



**Tasmanian**  
Audit Office

**Report of the Auditor-General  
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

February 2014

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# 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.

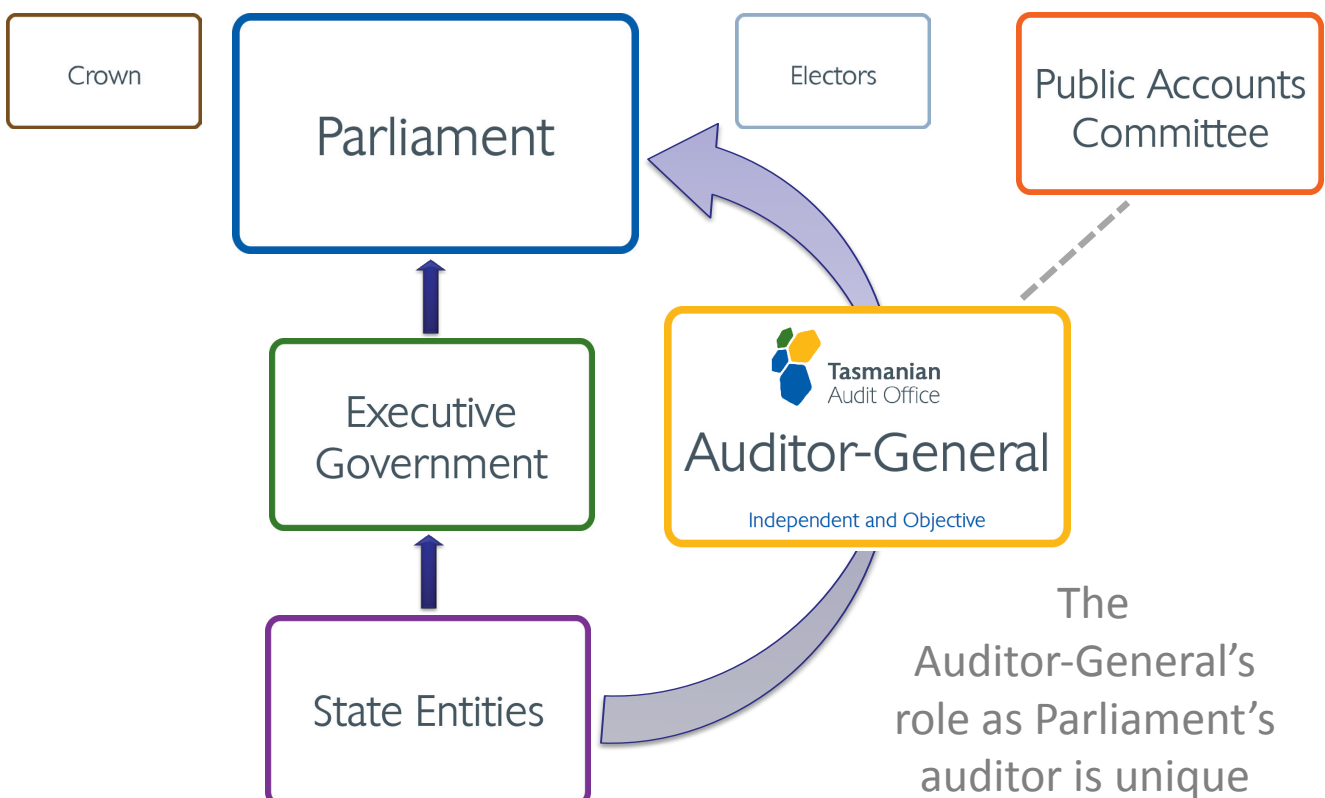
Compliance audits are aimed at ensuring compliance by State entities with directives, regulations and appropriate internal control procedures. Audits focus on selected systems (including information technology systems), account balances or projects.

We can also carry out investigations but only relating to public money or to public property. In addition, the Auditor-General is now responsible for state service employer investigations.

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





**2014**  
**PARLIAMENT OF TASMANIA**

**REPORT OF THE AUDITOR-GENERAL**  
**No. 8 of 2013-14**

**Volume 4**

**Analysis of the Treasurer's Annual Financial Report 2012-13**

**FEBRUARY 2014**

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

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Tasmanian Audit Office

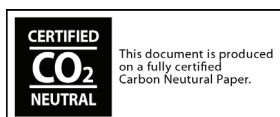
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11 February 2014

President  
Legislative Council  
HOBART

Speaker  
House of Assembly  
HOBART

Dear Mr President

Dear Mr Speaker

**Report of the Auditor-General No. 8 of 2013-14, Financial Statements of State entities,  
Volume 4 – Analysis of the Treasurer’s Annual Financial Report 2012-13.**

In accordance with the requirements of Section 29 of the *Audit Act 2008*, I have pleasure in presenting my Report on the audit of General Government Sector Financial Statements, Public Account Statements and the Total State Sector Financial Statements for the year ended 30 June 2013.

Yours sincerely

H M Blake  
Auditor-General

# FOREWORD

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My Office has been providing Parliament and the Community with an assessment of the State's overall financial performance and position since 2004-05. Over that period the State's financial circumstances changed. Some of these changes were impacted by events outside of the Government's control, for example the global financial crisis, the strong Australian dollar or carbon pricing while others were the result of Government decisions.

The overall underlying financial performance of the State improved this year although only slightly. At the Total State Sector level, the underlying deficit of \$80m in 2012-13 was an improvement on the deficit of \$176m reported last year. However, the General Government Sector (GGS), which accounts for the majority of the State's expenditure, reported an underlying deficit of \$367m in 2012-13. This was \$19m or 5.5% higher than the deficit of \$348m reported last year. This was the fifth year of consecutive underlying deficits.

GGS revenue, excluding non-operational capital items, totalled \$4.617bn in 2012-13. Funding from the Australian Government represented the majority of GGS operating revenue at 61.5%. GGS expenditure, excluding non-operational capital items, was \$4.984bn in 2012-13. Expenditure on health and education absorbed 54.8% of the State budget.

Expenditure growth has declined steadily since 2008-09, but grew slightly more quickly than revenue growth in the current year. In 2012-13, expenditure growth exceeded revenue growth although by only 0.2%. Trends over the last five years indicate a decline in the growth of expenditure, due to budget saving strategies, mainly focussed on employee costs, which curtailed spending. Revenue growth was stagnant.

The GGS reported a negative Net Debt position in all of the past five years because financial assets exceeded financial liabilities. At 30 June 2013, Net Debt was \$220m. However, the level of negative Net debt declined over this five-year period which was in line with operating deficits.

Included in this Report for the first time are conclusions on page 8. These indicate to me that Government's actions to contain expenditure, in a stagnant revenue environment, are having the right effect. However, these actions need to continue.

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 2013.



H M Blake  
Auditor-General  
11 February 2014

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## KEY POINTS

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Our audits of the General Government Sector (GGS) and Total State financial statements and of the Public Account statements resulted in us issuing unqualified audit opinions.	
Parliamentarians and the Community can therefore be confident that these components of the Treasurer's Annual Financial Report present fairly, in all material respects, their financial performance and position in accordance with the prescribed financial reporting frameworks.	10
The overall financial performance of the State has improved, although only slightly. At the Total State Sector level, the underlying deficit of \$80m in 2012-13 was an improvement on the deficit of \$176m reported last year.	32
However, the GGS, which accounts for the majority of the State's expenditure, reported an underlying deficit of \$367m in 2012-13. This was \$19m or 5.5% higher than the deficit of \$348m reported last year.	12
This was the fifth year of consecutive underlying deficits.	12
GGS results were the cause of deficits reported at the Total State Sector level with Government business providing a positive net contribution to the overall result.	32
GGS revenue (excluding one-off Australian Government capital funding) was 2.0% higher and totalled \$4.617bn in 2012-13, whereas expenditure (excluding establishment grant to Macquarie Point Development Corporation) was 2.2% higher, totalling \$4.984bn.	14, 18
Similar to previous years, funding from the Australian Government represented the majority of GGS revenue at 61.5%. This dependence on Australian Government funding represents a high fiscal risk to the State's budget.	14
MAIB and the three electricity businesses continued to provide the highest returns by Government businesses to the State.	16
GGS employee-related costs represented 52.2% of total expenditure. Employee expenses, which predominantly comprise of salaries and wages, grew by 0.5% in 2012-13.	18, 19
Trends over the last five years indicate a decline in the growth of expenditure, due to budget saving strategies which curtailed spending. Revenue growth was stagnant.	24
The majority of GGS expenditure was spent on health, 29.7%, and education, 25.1%. Therefore, in total, expenditure on health and education absorbed 54.8% of the State budget compared to 52.2% last year. This is an increase of 5.0%. In percentage terms expenditure on all other government functions declined by 5.4%.	21
If we use 2008-09 as the starting point, and adjust expenditure for CPI, spending on health and education per capita increased by 42.4% and 22.2% respectively over the past five years.	21
GGS Net Financial Worth increased by \$395m to \$570m at 30 June 2013 mainly due to a decrease in the unfunded superannuation liability offset by lower financial assets.	25



The GGS reported a negative Net Debt position in all of the past five years because financial assets exceeded financial liabilities. At 30 June 2013, Net Debt was \$220m. However, the level of negative Net debt declined over this period which was consistent with deficit operating balances.	<b>25</b>
The State's Equity investment in Government businesses totalled \$6.175bn at 30 June 2013, which was \$123m lower than last year.	<b>25</b>
The unfunded defined benefit superannuation liability decreased to \$6.073bn mainly because of higher discount rates and improved investment returns.	<b>27</b>
Superannuation benefits paid totalled \$314m in 2012-13, which was slightly below the projected cash outflow of \$325m.	<b>28</b>
The estimated cash cost of defined benefit superannuation pensions and lump sum payments will peak approximately between fifteen to twenty years from now at around \$515m per annum.	<b>28</b>
Net Financial Liabilities of the State were \$9.945bn at 30 June 2013, which was \$1.097bn lower than last year. The defined benefit superannuation liability represented 68.2% of Net Financial Liabilities.	<b>34</b>
In 2012-13, the State invested net \$821m (2011-12, \$1.040bn) in non-financial assets.	<b>36</b>
Cash held in the Public Account totalled \$1.351bn at 30 June 2013. Included in the balance was an overnight loan of \$900m. If the overnight borrowings were excluded, cash balance was \$451m, which was \$193m lower than last year.	<b>30</b>
At 30 June 2013 the Public Account held Australian Government funds, which included unspent monies for the redevelopment of the Royal Hobart Hospital and implementation of the Tasmanian Forests Intergovernmental Agreement, totalling \$550m.	<b>30</b>
The Consolidated Fund Deficit was \$93m higher than the deficit estimated in the original Budget and \$86m above the revised estimated outcome. This was due to revenue targets not being met.	<b>31</b>

# CONCLUSIONS

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This Report contains no recommendations but it does make the following conclusions:

	Page
The dependence on Australian Government funding for over 60% of the GGS total operating revenue represents a high fiscal risk to the State's 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 fiscal risk.	14
Expenditure growth has declined steadily since 2008-09, but grew slightly in the current year. In 2012-13, expenditure growth exceeded revenue growth, although by only 0.2%. However, Government has taken action as indicated by growth in employee expenses being 0.5% in 2012-13, which was below the overall growth in expenditure. Government needs to continue to take action to contain expenditure or increase revenue or both.	22
With one exception, over the past five years, GGS expenditure growth was higher than growth of the State economy in both real terms and current prices. The exception was in 2009-10, when Gross State Product growth in current prices rose to 6.7%. A general principle is that, over time, expenditure growth should not exceed the growth of the economy. Government needs to continue to take action to manage expenditure growth.	23
The costs of meeting defined benefit pensions and lump sum payments will peak approximately between fifteen to twenty years from now. Higher superannuation payments by Government businesses will impact on annual profits and subsequently returns to the Government.	35
The capacity of the State to continue to meet its future superannuation obligations will require close monitoring.	28
The balance of the Special Deposit and Trust Fund, including Australian Government funds, was being used to defer the need to borrow. This cash management strategy has been providing a benefit to the State in reduced net interest costs.	31

# TREASURER'S ANNUAL FINANCIAL REPORT ANALYSIS

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## 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 outcomes of the Loan Council, 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 2012-13 results with the previous year and analysing trends over the past five years.

### 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.

### 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 legal entities 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 (and are not regulatory authorities in nature), 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 Audits

The Treasurer submitted the GGS financial statements and PA statements for audit on 27 September 2013. Final GGS and Total State financial statements were submitted for audit on 9 October 2013.

Separate unqualified audit opinions were issued on the GGS and Total State financial statements and PA statements on 23 October 2013. 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 funding 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](http://www.audit.tas.gov.au).

## GENERAL GOVERNMENT SECTOR

### Statement of Comprehensive Income

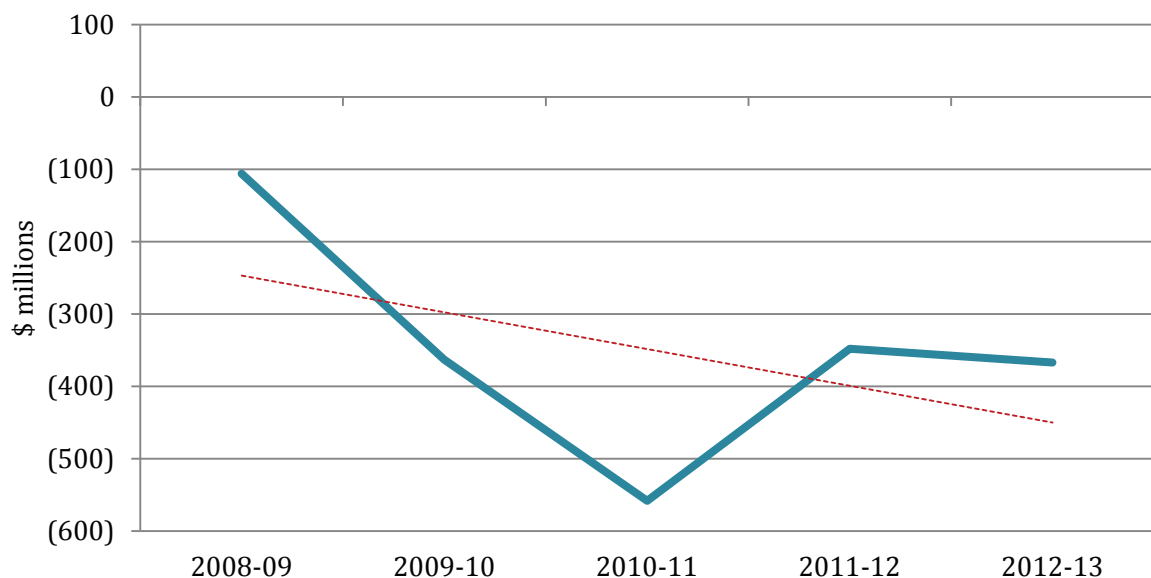
	2012-13	2011-12	2010-11	2009-10	2008-09
	\$m	\$m	\$m	\$m	\$m
Total Revenue	4 617	4 528	4 232	4 221	4 259
Total Expenditure	4 984	4 876	4 790	4 584	4 365
<b>Underlying Net Operating Balance Before:</b>	<b>(367)</b>	<b>(348)</b>	<b>(558)</b>	<b>(363)</b>	<b>(106)</b>
One-off Australian Government Capital Funding	101	162	535	381	28
Macquarie Point Development Corporation start-up grant	(50)	n/a	n/a	n/a	n/a
<b>Net Operating Balance</b>	<b>(316)</b>	<b>(186)</b>	<b>(23)</b>	<b>18</b>	<b>(78)</b>
<i>Plus Other Economic Flows - Included in Operating Result</i>					
Other economic flows - net	777	(1 638)	195	1 136	214
<b>Operating Result</b>	<b>461</b>	<b>(1 824)</b>	<b>172</b>	<b>1 153</b>	<b>136</b>
<i>Plus Other Economic Flows - Other Movements in Equity</i>					
Total Other equity movements	336	470	(687)	373	255
<b>Comprehensive Result</b>	<b>797</b>	<b>(1 354)</b>	<b>(515)</b>	<b>1 527</b>	<b>391</b>

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.

### Underlying Net Operating Balance

The GGS Underlying Net Operating Balance was a deficit of \$367m in 2012-13. This was \$19m or 5.5% higher compared to the deficit of \$348m reported last year. The graph below provides an overview of underlying results for the past five years.

Figure I: Underlying Net Operating Balance (5-year trend)



Source: Tasmanian Audit Office

The GGS reported Net Underlying Operating Balance deficits since 2008–09. As indicated in Figure I, the trend of on-going deficits slowed in 2011–12. This was due to improved GST revenue and budget saving strategies taking effect.

## Net Operating Balance

After taking into account one-off Australian Government funding for capital projects, \$101m, and an establishment grant paid to Macquarie Point Development Corporation, \$50m, the GGS reported a Net Operating Balance deficit of \$316m, which was \$130m higher than the deficit of \$186m reported last year.

Table 1 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**

	2012-13	2011-12	2010-11	2009-10
	\$m	\$m	\$m	\$m
Nation Building and Jobs Plan				
<i>Building the Education Revolution</i>	0	2	113	198
<i>Social Housing</i>	5	5	30	93
<i>Roads and Rail</i>	54	57	120	0
<i>Royal Hobart Hospital Redevelopment</i>	0	20	270	0
Water for the Future	42	28	2	18
Macquarie Point Railyards/Brook Street Pier	0	50	0	0
Auslink	0	0	0	72
<b>Total Australian Government Capital Funding</b>	<b>101</b>	<b>162</b>	<b>535</b>	<b>381</b>

Source: Tasmanian Audit Office

Table 1 indicates the higher Net Operating Balance deficits in both 2012–13 and 2011–12 were partly due to lower capital funding from the Australian Government. Capital funding in 2010–11 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.

