

VICTORIA

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Report

of the

AUDITOR-GENERAL

April 1981

Ordered by the Legislative Assembly to be printed

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REPORT OF THE AUDITOR-GENERAL
OF VICTORIA

Pursuant to the provisions of the Audit Act 1958, I present to the Legislative Assembly a report on the 1979-80 accounts of certain of the statutory bodies which the Auditor-General is required by law to audit and certain other matters which were not included in my previous reports of 14 October 1980 and 25 November 1980.

In previous reports I have commented upon the importance of meaningful and timely financial reporting to Parliament.

As an aid to meeting this objective I have decided that in future a further report will be submitted on the accounts of those statutory bodies whose accounts are not available for audit at the date of preparation of my supplementary report.

Where the circumstances warrant it, the further report will also include particulars of additional matters finalised by audit since the previous report. One such matter, on certain aspects of the Education Department, is included in this report.

The audit of the accounts of the Albury-Wodonga (Victoria) Corporation, the National Gallery of Victoria and the Victorian Arts Centre Trust is in progress.

However, in order to expedite the presentation of this report, I have decided to include comment on the accounts of the abovementioned bodies in my 1980-81 report.

B.J. WALDRON
Auditor-General

Melbourne, 30 April 1981.

DECENTRALIZED INDUSTRY HOUSING AUTHORITY

Comments relating to the receipts and payments of the Decentralized Industry Housing Authority were included on page 143 of my main report for 1979-80. A balance sheet at 30 June 1980, which was not available at the date of preparation of my main report, is shown below together with comparative figures at 30 June 1979:

	30.6.79	30.6.80
	\$	\$
LOAN LIABILITY		
Treasurer of Victoria	295 972	294 053
Housing Commission Death Benefit Fund	383 921	380 600
State Savings Bank	1 529 768	1 506 973
ANZ Banking Group	2 774 000	2 996 000
Melbourne and Metropolitan Board of Works	..	500 000
Building Societies Reserve Fund	..	450 000
	4 983 661	6 127 626
CURRENT LIABILITIES		
Creditors	5 711	8 654
Payments in Advance	1 118	522
Accruals	820	1 779
	7 649	10 955
RESERVES AND PROVISIONS		
Maintenance Provision	600	600
Provision for Doubtful Debts	2 000	2 000
Accumulated Surplus	117 936	97 682
	120 536	100 282
	5 111 846	6 238 863
FIXED ASSETS		
Land and Buildings	151 303	133 945
Motor Vehicles	4 179	..
Office Furniture and Equipment	4 474	4 190
	159 956	138 135
DEFERRED ASSETS		
First Mortgage Loans	4 517 367	5 525 407
CURRENT ASSETS		
Cash at Bank	..	58 335
Funds held in Treasury	135 130	50 663
Sundry debtors and accruals	48 512	65 856
Short term Investments	250 000	400 000
Stock on hand	881	467
	434 523	575 321
	5 111 846	6 238 863

EDUCATION DEPARTMENT

Victoria receives moneys from the Commonwealth for Technical and Further Education (TAFE) and for Disadvantaged Schools (Supplementary Grants). These moneys are paid by the Commonwealth pursuant to the various Commonwealth Acts and are credited to either the Consolidated Fund or the Trust Fund at the Treasury.

Each year moneys are appropriated from the Consolidated Fund by way of grants to enable school councils to effectively carry out their functions as prescribed by the Education Act 1958.

Moneys made available for specific purposes are funded from the Trust Fund and may be used to cover either the costs of the central administrative activities of the Department or grants to certain schools for their specific programs.

Audit investigations late in 1980 disclosed that grant funds had been paid to a number of selected school councils, not for the purposes of the said school councils, but to enable equipment to be purchased, administrative expenses to be paid and staff to be employed on behalf of the central administrative offices of the Department.

In my opinion the transactions on behalf of the various central administrative offices of the Department should not have been effected through the schools. In taking this action the Department failed to comply with the prescribed regulatory and standing directions of the Public Service Board and Treasury.

In an audit report, forwarded to the Treasurer on 2 April 1981, the following major matters were raised.

