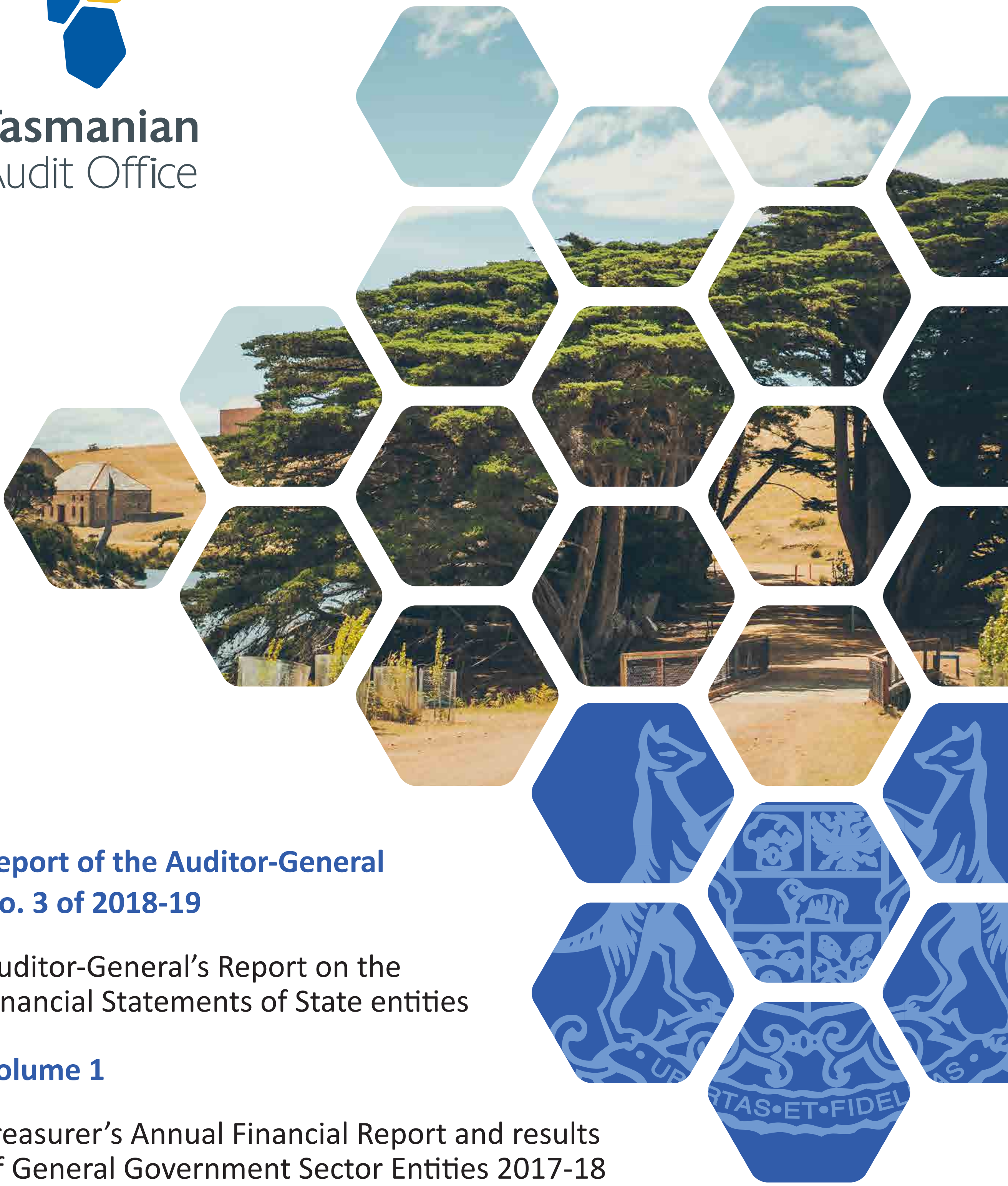
Tasmanian Audit Office



Report of the Auditor-General
No. 3 of 2018-19

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

Volume 1

Treasurer's Annual Financial Report and results of General Government Sector Entities 2017-18

November 2018

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THE ROLE OF THE AUDITOR-GENERAL

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

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

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

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

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

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

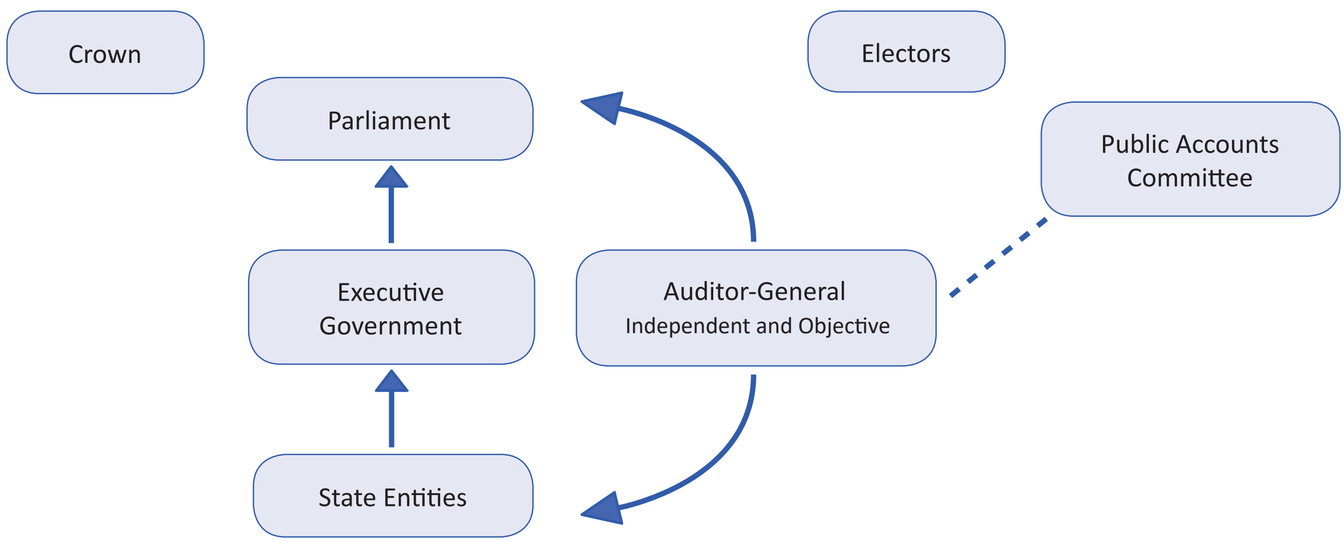
We can also carry out investigations but only relating to public money or to public property. In addition, the Auditor-General is now responsible for state service employer investigations.

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

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

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

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



2018 (No. 13)

TASMANIA

2018

PARLIAMENT OF TASMANIA

Report of the Auditor-General No. 3 of 2018-19

Volume 1

Treasurer's Annual Financial Report and results of General Government Sector Entities 2017-18

November 2018

Presented to both Houses of Parliament in accordance with the requirements of Section 29 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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27 November 2018

President
Legislative Council
HOBART

Speaker
House of Assembly
HOBART

Dear Mr President
Dear Madam Speaker

Report of the Auditor-General No. 3 of 2018-19, Auditor-General's Report on the Financial Statements of State entities, Volume 1 - Treasurer's Annual Financial Report and results of General Government Sector Entities 2017-18

In accordance with the requirements of Section 29 of the *Audit Act 2008*, I have pleasure in presenting my Report on the audit of the Financial Statements of State entities, Volume 1 - Treasurer's Annual Financial Report and results of General Government Sector Entities 2017-18.

Yours sincerely

Rod Whitehead
Auditor-General

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EXECUTIVE SUMMARY

INTRODUCTION

The Tasmanian Public Sector, also referred to as the Total State Sector (TSS), comprised the General Government Sector (GGS), the Public Non-Financial Corporations (PNFC) and the Public Financial Corporations (PFC) sectors, with entities classified according to the nature of activities they undertake.

The focus of this Report is on the GGS, which consisted of Government departments and not-for-profit State entities controlled and predominately financed by the Tasmanian Government. The primary function of these entities was to provide public services for the collective consumption of the community.

This Report includes statutory authorities and other non-profit entities not consolidated into the GGS financial statements.

GUIDE TO USING THIS REPORT

Guidance relating to the use and interpretation of financial information included in this Report can be found on our 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.

STATE ENTITIES COVERED IN THIS REPORT

The Treasurer's Annual Financial Report (TAFR) included the audited GGS and TSS financial statements and the Public Account (PA) statements. It also included other information, such as an overview of the Fiscal Strategy and the Loan Council Outcome, which were not audited. This Report provides financial analysis of the GGS and TSS sector and of the PA statements.

The Report also contains individual Chapters on each of the eight Government departments and Tasmanian Health Service (THS). The Departments include:

- Department of Education (DoE)
- Department of Health and Human Services (DHHS)
- Department of Justice (DoJ)
- Department of Police, Fire and Emergency Management (DPFEM)
- Department of Premier and Cabinet (DPAC)
- Department of Primary Industries, Parks, Water and Environment (DPIPWE)
- Department of State Growth (State Growth)
- Department of Treasury and Finance (Treasury)

A separate Chapter has been included on the operations of the Superannuation Commission and the results of the audit of the Retirement Benefits Fund for the years ending 30 June 2017 and 30 June 2018.

For 2017-18, each Chapter includes infographics that provide a snapshot of key data or statistical information applicable to the entity.

In addition, results and assessments of the financial performance and position of other GGS entities, Executive and Legislature and other State entities have been summarised in a separate Chapter.

DEVELOPMENTS

Administrative restructure of departments

On 1 July 2018, the Department of Health and the Department of Communities Tasmania were established. The two departments included the operations of DHHS, which ceased on 30 June 2018 and the transfer of Community Development, Sport and Recreation, Tasmanian Institute of Sport, the Silverdome and administrative responsibility for the Tasmanian Community Fund from 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 will continue as a separate legal entity reporting directly to the Secretary of the Department of Health with a THS Executive maintaining a focus on State-wide planning.

Parliament Square

In September 2017 as part of the whole of government accommodation consolidation project, over 900 employees from 10 different locations across the Hobart central business district relocated into the Parliament Square precinct in Hobart.

Financial Management Act 2016

The new *Financial Management Act 2016* (FMA) received royal assent on 17 October 2017. The FMA broadens the scope of Tasmania's financial management framework. Currently, only government departments and parliamentary and integrity entities operate within the financial management framework, with other GGS entities operating in accordance with their individual enabling legislation. The new FMA included all GGS entities under a single framework.

During 2017-18, Treasury continued to develop a new financial management framework to support the implementation of the FMA which will commence operation on 1 July 2019. Associated Treasurer's Instructions will be issued and also apply from 1 July 2019. Until they have been released, the full impact of the new Act on financial reporting cannot be determined.

SECTOR ANALYSIS

FINANCIAL SNAPSHOT 2017-18

This Chapter contains an analysis of the GGS and TSS financial statements and the PA statements. Comments should be read alongside TAFR. The major focus of this Chapter is to compare 2017-18 results with the previous year and analyse trends over the past four years or a longer period where relevant.

In preparing this Chapter, we amended the Statement of Comprehensive Income and Statement of Cash Flows 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, we excluded one-off capital funding transactions, items which were outside the normal course of operations and non-recurring items. We refer to the result after adjusting for these items as the 'Underlying Net Operating Balance', which may differ from the Underlying Net Operating Balance disclosed in TAFR. 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. The Underlying Net Operating Balance measure was developed at a time when there were abnormally high levels of one-off Australian Government funding for infrastructure projects.

To be consistent with TAFR, figures in this Chapter are shown as whole dollars for millions, with billions reflected with two decimal places. Dollar amounts presented in tables, the text and figures have been rounded.

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

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

UNDERLYING NET OPERATING BALANCE

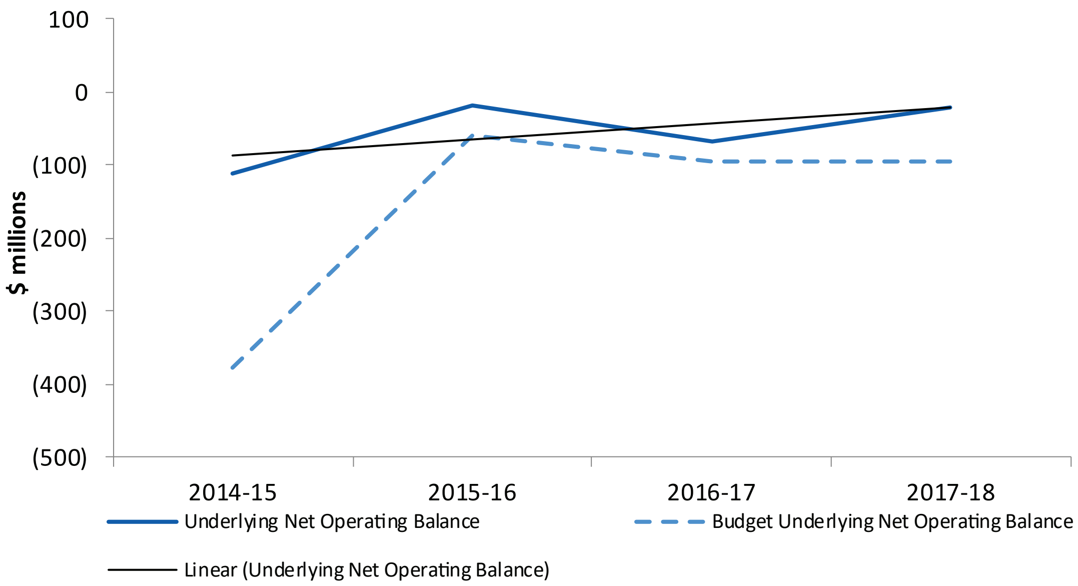
General Government Sector

($21m)	**($67m)**	**($19m)**	**($111m)**
2017-18	2016-17	2015-16	2014-15
▲ **68%**	▼ **253%**	▲ **83%**	▲ **57%**

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

Figure 1 provides an overview of underlying results for the past four years. It shows that the GGS Underlying Net Operating balance improved each year, except 2016-17, with the trend showing improvement over the four year period.

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



The GGS Underlying Net Operating Balance was a deficit of $21m for 2017-18, a decrease of $46m from the deficit of $67m reported last year. This decreased deficit was due to revenue increasing by $338m, whereas expenses only increased by $293m. Increases in employee costs and superannuation contributions totalled $173m, which accounted for more than half of the increase in expenditure.

This year's Underlying Net Operating Balance deficit was an improvement on the budget deficit of $96m. Actual revenue was $219m higher than budgeted revenue and actual expenditure was $147m higher than budgeted expenditure. Explanations for revenue and expense variations from budget are explained in TAFR.

Total State Sector

$73m	$10m	$26m	($115m)
2017-18	2016-17	2015-16	2014-15
▲ 630%	▼ 62%	▲ 123%	▼ 259%

The Total State Underlying Net Operating Balance was a surplus of $73m in 2017-18, an improvement of $63m from the surplus reported in the prior year. The improved result reflects the decrease in the GGS deficit and improvement in the PNFC.

Figure 2 provides an overview of underlying results for the past four years. It shows that although the Total State Underlying Net Operating balance varied over the past four years, it was trending in a positive direction, consistent with the GGS result.