## Operating Result

The Operating Result showed a surplus of \$461m in 2012–13, compared to a loss of \$1.824bn reported in 2011–12. The Operating Result was arrived at after adjusting the Net Operating Balance for Other Economic Flows. Other Economic Flows are changes in the value of assets and liabilities that do not result from transactions. The turnaround of \$2.285bn was predominantly a result of reduction in the superannuation liability, \$986m, due to revised actuarial projections. This year's reduction contrasts with an increase of \$1.796bn reported last year.

The value of equity investments in Government business was lower by \$123m in 2012–13, which partly offset the superannuation gains. The most significant movement was in the value of Net Assets of Hydro Tasmania, which decreased by \$338m.

## Comprehensive Result

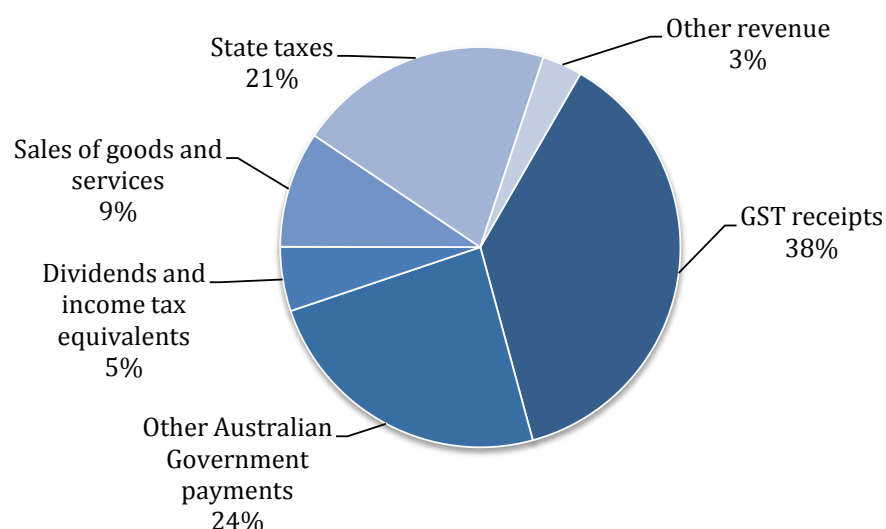
The 2012-13 Comprehensive Result was a Surplus of \$797m and was arrived at after adjusting the Operating Result for revaluation movements and other movement in equity. The surplus was predominantly the result of a revaluation increment of \$332m following upward revaluations of infrastructure, land and buildings held by Departments of Infrastructure, Energy and Resources, \$162m, Health and Human Services, \$34m, and Education, \$65m.

## Analysis of Operating Revenue and Expenditure

### Revenue

GGS revenue, excluding one-off Australian Government capital funding, totalled \$4.617bn in 2012-13. This was \$89m or 2.0% higher compared to last year. The increase was mainly as a result of increased taxes, returns from Government businesses and higher revenue receipts by Government agencies for provision of goods and services. Figure II shows the composition of GGS total revenue in 2012-13.

**Figure II: 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.*

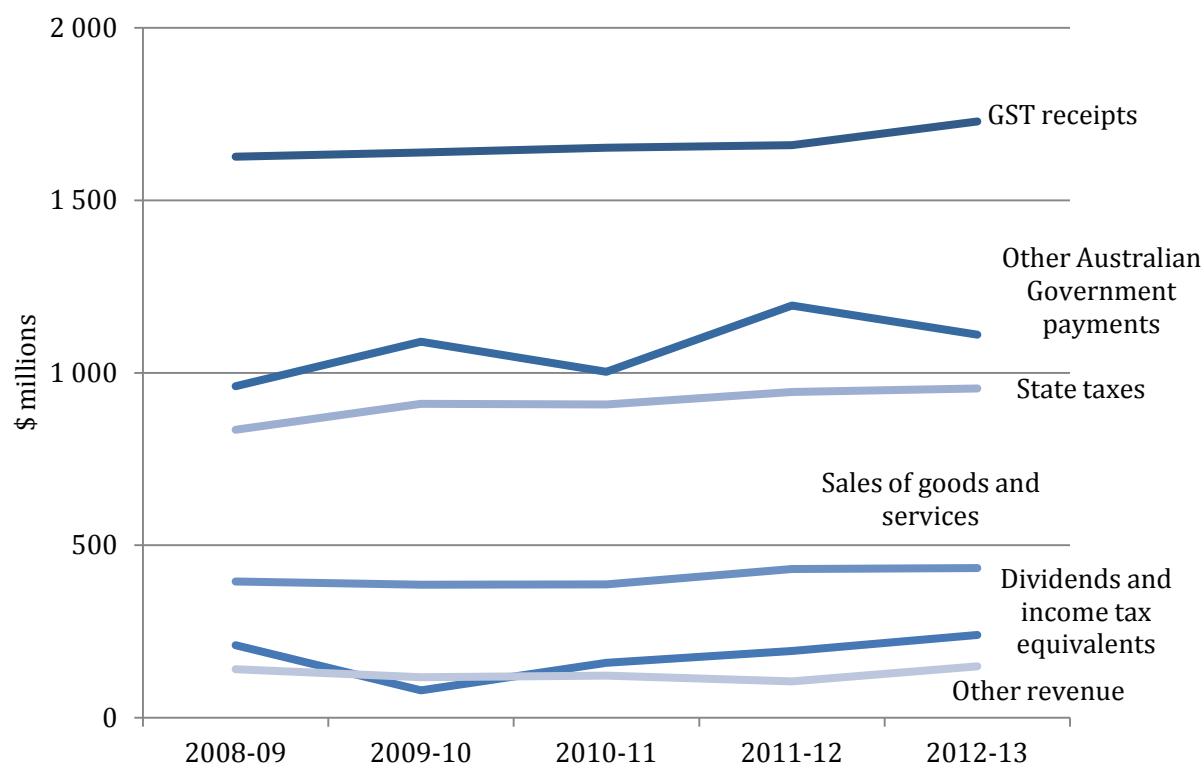
Similar to previous years, funding from the Australian Government represented the majority of GGS revenue. As shown in Figure II, GST receipts represented 38% of total revenue. Other Australian Government payments, which comprised Specific Purpose Payments, National Partnerships Payments and other grants and subsidies, totalled 24%. Overall, funding from the Australian Government totalled 61.5% of operating revenue in 2012-13. This was fairly consistent with previous years.

The dependence on Australian Government funding for over 60% of the GGS total operating revenue represents a high fiscal risk to the State's 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 III shows the movements in the composition of the GGS revenue, excluding one-off Australian Government capital funding, over the past five years.



**Figure III: GGS Revenue Sources (5-year trend)**



Source: Tasmanian Audit Office

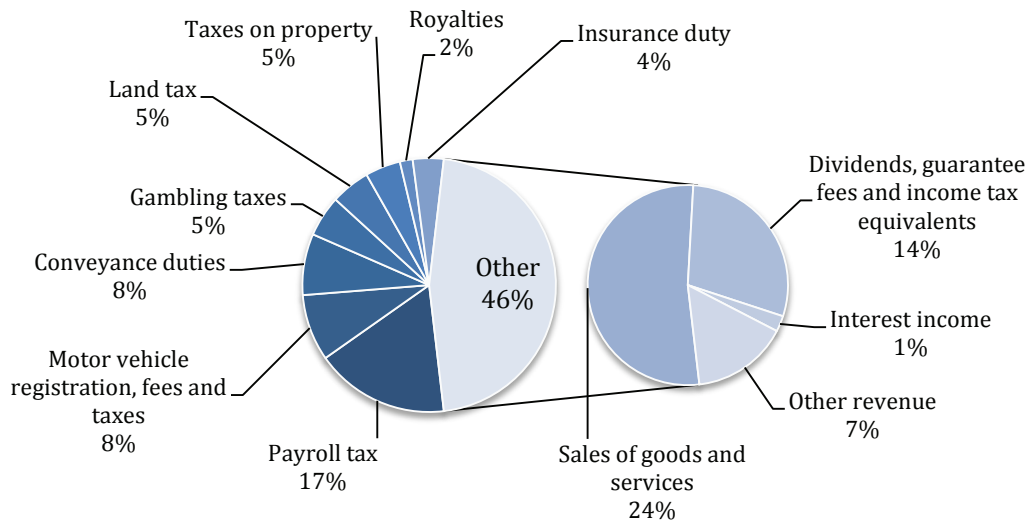
As shown in Figure III, GST receipts have been rising steadily over the period, averaging 1.5% each year. In 2012-13, GST receipts rose by 4.2% to \$1.729m. Other Australian Government payments fluctuated from year to year, depending on the level of specific project, facilitation or reward payments under National Partnership Agreements and other grants and subsidies.

Taxation revenue increased by 4.2% between 2011-12 and 2012-13, largely due to changes introduced in October 2012. The changes increased the rate of duty on general insurance policies, conveyance duty, duty on MAIB premiums and tax on motor vehicles.

Dividends and income tax equivalent revenue from Government businesses increased by 23.7% in 2012-13. This increase was largely due to the recognition of income tax equivalent revenue from Government businesses on an accrual rather than cash basis. Dividends and income tax equivalent revenue would be \$33m lower on a cash basis.

Figure IV illustrates the composition of Government's own-source revenue raised through taxes and by non-tax means, for example sale of goods and services, as well as fines and regulatory fees, in 2012-13.

**Figure IV: Sources of GGS Own-Source Revenue**

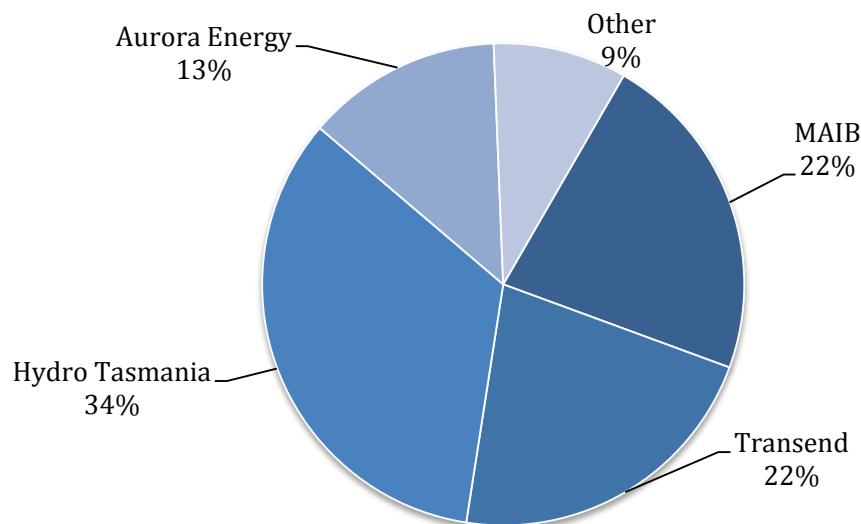


Source: Tasmanian Audit Office

Figure IV shows that taxation revenue, not including income tax equivalents paid by Government businesses, accounted for more than half of the State's own-source revenue. Payroll tax was the single largest State based tax, followed by motor vehicle registration, fees and taxes and conveyancing duties. Revenue collected from motor vehicle charges continued to surpass conveyancing duties as financial and capital transactions remained weak.

Figure V shows (in percentage terms) the highest dividend, guarantee fee and income tax equivalent-paying Government businesses over the past five years.

**Figure V: Sources of Dividends, Guarantee Fees and Income Tax Equivalents Revenue (5 years)**



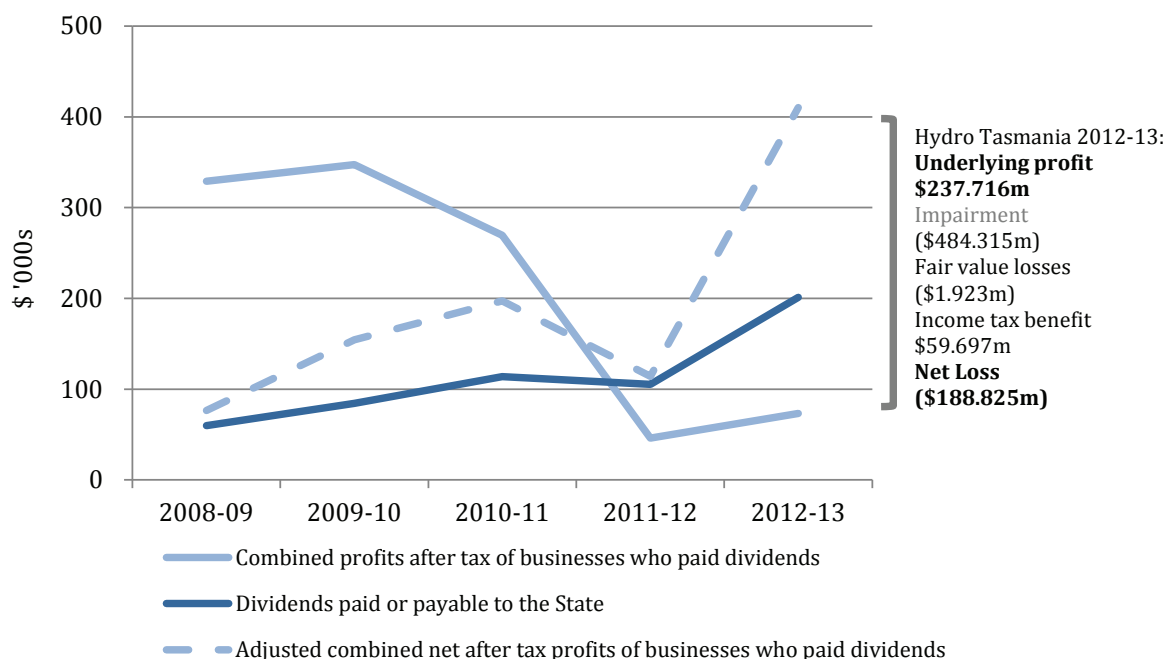
Source: Tasmanian Audit Office

Figure V illustrates that MAIB and the three electricity businesses (Aurora Energy, Hydro Tasmania and Transend) provided the highest returns to the State. Over the last five years, MAIB paid \$190m and the electricity businesses, combined, paid \$586m in dividends, guarantee fees and income tax equivalents.

The following businesses provided no returns during the five-year period under review: Forestry, Tasmanian Irrigation, Metro, TT Line, TasRail and Tasracing. Tasmanian Water and Sewerage Corporations were excluded because they pay dividends, guarantee fees and income tax equivalents to their local government council owners and not the State.

Figure VI 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 VI: Comparison of Dividends with Net and Adjusted Profits**



Source: Tasmanian Audit Office

On an accrual basis, Government businesses returned average dividends of around \$113m per year over the past five years. As shown in Figure VI, dividends paid or payable totalled \$201m in 2012-13, which was an increase of \$96m or 90.9% on last year's returns. At the same time, combined net profits after tax of Government businesses that paid dividends increased by \$27m.

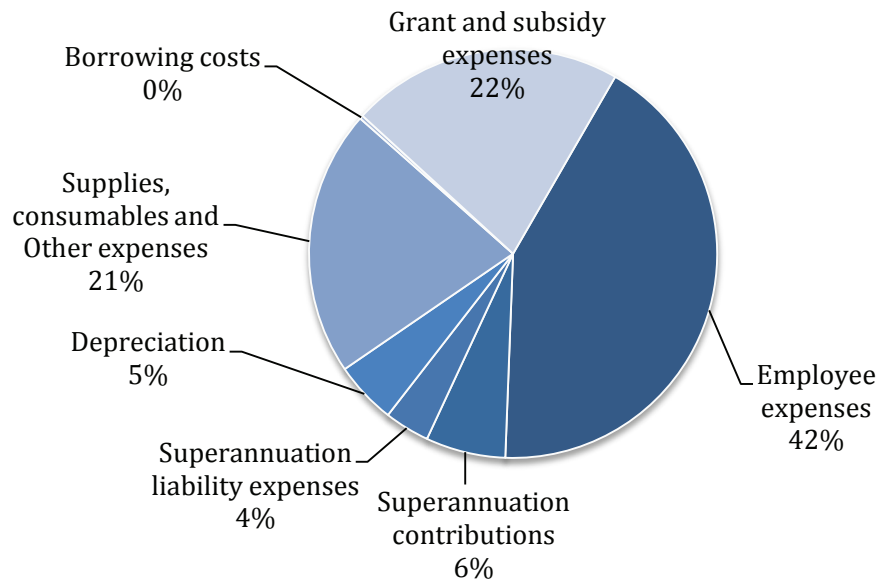
However, when net profits were adjusted for items generally excluded from dividend calculations, (for example fair value movements, customer contributions and actuarial superannuation gains or losses), adjusted combined net profits after tax of Government businesses that paid dividends increased by \$296m in 2012-13. The reason for such a sharp rise was an increase in Hydro Tasmania's underlying profit due to a number of factors, including the impact of carbon pricing, significant growth in retail sales through Momentum Energy, reasonable growth in generation revenue and lower finance cost. Nevertheless, the result was negatively impacted by impairment expenses and fair value movements, which led to a net loss of \$189m after tax. We noted that MAIB dividends are based on the average of its profits and losses over the current and four preceding years.

Further details are in *Volume 2 Government Businesses, Other Public Non-Financial Corporations and Water Corporations 2012-13* tabled in November 2013.

## Expenditure

GGs expenditure, excluding non-operational items, was \$4.984bn in 2012-13. This was higher by \$108m, or 2.2%, compared to last year. Figure VII shows the composition of total expenditure in 2012-13.

