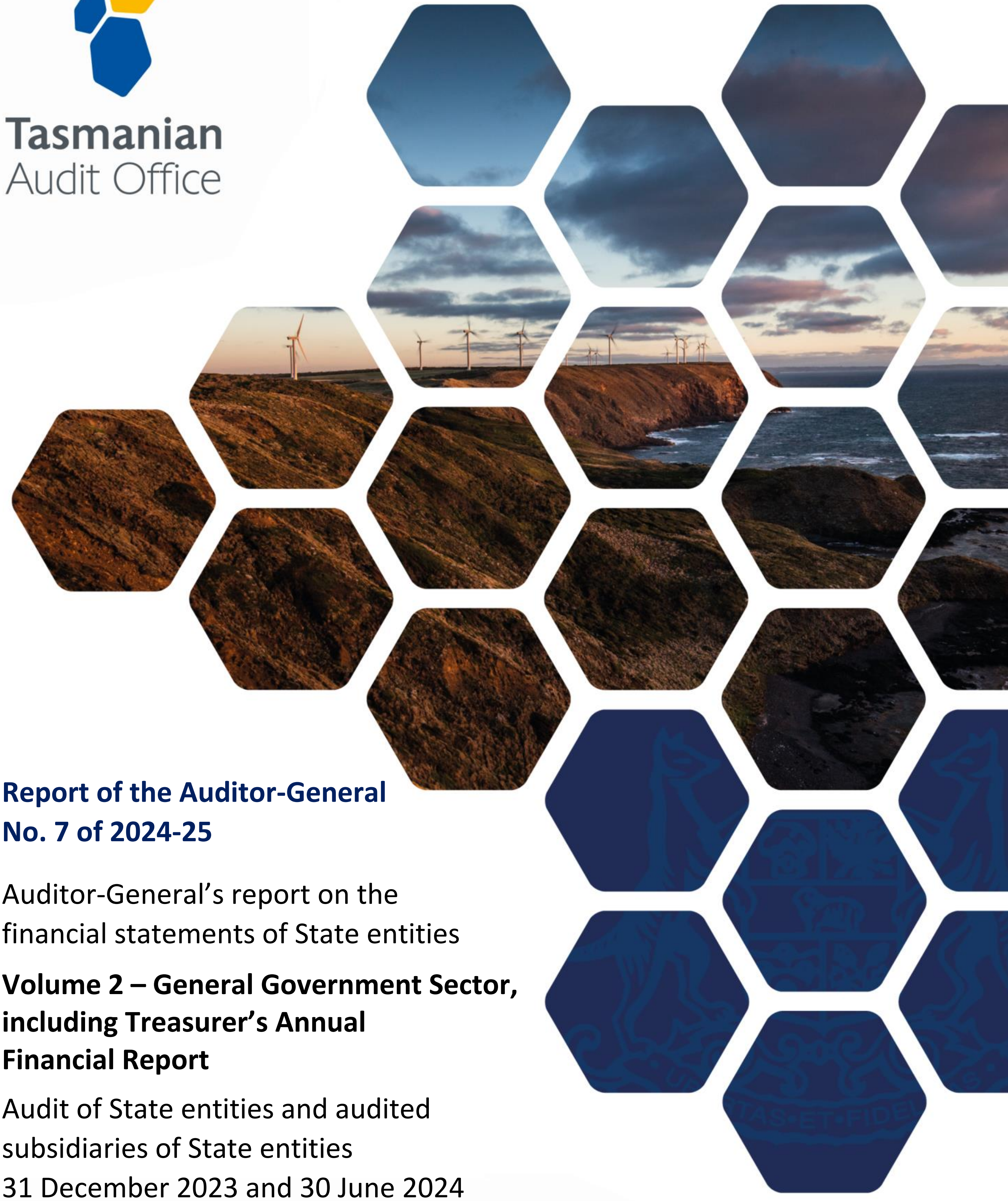
Tasmanian
Audit Office



Report of the Auditor-General
No. 7 of 2024-25

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

Volume 2 – General Government Sector, including Treasurer's Annual Financial Report

Audit of State entities and audited subsidiaries of State entities
31 December 2023 and 30 June 2024

12 March 2025

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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.

2025 (No. 2)

2025
PARLIAMENT OF TASMANIA

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

Volume 2

Audit of State entities and audited subsidiaries of State entities 31 December 2023 and 30 June 2024

12 March 2025

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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12 March 2025

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

Dear President, Speaker

Report of the Auditor-General No. 7 of 2024-25: Auditor-General's report on the financial statements of State entities, Volume 2 – General Government Sector, including Treasurer's Annual Financial Report, Audit of State entities and audited subsidiaries of State entities 31 December 2023 and 30 June 2024

In accordance with the requirements of section 29 of the *Audit Act 2008*, I have the pleasure in presenting the second volume of my report on the audit of the financial statements of State entities and audited subsidiaries of State entities for the years ended 31 December 2023 and 30 June 2024.

Yours sincerely

Martin Thompson
Auditor-General

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Executive summary

Introduction

This report is the second of 3 volumes reporting on our audits for the years ended 31 December 2023 and 30 June 2024. This volume reports on the status of audits of financial statements and provides analysis and commentary on State entities and audited subsidiaries in the General Government State Sector and other uncategorised State entities and audited subsidiaries.

As at 30 June 2024 the General Government Sector (GGS) is reporting a significantly increased deficit compared with the previous year

The General Government Sector (GGS) Underlying Net Operating Balance for 2023-24 was a deficit of $1.84 billion, a significant deterioration of $1.23 billion from the deficit of $616 million reported for the previous year. The current year result was impacted by an increase of $571 million in the provision for claims related to child sexual abuse in State care. However, even when this item is excluded, the deficit would have been $1.27 billion, which is almost double the deficit of each of the 4 years of this analysis. This also impacted the Total State Sector Underlying Net Operating Balance, where a deficit of $1.92 billion was recorded for 2023-24.

The revised estimates report anticipates a further increased deficit for the current year

We note that the 2024-25 revised estimates report, released on 11 February 2025, forecasts the Total State net operating deficit at 30 June 2025 to further deteriorate to $1.69 billion. In the revised estimates, which we have not audited, the forecast deficit is expected to improve in 2025-26 with significant gains through a reduction in employee expenses and grant and subsidy expenses. To enhance our future reports, we have commenced a process that will enable the inclusion of information and analysis on budgeted, forecast and actual outcomes for each Department, the General Government Sector and the Total State. We anticipate this to be included in our report on the results audits for years ending 30 June 2025.

GGS net debt has grown

GGS net debt grew significantly by $1.46 billion to $3.34 billion at the end of June 2024, with increased borrowings of $1.42 billion. The cumulative deficit over the last 4 years amounts to $3.42 billion, based on current budget and forward estimates, the cumulative deficit will grow to $5.17 billion by the end of 2028. This period will also see an increase in GGS net debt from the current level of $3.34 billion to $8.59 billion. Given the current estimated Tasmanian population of 576,000, current GGS net debt of $3.34 billion represents a debt of $5,799 for each Tasmanian and the forecast 2028 debt level of $8.59 billion represents $14,913 for each Tasmanian.

Australian Government grant funding represents just under two thirds of GGS revenue

The significance of Australian Government grant funding (excluding one-off Australian Government capital funding) on the financial performance of the GGS continued in 2023-24, with this source of revenue representing 62.8% of total GGS revenue, compared to 65.2% in the period year. Compared to the other states and territories, Tasmania recorded the second highest level of reliance on Australian Government grants, with these grants representing an average of 64.4% of total GGS revenue of the period of analysis.

GGS entities continue to fall short of budgeted capital expenditure levels

Capital expenditure is generally trending up, however continues fall short of budgeted levels**.** Capital expenditure for Departments in the GGS consistently increased over the first 3 years of our analysis, however it decreased slightly, to $762 million in 2023-24. As per the prior year, the actual capital expenditure was well short of the $1.11 billion budgeted capital expenditure, with the Departments of State Growth, Health and Police, Fire and Emergency Management having the largest budgeted capital expenditure ‘gap’. The overall capital expenditure gap from the budget increased to 31.2% in the current year.

The number of audit findings has decreased this year and more prior year findings are being addressed

This report also summarises the findings from our audits of GGS and other entities. A total of 55 audit findings arose from these audits, a significant decrease from the 103 findings identified in the previous year. There has also been an increase in the rate at which matters raised in prior years are being resolved. In the current period, 45.9% of prior year findings were resolved, up from 41.6% of findings being resolved in the prior year. There are 11 high risk findings yet to be addressed, 8 of which has been overdue for more than a year.

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 audit of the Treasurer's Annual Financial Report (TAFR), comprising the Public Account Statements and the Treasurer's Annual Financial Statements for the year ended 30 June 2024, were completed on 28 October 2024 and 29 October 2024 respectively, in line with the legislative timeframe.

The status of audits of State entities and audited subsidiaries as at 31 January 2025 is shown in Table 1 below.

Table 1: Status of audits of State entities and audited subsidiaries as at 31 January 2025

Audits of financial statements	December 2023 and June 2024	December 2022 and 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)]	61	59
• after 45 days of the end of the financial year	4	10
	65	69
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)]	52	43
• completed after 45 days of receiving the financial statements	9	20
• audits dispensed	3	5
• Total audits completed as at 31 January 2025	64	68
• Audits not yet completed	1	1
• Audits not yet dispensed	0	0
	65	69

[1] Audit completion for December 2022 and June 2023 year ends as at 29 February 2024.

General Government Sector

Introduction

This chapter provides an overview of the structure of the GGS. The GGS consists of departments and legislative agencies, statutory offices and some State authorities, controlled and mainly financed by the Government.

The principal function of GGS entities is to provide non-market goods and services, such as roads and hospitals, to the community. These outputs are primarily financed by taxes. Other functions of GGS entities are to regulate and influence economic activity, to maintain law and order, and to redistribute income by means of transfer payments.

All agencies, with the exception of some State authorities, receive an appropriation from the Public Account to provide outputs (goods and services) on behalf of the Government, to achieve outcomes in areas such as health, education, law, public safety, the environment and community infrastructure.

State authorities are established under specific legislation, which defines the purpose of the authority and the general functions for which it is responsible. Some State authorities are not directly funded through appropriations, but may receive funding from a department or raise revenue through their own activities.

The structure of the GGS is illustrated in Figure 1.

This chapter also provides an overview of the legislative and financial reporting frameworks for the preparation of TAFR together with financial analysis and commentary on:

- the GGS and Total State Sector (TSS) financial statements
- the Public Non-Financial Corporations (PNFC) and Public Financial Corporations (PFC) sectors
- the Public Account Statements.

Figure 1: Structure of the GSS as at 30 June 2024

General Government Sector

Government Departments

- Education, Children and Young People
  - Office of TASC
  - Teachers Registration Board
  - Non-government Schools Registration Board
- Health
  - Tasmania Health Service
  - Ambulance Tasmania
  - Tasmanian State Health Funding Pool
- Justice
  - Asbestos Compensation Fund
  - Council of Law Reporting
  - WorkCover Tasmania Board
- Natural Resources and Environment Tasmania
  - Forest Practices Authority
  - Waste and Resource Recovery Board
- Police, Fire and Emergency Management
- Premier and Cabinet
- State Growth
  - ABT Railway Ministerial Corporation
  - Tasmania Development and Resources
  - Tasmanian Museum and Art Gallery
- Treasury and Finance (including Finance-General)

Other entities

- Aboriginal Land Council of Tasmania
- Board of Architects
- Brand Tasmania
- Environment Protection Authority
- House of Assembly
- Inland Fisheries Service
- Integrity Commission
- Legal Profession Board
- Legislature-General
- Marine and Safety Tasmania
- National Trust of Australia (Tasmania)
- Office of the Director of Public Prosecutions
- Office of the Governor
- Office of the Ombudsman
- Property Agents Board
- Property Agents Trust
- Retirement Benefits Fund
- Royal Tasmanian Botanical Gardens
- Solicitors' Trust
- State Fire Commission
- Tasmania Legal Aid
- Tasmanian Affordable Housing Limited
- Tasmanian Audit Office
- Tasmanian Beef Industry
- Tasmanian Building and Construction Industry Training Board
- Tasmanian Community Fund
- Tasmanian Dairy Industry Authority
- Tasmanian Economic Regulator
- Tasmanian Heritage Council
- Tasmanian Pharmacy Authority
- Tasmanian Timber Promotion Board
- TasTAFE
- The Nominal Insurer
- Theatre Royal Management Board
- Tourism Tasmania
- University of Tasmania
  - AMC Search Ltd
  - OzLuna Pty Ltd
  - Tasmania University Union
  - UTAS Holdings Pty Ltd
  - UTAS Properties Pty Ltd
- Veterinary Board of Tasmania
- Wellington Park Management Trust

Legislative requirements

Section 40 of *Financial Management Act 2016* requires the Treasurer to prepare an annual financial report containing:

- the original estimates disclosed in the Budget Papers in respect of the major GGS statements
- the results in respect of the major GGS statements
- the results in respect of the major Public Account Statements disclosed in the Budget Papers
- the balances of Specific Purpose Accounts at the end of that financial year
- an assessment of the Government's fiscal performance against its current fiscal strategy statement, within the meaning of the *Charter of Budget Responsibility Act 2007*
- the Auditor-General's report on the GGS financial statements, Public Account Statements and balances of Specific Purpose Accounts.

The Treasurer is required to table the annual financial report in both Houses of Parliament by no later than 31 October, immediately following the financial year to which the report relates.

Financial reporting framework

The GGS and TSS financial statements are prepared in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. They incorporate the reporting requirements of the Australian Accounting Standards Board and the Uniform Presentation Framework, which is based on the reporting standards of the Australian Bureau of Statistics’ Government Finance Statistics (GFS) framework. Explanations of the Uniform Presentation Framework Key Fiscal Aggregates are provided in notes to the GGS and TSS financial statements and are not reproduced in this report.

The Public Account Statements are a specific purpose financial report prepared on a cash accounting basis incorporating GGS receipts and expenditure.

The Public Account includes various Specific Purpose Accounts established by the Treasurer. The majority of these accounts hold funds that will be utilised to fund the cost of certain transactions over more than 1 year. Other accounts in the Public Account included whole-of-government, business unit accounts and accounts established under legislation. Accounts of a true trust nature do not form part of the Public Account.

General Government Sector analysis

The following sections contain analysis and commentary on the GGS and TSS financial statements. Comments should be read alongside TAFR. The major focus of this section is to compare 2023-24 results with the outcomes of 2022-23 and analyse trends over the past 4 years.

To be consistent with TAFR, unless otherwise stated figures in this section are shown as whole dollars for millions, with billions reflected with 2 decimal places. Dollar amounts presented in tables, commentary and figures have been rounded.

Underlying Net Operating Balance

As discussed in TAFR, the receipt of Australian Government funding for capital programs, particularly one-off major projects, has the effect of improving the Net Operating Balance outcome, as it reflects the receipt of revenue from the Australian Government for infrastructure purposes, but does not factor in the expenditure of these funds on infrastructure projects.

The Underlying Net Operating Balance removes the impact of one-off Australian Government funding for specific capital projects by excluding this funding from the Net Operating Balance.

