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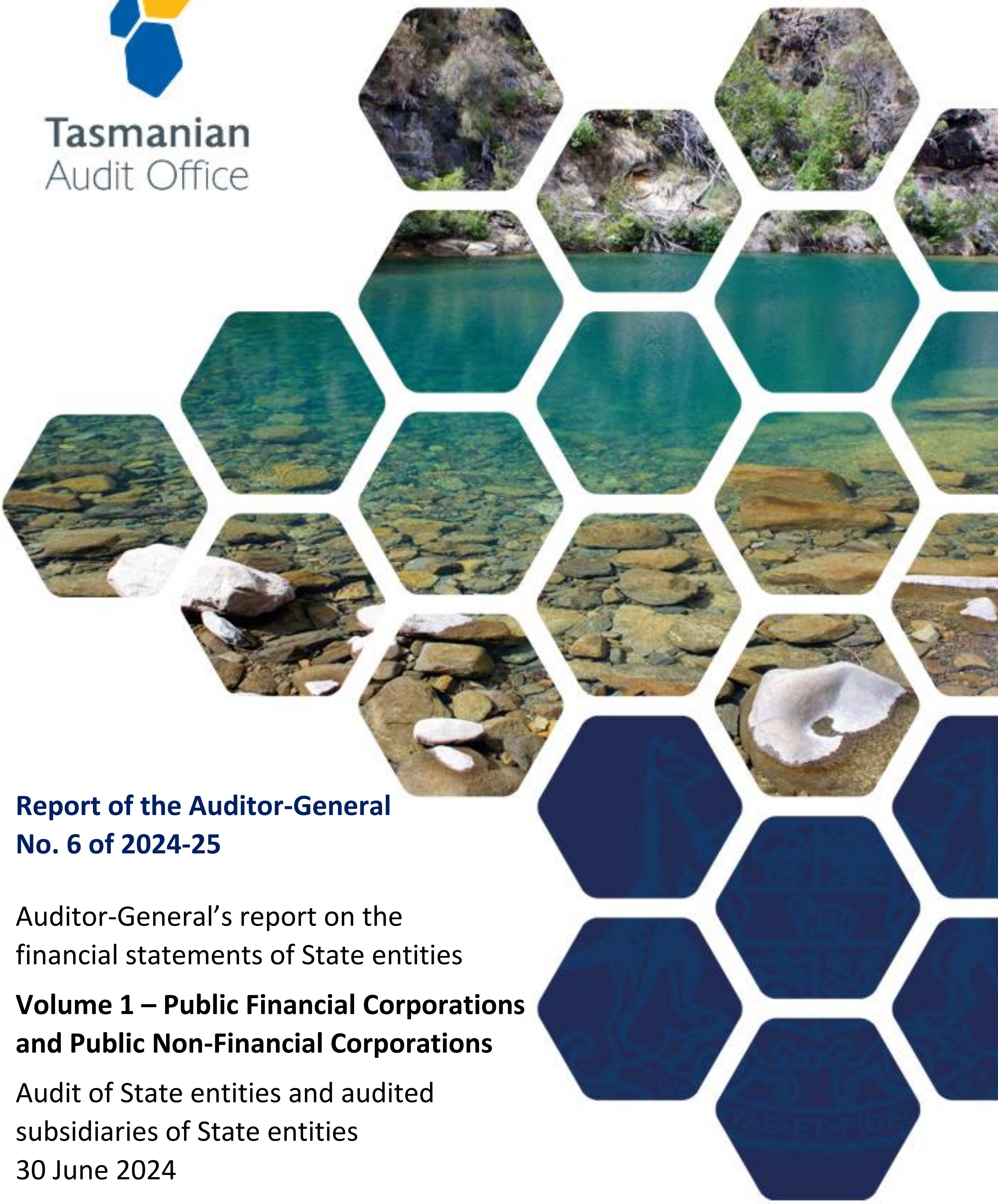

Report of the Auditor-General
No. 6 of 2024-25

Auditor-General's report on the financial statements of State entities

Volume 1 – Public Financial Corporations and Public Non-Financial Corporations

Audit of State entities and audited subsidiaries of State entities
30 June 2024

28 November 2024

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

Our role

The Auditor-General and Tasmanian Audit Office are established under the *Audit Act 2008* (Audit Act) and *State Service Act 2000*, respectively. Our role is to provide assurance to Parliament and the Tasmanian community about the performance of public sector entities. We achieve this by auditing financial statements of public sector entities and by conducting audits, examinations and investigations on:

- how effective, efficient, and economical public sector entity activities, programs and services are
- how public sector entities manage resources
- how public sector entities can improve their management practices and systems
- whether public sector entities comply with legislation and other requirements.

Through our audit work, we make recommendations that promote accountability and transparency in government and improve public sector entity performance.

We publish our audit findings in reports, which are tabled in Parliament and made publicly available online. To view our past audit reports, visit our reports page on our website.

Acknowledgement of Country

We acknowledge Tasmanian Aboriginal people as the traditional owners of this Land, and pay respects to Elders past and present. We respect Tasmanian Aboriginal people, their culture and their rights as the first peoples of this Land. We recognise and value Aboriginal histories, knowledge and lived experiences and commit to being culturally inclusive and respectful in our working relationships with all Aboriginal people.

2024 (No. 28)

2024
PARLIAMENT OF TASMANIA

Auditor-General's report on the financial statements of State entities, Volume 1 – Public Financial Corporations and Public Non-Financial Corporations, Audit of State entities and audited subsidiaries of State entities 30 June 2024

28 November 2024

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

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

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ISSN: 1327 2608

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28 November 2024

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

Dear President, Speaker

Report of the Auditor-General No. 6 of 2024-25: Auditor-General's report on the financial statements of State entities, Volume 1 – Public Financial Corporations and Public Non-Financial Corporations, Audit of State entities and audited subsidiaries of State entities 30 June 2024

In accordance with the requirements of section 29 of the *Audit Act 2008*, I have the pleasure in presenting the first volume of my report on the audit of the financial statements of State entities and audited subsidiaries of State entities for the year ended 30 June 2024.

Yours sincerely

Martin Thompson
Auditor-General

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Executive summary

This report is the first of 3 volumes reporting on our audits for the year ended 30 June 2024. This volume reports on the status of audits of financial statements and provides analysis and commentary on Public Non-Financial (PNFC) and Public Financial Corporations (PFC), Volume 2 will report on the results of the General Government Sector, and Volume 3 will report on the results of the Local Government Sector.

PNFCs and PFCs aggregated underlying profit of $272.99 million was a $263.45 million, or 49.1%, decrease on the 2022-23 result. The deteriorated result was primarily driven by Homes Tasmania which recorded an underlying profit of $116.23 million in 2022-23 compared to loss of $100.20 million in 2023-24, a decrease of $216.43 million.

This report summarises the findings from our audits of PNFCs and PFCs. A total of 50 audit findings arose from these audits, a significant decrease from the 90 findings identified in the previous year. There has been an improvement on the rate at which matters raised are being resolved at PFCs and PNFCs. The current period recorded an overall reduction in all outstanding matters from 108 to 82, representing a reduction of 24.1% in matters to be addressed.

The level of Government support provided to PNFCs and PFCs over the 4 financial years 2020-21 to 2023-24 through government operational funding and commercial industry support has increased significantly. Over this period, the support provided has increased by 115.0%, from $109.17 million to $234.69 million. Much of this increase relates to Homes Tasmania which received $89.65 million in 2023-24, compared to nil in 2020-21 as the entity was only established on 1 December 2022.

The Government received $319.52 million in payments from PNFCs and PFCs, $100.02 million more than the prior year. This was primarily due to an increase of $88.96 million in payments from Hydro Tasmania.

PNFCs continue to heavily rely on borrowings, with a total of $4.11 billion of loan borrowings at 30 June 2024, a 25.1% increase on the previous year's $3.30 billion. Tasmanian Networks Pty Ltd (TasNetworks) has the highest amount of loans, at $2.29 billion as at 30 June 2024, as well as having the highest debt to equity ratio of 170.3%.

Similar to previous years, PNFCs failed to meet their budgeted capital expenditure for 2023-24. The budget for 2023-24 was $1.74 billion compared to actual expenditure of $1.40 billion, a gap of $339.84 million. This is significantly greater than the average gap over the past 4 years of $185.89 million.

Introduction

This report fulfils the Auditor-General's obligation to, on or before 31 December in each year, report to Parliament in writing on the audit of State entities and audited subsidiaries in respect of the preceding financial year.

This report is the first of 3 volumes reporting on our audits for the year ended 30 June 2024. This volume reports on the status of audits of financial statements and provides analysis and commentary on Public Non-Financial and Public Financial Corporations (PNFC and PFC). Volume 2 will report on the results of the General Government Sector, and Volume 3 will report on the results of the Local Government Sector.

Guide to using this report

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

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

Completion of audits of financial statements

Status of audits of financial statements

The status of audits of PFC and PFNC audited subsidiaries as at 31 October 2024 is shown in Table 1 below.

Table 1: Status of audits of State entities and audited subsidiaries as at 31 October 2024

Audits of financial statements	June 2024	June 2023[1]
State entity and audited subsidiaries of State entity financial statements submitted, complete in all material respects:		
• within 45 days of the end of the financial year [Audit Act, section 17(1)]	39	38
• after 45 days of the end of the financial year	3	5
	42	43
Audits of financial statements of State entities and audited subsidiaries of State entities:		
• completed within 45 days of receiving the financial statements [Audit Act, section 19(3)]	22	20
• completed after 45 days of receiving the financial statements	0	2
• audits dispensed	20	21
• Total audits completed as at 31 October 2024	42	43
• Audits not yet completed	0	0
• Audits not yet dispensed	0	0
	42	43

[1] Audit completion for June 2023 year ends as at 31 October 2024.

Public Non-Financial and Public Financial Corporations

Introduction

PNFC are Government owned and include the majority of Tasmania's Government Business Enterprises (GBEs) and State-Owned Companies (SOCs). PNFC range in size and operate in a variety of commercial markets including the energy sector, port operations, transport and forestry.

PFC are Government owned and are mainly engaged in financial intermediation or the provision of ancillary financial services to other State entities.

GBEs are established under their own Portfolio Act and operate within the framework of the *Government Businesses Enterprises Act 1995*. The Governor, based on a joint recommendation of the Treasurer and Portfolio Minister, appoints directors to the boards of GBEs.

SOCs are established under their own Portfolio Act and are incorporated under the *Corporations Act 2001* (Cth). The Treasurer and the Portfolio Minister collectively hold the shares of the companies in trust for the Crown. As shareholder members, they appoint the directors to the boards of SOCs.

GBEs and SOCs operate outside of the Public Account but may provide returns to the Public Account in the form of dividends, income tax equivalents and rate equivalents. Further, they may deliver services for the Government through Community Service Obligations or under contract with the Government.

Entities which are PNFC or PFC is illustrated in Figure 1.

Figure 1: Entities which are PNFC or PFC during 2024

Public Non-Financial Corporations

State-Owned Companies

- Aurora Energy Pty Ltd
- Metro Tasmania Pty Ltd
- Tasmanian Irrigation Pty Ltd
- Tasmanian Networks Pty Ltd
- Tasmanian Ports Corporation Pty Ltd
- Tasmanian Railway Pty Ltd
- Tasracing Pty Ltd
- TT-Line Company Pty Ltd

Government Business Enterprises

- Forestry Tasmania
- Hydro-Electric Corporation
- Port Arthur Historic Site Management Authority
- The Public Trustee

Statutory Authorities

- Homes Tasmania
- Macquarie Point Development Corporation
- Private Forests Tasmania
- Stadiums Tasmania

Public Financial Corporations

Government Business Enterprises

- Motor Accidents Insurance Board
- Tasmanian Public Finance Corporation

PNFC and PFC analysis

Underlying profit

$603m	$125m	$536m	$273m
2020-21	2021-22	2022-23	2023-24
▲ 82%	▼ (79%)	▲ 329%	▼ (49%)

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

Underlying profit (loss) is defined as operating revenue less operating expenditure. This measure of financial performance more accurately reflects the earning power of an entity and the capacity to pay operating costs by removing unusual and non-recurring transactions.

A comparison of the Underlying profit (loss) for each PNFC and PFC over the past 4 financial years is shown in Table 2.

Table 2: Underlying profit (loss)

Entity	Trend	2020-21 $'000	2021-22 $'000	2022-23 $'000	2023-24 $'000
Aurora Energy Pty Ltd	▼	26,890	4,280	11,795	3,224
Homes Tasmania	▼	N/a	N/a	116,230	(100,196)
Hydro Tasmania	●	212,699	125,550	162,695	189,772
Macquarie Point Development Corporation	●	2,021	(13,344)	(392)	1,857
Metro Tasmania Pty Ltd	▼	(802)	3,489	(1,513)	(4,619)
Motor Accidents Insurance Board	▼	302,928	(73,863)	146,680	95,715
Port Arthur Historic Site Management Authority	▲	(5,078)	(4,303)	(930)	(600)
Private Forests Tasmania	●	(448)	143	(466)	(354)
Stadiums Tasmania	●	N/a	N/a	N/a	2,852
Sustainable Timber Tasmania	▼	1,733	2,657	(2,229)	796
Tasmanian Irrigation Pty Ltd	▲	(5,631)	(7,768)	1,926	1,070

Entity	Trend	2020-21 $'000	2021-22 $'000	2022-23 $'000	2023-24 $'000
Tasmanian Networks Pty Ltd	●	25,739	56,996	40,738	29,645
Tasmanian Ports Corporation Pty Ltd	▲	(2,218)	15,258	29,583	31,822
Tasmanian Public Finance Corporation	▲	22,700	10,900	35,100	40,100
Tasmanian Railway Pty Ltd	▼	(4,189)	(3,978)	(9,139)	(5,357)
Tasracing Pty Ltd	▼	4,460	4,867	399	(1,733)
The Public Trustee	▼	533	(223)	46	(3,500)
TT-Line Company Pty Ltd	▼	21,618	4,225	5,910	(7,507)
Total	▼	**602,955**	**124,886**	**536,433**	**272,987**

▲ Improvement in trend ▼ Deterioration in trend ● No material change in trend

PNFCs and PFCs aggregated underlying profit of $272.99 million was a $263.45 million, or 49.1%, decrease on the 2022-23 result. This change was driven by:

- Homes Tasmania – underlying profit of $116.23 million in 2022-23 compared to loss of $100.20 million in 2023-24, a decrease of $216.43 million. As Homes Tasmania was established on 1 December 2022, the comparative underlying profit accounts for 7 months of the financial year. The other main influence on the decrease is due to a reduction in grant funding from the Department of Premier and Cabinet of $110.11 million.
- Motor Accidents Insurance Board (MAIB) – underlying profit of $146.68 million in 2022-23 compared to profit of $95.72 million in 2023-24, a decrease of $50.96 million. This decrease was predominantly due to an increase of $52.15 million in gross claims incurred, resulting mainly from the impact of the movement in economic assumptions (discount and inflation rates), underlying the valuation of the outstanding claims liability.

Ten of the 18 PNFCs and PFCs recorded an underlying profit in 2023-24 (2022-23, 11 of 17). Homes Tasmania generated the largest underlying loss of the 18 entities, $100.20 million, largely due to a reduction in grant funding received from the Department of Premier and Cabinet of $110.11 million.

Revenue received by PNFCs and PFCs

$4.29bn	$3.81bn	$4.64bn	$5.04bn
2020-21	2021-22	2022-23	2023-24
● (2%)	▼ (11%)	▲ 22%	▲ 9%

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

Note: Revenue items such as capital grants and fair value gains or losses have been excluded from this table.

