



Tasmanian Audit Office

Report of the Auditor-General 2015-16 Financial Audits

Volume 1

Analysis of the Treasurer's Annual Financial Report, General Government Sector Entities and the Retirement Benefits Fund

*Presentation to Members of Parliament
17 November 2016*

*Ric De Santi
Deputy Auditor-General*

Report Contents

- Treasurer's Annual Financial Report (TAFR)
- Brief summaries for:
 - Government Departments
 - Tasmanian Health Service (THS)
 - Retirement Benefits Fund (RBF)
 - other General Government Sector (GGS) Entities and other State entities
- Disposal of firearms and ammunition audit

Completion of audits

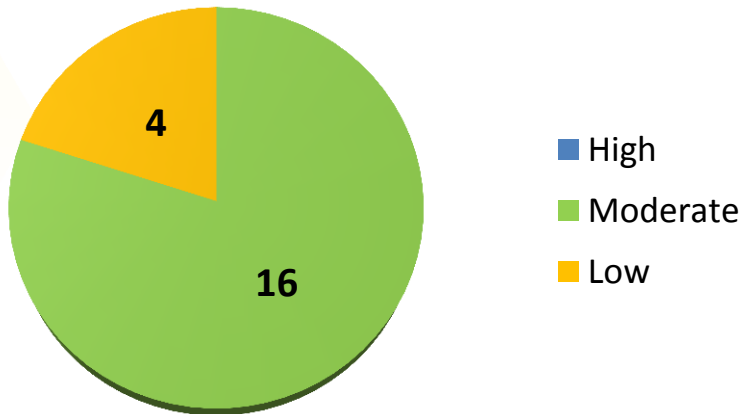
- TAFR - submitted within statutory timeframe; unqualified audit opinion issued
- Audits completed satisfactorily with unqualified audit opinions issued for all but
- National Trust of Australia (Tasmania) – not all heritage collection assets recognised

Key Audit Matters

- The key matters considered during our audits:
 - valuation of non-current physical assets
 - information systems
 - revenue recognition
- Individual Chapters for Key matters specific to each audit

Findings from Audits

Findings from audits



- Common issues included:
 - valuation of non-current physical assets:
 - recognition and valuation
 - reconciliation with sub-ledgers
 - currency of fair values - timing of valuations
 - computer information systems

Submission and Timeliness

- GGS and Other State entities submitted statements within 45 day statutory deadline, except ...
- ... River Clyde Trust – 2015-16 yet to be received; 2014-15 received today
- GGS section of TAFR submitted and finalised by 31 October
- Finalised audits within 45 days from statements accepted ...
- ... except DHHS (46 days)

Sector Restructuring

Restructures during the year:

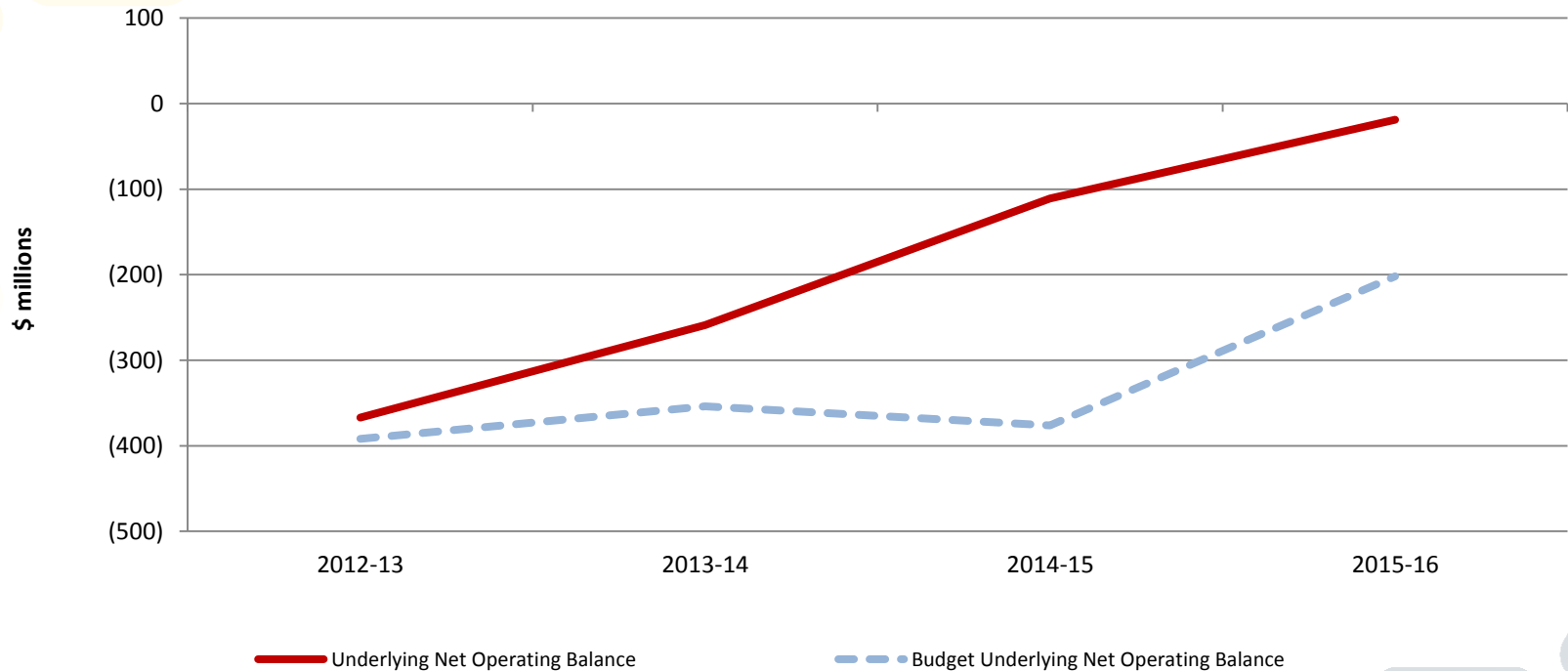
- THS replaced Tasmanian Health Organisations
- Tasmanian Qualifications Authority continued as Office of Tasmanian Assessment, Standards and Certification
- Service Tasmania to DPAC - 1 July 2015
- Racing Services Tasmania to DPIPWE - 1 July 2015

Financial reporting matters

- AASB 124 *Related Party Disclosures* exemption removed for not-for-profit public sector entities
- annual reporting periods beginning on or after 1 July 2016
- **related parties** – entities, close family members of KMP
- transactions, balances outstanding and commitments with related parties may need to be disclosed
- remuneration disclosures (already exceed standard)
- we are working with Treasury to determine who meets the definition of a related party (Ministers?)
- decision by end of 2016

