Tasmanian
Audit Office

Report of the Auditor-General No. 5 of 2014-15

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

Volume 2

General Government and Other State entities 2013-14

November 2014

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THE ROLE OF THE AUDITOR-GENERAL

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

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

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

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

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

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

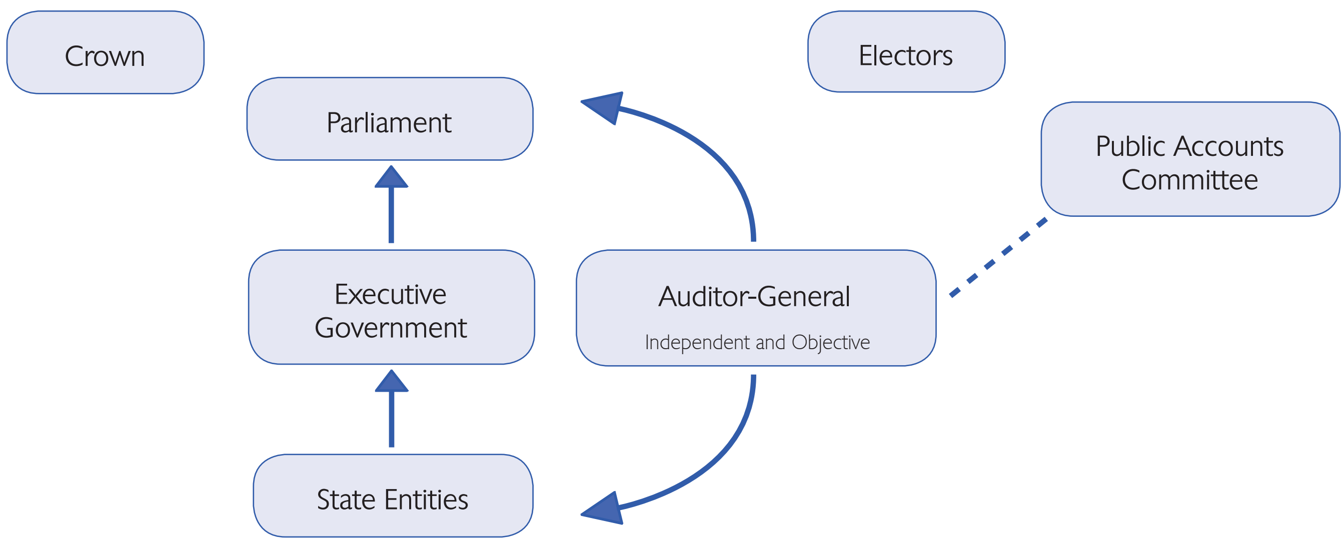
We can also carry out investigations but only relating to public money or to public property.

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.



2014 (No. 19)

TASMANIA

2014
PARLIAMENT OF TASMANIA

Report of the Auditor-General
No. 5 of 2014-15

Volume 2

General Government and Other State entities 2013-14

November 2014

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

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

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27 November 2014

President
Legislative Council
HOBART

Speaker
House of Assembly
HOBART

Dear Mr President

Dear Madam Speaker

Report of the Auditor-General No. 5 of 2014-15, Auditor-General's Report on the Financial Statements of State entities, Volume 2 – General Government and Other State entities 2013-14.

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 2 - General Government and Other State entities 2013-14.

Yours sincerely

H M Blake
Auditor-General

FOREWORD

This Report is the second Volume of my report to Parliament detailing outcomes of financial audit work. It summarises the results of audits, key developments and findings and the financial performance of those State entities consisting of the Executive and Legislature, General Government Sector (GGS) (departments and other entities), Tasmanian Health Organisations, Other State entities and State Superannuation Funds for the year ended 30 June 2014.

It covers the audits of the four Parliamentary agencies which make up Executive and Legislature, nine government departments and Finance-General, including six associated entities, 14 other GGS entities, and 14 other State entities. The State Superannuation funds consist of six schemes and RBF Financial Planning Pty Ltd.

GGS incurred $5.075bn in expenses from transactions and managed assets recorded at $18.185bn. GGS expenditure was dominated by spending in the health and education sectors, totalling $2.770bn or 54.6% of total expenses. Employee-related costs were 48.8% of total GGS expenses.

Each department submitted its financial statements within the statutory deadline. Unqualified audit reports on those financial statements were issued in all cases and within the prescribed time limits. Our audits identified a number of internal control and other weaknesses in the operations conducted and systems used by departments and other GGS type entities. These matters did not impact on completion of the audits and were reported to heads of agencies or those charged with governance.

Net Assets available to pay benefits of all participants, including the accumulation scheme which is not a defined benefit scheme, totalled $4.884bn at 30 June 2014. Combined accrued benefits for all defined benefit schemes totalled $6.137bn. The market value of Net Aassets available to pay these benefits was $1.768bn, resulting in an Unfunded liability of $4.369bn.

H M Blake

Auditor-General

27 November 2014

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INTRODUCTION

SCOPE OF THIS REPORT

This Report deals with the outcomes from completed financial statement audits of Executive and Legislature, Government Departments, Tasmanian Health Organisations and Other General Government Sector State entities, Other State entities and the State's Superannuation Funds for the year ended 30 June 2014. It comments on key findings, developments and areas of audit attention relevant to each entity.

STATUS OF AUDITS

Audits of all entities dealt with in this Report have been completed. However, not included is commentary on National Trust of Australia (Tasmania) due to delays in submission of financial statements for audit.

Under section 17 of the *Audit Act 2008* specific time limits are set by which accountable authorities of State entities are to provide financial statements to the Auditor-General to formally allow the audit process to commence. Listed below are entities whose signed financial statements were not received by the statutory deadline of 45 days from the end of the financial year; that is, by 14 August 2014. Dates shown in brackets represent the date signed financial statements were received.

- National Trust of Australia (Tasmania) (13 October 2014)
- Tasmanian Museum and Art Gallery (8 September 2014)
- The Nominal Insurer (20 August 2014)
- Wellington Park Management Trust (15 August 2014).

Our responsibility under section 19 of the Audit Act is to complete the audit within 45 days of receiving signed financial statements from State entities.

FORMAT OF THIS REPORT

Unless specifically indicated, comments in this Report were current as at 2 November 2014.

In addition to this Introduction this Report includes:

- Key Points
- Executive and Legislature
- Government Departments
- Tasmanian Health Organisations
- Other General Government Sector State entities
- Other State entities
- State Superannuation Funds.

Individual chapters were structured as follows:

- a snapshot of the entity
- introduction
- audit of the 2013-14 statements
- key areas of audit attention*
- key findings*
- key developments*
- analysis of financial performance, concentrating on underlying result, total revenue and expenses against budget and staff numbers and salaries*

- analysis of financial position reviewing total assets and net assets*
- appendices covering the statements of comprehensive income, financial position, cash flows and key financial ratios*.

** Because of the small size of some entities, some sections were combined and, where not relevant, left out altogether.*

Financial reporting frameworks

Entities are required to follow an applicable financial reporting framework specified in relevant law or regulations. For example, Government Departments are required to present financial statements in accordance with the Model Departmental Financial Statements issued by the Department of Treasury and Finance. In most cases, State entities prepare general purpose financial statements in accordance with Australian Accounting Standards. In certain circumstances a small number of State entities can prepare special-purpose financial statements in accordance with a framework developed by us.

Underlying Result

In our analysis of financial performance we have, if necessary, reallocated certain revenue or expenditure items to better assist readers to interpret financial performance. We use the term 'underlying surplus (deficit)' throughout the Report. We define 'underlying' as from continuing operations, excluding:

- non-operational capital funding
- revenue and expenses which are outside the normal course of operations, for example the cost of restructuring or significant gains or losses on sale or transfer of assets
- non-recurring items which are part of recurrent activities but unusual due to their size and nature.

Government Departments disclose an underlying net operating balance in notes to their financial statements in accordance with the Model Department Financial Statements. The underlying net operating balance is derived by excluding non-operational capital funding and capital-related costs from the net operating balance. The underlying result used in our analysis may differ from the underlying net operating balance disclosed in the financial statements.

SUBMISSIONS AND COMMENTS RECEIVED

A copy of each chapter in this Report was provided to the relevant entity for comment and response.

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

Where comments were provided, these are included in respective chapters.

KEY AREAS OF AUDIT ATTENTION

Key areas of audit attention have been included in this Report to assist Parliamentarians and other users to understand our approach to auditing these areas, which, by their identification, are considered 'risks' associated with the entity's operations: this ensures audit resources are allocated efficiently and effectively.

KEY POINTS

The summary below notes the key points identified in this Report.

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EXECUTIVE AND LEGISLATURE	**19**
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Land and buildings were indexed on 1 July 2013, increasing Net Assets to $40.432m. The Office's main assets are Government House and heritage-related assets.

GOVERNMENT DEPARTMENTS	**30**
Department of Economic Development, Tourism and the Arts	**34**

An administrative order amalgamated the Department into the Department of State Growth on 1 July 2014.

As part of the 1 July 2014 restructure, Sport and Recreation was transferred to the Department of Premier and Cabinet, Tourism Tasmania was established as a stand-alone statutory authority and Skills Tasmania integrated into the Department of State Growth from the Department of Education.

Reported an Underlying Surplus of $1.583m, an improvement of $4.879m from the 2012-13 deficit, $3.296m. The Net Result was a surplus of $3.934m.

Tasmania Development and Resources (TDR) received a $15.000m farm finance loan in January 2014 from the Commonwealth, represented by the Department of Agriculture, for concessional loans to eligible farm businesses in Tasmania. Funding approved totalled $4.873m, however no funds were drawn down prior to 30 June 2014. TDR repaid the uncommitted balance of the farm finance loan, $10.127m, in July and August 2014.

A loan advance of $1.500m to Tas-Air Pty Ltd was written off.

Signed financial statements for Tasmanian Museum and Art Gallery were received on 8 September 2014, which failed to meet the statutory deadline of 14 August 2014.

Department of Education	**51**

Reported an Underlying Deficit of $41.122m and its Net Asset position at 30 June 2014 was $1.487bn.

Administered statements primarily related to funding non-government schools with grants to that sector totalling $253.182m this year.

On 1 July 2013, TasTAFE was created and the Department relinquished its responsibility for the Tasmanian Polytechnic (the Polytechnic).

As part of the transfer of Polytechnic assets and liabilities, the Department provided interest-free deficit funding of $2.152m to TasTAFE. The terms of the deficit repayment provided for an annual repayment of $0.717m over three years. Repayments commenced this year.

Assets held for sale of $7.997m (2013, $11.206m) consisted of land and buildings surplus to the Department's requirements.

Our assessment of the Department's asset sustainability and consumption ratios, as these relate to its buildings (mainly school buildings), suggest that, subject to the level of expenditure on maintenance, it is underinvesting in existing infrastructure and these buildings are in the high risk age range.

Department of Health and Human Services (DHHS) 63

On 1 July 2013 the Department transferred its State-wide clinical services and mental health activities to the three Tasmanian Health Organisations (THOs) resulting in the transfer of net assets totalling $6.870m and budgeted costs of $124.129m. 803 FTE were transferred.

Assets totalling $120.561m constructed by the Department were transferred to THOs on completion. This was recorded as Grant expenditure and had a significant impact upon the Net Deficit of $451.915m recorded by the Department.

The Department identified an adjustment relating to payroll tax, which resulted in an item of revenue of $17.948m recorded in 2013-14.

Housing Tasmania 63

Continued its Better Housing Futures program this year. Stage 2 involved the transfer of 2 225 properties, worth $389.598m, in the south and north-west of the state, to the Non-Government Organisation (NGO) sector. This was recorded as Grant expenditure and was the prime reason for the Net deficit of $422.674m and contributed significantly to the deficit of $451.915m reported by the Department.

A further 1 196 properties worth $132.027m were transferred on 14 July 2014 which will impact financial results in 2014-15.

The net rental result was $4.991m worse than the prior year as planned maintenance and other property costs increased, while rental income decreased following the Better Housing Futures program transfers.

Ambulance Tasmania 63

Recorded an Underlying Deficit of $0.858m, which improved $3.514m on the prior year, principally due to increased accrued revenue brought to account for Department of Veterans Affairs (DVA) charges accepted as income of $5.500m.

The Net Surplus of $5.316m included the impact of an actuarial gain on the defined benefit superannuation plan of $3.426m.

The Net Surplus of $5.316m was the main factor in the increase of Net Assets to $25.374m.

Staffing levels increased by 9% since 2011-12 mainly to assist meet higher demand for Ambulance services.

Department of Infrastructure, Energy and Resources 95

As a result of an administrative order, the Department changed its name to Department of State Growth effective 1 July 2014. The administrative order also amalgamated the Department of Economic Development, Tourism and the Arts into the Department of State Growth.

Reported an Underlying Deficit of $81.418m which was $5.647m higher than the deficit reported in 2012-13.

The deficits reported was mainly attributable to unfunded depreciation expenses. Depreciation and amortisation expenses increased by $3.821m to $86.967m.

Received $155.919m for capital projects and over the past four years, capital funding provided totalled $549.582m.

This year's Net Surplus was $11.360m and apart from capital funding received, it included a decrease in the value of land under roads, $41.747m, and write-off of replaced infrastructure assets, $19.934m.

Provided $40.409m in equity contributions to Tasmanian Railway Pty Ltd for upgrading rail network infrastructure.

Net Assets increased to $4.192bn and comprised mainly road infrastructure assets valued at $4.065bn.

Abt Railway Ministerial Corporation 106

Received $8.188m in Government grants, of which $3.580m was spent on repairs and upgrades of the railway network. The Corporation could not operate without Government support.

Department of Justice 109

The Underlying Deficit, $0.992m, was in line with budget and a significant improvement on the previous year.

At 30 June 2014, Net Assets totalled $133.482m with the most significant asset, being Property, plant and equipment, recorded at $134.329m, and the highest liabilities were Employee benefits of $25.325m.

A total of $12.016m was spent on Property, plant and equipment.

The asset investment ratio for Prison buildings showed a significant improvement due to the large expenditure, $9.659m, on the Prison Infrastructure and Redevelopment Program (PIRP) Stage D. However, the sustainablity ratio for Prison and other Buildings was well short of the benchmark of 100%.

At 30 June unimpaired fines receivable totalled $48.906m with gross receivables being $61.221m meaning that the provision for impairment and expected remissions raised was $12.317m.

The provision for asbestos compensation payable was $119.915m all of which was recoverable from industry participants.

Compensation of $6.854m was awarded to victims of asbestos.

Department of Police and Emergency Management 121

An Underlying Result, being a deficit of $7.554m (2013, $6.790m) was reported. Before accounting for depreciation the result would have been a small Underlying Surplus.

At 30 June 2014 Net Assets totalled $149.091m with the most significant asset being Property, plant and equipment, $200.473m, and the highest liability was Employee benefits of $51.813m.

Completed the Tasmanian Mobile Radio Network digital upgrade project at a cost of $14.434m.

Depreciation expense increased by $2.959m mainly as a result of commissioning the Tasmanian Mobile Radio Network digital upgrade project.

Purchased electronic devices (tablets) for all police officers in 2013-14.

Department of Premier and Cabinet 131

Reported an Underlying Deficit of $2.551m in 2013-14, $0.823m above the budgeted deficit and $0.888m higher than the Underlying Deficit of $1.663m reported last year.

Assumed administrative responsibility for the Tasmanian Community Fund (TCF).

There was an increase in termination payments associated with turnover of staff due to the change of Government. Termination payments in 2014 were $1.437m compared to $0.604m in 2013.

Department of Primary Industries, Parks, Water and Environment 143

Recorded an Underlying Deficit of $8.864m, lower by $13.133m compared to the deficit incurred in 2012-13 and by $4.708m on the budgeted deficit.

Reported a Net Surplus of $50.974m which included Water infrastructure fund revenue of $35.668m and Contributions received of $27.682m.

Continued to support the development of water infrastructure within the State, in conjunction with the Australian Government, with an equity contribution of $35.668m to Tasmanian Irrigation Pty Ltd.

At 30 June 2014 Net Assets totalled $1.165bn with the most significant asset being Property, plant and equipment, $921.860m, and the largest liability was Employee entitlements, $32.123m.

Recorded a net equity contribution of $148.905m from the Department of Treasury and Finance in recognition of the transfer of assets and employees from Forestry Tasmania. The Department assumed responsibility for 221 555 hectares of former Forest Reserves plus the first component (Tranche 1a) of 95 725 hectares of reserves.

Forty abalone quota units, valued at $6.400m, were recognised as intangible assets on 30 June 2014.

On-going efforts to reconcile the various National Parks, Reserves and Crown Land listings and sub-system records maintained by the Department continued this year. This resulted in unrecorded land assets being brought to account as part of Contributions received amounting to $16.182m.

Department of Treasury and Finance 158

Reported an Underlying Surplus of $0.123m, a $1.935m reduction on last year, but better than budget.

Total Expenditure increased by more than Total Revenue primarily driven by higher Employee costs and Grants and subsidies.

Negative Total Equity decreased in line with the surplus for the year to $0.822m at 30 June 2014.

Finance-General 163

Incurred an Underlying Deficit of $303.429m and at 30 June 2014 it had a Net Equity Deficit of $1.263bn. This was $2.234bn worse than at 30 June 2013 when Finance-General reported positive Equity of $971.195m.

De-recognition of investment in water and sewerage entities of $1.759bn.

An actuarial loss on the GGS's defined benefit superannuation liability of $380.748m.

Unfunded superannuation liability of $6.605bn at 30 June 2014. This was $0.554bn more than last year, mainly because of losses following actuarial-related adjustments.

Increase in the carrying amount of net investments in Government businesses of $157.075m.

Reclassification of the Parliament Square site as assets held for sale.

TASMANIAN HEALTH 171

Tasmanian Health Organisations (THOs) and the Department of Health and Human Services (DHHS) 173

2013-14 was the second year of operation of all three THOs as the provider of hospital, primary and community health services in Tasmania.

Tasmanian Health Organisation North (THO-N) 180

Reported an Underlying Deficit of $7.931m ($9.221m surplus in 2013).

Despite the Underlying Deficit, cash generated from operations was positive resulting in a higher bank balance at 30 June 2014.

The Underlying Deficit of $7.931m was $3.961m better than budget, as Total Expenses exceeded budget by $16.169m whereas Total Revenues exceeded budget by $20.130m.

A Net Surplus of $12.438m ($59.591m in 2013) was principally due to the transfer of commissioned infrastructure assets from DHHS.

Staff numbers increased since formation due to the transfer of approximately 107 Mental Health Services (MHS) North FTE plus an additional 114 FTE appointed to meet reported increases in service levels.

Transfer from DHHS of $20.042m capitalised assets included elements of the Launceston General Hospital (LGH) multi-level car park redevelopment, improvements to the LGH buildings and the John L Grove Centre.

Average accrual cost per head of population was $2 728 in 2013-14, (2012-13, $2 432) although these amounts are not comparable because 2013-14 included MHS. Total operating cash costs per capita were $2 550 ($2 308).

Tasmanian Health Organisation North West (THO-NW) 193

Reported an Underlying Deficit of $2.120m (2013, $1.119m)

Despite the Underlying Deficit, generated positive cash from operations and its cash position increased to $5.842m at 30 June 2014.

Underlying Deficit of $2.120m was $0.558m better than budget with Total Revenue exceeding budget by $16.107m. Total Expenses exceeded budget by $15.549m.

Achieved a Net Surplus of $10.657m (Net Deficit, $3.265m), principally due to Capital grants, $13.962m, which represented the value of assets transferred from DHHS.

Staff numbers increased by 122.9 FTEs to 1 398.6 FTEs at 30 June 2014. The increase was largely due to the transfer of 100.8 MHS FTE to THO-NW.

Average accrual cost per head of population was $2 226 in 2013-14, (2012-13, $2 016) although these amounts are not comparable because 2013-14 included MHS. Total operating cash costs per capita were $2 129 ($1 939).

Transfer of $13.962m capitalised assets from DHHS included a multi-storey car park at the North West Regional Hospital in Burnie and energy efficiency improvements at the King Island District Hospital and Health Centre.

Tasmanian Health Organisation South (THO-S) 207

Reported an Underlying Deficit of $20.900m ($9.504m in 2013). This was $10.761m worse than budget due to Total Expenses exceeding budget by $59.568m whereas Total Revenues exceeded budget by $48.807m.

Despite the Underlying Deficit, cash generated from operations was positive resulting in a higher bank balance at 30 June 2014.

A Net Surplus of $65.177m was achieved (2012-13, $1.080m) entirely due to the transfer of commissioned infrastructure assets from DHHS.

Staff numbers increased due to the transfer of 595.25 MHS FTE to THO-S together with an additional 112.5 FTE appointed to meet reported increases in service levels.

Average cost per head of population was $2 641 in 2013-14 ($2 119) although these amounts are not comparable because 2013-14 included MHS. Total operating cash costs per capita were $2 460 ($2 044).

The transfer of MHS included funding of approximately $77.200m, 595.25 FTE and Net Assets of $7.584m including Property, plant and equipment of $21.734m.

Transfer of $86.558m capitalised assets included elements of the Royal Hobart Hospital redevelopment, Wellington Centre outpatient facilities, Clarence Super clinic and Cambridge kitchens.

Tasmanian State Pool Account (the Account) 220

The Account began operating on 1 July 2012.

Receipts into the Account during 2013-14 totalled $642.544m.

The Account received an additional $105.000m in Activity based funding from the State after Mental Health Services was transferred from the Department of Health and Human Services to the Tasmanian Health Organisations.

All receipts were distributed during the year and the balance of the Account was Nil at 30 June 2014.

OTHER GENERAL GOVERNMENT SECTOR STATE ENTITIES 222

Asbestos Compensation Fund 224

Based on an actuarial review, the provision for Compensation Payable for reported and future years increased by $2.275m to $119.915m (2012-13 $117.640m).

Claims paid this year totalled $6.854m ($6.510m).

State Fire Commission 247

The Commission recorded an Underlying Deficit for the first time during our period of review. The deficit was $5.018m compared to an Underlying Surplus of $0.524m last year.

However, because of the revenues and expenses associated with the extensive bushfires in 2012-13, a better comparison for 2013-14 was the 2011-12 result when the Commission generated an Underlying Surplus of $2.916m. This represented a decline in underlying performance of $7.934m which was significant.

TasTAFE 259

TasTAFE was established on 1 July 2013 under the *Training and Workforce Development Act 2013* by combining the Tasmanian Polytechnic (the Polytechnic) and Tasmanian Skills Institute (the TSI).

On 1 July 2013, the Polytechnic and the TSI's respective assets, liabilities and employees were transferred to TasTAFE. The value of Net Assets transferred was $228.037m.

Department of Education and TasTAFE reached an agreement that TasTAFE would reimburse the Department for a deficit of $2.154m that was held by the Polytechnic at the end of the 2012-13 financial year. This will be repaid over three years to assist TasTAFE's initial cash position.

Reported an Underlying Deficit of $4.668m and a Net Loss of $5.082m in 2013-14.

Despite these losses, a positive Operating cash flow of $5.944m was generated, with cash increasing overall by $3.680m.

The Nominal Insurer (TNI) 267

Paid out $0.504m in claims during 2013-14.

Received a further $3.008m in dividends from the liquidator of HIH.

Reported a cash balance of $2.462m at 30 June 2014 and a future claims liability estimated at $1.166m.

WorkCover Tasmania Board 270

During the year there was an amalgamation of WorkCover Tasmania and Worksafe Tasmania to become WorkSafe Tasmania. However, WorkCover Tasmania Board remained a separate entity with the amalgamation not impacting the Board's finances.

OTHER STATE ENTITIES 273

Aboriginal Land Council of Tasmania 275

The question of who controls road infrastructure on Cape Barren Island remained unresolved. Until it is resolved, this asset is not recognised on the Council's Statement of Financial Position nor on that of any other State entity.

Legal Aid Commission 282

The Commission reported an Underlying Surplus of $0.106m, which was an improvement of $1.359m on last year's deficit. The improved result was primarily due to additional one-off funding and control over particular types of legal aid grants.

On average, the Commission relies on funding from Australian and State Governments for over 90% of its Total Revenue. The National Partnership Agreement on Legal Assistance Services between the Australian and State Governments was extended for one year until 30 June 2015.

Property Agents Trust 291

The Trust recorded an unusually high Net Deficit of $0.150m this year mainly because of lower interest revenue of $0.372m, offset by lower Trust distributions of $0.215m.

The Trust held $13.177m in cash invested in a combination of an operating bank account and term deposit investments.

During 2013-14 it was established that a property agent failed to forward and return Rental Deposit Authority security deposits estimated at $0.137m. The Trust is responsible for any claims for damages and by 30 June 2014 claims of $0.031m had been paid.

Tasmanian Building and Construction Industry Training Board 297

Industry training levy revenues declined over the past four years due to a decline in building and construction activity throughout the period.

The Board collected $10.377m in training levies between 2010-11 and 2013-14. At the same time, it spent $8.802m on Training programs and $4.144m in total on Administration, Training support and Research and development.

In 2013-14, the Board reported a Net Deficit of $0.876m. This was a third year of consecutive deficits.

The Board held $2.529m in cash and term deposits at 30 June 2014 at which date its training commitment totalled $0.685m. The Board had sufficient funds to meet its obligations under training contracts.

While the industry downturn has persisted over the last four years, the Board, through its Annual Training Plans and Budgets, has made a strategic decision to use reserves to fund programs at a deficit. While this isn't suitable long-term, it is considered that on-going training and development within the industry, including the maintenance of apprenticeship positions, are important factors in ensuring the availability of skills as the industry recovers.

SUPERANNUATION FUNDS 306

Retirement Benefits Fund (RBF) 307

Net Assets under management reached $4.883bn at 30 June 2014. This was $0.488bn higher than at the same time last year.

Investment revenue was $0.513bn. This was $0.079bn less than last year and reflected market conditions over the last 12 months and the introduction of new investment options.

Combined accrued benefits for all defined benefit schemes managed by RBF totalled $6.137bn at 30 June 2014. The market value of Net Assets available to pay these benefits was $1.768bn, resulting in an unfunded liability of $4.369bn.

A Strategic Review of the RBF is on-going. At the request of the Treasurer, RBF is working with Tasplan Super and Quadrant Super to develop a joint report on options for consideration by Government for the management of Tasmanian public sector superannuation arrangements into the future.

AUDIT SUMMARY - EXECUTIVE AND LEGISLATURE

INTRODUCTION

The Parliament of Tasmania consists of the Crown (represented by the Governor), the Legislative Council and the House of Assembly that collectively form the Legislature. Legislature-General provides, amongst other matters, support for general parliamentary functions including Reporting Services and Parliamentary Catering.

Designated officers administer these functions and financial transactions are recorded in the financial statements of the:

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

Appropriation of funds to the Ministerial and Parliamentary Support Division provides for certain expenses and administrative support of Ministers and other Members of Parliament. The financial transactions of this Division are reported in the financial statements of the Department of Premier and Cabinet with details not addressed here.

This Section includes separate Chapters for each of the four Parliamentary agencies, summarising their financial information and key outcomes from the 2013-14 financial audits.

KEY OUTCOMES FROM AUDITS

Each Parliamentary Agency submitted its financial statements within the statutory deadline. Unqualified audit reports on those financial statements were also issued within the prescribed time limits.

The audits were completed satisfactorily and no significant matters were identified.

FINANCIAL ANALYSIS

The tables below summarises the financial results and position of Parliamentary agencies for 2013-14 and financial analysis and average staff costs of each entity:

	Net Surplus (Deficit)	Comprehensive Surplus (Deficit)	Net Assets
	$'000s	$'000s	$'000s
House of Assembly	97	97	1 234
Legislative Council	85	85	826
Legislature-General	(621)	(621)	35 472
Office of the Governor	(290)	2 472	40 432
Total	**(729)**	**2 033**	**77 964**

The Net Deficit results of both Legislature-General and Office of the Governor were primarily due to neither being funded for depreciation. Excluding depreciation expenses, their results would have produced small Net Surpluses.

	2013-14	2012-13	2011-12	2010-11
House of Assembly				
Average staff costs ($'000s)	107	99	89	97
Average support services cost per member ($'000s)	90	91	91	100
Sitting days	37	49	47	57
Legislative Council				
Average staff costs ($'000s)	92	93	91	80
Average support services cost per member ($'000s)	176	177	180	169
Sitting days	43	56	55	48
Legislature-General				
Average staff costs ($'000s)	89	85	82	90
Cost per sitting day ($'000s)	150	105	100	100
Sitting days	47	67	71	70

Both the House of Assembly and Legislative Council were able to maintain Average support services costs per member at a consistent level over the past four years.

Legislature-General's Costs per sitting day increased significantly due to the lower number of sitting days this year. The decrease was predominantly due to 2014 being an election year. Based on a more normal number of days at, say 70, the cost per sitting day would have been $0.101m per day.

HOUSE OF ASSEMBLY (The House)

SNAPSHOT

- The House recorded a Net Surplus of $0.097m this year, consistent with the prior year.
- Its main assets were antique furniture, artworks and artefacts, recorded at fair value in the amount of $1.795m, and its main liabilities were Employee benefits totalling $0.636m.
- Average recreational leave per FTE of 28 days was again above the benchmark of 20 days and averaged 31 days over the past four years. Average long service leave per FTE decreased by three days from the prior year.

The audit was completed satisfactorily with no items outstanding.

INTRODUCTION

Officers provide the House, its committees, the Speaker and Members with advisory, procedural, research and administrative support services to assist them to effectively undertake their constitutional and Parliamentary duties.

The House is predominantly funded by Parliamentary and Reserved by Law appropriation for the above services.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 11 August 2014. An unqualified audit report was issued on 22 September 2014.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

There were no key findings, developments or areas of audit attention.

The audit was completed satisfactorily with no matters outstanding.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Appropriation revenue – recurrent	2 314	2 409
Appropriation revenue – reserved by law	5 293	5 170
Total Revenue	**7 607**	**7 579**
Employee benefits	1 789	1 806
Payments to members	5 254	5 191
Supplies and consumables	427	433
Other expenses	40	30
Total Expenses	**7 510**	**7 460**
Net Surplus	**97**	**119**
Comprehensive Surplus	**97**	**119**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Plant and equipment	1 890	1 851
Other assets	27	70
Total Assets	**1 917**	**1 921**
Employee benefits	636	675
Other liabilities	47	109
Total Liabilities	**683**	**784**
Net Assets	**1 234**	**1 137**
Total Equity	**1 234**	**1 137**

Appropriation revenue consisted of $2.314m to fund support services and $5.293m for administration payments of salaries and allowances as prescribed by the *Parliamentary Salaries, Superannuation and Allowance Act 2012*. Electorate office costs are not included because these are funded through the Department of Premier and Cabinet.

Net Surplus decreased by $0.022m from 2012-13 mainly because of an increased Payments to members of $0.063m being Parliamentary salaries and allowances which were offset by decreased Employee benefits of $0.017m and Other expenses $0.010m.

Net Assets at 30 June 2014 totalled $1.234m (2013, $1.137m). The increase of $0.097m represented the Net Surplus for 2013-14.

Total Assets consisted predominantly of antique furniture, artworks and artefacts, $1.795m, which were recorded at fair value.

Total Liabilities primarily consisted of Employee benefits which decreased by $0.039m mainly due to one long-term employee's retirement. Other liabilities were $0.052m lower than the prior year mainly due to payment of some suppliers before the end of the year.

OTHER INFORMATION

	Bench Mark	2013-14	2012-13	2011-12	2010-11
Average staff numbers (FTEs)		17	18	19	19
Average staff costs ($'000s)		107	99	89	97
Average support services costs per member ($'000s)^		90	91	91	100
Average recreational leave balance per FTE (days)	20*	28	31	30	36
Average long service leave balance per FTE (days)	100*	35	38	49	58
Sitting days		37	49	47	57

^ *Ratio calculated as Total Expenses less payments to members divided by 25 members.*

* *These benchmarks are in line with those used for public sector employees.*

Average staff costs increased in 2013-14 in comparison to prior year mainly due to additional staff employed during the change of Government handover period and annual salary increments to applicable staff.

Average support service costs per member were consistent with the prior year.

Average recreational leave balance per average FTE was 28 days at 30 June 2014 and averaged 31 days over the four years under review. This remains well above benchmark. The balance gradually reduced as a result of management's on-going efforts to reduce excessive leave.

Average long service leave balance per FTE decreased by three in comparison to the prior year mainly due to employees with high leave balances retiring in 2012-13 and a retirement in 2013-14.

LEGISLATIVE COUNCIL (The Council)

SNAPSHOT

- The Council recorded a Net Surplus of $0.085m this year, mainly because it received $0.093m in additional appropriation revenue relating to expenses incurred in the prior year.
- At 30 June 2014 its Net Assets totalled $0.826m.
- The average recreation leave balance per FTE was 21 days, slightly above the benchmark of 20 but much improved compared to 29 days three years ago.

The audit was completed satisfactorily with no matters outstanding.

INTRODUCTION

Officers of the Council provide the Council, its Committees, the President and Members with advisory, procedural, research and administrative support services to assist them to undertake their constitutional and Parliamentary duties.

The Council is predominantly funded by Parliamentary and Reserved by Law appropriation for the above services.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 6 August 2014. An unqualified audit report was issued on 22 August 2014.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

There were no key findings, developments or areas of audit attention.

The audit was completed satisfactorily with no matters outstanding.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Appropriation revenue – recurrent	3 433	3 394
Appropriation revenue – reserved by law	3 096	3 042
Total Revenue	**6 529**	**6 436**
Employee benefits	2 701	2 776
Payments to members	3 081	3 042
Supplies and consumables	646	569
Other expenses	16	38
Total Expenses	**6 444**	**6 425**
Net Surplus	**85**	**11**
Comprehensive Surplus	**85**	**11**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Plant and equipment	1 644	1 624
Other assets	15	9
Total Assets	**1 659**	**1 633**
Employee benefits	773	780
Other liabilities	60	112
Total Liabilities	**833**	**892**
Net Assets	**826**	**741**
Total Equity	**826**	**741**

Appropriation revenue of $3.433m was provided to fund the Council's administrative functions and $3.096m for administration payments of salaries and allowances as prescribed by the *Parliamentary Salaries, Superannuation and Allowance Act 2012.*

Net Surplus for 2013-14 increased by $0.074m, mainly because the Council received $0.093m in additional appropriation relating to expenses incurred in the prior year.

Total Equity increased in line with the Net Surplus for 2013-14.

Employee benefits expense decreased by $0.075m due to vacancies. Payments to Members increased by $0.039m mainly because of higher Parliamentary salaries and allowances.

Total Assets consisted primarily of antique furniture, artworks and artefacts, $1.545m, which were recorded at fair value.

OTHER INFORMATION

	Bench Mark	2013-14	2012-13	2011-12	2010-11
Average staff numbers (FTEs)		29	29	29	30
Average staff costs ($'000s)		92	93	91	80
Average support services costs per member ($'000s)^		176	177	180	169
Average recreational leave balance per FTE (days)	20*	21	26	28	29
Average long service leave balance per FTE (days)	100*	46	48	50	50
Sitting days		43	56	55	48

^ *Ratio calculated as Total Expenses less payments to members excluding electoral staff costs divided by 15 members. Electoral office costs are paid by Legislature General.*

* *These benchmarks are in line with those used for public sector employees.*

Average recreational leave balance per FTE was 21 days which is slightly above the benchmark of 20. This balance gradually reduced over the four years under review as a result of management's on-going efforts to reduce excessive leave.

Average support service costs per member for 2013-14 was consistent with the prior year and equal to the average of $0.176m over the four years under review.

LEGISLATURE-GENERAL

SNAPSHOT

- Legislature-General recorded a Net and Comprehensive Deficit of $0.621m.
- Net Assets totalled $35.472m at 30 June 2014.
- Average recreational leave balance per FTE of 26 days was above the benchmark of 20. This was a slight increase on 24 days in the prior year.
- Cost per sitting day increased significantly due to fewer sitting days in 2013-14.

The audit was completed satisfactorily with no matters outstanding.

INTRODUCTION

Legislature-General is mainly funded by annual Appropriation to provide the Legislative Council and House of Assembly with administrative support.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 4 August 2014 and an unqualified audit report was issued on 14 August 2014.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

No key areas of audit attention were identified.

The audit was completed satisfactorily with no matters outstanding.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Appropriation revenue	5 952	5 897
Other revenue	487	529
Total Revenue	**6 439**	**6 426**
Employee benefits	3 382	3 393
Supplies and consumables	2 693	2 623
Depreciation expenses	658	626
Other expenses	327	360
Total Expenses	**7 060**	**7 002**
Net Surplus (Deficit)	**(621)**	**(576)**
Changes in asset revaluation reserve	0	7 012
Comprehensive Surplus (Deficit)	**(621)**	**6 436**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Plant and equipment	36 356	36 983
Other assets	264	255
Total Assets	**36 620**	**37 238**
Employee benefits	933	853
Other liabilities	215	292
Total Liabilities	**1 148**	**1 145**
Net Assets	**35 472**	**36 093**
Total Equity	**35 472**	**36 093**

The Appropriation was provided to fund administrative support for the Legislative Council and House of Assembly.

Net Deficit for 2013-14 remained relatively consistent with prior year. Comprehensive result decreased by $7.057m mostly as a result of a revaluation increment on Parliament House in the prior year. Net Assets totalled $35.472m (2012-13, $36.093m) at 30 June 2014 and decreased in line with the Comprehensive Deficit.

Employee benefits and Supplies and consumables represented 47.90% and 38.14%, respectively, of Total Expenses. The decrease in Other expenses was mainly due to experiencing the full financial year exemption from payroll tax ($0.032m) effective October 2012.

Total Assets consisted predominantly of Land and Buildings for Parliament House, $35.000m.

OTHER INFORMATION

	Bench Mark	2013-14	2012-13	2011-12	2010-11
Average staff numbers (FTEs)		38	40	41	36
Average staff costs ($'000s)		89	85	82	90
Average recreational leave balance per FTE (days)	20*	26	24	24	28
Average long service leave balance per FTE (days)	100*	43	41	40	43
Sitting Days		47	67	71	70
Cost per Sitting Day ($'000s)		150	105	100	100

* *These benchmarks are in line with those used for public sector employees.*

Average staff costs increased slightly mainly due to a 3% wage increase for all employees effective February/March 2014.

Average recreational leave balance per FTE is above the benchmark of 20 days and increased by two days per FTE compared with 2013. This was primarily due to the change of Government giving rise to fewer opportunities to take recreational.

Costs per sitting day increased significantly due to the lower number of sitting days this year. The decrease was predominantly due to 2014 being an election year. Based on a more normal number of days at, say 70, the cost per sitting day would have been $101 per day.

OFFICE OF THE GOVERNOR (The Office)

SNAPSHOT

- Land and buildings were indexed on 1 July 2013, increasing Net Assets by $2.472m to $40.432m at 30 June 2014. The Office's main assets are Government House and heritage-related assets.
- The Office reported a Net Deficit from transactions of $0.290m mainly because it is not funded for depreciation, which totalled $0.343m.

The audit was completed satisfactorily with no matters outstanding.

INTRODUCTION

His Excellency the Governor represents the Crown in Tasmania and discharges the official, constitutional and community responsibilities of the Office of the Governor (the Office). The Office provides His Excellency with administrative support to carry out his functions.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 13 August 2014 and were re-signed on the 26 September 2014 with an unqualified audit report issued on the same day.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

No key findings or developments were noted.

A key area of audit attention was the lack of segregation of duties due to the small size of the Office. This was mitigated to an acceptable level by the nature and extent of audit testing we performed.

The audit was completed satisfactorily with no matters outstanding.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14 Actual	2012-13 Actual
	$'000s	$'000s
Revenue from Government	3 585	3 290
Other revenue	15	15
Total Revenue	**3 600**	**3 305**
Employee benefits	2 716	2 522
Supplies and consumables	773	759
Depreciation	343	317
Other expenses	58	51
Total Expenses	**3 890**	**3 649**
Net Result from Transactions	**(290)**	**(344)**
Changes in physical asset revaluation reserve	2 762	758
Comprehensive Result	**2 472**	**414**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Land and buildings	37 247	34 738
Heritage assets	3 563	3 563
Other assets	246	277
Total Assets	**41 056**	**38 578**
Employee Benefits	544	494
Payables	80	124
Total Liabilities	**624**	**618**
Net Assets	**40 432**	**37 960**
Total Equity	**40 432**	**37 960**

The Office's income is almost entirely its annual Appropriation, which increased slightly compared to 2012-13. When assessing the financial performance of the Office, it needs to be borne in mind that it is not funded for depreciation or increases in employee provisions. Depreciation for 2013-14 was $0.343m (2012-13, $0.317m), without which the Office would have achieved a Net Surplus from transactions of $0.053m ($0.027m deficit). The Net Result from Transactions was largely consistent with budget while the Comprehensive Result was better than budget due to higher than anticipated indexation of buildings.

Net Assets increased by $2.472m to $40.432m, due principally to the indexation of land and buildings assets by $2.762m. This resulting revaluation increment, effective on 1 July 2013, resulted in a small increase in depreciation charges due to the long-lived nature of the buildings.

AUDIT SUMMARY - GOVERNMENT DEPARTMENTS

INTRODUCTION

Government departments are established by order of the Governor under the provisions of the *State Service Act 2000* (SSA). Ministerial responsibility for departments is assigned under the provisions of the *Administrative Arrangements Act 1990.*

This part of the Report provides summarised financial information for all departments, as at 30 June 2014 being the departments of:

- Economic Development, Tourism and the Arts (including Tasmania Development and Resources, Tourism Tasmania and Tasmanian Museum and Art Gallery)
- Education
- Health and Human Services (including Housing Tasmania and Ambulance Tasmania and a separate Chapter for Tasmanian Affordable Housing Ltd)
- Infrastructure, Energy and Resources (including Abt Railway Ministerial Corporation)
- Justice
- Police and Emergency Management
- Premier and Cabinet (including Jim Bacon Foundation and Tasmanian Early Years Foundation and a separate Chapter for Tasmanian Community Fund)
- Primary Industries, Parks, Water and Environment
- Treasury and Finance (including a separate Chapter for Finance-General).

On 1 July 2014, the Departments of Economic Development, Tourism and the Arts and Infrastructure, Energy and Resources were amalgamated into the Department of State Growth.

Unless otherwise stated, these entities are collectively referred to as departments.

The financial results discussed are derived from the audited financial statements of each entity. The reporting framework for departments is prescribed through Treasurer's Instructions issued under the *Financial Management and Audit Act 1990* and the requirements of Australian Accounting Standards. Full (unabridged) financial statements are required to be published as part of each department's annual report which must be tabled in Parliament by 31 October following the end of the financial year; at which time they become public documents.

Departments are required to present financial statements in accordance with the Model Departmental Financial Statements developed by the Department of Treasury and Finance, which require the inclusion of original budget information, on the face of the statements, along with explanations for variations against budget provided in the notes. While the budget information reported is not subject to audit, we have ensured that the information reported agrees to the original Budget Papers.

In all cases our audits concluded that departments completed their financial statements in accordance with Australian Accounting Standards. However, in our analysis of each department's financial performance we have, if necessary, reallocated certain revenue or expenditure items to better assist readers to interpret financial performance.

KEY OUTCOMES FROM AUDITS

Each department submitted its financial statements within the statutory deadline. Unqualified audit reports on those financial statements were also issued within the prescribed time limits.

Entities which are incorporated into the results of departments, namely Tasmania Development and Resources, Tourism Tasmania, Housing Tasmanian, Ambulance Tasmania, Abt Railway Ministerial Corporation and Tasmanian Affordable Housing Ltd all submitted their financial statements within the statutory deadline. Tasmanian Museum and Art Gallery submitted its financial statements 25 days after the statutory deadline.

All audits were completed satisfactorily and unqualified audit reports were issued in all instances.

Our audits identified a number of internal control and other weaknesses in the operations conducted and systems used by departments or entities within them. These matters did not impact on completion of the audits and were reported to heads of agencies or those charged with governance. Matters categorised as moderate or high risk are discussed in individual Chapters.

FINANCIAL ANALYSIS

The table summarises the financial results and position of listed agencies for 2013-14:

	Underlying Surplus (Deficit)	Net Surplus (Deficit)	Comprehensive Surplus (Deficit)	Net Assets
	$'000s	$'000s	$'000s	$'000s
Economic Development, Tourism and the Arts	1 583	3 934	3 662	493 455
Tasmania Development and Resources[1]	3 567	3 781	3 790	31 256
Tourism Tasmania[1]	(39)	(44)	(44)	40
Tasmanian Museum and Art Gallery[1]	(108)	153	2 489	415 327
Education	(41 122)	(22 730)	(160 415)	1 487 390
Health and Human Services	(5 630)	(451 915)	(438 538)	1 602 800
Ambulance Tasmania[2]	(858)	5 316	5 316	25 374
Housing Tasmania[2]	(35 109)	(422 674)	(409 299)	1 400 295
Tasmanian Affordable Housing Ltd	(105)	(105)	(105)	1 202
Infrastructure, Energy and Resources	(64 006)	11 360	55 011	4 191 788
Abt Railway Ministerial Corporation[3]	(1 738)	(1 738)	(1 738)	34 929
Integrity Commission	(84)	(84)	(84)	306
Justice	(992)	9 196	9 196	133 482
Police and Emergency Management	(7 554)	(3 534)	(3 534)	149 091
Premier and Cabinet	(2 551)	(2 551)	(2 551)	4 082
Primary Industries, Parks, Water and Environment	(8 864)	50 974	23 983	1 165 862
Tasmanian Audit Office[4]	552	552	553	1 736
Tasmanian Health Organisation - North	(7 931)	12 438	12 421	354 440
Tasmanian Health Organisation - North West	(2 120)	10 657	10 652	62 809
Tasmanian Health Organisation - South	(20 900)	65 177	65 177	361 058
Treasury and Finance	123	412	407	(822)

[1] These entities are not included in the total as they are already consolidated into Economic Development, Tourism and the Arts.

[2] These entities are not included in the total as are already consolidated into Health and Human Services.

[3] This entity is not included in the total as it is already consolidated into Infrastructure, Energy and Resources.

[4] The Tasmanian Audit Office has been included in the interests of transparency and openness.

Departments and other associated entities recorded a combined Underlying Deficit of $172.956m during 2013-14, with Education, Housing Tasmania and Infrastructure, Energy and Resources incurring significant deficits. Net Deficits of $431.347m were incurred due primarily to the impact of Housing Tasmania's Net Deficit of $422.674m. The deficit was primarily due to continuation of the Better Housing Futures (BHF) program, which involved the transfer of 2 225 properties, worth $389.598m, in the South and North-West of the State. A further 1 196 properties worth $132.027m were transferred on 14 July 2014 which will impact financial results in 2014-15.

The table summarises the average staff numbers and average staff costs of listed agencies for 2013-14:

	Average staff numbers	Average staff costs
	FTE	$'000s
Economic Development, Tourism and the Arts[1]	407	91
Education	7 692	90
Director of Public Prosecutions*	53	110
Health and Human Services[2]	1 318	103
Ambulance Tasmania	392	113
Housing Tasmania	175	84
Infrastructure, Energy and Resources[3]	499	81
Integrity Commission	15	109
Justice	1 039	93
Office of the Ombudsman	19	94
Police and Emergency Management	1 511	102
Premier and Cabinet	441	90
Primary Industries, Parks, Water and Environment	1 270	88
Tasmanian Audit Office*	41	97
Tasmanian Health Organisation - North	2 412	112
Tasmanian Health Organisation - North West	1 399	116
Tasmanian Health Organisation - South	4 059	108
Treasury and Finance	285	89
Total	**23 027**	**98**

** Excludes employee positions "reserved by law". The Tasmanian Audit Office has been included in the interests of transparency and openness.*

[1] Economic Development, Tourism and the Arts includes Tasmania Development and Resources, Tourism Tasmania and Tasmanian Museum and Art Gallery.

[2] Health and Human Services excludes Housing Tasmania and Ambulance Tasmania.

[3] Infrastructure, Energy and Resources includes Abt Railway Ministerial Corporation.

Government departments and other associated entities employed over 23 000 full time equivalent positions at 30 June 2014, with average staff costs of $0.099m.

RESPONSIBLE MINISTERS

Department	Responsible Minister
Economic Development, Tourism and the Arts	Minister for Tourism, Hospitality and Events
	Minister for Sport and Recreation
	Minister for the Arts
	Minister for State Growth
Education	Minister for Education and Training
Health and Human Services	Minister for Health
	Minister for Human Services
Infrastructure, Energy and Resources	Minister for Infrastructure
	Minister of Energy
	Minister for Racing
	Minister for State Growth
Justice	Attorney-General/Minister for Justice
	Minister for Corrections
	Minister for Resources
Police and Emergency Management	Minister for Police and Emergency Management
Premier and Cabinet	Premier
	Minister for Aboriginal Affairs
	Minister for Planning and Local Government
Primary Industries, Parks, Water and Environment	Minister for Primary Industries and Water
	Minister for Environment, Parks and Heritage
Treasury and Finance	Treasurer

DEPARTMENT OF ECONOMIC DEVELOPMENT, TOURISM AND THE ARTS

PRESENTATION OF CHAPTER

The Department, Tasmania Development and Resources (TDR), Tourism Tasmania (TT), and Tasmanian Museum and Art Gallery (TMAG) are separate entities, each required to prepare annual financial statements for audit. However, the Department reported at a consolidated level and this Chapter discusses its financial results and that of TDR, TT and TMAG. The Chapter Appendices provide separate financial information for each entity.

SNAPSHOT

- The Department reported an Underlying Surplus of $1.583m, an improvement of $4.879m from the 2012-13 deficit, $3.296m. The deficit in 2012-13 was mainly caused by non-capitalised TMAG redevelopment costs.
- The Net Result was a surplus of $3.934m.
- There was minimal change in the Department's financial position. Net Assets, $493.455m, increased by $3.662m, or 0.75%.
- The Department was amalgamated with the Department of State Growth on 1 July 2014.

Major developments this year included:

- TDR received a $15.000m farm finance loan in January 2014 from the Commonwealth, represented by the Department of Agriculture (DoA), for the purpose of enabling TDR to provide concessional loans to eligible farm businesses in Tasmania. Funding approved totalled $4.873m, however no funds were drawn down prior to 30 June 2014. TDR repaid the uncommitted balance of the farm finance loan, $10.127m, to the DoA in July and August 2014.
- At 30 June 2014 land was revalued downwards by $0.294m while buildings and heritage assets increased by $0.257m and $2.532m, respectively.
- TDR recommended to the Minister granting of 12 new loan advances for business development and to address financial distress totalling $6.324m of which $4.664m was drawn down by 30 June 2014.
- A loan advance of $1.500m to Tas-Air Pty Ltd was written off.
- Design of a new "Discover Tasmania" website was completed in January 2014 at a total cost of $0.776m, which was capitalised as an intangible asset and amortised over a three year period.
- The majority of the Department was amalgamated with the Department of Infrastructure, Energy and Resources on 1 July 2014 to form the new Department of State Growth.
- As part of the 1 July 2014 restructure, Sport and Recreation was transferred to the Department of Premier and Cabinet, Tourism Tasmania was established as a stand alone statutory authority and Skills Tasmania integrated into the Department of State Growth from the Department of Education.

Major variations between this and prior year were:

- lower Revenue from government – recurrent, $11.506m, primarily due to 2012-13 revenue including $10.000m for completing the Menzies Centre redevelopment
- a fall of $10.500m in Grants and subsidies, which reflected the expenditure of $10.000m for the Menzies Centre

- an increase in Net gain (loss) on non-financial assets, $6.525m, mainly due to a revaluation increment of buildings and TMAG heritage and culture assets, $2.789m, as opposed to a net revaluation decrement of those assets in 2012-13, $3.479m
- Other gains/losses from other economic flows, $7.050m, in 2012-13 related to one-off recognition of an interest-free loan negotiated with Treasury, repayable in full over 15 years
- Cash and deposits as at 30 June 2014 were higher primarily due to the Department holding the farm finance loan of $15.000m, which was unexpended at 30 June 2014
- higher Interest bearing liabilities, $11.030m, mainly due to the farm finance loan of $15.000m, offset by repayment of Tascorp and Treasury loans, $3.970m.

No high or moderate risk audit findings were identified during the audit. Two low risk audit findings were reported to the Department in 2013-14, with several prior period matters still to be addressed.

The audit was completed satisfactorily with no other matters outstanding.

INTRODUCTION

The Department aims to promote a vibrant, healthy and prosperous Tasmania by:

- implementing the whole-of-government Economic Development Plan
- supporting Tasmanian businesses to succeed nationally and internationally
- encouraging investment in Tasmania
- continuing to recognise, build and promote a contemporary view of Tasmania as a place to live, work, visit and invest
- developing Tasmania's arts community and its capacity to contribute creatively, culturally and economically
- providing, promoting and facilitating interaction with and understanding of the cultural and natural world
- improving Tasmanians' wellbeing by providing sport and recreation participation opportunities
- providing authoritative policy advice and implementation to support these aims.

To achieve its outputs, the Department is required to comply with various legislative requirements. Specific Acts relate to outputs and have resulted in the establishment of separate legal entities and Boards. These entities include:

- TDR aims to achieve community, industry and government economic development goals by taking a whole-of-government approach to creating a competitive business environment, promoting and attracting investment, and by helping individuals, businesses and industries to grow and become internationally competitive.
- TT markets Tasmania as a world-class tourism destination. It undertakes activities that create demand for tourism in Tasmania, to support a strong regional tourism network and to drive broad benefits for the Tasmanian economy from national and international tourism.
- TMAG aims to increase community understanding of the cultural and natural world by collecting, conserving, interpreting and researching material evidence within the areas of humanities, including visual arts, history and anthropology, and the biological and physical sciences. It provides the community with opportunities to experience the past and the present, invites participation in the State's collection, and offers a stimulating museum and art environment.

The above entities report separately and are subject to their own audits. However, the Department processes and manages their financial transactions.

In addition, the Department undertakes the following activities:

- Sport and Recreation Tasmania aims to ensure all Tasmanians have the opportunity to participate in sport, recreation and physical activity and share in the benefits of a healthy community.
- Arts Tasmania and Screen Tasmania provide support for the development of the arts sector in Tasmania. This includes working with Tourism Tasmania to support and raise awareness of our state's rich cultural heritage.

KEY AREAS OF AUDIT ATTENTION

Description of Area	Audit Approach
The Department offers a variety of different loan schemes to businesses, sole traders and to promote arts and cultural opportunities. Currently these include offering loans in respect to the bushfire recovery, Arts Tasmania, renewable energy, community development, industry funding and farm finance.	We: • tested a selection of new loan advances to gain assurance these were appropriately approved and appropriate ongoing monitoring was in place • audited management's assessment of impairment and that accounting policies are applied consistently • reviewed key judgements, assumptions and information about the Department's exposure to ensure financial risks are adequately disclosed and the disclosure complies with the reporting framework.
The Department provides a large number of grants and subsidies through TDR, Events Tasmania, Arts Tasmania, Sport and Recreation Tasmania and Tourism Tasmania. There is a risk that payments may be unauthorised or incorrect.	We performed analytical procedures on grant expenditure and tested a selection of grants transactions to ensure: • ministerial approval was obtained and grant agreements were duly signed • grant conditions were met before grant milestone installments were approved as per required delegations.
Land, buildings, investment properties, artwork, heritage and cultural assets are recorded at fair value. Those assets were revalued by independent valuers as at 30 June 2014.	We agreed fair values to independent valuations and ensured that valuation movements were recorded correctly.
The Department administers diverse portfolios. As a result, staff are located at numerous locations throughout the State. There is a risk expenditure may be inappropriately authorised.	We examined expenditure, tested expenditure controls on a rotational basis and tested cut-off to ensure expenses were brought to account in the correct period.
Payroll is a significant expense. The diverse nature of the Department's activities gives rise to payroll variations and therefore to inherent risks in rates of pay and authorisations. In addition, calculation of year end provisions is complex.	We examined and tested payroll controls on a rotational basis. In addition, we tested the valuation of employee provision balances at year end for all four entities.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements for the Department, TDR and TT were received on 14 August 2014. Signed financial statements for TMAG were received on 8 September 2014, which failed to meet the statutory deadline of 14 August 2014. Unqualified audit reports were issued on 23 September 2014 for TT and TMAG. Unqualified audit reports were issued on 29 September 2014 for the Department and TDR.

KEY DEVELOPMENTS

Commonwealth concessional Farm Finance scheme

On 27 April 2013, the Commonwealth announced Farm Finance, an Australian Government initiative to build the ongoing financial resilience of farm businesses across Australia. TDR, acting through the Department, received $15.000m in January 2014 to provide concessional loans to eligible farm businesses in Tasmania. Another $15 million farm finance loan will be provided in 2014-15.

A Service Level Agreement (SLA) was executed between the Commonwealth Department of Agriculture, the Department, TDR and Department of Primary Industries, Parks, Water and Environment (DPIPWE) regarding administration of the Farm Loan Scheme. In accordance with the SLA:

- the Department on behalf of TDR, administered the concessional loans to eligible farm business and received $1.5 million in funding to support this activity
- DPIPWE assisted the Department by delivering a Farmer Liaison Program, as part of the administrative services, required by SLA.

TDR approved 11 concessional farm finance loan advances in 2013-14, for farm productivity enhancement and to address financial distress. Funding approved totalled $4.873m, however no funds were drawn down prior to 30 June 2014. TDR repaid the uncommitted balance of the farm finance borrowing, $10.127m, in July and August 2014 as provided by the SLA.

Departmental general ledger chart restructure

As part of a departmental chart restructure implemented in 2013-14, classification of transactions was changed to more accurately reflect allocation of assets and liabilities, revenue and expenses across the Department. A key aspect of this was that transactions and balances related to Corporate Support Division activities of the Department were historically included in TDR's financial statements. These were removed and resulted, in most cases, in lower comparative figures in TDR's 2013-14 financial statements.

In addition, funds held in trust at 30 June 2013, $0.782m, by TDR for independent non-government entities Brand Tasmania Council and Agreement on the Conservation of Albatrosses and Petrels were allocated directly to these entities in 2013-14.

TDR's loan portfolio

During 2013-14, TDR:

- approved 11 new loan advances for $6.074m, with $4.664m drawn down at 30 June 2014. The loans were for business development and to address financial distress
- recovered loans and interest repayments of $7.603m
- committed a loan of $15.000m to Myer redevelopment

TDR continued to administer the Tasmanian Government Innovation and Investment Fund which provided $4.129m in grant funds to support investments and new activities that aimed to broaden Tasmania's economy and deliver sustainable job creation.

Tourism digital developments

On 29 January 2014, the Department launched a new "Discover Tasmania" website. This was aimed at delivering a new consumer facing website, mobile and tablet technology solutions and enhancement of TT's approach to the use of social media. Total cost of was $0.776m, of which $0.589m was incurred in 2013-14.

Formation of the Department of State Growth

As a result of an administrative order, the Department was amalgamated with the Department of State Growth effective 1 July 2014. The administrative order also changed the name of the Department of Infrastructure, Energy and Resources into the Department of State Growth. A further administrative order was made following the restructure to:

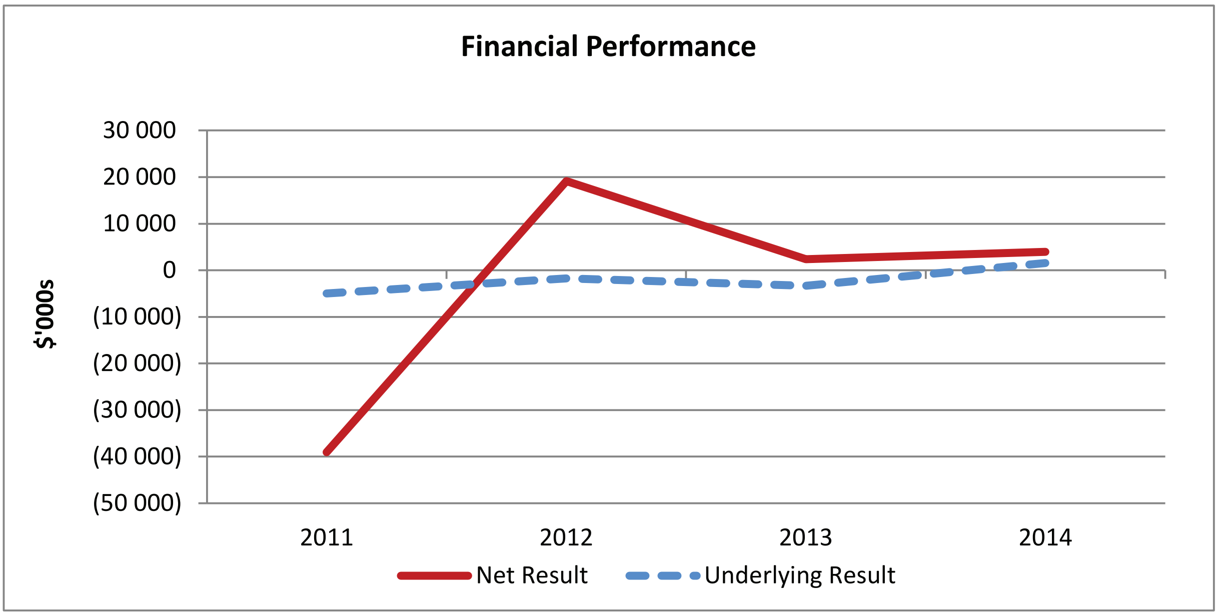
- transfer Sport and Recreation Tasmania from the Department to the Department of Premier and Cabinet
- establish Tourism Tasmania as a state authority
- transfer Skills Tasmania from the Department of Education to the Department of State Growth.

KEY FINDINGS

No high or moderate risk findings were identified during the audit. Two low risk findings relating to password settings of the Department's IT systems were reported to the Department in 2013-14. We also noted that a number of moderate risk findings reported in prior years were still unresolved due to the transition to the Department of State Growth.

The Department has indicated that it will be taking actions to address each of the findings. Overall, the audit was completed satisfactorily with no other matters outstanding.

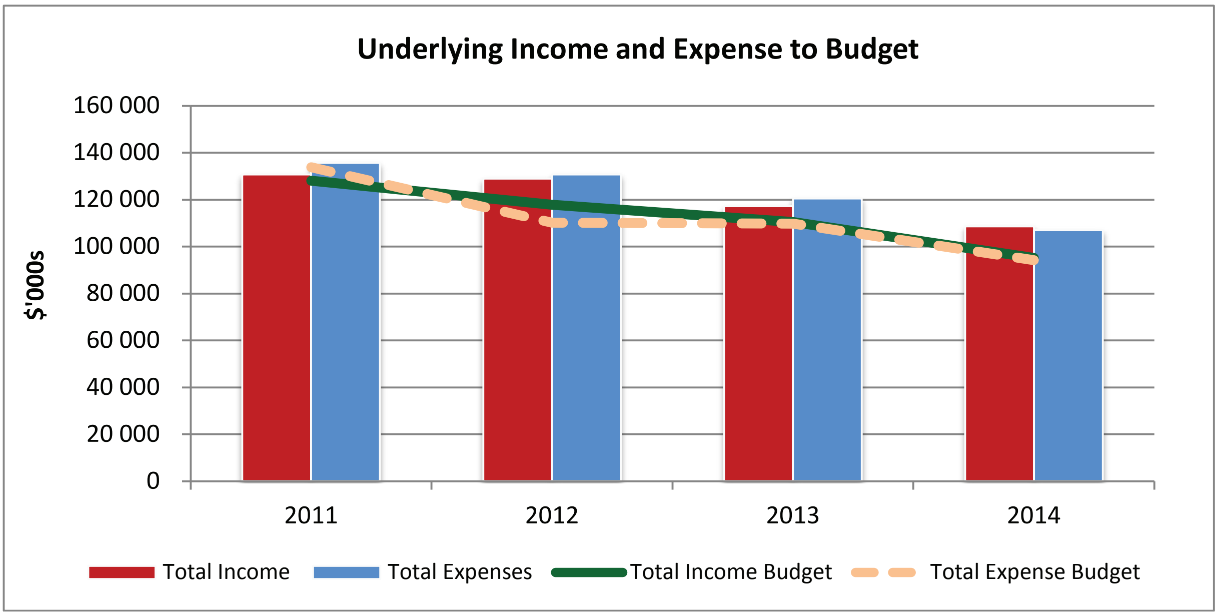
FINANCIAL ANALYSIS



The Underlying Surplus for 2013-14 of $1.583m improved by $4.879m from the deficit of $3.296m in 2012-13. The improved result was primarily due to the 2012-13 deficit including expenditure related to the redevelopment of TMAG. Over the four-year period under review the Underlying Result was relatively consistent. Net Result varied over the period primarily due to fluctuations in capital funding and revaluation movements.

The Net Surplus of $3.934m reported this year was mainly the result of net revaluation increments added to the Underlying Surplus, partly offset by impairment of equity investments and loan advances, $0.786m. Revaluation included a decrement to land of $0.294m, while buildings and heritage assets increased by $0.257m and $2.532m, respectively.

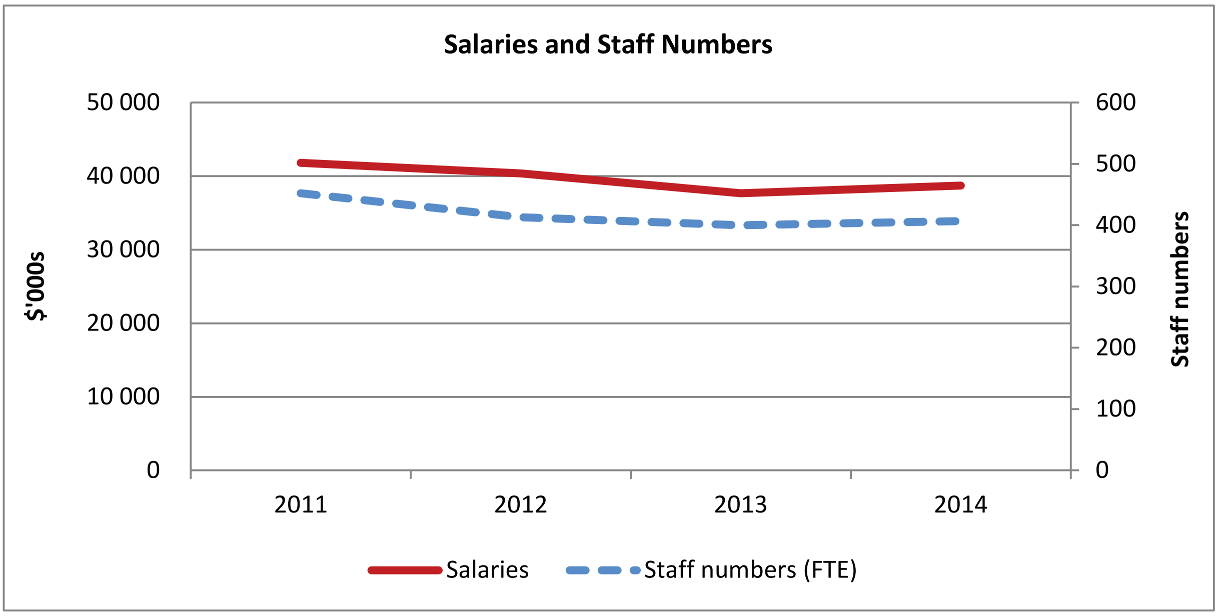
The significant Net Result deficit in 2010-11 was primarily the result of revaluation decrements for heritage and culture assets at TMAG and buildings of $22.732m and $8.914m, respectively. The major improvement in 2011-12 was due to heritage and culture assets and buildings having a revaluation increment of $13.969m.



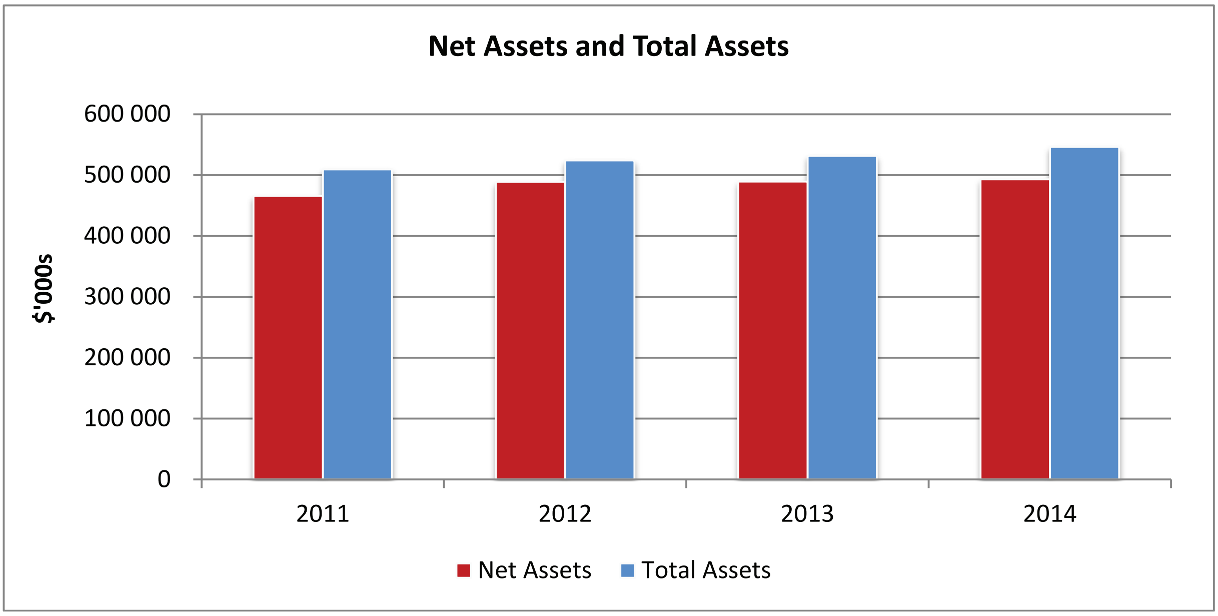
The fall in budgeted and actual income reflected budget cuts implemented from 2011-12. Budgeted and actual expenses fell since 2011 reflecting Government's decision for additional budget saving measures and cessation of payroll tax from 1 October 2012.

Total Expenses decreased by 21.1% since 2010-11 mainly due to reduced grants and subsidies of $18.851m following the finalisation of funding for the Menzies Centre redevelopment in 2012-13 and Tasmanian Forest Agreement grant program in 2011-12.

Both Total Income and Total Expenses exceeded respective budget amounts in each of the four years under review mainly due to additional funds approved for various grant programs which were



not budgeted for. Grants and Subsidies totalled $33.426m in 2013-14, including the Tasmanian Government Innovation and Investment Fund, $4.129m, Sport and Recreation State Grant program, $8.234m and the Major Events Grants program, $4.486m.



The Department's salaries and employee expenses fell over the three years up to 30 June 2013 as a result of budget reductions commencing in 2011-12. The number of FTEs decreased in line with the expense over the same period. There was a reduction of 39 FTEs in 2012, mainly at TT which fell from 85 FTEs to 55 FTEs. The number of FTEs remained consistent over the last three years.

Salaries increased marginally in 2013-14 due mainly to annual wage increments and termination payments.

The Department's Net Assets and Total Assets were consistent over the four years period under review. Net Assets increased by $27.370m, or 5.87%, primarily due to revaluation increments of land, buildings and TMAG heritage and culture assets and the completion of TMAG redevelopment.

The fair value of TMAG heritage and culture assets was $389.676m as at 30 June 2014, representing 81.0% of Non-financial assets and 79.0% of Net Assets.

Completion of the Stage 1 of the TMAG redevelopment in early 2013 which commenced in 2011 and the corresponding reduction in capital funding was reflected in the Asset investment gap ratio, which dropped from an average of 387.64% over the three years to 2013 to 74.21% in 2013-14.

Cash and deposits was 29.265m as at 30 June 2014, $12.322m higher than the prior year, mainly due to the Department holding the farm finance loan of $15.000m, which was unexpended at 30 June 2014. Farm finance funding approved totalled $4.873m, however no funds were drawn down prior to 30 June 2014. TDR repaid the uncommitted balance of the farm finance loan, $10.127m, to the DoA in July and August 2014.

ADMINISTERED FINANCIAL TRANSACTIONS

The Department administers the State's Tasmanian Icon Program, Ten Days on the Island and grants to Theatre Royal and the Tasmanian Symphony Orchestra. Funding totalled $3.975m (2012-13, $3.951m).

DEDTA Statement of Comprehensive Income

	2013-14 Budget	2013-14 Actual	2012-13 Actual	2011-12 Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from Government – recurrent	86 936	94 352	105 858	99 551
Revenue from Government – appropriation carried forward	0	3 230	1 000	2 520
Revenue from Government – works and services	300	300	0	0
Revenue from Special Capital Investment Funds	0	255	249	2 583
Grants	1 989	2 086	516	16 231
Sales of goods and services	2 048	2 689	1 906	2 226
Interest	2 530	1 778	2 959	1 965
Other revenue	1 370	3 845	4 699	3 805
Total Revenue	**95 173**	**108 535**	**117 187**	**128 881**
Employee benefits	38 908	38 736	37 667	40 388
Depreciation and amortisation	1 725	1 652	1 637	1 671
Supplies and consumables	26 387	31 287	34 952	29 339
Grants and subsidies	25 158	33 426	43 976	53 792
Finance costs	1 540	1 133	1 646	2 043
Other expenses	542	718	605	3 408
Total Expenses	**94 260**	**106 952**	**120 483**	**130 641**
Underlying Surplus (Deficit)	**913**	**1 583**	**(3 296)**	**(1 760)**
Net gain (loss) on non-financial assets	0	2 702	(3 823)	13 169
Net gain (loss) on financial instruments and statutory receivables/payables	0	(786)	(815)	(1 636)
Other gains (losses) from other economic flows	0	0	(7 050)	0
Capital funding Economic and Social Infrastructure Fund	0	0	16 856	4 175
Contributions received	0	435	514	5 223
Net Surplus (Deficit)	**913**	**3 934**	**2 386**	**19 171**
Other Comprehensive Income				
Changes in physical asset revaluation reserve	13 270	(272)	(1 477)	3 628
Comprehensive Surplus (Deficit)	**14 183**	**3 662**	**909**	**22 799**

DEDTA Statement of Financial Position

	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	29 265	16 943	8 488	20 386
Receivables	1 358	1 439	3 493	1 855
Loan advances	34 445	33 883	37 030	37 694
Equity investments	20	48	586	584
Non-financial Assets				
Inventories	327	232	376	559
Property, plant and equipment	78 937	80 130	84 809	63 495
Heritage and cultural assets	389 676	386 703	376 739	371 237
Investment property	9 364	9 070	9 700	10 610
Intangibles	951	890	762	926
Other assets	1 965	2 168	2 125	2 323
Total Assets	**546 308**	**531 506**	**524 108**	**509 669**
Liabilities				
Payables	2 222	2 318	3 720	1 973
Interest bearing liabilities	36 110	25 080	18 021	26 621
Provisions	1 842	2 397	2 759	2 747
Employee entitlements	8 756	8 633	9 021	8 842
Other liabilities	3 923	3 285	1 703	3 401
Total Liabilities	**52 853**	**41 713**	**35 224**	**43 584**
Net Assets	**493 455**	**489 793**	**488 884**	**466 085**
Accumulated funds	484 373	480 439	478 053	458 882
Reserves	9 082	9 354	10 831	7 203
Total Equity	**493 455**	**489 793**	**488 884**	**466 085**

DEDTA Statement of Cash Flows

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Receipts from Government – recurrent	97 450	109 088	100 551	111 003
Receipts from Government – works and services	300	0	0	0
Revenue from special capital investment funds	0	249	2 583	12 664
Grants	2 086	516	16 231	195
Sales of goods and services	812	1 954	2 073	2 985
GST receipts	6 448	11 055	6 979	8 086
Interest received	1 835	2 862	2 071	3 353
Other cash receipts	5 126	4 345	3 805	4 698
Employee benefits	(38 615)	(38 057)	(40 191)	(40 398)
Grants and subsidies	(33 414)	(43 991)	(53 765)	(57 725)
GST payments	(6 308)	(9 001)	(8 546)	0
Interest payments	(1 093)	(1 712)	(2 032)	(2 229)
Supplies and consumables	(29 778)	(36 121)	(27 551)	(35 922)
Other cash payments	(718)	(1 271)	(3 581)	(3 692)
Cash from (used in) Operations	**4 131**	**(84)**	**(1 373)**	**3 018**
Proceeds from disposal of non-financial assets	287	537	315	526
Receipts from Special Capital Investment Funds	255	16 856	4 175	0
Repayment of loans by other entities	9 071	22 361	2 955	5 649
Receipts from investments	126	891	133	57
Other cash receipts	0	0	310	0
Loans made to other entities	(9 750)	(19 380)	(3 492)	(15 074)
Payments for acquisition of assets	(1 226)	(11 829)	(5 710)	(2 038)
Payments for investments	(820)	(903)	(611)	(687)
Other cash payments	(782)	(3)	0	(198)
Cash from (used in) Investing Activities	**(2 839)**	**8 530**	**(1 925)**	**(11 765)**
Proceeds from borrowings	15 000	81	0	3 600
Repayment of borrowings	(3 970)	(72)	(8 600)	(2 000)
Cash from (used in) Financing Activities	**11 030**	**9**	**(8 600)**	**1 600**
Net Increase (Decrease) in Cash	**12 322**	**8 455**	**(11 898)**	**(7 147)**
Cash at the beginning of the year	16 943	8 488	20 386	27 533
Cash at End of the Year	**29 265**	**16 943**	**8 488**	**20 386**

DEDTA Financial Analysis

	Bench Mark	2013-14	2012-13	2011-12	2010-11
Financial Performance					
Underlying surplus (deficit) ($'000s)		1 583	(3 296)	(1 760)	(4 982)
Own source revenue		8312	9 564	7 996	10 480
Financial Management					
Debt collection	30 days	28	24	31	20
Creditor turnover	30 days	1	1	3	3
Asset Management					
Investment gap %	>100%	74%	723%	342%	99%
Other Information					
Average staff numbers (FTEs)		407	400	413	452
Average staff costs ($'000s)		91	92	93	91
Average recreational leave balance per FTE (days)	20	15	16	17	16
Average long service Leave per FTE (days)	100	40	42	40	36

ADDITIONAL FINANCIAL INFORMATION

DEDTA Administered Income and Expenses

	2013-14 Budget	2013-14 Actual	2012-13 Actual	2011-12 Actual
	$'000s	$'000s	$'000s	$'000s
Appropriation revenue – recurrent	3 975	3 975	3 951	3 891
Total Revenue	**3 975**	**3 975**	**3 951**	**3 891**
Grants and subsidies	3 975	3 975	3 951	3 891
Total Expenses	**3 975**	**3 975**	**3 951**	**3 891**
Underlying Surplus (Deficit)	**0**	**0**	**0**	**0**

TDR Statement of Comprehensive Income

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Attributed revenue from Government – recurrent	35 132	45 302	42 281	45 334
Revenue from Government – appropriation c/fwd	206	500	2 380	969
Revenue from economic and social infrastructure funds	0	249	384	359
Grants	1 722	375	16 191	14
Interest revenue	1 754	2 932	1 859	2 945
Other revenue	2 207	2 253	1 836	3 332
Total Revenue	**41 021**	**51 611**	**64 931**	**52 953**
Attributed employee entitlements	14 340	16 760	18 685	18 238
Grants and subsidies	11 711	20 187	30 744	17 218
Depreciation and amortisation	499	529	561	702
Supplies and consumables	9 176	10 711	9 381	11 542
Borrowing costs	1 138	1 658	1 962	2 309
Other expenses	590	402	1 513	2 002
Total Expenses	**37 454**	**50 247**	**62 846**	**52 011**
Underlying Surplus (Deficit)	**3 567**	**1 364**	**2 085**	**942**
Net gain (loss) on non financial assets	286	(411)	(915)	(400)
Net gain (loss) on financial instruments	(72)	(251)	(1 152)	(3 855)
Other gain (loss) from other economic flows	0	(7 050)	0	0
Net Surplus (Deficit)	**3 781**	**(6 348)**	**18**	**(3 313)**
Other Comprehensive Income	**9**	**0**	**0**	**0**
Comprehensive Surplus (Deficit)	**3 790**	**(6 348)**	**18**	**(3 313)**

TDR Statement of Financial Position

	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	27 279	15 186	5 158	15 140
Receivables	648	1 365	3 225	1 658
Loan advances	32 214	32 184	35 428	36 211
Equity investments	20	48	586	584
Non-financial Assets				
Property, plant and equipment	4 396	4 842	5 308	5 737
Investment property	9 364	9 070	9 700	10 610
Intangibles	0	239	225	221
Other non-financial assets	731	926	1 240	903
Total Assets	**74 652**	**63 860**	**60 870**	**71 064**
Liabilities				
Interest bearing liabilities	36 110	25 080	18 021	26 621
Payables	447	1 738	1 324	1 258
Provisions	815	1 727	1 707	1 746
Attributed employee entitlements	2 850	4 581	5 062	4 651
Other liabilities	3 174	3 268	942	2 992
Total Liabilities	**43 396**	**36 394**	**27 056**	**37 268**
Net Assets	**31 256**	**27 466**	**33 814**	**33 796**
Reserves	10	1	1	1
Accumulated funds	31 246	27 465	33 813	33 795
Total Equity	**31 256**	**27 466**	**33 814**	**33 796**

TDR Financial Information

	Bench Mark	2013-14	2012-13	2011-12	2010-11
Financial Performance					
Underlying surplus (deficit) ($'000s)		3 567	1 364	2 085	942
Own source revenue ($'000s)		3 961	5 185	3 695	6 277
Operating margin	>1	1.10	1.03	1.03	1.02
Financial Management					
Debt collection	30 days	48	65	53	26
Creditor turnover	30 days	1	1	18	21

Tourism Comprehensive Income Statement

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Attributed revenue from Government – recurrent	24 192	24 057	24 075	30 724
Revenue from Special Capital Investment Funds	0	0	10	3 568
Sales of goods and services	418	862	715	769
Other revenue	76	1	1	178
Total Revenue	**24 686**	**24 920**	**24 791**	**31 671**
Attributed employee entitlements	7 038	7 175	8 254	10 205
Depreciation and amortisation	149	101	219	273
Grants and subsidies	2 610	2 744	2 073	8 963
Financing costs	(4)	(10)	62	0
Supplies and consumables	4 662	4 751	4 440	5 765
Advertising and promotion	9 986	9 605	8 794	9 561
Other expenses	284	111	603	858
Total Expenses	**24 725**	**24 477**	**24 445**	**35 625**
Underlying Surplus (Deficit)	**(39)**	**443**	**346**	**(3 954)**
Net gain (loss) on non-financial instruments and statutory receivables (payables)	(5)	0	0	(22)
Net Surplus (Deficit)	**(44)**	**443**	**346**	**(3 976)**
Comprehensive Surplus (Deficit)	**(44)**	**443**	**346**	**(3 976)**

Tourism Statement of Financial Position

	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	16	1	372	798
Receivables	108	8	16	46
Non-financial Assets				
Property, plant and equipment	234	262	304	435
Intangibles	711	242	115	220
Other non-financial assets	541	1 154	810	1 260
Total Assets	**1 610**	**1 667**	**1 617**	**2 759**
Liabilities				
Payables	**60**	**77**	**282**	**492**
Attributed employee entitlements	1 165	1 155	1 082	1 708
Provisions	**340**	**347**	**542**	**563**
Other liabilities	5	4	70	109
Total Liabilities	**1 570**	**1 583**	**1 976**	**2 872**
Net Assets (Liabilities)	**40**	**84**	**(359)**	**(113)**
Accumulated funds (deficit)	40	84	(359)	(113)
Total Equity (Net Deficit)	**40**	**84**	**(359)**	**(113)**

Tourism Financial Information

	Bench Mark	2013-14	2012-13	2011-12	2010-11
Financial Performance					
Underlying surplus (deficit) ($'000s)		(39)	443	346	(3 954)
Operating margin	>1.0	1.00	1.02	1.01	0.89
Own source revenue ($'000s)		494	863	706	(2 621)
Financial Management					
Debt collection	30 days	0	0	6	10
Creditor turnover	30 days	0	1	7	5

TMAG Comprehensive Income Statement

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Revenue from Government – recurrent	9 129	7 735	7 337	7 883
Other revenue	2 076	1 251	1 161	3 228
Total Revenue	**11 205**	**8 986**	**8 498**	**11 111**
Employee and member benefits	7 487	7 083	6 339	6 732
Depreciation	246	188	206	392
Supplies and consumables	3 455	6 163	3 006	2 826
Grants and subsidies	25	31	41	9
Other expenses	100	234	560	493
Total Expenses	**11 313**	**13 699**	**10 152**	**10 452**
Underlying Surplus (Deficit)	**(108)**	**(4 713)**	**(1 654)**	**659**
Other Economic Flows Included in Net Result				
Net (loss) on non financial assets	(553)	(14 002)	(767)	(840)
Capital funding Economic and Social infrastructure	255	16 856	4 175	2 150
Contributions received	559	521	734	296
Net Surplus (Deficit)	**153**	**(1 338)**	**2 488**	**2 265**
Other Comprehensive Income				
Changes in physical asset revaluation reserve	2 336	9 408	4 520	(122 910)
Comprehensive Surplus (Deficit)	**2 489**	**8 070**	**7 008**	**(120 645)**

TMAG Statement of Financial Position

	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	2 199	2 027	2 574	2 533
Receivables	122	310	97	93
Non-financial Assets				
Heritage Assets	389 676	386 703	376 739	371 237
Plant and equipment	24 457	24 974	28 104	24 453
Other assets	334	646	795	992
Total Assets	**416 788**	**414 660**	**408 309**	**399 308**
Liabilities				
Payables	139	220	1 913	76
Employee entitlements	1 314	1 596	1 529	1 383
Other liabilities	8	6	99	89
Total Liabilities	**1 461**	**1 822**	**3 541**	**1 548**
Net Assets	**415 327**	**412 838**	**404 768**	**397 760**
Reserves	32 811	30 475	21 067	16 547
Accumulated funds	382 516	382 363	383 701	381 213
Total Equity	**415 327**	**412 838**	**404 768**	**397 760**

TMAG Financial Analysis

	Bench Mark	2013-14	2012-13	2011-12	2010-11
Financial Performance					
Underlying surplus (deficit) ($'000s)		(108)	(4 713)	(1 654)	659
Operating margin	>1.0	0.99	0.66	0.84	1.06
Financial Management					
Current ratio	>1	16	10	1	16
Creditor turnover	30 days	15	13	233	10
Asset Management					
Asset investment ratio	>100%	37%	5 952%	2 573%	394%
Other Information					
Staff numbers (FTEs)		69	72	73	75
Average staff costs ($'000s)		109	98	86	89

DEPARTMENT OF EDUCATION

SNAPSHOT

- The Department reported an Underlying Deficit of $41.122m this year and its Net Asset position at the end of the year was $1.487bn.
- Administered statements primarily related to funding non-government schools with grants to that sector totalling $253.182m this year.
- On 1 July 2013, TasTAFE was created and the Department relinquished its responsibility for the Tasmanian Polytechnic (the Polytechnic). In addition, Skills Tasmania became a business unit of the Department.
- As part of the transfer of Polytechnic assets and liabilities, the Department provided interest-free deficit funding of $2.152m to TasTAFE. The terms of the deficit repayment provided for an annual repayment of $0.717m over three years. Repayments commenced this year.
- Assets held for sale of $7.997m (2013, $11.206m) consist of land and buildings which have become surplus to the Department's requirements.
- Our assessment of the Department's asset sustainability and consumption ratios, as these relate to its buildings (mainly school buildings), suggest that, subject to the level of expenditure on maintenance, it is underinvesting in existing infrastructure and these buildings are in the high-risk age range.