Figure 2: TSS Underlying Net Operating Balance (4-year trend)

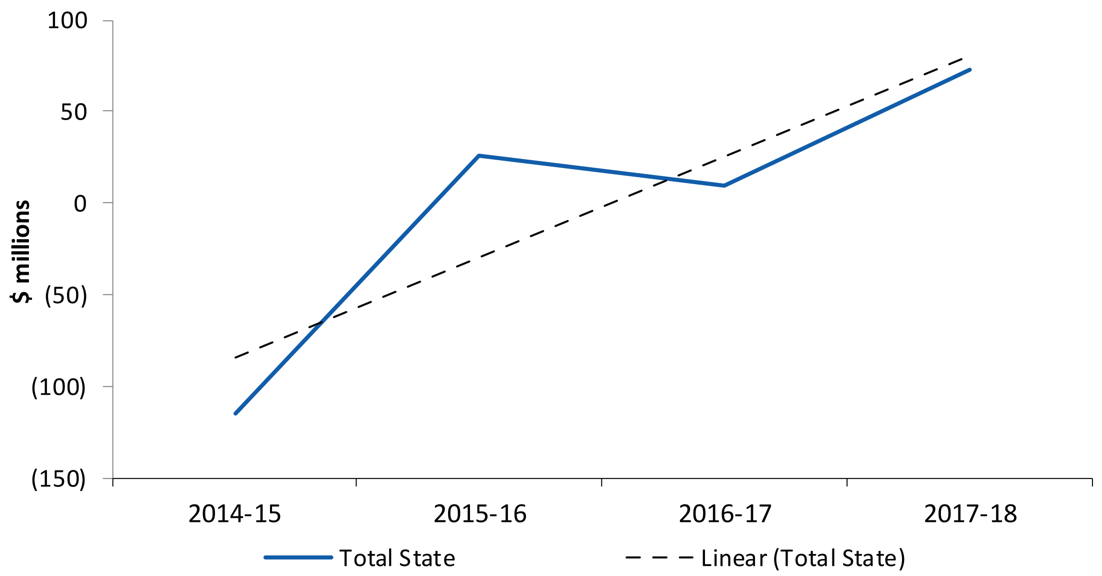
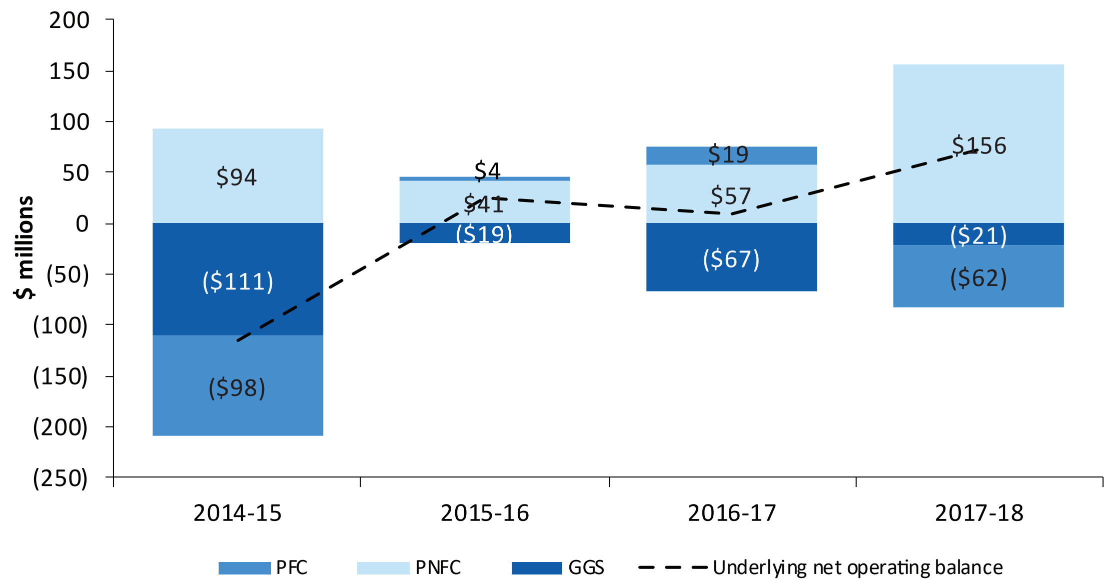


Figure 3 shows the TSS Net Underlying Operating Balance disaggregated into GGS, PFC and PNFC sectors, before inter-sector eliminations.

Figure 3: Disaggregated TSS net underlying operating balance



The TSS recorded a surplus result in each of the past three years. Figure 3 shows the surplus results were driven by the PNFC sector. The underlying operating balance results for the PFC sector fluctuated over the four year period, with deficits recognised in 2014-15 and 2017-18.

REVENUE

General Government Sector

$3.66bn	$1.16bn	$0.52bn	$0.39bn
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 $5.95bn in 2017-18. This was $338m, or 6.0%, higher than last year. The increase was mainly the result of higher general purpose grant payments and Specific Purpose Payments included as part of other Australian Government grant payments and increased State taxes and dividends.

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

The dependence on Australian Government grant funding, and in particular Goods and Services (GST) revenue, continued to represent a high fiscal risk to the State's budget. Tasmania's GST revenue was linked directly to the State's share of the national population, the size of the GST revenue pool and Tasmania's relativity factor. GST revenue collections are highly sensitive to changes in national consumer spending. Australian Government grant funding presented a further risk in that the Commonwealth Grants Commission assessed the level of total funding received by each state in determining its relative financial needs and GST requirements. Where Tasmania received a level of Australian Government funding above the national average, or where it was the only recipient, the State's GST revenue share decreased.

The inherent uncertainty associated with distribution of GST revenue and other funding from the Australian Government was also identified as a key risk by Treasury in its Tasmanian Government Fiscal Sustainability Report issued in April 2016.

GST revenue represented 80.7% of Australian Government sourced revenue (2017, 79.4%).

Figure 4 is a comparison of the level of reliance on Australian Government grant funding as a percentage of total GGS revenue across all states and territories.

Figure 4: 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 62.1% over the last 4 years. Only the Northern Territory recorded higher with 70.3%.

On 18 October 2018, the Australian Government introduced legislation into the Australian Parliament to change the basis for the distribution of GST revenue. Under the *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Bill 2018* the method used to distribute GST grants from the Australian Government to the Australian states and territories (the states) will change the method of Horizontal Fiscal Equalisation, introducing a floor guaranteeing the states a minimum proportion of the GST pool, and by increasing the GST pool. The Productivity Commission will conduct an inquiry at the end of the transition period to assess whether the updated system worked efficiently and operated as intended.

The Bill had not been passed by the Australian Parliament at the time of this Report.

Total State Sector

$3.66bn	$1.12bn	$3.94bn	$0.44bn
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 $9.16bn in 2017-18. This was $675m, or 8.0%, higher compared to last year. The increase was principally due to increased sales of goods and services of $448m, stemming from the PNFC sector. Revenue for Australian Government grants and State taxation mirror the results within GGS, after accounting for inter-sector eliminations.

A detailed analysis of revenue within the PNFC and PFC sectors is included within *Volume 2 - Government Businesses 2017-18* of this Report to Parliament.

CAPITAL INVESTMENT

Ongoing investment in infrastructure is a key element of the Tasmanian Government's Fiscal Strategy and 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
2017-18 Budget and Forward Estimates period, the Tasmanian Government allocated $2.12bn to infrastructure investment.

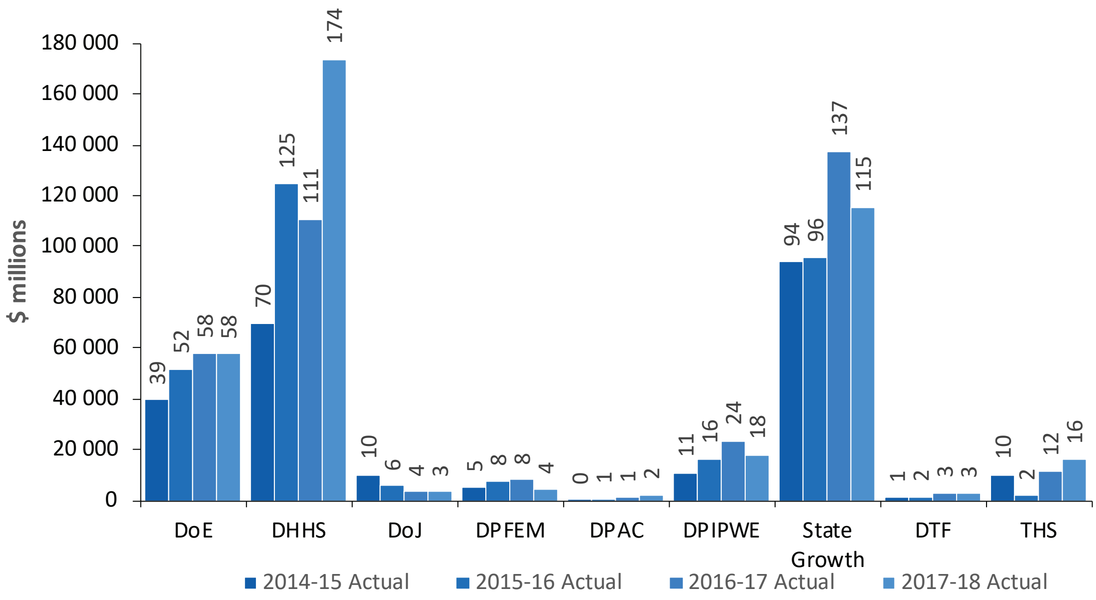
Major infrastructure expenditure planned over this period includes:

- $494m for health and hospitals ($389m for the Royal Hobart Hospital Redevelopment)
- $707m for roads funding
- $117m for education and LINCs infrastructure projects
- $335m of capital provisions set aside by the Tasmanian Government, which will be allocated to future infrastructure investment projects or used to provide capacity to meet cost variation and the impact of the re-scheduling of projects.

For 2017-18, GGS cash payments for non-financial assets totalled $436m, in comparison to the original budget of $603m.

Figure 5 shows the actual cash payments for acquisition of non-financial assets over the past four years for each Department and THS.

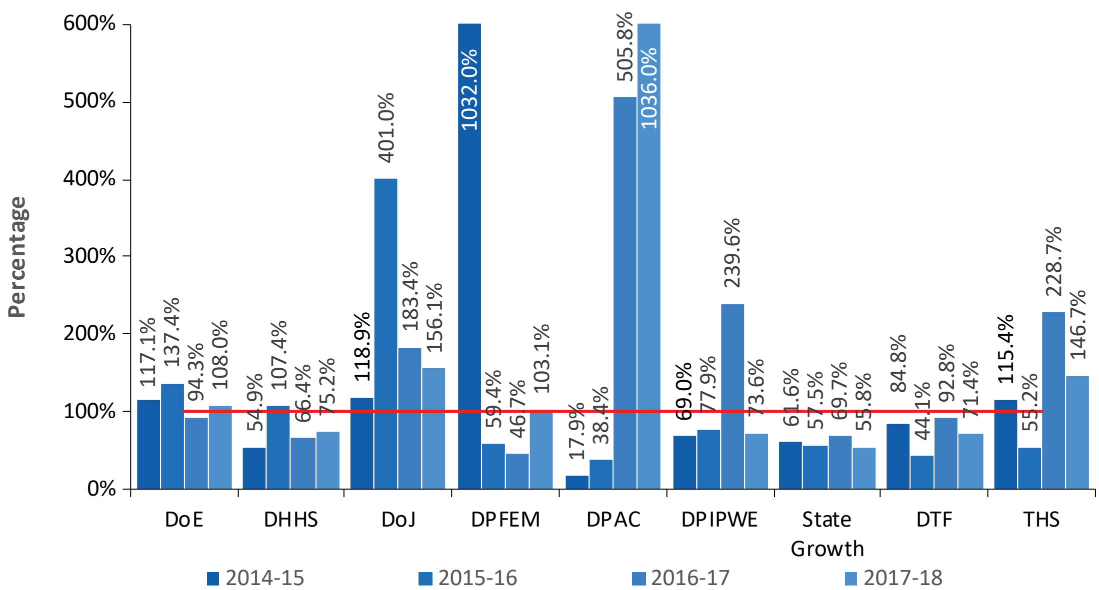
Figure 5: Actual capital expenditure



DHHS had the highest level of capital expenditure over the last 4 years with an annual average of $120m, followed by State Growth and DoE with $111m and $52m, respectively.

Figure 6 shows the percentage actually spent on capital expenditure as a percentage of budget over 4 years.

Figure 6: Percentage spend of budgeted capital expenditure



Note: DPFEM and DPAC have percentages that exceed the 600% axis scale.

Most Departments had not spent their allocated capital budget over the last four years. Departments with the highest capital expenditure in dollar terms consistently did not spend allocated capital budgets within the year, as noted below:

- State Growth, spent $115m in 2017-18, which was only 55.8% of allocated budget of $207m. Over the past four years, State Growth spent only 61.2% of their capital budget
- DHHS spent $173m in 2017-18 of their $231m budget, with only 74.8% of their capital budget spent over the last four years.

Major variances between actual and budgeted capital spend were due to timing and re-prioritisation of capital programs as outlined below:

- State Growth spent $91m less than budgeted amount, primarily due to timing adjustments to the Roads Program and Capital Program including:
    - Midland Highway, $63m
    - Hobart Airport Interchange, $5m
    - Domain Highway planning, $4m
    - Huon Highway/Summerleas Road, $4m
    - Bridge Strengthening on Esk and Tamar Highways, $4m
    - Colebrook Main Road, $2m.
- DHHS spent $57m less than their budgeted amount, due to revised cash flows associated with the Royal Hobart Hospital Redevelopment, $70m. This decrease is partly offset by an increase of $7m in expenditure on Housing Projects.

With State Growth and DHHS consistently spending below capital expenditure targets over the past four years, it appears the Tasmanian Government has set unachievable capital budgets. This may have an adverse flow on effect if new capital projects are budgeted to commence where existing capital projects are behind on scheduled completion.

Although these budget shortfalls were impacted by significant projects, such as the Midland Highway and the Royal Hobart Hospital Redevelopment, there is still a concern as to whether the State has the capacity to undertake additional capital projects when current performance suggests existing capital expenditure targets are difficult to achieve.

NET WORTH AND NET DEBT

GGS		TSS	
$10.50bn	($0.86bn)	$10.50bn	($1.09bn)
Net Worth	Net Debt	Net Worth	Net Debt

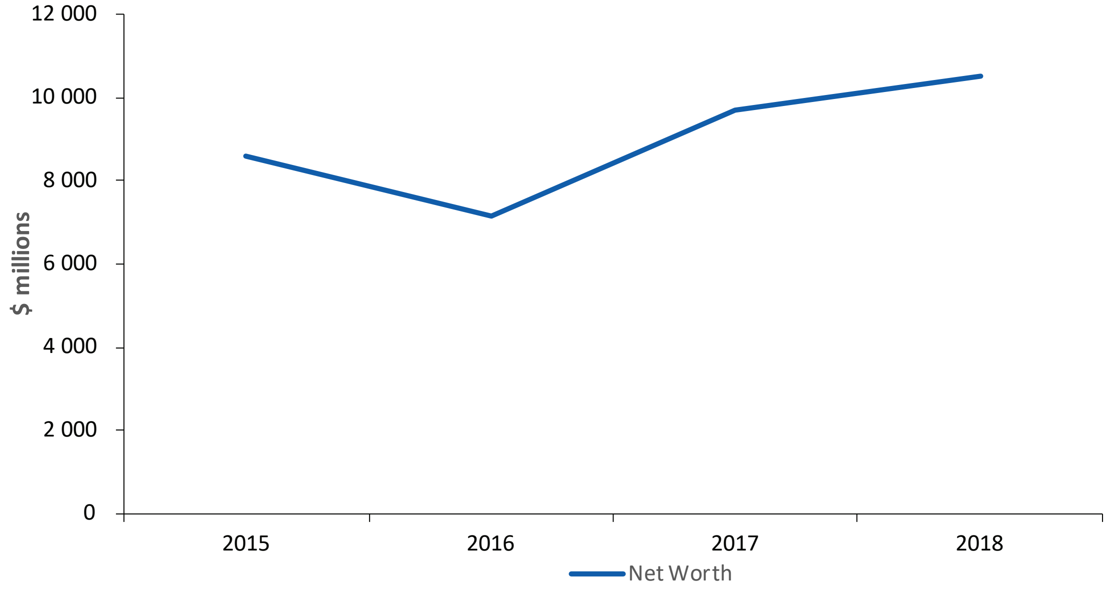
Net Worth

GGS Net worth, also referred to as net assets, increased by $822m to $10.50bn at 30 June 2018. Net worth was calculated as total assets less total liabilities. Net worth included non-financial assets such as land and other infrastructure assets, which may be sold and used to repay debt. It also included certain financial assets and liabilities not captured by the Net debt measure, most notably, accrued employee superannuation liabilities, ownership of equities, debtors and creditors.

Figure 7 shows GGS Net Worth increased in the last two years following a downward movement in 2016. The current year result reflected increased non-financial assets of $1.08bn, relating to capital acquisitions and revaluations, partially offset by increased superannuation liabilities of $404m.

Equity investments are included in GGS Net Worth, however these balances 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 the GGS and TSS.

