *Capital Injection Payments* to the

departments in accordance with each year's Appropriation Acts. The CFU is also responsible for debt servicing payments and the administration of the Territory's debt portfolio.

39.2 SIGNIFICANT FINDINGS

- ***The CFU achieved investment returns on its cash enhanced fund of 5.6% against a benchmark of 5.6%, and on its fixed interest fund of 14.5% against a benchmark of 12.1%.***

39.3 AUDIT OF THE 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Chief Minister on 29 September 2000.

39.4 FINANCIAL ANALYSIS

The following table summarises the CFU's Operating Statement.

Central Financing Unit
Summary Operating Statement

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Debt Servicing Interest From Clients	21,052	30,149	23,599	22,570
Income From Market Investments	20,930	22,355	18,074	19,269
Total revenue	**41,982**	**52,504**	**41,673**	**41,839**
Interest on Market Investments	30,097	30,611	26,432	30,717
Interest Paid to Client	8,433	17,747	10,214	8,336
Administration (including Employee)	646	706	686	608
Total expenses	**39,176**	**49,064**	**37,332**	**39,661**
Operating Profit	**2,806**	**3,440**	**4,341**	**2,178**

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

DEPARTMENTAL TRANSACTIONS

Revenue

Revenue from *Debt Servicing Interest From Clients* increased by $6.6m or 28% in 1999-2000. The CFU's 'clients' are ACT Government departments and agencies. The increased revenue was due to interest received from ACTEW on a loan for $265m that was made earlier than anticipated. The loan was expected to commence on 30 June 2000, however the majority was taken up in January 2000.

Income from Market Investments increased from $18.1m in 1998-99 to $22.4m in 1999-2000 predominantly due to the CFU having a higher level of investments than in the previous year. The CFU invests in a cash enhanced fund and a fixed interest fund managed by external Fund Managers.

Expenditure

Operating expenses rose by $11.7m during 1999-2000 to $49.0m. The increase was due to a rise in *Interest on Borrowings* of $4.2m and *Interest Paid to Clients* of $7.5m.

Interest on Borrowings increased due to higher levels of borrowings (current and non-current) during 1999-2000 of $535m compared to 1998-99 of $275m. Higher interest was paid mainly due to the new loan raised on behalf of ACTEW.

Interest Paid to Clients increased as a result of higher levels of investment during the year than anticipated. The CFU advised that departments and agencies usually invested their appropriations allocated fortnightly with the CFU until the funds were actually needed. The amount of funds invested by departments and agencies fluctuated throughout the year. Higher interest was also paid to clients as a result of better investment returns achieved by the CFU during the year (5.6%) compared to the previous year (4.96%).

Investment Performance

The CFU had two investment funds operating during the year; a cash enhanced fund and a fixed interest fund.

The cash enhanced fund had a benchmark target based on Australian Bank Bill Index with a target return of 5.58%. The CFU's performance for the year was 5.6% after fees paid to the investment fund managers.

In April 2000 the CFU entered into a fixed interest fund with National Australia Asset Management. The benchmark target was based on 50% Treasury Bond 0-5 year index and 50% Semi-Government Bond 0-5 year index, which resulted in a target of 12.1% per annum. The CFU's fixed interest fund achieved a return of 14.5% adjusted for the year.

Profitability

The CFU's operating profit for 1999-2000 was $3.4m, which was a 21% decrease compared to the 1998-99 result of $4.3m. The decrease in profit was primarily due to the increased interest payments to agencies made during the year.

The CFU paid $3m in dividends to the Government, which was equal to the budget and the previous year.

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 *Section 3: Discussion and Analysis of Whole of Territory Financial Results* of this Report. As the CFU's Territorial transactions are reflected in the Consolidated Statement no analysis is presented here.

39.5 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 CFU's current assets and current liabilities for the last three years are presented in the following table.

Central Financing Unit Current Assets and Liabilities	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000

Current Assets			
Receivables	84,617	19,000	27,196
Investments	421,473	277,146	246,487
	506,090	**296,146**	**273,683**
Current Liabilities			
Creditors and Borrowings	166,476	101,912	69,100
Client Contributions	398,512	254,244	224,827
Provisions	52	54	36
	565,040	**356,210**	**293,963**
Current Ratio	0.90 to 1	0.83 to 1	0.93 to 1

The CFU's current ratio has increased slightly in 1999-2000 to 0.90:1 from 0.83:1 in 1998-99. At present, the CFU's financial position should not present problems. Creditors and Borrowings represent debt that can be rolled over. Client Contributions are almost all deposits from other ACT Government agencies. As such they do not represent a liquidity risk.

The CFU has advised that "*The current ratio reflects the funding of long term liabilities using short term floating rate debt. This debt is continually being rolled over and does not require a call on the amount of current assets. CFU does not believe it will have any difficulty meeting its short-term commitments, due to the nature of its operations.*"

40 CIT SOLUTIONS PTY LIMITED

40.1 INTRODUCTION

CIT Solutions Pty Limited 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.

40.2 AUDIT OF 1999 FINANCIAL STATEMENTS

An ***unqualified*** audit report was issued to the Company on 2 March 2000.

41 COMMUNITY CARE

41.1 INTRODUCTION

ACT Community Care has a contract with the Department of Health and Community Care to provide specific outputs to achieve health outcomes for the community. ACT Community Care also has contracts with other ACT Government and non–ACT Government organisations to provide community health and disability services.

ACT Community Care provides community based 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.

41.2 AUDIT OF THE 1999-2000 FINANCIAL STATEMENTS

An *unqualified* audit opinion was provided to the Minister for Health and Community Care on 10 August 2000.

41.3 SIGNIFICANT FINDINGS

- ***ACT Community Care performed better than its budgeted operating loss by $2.4m due to delays in expenditure associated with the Community Health Information System project, lower than expected workers' compensation and depreciation expenses and higher than expected revenue from non ACT Government sources; and***

- ***Capital works expenditure was $600,000 less than the budget of $1.1m due to delays in the Community Health Information System project.***

41.4 FINANCIAL ANALYSIS

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

Community Care
Summary Operating Statement

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Revenue				
Government sources				
Revenue for the provision of health services	65,763	69,893	54,942	48,682
Injection for Operations	400	400	581	0
Superannuation liability assumed	0	0	0	3,938
Resources received free of charge	1,030	1,015	437	34
	67,193	71,308	55,960	52,654
Other sources				
Inpatient fees and non inpatient fees, meals, rentals, grants and service fees	2,520	3,451	2,763	2,250
Interest and other	185	956	633	1,846
	2,705	4,407	3,396	4,096
Total revenue	**69,898**	**75,715**	**59,356**	**56,750**
Expenditure				
Employee expenses				
Salary and wages	*	39,743	31,680	28,930
Long service and annual leave	*	2,415	2,426	3,171
Workers compensation premiums	*	800	1,041	2,129
Superannuation	*	6,233	5,358	4,893
Other employee expenses	*	2,238	939	1,276
	51,722	51,429	41,444	40,399
Administrative and other expenses				
Agency/non-contract staff	*	4,159	2,022	1,637
Property, plant and equipment expenses	*	612	667	981
Lease and hire expenditure	*	4,987	4,060	4,044
Utilities	*	1,220	1,110	1,187
Payment to provider for payroll, asset management, financial and records management services	*	995	805	950
Medical, surgical and special services				

supplies	*	2,182	946	868
Depreciation	1,093	871	693	2,005
Sponsorship and grants	*	1,299	1,265	0
Other	*	9,235	5,926	5,993
	21,836	25,560	17,494	17,665
Total expenses	**73,558**	**76,989**	**58,938**	**58,064**
Operating Surplus (Loss)	**(3,660)**	**(1,274)**	**418**	**1,314**

Note:* The breakdown of these expenses in the budget column are unavailable as the budget does not separately identify these amounts.

Revenue Items

At $75.7m total revenue was $5.8m higher than the budgeted revenue of $69.9m and $16.4m higher than the prior year's revenue of $59.4m.

Revenue Comparison with Budget

Community Care's revenue exceeded budget by $5.8m due to additional funding from by the ACT Department of Health and Community Care for existing and new health programs. Several new health services were provided during the year, the most significant being the $1.1m COOOL Houses (Canberra's Own Options Of Living) project. This project involves moving people with acquired disabilities from nursing homes to group houses.

Community Care also received an additional $1.1m over budget to cover the cost of IT modernisation.

Revenue Comparison with Prior Year's Actual

The increase in revenue of $16.4m compared to the prior year was mainly due to the transfer of the Allied Health Services unit from The Canberra Hospital ($7.2m), increased payments for services from the Department of Health and Community Care ($4.1m) and additional revenue ($3.7m) for allied health services provided to inpatients at The Canberra Hospital. In addition, revenue from health and disability programs provided on a fee for service basis have continued to rise in recent years particularly for the methadone program and disability clients from NSW.

Expenditure Items

At $77m, overall expenditure was $3.4m higher than the budgeted expenditure of $73.6m and $18m higher than the prior year's expenditure of $58.9m.

Expenditure Comparison with Budget

Expenditure exceeded the budget by $3.4m because of purchase contract variations agreed to with the Department of Health and Community Care. These variations resulted in additional expenditure on health services including alcohol and drug reform and services ($600,000), COOOL House program ($1.1m), individual funding arrangements ($400,000) and funding for additional outputs ($400,000). ACT Community Care also spent an additional $1.1m over budget on IT modernisation.

Expenditure Comparison with Prior Year Actual

The increase of $18m in expenditure was due to increases in employee expenses ($10m) and other expenses ($8m).

The increase in *employee expenses* was budgeted for and mainly arose from the increase in services provided by Community Care during the year and the transfer of Allied Health staff from The Canberra Hospital. There were also increased expenses associated with additional services purchased by the Department of Health and Community Care.

The general increase in services including the transfer of Allied Health also has had the effect of increasing *other expenses.* Increases were noted in agency and contract staff costs ($2.1m), medical and surgical supplies ($1.2m), lease and hire expenditure ($900,000) and most other categories of expenditure.

Operating Result

ACT Community Care performed better than its budgeted operating loss by $2.4m mainly due to delayed expenditure, particularly on salary and training expenses relating to the Community Health Information System project which has been delayed, lower than expected workers' compensation and depreciation expenses and higher than expected

revenue from non-ACT Government sources (including interest and fees and charges revenue).

Conclusion

ACT Community Care performed better than its budgeted operating loss by $2.4m. From the audit review of the financial statements and the explanations for variations from budget the conclusion has been drawn that ACT Community Care in an overall sense managed its finances to its budget.

41.5 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 three years are presented in the following table.

Community Care
Current Assets and Liabilities

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Current Assets (excluding prepayments)			
Cash	374	186	323
Receivables	564	402	382
Investments	2,349	2,895	2,360
Inventories	0	266	187
	3,287	**3,749**	**3,252**
Current Liabilities			
Creditors	2,367	1,123	1,304
Employee Entitlements	6,554	4,667	4,248
Other	124	11	388
	9,045	**5,801**	**5,940**
Current Ratio	0.4 to 1	0.6 to 1	0.5 to 1

The ACT Community Care current ratio of 0.4 to 1 has deteriorated from last year. The deterioration in the current ratio is mostly due to the increase in current employee entitlement liabilities resulting from the

transfer of Allied Health Services' staff from The Canberra Hospital to ACT Community Care.

A low current ratio indicates that ACT Community Care is being funded at a level which is only just sufficient to meet its obligations as they fall due. As most of its revenue is received from Government sources any problem in meeting commitments as they fall due should be manageable. ACT Community Care will need to manage its financial assets carefully to ensure it does not have problems in this regard.

41.6 CAPITAL WORKS

Expenditure on capital works was budgeted at $1.1m in 1999-2000. ACT Community Care received a capital injection of $1.1m to cover this expenditure and spent $442,000 as detailed in the following table.

Community Care
Summary of Capital Works Expenditure

Project	Financed from Current Year Capital Works Budget $'000	Capital Works Budget $'000	Over (Under) Spend $'000
Phillip Health Centre	25	25	0
Community Health Information System	196	830	(634)
Minor New Works	221	221	0
Total Capital Works	**442**	**1,076**	**(634)**

Agency Explanation for Variances from Budget

ACT Community Care has advised that the under expenditure relates to the Community Health Information System. The significant under expenditure is due to delays in the project caused by problems in the development of the software. An alternative information system is being developed and the unexpended funds will be carried over for expenditure to next year.

42 CONSTRUCTION INDUSTRY LONG SERVICE LEAVE BOARD

42.1 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. The rate can be varied through a determination by the Minister for Urban Services.

42.2 SIGNIFICANT FINDINGS

- ***The Board continues to hold funds in excess of its estimated liabilities for long service leave payments. As at 30 June 2000 the excess was estimated at $23m.***

42.3 AUDIT OF 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Urban Services on 29 August 2000.

42.4 OPERATING RESULTS

The following table summarises the Board's Operating Statement for recent years.