PNFCs and PFCs received $5.04 billion of operating revenue in 2023-24 (2022-23, $4.64 billion). The increase in revenue reflects:

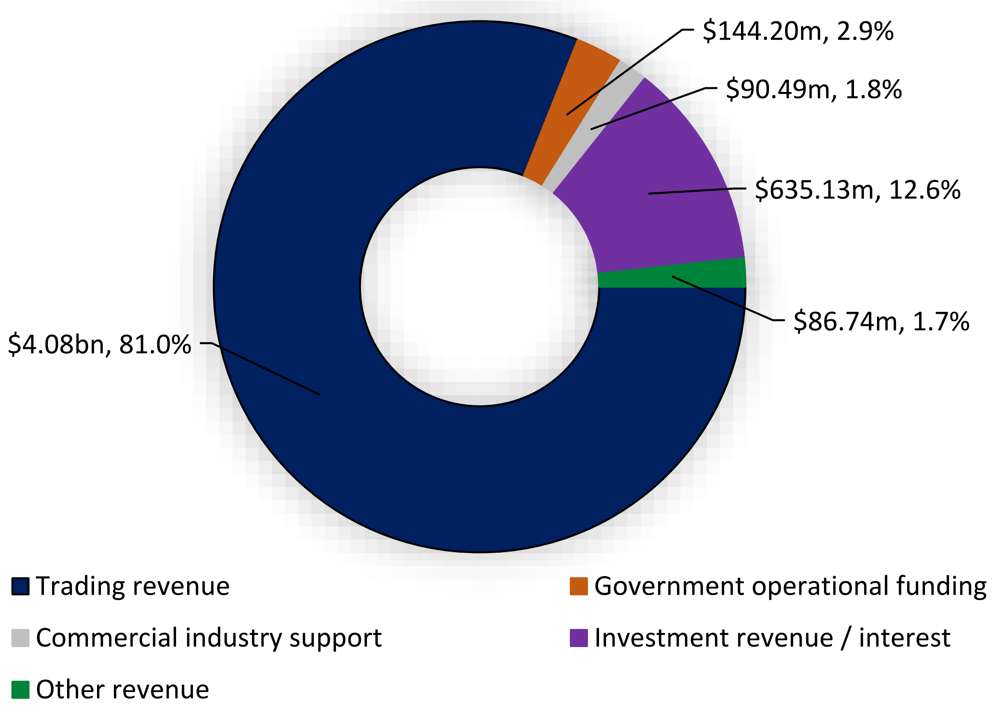
- Hydro Tasmania – revenue of $1.70 billion in 2023-24 compared to revenue of $1.46 billion in 2022-23, an increase of $240.02 million:
  - sale of electricity has increased by $234.44 million, with increases noted across the 2 largest customer types as per below:
    - wholesale – $127.60 million
    - business – $95.04 million
  - wholesale revenue increased due generated electricity from the Australian Energy Market Operator at higher market prices compared to the prior year. The increase in Business revenue is principally due to significant rate increase in underlying wholesale electricity costs, subsequently passed through to customer's bills.
- Tasmanian Public Finance Corporation (TASCORP) – revenue of $484.10 million in 2023-24 compared to revenue of $303.40 million in 2022-23, an increase of $180.70 million. TASCORP's client advances balance has risen from $6.71 billion (2022-23) to $9.02 billion, representing an approximate 34.4% increase. This increase has directly contributed to a corresponding growth in TASCORP's interest revenue, driven not only by the higher principal balance but also by the favourable impact of rising interest rates in the last financial year.

The above was offset by:

- Homes Tasmania – revenue of $173.76 million in 2023-24 compared to revenue of $257.00 million in 2022-23, a decrease of $83.24 million. This was primarily due to a reduction in grant funding received from the Department of Premier and Cabinet of $110.11 million.

Figure 2 shows the sources of revenue for PNFCs and PFCs in 2023-24.

Figure 2: PNFC and PFC revenue ($ and %)



Note: Revenue items such as capital grants and fair value gains or losses have been excluded from this chart.

Consistent with prior years, the main revenue stream for PNFCs and PFCs is trading revenue, generating $4.08 billion in 2023-24 (2022-23, $3.76 billion) representing 81.0% of revenue in the sector.

The 18 PNFC and PFC entities generated $635.13 million in investment revenue and interest in 2023-24 (2022-23, $456.85 million). The majority of this was through the PFC entities, TASCORP and MAIB. Investment revenue and interest generated 12.6% of the PNFC and PFC operational revenue in 2023-24, an increase on the 9.8% generated in 2022-23. This reflects the continued high level of interest rates, as well as the strong performance of financial markets in 2023-24, leading to significant unrealised profits on investments held at 30 June 2024.

Operational funding and industry support

PNFCs that received, in aggregate, Government operational funding and Government commercial industry support greater than 5.0% of their total revenue during 2023-24 are listed in Table 3 (11 out of 18 entities).

Table 3: PNFC operational revenue for entities receiving more than 5.0% of Government support in 2023-24

Entity	Trading revenue $'000	Government operational funding[1] $'000	Commercial industry support $'000	Investment revenue / Interest $'000	Other $'000	Total[2] $'000
Homes Tasmania	49,089	89,649	0	3,139	31,884	173,761
Macquarie Point Development Corporation	1,197	5,000	0	2,669	0	8,866
Metro Tasmania Pty Ltd	11,273	0	54,219	651	6,280	72,423
Port Arthur Historic Site Management Authority	19,627	5,386	0	393	322	25,728
Private Forests Tasmania	245	1,749	0	112	68	2,174
Stadiums Tasmania	0	5,109	0	123	0	5,232
Sustainable Timber Tasmania	130,044	12,162	0	1,182	839	144,227
Tasmanian Irrigation Pty Ltd	20,284	5,756	0	219	223	26,482
Tasmanian Railway Pty Ltd	47,692	13,898	0	653	2,457	64,700
Tasracing Pty Ltd	24,977	0	36,275	1,398	7,050	69,700
The Public Trustee	5,767	4,539	0	359	4	10,669
Total	**310,195**	**143,248**	**90,494**	**10,898**	**49,127**	**603,962**

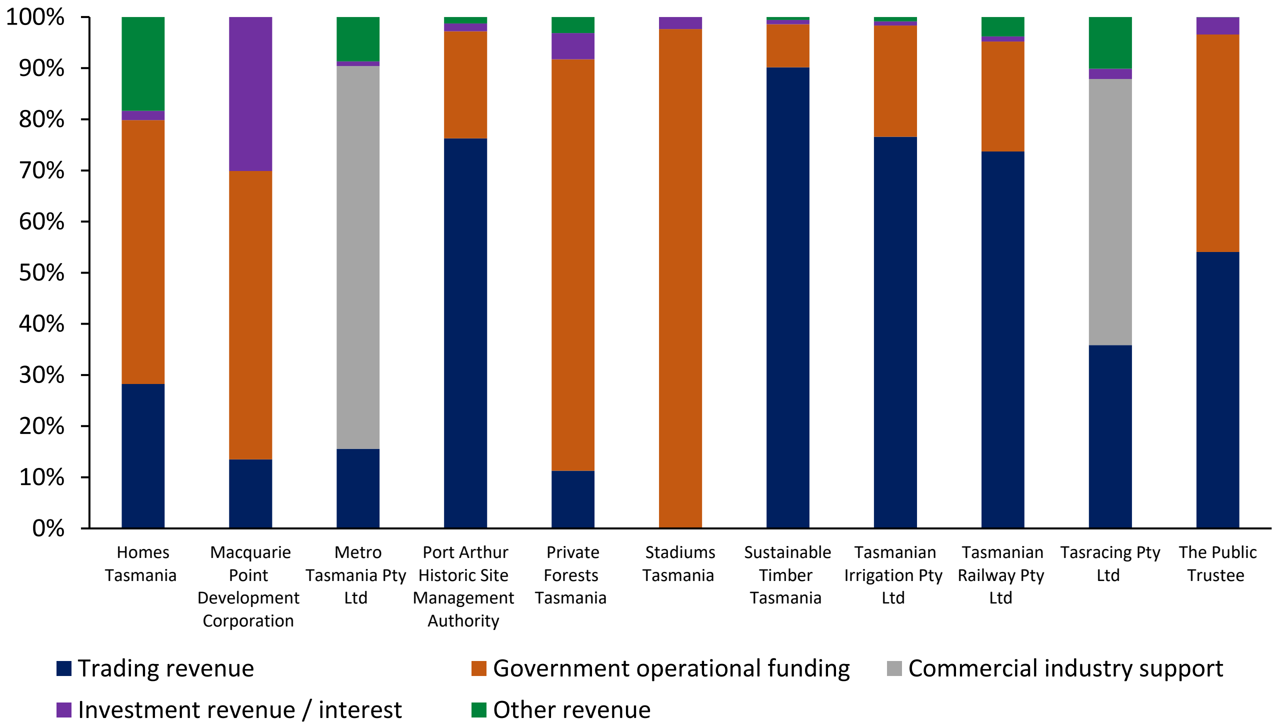
Note 1: Government operational funding of $0.95 million received by TasNetworks was not included in the table above as the amount was less than 5.0% of its total revenue.

Note 2: Total revenue excludes items such as capital grants and fair value gains or losses.

Government operational funding is provided to support PNFCs to deliver their services. Commercial industry support funding is provided to assist the industry maintaining their operations.

A breakdown of the sources of revenue received by the 11 PNFCs that received at least 5.0% of their revenue from Government operational funding or commercial industry support is shown in Figure 3.

Figure 3: Breakdown of the sources of revenue received for PNFCs receiving Government operational funding or commercial industry support



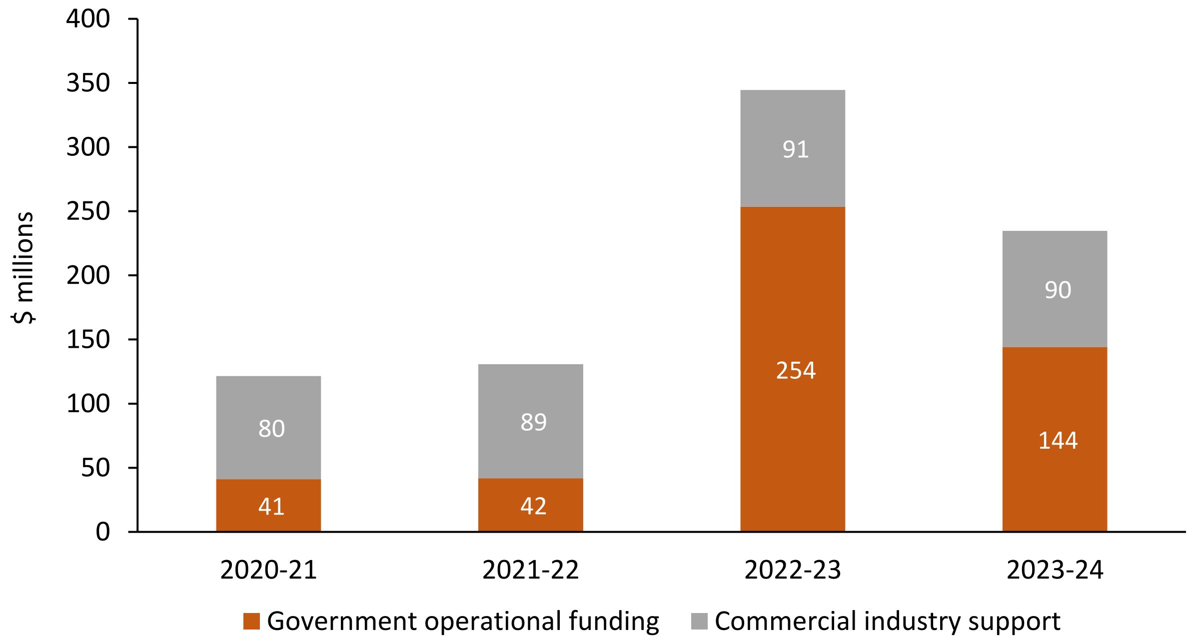
Note: One-off revenue items such as fair value gains or losses have been excluded from this chart.

Metro Tasmania Pty Ltd (Metro) received $54.22 million in commercial industry support, which made up 74.9% of its operational revenue in 2023-24. Similarly, Government support made up 52.0% of Tasracing Pty Ltd's (Tasracing) operational revenue in 2023-24, equating to $36.27 million.

Government operational funding totalling $144.20 million was provided to 10 of the 18 PNFC and PFC entities in 2023-24. Homes Tasmania received $89.65 million of this funding. Stadiums Tasmania received $5.11 million of government operational funding, making up 97.6% of its revenue in 2023-24, whereas Private Forests Tasmania (PFT) received $1.75 million of government operational funding, or 80.5% of its total revenue.

Figure 4 shows the level of Government support provided to PNFCs and PFCs over the 4 financial years 2020-21 to 2023-24 through government operational funding and commercial industry support. Over this period, the support provided has increased by 115.0%, from $109.17 million to $234.69 million.

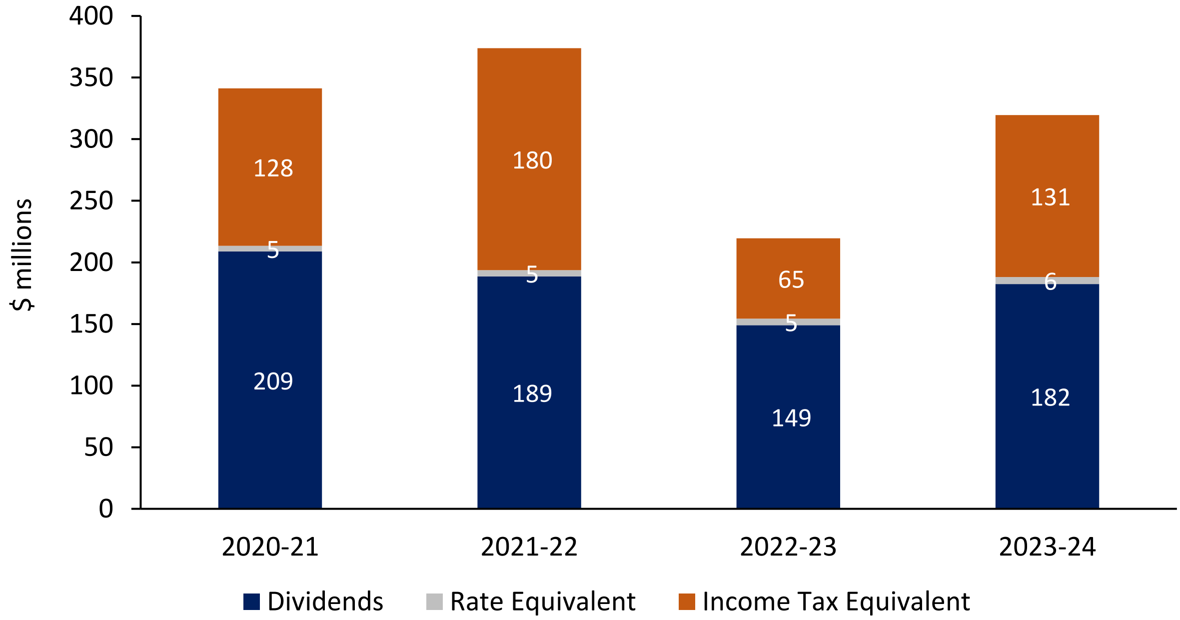
Figure 4: Government operational funding and commercial support



Dividends, rate equivalent and income tax equivalents

PNFCs and PFCs paid $319.52 million (2022-23, $219.50 million) to the Government in 2023-24 through dividends, rate equivalent and income tax equivalent payments. This amount excludes the Mersey Community Hospital Fund (MCHF) dividend of $96.10 million (2022-23, $92.81 million) paid by TASCORP. Figure 5 shows the composition of these payments over the last 4 years.

Figure 5: Dividends, rate equivalent and income tax equivalents



Note 1: Amounts paid to the Government as per entities' Statement of Cash Flows.
Note 2: Figure 5 excludes the MCHF dividends paid by TASCORP 2020-21 to 2023-24.

Table 4 provides a breakdown of the dividends, rate equivalent and income tax equivalent payments made by PNFC and PFC entities to the Government in 2023-24.

Table 4: Dividends, rate equivalent and income tax equivalents, 2023-24[1]

Entity	Dividends $'000	Rate equivalent $'000	Income tax equivalent $'000	2023-24 Total $'000	2022-23 Total $'000
Aurora Energy Pty Ltd	4,221	0	2,570	6,791	0
Hydro Tasmania	105,000	5,722	64,703	175,425	86,460
Motor Accidents Insurance Board	32,718	0	11,523	44,241	52,538
Sustainable Timber Tasmania	600	0	0	600	1,000
Tasmanian Networks Pty Ltd	11,721	0	40,872	52,593	54,055
Tasmanian Ports Corporation Pty Ltd	12,790	0	5,083	17,873	11,463
Tasmanian Public Finance Corporation[2]	15,400	0	6,600	22,000	13,028
TT-Line Company Pty Ltd	0	0	0	0	954
Total	**182,450**	**5,722**	**131,351**	**319,523**	**219,498**

Note 1: Amounts paid to the Government as per entities' Statement of Cash Flows

Note 2: Table 4 excludes the MCHF dividend of $96.10 million in 2023-24 and $92.81 million in 2022-23.