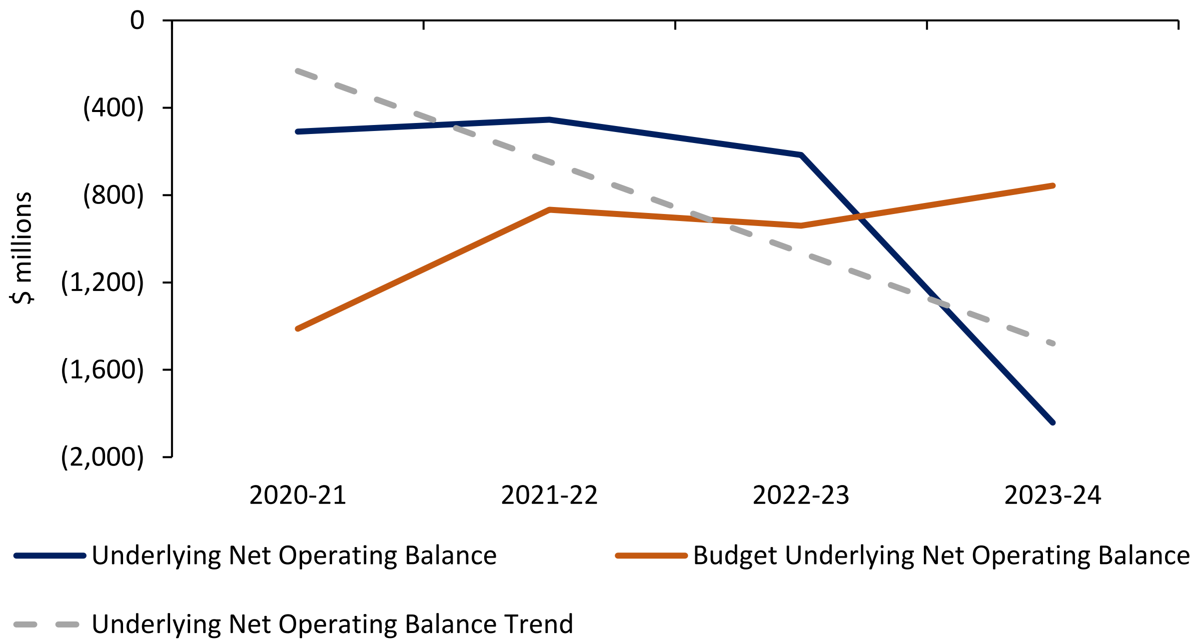
General Government Sector Underlying Net Operating Balance

($509m)	**($455m)**	**($616m)**	**($1.84bn)**
2020-21	**2021-22**	**2022-23**	**2023-24**
▼ **(8%)**	▲ **11%**	▼ **(36%)**	▼ **(199%)**

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

Figure 2 provides an overview of results for the past 4 years. It shows a GGS Underlying Net Operating Balance deficit in each of the 4 years, with movements fluctuating between years. The cumulative deficit over the last 4 years amounts to $3.42 billion, based on current budget and forward estimates, the cumulative deficit will grow to $5.17 billion by the end of 2028. This period will also see an increase in GFS net debt from the current level, $2.86 billion to $7.55 billion. Ongoing deficits and increases in debt are not sustainable in the long term.

Figure 2: GGS Underlying Net Operating Balance



The GGS Underlying Net Operating Balance deficit of $1.84 billion for 2023-24 was a deterioration of $1.23 billion from the deficit of $616 million reported the previous year.

This year's actual GGS Underlying Net Operating deficit was $1.09 billion more than the budgeted deficit of $757 million as a result of:

- actual revenue being $274 million higher than budgeted revenue, primarily due to a $90 million increase in taxation revenue and an increase in special purpose payments
- actual expenses were $1.36 billion higher than budgeted, mainly due to employee expenses being $346 million higher than budgeted, supplies and consumables being $211 million higher (with the Department of Health (Health) being $166 million higher) and a $604 million increase in other expenses, primarily due to an increase of $571 million in the provision for claims related to child sexual abuse in State care
- excluding the abuse in care provision of $571 million, the deficit would have been $1.27 billion, which is almost double the deficit of each of the years of this analysis.

Total State Sector Underlying Net Operating Balance

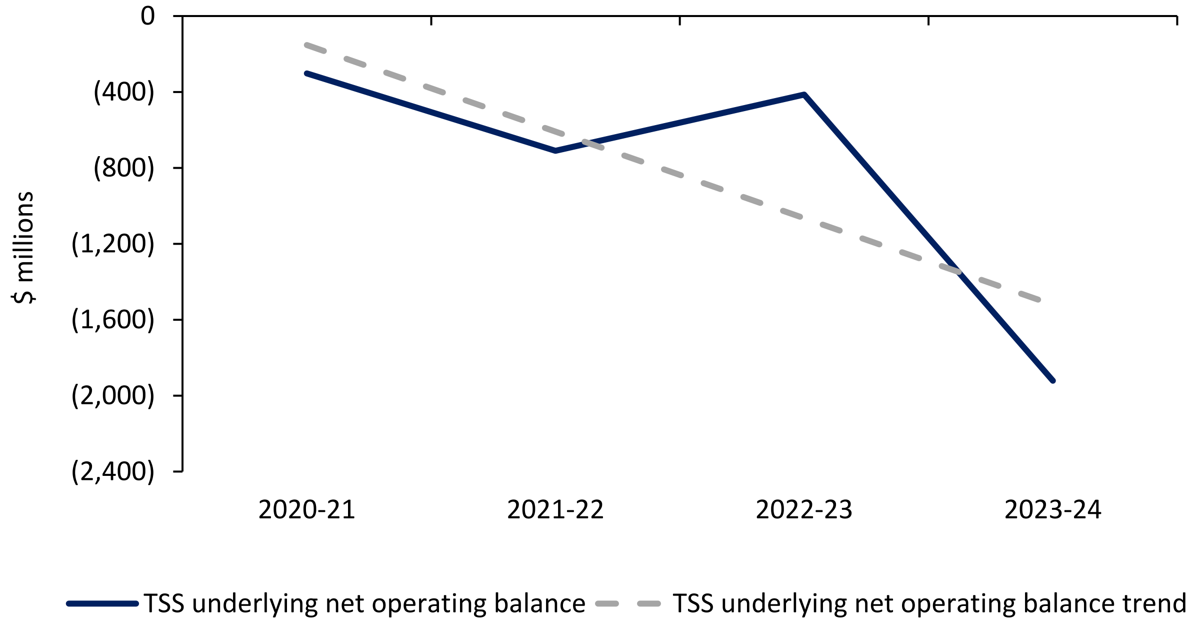
($302m)	**($710m)**	**($414m)**	**($1.92b)**
2020-21	**2021-22**	**2022-23**	**2023-24**
▲ **56%**	▼ **(135%)**	▲ **42%**	▼ **(364%)**

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

The basis of calculation for TSS Underlying Net Operating Balance incorporates the underlying results for PNFCs and PFCs. The Underlying Net Operating Balance was a deficit of $1.92 billion in 2023-24, a deterioration of $1.51 billion from the deficit of $414 million for the prior year. The result reflects a significant deterioration in the underlying results of the GGS.

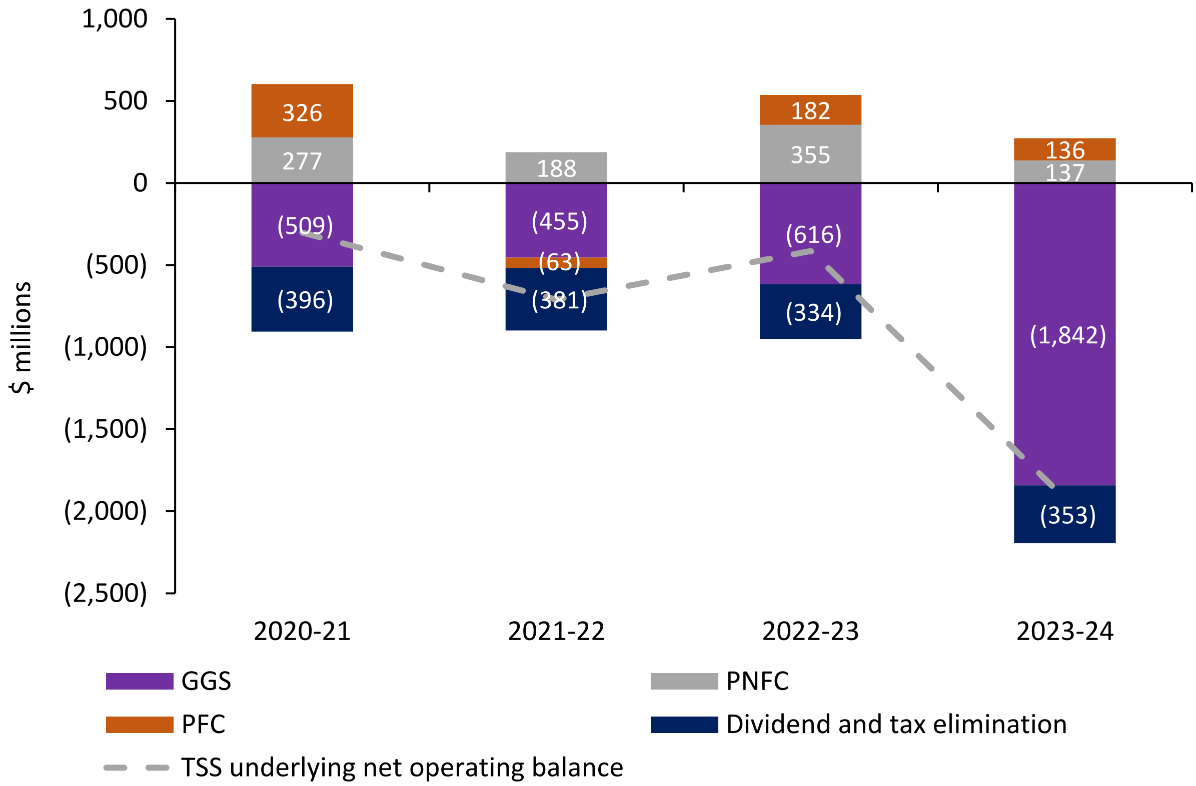
Figure 3 provides an overview of TSS Underlying Net Operating Balance for the past 4 years. It shows an declining trend over this period, consistent with Figure 2.

Figure 3: TSS Underlying Net Operating Balance



The TSS Underlying Net Operating Balance, disaggregated into GGS, PFC and PNFC sectors and inter-sector eliminations is shown in Figure 4. The dividend and tax eliminations are to remove the effect of dividends and income tax paid by PFC and PNFC to Department of Treasury and Finance (Treasury) from the TSS Underlying Net Operating Balance.

Figure 4: Disaggregated TSS Underlying Net Operating Balance



The four-year comparison illustrates the impact of the GGS results on the TSS Underlying Net Operating Balance. Although the results have reduced from the prior year, the PFC and PNFC sectors provided a positive result to the TSS figure, while the dividend and tax eliminations have been relatively consistent over the four-year period.

Revenue

General Government Sector Revenue

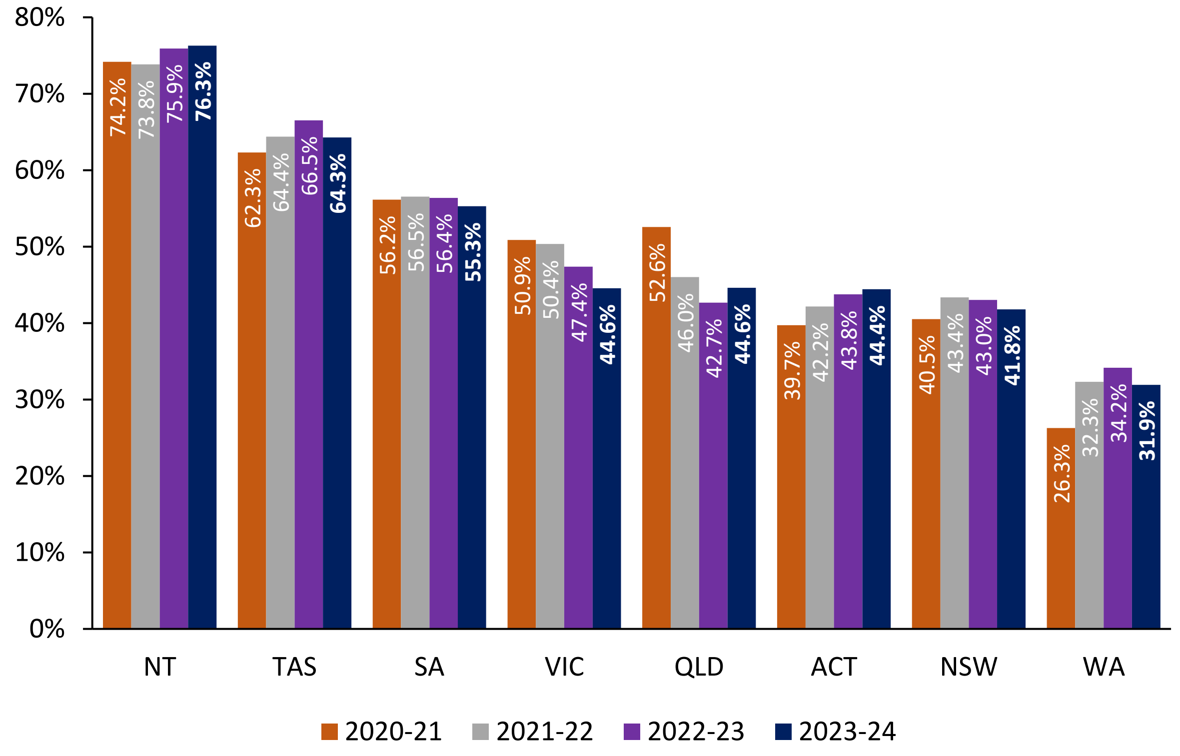
$5.18bn	$1.77bn	$0.61bn	$0.67bn
Australian Government grants (excluding capital grants)	State Taxation	Sales of Goods & Service Fees and Fines	Dividends and Income Tax Equivalents

GGS revenue, excluding one-off Australian Government capital funding, totalled $8.24 billion in 2023-24, higher than the prior year's revenue of $8.18 billion, however this increase represents an increase of less than 1 percent from the prior year.

Similar to previous years, Australian Government grant funding, excluding capital grants, represented the majority of GGS revenue, totalling 62.8% of operating revenue in 2023-24 (2022-23, 65.2%).

A comparison of the level of reliance on Australian Government grant funding as a percentage of total GGS revenue across states and territories is presented in Figure 5.

Figure 5: State by State Comparison of Grants received as a proportion of total GGS revenue



Note: Information obtained from publicly available equivalents of TAFR for other states. 2023-24 information for some States was not available as at the time of preparing this report.

Compared to the other states, Tasmania recorded the second highest average proportion of Australian Government grants to total GGS revenue with an average of 64.4% over the last 4 years.

Total State Sector Revenue

$5.17bn	$1.72bn	$4.20bn	$0.70bn
Australian Government grants (excluding capital grants)	State Taxation	Sales of Goods & Service Fees and Fines	Total Other Revenue

TSS revenue, excluding one-off Australian Government capital funding, totalled $11.80 billion in 2023-24 (2022-23, $11.41 billion). The increase of $386 million was mainly due to an increase in the sales of goods and services of $295 million.

An analysis of revenue within the PNFC and PFC sectors is included within the PNFCs and PFCs section of this chapter.

Capital investment

General Government Sector Capital Investment

Ongoing investment in infrastructure and other capital projects is essential to the delivery of services to the community, whether it be roads, bridges, hospitals, schools, housing, health centres, or many other forms of essential public infrastructure. In the 2023-24 State Budget, over the Budget and Forward Estimates period, the Government allocated $4.28 billion to community infrastructure investment. As detailed in the 2023-24 Budget Paper 1, major infrastructure expenditure planned over this period included:

- roads and bridges, $2.20 billion (2022-23, $2.70 billion)
- tourism, recreation and culture, $557 million (2022-23, $205 million)
- hospitals and health, $503 million (2022-23, $490 million)
- law and order, $375 million (2022-23, $223 million)
- information and communications technology (ICT) to support service delivery, $312 million (2022-23, $297 million)
- schools, education and skills, $305 million (2022-23, $314 million)
- other infrastructure, $27 million.

Whilst there was only a 2.0% gap between budget and actual capital expenditure in 2021-22, there was a gap of 27.6% in 2022-23, increasing to 31.2% in the most recent year, as shown in Figure 6.

