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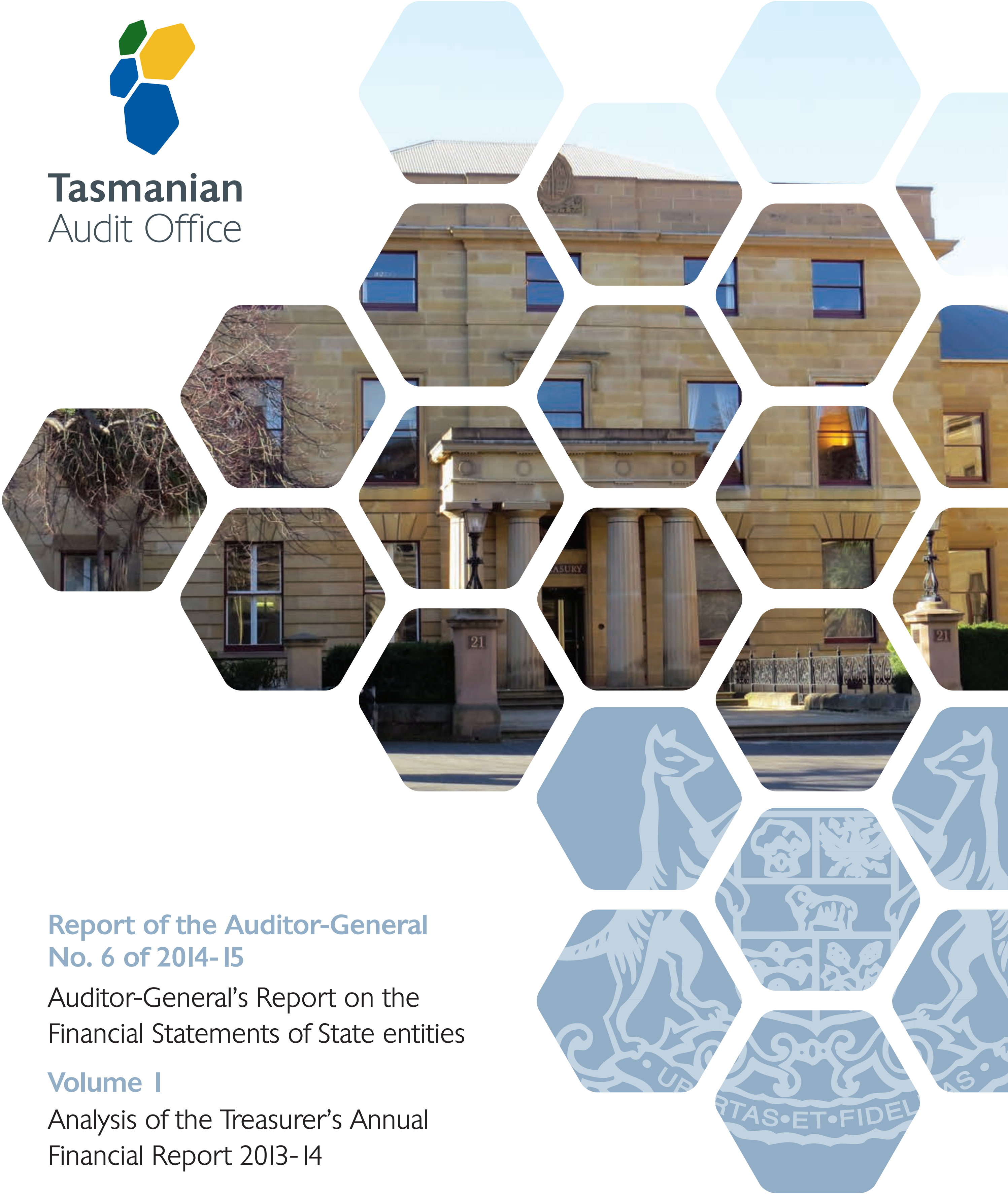


Report of the Auditor-General
No. 6 of 2014-15

Auditor-General's Report on the Financial Statements of State entities

Volume 1

Analysis of the Treasurer's Annual Financial Report 2013-14

December 2014

Strive • Lead • Excel | To Make a Difference

THE ROLE OF THE AUDITOR-GENERAL

The Auditor-General's roles and responsibilities, and therefore of the Tasmanian Audit Office, are set out in the *Audit Act 2008* (Audit Act).

Our primary responsibility is to conduct financial or 'attest' audits of the annual financial reports of State entities. State entities are defined in the Interpretation section of the Audit Act. We also audit those elements of the Treasurer's Annual Financial Report reporting on financial transactions in the Public Account, the General Government Sector and the Total State Sector.

Audits of financial reports are designed to add credibility to assertions made by accountable authorities in preparing their financial reports, enhancing their value to end users.

Following financial audits, we issue a variety of reports to State entities and we report periodically to the Parliament.

We also conduct performance audits and compliance audits. Performance audits examine whether a State entity is carrying out its activities effectively and doing so economically and efficiently. Audits may cover all or part of a State entity's operations, or consider particular issues across a number of State entities.

Compliance audits are aimed at ensuring compliance by State entities with directives, regulations and appropriate internal control procedures. Audits focus on selected systems (including information technology systems), account balances or projects.

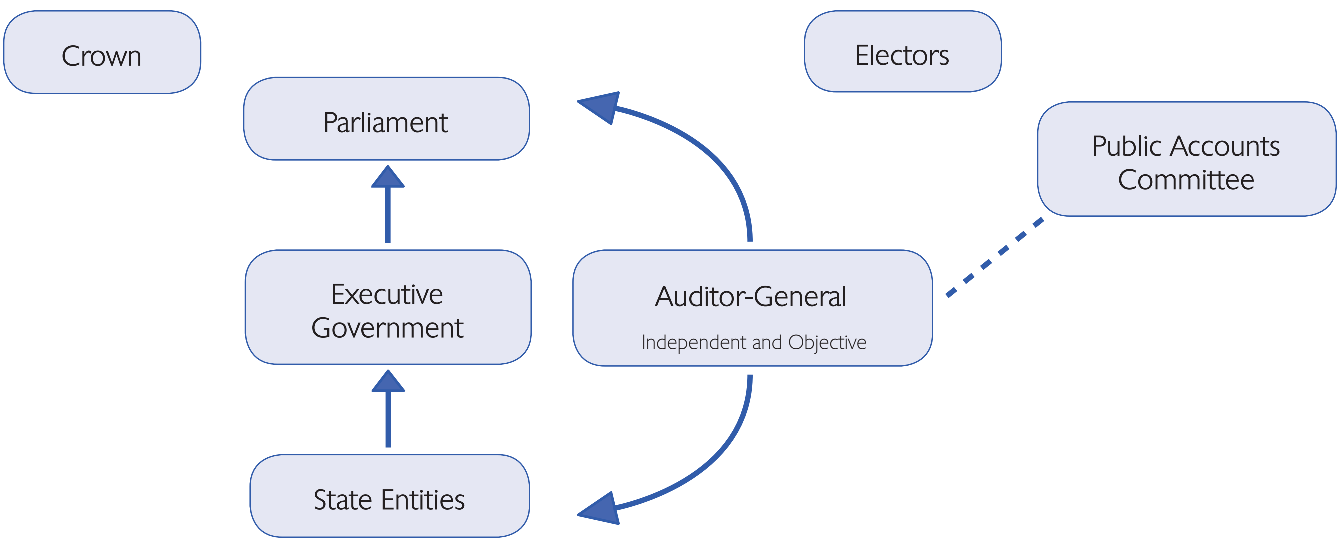
We can also carry out investigations but only relating to public money or to public property.

Performance and compliance audits are reported separately and at different times of the year, whereas outcomes from financial statement audits are included in one of the regular volumes of the Auditor-General's reports to the Parliament normally tabled in May and November each year.

Where relevant, the Treasurer, a Minister or Ministers, other interested parties and accountable authorities are provided with opportunity to comment on any matters reported. Where they choose to do so, their responses, or summaries thereof, are detailed within the reports.

The Auditor-General's Relationship with the Parliament and State Entities

The Auditor-General's role as Parliament's auditor is unique.



2014 (No. 23)

TASMANIA

2014
PARLIAMENT OF TASMANIA

Report of the Auditor-General
No. 6 of 2014-15

Volume 1

Analysis of the Treasurer's Annual Financial Report 2013-14

December 2014

Presented to both Houses of Parliament in accordance with the requirements of Section 29 of the *Audit Act 2008*

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15 December 2014

President
Legislative Council
HOBART

Speaker
House of Assembly
HOBART

Dear Mr President

Dear Madam Speaker

Report of the Auditor-General No. 6 of 2014-15, Auditor-General's Report on the Financial Statements of State entities, Volume 1 – Analysis of the Treasurer's Annual Financial Report 2013-14.

In accordance with the requirements of Section 29 of the *Audit Act 2008*, I have pleasure in presenting my Report on the audit of the financial statements of state entities, Volume 1 - Analysis of the Treasurer's Annual Financial Report 2013-14.

Yours sincerely

H M Blake
Auditor-General

FOREWORD

Each year, the Treasurer prepares the consolidated financial report of the State. The Treasurer's Annual Financial Report (TAFR) discharges the Government's accountability for the State's finances to Parliament. I then audit the General Government Sector (GGS) and Total State Sector (Total State) financial statements and Public Account (PA) statements. My audit gives Parliament and the Community assurance that the statements present fairly, in all material respects, the financial performance and position of the GGS, Total State and PA and were prepared in accordance with the prescribed financial reporting frameworks. In addition, my Office provides an assessment of the State's overall financial performance and position.

The overall underlying financial performance of the State improved this year although only slightly. At the Total State Sector level, the underlying deficit of $32m in 2013-14 was an improvement on the deficit of $131m reported last year. However, the GGS, which accounts for the majority of the State's expenditure, reported an underlying deficit of $259m in 2013-14. This was the sixth year of consecutive underlying deficits, which is unsustainable.

GGS revenue, excluding non-operational capital items, totalled $4.816bn in 2013-14. Funding from the Australian Government represented the majority of GGS operating revenue at 60%. GGS expenditure, excluding non-operational capital items, was $5.075bn in 2013-14. Expenditure on health and education absorbed 55% of the State budget.

The GGS reported a negative Net Debt position in all of the past six years because financial assets exceeded financial liabilities. At 30 June 2013 Net Debt was negative $208m. However, the level of negative Net debt declined over this six-year period which was in line with operating deficits. If Australian Government funds were excluded from Cash and deposits balance, Net Debt would be positive $241m meaning that financial liabilities would exceed financial assets.

Audits of the financial statements of the General Government and Total State Sectors and of the Public Account statements resulted in unqualified audit opinions being issued in time for the Treasurer to table those statements by 31 October 2014.

The Report also included results of an audit of timeliness of payments to suppliers by Government departments in the six months ended 31 December 2013. The audit found that, on average, 22% of supplier payments were made late and no interest was paid on 91% of late payments. The estimated amount of potential interest payable was between $2.562m and $3.427m for the six-month period examined.

H M Blake

Auditor-General

15 December 2014

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KEY POINTS

- General Government Sector (GGS) financial statements and Public Account (PA) statements were submitted for audit on 29 September 2014 thus satisfying the statutory timeline.
- The audits of the General Government and Total State Sectors financial statements and PA statements were completed with satisfactory results and no outstanding matters. This means that the statements present fairly, in all material respects, the financial performance and position of the two sectors and PA and were prepared in accordance with the prescribed financial reporting frameworks.
- In preparing this Report, we amended the Statement of Comprehensive Income and Statement of Cash Flows by reclassifying certain revenue and expenditure items relating to Australian Government capital funding.
- The GGS Underlying Net Operating Balance was a deficit of $259m in 2013-14. This was $108m or 29% lower compared to the deficit of $367m reported last year.
- The GGS incurred Net Underlying Operating Balance deficits in each of the past four years, with this year's deficit being the lowest. The trend is moving in the right direction
- After taking into account one-off Australian Government funding for capital projects and declared but unpaid dividends, the GGS reported a Net Operating Balance deficit of $165m.
- This year's Net Operating Balance deficit was better than both the original and revised Budgets.
- Revenue grew by 13% since 2008-09 while expenditure increased at a higher rate of 16% over the same period. When adjusted for CPI, expenditure increased steadily by 3% over the six-year period. Revenue, on the other hand, showed more volatility and increased by only 1%. This is not sustainable.
- State-based taxes accounted for more than half of the State's own-source revenue, although the share steadily decreased over the past four years.
- The growth in dividends over the past two years was predominantly driven by returns from Hydro Tasmania, whose underlying profits increased considerably since the introduction of carbon pricing in June 2012. Repeal of the carbon price legislation in July 2014 is expected to negatively impact future returns to the State.
- As in previous years, GGS expenditure was dominated by expenditure relating to employees, which accounted for over half of total expenses.
- The number of FTEs increased between 2013 and 2014. There was a substantial increase in staffing levels in Tasmanian Health Organisation – South and Tasmanian Health Organisation – North, each increasing its workforce by around 110 FTEs. Department of Police and Emergency Management increased its workforce by 52 FTEs.
- Operating revenue grew 4.3% in 2013-14. This growth was primarily driven by a 4.2% increase in own-source revenue, mainly dividends and income tax equivalents, sales of goods and services and conveyance duties. Operating expenses grew by 1.8% in 2013-14, which was fairly consistent with the previous three years.

- The GGS showed a negative Net Debt position in all of the past four years because financial assets exceeded financial liabilities. Net Debt would be positive (financial liabilities exceeding financial assets) $241m if Australian Government funds were excluded from Cash and deposits balance.
- The unfunded superannuation liability was net $6.623bn at 30 June 2014.
- The costs of meeting defined benefit pensions and lump sum payments will peak approximately between fifteen to twenty years from now at around $550m per annum (or $432m per annum using the current 78.5/21.5 funding arrangement). However, the analysis indicates that superannuation payments will start increasing significantly much sooner.
- Looking back, our analysis showed a steady increase in superannuation benefits paid in the last seven years. Over this period, benefits paid increased by 46% from $221m in 2007-08 to $323m in the current year.
- The balance of Special Deposit and Trust Fund accounts totalled $1.368bn at 30 June 2014. Included in the balance was an overnight loan of $920m, which was repaid on 1 July 2014. If the overnight loan were eliminated, the cash balance would be $448.
- Total State Underlying Net Operating Balance was a deficit of $32m in 2013-14. This was a $99m improvement on last year's deficit of $131m.
- The improved result in 2013-14 was due to the lower GGS deficit as well as strong results generated by Hydro Tasmania and the Motor Accidents Insurance Board. Nevertheless, both Total State and GGS reported Net Underlying Operating Balance deficits in each of the past four years.
- The audit of timeliness of payments to suppliers found that, on average, 22% of supplier payments were made late and no interest was paid on 91% of late payments.
- We estimated the amount of interest payable to be between $2.562m and $3.427m for the six-month period examined.

CONCLUSIONS AND RECOMMENDATIONS

This Report makes the following conclusions:

OVERALL CONCLUSION

There is no single indicator that adequately captures the state of the State's financial situation. This Report examined various aspects of the State's financial performance and position over the past four years and, where necessary, over a longer period. A starting point in assessing State's finances is our assumption that the State should live within its means, at least in the medium to longer term. It must be borne in mind when reading our Report that its focus is on historical financial performance up to 30 June 2014.

The State reported Underlying Net Operating Balance deficits each year since 2008-09. Six years of deficits is in our view unsustainable. In these years up until June 2014, the gap between revenues and expenditures has largely remained unchanged despite increases in revenues each year. Evident from our analysis was that at various times during this six year period action was taken to contain expenditure but this was not sustained.

This means that Government needs to continue to take action to contain expenditure or increase revenue or both and return the budget to surplus or at worst to break even. This will not be an easy task considering the dependence on Australian Government funding and that employee-related costs are a sizeable component of expenditure.

Six years of deficits resulted in a lower negative Net Debt position. Financial assets still exceeded financial liabilities at 30 June 2014, although by only $208m compared to $982m in 2009. However, Net Debt would be positive (financial liabilities exceeding financial assets) $241m if unexpended Australian Government funds held in special deposit and trust funds at 30 June 2014 were excluded. While the use of Australian Government funds deferred the need to borrow and reduced net interest costs, it appears likely that Government may have to borrow to complete major projects like the redevelopment of the Royal Hobart Hospital.

Also of concern are the projected decline in returns from Government businesses, growing superannuation cash cost and the likely interest payments on gross debt. These factors will need to be carefully managed.

OTHER CONCLUSIONS

- The dependence on Australian Government funding for 60% of the GGS's total operating revenue represents a high fiscal risk to the State's budget. The inherent uncertainty associated with GST and other funding from the Australian Government was identified as a key risk by Treasury in its recent *Report to the Treasurer: Analysis of Budget Risks (April 2014)* (the Budget Risks Analysis Report). We concur with that assessment. Currently, Government is dealing with this risk by addressing expenditure which needs to happen. However, attention also needs to be given to:
    - maximising revenues which may require revisiting taxation strategy
    - re-assessing efficiency of existing service delivery
    - re-assessing existing programs
    - monitoring the outcomes of the Commonwealth Grants Commission 2015 Methodology Review because it may have a financial impact on the State budget. Changes to Australian Government funding arrangements, demographic or other structural factors considered in distribution of funding need to be closely monitored and analysed by Treasury as part of managing the fiscal risk.
- Our analysis of returns provided by Government businesses to the State is that:
    - their contribution to own-source revenue was high at 17%
    - the expected decline in these returns in particular from 2016-17 will impact the State's budget.

- Our analysis showed that, over the past six years, GGS expenditure growth was higher than growth in the State economy in both real terms and current prices. The only exception was in 2009-10, when GSP growth in current prices rose 6.7%. A general principle is that, over time, expenditure growth should not exceed the growth of the economy. Government needs to continue to manage expenditure growth.
- The cumulative effect of demographic changes, such as a decrease in mortality rates, and the increase in taking retirement benefits as pensions rather than lump sums, combined with the gradual increase in the employer contribution rate up to 86.5% by 2019 will have a significant impact on the State budget.
  The capacity of the State to meet its future superannuation obligations will require close monitoring.
- Higher superannuation payments by Government businesses will impact on annual profits and subsequently returns to the Government.

RECOMMENDATIONS

Timeliness of payments to suppliers

1. Agencies should:
   - standardise supplier terms
   - use purchasing cards for smaller amounts
   - ensure full compliance with TI No 1125: *Penalty interest for late payment of invoices: goods and services* and TI No 1230: *Penalty interest for late payment of invoices: building and construction/roads and bridges*, including payment of penalty interest.
2. The Treasurer should consider amending TI 1128: *Agency Procurement Audit Requirements: goods and services* by including the requirement of compliance with TI 1125 and TI 1230 be audited as part of agencies' internal audit program with outcomes to be reported to Treasury.

TREASURER'S ANNUAL FINANCIAL REPORT

BACKGROUND

Scope

The Treasurer's Annual Financial Report (TAFR) includes the audited General Government Sector (GGS) and Total State Sector (Total State) financial statements and Public Account (PA) statements. It also includes other information, such as an overview of the Fiscal Strategy and the Loan Council Outcome, which are not audited.

This Report provides an analysis of the GGS and Total State financial statements and of the PA statements only. Comments in this Report should be read alongside the TAFR. The major focus of this Report is comparing 2013-14 results with the previous year and analysing trends over the past four years or a longer period where relevant.

Legislative requirements

Section 26E of the *Financial Management and Audit Act 1990* (FMAA) requires the Treasurer to prepare, each year, an annual financial report, which contains the results of the GGS and transactions within the PA and the PA's balances.

The Treasurer is required to prepare this annual financial report by no later than 31 October immediately following the financial year to which the report relates.

The FMAA does not require the Treasurer to prepare the Total State financial statements. These are prepared to ensure compliance with Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting.*

Financial reporting frameworks

The GGS and Total State financial statements are both prepared in accordance with Australian Accounting Standard AASB 1049. They incorporate the reporting requirements of the Australian Accounting Standards Board and the Uniform Presentation Framework (UPF), which is based on the reporting standards of the Australian Bureau of Statistics' (ABS) Government Finance Statistics framework. Explanations of the UPF Key Fiscal Aggregates are provided in notes to the financial statements and are not reproduced here.

The Total State financial statements consolidate all entities controlled by the State of Tasmania with segmented financial information provided for the GGS, Public Non-Financial Corporations (PNFC), Public Financial Corporations (PFC) and Total State levels. The consolidated level is after eliminating inter-sector transactions. Significant State entities that are not consolidated, because they do not meet the 'controlled' test in Australian Accounting Standards, are University of Tasmania, local government councils and authorities, including TasWater and the Retirement Benefits Fund.

General Government Sector

The GGS consists of all government departments and not-for-profit State entities controlled and mainly financed by government. Government departments are established by executive government processes that have legislative, judicial, or executive authority over other units and which provide goods and services to the community or to individuals on a non-market basis. They also make transfer payments to redistribute income and wealth. Not-for-profit state entities are created for the purpose of producing or distributing goods and services and are not a primary source of income, profit or other financial gain for government.

Total State Sector

The Total State Sector includes all GGS, PNFC and PFC entities. PNFC entities are mainly engaged in the production of market goods and/or non-financial services. These entities have a variety of functions and responsibilities, are established in varying ways and also have different relationships with the Budget. PFC entities are mainly engaged in financial intermediation or provision of auxiliary financial services. In Tasmania, there are two organisations in the PFC Sector, the Tasmanian Public Finance Corporation (TASCORP) and the Motor Accidents Insurance Board (MAIB).

Public Account

The PA statements are a special purpose financial report prepared on a cash accounting basis. Explanations for applying this basis for preparing the PA statements are provided in Note 1 to the Statements and are not reproduced here.

Financial audit requirements

Section 16 of the *Audit Act 2008* (the Audit Act), requires the Treasurer, before 30 September in each year, to submit to the Auditor-General:

- statements reporting on the transactions within the PA during the immediately preceding financial year and the balances in the PA at the end of that financial year; and
- any statements required to be prepared in accordance with the requirements of any written law. This addresses the audit of the GGS financial statements.

Results of 2013-14 audits

The Treasurer submitted the GGS financial statements and PA statements for audit on 29 September 2014 thus satisfying the statutory timeline. Final GGS and Total State financial statements were signed on 24 October 2014.

Separate unqualified audit opinions were issued on the GGS and Total State financial statements and PA statements on 24 October 2014. The audits were completed with satisfactory results and no outstanding matters. This means that the statements present fairly, in all material respects, the financial performance and position of the GGS, Total State and PA and were prepared in accordance with the prescribed financial reporting frameworks.

Note

In preparing this Report, we amended the Statement of Comprehensive Income and Statement of Cash Flows by reclassifying certain revenue and expenditure items relating to Australian Government capital funding.

Net Operating Balance is the difference between revenue and expenses from transactions, excluding other economic flows, such as movements in fair values and gains or losses on sale of assets. Revenue from transactions includes funding for capital programs; however the corresponding outflow of such funding is not part of expenses from transactions. To better portray the financial performance of the State, we have separated one-off capital transactions, items which are outside the normal course of operations and non-recurring items. We refer to the result before capital funding as the 'Underlying Net Operating Balance', which may differ from the Underlying Net Operating Balance disclosed in TAFR.

Dollar amounts presented in tables, the text and figures have been rounded.

Discrepancies between this Report and TAFR reflect reallocation of revenue and expenditure and/ or rounding.

This Report uses terms which may differ from the terminology adopted by TAFR.

Some material has been extracted from our other Reports to Parliament. Those reports are available on our website at ***www.audit.tas.gov.au***.