The Government received $100.02 million more in payments from PNFCs and PFCs than the prior year. This was primarily due to an increase of $88.96 million in payments from Hydro Tasmania.

Financing of PNFCs

$394m ▼ (8.8%)

Total cash, deposits and financial investments held at 30 June 2024[2]

Cash, deposits and financial investments held by PNFCs at 30 June 2024 decreased by $37.83 million, or 8.8%, from 30 June 2023.

Of the $393.63 million held in cash, deposits and financial investments, most was held as short-term cash deposits (deposits with less than 3 months maturity term) with only $58.00 million held as investments, principally by Macquarie Point Development Corporation, $30.00 million and Tasmanian Ports Corporation Pty Ltd (TasPorts), $27.50 million.

$4.11bn ▲ 24.6%

Total loan borrowings as at 30 June 2024

PNFCs held $4.11 billion of loan borrowings at 30 June 2024 (30 June 2023, $3.30 billion). Details of loan borrowings held at 30 June 2024, and relevant ratios, are set out in Table 5.

Table 5: Debt and relevant ratios

Entity	Borrowings $'000	Current ratio	Cost of Debt	Interest coverage ratio	Debt to equity
Homes Tasmania	267,296	N/a[1]	5.0%	N/a[2]	6.3%
Hydro Tasmania	803,388	0.75	6.6%	5.85	35.8%
Metro Tasmania Pty Ltd	5,000	1.20	1.7%	N/a[2]	7.5%
Tasmanian Irrigation Pty Ltd	18,782	0.70	5.1%	0.73	52.5%
Tasmanian Networks Pty Ltd	2,291,349	0.28	3.2%	1.51	169.5%
Tasmanian Ports Corporation Pty Ltd	130,000	1.53	0.9%	22.81	38.3%
Tasracing Pty Ltd	4,461	2.05	7.0%	N/a[2]	8.4%
TT-Line Company Pty Ltd	582,205	0.45	0.0%	N/a	131.1%
Total	**4,113,496**				

[2] This excludes cash, deposits and financial investments held by PFCs, MAIB and TASCORP.

Note 1: Homes Tasmania presents its Statement of Financial Position based on financial and non-financial assets and liabilities, therefore unable to determine current ratio.

Note 2: Homes Tasmania, Metro and Tasracing incurred losses in 2023-24, therefore interest coverage ratio is negative, and therefore not applicable.

Hydro Tasmania and TasNetworks accounted for 75.3% of total debt held at 30 June 2024 (30 June 2023, 88.0%).

PNFCs with debt had a weighted average current ratio of 0.99, which is a significant improvement compared to the 2022-23 result of 0.55. This outcome is almost equal to the benchmark of 1.00, which indicates a balanced net working capital result. Of the 8 PNFC entities that held borrowings at 30 June 2024, 4 held current liability balances that exceeded their current assets. Maturing short term debt for these entities is expected to be refinanced during 2024-25 in line with their Treasury Risk Management Policy and Master Loan Facility Agreement with TASCORP.

Equity contributions

In 2023-24, the Government invested $112.64 million in PNFC entities through equity contributions (2022-23: $3.75 billion). Table 6 provides a breakdown of the payments made.

Table 6: Equity contributions to PNFCs

Entity	Purpose of equity contribution	$'000
Hydro Tasmania	Battery of the Nation – Tarraleah (Australian Government contribution)	9,800
Metro Tasmania Pty Ltd	Battery Electric Bus Trial, section 23 rollover from 2022-23	3,268
Tasmanian Irrigation Pty Ltd	Tranche 3 Irrigation Projects	7,522
	Energy on Farms	1,110
	National Water Infrastructure Development Fund (Australian Government contribution)	34,144
Tasmanian Railway Pty Ltd	Tranche 3 Tasmanian Freight Rail Revitalisation Programme	28,000
	Tranche 3 (Australian Government contribution)	18,000
	Tranche 4	6,000
	Legacy Locomotives Life Extension Project	3,800
Tasracing Pty Ltd	North West Racing Infrastructure	750
	Supplementary Capital Funding	250
Total		**112,644**

Equity contributions provided to PNFCs have declined in the current year, as shown in Figure 6. The equity contribution to Homes Tasmania in 2022-23 has been excluded as it relates to the establishment of the entity following an administrative restructure.

Figure 6: Equity Contributions to PNFCs

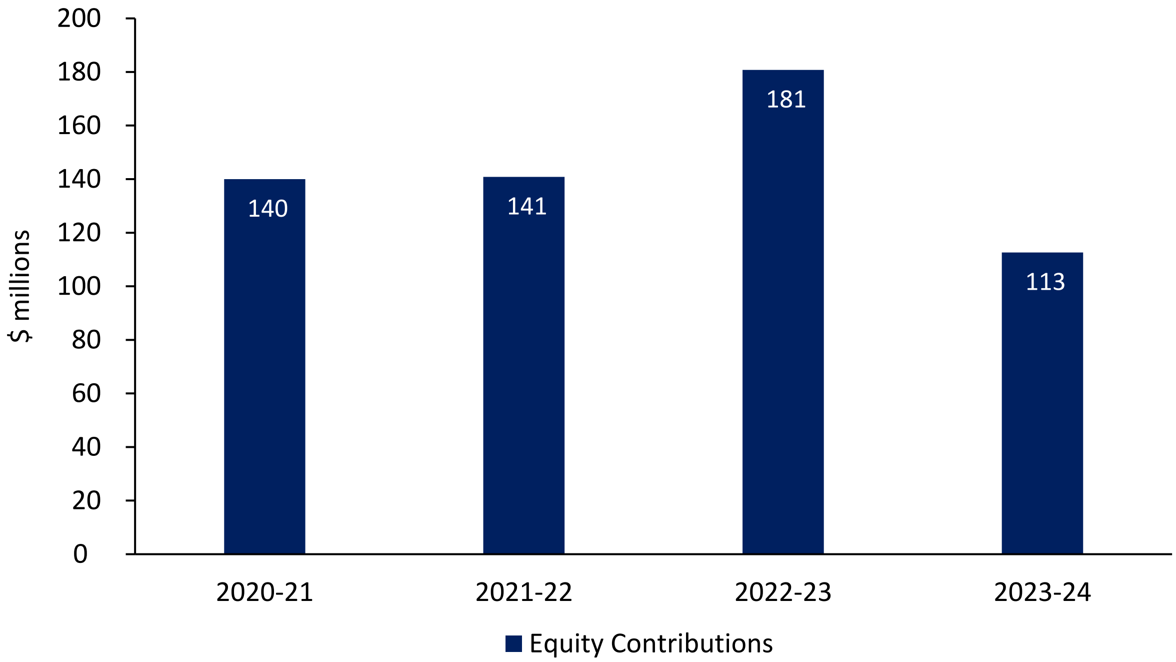


Figure 7 details which PNFCs have received equity contributions over the past 4 years. Majority of equity contributions are provided to entities on a one-off basis for a specific purpose.

Figure 7: Equity contribution received by each PNFC

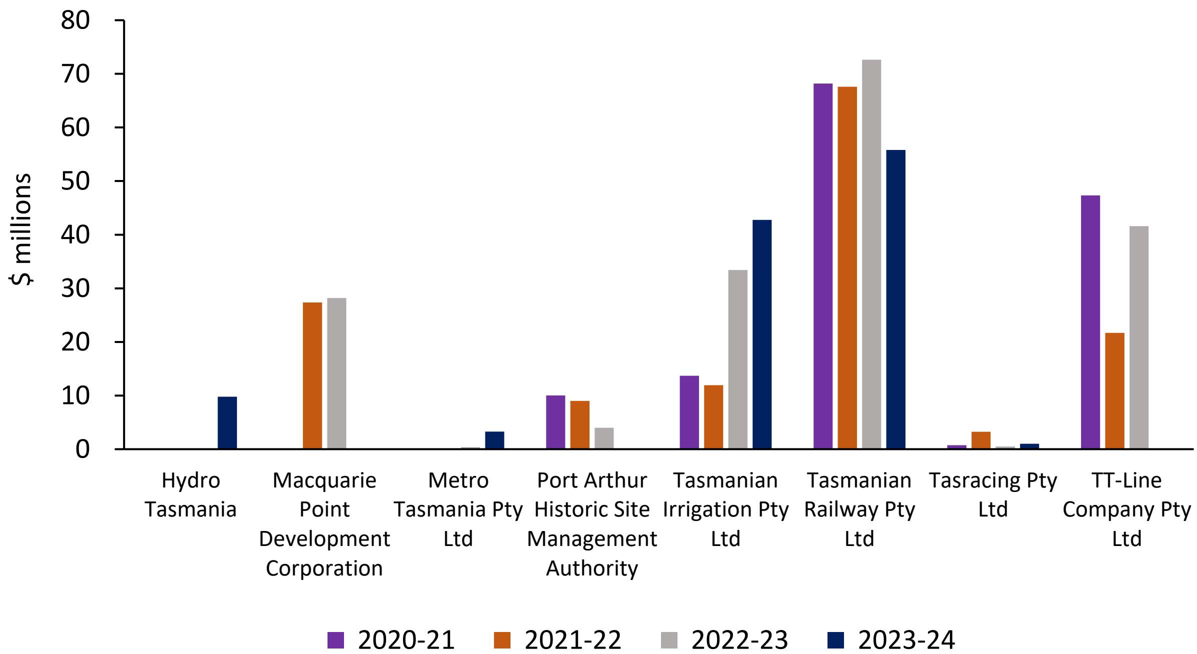
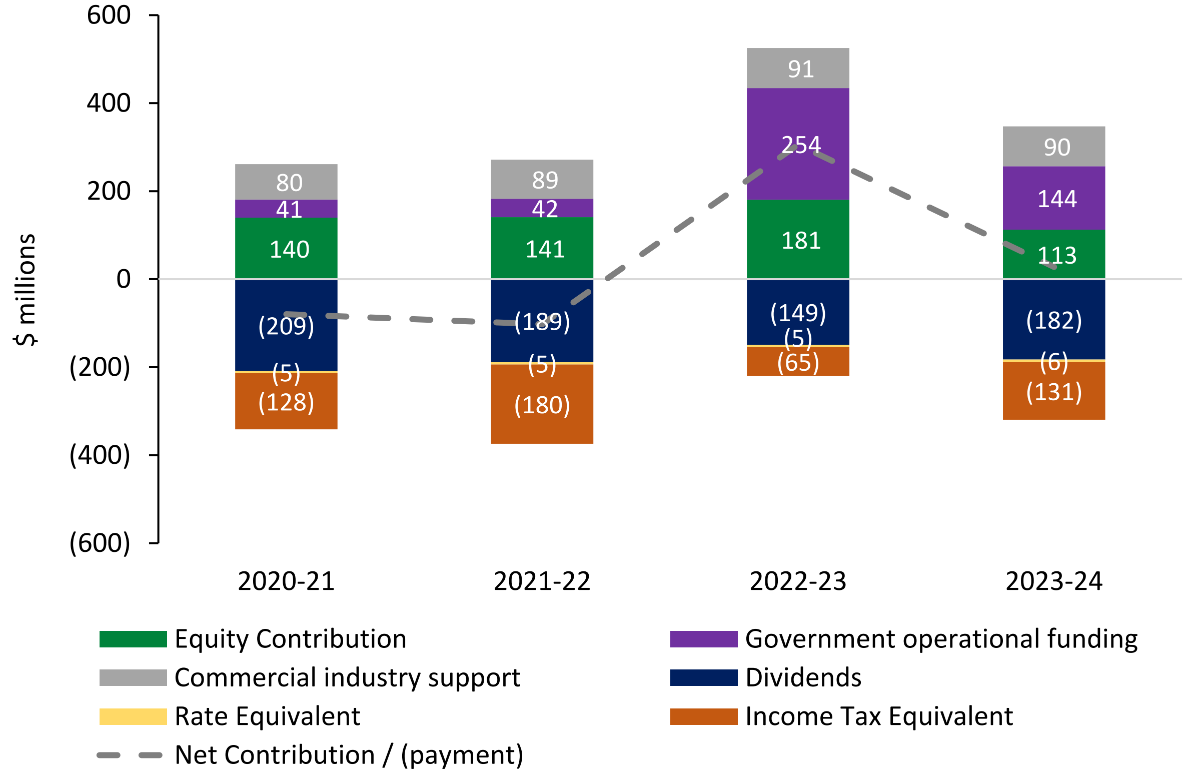


Figure 8 compares the contributions by Government to PNFCs, consisting of equity contributions, government operational funding and commercial industry support, to the payments by PNFCs to Government, consisting of dividends, rate equivalent and income tax equivalent, over the past 4 years.

Figure 8: Contributions by Government compared to payments to Government



Transactions between government and PNFCs are recorded within the general government sector and have the following impact on the general government sector:

- receipts $319.52 million
- payments $234.69 million
- investment (asset) $112.64 million.

These transactions reduce the general government sector deficit by $84.83 million.

Capital investment by PNFCs

$3.67bn	$4.42bn	$185.89m
Total Capital Spend over last 4 years	Total Budgeted Capital Spend over last 4 years	Average Spend Gap over last 4 years

Note: Budget figures represent budgeted capital expenditure based on PNFC corporate plans for 2023-24 and actual Capital Spend represents payments for acquisition of non-financial assets as disclosed in the Statement of Cash Flows in the audited financial statements of each PNFC.

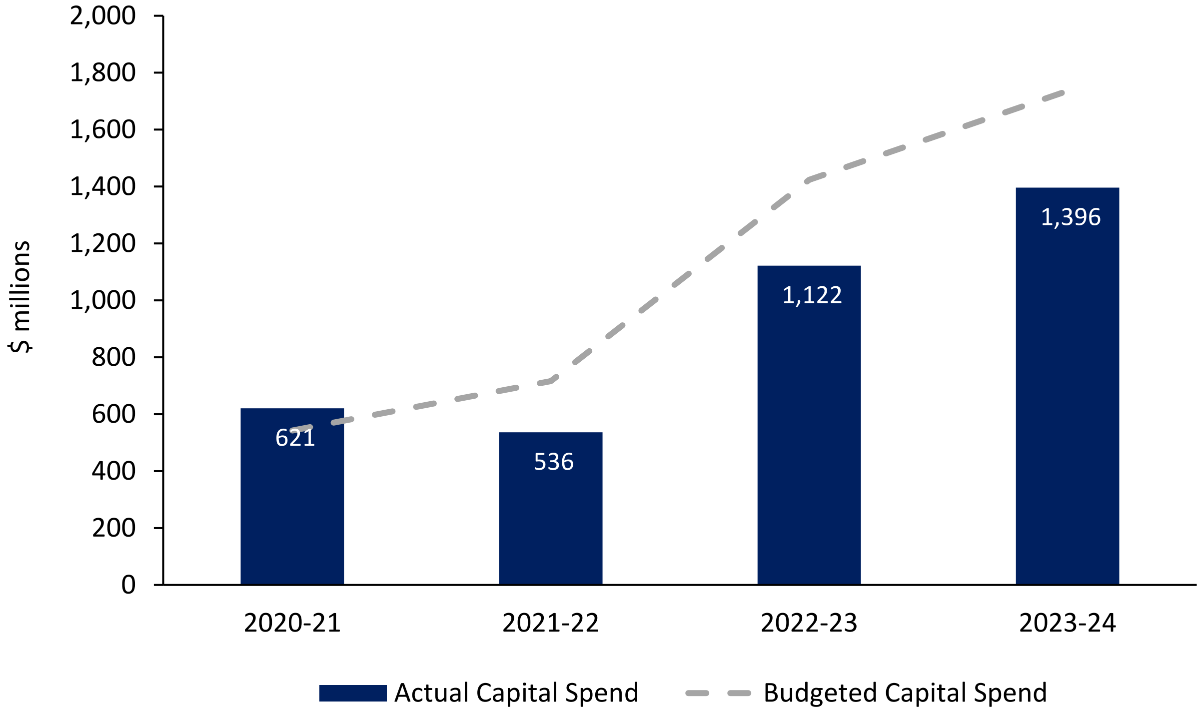
PNFCs invested a total of $3.67 billion in capital projects over the past 4 years, including $1.40 billion in 2023-24, an increase of $274.22 million over the 2022-23 capital spend of $1.12 billion. This increase is a result of:

- Homes Tasmania: $44.06 million increase, principally due to Homes Tasmania only being established for 7 months in the prior year.
- Hydro Tasmania: $60.80 million increase due to increase capital works activity within a large number of project across the state, but it also includes 2 new significant projects, being the proposed Tarraleah redevelopment and the Cethana pumped hydro project:
    - Works at Tarraleah have reached the implementation stage, with spending in the 2023-24 financial year totalling $39.45 million. Hydro Tasmania have advanced activities to support the upcoming procurement phase, progressed environmental approvals and technical studies, and completed the preliminary business case. Hydro Tasmania have now commenced the next stage of the business case, to refine cost estimates, the procurement approach and timeframes.
    - In the current year, Hydro Tasmania has began the Cethana project which is in a planning and procurement phase. Hydro Tasmania intends to use this lake to build electrical infrastructure to provide reliable renewable energy for consumers through water storages. For 2023-24, the total amount capitalised is $20.04 million, with significant future expenditure expected.

