Audit Tasmania



Report of the Auditor-General No. 4 of 2026-27

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

Volume 3 – General Government Sector, including Treasurer's Annual Financial Report

Audit of State entities and audited subsidiaries of State entities
31 December 2025 and 30 June 2026

24 November 2026

1826 2026

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Foreword

This volume highlights a number of significant financial management challenges within the General Government Sector (GGS), including:

- ongoing expenditure exceeding original budgets
- the setting of budgets that are not being achieved in practice
- substantial underlying operating deficits over the past 4 years
- increasing debt levels and reliance on borrowings to fund operations and infrastructure
- capital expenditure continuing to fall materially below budgeted levels.

Over the 4 years from 2022-23 to 2025-26, Departments spent $2.84 billion more than their original expenditure budgets. The Department of Health accounted for the largest share of this overspend, with cumulative expenditure exceeding budget by $1.56 billion over the same period.

The GGS Underlying Net Operating Balance recorded a deficit of $1.36 billion in 2025-26. While this represented an improvement of $253.20 million compared with the deficit of $1.61 billion reported in 2024-25, it marks the fourth consecutive year of substantial underlying deficits. The cumulative underlying deficit over the 4 years to 30 June 2026 exceeded $5.44 billion, highlighting the ongoing structural challenges facing the State's finances.

GGS net debt continued to increase during 2025-26, rising by $1.46 billion to $6.51 billion. GFS net debt increased to $5.44 billion. Continued operating deficits and significant capital investment requirements have contributed to increased borrowing levels and are projected to place further pressure on future budgets.

Although Departments invested $574.07 million in capital expenditure during the year, this was $309.07 million below budget. Departments collectively achieved only 65.0% of budgeted capital expenditure. This continues a trend evident over recent years where planned infrastructure investment has not translated into actual expenditure, resulting in an average budget shortfall of almost one-third over the last 4 years.

These matters are of sufficient importance to warrant the attention of Parliament and should be considered in assessing the long-term sustainability of the State's financial position.



Martin Thompson
Auditor-General

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2026 (No. 67)

2026
PARLIAMENT OF TASMANIA

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

Volume 3

Audit of State entities and audited subsidiaries of State entities 31 December 2025 and 30 June 2026

24 November 2026

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

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.

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Audit Tasmania
GPO Box 851
Hobart
TASMANIA 7001

Phone: (03) 6173 0900
Email: admin@audit.tas.gov.au
Website: www.audit.tas.gov.au

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Executive summary

Introduction

This report is the third of 4 volumes reporting on our audits of State entities and audited subsidiaries of State entities for the years ended 31 December 2025 and 30 June 2026. This volume provides analysis and commentary on the General Government Sector together with observations arising from our audits of State entities and the Treasurer's Annual Financial Report.

Expenditure continues to exceed budget

Analysis of departmental expenditure over the 4 years to 30 June 2026 identified cumulative expenditure of $2.84 billion above original budgets. While expenditure pressures vary across departments, the results indicate a combination of expenditure growth and budgets that have not accurately reflected expected operating requirements. The Department of Health accounted for $1.56 billion of cumulative overspending during the period.

Significant underlying deficits continue

The GGS Underlying Net Operating Balance recorded a deficit of $1.36 billion in 2025-26, an improvement of $253.20 million from the deficit of $1.61 billion reported in 2024-25. Despite this improvement, the State has reported substantial underlying deficits in each of the last 4 years. Continued deficits contribute to increasing debt levels and are not sustainable over the longer term.

Debt levels continue to increase

GGS net debt increased from $5.05 billion at 30 June 2025 to $6.51 billion at 30 June 2026. On a GFS basis, net debt increased from $3.96 billion to $5.44 billion over the same period. The increase reflects continued borrowing to fund operating deficits and infrastructure investment and highlights the growing financial burden that will be borne by future budgets.

Reliance on Australian Government funding remains high

Australian Government grants, excluding capital grants, represented 66.0% of GGS revenue in 2025-26. Tasmania continues to be one of the most grant-dependent jurisdictions in Australia, with Australian Government funding remaining a significant contributor to the State's operating revenue base.

Capital expenditure remains below budget

Departments spent $574.07 million on capital expenditure during 2025-26 compared with a budget of $883.14 million, resulting in a shortfall of $309.07 million or 35.0%. Departments collectively achieved only 65.0% of budgeted capital expenditure. Health, Police, Fire and Emergency Management, Treasury Finance-General and Natural Resources and Environment Tasmania recorded the largest capital expenditure shortfalls.

While investment in State infrastructure remains substantial, the repeated inability to achieve budgeted capital expenditure levels raises questions about planning assumptions, delivery capacity and the reliability of forward capital investment forecasts.

Guide to using this report

Guidance relating to the use and interpretation of financial information included in this report can be found on the Audit Tasmania 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.

Artificial Intelligence (AI)

Certain audits, reviews, or assurance activities that contributed information to this report have utilised AI-enabled tools to support evidence gathering, data analysis, or administrative activities. Any such use occurred within the scope of the applicable audit methodology, governance framework, and quality control procedures. All findings presented in this report have been reviewed and accepted through the relevant audit and management oversight processes.

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 structure of the GGS is illustrated in Figure 1.

Some entities have been excluded from Figure 1 as they are not state controlled entities, however they do meet the definition of a State entity under the *Audit Act 2008* and therefore are included as General Government Sector entities for the purposes of this Audit Tasmania Report. These entities are:

- Retirement Benefits Fund
- University of Tasmania.

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.

Figure 1: Structure of the GGS as at 30 June 2026

General Government Sector

Government Departments

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

Other entities

- Aboriginal Land Council of Tasmania
- Audit Tasmania
- Board of Architects
- Brand Tasmania
- Environment Protection Authority
- House of Assembly
- Inland Fisheries Service
- Integrity Commission
- Keystone Tasmania
- Legal Profession Board
- Legislative Council
- Legislature-General
- Marine and Safety Tasmania
- National Trust of Australia (Tasmania)
- Non-government Schools Registration Board
- Office of the Director of Public Prosecutions
- Office of the Governor
- Office of the Ombudsman
- Property Agents Board
- Property Agents Trust
- Royal Tasmanian Botanical Gardens
- Solicitors' Trust
- State Fire Commission
- Tasmania Legal Aid
- Tasmanian Affordable Housing Limited
- Tasmanian Beef Industry
- 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
- Veterinary Board of Tasmania
- Wellington Park Management Trust

Financial reporting framework

The GGS and Total State Sector (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.

Valuation of non-financial assets held by public corporations

The Independent Audit Report for the Treasurer's Annual Financial Statements included an Emphasis of Matter (EoM) Paragraph. The EoM stated that:

> I draw attention to Note 6 to the financial statements, which describes the valuation of non-financial assets held by public corporations included in the Total State Sector. As disclosed in Note 6, certain public corporations use income-based valuation techniques that may not fully align with the not-for-profit valuation basis adopted for Total State Sector reporting. Where suitable alternative valuation information was not available, asset values reported by the relevant entities have been retained on consolidation. My opinion is not modified in respect of this matter.

Extract of Note 6 from the Treasurer's Annual Financial Statements:

> The Total State Sector includes public corporations that prepare their financial statements under the for-profit requirements of Australian Accounting Standards. Some public corporations measure non-financial assets using income-based valuation techniques that reflect the assets' capacity to generate future cash flows.
>
> The State is a not-for-profit reporting entity. Accordingly, for Total State Sector reporting purposes, assets that are held primarily for their service potential rather than their ability to generate net cash inflows may require an alternative valuation approach under AASB 13 *Fair Value Measurement*, such as a market-based or current replacement cost approach.
>
> The Department of Treasury and Finance has reviewed the valuation policies applied by public corporations included in the Total State Sector and identified that the valuation methodologies applied to certain assets may not provide values that are fully aligned with the State's not-for-profit reporting framework.

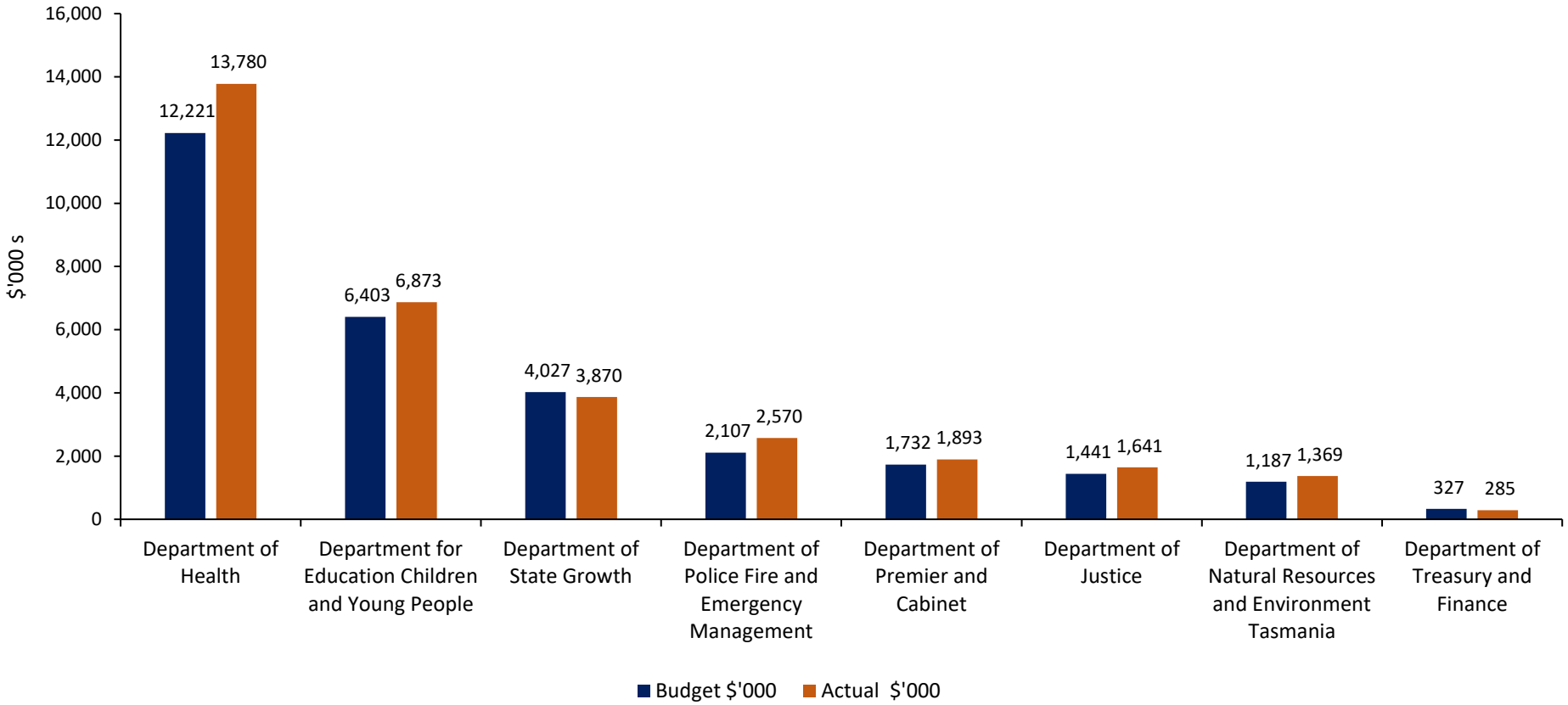
For the year ended 30 June 2026, alternative valuation information has been incorporated into the consolidated financial statements where sufficiently reliable information was available. Where suitable alternative information was not available, the asset values reported by the relevant controlled entities have been retained on consolidation.