GENERAL GOVERNMENT SECTOR

Statement of Comprehensive Income

	2013-14 Original Budget	2013-14 Revised Budget [1]	2013-14 Actual	2012-13 Actual	2011-12 Actual	2010-11 Actual
	$m	$m	$m	$m	$m	$m
Total Revenue	4 705	4 732	4 816	4 617	4 528	4 232
Total Expenditure	5 059	5 178	5 075	4 984	4 876	4 790
Underlying Net Operating Balance before:	**(354)**	**(446)**	**(259)**	**(367)**	**(348)**	**(558)**
One-off Australian Government Capital Funding	87	70	94	101	162	535
Macquarie Point Development Corporation start-up grant	0	0	0	(50)	0	0
Net Operating Balance	**(267)**	**(376)**	**(165)**	**(316)**	**(186)**	**(23)**
Plus Dividends declared but not yet received	**0**	**0**	**61**	**0**	**0**	**0**
Plus Other economic flows – Included in Operating result						
Other economic flows – net	141	(380)	(2 470)	777	(1 638)	195
Operating Result	**(126)**	**(756)**	**(2 574)**	**461**	**(1 824)**	**172**
Plus Other economic flows – Other movements in Equity						
Total Other equity movements	266	267	43	336	470	(687)
Comprehensive Result	**140**	**(489)**	**(2 531)**	**797**	**(1 354)**	**(515)**

[1] *Revised Budget information sourced from the Revised Estimates Report 2013-14.*

Note: Discrepancies between this Report and TAFR are due to reallocation of some items of revenue and expenditure to better assist readers in interpreting recurrent financial performance and rounding. The underlying result used in this Report differs from 2013-14 Underlying Net Operating Balance reported in the unaudited General Government Outcome section of the TAFR[1].

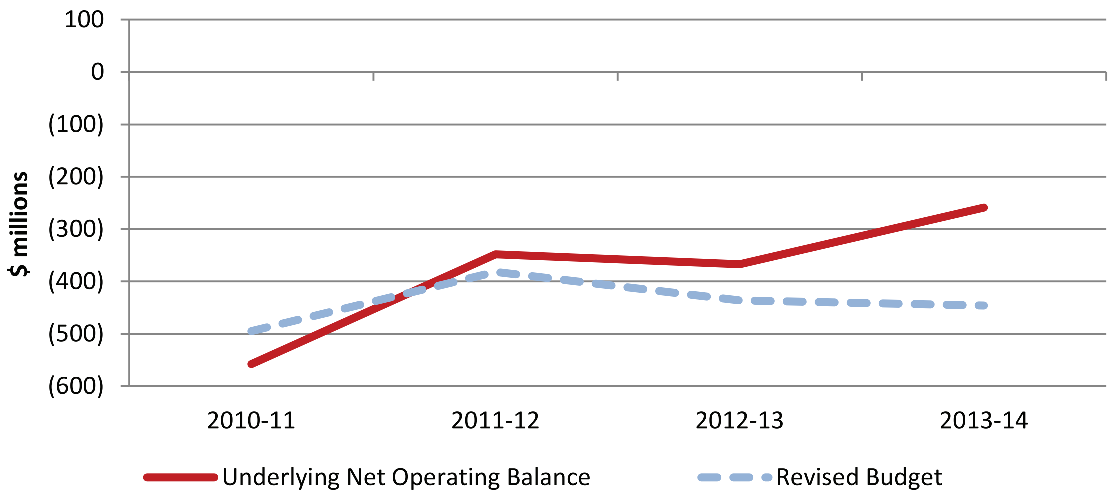
Source: Tasmanian Audit Office

Underlying Net Operating Balance

The GGS Underlying Net Operating Balance[1] was a deficit of $259m in 2013-14. This was $108m or 29% lower than the deficit of $367m reported last year.

The following graph provides an overview of underlying results for the past four years. It shows that the GGS Underlying Net Operating Balance improved in 2013-14 compared to prior years.

Figure 1: Underlying Net Operating Balance (4-year trend)



Source: Tasmanian Audit Office

The GGS incurred Net Underlying Operating Balance deficits in each of the past four years, with this year's deficit, $259m, being the lowest. The trend is moving in the right direction. However, based on the 2014-15 Budget, it is forecast that the underlying deficit will increase next year.

This year's Net Underlying Operating Balance deficit was better than both the original and revised Budgets.

Net Operating Balance

After taking into account one-off Australian Government funding for capital projects, $94m, the GGS reported a Net Operating Balance deficit of $165m. This was $151m lower than the deficit of $316m reported last year. The deficit reported in 2012-13 was higher because it included:

- a one-off establishment grant paid to Macquarie Point Development Corporation, $50m.
- a higher Net Underlying Operating Balance deficit that year when operating expenses exceeded operating revenue by $367m.

This year's Net Operating Balance deficit was better than both the original and revised Budgets.

1. We calculated the Underlying Net Operating Balance by excluding one-off Australian Government funding, $94m, from the Net Operating Balance. The underlying result used in this Report differs from the Underlying Net Operating Balance reported in the unaudited General Government Outcome section of the TAFR. The difference is because we did not factor into our calculation the timing impact of expenditure carried forward to 2014-15, $62m, and Australian Government Funding carried forward to 2014-15, $86m. Timing of transactions such as expenditure carried forward or grants received in advance may result in sizeable differences.

The following table below provides a breakdown of one-off capital funding provided by the Australian Government over the last four years.

Table 1: Australian Government One-Off Capital Funding

	2013-14	2012-13	2011-12	2010-11
	$m	$m	$m	$m
Nation Building and Jobs Plan				
Building the Education Revolution	0	0	2	113
Social Housing	0	5	5	30
Roads and Rail	66	54	57	120
Royal Hobart Hospital Redevelopment	0	0	20	270
Water for the Future	28	42	28	2
Macquarie Point Railyards/Brook Street Pier	0	0	50	0
Total	**94**	**101**	**162**	**535**

Source: Tasmanian Audit Office

The table indicates that the 2010-11 result was largely impacted by high capital funding from the Australian Government. Capital funding in that year included $270m for the redevelopment of the Royal Hobart Hospital and the second full year of Economic Stimulus Plan funding. The bulk of the stimulus funding was provided in 2009-10, followed by a gradual withdrawal in 2011-12, hence the decrease in capital funding. Funding in recent years centred on road and rail infrastructure and co-funding the construction of various irrigation schemes.

Operating Result

The Operating Result showed a deficit of $2.574bn in 2013-14, compared to a surplus of $461m reported in 2012-13. The Operating Result was arrived at after adjusting the Net Operating Balance for Other Economic Flows that impact the Operating Result rather than Equity. Other Economic Flows are changes in the value of assets and liabilities that do not result from transactions. For example, gains or losses on actuarial re-measurement of the defined benefit superannuation liability, movements in investments Government businesses or asset write-offs. This year's Operating result was significantly impacted by:

- derecognition of the GGS's investment in regional water and sewerage corporations, $1.798bn. This reflected changes to the classification of TasWater as a Local Government Sector entity for reporting purposes by the ABS effective from 1 July 2013
- an increase in the superannuation liability, $377m, due to revised actuarial assumptions, discussed later in the Report. This was in contrast to a gain of $986m recorded in 2012-13
- Other losses, $444m, which included $388m of public housing properties transferred to non-government organisations for no consideration under the *Better Housing Futures* program.

Comprehensive Result

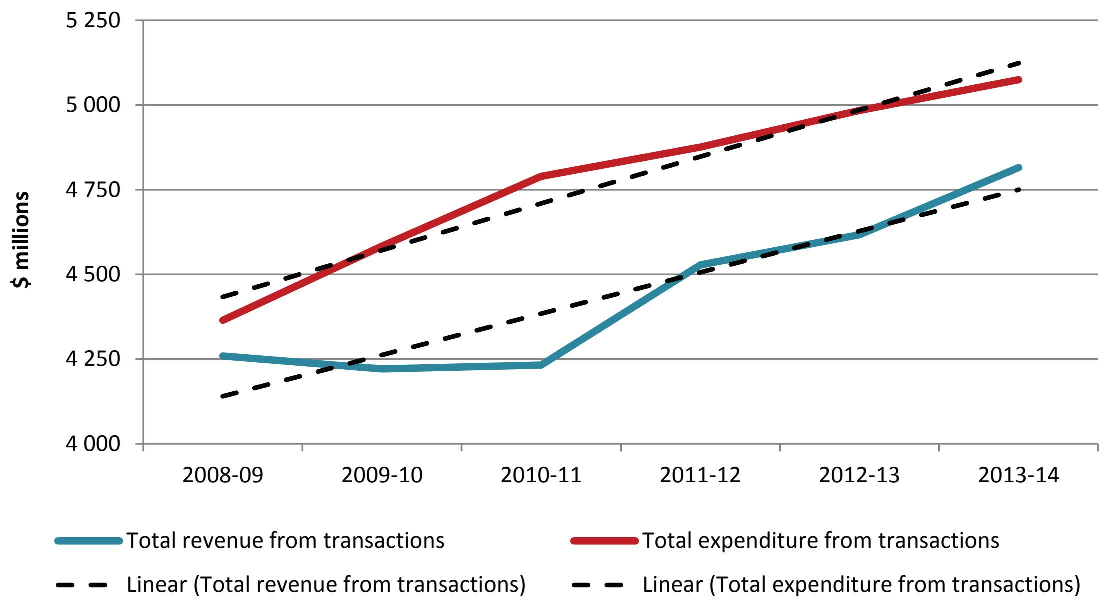
The 2013-14 Comprehensive Result was a deficit of $2.531bn and was arrived at after adjusting the Operating Result for other economic flows that are in the nature of Equity. This year, this included:

- net revaluation increment, $42m, driven mainly by a higher value of infrastructure assets
- and other movements in equity, $1m.

Analysis of operating revenue and expenditure

The following graph provides an overview of revenue and expenditure from transactions over the past six years. It excludes one-off Australian Government capital funding.

Figure 2: Revenue and expenditure from transactions (6-year trend)

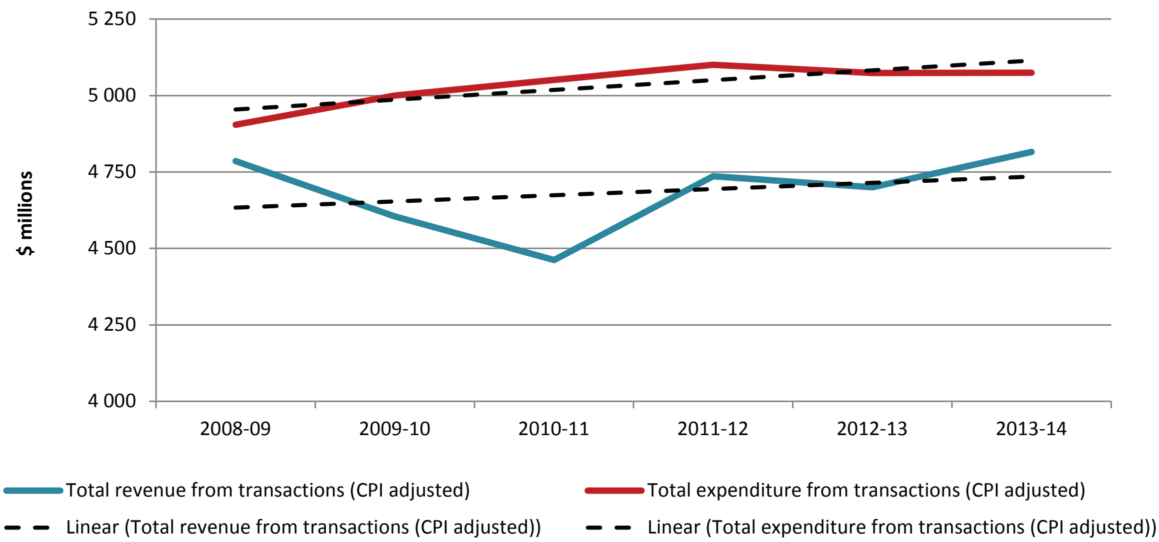


Source: Tasmanian Audit Office

Figure 2 shows that revenue grew by 13% since 2008–09 while expenditure increased at a higher rate of 16% over the same period. Net Underlying Operating Balance deficits were reported in each of the six years and totalled $2.001bn.

Information in Figure 3 was the same as for Figure 2 but adjusted for movements in the Consumer Price Index (CPI).

Figure 3: Revenue and expenditure from transactions – CPI adjusted (6-year trend)



Source: Tasmanian Audit Office; CPI data was sourced from the ABS.

The graph shows that when adjusted for CPI, expenditure increased steadily by 3% over the six-year period. Revenue, on the other hand, showed more volatility and increased only by 1% over the same period.

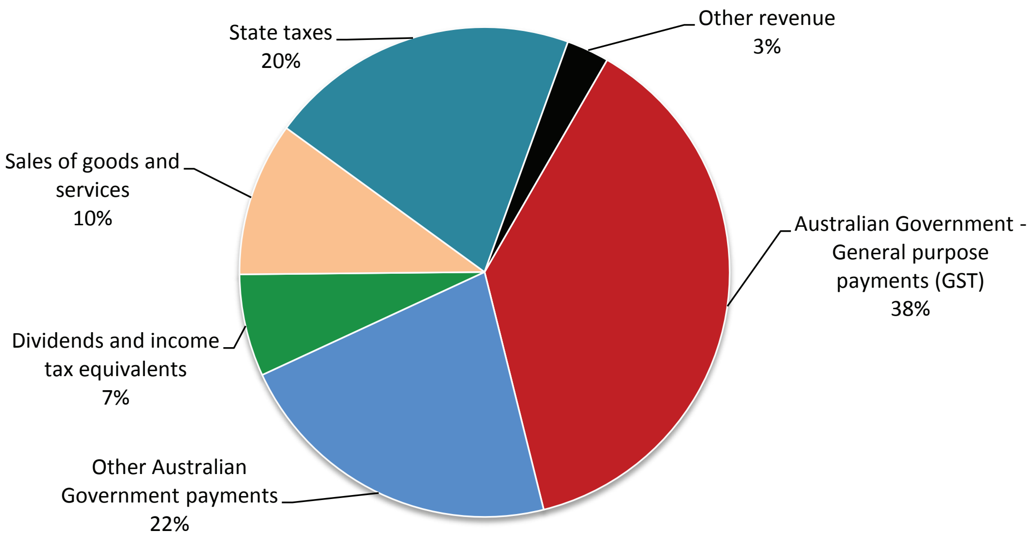
Evident from both Figure 2 and 3 is that the gap between revenue and expenditure is not changing. This is not sustainable.

Revenue was relatively flat for the first three years until 2010-11 as shown in Figure 2. This was due to a significant reduction in GST revenue in 2008-09 as a result of the global financial crisis followed by weaker consumption and dwelling investment in the later years. In real terms the drop was much greater after adjusting for inflation as shown in Figure 3. To a degree, the reduction in GST revenue was offset by economic stimulus measures brought in by the Australian Government in response to the global financial crisis. But because the majority of the stimulus funding was of a capital nature or transfer payments, it did not benefit the underlying operating result. However, expenditure continued to grow during this period, resulting in Net Underlying Operating Balance deficits.

Revenue

GGS revenue, excluding one-off Australian Government capital funding, totalled $4.816bn in 2013-14. This was $199m or 4.3% higher compared to last year. The increase was mainly as a result of higher grants, taxes, returns from Government businesses and Sales of goods and services. Figure 4 shows the composition of GGS total revenue in 2013-14.

Figure 4: Sources of GGS revenue (excluding one-off Australian Government capital funding)



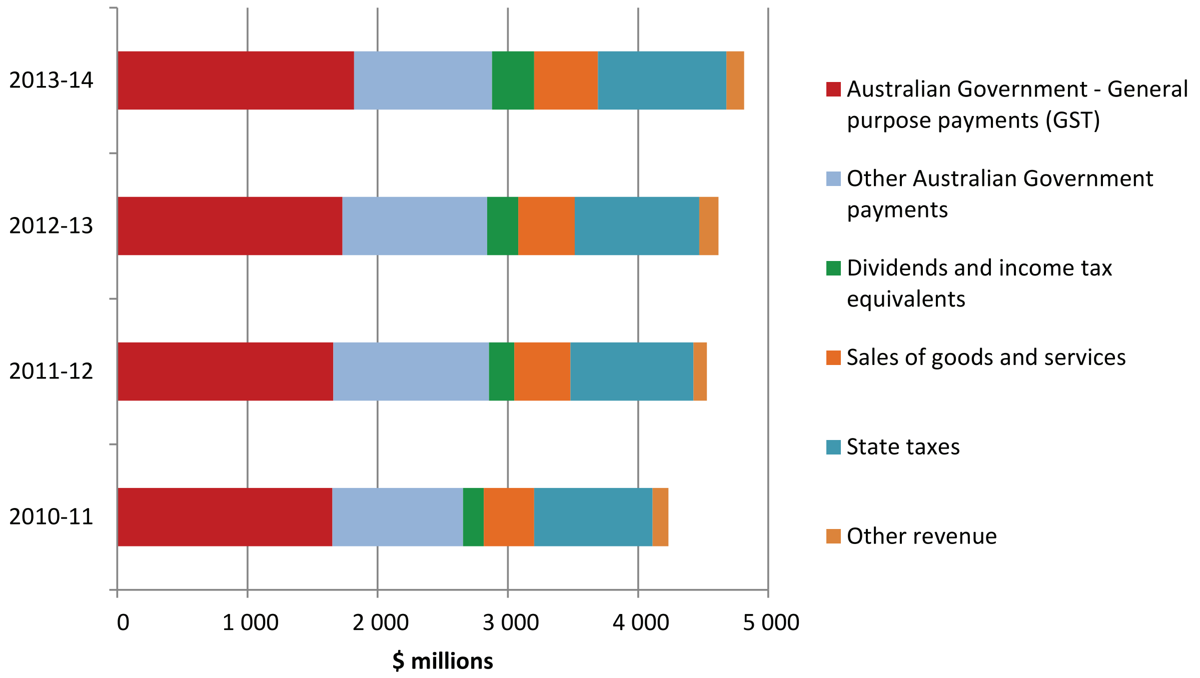
Source: Tasmanian Audit Office

Note: Discrepancies between this Report and TAFR are due to reallocation of some items of revenue and expenditure to better assist readers in interpreting recurrent financial performance. For example, fines and regulatory fees are included within revenue from Sales of goods and services and royalty income within State taxes.

Similar to previous years, funding from the Australian Government represented the majority of GGS revenue. Other Australian Government payments, which comprised Specific Purpose Payments, National Partnerships Payments and other grants and subsidies received, were the second highest sources of revenue. Overall, funding from the Australian Government totalled 60% of operating revenue in 2013-14. This was fairly consistent with a four-year average of 62%.

Figure 5 shows the composition of GGS revenue, excluding one-off Australian Government capital funding, over the past four years.

Figure 5: GGS revenue sources (4-year trend)



Source: Tasmanian Audit Office

As shown in Figure 5, GST receipts have been rising steadily over the period, averaging an annual growth of 2.7%. In 2013-14, GST receipts rose by 5.21% to $1.819bn (2012-13, 4.2% to $1.729bn). Other Australian Government payments fluctuated from year to year, depending on the level of specific project, facilitation or reward payments under National Partnership Agreements and other grants and subsidies.

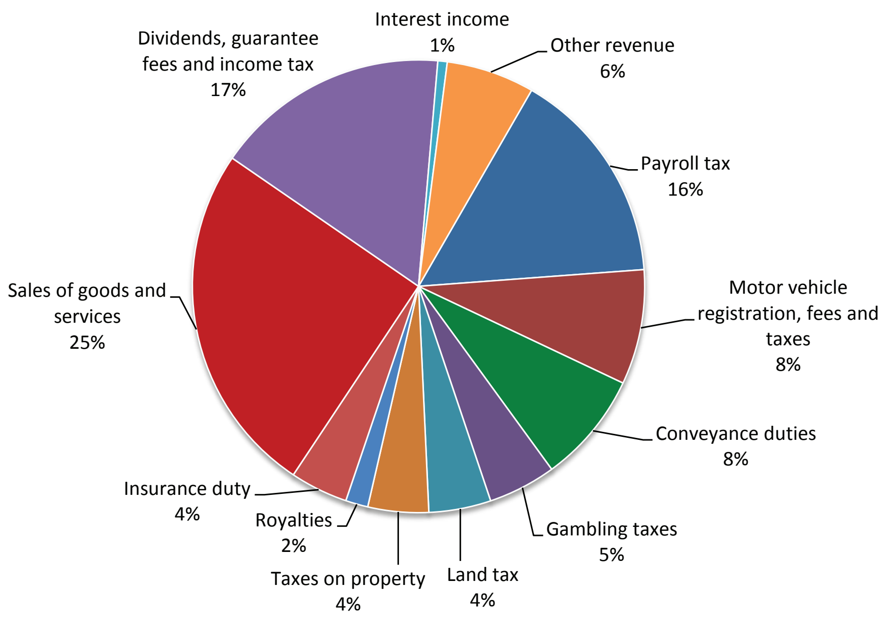
State Taxation revenue increased by 3.5% to $988m in 2013-14 (1.2% to $955m). Increased rates of duty on general insurance policies, conveyance duty, duty on MAIB premiums and tax on motor vehicles were the main contributing factors. Dividends and income tax equivalent revenue from Government businesses increased by 35.4% to $325m in 2013-14 (23.7% to $240m).

The dependence on Australian Government funding for 60% of the GGS's total operating revenue represents a high fiscal risk to the State's budget. The inherent uncertainty associated with GST and other funding from the Australian Government was identified as a key risk by Treasury in its recent *Report to the Treasurer: Analysis of Budget Risks (April 2014)* (the Budget Risks Analysis Report). We concur with that assessment. Currently, Government is dealing with this risk by addressing expenditure which needs to happen. However, attention also needs to be given to:

- maximising revenues which may require revisiting taxation strategy
- re-assessing efficiency of existing service delivery
- re-assessing existing programs
- monitoring the outcomes of the Commonwealth Grants Commission 2015 Methodology Review because it may have a financial impact on the State budget. Changes to Australian Government funding arrangements, demographic or other structural factors considered in distribution of funding need to be closely monitored and analysed by Treasury as part of managing the fiscal risk.

Figure 6 illustrates the composition of Government's own-source revenue raised through taxes and by non-tax means, for example sale of goods and services in 2013-14.

Figure 6: Sources of GGS own-source revenue

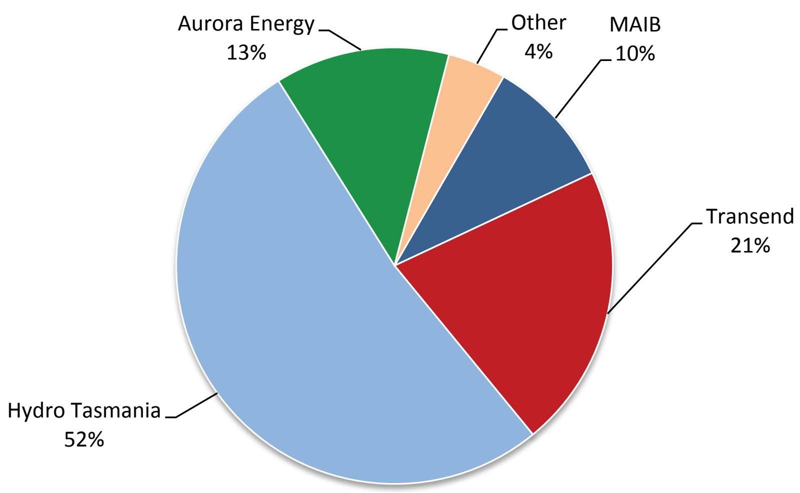


Source: Tasmanian Audit Office

State-based taxes accounted for more than half of the State's own-source revenue, although the share steadily decreased over the past four years from 58% in 2010-11 to 51% in the current year. The above graph shows that payroll tax was the single largest State based tax, followed by motor vehicle registration, fees and taxes and conveyancing duties.