Technical and Further Education

- (a) Establishment of facilities for the TAFE Services Centre located at Nauru House, Melbourne through the Box Hill Technical College

Between 1976 and 1978, grants totalling \$286 455 were forwarded to Box Hill Technical College to purchase on behalf of the Department, the initial items of furniture, equipment, materials and library resources required to establish the TAFE Services Centre.

Expenditure to 31 December 1978 totalling \$273 471 was incurred by the Centre but paid by the College from funds provided by the Department. Included in this expenditure was the purchase of printing equipment costing in excess of \$78 000 which was acquired by the Centre for its own printing operations at Nauru House.

Due to the inadequacy of the recording system at the Centre, it was not possible for audit to establish whether all equipment purchased through the College had been installed at the Centre.

For its assistance in the overall arrangement the College received a sum of \$10 000 and was permitted to retain the interest earned from the investment of the grant funds lodged with the College, pending their disbursement, pursuant to the arrangement.

(b) Payment of TAFE services through Collingwood Technical College

During the years 1978 to 1980 additional TAFE grants were made to Collingwood Technical College by the Department to develop TAFE services on behalf of the Department.

On instruction from various sections of the Department several accounts were established at the College to process expenditure incurred in relation to TAFE central administration.

The following statement details TAFE departmental expenditure by the College during the past 3 years:

	1978	1979	1980	Total
	\$	\$	\$	\$
Publicity and Promotion	193 090	137 361	178 856	509 307
Data Collection				
Student Management	190 551	198 078	128 145	516 774
Accounting Project	100 607	..	44 371	144 978
Staff Development	39 299	25 227	21 170	85 696
Nauru House - Planning Services Division	141 856	390 265	492 039	1 024 160
	<u>665 403</u>	<u>750 931</u>	<u>864 581</u>	<u>2 280 915</u>

Included in the overall departmental expenditure of \$2 280 915 was an amount of \$601 123 for salary payments to non-teaching staff attached to the Planning Services Division of the Department.

The \$601 123 was expended as follows:

	\$
1978	89 852
1979	207 672
1980	303 599

Staff employed under the above arrangement have numbered as many as 35 at any one time with most of the employees engaged on a temporary basis. At the time of preparing this report departmental records indicate the number at 22 with some engagements in their third year of employment.

The appointment process was controlled by the Division of the Department. At the request of the Division persons nominated by the Division were appointed by the College and arrangements made for fortnightly salary cheques to be forwarded by the College for payment of officers of the Division stationed at Nauru House.

For its part in the arrangement the Collingwood Technical College was permitted to retain the interest income received from the investment of grant funds lodged with the College pending their disbursement pursuant to the arrangement. At 31 December unspent funds were:

1978	\$165 266
1979	\$171 022
1980	\$239 737

(c) Receipts from the TAFE program

Receipts, totalling \$9 225 in respect of printing services provided to College etc. by the Planning Services Division in 1979 and 1980, were banked with extraneous funds at Collingwood Technical College. The invoices were issued in the name of the College at the direction of the Planning Services Division.

These receipts constitute public moneys and should have been banked in the Public Account and credited to the Consolidated Fund.

Supplementary Grants (Disadvantaged Schools)

The Supplementary Grants Committee allocates funds through area committees to disadvantaged schools.

The Department arranged for "banker" or "host" schools to be given additional grants to meet the direct expenses (including salaries of additional staff and purchase of equipment) of the central and regional committees responsible for supplementary grants.

Audit investigations have revealed that payment of expenses by the "banker/host" schools on behalf of the committees is not properly controlled, in that the payment of these expenses is being made without complying with the Public Accounts and Stores Regulations 1958. Furthermore this procedure has enabled unexpended Vote funds from the Consolidated Fund to be held in these schools subsequent to the end of each financial year.

Other Departmental Expenditure by School Councils

On a number of occasions various schools were utilised for the purchase of items of equipment which were installed at regional offices and the offices of central divisions responsible for the administration of technical and secondary education. By adopting this practice, the various central and regional offices were able to acquire electric typewriters, dishwashers, printing equipment, executive furniture, a micro-wave oven and a photocopier without complying with regulatory procedures and Treasury directives.