**Figure VII: GGS Expenditure**



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.*

*Borrowing costs were \$14m (2011-12, \$14m).*

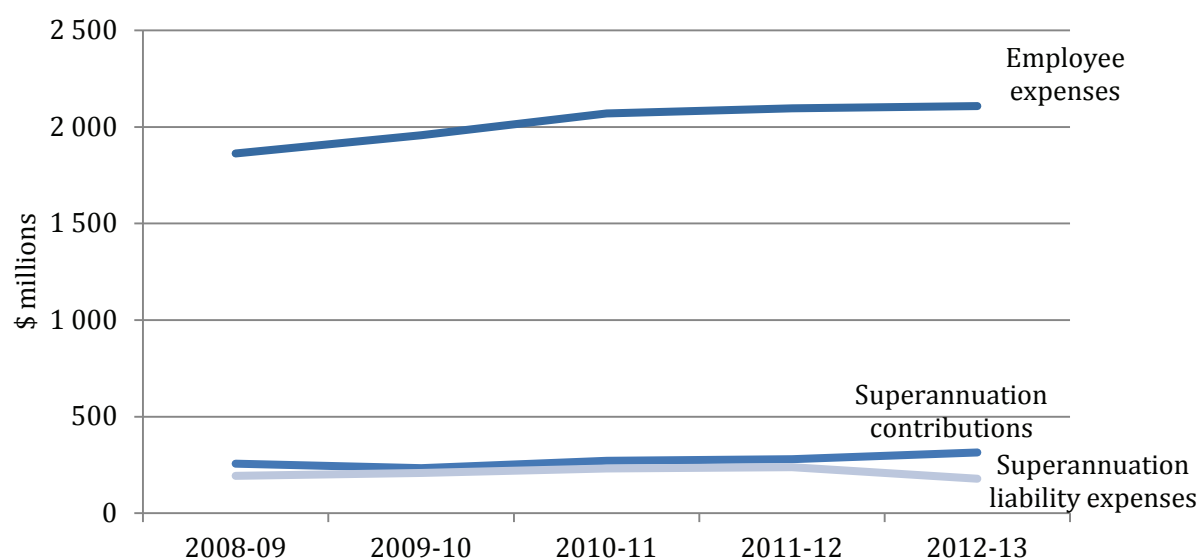
As in previous years, GGS expenditure was dominated by expenditure relating to employees, which accounted for over half of total expenses. As shown in Figure VII, combined employee costs<sup>1</sup> represented 52.2% of total expenditure for 2012-13 (2011-12, 53.7%).

Grant and subsidy expenses increased by \$61m to \$1.073bn in 2012-13, which included \$35m financial assistance to Forestry, \$15m temporary assistance to exporters and the value of public housing properties transferred to non-Government organisations for no consideration under the Better Housing Futures program.

<sup>1</sup> 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 VIII shows the movement in expenditure relating to employees over the last five years.

**Figure VIII: Employee Costs (5-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.

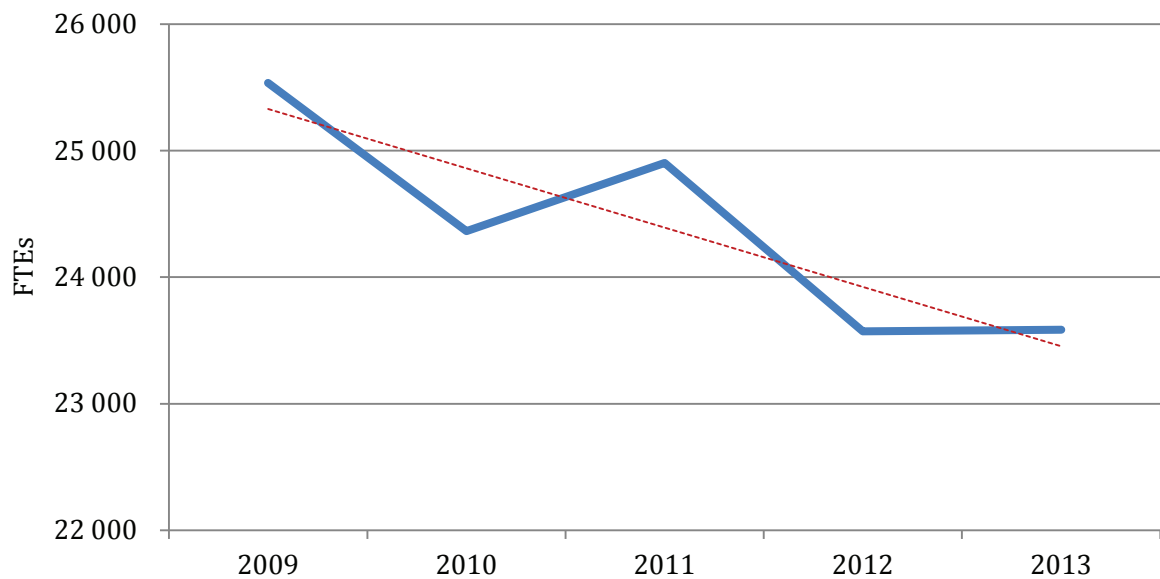
Figure VIII shows that Employee expenses, which primarily comprise salaries and wages, increased by 13.1% over the five-year period. The growth in Employee expenses slowed to only 0.5% in 2012-13. The slower growth was a combination of:

- a reduction in the number of public servants, as shown in Figure IX
- a State Service Wage Policy which limited non-productivity based wage increases to 2% per annum. A new *Public Sector Unions Wages Agreement 2013* provides for an annual indexation of 2% for its duration until December 2015.
- most GGS entities being no longer required to pay payroll tax which decreased the provision for unused leave entitlements.

Combined employee costs increased by 12.4% since 2008-09. In the current year alone, combined employee costs went down by 0.5% compared to 2011-12. The overall decrease was driven by a significant drop in the interest cost component of defined benefit superannuation liability expenses, \$61m or 25.5%. The interest cost represents the change in the present value of a defined benefit obligation because of the passage of time. This cost is impacted by the discount rate used in calculating the present value of the superannuation liability. On the other hand, superannuation contributions went up by \$36m or 12.9% because of an increase in both defined benefit schemes service costs, \$28m or 19.6%, and payments to defined contribution schemes, \$8m or 5.9%.

Figure IX shows the movement in FTEs employed by Government Departments, which primarily make up the GGS, over the past five years.

**Figure IX: Departmental FTEs**



Source: Tasmanian Audit Office

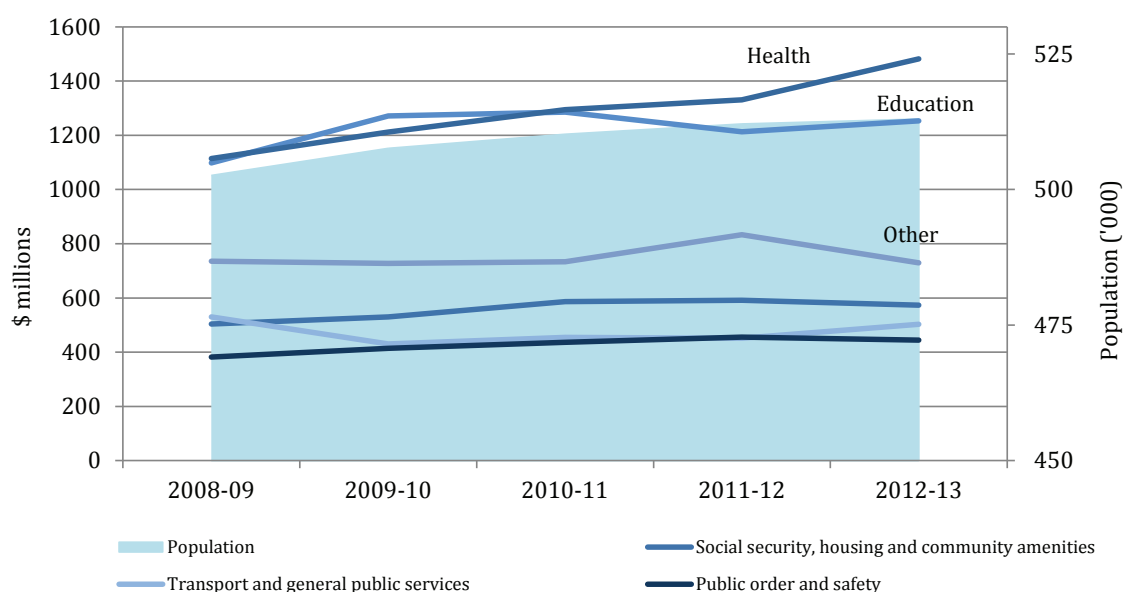
Figure IX shows a decrease in Departmental FTEs since they peaked in 2009. The largest reduction in staffing occurred between 2011 and 2012 when over 1 000 FTEs left the public sector. Departments of Education and Health and Human Services had the highest reductions in staff.

## 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 X depicts graphically recurrent expenditure incurred over the past five years by function, compared to growth in population.

**Figure X: 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.

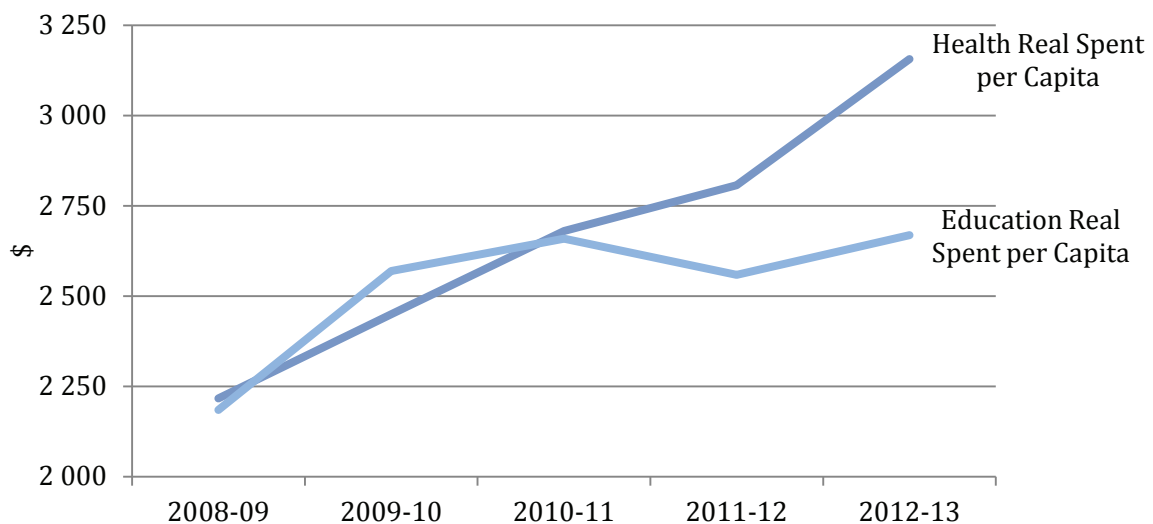
Figure X highlights that the majority of GGS expenditure was spent on health, 29.7% (2011-12, 27.3%), and education, 25.1% (24.9%). This means that, in total, expenditure on health and education absorbed 54.8% of the State budget this year compared to 52.2% last year. This is an increase of 5.0%. The decline in expenditure on all other functions was 5.4%.

Overall, total GGS operating expenditure grew by 14.2% over the past five years. In real terms, the growth was 6.3%. Population increased by 2.1% to 513 000<sup>2</sup> over the same period. The cost of the GGS was \$9 715 per capita in 2012-13 (\$9 520 per capita in 2011-12), which was \$388, or 4.2%, higher than in 2008-09 (CPI adjusted).

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

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

**Figure XI: Health and Education Average Spent**



Source: Tasmanian Audit Office

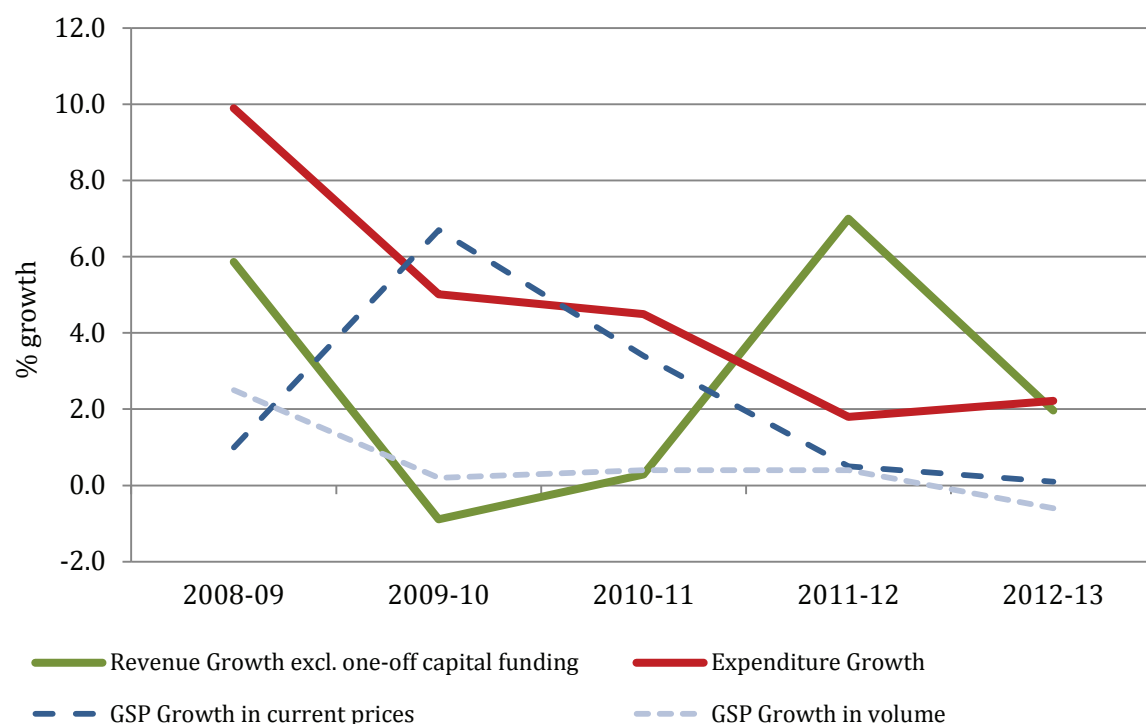
If we use 2008-09 as the starting point and adjust expenditure for CPI, spending on health and education per capita increased by 42.4% and 22.2% respectively over the past five years.

<sup>2</sup> 3101.0 – Australian Demographic Statistics, Jun 2013, Australian Bureau of Statistics, Estimated resident population at 30 June 2013.

## Comparison of Operating Revenue and Expenditure with Gross State Product

Figure XII analyses growth in operating revenue and expenditure over the past five years against Gross State Production (GSP). Operating revenue and expenditure exclude one-off Australian Government capital funding and the establishment grant paid to Macquarie Point Development Corporation.

**Figure XII: GGS Revenue and Expenditure Growth Compared to GSP (%)**



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

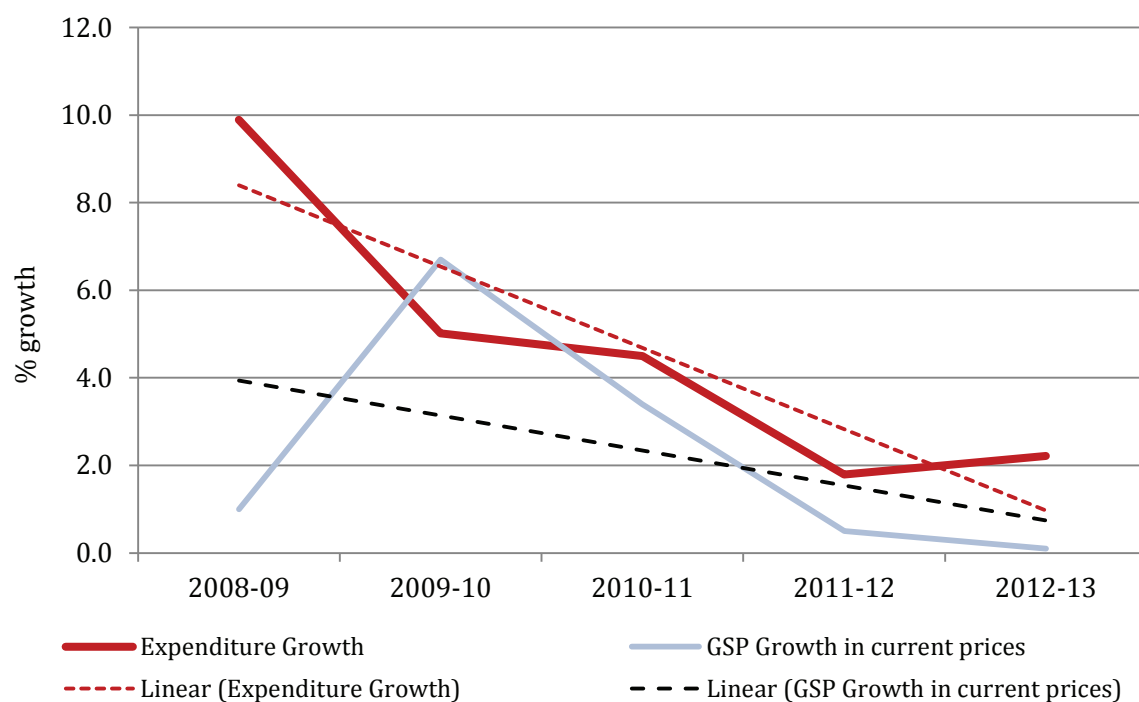
Figure XII shows a sharp decline in revenue growth in 2012-13 compared to last year. Revenue grew significantly in 2011-12 because of an increase in funding from the Australian Government that year. This included funding for the implementation of the TFIA, \$66m, Temporary Assistance for Tasmanian Exporters, \$20m, and higher 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.

Expenditure growth has declined steadily since 2008-09, but grew slightly in the current year. In 2012-13, expenditure growth exceeded revenue growth, although by only 0.2%. However, Government has taken action as indicated by growth in employee expenses being 0.5% in 2012-13, which was below the overall growth in expenditure. Government needs to continue to take action to contain expenditure or increase revenue or both.