Figure 6: Department budgeted and actual capital expenditure 2020-21 to 2023-24

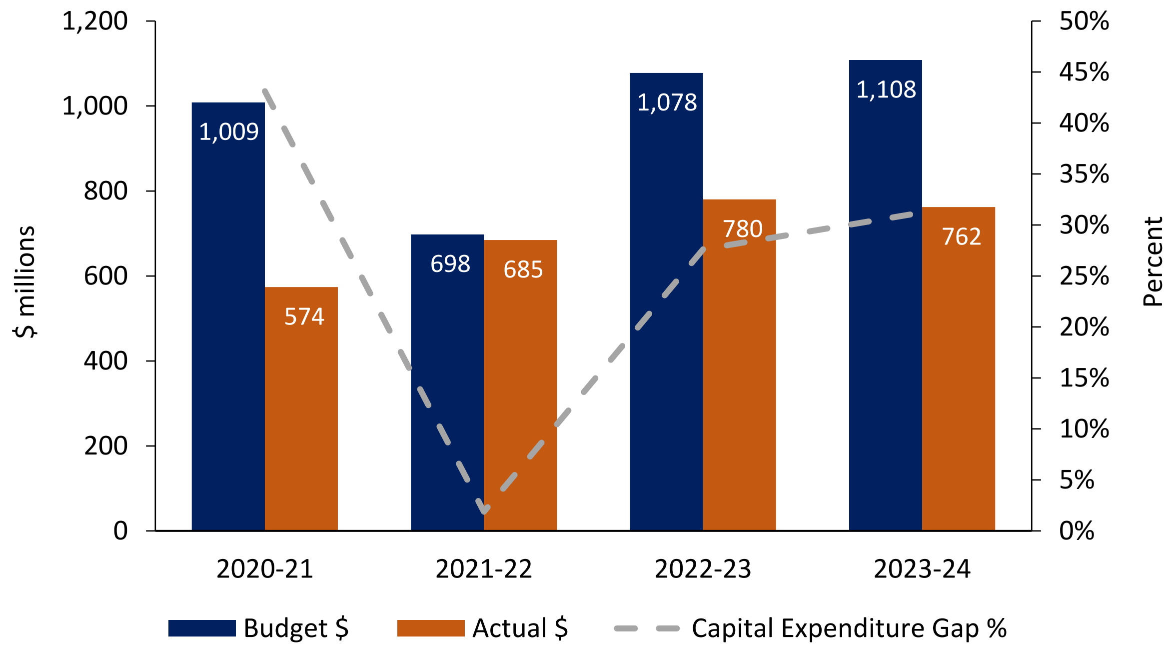


Table 2 shows the budgeted spend by each department in 2023-24 against their actual expenditure on non-financial assets.

Table 2: Budget and actual cash payments for capital expenditure[1]

	2023-24					
Departments	2023-24 Budget $'000	2023-24 Actual $'000	Spending (shortfall) / excess $	Spending (shortfall) / excess %	4 year Spending (shortfall)/ excess $	4 year Spending (shortfall) / excess %
Education, Children and Young People	103,419	122,685	19,266	18.6%	(153,846)	(29.0%)
Health	212,444	154,207	(58,237)	(27.4%)	(203,766)	(35.2%)
Justice	47,051	10,822	(36,229)	(77.0%)	(104,719)	(46.4%)
Natural Resources and Environment Tasmania	43,513	13,477	(30,036)	(69.0%)	(116,099)	(62.3%)
Police, Fire and Emergency Management	56,353	15,735	(40,618)	(72.1%)	(78,996)	(48.9%)
Premier and Cabinet	1,145	4,362	3,217	281.0%	4,233	88.5%
State Growth	643,138	440,413	(202,725)	(31.5%)	(406,984)	(20.4%)
Treasury and Finance	1,028	350	(678)	(66.0%)	(1.815)	(33.3%)
Total	**1,108,091**	**762,051**	**(346,040)**	**(31.2%)**	**(1,061,992)**	**(27.3%)**

Note 1: Budget and 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 Department.

In 2023-24, departments collectively spent 68.8% of their budgeted capital expenditure. Explanations for significant variations from budget capital expenditure are provided below:

- Capital expenditure shortfalls in Department of State Growth (State Growth) of $203 million, reflecting lower than anticipated capital expenditure for the Capital Investment Program, based on revised cashflows, including shortfalls in budgeted capital expenditure on:
  - new Bridgewater Bridge, $45 million
  - Roads of Strategic Importance, $52 million

  - Northern Suburb (Launceston) Community Recreation Hub Project, $18 million
  - Northern Suburbs Indoor Muti-sports Facility Program, $18 million
  - Tasman Bridge Upgrade, $14 million
  - Macquarie Point Urban Renewal, $15 million.

- Capital expenditure shortfalls in Department of Natural Resources and Environment Tasmania (NRE Tas) of $30 million are mainly associated with project delays which have been moved to future years. Shortfalls in budgeted capital expenditure includes:
  - Cradle Mountain Experience, $12 million
  - Freycinet Peninsula Wastewater, $5 million.

- Capital expenditure shortfalls in Department of Justice (Justice) of $36 million are mainly associated with:
  - due to the timing of expenditure in various Departmental capital projects, unspent funding of approximately $31 million has been re-cash flowed or rolled over into future years
  - IT development costs for the Justice Connect and PlanBuild projects, previously budgeted to be capitalised as Intangible assets, were expensed during the year. The Department expended $7 million on these projects in 2023-24, instead of being capitalised.

- Capital expenditure shortfalls in Department of Police, Fire and Emergency Management (DPFEM) of $41 million were noted as the level of capital expenditure to be incurred for the year was reduced significantly within a number of projects. These projects included:
  - Tas GRN, $24 million
  - Project Unify, $13 million
  - Automatic Vehicle Location Upgrade Project, $5 million

- Capital expenditure shortfalls in Health of $58 million, which was principally due to the Digital Health Transformation project. This was originally budgeted for $40 million of capital expenditure, however the majority of the expenditure for this project was reclassified as operational expenditure, in accordance with the requirements of Australian Accounting standards. In addition, there are many other variations, both reducing and increasing the actual expenditure against the original budget. The primary variations, in addition to the Digital Health Transformation project, are as follows:
  - reductions in the Capital Investment Program, primarily relating to:
    - Royal Hobart Hospital Stage 2 Redevelopment, $16 million

        - Royal Hobart Hospital Redevelopment – Expanded Stage 2, $13 million
        - Regional Health and Ambulance Facilities Fund, $7 million
        - Launceston General Hospital Helipad, $5 million
        - Royal Hobart Hospital Pharmacy Redevelopment, $4 million
        - 27 New Mental Health Beds in Southern Tasmania, $3 million
        - Community Health and Hospitals Program (CHHP) Kings Meadows Community Centre, $3 million
        - CHHP St Johns Park Eating Disorders Treatment Centre, $3 million
        - North-West Regional Hospital – Mental Health Precinct, $3 million
        - Royal Hobart Hospital Redevelopment, $2 million
    - partially offset by increases that include:
        - Mersey Community Hospital Capital Upgrades, $9 million
        - Launceston General Hospital Redevelopment – Stage 1, $6 million
        - capitalisation within Operating Outputs, primarily related to medical equipment and buildings, $29 million.

Net worth and net debt

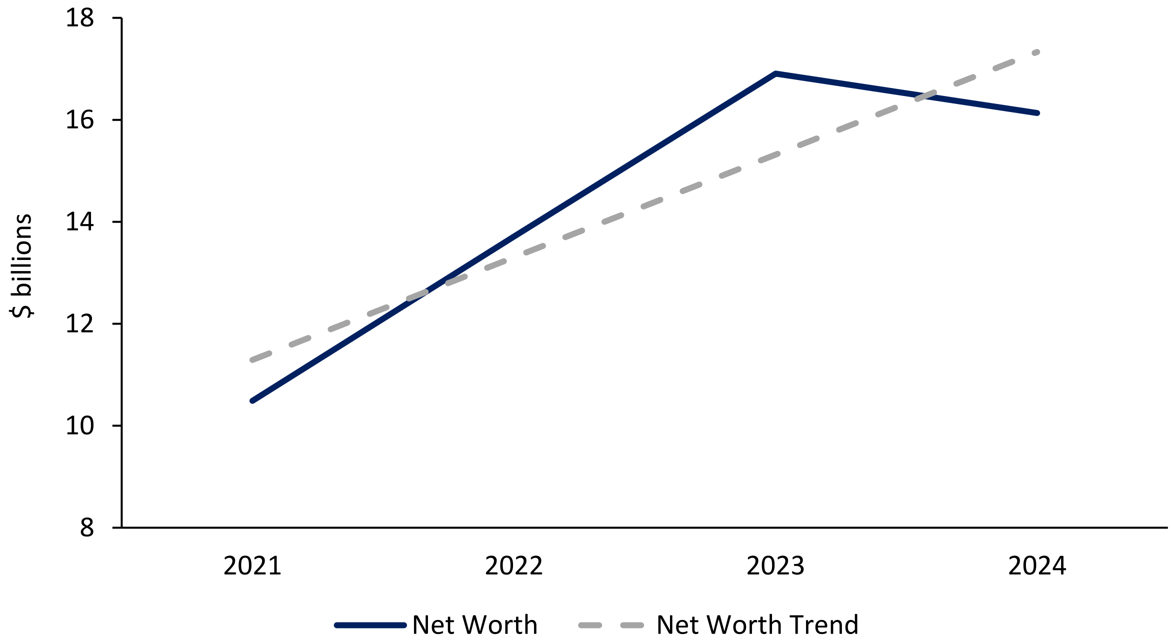
General Government Sector		Total State Sector	
$16.13bn	**$2.86bn**	**$16.13bn**	**$4.49bn**
Net worth	GFS Net debt	Net worth	GFS Net debt

GSS Net worth

GGS Net worth, also referred to as net assets, decreased by $0.77 billion to $16.13 billion as at 30 June 2024. Net worth includes certain financial assets and liabilities not captured by the Net debt measure, most notably, accrued employee superannuation liabilities, ownership of equity investments, debtors and creditors.

Figure 7 shows GGS Net worth is trending upwards over the 4 financial years 2020-21 to 2023-24, despite the decrease in the current year.

Figure 7: Net worth



Major contributors to the $0.77 billion decrease in GGS Net worth in 2023-24 were:

- an increase in Total Assets of $1.93 billion, due to:
    - $1.03 billion increase in non-financial assets, which included a significant increase in infrastructure assets ($663 million) and the inclusion of the Tasmanian Government Radio Network (TasGRN) as a service concession asset ($458 million)
    - $451 million increase in cash and deposits
    - $306 million revaluation increase in PNFC and PFC equity investments
- offset by an increase in Total Liabilities of $2.70 billion, made up of:
    - $1.42 billion increase in borrowings
    - $563 million increase in other provisions, related to the abuse in care provision
    - $480 million service concession liability related to the TasGRN.

TSS Net worth

TSS Net worth is the same as GGS Net worth. This is because PNFC and PFC equity investments included in GGS Net worth are removed and replaced with the assets and liabilities of the PNFC and PFC entities in arriving at TSS Net worth. As the PNFC and PFC entities are recognised at a fair value equivalent to their net asset value in GGS financial statements, net worth is the same for GGS and TSS.

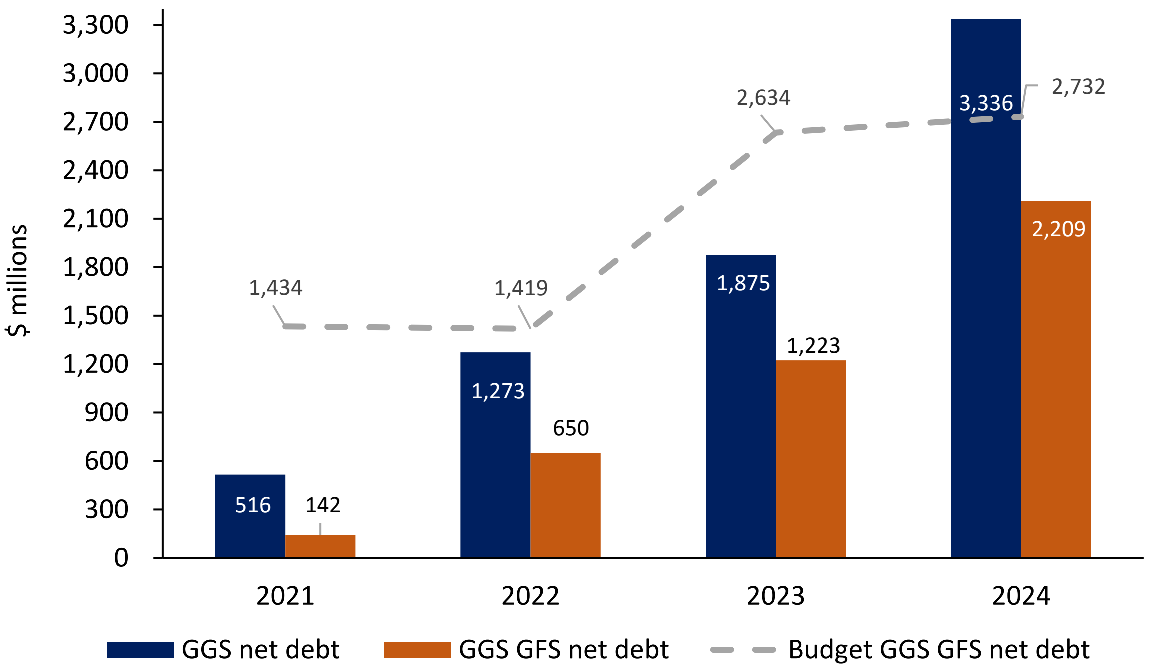
GSS net debt and GFS net debt

Net debt is a measure used to help assess the overall strength of a government's fiscal position. Net debt comprises borrowings plus lease liabilities less cash, deposits and investments. The reference to negative net debt means cash, deposits and investments exceeded borrowings and lease liabilities.

GFS net debt is also a measure of net debt, calculated using the GFS reporting framework, which excludes the impact of leases liabilities and service concession liabilties. GFS net debt comprised borrowings less the sum of cash and deposits and investments.

GGS net debt continued to grow during 2023-24, as shown in Figure 8, largely due to the increase in borrowings of $1.42 billion, drawn down by the Government to support the expenditure of the GGS and to ensure Specific Purpose Accounts and Agency Trust Accounts were cash backed. It should also be noted that GGS net debt figure in 2023-24 includes for the first time the $480 million service concession liability related to the TasGRN.

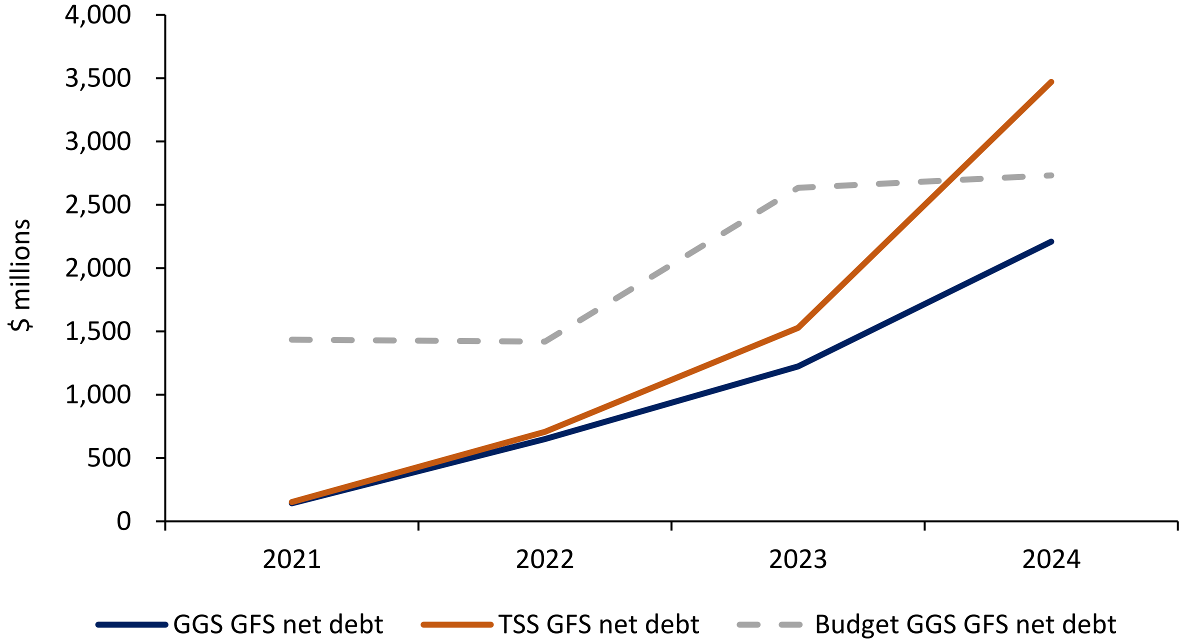
Figure 8: GGS net debt and GGS GFS net debt



GGS GFS net debt was $2.21 billion at 30 June 2024 in comparison to budgeted GGS GFS net debt of $2.73 billion.