In some instances, additional grants were provided to the schools for these purchases. However, in a number of cases it was not possible for audit to determine whether additional grants had been provided.

Summary

In my opinion, the Department, by adopting the practices mentioned above has:

- (a) negated the operation of financial controls prescribed by the Public Accounts and Stores Regulations 1958;
- (b) by-passed the requirement to obtain the approval of the Public Service Board for additional staff positions at its central offices; and
- (c) retained for future use certain unexpended balances of Vote funds at 30 June for which the parliamentary authority would otherwise have lapsed.

HOME FINANCE TRUST

The Home Finance Act 1962 empowers the Home Finance Trust to raise money from lending institutions by way of deposit or bank overdraft for the purpose of making housing loans on the security of first or second mortgage. In terms of the Act, the Treasurer may, with the approval of the Governor in Council, execute guarantees in favour of the Commissioners of the State Savings Bank of Victoria or any person or body agreeing to deposit money with the Trust or in favour of any bank providing accommodation by way of overdraft.

The amount so agreed to be deposited or lent at 30 June 1980 was \$44 974 200 compared with \$44 414 200 at 30 June 1979. Of the amount of \$44 974 200, a sum of \$19 173 200 has been deposited or lent or made available as overdraft accommodation, for the purpose of loans by the Trust on the security of second mortgage. Details are:

	\$	\$
The Commissioners of the State Savings Bank of Victoria	9 301 000	
Other Savings Banks	15 333 200	
Trading Banks-Overdraft Accommodation	16 650 000	
	<hr style="width: 100%;"/>	41 284 200
Insurance Companies		1 990 000
Other		1 700 000
		<hr style="width: 100%;"/>
		44 974 200
		<hr style="width: 100%;"/>

The liability of the Trust on account of deposits and overdrafts, as shown in the summary of assets and liabilities hereunder, is reconciled below with the total of agreed loans:

	\$
Agreed Loans	44 974 200
Less Amount repaid to lending institutions (or overdraft accommodation not taken up)	11 341 457
	<hr style="width: 100%;"/>
Total liability of Trust to lending institutions	33 632 743
	<hr style="width: 100%;"/>

Loans approved to date by the Trust to borrowers amounted to \$65 744 950, of which sum \$20 214 390 related to second mortgages. Discharged mortgages, including mortgages on repossessed properties sold under contracts of sale, amounted to \$26 783 469. Advances secured by first mortgage at 30 June 1980 amounted to \$18 133 766 (net) and, by second mortgage, to \$13 791 088 (net).

The surplus for the year on account of transactions relating to first mortgages (Home Finance Fund No. 1) was \$1 945. The net deficit on account of second mortgages (Home Finance Fund No. 2) was \$57 076.

A summary of the income and expenditure of the Trust for 1978-79 and 1979-80 is furnished below.

	INCOME	
	1978-79	1979-80
	\$	\$
Interest Receivable from Mortgagors and on Sales etc.	2 534 965	2 854 259
Less Interest Payable to Depositors (including overdraft interest)	<u>2 519 055</u>	<u>2 907 475</u>
	15 910	(53 216)
Interest from Treasurer of Victoria	88 000	93 142
Insurance Commission	16 260	15 949
Other	969	900
	<u>121 139</u>	<u>56 775</u>
	EXPENDITURE	
Fees-Members of Trust	11 394	12 535
Printing and Stationery	4 649	1 914
Postage and Telephone	4 136	3 204
Contribution to Treasury	87 000	90 975
Provision for Doubtful Debts	75 000	..
Sundry	1 393	3 278
	<u>183 572</u>	<u>111 906</u>
Operating Deficit	<u>62 433</u>	<u>55 131</u>

* Salaries are not charged in the accounts of the Trust

Set out hereunder are particulars of the Trust's assets and liabilities at 30 June 1979 and 1980.

