



Tasmanian
Audit Office

Audit of State entities and audited subsidiaries of State entities 2018-19 (volume 2)

Report of the Auditor-General
No. 6 of 2019-20



Today's presentation

- Introduction to revised report content
- Audit outcomes
- Analysis of General Government Sector
- Analysis of Government Businesses
- Recommendations
- Comments received

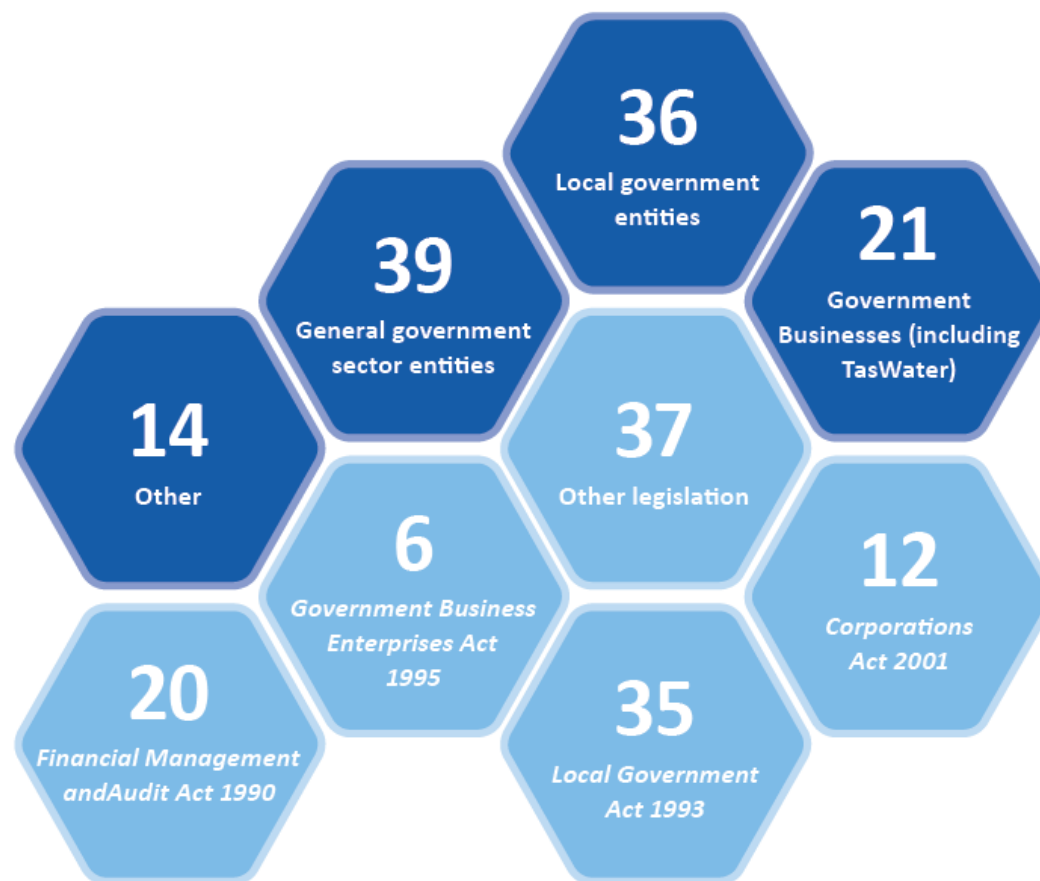
Report content

- Two volumes for 2018-19 audits
- Single volume in future years
- Emphasis on audit outcomes, findings and insights
- Avoid replication of State entity annual report content
- Continue General Government, Government business and Local Government sector analysis
- Addendum to be prepared in the first quarter of 2020 to report Local Government sector analysis and a consolidated summary of audit findings

Audit outcomes



30 June 2019 completed audits



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 statements

State entities and subsidiaries of State entities 30 June 2019

138¹ Financial statements submitted	94% Financial statements submitted on time	67%² Audits completed on time
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Treasurer's Annual Financial Report (TAFR)

Public Account

Financial reports received 9 October 2019

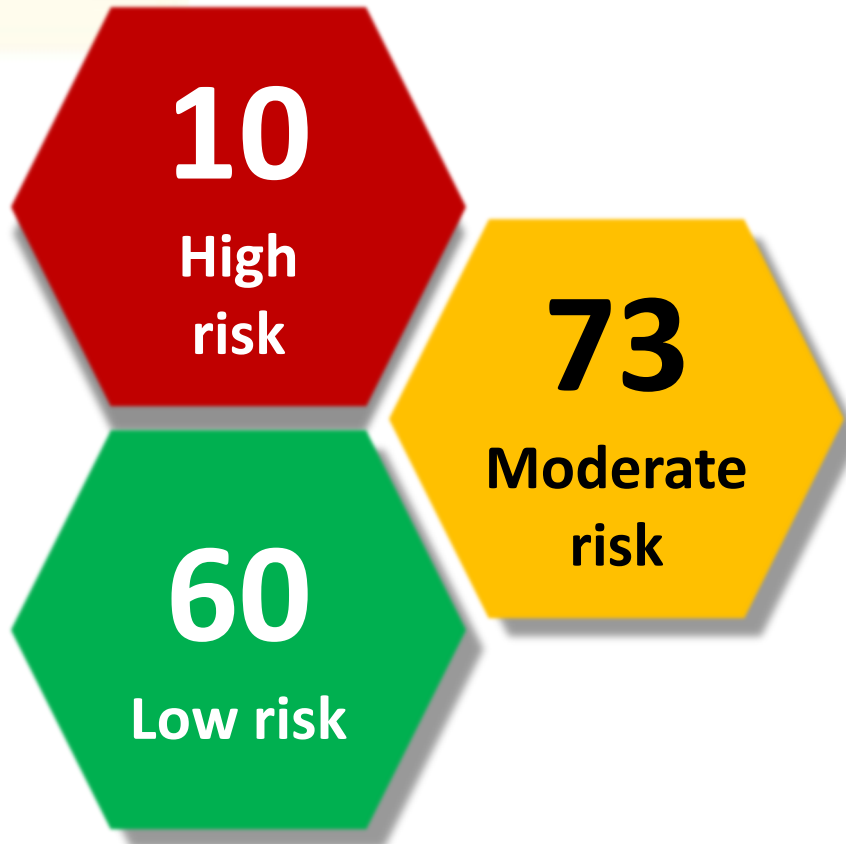
Audit reports issued 30 October 2019




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.