A number of audit findings were identified and two were considered high risk. These findings highlighted a number of concerns over the management of petty cash and the bank reconciliations. These matters were reported to, and are being addressed by, management.

The audit was completed satisfactorily with no other items outstanding.

Major developments this year included an:

- administrative restructure that took effect on 1 July 2013 transferring the Polytechnic to TasTAFE which makes comparison of financial results between financial years difficult
- agreement between the Tasmanian and Australian Governments on 9 July 2013 to deliver the Students First (formerly Better Schools) funding and education reforms.

In addition, Skills Tasmania was transferred to the Department of State Growth on 1 July 2014.

Major variations between the 2012-13 and 2013-14 financial years included:

- Revenue from Government - recurrent increased by $22.748m, 2.6 per cent, primarily due to budgeted salaries and non-salaries indexation along with additional Students First funding.
- Grants revenue from the Australian Government for National Partnerships was lower than the prior year by $12.963m due to timing differences on expenditure and associated drawdown of funds from the Department of Treasury and Finance.
- User charges, fees, fines and other revenue lower than prior year by $7.133m mainly due to lower property insurance claims which for 2012-13 related to the Dunalley School.
- Grants and subsidies increased by $53.596m mainly due to changed funding arrangements associated with the creation of TasTAFE from 1 July 2013. For 2013-14, the Department via Skills Tasmania provided Vocational Education and Training (VET) grant funding to TasTAFE under a Memorandum of Understanding. For 2012-13, VET provided by the Polytechnic formed part of the normal operational expenses of the Department.

- Cash and deposits increased by $28.141m largely due to the Section 8A (2) carry forward amount of $21.721m. This carry forward amount consisted of two components:
    - $9.721m related to a number of capital investment projects that did not fully expend their works and services allocation due to delays in finalising the budgeted expenditure within the 2013-14 financial year
    - $12.000m related to Australian Government Funding for the Students First program not expended by 30 June 2014. This eventuated due to delays in the Australian Government providing the Department advice regarding the quantum of funding to the State under the new funding mechanism. Initial advice regarding the level of funding under the program was not received until December 2013 which was subsequently confirmed with the first payment received in January 2014. The late timing of this advice did not allow the Department sufficient time to make plans to fully expend the funds aligned with calendar year school arrangements.
- Land and buildings reduced by $171.711m mainly due to the administrative restructure whereby net assets of $136.650m were transferred to TasTAFE.
- A reduction in Employee benefits of $8.212m also mainly associated with separation of TasTAFE.

INTRODUCTION

For 2013-14, the Department provided services through the following organisational units:

- Early Years and Schools Division
- Communities, International Education and Services LINC Tasmania
- Skills Tasmania
- Corporate Services Division.

The Department consisted of three output groups; being Pre-Compulsory and Compulsory Education, Post-Compulsory Education and Skills Development and LINC Tasmania.

KEY AREAS OF AUDIT ATTENTION

Description of Area	Audit Approach
Property, plant and equipment may not be reported at fair value. The Department uses an independent valuer every five years to assess fair value of its property portfolio. These assets will be subjected to a full revaluation next year (2015).	We tested the valuation methodology ensuring its appropriateness and compliance with new accounting standard AASB 13 *Fair Value Measurement.* We verified significant movements in the year to supporting documentation and tested year-end amounts.
The Department has significance employee benefit expenses and liabilities.	Due to the significance of transactions and balances relating to employee benefits, extensive controls and detailed testing was performed as part of the audit. This included testing of a number of controls over fortnightly payroll processes, leave accruals and related processes. Detailed analytical procedures were used to examine workers compensation, payroll tax, wages and salaries expenses, leave balances and bonus payments.
Students First Funding Agreement signed between the Commonwealth and State Government.	We verified transactions reported as these applied to the Better School Funding Agreement and reviewed the status of this source of funding.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2014 with an unqualified audit report issued on 12 September 2014.

KEY DEVELOPMENTS

Students First (formerly 'Better Schools')

An agreement was entered into between the Tasmanian and Australian Governments on 9 July 2013 to deliver the Students First funding and education reforms. This program aspires to reach the level of public funding for schools that minimises educational disadvantage and facilitates a high quality education for every student in every school in Tasmania.

The new funding agreement aims to deliver an additional $382.000m for the Tasmanian education system of which $234.000m is for Tasmanian Government schools. This model is aimed at guaranteeing increases in funding over time. The Australian Government subsequently committed to Students First funding across the forward estimates as opposed to the original six year agreement. Students First funding commenced in January 2014 with final 2014 allocations to be advised after the Australian Government finalised its August census process.

TasTAFE and Skills Tasmania

From 1 July 2013, the Polytechnic and Tasmanian Skills Institute (TSI) ceased to exist and a new Statutory Authority TasTAFE began. TasTAFE resulted from reforms within Tasmania's public VET system to provide the VET service to both students and business from one organisation.

An objective for establishing a separate TasTAFE was to support Tasmania's long-term social and economic future by increasing participation and retention rates amongst young people in education, and lifting productivity and skills levels needed to improve the economy.

The Polytechnic ended the 2012-13 year in a deficit position. This deficit primarily related to balances dating back to before the amalgamation of the Department and the Polytechnic in 2011. The Polytechnic implemented strategies to operate on a self-sustaining basis but was unable to fully recover its deficit position. As a result, as part of the transfer of assets and liabilities to TasTAFE, the Department provided interest-free deficit funding of $2.152m to TasTAFE. The terms of the deficit repayment provided for an annual repayment of $0.717m to be made to the Department over three years commencing in 2013-14. It is relevant to note that Treasury subsequently advised that the Department must transfer those repayments to the Consolidated Fund.

These changes make it difficult to compare the Department's financial performance from one year to the next. TasTAFE is now funded as a stand-alone entity through a grant under a Memorandum of Understanding with the Department whereas expenses of the former Polytechnic formed part of the normal operational expenses of the Department.

Also, on 1 July 2013, Skills Tasmania became a business unit of the Department. Subsequently, effective from 1 July 2014, Skills Tasmania transferred to the new Department of State Growth. The latter change had no impact on the 2013-14 financial statements.

Assets held for sale

Assets held for sale of $7.997m (2013, $11.206m) mainly consisted of former residences, buildings, infrastructure and surplus land attached to schools no longer required by the Department and are carried at fair value less costs to sell.

A breakdown is detailed below:

- buildings, $1.529m,
- land, $6.468m.

KEY FINDINGS

There were two high risk audit findings. These related to management of petty cash and explanations of variances in bank reconciliations. Briefly:

- when testing bank reconciliations we noted a number of unexplained variances
- petty cash balances held by schools totalled $0.120m and were not regularly monitored or reconciled.

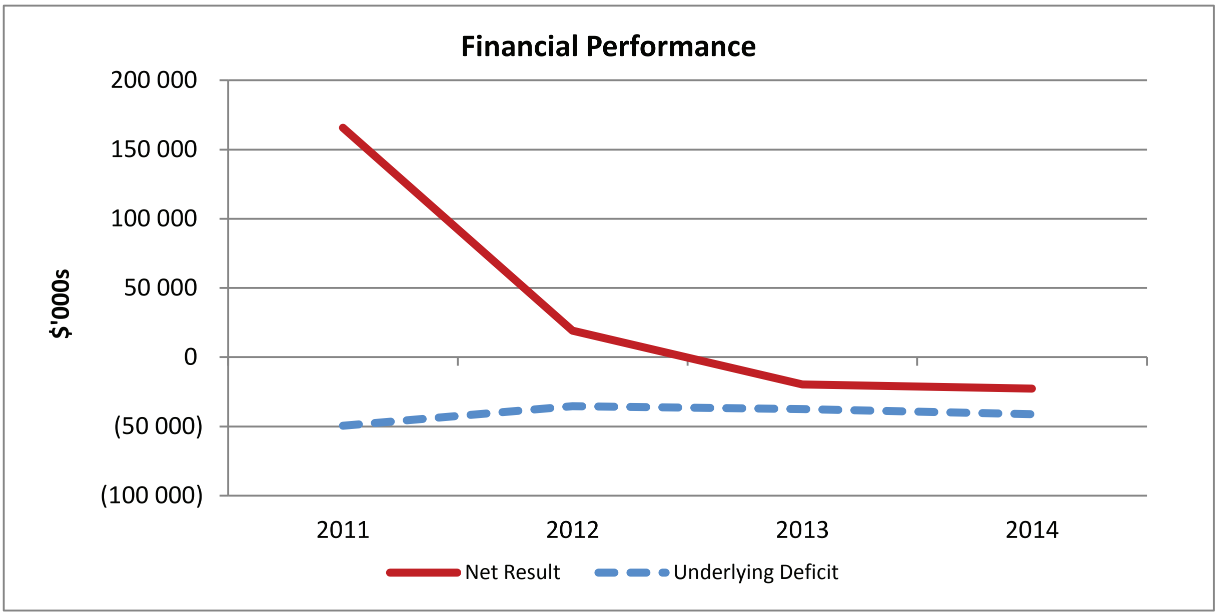
In addition, several other audit findings regarded as moderate risk were reported as follows:

- bank electronic transfer files were not held in a secure directory
- lack of segregation of duties around procurement of goods and services
- interest revenue accounted for on a cash rather than accrual basis
- excessive employee leave balances
- timeliness of payments to suppliers
- non-compliance with Treasurer's Instruction TI 705 *Tasmanian Government Card*
- purchasing control authorisation weaknesses
- journal processing control weaknesses.

All of these matters were discussed with management and reported to the Secretary and the Department's Risk Management and Audit Committee who are addressing or have addressed these matters.

The audit was completed with no other items outstanding.

FINANCIAL ANALYSIS



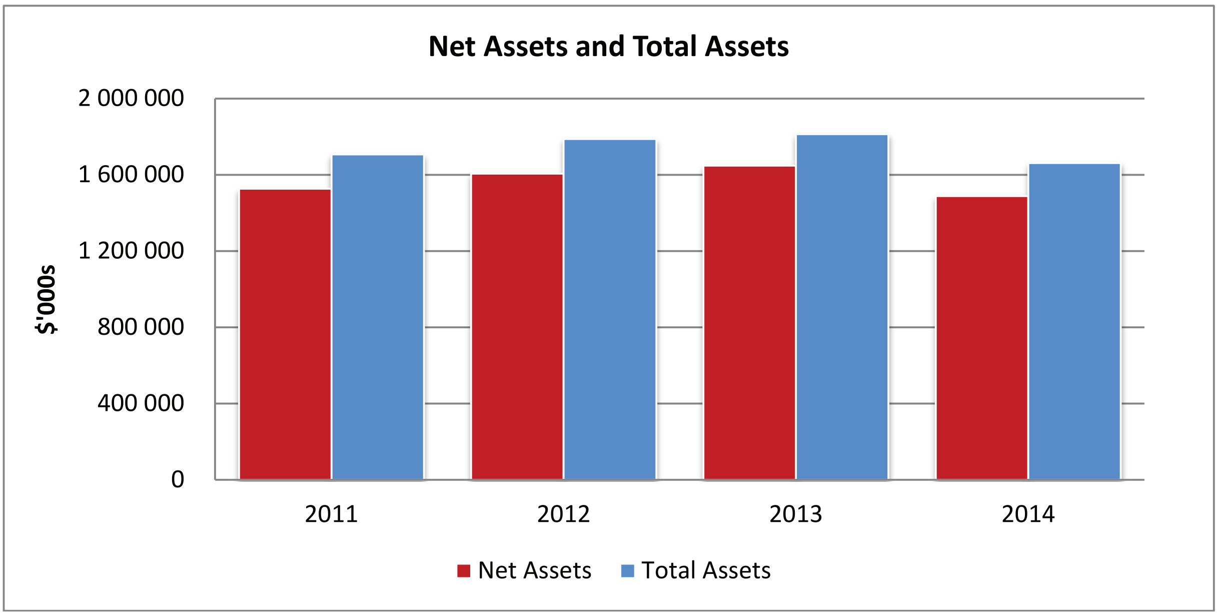
The graph above highlights relevant aspects of the Department's financial performance and is explained as follows:

- Net Result over the four year period diminished from a surplus of $19.209m in 2011-12 to a deficit of $20.416m in 2013-14. The main driver for the decline was completion of the Building the Education Revolution (BER) funding which at its peak in 2010-11 injected $190.221m of capital funding into the Department, improving the net result.
- Underlying Deficits continued across all four years with a slight decline since a plateau in 2012. An Underlying Deficit is expected as departments are not funded for Depreciation. In all four years the Underlying Deficit was less than reported Depreciation.

- The further decline in the Underlying Deficit this year of $3.769m was primarily attributable to higher depreciation.

The Department incurred an overall Comprehensive Deficit of $160.415m (2012-13, $45.004m Surplus) this year. The higher deficit of $205.419m was attributable to:

- Administrative restructure, being the transfer of assets and liabilities to TasTAFE, a net transfer of $136.650m.
- The 2012-13 result included an upward revaluation of Property, plant and equipment of $64.642m whereas there was a decrement of $2.313m this year.



The Department's financial position remained relatively consistent across the four years with Net Assets increasing from $1.526bn in 2010-11 to $1.648bn in 2012-13 but declining to $1.487bn in 2013-14. The main drivers of the increase prior to 2013-14 were the BER funded works and the revaluation and subsequent indexation of land, buildings and other assets over the first three years. The decline in this year's Net Assets of $160.416m and Total Assets of $151.034m was primarily attributable to the transfer of assets and liabilities to TasTAFE, $136.650m and the Net Deficit of $22.730m.

Asset management ratios over the last two years of our period under review remained below our benchmarks. Specifically:

Asset investment ratio

This ratio indicates whether the Department is maintaining its physical capital by investing in new and existing non-current assets compared to the annual depreciation charge. Our benchmark is an average of 100%. The actual ratios of 50% in 2013-14 and 57% on 2012-13 were well below benchmark.

Asset sustainability ratio - buildings

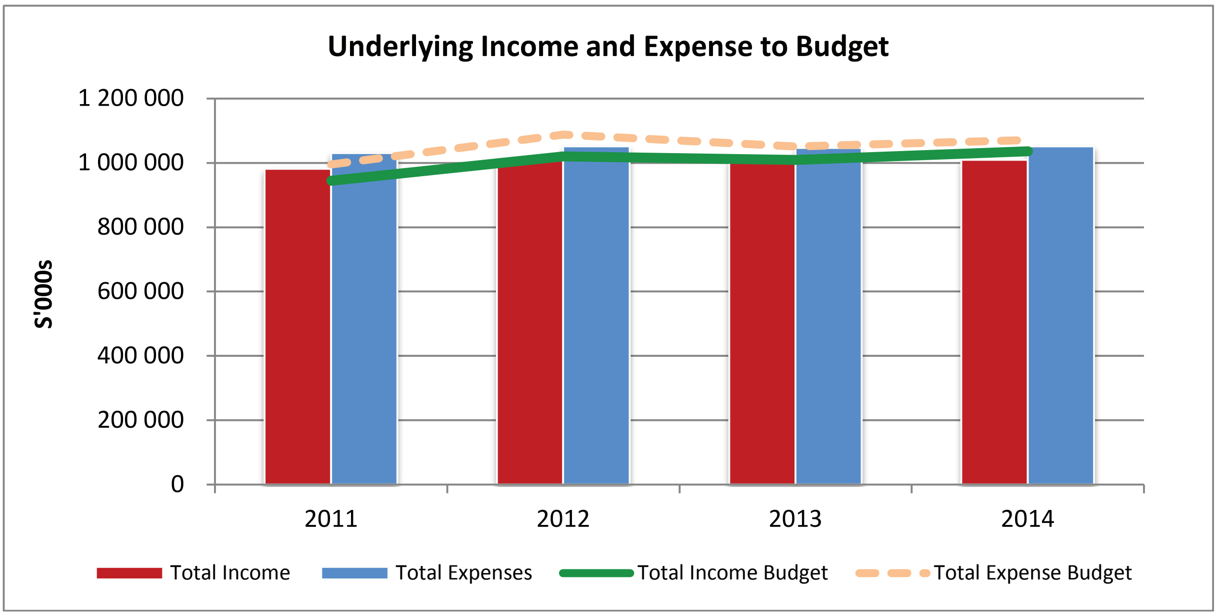
This ratio provides a comparison of the rate of spending on existing infrastructure, property, plant and equipment through renewing, restoring and replacing existing assets with depreciation. Our target of 100% was achieved in 2011-12 with a ratio of 559% and in 2010-11 with a ratio of 464%. These were largely driven by BER funding.

However, the ratios of 38% in 2013-14 and 42% in 2012-13 were well below benchmark.

Taken together, these two ratios indicate that, subject to the level of expenditure on maintenance, the Department may be under-investing in existing assets. The Department does provide a level of maintenance funding to schools via the annual School Resource Package and also operates a recurrent minor works and maintenance program that is managed centrally.

Consumption ratio - buildings

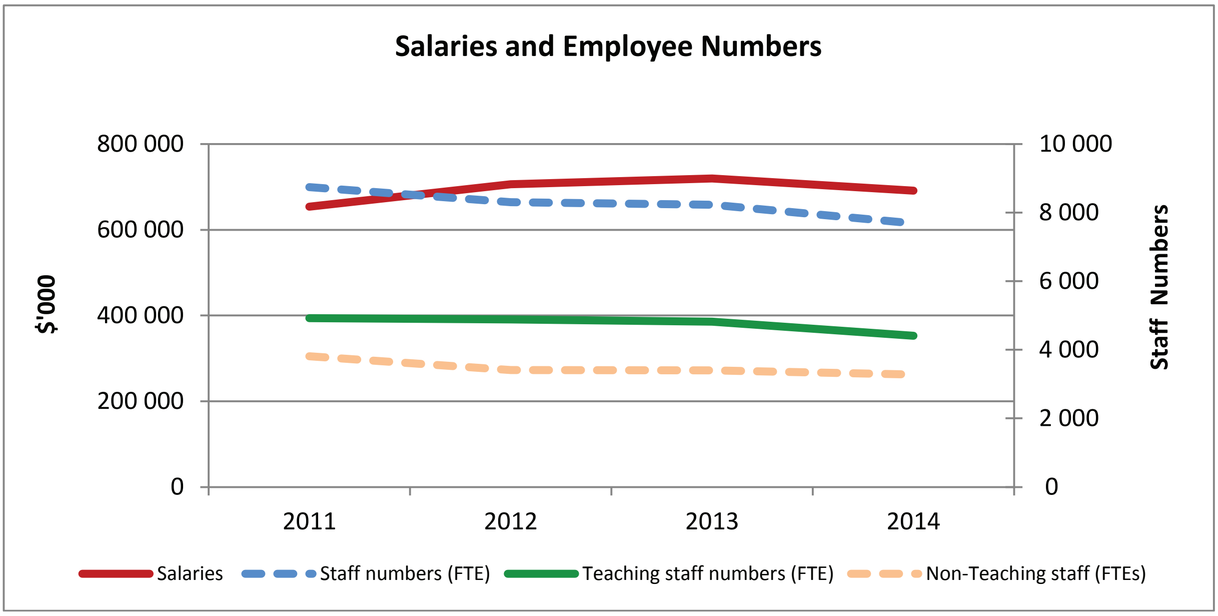
This ratio shows the depreciated replacement cost of an entity's depreciable assets relative to its "as new" (replacement) value. Our benchmark is 40-60%. Indication of a remaining life of less than 40% is considered high risk. The Asset consumption ratio dropped over the last two years, 2013-14, 44% (2012-13, 49%), indicating that the service potential of assets declined to a level approaching high risk.



Over the four year period, the Department's Total Expenses exceeded Total Income each year. This is not unexpected as departments are not funded for Depreciation as discussed in Financial Performance Section of this Chapter. The Department's Underlying Deficit was $6.591m worse than budget almost entirely due to actual depreciation being greater than budget, $10.892m. This was caused by commissioning assets during the year and realigning depreciation rates to reflect the remaining useful life of buildings.

In 2013-14, Total Income was $26.624m down on budget primarily due to unbudgeted timing differences of $27.585m relating to grant revenue from the Australian Government under National Partnership funding. The Commonwealth paid these monies to the Department of Treasury and Finance which funds the Department as costs are incurred. It had been anticipated that the Department would have had higher expenditure against these programs during 2013-14.

Total Expenses in 2013-14 were $20.033m down on budget mainly due to lower expenditure against National Partnership programs as referred to above offset in part by higher depreciation and increased expenditure from Students First funding already referred to.



Between 2010-11 and 2011-12 staff numbers (FTE) decreased by 441 (40 teachers and 401 non-teachers) from approximately 8 742 to 8 301. The decrease in FTE was mainly a result of acceptance of early retirement and Workforce Renewal Incentive Program (WRIP) packages by staff. In 2012-13 the decline was lower with a reduction of 75 FTEs (63 teachers and 12 non-teachers) and in 2013-14 staff numbers declined by 534 FTEs (414 teachers and 120 non-teachers) following the relinquishment of the Polytechnic to TasTAFE and a decline in FTEs generally.

Despite the decline in both teaching and non-teaching FTEs, salary costs continue to trend upwards with the key drivers being agreed annual increases and the WRIPs. The increase this year was driven mostly by the general wage increase.

The following table provides an approximate guide of the transfer of staff employed by TasTAFE and the impact of 2013-14 FTE reductions on employee benefits expenses:

	FTEs	Average Staff Cost	Amount
Employee benefits in 2012-13 ($'000s)	8 226		$719 846
Average staff costs per FTE ($'000s)		$88	$88
Staff that relocated	534		534
Average cost of staff relocating ($'000s)	534	$88	$46 992
Departmental employee benefits expected 2013-14 ($'000s)	7 692	$88	$676 896
Actual reported 2013-14 ($'000s)			$690 976
Increase*			$14 080
%			2.04%

* *Increase appears reasonable.*

Despite the decline in both teaching and non-teaching FTEs, salary costs continued to trend upwards with the key drivers being agreed annual increases and the WRIPs. The increase this year was driven mostly by a general wage increase.

ADMINISTERED FINANCIAL TRANSACTIONS

Administered transactions are those the Department managed on behalf of Government. These transactions are not shown in the Department's Statements of Comprehensive Income, Financial Position or Cash Flows.

The Department's Administered statements primarily related to funding non-government schools.

In 2013-14 an increase of $0.017m in actual Administered funding and expenditure primarily related to increases from Student First funding for private schools.

CHAPTER APPENDICES

Statement of Comprehensive Income

	2013-14 Budget	2013-14 Actual	2012-13 Actual	2011-12 Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from Government - recurrent	880 335	889 521	866 773	926 677
User charges, fees, fines and other revenue	80 584	62 493	69 626	77 190
Interest revenue	1 683	1 020	1 217	2 035
Australian Government grants	73 195	45 610	58 573	3 419
Gain(loss) on sale of non-financial assets	192	(746)	1 023	(3 777)
School levies	0	11 467	10 922	9 530
Total Revenue	**1 035 989**	**1 009 365**	**1 008 134**	**1 015 074**
Employee benefits	686 265	690 976	719 846	706 635
Depreciation	44 583	55 475	52 279	49 454
Grants and subsidies	105 186	112 778	59 182	44 623
Supplies and consumbles	220 580	179 676	184 603	207 571
Impairment losses	0	847	83	360
Other expenses	13 906	10 735	29 493	41 812
Total Expenses	**1 070 520**	**1 050 487**	**1 045 486**	**1 050 455**
Underlying Surplus (Deficit)	**(34 531)**	**(41 122)**	**(37 352)**	**(35 381)**
Revenue from Government - works	14 115	18 392	17 714	68 825
Asset brought to account for first time	0	0	0	111
Transitional data transfer	0	0	0	(14 346)
Net Surplus (Deficit)	**(20 416)**	**(22 730)**	**(19 638)**	**19 209**
Other Economic Flows - Other Non-Owner Changes in Equity				
Changes in asset revaluation reserve	30 407	(2 313)	64 642	66 548
Other movements taken directly to equity	(129 590)	(135 372)	0	0
Total Other Economic Flows - Other Non-Owner Changes in Equity	**(99 183)**	**(137 685)**	**64 642**	**66 548**
Comprehensive Surplus (Deficit)	**(119 599)**	**(160 415)**	**45 004**	**85 757**

Statement of Financial Position

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	81 711	53 570	66 553	60 547
Receivables	18 786	17 137	12 047	14 285
Non-financial Assets				
Assets held for sale	7 997	11 206	11 427	16 487
Heritage assets	66 116	64 153	63 343	60 337
Plant and equipment	6 619	8 554	9 514	9 301
Land and buildings	1 467 076	1 638 787	1 606 015	1 525 072
Library book stock	9 834	15 095	16 790	18 490
Other assets	2 109	2 780	1 818	2 139
Total Assets	**1 660 248**	**1 811 282**	**1 787 507**	**1 706 658**
Liabilities				
Payables	6 686	8 086	11 978	12 230
Employee benefits	142 332	150 544	154 249	148 603
Other liabilities	23 840	4 846	15 474	20 200
Total Liabilities	**172 858**	**163 476**	**181 701**	**181 033**
Net Assets	**1 487 390**	**1 647 806**	**1 605 806**	**1 525 625**
Reserves	383 074	385 387	320 745	254 197
Accumulated funds	1 104 316	1 262 419	1 285 061	1 271 428
Total Equity	**1 487 390**	**1 647 806**	**1 605 806**	**1 525 625**

Statement of Cash Flows

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Receipts from Government – recurrent	901 521	866 773	932 956	921 064
User charges, other cash receipts, fees and fines	60 082	57 433	68 004	53 604
Grants	45 817	58 573	3 419	1 557
School levies	11 467	10 922	9 530	10 322
GST receipts	25 647	33 440	43 853	58 436
Interest received	1 020	1 217	2 035	2 216
Payments to employees	(688 571)	(723 551)	(700 989)	(645 367)
Grants and subsidies	(113 127)	(57 911)	(44 623)	(116 403)
Other cash payments	(185 814)	(215 804)	(260 960)	(238 004)
GST payments	(28 605)	(32 160)	(42 644)	(56 618)
Cash from (used in) Operations	**29 437**	**(1 068)**	**10 581**	**(9 193)**
Proceeds from disposal of assets	0	2 502	917	2 078
Appropriations – Works and Services	26 515	15 300	61 384	188 618
Repayment of Polytechnic Deficit	718	0	0	0
Other Revenue from Government	0	0	1 162	12 206
Payments for acquisition of assets	(27 985)	(29 717)	(68 038)	(197 892)
Cash from (used in) Investing Activities	**(752)**	**(11 915)**	**(4 575)**	**5 010**
Cash inflow (outflow) on administrative restructure	(544)	0	0	1 415
Cash from (used in) Financing Activities	**(544)**	**0**	**0**	**1 415**
Net Increase (Decrease) in Cash	**28 141**	**(12 983)**	**6 006**	**(2 768)**
Cash at the beginning of the year	53 570	66 553	60 547	63 315
Cash at End of the Year	**81 711**	**53 570**	**66 553**	**60 547**

Financial Analysis

	Bench Mark	2013-14	2012-13	2011-12	2010-11
Financial Performance					
Underlying result ($'000s)		(41 122)	(37 352)	(35 381)	(49 499)
Own source revenue		74 980	81 765	88 755	63 812
Financial Management					
Debt collection	30 days	93	78	51	85
Creditor turnover	30 days	8	12	17	14
Asset Management					
Asset investment ratio	>100%	50%	57%	138%	633%
Asset sustainability ratio	100%	35%	37%	559%	464%
Asset consumption ratio	40-60%	37%	40%	617%	532%
Other Information					
Teaching staff numbers (FTEs)		4 410	4,824	4 887	4 927
Non-Teaching staff (FTEs)		3 282	3,402	3 414	3 815
Total staff numbers (FTEs)		7,692	8,226	8 301	8 742
Average staff costs ($'000s)		90	88	85	75
Average Annual Leave balance per FTE (days)	20	16.38	13.20	13.16	11.27
Average Long Service Leave balance per FTE (days)	100	45.94	48.02	48.24	32.05

Note – the Average Recreational leave balance per FTE is based on non-teaching staff only due to the unique way in which teaching staff accrue leave. Average Long Service Leave balance per FTE was well below the 100 day limit.

ADDITIONAL FINANCIAL INFORMATION

Administered Statement of Comprehensive Income

	2013-14 Budget	2013-14 Actual	2012-13 Actual	2011-12 Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from Government – recurrent	232 801	252 061	233 524	231 895
Australian Government grants	0	1 121	2 703	661
Sale of goods, services, fees and fines	351	185	167	177
Other revenue	0	7	9	5
Total Revenue	**233 152**	**253 374**	**236 403**	**232 738**
Grants and subsidies	232 801	253 182	236 232	231 877
Total Expenses	**232 801**	**253 182**	**236 232**	**231 877**
Underlying Surplus (Deficit)	**351**	**192**	**171**	**861**
Transfer to Consolidated Fund	351	192	171	864
Net Surplus (Deficit) Attributable to the State	**0**	**0**	**0**	**(3)**
Other Comprehensive Income	**0**	**0**	**0**	**0**
Comprehensive Surplus (Deficit)	**0**	**0**	**0**	**(3)**

DEPARTMENT OF HEALTH AND HUMAN SERVICES (including Housing Tasmania and Ambulance Tasmania)

CHANGE IN REPORTING

The establishment of the three Tasmanian Health Organisations (THOs) effective 1 July 2012 makes comparative assessment of the financial performance of the Department problematic. As a result, new separate Chapters for each of the THOs have been prepared this year, comparing the financial results for these new entities since 1 July 2012. A separate chapter has also been prepared to compare the consolidated results of the new entities against the past results of the previous Departmental structure.

The audit approach and financial results for the audits of Housing Tasmania (Housing) and Ambulance Tasmania (Ambulance) are discussed in this Chapter, after the discussion of the aggregated results of the Department. This Chapter will also discuss the results of the audit of the Shared Services division of the Department, which provides services to the Department and each of the THOs.

SNAPSHOT

Department

- On 1 July 2013 the Department transferred its State-wide clinical services and mental health activities to the three THOs resulting in the transfer of Net Assets totalling $6.870m and budgeted costs of $124.129m.
- Assets totalling $120.561m constructed by the Department were transferred to THOs on completion. This was recorded as Grant expenditure and had a significant impact upon the Net Deficit of $451.915m recorded by the Department.
- The Department identified an adjustment relating to payroll tax, which resulted in an item of revenue of $17.948m, recorded in 2013-14.

Two moderate risk audit findings were identified during the audit, relating to the disclosure of property, plant and equipment and capital commitments.

The audit was completed satisfactorily with no matters outstanding.

Housing Tasmania

- Housing continued its Better Housing Futures (BHF) program this year. Stage 2 involved the transfer of 2 225 properties, worth $389.598m, in the south and north-west of the state. This was recorded as Grant expenditure and was the prime reason for the Net Deficit of $422.674m recorded by Housing and contributed significantly to the deficit of $451.915m reported by the Department.
- A further 1 196 properties worth $132.027m were transferred on 14 July 2014 which will impact financial results in 2014-15.
- The Net Rental Result for Housing decreased by $4.991m from the prior year as planned maintenance and other property costs increased, while rental income decreased following the BHF transfers. Cost recoveries to be received from non-government organisations managing the BHF properties are expected to improve this result in future.

The audit was completed satisfactorily with no matters outstanding.

Ambulance Tasmania

- Ambulance recorded an Underlying Deficit of $0.858m, which improved $3.514m to the prior year, principally due to increased accrued revenue changes to Department of Veterans Affairs (DVA) of $5.500m.

- The Net Surplus of $5.316m included the impact of an actuarial gain on the defined benefit superannuation plan of $3.426m.
- The Net Surplus of $5.316m was the main factor in the increase of Net Assets to $25.374m.
- Staffing levels increased by 9.5% since 2011-12 mainly to help meet higher demand for Ambulance services.

The audit was completed satisfactorily with no matters outstanding.

INTRODUCTION

The Department is responsible for delivering integrated services that maintain and improve the health and wellbeing of Tasmanians. Service delivery is achieved through direct provision of services by the Department or through service agreements or contracts with provider organisations. Following the establishment of THOs, the Department, on behalf of the Minister for Health, has entered into service agreements with the THOs and monitors performance against these agreements.

Many services are also provided by the non-government not-for-profit sectors, with $274.397m provided in grant funding this year.

This Chapter has been structured to initially present the results of the Department as a whole, combining the results of all of the related entities. Following on from this is a discussion of the individual results of the Department, Housing and Ambulance. The financial tables for all of these entities are provided in the Appendix to this Chapter.

KEY AREAS OF AUDIT ATTENTION

Description of Area	Audit Approach
While the majority of transactions are processed centrally, historically the Department operates within a decentralised organisational structure. This increases the risk of: • departure from the entity's internal controls • ineffective monitoring of controls • opportunity for misappropriation of assets • misstatement of balances in the financial statements.	During this year's audit, testing was conducted on: • payments processed by Children's and Youth Services business unit within the Child Protection Information System (CPIS) • larger and ad hoc payments processed outside of the CPIS by Children's and Youth Services business unit • testing of personal support payments through the Individual Funding Unit (IFU) of the Disability Services business unit. In addition to test of controls, we performed substantive procedures around large or unusual payments, as well as expenditure cut-off. This testing aimed to mitigate the risk of misstatement due to inconsistencies of processing transactions by different units or locations. Testing within these units was completed satisfactorily, with no issues identified.

Description of Area	Audit Approach
At the beginning of the year the Department administered a complex and large asset register, with all DHHS and THO assets still within the one register. During 2013-14, the Department created separate asset registers for each of the THOs, with responsibility for the maintenance of these registers transferred to the THOs.	During our audit, we reviewed the creation of the new registers, reconciling the opening values for each of new registers back to closing values contained in the Department register as at 30 June 2013. The testing was completed satisfactorily and we confirmed that the opening balances of the new registers were valid.
Based on our previous experience in auditing the Department, we anticipated delays in receiving and processing invoices from suppliers. Cut-off errors can significantly affect financial results.	We tested for unrecorded liabilities and performed cut-off tests by selecting transactions from both before and after year end.
Employee provisions represent a significant balance on the statement of financial position.	We placed reliance on the work of internal audit in this area, reviewing the internal audit processes applied and re-performed some of their work.
The Department undertook significant capital works in 2013-14, with $136.522m budgeted to be spent from the Capital Investment Program and the Special Capital Investment Fund (SCIF). Major capital items included: • Royal Hobart Hospital - $27.601m (final year of funding from the State Government Hospitals Capital Fund) • State-wide Cancer Services - $23.044m • Launceston General Hospital Acute Medical and Surgical Unit - $13.960m • Housing – New Projects - $13.467m • Royal Hobart Hospital Women's and Children's Hospital - $13.000m.	Our testing identified that the Department had spent $71.559m on capital works during the 2013-2014 financial year. The Department also transferred $115.946m of capital works to the THOs, representing completed assets transferred to these entities. These transfers were traced to asset schedules and their accuracy verified.
We identified that general journals are a significant mechanism in transferring balances between accounts, creating accrual adjustments and correcting errors. As a result, there is a risk that financial information may be manipulated without appropriate audit trails and authorisations in place.	We tested a sample of journals at both interim and final audit visits to ensure that journals had been appropriately authorised and were bona fide. We also tested journals as part of the year-end statement verification process and reviewed the balances of suspense accounts to make sure that balances were cleared to zero, or identified as a receivable or payable.
Rental dwellings and vacant land are measured at fair value. Fair value is based on information provided by the Valuer-General, including indices in years between revaluations. The size of the housing portfolio increases the risk that the financial statements may be materially misstated.	We agreed land and buildings to the Valuer General's advice and ensured that all properties were recognised. We also verified significant additions and disposals in the year to supporting documentation.

Description of Area	Audit Approach
The Department's workforce has reduced since the creation of THOs. Nevertheless, employee expenses remain a significant expenditure item.	Due to the lack of controls in some key areas of payroll processing, we performed substantive procedures to obtain a sufficient level of assurance that employee expenses were not materially misstated. These procedures included tests of details and analytical procedures.
The Department's financial statements incorporate results and balances of Housing and Ambulance. The responsibility for financial reporting of the Department, Housing and Ambulance is with the Strategic Financial Control Unit, a division within the Department. The following balances are prepared outside of the Strategic Financial Control Unit by Housing: • land - housing • rental dwellings • work in progress – rental dwellings • interest bearing liabilities – housing loans • superannuation liability • rental revenue • maintenance Ambulance is responsible for invoicing for ambulance services and the maintenance of its fleet of ambulance vehicles. It also has its own superannuation scheme. The Director of Housing and the Director of Ambulance Service (in both cases this is the Secretary of the Department) are required to prepare special-purpose financial reports for each entity which must be audited.	We considered Housing to be a significant component of the Department's financial statements. We were required, under Auditing Standard ASA 600 *Special Considerations – Audits of a Group Financial Report* to consider and document, as part of the Department's audit, the scope of audit work undertaken on a significant component. In particular, we ensured that the audit of Housing covered: • verification of fair values of housing stock at year end to an independent valuation by the Valuer General • substantiation of additions and disposals in the housing portfolio • testing of material capital expenditure and the allocation between maintenance and capital • verification of future commitments • verification of interest bearing liabilities to underlying records and disclosure • testing of controls over rental income. Requirements of ASA 600 also extended to components that are not significant, in this case Ambulance. However, the extent of additional audit work was no less onerous. We also verified assets transferred to the contingent asset register, representing assets for which control transferred to the non-government organisations, through the Better Housing Futures program.
A significant part of the Department's expenditure is administered through the Grants management team, who monitor a significant amount of payments made to community service organisations.	During this year's audit, we reviewed controls within the unit and identified that internal controls were strong. A sample of payments was tested, to confirm that controls were operating effectively and we also verified the mathematical accuracy of payments made.
The Department transfers a significant amount of funds to the THOs through the state funding pool account. These funds represent block and activity based funding.	The transfer of such funds is verified during the audit of the Tasmanian State Pool Account and cross-checked to the results presented by the Department.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed Departmental financial statements were received on 14 August 2014. An unqualified audit report was issued on 29 September 2014.

A signed special purpose financial report for Housing was received on 14 August 2014. An unqualified audit report was issued on 26 September 2014.

A signed special purpose financial report for Ambulance was received on 14 August 2014. An unqualified audit report was issued on 23 September 2014.

KEY DEVELOPMENTS

Better Housing Futures

Consistent with requirements under the National Affordable Housing Agreement the Tasmanian Government had committed to progressing Social Housing reform within the State. In October 2011, government announced the Better Housing Futures (BHF) Program, under which it has agreed to transfer tenancy and property management for around 4 000 properties to community housing organisations. The Tasmanian Government will continue to hold title to these properties, with the community housing organisations to manage the tenancies on behalf of Housing Tasmania.

The program will also include the staged title transfer of vacant land for nil value to support the new supply of affordable and social housing, although there were no lots transferred this year.

The management agreement for BHF is for a 10 year period and will effectively provide control of the future economic flows from the assets to the relevant community organisation. For this reason, properties relating to stages 1 and 2 were taken off the balance sheet and disclosed as a contingent asset. Asset transfers were, and will be, treated as grant expenses.

BHF was rolled-out under two stages:

- Stage 1 has been implemented, and involved the transfer of 496 properties in the Rokeby and Clarendon Vale suburbs to Mission Australia Housing in March 2013.
- Stage 2 has seen the balance of the stock transfer implemented as outlined below:
    - Centacare Evolve Housing will manage 1 052 properties in the suburbs of Bridgewater, Gagebrook and Herdsmans Cove. This transfer was effective on 5 May 2014
    - Housing Choices Tasmania will manage 1 173 properties in the suburbs of Somerset, Shorewell Park, Acton, West Ulverstone, East Devonport and Latrobe. This transfer was effective on 2 June 2014
    - Community Housing Limited will manage 1 196 properties in the suburbs of Ravenswood, Waverley, Rocherlea, Mayfield, Mowbray. This transfer was effective on 14 July 2014, which was post the financial reporting date. The impact of this transfer saw $132.027m reallocated from Property, plant and equipment on the Statement of Financial Position to Contingent assets and a grant expense recognised for this amount.

The impact of these arrangements was that the value of land and buildings transferred, totalling $389.598m, was taken off Housing's Statement of Financial Position and disclosed as a Contingent asset instead. The transfer was treated as a grant expense in the Statement of Comprehensive Income.

Transfer of services to THOs

On 1 July 2013, the State-wide and Mental Health Services (MHS) clinical services transferred from the Department to the respective THOs. In addition, these changes included State-wide Forensic Medical Services now being provided through THO South. As a result of the restructure, the Department transferred to THOs Net Assets totalling $6.870m and approximately 803 FTEs.

A new central Mental Health/Alcohol and Drug Services unit commenced operating within the Department with State-wide responsibilities including strategic policy, national reform and the Office of the Chief Psychiatrist.

Capital expenditure

In 2013-14, the Department received grants totalling $52.997m from the Australian Government for capital expenditure purposes. There was mainly for LGH acute medical surgical unit, $12.200m and the RHH Women and Children's Hospital, $28.600m. However, capital expenditure was $64.963m less than budgeted, principally due to the works at the Royal Hobart Hospital being put on hold following the decision by Government to review progress of the various projects at the site.

Capital projects are initiated by the Department, and once commissioned transferred to the THOs at which time they are recorded as a Grant and subsidies expense. The THOs record the transfer as revenue, being a Capital grant received.

KEY FINDINGS

During the audit, two moderate audit risk issues were identified, as noted below:

- The Department was unable to accurately disclose the fair value of Buildings on a gross basis. It instead continued to disclose these assets on a net basis. This means that users of the financial statements are not able to estimate the remaining service potential of these assets.
- When testing of commitments disclosures, we noted that Property, plant and equipment commitments included budget estimates, rather than contractual commitments, as required by AASB 116 *Property, Plant and Equipment.*

These matters have been reported to, and are being addressed by, management.

Shared services findings

The main financial processing systems of the Department, including receipting, banking, accounts payable, payroll and information technology, are operated and maintained by its Shared Services division. These systems are audited separately, with the results of the audit impacting upon the extent of testing to be completed in the audits of the Department and each of the THOs. Our testing identified a number of weaknesses within these central systems, which included:

- delays in reconciling unmatched transactions within bank reconciliations
- issues with access controls around provisioning and deletion of non-administration users in a number of different systems
- Finance1 and Ipharmacy integration issues
- absence of documented Business Continuity Planning and Disaster Recovery processes
- no formal documented process for verifying all backup data on a scheduled, routine basis whereby restorations testing of backup tapes were not performed
- issues identified in Ipharmacy interface controls and the database audit trail not activated in iPharmacy or iPM
- issues identified in the testing of timesheets and allowances.

As a result of these findings, substantive testing was extended in these areas to mitigate the potential audit risk and relevant matters were reported to the Department and THOs.

The Department also advised Audit of an adjustment identified during the course of the year relating to payroll tax. When the Department paid payroll tax on salaries and wages in previous years, payroll tax was included on amounts salary sacrificed, which were tax exempt. The Department identified the issue, but posted the offset to a liability account rather than income or recovery of an expense.

This matter was corrected in the current year when the tax paid was recovered. The adjustment was recorded as a revenue item within Sale of goods and services, with details provided in note 8.2 to the financial statements.

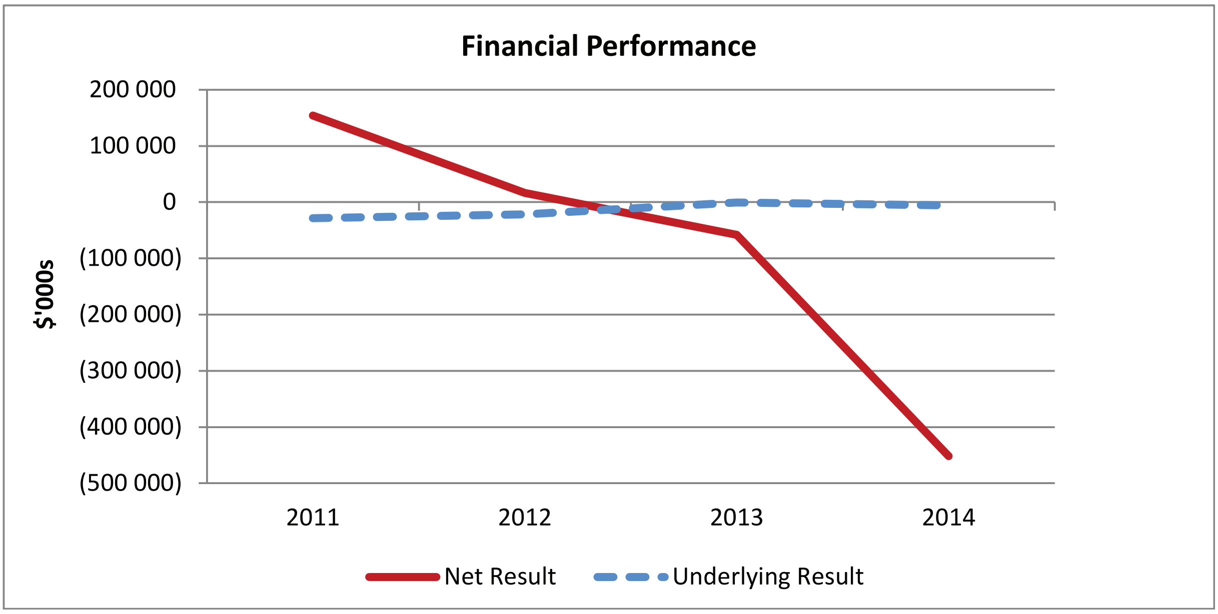
The audit was completed satisfactorily with no other items outstanding.

FINANCIAL ANALYSIS

Department results (including related entities)

Implementation of the National Health Reform significantly impacted transactions and balances at the Department, as operational management for public hospitals, including oral health services, was devolved to THOs. The most significant impact on the Department was a substantial reduction in:

- the annual appropriation
- revenues from the sale of goods and services
- employee related expenditure and grants and subsidies costs
- liabilities for leave entitlements
- property, plant and equipment.

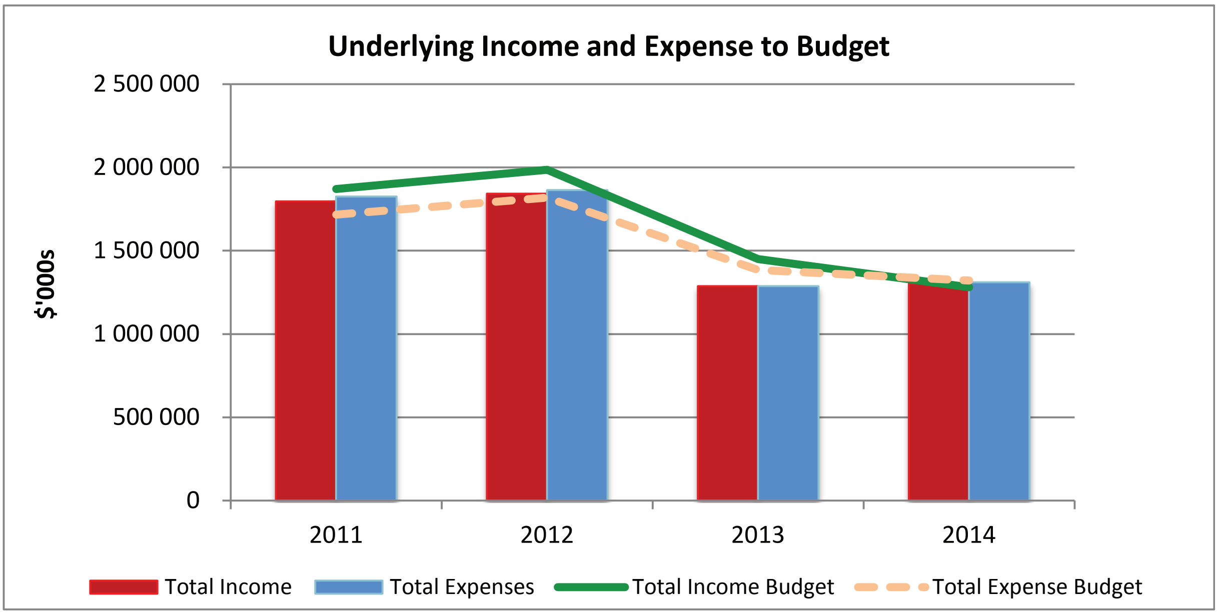


In 2013-14, the Department reported an Underlying Deficit of $5.630m before accounting for capital grant revenues, $52.997m, the value of housing stock transferred under BHF, $389.598m, and the value of assets transferred to THOs on completion, $120.561m. Overall, the Department reported a Net Deficit of $451.915m.

The difference between Net and Underlying results illustrates the significant impact of capital transactions of the Department. In previous years, the Net Result was considerably impacted by capital funding received for projects funded by the Australian Government's National Partnership Agreement on the Nation Building and Jobs Plan (Economic Stimulus Plan).

The Underlying Deficit in 2013-14 was stronger than expected due to the sundry income item of $17.948m payroll tax related matter referred to earlier. Without this, the Underlying Deficit would have been $23.578m, more in line with an expected outcome.

The impact of the establishment of the three THOs, effective 1 July 2012, on income and expenses is evident from the following graph.

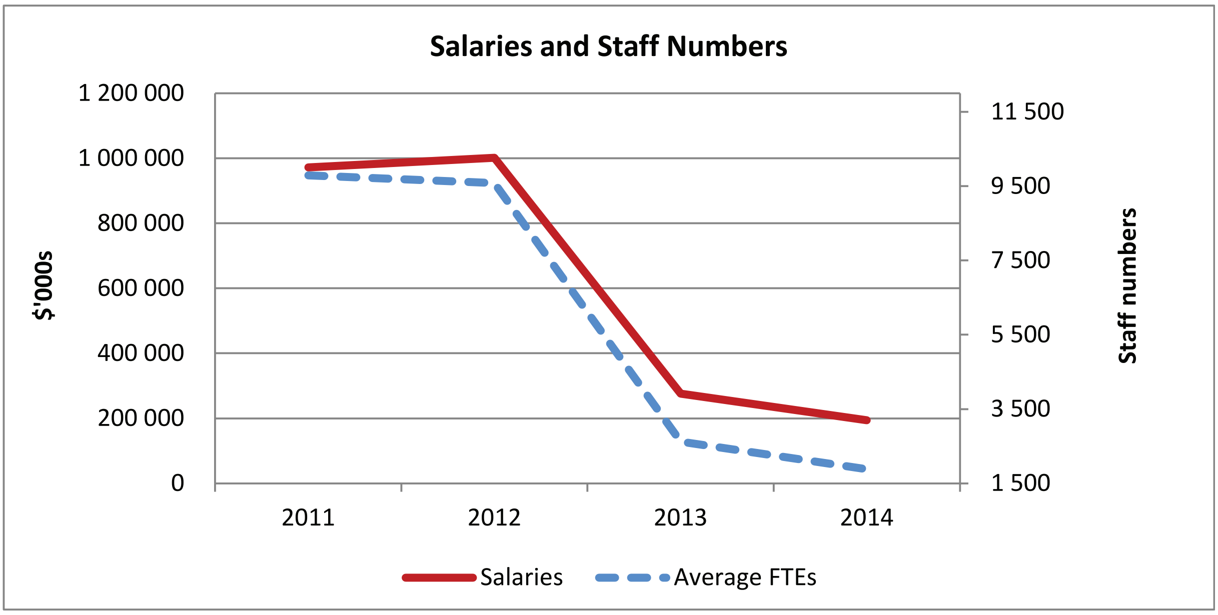


The establishment of the THOs had a significant impact not only on the quantum but also type of income and expenses controlled by the Department.

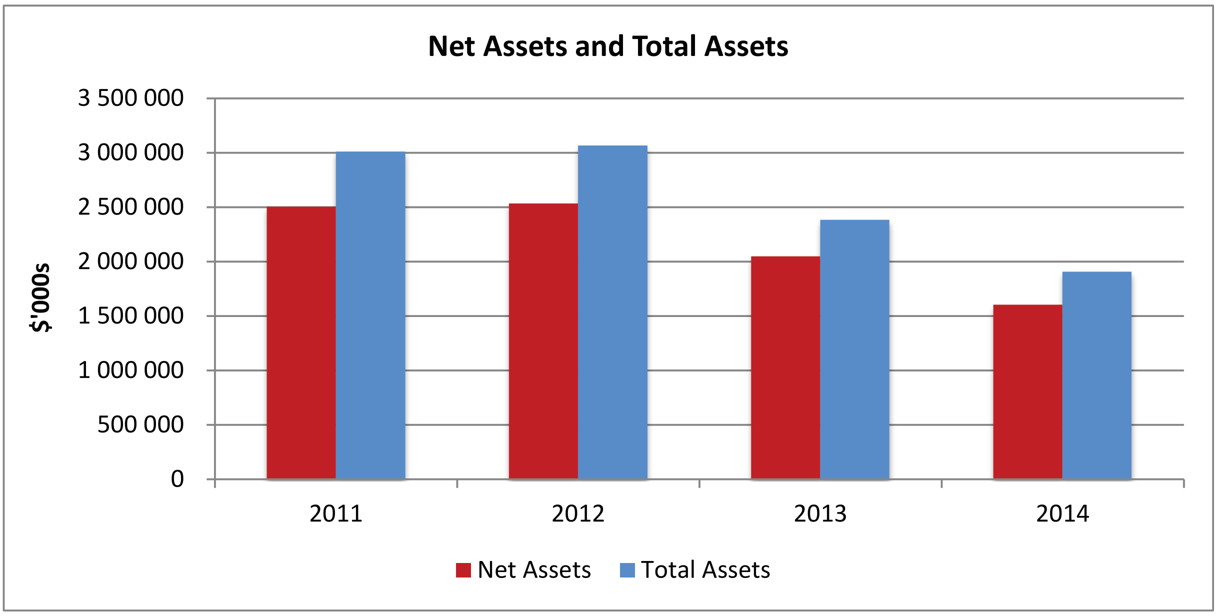
The results in 2013-14 were consistent with those in the prior year. There was a $16.200m increase in revenue due principally to an increase in Ambulance accrued revenue, $5.500m, and the payroll tax adjustment discussed previously, $17.948m. This was partially offset by increased expenditure of $21.438m, which included:

- grants payments of $143.204m representing increases in block and activity based funding paid to the THOs, offset by
- decreased employee expenses of $81.798m and supplies and consumables of $33.396m, both due principally to the transfer of MHS to the THOs on 1 July 2013.

Approximately 803 FTEs were transferred from the Department to THOs on 1 July 2013 as a result of the transfer of MHS. As a result, the number of average FTEs employed by the Department reduced to 1 884 (2013, 2 619) at 30 June 2014. There was a corresponding decrease in Employee entitlements from $82.490m in 2012-13 to $59.030m in 2013-14.



The graph illustrates the movement in both staff numbers and salaries as a result of the establishment of the THOs 1 July 2012 and the further transfer of staff through the transfer of MHS on 1 July 2013.



The Department's Net Assets decreased in 2014 by $445.463m, due principally to:

- transfer of properties under the BHF program of $389.598m
- value of assets transferred to THOs on completion, $120.561m.

These were offset to an extent by:

- increased Cash and deposits of $15.301m, representing cash received for capital works yet to be spent
- decrease in Employee entitlements of $23.460m primarily related to the transfer of MHS staff discussed previously.

ADMINISTERED FINANCIAL TRANSACTIONS

As noted in previous reports, from 1 July 2012, Australian Government funds are now expensed through external fund accounts, not the Consolidated Fund and therefore are no longer part of appropriation revenue. This led to a significant change in the Department's Administered Financial Statements, with grant revenue and transfers to the Consolidated Fund no longer being included.

Administered appropriation is now the only administered revenue item which is provided to fund administered grant expenditure. Material administered grant revenues and expenses in 2013-14 related to:

- funding to Aurora Energy Pty Ltd for the purpose of providing a subsidy to eligible Tasmanian pensioners and Health Care Card holders on their electricity accounts. However, the administrative responsibility for this subsidy was transferred to the Department of Treasury and Finance from 1 January 2014
- payments made under the Children Abused in Care program, for which the processing of claims ceased on 30 June 2013. The amounts relating to this year refer to payments which were not budgeted for.

As a result of the changes to the Aurora subsidy payment arrangements, there are no payables as at 30 June 2014, and hence there are no items on the schedule of administered assets and liabilities.

DEPARTMENT RESULTS (EXCLUDING RELATED ENTITIES)

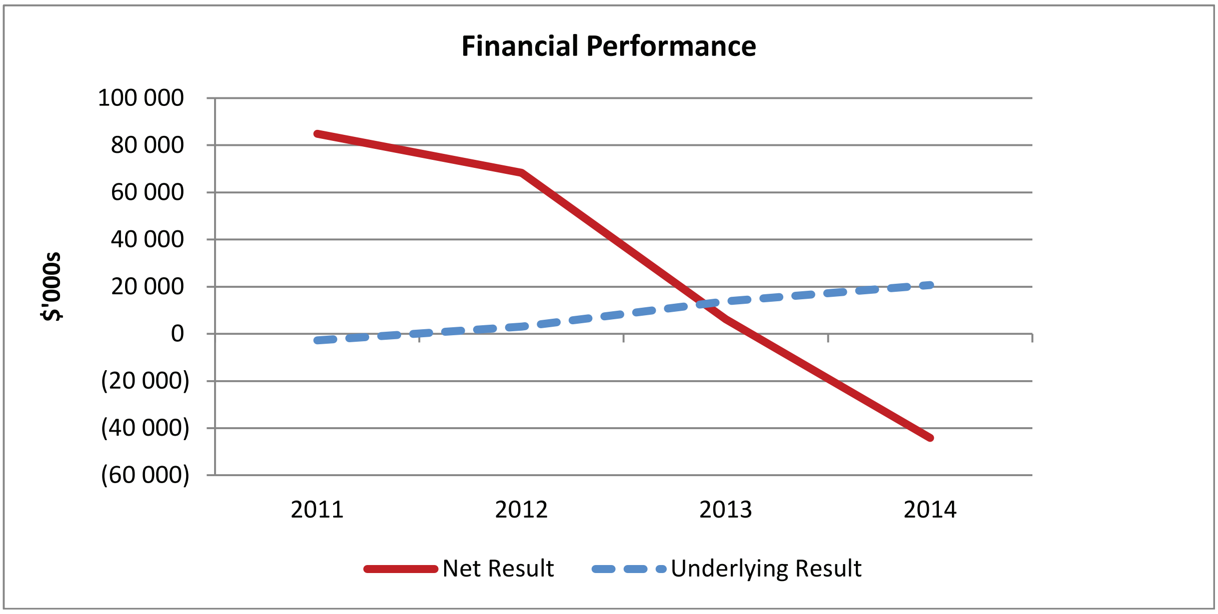
This part of this Chapter separates the main financial components of the Department into:

- its own activities
- Housing Tasmanian (Housing)
- Ambulance Tasmania (Ambulance).

Housing and Ambulance are referred to in this Chapter as 'related entities'.

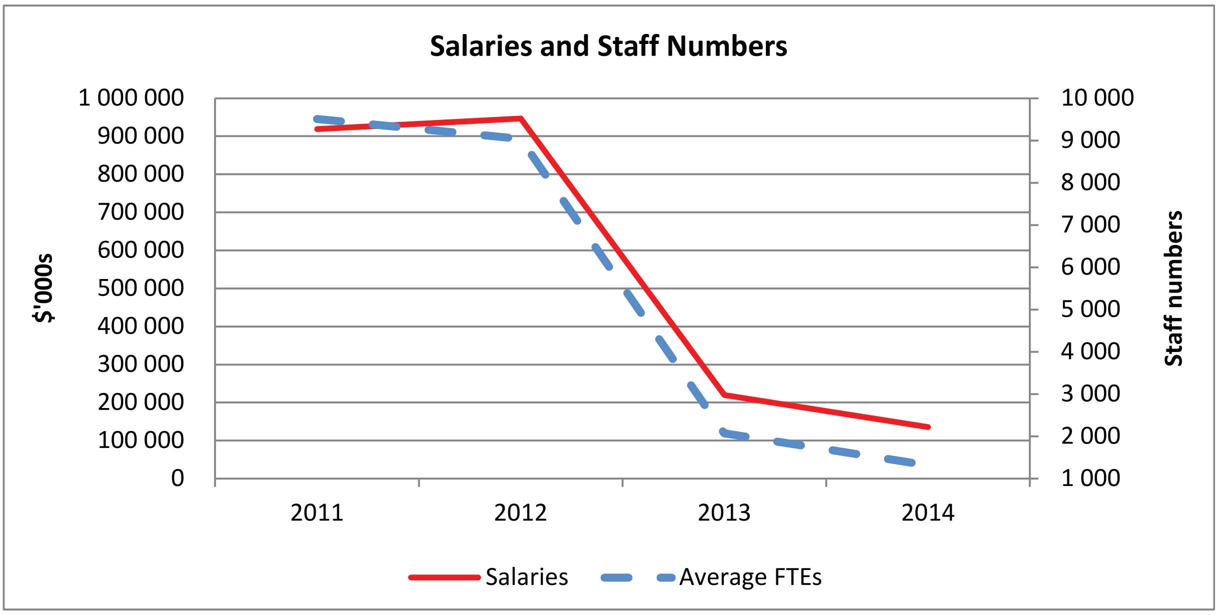
This is the first time that we have made this separation. The amounts for the Department are not separately audited and have been separated for analysis purposes only. Aggregating the results of the Department and its related entities will not total the audited financial statements of the Department due to the impact of inter-entity transactions.

DEPARTMENT'S FINANCIAL ANALYSIS

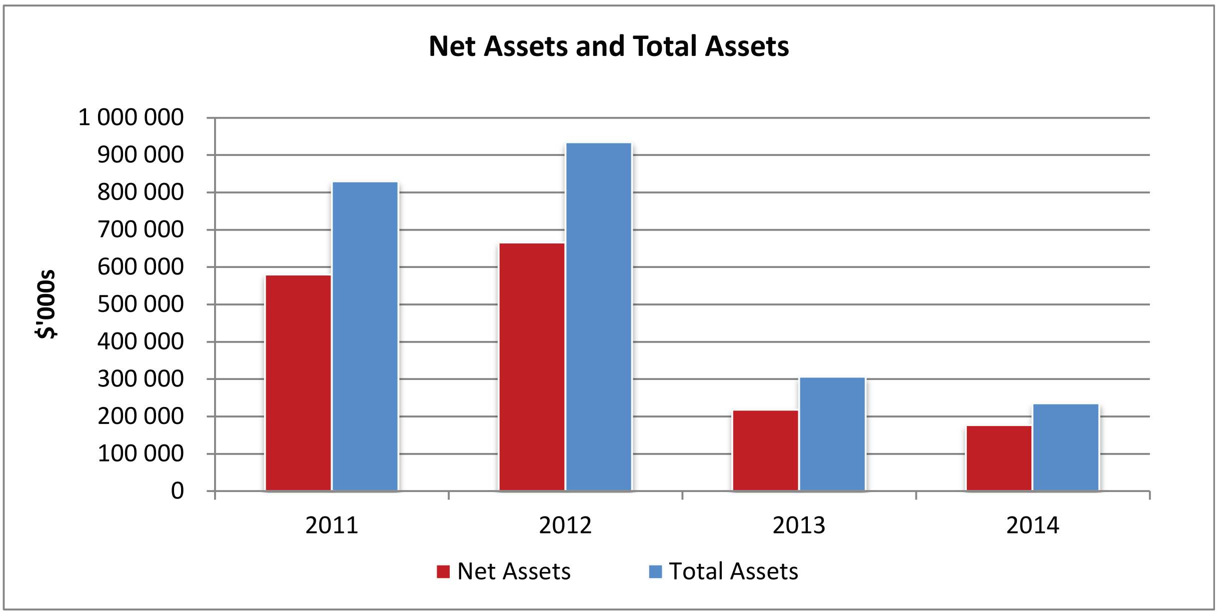


The trends in the financial results of the Department are consistent with those of the aggregated results. In 2013-14, the Department recorded an Underlying Surplus of $20.702m, which was utilised to partially fund the deficits incurred by its related entities. The Net Deficit of $44.182m was significantly influenced by the value of assets transferred to the THOs on completion, $120.561m. The Department achieved an Underlying Surplus in each of the last three years despite not being funded for depreciation. Without the payroll receipt referred to earlier, the Underlying Surplus in 2013-14 would have been $2.754m.

The results for 2011 and 2012 reflect the Departmental activity before the transfer of services to the THOs. The variability of the Net Result compared to the underlying result indicated the influence that activities of a capital nature had on the annual results.



The graph above is consistent with the results of the aggregated Department, with the movement in both staff numbers and salaries as a result of the establishment and transfers to the THOs over the period 2012 to 2014.



By excluding the results of the related entities, especially Housing Tasmania, the above graph details the significance of the assets transferred to the THOs.

The decrease in Net Assets in 2014 of $41.480m resulted from a combination of MHS assets of $6.870m transferred and assets transferred to THOs on completion, $120.561m, partly offset by:

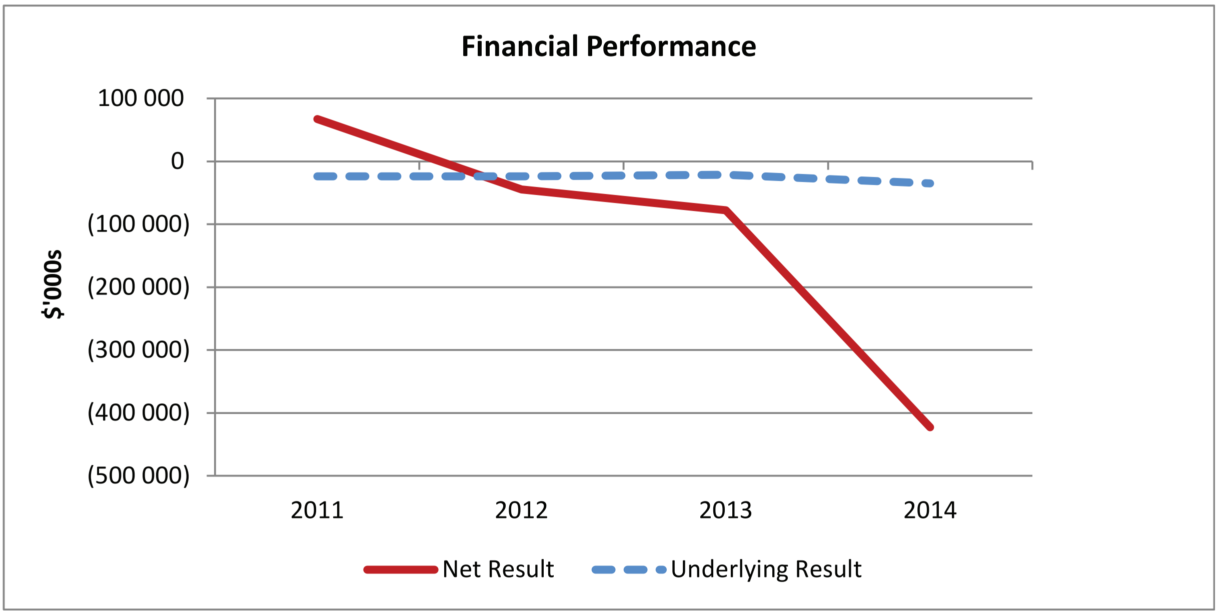
- increase in capital works in progress of $53.376m
- higher increase in Cash and deposits of $19.709m, due to capital funds being received in advance of activity taking place.

HOUSING TASMANIA

Key findings, developments and areas of audit attention

There were no key findings, developments or areas of audit attention other than those already referred to previously. The audit was completed satisfactorily with no items outstanding.

Financial Analysis



In 2013-14 Housing reported an Underlying Deficit of $35.109m, worse by $13.849m compared to the prior year, mainly due to lower attributed appropriation funding of $13.256m. Housing reported a Net Deficit of $422.674m, the most significant item being the transfer of properties under the BHF program of $389.598m, discussed previously. The difference between Net and Underlying results illustrates the significance of capital items for Housing.

The following table provides details of Housing's rental activities.

Rental revenue breakdown

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Potential rental income	115 334	119 837	126 643	118 113
Rebates	(42 054)	(44 108)	(52 760)	(49 120)
Tenants Contributions	**73 280**	**75 729**	**73 883**	**68 993**
Recurrent maintenance	43 459	41 071	35 919	36 840
Depreciation	25 830	27 247	26 641	26 027
Insurance	4 252	4 361	11 762	10 442
Rates and charges	24 216	22 232	21 662	19 498
Finance costs	9 022	9 326	9 623	9 913
Direct Property Costs	**106 779**	**104 237**	**105 607**	**102 720**
Net Rental Result	**(33 499)**	**(28 508)**	**(31 724)**	**(33 727)**

Potential rental income represents the full market rental that could be potentially collected by Housing Tasmania, with the rebates representing the reduction in rents charged to tenants based upon their individual economic circumstances.

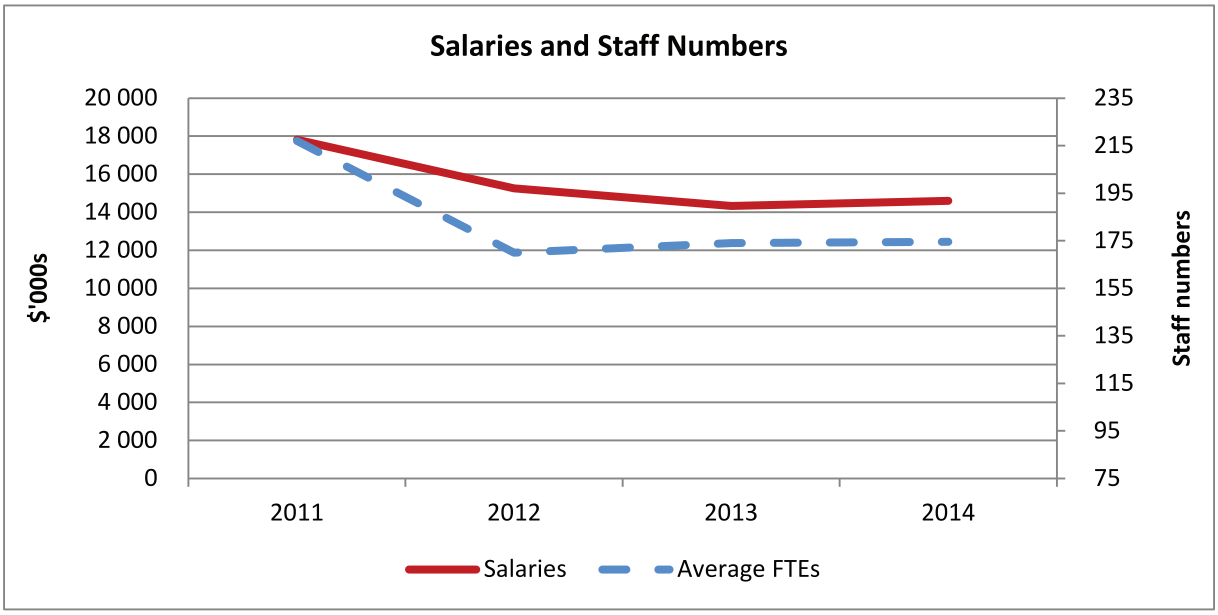
Net Rental Result for the year was a deficit of $33.499m, which was $4.991m worse than the prior year result. The poorer result was due principally to lower tenant contributions, down $2.449m, and the following changes in expenditure:

- increased recurrent maintenance of $2.388m
- higher rates and charges of $1.984m
- offset by a reduction in depreciation of $1.417m.

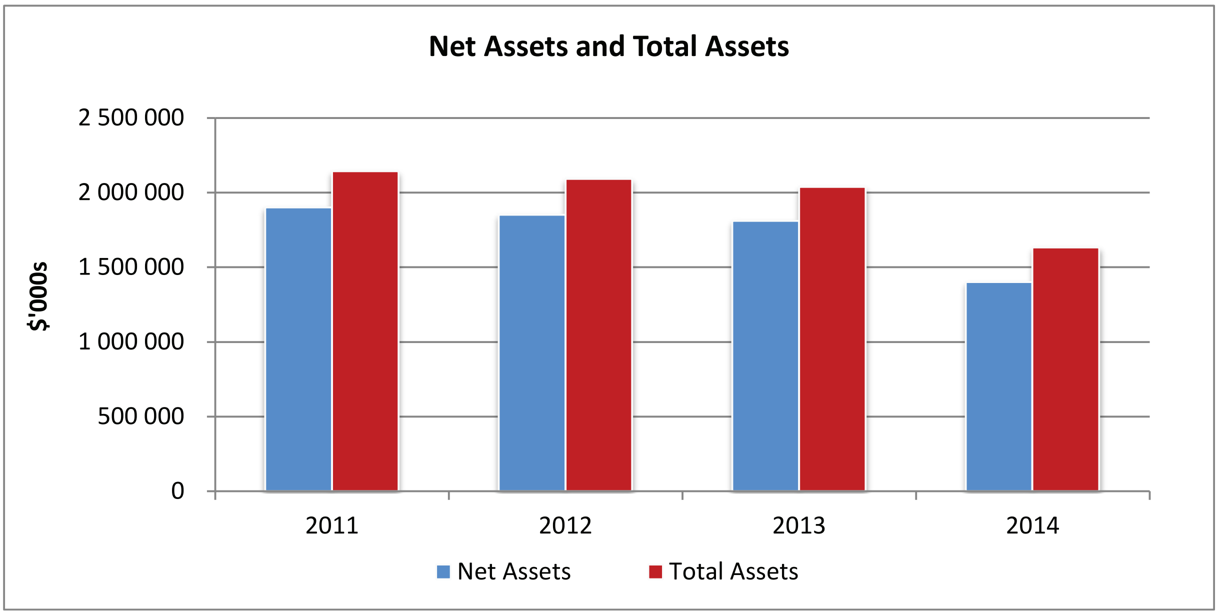
The impact of Stage 1 of the BHF transfers affected the revenue figures for this year. As a result of these transfers, Housing was able to increase its planned maintenance activities on properties remaining under its control which is why there was not a decrease in this cost.

Housing will continue to pay the rates and charges for the BHF properties transferred to non-government organisations, however these costs will be reimbursed by these organisations.

As a result of the BHF transfers, tenants' contributions are expected to decrease next year, influenced by the full impact of transfers from this year. However, reimbursement of costs will offset this decrease somewhat, influencing the net rental result into the future.



The previous graph illustrates the consistency in the movements between staff numbers and salaries. Staff numbers decreased by 42 in the four years under review and average staff costs remained consistent averaging $0.085m.



Total Assets decreased by $406.042m from the prior year, primarily due to the transfer of properties under the BHF program of $389.598. This transfer was also the principal reason why Net Assets decreased by $409.299m to $1.400bn.

During the year, Housing's capital works program focussed on the refurbishment and replacement of rental dwellings, and this, combined with the declining number of properties, saw an increase in the Asset investment ratio for rental dwellings to 51.1%. Although this ratio is well below the benchmark of 100%, this was a significant improvement on the prior year ratio of 17.9%.

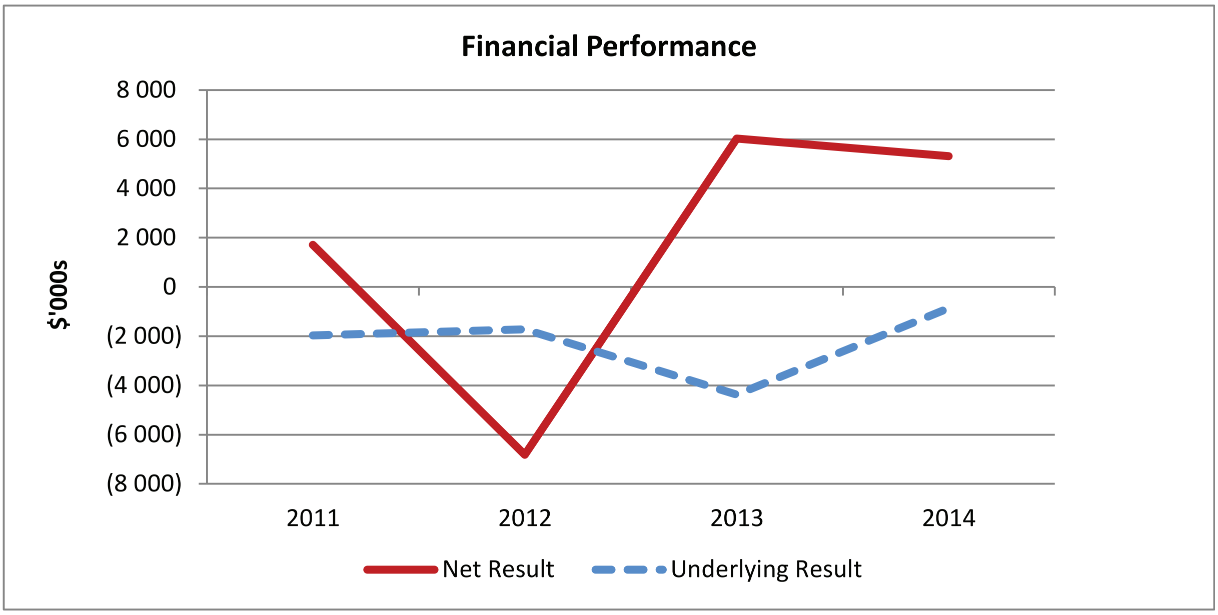
The Asset sustainability ratio for rental dwellings also improved being 38.2% but was still well below our benchmark of 100%.

AMBULANCE TASMANIA

Key findings, developments and areas of audit attention

There were no key findings, developments or areas of audit attention other than those already referred to previously. The audit was completed satisfactorily with no items outstanding.

Financial Analysis

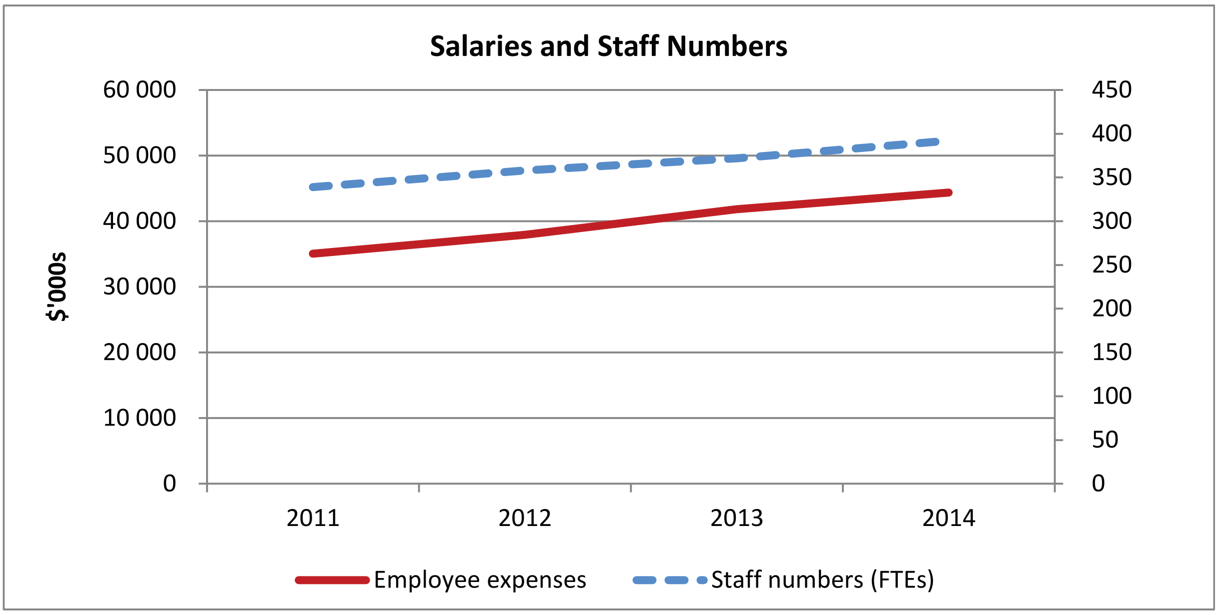


In 2013-14 Ambulance reported an Underlying Deficit of $0.858m, an improvement of $3.514m from the prior year. The improved result was principally due to additional revenue brought to account for charges made against the DVA. Ambulance has had a backlog of invoice charges against DVA for a number of years, and it was during the current year that issues associated with these were resolved and accepted by DVA. As a result, additional revenue of $5.500m was recorded.

The improved result this year was also due to an additional $3.133m in Attributed revenue being allocated to Ambulance from the Department. The increase in revenue from the DVA resulted in an increase in own source revenue of $4.957m, increasing Ambulance's own source revenue percentage to 19%. However, despite the large revenue increase, Ambulance was still principally supported by appropriation revenue received via the Department.

These revenue increases were offset by a $2.536m increase in Employee entitlements, due to higher staffing, salaries and wages increments, and a $2.274m increase in Supplies and consumables costs.

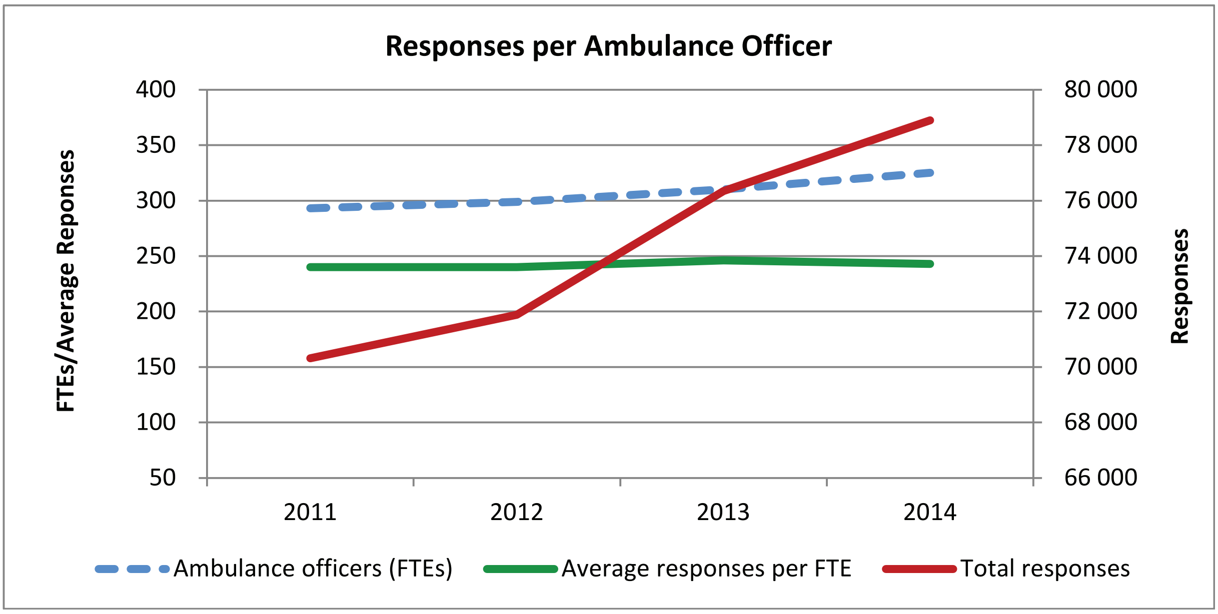
Overall, Ambulance recorded a Net Surplus of $5.316m, influenced by capital appropriation funding of $2.738m and an actuarial superannuation gain of $3.426m.



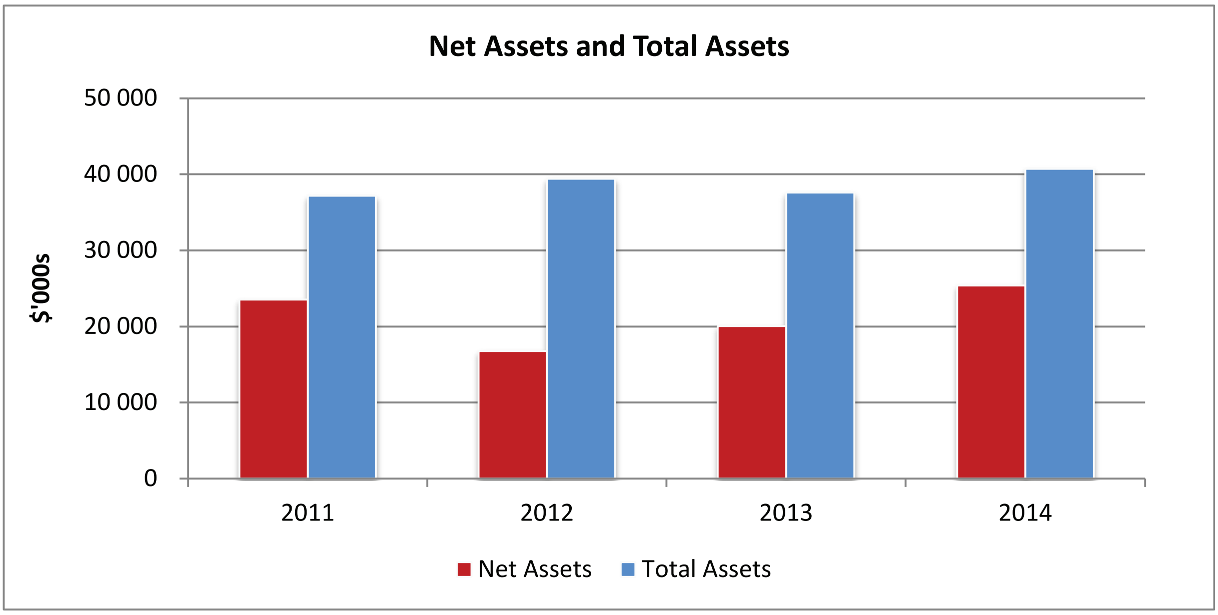
Clear from the graph is that employee expenses and staff numbers increased in each of the four years. Details are:

- Staff numbers increased by 53 in the four years under review, from 339 employees to 392
- Employee costs increased by $9.327m or 26.6%
- Average staff costs increased by 9.71% over the period averaging $0.109m.

Increase in salaries was impacted by the *Ambulance Tasmania Agreement 2013*, which provided for a salary and wage increase of 4% in 2013-14.



Total ambulance responses increased by 12.2% in the four years under review from 70 314 in 2011 to 78 893 in 2014. During this period Ambulance Officer FTEs increased by 10.9% in response to this higher activity. Average number of responses per FTE remained steady at 243 per Ambulance Officer.



Total Assets increased $3.146m primarily as a result of the Net Surplus for the year of $5.316m. On an asset class basis, the main increase was in accrued revenue, principally related to the additional DVA revenue brought to account referred to previously.

Net Assets increased $5.316m mainly because of an increase in Receivables of $3.932m and lower Superannuation liability of $3.425m.