Revenue from Sales of goods and Services and Returns from Government businesses accounted for 25% and 17% of the State's own-source revenue respectively. Figure 7 shows (in percentage terms) the highest dividend, guarantee fee and income tax equivalent-paying Government businesses over the past four years.

Figure 7: Sources of dividends, guarantee fees and income tax equivalents revenue (4 years)



Source: Tasmanian Audit Office

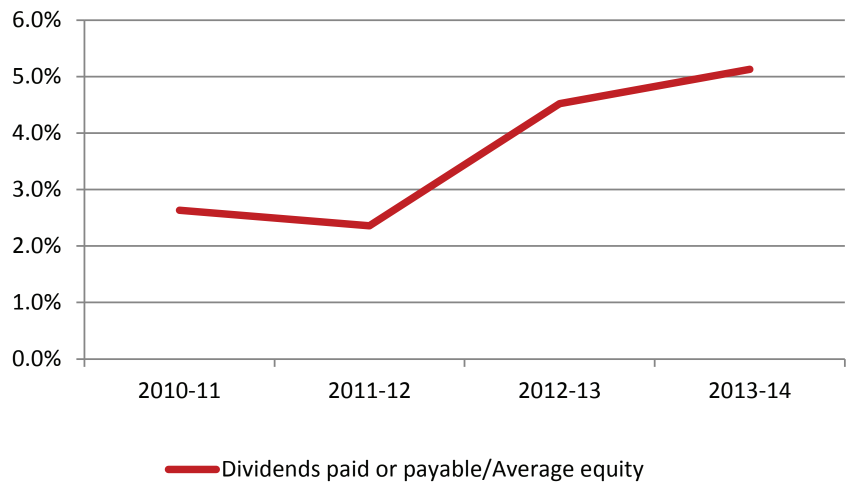
Figure 7 illustrates that MAIB and the three electricity businesses (Aurora Energy, Hydro Tasmania and Transend) provided the highest returns to the State. Over the last four years, MAIB paid $94m and the electricity businesses, combined, paid $834m in dividends, guarantee fees and income tax equivalents.

We have excluded $40m and $21m of dividends from Aurora Energy and Transend respectively as these were declared in June 2014, to be paid in the following financial year. Under normal circumstances, these dividends would have been declared and paid in 2014-15.

The following businesses provided no returns during the four-year period under review: Forestry, Metro, Port Arthur Historic Site Management Authority, Tasmanian Irrigation, TT Line, TasPorts, TasRail and Tasracing. Tasmanian Water and Sewerage Corporations were excluded because they paid dividends, guarantee fees and income tax equivalents to their local government council owners and not the State. It was also noted that TT-Line's dividend policy was to reinvest profits in new vessels.

Government's equity investment in its portfolio of businesses totalled $4.530bn at 30 June 2014. This is a significant investment and there is an expectation that these businesses will provide adequate financial returns and value to their ultimate shareholder, the Tasmanian Community. On average, Government businesses returned 3.7% on the equity invested in them for the last four years. Figure 8 shows annual return on equity invested in the portfolio of Government businesses over the period, calculated as dividends paid or payable divided by average equity.

Figure 8: Return on equity



Source: Tasmanian Audit Office

Return on equity improved in recent years largely due to increased dividends from Hydro Tasmania and MAIB as shown in the following table.

Table 2: Dividends paid or payable

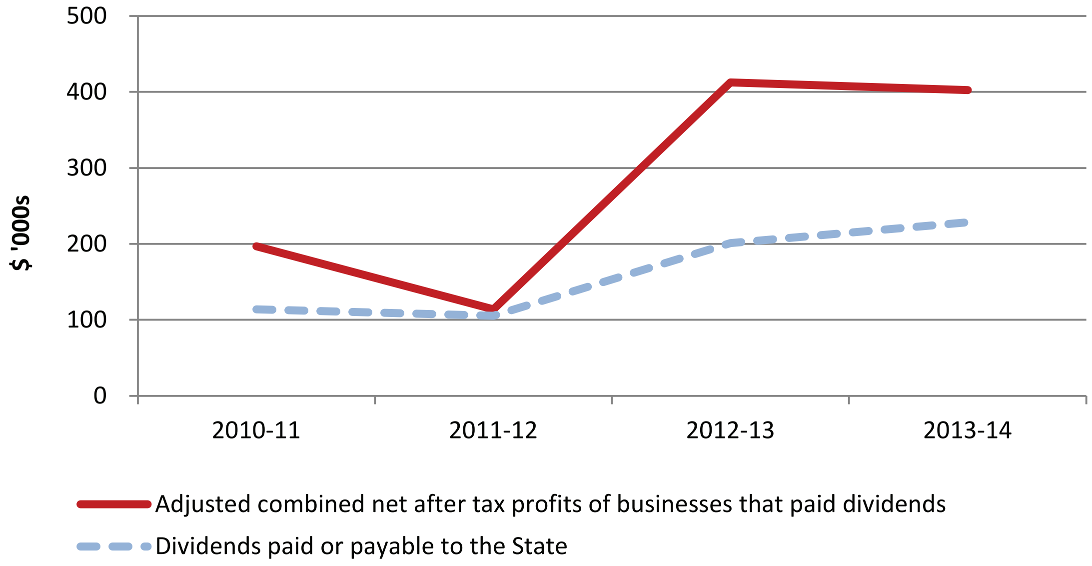
	2013-14	2012-13	2011-12	2010-11
	$m	$m	$m	$m
MAIB	44 570	23 219	6 140	20 249
Transend	21 000	28 686	25 900	28 600
Hydro Tasmania	118 576	116 481	50 685	49 008
Aurora Energy	40 000	25 000	16 000	11 879
TASCORP	2 346	7 629	6 445	3 714
Public Trustee	262	0	151	225
Total	**226 754**	**201 015**	**105 321**	**113 675**

Source: Tasmanian Audit Office

Note: Dividends in this table are based on the year the profit was earned rather than the year in which they were declared. This is different to the base on which dividends are recognised as revenue in the TAFR.

Figure 9 compares dividends paid or payable to the State by Government businesses with their combined net profits over the relevant period. Entities that did not pay any dividends have been excluded.

Figure 9: Comparison of dividends with adjusted net profits



Source: Tasmanian Audit Office

On an accrual basis, Government businesses returned average dividends of around $162m per year over the past four years. As shown in Figure 9, there was a significant increase in 2012-13, when dividends paid or payable almost doubled to $201m. In 2013-14, dividends paid or payable totalled $227m which was $26m or 13% more than in the previous year. The increase in dividend mirrored, to a degree, the increase in adjusted after tax profits.

The growth in dividends over the past two years was predominantly driven by returns from Hydro Tasmania, whose underlying profits increased considerably since the introduction of carbon pricing in June 2012. Repeal of the carbon price legislation in July 2014 is expected to negatively impact future returns to the State.

Our analysis of returns provided by Government businesses to the State is that:

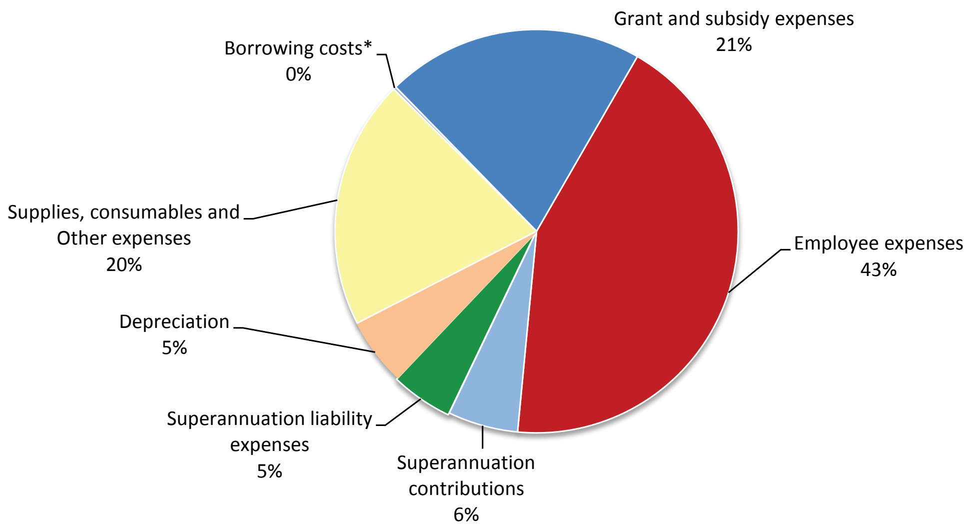
- their contribution to own-source revenue was high at 17% (refer to Figure 6)
- the expected decline in these returns in particular from 2016-17 will impact the State's budget.

Further details about the financial performance of government businesses are outlined in *Volume 3 Government Businesses 2013-14* tabled in November 2014, which can be found on our website at: **www.audit.tas.gov.au**.

Expenditure

GGS expenditure, excluding non-operational items, was $5.075bn in 2013-14. This was higher by $91m, or 1.8%, compared to last year. Figure 10 shows the composition of total expenditure in 2013-14.

Figure 10: GGS expenditure



Source: Tasmanian Audit Office

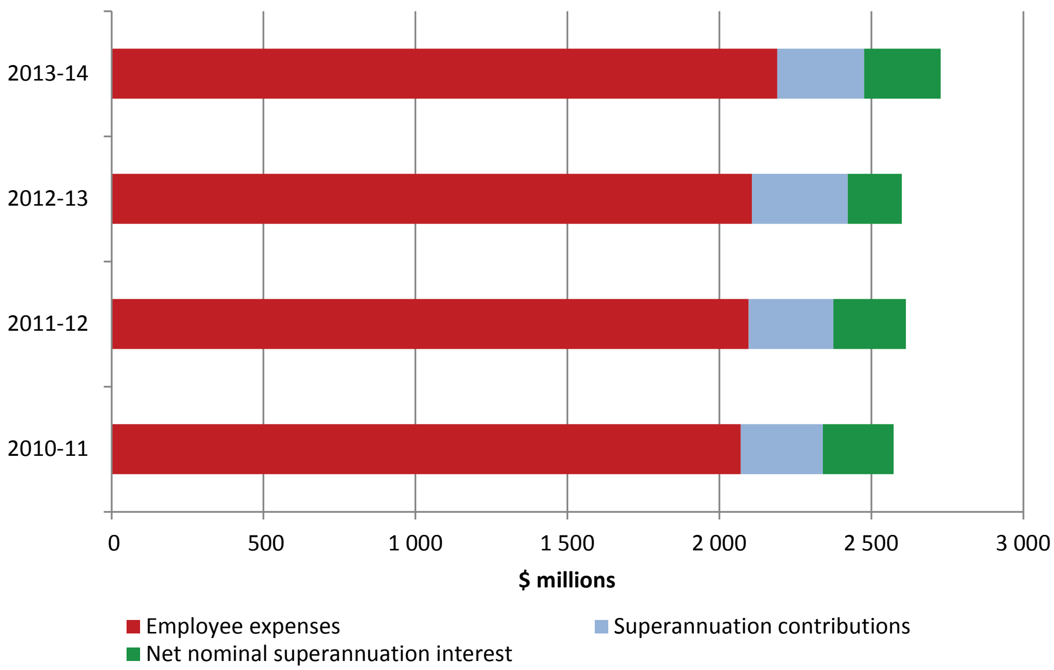
* *Borrowing costs were $12m (2012-13, $14m).*

Note: Discrepancies between this Report and TAFR are due to reallocation of some items of expenditure to better assist readers in interpreting recurrent financial performance.

As in previous years, GGS expenditure was dominated by expenditure relating to employees, which accounted for over half of total expenses. As shown in Figure 10, combined employee costs[2] represented 54% of total expenditure for 2013-14 (2012-13, 52%).

Figure 11 shows the movement in expenditure relating to employees over the last four years.

Figure 11: Employee costs (4-year trend)



Source: Tasmanian Audit Office

Note: In the TAFR, terms Superannuation contributions and Superannuation liability expenses are not used. Instead, these are referred respectively as Superannuation and Nominal superannuation interest expense.

[2] *Combined employee costs included wages, salaries, leave entitlements and on-costs, superannuation contributions made on behalf of employees and superannuation liability expenses relating to defined benefits schemes for which the Government is responsible.*

Figure 11 showed that Employee expenses, which primarily comprised salaries and wages, increased by 6% over the four-year period. The growth in Employee expenses slowed to only 0.5% in 2012-13 but increased to 4% in the current year. The increase reflected:

- an increase in the number of FTEs, as shown in Figure 12
- annual indexation. The *Public Sector Unions Wages Agreement 2013* provided for annual indexation of 2% until December 2015.

Figure 12 shows the movement in FTEs employed by Government departments, which primarily make up the GGS, over the past four years. Entities included are listed in Appendix 1 - Supporting Information.

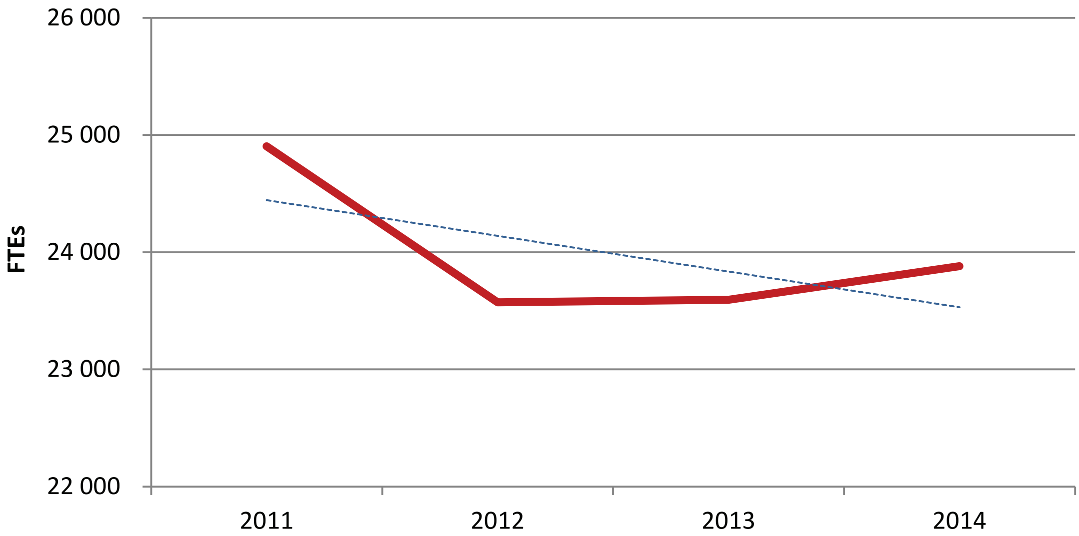


Figure 12: Departmental FTEs

Source: Tasmanian Audit Office

Note: FTE information was sourced from various sources including annual reports and payroll records. The measurement of FTEs can vary depending on the basis the information is prepared, for example paid FTEs, average FTEs or FTEs at a point in time.

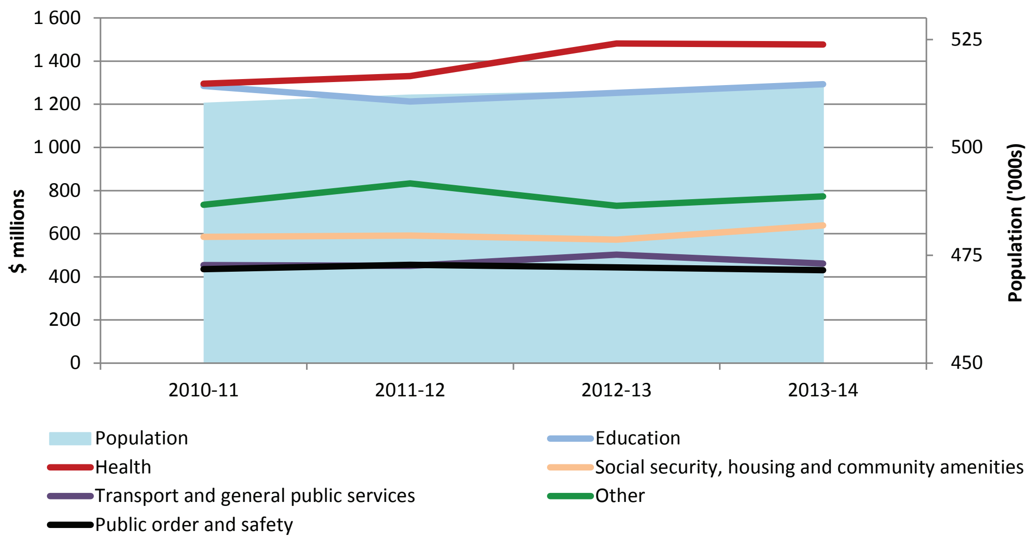
Figure 12 showed a significant decrease in departmental FTEs in 2012. Departments of Education and Health and Human Services had the highest reductions in staff that year. Employee numbers remained fairly steady until recently. The number of FTEs increased by 286 between 2013 and 2014. There was a substantial increase in staffing levels in Tasmanian Health Organisation – South and Tasmanian Health Organisation – North, who increased their workforce by 113 and 114 FTEs respectively. Department of Police and Emergency Management increased its workforce by 52 FTEs.

General Government expenses by function

TAFR includes details of general government recurrent expenses by function reported in accordance with the Government Purpose Classification which is based on the ABS classifications.

Figure 13 depicts graphically recurrent expenditure incurred over the past four years by function, compared to growth in population.

Figure 13: Government expenses by function



Source: Tasmanian Audit Office

Note: Other includes Recreation and culture, Fuel and energy, Agriculture, forestry, fishing and hunting, Mining and mineral resources, Other economic affairs (tourism and area promotion, labour and employment and other), Superannuation liability expenses and Other purpose expenses.

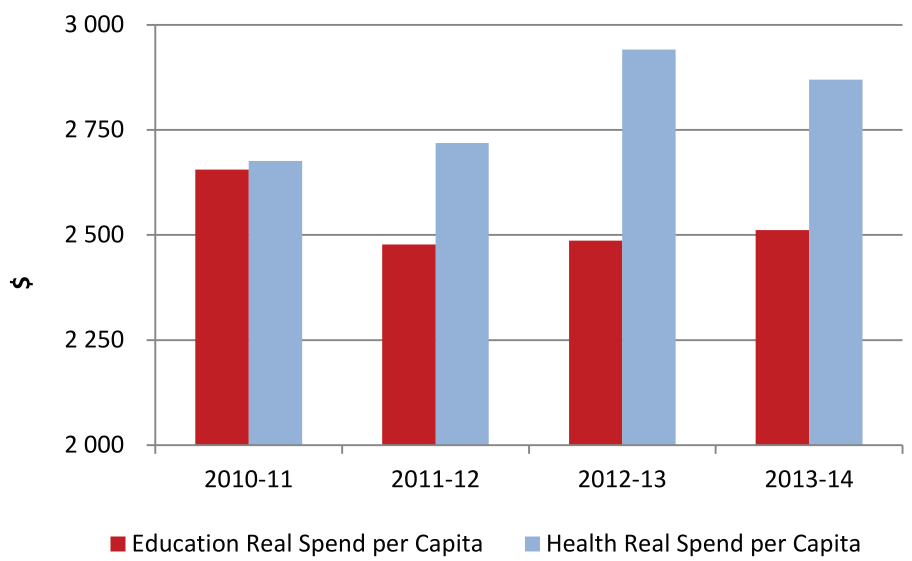
Figure 13 highlights that the majority of GGS expenditure was spent on health, 29% (2012-13, 30%), and education, 25% (25%). This means that, in total, expenditure on health and education absorbed 54% of the State budget. This was similar to previous years.

Overall, total GGS operating expenditure grew by 6% over the past four years. In real terms, the expenditure reduced marginally by 0.4%. Population increased by 0.9% to 514 700[3] over the period until March 2014. The cost of the GGS was $9 858 per capita in 2013-14, which was $44, or 0.4%, less than the cost of $9 902 per capita in 2010-11 (CPI adjusted).

The establishment grant paid to Macquarie Point Development Corporation, $50m, was excluded from total GGS expenditure in 2012-13 for the purpose of this analysis.

Figure 14 shows average spend per capita on health and education, using 2008-09 as benchmark.

Figure 14: Health and education real spend per capita



Source: Tasmanian Audit Office

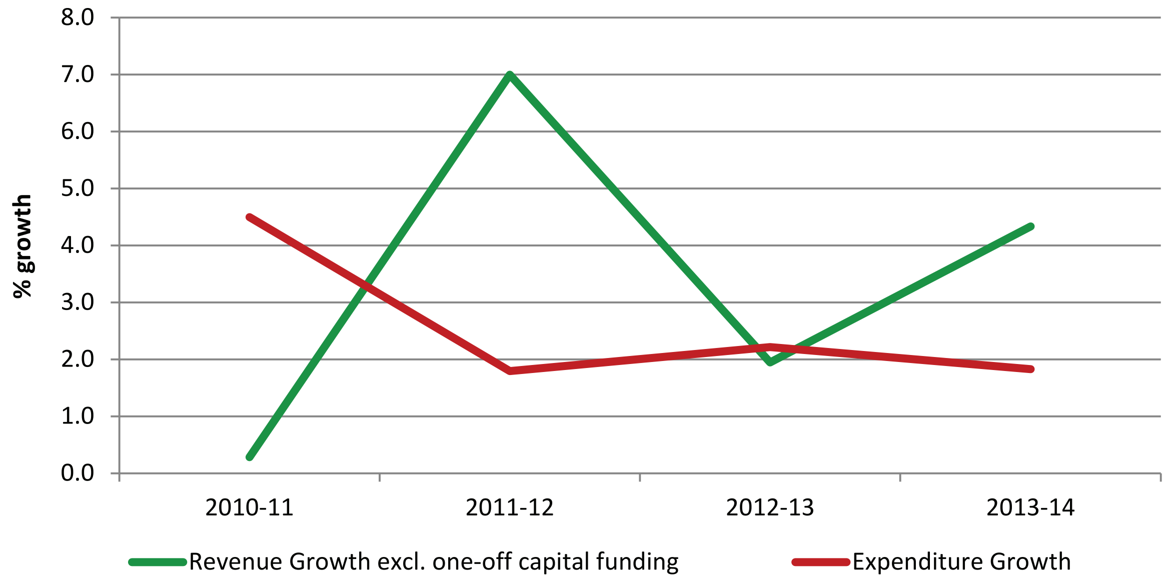
[3] *3101.0 - Australian Demographic Statistics, March 2014, Australian Bureau of Statistics, Estimated resident population at the end of March quarter 2014.*

If we adjust expenditure for CPI, spending on health per capita increased by 7%, while spending on education per capita reduced by 5% between 2010-11 and 2013-14. There was a considerable drop in education spending in 2011-12 while health spending continued to grow. Health funding per capita reduced by 2% in the current year.

Comparison of operating revenue and expenditure with gross state product

Figure 15 analyses growth in operating revenue and expenditure over the past four years. Operating revenue and expenditure excluded one-off Australian Government capital funding and the establishment grant paid to Macquarie Point Development Corporation in 2012-13. It showed that, in the current year, revenue growth exceeded the growth in expenditure.

