



Tasmanian
Audit Office

**Report of the Auditor-General
No. 8 of 2020-21**

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

Volume 1

Audit of State entities and audited
subsidiaries of State entities
31 December 2019 and 30 June 2020

23 December 2020

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

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 the completion of financial audits, we report findings and outcomes to Parliament.

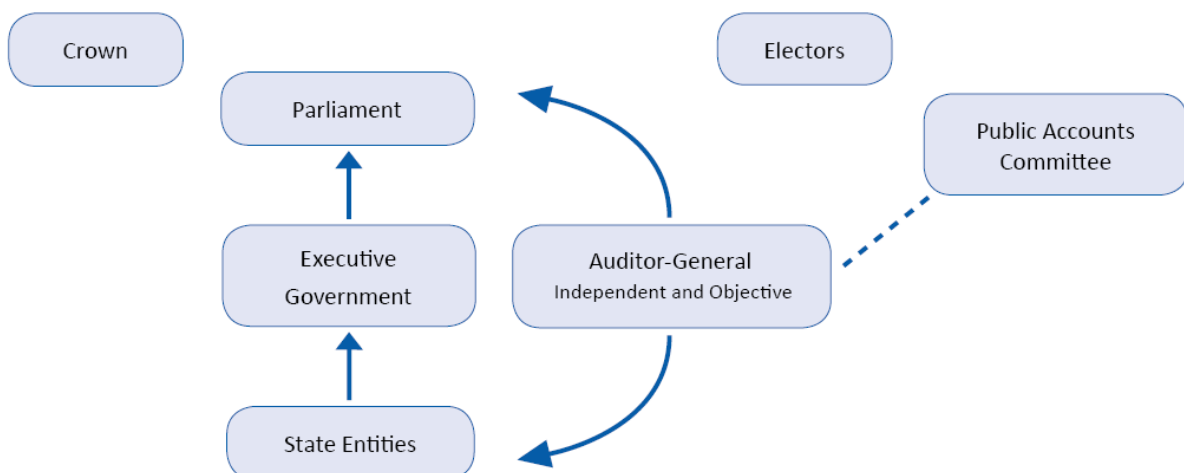
We also conduct performance audits and compliance audits. Performance audits examine whether a State entity is carrying out its activities effectively and doing so economically and efficiently. Audits may cover all or part of a State entity's operations, or consider particular issues across a number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

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





**2020
PARLIAMENT OF TASMANIA**

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

Volume 1

**Audit of State entities and audited subsidiaries of State entities 31 December 2019 and
30 June 2020**

23 December 2020

Presented to both Houses of Parliament pursuant to
Section 29 of the *Audit Act 2008*

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Auditor-General's reports and other reports published by the Tasmanian Audit Office can be accessed via the Office's website. For further information please contact:

Tasmanian Audit Office

GPO Box 851

Hobart

TASMANIA 7001

Phone: (03) 6173 0900, Fax (03) 6173 0999

Email: admin@audit.tas.gov.au

Website: www.audit.tas.gov.au

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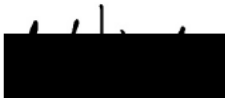
President, Legislative Council
Speaker, House of Assembly
Parliament House
HOBART TAS 7000

Dear President, Madam Speaker

Report of the Auditor-General No. 8 of 2020-21: Auditor-General's Report on the Financial Statements of State entities, Volume 1 - Audit of State entities and audited subsidiaries of State entities 31 December 2019 and 30 June 2020

In accordance with the requirements of section 29 of the *Audit Act 2008*, I have the pleasure in presenting the first volume of my Report on the audit of the financial statements of State entities and audited subsidiaries of State entities for the years ended 31 December 2019 and 30 June 2020.

Yours sincerely



Rod Whitehead
Auditor-General

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Introduction

The Auditor-General has the mandate to carry out the audit of the financial statements of the Treasurer and all Tasmanian State entities and audited subsidiaries of State entities. The aim of a financial audit is to enhance the degree of confidence in the financial statements by expressing an opinion on whether they present fairly¹, in all material respects, the financial performance and position of State entities and were prepared in accordance with the relevant financial reporting framework.

This Report fulfils the Auditor-General's obligation to, on or before 31 December in each year, report to Parliament in writing on the audit of State entities and audited subsidiaries of State entities in respect of the preceding financial year. Due to the impact of the coronavirus (COVID-19) disease pandemic, 16 audits had not been completed as at 30 November 2020, the date at which this Report was prepared. Consequently, this Report is the first volume of two volumes to be tabled in respect of audits for the years ended 31 December 2019 and 30 June 2020. The second volume will be completed in the first quarter of 2021 and will contain the findings from all audits completed for the years ended 31 December 2019 and 30 June 2020 together with commentary on the local government sector.

The information provided in this Report summarises the financial audits undertaken under sections 16 and 18 of the *Audit Act 2008* (Audit Act). Audits undertaken by arrangement under section 28 of the Audit Act are not included in this Report.

Overview of this Report

This Report summarises the outcomes of audits of financial statements of State entities and audited subsidiaries of State entities for the years ended 31 December 2019 and 30 June 2020.

This Report includes summaries relating to:

- submission of financial statements
- audit completion, timeliness of audit completion, audit opinions issued, audits to be completed and audits dispensed with
- General Government Sector (GGS), including commentary on the Total State Sector (TSS)
- Government businesses
- other State entities
- disposal of firearms
- audit fees for financial audits.

¹ Give a true and fair view in the case of entities reporting under the *Corporations Act 2001*.

Financial information

This Report mainly focuses on the consolidated results of State entities. In some Chapters, financial information on controlled or equity accounted State entities is disclosed.

Unless otherwise stated, analysis undertaken on financial results at the sector level uses the consolidated results of State entities. Sector financial information is reported and analysed at different aggregation levels. Further information is provided in the relevant Chapter.

Guide to using this Report

Guidance relating to the use and interpretation of financial information included in this Report can be found at the Tasmanian Audit Office (Office) website: www.audit.tas.gov.au

The guidance includes information on the calculation and explanation of financial ratios and performance indicators and the definition of audit finding risk ratings.

Overview of financial statement audits

Introduction

The Auditor-General has the mandate to carry out the audit of the financial statements of the Treasurer and all Tasmanian State entities and audited subsidiaries of State entities. The aim of an audit is to enhance the degree of confidence in the financial statements by expressing an opinion on whether they present fairly, in all material respects, the financial performance and position of State entities and were prepared in accordance with the relevant financial reporting framework.

The information provided in this Chapter summarises the financial audits undertaken under sections 16 and 18 of the Audit Act. Audits undertaken by arrangement under section 28 of the Audit Act are not included in the Chapter.

Submission of financial statements

All State entities and audited subsidiaries of State entities are required to submit financial statements to the Auditor-General within 45 days after the end of each financial year. For 31 December 2019 and 30 June 2020 financial reporting, the deadlines fell on 14 February 2020 and 14 August 2020, respectively. Before accepting the financial statements as submitted, the Auditor-General determines whether the financial statements are complete in all material respects.

The Treasurer's Annual Financial Report (TAFR), comprising the statements reporting on the transactions within the Public Account during the financial year and the balances in the Public Account at the end of the financial year and those statements required to be prepared in accordance with the requirements of any written law, are to be submitted to the Auditor-General before 30 September each year.

State entities and subsidiaries of State entities 31 December 2019 and 30 June 2020

156

Financial statements submitted

86%

Financial statements submitted on time

TAFR comprising GGS financial statements and Public Account statements

Financial statements received 29 September 2020

For the years ended 31 December 2019 and 30 June 2020, 22 State entities failed to meet their submission deadline, compared to 20 State entities² that failed to meet the submission

² The Report of the Auditor-General No. 6 of 2019-20, Auditor-General's Report on the Financial Statements of State entities Volume 2 - Audit of State entities and audited subsidiaries of State entities 2018-19 reported 14 entities failed to meet their submission deadline. This number was for the 30 June 2019 balance date only and did not include entities where the audits had been dispensed.

deadline for the years ended 31 December 2018 and 30 June 2019. The increase is not unexpected given the difficulties many entities encountered in preparing their financial statements as a consequence of the impact of COVID-19.

The financial statements for Kentish Council and Aboriginal Land Council of Tasmania had not been received and accepted by the Auditor-General as complete in all material respects as at 30 November 2020.

Audit completion

Timeliness of audit completion

Excluding any dispensed with audits and subsidiaries of State entities where the Auditor-General determines he is not to be the auditor, the Auditor-General must audit the financial statements and issue an audit report outlining compliance with relevant legislation and accounting standards within 45 days of their submission. For financial statements submitted on 14 February 2020 and 14 August 2020, deadlines fell on 30 March 2020 and 28 September 2020, respectively.

The audit of the financial statements in TAFR are required to be completed in sufficient time to enable the Treasurer to table the report in Parliament by 31 October each year.

State entities and audited subsidiaries of State entities 31 December 2019 and 30 June 2020

56%³

Audits completed on time as at 30 November 2020

TAFR comprising GGS financial statements and Public Account statements

Audit reports issued within deadline on 30 October 2020

As at 30 November 2020, 51 audits in respect of the years ended 31 December 2019 and 30 June 2020 were not completed within the time required, compared to 39 for the 31 December 2018 and 30 June 2019 audit cycle. The impacts of COVID-19, working remotely and greater reliance on technology, with moderate staff shortages, hindered the Office's ability to complete audits within the statutory time requirement.

Completed audits

As at 30 November 2020, the Office completed 106 financial statement audits for State entities and audited subsidiaries of State entities for the years ended 31 December 2019 and 30 June 2020. There were 16 audits to be completed as at 30 November 2020.

³ Excludes audits dispensed with.

Figure 1: Completed audits for State entities and audited subsidiaries by sector and legislative base



Audit opinions on financial statements

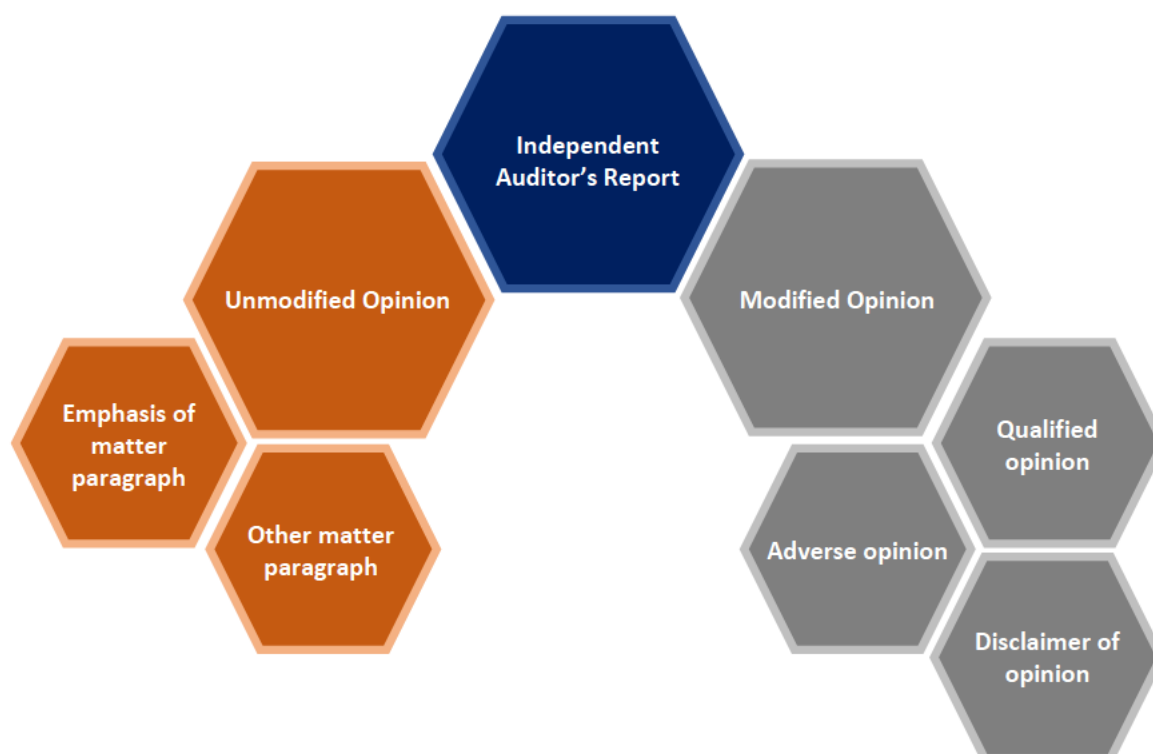
Types of audit opinions on the financial statements

The Auditor-General is required to issue an opinion on each financial statement audit conducted under the Audit Act. Australian Auditing Standards prescribe the auditor's reporting responsibilities, including the responsibility to form an opinion on whether the financial statements present fairly, in all material respects, the financial performance and position of State entities and were prepared in accordance with the relevant financial reporting framework.

An opinion may be either:

- unmodified, when the auditor concludes that the financial statements were prepared, in all material respects, in accordance with the applicable financial reporting framework
- modified, (i.e., qualified opinion, adverse opinion or disclaimer of opinion) if the auditor concludes that the financial statements as a whole were not free from material misstatement or was unable to obtain sufficient appropriate audit evidence.

Figure 2: Types of audit opinions



The auditor may also communicate additional matters in the auditor's report while still expressing an unmodified opinion on the financial statements: this is achieved by including an emphasis of matter or other matter paragraph. The purpose of this is to draw the attention of the users to relevant information, which in itself is not significant enough to result in a modified opinion.

Audit opinions expressed on financial statements

Figure 3 summarises the number and type of auditor's opinion expressed for completed financial statement audits to 30 November 2020.

Figure 3: Audit opinions issued for 31 December 2019 and 30 June 2020 audits



Audit opinions issued with an emphasis of matter paragraph

Three unmodified audit opinions were issued with an emphasis of matter paragraph, which was used to highlight matters that, although appropriately presented or disclosed in the financial statements, were fundamentally important to bring to the financial statement users' attention so as to assist with their understanding of the financial statements.

Including an emphasis of matter paragraph does not modify the audit opinion.

An emphasis of matter paragraph was included in the auditor's report for the following entities:

Tasmanian Public Finance Corporation (TASCORP)	The emphasis of matter paragraph drew attention to a note in the financial statements which described TASCORP's application of Treasurer's Instruction GBE-08-52-09P in respect of the Mersey Community Hospital Fund (MCH Fund).
Tasmanian Affordable Housing	The emphasis of matter paragraph drew attention to note 2 and note 15. Note 2 stated assets and liabilities were presented in decreasing order of liquidity and were not distinguished between current and non-current. Note 15 stated the directors resolved to adopt a non-going concern basis due to the activities of Tasmanian Affordable Housing having ceased.
Abt Railway Ministerial Corporation	The emphasis of matter paragraph drew attention to note 1.3 in the financial report which disclosed Abt Railway Ministerial Corporation, as a consequence of the impact of the COVID-19 pandemic, incurred a loss of \$0.25m for the year ended 30 June 2020. Abt Railway Ministerial Corporation had projected a loss of \$5.00m before depreciation and any Government appropriation revenue for the year ending 30 June 2021. There was uncertainty as to the amount of appropriation revenue Abt Railway Ministerial Corporation would receive for the year ending 30 June 2021 and whether it had sufficient financial resources to cover the projected loss. Note 1.3 stated these events or conditions, along with other matters, indicated that a material uncertainty existed that may cast significant doubt on Abt Railway Ministerial Corporation's ability to continue as a going concern.

Audits to be completed

As at 30 November 2020, the following 16 audits had not been completed:

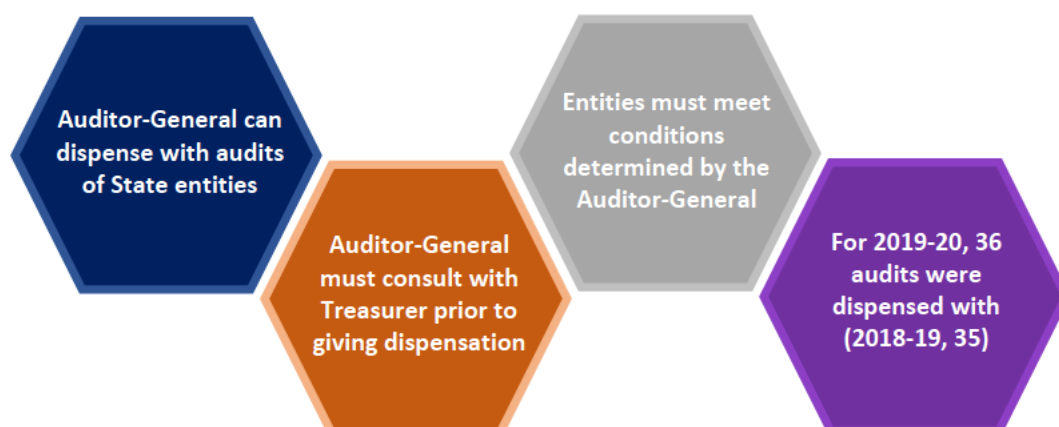
- Aboriginal Land Council of Tasmania
- Central Highlands Council
- Dorset Council
- Derwent Valley Council
- Glenorchy City Council
- Glamorgan-Spring Bay Council
- Huon Valley Council
- Kingborough Council
- Kentish Council
- King Island Council
- Latrobe Council
- National Trust of Australia (Tasmania)
- Northern Midlands Council
- palawa Enterprises Unit Trust
- The Nominal Insurer
- West Coast Council.

Audits dispensed with

The Auditor-General has the discretion under the Audit Act to dispense with certain audits if considered appropriate in the circumstances. The dispensation is subject to meeting one of the following conditions determined by the Auditor-General:

- The State entity must demonstrate that its financial reporting and auditing arrangements are appropriate. To satisfy this condition, the entity is required to submit their audited financial statements to the Auditor-General each year. The financial statements are reviewed and, where necessary, feedback on information presented in the financial statements is provided to the entity.
- The entity is controlled by another State entity and is included in the group audit of the controlling entity.
- The entity has not operated and the accountable authority has provided evidence to support this assertion.

Figure 4: Dispensation of audits process



It is important to note that dispensation of the audit does not limit any of the Auditor-General's functions or powers given under the Audit Act. Where the entity is of significant size or by its nature of particular public interest, it is unlikely dispensation will be granted.

The Audit Act also requires the Auditor-General to consult with the Treasurer before exercising the power to dispense with audits. After consultation with the Treasurer, the audits of the financial statements of the following entities were dispensed with:

Controlled Subsidiaries - Year Ended 31 December 2019

- Sense-Co Tasmania Pty Ltd (University of Tasmania)
- UTAS Holdings Pty Ltd (University of Tasmania)
- UTAS Properties Pty Ltd (University of Tasmania)

Other Boards and Authorities - Year Ended 31 December 2019

- Board of Architects of Tasmania

Controlled Subsidiaries - Year Ended 30 June 2020

- AETV Pty Ltd (Hydro-Electric Corporation (Hydro Tasmania))
- Bell Bay Pty Ltd (Hydro Tasmania)
- Bell Bay Three Pty Ltd (Hydro Tasmania)
- C-Cell Pty Ltd (Copping Refuse Disposal Site Joint Authority)
- Flinders Island Ports Corporation Pty Ltd (Tasmanian Ports Corporation Pty Ltd (TasPorts))
- Geeveston Town Hall Company Ltd (Huon Valley Council)
- Heemskirk Holdings Pty Ltd (Hydro Tasmania)
- Heemskirk Wind Farm Pty Ltd (Hydro Tasmania)
- Heritage Building Solutions Pty Ltd (Southern Midlands Council)
- Heritage Education & Skills Centre Pty Ltd (Southern Midlands Council)
- HT Wind Developments Pty Ltd (Hydro Tasmania)
- HT Wind New Zealand Pty Ltd (Hydro Tasmania)
- HT Wind Operations Pty Ltd (Hydro Tasmania)
- Hydro Tasmania Consulting (Holding) Pty Ltd (Hydro Tasmania)
- Kingborough Waste Services Pty Ltd (Kingborough Council)
- King Island Ports Corporation Pty Ltd (TasPorts)
- Large Scale Renewables Pty Ltd (Tasmanian Networks Pty Ltd (TasNetworks))
- Lofty Ranges Power Pty Ltd (Hydro Tasmania)
- Maidstone Park Management Controlling Authority (Devonport City Council)
- Metro Coaches (Tas) Pty Ltd (Metro Tasmania Pty Ltd (Metro))

- Newood Energy Pty Ltd (Newood Holdings Pty Ltd)
- Newood Huon Pty Ltd (Newood Holdings Pty Ltd)
- Newood Smithton Pty Ltd (Newood Holdings Pty Ltd)
- palawa Enterprises Pty Ltd (corporate trustee) (Aboriginal Land Council of Tasmania)
- RE Storage Project Holdings Pty Ltd (Hydro Tasmania)
- Tas Communications Pty Ltd (corporate trustee) (Burnie City Council)
- TasNetworks Holdings Pty Ltd (TasNetworks)
- Woolnorth Bluff Point Holdings Pty Ltd (Hydro Tasmania)
- Woolnorth Studland Bay Holdings Pty Ltd (Hydro Tasmania)

Other Boards and Authorities - Year Ended 30 June 2020

- Tasmanian Pharmacy Authority
- Tasmanian Timber Promotion Board
- Veterinary Board of Tasmania.

General Government Sector

Introduction

This Chapter provides an overview of the GGS and details developments within GGS entities that impacted upon their current financial year results. This Chapter also includes financial analysis on TAFR, including the audited GGS, TSS and Public Account statements.

Overview of the General Government Sector and Total State Sector

General Government Sector

The GGS consisted of all Government departments and not-for-profit State entities controlled and mainly financed by Government.

Government departments are entities established by executive government processes that have legislative, judicial, or executive authority over other units and which provided 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 were not a primary source of income, profit or other financial gain for Government.

Total State Sector

The TSS included all GGS, Public Non-Financial Corporations (PNFC) and Public Financial Corporations (PFC) entities. PNFC entities were mainly engaged in the production of market goods and/or non-financial services. These entities had a variety of functions and responsibilities, were established in varying ways and had different relationships with the State Budget. PFC entities were mainly engaged in financial intermediation or provision of ancillary financial services. In Tasmania, there were two entities in the PFC Sector, TASCORP and Motor Accidents Insurance Board (MAIB).