Figure 9 provides a comparison of GGS GFS net debt to TSS GFS net debt for the past 4 years.

Figure 9: GFS net debt



TSS GFS net debt increased by $1.94 billion to $3.47 billion at 30 June 2024. The increase comprised additional borrowings of $2.24 billion less additional cash and investments of $296 million.

Defined benefit superannuation liability

Superannuation Commission

The Superannuation Commission (Commission) is responsible for the management of the funded assets of the Retirements Benefits Fund (RBF) Defined Benefit Contributory Scheme, the Tasmanian Ambulance Service Superannuation Scheme, the State Fire Service Superannuation Scheme and the Parliamentary Superannuation Fund. All of the defined benefit funds are closed to new members. The Commission has no responsibility for the Judges Contributory Pensions or the Housing Tasmania Superannuation Scheme.

The Commission is supported by the Office of the Superannuation Commission (OSC) which is a branch of Treasury. The operating costs of the OSC and the Commission in administering the 5 public sector defined benefits schemes are funded directly by appropriation, rather than through operating expenses charged directly against scheme assets. The OSC is disclosed as an output group of Treasury.

Defined benefit superannuation liability

The Government is ultimately responsible for meeting obligations of the schemes. Superannuation payments are met on an emerging cost basis from the Public Account, funded partly by agency contributions and by a Reserved-by-Law contribution, which comprises the balance of the Government’s share of pension and lump sum benefit costs.

At 30 June 2024, the GGS unfunded defined benefit liability was $7.14 billion (30 June 2023, $7.40 billion). The unfunded superannuation liability comprised the following defined benefit schemes and arrangements:

- Retirement Benefits Fund Scheme, $7.13 billion (30 June 2023, $7.38 billion)
- Parliamentary Schemes, $10 million (30 June 2023, $12 million)
- Judges' Contributory Scheme, $25 million (30 June 2023, $27 million)
- Tasmanian Ambulance Service, $14 million asset (30 June 2023, $13 million asset)
- State Fire Commission Scheme, $5 million asset (30 June 2023, $7 million asset).

The net liability decreased by $259 million in 2023-24. This reflects the most recent actuarial assessment of the liability. The decrease in the value of the liability is primarily due to an increase in the discount rate to 4.55% as at 30 June 2024 (4.3% as at 30 June 2023). There is a strong inverse relationship between the discount rate and the valuation of the superannuation liability, which means that the liability decreases when the discount rate increases and vice versa.

Movements over the past 4 years in the unfunded liability, being the difference between the present value of the defined benefit obligation and fair value of plan assets, are shown in Figure 10.

Figure 10: GGS Unfunded Superannuation Liability

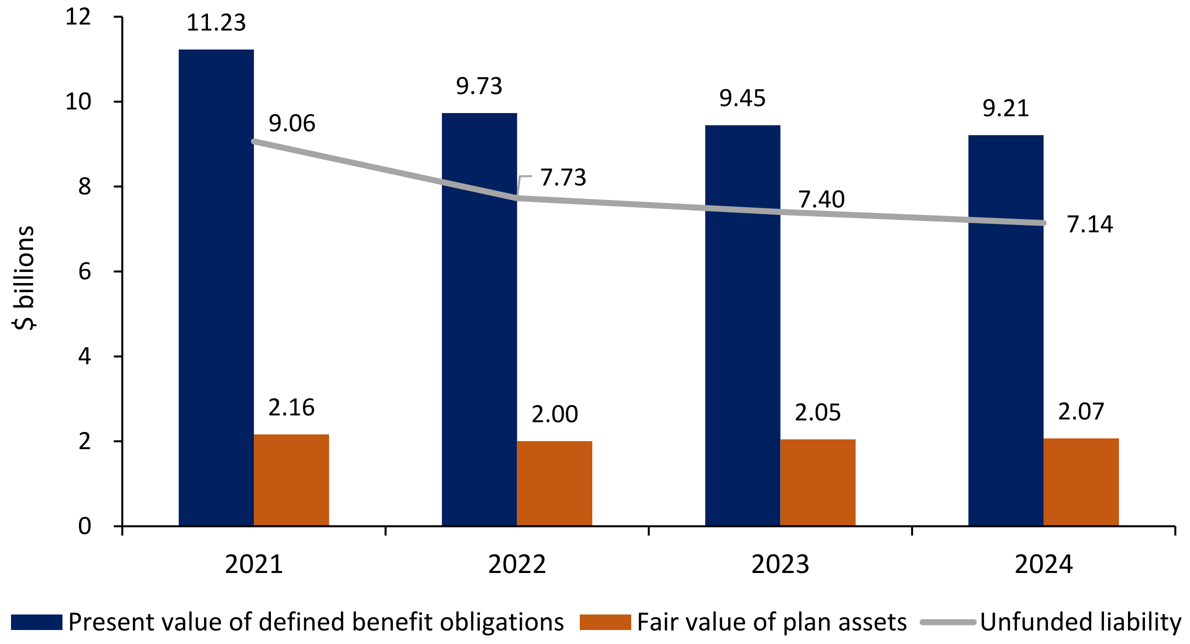
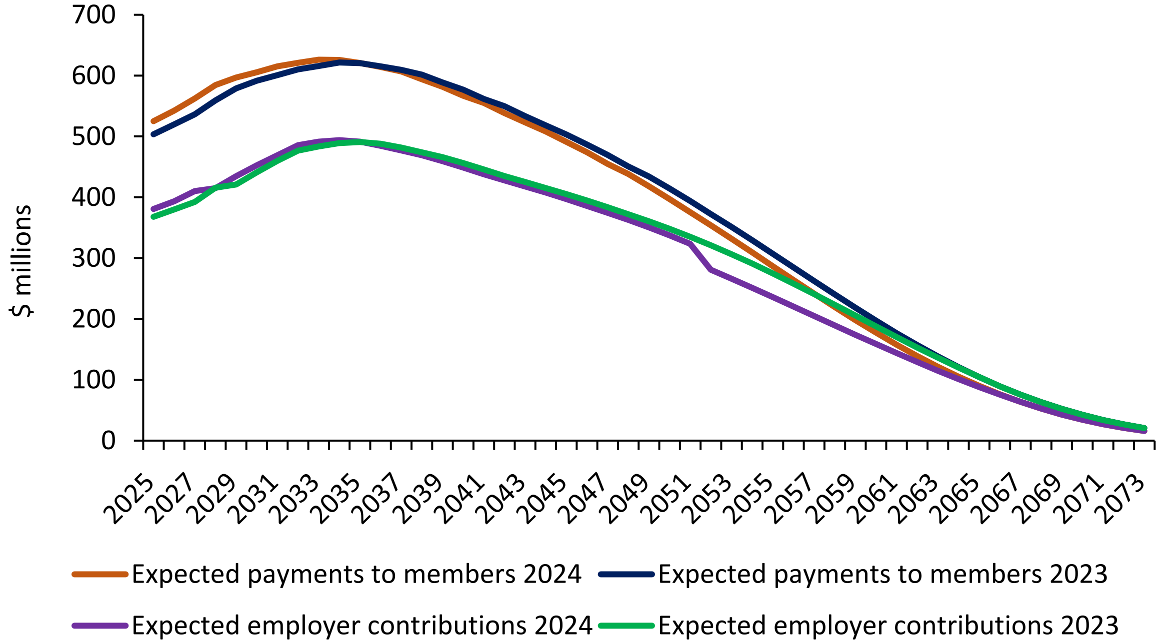


Figure 11 compares the expected nominal (un-discounted) cash outflows required to meet the emerging cost of superannuation benefits payable to members, before consideration of benefits funded from scheme assets, as estimated at 30 June 2024 and 30 June 2023. Also shown are the expected future employer contributions to be paid by the Government, as estimated at 30 June 2024 and 30 June 2023.

Figure 11: GGS Undiscounted Defined Benefit (2025-2073)



Payments required to meet defined benefit pensions and lump sum payments will peak in 2034 at around $622 million. A key budget risk for the Government is the significant increase in the cost, with the defined benefit pensions and lump sum payments increasing by 29.8% over the next 12 years.

General Government Sector developments

This section summarises significant developments that affected the operations of GGS entities identified during the course of the audit of their financial statements.

Machinery of Government changes

Changes to the administration and structure of the GGS may result from:

- State Service (Agencies and Heads of Agencies) Orders, which the Governor makes to amend the list of Government agencies or State authorities in Schedule 1 of the *State Service Act 2000* (State Service Act), under section 12
- State Service (Restructuring) Orders, which the Governor makes to establish, abolish or change the name of a department or State authority, or to restructure departments and State authorities, under section 11 of the State Service Act
- new, or amendments to existing, Acts of Parliament.

There were no Machinery of Government changes during the period 1 July 2023 to 30 June 2024. The State Service (Restructuring) Order 2024 and Administrative Arrangements Amendment Order had an effective date of 1 July 2024. These Orders transferred forestry functions and Acts relating to forestry from the Department of Natural Resources and Environment Tasmania to the Department of State Growth.

Department for Education, Children and Young People

Financial result

The 2023-24 result for Department for Education, Children and Young People (DECYP) was a surplus of $13.65 million (2022-23, deficit $6.97 million). The improvement in the net result was partly due to:

- increases in several revenue sources, such as operating appropriations of $155.93 million and capital appropriations of $44.39 million, supporting infrastructure projects such as new school constructions. Revenue from other government sources also grew by $9.68 million, driven by rolled-over appropriations under Section 23 of the *Financial Management Act*.
- offset by increases across a number of expenditure categories mainly due to the machinery of government changes from 2022-23. The 2023-24 financial year represents a full financial year, whereas the 2022-23 year only included ten months of transactions. Supplies and consumables expenses increased primarily due to higher accommodation support, service provider hours and other client services, amounting to $34.52 million. Grants and subsidies expenditure increases were principally due to the higher services for children and family grants, totalling $30.74 million. There was also an increase in depreciation expense of $10.63 million, due to revaluation increments of buildings in the prior year.

Property, plant and equipment

During 2023-24, property, plant and equipment increased by $142.69 million to $2.32 billion, primarily due to increases in the value of land and buildings. The increase was represented by revaluation increments of $100.86 million, additions of $113.67 million, offset by depreciation for the year of $85.23 million.

Significant capital expenditure on building projects during 2023-24 included:

- new Brighton High School construction, $37.14 million
- Legana Primary School construction, $18.03 million
- Kingston Child and Family Learning Centre, $5.61 million
- Sorell School – provision of contemporary learning areas, $6.82 million.

Major projects completed during the year included:

- West Ulverstone Child and Family Learning Centre, $4.38 million
- Waratah-Wynyard Child and Family Learning Centre Hub, $4.14 million.

Department of Health

Financial result

Health recorded a deficit of $267.22 million in 2023-24, compared to a deficit of $101.39 million in 2022-23. The decline was predominantly due to:

- employee benefits increase of $290.19 million, arising from:
    - increased staff numbers and an increased cost for medical locums and agency nurses to meet demand in the Tasmanian Health Service, including Hospitals and Mental Health Services
    - increased Emergency Department resourcing
    - salaries and on-costs relating to Commission of Inquiry initiatives
    - it should be noted that the variance includes the payment of salaries and wages which are offset by recoveries, included in Other revenue of $28.56 million.
- supplies and consumables increase of $81.09 million, which largely reflects hospital demand pressures and includes the write-off of obsolete pandemic personal protective equipment of $25.95 million.

The above items were offset by an increase in Revenue from Government from the prior year of $121.91 million, totalling $2.07 billion in 2023-24.

Capital works

In 2023-24, Health received $176.33 million in capital funding, comprising appropriation revenue, other revenue from the Government and grants from the Australian Government.

This funding assisted in the completion of several major capital works projects in 2023-24, which included:

- Launceston General Hospital redevelopment, acute medicine and Women's and children's services, $17.31 million
- Royal Hobart Hospital – A Block – Endoscopy suite redevelopment and LA7 bunker upgrade, $11.82 million
- Royal Hobart Hospital – H Block – Intensive Care Unit redevelopment, $14.07 million
- Royal Hobart Hospital – J Block – L3 Department of Emergency Medicine upgrade, $7.75 million
- Peacock Centre Redevelopment, $6.21 million
- Mersey Community Hospital, early works project, $4.62 million
- Queenstown Ambulance Station, $2.94 million
- Beaconsfield Ambulance Station, $2.22 million.

Department of Justice

Financial result

Justice generated a deficit of $567.15 million for 2023-24 (2022-23, $83.41 million deficit).

During the year, expenses grew by $529.35 million mainly attributable to an increase in:

- employee benefits, $16.37 million
- recognition of claims expense related to the provision for Claims related to Child Sexual Abuse in State Care, $495.53 million.

This was only partially offset by increased revenue being recognised, as Appropriation revenue increased by $42.56 million, made up of increases in Recurrent Appropriation and Capital appropriation from the prior year.

Property, plant and equipment

Property, plant and equipment increased by $7.62 million during 2023-24 to $402.07 million, primarily due to increases in land. Major movements included asset additions valued at $11.11 million and revaluation increments of $13.98 million, offset by depreciation and amortisation of $15.37 million.

The 2023-24 revaluation increment was based on indices for construction costs and land values advised by the Valuer-General.

National Redress Scheme for Institutional Child Sexual Abuse and related civil claims against the Crown

In 2023-24, Justice performed the first actuarial assessment of the Provision for Claims related to Child Sexual Abuse in State Care by an independent actuary and included both redress and civil claims against the State. The provision now includes an estimate of future claims against the State (for abuse incurred, but not yet claimed for), in addition to current claims against the State. The provision for Claims related to Child Sexual Abuse in State Care increased by $571.20 million during 2023-24 to $646.87 million.

During 2023-24, Justice expended $38.16 million (2022-23, $28.12 million) on payments to claimants under the National Redress Scheme for Institutional Child Sexual Abuse and for related civil claims against the Crown.

As at 30 June 2024, Justice had received a number of applications under the National Redress Scheme for Institutional Child Sexual Abuse from individuals who had suffered abuse, with these claims yet to be resolved. Additionally, a number of civil claims had been made against various Government agencies relating to child abuse in State care which were still progressing.

Department of Natural Resources and Environment Tasmania

Financial result

NRE Tas recorded a surplus of $6.44 million in 2023-24, compared to a deficit of $7.03 million in 2022-23, an improvement of $13.47 million. This was principally due to the increase in income from continuing operations:

- sales of goods and services increased $4.99 million in 2023-24, reflecting increased income from park entry fees and associated sales from increased visitor numbers
- fees and fines increased $8.57 million in 2023-24, primarily impacted by the implementation of the Salmonid Marine Farming Planning levy and the increase in the landfill levy.