Figure 15: GGS operating revenue and expenditure growth (%)



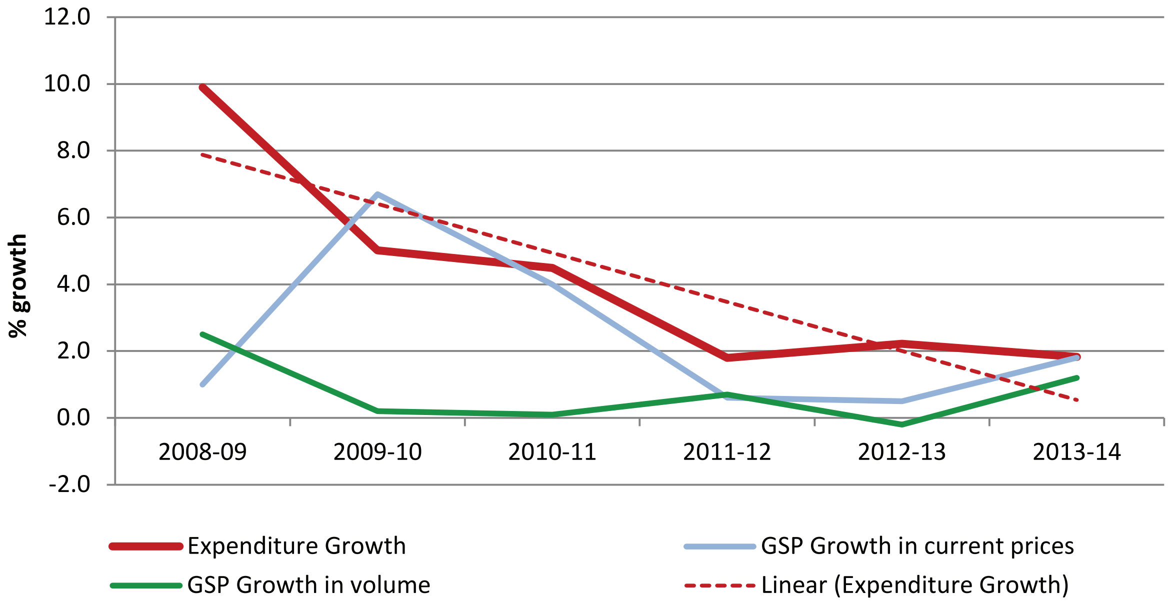
Source: Tasmanian Audit Office

Operating revenue grew 4.3% in 2013-14. The growth in revenue from the prior year was primarily driven by a 4.2% increase in own-source revenue, mainly dividends and income tax equivalents, sales of goods and services and conveyance duties. Revenue from the Australian Government grew by 1.3%. Revenue grew significantly in 2011-12 because of funding for the implementation of the Tasmanian Forest Intergovernmental Agreement (TFIA), $66m, Temporary Assistance for Tasmanian Exporters, $20m, and local government financial assistance grants, $20m. Financial assistance grants in 2011-12 included an advance payment of $36m being half of the 2012-13 allocation, compared to one quarter paid in advance during 2010-11 of $17m.

Operating expenses grew by 1.8% in 2013-14, which was fairly consistent with the previous three years. This year's growth was mainly driven by a higher Net nominal superannuation interest and Depreciation, both of which were beyond the Government's control. There was a reduction in Supplies, consumables and Other expenses.

Figure 16 shows the trend in expenditure growth over the past six years against the value added by economic production in the State as measured by Gross State Product (GSP). At the national level the equivalent concept is Gross Domestic Product (GDP).

Figure 16: Trend in expenditure growth



Source: Tasmanian Audit Office; GSP figures sourced from ABS

GSP is the total market value of goods and services produced in a State or Territory within a given period, after deducting the cost of goods and services used up in the production process, but before deducting allowances for the consumption of fixed capital. We used the GSP in current prices to compare the growth in GGS expenditure and GSP growth in volume terms to illustrate the growth in the State's economy after adjusting for movements in prices.

The trend showed that expenditure growth declined since it peaked at 10% in 2008-09. In the current year, growth in both expenditure and GSP in current prices was at the same level of 1.8%.

GSP in volume (i.e. real) terms[4] was 1.2% in 2013-14. This was an improvement on last year's GSP which was negative 0.2% in volume. Tasmania had consistently the lowest growth among States and Territories since 2009-10 until recently. In 2013-14, the Australian Capital Territory recorded the lowest GSP at 0.7%. It is noted that GSP rates were regularly revised and reissued by the ABS indicating the results reported here should be read with caution.

Figure 16 also indicates that, over the past six years, GGS expenditure growth was higher than growth in the State economy in both real terms and current prices. The only exception was in 2009-10, when GSP growth in current prices rose 6.7%. A general principle is that, over time, expenditure growth should not exceed the growth of the economy. Government needs to continue to manage expenditure growth.

4. The chain volume (i.e. real prices) measures of GSP are derived by revaluing current price and income-based estimates of GSP, using deflators which are compiled using the available data on the composition of expenditure on state production and movements in associated prices.

Statement of Financial Position

	2013-14 Original Budget	2013-14 Revised Budget [1]	2013-14 Actual	2012-13 Actual	2011-12 Actual	2010-11 Actual
	$m	$m	$m	$m	$m	$m
Total Assets	21 273	18 857	18 185	20 024	19 901	18 573
Total Liabilities	7 483	7 554	8 855	8 232	8 835	6 081
Net Assets	**13 790**	**11 303**	**9 330**	**11 792**	**11 066**	**12 492**
Net Worth	13 790	11 303	9 330	11 792	11 066	12 492
Net Financial Worth	1 636	(322)	(1 627)	570	175	2 033
Net Financial Liabilities	4 992	5 015	6 158	5 605	6 123	4 145
Net Debt	226	116	(208)	(220)	(409)	(416)

[1] *Revised Budget information sourced from the Revised Estimates Report 2013-14.*

Source: Tasmanian Audit Office

Net Worth, also referred to as Net Assets, decreased to $9.330bn at 30 June 2014. The decrease of $2.462bn reflected the Comprehensive deficit, $2.531bn, less net equity contributions to Government businesses, $70m.

Net Financial Worth decreased by $2.197bn. Total Liabilities exceed Total Financial Assets for the first time in the past four years. Total Liabilities were $1.627bn at 30 June 2014. The decrease was mainly attributable to the de-recognition of the investment in regional water and sewerage corporations of $1.798bn and an increase in the unfunded defined benefit superannuation liability, $550m.

Net Financial Liabilities increased by $553m to $6.158bn at 30 June 2014 in line with the increase in the unfunded superannuation liability, and higher Borrowings. Borrowings totalled $1.149bn at 30 June 2014 and included the overnight borrowing of $920m. The increase in Borrowings, $23m, reflected mainly an increase in the overnight borrowing of $20m compared to 30 June 2013.

The GGS showed a negative Net Debt position in all of the past four years because financial assets exceeded financial liabilities in each of those years with Net Debt being negative $208m at 30 June 2014. The position was better compared to a budgeted Net Debt of $226m. However, the level of negative Net Debt continued declining due to the lower Cash and deposits balance which was consistent with deficit operating balances. If Australian Government funds were excluded from Cash and deposits balance, Net Debt would be positive $241m meaning that financial liabilities would exceed financial assets.

Net Assets were lower than both the original and revised Budgets because neither the de-recognition of the investment in regional water and sewerage corporations or the increase in the unfunded superannuation liability were budgeted for.

Cash

The Treasurer approved new superannuation funding arrangements in 2011-12. Under these arrangements, the emerging cash cost of the defined benefits superannuation scheme is met directly from the Consolidated Fund. In conjunction with the implementation of an alternative funding model for the defined benefits superannuation scheme, the credit balance of the Superannuation Provision Account in the Special Deposit and Trust Fund (SDTF) was offset against the overdrawn (debit) balance of the Temporary Debt Repayment Account (TDRA), and both accounts were closed on 30 June 2012.

The overdraft was funded by a temporary overnight borrowing of $920m undertaken on 30 June 2014 (30 June 2013, $900m) the effect of which was to gross up Government's cash holdings to at least equal the balance of accounts in the SDTF.

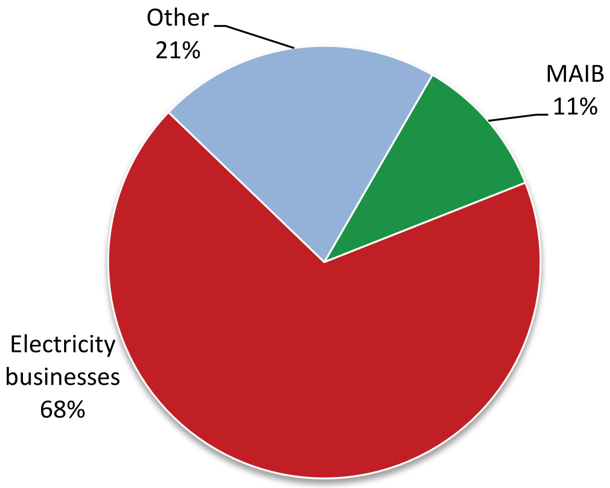
This was the main reason why cash on hand at 30 June 2014 was $1.309bn.

Investment in Government businesses

The State's equity in Government businesses totalled $4.530bn at 30 June 2014. Ignoring the de-recognition of investment in regional water and sewerage corporations, $1.798bn, the value of State's equity in Government businesses increased $153m in 2013-14. The higher equity was due to an increase in the value of MAIB, $102m, Tasmanian Irrigation, $31m, and Hydro Tasmania, $23m. An increase in the value of equity in Port Arthur Historic Site Management Authority, $11m, was mainly due to the recognition of heritage buildings valued at $9m. Equity in Forestry Tasmania decreased by $49m, primarily as a consequence of a reduction in the value of the forest estate and write-off of deferred tax assets.

Figure 17 compares the Net Assets of Government businesses at 30 June 2014.

Figure 17: Net assets of Government businesses

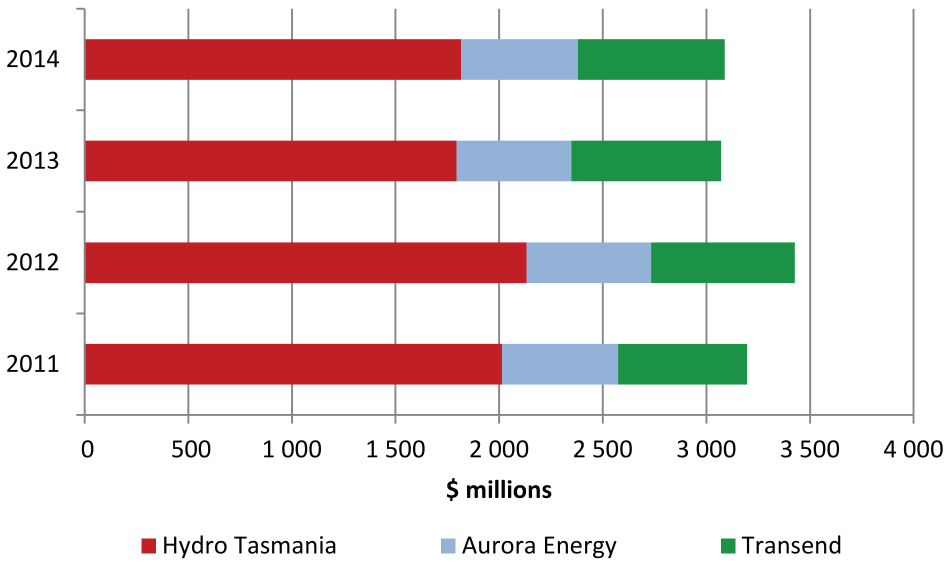


Source: Tasmanian Audit Office

It shows that electricity businesses represented a significant investment for the State comprising 68% of the total Net Assets of Government businesses.

Figure 18 illustrates the movements in their Net Assets over the past four years.

Figure 18: Net assets of electricity businesses (4-year trend)



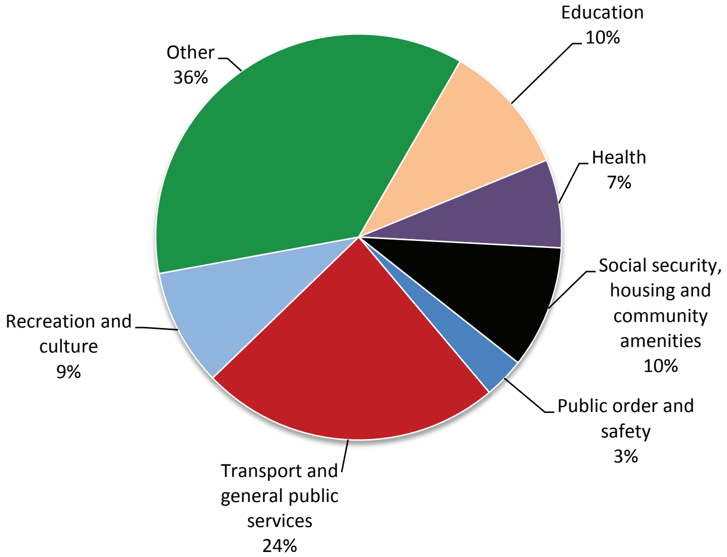
Source: Tasmanian Audit Office

The unfavourable movement in Hydro Tasmania's net assets in 2013 reflected mainly the valuation of its generation assets. In that year, those assets and associated goodwill were impaired by $471m in line with expected revenue, long term energy pricing, assumptions around sales made over Basslink and capital costs expected to be incurred in the maintenance of generation assets.

General Government assets by purpose

Figure 19 depicts asset balances classified according to their function at 30 June 2014, excluding equity investments in Government businesses.

Figure 19: GGS assets by function (excluding equity investments in PNFC and PFC)



Source: Tasmanian Audit Office

Note: Other includes Fuel and energy, Agriculture, forestry, fishing and hunting, Mining and mineral resources, Other economic affairs.

Figure 19 highlights that the majority of assets are in the Transport and general public services category, 24%, followed by Social security, housing and community amenities, 10%, and Education, 10%. This was consistent with previous years, although the transfer of housing properties under the *Better Housing Futures* program impacted the value of assets classified under by Social security, housing and community amenities. Since the program commenced two years ago, over 2 700 properties valued at $452m were transferred to community housing organisations. A further 1 196 properties worth $132m were transferred in July 2014 and will impact financial results in 2014-15.

Defined benefit superannuation liability

At 30 June 2014, the unfunded liability was net $6.623bn (30 June 2013, net $6.073bn) with the increase of $550m caused by a combination of:

- changes in financial assumptions, $194m, which reflected mainly a change in the discount rate from 4.25% at 30 June 2013 to 4.10% at 30 June 2014. Because of the inverse relationship between the discount rate and the valuation of the liability, the liability will increase when the discount rate falls
- changes in demographic assumptions, $183m, including the increase in assumed pension take-up rate
- differences between estimated and actual results, $97m, mainly due to salaries and pensions growing at a faster rate than previously assumed
- net service cost, $97m, being the difference between accrued benefits, interest cost and employer contributions and return on plan assets. Revised AASB 119 *Employee Benefits* mandates that return on assets is to equal the discount rate rather than a rate reflecting expected returns on assets held. This resulted in an increase in superannuation expense.

The State Actuary, Mercer, undertook a triennial review of the Retirement Benefits Fund (RBF) Contributory Scheme as at 30 June 2013. The review was completed in late 2013 and recommended an increase in employer contributions towards benefits paid to 78.5% from 1 July 2014, with annual increases of 2.0% thereafter until 2019. The increases in employer contributions ensure that the RBF Contributory Scheme will have sufficient assets to meet its obligations. The State Actuary also assessed the two Parliamentary funds, recommending additional contributions so that the schemes are fully funded.

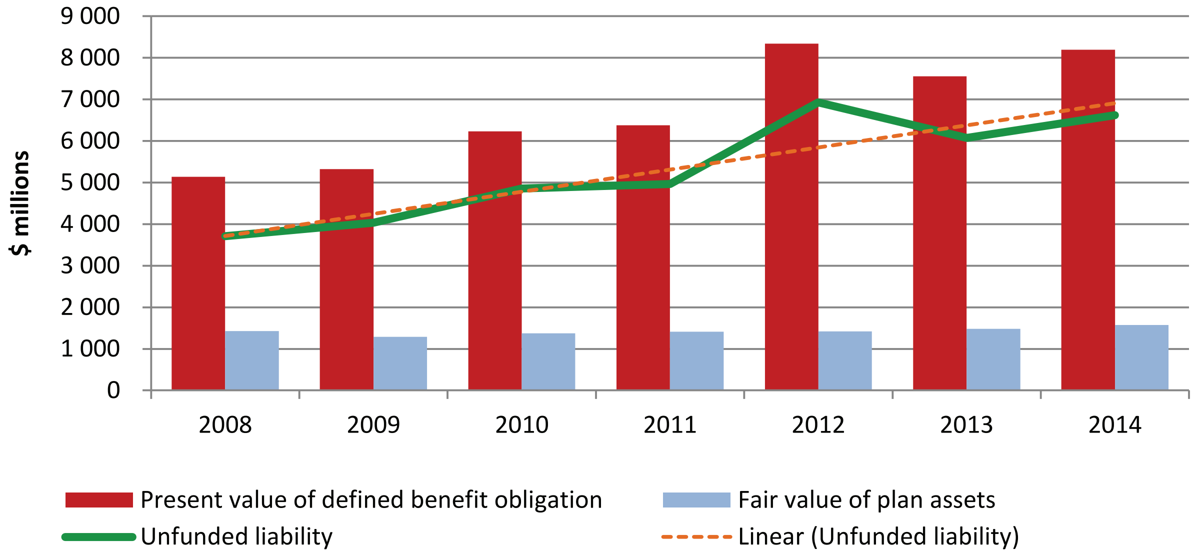
Tasmanian Ambulance Service Superannuation Scheme (TASSS) and State Fire Commission Superannuation Scheme (SFCSS) underwent triennial actuarial investigations as at 30 June 2012 which were completed in early 2013. These reviews found that TASSS was fully funded and recommended that employer contributions into SFCSS be maintained at current levels.

The next triennial investigations are due as at 30 June 2015 for TASSS and SFCSS and 30 June 2016 for RBF Contributory Scheme and the two Parliamentary schemes.

As a result of the triennial review performed in June 2013, a number of changes were made to the demographic assumptions that contribute to how the defined benefit superannuation liability is calculated.

Figure 20 below shows movements in the unfunded liability, being the difference between the present value of the defined benefit obligation and fair value of plan assets.

Figure 20: Unfunded superannuation liability (7-year trend)



Source: Tasmanian Audit Office

The graph illustrates the trend of increasing value of the State's obligation arising from current and former members of unfunded or partially funded public sector defined benefit superannuation schemes, all of which are now closed to new membership. As these schemes are unfunded or partially funded, the State is ultimately responsible for meeting obligations of the schemes. Superannuation payments are met on an emerging costs basis from the Consolidated Fund.

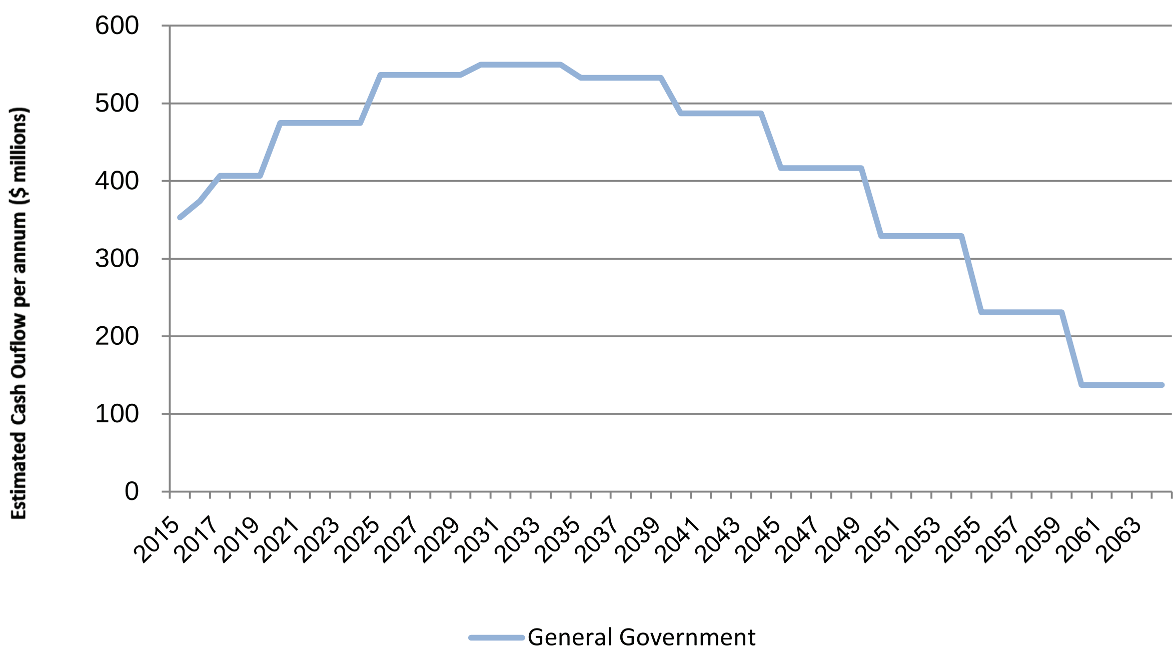
The superannuation liability comprised the following defined benefit schemes and arrangements:

- Retirement Benefit Fund (RBF) Contributory Scheme, net $6.545bn (2012-13, net $5.988bn)
- Parliamentary Superannuation Schemes (Parliamentary Superannuation Fund and Parliamentary Retiring Benefits Fund) administered by the RBF Board, net $19m (net $20m)

- Judges Contributory Pensions, $42m ($43m)
- Housing Tasmania superannuation liability, net $14m (net $15m), recognised in the financial statements of the Department of Health and Human Services
- TASSS, net $2m (net $6m), administered by the RBF Board, with the liability recognised in the financial statements of the Department of Health and Human Services
- SFCSS, net $1m (net $1m), administered by the RBF Board, with the liability recognised in the financial statements of the State Fire Commission.

Figure 21 illustrates the expected nominal (un-discounted) cash outflows required to meet the emerging cost of superannuation benefits payable to members as estimated at 30 June 2014. The estimated cash outflows represent the total cost of benefits payable. However, these estimates do not take into account the current arrangement where a proportion of pension costs and lump sum payments are met by the RBF Board from investments proceeds.

Figure 21: Undiscounted defined benefit superannuation cash outflows (2015–2063)

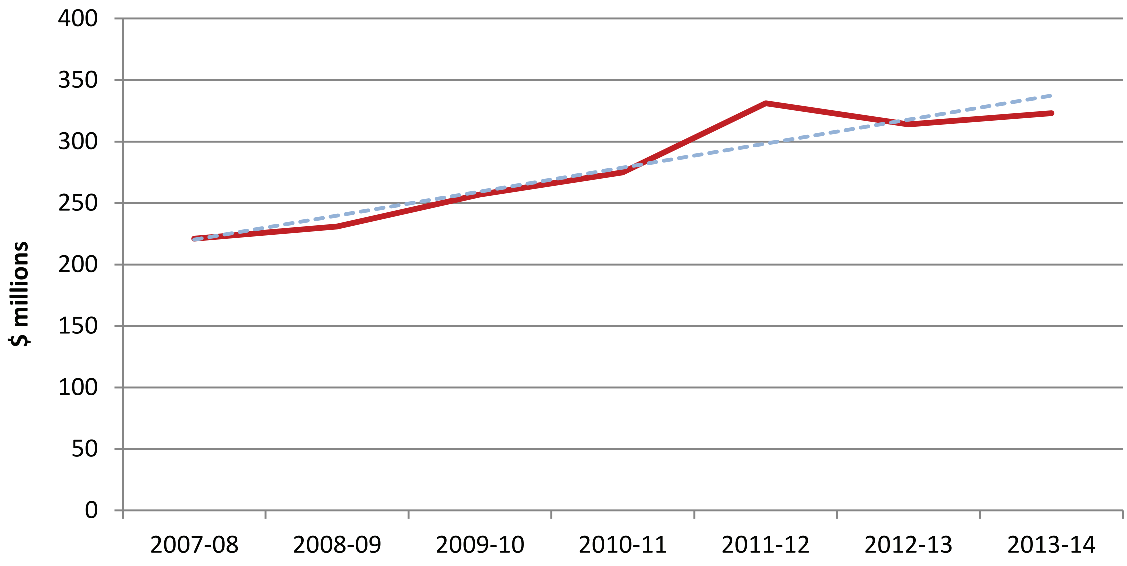


Source: Tasmanian Audit Office

Figure 21 shows that the costs of meeting defined benefit pensions and lump sum payments will peak approximately between 15 to 20 years from now at around $550m per annum (or $432m per annum using the current 78.5/21.5 funding arrangement). However, the analysis indicates that superannuation payments will start increasing significantly much sooner. For example, the payments are estimated to increase by 35% between now and 2020.