  Other significant capital projects include upgrade works at Lake King William where key pieces of infrastructure (an intake, tunnel portal and one kilometre connecting tunnel) are in progress. This activity will support a potential new scheme and power station in the future. The total amount capitalised in the current year amounted to $33.30 million.
- Tasmanian Networks: $55.54 million increase relates to the continuation of the North West Transmission Development project and increased expenditure on a number of intangible asset projects during 2023-24.
- TT-Line Company Pty Ltd (TT-Line): $90.24 million increase. The main increase in Capex between years relates to:
    - progress of Devonport Berth 3 resulting in $46.84 million increase in work in progress (WIP) for the project (2022-23 $5.86 million; 2023-24 $52.70 million)
    - progress on the vessel replacement program made with further progress payments made on the vessel this year, including additional payments as a result of a change in the contract price to reflect the increase in construction costs of the vessels.

A comparison of actual capital expenditure against budget for the past 4 years is shown in Figure 9.

Figure 9: Capital spending by PNFCs



Note: Budgeted capital spend consists of the capital budget set by each PNFC in each financial year, as disclosed in their annual budgets / corporate plans.

The following entities accounted for 83.1% of the total capital expenditure for 2023-24:

- Homes Tasmania: $154.23 million spent as part of delivering the Tasmanian Government’s 10-year, $1.50 billion plan to provide an additional 10,000 social and affordable homes by 2032.
- Hydro Tasmania: $241.56 million, across a number of significant projects, including 2 new significant projects, being the proposed Tarraleah redevelopment and the Cethana pumped hydro project.
- TasNetworks: $336.15 million, which included construction work for the transmission and distribution network, with $13.90 million on the North West Transmission Development project being the most significant development. Payments for intangibles assets of $61.23 million related to the Voltage PQ Monitor project, CRAM Audit Actions Implementation project and the Monarch 2022 Upgrade project. Additionally, $27.85 million was spent developing the Marinus Link intangible asset up to the final investment decision.
- TT-Line: $428.47 million, mainly attributable to the vessel replacement and Devonport berth 3. Of this total, $372.85 million relates to the vessel replacement and $55.90 million was expended for the Devonport berth.

Table 7 shows the amount spent by PNFCs on capital expenditure in 2022-23 and 2023-24, together with a comparison of the actual amount spent on capital expenditure for 2023-24 against budgeted capital expenditure.

Table 7: Capital expenditure by PNFCs in 2022-23 and 2023-24

Entity	Actual 2022-23 $'000	Actual 2023-24 $'000	Budgeted 2023-24 $'000	Actual to Budget Variance 2023-24 $'000
Aurora Energy Pty Ltd	1,746	1,043	2,000	(957)
Homes Tasmania	110,165	154,226	223,908	(69,682)
Hydro Tasmania	180,782	241,557	232,100	9,457
Macquarie Point Development Corporation	3,991	8,394	4,448	3,946
Metro Tasmania Pty Ltd	5,611	8,865	21,753	(12,888)
Port Arthur Historic Site Management Authority	1,003	2.054	3,209	(1,155)
Private Forests Tasmania	0	0	0	0
Stadiums Tasmania	N/a	314	0	314
Sustainable Timber Tasmania	10,968	11,445	10,408	1,037
Tasmanian Irrigation Pty Ltd	49,664	43,520	125,907	(82,387)
Tasmanian Networks Pty Ltd	280,617	336,154	474,800	(138,646)
Tasmanian Ports Corporation Pty Ltd	52,985	69,309	142,423	(73,114)
Tasmanian Railway Pty Ltd	80,384	84,127	83,840	287
Tasracing Pty Ltd	5,519	6,432	23,450	(17,018)
The Public Trustee	212	182	100	82
TT-Line Company Pty Ltd	338,226	428,468	387,582	40,886
Total	**1,121,873**	**1,396,090**	**1,735,929**	**(339,839)**

Note: Actual figures represent payments for acquisition of non-financial assets as disclosed in the Statement of Cash Flows in the audited financial statements of each PNFC. Budget figures represent those from Corporate Plans for 2023-24.

Explanations for variations are provided below for those PNFCs where the variance is greater than $25.00 million and less than 80.0% of their capital expenditure budget:

- Homes Tasmania – capital expenditure shortfall of $69.68 million was principally due to budgeted expenditure, including payments for investments of $40.00 million, which was separated in the financial statements. In addition, budgeted receipts and expenditure was overstated by $50.00 million as the budget included cash inflows for Commonwealth Social Housing Accelerator that did not occur.
- Tasmanian Irrigation Pty Ltd (Tasmanian Irrigation) – capital expenditure shortfall of $82.39 million. Tasmanian Irrigation had planned to commence construction of the Northern Midlands Irrigation Scheme in April 2024, as outlined in their Corporate Plan 2023-2027. However construction was postponed until August 2024.
- Tasmanian Networks – capital expenditure shortfall of $138.65 million. This shortfall primarily resulted from the sale of Marinus in March 2024 and an underspend on the North West Transmission Development project. The underspend on the North West Transmission Development project was as a result of scope changes on the project, and therefore a need to lodge further environmental impact statements and development applications.
- TasPorts – capital expenditure shortfall of $73.11 million. TasPorts had budgeted annual capital expenditure of $109.39 million for the QuayLink project as outlined in their Corporate Plan 2024-2027. Due to delays in the project, actual capital expenditure fell well short of budget, accounting for a large majority of the capital expenditure shortfall.

PNFC and PFC developments

This section summarises significant developments that affected the operations of PNFCs and PFCs during 2023-24. Analysis in this chapter has been performed using the consolidated financial results of those PNFCs and PFCs with controlled entities.

Aurora Energy Pty Ltd

Financial result

In 2023-24, Aurora Energy Pty Ltd (Aurora Energy) generated a profit before tax of $3.21 million, compared to $11.75 million for the previous year. The 2023-24 result reflects wholesale energy prices remaining at historically high levels.

In 2023-24 sales revenue from customers increased by $17.42 million with a corresponding increase of $28.83 million in energy and network purchases to service customers.

Electricity market volatility and impact on cash flow hedges and net assets

Aurora Energy's net asset position as at 30 June 2024 was $98.70 million, an increase of $60.25 million from the previous year. The main driver of the increased net asset position was the change in the value of electricity derivatives as at 30 June 2024.

The higher valuation of electricity derivatives at 30 June 2024 resulted in a net cash flow hedge gain of $62.22 million being included both in the cash flow hedge reserve in Equity and Total Comprehensive Income at 30 June 2024.

Aurora Energy's cash position as at 30 June 2024 benefitted from the cash received for the Supercharged Renewable Energy Dividend program, this cash will offset lower receipts from customers in the first quarter of financial year 2024-25.

Market trade receivables and payables

Electricity prices were higher at 30 June 2024 than at 30 June 2023. This had an impact on the valuation of Aurora Energy's contracts with Hydro Tasmania, which are used to manage energy purchase costs. This movement meant:

- market trade receivables, representing amounts receivable under a contract for difference for energy purchases with Hydro Tasmania were $57.59 million at 30 June 2024, compared to nil at 30 June 2023
- market trade payables, representing amounts payable under a contract for difference for energy purchases with Hydro Tasmania were nil at 30 June 2024, compared to $15.97 million at 30 June 2023
- trade and other payables of $198.69 million at 30 June 2024, were $91.28 million higher than the balance at the end of the previous financial year, representing an increase in the amount due to the Australian Energy Market Operator at the end of the financial year.

Retail energy platform

Aurora Energy continued to implement its new Retail Energy Platform, HubCX, their cloud-based customer care and billing system and the migration to the new platform was completed on 28 June 2024.

Following completion of the transfer process, the legacy system, Customer Care and Billing system is no longer in active use.

Forestry Tasmania (trading as Sustainable Timber Tasmania)

Consolidated financial result

Sustainable Timber Tasmania achieved a profit before tax of $0.53 million for 2023-24, a decrease of $5.27 million from the previous year. The decline was primarily due to the decrease in the biological asset valuation in 2023-24 ($0.26 million) relative to the increase in 2022-23 ($8.03 million).

Sales of Forest products revenue increased by $20.09 million over the previous year to $123.13 million. There was a corresponding increase in contractor and freight expenses of $18.42 million over the previous year.

Other sources of revenue including sales of leases, licenses, insurance proceeds, other forest management services, performance of community service obligations and other government funding remained relatively constant with the previous year (decreasing by $0.09 million to $19.03 million in 2024).

Other comprehensive income totalling $0.07 million related to revaluation of land and buildings, the defined benefits liability and remeasurement of equity instruments.

Biological assets

The Biological asset comprises standing timber on Permanent Timber Production Zone Land and freehold land acquired between 1997 and 2004.

An independent market valuation based on a net present value (NPV) calculation is undertaken for these assets. NPV is calculated as the net future cash flows associated with forest production activities discounted back to current values at the appropriate discount rate. Key assumptions underpinning the NPV calculation, which influence the final valuation and the profit before tax as noted includes the Forest valuations which are based on the expected volumes of saleable timber that will be realised from existing stands having considered management strategies and estimated timber recovery rates.

Only the current crop (standing timber) is valued. The cash flow analysis is based on the optimised timing of the harvest of existing stands which has been developed in the context of sustainable yield management and the quantities available for harvest under the *Forest Management Act 2013*.

Property, plant and equipment

The net value of property, plant and equipment increased by $4.42 million in 2023-24, primarily as a result of asset additions of $12.38 million, offset by annual depreciation of $7.27 million.

Homes Tasmania

Financial result

Homes Tasmania recorded a deficit of $169.86 million for the financial year ended 30 June 2024, compared to a surplus of $103.40 million for the period from 1 December 2022 to 30 June 2023, the first financial period after establishment.

The variance largely reflects the partial operations only in 2022-23, coupled with one-off grants from the State Government in 2022-23 from the dissolution of the former Department of Communities Tasmania.

Financial sustainability

Homes Tasmania recorded a deficit of $169.86 million for the financial year ended 30 June 2024, with a further budgeted net loss in 2024-25 of $101.22 million.

Whilst budgeted grant expenditure will increase by $134.30 million in financial year 2024-25, this will be fully funded from a budgeted increase in income of $59.37 million, an increase in borrowings for capital grants, and the use of cash reserves carried over from 2023-24.

The Government has provided a guarantee for Homes Tasmania's borrowings from TASCORP. As at 30 June 2024, this support was limited to a maximum amount of $266.00 million. On 18 July 2024, the Treasurer increased this limit to $336.00 million. The

2024-25 Budget has also provided Homes Tasmania with an additional $140.00 million in Budgeted borrowings, up to $476.00 million in total borrowings.

Homes Tasmania's rental dwellings and community housing stock

At 30 June 2024, Homes Tasmania disclosed $2.07 billion of rental dwellings and $158.28 million in community housing stock.

These asset classes are revalued every 2 years using a mix of full valuations or updated suburb based indices. The revaluation cycle aligns with the Valuer-General's practice of updating capital values every 2 years. Rental dwellings and community housing stock were revalued at 30 June 2024, recognising a revaluation increment of $209.54 million and a revaluation decrement of $0.47 million respectively.

During 2023-24, Homes Tasmania recognised $117.17 million in capital works relating to property, plant and equipment. During the reporting period, $41.48 million was commissioned as completed rental dwellings, and $59.28 million as completed community housing stock. A further $13.06 million related to land purchases.

Service Concession Assets

At 30 June 2024, Homes Tasmania recognised $1.97 billion relating to service concession assets.

These assets are built, operated and managed on behalf of the government by Community Housing Organisations for a set period of time. Homes Tasmania recognises these assets at fair value as they will be returned to Homes Tasmania by the Community Housing Organisations at the end of the agreement.

Hydro-Electric Corporation (trading as Hydro Tasmania)

Consolidated financial result

Hydro Tasmania’s result for the year was a profit before tax of $234.56 million, compared to $332.82 million in 2022-23. The decrease in profit was primarily due to a reduction in net position of fair value gains and losses of $134.30 million, arising from market movements in energy prices derivatives and economic hedge instruments.

Total revenue increased by $190.28 million for 2023-24 to $1.84 billion, due to an increase in the sale of electricity of $234.44 million, principally offset by the decrease in fair value gains discussed previously.

Excluding the impact of fair value losses discussed above, the remaining expenditure increased by $212.26 million, mainly due to an increase in direct expenses of $196.33 million.

Infrastructure investment

Additions to property, plant and equipment and works in progress for 2023-24 amounted to $246.42 million. Major projects being undertaken by Hydro Tasmania include:

- Tarraleah redevelopment and upgrade works, $60.76 million
- planning for pumped hydro project at Lake Cethana, $20.00 million

- Poatina upgrades and refurbishments, $14.08 million
- Murchison Dam upgrade stage 2, $9.68 million.

For Tarraleah and Lake Cethana, as at 30 June 2024, Hydro Tasmania is working on progressing to final investment decision for both of these flagship projects.

Tarraleah Hydro Power Scheme Redevelopment

In April 2022, the Commonwealth and State Governments entered into a funding agreement through the Federal Department of Industry, Science, Energy and Resources (now the Department of Climate Change, Energy, the Environment and Water) to provide up to $65.00 million to support the redevelopment of the Tarraleah hydropower scheme, increasing both capacity and flexibility. The funding will enable the project to be progressed to Final Investment Decision (FID) and will contribute to a package of upgrade works prior to FID. The funding is expected to be a mixture of both grant ($13.00 million) and equity ($52.00 million) contributions.

In the current year, Hydro Tasmania advanced activities to support the upcoming procurement phase, progressed environmental approvals and technical studies, and completed the preliminary business case. Hydro Tasmania have now commenced the next stage business case to refine cost estimates, procurement approach and timeframes.

Lake Cethana – proposed pumped hydro project

Hydro Tasmania's proposed pumped hydro project at Lake Cethana will be Tasmania's first – a 750 MW scheme with up to 20 hours' storage duration capacity. Detailed analysis of the commercial and technical feasibility was completed, with a preliminary business case endorsed by the Board. Work is progressing on the final business case, further shaping the market opportunities, commercial analysis and demonstration of benefits. An extensive geotechnical program was undertaken to support design finalisation and construction planning. Hydro Tasmania advanced its readiness to commence procurement and progressed regulatory approvals and technical studies.

Macquarie Point Development Corporation

Financial result

Macquarie Point Development Corporation (the Corporation) recorded a comprehensive result at 30 June 2024 of $18.59 million (2022-23: $13.12 million loss). The significant movement is due to the changes in asset valuations.

The net result from operations remained consistent with small increases in revenue and decreases in expenditure from the previous reporting period.

Multi-purpose Stadium

In September 2022, the Tasmanian Government announced the plan for the development of a new Multi-purpose Stadium at the Macquarie Point Development site. On 15 October 2023, the Corporation released its draft Precinct Plan, working with parties for its development.

The Precinct Plan remains in draft form since its publication, as the Corporation awaits confirmation of these precinct plans, they have continued to perform works at the site which include the continued remediation activities.

At 30 June 2024, estimated cost to complete site remediation amounted $3.15 million. The Corporation anticipate that remaining site remediation works will be completed in financial year 2024-25. The total Multi-purpose Stadium work in progress amounted to $3.10 million.

Metro Tasmania Pty Ltd

Consolidated financial result

For 2023-24, Metro recorded a loss before income tax of $4.63 million (2022-23, loss $2.04 million). Contributing factors included a $2.89 million decrease in Service Contract revenue and a $3.49 million increase in employee related expenses.