The Department of Treasury and Finance is working with the affected public corporations to implement valuation approaches that are appropriate for the State's not-for-profit reporting framework. The outcomes of this work will be reflected in the Total State Sector financial statements where appropriate. The implementation of revised valuation approaches may result in adjustments to the carrying amounts of affected assets in future reporting periods.

General Government Sector analysis

Last year's Auditor-Generals Report highlighted that outside of the 8 Departments, the remaining 58 entities which make up the General Government Sector are not material. The numbers presented below are those for controlled activities.

Figure 2: Cumulative Budget and Actual Expenses for the period 2022-23 to 2025-26



Lack of expenditure control and setting of unrealistic budgets

The analysis below highlights that many Departments are spending well in excess of their original budgets. Table 1 highlights how much Departments have either overspent / (underspent) in excess of their original budgets for financial years 2022-23 to 2025-26.

Table 1: Budget overspend by Departments

	Original Budget overspend / (underspend)				
Departments	**2022-23 $'000**	**2023-24 $'000**	**2024-25 $'000**	**2025-26 $'000**	**Cumulative overspend / (underspend) $'000**
Education, Children and Young People	123,825	86,205	114,414	145,407	469,851
Health	396,462	522,763	447,947	191,256	1,558,428
Justice	59,632	65,014	39,799	35,879	200,324
Natural Resources and Environment Tasmania	40,332	56,322	80,026	5,536	182,216
Police, Fire and Emergency Management*	44,764	138,022	176,161	103,623	462,870
Premier and Cabinet	200,168	(17,553)	(18,298)	(2,755)	161,562
State Growth	65,036	(7,751)	(148,565)	(65,222)	(156,502)
Treasury and Finance - Corporate	(29,300)	(2,985)	(4,753)	(4,098)	(41,136)
Total	**900,919**	**840,337**	**686,731**	**444,953**	**2,837,613**

*The budget outcome for Police, Fire and Emergency Management is significantly impacted by significant revenues that offset the overspend. Adjusted for these factors the impact on the appropriation (operating) provided to the Department is reduced to $14.6 million.

Another major item not included in the above table are impacts of Machinery of Government changes. The Department of Communities Tasmania ceased operation on 30 November 2022, with the budget for this entity primarily being reallocated to Education ($95,042,000) and DPAC ($211,974,000). The cumulative overspend for Education would be $374.81 million whereas the cumulative underspend for Premier and Cabinet would be $50.41 million if the Machinery of Government budget reallocations are taken into consideration.

Two factors continue to contribute to the significant and ongoing levels of expenditure above budget, these are the setting of unrealistic budgets and a lack of expenditure control. Given the limited level of performance information and reporting within the financial

statements, it is not possible to accurately determine to what extent each factor contributes to the overspending.

Underlying Net Operating Balance

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.

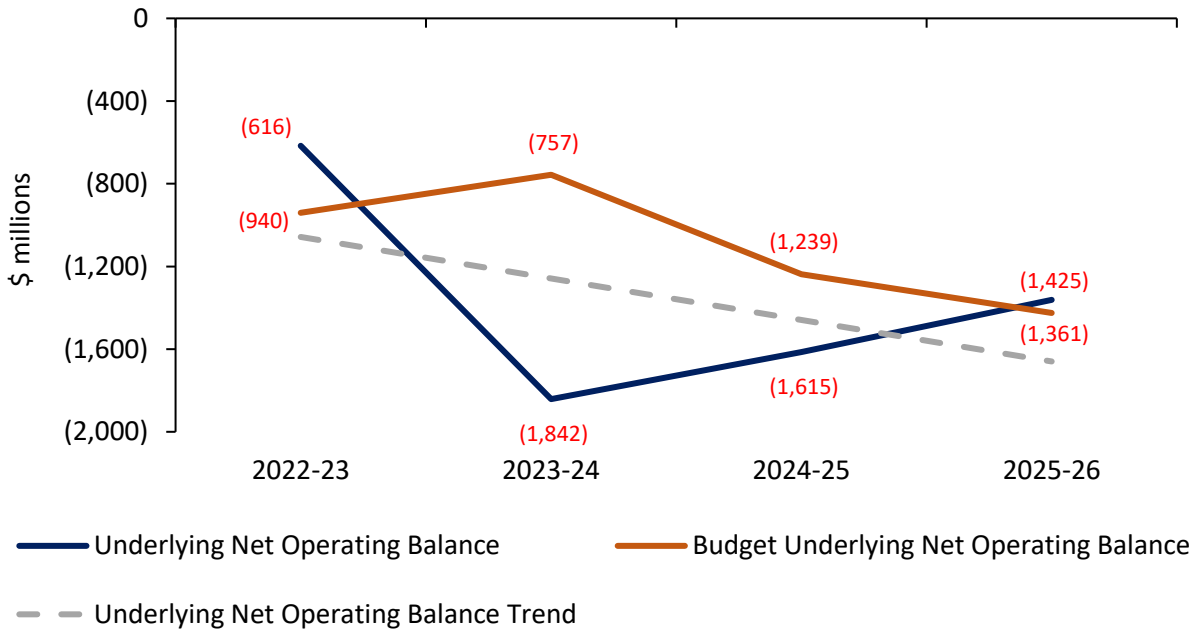
General Government Sector Underlying Net Operating Balance

2022-23	2023-24	2024-25	2025-26
($616m)	($1.84bn)	($1.61bn)	($1.36bn)
▼ (36%)	▼ (199%)	▲ 12%	▲ 16%

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

Figure 3 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 $5.44 billion. Based on the 2026-27 Tasmanian Budget, GFS net debt is budgeted to increase to $9.15 billion as at 30 June 2029. Ongoing deficits and increases in debt are not sustainable in the long term.

Figure 3: GGS Underlying Net Operating Balance



The GGS Underlying Net Operating Balance deficit of $1.36 billion for 2025-26 was an improvement of $253.20 million from the deficit of $1.61 billion reported the previous year.

This year's actual GGS Underlying Net Operating deficit was $63.70 million less than the budgeted deficit of $1.43 billion as a result of:

- actual revenue being $341.10 million higher than budgeted revenue, primarily due to $177.80 million more in grants and $72.90 million more in taxation
- actual expenses were $277.30 million higher than budgeted, mainly due to supplies and consumables being $298.90 million and employee expenses being $157.60 million higher than budgeted, offset by grant and subsidy expenses being $225.90 million lower than budget.

Total State Sector Underlying Net Operating Balance

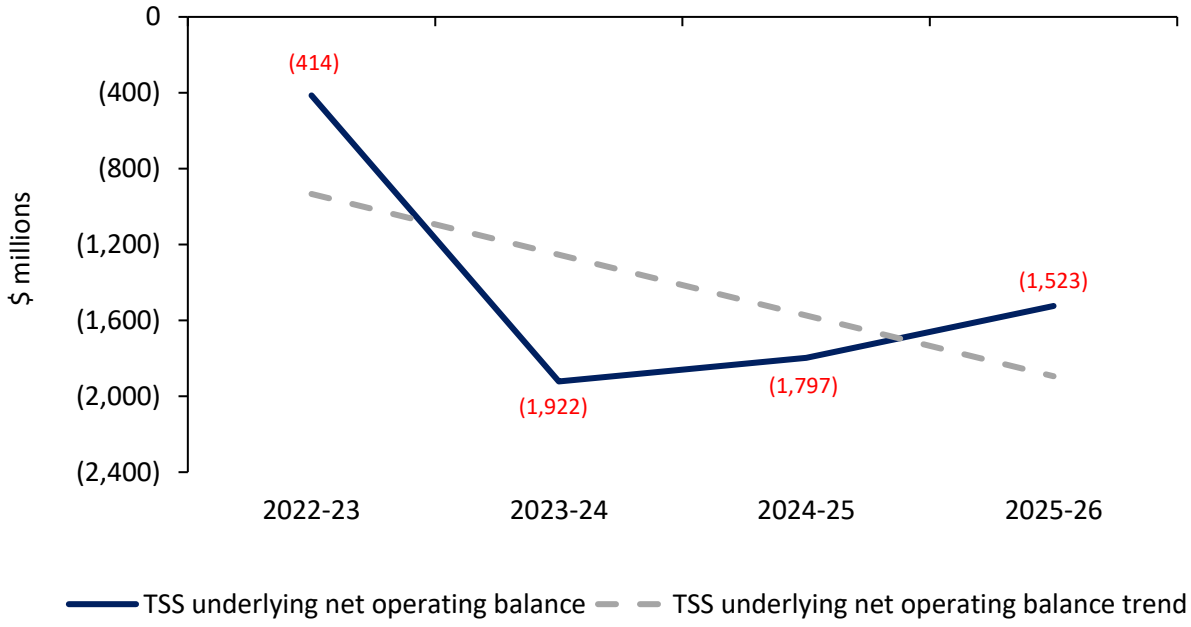
($414m)	($1.92b)	($1.80b)	($1.52b)
2022-23	2023-24	2024-25	2025-26
▲ 42%	▼ (364%)	▲ 7%	▲ 15%

▲ 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 Public Non-Financial Corporations (PNFCs) and Public Financial Corporations (PFCs). The Underlying Net Operating Balance was a deficit of $1.52 billion in 2025-26, an improvement of $273.31 million from the deficit of $1.80 billion for the prior year. The result reflects a slight improvement in the underlying results of the GGS. The TSS Underlying Net Operating balance is worse than the GGS result reflects the costs of the PFC and PNFC entities to the Total State outcome.