Figures XIII compares the growth in expenditure with the value added by economic production in the State as measured by GSP. At the national level the equivalent concept is Gross Domestic Product (GDP).



**Figure XIII: GGS Expenditure Growth Compared to GSP (%)**



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

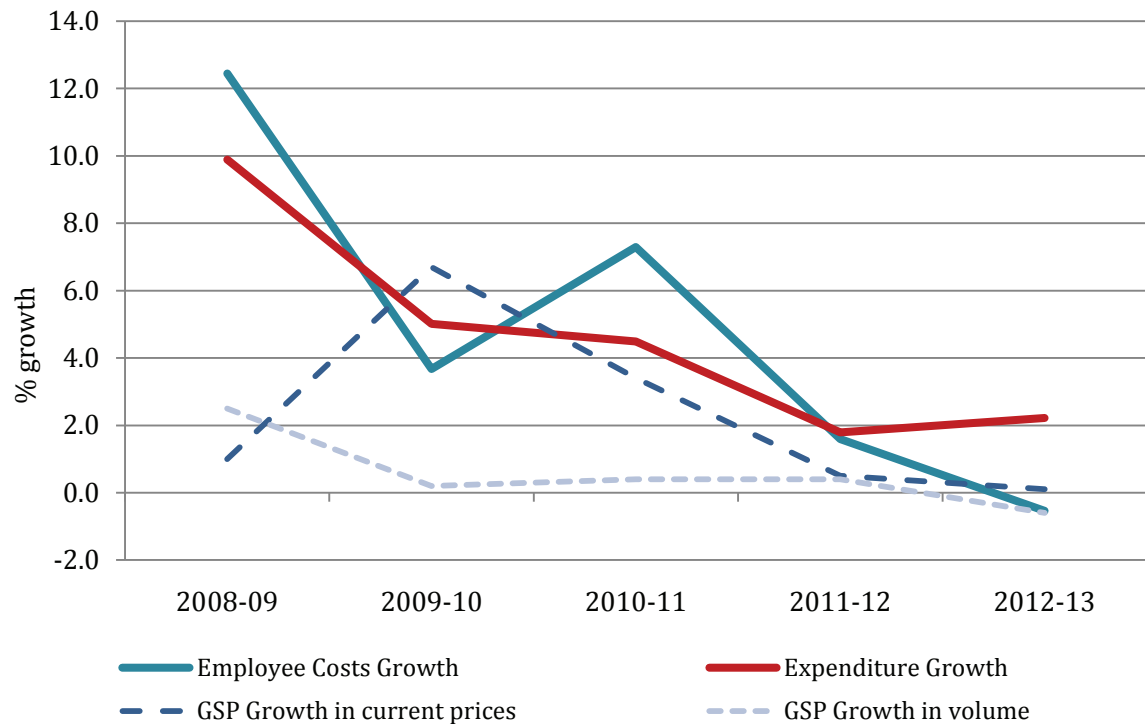
Figure XIII indicates that the Tasmanian economy receded in 2012-13 as GSP was a negative 0.6% in volume (i.e. real) terms<sup>3</sup>. Tasmania was the only State to record negative growth that year and had consistently the lowest growth among other States and Territories since 2009-10. National GDP grew by 2.6% in 2012-13. Going back to Figure XII and when using current prices, Tasmania's GSP rose marginally by 0.1% in 2012-13. This was lowest among the States and Territories. It is noted that GSP rates are regularly revised and reissued by the ABS indicating the results reported here should be read with caution.

Figure XIII also indicates that, over the past five 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 take action to manage expenditure growth.

Figure XIV illustrates growth in combined employee costs, which were the single largest expenditure item in the GGS.

<sup>3</sup>. 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 expenditures on state production and movements in associated prices.

**Figure XIV: GGS Expenditure and Employee Costs Growth Compared to GSP Growth (%)**

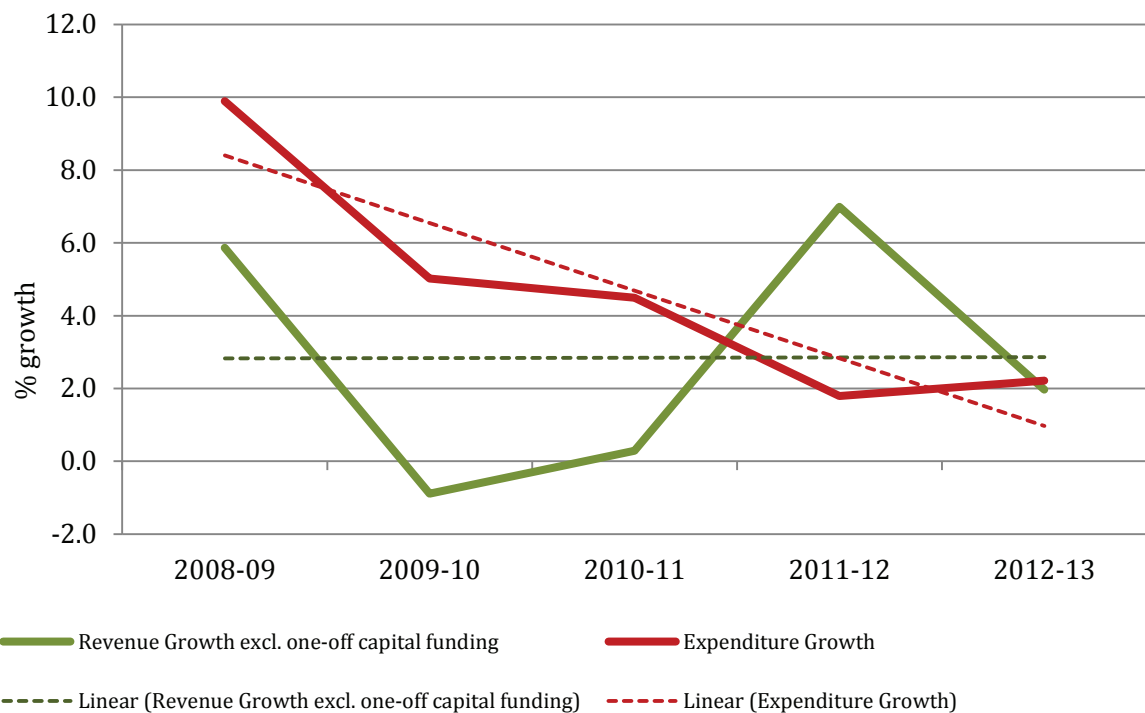


Source: Tasmanian Audit Office; GSP data was sourced from the ABS

As shown in Figure XIV, the growth in combined employee costs was a negative 0.5% in 2012-13 and well below the overall growth in expenditure. This was a result of budget saving strategies, which slowed the growth in employee costs, and a decrease in the interest cost component of defined benefit superannuation liability expenses discussed earlier.

Trends in revenue and expenditure growth are illustrated in Figure XV below.

**Figure XV: GGS Revenue and Expenditure Growth Trend**



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

The trends over the last five years indicate a decline in the growth of expenditure, due to budget saving strategies which curtailed spending. Revenue growth was stagnant.

## Statement of Financial Position

	2013	2012	2011	2010	2009
	\$m	\$m	\$m	\$m	\$m
Total Assets	20 024	19 901	18 573	19 031	16 781
Total Liabilities	(8 232)	(8 835)	(6 081)	(5 966)	(5 131)
<b>Net Assets</b>	<b>11 792</b>	<b>11 066</b>	<b>12 492</b>	<b>13 065</b>	<b>11 650</b>
Net Worth	11 792	11 066	12 492	13 065	11 650
Net Financial Worth	570	175	2 033	2 136	1 447
Net Financial Liabilities	5 605	6 123	4 145	3 814	2 658
Net Debt	(220)	(409)	(416)	(748)	(982)

Net Worth, also referred to as Net Assets, increased by \$726m in 2012-13 to \$11.792bn in line with the Comprehensive result, \$797m, less net equity contributions to Government businesses, \$72m.

Net Financial Worth increased by \$395m to \$570m mainly due to a decrease in the unfunded superannuation liability offset by lower financial assets.

Net Financial Liabilities decreased by \$518m to \$5.605bn at 30 June 2013 in line with the lower unfunded superannuation liability, partly offset by higher borrowings.

The GGS showed a negative Net Debt position in all of the past five years because financial assets exceeded financial liabilities, by \$220m as at 30 June 2013. However, the level of negative Net debt continued declining due to the lower Cash and deposits balance which was consistent with deficit operating balances.

## Cash and Borrowings

The Treasurer approved new superannuation funding arrangements in 2011-12. Under these new arrangements, the emerging cash cost of the defined benefits superannuation scheme will be 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 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.

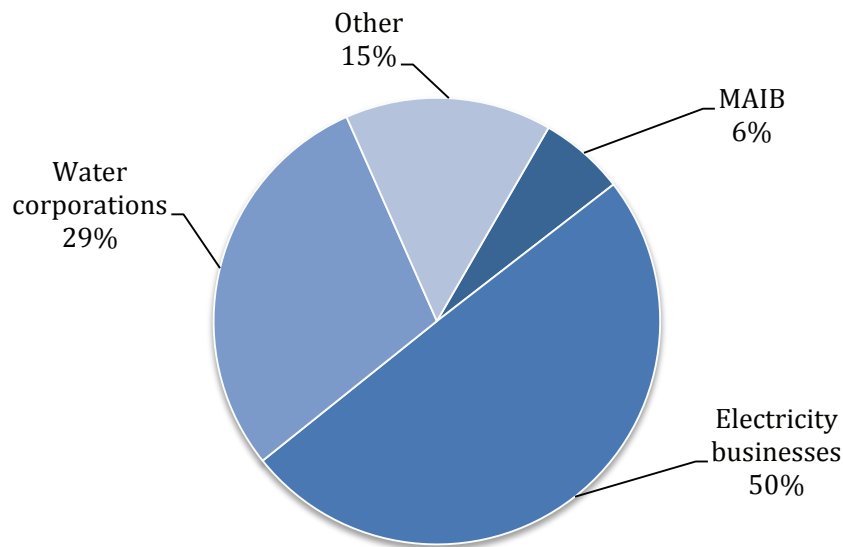
The overdraft was funded by a temporary overnight borrowing of \$900m on 30 June 2013 (30 June 2012, \$650m) the effect of which was to gross up Government's cash holdings to at least equal the balance of accounts in the SDTF.

This was the main reason why cash on hand at 30 June 2013 was \$1.298bn.

## Investment in Government Businesses

The State's equity in Government businesses totalled \$6.175bn at 30 June 2013, which was \$123m lower than last year. The main reason for the lower value was a decrease in the net assets of Hydro Tasmania, \$338m, partly offset by an increase in the value of MAIB, \$142m. Figure XVI compares the Net Assets of Government businesses at 30 June 2013. It shows that electricity businesses represented a significant investment for the State at 50% of total value.

**Figure XVI: Net Assets of Government Businesses**



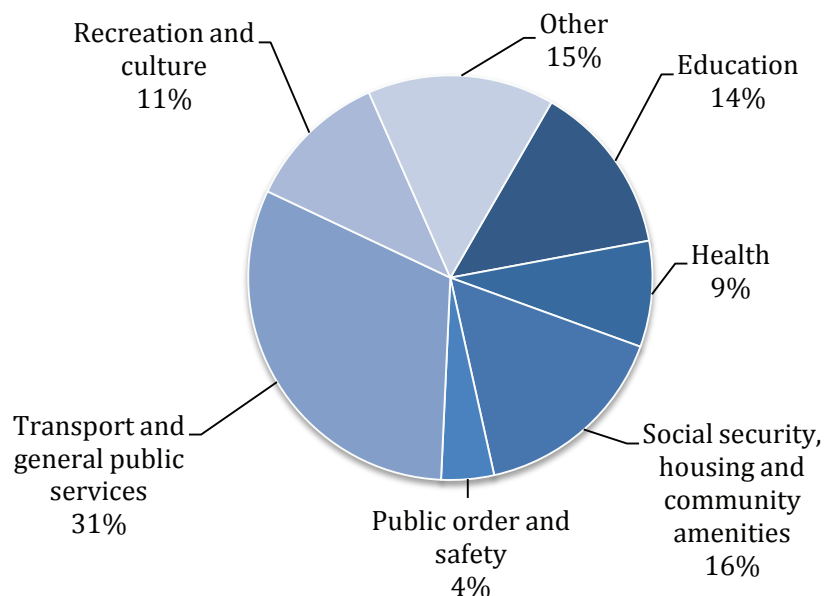
Source: Tasmanian Audit Office

The value of equity investments includes the net assets of the three regional water corporations, \$1.798bn. Following their merger on 1 July 2013, the equity investment in the new single corporation will be classified as a Local Government Sector asset and will be excluded from the GGS Statement of Financial Position from 2013-14.

## General Government Assets by Purpose

Figure XVII depicts asset balances classified according to their function at 30 June 2013, excluding equity investments in Government businesses.

**Figure XVII: 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.*

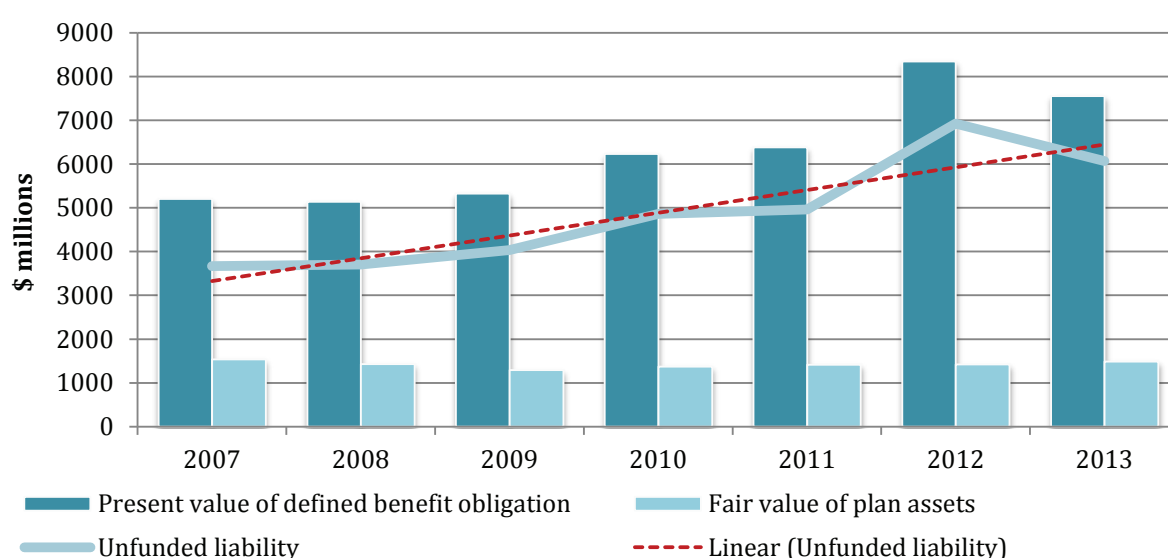
## Defined Benefit Superannuation Liability

At 30 June 2013, the unfunded liability was net \$6.073bn (30 June 2012, net \$6.925bn) with the decrease of \$852m caused by a combination of:

- lower present value of superannuation obligations, \$789m, predominately due to an increase in the discount rate from 3.45% at 30 June 2012 to 4.25% at 30 June 2013. The higher discount rate was caused by the higher yields on Australian government bonds during the year. Given the long-term nature of superannuation liabilities, changes in the discount rate can cause significant movements in the liability
- increased fair value of plan assets, \$63m, following the recovery of equity markets after the global financial crisis, and the sovereign debt crises in Europe together with stronger economic growth.

Figure XVIII 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 XVIII: Unfunded Superannuation Liability**



Source: Tasmanian Audit Office

Figure XVIII 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:

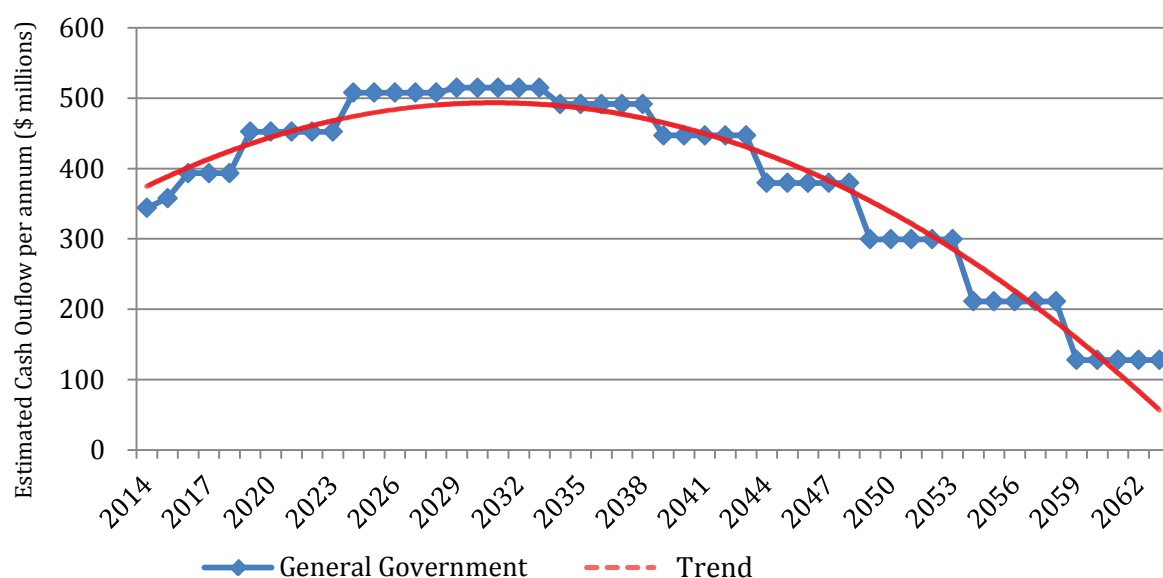
- Retirement Benefit Fund (RBF) Contributory Scheme<sup>4</sup>, net \$5.988bn (2011-12, net \$6.817bn)
- Parliamentary Superannuation Schemes<sup>4</sup> (Parliamentary Superannuation Fund and Parliamentary Retiring Benefits Fund) administered by the RBF Board, net \$20m (net \$24m)
- Judges Contributory Pensions<sup>4</sup>, \$43m (\$47m)
- Housing Tasmania superannuation liability, net \$15m (net \$17m), recognised in the financial statements of the Department of Health and Human Services

<sup>4</sup>. Individual GGS agencies do not recognise a liability for the accruing superannuation defined benefits of their employees who are members of the scheme. This liability is held centrally and is recognised within Finance General's Statement of Financial Position at the latest actuarial assessment of members' entitlements, net of scheme assets.