Property, plant and equipment

At 30 June 2024, NRE Tas's property plant and equipment includes land and building measured at fair value, amounting to $1.56 billion and $182.00 million, respectively.

Independent valuations are carried out every 5 years and between valuations the carrying values are adjusted using indices provided by the Valuer-General.

During 2023-2024, NRE Tas undertook full revaluation for land and building assets. As a result of the valuation, the fair value of land decreased $503.17 million, and the fair value of buildings increased $60.11 million.

Department of Police, Fire and Emergency Management

Financial result

DPFEM recorded a deficit of $20.42 million in 2023-24 (2022-23, surplus $21.38 million). The decrease in the result was primarily due to the recognition of amortisation of the service concession asset, amounting to $38.75 million, and interest on service concession liability amounting to $26.53 million.

Total revenue increased by $93.62 million for 2023-24 to $620.67 million, due principally to an increase in appropriations of $57.79 million. The higher appropriations in 2023-24 were mainly due to the following:

- operating:
    - additional revenue for workers compensation premiums ($7.80million)
    - helicopter funding ($5.70 million)
    - Commission of Inquiry funding ($2.70 million)
- capital:
    - rollover of funding from Project Unify ($11.80 million)
    - AVL upgrades ($4.50 million)
    - Bridgewater Station upgrade ($1.60 million).

Excluding the impact of interest on service concession liability and amortisation of the service concession asset noted above, the remaining expenditure increased by $71.59 million. The key drivers of the rise in operating expenditure in 2023-24 were:

- the increase in employee benefits is due to the payment of new award increases through the Police Enterprise Agreement and State Service Award, and the timing of police recruitment training courses.
- increase in the operating leases by $8.40 million
- increase in the workers compensation premium by $4.50 million.

Impact of changes in workers compensation (personal injury) premiums

The cost of personal injury insurance for the DPFEM has been increasing significantly over recent years. In 2014-15 DPFEM premium was based on 1% of employee costs, by 2024 this had increased to 8.6% and for 2024-25 it is forecast to raise again to 13.1%. In dollar terms, this has seen the premium increase from $1.40 million in 2014-15 to $18.00 million in 2023-24, for 2024-25 the expected premium is to rise to $31.50 million. The actuarial assessment supporting the calculation of the premium identifies several factors impacting on this increase. These include an increase in the number of claims for psychological injuries, which have a significantly higher claims cost, benefit changes, such as the presumption that post-traumatic stress disorder is work related, the removal of step-downs and the extension of benefit durations for workers close to retirement age.

Regardless of the cause of the increases, the current premium has a significant and growing impact on the financial performance of DPFEM.

Tasmanian Government Radio Network (TasGRN)

In November 2023, the Tasmanian Government Radio Network (TasGRN) became fully operational. The 8 key government stakeholder agencies include DPFEM, State Fire Commission, State Emergency Service, Ambulance Tasmania, Parks and Wildlife, Hydro Tasmania, Sustainable Timber Tasmania and TasNetworks.

DPFEM entered into 2 agreements for the radio network. The TasGRN agreement is in place with Telstra Corporation Limited as a service provider, which specifies the terms of design, construction, operations, testing and maintenance. Similarly, the user agreement with the user organisations states the delivery emergency services grade wireless communications network. The TasGRN was funded by both recurrent and non-recurrent funding.

The balances related to TasGRN were recognised as both a service concession asset and a service concession liability at 30 June 2024. The fair value of the service concession asset is based on the current replacement cost. The asset balance is driven by the indexed service funding cashflow model which reflects future payment terms agreed with Telstra, along with the quantitative impact of the contract modifications made. The service concession liability at 30 June 2024 represents future indexed cash outflows. Both the asset and liabilities are discounted to a net present value. At 30 June 2024, the DPFEM's measured service concession asset at fair value amounted to $458.54 million, and the associated service concession liability amounted to $480.40 million.

The other related accounts transactions recognised at 30 June 2024 include:

- user organisations' contribution revenue amounting to $11.40 million
- amortisation expense of service concession asset amounting to $38.74 million
- interest expense on the service concession liability amounting to $26.53 million
- service contribution expense (as a user organisation) amounting to $3.39 million.

Key Capital Projects

At 30 June 2024, total capital expenditure amounted to $14.95 million, which included property, plant and equipment and intangible assets. Some of the significant capital projects undertaken during the year included:

- Large Vessel Replacement Program, $4.66 million
- upgrade of Police Housing, $1.60 million
- multidisciplinary centres, $1.60 million
- Bridgewater Police Station upgrade, $1.38 million
- Project Unify, $1.18 million.

State Emergency Service (SES) Restructure

In 2023, the Tasmanian Government announced that the State Emergency Service (SES) and Tasmania Fire Service (TFS) would unite to become the Tasmania Fire and Emergency Service (TFES). In 2023-24, there was no development noted on the proposed amalgamation of SES and TFS.

Department of Premier and Cabinet

Financial result

DPAC recorded a deficit for 2023-24 of $3.62 million compared to a deficit of $5.65 million in 2022-23. The result is relatively consistent with the prior year after consideration of the full year impact of the administrative restructure from 2022-23.

Administrative restructures

The following parts of DPAC are to be amalgamated with the Department of State Growth:

- Strategic Regional Partnerships
- the part known as the State Planning Office.

The part of DPAC known as Aboriginal Heritage Tasmania, is to be amalgamated with the Department of Natural Resources and Environment Tasmania.

Department of State Growth

Financial result

The Department of State Growth recorded a net result from continuing operations of $337.73 million in 2023-24 compared to a surplus of $301.90 million in 2022-23. Total revenue from continuing operations increased by $85.19 million, which was principally impacted by an increase in contributions received of $76.09 million. In the current year, contributions included additional land under roads assets that were identified through a reclassification process, which amounted to $90.21 million.

The increased revenue was partially offset by increases in expenditure of $40.03 million, which included an increase in grants and subsidies expenditure of $42.14 million, spread across a large number of varied grants agreements.

Valuation of infrastructure assets

State Growth completed its annual revaluation of its roads and bridges assets during the year, resulting in a revaluation increment for roads of $161.33 million and bridges of $90.82 million. The increments for roads and bridges were calculated using applicable construction indexes.

Capital expenditure

In 2023-24, State Growth expended $469.39 million for the acquisition of non-financial infrastructure assets (2022-23, $444.97 million). This included capital improvements related to roads of $181.58 million and bridges of $14.72 million and work in progress (WIP) additions of $269.15 million. The WIP addition figure is primarily influenced by the construction of the new Bridgewater Bridge.

Department of Treasury and Finance

Financial result

Treasury recorded a surplus of $1.15 million, which is reasonably consistent with the surplus of $2.96 million recorded in 2022-23.

Finance-General

The Finance-General Division is administered by Treasury. The major activities transacted through Finance-General include the management of the Government's financial assets and liabilities, meeting the Government's pension and other superannuation commitments, administration of the Tasmanian Risk Management Fund, management of the Government's light vehicle fleet and property portfolio, and payments to government businesses.

Finance-General transactions are recorded in the Schedule of Administered Income and Expenses, Schedule of Administered Assets and Liabilities and Schedule of Administered Changes in Equity. Significant developments impacting Finance-General are described below.

Administered contributed equity and investment in Marinus Link

Marinus Link Pty Ltd was sold by TasNetworks to the Australian, Victorian and Tasmanian Government on 22 March 2024. The Tasmanian Government holds 17.7% ownership which is controlled by Finance-General.

An equity contribution on initial subscription of $29.59 million was made using funds already contributed to Marinus Link via an existing intercompany loan with TasNetworks of $79 million, that was forgiven by TasNetworks at separation, with the remaining balance to be allocated to future funding calls. Finance-General has budgeted to make Equity Reinvestments to TasNetworks of $103.50 million, during the 2024-25 financial year, in recognition of the costs incurred by TasNetworks in this process.

Administered loans from Tasmanian Public Finance Corporation

Loans from Tasmanian Public Finance Corporation (TASCORP) increased by $1.45 billion during 2023-24 to a total of $4.29 billion at 30 June 2024. The additional borrowings were to increase the Government's cash holdings to support the expenditure of the GGS and to ensure Specific Purpose Accounts and Agency Trust Accounts are cash backed.

Administered superannuation liability

The administered superannuation liability decreased by $258.95 million to $7.16 billion at 30 June 2024. The decrease is driven by:

- the effect of changes in actuarial assumptions, $220.65 million, mainly arising from an increase in the discount rate used in calculating the liability from 4.3% in 2022-23 to 4.5% in 2023-24
- plus, employer contributions of $373.77 million
- less, interest expense of $392.62 million recognised on the liability.

Tasmanian Risk Management Fund

The Tasmanian Risk Management Fund's outstanding claims liability increased from $438.15 million at 30 June 2023, to $516.24 million at 30 June 2024. The increase is primarily due to continuing increases in outstanding liabilities for the personal injury and property risk categories.

The provision for personal injury risk category increased by $68.38 million, due to:

- a continuation of very high numbers of psychological claims in 2023-24 resulting in higher overall costs
- increasing payment costs and continuance rates in weekly benefits, particularly for psychological claims
- general inflationary growth in the liability
- increases in risk exposure, including higher aggregate salaries and legislative benefit changes in recent years.

These factors were partly offset by an increase in the discount rate and a decrease to the assumed claims administration expense.

The provision for medical liability risk category increased by $17.69 million, mainly due to a high number of claims reported for the 2023-24 year, growth in the liability from the trend for increasing risk exposure and other general inflationary impacts on the overall size of the provision.

State Fire Commission

Financial result

State Fire Commission's (the Commission) surplus for the year was $0.15 million, a decrease from the surplus of $10.33 million in 2022-23.

Revenue increased by $15.38 million for 2023-24 to $156.96 million, due to the following:

- the Commission applied 4.5% indexation over the fire service contribution received from Councils in 2023-24
- an increase in the motor vehicle levy from $20 per vehicle in 2022-23 to $21 per vehicle in 2023-24
- increase in bushfire fighting contribution by $9.78 million, received to offset the Bushfire fighting expenses noted below.

Revenues noted above were offset by an expenditure increase of $25.49 million in 2023-24, which was predominantly influenced by:

- employee benefits increased by $8.58 million due to the additional recruitment of fire fighters and state service employees
- bushfire fighting expenses, representing the cost of mitigating wildfires, increased by $9.81 million in 2023-24 due to more firefighting aircraft resources being deployed to fight the wildfire events.

Tasmanian Government Radio Network (TasGRN)

In November 2023, the Tasmanian Government Radio Network (TasGRN) became fully operational. The Commission is 1 of the 8 key government stakeholder agencies (user organisations). The Commission entered into a User Agreement (Agreement) with DPFEM for accessing and using the TasGRN operational services. The user agreement defines the nature of contributions and payments to be made by the Commission.

The Commission's TasGRN transactions at 30 June 2024 included:

- user contribution for TasGRN amounting to $0.94 million
- catalogue orders and modification costs totalled to $0.28 million.

Capital expenditure program

During the year, total capital expenditure amounted to $6.35 million. Some of the significant capital projects for 2023-24 were:

- upgrade of Campbell Town Fire Station, $1.64 million
- 28 motor vehicles purchased, $1.55 million
- upgrade of Marrawah Fire Station, $0.83 million.

University of Tasmania

Financial result

The University of Tasmania (University) recorded a consolidated net loss of $10.40 million in 2023, compared to a consolidated net surplus of $43.07 million in 2022. The decrease in performance of $53.47 million was largely attributed to:

- a decrease in revenue from continued operations of $67.12 million, due primarily to a decrease in Australian government financial assistance ($49.50 million), State and local government financial assistance ($26.61 million)
- partially offset by an increase in investment income of $65.73 million due to improved performance by the University fund managers in financial markets
- increased expenditure of $44.09 million, mainly related to increased employee related expenses of $27.44 million and increased depreciation and amortisation of $6.92 million.

A similar overall result is also reflected in the University's result from core activities. In 2023, the University generated a consolidated deficit from core activities of $54.81 million, compared to a deficit of $18.89 million for 2022, a $35.92 million deterioration in the consolidated result.

Historic underpayment of University staff

In 2021, the University recognised a provision of $11.00 million, arising from the potential underpayment of staff between 2014 and 2021. This provision was subsequently increased to $14.30 million.

Since the underpayments were first identified, the University has largely completed stage 1 of the project and have moved onto stage 2, reviewing allowances, loadings, leave accruals and deductions, and a sample review of superannuation and termination payments.

During the year, the University made a number of payments to impacted persons with some further payments still to be made at year end. A provision of $1.85m was recorded in the 31 December 2023 financial statements, representing the expected amount to fully settle the underpayments to staff. This is a significant decline from the provisions disclosed in 2022, as rectification payments, as discussed, commenced in April 2023.

Capital Works program

During the 2023 year, the University spent $165.52 million on capital expenditure across items of property, plant and equipment and intangibles assets. Major capital projects included:

- Southern Transformation projects
- Northern Transformation project – River's Edge
- Northern Transformation project – The Shed
- Defence and Maritime project.

National Trust of Australia (Tasmania)

Financial result

The National Trust of Australia (Tasmania) (the Trust) recorded a surplus of $0.09 million in 2023-24, compared to a surplus of $0.91 million in 2022-23. The decrease was largely attributable to:

- other revenue has increased by $0.47 million, driven by an increase in admissions revenue of $0.10 million, influenced by the opening of the Convict Memorial Hub, and donations and fundraising activities increased by $0.10 million
- a decrease in grant revenue of $0.23 million, due to several grants being fully expended in 2022-23, combined with a reduction in new grants
- an increase in grants expended by $0.48 million, including expenditure on the University of New England – Convict Memorial Hub grant for $0.50 million, being recorded for the first time in 2023-24
- increased employee expenses by $0.11 million which is attributed to small increase in Full-Time Equivalent staff, an increase in the minimum wage rate, and a 0.5% salary increment for the Managing Director and managerial staff.

Misappropriation of assets

During 2022-23, The National Trust of Australia (Tasmania) (the Trust) was made aware of the likely misappropriation of items from their heritage collection which they referred to Tasmania Police. The Trust had been notified of the missing items by, past and present, staff and volunteers.

In October 2023, an individual was charged by Tasmanian Police in regard to the misappropriation of Trust heritage collection items. This individual appeared before the Launceston Magistrates Court on 28 January 2024. The case against is progressing slowly through the courts with a second preliminary hearing for assessment of evidence to be held in November 2024.

The Trust has recovered misappropriated items with a value of $145,100 as a result of the investigation.

TasTAFE

Financial result

TasTAFE recorded a deficit of $0.74 million in 2023-24, compared to a surplus of $15.14 million in 2022-23. The decrease in the financial result of $15.88 million was principally due to:

- grants from Government reduced by $8.11 million to $106.17 million in 2023-24, as a result of the completion of some major programs in the prior year, such as the Regional TAFE Virtual Campus and COVID-19 Infrastructure Improvements – Ventilation

- wages and salaries expenses increased by $7.91 million (from $64.86 million in 2022-23 to $72.77 million in 2023-24) as a result of:
    - an increase in numbers of teaching staff
    - a 3.5% increase in salaries of non-teaching staff
    - an increase of salaries of teaching staff when transferred to the New Teaching Agreement.

Revaluation of Land and Buildings

As at 30 June 2024, TasTAFE held land and buildings valued at $268.80 million, recognised at fair value. During the year a formal revaluation was undertaken based on fair values determined by an external expert. As a result of the revaluation, the fair value of land increased by $7.83 million and the fair value of buildings decreased $8.23 million.