The structure of the GGS and TSS is illustrated in Figure 5.

Figure 5: Structure of the General Government Sector and Total State Sector

General Government Sector

Government Departments:

- Communities Tasmania
- Education
- Health
- Justice
- Police, Fire and Emergency Management
- Premier and Cabinet
- Primary Industries, Parks, Water and Environment
- State Growth
- Treasury and Finance

Other entities that principally provide public services:

- Brand Tasmania
- House of Assembly
- Inland Fisheries Service
- Integrity Commission
- Legislative Council
- Legislature-General
- Marine and Safety Tasmania
- Office of Director of Public Prosecutions
- Office of the Governor
- Office of the Ombudsman
- Royal Tasmanian Botanical Gardens
- State Fire Commission
- Tasmanian Audit Office
- TasTAFE
- Tourism Tasmania

Public Non-Financial Corporations

- Aurora Energy Pty Ltd
- Hydro-Electric Corporation
- Macquarie Point Development Authority
- Metro Tasmania Pty Ltd
- Port Arthur Historic Site Management Authority
- Private Forests Tasmania
- Sustainable Timber Tasmania
- Tasmanian Irrigation Pty Ltd
- Tasmanian Networks Pty Ltd
- Tasmanian Ports Corporation Pty Ltd
- Tasmanian Railway Pty Ltd
- Tasracing Pty Ltd
- The Public Trustee
- TT-Line Company Pty Ltd

Public Financial Corporations

- Motor Accidents Insurance Board
- Tasmanian Public Finance Corporation

General Government Sector developments

This section summarises significant developments that affected the operations of GGS entities, identified during the course of the audits.

COVID-19

GGS entities were impacted by the COVID-19 pandemic to varying degrees. Broadly, common impacts of COVID-19 across GGS entities included:

- decreased employee leave taken during 2019-20, predominately due to travel restrictions, which resulted in higher leave liability balances at 30 June 2020
- employees transitioning to working from home arrangements
- changes to internal control environments and processes as a consequence of employees working remotely
- additional costs to facilitate changed working arrangements, including ensuring compliance with physical distancing, hygiene and cleaning requirements
- changes to service delivery arrangements to customers and other arrangements with suppliers and contractors.

In response to COVID-19, the Government announced a range of social and economic support measures (SESM) to support the health of Tasmanians and the broader community, and support the Tasmanian economy.

The initial SESM were endorsed by Parliament through the passage of the *Appropriation (Supplementary Appropriation for 2019-20) Act 2020* and the *Supply Act (No. 1) 2020*. These Acts included significant funding allocated to Finance-General within the Department of Treasury and Finance (Treasury) to meet unforeseen COVID-19 related costs, comprising \$150.00m in 2019-20. The funds were issued to specific government departments to meet COVID-19 costs. The Auditor-General's Report No. 5 of 2020-21 *Review of selected COVID-19 support measures and expenditure in 2019-20* reported \$128.19m of the Finance-General \$150.00m provision was expended at 30 June 2020.

A transfer of \$50.00m from the Crown Lands Administration Fund to the COVID-19 Funding Management Account was also made during 2019-20 to create COVID-19 funding capacity if needed. There was no expenditure from the COVID-19 Funding Management Account in 2019-20.

Financial Management Act 2016

The *Financial Management Act 2016* (FMA) came into effect on 1 July 2019 and replaced the *Public Account Act 1986* (PAA) and the *Financial Management and Audit Act 1990*.

The FMA introduced a single fund accounting model that replaced the dual fund model that was established under the PAA, which comprised the Consolidated Fund and the Special Deposits and Trust Fund. The FMA established a new Public Account that comprises:

- receipts and expenditure of the GGS that do not form part of a Specific Purpose Account (SPA)
- SPAs established under the FMA.

Our audits did not identify any significant issues associated with the implementation of this new legislation by government departments and other impacted entities.

Department of Communities Tasmania

Commonwealth State Housing Agreement debt

Under the Commonwealth State Housing Agreements (CSHA), the Australian Government made advances to the states and territories to provide financial assistance for building new public housing, low interest loans to home builders and a range of other housing-related purposes.

On 8 September 2019, the Australian Government waived all outstanding principal and interest repayments relating to the Tasmanian CSHA debt, including the 2019-20 payment scheduled to be made in June 2020. This was on the condition that the balance of the debt at the date of forgiveness and future interest that would have been paid thereon are used for future capital works and other programs that assist eligible people under the *Homes Act 1935*.

The waiving of the interest bearing CSHA debt resulted in the Department of Communities Tasmania (Communities Tasmania) recognising a contribution received of \$157.84m. The revenue item was primarily responsible for Community Tasmania's \$153.41m net surplus result.

Tasmania's Affordable Housing Strategy Action Plan

The first year of Tasmania's Affordable Housing Action Plan 2 (2019-23) was 2019-20. In the context of this plan, Communities Tasmania delivered:

- 316 new social houses
- 34 new affordable lots of land
- 43 new units of homeless accommodation.

This contributed to the recognition of \$50.39m of rental dwellings and \$5.25m of vacant land during the year. Communities Tasmania's portfolio of vacant land, rental dwellings and community housing stock was recorded at \$1.86bn at 30 June 2020.

Additionally, Communities Tasmania assisted 69 households into home ownership during the year via the *HomeShare* program in which the Director of Housing supports the acquisition of homes by those on low and middle incomes. Offsetting this, a total of 44 participants in the program purchased the Director of Housing's equity share of their homes during the year. These outcomes resulted in the overall value of the *HomeShare* program increasing by \$3.16m to \$25.74m at 30 June 2020.

COVID-19 response

COVID-19 significantly impacted the operations and activities of Communities Tasmania and included the allocation of resources to support Government's response, including:

- deploying staff under the Government's interoperability arrangements
- Senior Executive staff undertaking key roles in Tasmania's State Emergency Management and State Recovery Committees

- establishing and administering government run hotel quarantine in Hobart, Launceston and Devonport
- the provision of additional support, emergency accommodation and funding to community sector organisations, Tasmanian residents and temporary visa holders.

In addition, Communities Tasmania adjusted its service delivery model to reduce the likelihood of exposure and spread of the virus. This included reduced face-to-face contact and increased use of phone or online communication.

Communities Tasmania received an additional appropriation of \$19.71m and grants of \$4.83m to fund the initiatives noted above.

Department of Education

Refund of school levies in 2019-20

To reduce financial pressures on parents and carers during the COVID-19 pandemic, the Government refunded school levies paid to the Department of Education (DoE) and also waived outstanding levies. Total revenue forgone was approximately \$14.00m, comprising refunds of \$9.17m and outstanding levies waived of \$5.00m.

Education infrastructure

In 2019-20, the Capital Investment Program (CIP) expenditure amounted to \$38.77m compared to the budget of \$50.98m. The difference in expenditure to budget represented changes in the timing of project expenditure and did not reflect reductions in the appropriation. Major constructions projects completed in the year included works at Illawarra Primary and Snug Primary Schools. Significant expenditure was also incurred at Riverside High and East Launceston Primary Schools, with both of these projects expected to be completed in 2020-21.

Department of Health

National Health Reform Agreement

The National Health Reform Agreement (NHRA) outlines the funding, governance, and performance arrangements for the delivery of public hospital services in Australia. The previous NHRA expired on 30 June 2020. The Government signed the new NHRA in May 2020.

COVID-19 response

The COVID-19 pandemic significantly impacted the operations and activities of the Department of Health (DoH) and involved departmental resources being engaged in the Government's responses including:

- key roles in Tasmania's emergency management response
- service delivery response to ensure hospitals and the ambulance service were able to respond to the needs of COVID-19 patients whilst minimising the disruption to regular services
- supporting COVID-19 testing
- responding to the North-West outbreak

- working with other agencies to develop and support the implementation of communication strategies.

DoH received an additional operating appropriation of \$179.45m, with the most significant aspects of the additional funding being for the Tasmanian Health Service (THS), \$148.00m, and funding for the response to COVID-19, \$49.50m. These additional funds were offset by the carry forward of \$10.40m of funding into 2020-21, due to interruptions caused by COVID-19.

COVID-19 funding was used to purchase pharmaceutical inventory across a number of medicinal products and personal protective equipment to reduce supply risk. This resulted in 30 June 2020 inventory levels being \$25.44m higher than the previous year. In addition, a prepayment for additional personal protective and medical equipment was made prior to 30 June 2020 to secure supply. This resulted in prepayments at 30 June 2020 increasing by \$22.18m relative to the prior year.

DoH also received National Partnership Agreement COVID-19 funding of \$32.89m for the purpose of supporting private health operators to maintain capacity in the broader health system. At 30 June 2020, \$16.51m of this funding had been distributed.

Capital investment program

CIP funding received in 2019-20 totalled \$31.33m which, combined with capital grants from the Australian Government of \$44.19m, were used to undertake capital works totalling \$75.52m. The majority was expended on the Royal Hobart Hospital (RHH) redevelopment program which achieved a significant milestone during the year with K Block completed and opened for patients in April 2020. This included the expansion of Hyperbaric / Hypobaric capabilities together with the helipad on the roof of K Block. Phase 1 of the expansion and redevelopment project of the Children's Ward at the Launceston General Hospital also achieved handover in May 2020.

Department of Justice

Redress Scheme for Institutional Child Sexual Abuse

The Government participated in the Australian Government's National Redress Scheme for Institutional Child Sexual Abuse. The Scheme allows for redress to be provided to individuals who suffered abuse (sexual abuse and related non-sexual abuse) which occurred when the person was a child while in the care of a Government institution. The Scheme is operated by the Australian Government's Department of Social Services. Funding of \$70.00m was committed in the 2018-19 Budget to fund the compensation and administration costs of the Scheme for ten years commencing from 1 July 2018, although as noted in the *2017-18 Revised Estimates Report*, costs in excess of \$120.00m may eventuate if the average level of compensation and the number of claimants are significantly higher than original estimates.

To 30 June 2020, the Department of Justice (DoJ) had assessed over 100 claims. During 2019-20, DoJ paid or made provision to pay claims totalling \$14.04m.

A number of civil claims had also been made against various Government agencies relating to child abuse in State care. A small number of these claims had been assessed and included as quantifiable contingent liabilities at 30 June 2020. However, for the majority of these claims it was not possible at the reporting date to accurately estimate the amounts of any

eventual payment that may be required. As a result, they were classified as unquantifiable contingent liabilities.

Prison infrastructure

The Government's 2018-19 Budget outlined future infrastructure investment that included \$270.00m over 10 years for the construction of a new Northern prison. On 18 June 2020, the Government announced a new site had been identified for the Northern prison and that the previous preferred site was no longer being considered. Following this announcement, initial due diligence investigations commenced on the new site in late June 2020.

Justice Connect

Justice Connect is an initiative driven primarily by the need to address the shortcomings of existing legacy technology in key DoJ business systems that are impeding DoJ's ability to effectively deliver court and corrective services to the Tasmanian community. The digital solution is expected to be rolled out in stages, with a total funding allocation of \$25.90m.

An allocation of \$4.50m in 2019-20 was made within the Digital Transformation Priority Expenditure Program within Finance-General to finalise detailed requirements and proceed to the award of a tender for design and development. Contract negotiations with the successful tenderer commenced, with design and development of the IT solution expected to start by the end of 2020. At 30 June 2020, DoJ had expended \$4.27m on the project.

Department of Police, Fire and Emergency Management

Project Unify

Project Unify was created to replace multiple legacy and ageing policing information systems. In 2018-19, \$11.90m was allocated in the State Budget to phase one of the project, with another \$46.10m allocated in 2020-21 over the next four years.

Phase one of this project, which cost \$14.98m, delivered a commercial off-the-shelf solution, *Atlas*, in October 2019 together with an enhanced search facility *Compass*. Together these initiatives provided new services for managing warrants, searches, intelligence submissions and child safety referrals.

Upgrade of Police Housing Project

The Upgrade of Police Housing Project to renovate properties and deliver quality accommodation for police officers and their families continued throughout the year with renovations costing \$2.75m completed on a number of properties in the North-West and North-East, including two houses on Flinders Island. A further \$8.70m was received in June 2020 to upgrade a further 29 police houses in regional areas.

Police Stations

Work progressed on the Longford and New Norfolk police stations with some initial activities commenced in respect to the Sorell Emergency Services Hub. At 30 June 2020, \$0.62m had been expended on these projects.

The Department of Police, Fire and Emergency Management (DPFEM) also received an additional \$7.00m to upgrade the Launceston Police Station.

COVID-19 response

DPFEM had a lead role in the Government's response to COVID-19. This included the Commissioner of Police acting as the State Controller under the *Emergency Management Act 2006* (EMA) and police officers enforcing compliance with movement restrictions implemented as part of the Government's response. Funding of \$1.40m was received by DPFEM to reimburse the cost of these activities.

Department of Premier and Cabinet

COVID-19 response

The Department of Premier and Cabinet (DPAC) led a number of initiatives for the response to COVID-19, which included:

- the provision of support to the Premier and DPAC Executive in the transition from the Council of Australian Governments (COAG) to the new National Cabinet model, to drive the national COVID-19 response and broader economic recovery
- leading the policy, public information and recovery functions of the State Control Centre (SCC) during the response to COVID-19, which included:
 - providing strategic policy advice to the State Controller, Premier, Director of Public Health and Ministerial Committee for Emergency Management
 - managing the Government's coronavirus website
 - COVID-19 Response Unit call centre, supporting and enabling community led recovery
- administering the *COVID-19 Disease Emergency (Miscellaneous Provisions) Act 2020* and the *COVID-19 Disease Emergency (Miscellaneous Provisions) Act (No. 2) 2020*. These Acts enabled legal requirements to be complied with, despite the impact of COVID-19, providing for:
 - meetings to occur other than in person, the taking of actions electronically
 - two Legislative Council elections to be deferred from March 2020
 - certain health and other services to be provided to private hospitals
 - extension of the period of emergency in relation to COVID-19
 - infringement notices to be issued for breaches of directions issued by the State Controller under the EMA.

DPAC also managed several advertising campaigns in relation to COVID-19 response strategies, costing \$1.20m and provided \$3.65m in COVID-19 response initiatives such as stimulus 1 and 2, COVID-19 call centre, and Government ICT support.

Department of Primary Industries, Parks, Water and Environment

Gell River bushfire

Significant wildfire activity, including the Gell River fire, commenced in December 2018 and resulted in the Department of Primary Industries, Parks, Water and Environment (DPIPWE)

writing-off and impairing a large number of assets during 2019-20 which were damaged by the fires. The total amount of infrastructure impaired during 2019-20 was \$8.39m.

Lands Building redevelopment

The redevelopment of the Lands Building at 134 Macquarie Street in Hobart was a major infrastructure project during 2019-20, with DPIPWE capitalising leasehold improvements of \$8.20m. Under contractual arrangements, DPIPWE was responsible for undertaking building owner's works as part of the project.

During 2019-20, DPIPWE received \$3.83m from the building owner towards redevelopment costs. Estimated remaining capital commitments at 30 June 2020 totalled \$7.62m.

In addition, \$3.92m was received from the building owner as a lease incentive, with a further \$1.68m to be received.

Forestry Land

Under the *Forestry (Rebuilding the Forest Industry) Act 2014*, which commenced on 22 October 2014, 359 802 hectares of former reserve land (under the now repealed *Tasmanian Forests Agreement Act 2013*) were converted to future potential production forest land. Property Services within the Parks and Wildlife Service administer this land. In attributing a fair value of \$143.96m to the land at 30 June 2019 the Valuer-General applied a discount of 25.0% to the value due to restrictions on use and sale of the land applied under the *Forestry (Rebuilding the Forest Industry) Act 2014*. Without this discount the fair value of this land was \$191.95m.

On 8 April 2020, restrictions on the use of the land were lifted, in accordance with the timeframe detailed within the legislation. Due to uncertainty and pending advice relating to the treatment, DPIPWE continued to apply the 25.0% discount to the valuation of the land as at 30 June 2020.

Cradle Mountain Visitor Experience

As originally announced in the 2016-17 State Budget and further in the 2018-19 State Budget, the Australian and Tasmanian Governments committed \$86.80m to make improvements to Cradle Mountain. Of this amount, the Tasmanian Government contributed \$56.80m and the Australian Government contributed \$30.00m. The funding was to:

- revitalise visitor facilities at the existing 'gateway' to Cradle Mountain, outside of the national park, including a new visitor centre; commercial/retail precinct; car parking, shuttle bus transit stations and significantly improved visitor facilities
- redevelop the existing carpark at Dove Lake, within the World Heritage Area, and develop a new viewing shelter to enhance visitor experience
- facilitate the development of a Cradle Mountain cable-way, ensuring visitors have all-year, all-weather access to Dove Lake.

Stage one of the Cradle Mountain development, the new Cradle Mountain Visitor Centre and Gateway Precinct, opened to the public in January 2020. Project costs of \$17.68m were capitalised at 30 June 2020. The balance of the project budget, \$16.12m will be expended over the next two years to complete works in the area, including the new Dove Lake viewing shelter.

COVID-19 impact

During 2019-20, DPIPWE transferred \$50.00m as an equity withdrawal from the Crown Lands Administration Fund to the Treasury COVID-19 Funding Management Account.

COVID-19 resulted in the temporary closure of all State parks and reserves at the end of March 2020 with an estimated loss of fees of \$4.00m. Other financial impacts associated with COVID-19 included:

- reduced licences and leases income primarily due to waivers for fisheries licenses
- a decrease in wild fisheries licence revenue of \$2.30 m due to waivers
- a decrease in abalone licence revenue of \$1.30 m from the impact of the COVID-19 pandemic on the market in late 2019-20
- a decrease of \$2.80m in the value of abalone licences recognised as an intangible asset
- waivers of rent to tenants of Crown held properties for a six-month period commencing in March 2020.

DPIPWE also commenced an assessment of a number of other lease, licence and entry fee waivers, to be processed in early 2020-21, with initial estimates of these fee waivers amounting to \$0.80m.

Department of State Growth

Government Support and Stimulus Package

As part of the Government stimulus package announced in March 2020, the Department of State Growth (State Growth) issued \$59.34m in COVID-19 recovery stimulus grants to Tasmanian small businesses, as well as more than \$35.00m in business support loans.

Department of Treasury and Finance

New accounting treatment for leases

Accommodation leases on behalf of GGS entities are entered into and managed by Treasury. As a consequence of adopting accounting standard AASB 16 *Leases*, Treasury recognised a lease liability of \$285.89m and a right to use asset of \$279.59m at 30 June 2020 in their Administered financial statements.

Australian Government grants

Treasury administered Australian Government grants (Specific Purpose Payments, National Partnership Payments and General Grants) and acted as an intermediary between the Australian Government and other State departments. From 1 July 2019, Grant revenue was recognised under AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities*. These new accounting standards provide guidance on the timing of the recognition of revenue, including grant funding, within the statement of comprehensive income or as a liability for revenue not yet earned (referred to as contract liabilities) depending on the conditions required under the funding deed.

The adoption of the new standards resulted in the recognition of contract liabilities of \$242.42m in the Administered financial statements at 1 July 2019. The liability at

30 June 2020 was \$216.98m, reflecting grant funds received for which performance obligations had not yet been met.

COVID- 19 Social and Economic Support Measures

In response to COVID-19, Treasury was tasked with administering refund, rebate, waiver and other measures related to the Government's SESM. The SESM for which Treasury had responsibility included:

- \$50.00m Public Building Maintenance Fund provided to Finance-General
- the Unforeseen Expenditure Provision Funding of \$150.00m provided to Finance-General
- Tasmanian Government HomeBuilder Grants of \$20 000
- Australian Government HomeBuilder Grants of \$25 000
- interest free loans for Local Government
- payroll tax waiver for hospitality, tourism and seafood businesses and other businesses with payrolls of up to \$5.00m
- discount of 12.5% for annual liquor licence fees for off-licences and waiver of all of other liquor fees backdated to 1 January 2020
- waiver or refund of other gaming fees
- small business electricity bill waivers
- lease payments waivers for private and commercial tenants in relation to properties let by Government
- Rebuilding Tasmania Infrastructure Package 'Construction Blitz'.

State Fire Commission

Tasmania experienced an early start to the bushfire season in 2019-20 although the scale and extent of the season was not as severe as the previous season. This reduced activity resulted in a \$23.07m reduction in bushfire fighting expenses compared to the prior year with a corresponding reduction of \$22.03m in funding contributions.

TasTAFE

Student enrolment

TasTAFE underwent a process to centralise all enrolments of students with students able to enrol using a web based portal for each Campus.

COVID-19 impacts

Specific COVID-19 impacts included:

- increased expected credit loss of \$0.67m for 2019-20 arising from TasTAFE's decision not to enforce recovery action on outstanding debts with students encouraged to enter into instalment payment plans
- decreased cash from sales of goods and services of \$3.20m.

Tourism Tasmania

Bushfire and COVID-19 impacts

The bushfires in mainland states and COVID-19 had a negative impact on Tourism Tasmania's operations during 2019-20 primarily due to the reduction in interstate travel, cessation of global travel, the suspension of cruise ship visits and implementation of border restrictions in Tasmania.

Tourism Tasmania's planned marketing program was also significantly impacted, with an underspend of \$7.03m in its marketing program due to the limitations placed on international, interstate and intrastate travel. At 30 June 2020, Tourism Tasmania was still finalising a number of elements of their marketing activity.

General Government Sector entity financial results

Details of GGS entity results for 2019-20 are set out in Table 1. The financial information represents consolidated financial information for those entities with controlled entities. The financial information below excludes GGS entities not subject to audit.