Construction Industry Long Service Leave Board
Summary Operating Statement

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Revenue			
Contributions from employers	1,171	1,162	1,053
Income from investments	2,160	2,060	1,246
Net rental income	700	1,025	954
Revenue from other sources	63	69	63
Total revenue	**4,094**	**4,316**	**3,316**
Expenses			
Depreciation and amortisation	112	109	119
General and administrative costs	283	250	251
Long service leave benefits	1,426	1,974	2,041
Accrued long service leave liability	300	1,300	300
Salaries and on cost	387	336	364
Training fund levy	0	0	282
Other	50	39	39
Total expenses	**2,558**	**4,008**	**3,396**
Operating Surplus (Loss)	**1,536**	**308**	**(80)**

The Board reported an operating surplus of $1.5m for the year ended 30 June 2000 compared to a surplus of $308,000 in the previous year.

The improved operating result is attributable to a significant decrease in expenses particularly long service leave benefits and accrued long service leave liability expense. The decrease in long service leave is largely due to fewer people taking leave due to increased activity in the construction industry during the year.

The value of investments has increased by $2.0m and the Board maintains a strong financial position. The Board continues to hold funds well in excess of its estimated liabilities for long service leave payments. As at 30 June 2000, the excess was $23m.

42.5 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.

Construction Industry Long Service Leave Board
Current Assets and Liabilities

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Current Assets			
Investments	31,497	29,477	27,891
Receivables	452	335	277
Cash	84	270	106
Other	16	13	18
	32,049	**30,095**	**28,292**
Current Liabilities			
Creditors and Borrowings	149	107	166
Provisions	2,000	2,200	2,000
	2,149	**2,307**	**2,166**
Current Ratio	15 to 1	13 to 1	13 to 1

The Board has an extremely good current ratio of 15 to 1. This was a further improvement on the previous year's ratio of 13 to 1, and illustrates that the Board continues to have a very strong financial position.

43 CULTURAL FACILITIES CORPORATION

43.1 INTRODUCTION

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

43.2 AUDIT OF 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Chief Minister on 27 August 2000.

43.3 SIGNIFICANT FINDINGS

- ***In 1999-2000 the Cultural Facilities Corporation received Government Payment for Outputs of $6.1m (1998-99 $6.1m) which equates to a Government subsidy of $16.98 per visitor/patron per visit to facilities managed by the Corporation in 1999-2000 compared to $20.95 per person/visitor 1998-99.***

43.4 FINANCIAL RESULTS

The following table summarises the Corporation's Operating Statement.

Cultural Facilities Corporation
Summary Operating Statement

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000
Revenue			
Appropriations Received	6,124	6,124	6,054

User Charges Non ACT Government	2,480	3,129	2,592
Other Revenue	30	115	119
Total revenue	**8,634**	**9,368**	**8,765**
Expenditure			
Salaries and Related Expenditure	3,782	4,173	3,680
Depreciation and Amortisation	1,161	1,121	1,121
Administrative Expenditure	4,619	4,742	4,381
Other Operating Expenditure	103	34	53
Total expenses	**9,665**	**10,070**	**9,235**
Operating Loss	**(1,031)**	**(702)**	**(470)**

The Cultural Facilities Corporation reported an operating loss of $700,000 for the financial year. This compares with a budgeted operating loss of $1.03m.

The better than budgeted result was brought about by total revenue being 9% above budget whereas total expenditure was only 4% over budget. Own source revenue was above budget in 1999-2000 with the Corporation budgeting for 29% of own source revenue as a percentage of total expenditure, however, achieving 32.2%. Own source revenue consists of donations and sponsorships, venue hire, ticket sales, entry fees and sales of product.

Salaries and Administration expenditures were over budget. The additional cost were generated by the Corporation attracting more visitors/patrons to its facilities, holding more temporary exhibitions than planned, conducting more education and public programs than anticipated and the Canberra Theatre Centre's venues being used in excess of the target budgeted for.

The inherent nature of the Corporation'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 hiring and internal programming events, and associated box office ticket sales, and hence directly related costs and revenues, are highly variable.

Government Subsidy

During the year, the total number of visitors/patrons to facilities managed by the Corporation was 360,754. *Government Payment for Outputs* to the Corporation was $6.1m. Using these figures as a base means the Government paid a subsidy of $16.98 for each person who visited the Corporation's facilities in 1999-2000. This is almost $4 less than the subsidy paid in 1998-99 of $20.95 per person.

43.5 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 below represents the Corporation's current ratio for the 1999-2000 financial year against its budget.

Cultural Facilities Corporation
Current Assets and Liabilities

	Budget 1999-00 $000	**Actual 1999-00 $000**	**Actual 1998-99 $000**
Current Assets			
Cash	498	1,226	710
Receivables	428	450	428
Inventories	38	34	38
Other	133	159	133
	1,097	**1,869**	**1,309**
Current Liabilities			
Creditors and Accruals	91	608	293
Employee Provisions	335	307	260
Revenue in Advance	48	106	48
	474	**1,021**	**601**
Current Ratio	2.3 to 1	1.8 to 1	2.2 to 1

The Corporation's current ratio is 1.8 to 1, which indicates the Corporation's short-term financial position is sound.

43.6 CAPITAL WORKS

Expenditure on capital works was budgeted at $354,000 in 1999-2000 to cover minor new works at the Canberra Theatre and Civic Square Development. These works were completed in 1999-2000 at a cost of $290,000. The unspent balance of $64,000 was returned to the Government.

44 ECOWISE ENVIRONMENTAL LIMITED

44.1 INTRODUCTION

ECOWISE Environmental Limited (the Company) is a subsidiary of ACTEW Corporation Limited.

The principal activities of the Company include water and related environmental monitoring, provision of water resources and flood analysis consulting services, soil and air monitoring and analysis, wetland and sediment trap design.

The Company's results are consolidated into ACTEW Corporation Limited's financial statements.

44.2 AUDIT OF THE 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was issued to the Company on 11 August 2000.

44.3 FINANCIAL ANALYSIS

This year the Company made an operating profit before income tax equivalents expense of $200,000, compared to $4,000 last year. The Company derived its revenue from ACTEW Corporation Limited (35%) and other market sectors (65%).

The following table summarises the Company's Profit and Loss Statement.

ECOWISE Environmental Limited
Summary Profit and Loss Statement

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Revenue			
Sales revenue	7,882	6,132	5,727
Applied research and development for parent entity	471	471	500
Other revenue	61	60	372
	8,414	**6,663**	**6,599**
***Less* Operating expenses**	**8,211**	**6,659**	**6,930**
Operating profit/(loss) before abnormal items and income tax equivalents	**203**	**4**	**(331)**
Abnormal Items	0	0	(65)
Income tax equivalents expense	39	183	176
Operating profit (loss)	**164**	**187**	**(220)**

45 ECOWISE SERVICES LIMITED

45.1 INTRODUCTION

ECOWISE Services Limited (the Company) is a wholly owned subsidiary of ACTEW Corporation Limited. The Company's main business was electrical contracting, equipment distribution and energy management consulting.

Subsequent to 30 June 2000, the Company has become the vehicle for ACTEW Corporation Limited's investment in ActewAGL distribution partnership.

The Company's results are consolidated into ACTEW Corporation Limited's financial statements.

45.2 OPERATIONS IN 1999-2000

In 1998-99 the Company ceased trading activities following a management buyout of most of the assets and liabilities of the Company. This year there were no significant transactions.

45.3 AUDIT OF THE 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was issued to the Company on 11 August 2000.

45.4 FINANCIAL ANALYSIS

The following table summarises the Company's Profit and Loss Statement.

ECOWISE Services Limited
Summary Profit and Loss Statement

	Actual 1999-00 $000	**Actual 1998-99 $000**	**Actual 1997-98 $000**
Revenue			
Sales revenue	7	3,055	7,101
Other revenue	0	36	167
	7	**3,091**	**7,268**
Expenses			
Operating expenses	5	3,067	7,149
Operating profit before income tax equivalents	2	24	119
Income tax equivalents	(1)	267	(125)
	1	291	(6)
Abnormal items	0	0	219
	1	291	213

Extraordinary Items			
Loss on sale of business	0	(120)	0
Income tax benefit	0	43	0
Operating Profit	**1**	**214**	**213**

Revenue and expense items

The only revenue was the recovery of a $7,000 debt previously thought to be unrecoverable. Expenses of $5,000 related to audit, legal and Australian Securities Investment Commission fees.

Operating result

The Company made an operating profit of $1,000 compared to last year's operating profit of $214,000. A dividend of $1,000 was declared to ACTEW Corporation Limited.

46 EDUCATION AND COMMUNITY SERVICES DEPARTMENT

46.1 INTRODUCTION

The Department works in partnership with the community to provide school education, training, care and protection of children, and sport and recreation services to meet the needs of the people of Canberra.

Departmental services include the provision of government school education, registration of non-government schools, coordination and purchase of vocational education and training, registration of child care providers and provision of preschool education. In addition, the Department provides services for the identification of, and assistance to, children and youth with specific needs, appropriate care and protection strategies for children and management of sport and recreation programs and facilities.

46.2 SIGNIFICANT FINDINGS

- ***Improvement is needed in the documentation and recording of the Department's performance measures; and***

- ***Capital works expenditure was less than budget in the current year as a result of delays in commencing and completing projects.***

46.3 AUDIT OF THE 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Education and Community Services on 8 September 2000.

46.4 MATTERS ARISING FROM THE AUDIT

As a result of the audit a number of instances were identified where the preparation of the Department's Statement of Performance could be improved. These instances have been notified to management with appropriate recommendations.

46.5 STATEMENT OF PERFORMANCE

In some areas the preparation of the Department's Statement of Performance (SOP) was poor. Despite outlining the audit requirements to the Department's managers prior to the commencement of the audit, considerable work was required to bring the SOP up to an acceptable standard. This was the result of poor preparation and lack of supporting documentation by some managers, and led to a greater than budgeted amount of time being spent auditing performance measures in these areas.

Without the significant assistance of audit staff and departmental coordinators, a number of the Department's performance measures would have received "Emphasis of Matter" audit opinions.

46.6 FINANCIAL ANALYSIS

DEPARTMENTAL TRANSACTIONS

The following table summarises the Department's Operating Statement.

Department of Education and Community Services
Summary Operating Statement

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000
Revenue			
Government Sources			
Government Payment for Outputs	392,595	388,257	374,845
Injection for Operations	7,730	7,730	16,353
Resources Received Free of Charge	386	245	387
Other	261	219	161
	400,972	**396,451**	**391,746**
Other Sources			
User Charges – Non Government	5,250	4,883	5,223
Interest	950	1,666	1,349
Other	15,165	16,196	15,712
	21,365	22,745	22,284

Total Revenue	**422,337**	**419,196**	**414,030**
Expenditure			
Employee Expenses	253,303	244,626	244,575
Administrative Expenses	33,311	36,552	36,041
Depreciation	23,309	23,657	23,929
Interest	14,352	14,283	14,692
Other	122,967	123,213	122,857
Total Expenses	**447,242**	**442,331**	**442,094**
Operating Loss before Abnormal Items	24,905	23,135	28,064
Abnormal Items	0	0	(7,399)
Operating Loss	**24,905**	**23,135**	**35,463**

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

Revenue

Total revenue received in 1999-2000 was $419m. This represents an increase of $5.2m over the previous year and a decrease of $3.1m from budget.

The decrease from budget is a result of a number of minor variations throughout the year, the most significant being a $3.9m reduction in Government Payment for Outputs appropriation following the transfer of the Youth Justice function to the Department of Justice and Community Safety.

Expenditure

Total expenditure in 1999-2000 of $442m increased marginally over the previous year and fell below budget by 1%. Employee expenses fell below budget due to delays in finalising the Department's Employee Bargaining Agreements and lower levels of employee provisions than originally anticipated.

Operating Loss

The Departmental operating loss of $23.1m in 1999-2000 represents an improvement of $12.3m over the previous year and is $1.8m better than

budget. The improvement over the previous year is due mainly to 1998-99 abnormal expenses of $7.4m, which did not recur in 1999-2000. In addition, there were cost savings in 1999-2000 in employee provisions, depreciation and other expense categories which contributed to the improved operating result.

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.

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 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000
Commonwealth Government Grants	109,583	112,627	104,877
Fees/Other	90	122	138
	109,673	**112,749**	**105,015**

The actual revenue received exceeded budget by $3.1m or 3% as a result of increased Commonwealth funds received for special purpose projects, training and non-government schooling.

Territorial Expenditure

Territorial expenditure other than transfers made to the Central Financing Unit for the Commonwealth Grants comprised.

Department of Education and Community Services
Territorial Expenditure

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000
Grants, Subsidies and Concession Payments	103,722	105,855	97,140

Grants, Subsidies and Concession Payments are payments made to non-government schools as well as reimbursements made to various organisations who offer subsidised costs for services such as general rates, electricity, water and sewerage, bus travel and the supply of spectacles provided to eligible applicants.

The increase in *Grants, Subsidies and Concession Payments* of $2.1m over the budget relates primarily to sports grants rolled over from the previous year that were paid in the current financial year. The increase over the previous year is a result of additional monies received from the Commonwealth in the current year for government and non-government schooling.

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 Territorial operations to its budget.

46.7 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 Department's current assets and current liabilities for the last three years are presented in the following table.