Figure 7: Net Worth (4-year trend)

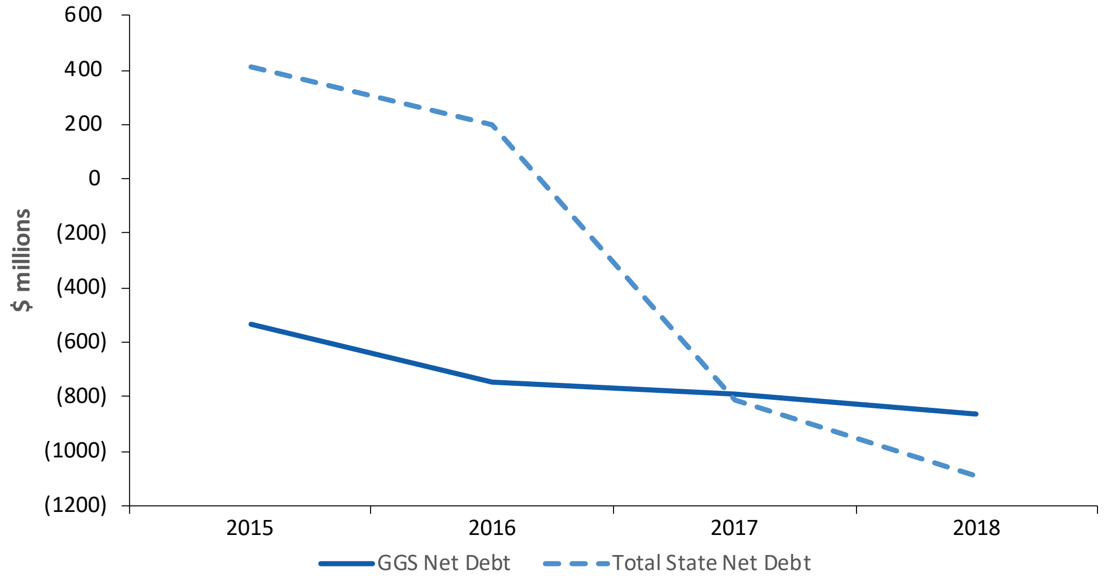


Net Debt

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 negative Net debt being $864m at 30 June 2018. The actual position was better than budgeted negative Net debt of $452m and the level of negative Net debt continued to grow since June 2014.

Figure 8 provides an overview of GGS and TSS Net Debt for the past four years. It shows the GGS Net Debt steadily decreased from 2014-15 which shows a positive trend as cash, deposits and investments exceeded borrowings.

Figure 8: Net Debt (4-year trend)



The GGS Net debt level was consistent with the prior year, improving to $864m, with the movement principally due to decreased borrowings.

The Total State result continues to improve to a negative Net Debt figure of $1.09bn in the current year. The $278m Net debt improvement was due to:

- Total State borrowings decreased by $79m from $6.17bn to $6.09bn
- Cash and deposits increased by $250m to a total $623m
- Total State Investments decreased by $51m from $6.60bn to $6.55bn.

FISCAL STRATEGY

The Tasmanian Government's Fiscal Strategy is based on enduring principals of strong and sound financial management that should be pursued, regardless of changes in the financial and economic environment.

To address these principals, the Fiscal Strategy established six key strategic actions to be pursued:

1. Annual growth in General Government operating expenses will be lower than the long-term average growth in revenue
2. General Government debt and defined benefit superannuation liabilities will be managed to ensure the combined annual servicing cost is less than six per cent of General Government cash receipts
3. A competitive tax environment will be maintained with an objective for state taxes to be efficient, fair, simple, stable and sustainable
4. Tasmanian Government businesses will be required to deliver services to Tasmanians at the lowest sustainable cost, while also providing an appropriate financial return to the Tasmanian Government
5. Tasmanian Government infrastructure investment will maintain existing assets, respond to economic and population growth and reflect the changing needs of the community
6. Public sector efficiency, productivity and financial transparency will be improved.

Following our audit of TAFR, we examined the strategic actions that included financial measures, those being Strategic Actions 1, 2 and 5.

Strategic Action 1. Annual growth in General Government operating expenses will be lower than the long-term average growth in revenue.

The long-run revenue growth rate was 4.8% as at the end of 2017-18 (calculation based upon the per annum increase from 1999-00 actuals to 2017-18 actuals). This compares to annual growth in GGS expenditure of 5.2% for the 2017-18 year. The expenditure growth increase was principally due to employee costs, $182m or 7.6%, and Supplies and Consumables, $80m or 6.5%.

Strategic Action 2. General Government debt and defined benefit superannuation liabilities will be managed to ensure the combined annual servicing cost is less than six per cent of General Government cash receipts.

During 2017-18, the total of borrowing costs and defined benefits superannuation expense amounted to $255m. This figure equated to 4.1% of GGS cash receipts, which meant, for the 2017-18 financial year, the result is well below the established maximum of 6.0%.

Strategic Action 5. Tasmanian Government infrastructure investment will maintain existing assets, respond to economic and population growth and reflect the changing needs of the community.

During 2017-18, the GGS invested $436m in non-financial assets. This investment was $163m greater than depreciation of $273m. However, the GGS figure does not distinguish between capital works on new assets in contrast to replacement assets. If expenditure on new assets was excluded from the calculation it would give a better reflection of investment in existing assets and provide a better comparison to the annual depreciation charge.

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 has been closed to new members. The Commission has no resposibilty 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 to Treasury, rather than through operating expenses charged directly against scheme assets.

In 2017-18, it was determined the Commission was a State entity and subject to audit. Details of the audit and its outcomes are detailed later in this Report.

Defined benefit superannuation liability

At 30 June 2018, the GGS unfunded defined benefit liability was $8.28bn (30 June 2017, $7.87bn).

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

- Defined Benefit Contributory Scheme, $8.22bn ($7.81bn)
- Parliamentary Superannuation Schemes (PSF and PRBF), $16m ($17m)
- Judges Contributory Pensions, $36m ($36m)
- TASSS, $5m surplus ($1m), recognised in the financial statements of DHHS
- Housing Tasmania superannuation liability, $7m ($12m), recognised in the financial statements of DHHS.

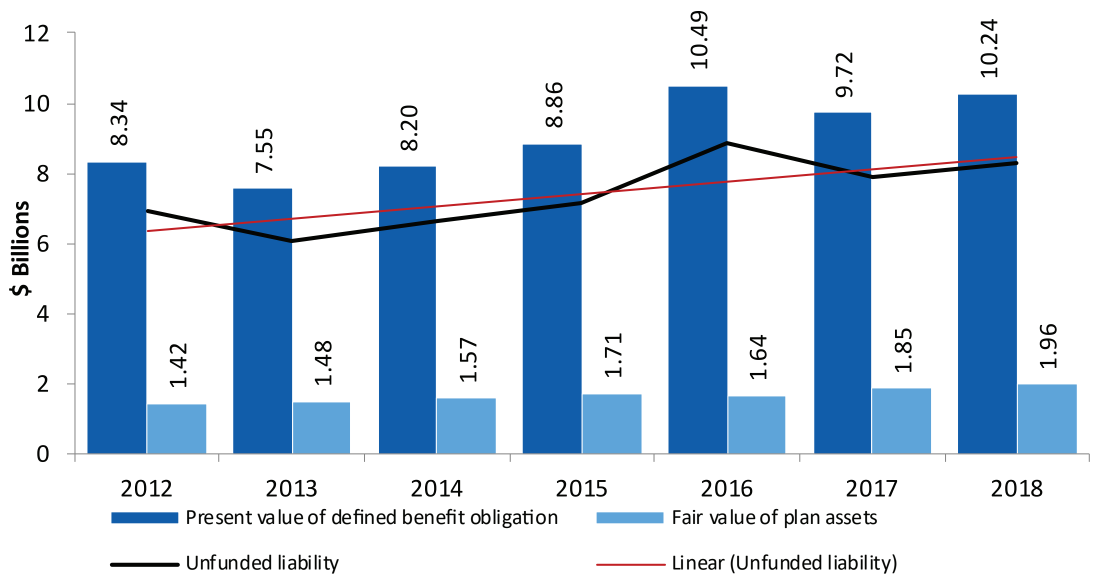
The increased net liability of $404m in 2017-18 was caused by a combination of:

- an increase in the present value of the superannuation liability of $515m, primarily made up of:
    - changes in financial assumptions, $444m, which mainly reflected a change in the discount rate from 3.3% at 30 June 2017 to 3.0% at 30 June 2018. 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 costs of $122m and $311m, respectively
    - offset by benefits paid of $361m
- an increase in the fair value of Plan assets of $111m, which included:
    - employer contributions of $250m
    - actual return on plan assets, including interest income of $125m
    - offset by benefits paid of $361m.

The State Actuary undertook a triennial review of the 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 that 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 Tasmanian Government contributions for the PSF scheme, however the Actuary noted that for the PRBF scheme that 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 is due to the PRBF expected to have sufficient assets to meet benefits payable.

Figure 9 below shows movements in the unfunded liability, being the difference between the present value of the defined benefit obligation and fair value of plan assets.

Figure 9: 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 Tasmanian 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 costs basis from the Consolidated Fund, funded partly by agency contributions and by a Reserved by Law contribution, which comprises the balance of the Tasmanian Government's share of pension and lump sum benefit costs.

Figure 10 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 2018. The estimated cash outflows represent the total cost of benefits payable and they do not take into account the share of benefits that are funded from Scheme assets.

Figure 10: Undiscounted Defined Benefit Superannuation Cash Outflows (2018-2068)

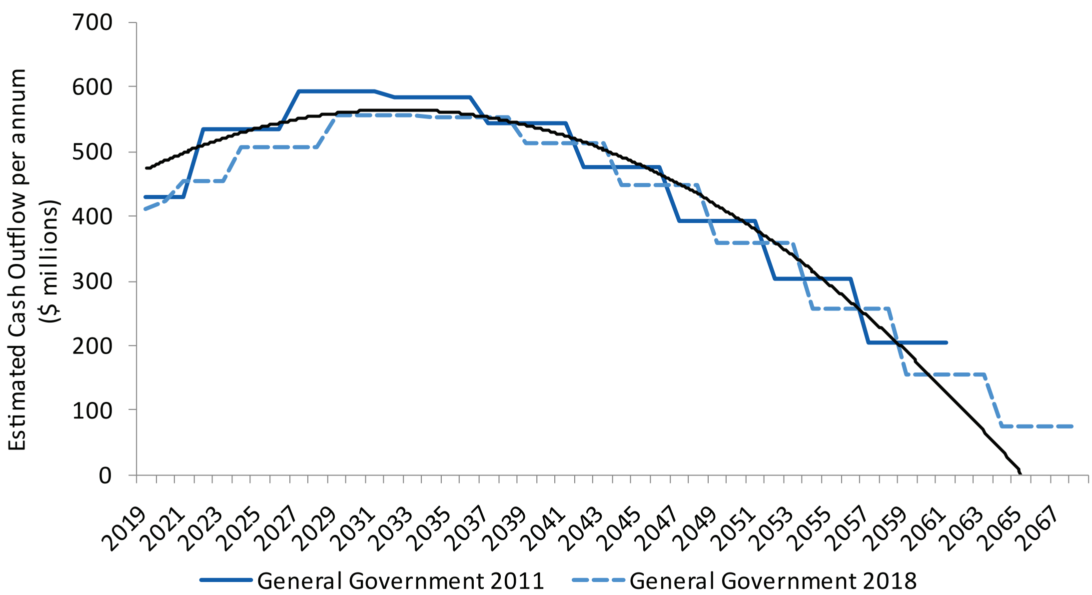
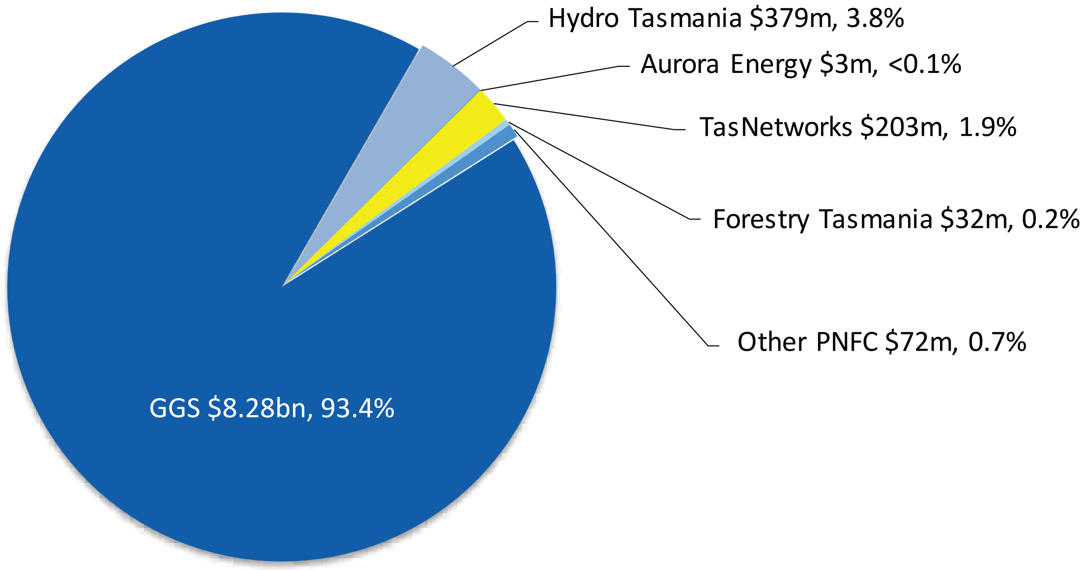


Figure 10 shows that cash required to meet defined benefit pensions and lump sum payments will peak approximately 10 to 15 years from now at around $555m per annum. A key budget risk is the cost to the Budget will increase significantly in coming years, increasing by 54.8% over the next 14 years and peaking in 2031-32, as projected in the 2017-18 Budget.

Discussion in this Chapter has 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 11 below.

Figure 11: Net Defined Benefit Superannuation Liabilities

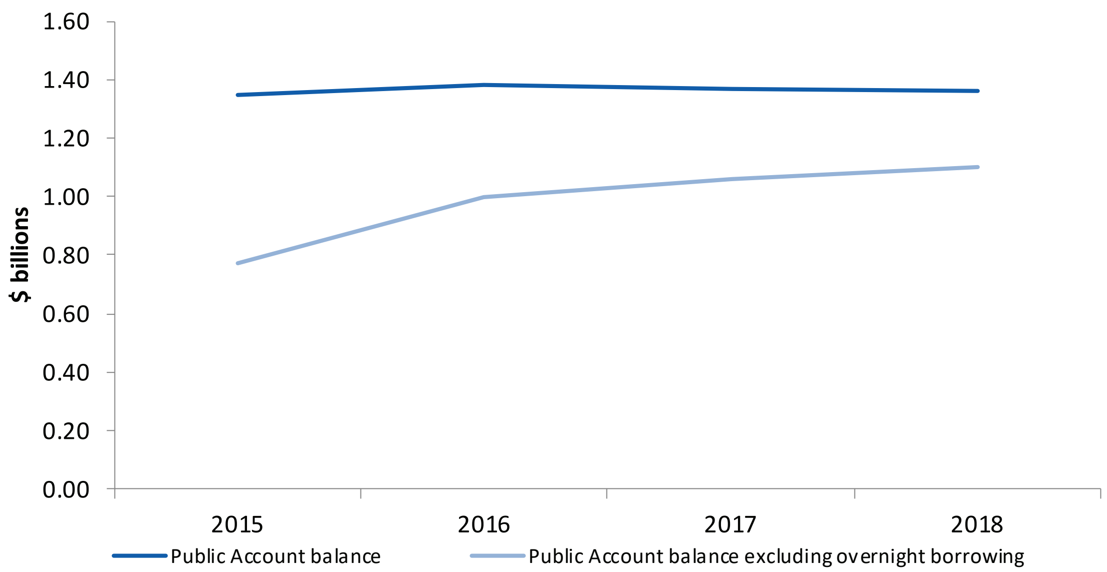


PUBLIC ACCOUNT

When reviewing the commentary below, it should be noted that the PA 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 12 shows the total cash held by the GGS at the end of June for the last four years.