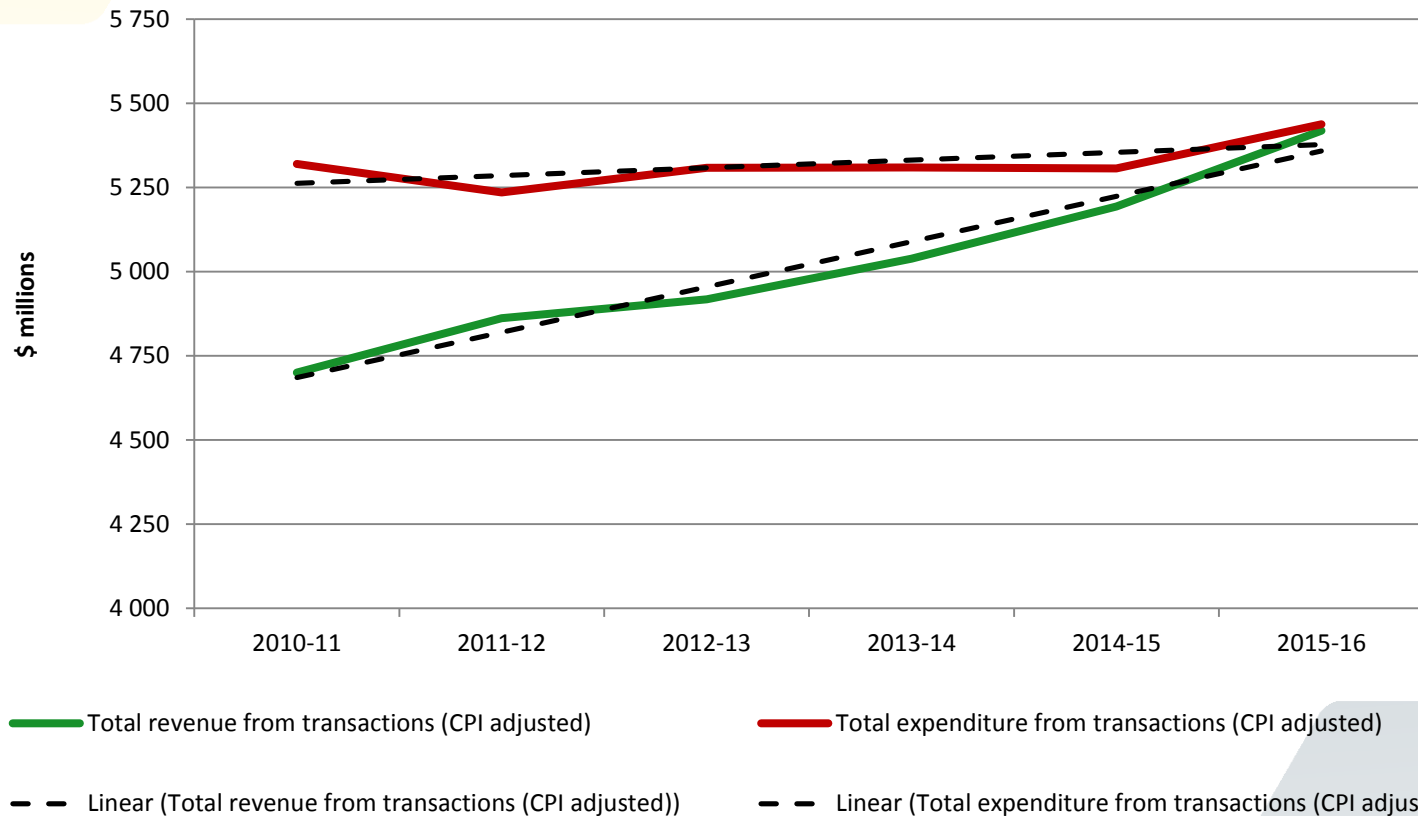


GGs Underlying Net Operating Balance (4-Year Trend)









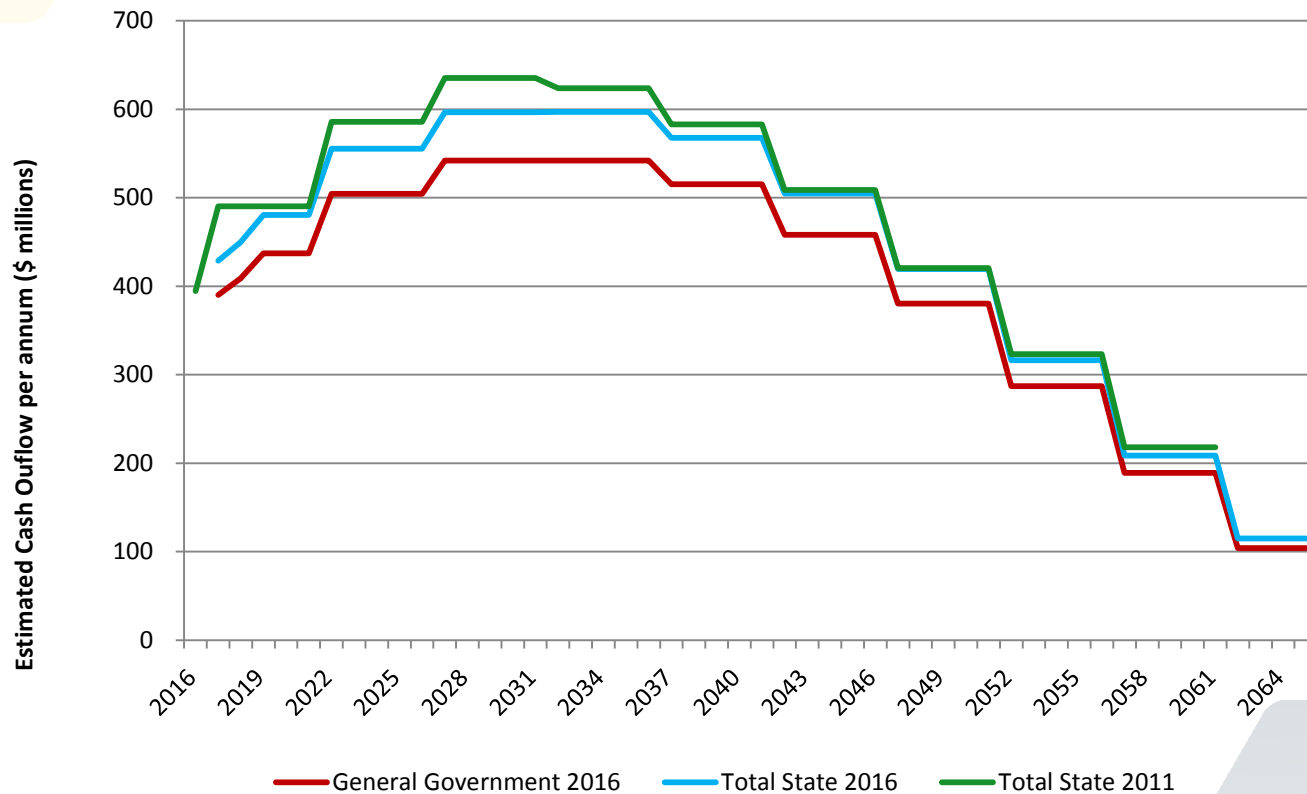
CPI Adjusted Revenue and Expenses from Transactions (6-year trend)