Audit opinions issued



Audit findings by risk rating and sector



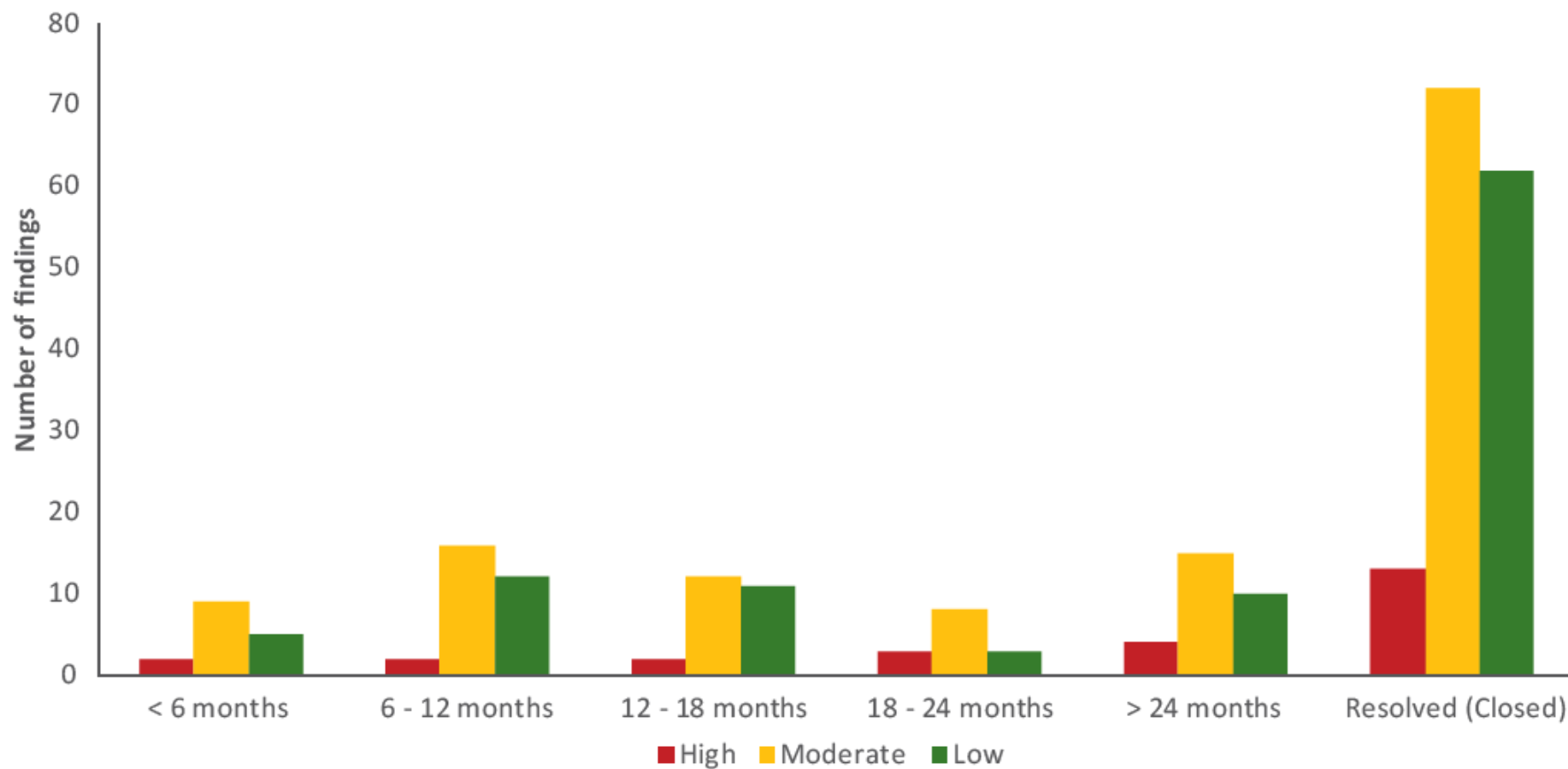
 General Government	1	19	28
 Government Businesses	3	13	7
 Local Government	6	37	22
Non-classified entities	-	4	3

Audit findings by type

Table 1: 30 June 2019 Audit Findings by area

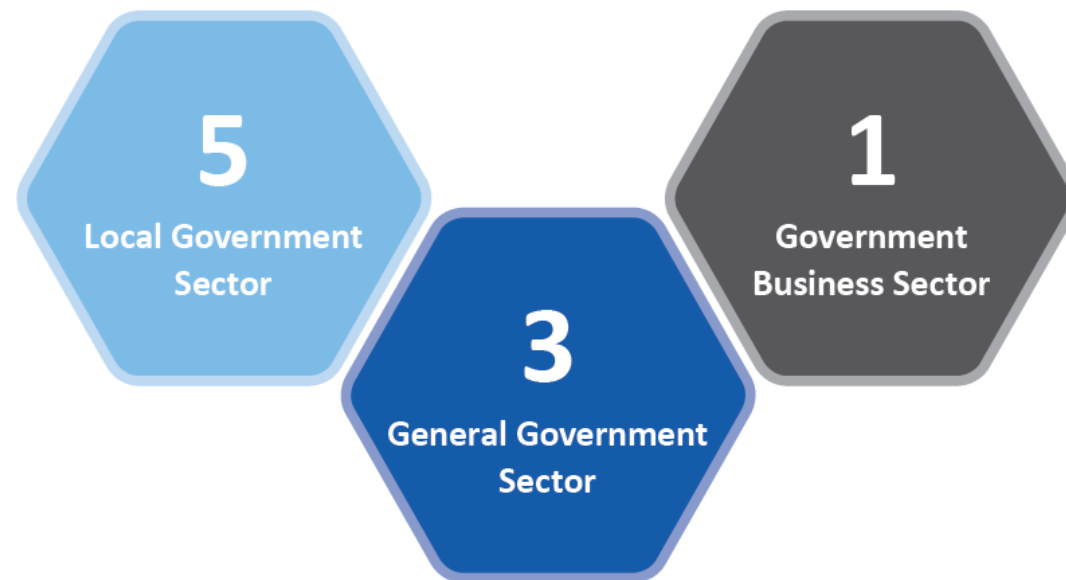
	High Risk	Moderate Risk	Low Risk	Total
Assets	3	15	9	27
IT Systems and Security	3	14	15	32
Expenditure	-	9	4	13
Payroll	-	7	4	11
Revenue/Debtors	-	4	1	5
Other Internal Control	-	10	9	19
Policies and Procedures	-	2	6	8
Other	4	12	12	28
Total	10	73	60	143