Table 1: GGS entity financial results for 2019-20

Audited State entities	Underlying surplus (deficit) \$'000s	Net surplus (deficit) \$'000s	Total comprehensive surplus (deficit) \$'000s
House of Assembly*	(21)	(21)	(63)
Legislative Council*	(169)	(169)	(85)
Legislative-General*	(426)	(426)	3 013
Office of the Governor*	(236)	(151)	5 332
DoE*	(72 664)	(33 657)	21 486
DoH*	45 952	105 866	129 338
Communities Tasmania*	(12 897)	153 414	157 439
State Growth*	(140 960)	89 059	(191 092)
DoJ*	(17 194)	(6 104)	7 981
DPFEM*	(11 568)	(4 977)	(705)
DPAC*	(1 011)	(803)	(462)
DPIPWE*	(18 977)	30 931	116 627
Treasury*	833	833	833

Audited State entities	Underlying surplus (deficit)	Net surplus (deficit)	Total comprehensive surplus (deficit)
	\$'000s	\$'000s	\$'000s
Abt Railway Ministerial Corporation (State Growth)	(247)	(247)	(247)
Ambulance Tasmania (DoH)	(2 308)	(2 177)	(1 173)
Council of Law Reporting (DoJ)	-	-	-
Housing Tasmania (Communities Tasmania)	(37 137)	129 409	130 372
Office of Tasmanian Assessment, Standards and Certification (DoE)	(723)	2 169	2 169
Tasmanian Development and Resources (State Growth)	860	860	860
Tasmanian Affordable Housing Limited (Communities Tasmania)	45	45	45
Tasmanian Museum and Art Gallery (State Growth)	(80)	259	(28 009)
Tasmanian Health Service (DoH)	(4 671)	426 492	444 982
Teachers Registration Board of Tasmania (DoE)	441	441	441
Asbestos Compensation Fund	-	-	-
Brand Tasmania*	(23)	(23)	(23)
Inland Fisheries Service*	10	10	10
Integrity Commission*	(255)	(255)	(255)
Marine and Safety Authority*	(1 194)	(1 094)	(1 094)
Office of the Director of Public Prosecutions*	(502)	(502)	(502)
Office of the Ombudsman*	96	96	96
Royal Tasmanian Botanical Gardens*	(508)	2 092	2 530
State Fire Commission*	(8 027)	(8 027)	(5 870)

Audited State entities	Underlying surplus (deficit) \$'000s	Net surplus (deficit) \$'000s	Total comprehensive surplus (deficit) \$'000s
Tasmanian Economic Regulator	(196)	(196)	(196)
TasTAFE*	(16 480)	(5 211)	69
Tourism Tasmania*	(161)	(161)	(161)
Workcover Tasmania Board	-	-	-

* Entity consolidated into the GGS financial statements

1. Controlling entity identified in parentheses. Controlled entities are consolidated into the controlling department's financial statements. These entities are created through legislation and are State entities under the Audit Act. As a result, separate financial statements are submitted and subject to audit.

Treasurer's Annual Financial Report

Legislative requirements

Section 40 of FMA requires the Treasurer to prepare an annual financial report containing:

- the original estimates disclosed in the Budget Papers in respect of the major GGS statements
- the results in respect of the major GGS statements
- the results in respect of the major Public Account statements disclosed in the Budget Papers
- the balances of SPA at the end of that financial year
- an assessment of the Government's fiscal performance against its current fiscal strategy statement, within the meaning of the *Charter of Budget Responsibility Act 2007*
- the Auditor-General's report on the GGS financial statements, Public Account statements and balances of SPA.

The Treasurer is required to table the annual financial report in both Houses of Parliament by no later than 31 October immediately following the financial year to which the report relates.

TSS financial statements are also prepared to ensure compliance with Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049).

Financial reporting framework

The GGS and TSS financial statements are prepared in accordance with AASB 1049. They incorporate the reporting requirements of the Australian Accounting Standards Board (AASB) and the Uniform Presentation Framework (UPF), which is based on the reporting

standards of the Australian Bureau of Statistics' (ABS) Government Finance Statistics (GFS) framework. Explanations of the UPF Key Fiscal Aggregates are provided in notes to the GGS and TSS financial statements and are not reproduced here.

The Public Account statements are a special purpose financial report prepared on a cash accounting basis, incorporating all transactions and balances, whether they are operational or capital in nature, entered into by Government departments. Explanations for applying this basis for preparing the Public Account statements are provided in the notes to the Public Account statements and are not reproduced here.

The Public Account includes various SPAs established by the Treasurer. The majority of these accounts represented departmental operating accounts, where funds appropriated from the Public Account by the annual Appropriation Act are deposited. In addition, operating accounts can retain funds that are approved by the Treasurer.

Other accounts in the Public Account included whole-of-government, business unit accounts and accounts established under legislation. Accounts of a true trust nature do not form part of the Public Account.

General Government Sector and Total State Sector financial analysis

The following sections contain an analysis of the GGS and TSS financial statements and the Public Account statements. Comments should be read alongside TAFR. The major focus of this section is to compare 2019-20 results with the previous year and analyse trends over the past four years or a longer period where relevant.

To be consistent with TAFR, figures in this section are shown as whole dollars for millions, with billions reflected with two decimal places. Dollar amounts presented in tables, commentary and figures have been rounded. This Report uses terms which may differ from the terminology adopted by TAFR.

Underlying net operating balance

As discussed in TAFR, the receipt of Australian Government funding for capital programs, particularly one-off major projects, has the effect of improving the Net Operating Balance outcome. Given the nature of the Net Operating Balance measure, it reflects the receipt of revenue from the Australian Government for infrastructure purposes, but does not factor in the expenditure of these funds on infrastructure projects.

The Underlying Net Operating Balance removes the impact of one-off Australian Government funding for specific capital projects by excluding significant one-off capital related funding received from the Net Operating Balance.

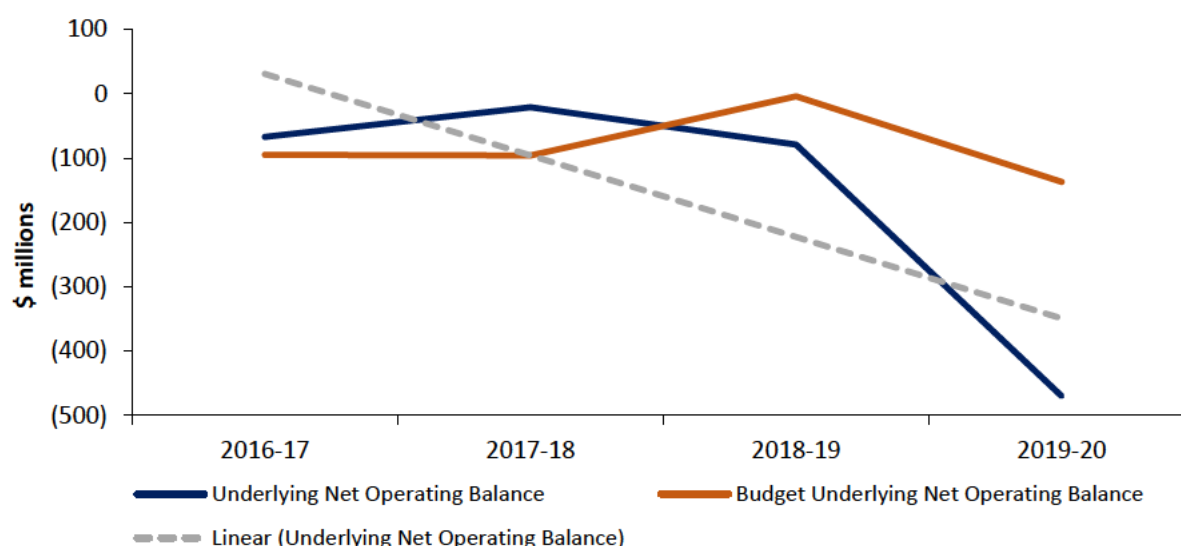
General Government Sector

(\$67m)	(\$21m)	(\$79m)	(\$470m)
2016-17	2017-18	2018-19	2019-20
▼ 253%	▲ 68%	▼ 276%	▼ 495%

▲ Improvement from prior year ▼ Deterioration from prior year ● No material change from prior year.

Figure 6 provides an overview of results for the past four years. It shows a deficit GGS Underlying Net Operating balance in each of the four years, with movements fluctuating between years.

Figure 6: GGS Underlying Net Operating Balance (4-year trend)



The GGS Underlying Net Operating Balance was a deficit of \$470m for 2019-20, a deterioration of \$391m from the deficit of \$79m reported last year. This deterioration was primarily due to a \$441m increase in total expenses, far outweighing the increase in total revenue of \$50m. Increases in employee costs and superannuation contributions of \$287m and grants and subsidies expenses of \$214m, exceeded higher dividend, tax and rate equivalent revenue of \$109m. The higher employee costs were primarily due to additional funding for THS and COVID-19 related expenses. Grants and subsidies expenses were higher reflecting the additional grants paid by State Growth and Communities Tasmania as part of the SESM implemented to mitigate the impacts of COVID-19.

This year's actual Underlying Net Operating Balance deficit was higher than the budgeted Net Operating Balance deficit of \$137m. Actual revenue was \$69m higher than budgeted revenue but actual expenditure was \$402m higher than budgeted expenditure primarily due to employee costs and superannuation contributions being \$325m above budget.

Total State Sector

\$35m	\$94m	(\$91m)	(\$704m)
2016-17	2017-18	2018-19	2019-20
▲ 135%	▲ 168%	▼ 197%	▼ (674%)

The basis of calculation for TSS Underlying Net Operating Balance incorporates the underlying results for Government businesses. The TSS Underlying Net Operating Balance was a deficit of \$704m in 2019-20, a deterioration of \$613m from the deficit of \$91m reported last year. The result reflected the increase in the GGS deficit and a deterioration in the underlying net operating results for PFC and PNFC of \$114m, primarily due to the electricity businesses, \$49m, and MAIB, \$29m. Details of underlying results generated by these businesses can be found in the Government businesses Chapter of this Report.

Figure 7 provides an overview of underlying results for the past four years. It shows that although the TSS Underlying Net Operating balance varied over the past four years, at present, it is trending in a negative direction, consistent with the GGS result.

Figure 7: TSS Underlying Net Operating Balance (4-year trend)

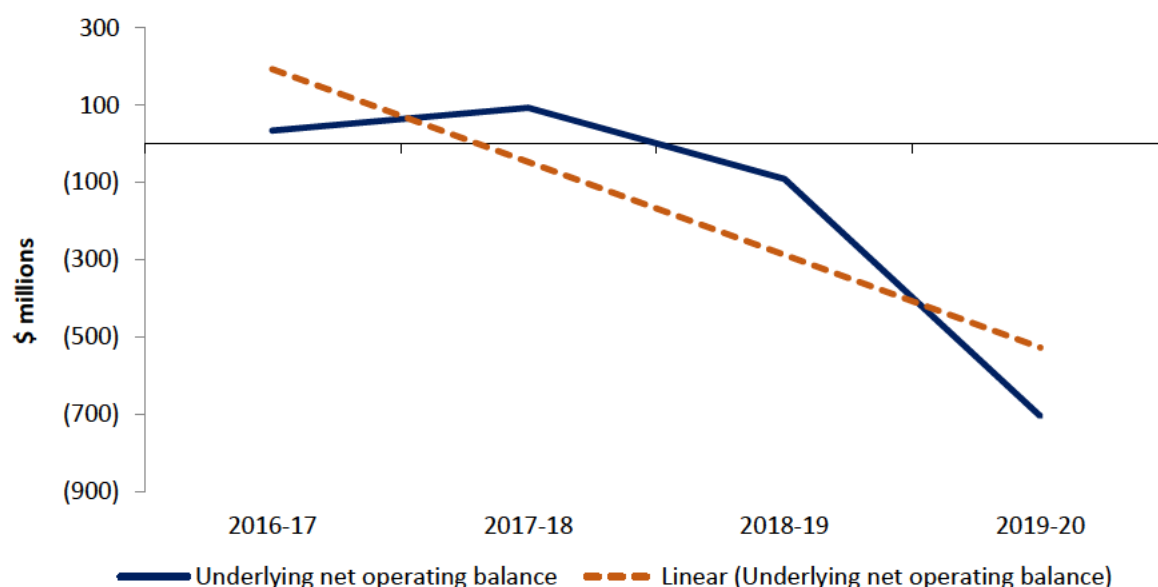
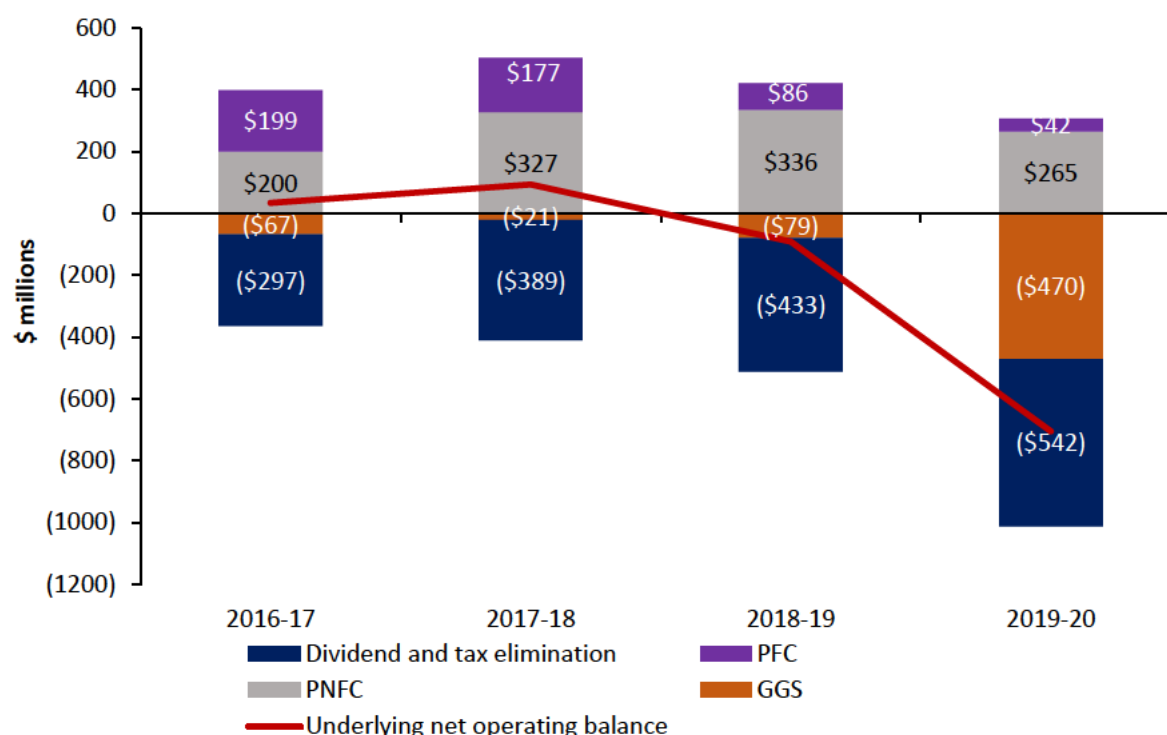


Figure 8 shows the TSS Net Underlying Operating Balance, disaggregated into GGS, PFC and PNFC sectors, before inter-sector eliminations.

Figure 8: Disaggregated TSS Net Underlying Operating Balance



Over the four years under review, GGS recorded underlying deficits, the PFC sector's underlying surplus has steadily declined, and the PNFC sector reported a lower underlying surplus in 2019-20 after three years of improving results. The dividend and tax elimination adjustment is to remove from the TSS underlying net operating balance the effect of dividends and income tax paid by PFC and PNFC to Treasury. As noted previously, the deterioration in the GGS underlying result in 2019-20 primarily contributed to the current TSS deficit, representing a 63.7% decrease on the prior year.

Revenue

General Government Sector

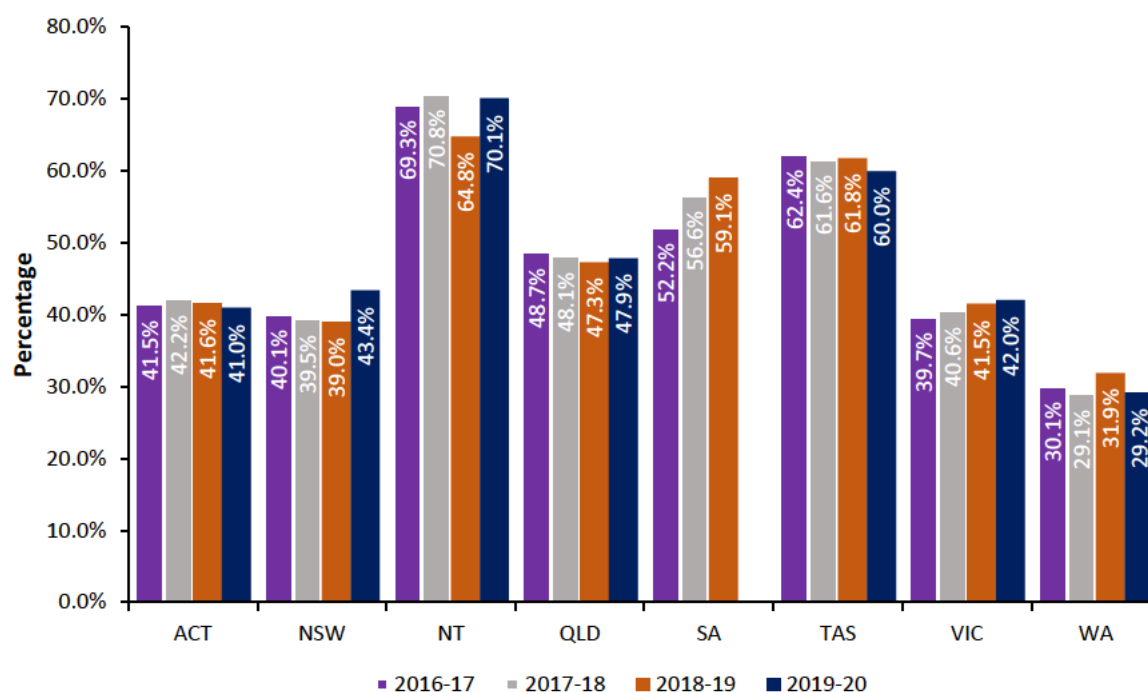
\$3.77bn	\$1.27bn	\$0.48bn	\$0.54bn
Australian Government grants	State Taxation	Sales of Goods & Service Fees and Fines	Dividends and Income Tax Equivalents

GGS revenue, excluding one-off Australian Government capital funding, totalled \$6.28bn in 2019-20, this was consistent with prior year, \$6.23bn.

Similar to previous years, grant funding from the Australian Government represented the majority of GGS revenue, totalling 60.0% of operating revenue in 2019-20 (2018-19, 61.8%).

Figure 9 is a comparison of the level of reliance on Australian Government grant funding as a percentage of total GGS revenue across states and territories. As at 30 November 2020, the 2019-20 result for South Australia was not available.

Figure 9: State by State Comparison of Grants received as a proportion of total GGS revenue



Note: Information obtained from publically available equivalents of TAFR for other states. Some information is not available as at the time of tabling

Compared to the other states, Tasmania recorded the second highest average proportion of Australian Government grants to total GGS revenue with an average of 61.4% over the last four years. Only the Northern Territory was higher with an average of 68.7%.

Total State Sector

\$3.87bn	\$1.23bn	\$3.95bn	\$0.40bn
Australian Government grants	State Taxation	Sales of Goods & Service Fees and Fines	Total Other Revenue

TSS revenue, excluding one-off Australian Government capital funding, totalled \$9.45bn in 2019-20. This was a reduction of \$73m or 0.8% from the previous year.

An analysis of revenue within the PNFC and PFC sectors is included within the Government businesses Chapter of this Report.

Capital investment

General Government Sector

Ongoing investment in infrastructure is essential to the delivery of services to the community whether it be roads, hospitals, schools, housing, health centres or many other forms of essential public infrastructure. Over the 2019-20 Budget and Forward Estimates period, the Government allocated \$2.80bn to community infrastructure investment.

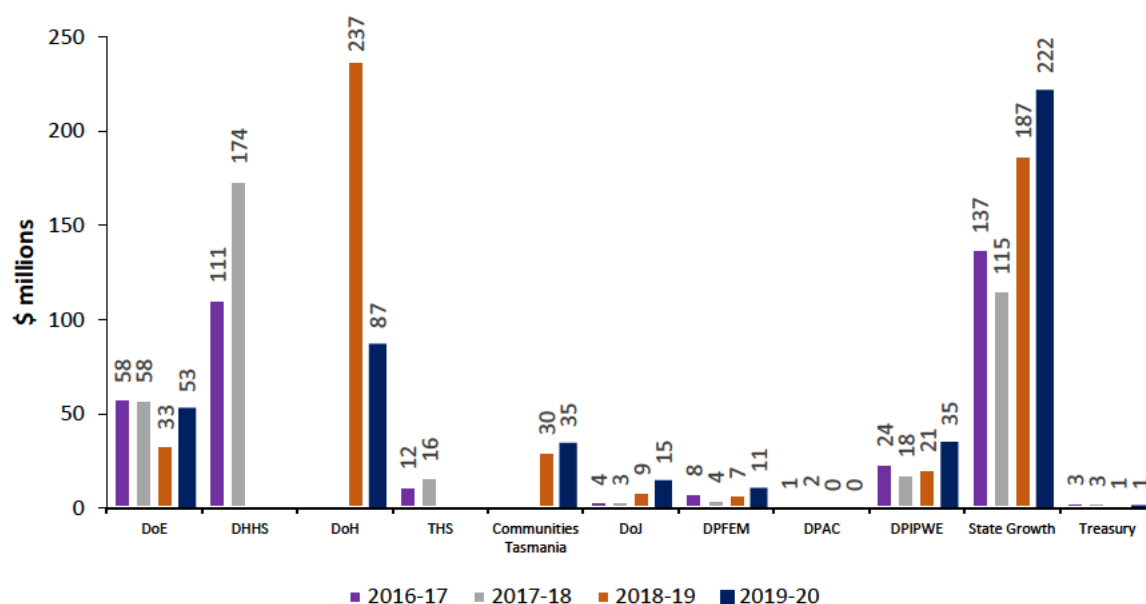
Major infrastructure expenditure planned over this period included:

- \$1.60bn for roads and bridges
- \$353m for hospitals and health
- \$213m for human services and housing
- \$194m for schools and education
- \$171m for law and order
- \$152m for tourism, recreation and culture.

For 2019-20, the GGS cash payments for non-financial assets totalled \$509m (2018-19, \$612m), in comparison to budgeted payments of \$688m, a shortfall of \$179m.