Submission of financial statements

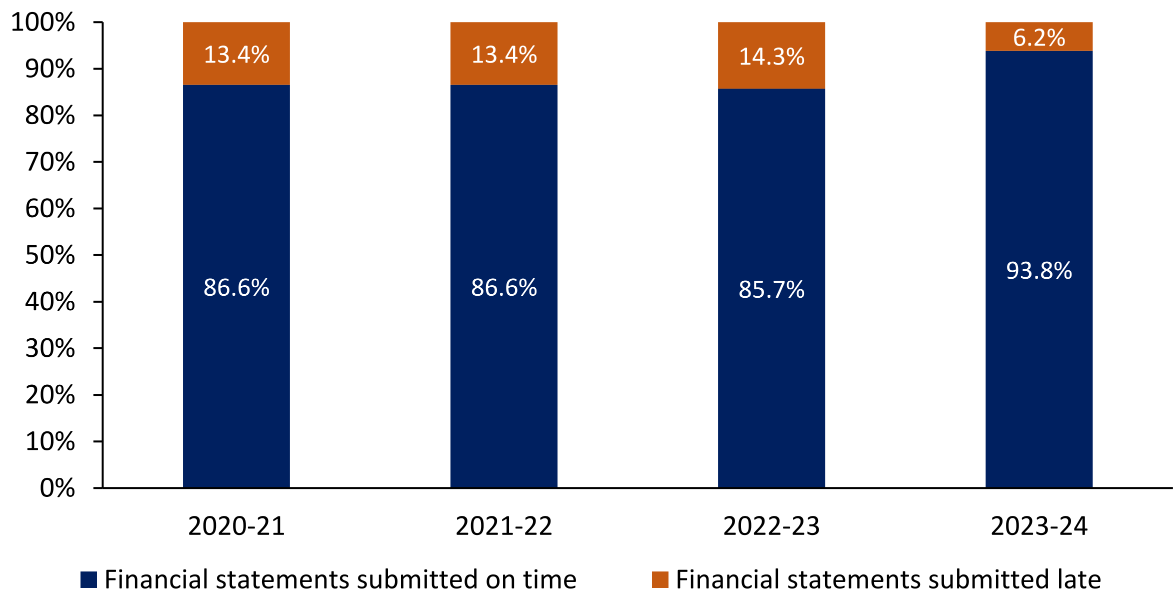
State entities and audited subsidiaries of State entities are required to submit financial statements to the Auditor-General within 45 days after the end of each financial year. For 31 December 2023 and 30 June 2024 financial reporting, the deadlines fell on 14 February 2024 and 14 August 2024, respectively. Before accepting the financial statements as submitted, the Auditor-General determines whether the financial statements are complete in all material respects. As part of this requirement, the financial statements must be signed by either the accountable authority or by a suitably senior finance officer responsible for financial reporting, such as the Chief Financial Officer or equivalent.

State entities and audited subsidiaries of State entities
31 December 2023 and 30 June 2024

65	93.8%
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 12.

Figure 12: Timeliness of submission of financial statements



For the years ended 31 December 2023 and 30 June 2024, 4 State entities failed to meet the financial statement submission deadline, compared to 10 State entities for the years ended 31 December 2022 and 30 June 2023. Entities that failed to meet the submission deadline for 3 of the last 4 years were:

- Board of Architects
- Tasmanian Affordable Housing Limited
- Tasmanian Timber
- The Nominal Insurer.

Completion of financial statement audits

Audits of 31 December 2023 and 30 June 2024 financial statements not yet completed

As at 31 January 2025, the audit of Aboriginal Land Council of Tasmania was still in progress, largely due to delays in receiving information to complete the audit.

The 30 June 2023 audit for this entity, was not completed at the time of tabling the *Report of the Auditor-General No. 4 of 2023-24: Auditor-General's report on the financial statements of State entities, Volume 2 – Audit of State entities and audited subsidiaries of State entities 31 December 2022 and 30 June 2023.* The Aboriginal Land Council of Tasmania auditor's report for 30 June 2023 was subsequently issued on 20 December 2024.

Timeliness of audit completion

The audit of the financial statements in TAFR are required to be completed in sufficient time to enable the Treasurer to table the report in Parliament by 31 October each year. The audit reports for these financial statements for 30 June 2024 were issued on 29 October 2024.

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 February 2024 and 14 August 2024, our deadlines fell on 30 March 2024 and 28 September 2024, respectively.

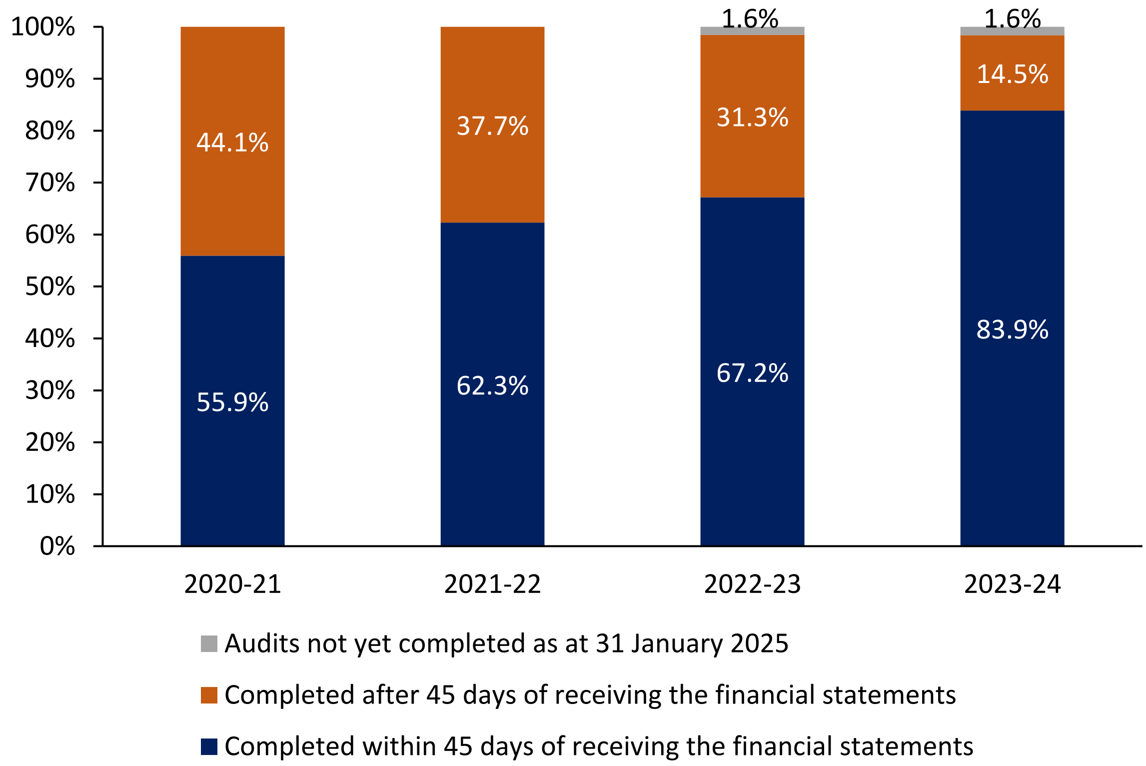
State entities and audited subsidiaries of State entities
31 December 2023 and 30 June 2024

52

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 13.

Figure 13: Timeliness of audit completion



For the years ended 31 December 2023 and 30 June 2024, only 1 audit was not completed within the statutory timeframe, which is the same result for the years ended 31 December 2022 and 30 June 2023.

Audit opinions on financial statements

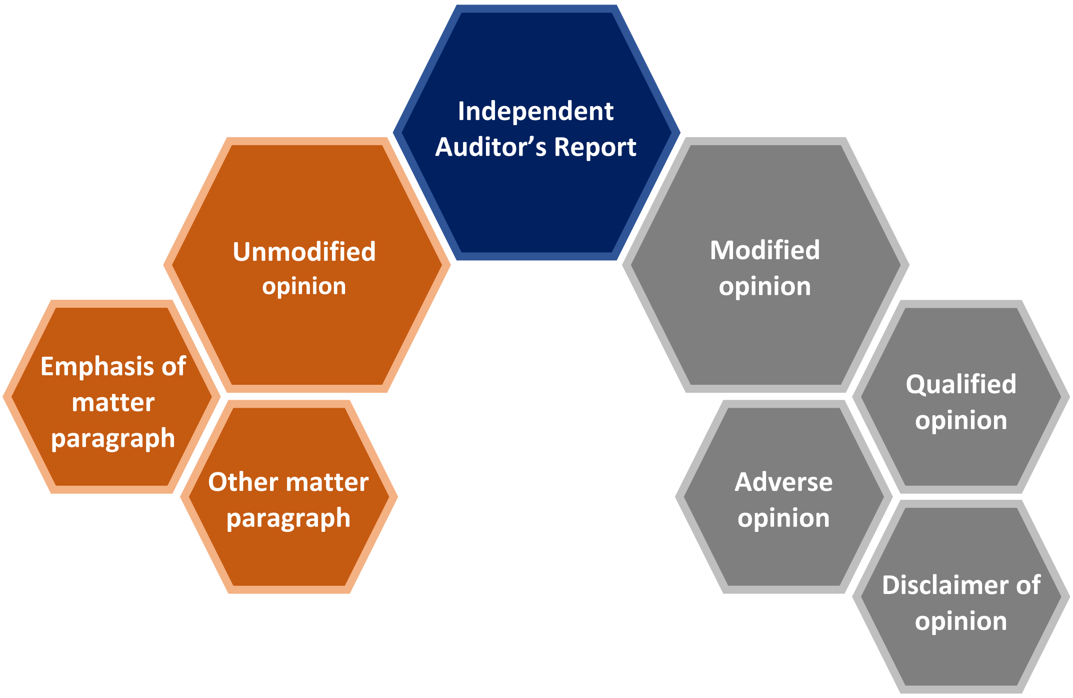
Types of audit opinions on the financial statements

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[2], in all material respects, the financial 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 14.

[2] 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*.

Figure 14: 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 61 auditor's reports issued on the audits of the 31 December 2023 and 30 June 2024 financial statements, all were unmodified (commonly referred to as 'unqualified').

Audit reports issued with an emphasis of matter paragraph

Of the 61 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:

- Tasmanian Affordable Housing Limited (TAHL) – to draw attention to notes within the financial statements stating that the financial statements for TAHL were prepared on a non-going concern basis due to the activities of the company having ceased. TAHL chose to present their asset and liabilities in decreasing order of liquidity and expected to recover or settle all balances within 3 months of 30 June 2024
- Tasmanian Public Finance Corporation (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
- both TAHL and TASCORP received a similar emphasis of matter paragraph in their auditor's reports 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 1 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 15.

Figure 15: 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 31 December 2023 and 30 June 2024 financial statement audits

State entities and audited subsidiaries of State entities
31 December 2023 and 30 June 2024

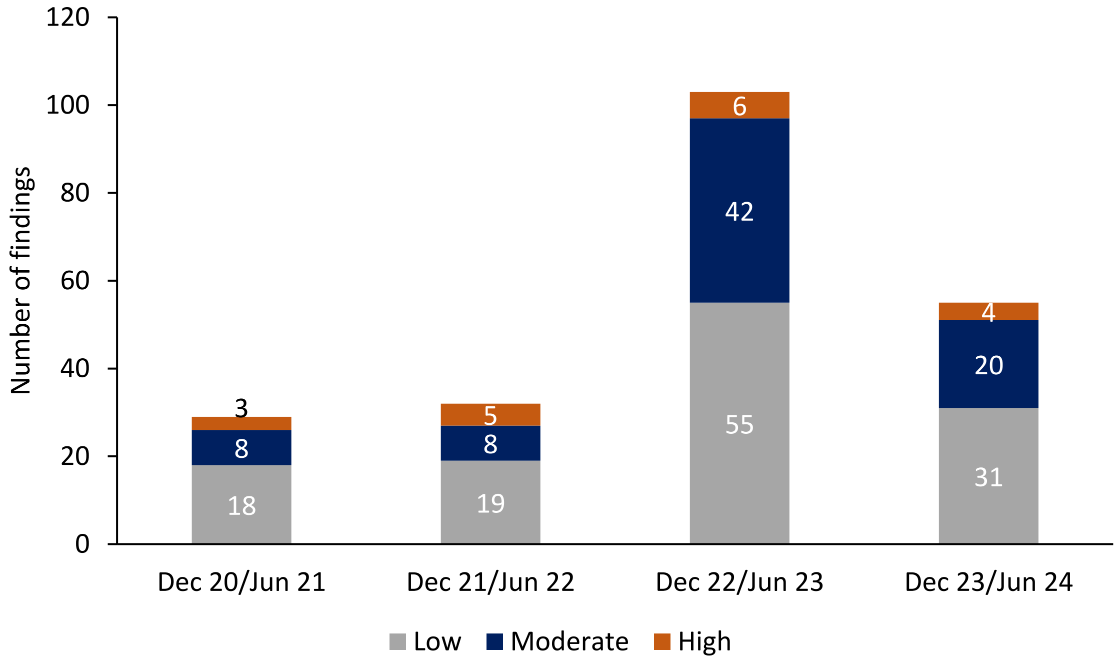
55	**100**
Audit matters raised	Audit matters raised in prior periods assessed as unresolved

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, together with a details of current and prior year findings by entity, can be found in Appendix B.

A comparison of the number and risk rating of audit findings identified in the past 4 years is shown in Figure 16.

Figure 16: Comparison of audit findings by risk rating



The findings for December 2023 and June 2024 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 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 GGS 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 GGS entities.

For the year ended 30 June 2024, total expenditure for the GGS sector was $10.08 billion (2022-23, $8.80 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 electronic funds transfer (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.

There was not a significant amount of audit findings associated with expenditure controls during the 2023-24 audit cycle, however the findings uncovered issues related to:

- lack of approval process for outgoing invoices
- lack of dual bank signatories required to execute payment
- an ex-employee being noted as a current bank signatory.

Control issues were also noted within other processing cycles including:

- payroll related audit findings:
    - incorrect rates used during payroll processing
    - not adequately recording employees on secondment at a subsidiary entity
    - new starter checklists not being appropriately maintained
- journal related audit findings
    - no segregation of duties required to post and approve journals
    - out of balance journal entries being posted.

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 is 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 formal processes in place when contracting and reviewing the services provided by a third party, including a formal Cyber security assessment
- significant IT policies and procedures remained out of date or in draft form for prolonged periods of time, with no further consideration given to the currency and relevance to the entity during the current financial year
- lack of both a formal Business Continuity and Disaster Recovery plan
- privileged user accounts functioning without annual review and outside of the scope defined by internal policies and procedures
- new user accounts created with no observable information stating the onboarding process.

Classification of audit findings

Audit findings for 31 December 2023 and 30 June 2024, as shown in Table 3, 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 3: 31 December 2023 and 30 June 2024 audit findings by classification and risk rating

	High risk	Moderate risk	Low risk	Total
Internal control	**3**	**17**	**21**	**41**
Control activity	1	4	6	11
Control environment	1	2	6	9
Information systems and communications		7	4	11
Monitoring activity		1		1
Risk assessment	1	3	5	9
Financial reporting	**1**	**2**	**10**	**13**
Accounting estimate	1		2	3
Fair Value		1		1
Accounting standard non-compliance			3	3
Disclosure deficiency		1	3	4
Unintentional misstatement			2	2
Non-compliance with laws or regulations	**0**	**1**	**0**	**1**
Non-compliance with laws or regulations		1		1
Total	**4**	**20**	**31**	**55**

Of the 55 audit findings raised, 41 (74.5%) relate to entities' internal control environments. Common findings within this category related to:

- deficiencies in financial oversight and controls
- deficiencies in financial management and risk assessment
- outdated policies and IT controls
- inactive or undocumented key controls

- expired or inadequate service level agreements (SLA)
- inadequate oversight of third-party service providers, with limited documentation on contract management practices and performance assessment.

High risk findings

High risk findings are summarised in Table 4 below.