Figure 22 following illustrates the increase in benefits paid over the past seven years. The information was obtained from actuarial reports and includes all GGS defined benefit schemes and arrangements. The RBF Contributory Scheme accounted for 97% of all benefits paid.

Figure 22: Benefits paid (7-year trend)



Source: Tasmanian Audit Office

The graph shows a steady increase in superannuation benefits paid in the last seven years. Over this period, benefits paid increased by 46% from $221m in 2007-08 to $323m in the current year.

GGS expects to make a contribution of $244m to the RBF in 2014-15.

The cumulative effect of demographic changes, such as a decrease in mortality rates, and the increase in taking retirement benefits as pensions rather than lump sums, combined with the gradual increase in the employer contribution rate up to 86.5% by 2019 will have a significant impact on the State budget.

The capacity of the State to meet its future superannuation obligations will require close monitoring.

Measuring accrued benefits

The defined benefit superannuation liability represents the present value of accrued superannuation benefits calculated in accordance with the requirements of Australian Accounting Standard AASB 119 *Employee Benefits*. The concept of accrual accounting for post-employment benefits including interests in defined benefit plans was introduced by AASB 119 in January 2005, as part of Australia's convergence with international accounting standards. Prior to this, the accounting standards did not specify measurement rules. Actuaries use demographic (for example life expectation and mortality rates) and economic assumptions (for example the discount rate, future salary increases, the expected rate of return on plan assets etc.) to calculate the present value of accrued benefits.

AASB 119 requires that actuarial assumptions shall be unbiased and mutually compatible. Most importantly, it requires that market yields on high quality corporate bonds at reporting date be used to discount post-employment benefit obligations (and if the market is not "deep", market yields on government bonds shall be used). In respect of not-for-profit public sector entities, AASB 119 prescribes that post employment benefit obligations denominated in Australian currency shall be discounted using market yields on government bonds.

The RBF Board, being a superannuation plan within the meaning of Australian Accounting Standard AAS 25 *Financial Reporting by Superannuation Plans*, measures the accrued benefits of its defined benefit contribution plans in accordance with this standard. The measurement rules of AAS 25 are less prescriptive. Similar to AASB 119, it too requires accrued benefits to be measured at present value using actuarial assumptions and valuations. However, the actuary is left to determine the discount rate by reference to a current, market determined, risk adjusted rate of return appropriate to the plan, i.e. the rate of return that the plan anticipates it could achieve if, at the measurement date, sufficient funds were available to meet accrued benefits as they fall due.

A valuation of accrued benefits under AAS 25 is less sensitive to changes in factors beyond entity's, such as the unpredictability of bond markets. To illustrate these differences, the discount rate used by the State Actuary to value the accrued benefits of the Contributory Scheme under AASB 119 was 4.10% in 2013-14, which was based on the Australian Government Bond yield consistent with the term of the liabilities and adjusted for investment income tax. However, in determining the liability under AAS 25, the actuary used a discount rate of 7.50% based on the long term earnings rate of the scheme, net of investment income tax. Other economic assumptions, such as salary inflation and price inflation rates also varied between the two valuations.

A revision to AASB 19 impacted the measurement and recognition of defined benefit superannuation obligations in 2013-14.

Statement of Cash Flows

	2013-14 Original Budget	2013-14 Revised Budget [1]	2013-14 Actual	2012-13 Actual	2011-12 Actual	2010-11 Actual
	$m	$m	$m	$m	$m	$m
Cash at the Beginning of the Year	**1 009**	**1 298**	**1 298**	**1 252**	**628**	**966**
Net Cash flows from (used in) operating activities	94	14	241	(27)	131	(140)
Net cash flows (used in) investing activities	(298)	(352)	(257)	(157)	(124)	(193)
Net cash flows from (used in) financing activities	52	43	26	230	617	(5)
Net increase (decrease) in cash held	(152)	(295)	10	46	624	(338)
Cash at the End of the Year	**857**	**1 003**	**1 308**	**1 298**	**1 252**	**628**

1. Revised Budget information sourced from the Revised Estimates Report 2013-14.

Source: Tasmanian Audit Office

Note: One-off capital funding and establishment grant paid to Macquarie Point Development Corporation in 2012-13, $50m, were excluded from operating activities and reallocated to investing activities for the purpose of this analysis.

Cash held by the GGS increased by $10m to $1.308bn at 30 June 2014. The balance included an overnight loan of $920m (2013, $900m) from TASCORP on 30 June 2014 in order to gross up cash holdings to at least equate the estimated balances of accounts in the SDTF.

If this transaction were eliminated, combined cash held by the GGS would decrease to $388m ($397m) and borrowings would total $229m ($226m). The main components of cash flows in 2013-14 were:

- Net Operating cash surplus of $241m (deficit of $27m). Reasons for variations in operating cash flow amounts mostly reflect comments made previously in the Comprehensive Income Statement section of this Chapter
- investment in non-financial assets, net $175m ($91m), driven predominantly by capital programs in health, infrastructure and social housing
- equity injections into Government businesses, net $82m ($72m), comprising contributions to TasRail, $60m ($58m), Tasmanian Irrigation, $36m ($23m), less equity withdrawal from Transend, $20m ($20m)
- net borrowings, $26m ($230m).

The composition of cash held is detailed under the PA statements section of this Chapter.

PUBLIC ACCOUNT

Background

When reviewing the commentary below, it needs to be kept in mind that the PA statements are reported on a cash basis meaning that there is no distinction between receipts or payments of a capital or operating nature and borrowings received or paid.

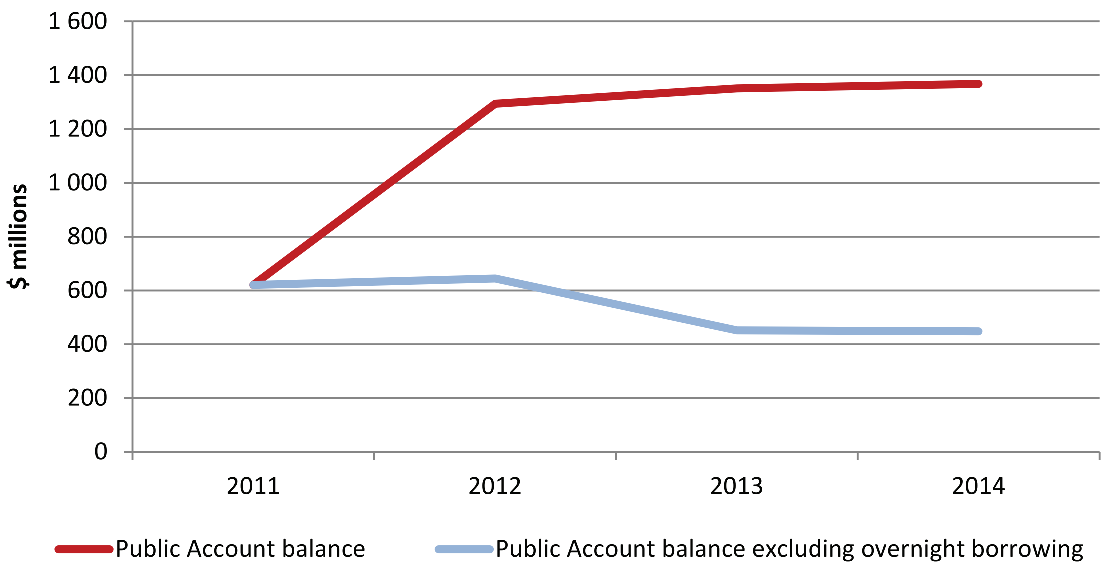
SDTF consisted of various accounts established by the Treasurer. The majority of these accounts represented departmental operating accounts, where funds appropriated from the Consolidated Fund by the annual Appropriation Act are deposited. In addition, operating accounts can retain funds that are approved by the Treasurer as retained revenue.

Other accounts in the SDTF include trust funds, whole-of-government, business unit accounts and accounts established under legislation.

Cash Balance

Figure 23 shows the total cash held by the GGS at the end of June for the last four years.

Figure 23: Cash balance (4-year trend)

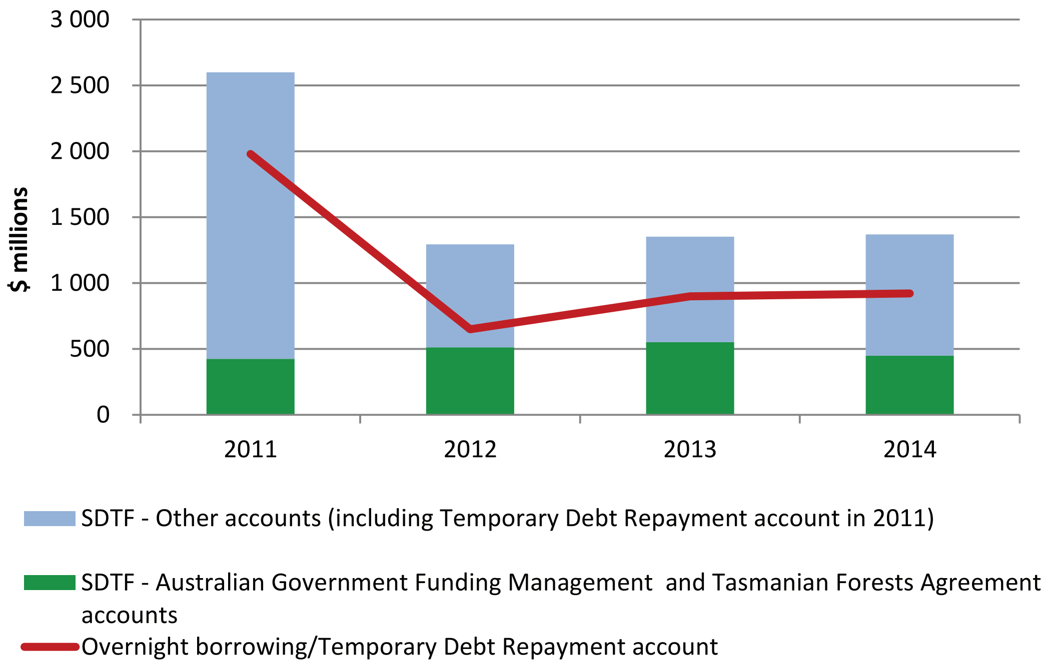


Source: Tasmanian Audit Office

As shown in Figure 23, cash held in the PA totalled $1.368bn at 30 June 2014 (30 June 2013, $1.351bn). Included in the balance was the overnight loan of $920m (2012-13, $900m), which was repaid on 1 July 2014. If the overnight loan were eliminated, the cash balance would be $448m ($451m). The balance of cash disclosed in the PA statements was $59m higher than the GGS Cash and deposits because of monies held in true trust accounts, $80m, less funds held by statutory authorities outside the PA, $21m.

Figure 24 shows the composition of the Public Account by separating the Australian Government Funding Management and Tasmanian Forests Agreement accounts from other SDTF accounts. The reason for this breakdown is that the funds in these accounts are for a specific purpose and must be expended in accordance with agreements between the State and Australian Governments.

Figure 24: Public account composition



Source: Tasmanian Audit Office

The balance of cash and deposits in the PA of $1.368bn at 30 June 2014 ($1.351bn) comprised $449m of Australian Government funds ($550m) and $920m in other SDTF accounts ($801m). The balance of Australian Government funds comprised unspent monies held in:

- Tasmanian Forests Agreement Account, $26m, for implementation of the TFIA
- Australian Government Funding Management Account, $423m, which included funding for the redevelopment of the Royal Hobart Hospital.

The SDTF balance in 2011 included $1.978bn in Temporary Debt Repayment Account and the balances in years after that included an overnight loan from TASCORP. The effect of this arrangement was to gross up Government's cash holdings to at least equal the balance of accounts in the SDTF at 30 June. The amount of overnight borrowing increased progressively between years from $650m in 2012 to $920m in 2014. The increase reflected the higher balance of the SDTF plus funding of the Consolidated Fund Deficits in those years.

The balance of SDTF accounts excluding Australian Government Funding Management and Tasmanian Forests Agreement accounts was $920m, which equated the amount of the overnight borrowing at 30 June 2014. This meant that SDTF accounts were backed by cash at year end.

Consolidated Fund Outcome

	2013-14 Original Budget	2013-14 Preliminary Outcome [1]	2013-14 Actual	2012-13 Actual	2011-12 Actual	2010-11 Actual	2009-10 Actual
	$m	$m	$m	$m	$m	$m	$m
Receipts							
Australian Government sources	2 242	2 302	2 302	2 171	2 831	3 113	3 058
State sources	1 484	1 523	1 523	1 347	1 447	1 237	1 271
Total	**3 726**	**3 825**	**3 825**	**3 518**	**4 278**	**4 350**	**4 329**
Expenditure							
Recurrent services	3 614	3 640	3 640	3 609	4 103	4 340	4 004
Works and services	170	175	175	166	317	550	591
Total	**3 784**	**3 815**	**3 815**	**3 775**	**4 420**	**4 890**	**4 595**
Consolidated Fund Outcome	**(58)**	**10**	**10**	**(257)**	**(142)**	**(540)**	**(266)**

[1] *Preliminary Outcome information sourced from the 2013-14 Preliminary Outcomes Report.*

Source: Tasmanian Audit Office

Consolidated Fund Outcome was a small surplus of $10m in 2013-14, compared to a deficit of $257m in 2012-13. The turnaround of $267m reflected increased receipts, $307m, partly offset by an increase in expenditure, $40m, all discussed previously in the Statement of Comprehensive Income section of this Volume.

The Consolidated Fund Outcome surplus was $68m higher than the deficit estimated in the original Budget. This was primarily due to the State exceeding budgeted revenue while keeping expenses within the Original Budget.

TOTAL STATE SECTOR

Statement of Comprehensive Income

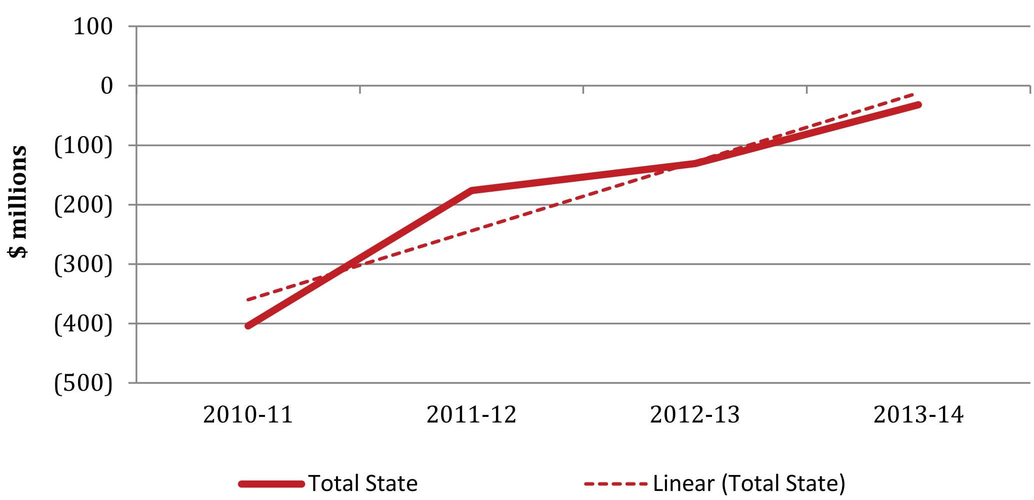
	2013-14	2012-13	2011-12	2010-11
	$m	$m	$m	$m
Total Revenue	8 395	8 330	7 774	7 320
Total Expenditure	8 426	8 461	7 950	7 724
Underlying Net Operating Balance Before:	**(31)**	**(131)**	**(176)**	**(404)**
One-off Australian Government Capital Funding	94	101	162	535
Net Revenue from discontinued operations	0	0	15	0
Net Operating Balance	**64**	**(29)**	**(13)**	**132**
Plus Other Economic Flows – Included in Operating Result				
Other economic flows – net	(945)	729	(2 368)	(170)
Operating Result	**(882)**	**700**	**(2 381)**	**(38)**
Plus Other Economic Flows – Other Movements in Equity				
Total Other equity movements	(1 579)	25	941	(536)
Comprehensive Result	**(2 461)**	**725**	**(1 440)**	**(574)**

Source: Tasmanian Audit Office

Underlying net operating balance

Total State Underlying Net Operating Balance was a deficit of $32m in 2013-14. This was a $99m improvement on last year's deficit of $131m. Figure 25 shows underlying results for the past four years.

Figure 25: Total state underlying net operating balance (4-year trend)

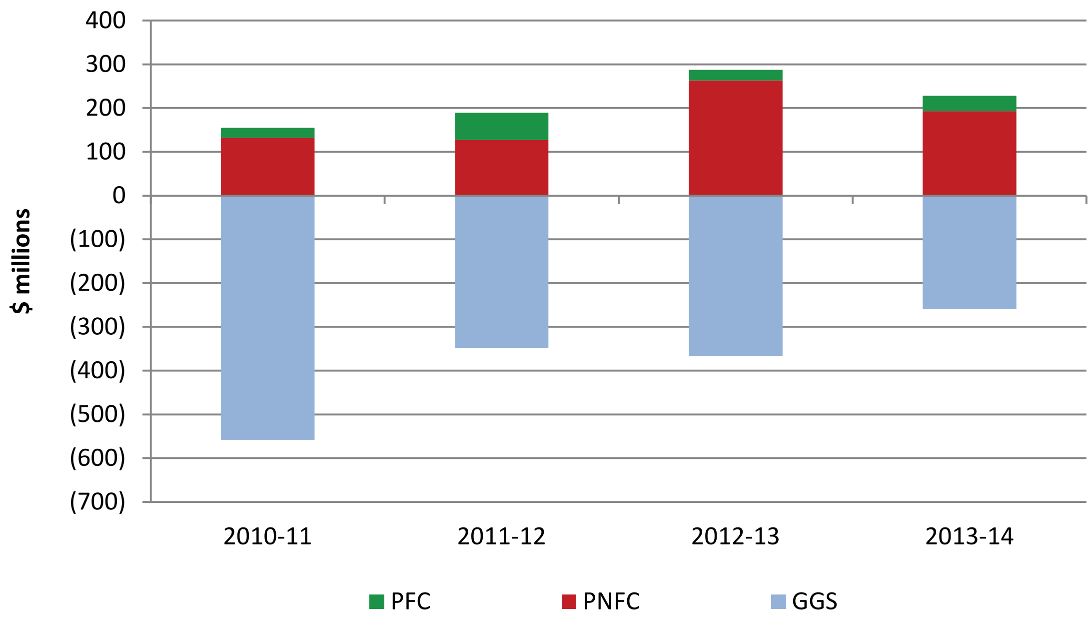


Source: Tasmanian Audit Office

The improved result in 2013-14 was due to the lower GGS deficit as well as strong results generated by Hydro Tasmania and the MAIB. Nevertheless, both Total State and GGS reported Net Underlying Operating Balance deficits in each of the past four years.

Figure 26 shows the Net Underlying Operating Balance disaggregated into GGS, PFC and PNFC sectors, before inter-sector eliminations.

Figure 26: Disaggregated net underlying operating balance

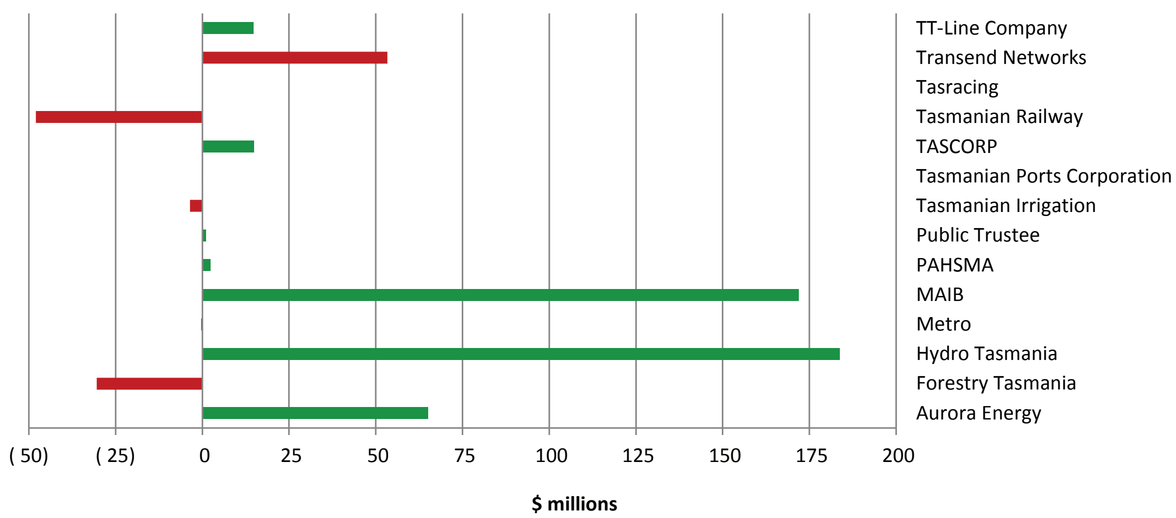


Source: Tasmanian Audit Office

The graph illustrates that GGS results were the cause of deficits reported at the Total State level. The PNFC and PFC sectors returned positive Net Underlying Operating Balances in each of the four years.

Figure 27 shows results before income tax for all PNFC/PFC sector entities in 2013-14.

Figure 27: Profit (loss) before income tax (2013-14)



Source: Tasmanian Audit Office

Note: Tasracing ($0.075m), TasPorts ($0.120m), Metro ($0.375m).

Figure 27 illustrates that the three electricity businesses (Aurora Energy, Hydro Tasmania and Transend) together with MAIB reported the strongest results. Tasmanian Railway and Forestry Tasmania reported the largest losses.

Operating result

Total State Operating Result for 2013-14 was a loss of $883m, compared to a surplus of $700m the year before. This year's result was significantly impacted by:

- actuarial losses on the State's superannuation liability, $391m, which partly reversed last year's gain of $1.101bn. The actuarial losses were caused by changes in financial and demographic assumptions discussed previously in the Defined Benefit Superannuation Liability section of the GGS Chapter.
- Other losses, $550m, including the write-off of housing properties transferred under the *Better Housing Futures* program and asset revaluation movements in both GGS and PNFC sectors.

Statement of Financial Position

	2014	2013	2012	2011
	$m	$m	$m	$m
Total Assets	26 665	27 929	28 706	28 216
Total Liabilities	17 335	16 137	17 640	15 724
Net Assets	**9 330**	**11 792**	**11 066**	**12 492**
Net Worth	9 330	11 792	11 066	12 492
Net Financial Worth	(10 008)	(9 945)	(11 042)	(8 867)
Net Financial Liabilities	10 008	9 945	11 042	8 867
Net Debt	410	973	1 201	1 309

Source: Tasmanian Audit Office

Net Worth, also referred to as Net Assets, decreased by $2.462bn during the year to $9.330bn at 30 June 2014 in line with the Comprehensive result. If the de-recognition of regional water and sewerage corporations, $1.798bn, were ignored, the decrease would have been $664m and reflected actuarial losses on the State's superannuation liability, the *Better Housing Futures* transfers and asset revaluation movements.