Figure 10 shows the actual cash payments for acquisition of non-financial assets over the past four years for each department in the GGS. The former Department of Health and Human Services (DHHS) and THS were subject to an administrative restructure in 2018-19, with the creation of DoH, which incorporated THS and Communities Tasmania. Information disclosed for the former DHHS and THS covers the periods 2016-17 and 2017-18. Cash payments for DoH and Communities Tasmania related only to periods 2018-19 and 2019-20. The impact of the administrative restructure on DPAC, which resulted in Community Development, Sport and Recreation, Tasmanian Institute of Sport, the Silverdome and administrative responsibility for the Tasmanian Community Fund being transferred to Communities Tasmania, has not been adjusted due to its low level of capital expenditure.

Figure 10: Actual cash payments for capital expenditure

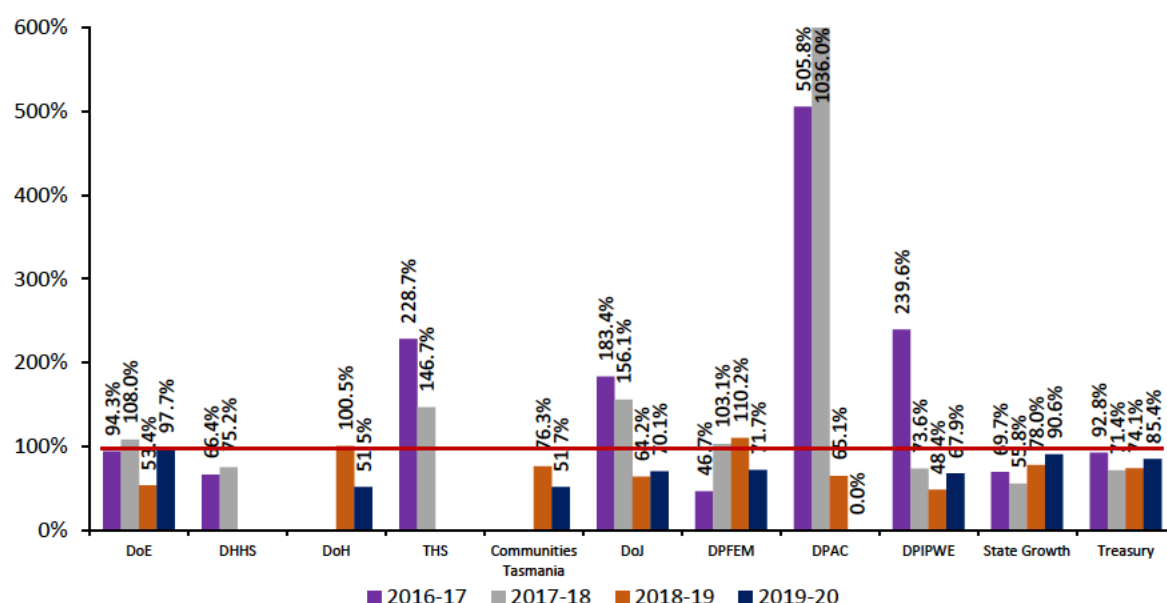


The majority of budgeted capital expenditure was provided to DoH and State Growth, with 66.3% of the total 2019-20 allocation (2018-19, 74.0%). This was also reflected in actual capital expenditure with these entities representing 67.4% of total 2019-20 spend (2018-19, 80.7%).

DoH's payments for capital expenditure in 2018-19 included \$189.40m on the RHH redevelopment stage 1, which was completed in 2019-20, which accounted for the decrease in 2019-20.

Figure 11 shows actual capital expenditure compared to budget over the last four years by government department.

Figure 11: Percentage spend of budgeted capital expenditure



Note: Due to the low value of capital expenditure, the DPAC percentage for 2017-18 exceeded the 600.0% axis scale.

In 2019-20, departments collectively had a capital expenditure shortfall to budget of \$166m. This continued the four year trend of below budget capital expenditure. Although these capital expenditure shortfalls to budget were impacted by significant projects, such as the Midland Highway and the RHH Redevelopment, concern is expressed as to whether some departments have the capacity to undertake additional capital projects, when current performance suggests existing capital expenditure targets are difficult to achieve.

In 2019-20, State Growth's shortfall was \$23m due mainly to the revised timing of roads program funding. Expenditure for these projects was delayed, with budget revenue moved to 2020-21. Over the last four years, State Growth only expended 68.3% of its total budget, a shortfall of \$204m over the period. State Growth noted that Tasmania has a small construction window, typically September through to March that is defined by climatic conditions. Construction activity outside of this window is constrained and this reflects in project cash flows. Closer monitoring and capital program reporting will enhance the forward program over the Forward Estimates and assist in identifying potential cash flow variations to support the planned achievement of roads program expenditure.

DoH's capital expenditure budget in 2019-20 was \$82m less than budget due to revised timing of cash flows for the RHH redevelopment and upgrades at the Mersey Community Hospital, rural hospitals and ambulance stations.

Communities Tasmania only managed to spend 51.7% of its capital budget in 2019-20, mainly associated with the affordable housing construction program, Ashley Youth Detention Centre redevelopment and the Southern Indoor Multisport Facility – Southern Tasmania, which comprises a significant portion of Communities Tasmania's CIP.

Net worth and net debt

General Government Sector		Total State Sector	
\$7.86bn	(\$0.53)bn	\$7.86bn	(\$0.50)bn
Net worth	GFS Net debt	Net worth	GFS Net debt

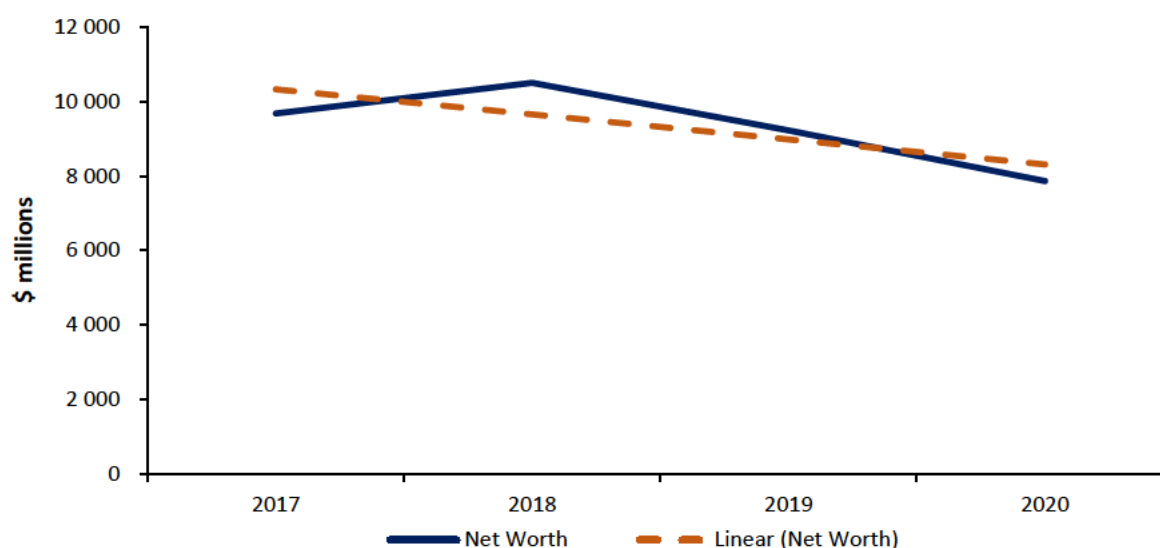
Net worth

GGs Net worth, also referred to as net assets, decreased by \$1.36bn to \$7.86bn at 30 June 2020. Net worth includes certain financial assets and liabilities not captured by the Net debt measure, most notably, accrued employee superannuation liabilities, ownership of equities, debtors and creditors.

Figure 12 shows GGS Net worth maintained a downward trend over the four year period. Major contributors to the decrease in GGS Net worth were:

- a reduction of \$492m in the value of investments in PNFC and PFC sectors, mainly due to a decrease in the net assets of the electricity entities and the PFC sector
- a revaluation decrement of \$143m for road infrastructure
- an additional \$274m in borrowings held with TASCORP
- the initial recognition of contract liabilities of \$252m arising from the introduction of new accounting standards relating to revenue recognition.

Figure 12: Net worth (4-year trend)



Equity investments are included in GGS Net worth, however PNFC and PFC equity investments are removed and replaced with the assets and liabilities of the PNFC and PFC entities in arriving at TSS Net worth. As the PNFC and PFC entities are recognised at a fair value equivalent to their net asset value in GGS financial statements, Net worth is the same for GGS and TSS.

Net debt and Government Finance Statistics Net debt

Net debt is a measure used to help assess the overall strength of a government's fiscal position. For 2019-20, Net debt comprised borrowings plus lease liabilities less cash, deposits and investments. The reference to negative Net debt means cash, deposits and investments exceeded borrowings and lease liabilities.

GFS net debt is also a measure of net debt, calculated using the ABS GFS reporting framework, which excludes the impact of leases liabilities. GFS Net debt comprised borrowings less the sum of cash and deposits and investments. Prior to the introduction of AASB 16 *Leases* in 2019-20, there was no difference between Net debt and GFS Net debt.

Figure 13 shows GGS had a negative GFS Net debt position in all of the past four years because cash, deposits and investments exceeded borrowings in each of those years. GGS GFS Net debt was negative \$531m at 30 June 2020, which was better than budgeted GGS GFS Net debt of negative \$50m, primarily due to higher actual cash and deposits and investments of \$313m compared to budget. Although GGS GFS Net debt at 30 June 2020 was better than budgeted, it represented a deterioration of \$243m from the prior year.

Figure 13: GGS Net debt and GGS GFS Net debt

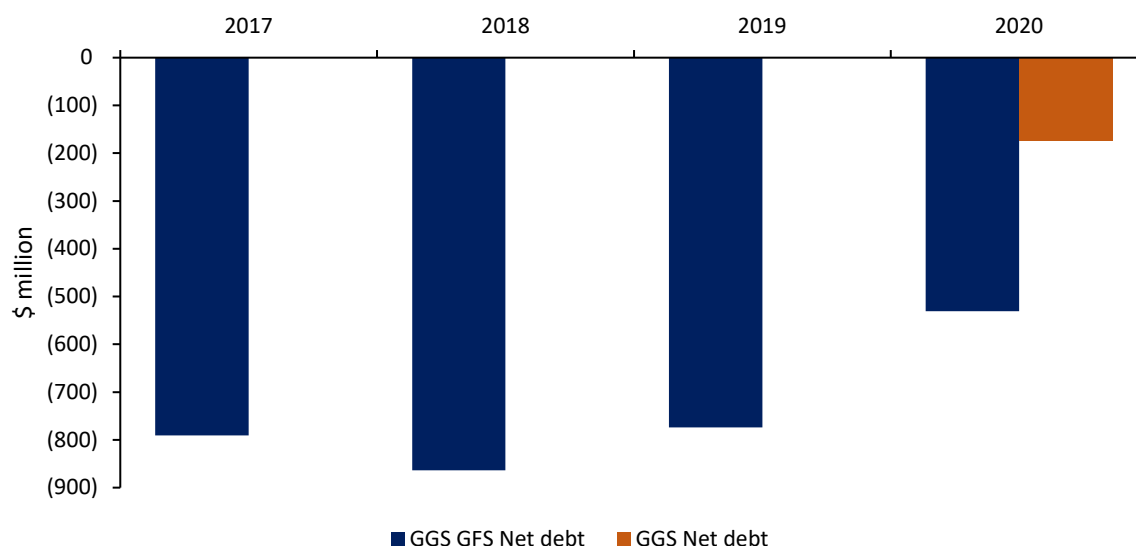
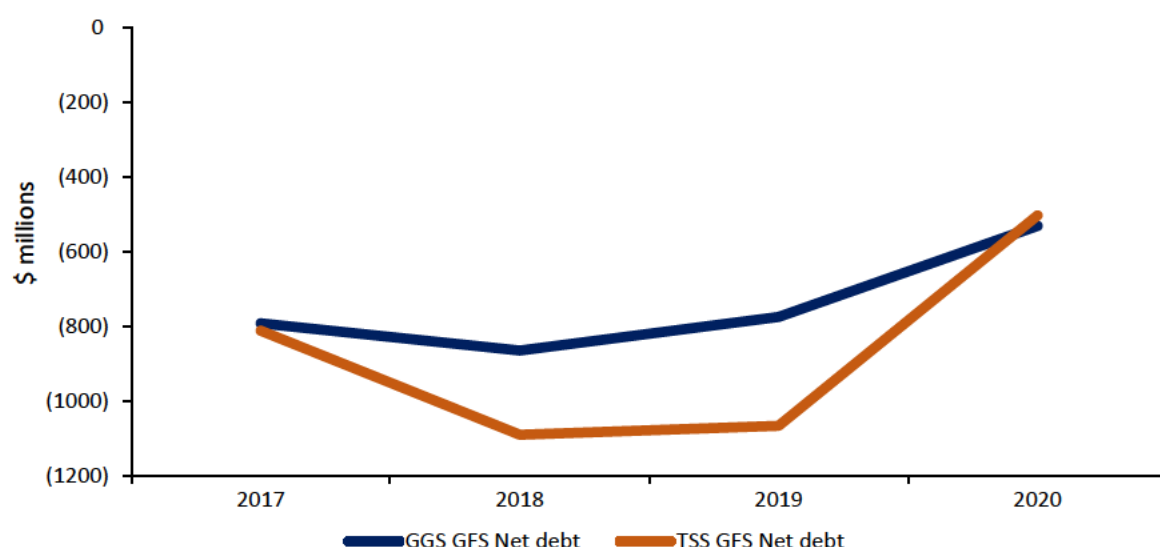


Figure 13 shows GGS Net debt was a negative \$176m as at 30 June 2020, a deterioration of \$598m from 30 June 2019, due primarily to recognition of lease liabilities of \$356m for the first time.

Figure 14 provides a comparison of GGS GFS Net debt to TSS GFS Net debt for the past four years.

Figure 14: GFS Net debt (4-year trend)



The TSS GFS Net debt deteriorated by \$562m to negative \$503m for 30 June 2020, this was due to borrowings increasing by \$740m or 11.7%, whilst cash and investments increased by \$178m or 2.4%. The increase in borrowing was primarily due to recognition of lease liabilities of \$356m in 2019-20.

Defined benefit superannuation liability

Superannuation Commission

The Superannuation Commission (Commission) is responsible for the management of the funded assets of the Retirements Benefits Fund (RBF) Defined Benefit Contributory Scheme, the Tasmanian Ambulance Service Superannuation Scheme (TASSS), the State Fire Service Superannuation Scheme and the Parliamentary Superannuation Fund (PSF). Each of the defined benefit funds is closed to new members. The Commission has no responsibility for the Judges Contributory Pensions or the Housing Tasmania superannuation liability.

The Commission is supported by the Office of the Superannuation Commission (OSC) which is a branch of Treasury. The operating costs of the OSC and the Commission in administering the five public sector defined benefits schemes are funded directly by appropriation, rather than through operating expenses charged directly against scheme assets. The OSC is disclosed as an output group of Treasury.

Defined benefit superannuation liability

At 30 June 2020, the GGS unfunded defined benefit liability was \$10.28bn (30 June 2019, \$10.19bn). The unfunded superannuation liability comprised the following defined benefit schemes and arrangements:

- RBF Defined Benefit Contributory Scheme, \$10.21bn (\$10.12bn)
- PSF Schemes, \$19m (\$19m)

- Judges Contributory Pensions, \$36m (\$38m)
- TASSS, \$6m (surplus, \$5m), recognised in the financial statements of DoH
- Housing Tasmania, \$8m (\$8m), recognised in the financial statements of Communities Tasmania.

The increased net liability of \$0.09bn in 2019-20 was primarily caused by a change in the discount rate from 1.8% at 30 June 2019 to 1.6% at 30 June 2020. There is a strong inverse relationship between the discount rate and the valuation of the superannuation liability. The discount rate was determined based on a Government bond maturing in May 2041, which is similar to the combined duration of all the Government's defined benefit superannuation liabilities. Because of the inverse relationship between the discount rate and the valuation of the liability, the liability increases when the discount rate falls.

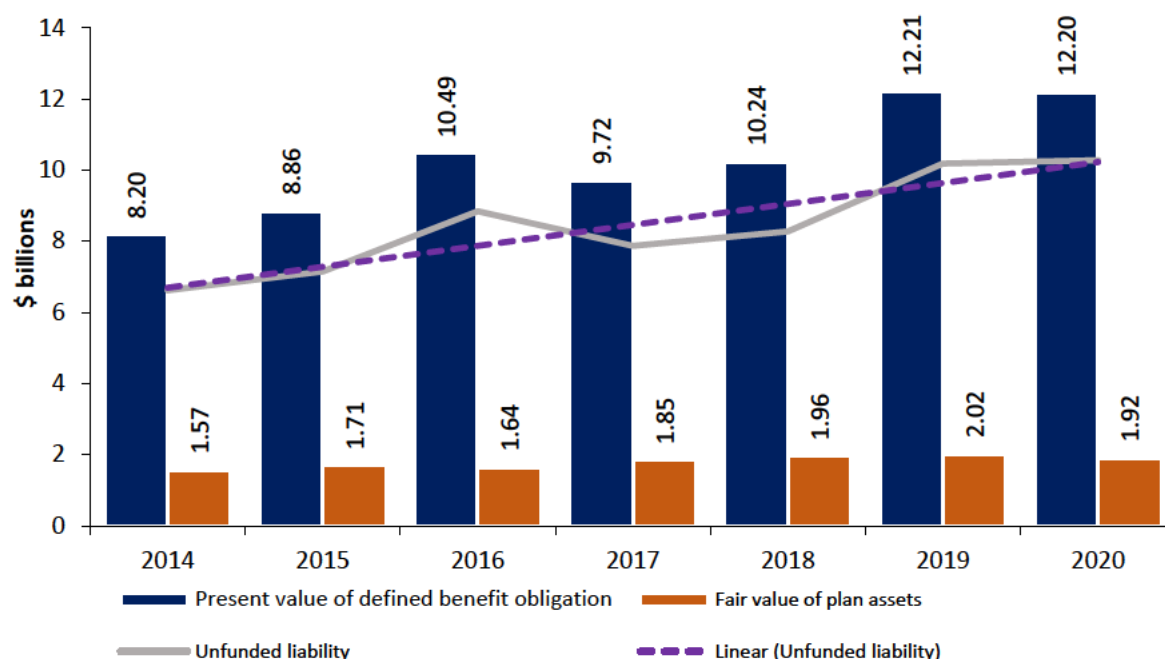
The State Actuary undertook a triennial review of the RBF Defined Benefit Contributory Scheme and the PSF as at 30 June 2019. The review was completed in July 2020 and recommended no change in the current schedule of employer contributions for the Contributory Scheme, that is, employer contributions should continue at 88.5%. However, it was noted the level of contributions may change dependent on the future experience of the Scheme, in particular, future investment returns, pension increases, and mortality experience.

The State Actuary also recommended no change in the current level of Government contributions for the PSF scheme, currently 73.0% of pension benefits.

A triennial review for Parliamentary Retiring Benefits Fund was not required as at 30 June 2019 as the last member left during 2018-19 and there is no ongoing pension liability.

Figure 15 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 15: Unfunded Superannuation Liability (seven year trend)



The graph illustrates the upward trend of the State's obligation arising from current and former members of the public sector defined benefit superannuation schemes. The Government is ultimately responsible for meeting obligations of the schemes, all of which are closed to new membership. Superannuation payments are met on an emerging cost basis from the Public Account, funded partly by agency contributions and by a Reserved-by-Law contribution, which comprises the balance of the Government's share of pension and lump sum benefit costs.

Figure 16 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 2020. The estimated cash outflows represent the total cost of benefits payable and do not take into account the share of benefits funded from scheme assets.