DEPARTMENT OF HEALTH AND HUMAN SERVICES - AGGREGATED RESULTS

Statement of Comprehensive Income

	2013-14 Budget	2013-14 Actual	2012-13 Actual	2011-12 Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from Government – recurrent	1 098 505	1 115 920	1 106 214	1 540 002
Revenue from Special Capital Investment Funds – recurrent	1 085	5 962	11 687	13 249
Grants	41 348	46 705	56 680	63 600
Sale of goods and services	121 664	124 433	100 085	185 868
Interest revenue	346	148	334	770
Contributions received	0	10	1 488	0
Other revenue	17 716	11 142	11 632	39 554
Total Revenue	**1 280 664**	**1 304 320**	**1 288 120**	**1 843 043**
Employee entitlements	202 993	194 339	276 137	1 002 020
Depreciation and amortisation	40 655	32 923	34 584	61 044
Supplies and consumables	187 991	178 684	212 080	462 719
Grants and subsidies	876 177	888 510	745 306	260 423
Finance costs	9 022	9 022	9 326	9 626
Other expenses	3 147	6 472	11 079	69 056
Total Expenses	**1 319 985**	**1 309 950**	**1 288 512**	**1 864 888**
Underlying Surplus (Deficit)	**(39 321)**	**(5 630)**	**(392)**	**(21 845)**
Profit (loss) on sale of assets	11 953	(3 943)	(5 548)	(4 941)
Impairment of non-financial assets	0	(1 451)	(2 164)	(1 842)
Impairment of loans and receivables	0	(1 330)	(613)	(2 767)
Revenue from Government – capital	11 214	5 284	15 164	58 040
Revenue from Special Capital Investment Funds – capital	51 107	8 381	27 170	49 678
Grants – Capital	51 190	52 997	26 496	0
Community Housing Program grant	0	(389 598)	(62 263)	(45 764)
Actuarial superannuation adjustment	0	3 936	8 263	(13 921)
Assets transferred to THOs on completion	0	(120 561)	(64 010)	0
Net Surplus (Deficit)	**86 143**	**(451 915)**	**(57 897)**	**16 638**
Other Comprehensive Income				
Changes in physical asset revaluation reserve	88 029	13 377	34 396	13 261
Comprehensive Surplus (Deficit)	**174 172**	**(438 538)**	**(23 501)**	**29 899**

Statement of Financial Position

	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	91 686	76 385	85 650	61 035
Receivables	11 005	5 919	22 783	21 457
Loan advances	3 080	3 730	4 567	5 855
Equity investments	10 190	6 782	4 623	3 152
Other financial assets	9 060	4 838	6 720	10 015
Non-financial Assets				
Inventory	2 913	6 008	13 832	11 265
Assets held for sale	4 440	5 513	6 093	8 841
Property, plant and equipment	1 758 465	2 255 589	2 898 600	2 867 035
Intangibles	11 319	12 574	16 399	13 716
Other non-financial assets	5 809	4 340	5 090	5 377
Total Assets	**1 907 967**	**2 381 678**	**3 064 357**	**3 007 748**
Liabilities				
Payables	16 893	9 184	38 760	40 431
Interest bearing liabilities	195 693	202 840	209 808	216 620
Other financial liabilities	0	0	36 147	31 367
Superannuation liability	16 607	20 698	29 228	15 645
Employee entitlements	42 423	61 792	208 492	183 930
Other liabilities	33 551	38 901	7 569	15 888
Total Liabilities	**305 167**	**333 415**	**530 004**	**503 881**
Net Assets	**1 602 800**	**2 048 263**	**2 534 353**	**2 503 867**
Contributed capital	6 094	6 094	6 094	6 094
Accumulated funds (deficits)	(266 606)	101 919	606 870	589 645
Reserves	1863312	1 940 250	1 921 389	1 908 128
Total Equity	**1 602 800**	**2 048 263**	**2 534 353**	**2 503 867**

Statement of Cash Flows

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Receipts from Government – recurrent	1 124 305	1 107 707	1 537 214	1 523 494
Receipts from special capital investment funds – recurrent	5 962	11 687	13 249	9 850
Grants	99 702	83 176	63 666	60 113
Sales of goods and services	98 824	95 876	187 139	165 597
Interest received	148	381	701	2 071
Other cash receipts	11 142	11 632	41 306	38 315
GST receipts	43 097	51 779	87 293	87 780
Payments to employees	(195 851)	(275 505)	(977 146)	(965 812)
Supplies and consumables	(166 794)	(222 009)	(469 113)	(480 365)
Grants and transfer payments	(889 734)	(745 306)	(260 833)	(233 987)
Finance costs	(9 022)	(9 326)	(9 626)	(9 913)
Other cash payments	(6 540)	(10 156)	(79 467)	(79 053)
GST Payments	(47 787)	(46 088)	(85 912)	(90 569)
Cash from (used in) Operations	**67 452**	**53 848**	**48 471**	**27 521**
Receipts from Government – capital	11 427	15 164	60 945	125 472
Receipts from special capital investment funds – capital	8 381	27 170	50 222	42 583
Proceeds from disposal of assets	10 300	8 525	12 662	17 942
Receipts from investments	868	1 563	1 167	1 186
Payments for acquisition of assets	(71 559)	(75 015)	(141 479)	(229 485)
Payment for equity investment	(4 283)	(1 911)	(561)	(747)
Cash from (used in) Investing Activities	**(44 866)**	**(24 504)**	**(17 044)**	**(43 049)**
Repayment of borrowings	(7 147)	(6 969)	(6 812)	(6 669)
Transferred out due to restructure	(138)	(31 640)	0	0
Cash from (used in) Financing Activities	**(7 285)**	**(38 609)**	**(6 812)**	**(6 669)**
Net Increase (Decrease) in Cash	**15 301**	**(9 265)**	**24 615**	**(22 197)**
Cash at the beginning of the year	76 385	85 650	61 035	83 232
Cash at End of the Year	**91 686**	**76 385**	**85 650**	**61 035**

Financial Analysis

	Bench Mark	2013-14	2012-13	2011-12	2010-11
Financial Performance					
Underlying surplus (deficit) ($'000s)		(5 630)	(392)	(21 845)	(28 357)
Own source revenue ($'000s)		135 723	112 051	226 192	201 220
Financial Management					
Debt collection	30 days	29	26	30	28
Creditor turnover	30 days	13	5	9	13
Asset Management					
Rental Dwellings (Housing)					
Asset investment ratio	>100%	50.2%	17.9%	67.4%	228.4%
Asset sustainability ratio	100%	41.5%	10.3%	4.8%	7.3%
Other Information					
Average staff numbers (FTEs)		1 884	2 619	9 585	9 788
Average staff costs ($'000s)		103	105	105	99
Average recreational leave balance per FTE (days)	20	19	21	22	20
Average long service leave balance per FTE (days)	100	43	44	40	42

ADDITIONAL FINANCIAL INFORMATION

Administered Income and Expenses

	2013-14 Budget	2013-14 Actual	2012-13 Actual	2011-12 Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from Government – recurrent	37 288	28 526	36 696	34 859
Australian Government grants	0	0	0	45 479
Total Revenue	**37 288**	**28 526**	**36 696**	**80 338**
Grants and subsidies	37 288	19 384	37 782	35 720
Supplies and consumables	0	15	3 988	0
Total Expenses	**37 288**	**19 399**	**41 770**	**35 720**
Underlying Surplus (Deficit)	**0**	**9 127**	**(5 074)**	**44 618**
Transfer to Consolidated Fund	0	0	0	46 057
Net Surplus (Deficit)	**0**	**9 127**	**(5 074)**	**(1 439)**

DEPARTMENT OF HEALTH AND HUMAN SERVICES
(excluding results of Housing Tasmania and Ambulance Tasmania)

Statement of Comprehensive Income

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Revenue from Government – recurrent	1 040 696	1 020 867	1 451 119	1 431 657
Revenue from Special Capital Investment Funds – recurrent	5 962	9 899	11 999	6 686
Grants	45 993	52 344	63 600	59 742
Sale of goods and services	39 505	17 590	106 206	95 358
Interest revenue	4	0	770	2 344
Contributions received	0	1 488	0	90
Other revenue	267	483	29 595	20 928
Total Revenue	**1 132 427**	**1 102 671**	**1 663 289**	**1 616 805**
Employee entitlements	135 375	219 974	947 033	918 837
Depreciation and amortisation	4 251	4 502	31 358	30 676
Supplies and consumables	88 827	125 997	377 661	390 793
Grants and subsidies	879 640	730 078	247 889	221 661
Finance costs	0	0	3	0
Other expenses	3 632	8 289	56 250	57 562
Total Expenses	**1 111 725**	**1 088 840**	**1 660 194**	**1 619 529**
Underlying Surplus (Deficit)	**20 702**	**13 831**	**3 095**	**(2 724)**
Profit (loss) on sale of assets	35	(271)	(2 304)	383
Impairment of non-financial assets	(33)	(54)	8	(3)
Impairment of loans and receivables	(326)	130	(1 268)	(696)
Revenue from Government – capital	2 511	6 223	26 001	58 719
Revenue from Special Capital Investment Funds – capital	4 623	20 184	42 834	29 218
Grants – Capital	48 867	29 537	0	0
Community Housing Program grant	0	595	0	0
Assets transferred to THOs on completion	(120 561)	(64 010)	0	0
Net Surplus (Deficit)	**(44 182)**	**6 165**	**68 366**	**84 897**
Other Comprehensive Income				
Changes in physical asset revaluation reserve	2	1 653	17 186	24 934
Comprehensive Surplus (Deficit)	**(44 180)**	**7 818**	**85 552**	**109 831**

Statement of Financial Position

	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	74 063	54 354	67 347	43 437
Receivables	5 977	(1 936)	15 188	16 491
Loan advances	0	0	7	(47)
Equity investments	0	0	0	(554)
Other financial assets	1 985	3 191	6 525	9 422
Non-financial Assets				
Inventory	2 156	5 268	13 276	10 783
Assets held for sale	383	1	1 074	2 012
Property, plant and equipment	135 527	229 978	810 943	730 437
Intangibles	9 507	11 025	14 969	12 793
Other non-financial assets	5 794	4 326	5 089	4 480
Total Assets	**235 392**	**306 207**	**934 418**	**829 254**
Liabilities				
Payables	5 210	5 870	31 868	34 060
Other financial liabilities	0	0	36 372	31 507
Superannuation liability	0	1	0	0
Employee entitlements	27 762	47 512	195 333	171 097
Other liabilities	25 289	34 213	4 990	12 824
Total Liabilities	**58 261**	**87 596**	**268 563**	**249 488**
Net Assets	**177 131**	**218 611**	**665 855**	**579 766**
Accumulated funds (deficits)	(163 619)	(130 333)	303 029	234 126
Reserves	340 750	348 944	362 826	345 640
Total Equity	**177 131**	**218 611**	**665 855**	**579 766**

Financial Analysis

	Bench Mark	2013-14	2012-13	2011-12	2010-11
Financial Performance					
Underlying surplus (deficit) ($'000s)		20 702	13 831	3 095	(2 724)
Own source revenue ($'000s)		39 776	18 073	136 571	118 630
Financial Management					
Debt collection	30 days	44	(17)	21	25
Creditor turnover	30 days	21	17	31	32
Other Information					
Average staff numbers (FTEs)		1 318	2 073	9 043	9 510
Average staff costs ($'000s)		103	106	105	97
Average recreational leave balance per FTE (days)	20	16	19	22	19
Average long service leave balance per FTE (days)	100	42	44	40	42

HOUSING TASMANIA

Statement of Comprehensive Income

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Attributed recurrent appropriation	28 684	41 940	40 275	49 185
Attributed revenue from Special Capital Investment Funds	0	1 788	1 250	3 164
Rental revenue	73 280	75 729	73 883	68 993
Other revenue	3 789	4 729	6 538	6 489
Total Revenue	**105 753**	**124 186**	**121 946**	**127 831**
Employee benefits	14 595	14 330	17 047	17 809
Depreciation	25 830	27 247	26 641	26 027
Grants and subsidies	8 870	15 228	12 534	12 843
Property cost	71 927	67 664	69 343	66 780
Finance costs	9 022	9 326	9 623	9 913
Other expenses	10 618	11 651	10 580	18 125
Total Expenses	**140 862**	**145 446**	**145 768**	**151 497**
Underlying Surplus (Deficit)	**(35 109)**	**(21 260)**	**(23 822)**	**(23 666)**
Attributed capital appropriation	4 165	5 717	28 974	78 826
Attributed revenue from Special Capital Investment Funds	3 758	6 488	6 703	11 698
Community Housing Program Grants	(389 598)	(62 858)	(45 764)	0
Net gain (loss) on sale of assets	(3 978)	(5 277)	(2 637)	2 054
Impairment of assets	(1 418)	(2 110)	(1 850)	(2 728)
Impairment of receivables	(472)	(1 278)	(800)	(768)
Net gain on disposal of equity investment	(532)	535	(699)	554
Actuarial superannuation adjustment	510	2 421	(5 019)	1 270
Net Surplus (Deficit)	**(422 674)**	**(77 622)**	**(44 914)**	**67 240**
Other Comprehensive Income				
Changes in physical asset revaluation reserve	13 375	35 481	(3 983)	201 513
Comprehensive Surplus (Deficit)	**(409 299)**	**(42 141)**	**(48 897)**	**268 753**

Statement of Financial Position

	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Cash and deposits	17 420	21 511	18 303	17 598
Receivables	2 525	4 148	2 247	1 750
Loan advances	3 080	3 730	4 560	5 902
Equity investments	10 190	6 782	4 623	3 706
Other financial assets	925	491	97	357
Assets held for sale	4 057	5 512	5 019	6 829
Property, plant and equipment	1 592 100	1 994 166	2 054 497	2 103 518
Intangibles	1 549	1 549	1 430	923
Other non-financial assets	15	14	1	897
Total Assets	**1 631 861**	**2 037 903**	**2 090 777**	**2 141 480**
Payables	10 741	2 895	6 179	5 747
Interest bearing liabilities	195 693	202 840	209 808	216 620
Superannuation	14 163	14 828	17 402	12 468
Employee entitlements	3 176	3 474	3 291	3 682
Other liabilities	7 793	4 272	2 362	2 381
Total Liabilities	**231 566**	**228 309**	**239 042**	**240 898**
Net Assets	**1 400 295**	**1 809 594**	**1 851 735**	**1 900 582**
Contributed capital	6 094	6 094	6 094	6 094
Accumulated funds	(114 367)	226 188	303 810	348 674
Reserves	1 508 568	1 577 312	1 541 831	1 545 814
Total Equity	**1 400 295**	**1 809 594**	**1 851 735**	**1 900 582**

OTHER INFORMATION

	Bench Mark	2013-14	2012-13	2011-12	2010-11
Financial Performance					
Underlying surplus (deficit) ($'000s)		(35 109)	(21 260)	(23 822)	(23 666)
Operating margin	>1.0	0.75	0.85	0.84	0.84
Own source revenue ($'000s)		77 069	80 458	80 421	75 482
Financial Management					
Debt collection	30 days	12	20	11	9
Creditor turnover	30 days	3	8	20	12
Asset Management					
Rental Dwellings					
Asset investment ratio - Rental dwellings	>100%	51.1%	17.9%	67.4%	228.4%
Asset sustainability ratio - Rental dwellings		38.2%	10.3%	4.8%	7.3%
Non-Rental Dwellings					
Asset investment ratio - Non-Rental dwellings	>100%	1.5%	290.5%	1299.7%	1585.6%
Asset sustainability ratio - Non-Rental dwellings		1.5%	2.3%	0.0%	0.0%
Other Information					
Average staff numbers (FTEs)		175	174	170	217
Average staff costs ($'000s)		84	82	90	82
Average recreational leave balance per FTE (days)	20	14	17	17	16
Average long service leave balance per FTE (days)	100	41	44	44	35
Rental dwellings (no. of properties)*		8 414	12 845	13 441	13 243
Occupancy Rate (%)*		98.5%	98.4%	97.8%	98.7%

* *Not subject to audit.*

AMBULANCE TASMANIA

Statement of Comprehensive Income

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Attributed revenue from Government- recurrent	46 540	43 407	48 608	45 647
User charges	12 089	7 132	5 779	4 607
Other revenue	5 141	4 724	3 421	2 501
Total Income	**63 770**	**55 263**	**57 808**	**52 756**
Employee entitlements	44 369	41 833	37 940	35 042
Depreciation	2 842	2 835	3 045	2 764
Supplies and consumables	15 368	13 094	15 715	13 768
Other expenses	2 049	1 873	2 825	3 148
Total Expenses	**64 628**	**59 635**	**59 525**	**54 722**
Underlying Surplus (Deficit)	**(858)**	**(4 372)**	**(1 717)**	**(1 966)**
Attributed revenue from special capital investment funds	0	498	141	2 210
Attributed works and services appropriation	0	0	10	0
Attributed recurrent appropriation to capital	2 738	3 224	1 287	3 532
Contributions received	10	841	1 768	441
Capital Contributions	**2 748**	**4 563**	**3 206**	**6 183**
Actuarial superannuation assessment	3 426	5 842	(8 902)	(2 505)
Extended Care Paramedic Program	0	0	599	0
Net Surplus (Deficit)	**5 316**	**6 033**	**(6 814)**	**1 712**
Other Comprehensive Income				
Change in physical asset revaluation reserve	0	(2 738)	58	219
Comprehensive Surplus (Deficit)	**5 316**	**3 295**	**(6 756)**	**1 931**

Statement of Financial Position

	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Cash and Deposits	203	520	0	0
Receivables	8 444	4 512	5 348	3 216
Inventory	757	740	556	482
Property, plant and equipment	30 838	31 445	33 385	33 220
Other assets	472	351	98	236
Total Assets	**40 714**	**37 568**	**39 385**	**37 154**
Payables	942	419	713	624
Employee entitlements	11 485	10 806	9 868	9 151
Superannuation	2 444	5 869	11 826	3 177
Other liabilities	469	416	217	683
Total Liabilities	**15 340**	**17 510**	**22 624**	**13 635**
Net Assets	**25 374**	**20 058**	**16 761**	**23 519**
Accumulated funds (deficits)	11 380	6 064	31	6 845
Reserves	13 994	13 994	16 732	16 674
Total Equity	**25 374**	**20 058**	**16 761**	**23 519**

OTHER INFORMATION

	Bench Mark	2013-14	2012-13	2011-12	2010-11
Financial Performance					
Underlying Result ($'000s)		(858)	(4 372)	(1 717)	(1 966)
Operating margin	>1.0	0.99	0.93	0.97	0.96
Own source revenue ($'000s)		12 089	7 132	5 747	4 584
Own source revenue (%)		19.0%	12.9%	9.9%	8.7%
Financial Management					
Debt collection (exclude DVA billings)*	**	50	146	317	144
Creditor turnover	30 days	26	14	20	21
Other Information					
Staff numbers (FTEs)		392	372	358	339
Average staff costs ($'000s)		113	112	106	103
Average Annual Leave balance per FTE (days)	90 days	28	32	33	39
Average Long Service Leave balance per FTE (days)	100 days	47	43	44	47

** DVA is the Department of Veterans Affairs.*

*** The benchmark of 30 days applied to other State entities is not regarded a realistic for the service because much of the billing for ambulance services relates to workers compensation and motor vehicle accidents. Accounts are generated and sent to patients and not the third parties that may ultimately be responsible for their payment. As such, it is the patient's responsibility to complete the required paperwork and forward accounts to the third party who then needs to assess whether the account is accepted for payment. This process creates obvious time lags, which may be further compounded if the patient is in hospital for any length of time (during which the account is likely to remain unresolved).*

TASMANIAN AFFORDABLE HOUSING LIMITED (TAHL)

SNAPSHOT

- TAHL reported a loss of $0.105m in 2013-14 mainly as a result of increasing its provisions for estimated end-of-lease restoration costs.
- The number of properties in its portfolio declined to 47 at 30 June 2014. A further 25 leases will expire in 2014-15, with the final lease expiring in January 2016.

INTRODUCTION

TAHL was originally set up with the objective of increasing the supply of affordable housing for low income Tasmanians. Government became its sole shareholder in 2011 and provides the majority of funding. Properties leased by TAHL are managed by a not-for-profit housing provider.

Of the 47 leased houses remaining in the portfolio at 30 June 2014, the leases for 25 houses will expire in 2014-15, with the final lease expiring in January 2016. The Company is not expected to continue beyond 2015-16.

The Responsible Minister is the Minister for Human Services.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2014 and an unqualified audit report was issued on 26 September 2014.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

A key financial reporting risk was lack of segregation of duties and calculation of provisions for end-of-lease restoration costs. These risks were mitigated to an acceptable level by the nature and extent of audit testing we performed.

The audit was completed satisfactorily with no items outstanding.

FINANCIAL ANALYSIS

TAHL manages leases for 47 properties, (2012-13, 71), which were sub-leased to eligible tenants for reduced rent. It received grant funding from the Department of Health and Human Services to cover the difference between the rent received from tenants and that paid to property owners and its administration costs. The reduction in the TAHL's portfolio of properties was reflected in the decline of revenue. TAHL also increased its provision for make-good by $0.202m as a result of reassessing the estimated end-of-lease restoration costs. Overall, TAHL reported a Net Deficit of $0.105m in 2013-14.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Total Revenue	1 244	1 628
Total Expenses	1 349	1 411
Net Surplus (Deficit)	**(105)**	**217**
Comprehensive Surplus (Deficit)	**(105)**	**217**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Total Assets	1 564	1 545
Total Liabilities	362	239
Net Assets	**1 202**	**1 306**
Total Equity	**1 202**	**1 306**

DEPARTMENT OF INFRASTRUCTURE, ENERGY AND RESOURCES

SNAPSHOT

- The Department reported an Underlying Deficit of $64.006m in 2013-14. This was $11.765m lower than the deficit reported in 2012-13.
- The deficits reported by the Department were attributable to unfunded depreciation expenses. Depreciation and amortisation expenses increased by $3.821m during the year to $86.967m.
- It received $138.507m for capital projects in 2013-14. Over the past four years, capital funding totalled $532.170m.
- This year's Net Surplus was $11.360m and apart from capital funding received, it included a decrease in the value of land under roads, $41.747m, and write-off of replaced infrastructure assets, $19.934m.
- The Department provided a further $40.409m in equity contributions to Tasmanian Railway Pty Ltd for upgrading rail network infrastructure.
- Net Assets increased to $4.192bn and consisted mainly of road infrastructure assets valued at $4.065bn.

Major developments this year included:

- The West Coast Wilderness Railway, which is run by the Abt Railway Ministerial Corporation (the Corporation), re-opened to the public in January 2014. The Department's financial statements include Abt Railway's transactions and balances.
- The Department merged into the Department of State Growth on 1 July 2014.

Major variations between the 2013-14 and 2012-13 financial years were:

- Lower Grants revenue, $12.865m, mainly due to additional grant funding of $14.500m for the temporary assistance to exporters program during 2012-13. This was also the reason for the decrease in Grants and subsidies expenses of $11.691m.
- Higher Other financial assets, $6.955m, consisting mainly of claims for capital works funded by grants from Australian Government and due to be reimbursed by the Department of Treasury and Finance.
- Lower Provisions, $4.831m, due a reduction in the provision for land earmarked for compulsory acquisition. During the year, the Department compulsorily acquired land valued at $5.455m.
- A decrease of $101.505m in Net gain (loss) on non-financial assets, mainly due to a write-down of land under roads, $41.747m, and write-off of replaced roads, bridges and traffic signal assets, $19.934m.
- Lower land and buildings, $13.311m, mainly due to revaluation decrements of rail corridor land of $10.872m.

No high risk audit findings were identified during the audit. However, several moderate risk and one low risk audit findings were brought to the Department's attention.

The audit was completed satisfactorily with no other matters outstanding.

INTRODUCTION

The Department provides infrastructure and regulatory services in the areas of transport, road safety, racing, energy and mineral resources.

It is responsible for motor registration and licensing and regulation of minerals exploration and mining leases. Most significantly, it is responsible for asset management and capital works on the

State's road network and administration of significant passenger transport and related government payments.

The Department is predominantly funded by Parliamentary appropriations. Other funding sources include Commonwealth grants, industry grants and miscellaneous recoveries.

KEY AREAS OF AUDIT ATTENTION

Description of Area	Audit Approach
The Department is responsible for asset management and capital works on the State's road network. The last formal valuation of bridges and roads was performed as at 30 June 2012 and 30 June 2013 respectively. Since the last formal revaluation, values have been adjusted by appropriate indices annually to ensure they align closely with current replacement cost. The value of roads, bridges, land under roads, road reserves and rail corridors was indexed this year.	Recognising the significance of maintenance and capital works, we performed detailed testing of capital expenditure. We: • examined the indices used to ensure they were appropriate for the purpose • tested the calculations of indexed values and the accounting treatment of movements in those values • ensured that key judgements and assumptions were adequately disclosed. • ensured that the asset register was updated correctly and appropriate entries were recorded in the general ledger
The Department administers a considerable amount of fees and fines, including vehicle registration, motor tax and mineral royalties. It is also responsible for collecting revenue on behalf of external parties (MAIB, State Revenue Office, State Fire Commission) through the Motor Registry System.	We placed reliance on controls in this area. In order to place that reliance, we documented and tested those controls. We also tested the reconciliation of the Motor Registry System to the general ledger.
Mineral Resources Tasmania administered revenue from mineral royalties which are based on self-assessments by mining companies. Royalties are calculated and paid based on mined volumes and sales values each quarter. Audits by MRT staff are performed to validate these royalties.	We ensured that the Department was performing regular reviews of mineral royalties.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 13 August 2014. An unqualified audit report was issued on 15 September 2014.

KEY DEVELOPMENTS

Operations and management of the Corporation

The Corporation operates as the West Coast Wilderness Railway, which re-opened to the public in January 2014 after it was suspended from the end of April 2013 when a private operator surrendered the lease. The Corporation is responsible for managing the rail infrastructure and is also running this tourist attraction, which includes a cafe, museum and gift shop, until a private operator can be found.

During the first six months of operating the passenger service, the Corporation generated $1.407m in sales from train tickets, cafe and gift shop. Its Net Assets totalled $34.929m and consisted predominantly of rail infrastructure, rolling stock and buildings. It received $8.188m in Government grants, of which $3.580m were spent on repairs and upgrades of the railway network. The financial statements of the Department include transactions and balances in relation to the Corporation and a separate Chapter analysing its financial performance and position is included in this Volume.

Formation of the Department of State Growth

As a result of an administrative order, the Department changed its name to the Department of State Growth effective on 1 July 2014. The administrative order also amalgamated the Department of Economic Development, Tourism and the Arts with the Department of State Growth on the same date.

KEY FINDINGS

A number of moderate and low risk audit matters were noted and reported to the Secretary. These included:

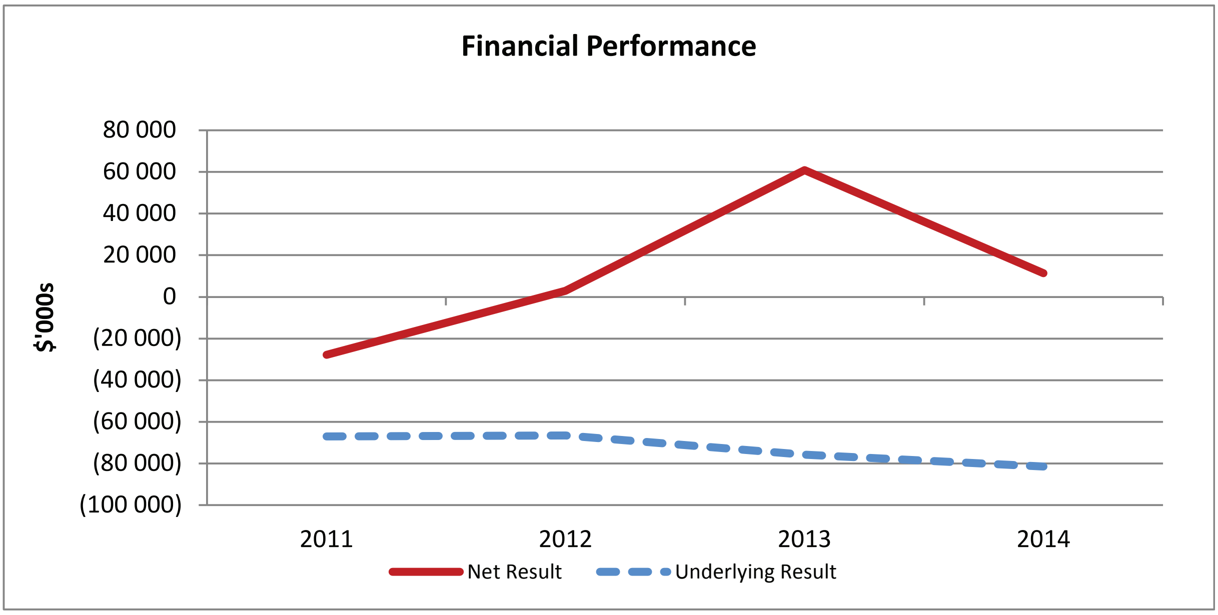
- not maintaining an adequate audit trail of payroll processes
- strengthening procurement and payment processes by removing account payable officers' financial delegations to authorise payments and by incorporating electronic funds transfer data analytics into the internal audit program to detect any anomalies
- non-compliance with Treasurer's Instructions 1125 *Penalty interest for late payment of invoices: goods and services* and 1230 *Penalty interest for late payment of invoices: building and construction/ roads and bridges* by not applying penalty interest to payments made past due date. However, the Department did commence paying interest for late payments of invoices from May 2014.

We also noted that a number of moderate risk findings reported in prior years were still unresolved.

The Department indicated that it will be taking actions to address each of the findings.

The audit was completed satisfactorily with no other items outstanding.

FINANCIAL ANALYSIS

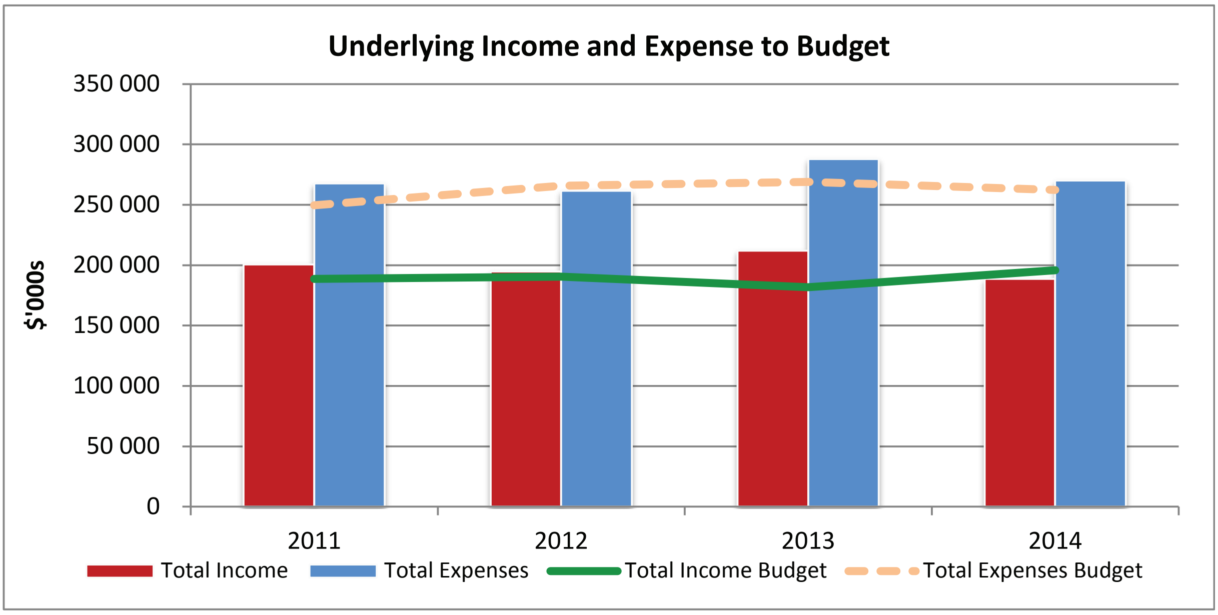


The Department's Underlying Result remained relatively constant over the four years period under review. This year's Underlying Deficit of $81.418m was $5.647m or 7.5% higher than the deficit reported in 2012-13 as Depreciation and amortisation expenses increased by $3.821m during the year to $86.967m.

Net Result varied over the period primarily due to fluctuations in capital funding and revaluation movements. The Net Surplus of $11.360m reported this year was mainly the result of capital funding received, $155.918m, partly offset by a revaluation decrement of land under roads, $41.747m, and write-off of roads, bridges and traffic signal assets, $19.934m, that were replaced during the year.

This year's capital funding was mainly for construction works on the Tarkine Forest Drive Project, $12.706m, North East Freight Roads, $21.912m, Arthur Highway upgrade between Taranna and Port Arthur, and Dunalley and Murdunna, $5.846m, Rokeby Main Road upgrade to improve access south of Howrah, $7.125m, Ferry Main Road at Kettering upgrade, $4.223m, and Murchison Highway upgrade, $10.858m.

Over the past four years, capital funding totalled $549.582m as the Department embarked on major infrastructure construction projects, including the Brighton Bypass, $186.189m, Brighton Transport Hub, $79.571m, the Kingston Bypass, $52.349m, and East Tamar Highway, $82.360m.



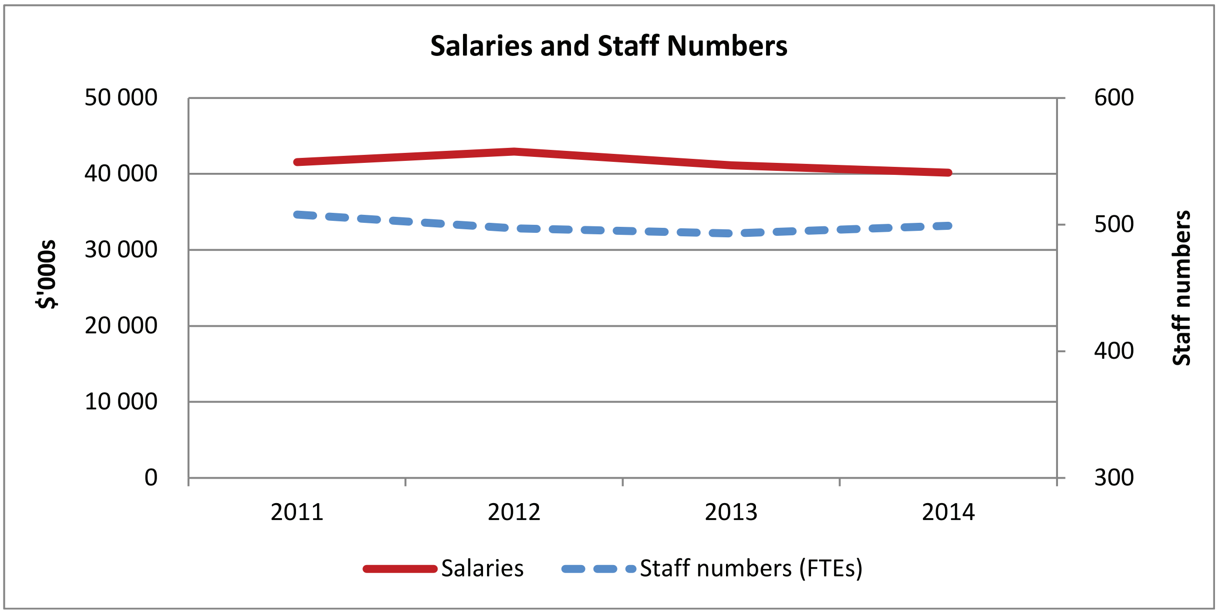
Total Income remained relatively consistent over the four-year period under review apart from 2012-13. Higher Total Income in 2012-13 was due to additional funding received as part of the Australian Government's assistance package for local exporters. The Department administered the $14.500m Tasmanian Shipping Assistance program. The program had no net effect on the result for that year as the additional funding was distributed in the form of grants.

In addition to the increased Grants and subsidies in 2012-13, the Department also incurred clean-up costs after the January 2013 bushfires, totalling $5.200m. This resulted in higher Total Expenses in that year, but the impact on the net result was nil as the additional cost was funded by an increase in appropriation. These items largely contributed to variances between budget estimates and actual results that year.

The most significant expenditure item was Depreciation and amortisation, $86.967m (2012-13, $83.146m), which represented, on average a third of Total Expenses and reflected the value of the State's road network. The deficits reported by the Department were attributable to unfunded depreciation expenses.

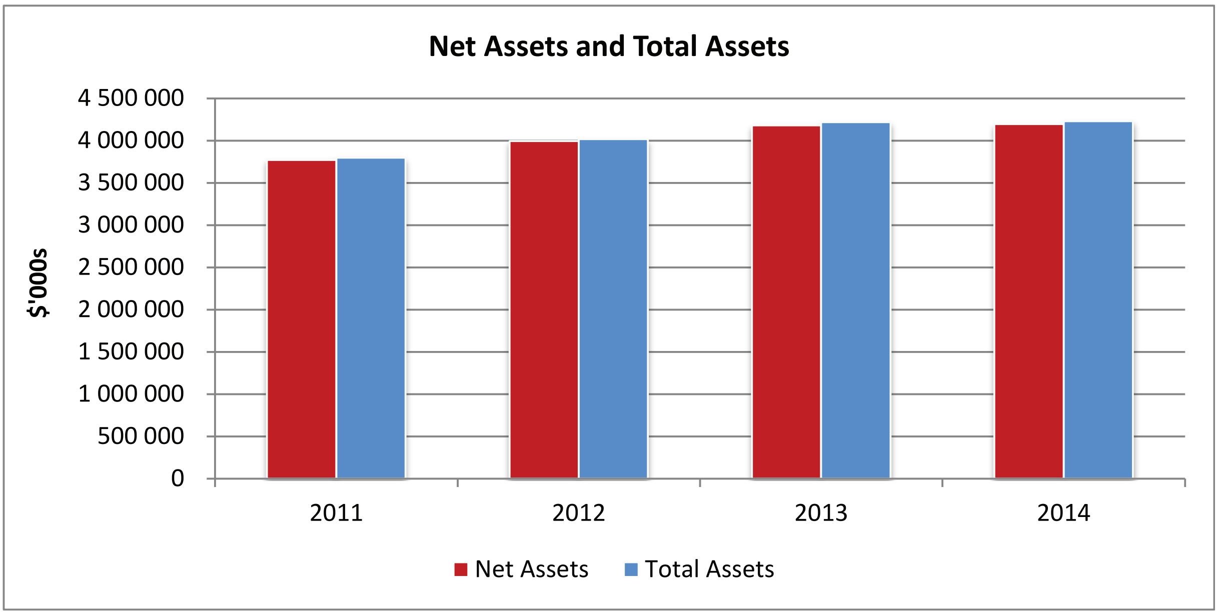
Overall, Total Income and Total Expenses were close to Budget in 2013-14. However, there were significant variances between Budget and Actual in the following expenditure categories:

- Depreciation and amortisation expenses were lower than budget by $22.525m, mainly due to a significant proportion of the road infrastructure assets having reached their expected useful life
- Supplies and consumable expenses were higher that budget by $25.547m, mainly attributed to budget overestimation of the proportion of the road contractor expenses that would be capitalised.



Employee benefits represented on average only 15.3% of total expenditure because of the high costs the Department incurs on asset maintenance and significant depreciation charges on the State's road network. This is a much lower percentage compared to other agencies where employee costs average around 50% of total expenses.

Since 2011 the Department reduced staff numbers by nine FTEs which helped to offset increases in salaries and wages over that time. While there were fluctuations in salaries between years, the overall trend was relatively flat.



The Department's Net Assets and Total Assets grew significantly over the three years period to 30 June 2013 primarily due to road infrastructure revaluation increments and completion of major capital projects.

As mentioned previously, the Department received $549.582m in capital funding for major infrastructure projects over the past four years, including the Brighton Bypass and Transport Hub and the Kingston Bypass. The Asset investment ratio, which compares expenditure on infrastructure assets against depreciation, averaged 172.7% during that period. This was well above the benchmark of greater than 100%. However, the Asset sustainability ratio, which compares renewal and upgrade expenditure on existing assets to depreciation, averaged 90.6% which was slightly below the benchmark of 100%. Our analysis showed that in years when the capital program is focused on new infrastructure projects, spending on existing infrastructure decreased. For example, in 2011-12 when the Department was completing work on the Brighton Bypass and Transport Hub and the Kingston Bypass was being built, Asset investment ratio reached 273.4%, while Asset sustainability ratio was only 43.2%.

The Department's Net Assets and Total Assets at 30 June 2014 remained consistent with the prior year despite a significant increase in spending on roads upgrades during the year. This was due to offsetting factors, mainly relating to revaluation decrement of land under roads, $41.747m, as a result of a decrease in land values provided by the Valuer-General as at 30 June 2014 and de-recognition of replaced roads bridges and traffic assets, $19.934m.

ADMINISTERED FINANCIAL TRANSACTIONS

Administered transactions are those the Department manages on behalf of Government. These transactions are not shown in the Department's Comprehensive Income Statement, Statement of Financial Position or Statement of Cash Flows.

Transactions administered by the Department included the Forest Practices Authority, taxi licences, motor vehicle registrations, drivers' licenses and mining royalties.

Grants were $39.238m higher in 2013-14, mainly due to Australian Government funding receipts for the Forest Contractors' financial support program. The lower than budgeted Transfers to the Consolidated Fund reflected a decrease in revenue from mineral royalties.

Statement of Comprehensive Income

	2013-14 Budget	2013-14 Actual	2012-13 Actual	2011-12 Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from Government – recurrent	111 991	130 398	111 879	112 500
Revenue from Government – capital maintenance	61 888	47 718	56 228	64 385
Revenue from special capital investment funds	0	180	790	2 389
Grants	7 156	12 014	24 879	1 475
Sales of goods and services	684	1 133	1 079	1 508
Fines and regulatory fees	13 155	12 903	13 095	11 961
Interest	0	0	0	28
Other revenue	1 046	1 538	4 087	512
Total Revenue	**195 920**	**205 884**	**212 037**	**194 758**
Employee entitlements	38 661	40 170	41 119	42 957
Depreciation and amortisation	109 492	86 967	83 146	77 424
Supplies and consumables	42 039	67 586	76 238	67 820
Grants and subsidies	71 780	74 223	85 914	69 605
Other expenses	329	944	1 391	3 575
Total Expenses	**262 301**	**269 890**	**287 808**	**261 381**
Underlying Surplus (Deficit)	**(66 381)**	**(64 006)**	**(75 771)**	**(66 623)**
Revenue from government – capital	108 512	138 507	98 330	114 958
Net gain (loss) on non-financial assets	4	(63 141)	38 364	(45 429)
Net Surplus (Deficit)	**42 135**	**11 360**	**60 923**	**2 906**
Other Comprehensive Income				
Changes to asset revaluation reserve	136 211	43 651	162 806	259 358
Comprehensive Surplus (Deficit)	**178 346**	**55 011**	**223 729**	**262 264**

Statement of Financial Position

	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	33 179	32 041	13 937	17 190
Receivables	3 405	2 879	3 372	6 742
Other financial assets	6 955	0	307	37
Non-financial Assets				
Plant and equipment	10 597	10 062	10 759	11 798
Land and buildings	83 634	96 945	85 253	74 921
Road infrastructure	4 065 471	4 045 073	3 870 808	3 658 328
Other infrastructure	16 737	17 066	17 236	12 008
Intangibles	7 577	9 517	11 110	13 062
Other assets	656	1 164	881	1 169
Total Assets	**4 228 211**	**4 214 747**	**4 013 663**	**3 795 255**
Liabilities				
Payables	4 963	4 635	4 095	8 114
Employee entitlements	12 570	12 161	10 991	11 129
Other liabilities	17 042	14 086	7 440	5 947
Provisions	1 848	6 679	0	0
Total Liabilities	**36 423**	**37 561**	**22 526**	**25 190**
Net Assets	**4 191 788**	**4 177 186**	**3 991 137**	**3 770 065**
Reserves	1 546 189	1 502 538	1 339 732	1 080 374
Accumulated funds	2 645 599	2 674 648	2 651 405	2 689 691
Total Equity	**4 191 788**	**4 177 186**	**3 991 137**	**3 770 065**

Statement of Cash Flows

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Receipts from Government – recurrent	119 307	113 244	112 473	105 005
Receipts from Government – capital maintenance	47 521	56 189	57 387	74 282
Revenue from special capital investment funds	0	790	3 338	1 653
Grants	18 077	29 144	1 798	1 693
Sales of goods and services	1 196	1 141	1 243	1 572
Fines and regulatory fees	12 918	13 085	11 956	10 195
GST receipts	24 336	21 548	23 350	35 592
Other cash receipts	1 507	4 178	927	5 261
Payments to employees	(39 775)	(39 951)	(45 264)	(41 309)
Grants and subsidies	(74 215)	(85 885)	(70 008)	(64 804)
Payments to suppliers	(72 411)	(81 888)	(64 891)	(71 409)
GST payments	(25 009)	(20 823)	(22 186)	(33 216)
Other cash payments	(967)	(1 644)	(3 697)	(2 510)
Cash from (used in) Operations	**12 485**	**9 128**	**6 426**	**22 005**
Receipts from Government – capital	75 949	50 262	81 944	144 923
Revenue from special capital investment funds	0	0	0	8 815
Proceeds from disposal of assets	25	3	3	0
Payments for acquisition of assets	(111 356)	(58 310)	(91 852)	(195 129)
Receipts from Government – TasRail	5 449	635	36 189	38 649
Receipts from Government Funding	58 405	47 472	0	0
Equity transfers to other government entities	(40 409)	(37 680)	(35 745)	(38 649)
Cash from (used in) Investing Activities	**(11 937)**	**2 382**	**(9 461)**	**(41 391)**
Trust receipts	1 554	6 594	663	833
Trust Payments	(964)	0	(881)	(1 884)
Cash from (used in) Financing Activities	**590**	**6 594**	**(218)**	**(1 051)**
Net Increase (Decrease) in Cash	**1 138**	**18 104**	**(3 253)**	**(20 437)**
Cash at the beginning of the year	32 041	13 937	17 190	37 627
Cash at End of the Year	**33 179**	**32 041**	**13 937**	**17 190**

Financial Analysis

	Bench Mark	2013-14	2012-13	2011-12	2010-11
Financial Performance					
Underlying surplus (deficit) ($'000s)	>1	(64 006)	(75 771)	(66 623)	(66 967)
Own source revenue ($'000s)		27 588	43 140	15 484	18 500
Financial Management					
Debt collection	30 days	45	24	80	32
Creditor turnover	30 days	10	20	21	45
Asset Management					
Roads					
Asset investment ratio	> 100%	165%	96%	156%	273%
Asset sustainability ratio	100%	165%	96%	58%	43%
Consumption ratio	> 60%	53%	53%	54%	54%
Asset renewal funding ratio	90%-100%	N/a	N/a	N/a	N/a
Bridges					
Asset investment ratio	> 100%	52%	11%	18%	53%
Asset sustainability ratio	100%	52%	0%	0%	0%
Consumption ratio*	> 60%	70%	71%	72%	72%
Asset renewal funding ratio	90%-100%	N/a	N/a	N/a	N/a
Abt Railway Infrastructure					
Asset investment ratio	> 100%	51%	N/a	N/a	N/a
Asset sustainability ratio	100%	51%	N/a	N/a	N/a
Consumption ratio	> 60%	72%	72%	77%	79%
Asset renewal funding ratio	90%-100%	N/a	N/a	N/a	N/a
Other Information					
Average staff numbers (FTEs)		499	493	497	508
Average staff costs ($'000s)		81	83	86	82
Average recreational leave balance per FTE (days)	20	18	17	21	21
Average long service leave balance per FTE (days)	100	37	40	48	49

* *Provided by client not subject to audit.*

ADDITIONAL FINANCIAL INFORMATION

Administered Income and Expenses

	2013-14 Budget	2013-14 Actual	2012-13 Actual	2011-12 Actual
	$'000s	$'000s	$'000s	$'000s
Receipts from government – recurrent	80 806	82 305	77 917	75 140
Grants	6 235	39 391	153	452
Sales of goods and services	54 409	37 096	33 992	54 762
Fines and regulatory fees	43 449	46 600	46 615	43 859
Other receipts	0	31	293	115
Total Revenue	**184 899**	**205 423**	**158 970**	**174 328**
Payments to employees	981	1 379	1 541	2 179
Depreciation and amortisation	1	8	14	21
Grants and subsidies	86 672	120 125	76 560	73 683
Other cash payments	718	1 846	1 828	1 563
Total Expenses	**88 372**	**123 358**	**79 943**	**77 446**
Underlying Surplus (Deficit)	**96 527**	**82 065**	**79 027**	**96 882**
Transfers to the consolidated fund	96 648	82 231	79 416	97 602
Net gain(loss) on financial and non-financial assets	1	(1)	1	1
Net Surplus (Deficit)	**(120)**	**(167)**	**(388)**	**(719)**
Comprehensive Surplus (Deficit)	**(120)**	**(167)**	**(388)**	**(719)**

ABT RAILWAY MINISTERIAL CORPORATION (The Corporation)

SNAPSHOT

- The Corporation reported a Net Deficit of $1.738m in 2013-14, however the passenger service only re-commenced in January 2014 and expenses were incurred leading up to the re-opening.
- During the first six months of operating the passenger service, the Corporation generated $1.407m in sales from train tickets, cafe and gift shop.
- It received $8.188m in Government grants, of which $3.580m was spent on repairs and upgrades of the railway network. The Corporation could not operate without Government support.
- Its Net Assets totalled $34.929m and consisted predominantly of rail infrastructure, rolling stock and buildings.

The audit was completed satisfactorily with no matters outstanding.

INTRODUCTION

The Corporation operates under the *Abt Railway Development Act 1999* and support is provided to it by the Department of State Growth (formerly the Department of Infrastructure, Energy and Resources).

The responsible Minister is the Minister for Infrastructure. The Secretary of the Department of State Growth is the Minister's Delegate. Day-to-day operations are overseen by a general manager.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed special purpose financial statements were received on 13 August 2014 and an unqualified audit opinion was issued on 19 September 2014.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

A number of moderate and low risk audit findings were reported to management. These related to administrative matters, such as lack of audit trail, improvements to stock management and system set-up for processing payments. These matters have been or are in the process of being addressed by management.

The West Coast Wilderness Railway re-opened to the public in January 2014 after it was suspended from the end of April 2013 when a private operator surrendered its lease. In addition to being responsible for managing the rail infrastructure, the Corporation is also running this tourist attraction, which includes a cafe, museum and gift shop, until a private operator can be found.

Tickets, cafe and gift shop sales, cash receipts and the lack of segregation of duties were identified as areas of high audit risk. These risks were mitigated to an acceptable level by a combination of substantive tests of details and analytical procedures.

The audit was completed satisfactorily with no matters outstanding.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Government grants	8 188	3 000
Sale of goods and services	1 047	0
Other revenue	194	397
Total Revenue	**9 429**	**3 397**
Employee benefits	2 952	186
Depreciation and amortisation	1 343	1 198
Maintenance	3 580	108
Supplies and consumables	2 996	410
Other expenses	196	81
Net loss on disposal of non-financial assets	100	0
Total Expenses	**11 167**	**1 983**
Net Surplus (Deficit)	**(1 738)**	**1 414**
Comprehensive Surplus (Deficit)	**(1 738)**	**1 414**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Assets		
Financial assets	2 514	3 171
Inventory	10	0
Infrastructure	33 181	33 772
Total Assets	**35 705**	**36 943**
Liabilities		
Payables	267	61
Monies held in trust	226	215
Employee benefits	283	0
Total Liabilities	**776**	**276**
Net Assets	**34 929**	**36 667**
Reserves	8 563	8 563
Accumulated funds	26 366	28 104
Total Equity	**34 929**	**36 667**

The Corporation reported a Net Deficit of $1.738m in 2013-14. This was its first year since it took over the responsibility for the existing infrastructure but also for operating the passenger service. During the year, it received $8.188m in Government grants, of which $3.580m was spent on repairs of the railway network. A section of the track between Queenstown and Dubbil Barril was re-opened in January 2014. The Corporation could not operate without Government support.

It is difficult to analyse this year's result because the West Coast Wilderness Railway commenced operating as a tourist attraction half-way through the year and expenses were incurred leading up to the re-opening. However, during the first six months of operating the passenger service, the Corporation generated $1.407m in sales from train tickets, cafe and gift shop.

Net Assets totalled $34.929m at 30 June 2014 and consisted predominantly of rail infrastructure, rolling stock and buildings.

DEPARTMENT OF JUSTICE

SNAPSHOT

- The Department's Underlying Deficit, $0.992m, was in line with budget and a significant improvement on the previous year.
- At 30 June 2014, Net Assets totalled $133.482m with the most significant asset being Property, plant and equipment, recorded at $134.329m, and the highest liabilities were Employee benefits of $25.325m.
- A total of $12.016m was spent on Property, plant and equipment.
- The asset investment ratio for Prison buildings showed a significant improvement due to the large expenditure, $9.659m, on the Prison Infrastructure and Redevelopment Program (PIRP) Stage D. However, the sustainability ratio for Prison and other Buildings was well short of the benchmark of 100% indicating that the Department may be under-investing in these assets. This conclusion is subject to the Department adequately investing in maintenance.
- At 30 June 2014 unimpaired fines receivable totalled $48.904m with gross receivables being $61.221m meaning that the provision for impairment and expected remissions was $12.317m.
- The provision for asbestos compensation payable was $119.915m all of which was recoverable from industry participants.
- Compensation of $6.854m was awarded to victims of asbestos.

Audit findings included five moderate and two low risk matters. Of the moderate risk findings, two related to the Fines and Infringement Notices Database (FIND) system, two to payroll and one item to IT security and user policy.

The audit was completed satisfactorily with no other items outstanding.

Major developments this year included:

- Continuation of the PIRP project. However only $10.593m of the budgeted $16.370m had been drawn down by 30 June 2014
- Hayes Prison Farm was not sold, and was still classified as an Asset held for sale valued at $3.300m.

Major variations between the 2013-14 and 2012-13 financial years included:

- additional recurrent Appropriation revenue was received mainly representing additional funding provided for the Mental Health Tribunal, the Anti-Discrimination Commissioner and operational funding for PIRP. Also, additional funding was provided for the Poppy Advisory Control Board, the Tasmanian Planning Commission and the Tasmania Prison Service to meet operational costs.
- Other revenue from Government, $2.137m, represented carry-forward funds from 2012-13 expended on PIRP this year compared to $0.677m in 2012-13.
- Employee benefits increased by $3.833m due to general wage increases, the new Mental Health Tribunal and the Tasmanian Electoral Commission for the State Election.
- Other expenditure rose by $1.188m due to the State Election, IT costs for a new phone system, increased maintenance and other property costs, offset to an extent by lower award payments for criminal injury compensation.
- Property, plant and equipment increased by $6.608m mainly due to the capitalisation of works completed on the PIRP project.

INTRODUCTION

The Department provides systems and services in order to provide an accessible system of Justice, protecting and respecting rights, and improving laws, influencing behaviour and enforcing responsibilities that will benefit the Tasmanian community as a whole.

KEY AREAS OF AUDIT ATTENTION

Description of Area	Audit Approach
The Department administers a substantial level of fees and fines, collected on behalf of other Government and local government instrumentalities.	We monitored and tested controls surrounding the collection of revenue and payments from the FIND system. We assessed the adequacy of the provision for impairment.
The diversity of the Department's responsibilities together with its numerous divisions operating from locations spread across the State.	We tested the design and effectiveness of internal controls. In addition to tests of controls, we performed substantive procedures around revenue and expenditure, including a review of interfaces and reconciliations between financial systems and the general ledger.
Property, plant and equipment may not be reported at fair value as required by AASB 13 *Fair Value Measurement*. All land and buildings were subjected to a full revaluation in 2012.	We tested: • significant movements between financial years to supporting documentation • disclosures in the financial statement to ensure compliance with the new standard.
The Department employs approximately 990 Full Time Equivalent employees, with employee expenses totalling approximately 60% of its recurrent expenditure. A large number of staff are paid by timesheet, whereas salaried staff are generally paid a set amount per fortnight. Employee entitlements represent amajor component of the Department's total liabilities.	We performed tests to obtain a sufficient level of assurance that employee expenses were not materially misstated and that employee annual and long service leave obligations were fairly recognised. Our approach included a combination of tests of internal controls and substantive procedures.
Backpay and Prison overtime payments had been areas where Audit had prior year findings.	We: • documented and performed walk-throughs of the overtime authorisation process at Risdon Prison • performed a combination of tests of internal controls and substantive procedures • performed re-calculation of a sample of back-pay payments.
The Department operates a number of Trust accounts which have a wide variety of purposes.	We performed probity tests on selected Trust Account balances.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2014. An unqualified audit report was issued on 15 August 2014.

KEY DEVELOPMENTS

Prison Infrastructure and Redevelopment Program (PIRP) Stage D project

This project continued this year however only $10.593m of the budgeted $16.370m had been drawn upon by 30 June 2014. Design and development was completed and construction was in progress. All construction is expected to be completed by 30 April 2015.

Sale of Hayes Prison Farm

In August 2012 the Hayes Prison Farm was placed on the market for sale and classified as an Asset held for sale. The sale is being managed by the Department of Treasury and Finance but the asset was not sold this year. As a result, the sale price was reviewed and the property was revalued by an independent valuer.

The Farm now has a carrying value of $3.300m (2013, $3.705m not including selling costs, which are expected to be immaterial). The revaluation resulted in a write down of $0.405m this year.

KEY FINDINGS

Five moderate risk audit findings were raised during the audit which were:

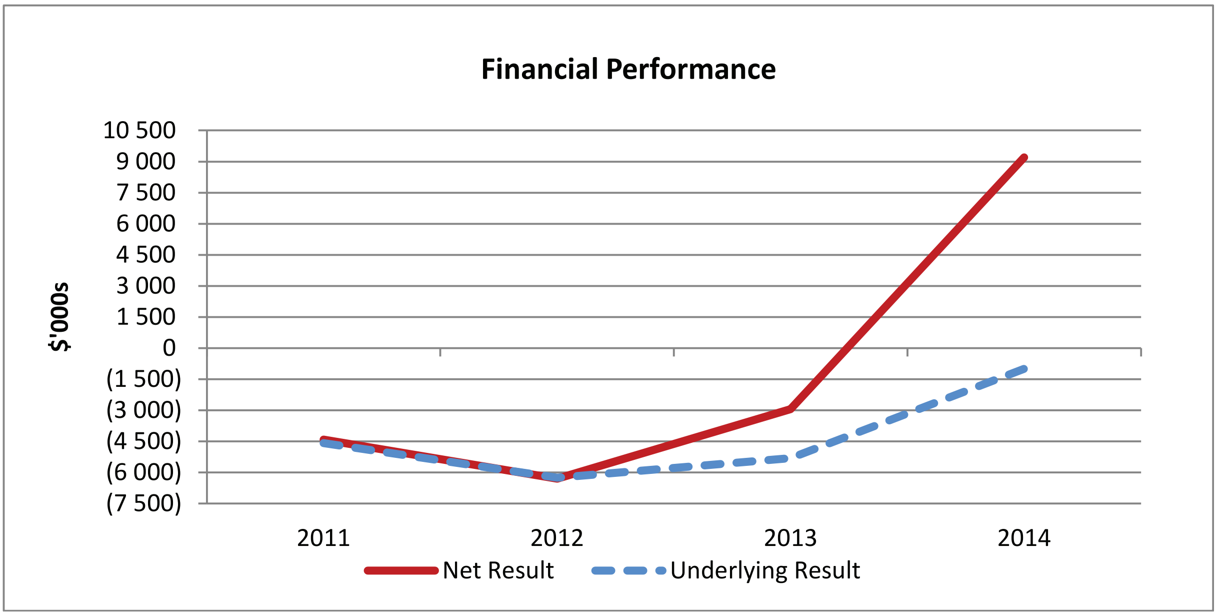
- two matters regarding the FIND system including lack of authorisation and review of masterfile changes and control deficiencies in access
- two payroll matters being calculation errors in backpays and overtime payments
- an out of date IT Security management and User policy. The Department is now working to meet the requirements of the whole of government information security policy.

All of these matters were reported to, and are being addressed by, management.

The audit was completed satisfactorily with no other items outstanding.

We also conducted testing of two Special Deposit and Trust Funds – the Rental Deposit Authority, T829, and the Supreme Court Suitors Fund, T460, during 2013-14. An understanding of the accounting processes and controls was documented, a selection of transactions was tested and year-end balances verified. There were no findings resulting from this testing.

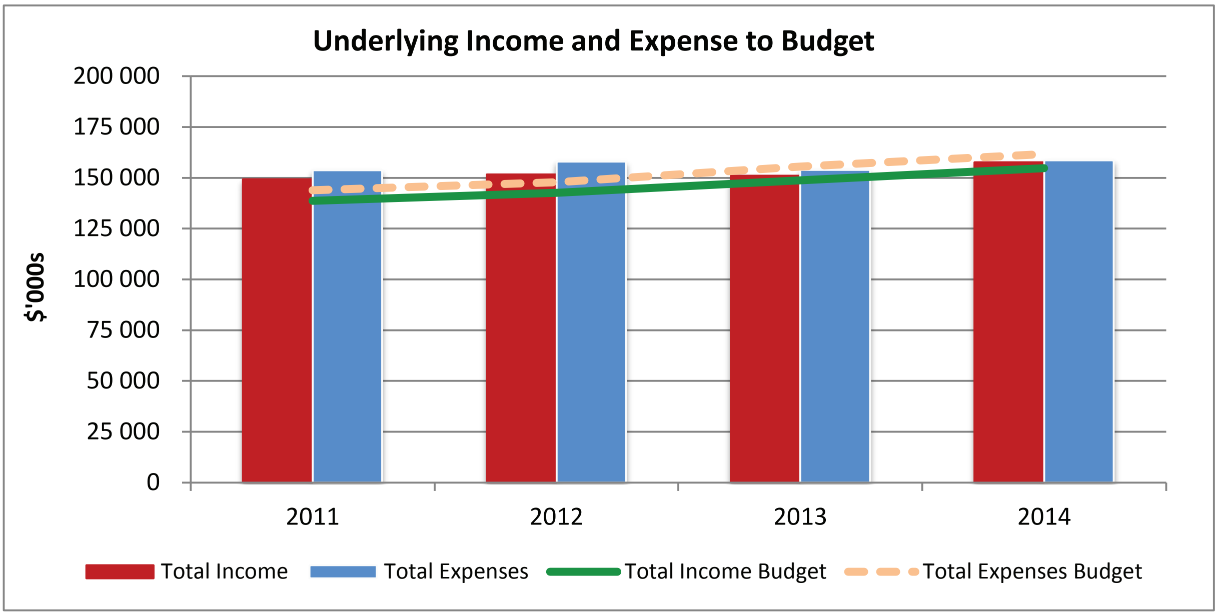
FINANCIAL ANALYSIS



The Underlying Result was a deficit of $0.992m (2012-13, $5.306m), a significant improvement of $4.314m on the previous year. The Underlying Result was a deficit in each of the last four years, however as the Department is not funded for items such as Depreciation, this was not unexpected.

The Department's Net Result improved in 2013-14 with a surplus of $9.196m reported (2012-13, $2.952m deficit). The improvement, $12.148m, was mainly due to increased capital appropriations for the PIRP project, $10.593m, including $2.137m of funds carried forward into 2014-15.

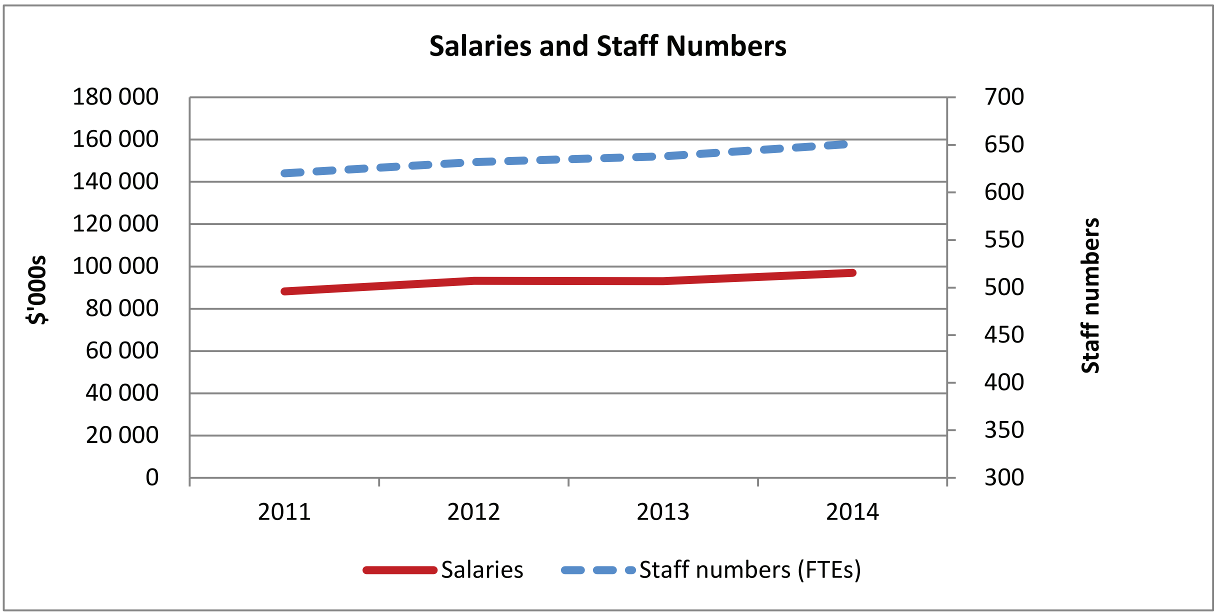
The large deficit in 2011-2012 was mainly due to a revaluation decrement, $9.307m, which resulted from a revaluation performed on land, buildings, prisons and other structures and library assets during that year.



The graph shows that, in each of the past two years, the Department operated within both its income and expenditure budgets. The trend and the differential in Total Income and Total Expenses indicated that the Department managed to contain its costs this year.

For 2013-14, the Underlying budget deficit was $7.046m compared to actual of $0.992m. Significant variances in budget to actual for this year included:

- Appropriation revenue – an additional $2.975m recurrent Appropriation revenue received, mainly funding provided for the Tasmania Prison Service, the new Mental Health Tribunal, the Poppy Advisory Control Board and the Tasmanian Electoral Commission.
- Employee entitlements were higher by $3.833m due to general wage increases, additional salaries for the new Mental Health Tribunal and for the Tasmanian Electoral Commission for the 2014 State Election
- Other supplies and consumables was lower by $1.488m mainly associated with the changes in election cycles for Local Government elections with this expenditure now being incurred in 2014-15 instead of 2013-14 and lower than anticipated consultancy costs.
- Other expenses were less by $3.870m primarily due to lower than anticipated award payments in regard to criminal injury compensation, the timing of payments associated with the Electrical Safety Inspection Service and lower than anticipated expenses associated with the Court Mandated Drug Diversion program.

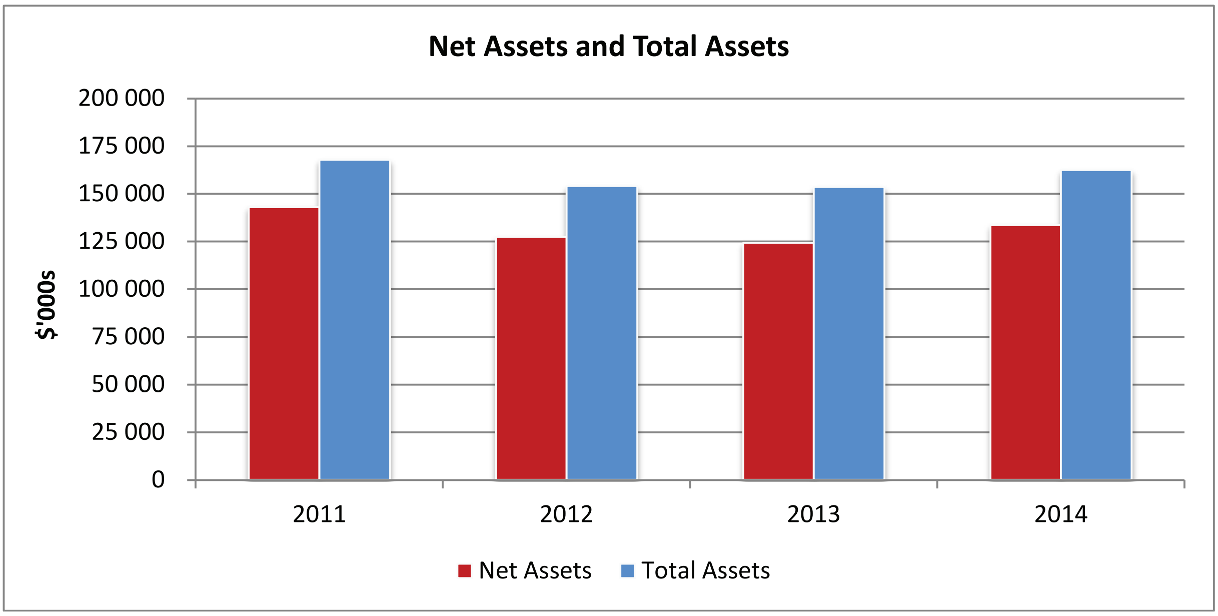


The graph shows that staff numbers increased over the review period. Employee benefit expenditure also rose over the review period but much of this increase related to 2011-12 where large increases resulted from the State Service Wage Agreement.

In 2013-14 employee expenditure increased $3.833m, or 4.0%, due to general wage increases, additional salaries for the new Mental Health Tribunal and for the Tasmanian Electoral Commission for the 2014 State Election. In addition, there was an increase in the Prison Service FTEs mainly aimed at reducing overtime taken at the prison. In 2013-14, total prison overtime was less than the previous two years being $3.525m (2012-13, $4.759m, and 2011-12, $5.056m).

Average staff costs remained relatively consistent over the review period. Average Departmental (non-Corrections staff) staff costs increased by 5.6% over the period of review whereas average Prison staff costs decreased over the period of review probably attributable to the reduction in the overtime.

Average recreational leave balances per FTE remained relatively consistent over the four year period. The ratio tended to exceed the bench mark as Corrective Services Officers are, in accordance with the *State Service Act 2000*, entitled to hold up to 80 days annual leave.



The Department's Net Assets and Total Assets were relatively consistent over the three years, but experienced a moderate decline after 2010-11. The large decrease in 2011-12 was due to the impact of an asset revaluation decrement of $9.307m on land, buildings, prisons and other structures and library assets.

The increase in Total and Net Assets at 30 June 2014 was due to the capitalisation of works related to the PIRP project. The Asset investment ratio for Prison buildings showed a very significant improvement due to the large expenditure, $9.659m on this project. However, the Asset sustainability ratio was well short of benchmark indicating the Department may be under-investing in existing Prison buildings. In 2014 the ratio was 38% and it averaged 22% over the past three years. However, this conclusion is subject to the Department adequately investing in maintenance.

For Buildings other than prisons, capital expenditure has been nil over the four year review period resulting in ratios of nil for both the Asset investment and Asset sustainability. This may indicate under-investment in these buildings.

Our Asset consumption ratios representing the Department's utilisation of its buildings, both Prison and other buildings, indicated that at 30 June 2014, the Department's buildings had remaining service potential well above our benchmark. However, this was because these assets were revalued as recently as 2012 and because these assets were reported by using the net method. That is, accumulated depreciation reverts to nil at the point of revaluation therefore giving the impression that the assets are new. Where this approach is allowed by accounting standards, we have recommended the Department report on a gross basis in future.

ADMINISTERED FINANCIAL TRANSACTIONS

Administered transactions are those that the Department manages on behalf of Government.

The Department's administered statements primarily related to the enforcement of monetary penalties, Asbestos Compensation Commissioner and the WorkCover Tasmania Board.

In 2013-14, a Net Underlying Deficit was recorded, $1.309m (2012-13, $0.608m deficit). The Net result was a deficit of $3.054m a large increase from the $0.358m deficit in 2012-13.

Changes in the Net result will be impacted by the net differences between receivables and payables adjustments relating to the Asbestos Compensation Scheme. This year it was net revenue of $0.943m where in 2012-13 a net expense of $1.144m was recorded. In addition, the amount of the Impairment of fines collection receivables can have a material impact. This year there was an increase in the provision of $2.688m ($1.394m decrease). Over the four year period of review, the Provision for impairment has shown a large decrease.

Actual revenue, $38.301m, was $6.401m less than budgeted revenue of $44.711m with lower fines and fees collected. Total expenditure was $19.914m which was close to budgeted expenditure. This resulted in transfer to the Consolidated fund of $19.696m which was $5.484m less than budget.

Fees and fines received during the year amounted to $22.825m (2012-13, $20.481m). Outstanding fees and fines are one of the Department's largest administered receivables. The table below summarises these receivables and related impairment assessments.

	2013-14	2012-13	Movement
	$'000s	$'000s	$'000s
Fines Collection Receivables	61 221	61 447	(226)
Provision for impairment	(4 129)	(1 441)	(2 688)
Provision for expected remissions	(8 188)	(8 040)	(148)
Net Fines Receivable	**48 904**	**51 966**	**(3 062)**

Statement of Comprehensive Income

	2013-14 Budget	2013-14 Actual	2012-13 Actual	2011-12 Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from Government – recurrent	129 157	132 132	124 722	129 085
Grants	6 039	6 671	6 396	877
Sale of goods and services	3 854	2 849	2 872	5 954
Fees and fines	9 804	9 190	8 726	8 313
Other revenue	5 849	6 736	5 782	6 651
Total Revenue	**154 703**	**157 578**	**148 498**	**150 880**
Employee entitlements	95 025	96 941	93 108	93 151
Depreciation and amortisation	5 085	5 404	5 651	5 113
Grants and subsidies	12 670	12 621	12 711	12 420
Impairment losses (gains) on receivables	0	(7)	(89)	722
Other expenses	48 969	43 611	42 423	45 732
Total Expenses	**161 749**	**158 570**	**153 804**	**157 138**
Underlying Surplus (Deficit)	**(7 046)**	**(992)**	**(5 306)**	**(6 258)**
Capital appropriations	16 370	10 593	2 240	823
Net gain (loss) on non – financial assets	0	(405)	114	(860)
Net Surplus (Deficit)	**9 324**	**9 196**	**(2 952)**	**(6 295)**
Other Comprehensive Income				
Changes in physical asset revaluation reserve	0	0	0	(9 307)
Comprehensive Surplus (Deficit)	**9 324**	**9 196**	**(2 952)**	**(15 602)**

Statement of Financial Position

	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	19 536	17 356	15 654	15 999
Receivables	1 342	803	865	1 712
Non-financial Assets				
Inventory	454	431	476	386
Assets held for sale	3 300	3 705	0	0
Property, plant and equipment	134 329	127 721	133 048	145 645
Intangibles	3 366	3 471	3 930	4 022
Total Assets	**162 327**	**153 487**	**153 973**	**167 764**
Liabilities				
Payables	1 606	2 260	2 319	3 059
Employee entitlements	25 325	24 780	23 586	20 537
Other liabilities	1 914	2 161	830	1 261
Total Liabilities	**28 845**	**29 201**	**26 735**	**24 857**
Net Assets	**133 482**	**124 286**	**127 238**	**142 907**
Reserves	31 517	31 517	31 517	40 824
Accumulated funds	101 965	92 769	95 721	102 083
Total Equity	**133 482**	**124 286**	**127 238**	**142 907**

Statement of Cash Flows

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Receipts from Government – recurrent	132 132	124 723	129 085	128 203
Sales of goods and services, fees and fines and grants	18 925	18 089	15 257	13 964
GST receipts	5 453	4 870	5 058	5 101
Other cash receipts	6 361	5 779	6 699	6 786
Payments to employees	(96 419)	(92 280)	(90 376)	(86 412)
Payments to suppliers	(56 800)	(55 047)	(59 683)	(59 323)
GST payments	(5 826)	(4 770)	(5 154)	(4 855)
Interest payments	0	(7)	(9)	0
Cash from (used in) Operations	**3 826**	**1 357**	**877**	**3 464**
Receipts from Government – capital	10 370	3 700	1 500	100
Proceeds from disposal of non-financial assets	0	174	0	0
Payments for acquisition of assets	(12 016)	(3 529)	(2 930)	(2 177)
Cash outflow on administrative restructure	0	0	208	(2 524)
Cash from (used in) Investing Activities	**(1 646)**	**345**	**(1 222)**	**(4 601)**
Net Increase (Decrease) in Cash	**2 180**	**1 702**	**(345)**	**(1 136)**
Cash at the beginning of the year	17 356	15 654	15 999	17 136
Cash at End of the Year	**19 536**	**17 356**	**15 654**	**15 999**

Financial Analysis

	Bench Mark	2013-14	2012-13	2011-12	2010-11
Financial Performance					
Underlying surplus (deficit) ($'000s)		(992)	(5 306)	(6 258)	(4 591)
Own source revenue ($'000s)		18 775	17 380	20 918	20 451
Financial Management					
Debt collection	30 days	13	9	13	38
Creditor turnover	30 days	5	6	8	12
Asset Management					
Prison Buildings					
Asset investment ratio*	>100%	388%	111%	49%	N/a
Asset sustainability ratio*	100%	38%	9%	19%	N/a
Asset consumption ratio*	>60%	92%	95%	99%	94%
Buildings					
Asset investment ratio*	>100%	0%	0%	0%	N/a
Asset sustainability ratio*	100%	0%	0%	0%	N/a
Asset consumption ratio*	>60%	95%	96%	99%	95%
Other Information					
Department – Average staff numbers (FTEs)**		651	638	632	620
Prison – Average staff numbers (FTEs)**		388	367	347	349
Total Average Staff Numbers (FTEs)		**1 039**	**1 005**	**979**	**969**
Department – Average staff costs ($'000s)		94	90	94	89
Prison – Average staff costs ($'000s)		92	98	98	95
Total Average Staff Costs ($'000s)		**93**	**94**	**96**	**92**
Average recreational leave balance per FTE (days)	20	35	37	37	37
Average long service leave balance per FTE (days)	100	70	70	70	70

** Information not available to calculate ratio for all or some years and for Buildings there has been no capital expenditure over the review period.*

*** Does not include employees of Director of Public Prosecutions, Office of the Ombudsman and Legal Aid Commission.*

ADDITIONAL FINANCIAL INFORMATION

Administered Financial Transactions

Administered Income and Expenses

	2013-14 Budget	2013-14 Actual	2012-13 Actual	2011-12 Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from Government – recurrent	0	0	0	335
Sales of goods and services, fees and fines	35 553	22 872	20 547	24 875
Other revenue	9 158	15 429	16 402	10 060
Contribution received	0	0	0	8 250
Total Revenue	**44 711**	**38 301**	**36 949**	**43 520**
Grants and subsidies	225	925	373	889
Employee entitlements	2 578	3 324	2 547	2 645
Depreciation and amortisation	0	102	2	2
Other expenses	16 957	15 563	15 070	12 346
Total Expenses	**19 760**	**19 914**	**17 992**	**15 882**
Underlying Surplus (Deficit)	**24 951**	**18 387**	**18 957**	**27 638**
Transfer to Consolidated Fund	25 180	19 696	19 565	25 915
Other Economic Flows Included in Net Result	**(229)**	**(1 309)**	**(608)**	**1 723**
Reversal of Impairment of accounts receivable	0	(2 688)	1 394	2 660
Increase (Decrease) in Provision for compensation payable	0	(2 275)	19 480	(137 120)
Increase (Decrease) in Future levies receivable	0	3 218	(20 624)	131 210
Net Surplus (Deficit)	**(229)**	**(3 054)**	**(358)**	**(1 527)**
Comprehensive Surplus (Deficit)	**(229)**	**(3 054)**	**(358)**	**(1 527)**

Administered Statement of Financial Position

	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash	8 097	8 222	8 410	2 807
Future asbestos compensation levies receivable	113 803	110 586	131 270	54 094
Fines collection receivable	48 906	51 968	52 529	0
Other receivables	829	1 629	134	0
Non-financial assets				
Equipment and intangibles	904	958	790	393
Total Assets	**172 539**	**173 363**	**193 133**	**57 294**
Liabilities				
Provision – compensation payments for reported claims	3 383	3 022	6 524	0
Provision – estimated compensation for future claims	116 532	114 618	130 596	0
Other liabilities	3 165	3 212	3 142	0
Total Liabilities	**123 080**	**120 852**	**140 262**	**0**
Net Assets	**49 459**	**52 511**	**52 871**	**57 294**
Accumulated funds	49 459	52 513	52 871	54 398
Total Equity	**49 459**	**52 513**	**52 871**	**54 398**

DEPARTMENT OF POLICE AND EMERGENCY MANAGEMENT

SNAPSHOT

- An Underlying Result, being a deficit of $7.554m (2013, $6.790m) was reported. Before accounting for depreciation the Department's result would have been a small Underlying Surplus.
- Depreciation expense for 2013-14 was $10.025m mainly as a result of commissioning the Tasmanian Mobile Radio Network (TMRN) Digital upgrade resulting in higher depreciation and amortisation charges.
- At 30 June 2014 the Department's Net Assets totalled $149.091m with its most significant asset being Property, plant and equipment, $200.473m, offset by its largest liability Employee benefits, $51.813m. The Department purchased electronic devices (tablets) for all police officers in 2013-14.

Other major developments this year included:

- completion of the TMRN digital upgrade project, $14.434m
- provision of policing services at the Pontville Detention Centre, $1.570m, funded by the Commonwealth Department of Immigration and Citizenship
- Glenorchy Divisional Headquarters upgrade, $6.150m.

Major variations between the 2013-14 and 2012-13 financial years included:

- lower cash and deposits due to Section 8A carry forward in 2012-13 to fund the redevelopment and refurbishment of the Glenorchy Headquarters
- lower Interest bearing liabilities related to $4.328m repayment of loan raised from the Department of Treasury and Finance (Treasury) of $6.233m which was used to fund redundancy payments for 69.4 FTEs during 2012-13
- lower other liabilities due to smaller Section 8A (2) carry forward at 30 June 2014.

The audit was completed satisfactorily with no major matters outstanding.

INTRODUCTION

The Department is comprised of Tasmania Police, the State Emergency Service (SES), Forensic Science Service Tasmania (FSST) and the Tasmania Fire Service (TFS). TFS produces separate financial statements which are not consolidated into the Department's financial statements. Refer to separate Chapter in this Volume for an analysis of TFS's financial performance.

The Department aims to:

- provide a high-visibility front-line service
- ensure people feel safe and are safe in public places
- reduce the impact of crime and continue the increase in crime clearance
- improve traffic law compliance
- enhance delivery of emergency and security management.

KEY AREAS OF AUDIT ATTENTION

Description of Area	Audit Approach
Additional funding was provided by the State Government over a four-year period, commencing 2013-14, to recruit and employ additional police. The recruitment time frames for 2013-14 were: • 10 fast-trackers (September 2013) • 25 recruits (August 2013) • 10 fast-trackers (January 2014) • 25 recruits (March 2014).	Reviewed controls over new employees in the payroll system and ensured that employee details and remuneration were correct and in accordance with relevant awards.
Found cash and money seized as a result of police operations are deposited into the Department's Collection bank account and recognised as revenue to the Department. An expense is recognised when a payment is made to any of the following parties: • the claimer • the offender • The Consolidated Fund is held by the Department of Treasury and Finance. The accumulated balance of found/seized money was approximately $1.0 million as at 5 December 2013. Department's current accounting treatment of recognising found/seized money as revenue appears to conflict with the accounting principle of 'control'.	Reviewed the accounting treatment of found and seized money and discuss any issues over the accounting treatment with management.
Major capital works program in 2013-14 includes: • redevelopment and refurbishment of divisional headquarters, with property being purchased for the Glenorchy Police Station. The project is expected to cost $5.165m. • construction of new and renovation of existing police residences and stations at St Mary's, Smithton and Queenstown.	Performed audit procedures to obtain a sufficient level of assurance including: • vouch transactions to supporting documentation • review capital costs and ensure they are correctly recorded.
The Department employed approximately 1 423 FTE employees (as at 30 June 2013), with employee expenses accounting for approximately 73% of the Department's total expenditure in 2012-13. Employee entitlements represented over 77% of the Department's total liabilities (as at 30 June 2013).	Performed audit procedures to obtain a sufficient level of assurance that employee expenses were not materially misstated and that employee annual and long service leave obligations were fairly stated. Audit work involved a combination of testing internal controls and substantive procedures.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2014. An unqualified audit report was issued on 24 September 2014.

KEY DEVELOPMENTS

Tasmanian Mobile Radio Network (TMRN) digital upgrade

TMRN project was completed in August 2013. This project involved upgrading statewide digital communication for Department radio users. Total cost of the project was $14.434m. Commissioning this cost in 2013-14 resulted in higher Depreciation and amortisation charges.

Redevelopment of Glenorchy Divisional Headquarters

The Department's new Glenorchy Headquarters is situated at Main Road, Glenorchy and was officially opened on 5 September 2014. The new complex, which cost $6.150m, offers better working conditions and is equipped to provide 24-hour policing activities to meet the needs of the community.

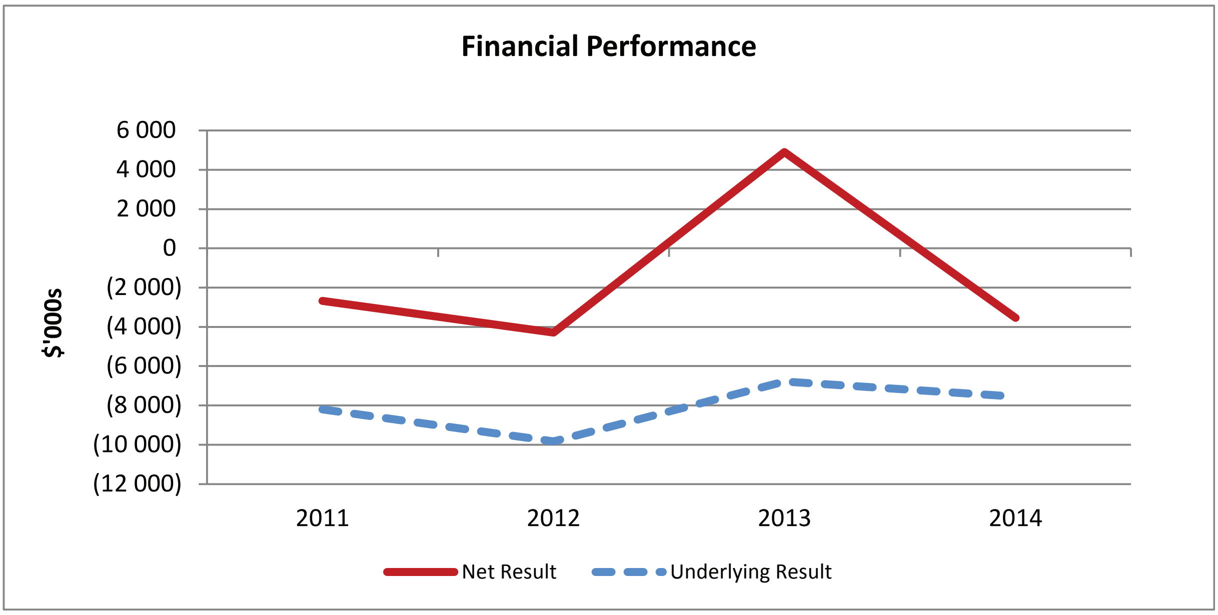
Pontville Detention Centre

During 2013-14, the Department received funds from the Commonwealth Department of Immigration and Citizenship, $1.570m, for the provision of policing services at the Pontville Detention Centre.

KEY FINDINGS

The audit was completed satisfactorily with no key items outstanding. There was only one moderate risk matter noted, related to an instance of payment authorisation outside of approved delegations. The matter was discussed with management who are undertaking corrective action.

FINANCIAL ANALYSIS



The Department consistently recorded Underlying Deficits over the four-year period under review which is expected as it is not funded for depreciation or movements in employee entitlements. Excluding Depreciation and amortisation expenses, the Department would have operated close to break-even.