	30.6.79	30.6.80
	\$	\$
ASSETS		
Current ordinary loans secured by first mortgage	24 930 744	23 431 465
Less repayments by mortgagors	(5 124 175)	(5 297 699)
Current ordinary loans secured by second mortgage	11 892 894	14 443 680
Less repayments by mortgagors	(558 049)	(652 592)
Repossessed properties sold under contracts of sale	48 300	39 300
Less payments of instalments of principal	(25 598)	(17 963)

	30.6.79	30.6.80
	\$	\$
Arrears (net) under mortgages and contracts of sale	80 072	88 556
Sundry Debtors	21 477	52 674
Office Equipment	2 798	2 604
Cash on fixed deposit	1 296 709	3 280 000
Cash on hand	40	40
Investment	100 000	100 000
	<u>32 665 212</u>	<u>35 470 065</u>

LIABILITIES

Deposits by lending institutions and accommodation by way of overdraft-repayment guaranteed by Treasurer of Victoria- balance of principal due	31 054 448	33 632 743
Pre payments by mortgagors of valuation and inspection fees	617	..
Mortgagors' equities in properties repossessed and sold	9 221	9 221
Provision for Doubtful Debts	125 000	125 000
Interest Fluctuation	150 000	150 000
Sundry Creditors	117 321	399 628
Accumulated Surplus-Home Finance Funds Nos 1 and 2	1 208 605	1 153 473
	<u>32 665 212</u>	<u>35 470 065</u>

METROPOLITAN FIRE BRIGADES BOARD

The Metropolitan Fire Brigades Board is constituted under the Metropolitan Fire Brigades Act 1958 and is responsible for the general control of all fire stations and brigades within the metropolitan fire district.

The Board's revenue consists primarily of contributions from fire insurance companies, municipalities and the Consolidated Fund to meet the estimated annual expenditure of the Board, as provided under Sections 36 and 37 of the Metropolitan Fire Brigades Act 1958. In addition, brokers and owners are required to contribute where properties are insured with companies other than those licensed under Section 96 of the Stamps Act 1958.

The Metropolitan Fire Brigades Act requires the Auditor-General to audit the accounts of all moneys received and disbursed by the Board. The following consolidated statement shows receipts and payments for the past two years:

	1978-79	1979-80
	\$	\$
RECEIPTS		
Statutory Contributions		
Fire Insurance Companies	23 736 278	27 781 569
Municipalities	3 956 375	4 646 125
Treasurer of Victoria (Consolidated Fund)	3 956 375	4 646 125
Brokers and Owners (net)	442 851	530 200
	<hr/>	<hr/>
Commonwealth Government Subsidy	32 091 879	37 604 019
Rental of Fire Alarms, Patrol Services, Testing and Inspecting Appliances (net)	320 130	343 913
Sale of Materials, Property and Plant	2 123 565	2 818 666
Rents	122 484	141 355
Uninsured Fires (net)	229 187	243 182
Interest on Investments etc.	51 883	62 913
Investments-Short Term (net)	543 763	535 707
Long Term (net)	1 570 000	1 150 000
Miscellaneous	182 480	6 900
Balance 30 June overdrawn	9 256	5 431
	<hr/>	<hr/>
	1 590 604	1 185 744
	<hr/>	<hr/>
	38 835 231	44 097 830
PAYMENTS		
Balance 1 July overdrawn	1 166 142	1 590 604
Salaries and Wages (net)	25 196 682	28 792 466
Payroll Tax	1 246 513	1 422 911
Insurance (net)	1 317 074	1 503 532
Superannuation Contributions and Staff Insurance		
Subsidies (net)	2 897 500	3 334 490
Maintenance etc. (net)	3 967 438	5 007 998

	1978-79	1979-80
	\$	\$
Purchases-Land and Buildings	70 640	44 065
Plant Machinery and Equipment	1 648 857	920 551
Rolling Stock	558 909	562 447
Interest on Loans	485 389	547 443
Loan Repayments	280 087	371 323
	<u>38 835 231</u>	<u>44 097 830</u>

Receipts and payments of loan moneys for 1978-79 and 1979-80 are compared hereunder:

	1978-79	1979-80
	\$	\$
Balance 1 July	..	513 271
RECEIPTS		
Loan Proceeds	1 000 000	..
	<u>1 000 000</u>	<u>513 271</u>
PAYMENTS		
Head Station (Eastern Hill)	486 729	66 120
Balance 30 June	<u>513 271</u>	<u>447 151</u>

The accounts of the Board are also subject to audit by a firm of Chartered Accountants appointed by the Board. The firm provides a certificate to the balance sheet and related statements.