The Department of State Growth (State Growth) reduced the Service contract payments in accordance with the terms of their contract, adjusting for both services impacted by the temporary service adjustment (TSA) and lower fuel prices. Approximately $2.37 million was attributable to reductions to services affected by the TSA.

Employee-related expenses increased due to wage increases, including a temporary 10.0% wage increase for Bus Operators announced in late 2023 that was supported by a funding package from the Tasmanian Government.

Passenger Service Contract

In August 2022, Metro entered into a Contract with the State Growth, which included the provision of funding through both an annual service fee and debt funded fleet replacement model. The Contract was expiring in December 2024 with an option to extend for additional 5 years. Metro received an extension notice for its Passenger Service Contract with State Growth with a contract expiry date of 31 December 2029.

Shortage of bus drivers

Due to bus driver shortages, Metro has reduced its services by implementing a TSA from 28 August 2023, reducing the standard weekday timetable for Hobart by 177 services.

Modernising business systems – Intelligent Transport Systems (ITS)

The ITS Program aims to accelerate investment to replace obsolete technology infrastructure and outdated systems that will improve services to customers and enable Metro to operate as efficiently as possible. During 2023-24, Metro completed a range of projects, including migration of ICT systems to the cloud, an uplift in workplace communications platforms, development of a Data Strategy, a review of Metro’s on-bus ICT architecture and enhanced security, and installation of dynamic information displays for staff and customers.

In addition, Metro conducted procurement processes and entered contracts for a new service planning and rostering system and a new Human Resource Information System, to be delivered during 2025 and 2026.

Together with State Growth's investment in a new ticketing system, these updates are designed to equip Metro with the tools it needs for efficient management of their people, operations and bus service delivery.

Zero emission bus trials in Launceston

During 2023-24, Metro launched the first ever battery electric bus (BEB) trial in Launceston. The 4 BEBs procured for the trial will operate services on routes across Metro's Launceston network. Metro's trial of the BEBs is as an important initiative that aims to contribute to Tasmania's goal to maintain net zero greenhouse emissions, or lower, by 2030.

Hydrogen bus trials in Hobart

Metro has made substantial progress with its hydrogen fuel cell bus electric (HEB) trial in Hobart. The HEBs are powered by an electric motor, using hydrogen gas as fuel. The hydrogen is converted to electricity on board through a fuel cell. During 2023-24, 3 HEBs were delivered to Metro in May 2024, with pre-service operational testing commenced.

Motor Accidents Insurance Board

Financial result

The 2023-24 financial result for the MAIB was a profit before tax of $95.72 million, decreasing from a profit before tax of $146.68 million in 2022-23. This decrease was predominantly due to an increase of $52.15 million in gross claims incurred, resulting mainly from the impact of the movement in economic assumptions (discount and inflation rates) underlying the valuation of the outstanding claims liability.

Despite the volatility in financial results over the past 2 years, the key cash flows from operations have remained relatively stable. Premium receipts in 2023-24 totalled $165.34 million (2022-23: $161.32 million) with claim payments of $110.04 million (2022-23: $104.10 million). There was a general premium indexation of 2.5% applied to motor vehicle premiums during 2023-24.

Claims experience

MAIB received 1,953 new claims in 2023-24, an increase from 1,899 in 2022-23. The increase of 2.8% offsets the previous downward trends experienced, including declines of 1.2% in 2022-23 and larger decreases of 11.1% in 2021-22 and 5.7% in 2020-21, however the 2023-24 new claims are less than historical experience of approximately 2,000 claims per year. The claim frequency rate per 1,000 registered vehicles remained stable between 2022-23 and 2023-34 at 3.3.

Port Arthur Historic Site Management Authority

Financial result

Port Arthur Historic Site Management Authority (PAHSMA) incurred a loss of $0.60 million for 2023-24, a slight improvement on the loss of $0.93 million in 2022-23. Visitor numbers continued to trend upwards and increased by 3.0% compared to last year and are heading towards pre COVID levels.

During the year PAHSMA received $1.00 million in COVID-19 funding support from the State Government. This funding is part of a total of $20.00 million provided by the State since 2020 to support PAHSMA through the financial impacts of COVID-19. A final instalment of $1.00 million of this funding will be received in 2024-25.

Water and sewerage infrastructure replacement

PHASMA manages water and sewerage infrastructure for the site and some surrounding businesses. This infrastructure is approaching its end of life. Analysis recently completed identified that upgrades are necessary to support the infrastructure's future operational capacity, with further analysis being undertaken to determine a sustainable future solution.

The Treasurer has announced funding in the 2024-25 budget to assist in funding upgrades to reduce the risk of the infrastructure failure.

Private Forests Tasmania

Financial result

PFT reported a deficit of $0.35 million for 2023-24 (2022-23: $0.47 million loss). The deficit reflects a strategic Board decision to allocate funds into programs with private sector partners aimed at accelerating the implementation of its Corporate Plan objectives. These funded projects are designed to support the growth of the private forestry sector through targeted initiatives in marketing, communications, information development, and the promotion of best practice farm forestry.

Operating cash inflows for 2023-24 totalled $0.22 million. However, after accounting for the $0.60 million non-recurrent grant received for the Trees on Farms project, net cash outflows from operations were $0.38 million (2022-23: net outflow of $0.35 million).

Two consecutive years of operating losses and negative cash flows from operations signal that financial sustainability is an emerging risk PFT will need to actively manage.

Trees on Farms grant

PFT signed the Trees on Farms grant deed with State Growth on 20 December 2023. The deed provides funding of $0.60 million, payable in full upon submission and acceptance of an Agreed Plan.

According to the Agreed Plan, the funding will primarily support farmers, agricultural producers, and landowners in planting more trees on their properties. PFT has established the ‘Stems for CO2’ program, which offers direct financial assistance to landowners for up-front costs incurred in tree planting. The program is expected to run from 2023-24 through to 2027-28.

PFT received the full $0.60 million in funding during 2023-24 and has initially recognised this amount as a contract liability. Grants revenue will be recognised as sufficiently specific performance obligations, as outlined in the Agreed Plan, are met.

Stadiums Tasmania

Financial result

Stadiums Tasmania commenced independent operations on 1 July 2023. The Authority's comprehensive result for the year was a $2.85 million profit.

The Authority received grant payments of $5.11 million from State Growth. Total expenses for the financial year were $2.38 million, primarily made up of employee benefits and payments to contractors.

Stadium Properties

Negotiations for the transfer of the Launceston Silverdome and UTAS Stadium commenced in the 2023-24 financial year and is expected to be completed during the 2024-25 financial year. Stadiums Tasmania also expects assume responsibility for, the My State Bank Arena (Glenorchy) and Ninja Stadium (Bellerive). An investigation to ascertain the most appropriate future ownership arrangement for Dial Park (Penguin) continues, with Stadiums Tasmania actively engaging with stakeholders including the Central Coast Council.

Tasmanian Irrigation Pty Ltd

Financial result

Tasmanian Irrigation incurred a loss before tax of $0.47 million for 2023-24 (2022-23: loss of $44.94 million). The significant reduction in the net loss compared to the previous year was primarily due to a decrease in the impairment of capitalised costs for irrigation schemes, amounting to $6.76 million in 2023-24 (2022-23: $48.02 million), and an increase in revenue from contracts with customers to $25.50 million in 2023-24 (2022-23: $13.75 million).

Tasmanian Irrigation assesses the impairment of property, plant, and equipment, including WIP, based on the recoverable amount of assets and cash-generating units. The current active schemes had been fully assessed in prior years, so fluctuations year by year are mainly related to WIP assessments of projects currently under construction.

The increase in revenue from contracts with customers was driven by growth in the water delivery segment, with the following key highlights:

- revenue from irrigation charges increased from $9.73 million in 2022-23 to $14.06 million in 2023-24
- revenue from electricity generation and renewable energy certificates rose from $1.76 million in 2022-23 to $4.72 million in 2023-24
- water entitlement revenue grew from $1.15 million in 2022-23 to $5.22 million in 2023-24.

Capital Projects

Tasmanian Irrigation receives funding from both the Tasmanian and Australian Governments for approved capital projects and certain operational expenses. A total of $213.70 million has been committed by the Australian Government and further $118.10 million from the Tasmanian Government, for the Tranche Three irrigation projects. Additionally, the Tasmanian Government provides the Company access to a $68.20 million loan facility, administered through the TASCORP.

Tranche Three projects updates:

Don Irrigation Scheme – commissioned in September 2023, this scheme began operations in October 2023, providing essential water to farms along Tasmania's north-west coast. The scheme has a capacity to deliver 4,750 megalitres of water annually to irrigators in the Don, Forth, Barrington, and Sheffield districts.

Northern Midlands Irrigation Scheme – funded by the Australian Government, the Tasmanian Government, and irrigator contributions. Construction is set to begin in August 2024, with completion expected by the second half of 2026. The delay in construction has led to fewer additions to WIP and a significantly lower impairment loss than forecasted in the *Corporate Plan 2023-27*.

Sassafras Wesley Vale Irrigation Scheme Augmentation – the project has completed its detailed design and is working toward approval under the *Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act)*. Funded by the Australian Government, the Tasmanian Government, and irrigator contributions, construction is planned to start in early 2025.

Tamar Irrigation Scheme – this project is currently progressing towards finalising a business case, with no material impacts on the 2023-24 financial statements.

Greater South East Irrigation Scheme – a funding commitment from the Tasmanian Government has been secured. However, a submission for federal funding was unsuccessful in the May 2024 federal budget. Tasmanian Irrigation is working with the Tasmanian Government on resubmitting the funding request to the Federal Government.

Southern Midlands Irrigation Scheme – this project has been paused in the pre-feasibility stage following direction from the Tasmanian Government. It will be revisited once the Greater South East and Tamar projects progress beyond the business case phase. There were no material impacts on the 2023-24 financial statements.

Updates on other projects:

Energy on Farms – this ongoing project, funded by the Tasmanian Government is expected to be completed during the 2024-25 financial year. As the business model for this project differs from other irrigation schemes, TAO will monitor future revenue streams after project completion.

Greater Meander Augmentation – this project involves upgrading existing pump stations and pipelines to facilitate increased water delivery. Pipeline installation is complete, and the pump station upgrades are well underway, with final commissioning scheduled for October 2024.

Tasmanian Networks Pty Ltd

Consolidated financial result

TasNetworks generated a profit before tax of $18.97 million in 2023-24 (2022-23, profit $37.02 million).

Total revenue from contracts with customers was consistent with prior year. However, other revenue was $5.28 million less than prior year, mainly due to the lower grants received for Marinus Link. Total expenses of $490.75 million were $10.93 million higher than the previous year.

Sale of Marinus Link Pty Ltd

On 22 March 2024 TasNetworks executed the sale of its entire shareholding in Marinus Link Pty Ltd to the Commonwealth, Victorian and Tasmanian Governments ("shareholders") through a tripartite ownership agreement. This was undertaken at the direction of the TasNetworks' Shareholders. This resulted in a loss from discontinued operations of $70.28 million, being the difference between the proceeds of disposal and the carrying amount of the subsidiary's net assets.

TasNetworks was advised, following the sale of in Marinus Link Pty Ltd, the Tasmanian Government would "make TasNetworks whole" in relation to the level of the state's equity recognised in the tripartite-owned entity. The Shareholding Ministers also advised that this funding would be provided by way of an equity contribution to be made to TasNetworks in early 2024-25 subject to Parliamentary approval.

Fair value of networks assets

In 2023-24, TasNetworks used an income approach to assess the fair value of its regulatory asset classes, which are calculated using the Australian Energy Regulator (AER) Regulated Asset Base (RAB) methodology. The income approach discounted future expected cash flows to arrive at a current fair value estimate for the assets. Key inputs and assumptions for the discounted cash flow included:

- revenue cash flows based on pricing determinations of the AER and management proposals for future pricing determinations
- operating and capital expenditure equal to the allowances set by the AER
- future cash flows beyond the explicit 5 year forecast period were determined using a terminal value derived with reference to the forecast RAB based on the current regulatory model and using a RAB multiple of 1.00
- a Weighted Average Cost of Capital discount rate as determined by the AER or as used in the AER revenue proposal, which was 5.87% for standard control (distribution) network assets and 5.84% for prescribed (transmission) network assets.

Working capital and finance facilities

At 30 June 2024, TasNetworks' working capital, other than short term debt maturities, was a $23.83 million deficit (2022-23, $3.86 million deficit). Short term debt maturities of $300.05 million (2022-23, $260.55 million) will be refinanced in line with TasNetworks' Treasury Risk Management Policy and within the TASCORP Master Loan Facility Agreement limits and covenants. TasNetwork's Borrowing Facility Limit under the Master Facility Loan Agreement with TASCORP remains at $2.50 billion. TASCORP's current unused loan facility is $0.21 billion.

Valuation of land and buildings

Management engaged an independent valuer to revalue its 12 largest land and building assets as at 30 June 2024. The fair valued its other land and buildings was determined by the Valuer General. The revaluation resulted in an increment of $29.05 million and $2.08 million to land and buildings respectively.

Audit of TasNetworks Holdings Pty Ltd

TasNetworks Holdings Pty Ltd was audited for the first time in 2023-24 and an unqualified opinion was issued.

Tasmanian Ports Corporation Pty Ltd

Consolidated financial result

TasPorts recorded a profit before tax of $25.93 million (2022 23, profit $20.29 million), TasPorts paid a dividend to shareholders of $12.79 million. The increase in profit was reflective of increased vessel visitation which in turn, generated increases in wharfage, towage, pilotage and freight related sales revenues.

QuayLink project

TasPorts continued works on the East Devonport Project, QuayLink, which will be Tasmanian's largest port infrastructure project and will significantly benefit trade and tourism to the State. The project, budgeted at $241.00 million, is scheduled for completion in 2026-27.

The project will occur over a number of work packages, some of which are delivered by TasPorts, while others are delivered by TT-Line and SeaRoad. TasPorts' work package included the delivery of a new berth pocket, wharf structure and reclamation area at Terminal 3, specifically designed for the new Spirit of Tasmania vessels.

Tasmanian Public Finance Corporation

Financial result

TASCORP reported a profit before tax of $40.10 million in 2023-24, an increase of $5.00 million from the prior year. The Treasury activity contributed $27.00 million, and the MCHF contributed $13.10 million.

Dividends and income tax equivalents paid to the Tasmanian Government in the reporting period were $22.00 million from Treasury operations and $96.10 million from the MCHF.

Total assets increased from $10.73 billion to $12.52 billion primarily due to a $2.31 billion increase in advances to clients for various capital programs. Total liabilities increased from $10.36 billion to $12.24 billion in line with the increase in client advances and offset by a reduction in payables.

Tasmanian Railway Pty Ltd

Financial result

Tasmanian Railway Pty Ltd (TasRail) incurred a loss before tax of $73.24 million for 2023-24 (2022-23, loss $91.13 million). The loss was mainly due to impairment of capitalised costs of $67.90 million (2022-23, $82.05 million). The infrastructure impairment loss in the current year relates to capital expenditure on the below rail infrastructure funded by the Australian and Tasmanian governments.

The result for 2023-24 was supported by operational grant funding of $13.90 million (2022-23, $13.90 million) and equity contributions of $55.80 million (2022-23, $72.64 million) from the government.

Infrastructure Investment Program

The Tasmanian Freight Rail Revitalisation Program continued during 2023-24, with the completion of Tranche Three. TasRail will deliver a fourth tranche of the program over the next 4 years. The 4 year $120.00 million program commenced in July 2024 with a target completion date of June 2028.

In the past financial year, works continued on the Burnie shiploader replacement, also funded under the Infrastructure Investment Program Tranche Three. Upon completion, the new expanded shiploader facility is expected to double the loading capacity and improve reliability, enabling quicker turnaround of vessels in port. The new shiploader was commissioned in late 2024.

Tasracing Pty Ltd

Financial result

Tasracing recorded a loss before tax of $1.20 million for 2023-24 (2022-23, profit $0.42 million), with the result impacted by:

- a decrease in Racefield revenue of $2.40 million to $21.72 million (2022-23: $24.13 million) as the market settles from the COVID related highs and continued economic pressure
- code funding increasing by $1.39 million (3.7%) to $37.30 million including Stakes expenditure to $32.86 million (2022-23: $30.76 million)
- an increase in Government funding of $2.35 million to $36.27 million in 2023-24
- cash decreased to $14.00 million (2022-23: $17.03 million) with $6.43 million invested in capital works during the year.