Department of Education and Community Services
Current Assets and Liabilities

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Current Assets			
Cash	15,699	16,699	14,764
Receivables	385	497	260
Investments	3,557	4,800	1,700
Other	1,515	3,340	524
	21,156	**25,336**	**17,248**
Current Liabilities			
Creditors	3,854	2,856	2,094
Finance Leases	123	188	248
Employee Entitlements	21,406	20,149	17,229
Other	1,749	1,967	1,469
	27,132	**25,160**	**21,040**
Current Ratio	0.78 to 1	1.01 to 1	0.82 to 1

As can be seen from the table, the Department's current ratio has decreased from 1.01 to 1 in 1998-1999 to 0.78 to 1 in the current year. This is below the minimum usually desirable, however, given the nature of the Department's operations and that the majority of its funding is from Government sources the ratio is not a cause for concern.

46.8 CAPITAL WORKS

Departmental Capital Expenditure

Capital works expenditure was estimated in the Budget to be $19.3m in 1999-2000. This expenditure was to be financed via a capital injection of $14.5m combined with unspent capital works expenditure carried over from the previous year.

The capital injection was to be provided on an as required basis and as the Department's capital works program was delayed a reduced capital injection of $9.4m was received.

Total actual expenditure on capital works was $11m in the current year. The expenditure is summarised in the following tables.

The under expenditures were mainly the result of:

Manuka and Phillip Ovals Upgrade was delayed due to prolonged negotiations to reach agreement on the location, priorities and extent of works to be undertaken.

Belconnen Pool was delayed to allow more time to enable completion of tender action for private sector provision.

Department of Education and Community Services
Capital Works Expenditure

Project	Financed from Current Year Capital Works Budget $000	Capital Works Budget $000	Over (Under) Spend $000
New Capital Works			
Education and Community			
Minor New Works (Schools)	2,300	2,300	0
Building Access Improvements (Schools)	393	430	(37)

Transportable Classrooms	450	450	0
Modification and Upgrade School Science	572	625	(53)
Modification and Upgrade School Technology	698	750	(52)
Youth and Family			
Minor Works (Community Facilities)	740	740	0
Gungahlin Community Resource Centre	210	500	(290)
Lanyon Neighbourhood and Youth Centre	87	390	(303)
Sport and Recreation			
Minor Works (Sport and Recreation)	1,015	1,215	(200)
Belconnen Pool	170	1,200	(1,030)
Sports Ground Upgrade	347	500	(153)
Forward Design – West Deakin Multisports Sports Centre	70	70	0
	7,052	**9,170**	**(2,118)**
Capital Works in Progress			
Education and Community			
Older Schools Refurbishment	991	1,000	(9)
Koomarri Hydrotherapy Pool	584	584	0
Sport and Recreation			
Temporary Seating Phillip and Manuka Ovals	1,813	3,700	(1,887)
	3,388	**5,284**	**(1,896)**
Total	**10,440**	**14,454**	**(4,014)**

Territorial Capital Expenditure

Department of Education and Community Services
Capital Works Expenditure

Project	**Financed from Current Year Capital Works Budget**	**Capital Works Budget**	**Over (Under) Spend**
	$000	**$000**	**$000**
Grant to Hockey Centre	1,310	1,310	0

Total	**1,310**	**1,310**	**0**

The Department estimated it would provide $1.3m in grants to the Lyneham and Tuggeranong Hockey Centres for capital works in 1999-2000. The full amount of this estimate was expended as planned.

It should be noted that although the grants were included in the Government's capital works program, they are grants to non government organisations and, as such, have been correctly expensed in the Department and Territory's operating financial statements.

Conclusion

The nature of capital works is such that projects will not necessarily be completed in accordance with planned time frames. However, taking into account this inherent uncertainty the level of under expenditure by the Department over the past two years is high.

The Department has advised that *"The level of under expenditure by the Department over the past two year's has mainly related to two projects (Manuka Oval/Football Park and Belconnen Pool) with project delays being caused by factors largely beyond the control of the Department"*.

47 EXECUTIVE

47.1 INTRODUCTION

The 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.

47.2 AUDIT OF 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Chief Minister on 8 August 2000.

48 GAMBLING AND RACING COMMISSION

48.1 INTRODUCTION

The ACT Gambling and Racing Commission (the Commission) was established on 1 December 1999 under *Section 5* of the *Gambling and Racing Control Act 1999*. The Act provides for the continued administration of certain Acts relating to gambling and racing and establishes the powers, functions and activities of the ACT Gambling and Racing Commission.

Amending legislation allowed for all assets and liabilities of the former Casino Surveillance Authority to be transferred to the newly formed Commission. A part of the ACT Revenue Office was also incorporated into the operations of the new Commission.

48.2 SIGNIFICANT FINDINGS

- ***The Commission reported an operating surplus of $1.6m against a budget estimated loss of $130,000; and***

- ***Total net liabilities of $650,000 were transferred to the Commission on 1 December 1999 from the former Casino Surveillance Authority and ACT Revenue Office.***

48.3 AUDIT OF 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Chief Minister on 14 September 2000.

48.4 FINDINGS FROM THE AUDIT

During the audit two instances were identified where the financial procedures of the Commission could be improved. These have been advised to the Commission's management.

48.5 FINANCIAL ANALYSIS

The following table summarises the Commission's Operating Statement.

Gambling and Racing Commission
Operating Statement

	Budget *1999-00 $000	Actual *1999-00 $000
Revenue		
Revenue from Government	63	704
Taxation Collected on Behalf of the Territory	32,609	34,156
Regulatory Fees	1,562	2,344
Bank Interest	5	16
Total Revenue	**34,239**	**37,220**
Expenditure		
Employee Expenses	954	954
Administrative Expenses	782	536
Depreciation	40	2
Taxation Revenue Transferred to Government	32,595	34,152
Total Expenses	**34,371**	**35,644**
Operating Surplus (Loss)	**(132)**	**1,576**

Note: * Relates to the period 1 December 1999 – 30 June 2000.

Comments follow on the major sources of revenue and expenditure.

Revenue Items

Total Revenue was $2.9m (8%) higher than budget. The increase in revenue was primarily due to more taxation being collected in 1999-2000 than in the previous year.

Revenue from Government increased from the estimated budget of $60,000 to the actual amount of $700,000. The increase was mainly due to extra funding received from the Government through the Chief Minister's Department to finance the purchase of a security computer for interactive gambling ($200,000) and the initial establishment cost of the Commission ($500,000). The budget was based on a conservative estimate of revenue to be received by the Commission.

Actual taxation collected was more than budget mainly attributable to Gaming Machine Tax which produced $1.8m more than anticipated. This was mainly due to the increase in the rate of return per machine rather than more machines.

Actual *Regulatory Fees* increased by $780,000 against budget as a result of more applications being made for sports betting and interactive gambling licences than were anticipated in the budget estimate.

Expenditure Items

The increase of $1.6m in transfer payments to the Territory was linked to the increase in taxation revenue.

Operating Result

The Commission achieved an operating surplus of $1.6m for its 7 month period of operations, compared to a budgeted loss of $132,000.

Conclusion

From the review of financial statements and the explanations for variations from budget, the Commission, in an overall sense, managed its operations satisfactorily to budget during 1999-2000.

48.6 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 are presented in the following table.

Gambling and Racing Commission
Current Assets and Current Liabilities

	*1999-00 $000
Current Assets	
Cash	1,807
Receivables	5,022
Prepayments	6
	6,835
Current Liabilities	
Creditors	186
Employee Entitlements	252
Taxation Revenue Payable to Government	5,002
Borrowings	75
Other	45
	5,560
Current Ratio	1.2 to 1

Note: * Relates to the period 1 December 1999 – 30 June 2000

The Commission at the end of its first period of operation has a current ratio of 1.2 to 1. This indicates that the Commission's short-term financial position is satisfactory.

49 GUNGAHLIN DEVELOPMENT AUTHORITY

49.1 INTRODUCTION

The Gungahlin Development Authority was established by the *Gungahlin Development Authority Act 1996*. The main objective 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 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.

49.2 AUDIT OF THE FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Treasurer on 22 September 2000.

49.3 FINANCIAL ANALYSIS

The following table summarises the Authority's Operating Statement.

Gungahlin Development Authority
Summary Operating Statement

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000
Revenue			
Land Sales	14,374	28,078	0
Interest	45	112	57
Land Contribution from ACT	564	2,645	1,424
Contract Revenue	0	0	5,712
Other	0	1	9
Total revenue	**14,983**	**30,836**	**7,202**
Expenditure			
Cost of Goods Sold	564	2,645	1,424
Contract Costs	0	0	3,974
Employee Expenses	289	265	249
Administration Expenses	107	210	126
Depreciation	8	10	8
Infrastructure to be Returned	11,380	17,954	66
Yerrabi Ponds Park	0	0	172
Other	443	455	307
Share of joint ventures net losses	0	355	0
Total expenses	**12,791**	**21,894**	**6,326**
Operating Surplus	**2,192**	**8,942**	**876**

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

Revenue Items

Land Sales – Actual revenue received from Land Sales in 1999-2000 exceeded budget by $13.7m or 49%. The original budget for Land Sales included revenue from the Palmerston Four joint venture, the sale of a commercial site and the First Residential Site – Otway Terrace in the Town Centre Core. The additional sale of Yerrabi Estate for $16.2m combined with a decrease in expected revenue from Otway Terrace explains the $13.7m increase in actual revenue over budget.

Yerrabi Estate was planned and released in the current year as a result of the Government's requirement of the Authority that more land of this type be released. Following the release of Yerrabi, revenue from Otway Terrace fell as the Authority's resources were focussed on the new estate.

Contract Revenue – Revenue of $5.7m and expenses of $4.0m in 1998-99 represent the Authority's 50% interest in the Palmerston Four joint venture. Due to a change in the accounting standards in 1999-2000 joint venture transactions are now brought to account differently. The Authority's share of the joint venture loss is shown as an expense in 1999-2000.

Land Contribution from ACT - During 1999-2000 the Authority received parcels of land to the value of $2.6m. A corresponding Cost of Goods Sold expense is included in the operating statement. The receipt of the land therefore had no effect on the Authority's operating result. This cost represents the cost of acquisition, development costs and costs during development.

Expenditure Items

Infrastructure to be returned to the Territory – The Authority is required to transfer completed infrastructure to the Government once it has been passed to the Authority from developers. The current year transfer of $18.0m comprises mainly $6.3m from the Palmerston Four joint venture and $10.2m from the Yerrabi Estate. The increase over the previous year and budget is a result of additional land sales made in the current year.

Operating Result

The Authority achieved an operating profit for the year of $8.9m compared to a profit of $900,000 in the previous year and a budgeted

profit of $2.2m. The improvement stems from additional revenue generated from the sale of Yerrabi Estate.

49.4 SUBSEQUENT EVENT

The decision made by the Authority to offer to grant Landco Pty Ltd the lease of Block 2 Section 1 Gungahlin (Yerrabi Estate) was found invalid and set aside ab initio by the Supreme Court on 18 October 2000. This subsequent event is not reflected in the Authority's financial statements.

49.5 SHORT TERM FINANCIAL POSITION

A current ratio representing the ratio of current assets that will convert to cash in the short term and to current liabilities that 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 are presented in the following table.

Gungahlin Development Authority
Current Assets and Liabilities

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Current Assets			
Cash	1,321	201	341
Receivables	12,826	13,844	3,909
Investments	3,170	949	1,060
Other	20	47	118
	17,337	**15,041**	**5,428**
Current Liabilities			
Creditors and Accruals	179	3,231	78
Employment Entitlements	40	35	34
Borrowings	107	1,239	0
Other	11,929	9,340	4,357
	12,255	**13,845**	**4,469**
Current Ratio	1.4 to 1	1.1 to 1	1.2 to 1

The ratio at the Authority's current ratio of 1.4 to 1 indicates a sound short-term financial position.

49.6 CAPITAL WORKS

In 1999-2000 the Authority received an interest free loan of $3.5m from the Government. The purpose of this loan was to fund the construction of the Valley Avenue (Southern Boulevard). The Valley Avenue was opened on 23rd June 2000.

The Authority repaid the majority of the loan in the form of completed infrastructure transferred to the Territory in 1999-2000. As at 30 June 2000 $3.4m had been spent with the remaining $41,000 being required for landscaping in 2000-2001.

Palmerston Four Joint Venture

The Palmerston Four Joint Venture is a housing estate development of 226 blocks. It is a joint venture between the Gungahlin Development Authority and the Palmerston Builders Group Unit Trust. The respective parties have a 50% share in the operating result and assets and liabilities of the joint venture.

The development of Palmerston Four began during the 1998-99 financial year. The joint venture is expected to be largely completed in 2000-2001.

The joint venture reported a 1999-2000 operating loss of $710,483 (1998-99 profit of $3.4m). It has net assets of $909,016 (1998-99 $3.4m). The Authority's share of the joint venture loss is included in the Authority's operating statement.

The project is nearing completion. It appears likely that the venture will record a profit over its full life.

50 HEALTH AND COMMUNITY CARE DEPARTMENT

50.1 INTRODUCTION

The Department plans and implements health policy and provides some public health services. It also plans and purchases public health 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.