Figure 16: Undiscounted Defined Benefit Superannuation Cash Outflows (2020-2070)

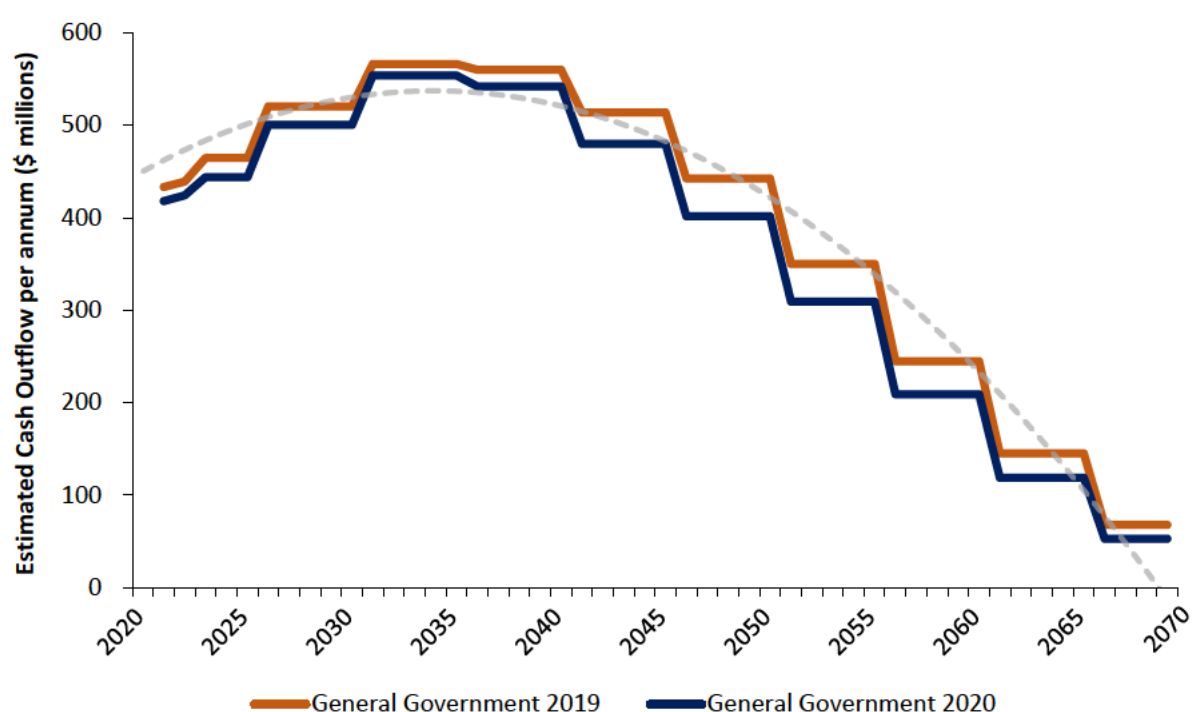


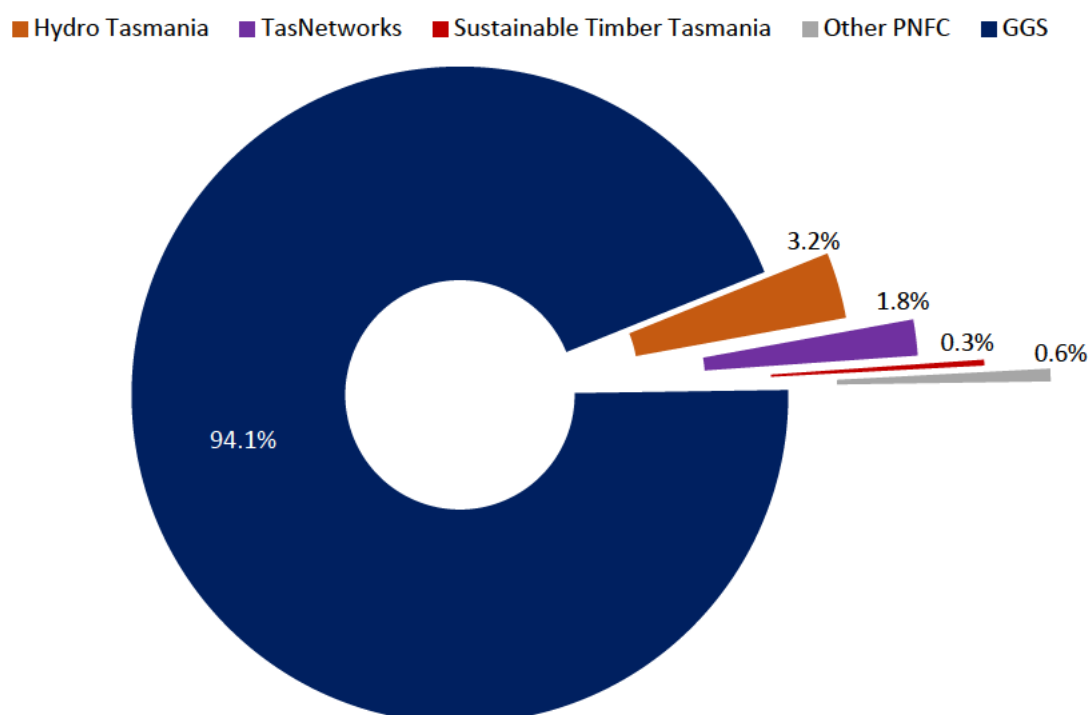
Figure 16 shows cash required to meet defined benefit pensions and lump sum payments will peak in approximately 11 years from now at around \$554m per annum. A key budget risk is the cost to the Budget will increase significantly in coming years, increasing by 32.5% over the next 11 years and peaking in 2031-35.

There was a reduction in the estimated cash outflows required to meet the superannuation liability from 2019 to 2020, primarily due to changes in:

- actuarial assumptions in regard to the pension benefit and lump sum payments
- financial assumptions (discount, pension, asset return and salary increase rates)
- demographic assumptions (mortality, turnover, disability and portion of dependants).

Discussion in this Chapter focused on the GGS superannuation liability only, as this made up the vast majority of the superannuation liability as illustrated in Figure 17.

Figure 17: Net Defined Benefit Superannuation Liabilities



Public account

When reviewing the commentary below, it should be noted that the Public Account statements are reported on a cash basis meaning there is no distinction between receipts or payments of a capital or operating nature and borrowings received or paid.

We have not provided any charts in 2019-20 due to the change in structure of accounts within the Public Account, as the information is not directly comparable to prior years.

The cash held in the Public Account totalled \$1.19bn at 30 June 2020 and comprised the Australian Government Funding Management Account, \$217m, and Other SPAs, \$977m. Other SPAs primarily consists of agency financial management accounts.

The balance of \$217m in unspent Australian Government funds, held in the Australian Government Funding Management Account, included unspent funding for the redevelopment of the RHH, \$22m, Project Marinus, \$35m, and National Building Road Program, \$23m.

Public Account receipts were \$7.63bn, \$370m above budget primarily due to both higher receipts to the agency SPAs, \$307m, and state sourced general receipts, \$72m, mainly due to additional tax receipts.

Public Account expenditure was \$8.08bn, \$324m higher than budget, mainly due to increased operating services expenditure, \$261m, and payments from agency SPAs, \$224m.

Government businesses

Introduction

This Chapter summarises financial results for the 17 Government businesses subject to audit. Analysis in this Chapter has been performed using the consolidated financial results of Government businesses with subsidiaries.

Government business developments

This section summarises significant developments that affected the operations of Government businesses, as identified during the course of the audits.

COVID-19

Individual Government businesses were impacted by the COVID-19 pandemic to varying degrees, as discussed in more detail for each business below. Broadly, common impacts of COVID-19 across Government businesses were similar to those identified in the GGS Chapter.

To provide Government businesses with timely access to funding to support cash flow and other funding needs related to COVID-19, including the need to implement Government policy responses to COVID-19, TASCORP was provided with approval to provide additional debt funding to Government business up to a determined maximum level. To support the TASCORP Board in responsibly executing its duties, the Government provided an unconditional and irrevocable guarantee to TASCORP for the loans provided to government businesses up to determined maximum levels.

Aurora Energy Pty Ltd

Operating result

In 2019-20, Aurora Energy Pty Ltd (Aurora Energy) made a loss before tax of \$7.70m, compared to a profit before tax of \$11.00m for the previous year. The 2019-20 result included the impact of the small business bill waiver provided as a COVID-19 support measure at the direction of the members of the company, being the Shareholder Ministers, and higher expected credit losses on trade receivables.

Small business bill waiver

For eligible small businesses with annual business electricity consumption of less than 150 MWh, Aurora Energy waived 100.0% of the first quarterly electricity bill, or the first three monthly electricity bills, issued after 1 April 2020 on the following energy products:

- Business Time of Use (Tariff 94)
- General Business (Tariff 22)
- Irrigation Time of Use (Tariff 75)
- Low Voltage Demand (Tariff 82).

The small business bill waiver totalled \$17.29m and was funded internally.

Expected credit loss on receivables

COVID-19 contributed to a reduction in customers' ability to pay their electricity bills, which resulted in expected credit losses on trade receivables increasing to \$10.10m at 30 June 2020 (30 June 2019, \$2.10m), negatively impacting Aurora Energy's 2019-20 profit.

Cash flow hedges

Cash flow hedge losses and transfers of \$67.89m, taken to the cash flow hedge reserve, resulted in Aurora Energy recognising a negative total comprehensive income of \$73.07m. A decrease of \$83.42m from 2018-19. The position mainly resulted from a reduction in the net value of Aurora Energy's electricity derivatives due to lower Tasmanian forward wholesale electricity prices.

Hydro-Electric Corporation

Operating result

Hydro Tasmania recorded a loss before tax of \$778.06m, a \$994.25m decline from the profit before tax of \$216.19m in 2018-19. This mainly resulted from an \$870.65m revaluation decrement, following a revaluation of generation assets. The fair value of Hydro Tasmania's generation assets decreased by 25.0% during the year because of:

- lower electricity prices
- lower volume weighted price premiums, particularly over the 2029 to 2040 period (capped at 10.0%)
- a lower average generation assumption of 8 405 GWh post 2024 compared to 8 700 GWh in the prior year valuation model.

Energy storage

Hydro Tasmania maintained a level of energy storage throughout the year which exceeded storage targets and remained above the High Reliability Level required under the Tasmanian Energy Security Risk Response Framework.

Battery of the Nation initiative

Progress was made on the planning phase of the Battery of the Nation initiative. Hydro Tasmania accelerated detailed investigation of three sites considered suitable for a potential pumped hydro development, Lake Cethana, Lake Rowallan and near Tribute Power Station on the West Coast.

Basslink dispute

Disputes between Hydro Tasmania and Basslink Pty Ltd on matters relating to the 2015-16 undersea cable fault remained unresolved as at 30 June 2020.

Macquarie Point Development Corporation

Planning scheme amendments

In October 2019, the Tasmanian Planning Commission approved planning scheme amendments in preparation for Macquarie Point land to be developed and offered to market.

Site remediation

Remediation continued across most of the Macquarie Point site during 2019-20, with independent environmental audit certification achieved for the Goods Shed and physical remediation completed for The Escarpment area, the first stage of a multistage land release by the Macquarie Point Development Corporation (MPDC) comprising 8 797m² of available land. The remediation enabled MPDC to progress plans for road construction, a transit corridor and develop supporting service infrastructure.

Motor Accidents Insurance Board

Operating result

MAIB's profit before tax decreased from \$38.41m in 2018-19 to \$9.75m in 2019-20, predominantly due to lower gross investment income of \$139.38m, reflecting the decline in global investment markets. This was partly offset by lower Net claims incurred of \$102.29m, resulting from the combined effect of improved claims experience and the reduced impact of movements in discount and inflation rates used in calculating the present value of the outstanding claims liability.

Claims experience

MAIB received 2 294 new claims in 2019-20, representing a claim frequency of 4.2 claims per 1 000 registered vehicles. In the first nine months of the financial year, MAIB saw a minor reduction of 3.3% in claim numbers compared to the same period in 2018-19. However, there was a 36.3% reduction in claim numbers for the last quarter as compared to the previous year. This was primarily due to significant decline in traffic volumes during COVID-19 restrictions. These factors resulted in an overall 12.5% decrease in claim numbers compared to the previous year.

Metro Tasmania Pty Ltd

Operating result

COVID-19 had a significant impact on Metro Tasmania Pty Ltd's (Metro) patronage, fare revenue and operations. School closures, increased working from home arrangements and other restrictions on public movement implemented in response to COVID-19 resulted in patronage declining by as much as 77.0% in mid-April 2020. Further, a fare amnesty was introduced from March 2020 to July 2020 as part of Government's response to COVID-19. This resulted in Metro foregoing approximately \$4.00m in fare revenue over this four month period. These factors contributed to the loss before tax increasing from \$2.39m in 2018-19 to \$5.07m in 2019-20.

Bus replacement program

The bus replacement program continued during 2019-20, with Metro acquiring 35 new buses at cost of \$16.24m. The program is designed to reduce the age of the fleet, ensure Metro meets obligations under the *Disability Discrimination Act 1992*, lower carbon emissions, reduce repairs and maintenance costs and improve service delivery and customer satisfaction. Under the program, one hundred 12.5 metre wheelchair accessible buses were to be purchased for an expected cost of \$45.00m. At 30 June 2020, 74 buses had been delivered at a cost of \$32.10m, with the remaining 26 buses expected to be delivered by April 2021.

Port Arthur Historic Site Management Authority

Operating result

In 2019-20, the Port Arthur Historic Site Management Authority (PAHSMA) made a loss of \$1.58m, an increase of \$1.36m from the \$0.22m loss incurred in 2018-19. The loss would have been higher had the Government not provided a payroll tax waiver of \$0.52m.

The increased loss is attributed to the impact of COVID-19. The Port Arthur and Cascades Female Factory sites closed to visitors from 21 March 2020, and the Coal Mines site from 27 March 2020. All sites reopened on 3 July 2020.

The closures resulted in revenue from visitor entry, tours, hospitality and rentals decreasing by \$3.73m. PAHSMA estimated a loss of approximately 90 000 day visitors and four cruise ship visits over the closure period.

Adoption of AASB 16

PAHSMA adopted AASB 16 retrospectively from 1 July 2019 which resulted in recognition of right-of-use assets as at 1 July 2019 of \$7.54m, a lease liability of \$7.57m, and an adjustment to opening retained earnings of \$0.03m. The reduction in projected site visitors arising from COVID-19 impacts gave rise to a significant impairment in the right-of-use assets and associated reduction in lease liability of \$2.85m during 2019-20.

Increased borrowings

On 15 June 2020, PAHSMA's maximum borrowing limit was increased to \$8.00m, and further increased to \$12.50m on 14 August 2020. During 2019-20, PAHSMA borrowed an additional \$0.90m taking its borrowings to \$5.90m at 30 June 2020.

Sustainable Timber Tasmania

Bushfire impacts

Bushfires continued to impact Sustainable Timber Tasmania's (STT) operations. During the 2019-20 summer contractors were unable to access logging coups and STT resources were diverted to support firefighting activities. Net bushfire fighting costs in 2019-20, increased by \$0.68m to \$3.10m due to a greater difference in total costs incurred and reimbursements received. The repair of assets damaged in the previous fire season was significant with insurance proceeds totalling \$5.70m received in 2019-20.

Tasmanian Irrigation Pty Ltd

Impairment losses

Tasmanian Irrigation Pty Ltd (TI) was scheduled to commission the Scottsdale Irrigation Scheme in early 2020. However, project delays and the impact of COVID-19 resulted in the scheme not being commissioned at 30 June 2020. Consequently, the impairment loss in 2019-20 of \$11.93m was significantly lower than that in the prior year, \$75.78m.

Impairment losses fluctuate depending on the timing of commissioning of new schemes or the reassessment of impairment factors. For 2019-20, the majority of the impairment loss related to a review of the Midlands water/power scheme after there was a significant fall in projected electricity generation revenue and renewable energy certificate pricing.

These factors resulted in the loss before tax in 2019-20 of \$14.95m being significantly lower than the \$58.48m loss in 2018-19.

Tasmanian Networks Pty Ltd

Operating result

There were no major financial developments during 2019-20 with Tasmanian Networks Pty Ltd (TasNetworks) results being similar to those of the prior year. For 2019-20, TasNetworks made a profit before tax of \$52.12m (2018-19, \$58.55m) and will return a dividend of \$26.74m from 2019-20 profits (\$28.91m). TasNetworks spent \$220.71m (\$209.73m) across a number of capital projects while borrowings remained fairly consistent, at 30 June 2020 amounting to \$1.98bn (\$1.94bn).

Marinus Link

TasNetworks delivered a positive Business Case Assessment and Regulatory Investment Test – Transmission Draft Report that demonstrated Marinus Link and supporting transmission was technically feasible and would deliver benefits to customers across the National Electricity Market. Marinus Link was included as one of 15 priority projects the Prime Minister announced on 15 June 2020 that will be part of the Australian Government's fast-track investment in critical infrastructure.

New wind farms

TasNetworks also connected two new wind farms to the network during the year; Cattle Hill and Granville Harbour.

Tasmanian Ports Corporation Pty Ltd

Operating result

During 2019-20, 14.09m tonnes of freight transited through Tasmanian ports, down 9.5% on 2018-19. The decline was mainly due to a reduction in the international demand for forestry products together with reduced exports and imports from South32 at Bell Bay as its future operating model was under consideration. This, together with the impacts of COVID-19 mentioned below, contributed to Tasmanian Ports Corporation Pty Ltd (TasPorts) generating a lower profit before tax of \$7.67m for 2019-20 compared to \$17.70m the previous year.

COVID-19 impacts

The travel and cruise sectors of TasPorts' operations were adversely impacted following the Australian Government's prohibition on the operation of cruise ships in Australia from 27 March 2020 in response to COVID-19. Whilst this resulted in the cancellation of some port visits, prior to the prohibition there were 122 port visits by cruise ships in Tasmania, compared to 106 in 2018-19. Devonport Airport experienced a loss of passenger services with the cancellation of all flights from March 2020, also attributed to COVID-19.

Regulatory matters

In December 2019, the Australian Competition and Consumer Commission informed TasPorts of the commencement of proceedings in the Federal Court alleging breaches of competition laws in relation to pilotage, towage and marine charging. TasPorts denied the allegations and is defending the matter.

Capital projects

During 2019-20, TasPorts progressed works on three prioritised projects, in line with its 2018 Port Master Plan at the major ports of Burnie, Devonport, Bell Bay and Hobart. The Plan provides for greater capacity and capability, thus improving trade links nationally and internationally. The priority projects relate to:

- Devonport East Redevelopment: redevelopment at the Port of Devonport to enhance trade throughput through improved infrastructure and facilitation of larger ships.
- Burnie Export Gateway: infrastructure upgrades at the Port of Burnie to accommodate the introduction of larger vessels, enabling export growth.
- Macquarie Wharf Redevelopment: redevelopment of the Macquarie Wharf precinct within the Port of Hobart to maximise usage for Antarctic, cruise and export sectors.

Together, these projects aim to deliver infrastructure that will facilitate growth in throughput over a 50-year horizon.

Tasmanian Public Finance Corporation

Operating result

The result for TASCORP for 2019-20 was a profit before tax of \$32.60m (2018-19, \$47.40m). The result represents a profit from treasury operations of \$16.40m (\$22.70m) and \$16.20m (\$24.70m) from the MCHF. Overall profit before tax for treasury activities decreased by around \$6.30m. This fall was largely due to falling interest rates on floating assets and liabilities and the refinancing of assets and liabilities. The deterioration in the MCHF result is attributable to unrealised gains in the derivatives hedging the investments, a fall in net interest revenue from 2018-19 arising from falling floating interest rates and the reduction in the fund balance as a consequence of the dividend distributions from the fund.

Bond issuance

In response to the need to provide additional debt funding to State entities as part of the Government's response to COVID-19, TASCORP borrowings increased by \$987.10m to \$6.90bn reflecting a net increase of \$575.20m in benchmark bonds and \$424.50m in domestic commercial paper. The increase in benchmark bonds reflected a new bond issuance of \$1.30bn, the funds of which were partly used to repay benchmark bonds that matured in 2019-20 totalling \$782.00m.

A significant portion of the additional funds raised from the benchmark bonds commercial paper were advanced to Treasury, \$749.90m, and Tasmanian Development and Resources, \$80.30m.

Tasmanian Railway Pty Ltd

Operating result

Tasmanian Railway Pty Ltd (TasRail) incurred a loss before tax of \$39.13m for 2019-20 (2018-19 loss, \$25.41m). The loss was mainly due to the immediate impairment of capitalised infrastructure costs for below rail assets of \$31.70m (\$27.19m). The result for 2019-20 was supported by operational grant funding of \$10.10m (\$8.10m) from the Government and \$9.00m compensation from a legal settlement.

Rail network upgrades

TasRail continued to manage upgrades to the Tasmanian Rail Network which were jointly funded by the Tasmanian and Australian Governments. TasRail successfully completed year one of the four-year \$119.60m Tasmanian Freight Rail Revitalisation Program (Tranche Two) which delivered:

- installation of 10 722 sleepers and 25 195 metres of new rail
- thirteen track turnouts (or points) on the network repaired or replaced
- renewal of eight level crossings
- three coastal erosion sites strengthened and remediated
- strengthening of the 900-metre-long Rhyndaston Tunnel
- reconstruction and commissioning of the Parattah Log Siding
- installation of a truck weighbridge at Brighton Transport Hub.

During 2019-20, the Australian Government provided funding of \$16.95m and the Tasmanian Government provided \$30.48m for these works. Both amounts were recorded as equity contributions. The Tasmanian Government also provided a further \$12.00m capital injection during 2019-20.

Tasmanian Water and Sewerage Corporation Pty Ltd

Operating result

Tasmanian Water and Sewerage Corporation Pty Ltd (TasWater) recorded a loss before tax for 2019-20 of \$199.20m, an increase of \$4.01m from the 2018-19 loss of \$195.19m. Both losses included significant revaluation decrements, \$214.16m in 2019-20 and \$246.15m in 2018-19.

The underlying loss for 2019-20 was \$15.83m, which was lower than the underlying profit of \$21.74m achieved in the prior year. The lower underlying result was due to:

- increased depreciation of \$20.08m
- reduced sales revenue of \$8.47m, primarily attributable to Government COVID-19 support measure that provided a 100 per cent rebate for eligible small business customers on their 2019-20 fourth quarter bills
- higher administration expenses of \$7.76m, related to increased expected credit losses on trade receivables.

Valuation of water and sewerage infrastructure assets

The fair value of TasWater's water and sewerage infrastructure assets decreased by \$442.38m in 2019-20. Of this, \$228.21m was adjusted against the asset revaluation reserve for sewerage infrastructure. The remaining \$214.16m was recognised as an expense in the comprehensive income statement with \$191.78m relating to water infrastructure and \$22.38m relating to sewerage infrastructure.

The fair value of water and sewerage assets was derived from an income valuation methodology, based on discounted cash flows using a discount rate based on a real pre-tax weighted average cost of capital (WACC). The primary reason for the decrement in 2019-20 was TasWater adopting a higher WACC, 4.6% compared to the previous year's rate of 3.7%.

Capital Delivery Office

TasWater established a Capital Delivery Office (CDO) in April 2018 with alliance partners to manage the organisation's capital works program. The CDO has undertaken considerable planning, investigation and project development activities. The first major projects to be fully delivered by the CDO are expected to include upgrade works at Mikany Dam at Smithton and Henderson Dam on Flinders Island.

Total capital expenditure for TasWater in 2019-20 was \$128.80m, of which \$93.12m related to projects managed by the CDO.

Tasracing Pty Ltd

Operating result

Tasracing Pty Ltd (Tasracing) expended \$12.50m for redevelopment of the Elwick thoroughbred track that provided a single 28-metre-wide track. Work commenced immediately after the 2019 Hobart Cup in February 2019 and was completed in time for the running of the 2020 Hobart Cup in February 2020.

The closure of tracks and suspension of racing due to COVID-19, together with increased superannuation and workers compensation costs, contributed to Tasracing's loss before income tax of \$3.79m for 2019-20, an increase on the prior year's loss of \$1.78m.

Point of Consumption Tax

The Point of Consumption Tax (PoCT), which was set at a rate of 15.0% of the net wagering revenue of betting companies with turnover greater than \$150 000, commenced on 1 January 2020. Eighty per cent of PoCT revenue is to be invested directly back into the industry, across all codes, in areas including stakes, infrastructure and animal welfare.

Borrowings

During 2019-20, the Treasurer increased borrowing limits for Tasracing from \$8.70m to \$18.70m. Borrowings at 30 June 2020 totalled \$9.94m.