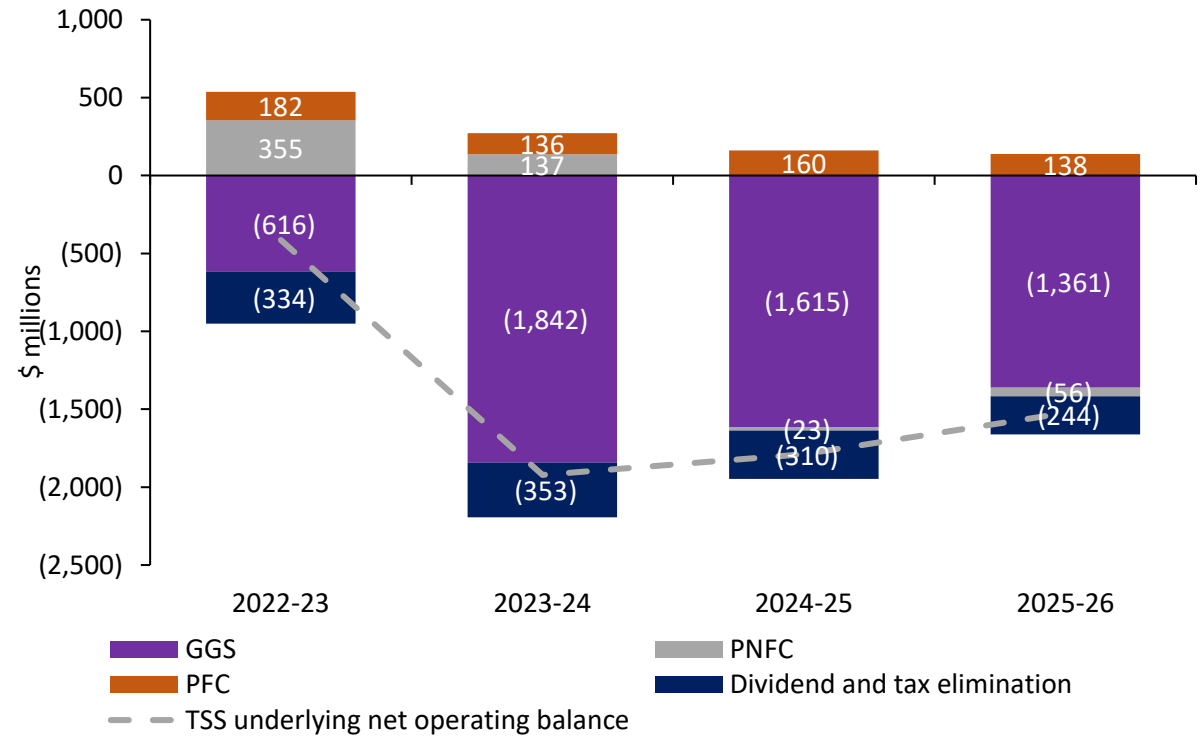
Figure 4 provides an overview of TSS Underlying Net Operating Balance for the past 4 years. While the balance remains lower in 2025-26 than in 2022-23, the trend has improved since 2023-24, with deficits reducing in both 2024-25 and 2025-26. This improvement is consistent with the trend shown in Figure 3.

Figure 4: TSS Underlying Net Operating Balance



The TSS Underlying Net Operating Balance, disaggregated into GGS, PFCs and PNFCs sectors and inter-sector eliminations is shown in Figure 5. The dividend and tax eliminations are to remove the effect of dividends and income tax paid by PFCs and PNFCs to the Department of Treasury and Finance (Treasury) from the TSS Underlying Net Operating Balance.

Figure 5: Disaggregated TSS Underlying Net Operating Balance



The 4-year comparison illustrates the impact of the GGS results on the TSS Underlying Net Operating Balance. Although the results have slightly improved from the prior year, it is still

significantly worse than 2022-23. The PNFC sector has continued its downward trend across the 4 years with the PFC sector relatively stable.

Revenue

General Government Sector Revenue

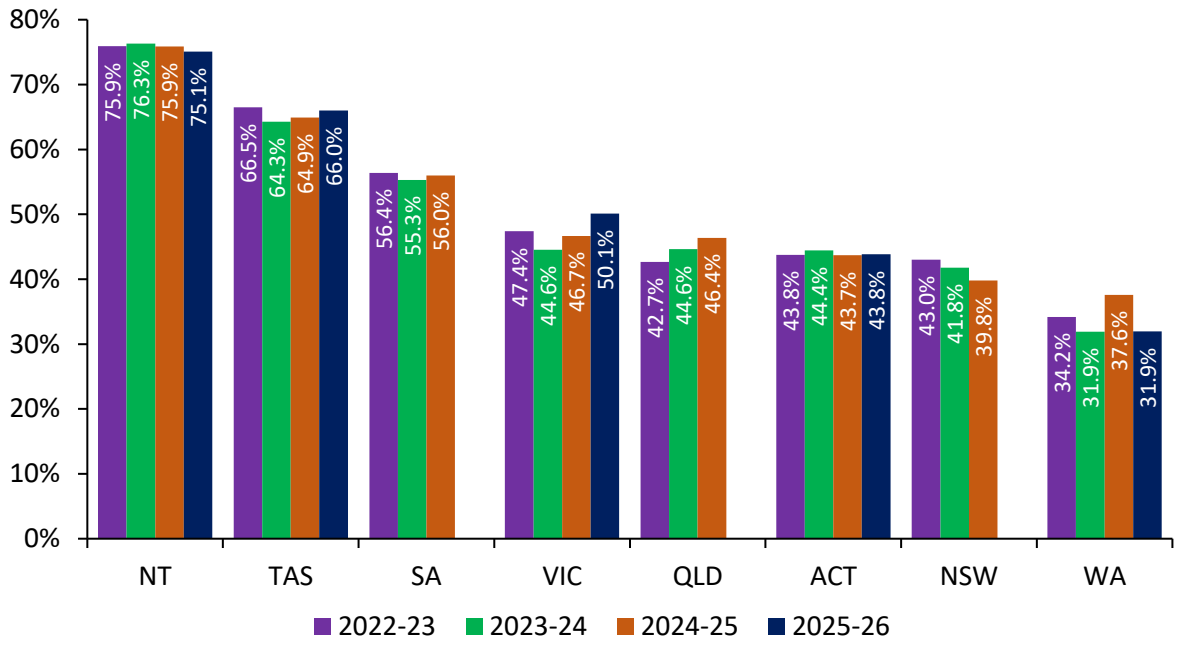
$6.12bn	$2.01bn	$0.65bn	$0.64bn
Australian Government grants (excluding capital grants)	State Taxation	Sales of Goods & Service Fees and Fines	Dividends and Income Tax Equivalents

GGS revenue, excluding one-off Australian Government capital funding, totalled $9.42 billion in 2025-26, higher than the prior year's revenue of $8.61 billion, representing an increase of 9.4% from the prior year.

Similar to previous years, Australian Government grant funding, excluding capital grants, represented the majority of GGS revenue, totalling 66.0% of operating revenue in 2025-26 (2024-25, 63.5%). This has continued to increase over the last 2 years and is almost back to the level in 2022-23.

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 6.

Figure 6: 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. 2025-26 information for South Australia (SA), Queensland (QLD) and New South Wales (NSW) were 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 65.4% over the last 4 years.

Total State Sector Revenue

$6.12bn	$1.92bn	$4.25bn	$0.88bn
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 $13.16 billion in 2025-26 (2024-25, $12.26 billion). The increase of $900.50 million was mainly due to an increase in grant revenue of $645.30 million.

Analysis of revenue within the PNFCs and PFCs sectors is included in the AGR – Volume 2.

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 2025-26 State Budget, over the Budget and Forward Estimates period, the Government allocated $3.40 billion to community infrastructure investment. As detailed in the 2025-26 Budget Paper 1, major infrastructure expenditure planned over this period included:

- roads and bridges, $1.60 billion (2024-25 $1.90 billion)
- hospitals and health, $696 million (2024-25, $650 million)
- schools, education and skills, $305 million (2024-25, $359 million)
- tourism, recreation and culture, $220 million (2024-25, $356 million)
- law and order, $353 million (2024-25, $287 million)
- information and communications technology (ICT) to support service delivery, $225 million (2024-25, $283 million)
- other infrastructure, $18 million (2024-25, $21 million).

Figure 7 highlights that there has consistently been a 27% to 39% gap between budget and actual capital expenditure from 2022-23 to 2025-26.