Previous findings yet to be resolved

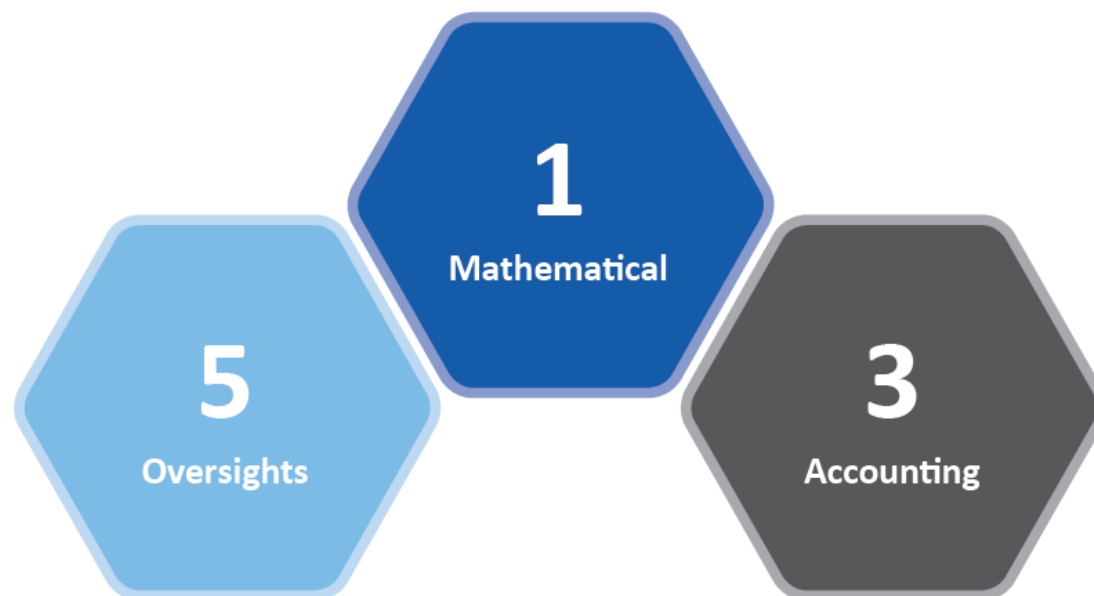


Prior period errors

Prior period errors - by sector



Prior period errors - by nature



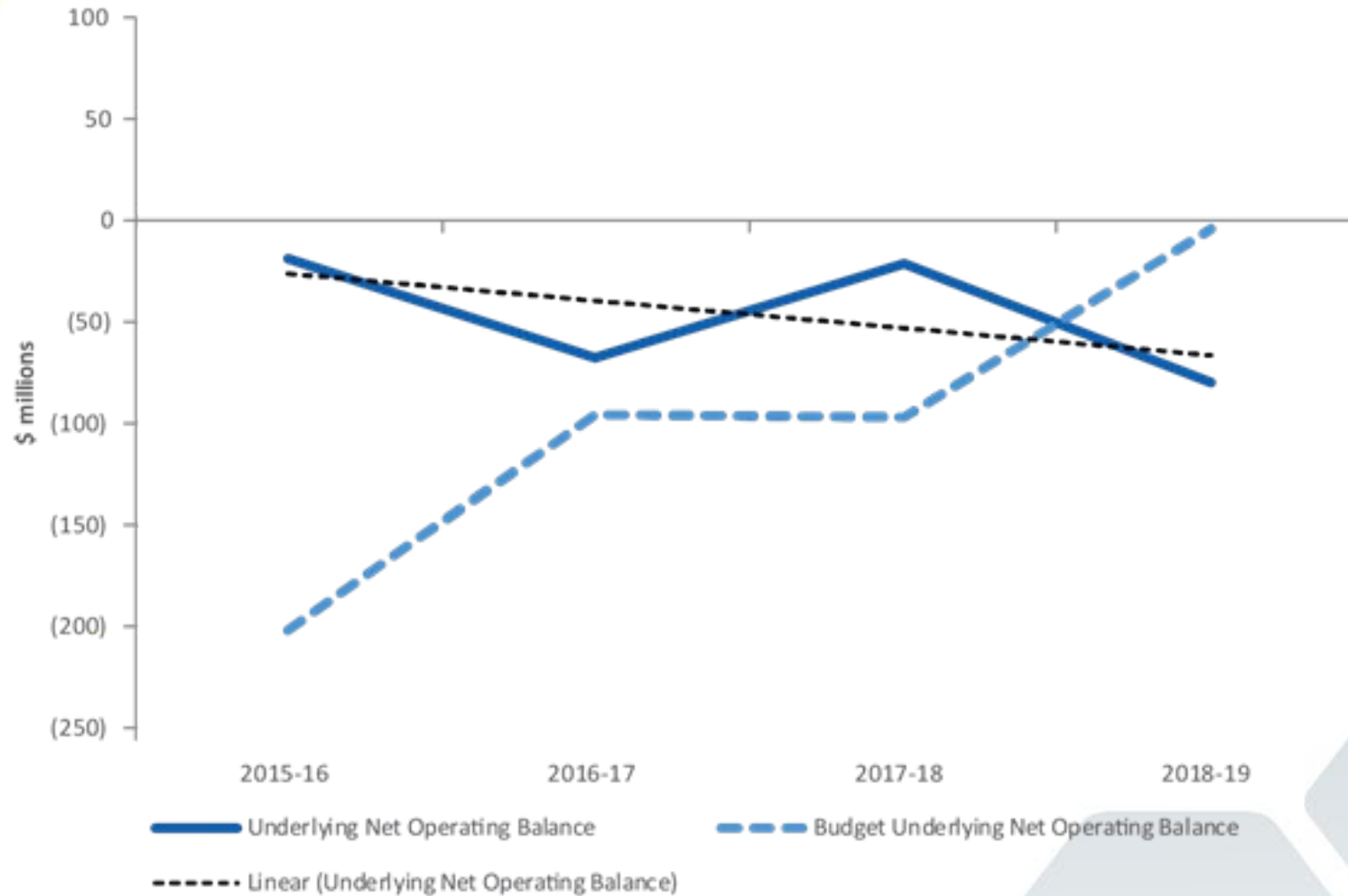
Audits dispensed with



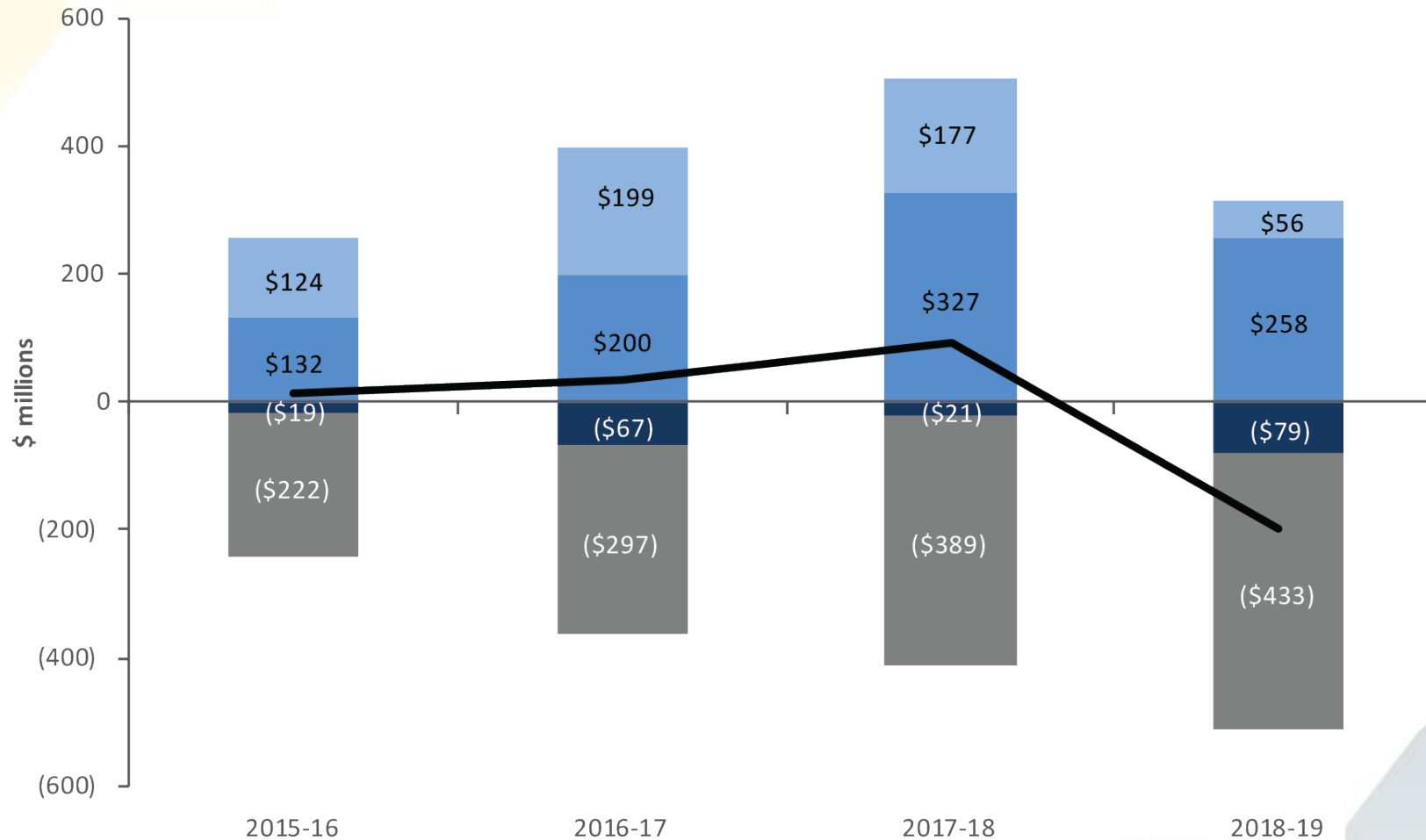
General Government Sector