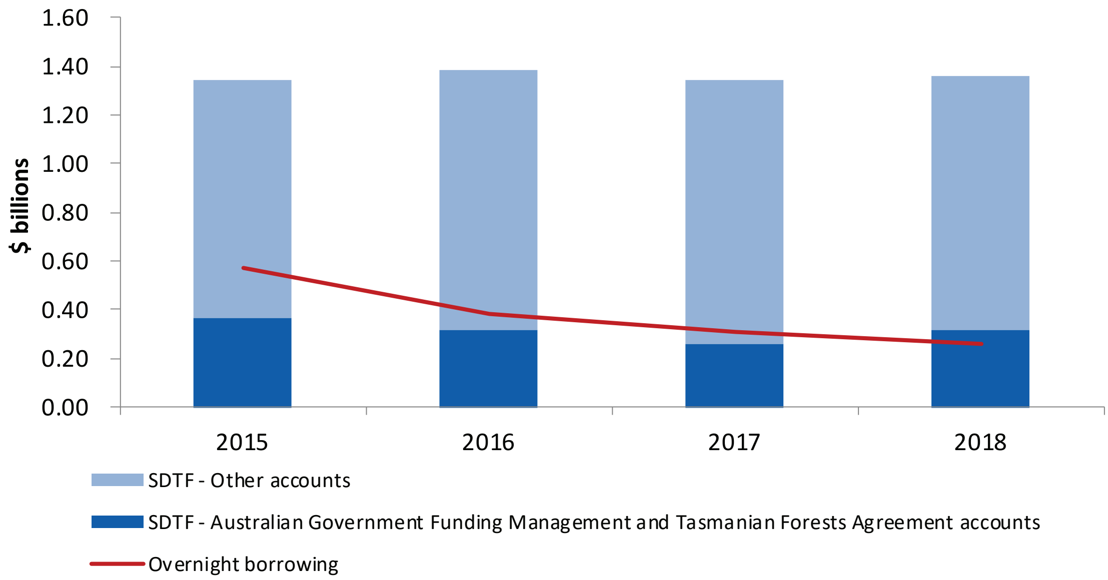
Figure 12: Cash balance (four-year trend)



As shown in Figure 12 cash held in the PA totalled $1.36bn at 30 June 2018 (30 June 2017, $1.37bn). Included in the balance was an overnight loan from the Tasmanian Public Finance Corporation (Tascorp) of $260m ($310m), which was repaid on 1 July 2018. If the overnight loan was eliminated, the cash balance would have been $1.10bn ($1.11bn).

Figure 13 shows the composition of the PA by separating the Australian Government Funding Management and Tasmanian Forests Agreement accounts from other Special Deposit and Trust Fund (SDTF) accounts.

Figure 13: Public Account composition



The balance of cash and deposits in the PA of $1.36bn at 30 June 2018 ($1.37bn) comprised $313m of Australian Government funds ($258m) and $1.05bn in other SDTF accounts ($1.11bn). The balance of Australian Government funds included unspent monies held in the Australian Government Funding Management Account, $313m, which included unspent funding of $67m ($76m) 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 effect of this arrangement was to gross up Tasmanian Government's cash holdings to at least equal the balance of accounts in the SDTF at 30 June. The amount of overnight borrowing decreased this year, from $310m in 2017 to $260m in 2018, as a result of the Consolidated Fund Surplus of $15m, which was available to repay debt.

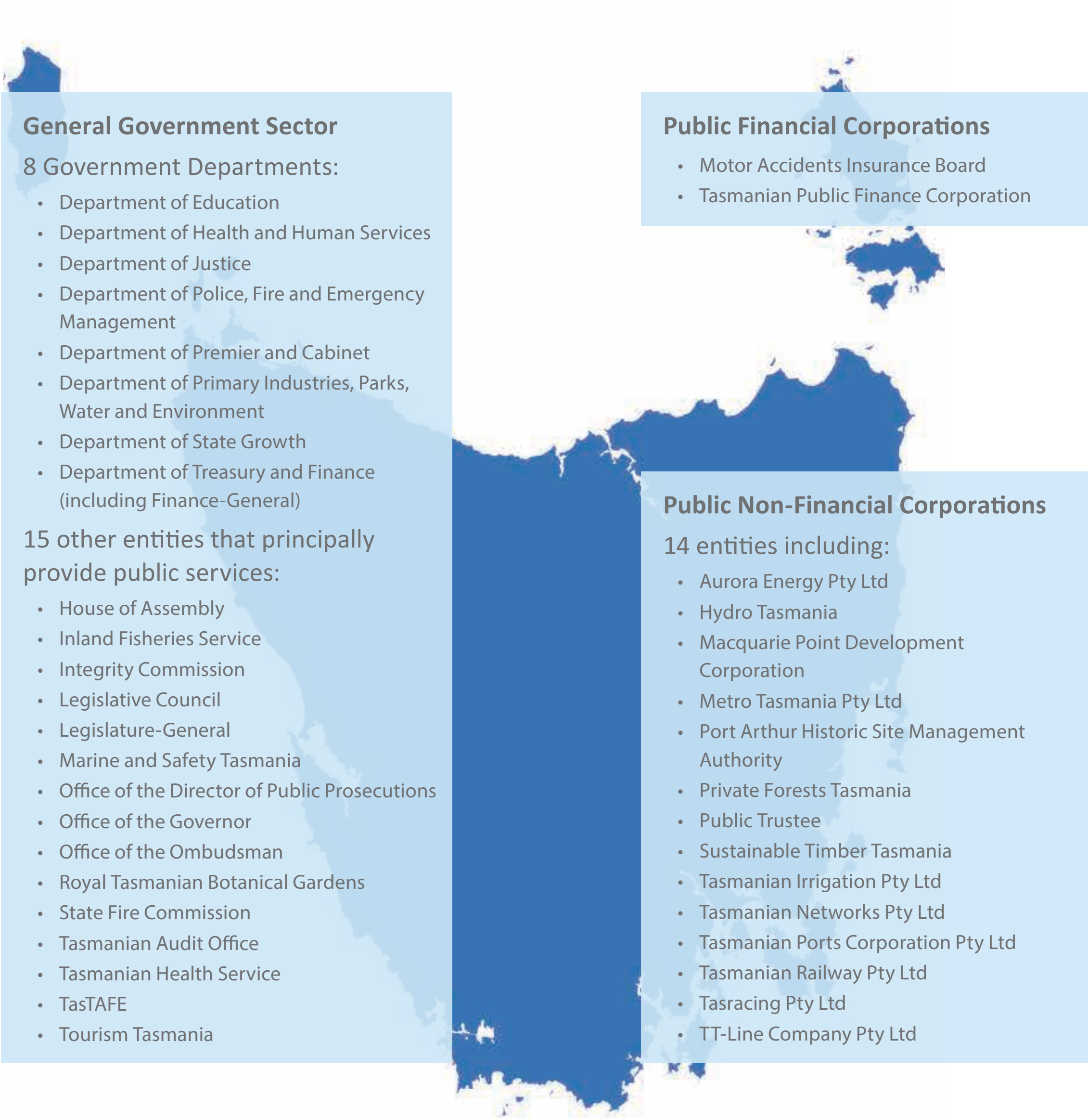
The Consolidated Fund Outcome was a surplus of $15m in 2017-18, compared to a surplus of $73m in 2016-17. The Consolidated Fund Surplus was $177m higher than the surplus in the published 2017-18 Budget. This was primarily due to State sourced receipts exceeding budget by $87m, and total expenditure decreasing by $79m.

TREASURER'S ANNUAL FINANCIAL REPORT

INTRODUCTION

TAFR included the audited GGS, TSS and PA statements. It also included other information, such as an overview of the Fiscal Strategy and the Loan Council Outcome, which were not audited.

The structure of Tasmanian Total State Sector is detailed below:



General Government Sector

8 Government Departments:

- Department of Education
- Department of Health and Human Services
- Department of Justice
- Department of Police, Fire and Emergency Management
- Department of Premier and Cabinet
- Department of Primary Industries, Parks, Water and Environment
- Department of State Growth
- Department of Treasury and Finance (including Finance-General)

15 other entities that principally provide public services:

- 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
- Royal Tasmanian Botanical Gardens
- State Fire Commission
- Tasmanian Audit Office
- Tasmanian Health Service
- TasTAFE
- Tourism Tasmania

Public Financial Corporations

- Motor Accidents Insurance Board
- Tasmanian Public Finance Corporation

Public Non-Financial Corporations

14 entities including:

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

KEY RESULTS AND DEVELOPMENTS

General Government Sector

To be consistent with TAFR, figures in this Chapter were shown as whole dollars for millions, with billions reflected with two decimal places. Dollar amounts presented in tables, the text and figures have been rounded.

The GGS incurred a net Underlying Operating Deficit of $21m in 2017-18, an improvement on the 2016-17 deficit of $67m.

The GGS recorded a Net Operating Balance surplus in 2017-18 of $126m down from $804m in 2016-17. This decrease reflects the receipt of $730m from the Australian Government as part of the Mersey Community Hospital transfer to the Tasmanian Government in 2016-17.

Australian Government funding reached 61.6% of operating revenue in 2017-18, a slight decrease from the four-year average of 62.1%. This demonstrated significant reliance by Tasmania on this funding.
Dividends and income tax equivalent revenue from Tasmanian Government businesses increased by 31% to $389m in 2017-18 (2016-17, $297m), which represented 6.5% of Total revenue. The increase included the first year of the Mersey Community Hospital Fund dividend of $78m received from Tascorp.
Expenditure related to employees totalled $3.13bn, or 52.5% of total expenses in 2017-18 compared to $2.96bn, or 52.2% of total expenses in 2016-17.
Supplies, consumables and other expenses increased by $80m, or 6.5%, but was only $33m above budget.
Equity increased $822m to $10.50bn at 30 June 2018. This was primarily due to the revaluation of non-financial assets included in comprehensive income, including land and buildings; $295m and infrastructure; $791m, related to State Growth.
Purchases of non-financial assets increased by $20m to $436m in 2017-18, which included higher capital works at DHHS, principally for the Royal Hobart Hospital Redevelopment and at State Growth, for construction works on the Midlands Highway.

Tasmanian State Sector

The TSS achieved a net Underlying Operating Surplus of $73m in 2017-18, an increase on the $10m surplus achieved in 2016-17.
Other economic flows included a revaluation loss on the superannuation liability of $301m. This was primarily due to a lower discount rate used in the actuarial calculation, which reduced from from 3.3% to 3.0%.
Total assets of the TSS increased by $835m from the prior year, primarily because of higher Infrastructure assets of $699m.
During 2017-18, TSS liabilities increased by $13m with a decrease in other liability's for $589m offsetting an increase in the superannuation liability, $432m and payables, $201m.

CONCLUSION

The Treasurer submitted the GGS financial statements and PA statements for audit on 26 September 2018 meeting the statutory deadline. Financial statements including TSS were provided on 10 October 2018.

Separate unqualified audit opinions were issued on the GGS and TSS financial statements and PA statements on 30 October 2018.

OTHER MATTERS OF INTEREST

Legislative requirements

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

The Treasurer was required to table this annual financial report by no later than 31 October immediately following the financial year to which the report relates. The financial statements were also prepared to ensure compliance with Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Financial reporting frameworks

The GGS and 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 was 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.

General Government Sector

The GGS consisted of all Tasmanian Government departments and not-for-profit State entities controlled and mainly financed by government. Tasmanian 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 made transfer payments to redistribute income and wealth. Not-for-profit State entities were 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, PNFC and 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 the Motor Accidents Insurance Board.

Public Account

The PA 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 Tasmanian Government departments from the SDTF and Consolidated Fund. Explanations for applying this basis for preparing the PA statements were provided in Note 1 to the Statements and were 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.

Inclusion of all entities

The GGS section of TAFR consolidated the financial information of 23 GGS entities into one financial report. The TSS section of TAFR consolidated the financial information of the GGS and 16 Tasmanian Government businesses and their subsidiaries into one financial report.

Some Tasmanian Government bodies that are controlled but not considered material for whole-of-government reporting purposes are excluded from TAFR.

Elimination entries and adjustments

Elimination adjustments were made to remove inter-entity transactions from TAFR.

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 their superannuation liability within their own financial statements. However, in arriving at a superannuation liability for the TSS, the liabilities for these entities are converted to the government bond rate, as per the calculation used for GGS entities. As a result, this conversion to the lower discount rate increases the value of the liabilities.

DEPARTMENT OF EDUCATION

OVERVIEW

$40.77m	**$1.06bn**	**$1.42bn**
Underlying Deficit	Total Revenue from Operations	Land and Building Assets
1.0	**8 081**	**4 569**
Operating Margin	Employees (FTEs)	Teaching FTEs

INTRODUCTION

DoE was responsible for providing educational services to students from birth. It provided educational services through child and family centres, primary and high schools and colleges. It also provided education to international students through Government Education and Training International (GETI).

DoE was also responsible for LINC Tasmania which provided library services, adult literacy support, online access and archive and heritage services through the Tasmanian Archive and Heritage Office (TAHO).

KEY RESULTS AND DEVELOPMENTS

DoE recorded an Underlying net operating deficit of $40.77m in 2017-18 (2016-17, $38.29m).

Comprehensive income of $33.11m was a reduction from the prior year's result of $38.71m, reflecting the impact of decreased capital funding received during the year of $31.59m, down from $42.70m in 2016-17.

Employee benefits increased by $45.50m, an increase of 6.1% from 2016-17. This was due to normal wage growth, increases in employee liabilities and the employment of an additional 234 FTE to undertake initiatives including:

- the implementation of new Supporting Student Learning initiatives, which included an extension of the School Health Nurse election commitment through the provision of additional funding for School Health Nurses in District Schools
- increased funding associated with the election commitment to extend high schools to Year 12.

Revenue increases during 2017-18, that supported the increased employee benefits expenditure, were:

- $34.97m in recurrent appropriation
- $5.52m in grants, due principally to a number of programs funded under National Partnership Agreements between the Commonwealth and the Tasmanian Government
- $4.11m in sales of goods and services as a result of increases in international student enrolments and related fees.

In 2017-18, DoE received $336.55m in administered revenue for payments of grants and subsidies to non-government schools. This was an increase of $23.99m on administered revenue compared to the previous year.

DoE expended $48.74m on capital projects in 2017-18, primarily for the upgrade and redevelopment of schools. Significant projects included:

- Parklands High School, $5.48m
- Austins Ferry Primary School, $4.84m
- Windermere Primary School, $4.62m
- Tasman District School, $3.79m
- Northern School of Special Education, $2.86m.

AUDIT FINDINGS

In performing our audit we did not identify any significant deficiencies in internal control, nor did we have any findings.

FINANCIAL ANALYSIS

Financial snapshot 2017-18

Table 1 provides a snapshot of key financial results for 2017-18 in comparison to prior years.

Table 1: Department of Education financial snapshot

	2017-18		2016-17		2015-16		2014-15	
	$'000s	Ind	$'000s	Ind	$'000s	Ind	$'000s	Ind
Financial performance								
Reconciliation of Underlying net operating balance to Net result								
Underlying net operating balance	(40 769)	▼	(38 293)	▼	5 910	▲	(19 721)	▲
Non-operational capital funding	31 585	▼	42 700	▲	28 906	▲	6 284	▼
Loss on revaluation of physical assets	0	●	0	●	0	▲	(31 301)	▼
Impairment of receivables	(1 143)	▼	(1 030)	▼	(459)	▲	(584)	▲
Gain(loss) on sale of non-financial assets	1 624	▲	(1 351)	▲	(2 736)	▲	(7 341)	▼
Other revenue from government	5 422	▲	3 396	▼	6 781	▼	9 427	▲
Net result	(3 281)	▼	5 422	▼	38 861	▲	(42 652)	▼
Changes in revaluation reserve	36 392	▲	33 287	▲	(19 980)	▲	(81 532)	▼
Comprehensive result	33 111	▼	38 709	▲	18 881	▲	(124 184)	▼
Financial position[1]								
Cash and deposits	96 235	▼	105 355	●	103 038	▲	86 587	▲
Heritage assets	43 107	●	42 930	●	42 825	▼	66 513	●
Land and buildings	1 416 719	▲	1 375 120	●	1 328 377	●	1 319 803	●
Employee benefit provisions	(153 138)	▼	(141 658)	▼	(133 985)	▲	(153 029)	▼
Net assets	1 429 163	●	1 402 025	●	1 364 057	●	1 346 843	▼
Key financial ratios								
Operating margin	1.0	●	1.0	●	1.0	●	1.0	●
Underlying result ratio	(4.0%)	●	(3.9%)	▼	0.6%	▲	(2.1%)	▲
Net financial assets (liabilities) ratio[2]	(5.9%)	▼	(4.7%)	▼	(3.7%)	▲	(7.4%)	●

Indicator ▲ *improvement from prior year* ▼ *deterioration from prior year* ● *no material change from prior year*

1. Assets are positive, liabilities are negative.

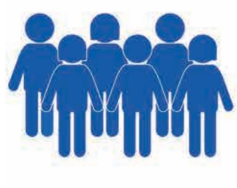
2. A positive number indicates liquid assets in excess of total liabilities.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

OVERVIEW

$11.09m

Underlying Surplus



Employees (FTEs)
DHHS 1 128
Ambulance 443
Housing 139

$198.75m

Employee Benefits

1.0

Operating Margin

$1.29bn

Grants and Subsidies Paid

$1.38bn

Rental Dwellings

INTRODUCTION

DHHS was responsible for managing and delivering integrated services that maintained and improved the health and wellbeing of Tasmanians and the Tasmanian community as a whole.

