Tasmanian
Audit Office

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

November 2019

Strive • Lead • Excel | *To Make a Difference*

THE ROLE OF THE AUDITOR-GENERAL

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

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

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

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

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

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

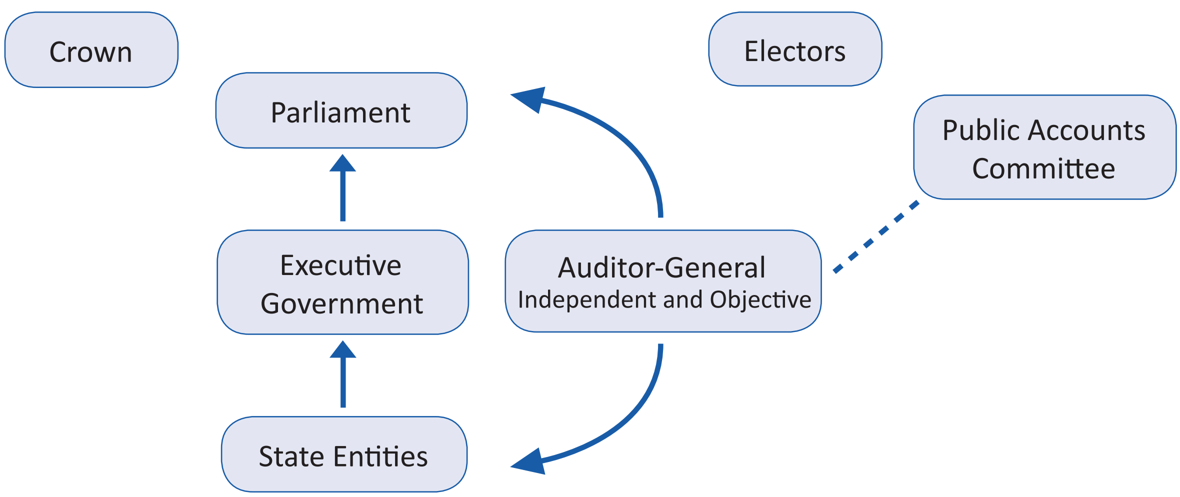
We can also carry out investigations but only relating to public money or to public property. In addition, the Auditor-General is now responsible for state service employer investigations.

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

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

THE AUDITOR-GENERAL'S RELATIONSHIP WITH THE PARLIAMENT AND STATE ENTITIES

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



2019 (No. 25)

TASMANIA

2019
PARLIAMENT OF TASMANIA

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

28 November 2019

Presented to both Houses of Parliament pursuant to
Section 30(1) of the *Audit Act 2008*

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

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28 November 2019

Mr President
Legislative Council
HOBART

Madam Speaker
House of Assembly
HOBART

Dear Mr President
Dear Madam Speaker

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

In accordance with the requirements of Section 29 of the *Audit Act 2008,* I have the pleasure in presenting my Report on the audit of the financial statements of State entities and audited subsidiaries of State entities for the year ended 30 June 2019.

Yours sincerely

[redacted]

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. 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 frameworks.

The Tasmanian Audit Office (the Office) completed 110 financial statement audits for State entities and audited subsidiaries of State Entities for the year ended 30 June 2019. As at 15 November 2019, five audits were yet to be completed.

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 is the second Volume for the 2018-19 financial audits and summarises the outcomes of audits of financial statements of State entities and audited subsidiaries of State entities for the year ended 30 June 2019.

This Report includes summaries relating to:

- the timeliness of financial reporting
- audit opinions on financial statements
- audit findings
- prior period errors
- audits dispensed with
- setting audit fees for financial audits
- General Government Sector (GGS)
- Government Businesses.

The report includes financial statement submission details and audit findings for the local government sector but due to two councils, Kentish and Latrobe, not submitting financial statements for audit as at 15 November 2019, the analysis of the local government sector has not been included. The two councils had not submitted financial statements due to challenges relating to the implementation of new financial management systems. An addendum to this Report will be tabled in the first quarter of 2020 which will summarise the results of all 31 December 2018 and 30 June 2019 audits including these two councils and other 30 June 2019 audits not completed as at 15 November 2019.

A change has been made to the information provided in this Report for 2018-19. In past years, separate volumes were produced for the general government, government business and local government sectors, which included individual chapters for larger State entities. For 2019, the volumes have been combined into a single report and individual chapters for State entities have not been provided.

In future years there will be a single report on the outcomes of the audits of State entities and audited subsidiaries of State entities covering 31 December 20X0 and 30 June 20X1 financial years.

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 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.

RECOMMENDATIONS

This Report contains two recommendations.

Recommendation 1

The Government consider whether further entities be removed from the National Tax Equivalent Regime where the benefit derived from remaining in the regime is significantly outweighed by the cost of complying with requirements.

Recommendation 2

The Government consider undertaking a review of businesses reliant on Government funding or commercial industry support to evaluate:

- the legislative frameworks for these businesses
- the 'for-profit' nature of these businesses
- whether the businesses remain as stand-alone businesses or be attributed to a government department or other business
- whether non-profitable segments of the businesses could be separated from the profitable segments of businesses.

SUBMISSIONS AND COMMENTS RECEIVED

Where relevant, extracts of this Report were provided to the relevant entity for comment and response.

Comments provided are not subject to the audit nor the evidentiary standards required in reaching an audit conclusion. Responsibility for the accuracy, fairness and balance of these comments rests solely with those who provided the response or comment.

Where comments were provided, these have been included below:

> These comments relate to your recommendations to withdraw entities from the National Tax Equivalent Regime (NTER) and the 'for-profit' corporate structures for certain State entities.
>
> Tasmanian Government businesses are subject to the NTER to support our continuing commitment to competitive neutrality. Tax neutrality supports the principle that Government businesses should not enjoy a net competitive advantage simple as a result of Government ownership.
>
> The governance framework for Tasmanian Government businesses is regularly reviewed and updated to ensure the framework and arrangements are appropriate. Your findings will be taken into account in any future consideration of the governance framework.
>
> Hon Peter Gutwein MP
> **Treasurer**

RESULTS OF FINANCIAL STATEMENT AUDITS

INTRODUCTION

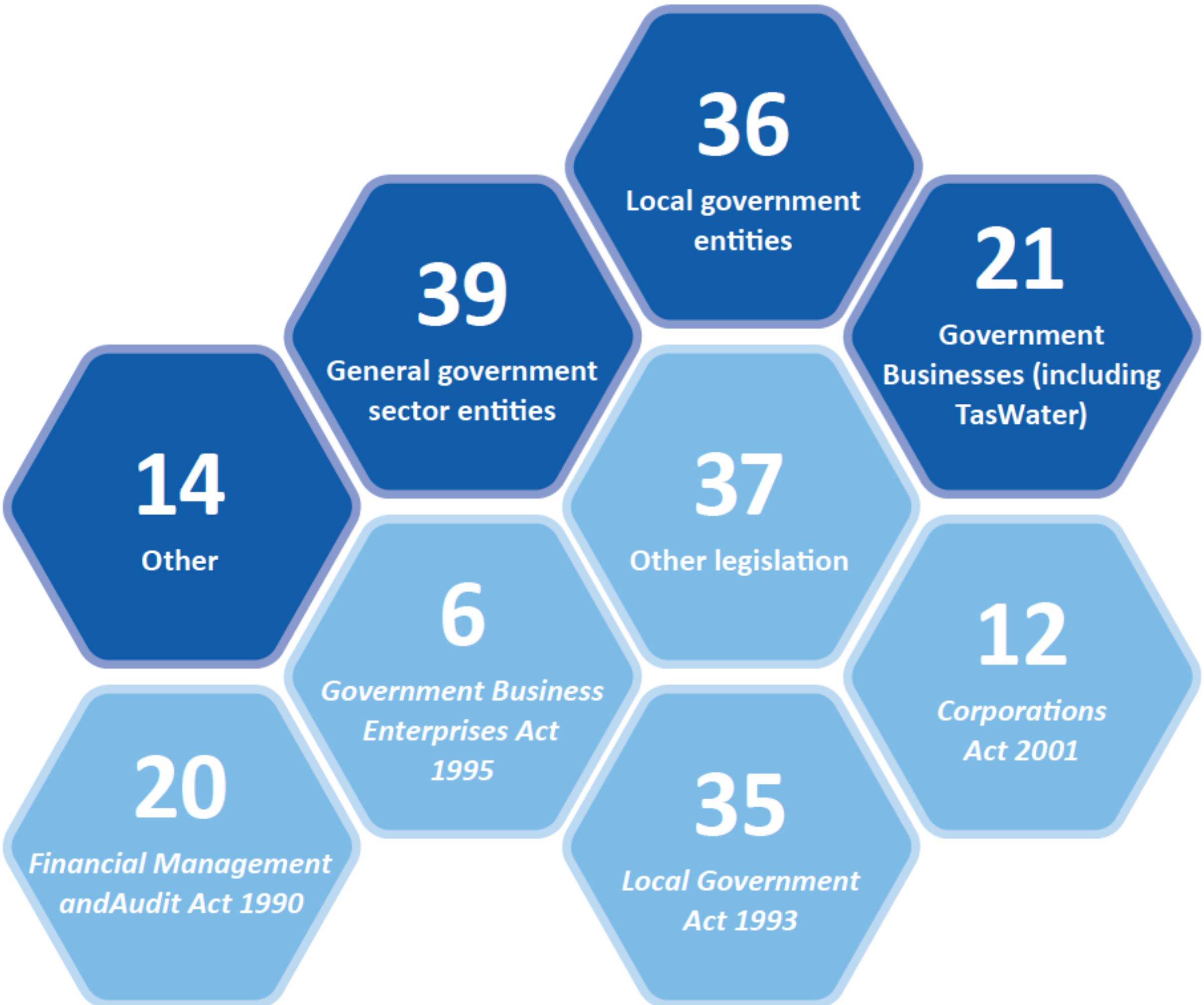
The Auditor-General has the mandate to carry out the audit of the financial statements of the Treasurer and all Tasmanian State entities. The aim of an audit is to enhance the degree of confidence in the financial statements by expressing an opinion on whether they present fairly, in all material respects,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

The Office completed 110 financial statement audits for State entities and audited subsidiaries of State entities for the year ended 30 June 2019.

STATE ENTITIES COVERED IN THIS REPORT

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. This Chapter summarises the outcomes of audits of financial statements of State entities and audited subsidiaries of State entities for the year ended June 2019. Information for 31 December 2018 audits can be found in *Report of the Auditor-General No. 9 of 2018-19 Auditor-General's Report on the Financial Statements of State entities Volume 1 State entities 31 December 2018* available at the Office's website: www.audit.tas.gov.au

Figure 1: Audited State entites and audited subsidiaries by sector and legislative base



The above figure Includes controlled or consolidated entity audits for year ended 30 June 2019, and excludes 31 December 2018 audits and 30 June 2019 audits not completed.

SUBMISSION OF FINANCIAL REPORTS AND TIMELINESS OF AUDIT OPINIONS

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 30 June 2019 financial reporting, this deadline fell on Wednesday, 14 August 2019.

Excluding any dispensed with audits, 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 August 2019, this deadline fell on Saturday, 28 September 2019.

State entities and subsidiaries of State entities 30 June 2019

138[1]	94%	67%[2]
Financial statements submitted	Financial statements submitted on time	Audits completed on time

Treasurer's Annual Financial Report (TAFR)

Public Account

Financial reports received 9 October 2019

Audit reports issued 30 October 2019

1. Relates to 30 June 2019 financial statements submitted. Does not include those entities that have yet to submit financial statements.
2. Excludes audits dispensed with.

For 30 June 2019, 14 State entities failed to meet the submission deadline compared to 20 entities for the year ended 30 June 2018.

Compliance with the requirement to complete audits of financial statements submitted within 45 days fell in 2018-19. For 30 June 2019, 38 audits were completed outside the time required, compared to 13 for 30 June 2018. This deterioration in performance was due to the Office experiencing significant and unanticipated staff shortages, delays caused by issues identified during the audit process and a lack of readiness by some entities, including unavailability of key finance personnel in some clients.

Certification of financial statements

Financial Statements certified by	
44	91
Management	Accountable Authority

From 2016-17, State entities could submit financial statements certified by either the accountable authority or by management (Chief Financial Officer or equivalent). Certification by management was utilised by a lower portion of entities for 30 June 2019 compared to 30 June 2018 (67 management, 81 accountable authority). Although certification by management does not usually impact the timeliness of audit completion, in 2018-19 there were a few instances where the accountable authority was not available to sign the audited financial statements by the legislated audit deadline date.

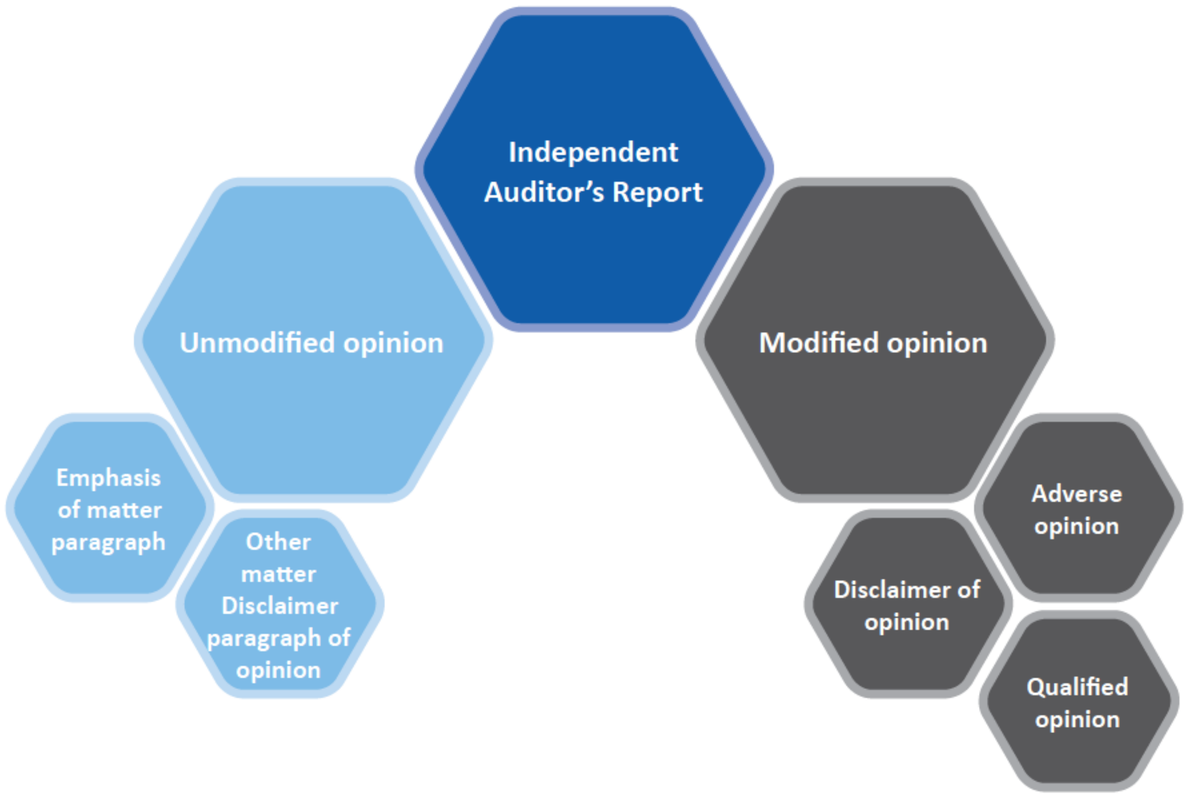
AUDIT OPINIONS ON FINANCIAL STATEMENTS

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 frameworks.

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**, 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 communicate additional matters in the auditor's report while still expressing an unmodified opinion on the financial statements. 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 ON FINANCIAL STATEMENTS

Figure 3: Audit opinions issued for 30 June 2019 audits

109

Unmodified audit opinions issued on financial statements (as at 15 November 2019)

Unmodified audit opinions were issued on all 30 June 2019 financial statement audits completed to 15 November 2019, except for King Island Council.

2

Emphasis of matter paragraph

Two of the unmodified audit opinions contained an emphasis of matter paragraph. Emphasis of matter paragraphs are used to highlight matters, although appropriately presented or disclosed in the financial statements, that are important to bring to the 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.

Tasmanian Public Finance Corporation	The emphasis of matter paragraph drew attention to a note in the financial statement which described the Corporation's application of Treasurer's Instruction GBE-08-52-09P in respect of the Mersey Community Hospital Fund.
Tasmanian Affordable Housing	The emphasis of matter paragraph drew attention to note 2 and note 15. Note 2 assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. Note 15 states the directors have resolved to adopt a non-going concern basis due to the activities of the company having ceased.

1
Qualified opinions

A qualified opinion is issued when a specific part of the financial statements contains a material misstatement or adequate evidence to support a material area cannot be obtained, but the remainder of the financial statements present a true and fair view, in accordance with the relevant financial reporting framework.

King Island Council	Council's road assets are measured at their fair value in accordance with accounting standards. Accounting standards require Council to carry out revaluations with sufficient regularity to ensure the carrying amount of road assets do not differ materially from that which would be determined using fair value at the end of the reporting period. Council had not undertaken a revaluation of road assets since 2011-12. An assessment of the financial impact of failing to undertake the revaluation, based on the application of relevant construction indices, revealed an understatement in the road assets at 30 June 2019 estimated at $5.37m.

5
Audits not yet completed

As at 15 November 2019, the following five audits had not yet been completed:

- Glamorgan Spring Bay Council
- Kentish Council
- Latrobe Council
- North East Care Inc.
- National Trust of Australia (Tasmania)

Latrobe and Kentish councils had not submitted financial statements for audit as at 15 November 2019.

FINDINGS FROM 30 JUNE 2019 AUDITS

Deficiencies in internal controls, accounting issues, governance matters and unresolved issues identified during an audit are reported to management, those charged with governance of State entities and relevant Ministers. These are communicated by way of management letters, which include finding observations, related implications, recommendations and risk ratings. Management responses to findings are also reported together with the expected dates matters are to be resolved by.

30 June 2019		30 June 2018	
143 Audit matters raised	**112** Audit matters raised in prior periods assessed as unresolved	**136** Audit matters raised	**133** Audit matters raised in prior periods assessed as unresolved

Each finding is categorised as high, moderate or low risk, depending on its potential impact. The definition of these risk categories is contained in the *Guide to using reports on the audit of financial statements of State entities*, which is available on the Office's website: www.audit.tas.gov.au

Table 1: 30 June 2019 Audit Findings by area

	High Risk	Moderate Risk	Low Risk	Total
Assets	3	15	9	**27**
IT Systems and Security	3	14	15	**32**
Expenditure	-	9	4	**13**
Payroll	-	7	4	**11**
Revenue/Debtors	-	4	1	**5**
Other Internal Control	-	10	9	**19**
Policies and Procedures	-	2	6	**8**
Other	4	12	12	**28**
Total	**10**	**73**	**60**	**143**

High risk findings

High risk findings for Assets were identified at Glenorchy City, Launceston City and Dorset councils and related to the currency, management and accuracy of the asset revaluation and capitalisation processes undertaken by those entities. The high risk IT Systems and Security findings related to software or system security access controls within the Department of Justice and Hydro Tasmania and software derived issues arising from the implementation of an upgraded enterprise reporting system at Clarence City. Other high risk findings related to the reconciliation of cash on hand and bank balances at PAHSMA and Tasman Council, the capture of non-standard derivative trades at Hydro Tasmania and the completeness and clarity of work papers supporting the financial statements at Devonport City.

Management responses acknowledging and providing proposed responses to these matters have been received from the respective entities.

Moderate risk findings

Moderate risk findings covered a broad range of matters. Moderate risk findings for Assets related to less pervasive findings associated with asset revaluation processes, documentation of annual impairment and useful life assessments and isolated findings in respect to the timeliness of capitalisation of capital works in progress expenditure. Account security and software access controls dominated the moderate findings in the IT Systems and Security category. Issues also included excessive leave balances and breakdowns in the design and implementation of key internal controls in payroll, payments and receipting systems. The Other classification findings include a number of accounting and financial reporting matters.

Low risk findings

Low risk findings were found across all areas but were generally considered to be isolated, non-systemic or procedural in nature. In some cases they represented opportunities to improve existing processes or further strengthen existing controls, particularly in payroll.

Table 2: 30 June 2019 Audit Findings by sector

	High Risk	Moderate Risk	Low Risk	Total
General Government Sector	1	19	28	48
Government businesses	3	13	7	23
Local government	6	37	22	65
Other	-	4	3	7
Total	**10**	**73**	**60**	**143**

High risk issues were mostly prevalent in the Local Government sector. This was consistent with past years and the issues primarily related to asset valuations.

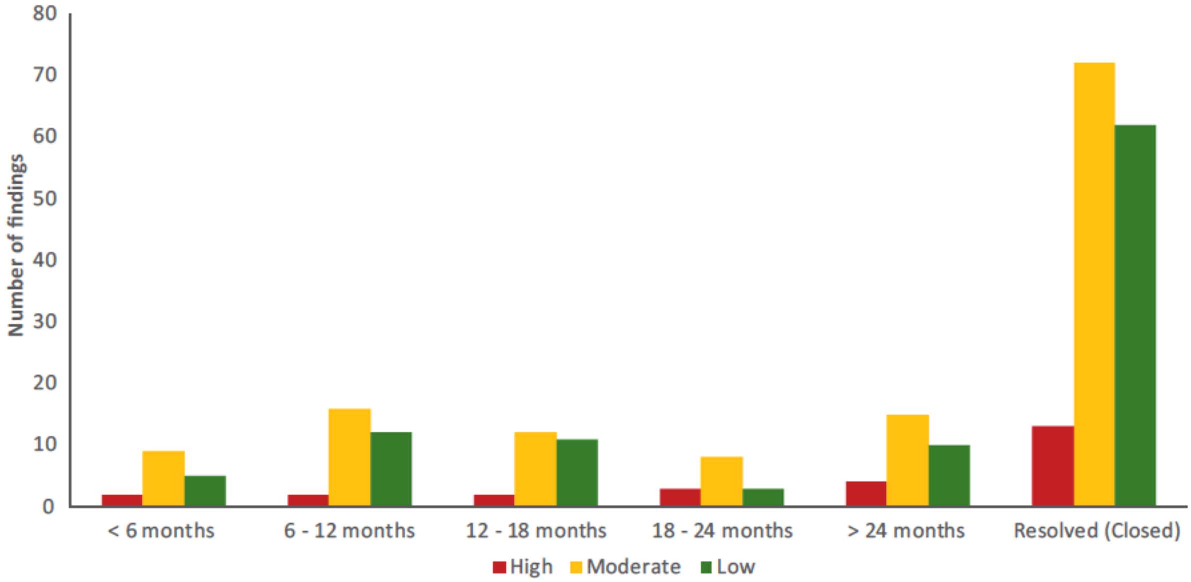
PRIOR YEAR FINDINGS

43%

Issues previously reported remained unresolved

Unresolved prior years findings are followed up each year to confirm whether they have been resolved or satisfactory addressed by management.