GGS underlying net operating balance



TSS underlying net operating balance



GGG revenue

General Government Sector

\$3.85bn

Australian
Government
Grants

● 5%

\$1.20bn

State Taxation

● 3%

\$0.52bn

Sales of Goods &
Service Fees and
Fines

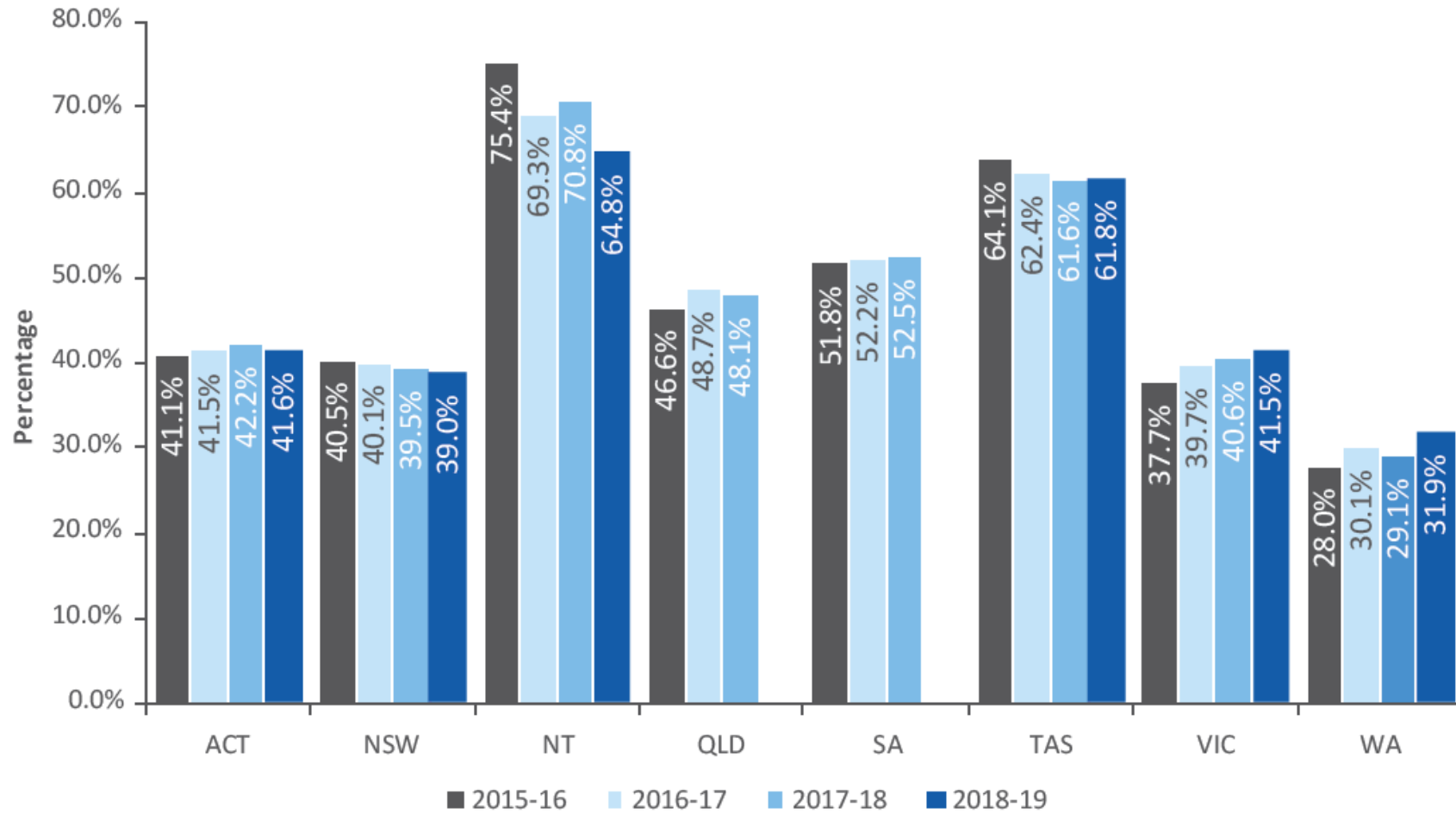
● 1%

\$0.43bn

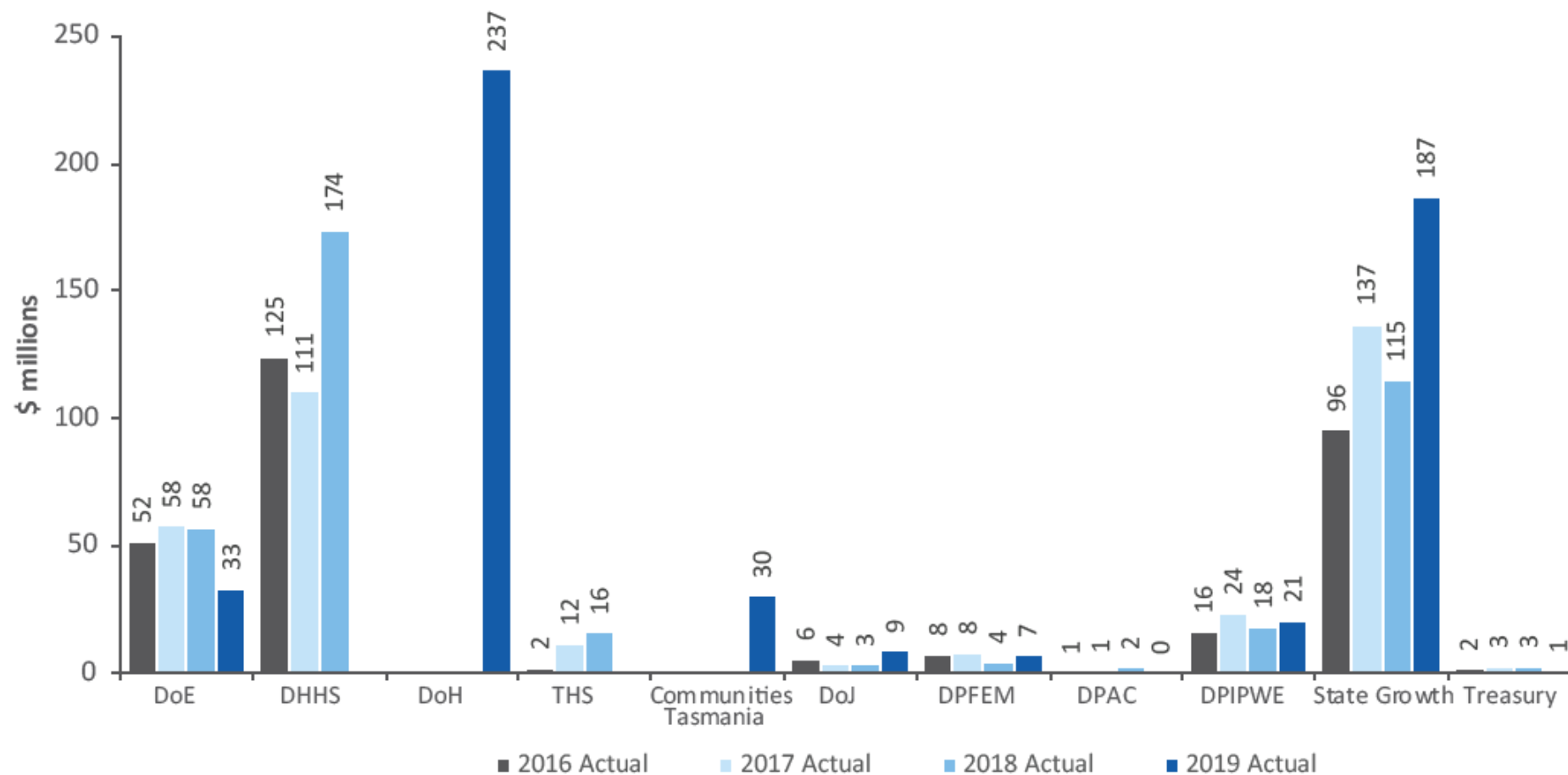