Figure 7: Department budgeted and actual capital expenditure 2022-23 to 2025-26

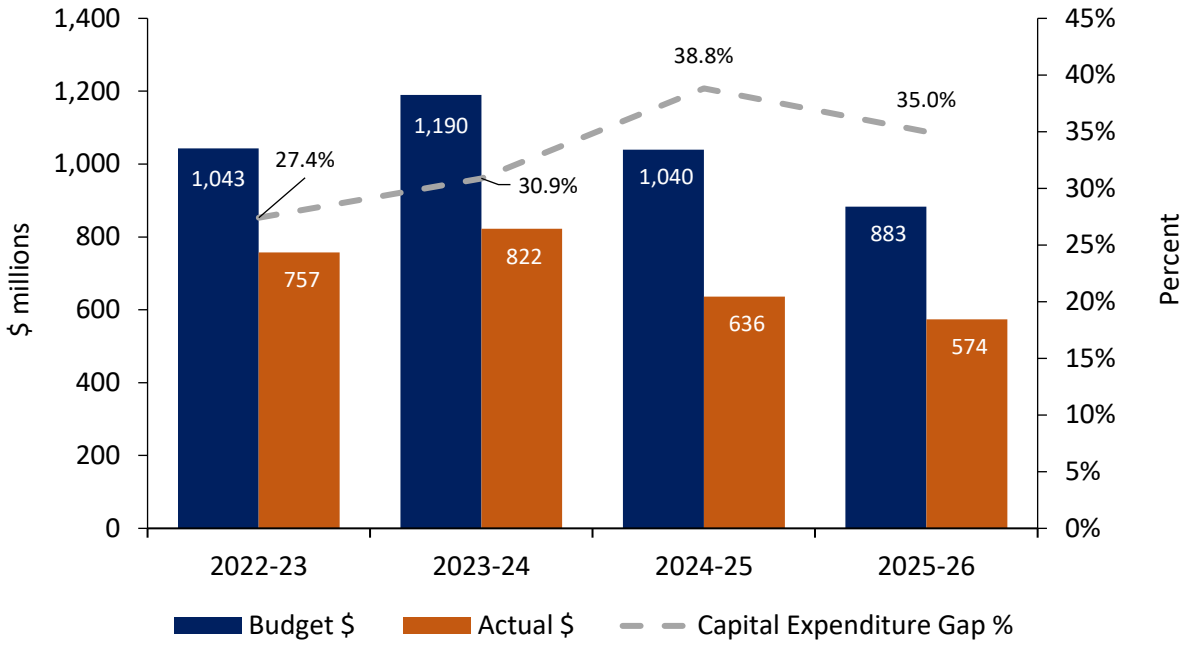


Table 2 shows the budgeted spend by each Department in 2025-26 against their actual expenditure on the acquisition of non-financial assets.

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

Departments	2025-26				4 year Average Spending (shortfall) / excess $'000	4 year Average Spending (shortfall)/ excess %
	2025-26 Budget $'000	2025-26 Actual $'000	Spending (shortfall) / excess $'000	Spending (shortfall) / excess %		
Education, Children and Young People	73,922	72,026	(1,896)	(2.6%)	3,412	4.0%
Health	218,716	102,445	(116,271)	(53.2%)	(90,514)	(45.2%)
Justice	50,644	39,117	(11,527)	(22.8%)	(27,019)	(57.6%)
Natural Resources and Environment Tasmania	39,414	16,177	(23,237)	(59.0%)	(25,140)	(66.8%)
Police, Fire and Emergency Management	72,812	22,832	(49,980)	(68.6%)	(37,630)	(64.7%)
Premier and Cabinet	16,122	2,601	(13,521)	(83.9%)	(1,658)	(34.8%)
State Growth	310,117	277,854	(32,263)	(10.4%)	(126,986)	(24.3%)

Departments	2025-26				4 year Average Spending (shortfall) / excess $'000	4 year Average Spending (shortfall)/ excess %
	2025-26 Budget $'000	2025-26 Actual $'000	Spending (shortfall) / excess $'000	Spending (shortfall) / excess %		
Treasury and Finance – Corporate	6,035	558	(5,477)	(90.8%)	(1,762)	(71.2%)
Treasury and Finance – Finance-General	95,353	40,455	(54,898)	(57.6%)	(34,212)	(42.5%)
Total	**883,135**	**574,065**	**(309,070)**	**(35.0%)**	**(341,509)**	**(32.9%)**

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 2025-26, Departments collectively spent 65.0% of their budgeted capital expenditure. Explanations for significant variations from budget capital expenditure are provided below:

- Shortfalls in Health were $116.27 million, which was principally due to the approved deferral of Capital Investment Project expenditure, which was also deferred in 2024-25.
- Shortfalls in Department of Police, Fire and Emergency Management (DPFEM) of $49.98 million primarily relates to:
  - A change in approach to the Department's contribution to the Tasmanian Government Radio Network (TasGRN) where the accounting framework within the budget was not yet finalised when the budget for 2025-26 was being formulated.
  - Reprofiling of capital project cashflows in line with updated timelines.
- In 2025-26 State Growth expended $277.85 million for acquisition of non-financial infrastructure assets (2024-25, $361.89 million). This included capital improvements related to roads, bridges and work in progress (WIP) additions.

  A variance of $32.26 million less than the original budget of $310.12 million reflects lower than anticipated capitalisation of expenditure as well as revised cashflow of Capital Investment Program including Northern Suburbs Community Recreation Hub ($8.12 million), Glenorchy Sports Centre ($4.98 million) and Roads of Strategic Importance ($4.12 million).
- Shortfalls in the Department of Treasury - Finance-General of $54.90 million relates primarily to:
  - Lower than expected expenditure for projects funded through the Digital Transformation Priority Expenditure Program including: GLIS; Lease Management System; and PARAMIS.
  - Timing of whole-of-government light vehicle fleet replacements.

Net worth and GFS Net debt

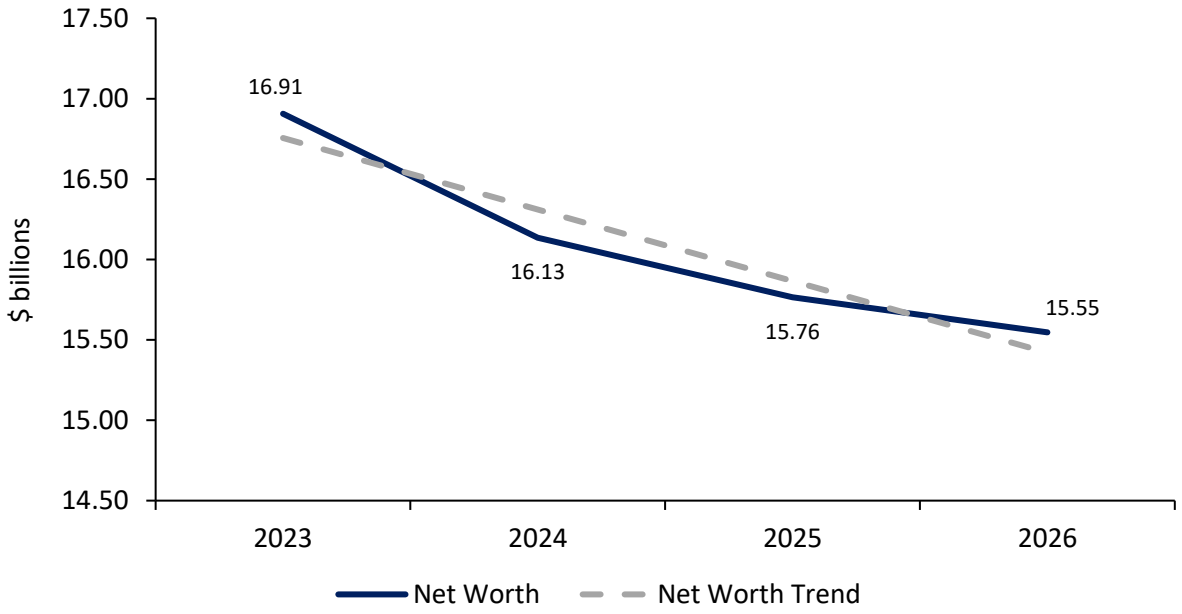
General Government Sector		Total State Sector	
$15.55bn	**$5.44bn**	**$15.58bn**	**$7.79bn**
Net worth	GFS Net debt	Net worth	GFS Net debt

GGS Net worth

GGS Net worth, also referred to as net assets, decreased by $217.70 million to $15.55 billion as at 30 June 2026. 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 8 shows GGS Net worth is trending downwards over the 4 financial years 2023 to 2026.

Figure 8: Net worth



Major contributors to the $217.70 million decrease in GGS Net worth in 2025-26 were:

- an increase in Total Assets of $1.32 billion, due to:
  - $651.30 million increase in infrastructure assets
  - $306.30 million increase in land and buildings
  - $259.00 million increase in cash and deposits
- offset by an increase in Total Liabilities of $1.54 billion, made up of:
  - $1.75 billion increase in borrowings
  - $523.20 million decrease in superannuation.

TSS Net worth

The difference in net worth between GGS and TSS relates to the treatment of grant funding between the sectors and the impact of eliminations.