50.2 AUDIT OF THE 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Health and Community Care on 8 September 2000.

50.3 MATTERS ARISING FROM THE AUDIT

As a result of the audit a number of instances were identified where the internal controls of the Department could be improved. These instances were reported to management along with appropriate recommendations.

50.4 FINANCIAL ANALYSIS

DEPARTMENTAL TRANSACTIONS

The following table summarises the Department's Operating Statement.

Department of Health and Community Care
Summary Operating Statement

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Revenue				
Government sources				
Government payments for health care services	328,503	314,804	306,595	282,673
Injection for operations	**13,352	13,352	14,831	0
Superannuation liability assumed by government	0	0	0	1,808
Resources received free of charge	238	403	411	678
	342,093	328,559	321,837	285,159
Other sources				
User charges – ACT Government[28]	13,728	14,712	14,169	12,774
User charges – non ACT Government[29]	32,551	37,483	35,218	34,634
Other (interest and other)	333	1,934	653	287
	46,612	54,129	50,040	47,695
Total revenue	**388,705**	**382,688**	**371,877**	**332,854**
Expenditure				
Administrative expense				
ACT Community Care – purchase of health services	*	66,001	55,497	48,539
The Canberra Hospital – purchase of health (clinical) services	*	196,420	201,332	175,679
Calvary Hospital – purchase of health (clinical) services	*	48,212	46,240	43,658
Grants to non government organisations	*	30,390	27,621	23,224
Depreciation	366	398	370	369
Cost of goods sold	10,413	12,451	10,896	9,585
Other administrative expenses	*	12,861	14,754	10,725
	371,826	366,733	356,710	311,779
Employee expenses				
Salary and wages	*	13,015	12,082	11,781
Long service, annual and other leave	*	1,298	1,728	1,965
Superannuation	2,491	2,300	2,322	2,218
Comcare premiums	*	211	333	458
Termination payments	*	520	569	306
	17,406	17,344	17,034	16,728
Total expenses	**389,232**	**384,077**	**373,744**	**328,507**
Operating Surplus Loss before abnormal item	**(527)**	**(1,389)**	**(1,867)**	**4,347**
Abnormal item	0	0	0	(8,337)
Operating Loss	**(527)**	**(1,389)**	**(1,867)**	**(3,990)**

Note.* The breakdown of these expenses in the budget column is unavailable as the budget does not separately identify these amounts.
**The receipt of *injection for operations* of $13.352m and subsequent payment of this amount to ACT Community Care and The Canberra Hospital was netted off in the budget. To facilitate comparison with the actual results, the amounts received by the Department as an *injection for operations* is shown separately and administrative expenses have been increased by $13.352m to reflect the amounts paid to ACT Community Care and The Canberra Hospital.

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

[28] *User charges - ACT Government* is mostly inventory sales (sales of medical, surgical, bio medial, pharmaceutical and food supplies to The Canberra Hospital and ACT Community Care.)
[29] *User charges – Non ACT Government* is mostly cross border receipts and inventory sales to Calvary Hospital and the National Capital Private Hospital.

Revenue Items

At $382.7m revenue was less than the budget of $388.7m by $6m and was greater than the previous year's revenue of $371.9m by $10.8m.

Revenue Comparison to Budget

Revenue was less than budgeted by $6m. This was due to *Government payments for health care services* being less than budget by $13.7m offset by revenue from *User charges – ACT and non-ACT Government* and *other revenue* which exceeded budget by $5.9m and $1.6m respectively.

The *Government payment for health care services* was less than the budget mainly due to the delayed implementation of a number of projects funded by the Commonwealth ($6.2m) and also a delay in the Hepatitis C financial assistance scheme ($4.4m.)

User charges ACT and non-ACT Government exceeded the budget by $5.9m because:

- *cross border receipts* increased, reflecting a greater than budgeted use of ACT hospitals by NSW residents and higher payment rate allowed by the NSW Government; and

- *inventory sales*[30] to The Canberra Hospital, ACT Community Care, the new National Capital Private Hospital and Calvary Public Hospital exceeded budget expectations.

Other revenue includes interest received of $1.5m which exceeded the budget of $300,000. This higher than expected interest income relates to the delayed implementation of the projects referred to above as the cash relating to these projects was not spent.

[30] Inventory sales relate to sales of medical and surgical, bio medical, pathological, pharmaceutical and food to non-government and government organisations mainly Calvary Hospital, the National Capital Private Hospital, The Canberra Hospital and ACT Community Care.

Revenue Comparison to Previous Year Actual

The increase in revenue of $10.8m compared to the previous year was mainly due to an increase in the *Government payments for health care services* ($8.2m), *non ACT Government User Charges* ($2.3, mostly represented by *cross border receipts* - $1.2m and *inventory sales* - $1.2m), interest and other revenue.

The above mentioned increase of $1.2m in *cross border receipts* reflects an increase in interstate (mainly NSW) users of the ACT health system and the higher payment rate allowed by the NSW Government.

Expenditure Items

At $384.1m expenditure was less than the budgeted expenditure of $389.2m by $5.1m and higher than the previous year's expenditure of $373.7m by $10.4m.

Expenditure Comparisons to Budget

Actual expenditure ($384.1m) was less than the budget expenditure ($389.2m) by $5.1m due to the previously mentioned $13.7m reduction in the revenue from *Government payment for health care services* (accompanied by a fall in expenditure) offset by the payment of a second injection for operations of $5.5m to The Canberra Hospital to cover its unbudgeted cost overruns.

Expenditure Comparisons to Previous Year Actual

At $384.1m expenditure exceeded the previous year's expense of $373.7m by $10.4m. The major increases were:

- Payments to ACT Community Care for the purchase of health services increased by $10.5m. This was offset by a decrease in payments to The Canberra Hospital of $4.9m for health (clinical) services. A significant part of the change in payments to these entities arose from the transfer of significant functions (the Allied Health Services unit) from The Canberra Hospital to ACT Community Care. Overall, the combined payments for health care services to The Canberra Hospital and ACT Community Care increased by $5.6m. This increase included $3.6m for insurance

premiums met by these agencies that had previously been paid for directly by the Department and the purchase of additional health care services;

- Payments to Calvary Public Hospital increased by $2m due to the purchase of additional health care services;

- Grants paid to non-government organisations increased by $2.8m due to inflation (CPI) adjustments for ongoing grants and additional funding for non government health services (mainly in disability services); and

- Cost of goods sold increased by $1.6m because of the above-mentioned increases in *inventory sales.*

The above increases were partially offset by a reduction in the insurance expense[31]. This fell because the Department ceased paying the insurance premium on behalf of The Canberra Hospital and ACT Community Care. It should be noted that this reduction had no effect on the Department's operating loss because, as previously mentioned, payments to The Canberra Hospital and ACT Community Care for health care services were increased to cover the insurance premiums now being paid by these health service providers.

Operating Result

The Department reported an operating loss of $1.4m which exceeded the budgeted loss of $527,000.

50.5 CAPITAL WORKS - DEPARTMENTAL

Expenditure on capital projects to ACT Government agencies was budgeted at $13.2m, which was comprised of payments to The Canberra Hospital and ACT Community Care for capital projects of $13.2m (actual expenditure $6.9m) and Departmental capital projects of $3.225m (actual expenditure $2.175m).

[31] This reduction did not reduce the overall costs of the Department because the payments to ACT Community Care and The Canberra Hospital increased by the same amount to cover their insurance premiums.

Funding Provided to The Canberra Hospital and ACT Community Care for Capital Works

Agency	Budgeted Funding $m	Actual Funding Provided $m
The Canberra Hospital	12.1	5.8
ACT Community Care	1.1	1.1
Total Capital Works Funding	**13.2**	**6.9**

Details on the capital projects undertaken and the actual expenditure by the agencies are included in this Report under the headings 'The Canberra Hospital' and 'ACT Community Care'.

Department of Health and Community Care Capital Expenditure

Project	Expenditure Financed from this Year's Capital Works Budget $'000	Capital Works Budget $'000	Over (Under) Spending of this Year's Capital Works Budget $'000
ACT Hospice	2,024	3,000	(946)
Minor New Works	111	185	(74)
Health Protection Service – co location	40	40	0
Total Capital Works	**2,175**	**3,225**	**(1,050)**

Agency Explanation of Variances from Budget

The Department of Health and Community Care advised that Departmental capital expenditure was less than the budgeted expenditure in 1999-2000 because the $3m in funding provided for the ACT Hospice, although fully appropriated in the 1999-2000 budget, was intended to meet expenditure in 1999-2000 and also 2000-01 expenditure. The project was scheduled for completion in December 2000.

50.6 CAPITAL WORKS – CALVARY HOSPITAL

The Calvary Hospital received the budgeted amount of funds ($7.7m) for 1999-2000. The Department advises that the under expenditure of $1.6m was due to unexpected delays in Calvary's capital works program.

Calvary Hospital Capital Expenditure

Project	Expenditure Financed from this Year's Capital Works Budget $'000	Capital Works Budget $'000	Over (Under) Spend $'000
Replanning of non-inpatient clinical areas	4,876	6,500	(1,624)
Minor New Works	1,140	1,140	0
Redevelopment of bathroom	10	10	0
Upgrade fire services	40	40	0
Replacement of chillers and water cooled towers	55	55	0
Total Capital Works	**6,121**	**7,745**	**(1,624)**

It should be noted that, although Calvary Hospital capital expenditure is included in the Government's capital works program, as the Hospital is not owned and controlled by the Government, the expenditure is in effect a grant to the Hospital. Accordingly the expenditure has been correctly expensed in the Department's and Territory's operating statements.

51 HEALTH AND COMMUNITY CARE SERVICE

51.1 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 and Community Care, The Canberra Hospital and ACT Community Care.

51.2 1999-2000 FINANCIAL STATEMENT AUDIT

An ***unqualified*** audit opinion was provided to the Minister for Health and Community Care on 5 October 2000.

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.

52 HEALTHPACT

52.1 INTRODUCTION

Healthpact is the administrative entity of the ACT Health Promotion Board. The Board was established in November 1995 under the *Health Promotion Act 1995* (the Act). The funding arrangements for the Board were amended with effect from 1 July 1998 by the Health Promotion (Amendment) Act 1998. Under the amended legislation, payments to the Health Promotion Board are based on the level of funding provided in the 1998-99 financial year adjusted for upward movements in the Consumer Price Index.

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

52.2 SIGNIFICANT FINDINGS

- ***Healthpact managed its finances to its budget this year; and***

- ***Healthpact performed better than its budgeted operating loss by $163,000 mainly due to keeping its expenditure under budget.***

52.3 AUDIT OF THE 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Health and Community Care on 24 July 2000.

52.4 FINANCIAL ANALYSIS

The following table summarises Healthpact's operating statement for 1999-2000.

Healthpact
Summary Operating Statement

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Revenue				
Government Sources				
Payment from ACT Government	2,203	2,175	2,149	2,149
Other Sources				
Interest and other	20	34	31	156
Total revenue	**2,223**	**2,209**	**2,180**	**2,305**
Expenditure				
Employee Expenses	407	333	354	332
Administrative Expenses	175	154	207	325
Grants and Sponsorship	1,750	1,668	1,941	2,029
Total expenses	**2,332**	**2,155**	**2,502**	**2,686**
Operating Surplus (Loss)	**(109)**	**54**	**(322)**	**(381)**

Expenditure for 1999-2000 was less than budget by $177,000. Healthpact expended less than its budget for all major categories of expenses including employee expenses ($74,000), administrative expenses ($21,000)

and grants and sponsorship payments ($82,000). Revenue for 1999-2000 increased marginally due to increased revenue from the Department of Health.

Conclusion

From the audit review of the financial statements and the explanations for variations from budget and the previous year's figures, the conclusion has been drawn that Healthpact, managed its finances to its budget.

52.5 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 three years are presented in the following table.

Healthpact
Current Assets and Liabilities

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Current Assets			
Cash	290	254	553
Receivables	6	2	0
	296	**256**	**553**
Current Liabilities			
Creditors	19	14	7
Employee Entitlements	36	44	37
	55	**58**	**44**
Current Ratio	5 to 1	4 to 1	13 to 1

At 5 to 1 Healthpact's current ratio indicates its short term financial position is sound.

53 JUSTICE AND COMMUNITY SAFETY

53.1 INTRODUCTION

The Department of Justice and Community Safety is responsible for the provision of legal and emergency services for the community. This includes services to support the administration of justice, the protection of human rights, and legal services to the Government. Ambulance, Fire Brigade and Bushfire and Emergency Service prevention and response are also provided by the Department.

Other portfolio responsibilities include the registration of births, deaths and marriages; maintaining title to land; conducting elections, consumer affairs and community policing services provided by the Australian Federal Police.

53.2 AUDIT OF THE 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit report on the financial statements was provided to the Minister for Justice and Community Safety on 8 September 2000. However, an *Emphasis of Matter* was included in the audit report in relation to several measures and outputs in the Statement of Performance forming part of the financial statements.

53.3 SIGNIFICANT FINDINGS

- ***No audit opinion was expressed on a number of the Department's performance measure results; and***

- ***Capital works expenditure was less than budget in the current year as a result of delays in commencing projects.***

53.4 MATTERS ARISING 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.

53.5 FINANCIAL ANALYSIS

DEPARTMENTAL TRANSACTIONS

The following table summarises the Department's Operating Statement.