- Tasmanian Ambulance Service Superannuation Scheme (TASSS), net \$6m (net \$12m), administered by the RBF Board, with the liability recognised in the financial statements of the Department of Health and Human Services
- State Fire Commission Superannuation Scheme (SFCSS), net \$1m (net \$8m), administered by the RBF Board, with the liability recognised in the financial statements of the State Fire Commission.

Figure XIX 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 2013. 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 proceeds.

**Figure XIX: Undiscounted Defined Benefit Superannuation Cash Outflows (2014 – 2063)**



Source: Tasmanian Audit Office

Figure XIX shows that the costs of meeting defined benefit pensions and lump sum payments will peak approximately between fifteen to twenty years from now at around \$515m per annum (or \$386m per annum using the current 75/25 funding arrangement). However, the analysis indicates that superannuation payments will start increasing significantly much sooner. In five years from 2013-14, the payments are estimated to increase by 31.5%. The capacity of the State to meet its future superannuation obligations will require close monitoring.

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

Benefits paid totalled \$314m in 2012-13, which was slightly below the projected cash outflow of \$325m.

## Statement of Cash Flows

	2012-13	2011-12	2010-11	2009-10	2008-09
	\$m	\$m	\$m	\$m	\$m
<b>Cash at the Beginning of the Year</b>	<b>1 252</b>	<b>628</b>	<b>966</b>	<b>1 227</b>	<b>1 306</b>
Net cash flows from operating activities	(27)	131	(140)	39	272
Net Cash flows from (used in) investing activities	(157)	(124)	(193)	(278)	(341)
Net Cash flows from (used in) financing activities	230	617	(5)	(22)	(10)
<b>Net Increase (Decrease) in Cash Held</b>	<b>46</b>	<b>624</b>	<b>(338)</b>	<b>(261)</b>	<b>(79)</b>
<b>Cash at the End of the Year</b>	<b>1 298</b>	<b>1 252</b>	<b>628</b>	<b>966</b>	<b>1 227</b>

*Note: The establishment grant paid to Macquarie Point Development Corporation, \$50m, was excluded from operating activities and reallocated to investing activities for the purpose of this analysis.*

Cash held by the GGS increased by \$46m to \$1.298bn at 30 June 2013. The balance included an overnight loan of \$900m (2012, \$650m) from TASCORP on 30 June 2013 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 \$397m (2011-12, \$602m) and borrowings would total \$226m. The main components of cash flows in 2012-13 were:

- Operating cash 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 \$91m, driven predominantly by capital programs in health, infrastructure and social housing. Also included is a grant of \$50m to the newly established Macquarie Point Development Authority
- equity injections into Government businesses, net \$72m, comprising contributions to TasRail, \$58m, Tasmanian Irrigation, \$23m, and Forestry, \$10m, less equity withdrawal from Transend, \$20m
- net borrowings, \$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 borne 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.

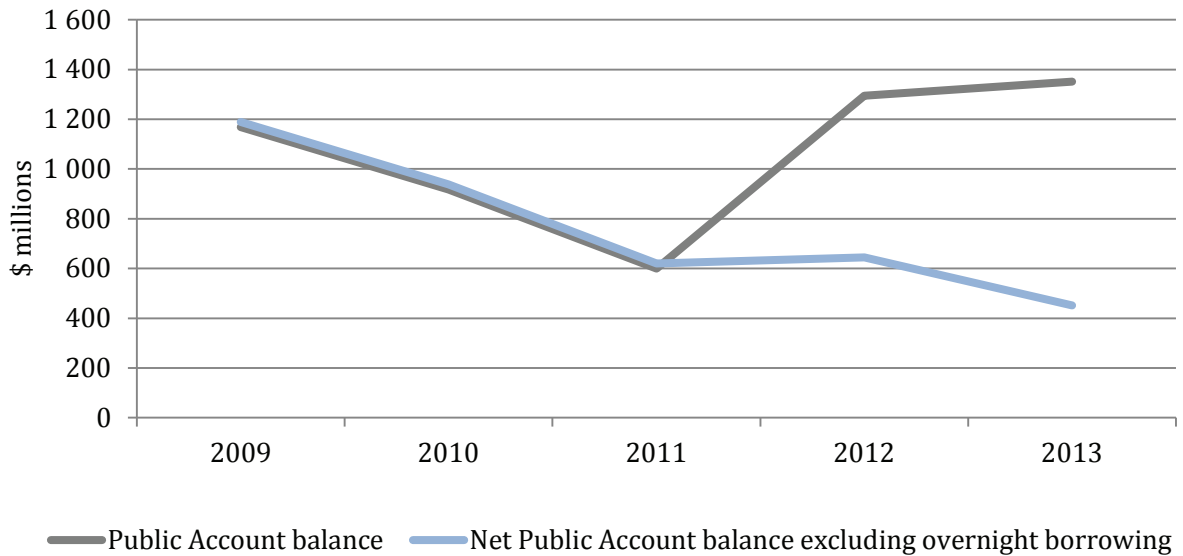
SDTF consisted of various accounts established by the Treasurer. The majority of these accounts represented departmental operating accounts, where funds appropriated from the Consolidated Fund by the annual Appropriation Act are deposited. In addition, operating accounts can retain funds that are approved 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 XX shows the total cash held by the GGS at the end of June for the last five years.

**Figure XX: Cash Balance (5-year trend)**

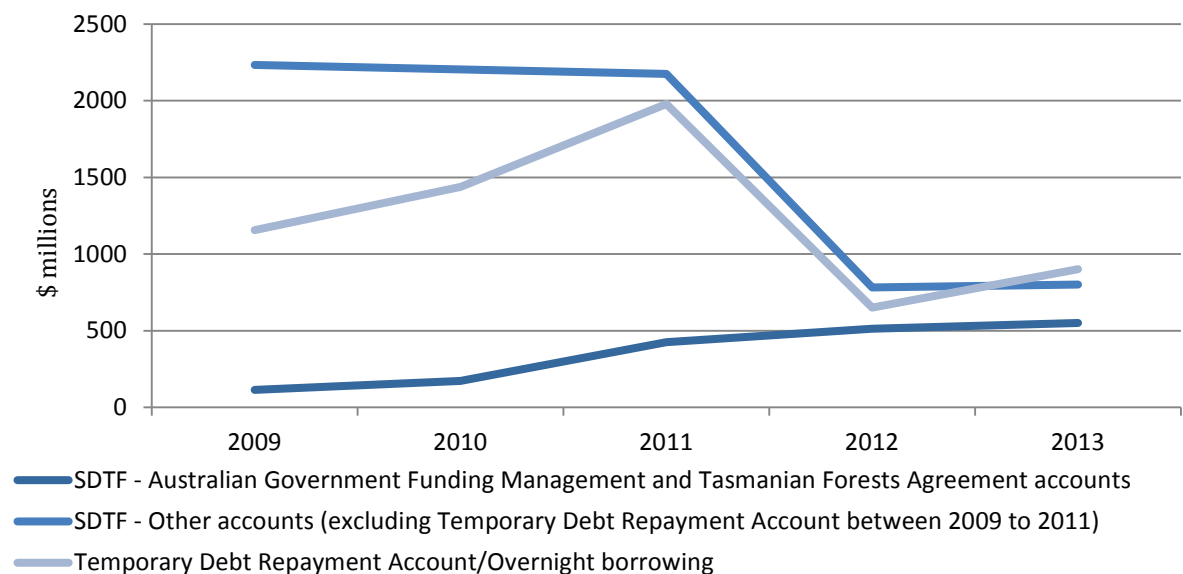


Source: Tasmanian Audit Office

As shown in Figure XX, cash held in the PA totalled \$1.351bn (as opposed to the balance of \$1.297bn disclosed in the GGS financial statements). Included in the balance was the overnight loan of \$900m (2011-12, \$650m), which was repaid on 1 July 2013. If the overnight loan were eliminated, the cash balance would be \$398m, which was \$220m lower compared to the net balance of \$618m at 30 June 2012.

Another way to look at this is in Figure XXI which 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 showing 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 XXI: Composition of Public Account**



Source: Tasmanian Audit Office



The balance of cash and deposits in the PA of \$1.351bn (\$1.294bn) comprised \$550m of Australian Government funds and \$801m in other SDTF accounts. The balance of Australian Government funds, which included unspent monies for the redevelopment of the Royal Hobart Hospital and implementation of the TFIA, was \$37m higher compared to last year and the balance of other SDTF accounts was \$20m higher.

As mentioned in the GGS section of this Report, the overnight borrowing is undertaken to gross up cash holdings to equate to the balance of the SDTF. The increase in the overnight borrowing of \$250m since 30 June 2012 reflects the higher balance of the SDTF plus funding of the Consolidated Fund Deficit of \$257m in 2012-13.

This indicates that the balance of the SDTF, including Australian Government funds, was being used to defer the need to borrow. This cash management strategy has been providing a benefit to the State in reduced net interest costs.

## Consolidated Fund Outcome

	2012-13	2012-13	2012-13	2012-13	2011-12
	Original Budget	Revised Budget <sup>1</sup>	Preliminary Outcome <sup>2</sup>	Actual	Actual
	\$m	\$m	\$m	\$m	\$m
<b>Receipts</b>					
Australian Government sources	2 229	2 223	2 171	2 171	2 831
State sources	1 502	1 375	1 347	1 347	1 447
<b>Total</b>	<b>3 731</b>	<b>3 598</b>	<b>3 518</b>	<b>3 518</b>	<b>4 278</b>
<b>Expenditure</b>					
Recurrent services	3 708	3 577	3 609	3 609	4 103
Works and services	187	192	166	166	317
<b>Total</b>	<b>3 895</b>	<b>3 769</b>	<b>3 775</b>	<b>3 775</b>	<b>4 420</b>
<b>Consolidated Fund Outcome</b>	<b>(164)</b>	<b>(171)</b>	<b>(257)</b>	<b>(257)</b>	<b>(142)</b>

1. Revised Budget information sourced from the 2012-13 Revised Estimates Report.

2. Preliminary Outcome information sourced from the 2012-13 Preliminary Outcomes Report.

## Comment

Consolidated Fund Outcome was a deficit of \$257m in 2012-13, compared to a deficit of \$142m in 2011-12. The deficit reflected lower receipts, \$760m, partly offset by a reduction in expenditure, \$645m, all discussed previously in the Statement of Comprehensive Income section of this Chapter.

The Consolidated Fund Deficit was \$93m higher than the deficit estimated in the original Budget and \$86m above the revised outcome. This was primarily due to revenue targets not being met.

## TOTAL STATE SECTOR

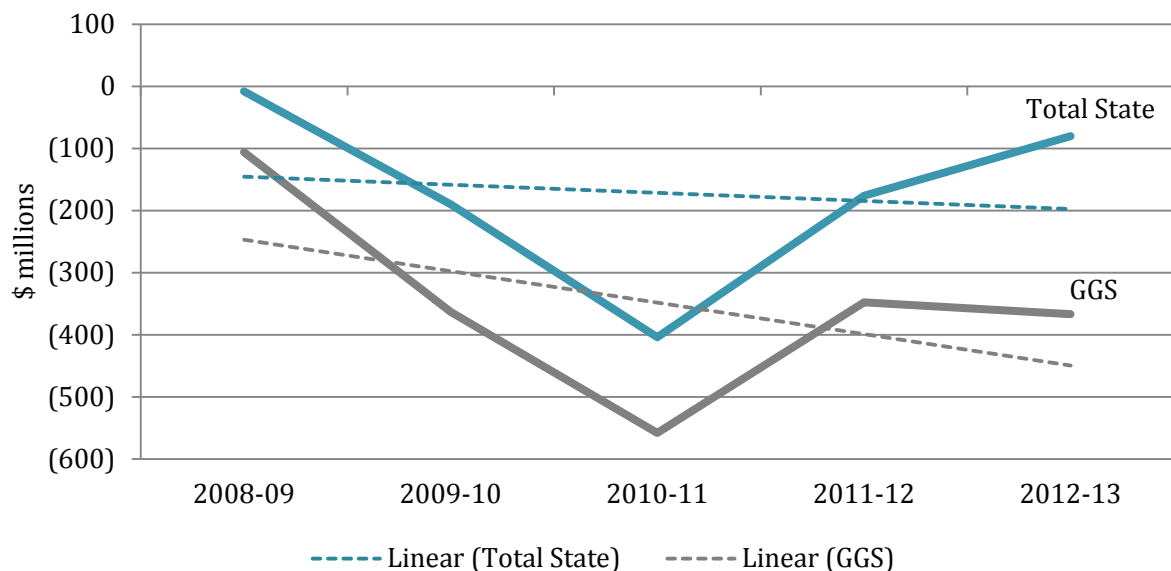
### Statement of Comprehensive Income

	2012-13	2011-12	2010-11	2009-10	2008-09
	\$m	\$m	\$m	\$m	\$m
Total Revenue	8 331	7 774	7 320	7 026	6 563
Total Expenditure	8 411	7 950	7 724	7 216	6 571
<b>Underlying Net Operating Balance Before:</b>	<b>(80)</b>	<b>(176)</b>	<b>(404)</b>	<b>(190)</b>	<b>(8)</b>
One-off Australian Government Capital Funding	101	162	535	381	28
Net Revenue from discontinued operations	0	15	0	0	0
<b>Net Operating Balance</b>	<b>(29)</b>	<b>1</b>	<b>132</b>	<b>192</b>	<b>20</b>
<i>Plus Other Economic Flows - Included in Operating Result</i>					
Other economic flows - net	729	(2 368)	(170)	(889)	53
<b>Operating Result</b>	<b>700</b>	<b>(2 367)</b>	<b>(38)</b>	<b>(697)</b>	<b>73</b>
<i>Plus Other Economic Flows - Other Movements in Equity</i>					
Total Other equity movements	25	941	(536)	2 113	195
<b>Comprehensive Result</b>	<b>725</b>	<b>(1 426)</b>	<b>(574)</b>	<b>1 416</b>	<b>268</b>

### Underlying Net Operating Balance

Total State Underlying Net Operating Balance was a deficit of \$80m in 2012-13. This was a \$96m improvement on last year's deficit of \$176m. Figure XXII provides an overview of underlying results for the past five years.

**Figure XXII: Total State and GGS Underlying Net Operating Balance (5-year trend)**



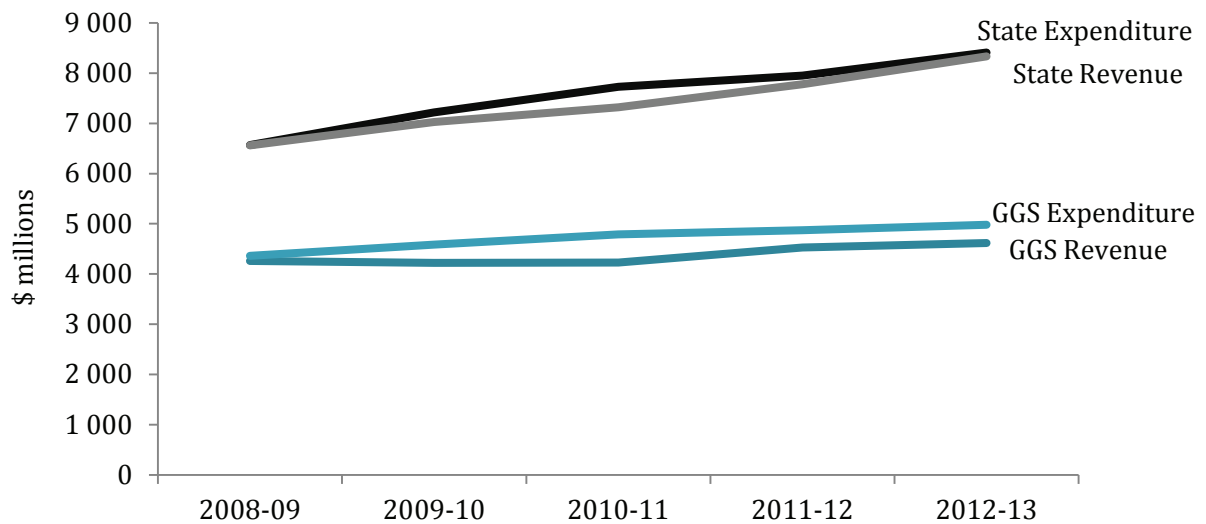
Source: Tasmanian Audit Office

Both Total State and GGS reported Net Underlying Operating Balance deficits since 2008-09. Figure XXII illustrates that GGS results were the cause of deficits reported at the Total State level. The PNFC/PFC sectors returned positive Net Underlying Operating Balances in each of the five

years. The improved result in 2012-13 was mainly due to a significant growth in Hydro Tasmania's underlying profit, referred to earlier, and to a strong result generated by the MAIB.

Figure XXIII presents revenue and expenditure for the GGS and State over the past five years.

**Figure XXIII: Comparison of GGS and Total State Expenditure and Revenue (5-year trend)**



Source: Tasmanian Audit Office

Figure XXIII illustrates that the GGS accounted for the majority of the State's expenditure and revenue. In total, State expenses grew to \$8.411bn, of which GGS accounted for 59.2%. State revenue reached \$8.331bn, with GGS representing 55.4% of that amount.