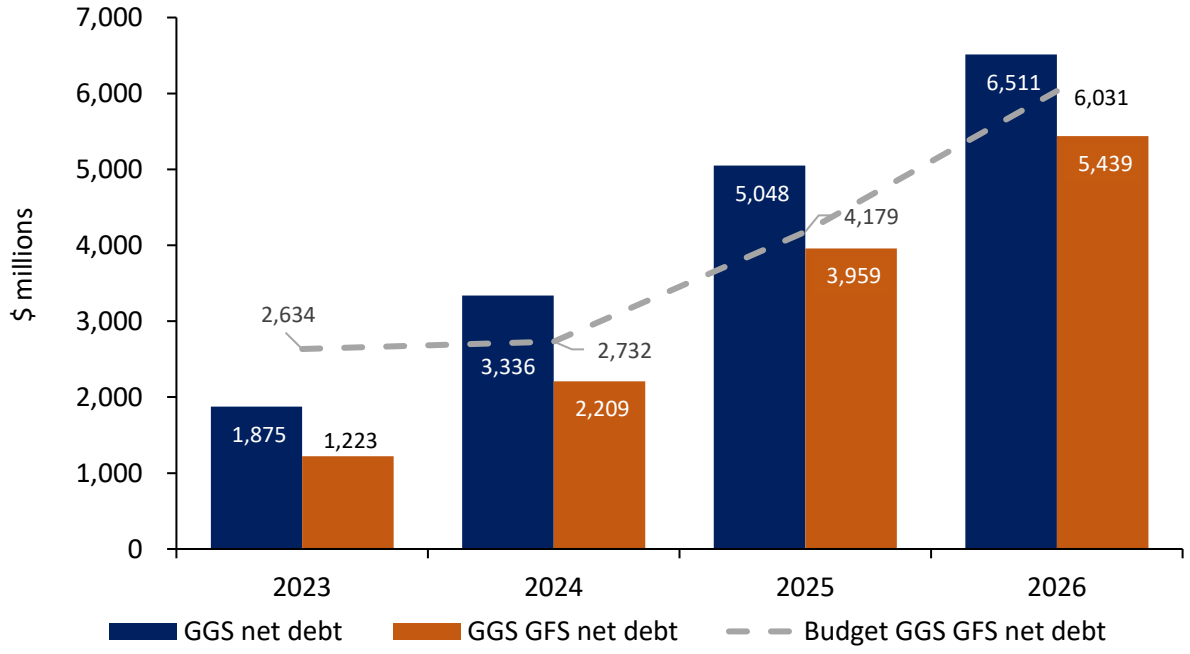
GGS net debt and GFS net debt

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 liabilities. GFS net debt comprised borrowings less the sum of cash and deposits and investments.

GGS net debt continued to grow during 2025-26, as shown in Figure 9, largely due to the increase in borrowings of $1.75 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.

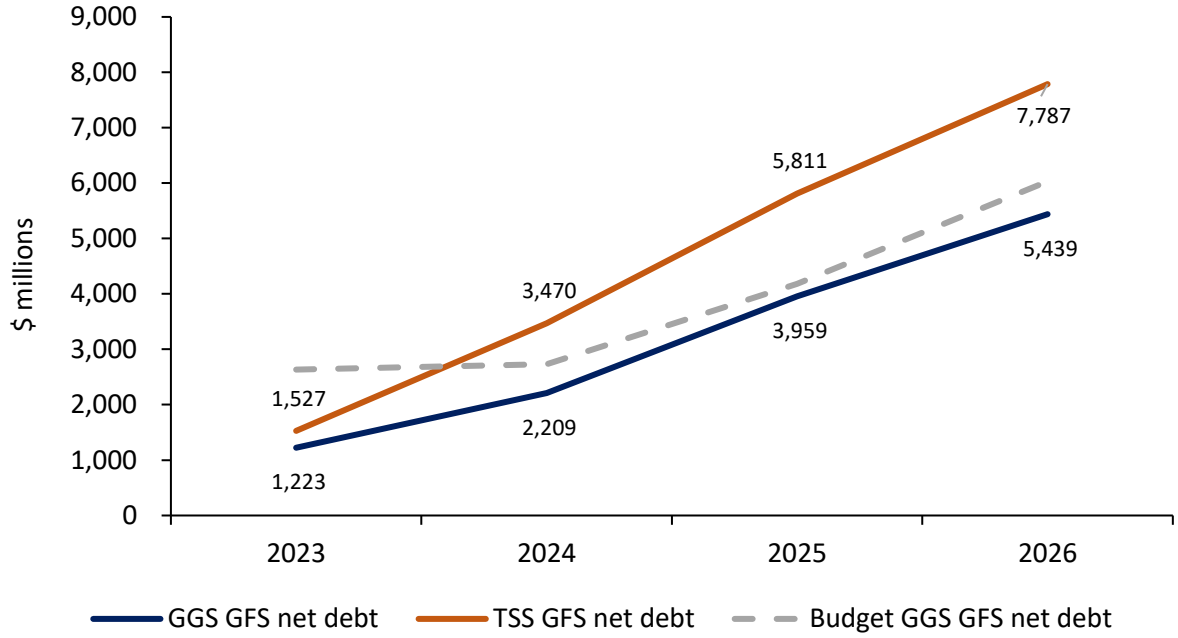
Figure 9: GGS net debt and GGS GFS net debt



GGS GFS net debt was $5.44 billion at 30 June 2026 in comparison to budgeted GGS GFS net debt of $6.03 billion.

Figure 10 provides a comparison of GGS GFS net debt to TSS GFS net debt for the past 4 years.

Figure 10: GFS net debt



TSS GFS net debt increased by $1.98 billion to $7.79 billion at 30 June 2026, primarily relating to additional borrowings of $2.09 billion. The increase was greater than the $1.48 billion increase in GGS GFS net debt, reflecting growth in net debt outside the GGS, principally within the PNFC sector, resulting in a wider TSS-GGS net debt gap.

Defined benefit superannuation liability

Superannuation Commission

The Superannuation Commission (Commission) is responsible for the management of the funded assets of the Retirement Benefits Fund (RBF) Defined Benefit Contributory Scheme, the Tasmanian Ambulance Service Superannuation Scheme, the State Fire Commission Superannuation Scheme and the Parliamentary Schemes (consisting of Parliamentary Superannuation Fund and Parliamentary Retiring Benefits Fund). All of the defined benefit funds are closed to new members.

Defined benefit superannuation liability

The Government is 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 2026, the GGS unfunded defined benefit liability was $6.44 billion (30 June 2025, $6.97 billion).

The unfunded liability decreased by $529.79 million in 2025-26, reflecting the difference between benefits paid and interest expense. 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. The discount rate has

increased from 4.55% as at 30 June 2025 to 4.95% as at 30 June 2026, and therefore decreased the liability during 2025-26.

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 11.

Figure 11: GGS Unfunded Superannuation Liability

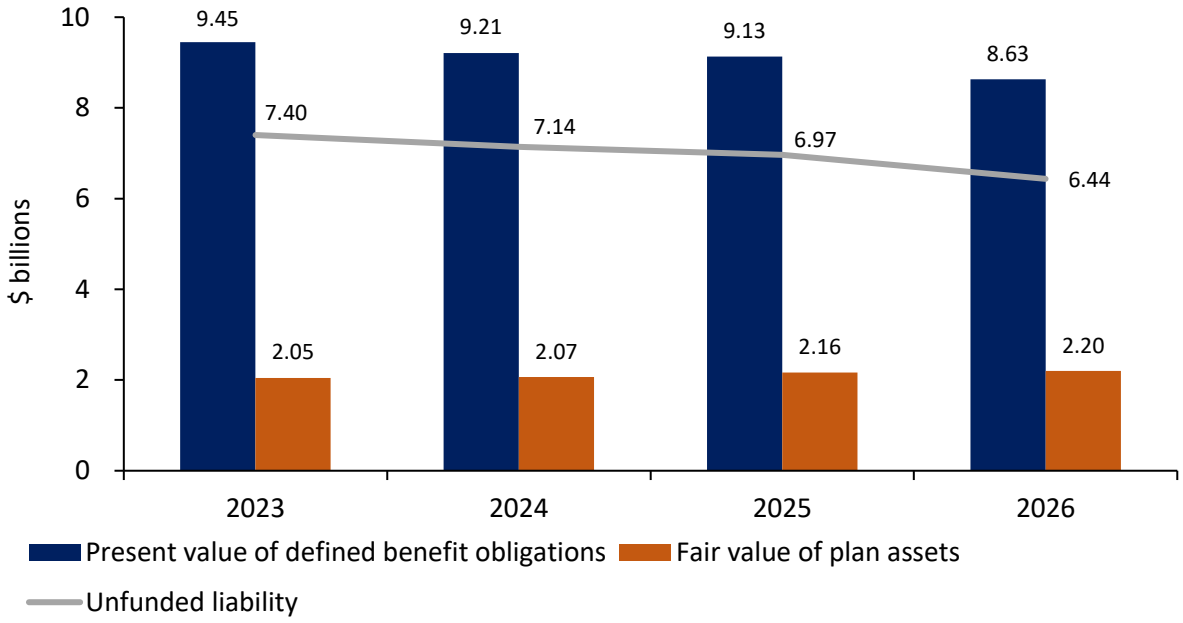
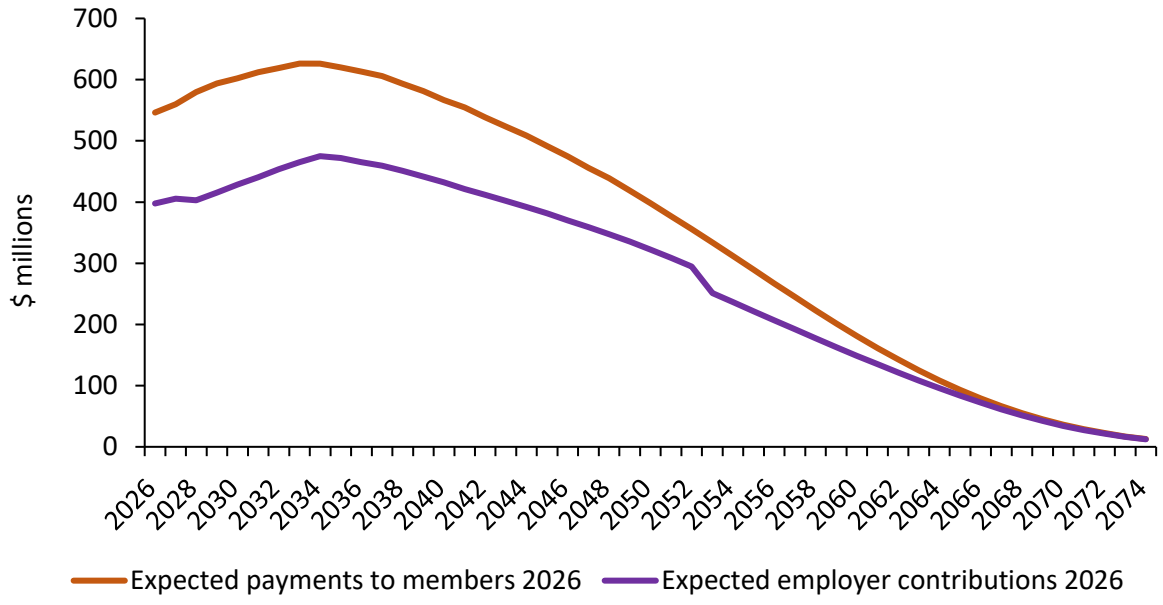


Figure 12 compares the expected nominal (un-discounted) cash outflows required to meet the emerging cost of superannuation benefits payable to members, before consideration of benefits funded from scheme assets, as estimated at 30 June 2026. Also shown are the expected future employer contributions to be paid by the Government, as estimated at 30 June 2026.