The Department's Net Result deteriorated in 2013-14, being a deficit of $3.534m, a decrease of $8.441m on the 2013-13 surplus of $4.907m. The deficit result was impacted by:

- the write-down of the former Glenorchy Police Station, $1.145m.
- lower capital funding revenue, $5.165m compared to $8.585m in 2012-13.

The Net Result surplus in 2012-13 was due to $6.325m to fund the TMRN digital upgrade project and $3.392m appropriation revenue for works and services.

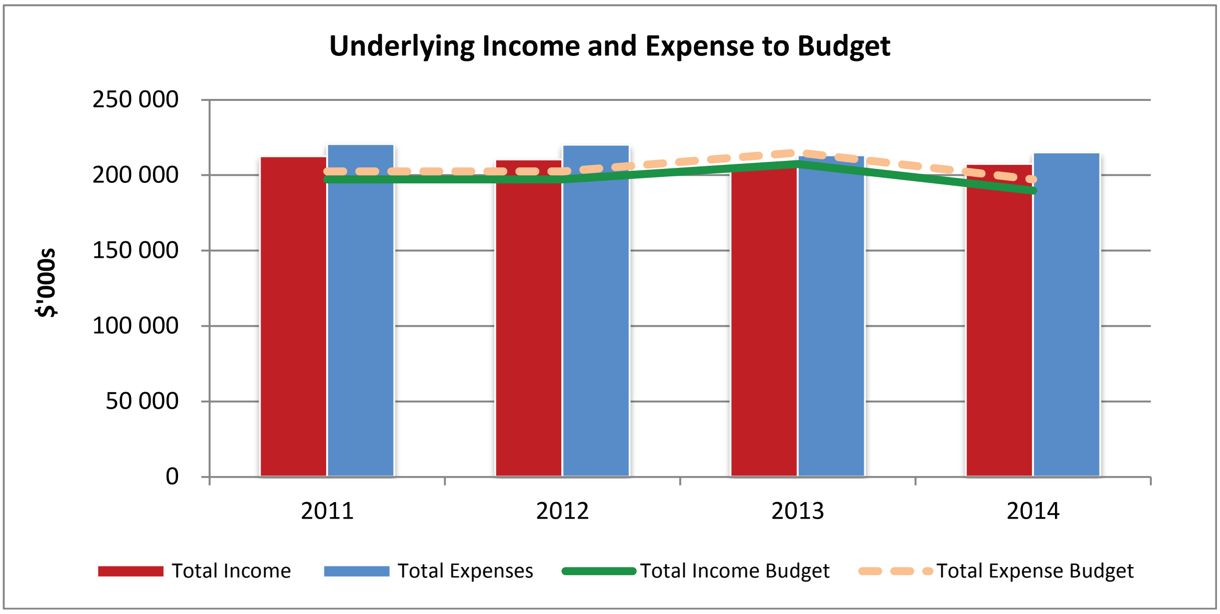
Total Income and Expenses in 2013-14 were relatively consistent with 2012-13 though a number of offsetting movements occurred as detailed below.

Total Income included additional appropriation revenue for supplementary funding of Project U-Turn, $0.600m, implementing recommendations of the Tasmanian Bushfire Inquiry report after the 2013 Dunalley bushfire, $0.660m, and Department of Immigration and Citizenship funding for policing at the Pontville Detention Centre, $1.570m. These were partly offset by lower Other revenue of $1.722m mainly due to decreased National Partnership Program funding and TMRN digital upgrade funding.

Total Expenses included increases in the following:

- Depreciation expenses, $2.959m, primarily due to amortisation of $2.584m relating to TMRN Digital upgrade asset (completed in August 2013)
- Information and technology expenses, $2.743m, mainly related to the purchase of electronic devices (tablets) for all police officers and increased license fees for additional computers
- operational equipment expenses, $0.620m, which related to purchase of equipment including the speed detection equipment.

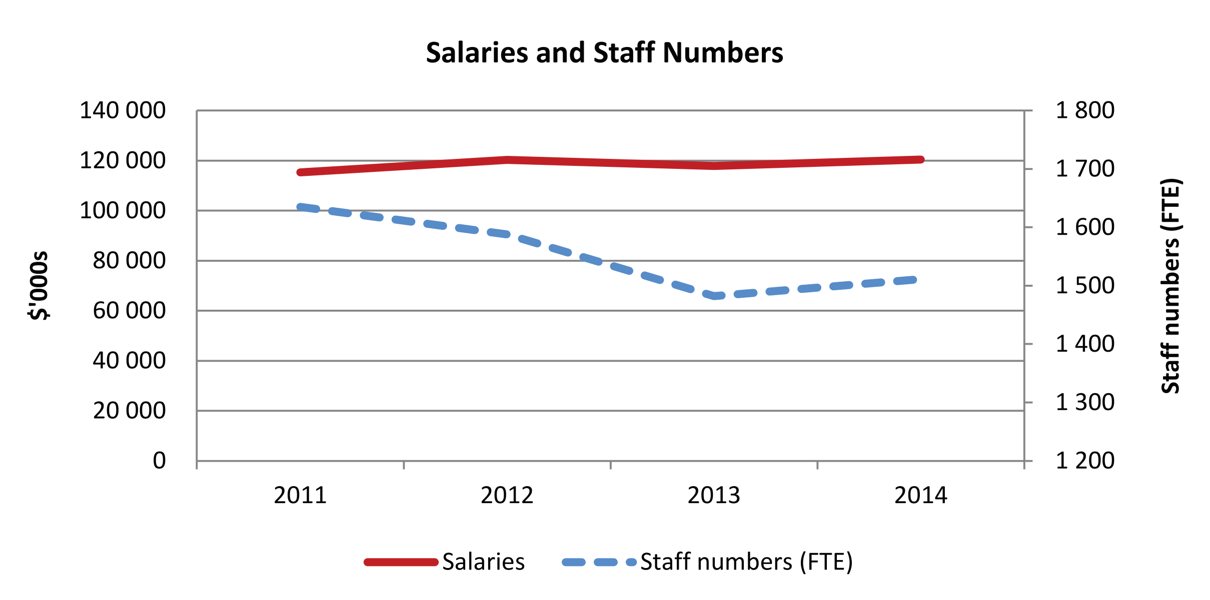
Increases in expense items were partly offset by lower Employee benefits expenses, $1.948m, mainly because 2012-13 included separation payments, $6.233m for 69.4 FTEs, partially offset by higher wages and salaries and long service leave costs. The higher wages and salaries and long service leave costs resulted from a pay increase in December 2013 of 2% and from annual increments.



Total Expenses were higher than Total Income in each year of the four years under review, a trend also consistent with Budget estimates. This was mainly caused by the Department not being funded for Depreciation and amortisation and movement in employee entitlements.

Both Total Income and Total Expenses exceeded respective budget amounts in three of the four years under review due to unbudgeted additional revenue and/or expenses. Significant variance in budget to actual for this year was mainly due to higher Appropriation revenue, $5.128m. This included:

- funding for the refurbishment of police residence and upgrade relating to Glenorchy Police Station, $2.254m.
- funding received for the Project U-Turn, $0.600m.
- implementation of recommendations of the Tasmanian Bushfire Inquiry as mentioned earlier, $0.660m.
- Department of Immigration and Citizenship funding for the Pontville Detention Centre, $1.570m.

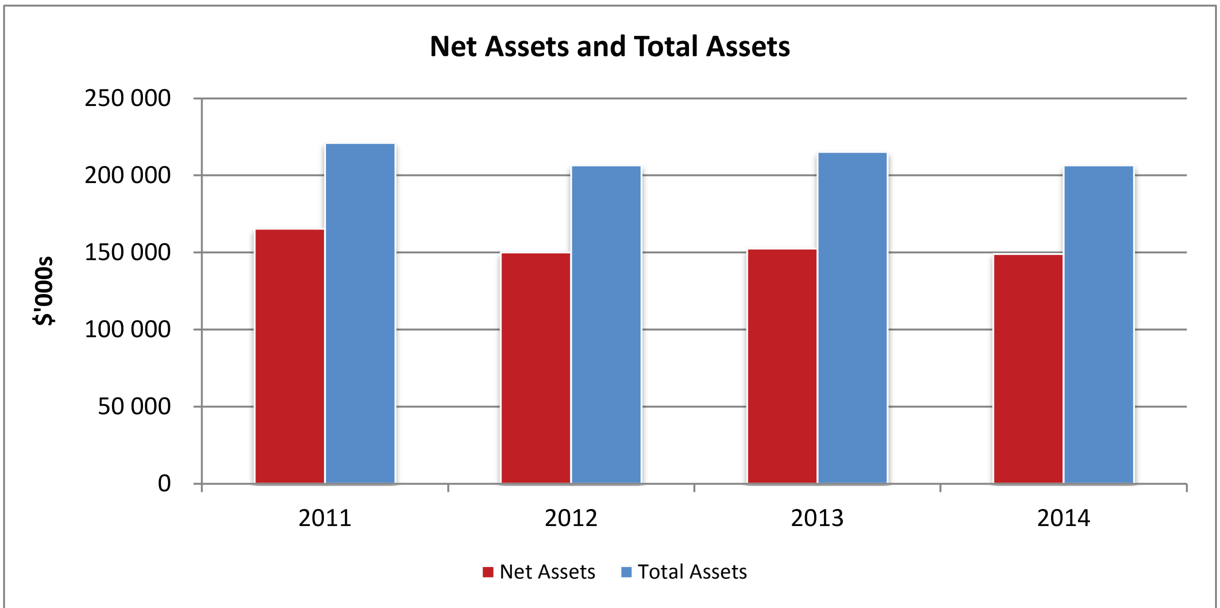


Since 2011 the Department reduced staff numbers. Salaries in 2012-13 included separation payments for 69.4 FTEs and in 2011-12 included Workforce Renewal Incentive Program for 11 FTEs and targeted voluntary redundancy arrangements for 22.34 FTEs.

Over the period 2011 to 2014, average staff numbers decreased by 124 FTE due to a combination of the Department entering into targeted voluntary redundancy arrangements and the Workforce Renewal Incentive Program.

A loan of $6.233m from Treasury was used to fund the service component of employment separation payments for 69.4 FTEs in 2012-13.

Employee numbers and employee expenses increased slightly in 2014 mainly due to the recruitment of 72 new police officers, partially offset by terminations during the year.



The Department's Net Assets and Total Assets were relatively consistent over the four year period under review.

Total and Net Assets at 30 June 2013 were impacted by redevelopment of Devonport Police Headquarters, $5.380m, and construction of police residences and stations in Cygnet and St Marys, $0.755m.

Cash and deposits decreased by $4.777m. This was mainly due to the carry forward of the funds received in 2012-13 for the refurbishment of the Glenorchy Police Station.

Net Assets at 30 June 2014 totalled $149.091m, a $3.534m decrease primarily as a result of Comprehensive Deficit for the year.

Asset management ratios declined in comparison to prior year. The Asset investment and consumption ratios for two of the four years under review have remained well above the benchmark, as capital expenditure was higher than the depreciation consumed. In 2012-13 these ratios were extraordinarily high due to major capital expenditure relating to Devonport Police Headquarters and the construction of new police residences and stations.

ADMINISTERED FINANCIAL TRANSACTIONS

Administered transactions are those that the Department manages on behalf of Government. These transactions are not shown in the Department's Statement of Comprehensive Income, Statement of Financial Position or Cash Flow Statement and relate primarily to Police Academy board payments, firearms registration, licence fees and found and confiscated proceeds.

Statement of Comprehensive Income

	2013-14 Budget	2013-14 Actual	2012-13 Actual	2011-12 Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from Government				
Appropriation revenue – recurrent	182 241	187 369	183 981	190 982
Grants	0	2 970	3 169	2 853
Contributions received	3 464	0	400	0
Other revenue	4 080	17 079	18 801	16 481
Total Revenue	**189 785**	**207 418**	**206 351**	**210 316**
Employee benefits	150 012	153 556	155 504	155 270
Depreciation and amortisation	7 190	10 025	7 067	7 314
Supplies and consumables	36 202	46 526	42 118	41 318
Grants and subsidies	1 483	2 142	2 573	5 978
Other expenses	2 438	2 723	5 879	10 261
Total Expenses	**197 325**	**214 972**	**213 141**	**220 141**
Underlying Surplus (Deficit)	**(7 540)**	**(7 554)**	**(6 790)**	**(9 825)**
Appropriation revenue – works and services	0	0	3 392	560
Other capital revenue from Government	0	5 165	2 260	1 504
Other revenue – TMRN digital upgrade	0	0	6 325	5 711
Net gain (loss) on sale of non-financial assets	0	(1 145)	(123)	(1 482)
Impairment of non-financial assets	0	0	0	(756)
Net gain (loss) on financial instruments	0	0	(157)	0
Net Surplus (Deficit)	**(7 540)**	**(3 534)**	**4 907**	**(4 288)**
Other Comprehensive Income				
Changes in physical asset revaluation reserves	22 471	0	0	(9 114)
Comprehensive Surplus (Deficit)	**14 931**	**(3 534)**	**4 907**	**(13 402)**

Statement of Financial Position

	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	3 516	8 293	4 443	6 978
Receivables	1 163	1 749	1 456	1 039
Other financial assets	98	80	386	760
Non-financial Assets				
Inventory	782	628	863	669
Assets held for sale	0	0	1 630	1 761
Property, plant and equipment	200 473	201 510	196 700	209 119
Intangible	661	1 280	0	0
Other non-financial assets	1 530	1 744	1 097	795
Total Assets	**208 223**	**215 284**	**206 575**	**221 121**
Liabilities				
Payables	3 395	2 178	3 224	3 389
Interest bearing liabilities	1 905	6 233	0	0
Employee benefits	51 813	48 591	50 262	47 905
Other liabilities	2 019	5 657	3 009	4 420
Total Liabilities	**59 132**	**62 659**	**56 495**	**55 714**
Net Assets	**149 091**	**152 625**	**150 080**	**165 407**
Accumulated funds	37 820	41 354	37 239	41 043
Reserves	111 271	111 271	112 841	124 364
Total Equity	**149 091**	**152 625**	**150 080**	**165 407**

Statement of Cash Flows

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Receipts from Government – recurrent	187 369	183 981	190 982	193 073
Grants	2 978	3 162	2 853	3 152
GST receipts	6 143	6 366	6 416	6 317
Other cash receipts	16 867	18 633	16 044	16 875
Payments to employees	(150 496)	(157 701)	(153 143)	(152 733)
Payments to suppliers	(45 355)	(42 871)	(40 776)	(41 556)
Grants and transfer payments	(2 020)	(2 709)	(5 818)	(3 323)
Other cash payments	(2 425)	(6 126)	(13 339)	(13 145)
GST payments	(6 231)	(6 314)	(6 388)	(6 304)
Cash from (used in) Operations	**6 830**	**(3 579)**	**(3 169)**	**2 356**
Revenue from Government – works and services	0	8 557	2 820	4 430
Other revenue – TMRN digital upgrade	2 440	6 325	5 711	1 392
Proceeds from disposal of assets		218	1 600	0
Payments for acquisition of assets	(9 486)	(13 904)	(9 495)	(8 292)
Cash from (used in) Investing Activities	**(7 046)**	**1 196**	**636**	**(2 470)**
Proceeds from borrowings	0	6 233	375	0
Repayment of borrowings	(4 561)	0	(377)	0
Cash from (used in) Financing Activities	**(4 561)**	**6 233**	**(2)**	**0**
Net Increase (Decrease) in Cash	**(4 777)**	**3 850**	**(2 535)**	**(114)**
Cash at the beginning of the year	8 293	4 443	6 978	7 092
Cash at End of the Year	**3 516**	**8 293**	**4 443**	**6 978**

Financial Analysis

	Bench Mark	2013-14	2012-13	2011-12	2010-11
Financial Performance					
Underlying surplus (deficit) ($'000s)		(7 554)	(6 790)	(9 825)	(8 193)
Own source revenue ($'000s)		17 079	18 801	16 481	16 189
Operating margin	>1.0	0.96	0.97	0.96	0.96
Financial Management					
Debt collection	30 days	15	30	27	16
Creditor turnover	30 days	21	12	14	16
Asset Management					
Buildings					
Asset investment ratio**	>100%	180%	191%	68%	96%
Asset sustainability ratio**	100%	148%	167%	37%	96%
Asset Consumption ratio**	100%	123%	118%	N/a	N/a
Other Information					
Average staff numbers (FTEs)		1 511	1 482	1 588	1 635
Average staff costs ($'000s)		102	105	98	95
Average recreational leave per FTE (days)	30*	27	27	28	30
Average long service leave per FTE (days)	100	54	53	52	50

* *Police officers are entitled to 30 annual leave days.*

** *Ratio not available in some years.*

ADDITIONAL FINANCIAL INFORMATION

Administered Income and Expenses

	2013-14 Budget	2012-13 Actual	2011-12 Actual	2010-11 Actual
	$'000s	$'000s	$'000s	$'000s
Sales of goods and services	225	239	169	150
Fees and fines	1 000	2 273	1 067	1 569
Total Revenue	**1 225**	**2 512**	**1 236**	**1 719**
Transfer to Consolidated Fund	1 225	2 512	1 236	1 719
Total Expenses	**1 225**	**2 512**	**1 236**	**1 719**
Net Surplus (Deficit)	**0**	**0**	**0**	**0**
Comprehensive Surplus (Deficit)	**0**	**0**	**0**	**0**

DEPARTMENT OF PREMIER AND CABINET

SNAPSHOT

- The Department reported an Underlying Deficit of $2.551m this year, $0.823m above the budgeted deficit and $0.888m higher than the Underlying Deficit of $1.663m reported last year.
- The Department has administrative responsibility for the Tasmanian Community Fund (TCF). Administered receipts from Government of $6.079m in 2013-14 were solely for the purpose of funding the TCF.

Major developments in 2013-14 included:

- An increase in post-employment payments of $1.102m associated with turnover of staff due to the change of Government of which termination payments in 2014 were $1.532m compared to $0.604m in 2013. The increase was not unexpected.
- Total payments as a result of termination payments (including Annual Leave/Long Service Leave) in 2014 were $3.126m (2013, $1.032m).

Major variations between the 2013-14 and 2012-13 financial years were:

- Higher Appropriation revenue of $2.714m. The increase covered a variety of additional grants, mainly for bushfire recovery efforts as well as additional funding received for change of Government, $4.476m. This was offset by a reduction in funding for a number of programs as well as a reduction for a full year budget effect of payroll tax no longer being paid by the Department.
- Lower other revenue of $2.535m due to a reduction in transfers from other agencies. This related to funds received in 2012-13 of $4.037m from the Department of Treasury and Finance for the bushfire recovery efforts. This was offset by higher donations and contributions received from the Australian Red Cross and the community towards bushfire recovery efforts.
- Expenditure on supplies and consumables decreased, $3.868m, predominantly relating to expenditure for bushfire recovery efforts in 2012-13. These costs mainly relate to employment of contractors to help with the bushfire recovery process.

Major variations between actual and budget were:

- bushfire appeal donations of $2.333m received and not budgeted for. The unbudgeted funds corresponded with the increase in donation expenditure against budget
- increase in unbudgeted termination payments of $1.532m.

The audit was completed satisfactorily with no major items outstanding.

INTRODUCTION

The Department is a central agency of the Tasmanian State Government. It provides a broad range of services to Cabinet, other members of Parliament, government agencies and the community. It works closely with the Public sector, the community, local government, the Australian Government and other state and territory governments.

In addition, it is responsible for two commercial operations:

- TMD, which provides telecommunication and computing services to agencies and management of government's Networking Tasmania contract
- Training Consortium, which operates within the State Service Management Office and coordinates the delivery of training and/or consultancy services in a wide range of areas.

The Department also provides administrative support to the TCF, Tasmanian Early Years Foundation and the Anzac Day Trust. The TCF is separately accountable and reports directly to Parliament.

KEY AREAS OF AUDIT ATTENTION

Description of Area	Audit Approach
The provision of telecommunication and computing services to government agencies by TMD is an important aspect of the Department's operations. TMD generates in excess of $30.000m annually using complex legacy systems and has key staff dependencies.	We documented and tested controls surrounding the main financial systems at TMD, and performed substantive procedures over transactions associated with the provision of its services.
TMD relies heavily on external service providers with a number of contracts in excess of $1.000m. This impacted operating expenditure, fixed assets and/or intangible asset balances.	We tested control effectiveness and performed substantive testing against supporting documents.
The Department and TMD have separate general ledger systems. TMD prepares financial statements based on information extracted from its general ledger. These statements are then consolidated into the Departmental financial statements. The consolidation process is manual, increasing the risk that some internal transactions may not be eliminated or some transactions may be eliminated incorrectly.	We tested the consolidation process and examined elimination entries against supporting documentation.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 13 August 2014. An unqualified audit report was issued on 17 September 2014.

KEY DEVELOPMENTS

Modern Communications Program

Further to my comments in my Report No. 2 of 2012-13, the Department is progressing the Modern Communications Program, a group of projects designed for the Government's Voice Strategy. It is a whole-of-government initiative to progressively implement new Voice over Internet Protocol services (VoIP) for all government agencies. VoIP technology will replace current traditional copper-based telephony networks, and other associated services, with an integrated voice network and services. The project is aimed at improving ways for different Government agencies and business units to work together more efficiently and effectively and create opportunities to improve business processes.

TMD spent $1.840m in 2013-14 (2012-13, $1.162m) on the Modern Communications Program funded internally using the TMD's operating funds. Costs incurred by TMD related to professional hours and associated costs in transitioning agencies from the current Spectrum service to VoIP. The program is due to be completed in mid-July 2015.

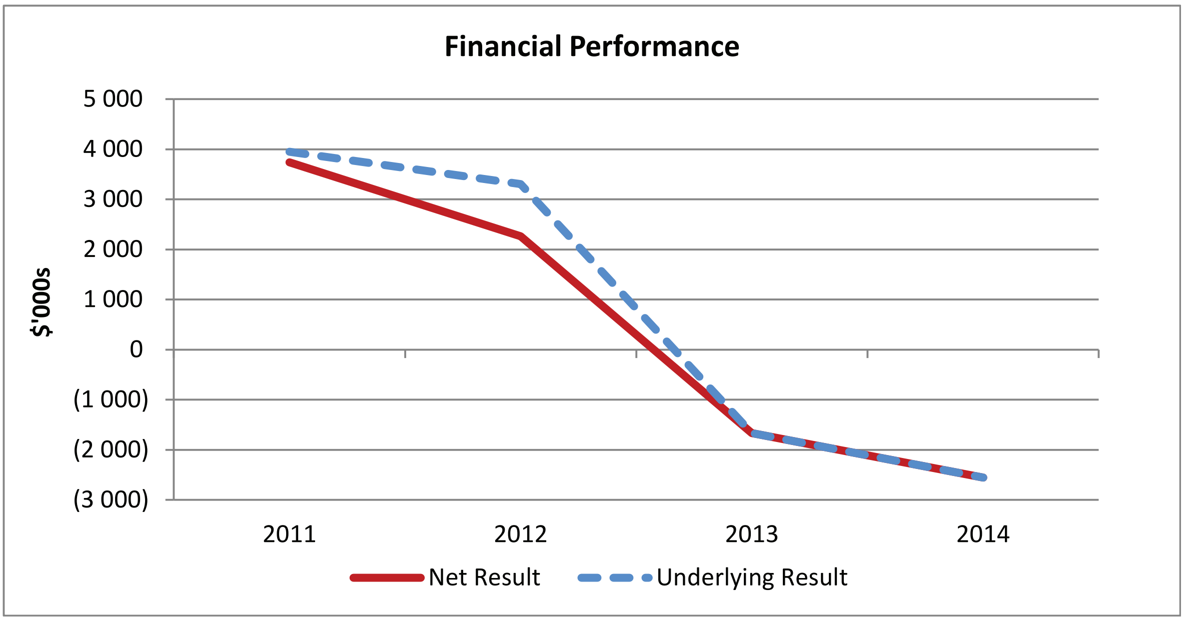
Employee terminations

The State Election held on 15 March 2014 resulted in the election of a new Government. The change in Government resulted in the termination of 112 employees, 67 of whom received severance payments. The financial impact of termination payments was $1.532m, with total payments including employee entitlements amounting to $3.126m.

KEY FINDINGS

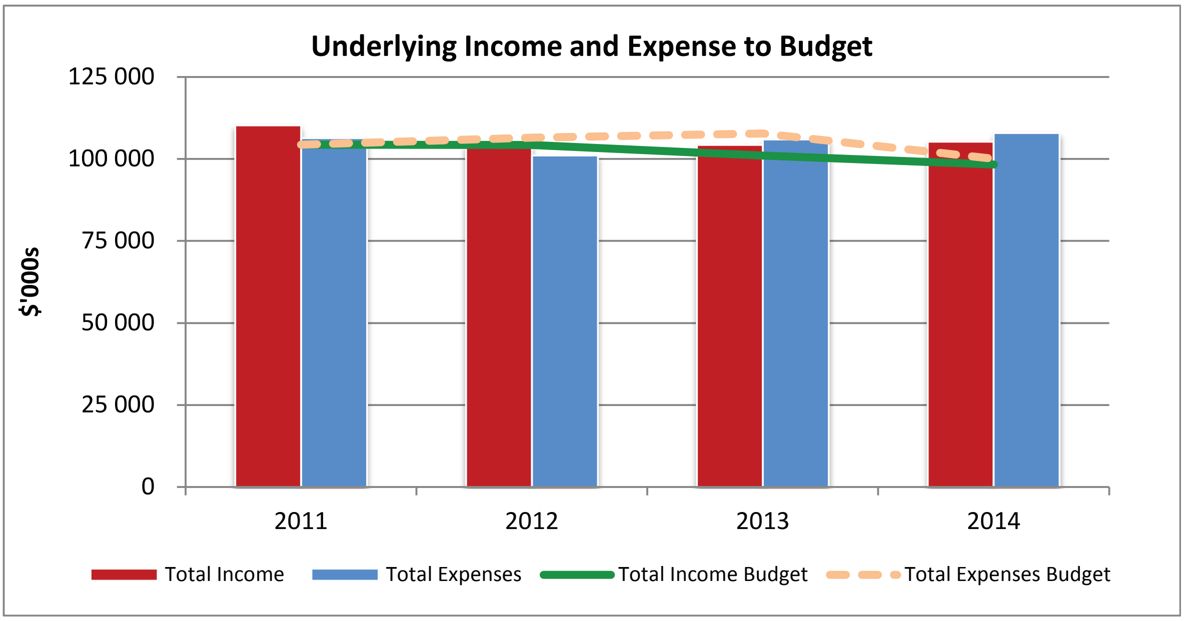
The audit was completed satisfactorily with no major items outstanding.

FINANCIAL ANALYSIS



The Department's Underlying and Net Results remained comparable for the past four years. The 2013-14 Underlying Deficit of $2.551m was $0.888m higher than the deficit reported in 2012-13 mainly due to increased employee benefits. The increase resulted from salary increments, increased higher duty allowances as a result of vacancy control and greater level of termination payments in 2014 as a result of the change in Government which was not budgeted for.

Deficits were expected as the Department is not funded for depreciation or increases in employee provisions.



Total Income exceeded Total Expenses in both 2011 and 2012 however this reversed for the 2013 and 2014 financial years, mainly due to timing differences in recognising Government funding for a range of one-off projects which was not fully spent in the year received.

While Total Income in 2013-14 remained consistent with 2012-13, there were fluctuations in individual revenue items, including:

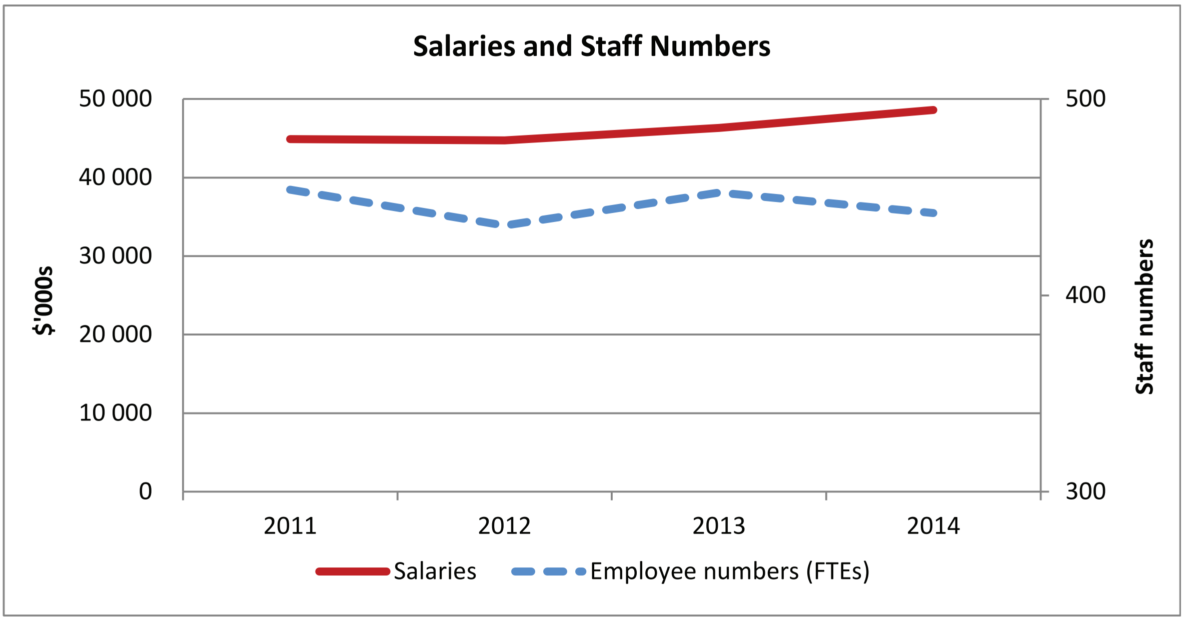
- higher Appropriation revenue of $2.714m. The increase covered a variety of additional grants, mainly for bushfire recovery efforts as well as additional funding received for change of Government, $4.476m. This was offset by a reduction in funding for a number of programs as well as a reduction for a full year budget effect of payroll tax no longer being paid by the Department
- lower Other revenue of $2.535m due to a reduction in transfers from other agencies. This related to funds received in 2012-13 of $4.037m from Department of Treasury and Finance for the bushfire recovery efforts. This was offset by higher donations and contributions received from the Australian Red Cross and the community towards bushfire recovery efforts.

Total Expenses decreased initially in relation to grants and subsidies, but steadily increased over the last three years. This can be attributed to the following:

- employee expenses increased by $2.282m, mainly due to the change in Government
- grants and subsidies increased by $2.977m which mainly related to payments made to bushfire victims and related organisations
- expenditure on supplies and consumables decreased, $3.868m, mainly related to the expenditure for bushfire recovery efforts in 2012-13 to employ contractors to help with the bushfire recovery process.

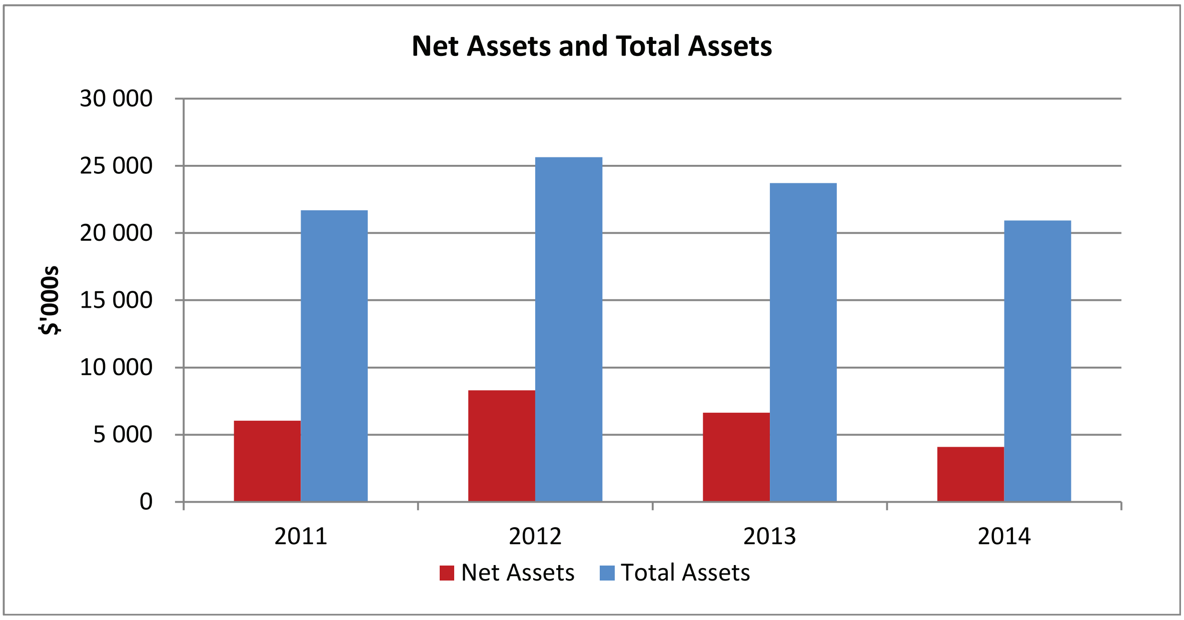
Income and Expenditure against budget remained consistent with only a small number of variances:

- bushfire appeal donations of $2.333m were received and not budgeted for. The unbudgeted funds corresponded with increased donation expenditure against budget
- increase in termination and leave payments of $1.102m not budgeted for.



Average staff numbers (FTEs) decreased from 153.3 FTEs in 2010-11 to 130 FTEs in 2013-14 for Ministerial staff which can be attributed to the termination of staff as a result of the change in Government. Department FTEs remained reasonably consistent from 306.2 in 2010-11 to 311.47 in 2013-14.

While the overall employee numbers decreased over the four-year period, employee expenses increased by 6%. This was predominantly due to State Service Wage Agreement indexation, salary progression band adjustments and the impact of higher leave entitlements. Termination payments were the main driver behind the increase in the average ministerial salaries.



The Department's Net Assets and Total Assets were relatively consistent over the four-year period under review. The majority of the Department's assets consisted of Cash and deposits and Receivables, with its major liability being Employee provisions. It does not hold any significant non-financial asset.

The reduction in Total Assets in recent years was due to declining Cash and deposits. The decline was as a result of timing differences in the receipt and expenditure of funds for programs relating primarily to TMD and bushfire programs.

ADMINISTERED FINANCIAL TRANSACTIONS

Administered transactions are those the Department manages on behalf of Government. These transactions are not shown in the Department's Statements of Comprehensive Income, Financial Position or Cash Flows.

From 1 October 2010, the Department assumed administrative responsibility for the TCF from Treasury.

Receipts from Government in 2013-14 were solely for the purpose of funding the TCF. The Department transferred all the receipts to the TCF in 2013-14, resulting in a Nil Comprehensive result.

The Reserved by law appropriation budget for the transfer of funding to the TCF was in line with actual.

As mentioned earlier, the Department provides administrative support to the Tasmanian Early Years Foundation and Anzac Day Trust. Separate Chapters were prepared for the TCF and Anzac Day Trust. The following commentary provides a summary of the operations of the Tasmanian Early Years Foundation.

TASMANIAN EARLY YEARS FOUNDATION (The Foundation)

Signed special purpose financial statements were received on 14 August 2014 and an unqualified audit report was issued on 17 September 2014.

During 2013-14, the Foundation received $0.500m from Government. In addition, the Foundation received grants of $0.034m towards Creative Connections and Early Years projects.

The Foundation distributed grants of $0.463m and an additional $0.077m through donations and scholarships. It spent $0.340m on administration, including consultants, events and advertising. Total Expenses for the year were $0.880m.

The Foundation's Net Assets at 30 June 2014 totalled $1.034m, with $1.029m cash and deposits held in the Department's Special Deposits and Trust Fund Account.

CHAPTER APPENDICES

Statement of Comprehensive Income

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Revenue from Government	64 629	68 917	66 789	71 828
Revenue from Special Capital Investment Funds	0	0	0	32
Grants	0	186	392	218
Sale of goods and services	33 705	32 828	31 166	29 538
Other revenue	0	3 309	5 844	2 655
Total Income	**98 334**	**105 240**	**104 191**	**104 271**
Employee benefits	44 190	48 614	46 332	44 733
Supplies and consumables	40 602	35 118	38 551	33 258
Transfers to Service Tasmania lead agencies	12 028	11 536	11 458	11 450
Other transfer payments	0	2 181	1 451	2 517
Grants and subsidies	2 257	8 962	5 985	5 540
Depreciation and amortisation	811	1 145	1 124	1 244
Other expenses	174	235	953	2 223
Total Expenses	**100 062**	**107 791**	**105 854**	**100 965**
Underlying Surplus (Deficit)	**(1 728)**	**(2 551)**	**(1 663)**	**3 306**
Contributions provided	0	0	0	0
Net gain (loss) on non-financial assets	0	0	0	(1 042)
Net Surplus (Deficit)	**(1 728)**	**(2 551)**	**(1 663)**	**2 264**
Other Comprehensive Income				
Asset revaluation increment	0	0	0	(5)
Comprehensive Surplus (Deficit)	**(1 728)**	**(2 551)**	**(1 663)**	**2 259**

Statement of Financial Position

	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	10 012	12 419	15 171	10 278
Receivables	5 029	5 290	4 419	4 770
Non-financial assets				
Property, plant and equipment	2 482	3 046	3 383	3 828
Other non-financial assets	3 424	2 960	2 670	2 816
Total Assets	**20 947**	**23 715**	**25 643**	**21 692**
Liabilities				
Payables	2 946	2 488	2 878	2 522
Interest bearing liabilities	0	0	0	227
Employee entitlements	10 625	11 776	10 933	10 416
Operating lease make-good provision	673	660	647	0
Other liabilities	2 621	2 160	2 891	2 492
Total Liabilities	**16 865**	**17 084**	**17 349**	**15 657**
Net Assets	**4 082**	**6 631**	**8 294**	**6 035**
Accumulated funds	4 075	6 626	8 289	6 025
Reserves	5	5	5	10
Transactions with owners in their capacity as owners	2	0	0	0
Total Equity	**4 082**	**6 631**	**8 294**	**6 035**

Statement of Cash Flows

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Receipts from Government	69 430	66 227	72 287	78 208
Receipts from Special Capital Investment Fund	0	0	32	724
Grants	190	389	218	176
Sale of goods and services	33 021	30 810	29 409	30 506
GST receipts	5 794	6 180	6 924	6 668
Other cash receipts	3 222	5 752	3 695	1 016
Employee benefits	(49 670)	(45 448)	(44 212)	(43 440)
GST payments	(5 581)	(6 439)	(6 783)	(6 727)
Supplies and consumables	(35 683)	(39 402)	(32 402)	(36 628)
Other cash payments	(22 583)	(20 180)	(22 346)	(23 853)
Cash from (used in) Operations	**(1 860)**	**(2 111)**	**6 822**	**6 650**
Payments for acquisition of non-financial assets	(547)	(641)	(1 702)	(1 586)
Cash from (used in) Investing Activities	**(547)**	**(641)**	**(1 702)**	**(1 586)**
Proceeds from borrowings	0	0	0	0
Repayment of borrowings	0	0	(227)	(688)
Cash from (used in) Financing Activities	**0**	**0**	**(227)**	**(688)**
Net Increase (Decrease) in Cash	**(2 407)**	**(2 752)**	**4 893**	**4 376**
Cash at the beginning of the year	12 419	15 171	10 278	5 902
Cash at End of the Year	**10 012**	**12 419**	**15 171**	**10 278**

Financial Analysis

	Bench Mark	2013-14	2012-13	2011-12	2010-11
Financial Performance					
Underlying surplus (deficit) ($'000s)		(2 551)	(1 663)	3 306	3 952
Own source revenue ($'000s)		32 828	31 166	29 538	31 329
Financial Management					
Debt collection	30 days	27	32	24	25
Creditor turnover	30 days	24	15	24	19
Employee Information					
Average staff numbers – Department (FTEs)		311	309	292	306
Average staff numbers – Ministerial (FTEs)		130	143	144	153
Average FTE salary – Department ($'000s)		90	87	84	82
Average FTE salary – Ministerial ($'000s)		92	78	76	74
Average recreational leave balance per FTE (days)	20	14	19	19	18
Average long service leave balance per FTE (days)	100	36	43	43	40

ADMINISTERED INCOME AND EXPENSES

	2013-14 Budget	2012-13 Actual	2011-12 Actual	2010-11 Actual
	$'000s	$'000s	$'000s	$'000s
Receipts from Government	5 972	6 079	5 913	5 735
Total Revenue	**5 972**	**6 079**	**5 913**	**5 735**
Tasmanian Community Fund	5 972	6 079	5 913	5 735
Total Expenses	**5 972**	**6 079**	**5 913**	**5 735**
Net Surplus (Deficit)	**0**	**0**	**0**	**0**
Comprehensive Surplus (Deficit)	**0**	**0**	**0**	**0**

Tasmanian Early Years Foundation

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Contributions from State Government	500	500
Other revenue	90	233
Total Revenue	**590**	**733**
Grants	463	360
Other expenses	417	157
Total Expenses	**880**	**517**
Net Surplus (Deficit)	**(290)**	**216**
Comprehensive Surplus (Deficit)	**(290)**	**216**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Cash	1 029	1 325
Other assets	14	8
Total Assets	1 043	1 333
Payables	9	9
Total Liabilities	**9**	**9**
Net Assets	**1 034**	**1 324**
Total Equity	**1 034**	**1 324**

TASMANIAN COMMUNITY FUND (TCF)

SNAPSHOT

- The TCF distributed grants totalling $3.218m during 2013-14.
- It held $9.353m in cash invested in at-call deposits at 30 June 2014.

The audit was completed satisfactorily with no items outstanding.

INTRODUCTION

The TCF and the Tasmanian Community Fund Board (the Board) were established in 1999 under the *Trust Bank Sale Act 1999*. When this Act was repealed in 2005, stand-alone legislation, the *Tasmanian Community Fund Act 2005* (the Act), was enacted to govern the operations of the TCF and the Board.

The Board's function is to provide funding for projects undertaken by community organisations that make a difference by improving social, environmental and economic outcomes for the Tasmanian community. The TCF is used to finance the payment of grants for various community purposes, as independently determined by the Board.

The Department of Premier and Cabinet (the Department) provides administration support to the TCF.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed special purpose financial statements were received 14 August 2014, with revised and re-signed financial statements received on 26 August 2014. An unqualified audit report was issued on 17 September 2014.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

There were no key findings, developments or areas of particular audit attention.

The audit was completed satisfactorily with no items outstanding.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Section 5 receipts	6 079	5 913
Section 7 grants - refunds	148	216
Interest	133	132
Total Revenue	**6 360**	**6 261**
Section 7 grants	3 218	5 999
Other expenses	430	417
Total Expenses	**3 648**	**6 416**
Net Surplus (Deficit)	**2 712**	**(155)**
Comprehensive Surplus (Deficit)	**2 712**	**(155)**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Cash	9 353	6 797
Other assets	61	155
Total Assets	**9 414**	**6 952**
Grants payable	254	517
Other liabilities	39	26
Total Liabilities	**293**	**543**
Net Assets	**9 121**	**6 409**
Total Equity	**9 121**	**6 409**

The TCF derived the majority of its revenue from an appropriation, which is indexed annually. It distributed grants totalling $3.218m during the year to 160 different entities. Grant payments this year were lower than normal resulting in a Net Surplus of $2.712m.

However, grants approved in-principle by the Board at 30 June 2014, of $3.141m (2013, $2.198m), required finalisation of the grant deed and were, therefore, unpaid at 30 June 2014. Had these deeds been finalised sooner, grants payments would have been higher reducing the surplus. This will now impact the 2014-15 surplus and similarly reduce cash balances.

Other expenses included:

- administration, $0.199m,
- board members' remuneration, $0.127m,
- Other expenses, $0.104m.

Net Assets totalled $9.121m, an increase of $2.712m. The increase was primarily represented by the higher Cash balance, which increased by $2.556m. Had in-principle grants been finalised by 30 June 2014, the balance would have been $3.141m lower.

DEPARTMENT OF PRIMARY INDUSTRIES, PARKS, WATER AND ENVIRONMENT (DPIPWE)

SNAPSHOT

- The Department recorded an Underlying Deficit of $8.864m in 2013-14, lower by $13.133m compared to the deficit incurred in 2012-13 and by $4.708m on the budgeted deficit.
- Its Net Surplus of $50.974m was significantly greater than the Underlying Deficit, primarily due to Water Infrastructure Fund revenue of $35.668m and Contributions received of $27.682m.
- It continued to support the development of water infrastructure within the State, in conjunction with the Australian Government, with an equity contribution of $35.668m to Tasmanian Irrigation Pty Ltd (TIPL).
- At 30 June 2014 the Department's Net Assets totalled $1.165bn with its most significant asset being Property, plant and equipment, $921.860m, and its largest liability being Employee entitlements, $32.123m.

Major developments this year included:

- Transfer of assets and employees from Forestry Tasmania (Forestry), with the Department assuming responsibility for 221 555 hectares of former Forest Reserves plus the first component (Tranche 1a) of 95 725 hectares of reserves, with more parcels of land to be reserved in future. The Department recorded a net equity contribution of $148.905m in 2013-14 from the Department of Treasury and Finance (Treasury) in recognition of the transferred assets and employees. Due to the number of assets transferred, time and resource requirements, and issues with historical data associated with road assets, only 167.4km could be captured, valued and recognised in 2013-14. The remainder of the road network will be recognised by 30 June 2015.
- Forty abalone quota units, valued at $6.400m, were recognised as intangible assets on 30 June 2014. This was the initial recognition of the quotas and was based on their being controlled and managed by the Department's Water and Resource Management Division.
- On-going efforts to reconcile the various National Parks, Reserves and Crown Land listings and sub-system records maintained by the Department. This resulted in unrecorded land assets being brought to account as part of Contributions received, amounting to $16.182m.

Major variations between the 2013-14 and 2012-13 financial years included:

- lower Grant and subsidy expenditure, principally related to reduced operational funding provided to TIPL
- increased Capital - Grant funding for the Water infrastructure fund of $12.376m
- higher Contributions received, $7.349m, representing Crown Land, National Parks and Reserves, and other assets not previously brought to account, as noted above. Amounts between years are not comparable
- a decline in Change in estimates of non-financial assets of $31.273m. The prior year included a write-down of National Parks, Reserves and Crown land assets of $30.807m
- a reduction in the asset revaluation reserve of $26.991m, due principally to the write-down of existing land and building assets in 2013-14.

The Asset investment and Asset sustainability ratios for both Buildings and Infrastructure remained well below benchmark, as capital expenditure in these areas was significantly less than the depreciation expense. These ratios indicate that, subject to levels of maintenance expenditure, the Department is under-investing in its existing assets. The Department operates various maintenance programs including the essential maintenance program and the Crown Land services structural asset upgrade program which may mitigate this risk to some extent.

The audit was completed satisfactorily with no major items outstanding

INTRODUCTION

The Department is responsible for the sustainable management and protection of Tasmania's natural and cultural assets for the benefit of Tasmanian communities and the economy.

Its activities guide and support the use and management of Tasmania's land and water resources and protect its natural and cultural environment. The Department is also responsible for delivering the services that support primary industry development and the protection of the State's relative disease and pest-free status.

The Department's role is to support Tasmania's continued economic, environmental and social wellbeing through its contribution to the achievement of the following major outcomes:

- a clean, healthy and diverse environment
- profitable and sustainable agriculture, aquaculture and fisheries industries
- safe and sustainable water supplies for communities, industries and the environment
- a protected and conserved Aboriginal and historical heritage
- a world renowned national park and reserve system
- iconic botanical heritage and cultural sites
- quality information that supports water and land use decisions and
- self-reliant rural and regional communities.

KEY AREAS OF AUDIT ATTENTION

Description of Area	Audit Approach
The Department administers a substantial level of fees and fines, collected on behalf of other Government instrumentalities. There is a risk that revenue may not be correctly recorded or receipted.	We documented and tested controls around the Department's revenue systems on a rotational basis and assessed the adequacy of the provision for impairment of receivables.
The diversity of the Department's responsibilities, together with its numerous divisions operating from locations spread across the State increases the risk of: • departure from specified internal controls • ineffective monitoring of controls • opportunity for misappropriation of assets • misstatement of balances in the financial statements.	We tested the design and effectiveness of internal controls. In addition to tests of controls, we performed substantive procedures around revenue and expenditure, including a review of interfaces between various revenue systems and the general ledger. This testing was used to mitigate the risk of misstatement, due to inconsistencies in processing transactions by different units or locations.

Description of Area	Audit Approach
The Department administers a complex and large asset register. As a result of improved data in the asset register and systematic revaluations, the Department regularly identifies assets which were not previously recognised and/or identifies assets previously transferred to other agencies but not recorded as such. Furthermore, the Department is in the process of reviewing details of land holdings recorded in the Crown Land Administration System (CREST) or the Land Information System (the LIST), to identify if any potential Departmental land assets are not recorded.	We ensured that the accounting treatment of newly identified assets, and assets transferred not previously recorded, complies with accounting standards, in particular AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The calculations and underlying assumptions supporting fair values of assets were verified. Significant movements in assets during the year were traced to supporting documentation and we verified that the asset register was administered according to Departmental policy. The reconciliation between the Asset Register and the Parks asset management system were also examined. Once the Department had made an assessment on potential land holdings, as identified in CREST/LIST, we reviewed the interpretations made. If any new assets are identified, we ensured that these assets are appropriately recorded within the financial statements.
The Department is responsible for the operations of Service Tasmania. There are currently 27 Service Tasmania shops which collect revenues and issue receipts for a number of agencies and other entities. Due to the large number of both transactions and entities involved, there is a risk that funds will not be receipted to the correct entities.	We documented the relevant systems at Service Tasmania and at the Department and tested reconciliations to ensure that transactions were appropriately cleared. Analytical reviews over the receipts were undertaken, material payments examined and confirmations obtained to confirm that items were correctly collected and disbursed. We also tested bank reconciliations for Service Tasmania accounts to confirm balances.
In accordance with the Department's Asset Valuation policy, all land, buildings and heritage assets were revalued in 2013-14.	We reviewed the results of the revaluation, ensuring that appropriate values were accurately recorded and that asset data was reconciled between the asset register and the general ledger.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2014 and an unqualified audit report was issued on 10 September 2014.

KEY DEVELOPMENTS

Forestry Tasmania transition

In 2013 new legislation resulted in a significant increase in the area of reserved lands to be managed by the Department through its Parks and Wildlife division.

Under the *Forest Management Act 2013*, a total of 221 555 hectares of former Forest Reserves (under the now repealed *Forestry Act 1920*) were declared as either regional reserves or conservation areas under the *Nature Conservation Act 2002*. These reserves are now managed by the Parks and Wildlife Service.

Under the *Tasmanian Forests Agreement Act 2013*, 514 969 hectares was classified as Future Reserve Land to be progressively reserved in a series of tranches over the next eight years. The first component (tranche 1a) represented 95 725 hectares proclaimed as reserves and is now managed by the Department. These reserves included both land and roads.

The new legislation resulted in the transfer of assets and liabilities from Forestry via Treasury to the Department. The Net Assets received were designated as contributions by owners and adjusted against equity. Prior to recognition by the Department, Treasury initiated a revaluation, with the Forestry assets brought to account at their revalued amounts.

Liabilities taken over related to Employee benefits and on-costs for 42 permanent Forestry employees who took up positions with the Department in January 2014. These liabilities were recognised at the amounts held by Forestry at transfer date. Defined benefit superannuation obligations for these employees were retained in the Finance-General Division of Treasury, along with those of all other departmental employees.

The Net Assets transferred to the Department, resulted in an equity contribution of $148.905m as summarised in the following table:

	2014
	$'000s
Net Assets Transferred	
Reserved land (forest reserves non-commercial zones) and future reserve land (state forest)	120 238
Built assets on transferred reserve land and future reserve land	29 309
Total Assets Recognised	**149 547**
Employee benefits	622
Employee benefit on-costs	20
Total Liabilities Recognised	**642**
Net Assets Transferred	**148 905**

Due to the number of assets transferred, time and resource requirements, and issues with historical data associated with road assets, of the 1 551km road network on the land now managed by the Department, only 167.4km could be captured, valued and recognised in 2013-14. The remainder of the road network will be recognised by 30 June 2015.

The *Forestry (Rebuilding the Forest Industry) Act 2014* converted an additional 398 450 hectares of reserve land, to be known as Future Potential Production Forest (FPPF) land. This land will be administered through Crown Land Services, with the Act anticipated to come into effect in late October. The area of future reserve land already proclaimed and transferred to the Department as reserves will not change its status. The FPPF land may not be sold, but it can be leased. Land may be exchanged between FPPF Land and Permanent Timber Production Zone Land.

As a result of the uncertainty surrounding the future land conversion, the Department will not value or recognise the remaining land and any built asset on the land, until administrative responsibility is legislatively transferred to it.

Transfer of the Integrated Tasmanian Government Contact Centre

On 10 April 2014, the Department assumed responsibility for the Integrated Tasmanian Government Contact Centre. Although this transfer was a small administrative restructure, full details were disclosed within the financial statements. The net transfer, which was recognised as an equity contribution, amounted to $0.002m.

Recognition of abalone quota units

Forty abalone quota units that are controlled and managed by the Department's Water and Resource Management Division were recorded as an intangible asset, for the first time, at 30 June 2014. The means of ownership reverting to the Crown was the Minister's decision not to renew the fishing Licenses under Section 90 of the *Living Marine Resources Management Act 1995*. In accordance with accounting standard requirements, the quota units were measured based on the current active market, at the price one would sell a quota in an orderly transaction. As a result, the intangibles were valued at $6.400m and were brought to account as Contributions received within the Statement of Comprehensive Income and as an intangible asset on the Statement of Financial Position.

Revaluation of land and buildings

In line with the Department's Non-Current Asset Valuation Methodology, national parks, reserves, Crown land and buildings were revalued in 2013-14. The valuation was undertaken by the Valuer-General in March 2014, with specific items above a threshold of $200 000 valued. Assets below the threshold were revalued using indices applied to their carrying values. The total land and building decrement was $27.832m of which $26.634 related to a decrease in the value of national parks, reserves and Crown land. This decrease represented approximately 3% of the asset class balance.

Reconciliation and recognition of Crown land

The Department continued efforts to reconcile its various asset listings and sub-system records into one central asset register. This year the VISTAS and LIST systems were compared to the central asset register in Finance One. As a result, 32 parcels of Crown Land assets, with a value of $16.182m were identified, which were not recorded as assets of the Department. A further three parcels of land, with a value of $1.200m, were identified through the valuation process. These items were recognised as assets and as Contributions Received in the Statement of Comprehensive Income.

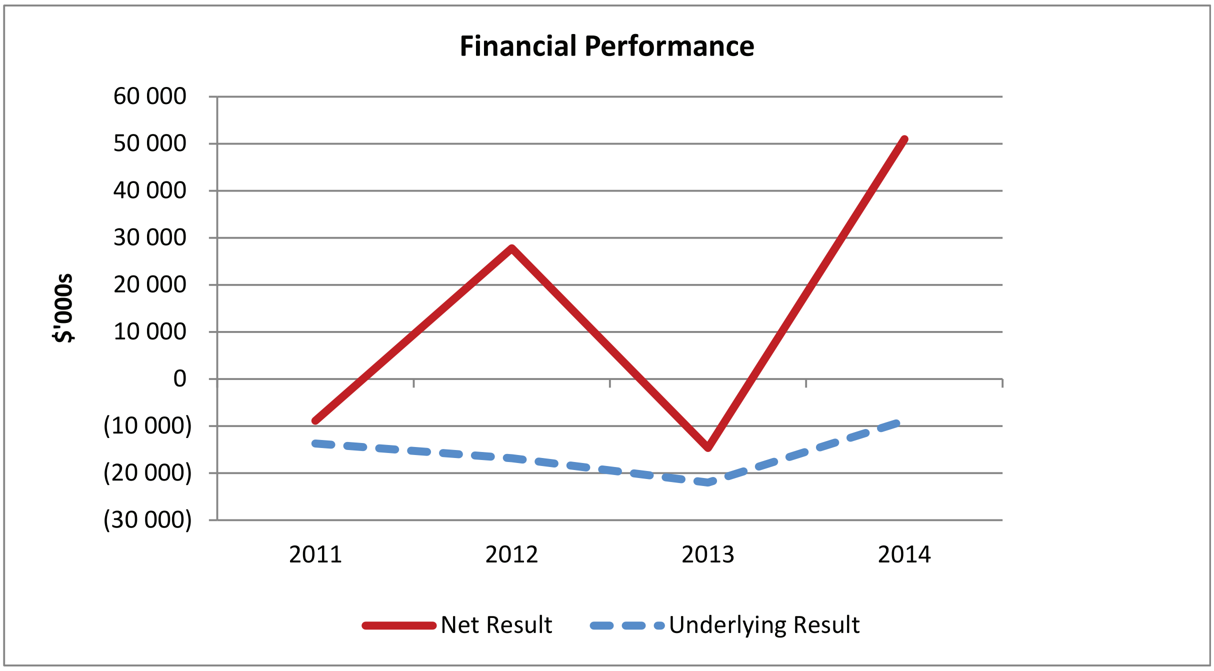
KEY FINDINGS

There were no significant audit findings identified during the 2013-14 audit.

We followed up a number of low risk audit findings from previous audits, with the majority of items now addressed. Management are taking appropriate action in response to outstanding matters.

The audit was completed satisfactorily with no other matters outstanding.

FINANCIAL ANALYSIS



The Department recorded negative Underlying Results over the four years under review. The Underlying Deficits were relatively consistent over the first three years, but lower in 2013-14. Deficits are expected as the Department is not funded for depreciation, impairments and increases in employee provisions. Depreciation averaged about $13m per annum over the above period.

The Department recorded an Underlying Deficit of $8.864m (2013, $21.997m deficit). The lower deficit was a combination of:

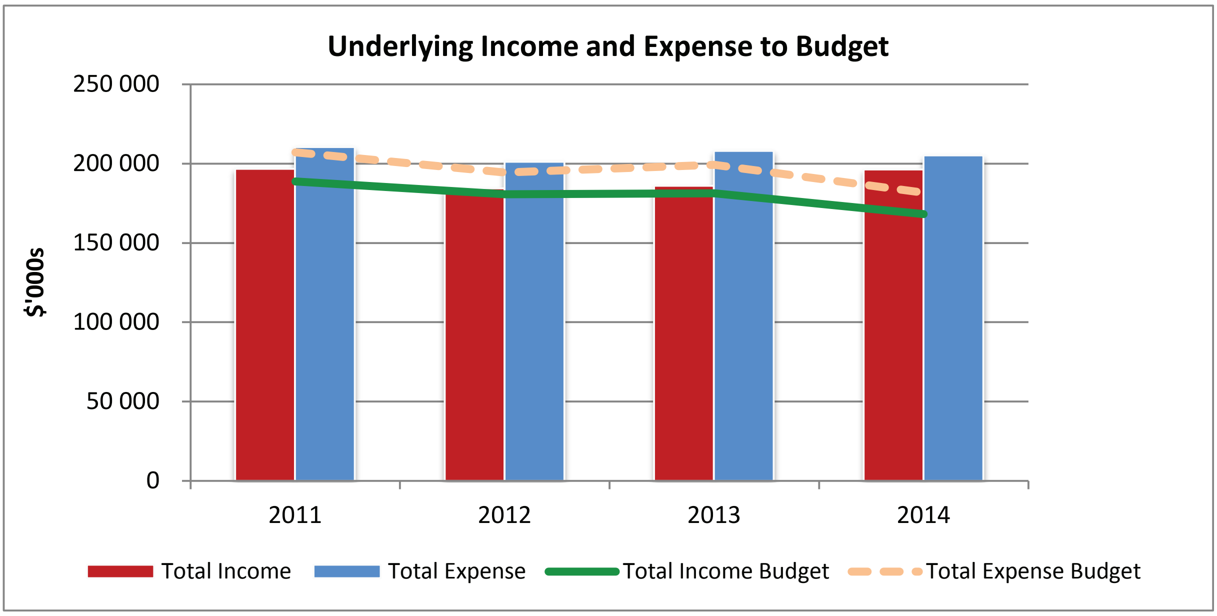
- a reduction in grant payments to TIPL of $10.392m, as the prior year included $6.890m one-off funding to cover financial costs of the Midlands Water Scheme and $5.689m for operational funding, with the current year amount significantly lower at $2.532m
- higher employee entitlement expenses, which included increased long service leave expenses of $1.097m, as more employees became eligible to take long service leave during 2013-14
- an increase in rents received, reimbursements from insurance claims for asset maintenance and replacement and other minor revenue categories, amounting to $2.747m
- an increase in visitor numbers to parks, resulting in increased revenue of $1.046m.

In Note 7 of its audited financial statements, the Department reported an Underlying Deficit of $15.364m whereas our analysis has calculated $8.864m. The difference related to the Transfer to Administered Funds of $6.500m, which we do not regard as a controlled expense.

The 2013-14 Net Surplus of $50.974m (2013, deficit $14.613m) was derived from the Underlying Result but taking into account other economic flows. The main other economic flows were:

- Australian Government Water infrastructure grant revenue, $35.668m, representing capital Water Infrastructure Funds (WIF) transferred to TIPL
- Contributions of assets received, $27.682m, which principally relates to unrecorded assets being brought to account for the first time. The most significant items were $16.182m of Crown land assets and $6.200m for abalone licences, both mentioned previously

The previous year's Net Deficit was influenced by a write down of land assets, $32.012m, representing parcels of land no longer controlled by the Department.

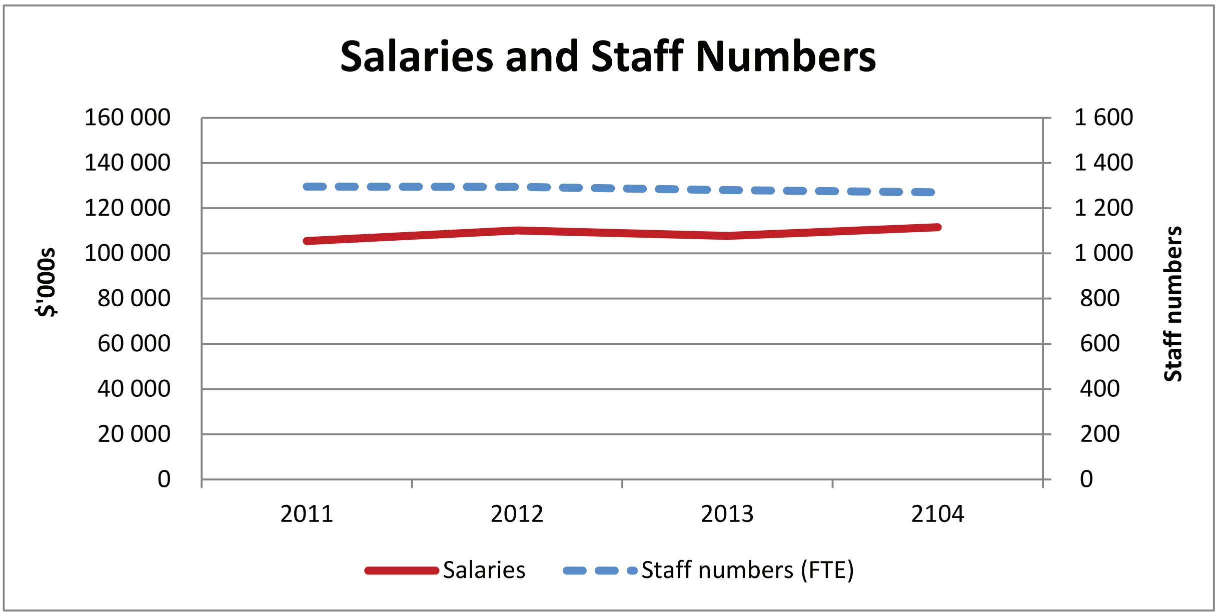


For the past four years, actual results have been relatively consistent with budget. Total Income and Expenses plateaued in the 2012 and 2013 years, with 2014 levels similar to those of 2011.

Significant variances in budget to actual for the 2014 year included:

- recurrent appropriation exceeded budget by $5.920m, due predominately to addition funding received from requests for RAFs, as discussed previously

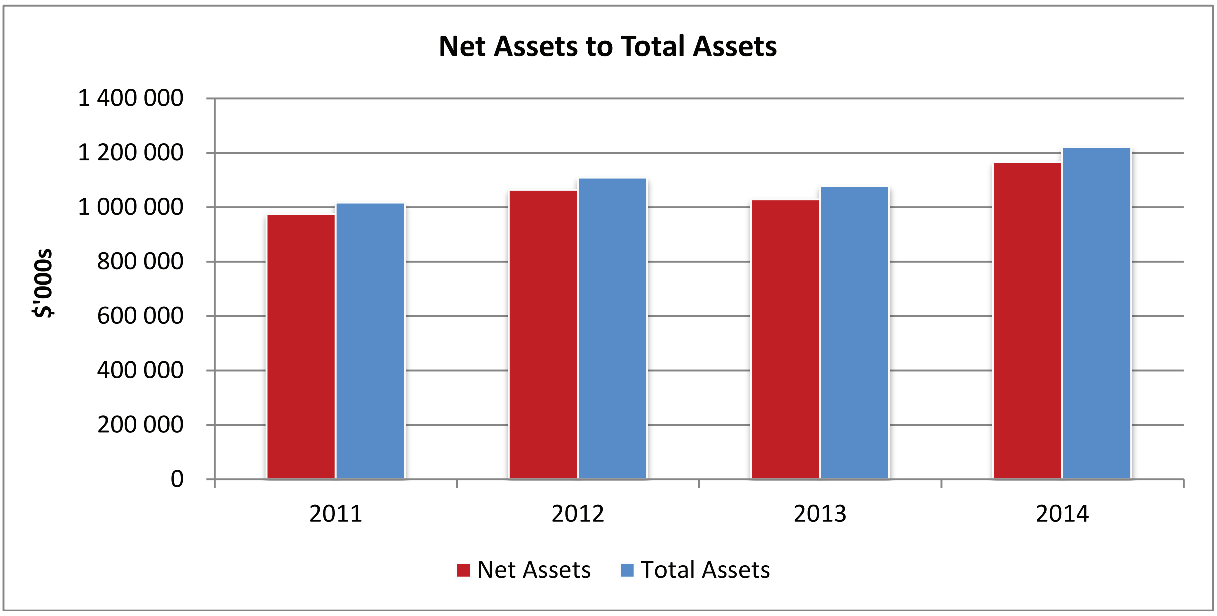
- Grants revenue was higher than budget, primarily due to unbudgeted revenue of $5.600m associated with the reimbursement of costs for the Forestry transition
- increased sale of goods and services revenue primarily related to higher than budgeted revenue from sales in geo-data services and environmental analytical services. In addition, there was an increase in Parks and Wildlife Service revenue as a result of increased visitors to Tasmania's national parks. Other revenue exceeded budget as the Department received reimbursement for bushfire related activity and higher than budgeted revenue received from Crown Land leased properties and insurance claims
- the Employee entitlement expenses budget did not allow for approximately $1.500m associated with the Forestry transfer, $1.400m relating to agreements not in place at the start of the year and $0.900m relating to wildfire suppression
- Depreciation was $4.247m higher than budget, as the budget did not allow for the decrease in useful lives noted from revalued buildings and infrastructure assets, which resulted in a significant increase in written down values
- Grants and transfer payments were greater than budget, which included a $2.900m contribution to the Tasmanian Institute of Agriculture, which was budgeted within different expense categories. Other Government initiatives totalling $1.300m were announced and paid but were not budgeted for
- Supplies and consumables higher than budget due to a combination of the unbudgeted expenditure for the Forestry transition and wildfire suppression costs
- other expenditure included payments of $2.100m in relation to claims under the *Nature Conservation Act 2002* that were carried forward from 2012-13 and hence were not part of the 2013-14 budget.



Since 2011 the Department has reduced staff numbers only slightly, a decrease of 29 FTEs, down to 1 270. Over this period salaries have gradually increased, leading to an increase in the average staff cost from $0.081m in 2011 to $0.088m in 2014. This increase was due to annual indexation of salaries and wages, an increase in the rate of superannuation contribution for employees in the defined benefit scheme and discount rate impacts on the long service leave provision.

Given the impact of the transfer of 42 employees from Forestry Tasmania, the above analysis shows that the Department has been effective in reducing its staff numbers and identifying cost savings.

Leave provision balances per FTE have also levelled off over the years of the analysis. All of the above factors indicate the Department was containing its employee expenses.



Increases in Net Assets, $54.510m, and Total Assets, $60.871m, over the first three years of analysis were fairly similar, indicating that the level of liabilities remained steady over that period. The significant increase in Total Assets in 2014 was principally due to the transfer of Forestry's assets of $149.547m.

The increase in Net Assets of $137.218m in the current year, to $1.165bn, related to the asset increases identified previously, offset by an Asset revaluation decrement of $27.832m and increased Employee entitlements of $2.948m related to the transfer of employees from Forestry and other leave accrual increases.

The Asset investment and Asset sustainability ratios for both Buildings and Infrastructure remained well below benchmark, as capital expenditure in these areas was significantly less than the depreciation expense. These ratios indicate that, subject to levels of maintenance expenditure, the Department is under-investing in its existing assets. The Department operates various maintenance programs including the essential maintenance program and the Crown Land services structural asset upgrade program which may mitigate this risk to some extent.

CROWN LAND ADMINISTRATION FUND (CLAF)

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Opening Balance	**27 606**	**20 955**	**16 357**	**11 544**
Receipts (Note 1)	10 495	15 389	18 493	16 390
Transfers out (Note 2)	(9 050)	(8 738)	(13 895)	(11 577)
Closing Balance	**29 051**	**27 606**	**20 955**	**16 357**
Note 1 – Receipts				
Proceeds from asset sales	3 369	8 743	10 940	9 270
Rent on Government owned properties	6 941	6 196	6 882	6 549
Other receipts	185	450	671	571
Total Receipts	**10 495**	**15 389**	**18 493**	**16 390**
Note 2 – Transfers Out				
Employee entitlements	481	510	856	509
Professional and consulting fees	310	817	501	392
Disbursement of revenue to other agencies	1	5	172	0
Legal costs	92	71	189	608
General property expenses	1 308	1 506	752	4 513
Other transfers	358	429	525	555
Total Administration Costs	**2 550**	**3 338**	**2 995**	**6 577**
Transfer to administered funds	6 500	5 400	10 900	5 000
Total Transfers Out	**9 050**	**8 738**	**13 895**	**11 577**

The balance in CLAF increased to $29.051m at 30 June 2014. Receipts for the year were lower due to a reduction in property sales. There was only a minor increase in transfers to administered funds of $0.312m. Such transfers are determined by Treasury and are not influenced by actions of the Department.

WATER INFRASTRUCTURE FUND (WIF)

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Opening Balance at 1 July	**2 532**	**15 791**	**28 442**	**48 052**
Receipts from Australian Government funding	35 668	23 292	28 395	1 356
Equity contributions paid to TIPL	(35 668)	(23 292)	(35 939)	(21 536)
Grants paid	(2 532)	(13 259)	(5 107)	(6 140)
Equity contribution repayments received from TIPL	0	0	0	6 710
Closing balance at 30 June	**0**	**2 532**	**15 791**	**28 442**

In 2008, the Tasmanian Government established an $80 million Water Infrastructure Fund to enable major investment in the State's water infrastructure. This Government investment includes the development of a number of significant irrigation schemes across Tasmania.

Total funding for the Water Infrastructure Fund represents the $80 million allocated by the Tasmanian

Government, $107 million received to date from the Australian Government and future Australian Government funding of approximately $29 million to be received as milestones are met.

The balance in the WIF was zero as at 30 June 2014, reflecting that payments made are up to date in line with milestone payments for capital projects.

The increase in equity contributions paid to TIPL represented funding for its Tranche One projects, matching construction activity, with the grants paid amount representing the balance of operational funding payable to TIPL.

ADMINISTERED FINANCIAL TRANSACTIONS

Administered transactions relate to activities that are administered on behalf of government, where an agency has no discretion to alter the resources provided or determine how they are spent. Administered activities for the Department relate predominantly to the collection of fees and fines, which includes Lands Titles office fees, abalone and other marine licences, environmental permits, water royalties and quarantine fees.

Administered revenue increased by $5.503m in 2013-14 due to the following:

- Revenue from Government – recurrent included $3.000m funding for Port Arthur Historic Site Management Authority for penitentiary conservation
- increased Land titles office revenues of $1.566m.

Grants and subsidies expense increased in line with the Revenue from Government - recurrent revenue discussed above.

Consistent with the changes above, transfers to the Consolidated Fund also increased.

Statement of Comprehensive Income

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Revenue from Government – recurrent	119 681	125 519	122 140	133 549
Revenue from Government – capital works and services	556	556	556	556
Revenue from special capital investment funds – recurrent	0	82	502	825
Grants	8 335	18 001	15 417	3 070
Sales of goods and services	14 543	18 088	16 413	15 080
Fees and fines	8 278	8 205	7 673	8 020
Interest revenue	1 037	464	655	1 313
Other revenue	15 696	25 351	22 604	21 949
Total Revenue	**168 126**	**196 266**	**185 960**	**184 362**
Employee entitlements	106 747	112 203	108 249	111 057
Depreciation and amortisation	9 920	14 167	13 360	12 265
Grants and subsidies	15 192	20 816	30 327	21 176
Supplies and consumables	45 143	51 214	50 086	47 816
Other expenses	4 696	6 730	5 935	8 898
Total Expenses	**181 698**	**205 130**	**207 957**	**201 212**
Underlying Deficit	**(13 572)**	**(8 864)**	**(21 997)**	**(16 850)**
Revenue from Government – capital	600	690	670	3 000
Revenue from Special Capital Investment Funds	800	800	1 998	1 556
Revenue from Government – Water infrastructure fund	36 306	35 668	23 292	28 395
Grants – Capital	6 100	3 400	1 680	1 600
Gain on sale of non-financial assets	0	346	33	2 245
Net gain (loss) of financial instruments	0	3	(44)	(82)
Contributions received	2 314	27 682	20 333	36 915
Contributions provided	0	(1 512)	(3 166)	(16 245)
Change in estimate of non-financial assets	0	(739)	(32 012)	(1 261)
Transfer to Administered funds	(6 500)	(6 500)	(5 400)	(11 485)
	39 620	59 838	7 384	44 638
Net Surplus (Deficit)	**26 048**	**50 974**	**(14 613)**	**27 788**
Other Comprehensive Income				
Changes in physical asset revaluation reserve	2 143	(26 991)	2 740	97 826
Comprehensive Surplus (Deficit)	**28 191**	**23 983**	**(11 873)**	**125 614**

Statement of Financial Position

	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	88 717	88 480	91 127	101 553
Receivables	4 836	2 913	3 591	4 799
Other financial assets	1 275	1 560	1 283	1 390
Non-financial Assets				
Inventory	773	706	661	714
Property, plant and equipment	921 860	815 839	844 497	828 250
Infrastructure	182 183	154 694	154 856	68 092
Intangibles	9 893	2 896	1 546	1 185
Other non-financial assets	10 559	10 615	10 955	10 849
Total Assets	**1 220 096**	**1 077 703**	**1 108 516**	**1 016 832**
Financial Liabilities				
Payables	2 562	2 312	1 915	2 212
Employee entitlements	32 123	29 175	29 075	25 231
Provisions	9 720	9 716	9 686	9 624
Other liabilities	9 829	7 856	4 031	5 631
Total Liabilities	**54 234**	**49 059**	**44 707**	**42 698**
Net Assets	**1 165 862**	**1 028 644**	**1 063 809**	**974 134**
Contributed capital	785 396	636 493	636 493	636 493
Accumulated funds	127 146	109 308	133 954	129 454
Reserves	253 320	280 311	277 571	179 745
Water Infrastructure Fund	0	2 532	15 791	28 442
Total Equity	**1 165 862**	**1 028 644**	**1 063 809**	**974 134**

Statement of Cash Flows

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Receipts from Government – recurrent	124 055	126 761	134 105	142 297
Receipts from special capital investment funds – recurrent	82	502	825	2 020
Grants	20 939	15 284	3 214	3 679
Sales of goods and services	17 944	16 530	14 756	14 170
Fees and fines	8 434	7 729	8 335	7 430
Interest received	477	697	1 369	1 795
Contributions received	2 694	8 293	4 336	7 515
Other cash receipts	31 805	31 571	31 136	31 090
Payments to employees	(110 043)	(108 101)	(107 181)	(103 058)
Payments to suppliers	(82 663)	(81 399)	(83 091)	(100 420)
Cash from (used in) Operations	**13 724**	**17 867**	**7 804**	**6 518**
Water Infrastructure Fund (WIF)				
Funds received – appropriation revenue	35 668	23 292	28 395	1 356
Equity contribution repayments received from RWSC	0	0	0	6 710
Grants Paid	(3 516)	(13 259)	(5 107)	(6 140)
Funds transferred to Tasmanian Irrigation Pty Ltd	(35 668)	(23 292)	(35 939)	(21 536)
Cash from (used in) WIF	**(3 516)**	**(13 259)**	**(12 651)**	**(19 610)**
Proceeds from disposal of assets	648	423	6 762	1 818
Receipts from Government – capital	1 200	670	3 000	500
Revenue from Special Capital Investment Funds	800	1 998	1 556	495
Receipts from non-operational capital funding – Grants	3 400	1 680	1 600	0
Loan payment received	4	6	108	31
Payments for acquisition of assets	(9 523)	(6 632)	(7 120)	(7 157)
Transfer to Administered Funds	(6 500)	(5 400)	(11 485)	(5 000)
Administrative restructure	0	0	0	0
Cash from (used in) Investing Activities	**(9 971)**	**(7 255)**	**(5 579)**	**(9 313)**
Net Increase (Decrease) in Cash	**237**	**(2 647)**	**(10 426)**	**(22 405)**
Cash at the beginning of the year	88 480	91 127	101 553	123 958
Cash at End of the Year	**88 717**	**88 480**	**91 127**	**101 553**

Financial Analysis

	Bench Mark	2013-14	2012-13	2011-12	2010-11
Financial Performance					
Underlying surplus/(deficit) ($'000s)		(8 864)	(21 997)	(16 850)	(13 719)
Own source revenue ($'000s)		52 108	47 345	46 362	46 652
Financial Management					
Debt collection	30 days	19	17	23	27
Creditor turnover	30 days	9	9	6	7
Asset Management					
Buildings					
Asset investment ratio	>100%	18%	3%	28%	149%
Asset sustainability ratio	100%	3%	1%	10%	115%
Infrastructure					
Asset investment ratio	>100%	84%	53%	85%	38%
Asset sustainability ratio	100%	21%	13%	6%	18%
Other Information					
Average staff numbers (FTEs)		1 270	1 281	1 294	1 295
Average staff costs ($'000s)		88	84	85	81
Average recreational leave balance per FTE (days)	20	20	19	20	21
Average long service leave balance per FTE (days)	100	49	46	46	45

ADDITIONAL FINANCIAL INFORMATION

Administered Income and Expenses

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Revenue from Government – recurrent	12 406	12 406	9 407	9 949
Australian Government grants	0	0	133	5 801
Fees and fines	35 880	37 319	35 782	35 698
Other revenue	6 500	6 500	5 400	10 900
Total Revenue	**54 786**	**56 225**	**50 722**	**62 348**
Grants and subsidies	12 406	12 406	9 540	9 949
Total Expenses	**12 406**	**12 406**	**9 540**	**9 949**
Underlying Surplus (Deficit)	**42 380**	**43 819**	**41 182**	**52 399**
Transfer to the Consolidated Fund	42 380	43 921	41 009	52 548
Net Surplus (Deficit)	**0**	**(102)**	**173**	**(149)**
Other Comprehensive Income				
Net gain (loss) on financial instruments	0	102	(173)	149
Comprehensive Surplus (Deficit)	**0**	**0**	**0**	**0**

SNAPSHOT

- The Department reported an Underlying Surplus of $0.123m in 2013-14, a $1.935m reduction on last year, but better than budget.
- Total Expenditure increased by more than Total Revenue primarily because of higher Employee costs and Grants and subsidies.
- Negative Total Equity decreased in line with the surplus for the year to $0.822m at 30 June 2014.

There were no major developments for 2013-14.

The audit was completed satisfactorily with no significant findings. Several low risk audit matters were reported to management for consideration.

INTRODUCTION

The Department is responsible for implementing strategies to achieve government's economic and financial objectives and is the central agency responsible for management of government financial resources.

Its resources are managed through the Treasury and Finance Division and are reported as controlled including all funds through which the Department controls its resources to carry out its functions.

The Administered Statements encompass all activities of the Finance-General Division that are administered on behalf of Government. Commentary on Finance-General has been included in a separate Chapter.

KEY AREAS OF AUDIT ATTENTION

There were no key areas to highlight.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 12 August 2014 and an unqualified audit report was issued on 24 September 2014.

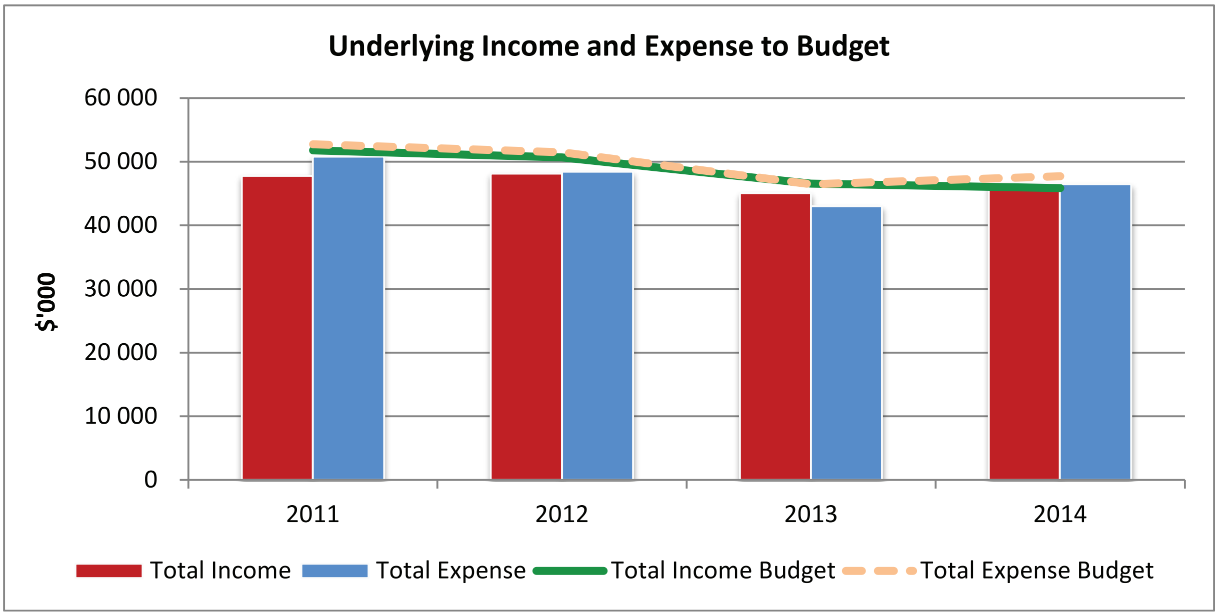
KEY DEVELOPMENTS

There were no key developments during 2013-14.

KEY FINDINGS

No significant findings were made during the audit. Several low risk matters related to system access security were reported to management for consideration.

FINANCIAL ANALYSIS

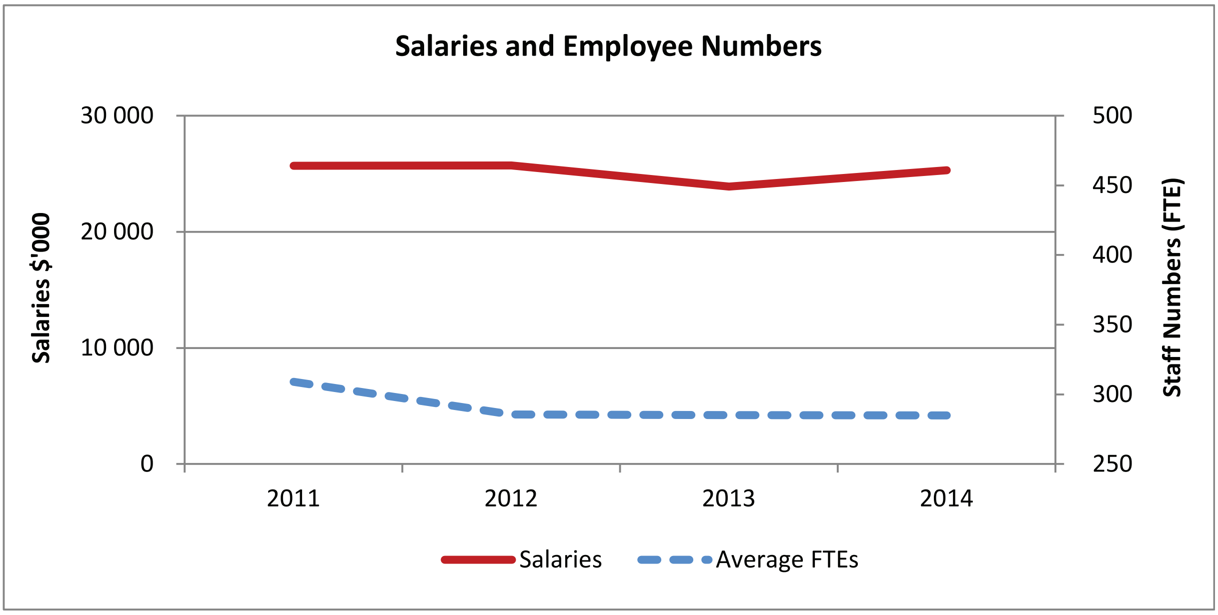


The Department reported an Underlying Surplus of $0.123m in 2013-14, a $1.935m reduction on the surplus reported last year. The result decreased despite a $0.339m increase in appropriation and receiving $0.332m in funding as part of the Seamless National Economy program. The lower surplus was mainly due to increased Employee costs, $1.400m, as a result of wage increases and adjustments to leave provisions, and higher Grants and subsidies, $1.600m, due to increased in the payments made under the Bass Strait Islands Electricity Subsidy Scheme caused by higher electricity tariffs in the region.

The Department continued to manage the Electricity Reform Project budget this year. The financial impact has been removed from Total Income and Total Expenses because the Department's principal role was to monitor the cost of the project and therefore the overall financial impact during the year was nil. The project is now finalised.

Budgeted income and expenditure exceeded the actual results in the first three years under review, predominantly as a result of the Tasmanian Economic Regulator being included in the Department's budget figures but excluded from the actual results. These amounts were removed from the budgeted figures in 2013-14 and as a result budget is consistent with actual.

The Department's negative Total Equity decreased in line with the surplus for the year to $0.822m at 30 June 2014. Total Equity was a negative balance almost entirely due to the liability for employee annual and long service leave. The Department's Cash balance remained consistent this year, while Intangible assets increased as a result of capitalisation of software.



Employee costs decreased over the first three years under review as a result of lower staff numbers in order to achieve savings. Since 2012, however, staff numbers have stabilised and, as a result, in 2013-14 employee costs began to rise with a $1.400m increase. This was driven by annual wage increases and increases to leave and superannuation provisions.