Figure 4: Previously reported findings (yet to be resolved from date corrective action was due) aging analysis



Efficient resolution of audit findings is crucial to reduce an entity's exposure to risk. During 2018-19, 57% of issues previously reported were resolved. Only four high risk issues over 12 months old had yet to be resolved, two of which were over 24 months old. These related to unrecorded heritage collection assets held by National Trust of Australia (Tasmania) and the reconciliation of subsidiary ledgers to the trial balance through to the financial report by a council.

Table 3: Prior year unresolved Audit Findings by area

	High Risk	Moderate Risk	Low Risk	Total
Assets	7	14	7	28
IT Security	-	11	8	19
Expenditure	-	6	1	7
Payroll	-	5	13	18
Revenue/Debtors	2	5	2	9
Other Internal Control	-	5	1	6
Policies and Procedures	-	7	5	12
Other	2	8	3	13
Total	**11**	**61**	**40**	**112**

High risk findings that were previously reported but not yet resolved largely related to asset valuations. Other high risk findings related to bank reconciliations, segregation of duties, revenue reporting, documentation and various internal processes.

Unresolved Moderate risk and Low risk findings covered a broad range of matters. The majority of outstanding prior year matters related to assets, IT security, many of which had extended lead times for resolution, and payroll.

Table 4: Prior year unresolved Audit Findings by sector

	High Risk	Moderate Risk	Low Risk	Total
General Government Sector	6	30	17	53
Government businesses	1	7	6	14
Local government	4	24	17	45
Total	**11**	**61**	**40**	**112**

The GGS had the largest number of unresolved prior year findings as well as the largest number of high risk findings. These high risk findings predominantly related to asset valuations. The local government sector had four unresolved high risk findings, the majority of which also related to asset valuations.

A breakdown of current and prior year findings by entiy can be found in Appendix B.

PRIOR PERIOD ERRORS

Nine prior period errors were reported in the submitted 30 June 2019 financial statements. This represented an improvement on 30 June 2018 where 21 prior period errors were reported.

A prior period error represents an omission or misstatement in an entity's financial statements for one or more prior periods. For reported prior period errors the following disclosures are required in the financial statements:

(a) the nature of the prior period error

(b) for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected

(c) the amount of the correction at the beginning of the earliest prior period presented.

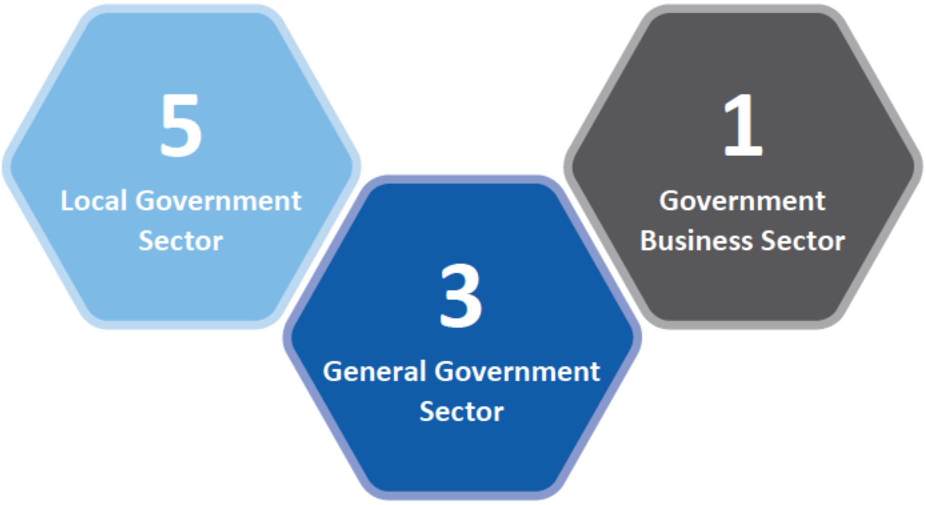
Where it is impracticable to adjust figures for a particular prior period, the financial statements must disclose the circumstances that led to the existence of the condition and a description of how and from when the error had been corrected.

Audit procedures undertaken to assess the appropriateness of prior period errors included:

- inspection and testing of evidence leading to the occurrence and quantification of the error
- consideration of the size and nature of the misstatements, both in relation to particular classes of transactions, account balances or disclosures and the financial report as a whole
- discussions with management to confirm the appropriateness of the accounting treatment and disclosures to be made in the financial statements
- an assessment by the Office's technical committee for review of the proposed accounting treatment and disclosures.

Where material errors impact financial results and balances prior to the comparative year, a restated third statement of financial position may be required to be presented. Of the nine entities that disclosed prior period errors, none were required to present a third statement of financial position.

Figure 5: Prior period errors - by sector

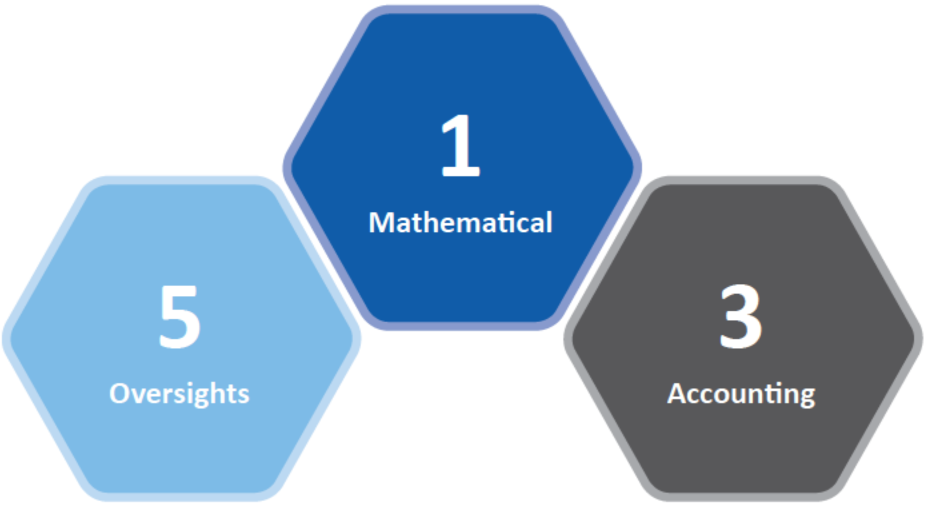


Five of the errors occurred in the Local Government sector, three errors in the Government business sector and one in the GGS, with the majority of errors involving assets.

Seven of the nine errors were discovered by entities themselves with two errors identified by the audit team. Further detail of the nature of these prior period errors is provided below.

Prior period errors arose from a failure to use available and reliable information which could reasonably have been expected to be obtained and taken into account in the preparation and presentation of those financial statements. Such errors included the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts.

Figure 6: Prior period errors - by nature



Given the size, nature and complexity of assets recognised in statements of financial position, it is not surprising that most prior period errors arose in this area. These included valuation errors (such as, miscalculation of accumulated depreciation, use of inappropriate unit rates and incorrect indexation methods), found assets, errors within asset registers and assets included in work-in-progress commissioned with no depreciation expense recognised.

Other valuation related errors included incorrect valuation of financial liabilities and errors in the valuation of rehabilitation and restoration provisions.

Found asset errors were predominately associated with stormwater assets. There was no commonality in the cause of these errors, making it difficult to predict the likelihood of similar undetected errors across other entities. However, due to the significant number of prior period errors in assets in 30 June 2018 financial statements, there was an increased focus on assets during the 30 June 2019 audits. As legacy issues in assets giving rise to prior period errors may still exist, this will continue to be an area of focus in future audits.

Further particulars of the nine prior period errors are provided below.

Five oversight errors comprised:

3
Found Assets

Sorell (Local Government)	Sorell identified a net increase of $4.35m in stormwater assets as part of the stormwater inspection program undertaken by a third-party provider. These were assets had not previously been recorded or were recorded without a value.
Devonport City (Local Government)	Devonport City identified an increase of $1.54m in storm water assets as part of the stormwater inspection process. The assets had been incorrectly included as additions in the asset summary for stormwater assets. The council also found land assets with a value of $0.02m which had been recorded for the first time.
Glenorchy City (Local Government)	The audit team identified a net increase of $2.22m in stormwater assets in reconciling an unusual adjustment in the stormwater asset movement schedule. These were assets which had not previously been recorded or were recorded without a value.

2
Work in Progress

TasWater (Government Business)	TasWater identified that capital work-in-progress included completed projects which should have been transferred out of work-in-progress into fixed asset classifications. Further the entity was understating depreciation expense and overstating the value of Property plant and equipment, including the capital work-in-progress. As a result there were prior period errors relating to 1 July 2017 Property, plant and equipment, overstated by $3.60m, Intangible assets, understated by $0.69m, and Retained earnings, overstated by $2.91m. In addition, it was noted the entity's 30 June 2018 Property, plant and equipment was overstated by $6.63m, Intangible assets understated by $2.34m, Retained earnings overstated by $5.47m, depreciation expense understated by $3.53m, tax expense overstated by $1.06m and comprehensive income overstated by $2.47m.
Kingborough (Local Government)	During 2018-19, Kingborough continued to bring its asset management system up to date by capitalising work-in-progress on assets with installation dates prior to 30 June 2018. This resulted in identification of assets that had been commissioned but not transferred from work-in-progress, hence these assets had not been depreciated during the year. The net value of understated depreciation was $0.13m. Management, identified a number of other costing errors totalling $0.41m that should have been expensed prior to 1 July 2017. When management compared land assets against the Valuer-General's records, approximately $12.00m of land was found not to be owned by Council. Conversely, another $10.00m was identified as owned by Council but not previously recognised. The net effect was a write-off of $2.13m of land. These errors occurred as no reconciliation comparing the Valuer-General's property records against council records had been undertaken.

One mathematical errors comprised:

	1 Asset Revaluation
Launceston City (Local Government)	Launceston City performed a revaluation on buildings in 2017-18 based on an independent valuation. Council adopted the gross valuation of the independent valuer but chose to internally calculate accumulated depreciation based on Council's adopted useful lives and known construction dates. Due to date limitations within Council's asset software, accumulated depreciation for buildings with construction dates pre-1900 was incorrectly calculated. As a result, the construction date for relevant assets was automatically changed to 1 January 2000. The impact on the financial statements at 30 June 2018 was understatement of accumulated depreciation and overstatement of asset revaluation reserve by $24.62m.

Three accounting policy errors comprised:

	3 Accounting Treatment
Housing Tasmania (GGS)	Housing Tasmania reassessed its Asset revaluation reserve balance. The revaluation Reserve balances carried forward did not reflect the sum of increments for the individual assets held. In prior years the Reserve had not been adjusted for assets disposed or derecognised. An adjustment of $1.34bn was processed within equity movements in 2018-19. This was incorrect, as the adjustment related to balances that should have been written back in prior years. A prior period error was recognised adjusting Opening retained earnings and Asset revaluation reserve.
Ambulance Tasmania (GGS)	Ambulance Tasmania reassessed its Asset revaluation reserve balance. This Reserve balances carried forward did not reflect the sum of revaluations increments for individual assets held. In prior years the Reserve had not been adjusted for assets disposed or derecognised. An adjustment of $7.70m was processed within equity movements in 2018-19. This was considered incorrect, as the adjustment related to balances that should have been written back in prior years. A prior period error was recognised adjusting Opening retained earnings and Asset revaluation reserve.
TasTAFE (GGS)	The audit team identified that TasTAFE had reported revenue in advance on fees and charges incorrectly in its 2017-18 financial statements. The amount of revenue received in advance was understated due to incorrect treatment of invoices raised in 2018 for services greater than one year. The impact of the correction overstated revenue and expenses by a net amount of $0.85m. A prior period error was recognised adjusting the net result down by $0.85m due to a decrease in sale of goods and services revenue of $0.95m, and grants and concessions by $0.10m, with a corresponding increase of $0.85m in other current liabilities.

AUDITS DISPENSED WITH

Figure 7: Dispensation of audits process

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.

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 2018

- Sense-Co Tasmania Pty Ltd (University of Tasmania)

Other Boards and Authorities - Year Ended 31 December 2018

- Board of Architects of Tasmania

Controlled Subsidiaries - Year Ended 30 June 2019

- AETV Pty Ltd (Hydro Tasmania)
- Bell Bay Pty Ltd (Hydro Tasmania)
- Bell Bay Three Pty Ltd (Hydro Tasmania)
- Brighton Industrial and Housing Corporation Pty Ltd (Brighton Council)

- C-Cell Pty Ltd (Copping Refuse Disposal Site Joint Authority)
- Flinders Island Ports Corporation Pty Ltd (TasPorts)
- Geeveston Town Hall Company Ltd (Huon Valley Council)
- Heemskirk Holdings Pty Ltd (Hydro Tasmania)
- Heermskirk 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 (TasNetworks)
- Lofty Ranges Power Pty Ltd (Hydro Tasmania)
- Maidstone Park Management Controlling Authority (Devonport City Council)
- Marinus Link Pty Ltd (TasNetworks)
- Metro Coaches (Tas) 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 Enterprise Pty Ltd (Aboriginal Land Council of Tasmania)
- palawa Enterprise Unit Trust (Aboriginal Land Council of Tasmania)
- RE Storage Project Holdings Pty Ltd (Hydro Tasmania)
- 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 2019

- Tasmanian Pharmacy Authority
- Tasmanian Timber Promotion Board

AUDIT FEES

Summary of audit fees

Table 5 summarises the initial audit fees determined by the Auditor-General by sector for 2018-19.

Table 5: Fees by sector 2018-19

Sector	Fee* $'000s
GGS entities	1 703
Government businesses	1 603
Local government entities	1 015
Other State entities	471
Total	**4 792**

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

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 -*
>
> > *the amount of that fee; and*
> >
> > *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 time and 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% below to 40% 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%
$101 000 to $1.5m	30	+/-40%
$1.5m to $10m	100	+/-40%
$10m to $55m	155	+/-40%
$55m to $121m	270	+/-40%
$121m to $200m	460	+/-40%
$200m to $410m	610	+/-40%
$410m to $1bn	830	+/-40%
>$1bn	1 350	+/-40%

*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 determinted 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.

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 the TAFR, including the audited GGS, Total State Sector (TSS) and Public Account statements.

OVERVIEW OF 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 Budget. PFC entities were mainly engaged in financial intermediation or provision of auxiliary 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 8.

Figure 8: Structure of 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 the Director of Public Prosecutions
- Office of the Governor
- Office of the Ombudsman and Health Complaints Commissioner
- Royal Tasmanian Botanical Gardens
- State Fire Commission
- Tasmanian Audit Office
- TasTAFE
- Tourism Tasmania

Public Financial Corporations

- Motor Accidents Insurance Board
- Tasmanian Public Finance Corporation

Public Non-Financial Corporations

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

GENERAL GOVERNMENT SECTOR DEVELOPMENTS

The following sections summarise significant developments identified during the course of the audits that affect the operations of GGS entities.

Administrative restructure of departments

The *State Service (Restructuring) Order 2018* (Order) resulted in the transfer of significant assets and liabilities between several departments on 1 July 2018. Under this Order, the Tasmanian Health Service (THS) was amalgamated with certain outputs of the former Department of Health and Human Services (DHHS) to form the Department of Health (DoH) and certain outputs of the former DHHS were transferred to the new Department of Communities Tasmania (Communities Tasmania). In addition, Community Development, Sport and Recreation, Tasmanian Institute of Sport, the Silverdome and administrative responsibility for the Tasmanian Community Fund were transferred to Communities Tasmania from the Department of Premier and Cabinet (DPAC).

Additionally, the *Tasmania Health Service Act 2018*, repealed the *Tasmanian Health Organisations Act 2011*, under which THS was established. Under the new legislation, THS continued as a separate legal entity reporting directly to the Secretary of DoH with an executive group maintaining a focus on State-wide planning.

Financial results in this Report reflect these restructures.

Financial Management Act 2016

During 2018-19, the Department of Treasury and Finance (Treasury) continued to develop a financial management framework to support the implementation of the *Financial Management Act 2016* (FMA). The FMA came into effect on 1 July 2019, replacing the *Public Account Act 1986* (PAA) and the *Financial Management and Audit Act 1990* (FMAA). The Consolidated Fund and Special Deposits and Trust Fund (SDTF) ceased to exist from 1 July 2019 and is now solely the Public Account.

Associated Treasurer's Instructions were issued and apply from 1 July 2019. The new Treasurer's Instructions:

- focus on key principles rather than being overly prescriptive
- reduce the complexity of detail included in the Treasurer's Instructions
- avoid unnecessary duplication with the requirements of Australian Accounting Standards
- exclude matters that are no longer relevant.

These Treasurer's Instructions are supported by *Financial Management - Better Practice Guidelines* which are intended to assist agencies with their financial management responsibilities, including the areas of financial control, financial reporting and budget.

Department of Communities Tasmania

Affordable Housing

The Capital Investment Program budget for 2018-19 was $64.21m. Major projects included $45.00m for the Affordable Housing Strategy Stages 1 and 2.

For Stage 1, the Government's target was to provide 1 600 vulnerable Tasmanian households with support over the four-year term of the action plan including the provisioning of over 900 lots of land and new homes and support to access affordable homes in the private market. Both of these targets have been exceeded with 1 605 households being assisted and 984 lots of land being delivered.

National Disability Insurance Scheme

Additional funding of $202.47m over four years (2018-19 to 2021-22) was allocated for the State contribution to the National Disability Insurance Scheme (NDIS). Further additional funding of $61.92m over three years was allocated in the 2019-20 budget, bringing the total committed additional funding to $264.40m over five years (2018-19 to 2022-23). In 2018-19, Communities Tasmania expended $61.34m of this funding.

Equal Remuneration Order Costs

Additional funding for costs under the Fair Work Commission Equal Remuneration Order (ERO) is being contributed in 10 instalments over nine years. Funding of $31.79m received in 2018-19 represented the seventh year of this additional funding. This enables community sector organisations to fully meet obligations and requirements under the ERO.

Commonwealth State Housing Agreement Debt

On 9 September 2019, the Australian Government agreed to waive all future principal and interest repayments related to the former Commonwealth State Housing Agreement debt. The waiver was on the condition that the full amount of principal and interest repayments be applied to programs that increase access to social housing, reduce homelessness and improve housing supply across Tasmania. The total of the debt was $157.60m at 30 June 2019.

Department of Education

Working Together for 3 year olds (WT3)

Funding of $2.27m was provided in 2018-19 to support the co-design of the Working Together for 3 year olds (WT3) initiative. The total investment in this initiative, which will be delivered in partnership between the Department of Education (DoE) and the Early Childhood Education and Care sector, is $31.25m over four years. This initiative will deliver free pre-school for eligible three year old Tasmanian children who are experiencing vulnerability or disadvantage.

Year 12 extension

The requirement for students to participate in education and/or training until they are 18, or the completion of year 12 was supported by the Government commitment to extend all Tasmanian high schools to year 12 by 2022, while still keeping secondary colleges open. Additional recurrent funding of $24.50m was allocated over four years, to continue the Government's commitment to extend all 54 Tasmanian High Schools to Year 12 by 2022. The number of schools already extended to Year 12 is 43 with a further four preparing to do so in 2020.

A further $6.00m was allocated in the 2018-19 Budget to support infrastructure building development required for the successful implementation of this initiative (with $1.50m received in 2018-19). Activity in 2018-19 included developments at Deloraine, Prospect and Ulverstone High Schools as well as the Tasmanian eSchool.

National School Reform Agreement

The National School Reform Agreement is a joint agreement between the Commonwealth, State and Territory Governments to lift student outcomes across Australian schools. It sets out the long-term national goals for school education in Australia and to achieve these goals, the agreement sets out eight important strategic reforms. These reforms are in areas where national collaboration will have the greatest impact on driving improved student outcomes. The agreement will operate from 2018-19 to 2022-23.

Transfer library services in Devonport

During the year, Devonport City Council transferred Lot 1 in the paranaple Centre building to DoE for the operation of library services. As part of the transfer, the land and building used for the previous library service was transferred to Devonport City Council. As at 30 June 2019, the assets transferred to DoE were valued at $19.30m. This included the Government's contribution of $11.00m for the construction of the building. The library occupies two floors for collections, contemporary library services and meeting room spaces.

Department of Health

National Health Agreement

On 16 May 2018, the Government signed the Heads of Agreement for a new National Health Agreement. This represented an agreement between governments on the high level parameters for public hospital funding from 1 July 2020 to 30 June 2025, and identified reform areas for further development.

The agreement preserved the current arrangement of the Australian Government contributing 45.0% of the efficient growth in activity base funding, block funding services, block grants and growth in Australian Government funding capped at 6.5% per annum nationally.

Tasmanian Health Service

The *Tasmanian Health Service Act 2018* commenced on 1 July 2018. This resulted in the implementation of a new governance model for the administration and oversight of THS. The key feature of the new model was the establishment of the role of the Secretary, DoH as the single point of accountability for the performance of the THS. The new model includes a three person team to perform the functions and powers assigned to the THS Executive under the *Tasmanian Health Service Act 2018*.