Table 4: 31 December 2023 and 30 June 2024 high risk audit findings

Entity	High risk finding
Tasmanian Community Fund (TCF)	The *Tasmanian Community Fund Act 2005* (TCF Act) does not empower the Board to enter contracts or deeds in the Right of the Crown. This authority is provided to the Board through an authorisation to execute issued by the Minister responsible for administering the TCF Act. On 25 July 2023, and again on 11 April 2024, the Minister responsible for administering the TCF Act changed, however on neither occasion did the TCF obtain a new authorisation from the responsible Minister. While uncertainty exists, reliance on an authorisation from a previous Minister may not necessarily be fatal to the validity of the grant.
Office of the Governor	The current IT SLA is very focussed on performance of equipment. Cyber-attack protection is limited to the installation and update of antivirus software. It is also unclear if backup is part of the services offered as it is listed as optional. Additionally, there is no cyber governance or staff cyber training provided.
Veterinarian Board of Tasmania	The Board does not hold cover for public liability, professional indemnity, and Directors and Officers insurance.
The Nominal Insurer	There are no formalised processes by the Insurer to establish, monitor, and review the outstanding claims liability at the balance date. The process of establishing the claims had been performed at the onset of the claim with no support of the various assumptions, evidence and professional judgment applied to recognise the expected claims liability. As a result of the above, the audit was delayed as the Insurer had to reassess the claims liability as at 30 June 2024, including providing evidence of the assessment to ensure the claims were reasonably recorded.

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 5.

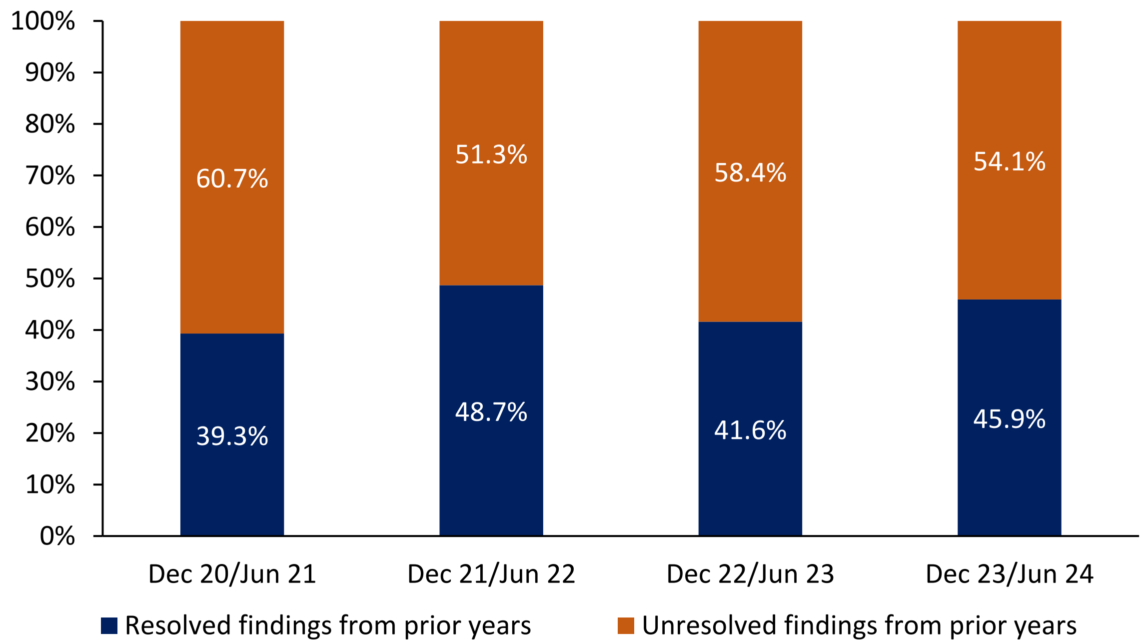
Table 5: Reconciliation of unresolved findings

	Dec20/Jun21	Dec21/Jun22	Dec22/Jun23	Dec23/Jun24
Unresolved findings at the beginning of the year	117	152	161	185*
New findings in current financial year	88	83	120	55
New findings addressed	7	0	9	6
Prior year findings resolved	46	74	67	85
Unresolved findings at the end of the year	152	161	205	149

* Unresolved findings for the beginning of the year were reduced by 20 findings, as these related to outstanding findings for 2 entities that ceased to exist as public entities during the period (Department of Communities and palawa Enterprises Unit Trust), in addition to a small number of findings being reclassed as Improvement Opportunities.

A 4 year history of the percentage of prior years' audit findings resolved each year is shown in Figure 17.

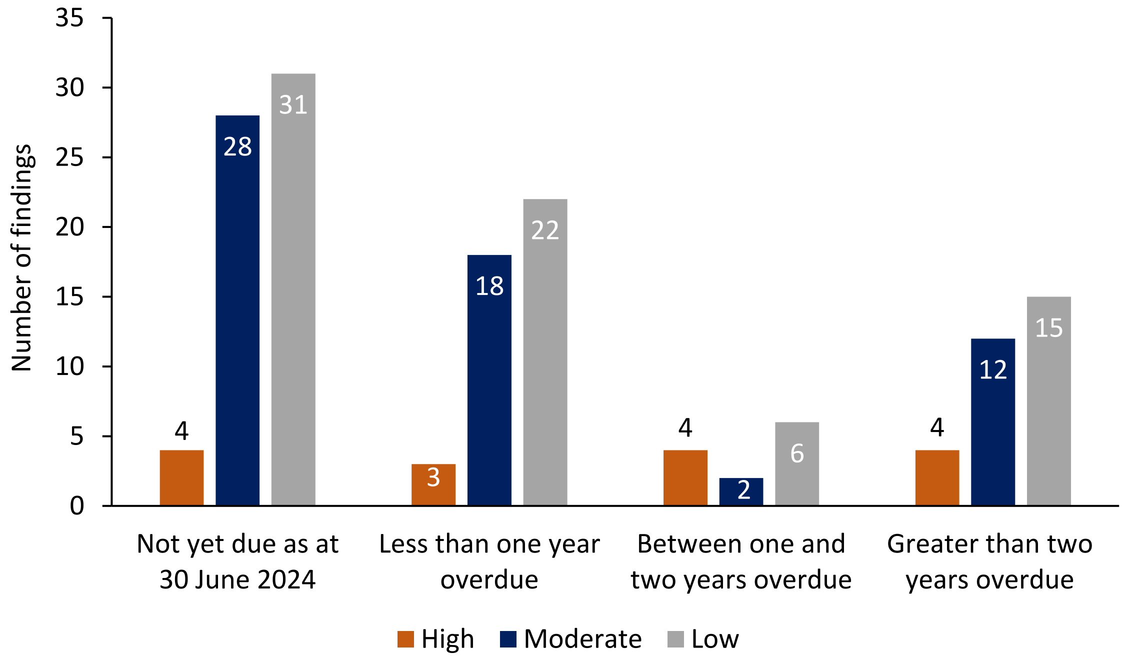
Figure 17: Resolution of prior years' audit findings



Together, Table 5 and Figure 18 highlight an improved proportion of cleared prior year findings resulting in a decreasing number of unresolved findings from previous years, which is in contract to the prior year's result.

The ageing of previously reported findings past the date by which they were to be resolved is shown in Figure 18.

Figure 18: Previously reported findings aging analysis



Efficient resolution of audit findings is crucial to reduce an entity's exposure to risk. We suggest High Risk rated issues be resolved within 3 months of reporting. Issues rated as high risk present either a risk of significant weakness in the entity's control environment, or a potential risk of material misstatement in their financial statements. Unresolved high risk issues raised in 2022-23 or earlier are detailed in Table 6.

Table 6: Unresolved high risk issues raised in 2022-23 or earlier

Entity	Year finding was originally raised	High risk issues raised in 2021-22 or earlier
Aboriginal Land Council of Tasmania	2018-19	We reviewed supporting documentation for 15 revenue transactions and found that two of the transactions had no supporting documentation. There is a risk that transactions will be recorded incorrectly or that transactions which are not bona fide may be recorded if there is no supporting documentation.
Aboriginal Land Council of Tasmania	2020-21	Throughout the audit of the group's financial statements, the following matters were identified: 1. Section 17 of the Audit Act requires that accountable authorities, such as the Council and its subsidiaries, submit financial

Entity	Year finding was originally raised	High risk issues raised in 2021-22 or earlier
		statements within 45 days after the end of each financial year. The group submitted their financial statements on 21 October 2021 which was beyond the deadline of 14 August 2021. This is the second consecutive year that the financial statements have been submitted past the deadline. 2. The current format and structure of the Group's financial statements do not utilise any type of Government approved model financial statements. Whilst this is permissible, we have requested numerous edits to the submitted financial statements during the current and prior year audits to improve the presentation and structure of the financial statements for easier reading and interpretation of the information presented by the users of the financial statement. 3. From audit review of the financial statements, it was clear that a thorough review of the Group's financial statements had not been undertaken by either management or the contract accountant who prepared the financial statements. Edits which were identified and required correcting by audit included: • incorrect name and title of the financial statements • comparative figures used did not align to the final signed financial statements for 30 June 2020 • Statement of Changes in Equity tables were incorrect with errors in the number of years and dates of the information shown • inconsistencies between figures reported throughout the statements and notes • errors in consistency of note numbering.

Entity	Year finding was originally raised	High risk issues raised in 2021-22 or earlier
Aboriginal Land Council of Tasmania	2020-21	Through review of Council meeting minutes and discussions held with management in both current and prior year audits, issues have been communicated regarding the difficulties encountered by Council's management in obtaining financial information and reports for the Trust. Difficulties in obtaining financial information from the Trust has contributed to both the late submission of the financial statements by Group management, as well as delays in the audit process due to the absence of the Trust's management during the year-end audit timing. As a result, both the Council management and the audit Office have not achieved the statutory reporting obligations for the 30 June 2021 financial statements. Key personnel reliance has been identified as an issue for the Trust which has contributed to the above matters occurring. This has become evident as when the Trust's General Manager has been on leave for extended periods, other employees of the Trust have not been able to assist with providing the requested financial information by Council management or auditors. From instances observed by the audit team, often the leave taken by the General Manager of the Trust has not been communicated back to management of the Council.
Aboriginal Land Council of Tasmania	2020-21	From employee expenditure testing undertaken in current and prior year, the following deficiencies in internal control were identified: • not all employees have a signed employment contract in place • lack of documentation around existing employees job description and expectations of their roles • level of training provided to staff upon commencement to ensure they are adequately trained on systems and processes for the Group.

Entity	Year finding was originally raised	High risk issues raised in 2021-22 or earlier
Department of Natural Resources and Environment Tasmania (NRE Tas)	2021-22	The Department maintains 2 asset systems. The CiAnywhere centralised asset register and the Tasmanian Parks and Wildlife Service (PWS) asset management system (AMs). Reconciliations are performed between the 2 asset systems to ensure the systems are aligned and any movements reflected in AMs are also captured and reflected in CiAnywhere on a timely and accurate basis. The asset information recorded within CiAnywhere feeds into the Department's annual financial results and disclosures. For several years now, there have been a significant number of reconciling items, however the Department has taken steps over this period to improve the asset data integrity and processes, consequently reducing the number of new reconciling items from occurring. Further, the Department continues to work through the backlog of reconciling items to resolve and mitigate the risk of financial misstatement.
Legislature-General Legislative Council House of Assembly	2021-22	For all three entities, during our testing of Finance One super user access, we noted that the Director of Finance has both access to All roles, and transactional/processing access level. Access to initiate, process, and approve transactions in Finance One increases the risk of processing unauthorised transactions.
Tasmanian Pharmacy Authority (TPA)	2021-22	During our audit and discussions with the Registrar, it was identified that the current funding model of the TPA was not in line with the requirements required to govern the *Pharmacy Control Act 2001*. The TPA has recorded losses in the last 2 years which has reduced the net asset position of the Authority. We are aware the Registrar has instigated a review of the operations of the TPA in order to establish the required level of funding in order to administer the *Pharmacy Control Act 2001*. This has also included informing the Minister. If losses continue, the going concern of the Authority in future years would have to be questioned.

Entity	Year finding was originally raised	High risk issues raised in 2021-22 or earlier
Department of Premier and Cabinet	2022-23	Our assessment of the IT environment identified control deficiencies regarding the review of privileged users, in terms of regularity of the review and documentation of that review. We noted approximately 35 privileged users of the Active Directory, mainly IT staff. We noted when an employee is appointed into the IT team they automatically get to be a privileged user, this is a default in the system.
Wellington Park Management Trust	2022-23	The Trust uses journals to process invoices and make payments. Journal testing revealed there was no independent review of journals during 2022-23.

We reinforce the need for management and those charged with governance to remedy these items as soon as possible.

Identification of 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 61 financial statement audits for the years ended 31 December 2023 and 30 June 2024, 42 misstatements were identified, compared to 61 misstatements in 2022-23. Of the 42 misstatements, 29 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 19 and 20, respectively.

Figure 19: Corrected misstatements

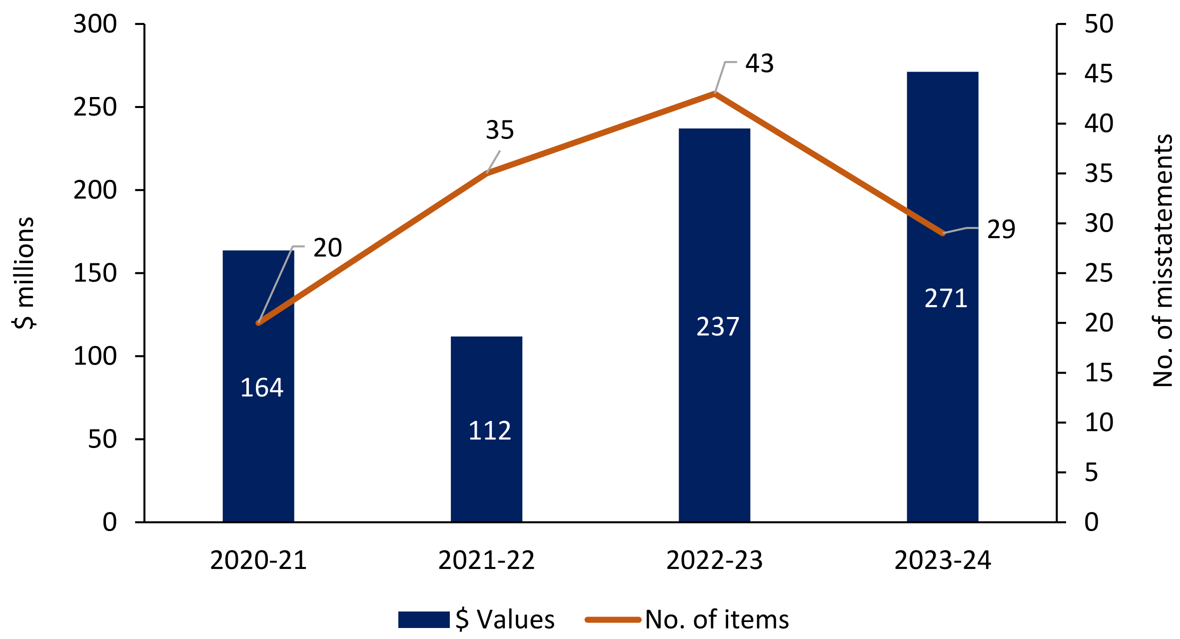
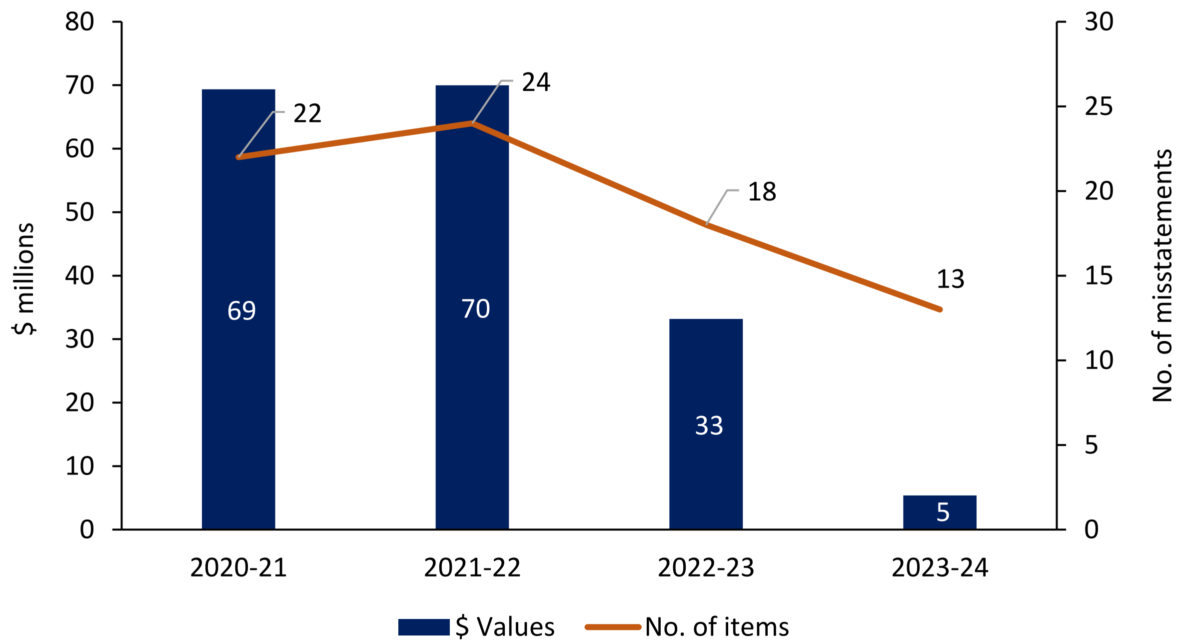


Figure 20: Uncorrected misstatements



Prior period errors

A prior period error represents an omission or misstatement in an entity's financial statements for 1 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 61 audits completed, none had a prior period error, compared to 3 prior period errors 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 31 December 2023 and 30 June 2024 financial statement audits

A summary of audit fees for 31 December 2023 and 30 June 2024 financial statement audits are summarised in Table 7. These fees exclude those charged for audits by arrangement.