Statement of Comprehensive Income

	2013-14 Budget	2013-14 Actual	2012-13 Actual	2011-12 Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from Government – recurrent	37 993	38 020	37 681	40 552
Grants	332	332	0	0
Fees and fines	6 759	6 727	6 553	6 454
Other revenue	739	1 469	792	1 069
Total Revenue	**45 823**	**46 548**	**45 026**	**48 075**
Employee expenses	26 120	25 305	23 905	25 704
Depreciation	263	251	202	390
Supplies and consumables	5 782	6 327	5 588	6 696
Grants and subsidies	14 653	14 412	12 812	14 312
Other expenses	127	130	461	1 277
Total Expenses	**46 425**	**46 425**	**42 968**	**48 379**
Underlying Surplus (Deficit)	**(1 122)**	**123**	**2 058**	**(304)**
Liquor licensing revenue	1 168	1 393	1 228	835
Transfer to the Consolidated Fund	(1 168)	(1 386)	(1 233)	(827)
Electricity reform revenue	731	3 579	3 769	0
Electricity reform costs	(731)	(3 297)	(3 847)	0
Net Result	**(1 122)**	**412**	**1 975**	**(296)**
Net Gain/(Loss) on Disposal of Non-Finanical Assets	**0**	**(5)**	**0**	**0**
Comprehensive Result	**(1 122)**	**407**	**1 975**	**(296)**

Statement of Financial Position

	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	4 161	4 354	2 893	3 712
Receivables	100	46	259	98
Other financial assets	787	1 071	853	679
Non-financial Assets				
Plant and equipment	373	464	116	217
Leasehold improvements	784	543	554	731
Heritage assets	84	84	84	84
Intangibles	1 565	1 002	414	217
Total Assets	**7 853**	**7 564**	**5 173**	**5 738**
Liabilities				
Payables	109	155	120	139
Employee entitlements	7 170	6 984	6 970	6 313
Other liabilities	1 397	1 653	1 287	2 194
Total Liabilities	**8 676**	**8 792**	**8 377**	**8 646**
Net Liabilities	**(822)**	**(1 228)**	**(3 204)**	**(2 908)**
Accumulated funds (deficit)	(822)	(1 228)	(3 204)	(2 908)
Total Net Deficit	**(822)**	**(1 228)**	**(3 204)**	**(2 908)**

Statement of Cash Flows

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Receipts from Government – recurrent	37 306	37 759	39 899	41 038
Grants	332	0	0	0
Fees and fines	8 181	8 038	6 964	7 457
Other cash receipts	6 193	6 808	2 165	2 426
Payments to employees	(25 481)	(24 721)	(25 061)	(25 674)
Grants and subsidies	(13 833)	(13 447)	(14 421)	(15 233)
Supplies and consumables	(10 534)	(10 621)	(9 228)	(10 140)
Transfers to the Consolidated Fund	(1 386)	(1 233)	(827)	(813)
Cash from (used in) Operations	**777**	**2 583**	**(509)**	**(939)**
Payments for acquisition of assets	(970)	(1 122)	(310)	(260)
Cash from (used in) Investing Activities	**(970)**	**(1 122)**	**(310)**	**(260)**
Net Increase (Decrease) in Cash	**(193)**	**1 461**	**(819)**	**(1 199)**
Cash at the beginning of the year	4 354	2 893	3 712	4 911
Cash at End of the Year	**4 161**	**4 354**	**2 893**	**3 712**

Financial Analysis

	Bench Mark	2013-14	2012-13	2011-12	2010-11
Financial Performance					
Underlying surplus (deficit) ($'000s)		123	2 058	(304)	(3 031)
Own source revenue ($'000s)		8 528	7 345	7 523	7 577
Financial Management					
Debt collection	30 days	7	4	25	10
Creditor turnover	30 days	1	1	1	1
Other Information					
Average staff numbers (FTEs)		285	285	285	309
Average staff costs ($'000s)		89	84	90	83

FINANCE-GENERAL

SNAPSHOT

Finance-General incurred an Underlying Deficit for the year of $303.429m and at 30 June 2014 it had a Net Equity Deficit of $1.263bn. This was $2.234bn worse than at 30 June 2013 when Finance-General reported positive Equity of $971.195m.

Significant transactions and balances this year included:

- de-recognition of investment in TasWater of $1.759bn
- an actuarial loss on the GGS's defined benefit superannuation liability of $380.748m
- increased carrying amount of net investments in Government businesses of $157.075m
- dividend income of $61.100m that was declared in 2013-14 to be received in 2014-15
- the unfunded superannuation liability of $6.605bn at 30 June 2014. This was $0.554bn more than last year, mainly because of losses following actuarial related adjustments
- temporary overnight loan of $920.000m (2013, $900.000m) used to gross up Government's cash holdings to at least equal the balance of accounts in the Special Deposits and Trust Fund at 30 June.

Major developments this year included:

- reclassification of the Parliament Square site as an Asset held for sale
- de-recognition of TasWater. This followed closure of the four former water entities on 30 June 2013 and the establishment of TasWater. The Australian Bureau of Statistics (ABS) classified TasWater in the Local Government Sector for financial reporting purposes from July 2013
- dividends brought forward of $61.100m from Aurora Energy Pty Ltd and Transend Networks Pty Ltd as a result of the restructure of the electricity entities and the commencement of Tasmanian Networks Pty Ltd from 1 July 2014
- Forestry Tasmania transferred designated Forestry reserve assets and liabilities to the Department of Primary Industries, Parks, Water and Environment (DPIPWE). The transfer was managed through Finance-General.

Finance-General's main expenditures this year were:

- transfers to the Consolidated Fund which represented 78% of the total costs (2012-13, 78%)
- grants and subsidies, 11% (12%)
- employer costs related to the closed Retirement Benefits Fund, Parliamentary and Judges defined benefit superannuation schemes, 8% (7%).

The audit was completed on time with no significant findings.

INTRODUCTION

Finance-General is a Division within the State Budget, and is administered through the Department of Treasury and Finance (Treasury). Expenditure through Finance-General generally reflects Whole-of-Government activities.

The major activities transacted through Finance-General include collection of State taxes, receipt of funding from the Australian Government, management of the Government's debt and superannuation obligations, administration of the Tasmanian Risk Management Fund, management of the Government's light vehicle fleet and property portfolio and transactions with Government businesses on behalf of Government in its capacity as the owner of those businesses.

Finance-General administers drawdowns by Government agencies against their appropriation, distribution of grants, subsidies and other transfer payments from the Australian Government and Special Capital Investment Funds.

Transactions pertaining to Finance-General were reported in Treasury's Administered Statements.

KEY AREAS OF AUDIT ATTENTION

Description of Area	Audit Approach
Finance-General administers Australian Government Grants (Specific Purpose Payments, National Partnership Payments and General Grants) and acts as an intermediary between the Commonwealth and State Departments.	We confirmed Australian Government Grants received.
Finance-General, through the State Revenue Office, collects and administers various State taxes.	We performed a combination of controls and substantive testing over the State Taxation systems. In addition detailed testing was performed over the integration of the systems with the general ledger.
Finance-General administers the Government's unfunded defined benefit superannuation liability. The liability is determined by the State Actuary and its calculation is subject to numerous assumptions.	We agreed the defined benefit liabilities to the actuary report and reviewed the actuary's assumptions for reasonableness and compliance with changes to accounting standards.
Finance-General manages the Tasmanian Risk Management Fund. The liability for outstanding insurance claims is determined by an actuary. The estimation of outstanding claims involves judgement and is subject to complex calculations.	We agreed the outstanding insurance claims liability to the actuary report and reviewed the actuary's assumptions for reasonableness.
The calculation of equity investments in State-owned Corporations and Government Business Enterprises initially relies on unaudited balances.	We audited the equity investment balances by verifying the individual Net Assets for all State Owned Corporations and Government Business Enterprises to the audited financial statements.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed Treasury financial statements were received on 12 August 2014 and an unqualified audit report was issued on 24 September 2014. Separate financial statements for Finance-General are not prepared. As previously indicated, Finance-General is administered by Treasury.

KEY DEVELOPMENTS

Assets held for sale reclassification

Government is divesting its interest in the 'Parliament Square' site as part of its policy to divest most of its office property portfolio. This year, Finance-General recognised Parliament Square as an Asset held for sale in its financial statements, at a value of $8.107m.

Derecognition of TasWater

On 30 June 2013 the four former Water and Sewerage related entities ceased to exist and the new entity TasWater was formed. The ABS classified TasWater in the Local Government Sector for financial reporting purposes. As a result, the Net Assets of TasWater are not included within the value of Finance-General's Equity investments this year. This resulted in a $1.759bn de-recognition of this investment.

Dividends declared in 2013-14 to be received in 2014-15

Finance-General recognised an Exceptional item related to dividends brought forward of $61.100m from Aurora Energy Pty Ltd and Transend Networks Pty Ltd. The companies declared two years of dividends during 2013-14, these consisted of:

- dividends of $53.600m declared in November 2013 and paid in December 2013. These were based on 2012-13 profits and recognised as Revenue from transactions
- additional dividends of $61.100m, declared in June 2014, to be paid in 2014-15.

Under normal circumstances, the $61.100m would have been declared and paid in 2014-15, however as a result of the restructure of the electricity entities and the commencement of Tasmanian Networks Pty Ltd from 1 July 2014, dividends were declared early.

Forestry Tasmania transfer

During 2013-14, as a result of the *Forest Management Act 2013* and the *Tasmanian Forests Agreement Act 2013*, Forestry Tasmania transferred designated Forestry reserve assets and liabilities to DPIPWE. The transfer was managed through Finance-General, as Finance-General is the equity holder of the Government's ownership interest in Forestry Tasmania.

The transfer had nil effect on Finance-General's Equity position.

KEY FINDINGS

The audit was completed on time with no significant findings. Several low risk matters related to system access security were reported to management for consideration.

FINANCIAL ANALYSIS

Schedule of administered comprehensive income

Finance-General incurred an Underlying Deficit for the year of $303.429m. This was an improvement on the prior year's deficit of $348.375m and $51.866m better than budget.

Total Revenue increased by $60.030m, partially offset by an increase in Total Expenditure of $15.084m. These movements were predominantly caused by higher Australian Government grants, $34.385m, and higher Investment income, $78.251m, as a result of stronger dividends received, in particular from Hydro.

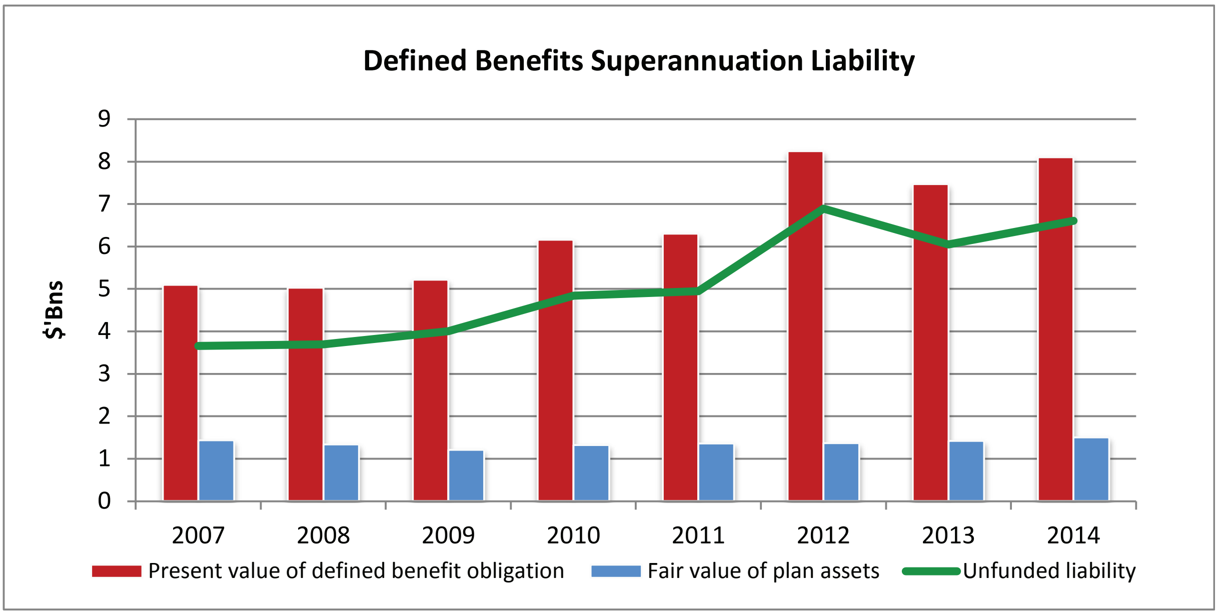
The Net Result was a deficit of $2.234bn, compared to a surplus of $331.664m in 2012-13. The turnaround was principally due to the de-recognition of TasWater of $1.759bn, partially offset by the gain on revaluation of equity investments in the other Government businesses, $157.075m. Actuarial losses were also recognised on the defined benefit superannuation liability, $380.748m, and Tasmanian Risk Management Fund liability, $18.684m. These losses were slightly offset by the $61.100m in dividends declared mentioned previously.

Schedule of administered assets and liabilities

Finance-General recorded a Net Equity Deficit of $1.263bn at 30 June 2014. This was a result of the significant Net Deficit recorded during the year as mentioned above. The following sections discuss key balances held by Finance-General.

Superannuation liabilities

The following graph shows movements in the unfunded superannuation liability being the difference between the present value of the defined benefit obligation and the fair value of plan assets.



The majority of GGS agencies do not recognise a liability for the accrued defined benefits superannuation obligations for their employees. The liability for those agencies is held centrally and is recognised within Finance-General's Schedule of Administered Assets and Liabilities at the latest actuarial assessment of members' entitlements, net of scheme assets. At 30 June 2014, the Unfunded liability was $6.605bn, with the increase, $554.282m, being the higher present value of superannuation obligations, $638.992m, less the growth in the value of plan assets, $84.709m.

The Unfunded liability comprised the following schemes and arrangements:

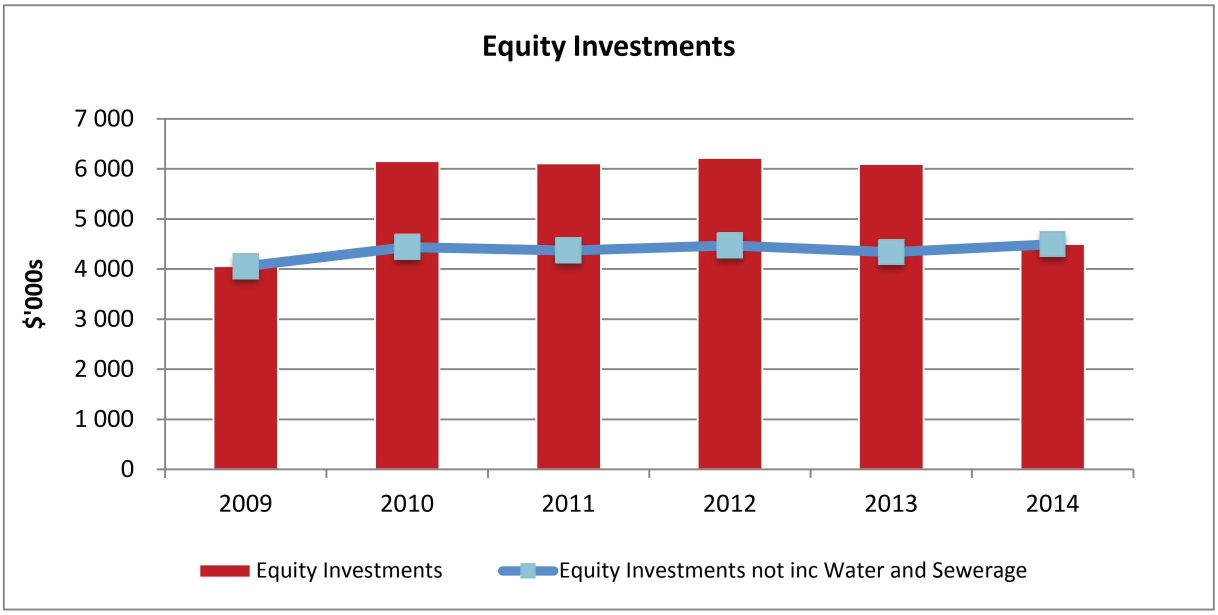
- Retirement Benefits Fund (RBF) Contributory Scheme and Parliamentary Superannuation Schemes (Parliamentary Superannuation Fund and Parliamentary Retiring Benefits Fund) administered by the RBF Board, $6.544bn (2013, $5.987bn), and $18.521m ($19.989m), respectively
- Judges Contributory Pensions, $41.976m ($43.455m). As these schemes are not fully funded, benefits are met on an emerging cost basis.

The net superannuation liability recorded on Finance-General's Schedule of Administered Assets and Liabilities does not include the net unfunded superannuation liability of Housing Tasmania, the Tasmanian Ambulance Service Superannuation Scheme or State Fire Commission Superannuation Scheme, which are presented in the Financial Statements of the Department of Health and Human Services and the State Fire Commission, respectively.

Equity investments in Government businesses

The Net Result was impacted by the de-recognition of TasWater, $1.759bn, mentioned earlier, and the gain on revaluation of equity investments in other Government business of $157.075m. The gross increase in Net Assets of Government Businesses was $160.181m, partially offset by equity injections made to the Tasmanian Ports Corporation Pty Ltd, $0.500m, and Forestry Tasmania, $2.606m. In addition there were Equity transfers managed through Finance-General that did not impact its results. These included transfers from Transend Networks Pty Ltd and DIER (now Department of State Growth) to Tasmanian Railway Pty Ltd of $58.979m, a transfer of $35.688m from DPIPWE to Tasmanian Irrigation Pty Ltd and the previously mentioned transfer from Forestry Tasmania to DPIPWE of $148.905m.

The write-down caused by the de-recognition of TasWater reduced the Equity Investments balance significantly in the current year as is clear from the following graph.



Despite this, Equity Investments still grew by $442.562m since 2009, the year before the water and sewerage entities were first recognised. This means that over that period Net Assets of State-owned corporations and government businesses, not including water and sewerage entities, have grown. This was primarily as a result of the growth in the electricity businesses exceeding the decline of Forestry Tasmania.

End of year borrowings

The residual overdraft of the former Temporary Debt Repayment Account as at 30 June 2012 plus Consolidated Fund deficits from that date were funded by a temporary overnight borrowing of $920.000m on 30 June 2014. The borrowing was to gross up the Government's cash holding to at least equal the balance of accounts in the Special Deposits and Trust Fund.

The transaction was recognised on a grossed-up basis and resulted in inflated Cash and deposits and Interest-bearing liabilities with nil net effect on Net Assets. Excluding the impact of the overnight borrowings on Cash and Deposits, Finance-General recorded a Net decrease in cash for the year of $6.243m.

Tasmanian Risk Management Fund (the Fund)

The Fund is Government's self-insurance fund. A Fund Administration Agent is retained on a contract basis for claims administration, the provision of advice in relation to claims management and the placement of insurance as required.

In 2013-14, the Fund reported a Net Surplus from transactions of $16.561m compared to a $0.159m deficit in the prior year. The increase predominantly related to increased agency contributions along with a decrease in claims expenses. Agency contributions increased by $6.696m while claims expenses decreased by $10.224m.

Despite the surplus from transactions a Net Deficit of $2.213m was reported as a result of an actuarial loss of $18.684m that related to the changes to key assumptions in the estimation of Outstanding claims liability. This increased Outstanding claims to $212.031m, which drove the decline in Net Assets. The value of the Outstanding claims liability is assessed by an actuary each year and is made up of the following five risk areas:

Risk Area	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Personal Injury	82 397	84 594	80 728	81 663
General Property	7 595	3 691	6 245	6 691
Motor Vehicle	350	276	162	316
General Liability	8 324	9 851	8 810	8 590
Medical Liability	113 365	92 140	70 210	68 600
Total	**212 031**	**190 552**	**166 155**	**165 860**

The increase in the liability was mainly due to unfavourably large claims in medical liability, which has increased consistently in each year under review. This contributed to the increase in Other liabilities in Finance-General's Schedule of Administered Assets and Liabilities.

CHAPTER APPENDICES

Schedule of Administered Comprehensive Income

	2013-14 Budget	2013-14 Actual	2012-13 Actual	2011-12 Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from Government - recurrent	492 158	418 821	464 204	411 604
Revenue from Government - capital	4 000	0	15 000	26 900
Revenue from Government - other	0	3 186	0	13 383
Australian Government grants	2 445 529	2 531 898	2 497 513	2 894 307
State taxation	848 362	871 263	867 767	914 130
Sales of goods and services	92 129	83 696	83 656	75 108
Investment income	345 734	343 065	264 814	226 957
Other revenue	106 362	114 784	113 730	103 150
Total Revenue	**4 334 274**	**4 366 714**	**4 306 684**	**4 665 539**
Superannuation	372 956	391 920	348 231	377 546
Depreciation and amortisation	16 034	14 908	16 753	19 337
Supplies and consumables	122 553	81 789	93 333	84 318
Grants and subsidies	548 940	505 475	550 584	296 925
Borrowing costs	12 354	11 783	14 661	15 521
Transfer to the Consolidated Fund	3 616 732	3 664 268	3 631 497	4 192 008
Other expenses	0	0	0	124
Total Expenses	**4 689 569**	**4 670 143**	**4 655 059**	**4 985 779**
Underlying Surplus (Deficit)	**(355 295)**	**(303 429)**	**(348 375)**	**(320 240)**
Administered exceptional item - Dividends declared in 2013-14 to be received in 2014-15	0	61 100	0	0
Net gain (loss) on revaluation of equity investments	120 763	157 075	(128 591)	121 284
Net gain/(loss) on derecognition of Water and Sewerage entities	0	(1 759 456)		
Net gain (loss) on non-financial assets	0	2 281	(6 529)	2 202
Net actuarial gain (loss) on superannuation liability	0	(380 748)	970 321	(1 777 631)
Net actuarial gain (loss) on Tasmanian Risk Management Fund liability	(15 698)	(18 684)	(11 198)	(5 216)
Net gain (loss on financial instruments and statutory receivables*)	32 251	8 158	(143 964)	52 612
Net gain (loss) on sale of TOTE Tasmania Pty Ltd	0	0	0	89 039
	137 316	**(1 991 374)**	**680 039**	**(1 517 710)**
Net Surplus (Deficit)	**(217 979)**	**(2 233 704)**	**331 664**	**(1 837 950)**

Schedule of Administered Assets and Liabilities

	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	1 338 628	1 324 871	1 273 568	600 618
Receivables	138 754	69 584	81 926	86 586
Equity investments	4 499 490	6 098 765	6 217 356	6 111 159
Other financial assets*	1 106 481	1 164 030	1 266 477	226 695
Non-financial Assets				
Assets held for sale	8 926	1 284	875	1 095
Motor vehicles	60 679	63 263	63 442	71 456
Land and buildings	28 609	36 650	56 312	57 656
Total Assets	**7 181 568**	**8 758 447**	**8 959 956**	**7 155 265**
Liabilities				
Payables	11 270	8 897	9 338	10 633
Interest-bearing liabilities	1 115 693	1 102 840	872 810	238 333
Superannuation	6 604 985	6 050 703	6 888 108	4 946 387
Other liabilities	712 128	624 812	540 696	485 851
Total Liabilities	**8 444 077**	**7 787 252**	**8 310 952**	**5 681 204**
Net Assets	**(1 262 509)**	**971 195**	**649 004**	**1 474 061**
Accumulated funds	(1 274 410)	959 294	627 630	1 452 544
Asset revaluation reserve	11 901	11 901	21 374	21 517
Total Equity	**(1 262 509)**	**971 195**	**649 004**	**1 474 061**

**2011 does not include the recognition of income tax equivalent revenue from Government business on an accrual basis.*

Statement of Administered Cash Flows

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Receipts from Government – recurrent	420 874	467 390	412 604	638 651
Receipts from Government – capital	0	15 000	26 900	1 000
Australian Government grants	2 531 898	2 497 513	2 894 306	3 063 293
State taxation	865 666	863 698	926 131	896 321
Sales of goods and services	82 656	82 436	78 462	79 605
GST receipts	13 942	17 023	20 554	19 866
Interest received	18 032	24 958	34 291	45 774
Dividends and income tax equivalents	377 026	207 080	211 009	125 643
Other cash receipts	114 016	112 692	102 992	115 071
Superannuation	(219 123)	(214 719)	(215 981)	(185 407)
Supplies and consumables	(78 522)	(79 422)	(89 994)	(96 519)
Finance costs	(11 938)	(14 762)	(15 637)	(19 705)
GST payments	(14 087)	(16 966)	(20 335)	(20 108)
Grants and subsidies	(505 262)	(550 275)	(296 924)	(216 956)
Transfers to the Consolidated Fund	(3 664 268)	(3 631 497)	(4 195 208)	(4 678 290)
Other cash payments	0	(2 316)	(86)	(105)
Cash from (used in) Operations	**(69 090)**	**(222 167)**	**(126 916)**	**(231 866)**
Proceeds from disposal of assets	12 290	23 595	23 131	28 941
Repayment of loans by other entities	13 587	7 501	6 913	7 260
Receipts from non-operating capital funding	0	0	0	4 900
Sale of Government business	0	0	104 125	0
Payments for acquisition of assets	(22 140)	(36 504)	(31 186)	(48 018)
Payments for investments	(500)	(17 054)	(1 247)	(4 996)
Cash from (used in) Investing Activities	**3 238**	**(22 462)**	**101 736**	**(11 913)**
Proceeds from borrowings	920 000	900 000	650 000	0
Public account cash reimbursements	66 756	65 901	63 643	0
Repayment of borrowings	(907 147)	(669 969)	(15 513)	(5 461)
Public account cash reimbursement	0	0	0	(64 274)
Cash from (used in) Financing Activities	**79 609**	**295 932**	**698 130**	**(69 735)**
Net Increase (Decrease) in Cash	**13 757**	**51 303**	**672 950**	**(313 514)**
Cash at the beginning of the year	1 324 871	1 273 568	600 618	914 132
Cash at End of the Year	**1 338 628**	**1 324 871**	**1 273 568**	**600 618**

AUDIT SUMMARY - TASMANIAN HEALTH

INTRODUCTION

The National Health Reform (the Reform) was implemented in Tasmania from 1 July 2012 with the establishment of three local hospital networks under the *Tasmanian Health Organisations Act 2011* (the THO Act). These networks are referred to as Tasmanian Health Organisations (THOs). The three THOs are Tasmanian Health Organisation – North (THO–N), Tasmanian Health Organisation – North West (THO–NW) and Tasmanian Health Organisation – South (THO–S). Each THO is a statutory authority with a Governing Council established under the Act. They operate independently of the Department of Health and Human Services (DHHS) and have developed separate internal governance and accountability arrangements.

The establishment of local hospital networks was a significant part of the Reform, which aimed to link services within a region, provide for decentralised hospital management and increase local accountability. This new structure is also supported by a funding model based on a national efficient price for health services determined by the Independent Hospital Pricing Authority. While the Reform was underpinned by the National Efficient Price, and this is the price which the Commonwealth uses for funding, the State bases Service Agreements on the National Average Cost.

The functions of the THOs include improving, promoting, protecting and maintaining the health of Tasmanians as required by the Service Agreements; and managing public hospitals, health institutions, health services and health support services.

Service Agreements were entered into between each THO and DHHS which include a purchasing framework under which DHHS purchases services from each THO. These arrangements made it clear that the THOs are quite separate from DHHS with transactions entered into between DHHS and the THOs being at arm's length. This is illustrated by two examples:

- THOs are now responsible for managing their own budgets. There is no capacity for DHHS, as it may have done in the past, to assist.
- Workforce management is a THO responsibility. DHHS cannot influence FTE numbers as it may have done in the past. THOs are expected to manage respective workforces in line with Service Agreements, service expectations and their budgets.

Budgets for each THO were included in Chapters 21, 22 and 23, respectively, of Budget Paper No 2, Volume 2 for 2013-14. Each THO must prepare a financial report and have it audited. Under the Reform, funding is provided to THOs via the National Health Funding Pool and DHHS. All funding received was recorded as grant revenue to the THOs.

We also note that the Government announced a change in the structure of Tasmanian Health from 2015-16, with the creation of one Tasmanian Heath Service (THS), being the amalgamation of the three THOs.

CHANGES INTRODUCED IN 2013-14

The 2103-14 financial year represents the second year of operations for the THOs. As at 1 July 2013, the structures of the THOs were adjusted to include the operations of Mental Health Services (MHS) in each of the regions, which were previously part of DHHS. This transfer resulted in $27.449m in assets and $20.579m in liabilities being transferred to the THOs, in addition to 803 FTEs. The impacts on the individual THOs are discussed in detail in the following Chapters.

A sometimes confusing element, from an accounting point of view, of building construction is that the majority of construction activity, or work-in-progress, for the whole health sector is recorded in the financial statements of DHHS. Once construction of new assets is completed, and they are ready for use, DHHS will transfer the assets to the respective THO and record the entry as a grant expense, writing the balance out of its work-in-progress balance. Conversely, the THO will record the granted asset as an item of revenue, being a capital grant, and add the asset as an item of Property, plant and equipment. Although THOs have the ability to undertake capital works and capitalise their own expenditure where necessary, the majority of the significant construction activity is accounted for as explained previously.

CHAPTER STRUCTURE

As 2013-14 was the second year of the implementation of the Reforms, we decided to include:

1. a comparison Chapter, to compare the aggregated results of the THOs and DHHS to past results of the old entity structure, as per the prior year. This summary enables readers to gain a picture of the financial performance of the health sector this year compared to prior years.
2. detailed Chapters for each of the THOs, comparing the two years of data.

As a result of decision 1, this Chapter assesses financial performance of the health sector over more than one financial year. This required that we aggregate separately controlled entities for which there is no basis in accounting standards. However, we applied principles similar to those used when consolidating entities within a group and in doing so made adjustments to facilitate valid comparison such as eliminating inter-entity transactions and funding flows such as grants.

The structure of the aggregation chapter, combined results of each of the THOs with those of DHHS, will also enable a direct comparison to the new THS in future periods.

TASMANIAN HEALTH ORGANISATIONS AND THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (THOs and DHHS)

INTRODUCTION

The 2013-14 year saw continuation of the three THOs as the providers of hospital, primary and community health services. A major change this year was the transfer of Mental Health Services from DHHS to the THOs with effect from 1 July 2013.

Functions of THOs are listed in Section 11 of the *Tasmanian Health Organisations Act 2011*. Previously, these functions were performed by DHHS. Following the establishment of THOs, DHHS became responsible for delivering integrated services that maintain and improve the health and wellbeing of Tasmanians. Service delivery is achieved through direct provision of services by DHHS or through service agreements or contracts with provider organisations. The DHHS, on behalf of the Minister for Health, has entered into Service Agreements with THOs and monitors performance against these agreements.

DHHS assists the THOs to fulfil their objectives by providing services which include:

- payroll
- information technology
- procurement and accounts payable
- limited billing and receipting
- financial and accounting support
- internal audit.

To assist with our analysis, we aggregated the transactions and balances of THOs and DHHS for 2013-14 and compared them to the aggregated results from the prior year and the financial performance and position of the previous DHHS in 2011-12.

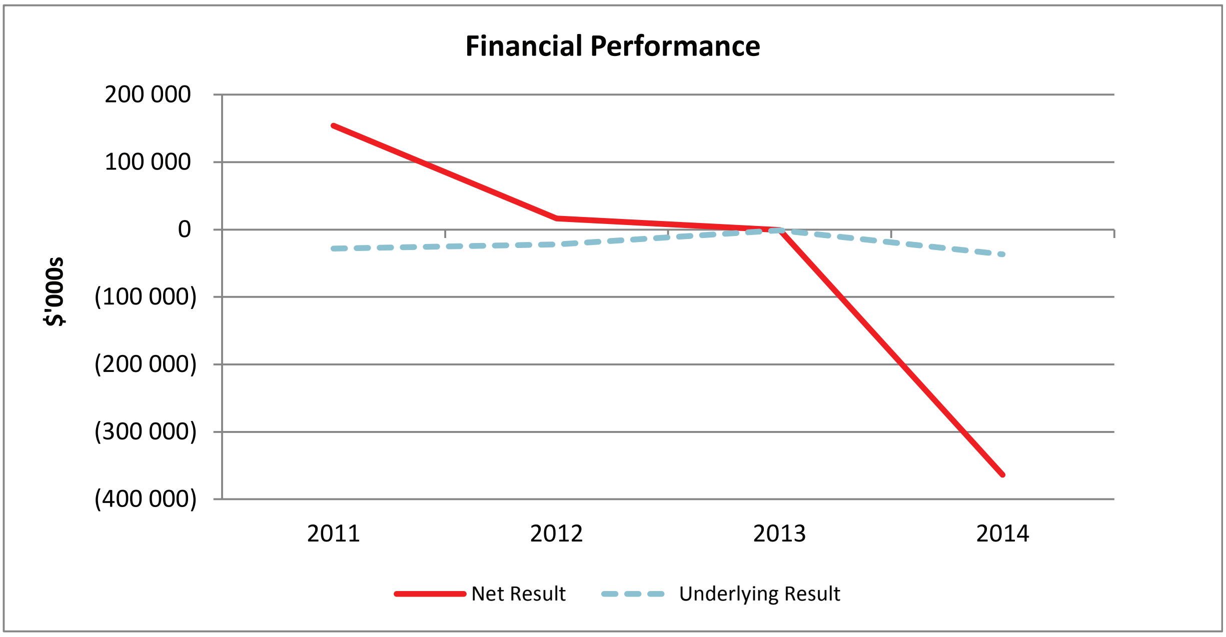
SNAPSHOT

- DHHS and the THOs reported an aggregated Underlying Deficit of $36.581m (2012-13, $1.275m), with the higher deficit due to over-budget employee entitlement expenditure, in particular at the THOs, increases in grants expenditure in excess of grant revenues and an increase in depreciation expense. The Net Deficit of $363.643m included $389.598m of Better Housing Futures (BHF) transfers, which involved the transfer of 2 225 properties throughout the State to the Non Government Organisation (NGO) sector.
- The current year saw an increase in salaries costs of 5.12%, which included an increase in FTEs of 4.31%, excluding the internal transfer of mental health employees between the DHHS and the THOs.
- Net Assets decreased by $350.633m, to $2.387bn, due principally to the BHF transfers already noted.

FINANCIAL ANALYSIS

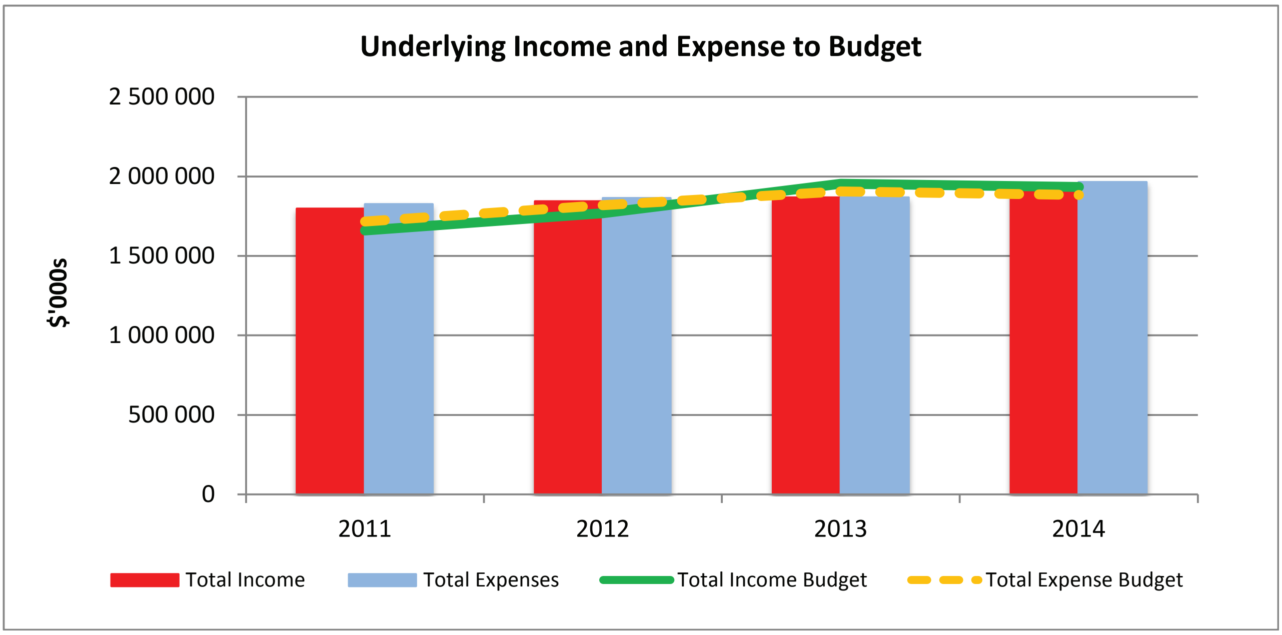
The financial information below compares the aggregated results of THOs and DHHS for 2013-14 and 2012-13 and their combined financial position at those dates, to the results and position of DHHS for the 2011-12 year. Changed funding arrangements following the implementation of *National Health Reform Agreement* made this comparative assessment problematic. For example, in previous years funding from Australian Government for certain specialised medications under the Highly Specialised Drugs Program was reported as administered revenue by DHHS. It was then transferred out of administered revenue into the Consolidated Fund and back to DHHS as part of its recurrent appropriation. Under the new arrangements, this funding was provided directly to THOs and recognised as Commonwealth Own Purpose Expense (COPE) receipts.

DHHS revenue and expenses are shown net of State Block grants and Activity Based Funding (ABF) receipts and payments.

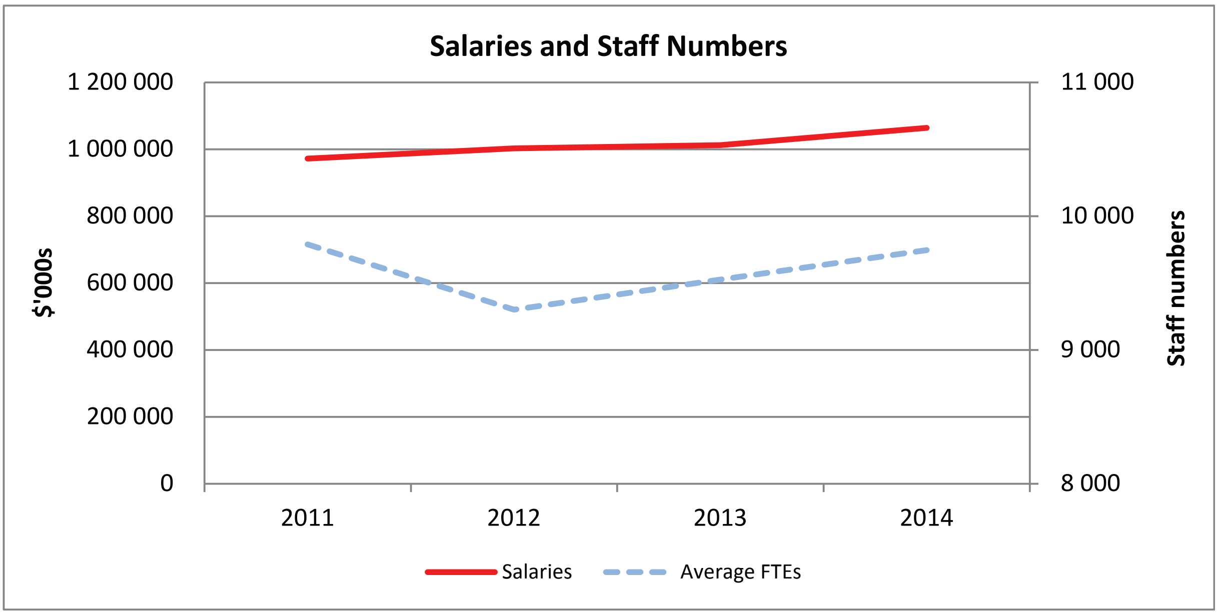


In 2013-14, THOs and DHHS reported an aggregated Underlying Deficit of $36.581m (2012-13, $1.275m). Despite being worse than the prior year, this was a reasonable result given Depreciation was $71.541m, which is not a budgeted expense and is unfunded. The poorer result was a combination of higher employee entitlement expenditure, increases in grants expenditure in excess of grant revenues and higher depreciation expenses.

Capital funding and transfers of housing stock under the BHF initiative were the main contributing factors impacting the high Net Deficit of $363.643m in 2013-14 which included $389.598m of BHF transfers. This involved the transfer of 2 225 properties to the NGO sector throughout the State. Excluding this amount, a Net Surplus of $25.955m would have been recorded, due principally to capital grants received of $52.997m. Capital funding was also the principal reason why results in previous years were positive.



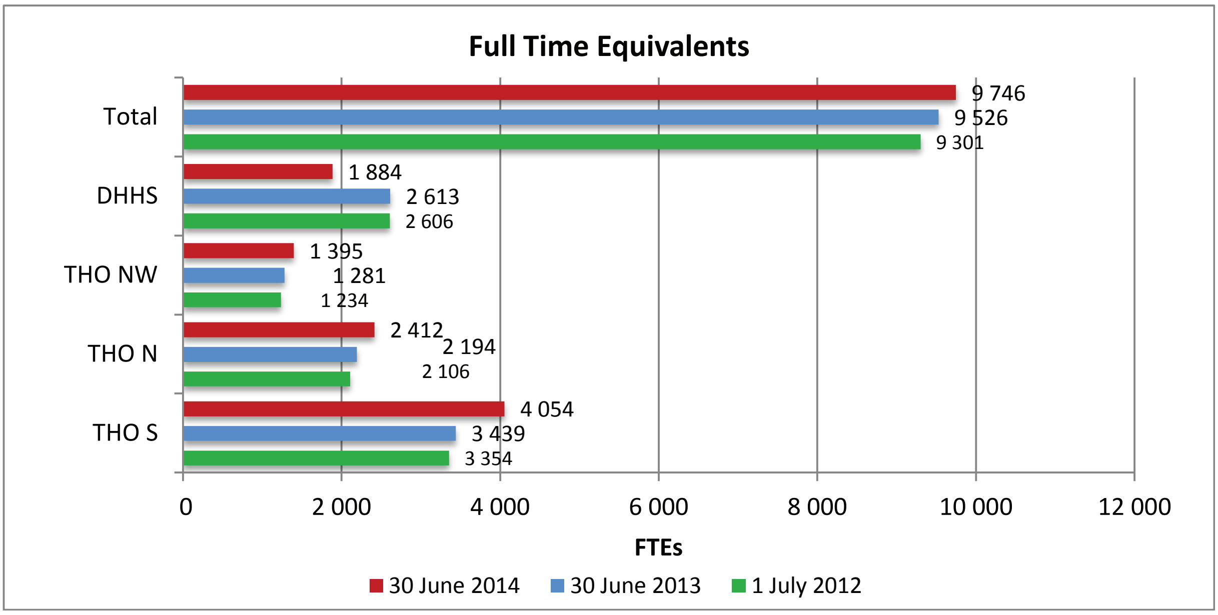
The growth in expenditure slowed when compared to previous years, with employee cost being the main driver. In dollar terms, Employee entitlements have always been DHHS's single largest expenditure, averaging $1.012bn per annum or 53.8% of Total Expenses.



Budget pressures in 2010-11 meant significant savings had to be made and DHHS abolished a large number of positions across all sections of the department, including the hospital sectors at that time. As a result, staff numbers declined significantly by the end of 2012.

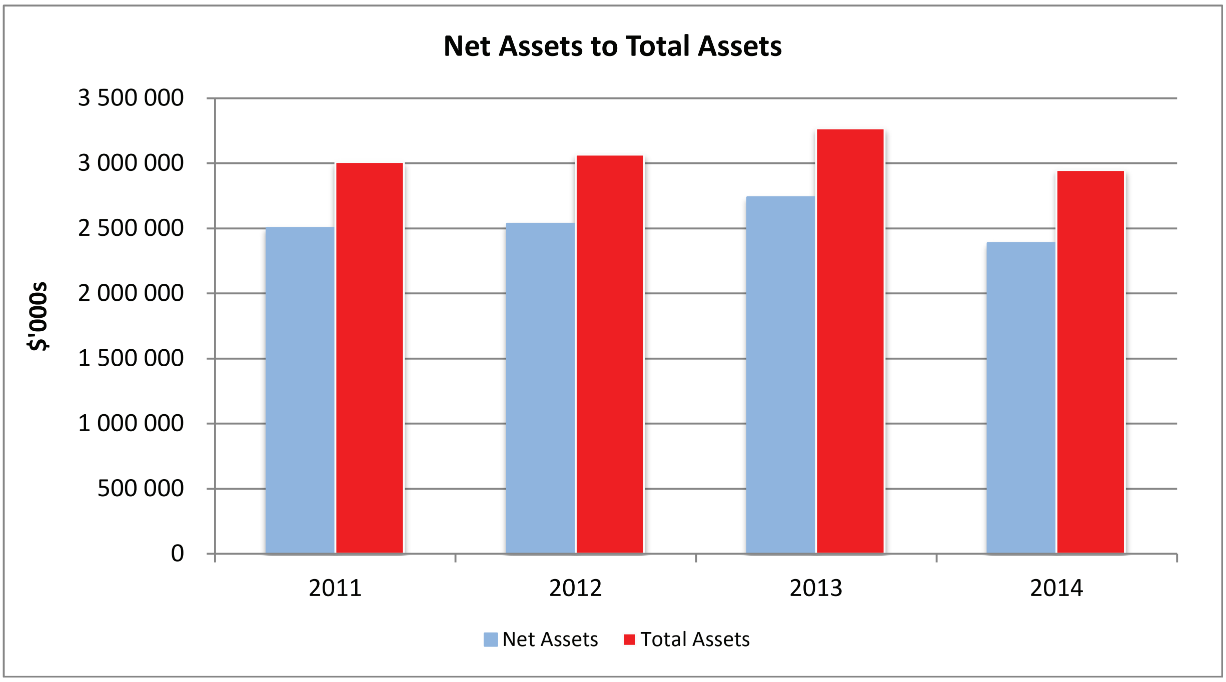
Since then, staffing numbers gradually increased although wage costs remained fairly constant. However, the current year saw an increase in salaries costs of 5.12%, in contrast to increases of 0.97% and 3.12% in the previous two years. This was, in the main, caused by growth in FTE in both 2012-13 and 2013-14.

The following graph details movements in FTEs over the past three financial years at the entity level.



On 1 July 2013, 610 MHS FTEs were transferred to the THOs. This was the major contributing factor to the decrease of 729 DHHS employees in 2013-14.

Staffing levels at the THOs increased by 949 FTEs, including MHS staff and an additional 247.7 employees. Excluding MHS, this equated to an increase in FTEs of 4.9%. This was slightly higher than the 3.3% increase noted in the prior year. In total, FTE in health grew by 445 FTE or 4.8% since 30 June 2012.



Consolidated Total Assets decreased by $320.838m in the current year, from $3.272bn to $2.951bn. This movement was due principally to the transfer of properties under the BHF initiative, which reduced the value of Property, plant and equipment by $389.598m. This was also the main contributing factor to the decrease in Net Assets of $350.633m.

Cash holdings increased by $22.682m in 2013-14, due in part to an increase in cash from operations of $5.661m, as reflected in the cash flow statement. The balance was also affected by funds received for significant capital works that were yet to be undertaken. These capital funds included works earmarked for the Royal Hobart Hospital which was currently on hold.

The balance of receivables increased by $11.075m to $31.707m, as at 30 June 2014 due to interstate charging. Due to reconciliation and timing issues with the National Health Funding Pool, a backlog of claims had still to be reconciled and finalised at 30 June 2014. Conversely, this also impacted upon the payables balances for each of the THOs, and was partly responsible for the increase in aggregated payables of $27.615m. This total was also affected by approximately $9.945m worth of accrued expenses for Housing Tasmania, which included accrued maintenance charges, outstanding insurance claims, accrued water rates and payments owing to non-government organisations.

Statement of Comprehensive Income

	All THOs 2013-14	DHHS 2013-14	Aggregated 2013-14	Aggregated 2012-13	DHHS 2011-12
	$'000s	$'000s	$'000s	$'000s	$'000s
Revenue from Government - recurrent	0	1 115 920	1 115 920	1 106 214	1 540 002
less State Block and ABF receipts distributed to THOs*	0	(638 803)	(638 803)	(517 489)	N/a
Revenue from Special Capital Investment Funds - recurrent	0	5 962	5 962	11 687	13 249
Grants	1 078 472	46 705	1 125 177	1 006 612	63 600
Sale of goods and services	147 699	124 433	272 132	215 964	185 868
Interest revenue	343	148	491	737	770
Contributions received	2 225	10	2 235	1 488	0
Other revenue	34 030	11 142	45 172	41 917	39 554
Total Revenue	**1 262 769**	**665 517**	**1 928 286**	**1 867 130**	**1 843 043**
Employee entitlements	869 174	194 339	1 063 513	1 011 706	1 002 020
Depreciation and amortisation	38 618	32 923	71 541	56 743	61 044
Supplies and consumables	357 683	178 684	536 367	524 318	462 719
Grants and subsidies	10 444	888 510	898 954	745 597	260 423
less State Block and ABF payments to THOs*	0	(638 803)	(638 803)	(517 489)	N/a
Finance costs	0	9 022	9 022	9 326	9 626
Other expenses	17 801	6 472	24 273	38 204	69 056
Total Expenses	**1 293 720**	**671 147**	**1 964 867**	**1 868 405**	**1 864 888**
Underlying Surplus (Deficit)	**(30 951)**	**(5 630)**	**(36 581)**	**(1 275)**	**(21 845)**
Profit (loss) on sale of assets	(46)	(3 943)	(3 989)	(5 700)	(4 941)
Impairment of non-financial assets	(1 389)	(1 451)	(2 840)	(5 883)	(1 842)
Impairment of financial assets	97	(1 330)	(1 233)	(1 864)	(2 767)
Provision for redundancies	0	0	0	(600)	0
Revenue from Government - capital	0	5 284	5 284	15 164	58 040
Revenue from Special Capital Investment Funds - capital	0	8 381	8 381	27 170	49 678
Grants - Capital	0	52 997	52 997	26 496	0
Social housing grant	0	(389 598)	(389 598)	(62 262)	(45 764)
Assets transferred on completion	120 561	(120 561)	0	0	N/a
Actuarial superannuation adjustment	0	3 936	3 936	8 263	(13 921)
Net Surplus (Deficit)	**88 272**	**(451 915)**	**(363 643)**	**(491)**	**16 638**
Other Comprehensive Income					
Changes in physical asset revaluation reserve	(22)	13 377	13 355	204 358	13 261
Comprehensive Surplus (Deficit)	**88 250**	**(438 538)**	**(350 288)**	**203 867**	**29 899**

** Difference between Grants paid to THOs reported in the DHHS's financial statements and the amount shown in the table above represents contributions by THOs towards Shared Services of $28.343m (THO-S: $14.992m; THO-N: $9.016m; THO-NW: $4.335m).*

Statement of Financial Position

	All THOs 2014	DHHS 2014	Aggregated 2014	Aggregated 2013	DHHS 2012
	$'000s	$'000s	$'000s	$'000s	$'000s
Financial Assets					
Cash and deposits	66 861	91 686	158 547	135 865	85 650
Receivables	20 702	11 005	31 707	20 632	22 783
Inter-entity receivable	4 757	0	4 757	4 762	N/a
Loan advances	0	3 080	3 080	3 730	4 567
Equity investments	0	10 190	10 190	6 782	4 623
Other financial assets	16 392	9 060	25 452	9 710	6 720
Non-financial Assets					
Inventory	8 414	2 913	11 327	14 070	13 832
Assets held for sale	95	4 440	4 535	6 170	6 093
Property, plant and equipment	918 041	1 758 465	2 676 506	3 046 982	2 898 600
Intangibles	3 637	11 319	14 956	15 630	16 399
Other non-financial assets	4 340	5 809	10 149	7 711	5 090
Total Assets	**1 043 239**	**1 907 967**	**2 951 206**	**3 272 044**	**3 064 357**
Liabilities					
Payables	48 340	16 893	65 233	37 618	38 760
Inter-entity payable	0	0	0	4 727	N/a
Interest bearing liabilities	0	195 693	195 693	202 840	209 808
Other financial liabilities	0	0	0	0	36 147
Superannuation liability	0	16 607	16 607	20 698	29 228
Employee entitlements	198 629	42 423	241 052	224 873	208 492
Other liabilities	11 483	33 551	45 034	43 068	7 569
Total Liabilities	**258 452**	**305 167**	**563 619**	**533 824**	**530 004**
Net Assets	**784 787**	**1 602 800**	**2 387 587**	**2 738 220**	**2 534 353**
Contributed capital	469 459	6 094	475 553	468 683	6 094
Accumulated funds (deficits)	145 388	(266 606)	(121 218)	167 064	606 870
Reserves	169 940	1 863 312	2 033 252	2 102 473	1 921 389
Total Equity	**784 787**	**1 602 800**	**2 387 587**	**2 738 220**	**2 534 353**

Statement of Cash Flows

	All THOs 2013-14	DHHS 2013-14	Aggregated 2013-14	Aggregated 2013	DHHS 2011-12
	$'000s	$'000s	$'000s	$'000s	$'000s
Receipts from Government – recurrent	0	1 124 305	1 124 305	1 105 351	1 530 234
less State Block and ABF receipts	0	(638 803)	(638 803)	(517 489)	0
Receipts from special capital investment funds – recurrent	0	5 962	5 962	11 687	13 249
Grants	1 076 539	99 702	1 176 241	1 033 108	63 666
Sales of goods and services	136 557	98 824	235 381	202 382	187 139
Interest received	15 076	148	15 224	13 548	701
GST receipts	17 664	43 097	60 761	83 478	87 293
Other cash receipts	32 744	11 142	43 886	32 477	48 286
Payments to employees	(852 506)	(195 851)	(1 048 357)	(997 595)	(977 146)
GST Payments	(32 166)	(47 787)	(79 953)	(78 183)	(85 912)
Grant	(10 444)	(889 734)	(900 178)	(745 596)	(260 833)
less State Block and ABF receipts	0	638 803	638 803	517 489	0
Finance costs	0	(9 022)	(9 022)	(9 326)	(9 626)
Supplies and consumables	(339 293)	(166 794)	(506 087)	(525 126)	(469 113)
Other cash payments	(17 961)	(6 540)	(24 501)	(38 204)	(79 467)
Cash from (used in) Operations	**26 210**	**67 452**	**93 662**	**88 001**	**48 471**
Receipts from Government – capital	0	11 427	11 427	15 164	60 945
Receipts from special capital investment funds – capital	0	8 381	8 381	27 170	50 222
Proceeds from disposal of assets	144	10 300	10 444	9 070	12 662
Receipts from investments	0	868	868	1 563	1 167
Payments for acquisition of assets	(19 112)	(71 559)	(90 671)	(81 873)	(141 479)
Payment for equity investment	0	(4 283)	(4 283)	(1 911)	(561)
Cash from (used in) Investing Activities	**(18 968)**	**(44 866)**	**(63 834)**	**(30 817)**	**(17 044)**
Repayment of borrowings	0	(7 147)	(7 147)	(6 969)	(6 812)
Cash from (used in) Financing Activities	**0**	**(7 147)**	**(7 147)**	**(6 969)**	**(6 812)**
Net Increase (Decrease) in Cash	**7 242**	**15 439**	**22 681**	**50 215**	**24 615**
Cash at the beginning of the year	59 480	76 385	135 865	85 650	61 035
Cash transferred on establishment	139	(138)	1	0	N/a
Cash at End of the Year	**66 861**	**91 686**	**158 547**	**135 865**	**85 650**

TASMANIAN HEALTH ORGANISATION NORTH (THO-N)

SNAPSHOT

- 2013-14 year was the second year of operation of THO-N as the provider of hospital, primary and community health services in northern Tasmania.
- THO-N reported an Underlying Deficit of $7.931m (2013 surplus, $9.221m).
- Despite this, cash generated from operations was positive resulting in a higher bank balance at 30 June 2014.
- Underlying Deficit of $7.931m was $3.961m better than budget, as Total Expenses exceeded budget by $16.169m whereas Total Revenues exceeded budget by $20.130m.
- A Net Surplus of $12.438m ($59.591m) was principally due to the transfer of commissioned infrastructure assets from the Department of Health and Human Services (DHHS).
- Staff numbers increased since THO-N was formed due to the transfer of approximately 107 FTE Mental Health Services North (MHS-N) together with an additional 114 FTE appointed to meet reported increases in service levels.
- Average cost per head of population was $2 728 in 2013-14 ($2 432) although these amounts are not comparable because 2013-14 included MHS.
- Total operating cash costs per head of population were $2 550 in 2013-14 ($2 308).

Our audit found the following deficiencies:

- control weaknesses in several systems, including payroll processing, expenditure and cash systems at the Shared Services Unit of DHHS.
- a number of moderate risk matters in areas of procurement, pharmacy operations and the need to update valuations of properties.

These matters are being addressed by management of DHHS and THO-N.

The audit was completed satisfactorily with no other items outstanding.

Major developments this year included:

- transfer of MHS-N to THO-N which included approximately 107 staff, assets of $2.971m and liabilities of $2.265m
- transfer to THO-N of $20.042m capitalised assets including elements of the LGH multi-level car park redevelopment, improvements to the LGH buildings and the John L Grove Centre.

Major variations between the 2013-14 and 2012-13 financial years included:

- Recurrent revenue increased by $24.308m, the majority of which related to additional grant funding of $14.378m and higher Sale of goods and services revenue of $7.293m
- Employee benefits were $26.070m higher than the prior year due to the transfer of MHS-N staff, higher staffing levels and wage rises
- Depreciation costs increased by $4.331m due to completed capital works and asset transfers from MHS
- a significant increase in Medical, surgical and pharmacy expenses of $8.583m, which included increases in pharmacy requisites, interstate charging and general medical consumables
- increased Property, plant and equipment (PPE) assets of $17.786m, which included $20.042m of grant transfers from DHHS for completed capital works, offset by depreciation
- employee entitlements of $8.702m, due to a $3.171m increase in the payroll accrual, plus increased annual and long service leave, influenced by the higher staff numbers and wage rises effective 1 December 2013.

INTRODUCTION

The establishment of local hospital networks was a significant part of recent reforms in health, which aimed to link services within a region, provide for decentralised hospital management and increase local accountability.

THO-N is responsible for the provision and coordination of health and health support services in northern Tasmania. The primary purpose of the reforms was to promote and maintain the health of persons and to provide care and treatment to, and ease the suffering of, persons with health problems. THO-N is a not-for-profit entity.

Functions of THO-N are listed in Section 11 of the *Tasmanian Health Organisations Act 2011*. Service delivery is achieved through direct provision of services under service agreements or contracts with DHHS which, on behalf of the Minister for Health, monitors performance against these agreements. A significant change on 1 July 2013 was the transfer from DHHS to THO-N of MHS-N. Associated assets, $2.971m, liabilities, $2.265m and approximately 107 staff FTE were also transferred with this being a major reason for changes in financial results between 2012-13 and 2013-14.

DHHS assists THO-N to fulfil its objectives by providing services through its Shared Service Unit, including:

- payroll
- information technology
- procurement and accounts payable
- limited billing and receipting
- financial and accounting support
- internal audit.

Governance arrangements

THO-N has its own Governing Council which sets the strategic direction. The Chief Executive Officer is responsible and accountable to the Governing Council for day-to-day administration and management to ensure the delivery of hospital, primary and community health services.

There are three THOs with a common Chair of the Governing Councils. Each Governing Council has four members and each Council is individually accountable to the Minister for Health and the Treasurer.

Service area

THO-N services are provided to a core population of approximately 140 000 with a number of services available to a greater population of 250 000 people. Main facilities include the Launceston General Hospital (LGH) and 12 rural health service sites (i.e. district hospitals, community health centres, multi-purpose centres/services), which includes facilities on Flinders Island.

KEY AREAS OF AUDIT ATTENTION

Financial audits of the THOs and DHHS were carried out as separate engagements. The services provided by the Shared Services Unit within DHHS were audited separately in order to streamline the audit process.

The following table summarises the key areas of audit attention in relation to these engagements.

Description of Area	Audit Approach
A single National Health Funding Pool was established as part of the reforms to facilitate direct payments to local health networks using a nationally consistent approach to activity based funding.	We tested the Tasmanian State Pool Account and obtained assurance that the amount of attributed funding disclosed in the financial reports was not materially misstated. The State Pool Account is separately audited with details provided in a separate chapter.
THO-N is responsible for operating within its budget and is accountable for its performance.	We performed audit procedures to obtain a sufficient level of assurance that: • revenue and expenses were recognised and recorded in the correct period • capital costs were appropriately accounted for • accounting policies were applied appropriately.
THO-N generates revenue by charging for billable services. Various systems are used to collect and track information about patients and procedures performed, which then form the basis for billing and claiming. The main systems in place at THO-N are: • IPAS (ISOFT Patient Administration System): in patients (accommodation and prosthetics), out patients (facility charges, doctor fees, specialist fees and other charges) • Homer : pathology billing • Karisma: radiology billing • iPharmacy: pharmacy billing.	We tested material revenue streams, focusing specifically on assertions around accuracy and completeness of revenue. At year-end, we performed cut-off tests to ensure that billable procedures and receipts were recorded in the correct period.
DHHS transferred $2.971m MHS-N assets, $2.265m liabilities and approximately 107 staff to THO-N.	We tested the financial impact on THO-N financial statements of the transfer by analytical review of revenue, assets and employee benefits.
THO-N has a sizeable workforce and employee expenses are a significant expenditure item. There are several risks impacting on the audit, including the use of manual timesheets and the number and complexity of industrial awards.	Due to the lack of controls in some key areas of payroll processing, we carried out substantive tests to obtain a sufficient level of assurance that employee expenses were not materially misstated.
Employee provisions represent a significant balance on the statement of financial position.	We relied on the work of internal audit in this area and re-performed some of that work to gain assurance that reliance was appropriate. No material issues were identified from the audit procedures completed.

Description of Area	Audit Approach
There are a large number of sites holding and dispensing medication.	We tested and verified stock-take records to balances in the general ledger.
New asset registers were created during the year for all THO-N assets. Separate registers were created to record Land and Buildings assets, and Plant and Equipment assets. These registers were created from combined DHHS registers, with THO-N now sharing responsibility with DHHS for maintaining the registers. The transfer incorporated prior-year revaluations and asset additions, current-year asset additions, transfer of MHS-N assets and calculation of depreciation.	We tested: • the transfer of the asset register from DHHS to THO-N • selected asset additions against source documentation and recalculated depreciation • asset revaluations against the records in the asset register and the general ledger to ensure assets are being carried at the correct values. In addition, we examined revaluation reports and assessed the competency of the valuer.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

THO-N signed and submitted its financial statements on 14 August 2014.

Minor amendments were made to the financial statements, which were received on 18 September 2014 and an unqualified audit report was issued on the same day.

KEY DEVELOPMENTS

Transfer of Mental Health Services to THOs

In 2013-14 DHHS transferred MHS-N to THO-N which included:

- assets of $2.971m, including $2.840m of Property, plant and equipment
- liabilities of $2.265m, including employee entitlements of $2.148m
- approximately 107 FTE employees.

New assets

During the year under review, THO-N acquired assets amounting to $27.621m. These assets, excluding MHS-N assets transferred, included the following major items:

- LGH Multi-story car park, $12.825m
- John L Grove Centre, Howick Street Launceston, $3.497m
- Improvements to LGH buildings, $2.090m
- Allura Xper FD20 X-ray system, $1.499m
- Somatom Definition Edge CT Scanner, $1.222m.

Capital works in progress are recorded within the financial statements of DHHS. Once completed and ready for use, the assets are transferred to THO-N and recorded as capital grant revenue within its financial statements.

Asset register

The Department previously maintained combined asset registers, which included assets of DHHS and the THOs. During the year, separate asset registers were completed for THO-N, one for Land and Buildings, and another for Plant and Equipment. As a result, THO-N now shares responsibility to maintain these registers. DHHS will be responsible for obtaining valuations and posting related asset movement journals, with THO-N being responsible for processing additions, disposals and depreciation charges.

KEY FINDINGS

During the audit we noted the following moderate risk matters:

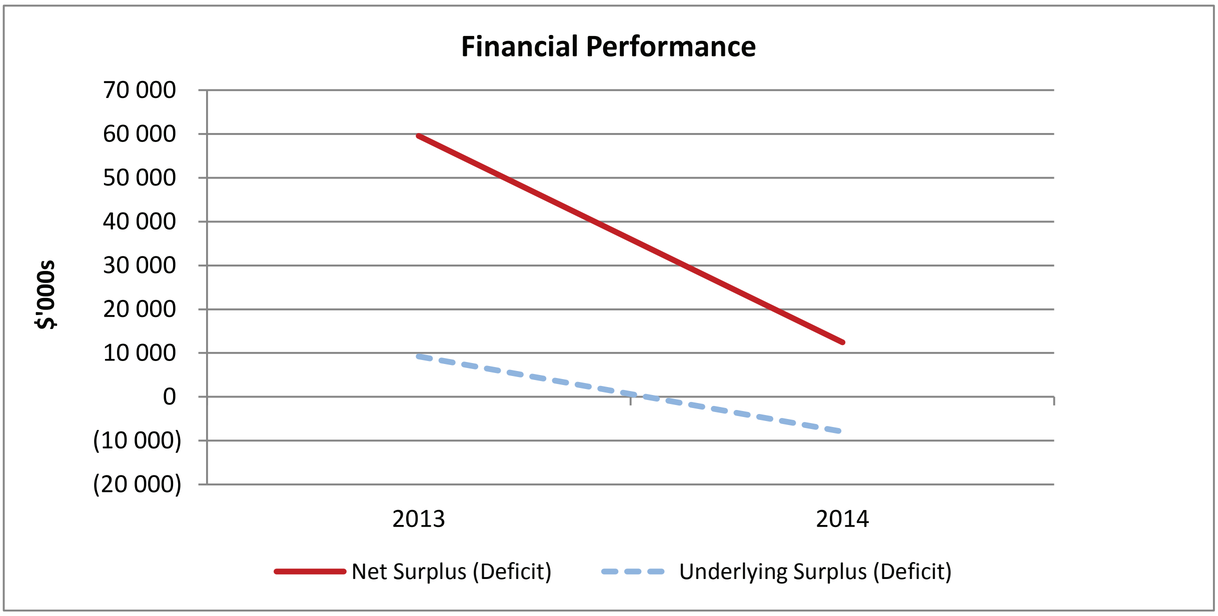
- inappropriate segregation of duties in relation to receipting of delivery of goods and services, including pharmaceuticals – a recommendation was made to review segregation processes
- pharmacy pricing and record keeping – a number of recommendations were made aimed at improving record keeping
- buildings asset valuations – it was recommended that the valuation be updated and the valuer be required to provide the gross value of buildings.

A small number of low risk items were raised. These related to pharmacy administration procedures and follow-up of prior year issues raised. All current and prior year issues have now been addressed or are in the process of being addressed.

In addition, a number of issues were raised in our audit of the Shared Services Unit. These are discussed in the DHHS Chapter and in the Health Summary Chapter.

All these matters were reported to, and are being addressed by, management.

FINANCIAL ANALYSIS



The Underlying Deficit of $7.931m in 2013-14 represented a reduction of $17.152m on the prior year surplus of $9.221m.

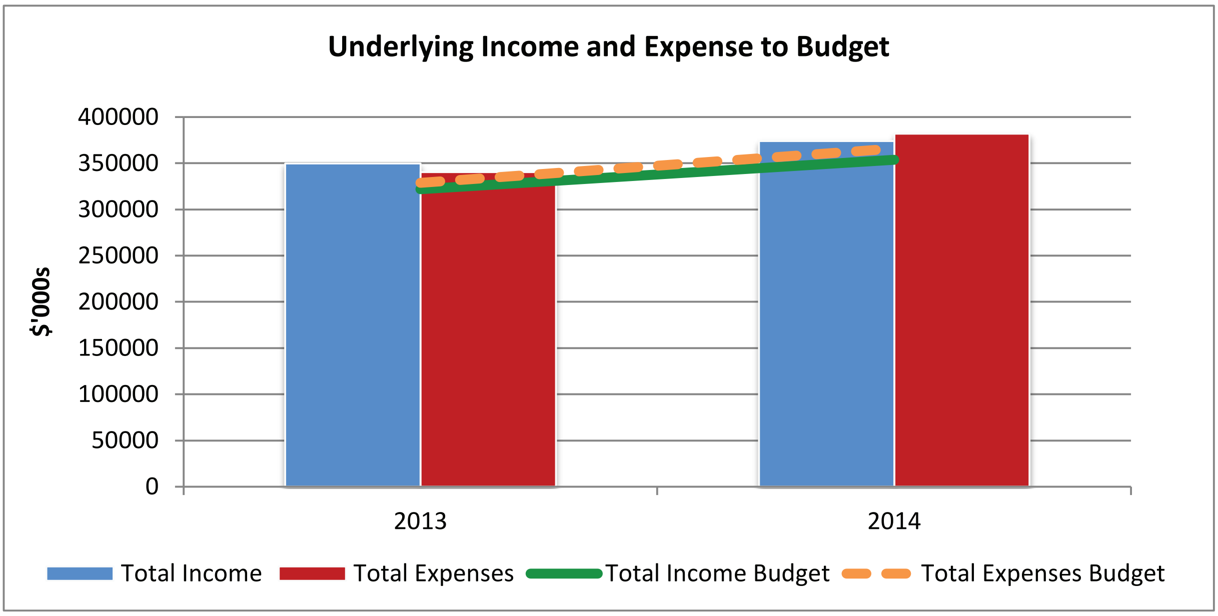
The decrease in the financial result of THO-N was driven by significant movements in both revenue and expenditure. The revenue movements included:

- increased Commonwealth and State grants of $14.378m, from $298.390m to $312.768m,
- Sale of goods and services revenue increased by $7.293m to $46.243m, with a significant component being an increase in pharmacy non-pharmaceutical benefits scheme revenue of $7.624m. This balance related to the claiming of highly specialised drugs, which were previously recorded as Commonwealth own purpose expenditure (COPES) receipts within recurrent grants
- increased Other revenue of $2.608m, mainly due to higher operating recoveries of $1.329m and an increase of industry funds received of $0.615m.

The previous revenue increases were offset in part by the following movements in expenditure:

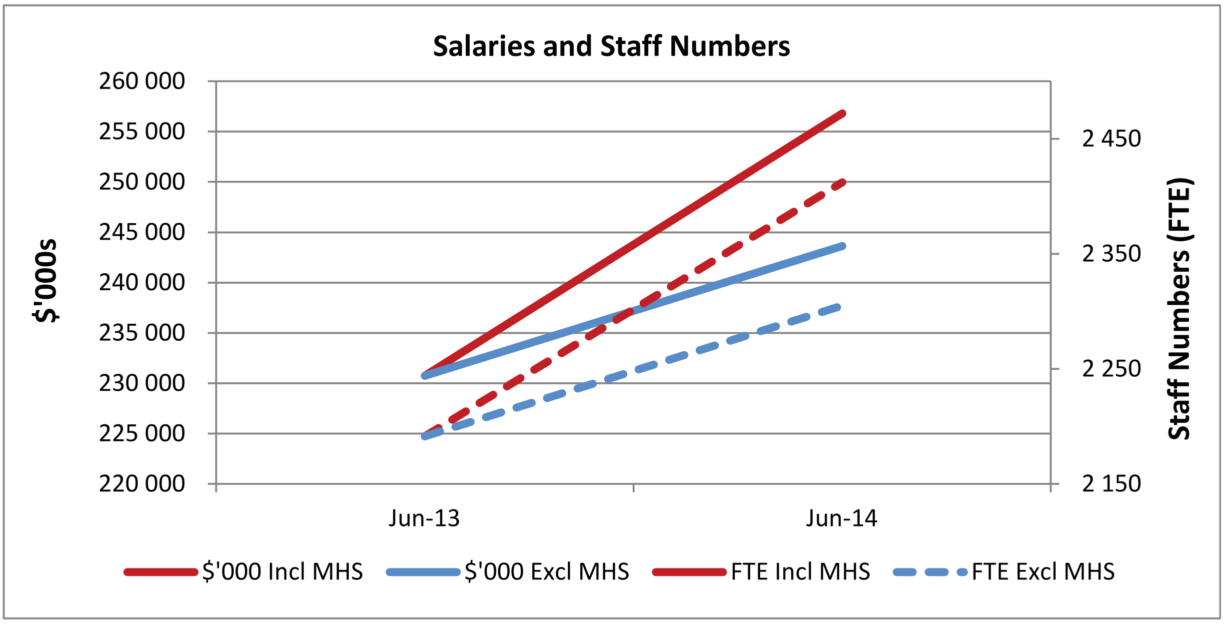
- increased Employee benefits expense of $26.070m attributable to the transfer of MHS-N staff and increases attributable to higher FTE and general wage rises
- increased Depreciation and amortisation expenses of $4.331m, due to completed capital works and asset transfers from mental health being depreciated for the first time
- a significant increase in Medical, surgical and pharmacy expenses of $8.583m, from $51.551m to $60.134m. This total included increases in pharmacy requisites, interstate charging and increases in general medical consumables.

The Net Surplus of $12.438m decreased by $47.153m due principally to the Underlying Deficit result and reduced capital grants, from $51.059m in 2012-13 to $20.041m in 2013-14. The quantum of these grants reflects the capital works transferred to THO-N by DHHS, which still manages the majority of capital works in progress on behalf of the THOs.



THO-N's Underlying Deficit exceeded budget by $3.961m this year. A factor behind the budgeted deficit is that depreciation is not fully funded, and this year actual depreciation exceeded budget by $2.735m. By excluding this budget overrun, the Underlying Deficit exceeded budget by $6.696m. The principal reasons for this variation from budget are:

- higher Sales of goods and services, over budget by $16.404m, which included a change in the accounting treatment of Highly Specialised Drug reimbursements, which were historically treated as COPES revenue, and are now treated as own source revenue, and the continued increase in recoveries from private and compensable patients
- grants above budget by $13.273m, as actual funds received from the State Funding Pool varied from the amounts expected to be received at the time the budget was finalised
- Other revenue lower than budget by $9.744m, the most significant reason being the change in treatment of COPES revenue between the budget, where it was classified as Other Revenue, and the financial statements, where it was classified as part of sales of goods and services
- actual expenditure greater than budget across a number of expenditure categories, including Supplies and consumables, $5.629m, Employee benefits, $4.064m, and Other expenses, $2.014m.

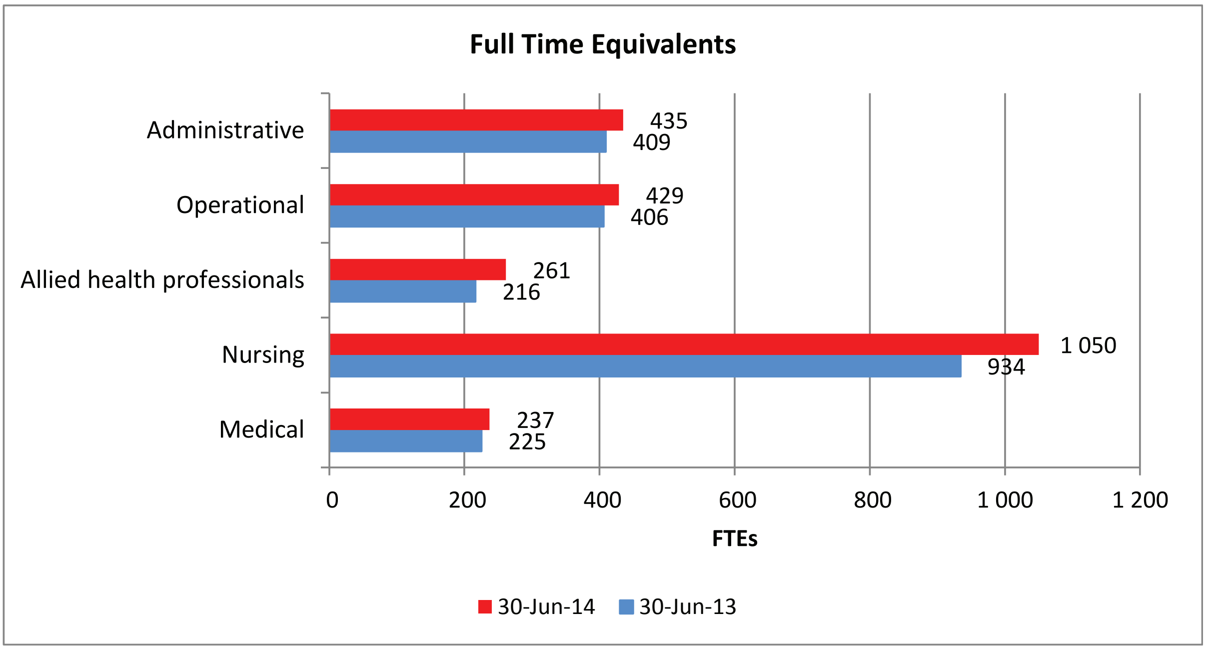


The graph shows an increase in salaries and staff numbers over the last two years. The red lines reflect the impact of the staff and costs added through the transfer of MHS-N, whereas the blue lines exclude the impact of MHS-N on the analysis.

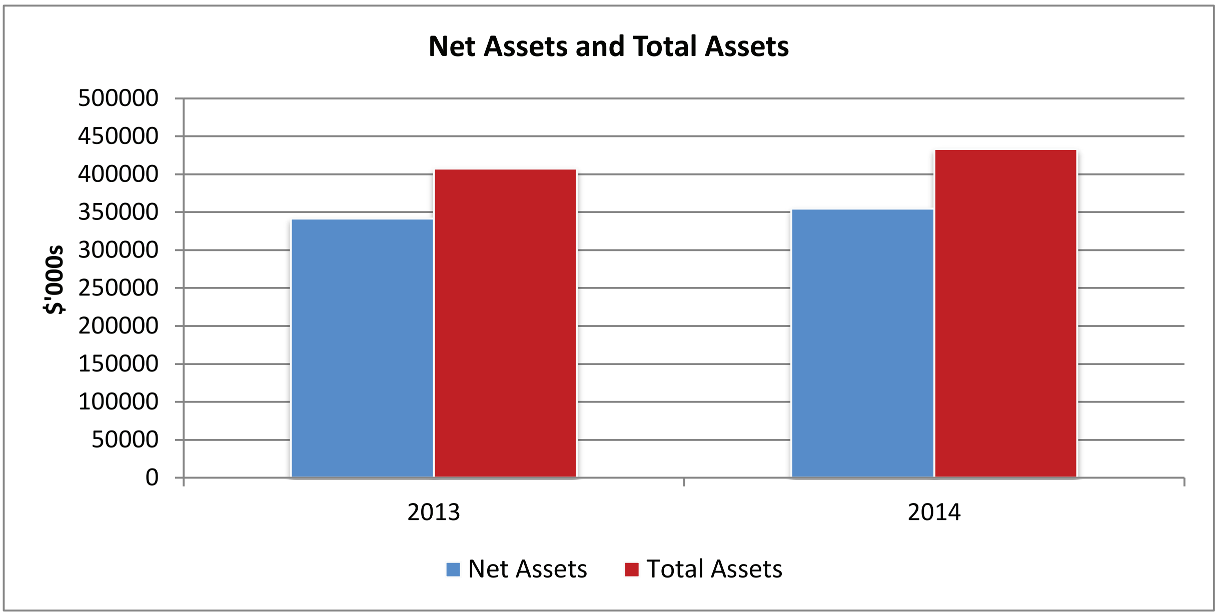
In 2013-14, THO-N increased its workforce by 114 FTEs, in addition to the 107 FTEs transferred to MHS-N. This total increase of 221 FTEs saw an increase in salaries of $26.070m, which was budgeted. The transfer of MHS-N staff accounted for $12.877m of the increase.

The following graph details movements in FTEs by grouping results between 2012-13 and 2013-14. This information was obtained from THO-N's annual report although we have utilised only the following five categories:

- administrative
- operational
- allied health professionals
- nursing
- medical.



The graph details that the additional staff added this year were spread across each of the categories, with the most significant increase in nursing staff. Nursing FTEs increased by 116, which included 50 FTEs transferred to MHS-N. Over half of the increase in allied health professionals was also due to the MHS-N transfer.



Total Assets increased from $407.112m to $432.843m primarily due to:

- increased Property, plant and equipment of $17.786m, which included $20.042m of transfers from DHHS for completed capital works, additions of $7.579m and the transfer of MHS-N assets of $2.840m, offset by depreciation charges of $12.979m
- increased Cash of $2.919m, due principally to cash from operations, $10.645m, exceeding the cash flows from investing activities of $7.810m
- increased Other financial assets of $2.739m, related to the accrual of funding for the Beaconsfield and Campbell Town multi-purpose centres yet to be received, as the funding agreements were executed near the end of the financial year and hence were being processed as at 30 June 2014.

The rise in Net Assets of $12.836m was mainly a function of the above, offset partly by increased:

- Employee entitlements of $8.702m, due to a $3.171m increase in the payroll accrual, as a result of an additional day being accrued and additional staff, plus higher annual and long service leave, driven by greater staff numbers and wage increases effective 1 December 2013
- Payables of $4.018m, mainly due to higher accrued expenses of $3.710m, principally due to an accrual for interstate charging covering both the 2012-13 and 2013-14 financial years. The accrual for the 2012-13 year was not paid until recently, due to delays in receiving data back from the Administrator of the State Funding Pool.

Statement of Comprehensive Income

	2013-14 Budget	2013-14 Actual	2012-13 Actual
	$'000s	$'000s	$'000s
Grants – Recurrent grants	299 495	312 768	298 390
Sale of goods and services	29 839	46 243	38 950
Interest revenue	0	181	168
Contributions received	0	16	0
Other revenue	24 485	14 741	12 133
Total Revenue	**353 819**	**373 949**	**349 641**
Employee benefits	252 759	256 823	230 753
Depreciation and amortisation	10 335	13 070	8 739
Supplies and consumables	98 996	35 554	31 661
Grants and subsidies	542	2 269	200
Medical, surgical and pharmacy expenses	0	60 134	51 551
Property expenses	0	7 017	7 614
Administration	0	1 920	1 457
Other expenses	3 079	5 093	8 445
Total Expenses	**365 711**	**381 880**	**340 420**
Underlying Surplus (Deficit)	**(11 892)**	**(7 931)**	**9 221**
Profit (loss) on sale of assets	3	118	(372)
Capital Grants	0	20 041	51 059
Impairment of loans and receivables	0	210	(317)
Revenue from Special Capital Investment Funds – capital	0	0	0
Net Surplus (Deficit)	**(11 889)**	**12 438**	**59 591**
Other Comprehensive Income			
Changes in physical asset revaluation reserve	12 135	(17)	67 330
Comprehensive Surplus	**246**	**12 421**	**126 921**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Financial Assets		
Cash and deposits	38 514	35 595
Receivables	5 308	3 407
Other financial assets	7 255	4 516
Non-financial Assets		
Inventory	2 792	2 868
Assets held for sale	0	657
Property, plant and equipment	375 837	358 051
Intangibles	727	385
Other non-financial assets	2 410	1 633
Total Assets	**432 843**	**407 112**
Liabilities		
Payables	12 770	8 752
Employee entitlements	62 089	53 387
Other liabilities	3 544	3 369
Total Liabilities	**78 403**	**65 508**
Net Assets	**354 440**	**341 604**
Contributed capital	215 388	214 683
Accumulated funds	71 739	59 591
Reserves	67 313	67 330
Total Equity	**354 440**	**341 604**

Statement of Cash Flows

	2013-14	2012-13
	$'000s	$'000s
Grants	312 768	298 390
Sales of goods and services	42 406	36 281
Interest received	181	168
GST receipts	9 562	8 246
Other Cash Receipts	14 741	12 133
Employee benefits	(250 187)	(225 398)
GST Payments	(9 680)	(8 129)
Grants and transfer payments	(2 269)	(200)
Supplies and consumables	(101 762)	(88 780)
Other cash payments	(5 115)	(8 950)
Cash from (used in) Operations	**10 645**	**23 761**
Proceeds from Disposal of Assets	160	530
Payments for Acquisition of Assets	(7 970)	(1 828)
Payment for Equity Investment	0	0
Net Loans Granted (Repaid)	0	0
Cash from (used in) investing activities	**(7 810)**	**(1 298)**
Cash from (used in) Financing Activities	**0**	**0**
Net Increase (Decrease) in Cash	**2 835**	**22 463**
Cash at the Beginning of the Year	35 595	0
Cash Transferred due to Restructure	84	13 132
Cash at End of the Year	**38 514**	**35 595**

Financial Analysis

	Bench Mark	2013-14	2012-13
Financial Performance			
Underlying surplus (deficit) ($'000s)		(7 931)	9 221
Own source revenue ($'000s)		61 181	51 251
Financial Management			
Debt collection	30 days	42	32
Creditor turnover	30 days	45	13
Other Information			
Staff numbers (FTEs) by group			
Clinical		1 287	1 160
Allied health professionals		261	216
Operational		429	406
Administrative		435	409
Total Staff numbers (FTEs)		2 412	2 191
Average staff costs ($'000s)		112	105
Average Recreational Leave balance per FTE (days)	20	21	23
Average Long Service Leave balance per FTE (days)	100	37	42

	2013-14	2012-13
Statistics		
Population Northern Tasmania	140 000	140 000
KPIs		
Cost Per Head of Population in Dollars	**2 728**	**2 432**
Total Operating Cash Cost Per Head of Population in Dollars	**2 550**	**2 308**
Cost for Weighted Acute Separations*		
Launceston General Hospital weighted acute separations	N/a	32 010
Launceston General Hospital average weighted acute $ cost per separation	N/a	4 728
Total cost for weighted acute separations	**N/a**	**$ 131.343m**

Note: This information was provided by DHHS from their 2012-13 Cost Study and is unaudited - the current year cost study results will not be available until 2015. The following caveats apply:

- National Average Acute Weighted Cost for 2012-13 is not available.

- While the average weighted cost adjusts for the acuity and complexity of the patient allowing comparisons between hospitals, caution is advised when interpreting and reporting on the results for reasons listed below.

1. Patients included in the Average Weighted Cost are patients admitted to hospital that are classified as acute care. Patients admitted with the following care types; palliative care, rehabilitation, psycho, geriatric, respite, and other admitted care are excluded.

2. No location adjustment is made for the residential postcode of patients, e.g North West patient being treated in the south at the Royal Hobart Hospital.

3. High fixed costs for providing a statewide specialised service(s) may have a significant impact on the cost of those patients and therefore increase the average weighted cost for that hospital.

4. The weighted acute separations for 2012-13 differs to that shown in the THO-N 2012-13 Annual Report due to the timing difference in the coding of records since the preparation and extraction of the data.

TASMANIAN HEALTH ORGANISATION NORTH WEST (THO-NW)

SNAPSHOT

- 2013-14 year was the second year of operation of THO-NW as the provider of hospital, primary and community health services in north western Tasmania.
- It reported an Underlying Deficit of $2.120m (2013, $1.199m).
- Despite the Underlying Deficit, THO-NW generated positive cash from operations and its cash position increased to $5.842m at 30 June 2014.
- Underlying Deficit of $2.120m was $0.558m better than budgeted with Total Revenue exceeding budget by $16.107m. Total Expenses exceeded budget by $15.549m.
- A Net Surplus of $10.657m (Net Deficit, $3.265m), was principally due to Capital grants, $13.962m, which represented the value of assets transferred from the Department of Health and Human Services (DHHS).
- Staff numbers increased by 122.0 FTEs to 1 398.6 FTEs at 30 June 2014. The increase was largely due to the transfer of Mental Health Services (MHS) staff, 100.8 FTEs, to THO-NW.
- Average cost per head of population was $2 226 in 2013-14, (2012-13, $2 016) although these amounts are not comparable because 2013-14 includes MHS.
- Total operating cash cost per head of population was $2 129 in 2013-14 ($1 939).