The following abridged statement of assets and liabilities and funds of the Board at 30 June 1979 and 1980 is included for information purposes:

	30.6.79	30.6.80
	\$	\$
CURRENT ASSETS		
Sundry Debtors	516 060	1 180 348
Investments-Short Term	2 500 000	*1 350 000
Stock on Hand (at cost)	913 036	1 075 231
	<u>3 929 096</u>	<u>3 605 579</u>
FIXED ASSETS (at cost less depreciation)		
Land and Buildings	16 716 030	16 823 965
Plant, Machinery and Equipment	849 432	987 772
Rolling Stock	3 835 872	4 058 509
Communication System	1 180 650	1 942 248
	<u>22 581 984</u>	<u>23 812 494</u>
INVESTMENTS-Long Term	490 900	+484 000
	<u>27 001 980</u>	<u>27 902 073</u>
Total Assets		

* Official short-term money market \$1 350 000

+ Inscribed stock \$484 000

	30.6.79	30.6.80
	\$	\$
CURRENT LIABILITIES		
Cash Balance Overdrawn (net)	1 077 333	738 593
Sundry Creditors	16 116	46 945
	<hr/>	<hr/>
	1 093 449	785 538
LOAN LIABILITY	6 442 240	6 070 917
FUNDS		
Florant Reward Fund	4 514	4 926
Motor Replacement Fund	9 716	108 486
Plant and Building Fund	1 332 489	1 848 336
Recreation and Education Fund	10 393	10 087
Loan Fund	513 271	447 151
	<hr/>	<hr/>
	1 870 383	2 418 986
	<hr/>	<hr/>
Total Liabilities and Funds	9 406 072	9 275 441
Excess of Assets over Liabilities	17 595 908	18 626 632
	<hr/>	<hr/>
	27 001 980	27 902 073
	<hr/>	<hr/>

STATE SUPERANNUATION BOARD

Superannuation Fund

This fund, authorised under the provisions of the Superannuation Act 1958, provides, on a contributory basis, retiring benefits for the public and teaching services, the officers and employees of the railways service and certain statutory bodies and, in terms of the Superannuation Act 1963, certain members of the Police Force.

The accounts of the Board have been audited for the year ended 30 June 1980 and the following statement details the receipts and payments of the fund for the past two years. The comparative figures included in this report have been adjusted following the completion of the 1978-79 audit.

	1978-79	1979-80
	\$	\$
Balance at Bank 1 July	(187 392)	(381 926)
RECEIPTS		
Contributions - Current (net)	59 558 155	62 818 339
Deferred	2 615	1 764
Sale and Redemption of Investments	41 225 155	32 772 699
Interest on Investments	29 968 567	36 121 005
Payments from Consolidated Fund	67 623 559	77 004 846
Short-term Deposits Recalled	84 378 446	117 324 285
Property - Revenue	5 617 521	5 597 176
Capital	175 560	175 413
Mortgage Reserve Account	180 172	203 793
Insurance Commission	10 785	2 046
Underwriting Commission	10 000	65 500
Miscellaneous	100	225
	288 563 243	331 705 165
PAYMENTS		
Pensions	69 885 935	79 274 621
Lump Sum Payments		
Limited and ill-health contributors	626 005	454 631
Cash Options	23 472 008	24 325 905
Investments	83 987 947	89 478 028
Short-term Deposits	93 754 411	118 286 854
Property Operating Expenses	1 968 789	2 317 323

	1978-79 \$	1979-80 \$
Pensions Supplementation Fund		
Statutory Transfer	14 944 687	16 956 393
Reserve Units - Refund of Contributions (net)	241 618	744 858
Interest	118 849	220 233
Assurance Premiums (net)	(57 268)	126 914
Valuation Fees (net)	2 188	(1 447)
	<hr/>	<hr/>
	288 945 169	332 184 313
	<hr/>	<hr/>
Balance at Bank 30 June	(381 926)	(479 148)
	<hr/>	<hr/>