## Operating Result

Total State Operating Result for 2012-13 was a surplus of \$700m, compared to a deficit of \$2.367bn in 2011-12. Last year's result was significantly impacted by actuarial losses on the superannuation liability, \$1.988bn, caused mainly by the reduction in yields on Australian government bonds during that year. An increase in bond rates in 2012-13, together with improved returns on plan assets, reversed some of these losses and resulted in an actuarial gain of \$1.101bn.

## Statement of Financial Position

	2013	2012	2011	2010	2009
	\$m	\$m	\$m	\$m	\$m
Total Assets	27 929	28 706	28 216	26 377	25 280
Total Liabilities	16 137	17 640	15 724	13 312	13 630
<b>Net Assets</b>	<b>11 792</b>	<b>11 066</b>	<b>12 492</b>	<b>13 065</b>	<b>11 650</b>
Net Worth	11 792	11 066	12 492	13 065	11 650
Net Financial Worth	(9 945)	(11 042)	(8 867)	(8 276)	(7 036)
Net Financial Liabilities	9 945	11 042	8 867	8 276	7 037
Net Debt	(973)	(1 201)	(1 309)	962	407

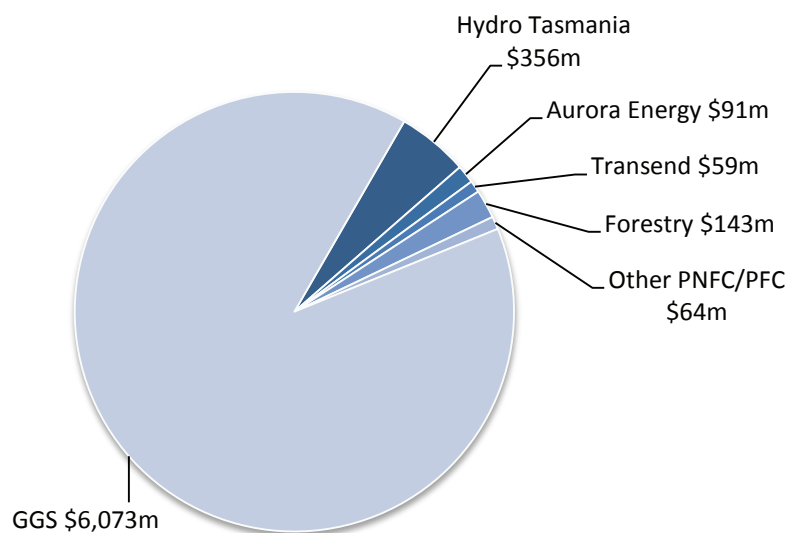
Net Worth, also referred to as Net Assets, increased by \$726m in 2012-13 to \$11.792bn in line with the Comprehensive result. Net Financial Liabilities were \$9.945bn at 30 June 2013, which was \$1.097bn lower than last year. The defined benefit superannuation liability represented 68.2% (2011-12, 70.2%) of Net Financial Liabilities.

## Defined Benefit Superannuation Liability

A number of PNFC/PFC entities have current and former employees who are members of the RBF Contributory Scheme, which is a closed defined benefit superannuation 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 \$6.786bn at 30 June 2013. Figure XXIV breaks down the obligation between GGS and PNFC/PFC entities that have members in the defined benefit schemes administered by the RBF Board.

**Figure XXIV: Net Defined Benefit Superannuation Liabilities**

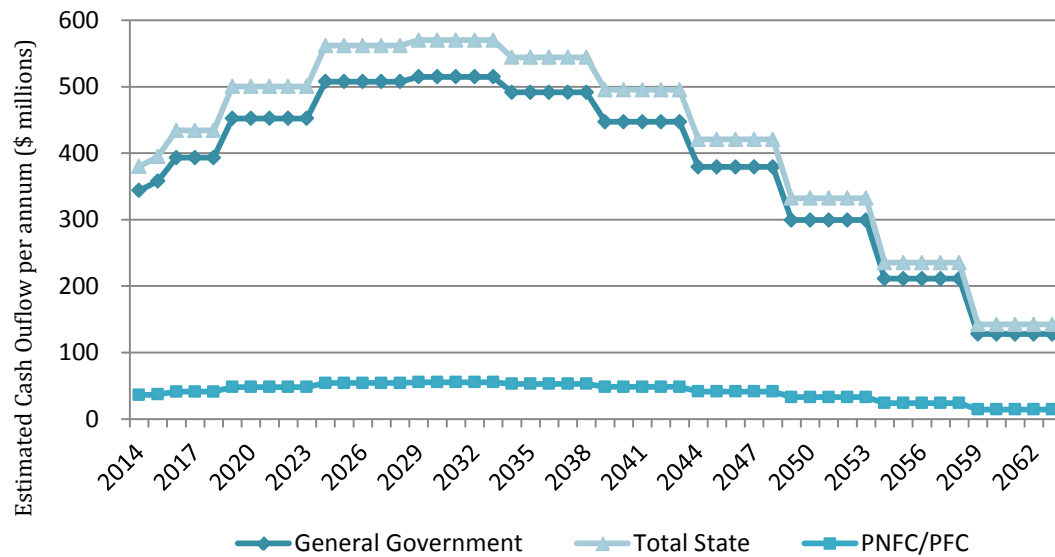


Source: Tasmanian Audit Office

Figure XXIV shows that the GGS sector accounted for over 89.5% of the Total State's defined benefit superannuation liability. Both the GGS and PNFC/PFC sectors now meet the emerging costs associated with the defined benefit schemes as and when they arise.

Figure XXV 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 2013. 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 XXV: Undiscounted Defined Benefit Superannuation Cash Outflows (2014 – 2063)



Source: Tasmanian Audit Office

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

## Statement of Cash Flows

	2012-13	2011-12	2010-11	2009-10	2008-09
	\$m	\$m	\$m	\$m	\$m
<b>Cash at the Beginning of the Year</b>	<b>1 796</b>	<b>2 241</b>	<b>1 574</b>	<b>2 689</b>	<b>2 789</b>
Net cash flows from operating activities	671	562	508	397	583
Net Cash flows from (used in) investing activities	(877)	(22)	(1 898)	(695)	(725)
Net Cash flows from (used in) financing activities	(259)	(985)	2 057	(817)	41
<b>Net Increase (Decrease) in Cash Held</b>	<b>(465)</b>	<b>(445)</b>	<b>667</b>	<b>(1 115)</b>	<b>(100)</b>
<b>Cash at the End of the Year</b>	<b>1 331</b>	<b>1 796</b>	<b>2 241</b>	<b>1 574</b>	<b>2 689</b>

Note: The establishment grant paid to Macquarie Point Development Corporation, \$50m, was excluded from operating activities and reallocated to investing activities for the purpose of this analysis.

Cash held by the Total State Sector decreased by \$465m during 2012-13 to \$1.331bn at 30 June. Net cash provided by operating activities of the State was \$671m for the year, which was an improvement on previous years. The primary contributing factor was an increase in cash from sales of goods and services.

Table 2 provides a summary of the State's capital expenditure during the five years to 30 June 2013 (based on cash outflows, not accrued expenditure).

**Table 2: Capital Expenditure**

	2012-13	2011-12	2010-11	2009-10	2008-09
	\$m	\$m	\$m	\$m	\$m
Capital Expenditure					
General government sector	198	371	720	607	286
PNFCs and PFCs	623	669	598	717	730
<b>Total</b>	<b>821</b>	<b>1 040</b>	<b>1 318</b>	<b>1 324</b>	<b>1 016</b>

Source: Tasmanian Audit Office

In 2012-13, the State invested net \$821m (2011-12, \$1.040bn) in assets, which was split 24.1% (35.7%) GGS and 75.9% (64.3%) PNFC/PFC Sector. The GGS's gross investment on non-financial assets was \$198m in 2012-13, which was \$173m below the previous year's figure and the lowest in the five years under review. However, the high level of investment in previous years was due to programs funded by the Economic Stimulus Plan. Government businesses which invested most in assets were the three electricity businesses, the water corporations, Tasmanian Irrigation and TasRail.

The majority of the GGS capital expenditure was funded by one-off Australian Government grants. The PNFC sector utilised cash from operations and additional borrowings to fund its capital programs. Both TasRail and Tasmanian Irrigation received equity injections from Government to assist with capital works.

# APPENDIX I - SUPPORTING INFORMATION

## GGs STATEMENT OF COMPREHENSIVE INCOME

	2012-13 Original Budget \$m	2012-13 Revised Budget <sup>1</sup> \$m	2012-13 Preliminary Outcome <sup>2</sup> \$m	2012-13 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2009-10 Actual \$m	2008-09 Actual \$m
<b>Revenue</b>								
Grants	2 768	2 753	2 779	2 840	2 854	2 656	2 730	2 677
Taxation	941	922	920	925	888	860	872	804
Sales of goods and services	314	336	329	346	310	303	289	303
Fines and regulatory fees	107	102	95	88	90	84	97	92
Interest income	17	17	21	21	27	40	45	68
Dividend, tax and rate equivalent income	233	226	242	240	194	159	79	210
Other revenue	142	169	222	157	165	130	109	105
<b>Total Revenue</b>	<b>4 522</b>	<b>4 525</b>	<b>4 608</b>	<b>4 617</b>	<b>4 528</b>	<b>4 232</b>	<b>4 221</b>	<b>4 259</b>
<b>Expenditure</b>								
Employee expenses	2 026	2 049	2 125	2 107	2 096	2 070	1 957	1 863
Superannuation contributions	236	232	289	315	279	271	233	257
Superannuation liability expenses	260	250	179	178	239	232	208	193
Depreciation	248	248	240	246	242	236	229	229
Supplies, consumables and other expenses	1 060	1 120	1 039	1 051	994	1 015	1 004	1 000
Borrowing costs	14	14	14	14	14	14	18	16
Grant and subsidy expenses	1 070	1 048	1 008	1 073	1 012	952	935	807
<b>Total Expenditure</b>	<b>4 914</b>	<b>4 961</b>	<b>4 894</b>	<b>4 984</b>	<b>4 876</b>	<b>4 790</b>	<b>4 584</b>	<b>4 365</b>
<b>Underlying Net Operating Balance</b>								
<b>Before:</b>	<b>(392)</b>	<b>(436)</b>	<b>(286)</b>	<b>(367)</b>	<b>(348)</b>	<b>(558)</b>	<b>(363)</b>	<b>(106)</b>
One-off Australian Government Capital Funding	109	109	101	101	162	535	381	28
Macquarie Point Development Corporation start-up grant	n/a	n/a	(50)	(50)	n/a	n/a	n/a	n/a
<b>Net Operating Balance</b>	<b>(283)</b>	<b>(327)</b>	<b>(235)</b>	<b>(316)</b>	<b>(186)</b>	<b>(23)</b>	<b>18</b>	<b>(78)</b>
<b>Plus Other Economic Flows - Included in Operating result</b>								
Gain (loss) on sale of non-financial assets	0	(9)	3	(4)	(6)	6	(24)	3
Revaluation of equity investment in GBEs/ SOC's	301	300	(290)	(124)	135	228	1 893	387
Movements in Superannuation liability	0	2 286	972	986	(1 796)	85	(692)	(148)
Gain on sale of TOTE Tasmania Pty Ltd	0	0	0	0	89	0	0	0
Other gains (losses)	(18)	(18)	(419)	(81)	(60)	(124)	(41)	(28)
<b>Other Economic Flows - Net</b>	<b>283</b>	<b>2 559</b>	<b>266</b>	<b>777</b>	<b>(1 638)</b>	<b>195</b>	<b>1 136</b>	<b>214</b>
<b>Operating Result</b>	<b>0</b>	<b>2 232</b>	<b>(31)</b>	<b>461</b>	<b>(1 824)</b>	<b>172</b>	<b>1 153</b>	<b>136</b>
<b>Plus Other Economic Flows - Other Movements in Equity</b>								
Revaluations of non-financial assets	249	249	518	332	425	(807)	387	277
Other non-owner movements in equity	(21)	(34)	47	4	45	120	(14)	(22)
<b>Total Other Equity Movements</b>	<b>228</b>	<b>215</b>	<b>565</b>	<b>336</b>	<b>470</b>	<b>(687)</b>	<b>373</b>	<b>255</b>
<b>Comprehensive Result</b>	<b>228</b>	<b>2 447</b>	<b>596</b>	<b>797</b>	<b>(1 354)</b>	<b>(515)</b>	<b>1 527</b>	<b>391</b>

## GGG STATEMENT OF COMPREHENSIVE INCOME cont.

	2012-13 Original Budget \$m	2012-13 Revised Budget <sup>1</sup> \$m	2012-13 Preliminary Outcome <sup>2</sup> \$m	2012-13 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2009-10 Actual \$m	2008-09 Actual \$m
<b>KEY FISCAL AGGREGATES</b>								
<b>Net Operating Balance</b>	(283)	(327)	(235)	(316)	(186)	(23)	18	(78)
<b>Less Net Acquisition of Non-Financial Assets</b>								
Purchase of non-financial assets	434	385	245	198	371	721	607	286
Less Sale of non-financial assets	40	31	41	55	52	62	69	41
Less Depreciation	248	248	240	246	243	236	229	228
<b>Net Acquisition of Non-Financial Assets</b>	<b>146</b>	<b>106</b>	<b>(36)</b>	<b>(103)</b>	<b>76</b>	<b>423</b>	<b>309</b>	<b>17</b>
<b>FISCAL BALANCE</b>	<b>(429)</b>	<b>(433)</b>	<b>(199)</b>	<b>(213)</b>	<b>(262)</b>	<b>(446)</b>	<b>(291)</b>	<b>(95)</b>
1. Revised Budget information sourced from the 2012-13 Revised Estimates Report.								
2. Preliminary Outcome information sourced from the 2012-13 Preliminary Outcomes Report.								

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.

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.



# GGG STATEMENT OF FINANCIAL POSITION

	2013 Original Budget \$m	2013 Revised Budget <sup>1</sup> \$m	2013 Preliminary Outcome <sup>2</sup> \$m	2013 Actual \$m	2012 Actual \$m	2011 Actual \$m	2010 Actual \$m	2009 Actual \$m
<b>Assets</b>								
<b>Financial Assets</b>								
Cash and deposits <sup>a</sup>	915	958	1 301	1 298	1 252	629	966	1 227
Investments <sup>b</sup>	59	48	48	48	53	56	56	48
Equity in GBE's and SOC's <sup>c</sup>	6 538	6 653	6 008	6 175	6 298	6 178	5 950	4 105
Other equity investments	8	14	5	8	6	4	3	6
Receivables	193	335	310	306	340	216	214	183
Other financial assets <sup>c</sup>	1 159	1 109	883	967	1 061	1 031	913	1 009
<b>Total Financial Assets<sup>f</sup></b>	<b>8 872</b>	<b>9 117</b>	<b>8 555</b>	<b>8 802</b>	<b>9 010</b>	<b>8 114</b>	<b>8 102</b>	<b>6 578</b>
<b>Non-financial Assets</b>								
Land and buildings	6 355	6 215	6 140	6 165	6 026	5 897	5 219	4 807
Infrastructure	4 096	4 244	4 252	4 274	4 095	3 787	4 837	4 641
Plant and equipment	211	212	228	215	213	224	216	213
Heritage and cultural assets	465	462	459	461	450	442	553	447
Investment property	14	13	11	11	12	12	13	13
Intangible Assets	30	35	37	38	36	34	34	29
Assets held for sale	23	17	20	22	20	28	21	15
Other non-financial assets	36	39	51	36	39	35	36	38
	<b>11 230</b>	<b>11 237</b>	<b>11 198</b>	<b>11 222</b>	<b>10 891</b>	<b>10 459</b>	<b>10 929</b>	<b>10 203</b>
<b>Total Assets</b>	<b>20 102</b>	<b>20 354</b>	<b>19 753</b>	<b>20 024</b>	<b>19 901</b>	<b>18 573</b>	<b>19 031</b>	<b>16 781</b>
<b>Liabilities</b>								
Borrowings <sup>g</sup>	1 108	1 043	1 133	1 126	896	269	274	293
Superannuation	4 977	4 773	6 071	6 073	6 925	4 966	4 860	4 034
Employee entitlements	520	538	525	544	531	488	461	459
Payables	48	95	72	91	101	97	122	91
Other liabilities	319	392	362	398	382	261	249	254
<b>Total Liabilities<sup>h</sup></b>	<b>6 972</b>	<b>6 841</b>	<b>8 163</b>	<b>8 232</b>	<b>8 835</b>	<b>6 081</b>	<b>5 966</b>	<b>5 131</b>
<b>Net Assets</b>	<b>13 130</b>	<b>13 513</b>	<b>11 590</b>	<b>11 792</b>	<b>11 066</b>	<b>12 492</b>	<b>13 065</b>	<b>11 650</b>
<b>Equity</b>								
Accumulated surplus	8 930	9 139	6 946	7 351	6 940	8 791	8 557	7 202
Asset revaluation reserve	4 200	4 374	4 644	4 441	4 126	3 701	4 508	4 448
<b>Total Equity</b>	<b>13 130</b>	<b>13 513</b>	<b>11 590</b>	<b>11 792</b>	<b>11 066</b>	<b>12 492</b>	<b>13 065</b>	<b>11 650</b>
<b>Net Worth</b>	<b>13 130</b>	<b>13 513</b>	<b>11 590</b>	<b>11 792</b>	<b>11 066</b>	<b>12 492</b>	<b>13 065</b>	<b>11 650</b>
<b>Net Financial Worth<sup>(f-h)</sup></b>	<b>1 900</b>	<b>2 276</b>	<b>392</b>	<b>570</b>	<b>175</b>	<b>2 033</b>	<b>2 136</b>	<b>1 447</b>
<b>Net Financial Liabilities<sup>(h-f+c)</sup></b>	<b>4 638</b>	<b>4 377</b>	<b>5 616</b>	<b>5 605</b>	<b>6 123</b>	<b>4 145</b>	<b>3 814</b>	<b>2 658</b>
<b>Net Debt<sup>(g-a-b)</sup></b>	<b>134</b>	<b>37</b>	<b>(216)</b>	<b>(220)</b>	<b>(409)</b>	<b>(416)</b>	<b>(748)</b>	<b>(982)</b>