Dividends and
Income Tax
Equivalents

▲ 11%

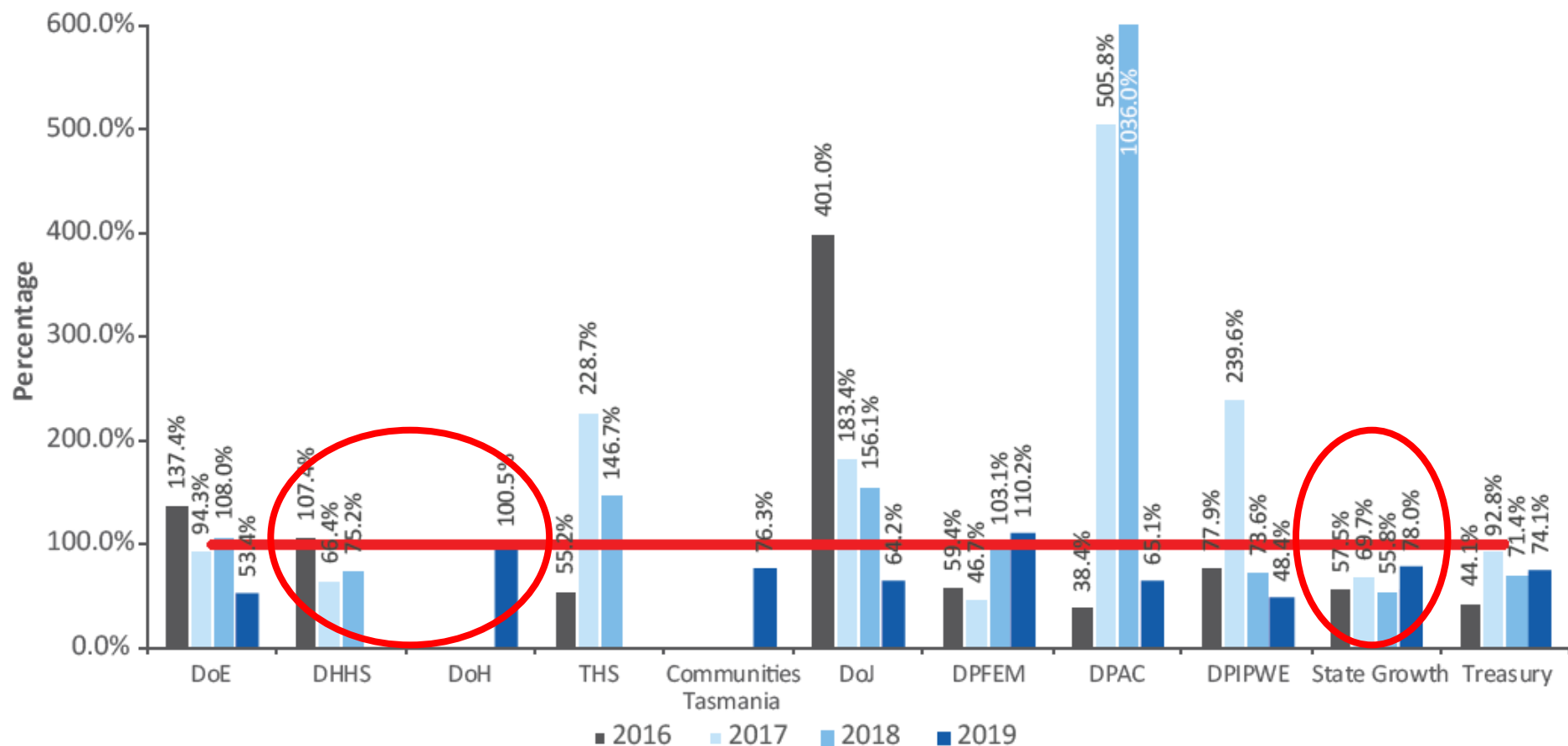
Australian Government funding



GGS capital investment



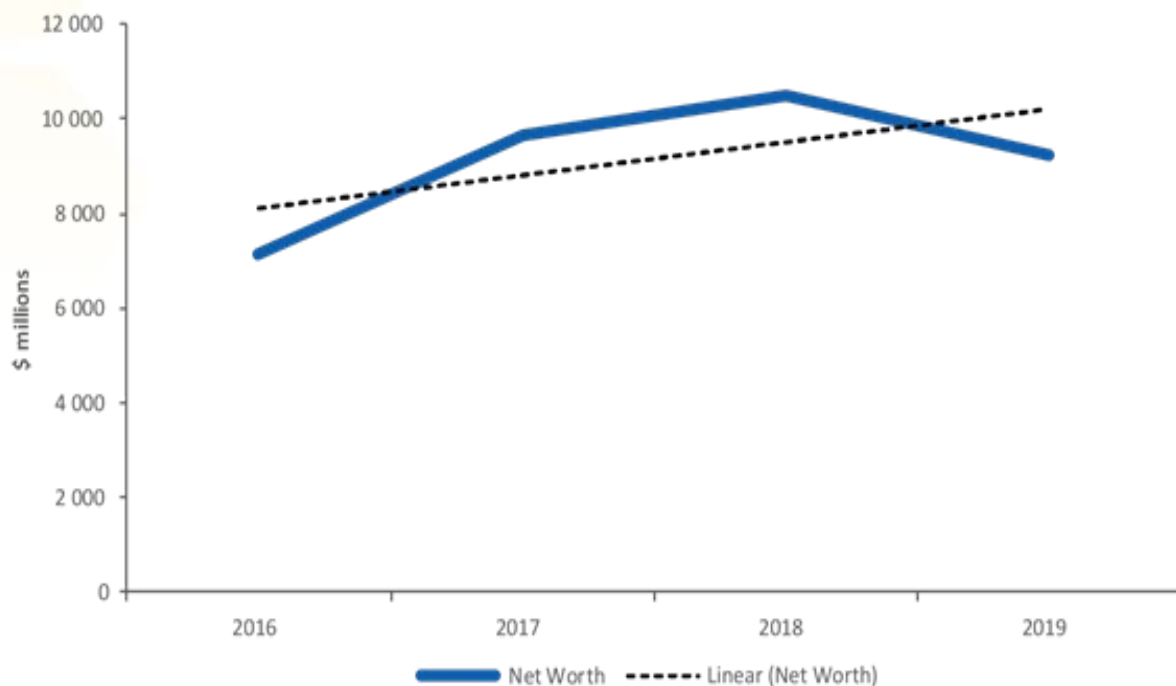
GGS capital spend compared to budget



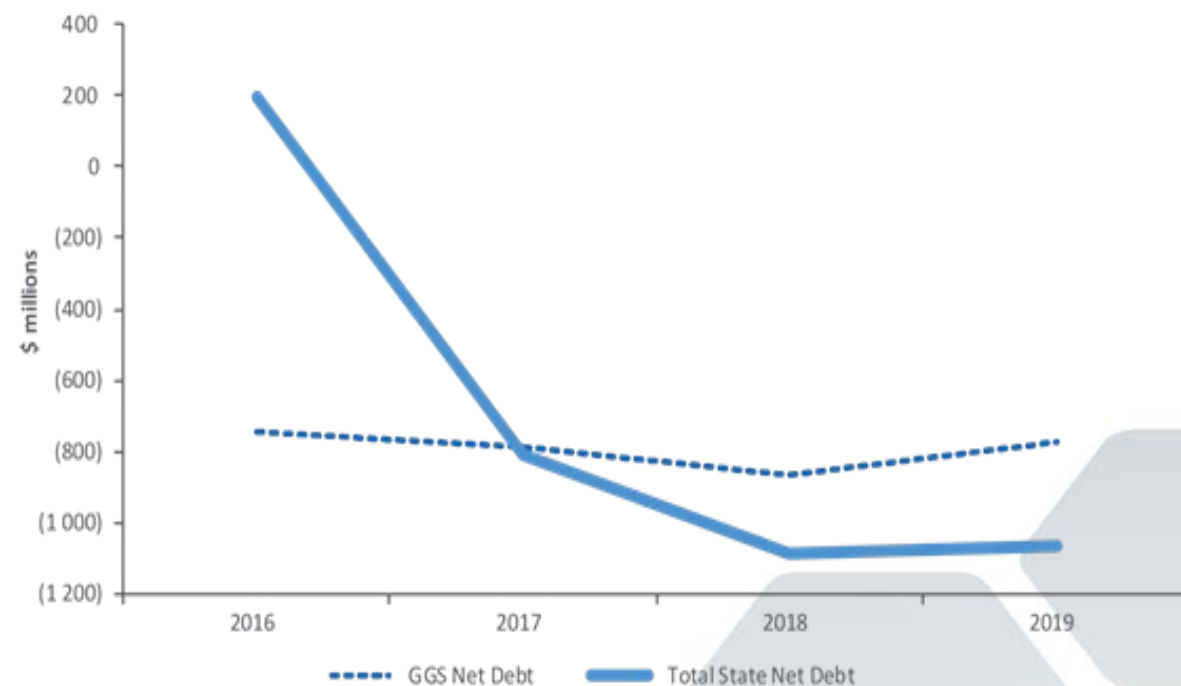
Note: DPAC has percentages that exceed the 600% axis scale.