Figure 12: GGS Undiscounted Defined Benefit (2026-2074)



Payments required to meet defined benefit pensions and lump sum payments will peak in 2034 at around $626.17 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 14.7% over the next 8 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.

Table 3: Changes to the administration and structure of the GGS during 2025-26

Effective date	Administrative restructure
11 August 2025	***Administrative Arrangements Order 2025*** Formally allocated the administration of certain Government enactments and responsibilities between ministerial portfolios.

Entity commentary and analysis

This year, in addition to sector wide analysis, we have included an analysis of each material entity. This has been done to ensure we are transparently meeting the requirements of the Audit *Act 2008*, para 29(4)(a) which states:

> *The Auditor-General is to draw attention to any case in which the functions of an accountable authority were not adequately and properly performed, and which the Auditor-General considers of sufficient importance to have attention drawn to it.*

This section reports this by comparing what each material entity achieved in 2025-26 against what it set out to do as per the budget included in each entities signed financial statements. These budget numbers have also been agreed to the Department of Treasury and Finance, Service Delivery, Budget Paper No. 2 – Volume 1.

In this section of the Report, we also provide our key observations from the audit of each material entity. This is then followed by 'Outcomes from our financial statement audit' which is derived from our Reports to Those Charged with Governance.

Key financial measures are those measures that Audit Tasmania have determined to be key for those in the GGS sector. Our analysis identified that of the 74 key financial measures set by the Government through the budget process, only 25 (34%) were exceeded, 7 (9%) were nearly met and 42 (57%) were missed. The high level of missed measures indicate an inability to meet commitments set through the budget process, overall lessening the effectiveness of the budget process as a means of controlling state expenditure.

Table 4: achievement of key financial measures

Entity	Exceeded Measure	Near Measure	Missed Measure
Education Children and Young People	2	1	4
Health	0	1	6
Justice	1	1	5
Natural Resources and Environment	5	1	1
Police Fire and Emergency Management	0	1	6
Premier and Cabinet	1	1	5
State Growth	6	0	1
Treasury – Corporate	2	0	5
Treasury – Finance-General	4	0	1
State Fire Commission	1	1	4
TasTAFE	3	0	4
Total	**25**	**7**	**42**

It is acknowledged that each state entity will have varying reasons for the level of measures that have been missed, this analysis is not designed to go into that level of detail, rather it reinforces that in the absence of a high level of achievement of budget measures, the usefulness of the budget as a tool to control expenditure is limited.

It is further acknowledged that some measures can be significantly influenced by non-cash valuation movements and other accounting adjustments.

With regards to those classified as 'Near Measure', this has been calculated based on when a measure was assessed as being a 'Missed Measure', however the actual was within +/-5% of the budget.

Department for Education, Children and Young People

Financial result

The 2025-26 result for Department for Education, Children and Young People (DECYP) was a deficit of $92.93 million (2024-25, deficit $43.96 million). DECYP exceeded its original approved expenditure budget of $1.78 billion by $145.41 million. Compared to last year the deterioration in net result from continuing operations was $48.97 million. At the broad level, the net deterioration between financial years is represented by:

- the gross expenditure increase exceeding the gross revenue increase, with the net impact met through the utilisation of cash balances held; and
- the lower level of Appropriation Revenue – Capital, which reduced by $21.36 million in 2025-26, directly impacting the result noted above.

Expenditure in the 2025-26 financial year increased by $109.24 million from the prior year, with the main influences including:

- an increase in employee benefits of $74.02 million, or approximately 6 per cent, due to standard indexation and increments under awards, a 0.5% increase in the superannuation guarantee rate and increases in FTEs for Teacher Assistants (mainly due to funding for educational adjustments), Education Support Specialists and Professional Support staff
- an increase in supplies and consumables expenses of $42.43 million, due predominately to increased accommodation support, server provider hours, client services and youth justice support, partially supported by approved requests for additional funding, together with the transition of services from Grants to contract services
- a decrease in grant expenditure of $9.40 million, partially offsetting the increases above.

Total revenue from Government was $61.19 million higher than 2024-25, including:

- an increase in Appropriation Revenue – Operating of $101.01 million
- a decrease in Appropriation Revenue – Capital, which reduced by $21.36 million, which as noted above directly impacts the net result from continuing operations.

Despite the increased operational funding received, which included a number of requests for additional funds, the higher revenue from Government was lower than the increased expenditure. As noted above, increased expenditure was supported through the utilisation of cash balances held.

Property, plant and equipment

Land, buildings and infrastructure were revalued in 2025-26 for the first time since 31 December 2019, resulting in an uplift in total property, plant and equipment.

During 2025-26, property, plant and equipment increased by $115.13 million to $2.47 billion, primarily due to revaluation increments of $146.46 million and additions of

$55.90 million. These increases were partially offset by depreciation for the year of $79.18 million.

Significant capital expenditure on building projects, included within the additions figure during 2025-26, included:

- Continuation of the Revitalising Cosgrove High School, $8.66 million, this project was commissioned in 2025-26 for $24.35 million.
- Continuation of the Hobart City Partner Schools Major Works, $13.40 million, the New Town Campus project was commissioned in 2025-26 for $18.60 million.
- Youth Justice Infrastructure Program, $6.71 million, still remains in work in progress.

In addition, Infrastructure increased by $113.43 million to $295.11 million, primarily due to revaluation increments of $119.47 million, partially offset by depreciation for the year of $9.40 million.

Table 5: Outcomes from our financial statement audit

Significant risk	Audit outcome
Management override of controls	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.
Valuation of land, buildings and infrastructure	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.
Existence and accuracy of capital expenditure	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.
Changes to original audit approach	
Valuation of heritage and cultural assets	Following the risk assessment procedures conducted during the audit, the risk of the valuation of heritage and cultural assets was lowered from high inherent risk to low inherent risk. This was primarily due to the revaluation of heritage and cultural assets not occurring in the current year.

Key financial measures

Table 6: Key financial measures

	Budget ($'000)	Actual ($'000)	Met
Income from appropriation - operating	1,616,545	1,673,338	-
Total expenses from continuing operations	1,775,244	1,920,651	✗
Net result from continuing operations	12,607	(92,932)	✗

	Budget ($'000)	Actual ($'000)	Met
Comprehensive result	56,561	171,969	✓
Underlying net result from continuing operations	(62,731)	(152,525)	✗
Total equity	2,497,208	2,553,749	✓
Net cashflows from operating activities	357	(26,081)	✗

Department of Health

Financial result

The Department of Health (DoH) recorded a deficit of $98.57 million in 2025-26, compared to a deficit of $6.66 million in 2024-25. The worsened financial performance compared to the result of 2024-25 was mainly due to the:

- employee benefits – increase of $126.98 million, mainly due to the increased health demand and service requirements in the Tasmanian Health Service. Also, the variance includes the payment of salaries and wages which are offset by recoveries included in other revenue.
- offset by grant revenue – increase of $94.57 million, representing an increase in approved funding.

Table 7: Outcomes from our financial statement audit

Significant risk	Audit outcome
Management override of controls	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.
Risks arising from the use of Information Technology	Based on the audit procedures performed, 1 audit finding was identified. This was reported on in our Annual Audit Outcomes Report issued in July 2026.
Completeness and accuracy of revenue from sale of goods and services (THS only)	Based on the audit procedures performed, 1 audit finding was identified. This was reported on in our Annual Audit Outcomes Report issued in July 2026.
Completeness, existence and accuracy of capital works in progress	Based on the audit procedures performed, 1 audit finding was identified. This was reported on in our Annual Audit Outcomes Report issued in July 2026.
Occurrence and accuracy of employee benefits expense	Based on the audit procedures performed, control failures in these areas have been identified in recent years and therefore no reliance has been placed on them for 2025-26. Sufficient appropriate audit evidence has been obtained through other procedures undertaken.
Completeness, accuracy and valuation of employee benefits liabilities	Based on the audit procedures performed, no control deficiencies, misstatements, or audit findings were identified.

Key financial measures

Table 8: Key financial measures

	Budget ($'000)	Actual ($'000)	Met
Income from appropriation - operating	2,284,540	2,305,265	-
Total expenses from continuing operations	3,552,780	3,744,036	✗
Net result from continuing operations	122,597	(98,574)	✗
Comprehensive result	174,930	(29,317)	✗
Underlying net result from continuing operations	(83,463)	(176,298)	✗
Total equity	2,438,298	2,148,840	✗
Net cashflows from operating activities	226,078	91,981	✗

Department of Justice

Financial result

The Department of Justice (Justice) generated a surplus of $26.90 million for 2025-26 (2024-25, $66.74 million). Justice's revenue decreased from $531.13 million to $512.43 million for the 2025-26 financial year. Appropriation revenue decreased by $24.25 million due to a decrease in recurrent appropriation compared to the previous year.