DHHS included the operations of Housing Tasmania (Housing) and Ambulance Tasmania (Ambulance) and also provided funding for THS.

Unless otherwise stated, this Chapter reports financial information on a whole of agency basis.

KEY RESULTS AND DEVELOPMENTS

In 2017-18, DHHS recorded an Underlying net operating surplus of $11.09m, an improvement on the prior year's deficit of $26.37m.

In 2017-18, DHHS recorded a Net operating result of $154.42m, an increase of $109.71m on prior year result of $44.71m. The improvement was attributed to:

- increased Revenue from government, including capital funding of $150.71m for the Royal Hobart Hospital (RHH) redevelopment compared to $23.67m last year

offset by

- decreased Grant revenue, primarily due to a capital grant of $60.52m received in the previous year for the RHH redevelopment form the Australian Government compared to $0.77m in the current year
- increased Community Housing Grant Program expenditure of $33.73m which was mainly attributable to the Housing stock leverage program.

The Comprehensive surplus of $174.03m was an improvement of $30.18m on the previous year due predominantly to Capital investment program funding of $147.16m, as well as an increase of $13.64m in the value of DHHS land and buildings.

Non-Operational Commonwealth Capital Funding decreased by $59.75m in 2017-18 to $0.77m, due to the Australian Government's commitment to the RHH redevelopment being finalised.

Non-Operational State Capital Funding increased to $156.54m from $36.17m representing funding for the RHH redevelopment.

Community Housing Grant Program expenditure increased to $38.32m in 2017-18 from $4.59m in the previous year. A project to increase housing stock held by Community Housing Organisations (CHO) was implemented in 2017-18. This resulted in Housing recovering housing stock assigned to CHO's under previous programs, which were then granted back to CHO's together with additional housing stock.
Cash and deposits amounted to $169.22m in 2017-18, up $31.01m on the previous year. The increase was attributed to capital funding received for projects on which limited expenditure had been incurred.
Property, plant and equipment increased to $1.91bn primarily due to $236.20m additions, offset by $73.61m in Grant transfers, $24.33m depreciation with $9.07m being expensed. The additions consisted of $30.86m recovered housing stock and $205.34m Work-in-Progress (WIP), largely reflecting the RHH redevelopment.

AUDIT FINDINGS

In performing our audit we did not identify any significant deficiencies in internal control and nor did we have significant findings. There were two moderate rated audit matters for Ambulance Tasmania, one related to revenue and debtor controls and the other for delays in Department of Veteran Affairs billings. There were two low rated matters reported for DHHS.

OTHER MATTERS OF INTEREST

Community Housing Stock Leverage Program

This program was introduced as a key initiative of the Tasmanian Affordable Housing Action Plan 2015-2019, to leverage a new supply of housing stock from the existing social housing portfolio. To 30 June 2018, 216 properties had titles transferred from Housing to Centacare Evolve Housing, a CHO. The total value of the housing stock transferred during 2017-18 under this program totalled $38.32m.

Transfer of the Mersey Hospital

On 1 July 2017, the ownership of Mersey Community Hospital land and buildings at Latrobe were transferred from the Australian Government to the Tasmanian Government for consideration of $1. To recognise the transfer, DHHS was required to determine a fair value for the asset, with the difference between the fair value and consideration paid recognised as revenue. A valuation undertaken by the Australian Government at 30 June 2016, which valued the asset at $31.84m, was used to determine fair value.

DHHS subsequently granted the Mersey Community Hospital land and buildings to THS at their recognised value.

Royal Hobart Hospital Redevelopment project

DHHS's WIP at 30 June 2018 was $363.48m, an increase of $158.14m from the prior year's WIP of $205.34m. WIP at 30 June 2018 included the RHH redevelopment project with capitalised expenditure of $267.04m.

Administrative restructure of department

On 20 March 2018, the Government announced that, effective from 1 July 2018, the Department of Health and the Department of Communities Tasmania would be established through the amalgamation of part of the DHHS and part of DPAC. This restructure resulted in the DHHS ceasing on 30 June 2018.

Additionally, the *Tasmania Health Service Act 2018*, repealed the *Tasmanian Health Organisations Act 2011*, under which the THS was established. Under the new legislation the THS will continue as a separate legal entity reporting directly to the Secretary of the Department of Health with a THS Executive maintaining a focus on statewide planning.

Given the continuation of service provision within the new Health agencies, the financial statements were prepared and accepted on a going concern basis.

FINANCIAL ANALYSIS

Financial snapshot 2017-18

Table 2 provides a snapshot of key financial results for 2017-18 in comparison to prior years.

Table 2: Department of Health and Human Services financial snapshot

	2017-18		2016-17		2015-16		2014-15	
	$'000s	Ind	$'000s	Ind	$'000s	Ind	$'000s	Ind
Financial performance								
Reconciliation of Underlying net operating balance to net result								
Underlying net operating balance	11 088	▲	(26 373)	▼	16 395	▲	5 110	▲
Non operational capital funding								
Revenue from government	0	●	0	▼	12 390	▲	5 785	▲
Capital investment program	147 147	▲	80 517	▲	65 693	▲	30 377	▼
Special capital investment funds	4 930	▲	(4 588)	▼	18 520	▲	6 746	▼
One-off transactions								
Capital grant	(31 843)	▼	(4 850)	▲	(72 780)	▼	(20 185)	▲
Contribution for Mersey Hospital	31 843	▲	0	●	0	●	0	●
Operating recoveries (Housing)	31 663	▲	0	●	0	●	0	●
Community housing program grants	(40 409)	▼	0	▼	(349)	▲	(132 921)	▲
Net result	154 419	▲	44 706	▲	39 869	▲	(105 088)	▲
Other gains and (losses)/(impairments)	(1 639)	▼	(971)	▲	(2 747)	▼	(959)	▲
Actuarial superannuation adjustment	7 614	▼	8 846	▲	(3 361)	▼	3 260	▼
Changes in revaluation reserve	13 640	▼	90 511	▲	20 075	▲	(401)	▼
Comprehensive result	174 034	▲	143 092	▲	53 836	▲	(103 188)	▲
Financial position[1]								
Cash and deposits	169 218	▲	138 201	▲	115 165	▲	91 986	●
Rental dwellings	1 377 293	●	1 402 686	●	1 343 423	●	1 343 675	▼
Property, plant and equipment	1 912 928	▲	1 781 179	▲	1 648 795	●	1 630 316	▼
Interest bearing liabilities	(165 515)	▲	(173 292)	●	(180 909)	●	(188 365)	●
Net assets	1 872 342	▲	1 698 308	▲	1 550 540	●	1 499 612	▼
Key financial ratios								
Operating margin	1.0	▼	1.1	▲	1.0	●	1.0	●
Underlying result ratio	0.6%	▲	(1.8%)	▼	1.1%	▲	0.4%	▲
Net financial assets (liabilities) ratio[2]	(4.8%)	▲	(9.3%)	▲	(10.5%)	▲	(14.0%)	▲

Indicator ▲ *improvement from prior year* ▼ *deterioration from prior year* ● *no material change from prior year*

1. *Assets are positive, liabilities are negative.*
2. *A positive number indicates liquid assets in excess of total liabilities.*

DEPARTMENT OF JUSTICE

OVERVIEW

$8.53m
Underlying Deficit

1 313
Employees (FTEs)

13 988
Life events registered by Births, Deaths and Marriages

9 722
Court Support and Liaison Service client contacts

71 463
Debts referred for collection by Monetary Penalties Enforcement Service

$18.75m*
Amount received by the Monetary Penalties Enforcement Service

** Department of Justice's 2017-18 Annual Report*

INTRODUCTION

DoJ provided services in the areas of justice, protecting rights, improving laws, influencing positive behaviour and enforcing responsibilities. It also provided administrative support for the Supreme and Magistrates Courts in addition to a number of statutory authorities and offices.

KEY RESULTS AND DEVELOPMENTS

DoJ reported an Underlying net operating deficit of $8.53m in 2017-18 compared to a $7.16m deficit in the prior year.

Revenue increased by $23.03m from the previous year to $203.24m in 2017-18. This increase included:

- $20.96m additional appropriation revenue for the provision of legal services and for the Tasmania Prison Service to respond to increasing prisoner numbers
- $1.80m increase in fees and fines.

Expenses increased by $21.88m to $208.59m in 2017-18, mainly due to higher:

- employee benefits expenses of $10.94m
- supplies and consumables of $7.39m, including $1.46m in information technology expenses
- grants and subsidies of $2.56m, which related to $1.41m in additional funding for the Legal Aid Commission of Tasmania.

DoJ expended $3.32m on the acquisition of non-financial assets. The capital program in 2017-18 included works to increase the capacity of the Mary Hutchinson Women's Prison and recommissioning of cells in the Ron Barwick Minimum Security Prison.

DoJ administered the Asbestos Compensation Fund Provision for Compensation Payable. Future asbestos compensation payments were estimated to be $85.78m as at 30 June 2018. This was $9.79m lower than the 30 June 2017 valuation, after adjusting for payments made during the year and the unwinding of the discount rate. All expenditure incurred by the Asbestos Compensation Scheme was recoverable from licensed insurers and self-insurers through a levy.

AUDIT FINDINGS

In performing our audit we did not identify any significant deficiencies in internal control, nor did we have any findings.

FINANCIAL ANALYSIS

Financial snapshot 2017-18

Table 3 provides a snapshot of key financial results for 2017-18 in comparison to prior years.

Table 3: Department of Justice financial snapshot

	2017-18		2016-17		2015-16		2014-15	
	$'000s	Ind	$'000s	Ind	$'000s	Ind	$'000s	Ind
Reconciliation of underlying net operating balance to net result								
Underlying net operating balance	(8 527)	▼	(7 162)	▼	(2 112)	▼	289	▲
Capital revenue	3 179	▲	665	▼	3 082	▼	7 256	▼
Net result	(5 348)	▲	(6 497)	▼	970	▼	7 545	▼
Other economic gains (losses)	34	▲	(260)	▼	1 404	▲	(1 189)	▼
Changes in revaluation reserve	0	●	0	▼	21 047	▲	0	●
Other movements taken directly to equity	0	●	0	●	0	▲	(2 085)	▼
Comprehensive result	(5 314)	▲	(6 757)	▼	23 421	▲	4 271	▼
Financial position[1]								
Cash and deposits	28 544	▲	26 323	●	25 534	●	24 821	▲
Property, plant and equipment	148 880	▼	153 756	▼	159 024	▲	138 488	●
Employee benefit provisions	(29 130)	▼	(27 150)	●	(26 144)	●	(26 980)	▼
Net assets	148 841	▼	154 156	▼	161 174	▲	137 753	●
Key financial ratios								
Operating margin	1.0	●	1.0	●	1.0	●	1.0	●
Underlying result ratio	(2.6%)	▲	(3.6%)	▼	0.6%	▼	4.3%	▲
Net financial assets ratio[2]	13.1%	●	13.7%	●	14.3%	▲	13.5%	▲

Indicator ▲ improvement from prior year ▼ deterioration from prior year ● no material change from prior year

1. *Assets are positive, liabilities are negative.*
2. *A positive number indicates liquid assets in excess of total liabilities.*

DEPARTMENT OF POLICE, FIRE AND EMERGENCY MANAGEMENT

OVERVIEW

$22.28m
Underlying Deficit

$263.83m
Total Revenue from Operations

1 666
Employees (FTEs)

0.9
Operating Margin

$165.80m
Land and Building Assets

68
Police Stations

INTRODUCTION

DPFEM was responsible for the delivery of policing, fire and emergency management services in Tasmania. The Police and Emergency Management Services transactions were reported in the DPFEM financial statements while State Fire Commission transactions were reported separately (and included in the Other General Government Sector and State entities Chapter of this Report).

KEY RESULTS AND DEVELOPMENTS

DPFEM recorded an Underlying net operating deficit of $22.28m in 2017-18 (2016-17, $19.22m).
Recurrent appropriation increased by $16.33m, to $223.30m in 2017-18. The higher revenue included additional appropriation received for the commitment to rebuild the police service which resulted in an increase in new recruits.
Employee benefits increased by $11.98m primarily due to wage increases and an increase in leave provisions. In addition to this, there was an increase in employee numbers attributed to the rebuilding of the police service.
Supplies and consumables increased $10.19m to $66.37m for 2017-18. The increase included a $1.76m increase in operating lease costs due to an increase in helicopter monthly lease and a combined $4.90m increase in communications, information technology, property services and maintenance expenses. There was also a $1.45m increase in contractors and consultants due to additional contract fees for the Emergency Services Computer Aided Dispatch System (ESCAD) and Tasmanian Government Radio Network (TasGRN) projects.
The ESCAD project is intended to fully integrate the dispatch system that will be used by Tasmania Police, Tasmania Fire Service, State Emergency Service and Ambulance Tasmania. The TasGRN project aims to deliver an integrated radio network for users in emergency services, land management and electrical industries.

DPFEM recorded a net deficit of $10.58m (2016-17, deficit $6.19m). The increased deficit was attributable to a higher underlying net operating deficit and a $0.87m increase in the loss on disposal of non-financial assets.
The Comprehensive result was a deficit of $6.06m for 2017-18. The $5.02m improvement from the net deficit related to a $4.56m revaluation increase in land and buildings.
The $1.30m decrease in Property, plant and equipment was attributable to depreciation, $8.11m and impairment, $0.87m, exceeding additions of $2.79m, WIP of $0.36m and property indices revaluations of $4.53m.
Employee benefit liabilities were $2.57m higher from the prior year primarily due to the enterprise bargaining agreement increase and additional staff related to the rebuilding the police service.
Other liabilities increased $4.70m from the prior year primarily due to an increase in the section 8A(2) carry forward funding in the current period.

AUDIT FINDINGS

In performing our audit we did not identify any significant deficiencies in internal control, nor did we have any findings.

FINANCIAL ANALYSIS

Financial snapshot 2017-18

Table 4 provides a snapshot of key financial results for 2017-18 in comparison to prior years.

Table 4: Department of Police, Fire and Emergency Management financial snapshot

	2017-18		2016-17		2015-16		2014-15[2]	
	$'000s	Ind	$'000s	Ind	$'000s	Ind	$'000s	Ind
Financial performance								
Reconciliation of Underlying net operating balance to Net result								
Underlying net operating balance	(22 279)	▼	(19 219)	▼	(7 280)	●	(7 550)	▲
Appropriation revenue - works and services	10 192	▼	10 892	▲	9 046	▲	0	●
Other capital revenue from Government	2 370	●	2 334	▲	500	▼	1 500	▼
Net gain (loss) on sale of non-financial assets	(867)	▼	(197)	▲	(724)	▼	274	▲
Net gain (loss) on financial instruments	0	▼	(2)	▼	0	●	0	●
Net result	(10 584)	▼	(6 192)	▼	1 542	▲	(5 776)	▼
Changes in revaluation reserve	4 526	▲	(4 887)	▼	0	●	0	●
Comprehensive result	(6 058)	▲	(11 079)	▼	1 542	▲	(5 776)	▼
Financial position[1]								
Cash and deposits	7 594	▲	6 665	▲	4 397	▲	3 104	▼
Property, plant and equipment[2]	165 803	●	167 107	▼	175 933	●	183 708	●
Employee benefit provisions	(61 695)	●	(59 130)	▼	(53 554)	●	(54 305)	●
Net assets[2]	110 835	▼	116 893	▼	128 788	●	130 083	▼
Key financial ratios								
Operating margin	0.9	●	0.9	●	1.0	●	1.0	●
Net financial liabilities ratio[3]	(24.1%)	●	(24.3%)	●	(24.0%)	▲	(26.5%)	●
Underlying result ratio	(8.4%)	●	(8.1%)	▼	(3.3%)	▲	(3.6%)	▲

Indicator ▲ *improvement from prior year* ▼ *deterioration from prior year* ● *no material change from prior year*

1. *Assets are positive, liabilities are negative.*
2. *Restated due to prior period error (2014-15 only property, plant and equipment and equity restated for the purposes of this AGR*
3. *A positive number indicates liquid assets in excess of total liabilities.*

DEPARTMENT OF PREMIER AND CABINET

OVERVIEW

$2.95m

Underlying Surplus

$148.15m

Total Revenue from operations

$27.08m

Silverdome Land & Building Assets

1.0

Operating Margin

471

Employees (FTEs)

139

Ministerial and Parliamentary Support employees (FTEs)

INTRODUCTION

As a central agency, DPAC provided a broad range of services to Cabinet, other members of Parliament, Government agencies and the community and was also responsible for the operations of:

- Service Tasmania - provided access to government transactions, services and information through its service centres, over the phone and online
- TMD - provided telecommunication and computing services to agencies and managed the government's Networking Tasmania contract
- Training Consortium - coordinated the delivery of training and consultancy services across a wide range of areas.