Statement of Fund

At 30 June 1979 and 1980 the balance of the fund was represented by the following:

	30.6.79 \$	30.6.80 \$
Fixed Investments	419 867 838	472 783 932
Short-term Investments	13 425 964	14 388 534
	<hr/>	<hr/>
	433 293 802	487 172 466
Less Bank Overdraft	381 926	479 148
	<hr/>	<hr/>
Balance of Fund	432 911 876	486 693 318
	<hr/>	<hr/>

Investments of the fund are as follows:

	30.6.79 \$	30.6.80 \$
Local and Semi-government Securities	255 530 825	260 046 688
Commercial Loans	78 520 500	117 517 250
Housing Loans	43 215 386	52 470 060
Property	42 601 127	42 749 934
	<hr/>	<hr/>
	419 867 838	472 783 932
	<hr/>	<hr/>

Incorrect payment of Pensions

In my 1980 supplementary report, I drew attention to a number of cases of over and underpayments of contributions. Recently it has come to my notice that a number of pensions have been paid at incorrect rates resulting in both over and underpayments. The Board is currently taking steps to rectify the matter.

Actuarial Valuation

The report of the joint actuaries to the Board for the triennium ended 30 June 1977 revealed an actuarial surplus of \$103 522 451 at that date. The report states that:

the surplus of \$103 522 451 in the fund may be regarded as having arisen approximately from the sources shown hereunder.

	\$000
Surplus at 30 June 1974	44 576
Surplus from excess interest (over 3.75 per cent.) on actuarial reserves during the triennium	25 647
Interest earned on surplus during the triennium	15 536
Surplus from the change in the valuation basis	45 713
Miscellaneous actuarial surpluses arising from differences between actual and expected experiences during the triennium	(1 634)
	<hr/> 129 838
Less	
Transfers during the triennium to the Supplementation Fund for updating pensions	26 316
	<hr/>
Surplus available at 30 June 1977	103 522
	<hr/>

VICTORIAN EGG MARKETING BOARD

The Victorian Egg Marketing Board administers the marketing of eggs and egg products in Victoria. It operates grading floors in the Melbourne metropolitan area and Ballarat in addition to a number of receiving and selling depots which are situated in both metropolitan and country areas. Grading and selling operations are also conducted on behalf of the Board by its authorised agents, producer agents and distributors. Pulp is manufactured by the Board in its factory at Keysborough.

The following statement shows the operations during the last two accounting periods. The 1978-79 accounts have been recast to incorporate minor classification changes introduced during 1979-80.

	1978-79	1979-80
	\$	\$
Income		
Gross Sales	45 607 905	52 625 341
Poultry Industry Trust Fund Reimbursement	2 529 659	3 488 357
	<hr/>	<hr/>
Total Income	48 137 564	56 113 698
	<hr/>	<hr/>
Cost of Sales		
Net Payment to Producers	37 559 276	44 391 708
Flock Reduction Compensation	138 546	230 242
Interstate Purchases	..	19 515
Receiving, Transportation, Grading and Quality		
Department Costs	3 621 406	3 347 056
Packaging	1 861 711	2 508 147
Egg Products Manufacturing	1 653 573	1 539 781
Cold Storage	163 988	112 611
Australian Egg Board Export Charges	31 001	12 674
	<hr/>	<hr/>
	45 029 501	52 161 734
Less Increase in Stock on Hand	160 125	92 935
	<hr/>	<hr/>
Total Cost of Egg and Egg Products Sold	44 869 376	52 068 799
	<hr/>	<hr/>
Gross Operating Surplus	3 268 188	4 044 899
	<hr/>	<hr/>
Less Selling and Administration Expense	3 068 575	3 564 003
Non-operating		
Income	(29 993)	(39 290)
Expenses	195 448	354 253
	<hr/>	<hr/>
Net Surplus	34 158	165 933
Accumulated Surplus brought forward	292 261	187 133
Adjustments to Current and Prior Periods	64 312	*492 548
	<hr/>	<hr/>
	390 731	845 614
Less Transfer to Reserve	203 598	700 000
	<hr/>	<hr/>
Accumulated Surplus at close of period	187 133	145 614
	<hr/>	<hr/>

* Includes \$476 769 profit on disposal of Port Melbourne leasehold premises

The following is a statement of the Board's balances. Comparative figures at the end of the preceding period are also given.