Department of Justice and Community Safety
Summary Operating Statement

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000
Revenue			
Government Sources			
Government Payment for Outputs	77,218	80,649	79,033
Injection for Operations	3,269	3,269	0
Interest	1,000	1,273	936
User Charges	317	432	338
Resources Received Free of Charge	498	502	462
	82,302	86,125	80,769
Other Sources			
User Charges	8,405	8,341	7,908
Other	6	694	1,426
	8,411	9,035	9,334
Total revenue	**90,713**	**95,160**	**90,103**
Expenditure			
Employee	57,522	62,469	57,485
Administrative	34,331	34,948	30,469
Depreciation	2,720	2,116	2,118
Interest	887	955	907
Other	303	246	743
Total expenses	**95,763**	**100,734**	**91,722**
Operating Loss before Abnormals	**(5,050)**	**(5,574)**	**(1,619)**
Abnormal items	0	832	3,405
Operating Loss/Profit	**(5,050)**	**(4,742)**	**1,786**

Comment follows on the major sources of revenue and expenditure.

Revenue

The appropriation for *Government Payments for Outputs* increased $3.4m from the budget. This was mainly due to Youth Justice functions being transferred from the Department of Education and Community Services to the Department.

User Charges – the increase from the previous year was partly due to an increase in road rescue fees. These fees are collected in conjunction with ACT motor vehicle registration charges.

Expenditure Items

Employee Expenses — actual expenditure for 1999-2000 exceeded expenditure for the previous year by $5.0m. The major reason for the increased level of expenditure was the additional staff costs associated with the transfer of Youth Justice from the Department of Education to the Department. In addition to this, a new enterprise bargaining agreement was established during the year resulting in salary increases across the Department.

Administrative Expenditure — the increase in expenses of $4.5m between 1998-99 and 1999-2000 was due to higher than anticipated expenditure in regard to information technology and sentenced prisoners.

Conclusion

There are some significant variations in revenue and expenditure between actual 1998-99 and actual 1999-2000 most of which were anticipated in the budget process for 1999-2000 as they were an expansion of the Department's activities. In August 1999 following a change to the Administrative Arrangements Orders, the Youth Justice Program was transferred to the Department along with $3.9m in revenue and $4.1m in expenditure. Taking these amounts into account, it is considered that the Department 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 following table.

Department of Justice and Community Safety
Territorial Revenue

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000
Revenue			
Taxes Fees and Fines	13,866	15,171	9,845
User Charges – Non Government	0	516	3,275
Other Revenue	102	385	352
	13,968	**16,072**	**13,472**

Expenditure

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

Department of Justice and Community Safety
Territorial Expenditure

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000
Expenses			
Community Policing	56,146	59,338	56,456
Criminal Injuries Compensation	3,674	7,859	9,383
Weapons Compensation	0	8	38
Other	0	1,496	403
Grant/Subsidy to Legal Aid Commission	4,770	4,770	4,801
Depreciation	586	501	713
Other	0	0	252
Total Expenses	**65,176**	**73,972**	**72,046**

Comments follow on the major expenses

Community Policing Payments — have increased by $3.2m in 1999-2000 due mainly to additional costs associated with a new Certified Agreement for the Australian Federal Police, and civilianisation of the Australian Federal Police communications centre.

Criminal Injuries Compensation – The proposed savings in criminal injuries compensation payments following amendments to the legislation did not eventuate. This was due in part, to the revised legislation being passed mid way through the 1999-2000 financial year, and not at the beginning of the year, as was anticipated when the budget was formulated.

Conclusion

Territorial expenditure exceeded the original budget by $8.8m due mainly to increased policing costs and criminal injuries compensation payments. Revenue was higher than expected due in the most part to a significant increase in fees from regulatory services. The variances from budget for 1999-2000 are due to the budget amounts being based on estimates prepared in 1997-98 which in some cases proved to be inaccurate in 1999-2000.

53.6 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 Department's current assets and current liabilities for the last two years are presented in the following table.

Department of Justice and Community Safety
Current Assets and Liabilities

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000
Current Assets			
Cash	2,851	16	757
Receivables	983	3,842	6,013
Investments	2,625	3,702	2,227
Inventories	409	615	611
Other	437	619	424
	7,305	**8,794**	**10,032**
Current Liabilities			
Creditors	2,637	5,429	4,023
Employee Entitlements	9,884	10,809	9,656
Other	10	267	12
	12,531	**16,505**	**13,691**
Current Ratio	0.58 to 1	0.53 to 1	0.73 to 1

The Department's current ratio has reduced from 0.73:1 to 0.53:1 in 1999-2000. This is below the minimum usually desirable however, given the nature of the Department's operations and that the majority of its funding is from Government sources, the ratio is not a cause for concern.

53.7 CAPITAL WORKS

Expenditure on capital works was originally budgeted at $2.3m in 1999-2000. The Department received a capital injection of $250,000 to cover this expenditure, and spent $734,000 as detailed in the following table.

The above table shows that the Department only spent $429,000 from its $2.3m capital works budget. The variance is due primarily to the delay in the Police and Emergency Services Infrastructure Improvement Program which is included in the table within 'Law and Order'.

Department of Justice and Community Safety Capital Works Expenditure

Project	Expenditure financed from this Year's Capital Works Budget $'000	Capital Works Budget $'000	Over (Under) Spend $'000
New Capital Works			
Emergency Services	60	200	(140)
Justice	200	200	0
Law and Order	169	1,500	(1,331)
Works In Progress			
Prison-forward design	0	400	(400)
Total Capital Works	**429**	**2,300**	**(1,871)**

54 KINGSTON FORESHORE DEVELOPMENT AUTHORITY

54.1 INTRODUCTION

The Kingston Foreshore Development Authority was established as a statutory authority on 17 February 2000.

The principal objective of the Authority is to promote, coordinate, develop and manage the redevelopment of the Kingston Foreshore, and to carry out works for the development and enhancement of the area.

54.2 AUDIT OF 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Treasurer on 11 October 2000.

54.3 FINANCIAL ANALYSIS

The following table summarises the Authority's Operating Statement for the period 17 February 2000 to 30 June 2000.

Kingston Foreshore Development Authority
Summary Operating Statement
17 February 2000 to 30 June 2000

	Actual $000
Revenue	
User Charges – Non ACT Government	15
Resources Received Free of Charge	11
Other	3
Total revenue	**29**
Expenses	
Employee Expenses	161
Administrative Expenses	445
Interest	49
Total expenses	**655**
Operating Loss	**(626)**

Brief comments follow on the major sources of revenue and expenditure.

Revenue Items

The main source of income for the period ($15,628) was rent from tenants who occupied a site within the foreshore. The Authority was also the recipient of $11,399 of resources received free of charge provided by various agencies relating to financial, personnel and legal services.

Expenditure Items

The main source of expenditure was administrative in nature with the majority of this ($275,000) relating to the costs associated with consultants and contractors. The Authority employs five staff and employee costs amounted to $161,000 during the period. In addition the Authority incurred $49,194 in interest expenditure relating to borrowings from the ACT Government.

Subsequent Event

The Treasurer has provided written confirmation to the Authority that the 2001-2002 Budget will provide for retirement of the Authority's debt. Had the debt been extinguished in 1999-2000 as was intended, the Authority would have reported a net asset position of $3.4m rather than the reported result of negative $834,000.

55 LEGAL AID COMMISSION (ACT)

55.1 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.

55.2 AUDIT OF THE 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Justice and Community Safety on 5 September 2000.

55.3 MATTERS ARISING 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.

55.4 FINANCIAL ANALYSIS

The following table summarises the Commission's Operating Statement.

Legal Aid Commission
Summary Operating Statement

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000
Revenue			
Client Contributions and Recoveries	700	554	748
Government Contributions	4,770	4,770	4,801
Interest and Other Revenue	418	476	460
Total revenue	**5,888**	**5,800**	**6,009**
Expenses			
Employee Expenses	2,772	2,574	2,665
Administrative Expenses	0	765	692
Other Expenses	2,941	2,118	2,772
Depreciation and Amortisation	85	104	110
Total expenses	**5,798**	**5,561**	**6,239**
Operating Surplus (Loss)	**90**	**239**	**(230)**

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

Revenue Items

Client Contributions and Recovered Costs — these revenue items fell by $192,000 (25%) in 1999-2000 compared to the prior year. This decrease was mainly attributable to fewer civil law cases for which the Commission was able to recover costs from other parties.

Government Contributions — appropriations from Government decreased by less than 1% compared to the prior year (1999-2000 $4.77m, 1998-99 $4.8m). Appropriations are based on the *Legal Aid Act 1977* and the contractual arrangement between the Commonwealth and the ACT Government.

Expenditure Items

Employee Expenses fell by 3.4% in 1999-2000 to $2.6m due to a number of positions being vacated and not filled during the year.

Administration Expenses increased by 11% during 1999-2000 to $760,000 (1998-99 $690,000). The increase is largely due to additional expenditure on computer consultants and software due to GST implementation, ongoing write-offs, an increase in the Comcare premium paid and increased use of a call centre to improve remote office communications.

Referrals to Private Legal Practitioners decreased from $2.4m in 1998-99 to $1.6m in 1999-2000. The decrease was a due to the completion of the Bender inquest and a slight reduction in caseload.

55.5 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.

Legal Aid Commission
Current Assets and Liabilities

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Current Assets			
Cash	712	226	323
Receivables	207	72	354
Investments	171	300	300
Other	32	35	40
	1,122	**633**	**1,017**
Current Liabilities			
Creditors	362	368	403
Employee Entitlements	408	334	303
	770	**702**	**706**
Current Ratio	1.5 to 1	0.9 to 1	1.4 to 1

The Commission's current ratio has fluctuated significantly over the past few years, from 1.4 to 1 in 1997-98 to 0.9 to 1 in 1998-99. In 1999-2000 the current ratio of 1.5 to 1 is an improvement in the short-term financial position of the Commission from the previous year and indicates a strengthening financial position.

56 LEGISLATIVE ASSEMBLY SECRETARIAT

56.1 INTRODUCTION

This Legislative Assembly Secretariat provides all the procedural, policy and administrative advice 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.

56.2 AUDIT OF 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Speaker on 5 September 2000.

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.*

56.3 MATTERS ARISING FROM THE AUDIT

Consistent with previous years a number of instances were identified during the audit 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.

56.4 FINANCIAL ANALYSIS

The following table summarises the Secretariat's Operating Statement.

Legislative Assembly Secretariat
Summary Operating Statement

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Revenue				
Payment for Outputs	4,044	4,044	3,510	3,264
Resources Free of Charge	0	240	224	153
Other Revenue	10	44	99	228
Total revenue	**4,054**	**4,328**	**3,833**	**3,645**
Expenditure				
Employee Expenses	1,871	1,923	1,782	1,725
Administrative Expenses	2,168	2,258	1,914	1,734
Depreciation	96	80	92	136
Other Expenses	0	5	2	0
Total expenses	**4,135**	**4,266**	**3,790**	**3,595**
Operating Surplus (Loss)	**(81)**	**62**	**43**	**50**

Brief comment follows on the major sources of revenue and expenditure, which varied slightly from the Budget.

Revenue Items

The Assembly received a *Government Payment for Outputs* appropriation of $4.0m in 1999-2000 compared to $3.5m in the previous year. The increase in the amount received was mainly to fund the costs of information technology modernisation and to enable repairs and maintenance to be carried out on the Assembly building.

Resources Received Free of Charge for the year were $240,000 (1998-99 $224,000). 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.

Expenditure Items

Employee Expenses were $1.9m for the year, which was slightly over budget due mainly to the need for a higher than anticipated level of support for Assembly committees.

Administrative Expenses were $2.3m in 1999-2000 compared to $1.9m in the previous year. The increase was due mainly to the increased cost of repairs and maintenance in the form of major roofing repairs. There was also an increase in legal service costs and information technology costs.

Conclusion

The Secretariat received higher than budgeted revenue in 1999-2000, which was partially offset by higher than expected expenses. This enabled the Secretariat to achieve an operating surplus of $62,000 for the year compared to a budgeted loss of $81,000. In an overall sense the Secretariat managed its financial obligations to budgets.

56.5 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.

Legislative Assembly Secretariat
Current Assets and Liabilities

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Current Assets			
Cash and Investments	461	524	436
Receivables	35	5	7
Other	202	31	1
	698	**560**	**444**
Current Liabilities			
Creditors	212	243	151
Employee Entitlements	156	160	171
	368	**403**	**322**
Current Ratio	1.9 to 1	1.4 to 1	1.4 to 1

The Secretariat's current ratio has not fluctuated significantly over the past few years. This year's the current ratio of 1.9 to 1 is an improvement in the short-term financial position of the Secretariat from the previous year.