During 2018-19, construction on the St Helens District Hospital and the Kingston Health Centre were completed and both facilities placed into operation. In addition, THS opened 22 new beds at the Repatriation Hospital to help address some of the demand and capacity pressures facing the Royal Hobart Hospital.

Ambulance Tasmania

During 2018-19, Ambulance Tasmania completed the $1.50m Latrobe Ambulance Station upgrade to provide improved facilities for paramedics.

Capital investment program

Capital investment program funding received in 2018-19 totalled $220.50m and was used to undertake capital works totalling $237.90m. Of this $189.40m was expended on the Royal Hobart Hospital (RHH) redevelopment, $8.39m on the St Helens District Hospital, $4.82m on the Launceston General Hospital ward upgrades, $4.73m on the Kingston Health Centre and $3.19m on the Mersey Community Hospital development.

Department of Justice

Redress Scheme for Institutional Child Sexual Abuse

The Government agreed to participate in the Australian Government's National Redress Scheme for Institutional Child Sexual Abuse (the Scheme). 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 an institution.

Survivors will be able to lodge an application with the Scheme, including where they suffered abuse in more than one institution. The three components of redress available to eligible survivors will be a:

- monetary payment of between $5 000 and $150 000 as a tangible means of recognising the wrong survivors suffered
- monetary payment or provision of services to a value up to $5 000 for the purpose of counselling and psychological care
- direct personal response from the responsible institution/s.

The Scheme, administered by the Australian Government's Department of Social Services, will operate for a period of 10 years, from 1 July 2018. The ability to assess Tasmanian applications commenced from 1 November 2018. At 30 June 2019, a number of claims had been accepted, but none had been paid.

A total of $70.00m has been committed to fund compensation and administration costs over the life of the Scheme. The Department of Justice (DoJ) expected to receive $25.00m in 2018-19 and $5.00m each year until 2027-28. However, due to no redress being paid, DoJ only incurred costs of assessing applications and setting up and accommodating the new Child Abuse Royal Commission Response Unit, with the remaining $23.78 million being re-cashflowed across future years of the Scheme.

Prison Infrastructure

The Tasmanian Government has budgeted funding of $270.00m over 10 years for the construction of a new Northern Prison. The prison will be built in two stages:

- Stage 1: Northern Remand Centre, $150.00m, expected to commence in 2019-20 and be completed within five years
- Stage 2: $120.00m, expected to commence after Stage 1.

The completed Northern Prison will provide accommodation for a variety of security classifications, remand facilities and a women's prison.

An expression of interest process was undertaken by DoJ to determine a preferred site for the Northern Prison, with DoJ incurring expenditure of $0.17m to 30 June 2019.

Also during 2018-19, DoJ:

- opened the $2.84m Dr Vanessa Goodwin Cottages at the Mary Hutchinson Women's Prison to accommodate up to 25 female prisoners, including five rooms to cater for mothers and their babies
- refurbished and recommissioned 40 beds in the Ron Barwick Minimum Security Prison, at a cost of $1.41 million
- engaged a Design Consultant and undertook an expression of interest process to engage a managing contractor for the $79.34 million Southern Remand Centre and Risdon Prison Complex upgrade program.

Department of Primary Industries, Parks, Water and Environment

Cradle Mountain Visitor projects

The Australian and Tasmanian Governments committed $86.80m to make improvements to Cradle Mountain vistor facilities. The Tasmanian Government will provide $21.80m to deliver the Cradle Mountain Visitor Experience - a world class destination and eco-tourism product, consistent with the Cradle Mountain Experience Master Plan. Proposed work includes revitalising visitor facilities at the existing 'gateway' to Cradle Mountain, outside of the national park, including:

- a new visitor centre
- commercial/retail precinct
- car parking, including redeveloping the existing carpark at Dove Lake,
- shuttle bus transit stations
- improved visitor facilities, including a new viewing shelter.

The Tasmanian and Australian Governments are providing $35.00m and $30.00m respectively to improve the Cradle Mountain experience. This funding will facilitate the development of a Cradle Mountain cable way, ensuring visitors have all year, all weather access to Dove Lake.

During 2018-19, the Department of Primary Industries, Parks, Water and Environment (DPIPWE) expended $5.60m to commence these projects.

Bushfires in early 2019

Additional human resources were allocated to provide emergency responses to the bushfires in the Central Highlands and Huon Valley and to provide support to the emergency responses.

The additional emergency expenses incurred by DPIPWE in 2018-19, amounting to $16.70m, were subsequently reimbursed by way of Government grants.

Department of State Growth

Transfer of roads to Government Ownership

On 10 December 2018, the *Roads and Jetties (Management of State Highways in Cities) Amendment Act 2018* received Royal Assent. This Act enabled the transfer of Davey and Macquarie Streets in Hobart, as well as sections of Wellington and Bathurst Streets in Launceston that link the Midland and East Tamar highways, to become a part of the State road network managed by the Department of State Growth (State Growth). This transferred the responsibilities for the roads from Hobart and Launceston City Councils to the Government. Macquarie and Davey Streets, along with sections of the Brooker Highway, were transferred to the Government on 26 December 2018, totalling $7.42m along with the associated land under roads. The sections of Wellington and Bathurst Streets were not transferred from Launceston City Council in 2018-19. The Deed of Transfer was signed on 30 October 2019.

Transfer of Macquarie Point railyards to Macquarie Point Development Corporation

As part of the ongoing development of the Macquarie Point site, State Growth transferred ownership of the railyards to Macquarie Point Development Corporation (MPDC) on 31 May 2019. The transferred land and buildings totalled $40.30m.

Tasmanian Museum and Art Gallery - Asset condition assessment

Tasmanian Museum and Art Gallery (TMAG) engaged an external consultant to assess the state of its infrastructure assets. TMAG's property assets have a significant maintenance backlog and associated issues such as rising damp have become more common. The project will identify the condition of existing assets and will inform management's decision-making on whether to divest certain assets as well as updating the existing Asset Management Strategy.

State Fire Commission

During 2018-19, the Tasmanian Fire Service (TFS) had to manage a protracted bushfire campaign, starting on Christmas day with fires on Bruny Island and continuing through to the Dolphin Sands fire in April 2019. At the height of the bushfire events TFS were battling 71 fires which burnt over 211 000 ha, equal to 3% Tasmania's land mass and the largest fires since 1967.

Many of the fire incidents were located in largely inaccessible terrain, requiring aircraft and specialist remote area firefighters to tackle them. Despite the TFS being well equipped and resourced, with more than 2 500 Tasmanian firefighters working on the front line, the scale of remote operations required interstate and international support with more than 1 100 interstate and international personnel deployed to assist firefighting agencies.

Bushfire fighting expenses in 2018-19 totalled $59.05m, the largest component being aircraft expenses of $38.31m. Contributions of $57.21m were received, mainly from Treasury and DPIPWE, significantly offsetting the majority of the expense.

SUMMARISED FINANCIAL REPORT

Details of GGS entities results are set out in Table 6. The financial information below includes all GGS entities excluding entities not subject to audit.

Table 6: Summarised financial results

GGS State Entities	Underlying surplus (deficit) $'000s	Net surplus (deficit) $'000s	Total comprehensive surplus (deficit) $'000s	Net assets $'000s
Executive and Legislature				
House of Assembly*	(42)	(42)	(42)	2 002
Legislative Council*	374	374	374	1 501
Legislative-General*	1 130	1 130	1 130	36 357
Office of the Governor*	(149)	(149)	3 844	38 547
Departments				
DoE*	(51 396)	(6 857)	27 228	1 455 277
DoH*	(59 283)	142 170	179 717	1 436 385
Communities Tasmania*	(17 659)	3 690	376 689	1 828 137
State Growth*	(87 267)	136 019	475 567	6 218 540
DoJ*	(5 739)	642	642	149 483
DPFEM*[1]	(10 327)	(1 096)	1 688	112 174
DPAC*	(2 517)	2 027	2 027	1 676
DPIPWE*	(27 092)	(12 130)	(147 687)	1 703 509
Treasury*	1 269	1 269	1 280	9 386
Department Controlled Entities[2]				
ABT Railway Ministerial Corporation (State Growth)	(2 901)	(2 901)	(2 901)	43 478
Ambulance Tasmania (DoH)	(2 392)	(11 970)	(10 884)	10 040
Council of Law Reporting	-	-	-	8
Housing Tasmania (Communities Tasmania)	(21 767)	(12 019)	360 101	1 739 456
Office of Tasmanian Assessment, Standards and Certification (DoE)	(22)	(22)	(22)	(129)
Tasmanian Development and Resources (State Growth)	(334)	(517)	(517)	31 145
Tasmanian Affordable Housing Limited (Communities Tasmania)	21	21	21	1 286
TMAG (State Growth)	527	527	527	438 925
THS (DoH)	(70 402)	(56 014)	(20 942)	784 178
Teachers Registration Board of Tasmania (DoE)	246	246	246	1 118

GGS State Entities	Underlying surplus (deficit) $'000s	Net surplus (deficit) $'000s	Total comprehensive surplus (deficit) $'000s	Net assets $'000s
Other GGS Entities				
Asbestos Compensation Fund	2 902	-	-	-
Brand Tasmania*	(89)	(89)	(89)	19
Inland Fisheries Service*	176	(178)	224	8 907
Integrity Commission*	(76)	(76)	(76)	(117)
Marine and Safety Authority*	713	695	4 607	38 796
Director of Public Prosecutions*	(437)	(446)	(446)	(62)
Office of the Ombudsman*	(62)	(62)	(62)	67
Royal Tasmanian Botanical Gardens*	713	704	2 379	16 474
State Fire Commission*	(3 014)	(6 557)	(6 557)	116 048
Tasmanian Economic Regulator	27	27	27	203
TasTAFE*	(8 198)	(3 155)	1 644	162 229
Tourism Tasmania*	(398)	(398)	(398)	(658)
Workcover Tasmania Board	-	-	-	-

* entity consolidated into the GGS financial statements
1. Department of Police, Fire and Emergency Management
2. 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 26E of FMAA requires the Treasurer to prepare, each year, an annual financial report, which contains the results of the GGS and transactions within the Public Account and the Public Account's balances.

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

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

Financial reporting frameworks

The GGS and TSS financial statements were both prepared in accordance with AASB 1049. They incorporate the reporting requirements of the Australian Accounting Standards Board and the Uniform Presentation Framework (UPF), which is based on the reporting standards of the Australian Bureau of Statistics' (ABS) Government Finance Statistics framework.

Explanations of the UPF Key Fiscal Aggregates were provided in notes to the financial statements and are not reproduced here.

Reconciliation summarised financial results to Treasurer’s Annual Financial Report

Due to elimination adjustments made to remove inter-entity transactions from TAFR, it is difficult to reconcile the summarised financial results in Table 6 above to the TAFR balances. These eliminations are subject to audit testing to ensure appropriateness of the adjustment. Adjustments were also made to the calculation of the superannuation liability for the TSS financial statements. The PNFC and PFC entities use a corporate bond rate in calculating the discount rate to be used in the calculation of superannuation liabilities. However, in arriving at a superannuation liability for the TSS, the liabilities for these entities are converted to the government bond rate, consistent with the calculation used for GGS entities. As a result, this conversion to the lower discount rate increases the value of the liabilities.

Public Account

The Public Account statements are a special purpose financial report prepared on a cash accounting basis, incorporating all transactions, be they operational or capital in nature, entered into by Government departments from the SDTF and Consolidated Fund. Explanations for applying this basis for preparing the Public Account statements were provided in Note 1 to the Statements and are not reproduced here.

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

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

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 2018-19 results with the previous year and analyse trends over the past four years or a longer period where relevant.

In preparing this section, the Statement of Comprehensive Income and Statement of Cash Flows have been amended by reclassifying certain revenue and expenditure items related to Australian Government capital funding.

Net Operating Balance was the difference between revenue and expenses from transactions, excluding other economic flows, such as movements in fair values and gains or losses on sale of assets.

Revenue from transactions included funding for capital programs; however the corresponding outflow was not part of expenses from transactions. To better portray the financial performance of the State, one-off capital funding transactions, items which were outside the normal course of operations and non-recurring items have been excluded. The result after adjusting for these items is referred to as the ‘Underlying Net Operating Balance’. The Underlying Net Operating Balance has been used for a number of years as a measure that removes the distorting impact of one-off Australian Government funding for specific capital projects.

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

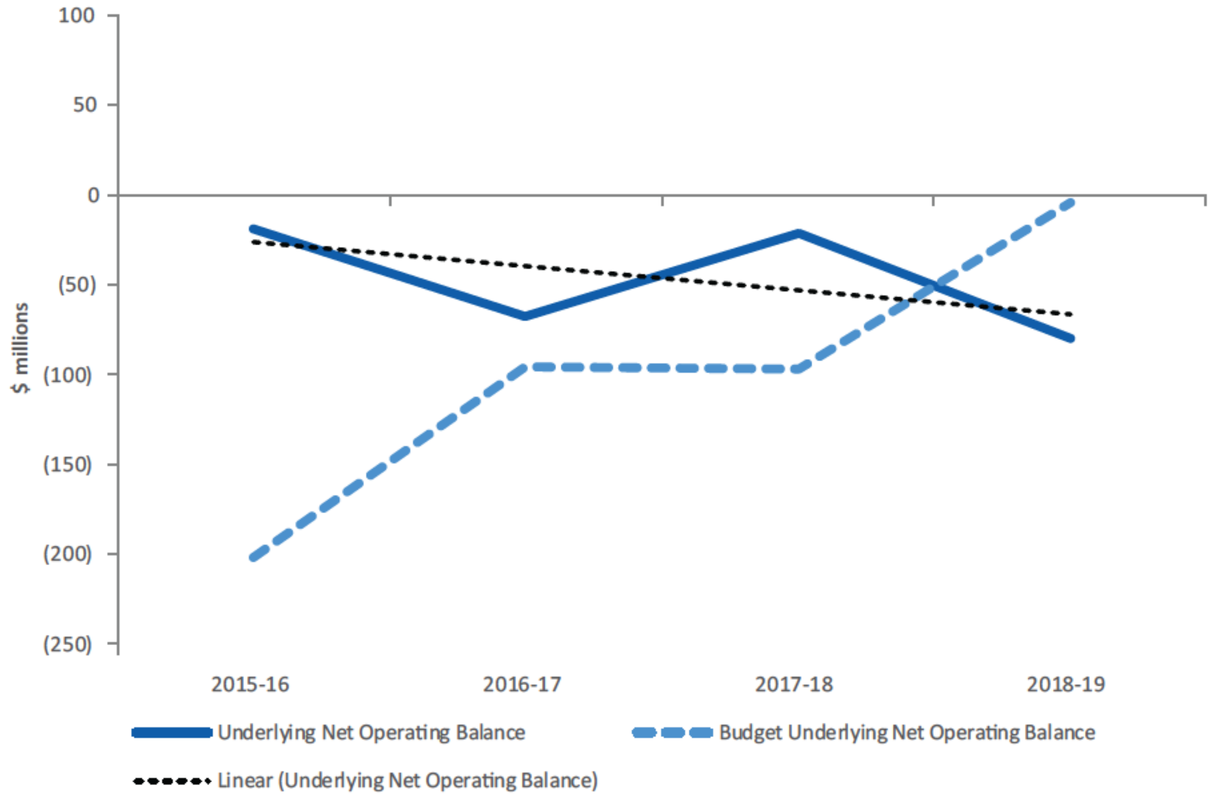
General Government Sector

($79)m	($21)m	($67)m	($19)m
2018-19	2017-18	2016-17	2015-16
▼276%	▲68%	▼253%	▲83%

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

Figure 9 provides an overview of underlying 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 9: GGS Underlying Net Operating Balance (4-year trend)



The GGS Underlying Net Operating Balance was a deficit of $79m for 2018-19, a deterioration of $58m from the deficit of $21m reported last year. This deterioration was due a $344m increase in expenses, outweighing the increase in revenue of $286m. Increases in employee costs and superannuation contributions of $141m and supplies and consumables of $116m, exceeded higher grants and taxation revenue of $227m.

This year's actual Underlying Net Operating Balance deficit was higher than the budgeted Net Operating Balance deficit of $5m. Actual revenue was $181m higher than budgeted revenue but actual expenditure was $256m higher than budgeted expenditure. Explanations for revenue and expense variations from budget can be found in TAFR.

Total State Sector

($198)m	$94m	$35m	$15m
2018-19	2017-18	2016-17	2015-16
▼311%	▲171%	▲135%	▲116%

The TSS Underlying Net Operating Balance was a deficit of $198m in 2018-19, an deterioration of $104m from the surplus of $94m reported last year. The result reflects the increase in the GGS deficit and an deterioration in the underlying net operating results for PFC and PNFC. Details of underlying results generated by these businesses can be found in the Government businesses Chapter of this Report.

The basis of calculation for TSS Underlying Net Operating Balance changed for 2018-19 as it now incorporates the underlying results for Government Businesses. In prior years the TSS Underlying Net Operating Balance was calculated as the TSS Net Operating Balance less one-off grants received in the GGS Sector. The TSS Underlying Net Operating Balance for all years referred to in this Report have been restated using the revised basis of calculation.

Figure 10 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 10: TSS Underlying Net Operating Balance (4-year trend)

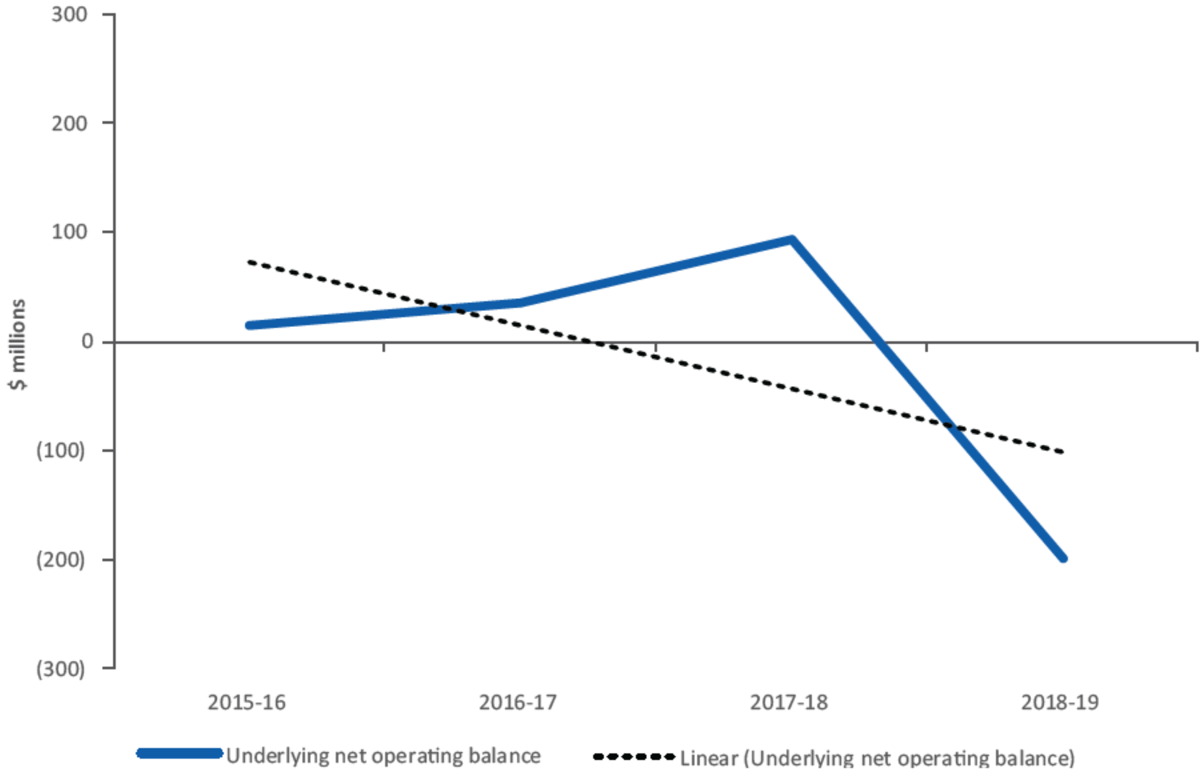
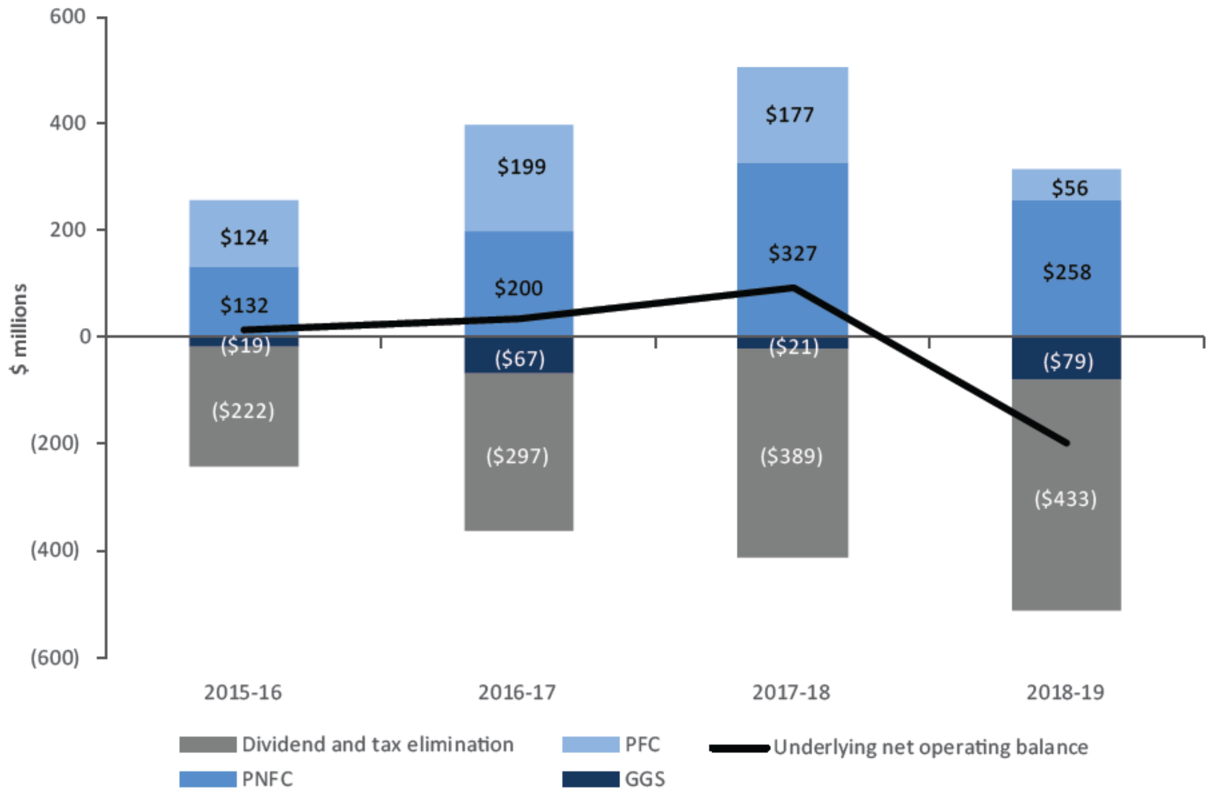


Figure 11 shows the TSS Net Underlying Operating Balance, disaggregated into GGS, PFC and PNFC sectors, before inter-sector eliminations.