1. Revised Budget information sourced from the 2012-13 Revised Estimates Report.

2. Preliminary Outcome information sourced from the 2012-13 Preliminary Outcomes Report.

## GGG STATEMENT OF CASH FLOWS

	2012-13 Original Budget \$m	2012-13 Revised Budget <sup>1</sup> \$m	2012-13 Preliminary Outcome <sup>2</sup> \$m	2012-13 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2009-10 Actual \$m	2008-09 Actual \$m
<b>Cash Flows From Operating Activities</b>								
<b>Cash Inflows</b>								
Taxation	941	922	915	919	876	847	867	792
Sales of goods and services	314	336	323	345	294	311	291	307
Grants received	2 767	2 752	2 816	2 840	2 853	2 649	2 749	2 653
Dividend, tax and rate equivalents	233	226	207	207	211	126	106	152
Fines and regulatory fees	106	100	97	90	98	86	86	63
Interest received	18	18	20	20	29	41	44	71
Other receipts	317	344	316	327	389	382	293	279
	<b>4 696</b>	<b>4 698</b>	<b>4 694</b>	<b>4 748</b>	<b>4 750</b>	<b>4 442</b>	<b>4 436</b>	<b>4 317</b>
<b>Cash Outflows</b>								
Employee entitlements	(2 014)	(2 037)	(2 109)	(2 109)	(2 077)	(2 046)	(1 958)	(1 805)
Superannuation	(320)	(348)	(347)	(347)	(335)	(305)	(304)	(269)
Supplies and consumables	(1 029)	(1 087)	(976)	(1 008)	(950)	(1 016)	(933)	(951)
Grants and subsidies paid	(1 070)	(1 048)	(1 005)	(1 074)	(1 007)	(931)	(929)	(797)
Borrowing costs	(14)	(14)	(14)	(14)	(14)	(15)	(17)	(16)
Other payments	(204)	(205)	(208)	(223)	(236)	(269)	(256)	(207)
	<b>(4 651)</b>	<b>(4 739)</b>	<b>(4 659)</b>	<b>(4 775)</b>	<b>(4 619)</b>	<b>(4 582)</b>	<b>(4 397)</b>	<b>(4 045)</b>
<b>Net Cash Flows From (used in) Operating Activities</b>	<b>45</b>	<b>(41)</b>	<b>(35)</b>	<b>(27)</b>	<b>131</b>	<b>(140)</b>	<b>39</b>	<b>272</b>
<b>Cash Flows From Investing Activities</b>								
<b>Net Cash Flows used in Investment in Non-Financial Assets</b>								
One-off Australian Government Capital Funding	109	109	101	101	162	535	381	28
Grant to Macquarie Point Development Authority	0	0	(50)	(50)	0	0	0	0
Purchases of non-financial assets	(434)	(385)	(245)	(198)	(371)	(720)	(606)	(286)
Sales of non-financial assets	41	31	42	56	52	62	69	41
	<b>(284)</b>	<b>(245)</b>	<b>(152)</b>	<b>(91)</b>	<b>(157)</b>	<b>(123)</b>	<b>(156)</b>	<b>(217)</b>
<b>Net Cash Flows used in Investment in Financial Assets for Policy Purposes</b>								
Equity injections	(90)	(153)	(72)	(72)	(72)	(59)	(111)	(117)
Proceeds on disposal of equity in TOTE Tasmania Pty Ltd	0	0	0	0	104	0	0	0
Net advances paid	(6)	(2)	4	4	1	(10)	(11)	(12)
	<b>(96)</b>	<b>(155)</b>	<b>(68)</b>	<b>(68)</b>	<b>33</b>	<b>(69)</b>	<b>(122)</b>	<b>(129)</b>
<b>Net Cash Flows From Investment in Financial Assets for Liquidity Purposes</b>								
Net purchase of investments	0	0	0	2	(1)	(1)	1	5
	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>(1)</b>	<b>(1)</b>	<b>1</b>	<b>5</b>
<b>Net Cash Flows (used in) Investing Activities</b>	<b>(380)</b>	<b>(400)</b>	<b>(220)</b>	<b>(157)</b>	<b>(124)</b>	<b>(193)</b>	<b>(278)</b>	<b>(341)</b>

## GGG STATEMENT OF CASH FLOWS cont.

	2012-13 Original Budget \$m	2012-13 Revised Budget <sup>1</sup> \$m	2012-13 Preliminary Outcome <sup>2</sup> \$m	2012-13 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2009-10 Actual \$m	2008-09 Actual \$m
<b>Cash Flows From (used in) Financing Activities</b>								
Net borrowing	223	147	230	230	626	(4)	(22)	(22)
Other financing	0	0	5	0	(9)	(1)	0	12
<b>Net Cash Flows (used in) Financing Activities</b>	<b>223</b>	<b>147</b>	<b>235</b>	<b>230</b>	<b>617</b>	<b>(5)</b>	<b>(22)</b>	<b>(10)</b>
<b>Net Increase (Decrease) in Cash Held</b>	<b>(112)</b>	<b>(294)</b>	<b>50</b>	<b>46</b>	<b>624</b>	<b>(338)</b>	<b>(261)</b>	<b>(79)</b>
<b>Cash at the Beginning of the Year</b>	<b>1 026</b>	<b>1 252</b>	<b>1 252</b>	<b>1 252</b>	<b>628</b>	<b>966</b>	<b>1 227</b>	<b>1 306</b>
<b>Cash at the End of the Year</b>	<b>914</b>	<b>958</b>	<b>1 302</b>	<b>1 298</b>	<b>1 252</b>	<b>628</b>	<b>966</b>	<b>1 227</b>
<b>KEY FISCAL AGGREGATES</b>								
<b>Net Cash From Operating Activities</b>	<b>45</b>	<b>(41)</b>	<b>(35)</b>	<b>(27)</b>	<b>131</b>	<b>(140)</b>	<b>39</b>	<b>272</b>
<b>Plus Net Cash From Investments in Non-Financial Assets</b>	<b>(284)</b>	<b>(245)</b>	<b>(152)</b>	<b>(91)</b>	<b>(157)</b>	<b>(123)</b>	<b>(156)</b>	<b>(217)</b>
<b>CASH SURPLUS</b>	<b>(239)</b>	<b>(286)</b>	<b>(117)</b>	<b>(118)</b>	<b>(26)</b>	<b>(263)</b>	<b>(117)</b>	<b>55</b>

<sup>1</sup> Revised Budget information sourced from the 2012-13 Mid-Year Financial Report.

<sup>2</sup> Preliminary Outcome information sourced from the 2012-13 Preliminary Outcomes Report.

Note: The establishment grant paid to Macquarie Point Development Corporation, \$50m, was excluded from operating activities and reallocated to investing activities for the purpose of this analysis.

# TOTAL STATE STATEMENT OF COMPREHENSIVE INCOME

	2012-13	2011-12	2010-11	2009-10	2008-09
	\$m	\$m	\$m	\$m	\$m
<b>Revenue</b>					
Grants	2 836	2 865	2 655	2 748	2 676
Taxation	867	832	808	829	775
Sales of goods and services	4 145	3 568	3 345	3 021	2 545
Fines and regulatory fees	84	89	84	97	92
Interest income	184	232	201	147	245
Dividend, tax and rate equivalent income	44	35	64	31	62
Other revenue	171	153	163	153	168
<b>Total Revenue</b>	<b>8 331</b>	<b>7 774</b>	<b>7 320</b>	<b>7 026</b>	<b>6 563</b>
<b>Expenditure</b>					
Employee expenses	2 547	2 529	2 513	2 358	2 172
Superannuation contributions	365	323	313	269	291
Superannuation liability expenses	200	272	264	233	225
Depreciation	614	591	572	540	470
Supplies, consumables and other expenses	3 545	3 007	2 930	2 778	2 390
Borrowing costs	282	341	291	212	310
Grant and subsidy expenses	858	887	841	826	713
<b>Total Expenditure</b>	<b>8 411</b>	<b>7 950</b>	<b>7 724</b>	<b>7 216</b>	<b>6 571</b>
<b>Underlying Net Operating Balance Before:</b>	<b>(80)</b>	<b>(176)</b>	<b>(404)</b>	<b>(190)</b>	<b>(8)</b>
One-off Australian Government Funding	101	162	535	381	28
Macquarie Point Development Corporation start-up grant	(50)	0	0	0	0
Net Revenue from discontinued operations	0	15	0	0	0
<b>Net Operating Balance</b>	<b>(29)</b>	<b>1</b>	<b>132</b>	<b>192</b>	<b>20</b>
<b>Plus Other Economic Flows - Included in Operating Result</b>					
Gain (loss) on sale of non-financial assets	(5)	(18)	8	(27)	3
Movements in Superannuation liability	1 101	(1 988)	101	(755)	(168)
Gain on sale of TOTE Tasmania Pty Ltd	0	89	0	0	0
Other gains (losses)	(367)	(451)	(279)	(107)	218
<b>Other Economic Flows - Net</b>	<b>729</b>	<b>(2 368)</b>	<b>(170)</b>	<b>(889)</b>	<b>53</b>
<b>Operating Result</b>	<b>700</b>	<b>(2 367)</b>	<b>(38)</b>	<b>(697)</b>	<b>73</b>
<b>Plus Other Economic Flows - Other Movements in Equity</b>					
Revaluations of non-financial assets	32	860	(678)	116	235
Other non-owner movements in equity	(7)	81	142	1 997	(40)
<b>Total Other Equity Movements</b>	<b>25</b>	<b>941</b>	<b>(536)</b>	<b>2 113</b>	<b>195</b>
<b>Comprehensive Result</b>	<b>725</b>	<b>(1 426)</b>	<b>(574)</b>	<b>1 416</b>	<b>268</b>
<b>KEY FISCAL AGGREGATES</b>					
<b>Net Operating Balance</b>	<b>(29)</b>	<b>1</b>	<b>132</b>	<b>192</b>	<b>20</b>
<b>Less Net acquisition of Non-Financial Assets</b>					
Purchase of non financial assets	821	1 040	1 319	1 324	1 016
Less Sale of non financial assets	72	129	77	109	76
Less Depreciation	614	591	572	540	470
<b>Net Acquisition of Non-Financial Assets</b>	<b>135</b>	<b>320</b>	<b>670</b>	<b>675</b>	<b>470</b>
<b>FISCAL BALANCE</b>	<b>(164)</b>	<b>(319)</b>	<b>(538)</b>	<b>(483)</b>	<b>(450)</b>

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.

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.

## TOTAL STATE STATEMENT OF FINANCIAL POSITION

	2013	2012	2011	2010	2009
	\$m	\$m	\$m	\$m	\$m
<b>Assets</b>					
<b>Financial Assets</b>					
Cash and deposits <sup>a</sup>	234	244	139	147	325
Investments <sup>b 1</sup>	4 153	4 199	5 096	3 303	4 595
Equity investments <sup>2</sup>	185	132	136	243	243
Receivables	881	942	691	517	590
Other financial assets <sup>c 3</sup>	739	1 081	795	826	841
<b>Total Financial Assets<sup>f</sup></b>	<b>6 192</b>	<b>6 598</b>	<b>6 857</b>	<b>5 036</b>	<b>6 594</b>
<b>Non-financial Assets</b>					
Land and buildings	6 517	6 373	6 248	5 501	5 302
Infrastructure	13 885	14 220	13 573	14 168	11 849
Plant and equipment	450	430	453	430	381
Heritage and cultural assets	461	450	442	553	447
Biological assets	105	148	232	319	385
Investment property	26	27	28	29	29
Goodwill	19	51	55	55	55
Intangible assets	109	109	128	105	90
Assets held for sale	24	142	33	32	20
Other	141	158	167	149	128
<b>Total Non-Financial Assets</b>	<b>21 737</b>	<b>22 108</b>	<b>21 359</b>	<b>21 341</b>	<b>18 686</b>
<b>Total Assets</b>	<b>27 929</b>	<b>28 706</b>	<b>28 216</b>	<b>26 377</b>	<b>25 280</b>
<b>Liabilities</b>					
Borrowings <sup>g</sup>	5 360	5 644	6 544	4 411	5 327
Superannuation	6 786	7 748	5 600	5 497	4 585
Employee entitlements	660	635	593	567	544
Payables	417	501	404	282	425
Other liabilities	2 914	3 112	2 583	2 555	2 749
<b>Total Liabilities<sup>h</sup></b>	<b>16 137</b>	<b>17 640</b>	<b>15 724</b>	<b>13 312</b>	<b>13 630</b>
<b>Net Assets</b>	<b>11 792</b>	<b>11 066</b>	<b>12 492</b>	<b>13 065</b>	<b>11 650</b>
<b>Equity</b>					
Accumulated surpluses	6 525	5 830	8 103	8 012	6 382
Asset revaluation reserves	5 276	5 260	4 400	5 078	5 290
Other reserves	(9)	(24)	(11)	(25)	(22)
<b>Total Equity</b>	<b>11 792</b>	<b>11 066</b>	<b>12 492</b>	<b>13 065</b>	<b>11 650</b>
<b>Net Worth</b>	<b>11 792</b>	<b>11 066</b>	<b>12 492</b>	<b>13 065</b>	<b>11 650</b>
<b>Net Financial Worth<sup>(f-h)</sup></b>	<b>(9 945)</b>	<b>(11 042)</b>	<b>(8 867)</b>	<b>(8 276)</b>	<b>(7 036)</b>
<b>Net Financial Liabilities<sup>(h-f)</sup></b>	<b>9 945</b>	<b>11 042</b>	<b>8 867</b>	<b>8 276</b>	<b>7 037</b>
<b>Net Debt<sup>(g-a-b)</sup></b>	<b>(973)</b>	<b>(1 201)</b>	<b>(1 309)</b>	<b>(962)</b>	<b>(407)</b>

<sup>1</sup> Majority of Investments represented Tascorp loan advances and securities.

<sup>2</sup> Equity investments primarily related to MAIB investments.

<sup>3</sup> Other financial assets included Basslink related financial assets.

# TOTAL STATE STATEMENT OF CASH FLOWS

	2012-13	2011-12	2010-11	2009-10	2008-09
	\$m	\$m	\$m	\$m	\$m
<b>Cash Flows From Operating Activities</b>					
<b>Cash Inflows</b>					
Taxation	861	823	805	825	765
Sales of goods and services	4 075	3 486	3 671	3 305	2 497
Grants received	2 889	2 859	2 648	2 770	2 651
Dividend, tax and rate equivalents	47	34	64	31	0
Fines and regulatory fees	86	98	85	86	63
Interest received	172	229	270	140	218
Other receipts	540	635	594	457	511
	<b>8 670</b>	<b>8 164</b>	<b>8 137</b>	<b>7 614</b>	<b>6 705</b>
<b>Cash Outflows</b>					
Employee entitlements	(2 468)	(2 443)	(2 352)	(2 321)	(2 109)
Superannuation	(416)	(411)	(367)	(355)	(303)
Supplies and consumables	(3 478)	(3 001)	(3 383)	(3 034)	(2 304)
Grants and subsidies paid	(914)	(882)	(819)	(812)	(703)
Borrowing costs	(313)	(446)	(289)	(301)	(319)
Other payments	(410)	(419)	(419)	(394)	(384)
	<b>(7 999)</b>	<b>(7 602)</b>	<b>(7 629)</b>	<b>(7 217)</b>	<b>(6 122)</b>
<b>Net Cash Flows From Operating Activities</b>	<b>671</b>	<b>562</b>	<b>508</b>	<b>397</b>	<b>583</b>
<b>Cash Flows From Investing Activities</b>					
<b>Net Cash Flows From Investment in Non-Financial Assets</b>					
One-off Australian Government Funding	51	162	535	381	28
Purchases of non-financial assets	(821)	(1 040)	(1 318)	(1 324)	(1 016)
Sales of non-financial assets	72	128	77	109	76
	<b>(698)</b>	<b>(750)</b>	<b>(706)</b>	<b>(834)</b>	<b>(912)</b>
<b>Net Cash Flows From Investment in Financial Assets for Policy Purposes</b>					
Proceeds on disposal of equity in TOTE	0	104	0	0	0
Net advances paid	4	1	(9)	(12)	(12)
	<b>4</b>	<b>105</b>	<b>(9)</b>	<b>(12)</b>	<b>(12)</b>
<b>Net Cash Flows From Investment in Financial Assets for Liquidity Purposes</b>					
Net (purchase) realisation of investments	(183)	623	(1 183)	151	199
	<b>(183)</b>	<b>623</b>	<b>(1 183)</b>	<b>151</b>	<b>199</b>
<b>Net Cash Flows From (used in) Investing Activities</b>	<b>(877)</b>	<b>(22)</b>	<b>(1 898)</b>	<b>(695)</b>	<b>(725)</b>
<b>Cash Flows From (used in) Financing Activities</b>					
Net borrowing	(238)	(956)	2 079	(833)	29
Other financing	(21)	(29)	(22)	16	12
<b>Net Cash Flows From (used in) Financing Activities</b>	<b>(259)</b>	<b>(985)</b>	<b>2 057</b>	<b>(817)</b>	<b>41</b>
<b>Net Increase (Decrease) in Cash Held</b>	<b>(465)</b>	<b>(445)</b>	<b>667</b>	<b>(1 115)</b>	<b>(100)</b>
<b>Cash at the Beginning of the Year</b>	<b>1 796</b>	<b>2 241</b>	<b>1 574</b>	<b>2 689</b>	<b>2 789</b>
<b>Cash at the End of the Year</b>	<b>1 331</b>	<b>1 796</b>	<b>2 241</b>	<b>1 574</b>	<b>2 689</b>
<b>KEY FISCAL AGGREGATES</b>					
<b>Net Cash From Operating Activities</b>	<b>721</b>	<b>724</b>	<b>1 043</b>	<b>778</b>	<b>583</b>
<b>Plus Distributions Paid as Dividends</b>	<b>(21)</b>	<b>(20)</b>	<b>(21)</b>	<b>(16)</b>	<b>0</b>
<b>Plus Net Cash From Investments in Non-Financial Assets</b>	<b>(748)</b>	<b>(912)</b>	<b>(1 241)</b>	<b>(1 215)</b>	<b>(912)</b>
<b>CASH SURPLUS/(DEFICIT)</b>	<b>(48)</b>	<b>(208)</b>	<b>(219)</b>	<b>(453)</b>	<b>(329)</b>

Note: The establishment grant paid to Macquarie Point Development Corporation, \$50m, was excluded from operating activities and reallocated to investing activities for the purpose of this analysis.