Table 7: Fees for 31 December 2023 and 30 June 2024 financial statement audits

Sector	$'000
General Government Sector	2,570
Total	**2,570**

Note: Negotiations with some State entities for additional audit fees had not been finalised as at 31 January 2025.

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*.

Disposal of firearms and ammunition

Background

The Department of Police, Fire and Emergency Management (DPFEM) is charged with the responsibility for firearms and ammunition disposed of under the *Firearms Act 1996* (Firearms Act).

Under section 149(5) of the Firearms Act, the Auditor-General is to, once every year, arrange for an independent audit of all firearms and ammunition disposed of under this Act and to report on the audit to Parliament. The commentary below relates to the audit undertaken for the year ended 30 June 2024.

Audit requirement under section 149(5)

The scope of the Firearms Act limits our audit requirement to firearms or ammunition disposed of by the Crown, pursuant to the authority of the Firearms Act, in the following circumstances:

- by order of a magistrate under section 149(2)
- as determined by the Commissioner of Police under section 149(3A) associated with firearms or ammunition forfeited to the Crown after a conviction for inappropriate storage
- as determined by the Minister under section 104(4) associated with firearms or ammunition forfeited to the Crown after a conviction for inappropriate conveyance.

The Firearms Act does not define what 'disposed of' means but interpretation is 'disposed of' is not limited to the destruction of firearms or ammunition but can include disposals by other means, including sale. For a disposal to occur, firearms or ammunition must leave the Crown's possession. Transfers of firearms or ammunition within the Crown does not constitute a disposal.

DPFEM recording and disposal practices

DPFEM utilises the Firearms and Weapons Data (FAWD) system to record the details of all seized and surrendered firearms and ammunition. DPFEM stores held firearms and ammunition securely until there is a sufficient quantity to warrant physical destruction.

An ongoing matter with the recording of information in the FAWD system to document whether disposals occurred under sections 149(2)(c), 149(3A) or 104(4) of the Firearms Act remains unresolved and impacts on our ability to appropriately form an opinion on whether the disposals occurred in accordance with the Firearms Act.

Inability to form an opinion on disposals

Despite improvements by DPFEM to improve information capture in the FAWD system, the inability of the FAWD system to document whether disposals occurred under sections 149(2)(c), 149(3A) or 104(4) of the Firearms Act prevents us from being able to conduct an audit in accordance with section 149(5) of the Firearms Act. Consequently, the auditor’s report for the year ended 30 June 2024 contained a disclaimer of opinion in respect of DPFEM’s compliance with the requirements of the Firearms Act with respect to disposals made:

- by order of a Magistrate (section 149(2)(c))
- upon determination of the Commissioner of Police (section 149(3A))
- upon determination of the Minister (section 104(4)).

Legislative reform

On 17 October 2023, the *Firearms Amendment (Community Safety) Bill 2023* (the Bill) was introduced into the House of Assembly. The Bill provided for several improvements to community safety through increased management and oversight of firearms licencing, manufacturing, use, storage, disposal, forfeiture and auditing in Tasmania, as well as stronger offence provisions. The Bill also extended the obligations of the Auditor-General to perform an audit on all firearms, firearm parts and ammunition disposed of by the Crown. This was to address the limitation under the existing Firearms Act as discussed above.

The Bill received Royal Assent on 21 December 2023, with the date the provisions of the *Firearms Amendment (Community Safety) Act 2023* commencing on 1 July 2024.

Acronyms and abbreviations

AASB	Australian Accounting Standards Board
AMs	asset management system
Audit Act	*Audit Act 2008*
Audited subsidiaries	Audited subsidiaries of State entities
AVL	Automatic Vehicle Licence
the Bill	*Firearms Amendment (Community Safety) Bill 2023*
CHHP	Community Health and Hospitals Program
Commission	Superannuation Commission
the Commission	State Fire Commission
COVID-19	Novel Coronavirus disease pandemic
DECYP	Department for Education, Children and Young People
DPAC	Department of Premier and Cabinet
DPFEM	Department of Police, Fire and Emergency Management
EFT	electronic funds transfer
FAWD	Firearms and Weapons Data
Firearms Act	*Firearms Act 1996*
GFS	Government Finance Statistics
GGS	General Government Sector
Health	Department of Health
Hydro Tasmania	Hydro-Electric Corporation
ICT	information and communications technology
IT	information technology
Justice	Department of Justice
NRE Tas	Department of Natural Resources and Environment Tasmania
Office	Tasmanian Audit Office

OSC	Office of the Superannuation Commission
PFC	Public Financial Corporations
PNFC	Public Non-Financial Corporations
PWS	Tasmanian Parks and Wildlife Service
RBF	Retirement Benefits Fund
SES	State Emergency Service
SLA	service level agreement
State Growth	Department of State Growth
State Service Act	*State Service Act 2000*
TAFR	Treasurer’s Annual Financial Report
TAHL	Tasmanian Affordable Housing Limited
TASCORP	Tasmanian Public Finance Corporation
TasGRN	Tasmanian Government Radio Network
TasNetworks	Tasmanian Networks Pty Ltd
TCF	Tasmanian Community Fund
TCF Act	*Tasmanian Community Fund Act 2005*
TFES	Tasmania Fire and Emergency Service
TPA	Tasmanian Pharmacy Authority
the Trust	National Trust of Australia
Treasury	Department of Treasury and Finance
TSS	Total State Sector
University	University of Tasmania
WIP	work in progress

Appendix 1 – GGS financial results

Details of GGS financial results for 2023-24 are set out in the tables below. The financial information represents consolidated financial information for those entities with controlled entities.

Table 8: Financial information for Departments and other General Government Sector entities

Audited State entities	Underlying surplus (deficit) $'000	Net surplus (deficit) $'000	Total comprehensive surplus (deficit) $'000
Departments			
Education, Children and Young People	(110,144)	13,645	122,680
Health	(366,355)	(267,222)	(227,634)
Justice	(576,897)	(567,157)	(553,179)
Natural Resources and Environment Tasmania	(17,371)	6,439	(420,259)
Police, Fire and Emergency Management	(65,809)	(37,283)	(29,120)
Premier and Cabinet	(4,478)	(3,623)	(3,623)
State Growth	(31,758)	337,728	710,958
Treasury and Finance	1,155	1,155	1,155
GGS entities			
Brand Tasmania	(479)	(479)	(479)
Environment Protection Authority	82	82	84
House of Assembly	51	51	51
Inland Fisheries Service	813	813	2,431
Integrity Commission	0	0	0
Legislative Council	90	90	90
Legislature-General	(399)	(312)	(312)
Marine and Safety Tasmania	(1,060)	(1,060)	(229)

Audited State entities	Underlying surplus (deficit) $'000	Net surplus (deficit) $'000	Total comprehensive surplus (deficit) $'000
Office of the Director of Public Prosecutions	1,493	1,493	1,493
Office of the Governor	(288)	(288)	2,540
Office of the Ombudsman	(73)	(73)	(73)
Royal Tasmanian Botanical Gardens	216	466	3,415
State Fire Commission	3,827	3,827	5,888
TasTAFE	(13,440)	(740)	(298)
Tourism Tasmania	(385)	(385)	(385)

Table 9 shows the 2023-24 financial results of State entities that were consolidated into the financial results of entities included in Table 8. The name of the parent entity is included in parentheses after the name of the controlled entity.

Table 9: Financial information for consolidated General Government Sector entities

Audited State entities	Underlying surplus (deficit) $'000	Net surplus (deficit) $'000	Total comprehensive surplus (deficit) $'000
Ambulance Tasmania (Health)	(6,536)	(1,260)	1,894
Abt Railway Ministerial Corporation (State Growth)	(7,694)	3,898	3,898
Office of Tasmanian Assessment, Standards and Certification (DECYP)	(285)	(285)	(285)
Tasmania Development and Resources (State Growth)	5,951	5,951	5,951
Tasmanian Health Service (Health)	(170,337)	(102,816)	(67,757)
Tasmanian Museum and Art Gallery (State Growth)	(113)	976	45,111
Teachers Registration Board of Tasmania (DECYP)	(136)	(136)	(136)

Details of other State entity results for 31 December 2023 and 30 June 2024 are set out in Table 10. The financial information represents consolidated financial information for those entities with controlled entities. The table does not include controlled entities not subject to audit.

Table 10: Financial information for other State entities

Audited State entities and Audited subsidiaries [1]	Underlying surplus (deficit) $'000	Net surplus (deficit) $'000
31 December 2023		
AMC Search Ltd	(178)	(178)
Tasmanian University Union	(839)	(839)
The University	(54,801)	(10,401)
Theatre Royal Management Board	(486)	(486)
Solicitors' Trust	10,731	10,731
UTAS Holdings Pty Ltd	(951)	(951)
UTAS Properties Pty Ltd	(1,746)	(1,746)
30 June 2024		
Asbestos Compensation Fund	0	0
Council of Law Reporting	0	0
Forest Practices Authority	286	286
Legal Profession Board	59	59
National Trust of Australia (Tasmania)	91	91
Property Agents Board	68	68
Property Agents Trust	5,628	5,628
Retirements Benefits Fund	(44,517)	(44,517)
Tasmania Legal Aid	759	759
Tasmania State Health Funding Pool	0	0
Tasmanian Affordable Housing Limited	1	1

Audited State entities and Audited subsidiaries [1]	Underlying surplus (deficit) $'000	Net surplus (deficit) $'000
Tasmanian Beef Industry (Research and Development) Trust	(4)	(4)
Tasmanian Building and Construction Industry Training Board	(1,758)	(1,758)
Tasmanian Community Fund	1,305	1,305
Tasmanian Dairy Industry Authority	(71)	(71)
Tasmanian Economic Regulator	(260)	(260)
Tasmanian Heritage Council	(8)	(8)
Tasmanian Pharmacy Authority	50	50
Tasmanian Timber Promotion Board	61	61
The Nominal Insurer	(1,448)	(1,448)
Veterinary Board of Tasmania	(9)	(9)
Waste Resource and Recovery Board	3,756	3,756
Wellington Park Management Trust	12	12
WorkCover Tasmania Board	0	0

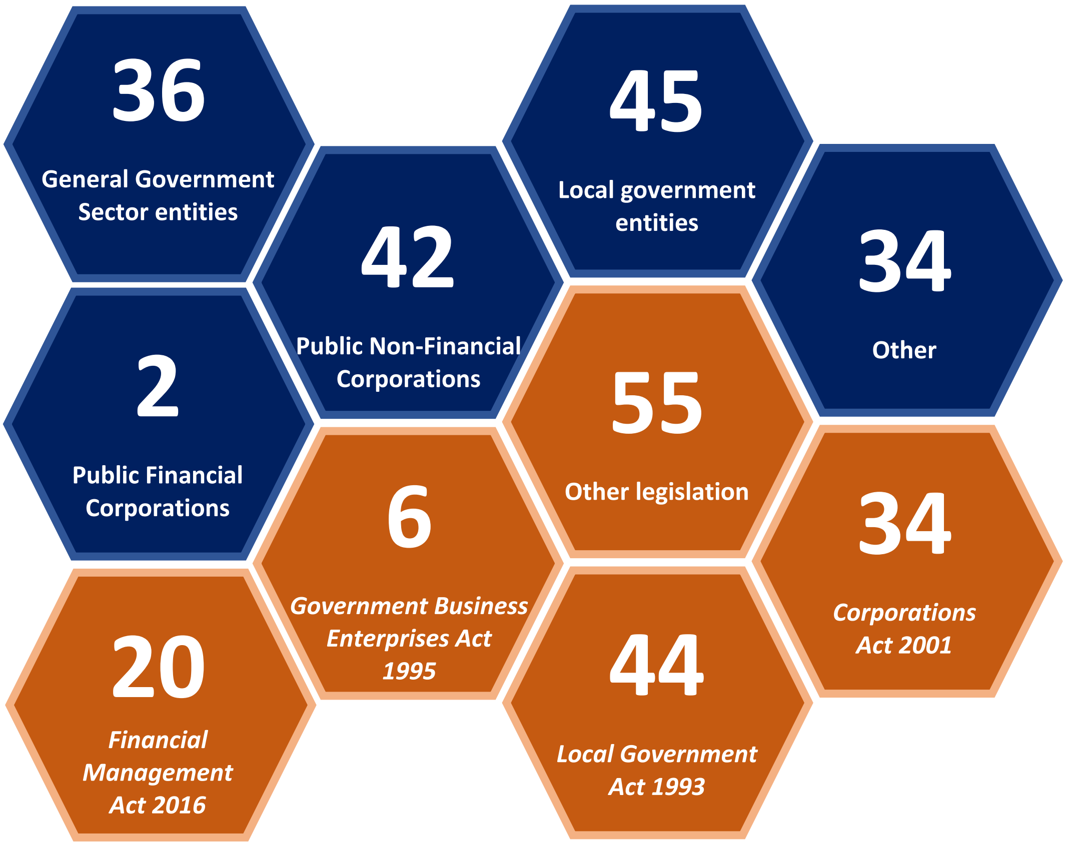
Note 1: The following entities are not included in this table as the audit of their financial statements had not yet been finalised as at 31 January 2025:

- Aboriginal Land Council of Tasmania.

Appendix 2 – Classification of entities

The classification of entities who submitted financial statements, by sector and legislative reporting obligation, is illustrated in Figure 21.

Figure 21: Classification of State entities and audited subsidiaries of State entities by sector and legislative reporting obligation



Appendix 3 – Audits dispensed

Audits dispensed with
Board of Architects
Non-government Schools Registration Board (Department for Education, Children and Young People)
OzLuna Pty Ltd (University of Tasmania)

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Front cover image:
Bluff Point Wind Farm, Woolnorth, North West Coast.
Photography: Sean Scott and Tourism Tasmania.

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