Figure 11: Disaggregated TSS Net Underlying Operating Balance



Over the four years under review, GGS recorded underlying deficits, the PFC sector recorded relatively consistent underlying surpluses except for the deterioration in 2018-19, and the PNFC sector reported a lawer underling surplus in 2018-19 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 2018-19 primarily contributed to the current TSS deficit, representing 53.2% of the decrease on the prior year.

REVENUE

General Government Sector

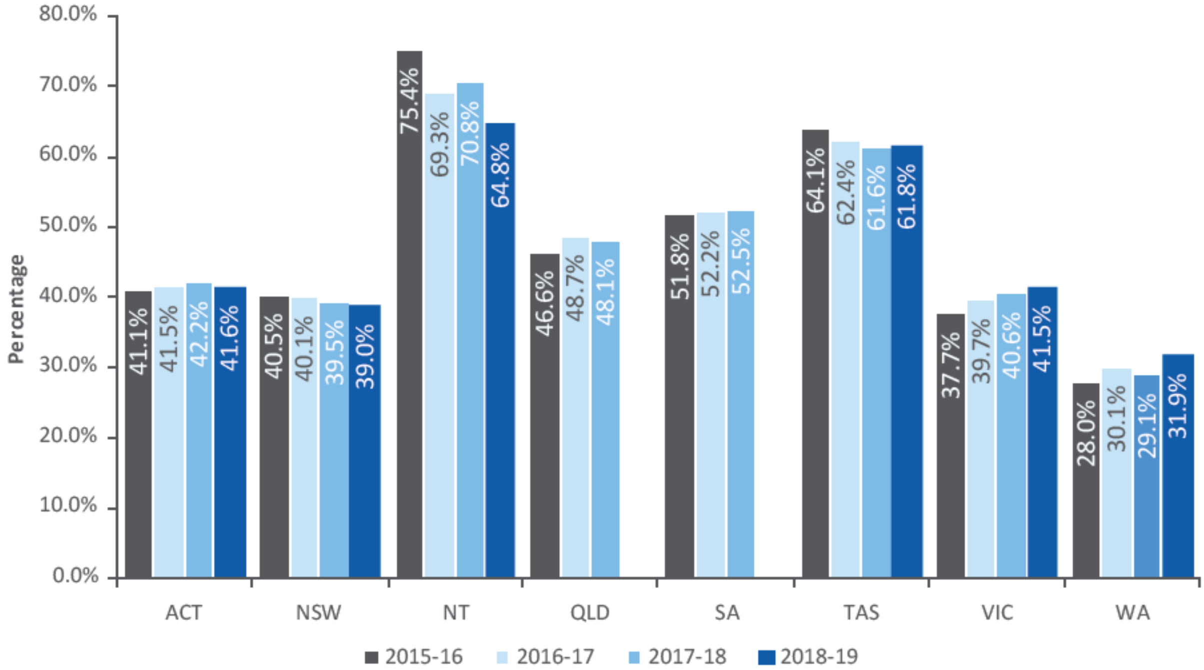
$3.85bn	$1.20bn	$0.52bn	$0.43bn
Australian Government Grants	State Taxation	Sales of Goods & Service Fees and Fines	Dividends and Income Tax Equivalents

GGS revenue, excluding one-off Australian Government capital funding, totalled $6.23bn in 2018-19. This was $286m, or 4.8%, higher than last year. The increase was mainly the result of higher general purpose grant payments, National Partnership Payments and Specific Purpose Payments included as part of Australian Government grant revenue and increased State taxes and dividends.

Similar to previous years, grant funding from the Australian Government represented the majority of GGS revenue, totalling 61.8% of operating revenue in 2018-19 (2017-18, 61.6%).

Figure 12 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 15 November 2019, the 2018-19 results for Queensland and South Australia were not available.

Figure 12: 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 with an average of 62.4% over the last 4 years. Only the Northern Territory was higher with an average of 70.1%.

On 14 November 2018, the Australian Parliament passed the *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Act 2018*, which created a suite of measures to transition the GST distribution from the previous standard of horizontal fiscal equalisation to a new standard whereby the fiscal capacities of all states will be equalised by 2026-27 to the level of New South Wales or Victoria, whichever is higher.

The reforms include:

- short-term top-up payments to Western Australia and the Northern Territory
- ongoing boosts to the GST pool from 2021-22
- the introduction of a GST floor of 70% of a state's population share, from 2022-23, rising to 75% in 2024-25
- a legislated guarantee that no state or territory will be worse off in total between 2021-22 and 2026-27.

Total State Sector

$3.85bn	$1.16bn	$4.10bn	$0.45bn
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 $9.56bn in 2018-19. This was $400m, or 4.4%, higher compared to last year. The increase was principally due to increased grants of $118m and higher sales of goods and services, $165m. Revenue for Australian Government grants and State taxation mirror the results within GGS, after accounting for inter-sector eliminations.

Increased sales of goods and services were generated by the PNFC sector. Analysis of revenue within the PNFC and PFC sectors is included within the Government businesses Chapter of this Report.

CAPITAL INVESTMENT

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 2018-19 Budget and Forward Estimates period, the Government allocated $2.60bn to community infrastructure investment.

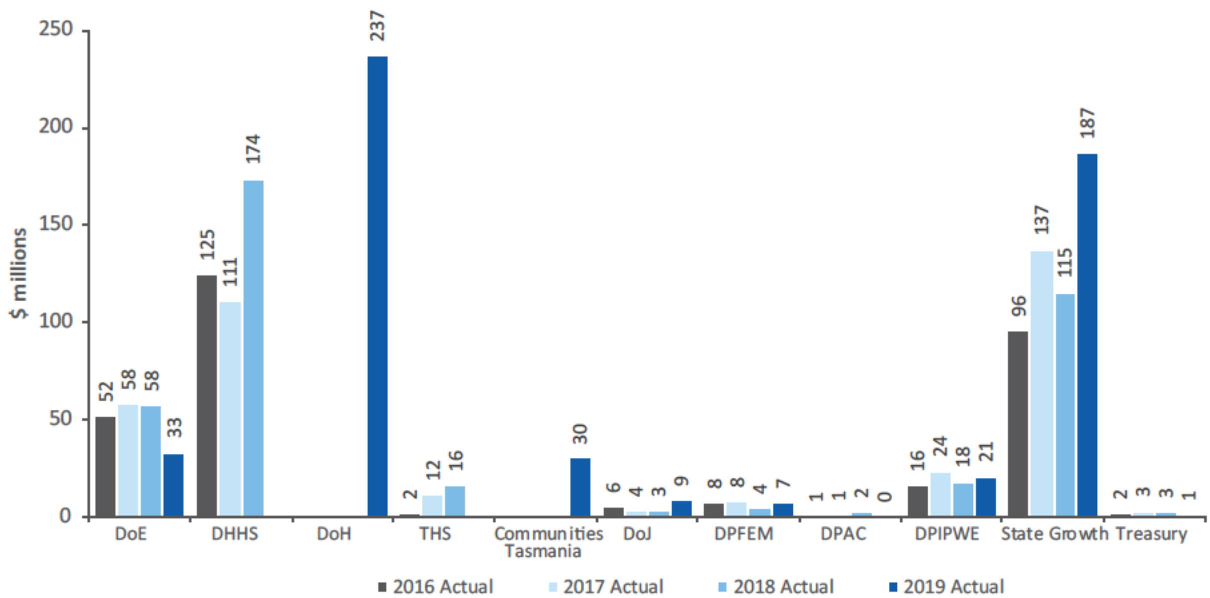
Major infrastructure expenditure planned over this period includes:

- $1.10bn on roads and bridges
- $476m for hospitals and health, including $278m for the RHH Redevelopment
- $203m for human services and housing
- $192m for schools and education
- $170m for law and order
- $142m for tourism, recreation and culture.

For 2018-19, the GGS cash payments for non-financial assets totalled $612m, in comparison to budgeted payments of $732m, a shortfall of $120m.

Figure 13 shows the actual cash payments for acquisition of non-financial assets over the past four years for each department in the GGS. As noted previously, the former DHHS was restructured in 2018-19, with the creation of Communities Tasmania. Information disclosed for the former DHHS and THS covers the period 2015-16 to 2017-18. Cash payments for DoH and Communities Tasmania related only to 2018-19. The impact of the administrative restructure on DPAC has not been adjusted for 2017-18 and earlier years due to its low level of capital expenditure.

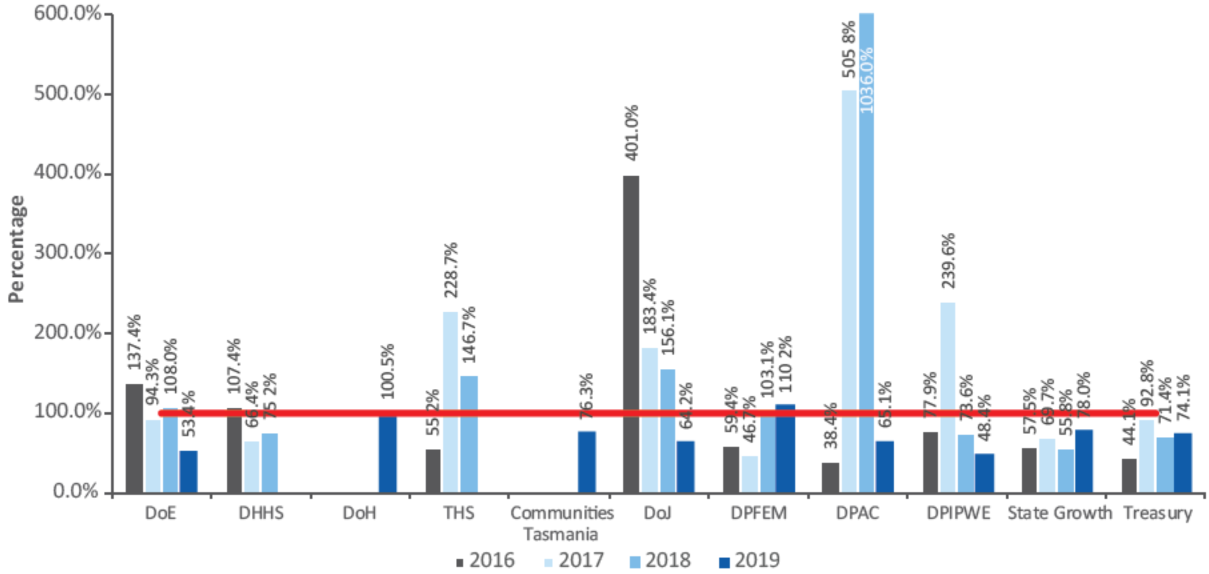
Figure 13: Actual capital expenditure



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

Figure 14 shows actual capital expenditure compared to budget over the last four years by government department.

Figure 14: Percentage spend of budgeted capital expenditure



Note: DPAC has percentages that exceed the 600% axis scale.

Most departments had not spent their allocated capital budget over the last four years. In particular, State Growth only expended 66.1% of its total budget, a shortfall of $274m over the period. State Growth noted that Tasmania has a construction window, typically September-October through to March that is very defined by climatic conditions. Construction activity outside of this window is constrained and this reflects in project cash flows. Factors that contribute to delays in planned expenditures include statutory planning approvals and amendments to applications, responses to community consultations that may result in redesign and amendments and market conditions and value for money considerations, including the availability of project resources. Where projects have been delayed the budgeted cashflow is adjusted to the forward years when the expenditure is now expected to occur.

Close monitoring and capital program reporting will enhance the forward program over the Forward Estimates and assist in identifying potential cashflow variations to support the planned achievement of roads program expenditure..

DoH slightly exceeded its capital expenditure budget in 2018-19. The majority of expenditure related to the RHH Redevelopment, with expenditure totalling $189m. Communities Tasmania only managed to spend 76.3% of its capital budget in 2018-19, this was mainly associated with the affordable housing construction program which comprises a significant portion of the Capital Investment Program. A number of projects under program are being delivered through partnership arrangements with non-Government organisations, largely paid as capital grants. This has the effect of understating capital expenditure by Communities Tasmania. After allowing for the capital grants, Communities Tasmania expended 98.9% of their original capital budget.

In 2018-19, DoE was planning to undertake the construction and redevelopment of a number of schools. Expenditure for these projects was delayed, with budget revenue moved to 2019-20.

Collectively, departments in 2018-19 had a capital expenditure shortfall to budget of $117m. This continues 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. This concern is amplified given the Government's intention to significantly increase infrastructure investment for departments between 2019-20 and 2022-23 as announced in the 2019-20 State Budget.

NET WORTH AND NET DEBT

GGS		TSS	
$9.22bn	($0.77)bn	$9.22bn	($1.07)bn
Net worth	Net debt	Net worth	Net debt

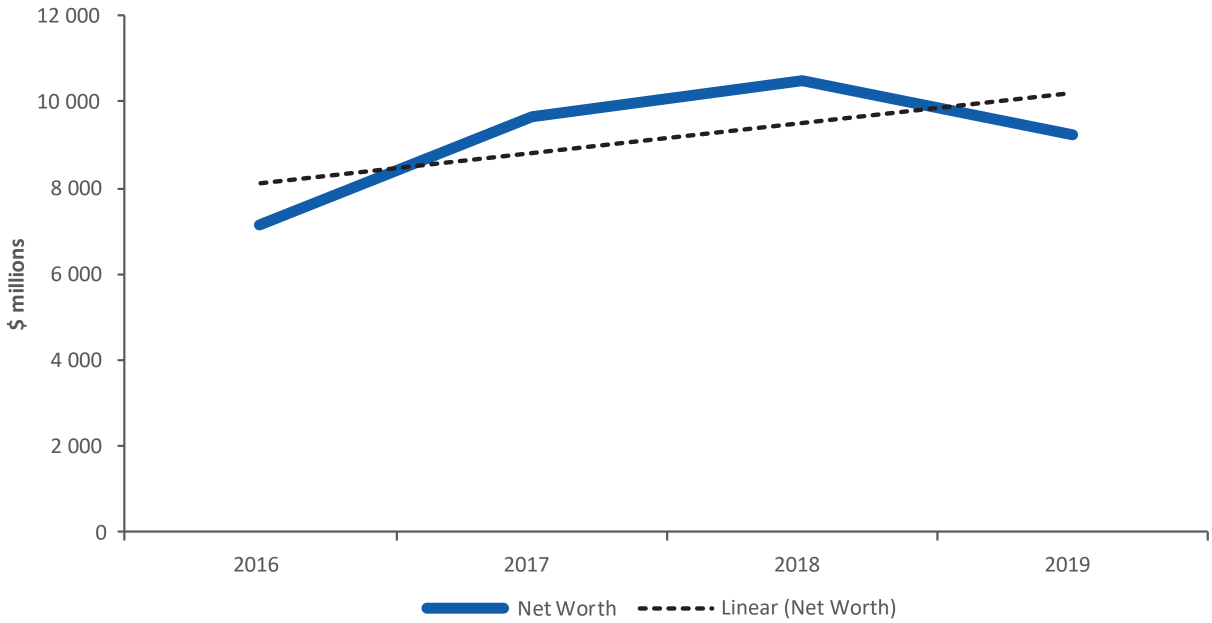
Net worth

GGS Net worth, also referred to as net assets, decreased by $1.03bn to $9.22bn at 30 June 2019. 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.

Despite the decrease as at 30 June 2019, Figure 15 shows GGS Net worth maintained an upward trend over the four year period. The current year result primarily reflected increased superannuation liabilities of $1.91bn mainly due to the impact of lower discount rates. The superannuation liability is reviewed in more detail later in this Chapter.

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. This may change in future years as the Government increases its equity interest in TasWater.

Figure 15: Net worth (4-year trend)

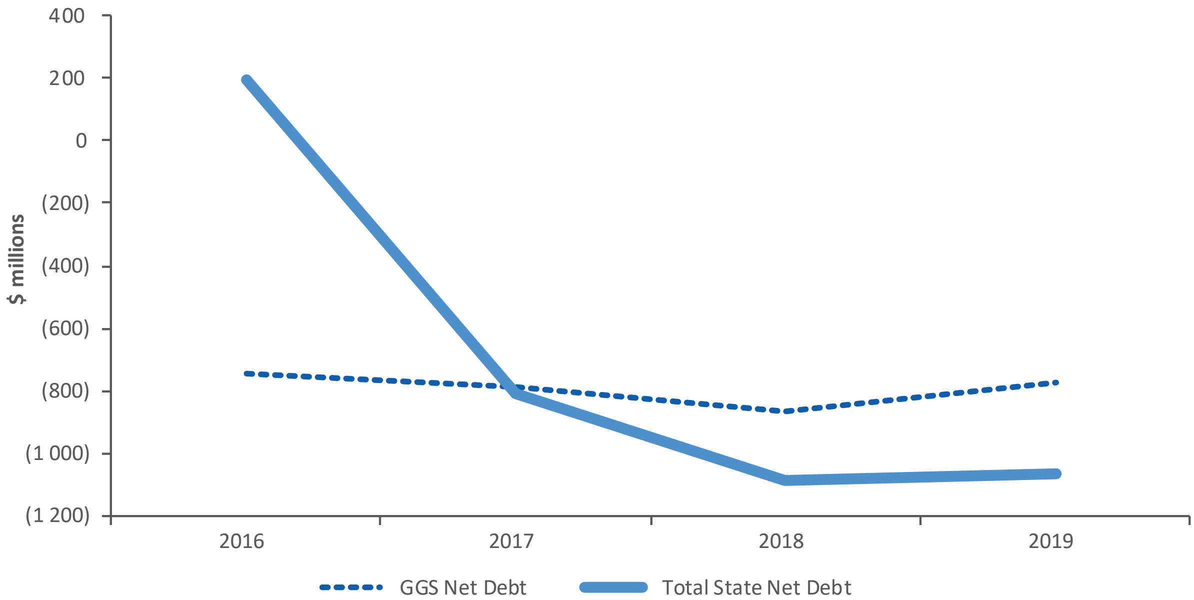


Net debt

Net debt is a measure used to help assess the overall strength of a government's fiscal position. Net debt comprises borrowings less cash, deposits and investments. The GGS showed a negative Net debt position in all of the past four years because cash, deposits and investments exceeded borrowings in each of those years with Net debt being negative $774m at 30 June 2019. The actual position was better than budgeted Net debt of negative $330m, although the year end position represented a deterioration of $90m from the prior year. The movement was principally due to the overnight borrowing at 30 June 2019 by Treasury in managing the financial position of the Public Account.

Figure 16 provides an overview of GGS and TSS Net debt for the past four years. It shows the GGS Net debt steadily decreased from 2015-16 to 2017-18, with an increase in 2018-19. The results continue to show a negative Net debt position as cash, deposits and investments exceeded borrowings.

Figure 16: Net debt (4-year trend)



The Net debt for TSS increased by $24m to a Net debt figure of negative $1.07bn, following a number of years of improvement.

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, the Parliamentary Superannuation Fund (PSF) and the Parliamentary Retiring Benefits Fund (PRBF). 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 operating costs of the Office of the Superannuation Commission (OSC) and the Commission 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 an output group of Treasury.

Defined benefit superannuation liability

At 30 June 2019, the GGS unfunded defined benefit liability was $10.19bn (30 June 2018, $8.28bn). The unfunded superannuation liability comprised the following defined benefit schemes and arrangements:

- RBF Defined Benefit Contributory Scheme, $10.12bn ($8.22bn)
- Parliamentary Superannuation Schemes (PSF and PRBF), $19m ($16m)
- Judges Contributory Pensions, $38m ($36m)
- TASSS, $5m (surplus, $5m), recognised in the financial statements of DoH
- Housing Tasmania superannuation liability, $8m ($7m), recognised in the financial statements of Communities Tasmania.