57 MILK AUTHORITY OF THE ACT

57.1 TERMINATION OF THE ACT MILK AUTHORITY

The ACT Legislative Assembly passed the *Milk Authority (Repeal) Act 2000* on 25 May 2000. Subsequent to 30 June 2000 the ACT Milk Authority was wound up. The Act commenced from 1 July 2000. At this time all assets and liabilities of the Milk Authority that existed at 30 June 2000 vest in the Territory as per the Act. The operations of the Authority only continue to the extent outlined in the Act. The operations subsequent to 30 June 2000 are limited to:

- Preparing and providing the Annual report;
- Preparing annual financial statements; and
- Causing the financial statements of the Authority to be audited and tabled.

57.2 AUDIT OF 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Treasurer on 26 September 2000.

57.3 FINANCIAL ANALYSIS

The following table summarises the Milk Authority's Operating Statements for the past three years.

Milk Authority
Summary Operating Statement

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Revenue			
Sales	14,603	15,351	15,991
Less Cost of sales	13,869	14,074	14,514
	734	1,277	1,477
Interest Received	59	62	61
Miscellaneous Income	30	54	5
Trade Mark Fees	40	8	456
Total revenue	**863**	**1,401**	**1,999**
Expenditure			
Depot Expenses	158	255	262
Administrative Expenses	244	630	597
Promotions Expenses	0	254	724
Trade Mark User Fees	0	0	242
Total expenses	**402**	**1,139**	**1,825**
Operating Profit before abnormal items	**461**	**262**	**174**

The Milk Authority made a net profit before abnormal items in 1999-2000 of $461,000 (1998-99 of $262,000). As a result of a significant decrease in operating expenses, net profit before abnormal items for the current year is higher than the prior year. With the sale of the Depot in the current year, expenses associated with it reduced from $255,000 in 1998-99 to $150,000 in 1999-2000. Administrative expenses also reflected a decrease in the current year, going from $630,000 in 1998-99 to $244,000 in 1999-2000. In both cases, the decrease in expenses can be attributed to the winding down of the Authority's operating activities. The ACT Milk Authority ceased operations immediately subsequent to 30 June 2000.

During 1999-2000 the Milk Authority made payments totalling $320,000 to vendors under the home vendors rationalisation scheme. These payments were disclosed as an abnormal expense in the Authority's Profit and Loss Statement.

58 NICHOLLS PRIMARY SCHOOL SHARED FACILITIES

58.1 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.

58.2 AUDIT OF THE 1999-2000 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 4 September 2000.

59 NOMINAL INSURER

59.1 INTRODUCTION

The Nominal Insurer is appointed pursuant to Section 18B of the *Workers' Compensation Act 1951*. The current Nominal Insurer is the Commissioner for Occupational Health and Safety.

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.

59.2 AUDIT OF 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Urban Services on 4 September 2000.

59.3 FINANCIAL ANALYSIS

Operating revenue decreased by 27% ($1.1m in 1998-99 to $800,000 in 1999-2000) due to reduction in workers' compensation claims and less levies collected in 1999-2000.

No profit or loss was recognised for the year, as the Nominal Insurer is required to operate on a full recovery basis.

59.4 FINANCIAL POSITION

The Nominal Insurer raises funds to meet obligations on an ongoing basis. As at 30 June 2000, the Nominal Insurer had liabilities of $320,000. Offsetting this amount were assets of $307,000 in cash and $13,009 in levies receivables. Levies are imposed on approved insurers and exempt employers in order to meet claims on the Nominal Insurer.

60 OFFICE OF ASSET MANAGEMENT

60.1 INTRODUCTION

The Office of Asset Management (OAM) is responsible for the Government's Asset Management Strategy, government owned and leased office accommodation, surplus assets, land development and release, joint ventures, the Gungahlin Development Authority, and the Home Loan Portfolio. OAM was also responsible for the interim Kingston Foreshore Development Authority until 17 February 2000.

60.2 AUDIT OF 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Treasurer on 28 September 2000.

60.3 SIGNIFICANT FINDINGS

- ***Improved land sales resulted in revenue $30m higher than budget;***

- ***The Office of Asset Management was involved in seven land development joint ventures during the year. The joint ventures contributed $10.4m to the operating result of the Office of Asset Management; and***

- ***All joint ventures reported a profit in the current year.***

60.4 MATTERS ARISING FROM THE AUDIT

During the audit a number of instances were identified where OAM's operations could be improved and where internal controls could also be enhanced. These instances have been reported in a management letter along with appropriate recommendations.

60.5 FINANCIAL ANALYSIS

The following table summarises the Office of Asset Management's operating statement.

Office of Asset Management
Summary Operating Statement

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000
Revenue			
Government Payments for Outputs	0	0	1,625
User Charges ACT Government	31,423	30,839	31,025
Lease Sales – land sales revenue	58,680	93,235	39,184
Interest	12,213	12,595	12,276
Other Revenue	12,695	8,263	3,223
Total revenue	**115,011**	**144,932**	**87,333**
Expenditure			
Employee Expenses	3,054	2,469	3,127
Administrative Expenses			
Property Management Fees	*	1,084	1,129
Consultants and Contractors	*	4,345	2,092
Property Related Expenses	*	18,942	20,553
Other	*	3,326	2,975
	23,187	27,697	26,749
Other Expenses			
Infrastructure Assets transferred to ACTEW	*	7,280	10,524
Loss on Disposal of Assets	*	330	1,106
Writedown of Land Rental asset	*	5,301	0
Other	*	724	706
	360	13,635	12,336
Cost of Goods Sold	17,801	23,329	13,667
Depreciation and Amortisation	2,605	2,390	2,298
Interest	12,246	12,113	14,255
Total expenses	**59,253**	**81,633**	**72,432**
Operating Surplus Before Abnormal Items	**55,758**	**63,299**	**14,901**
Abnormal Loss	0	(16,056)	(6,945)
Operating Surplus	**55,758**	**47,243**	**7,956**

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

Revenue Items

At $144.9m total revenue was $29.9m higher than budget revenue and $57.6m greater than the previous year. The growth is primarily a result of increased activity of land joint ventures in which the Government is a partner. The largest variations were the Amaroo 3 joint venture with land sales of $24.6m in the current year (1998-99; $0), Harcourt Hill $23.7m (1998-99; $19.2m) and Dunlop 1 Jaramlee Park $4.9m (1998-99; $800,000).

Expenditure Items

Total expenditure in the current year was $9.2m in excess of the previous year and was $22.4m higher than budget. The increase over the previous year stems from a $9.7m rise in cost of goods sold arising from increased land sales. Other expenses were $13m over budget due mainly to the writedown of a land rental asset by $5.3m and $7.3m in infrastructure provided free of charge to ACTEW.

Abnormal Items

The Office of Asset Management brought to account an abnormal expense of $16.1m due to a revaluation decrement of the property portfolio.

60.6 SUMMARY OF THE LAND JOINT VENTURES

The ACT Government was involved in seven land development joint ventures during the year. A table summarising the financial operations and ACT receipts related to the joint ventures follows.

Joint Venture	Joint Venture operating profit / (loss) 99/00 $m	Joint venture total profits / (losses) since inception[32] $m	ACT receipts since commencement[33] $m
Harcourt Hill	6,610	5,341	11,173
Dunlop 1	1,227	(936)	3,150
Dunlop 3	1,736	4,458	2,199
Amaroo 3 (formerly Dunlop 4)	6,847	6,248	1,533
Nicholls Lakeside Estate	196	4,806	3,257
Bruce 2 (Huntley)	1,435	3,047	3,185
Condor 1 / Gordon 9 (Southside Estates)	76	3,992	2,863
Total	**$18,127**	**$26,956**	**$27,360**

This table shows that:

- as at 30 June 2000, the joint ventures currently in existence had made an overall profit since inception of $27.0m; and

- since commencement, the ACT Government has received $27.4m from these joint ventures. This is represented by land sales of $22m and profit share of $5.4m.

60.7 CAPITAL WORKS

OAM received $533,000 to cover expenditure on minor new capital works. Of the amount appropriated, an amount $404,000 was spent on site servicing projects and the Southern Boulevard project. The remaining $129,000 has been carried forward to 2000-2001 to complete these projects.

[32] Total profits and losses since inception is the total of accumulated profits at 30 June 2000 and dividends paid since inception.
[33] ACT receipts includes revenue from the sale of land to the joint ventures.

61 PUBLIC TRUSTEE FOR THE ACT

61.1 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.

61.2 AUDIT OF THE 1999-2000 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 24 August 2000.

61.3 MATTERS ARISING FROM THE AUDIT

Instances were identified during the Audit 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.

61.4 FINANCIAL ANALYSIS

Office Activities

The following table summarises the Public Trustee's Office activities.

Public Trustee for the ACT
Summary Operating Statement

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Revenue			
Operating Revenue			
Operating Revenue	949	654	618
Management Fee	422	447	404
Interest	87	68	52
	1,458	1,169	1,074
Community Service Obligation and Service Payments from the Government	309	198	185
	1,767	**1,367**	**1,259**
Total revenue			
Expenditure			
Employee Expenses	993	813	698
Other Operating Expenses	583	288	269
Total expenses	**1,576**	**1,101**	**967**
Operating Profit	**191**	**266**	**292**

Total revenue for the Office increased from $1.36m in 1998-99 to $1.76m in 1999-2000. 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 previous year was 43%.

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 96% over the last 5 years to $62.3m as at 30 June 2000.

61.5 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 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

	Actual 1999-00 $000	Actual 1998-99 $000	Actual 1997-98 $000
Current Assets			
Cash	223	1	11
Investments	1,505	1,475	1,190
Receivables	54	43	37
Other	11	8	7
	1,793	**1,527**	**1,245**
Current Liabilities			
Creditors and Borrowings	71	28	35
Provisions	120	85	71
Other Liabilities	0	0	11
	191	**113**	**117**
Current Ratio	9 to 1	14 to 1	11 to 1

The Public Trustee Office's current ratio is 9 to 1. This indicates that the Office has a large surplus of current assets over its current liabilities. The Office is financially very secure.

62 REGISTRAR OF FINANCIAL INSTITUTIONS

62.1 INTRODUCTION

As a result of the passing of the *Financial Sector Reform Act 1999*, the ACT Credit Unions Contingency Fund ceased operations on 30 June 1999. Under an agreement between the States and Territories, and the Commonwealth, prudential supervision of non-bank financial institutions was transferred to the Australian Prudential Regulatory Authority.

All moneys held in the Supervision Fund and the ACT Credit Unions Contingency Fund were returned to the Credit Unions as required by the *Financial Sector Reform Act 1999*.

As at 30 April 2000, the ACT Registrar of Financial Institutions had completed all actions related to the transfer of the prudential supervision of non-bank financial institutions to the Australian Prudential Regulatory Authority and ceased its operations.

62.2 AUDIT OF THE FINAL FINANCIAL STATEMENTS

An unqualified audit opinion was provided to the Treasurer on 20 June 2000 for the final financial statements of the Register of Financial Institutions.

63 SUPERANNUATION AND INSURANCE PROVISION UNIT

63.1 INTRODUCTION

The Superannuation Provision 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. The Insurance Provision is a centrally managed fund to cover the insurable risks of Territory agencies.

63.2 SIGNIFICANT FINDINGS

- ***The Insurance Provision reported an operating profit of $2.7m compared to a budgeted profit of $5.5m in 1999-2000;***

- ***The Superannuation Provision reported an operating loss before abnormal items of $18.5m in 1999-2000 compared with a loss of $109.7m in 1998-99;***

- ***As at 30 June 2000 the total actuarial gain from reviews of estimated accrued liabilities was $309.6m; and***

- ***Unfunded superannuation liabilities (i.e. total liabilities less investments) decreased from $884.0m in 1998-99 to $603.6m in 1999-2000.***

63.3 AUDIT OF THE 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Treasurer on 29 September 2000.

63.4 FINANCIAL ANALYSIS

Introduction

The Insurance Provision and the Superannuation Provision are accounted for and reported separately in the financial statements.

Insurance Provision

A summary of the Insurance Provision's Operating Statement follows.

Insurance Provision
Summary Operating Statement

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000
Revenue			
Insurance Revenue	14,028	14,413	14,077
Workers Compensation Premium	20,262	21,561	20,281
Other Revenue	1,106	1,242	560
Total revenue	**35,396**	**37,216**	**34,918**
Expenditure			
Claims Expenses	6,100	9,856	9,547
Administrative Expenses	406	277	494
Employee Expenses	122	91	169
External Insurance	3,000	3,034	2,981
Workers Compensation	20,262	21,300	19,988
Total expenses	**29,890**	**34,558**	**33,179**
Operating Surplus	**5,506**	**2,658**	**1,739**

Superannuation Provision

In 1999-2000 the superannuation provision incurred an operating loss of $18.5m. This loss is a major improvement on the previous year's loss of $109.7m as well as the budgeted loss of $45.0m. The improvement stems from additional investment revenue in the current year coupled with a reduction in accrued superannuation expenses.

The investment assets of the superannuation provision increased by $385m in 1999-2000 following a $300m capital injection from the Government combined with an increase in investment revenue. Investment revenue grew from $24m in 1998-99 to $74m in 1999-2000 (budgeted

investment revenue was $25.7m) as a direct result of improved investment performance.

The accrued superannuation expense for 1999-2000 was $104.7m. This was a combination of accrued superannuation expenses of $130.5m (1998-99 $160.2m) offset by the amortisation of the unrealised gain from actuarial review of $25.8m (1998-99 $8.3m) – see below.