During the year, expenses increased to $448.15 million (2024-2025 $401.94 million) mainly attributable to an increase in Employee benefits by $16.74 million. There is also decrease in recognition of claims expense related to the provision for claims related to Child Sexual Abuse in State Care of $23.28 million which was recorded within income from continuing operations.

Property, plant and equipment

Property, plant and equipment increased to $449.45 million during 2025-26 from $417.48 million in 2024-2025, primarily due to indexation of property and prison infrastructure, and capital works. Major movements included indexation increments of $13.10 million, capital expenditure of $35.56 million offset by depreciation and amortisation of $16.53 million.

The 2025-26 revaluation increment was based on indices for construction costs and land values, as advised by the Valuer-General.

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

The provision for Claims related to Child Sexual Abuse in State Care decreased from $578.87 million during 2025-26 to $559.54 million.

During 2025-26, Justice expended $56.86 million (2024-25, $128.81 million) on payments to claimants under the National Redress Scheme for Institutional Child Sexual Abuse and for related civil claims against the Crown, which had the effect of reducing the provision. This reduction was offset by an actuarial assessment of the provision at 30 June 2026, which increased the provision by $37.53 million.

As at 30 June 2026, Justice had received several 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, several civil claims had been made against various Government agencies relating to child abuse in State care which were still progressing.

Table 9: Outcomes from our financial statement audit

Significant risk	Audit outcome
Management override of controls	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.

Significant risk	Audit outcome
Existence and valuation of Land and Building	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.
Valuation of provision and disclosures relating to the compensation payments made under the Australian Government's National Redress Scheme for Institutional Child Sexual Abuse and claims made against various Government agencies relating to child abuse in State care	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.
Valuation of fines and infringements and Monetary Penalties Enforcement Service (MPES) receivables	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.
Valuation of provision for compensation payable – Asbestos Compensation Fund	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.

Key financial measures

Table 10: Key financial measures

	Budget ($'000)	Actual ($'000)	Met
Income from appropriation - operating	393,566	400,283	-
Total expenses from continuing operations	412,267	448,146	✗
Net result from continuing operations	103,883	26,902	✗
Comprehensive result	113,940	40,004	✗
Underlying net result from continuing operations	53,844	(4,666)	✗
Total equity	(83,505)	(126,053)	✗
Net cashflows from operating activities	(11,778)	1,573	✓

Department of Natural Resources and Environment Tasmania

Financial result

NRE Tas recorded a deficit of $3.10 million in 2025-26 compared to a deficit of $20.76 million in 2024-25, representing an improvement of $17.67 million. This is mainly due to lower expenditure, partly offset by a decrease in revenue:

- revenue from Government decreased by $28.18 million, primarily due to a $27.71 million reduction in operating appropriations. This was partly offset by a $17.59 million increase in grant revenue, with significant increases in funding for the National Water Grid, Local Environment Projects – Heritage, and marine farming and wild fisheries programs
- grants and subsidies expenditure decreased by $9.32 million, primarily due to variations in grant programs, changes in the timing of milestone payments and updated expenditure profiles for a number of budget initiatives
- supplies and consumables expenditure decreased by $13.94 million, primarily due to lower travel and transport costs, infrastructure and building maintenance expenditure, and professional and contract services. The decrease also reflects reduced expenditure on fire suppression activities, as there was no major bushfire event during 2025-26
- other losses on non-financial assets decreased by $5.64 million, from $9.45 million in 2024-25 to $3.81 million in 2025-26. The 2025-26 loss primarily related to the write-off of costs previously included in work in progress that were assessed as non-capital, and a $2.00 million impairment of abalone quota.

Property, plant and equipment

Property, plant and equipment, including infrastructure assets, increased by $41.39 million in 2025-26 to $2.19 billion. The movement primarily reflects depreciation of $32.18 million, disposals of $1.23 million, and asset write-downs of $1.38 million. These decreases were partly offset by revaluation increments of $60.19 million and additions of $15.28 million, largely relating to ongoing capital works and upgrades across a number of assets.

Table 11: Outcomes from our financial statement audit

Significant risk	Audit outcome
Management override of controls	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.
Indexation in Land, Buildings and Infrastructure Assets	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.

Significant risk	Audit outcome
Changes to original audit approach	
Completeness, existence and accuracy of Capital works in progress	Following the risk assessment procedures conducted during the audit, the risk completeness, existence and accuracy of Capital works was lowered from high inherent risk to medium inherent risk.

Key financial measures

Table 12: Key financial measures

	Budget ($'000)	Actual ($'000)	Met
Income from appropriation - operating	189,963	185,188	✓
Total expenses from continuing operations	358,637	364,173	-
Net result from continuing operations	3,748	(3,102)	✗
Comprehensive result	4,808	57,307	✓
Underlying net result from continuing operations	(31,050)	(16,321)	✓
Total equity	2,296,086	2,315,828	✓
Net cashflows from operating activities	(2,826)	17,678	✓

Department of Police, Fire and Emergency Management

Financial result

The 2025-26 result for Department of Police, Fire and Emergency Management (DPFEM) was a deficit of $9.53 million (2024-25, surplus of $0.02 million). The decrease of $9.55 million in the net result was due to:

- total revenue increased by $3.12 million, with significant variations across a number of revenue categories. The largest variations were an increase in Appropriation revenue – operating, which increased by $12.65 million and an increase in Appropriation revenue – capital of $17.19 million. This was partially offset by a decrease in other revenue of $20.41 million. The decrease was due principally to a reduced interagency transfer from the State Fire Commission of $18.06 million.
- total expenses increased by $12.67 million, the most significant components of the increase were:
  - A $17.19 million increase in Supplies and Services expenses, primarily driven by increases of $2.92 million in operational uniform issues, $5.62 million in Operational Service Payments to TasGRN, $2.06 million in building fitouts not capitalised, and $1.29 million in lift maintenance.
  - A $7.64 million increase in employee expenses, principally due to increases in wages and salaries expenses and related superannuation contributions. This was driven by an increase in average FTE during the year, from 657 to 678.
  - Offset by an $18.09 million decrease in payments made on behalf of the State Fire Commission, consistent with the revenue decrease noted above.

Property, plant and equipment

During 2025-26, property, plant and equipment increased by $10.05 million, primarily due to indexation of land and buildings of $6.08 million, and asset acquisitions of $16.84 million. These increases were offset by depreciation for the year of $11.23 million.

Service concession assets and liabilities

The balances of service concession assets and liabilities were related to TasGRN. The carrying amount of service concession assets was reduced by $35.62 million, mainly due to amortisation expense of $39.58 million. The carrying amount of service concession liabilities reduced by $35.97 million, principally due to interest expense and milestone payments made to Telstra Corporation Ltd.

Table 13: Outcomes from our financial statement audit

Significant risk	Audit outcome
Management override of controls	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.

Significant risk	Audit outcome
Valuation of service concession assets and related liabilities	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.
Valuation of land and buildings	Our testing revealed no control deficiencies or misstatements, however a low risk finding, related to mapping within the fixed asset register, will be reported in our Financial Audit Outcomes Report. This issue did not have a material impact on the financial statements.
Completeness, existence and accuracy of capital expenditure	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.
Accuracy and valuation of employee benefits liabilities	Testing revealed 2 audit findings which will be reported in our Financial Audit Outcomes Report. The findings included a high risk finding related to key staff departures and the related loss of knowledge in the payroll section of the Department and a low risk finding related to excessive leave balances. The findings identified did not have a material impact on the financial statements.

Key financial measures

Table 14: Key financial measures

	Budget ($'000)	Actual ($'000)	Met
Income from appropriation - operating	412,395	426,961	-
Total expenses from continuing operations	616,251	714,018	✗
Net result from continuing operations	68,993	(9,533)	✗
Comprehensive result	93,424	(3,451)	✗
Underlying net result from continuing operations	24,146	(40,243)	✗
Total equity	379,209	223,244	✗
Net cashflows from operating activities	80,396	39,133	✗

*The budget outcome for Police, Fire and Emergency Management is significantly impacted by significant revenues that offset the overspend.

Department of Premier and Cabinet

Financial result

The Department of Premier and Cabinet (DPAC) recorded a surplus for 2025-26 of $5.90 million compared to a surplus of $1.11 million in 2024-25. Expenditure decreased $9.27 million year on year, predominately due to:

- a decrease in grant and subsidy expenses, $19.63 million due mainly to lower election commitment grants, $9.82 million and no grant payments for the emergency food grant fund (2024-25, $10.52 million)
- offset by an increase in supplies and consumables expenses, $11.32 million, due to higher information technology costs due to the delivery of the Human Resources Transformation Project.

Audit of Service Tasmania and Digital Strategy and Services

In November 2025, an audit was initiated to cover 2 divisions of DPAC that serve Whole of Tasmanian Government (WofTG) functions. Namely Service Tasmania (Service Tas) that receives state revenue on behalf of many entities and Digital Strategy and Services (DSS) that manage several ICT services for agencies and other government entities via a mix of brokered and direct service delivery.

DSS provides several services to agencies as well as the broader government sector and additionally has an overarching responsibility to the wider community for cyber safety. Service Tasmania forms a shop front to Tasmania government services. A large proportion of government revenue is handled by this area including state and local streams.

The audit was to gain broad understanding of the functions and systems used to support these critical services. This included:

- That there are robust processes to ensure the proper handling of government revenues.
- There are effective management and coordination of cyber security assurance.
- The services provided to government entities are transparent and accountable.
- The relationship between service providers and their clients is cooperative and effective.

Key focus areas were:

- Ensuring current systems are identified, capable, and well managed.
- Ensuring revenue streams are well documented and managed.
- Ensuring revenue is distributed appropriately and reconciled.
- Ensuring cyber assurance is mature, aligned, and adaptable to contemporary risks.

- Ensuring system change management is formal, documented, and strategic.
- Ensuring agreements, service levels, key performance indicators, and relationship management with all clients of the services is up-to-date, comprehensive, and well serviced.