GGG Financial Position - June 2016

- Net Worth  to \$7.16bn (17%)
- Net Financial Worth  to \$3.71bn (68%)
- Net Financial Liabilities  to \$8.10bn (23%)
- Net Debt  to negative \$0.75bn (40%)

GGS and Total State Defined Benefit Superannuation Liability



Fiscal Strategies

No.	Strategy	2015-16
1	Annual growth in GGS operating expenses was to be lower than the long-term average growth in revenue.	TAFR - actual long term average growth in revenue 4.7%, compared to growth in expenditure 3.1%. Revenue increased by 4.9% in 2015-16, expenditure increased by 3.1%.
2	Debt and defined benefit superannuation liabilities managed to ensure combined annual servicing cost less than 6.0% of General Government cash receipts.	2015-16 total of borrowing costs and defined benefits superannuation expense amounted to \$234m. Equated to 4.1% of GGS cash receipts.
4	Government businesses will be required to deliver services to Tasmanians at the lowest sustainable cost, while also providing an appropriate financial return to Government.	Return on equity in 2015-16 3.7%, lowest return since 2012-13.
5	Infrastructure investment exceeding depreciation was the most appropriate measure to use.	Asset Investment Ratio exceeded ratio of one since 2013-14.
6	Public sector efficiency, productivity and financial transparency will be improved. Productivity is hard to measure, in particular at GGS level, 2015-16 State Budget outlined it was essential employee costs continued to be constrained.	Employee costs as a percentage of total costs decreased from 53.6% to 52.6%

GGG Summary




- Net Operating Balance surplus \$62m
- Net equity reduction \$1.46bn
- Superannuation liability presented a significant financial risk to the State

Total State Summary

- Net Underlying Operating Surplus \$26m
- Loss by Hydro \$292m
- Increased present value of superannuation liability, \$1.65bn
- Operating deficit of \$1.86bn
- Total assets increased by \$2.01bn
- Liabilities increased \$3.52bn

Retirement Benefits Fund (RBF)

- 1 July 2016, RBF and Tasplan entered into a Deed to Successor Fund Transfer (SFT) RBF's accumulation scheme to Tasplan.
- SFT date set as 31 March 2017. Tasplan will replace RBF as the default fund for Tasmanian public sector employees.

- Investment revenue \$235.26m,  from \$223.01m
- Tas accumulation scheme liability  \$3.60bn (fully funded)
- Unfunded defined benefit liability  \$4.61bn

Disposal of Firearms and Ammunition

- DPFEM - responsibility for firearms and ammunition disposed of under the *Firearms Act 1996*
- Auditor-General is to arrange for an independent audit of all firearms or ammunition disposed of under the Act
- Act was complied with in relation to the disposal of firearms
- For ammunition, unable to express an opinion
- Controls over recording quantity of ammunition put in place from 1 January 2016 - will enable future compliance.



Thank you