Capital improvements

Capital expenditure increased from $5.71 million at 30 June 2023 to $6.61 million at 30 June 2024, due to increases in plant and equipment and racefield leasehold improvements at cost. Two of the major projects, which make up 69.0% of the total capital expenditure during the year, related to works at the raceday amenities building at Spreyton and upgrades to drainage infrastructure at Brighton.

The Public Trustee

Financial result

The Public Trustee (the Trustee) recorded a loss before tax of $3.50 million for 2023-24 (2022-23, profit before tax $0.05 million). The decreased result is driven by the Community Service Obligation Funding shortfall of $2.75 million as well as an increase in administrative and employee expenditure.

In their financial statements, the Trustee notes that they are economically dependent on the state government for provision of funding to deliver their community service obligations.

Managed fund investments

At 30 June 2024, the Trustee held $14.49 million (2022-23, $17.47 million) of investments held through managed funds. The purpose of these funds is to enable the Trustee to meet their long-term superannuation liabilities of $10.83 million, invest in capital expenditure, in addition to meeting their short-term obligations as they fall due.

Restructure

An announcement was made by government on 23 September 2024 proposing that the Trustee will be restructured, with the commercial will, estate and trustee services currently provided to be transferred to the private sector.

The proposed restructure follows on from an independent review of the Trustee which made a number of recommendations, including the Treasurer initiate a review by the Tasmanian Economic Regulator of the Public Trustee's fees and charges for clients required by law to use its services. The Government has indicated it will restructure the Trustee following the completion of a review into alternative governance models.

TT-Line Company Pty Ltd

Financial result

TT-Line's result for the year was a loss before tax of $18.72 million, a deterioration from the profit before tax of $12.26 million incurred in 2022-23. The decline was primarily due to operational expenditure increases across the business, particularly in fuel and wages and salaries, and a decrease in asset valuations.

The number of sailings increased by 9 to 905 for the financial year, with passenger numbers decreasing from 450,012 for 2022-23 to 419,349 for 2023-24. Total revenue remained stable, increasing $0.43 million for 2023-24 to $307.51 million. The increase in operating costs was mainly due to:

- asset revaluation decrease of $11.21 million for 2023-24 has been processed through the profit and loss as a result of a decrease in the valuation of the vessels
- administration expense increase of $6.14 million primarily due to Devonport berth 3 development project management costs which cannot be capitalised and have been written off
- employee benefit expense increase of $4.73 million as a result of increased wages correlating with the increased sailings and wage increases during the period
- marine, fuel and oil expense increase of $2.96 million due to higher fuel prices and additional sailings.

Vessel replacement

Construction of the replacement vessels is continuing in accordance with the contracts with Finnish shipbuilder Rauma Marine Constructions (RMC). The first ship was delivered in September 2024, with the second ship expected to be delivered in quarter 2 of 2025.

TT-Line continues to recognised payments made to date as construction works in progress on the basis that they intend to take ownership of the vessels upon completion of the construction. Construction WIP has been recognised on basis of instalments paid which may not reflect the actual percentage of construction as at the reporting date. The total amount of construction works in progress recognised at 30 June 2024 was $880.25 million. At 30 June 2024, TT-Line recorded an outstanding commitment of $186.30 million towards its purchase commitments for the vessels and infrastructure work. The costs associated with the acquisition being funded through borrowing facilities with TASCORP.

RMC was experiencing severe difficulties in completing the 2 vessels due to several factors, including material price increases, downstream supply issues, material availability and labour shortages, mainly as a result of COVID and the war in Ukraine. TT-Line agreed to amended contractual payments for an estimated additional EUR €50.00 million to RMC to complete the new vessels.

TT-Line entered into forward exchange contracts to fix the exchange rate on future contract payments. At 30 June 2024, a liability of $1.85 million was recognised for the market value of the forward exchange contracts entered into at that date. Movements in market value of forward exchange contracts are recognised in the cash flow hedge reserve until the hedge contracts are closed out.

Devonport berth 3 development

The berth 3 development is progressing and an agreement for lease has been entered into with TasPorts. TT-Line is responsible for all works from pavement up, this includes the construction of the terminal building at berth 3.

To progress the development of berth 3, a letter of commitment was entered into with the Hazel Brothers and Brady Marine Joint Venture in November 2023. This allowed works to begin during the project tender process. The preferred tenderer Hazel Brothers and Brady Marine Joint Venture was subsequently rescinded effective 29 June 2024.

In July 2024, TT-Line signed a contract with BMD Constructions for the main works associated with berth 3. The works will provide a new facility with the required infrastructure to service the new ships and facilitate passenger and freight operations.

Submission of financial statements

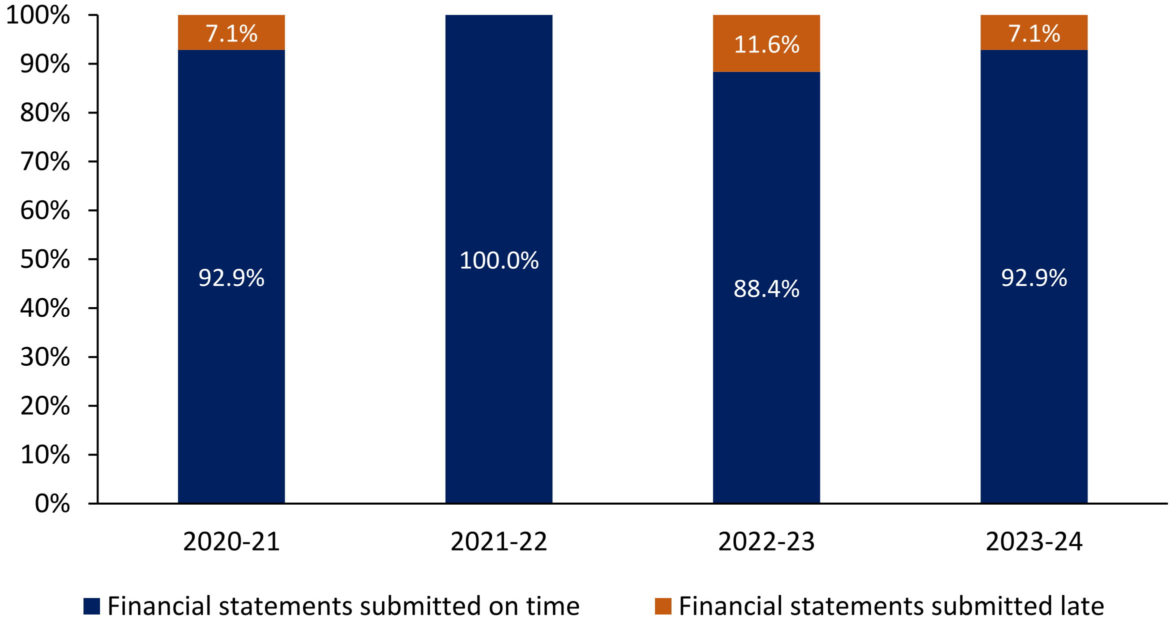
PFC and PNFC entities are required to submit financial statements to the Auditor-General within 45 days after the end of each financial year. For 30 June 2024 financial reporting, the deadline fell on 14 August 2024, respectively. Before accepting the financial statements as submitted, the Auditor-General determines whether the financial statements are complete in all material respects.

State entities and audited subsidiaries of State entities
30 June 2024

42	92.9%
Financial statements submitted	Financial statements submitted on time

A comparison of the timeliness of financial statement submission by State entities and audited subsidiaries of State entities for the past 4 years is shown in Figure 10.

Figure 10: Timeliness of submission of financial statements



Completion of financial statement audits

Timeliness of audit completion

The Auditor-General must issue an audit report on the financial statements of State entities and audited subsidiaries of State entities within 45 days of the date of submission. For financial statements submitted on 14 August 2024, our deadline fell on 28 September 2024.

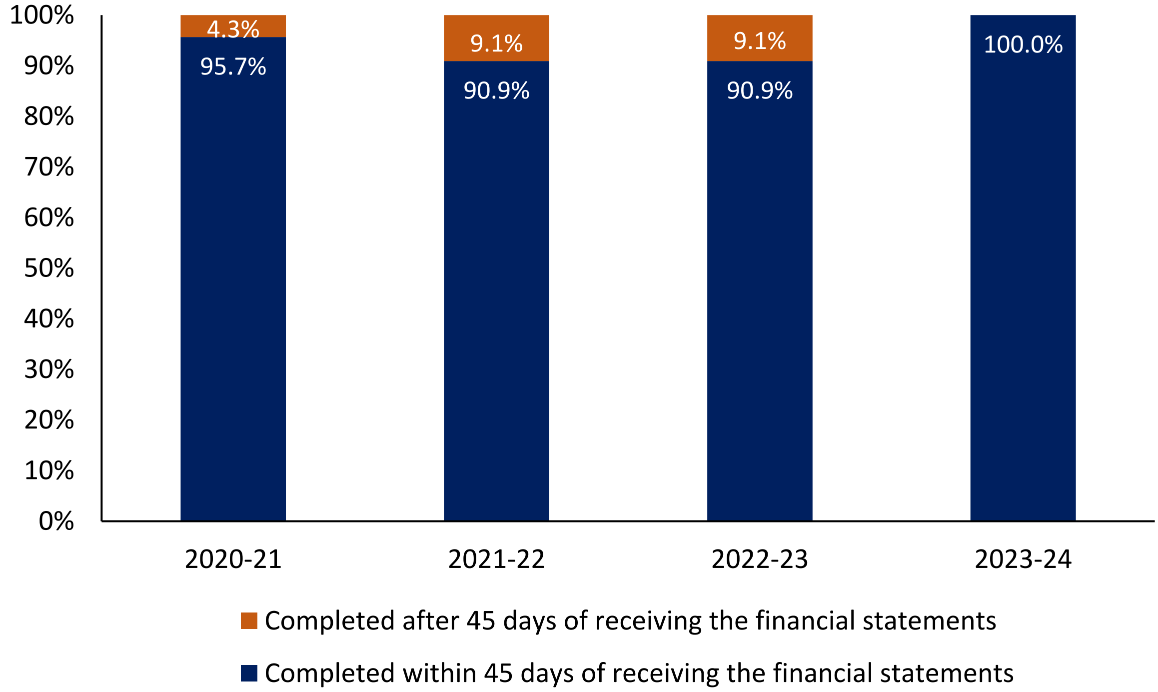
State entities and audited subsidiaries of State entities
30 June 2024

22

Audit reports issued within deadline

A comparison of the timeliness of the completion of the audit of financial statements of State entities and audited subsidiaries of State entities for the past 4 years is shown in Figure 11.

Figure 11: Timeliness of audit completion



All audits for the year ended 30 June 2024 were completed within the statutory timeframe, compared to 2 audits for the years ended 30 June 2023 that were not completed within the statutory timeframe.

Audit opinions on financial statements

Types of audit opinions on the financial statements

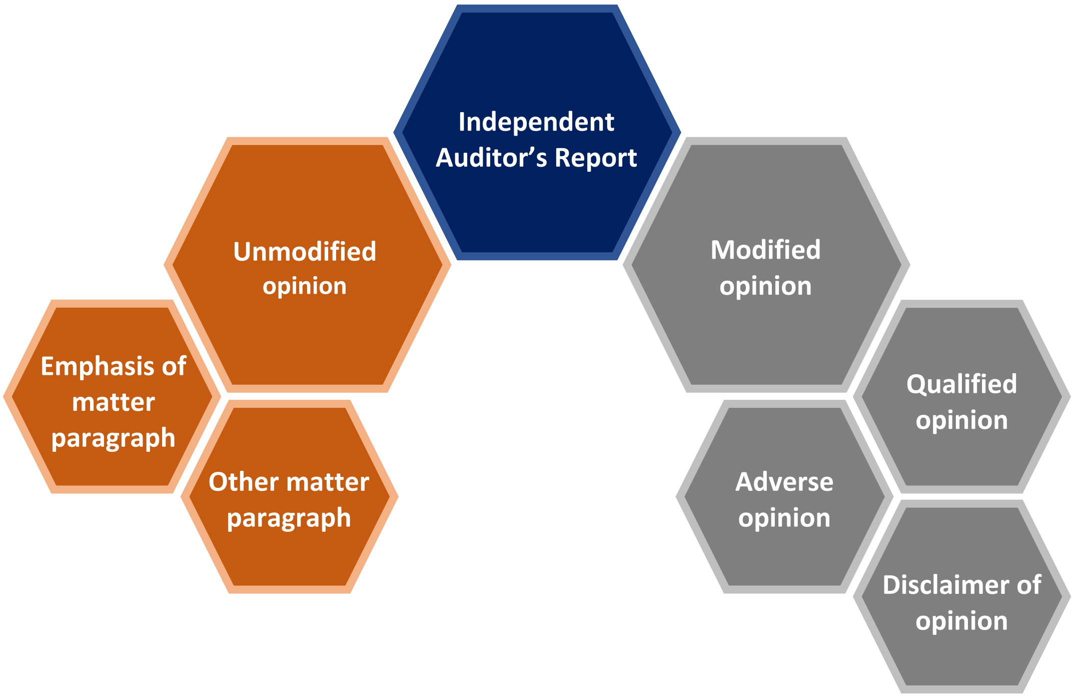
Under section 19(1) of the Audit Act, the Auditor-General is to prepare and sign an opinion on an audit of the financial statements of State entities in accordance with Australian Auditing and Assurance Standards. Australian Auditing and Assurance Standards prescribe the auditor's reporting responsibilities, including the responsibility to form an opinion on whether the financial statements present fairly[3], in all material respects, the financial

[3] Give a true and fair view in the case of entities reporting under the *Corporations Act 2001* or the *Australian Charities and Not-for-profits Commission Act 2012*.

performance and position of an entity and whether the financial statements were prepared in accordance with the relevant financial reporting framework.

The types of audit opinions that may be issued in an independent auditor's report are depicted in Figure 12.

Figure 12: Types of audit opinions



An unmodified opinion is issued when the auditor concludes that the financial statements were prepared, in all material respects, in accordance with the applicable financial reporting framework. A modified opinion is issued when the auditor concludes that the financial statements as a whole were not free from material misstatement or was unable to obtain sufficient appropriate audit evidence.

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

Audit opinions expressed on financial statements

Of the 22 auditor's opinions issued on the audits of the 30 June 2024 financial statements, all were unmodified.

Audit reports issued with an emphasis of matter paragraph

Of the 22 auditor's reports issued, 2 contained an emphasis of matter paragraph. An emphasis of matter paragraph was used to highlight matters that, although appropriately presented or disclosed in the financial statements, were fundamentally important to bring to the reader's attention to assist their understanding of the financial statements. Including an emphasis of matter paragraph does not modify the audit opinion.

An emphasis of matter paragraph was included in the auditor's report for the year ended 30 June 2024 for the following entities:

- Homes Tasmania – to draw attention to notes within financial statements that clarify Homes Tasmania's opinion about operating as a going concern, recognising the organisations reliance on State Government funding.
- TASCORP – to draw attention to a note in the financial statements which described TASCORP's application of Treasurer's Instruction GBE-08-52-09P *Accounting Treatment of the Mersey Community Hospital Fund by the Tasmanian Public Finance Corporation* in respect of the Mersey Community Hospital Fund. TASCORP received a similar emphasis of matter paragraph in their auditor's report for the year ended 30 June 2023.

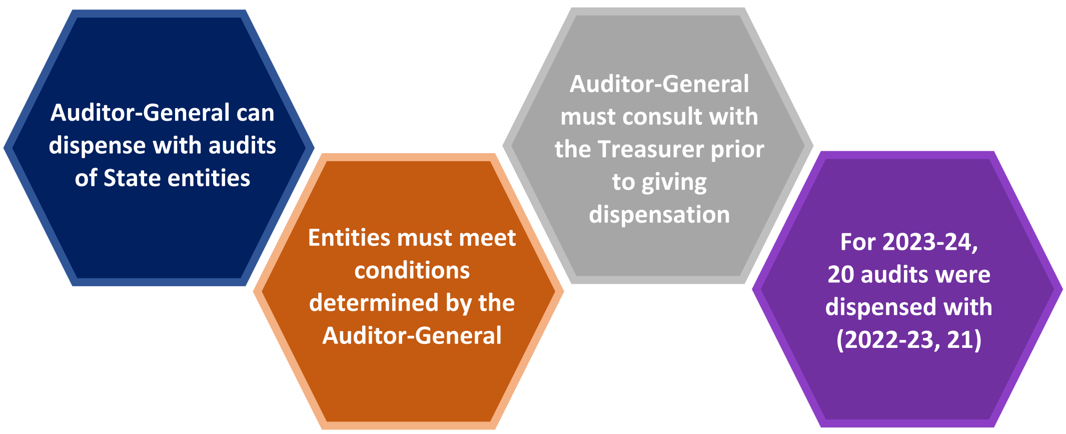
Audits dispensed with

The Auditor-General has discretion under section 18 of the Audit Act to dispense with all or any part of the audit of a particular State entity, if considered appropriate in the circumstances. The Auditor-General has determined dispensation from audit may be provided where one of the following conditions are met:

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

The audit dispensation process is illustrated in Figure 13.