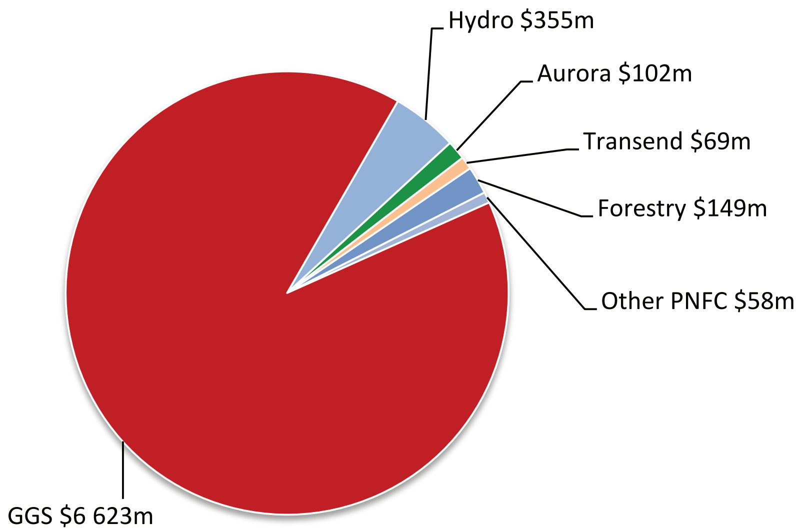
Net Financial Liabilities were $10.008bn at 30 June 2014, which was $63m higher than last year. The unfunded defined benefit superannuation liability represented the majority of Net Financial Liabilities at 74% (2012-13, 68%).

Defined benefit superannuation liability

A number of PNFC entities have current and former employees who are members of the RBF Contributory Scheme. As the scheme is partially funded, these entities, and ultimately the State, are responsible for meeting obligations of the scheme as they relate to their employees.

Overall, the Total State unfunded superannuation liability was $7.358bn at 30 June 2014 ($6.786bn). Figure 28 breaks down the obligation between GGS and PNFC entities that have members in the defined benefit schemes administered by the RBF Board.

Figure 28: Net defined benefit superannuation liabilities

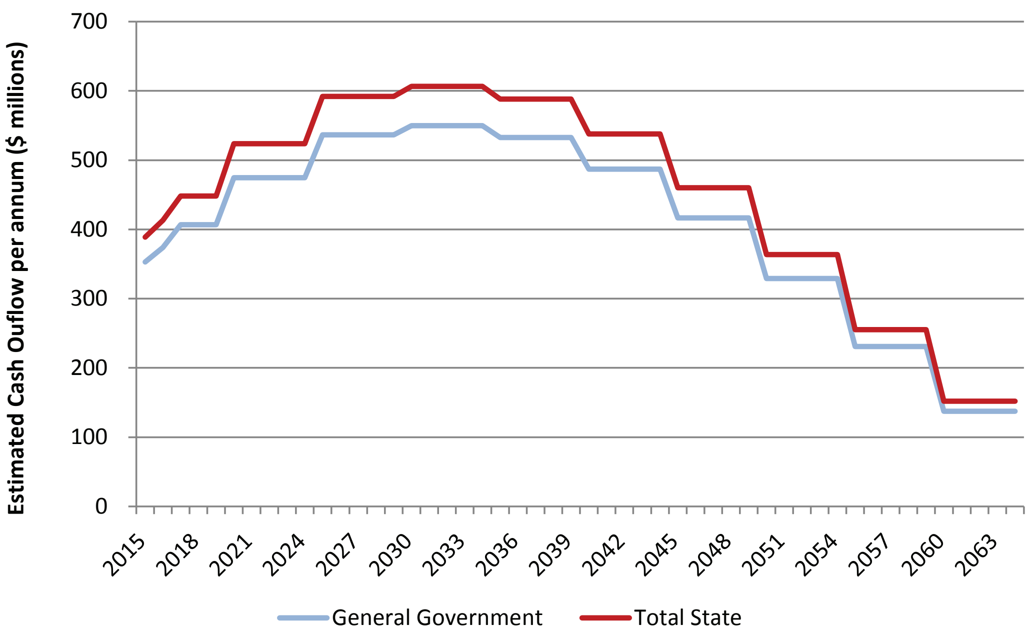


Source: Tasmanian Audit Office

Figure 28 shows that the GGS sector accounted for 90% of the Total State's defined benefit superannuation liability. Both the GGS and PNFC sectors now meet the emerging costs associated with the defined benefit schemes as and when they arise.

Figure 29 illustrates the expected nominal (un-discounted) cash outflows required to meet the emerging cost of superannuation benefits payable to members as estimated at 30 June 2014. The estimated cash outflows represent the total cost of benefits payable. The estimated cash outflows represent the total cost of benefits payable. However, these estimates do not take into account that a proportion of the full liability is met by the RBF Board from investments.

Figure 29: Undiscounted defined benefit superannuation cash outflows (2014 – 2063)



Source: Tasmanian Audit Office

Figure 29 shows the costs of meeting defined benefit pensions and lump sum payments will peak approximately between 15 to 20 years from now. Higher superannuation payments by Government businesses will impact on annual profits and subsequently returns to the Government.

TIMELINESS OF PAYMENTS TO SUPPLIERS

SNAPSHOT

- Nine departments were audited, with supplier payments from 1 July 2013 to 31 December 2013 examined for late payments and whether penalty interest due on late payments had been paid.
- On average, 22% of supplier payments were made late and 91% of penalty interest due was not paid.
- We estimated the amount of interest payable to be between $2.562m and $3.427m for the six-month period under review.

INTRODUCTION

Tasmanian government agencies spend over one billion dollars purchasing goods and services. This expenditure has a significant and positive effect on the Tasmanian economy and the Government was committed to ensuring that suppliers were paid in a timely manner.

In 2009-10 Government introduced a requirement that penalty interest was payable to suppliers if an invoice was paid late.

Treasurer's Instructions issued to this effect were TI No 1125: *Penalty interest for late payment of invoices: goods and services* and TI No 1230: *Penalty interest for late payment of invoices: building and construction/roads and bridges*. These instructions require suppliers be paid within their credit terms or, where the payment date had not been specified, within 30 calendar days of the date of a correctly rendered invoice. If invoices were not paid by the due date, penalty interest shall be calculated and paid, with the minimum penalty set at $50.

Treasurer's Instructions (TI) are issued by the Treasurer under the authority of Section 23 of the *Financial Management and Audit Act 1990* (the FMAA) and must be observed by agencies.

PREVIOUS AUDITS OF TIMELY PAYMENT OF SUPPLIER INVOICES

Timeliness of payments to suppliers was previously examined in 2007, when five agencies were audited, and it was found that 24% of invoices were paid late. The same five agencies were audited again in 2011 with the same result.

CURRENT AUDIT

The objective of 2013-14 audit was to determine whether departments were paying suppliers on time and whether penalty interest had been paid where appropriate.

Policies and procedures were also examined for compliance with TIs and effective monitoring of invoices close to or past their due date.

The audit also examined whether departments took advantage of supplier discounts offered for early payment.

WHAT WE DID

The departments we audited were:

- Department of Economic Development, Tourism and the Arts (DEDTA, now Department of State Growth)
- Department of Education (DoE)
- Department of Health and Human Services (DHHS)
- Department of Infrastructure, Energy and Resources (DIER, now Department of State Growth)
- Department of Justice (DoJ)

- Department of Police and Emergency Management (DPEM)
- Department of Premier and Cabinet (DPAC)
- Department of Primary Industries, Parks, Water and Environment (DPIPWE)
- Department of Treasury and Finance (Treasury)

The audit covered payments made between 1 July 2013 and 31 December 2013. A random sample of supplier invoices was selected for each Department. We reviewed the date of invoice, due date for payment and actual date of payment to determine the timeliness of payment. The focus of this audit was on payments to suppliers of goods and services. Therefore, some payments were excluded, such as payments to other departments or government agencies and reimbursements to employees.

WHAT WE FOUND

Policies, procedures and controls

Only DPIPWE and DEDTA had their policies and procedures both documented and up to date in regard to timely payments, penalty interest and monitoring payments that were close to or exceeding the due date.

Seven of the departments had written policies complying with TI 1125 and TI 1230 but two of them did not have procedures in place to monitor payments close to or exceeding the due date.

At the time of the audit, DHHS paid penalty interest if initiated by the supplier and DIER had made the decision not to pay penalty interest even when suppliers were paid late.

Finance manuals

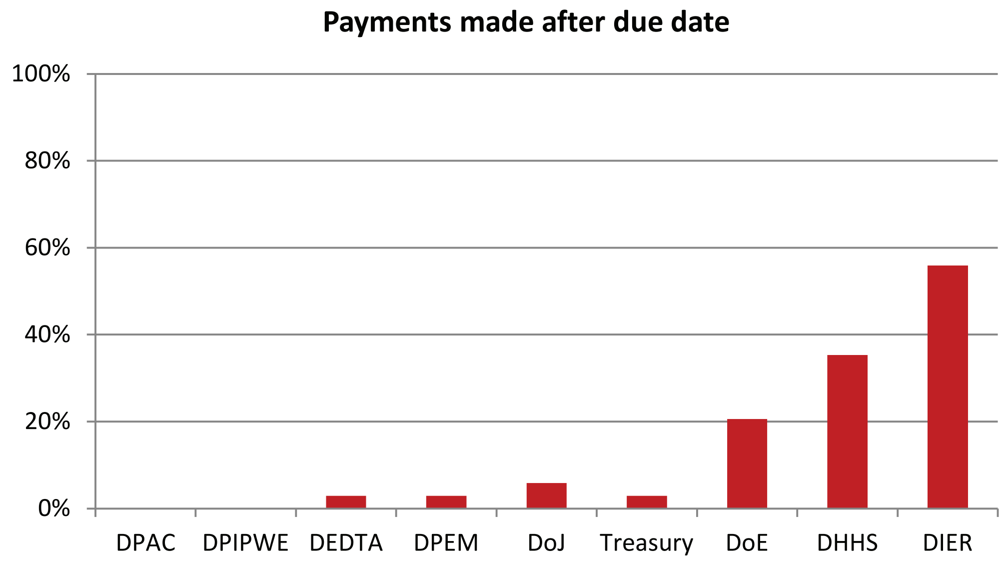
Section 10 of the FMAA requires a Head of Agency to prepare and issue an accounting manual in accordance with TI 102: *Finance Manuals*. The section also required that the manual be maintained in an effective and up to date form and be readily available to officers of the Agency.

Six of the departments had their Financial Procedures Manual (FPM) up to date and available to staff. Three more were in the process of amending their FPM.

Were there late payments?

Payment to a supplier was considered late if it was paid after the invoice's due date or, where the payment date had not been specified, after 30 calendar days of the date of a correctly rendered invoice.

Our testing showed that overall, 22% of supplier payments were late. The range of late payments across departments is shown in the following graph.



Source: Tasmanian Audit Office

The main reasons provided for late payment of invoices were:

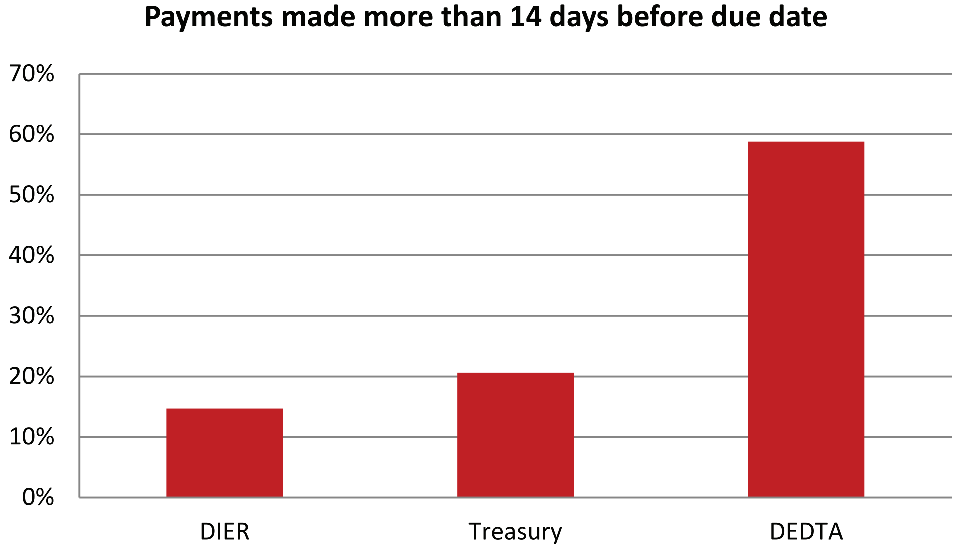
- delays in approving of invoices in divisions and regional areas
- further delays in forwarding approved invoices to finance for processing and payment
- suppliers raised invoices often before work had been completed or goods received, with payment then made late although, in this instance, understandably so.

DoE had further difficulties as processing of creditor invoices also occurred regionally in schools. Due to schools closing between late December and February, principals and vice principals were not on hand to authorise payments. Furthermore, a significant number of their invoices were due for payment within seven days and already overdue by the time they were forwarded to finance for processing.

Were payments made too early?

Payment to a supplier was considered early if it was paid more than 14 days before the due date.

Overall, 3% of payments were found to be paid early.



Source: Tasmanian Audit Office

Three departments were found to be paying suppliers early, with DEDTA having the highest rate (59%) of early payments. This was due to DEDTA having a daily payment run and all outstanding invoices in the system were paid on that day.

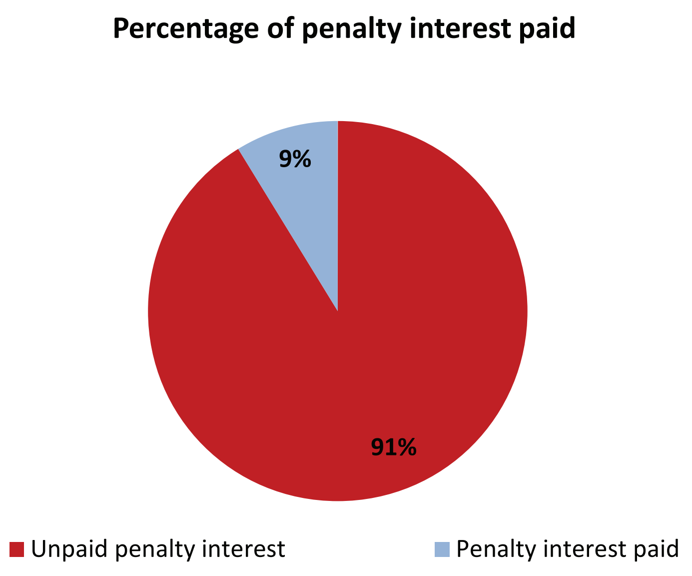
Treasury had the second highest result with 21% of their payments paid before the due date. Treasury's policy is to pay invoices as soon as they are approved for payment.

Were supplier discounts taken up?

In general, few suppliers offered discounts for early payments. There were instances such as 'early bird' registrations for training courses but few others. Several departments specified in their procedures that any discounts offered should be taken advantage of.

Was penalty interest paid?

Our testing found that the majority of interest due was not paid. The following graph shows that on average, only 9% of penalty interest due was paid.



Source: Tasmanian Audit Office

DIER had previously made the decision not to pay penalty interest at all. However, DIER management reversed that decision and commenced paying penalty interest in May 2014.

Using the results of our testing, we estimated the amount of interest payable to be between $2.562m and $3.427m for the six-month period under review. This estimate was based on the overall percentage of late payments.

OVERALL CONCLUSION

Since the 2011 audit, here has been a small improvement with late payments decreasing from 24% to 22%.

Departments are not complying with the requirement to pay penalty interest on overdue payments.

Departments have, or intend to, implement improved monitoring and reporting of late payments.

Some departments paid suppliers very early.

Generally, suppliers did not offer discounts for early payment.

RECOMMENDATIONS

1. Agencies should:
    - standardise supplier terms
    - use purchasing cards for smaller amounts
    - ensure full compliance with relevant TIs, including the payment of penalty interest.
2. The Treasurer should consider amending TI 1128: *Agency Procurement Audit Requirements: goods and services* by including the requirement of compliance with TI 1125 and TI 1230 be audited as part of agencies' internal audit program with outcomes to be reported to Treasury.

AUDIT ACT 2008 SECTION 30 - SUBMISSIONS AND COMMENTS RECEIVED

Introduction

A copy of this Report was provided to the Secretaries of all nine departments audited.

Submissions and comments that we receive are not subject to the audit nor the evidentiary standards required in reaching an audit conclusion. Responsibility for the accuracy, fairness and balance of these comments rests solely with those who provided the response. However, views expressed by agencies were considered in reaching review conclusions.

Submissions received are included from Agency heads in full below. However, the following departments did not provide comments:

- Department of Economic Development, Tourism and the Arts (now Department of State Growth)
- Department of Premier and Cabinet
- Department of Treasury and Finance

Department of Education

The Department of Education continues to focus on improving timeliness of payments. This includes actions such as management reporting at agency, division and school level, a targeted communication strategy to highlight the requirements of the Treasurer's Instructions and a focus on system improvements to improve the efficiency of payments. The mandating of corporate card usage as a payment method as per Treasurer's Instruction 705 will also improve the level of late payments.

Department of Health and Human Services

The Department has already implemented a range of initiatives to assist DHHS business units and THOs ensure that invoices are paid on time. These include moving to daily payment runs at a cost of approximately $20 000 per annum, providing advice on ways in which performance can be improved and encouraging greater use of the Tasmanian Government Credit Card. The Department is continuing to review its processes to enable it to meet the requirements of TI 1125 and TI 1230.

Given the volume and diversity of invoices processed by the Department this is quite a complex process. It is expected that it would take approximately three months to develop the changes that are required in the existing scanning and Finance 1 systems to ensure that penalty interest is paid. The Department considers that an automated systems approach to the payment is preferable to the employment of additional staff to apply penalty interest. There would then need to be change management, parallel runs, process refinement and deployment that would take approximately a further three to six months depending upon the complexity of the issues. In the interim period the Department will continue to educate business units and THOs on the need to ensure invoices are paid on time and the potential impact of penalty interest on budgets.

Department of Infrastructure Energy and Resources (now Department of State Growth)

The Department questions the validity of the conclusions reached that are based on the examination of a sample of 34 transactions out of 10 822 creditor invoices paid during the period under review. Your sample represents 0.31% of total transactions, in statistical terms a very small sample that would result in a very low level of confidence.

Furthermore, DIER initially took the view that the number of late payments was low and that could be managed down by monthly reporting to Executive and feedback down to Divisional Management. After eight or nine months it became clear that efforts had been unsuccessful and the additional step of imposing interest was introduced. DIER management was always committed to paying all creditors on time and took an initial view that could be achieved by closer management.

Department of Justice

Thank you for your letter and the opportunity to comment on your report on the Timeliness of Payments.

The Department supports the recommendations but also make the following observations.

The Department does have policies and procedures around the late payment of invoices which includes the making of minor payments on purchasing cards, which is reinforced by our Purchasing Card Policy. The Policy and procedure related to penalty interest will be formally included in the accounting manual.

In regard to the standardisation of payment terms across suppliers, this is difficult to achieve as many suppliers have standardised accounting systems in place and cannot alter them to meet the department's requirements.

However, wherever possible this is undertaken. The department uses the standard 30 day payment terms in the Crown Law contract documentation where formal contracts are in place.

Department of Police and Emergency Management

Was penalty interest paid?

While the DPEM sample used for the audit required no payment of penalty interest as all payments were paid within Supplier terms, DPEM does pay penalty interest on late payments as required by TI1125 and TI1230.

Overall Conclusion

This paragraph reads "…Departments are not complying with the requirement to pay penalty interest on overdue payments."

This implies that no Department is complying with the TI. While some of the documentation for policies and procedures may have still been in draft format at the time the audit was conducted, DPEM does have procedures and controls in place to ensure compliance with the TI.

Department of Primary Industries, Parks, Water and Environment

Despite the findings outlined in the section "Was penalty interest paid?" from the Auditor-General Report "Timeliness of Payments to Supplies" the Department does pay penalty interest on late payments. During the period of testing of 1 July to 31 December 2013 conducted by the Tasmanian Audit Office, the Department was paying approximately 95 per cent of all invoices within the payment terms and recently this has increased to 97 per cent in 2014-15. This attests to DPIPWE's ability to pay invoices on time and, further, the Department is proud with the strong finance system processes and procedures in place to ensure we comply with the relevant Treasurer's Instructions.

Notwithstanding this record, the Department does pay penalty interest when the payment terms are not met and the fault lies with the Department. For the six-month testing period the Department paid $12 751 of penalty interest. Overall, it would be expected with the small sample size of 34 invoices used for testing each Department, that for DPIPWE the majority of invoices would have be paid on time. Conversely, the number of sampled invoices that would have been overdue would have been negligible and difficult to draw conclusions.

AUDITOR-GENERAL'S RESPONSES TO MATTERS RAISED IN SUBMISSIONS

Some departments questioned our sampling methodology. Audit sampling is the application of an audit procedure to less than the full population. There are two general approaches to audit sampling, non-statistical and statistical. Both approaches require that the auditor use professional judgment in planning, performing, and evaluating a sample.

We used the statistical approach. Our samples were selected randomly from the relevant population of payments to suppliers made during the period examined. This means that all items in the population had an opportunity to be selected. Our samples size was calculated based on the level of confidence required, tolerable and expected errors.