GGs net worth and net debt

Net worth

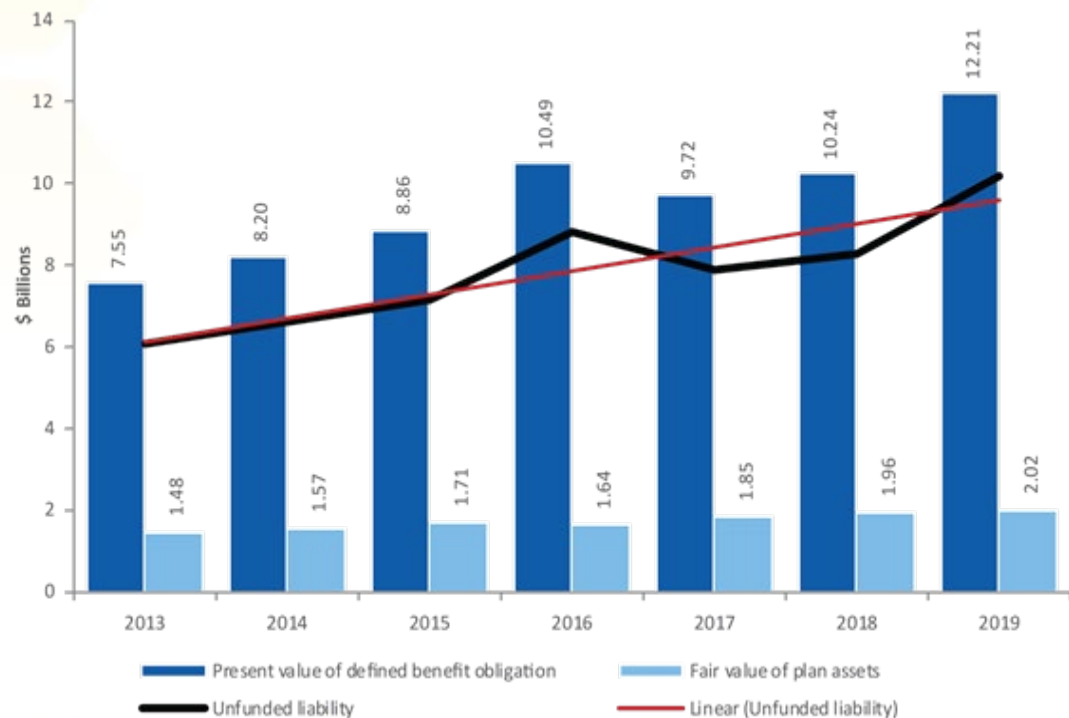


Net debt

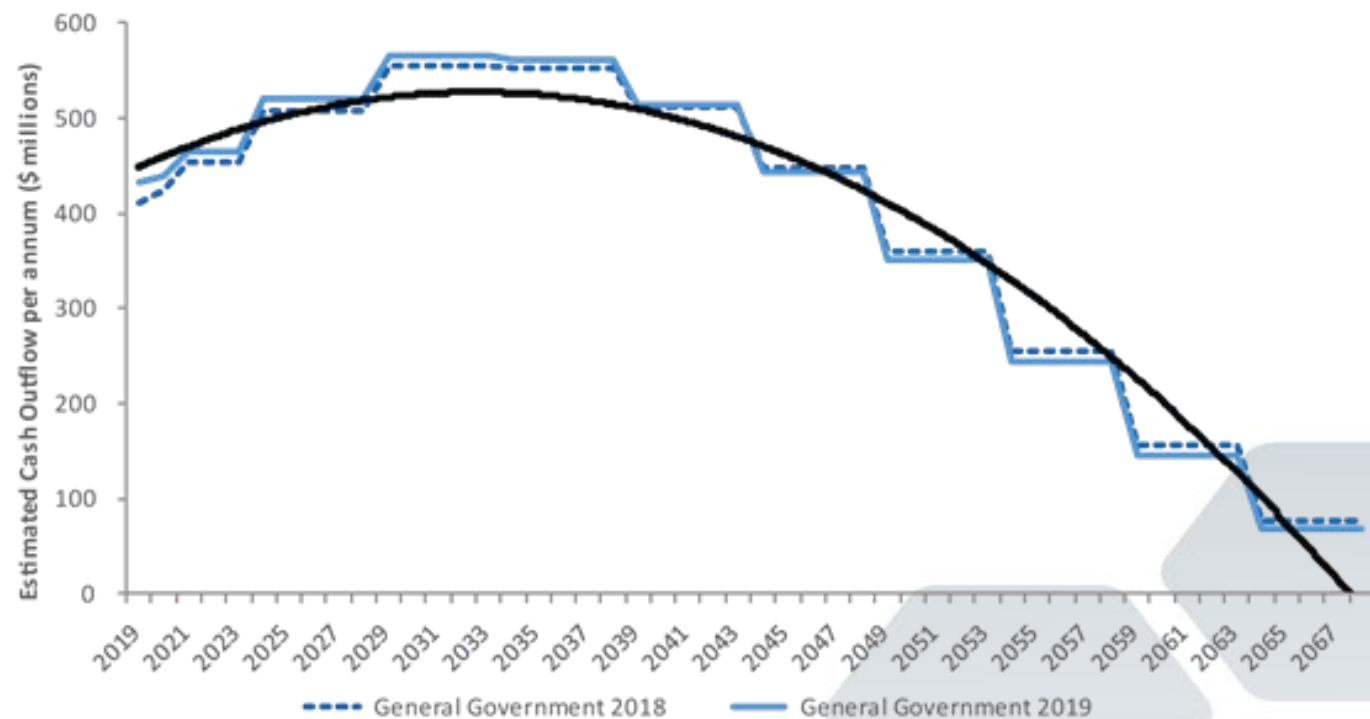


GGs defined benefit superannuation liability

Unfunded liability



Expected nominal (undiscounted) cash flows



Government businesses



Underlying result and operating margin

Underlying result

\$443m

2018-19

▼ **(18%)**

\$537m

2017-18

▲ **28%**

\$419m

2016-17

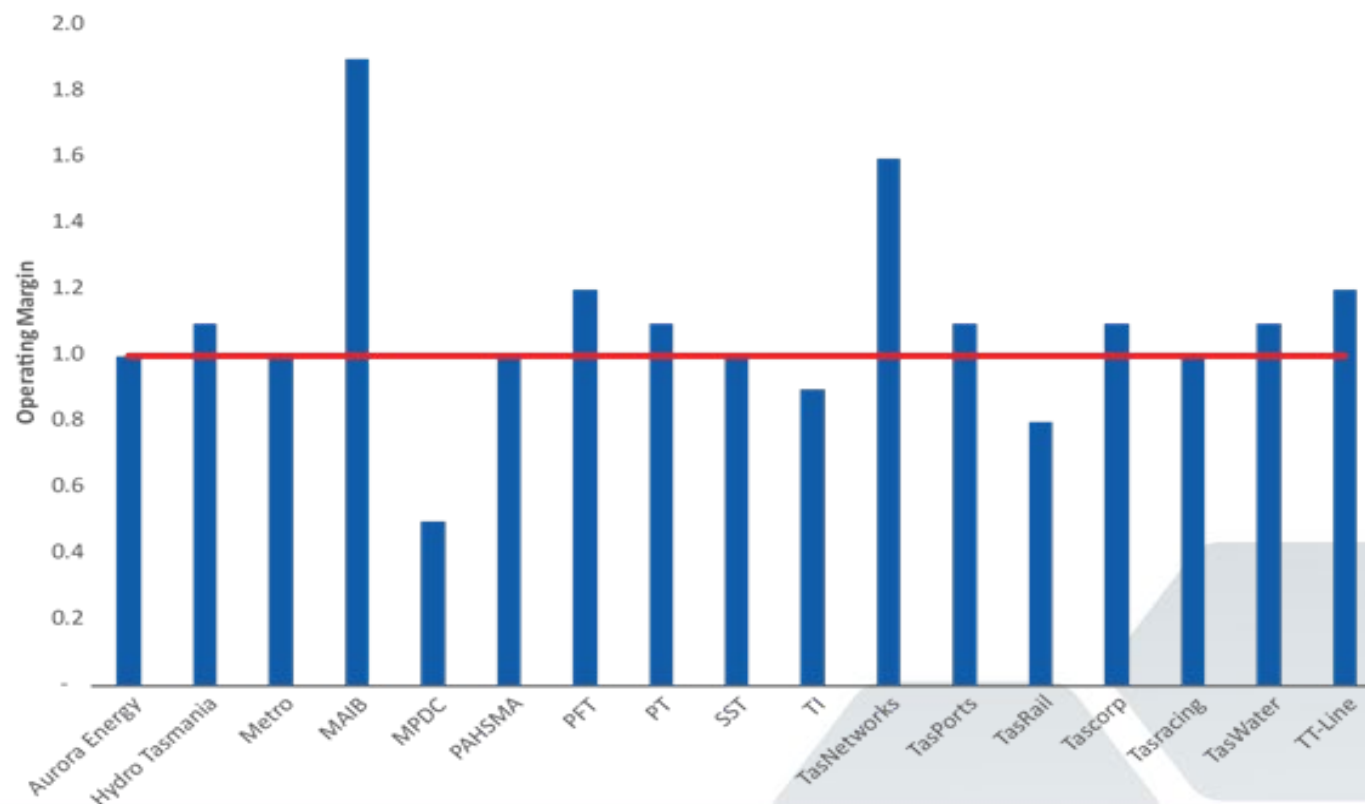