Figure 13: Dispensation of audits process



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

Audit Act also requires the Auditor-General to consult with the Treasurer before exercising the power to dispense with audits.

Entities where the Auditor-General has dispensed with the audit are listed in Appendix 3.

Audit findings

Findings from 30 June 2024 financial statement audits

PFC and PNFC entities
30 June 2024

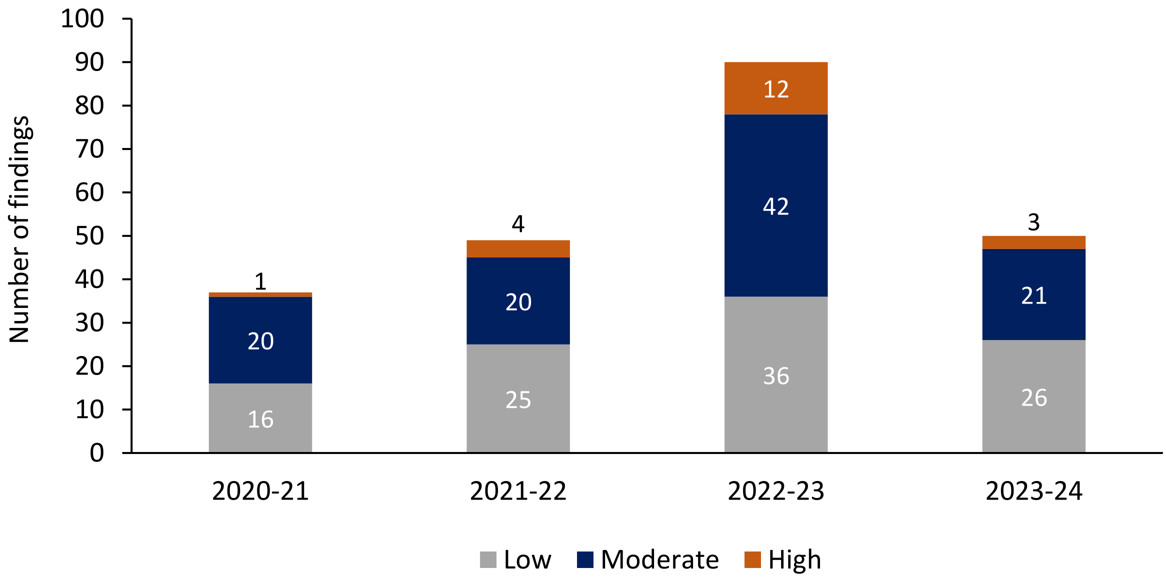
50	**37**
Audit matters raised	Audit matters raised in prior periods assessed as unresolved

Deficiencies in internal controls and financial reporting, fraud, non-compliance with laws or regulations and other significant matters identified during an audit are reported to management, those charged with governance of State entities and audited subsidiaries of State entities and relevant Ministers. These are communicated by way of a memorandum of audit findings, which reports finding observations, related implications, recommendations, and risk ratings. Management responses to findings are also sought and included, along with expected date for resolution. The memorandum of audit findings also includes a section for the monitoring of actions taken by management on outstanding matters raised in previous years.

Each finding is categorised as high, moderate or low risk, depending on its potential impact. The definition of these risk categories can be found in the AGR Guide.

A comparison of the number and risk rating of audit findings identified in the past 4 years is shown in Figure 14.

Figure 14: Comparison of audit findings by risk rating



The findings for 2023-24 reflect our focus on the design, implementation and operating effectiveness of internal controls covering expenditure. Given the high level of findings from the prior year, we continued to have focus on general information technology (IT) controls and governance around these controls.

Expenditure controls

Expenditure, and related payables or accruals, relate principally to the outlay of funds for the purchase of goods, services and other costs that need to be incurred to ensure continued operations of the business. The types of expenditure traditionally incurred can include the following:

- inventory purchases
- repairs and maintenance expenses
- contractor and consultant expenditure
- energy purchases
- communication and information technology expenses
- rental, lease payments and property management costs
- other general consumables.

Effective expenditure controls are essential to ensure that funds are used efficiently, responsibly, and transparently. Appropriate controls help prevent waste, fraud, and mismanagement and they also promote accountability, as PNFC and PFC entities are entrusted with public funds and must demonstrate that these funds are used effectively to deliver public services and achieve policy objectives. Additionally, robust expenditure controls contribute to financial sustainability, enabling the entity to manage limited resources effectively while maintaining trust with the public and other stakeholders.

In essence, the implementation of effective expenditure controls is instrumental in maintaining appropriate governance and integrity across the PNFC and PFC entities.

For the year ended 30 June 2024, total expenditure for the PFC and PNFC entities was $5.03 billion (2022-23, $4.29 billion).

Our testing of expenditure controls included assessing the design, implementation, and operating effectiveness of controls, such as:

- segregation of duties between vendor master file and invoicing and payment functions
- banking access restricted by user IDs and passwords
- access to EFT payment system is restricted
- EFT payments require authorisation by 2 signatories
- reconciliation of accounts payable subsidiary ledger to general ledger
- purchase orders are appropriately authorised

- invoices are appropriately authorised in line with delegations.

Expenditure related audit findings identified during 2023-24 included:

- lack or reviews or a delay in the review of bank reconciliations
- employees approving invoices without appropriate delegation
- no independent review of changes, or a delay in the review of changes, to supplier bank account details
- out of date delegations manuals
- lack of system-based delegation of authority purchase order authorisation controls and segregation of duties for site inventory items
- no review of credit card reconciliations
- an ex-employee being noted as a current bank signatory.

General information technology controls

General information technology controls play a crucial role in ensuring the security, compliance, efficiency, and reliability of an organisation's IT systems and operations. They are essential for protecting sensitive information, managing risks, and maintaining trust in today's digital world. The primary focus of our IT audits are the information systems utilised by PFC and PNFC entities for financial statement preparation. These systems contain sensitive data concerning individuals and entities, which can attract external threats. It's crucial that access and security standards, including those managed by third party service providers, are upheld across all systems.

Risks arising from the use of IT include:

- reliance on IT applications that are inaccurately processing data
- unauthorised access to data
- personnel gaining access privileges beyond those necessary to perform their assigned duties
- unauthorised changes to data
- unauthorised changes to applications or other aspects of the environment
- failure to make necessary changes to applications or other aspects of the environment
- inappropriate manual intervention
- potential loss of data or inability to access data as required.

Our testing of IT controls included assessing the design, implementation, and operating effectiveness of controls such as:

- the security settings of the supporting environment and applications have been configured in accordance with best practice/the organisation's security policies

- user activity is uniquely identifiable, protected from alteration and sufficiently segregated
- appropriate user access maintenance including regular user access reviews, onboarding and de-activation processes for users, and monitoring of access levels and activities by privileged users and generic users
- change management processes for systems and reports.

Common audit findings relating to IT controls identified during 2023-24 included:

- lack of strategic documentation for risk areas such as cybersecurity, password, and change management
- lack of dedicated resources and ownership allocated to effectively support functionality and operational requirements of some IT systems
- inconsistencies between Security Policy, actual system parameters, and Password Guide
- organisations not meeting basic security standards, especially password/passphrase requirements, effective management of privileged and generic users and timely on-boarding and off-boarding of staff
- failure to keep operational policies current and appropriate to current environments and technologies
- Business Continuity Plans tend to be narrow in scope, in some cases out of date and not considered in context of the entire organisation. Additionally, evidence on testing these plans is lacking
- Service Level Agreements are absent, vendor centric, and/or poorly defined in scope and responsibility. Third party provider services are seen incorrectly as a transfer of risk responsibility
- poor change control policies and procedures for business as usual and major activities.

Classification of audit findings

Audit findings for 2023-24, as shown in Table 8, have been categorised using a primary classification, such as internal control, financial reporting, non-compliance with laws and regulations and other significant matters, and a secondary classification, which further defines the nature of the finding.

A description of primary and secondary categories has been included in the *Guide to using reports on the audit of financial statements of State entities.*

Table 8: 2023-24 audit findings by classification and risk rating

	High Risk	Moderate Risk	Low Risk	Total
Financial reporting	**1**	**4**	**7**	**12**
Accounting Estimate	0	0	4	4
Accounting Standard Non-compliance	0	3	0	3
Disclosures	0	0	1	1
Going Concern	1	0	0	1
Control activity	0	1	0	1
Unintentional Misstatement	0	0	2	2
Internal control	**2**	**16**	**16**	**34**
Control Activity	1	3	6	10
Control Environment	0	3	8	11
Information Systems and Communications	1	8	2	11
Risk Assessment	0	2	0	2
Information technology	**0**	**1**	**2**	**3**
User access management	0	1	2	3
Other significant matters	**0**	**0**	**1**	**1**
Management Actions	0	0	1	1
Total	**3**	**21**	**26**	**50**

Of the 50 audit findings raised, 34 (68.0%) relate to entities' internal controls. Common findings within this category related to:

- deficiencies in financial oversight and controls, including reconciliations
- deficiencies in financial management and risk assessment
- inefficient access controls
- outdated policies and IT controls
- inactive or undocumented key controls
- inadequate oversight of third-party service providers, with limited documentation on contract management practices and performance assessment in combination with expired or inadequate service level agreements.

Of the 12 findings raised relating to financial reporting, common findings related to:

- lack of quality control in reviewing financial statements provided to TAO for review
- disclosures required by accounting standards not being completed
- misstatement of financial statement elements, including right-of-use asset and lease liability and capital commitments
- data reconciliation issues and incorrect or unsupported assumptions used in the calculation of estimates, such as employee provisions and other liabilities
- going concern issues being raised, in addition to the appropriateness of "for-profit" classification.

High risk findings

High risk findings are summarised in Table 9 below.

Table 9: 2023-24 high risk audit findings

Entity	High risk finding
Port Arthur Historic Site Management Authority	**No evidence of periodic reviews of user access** During our application testing of following 3 systems, we noted the following: • active directory – no evidence was available for us to verify periodic reviews were being performed for terminated, generic and privileged users • Customlinc – no evidence was available to verify periodic reviews were being performed over terminated, generic and privileged users • Technology One Financials– there was no evidence of periodic reviews being performed over active users, we also noted users who have not logged in since 2016 were still active. There is currently no policy or process in place to review activity logs for Privileged Users. There should be a mechanism in place to regularly review the activity logs and follow up any irregular activity identified.

Entity	High risk finding
Tasracing Pty Ltd	**Cyber Security Maturity Assessment** As part of Management's assessment of managing IT risk, Tasracing engaged the internal auditor, KPMG, to perform a cybersecurity maturity assessment. The resulting report tabled to the Audit and Risk Committee, highlights several findings that impacted on our approach to the financial statement audit, with the following being categorised as high, these include: • information and risk management – no formal risk management process • resilience – business continuity plan lacks testing • third parties – no vendor risk assessments or security clauses.
The Public Trustee	**Going Concern** The Trustee's ability to continue as a going concern required considerable audit attention for the following reasons: • the Trustee incurred a loss of $2.57 million in 2023-24, recorded a cash outflow from operating activities of $3.97 million and a reduction in Term deposits held of $2.98 million • the future sustainability of the Trustee is dependent on the on-going financial support from the Tasmanian Government under a CSO funding agreement which expired 30 June 2023. We acknowledge the Trustee continues to hold constructive conversations with its Shareholders and the Department of Treasury and Finance and has secured increased funding through the 2024-25 budget.

Management responses outlining proposed actions in relation to the above matters were received from the respective entities.

Unresolved audit findings from prior years

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

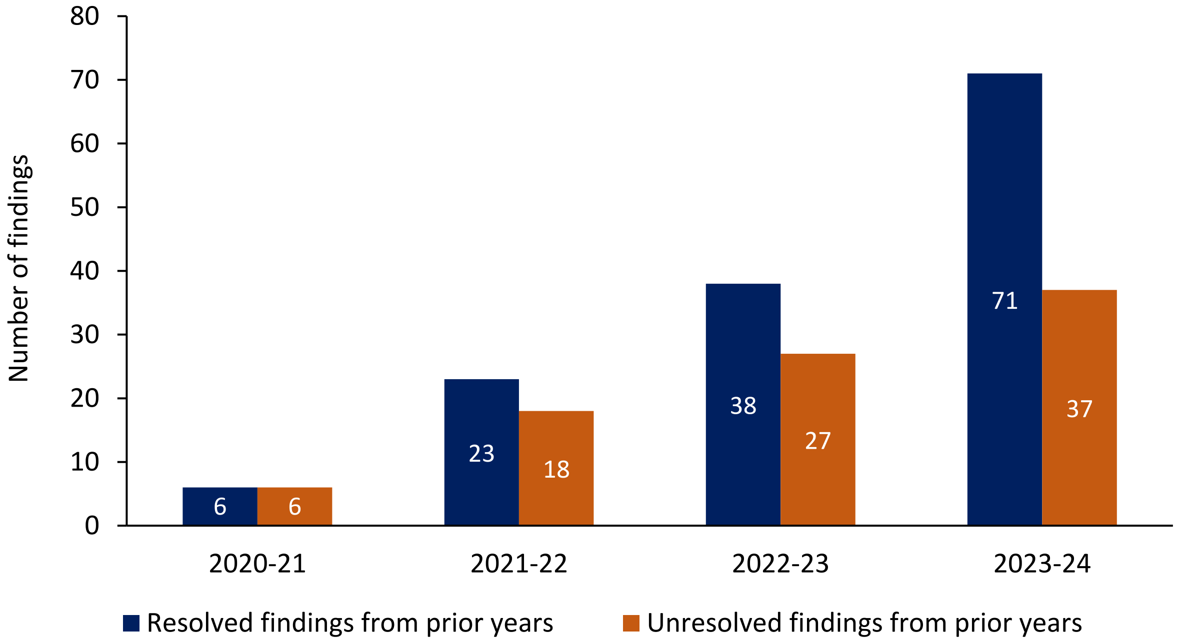
A reconciliation of the unresolved findings for each of the past 4 years is shown in Table 10.

Table 10: Reconciliation of unresolved findings

	June 2021	June 2022	June 2023	June 2024
Unresolved findings at the beginning of the year	12	41	65	108
New findings in current financial year	37	49	90	50
New findings addressed	2	2	9	5
Prior year findings resolved	6	23	38	71
Unresolved findings at the end of the year	41	65	108	82

A 4 year history of the percentage of prior years' audit findings resolved each year is shown in Figure 15.

Figure 15: Resolution of prior years' audit findings



Together, Table 10 and Figure 15 highlight an improvement on the rate at which matters raised are being resolved at PFC and PNFC. The current period recorded an overall reduction in all outstanding matters from 108 to 82, representing a reduction of 24.1% in matters to be addressed.

Misstatements

In completing our audits, we may identify misstatements that result from:

- an inaccuracy in gathering or processing data from which financial statements are prepared
- the inappropriate classification, aggregation or disaggregation, of information
- incorrect accounting estimates arising from overlooking, or clear misinterpretation of, facts
- judgements of management concerning accounting estimates that we consider unreasonable or the selection and application of accounting policies that we consider inappropriate
- the omission of amounts or disclosures, including inadequate or incomplete disclosures, which are required to meet the disclosure objectives of the financial reporting framework
- the omission of disclosures necessary for the financial statements to achieve fair presentation beyond disclosures specifically required by the financial reporting framework.

