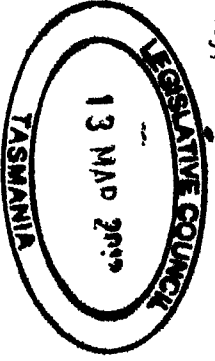


Government Response to Legislative Council Inquiry into Forestry Tasmania Financial Performance

Tabled by

Mr. D. Parkinson MLC  
13/3/12

Number	Recommendation	Response
A	<p>The government needs to work with the Forestry Tasmania Board to address the issue of the lack of an adequate cash surplus as a matter of urgency;</p> 	<ul style="list-style-type: none"> <li>The Strategic Review will examine and report on the future structures, governance and business models under which Forestry Tasmania may operate, in the context of dynamic industry and market developments.</li> <li>In order to ensure that Forestry Tasmania has access to sufficient cash reserves going forward, the Treasurer has approved access to a \$20 million finance facility through Tascorp.</li> <li>Forestry Tasmania has also sold its share of the Taswood Growers softwood joint venture. The sale proceeds will be used to reduce borrowings and provide funds for working capital.</li> </ul>
B	<p>Interim reporting be continued and in accordance with AASB consistent with the Treasurer's Instruction GBE 09-52-05 which mandates AASB standards for year-end financial reporting undertaken by a GBE;</p>	<ul style="list-style-type: none"> <li>Section 51 of the GBE Act requires a GBE to keep accounting records that, subject to the Treasurer's Instructions, comply with Australian Accounting Standards.</li> <li>There is no requirement under Australian Accounting Standards for Forestry Tasmania to produce a publicly available interim report.</li> <li>However, in accordance with the Government Business Governance Reform Principles, the Government has issued draft Guidelines to the Government businesses.</li> <li>The draft Reporting Guideline requires all Government businesses to provide a half yearly report to Shareholding Ministers and specifies that each Government business should consider making the report publicly available.</li> <li>Under the draft Guidelines, this report is to contain financial statements, results against performance targets, commentary by the Board on the performance, operating environment and major outcomes for the half year and explanations of major variances from budget, and revisions to the full year forecast.</li> </ul>
C	<p>The Forestry Tasmania Board urgently resolve the question of the strategic direction of the organisation with particular regard to:</p> <p>i. The identification and pursuit of new and additional revenue streams;</p>	<ul style="list-style-type: none"> <li>The Government has engaged URS to undertake a strategic review of Forestry Tasmania. The Review will consider the matters raised by the Committee, in addition to a range of other issues.</li> </ul>

Government Response to Legislative Council Inquiry into Forestry Tasmania Financial Performance

	<p>ii. Debtor management;          iii. Clearly articulate actions to reduce spending;          iv. Funding of the current and emerging superannuation liability and          v. Funding for and management of the CSOs.</p>	
D	<p>Forestry Tasmania more clearly report the income and expenditure of TCFA funds;</p>	<ul style="list-style-type: none"> <li>• Reporting of TCFA funds is in accordance with accounting standards and has been endorsed by the Auditor-General.</li> <li>• Forestry Tasmania also provides an annual acquittal detailing Intensive Forest Management activities and acquittals to the Tasmanian and Commonwealth Governments as part of the Regional Forest Agreement (RFA) reporting.</li> <li>• As agreed in the 2010 Joint Commonwealth and Tasmanian Government Response to the second five yearly review of Progress with Implementation of the Tasmanian RFA (Recommendation 42), the Commonwealth and Tasmanian Governments are currently undertaking a performance and financial audit of the Intensive Forest Management program, and it is intended that this audit will be made publicly available in line with recommendations made by the independent reviewer of the RFA. This report is expected to be completed by 30 June 2012.</li> </ul>
E	<p>Forestry Tasmania undertake comprehensive segment reporting, with consideration to commercial confidentiality, as part of their financial performance reporting;</p>	<ul style="list-style-type: none"> <li>• Treasurer's Instruction GBE 08-51-05 requires a GBE to comply with AASB 8 Operating Segments.</li> <li>• GBEs are required to provide a Statement of Compliance with the Annual Report which confirms that the report has been prepared in accordance with the GBE Act and any relevant Treasurer's Instructions.</li> </ul>
F	<p>As recommended by the Auditor-General, legal advice be sought by Forestry Tasmania as a matter of urgency to resolve the question of the CSO funding between the Tasmanian Government and Forestry Tasmania;</p>	<ul style="list-style-type: none"> <li>• The Treasurer has received a CSO application in relation to some of Forestry Tasmania's non commercial activities.</li> <li>• A CSO has not been declared in respect to any of Forestry Tasmania's activities.</li> <li>• Although Forestry Tasmania does not currently have any CSOs Forestry Tasmania has stated that it undertakes a number of non-commercial activities. The definition and measurement of these activities, and the requirement, if any, to perform them, will</li> </ul>