We noted the following deficiencies:

- control weaknesses in several systems, including payroll processing, expenditure and cash systems at the Shared Services unit of DHHS
- a number of moderate risk matters in areas of pharmacy operations and the need to update valuations of properties.

These matters are being addressed by management of DHHS and THO-NW.

The audit was completed satisfactorily with no major items outstanding.

Key developments this year included:

- transfer of MHS to THO-NW which included grant funding of $14.771m, 100.8 FTEs and net liabilities of $1.419m including Property, plant and equipment of $0.682m and Employee benefit provisions of $1.907m
- transfer of $13.962m capitalised assets from DHHS, including a multi-storey car park at the North West Regional Hospital (NWRH) in Burnie and capital improvements at the King Island District Hospital and Health Centre.

Major variations between the 2013-14 and 2012-13 financial years included:

- higher Recurrent grant revenue of $17.421m which included an additional $14.771m funding for MHS
- higher Sales of goods and services of $5.781m, mainly due to increased claims under the Pharmaceutical Benefits Scheme (PBS) and interstate charges
- Employee benefits were $16.815m higher than in 2012-13 mainly due to $15.036m for MHS staff
- higher Medical, surgical and pharmacy expenses of $5.697m mainly due to interstate charges and costs associated with the provision of rural general practitioner services
- increased Property, plant and equipment assets of $13.196m largely due to $13.962m capitalised assets transferred from DHHS, direct acquisitions of plant and equipment of $4.177m offset by depreciation of $3.890m
- higher Payables of $6.184m due to the timing of invoices and higher interstate charges
- higher Employee entitlements of $3.068m mainly due to the inclusion of MHS employees.

INTRODUCTION

The establishment of local hospital networks was a significant part of recent reforms in health, which aimed to link services within a region, provide for decentralised hospital management and increased local accountability.

THO-NW is responsible for the provision and coordination of health and health support services in north western Tasmania. The primary purpose of the reforms was to promote and maintain the health of persons and to provide care and treatment to, and ease the suffering of, persons with health problems. THO-NW is a not-for-profit entity.

Functions of THO-NW are listed in Section 11 of the THO Act. Service delivery is achieved through direct provision of services under service agreements or contracts with DHHS which, on behalf of the Minister for Health, monitors performance against these agreements. A significant change on 1 July 2013 was the transfer from DHHS to THO-NW of mental health services. Associated assets, $0.762m, liabilities, $2.181m and approximately 101 staff FTE were also transferred with this being a major reason for changes in financial results between 2012-13 and 2013-14.

DHHS assists THO-NW to fulfil its objectives by providing services which include:

- payroll
- information technology
- procurement and accounts payable
- limited billing and receipting
- financial and accounting support
- internal audit.

Governance arrangements

THO-NW has its own Governing Council which sets the strategic direction. The CEO is responsible, accountable to the Governing Council, for day-to-day administration and management to ensure the delivery of hospital and primary and community health services.

There are three THOs with a common Chair of Governing Councils. Each Governing Council has four members and they are individually accountable to the Minister for Health and the Treasurer.

Service area

THO-NW services a population of over 113 000. It has two major hospital sites, being NWRH and Mersey Community Hospital (MCH) and three district hospitals in Smithton, Queenstown and Currie on King Island. It also manages seven community health centres.

MCH is owned and funded by the Australian Government, and by arrangement it is operated by the Tasmanian Government through THO-NW. Transactions and balances pertaining to the operations of MCH are included within THO-NW. Land, buildings and equipment which existed at the time of acquisition by the Commonwealth are not included in the financial statements of THO-NW.

KEY AREAS OF AUDIT ATTENTION

Financial attest audits of the financial statements of each THO and DHHS were carried out as separate engagements. The services provided by the Shared Services Unit within DHHS were audited separately in order to streamline the audit process. The shared services are part of the DHHS's information systems, including related business processes, and were relevant to financial reporting of THOs and DHHS.

The following table summarises the key areas of audit attention in relation to these engagements.

Description of Area	Audit Approach
A single National Health Funding Pool was established as part of the reforms to facilitate direct payments to local health networks using a nationally consistent approach to activity based funding.	We tested the Tasmanian State Pool Account and obtained assurance that the amount of attributed funding disclosed in the financial reports was not materially misstated. The State Pool Account is separately audited with details provided in a separate chapter.
THO-NW is responsible for operating within its budget and is accountable for its performance.	We performed audit procedures to obtain a sufficient level of assurance that: • revenue and expenses were recognised and recorded in the correct period • capital costs were appropriately accounted for • accounting policies were applied appropriately.
THO-NW generates revenue by charging for billable services. Various systems are used to collect and track information about patients and procedures performed, which then form the basis for billing and claiming. The main systems in place at THO-NW are: • IPAS (ISOFT Patient Administration System): in patients (accommodation and prosthetics), out patients (facility charges, doctor fees, specialist fees and other charges) • iPharmacy: pharmacy billing.	We tested material revenue streams, focusing specifically on assertions around accuracy and completeness of revenue. At year-end, we performed cut-off tests to ensure that billable procedures and receipts were recorded in the correct period.
DHHS has transferred $0.762m MHS assets, $2.181m liabilities and approximately 101 FTE staff to THO-NW.	We tested the financial impact on THO-NW financial statements of the transfer by analytical review of revenue, assets and employee benefits.
THO-NW has a sizeable workforce and employee expenses are a significant expenditure item. There are several risks impacting on the audit, including the use of manual timesheets and the number and complexity of industrial awards.	Due to the lack of controls in some key areas of payroll processing, we tested to obtain a sufficient level of assurance that employee expenses are not materially misstated.
Employee provisions represent a significant balance on the statement of financial position.	We relied on the work of internal audit in this area and re-performed some of their work to gain assurance that it can be relied upon.
There are a large number of sites holding and dispensing medication.	We tested stock-take records to balances in the general ledger.

Description of Area	Audit Approach
Land and buildings assets were transferred to the THO-NW asset register with THO-NW now responsible for all aspects of the register. The transfer incorporated prior-year revaluations and asset additions, current-year asset additions, transfer of MHS assets and calculation of depreciation.	We tested: • the transfer of the asset register from DHHS to THO-NW • selected asset additions against source documentation and recalculated depreciation • asset revaluations against the records in the asset register and the general ledger to ensure assets are being carried at the correct values. In addition, we examined revaluation reports and assessed the competency of the valuer.
THO-NW was required to re-negotiate or replace a number of key service contracts during the year including: • Pathology services • Radiology services • Rural General Practitioner services	We took into consideration changes to the service contracts during our audit testing and assessed the impact on future commitments disclosed in the financial report.
The Heads of Agreement between the Australian and State Governments for the operation of the Mersey Community Hospital was extended until 30 June 2015.	The impact on the disclosures in the financial report was taken into account during our final audit testing.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

THO-NW submitted signed financial statements on 14 August 2014. This was an improvement on last year, when THO-NW submitted its financial statements one day late. The final amended financial statements were received on 19 September 2014 and an unqualified audit report was issued on the same day.

KEY DEVELOPMENTS

Transfer of Mental Health Services to THOs

On 1 July 2013 DHHS transferred MHS to THO-NW which included funding of approximately $14.771m and approximately 101 FTE staff and net liabilities of $1.419m.

New assets

During 2013-14 THO-NW acquired $18.821m of assets, funded by a combination of capital grants from DHHS, a private donation and THO-NW own source revenue. These included:

- Magnetic Resonance Imaging (MRI) machine, $1.606m, funded by the Commonwealth Government and a private donation
- Multi-storey car park at NWRH, $5.479m
- King Island Hospital and Health Centre capital improvements, $5.604m
- Rehabilitation unit at NWRH, $2.983m
- MCH medical day procedure and oncology unit. $0.077m, work continuing
- NWRH Emergency Department redevelopment, $0.984, work continuing
- Mental Health transfers, $0.682m.

DHHS continues to manage capital work in progress in relation to the major developments to the point assets are ready for use following which they are transferred for no charge to THO-NW. This includes construction of the $31.675m North West Regional Cancer Centre (NWRCC) which has an expected completion date of 2016.

Asset register

DHHS previously maintained the asset register for THO-NW with this function transferred to THO-NW in 2013-14.

Major supply contracts

General practice services for the West Coast and King Island went through significant changes during 2014 with Independent Practitioners Network (IPN) Medical Centres Pty Ltd withdrawing services. Interim providers were sourced with both contracts for general practice services expected to go to tender in 2014-15.

A five-year contract extension for radiology and medical imaging services was finalised. The extension commenced February 2014, at an expected cost of $32.200m over the life of five years.

The Pathology service contract was extended for a further two years to December 2015, with an extension value of $6.000m.

Mersey Community Hospital

The Heads of Agreement (HoA) for the continued management, operation and funding of the MCH, between the Commonwealth and State Governments expired on 30 June 2014. The HoA was extended to 30 June 2015 with negotiations continuing between the parties for activities past this date. Funding of $68.130m was received under the HoA for 2014 (2013, $65.830m).

KEY FINDINGS

During the audit we noted the following moderate risk audit matters:

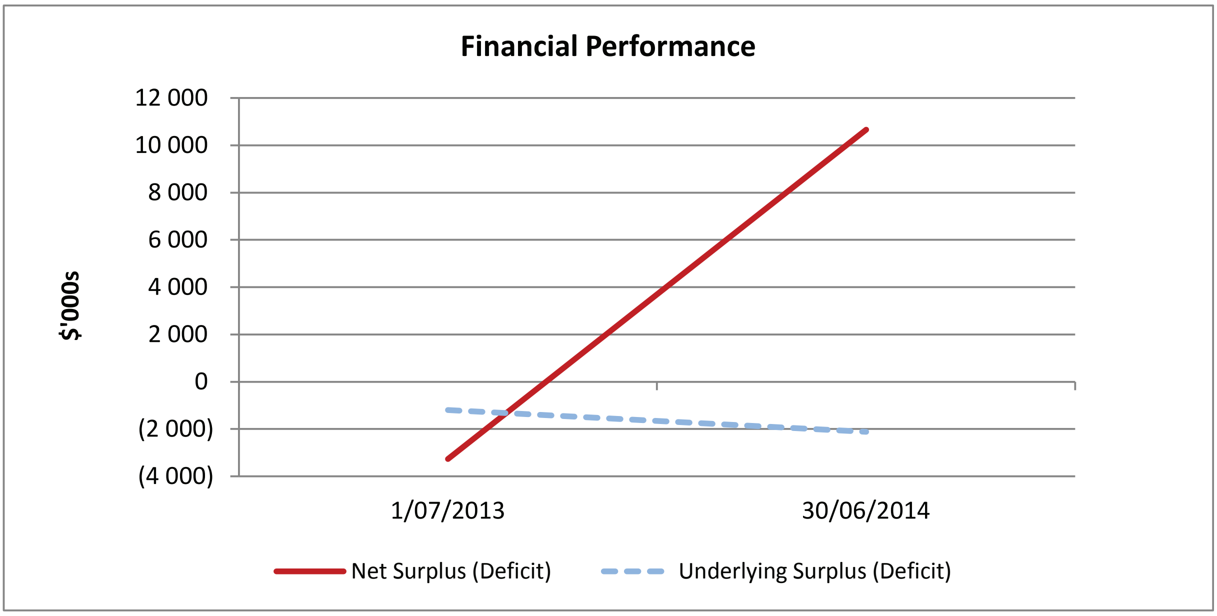
- Pharmacy pricing and record keeping – a number of recommendations were made aimed at improving record keeping
- issues with the integration of the Pharmacy and Finance systems
- building asset valuations – recommended that a valuation be updated and the valuer required to provide the gross value of buildings.

Three low risk items concerning pharmacy administration procedures were raised.

In addition, a number of issues were raised in our audit of the Shared Services Unit. These are discussed in the DHHS Chapter and in a Health related summary Chapter.

All these matters were reported to, and are being addressed by, management.

FINANCIAL ANALYSIS



The Net Surplus of $10.657m in 2013-14 was significantly higher compared to the Net Deficit of $3.265m reported the year before. The increase was mainly due to Capital grants, $13.962m, which represented the value of assets transferred from DHHS to THO-NW on completion.

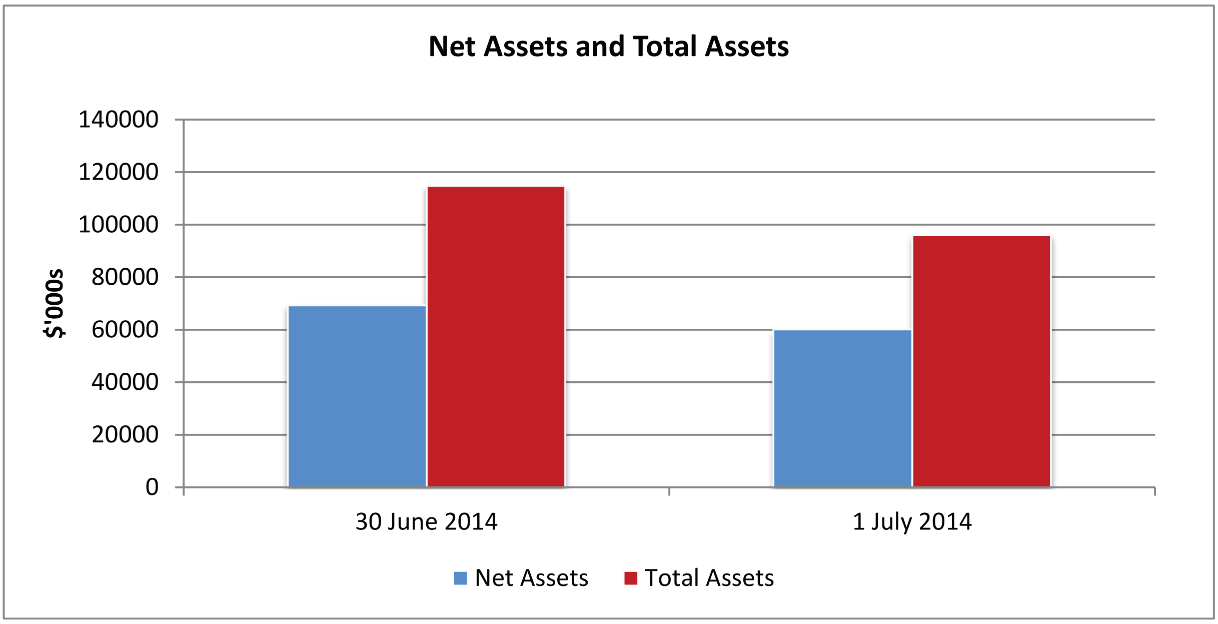
MHS were transferred on the assumption of a balanced budget. For 2013-14 MHS produced a net deficit of $1.728m.

The Underlying Deficit was $2.120m in 2013-14. This was $0.921m higher than the deficit reported in 2012-13 as costs grew at a higher pace than revenues. During this year, Total Revenue was $22.839m higher largely due to:

- additional Grants, $17.421m, which included $14.771m towards MHS and $6.800m to fund activity and expenses not included in the original estimates
- an increase in Highly Specialised Drugs (HSD) claims, $1.693m. HSD are now prescribed under the Pharmaceutical Benefits Scheme (PBS) and reimbursed through Medicare, compared to previous years when the cost of HSD was paid directly by the Australian Government and classified as a Commonwealth own-purpose expenses (COPEs) grant.
- higher charges for treating interstate patients, $1.942m. However, these were offset by increased charges for the treatment of Tasmanian residents in other States, $2.004m.

Total Expenses increased by $23.760m largely as a result of:

- higher Employee benefits $16.815m, with $15.036m of the increase attributable to the transfer of MHS staff
- increased general practice expenses, approximately $1.412m, due to interim contract arrangements discussed previously
- increased claims for treating residents interstate, $2.004m.



Net Assets increased by $9.233m to $69.289m at 30 June 2014. The increase was mainly due to capital works transferred from DHHS and THO-NW's own acquisitions as discussed previously in the Key Developments section of this Chapter.

Total Assets increased by $18.861m to $114.784m at 30 June 2014 and included:

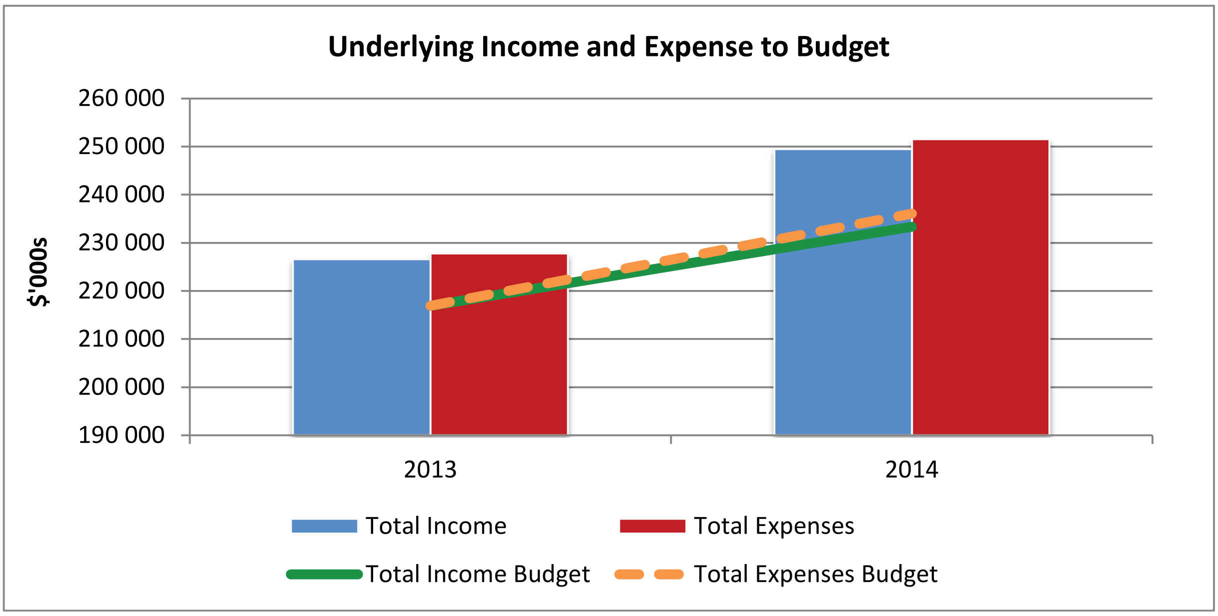
- capitalised assets of $13.962m transferred from DHHS, mainly King Island improvements and the car park at NWRH
- direct THO-NW capital acquisitions of $4.177m
- higher Other financial assets comprising:
    - interstate charges $1.738m (2013, $0.301m)
    - inter-entity receivable of $1.113m ($0.700m).

Total Liabilities increased by $9.628m to $69.289m at 30 June 2014 mainly due to:

- higher Payables, $6.184m, which included interstate charges owing $4.922m (2013, $1.900m)
- higher Employee entitlements mainly due to the inclusion of MHS staff.

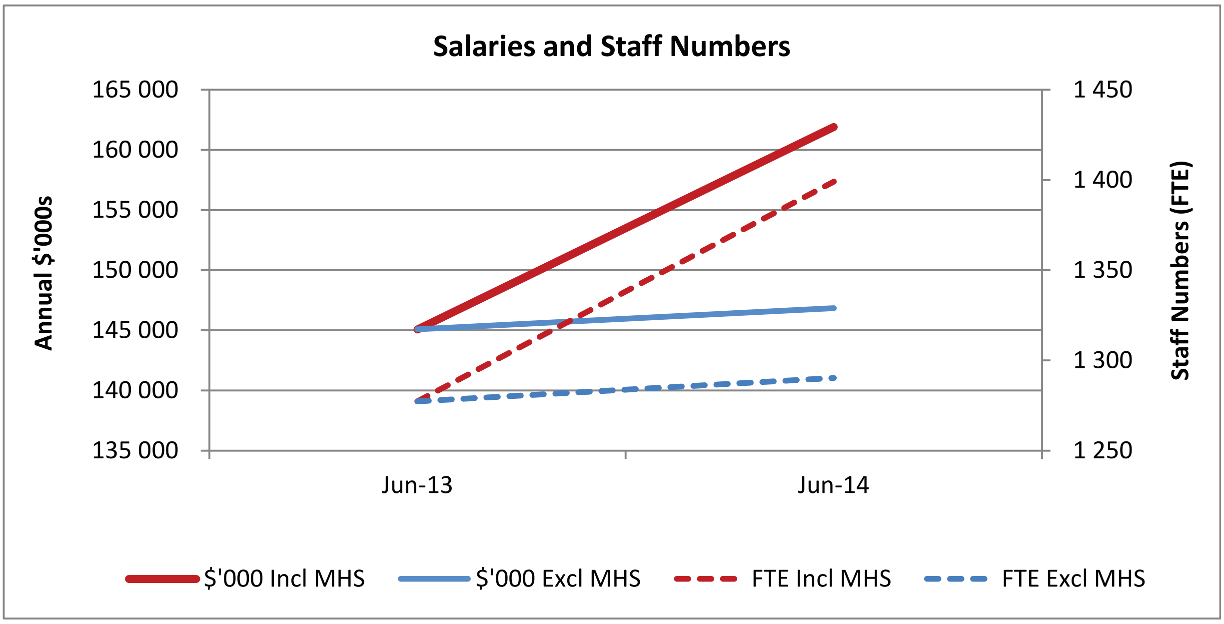
Contributed capital reduced by $1.419m on 1 July 2013 as MHS liabilities transferred to THO-NW exceeded assets transferred, largely due to employee provisions.

THO-NW's Underlying Deficit was better than budget by $0.558m this year.



Both Total Revenue and Total Expenses were higher than budget. Final allocated funding transferred for MHS was $14.771m. This was insufficient to fund the MHS operations which produced a deficit of $1.728m

THO-NW developed and monitored a number of financial savings strategies during 2013-14 and implemented changes which are anticipated to provide future savings in 2014-15 and 2015-16. These included renewing the major contracts for radiology and pathology discussed earlier and movement towards replacing MHS locums with permanent staff.



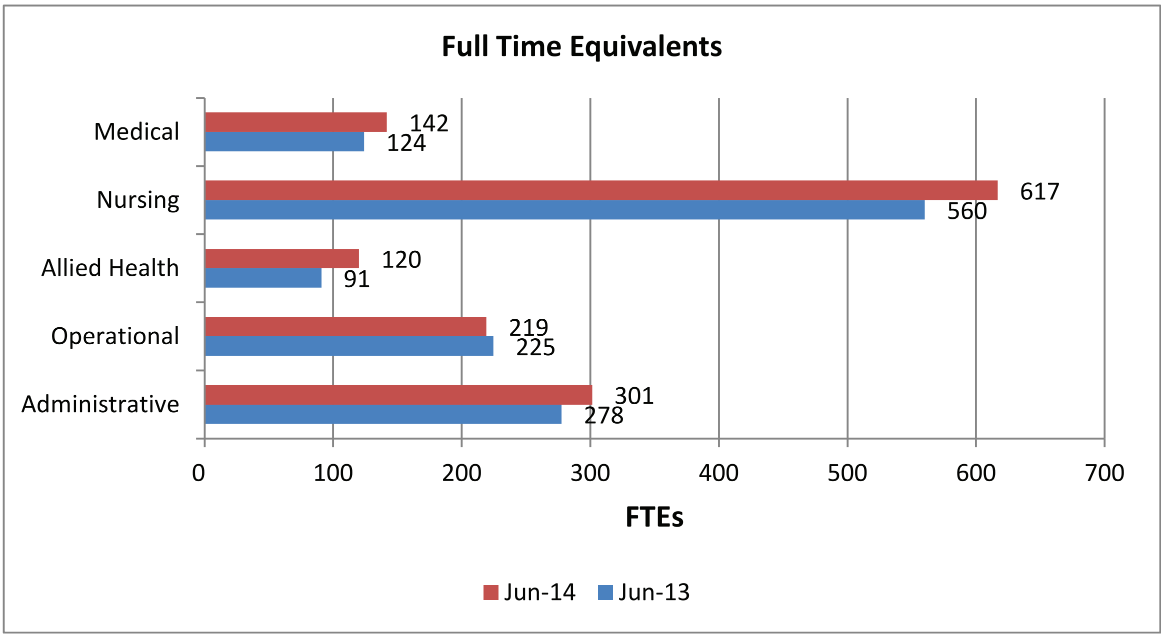
The graph shows an increase in salaries and staff numbers over the two-year period. The majority of the increase in the current year was due to the transfer of MHS staff to THO-NW on 1 July 2013.

Employee benefits increased by $16.815m in 2013-14. Of this increase, $15.036m related to the transfer of MHS. Only $13.000m was budgeted towards MHS, however the budget was exceeded as THO-NW transitioned from locum doctors to cover vacancies towards employing permanent staff.

THO-NW employed 1 399.6 FTEs at the end of June 2014, which was an increase of 122.0 FTEs compared to last year. The increase in FTEs was partly due to the transfer of MHS, which resulted in staff transferred to THO-NW on 1 July 2013, 100.8 FTEs, and additional MHS clinical staff employed during the year, 5.6 FTEs. A review of support staff resulted in 19 redundancies in early 2013-14, with the costs provided for in 2012-13.

The following graph details movements in FTEs by grouping between 2012-13 and 2013-14. This information was obtained from THO-NW's annual report although we have utilised only the following five categories:

- Administrative
- Medical practitioners
- Nursing
- Allied Health Professionals
- Operational.


Full Time Equivalents
Medical
Nursing
Allied Health
Operational
Administrative
142
124
617
560
120
91
219
225
301
278
0
100
200
300
400
500
600
700
FTEs
Jun-14
Jun-13

Statement of Comprehensive Income

	2013-14 Budget	2013-14 Actual	2012-13 Actual
	$'000s	$'000s	$'000s
Grants			
Revenue from government - recurrent	204 910	221 854	204 433
Sale of goods and services	14 227	21 786	16 005
Interest revenue	0	14	32
Other revenue	14 219	5 809	6 154
Total Revenue	**233 356**	**249 463**	**226 624**
Employee benefits	153 724	161 891	145 076
Depreciation and amortisation	4 026	3 890	3 203
Supplies and consumables	24 853	26 545	25 386
Grants and subsidies	60	1 349	0
Medical, surgical and pharmacy expenses	41 883	47 478	41 781
Property expenses	6 239	6 257	6 534
Administration	3 209	923	847
Other expenses	2 040	3 250	4 996
Total Expenses	**236 034**	**251 583**	**227 823**
Underlying Deficit	**(2 678)**	**(2 120)**	**(1 199)**
Profit (loss) on sale of assets	0	(3)	2
Impairment of non-finanical assets	0	(1 389)	(1 316)
Impairment of loans and receivables	0	207	(1 083)
Capital grants	0	13 962	331
Net Surplus (Deficit)	**(2 678)**	**10 657**	**(3 265)**
Other Comprehensive Income			
Changes in physical asset revaluation reserve	4 221	(5)	1 054
Comprehensive Surplus	**1 543**	**10 652**	**(2 211)**

Statement of Financial Position

	2014 Budget	2014 Actual	2013 Actual
	$'000s	$'000s	$'000s
Financial Assets			
Cash and deposits	4 297	5 842	5 042
Receivables	2 720	3 316	1 972
Other financial assets	241	4 455	1 491
Non-financial Assets			
Inventory	1 363	1 562	1 485
Assets held for sale	0	95	0
Property, plant and equipment	86 796	96 270	83 074
Intangibles	1 883	2 910	2 671
Other non-financial assets	153	334	188
Total Assets	**97 453**	**114 784**	**95 923**
Liabilities			
Payables	7 042	14 434	8 250
Employee entitlements	24 996	30 112	27 044
Other liabilities	2 606	949	573
Total Liabilities	**34 644**	**45 495**	**35 867**
Net Assets	**62 809**	**69 289**	**60 056**
Contributed capital	59 697	60 848	62 267
Accumulated funds	(5 502)	7 392	(3 265)
Reserves	8 614	1 049	1 054
Total Equity	**62 809**	**69 289**	**60 056**

Statement of Cash Flows

	2013-14 Budget	2013-14 Actual	2012-13 Actual
	$'000s	$'000s	$'000s
Grants	204 910	221 854	204 433
Sales of goods and services	14 159	18 731	11 763
Interest received	0	14	32
GST receipts	0	7 954	11 454
Other Cash Receipts	14 204	5 809	6 153
Employee benefits	(152 559)	(160 460)	(141 582)
GST Payments	0	(7 555)	(11 445)
Grants and transfer payments	(60)	(1 349)	0
Supplies and consumables	(76 037)	(76 792)	(72 393)
Other cash payments	(2 039)	(3 272)	(5 175)
Cash from Operations	**2 578**	**4 934**	**3 240**
Proceeds from disposal of assets	0	5	2
Payments for acquisition of assets	(2 578)	(4 178)	(1 482)
Cash used in Investing Activities	**(2 578)**	**(4 173)**	**(1 480)**
Cash from (used in) Financing Activities	**0**	**0**	**0**
Net Increase in Cash	**0**	**761**	**1 760**
Cash at the Beginning of the Year	**4 297**	**5 042**	**0**
Cash transferred due to restructure	0	39	3 282
Cash at End of the Year	**4 297**	**5 842**	**5 042**

Financial Analysis

	Bench Mark	2013-14	2012-13
Financial Performance			
Underlying surplus (deficit) ($'000s)		(2 120)	(1 199)
Own source revenue ($'000s)		27 609	22 191
Financial Management			
Debt collection	30 days	41	25
Creditor turnover	30 days	65	40
Other Information			
Staff numbers (FTEs) by group			
Nursing		616.7	560.1
Medical		141.7	124.0
Allied health professionals		120.1	90.9
Operational		219.1	224.6
Administrative		301.4	277.6
Total Staff numbers (FTEs)		1 399.0	1 277.0
Average staff costs ($'000s)		116	115
Average Recreational Leave balance per FTE (days)	20	17	20
Average Long Service Leave balance per FTE (days)	100	36	39

	2013-14	2012-13
Statistics		
Population North Western Tasmania	113 000	113 000
KPIs		
Cost Per Head of Population in Dollars	**2 226**	**2 016**
Total Operating Cash Cost Per Head of Population in Dollars	**2 129**	**1 939**
Cost for Weighted Acute Separations*		
North West Regional Hospital weighted acute separations	N/a	11 702
North West Regional Hospital average weighted acute $ cost per separation	N/a	5 484
Total Cost for Weighted Acute Separations	**N/a**	**$64.174m**
Mersey Community Hospital weighted acute separations	N/a	8 043
Mersey Community Hospital average weighted acute $ cost per separation	N/a	5 263
Total Cost for Weighted Acute Separations	**N/a**	**$42.330m**

Note: This information was provided by DHHS from their 2012-13 Cost Study and is unaudited - the current year cost study results will not be available until 2015. The following caveats apply:

- National Average Acute Weighted Cost for 2012-13 is not available.

- While the average weighted cost adjusts for the acuity and complexity of the patient allowing comparisons between hospitals, caution is advised when interpreting and reporting on the results for reasons listed below.

1. Patients included in the Average Weighted Cost are patients admitted to hospital that are classified as acute care. Patients admitted with the following care types; palliative care, rehabilitation, psycho, geriatric, respite, and other admitted care are excluded.

2. No location adjustment is made for the residential postcode of patients, e.g North West patient being treated in the south at the Royal Hobart Hospital.

3. High fixed costs for providing a statewide specialised service(s) may have a significant impact on the cost of those patients and therefore increase the average weighted cost for that hospital.

4. The weighted acute separations for 2012-13 differs to that shown in the THO-NW 2012-13 Annual Report due to the timing difference in the coding of records since the preparation and extraction of the data.

TASMANIAN HEALTH ORGANISATION SOUTH (THO-S)

SNAPSHOT

- 2013-14 year was the second year of operation of THO-S as the provider of hospital, primary and community health services in southern Tasmania.
- It reported an Underlying Deficit of $20.900m (2013, $9.504m).
- Despite this, cash generated from operations was positive resulting in a higher bank balance at 30 June 2014.
- Underlying Deficit of $20.900m was $10.761m worse than budget due to Total Expenses exceeding budget by $59.568m whereas Total Revenues exceeded budget by $48.807m.
- A Net Surplus of $65.177m was achieved ($1.080m) entirely due to the transfer of commissioned infrastructure assets from the Department of Health and Human Services (DHHS).
- Staff numbers increased over this year due to the transfer of 595.25 Mental Health Services (MHS) FTE to THO-S together with an additional 112.5 FTE appointed to meet reported increases in service levels.
- Average cost per head of population was $2 641 in 2013-14 ($2 119) although these amounts are not comparable because 2013-14 includes MHS.
- Total operating cash cost per head of population was $2 449 in 2013-14 ($2 044).

We noted the following deficiencies:

- control weaknesses in several systems, including payroll processing, expenditure and cash systems at the Shared Services unit of the Department of Health and Human Services (DHHS)
- moderate risk matters in areas of procurement, pharmacy operations and the need to update valuations of properties
- weaknesses in controls over low value assets.

These matters are being addressed by management of DHHS and THO-S.

The audit was completed satisfactorily with no items outstanding.

Major developments this year included:

- transfer of Mental Health Services (MHS) to THO-S which included funding of approximately $77.200m, 595.25 FTE and net assets of $7.584m including Property, plant and equipment of $21.734m
- transfer to THO-S of $86.558m capitalised assets including elements of the RHH redevelopment, Wellington Centre outpatients facilities, Clarence Super clinic and Cambridge kitchens
- recruitment of an additional, above establishment, 112.5 FTE at a cost of approximately $11.300m.

Major variations between the 2013-14 and 2012-13 financial years included:

- Recurrent revenue increased by $119.122m the majority of which related to an additional $77.200m funding for MHS already referred to and an additional appropriation of $20.300m to pay for Employee benefits and other costs in excess of budget.
- Employee benefits were $90.120m higher than in 2012-13 for two primary reasons:
    - $67.700m for MHS staff
    - $22.420m caused by an increase in FTE compared to last year and general pay increases.

- Depreciation costs increased by $11.441m mainly due to MHS assets transferred and asset additions associated with the RHH redevelopment.
- Other costs increased generally in line with the transfer of MHS and the need to manage costs associated with a higher asset base.
- Increase in Property, plant and equipment (PP&E) assets of $95.666m due to $86.558m capitalised assets transferred from DHHS already referred to and MHS PP&E of $21.734m offset by depreciation.
- Increase in Other financial assets of $5.812m comprising accrued revenue which was mainly due the implementation of improved cut-off procedures.
- Increase in Total Liabilities of $35.520m which included higher Employee benefits of approximately $24.000m mainly relating to MHS and higher staff generally, and an increase in Payables of approximately $10.000m in the main due to the need to accrue the State component of interstate charging costs totalling $5.200m.

INTRODUCTION

The establishment of local hospital networks was a significant part of recent reforms in health, which aimed to link services within a region, provide for decentralised hospital management and increase local accountability.

THO-S is responsible for the provision and coordination of health and health support services in southern Tasmania. The primary purpose of the reforms was to promote and maintain the health of persons and to provide care and treatment to, and ease the suffering of, persons with health problems. THO-S is a not-for-profit entity.

Functions of THO-S are listed in Section 11 of the *Tasmanian Health Organisation Act 2011*. Service delivery is achieved through direct provision of services under service agreements or contracts with DHHS which, on behalf of the Minister for Health, monitors performance against these agreements. A significant change on 1 July 2013 was the transfer from DHHS to THO-S of mental health services. Associated assets, $23.716m, liabilities, $16.133m and 595.25 FTE were also transferred with this being a major reason for changes in financial results between 2012-13 and 2013-14.

DHHS assists THO-S to fulfil its objectives by providing services which include:

- payroll
- information technology
- procurement and accounts payable
- limited billing and receipting
- financial and accounting support
- internal audit.

Governance arrangements

THO-S has its own Governing Council which sets its strategic direction. The CEO is accountable to the Governing Council for day-to-day administration and management to ensure the delivery of hospital and primary and community health services.

There are three THOs with a common Chair of Governing Councils. Each Governing Council has four members and they are individually accountable to the Minister for Health and the Treasurer.

Service area

THO-S services a population of about 250 000. It has one major hospital site, being Royal Hobart Hospital (RHH) and several primary care facilities including New Norfolk, Ouse, Oatlands, Triabunna, Bruny Island and Bicheno. Because it manages the RHH, THO-S is also responsible for a number of state-wide functions.

KEY AREAS OF AUDIT ATTENTION

Financial attest audits of the financial statements of each THO and DHHS were carried out as separate engagements. The services provided by the Shared Services unit within DHHS were audited separately in order to streamline the audit process. The shared services are part of the DHHS's information systems, including related business processes, and were relevant to financial reporting of THOs and DHHS.

The table below summarises the key areas of audit attention in relation to these engagements.

Description of Area	Audit Approach
A single National Health Funding Pool was established as part of the reforms to facilitate direct payments to local health networks using a nationally consistent approach to activity based funding.	We tested the Tasmanian State Pool Account and obtained assurance that the amount of attributed funding disclosed in the financial reports was not materially misstated. The State Pool Account is separately audited with details provided in a separate chapter.
THO-S is responsible for operating within its budget and is accountable for its performance.	We performed audit procedures to obtain a sufficient level of assurance that: • revenue and expenses were recognised and recorded in the correct period • capital costs were appropriately accounted for • accounting policies were applied appropriately.
THO-S generates revenue by charging for billable services. Various systems are used to collect and track information about patients and procedures performed, which then form the basis for billing and claiming. The main systems in place at THO-S are: • IPAS (ISOFT Patient Administration System): in patients (accommodation and prosthetics), out patients (facility charges, doctor fees, specialist fees and other charges) • Kestral : pathology billing • Karisma: radiology billing • iPharmacy: pharmacy billing.	We tested material revenue streams, focusing specifically on assertions around accuracy and completeness of revenue. At year-end, we performed cut-off tests to ensure that billable procedures and receipts were recorded in the correct period.
DHHS has transferred \$23.716m of MHS assets, \$16.132m liabilities and 595.25 FTE to THO-S.	We tested the financial impact on THO-S financial statements of the transfer by analytical review of revenue, assets and employee benefits.
THO-S has a sizeable workforce and employee expenses are a significant expenditure item. There are several risks impacting on the audit, including the use of manual timesheets and the number and complexity of industrial awards.	Due to the lack of controls in some key areas of payroll processing, we tested to obtain a sufficient level of assurance that employee expenses are not materially misstated.

Description of Area	Audit Approach
Employee provisions represent a significant balance on the statement of financial position.	We relied on the work of internal audit in this area and re-performed some of their work to gain assurance that it can be relied upon.
There are a large number of sites holding and dispensing medication.	We tested stock-take records to balances in the general ledger.
Land and buildings assets were transferred to the THO-S asset register with THO-S now responsible for all aspects of the register. The transfer incorporated prior-year revaluations and asset additions, current-year asset additions, transfer of MHS assets and calculation of depreciation.	We tested: • the transfer of the asset register from DHHS to THO-S • selected asset additions against source documentation and recalculated depreciation • asset revaluations against the records in the asset register and the general ledger to ensure assets are being carried at the correct values. In addition, we examined revaluation reports and assessed the competency of the valuer.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

THO-S signed and submitted their financial statements to us on 14 August 2014.

Amended re-signed financial statements were received on 19 September and an unqualified audit report was issued on the same day.

KEY DEVELOPMENTS

Transfer of Mental Health Services to THOs

In 2013-14 DHHS transferred MHS to THO-S which included funding of approximately $77.200m, 595.25 FTE and net assets of $$7.584m.

New assets

During the year under review THO-S acquired assets recorded at an amount of $86.558m, spent $6.964m of its own funds on new assets and received some assets as contributions. The major assets included:

- Improvements to the RHH site, $35.675m
- Clarence Super clinic, $17.806m
- RHH ICU, $7.969m
- Wellington centre outpatients fit out, $7.136m
- Cambridge kitchen fit out, $4.751m.

DHHS continued to manage capital works in progress, including the RHH Redevelopment, to the point where assets are ready for use following which they are transferred for no charge to respective THOs.

Asset register

DHHS previously maintained the asset register for THO-S with this function transferred in 2013-14.

KEY FINDINGS

During the audit we noted the following moderate risk matters:

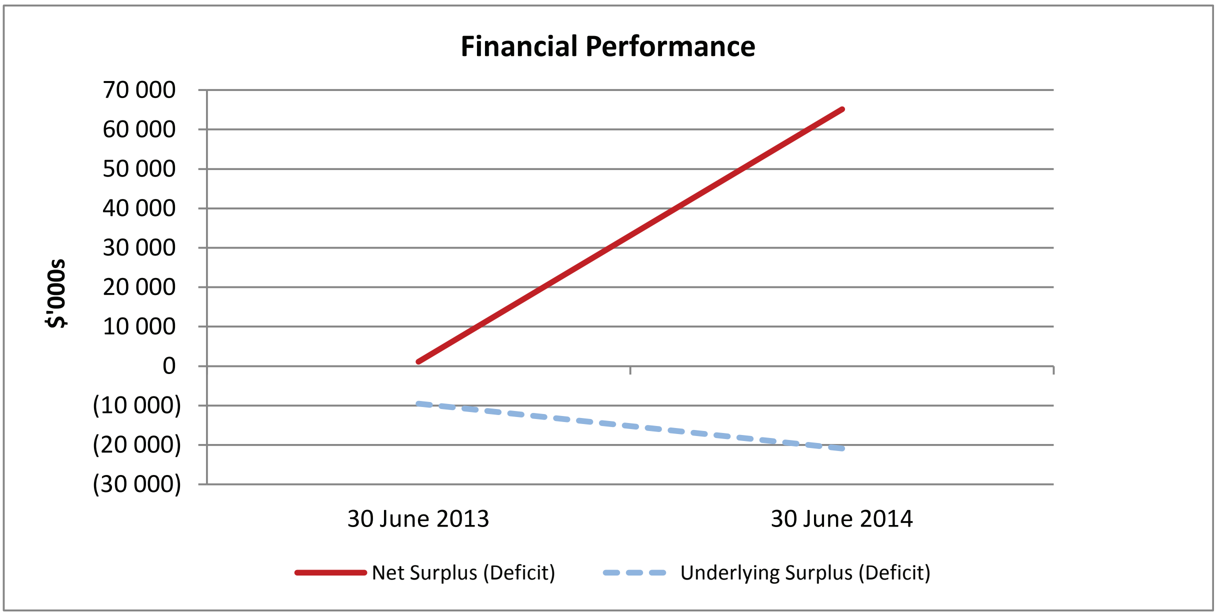
- inappropriate segregation of duties in relation to receipting of delivery of goods and services, including pharmaceuticals – a recommendation was made to review segregation processes
- pharmacy pricing and record keeping – a number of recommendations were made aimed at improving record keeping
- buildings asset valuations – recommended that a valuation be updated and the valuer be required to provide the gross value of buildings.

Five low risk items were raised. These included controls over attractive assets, building lease disclosure and pharmacy administration procedures.

In addition, a number of issues were raised in our audit of the Shared Services Unit. These are discussed in the DHHS Chapter and in a Health related summary Chapter.

All these matters were reported to, and are being addressed by, management.

FINANCIAL ANALYSIS



The Net Surplus of $65.177m increased by $64.097m due to higher revenue in the form of Capital grants $86.558m in 2013-14 compared to $12.620m in 2012-13.

The Underlying Deficit of $20.900m in 2013-14 exceeded the prior year by $11.396m due to a combination of higher revenue of $119.122m offset by higher costs totalling $130.518m

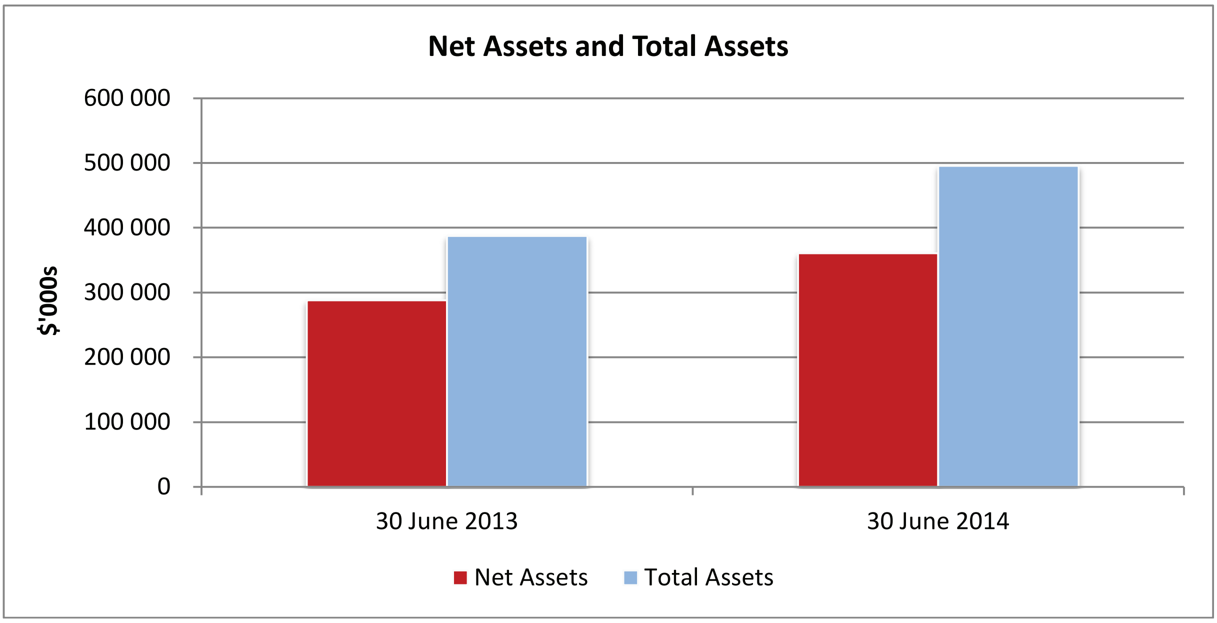
The majority of the increase in Total Revenue related to:

- an additional $77.200m funding due to the transfer of responsibility for MHS to THO-S from DHHS
- $20.300m in additional appropriation to fund Employee benefits and other costs in excess of budget. We are informed that this arose because additional FTE were required as a result of higher than expected demand for THO-S services particularly in the second half of 2013-14.
- $7.600m for Highly Specialised Drug transitioning from Grants to Sales of Goods and Services and $4.500m related to the transfer of MHS and increased dental fees.
- the remaining $9.622m increase was mostly due to improved revenue accrual processes and an increase in inpatient and outpatient billing.

Total Expenses increased in:

- Employees benefits, $90.120m, with $67.700m of the increase attributable to the transfer of MHS staff and $22.420m in increase attributable to higher FTE and general wage increases.

- $11.441m Depreciation and amortisation both due to hospital-related development assets capitalised and the transfer of MHS assets.
- Medical, surgical and pharmacy expenses increased $10.322m mainly due to higher activity and taking on the MHS functions. In addition, THO-S incurred a rise in interstate charging costs, $2.800m.
- an $8.310m increase in Supplies and consumables of which $4.600m related to transfer of maintenance costs from DHHS related to the RHH redevelopment and $3.200m arising from the transfer of MHS.
- $6.736m Grants and subsidies increase due to the responsibility for payments to Huon Eldercare and Hobart District Nursing for Tasman Multi Purpose Centre being transferred from DHHS to THO-S.

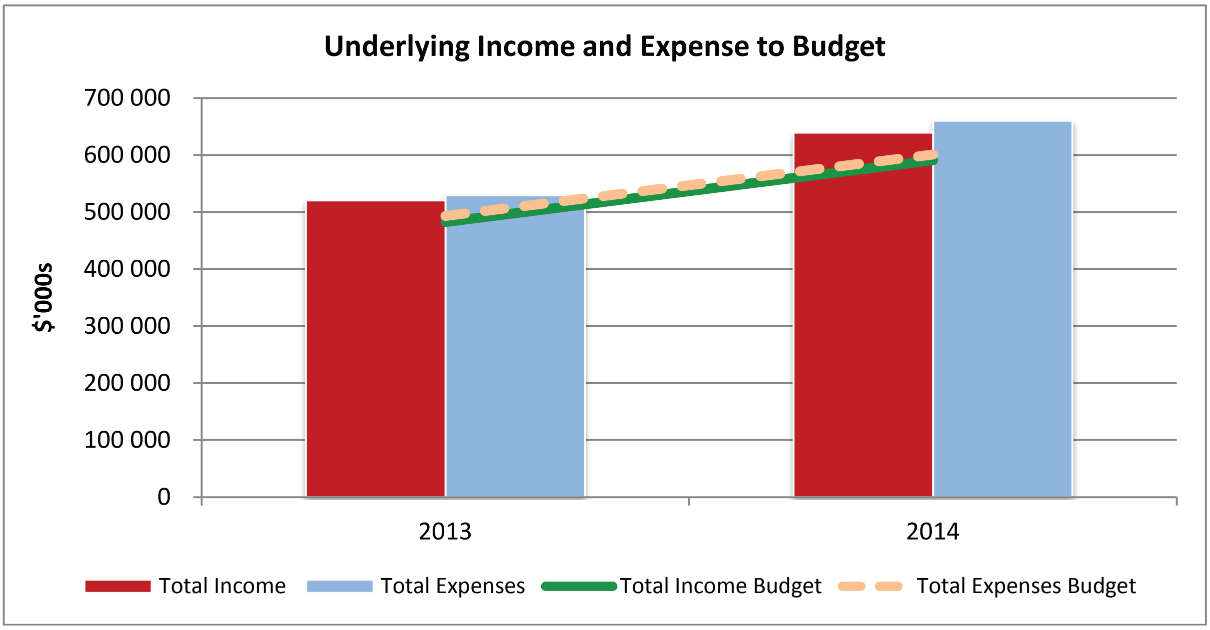


The increase in this year's Net Assets of $72.761m mainly related to the transfer of $86.558m capitalised assets to THO-S from DHHS and the transfer of MHS assets and liabilities with a net value of $7.584m, offset by an increase in Payables of $9.704m mainly due to the need to accrue the State component of interstate charging expense and an increase in Employee entitlements, $8.578m excluding MHS component.

Total Assets increased from $387.331m to $495.612m primarily due to $86.558m capitalised assets transferred from DHHS mainly for the RHH redevelopment and assets relating to an administrative restructure involving the transfer of MHS functions to THO-S both noted above.

Other reasons for the increase in Total Assets were:

- Other financial assets, up by $5.812m, due to an increase in accrued revenue arising from:
  - interstate charging, $1.100m
  - Department of Veterans Affairs, $1.300m
  - improved cut off procedures for inpatient/outpatient fees, $1.900m
  - training more specialised doctors, $1.200m
- Cash increased by $3.662m which is explained by the cash flow statement.



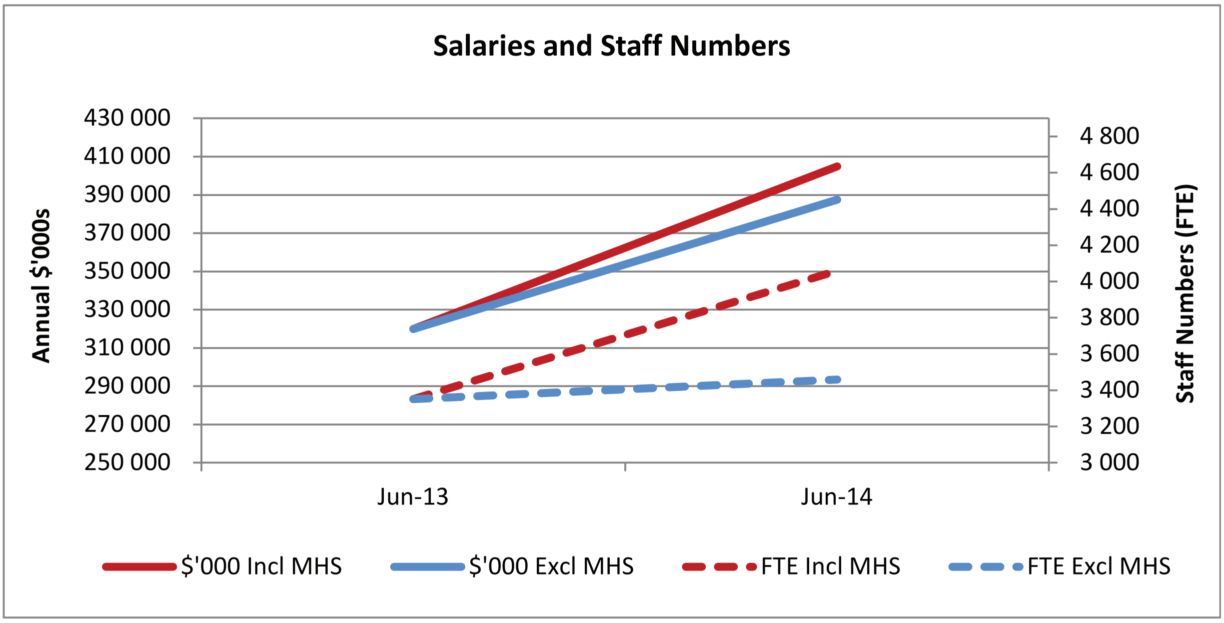
THO-S's Underlying Deficit exceeded budget by $10.761m this year. This was due to a number of factors discussed below. A factor behind the deficit is that depreciation is not funded and this year actual depreciation exceeded budget by $7.950m.

The $48.807m increase in the actual compared to budgeted revenue reflects supplementary funding of $20.300m to offset over-budget costs, increases in own source revenues and increased funding in accordance with the provisions of the Service Agreement.

The increased revenue was mainly applied to fund an increase of $41.268m in payroll. The payroll increase included $11.300m for an additional 112.5 FTE in 2013-14 due to higher service levels.

Depreciation exceeded budget by $7.950m mainly due to the depreciation impact of assets transferred from DHHS.

Medical expenses exceeded budget by $8.409m due to higher service levels and Grants and subsidies increased $3.780m due to the transfer of responsibility for some grant payments from DHHS to THO-S after the budget was set.

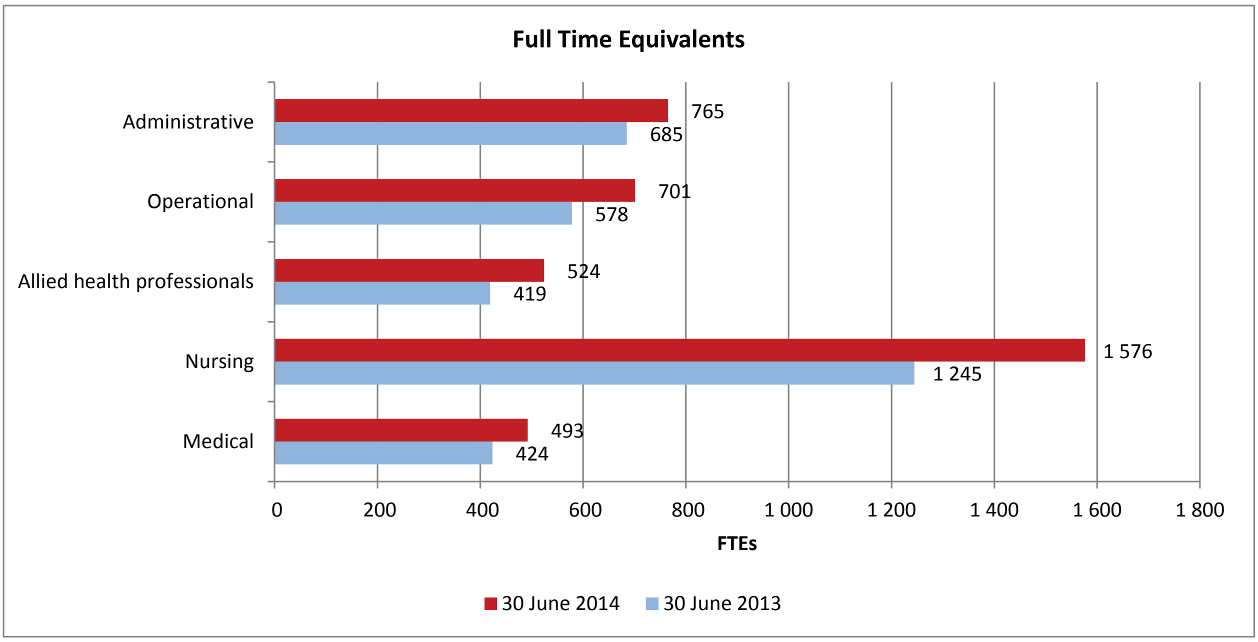


The graph shows an increase in salaries and staff numbers over the two year period. Reasons for the higher salaries and staff numbers was discussed earlier in this Chapter. Of the higher salaries this year, $90.120m, $67.700m relates to the transfer of MHS staff effective 1 July 2013 which was budgeted.

In 2013-14, THO-S increased its workforce by 707.8 FTEs including 595.25 MHS staff transferred on 1 July 2013 and 112.5 additional staff taken on over the year to address an apparent increase in patient demand.

The following graph details movements in FTEs by grouping between 2012-13 and 2013-14. This information was obtained from THO-S's annual report although we have utilised only the following four categories:

- Administrative
- Medical practitioners
- Nurses
- Allied Health Professionals
- Operational.



Statement of Comprehensive Income

	2013-14 Budget	2013-14 Actual	2012-13 Actual
	$'000s	$'000s	$'000s
Grants			
Revenue from government - recurrent	503 339	543 850	447 109
Sale of goods and services	49 669	79 670	60 924
Interest revenue	0	148	203
Contributions received	0	2 209	0
Other revenue	37 542	13 480	11 999
Total Revenue	**590 550**	**639 357**	**520 235**
Employee benefits	409 192	450 460	360 340
Depreciation and amortisation	13 708	21 658	10 217
Supplies and consumables	67 770	59 721	51 412
Grants and subsidies	3 046	6 826	90
Medical, surgical and pharmacy expenses	82 233	90 642	80 320
Property expenses	15 306	17 810	10 784
Administration	3 397	3 682	2 892
Other expenses	6 037	9 458	13 684
Total Expenses	**600 689**	**660 257**	**529 739**
Underlying Surplus (Deficit)	**(10 139)**	**(20 900)**	**(9 504)**
Profit (loss) on sale of assets	35	(161)	(2 185)
Impairment of loans and receivables	0	(320)	149
Capital grants	0	86 558	12 620
Net Surplus (Deficit)	**(10 104)**	**65 177**	**1 080**
Other Comprehensive Income			
Changes in physical asset revaluation reserve	14 541	0	101 578
Comprehensive Surplus	**4 437**	**65 177**	**102 658**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Financial Assets		
Cash and deposits	22 505	18 843
Receivables	12 078	9 334
Other financial assets	9 439	3 627
Non-financial Assets		
Inventory	4 060	3 709
Property, plant and equipment	445 934	350 268
Other non-financial assets	1 596	1 550
Total Assets	**495 612**	**387 331**
Liabilities		
Payables	21 136	11 432
Employee entitlements	106 428	82 650
Other liabilities	6 990	4 952
Total Liabilities	**134 554**	**99 034**
Net Assets	**361 058**	**288 297**
Contributed capital	193 223	185 639
Accumulated funds	66 257	1 080
Reserves	101 578	101 578
Total Equity	**361 058**	**288 297**

Statement of Cash Flows

	2013-14	2012-13
	$'000s	$'000s
Grants	541 917	447 109
Sales of goods and services	75 420	58 462
Interest received	14 881	12 967
GST receipts	148	203
Other Cash Receipts	12 194	11 999
Employee benefits	(441 859)	(355 110)
GST Payments	(14 931)	(12 521)
Grants and transfer payments	(6 826)	(90)
Supplies and consumables	(160 739)	(141 944)
Other cash payments	(9 574)	(13 923)
Cash from (used in) Operations	**10 631**	**7 152**
Proceeds from disposal of assets	(21)	13
Payments for acquisition of assets	(6 964)	(3 548)
Payment for equity investment	0	0
Net loans granted(repaid)	0	0
Cash from (used in) Investing Activities	**(6 985)**	**(3 535)**
Cash from (used in) Financing Activities	**0**	**0**
Net Increase (Decrease) in Cash	**3 646**	**3 617**
Cash at the beginning of the year	18 843	0
Cash transferred due to restructure	16	15 226
Cash at End of the Year	**22 505**	**18 843**

Financial Analysis

	Bench Mark	2013-14	2012-13
Financial Performance			
Underlying surplus (deficit) ($'000s)		(20 900)	(9 504)
Own source revenue ($'000s)		93 298	73 126
Financial Management			
Debt collection	30 days	49	49
Creditor turnover	30 days	59	30
Other Information			
Staff numbers (FTEs) by group			
Medical		493	424
Nursing		1 576	1 245
Allied health professionals		524	419
Operational		701	578
Administrative		765	685
Total Staff numbers (FTEs)		4 058.7	3 350.9
Average staff costs ($'000s)		108	93
Average Recreational Leave balance per FTE (days)	20	21	25
Average Long Service Leave balance per FTE (days)	100	26	27

	2013-14	2012-13
Statistics		
Population Southern Tasmania	250 000	250 000
KPIs		
Cost Per Head of Population in Dollars*	**2 641**	**2 119**
Total Operating Cash Cost Per Head of Population in Dollars	**2 449**	**2 044**
Cost for Weighted Acute Separations*		
Royal Hobart Hospital weighted acute separations	0	58 127
Royal Hobart Hospital average weighted acute $ cost per separation	0	4 818
Total Cost for Weighted Acute Separations	**0**	**$280.055m**

Note: This information was provided by DHHS from their 2012-13 Cost Study and is unaudited - the current year cost study results will not be available until 2015. The following caveats apply:

- National Average Acute Weighted Cost for 2012-13 is not available.

- While the average weighted cost adjusts for the acuity and complexity of the patient allowing comparisons between hospitals, caution is advised when interpreting and reporting on the results for reasons listed below.

1. Patients included in the Average Weighted Cost are patients admitted to hospital that are classified as acute care. Patients admitted with the following care types; palliative care, rehabilitation, psycho, geriatric, respite, and other admitted care are excluded.

2. No location adjustment is made for the residential postcode of patients, e.g North West patient being treated in the south at the Royal Hobart Hospital.

3. High fixed costs for providing a statewide specialised service(s) may have a significant impact on the cost of those patients and therefore increase the average weighted cost for that hospital.

4. The weighted acute separations for 2012-13 differs to that shown in the THO N 2012-13 Annual Report due to the timing difference in the coding of records since the preparation and extraction of the data.

** Cost per head of population is calculated by taking Total expenses from the Income statement and dividing by population. Cash payments per head of population uses cash payments. Both KPIs above are not strictly comparable with other THOs as RHH provides support to other THOs and the private hospital system for certain specialisations and does not recover the costs from them.*

TASMANIAN STATE POOL ACCOUNT (The Account)

SNAPSHOT

- The Account began operating on 1 July 2012.
- Receipts into the Account during 2013-14 totalled $642.544m.
- The Account received an additional $105.000m in Activity based funding from the State after Mental Health Services was transferred from the Department of Health and Human Services to the Tasmanian Health Organisations.
- All receipts were distributed during the year and the balance of the Account was Nil at 30 June 2014.

INTRODUCTION

Under the National Health Reform Agreement, States, Territories and the Commonwealth are jointly responsible for funding public hospital services, using activity-based funding where practicable and block funding in other cases.

All Commonwealth and activity based state and territory National Health Reform deposits and payments are processed through a designated bank account for each state and territory held by the Reserve Bank of Australia. Collectively these bank accounts constitute the National Health Funding Pool. These accounts are administered by the Administrator of the National Health Funding Pool (the Administrator). This is an independent statutory office holder whose role, with support from the National Health Funding Body, a Commonwealth entity, includes overseeing payments into and out of the state pool accounts.

Each State and Territory also has a separate state managed fund for receiving Commonwealth block funding via the National Health Funding Pool, receiving block funding directly from the State or Territory itself, and for making payments of block funding by the State or Territory to local hospital networks. Cross border funding occurs when compensation for treatment is transferred between States and Territories when a resident receives hospital treatment in another State or Territory.

The State managed funds are not part of the National Health Funding Pool arrangements.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

The special purpose financial report was received on 10 September 2014 which was 27 days after the statutory reporting deadline. An unqualified audit report was issued on 16 September 2014. However, an unsigned financial report had been received on 29 July 2014 with the audit not requiring any amendments to that report.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

The audit was completed satisfactorily with no items outstanding

Basis of accounting and reporting

The Administrator is responsible for reporting transactions during each financial year under Section 19 of the *National Health Funding Administration Act 2012* (Tasmania), section 242 of the *National Health Reform Act 2011* (Commonwealth) and the *National Health Reform Agreement 2011.* The Administrator has determined that a special purpose financial statement prepared on a cash basis of accounting is appropriate to meet the financial reporting obligations. We concurred with that decision.

STATEMENT OF RECEIPTS AND PAYMENTS

	2013-14	2012-13
	$'000s	$'000s
Receipts into State Pool Account		
From Commonwealth		
Activity based funding	238 897	233 205
Block funding	46 460	51 887
Public health funding	7 090	6 829
From Tasmania		
Activity based funding	350 095	236 838
Cross border contribution	0	10 223
From Other State/Territories		
Cross border receipts	0	0
Other		
Interest	2	20
Total Revenue	**642 544**	**539 002**
Payments from State Pool Account		
To Local Hospital Networks		
Tasmanian Health Organisation – North	183 775	167 790
Tasmanian Health Organisation – North West	78 102	55 396
Tasmanian Health Organisation – South	327 115	246 857
To Department of Health and Human Services		
Public health funding	7 090	6 829
Interest	2	20
To other State/Territories		
Cross border payments	0	10 223
To Tasmanian State Managed Fund		
Block funding	46 460	51 887
Total Expenses	**642 544**	**539 002**
Net Receipts (Payments) for the Year	**0**	**0**

Total Receipts and Total Expenses of the Account increased by $103.542m from 2012-13. This was principally due to the Account receiving an additional $105.000m in Activity based funding from the State, after Mental Health Services was transferred from the Department of Health and Human Services (DHHS) to the Tasmanian Health Organisations. Payments from the Account to the Local Hospital Networks increased as a result.

Cross border funding decreased by $10.233m to Nil in 2013-14. DHHS process payments based on the administrator's reconciled actuals, which were not received until after year end. However, this is simply a timing issue and the cross border payments relating to 2013-14 will be made in 2014-15.

AUDIT SUMMARY - OTHER GENERAL GOVERNMENT SECTOR STATE ENTITIES

INTRODUCTION

The General Government Sector consists of Government departments and non-profit State entities controlled and mainly financed by Government. Non-profit State entities are created for the purpose of producing or distributing goods and services but are not a source of income, profit or other financial gain for Government.

Audits of financial statements for GGS entities are carried out under the provisions of *Audit Act 2008*. This act requires these entities to submit their financial statements to the Auditor-General providing the mandate to audit those financial statements.

This part of the Report provides information on the following entities:

- Asbestos Compensation Fund
- Director of Public Prosecutions
- Inland Fisheries Service
- Integrity Commission
- Marine and Safety Authority
- Office of the Ombudsman and the Health Complaints Commissioner
- Royal Tasmanian Botanical Gardens
- State Fire Commission
- Tasmanian Economic Regulator
- Tasmanian Heritage Council
- TasTAFE
- The Nominal Insurer
- Workcover Tasmania Board.

The financial results discussed are derived from the audited financial statements of each entity. The reporting framework for these entities is generally prescribed by their enabling legislation. The majority of these entities prepare general purpose financial statements. In our analysis of some entities' financial performance we have, if necessary, reallocated certain revenue or expenditure items to better assist readers interpret financial performance.

KEY OUTCOMES FROM AUDITS

Other GGS State entities submitted their financial statements within the statutory deadline, with the exception of The Nominal Insurer, which submitted its financial statements six days after the statutory reporting deadline.

Unqualified audit reports were issued in all cases.

Our audits identified a number of matters. These matters did not impact on completion of the audits and were reported to those charged with governance. Matters categorised as moderate or high risk are discussed in individual Chapters.

FINANCIAL ANALYSIS

The following table summarises the financial results and position of Other GGS State entities for 2013-14:

	Net Surplus (Deficit)	Comprehensive Surplus (Deficit)	Net Assets
	$'000s	$'000s	$'000s
Asbestos Compensation Fund	0	0	0
Director of Public Prosecutions	(179)	(166)	223
Inland Fisheries Service	408	408	8 079
Intergrity Commission	(67)	(67)	306
Marine and Safety Authority	1 396	1 396	28 349
Office of the Ombudsman and Health Complaints Commissioner	196	196	66
Royal Tasmanian Botanical Gardens	324	(1 302)	10 583
State Fire Commission	(4 228)	(3 885)	95 433
Tasmanian Economic Regulator	230	230	39
Tasmanian Heritage Council	1	1	136
TasTAFE	(5 082)	224 931	224 931
The Nominal Insurer	2 698	2 698	2 985
Workcover Tasmania Board	0	0	0

A number of GGS State entities incurred significant Net Surpluses and deficits during 2013-14 including:

- Marine and Safety Tasmania recorded a Net Surplus of $1.396m. The surplus was primarily due to Capital grants received during the year, $3.410m, of which $3.269m remained unspent at 30 June 2014. The Capital grants were offset by a loss on disposal of non-financial assets, $0.764m. It recorded an Underlying Deficit of $1.250m in 2013-14.
- State Fire Commission reported a Net Deficit of $4.228m. The deficit was primarily due to significantly higher expenses for insurance, community awareness and general operational costs, such as fuel, IT and fire fighting. In addition, there was an increase in staff costs.
- TasTAFE reported a Net Deficit of $5.082m. The deficit was predominantly due to revenue not being sufficient to cover its Depreciation expense, $8.806m. Continuing to make Underlying Deficits and Net Deficits will not be sustainable as TasTAFE will be required to re-invest in its Property, Plant and Equipment as well as repay existing Loans and Deficit Reimbursements.
- The Nominal Insurer reported a Net Surplus of $2.698m mainly due to dividends from the liquidator of HIH, $3.008m.

ASBESTOS COMPENSATION FUND (The Fund)

SNAPSHOT

- The Fund was set up in such a way as to try to ensure that it breaks even each year.
- Following this year's actuarial review, the Provision for compensation payable for reported and future years increased by $2.275m to $119.915m (2012-13 $117.640m).
- This resulted in an increase of $3.218m in long-term Receivables, required to satisfy claims, to $113.844 ($112.067m).
- Claims paid this year totalled $6.854m ($6.510m).

The audit was completed satisfactorily with no items raised with management.

INTRODUCTION

The *Asbestos-Related Diseases (Occupational Exposure) Compensation Act 2011* (the Act) received Royal Assent on 4 October 2011 and was proclaimed on 31 October 2011.

The Act established the Asbestos Compensation Scheme (the Scheme) which provides for the payment of compensation, and certain expenses incurred by prescribed workers who develop an asbestos-related disease as a result of exposure to asbestos during the course of their work in Tasmania. The Act requires that the Asbestos Compensation Commissioner administer the Scheme through the Fund.

The Fund was initially funded by a lump sum of $8.250m transferred from the Nominal Insurer HIH account. Ongoing, a levy will be payable by insurers and self-insurers and the Fund may also earn investment income. Levies will be set at a levels aimed at ensuring the Fund meets its liabilities.

The Department of Justice provides administrative support to the Scheme.

The responsible Minister is the Treasurer.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2014 and unqualified audit report was issued on the same day.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

There were no key developments.

The most significant area of audit attention was the actuarial estimation of the provision for compensation payable. Our audit procedures included the following:

- the assessment of controls relating to compensation payments to beneficiaries
- payment and authorisation controls testing
- documenting our understanding of the process for raising levies and testing receipting controls
- payments data sent to the Actuary was reconciled to the general ledger
- reconciled payments data to the Actuarial valuation report
- evaluated the work of the Actuary.

The audit was completed satisfactorily with no items raised with management.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Transfer of HIH Funds	0	0
Levies	6 107	8 110
Interest	297	0
Total Revenue	**6 404**	**8 110**
Compensation awarded	6 854	6 510
Medical expenses	282	182
Administration expenses	211	275
Total Expenses	**7 347**	**6 967**
Underlying Surplus (Deficit)	**(943)**	**1 143**
(Increase) Decrease in provision for compensation payable	(2 275)	19 480
Increase (Decrease) in future levies receivable	3 218	(20 623)
Net Surplus (Deficit)	**0**	**0**
Comprehensive Surplus (Deficit)	**0**	**0**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Cash and deposits	6 139	5 639
Receivables	113 844	112 067
Total Assets	**119 983**	**117 706**
Payables	68	66
Provision for compensation payable	119 915	117 640
Total Liabilities	**119 983**	**117 706**
Net Assets	**0**	**0**
Total Equity	**0**	**0**

Total Revenue, $6.404m (2012-13, $8.110m) decreased by $1.706m. Revenue was higher in 2012-13 because higher overall costs were incurred, resulting in the need for the Commissioner, raise two levies. Total Expenses, $7.347m ($6.967m) increased by $0.380m due to an increase in compensation payments to $6.854m.

Other economic flows included movements in the provision for Compensation payable, an increase of $2.275m ($19.480m decrease), and in future levies receivable, an increase of $3.218m ($20.623m, decrease) both based upon the results of the actuarial valuation as at 30 June 2014.

Provision for Compensation payable is measured as the present value of the expected future payments to persons who have accepted a claim for compensation or who are estimated by the Actuary to be entitled to compensation in the future. The valuation as at 30 June 2014 resulted in a higher liability of $119.983m ($117.706m). The valuation was based on the current experience to date which saw actual claims slightly lower than expected. However, there is a degree of uncertainty with such valuations due to the unavailability of data.

DIRECTOR OF PUBLIC PROSECUTIONS (DPP)

SNAPSHOT

- The major expense item was Employee benefits, $6.228m ($5.759m).
- The Office reported a Net Deficit of $0.179m following two years of break-even results. It budgeted to operate at a deficit of $0.114m.
- Appropriations revenue – recurrent in 2013-14 totalled $6.750m (2012-13, $6.316m).
- Sale of services revenue was $0.679m ($0.667m).
- Its major asset was its Cash and deposit balance of $1.675m ($1.596m).
- Employee provisions are the largest liability at $1.883m ($1.707m).

There were no audit findings with the audit completed satisfactorily.

INTRODUCTION

The DPP provides criminal and civil law services to the State of Tasmania. The Director is appointed under the *Director of Public Prosecutions Act 1973*, has complete independence in decision-making and is accountable to Parliament through the Attorney-General.

The Department of Justice provides administrative support to the Office.

The responsible Minister is the Attorney-General.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2014. Following minor amendments to the statements, a re-signed version was received on 21 August 2014. An unqualified audit report was issued on 22 August 2014.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

Audit followed up matters raised in the previous year concerning the Open Practice system, password controls and excess leave. The DPP advised that progress has been made and finalisation of these matters will occur in 2014-15.

Apart from the above there were no key developments or other areas requiring particular audit attention.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14 Budget	2013-14 Actual	2012-13 Actual
	$'000s	$'000s	$'000s
Appropriation revenue – recurrent	7 366	6 750	6 316
Other revenue from Government		0	0
Sale of services	722	679	667
Other revenue	78	8	62
Total Revenue	**8 166**	**7 437**	**7 045**
Employee benefits	6 547	6 228	5 759
Depreciation	34	52	48
Supplies and consumables	1 295	1 084	1 036
Other expenses	404	252	199
Total Expenses	**8 280**	**7 616**	**7 042**
Net Surplus (Deficit)	**(114)**	**(179)**	**3**
Gain (Loss) on financial asset	0	13	39
Comprehensive Surplus (Deficit)	**(114)**	**(166)**	**42**

Statement of Financial Position

	2013-14	2012-13
	$'000s	$'000s
Cash and deposits	1 675	1 596
Receivables	5	28
Non financial assets	502	554
Total Assets	**2 182**	**2 178**
Payables	76	82
Employee benefits	1 883	1 707
Other liabilities	0	0
Total Liabilities	**1 959**	**1 789**
Net Assets	**223**	**389**
Total Equity	**223**	**389**

Financial results for 2013-14 were largely impacted by:

- appropriations revenue – recurrent in 2013-14 totalled $6.750m (2012-13, $6.316m) which rose by $0.434m. This reflected the requirement to fund both the Director and Acting Director positions
- Sale of services $0.650m ($0.658m) mainly for Child Protection legal services where the DPP is funded by the Department of Health and Human Services under a Service Level Agreement
- the major expense item was Employee benefits, $6.228m ($5.759m) which increased by $0.469m due to requirement to fund both the Director and Acting Director positions
- The DPP's major asset was its Cash and deposit balance of $1.675m ($1.596m) which rose slightly by $0.079m despite the deficit for the year.
- Employee provisions are the largest liability at $1.883m ($1.707m) with the increase, $0.176m, due to additional provisioning for both the Director and Acting Director positions.

The Gain on financial asset of $0.013m represents a reversal of a provision for impairment of receivables. A similar reversal was made in 2012-13. Reversals were made because the DPP collected receivables previously assessed as uncollectable.

INLAND FISHERIES SERVICE (The Service)

SNAPSHOT

- The Service reported an Underlying Surplus of $0.406m in 2013-14.
- It introduced five-year recreational fishing licences, which generated additional revenue, $0.282m, and contributed to a higher cash balance. The Service recognises Licence fees as revenue in the year the fee is paid and the licence is issued.
- Net Assets totalled $8.079m at 30 June 2014 and included cash, $2.207m, and investment properties valued at $2.230m.

The audit was completed satisfactorily with no matters outstanding.

INTRODUCTION

The Service has wide statutory powers under the *Inland Fisheries Act 1995* to regulate, manage, protect, control and develop freshwater fish. In addition, the Service improves and maintains fisheries in inland waters including salmon fisheries.

It derives the majority of its revenue from licence fees and a Government contribution for community service functions in relation to conservation, protection and management of Tasmania's native freshwater fauna and the carp management program. The Service subsidises its operations with rental income from investment properties and interest earned on term deposits.

The responsible Minister is the Minister for Primary Industries and Water.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 7 August 2014 and an unqualified audit opinion was issued on 17 September 2014.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

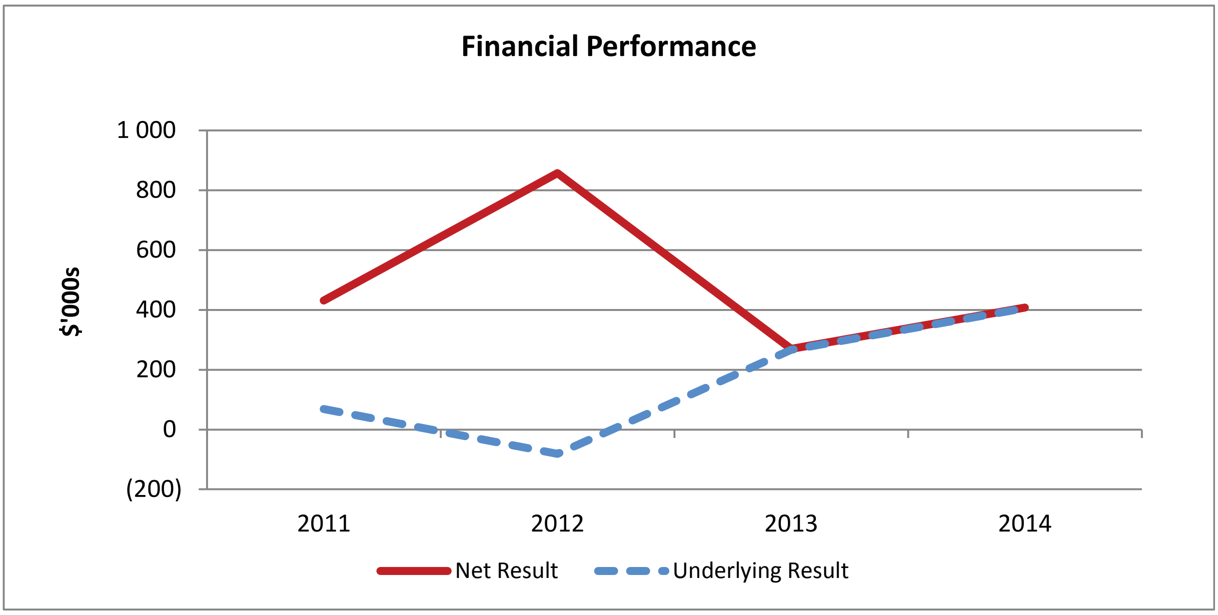
Recreational anglers now have the option to purchase a five-year fishing licence for a discounted fee, in addition to the standard annual licence. During 2013-14, the Service collected $0.353m in fees for five-year licences, of which $0.071m related to the current year and $0.282 to future years. The Service recognises Licence fees as revenue in the year the fee is paid and the licence is issued.

It owns two investment properties purchased in 2011-12 for $2.230m. These properties have not been revalued since then. We recommended and management agreed to revalue these properties in 2014-15.

Accounting for and recognition of grants, angling and other licence revenue and revenue from investments were highlighted during our planning as areas of audit attention.

The audit was completed satisfactorily with no matters outstanding

FINANCIAL ANALYSIS



The Service reported an Underlying Surplus of $0.406m in 2013-14. This was an improvement on last year's surplus of $0.266m. The improved result was largely due to an increase in Licence fees, $0.185m, and a reduction in Employee expenses, $0.178m, partly offset by higher operating costs, $0.063m.

During the year, the Service introduced five-year recreational fishing licences, which generated additional revenues, $0.282m, being the difference between Licence fees collected, $0.353m, and the amount attributed to the current year, $0.071m. As discussed previously, the Services recognises Licence fees as revenue in the year the fee is paid and the licence is issued. The reduction in Employee expenses, $0.178m was partly attributed to savings achieved due to the Service being no longer required to pay payroll tax, $0.034m, and a reduction in staff numbers. The introduction of the five-year licences and operational savings also had a positive impact on Cash, which increased by $0.296m to $2.207m at 30 June 2014.

Net Surplus of $0.408m contributed to an increase in Net Assets to $7.671m. Net Assets consisted mainly of non-current physical assets, including the building from which the Service operates, $4.190m, Investment properties, $2.230m and Cash, $2.207m.

Statement of Comprehensive Income

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Licence fees	1 932	1 747	1 741	1 628
Government grants	1 437	1 545	1 611	1 641
External grants and reimbursements	118	306	200	300
Other revenue	702	556	560	602
Total Revenue	**4 189**	**4 154**	**4 112**	**4 171**
Employee expenses	1 889	2 067	2 288	2 357
Other expenses	1 643	1 580	1 658	1 521
Depreciation	251	241	247	225
Total Expenses	**3 783**	**3 888**	**4 193**	**4 103**
Underlying Surplus (Deficit)	**406**	**266**	**(81)**	**68**
Fair value adjustment for investment property	0	0	0	0
Gain on sale of non-financial assets	2	4	938	14
Net Surplus (Deficit)	**408**	**270**	**857**	**82**
Other Comprehensive Income				
Valuation adjustment to land and buildings	0	0	0	349
Comprehensive Surplus (Deficit)	**408**	**270**	**857**	**431**

Statement of Financial Position

	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Cash	2 207	1 911	1 701	1 150
Receivables	144	84	66	93
Total Current Assets	**2 351**	**1 995**	**1 767**	**1 243**
Property, plant and equipment	4 190	4 073	4 199	4 339
Investment property	2 230	2 230	2 230	1 745
Total Non-current assets	6 420	6 303	6 429	6 084
Total Assets	**8 771**	**8 298**	**8 196**	**7 327**
Payables	122	75	207	244
Provisions	275	272	278	280
Total Current Liabilities	**397**	**347**	**485**	**524**
Provisions	295	280	310	259
Total non-current liabilities	295	280	310	259
Total Liabilities	**692**	**627**	**795**	**783**
Net Assets	**8 079**	**7 671**	**7 401**	**6 544**
Reserves	2 058	2 058	2 058	2 058
Accumulated funds	2 821	2 413	2 143	1 286
Contributed capital	3 200	3 200	3 200	3 200
Total Equity	**8 079**	**7 671**	**7 401**	**6 544**

ADDITIONAL FINANCIAL INFORMATION

Financial Analysis

	Bench Mark	2013-14	2012-13	2011-12	2010-11
Financial Performance					
Underlying surplus (deficit) ($'000s)		406	266	(81)	68
Own source revenue ($'000s)		2 634	2 303	2 301	2 230
Financial Management					
Debt collection	30 days	20	13	10	15
Creditor turnover	30 days	27	17	28	36
Other Information					
Average staff numbers (FTEs)		22	23	23	25
Average staff costs ($'000s)		86	91	101	92
Average recreational leave balances per FTE (days)	20	21	21	22	20
Average long service leave balances per FTE (days)	100	43	43	46	42

INTEGRITY COMMISSION (The Commission)

SNAPSHOT

- The Commission recorded a Net Deficit of $0.067m (2012-13, $0.100m) in 2013-14. After taking into account unfunded Depreciation and amortisation expense, it would have achieved a small surplus.
- Appropriation revenue was $0.331m, or 13%, less than budget due to delays in recruitment for vacant positions.
- Net Assets totalled $0.306m ($0.373m).

The audit was completed satisfactorily with no items outstanding. However, it was noted that at 30 June 2014, the Commission had accrued $0.382m for employee leave entitlements but its liquid assets totalled $0.066m. This could lead to a situation where the Commission needs to seek external financial support, in particular if a number of staff were to leave at the same time and not move to another State entity.

INTRODUCTION

The Commission was established by the *Integrity Commission Act 2009* and commenced operations on 1 October 2010. Its main aim is to promote and enhance standards of ethical conduct by public officers in the Tasmanian public sector including local government councils. The Commission consists of a Board with five members and a Chief Commissioner, a statutorily appointed Chief Executive Officer and a number of staff who undertake its various functions.

The Commission promotes and strengthens ethical conduct to enhance public confidence. It has a strong educative and training role, as well as developing standards and guidelines to help public officers perform their duties ethically. It also investigates misconduct.

The Auditor-General is an ex-officio member of the Board of the Commission. As a result, the audit of the Commission is managed by the Deputy Auditor-General.

The Department of Justice provides administrative support to the Commission.

AUDIT OF THE 2013-14 STATEMENTS

Signed financial statements were received on 13 August 2014. An unqualified audit report was issued on 11 September 2014.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

The only area of audit attention was that at 30 June 2014 the Commission had accrued $0.382m for employee leave entitlements but its liquid assets totalled $0.066m. This could lead to a situation where the Commission needs to seek external financial support, in particular if a number of staff were to leave at the same time and not move to another State entity.

We followed up matters reported in prior years and we found these were satisfactorily resolved.

The audit was completed satisfactorily with no other items outstanding.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14 Budget	2013-14 Actual	2012-13 Actual
	$'000s	$'000s	$'000s
Appropriations	2 934	2 604	2 661
Other Income	0	24	0
Total Revenue	**2 934**	**2 628**	**2 661**
Employee costs	2 068	1 716	1 806
Other expenses	950	979	955
Total Expenses	**3 018**	**2 695**	**2 761**
Net Surplus (Deficit)	**(84)**	**(67)**	**(100)**
Comprehensive Surplus (Deficit)	**(84)**	**(67)**	**(100)**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Cash and deposits	28	28
Receivables	38	15
Leasehold improvements and equipment	402	470
Intangible assets	191	221
Other assets	51	40
Total Assets	**710**	**774**
Payables	22	12
Employee benefits	382	369
Other	0	20
Total Liabilities	**404**	**401**
Net Assets	**306**	**373**
Total Equity	**306**	**373**

The Commission recorded a Net Deficit of $0.067m (2013, $0.100m) for the year. After taking into account Depreciation and amortisation of $0.098m which is not funded, the Commission would have achieved a small surplus.