The Public Trustee

New Regulations

In December 2019 *Public Trustee Regulations 2019* replaced *Public Trustee Regulations 2009*. The 2019 Regulations contained amendments to capital commission charges, which contributed to revenue from this source increasing from \$2.21m in 2018-19 to \$2.43m for 2019-20.

TT-Line Company Pty Ltd

Operating result

TT-Line Company Pty Ltd (TT-Line) produced a \$51.78m profit before tax in 2019-20, a decrease of 10.2% on the previous year's result of \$57.68m. Operating revenue was \$24.47m, 9.5%, down compared to 2018-19 due to the significant decline in passenger services in the last quarter of the financial year because of COVID-19 travel restrictions. The decrease in operating revenue was offset by increased investment revenue and foreign currency gains of \$33.37m.

Vessel replacement

The contract with German ship-building company Flensburger Schiffbau-Gesellschaft (FSG) signed in April 2018 for the construction of two custom-built vessels to replace the existing Spirits of Tasmania was terminated by agreement with FSG in February 2020 with both parties withdrawing from the contract with no penalty incurred.

TT-Line subsequently signed a Memorandum of Understanding (MOU) with Finnish shipbuilder Rauma Marine Constructions (RMC), which had been one of the yards short-listed during the original procurement process. The MOU included expected delivery dates of late 2022 and late 2023.

In July 2020, TT-Line received written notification from its Shareholder Ministers that the Board recommendation to sign contracts with RMC had not been approved. Following the decision to withdraw from the MOU, the Government established a taskforce to identify Tasmanian and Australian procurement, purchasing and manufacturing options for the new vessels.

Berthing leases

The Port of Devonport and Port of Melbourne berthing leases are due to expire on 1 July 2021 and 30 November 2022, respectively. During 2019-20, TT-Line made the decision to move its Victorian port operations from Station Pier, Melbourne, to Corio Quay, Geelong.

Government business financial performance

Government business financial results

Details of Government businesses' results are set out in Table 2. The financial information represents consolidated financial information for those entities with controlled entities.

Table 2: Government business financial results





Business	Underlying profit (loss) ⁴ \$'000s	Profit (loss) before tax \$'000s	Total comprehensive profit (loss) \$'000s
Aurora Energy	(7 202)	(7 703)	(73 072)
Hydro Tasmania	171 800	(778 062)	(98 966)
Metro	(5 066)	(5 066)	(3 548)
MAIB	9 752	9 752	7 875
MPDC	(1 942)	(2 321)	45
PAHSMA	(1 575)	(1 575)	(1 628)

⁴ The Tasmanian Audit Office applies a consistent basis for calculating underlying profit/(loss) across all Government businesses. Consequently, there may be differences the underlying profit/(loss) reported in the table compared to that reported in Government businesses' annual reports.

Business	Underlying profit (loss) ⁴ \$'000s	Profit (loss) before tax \$'000s	Total comprehensive profit (loss) \$'000s
Private Forests Tasmania (PFT)	(69)	(69)	(69)
STT	3 935	5 772	1 986
TASCORP	32 600	32 600	27 700
TI	(6 078)	(14 950)	(14 950)
TasNetworks	55 411	52 117	37 012
TasPorts	8 361	7 667	5 133
TasRail	(11 044)	(39 127)	(25 265)
TasWater	(15 830)	(199 196)	(427 806)
Tasracing	(3 790)	(3 790)	(3 925)
The Public Trustee (PT)	1 059	1 059	(31)
TT-Line	57 722	51 776	49 249
Total	288 043	(891 056)	(520 260)

The aggregated financial result for Government businesses was a loss before tax of \$891.06m in 2019-20. This result was a significant decline from the profit before tax of \$253.24m in the prior year, mainly related to revaluation decrements recognised in the income statements of Hydro Tasmania and TasWater, as discussed previously.

Underlying profit (loss)

\$288m 2019-20  (36%)	\$448m 2018-19  (17%)	\$539m 2017-18  30%	\$414m 2016-17  57%
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Underlying profit (loss) is defined as operating revenue less operating expenditure. This is a more accurate measure of financial performance as it reflects the earning power of an entity and the capacity to pay operating costs by removing unusual and non-recurring transactions. A comparison of the Underlying profit (loss) for Government businesses over the past four financial years is shown in Table 3.

Table 3: Underlying profit (loss)

Business	Underlying result			
	2019-20 \$'000s	2018-19 \$'000s	2017-18 \$'000s	2016-17 \$'000s
Aurora Energy	(7 202)	10 907	18 300	27 948
Hydro Tasmania	171 800	195 012	167 902	20 095
Metro	(5 066)	(2 385)	(1 935)	(3 017)
MAIB	9 752	38 409	137 236	165 678
MPDC	(1 942)	(1 062)	(1 310)	(1 284)
PAHSMA	(1 575)	(219)	622	1 322
PFT	(69)	355	503	413
STT	3 935	11 767	5 948	(13 876)
TASCORP	32 600	47 400	39 311	27 400
TI	(6 078)	(1 318)	(3 445)	1 738
TasNetworks	55 411	63 590	89 119	132 319
TasPorts	8 361	17 771	10 999	8 727
TasRail	(11 044)	(11 718)	(9 683)	(6 780)
TasWater	(15 830)	21 742	32 998	20 617
Tasracing	(3 790)	(1 782)	(190)	867
PT	1 059	838	1 337	1 012
TT-Line	57 722	58 821	51 392	30 348
Total	288 043	448 128	539 104	413 527

Government businesses as a whole recorded an Underlying profit of \$288.04m for 2019-20. This was a 35.7% decline on the 2018-19 result. Whilst the majority of government businesses saw a deterioration in underlying results, MAIB, Hydro Tasmania, Aurora Energy, TASCORP and TasPorts suffered larger decreases.

Eight (compared to 11 in 2018-19) of the 17 Government businesses recorded an underlying profit in 2019-20, totalling \$340.64m. Hydro Tasmania, TT-Line, TasNetworks and TASCORP were the largest contributors, accounting for 93.2% of the sector's underlying profit.

Aurora Energy, Metro, PAHSMA, Tasracing and TasWater were all significantly impacted by COVID-19, recording underlying losses which totalled \$33.46m in 2019-20. The underlying losses were heavily impacted by Aurora Energy and TasWater's COVID-19 support measures for small businesses, as discussed previously.

Figure 18 shows average operating margins for each government business over the past four years.

Figure 18: Operating margin - four year average

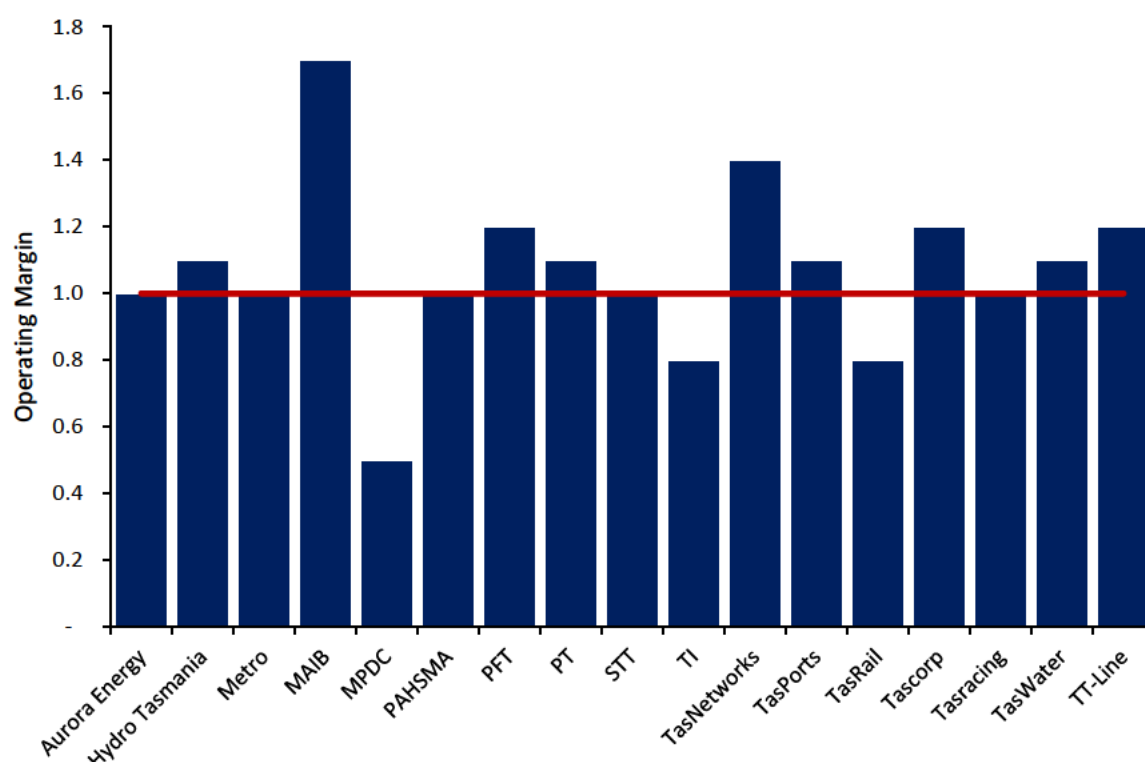


Figure 18 demonstrates that 14 of the 17 government businesses achieved an Operating margin at or exceeding the benchmark of 1.0 over the past four years, meaning they covered all operating expenses. Consistent with prior year MPDC, TI and TasRail were below the benchmark. MPDC operated in deficit as it received the majority of its government funding on inception. TI and TasRail received Government operational funding and/or commercial industry support, which is detailed in a later section in this Chapter.

Revenue received by government businesses

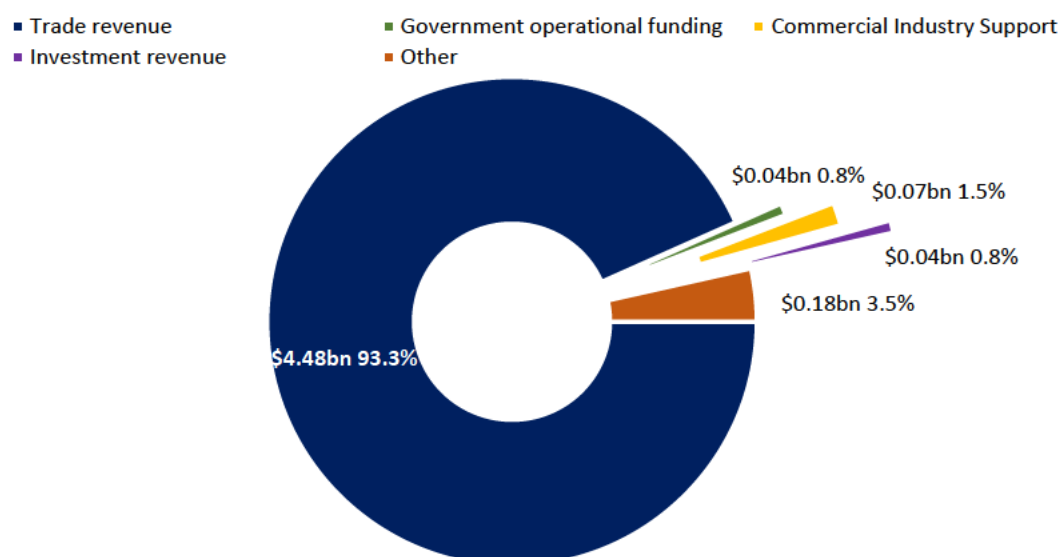
\$4.80bn 2019-20 ▼ 6%	\$5.13bn 2018-19 ▲ 5%	\$4.88bn 2017-18 ▲ 10%	\$4.44bn 2016-17 ▲ 5%
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Government businesses received \$4.80bn of total revenue in 2019-20, a decrease of \$0.33bn from 2018-19. The lower revenue was primarily a result of:

- decreased MAIB investment income, \$139.38m
- MPDC recognising one-off contributions of \$35.28m in the prior year
- lower STT biological asset valuation increment, \$41.53m
- decreased TASCORP interest revenue, \$20.6m
- decreased Hydro Tasmania sales revenue, \$39.86m.

Figure 19 shows the sources of Government business revenue.

Figure 19: Government business revenue

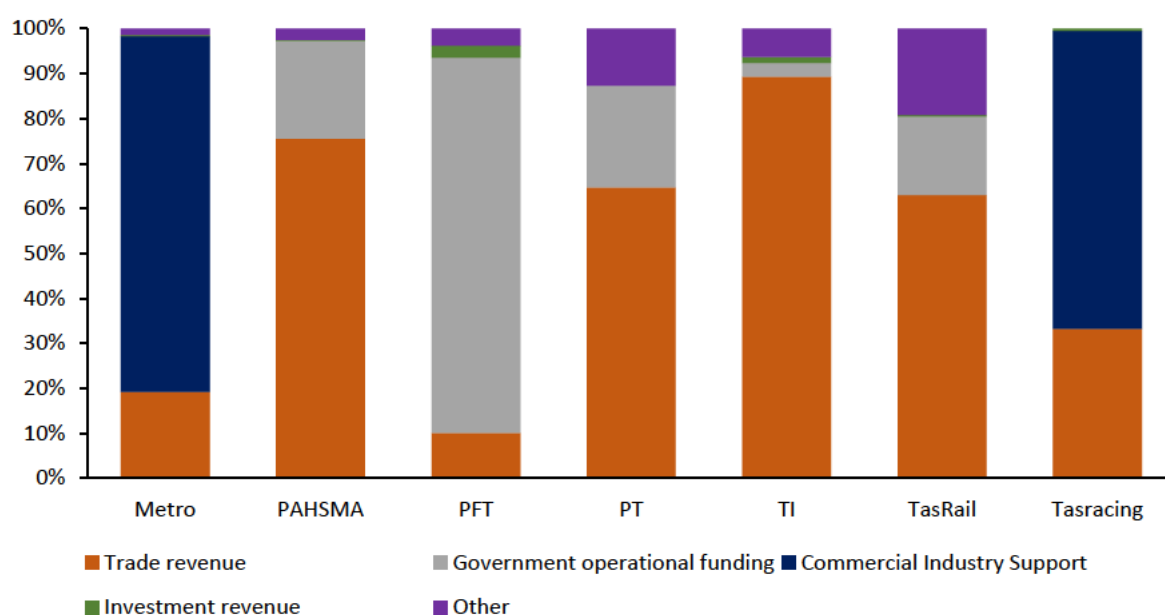


Trade revenue included revenue streams generated from government businesses' core activities. It represented 93.3% of government businesses' total revenue, higher than the prior year of 92.4%, while Government operational funding accounted for just 0.8% and commercial industry support 1.5%. This indicated the sector was primarily funded by own source revenue. However, it is noted the three energy businesses generated 71.3% of the total trade revenue. The majority of Government operational funding and commercial industry support was confined to entities that provided lower returns to Government, as discussed in the next section.

Operational funding and industry support

Figure 20 shows government businesses that received either Government operational funding or commercial industry support funding to maintain operations.

Figure 20: Government operational funding and commercial support as a % of total revenue



In aggregate, the seven Government businesses in Figure 20 generated 44.4% of their total revenue (2018-19, 44.7%) from either Government operational funding or commercial industry support.

Actual amounts of Government operational funding or commercial industry support received are shown in Table 4.

Table 4: Business revenue

	Metro \$'000s	PAHSMA \$'000s	PFT \$'000s	PT \$'000s	TI \$'000s	TasRail \$'000s	Tasracing \$'000s
Trade revenue	10 227	13 655	195	6 055	16 559	36 463	15 627
Investment revenue	179	45	51	0	251	191	236
Commercial Industry Support/Service contract with Government	42 136	-	-	-	-	-	31 137
Government operational funding	-	3 886	1 615	2 115	557	10 100	-
Other	719	491	73	1 191	1 172	11 128	-

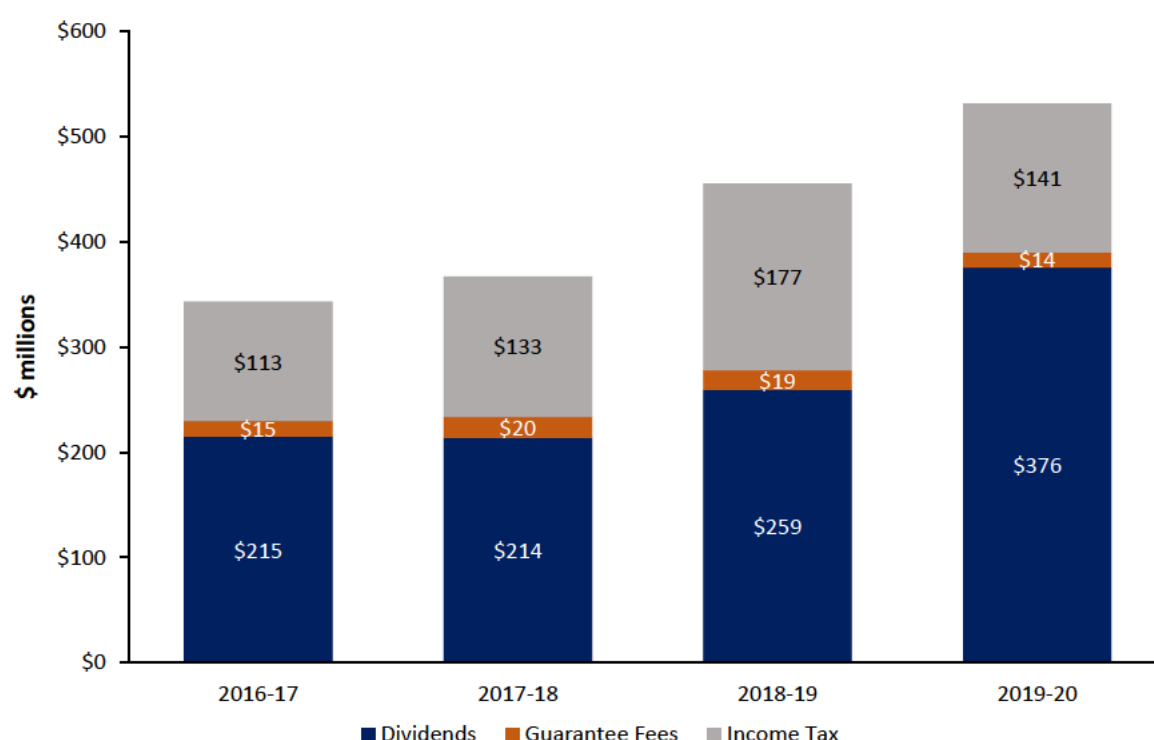
Metro and Tasracing received commercial industry support to facilitate operations. Metro received an equity contribution of \$4.61m and was reliant on a service contract with State Growth, \$42.14m, as it generated underlying losses in each of the past four years. Tasracing received \$31.14m in government funding. Tasracing was not required to pay dividends following a Government policy decision for any positive returns to be invested back into the industry.

PAHSMA, PFT, PT, TI and TasRail received Government operational funding during 2019-20. TasRail is reliant on Government funding to support primarily below rail operations as it generated underlying losses in each of the past four years. In 2019-20, Government operational funding received by TasRail represented 17.4% of its total revenue. TasRail aims to increase its own source revenue from above rail activities in order to fund above rail programs and to reduce Government operational funding. Recent results indicate progress towards this objective, with the percentage of support as a percentage of total revenue reducing from 46.8% in 2016-17 to 35.2% in 2018-19 and to 17.4% in 2019-20.

Returns to owners

Government businesses returned \$521.14m to the Government in 2019-20 and TasWater returned \$10.00m to owner councils. Figure 21 breaks down returns into dividends, income tax equivalents and guarantee fees paid during the year.

Figure 21: Returns to Government and owners



In 2019-20, dividends were paid by Aurora Energy, Hydro Tasmania, MAIB, PT, STT, TasNetworks, TasPorts, TASCORP, TasWater and TT-Line. These 10 government businesses accounted for the total returns to Government and owners.

Returns from government businesses increased 16.7% compared to 2018-19, primarily because of higher ordinary dividends, from Hydro Tasmania, \$120.00m, MAIB, \$91.88m and TASCORP, \$54.70m. Collectively these businesses paid dividends of \$266.58m in 2019-20 compared to \$133.63m in 2018-19. These increases were partially offset by lower returns by TasNetworks, STT and TT-Line which collectively paid dividends of \$61.81m in 2019-20 compared to \$98.10m in 2018-19.

Financing of government businesses

\$354.38m ▼ (18.4%)

Total cash and cash equivalents at 30 June 2020

Excluding cash and cash equivalents held by TASCORP, cash held by government businesses decreased by \$80.06m, or 18.4%, from the prior year to \$354.38m. The decrease was mainly attributable to Aurora Energy and STT, whose cash balances fell \$31.28m and \$22.86m, respectively.

Government business produced total cash flows from operations of \$741.55m, with Hydro Tasmania, MAIB, TasNetworks, TasWater and TT-Line generating 93.0% of this amount.

Purchases of Property plant and equipment were the main cash outflows from investing activities, totalling \$679.39m, with Hydro Tasmania, TasNetworks and TasWater making up 74.4% of the total.

Dividend payments represented 99.5% of net cash outflows from financing activities. Other major movements in financing activities were net new borrowings, \$73.76m, Government equity contributions, \$79.96m, and lease payments, \$15.05m.

\$3.28bn ● 2.3%

Total borrowings as at 30 June 2020

In addition to TASCORP, whose borrowings were a key component of its treasury business, there were eight government businesses with debt at 30 June 2020. These eight businesses had total debt of \$3.28bn, which is \$0.07bn higher than prior year. Details of borrowings and relevant ratios are set out in Table 5.

Table 5: Debt and relevant ratios

Business	Borrowings \$'000s	Current ratio	Cost of Debt	Interest coverage ratio	Debt to equity
Hydro Tasmania	641 850	0.58	4.0%	(29.27)	42.0%
PAHSMA ¹	5 900	0.64	1.9%	(1.13)	16.1%
TI	32 299	0.60	1.5%	(31.68)	79.6%
TasNetworks	1 977 600	0.36	3.6%	1.96	195.3%
TasPorts	19 833	1.20	6.7%	6.88	8.1%
TasRail ²	8 000	1.59			6.4%
Tasracing	9 935	0.66	7.3%	(4.33)	26.1%
TasWater ³	579 603	0.06	3.5%	(8.96)	40.2%
Total	3 275 020				
Weighted average		0.36	3.6%	(6.44)	134.2%

Notes

1. Interest expense amended for prior period adjustment
2. TasRail repaid total debt at 30 June 2019 and did not borrow new debt until June 2020. Ratios do not provide useful information
3. The ratio was impacted by the revaluation decrement expensed in 2019-20 of \$214.16m noted previously. The interest coverage ratio would have been 1.71 had the decrement been excluded.