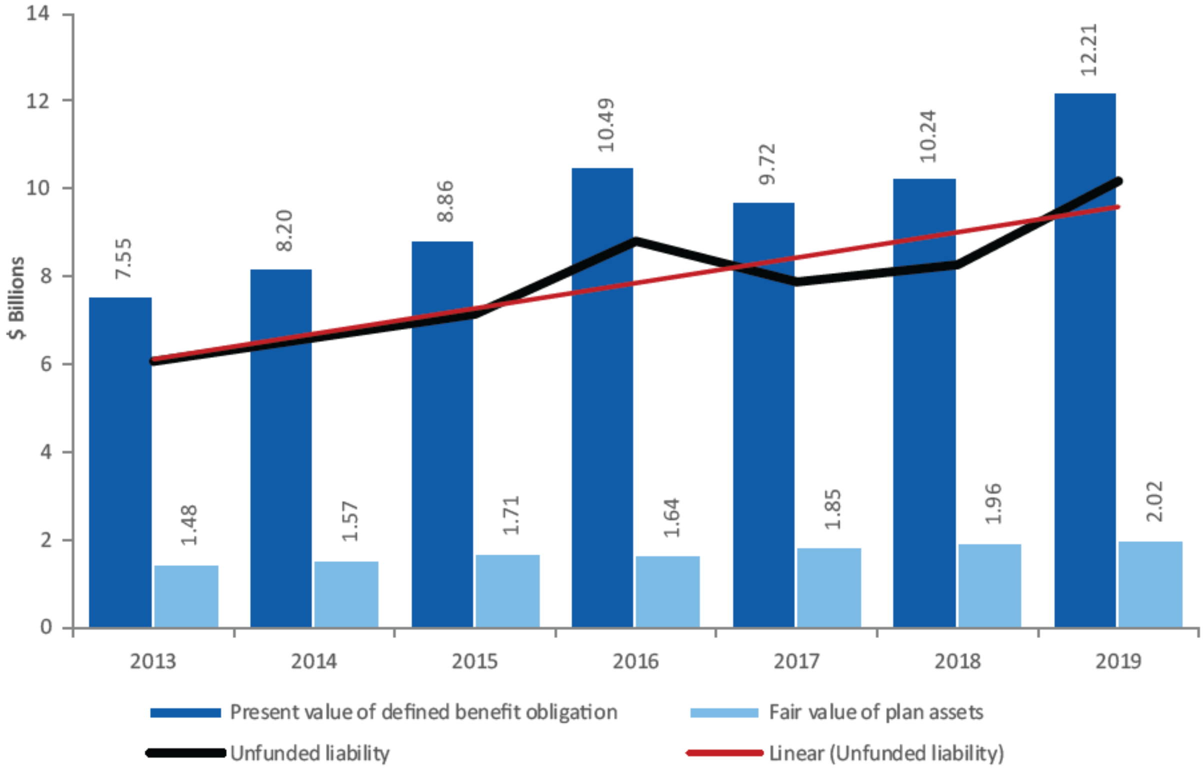
The increased net liability of $1.91bn in 2018-19 was caused by a combination of:

- increased present value of the superannuation liability of $1.97bn, primarily due to:
    - changes in financial assumptions, $1.92bn, mainly arising from a change in the discount rate from 3.0% at 30 June 2018 to 1.8% at 30 June 2019. 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 will increase when the discount rate falls
    - current service cost and interest cost increases of $126m and $301m, respectively
- increased fair value of Plan assets of $62m, which included:
    - employer contributions of $289m
    - actual return on plan assets, including interest income of $146m
    - offset by benefits paid of $417m.

The State Actuary undertook a triennial review of the RBF Defined Benefit Contributory Scheme, PRBF and the PSF as at 30 June 2016. The review was completed in August 2017 and recommended no change in the current schedule of employer contributions for the Contributory Scheme. That is, employer contributions are to increase gradually over the period from 1 July 2016 to 1 July 2019 from 82.5% to 88.5%, in line with the previous review. 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, however the Actuary noted that for the PRBF scheme regular contributions should cease and instead additional contributions be made (if necessary) at or about the time of each member's exit, based on the Actuary's advice. This was due to the PRBF expected to have sufficient assets to meet benefits payable.

Figure 17 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 17: 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 now closed to new membership. Superannuation payments are met on an emerging cost basis from the Consolidated Fund, 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 18 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 2019. 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 18: Undiscounted Defined Benefit Superannuation Cash Outflows (2019-2067)

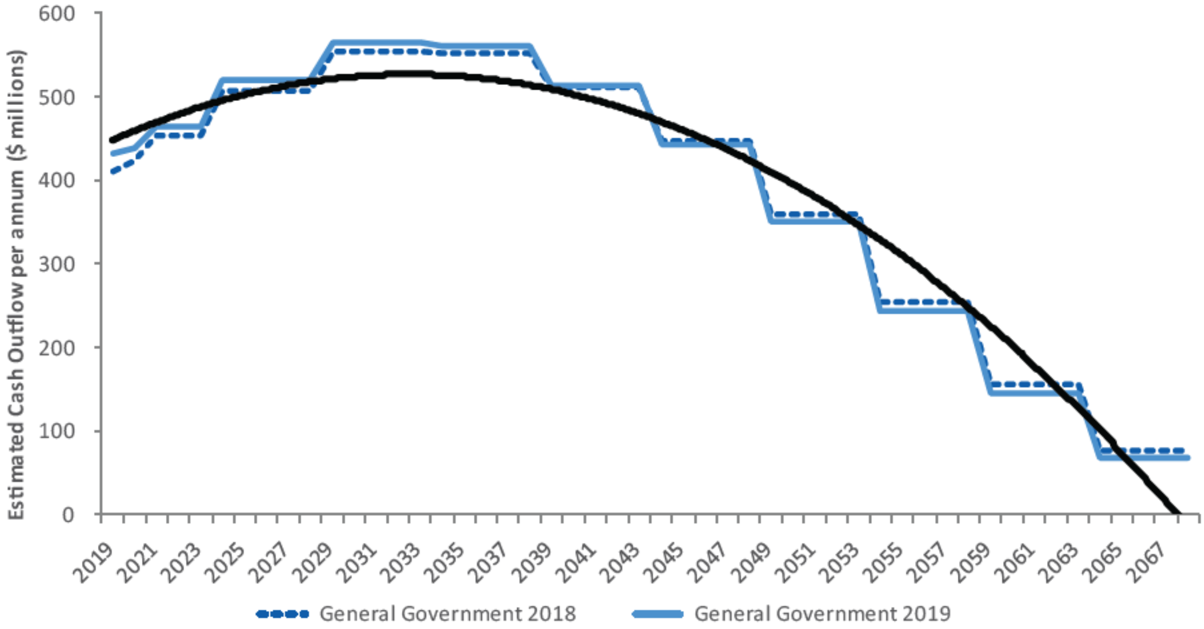
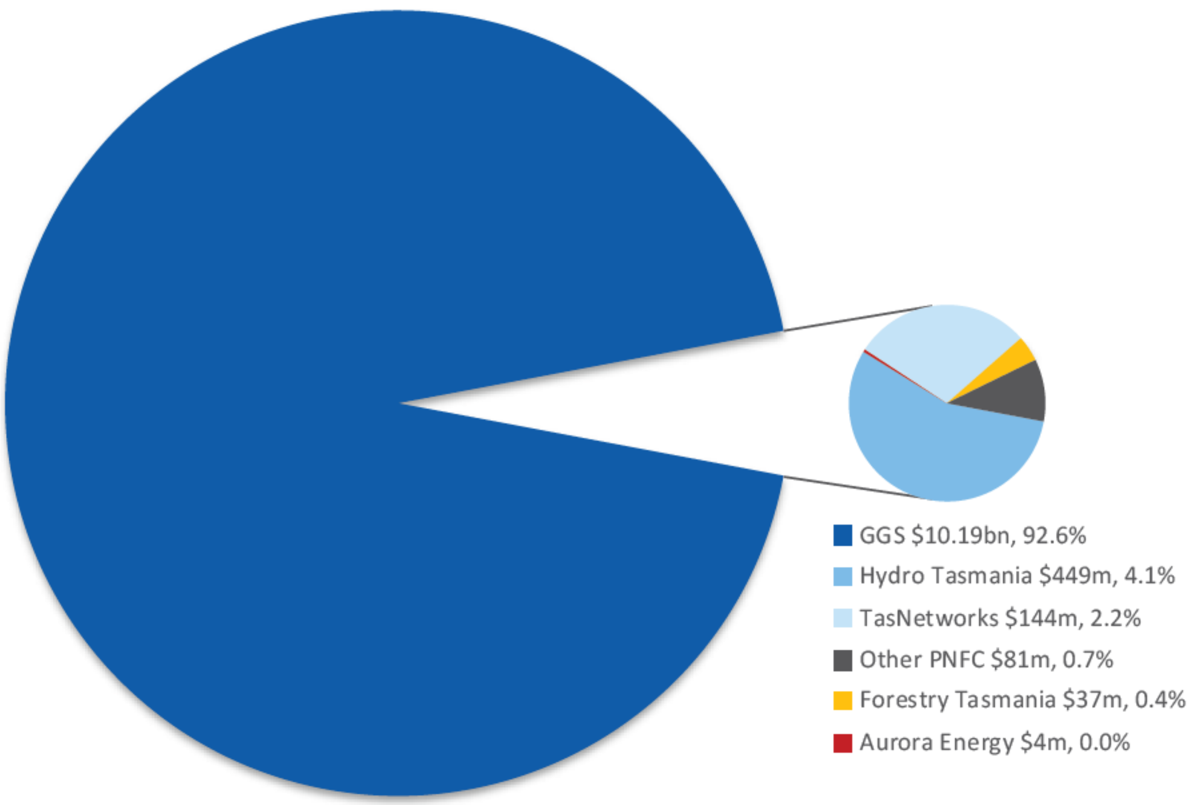


Figure 18 shows cash required to meet defined benefit pensions and lump sum payments will peak in approximately 10 years from now at around $566m per annum. A key budget risk is the cost to the Budget will increase significantly in coming years, increasing by 53.9% over the next 14 years and peaking in 2032-33.

Discussion in this Chapter focused on the GGS superannuation liability only, as this makes up the vast majority of the superannuation liability to the State as illustrated in Figure 19.

Figure 19: Net Defined Benefit Superannuation Liabilities

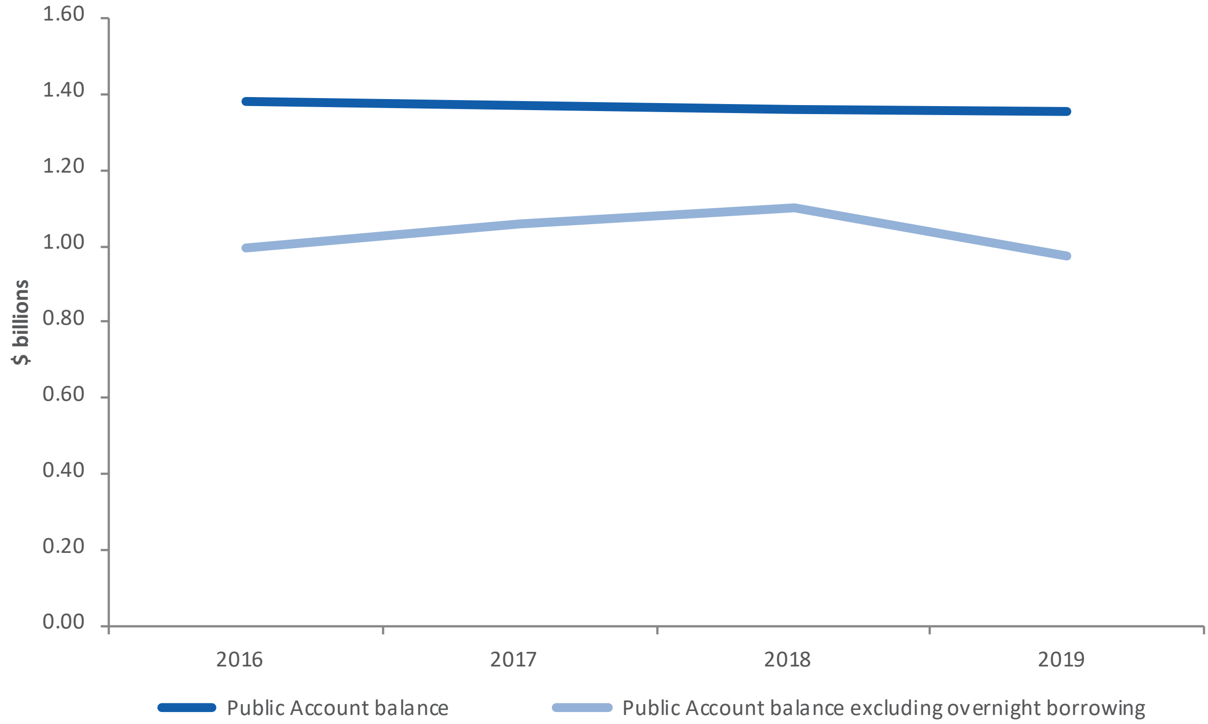


PUBLIC ACCOUNT

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.

Figure 20 shows the total cash held by the GGS at the end of June for the last four years.

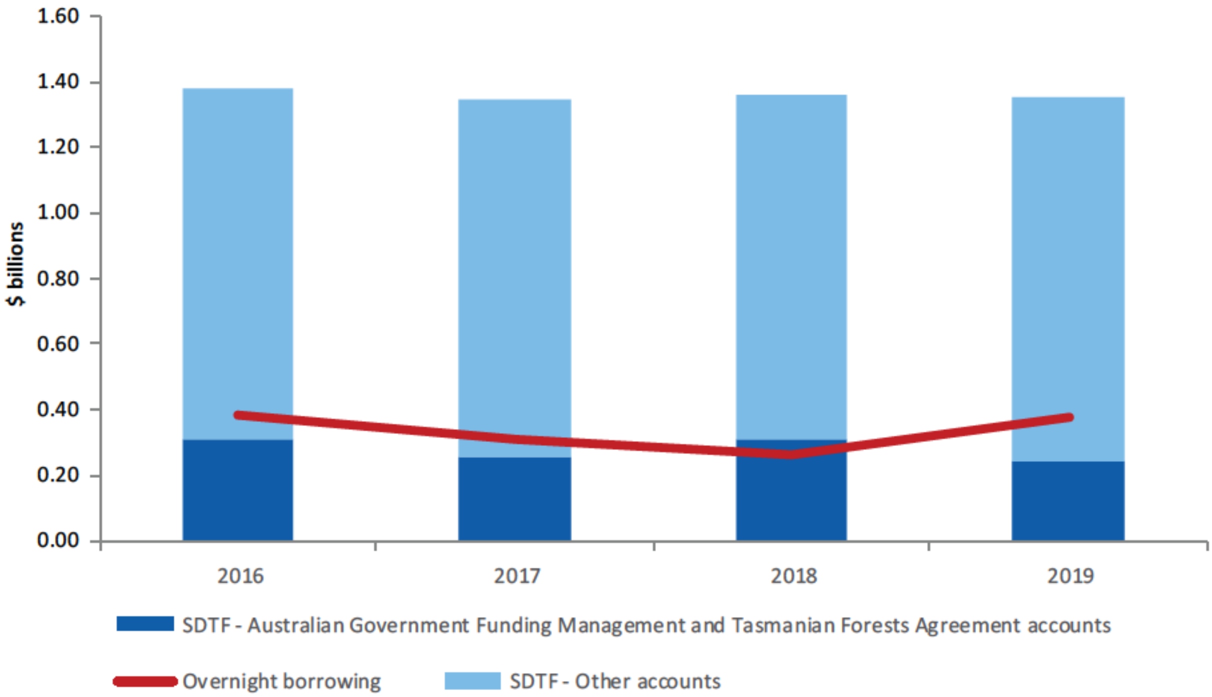
Figure 20: Cash balance (four-year trend)



As shown in Figure 20, cash held in the Public Account totalled $1.35bn at 30 June 2019 (30 June 2018, $1.36bn). Included in the balance was an overnight loan from Tascorp of $380m (30 June 2018, $260m), which was repaid on 1 July 2019. If the overnight loan was eliminated, the cash balance would have been $0.97bn (30 June 2018,$1.10bn). The effect of this arrangement was to gross up Government's cash holdings to at least equal the balance of accounts in the Special Deposit and Trust Fund (SDTF) accounts at the end of each financial year.

Figure 21 shows the composition of the Public Account by separating the Australian Government Funding Management and Tasmanian Forests Agreement accounts from other SDTF accounts.

Figure 21: Public Account composition



The balance of cash and deposits in the Public Account of $1.35bn at 30 June 2019 comprised $242m of unspent Australian Government funds (30 June 2018, $313m) and $1.11bn in other SDTF accounts ($1.05bn).

The balance of $242m in unspent Australian Government funds, held in the Australian Government Funding Management Account, included unspent funding of $56m ($67m) for the redevelopment of the Royal Hobart Hospital.

The SDTF balance in each of the years under review included an overnight loan from Tascorp. The amount of overnight borrowing increased this year, from $260m in 2018 to $380m in 2019, as a result of the Consolidated Fund Outcome.

The Consolidated Fund Outcome was a deficit of $121m in 2018-19, compared to a surplus of $15m in 2017-18. The Consolidated Fund deficit was an improvement of $42m on the 2018-19 Budget deficit of $163m. This was primarily due to State sourced receipts exceeding budget by $57m, with total expenditure above budget by $15m.

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GOVERNMENT BUSINESSES

INTRODUCTION

This Chapter summarises financial results for the 17 Government businesses subject to audit. Audited subsidiaries of State entities have been included in the summarised financial results table below. However, as these results are included in the consolidated financial results of their respective controlling entity, analysis in this Chapter has been undertaken at the consolidated entity level.

GOVERNMENT BUSINESS DEVELOPMENTS

The following sections summarise some significant developments affecting the operations of Government businesses identified during the course of the audits.

Aurora Energy Pty Ltd

Aurora Energy Pty Ltd's (Aurora Energy) financial performance for 2018-19 was adversely impacted by the recognition of a provision for an onerous contract of $32.84m relating to a forward energy related contract to meet its obligations in the National Electricity Market. This provision was recognised given the uncertainty around future energy market conditions and the impact on forward contract prices.

The Aurora PAYG+ product has been fully commercialised and offered to existing PAYG customers. The majority of PAYG customers changed to the new Aurora PAYG+ product or transferred onto other tariff offerings. At 31 July 2019, around 3 500 PAYG customers had yet to migrate to an alternative product, although this is expected to happen by the end of 2019.

Hydro-Electric Corporation

Throughout 2018-19, Hydro-Electric Corporation (Hydro Tasmania) continued to focus on energy security by managing energy storages and continuing to invest in maintaining and modernising its generation assets.

Hydro Tasmania operates in the competitive National Electricity Market, which has been impacted by recent past and impending future closures of interstate coal fired power stations. A national desire to increase clean, low-cost energy generation has provided Hydro Tasmania with an opportunity to become a greater contributor to the National Energy Market through the Battery of the Nation initiative. Under this initiative, Hydro Tasmania commenced investigating the feasibility of three potential pumped hydro storage sites. Hydro Tasmania has been supportive of the work Tasmanian Networks Pty Ltd (TasNetworks) is doing in the development of the Marinus Link project (Project Marinus), the proposed second interconnector between Tasmania and Victoria.

In response to a projected lower revenue environment for the energy industry in future years, Hydro Tasmania commenced a business-wide program to target budget improvements and identify further operational efficiencies.

Disputes between Hydro Tasmania and Basslink Pty Ltd on matters relating to the 2015-16 undersea cable fault were referred to arbitration.

Macquarie Point Development Corporation

Effective 31 May 2019, the ownership of the Macquarie Point site was transferred to MPDC for nil consideration. In accordance with Australian Accounting Standards the income and asset were recognised at fair value on acquisition. The site was classified as 50% inventory and 50% land and buildings, based on the Master Plan where half of the site will be held for development purposes, either re-sale or held for lease (inventory component), with the other half of the site to be maintained as public space. The fair value of the site at 30 June 2019 was determined by an independent valuer at $40.33m ($20.16m as inventory), less estimated remaining cost of remediation of the section of the site classified as inventory, $2.60m.

Motor Accidents Insurance Board

MAIB's profit before tax of $38.41m was a significant decline on the prior year profit of $137.24m. This decline resulted primarily from a significant increase in net claims incurred of $131.49m due to market movements in the discount rates used in the calculation of the outstanding claims liability. This was slightly offset by improved investment returns which were $35.80m higher than the previous year, representing an annual return of 10.0% for 2018-19.

Metro Tasmania Pty Ltd

Metro Tasmania Pty Ltd (Metro) continued the bus replacement program designed to reduce the age of Metro's fleet and ensure Metro meets its obligations under the *Disability Discrimination Act 1992*, as well as lowering carbon emissions, reducing repairs and maintenance costs and improving service delivery and customer satisfaction.

Metro's target delivery schedule for 2018-19 was 38 buses at an estimated capital cost of $17.48m. During 2018-19 Metro expended $15.86m on 34 new buses.

Public Trustee

Public Trustee (PT) expanded its services being provided in Launceston following a strategic restructure of its service delivery teams. This restructure resulted in the creation of a specialist Launceston based team to provide estate and enduring power of attorney administration services, which will enable PT to continue to deliver efficient services that are accessible and provide value for money to Launceston clients. In conjunction with this PT relocated to a newly refurbished office in Launceston.

Sustainable Timber Tasmania

Sustainable Timber Tasmania (STT) was impacted by the 2019 bushfires which were the largest since 1967. On 15 January 2019, about 2 500 dry lightning strikes were recorded across Tasmania, resulting in the ignition of 70 fires. Response to the ignitions was coordinated by the TFS, STT and Tasmania Parks and Wildlife Service. Just over 200 000 hectares of Tasmania was impacted by the fires which included about 40 000 hectares of Permanent Timber Production Zone land. Significant effort by STT and contract fire fighters were required to control the fires.

STT's operations were significantly impacted in the southern forests, central highlands and the far Northwest. Despite this, STT were able to get all harvesting contractors back to work within 14 days, maintaining business as usual, meeting customer demand for product while undertaking the substantial bushfire control, rehabilitation and recovery effort with no fatalities.

The Southwood Processing Site suffered severe ember attack, impacting both Neville Smith Forest Products and Ta Ann Tasmania. Just upstream along the Huon River, the forest containing the Tahune Airwalk was impacted, resulting in the closure of the tourism site until repairs are completed.

Tasmanian Irrigation Pty Ltd

Tasmanian Irrigation Pty Ltd (TI) commissioned the Duck, Swan Valley and North Esk irrigation schemes during 2018-19. An impairment expense of $75.78m was recognised in 2018-19, the majority of which related to these schemes, contributing to the loss before tax of $58.48m.