A summary of the Superannuation Provision's Operating Statement follows.

Superannuation Provision
Summary Operating Statement

	Budget 1999-00 $000	**Actual 1999-00 $000**	**Actual 1998-99 $000**
Revenue			
Investment Revenue			
Interest	10,940	16,148	10,227
Dividends	4,497	7,521	4,204
Changes in Net Market Values	10,838	52,756	10,312
Other Income	1,080	134	1,010
Direct Investment Expense	(1,655)	(2,600)	(1,548)
	25,700	73,959	24,025
Contributions Movement			
Agency Employer Contributions	98,982	88,168	94,943
Payment to ComSuper	(19,169)	(19,168)	(14,914)
	79,813	69,000	80,029
Government Appropriations	19,246	19,246	20,140
Total revenue	**124,759**	**162,205**	**124,194**
Expenses			
Transfer Expenses	0	73,270	79,694
General Administrative Expense	2,007	2,682	2,270
Accrued Superannuation Expense	167,775	104,722	151,941
Total expenses	**169,782**	**180,674**	**233,905**
Operating Loss	**(45,023)**	**(18,469)**	**(109,711)**

63.5 TRIENNIAL ACTUARIAL REVIEW OF SUPERANNUATION LIABILITIES

Superannuation liabilities are actuarially reviewed on a triennial basis. The latest review was undertaken using data as at 30 June 1999. On the basis of actuarial assumptions of future investment earnings, salary inflation and demographic factors, the actuarial review estimated that the superannuation liability had reduced by $209.6m at 30 June 1999.

The total of the actuarial reduction brought to account as a result of the reviews mentioned is now $309.6m.

Under a change in accounting policy implemented in 1998-99 the actuarial reduction will be amortised over the 12-year period recommended by the actuary.

63.6 UNFUNDED SUPERANNUATION LIABILITIES

The level of unfunded liabilities for superannuation over the past four years has been as follows.

Superannuation Provision Unit
Unfunded Liabilities

	1999-00	**1998-99**	**1997-98**	**1996-97**
	$000	**$000**	**$000**	**$000**
Total Superannuation Liabilities	1,367,986	1,243,011	1,089,137	924,736
Less Investments Held	744,104	358,939	318,705	273,524
Unfunded Liabilities	**623,882**	**884,072**	**770,432**	**651,212**
Unfunded liabilities as a % of total liabilities	45.6%	70.8%	70.3%	69.5%

The ACT Government meets the reimbursement to ComSuper of the emerging costs of benefits paid each year to members of CSS/PSS for ACT Government Service after 1 July 1989. The Commonwealth Government makes payment for services before 1 July 1989. Payments to ComSuper 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 1999-2000 was $19.2m (1998-99 $20m). As an increasing number of members seek retirement it is expected that emerging costs will increase significantly over the next ten years.

New Legislation

At 30 June 2000, the ACT Government had total unfunded superannuation liabilities of $623.9m, funding for which will need to be obtained from future income.

The *Territory Superannuation Provision Protection Act 2000* came into affect on 1 July 2000. The intention of the Act is to ensure that funds provided for superannuation are paid into a superannuation banking account. Once in that account the funds may only be used for superannuation purposes. Investment earnings will also be retained and may only be used for superannuation purposes. The *Territory Superannuation Provision Protection Act 2000* required that all moneys standing to the credit of the Superannuation Provision Unit at 30 June 2000 be paid into a new superannuation banking account.

64 UNIVERSITY OF CANBERRA

64.1 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 has a 31 December year-end for financial reporting.

64.2 AUDIT OF THE 1999 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Education on 24 March 2000.

64.3 MATTERS ARISING FROM THE AUDIT

As a result of the audit a number of instances were identified where financial operations and controls of the University could be improved. These instances were reported to management along with appropriate recommendations.

64.4 FINANCIAL ANALYSIS

The following table summarises the University's Operating Statement.

University of Canberra
Summary Operating Statement

	Actual 1999 $000	Actual 1998 $000	Actual 1997 $000
Revenue			
Government Sources			
Commonwealth Government Grants	35,717	36,526	42,067
Higher Education Contribution Scheme (HECS)	24,127	21,642	16,714
State Government Grants	309	159	141
	60,153	58,327	58,922
Other Sources			
Other Research Grants and Contracts	2,775	3,679	2,955
Donations and Bequests	147	519	198
Investment Income	958	928	934
Fees and Charges	17,821	15,700	16,362
Other Revenue	8,046	7,284	6,299
	29,747	28,110	26,748
Total revenue	**89,900**	**86,437**	**85,670**
Expenditure			
Employee Expenses	59,019	56,612	55,544
Depreciation Expense	5,639	5,299	4,688
Other Expenses	22,909	23,123	23,774
Total expenses	**87,567**	**85,034**	**84,006**
Operating Surplus before Abnormal Items	**2,333**	**1,403**	**1,664**
Abnormal Item	0	124	(975)
Operating Surplus	**2,333**	**1,527**	**689**

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

Revenue

At $35.7m *Commonwealth Government Grants* were $800,000 less that the prior year amount of $36.5m. This decrease was in line with the Commonwealth Government's policy of reducing overall funding to educational institutions. The amount of *HECS* revenue the University receives is based on prior year funding. As there are more students this year than in the prior year, HECS increased by $2.5m.

Expenditure

The $2.4m increase in *Employee Expenses* was mainly due to the 4.2% increase for academic and non academic staff under the University's Enterprise Bargaining Agreement.

Operating Surplus

For the year ending 31 December 1999, the University of Canberra reported an operating surplus of $2.3m. This was a small improvement compared to the $1.5m surplus for 1998.

64.5 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 two years are presented in the following table.

University of Canberra
Current Assets and Liabilities

	Actual 1999 $000	Actual 1998 $000	Actual 1997 $000
Current Assets			

Cash	2,179	2,895	2,784
Receivables	2,755	2,642	2,017
Investments	15,310	14,110	14,410
	20,244	**19,647**	**19,211**
Current Liabilities			
Creditors	534	1,966	2,169
Borrowings	1,350	1,350	1,350
Accrued Liabilities	3,193	1,717	1,129
Provisions	5,231	4,525	4,822
Other	677	978	831
	10,985	**10,536**	**10,301**
Current Ratio	1.8 to 1	1.9 to 1	1.9 to 1

The University's short term financial position, as indicated by its current ratio, is sound.

65 UNIVERSITY OF CANBERRA COLLEGE

65.1 INTRODUCTION

The University of Canberra College Pty Limited is wholly owned by the University of Canberra. The Company was established in response to a growing demand for university programs, which would prepare students (who had not otherwise met the requirements for entry to the University) for University. The Company benefits the University as it provides a mechanism for increasing the number of students who are able to continue on to complete their qualifications.

The Company has a 31 December year end for financial reporting purposes and is consolidated in the financial statements of the University.

65.2 AUDIT OF THE 1999 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion was provided to the Minister for Education on 24 March 2000.

65.3 MATTERS ARISING FROM THE AUDIT

The audit identified instances where the financial administration of the college could be improved or where internal controls were not fully effective. These instances were reported to management with appropriate recommendations.

65.4 FINANCIAL RESULT

The following table summarises the Company's Operating Statement.

University of Canberra College Pty Limited
Summary Operating Statement

	Actual 1999 $000	Actual 1998 $000
Revenue		
Fees and Charges	1,280	1,038
Grant Income	85	0
Interest	4	2
Other Revenue	63	0
	1,432	**1,040**
Expenditure		
Employee Expenses	836	427
Depreciation Expense	13	17
Other Expenses	632	596
	1,481	**1,040**
Operating Loss	**(48)**	**0**

The major source of revenue for the Company is student fees. Major expenses for the Company are mainly administrative in nature.

66 URBAN SERVICES DEPARTMENT

66.1 INTRODUCTION

The Department of Urban Services (the Department) provides a wide range of urban, rural and commercial services to the ACT community and to other ACT Government agencies. At 30 June 2000, the Department had the following organisational 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); and
- management of renewable forest resources (ACT Forests).

The Department also liaises with and oversights the activities of a number of Government owned business enterprises and public trading enterprises.

66.2 REPORTING ENTITIES

For reporting purposes, the Department consists of seven 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;
- ACT Forests;

- Trustees of the Canberra Public Cemeteries;
- Nominal Insurer of the ACT; and
- ACT Worker's Compensation Supplementation Fund.

Unqualified audit opinions were provided for each of these entities. Comments for the Department are included below while comments on each of the other entities are presented elsewhere in this report.

66.3 SIGNIFICANT FINDINGS

- ***No audit opinion was expressed on six of the Department's performance measure results;***

- ***Asset revaluations undertaken during the year resulted in a net increment of $58m to asset values and an $82m adjustment (decrease) to the opening balance of infrastructure assets;***

- ***Overall, the Department managed its operations to budget in 1999-2000; and***

- ***There is no disclosure of the Commissioner for the Environment's financial operations in the Department's financial statements or in the Commissioner's annual report.***

66.4 AUDIT OF THE DEPARTMENT'S 1999-2000 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 1999-2000 financial statements was provided to the Minister for Urban Services on 9 October 2000.

The audit report on the Department's Statement of Performance contained an "Emphasis of Matter" in relation to six performance measures upon which no audit opinion was expressed.

66.5 MATTERS ARISING 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. These instances have been notified to management with appropriate recommendations.

66.6 FINANCIAL ANALYSIS

DEPARTMENTAL TRANSACTIONS

The following table summarises the Department's Operating Statement.

Department of Urban Services
Summary Operating Statement

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000
Revenue			
Government Sources			
ACT Government	229,406	235,540	231,392
User Charges – ACT Government	11,478	10,606	9,510
	240,884	246,146	240,902
Other Sources			
User Charges – Non ACT Government	6,776	9,473	9,421
Interest and Other	906	6,071	1,709
Grants from Commonwealth	132	901	517
Resources Received Free of Charge	946	759	1,002
	8,760	17,204	12,649
Total revenue	**249,644**	**263,350**	**253,551**
Expenditure			
Employee Expenses	82,948	75,537	86,765

Administration			
Operating Lease Rental Expense	*	9,787	9,294
Professional Services	*	26,386	19,401
Hire Charges	*	6,435	6,676
Utilities	*	4,331	7,066
Repairs and Maintenance	*	25,604	23,732
Other	*	32,144	31,215
	96,227	104,687	97,384
Payments to Service Providers	60,904	70,402	63,535
Depreciation	63,336	68,247	5,024
Interest	3,454	2,975	3,175
Other	2,301	3,155	1,820
Total expenses	**309,170**	**325,003**	**257,703**
Operating Loss before Abnormal Items	**(59,526)**	**(61,653)**	**(4,021)**
Abnormal Items	(7,000)	(1,735)	131
Operating Loss	**(66,526)**	**(63,388)**	**(4,021)**

Note: * No detailed breakdown of Administration Expenditure provided in the 1999-00 Budget Papers.

Comments follow on the major departmental sources of revenue and expenditure.

Revenue Items

Revenue Comparison with Prior Year Actual

The Department's revenue for the year totaled $263.4m, an increase of $9.8m or 4% compared to the previous year.

The increase of $9.8m compared to the previous year was mainly due to:

- a $4.1m or 1.8% increase in Government appropriations, the Department's main source of revenue. This item includes the appropriations for Government Payment for Output and Injection for Operations. The increase was mainly used to fund the increased cost of bus services purchased from ACTION;

- a $1.1m increase in *User Charges – ACT Government* due to increased revenue from services provided to other Government agencies, mainly from publication, mail and records management, and horticulture services;

- *Interest* from investments with the Central Financing Unit rose by $550,000 as a result of increased investments and better returns from investments during the year; and

- *Other* revenue increased by $3.8m in the current year compared to the prior year primarily due to an accounting adjustment arising from the transfer of revenue relating to the provision of infrastructure on ACTON Peninsula from the Territorial account to the Departmental account.

Revenue Comparison to Budget

Total revenue for 1999-2000 was greater than the budget of $249.7m by $13.7m (or 5.5%). The variance of $13.7m against budget was mainly due to:

- an increase of $6.1m in Government appropriations mainly to supplement additional funding required by ACTION due to higher running costs and lower than expected fare revenue, which was not anticipated in ACTION's budget;

- a $2.7m increase in *User-Charges – Non ACT Government* was primarily due to the introduction of licences for the supply and distribution of gas and increased business activity in areas, such as domestic waste, domestic animal services, and publication services. This increase was not anticipated in the budget; and

- a higher than anticipated *Interest* received from investments ($560,000).

Expenditure Items

Expenditure Comparison to Prior Year Actual

At $325m, revenue increased by $67.3m from the previous year. The increase is attributable mainly to:

- the increased *Depreciation* expense resulting from the transfer of property, plant and equipment from the Territorial account to the

Departmental account on 1 July 1999 ($63.2m). This increase was offset by a corresponding decrease in the Territorial account;

- an increase in *Administrative* expenses ($7.3m) due mainly to increased *Repairs and Maintenance* costs ($1.8m) associated with the transferred assets from the Territorial account and increased expenses in *Professional Services* ($7m). *Professional Services* related to work performed by Cityscape, ACT Parks and Conservation, Road Use Management, Facilities Management and other external contractors/consultants. The increase in *Professional Services* was partly due to increased payments to contractors to perform some functions that were done by employed staff in prior years; and

- the increased *Payments to Service Providers* ($7m) mainly related to additional funding provided to ACTION for fare shortfall and higher running costs in fuel and network.