APPENDIX 1 - SUPPORTING INFORMATION

GGS Statement of Comprehensive Income

	2013-14 Original Budget	2013-14 Revised Budget [1]	2013-14 Preliminary Outcome [2]	2013-14 Actual	2012-13 Actual	2011-12 Actual	2010-11 Actual
	$m	$m	$m	$m	$m	$m	$m
Revenue							
Grants	2 764	2 812	2 873	2 878	2 840	2 854	2 656
Taxation	940	955	958	957	925	888	860
Sales of goods and services	355	387	388	395	346	310	303
Fines and regulatory fees	106	101	98	94	88	90	84
Interest income	14	14	13	14	21	27	40
Dividend, tax and rate equivalent income	330	331	318	325	240	194	159
Other revenue	196	132	156	153	157	165	130
Total Revenue	**4 705**	**4 732**	**4 804**	**4 816**	**4 617**	**4 528**	**4 232**
Expenditure							
Employee expenses	2 110	2 144	2 182	2 191	2 107	2 096	2 070
Superannuation contributions	248	246	286	285	315	279	271
Net nominal superannuation interest	268	253	253	252	178	239	232
Depreciation	276	284	271	273	246	242	236
Supplies, consumables and Other expenses	1 119	1 152	1 017	1 014	1 114	994	1 015
Borrowing costs	12	12	12	12	14	14	14
Grant and subsidy expenses	1 026	1 087	1 035	1 048	1 010	1 012	952
Total Expenditure	**5 059**	**5 178**	**5 056**	**5 075**	**4 984**	**4 876**	**4 790**
Underlying Net Operating Balance before:	**(354)**	**(446)**	**(252)**	**(259)**	**(367)**	**(348)**	**(558)**
One-off Australian Government Capital Funding	87	70	94	94	101	162	535
Macquarie Point Development Corporation start-up grant	0	0	0	0	(50)	0	0
Net Operating Balance	**(267)**	**(376)**	**(158)**	**(165)**	**(316)**	**(186)**	**(23)**
***Plus* Dividends Declared but not yet Received**	0	0	0	61	0	0	0
***Plus* Other Economic Flows - Included in Operating Result**							

	2013-14 Original Budget	2013-14 Revised Budget [1]	2013-14 Preliminary Outcome [2]	2013-14 Actual	2012-13 Actual	2011-12 Actual	2010-11 Actual
Gain (loss) on sale of non-financial assets	8	6	(25)	(4)	(4)	(6)	6
Revaluation of equity investment in GBEs/SOCs	121	(1 488)	(1 535)	(1 645)	(124)	135	228
Movements in Superannuation liability	0	861	(374)	(377)	986	(1 796)	85
Gain on sale of TOTE Tasmania Pty Ltd	0	0	0	0	0	89	0
Other gains (losses)	12	241	(284)	(444)	(81)	(60)	(124)
Other Economic Flows - Net	**141**	**(380)**	**(2 218)**	**(2 470)**	**777**	**(1 638)**	**195**
OPERATING RESULT	**(126)**	**(756)**	**(2 376)**	**(2 574)**	**461**	**(1 824)**	**172**
***Plus* Other Economic Flows - Other Movements in Equity**							
Revaluations of non-financial assets	326	326	44	42	332	425	(807)
Other non-owner movements in equity	(60)	(59)	103	1	4	45	120
Total Other Equity Movements	**266**	**267**	**147**	**43**	**336**	**470**	**(687)**
COMPREHENSIVE RESULT	**140**	**(489)**	**(2 229)**	**(2 531)**	**797**	**(1 354)**	**(515)**
KEY FISCAL AGGREGATES							
Net Operating Balance	**(267)**	**(376)**	**(158)**	**(165)**	**(316)**	**(186)**	**(23)**
Less Net Acquisition of Non-financial Assets							
Purchase of non-financial assets	345	373	284	292	198	371	721
Less Sale of non-financial assets	26	24	26	23	55	52	62
Less Depreciation	276	284	271	273	246	243	236
Net Acquisition of Non-financial Assets	**43**	**65**	**(13)**	**(4)**	**(103)**	**76**	**423**
FISCAL BALANCE	**(310)**	**(441)**	**(145)**	**(161)**	**(213)**	**(262)**	**(446)**

[1] *Revised Budget information sourced from the Revised Estimates Report 2013-14.*

[2] *Preliminary Outcome information sourced from the Preliminary Outcomes Report 2013-14.*

GGS Statement of Financial Position

	2014 Original Budget	2014 Revised Budget [1]	2014 Preliminary Outcome [2]	2014 Actual	2013 Actual	2012 Actual	2011 Actual
	$m	$m	$m	$m	$m	$m	$m
Assets							
Financial Assets							
Cash and deposits[a]	858	1 004	1 312	1 309	1 298	1 252	629
Investments[b]	42	48	47	49	48	53	56
Equity in GBE's and SOC's[c]	6 628	4 693	4 640	4 530	6 175	6 298	6 178
Other equity investments	16	10	12	11	8	6	4
Receivables	355	308	384	406	306	340	216
Other financial assets	1 220	1 169	951	923	967	1 061	1 031
Total Financial Assets[d]	**9 119**	**7 232**	**7 346**	**7 227**	**8 802**	**9 010**	**8 114**
Non-financial Assets							
Land and buildings	6 948	6 380	5 937	5 842	6 165	6 026	5 897
Infrastructure	4 390	4 453	4 345	4 291	4 274	4 095	3 787
Plant and equipment	240	213	224	245	215	213	224
Heritage and cultural assets	474	473	464	466	461	450	442
Investment property	13	12	12	12	11	12	12
Intangible assets	35	36	44	44	38	36	34
Assets held for sale	11	22	15	25	22	20	28
Other non-financial assets	43	36	49	32	36	39	35
	12 154	**11 625**	**11 090**	**10 957**	**11 222**	**10 891**	**10 459**
Total Assets	**21 273**	**18 857**	**18 436**	**18 185**	**20 024**	**19 901**	**18 573**
Liabilities							
Borrowings[e]	1 126	1 168	1 151	1 149	1 126	896	269
Superannuation	5 150	5 336	6 623	6 623	6 073	6 925	4 966
Employee entitlements	674	560	564	574	544	531	488
Payables	116	96	80	114	91	101	97
Other Liabilities	**417**	**394**	**387**	**395**	**398**	**382**	**261**
Total Liabilities[f]	**7 483**	**7 554**	**8 805**	**8 855**	**8 232**	**8 835**	**6 081**
Net Assets	**13 790**	**11 303**	**9 631**	**9 330**	**11 792**	**11 066**	**12 492**
Equity							
Accumulated surplus	9 035	6 536	5 146	4 848	7 351	6 940	8 791
Asset revaluation reserve	4 755	4 767	4 485	4 482	4 441	4 126	3 701
Other reserves	0	0	0	0	0	0	0
Total Equity	**13 790**	**11 303**	**9 631**	**9 330**	**11 792**	**11 066**	**12 492**
Net Worth	**13 790**	**11 303**	**9 631**	**9 330**	**11 792**	**11 066**	**12 492**
Net Financial Worth [(d-f)]	**1 636**	**(322)**	**(1 459)**	**(1 627)**	**570**	**175**	**2 033**
Net Financial Liabilities [(f-d+c)]	**4 992**	**5 015**	**6 099**	**6 158**	**5 605**	**6 123**	**4 145**
Net Debt[(e-a-b)]	**226**	**116**	**(208)**	**(208)**	**(220)**	**(409)**	**(416)**

[1] *Revised Budget information sourced from the Revised Estimates Report 2013-14.*

[2] *Preliminary Outcome information sourced from the Preliminary Outcomes Report 2013-14.*

GGS Statement of Cash Flows

	2014 Original Budget	2014 Revised Budget [1]	2014 Preliminary Outcome [2]	2014 Actual	2013 Actual	2012 Actual	2011 Actual
	$m	$m	$m	$m	$m	$m	$m
Cash Flows from Operating Activities							
Cash Inflows							
Taxation	941	956	957	956	919	876	847
Sales of goods and services	354	386	355	400	345	294	311
Grants received	2 764	2 811	2 872	2 880	2 840	2 853	2 649
Dividend, tax and rate equivalents	352	380	377	377	207	211	126
Fines and regulatory fees	107	101	88	93	90	98	86
Interest received	13	14	13	14	20	29	41
Other receipts	365	312	337	335	327	389	382
	4 896	**4 960**	**4 999**	**5 055**	**4 748**	**4 750**	**4 442**
Cash Outflows							
Employee entitlements	(2 090)	(2 124)	(2 163)	(2 185)	(2 109)	(2 077)	(2 046)
Superannuation	(376)	(373)	(362)	(362)	(347)	(335)	(305)
Supplies and consumables	(1 096)	(1 129)	(1 013)	(977)	(1 008)	(950)	(1 016)
Grants and subsidies paid	(1 026)	(1 087)	(1 025)	(1 051)	(1 074)	(1 007)	(931)
Borrowing costs	(12)	(12)	(12)	(12)	(14)	(14)	(15)
Other payments	(202)	(221)	(190)	(227)	(223)	(236)	(269)
	(4 802)	**(4 946)**	**(4 765)**	**(4 814)**	**(4 775)**	**(4 619)**	**(4 582)**
Net Cash Flows from (used in) Operating Activities	**94**	**14**	**234**	**241**	**(27)**	**131**	**(140)**
Cash Flows from Investing Activities							
Net Cash Flows used in Investment in Non-financial Assets							
One-off Australian Government Capital Funding	87	70	94	94	101	162	535
Grant to Macquarie Point Development Authority	0	0	0	0	(50)	0	0
Purchases of non-financial assets	(345)	(373)	(284)	(292)	(198)	(371)	(720)
Sales of non-financial assets	26	24	26	23	56	52	62
	(232)	**(279)**	**(164)**	**(175)**	**(91)**	**(157)**	**(123)**
Net Cash Flows used in Investment in Financial Assets for Policy Purposes							
Equity injections	(66)	(71)	(81)	(82)	(72)	(72)	(59)
Proceeds on disposal of equity in TOTE Tasmania Pty Ltd	0	0	0	0	0	104	0
Net advances paid	0	(2)	0	0	4	1	(10)
	(66)	**(73)**	**(81)**	**(82)**	**(68)**	**33**	**(69)**

	2014 Original Budget	2014 Revised Budget [1]	2014 Preliminary Outcome [2]	2014 Actual	2013 Actual	2012 Actual	2011 Actual
Net Cash Flows from Investment in Financial Assets for Liquidity Purposes							
Net purchase of investments	0	0	0	(1)	2	(1)	(1)
	0	**0**	**0**	**(1)**	**2**	**(1)**	**(1)**
Net Cash Flows (used in) Investing Activities	**(298)**	**(352)**	**(245)**	**(257)**	**(157)**	**(124)**	**(193)**
Cash Flows from (used in) Financing Activities							
Net borrowing	52	43	25	23	230	626	(4)
Other financing	0	0	0	3	0	(9)	(1)
Net cash flows from (used in) financing activities	**52**	**43**	**25**	**26**	**230**	**617**	**(5)**
Net Increase (Decrease) in Cash Held	**(152)**	**(295)**	**14**	**10**	**46**	**624**	**(338)**
Cash at the Beginning of the Year	**1 009**	**1 298**	**1 298**	**1 298**	**1 252**	**628**	**966**
Cash at the End of the Year	**857**	**1 003**	**1 312**	**1 308**	**1 298**	**1 252**	**628**
KEY FISCAL AGGREGATES							
Net Cash from Operating Activities	**94**	**14**	**234**	**241**	**(27)**	**131**	**(140)**
Plus Net Cash from Investments in Non-financial Assets	**(232)**	**(279)**	**(164)**	**(175)**	**(91)**	**(157)**	**(123)**
CASH SURPLUS	**(138)**	**(265)**	**70**	**66**	**(118)**	**(26)**	**(263)**

[1] *Revised Budget information sourced from the Revised Estimates Report 2013-14.*

[2] *Preliminary Outcome information sourced from the Preliminary Outcomes Report 2013-14.*

Total State Statement of Comprehensive Income

	2013-14	2012-13	2011-12	2010-11
	$m	$m	$m	$m
Revenue				
Grants	2 882	2 836	2 865	2 655
Taxation	902	867	832	808
Sales of goods and services	4 142	4 145	3 568	3 345
Fines and regulatory fees	89	84	89	84
Interest income	173	184	232	201
Dividend, tax and rate equivalent income	30	44	35	64
Other revenue	176	170	153	163
Total Revenue	**8 394**	**8 330**	**7 774**	**7 320**
Expenditure				
Employee expenses	2 607	2 547	2 529	2 513
Superannuation contributions	330	365	323	313
Superannuation liability expenses	281	200	272	264
Depreciation	576	614	591	572
Supplies, consumables and Other expenses	3 479	3 545	3 007	2 930
Borrowing costs	250	282	341	291
Grant and subsidy expenses	903	908	887	841
Total Expenditure	**8 426**	**8 461**	**7 950**	**7 724**
Underlying Net Operating Balance before:	**(32)**	**(131)**	**(176)**	**(404)**
One-off Australian Government Funding	94	101	162	535
Net Revenue from discontinued operations	0	0	15	0
Net Operating Balance	**63**	**(29)**	**(13)**	**132**
***Plus* Other Economic Flows - Included in Operating Result**				
Gain (loss) on sale of non-financial assets	(5)	(5)	(18)	8
Movements in Superannuation liability	(391)	1 101	(1 988)	101
Gain on sale of TOTE Tasmania Pty Ltd	0	0	89	0
Other gains (losses)	(550)	(367)	(451)	(279)
Other Economic Flows - Net	**(945)**	**729**	**(2 368)**	**(170)**
Operating Result	**(883)**	**700**	**(2 381)**	**(38)**
***Plus* Other Economic Flows - Other Movements in Equity**				
Revaluations of non-financial assets	104	32	860	(678)
Other non-owner movements in equity	(1 683)	(7)	81	142

	2013-14	2012-13	2011-12	2010-11
Total Other Equity Movements	**(1 579)**	**25**	**941**	**(536)**
Comprehensive Result	**(2 461)**	**726**	**(1 440)**	**(574)**
KEY FISCAL AGGREGATES				
Net Operating Balance	**63**	**(29)**	**(13)**	**132**
Less Net Acquisition of Non-financial Assets				
Purchase of non financial assets	855	821	1 040	1 319
Less Sale of non financial assets	32	72	129	77
Less Depreciation	576	614	591	572
Net Acquisition of Non-financial Assets	**248**	**135**	**320**	**670**
FISCAL BALANCE	**(185)**	**(164)**	**(333)**	**(538)**

Total State Statement of Financial Position

	2014	2013	2012	2011
	$m	$m	$m	$m
Assets				
Financial Assets				
Cash and deposits[a]	512	234	244	139
Investments[b 1]	5 027	4 153	4 199	5 096
Equity investments[2]	118	185	132	136
Receivables	830	881	942	691
Other financial assets[3]	840	739	1 081	795
Total Financial Assets[c]	**7 327**	**6 192**	**6 598**	**6 857**
Non-financial Assets				
Land and buildings	6 151	6 517	6 373	6 248
Infrastructure	11 793	13 885	14 220	13 573
Plant and equipment	494	450	430	453
Heritage and cultural assets	466	461	450	442
Biological assets	86	105	148	232
Investment property	26	26	27	28
Goodwill	19	19	51	55
Intangible assets	123	109	109	128
Assets held for sale	25	24	142	33
Other	155	141	158	167
Total Non-financial Assets	**19 338**	**21 737**	**22 108**	**21 359**
Total Assets	**26 665**	**27 929**	**28 706**	**28 216**
Liabilities				
Borrowings[d]	5 949	5 360	5 644	6 544
Superannuation	7 358	6 786	7 748	5 600
Employee entitlements	670	660	635	593
Payables	441	417	501	404
Other liabilities	2 917	2 914	3 112	2 583
Total Liabilities[e]	**17 335**	**16 137**	**17 640**	**15 724**
Net Assets	**9 330**	**11 792**	**11 066**	**12 492**
Equity				
Accumulated surpluses	3 915	6 525	5 830	8 103
Asset revaluation reserves	5 380	5 276	5 260	4 400
Other reserves	35	(9)	(24)	(11)
Total Equity	**9 330**	**11 792**	**11 066**	**12 492**

	2014	2013	2012	2011
Net Worth	**9 330**	**11 792**	**11 066**	**12 492**
Net Financial Worth$^{(c-e)}$	**(10 008)**	**(9 945)**	**(11 042)**	**(8 867)**
Net Financial Liabilities$^{(e-c)}$	**10 008**	**9 945**	**11 042**	**8 867**
Net Debt$^{(d-a-b)}$	**410**	**973**	**1 201**	**1 309**

[1] *Majority of Investments represented TASCORP loan advances and securities.*

[2] *Equity investments primarily related to MAIB investments.*

[3] *Other financial assets included Basslink related financial assets.*

Total State Statement of Cash Flows

	2013-14	2012-13	2011-12	2010-11
	$m	$m	$m	$m
Cash Flows from Operating Activities				
Cash Inflows				
Taxation	908	861	823	805
Sales of goods and services	4 254	4 075	3 486	3 671
Grants received	2 880	2 839	2 859	2 648
Dividend, tax and rate equivalents	30	47	34	64
Fines and regulatory fees	89	86	98	85
Interest received	177	172	229	270
Other receipts	498	540	635	594
	8 836	**8 620**	**8 164**	**8 137**
Cash Outflows				
Employee entitlements	(2 491)	(2 468)	(2 443)	(2 352)
Superannuation	(422)	(416)	(411)	(367)
Supplies and consumables	(3 627)	(3 478)	(3 001)	(3 383)
Grants and subsidies paid	(910)	(914)	(882)	(819)
Borrowing costs	(282)	(313)	(446)	(289)
Other payments	(389)	(410)	(419)	(419)
	(8 121)	(7 999)	(7 602)	(7 629)
Net Cash Flows from Operating Activities	**715**	**621**	**562**	**508**
Cash Flows from Investing Activities				
Net Cash Flows from Investment in Non-financial Assets				
One-off Australian Government Funding	94	101	162	535
Purchases of non-financial assets	(855)	(821)	(1 040)	(1 318)
Sales of non-financial assets	32	72	128	77
	(729)	**(648)**	**(750)**	**(706)**
Net Cash Flows from Investment in Financial Assets for Policy Purposes				
Equity injections	(5)	0	0	0
Proceeds on disposal of equity in TOTE	0	0	104	0
Net advances paid	0	4	1	(9)
	(5)	**4**	**105**	**(9)**
Net Cash Flows from Investment in Financial Assets for Liquidity Purposes				
Net (purchase) realisation of investments	(306)	(183)	623	(1 183)
	(306)	**(183)**	**623**	**(1 183)**

	2013-14	2012-13	2011-12	2010-11
Net Cash Flows from (used in) Investing Activities	**(1 040)**	**(827)**	**(22)**	**(1 898)**
Cash Flows from (used in) Financing Activities				
Net borrowing	608	(238)	(956)	2 079
Other financing	3	(21)	(29)	(22)
Net Cash Flows from (used in) Financing Activities	**611**	**(259)**	**(985)**	**2 057**
Net Increase (Decrease) in Cash Held	**286**	**(465)**	**(445)**	**667**
Cash at the Beginning of the Year	**1 331**	**1 796**	**2 241**	**1 574**
Cash at the End of the Year	**1 617**	**1 331**	**1 796**	**2 241**
KEY FISCAL AGGREGATES				
Net Cash from Operating Activities	**810**	**721**	**724**	**1 043**
***Plus* Distributions Paid as Dividends**	**0**	**(21)**	**(20)**	**(21)**
***Plus* Net Cash from Investments in Non-financial Assets**	**(823)**	**(748)**	**(912)**	**(1 241)**
CASH SURPLUS/(DEFICIT)	**(13)**	**(48)**	**(208)**	**(219)**

Special Deposit and Trust Fund

	2014	2013	2012	2011
	$m	$m	$m	$m
Comprising:				
Superannuation Provision Account[a]	0	0	0	1 447
Infrastructure Tasmania Fund	30	34	42	61
Risk Management Account	209	190	178	177
Hospital Capital Fund	21	27	37	49
Department of Health and Human Services	91	76	88	62
Department of Infrastructure, Energy and Resources	35	35	18	20
Department of Primary Industries, Parks, Water and Environment	88	88	91	101
Australian Government Funding Management Account	423	501	498	424
Schools Banking Account	42	38	35	0
Tasmanian Forests Agreement Account	26	49	15	0
Other	403	313	292	257
Balance 30 June (before Temporary debt repayments)	**1 368**	**1 351**	**1 294**	**2 598**
Less Temporary debt repayments[a]	0	0	0	(1 978)
Balance 30 June (after Temporary debt repayments)	**1 368**	**1 351**	**1 294**	**620**
Represented by:				
Westpac Banking Corporation	61	53	26	(8)
TASCORP Investments	1 307	1 298	1 268	628
Balance 30 June	**1 368**	**1 351**	**1 294**	**620**

[a] *Closed during 2011-12.*

DISTRIBUTIONS BY GOVERNMENT BUSINESS ON CASH BASIS (INCLUDES DIVIDENDS, TAX AND GUARANTEE FEES)

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Motor Accidents Insurance Board	33 093	6 140	20 249	34 567
Transend Networks Pty Ltd	59 873	58 382	59 443	26 418
Hydro-Electric Corporation	231 490	112 050	112 504	48 405
Aurora Energy Pty Ltd	64 560	31 504	20 398	9 161
Tasmanian Ports Corporation Pty Ltd	268	0	94	1 525
Tasmanian Public Finance Corporation	5 000	11 000	9 816	6 595
TOTE Tasmania Pty Ltd*	0	0	0	6 462
Public Trustee	200	272	346	226
Total	**394 484**	**219 348**	**222 850**	**133 359**
Tasmanian Water and Sewerage Corporations**	0	23 682	22 619	22 113

* *TOTE Tasmania Pty Ltd was sold on 26 March 2012.*

** *Shown separately because returns are made to local government councils, not the State.*

DIVIDENDS PAID OR PAYABLE

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Motor Accidents Insurance Board	44 570	23 219	6 140	20 249
Transend Networks Pty Ltd	21 000	28 686	25 900	28 600
Hydro-Electric Corporation	118 576	116 481	50 685	49 008
Aurora Energy Pty Ltd	40 000	25 000	16 000	11 879
Tasmanian Public Finance Corporation	2 346	7 629	6 445	3 714
Public Trustee	262	0	151	225
Total	**226 754**	**201 015**	**105 321**	**113 675**

NET ASSETS OF GOVERNMENT BUSINESSES

	2014	2013	2012	2011
	$m	$m	$m	$m
Government Business Enterprise/State Owned Company/Statutory Authority				
Aurora Energy Pty Ltd[a]	563	555	601	561
Forestry Tasmania	52	101	117	187
Hydro-Electric Corporation	1 816	1 794	2 132	2 013
Macquarie Point Development Corporation	46	51	N/a	N/a
Metro Tasmania Pty Ltd	28	30	28	33
Motor Accidents Insurance Board	484	382	240	289
Port Arthur Historic Site Management Authority	29	18	17	15
Private Forests Tasmania	1	0	1	1
Public Trustee	5	4	2	5
Tasmanian Irrigation Pty Ltd[b]	114	83	63	65
Tasmanian Ports Corporation Pty Ltd	193	175	176	181
Tasmanian Public Finance Corporation	50	41	43	41
Tasmanian Railway Pty Ltd	118	110	100	82
Tasmanian Networks Pty Ltd[a]	0	N/a	N/a	N/a
Tasracing Pty Ltd	41	40	46	50
TOTE Tasmania Pty Ltd[c]	N/a	N/a	N/a	9
Transend Networks Pty Ltd[a]	709	722	693	623
TT-Line Company Pty Ltd	281	271	253	256
Equity Investment (excluding Water and Sewerage Corporations)[1]	**4 530**	**4 377**	**4 512**	**4 411**
Tasmanian Water and Sewerage Corporation - Northern Region Pty Ltd[d]	N/a	509	500	495
Tasmanian Water and Sewerage Corporation - North-Western Region Pty Ltd[d]	N/a	335	331	328
Tasmanian Water and Sewerage Corporation - Southern Region Pty Ltd[d]	N/a	954	955	944
Total Equity Investment in PNFC and PFC Sectors[1]	4 530	6 175	6 298	6 178

[a] *Electricity distribution business of Aurora Energy was merged with Transend to form Tasmanian Networks Pty Ltd which commenced operating on 1 July 2014.*

[b] *Previously Rivers and Water Supply Commission.*

[c] *Sold on 26 March 2012.*

[d] *Investment in regional water and sewerage corporations was derecognised in 2013-14.*

[1] *As part of the consolidation process, grants were recognised in the year of their receipt rather than as revenue received in advance. As a result, the value of net assets will be different to that disclosed in the financial statements of individual entities and Treasury's Finance General.*

STATE OWN-SOURCE REVENUE

	2013-14	2012-13	2011-12	2010-11
	$m	$m	$m	$m
Payroll tax	300	304	304	286
Motor vehicle registration, fees and taxes	159	151	139	139
Conveyance duties	154	139	136	145
Gambling taxes	94	93	94	94
Land tax	86	89	88	75
Taxes on property	84	80	76	71
Royalties	31	29	54	49
Insurance duty	80	70	53	49
Taxation Revenue*	**988**	**955**	**944**	**908**
Sales of goods and services	489	434	431	387
Dividends, guarantee fees and income tax	325	240	194	159
Interest income	13	21	27	40
Other revenue	122	128	78	82
Other State Revenue*	**949**	**823**	**730**	**668**
Total State Own-Source Revenue	**1 937**	**1 778**	**1 674**	**1 576**

* *Classification of revenue items between Taxation Revenue and Other State Revenue is different from the presentation in the Statement of Comprehensive Income.*

DEPARTMENTAL FTEs

	2014	2013	2012	2011
Economic Development, Tourism and the Arts	407	399	413	452
Education[1]	7 692	8 226	8 301	8 742[a]
Health and Human Services	1 884	2 613	9 290	9 879
Tasmanian Health Organisations	7 864	6 914	N/a	N/a[a]
Infrastructure, Energy and Resources	499	493	491	524
Justice[2]	1 158	1 146	1 120	1 106
Police and Emergency Management	1 507	1 455	1 569	1 635
Premier and Cabinet	464	452	436	459
Primary Industries, Parks, Water and Environment[3]	1 359	1 345	1 370	1 449
Treasury and Finance	284	285	294	312
Sub Total*	23 118	23 328	23 284	24 558
TasTAFE	763	N/a	N/a	N/a
Tasmanian Skills Institute	N/a	267	289	345
Total	**23 881**	**23 595**	**23 573**	**24 903**

[a.] *Tasmanian Polytechnic and Tasmanian Academy were merged with the Department of Education.*

[b.] *DEPHA responsibilities were transferred to DPIPWE and DEDTA on 1 July 2009.*

*. *Excludes Integrity Commission, Tasmanian Audit Office, State Fire Commission, Inland Fisheries, MAST and Executive Legislature Agencies.*

[1.] *Includes Tasmanian Qualification Authority, Teachers Registration Board and LINC Tasmania.*

[2.] *Includes Director of Public Prosecutions and Office of the Ombudsman.*

[3.] *Includes Inland Fisheries and Rivers and Water Supply Commission.*

DEFINED BENEFITS SUPERANNUATION OBLIGATIONS

	2014			2013		
	Defined Benefit Obligation	Scheme Assets	Deficit/ (Surplus)	Defined Benefit Obligation	Scheme Assets	Deficit/ (Surplus)
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Aurora Energy Pty Ltd	124 647	22 707	101 940	112 735	21 572	91 163
Forestry Tasmania	181 502	32 694	148 808	175 686	32 351	143 335
Hydro-Electric Corporation	422 689	67 981	354 708	425 159	69 559	355 600
Metro Tasmania Pty Ltd	29 487	5 137	24 350	27 239	4 797	22 442
Motor Accidents Insurance Board	5 612	645	4 967	4 810	593	4 217
Port Arthur Historic Site Management Authority	8 263	1 204	7 059	7 717	1 078	6 639
Public Trustee	15 606	2 584	13 022	15 333	2 520	12 813
Tasmanian Irrigation Pty Ltd	0	0	0	0	0	0
Tasracing Pty Ltd	2 422	276	2 146	2 142	267	1 875
Transend Network Pty Ltd	84 723	15 358	69 365	73 185	13 818	59 367
TT Line Company Pty Ltd	8 286	1 241	7 045	7 240	1 145	6 095
Total PNFC Sector	**883 237**	**149 827**	**733 410**	**851 246**	**147 700**	**703 546**
Finance-General	8 037 272	1 492 783	6 544 489	7 395 259	1 408 001	5 987 258
Judges Contributory Pensions (not administered by RBF)	41 976	0	41 976	43 455	0	43 455
Housing Tasmania	14 163	0	14 163	14 828	0	14 828
Parliamentary Superannuation Fund	22 725	4 343	18 382	22 379	4 207	18 172
Parliamentary Retirement Benefits Fund	3 309	3 170	138	5 196	3 380	1 816
State Fire Commission	25 263	24 087	1 176	22 817	21 496	1 321
Tasmania Ambulance Service	49 685	47 608	2 077	49 362	43 493	5 869
Total GGS Sector	**8 194 393**	**1 571 991**	**6 622 401**	**7 553 296**	**1 480 577**	**6 072 719**
Retirement Benefits Fund Board	21 403	4 014	17 389	23 317	4 334	18 983
University of Tasmania	9 577	1 491	8 086	12 715	1 731	10 984
Total Other Entities	**30 980**	**5 505**	**25 475**	**36 032**	**6 065**	**29 967**

APPENDIX 2 - GLOSSARY

Accountability

The responsibility to provide information to enable users to make informed judgements about the performance, financial position, financing and investing, and compliance of the State entity.