▲ **58%**

\$264m

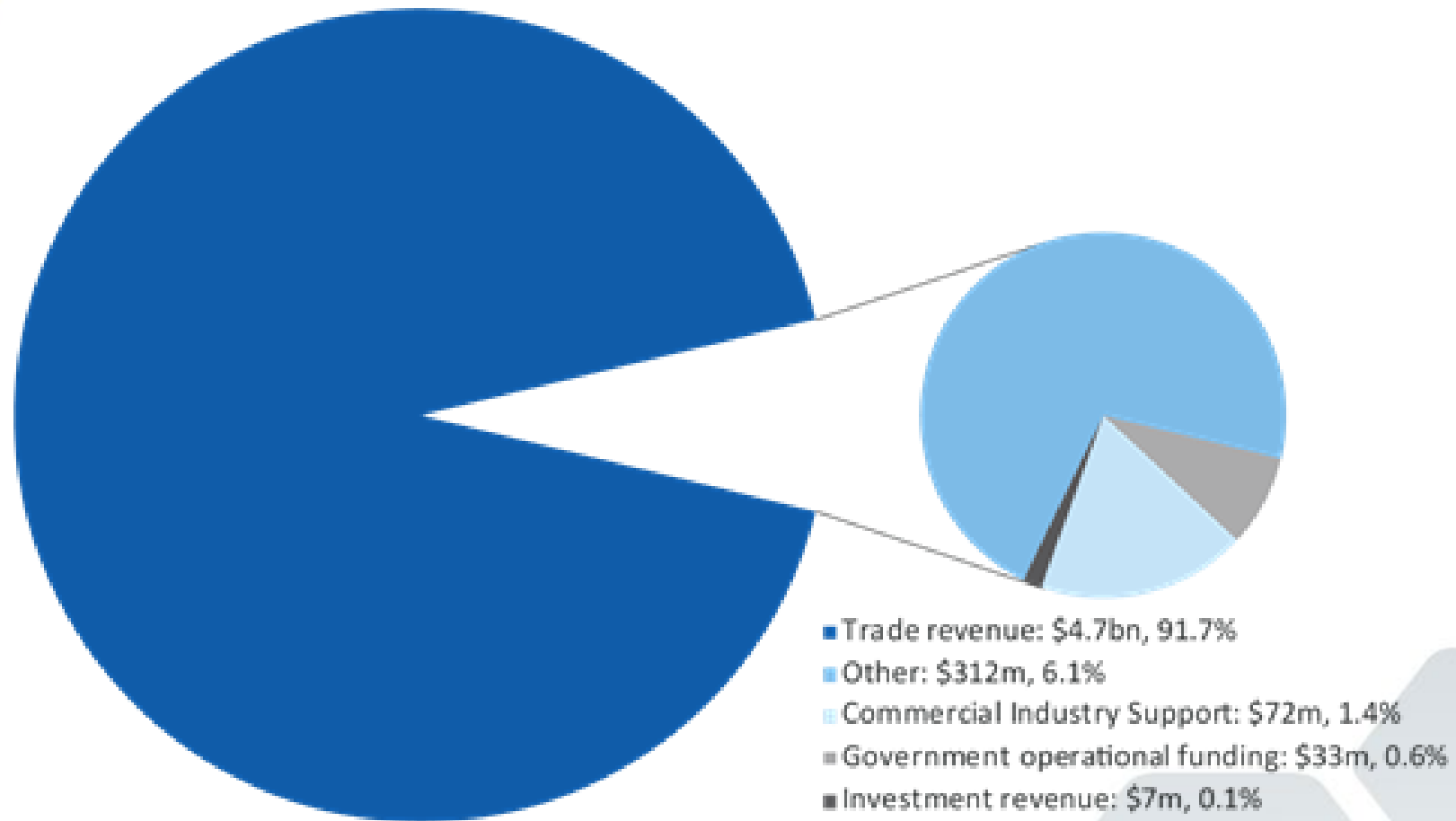
2015-16

▼ **(37%)**

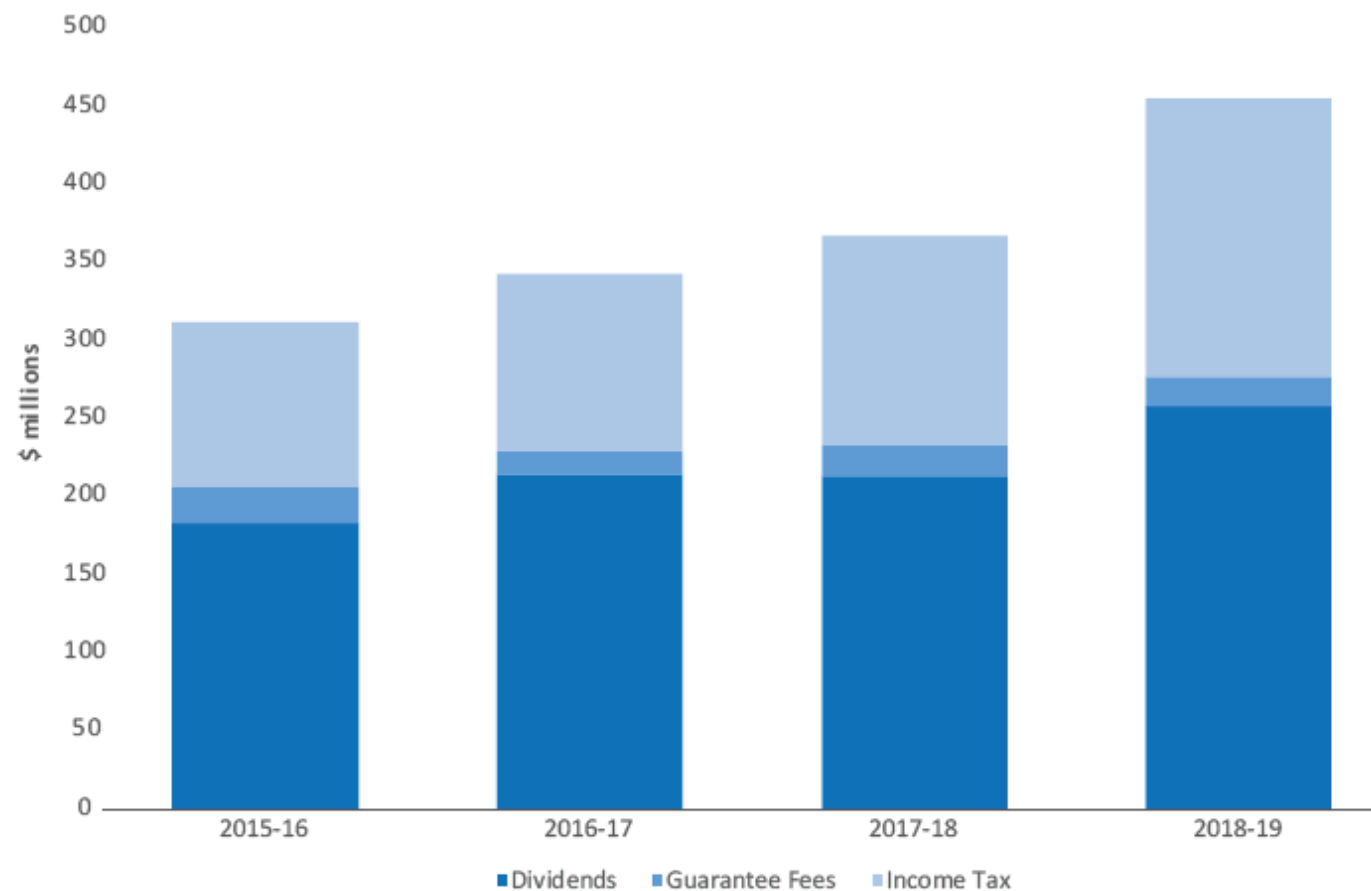
Operating margin



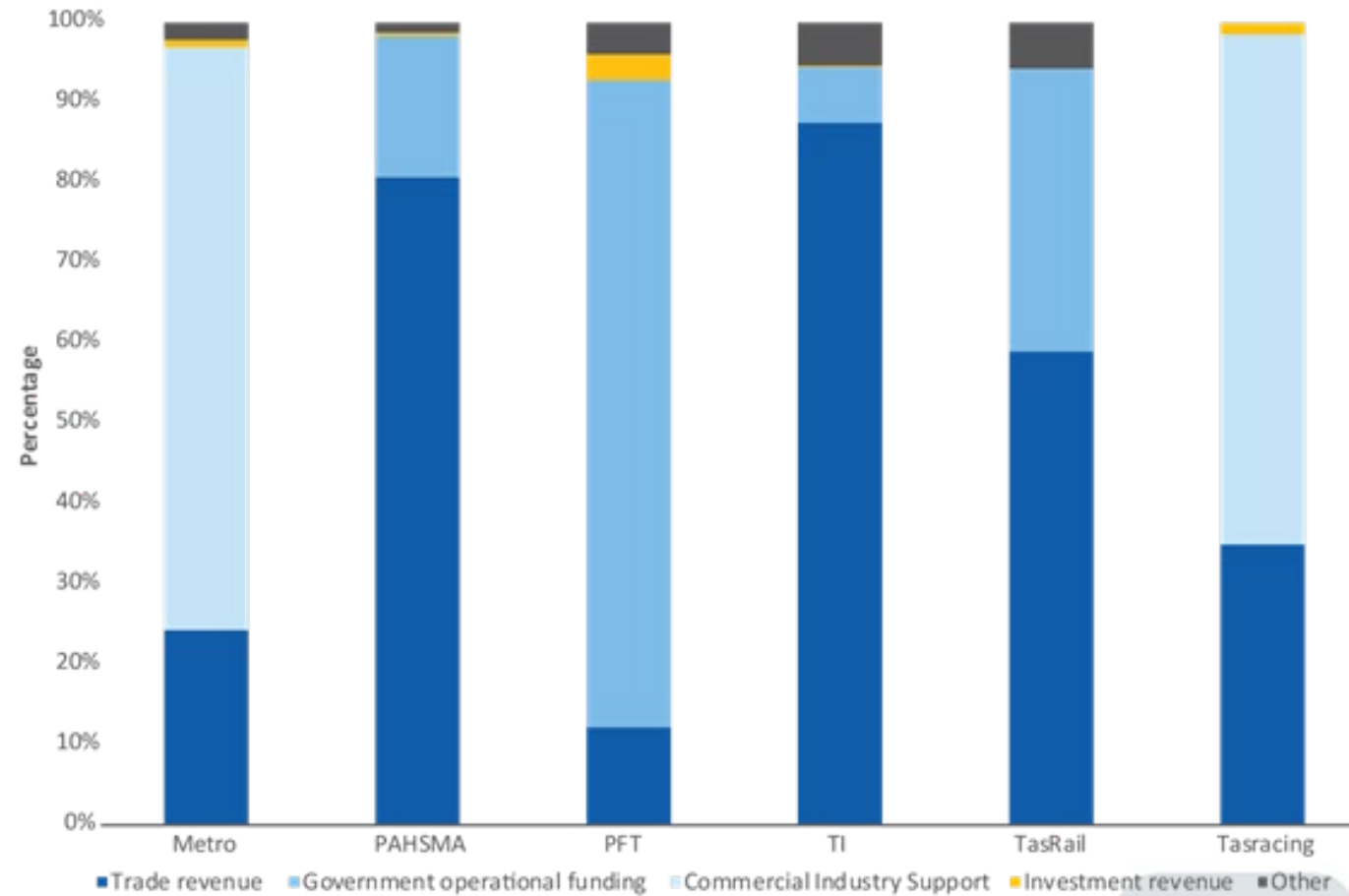
Government business revenue



Returns to government



Government support



Financing

Cash

\$434.44m

Total cash and cash
equivalents held at
30 June 2019

● **2.4%**

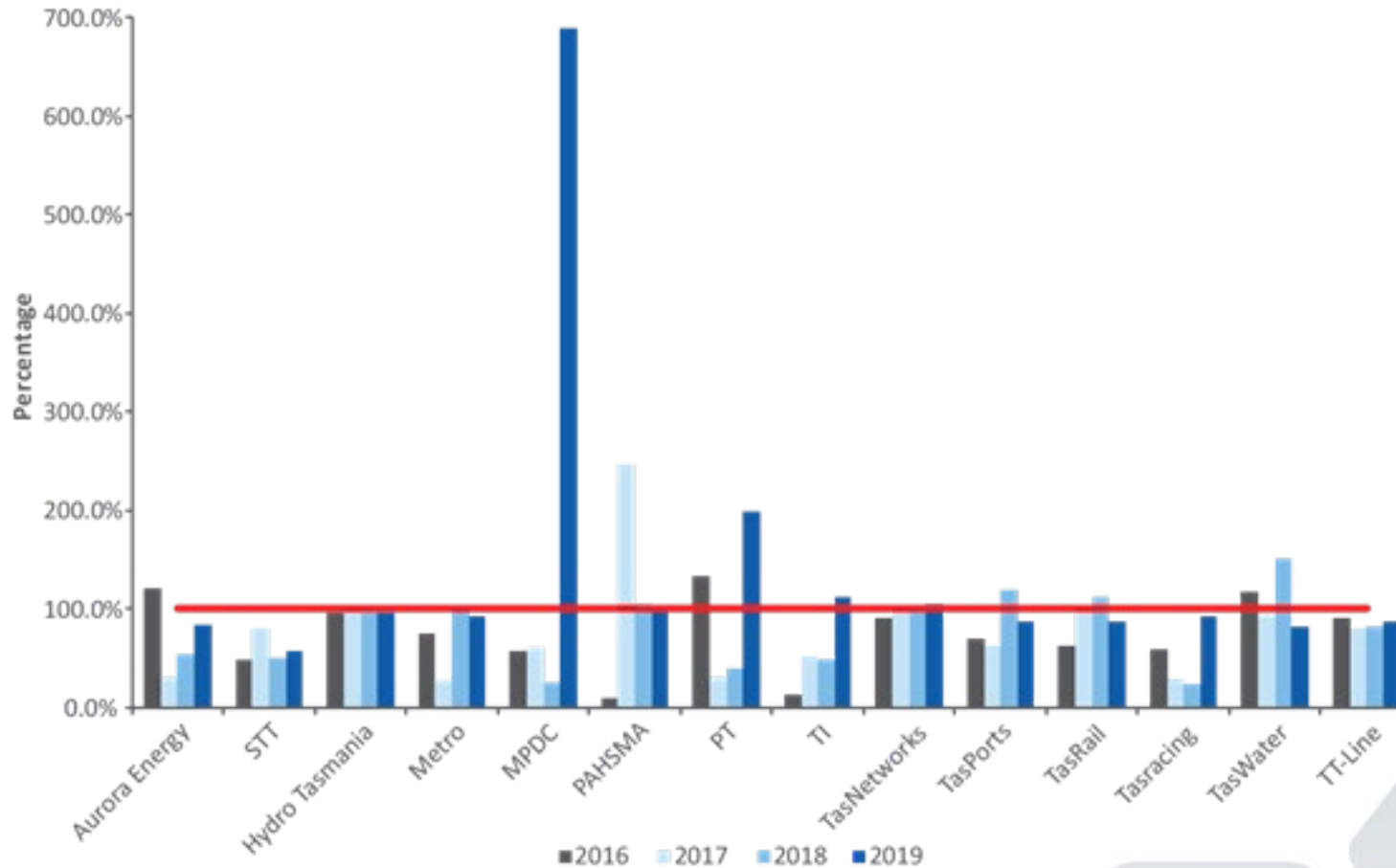
Borrowings

\$3.20bn

Total borrowings as at
30 June 2019

● **2.0%**

Capital expenditure



Recommendations
and comments
received



Recommendations

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.
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 and whether non-profitable segments of the businesses could be separated from the profitable segments of businesses.

Comments received

Hon Peter Gutwein MP, Treasurer

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.

Thank you