Excluding TASCORP, government businesses with debt at 30 June 2020 were primarily in industry sectors with significant infrastructure. Hydro Tasmania, TasNetworks and TasWater accounted for 97.7% (30 June 2019, 97.5%) of total debt held.

Government businesses with debt had a weighted average current ratio of 0.36. This was below the benchmark of 1.0, which indicated a net working capital deficit. Both Hydro

Tasmania and TasNetworks' current liability balances significantly exceeded current assets. In addition, TasWater breached its Master Loan Financing Agreement with TASCORP and was required to record all its borrowings, \$579.60m, as a current liability. The breach was due to a non-cash asset revaluation decrement and was subsequently rectified on 7 August 2020 with TasWater receiving a 'no action' waiver from TASCORP with a reinstatement of previous terms and conditions of all existing borrowings under the Master Loan Facility Agreement, including maturity dates.

TasNetworks debt resulted in a debt to equity ratio over 100.0%. This was a result of a decision by the Government in January 2015 to transfer debt from Hydro Tasmania to TasNetworks to rebalance the finances of the two businesses.

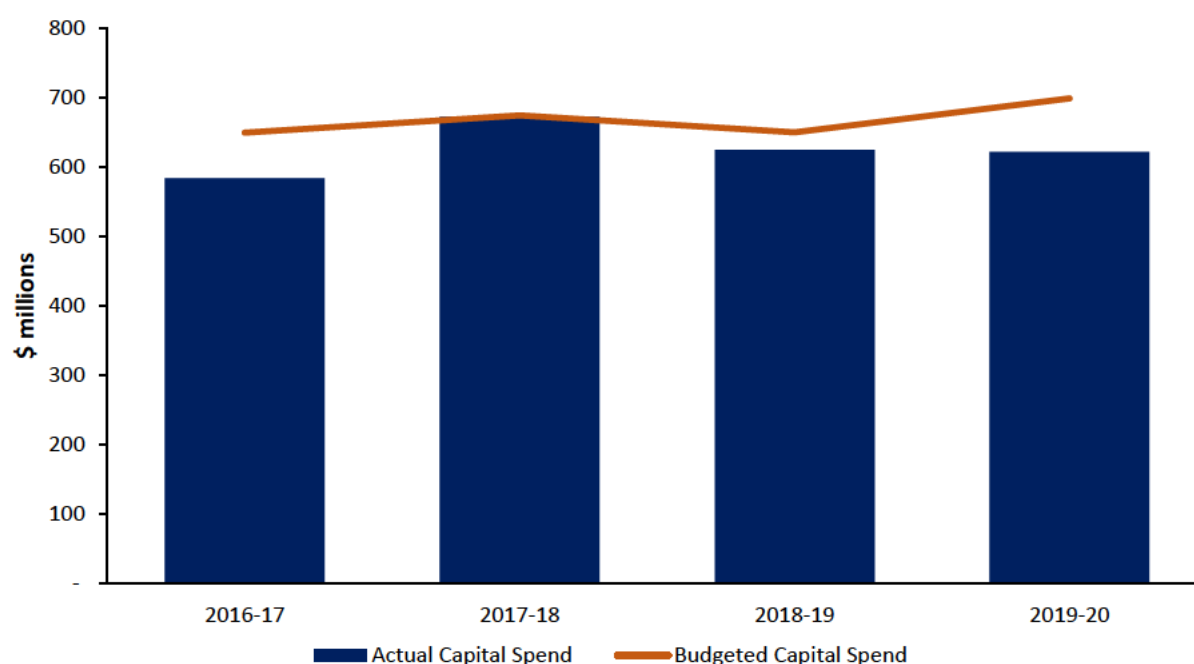
Capital investment by government businesses



Government businesses, other than MAIB and TASCORP, invested a total of \$2.50bn in capital projects over the past four years. Compared to budget, there was an average underspend of \$44.87m per year.

Figure 22 shows there was a consistent trend of capital spending below capital budgets in each of the four years under review. The gap was significantly reduced in 2017-18 due to TasWater's capital spend being significantly higher than budget.

Figure 22: Capital spending



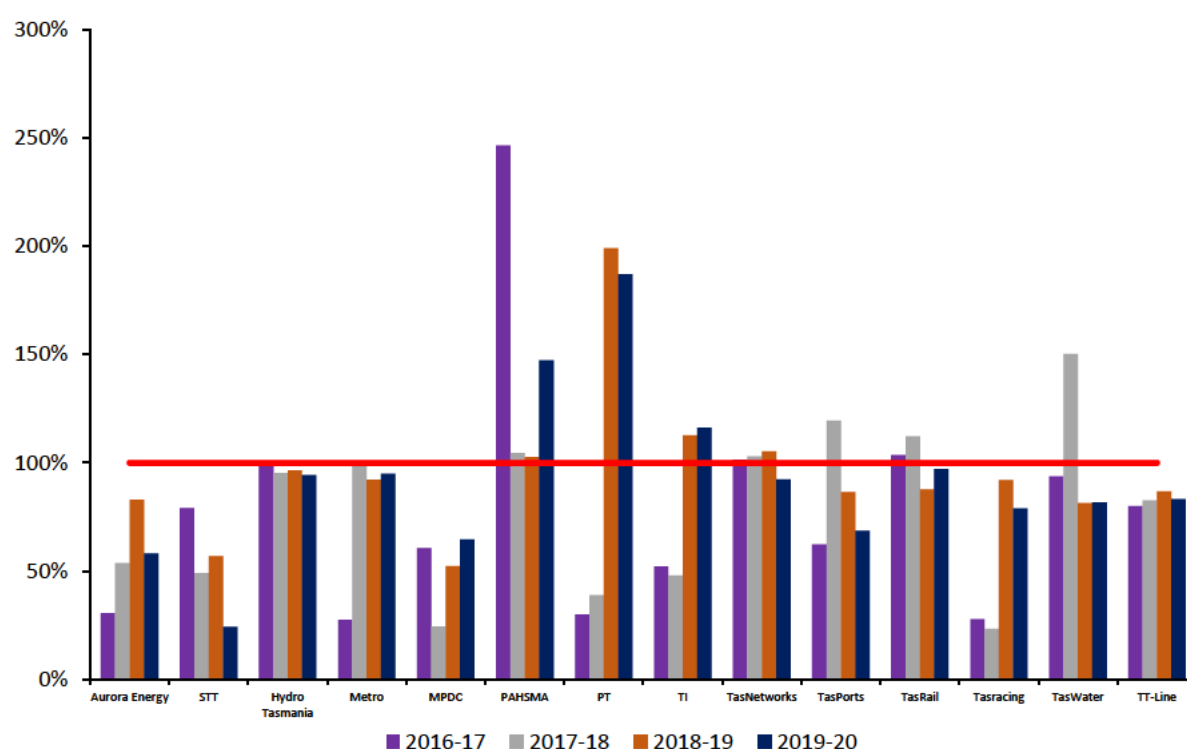
Note: Includes all government business other than PFCs.

This analysis does not include budgeted progress payments for the two new TT-Line ships because an insignificant amount of capital expenditure had been incurred on the project to 30 June 2020.

In 2019-20, the total spending gap was \$75.35m, an increase on the level in the previous three years. The increase was not unexpected given the impact of COVID-19. The spending of budgeted capital expenditure was not achieved for 11 out of 14 Government businesses. Hydro Tasmania, TasNetworks and TasWater accounted for 77.2% of total budgeted capital expenditure of \$532.60m and recorded a total spending gap of \$52.94m.

Figure 23 shows the percentage actually spent on capital expenditure as a percentage of budget over the last four years.

Figure 23: Percentage spend of budgeted capital expenditure



As shown in Figure 23, the businesses with the most significant capital programs, being Hydro Tasmania, TasNetworks and TasWater, were fairly close to the 100.0% benchmark across the four years, with averages of 96.2%, 100.5% and 101.8%, respectively, over the four years.

The significant balance for PAHSMA in 2015-16 related to the construction of a new visitor centre, with the building cost of \$10.46m. PT in 2018-19 and 2019-20 expended \$0.18m and \$0.19m, respectively, against an annual capital budget of \$0.10m. The low capital expenditure program accounted for the high percentages in these two years.

Other State entities

Introduction

This Chapter includes all State entities other than entities included in:

- General Government Sector and associated entities.
- Government Businesses and associated entities.
- Councils and other local government entities.
- State entities whose audits were dispensed with.

Other State entity developments

This section summarises significant developments, identified during the completion of our audits, which impacted other State entity operations.

University of Tasmania

Impact of COVID-19

As the COVID-19 pandemic occurred after the University's reporting date of 31 December 2019, there was no impact on the University's financial performance or position for that financial year. However, as the financial statements for the University had not been finalised prior to the commencement of the COVID-19 pandemic, it was necessary for the University to consider and disclose the nature and anticipated financial effect of the pandemic in the financial statements as a non-adjusting post balance date event.

The impact of COVID-19 and associated public health measures were modelled by the University. This led to the development of a number of scenarios covering the immediate, medium and longer term horizons to inform strategic planning to enable the University to assess and manage the severity of the impacts, both financial and non-financial.

Key areas anticipated to be impacted financially included:

- course fees and charges, due to travel restrictions and teaching activity moving to a virtual model
- investment balances, due to a decline in equity markets
- research outcomes and funding, due to disruption in research activity
- industry and philanthropic partnerships.

At the time of preparing the financial statements, the full economic impact for 2020 was unclear due to the significant level of uncertainty relating to COVID-19, including Government policy settings.

In response to COVID-19, the University accelerated the implementation of its strategy, including the simplification of course offerings and transitioning to a simpler way of operating. The University implemented other measures designed to contain expenditure through a range of non-salary initiatives and reduced capital projects. These measures were

designed to minimise the impact on the University's financial position and preserve reserves.

Southern Campus Strategy

On 5 April 2019, the University Council decided to develop a city-centric campus in Hobart's central business district over the next 10 to 15 years at an estimated cost of \$600.00m. As at the date of this Report, the estimate had been revised to \$500.00m. The new campus would be designed to meet the needs of staff and the 21st-century student, improve access to education, provide clear benefits to the community, and support the social, cultural and economic development of Tasmania.

The decision was made by the University Council after a period of consultation with staff and students, and feedback from key stakeholders.

The city-centric model will be a long-term strategy commencing with a process of consultation which would inform detailed master-planning and building design.

Management of surplus land

In recognition of the need to appropriately manage the disposal or development of surplus land holdings, in October 2019 the University incorporated a new subsidiary company, UTAS Properties Pty Ltd. The company was established to guide and manage the future use and value of the property assets of the University.

No property development activities occurred during 2019.

Purpose built student accommodation

Construction of the second purpose built student accommodation facility (PBSA2) commenced during 2019 on land owned by the University with Spark Living Consortium funding the construction cost. PBSA2 was incorporated into the original PBSA agreement with a side agreement put in place related to future asset management. Control of the PBSA2 asset will revert to the University in December 2047, at the same time as the other PBSA assets.

Purchase of Kemp and Denning warehouse site

During May 2019, the University finalised the purchase of the Kemp and Denning (K&D) warehouse site in Hobart for \$30.00m. The purchase occurred shortly after the University's decision to develop a city-centric campus in Hobart's central business district and was expected to be the last major property purchase under this strategy. At the time of acquisition the University announced the K&D site would house student accommodation, funded through the University's arrangement with Spark Living Consortium, green space and teaching and learning facilities. Final plans for the site would be subject to further consultation and planning decisions under the city-centric model long-term strategy.

Borrowing facilities

The University's loan facilities with TASCORP were established under a Master Loan Facility Agreement. On 31 October 2019, the overnight borrowing facility with TASCORP was increased from \$50.00m to \$75.00m and the term borrowing was increased from \$100.00m to \$125.00m to provide short-term funding for the Northern Transformation Project and term funding for the purchase of the K&D site.

Retirement Benefits Fund

RBF is managed by the Commission as Trustee and comprises the following defined benefit sub-funds:

- RBF Contributory Scheme (closed 15 May 1999)
- PSF (closed 11 November 1985)
- Parliamentary Retiring Benefits Fund (this being the successor fund for the closed PSF, and was closed on 1 July 1999)
- State Fire Commission Superannuation Scheme (closed 30 June 2005)
- TASSS (closed 30 June 2006).

At 30 June 2020, RBF had a net liability position \$5.50bn, compared to \$5.34bn at 30 June 2019. The increase in the net liability was primarily due a reduction in net assets available for member benefits of \$117.72m and an increase in member defined benefit liability of \$43.78m.

The underlying deficit was \$31.16m, a change of \$173.61m compared to the prior year surplus of \$142.45m. The change was primarily due to a \$123.53m decrease in the fair value of financial assets as at 30 June 2020 resulting from a decrease in the market value of investments.

Summarised financial results

Details of other State entity results for 31 December 2019 and 30 June 2020 are set out in Table 6. The financial information represents consolidated financial information for those entities with controlled entities. The table does not include controlled entities not subject to audit.

Table 6: Summarised financial results (31 December 2019 and 30 June 2020)

Audited State entities and Audited subsidiaries	Underlying surplus (deficit)	Net surplus (deficit)	Total comprehensive surplus (deficit)
	\$'000s	\$'000s	\$'000s
31 December 2019			
The University	(1 909)	73 472	73 875
AMC Search Ltd	20	20	35
Tasmanian University Union	915	915	915
Theatre Royal Management Board	(119)	(119)	(119)
Solicitors' Trust	693	693	693
Anzac Day Trust	-	-	-

Audited State entities and Audited subsidiaries	Underlying surplus (deficit)	Net surplus (deficit)	Total comprehensive surplus (deficit)
	\$'000s	\$'000s	\$'000s
30 June 2020			
Forest Practices Authority	(36)	(36)	(36)
Legal Aid Commission of Tasmania	9	9	9
Legal Profession Board	(141)	(141)	(141)
Property Agents Board	22	22	22
Property Agents Trust	(620)	(620)	(620)
RBF	(31 156)	(166 987)	(166 987)
Tasmanian Beef Industry (Research and Development) Trust	11	11	11
Tasmanian Building and Construction Industry Training Board	(9)	(9)	(9)
Tasmanian Community Fund	411	411	411
Tasmanian Dairy Industry Authority	66	66	66
Tasmanian Heritage Council	1	1	1
Wellington Park Management Trust	(116)	(116)	(116)

Disposal of firearms and ammunition

Background

DPFEM is charged with the responsibility for firearms and ammunition disposed of under the *Firearms Act 1996* (Firearms Act).

Under section 149(5) of the Firearms Act, once every year the Auditor-General is to arrange for an independent audit of all firearms and ammunition disposed of under the Act and to report on the audit to Parliament. The commentary below relates to the audits undertaken for the years ended 30 June 2018 and 2019.

During 2017-18, legal advice was sought on the audit requirements under the Firearms Act, which subsequently resulted in a change to the audit approach and information required from DPFEM.

Audit requirement under section 149(5)

The scope of the Firearms Act limits our audit requirements to firearms or ammunition disposed of by the Crown, pursuant to the authority of the Firearms Act, in the following circumstances:

- by order of a magistrate under section 149(2)
- as determined by the Commissioner of Police under section 149(3A) associated with firearms or ammunition forfeited to the Crown after a conviction for inappropriate storage
- as determined by the Minister under section 104(4) associated with firearms or ammunition forfeited to the Crown after a conviction for inappropriate conveyance.

What does ‘disposed of’ mean?

The Firearms Act does not define what ‘disposed of’ means. Previously, we relied on the Macquarie Dictionary definition of disposal as ‘the act of disposing of’, which means ‘to get rid of’. We therefore accepted the view that ‘disposed of’, unless otherwise authorised, meant physical destruction.

The review indicated, our interpretation was too strict and ‘disposed of’ is not limited to the destruction of firearms or ammunition but can include disposals by other means, including sale. For a disposal to occur, firearms or ammunition must leave the Crown’s possession. Transfers of firearms or ammunition within the Crown do not constitute a disposal.

DPFEM recording and disposal practices

DPFEM utilises the Firearms and Weapons Data (FAWD) system to record the details of all seized and surrendered firearms and ammunition. DPFEM stores held firearms and ammunition securely until there is a sufficient quantity to warrant physical destruction.

Whilst DPFEM have implemented effective controls for recording the receipt of firearms and ammunition and disposal of firearms, our audit found insufficient evidence to support the disposal of ammunition. Disposals of ammunition are recorded when ammunition is

removed and sorted, and we identified there are delays between the time of recording the disposal and the physical destruction of ammunition. The disposal of ammunition is further complicated as a consequence of it being used for training purposes.

Inability to form an opinion on disposals

Our audit revealed the FAWD system and other DPFEM records did not provide a sufficient level of detail to ascertain whether disposals occurred under sections 149(2)(c), 149(3A) or 104(4) of the Firearms Act. This lack of detail limited our ability to identify and confirm the disposal of firearms and ammunition pursuant to those sections of the Firearms Act. Consequently, the auditor's reports for the years ended 30 June 2018 and 2019 contained a disclaimer of opinion in respect of DPFEM's compliance with the requirements of the Firearms Act with respect to disposals made:

- by order of a Magistrate (section 149(2)(c))
- upon determination of the Commissioner of Police (section 149(3A))
- upon determination of the Minister (section 104(4)).

We made three recommendations to DPFEM:

- review and amend the information recorded in the FAWD system to record whether disposals occurred under sections 149(2)(c), 149(3A) or 104(4) of the Firearms Act
- strengthen controls over the recording and disposal of ammunition
- review the appropriateness of transfers of ammunition to other Crown entities.

Audit fees

Summary of audit fees

Table 7 summarises the initial audit fees determined by the Auditor-General by sector for 2019-20.

Table 7: Audit fees by sector 2019-20

	Audit fee* \$'000s
GGS entities	1 783
Government businesses	1 508
Local government entities	1 154
Other State entities	368
Total	4 813

*These fees exclude fees generated from audits by arrangement, which include various regulatory audits and grant acquittals, and other fee recoveries.

In April 2020, all State entities were informed the Auditor-General had decided to waive all base audit fee increases in respect of financial statement audits for the year ended 30 June 2020 and 31 December 2020. This decision was made in recognition of the impact COVID-19 was having on many State entities, including the concessions and other support that many State entities are providing to the Tasmanian community.

Basis for setting audit fees

Background

Section 27 of the Audit Act provides that:

“(1) The Auditor-General is to determine whether a fee is to be charged for an audit carried out by the Auditor-General under this Division and, if so -

- a) the amount of that fee; and*
- b) the accountable authority liable to pay that fee.”*

In relation to the tabling of Auditor-General’s reports on audits of the financial statements of State entities the Audit Act also requires the following at section 29(3):

“(3) A report under subsection (1) is to describe the basis on which audit fees are calculated.”

To comply with section 29(3), the basis for setting audit fees for conducting audits of the financial statements of State Entities is detailed in this Chapter. Audit fees are not charged for performance audits, compliance audits or investigations. These audits and investigations are funded from appropriation.

Basis on which audit fees are calculated

This section explains the fee setting process for individual State entities, including:

- the specific factors taken into account in proposing the fee (particularly the risk assessment)
- the assumptions upon which the fee is based in terms of, for example, the standard of the entity's control environment, coverage of internal audit, quality of working papers and so on
- what is included in the fee and what is not included
- processes for agreeing additional fees if circumstances change or the assumptions upon which the fee is based are not met.

Principle for audit fee determination

Fees are set for each State entity commensurate with the size, complexity and risks of the engagement. These factors affect the mix of staff assigned to each audit and therefore the overall fee. Staff are assigned hourly charge rates for use in determining the allocation of work on the audit and in computing the fee.

There is an expectation that audits of similar complexity and risks will have a similar mix of staff.

Direct travel costs attributable to each audit are billed separately.

Principle for determining charge rates

Charge rates are based on the principle of the Office being able to recover its costs of operation. Charge rates comprise two parts, direct salary cost and overhead recovery.

Application of audit fee matrix

A matrix (audit fee scale) has been developed to provide a guide for determining the expected time to be taken on an audit. The scales are based on the following key variables:

- Size of the entity based on its expected gross turnover which is used to determine the base amount of time required to conduct the audit. Turnover is based on the client's actual income and expenditure for the preceding financial year, adjusted for any known factors (Fixed element).
- Risk and complexity profiles for each entity which consider the corporate structure, complexity of systems, operations and financial statement reporting requirements. The profile bands applied range from 40.0% below to 40.0% above the base time (Variable element).

The fee scales also take account of changes to Australian Auditing or Accounting Standards and known changes in the scope of work to be performed.

Fee scales are as follow:

Turnover*	Base Hours	Variable component
<\$100 000	15	+/-40.0%
\$101 000 to \$1.5m	30	+/-40.0%
\$1.5m to \$10m	100	+/-40.0%
\$10m to \$55m	155	+/-40.0%
\$55m to \$121m	270	+/-40.0%
\$121m to \$200m	460	+/-40.0%
\$200m to \$410m	610	+/-40.0%
\$410m to \$1bn	830	+/-40.0%
>\$1bn	1 350	+/-40.0%

*may be adjusted in line with CPI movements

Bandings are based on current cost experience in conducting audits. After applying the above model, the hours to undertake the audit are allocated according to the staff mix necessary to conduct the audit. The respective staff charge rates are then applied to the allocated hours so as to determine a dollar amount (the audit fee). Where applicable, travel and other direct costs (out of pocket expenses) are added to the audit fee on a full cost recovery basis.

It is emphasised the fee scales only provide a framework from which actual fees charged to individual State entities are set. The level of fee, and any change, experienced by individual State entities will therefore vary according to local circumstances and the risks each entity faces.

In certain circumstances, for example, where a State entity faces a particular challenge to manage high risks or there are particular local circumstances, a fee may fall outside the noted bands. In these cases, the audit fee will be determined by the audit team in consultation with entity management, reflecting the assessment of risk and the extent and complexity of the audit work required.