Identified misstatements are discussed with management, with a determination made on whether the error will be corrected in the financial statements before our auditor's report is issued. The requirement to correct the error will depend on its nature, value, and impact on the users of the financial statements. All identified misstatements above an agreed threshold are formally communicated to those charged with governance of the entity as part of our reporting on audit outcomes. Additionally, all material misstatements identified were corrected prior to an unqualified auditor's report being issued.

Of the 22 financial statement audits for year ended 30 June 2024, 29 misstatements were identified, compared to 31 misstatements in 2022-23). Of the 29 misstatements, 15 were corrected by the entity before the auditor's report was issued. The financial statement classification and value of the corrected and uncorrected misstatements, for 2020-21 to 2023-24, are shown in Figures 16 and 17, respectively.

Figure 16: Corrected misstatements

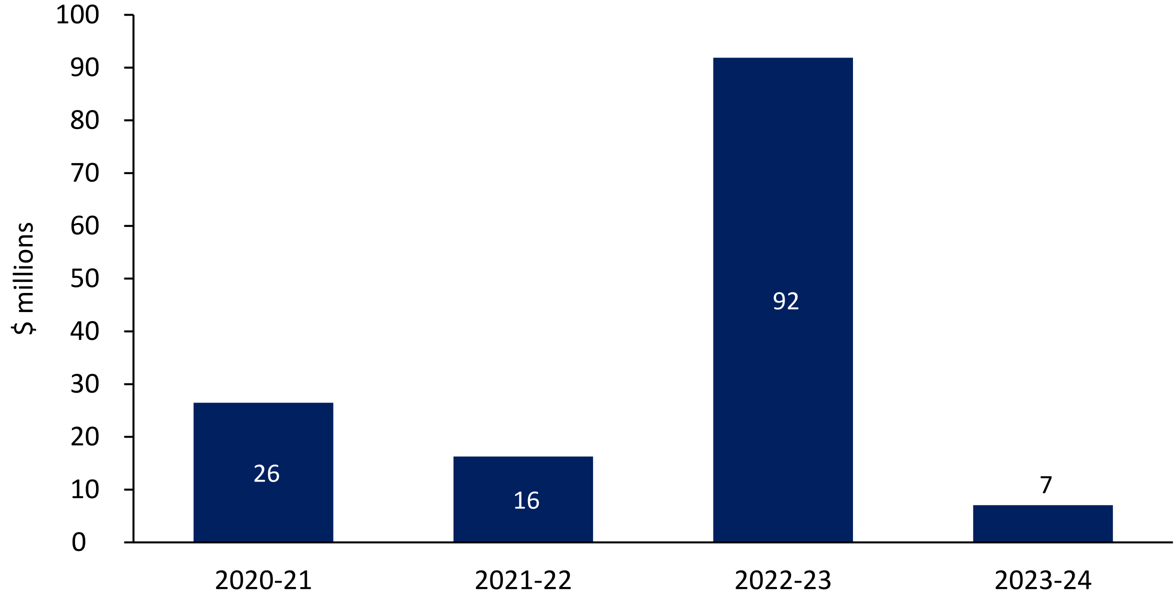
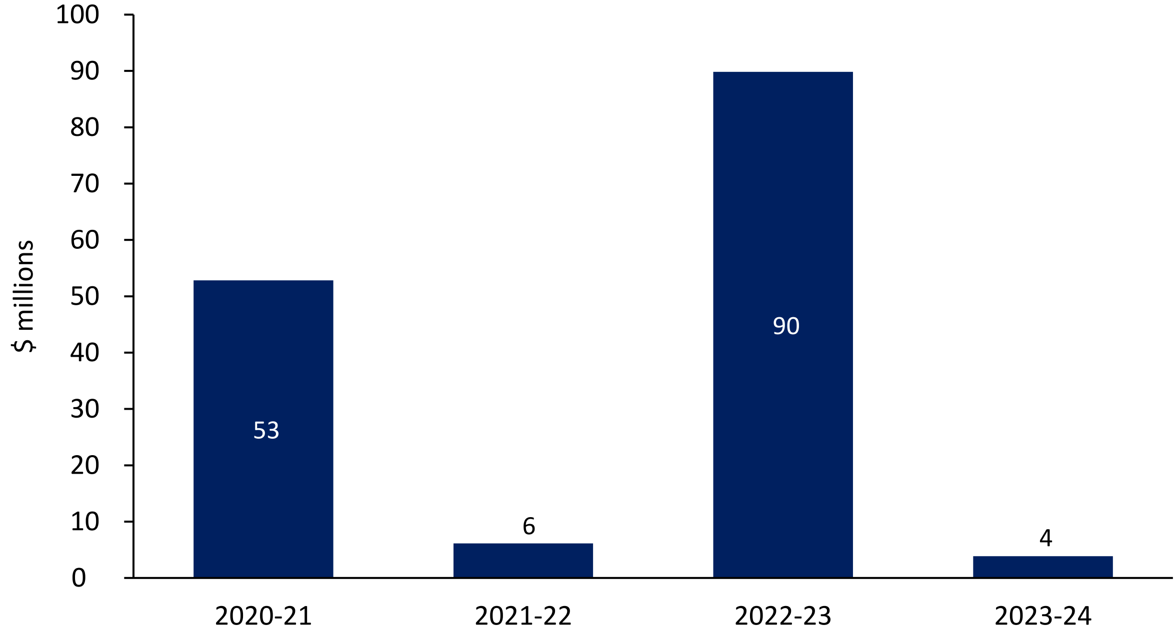


Figure 17: Uncorrected misstatements



Prior period errors

A prior period error represents an omission or misstatement in an entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

(a) was available when financial statements for those periods were authorised for issue, and

(b) could reasonably be expected to have been obtained and considered in the preparation and presentation of those financial statements.

For reported prior period errors, the following disclosures are required in the financial statements:

(a) the nature of the prior period error

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

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

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

Of the 22 audits completed, none had a prior period error, compared to one prior period error in the preceding year. This is a good indication of both the quality of management preparing the financial statements, as well as audit quality.

Audit fees

Summary of audit fees for 30 June 2024 financial statement audits

A summary of audit fees for 30 June 2024 financial statement audits are summarised in Table 11. These fees exclude those charged for audits by arrangement.

Table 11: Fees for 30 June 2024 financial statement audits

Sector	$'000
Public Financial Corporations and Public Non-Financial Corporations	2,038
Total	**2,038**

Note: Negotiations with some State entities for additional audit fees had not been finalised as at 31 October 2024.

Basis for setting audit fees

The Audit Act requires our financial audits to be delivered on a cost recovery basis. To enable these the TAO has developed a cost recovery model. The model identifies all direct and indirect costs incurred in the delivery of the audit services. This enables the development of an hourly charge rate for team members at different levels.

Individual audits are costed based on the level and extent of resources required to complete the audit. Matters impact the level and extent of resources required include:

- size of operations
- complexity
- industry type

- past performance
- level of change.

Benchmarking our audit fees

Benchmarking our audit fees is an important aspect in demonstrating our efficiency. We perform a range of benchmarking exercises to give us the evidence we need.

External benchmarking

External benchmarking involves comparing our costs against our peers. We participate in annual macro benchmarking surveys with other public sector audit offices throughout Australia and disclose the results in our annual report.

We compare our costs against our peers on a range of measures including:

- total audit costs (excluding payroll tax) per $'000 of public sector transactions
- total audit costs (excluding payroll tax) per $'000 of public sector assets
- cost per financial audit opinion.

Internal benchmarking

Internal benchmarking involves the analysis of audit fees and total audit hours for comparable audits. This analysis looks at trends in audit fees and identifies audit fees that appear outside a reasonable range. In addition to the macro analysis, a representative sample of audits is selected for quality review each year. Among other things, the review considers whether the audits were conducted efficiently.

Resolving audit fee disputes

If an entity disputes an audit fee determined by the Auditor-General, we encourage the entity to resolve the dispute through direct engagement with the Office. If the dispute cannot be resolved, it will be referred to arbitration under the *Commercial Arbitration Act 2011*.

Acronyms and abbreviations

AER	Australian Energy Regulator
Audit Act	*Audit Act 2008*
Audited subsidiaries	Audited subsidiaries of State entities
Aurora Energy	Aurora Energy Pty Ltd
BEB	Battery Electric Bus
EPBC Act	*Environment Protection and Biodiversity Conservation Act 1999*
FID	Final Investment Decision
GBEs	Government Business Enterprises
HEB	hydrogen fuel cell electric bus
Hydro Tasmania	Hydro-Electric Corporation
IT	Information Technology
MAIB	Motor Accidents Insurance Board
MCHF	Mersey Community Hospital Fund
Metro	Metro Tasmania Pty Ltd
NPV	Net present value
Office	Tasmanian Audit Office
PAHSMA	Port Arthur Historic Site Management Authority
PFC	Public Financial Corporations
PFT	Private Forests Tasmania
PNFC	Public Non-Financial Corporations
RAB	Regulated Asset Base
RMC	Rauma Marine Constructions
State Growth	Department of State Growth
SOCs	State-owned Companies
TASCORP	Tasmanian Public Finance Corporation

TasNetworks	Tasmanian Networks Pty Ltd
TasPorts	Tasmanian Ports Corporation Pty Ltd
Tasracing	Tasracing Pty Ltd
TasRail	Tasmanian Railway Pty Ltd
Tasmanian Irrigation	Tasmanian Irrigation Pty Ltd
TSA	Temporary Service Adjustment
The Corporation	Macquarie Point Development Corporation
The Trustee	The Public Trustee
TT-Line	TT-Line Company Pty Ltd
WIP	Work in progress

Appendix 1 – PNFC and PFC financial results

Details of PNFC and PFC financial results for 2023-24 are set out in the Table below. The financial information represents consolidated financial information for those entities with controlled entities.

PNFC and PFC financial results for 2023-24

Entity	Underlying profit (loss)[1] $'000	Profit (loss) before tax $'000
Aurora Energy Pty Ltd	3,224	3,213
Homes Tasmania	(100,196)	(169,853)
Hydro Tasmania	189,772	234,557
Macquarie Point Development Corporation	1,857	789
Metro Tasmania Pty Ltd	(4,619)	(4,632)
Motor Accidents Insurance Board	95,715	95,715
Port Arthur Historic Site Management Authority	(600)	7,823
Private Forests Tasmania	(354)	(354)
Stadiums Tasmania	2,852	2,852
Sustainable Timber Tasmania	796	530
Tasmanian Irrigation Pty Ltd	1,070	(474)
Tasmanian Networks Pty Ltd	29,645	18,971
Tasmanian Ports Corporation Pty Ltd	31,822	25,932
Tasmanian Public Finance Corporation	40,100	40,100
Tasmanian Railway Pty Ltd	(5,357)	(73,235)
Tasracing Pty Ltd	(1,733)	(1,733)
The Public Trustee	(3,500)	(3,500)
TT-Line Company Pty Ltd	(7,507)	(18,720)

Note 1: We apply a consistent basis for calculating underlying profit/(loss) across all PNFCs and PFCs. Consequently, there may be differences in the underlying profit/(loss) reported in the table compared to that reported in PNFCs and PFCs' annual reports.

A summary of the financial results of audited subsidiaries of PNFCs and PFCs' is provided in the Table below. The financial results of these entities are incorporated into the consolidated financial results of the respective parent entity in the Table on the previous page.

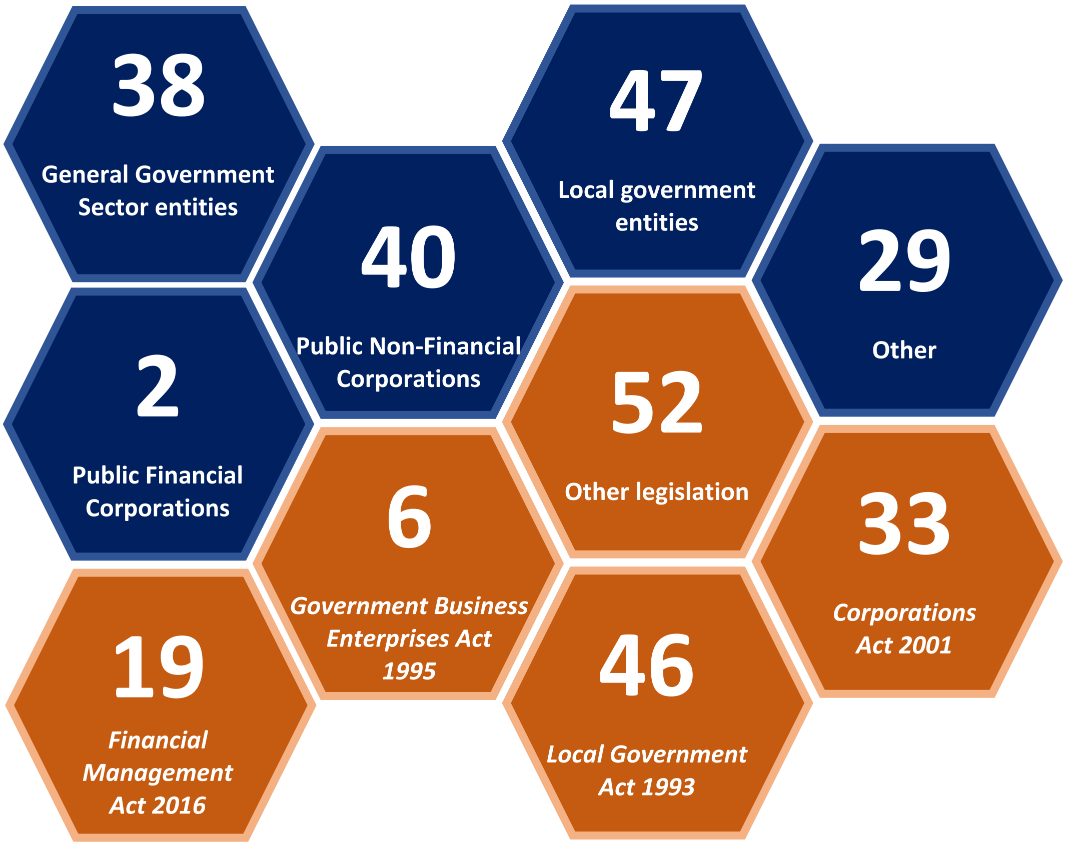
PNFC and PFC subsidiary financial results for 2023-24

Entity	Underlying profit (loss)[1] $'000	Profit (loss) before tax $'000
Bass Island Line Pty Ltd	(794)	(794)
FortyTwo24 Pty Ltd	2,649	3,427
Momentum Energy Pty Ltd	12,065	12,065
Tasmanian Networks Holdings Pty Ltd	(8,245)	3,773

Note 1: We apply a consistent basis for calculating underlying profit/(loss) across all PNFCs and PFCs. Consequently, there may be differences in the underlying profit/(loss) reported in the table compared to that reported in PNFCs and PFCs' annual reports.

Appendix 2 – Classification of entities

The classification of entities who submitted financial statements, by sector and legislative reporting obligation, is illustrated in below.



Appendix 3 – Audits dispensed

Audits dispensed with
AETV Pty Ltd (Hydro Tasmania)
Bell Bay Power Pty Ltd (Hydro Tasmania)
Bell Bay Three Pty Ltd (Hydro Tasmania)
Flinders Island Ports Corporation Pty Ltd (TasPorts)
Heemskirk Holdings Pty Ltd (Hydro Tasmania)
Heemskirk Wind Farm Pty Ltd (Hydro Tasmania)
HT Wind Developments Pty Ltd (Hydro Tasmania)
HT Wind Operations Pty Ltd (Hydro Tasmania)
Hydro Tasmania Consulting (Holding) Pty Ltd (Hydro Tasmania)
Hydro Tasmania Retail Pty Ltd (Hydro Tasmania)
King Island Ports Corporation Pty Ltd (TasPorts)
Lofty Ranges Power Pty Ltd (Hydro Tasmania)
Newood Energy Pty Ltd (Newood Holdings Pty Ltd)
Newood Holdings Pty Ltd (Sustainable Timber Tasmania)
Newood Huon Pty Ltd (Newood Holdings Pty Ltd)
Newood Smithton Pty Ltd (Newood Holdings Pty Ltd)
RE Storage Project Holdings Pty Ltd (Hydro Tasmania)
Tarraleah Village Holdings Pty Ltd (Hydro Tasmania)
TasNet Connections Pty Ltd (TasNetworks)
Woolnorth Studland Bay Holdings Pty Ltd (Hydro Tasmania).

Front cover image: Apsley River Waterhole and Gorge
Photography: Tourism Tasmania & Pete Harmsen

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