## SPECIAL DEPOSIT AND TRUST FUND

	2013	2012	2011	2010	2009
	\$m	\$m	\$m	\$m	\$m
<b>Special Deposits and Trust Fund</b>					
<b>Comprising:</b>					
Superannuation Provision Account <sup>a</sup>	0	0	1 447	1 364	1 324
Infrastructure Tasmania Fund	34	42	61	85	95
Risk Management Account	190	178	177	169	163
Hospital Capital Fund	27	37	49	70	80
Department of Health and Human Services	76	88	62	85	58
Department of Infrastructure, Energy and Resources	35	18	20	40	50
Department of Primary Industries, Parks, Water and Environment	88	91	101	124	145
Australian Government Funding Management Account	501	498	424	172	113
Schools Banking Account	38	35	0	0	0
Tasmanian Forests Agreement Account	49	15	0	0	0
Other	313	292	257	267	318
<b>Balance 30 June (Before Temporary Debt Repayments)</b>	<b>1 351</b>	<b>1 294</b>	<b>2 598</b>	<b>2 376</b>	<b>2 346</b>
Less Temporary Debt Repayments <sup>a</sup>	0	0	(1 978)	(1 438)	(1 156)
<b>Balance 30 June (After Temporary Debt Repayments)</b>	<b>1 351</b>	<b>1 294</b>	<b>620</b>	<b>938</b>	<b>1 189</b>
<b>Represented by:</b>					
Westpac Banking Corporation	53	26	(8)	(22)	(19)
TASCORP Investments	1 298	1 268	628	960	1 209
<b>Balance 30 June</b>	<b>1 351</b>	<b>1 294</b>	<b>620</b>	<b>938</b>	<b>1 189</b>

a. Closed during 2011-12.

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

	2012-13	2011-12	2010-11	2009-10	2008-09
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Motor Accidents Insurance Board	6 140	20 249	34 567	45 044	83 715
Transend Networks Pty Ltd	58 382	59 443	26 418	13 942	27 970
Hydro-Electric Corporation	112 050	112 504	48 405	10 286	4 477
Aurora Energy Pty Ltd	31 504	20 398	9 161	24 613	26 263
Tasmanian Ports Corporation Pty Ltd	0	94	1 525	4 341	7 973
Tasmanian Public Finance Corporation	11 000	9 816	6 595	8 866	9 698
TOTE Tasmania Pty Ltd*	0	0	6 462	6 523	1 194
Public Trustee	272	346	226	805	644
<b>TOTAL</b>	<b>219 348</b>	<b>222 850</b>	<b>133 359</b>	<b>114 420</b>	<b>161 934</b>
Tasmanian Water and Sewerage Corporations**	23 682	22 619	22 113	18 013	0

\* 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

	2012-13	2011-12	2010-11	2009-10	2008-09
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Motor Accidents Insurance Board	23 219	6 140	20 249	34 567	33 103
Transend Networks Pty Ltd	28 686	25 900	28 600	13 200	3 616
Hydro-Electric Corporation	116 481	50 685	49 008	25 510	5 332
Aurora Energy Pty Ltd	25 000	16 000	11 879	0	10 124
Tasmanian Ports Corporation Pty Ltd	0	0	0	684	3 617
Tasmanian Public Finance Corporation	7 629	6 445	3 714	4 000	3 500
TOTE Tasmania Pty Ltd	0	0	0	6 495	0
Public Trustee	0	151	225	0	345
<b>TOTAL</b>	<b>201 015</b>	<b>105 321</b>	<b>113 675</b>	<b>84 456</b>	<b>59 637</b>

## NET ASSETS OF GOVERNMENT BUSINESSES

Government Business Enterprise/ State Owned Company	2013	2012	2011	2010	2009	2008
	\$m	\$m	\$m	\$m	\$m	\$m
Aurora Energy Pty Ltd	555	601	561	496	518	410
Forestry Tasmania	101	117	147	275	581	548
Hydro-Electric Corporation	1 794	2 132	2 013	1 882	1 665	1 397
Macquarie Point Development Corporation	51	0	0	0	0	0
Metro Tasmania Pty Ltd	30	28	33	33	32	30
Motor Accidents Insurance Board	382	240	289	271	220	274
Port Arthur Historic Site Managment Authority	18	17	15	14	15	13
Private Forests Tasmania	0	1	1	1	1	0
Public Trustee	4	2	5	4	5	5
Tasmanian Irrigation Pty Ltd <sup>b</sup>	83	63	65	63	42	0
Tasmanian Ports Corporation Pty Ltd	175	176	181	123	126	125
Tasmanian Public Finance Corporation	41	43	41	38	31	17
Tasmanian Railway Pty Ltd <sup>a</sup>	110	100	82	72	0	0
Tasracing Pty Ltd <sup>a</sup>	40	46	50	53	0	0
TOTE Tasmania Pty Ltd <sup>c</sup>	0	0	9	9	5	46
Transend Networks Pty Ltd	722	693	623	564	525	591
TT-Line Company Pty Ltd	271	253	256	249	237	259
Tasmanian Water and Sewerage Corporation - Northern Region Pty Ltd <sup>a</sup>	509	500	493	488	0	0
Tasmanian Water and Sewerage Corporation - North-Western Region Pty Ltd <sup>a</sup>	335	331	326	327	0	0
Tasmanian Water and Sewerage Corporation - Southern Region Pty Ltd <sup>a</sup>	954	955	921	916	0	0
<b>Total Net Assets*</b>	<b>6 175</b>	<b>6 298</b>	<b>6 111</b>	<b>5 878</b>	<b>4 003</b>	<b>3 715</b>
<b>Amount recorded as equity in TAFR</b>	<b>6 175</b>	<b>6 298</b>	<b>6 178</b>	<b>5 950</b>	<b>4 105</b>	<b>3 717</b>

a. Commenced operations during 2009-10.

b. Previously Rivers and Water Supply Commission.

c. Sold on 26 March 2012.

\* Values of net assets may be different from those disclosed in audited financial statements as a result of the consolidated process.



## STATE OWN-SOURCE REVENUE

	2012-13	2011-12	2010-11	2009-10	2008-09
	\$m	\$m	\$m	\$m	\$m
Payroll tax	304	304	286	271	259
Motor vehicle registration, fees and taxes	151	139	139	135	119
Conveyance duties	139	136	145	163	151
Gambling taxes	93	94	94	99	94
Land tax	89	88	75	91	80
Taxes on property	80	76	71	65	59
Royalties	29	54	49	39	30
Insurance duty	70	53	49	47	43
<b>Taxation Revenue*</b>	<b>955</b>	<b>944</b>	<b>908</b>	<b>910</b>	<b>835</b>
Sales of goods and services	434	431	387	386	395
Dividends, guarantee fees and income tax equivalents	240	194	159	79	210
Interest income	21	27	40	45	68
Other revenue	128	78	82	72	73
<b>Other State Revenue*</b>	<b>823</b>	<b>730</b>	<b>668</b>	<b>582</b>	<b>746</b>
<b>Total State Own-Source Revenue</b>	<b>1 778</b>	<b>1 674</b>	<b>1 576</b>	<b>1 492</b>	<b>1 581</b>

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

## DEPARTMENTAL FTEs

	2013	2012	2011	2010	2009
Economic Development, Tourism and the Arts	389	413	452	455 <sup>b</sup>	400
Education <sup>1</sup>	8 226	8 301	8 742 <sup>a</sup>	7 179	7 835 <sup>c</sup>
Environment, Parks, Heritage and Arts	n/a	n/a	n/a <sup>a</sup>	n/a <sup>b</sup>	714
Health and Human Services	2 613	9 290	9 879	9 697	9 322
Tasmanian Health Organisations	6 914	n/a	n/a <sup>a</sup>	n/a <sup>a</sup>	n/a
Infrastructure, Energy and Resources	493	491	524	524	583
Justice <sup>2</sup>	1 146	1 120	1 106	1 074	1 080
Police and Emergency Management	1 455	1 569	1 635	1 631	1 658
Premier and Cabinet	452	436	459	448	485
Primary Industries, Parks, Water and Environment <sup>3</sup>	1 345	1 370	1 449	1 422 <sup>b</sup>	1 587
Treasury and Finance	285	294	312	317	325
<b>Sub total*</b>	<b>23 318</b>	<b>23 284</b>	<b>24 558</b>	<b>22 747</b>	<b>23 989</b>
TAFE Tasmania	n/a	n/a	n/a	n/a	0 <sup>c</sup>
Tasmanian Academy	0	0	0 <sup>a</sup>	191	149 <sup>c</sup>
Tasmanian Polytechnic	0	0	0 <sup>a</sup>	1 070	1 039 <sup>c</sup>
Tasmanian Skills Institute	267	289	345	356	358 <sup>c</sup>
<b>Total</b>	<b>23 585</b>	<b>23 573</b>	<b>24 903</b>	<b>24 364</b>	<b>25 535</b>

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.

c. Education and TAFE were restructured during 2008-09 under the Tasmania Tomorrow initiative.

\* 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

	2013			2012		
	Defined benefit obligation	Scheme assets	Deficit/ (Surplus)	Defined benefit obligation	Scheme assets	Deficit/ (Surplus)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Aurora Energy Pty Ltd	112 735	21 572	91 163	121 562	20 076	101 486
Forestry Tasmania	175 686	32 351	143 335	197 907	31 971	165 936
Hydro-Electric Corporation	425 159	69 559	355 600	477 671	69 522	408 149
Metro Tasmania Pty Ltd	27 239	4 797	22 442	30 546	4 687	25 859
Motor Accidents Insurance Board	4 810	593	4 217	5 537	613	4 924
Port Arthur Historic Site Management Authority	7 717	1 078	6 639	9 064	1 136	7 928
Public Trustee	15 333	2 520	12 813	16 946	2 463	14 483
Tasmanian Irrigation Pty Ltd	0	0	0	469	74	395
Tasracing Pty Ltd	2 142	267	1 875	2 429	264	2 165
Transend Network Pty Ltd	73 185	13 818	59 367	80 796	13 572	67 224
TT Line Company Pty Ltd	7 240	1 145	6 095	8 241	1 099	7 142
<b>Total PNFC/PFC Sector Before Water Corporations</b>	<b>851 246</b>	<b>147 700</b>	<b>703 546</b>	<b>951 168</b>	<b>145 477</b>	<b>805 691</b>
Tasmanian Water and Sewerage Corporation - Northern Region Pty Ltd	3 464	539	2 925	4 423	607	3 816
Tasmanian Water and Sewerage Corporation - North-Western Region Pty Ltd	900	128	772	1 189	164	1 025
Tasmanian Water and Sewerage Corporation - Southern Region Pty Ltd	6 208	968	5 240	7 937	1 140	6 797
Tasmanian Water and Sewerage Corporation - Common Services Pty Ltd	605	132	473	687	89	598
<b>Total PNFC/PFC Sector</b>	<b>862 423</b>	<b>149 467</b>	<b>712 956</b>	<b>965 404</b>	<b>147 477</b>	<b>817 927</b>
Finance-General	7 395 259	1 408 001	5 987 258	8 169 234	1 352 015	6 817 219
Judges Contributory Pensions (not administered by RBF)	43 455	0	43 455	46 703	0	46 703
Housing Tasmania	14 828	0	14 828	17 402	0	17 402
Parliamentary Superannuation Fund	22 379	4 207	18 172	26 028	4 306	21 722
Parliamentary Retirement Benefits Fund	5 196	3 380	1 816	6 285	3 820	2 465
State Fire Commission	22 817	21 496	1 321	25 703	17 543	8 160
Tasmania Ambulance Service	49 362	43 493	5 869	50 901	39 075	11 826
<b>Total GGS Sector</b>	<b>7 553 296</b>	<b>1 480 577</b>	<b>6 072 719</b>	<b>8 342 256</b>	<b>1 416 759</b>	<b>6 925 497</b>

## APPENDIX 2 - GLOSSARY

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### **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 company
- 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 Company**

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
ACT	Australian Capital Territory
AEMO	Australian Energy Market Operator
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
AETV	Aurora Energy Tamar Valley
APRA	Australian Prudential Regulation Authority
BBP	Bell Bay Power Pty Ltd
BLW	Ben Lomond Water
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CLP	China Light and Power
CMW	Cradle Mountain Water
CPI	Consumer Price Index
CPOL	Cargo and Port Operational Logistics
DIER	Department of Infrastructure, Energy and Resources
DORC	Depreciated Optimised Replacement Cost
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EEP	Environmental Energy Products
FCAS	Frequency Control Ancillary Services
FMAA	<i>Financial Management and Audit Act 1990</i>
FTE	Full-time Equivalent
FSI	Forest Services International
GBE	Government Business Enterprise
GDP	Gross Domestic Product
GGs	General Government Sector
GMO	Grantham, Mayo and Otterloo
GSP	Gross State Product
GST	Goods and Services Tax
GWh	Gigawatt Hour
HEC	Hydro-Electric Corporation
HR	Human Resources
IRR	Inter Regional Revenues
IT	Information Technology
KIPC	King Island Ports Corporation
KV	Kilovolt
LGAT	Local Government Association of Tasmania
LSL	Long Service Leave
MAIB	Motor Accidents Insurance Board
MAR	Maximum Allowable Revenue
MIC	Member Investment Choice
MWh	Megawatt Hour

NEM	National Electricity Market
NEMMCO	National Electricity Market Management Company Limited
Newood	Newood Holdings Pty Ltd
NTER	National Taxation Equivalent Regime
OPWG	Optical Ground Wire
PA	Public Account
PFC	Public Financial Corporation
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
PWC	Price WaterhouseCoopers
R40s	Roaring 40s Renewable Energy Pty Ltd
RBF	Retirement Benefits Fund
RBFB	Retirement Benefits Fund Board
REC	Renewable Energy Certificates
SEV	Soil Expectation Value
SFC	State Fire Commission
SFCSS	State Fire Commission Superannuation Scheme
SOC	State Owned Company
SDTF	Special Deposits and Trust Fund
SW	Southern Water
SPA	Superannuation Provision Account
TAFR	Treasurer's Annual Financial Report
TAS	Tasmanian Accumulation Scheme
Tascorp	Tasmanian Public Finance Corporation
Tasracing	Tasracing Pty Ltd
TASSS	Tasmanian Ambulance Service Superannuation Scheme
TasWater	Tasmanian Water and Sewerage Corporation Pty Ltd
TCFA	Tasmanian Community Forest Agreement
TDRA	Temporary Debt Repayment Account
TFIA	Tasmanian Forest Intergovernmental Agreement
TFS	Tasmanian Fire Service
TIDB	Tasmanian Irrigation Development Board Pty Ltd
TIPL	Tasmanian Irrigation Pty Ltd
TRB	Tasmanian Racing Board
TVPS	Tamar Valley Power Station
TWSC	Tasmanian Water and Sewerage Corporation
UPF	Uniform Presentation Framework
VaR	Value at Risk
WACC	Weighted Average Cost of Capital

## APPENDIX 4 - RECENT REPORTS

TABLED	No.	TITLE
July	No 1 of 2012-13	Sale of TOTE Tasmania
October	No 2 of 2012-13	TasPorts: benefits of amalgamation - October 2012
November	No 3 of 2012-13	Volume 3 - Government Business Enterprises, State Owned Companies and Water Corporations 2011-12
November	No 4 of 2012-13	Volume 4 - Local Government Authorities 2011-12
November	No 5 of 2012-13	Volume 1 - Analysis of the Treasurer's Annual Financial Report 2011-12
November	No 6 of 2012-13	Volume 2 - Executive Legislature, Government Departments, other General Government Sector State entities and Superannuation Funds 2011-12
December	No 7 of 2012-13	Compliance with the <i>Tasmanian Adult Literacy Plan 2010-15</i>
March	No 8 of 2012-13	National Partnership Agreement on Homelessness
March	No 9 of 2012-13	Royal Derwent Hospital: site sale
May	No 10 of 2012-13	Hospital bed management and primary preventative health
May	No. 11 of 2012-13	Financial Statements of State entities: Volume 5 - Other State entities
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	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	Volume 2 - Government Businesses, Other Public Non-Financial Corporations and Water Corporations
December	No. 4 of 2013-14	Volume 3 - Local Government Authorities
December	No. 5 of 2013-14	Infrastructure Financial Accounting in Local Government
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

Auditor-General's reports are available from the Tasmanian Audit Office. These and other published reports can be accessed via the Office's homepage [www.audit.tas.gov.au](http://www.audit.tas.gov.au)



# Tasmanian Audit Office

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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 are available from the Tasmanian Audit Office, Hobart. This report and other recent reports published by the Office can be accessed via the Office's home page. For further information please contact the Office.

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# 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;
- (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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