Tasmanian Networks Pty Ltd

TasNetworks commenced two wind farm connection projects at Cattle Hill and Granville Harbour. Construction of the Cattle Hill Wind Farm was largely completed in July 2019, which allowed the wind farm to energise the substation. This wind farm is expected to be fully operational in late 2019. The Granville Harbour Wind Farm is still under construction and was also expected to be completed by late 2019.

TasNetworks continued to progress Project Marinus. To support this process, a new company, Marinus Link Pty Ltd (MLPL), was incorporated on 23 November 2018 to allow the holding of real and intellectual property in a separate structure from the operations of TasNetworks.

During the year, the following developments were also noted:

- In February 2019, an in-principle agreement was reached with the Australian Government for it to provide a $56.00m grant to support the Marinus Link business case development. This grant was formalised in a Project Agreement between the Tasmanian and Australian Governments in March 2019.
- The Marinus Link Design and Approvals Phase Project Scope was provided to the Tasmanian Government, as a deliverable under the Project Agreement.
- Expenditure of up to $50.00m was approved by the TasNetworks Board for the design and approvals phase, subject to a number of conditions, including formal confirmation that funding for this amount will be provided by the Tasmanian Government.

Tasmanian Ports Corporation Pty Ltd

For 2018-19, Tasmanian Ports Corporation Pty Ltd (TasPorts) produced a record Net profit before tax of $17.75m due to increased freight volumes and operating cost controls. This result allows TasPorts to continue its significant maintenance and capital expenditure program while at the same time providing appropriate returns to the Government.

In August 2018, TasPorts officially unveiled its Port Master Plan, which will guide $200.00m in port infrastructure improvements over the next 15 years. The plan will ensure port facilities meet future demand as the Tasmanian economy grows. The Port Master Plan delivers a coordinated state-wide vision for the future of Tasmania's ports with greater capacity and capability at Bell Bay, Burnie, Devonport and Hobart.

In 2018-19, TasPorts recorded 106 cruise ship calls across the State. These vessels carried more than 194 000 passengers and nearly 84 500 crew members. Next financial year, cruise ship calls are expected to increase to 130, with 146 currently booked for 2020-21.

Tasmanian Public Finance Corporation

Tasmanian Public Finance Corporation (Tascorp) has applied for the first time AASB 9 *Financial Instruments* and the consequential amendments to AASB 7 *Financial Instruments: Disclosures*, effective for the periods beginning on or after 1 July 2018. Overall, there was no significant impact on Tascorp's opening balance of reserves and retained earnings.

The new standards resulted in the reclassification of some financial assets and liabilities. Financial assets of $1.22bn were reclassified, representing 15% of financial assets, and financial liabilities of $276.30m, 3.9%, were reclassified.

Tascorp has two segments of business, being Treasury and the Mersey Community Hospital Fund (MCH Fund). The treasury segment was largely classified to be at fair value through profit or loss (FVTPL) as Tascorp manages these financial assets and liabilities and they are not held for trading. The financial assets in MCH Fund operating segment were previously at FVTPL, but were reclassified to amortised cost as they intend to hold the investments to maturity and the cash flows are solely of principal and interest.

Tasmanian Railway Pty Ltd

Tasmanian Railway Pty Ltd (TasRail) continued to manage the upgrade of the Tasmanian Rail Network which was jointly funded by the Tasmanian and Australian Governments through the Tasmanian Freight Rail Revitalisation Program. Tranche One was completed on time, with Tranche Two works to commence in 2019-20.

In September 2018, TasRail operations initiated emergency management procedures to bring an unmanned freight train in Devonport to a stop. The freight train carrying cement was diverted to a dead-end track. An internal investigation was commenced as a result of the incident, as well as an external investigation by the Australian Transport and Safety Bureau (ATSB). TasRail is continuing to work with ATSB in relation to their ongoing investigation.

Costs of $1.83m were incurred in 2018-19 relating to the derailment, excluding the write-off of assets. The locomotive was repaired and placed back in service, however six of the seven wagons were written off at a value of $0.74m. The remaining wagon was repaired but has a significantly reduced life. As a result, seven new wagons were ordered and delivered in June 2019.

Tasracing Pty Ltd

In 2017-18, Tasracing Pty Ltd (Tasracing) committed to spending up to $40.34m over five years (2018-22) on assets and infrastructure and spent $9.82m on capital additions in 2018-19, the majority relating to the redevelopment of the Elwick Thoroughbred Racecourse Track. This redevelopment will provide a new single 28-metre wide track with a first class all-weather racing surface. The works are expected to be completed in time for the Hobart Cup in February 2020.

TT-Line Company Pty Ltd

TT-Line Company Pty Ltd (TT-Line) continued to experience favourable trading conditions throughout 2018-19, with passenger numbers and freight tonnage at record levels.

Following media reports in early 2019 about the financial viability of Flensburger Schiffbau-Gesellschaft (FSG), the company contracted to build the new ferries, TT-Line announced it had been in close discussion with FSG about any potential impact on TT-Line. Since that date, TT-Line investigated and implemented contingency plans in the event of a contractual default by FSG. As at 30 June 2019, there was no financial exposure to TT-Line under the FSG contracts and the deposit due under the vessel construction contract had not been paid.

Under International Maritime Organisation requirements, from 1 January 2020, ships will have to use marine fuel oil on board with a sulphur content of no more than 0.5%. The current limit is 3.5%. During 2018-19, TT-Line conducted trials for the use of alternative fuel sources and major work was undertaken to enable the existing ferries to become compliant with the new requirements.

TT-Line has also commenced investigating port access and berthing options in Port Phillip Bay and Mersey River.

Tasmanian Water and Sewerage Corporation Pty Ltd

On 16 November 2018, the *Water and Sewerage Corporation Act 2012* was amended to give effect to the Memorandum of Understanding (MoU) entered into between the Government and councils. Key outcomes from the arrangement included:

- Tasmanian Water and Sewerage Corporation Pty Ltd (TasWater) receiving an equity contribution of $200.00m from the Government in exchange for a 10 per cent equity interest in TasWater. Equity contributions are expected to be received over 10 years, with the first contribution of $20.00m received in January 2019.

- Revised governance arrangements to enable councils and the Government to work together to improve water and sewerage outcomes for the betterment of Tasmania. This includes progressing projects of economic or environmental importance, such as the relocation of the Macquarie Point waste water treatment plant, the Launceston sewerage/stormwater separation project and the Freycinet Peninsula waste water treatment plant, and using reasonable endeavours to secure Australian Government funding.
- TasWater making best endeavours to deliver sufficient investment during the remainder of its current 10 year investment program (until 30 June 2026) in order to achieve a target of $1.80bn of total infrastructure investment.
- Capping of future regulated water and sewerage prices until 30 June 2025. This includes freezing prices for regulated services for water and sewerage customers from 1 July 2019 to 30 June 2020, developing a future price profile for regulated water and sewerage services with annual price increases for target tariffs to be no greater than 3.5% commencing from 1 July 2020 and applying any subsequent price determination by the Tasmanian Economic Regulator if it is below 3.5%.

During 2018-19, TasWater progressed the establishment of the Capital Delivery Office (CDO) to help deliver TasWater's ten year capital expenditure plan and address emerging skills and capacity challenges. In December 2018, TasWater announced the appointment of alliance partners to form the CDO. The CDO will manage the planning, design and delivery of TasWater's capital works program with construction work to be undertaken by external contractors.

The financial performance of TasWater was significantly impacted by the write off of deferred tax balances and a revaluation of infrastructure assets. Deferred tax balances of $42.64m were derecognised following TasWater's removal from the National Tax Equivalent Regime (NTER) on 1 January 2019. This also alleviated TasWater from any future liability for income tax.

A revaluation of water and sewerage infrastructure assets resulted in an overall increase of $242.34m in the value of TasWater's assets. The increase of $488.39m in sewerage assets was recognised in comprehensive income for the year, although the decrease of $246.15m in water assets was recognised as an expense in the Statement of Comprehensive Income. This was because there was no asset revaluation reserve balance for this asset class to offset the valuation decrement. The movement in the water and sewerage asset valuations reflected the adoption of a more accurate allocation of indirect costs in the asset valuation model.

SUMMARISED FINANCIAL REPORT

Details of Government businesses' results are set out in Table 7. The financial information below represents consolidated financial information for those entities that have controlled entities. Also in the table are financial results of the controlled entities that were subject to audit. The table does not include controlled entities not subject to audit.

Table 7: Summarised financial results

Business	Underlying profit (loss) $'000s	Net profit (loss) before tax $'000s	Total comprehensive profit (loss) $'000s	Net assets 2019 $'000s
Aurora Energy	10 907	11 004	10 353	120 048
Hydro Tasmania	195 012	216 191	(169 200)	1 746 549
Metro	(2 385)	(2 385)	(5 271)	50 472
MAIB	38 409	38 409	29 697	553 507
MPDC	(1 062)	33 399	33 399	71 139
PAHSMA[1]	(219)	(219)	(304)	38 265
PFT[2]	355	355	355	2 421
PT	838	838	314	8 999
STT	11 767	55 138	34 924	181 501
TI	(1 318)	(58 483)	(58 483)	39 640
TasNetworks	58 549	58 549	52 199	957 664
TasPorts	17 771	17 746	12 047	249 993
Tascorp	47 400	47 400	40 600	718 400
TasRail	(11 718)	(25 408)	(25 408)	90 536
Tasracing	(1 782)	(1 782)	(2 371)	41 740
TasWater	21 742	(195 190)	249 605	1 859 257
TT-Line	58 821	57 680	30 363	352 941
Total Businesses	**443 087**	**253 242**	**232 819**	**7 083 072**
Consolidated controlled entities*				
Bass Island Line (TasPorts)	(3 024)	(3 024)	(2 118)	4 264
FortyTwo24 Pty Ltd (TasNetworks)	5 867	5 867	4 107	4 107
Momentum Energy Pty Ltd (Hydro Tasmania)	15 035	10 510	10 510	98 977
Newood Holdings Pty Ltd (STT)	(43)	(30)	(30)	565

* Financial results and information for these subsidiaries have been included within the consolidated financial results for their controlling entity above.

1. Port Arthur Historic Site Management Authority
2. Private Forests Tasmania

Government businesses generated an overall Net profit before tax of $253.42m in 2018-19. This result was a decline compared to the Net profit before tax of $579.96 in the prior year, mainly due to the lower results in 2018-19 by TasWater, down by $252.65m, and MAIB, down by $98.83m. This was partially offset by an improved result from Hydro Tasmania, an increase of $47.41m and MPDC of $34.73m, the latter due to the transfer of the Macquarie Point site to the Corporation.

The significant decline in TasWater's profit before tax was a direct result of recognising a revaluation decrement on their water assets arising from the revaluation undertaken during 2018-19. For MAIB, the decline was due to an increase in gross claims incurred arising from revised estimates in the outstanding claims liability.

Underlying profit (loss)

$443m	$537m	$419m	$264m
2018-19	2017-18	2016-17	2015-16
▼(18%)	▲28%	▲58%	▼(37%)

The Underlying profit (loss) is defined as operating revenue less operating expenditure for the business. 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 is shown in Table 8.

Table 8: Underlying profit (loss)

	Underlying profit (loss)			
	2018-19	2017-18	2016-17	2015-16
Business	$'000s	$'000s	$'000s	$'000s
Aurora Energy	10 907	18 300	27 948	43 006
Hydro Tasmania	195 012	167 902	20 095	(65 435)
Metro	(2 385)	(1 935)	(3 017)	(2 791)
MAIB	38 409	137 236	165 678	95 265
MPDC	(1 062)	(1 310)	(1 284)	(1 384)
PAHSMA	(219)	622	1 322	1 406
PFT	355	503	413	309
PT	838	1 337	1 012	107
STT	11 767	5 948	(13 876)	(17 228)
TI	(1 318)	(3 445)	1 738	2 006
TasNetworks	58 549	86 736	132 319	162 248
TasPorts	17 771	10 999	8 727	2 093
Tascorp	47 400	39 311	33 100	28 547
TasRail	(11 718)	(9 683)	(6 780)	(12 216)
Tasracing	(1 782)	(190)	867	1 156
TasWater	21 742	32 998	20 617	8 401
TT-Line	58 821	51 392	30 348	18 664
Total	**443 087**	**536 721**	**419 227**	**264 154**

Government businesses as a whole recorded an Underlying profit of $443.09m for 2018-19. This was a 17.7% decline on the 2017-18 result. The change was primary due to MAIB's decreased result due to higher gross claims incurred.

Eleven of the 17 Government businesses recorded an Underlying profit in 2018-19, totalling $461.57m. Hydro Tasmania, Tascorp, MAIB, TT-Line and TasNetworks were the largest contributors, accounting for 89.8% of the sector's underlying profit.

Metro, MPDC, PAHSMA, TI, TasRail and Tasracing recorded Underlying losses, which totalled $18.48m. Total Underlying losses for these entities increased by $1.92m compared to 2017-18.

Figure 22 shows average operating margins for each Government business over the past four years.

Figure 22: Operating margin - four year average

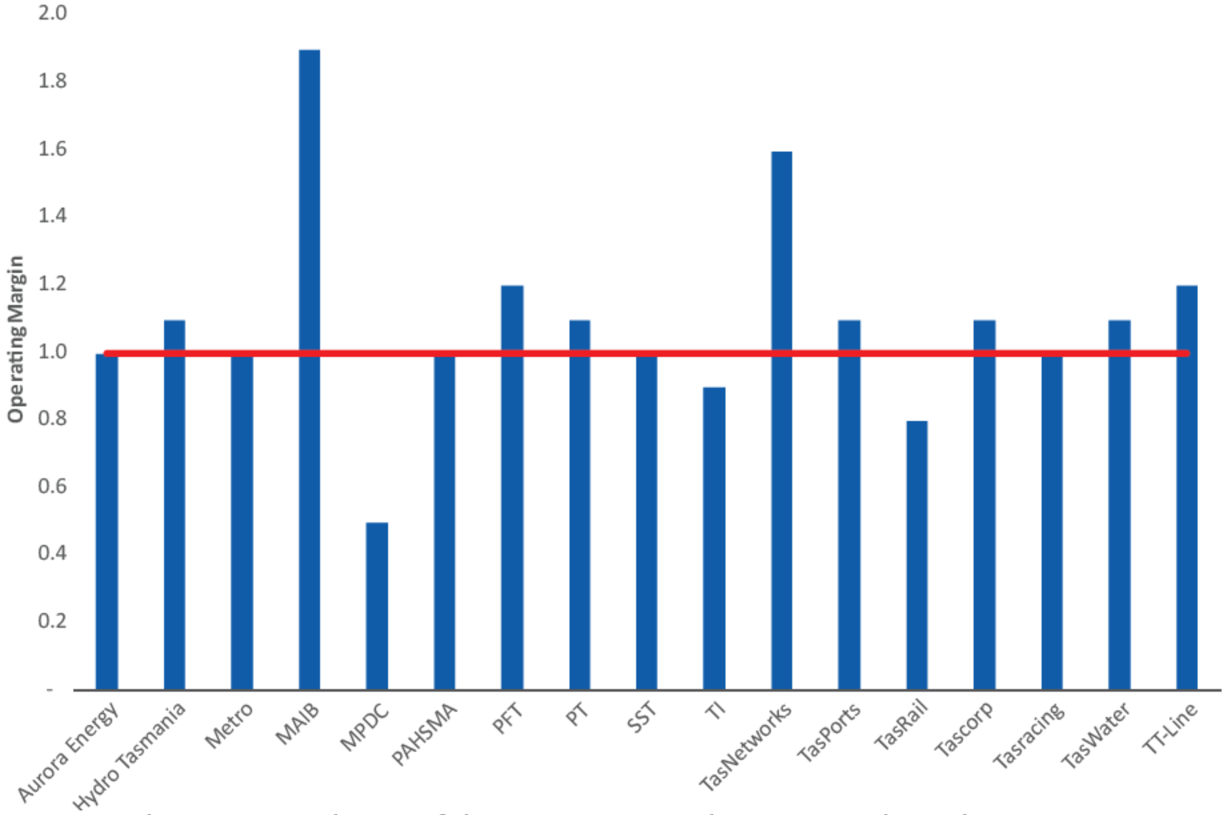


Figure 22 demonstrates that 14 of the 17 Government businesses achieved an Operating margin at or exceeding 1.0 over the past four years, meaning they covered all operating expenses. The entities below the benchmark were TI and TasRail. Both entities received Tasmanian Government operational funding[1] and commercial industry support.[2] Government operational funding and commercial industry support is detailed in a later section of this Chapter. These entities need to increase own source revenue or reduce expenses to become sustainable without support from Government.

REVENUE RECEIVED BY GOVERNMENT BUSINESSES

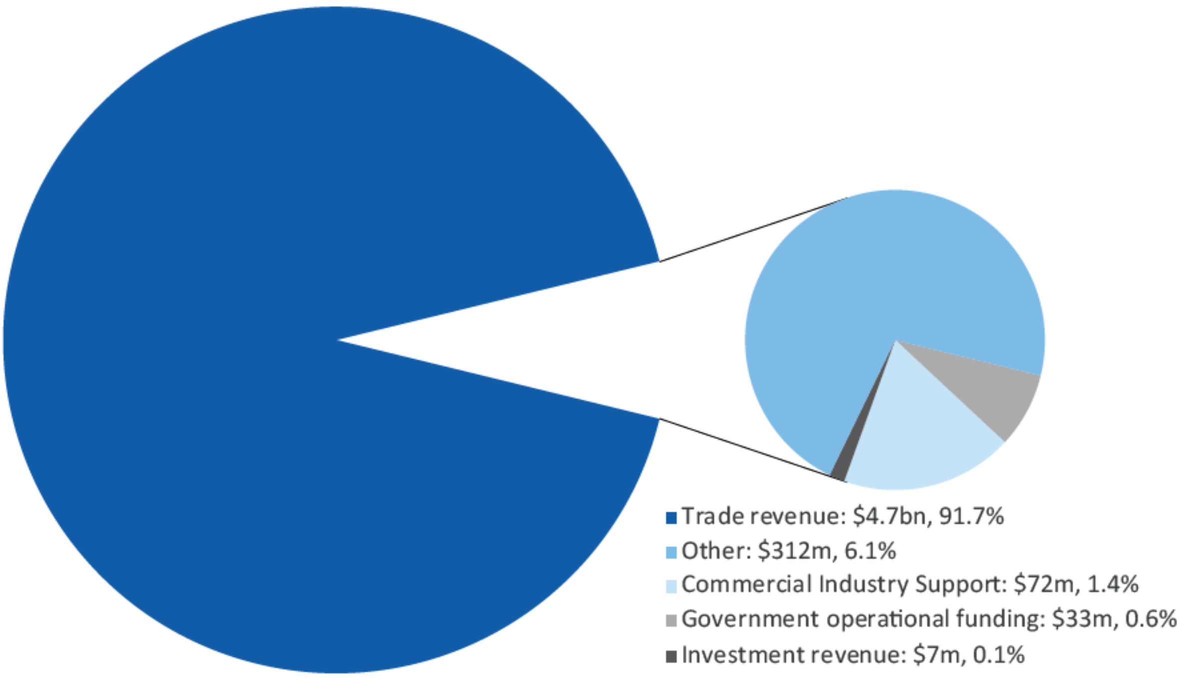
$5.13bn	**$4.88bn**	**$4.44bn**	**$4.22bn**
2018-19	2017-18	2016-17	2015-16
▲5%	▲10%	▲5%	▼(6%)

Government businesses recorded $5.13bn of total revenue in 2018-19, an increase of $0.25bn from 2017-18. The higher revenue was primarily a result of:

- increased Hydro Tasmania sales revenue, $54.68m
- increased Aurora Energy electricity and gas sales, $31.60m
- increased MAIB investment income, $35.80m
- transfer of the Macquarie Point Site to MPDC, $34.47m.

Figure 23 shows the sources of Government business revenue.

Figure 23: Government business revenue



Trade revenue included revenue streams generated from Government businesses' core activities. It represented 92.4% of Government businesses' total revenue, consistent with the prior year of 92.9%, while Government operational funding accounted for just 0.6% and commercial industry support 1.4%. This indicated the sector was primarily funded by own source revenue. However, it is noted the three energy businesses generated 68.2% of total trade revenue. The majority of Government operational funding and commercial industry support was confined to entities that provided lower returns to the Government, as detailed later in this Chapter.