Adverse Opinion

An adverse opinion is issued when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial report.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Asset

A resource controlled by an entity as a result of past events, and from which future economic benefits are expected to flow to the entity.

Asset useful life

The period over which an asset is expected to provide the entity with economic benefits. Depending on the nature of the asset, the useful life can be expressed in terms of time or output.

Asset valuation

The fair value of an asset on a particular date.

Audit Act 2008

An Act of the State of Tasmania that:

- ensures that the State has an Auditor-General with the necessary functions, immunities and independence
- provides for the independent audit of the public sector and related entities.

Auditor's opinion (or Auditor's Report)

Written expression within a specified framework indicating the auditor's overall conclusion on the financial reports based on audit evidence obtained.

Borrowing costs

Interest and other costs that an entity incurs in connection with the borrowing of funds.

Capital expenditure

Amount capitalised to the Statement of Financial Position (also referred to as the balance sheet) for expenditure on or contributions by a State entity to major assets controlled or owned by the entity, including expenditure on:

- capital renewal of existing assets that returns the service potential or the life of the asset to that which it had originally been commissioned
- capital expansion which extends an existing asset at the same standard to a new group of users.

Capital grant

Government funding provided to an agency for acquiring capital assets such as buildings, land or equipment.

Carrying amount

The amount at which an asset is recognised after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon.

Cash

Cash on hand and demand deposits.

Cash equivalents

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flows

Inflows and outflows of cash and cash equivalents.

Combined employee costs

For the purpose of this Report, combined employee costs included wages, salaries, leave entitlements and on-costs, superannuation contributions made on behalf of employees and superannuation liability expenses relating to defined benefits schemes for which the Government is responsible.

Comprehensive result

The overall net result of all items of income and expense recognised for the period. It is the aggregate of net surplus (deficit) or profit (loss) and other movements in equity.

Consolidated financial statements

The financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity.

Contributed assets

Assets, usually Property, plant and equipment, contributed to a State entity at no cost or are non-reciprocal.

Contributions from the State

Transactions in which one State entity provides goods, services, assets (or extinguishes a liability) or labour to another State entity without receiving approximately equal value in return. Grants can either be of a current or capital nature.

Control

The capacity of an entity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of another entity so as to enable that other entity to operate with it in achieving the objectives of the controlling entity.

Cost

The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

Current asset

An asset that an entity:

- expects to realise or intends to sell or consume in its normal operating cycle;
- holds primarily for the purpose of trading;
- expects to realise within twelve months after the reporting period; or

- is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify all other assets as non-current.

Current liability

A liability that an entity:

- expects to settle in its normal operating cycle;
- it holds primarily for the purpose of trading;
- is due to be settled within twelve months after the reporting period; or
- does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

An entity shall classify all other liabilities as non-current.

Deficit

Total expenditure exceeds Total Revenue. Term is generally applied to results of not-for-profit entities. Equivalent term in the case of for-profit entities is a loss.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Disclaimer of Opinion

A disclaimer of opinion is used when it is not possible for the auditor to form an opinion. This may occur in rare circumstances when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial report of undetected misstatements, if any, could be both material and pervasive.

Emphasis of matter

An auditor's report can include an emphasis of matter paragraph that draws attention to a disclosure or item in the financial report that is relevant to the users of the report but is not of such nature that it affects the auditor's opinion (i.e. the auditor's opinion remains unmodified).

Employee benefits provision

The liability recognised for employees' accrued service entitlements, including all costs related to employment consisting of wages and salaries, leave entitlements, redundancy payments and superannuation contributions.

Equity or net assets

Residual interest in the assets of an entity after deduction of its liabilities. Where liabilities exceed assets, this gives rise to negative equity or net liabilities or accumulated deficits.

Expense

Outflows or other depletions of economic benefits in the form of incurrence of liabilities or depletion of assets of the entity, other than those relating to contributions by owners, that results in a decrease in equity, or increase in a liability, during the reporting period.

Fair value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial Asset

Any asset that is:

- cash
- an equity instrument of another entity
- a contractual right:
  - to receive cash or another financial asset from another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial liability

Any liability that is:

- a contractual obligation:
  - to deliver cash or another financial asset to another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial position

The relationship of the assets, liabilities and equity of an entity, as reported in the Statement of Financial Position (balance sheet).

Financial report

Structured representation of financial information, which usually includes accompanying notes, derived from accounting records and intended to communicate an entity's financial performance over a period of time and its economic resources or obligations at a point in time in accordance with a financial reporting framework.

Financial statements

A complete set of financial statements comprises:

- a Statement of Financial Position as at the end of the period
- a Statement of Profit or Loss and Other Comprehensive Income for the period
- a Statement of Changes in Equity for the period
- a Statement of Cash Flows for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information
- comparative information in respect of the preceding period

- a Statement of Financial Position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

An entity may use titles for the statements other than those used in the relevant accounting standard. For example, an entity may use the title 'Statement of Comprehensive Income' instead of 'Statement of Profit or Loss and Other Comprehensive Income'.

Financial sustainability

An entity's ability to manage financial resources so it can meet its spending commitments both at present and into the future.

Financial year

The period of 12 months for which a financial report is prepared.

For-profit entity

An entity whose principal objective is the generation of profit. A for-profit entity can be a single entity or a group of entities comprising the parent entity and each of the entities that it controls.

Future economic benefit

The potential to contribute, directly or indirectly, to the flow of cash and cash equivalents to the entity. The potential may be a productive one that is part of the operating activities of the entity. It may also take the form of convertibility into cash or cash equivalents or a capability to reduce cash outflows.

General purpose financial report

A financial report intended to meet the information needs common to users who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs.

Going concern

An entity which is expected to be able to pay its debts as and when they fall due, and continue in operation for the foreseeable future without any intention or necessity to liquidate or otherwise wind up its operations.

Governance

The control arrangements in place at an entity that are used to govern and monitor its activities in order to achieve its strategic and operational goals.

Impairment loss

The amount by which the carrying amount of an asset exceeds its recoverable amount.

Independent auditor's report

An expression of the independent auditor's opinion on an entity's financial (and performance) report.

Intangible asset

An identifiable non-monetary asset without physical substance.

Investment

The expenditure of funds intended to result in medium to long-term service and/or financial benefits arising from the development and/or use of infrastructure assets by either the public or private sectors.

Liability

A present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow of resources from the entity.

Loss

Total expenditure exceeds total revenue. Term is generally applied to results of for-profit entities. Equivalent term in the case of not-for-profit entities is a deficit.

Material

Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

Materiality

Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial report.

Modified audit opinion

The Auditing Standards establish three types of modified opinions, namely, a qualified opinion, an adverse opinion, and a disclaimer of opinion. The decision regarding which type of modified opinion is appropriate depends upon:

- the nature of the matter giving rise to the modification, that is, whether the financial report is materially misstated or, in the case of an inability to obtain sufficient appropriate audit evidence, may be materially misstated; and
- the auditor's judgement about the pervasiveness of the effects or possible effects of the matter on the financial report.

Non-Financial Asset

Physical assets such as land, buildings and infrastructure.

Not-for-profit entity

An entity whose principal objective is not the generation of profit. A not-for-profit entity can be a single entity or a group of entities comprising the parent entity and each of the entities that it controls.

Operating cycle

The time between the acquisition of assets for processing and their realisation in cash or cash equivalents.

Profit

Total revenue exceeds total expenditure. Term is generally applied to results of profit entities. Equivalent term in the case of not-for-profit entities is a surplus.

Property, plant and equipment

Tangible items that:

- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one period.

Public sector entity

A department; a public hospital; a local government; a statutory body; an entity controlled by one, or more than one department, public hospital, local government or statutory body; or an entity controlled by a public sector entity.

Qualified audit opinion

A qualification is issued when the auditor concludes that an unqualified opinion cannot be expressed due to one of the following reasons:

- The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial report; or
- The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial report of undetected misstatements, if any, could be material but not pervasive.

A qualified opinion shall be expressed as being except for the effects of the matter to which the qualification relates.

Relevant

Measures or indicators used by an entity are relevant if they have a logical and consistent relationship to an entity's objectives and are linked to the outcomes to be achieved.

Revaluation

Recognising a reassessment or restatement of values for assets or liabilities at a particular point in time.

Revenue

Inflows of funds or other enhancements or savings in outflows of service potential, or future economic benefits in the form of increases in assets or reductions in liabilities of the entity, other than those relating to contributions by owners which result in an increase in equity during the reporting period.

Special purpose financial statements

A financial report intended to only meet the information needs of specific users who are able to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs.

State entity

A body, whether corporate or unincorporated, that has a public function to exercise on behalf of the State or is wholly owned by the State, as defined under the *Audit Act 2008*, including:

- an agency
- a council
- a Government Business Enterprise
- a State Owned Corporation
- a State authority that is not a Government Business Enterprise
- the council, board, trust or trustees, or other governing body (however designated) of, or for, a corporation, body of persons or institution, that is or are appointed by the Governor or a Minister of the Crown
- a body or authority referred to in section 21, established under section 29 or 30, or continued under section 326, of the *Local Government Act 1993*
- the Corporation incorporated under section 5 of the *Water and Sewerage Corporation Act 2012*
- a body or authority in respect of which the Treasurer has made a determination under section 32A.

State Owned Corporation

A company incorporated under the Corporations Act which is controlled by:

- the Crown
- a State authority
- another company which is itself controlled by the Crown or a State authority.

Surplus

Total revenue exceeds total expenditure. Term is generally applied to results of not-for-profit entities. Equivalent term in the case of for-profit entities is a profit.

Unqualified audit opinion – financial report

A positive written expression provided when the financial report has been prepared and presents fairly the transactions and balances for the reporting period in accordance with the requirements of the relevant legislation and Australian accounting standards.

Also referred to as a **clear audit opinion**.

Value in use (in respect of not-for-profit entities)

Depreciated replacement cost of an asset when the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits.

APPENDIX 3 - ACRONYMS AND ABBREVIATIONS

AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
ACIPA	Academy of Creative Industries and Performing Arts
ACT	Australian Capital Territory
AEMO	Australian Energy Market Operator
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
AETV	Aurora Energy Tamar Valley
AFS	Australian Financial Services
ANAO	Australian National Audit Office
APRA	Australian Prudential Regulation Authority
ARM	Asset Revaluation Model
ASA	Australian Auditing Standard
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
ATO	Australian Taxation Office
BBP	Bell Bay Power Pty Ltd
BER	Building the Education Revolution
BHF	Better Housing Futures
BLW	Ben Lomond Water
CC&SB	Customer Care and Billing System
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CLAF	Crown Land Administration Fund
CLP	China Light and Power
CMW	Cradle Mountain Water
CPI	Consumer Price Index
CPOL	Cargo and Port Operational Logistics
CREST	Crown Land Administration System
CSO	Community Service Obligation
DBP	Defined Benefit Pension
DEDTA	Department of Economic Development, Tourism and the Arts
DEPHA	Department of Environment, Parks, Heritage and the Arts
DHHS	Department of Health and Human Services
DIER	Department of Infrastructure, Energy and Resources
DIISRTE	Department of Industry, Innovation, Science, Research and Tertiary Education
DoE	Department of Education
DoJ	Department of Justice

DORC	Depreciated Optimised Replacement Cost
DPAC	Department of Premier and Cabinet
DPEM	Department of Police and Emergency Management
DPIPWE	Department of Primary Industries, Parks, Water and the Environment
DTF	Department of Treasury and Finance
DVA	Department of Veterans Affairs
EBA	Enterprise Bargaining Agreement
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EEP	Environmental Energy Products
EFTSL	Equivalent Full-time Student Load
EOI	Expression of Interest
FCAS	Frequency Control Ancillary Services
FIND	Fines and Infringement Notices Database
FMAA	*Financial Management and Audit Act 1990*
FPM	Financial Procedures Manual
FRFI	*Forestry (Rebuilding the Forest Industry) Act 2014*
FSC	Forest Stewardship Council
FSI	Forest Services International
FSST	Forensic Science Services Tasmania
FTE	Full-time Equivalent
GBE	Government Business Enterprise
GDP	Gross Domestic Product
GGS	General Government Sector
GIF	Group Investment Fund
GMO	Grantham, Mayo and Otterloo
GSP	Gross State Product
GST	Goods and Services Tax
GWh	Gigawatt Hour
HEC	Hydro-Electric Corporation
HECS-HELP	Higher Education Loan Program
HIAPL	Hobart International Airport Pty Ltd
HoA	House of Assembly
HR	Human Resources
IMAS	Institute of Marine and Antarctic Studies
IPSASB	International Public Sector Accounting Standards Board
IRR	Inter Regional Revenues
IST	Island Speciality Timbers
IT	Information Technology
KIPC	King Island Ports Corporation
KMP	Key Management Personnel
KPI	Key Performance Indicators
KV	Kilovolt

LGAT	Local Government Association of Tasmania
LGH	Launceston General Hospital
LIST	Land Information System
LSL	Long Service Leave
MAIB	Motor Accidents Insurance Board
MAR	Maximum Allowable Revenue
MAST	Marina and Safety Tasmania
MIC	Member Investment Choice
MHS	Mental Health Services
MHS-N	Mental Health Services - North
MWh	Megawatt Hour
NDRRA	Natural Disaster Relief and Recovery Arrangements
NEM	National Electricity Market
NEMMCO	National Electricity Market Management Company Limited
Newood	Newood Holdings Pty Ltd
NRAS	National Rent Affordability Scheme
NTER	National Taxation Equivalent Regime
NWRH	North West Regional Hospital
OPWG	Optical Ground Wire
PA	Public Account
PAYG	Pay As You Go
PFC	Public Financial Corporation
PFT	Private Forests Tasmania
PIRP	Prison Infrastructure and Redevelopment Program
PNFC	Public Non-Financial Corporation
PNT	Pacific National Tasmania
POAGS	P&O Automotive and General Stevedoring Pty Ltd
PRBF	Parliamentary Retiring Benefits Fund
PSF	Parliamentary Superannuation Fund
PT	Public Trustee
PWC	Price WaterhouseCoopers
RAB	Regulated Asset Base
RBF	Retirement Benefits Fund
RBFB	Retirement Benefits Fund Board
REC	Renewable Energy Certificates
RFDS	Royal Flying Doctor Service
RHH	Royal Hobart Hospital
RIN	Regulatory Information Notices
ROGS	Report on Government Services
RWSC	Rivers and Water Supply Commission
SDTF	Special Deposits and Trust Fund
SES	State Emergency Service
SEV	Soil Expectation Value
SFC	State Fire Commission

SFCSS	State Fire Commission Superannuation Scheme
SG	Superannuation Guarantee
SLIMS	Technology One Student Management System
SOC	State Owned Corporation
SPA	Superannuation Provision Account
SPFR	Specific Purpose Financial Reports
SW	Southern Water
TAFR	Treasurer's Annual Financial Report
TAHL	Tasmanian Affordable Housing Limited
TAS	Tasmanian Accumulation Scheme
TASCORP	Tasmanian Public Finance Corporation
TASSS	Tasmanian Ambulance Service Superannuation Scheme
TasWater	Tasmanian Water and Sewerage Corporation Pty Ltd
TCF	Tasmanian Community Fund
TCFA	Tasmanian Community Forest Agreement
TDIA	Tasmanian Dairy Industry Authority
TDR	Tasmania Development and Resources
TDRA	Temporary Debt Repayment Account
TESI	Tasmanian Electricity Supply Industry
TFA	Tasmanian Forest Agreement Act
TFIA	Tasmanian Forest Intergovernmental Agreement
TFS	Tasmanian Fire Service
THO	Tasmanian Health Organisation
THO-N	Tasmanian Health Organisation - North
THO-NW	Tasmanian Health Organisation - North West
THO-S	Tasmanian Health Organisation - South
TI	Treasurer's Instruction
TIDB	Tasmanian Irrigation Development Board Pty Ltd
TIPL	Tasmanian Irrigation Pty Ltd
TIS	Tasmanian Irrigation Schemes Pty Ltd
TMRN	Tasmanian Mobile Radio Network
TRB	Tasmanian Racing Board
TUOS	Transmission Use of System
TUU	Tasmanian University Union Incorporated
TVPS	Tamar Valley Power Station
TWSC	Tasmanian Water and Sewerage Corporation
UPF	Uniform Presentation Framework
Utas	University of Tasmania
VaR	Value at Risk
VET	Vocational Education and Training
VoIP	Voice over Internet Protocol
WACC	Weighted Average Cost of Capital
WHA	World Heritage Area
WIF	Water Infrastructure Fund
WIP	Work in Progress

APPENDIX 4 - RECENT PUBLICATIONS

Tabled	Report No.	Title
2013		
May	No. 11 of 2012-13	Department of Health and Human Services – Output based expenditure (included in Financial Statements of State entities: Volume 5 – Other State entities)
August	No. 1 of 2013-14	Fraud control in local government
November	No. 2 of 2013-14	Auditor-General's Report on the Financial Statements of State entities, Volume 1 – Executive and Legislature, Government Departments, Tasmanian Health Organisations, Other General Government Sector State entities, Other State entities and Superannuation Funds
November	No. 3 of 2013-14	Auditor-General's Report on the Financial Statements of State entities, Volume 2 – Government Businesses, Other Public Non-Financial Corporations and Water Corporations
December	No. 4 of 2013-14	Auditor-General's Report on the Financial Statements of State entities, Volume 3 – Local Government Authorities
December	No. 5 of 2013-14	Infrastructure Financial Accounting in Local Government
2014		
January	No. 6 of 2013-14	Redevelopment of the Royal Hobart Hospital: governance and project management
February	No. 7 of 2013-14	Police responses to serious crime
February	No. 8 of 2013-14	Auditor-General's Report on the Financial Statements of State entities, Volume 4 – Analysis of the Treasurer's Annual Financial Report 2012-13
May	No. 9 of 2013-14	Auditor-General's Report on the Financial Statements of State entities, Volume 5 – State entities 30 June and 31 December 2013, matters relating to 2012-13 audits and key performance indicators
May	No. 10 of 2013-14	Government radio communications
May	No. 11 of 2013-14	Compliance with the Alcohol, Tobacco and Other Drugs Plan 2008-13
June	No. 12 of 2013-14	Quality of Metro services
June	No. 13 of 2013-14	Teaching quality in public high schools
August	No. 1 of 2014-15	Recruitment practices in the State Service
September	No. 2 of 2014-15	Follow up of selected Auditor-General reports: October 2009 to September 2011
September	No. 3 of 2014-15	Motor vehicle fleet management in government departments
November	No. 4 of 2014-15	Volume 3 – Government Businesses 2013-14
November	No. 5 of 2014-15	Volume 2 – General Government and Other State entities 2013-14

Auditor-General's reports are available from the Tasmanian Audit Office. These and other published reports can be accessed on the Office's website: www.audit.tas.gov.au

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Our Vision

Strive | Lead | Excel | To Make A Difference

Our Purpose

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector

Availability of reports

Auditor-General's reports and other recent reports published by the Office can be accessed via the Office's home page. For further information please contact the Office.

AUDIT MANDATE AND STANDARDS APPLIED

Mandate

Section 17(1) of the *Audit Act 2008* states that:

> 'An accountable authority other than the Auditor-General, as soon as possible and within 45 days after the end of each financial year, is to prepare and forward to the Auditor-General a copy of the financial statements for that financial year which are complete in all material respects.'

Under the provisions of section 18, the Auditor-General:

'(1) is to audit the financial statements and any other information submitted by a State entity or an audited subsidiary of a State entity under section 17(1).'

Under the provisions of section 19, the Auditor-General:

'(1) is to prepare and sign an opinion on an audit carried out under section 18(1) in accordance with requirements determined by the Australian Auditing and Assurance Standards

(2) is to provide the opinion prepared and signed under subsection (1), and any formal communication of audit findings that is required to be prepared in accordance with the Australian Auditing and Assurance Standards, to the State entity's appropriate Minister and provide a copy to the relevant accountable authority.'

Standards Applied

Section 31 specifies that:

> 'The Auditor-General is to perform the audits required by this or any other Act in such a manner as the Auditor-General thinks fit having regard to –

(a) the character and effectiveness of the internal control and internal audit of the relevant State entity or audited subsidiary of a State entity; and

(b) the Australian Auditing and Assurance Standards.'

The auditing standards referred to are Australian Auditing Standards as issued by the Australian Auditing and Assurance Standards Board.

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