	30.6.79	5.7.80
	\$	\$
Board Funds		
Reserve	3 016 622	3 716 622
Accumulated Pool Surplus	187 133	145 614
	<u>3 203 755</u>	<u>3 862 236</u>
Represented by:		
Fixed Assets	5 837 362	6 297 285
Other Non-Current Assets	21 933	20 375
Current Assets	3 798 908	4 162 067
	<u>9 658 203</u>	<u>10 479 727</u>
Less:		
Non-Current Liabilities	2 017 315	2 751 587
Current Liabilities and provisions	4 437 133	3 865 904
	<u>6 454 448</u>	<u>6 617 491</u>
Net Assets	<u>3 203 755</u>	<u>3 862 236</u>

Further details of these balances are given below:

	30.6.79	5.7.80
	\$	\$
<i>Reserve</i>		
Opening Balance brought forward	2 777 278	3 016 622
Transfers from Pool Account		
By Order of the Governor-in-Council	203 598	700 000
Transferred directly to Reserve		
Capital profit on sale of fixed assets	35 746	..
	<u>3 016 622</u>	<u>3 716 622</u>
Closing Balance		

The Governor-in-Council, in accordance with the provisions of sub-section (1) of Section 20 of the Marketing of Primary Products Act 1958, approved the transfer to the reserve of \$700 000. Profits from the sale of assets of \$476 769 mainly in respect of the Port Melbourne leasehold, are included in this amount.

Fixed Assets (at cost)

The following statement shows details of fixed assets at the close of the past two periods:

	30.6.79	5.7.80
	\$	\$
Freehold Land	457 264	459 020
Freehold Buildings	4 200 161	4 678 684
Provision for Depreciation	(504)	(117 471)
Leasehold Property*	353 401	..
Provision for Amortisation	(116 045)	..
Plant and Equipment	1 288 489	1 949 634
Provision for Depreciation	(801 793)	(886 689)
Motor Vehicles	184 404	209 638
Provision for Depreciation	(103 037)	(125 383)
Office Machinery and Equipment	62 334	181 938
Provision for Depreciation	(46 643)	(52 086)
Keysborough Plant and Equipment in progress	359 331	..
	<u>5 837 362</u>	<u>6 297 285</u>

* During the year the Board sold its leasehold premises at Port Melbourne.

The Provision for Depreciation in respect of Freehold Buildings (cost, \$4 678 684) is calculated on the basis of an expected life of 40 years. Included in this cost is an estimated amount of \$1.3 million in respect of electrical and mechanical services and office facilities which may have an expected life of less than 40 years.

Non-current Assets

Non-current assets were represented by:

	30.6.79	5.7.80
	\$	\$
Term Deposit recoverable over 8 years from the end of the 1980-81 period	21 933	*20 375

* The current portion of this Deposit, \$1 618 is included in current assets.

Current Assets

Current Assets at the close of the past two periods were:

	30.6.79	5.7.80
	\$	\$
Cash on Hand	923	1 183
Cash at Banks	4 900	10 900
Term Deposits	1 472	1 909
Claims on Poultry Industry Trust Fund	410 250	248 664

	30.6.79	5.7.80
	\$	\$
Stock on Hand*	1 481 658	1 667 217
Trade and Other Debtors+	1 582 360	2 186 871
Provision for Doubtful Debts	(30 000)	(30 000)
Australian Egg Board++	347 345	75 323
	<u>3 798 908</u>	<u>4 162 067</u>

* Stock consists of:

Egg and Egg Products (after deducting \$100 000)	1 183 849	1 276 784
Packing Material	279 279	305 387
Supplies	18 530	85 046
	<u>1 481 658</u>	<u>1 667 217</u>

+ Trade and Other Debtors

Included in Trade and Other Debtors in an amount of \$148 237 in respect of the loss on damaged stock of egg pulp on hand at 5 July 1975 and is subject to further litigation.