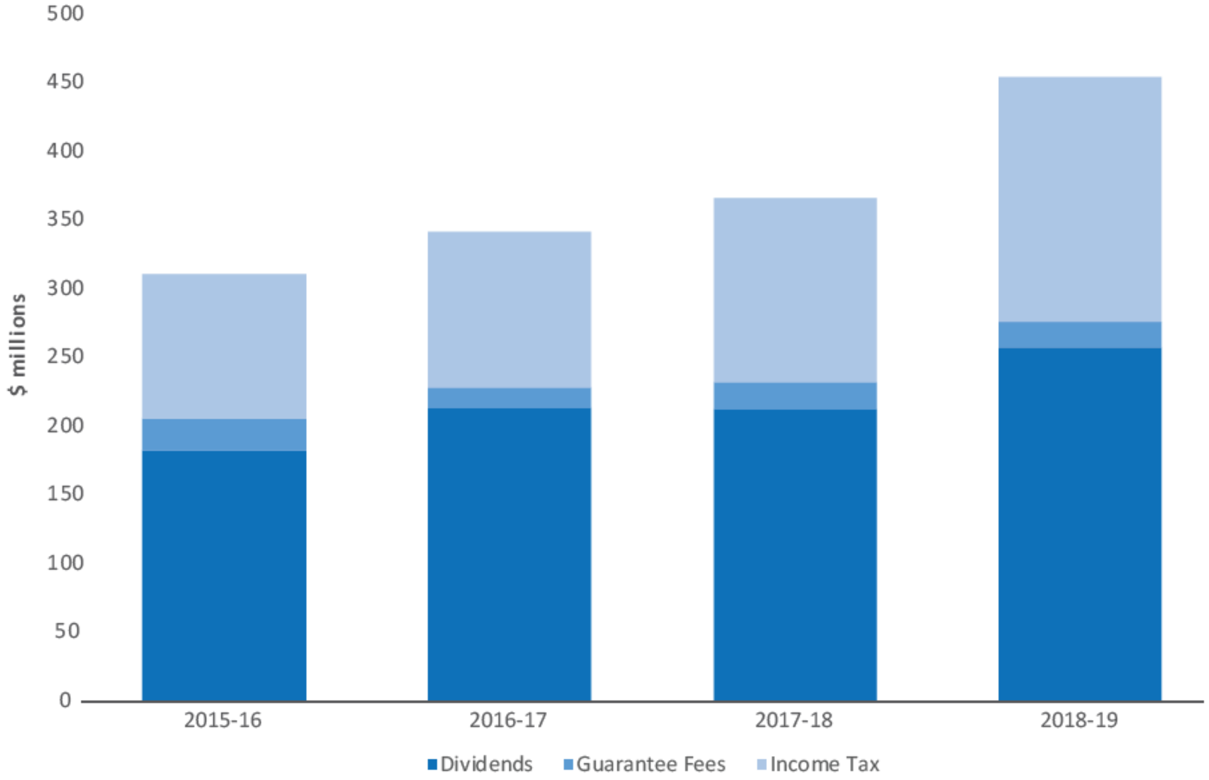
RETURNS TO OWNERS

Government businesses returned $435.25m to the Government in 2018-19 and TasWater returned $20.00m to owner councils. Figure 24 shows a breakdown of returns into dividends, income tax equivalents and guarantee fees paid during the year.

Dividends were paid by Aurora Energy, Hydro Tasmania, MAIB, PT, STT, TasNetworks, TasPorts, Tascorp, TasWater and TT-Line in 2018-19. These 10 Government businesses accounted for 99.9% of total returns to Government and owners.

Returns from Government businesses increased 24.0% compared to 2017-18 primarily due to Hydro Tasmania paying a dividend of $80.00m and increased income tax of $60.55m, and STT paying a special dividend of $15.00m. This was of offset by lower returns by MAIB and TasNetworks in line with lower 2018-19 net profits before tax detailed previously.

Figure 24: Returns to Government and owners



Between 2014-15 and 2017-18 TasWater paid annual distributions of $30.00m to owners, comprising income tax equivalents, guarantee fees and dividends, with the dividend being the balancing item. On 1 January 2019, TasWater was removed from the NTER, subject to a final taxation return, and its obligation to pay the Government guarantee fees was removed via legislation. One of the key reasons for this change was to simplify TasWater's administrative arrangements for distributions to its 29 owner councils, which from 1 July 2019 will only be in the form of dividends.

The *National Tax Equivalent Regime Manual* outlines the administrative and technical operating features of the NTER and allows a State or Territory Government to withdraw an entity from participation in the NTER, subject to compliance with paragraphs 43 and 44 of the *Memorandum of Understanding on NTER* (MoU) between the Commonwealth of Australia, the Commissioner of Taxation and all of the States and Territories. These paragraphs require a State or Territory Government to consider whether the removal of an entity from the NTER affects the integrity of the NTER and to notify other parties to the MoU of its intention to withdraw the entity from the NTER.

Other State entities may benefit from removal from the NTER include TI and TasRail, both of whom have significant tax losses that are unlikely to be recouped and local government controlled entities, such as Dulverton Regional Waste Management Authority (Dulverton Waste Management) and Copping Refuse Disposal Site Joint Authority (Southern Waste Solutions), where income tax equivalents payments are made to their respective owner councils. Removal from the NTER would alleviate these entities from the cost of maintaining tax accounting records and preparing tax calculations for financial reporting purposes.

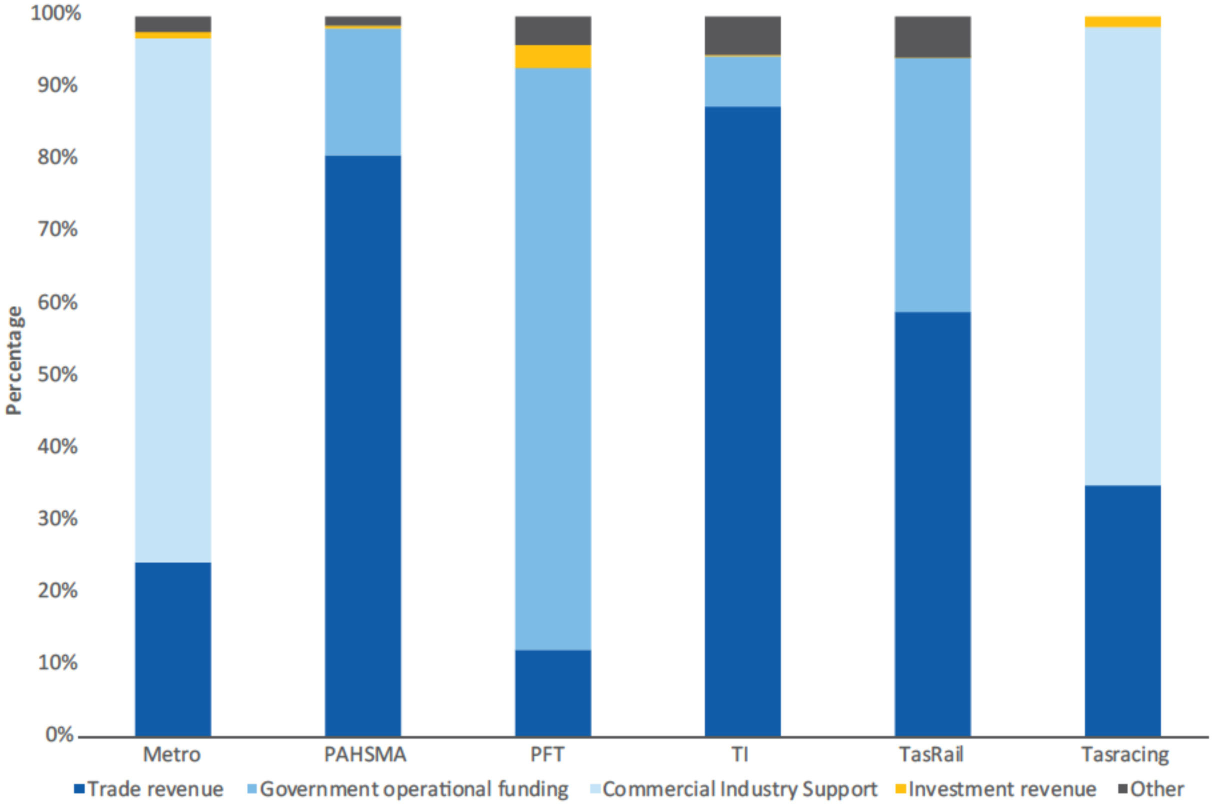
Recommendation

The Government consider whether further entities be removed from the National Tax Equivalent Regime where the benefit derived from remaining in the regime is significantly outweighed by the cost of complying with requirements.

OPERATIONAL FUNDING AND INDUSTRY SUPPORT

Figure 25 shows the Government businesses that received either Government operational funding or commercial industry support funding to maintain operations or meet community service obligations.

Figure 25: Government operational funding and commercial support as a % of total revenue



In aggregate, the six Government businesses in Figure 25 generated 44.7% of total revenue (2017-18, 47.7%) from either Government operational funding or commercial industry support.

Metro and Tasracing received commercial industry support to facilitate operations, with:

- Metro reliant on equity contributions and a service contract with State Growth to maintain its bus fleet, as it has generated underlying losses in each of the past four years
- Tasracing not required to pay dividends following a Government policy decision for any positive returns to be invested back into the industry.

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

Some businesses continue to be reliant on Government operational funding or commercial industry support to maintain sustainability and are not expected, or are unlikely, to generate profit sufficient enough to provide future returns to the Government. Given this, the 'for-profit' corporate structures for these entities may not be appropriate unless a significant improvement in their financial performance is expected to occur.

Recommendation

The Government consider undertaking a review of businesses reliant on Government funding or commercial industry support to evaluate:

- the legislative frameworks for these businesses
- the 'for-profit' nature of these businesses
- whether the businesses remain as stand-alone businesses or be attributed to a government department or other business
- whether non-profitable segments of the businesses could be separated from the profitable segments of businesses.

FINANCING OF GOVERNMENT BUSINESSES

$434.44m Total cash and cash equivalents held at 30 June 2019	**2.4%**

Excluding cash and cash equivalents held by Tascorp, cash held by Government businesses increased by $10.05m, or 2.4%, from the prior year to $434.44m.

This increase was primarily associated with net cash generated from operating activities of $796.20m, offset by investment activity net cash outflows of $568.15m and financing activity net cash outflows of $217.99m.

Hydro Tasmania, MAIB, TasNetworks and TasWater represented 82.1% of net cash from operating activities.

Purchases of Property plant and equipment were the main investment activity cash outflows at $602.36m with Hydro Tasmania, TasNetworks and TasWater representing 76.7% of this total. This was offset by proceeds from derivatives held by Hydro Tasmania of $133.88m.

Dividend payments represented 99.4% of the financial activity net cash outflows. Other major movements in financing activities were net debt repayments of $65.01m offset by additional Government equity contributions of $66.40m.

$3.20bn Total borrowings as at 30 June 2019	**2.0%**

In addition to Tascorp, whose borrowings were a key component of its treasury business, there were eight Government businesses with debt at 30 June 2019. These eight businesses had total debt of $3.20bn at 30 June 2019 , which was consistent with the prior year total of $3.27m. Details of borrowings and relevant ratios are set out in Table 9.

Table 9: Debt and relevant ratios

Business	Borrowings $'000s	Current ratio	Cost of Debt	Interest coverage ratio	Debt to equity
Hydro Tasmania	618 620	0.56	5.8%	5.81	35.4%
PAHSMA	5 000	1.29	4.0%	(0.08)	13.1%
TI	26 891	0.96	2.1%	(1.35)	67.8%
TasNetworks	1 936 170	0.33	4.2%	1.73	202.2%
TasPorts	19 833	1.26	5.6%	14.53	7.9%
TasRail	19 250	0.65	2.1%	(43.56)	21.3%
Tasracing	8 708	1.79	7.0%	(1.82)	20.9%
TasWater	569 385	0.38	3.8%	2.04	30.6%
Total	**3 203 857**				
Weighted average		**0.56**	**4.5%**	**2.93**	**63.7%**

Excluding Tascorp, Government businesses with debt at 30 June 2019 were primarily in industry sectors with significant capital infrastructure. TasNetworks, Hydro Tasmania and TasWater accounted for 97.5% (30 June 2018, 97.7%) of total debt held.

Government businesses with debt had a weighted average current ratio of 0.56. This was below the benchmark of 1.0, which indicated a net working capital deficit. The result was driven by Hydro Tasmania, TI, TasNetworks, TasRail and TasWater whose ratios were impacted by short-term loan facilities and fixed-term debt maturing in 2019-20. In addition, Hydro Tasmania's ratio was impacted by a number of current derivative instruments and a significant increase in the fair value of onerous contracts during 2018-19. The average interest coverage ratio for the sector of 2.93 was above the benchmark of 2.0 due to the financial results of Hydro Tasmania, TasNetworks and TasWater.

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. This ratio, however, is lower than other electricity transmission businesses, most of whom have debt to equity ratios exceeding 200.0%.

CAPITAL INVESTMENT BY GOVERNMENT BUSINESSES

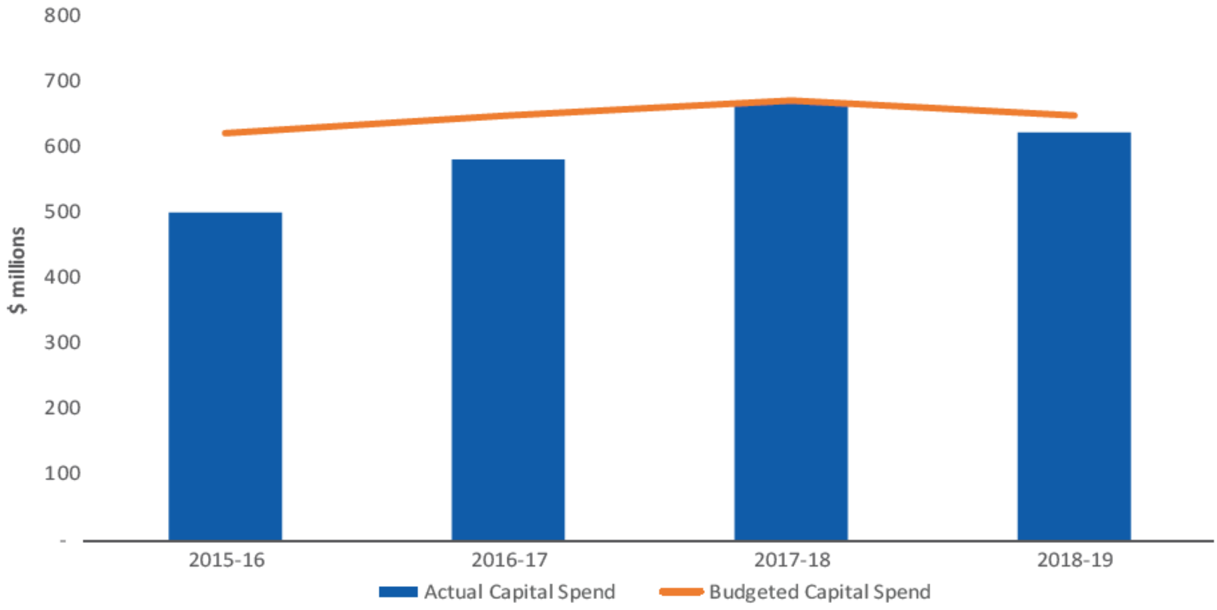
$2.38bn	$2.60bn	$53.63m
Total Capital Spend over the last 4 years	Total Budgeted Capital Spend over the last 4 years	Average Spending Gap over the last 4 years

Government businesses (other than MAIB and Tascorp) invested a total of $2.38bn in capital projects over the past four years. This resulted in an average underspend of $53.63m per year compared to capital budgets.

Figure 26 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 the budgeted figure.

This analysis does not include estimated progress payments for the two new ships being constructed by TT-Line because insignificant capital expenditure had been incurred on the project to 30 June 2019.

Figure 26: Capital spending

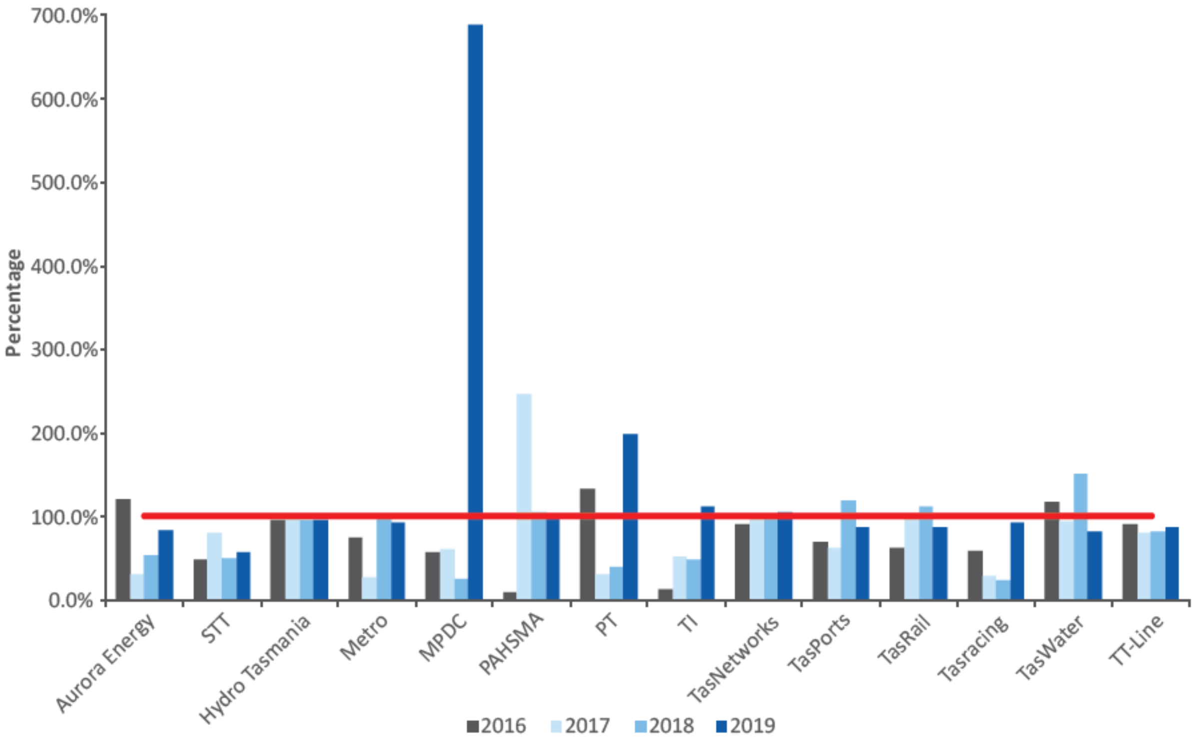


Note: Includes all Government business other than PFCs.

In 2018-19, the total spending gap was $25.52m, which contributed to an improvement in the rolling four year average spending gap. Nine out of 14 Government businesses did not fully spend budgeted capital expenditure, which was the same as the previous year. Nine out of the 14 Government businesses failed to meet budget over the four years. This was the same as the previous year. TI, TasRail, Tasracing and Hydro Tasmania accounted for 94.0% of the four year period spending gap.

Figure 27 shows the percentage actually spent on capital expenditure as a percentage of budget over 4 years.

Figure 27: Percentage spend of budgeted capital expenditure



As shown in Figure 27, the businesses with the most significant capital programs, being Hydro Tasmania, TasNetworks and TasWater, were fairly close to the 100% benchmark across the four years, with averages of 96.7%, 100.1% and 110.6% respectively over the four years. The significant swings for PAHSMA and PT are a result of a lower scale of capital programs where timing of expenditure had a significant impact on their percentage of expenditure to budget. Despite these fluctuations, over the four years PAHSMA and PT averaged 115.6% and 100.5%, respectively. The significant increase for MPDC in 2018-19 reflects an escalation in activity as the Corporation transitions from rehabilitation to site development.

Government businesses identified a number of reasons why they do not fully expend all capital budgets during the year. Some of the impacts were from external factors like bushfires and floods which impacted some capital projects at Hydro Tasmania, STT and TasRail or major operational issues like Basslink outages that impacted Hydro. These external events resulted in resources for some capital projects being diverted to deal with the events or caused other significant delays to the projects.

Internal factors that contributed to the underspend were:

- capital budgets included 10% to 20% contingencies which were not always needed or required for projects
- internal capital allocation and bidding processes where not all projects were approved, resulting in unallocated capital budgets
- over-estimation of the cost of projects due to timing of final business cases and associated estimates on which initial budgets were based
- delays in major projects commencing or moving into construction phases
- capital works planned no longer required due to changed circumstances or resources re-prioritised for business reasons
- capital work performed for lower cost than originally expected
- ambitious cash flow budgeting for projects with a duration of over a year.

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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
- State entities with a financial year ended 31 December 2018.

Other State entities

Other State entities are statutory authorities and other not-for-profit entities not consolidated into GGS, government businesses or local government entities. Audits were completed for the following other State entities:

- Aboriginal Land Council of Tasmania (ALCT)
- Forest Practices Authority (FBA)
- Legal Aid Commission of Tasmania (Legal Aid)
- Legal Profession Board (LPB)
- Property Agents Board (PAB)
- Property Agents Trust (PAT)
- RBF
- Tasmanian Beef Industry (Research and Development) Trust (TasBeef)
- Tasmanian Building and Construction Industry Training Board (TBCITB)
- Tasmanian Community Fund (TCF)
- Tasmanian Dairy Industry Authority (TDIA)
- Tasmanian Heritage Council (THC)
- The Nominal Insurer (TNI)
- Wellington Park Management Trust (Wellington Park).

As at 15 November 2019, the audit of the National Trust of Australia (Tasmania) (National Trust) had not been completed.

OTHER STATE ENTITY DEVELOPMENTS

The following sections summarise some significant developments affecting the operations of other State entities identified during the course of the audits.

Retirement Benefits Fund

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

- RBF Contributory Scheme (closed 15 May 1999)
- PSF (closed 11 November 1985)
- PRBF (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 2019, the Fund had a net liability position $5.34bn at 30 June 2019, compared to $5.11bn at 30 June 2018. The increase in the net liability was primarily due to increased defined member liabilities of $283.15m, largely due to applying a lower discount rate than the prior year, resulting in a movement in the liability of $380.45m. This was partially offset by net pension and lump sum payments (after member and employer contributions) of $97.35m.

The underlying surplus was $142.45m, a reduction of $33.73m compared to the prior year surplus of $176.18m. The decrease was primarily due to lower investment returns attributable to lower interest rates.

SUMMARISED FINANCIAL RESULTS

Details of Other State entity results for 30 June 2019 are set out in Table 10. The table does not include controlled entities not subject to audit.