		<p>be considered as part of the assessment of the application in the context of the findings of the strategic review.</p>
G	<p>Forestry Tasmania provide a full break down of the CSO costs in their financial reporting;</p>	<ul style="list-style-type: none"> <li>As described in the response to recommendation F above, a CSO has not been declared in respect to any of Forestry Tasmania's activities.</li> <li>Forestry Tasmania may, however, undertake activities or functions which it considers to be non-commercial.</li> <li>In its most recent Annual Report, Forestry Tasmania has provided information in respect to an estimate of the costs it incurs from managing reserved areas of land.</li> </ul>
H	<p>Forestry Tasmania respond in a more strategic and timely manner to emerging and actual threats to their operating cash position, resulting from factors including Government policy decisions, unfavourable exchange rates the increased unfunded superannuation liability, market volatility and market conditions;</p>	<ul style="list-style-type: none"> <li>The Government has engaged URS to undertake a strategic review of Forestry Tasmania. The Review will consider the matters raised by the Committee, in addition to a range of other issues.</li> </ul>
I	<p>Forestry Tasmania and the responsible Minister work towards compliance with the Treasury reform principles for the operation of GBEs. In particular, the Committee believes attention should be given to Principles 1, 2, 6 &amp; 7 which state:</p> <ul style="list-style-type: none"> <li>Principle 1: Shareholder Ministers exercise strategic control over Government businesses, consistent with their accountability to the Parliament and the public, to ensure the government's broader policy objectives;</li> <li>Principle 2: Shareholding Ministers set clear objectives for Government businesses outlining the core activities to be undertaken by the Government business, including any public policy objectives;</li> <li>Principle 6: The Board and management of a Government business are to ensure that the business is managed in a way that is consistent with the expectations of the Government;</li> <li>Principle 7: Government businesses are subject to</li> </ul>	<ul style="list-style-type: none"> <li>The Government considers that there is a strong corporate governance framework in place and within which all government businesses operate. The framework is defined in legislation and there are a number of supporting instruments (both legislative and non legislative), processes and practices in place to allow the Shareholder Ministers to guide, govern and appropriately oversight the operation of the businesses.</li> <li>It is recognised that best practice corporate governance is something that should continuously evolve. The <i>Principles for Strengthening Oversight and Governance of Government Businesses</i> is an example of this process. The intent of these principles is clear, with the primary aim being to improve the performance of Government businesses through setting clear business objectives and operating constraints, establishing clear trade-offs and requiring greater accountability or delivery of performance targets.</li> <li>Implementation of the Principles is underway with Treasury working through associated and relevant changes to legislation,</li> </ul>

**Government Response to Legislative Council Inquiry into Forestry Tasmania Financial Performance**

	<p>appropriate public disclosure and reporting transparency in the interest of accountability to the Parliament and the community.</p>	<p>Ministerial Charters of GBES and statements of Expectations for SOCs, as well as revisions to existing guidelines and development of new guidelines. Principles will continue to be monitored in the interim through regular interactions with the businesses. It will result in earlier and more detailed interactions relating to business development proposals, particularly those outside of the GBE/SOC's core businesses in Tasmania.</p> <ul style="list-style-type: none"> <li>• These reforms will be applicable to Forestry Tasmania in the same way that they apply to all Government businesses. However, due to the timing of the Strategic Review, any update to the Forestry Tasmania Ministerial Charter will be postponed until the Review is finalised. Changes to the document will be considered at that time.</li> </ul>
J	<p>That this report be tabled at the next meeting of the Joint Standing Committee of Public Accounts.</p>	<ul style="list-style-type: none"> <li>• Noted.</li> </ul>