The increase in *Depreciation* and *Administrative* expenses were offset by a decrease of $11.2m in *Employee Expenses* (including superannuation expenses) attributable to a Departmental reorganisation. Within employee expenses, salaries and wages decreased by $5.9m and redundancy payments decreased by $3.3m.

Expenditure Comparison with Budget

At $325m, actual expenditure for the year was less than budgeted expenditure ($309m) by $16m. The $16m variance is due to:

- *Employee Expenses* being $7.4m below budget;

- *Administrative Expenses* being $8.4m greater than budget;

- *Depreciation* being $4.9m greater than budget; and

- *Payments to Service Providers* being $9.5m more than budget. Additional funding was received by the Department and on-passed to ACTION to supplement its working capital needs.

The variances appearing between actual and budget for employee and administrative expenses are partly due to a reclassification between employee, administration and other expenses in line with last year's outcome, and also partly due to a Departmental reorganisation.

Conclusion

From the audit review of the financial statements and the explanations for variations from prior year's results and budget, the conclusion has been drawn that the Department, in an overall sense, managed its Departmental operations to its budget during 1999-2000.

TERRITORIAL TRANSACTIONS

Revenue Items

Territorial revenue including payment for expenses on behalf of the Territory, Taxes Fees and Fines and Commonwealth grants are shown in the following table.

Department of Urban Services
Territorial Revenue

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000
Taxes, Fees And Fines			
Motor Vehicle Registration	*	55,555	52,919
Fees for Regulatory Services	*	13,819	12,700
Betterment	*	3,914	4,337
Parking Fines	*	5,113	6,864
Traffic Fines	*	4,831	4,386
Drivers' Licenses	*	5,299	5,373
Miscellaneous	*	2	6
	87,908	88,533	86,585
Land Revenue	0	0	5,409
Commonwealth Grants	47,592	45,316	27,235
User Charges – Non Government			

Parking Fees	*	11,191	10,614
Other	*	108	28
	9,610	11,299	10,642
Resources Received Free of Charge	0	0	665
Other Revenue		1,023	189
	145,110	**146,171**	**130,725**

Note: * No detailed breakdowns of Taxes, Fees and Fines and User Charges-Non Government was provided in the 1999-2000 Budget Papers for the Department.

Revenue collected on behalf of the Territory for the year totaled $147.2m, an increase of $15.7m compared to the previous year. *Land Revenue* was less by $5.4m compared to the previous year due to the transfer of the land sales function to the Office of Asset Management during the 1998-99 financial year. This was offset by an increase in *Taxes, Fees and Fines* ($1.9m) and *Commonwealth Grants* ($18m).

Commonwealth Government grants increased by $18m compared to the previous year. The increase related to additional capital funding for the duplication of the Federal Highway and increased funding under the Commonwealth State Housing Agreement. The Commonwealth grants collected by the Department on behalf of the Territory were transferred to the Central Financing Unit.

Expenditure Items

Territorial expenditure other than transfers made to the Central Financing Unit for *Taxes, Fees and Fines*, and *Parking Fees* collected comprised:

Department of Urban Services
Territorial Expenditure

	Budget 1999-00 $000	Actual 1999-00 $000	Actual 1998-99 $000
Depreciation and Amortisation	0	0	62,374
Administrative Expense	235	355	2,955
Grants and Subsidy Payments	664	779	417
Bad and Doubtful Debts Expense	0	500	245
Employee Expenses	123	232	143
Other	0	460	328

	1,022	**2,326**	**66,462**

Total Territorial expenditure in 1999-2000 fell by $64.1m from the previous year. This was mainly due to the transfer of Territorial property plant and equipment (i.e. roads, bridges, infrastructure etc) to the Departmental account on 1 July 1999. Decreases in associated costs in the Territorial account e.g. depreciation ($62.3m) and administrative expenses – repairs and maintenance ($2.6m) correspondingly increased in the Departmental Operating Statement.

Conclusion

Total revenue and total expense were in line with the budget and consistent with prior years (after allowing for the effects of transferring the Territorial property plant and equipment to the Departmental account).

66.7 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 current ratio for the Department of Urban Services' last three years of operation are shown in the table below.

Department of Urban Services
Current Assets and Liabilities

	1999-00 Actual $000	**1998-99 Actual $000**	**1997-98 Actual $000**
Current Assets			
Cash	8,289	5,776	7,725
Receivables	1,995	3,169	3,578
Investments	3,764	911	2,307
Inventories	2,680	2,284	2,272
Other	2,164	2,238	2,545
	18,901	**14,729**	**18,427**
Current Liabilities			
Creditors	5,547	5,388	5,920
Borrowings	314	214	0

Finance Leases	1,306	1,153	1,071
Employee Entitlements	10,946	11,020	10,888
Other Provisions	0	1,183	1,183
Other	6,075	6,691	4,298
	24,337	**25,649**	**23,360**
Current Ratio	0.8 to 1	0.6 to 1	0.8 to 1

The Department of Urban Services' current ratio has improved marginally from 0.6 to 1 in 1998-99 to 0.8 to 1 in 1999-2000. A current ratio around this level indicates that the Department will need to manage its resources carefully in order to meet its short-term obligations as they fall due in the next twelve months.

66.8 CAPITAL WORKS

DEPARTMENTAL

The following table compares the actual expenditure with budget (funded by the Territory) for Departmental Capital Works and Work in Progress by Business Units.

Department of Urban Services Capital Works Expenditure

Project	Expenditure Financed from this Year's Capital Works budget $000	Capital Works Budget $000	Over (Under) Spend $000
New Capital Works			
ACT Roads & Stormwater	13,258	10,886	2,372
Planning & Land Mgt	4,532	4,998	(466)
Canberra Places	2,488	4,400	(1,912)
Canberra Urban Parks	1,877	1,950	(73)
Environment ACT	1,468	1,518	(50)
ACT Waste	254	60	194
Public Transport	366	660	(294)
ACT Forests	328	340	(12)
	24,571	24,812	(241)

Work in Progress			
ACT Roads & Stormwater	96	1,000	(904)
Canberra Places	2,620	3,627	(1,007)
Environment ACT	1,118	805	313
Planning & Land Mgt	1,045	845	200
Public Transport	409	500	(91)
	5,288	6,777	(1,489)
Total	**29,859**	**31,589**	**(1,730)**

The variance of $1.7m between the budget and the actual expenditure was due to the following:

- ACT Roads and Stormwater – Work in Progress budget was overstated by $1m owing to the duplication of Duffy Stormwater Project Stage 2. This project budget appeared twice, in New Capital Works and Work in Progress; and

- the under expenditure was also the result of some projects experiencing delays. For example, the Condor 4A Road Connections and Floodway project under Planning and Land Management was delayed due to an Administrative Appeals Tribunal appeal which was not completed in 1999-2000. A greater under expenditure was avoided by accelerating other projects and by bringing forward some projects from the 2000-01 program.

Some projects experienced delays in 1999-2000. Consequently, financing for these projects was rolled into the 2000-01 Work in Progress program. New work projects were advanced or brought forward from the 2000-01 program into the 1999-2000 to offset these delays. Examples of these include the Northbourne Avenue Pavement Rehabilitation ($850,000), Footpath Rehabilitation ($182,000), Western Trunk Cycleway ($180,000) and Bikepath Remediation and Signage ($120,000). The 'overspend' shown for ACT Roads and Stormwater ($2.4m) is the result of this process.

The Department was responsible during the year for undertaking capital works projects funded by the Commonwealth. The Department received $28.7m of grants from the Commonwealth for the Federal Highway duplication project ($28.2m) and Black Spot Program ($490,000). The 1999-2000 component of the Federal Highway project was under budget with actual expenditure of $26.4m.

66.9 COMMISSIONER FOR THE ENVIRONMENT

The accounts and records for the Commissioner for the Environment are incorporated in the Department's Territorial Statements however they are not separately disclosed. As the Commissioner's accounts are not separately identified, for information of readers, the Commissioner's revenue and expenses for the year ended 30 June 2000 have been extracted and are shown in the following table.

Commissioner for the Environment
Operating Statement

	1999-00 Actual $000
Revenue	
Government funding	358
User Charges – Non-Government	89
User Charges – Government	1
Total Revenue	**448**
Operating Expenses	
Employee Expenses	229
Administrative	180
Repairs and Maintenance	10
Other	5
Total expenses	**424**
Operating Surplus	**24**

Note No budget details are provided in the 1999-00 budget papers.

It should be noted that the Commissioner's annual report does not contain information on the Commissioner's financial operations.

67 WORKERS' COMPENSATION SUPPLEMENTATION FUND

67.1 INTRODUCTION

The ACT Workers' Compensation Supplementation Fund (the 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 as they fall due arising from workers' compensation insurance policies.

A senior officer from ACT WorkCover managed the Fund in 1999-2000.

67.2 AUDIT OF 1999-2000 FINANCIAL STATEMENTS

An ***unqualified*** audit opinion on the Fund's financial statements as at 30 June 2000 was provided to the Minister for Urban Services on 4 September 2000.

67.3 FINANCIAL ANALYSIS

The operating profit for 30 June 2000 was $1.0m, which was a significant increase from the previous year's operating profit of $270,000. The variation was due to an increase in Interest Income from long term investments. Operating expenses increased by 25% ($36,000) mainly due to the costs of consultancy work for a new database system.

During 1998-99 ACT WorkCover commissioned an actuarial study to determine whether the fund's assets were sufficient to meet likely claims.

The actuarial study indicated that there could be a potential shortfall in the fund's assets by year 2005. However, the Government apparently considered there was insufficient historical data available for the study to support the recommendations. The Government will commission a new study at a later stage when greater claims data is available.

The development of the new database system has been approved by the Minister. The system is to be used to record data to monitor the performance of private sector insurers and workers' compensation payments in respect of claims in the Territory for future actuarial study.

Currently, the Fund has net assets of $9.8m primarily made up of investments totalling $9.6m.

68 WORKCOVER

68.1 INTRODUCTION

ACT WorkCover and the Office of the Commissioner for Occupational Health and Safety became a separate financial reporting entity on 24 June 2000 following amendments to the *Occupational Health and Safety Act 1989* gazetted on 23 December 1999. It was part of the Department of Urban Services until 23 June 2000 and has been prescribed as a separate department under *Section 6* of *Financial Management Guidelines 2000.*

During the period ended 30 June 2000, ACT WorkCover was responsible for the regulation of:

- Injury prevention and workers' compensation;

- Workplace safety management;
- Dangerous goods management; and
- Labour regulation.

It was also responsible for the provision of advisory services and education programs in those areas.

68.2 AUDIT OF 1999-2000 FINANCIAL STATEMENTS

ACT WorkCover provided its first set of financial statements for the period 24 June 2000 to 30 June 2000.

An ***unqualified*** audit opinion was provided to the Minister for Urban Services on 19 September 2000.

68.3 FINANCIAL ANALYSIS

As ACT WorkCover only became a separate entity effective 24 June 2000, no budget or previous year's figures were available for comparative purposes.

For the period ended 30 June 2000, ACT WorkCover reported an operating loss of $56,000.

A total of $16,000 was received as revenue being a Government payment for output appropriation, while total expenses were $72,000.

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 Moneys

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

10 Management of Schools Repairs and Maintenance

11 Overtime Payment to a Former Legislative Assembly Member's Staffer

Reports Published in 1999

1 Stamp Duty on Motor Vehicle Registrations

2 The Management of Year 2000 Risks

3 Annual Management Report for the Year Ended 30 June 1999

4 Financial Audits With Years Ending To 30 June 1999

Reports Published in 2000

1 Bruce Stadium Redevelopment — Summary Report

2 Bruce Stadium Redevelopment — Value for Money

3 Bruce Stadium Redevelopment — Costs and Benefits

4 Bruce Stadium Redevelopment — Decision to Redevelop the Stadium

5 Bruce Stadium Redevelopment — Selection of the Project Manager

6 Bruce Stadium Redevelopment — Financing Arrangements

7 Bruce Stadium Redevelopment — Stadium Financial Model

8 Bruce Stadium Redevelopment — Actual Costs and Cost Estimates

9 Bruce Stadium Redevelopment — Market Research and Marketing

12 Reports were issued prior to 1992. Details can be obtained from the Government Audit Office.

10 Bruce Stadium Redevelopment — Stadium Hiring Agreements

11 Bruce Stadium Redevelopment — Lawfulness of Expenditure

12 Bruce Stadium Redevelopment — Governance and Management

13 Annual Management Report for the Year Ended 30 June 2000

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:

ACT Auditor-General's Office
Scala House
11 Torrens Street
BRADDON ACT 2612

or

PO Box 275
CIVIC SQUARE ACT 2608

Phone (02) 62070833 / Fax (02) 62070826