Table 10: Summarised financial results (30 June 2019)

Other State Entities	Underlying surplus (deficit) $'000s	Net surplus (deficit) $'000s	Total comprehensive surplus (deficit) $'000s	Net assets (liabilities) $'000s
ALCT	(729)	(225)	(225)	29 246
FPA	(192)	(192)	(192)	1 957
Legal Aid	1 081	1 081	1 081	5 806
LPB	249	249	249	194
PAB	117	117	117	616
PAT	(264)	(264)	(264)	8 963
RBF	142 451	(234 273)	(234 273)	(5 342 294)
TasBeef	16	16	16	658
TBCITB	1 416	1 416	1 416	5 663
TCF	557	557	557	11 853
TDIA	81	93	93	789
THC	2	2	2	127
TNI	(350)	(350)	(350)	(176)
Wellington Park	111	111	111	376

ACRONYMS AND ABBREVIATIONS

AASB	Australian Accounting Standards Board
AASB 1049	AASB 1049 *Whole of Government and General Government Sector Financial Reporting*
ABS	Australian Bureau of Statistics
ALCT	Aboriginal Land Council of Tasmania
ATSB	Australian Transport and Safety Bureau
Audit Act	*Audit Act 2008*
Aurora Energy	Aurora Energy Pty Ltd
Commission	The Superannuation Commission
Communities Tasmania	Department of Communities Tasmania
Corporations Act	*Corporations Act 2001*
CPI	Consumer Price Index
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
ERO	Equal Remuneration Order Costs
FMA	*Financial Management Act 2016*
FMAA	*Financial Management and Audit Act 1990*
FPA	Forest Practices Authority
FSG	Flensburger Schiffbau-Gesellschaft
FVTPL	Fair Value through Profit or Loss
GBE	Government Business Enterprise
GGS	General Government Sector
GST	Goods and Services Tax
Hydro Tasmania	Hydro-Electric Corporation
Legal Aid	Legal Aid Commission of Tasmania
LG Act	*Local Government Act 1993*
LGAT	Local Government Association of Tasmania
LPB	Legal Profession Board
MAIB	Motor Accidents Insurance Board
MCH	Mersey Community Hospital
MCH Fund	Mersey Community Hospital Fund
Metro	Metro Tasmania Pty Ltd

MLPL	Marinus Link Pty Ltd
MoU	Memorandum of Understanding
MPDC	Macquarie Point Development Corporation
NDIS	National Disability Insurance Scheme
NTER	National Tax Equivalents Regime
NWRH	North West Regional Hospital
Order	*State Service (Restructuring) Order 2018*
OSC	Office of the Superannuation Commission
PAA	*Public Account Act 1986*
PAB	Property Agents Board
PAHSMA	Port Arthur Historic Site Management Authority
PAT	Property Agents Trust
PFC	Public Financial Corporations
PFT	Private Forests Tasmania
PNFC	Public Non-Financial Corporations
PRBF	Parliamentary Retiring Benefits Fund
PSF	Parliamentary Superannuation Fund
PT	Public Trustee
RBF	Retirements Benefits Fund
RHH	Royal Hobart Hospital
SDTF	Special Deposits and Trust Fund
State Growth	Department of State Growth
STT	Sustainable Timber Tasmania
TAFR	Treasurer's Annual Financial Report
TasBeef	Tasmanian Beef Industry (Research and Development) Trust
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
TBCITB	Tasmanian Building and Construction Industry Training Board
TCF	Tasmanian Community Fund
TDIA	Tasmanian Dairy Industry Authority
THC	Tasmanian Heritage Council
TFS	Tasmanian Fire Service
the Fund	Retirement Benefits Fund
the Office	Tasmanian Audit Office

the states	Australian states and territories
THS	Tasmanian Health Service
TMAG	Tasmanian Museum and Art Gallery
TNI	The Nominal Insurer
Treasury	Department of Treasury and Finance
TSS	Total State Sector
TT-Line	TT-Line Company Pty Ltd
UPF	Uniform Presentation Framework
Wellington Park	Wellington Park Management Trust
WT3	Working Together for 3 year olds

APPENDIX A - TIMELINESS OF REPORTING

	Financial Report Received & Accepted	Accepted Report certified by	Final Certified report received	Audit opinion signed
Executive and Legislature				
House of Assembly	13-Aug-19	AA	N/A	23-Oct-19*
Legislative Council	14-Aug-19	AA	N/A	29-Oct-19*
Legislature-General	13-Aug-19	AA	N/A	30-Oct-19*
Office of the Governor	14-Aug-19	AA	N/A	21-Oct-19*
Ministerial Departments				
Communities Tasmania	14-Aug-19	M	23-Oct-19	23-Oct-19*
DoE	14-Aug-19	M	27-Sep-19	27-Sep-19
DoH	14-Aug-19	M	25-Sep-19	27-Sep-19
DoJ	14-Aug-19	AA	6-Sep-19	18-Sep-19
DPAC	13-Aug-19	M	26-Sep-19	26-Sep-19
DPFEM	14-Aug-19	M	25-Sep-19	27-Sep-19
DPIPWE	14-Aug-19	M	12-Sep-19	23-Sep-19
State Growth	14-Aug-19	M	30-Sep-19	16-Oct-19*
Treasury	12-Aug-19	AA	N/A	26-Sep-19
Treasury - Public Account	9-Oct-19	AA	N/A	30-Oct-19
Treasury - TAFR	9-Oct-19	AA	29-Oct-19	30-Oct-19
Ministerial Department Controlled Entities				
ABT Railway Ministerial Corporation	14-Aug-19	AA	N/A	16-Oct-19*
Ambulance Tasmania	14-Aug-19	M	25-Sep-19	27-Sep-19
Housing Tasmania	14-Aug-19	M	23-Oct-19	23-Oct-19*
Office of Tasmanian Assessment, Standards and Certification	14-Aug-19	AA	N/A	27-Sep-19
Tasmanian Affordable Housing Limited	27-Sep-19^	AA	27-Sep-19	27-Sep-19
Tasmanian Development and Resources	14-Aug-19	M	23-Sep-19	27-Sep-19
Teachers Registration Board of Tasmania	14-Aug-19	AA	N/A	27-Sep-19
THS	13-Aug-19	M	27-Sep-19	27-Sep-19
TMAG	14-Aug-19	M	25-Sep-19	27-Sep-19
Other General Government Entities				
Asbestos Compensation Fund	13-Aug-19	AA	N/A	17-Sep-19
Brand Tasmania	14-Aug-19	M	25-Sep-19	26-Sep-19

	Financial Report Received & Accepted	Accepted Report certified by	Final Certified report received	Audit opinion signed
Council of Law Reporting	14-Aug-19	M	3-Sep-19	20-Sep-19
Director of Public Prosecutions	14-Aug-19	AA	N/A	24-Sep-19
Inland Fisheries Service	31-Jul-19	M	25-Sep-19	26-Sep-19
Integrity Commission	14-Aug-19	M	26-Sep-19	27-Sep-19
MAST	9-Aug-19	AA	N/A	9-Sep-19
Office of the Ombudsman	14-Aug-19	AA	N/A	7-Oct-19*
Royal Tasmanian Botanical Gardens	14-Aug-19	M	25-Sep-19	30-Sep-19*
State Fire Commission	14-Aug-19	M	26-Sep-19	27-Sep-19
Tasmanian Economic Regulator	12-Aug-19	AA	N/A	26-Sep-19
Tasmanian State Health Funding Pool	16-Sep-19^	AA	16-Sep-19	17-Sep-19
TasTAFE	14-Aug-19	AA	N/A	23-Aug-19
Tourism Tasmania	6-Aug-19	M	19-Sep-19	19-Sep-19
Workcover Tasmania Board	14-Aug-19	AA	N/A	17-Sep-19
Government Businesses				
Aurora Energy	8-Aug-19	AA	N/A	8-Aug-19
Bass Island Line Pty Ltd	9-Aug-19	AA	N/A	16-Aug-19
FortyTwo24 Pty Ltd	12-Aug-19	AA	N/A	15-Aug-19
Hydro Tasmania	14-Aug-19	AA	N/A	14-Aug-19
MAIB	14-Aug-19	AA	N/A	20-Aug-19
Metro	13-Aug-19	AA	N/A	7-Aug-19
Momentum Energy Pty Ltd	14-Aug-19	AA	N/A	14-Aug-19
MPDC	14-Aug-19	M	18-Sep-19	8-Oct-19*
Newood Holdings Pty Ltd	14-Aug-19	AA	N/A	23-Aug-19
PAHSMA	14-Aug-19	M	26-Sep-19	8-Oct-19*
PFT	13-Aug-19	AA	N/A	26-Sep-19
PT	14-Aug-19	M	9-Sep-19	12-Sep-19
STT	9-Aug-19	AA	N/A	14-Aug-19
Tascorp	13-Aug-19	AA	N/A	19-Aug-19
TasNetworks	14-Aug-19	AA	N/A	12-Aug-19
TasPorts	9-Aug-19	AA	N/A	16-Aug-19
Tasracing	12-Aug-19	AA	N/A	12-Aug-19
TasRail	7-Aug-19	AA	N/A	8-Aug-19
TasWater	14-Aug-19	AA	N/A	15-Aug-19

	Financial Report Received & Accepted	Accepted Report certified by	Final Certified report received	Audit opinion signed
TI	14-Aug-19	AA	N/A	20-Aug-19
TT-Line	14-Aug-19	AA	N/A	15-Aug-19
Local Government Authorities				
Urban Councils				
Brighton	14-Aug-19	AA	1-Oct-19	4-Oct-19*
Burnie City	14-Aug-19	AA	11-Oct-19	17-Oct-10*
Central Coast	14-Aug-19	AA	27-Sep-19	3-Oct-19*
Clarence City	14-Aug-19	M	21-Oct-19	21-Oct-19*
Devonport City	14-Aug-19	M	27-Sep-19	27-Sep-19
Glenorchy City	14-Aug-19	M	28-Oct-19	5-Nov-19*
Hobart City	14-Aug-19	M	17-Oct-19	22-Oct-19*
Kingborough	14-Aug-19	M	16-Oct-19	16-Oct-19*
Launceston City	14-Aug-19	M	27-Sep-19	27-Sep-19
West Tamar	12-Aug-19	AA	N/A	26-Sep-19
Rural Councils				
Break O'Day	13-Aug-19	AA	N/A	4-Oct-19*
Central Highlands	12-Aug-19	AA	N/A	26-Sep-19
Circular Head	14-Aug-19	M	27-Sep-19	3-Oct-19*
Derwent Valley	14-Aug-19	M	14-Nov-19	14-Nov-19*
Dorset	14-Aug-19	AA	4-Oct-19	16-Oct-19*
Flinders	14-Aug-19	AA	N/A	27-Sep-19
George Town	14-Aug-19	AA	6-Sep-19	20-Sep-19
Glamorgan-Spring Bay	14-Aug-19	AA	N/A	Not completed
Huon Valley	14-Aug-19	M	17-Oct-19	18-Oct-19*
Kentish	Not submitted		N/A	Not commenced
King Island	30-Aug-19^	AA	N/A	15-Nov-19*
Latrobe	Not submitted		N/A	Not commenced
Meander Valley	13-Aug-19	AA	N/A	26-Sep-19
Northern Midlands	14-Aug-19	M	14-Oct-19	29-Oct-19*
Sorell	14-Aug-19	AA	27-Sep-19	27-Sep-19
Southern Midlands	13-Aug-19	AA	N/A	26-Sep-19
Tasman	14-Aug-19	M	27-Sep-19	30-Sep-19*

	Financial Report Received & Accepted	Accepted Report certified by	Final Certified report received	Audit opinion signed
Waratah-Wynyard	14-Aug-19	AA	27-Sep-19	27-Sep-19
West Coast	14-Aug-19	AA	N/A	26-Sep-19
Local Government Controlled Entities				
C-Cell Unit Trust	8-Aug-19	M	9-Oct-19	10-Oct-19*
Cradle Coast Authority	13-Aug-19	M	29-Sep-19	1-Oct-19*
Dulverton Waste Management	8-Aug-19	AA	25-Sep-19	26-Sep-19
Launceston Flood Authority	14-Aug-19	AA	N/A	8-Oct-19*
Local Government Association of Tasmania	14-Aug-19	AA	N/A	3-Oct-19*
Microwise Australia Pty Ltd	14-Aug-19	AA	1-Oct-19	4-Oct-19*
North East Care Inc.	14-Aug-19	AA	Not received	Not completed
Northern Tasmanian Regional Development Corporation Ltd	25-Jul-19	M	5-Sep-19	6-Sep-19
Southern Tasmanian Councils Association	14-Aug-19	AA	N/A	27-Sep-19
Southern Waste Solutions	8-Aug-19	M	9-Oct-19	10-Oct-19*
Tas Communications Unit Trust	13-Aug-19	AA	15-Oct-19	15-Oct-19*
Other State Entities				
ALCT	14-Aug-19	AA	N/A	23-Oct-19*
FPA	14-Aug-19	M	27-Sep-19	27-Sep-19
Legal Aid	16-Aug-19^	M	27-Sep-19	27-Sep-19
LPB	13-Aug-19	AA	N/A	21-Aug-19
National Trust	15-Aug-19^	M	Not received	Not completed
PAB	14-Aug-19	M	15-Oct-19	15-Oct-19*
PAT	14-Aug-19	M	23-Oct-19	5-Nov-19*
RBF	14-Aug-19	M	3-Sep-19	5-Sep-19
TasBeef	29-Sep-19	AA	20-Sep-19	1-Oct-19*
TBICTB	12-Aug-19	M	26-Sep-19	26-Sep-19
TCF	14-Aug-19	AA	N/A	16-Oct-19*
TDIA	13-Aug-19	AA	N/A	27-Sep-19
THC	14-Aug-19	AA	N/A	27-Sep-19
TNI	14-Aug-19	AA	N/A	21-Oct-19*
Wellington Park	14-Aug-19	AA	N/A	27-Sep-19

	Financial Report Received & Accepted	Accepted Report certified by	Final Certified report received	Audit opinion signed
Audits Dispensed with				
AETV Pty Ltd (Hydro Tasmania)	14-Aug-19	AA	N/A	N/A
Bell Bay Pty Ltd (Hydro Tasmania)	14-Aug-19	AA	N/A	N/A
Bell Bay Three Pty Ltd (Hydro Tasmania)	14-Aug-19	AA	N/A	N/A
Brighton Industrial and Housing Corporation Pty Ltd (Brighton Council)	27-Sep-19^	AA	N/A	N/A
C-Cell Pty Ltd (Southern Waste Solutions)	Not Submitted	N/A	N/A	N/A
Flinders Island Ports Corporation Pty Ltd (TasPorts)	26-Jul-19	AA	N/A	N/A
Geeveston Town Hall Company Ltd (Huon Valley Council)	14-Aug-19	AA	N/A	N/A
Heemskirk Holdings Pty Ltd (Hydro Tasmania)	14-Aug-19	AA	N/A	N/A
Heermskirk Wind Farm Pty Ltd (Hydro Tasmania)	14-Aug-19	AA	N/A	N/A
Heritage Building Solutions Pty Ltd (Southern Midlands Council)	14-Aug-19	AA	N/A	N/A
Heritage Education & Skills Centre Pty Ltd (Southern Midlands Council)	14-Aug-19	AA	N/A	N/A
HT Wind Developments Pty Ltd (Hydro Tasmania)	14-Aug-19	AA	N/A	N/A
HT Wind New Zealand Pty Ltd (Hydro Tasmania)	14-Aug-19	AA	N/A	N/A
HT Wind Operations Pty Ltd (Hydro Tasmania)	14-Aug-19	AA	N/A	N/A
Hydro Tasmania Consulting (Holding) Pty Ltd (Hydro Tasmania)	14-Aug-19	AA	N/A	N/A
King Island Ports Corporation Pty Ltd (TasPorts)	26-Jul-19	AA	N/A	N/A
Kingborough Waste Services Pty Ltd (Kingborough Council)	14-Aug-19	AA	N/A	N/A

	Financial Report Received & Accepted	Accepted Report certified by	Final Certified report received	Audit opinion signed
Large Scale Renewables Pty Ltd (TasNetworks)	12-Aug-19	AA	N/A	N/A
Lofty Ranges Power Pty Ltd (Hydro Tasmania)	14-Aug-19	AA	N/A	N/A
Maidstone Park Management Controlling Authority (Devonport City Council)	14-Aug-19	AA	N/A	N/A
Marinus Link Pty Ltd (TasNetworks)	12-Aug-19	AA	N/A	N/A
Metro Coaches (Tas) Pty Ltd (Metro)	13-Aug-19	AA	N/A	N/A
Newood Energy Pty Ltd (Newood Holdings Pty Ltd)	Not Submitted	N/A	N/A	N/A
Newood Huon Pty Ltd (Newood Holdings Pty Ltd)	Not Submitted	N/A	N/A	N/A
Newood Smithton Pty Ltd (Newood Holdings Pty Ltd)	Not Submitted	N/A	N/A	N/A
palawa Enterprise Pty Ltd (ALCT)	Not Submitted	N/A	N/A	N/A
palawa Enterprise Unit Trust (ALCT)	Not Submitted	N/A	N/A	N/A
RE Storage Project Holdings Pty Ltd (Hydro Tasmania)	14-Aug-19	AA	N/A	N/A
Tasmanian Pharmacy Authority	14-Aug-19	AA	N/A	N/A
Tasmanian Timber Promotion Board	9-Aug-19	AA	N/A	N/A
TasNetworks Holdings Pty Ltd (TasNetworks)	12-Aug-19	AA	N/A	N/A
Woolnorth Bluff Point Holdings Pty Ltd (Hydro Tasmania)	14-Aug-19	AA	N/A	N/A
Woolnorth Studland Bay Holdings Pty Ltd (Hydro Tasmania).	14-Aug-19	AA	N/A	N/A

Legend:

M Management
AA Accountable Authority
N/A Not applicable
^ Financial statements not submitted within legislated timeframe
* Audit not completed within legislated timeframe.

APPENDIX B - AUDIT FINDINGS

	Current Year issues				Prior Year unresolved issues			
	H	M	L	Total	H	M	L	Total
General Government Sector								
Abt Railway Ministerial Corporation	-	-	2	2	-	-	-	-
Ambulance Tasmania	-	-	-	-	-	2	-	2
Asbestos Compensation Fund	-	-	-	-	-	1	-	1
Communities Tasmania	-	1	1	2	-	-	-	-
DoH	-	2	-	2	-	2	-	2
DoJ	1	3	6	11	-	3	4	7
DPAC	-	1	-	1	-	-	-	-
DPFEM	-	3	3	6	-	-	-	-
DPIPWE	-	1	12	13	-	-	-	-
House of Assembly	-	-	-	-	-	1	1	2
Housing Tasmania	-	-	-	-	-	2	-	2
Inland Fisheries Service	-	2	-	2	-	-	-	-
Legislature-General	-	-	-	-	-	-	1	1
MAST	-	1	-	1	-	-	1	1
State Fire Commission	-	2	-	2	-	5	2	7
State Growth	-	2	1	3	2	6	2	10
Tasmanian Development and Resources	-	-	-	-	-	2	1	3
TasTAFE	-	-	1	1	-	1	-	1
THS	-	-	-	-	3	3	2	8
TMAG	-	-	1	1	1	2	1	4
Treasury	-	-	1	1	-	-	1	1
Workcover Tasmania Board	-	-	-	-	-	-	1	1
Subtotal	**1**	**19**	**28**	**48**	**6**	**30**	**17**	**53**
Government Business Sector								
Aurora Energy	-	-	1	1	-	-	-	-
Hydro Tasmania	2	3	3	8	-	1	-	1
PAHSMA	1	2	1	4	-	1	2	3
PT	-	-	-	-	-	1	-	1
STT	-	2	-	2	-	2	-	2
TasNetworks	-	1	1	2	-	-	1	1
Tasracing	-	-	-	-	-	2	1	3
TasRail	-	1	-	1	-	-	-	-
TasWater	-	1	-	1	-	-	1	1
TI	-	3	1	4	1	-	-	1
TT-Line	-	-	-	-	-	-	1	1
Subtotal	**3**	**13**	**7**	**23**	**1**	**7**	**6**	**14**

	Current Year issues				Prior Year unresolved issues			
	H	M	L	Total	H	M	L	Total
Local Government Sector								
Break O'Day	-	1	1	2	-	-	-	-
Brighton	-	5	-	5	-	-	-	-
Burnie City	-	-	1	1	-	2	2	4
Central Coast	-	4	1	5	-	-	1	1
Circular Head	-	4	-	4	-	-	-	-
Clarence City	1	3	1	5	-	-	-	-
Derwent Valley	-	1	-	1	-	4	3	7
Devonport City	1	2	2	5	-	1	1	2
Dorset	1	1	-	2	-	-	-	-
Dulverton Waste Management	-	1	-	1	-	-	-	-
Flinders	-	-	1	1	-	2	1	3
George Town	-	-	1	1	-	2	2	4
Glamorgan Spring Bay	-	2	4	6	-	-	-	-
Glenorchy City	1	-	1	2	1	2	-	3
Hobart City	-	-	1	1	1	2	1	4
Huon Valley	-	-	-	-	-	1	-	1
King Island	-	1	-	1	1	4	-	5
Kingborough Council	-	-	2	2	-	-	-	-
Launceston City	1	2	-	3	-	-	1	1
Meander Valley	-	1	-	1	-	-	-	-
Northern Midlands	-	-	1	1	-	1	-	1
Northern Tasmanian Development Corporation Ltd	-	1	-	1	-	-	-	-
Sorell	-	1	1	2	-	-	2	2
Southern Midlands	-	-	-	-	-	-	1	1
Tasman	1	2	1	4	-	-	1	1
Waratah-Wynyard	-	4	3	7	-	3	1	4
West Coast	-	1	-	1	1	-	-	1
Subtotal	**6**	**37**	**22**	**65**	**4**	**24**	**17**	**45**
Other Entities								
ALCT	-	4	1	5	-	-	-	-
Legal Aid	-	-	2	2	-	-	-	-
Subtotal	-	**4**	**3**	**7**	-	-	-	-
Grand Total	**10**	**73**	**60**	**143**	**11**	**61**	**40**	**112**

Legend:

H High

M Moderate

L Low

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AUDIT MANDATE AND STANDARDS APPLIED

Mandate

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

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

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

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

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

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

Standards Applied

Section 31 specifies that:

> 'The Auditor-General is to perform the audits required by this or any other Act in such a manner as the Auditor-General thinks fit having regard to -
>
> (a) the character and effectiveness of the internal control and internal audit of the relevant State entity or audited subsidiary of a State entity; and
>
> (b) the Australian Auditing and Assurance Standards.'

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

Tasmanian
Audit Office

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		Cover Photo	Luke Tscharke