Key assumptions

Fees are calculated on the basis that:

- current accounting systems will be operating throughout the year with a satisfactory appraisal of internal control
- no errors or issues requiring significant additional audit work will be encountered during the course of the audit
- the standard period-end general ledger reconciliations will be available at the commencement of the final audit visit

- requests for additional information throughout the audit will be attended to in a reasonably timely manner
- agreed timetables will be met, within reason
- financial statements, complete in all material respects, are submitted to audit in accordance statutory time limits
- the nature of the entity's business and scale of operations will be similar to that of the previous financial year.

Use of specialist skills impact on fees

In certain circumstances, audit experts may be engaged to assist with an audit. Where this is the case, it can result in higher costs being incurred. In these circumstances, the fee to be charged will be determined by the audit team in consultation with entity management and will reflect the size, complexity or any other particular difficulties in respect of the audit work required. Where possible, such costs are absorbed within the base audit fee.

Additional audit fees

If the circumstances outlined under the section headed "Key assumptions" change in a year, additional audit fees may be charged. Fees may be adjusted in the following circumstances:

- changes to the size and nature of the entity and its operations
- changes to the risks associated with a particular engagement
- changes to accounting and auditing standards requiring greater audit effort
- ad-hoc matters that impact upon significant balances within the financial statements, such as a significant asset revaluation
- unavoidable increases in costs of maintaining the Office.

There may also be circumstances where, based on the assessment of size, complexity and risks of the engagement, audit fees may be reduced.

Additional work (including work arising from the adoption of new accounting standards or issues associated with key risks and other matters arising) will be billed separately if it cannot be absorbed into the existing fee.

Any future impact of agreed additional fees would be assessed in terms of the on-going audit fee.

Communication of audit fees

In all cases, fees are communicated to each accountable authority prior to audit commencement or during the planning phase of the audit.

Audits by arrangement

Audit fees to be charged for audits by arrangement will be determined by the audit team in consultation with entity management and will reflect the size, complexity or any other particular difficulties in respect of these types of audits. Fees will have regard to the time taken, the audit staff assigned and their respective charge rates.

Acronyms and abbreviations

AASB	Australian Accounting Standards Board
AASB 16	<i>AASB 16 Leases</i>
AASB 1049	<i>AASB 1049 Whole of Government and General Government Sector Financial Reporting</i>
ABS	Australian Bureau of Statistics
Audit Act	<i>Audit Act 2008</i>
Aurora Energy	Aurora Energy Pty Ltd
CDO	Capital Delivery Office
COAG	Council of Australian Governments
Commission	The Superannuation Commission
Communities Tasmania	Department of Communities Tasmania
Corporations Act	<i>Corporations Act 2001</i>
COVID-19	Novel Coronavirus disease pandemic
CIP	Capital Investment Program
CPI	Consumer Price Index
CSHA	Commonwealth State Housing Agreements
DHHS	Department of Health and Human Services
DoE	Department of Education
DoH	Department of Health
DoJ	Department of Justice
DPAC	Department of Premier and Cabinet
DPFEM	Department of Police, Fire and Emergency Management
DPIPWE	Department of Primary Industries, Parks, Water and Environment
EBIT	Earnings before interest and tax
EMA	<i>Emergency Management Act 2006</i>
FAWD	Firearms and weapons data system

Firearms Act	<i>Firearms Act 1996</i>
FMA	<i>Financial Management Act 2016</i>
FMAA	<i>Financial Management and Audit Act 1990</i>
FSG	Flensburger Schiffbau-Gesellschaft
GBE	Government Business Enterprise
GFS	Government Finance Statistics
GGS	General Government Sector
GWh	Gigawatt hours
Hydro Tasmania	Hydro-Electric Corporation
K&D	Kemp & Denning
LG Act	<i>Local Government Act 1993</i>
LGAT	Local Government Association of Tasmania
MAIB	Motor Accidents Insurance Board
MCH Fund	Mersey Community Hospital Fund
Metro	Metro Tasmania Pty Ltd
MoU	Memorandum of Understanding
MPDC	Macquarie Point Development Corporation
MWh	Megawatt hour
NHRA	National Health Reform Agreement
NTER	National Tax Equivalents Regime
Order	<i>State Service (Restructuring) Order 2018</i>
OSC	Office of the Superannuation Commission
PAA	<i>Public Account Act 1986</i>
PAHSMA	Port Arthur Historic Site Management Authority
PBSA	Purpose build student accommodation facility
PFC	Public Financial Corporations
PFT	Private Forests Tasmania

PNFC	Public Non-Financial Corporations
PoCT	Point of Consumption Tax
PRBF	Parliamentary Retiring Benefits Fund
PSF	Parliamentary Superannuation Fund
PT	The Public Trustee
RBF	Retirement Benefits Fund
RHH	Royal Hobart Hospital
RMC	Rauma Marine Constructions
SESM	Social and economic support measures
SPA	Specific Purpose Accounts
State Growth	Department of State Growth
STT	Sustainable Timber Tasmania
TAFR	Treasurer's Annual Financial Report
TASCORP	Tasmanian Public Finance Corporation
TI	Tasmanian Irrigation Pty Ltd
TasNetworks	Tasmanian Networks Pty Ltd
TasPorts	Tasmanian Ports Corporation Pty Ltd
Tasracing	Tasracing Pty Ltd
TasRail	Tasmanian Railway Pty Ltd
TASSS	Tasmanian Ambulance Service Superannuation Scheme
TasWater	Tasmanian Water and Sewerage Corporation Pty Ltd
the Office	Tasmanian Audit Office
the states	Australian states and territories
the University	University of Tasmania
THS	Tasmanian Health Service
Treasury	Department of Treasury and Finance
TSS	Total State Sector

TT-Line	TT-Line Company Pty Ltd
UPF	Uniform Presentation Framework
WACC	Weighted Average Cost of Capital

Appendix A - Timeliness of reporting

	Financial report received and accepted	Accepted report certified by	Final certified report received	Audit opinion signed
December 2019 Audits				
The University	14-Feb-20	AA	N/A	20-Feb-20 ¹
AMC Search Ltd	14-Feb-20	AA	N/A	18-Feb-20
Tasmania University Union	3-Feb-20	AA	N/A	14-Feb-20
Solicitors' Trust	17-Feb-20 [^]	AA	3-Apr-20	3-Apr-20*
Theatre Royal Management Board	13-Feb-20	AA	N/A	19-Feb-20
ANZAC Day Trust	12-Mar-20 [^]	AA	N/A	8-Apr-20
30 June 2020 Audits				
Executive and Legislature				
House of Assembly	14-Aug-20	AA	N/A	7-Oct-20*
Legislative Council	14-Aug-19	AA	N/A	8-Oct-20*
Legislature-General	13-Aug-20	AA	N/A	9-Oct-20*
Office of the Governor	14-Aug-19	AA	N/A	16-Oct-20*
Ministerial Departments				
Communities Tasmania	14-Aug-20	M	11-Sep-20	14-Sep-20
DoE	14-Aug-20	M	28-Sep-20	28-Sep-20
DoH	14-Aug-20	M	10-Sep-20	14-Sep-20
DoJ	14-Aug-20	M	25-Sep-20	25-Sep-20
DPAC	14-Aug-20	M	28-Sep-20	28-Sep-20
DPFEM	13-Aug-20	M	23-Sep-20	27-Sep-20
DPIPWE	13-Aug-20	M	17-Sep-	24-Sep-20
State Growth	14-Aug-20	M	7-Oct-20	8-Oct-20*

	Financial report received and accepted	Accepted report certified by	Final certified report received	Audit opinion signed
Treasury	14-Aug-20	M	5-Oct-20	8-Oct-20*
Treasury - Public Account	29-Sep-20	AA	9-Oct-20	30-Oct-20
Treasury - TAFR	29-Sep-20	AA	9-Oct-20	30-Oct-20
Ministerial Departmental Controlled Entities				
ABT Railway Ministerial Corporation	14-Aug-19	AA	12-Oct-20	13-Oct-20*
Ambulance Tasmania	14-Aug-20	M	11-Sep-20	14-Sep-20
Housing Tasmania	14-Aug-20	M	11-Sep-20	14-Sep-20
Office of Tasmanian Assessment, Standards and Certification	14-Aug-20	M	2-Oct-20	2-Oct-20*
Tasmanian Affordable Housing Limited	25-Sep-20^	AA	N/A	25-Sep-20
Tasmanian Development and Resources	14-Aug-20	M	7-Oct-20	9-Oct-20*
Teachers Registration Board of Tasmania	12-Aug-20	AA	N/A	26-Sep-20
THS	14-Aug-20	M	10-Sep-20	14-Sep-20
Tasmanian Museum and Art Gallery	14-Aug-20	M	14-Oct-20	20-Oct-20*
Other General Government Sector Entities				
Asbestos Compensation Fund	14-Aug-20	M	23-Sep-20	25-Sep-20
Brand Tasmania	14-Aug-20	M	18-Sep-20	23-Sep-19
Council of Law Reporting	20-Jul-20	AA	N/A	11-Aug-20
Inland Fisheries Service	28-Jul-20	AA	N/A	1-Sep-20
Integrity Commission	13-Aug-20	AA	8-Oct-20	12-Oct-20*
Marine and Safety Authority	14-Aug-20	AA	N/A	28-Sep-20

	Financial report received and accepted	Accepted report certified by	Final certified report received	Audit opinion signed
Office of the Director of Public Prosecutions	14-Aug-20	M	25-Sep-20	27-Sep-20
Office of the Ombudsman	14-Aug-20	M	7-Oct-20	7-Oct-20*
Royal Tasmanian Botanical Gardens	13-Aug-20	M	29-Sep-20	1-Oct-20*
State Fire Commission	13-Aug-20	M	24-Sep-20	27-Sep-20
Tasmanian Economic Regulator	13-Aug-20	AA	N/A	20-Oct-20*
Tasmanian State Health Funding Pool	15-Sep-20^	AA	N/A	17-Sep-20
TasTAFE	14-Aug-20	AA	N/A	3-Sep-20
Tourism Tasmania	13-Aug-20	M	1-Oct-20	1-Oct-20*
WorkCover Tasmania Board	14-Aug-20	M	23-Sep-20	25-Sep-20
Government Businesses				
Aurora Energy	13-Aug-20	AA	N/A	13-Aug-20
Bass Island Line Pty Ltd	13-Aug-20	AA	N/A	13-Aug-20
FortyTwo24 Pty Ltd	13-Aug-20	AA	N/A	24-Aug-20
Hydro Tasmania	14-Aug-20	AA	N/A	14-Aug-20
MAIB	13-Aug-20	AA	N/A	14-Aug-20
Marinus Link Pty Ltd	13-Aug-20	AA	N/A	24-Aug-20
Metro	6-Aug-20	AA	N/A	6-Aug-20
Momentum Energy Pty Ltd	14-Aug-20	AA	N/A	14-Aug-20
MPDC	14-Aug-20	M	28-Sep-20	28-Sep-20
Newood Holdings Pty Ltd	14-Aug-20	AA	N/A	20-Aug-20
PAHSMA	14-Aug-20	M	28-Sep-20	1-Oct-20*
PFT	14-Aug-20	AA	N/A	5-Oct-20*

	Financial report received and accepted	Accepted report certified by	Final certified report received	Audit opinion signed
PT	14-Aug-20	M	25-Sep-20	28-Sep-20
STT	7-Aug-20	AA	N/A	7-Aug-20
TASCORP	8-Aug-20	AA	N/A	8-Aug-20
TasNetworks	13-Aug-20	AA	N/A	24-Aug-20
TasPorts	13-Aug-20	AA	N/A	13-Aug-20
Tasracing	14-Aug-20	AA	N/A	14-Aug-20
TasRail	4-Aug-20	AA	N/A	5-Aug-20
TasWater	14-Aug-20	M	19-Aug-20	20-Aug-20
TI	14-Aug-20	AA	N/A	14-Aug-20
TT-Line	11-Aug-20	AA	N/A	12-Aug-20
Local Government Authorities				
Urban Councils				
Brighton	14-Aug-20	AA	20-Oct-20	28-Oct-20*
Burnie City	14-Aug-20	AA	28-Sep-20	28-Sep-20
Central Coast	14-Aug-20	AA	25-Sep-20	28-Sep-20
Clarence City	14-Aug-20	M	10-Nov-20	11-Nov-20*
Devonport City	14-Aug-20	AA	N/A	30-Sep-20*
Glenorchy City	14-Aug-20	M	Not completed	Not completed
Hobart City	3-Sep-20^	M	3-Sep-20	19-Nov-20*
Kingborough	14-Aug-20	M	Not completed	Not completed
Launceston City	14-Aug-20	M	1-Oct-20	7-Oct-20*
West Tamar	14-Aug-20	M	N/A	28-Sep-20
Rural Councils				
Break O'Day	14-Aug-20	AA	26-Oct-20	26-Oct-20*

	Financial report received and accepted	Accepted report certified by	Final certified report received	Audit opinion signed
Central Highlands	14-Aug-20	AA	Not completed	Not completed
Circular Head	14-Aug-20	M	25-Sep-20	28-Sep-20
Derwent Valley	7-Oct-20^	M	Not completed	Not completed
Dorset	14-Aug-20	M	Not completed	Not completed
Flinders	14-Aug-20	M	25-Sep-20	25-Sep-20
George Town	14-Aug-20	AA	N/A	14-Sep-20
Glamorgan-Spring Bay	16-Aug-20^	M	Not completed	Not completed
Huon Valley	14-Aug-20	AA	Not completed	Not completed
Kentish	Not submitted	N/A	Not commenced	Not commenced
King Island	14-Aug-20	AA	Not completed	Not completed
Latrobe	27-Nov-20^	AA	Not completed	Not completed
Meander Valley	14-Aug-20	AA	16-Nov-20	17-Nov-20
Northern Midlands	23-Nov-20^	AA	Not completed	Not completed
Sorell	14-Aug-20	M	28-Sep-20	29-Oct-20*
Southern Midlands	13-Aug-20	AA	N/A	29-Sep-20
Tasman	14-Aug-20	M	28-Sep-20	13-Oct-20*
Waratah-Wynyard	14-Aug-20	AA	25-Sep-20	29-Sep-20*
West Coast	14-Aug-20	AA	Not completed	Not completed
Local Government Controlled Entities				
C-Cell Unit Trust	23-Jul-20	M	30-Sep-20	Opinion to be reissued ² *
Cradle Coast Authority	14-Aug-20	M	28-Sep-20	21-Oct-20*
Dulverton Waste Management	14-Aug-20	AA	N/A	11-Sep-20
Launceston Flood Authority	14-Aug-20	AA	N/A	2-Oct-20*

	Financial report received and accepted	Accepted report certified by	Final certified report received	Audit opinion signed
Local Government Association of Tasmania	14-Aug-20	AA	N/A	21-Sep-20
Microwise Australia Pty Ltd	27-Oct-20^	M	N/A	28-Oct-20
Northern Tasmanian Regional Development Corporation Ltd	27-Aug-20^	M	10-Sep-20	11-Sep-20
Southern Tasmanian Councils Association	14-Aug-20	AA	N/A	3-Nov-20*
Southern Waste Solutions	13-Aug-20	M	30-Sep-20	Opinion to be reissued ² *
Tas Communications Unit Trust	14-Aug-20	AA	28-Sep-20	14-Oct-20*
Other State Entities				
Aboriginal Land Council of Tasmania	Not submitted	N/A	Not completed	Not completed
Forest Practices Authority	14-Aug-20	M	12-Oct-20	20-Oct-20*
Legal Aid	13-Aug-20	M	20-Oct-20	20-Oct-20*
Legal Profession Board	13-Aug-20	M	27-Aug-20	27-Sep-20
National Trust	14-Aug-20	M	Not completed	Not completed
palawa Enterprises Unit Trust	17-Nov-20^	AA	N/A	Not completed
Property Agents Board	14-Aug-20	M	19-Nov-20	24-Nov-20*
Property Agents Trust	14-Aug-20	M	19-Nov-20	24-Nov-20*
Retirement Benefits Fund	14-Aug-20	M	23-Sep-20	28-Sep-20
Tasmanian Beef Industry (Research and Development) Trust	19-Oct-20^	AA	N/A	27-Oct-20
Tasmanian Building and Construction Industry Training Board	14-Aug-20	M	24-Sep-20	24-Sep-20
Tasmanian Community Fund	14-Aug-20	AA	N/A	25-Sep-20

	Financial report received and accepted	Accepted report certified by	Final certified report received	Audit opinion signed
Tasmanian Dairy Industry Authority	13-Aug-20	AA	N/A	16-Oct-20*
Tasmanian Heritage Council	14-Aug-20	M	24-Sep-20	24-Sep-20
The Nominal Insurer	12-Aug-20	AA	Not completed	Not completed
Wellington Park Management Trust	14-Aug-20	AA	19-Oct-20	20-Oct-20*
Audits dispensed with				
AETV Pty Ltd (Hydro Tasmania)	14-Aug-20	AA	N/A	N/A
Bell Bay Pty Ltd (Hydro Tasmania)	14-Aug-20	AA	N/A	N/A
Bell Bay Three Pty Ltd (Hydro Tasmania)	14-Aug-20	AA	N/A	N/A
Board of Architects	5-Mar-20^	AA	N/A	N/A
C-Cell Pty Ltd (Southern Waste Solutions)	Non-trading trustee	N/A	N/A	N/A
Flinders Island Ports Corporation Pty Ltd (TasPorts)	7-Aug-20	AA	N/A	N/A
Geeveston Town Hall Company Ltd (Huon Valley Council)	14-Aug-20	AA	N/A	N/A
Heemskirk Holdings Pty Ltd (Hydro Tasmania)	14-Aug-20	AA	N/A	N/A
Heemskirk Wind Farm Pty Ltd (Hydro Tasmania)	14-Aug-20	AA	N/A	N/A
Heritage Building Solutions Pty Ltd (Southern Midlands Council)	13-Aug-20	AA	N/A	N/A
Heritage Education & Skills Centre Pty Ltd (Southern Midlands Council)	13-Aug-20	AA	N/A	N/A
HT Wind Developments Pty Ltd (Hydro Tasmania)	14-Aug-20	AA	N/A	N/A

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HT Wind New Zealand Pty Ltd (Hydro Tasmania)	14-Aug-20	AA	N/A	N/A
HT Wind Operations Pty Ltd (Hydro Tasmania)	14-Aug-20	AA	N/A	N/A
Hydro Tasmania Consulting (Holding) Pty Ltd (Hydro Tasmania)	14-Aug-20	AA	N/A	N/A
Kingborough Waste Services Pty Ltd (Kingborough Council)	14-Aug-20	AA	N/A	N/A
King Island Ports Corporation Pty Ltd (TasPorts)	7-Aug-20	AA	N/A	N/A
Large Scale Renewables Pty Ltd (TasNetworks)	13-Aug-20	AA	N/A	N/A
Lofty Ranges Power Pty Ltd (Hydro Tasmania)	14-Aug-20	AA	N/A	N/A
Maidstone Park Management Controlling Authority (Devonport City Council)	14-Aug-20	AA	N/A	N/A
Metro Coaches (Tas) Pty Ltd (Metro)	21-Aug-20^	AA	N/A	N/A
Newood Energy Pty Ltd (Newood Holdings Pty Ltd)	8-Oct-20^	AA	N/A	N/A
Newood Huon Pty Ltd (Newood Holdings Pty Ltd)	8-Oct-20^	AA	N/A	N/A
Newood Smithton Pty Ltd (Newood Holdings Pty Ltd)	8-Oct-20^	AA	N/A	N/A
palawa Enterprises Pty Ltd	17-Nov-20^	N/A	N/A	N/A
RE Storage Project Holdings Pty Ltd (Hydro Tasmania)	14-Aug-20	AA	N/A	N/A
Sense-Co Tasmania Pty Ltd (University of Tasmania)	7-Feb-20	AA	N/A	N/A

	Financial report received and accepted	Accepted report certified by	Final certified report received	Audit opinion signed
Tas Communications Pty Ltd (Burnie City Council)	Non-trading trustee	N/A	N/A	N/A
Tasmanian Pharmacy Authority	14-Aug-20	AA	N/A	N/A
Tasmanian Timber Promotion Board	14-Aug-20	AA	N/A	N/A
TasNetworks Holdings Pty Ltd (TasNetworks)	13-Aug-20	AA	N/A	N/A
UTAS Holdings Pty Ltd (the University)	7-Feb-20	AA	N/A	N/A
UTAS Properties Pty Ltd (the University)	7-Feb-20	AA	N/A	N/A
Veterinary Board of Tasmania	13-Oct-20 [^]	AA	N/A	N/A
Woolnorth Bluff Point Holdings Pty Ltd (Hydro Tasmania)	14-Aug-20	AA	N/A	N/A
Woolnorth Studland Bay Holdings Pty Ltd (Hydro Tasmania).	14-Aug-20	AA	N/A	N/A

Notes:

- 1 Revised opinion issued 29 May 2020 following update to Note 24 Subsequent events by the client. Original opinion issued on 20 February 2020 remained unchanged.
- 2 Opinions to be reissued following a matter identified in our review of annual report.

Legend:

M Management

AA Accountable Authority

N/A Not applicable

[^] Financial statements not submitted within legislated timeframe

* Audit not completed within legislated timeframe.

Audit Mandate and Standards Applied

Mandate

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

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

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

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

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

- ‘(1) is to prepare and sign an opinion on an audit carried out under section 18(1) in accordance with requirements determined by the Australian Auditing and Assurance Standards
- (2) is to provide the opinion prepared and signed under subsection (1), and any formal communication of audit findings that is required to be prepared in accordance with the Australian Auditing and Assurance Standards, to the State entity’s appropriate Minister and provide a copy to the relevant accountable authority.’

Standards Applied

Section 31 specifies that:

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

- (a) the character and effectiveness of the internal control and internal audit of the relevant State entity or audited subsidiary of a State entity; and
- (b) the Australian Auditing and Assurance Standards.’

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



Phone (03) 6173 0900

Fax (03) 6173 0999

Email admin@audit.tas.gov.au

Address

Level 8, 144 Macquarie Street

Hobart, 7000

Postal

GPO Box 851, Hobart 7001

Launceston Office

Phone (03) 6173 0971

Web www.audit.tas.gov.au

Address

4th Floor, Henty House

1 Civic Square, Launceston