The financial performance for 2013-14 was impacted by:

- slightly lower Other revenue from Government, $0.060m, because 2012-13 included Section 8A carry forward funding of $0.060 which was not repeated this year

- increased Other revenue of $0.024m, all of which related to a reimbursement of court costs for a case found in favour of the Commission
- lower Employee expenses by $0.090m to $1.716m due to some positions remaining vacant
- Other supplies and consumables increased by $0.053m to $0.690m related to various items including higher staff training, modifications to security systems and provision of external legal assistance
- Leasehold improvements and equipment and Intangible assets decreased by $0.098m due to annual depreciation and amortisation.

Appropriation revenue was $0.331m, or 13%, less than budget due to a position being vacant for more than six months and delays in recruitment for three other positions.

MARINE AND SAFETY AUTHORITY

SNAPSHOT

- Marine and Safety Authority trades as Marine and Safety Tasmania (MAST).
- MAST recorded an Underlying Loss of $1.250m (2013, $0.552m). Its results fluctuated between years because of a three-year renewal cycle for recreational boating licences.
- It recorded a Net Surplus of $1.396m (Deficit, $0.570m). The improved result was primarily due to Capital grants received during the year, $3.410m, of which $3.269m remained unspent at 30 June 2014 resulting in high cash balances at 30 June. Capital grants were partially offset by Loss on disposal of non-financial assets, $0.764m.
- Transfers of Sullivans Cove pontoon and Gordon jetty to local government councils for no consideration contributed largely to the Loss on disposal of non-financial assets.
- At 30 June 2014, Net Assets totalled $28.349m and consisted predominantly of infrastructure assets.

Major developments included commencement of the national reform to domestic commercial vessels regulations which took effect on 1 July 2013.

The audit was completed satisfactorily with no findings.

INTRODUCTION

MAST carries out its functions under the *Marine and Safety Authority Act 1997*. These include:

- ensuring safe operations of marine vessels
- providing and managing marine facilities
- managing environmental issues relating to vessels
- performing functions as delegated by the National Regulator for Commercial Vessels.

It is largely self-funded with income derived from recreational boat registrations and licence fees. Income is also received from commercial vessel owners for the inspection of vessels and licensing of operators. These activities are largely fee for service.

In addition, annual funding is received through the Department of State Growth, formerly the Department of Infrastructure, Energy and Resources, and used for the maintenance and management of commercial marine facilities. Further funding from the Capital Investment Program is also received for specific infrastructure projects.

The responsible Minister is the Minister for Infrastructure.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 7 August 2014 and an unqualified audit report was issued on the same day.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

The audit was completed satisfactorily and there were no audit findings. There were no areas requiring particular audit attention.

National reform

The Australian Maritime Safety Authority (AMSA) became the national regulator of all commercial vessels in Australian waters on 1 July 2013. MAST is responsible for the day-to-day administration of national maritime safety laws in Tasmania under delegation from AMSA. In order to implement this reform, MAST spent $0.528m during 2012-13 and $0.405m in 2013-14. These costs were only partially funded with $0.250m being received during the prior year to help facilitate the change.

FINANCIAL ANALYSIS

MAST reported an Underlying Deficit of $1.250m in 2013-14, compared to Underlying Deficits of $0.552m and $0.050m in 2012-13 and 2011-12 respectively. The main cause of these fluctuations was the renewal cycle for recreational boating licences. These licenses are renewed every three years and were last renewed in 2011-12.

Apart from the fluctuations in Recreational boating fees, the remaining operating revenue and expenses were relatively constant between years.

In 2013-14, MAST received Capital grants, $3.410m, for the reconstruction of Dover and St Helens wharves, of which $3.269m remained unspent at 30 June 2014. During the year, MAST transferred, at no consideration, Sullivans Cove pontoon to Hobart City Council and Gordon jetty to Kingborough Council. The transfer of these assets contributed largely to the increase in Loss on disposal of non financial assets, $0.764m. Overall, MAST reported a Net Surplus of $1.396m.

MAST's Net Assets increased by the amount of Net Surplus to $28.349m. Net Assets consisted predominantly of infrastructure assets, including marine facilities, such as jetties, wharves, launching ramps and breakwaters, $21.895m, and navigation aids, $0.678m. Cash totalled $6.253m at 30 June 2014 and included unspent Capital grants discussed previously.

Both Asset investment and Asset sustainability ratios for marine facilities were below benchmarks and reflected MAST's dependence on Government funding for capital projects. In 2013-14, MAST's capital expenditure on marine facilities assets was $0.383m (2012-13, $1.204m). At the same time, it spent $0.106m ($0.293m) on maintenance of those assets, excluding dredging costs.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Commercial vessels fees	978	952	847	842
Certificate of competency fees	269	262	233	217
Recreational boating fees	2 552	3 444	3 846	2 285
Mooring	371	354	320	288
Government recurrent contribution	1 033	1 292	1 040	1 039
Interest received	136	146	194	300
Other operating revenue	229	269	260	225
Total Revenue	**5 568**	**6 719**	**6 740**	**5 196**
Employee expenses	2 164	2 093	1 880	1 900
Depreciation	922	946	905	871
Other expenses	3 732	4 232	4 005	3 551
Total Expenses	**6 818**	**7 271**	**6 790**	**6 322**
Underlying Surplus (Deficit)	**(1 250)**	**(552)**	**(50)**	**(1 126)**
Capital grants	3 410	0	0	1 150
Loss on disposal of non-financial assets	(764)	(18)	(103)	(134)
Net Surplus (Deficit)	**1 396**	**(570)**	**(153)**	**(110)**
Other Comprehensive Income				
Changes in physical asset revaluation reserve	0	1 364	108	0
Comprehensive Surplus (Deficit)	**1 396**	**794**	**(45)**	**(110)**

Statement of Financial Position

	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Total financial assets	6 423	3 616	4 393	5 107
Total non-financial assets	23 040	24 199	22 577	21 890
Total Assets	**29 463**	**27 815**	**26 970**	**26 997**
Total Liabilities	**1 114**	**862**	**811**	**793**
Net Assets	**28 349**	**26 953**	**26 159**	**26 204**
Total Equity	**28 349**	**26 953**	**26 159**	**26 204**

OTHER FINANCIAL INFORMATION

Financial analysis

	Bench Mark	2013-14	2012-13	2011-12	2010-11
Financial Performance					
Underlying surplus/(deficit) ($'000s)		(1 250)	(552)	(50)	(1 126)
Operating margin*	>1.0	0.82	0.92	0.99	0.82
Own source revenue ($'000s)		4 535	5 427	5 701	4 157
Financial Management					
Debt collection	30 days	23	29	16	30
Creditor turnover	30 days	52	27	25	20
Capital Management					
Marine Facilities					
Asset investment ratio	>100%	49%	151%	188%	284%
Asset sustainability ratio**	100%	45%	59%	N/a	N/a
Asset consumption ratio**	>60%	86%	69%	N/a	N/a
Other Information					
Average staff numbers (FTEs)		20	19	18	19
Average staff costs ($'000s)		110	111	101	106
Average recreational leave balance per FTE (days)	20	18	15	14	14
Average long service leave balance per FTE (days)	100	50	48	45	44

* *Also known as the Underlying result ratio.*

** *Information not available to calculate ratio for some or all years.*

OFFICE OF THE OMBUDSMAN AND HEALTH COMPLAINTS COMMISSIONER (The Office)

SNAPSHOT

- The Office reported a Net Surplus of $0.196m.
- Fees and complaint levies collected from energy entities totalled $0.618m in 2013-14. This was $0.115m more than in 2012-13.
- Staff turnover led to reductions in employee costs, which contributed significantly to the Net Surplus achieved, and the provisions for annual and long service leave. This resulted in Net Assets of $0.166m. This was in contrast to last year when the Office had negative Equity of $0.130m.

The audit was completed satisfactorily with no items outstanding.

INTRODUCTION

The Ombudsman and Health Complaints Commissioner (the Ombudsman) is an independent officer appointed by the Governor, and answerable to the Parliament.

The Ombudsman operates under the *Ombudsman Act 1978*. The role of the Ombudsman is to investigate the administrative actions of public authorities to ensure that their actions are lawful, reasonable and fair. The Ombudsman also has central functions under the *Right to Information Act 2009* (the Act), principally that of reviewing decisions by public authorities not to release information under the Act.

The Ombudsman also has a number of other responsibilities including being the Health Complaints Commissioner under the *Health Complaints Act 1995*, the *Energy Ombudsman under the Energy Ombudsman Act 1998*, and providing administrative support for the Mental Health and Prison Official Visitor Schemes.

The Ombudsman also holds an ex officio position on the Board of the Integrity Commission under the *Integrity Commission Act 2009.*

The Office meets recurrent expenditure from a Parliamentary appropriation and from revenues earned in its role as the Energy Ombudsman.

The majority of accounting functions for the Office are provided by the Department of Justice.

The responsible Minister is the Minister for Justice.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2014 and an unqualified audit opinion was issued on 17 September 2014.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

No key developments or areas of particular audit attention were noted.

The audit was completed satisfactorily with no items outstanding.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Revenue from Government	1 974	2 050
Revenue from energy entities	618	503
Other revenue	19	127
Total Revenue	**2 611**	**2 680**
Employee benefits	1823	2 007
Supplies and consumables	483	506
Other expenses	109	155
Total Expenses	**2 415**	**2 668**
Net Surplus	**196**	**12**
Comprehensive Surplus	**196**	**12**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Cash and deposits	376	208
Intangibles	33	54
Property, plant and equipment	46	53
Receivables	1	3
Total Assets	**456**	**318**
Employee benefits	326	438
Other liabilities	64	10
Total Liabilities	**390**	**448**
Net Assets	**66**	**(130)**
Total Equity	**66**	**(130)**

The Office reported a Net Surplus of $0.196m in 2013-14, which was $0.184m higher than last year. This improvement was predominantly due to an increase in fees and complaint levies collected from energy entities and savings in employee costs.

Net Assets totalled $0.066m at 30 June 2014. This was an improvement on the previous year when the Office's liabilities exceeded its assets, almost entirely due to Employee benefits. Staff turnover led to a reduction in cost as well as in provisions for annual and long service leave which led to the improved position.

ROYAL TASMANIAN BOTANICAL GARDENS (The Gardens)

SNAPSHOT

- The Gardens reported an Underlying Surplus of $0.324m, an improvement of $0.278m on the prior year. The improved result was mainly driven by donations and bequests, $0.434m, for Mona 24 Carrot Gardens project and the living learning centre project, and by reducing operating costs by $0.098m or 2.0%.
- Net Assets decreased by $1.302m to $10.583m due primarily to a decrement of $1.626m on selected infrastructure assets and buildings which were revalued at 30 June 2014.
- The Gardens had $1.274m in cash at 30 June 2014, the majority of which, $1.143m, was restricted in accordance with specific conditions in 2013-14 and future years.
- The restaurant made a significant loss in 2013-14 and was subsequently leased to a private operator on 1 August 2014.

The audit was completed satisfactorily with no major items outstanding.

INTRODUCTION

The Gardens are governed by the *Royal Tasmanian Botanical Gardens Act 2002* and administered by the Department of Primary Industries, Parks, Water and Environment. Members of the Botanical Gardens Board are appointed by the Minister.

It is funded by a mixture of recurrent grants from Government, project-related and other grants and own-source income.

The responsible Minister is the Minister for Environment, Parks and Heritage.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 11 August 2014. An unqualified audit report was issued on 22 September 2014.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

Revaluation of non-current assets

A revaluation of buildings and major sub-classes of infrastructure assets was performed by an independent valuer at 30 June 2014. Infrastructure assets revalued this year were roads and paths, fences and gates and walls. This resulted in a revaluation decrement of $1.626m. The valuation of remaining subclasses of infrastructure assets, including garden features and hydraulics, will be addressed in 2014-15.

Community Food Garden

The Garden received a grant of $0.190m in 2012-13 from the Tasmanian Community Fund for the Tasmanian Community Food Garden (CFG) project. The project is to develop a model demonstrating best practice in sustainable food production and preparation, supported by a community of food gardens and food gardeners. The project was completed in 2013-14 and the garden was formally opened on 6 April 2014.

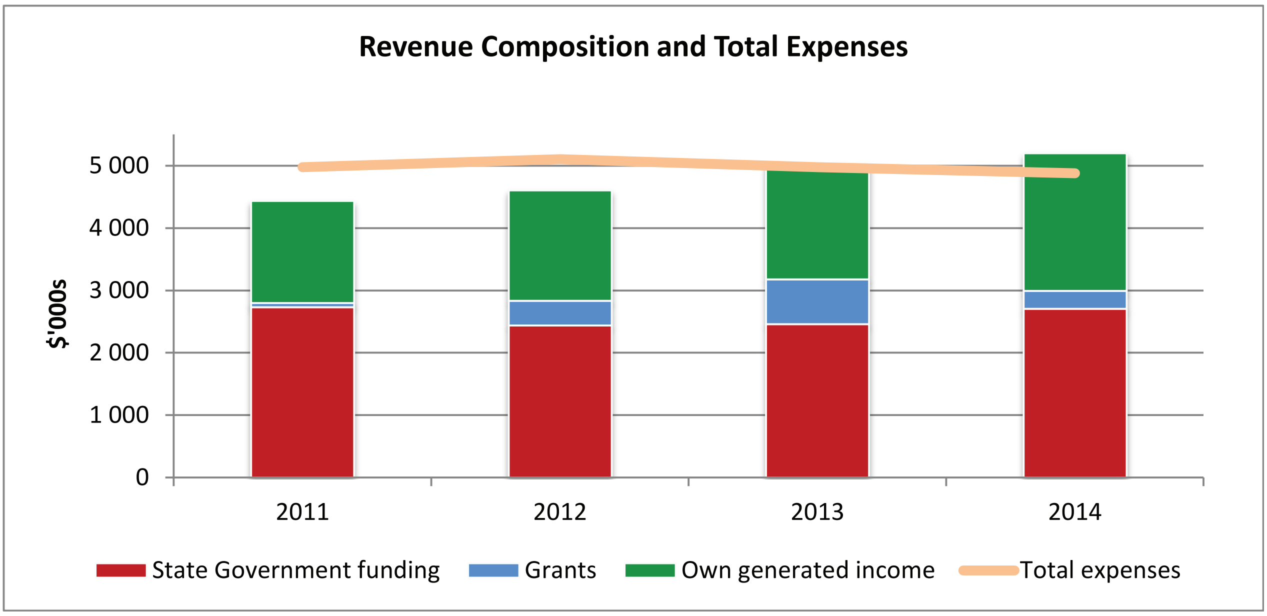
Own-source revenue

The Garden operated a restaurant, kiosk and gift shop which collectively generate relatively significant gross income. Revenue from such sources is often in the form of cash which can be difficult to control and there is a risk that not all receipts from cash sales are recorded. To address this risk, we audited a sample of daily cash reports for evidence of secondary review by an independent person and traced a sample of daily cash sales to bank statements. We noted in one instance that daily cash-up discrepancy was not followed up in a timely manner. The Gardens indicated that it will address the matter immediately.

Lease of garden restaurant

Due to the substantial loss incurred by the restaurant in 2013-14, management decided to lease the restaurant to a private operator as they could not take the risk of another loss of that magnitude. The restaurant was leased as of 1 August 2014.

The audit was completed with no major finding and there were no particular areas for audit attention.



The Gardens reported an Underlying Surplus of $0.324m in 2013-14. The improved result was a combination of higher Total Revenue and lower Total Expenses. Higher revenue was mainly driven by donations and bequests, $0.434m, for the Mona 24 Carrot Gardens project and the living learning centre project.

Grants revenue fluctuates from year to year depending on outcome of applications for project funding and milestone progress and payments. Grants revenue in 2013-14 included a grant from Government for the Mona 24 Carrot Gardens Project to expand the project into Risdon Vale Primary School and the Jordan River Learning Federation. Other grants received this year totalled $0.134m.

Higher Government funding in 2013-14 was due mainly to additional funding of $0.175m received to support the on-going work of the Tasmanian Seed Conservation Centre.

Total Expenses decreased by $0.098m from the prior year, mainly due to:

- savings from not filling the Deputy Director's position in 2013-14
- lower Deprecation as a result of the decrement of $2.570m arising from the revaluation of infrastructure assets and buildings at 30 June 2013 with the full effect on Depreciation occurring in 2013-14.

There was a further revaluation performed in 2013-14 of selected subclasses of infrastructure assets and buildings resulting in a net revaluation decrement of $1.626m. This was the main reason for the decrease in Net Assets from $11.885m at 30 June 2013 to $10.583m this year.

Assets consisted mainly of property, infrastructure and equipment, $9.998m. The Gardens held $1.274m in cash at 30 June 2014, the majority of which, $1.143m, was restricted in accordance with specific conditions.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Total Revenue	5 200	5 020
Total Expenses	4 876	4 974
Underlying Surplus (Deficit)	**324**	**46**
Write-off of non financial assets	0	0
Net Surplus (Deficit)	**324**	**46**
Other Comprehensive Income		
Changes in asset revaluation reserve	(1 626)	(2 570)
Comprehensive Surplus (Deficit)	**(1 302)**	**(2 524)**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Total Assets	11 434	12 643
Total Liabilities	851	758
Net Assets	**10 583**	**11 885**
Total Equity	**10 583**	**11 885**

STATE FIRE COMMISSION (The Commission)

SNAPSHOT

- The Commission recorded an Underlying Deficit for the first time during our period of review. The deficit was $5.018m compared to an Underlying Surplus of $0.524m last year.
- However, because of the revenues and expenses associated with the extensive bushfires in 2012-13, a better comparison for 2013-14 was the 2011-12 result when the Commission generated an Underlying Surplus of $2.916m. This represented a decline in underlying performance of $7.934m which was significant.
- It had negative net working capital of $6.530, (2013, positive $1.295m).
- At 30 June 2014 its Net Assets totalled $95.433m ($99.318m) and consisted predominantly of Property, plant and equipment, $102.281m

Major variations between the 2013-14 and 2012-13 financial years were:

- lower bushfire fighting costs, $3.354m, (2012-13, $12.995m) due to the lower number and intensity of wildfires in 2014. Funding to cover the cost of fighting wild fires was down by $11.235m.
- lower Cash and cash equivalents, $6.180m, ($11.132m) due to the Net Deficit incurred, $4.228m, and repayment of Borrowings, $1.368m.
- Borrowings decreased to $3.330m ($4.698m).

It is useful to compare the Commission's 2013-14 results with those in 2011-12 because fire activity in these two financial years was more similar. As noted, the Commission generated a high deficit in 2013-14 and a reasonable surplus in 2011-12. The poorer result was despite an increase in Total Revenue of $3.221m and was due to:

- higher Employee costs of $5.030m or 11.5% caused by an additional 30 FTEs costing about $2.670m and pay increases of about $2.360m
- a 21% increase in Depreciation costs associated with additions to assets and asset revaluations
- an increase Other expenses of $5.072m or 28% due to increased insurance, community awareness and general operational costs, such as fuel, IT and fire fighting.

These factors contributed to a decline in Cash generated from operations of $5.251m or 57% between 30 June 2012 and 30 June 2014.

The audit was completed satisfactorily with no items outstanding.

INTRODUCTION

The Commission was established under the *Fire Service Act 1979*. The role of the Commission is to protect life, property and the environment from fire and other emergencies. It provides a rapid emergency response and promotes fire safety in partnership with the community.

The Commission consisted seven members: one person being the Chief Officer (Chairperson), one person each nominated by the United Firefighters Union (Tasmanian Branch), the Tasmanian Retained Firefighters Association, the Tasmanian Volunteer Fire Brigades Association, the Secretary of the Department of Treasury and Finance and two nominated by the Local Government Association of Tasmania.

The responsible Minister is the Minister for Police and Emergency Management.

KEY AREAS OF AUDIT ATTENTION

Description of Area	Audit Approach
The financial plan for capital expenditure in the Commission's Corporate Plan for the year 2103-14 was: • land and buildings – \$1.846m • Motor vehicles and appliances – \$5.710m • plant and equipment – \$1.503m.	We: • undertook procedures to ensure that maintenance and capital expenditure was appropriately accounted for and disclosed in the financial report • verified significant additions and disposals in the year to supporting documentation • reviewed the Commission's governance and asset management strategies • tested the disclosure of future commitments.
The Commission received revenue from the following third parties: • Insurance fire levy • Fire services contribution • Motor vehicle fire levy.	We used external confirmations for selected third-party transactions to verify accuracy and cut-off.
The Commission has employees who are members of its own defined benefit superannuation scheme. The Commission's obligation under the scheme (less fair value of plan assets) was recognised in the statement of financial position. The value of the unfunded superannuation liability and movements recognised in the financial statements are based on an annual valuation. This valuation was based upon a number of assumptions and the use of discount rates, all of which are volatile. The Commission used an independent actuary to calculate this net liability.	We assessed the competence and qualifications of the actuary performing the valuation, checked the information provided to the actuary and reviewed the actuarial report including the reasonableness of the assumptions used. We ensured compliance with the revised Accounting Standard AASB 119 *Employee Benefits*. In undertaking this work, we applied the provisions of ASA 500 *Audit Evidence*.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2014. Amended financial statements were received on 23 September 2014 and an unqualified audit report was issued on the same day.

KEY DEVELOPMENTS

There we no key developments noted for the 2013-14 financial year.

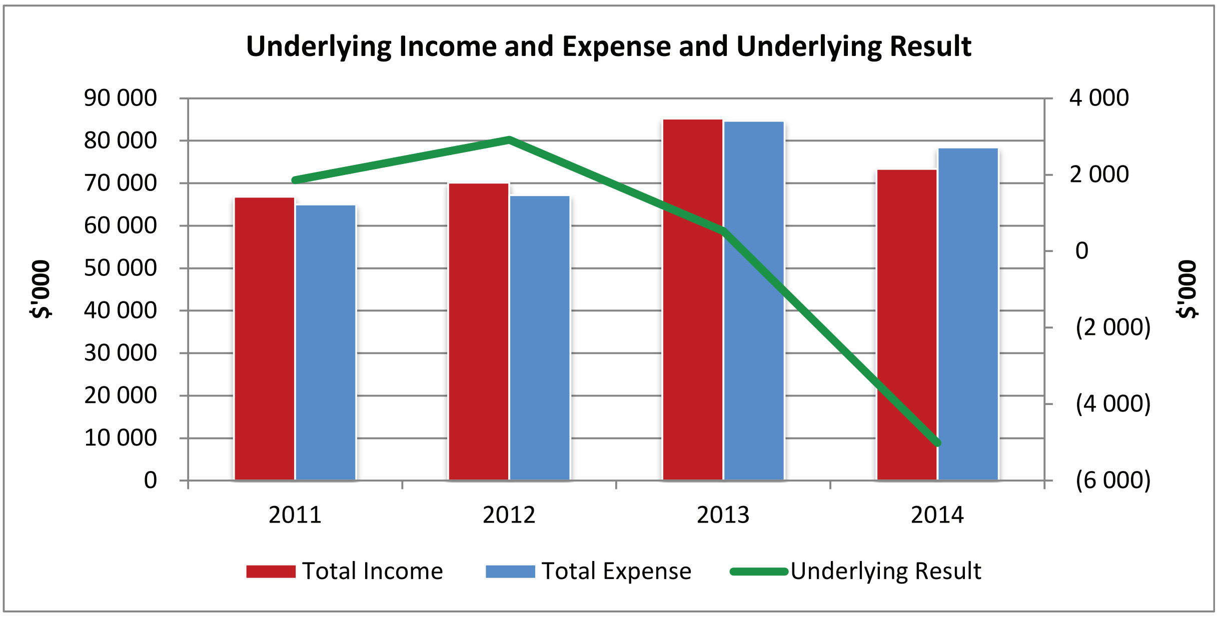
KEY FINDINGS

The audit was completed satisfactorily with several matters reported to management. These included incorrect data used in calculations of the long service leave provision and a recommendation to prevent users from posting their own general journals. We also noted that the Commission did not have a policy register and that several finance policies were out of date.

These matters were being addressed by management.

FINANCIAL ANALYSIS

The Commission recorded an Underlying Deficit of $5.018m in 2013-14, which was in contrast to Underlying Surpluses reported in each of the previous three years.



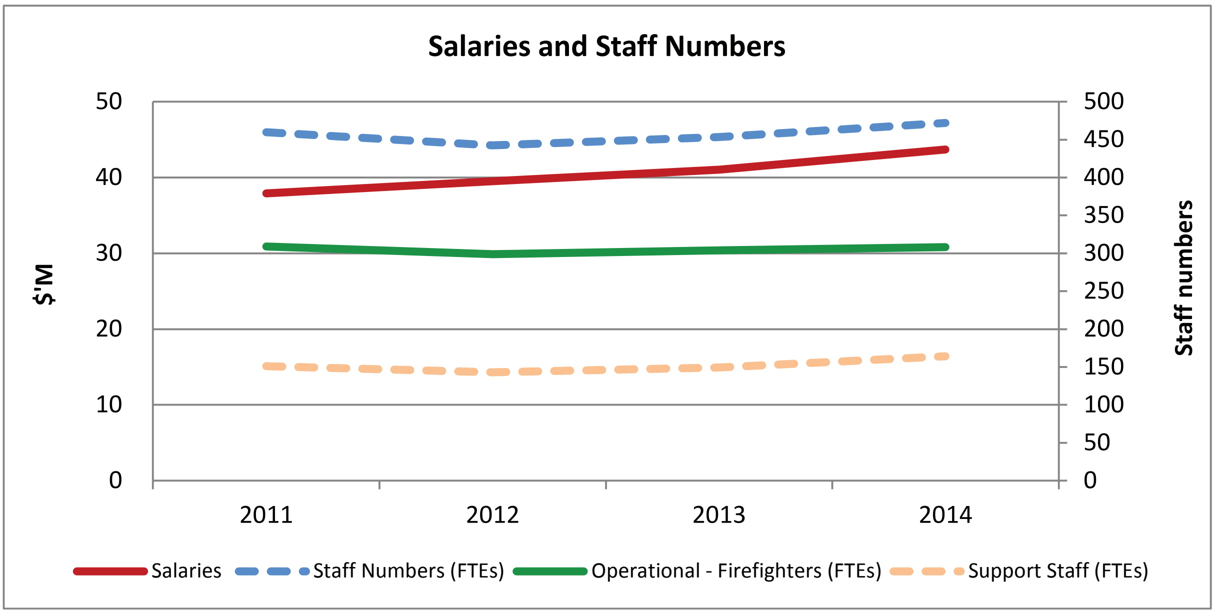
Total Revenue was $73.345m in 2013-14 and included $3.292m in reimbursements and additional funding towards fighting wild fires. This was significantly lower compared to 2012-13 when the Commission incurred substantial costs in fighting the bushfires that occurred in Tasmania in January through to March 2013. In that year, Total Revenue rose to $85.175m and included $16.372m of reimbursements and additional funding to cover the higher cost of fighting wild fires.

In 2013-14, Total Expenses were $78.363m. While this was $11.830m lower than in 2012-13, when Total Expenses reached $84.651m because of the previously mentioned bushfires, there were increases in all expenditure categories when compared to previous years. The most significant increases were in Employee related expenses and Other expenses.

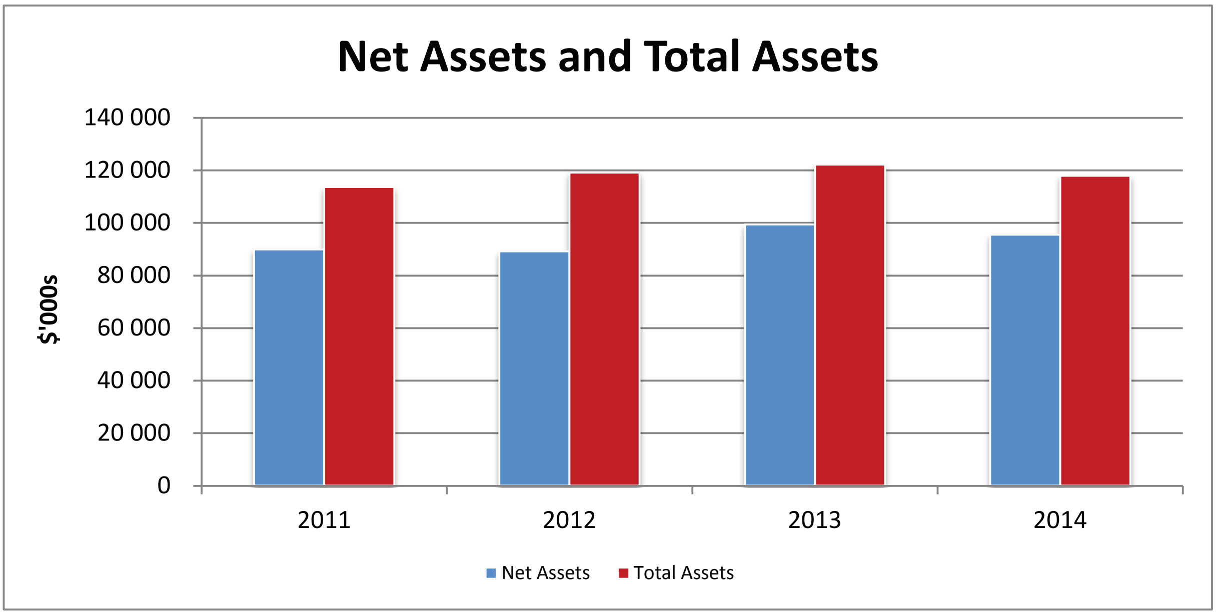
Other expenses totalled $23.196m in 2013-14 and, apart from 2012-13, were significantly higher due to increased insurance, community awareness and general operational costs, such as fuel, IT and fire fighting.

Overall, the Commission recorded a Comprehensive Deficit of $3.885m in 2013-14 (2012-13, Surplus $10.258m).

Employee related expenses rose to $48.717m in 2013-14. The following graph summarises the movements in employee numbers and associated salary costs:



Staff numbers remained relatively stable over the past four years and averaged 457 FTEs. However, the mix between operational and support staff gradually changed. At 30 June 2014 the Commission had 308 operational and 164 support FTEs. The ratio of support staff to fire-fighters grew from 0.49 support FTE for each fire-fighter in 2010-11 to 0.53 in the current year. The Commission employed additional 19 FTEs in 2013-14, four of which were operational and 15 support staff. The additional support staff covered a range of areas within the Commission covering finance, State Fire Management Council and community protection planning which began operation as a result of the 2013 bushfires. Average staff cost increased in line with annual increments.



The Commission's Net Assets totalled $95.433m at 30 June 2014, with its most significant assets being Property, plant and equipment valued at $102.281m, and Cash, $6.180m. Its most significant liabilities were Employee entitlements, $13.820m. The Commission has its own defined benefit superannuation scheme managed by the Retirement Benefits Fund Board. The scheme is not fully funded for accrued benefits and its liabilities exceed assets by $1.176m at 30 June 2014. The Commission makes the following contributions to the Scheme:

- 11% of salaries
- 10% of any benefit paid to exiting members (excluding the insured portion of any death or disablement benefits
- any deemed member contributions.

These rates will be reviewed at the next triennial investigation due as at 30 June 2015.

Statement of Comprehensive Income

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Fire service contribution	34 924	33 581	32 289	31 348
Insurance fire levy	17 658	17 200	17 556	16 322
Motor vehicle fire levy	6 902	6 911	6 826	6 389
State contribution – recurrent	1 806	2 069	2 331	3 375
State contribution – wildfire expenses	2 450	13 685	1 649	658
Wild fire Fighting Reimbursements	842	2 687	131	90
Commonwealth contribution	1 399	1 430	1 338	1 250
Fire prevention charges	5 855	5 668	5 607	5 982
Other revenue	1 509	1 944	2 397	1 418
Total Revenue	**73 345**	**85 175**	**70 124**	**66 832**
Employee related expenses	48 717	46 987	43 687	41 774
Financing costs	242	251	283	315
Depreciation	6 208	5 501	5 114	4 994
Other expenses	23 196	31 912	18 124	17 895
Total Expenses	**78 363**	**84 651**	**67 208**	**64 978**
Underlying Surplus (Deficit)	**(5 018)**	**524**	**2 916**	**1 854**
State contribution to capital program	790	790	790	790
Net Surplus (Deficit)	**(4 228)**	**1 314**	**3 706**	**2 644**
Other Comprehensive Income				
Gain (loss) on movement in superannuation scheme obligation	110	6 479	(4 352)	1 721
Increase (decrease) in asset revaluation reserve	233	2 465	(170)	913
Total other comprehensive income (deficit)	343	8 944	(4 522)	2 634
Comprehensive Surplus (Deficit)	**(3 885)**	**10 258**	**(816)**	**5 278**

Statement of Financial Position

	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Cash	6 180	11 132	15 186	12 464
Receivables	1 022	2 959	2 093	1 949
Inventories	1 738	1 471	1 401	1 622
Other	2 854	2 932	3 223	2 429
Total Current Assets	**11 794**	**18 494**	**21 903**	**18 464**
Payables	4 087	3 726	4 824	3 693
Borrowings	1 500	1 368	0	3 330
Employee entitlements	12 737	12 105	11 464	10 482
Total Current Liabilities	**18 324**	**17 199**	**16 288**	**17 505**
Net Working Capital	**(6 530)**	**1 295**	**5 615**	**959**
Property, plant and equipment	102 281	98 108	93 163	93 253
Capital work in progress	3 771	5 493	4 026	1 828
Total Non-Current Assets	**106 052**	**103 601**	**97 189**	**95 081**
Total Assets	**117 846**	**122 095**	**119 092**	**113 545**
Borrowings	1 830	3 330	4 698	1 368
Superannuation	1 176	1 321	8 160	3 809
Employee entitlements	1 083	927	886	987
Total Non-Current Liabilities	4 089	5 578	13 744	6 164
Total Liabilities	**22 413**	**22 777**	**30 032**	**23 669**
Net Assets	**95 433**	**99 318**	**89 060**	**89 876**
Reserves	17 732	17 499	15 034	15 204
Accumulated surpluses	77 701	81 819	74 026	74 672
Total Equity	**95 433**	**99 318**	**89 060**	**89 876**

Statement of Cash Flows

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Receipts from operating activities	76 676	85 933	69 751	68 227
Payments to suppliers and employees	(72 539)	(81 743)	(60 670)	(60 468)
Interest received	145	516	493	365
Financing costs	(242)	(250)	(283)	(315)
Cash from (used in) Operations	**4 040**	**4 456**	**9 291**	**7 809**
Proceeds from sale of property, plant and equipment	759	128	562	417
State contribution to capital program	790	790	790	790
Payments for property, plant and equipment	(9 173)	(9 428)	(7 921)	(5 490)
Cash from (used in) Investing Activities	**(7 624)**	**(8 510)**	**(6 569)**	**(4 283)**
Proceeds from borrowings	0	0	(3 330)	(1 368)
Repayment of borrowings	(1 368)	0	3 330	1 368
Cash from (used in) Financing Activities	**(1 368)**	**0**	**0**	**0**
Net Increase (Decrease) in Cash	**(4 952)**	**(4 054)**	**2 722**	**3 526**
Cash at the beginning of the year	11 132	15 186	12 464	8 938
Cash at End of the Year	**6 180**	**11 132**	**15 186**	**12 464**

Financial Analysis

	Bench Mark	2013-14	2012-13	2011-12	2010-11
Financial Performance					
Underlying surplus/(deficit) ($'000s)		(5 018)	524	2 916	1 854
Operating margin**	>1	0.94	1.01	1.04	1.03
Own source revenue ($000s)		66 848	65 304	64 806	61 549
Financial Management					
Debt collection	30 days	9	28	20	19
Creditor turnover	30 days	33	26	68	47
Asset Management					
Capital replacement % (renewal gap)	100%	148%	171%	155%	110%
Investment gap %	100%	173%	148%	109%	178%
Other Information					
Staff numbers (FTEs) – total		472	454	442	460
– Operational – firefighters (FTEs)		308	304	299	309
– Support staff (FTEs)		164	150	143	151
Average staff costs ($'000s)		93	90	89	82
Average recreational leave balance per FTE (days)	25*	23	21	22	22
Average long service leave balance per FTE (days)	100	55	56	57	54

* *Average recreational leave benchmark was based on a weighted average of operational and non-operational staff entitlements.*

** *Also known as the Underlying results ratio.*

TASMANIAN ECONOMIC REGULATOR (The Regulator)

SNAPSHOT

- A Net Surplus of $0.230m was recorded for the year primarily as a result of an increase in Fees and fines revenue.
- The Net Surplus resulted in the Regulator's statement of financial position reflecting a positive Equity balance at 30 June 2014.

The audit was completed satisfactorily with no matters outstanding

INTRODUCTION

On 1 June 2010, the *Economic Regulator Act 2009* was proclaimed by the Governor. This Act established the Regulator and a three-person board which replaced the statutory positions of Electricity Regulator, Director of Gas, Government Prices Oversight Commission and Water and Sewerage Economic Regulator.

The Regulator's statutory functions include the regulation of the electricity and gas supply industries, the economic regulation of the water and sewerage sector and the undertaking of independent pricing reviews, for example premiums charged by the Motor Accidents Insurance Board, on behalf of Government.

The Regulator is self-funded through Fees and Fines revenue. The majority of its accounting functions are provided by the Department of Treasury and Finance.

The responsible Minister is the Treasurer.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 11 August 2014 and an unqualified audit report was issued on 16 September 2014.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

There were no key findings, developments or areas of particular audit attention.

The audit was completed satisfactorily with no matters outstanding.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Fees and fines	1 910	1 718
Total Revenue	**1 910**	**1 718**
Employee benefits	1 216	1 186
Supplies and consumables	458	541
Other expenses	6	21
Total Expenses	**1 680**	**1 748**
Net Surplus (Deficit)	**230**	**(30)**
Comprehensive Surplus (Deficit)	**230**	**(30)**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Cash and deposits	77	63
Other assets	366	186
Total Assets	**443**	**249**
Employee benefits	272	293
Payables and other liabilities	132	148
Total Liabilities	**404**	**441**
Net Assets (Liabilities)	**39**	**(192)**
Total Equity (Net Deficit)	**39**	**(192)**

The Regulator's financial results for 2013-14 were positively impacted by increased Fees and fines revenue primarily from further work related to the Government implementation of an electricity regulated framework and a decrease in Total Expenses as a result of lower Supplies and consumables costs.

The consequence of these factors was a Net Surplus of $0.230m compared to a Net Deficit in the prior year.

The Surplus resulted in a positive Equity balance at 30 June 2014 compared to an accumulated deficit in the prior year.

TASMANIAN HERITAGE COUNCIL (The Council)

SNAPSHOT

- The Council reported a Surplus of $0.001m this year, an improvement on the Deficit of $0.039m in 2012-13.
- Net Assets increased in line with the Surplus from $0.135m to $0.136m.

The audit was completed satisfactorily with no matters outstanding.

INTRODUCTION

The Council was established under the *Historic Cultural Heritage Act 1995* (the Act). Its functions are to maintain the Tasmanian Heritage Register, and to oversee the administration of the Act. Its primary role is as a resource management and planning body, focused on heritage conservation issues. Any developments on places entered on the heritage register require Council approval.

The Council manages the Heritage Funding Program (Funding Program) under which grants are allocated. Under this Funding Program, funds are not released immediately and are instead held in trust. These funds are then only paid to the grantee once the works have been completed, viewed and endorsed by a suitable professional as being in accordance with the terms of the grant deed and any other conditions that apply.

Sitting fees are the Council's main costs. These costs have fluctuated in recent years to reflect changes in the make-up of the Council and specific circumstances that have arisen in these years, such as changes in membership. Indexation has not been applied against these fees over the period.

The Council does not employ any staff with operational and administrative functions performed for it by Heritage Tasmania, a division within the Department of Primary Industries, Parks, Water and Environment.

The responsible Minister is the Minister for Environment, Parks and Heritage.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2014 and an unqualified audit opinion was issued on 16 September 2014.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

The Council's Net Assets relate primarily to the Heritage Fund which increases or reduces in line with the Net Surplus or Deficit each year. The Heritage Fund is a cash balance established under the Act to enable the Council to fund heritage restoration projects through grant payments. Details are summarised in the following table:

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
Grants Expenditure	0	42	101	0
Heritage Fund	140	137	176	267

The Funding (grants) Program has now ceased, due to the absence of new recurrent funds being available and all pre-existing grant commitments have now been managed out.

No other key findings, developments or areas of audit attention were noted.

The audit was completed satisfactorily with no matters outstanding.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Total Revenue	154	139
Total Expenses	153	178
Net Surplus (Deficit)	**1**	**(39)**
Comprehensive Surplus (Deficit)	**1**	**(39)**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Total Assets	141	138
Total Liabilities	5	3
Net Assets	**136**	**135**
Total Equity	**136**	**135**

The Council produced a better result in the current year, mainly due to completion of the grants program in 2013 as detailed above.

In 2014 the higher appropriation revenue was to meet sitting fees which increased as a result of additional members being added to the Council.

TasTAFE

SNAPSHOT

- TasTAFE was established on 1 July 2013 under the *Training and Workforce Development Act 2013* (the Act) by combining the Tasmanian Polytechnic (the Polytechnic) and Tasmanian Skills Institute (the TSI).
- It made an Underlying Deficit of $4.668m and a Net Loss of $5.082m in 2013-14.
- Despite these losses, an Operating cash flow of $5.944m was generated, with Cash increasing overall by $3.680m.
- Net Assets at 30 June 2014 totalled $224.931m.

Audit findings consisted of several low and moderate risk control weaknesses identified in the operations conducted, and systems used, as part of the Service Level Agreement with the Department of Education (DoE).

The audit was completed satisfactorily with no other items outstanding.

Key developments this year included:

- On 1 July 2013, the Polytechnic's and the TSI's respective assets, liabilities and employees were transferred to TasTAFE. The value of Net Assets transferred totalled $228.037m.
- A Deed of Purchasing Arrangement (the Deed) was established that defined the funding framework for TasTAFE's delivery against the Minister's Statement of Policy Expectations.
- DoE and TasTAFE reached an agreement that TasTAFE would reimburse DoE for the deficit of $2.154m that was held by the Polytechnic at the end of the 2012-13 financial year. This will be repaid over a three year period to assist TasTAFE's initial cash position. The first payment was made in 2013-14.

INTRODUCTION

TasTAFE was established on 1 July 2013 under the Act by combining the Polytechnic and the TSI. It is a Statutory Authority governed by an independent Statutory Board that reports to the Minister.

TasTAFE is the largest registered training organisation in Tasmania and a substantial provider of vocational education and training services purchased by the Government. It is responsible for the provision of vocational education and training that benefits the Tasmanian economy and builds the productivity of the Tasmanian workforce. Functions of TasTAFE are listed in Section 57 of the Act.

A purchasing agreement exists between DoE's business unit Skills Tasmania and TasTAFE to assist TasTAFE in offering a broad range of products and services to individuals, industry sectors and enterprises.

TasTAFE had a formal service level agreement in place with DoE to provide the following services:

- payroll
- information technology
- procurement and accounts payable
- limited billing and receipting
- financial and accounting support
- internal audit functions.

The responsible Minister is the Minister for Education and Training.

KEY AREAS OF AUDIT ATTENTION

Description of Area	Audit Approach
TasTAFE was a new entity established on 1 July 2013, by combining the Polytechnic and the TSI. The integration of these operations into a new entity also meant that a new organisational structure and corporate governance arrangements were established. This created risks of ineffective monitoring controls and departure from internal controls while also raising public scrutiny on the entity's operating performance and financial results. As part of the integration, the general ledgers for the Polytechnic and the TSI were merged on 1 January 2014 to a single ledger for TasTAFE.	Audit tested opening balances in accordance with auditing standard ASA 510 *Initial Audit Engagements – Opening Balances*. We examined the effectiveness of the control environment and performed detailed substantive testing procedures over cut-off and other areas that impact on TasTAFE's net result. Manual journal transaction controls were tested and a selection of journals around year end were tested for appropriateness. Verification of the merger of two ledgers into a single TasTAFE ledger was performed.
Cash held at TasTAFE was held in multiple bank accounts and was a material balance that is highly liquid and susceptible to fraud.	Year-end bank reconciliations of each bank account were verified and agreed to external confirmations.
TasTAFE held material loan and deficit reimbursement liabilities.	Confirmation of year-end loan and deficit reimbursement balances was obtained directly from third parties.
Property, plant and equipment may not be reported at fair value.	We tested the valuation methodology for assets recorded at fair value, ensuring it was applied correctly and in accordance with the new accounting standard AASB 13 *Fair Value Measurement*. Valuation movements were checked for correct treatment.
TasTAFE had multiple revenue streams that are instigated from locations across the State. TasTAFE received material amounts of block funding as part of its Deed of Purchasing.	We: • examined and documented the Commercial Services and Student Fees systems and performed substantive testing over a sample of transactions to supporting documentation • confirmed block funding received to the Deed • performed subsequent receipts testing and reviewed doubtful debts.
Decentralised purchase ordering functions were in place as a result of state-wide operations, with a centralised payment processing system managed by DoE.	We: • examined and tested payment controls and performed a detailed analytical review over expenditure accounts • performed subsequent payments testing and audited material accruals.

Description of Area	Audit Approach
TasTAFE had a large decentralised employee base with payroll processed by DoE. Employee provisions were a complex calculation and material balance in TasTAFE's balance sheet.	We examined and tested payroll controls and performed detailed analytical review over wages and salaries expenditure. The valuation of year end employee provisions was tested.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 13 August 2014 and an unqualified audit report was issued on 12 September 2014.

KEY DEVELOPMENTS

Creation of TasTAFE

Following TasTAFE's establishment on 1 July 2013, the Polytechnic's and the TSI's respective assets, liabilities and employees were transferred to it. Australian Accounting Standard AASB 1004 *Contributions* requires that transferred assets and liabilities due to a restructure of administrative arrangements be accounted through equity. The value of Net Assets transferred totalled $228.037m, which TasTAFE recognised as contributed capital. The amount consisted of closing Net Asset balances at 30 June 2013 for TSI, $90.287m, and the Polytechnic, $137.750m, with the latter transferred from DoE. DoE recorded the transfer as a decrease in accumulated funds.

Deed of Purchasing Arrangement

A Deed of Purchasing Arrangement (Deed) was established that defined the collaborative business partnership between DoE, its business unit Skills Tasmania and TasTAFE. The Deed supports TasTAFE as Tasmania's primary publicly registered training organisation and allocates resources that enable TasTAFE to fulfil its legislated function and meet Ministerial Policy Expectations. Additionally, it sets the terms and conditions for resource allocation, ensuring comparability with the Skills Tasmania Heads of Agreement and thus continuity across the public and provider system.

The Deed established the funding framework for TasTAFE's delivery against the Minister's Statement of Policy Expectations. It is underpinned by a three-part purchasing model that consists of:

- Community Service Funded Obligations, a guaranteed schedule of block funding, subject to Tasmanian Government appropriation, to support TasTAFE's public provider status, obligations under Ministerial policy expectations and directions, quality delivery status and deliverables.
- Training Services – activity-based subsidies paid against unit of competency completions as reported by TasTAFE monthly. These subsidies vary by qualification.
- Pre-Paid Foundation Skills – a guaranteed schedule of block payments for the purpose of delivering approved accredited Foundation Skills courses.

1 July 2013 to 31 December 2013 represented a period of transition from the block funding arrangements operating for TSI and the Polytechnic during 2012-13 to new funding arrangements that applied from 1 January 2014 under the TasTAFE Quality and Performance Excellence Framework.

TasTAFE deficit reimbursement

The Polytechnic ended the 2012-13 financial year in a deficit position of $2.154m. As a result, DoE and TasTAFE reached agreement that TasTAFE would reimburse DoE for the deficit over a three year period to assist TasTAFE's initial cash position. This was taken up as an Other liability by TasTAFE and an Other asset by DoE. During 2013-14 TasTAFE repaid $0.718m of this deficit, with a remaining balance of $1.437m payable over the next two financial years.

KEY FINDINGS

Matters relating to Service Level Agreement with DoE

A number of low to moderate risk control weaknesses were identified in the operations conducted, and systems used, as part of the Service Level Agreement with DoE. These matters included:

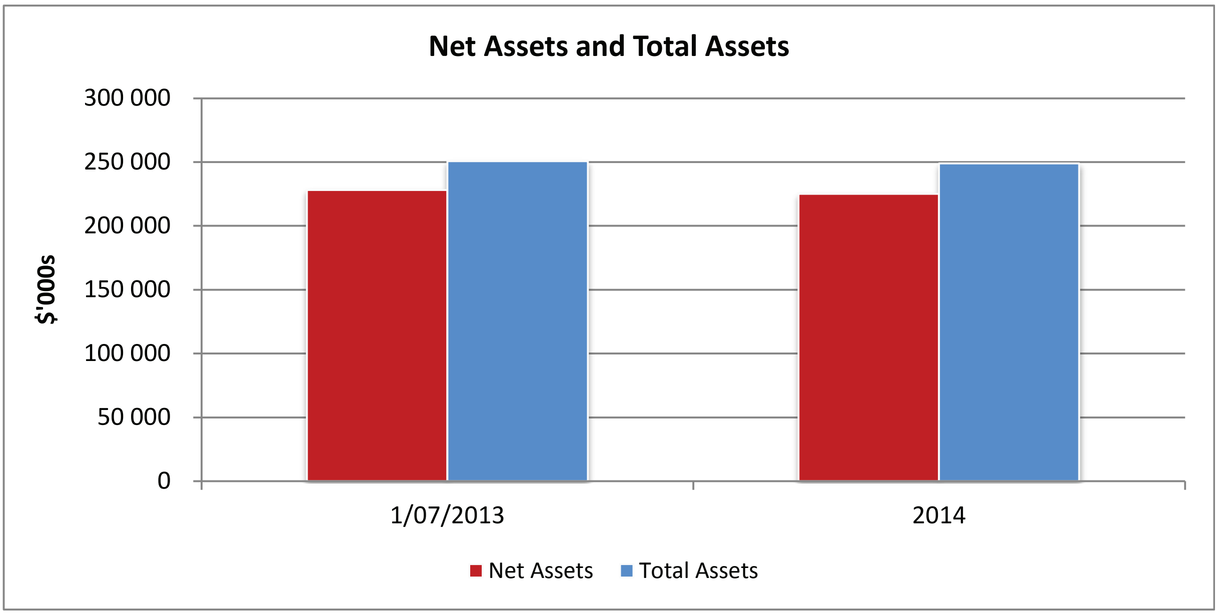
- payment transactions identified that did not comply with DoE's key internal control processes
- bank transfer interface (CSV files) may be altered
- limited segregation of duties around procurement of goods and services
- weaknesses in internal control procedures over processing journal transactions.

Respective management at TasTAFE and DoE are dealing with these matters.

FINANCIAL ANALYSIS

TasTAFE made an Underlying Deficit of $4.668m and a Net Loss of $5.082m in 2013-14. The losses were predominantly due to TasTAFE's revenue not being sufficient to cover its Depreciation expense, $8.806m. Notwithstanding the positive Cash flow from operations generated in the current period, continuing to make Underlying Deficits and Net Losses will not be sustainable as TasTAFE will be required to reinvest in its Property, Plant and Equipment as well as repay existing Loans and Deficit Reimbursements.

The Underlying Deficit was $1.098m better than the budgeted deficit primarily due to TasTAFE being successful in obtaining higher funding for the delivery of training, which improved Sales of goods and services. Total Revenue and Total Expenditure were both significantly higher than budget as actual results included student concessions on a gross basis while budget figures recognised these on a net basis.



Total Assets were relatively consistent with the opening balances contributed by TSI and Polytechnic.

The largest asset class was Property, plant and equipment, $237.953m, of which Land and buildings represented 96%. TasTAFE only invested $0.015m in Property, plant and equipment during 2013-14, and as a result there was a $6.814m reduction from the opening balance driven by the Depreciation charge for the year offset in part by a revaluation increment for land and buildings, $1.976m.

Cash and deposits increased by $3.680m. This was due to an Operating cash flow of $5.944m being generated. This was partially offset by the repayment of loans and deficits, $2.251m.

Net Assets at 30 June 2014 totalled $224.931m, a $3.106m decrease from the opening balance of Contributed capital from TSI and the Polytechnic primarily as a result of Comprehensive deficit offset by the revaluation increment.

CHAPTER APPENDICES

Statement of Comprehensive Income

	2013-14 Budget	2013-14 Actual
	$'000s	$'000s
Grants	81 761	80 290
Sales of goods and services	27 258	33 726
Other revenue	0	898
Total Revenue	**109 019**	**114 914**
Employee costs	75 269	77 312
Depreciation	8 109	8 806
Supplies and consumables	31 327	28 639
Finance costs	80	108
Grants/Concessions	0	4 105
Other expenses	0	612
Total Expenses	**114 785**	**119 582**
Underlying Surplus (Deficit)	**(5 766)**	**(4 668)**
Net gain/(loss) on non-financial assets	0	2
Net gain/(loss) on financial instruments and statutory receivables	0	(416)
Net Result	**(5 766)**	**(5 082)**
Other Comprehensive Income		
Changes in physical asset revaluation reserve	2 201	1 976
Other movements taken directly to equity	214 238	228 037
Total Comprehensive Income (Expense)	**216 439**	**230 013**
Comprehensive Result	**210 673**	**224 931**

Statement of Financial Position

	2014	1 Jul 2013	2013	2013
	$'000s	$'000s Opening Balance	$'000s TSI	$'000s The Polytechnic
Financial Assets				
Cash and deposits	5 261	1 581	1 037	544
Receivables	**3 490**	**3 442**	**1 462**	**1 980**
Non-financial Assets				
Inventories	216	291	172	119
Property, plant and equipment	237 953	244 767	96 578	148 189
Other assets	1 896	429	52	377
Total Assets	**248 817**	**250 511**	**99 302**	**151 210**
Liabilities				
Payables	1 643	1 225	572	653
Employee benefits	19 625	16 385	5 748	10 637
Interest bearing liabilities	1 161	2 694	2 694	0
Other liabilities	1 456	2 169	0	2 169
Total Liabilities	**23 886**	**22 474**	**9 015**	**13 460**
Net Assets	**224 931**	**228 037**	**90 287**	**137 750**
Contributed capital	228 037	228 037	90 287	137 750
Reserves	1 976	0	0	0
Accumulated funds (deficits)	(5 082)	0	0	0
Total Equity	**224 931**	**228 037**	**90 287**	**137 750**

Statement of Cash Flows

	2013-14
	$'000s
Grants	80 290
Sales of goods and services	29 191
Interest received	126
GST receipts	3 802
Other cash receipts	714
Payments to employees	(74 385)
Borrowing costs	(174)
GST payments	(4 047)
Supplies and consumables	(28 274)
Grants	(687)
Other cash payments	(612)
Cash from (used in) Operations	**5 944**
Proceeds from disposal of non-financial assets	2
Payments for acquisition of non-financial assets	(15)
Cash from (used in) Investing Activities	**(13)**
Repayment of Treasury Loan	(1 533)
Repayment of Polytechnic deficit	(718)
Cash from (used in) Investing Activities	**(2 251)**
Net increase (decrease) in Cash	3 680
Cash at the beginning of the year	1 581
Cash at End of the Year	**5 261**

Financial Analysis

	Bench Mark	2013-14
Financial Performance		
Underlying surplus (deficit) ($'000s)		(4 668)
Own source revenue ($'000s)		34 624
Financial Management		
Debt collection	30 days	36
Creditor turnover	30 days	14
Asset Management		
Investment gap %	100%	0%
Other Information		
Average staff numbers (FTEs)*		763
Average staff costs ($'000s)		101
Average recreational leave balance (days)*	20	30
Average long service leave balance (days)*	100	54

THE NOMINAL INSURER (TNI)

SNAPSHOT

- TNI paid out $0.504m in claims during 2013-14.
- It received a further $3.008m in dividends from the liquidator of HIH.
- TNI had a cash balance of $2.462m at 30 June 2014 and a future claims liability estimated at $1.166m.

The audit was completed satisfactorily with no audit findings reported.

INTRODUCTION

TNI is an independent statutory body established under Section 121 of the *Workers Rehabilitation and Compensation Act 1988.* Its main purpose is to ensure that workers are not disadvantaged in circumstances where employers are not insured, where an employer cannot be located or has been declared bankrupt, or where an employer or insurer has defaulted in payment of an accepted claim.

Where a claim is made but compensation cannot be obtained from the employer, the claim is paid by TNI. TNI then attempts to recover the amount paid from the employer or insurer involved. Claim recoveries and contributions from insurers, in the form of levies on insurance premiums, are the mains sources of income.

TNI is administered by a committee of representatives from insurers and Government.

The responsible Minister is the Treasurer.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 20 August 2014, which was six days after the statutory reporting deadline. As a result, the Authority breached section 17 of the *Audit Act 2008*, which requires accountable authorities to submit their financial statements to the Auditor-General within 45 days after the end of financial year.

An unqualified audit report was issued on 20 September 2014.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

The audit was completed satisfactorily with no issues outstanding.

Following the collapse of the HIH Insurance Group (HIH), TNI assumed liability for outstanding claims estimated at $37.806m. In 2013-14 a dividend of $3.008 was received from the liquidator. In total, TNI has received $16.532m since HIH was placed into liquidation.

TNI maintains manual accounting records and administrative functions are undertaken by one person. This represents a key risk to the audit due to the high likelihood of miscalculations or errors in the transposition of information from individual cash books into the financial statements. As a result, we adopted a full substantive approach to the audit.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Insurer's contribution	5	30
Contribution	0	1 000
Reimbursement and recoveries	250	190
Interest	31	0
Dividend official liquidator	3 008	0
Total Revenue	**3 294**	**1 220**
Claims	504	601
Administration expenses	92	93
Adjustment to HIH receivable	0	16
Total Expenses	**596**	**710**
Net Surplus	**2 698**	**510**
Comprehensive Surplus	**2 698**	**510**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Cash at bank and term deposit	2 462	1 198
Receivables	1 650	50
Claims recoverable	80	130
Total Current Assets	**4 192**	**1 378**
Total Assets	**4 192**	**1 378**
Outstanding claims	350	500
Provisions	40	40
Other	1	2
Total Current Liabilities	**391**	**542**
Outstanding claims	816	550
Total Non-Current Liabilities	**816**	**550**
Total Liabilities	**1 207**	**1 092**
Net Assets	**2 985**	**286**
Total Equity	**2 985**	**286**

TNI paid out $0.504m in claims during 2013-14. At the same time, it recovered $0.250m from insurers and self-insured businesses. Overall, TNI recorded a Net Surplus of $2.698m mainly due to dividends from the liquidator of HIH, $3.008m.

At 30 June 2014, THI had a cash balance of $2.462m and a further $1.650m receivable from the liquidator of HIH. Its main liability was future claims estimated at $1.166m, despite which Net Assets still totalled $2.985m, a significant improvement on the position at the end of the previous financial year.

WORKCOVER TASMANIA BOARD (The Board)

SNAPSHOT

- Revenue increased due to higher levies (also referred to as contributions) and fines. Levies increase or decrease in line with movements in expenditure.
- Expenditure, $8.810m (2012-13, $8.001m) increased primarily due to higher salaries and wages, grants, seminar costs and amortisation of intangible assets.
- During the year there was an amalgamation of WorkCover Tasmania and Worksafe Tasmania to become WorkSafe Tasmania. However, WorkCover Tasmania Board remained a separate entity with this amalgamation not impacting the Board's financial circumstances.
- A project to replace the current worker's compensation management system was completed and commissioned during the year.

The audit was completed satisfactorily with no items outstanding.

INTRODUCTION

The Board is a statutory authority with responsibilities under the *Workers Rehabilitation and Compensation Act 1988* and the *Work Health and Safety Act 2012*. Its role is to oversee, promote, review and ensure the efficient operation of workers' rehabilitation and compensation procedures. The Board advises the Minister on matters relating to workers' compensation and rehabilitation. WorkSafe Tasmania implements the Board's decisions. The Department of Justice provides administrative support to the Board.

The Board has a number of functions including providing support to the Workers Rehabilitation and Compensation Tribunal in its statutory independent role of mediating disputes of worker's compensation claims by either the employee or employer.

The Board is funded by contributions from insurers based upon an annual estimate of the amount required to discharge its obligations. At the end of each year, outstanding contributions are brought to account, being the difference between total expenses and income for the year, so that a break-even result is achieved. Consequently, the Board does not accumulate surpluses or deficits from year to year.

The responsible Minister is the Treasurer.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2014, and an unqualified audit report was issued on 15 August 2014.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

There were no key findings reported in 2013-14.

The project to replace the current worker's compensation management system was completed and commissioned during the year. This involved expenditure in 2013-14 of $0.172m. The system is recorded as an intangible asset which at 30 June totalled $0.904m. Intangible assets making up this amount are amortised over 10 years.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Contributions	8 676	7 923
Other revenue	134	78
Total Revenue	**8 810**	**8 001**
Attributed employee benefits	3 324	2 547
Expenses incurred by Workers Rehabilitation and Compensation Tribunal	1 558	1 297
Administration costs paid to Department of Justice	525	1 068
Advertising and promotion	349	977
Grants	**925**	**358**
Depreciation and amortisation	102	2
Other supplies, consumables and other	783	687
Other expenses	1 244	1 065
Total Expenses	**8 810**	**8 001**
Net Surplus (Deficit)	**0**	**0**
Comprehensive Surplus (Deficit)	**0**	**0**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Cash and deposits	612	1 508
Receivables	678	7
Intangibles	904	960
Total Assets	**2 194**	**2 475**
Payables and accrued services	1 411	1 857
Attributed employee benefits	783	618
Total Liabilities	**2 194**	**2 475**
Net Assets	**0**	**0**
Total Equity	**0**	**0**

The increase in Contributions arises from the need to ensure the Board recovers all costs enabling a break-even result. The increase in receivables was due to an outstanding levy by one insurer.

Other revenue primarily consisted of fines charged to workplaces for non-compliance and/or investigations conducted by the Tribunal. The number of fines issued increased this year as did the penalty per fine.

In 2013-14 the Board changed the corporate services arrangement that had existed with the Department of Justice, and as a consequence, it now reimburses more in salaries and pays a lower corporate services fee.

The Workers Rehabilitation and Compensation Tribunal's expenses increased primarily due to the relocation of premises, a small increase in the number of referrals to the tribunal and a general increase in costs for this process.

The extensive education and awareness campaign that was run in the prior year did not continue in 2013-14, resulting in spending on advertising returning to a normal level.

The Board, from surplus funds, made grants totalling $0.925m (2012-13, $0.358m) the major beneficiaries were:

- Tasmania Chamber of Commerce and Industry
- University of Tasmania
- Unions Tasmania
- Department of Health (Tasmania) for Women's Health day and Wellbeing program
- Alcohol and drug project by Worksafe Tasmania
- Funding contribution to Safe Work Australia.

Other expenses increased by $0.375m resulting from:

- higher amortisation following commissioning of the worker's compensation information management system
- seminars and safety campaigns. WorkSafe Tasmania runs seminars to educate and train key personnel and staff of licensed insured corporations and self-insured businesses across a number of industries of their obligations and rights under workplace legislation for safe work practices.

AUDIT SUMMARY - OTHER STATE ENTITIES

INTRODUCTION

Other State entities included in this Report are statutory authorities and other non-profit entities not consolidated in the General Government Sector financial statements.

Audits of financial statements for these entities are carried out under the provisions of the *Audit Act 2008*. This act requires them to submit their financial statements to the Auditor-General and gives the Auditor-General the mandate to audit those financial statements.

This part of the Report provides information on the following entities:

- Aboriginal Land Council
- Council of Law Reporting
- Forest Practices Authority
- Legal Aid Commission of Tasmania
- Legal Profession Board
- Property Agents Board
- Property Agents Trust
- River Clyde Trust
- Tasmanian Beef Industry (Research and Development) Trust
- Tasmanian Building and Construction Industry Training Board
- Tasmanian Dairy Industry Authority
- Teachers Registration Board of Tasmania
- Wellington Park Management Trust.

The financial results discussed are derived from the audited financial statements of each entity. The reporting framework for these entities is generally prescribed by their enabling legislation. In our analysis of some entities' financial performance we have, if necessary, re-allocated certain revenue or expenditure items to better assist readers to interpret financial performance.

KEY OUTCOMES FROM AUDITS

The Other State entities listed above submitted their financial statements within the statutory deadline with the exception of Wellington Park Management Trust that submitted its financial statements one day after the statutory reporting deadline. Unqualified audit reports were issued in all cases.

Our audits identified a number of matters. These matters did not impact on completion of the audits and were reported to those charged with governance. Matters categorised as moderate or high risk are discussed in individual Chapters.

AUDIT NOT COMPLETED AT THE TIME OF FINALISING THIS REPORT

National Trust of Australia (Tasmania) did not submit its financial statements within 45 days from the end of the financial year and audit outcomes are not included in this Report.

FINANCIAL ANALYSIS

The table below summarises the financial results and position of Other State entities for 2013-14:

	Net Surplus (Deficit)	Comprehensive Surplus (Deficit)	Net Assets
	$'000s	$'000s	$'000s
Aboriginal Land Council	(56)	(56)	24 889
Council of Law Reporting	3	3	13
Forest Practices Authority	626	626	1 021
Legal Aid Commission of Tasmania	106	106	2 626
Legal Profession Board	(190)	(190)	140
Property Agents Board	(38)	(38)	472
Property Agents Trust	(150)	(150)	13 250
River Clyde Trust	25	100	1 371
Tasmanian Beef Industry (Research and Development) Trust	18	18	596
Tasmanian Building and Construction Industry Training Board	(876)	(876)	2 616
Tasmanian Dairy Industry Authority	62	62	290
Teachers Registration Board	(140)	(140)	973
Wellington Park Management Trust	(122)	(122)	300

Tasmanian Building and Construction Industry Training Board recorded a Net Deficit of $0.876m. This was a third year of consecutive deficits. Industry training levy revenues declined consecutively over the past four years due to a decline in building and construction activity throughout the period.

ABORIGINAL LAND COUNCIL OF TASMANIA (The Council)

SNAPSHOT

- The Council is dependent on recurrent Government funding which remained unchanged between years at $0.314m.
- It reported an Underlying Deficit of $0.056m in 2013-14 largely due to higher land management costs.
- Net Assets totalled $24.889m at 30 June 2014 and consisted mainly of land controlled by the Council valued at $22.998m.
- The question of who controls road infrastructure on Cape Barren Island remained unresolved. Until it is resolved, this asset is not recognised on the Council's statement of financial position nor on that of any other State entity.

The audit was completed satisfactorily with no items outstanding.

INTRODUCTION

The Council was established as a statutory authority on 14 November 1995 under the *Aboriginal Lands Act 1995* (the Act).

Its primary functions are to:

- use and sustainably manage Aboriginal land and its natural resources for the benefit of all Aboriginal persons
- exercise, for the benefit of all Aboriginal persons, the Council's powers as owner of Aboriginal land
- prepare Management Plans in respect of Aboriginal land
- use and sustainably manage any other land in which the Council acquires an interest.

Schedule 3 of Section 27 of the Act vests land managed by the Council in it.

The Council consists of eight councillors elected by eligible voters to represent five regions across the State.

The responsible Minister is the Minister for Aboriginal Affairs.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2014 and an unqualified audit report was issued on 2 September 2014.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

Segregation of duties

The General Manager is the Council's only employee. This increases the risk around inadequate segregations of duties. To overcome this risk, we adopted a fully substantive approach to the audit and obtained assurance from the verification of selected transactions and balances.

Cape Barren Island road infrastructure

In our Report Number 2 of 2012-13 (page 217) we noted the Act vested title to land on Cape Barren Island to the Council, including all road infrastructure. However, the Act provides a right of access over all roads and vehicular tracks to the public.

The Council is not directly responsible for maintaining the island's roads assets. Instead, maintenance is undertaken by a local residents' association funded by the Department of State Growth.

While the Council currently has no maintenance role, the Act is clear in that it owns the roads. However, as the Council does not 'control' the roads they have not been recognised in its financial statements. This treatment will continue unless control is established. What this highlights, however, is that the road infrastructure on the Island is not recorded on the financial statements of any State entity. Previously this infrastructure was recorded in the financial statements of Flinders Council.

This issue has not been resolved.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Grants	314	314
Other revenue	136	156
Total Revenue	**450**	**470**
Total Expenses	**506**	**459**
Underlying Surplus (Deficit)	**(56)**	**11**
Grant for purchase of land	0	3 442
Newly recognised assets	0	125
Derecognised assets	0	(578)
Net Surplus (Deficit)	**(56)**	**3 000**
Comprehensive Surplus (Deficit)	**(56)**	**3 000**

The Council recorded an Underlying Deficit for 2013-14 of $0.056m (2012-13, surplus $0.011m) as land management costs increased, largely due to works on the Gowan Brae property acquired last year. The increase in land management expenses was partly offset by lower depreciation charges as a result of changes to useful lives and asset write-downs following a revaluation of buildings as at the end of June 2013. The Council also spent $0.039m in 2013-14 on initiatives funded from a $0.050m grant received under the Indigenous Carbon Farming Fund Program. The remainder of the funding is expected to be used up during 2014-15.

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Total Assets	24 924	25 097
Total Liabilities	35	152
Net Assets	**24 889**	**24 945**
Total Equity	**24 889**	**24 945**

Assets totalled $24.924m and consisted mainly of land controlled by the Council valued at $22.998m. As at 30 June 2014, the Council held $0.180m in cash, which was $0.116m less than last year. The lower cash balance was due to increased land management costs and payments for carbon farming initiatives mentioned previously.

COUNCIL OF LAW REPORTING (The Council)

SNAPSHOT

- The Council received a grant of $0.007m from the Law Foundation of Tasmania Inc.
- It achieved a Net Surplus for the year of $0.003m.
- At 30 June 2014, the Council had Net Assets of $0.013m which consisted of Cash.

There were no findings from the audit.

The audit was completed satisfactorily with no items outstanding.

INTRODUCTION

The Council is a body corporate established under the *Council of Law Reporting Act of 1990.* It is responsible for law reporting in Tasmania and may prepare, publish and sell, or arrange for the preparation, publication and sale of, reports of judicial decisions. It may consult and work with other Councils of Law Reporting, and other persons concerned with law reporting, for the purpose of improving its service to the judiciary and the legal profession in Tasmania and elsewhere in the Commonwealth.

The responsible Minister is the Minister for Justice.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2014, and an unqualified audit report was issued on 5 September 2014.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

There were no key findings, developments or areas of special audit attention.

The audit was completed satisfactorily with no major items outstanding.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Total Revenue	7	0
Total Expenses	4	5
Net Surplus (Deficit)	**3**	**(5)**
Comprehensive Surplus (Deficit)	**3**	**(5)**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Total Financial Assets	13	10
Total Assets	**13**	**10**
Net Assets	**13**	**10**
Total Equity	**13**	**10**

In the prior year the Council did not received a contribution from the Law Foundation of Tasmania Inc. (the Foundation), as the Council had sufficient funds. However in 2013-14 grant funding from the Foundation returned to its normal level.

Total Expenses consisted of proof reading expenses, $0.004m (2013, $0.005m) a small decrease from the prior year as there was less activity.

Total Financial Assets consisted of cash $0.013m which increased by $0.003m in line with the Net Surplus.

FOREST PRACTICES AUTHORITY (The Authority)

SNAPSHOT

- The Authority recorded a Net Surplus of $0.626m, an improvement on the Net Deficit of $0.195m in 2012-13.
- At 30 June 2014, Net Assets totalled $1.021m.

The audit was completed satisfactorily with no matters outstanding.

INTRODUCTION

The Authority was established under the *Forest Practices Act 1995* (the Act). Its functions include the exercise of powers under the Act and ensuring that all forest practices are conducted in accordance with the Forest Practices Code. The Authority trains and authorises Forest Practices Officers to plan, supervise and monitor forest practices and imposes penalties for breaches of the code.

The Authority is funded by Government appropriation and own-source revenues, which mainly relate to plan fees charged to industry and landowners wishing to undertake forest practices within the State, and income from consultancies.

Its accounting functions are performed by the Department of State Growth (formerly the Department of Infrastructure, Energy and Resources).

The responsible Minister is the Minister for Resources.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2014 and an unqualified audit opinion was issued on 16 September 2014.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

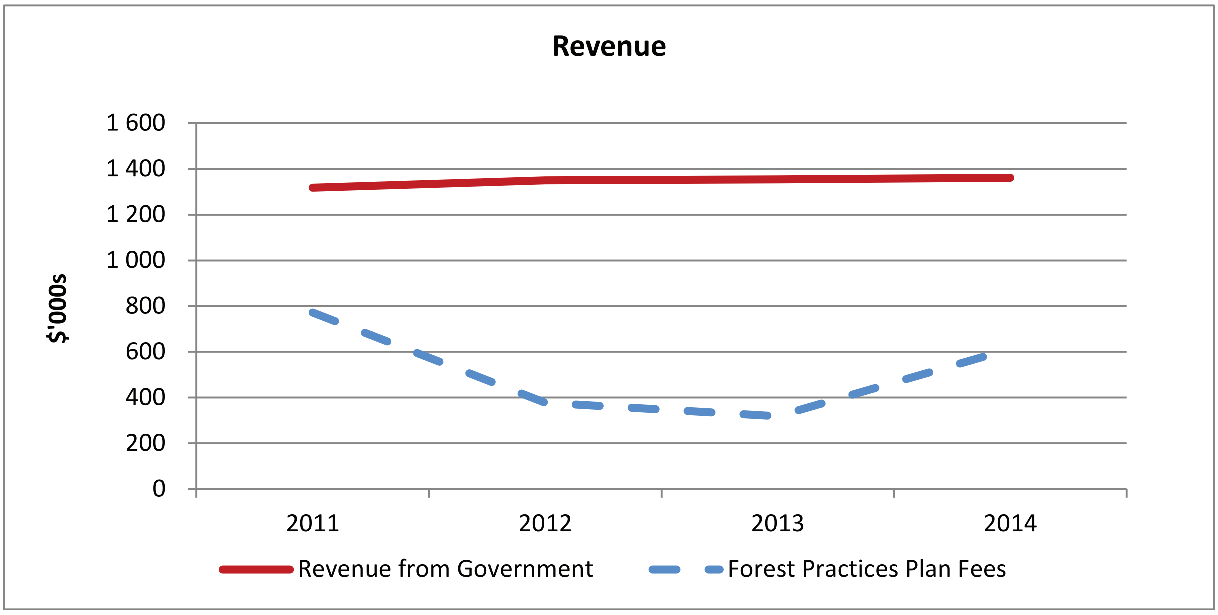
There were no key findings, developments or areas requiring particular audit attention.

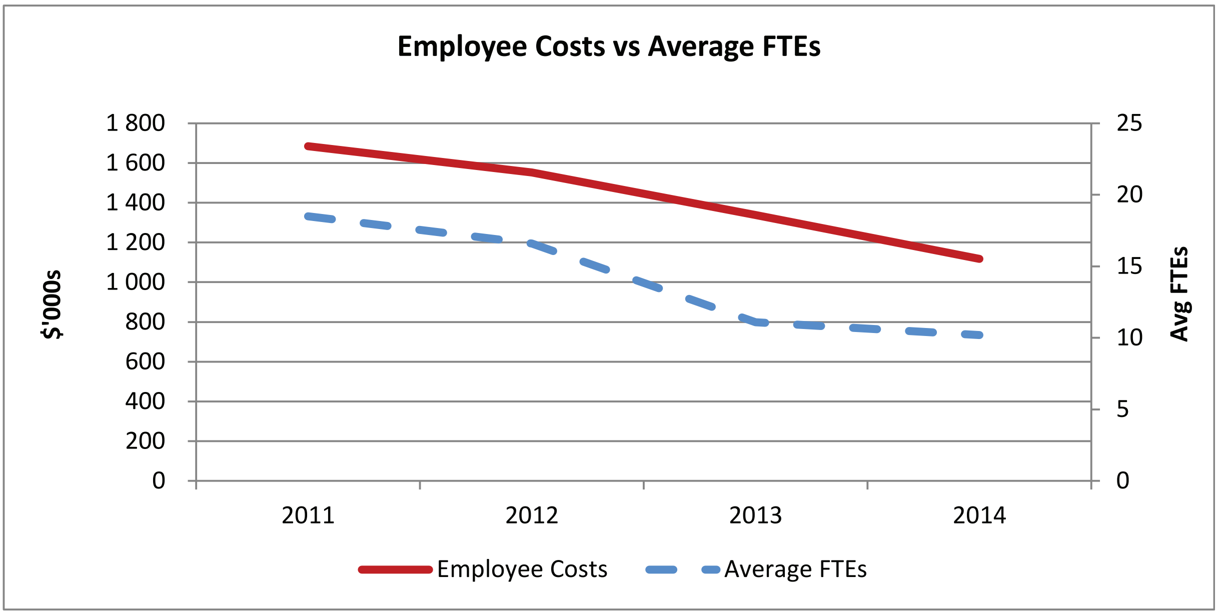
The audit was completed satisfactorily with no matters outstanding.

SUMMARY OF FINANCIAL RESULTS

The Authority recorded a Surplus of $0.626m, a significant improvement on the Deficit of $0.195m in 2012-13. As a direct result of this, Equity improved to $1.021m from $0.395m last year.

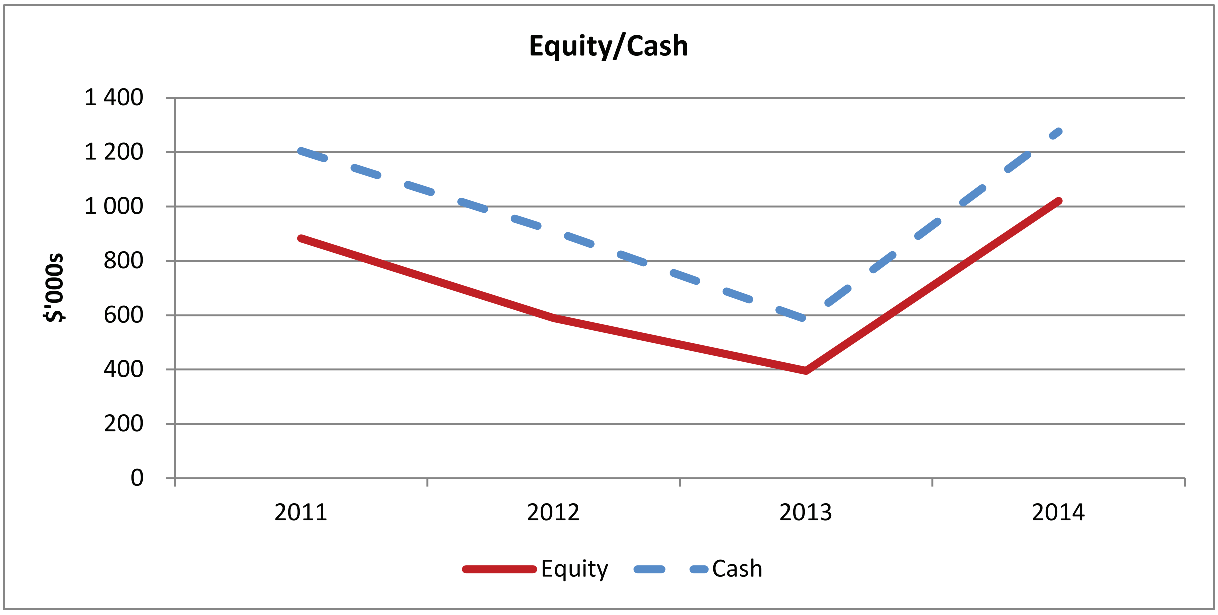
The following three graphs and related commentary summarise key elements of the Authority's financial performance and position over the period 2010-11 to 2013-14.





The two graphs above highlight that, over the period under review:

- Revenue from Government remained relatively constant, increasing only slightly in 2013-14.
- Forest Practices Plan Fees were higher in 2013-14 due primarily to improvements in the forest industry.
- Expenditure has been reduced due to a proactive effort on the Authority's part to reduce it. The full impact of reductions in staff numbers in prior years was evident this year.



The Authority's Cash and Equity balances tend to move in sync and as a direct result of surpluses or deficits achieved. Steps taken to address declining balances in 2011 to 2013 had the desired effect.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Total Revenue	2 386	1 934
Total Expenses	1 760	2 129
Net Surplus (Deficit)	**626**	**(195)**
Comprehensive Surplus (Deficit)	**626**	**(195)**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Total Assets	1 338	652
Total Liabilities	317	257
Net Assets	**1 021**	**395**
Total Equity	**1 021**	**395**

LEGAL AID COMMISSION OF TASMANIA
(The Commission)

SNAPSHOT

- The Commission reported an Underlying Surplus of $0.106m, which was an improvement of $1.359m on last year's deficit. The improved result was primarily due to additional one-off funding and control over particular types of legal aid grants.
- The number of employees decreased by six FTEs to 67 FTEs at 30 June 2014.
- On average, the Commission relies on funding from Australian and State Governments for over 90% of its Total Revenue. The National Partnership Agreement on Legal Assistance Services between the Australian and State Governments was extended for one year until 30 June 2015.
- The Commission held $3.163m in cash and had legal case commitments valued at $1.069m at balance date.
- Net Assets totalled $2.626m at 30 June 2014.

The audit was completed satisfactorily with no items outstanding.

INTRODUCTION

The Commission is an independent statutory body established by the *Legal Aid Commission Act 1990*. It is principally funded by the State and Australian Governments.

The Commission seeks to increase access to justice for all Tasmanians by the provision of legal representation, advice, information and referral services. It ensures that within the limits of funds available, no person is denied access to the law by reason of financial or social disadvantage.

The responsible Minister is the Attorney-General.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 11 August 2014. An unqualified audit report was issued on 22 September 2014. This was an improvement on last year, when the Commission submitted its financial statements 34 days after the statutory deadline.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

Audit findings

No findings were raised this year. The Commission addressed, or was in the process of addressing, a number of audit findings raised last year. These issues will be followed up during the course of the 2014-15 audit.

Key developments

The National Partnership Agreement on Legal Assistance Services between the Australian and State Governments expired on 30 June 2014. This Agreement was extended for one year until 30 June 2015. On average, the Commission relies on funding from Australian and State Governments for over 90% of its Total Revenue. The Commission's own source of revenue is from the recovery of legal costs in successful cases, contributions from legally assisted clients and interest on invested monies. It also receives distributions from the Solicitors' Trust towards specific projects.

Financial reporting risks

Key financial reporting risks impacting the audit were the lack of segregation of duties and key personnel dependency. We mitigated the risk relating to limited segregations to an acceptable level by the nature and extent of audit testing we performed. We noted that the Commission is in the process of addressing these.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Commonwealth grants and contributions	6 527	5 994
Commonwealth community legal centre grants	1 829	1 603
State government grants	6 117	6 070
Client contributions and cost recoveries	108	142
Other revenue	2 161	997
Total Revenue	**16 742**	**14 806**
Legal services expense	4 414	4 865
Employee expenses	7 986	7 328
Payments to community legal centres	2 046	1 803
Other expenses	2 190	2 063
Total Expenses	**16 636**	**16 059**
Net Surplus (Deficit)	**106**	**(1 253)**
Other Comprehensive Income	**0**	**0**
Comprehensive Result	**106**	**(1 253)**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Total Assets	4 366	4 090
Total Liabilities	1 740	1 570
Net Assets	**2 626**	**2 520**
Total Equity	**2 626**	**2 520**

The Commission reported an Underlying Surplus of $0.106m in 2013-14 (2012-13, deficit $1.253m). The improved result was due to a number of factors including higher revenue of $1.936m due to:

- additional funding from the Australian Government, including $0.226m for Community Legal Centres (CLCs) and $0.444m to address a number of priority legal aid services
- higher distributions from the Solicitors' Trust, $1.691m in 2013-14 ($0.780m) for various projects.

The increase in revenue was partly offset by higher expenditure, $0.577m almost all of which related to higher Employee expense which increased by $0.658m in 2013-14. Apart from general wage increases and relief staff costs, this increase was also due to termination payments. The number of employees decreased by six FTEs to 67 FTEs at 30 June 2014.

On the other hand, the Commission saved $0.451m in Legal service expenses by applying tighter guidelines for particular types of legal aid grants.

Disbursements to CLCs increased by $0.243m and reflected the additional revenue received.

Net Assets totalled $2.626m at 30 June 2014. The Commission had $3.163m in Cash at balance date (2013, $2.838m). Legal case commitments totalled $1.069m at 30 June 2014 ($1.338m). These were not, and did not need to be, recognised on the Statement of Financial Position. Total Equity increased slightly as a result of this year's surplus.

LEGAL PROFESSION BOARD OF TASMANIA (The Board)

SNAPSHOT

- The Board reported a Net Deficit of $0.190m this year. This was a significant movement from the prior year surplus of $0.152m. This year the Board only received three revenue instalments, with the first quarter instalment for 2013-14, $0.232m being received in June 2013.
- During the year, the Board experienced increased activity with more complaints against legal practitioners.

The audit was completed satisfactorily with no items outstanding.

INTRODUCTION

The Board is an independent statutory body whose purpose is to:

- protect consumers of legal services within Tasmania against unsatisfactory professional conduct and professional misconduct by legal practitioners
- promote and enforce the application of professional standards, competency and honesty within the legal profession in Tasmania
- provide an effective and efficient redress mechanism for persons dissatisfied with the conduct of legal practitioners in Tasmania.

The Board consists of six members appointed by the Governor.

Pursuant to section 359 of the *Legal Profession Act 2007*, the Board is to submit to the Minister of Justice an application for funding by 30 April in each year. In making this funding request, the Board estimates its funding requirements for the following financial year having regard to its financial position. The Board endeavours to ensure that the revenue and expenditure incurred gives rise to a cost-neutral exercise. The Minister approves an amount to be paid from the Solicitors' Guarantee Fund and directs the Solicitors' Trust to pay the approved amount from the Fund to the Board.

Approved funds are received by the Board on a quarterly basis in advance and accounted for as revenue when received in accordance with Australian Accounting Standards.

The majority of the Board's accounting functions are provided by Department of Justice.

The Responsible Minister is the Minister for Justice.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2014, with minor adjustments needed, resulting in re-submitted statements on 18 August, and an unqualified audit report issued on 20 August 2014.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

There were no key findings or areas of particular of audit attention.

During the year the Board experienced increased activity by receiving a greater number of complaints about legal practitioners. In one particular case the Board was unsuccessful in its prosecution of a legal practitioner, and the Disciplinary Tribunal on 29 July 2014 awarded costs against the Board. The quantum of these costs is expected to be approximately $0.050m. The Board will appeal against that decision. The Board, if unsuccessful in its appeal, is of an opinion that any payment of court costs will not affect its ability to operate.