DPAC also provided administrative support to the Tasmanian Community Fund and the Anzac Day Trust.

KEY RESULTS AND DEVELOPMENTS

DPAC achieved an Underlying net operating surplus of $2.95m in 2017-18 compared to $0.04m in the prior year. The surplus included a $4.54m Australian Government grant for the Hobart Pedestrian Walkway that was recognised as revenue. This grant will be transferred to the Department of Treasury and Finance in 2018-19. Without this revenue item, DPAC would have recorded an underlying deficit of $1.60m.

AUDIT FINDINGS

In performing our audit we did not identify any significant deficiencies in internal control and nor did we have significant findings. One moderate rated matter was raised related to user access forms not completed in payroll.

FINANCIAL ANALYSIS

Financial snapshot 2017-18

Table 5 provides a snapshot of DPAC's financial results for 2017-18 in comparison to prior years.

Table 5: Department of Premier and Cabinet financial snapshot

	2017-18		2016-17		2015-16		2014-15	
	$'000s	Ind	$'000s	Ind	$'000s	Ind	$'000s	Ind
Financial performance								
Reconciliation of Underlying net operating balance to Net result								
Underlying net operating balance	2 947	▲	4	▼	955	▲	(5 311)	▼
Other economic gains/ (losses)	159	▲	(1 791)	▼	(77)	▼	(2)	●
Revenue from Government - capital	2 014	▲	656	▼	825	▲	446	▲
Capital funds expended	(257)	▲	(616)	▼	(358)	▼	0	●
Net result	4 863	▲	(1 747)	▼	1 345	▲	(4 867)	▼
Changes in revaluation reserve	0	●	0	▼	3 676	▲	5	●
Comprehensive result	4 863	▲	(1 747)	▼	5 021	▲	(4 862)	▼
Financial position[1]								
Cash and deposits	8 660	▼	10 170	▲	9 295	▲	7 832	▼
Land and buildings	31 425	▲	29 880	▼	32 260	▲	29 334	▲
Employee benefit provisions	(14 863)	●	(14 312)	▼	(13 514)	●	(13 131)	▼
Net assets	34 151	▲	29 288	▼	31 035	▲	27 656	▲
Key financial ratios								
Operating margin	1.0	●	1.0	●	1.0	●	1.0	●
Underlying result ratio	2.0%	▲	0.0%	▼	0.7%	▲	(4.0%)	▼
Net financial assets ratio[2]	(1.1%)	▲	(4.6%)	▲	(5.0%)	●	(4.8%)	▼

Indicator ▲ *improvement from prior year* ▼ *deterioration from prior year* ● *no material change from prior year*

1. *Assets are positive, liabilities are negative.*
2. *A positive number indicates liquid assets in excess of total liabilities.*

DEPARTMENT OF PRIMARY INDUSTRIES, PARKS, WATER AND ENVIRONMENT

OVERVIEW

$28.79m
Underlying Deficit

1 188
Employees (FTEs)

$210.03m
Total Revenue from Operations

0.9
Operating Margin

3.3m Hectares
Land and Water Managed

$327.88m
Infrastructure Assets

INTRODUCTION

DPIPWE was responsible for the sustainable management, sensible development, promotion, use and protection of the State's natural resources and cultural heritage, for the benefit of the Tasmanian community.

KEY RESULTS AND DEVELOPMENTS

In 2017-18, DPIPWE recorded an Underlying net operating deficit of $28.79m, which was higher than the previous year's deficit of $13.44m.

An increase in depreciation expense contributed to the higher Underlying net operating deficit. The increased expense arose from the identification, valuation and recognition in 2016-17 of the road network transferred from Forestry Tasmania in 2013-14 as a result of the *Forestry Management Act 2013* and the *Tasmanian Forest Agreement Act 2013*.

The Net deficit of $5.32m for 2017-18, was $101.63m lower than the 2016-17 Net surplus of $96.31m, due mainly to the 2016-17 net surplus including the recognition of Forestry road networks of $95.58m.

During 2017-18, DPIPWE led the response to the Queensland fruit fly incursion on Flinders Island and in the north of the State. The objective was to contain and eradicate the pest. The response was supported by partnerships with growers, industry and the co-operation of the Tasmanian community. Additional funding of $8.00m was received by DPIPWE through supplementary appropriation in 2017-18 to fund overtime, allowances and other expenditure associated with the fruit fly response activities. From the $8.00m, $1.40m was provided to growers under the Grower Assistance Program in 2017-18.

Infrastructure assets in national parks and reserves across northern and north-western Tasmania suffered significant damage due to the severe weather and flooding experienced in June 2016. The subsequent rebuilding of these assets continued into 2017-18 resulting in new assets of $4.26m being recognised.

The State Government in the 2017-18 State Budget committed $21.75m over three years towards a visitor centre and associated public infrastructure at Cradle Mountain and viewing facilities at Dove Lake, including commercial and retail precinct, car-parking, shuttle bus transit stations and car park at the viewing area. The 2017-18 budget was initially $8.75m of expenditure. However, due to the time taken to establish governance arrangements and receiving environmental approvals which delayed the appointment of contractors, only $1.10m was spent in 2017-18.

In 2017-18 DPIPWE recognised for the first time its equity interest of $2.26m in PSMA Australia Limited (PSMA). PSMA is an unlisted public company owned by State, Territory and Australian Governments, established to coordinate the collection of fundamental national geospatial datasets and to facilitate access to this data. Fair value was determined by apportioning PSMA's net asset value as at 30 June 2017 using DPIPWE's ownership interest of 11.1% (the 30 June 2018 audited net asset value was not available at the time of audit). This investment is not traded in an active market. DPIPWE's investment in the company is only sensitive to fluctuations in the value of net assets.

AUDIT FINDINGS

In performing our audit we did not identify any significant deficiencies in internal control nor, did we have any findings.

FINANCIAL ANALYSIS

Financial snapshot 2017-18

Table 6 provides a snapshot of key financial results for 2017-18 in comparison to prior years.

Table 6: Department of Primary Industries, Parks, Water and Environment financial snapshot

	2017-18		2016-17		2015-16		2014-15	
	$'000s	Ind	$'000s	Ind	$'000s	Ind	$'000s	Ind
Financial performance								
Reconciliation of Underlying net operating balance to Net result								
Underlying net operating balance	(28 789)	▼	(13 441)	▲	(14 785)	▲	(17 586)	▼
Other economic flows included in net result	(1 449)	▲	(5 893)	▼	(1 576)	▼	908	▲
Revenue from Government - capital	18 392	▲	15 063	▼	16 234	▲	8 017	▲
Contribution provided	(2 816)	▼	(1 267)	▲	(1 414)	▼	(171)	▼
Contribution received	9 340	▼	101 849	▲	7 466	▼	52 506	▲
Water infrastructure fund[1]	0	●	0	●	0	▼	8 627	▼
Net result	(5 322)	▼	96 311	▲	5 925	▼	52 301	●
Changes in revaluation reserve	9 808	▼	94 156	▲	3 280	▼	5 838	▲
Comprehensive result	4 486	▼	190 467	▲	9 205	▼	58 139	▲
Financial Position[2]								
Cash and deposits	119 522	●	121 550	●	118 896	▲	108 686	▲
Property, plant and equipment	1 121 731	●	1 117 075	▲	1 053 903	●	1 057 509	▲
Infrastructure	327 883	●	333 036	▲	212 134	●	204 428	▲
Employee benefit provisions	(29 703)	●	(28 490)	▼	(27 504)	▲	(31 830)	●
Net assets	1 555 822	●	1 551 336	▲	1 360 794	●	1 346 475	▲
Key financial ratios								
Operating margin	0.9	●	0.9	●	0.9	●	0.9	●
Net financial liabilities ratio[3]	36.1%	●	37.7%	▲	34.3%	▲	32.4%	▲
Underlying result ratio	(13.7%)	▼	(6.8%)	●	(7.1%)	▲	(9.4%)	▼

Indicator ▲ *improvement from prior year* ▼ *deterioration from prior year* ● *no material change from prior year*

1. *Administration of the Water Infrastructure Fund was transferred to Treasury.*
2. *Assets are positive, liabilities are negative.*
3. *A positive number indicates liquid assets in excess of total liabilities.*

DEPARTMENT OF STATE GROWTH

OVERVIEW

$85.41m

Underlying Deficit

703

Employees (FTEs)

0.8

Operating Margin

$1.46bn

Bridge Infrastructure Assets

$3.47bn

Road Infrastructure Assets

$408.99m

Heritage and Cultural Assets

INTRODUCTION

State Growth supported economic growth and facilitated the creation of jobs and opportunities for Tasmanians.

The financial activities of the following entities were also included in the financial statements of State Growth:

- The Tasmanian Museum and Art Gallery (TMAG)
- Tasmania Development and Resources (TDR)
- Abt Railway Ministerial Corporation (Abt Railway)
- Forest Practices Authority (consolidated within the administered financial statements).

KEY RESULTS AND DEVELOPMENTS

The Underlying net operating deficit for 2017-18 was $85.41m compared to $66.35m for 2016-17.
In 2017-18, State Growth recorded a Net deficit of $0.05m which was a significant decrease from the prior year's surplus of $41.92m.
The Comprehensive result of $794.46m for 2017-18 was an improvement of $491.02m from the previous year and reflected the impact of the asset net revaluation increment of $794.51m recognised during the year.
The revaluation of road infrastructure at 30 June 2018, undertaken on a current replacement cost basis, resulted in a net revaluation increment of $739.87m.
Payments for acquisitions of non-financial assets during 2017-18 were $115.43m, a decrease of $21.87m from the previous year. Large capital expenditure projects included the Midland Highway $50.42m (2016-17, $69.52m) and Huon-Summerleas Road junction $11.47m ($5.21m).

Loan advances increased by $17.01m and included new lending under programs such as Drought Dairy Concessional, $19.10m; Agrigrowth, $3.58m; Section 35 Loans Administered by TDR, $2.28m; and Arts loans, $1.97m. Loan repayments of $12.48m were also received during the year.
Interest bearing liabilities increased by $5.85m, primarily due to funding received from the Australian Government for the Commonwealth Farm Business Concessional Loan Scheme, $10.00m, offset by the repayment of borrowings, $4.29m.
Other liabilities were higher by $5.97m, mainly due to an increase in Appropriation revenue of $4.64m carried forward under section 8A of the *Public Account Act 1986*.

AUDIT FINDINGS

In performing our audit we identified one high risk matter relating to monitoring of the useful life rates for the seal component or roads to ensure these assets were not fully depreciated before the end of their useful life.

In addition, we identified two moderate risk deficiencies relating to:

- completion of audits of major mines in accordance with Mineral Resources Tasmania (MRT's) royalty collection policy and procedures
- retention of key payroll reports and certification of significant payroll reports by management as evidence of their review.

There were 12 prior year findings of which nine remained unresolved. A high risk finding carried forward from prior years related to the completion of the valuation of heritage and cultural assets held by TMAG. TMAG intends to engage an independent valuation expert to undertake the revaluation during 2018-19.

OTHER MATTERS OF INTEREST

Road revaluation

The 30 June 2018 revaluation of road infrastructure was performed on a current replacement cost basis by State Growth's Asset Management Branch and resulted in a net revaluation increment of $739.87m. Current replacement cost was calculated using most recent contract costs for Tasmanian road construction.

In April 2017, State Growth engaged Australian Road Research Board (ARRB) to review the road asset valuation approach adopted by State Growth. The review made four recommendations:

- implement componentisation of road assets that enables independent physical and functional attributes to be applied for each component
- determine and apply modern equivalent replacement cost values to each component
- determine and apply useful lives for each component representative of expected service potential
- document the policy regarding the valuation procedure for unsealed roads.

In response to the review, State Growth split the road pavement into two components, the sub-base and base. In addition, the useful lives of road components were reassessed (increased), resulting in a significant increase in the value of roads.

Tasmanian Museum and Art Gallery Act 2017

During 2017-18, TMAG became a statutory authority under the provisions of the *Tasmanian Museum and Art Gallery Act 2017*. Under the previous *Tasmanian Museum Act 1950* some activities and assets of the Trustees of TMAG were not included in the State Growth financial statements. Under the new Act all activities and assets of TMAG were recognised in the TMAG financial statements and were also included in the financial statements of State Growth. The impact of the *Tasmanian Museum and Art Gallery Act 2017* resulted in State Growth recording a contribution of $3.44m from the Trustees of TMAG.

TDR Loan Program

Under the $40.00m AgriGrowth Concessional Loan Scheme, low interest loans were made available to Tasmanian farmers for projects which increased the value of Tasmania's agriculture sector. During 2017-18, in excess of $15.00m in loan assistance was provided to farmers to promote investment and growth in Tasmanian agriculture.

Continued support for growth in Tasmanian agribusiness saw the expansion of the AgriGrowth Concessional Loans Scheme by $20.00m to $40.00m. Australian Government funding of loan schemes, included the additional $10.00m received for the Farm Business Loan scheme late 2016-17 and another $10.00m during 2017-18.

Parliament Square

In September 2017 as part of the whole of government accommodation consolidation project, State Growth relocated approximately 500 employees from five sites in the Hobart central business district into the Parliament Square precinct in Hobart. The move resulted in State Growth writing off leasehold improvements for its former Hobart premises at 22 Elizabeth Street amounting to $0.95m. As a consequence of the relocation to Parliament Square, State Growth created a commitment to pay $65.79m in lease payments until 31 August 2037.

FINANCIAL ANALYSIS

Financial snapshot 2017-18

Table 7 provides a snapshot of key financial results for 2017-18 in comparison to prior years.