++ Australian Egg Board

Final distribution of export proceeds is expected to be made within 12 months after the end of the financial year. This indebtedness may be subject to minor adjustment, when the final realisation is received from the Australian Egg Board and such adjustments are treated as being applicable to the prior year account in the Summary of Operations.

As in previous periods, the asset "Stock on Hand - Egg and Egg Products" shown in the balance sheet at \$1 276 784 has been valued at current net realisable value after deducting an additional and arbitrary amount of \$100 000 from the valuation of the stocks of egg products. This arbitrary reduction has resulted in the understatement of the value of stocks on hand, compared with current local market prices, at 5 July 1980, and has the effect of providing a reserve of \$100 000 not incorporated in the accounts.

Non-current Liabilities

	30.6.79	5.7.80
	\$	\$
Term Loans - fully secured by Victorian Government Guarantees	2 017 315	2 751 587
	<u>2 017 315</u>	<u>2 751 587</u>

The current portion of these loans \$15 729 is included in Current Liabilities and Provisions.

Current Liabilities and Provisions

Comparative figures at the close of the past two periods were:

	30.6.79	5.7.80
	\$	\$
Reserve Bank of Australia overdraft*	2 681 444	977 813
Term Loan	14 132	15 729
Hen Levy Collections due to the Department of Primary Industry	55 352	76 096
Trade Creditors and accruals	1 305 321	1 713 659
Provision for Long Service, Annual and Sick Leave	380 884	417 330
Hen Levy Repayable to Producers	..	665 277
	<u>4 437 133</u>	<u>3 865 904</u>

* The overdraft is secured by Victorian Government guarantees to the extent of \$2 400 000.

Poultry Industry Trust Fund

Pursuant to the provisions of the Poultry Levy (Collection Arrangement) Act 1965, the Board is responsible for the collection of a hen levy on behalf of the Commonwealth. The following statement summarises the periods transactions:

	1979	1980
	\$	\$
Due at beginning of year	37 008	55 352
Net cash collections	2 655 719	4 530 315
	<u>2 692 727</u>	<u>4 585 667</u>
Amount paid to Commonwealth	2 637 375	4 509 571
	<u>55 352</u>	<u>76 096</u>

An amount of \$4 592 074 (subject to final adjustment) was made available by the Commonwealth to the State, under the provisions of the Commonwealth's Poultry Industry Assistance Act 1965, for the assistance of the poultry industry in respect of the 1979-80 period.

This amount was applied by the Board as follows:

	\$
Equalisation of export losses	2 133 681
Equalisation of local losses	1 354 676
	<u>3 488 357</u>
Administration costs	438 397
	<u>3 926 754</u>
Returned to producers in September 1980	665 320
	<u>4 592 074</u>

Computer Facilities - Lease Commitments

Lease commitments for computer facilities at 5 July 1980 amount to \$763 662, of which \$161 528 is payable within the next 12 months.

Qualification of Board's Financial Accounts

In respect of the period ended 5 July 1980, I found it necessary to record the following qualification on the Board's accounts:

As indicated in Note 13 to the accounts of the Board Freehold Buildings at cost (\$4 678 684) includes items of electrical and mechanical services and office facilities. The Board has not provided depreciation at rates applicable to these items.

Further, the Board has not calculated, and it is not practicable for me to estimate, the financial effect of this policy on the result for the period.

Poultry Farmer Licensing Committees

The Poultry Farmer Licensing and the Poultry Farmer Licensing Review Committees were established under the Egg Industry Stabilization Act 1973. All moneys received by the Licensing Committee in the form of fees on account of applications for licences, transfers etc. amounting to \$6 891 in 1979-80 (\$6 775 in 1978-79) are paid to the Victorian Egg Marketing Board. The remuneration and allowances paid to the members of the two Committees, together with all other administrative costs, totalling \$62 913 in 1979-80 (\$47 153 in 1978-79) were met from the funds of the Board. The net amount is recorded in the Board's accounts under the heading of Administrative Expenses.