The audit was completely satisfactorily with no items outstanding.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Revenue from Solicitor's Guarantee Fund	697	1 042
Other revenue	22	29
Total Revenue	**719**	**1 071**
Employee and member benefits	554	607
Depreciation	20	29
Supplies and consumables	316	264
Other expenses	19	19
Total Expenses	**909**	**919**
Net Surplus (Deficit)	**(190)**	**152**
Comprehensive Surplus (Deficit)	**(190)**	**152**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Financial Assets		
Cash and deposits	286	452
Receivables	7	4
Prepayments	0	0
Non-financial Assets		
Office improvements, plant and equipment	0	20
Intangibles	0	0
Total Assets	**293**	**476**
Liabilities		
Payables	11	10
Employee entitlements	142	136
Total Liabilities	**153**	**146**
Net Assets	**140**	**330**
Accumulated surpluses	140	330
Total Equity	**140**	**330**

The Board reported a Net Deficit of $0.190m (2012-13, Surplus $0.152m) this year. However, this year the Board only received three instalments, with the first quarter instalment for 2013-14, $0.232m being received in June 2013. This resulted in the 2012-13 balance including five instalments.

Without this advance funding in 2012-13, the Board would have recorded a surplus of $0.042m, with a deficit result of $0.080m in 2012-13.

Total Equity decreased by the amount of the Deficit and, as a consequence, Cash and deposits reduced.

PROPERTY AGENTS BOARD (The Board)

SNAPSHOT

- The Board recorded a Net Deficit of $0.038m this year due to higher Other expenses of $0.048m.
- Its Cash assets decreased by $0.127m into an Overdraft of $0.041m due to mis-timing of payments and reimbursements from the Property Agents Trust.
- At 30 June 2014 its Net Assets totalled $0.472m with its most significant asset being term deposits of $0.450m.

The audit was completed satisfactorily with no outstanding issues.

INTRODUCTION

The Board was established under the *Property Agents and Land Transactions Act 2005* (the Act). The functions of the Board are, for the protection of the public, ensuring acceptable standards of conduct by property agents and those employed by them (real estate agents, property managers, general auctioneers, assistant property managers and property consultants).

It administers registration of property agents in accordance with the Act, carries out educational and advisory functions, investigates complaints and supervises trust accounts.

The responsible Minister is the Minister for Justice.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed special-purpose financial statements were received on 14 August 2014. Amended financial statements were received on 23 September 2014 and an unqualified audit report was issued on the same day.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

Some concerns were identified during the audit, which resulted in the financial statements having to be amended and re-submitted.

There were no major developments in 2013-14.

A key area of audit attention identified the lack of segregation of duties. This risk was mitigated to an acceptable level by the nature and extent of audit testing we performed.

The audit was completed satisfactorily with no outstanding issues.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Property Agents Trust – Distributions	460	620
Registration fees	191	189
Other revenue	204	199
Total Revenue	**855**	**1 008**
Salaries – Employees	172	164
Property Agents Trust – Distributions	460	620
Other expenses	261	213
Total Expenses	**893**	**997**
Net Surplus (Deficit)	**(38)**	**11**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Cash assets	0	86
Receivables	141	7
Other financial assets	450	450
Other assets	17	16
Total Assets	**608**	**559**
Overdraft	41	0
Payables	48	10
Other liabilities	47	39
Total Liabilities	**136**	**49**
Net Assets	**472**	**510**
Total Equity	**472**	**510**

The Board recorded a Net Deficit of $0.038m in 2013-14 due to higher Other expenses of $0.048m.

The Board receives registration fees from property agents and, charges application and examination fees which are classified as Other revenue. Registration fees cover the cost of administering the property agents' register. These fees remained consistent with the prior year.

The movement in Other expenses consisted of increases in legal fees, $0.011m, occupancy costs and moving expenses, $0.027m, and tribunal expenses, $0.010m.

Education, training and research functions are funded by distributions received from the Property Agents Trust (the Trust). In 2013-14 the Board received $0.460m for education and training purposes from the Trust, and paid this to the Real Estate Institute of Tasmania. Overall distributions reduced due to the winding up of the Real Estate Scholarship Board which received $0.220m in the prior year.

The Board's Cash assets decreased by $0.127m to an Overdraft of $0.041m due to mis-timing of payments and reimbursements from the Trust. Consequently, Receivables increased by $0.134m.

Net Assets totalled $0.472m as at 30 June 2014 and comprised predominantly term deposits, $0.450m.

PROPERTY AGENTS TRUST (The Trust)

SNAPSHOT

- The Trust recorded an unusually high Net Deficit of $0.150m this year mainly because of lower interest revenue of $0.372m, offset by lower Trust distributions of $0.215m.
- The Trust held $13.177m in cash invested in a combination of an operating bank account and term deposit investments.
- The Trust commenced an arrangement with the ANZ bank for the repayment of interest, $0.240m which the bank had credited in error. The repayment is deducted from interest due to the Trust from property agents' ANZ bank accounts. Total deduction made during the year amounted to $0.090m.
- During 2013-14 it was established that a property agent failed to forward and return Rental Deposit Authority (RDA) security deposits estimated at $0.137m. The Trust is responsible for any claims for damages and by 30 June 2014 claims of $0.031m had been paid.

The audit was completed satisfactorily with no items outstanding.

INTRODUCTION

The Trust was established under the *Property Agents and Land Transactions Act 2005* (the Act). It manages the Property Agents Guarantee Fund (the Fund) so that it can pay compensations for damages resulting from certain acts and omissions of real estate agents, property managers and general auctioneers, their directors, employees or agents. The minimum balance held must be $3.000m.

The responsible Minister is the Minister for Justice.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed special-purpose financial statements were received on 14 August 2014. Amended financial statements were received on 23 September 2014 and an unqualified audit report was issued on the same day.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

Several adjustments to the financial statements were identified during the audit, which resulted in them having to be amended and re-submitted. There were no key findings.

During the year, after complaints from tenants, the RDA found that security deposits of $0.125m were not paid to the RDA due to fraudulent conduct of a property agent. Subsequent police investigation found a further $0.012m misappropriation by the same property agent.

The Trust was unable to recover these sums from the property agent's professional indemnity insurance and implemented processes to repay those affected. As at 30 June 2014, $0.031m of claims relating to this fraudulent activity had been paid.

There were no other major developments in 2013-14.

A key area of audit attention identified was the lack of segregation of duties. This risk was mitigated to an acceptable level by the nature and extent of audit testing performed.

The audit was completed satisfactorily with no items outstanding.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Investment interest	507	629
Trust account interest	513	763
Other income	23	0
Total Revenue	**1 043**	**1 392**
Trust distributions	1 078	1 293
Guarantee fund claims	48	0
Other expenses	67	53
Total Expenses	**1 193**	**1 346**
Net Surplus (Deficit)	**(150)**	**46**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Cash and cash equivalents	875	1 098
Other financial assets	12 302	12 302
Other assets	269	285
Total Assets	**13 446**	**13 685**
Short term provisions	150	240
Other liabilities	46	6
Total Liabilities	**196**	**246**
Net Assets	**13 250**	**13 439**
Total Equity	**13 250**	**13 439**

The Trust earned $1.020m from Investment and Trust account interest, which was $0.372m less than last year due mainly to lower interest rates:

Total Expenses were $1.193m which was $0.153m less than the previous year, mainly due to lower Trust distributions of $0.215m offset by higher Guarantee fund claims, $0.048m.

The Trust made the following distributions from the Fund during 2013-14:

- Property Agents Board, $0.544m, for research, secretarial services, education and training
- Rental Deposit Authority, $0.167m, for the Residential Tenancy Commissioner
- Department of Justice, $0.367m, to cover administration costs.

Net Assets totalled $13.250m at 30 June 2014 and consisted predominantly of cash held in an operating account, $0.875m, and term deposits, $12.302m.

RIVER CLYDE TRUST (The Trust)

SNAPSHOT

- The Trust recorded a Net Surplus of $0.025m in 2013-14.
- Net Assets totalled $1.371m at 30 June 2014.
- A revaluation of infrastructure assets was performed during 2013-14 with a $0.075m increment recognised.

The audit was completed satisfactorily with no matters outstanding.

INTRODUCTION

The Trust was established in 1898 and operates under the *Water Management Act 1999.* It owns assets which include control gates at Lake Sorell and Lake Crescent and a pump station at Lake Meadowbank. These assets allow farmers along the Clyde River to gain access to water for irrigation. Clyde Water Trust changed its business name to River Clyde Trust on 24 October 2012.

A lease arrangement for the use of the Trust's assets was in place with the Shannon Clyde Water Company Ltd (SCWC). SCWC has the role of metering the quantity of water taken up for irrigation by farmers along the river and collecting revenue for water taken. SCWC then makes lease payments to the Trust which is its main revenue source. The Trust's expenses mainly consisted of depreciation, interest expenses, and accountant and audit fees. Some operating expenses such as electricity and repairs were paid by SCWC.

The responsible Minister is the Minister for Primary Industries and Water.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2014, which was one day after the statutory reporting deadline. As a result, the Authority breached section 17 of the *Audit Act 2008*, which requires accountable authorities to submit their financial statements to the Auditor-General within 45 days after the end of financial year.

An unqualified audit opinion was issued on 25 September 2014.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

The audit was completed satisfactorily with no matters outstanding.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Total Revenue	67	58
Total Expenses	42	789
Net Surplus (Deficit)	**25**	**(731)**
Net Asset Revaluation Increment	75	0
Comprehensive Surplus (Deficit)	**100**	**(731)**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Total Assets	1 383	1 278
Total Liabilities	12	8
Net Assets	**1 371**	**1 270**
Total Equity	**1 371**	**1 270**

The Trust recorded a Net Surplus of $0.025m in 2013–14. This $0.756m improvement from the prior year was because the Trust derecognised $0.733m of control gates and water flow assets in 2012–13 that were not being used.

Net Assets totalled $1.371m at 30 June 2014. The $0.101m increase from the prior year was in line with the Comprehensive Surplus for the year. Total Assets increased mainly due to the upward revaluation of the Trust's infrastructure assets of $0.075m.

TASMANIAN BEEF INDUSTRY (RESEARCH AND DEVELOPMENT) TRUST (The Trust)

SNAPSHOT

- The Trust held $0.597m in cash and investments at 30 June 2014.
- It derived all of its revenue from interest on invested funds.

The audit was completed satisfactorily with no matters outstanding.

INTRODUCTION

The Trust is a statutory authority established under the *Tasmanian Beef Industry (Research and Development) Trust Act 1990* (the Act).

It was created to provide for the unexpended balance of the Tasmanian Meat Industry Residue Testing Fund (the fund) to be used for purposes of research and development in the beef industry. The fund was originally established by contributions paid voluntarily by Tasmanian beef producers at the time of sale of their livestock for testing of carcasses for chemical residues. The Trust seeks research and development applications on an annual basis and assesses each for funding.

The Trust consists of three members appointed by the Minister.

The responsible Minister is the Minister for Primary Industries and Water.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2014 and an unqualified audit report was issued on 10 September 2014.

KEY FINDINGS, DEVELOPMENTS, AND AREAS OF AUDIT ATTENTION

There are no new developments or areas requiring particular audit attention.

The audit was completed satisfactorily with no matters outstanding.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13	2011-12
	$'000s	$'000s	$'000s
Total Revenue	23	27	31
Total Expenses	5	3	1
Net Surplus	**18**	**24**	**30**
Comprehensive Surplus	**18**	**24**	**30**

The Net Surplus in 2013-14 was primarily due to interest revenue of $0.023m. Interest revenue declined because of lower interest rates. Expenditure in 2013-14 included a grant of $0.003m for an 'On-farm trace element evaluation trail' conducted by the Flinders Island Productivity Group Beef Trust.

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Total Assets	597	580
Total Liabilities	1	2
Net Assets	**596**	**578**
Total Equity	**596**	**578**

Total Equity increased by the Comprehensive Surplus of $0.018m. Total Assets was higher due the Trust compounding interest revenue on investments.

TASMANIAN BUILDING AND CONSTRUCTION INDUSTRY TRAINING BOARD (The Board)

SNAPSHOT

- Industry training levy revenues declined over the past four years due to a decline in building and construction activity throughout the period.
- The Board collected $10.377m in training levies between 2010-11 and 2013-14. At the same time, it spent $8.802m on Training programs and $4.144m in total on Administration, Training support and Research and development.
- In 2013-14, the Board reported a Net Deficit of $0.876m. This was a third year of consecutive deficits.
- The Board held $2.529m in cash and term deposits at 30 June 2014 at which date its training commitment totalled $0.685m. The Board had sufficient funds to meet its obligations under training contracts.
- While the industry downturn has persisted over the last four years, the Board, through its Annual Training Plans and Budgets, has made a strategic decision to use reserves to fund programs at a deficit. While this isn't suitable long-term, it is considered that on-going training and development within the industry, including the maintenance of apprenticeship positions, are important factors in ensuring the availability of skills as the industry recovers.

The audit was completed satisfactorily with no items outstanding.

INTRODUCTION

The Board was established under the *Building and Construction Industry Training Fund Act 1990* (the Act). Its functions are to provide advice to Government on matters relating to training and skills in the building and construction industry, promote training in the industry, and facilitate training by means of the training fund.

The Board's activities are funded predominantly through a training levy which is payable under the Act. The levy is based on the cost of building and construction work. It is paid into a fund which is administered by the Board to provide necessary training.

The responsible Minister is the Minister for State Growth.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 13 August 2014. An unqualified audit report was issued on 2nd September 2014.

The audit was completed satisfactorily with no items outstanding.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

There were no key findings or developments. Accounting for and recognition of industry training levy revenue, calculation of commitments for future training fees and the existence of any contingent liability were the key areas of audit attention.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Industry training levy	2 317	2 471	2 651	2 938
Other	108	171	225	213
Total Revenue	**2 425**	**2 642**	**2 876**	**3 151**
Administration	513	471	926	463
Training programs	2 371	2 183	2 207	2 041
Training support	242	319	271	232
Research and development	192	136	201	178
Total Expenses	3 318	3 109	3 605	2 914
Underlying Surplus (Deficit)	**(893)**	**(467)**	**(729)**	**237**
Net gain (loss) on disposal of assets	17	0	0	(42)
Net Surplus (Deficit)	**(876)**	**(467)**	**(729)**	**195**
Comprehensive Surplus (Deficit)	**(876)**	**(467)**	**(729)**	**195**

Statement of Financial Position

	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Total Assets	2 900	3 751	4 204	4 907
Total Liabilities	284	258	244	218
Net Assets	**2 616**	**3 493**	**3 960**	**4 689**
Total Equity	**2 616**	**3 493**	**3 960**	**4 689**
Training Fees Commitments	685	1 513	2 442	2 322
Administration costs as a % of Industry training levy	22.1%	19.1%	18.3%	15.8%

Note: In 2011-12 administration costs of $0.926m included $0.0440m incurred in settlement of a contract dispute with a previous employee. This extraordinary payment was excluded from the calculation.

The nature of the Board's operations makes it difficult to analyse its performance over a short-term period. This is especially due to timing differences between when training levies are collected and when training programs are delivered. The analysis is further complicated because training programs may span over a number of years. For these reasons our analysis focused on trends over four years.

Because the training levy is based on the cost of building and construction work and there has been a decrease in building and construction activity in Tasmania in recent years, Industry training levy revenues declined consecutively over the past four years. On average, training levy revenues dropped 7.60% annually. The drop was sharpest at the start of the four-year period, 9.77%, which was attributed to winding down of projects under the Nation Building – Economic Stimulus Plan in the 2008-2010 period.

The Board collected $10.377m in training levies between 2010-11 and 2013-14. At the same time, it spent $8.802m on Training programs and $4.144m in total on Administration, Training support and Research and development.

In 2013-14, the Board reported a Net Deficit, $0.876m. This was a third year of consecutive deficits. Total Assets declined from $4.907m at 30 June 2011 to $2.900m at 30 June 2014 in line with deficits reported during the period. The Board held $2.529m in cash and term deposits.

Training commitments represented contractual training fees payable by the Board to participating employers until 30 June 2017. These fees are outcome-based, including continued employment for the term of apprenticeships and the achievement of predetermined competencies. The commitment for these future payments at 30 June 2014 was $0.685m (2013, $1.513m). The Board had sufficient funds to meet its contractual obligations under these training programs.

TASMANIAN DAIRY INDUSTRY AUTHORITY (TDIA)

SNAPSHOT

- TDIA generated the majority of is revenue through statutory dairy farming, processing and manufacturing licence fees. It aims to operate on a break-even basis.
- A Net Surplus of $0.062m was achieved this year (2012-13, $0.067m).
- Net Assets totalled $0.290m at 30 June 2014 (2013, $0.228m).

The audit was completed satisfactorily with no matters outstanding.

INTRODUCTION

TDIA was established as a statutory authority under the *Dairy Industry Act 1994* (the Act) on 26 May 1994.

Its objectives are to:

- develop and implement programs in relation to the manufacture of dairy produce designed to ensure the safeguard of public health and protection of consumers
- develop and implement policies to achieve, as far as practicable, economies in the dairy industry
- consult with the Tasmanian dairy industry
- advise the Minister about dairy industry matters or any other matter referred to it by the Minister.

The Authority's Board consists of five members.

The responsible Minister is the Minister for Primary Industries and Water.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2014 and an unqualified audit report was issued on 24 September 2014.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

The main development this year was higher milk production resulting in a small increase in statutory levies. There were no key findings and the audit was completed satisfactorily with no matters outstanding.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Total Revenue	551	523
Total Expenses	489	456
Net Surplus	**62**	**67**
Comprehensive Surplus	**62**	**67**

A Net Surplus of $0.062m was recorded in 2013-14, which was consistent with the result in 2012-13. Revenue increased by $0.028m primarily due to increased milk production. TDIA did not change the statutory rate as it applies to milk litres or renewal fees between the years. The increase in revenue was offset by higher expenses attributable to an increase in wages, which increased to $0.327m (2013, $0.306m).

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Cash	317	169
Other assets	106	162
Total Assets	**423**	**331**
Total Liabilities	**133**	**103**
Net Assets	**290**	**228**
Total Equity	**290**	**228**

Total Equity increased by the Comprehensive Surplus. Cash was higher due to $0.112m generated from operating cash flows and a $0.035m inflow from the sale of motor vehicles. Other assets included $0.076m (2013, $0.091m) in property and equipment.

TDIA's major liability at 30 June 2014 was employee provisions of $0.099m (2013, $0.080m).

TEACHERS REGISTRATION BOARD OF TASMANIA (The Board)

SNAPSHOT

- The Board recorded a Net Deficit of $0.140m in 2013-14.
- Net Assets totalled $0.973m at 30 June 2014 and consisted of mainly Cash and deposits, $1.517m, offset to an extent by Registration fees received in advance, $0.511m.

The audit was completed satisfactorily with no matters outstanding.

INTRODUCTION

The Board was established under the *Teacher's Registration Act 2000* (the Act). The main functions of the Board are to maintain a register of teachers, promote the teaching profession and to develop and improve teaching standards. The Board administers registration of teachers and conducts investigations into complaints to determine whether there have been breaches of the Act. The Board maintains a Service Level Agreement with the Department of Education for the provision of some essential, mainly administrative, functions.

The responsible Minister is the Minister for Education and Training.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2014 and an unqualified audit opinion was issued on 14 September 2014. An error was identified after the completion of the audit, which resulted in amendments to the financial statements. The amended financial statements were re-signed on 16 October 2014 and an unqualified audit report was issued on the same day.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

The audit was completed satisfactorily with no matters outstanding.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Teachers registration fees	1 117	1 127
Commonwealth funding	160	250
Other revenue	0	7
Total Revenue	**1 277**	**1 384**
Employee benefits	922	754
Other expenses	495	445
Total Expenses	**1 417**	**1 199**
Net Surplus (Deficit)	**(140)**	**185**
Comprehensive Surplus (Deficit)	**(140)**	**185**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Cash and deposits	1 517	1 769
Other assets	133	164
Total Assets	**1 650**	**1 933**
Registration fees in advance	511	632
Other liabilities	166	189
Total Liabilities	**677**	**821**
Net Assets	**973**	**1 112**
Total Equity	**973**	**1 112**

The Board recorded a Net Deficit of $0.140m in 2013-14, compared to a $0.185m surplus in the prior year. The turnaround of $0.325m was due to a return of unspent Commonwealth funding, $0.090m and a termination payment made during the year.

Cash and deposits decreased by $0.252m to $1.517m at 30 June 2014 predominantly as a result of the Net Deficit and lower Registration fees received in advance.

WELLINGTON PARK MANAGEMENT TRUST (THE Trust)

SNAPSHOT

- The Trust reported a Net Deficit of $0.122m this year because project-specific funding spent this year was received in prior years. The deficit was a small improvement on the prior year's deficit of $0.139m.
- Net Assets totalled $0.300m at 30 June 2014 with the Trust's significant asset being Cash reserves relating partly to conditional grant funds received but unspent at year end.

The audit was completed satisfactorily with no findings.

INTRODUCTION

Wellington Park is managed by the Wellington Park Management Trust. It co-ordinates and implements strategies and procedures, and maintains a regional approach to planning and management.

An objective of the Trust is to provide sustainable opportunities for recreation, tourism and education, whilst conserving the environmental, cultural and water catchment value of the area.

The Trust was established under the *Wellington Park Act 1993* and is responsible for:

- delivering co-ordinated and effective management of Wellington Park
- preserving the area's unique conservation, cultural heritage and water catchment values
- promoting appropriate tourism and recreation opportunities.

The constitution and membership of the Trust are specified in the Act and includes representatives from Hobart and Glenorchy City councils, Tasmania Parks and Wildlife Service, the Department of Primary Industries, Parks, Water and Environment, TasWater and Tourism Tasmania.

The Wellington Park Office is the 'action arm' of the Trust. The organisation is guided by the Corporate Strategic Plan which details the Trust's current Vision and Mission.

Hobart City Council hosts the Trust Office and provides administrative support.

The responsible Minister is the Minster for Environment, Parks and Heritage.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2014, early in the following morning after the statutory deadline. The delay was attributed to new staff unfamiliar with the process. An unqualified audit report was issued on 23 September 2014.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

There were no key findings, developments or areas of audit attention.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	30 June 2013	8 months to 30 June 2013
	$'000s	$'000s
Grants	256	220
Other revenue	22	26
Total Revenue	**278**	**246**
Park administration	224	248
Management strategies	65	104
Park management	111	33
Total Expenses	**400**	**385**
Net Deficit	**(122)**	**(139)**
Comprehensive Deficit	**(122)**	**(139)**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Cash	313	484
Other assets	7	10
Total Assets	**320**	**494**
Employee benefits	11	63
Other liabilities	9	9
Total Liabilities	**20**	**72**
Net Assets	**300**	**422**
Total Equity	**300**	**422**

The Trust recorded a Net Deficit of $0.122m this year principally because it spent $0.169m from its restricted cash reserves on projects funded from Grants received in prior years, offset by new grants received this year of $0.025m and lower employee costs due to a position remaining unfilled for part of the year.

Net Assets decreased by $0.122m, being the Net Deficit for the year.

Total Assets consisted largely of Cash, $0.313m, represented partly by cash held in restricted cash reserves totalling $0.151m. These reserves related to unspent conditional grants, including the Urban Renewal and Heritage Fund, $0.079m, and for a feasibility study into a multi-day recreational track, $0.023m. Employee benefits liability fell due to the departure of a staff member during the year.

AUDIT SUMMARY - SUPERANNUATION FUNDS

INTRODUCTION

A number of different superannuation arrangements operate in the Tasmanian public sector for public sector, including the government business sector, employees and Members of Parliament.

Superannuation may be provided in a number of ways:

- Defined benefit – such a scheme has benefits that accrue on resignation or retirement or death, and are predetermined according to a formula established in the scheme's rules or regulations. The employer's contributions will vary depending on the performance of the underlying investments and the lifespan of the pensioners, as well as the salary of contributing employees immediately before their retirement.
- Accumulation – under this scheme the employer's contribution is fixed according to the scheme's rules. The end benefit consists of the accumulated contributions by the employer and employee, together with the investment earnings on the contributions
- Unfunded – an unfunded scheme is one in which the employer-financed benefit component is met on an 'emerging costs' basis when the employee becomes entitled to receive his or her payout, and without any money set aside in the scheme by the employer for that individual's benefit.
- Funded – in this type of scheme the employer makes a regular contribution to the fund reflecting the currently-accruing liability in regard to employees.

The Retirement Benefits Fund Board is responsible for the management and administration of the Retirement Benefits Fund on behalf of some 80 000 members. At 30 June 2014, net assets under management totalled $4.884bn. The Retirement Benefits Fund comprises six schemes:

- Contributory Scheme
- Tasmanian Accumulation Scheme
    - Superannuation Guarantee Account
    - Allocated Pensions Account
    - Term Allocated Pensions Account
- Parliamentary Superannuation Fund
- Parliamentary Retiring Benefits Fund
- Tasmanian Ambulance Service Superannuation Scheme
- State Fire Commission Superannuation Scheme.

The core business of the Retirement Benefits Fund Board is the provision of retirement and ancillary benefits for members and their partners. It offers a full range of superannuation and retirement products including Defined benefits schemes, Accumulation scheme, life pensions, allocated pensions, death and disability cover, partner and preservation accounts.

FINANCIAL ANALYSIS

This was the first year the financial statements of the superannuation funds managed by RBF were aggregated. The table below summarises, in aggregate, the financial results and Net Assets of the six schemes which make up the Retirement Benefits Fund:

	2013-14	2012-13
	$'000s	$'000s
Net benefits accrued after tax	488 492	539 728
Net assets	4 883 916	4 395 424

RETIREMENT BENEFITS FUND (RBF)

SNAPSHOT

- Net Assets under management reached $4.883bn at 30 June 2014. This was $488.492m higher than at the same time last year.
- Investment revenue was $512.728m in 2013-14. This was $79.074m less than last year and was reflective of market conditions over the last 12 months as well as the introduction of new investment options.
- Combined accrued benefits for all Defined benefit schemes managed by RBF totalled $6.137bn at 30 June 2014. The market value of Net Assets available to pay these benefits was $1.768bn, resulting in an unfunded liability of $4.369bn.
- This was the first year the financial statements of the superannuation funds managed by RBF were aggregated.

Major developments in the year included:

- A Strategic Review of the RBF is on-going. At the request of the Treasurer, RBF is working with Tasplan Super and Quadrant Super to develop a joint report on options for consideration by Government for the management of Tasmanian public sector superannuation arrangements into the future.

The audit was completed satisfactorily with no matters outstanding.

The responsible Minister is the Treasurer.

INTRODUCTION

RBF is Tasmania's public sector superannuation fund. Membership is available to people working on a casual, contract, permanent or temporary, full or part-time basis for a Tasmanian public sector employer and their spouses, including Members of Parliament. Members who leave the Tasmanian public sector may, on satisfying certain conditions, continue to contribute to the RBF Tasmanian Accumulation Scheme via personal contributions (excluding superannuation guarantee).

RBF prepares financial statements that are aggregated at a fund level and include the following sub-funds, for which RBF has management and administrative responsibilities as the Trustee:

- RBF Contributory Scheme – is the main Defined benefit scheme established under the *Retirement Benefits Act 1993*. It has been closed to new members since 15 May 1999.
- Tasmanian Accumulation Scheme (TAS) – was established under the provisions of the *Public Sector Superannuation Reform Act 1999* and replaced the partly funded RBF non-contributory scheme on 25 April 2000. The TAS had two accounts, Superannuation Guarantee (SG) Account and Account Based Pensions. The sub-fund is managed in accordance with the Tasmanian Accumulation Scheme Trust Deed.
- Parliamentary Superannuation Fund and the Parliamentary Retiring Benefits Fund – these became sub-funds of the RBF on 1 January 2003 pursuant to the *Retirement Benefits (Parliamentary Superannuation Trustee Arrangements and Miscellaneous Amendments) Act 2002*.
- Tasmanian Ambulance Service Superannuation Scheme (TASSS) – became part of the RBF on 30 June 2006 pursuant to the *Retirement Benefits (Tasmanian Ambulance Service Superannuation Scheme) Act 2006*. The sub-fund is managed in accordance with the Tasmanian Ambulance Service Superannuation Scheme Trust Deed.
- State Fire Commission Superannuation Scheme (SFCSS) – became part of the RBF on 1 May 2006 pursuant to the *Retirement Benefits (State Fire Commission Superannuation Scheme) Act 2006*. The sub-fund is managed in accordance with the State Fire Commission Superannuation Scheme Trust Deed.

RBF has the following fully owned subsidiaries:

- RBF Financial Planning Pty Ltd - refer to a separate Chapter later in this Volume
- RBF Property Pty Ltd*
- RBF Direct Pty Ltd*.

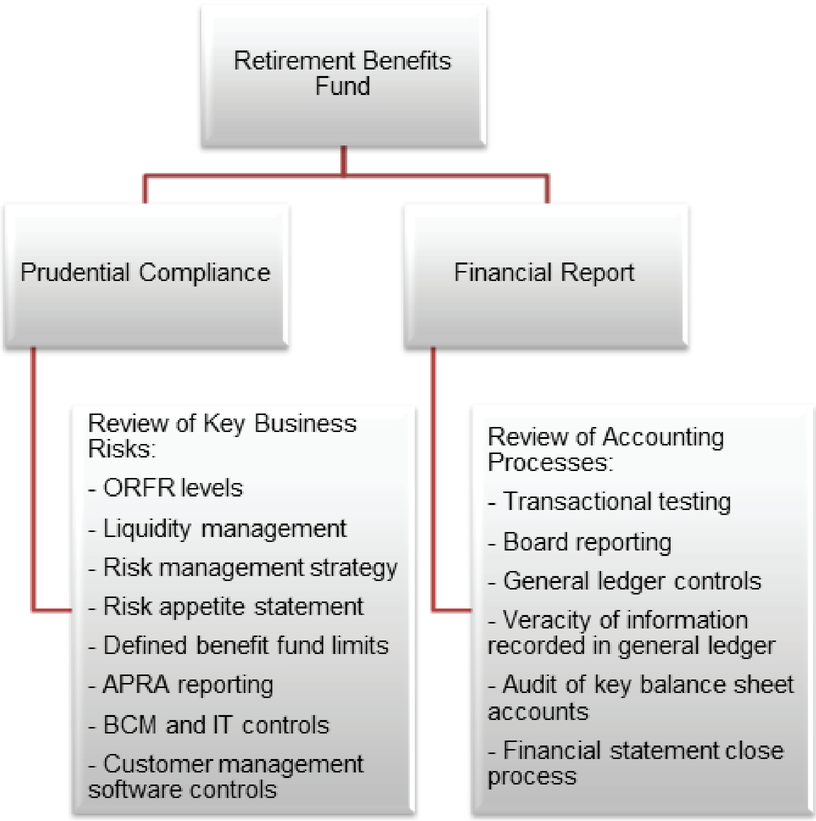
*These audits were dispensed with. However, we reviewed their 2013-14 financial reports to obtain sufficient audit evidence about the amounts and disclosures in the RBF's financial statements, but not for the purpose of expressing a separate opinion.

TERMS USED IN THIS CHAPTER

- Defined benefit scheme – such a scheme has benefits that accrue on resignation, retirement or death, and are pr-edetermined according to a formula established in the scheme's rules or regulations. The employer's contributions will vary depending on the performance of the underlying investments, the lifespan of the pensioners, and the final average salary of contributing employees before their retirement.
- Accumulation scheme – under this scheme the employer's contribution is fixed according to the scheme's and legislative rules. The end benefit consists of the accumulated contributions by the employer and employee, together with the investment earnings on the contributions.
- Unfunded scheme – a scheme in which the employer financed benefit component is met on an 'emerging costs' basis when the employee becomes entitled to receive his or her payout, and without any money set aside in the scheme by the employer for that individual's benefit.
- Funded scheme – in this type of scheme the employer makes regular contribution to the fund reflecting the currently accruing liability in regard to employees.

KEY AREAS OF AUDIT ATTENTION

Fundamental to our audit approach was the view that audit risk is influenced by business risk. Our audit began with understanding current and emerging developments that could affect RBF's business environment and risk. Many risks are reflective of the constant developments within the regulatory, competitive and market environments that continue to pose further challenges for RBF, all of which impact the audit. The following diagram details our approach:



The following is a summary of the key areas of our audit and the audit approach adopted:

Description of Area	Audit Approach
Member administration processes and platforms are outsourced to Mercer (Australia) Pty Ltd (Mercer). Member administration includes receipting contributions from members and employers, crediting contributions to individual member accounts, making benefits payments and allocation to appropriate funds.	• In addition to placing reliance on the internal control assurance report (GS 007), we documented processes and performed audit procedures to obtain a sufficient level of assurance over the design and operation of controls at Mercer and RBF. • In addition to controls reliance, we carried out substantive procedures to ensure that contributions and benefit payments were not materially misstated by testing a sample of transactions.
Investments held by the Custodian are independently audited each year.	• Confirmation of existence and valuation of investments through Custodian certificates and obtained relevant GS 007 assurance reports. • Obtained direct third party confirmations for a sample of investments. • Reviewed the internal control framework with regards to monitoring the Custodian. • Documented and tested the governance structure implemented for monitoring investments with regard to valuation and measurement. • For property investments, utilised independent valuer reports to support the carrying value of property investments.
Mortgage investments are managed internally.	• Analytical testing of loan portfolio. • Reviewed large exposures and any arrears. • Ensured balances in loan sub-system agreed to the general ledger. • Reviewed customer statements and customer complaints processes. • Reviewed and tested adherence to credit policies and procedures. • Further testing performed within loan provisioning and lending processes.

Description of Area	Audit Approach
Superannuation funds are taxed at the rate of 15% on net investment earnings, assessable employer contributions and capital gains. Tax deductions are allowed for administration expenses. Tax effect accounting calculations are subject to complex tax legislation and rulings and generally are performed within a short timeframe.	• Reviewed calculations and supporting workings provided by RBF and its external tax consultant. • For major balances and transactions reviewed the work papers and any external advice obtained to ensure that it was complied with.
Clearing accounts are temporary accounts containing transactions and balances that are to be transferred to another account and may include contributions that are yet to be allocated to member accounts.	• Ensured reconciliations were completed and reviewed on a timely basis. Audited the process of controlling clearing accounts. • Reviewed to assess the flow of transactions and the validity of reconciling items evident on reconciliations.
Investment revenue	• Completed full system walkthroughs. • Documented key controls. • Detailed compliance testing on controls relied on. • Comprehensive review of system interfaces and recognition. • Analytical review of interest revenue on loan accounts. • Detailed analytical review of other income.
Contribution revenue	• Understanding the outsourced service providers processes. • Consideration of controls in place at RBF to ensure veracity of information received. • Reliance on controls in Service Auditor's type two report where appropriate. • Walkthrough testing.
Benefits paid	• Understanding the outsourced service providers processes. • Consideration of controls in place at RBF to ensure veracity of information received. • Walkthrough testing. • Reliance on controls in Service Auditor's type two report where appropriate.

Description of Area	Audit Approach
Information technology	We furthered our understanding of the IT environment across RBF and tested access and operating controls of critical systems, and their interface with the general ledger system.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2014 and an unqualified audit report was issued on the same day.

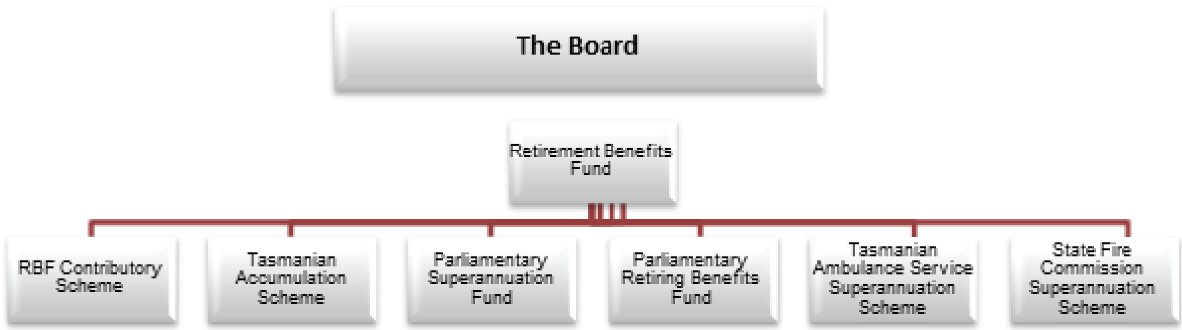
KEY DEVELOPMENTS

Aggregation of financial statements at fund level

In the past, RBF prepared separate financial statements for all of its sub-funds. The separate financial statements were prepared in accordance with Australian Accounting Standard AAS 25 *Financial Reporting by Superannuation Plans.*

The RBF Board decided to prepare the financial statements for the fund as a whole, rather than separate financial statements for each individual sub-fund. We concurred with that decision and as a result this year's financial statements were aggregated at a fund level. Comparative information was adjusted to ensure consistency with the change in presentation. The aggregated financial statements were prepared in accordance with AAS 25.

The following diagram illustrates the relationship between the RBF Board, RBF and individual sub-funds.



Strategic review

The strategic review of RBF is ongoing. The Treasurer asked RBF to hold discussions with two other major local Tasmanian superannuation funds, Tasplan Super and Quadrant Super. The purpose of the discussions is to develop a joint report on options for consideration by Government for the management of Tasmanian public sector superannuation arrangements. Any decision will be made in the best interest of members and will not affect members' legislated entitlements. A decision is expected by the end of 2014.

Triennial actuarial review

The State Actuary, Mercer, undertook a triennial review of the RBF Contributory Scheme as at 30 June 2013. The review was completed in late 2013 and recommended an increase in employer contributions towards benefits paid to 78.50% from 1 July 2014, with annual increases of 2.00% thereafter until 2019. The increases in employer contributions ensure that the RBF Contributory

Scheme will have sufficient assets to meet its obligations. The State Actuary also assessed the two Parliamentary funds, recommending additional contributions so that the schemes are fully funded.

TASSS and SFCSS underwent triennial actuarial investigations as at 30 June 2012 which were completed in early 2013. These reviews found that TASSS was fully funded and also recommended that employer contributions into SFCSS be maintained at current levels.

The next triennial investigations are due as at 30 June 2015 for TASSS and SFCSS and 30 June 2016 for RBF Contributory Scheme and the two Parliamentary schemes.

Australian Prudential Regulatory Authority (APRA)

APRA is responsible for the prudential regulation of Registrable Superannuation Entities (RSEs). While RBF is not an RSE, RBF planned to comply with all of APRA's reporting requirements for the reporting period ended 30 June 2014. Prudential compliance is an area of key business risk and, in turn, audit risk. As such, our audit approach assessed RBF's internal framework with regards to compliance with APRA's requirements, but not for the purpose of expressing an opinion on RBF's compliance with it.

RBF is not proceeding with its application for an RSE license until the strategic review is complete.

New accounting standard

The Australian Accounting Standards Board issued a new Australian Accounting Standards AASB 1056 *Superannuation Entities* that comprehensively reforms the general purpose financial reporting requirements applicable to superannuation entities. This standard is applicable for reporting periods beginning on or after 1 July 2016 and will replace AAS 25, which was issued in 1993. AASB 1056 makes financial reporting requirements for superannuation entities more consistent with current requirements in Australian Accounting Standards. The key changes are:

- revised and consistent content for the financial statements
- revised member liability recognition and measurement requirements
- recognition of any shortfall between the liability to pay a defined benefit liability and the fair value of assets to meet that liability
- use of fair value rather than net market value for measuring assets and liabilities
- exemption from consolidation of controlled entities
- recognition and measurement of insurance obligations to members
- additional disclosures.

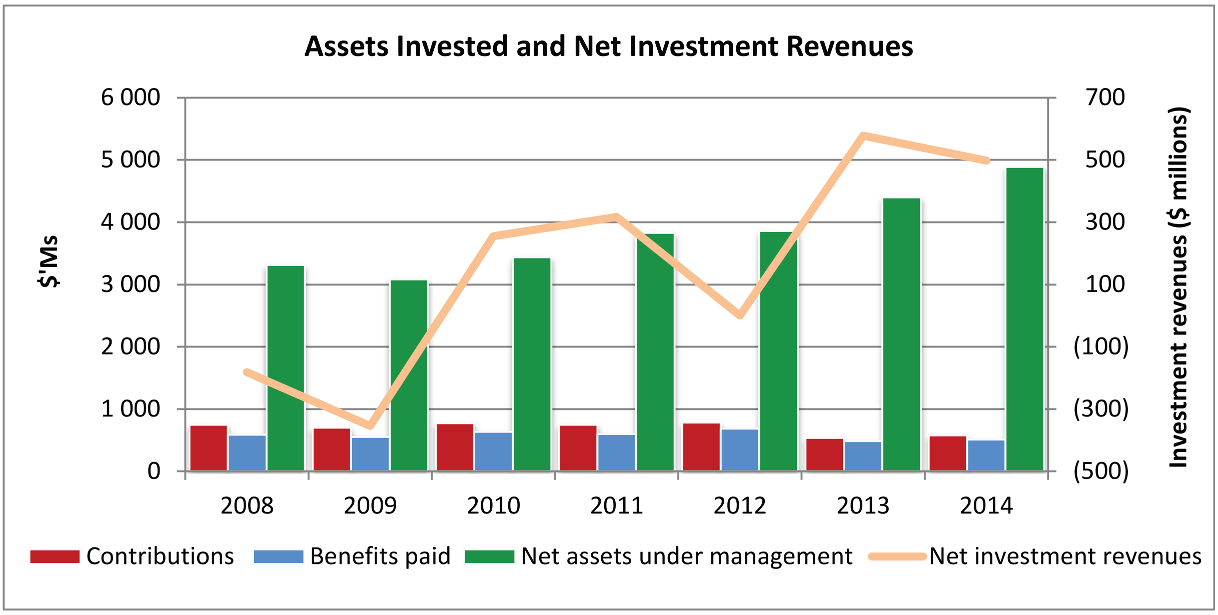
Comparative information is required to be presented for reporting periods from 1 July 2015.

KEY FINDINGS

There were no key findings.

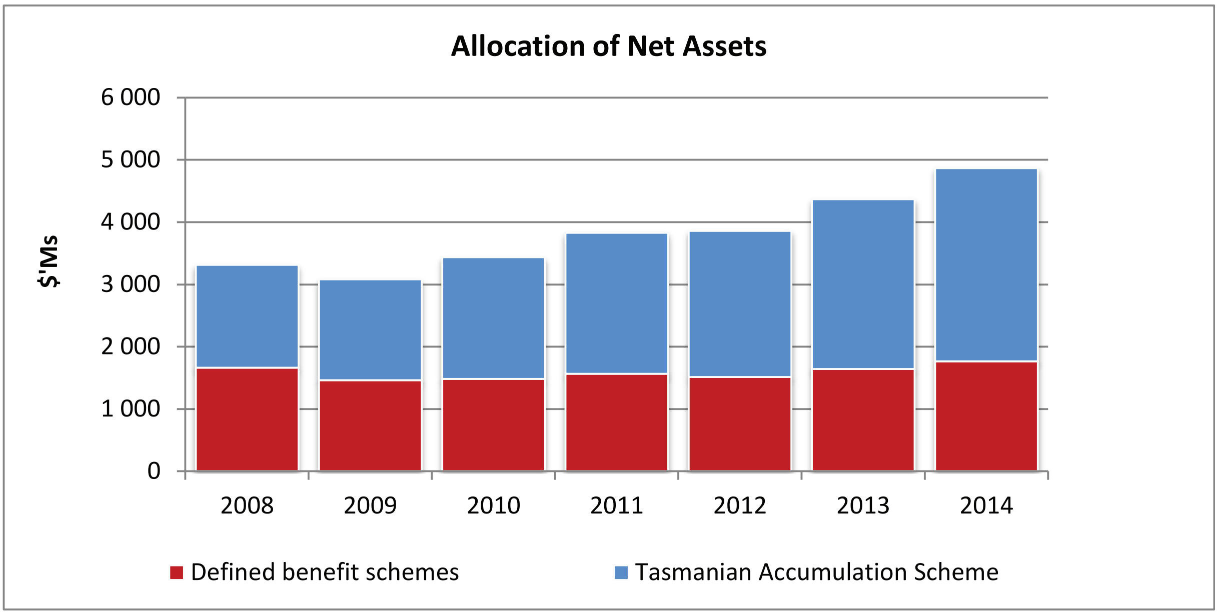
FINANCIAL ANALYSIS

Over the last seven years, RBF received $4.881bn in contributions from employers and members, including roll-ins and transfers, and paid out $4.073bn in pensions, lump sums or roll-overs to other funds. Net investment revenues totalled $1.113bn over the same period. The following graph shows the growth in assets since 2008 and illustrates the volatility of Investment revenues.



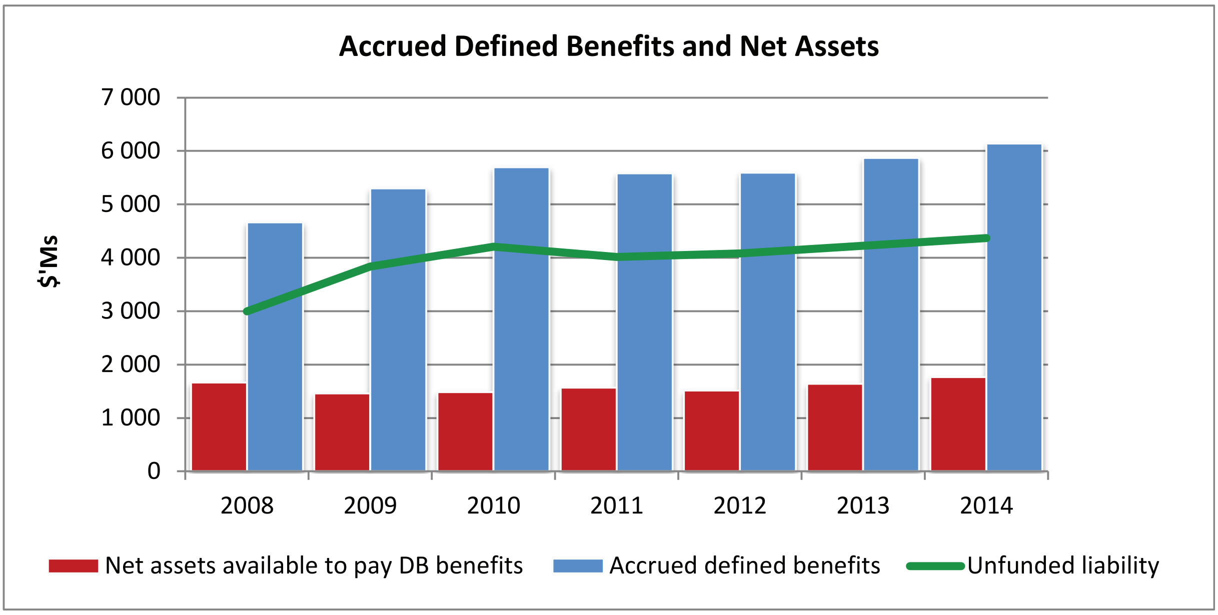
The value of assets under management grew steadily after their decline in the wake of the global financial crisis between 2008 and 2009. However, some of those gains were lost in 2012 following the sovereign debt crisis in Europe and weaker global economic growth. This year, Net investment revenues totalled $498.281m, which was down on the previous year's Net investment revenues of $578.072m and was reflective of the market over the last 12 months as well as the introduction of new investment options. For example, investments in cash deposits almost doubled to $808.765m yet interest revenue grew only slightly, 8.26%, to $43.885m.

The following graph provides a breakdown of funds under management between the five Defined benefit schemes and the Tasmanian Accumulation Scheme (which is a defined contribution scheme):



In 2008, the value of Net Assets was divided evenly between the Defined benefit schemes and TAS. The graph shows that the value of Net Assets invested in TAS has grown steadily and in 2014 represented 64% of total funds under management. The growth in TAS, when compared to the Defined benefits schemes, is to be expected as the Defined benefit schemes are closed to new members.

Combined accrued benefits for all Defined benefit schemes managed by RBF totalled $6.138bn at 30 June 2014. The market value of Net Assets available to pay these benefits was$1.768bn, resulting in an Unfunded liability of $4.370bn.



Overall, the value of the Unfunded liability continued growing. Government is responsible for funding the shortfall between Net Assets and the value of accrued benefits for members employed by general government sector entities. This liability is held centrally and is recognised within the Department of Treasury and Finance – Finance-General's Statement of Financial Position at the latest actuarial assessment. Other State entities which participate in the Defined benefits scheme are responsible for meeting their own obligations although the State is ultimately responsible for the full liability.

Administration fees paid to the Board

From late April 2011, the member administration processes and platforms were outsourced to Mercer. This arrangement aimed to mitigate future risks associated with the Board's ageing computer systems and reduce associated costs.

These changes led to variations in the composition of administration costs, whereby Employee expenses decreased due to lower staff numbers in the IT and member services areas but outsourcing costs increased. Over the past couple of years, as the outsourced services have become bedded down and with the Strategic Review in place, project work has been placed on hold.

The following table provides a breakdown of administration costs, excluding death and incapacity insurance fees, superannuation contribution surcharges and taxes:

ADMINISTRATION EXPENSES ANALYSIS

	2013-14	2012-13
	$'000s	$'000s
Employee benefits and related payment	12 987	11 927
Outsourcing of member services	10 881	10 981
Information systems	1 488	1 191
Other expenses	2 782	2 072
Non-refundable goods and services tax	0	1 545
Underlying Administration Expenses	**28 138**	**27 716**
Superannuation expenses for RBF employees	1 708	(1 324)
Fund expenses	1 439	2 215
Fund capital initiatives	1 114	5 714
Recoveries from sub-funds	(14 508)	(13 853)
General operating fee	12 276	10 709
Total Administration Expenses	**30 167**	**31 177**
Staff numbers at 30 June	102	108
Total underlying administration expenses as a % of total contributions received and benefits paid	2.57%	2.69%
Average staff cost ($'000)	99	95
Total administration expenses as % of Net assets under management	0.62%	0.71%

TOTAL ACCRUED AND VESTED BENEFITS AT 30 JUNE 2014 BY SUB FUND

Sub-fund	Net Assets	Accrued Benefits	Vested Benefits	Unfunded Liability
	$'000s	$'000s	$'000s	$'000s
Contributory Scheme	1 689 039	6 059 801	6 425 585	4 370 762
Parliamentary Superannuation Fund	4 227	15 810	15 810	11 583
Parliamentary Retiring Benefits Fund	3 233	2 949	3 469	(284)
State Fire Commission Superannuation Scheme	24 087	19 314	19 123	(4 773)
Tasmanian Ambulance Service Superannuation Scheme	47 848	39 886	39 601	(7 962)
Total	**1 768 434**	**6 137 760**	**6 503 588**	**4 369 326**

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Investment revenue	209 373	189 647
Changes in net market values	303 355	402 155
Direct investment expenses	(14 447)	(13 730)
Employer contributions	445 315	426 771
Member contributions	89 431	77 253
Transferred from other funds	46 766	36 451
Other revenue	4 826	5 374
Total Revenue	**1 084 619**	**1 123 921**
General administration expense	30 167	31 177
General operating fee – taxation component (credit)/ charge	(5 487)	3 511
Insurance	233	146
Death and incapacity insurance	8 998	7 501
Superannuation contributions surcharge	(16)	(143)
Total Expenses	**33 895**	**42 192**
Benefits Accrued before Tax	**1 050 724**	**1 081 729**
Income tax expense	(46 828)	(53 877)
Benefits Accrued after Tax	**1 003 896**	**1 027 852**
Benefits paid	(515 404)	(488 124)
Liability for accrued benefits at start of year	4 395 424	3 855 696
Liability for Accrued Benefits at End of Year	**4 883 916**	**4 395 424**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Cash at bank	104 643	136 581
Receivables	2 684	5 042
Investments	4 856 989	4 325 031
Other assets	3 566	3 600
Total Assets	**4 967 882**	**4 470 254**
Payables	7 703	8 573
Contributions in advance	3 354	3 649
Provision for death and incapacity insurance	4 854	7 552
General operating provisions	17 886	29 779
Tax liabilities	31 011	7 655
Provision for Board employee entitlements	19 158	17 622
Total Liabilities	**83 966**	**74 830**
Net Assets Available to Pay Benefits	**4 883 916**	**4 395 424**
Represented by:		
Liability for Accrued Benefits		
Allocated to members' accounts – RBF TAS	3 097 864	2 723 868
Allocated to members' accounts – Defined benefit plans	1 768 434	1 642 521
Not yet allocated	4 709	5 915
Total Liability For Accrued Benefits	**4 871 007**	**4 372 304**
Reserves	12 909	23 120
Net Liability for Accrued Benefits	**4 883 916**	**4 395 424**

Statement of Cash Flows

	2013-14	2012-13
	$'000s	$'000s
Employer contributions	446 958	438 040
Member contributions	88 561	74 342
Transferred from other funds	46 766	36 451
Interest received	10 965	10 289
Distributions received	2 450	1 722
Property and alternative investment receipts	3 681	3 889
Other	4 899	(5 126)
Benefits paid	(515 404)	(488 124)
Direct investment expenses	(14 381)	(12 990)
Management fees paid	(35 115)	(35 149)
Death and incapacity benefits paid	(11 696)	(9 046)
Insurance	(233)	(146)
Income tax paid	(23 230)	(29 270)
Superannuation contribution surcharge	(265)	(217)
Cash from Operations	**3 956**	**(15 335)**
Proceeds from the sale of investments	2 852 942	2 025 924
Payments for purchase of investments	(2 888 836)	(1 894 940)
Cash (used in) Investing Activities	**(35 894)**	**130 984**
Net Increase in Cash	**(31 938)**	**115 649**
Cash at the beginning of the year	136 581	20 932
Cash at End of the Year	**104 643**	**136 581**

Financial Analysis

	2013-14	2012-13
Financial Performance		
Investments ($'000s)	4 856 989	4 325 031
Net investment income ($'000s)	498 281	578 072
Return on investments	10.26%	13.37%
Other Information		
Members (number)	67 322	68 516
Net assets ($'000s)	4 883 916	4 395 424
Return on net assets	10.20%	13.15%
Staff numbers	102	108
Average staff costs ($'000s)	99	97
Average annual and long service leave per staff ($'000s)	16	10

RBF FINANCIAL PLANNING PTY LTD (The Company)

SNAPSHOT

- Revenue and expenses remained consistent with those of the prior period.
- The Company maintained a minimum liquidity level as required under its Australian Financial Services (AFS) licence.

The audit was completed satisfactorily with no findings.

INTRODUCTION

The Company is a wholly-owned subsidiary of the Retirement Benefits Fund (RBF), established to provide RBF members with financial planning advice. Its revenue is derived predominantly from financial planning fees charged to RBF members.

The Company holds an AFS licence, which authorises it to provide financial product advice to clients.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2014 and an unqualified audit report was issued on the same day.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

There were no key findings or developments. The audit of AFS licensees gives rise to a number of special audit considerations. An AFS licensee is required to lodge a profit and loss statement, balance sheet and auditor's report with the Australian Securities & Investments Commission for each financial year. We issued a separate AFS licensee audit report (FS 71).

Both audits were completed satisfactorily with no matters outstanding.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2013-14	2012-13
	$'000s	$'000s
Financial advice	264	248
Other revenue	10	12
Total Revenue	**274**	**260**
Operational Costs	273	257
Total Expenses	**273**	**257**
Net Profit (Loss)	**1**	**3**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Cash and cash equivalents	250	211
Other assets	51	52
Total Assets	**301**	**263**
Other liabilities	129	92
Total Liabilities	**129**	**92**
Net Assets	**172**	**171**
Total Equity	**172**	**171**

Total Revenue and Expenses for 2013-14 remained relatively consistent with those of the prior period. The slight increase in Financial advice revenue was offset by a similar increase in Operational costs and as a result the Company reported a Net Profit of $0.001m. It is noted that the Company was established by RBF to provide financial planning advice to members rather than to generate returns.

Total Assets consisted mainly of cash. The Company was required to maintain a minimum liquidity level under the conditions of its AFS licence. It complied with this condition.

APPENDIX 1 - GUIDE TO USING THIS REPORT

This Report is prepared under section 29 of the *Audit Act 2008* (the Audit Act), which requires the Auditor-General, on or before 31 December in each year, to report to Parliament in writing on the audit of State entities and audited subsidiaries of State entities in respect of the preceding financial year. The issue of more than one report titled the *Auditor-General's Report on the Financial Statements of State Entities*, comprising five volumes, satisfies this requirement each year. The volumes are:

Volume 1 – Analysis of the Treasurer's Annual Financial Report 2013-14

Volume 2 – General Government and Other State entities 2013-14

Volume 3 – Government Businesses 2013-14

Volume 4 – Local Government Authorities, Joint Authorities and Tasmanian Water and Sewerage Corporation Pty Ltd 2013-14

Volume 5 - Other State entities 30 June 2014 and 31 December 2014.

Where relevant, State entities are provided with the opportunity to comment on any of the matters reported. Where they choose to do so, responses are detailed within that particular section.

FORMAT OF THE FINANCIAL ANALYSIS

Each entity's financial performance is analysed by discussing the Comprehensive Income Statement, Statement of Financial Position and Statement of Cash Flows supplemented by financial analysis applying the indicators documented in the Financial Performance sections of this Report. The layout of some of these primary statements has been amended from the audited statements to, where appropriate:

- make the statements more relevant to the nature of the entity's business
- highlight the entity's working capital, which is a useful measure of liquidity.

Departments are required to present budget amounts on the face of their primary statements. As a consequence details and commentary in relation to these amounts have been included in this Report.

FINANCIAL ANALYSIS

Financial Performance Indicator	Bench Mark[1]	Method of Calculation
Financial Performance		
Earnings Before Interest and Tax (EBIT) ($'000s)		Result from Ordinary Activities before Gross Interest Expense and Tax
EBITDA ($'000s)		Result from Ordinary Activities before Gross Interest Expense, Tax, Depreciation and Amortisation
Operating Margin	>1.0	Operating Revenue divided by Operating Expenses
Underlying surplus (deficit) ($'000s)		Operating Revenue less Operating Expenses
Operating surplus ratio	>0	Net operating surplus (deficit) divided by total operating revenue
Own source revenue		Total Revenue less Total Grant Revenue, Contributed Assets and Asset Revaluation Adjustments

Financial Performance Indicator	Bench Mark[1]	Method of Calculation
Return on assets		EBIT divided by Average Total Assets
Return on equity		Result from Ordinary Activities after Taxation divided by Average Total Equity
Self financing ratio		Net Operating Cash Flows divided by Operating Revenue
Financial Management		
Asset consumption ratio	Between 40% and 60%	Depreciated replacement cost of asset (eg. infrastructure, roads, bridges) divided by current replacement cost of asset
Asset renewal funding ratio	90%-100%	Future (planned) asset replacement expenditure divided by future asset replacement expenditure (actual) required
Capital Investment Gap, Asset investment ratio or Investment gap	>100%	Payments for Property, plant and equipment divided by Depreciation expenses
Capital Replacement Gap, Asset renewal ratio or Renewal gap	100%	Payments for Property, plant and equipment on existing assets divided by Depreciation expenses
Cost of debt		Gross Interest Expense divided by Average Borrowings (include finance leases)
Creditor turnover	30 days	Payables divided by credit purchases multiplied by 365
Current ratio	>1	Current Assets divided by Current Liabilities
Debt collection	30 days	Receivables divided by billable Revenue multiplied by 365
Debt to equity		Debt divided by Total Equity
Debt to total assets		Debt divided by Total Assets
Indebtedness ratio		Non-Current Liabilities divided by Own Source Revenue
Interest coverage ratio		Net operating cashflows less interest and tax payments divided by Net interest payments
Interest cover – EBIT	>2	EBIT divided by Gross Interest Expense
Interest cover – EBITDA	>2	EBITDA divided by Gross Interest Expense
Interest cover – Funds from Operations	>2	Cash from Operations plus Gross Interest Expense divided by Gross Interest Expense
Liquidity ratio	2:1	Liquid assets divided by current liabilities other than provisions
Net financial assets (liabilities) ($'000s)		Total liquid assets less financial liabilities

Financial Performance Indicator	Bench Mark[1]	Method of Calculation
Net financial liabilities ratio	0 – (50%)	Liquid assets less total liabilities divided by total operating income
Returns to Government CSO funding ($'000s)		Amount of community service obligation funding received from Government
Dividend payout ratio		Dividend divided by Result from Ordinary Activities after Tax
Dividend to equity ratio		Dividend paid or payable divided by Average Total Equity
Dividends paid or payable ($'000s)		Dividends paid or payable that relate to the year subject to analysis
Effective tax rate	30%	Income Tax paid or payable divided by Result from Ordinary Activities before Tax
Government guarantee fees ($'000s)		Amount of guarantee fees paid to owners (usually Government)
Income tax paid ($'000s)		Income Tax paid or payable that relates to the year subject to analysis
Total return to equity ratio		Total Return divided by Average Equity
Total return to the State ($'000s) or total return to owners		Dividends plus Income Tax and Loan Guarantee fees
Other Information Average leave per FTE ($'000s)		Total employee annual and long service leave entitlements divided by FTEs
Average long service leave balance	Not more than 100 days	Actual long service leave provision days due divided by average FTEs
Average recreational leave balance	20 days[3]	Actual annual leave provision days due divided by average FTEs
Average staff costs[(2)] ($'000s)		Total employee expenses (including capitalised employee costs) divided by FTEs
Employee costs[(2)] as a % of operating expenses		Total employee costs divided by Total Operating Expenses
Employee costs capitalised ($'000s)		Capitalised employee costs
Employee costs expensed ($'000s)		Total employee costs per Income Statement
Operating cost to rateable property		Operating expenses plus finance costs divided by rateable properties per valuation roll
Rates per capita		Population of council area divided by rates revenue
Rates per operating revenue		Total rates divided by operating revenue including interest income

Financial Performance Indicator	Bench Mark[1]	Method of Calculation
Rates per rateable property		Total rates revenue divided by rateable properties per valuation rolls
Staff numbers FTEs		Effective full time equivalents

1 *Benchmarks vary depending on the nature of the business being analysed. For the purposes of this Report, a single generic benchmark has been applied.*

2 *Employee costs include capitalised employee costs, where applicable, plus on-costs.*

3 *May vary in some circumstances because of different award entitlement*

An explanation of most financial performance indicators is provided below:

FINANCIAL PERFORMANCE

- **Earnings before interest and tax (EBIT)** – measures how well an entity can earn a profit, from its operations, regardless of how it is financed (debt or equity) and before it has to meet external obligations such as income tax. This is a measure of how well it goes about its core business.
- **Earnings before income tax, depreciation and amortisation (EBITDA)** – measures how well an entity can generate funds without the effects of financing (debt or equity), depreciation and amortisation and before it has to meet external obligations such as income tax. This measure is of particular relevance in cases of entities with large amounts of non-current assets as the distortionary accounting and financing effects on the entity's earnings are removed, enabling comparisons to be made across different entities and sectors.
- **Operating margin** – this ratio serves as an overall measure of operating effectiveness.
- **Operating Surplus (Deficit) or Result from operations** – summarises revenue transactions and expense transactions incurred in the same period of time and calculates the difference.
- **Operating surplus ratio** – a positive result indicates a surplus with the larger the surplus the stronger the assessment of sustainability. However, too strong a result could disadvantage ratepayers. A negative result indicates a deficit which cannot be sustained in the long-term.
- **Own source revenue** – represents revenue generated by an entity through its own operations. It excludes any external government funding, contributed assets and revaluation adjustments.
- **Return on assets** – measures how efficiently management used assets to earn profit. If assets are used efficiently, they earn profit for the entity. The harder the assets work at generating revenues, and thus profit, the better the potential return for the owners.
- **Return on equity** – measures the return the entity has made for the shareholders on their investment.
- **Self financing ratio** – this is a measure of an entity's ability to fund the replacement of assets from cash generated from operations.

FINANCIAL MANAGEMENT

- **Asset consumption ratio** – shows the depreciated replacement cost of an entity's depreciable assets relative to their 'as new' (replacement) value. It therefore shows the average proportion of new condition left in the depreciable assets.
- **Asset renewal funding ratio** – measures the capacity to fund asset replacement requirements. An inability to fund future requirements will result in revenue, expense or debt consequences, or a reduction in service levels. This is a most useful measure relying on the existence of long-term financial and asset management plans.

- **Asset sustainability ratio** – provides a comparison of the rate of spending on existing infrastructure, property, plant and equipment through renewing, restoring and replacing existing assets, with depreciation. Ratios higher than 100% indicate that spending on existing assets is greater than the depreciation rate. This is a long-term indicator, as capital expenditure can be deferred in the short-term if there are insufficient funds available from operations and borrowing is not an option.
- **Capital Investment Gap, Asset investment ratio or Investment gap** – indicates whether the entity is maintaining its physical capital by reinvesting in or renewing non-current assets (caution should be exercised when interpreting this ratio for entities with significant asset balances at cost as the level of depreciation may be insufficient).
- **Capital Replacement Gap, Asset renewal ratio or Renewal gap** – indicates whether the entity is maintaining its physical capital by reinvesting in or renewing existing non-current assets. (Caution should be exercised when interpreting this ratio as the amount of capital expenditure on existing assets has largely been provided by the respective councils and not subject to audit).
- **Cost of debt** – reflects the average interest rate applicable to debt.
- **Creditors turnover** – indicates how extensively the entity utilises credit extended by suppliers.
- **Current ratio** – current assets should exceed current liabilities by a 'considerable' margin. It is a measure of liquidity that shows an entity's ability to pay its short term debts.
- **Debt collection** – indicates how effectively the entity uses debt collection practices to ensure timely receipt of monies owed by its customers.
- **Debt to equity** – an indicator of the risk of the entity's capital structure in terms of the amount sourced from borrowings and the amount from Government.
- **Debt to total assets** – an indicator of the proportion of assets that are financed through borrowings.
- **Interest cover** – EBIT – an indicator of the ability to meet periodic interest payments from current profit (before interest expense). The level of interest cover gives a guide of how much room there is for interest payments to be maintained in the face of interest rate increases or reduced profitability.
- **Interest cover** – examines the exposure or risk in relation to debt, an indicator of the ability to meet periodic interest payments from funds from operations (before interest expense). The level of interest cover gives a guide of how much room there is for interest payments to be maintained in the face of interest rate increases or reduced funds from operations.
- **Net financial liabilities ratio** – indicates the extent to which net liabilities can be met by operating income. A falling ratio indicates that the entity's capacity to meet its financial obligations from operating income is strengthening.

RETURNS TO GOVERNMENT

- **Dividend payout ratio** – the amount of dividends relative to the entity's net income.
- **Dividend to equity ratio** – the relative size of an entity's dividend payments to shareholders' equity. A low dividend to equity ratio may indicate that profits are being retained by the entity to fund capital expenditure.
- **Dividends paid or payable** – payment by the entity to its shareholders (whether paid or declared as a payable).
- **Effective tax rate** – is the actual rate of tax paid on profits.
- **Income tax paid** – tax payments by the entity to the State in the year.

- **Total return to equity ratio** – measures the Government's return on its investment in the entity.
- **Total return to the State** – the funds paid to the Owners consisting of income tax, dividends and guarantee fees.

OTHER INFORMATION

- **Average leave balance per FTE ($'000s)** – indicates the extent of unused leave at balance date.
- **Average long service leave balance or days long service leave due** – records the average number of days long service leave accumulated per staff member. In general public servants cannot accrue more than 100 days long service leave.
- **Average recreational leave balance or days annual leave due** – records the average number of days annual leave accumulated per staff member. In general public service employees accrue 20 days annual leave per annum.
- **Average staff costs** – measures the average cost of employing staff in the entity for the year.
- **Employee costs as a percentage of operating expenses** - indicates the relative significance of employee costs compared to other operating expenses.
- **Employee costs capitalised ($'000s)** – represents employee costs that have been capitalised rather than expensed.
- **Employee costs expensed ($'000s)** – represents the level of employee costs expensed, ie. included in the Comprehensive Income Statement. This together with the Employee costs capitalised will provide a total employee cost figure for use in other related ratios.
- **Staff numbers FTEs** – as at the end of the reporting period the number of staff employed expressed as full-time equivalents.

The above indicators are used because they are commonly applied to the evaluation of financial performance. Care should be taken in interpreting these measures, as by definition they are only indicators, and they should not be read in isolation.

AUDIT FINDING – RISK CATEGORIES

In reporting audit finding to clients, we determine three risk categories. These categories are based on their significance and potential impact on the client.

Risk Category	Client Impact
High	Matters which pose a significant business or financial risk to the entity and/or matters that have resulted or could potentially result in a modified or qualified audit opinion if not addressed as a matter of urgency by the entity.
Moderate	Matters of a systemic nature that pose a moderate business or financial risk to the entity if not addressed as high priority within the current financial year and/or matters that may escalate to high risk if not addressed promptly and/or low risk matters which have been reported to management in the past but have not been satisfactorily resolved or addressed.
Low	Matters that are isolated, non-systemic or procedural in nature and/or matters that reflect relatively minor administrative shortcomings and could be addressed in the context of the entity's overall control environment.

APPENDIX 2 - GLOSSARY

Accountability

The responsibility to provide information to enable users to make informed judgements about the performance, financial position, financing and investing, and compliance of the State entity.

Adverse Opinion

An adverse opinion is issued when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial report.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Asset

A resource controlled by an entity as a result of past events, and from which future economic benefits are expected to flow to the entity.

Asset useful life

The period over which an asset is expected to provide the entity with economic benefits. Depending on the nature of the asset, the useful life can be expressed in terms of time or output.

Asset valuation

The fair value of an asset on a particular date.

Audit Act 2008

An Act of the State of Tasmania that:

- ensures that the State has an Auditor-General with the necessary functions, immunities and independence
- provides for the independent audit of the public sector and related entities.

Auditor's opinion (or Auditor's Report)

Written expression within a specified framework indicating the auditor's overall conclusion on the financial reports based on audit evidence obtained.

Borrowing costs

Interest and other costs that an entity incurs in connection with the borrowing of funds.

Capital expenditure

Amount capitalised to the Statement of Financial Position (also referred to as the balance sheet) for expenditure on or contributions by a State entity to major assets controlled or owned by the entity, including expenditure on:

- capital renewal of existing assets that returns the service potential or the life of the asset to that which it had originally been commissioned
- capital expansion which extends an existing asset at the same standard to a new group of users.

Capital grant

Government funding provided to an agency for acquiring capital assets such as buildings, land or equipment.

Carrying amount

The amount at which an asset is recognised after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon.

Cash

Cash on hand and demand deposits.

Cash equivalents

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flows

Inflows and outflows of cash and cash equivalents.

Combined employee costs

For the purpose of this Report, combined employee costs included wages, salaries, leave entitlements and on-costs, superannuation contributions made on behalf of employees and superannuation liability expenses relating to defined benefits schemes for which the Government is responsible.

Comprehensive result

The overall net result of all items of income and expense recognised for the period. It is the aggregate of net surplus (deficit) or profit (loss) and other movements in equity.

Consolidated financial statements

The financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity.

Contributed assets

Assets, usually Property, plant and equipment, contributed to a State entity at no cost or are non-reciprocal.

Contributions from the State

Transactions in which one State entity provides goods, services, assets (or extinguishes a liability) or labour to another State entity without receiving approximately equal value in return. Grants can either be of a current or capital nature.

Control

The capacity of an entity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of another entity so as to enable that other entity to operate with it in achieving the objectives of the controlling entity.

Cost

The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

Current asset

An asset that an entity:

- expects to realise or intends to sell or consume in its normal operating cycle;
- holds primarily for the purpose of trading;
- expects to realise within twelve months after the reporting period; or

- is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify all other assets as non-current.

Current liability

A liability that an entity:

- expects to settle in its normal operating cycle;
- it holds primarily for the purpose of trading;
- is due to be settled within twelve months after the reporting period; or
- does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

An entity shall classify all other liabilities as non-current.

Deficit

Total expenditure exceeds Total Revenue. Term is generally applied to results of not-for-profit entities. Equivalent term in the case of for-profit entities is a loss.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Disclaimer of Opinion

A disclaimer of opinion is used when it is not possible for the auditor to form an opinion. This may occur in rare circumstances when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial report of undetected misstatements, if any, could be both material and pervasive.

Emphasis of matter

An auditor's report can include an emphasis of matter paragraph that draws attention to a disclosure or item in the financial report that is relevant to the users of the report but is not of such nature that it affects the auditor's opinion (i.e. the auditor's opinion remains unmodified).

Employee benefits provision

The liability recognised for employees' accrued service entitlements, including all costs related to employment consisting of wages and salaries, leave entitlements, redundancy payments and superannuation contributions.

Equity or net assets

Residual interest in the assets of an entity after deduction of its liabilities. Where liabilities exceed assets, this gives rise to negative equity or net liabilities or accumulated deficits.

Expense

Outflows or other depletions of economic benefits in the form of incurrence of liabilities or depletion of assets of the entity, other than those relating to contributions by owners, that results in a decrease in equity, or increase in a liability, during the reporting period.

Fair value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial Asset

Any asset that is:

- cash
- an equity instrument of another entity
- a contractual right:
  - to receive cash or another financial asset from another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial liability

Any liability that is:

- a contractual obligation:
  - to deliver cash or another financial asset to another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial position

The relationship of the assets, liabilities and equity of an entity, as reported in the Statement of Financial Position (balance sheet).

Financial report

Structured representation of financial information, which usually includes accompanying notes, derived from accounting records and intended to communicate an entity's financial performance over a period of time and its economic resources or obligations at a point in time in accordance with a financial reporting framework.

Financial statements

A complete set of financial statements comprises:

- a Statement of Financial Position as at the end of the period
- a Statement of Profit or Loss and Other Comprehensive Income for the period
- a Statement of Changes in Equity for the period
- a Statement of Cash Flows for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information
- comparative information in respect of the preceding period

- a Statement of Financial Position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

An entity may use titles for the statements other than those used in the relevant accounting standard. For example, an entity may use the title 'Statement of Comprehensive Income' instead of 'Statement of Profit or Loss and Other Comprehensive Income'.

Financial sustainability

An entity's ability to manage financial resources so it can meet its spending commitments both at present and into the future.

Financial year

The period of 12 months for which a financial report is prepared.

For-profit entity

An entity whose principal objective is the generation of profit. A for-profit entity can be a single entity or a group of entities comprising the parent entity and each of the entities that it controls.

Future economic benefit

The potential to contribute, directly or indirectly, to the flow of cash and cash equivalents to the entity. The potential may be a productive one that is part of the operating activities of the entity. It may also take the form of convertibility into cash or cash equivalents or a capability to reduce cash outflows.

General purpose financial report

A financial report intended to meet the information needs common to users who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs.

Going concern

An entity which is expected to be able to pay its debts as and when they fall due, and continue in operation for the foreseeable future without any intention or necessity to liquidate or otherwise wind up its operations.

Governance

The control arrangements in place at an entity that are used to govern and monitor its activities in order to achieve its strategic and operational goals.

Impairment loss

The amount by which the carrying amount of an asset exceeds its recoverable amount.

Independent auditor's report

An expression of the independent auditor's opinion on an entity's financial (and performance) report.

Intangible asset

An identifiable non-monetary asset without physical substance.

Investment

The expenditure of funds intended to result in medium to long-term service and/or financial benefits arising from the development and/or use of infrastructure assets by either the public or private sectors.

Liability

A present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow of resources from the entity.

Loss

Total expenditure exceeds total revenue. Term is generally applied to results of for-profit entities. Equivalent term in the case of not-for-profit entities is a deficit.

Material

Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

Materiality

Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial report.

Modified audit opinion

The Auditing Standards establish three types of modified opinions, namely, a qualified opinion, an adverse opinion, and a disclaimer of opinion. The decision regarding which type of modified opinion is appropriate depends upon:

- the nature of the matter giving rise to the modification, that is, whether the financial report is materially misstated or, in the case of an inability to obtain sufficient appropriate audit evidence, may be materially misstated; and
- the auditor's judgement about the pervasiveness of the effects or possible effects of the matter on the financial report.

Non-Financial Asset

Physical assets such as land, buildings and infrastructure.

Not-for-profit entity

An entity whose principal objective is not the generation of profit. A not-for-profit entity can be a single entity or a group of entities comprising the parent entity and each of the entities that it controls.

Operating cycle

The time between the acquisition of assets for processing and their realisation in cash or cash equivalents.

Profit

Total revenue exceeds total expenditure. Term is generally applied to results of profit entities. Equivalent term in the case of not-for-profit entities is a surplus.

Property, plant and equipment

Tangible items that:

- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one period.

Public sector entity

A department; a public hospital; a local government; a statutory body; an entity controlled by one, or more than one department, public hospital, local government or statutory body; or an entity controlled by a public sector entity.

Qualified audit opinion

A qualification is issued when the auditor concludes that an unqualified opinion cannot be expressed due to one of the following reasons:

- The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial report; or
- The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial report of undetected misstatements, if any, could be material but not pervasive.

A qualified opinion shall be expressed as being except for the effects of the matter to which the qualification relates.

Relevant

Measures or indicators used by an entity are relevant if they have a logical and consistent relationship to an entity's objectives and are linked to the outcomes to be achieved.

Revaluation

Recognising a reassessment or restatement of values for assets or liabilities at a particular point in time.

Revenue

Inflows of funds or other enhancements or savings in outflows of service potential, or future economic benefits in the form of increases in assets or reductions in liabilities of the entity, other than those relating to contributions by owners which result in an increase in equity during the reporting period.

Special purpose financial statements

A financial report intended to only meet the information needs of specific users who are able to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs.

State entity

A body, whether corporate or unincorporated, that has a public function to exercise on behalf of the State or is wholly owned by the State, as defined under the *Audit Act 2008*, including:

- an agency
- a council
- a Government Business Enterprise
- a State Owned Corporation
- a State authority that is not a Government Business Enterprise
- the council, board, trust or trustees, or other governing body (however designated) of, or for, a corporation, body of persons or institution, that is or are appointed by the Governor or a Minister of the Crown
- a body or authority referred to in section 21, established under section 29 or 30, or continued under section 326, of the *Local Government Act 1993*
- the Corporation incorporated under section 5 of the *Water and Sewerage Corporation Act 2012*
- a body or authority in respect of which the Treasurer has made a determination under section 32A.

State Owned Corporation

A company incorporated under the Corporations Act which is controlled by:

- the Crown
- a State authority
- another company which is itself controlled by the Crown or a State authority.

Surplus

Total revenue exceeds total expenditure. Term is generally applied to results of not-for-profit entities. Equivalent term in the case of for-profit entities is a profit.

Unqualified audit opinion – financial report

A positive written expression provided when the financial report has been prepared and presents fairly the transactions and balances for the reporting period in accordance with the requirements of the relevant legislation and Australian accounting standards.

Also referred to as a **clear audit opinion**.

Value in use (in respect of not-for-profit entities)

Depreciated replacement cost of an asset when the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits.

APPENDIX 3 - ACRONYMS AND ABBREVIATIONS

AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
ACIPA	Academy of Creative Industries and Performing Arts
ACT	Australian Capital Territory
AEMO	Australian Energy Market Operator
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
AETV	Aurora Energy Tamar Valley
AFS	Australian Financial Services
ANAO	Australian National Audit Office
APRA	Australian Prudential Regulation Authority
ARM	Asset Revaluation Model
ASA	Australian Auditing Standard
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
ATO	Australian Taxation Office
BBP	Bell Bay Power Pty Ltd
BER	Building the Education Revolution
BHF	Better Housing Futures
BLW	Ben Lomond Water
CC&SB	Customer Care and Billing System
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CLAF	Crown Land Administration Fund
CLP	China Light and Power
CMW	Cradle Mountain Water
CPI	Consumer Price Index
CPOL	Cargo and Port Operational Logistics
CREST	Crown Land Administration System
CSO	Community Service Obligation
DBP	Defined Benefit Pension
DHHS	Department of Health and Human Services
DIER	Department of Infrastructure, Energy and Resources
DIISRTE	Department of Industry, Innovation, Science, Research and Tertiary Education
DoE	Department of Education
DoJ	Department of Justice
DORC	Depreciated Optimised Replacement Cost
DPAC	Department of Premier and Cabinet

DPEM	Department of Police and Emergency Management
DPIPWE	Department of Primary Industries, Parks, Water and the Environment
DTF	Department of Treasury and Finance
DVA	Department of Veterans Affairs
EBA	Enterprise Bargaining Agreement
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EEP	Environmental Energy Products
EFTSL	Equivalent Full-time Student Load
EOI	Expression of Interest
FCAS	Frequency Control Ancillary Services
FIND	Fines and Infringement Notices Database
FMAA	*Financial Management and Audit Act 1990*
FPM	Financial Procedures Manual
FRFI	*Forestry (Rebuilding the Forest Industry) Act 2014*
FSC	Forest Stewardship Council
FSI	Forest Services International
FSST	Forensic Science Services Tasmania
FTE	Full-time Equivalent
GBE	Government Business Enterprise
GDP	Gross Domestic Product
GGS	General Government Sector
GIF	Group Investment Fund
GMO	Grantham, Mayo and Otterloo
GSP	Gross State Product
GST	Goods and Services Tax
GWh	Gigawatt Hour
HEC	Hydro-Electric Corporation
HECS-HELP	Higher Education Loan Program
HIAPL	Hobart International Airport Pty Ltd
HoA	House of Assembly
HR	Human Resources
IMAS	Institute of Marine and Antarctic Studies
IPSASB	International Public Sector Accounting Standards Board
IRR	Inter Regional Revenues
IST	Island Speciality Timbers
IT	Information Technology
KIPC	King Island Ports Corporation
KMP	Key Management Personnel
KPI	Key Performance Indicators
KV	Kilovolt
LGAT	Local Government Association of Tasmania
LGH	Launceston General Hospital

LIST	Land Information System
LSL	Long Service Leave
MAIB	Motor Accidents Insurance Board
MAR	Maximum Allowable Revenue
MIC	Member Investment Choice
MHS	Mental Health Services
MHS-N	Mental Health Services - North
MWh	Megawatt Hour
NDRRA	Natural Disaster Relief and Recovery Arrangements
NEM	National Electricity Market
NEMMCO	National Electricity Market Management Company Limited
Newood	Newood Holdings Pty Ltd
NRAS	National Rent Affordability Scheme
NTER	National Taxation Equivalent Regime
NWRH	North West Regional Hospital
OPWG	Optical Ground Wire
PA	Public Account
PAYG	Pay As You Go
PFC	Public Financial Corporation
PFT	Private Forests Tasmania
PIRP	Prison Infrastructure and Redevelopment Program
PNFC	Public Non-Financial Corporation
PNT	Pacific National Tasmania
POAGS	P&O Automotive and General Stevedoring Pty Ltd
PRBF	Parliamentary Retiring Benefits Fund
PSF	Parliamentary Superannuation Fund
PT	Public Trustee
PWC	Price WaterhouseCoopers
RAB	Regulated Asset Base
RBF	Retirement Benefits Fund
RBFB	Retirement Benefits Fund Board
REC	Renewable Energy Certificates
RFDS	Royal Flying Doctor Service
RHH	Royal Hobart Hospital
RIN	Regulatory Information Notices
ROGS	Report on Government Services
RWSC	Rivers and Water Supply Commission
SDTF	Special Deposits and Trust Fund
SES	State Emergency Service
SEV	Soil Expectation Value
SFC	State Fire Commission
SFCSS	State Fire Commission Superannuation Scheme
SG	Superannuation Guarantee

SLA	Service Level Agreement
SLIMS	Technology One Student Management System
SOC	State Owned Corporation
SPA	Superannuation Provision Account
SPFR	Specific Purpose Financial Reports
SW	Southern Water
TAFR	Treasurer's Annual Financial Report
TAHL	Tasmanian Affordable Housing Limited
TAS	Tasmanian Accumulation Scheme
TASCORP	Tasmanian Public Finance Corporation
TASSS	Tasmanian Ambulance Service Superannuation Scheme
TasWater	Tasmanian Water and Sewerage Corporation Pty Ltd
TCF	Tasmanian Community Fund
TCFA	Tasmanian Community Forest Agreement
TDIA	Tasmanian Dairy Industry Authority
TDR	Tasmania Development and Resources
TDRA	Temporary Debt Repayment Account
TESI	Tasmanian Electricity Supply Industry
TFA	Tasmanian Forest Agreement Act
TFIA	Tasmanian Forest Intergovernmental Agreement
TFS	Tasmanian Fire Service
THO	Tasmanian Health Organisation
THO-N	Tasmanian Health Organisation – North
THO-NW	Tasmanian Health Organisation – North West
THO-S	Tasmanian Health Organisation – South
TI	Treasurer's Instruction
TIDB	Tasmanian Irrigation Development Board Pty Ltd
TIPL	Tasmanian Irrigation Pty Ltd
TIS	Tasmanian Irrigation Schemes Pty Ltd
TMRN	Tasmanian Mobile Radio Network
TRB	Tasmanian Racing Board
TVPS	Tamar Valley Power Station
TSI	Tasmanian Skills Institute
TUOS	Transmission Use of System
TUU	Tasmanian University Union Incorporated
TWSC	Tasmanian Water and Sewerage Corporation
UPF	Uniform Presentation Framework
VaR	Value at Risk
VET	Vocational Education and Training
VoIP	Voice over Internet Protocol
WACC	Weighted Average Cost of Capital
WHA	World Heritage Area
WIF	Water Infrastructure Fund
WIP	Work in Progress

APPENDIX 4 - RECENT PUBLICATIONS

Tabled	Report No.	Title
2013		
May	No. 11 of 2012-13	Financial Statements of State entities: Volume 5 – Other State entities
May	No. 11 of 2012-13	Department of Health and Human Services – Output based expenditure (included in Financial Statements of State entities: Volume 5 – Other State entities)
August	No. 1 of 2013-14	Fraud control in local government
November	No. 2 of 2013-14	Auditor-General's Report on the Financial Statements of State entities, Volume 1 – Executive and Legislature, Government Departments, Tasmanian Health Organisations, Other General Government Sector State entities, Other State entities and Superannuation Funds
November	No. 3 of 2013-14	Auditor-General's Report on the Financial Statements of State entities, Volume 2 – Government Businesses, Other Public Non-Financial Corporations and Water Corporations
December	No. 4 of 2013-14	Auditor-General's Report on the Financial Statements of State entities, Volume 3 – Local Government Authorities
December	No. 5 of 2013-14	Infrastructure Financial Accounting in Local Government
2014		
January	No. 6 of 2013-14	Redevelopment of the Royal Hobart Hospital: governance and project management
February	No. 7 of 2013-14	Police responses to serious crime
February	No. 8 of 2013-14	Auditor-General's Report on the Financial Statements of State entities, Volume 4 – Analysis of the Treasurer's Annual Financial Report 2012-13
May	No. 9 of 2013-14	Auditor-General's Report on the Financial Statements of State entities, Volume 5 – State entities 30 June and 31 December 2013, matters relating to 2012-13 audits and key performance indicators
May	No. 10 of 2013-14	Government radio communications
May	No. 11 of 2013-14	Compliance with the Alcohol, Tobacco and Other Drugs Plan 2008-13
June	No. 12 of 2013-14	Quality of Metro services
June	No. 13 of 2013-14	Teaching quality in public high schools
August	No. 1 of 2014-15	Recruitment practices in the State Service
September	No. 2 of 2014-15	Follow up of selected Auditor-General reports: October 2009 to September 2011
September	No. 3 of 2014-15	Motor vehicle fleet management in government departments
November	No. 4 of 2014-15	Volume 3 – Government Businesses 2013-14

Auditor-General's reports are available from the Tasmanian Audit Office. These and other published reports can be accessed on the Office's website: www.audit.tas.gov.au

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Our Vision

Strive | Lead | Excel | To Make A Difference

Our Purpose

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector

Availability of reports

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

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.

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