Table 7: Department of State Growth financial snapshot

	2017-18		2016-17		2015-16		2014-15	
	$'000s	Ind	$'000s	Ind	$'000s	Ind	$'000s	Ind
Financial performance								
Reconciliation of Underlying net operating balance to Net result								
Underlying net operating balance	(85 413)	▼	(66 347)	▲	(73 624)	▲	(76 229)	
Non-operational capital funding	108 892	▼	122 800	▲	101 544	●	92 014	
Net gain (loss) on non-financial assets	(22 623)	▼	(14 356)	▲	(46 877)	▼	(12 468)	
Contributions received	215	▼	702	▼	27 691	▲	250	
Fair value of land and buildings assets recognised	0	●	0	▼	4 832	▲	0	
Net gain (loss) on financial instruments and statutory receivables/payables	(1 120)	▼	876	▲	(469)	▲	1 610	
Net result	(49)	▼	41 923	▲	14 035	▲	1 957	
Changes in revaluation reserve	794 505	▲	261 517	▲	(45 277)	▼	21 224	
Comprehensive result	794 456	▲	303 440	▲	(31 242)	▼	23 181	
Financial position[1]								
Cash and deposits	95 219	●	99 754	●	98 766	▲	66 472	
Loan advances	54 328	▲	37 315	▲	33 282	▼	39 948	
Infrastructure	5 113 095	▲	4 313 715	▲	4 030 792	●	4 081 960	
Heritage assets	408 706	●	408 464	●	407 879	●	400 618	
Land and buildings	151 419	●	151 096	●	144 387	●	140 700	
Other assets	12 737	●	12 299	▲	1 433	▼	1 731	
Interest bearing liabilities	(67 072)	▼	(61 222)	▼	(54 742)	▼	(40 513)	
Other liabilities	(23 928)	▼	(17 955)	▲	(19 744)	▼	(18 599)	
Employee benefit provisions	(20 095)	●	(19 215)	▼	(17 387)	▲	(21 654)	
Net assets	5 742 973	●	4 947 517	▲	4 645 077	●	4 675 731	
Key financial ratios								
Operating margin	0.8	●	0.9	●	0.8	●	0.8	
Underlying result ratio	(20.2%)	▼	(15.6%)	▲	(19.1%)	●	(19.8%)	
Net financial assets (liabilities) ratio[2]	(5.8%)	▼	(0.8%)	▼	(0.5%)	▲	(6.0%)	

Indicator ▲ *improvement from prior year* ▼ *deterioration from prior year* ● *no material change from prior year*

1. *Assets are positive, liabilities are negative.*
2. *A positive number indicates liquid assets in excess of total liabilities.*

DEPARTMENT OF TREASURY AND FINANCE

OVERVIEW

$2.60m
Underlying Surplus

$66.29m
Total Revenue from Operations

$15.99m
Grants and Subsidies Paid

1.0
Operating Margin

311
Employees (FTEs)

$30.32m
Employee Benefits

INTRODUCTION

Treasury was responsible for managing the Tasmanian Government's financial resources and for implementing strategies to achieve the Government's economic and fiscal objectives. It was predominately funded through Parliamentary appropriations, under two separate Divisions, the Department of Treasury and Finance and Finance-General.

Treasury and Finance Division activities were reported as controlled activities, including all funds through which Treasury controlled resources to carry out its functions. Administered statements encompassed the activities of the Finance-General Division that were administered on behalf of Government.

KEY RESULTS AND DEVELOPMENTS

Unless otherwise stated, the financial information of Treasury presented below is for controlled activities.

In 2017-18, Treasury recorded a Net operating surplus of $2.60m, a small decrease on the prior year's surplus of $2.76m.

The Comprehensive surplus was $2.50m, which included a net loss on non-financial assets of $0.10m.

Recurrent Revenue from Government increased in 2017-18 to $51.83m, up $10.12m on the previous year. This was primarily due to the receipt of a full year of funding for the OSC. In the previous financial year the OSC only operated for three months.

Employee benefits increased by $4.03m, 15.3%, on 2016-17, primarily the result of:

- OSC operating for a full 12-months
- additional permanent employment of 12 staff for new projects
- additional fixed-term staff in the Economic and Financial Policy area.

Supplies and consumables were $14.66m in 2017-18 compared to $8.44m in the prior year, an increase of 73.7%. The increase was predominately the result of expenditure incurred on the operations of OSC.
Intangibles increased in 2017-18 by $2.07m to $8.25m due to components of the Budget Information Management System (BIMS) being commissioned during the year.

AUDIT FINDINGS

In performing our audit we did not find any significant deficiencies in internal control and nor did we have significant findings. Two low risk matters were reported to Treasury.

OTHER MATTERS OF INTEREST

Office of the Superannuation Commission

On 1 April 2017, the OSC was established as a branch of Treasury. The 2017-18 year represented the first full year of operation of OSC and there were further costs associated with its establishment within Treasury.

Budget Information Management System project

BIMS was developed for the purpose of replacing budget legacy systems, to provide enhanced information management and to promote productivity. Development commenced in 2017 and is expected to be completed in 2018-19. In 2017-18, depreciation expense increased by $0.28m largely attributable to the commissioning of components of BIMS.

Property Management

The first stage of the centralised management and coordination of major office accommodation leases for Government within the Hobart CBD was implemented, with the partial completion of Parliament Square and review of existing Government leases. During the year, Leasehold improvements decreased to $0.17m from $0.37m with the termination of three leases.

FINANCIAL ANALYSIS

Financial snapshot 2017-18

Table 8 provides a snapshot of Treasury's financial results for 2017-18 in comparison to prior years.

Table 8: Department of Treasury and Finance financial snapshot

	2017-18		2016-17		2015-16		2014-15	
	$'000s	Ind	$'000s	Ind	$'000s	Ind	$'000s	Ind
Financial performance								
Net operating balance[1]	2 599	▼	2 755	▼	5 105	▲	(1 436)	▼
Net gain/(loss) on non financial assets	(96)	▼	0	●	0	●	0	●
Net result / Comprehensive result	2 503	▼	2 755	▼	5 105	▲	(1 436)	▼
Financial position[2]								
Cash and deposits	7 490	●	7 167	▲	5 252	▲	4 295	●
Intangibles	8 249	▲	6 178	▲	3 423	▲	2 358	▲
Employee benefit provisions	(7 619)	▼	(7 075)	▼	(6 513)	▲	(7 202)	●
Other liabilities	(1 719)	▼	(1 424)	▼	(1 190)	▲	(3 406)	▼
Net assets/(liabilities)	8 106	▲	5 603	▲	2 849	▲	(2 258)	▼
Key financial ratios								
Operating margin	1.0	●	1.1	●	1.1	▲	1.0	●
Underlying result ratio	3.8%	▼	4.9%	▼	9.7%	▲	(2.9%)	▼
Net financial liabilities ratio[3]	(3.4%)	▲	(4.8%)	●	(4.6%)	▲	(13.2%)	▼

Indicator ▲ *improvement from prior year* ▼ *deterioration from prior year* ● *no material change from prior year*

1. *Net operating balance represents underlying surplus.*
2. *Assets are positive, liabilities are negative.*
3. *A positive number indicates liquid assets in excess of total liabilities.*

TASMANIAN HEALTH SERVICE

OVERVIEW

$80.78m
Underlying Deficit

$1.57bn
Total revenue from operations

$1.01bn
Land and Buildings assets

17 402*
Elective Surgery Admissions

8 870
Employees (FTEs)

157 989*
National Weighted Activity Units (NWAU's)

**Tasmanian Health Service's 2017-18 Annual Report*

INTRODUCTION

THS was a statutory authority that had responsibility and accountability for governing and delivering integrated healthcare services through the public hospital system and primary and community health services (including mental health and oral health services). THS commenced operations on 1 July 2015.

KEY RESULTS AND DEVELOPMENTS

THS recorded an Underlying net operating deficit of $80.78m in 2017-18 (2016-17, $75.88m).

THS reported a Net deficit of $51.70m in 2017-18 ($74.82m). The 2016-17 result included a one off asset de-recognition expense of $28.73m related to the demolition of Royal Hobart Hospital's B-Block, as part of the hospital redevelopment.

The Comprehensive surplus of $40.34m was an improvement of $98.14m from the previous year due to an increase in the value of THS land and buildings.

Capital works projects completed by the THS in 2017-18 totalled $14.59m, including:

- Royal Hobart Hospital works on H Block and J Block, $3.77m
- Launceston General Hospital pathology and substation upgrades, $1.49m
- state-wide Patient Flow Manager system, $1.31m. The system should improve THS' ability to improve patient access and quality care outcomes.

In addition, THS recognised $33.27m on the transfer of the Mersey Community Hospital (MCH) from DHHS on 1 July 2017.

The transfer of ownership of the MCH resulted in a derecogntion expense of $4.17m, related to a number of MCH leasehold assets previously recorded.

Employee benefit expenses increased by $91.48m, (increase of 9.0%) from 2016-17. The increase was primarily driven by:

- a higher number of FTE's
- locum usage linked to increased elective surgery admissions and emergency department activity.

Grant revenue increased during 2017-18 by $103.72m, or 8.0% from 2016-17. The increase was in response to increased employee costs and top-up funding for new beds as part of the Patients First initiative.

Revenue from the Sales of goods and services declined by $12.66m, or 7.0% on 2016-17. The 2016-17 revenue was higher as a result of the Hepatitis C medication being made available on the Pharmaceuticals Benefits Scheme list during that year.

Effective from 1 July 2018, the *Tasmanian Health Service Act 2018* repealed the *Tasmanian Health Organisation Act 2011*, under which the THS was established. Under the Tasmanian Health Service Act, the THS will continue as a separate legal entity governed by an Executive reporting directly to the Secretary of the Department of Health.

AUDIT FINDINGS

In performing our audit we did not identify any significant deficiencies in internal control, nor did we have any significant findings. Three low to moderate rated issues were raised.

Three significant internal control deficiencies identified during 2016-17 remained unresolved during 2017-18. The matters related to use of a service organisation; revenue documentation, processes and reporting; and cross border charging. Of 13 findings raised in 2016-17, eight remained unresolved.

OTHER MATTERS OF INTEREST

Governance Structure

Following the State Election in March 2018, the Government moved to strengthen local hospital leadership and decision-making. Legislation was passed by the Tasmanian Parliament in June 2018 to have the THS report directly to the Secretary of the Department of Health, effective from 1 July 2018. As a result, the roles of the THS Governing Council and Chief Exective Officer were abolished.

Patients First Initiative

In the 2017-18 Budget, the state government committed funding of $67.30m to be provided over four years to deliver the second stage of the Patients First initiative. Funding for Patients First Stage 2 was focused on increasing hospital bed capacity across all regions as a direct response to increasing demand.

During 2017-18 the Patients First initiative saw delivery of an additional 50 hospital beds.

FINANCIAL ANALYSIS

Financial snapshot 2017-18

Table 9 provides a snapshot of key financial results for 2017-18 in comparison to prior years.

Table 9: Tasmanian Health Service financial snapshot

	2017-18		2016-17		2015-16
	$'000s	Ind	$'000s	Ind	$'000s
Financial performance					
Reconciliation of Underlying net operating balance to Net result					
Underlying net operating balance	(80 780)	▼	(75 873)	▼	(37 775)
Non operational capital - assets transferred	33 273	▲	30 557	▼	72 780
Net gain/(loss) on financial assets	(39)	▲	(29 499)	▼	208
Net gain/(losses) on financial instruments	(4 168)	▼	0	●	0
Other gains/(losses) economic flows	18	▲	(9)	▲	(446)
Net result	(51 696)	▲	(74 824)	▼	34 767
Changes in property, plant and equipment revaluation	92 040	▲	17 025	▲	13 681
Comprehensive result	40 344	▲	(57 799)	▼	48 448
Financial position[1]					
Cash	40 789	▼	55 658	▼	89 535
Property, plant and equipment	1 069 924	▲	973 379	●	986 527
Employee benefit provisions	(262 566)	▼	(244 161)	▼	(224 895)
Net assets	805 092	▲	764 863	▼	822 548
Key financial ratios					
Operating margin	1.0	●	1.0	●	1.0
Underlying result ratio	(5.2%)	●	(5.2%)	▼	(2.8%)
Net financial liabilities ratio[2]	(19.4%)	▼	(16.9%)	▼	(14.0%)

Indicator ▲ improvement from prior year ▼ deterioration from prior year ● no material change from prior year

1. *Assets are positive, liabilities are negative.*
2. *A positive number indicates liquid assets in excess of total liabilities.*

SUPERANNUATION COMMISSION

OVERVIEW

$176.2m

Profit from Operating Activities

$160.6m

Net Loss after Tax

$2.06bn

Total Investments

$7.22bn

Defined Benefit Member Liability

$5.11bn

Unfunded Defined Benefit Member Liability

$415.4m

Total Benefits Paid

INTRODUCTION

The *Public Sector Superannuation Reform Act 2016* (the Act) established the Commission with effect from 1 April 2017 and assigned it the trustee responsibility for the Retirement Benefits Fund (the Fund). Under the Act, the Treasurer appointed three Commissioners as members of the Commission, to administer and manage the Fund in accordance with the Act and any other applicable law of the State or the Commonwealth, for the purpose of providing benefits on retirement to members of the contributory scheme, and their beneficiaries or representatives.

In essence, the Fund continued under section 11 of the *Retirement Benefits Act 1993*, with the Act changing the Trustee responsibility.

The Fund comprised the following five defined benefit sub-funds:

- Contributory Scheme (closed 15 May 1999)
- Parliamentary Superannuation Fund (closed 11 November 1995)
- Parliamentary Retiring Benefits Fund (closed 1 July 1999)
- State Fire Commission Superannuation Scheme (closed 30 June 2005)
- Tasmanian Ambulance Service Superannuation Scheme (closed 30 June 2006).

The sub-funds, as noted above have all been closed to new members.

In examining the reporting obligations of the Commission, during 2017-18 it was determined, in consultation with Treasury, it was a State entity and the Commissioners were the accountable authority as defined in section 14 of the *Audit Act 2008*. As such, they were required to submit financial statements for the Fund to the Auditor-General in accordance with section 17 of the *Audit Act 2008*. For the 2016-17 year, as a consequence of the transition and as an intermediate step, financial statements were not produced on a standalone basis. Instead, a Statement of Financial Position and detailed supporting notes for the Fund were included in, and audited as part of, the notes of the financial statements of the Department of Treasury and Finance. The information disclosed was prepared in accordance with AAS 25 *Financial Reporting by Superannuation Plans*.

Separate financial statements of the Fund were prepared and audited for the financial year ended 30 June 2018, including comparative information for the year ended 30 June 2017. As a result of a change in accounting standards applicable to these financial statements, they were prepared and audited under AASB 1056 *Superannuation Entities*. This was the first presentation of the financial statements of the Fund using that standard.

The 2017-18 transactions are not directly comparable with the 2016-17 comparatives as the latter included revenues and expenses for the accumulation scheme to 31 March 2017.

KEY RESULTS AND DEVELOPMENTS

In 2016-17, under the *Public Sector Superannuation Reform Act 2016*, the Fund transferred $3.98bn of defined contribution benefits liabilities and associated assets under the Tasmanian Accumulation Scheme to Tasplan under a Successor Fund Transfer arrangement.

Defined benefit member liabilities of the Fund at 30 June 2018 increased by $241.90m from the prior year to $7.22bn. The increase was primarily a result of the latest actuarial assessment of the liability, taking into consideration changes in assumptions used to value the defined benefit obligation, in particular the discount rate.

The result of the actuarial assessment on defined benefit member liabilities, not withstanding the Fund recorded a Profit from operating activities of $176.18, was a Net loss after income tax of $160.59m.

Gross investment income for 2017-18 of $177.90m tracked lower than investment income of $633.30m in 2016-17. This was caused by a significant reduction to the investment balance in 2016-17 due to the Successor Fund Transfer arrangement.

The actual investment result for the defined benefits fund represented an 8.7% return on investment, above the Fund's target range of between 6.0% to 7.5%. The higher investment income was caused by stronger market conditions experienced both locally and overseas, similar to those in 2016-17.

In adopting an investment strategy that maximises long-term returns, the actual annual returns may vary significantly from the target return due to the weighting of the investment portfolio towards growth assets.

AASB 1056 *Superannuation Entities* was adopted in the 2017-18 financial statements for the first time. The standard replaced AAS 25 *Financial Reporting by Superannuation Plans*. The 2016-17 opening defined benefit member liabilties balance was adjusted to reflect the valuation methodology required under AASB 1056. Both the 30 June 2017 and 2018 defined benefit member liabilities have been calculated using the same methodology.

AUDIT FINDINGS

In performing our audit we did not find any significant deficiencies in internal control and nor did we have significant findings. Three low risk issues were raised.

OTHER MATTERS OF INTEREST

Liabilities for accrued benefits

For 2017-18, the Superannuation Commission obtained an actuarial valuation for the defined benefit member liability for accrued benefits of each five defined benefits schemes. We engaged an actuary to review the Superannuation Commission's actuarial valuation model and assumptions to assess the reasonableness for the valuation of the liability for accrued benefits.

The Fund is dependent on the Tasmanian Government to meet the unfunded liability. The emerging cash cost of defined benefit superannuation payments is largely met 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 benefits costs. The most recent actuarial estimates show that the defined benefits superannuation liability is expected to be extinguished by 30 June 2079.

Defined benefit schemes:

- **Contributory Scheme:** The employer obligations to the Contributory Scheme are unfunded and are financed on an emerging cost basis. Employee contributions, which are fully funded by the members and vest fully in them, are made at a specified rate of salary. As at 30 June 2018, the unfunded liability for this scheme was $5.12bn.
- **Parliamentary Superannuation Fund:** The employer obligations to the Parliamentary Superannuation Fund are unfunded and are financed on an emerging cost basis. Employee contributions, which are fully funded by the members and vest fully in them, are made at a specified rate of salary. As at 30 June 2018, the unfunded liability for this fund was $10.60m.
- **Parliamentary Retiring Benefits Fund:** This Fund is lump sum based, with any entitlements not being able to be converted to or paid in the form of a pension, other than an RBF Account Based Pension. This Fund was fully funded as at 30 June 2018.
- **State Fire Commission Superannuation Scheme:** This scheme was fully funded as at 30 June 2018.
- **Tasmanian Ambulance Service Superannuation Scheme:** This scheme was fully funded as at 30 June 2018.

Differing liability balances

As noted above, AASB 1056 was adopted in preparing the 2017-18 financial statements of the Fund. AASB 1056 requires the defined benefit member liability to be discounted using a rate based on the long-term target investment return. At 30 June 2018, the weighted average discount rate applied was 7.0%.

In our sector analysis of the GGS statements, we include information on the General Government Sector superannuation liability. The liability is calculated in accordance with AASB 119 *Employee Benefits*, which requires the liability to be discounted using market yields on Australian Government bonds. At 30 June 2018, the rate applied was 3.0%.

A key difference between AASB 1056 and AASB 119 is the discount rate applied. The changed discount rate resulted in a significant difference between the general government net liability, $8.28bn (under AASB 119) and the Superannuation Commission member liability, $5.11bn (under AASB 1056).

FINANCIAL ANALYSIS

Financial snapshot 2017-18

Table 10 provides a snapshot of key financial results for 2017-18 in comparison to prior years.

Table 10: Superannuation Commission's financial snapshot

	2017-18 $'000s	2016-17 $'000s
Financial performance		
Investment revenue	177 939	633 291
Profit from operating activities	176 178	590 025
Net changes in defined benefit member liabilities	(328 980)	(559 579)
Net benefits allocated to defined contribution member accounts	0	(359 614)
Profit (loss) after income tax	(160 592)	(331 815)
Changes in Member Benefits		
Employer contributions	318 219	460 919
Benefits to members/beneficiaries	(415 368)	(584 068)
Successor fund transfer	0	(3 975 024)
Financial position[1]		
Total investments	2 058 304	2 052 891
Defined benefits member liabilities	(7 223 060)	(6 981 146)
Defined benefits that are over or (under) funded	(5 108 021)	(4 947 429)
Key financial ratios		
Return on investments	8.7%	10.7%

1. *Assets are positive, liabilities are negative.*

Note: An analysis between the two financial years was not undertaken as the numbers are not directly comparable. 2016-17 includes revenues and expenses for the accumulation scheme to 31 March 2017.

OTHER GENERAL GOVERNMENT SECTOR AND STATE ENTITIES

INTRODUCTION

This Chapter includes all State entities other than:

- ministerial departments
- local government entities
- Government Business Enterprises and State Owned Companies
- University of Tasmania
- State entities whose audits were dispensed with.

Entities included in this part of the Report were grouped into:

- Executive and Legislature
- Other GGS State entities
- Other State entities.

Executive and Legislature

The Parliament of Tasmania consisted of the Crown (represented by the Governor), the Legislative Council and the House of Assembly that collectively formed the Legislature. Legislature-General provided, amongst other matters, support for general parliamentary functions, including reporting services and parliamentary catering.

Designated officers administered these functions and financial transactions were recorded in the financial statements of the:

- House of Assembly
- Legislative Council
- Legislature-General
- Office of the Governor.

The Ministerial and Parliamentary Support Division of DPAC received appropriation funding to support Ministers and certain Parliamentary Office Holders and all members of the House of Assembly. The funding covered Ministerial allowances, staffing support and office facilities for Ministers and staffing support and office facilities for all Members of the House of Assembly. Certain office facilities and staff support were also provided to some Members of the Legislative Council. The financial transactions of the Ministerial and Parliamentary Support Division were reported in the financial statements of DPAC. These details are not included within this Chapter.

Other GGS State entities

The GGS consisted of departments and non-profit State entities controlled and mainly financed by Government. The main purpose of non-profit State entities was to produce or distribute goods and services but not provide a source of income, profit or other financial gain for Government.

A number of entities were consolidated into departments, but were still required to complete financial statements in their own right. Where significant, they are discussed in departmental Chapters in this Report.

A number of entities were stand-alone authorities and some formed part of administered activities of departments. These included the State Fire Commission and TasTAFE.

Other State entities

Other State entities were statutory authorities and other non-profit entities not consolidated into GGS.

KEY RESULTS AND DEVELOPMENTS

In 2017-18, Executive and Legislature recorded an Underlying deficit of $0.31m (2016-17, $0.25m surplus), which comprised deficit results in Legislative-General and Office of the Governor of $0.22m and $0.32m, respectively.

Consolidated GGS entities recorded an Underlying deficit of $3.82m ($0.48m surplus). The deficit is mainly attributable to the underlying deficit recorded by Ambulance $3.38m and Housing $2.70m. These deficits were partially offset by a $2.36m surplus from ABT Railway.

Other GGS entities recorded an Underlying deficit of $5.35m ($0.65m). The deficit is mainly attributable to the underlying deficit recorded by TasTAFE of $4.70m.

Other State entities recorded a total Underlying surplus of $0.93m ($0.97m), which was predominately made up of surplus results for:

- Aboriginal Land Council, $0.54m
- Legal Aid Commission, $0.85m
- Tasmanian Building and Construction Industry Training Board, $1.01m.

The surplus results were offset by deficits for:

- Property Agents Trust, $1.27m
- The Nominal Insurer, $0.45m.

ABT Railway Ministerial Corporation

The Underlying surplus of the Corporation increased by $1.49m to $2.36m in 2017-18. The increase was primarily due to an increase in the sale of goods and services of $0.44m, resulting from higher visitor numbers and grant funding received to cover repairs to the railway line.

The Corporation is heavily reliant on government funding to support its maintenance costs.

Housing Tasmania

Housing Tasmania recorded an Underlying deficit of $2.70m, a $7.51m decrease from the 2016-17 surplus of $4.81m. The result was impacted by $38.32m in Grants to the Community Housing Program, reflecting the transfer of 216 properties to non-government organisations who assumed responsibility for the management of Housing properties transferred. This amount was partially offset by operating recoveries of $31.0m which represented the return of management rights to properties.

Net assets increased by $3.53m.

Housing Tasmania had a superannuation liability of $7.42m.

Asbestos Compensation Fund

The Fund recorded an Underlying deficit of $0.13m in 2017-18, a decrease of $5.37m from the prior year. The decrease was due to a significant rise in compensation claims awarded, which increased from $1.55m to $6.08m. Levies received also decreased slightly, from $7.04m to $6.50m, or 7.6%.

Total liabilities decreased from $95.61m to $85.84m as at 30 June 2018, due to a decrease in the provision for compensation payable of $9.79m, as advised by the fund actuary.

State Fire Commission

For 2017-18, the State Fire Commission reported an Underlying deficit of $0.19m, a significant improvement on the $3.16m deficit in the prior year. This was largely due to an increase in the insurance levy revenue of $1.51m and $3.16m reduction in insurance expense.

The Commission's Net assets totalled $122.61m at 30 June 2018, an increase of $7.08m.

TasTAFE

TasTAFE reported an Underlying deficit of $4.70m in 2017-18 (2016-17, $8.14m). The decrease of $3.44m was mainly attributable to:

- the change in fee structure introduced in 2017 affecting the full financial year (part-year impact in 2017 due to the timing of the change)
- the change in fee structure introduced in 2017 affecting the full financial year (part-year impact in 2017 due to the timing of the change)

- continued greater transparency over student fees following the introduction of a new student management system.

TasTAFE's Net assets totalled $161.44m at 30 June 2018, a small decrease from $162.07m in the prior year.

AUDIT FINDINGS

Audits of the entities were completed satisfactorily, however a number of matters were raised during the course of the audits. Depending on the significance of the matters, they were either discussed and cleared with management (generally low risk issues) or formally communicated to those charged with governance. Where required, responses to these matters were sought from management and these will be followed up during the course of the next audit.

State Fire Commission

Four moderate risk rated findings were reported to management of State Fire relating to:

- a lack of controls around inventory handling and stocktake procedures
- adequacy of the bad debt provision
- bank account signatories
- timeliness of bank reconciliations.

TasTAFE

Two moderate risk rated findings were reported to management of TasTAFE relating to:

- student fee invoices raised outside of the student management system
- a large number of unapplied credits on the 30 June 2018 bank statement.

OTHER MATTERS OF INTEREST

Tasmanian Museum and Art Gallery

Heritage and cultural collection

TMAG's valuation for the heritage and cultural assets at end of 30 June 2018 was $408.71m. Heritage and cultural assets were valued by management and specialist staff as at 30 June 2016. An independent valuation is expected to be undertaken during 2018-19.

Asbestos Compensation Fund

Provision for Compensation Payable / Future levies receivable

The Fund is funded through a levy on the premiums of licensed insurers and the notional premiums of self-insurers. The calculation of the future Asbestos Compensation levies receivable of $68.43m at 30 June 2018 was based on the fact that all expenditure incurred by the Fund over its entire life will be obtained from licensed insurers and self-insurers through the levy.

The Provision for Compensation Payable of $85.78m at 30 June 2018 was measured as the present value of the expected future payments to persons who had an accepted claim for compensation or who were estimated by the actuaries to be entitled to compensation in the future.

TasTAFE

Land and buildings

TasTAFE's land and buildings were revalued in 2017-18 by the Office of the Valuer-General, with an increase of $4.21m recognised.

Significant employee costs and provision

TasTAFE employed 727 full time equivalent employees at 30 June 2018 and employee expenses represented 60.4% of its total expenditure. Employee entitlements represented 75.0% of Total liabilities. Payroll support is provided by DoE.

FINANCIAL ANALYSIS

Financial snapshot 2017-18

Table 11 summarises the financial results and position of Other GGS and State entities for 2017-18:

Table 11: Financial Snapshot

	Underlying surplus (deficit)		Net surplus (deficit)		Comprehensive surplus (deficit)		Net Assets	
	$'000s	Ind	$'000s	Ind	$'000s	Ind	$'000s	Ind
Executive and Legislature								
House of Assembly	223	▼	223	▼	223	▼	2 042	▲
Legislative Council	(1)	▼	(1)	▼	(1)	▼	1 127	●
Legislature-General	(218)	▲	(218)	▲	633	▲	35 228	●
Office of the Governor	(316)	▼	(316)	▼	(316)	▼	34 703	●
Total	**(312)**		**(312)**		**539**		**73 100**	
Consolidated GGS entities								
ABT Railway Ministerial Corporation	2 356	▲	2 356	▲	2 359	▲	46 379	▲
Ambulance Tasmania	(3 384)	▲	(669)	▲	587	▲	20 722	●
Housing Tasmania	(2 697)	▼	1 196	▼	3 531	▼	1 378 018	●
Office of Tasmanian Assessment, Standards and Certification	31	▼	31	▼	31	▼	(107)	▲
Tasmania Development and Resources	110	▲	(394)	▲	(394)	▲	31 662	●
Tasmanian Affordable Housing Limited	16	▲	16	▲	16	▲	1 265	●
Tasmanian Museum and Art Gallery	(249)	▼	(249)	▼	(249)	▼	438 398	●
Total	**(3 817)**		**2 287**		**5 881**		**1 916 337**	
Other GGS entities								
Asbestos Compensation Fund	(125)	▲	0	●	0	●	0	●
Inland Fisheries Service	(113)	▼	(102)	▼	(102)	▼	8 423	●
Integrity Commission	(127)	●	(127)	●	(127)	●	(41)	▼
Marine and Safety Tasmania	373	▲	291	●	621	●	34 189	●
Office of the Director of Public Prosecutions	88	▼	88	▼	88	▼	384	▲
Office of the Ombudsman and Health Complaints Commissioner	(96)	▲	(96)	▲	(96)	▲	143	▼
Royal Tasmanian Botanical Gardens	(69)	▲	(57)	▲	426	▲	14 095	●
State Fire Commission	(194)	▼	4 346	▲	7 078	▼	122 605	▲
Tasmanian Economic Regulator	37	▼	37	▼	37	▼	176	▼
TasTAFE	(4 704)	▲	(4 849)	▼	(637)	▲	161 437	●

	Underlying surplus (deficit)		Net surplus (deficit)		Comprehensive surplus (deficit)		Net Assets	
	$'000s	Ind	$'000s	Ind	$'000s	Ind	$'000s	Ind
Tourism Tasmania	(416)	▼	(416)	▼	(416)	▼	(260)	▼
Workcover Tasmania Board	0	●	0	●	0	●	0	●
Total	**(5 346)**		**(885)**		**6 872**		**341 151**	
Other State entities								
Aboriginal Land Council	540	▼	540	▼	540	▼	29 471	●
Council of Law Reporting	0	●	0	●	0	●	8 463	●
Forest Practices Authority	313	▲	313	▲	313	▲	2 149	▲
Legal Aid Commission of Tasmania	849	▼	849	▼	849	▼	4 724	▲
Legal Profession Board	(236)	▼	(236)	▼	(236)	▼	(55)	▼
National Trust of Australia (Tasmania)	(49)	▼	(49)	▼	565	▼	11 264	▲
Property Agents Board	137	▲	137	▲	137	▲	499	▲
Property Agents Trust	(1 273)	●	(1 273)	●	(1 273)	●	9 227	▼
Tasmanian Beef Industry (Research and Development) Trust	3	▼	3	▼	3	▼	642	●
Tasmanian Building and Construction Industry Training Board	1 013	▲	1 013	▲	1 013	▲	4 247	▲
Tasmanian Community Fund	15	▼	15	▼	15	▼	11 296	●
Tasmanian Dairy Industry Authority	82	▼	82	▼	82	▼	696	▲
Tasmanian Heritage Council	2	▲	2	▲	2	▲	123	●
The Nominal Insurer	(448)	▼	(448)	▼	(448)	▼	174	▼
Wellington Park Management Trust	(20)	●	(20)	●	(20)	●	265	▼
Total	**928**		**928**		**1 542**		**83 185**	

Indicator ▲ improvement from prior year ▼ deterioration from prior year ● no material change from prior year (2016-17 balances are not disclosed in the table)

APPENDIX A – ACRONYMS AND ABBREVIATIONS

ABS	Australian Bureau of Statistics
Abt Railway	Abt Railway Ministerial Corporation
Ambulance	Ambulance Tasmania
ARRB	Australian Road Research Board
BIMS	Budget Information Management System
CHO	Community Housing Organisations
Commission	The Superannuation Commission
DHHS	Department of Health and Human Services
DoE	Department of Education
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
ESCAD	Emergency Services Computer Aided Dispatch
FMA	*Financial Management Act 2016*
FMAA	*Financial Management and Audit Act 1990*
GETI	Government Education and Training International
GGS	General Government Sector
GST	Goods and Services Tax
Housing	Housing Tasmania
MCH	Mersey Community Hospital
MRT	Mineral Resources Tasmania
NWAU	National Weighted Activity Unit
OSC	Office of the Superannuation Commission
PA	Public Account
PFC	Public Financial Corporations
PNFC	Public Non-Financial Corporations
PRBF	Parliamentary Retiring Benefits Fund
PSF	Parliamentary Superannuation Fund
PSMA	PSMA Australia Limited
RBF	Retirements Benefits Fund
RHH	Royal Hobart Hospital
SDTF	Special Deposits and Trust Fund
State Growth	Department of State Growth
TAFR	Treasurer's Annual Financial Report

TAHO	Tasmanian Archive and Heritage Office
Tascorp	Tasmanian Public Finance Corporation
TasGRN	Tasmanian Government Radio Network
TASSS	Tasmanian Ambulance Service Superannuation Scheme
TDR	Tasmania Development and Resources
the Act	*Public Sector Superannuation Reform Act 2016*
the Fund	Retirement Benefits Fund
the states	Australian states and territories
THS	Tasmanian Health Service
TMAG	Tasmanian Museum and Art Gallery
Treasury	Department of Treasury and Finance
TSS	Total State Sector
UPF	Uniform Presentation Framework
WIP	Work-in-Progress

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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 Standards as issued by the Australian Auditing and Assurance Standards Board.

Tasmanian
Audit Office

Cover photo: Flow Mountain Bike

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