The audit revealed that:

- DSS has a mature and consistent approach to access management.
- DSS has robust internal change management processes which are consistent across several streams but do require adapting to agency change management processes where necessary.
- DSS has a sophisticated vulnerability assessment and management process.
- Service Tasmania has robust processes for revenue collection and distribution, with effective relationships with agencies and other clients.

The audit did identify 1 moderate finding related to use of government e-mail addresses for on-line services, recommending that Employment Direction 12 clarify the use of government e-mails when using on-line services. This recommendation was accepted. There was 1 low risk finding in relation to Service Tasmania's business continuity documentation.

Table 15: Outcomes from our financial statement audit

Significant risk	Audit outcome
Management override of controls	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.
Revenue recognition due to fraud	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.
Completeness, accuracy, and existence of employee expenses and employee benefits provisions	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.

Key financial measures

Table 16: Key financial measures

	Budget ($'000)	Actual ($'000)	Met
Income from appropriation - operating	451,490	451,935	-
Total expenses from continuing operations	532,504	529,756	✓
Net result from continuing operations	13,529	5,904	✗
Comprehensive result	13,529	5,904	✗

	Budget ($'000)	Actual ($'000)	Met
Underlying net result from continuing operations	(2,721)	(7,164)	✗
Total equity	8,431	5,657	✗
Net cashflows from operating activities	17,233	7,866	✗

Department of State Growth

Financial result

The Department of State Growth (State Growth) recorded a net result from continuing operations of $118.68 million in 2025-26 compared to $259.16 million in the prior year.

The reduction of $140.48 million in the net result was primarily attributable to:

- grants revenue decreasing by $105.76 million, mainly due to lower Australian Government capital grants received for infrastructure projects, specifically due to the completion of the new Bridgewater Bridge
- a reduction of $49.26 million in Appropriation revenue due largely to revised cashflow of budget initiatives including: AFL High Performance Centre ($11.47 million), Launceston City Deal ($8.00 million), Dial Regional Sports Complex ($7.50 million), Derwent River Ferry Service ($6.52 million) and Tasmanian Symphony Orchestra Capital Funding ($4.00 million)

Valuation of Heritage and cultural assets

State Growth undertook a revaluation of heritage and cultural assets in 2025-26, resulting in a $13.88 million increase in the collection valuation.

Valuation of Infrastructure assets

State Growth undertook revaluations of its roads, land under roads, and bridges during 2025-26 by applying relevant indices provided by external experts. This resulted in a revaluation increment for roads of $40.39 million, land under roads of $338.78 million and bridges of $96.00 million.

Capital expenditure

In 2025-26 State Growth expended $277.85 million for acquisition of non-financial infrastructure assets (2024-25, $361.89 million). This included capital improvements related to roads, bridges and WIP additions.

Other significant events

On 2 July 2026, the Department of State Growth was renamed Building Tasmania. The renaming was administrative in nature and had no impact on the Department's operations, governance arrangements, assets, liabilities, income or expenses. Accordingly, no adjustments were required to the amounts recognised in these financial statements.

Table 17: Outcomes from our financial statement audit

Significant risk	Audit outcome
Management override of controls	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.

Significant risk	Audit outcome
Valuation of property and infrastructure assets	A number of adjustments to the initial financial statements were identified as a result of an infrastructure revaluation adjustment being incorrectly applied. Management agreed and subsequently adjusted the financial statements. These adjustments mainly related to incorrect valuation amounts being applied to a number of bridge assets. These adjustments, in turn, had an impact of depreciation expense, which was also subsequently reversed.
Accuracy and valuation of Loan Advances	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.
Accuracy and completeness of Grants and subsidy payments	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.

Key financial measures

Table 18: Key financial measures

	Budget ($'000)	Actual ($'000)	Met
Income from appropriation - operating	670,111	545,121	✓
Total expenses from continuing operations	1,103,291	1,034,202	✓
Net result from continuing operations	170,347	118,685	✗
Comprehensive result	321,182	609,242	✓
Underlying net result from continuing operations	(245,322)	(103,249)	✓
Total equity	8,879,359	9,325,081	✓
Net cashflows from operating activities	8,039	84,871	✓

Department of Treasury and Finance

Financial result

Department of Treasury and Finance (Treasury) recorded a surplus of $1.51 million, an increase from the deficit of $1.31 million in 2024-25.

Total revenue increased by $4.37 million, mainly driven by an increase in Appropriation revenue by $3.61 million.

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 Equity investments

As shareholder of State-owned companies, statutory authorities, Government business enterprises and other entities, Finance-General made a combined $445.49 million in equity contributions across all entities, a $176.82 million increase on prior year. $193.79 million in Dividends were recognised in 2025-26 from these entities.

Administered loans from Tasmanian Public Finance Corporation (TASCORP)

Loans from TASCORP increased by $1.75 billion during 2025-26, following on from a $1.65 billion increase during 2024-25 to reach total borrowings of $7.69 billion at 30 June 2026. 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 $523.86 million to $6.46 billion at 30 June 2026. The decrease is driven by:

- the effect of changes in actuarial assumptions, $369.30 million
- plus, benefits paid of $598.57 million
- less, interest expense of $396.79 million recognised on the liability.

Tasmanian Risk Management Fund

The Tasmanian Risk Management Fund's outstanding claims liability increased from $665.87 million at 30 June 2025, to $805.74 million at 30 June 2026. The increase is primarily due to continuing increases in outstanding liabilities for personal injury.

The provision for personal injury risk category increased by $134.95 million, due to:

- a continuation of very high numbers of psychological claims in 2025-26 resulting in higher overall costs
- increasing payment costs and continuance rates in weekly benefits, particularly for non-psychological injuries
- general inflationary growth in the liability
- an additional allowance in the liabilities to reflect delayed wage reimbursements.

Table 19: Outcomes from our financial statement audit

Significant risk	Audit outcome
Management override of controls	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.
Completeness and accuracy of employee benefits liability (Controlled)	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.
Completeness and Value of Defined Benefit Superannuation Liability (Administered)	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.
Revenue recognition – accuracy and occurrence of Australian Government grants (Administered)	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.
Revenue recognition – accuracy and occurrence of state taxation (Administered)	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.
Completeness and value of Tasmanian Risk Management Fund (Administered)	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.

Key financial measures

Table 20: Key financial measures – Corporate

	Budget ($'000)	Actual ($'000)	Met
Income from appropriation - operating	63,238	61,567	✓
Total expenses from continuing operations	80,746	76,648	✓
Net result from continuing operations	4,470	1,514	✗
Comprehensive result	4,470	1,514	✗
Underlying net result from continuing operations	4,470	1,514	✗
Total equity	17,583	13,862	✗
Net cashflows from operating activities	5,243	3,488	✗

Table 21: Key financial measures - Finance-General

	Budget ($'000)	Actual ($'000)	Met
Income from appropriation - operating	1,617,727	1,435,939	✓
Total expenses from continuing operations	11,164,306	10,748,660	✓
Net result from continuing operations	(1,237,048)	(955,057)	✓
Comprehensive result	(833,406)	(1,085,692)	✗
Total equity	(2,361,080)	(1,596,125)	✓

State Fire Commission

Financial result

The 2025-26 net result for State Fire Commission (the Commission) was a deficit of $15.01 million (2024-25, deficit $12.51 million). The decrease of $2.50 million in the net result was partly due to:

- Bushfire fighting contributions decreased by $22.58 million, while revenue from the Insurance Fire Levy decreased by $2.43 million.
- Total expenses decreased by $21.79 million, reflecting reductions across several expenditure categories, including:
  - Bushfire fighting expenses, which decreased by $22.19 million, consistent with the lower bushfire fighting contributions noted above.
  - Supplies and consumables, which decreased by $3.91 million, primarily due to lower expenditure on maintenance, building works, consultancy services and operational equipment.
  - Long service leave expenses, which decreased by $2.20 million, reflecting a lower level of long service leave taken compared with the previous financial year.

Property, plant and equipment

During 2025-26, property, plant and equipment increased by $1.23 million, primarily due to indexation of land and buildings, and acquisition of fire appliances. The increase was represented by revaluation increments of $2.55 million, assets addition of $7.82 million, offset by depreciation for the year of $7.59 million.

Cash and deposits

The cash balance reduced from $28.95 million to $11.34 million due to expenditure against funding receipted in prior years, including the Volunteer Infrastructure Investment Fund project where $10.00 million was received in the prior 2 years, as well as the purchase of bushfire personal protective clothing.

Table 22: Outcomes from our financial statement audit

Significant risk	Audit outcome
Management override of controls	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.
Use of a service provider	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.
Valuation of land and buildings	Our testing revealed no control deficiencies or misstatements, however a low risk finding, related to mapping within the fixed asset register, will be reported in our Financial Audit Outcomes Report. This issue did not have a material impact on the financial statements.

Significant risk	Audit outcome
Completeness, existence and accuracy of capital expenditure	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.
Accuracy and valuation of employee benefits liabilities	Testing revealed 2 audit findings which will be reported in our Financial Audit Outcomes Report. The findings included a high risk finding related to key staff departures and the related loss of knowledge in the payroll section of the Department and a low risk finding related to excessive leave balances. The findings identified did not have a material impact on the financial statements.

Key financial measures

Table 23: Key financial measures

	Budget ($'000)	Actual ($'000)	Met
Total income from continuing operations	152,667	147,395*	✓
Total expenses from continuing operations	158,141	162,744*	-
Net result from continuing operations	(5,474)	(15,012)	✗
Comprehensive result	(5,474)	(11,875)	✗
Underlying net result from continuing operations	Note 1	Note 1	n/a
Total equity	182,778	166,846	✗
Net cashflows from operating activities	1,935	(9,674)	✗

*Adjusted for unbudgeted bushfire contributions and corresponding expense. These are unbudgeted as it is not possible to determine them with any accuracy in advance.

Note 1: The State Fire Commission has not previously disclosed the 'Underlying net result from continuing operations' in its financial statements.

TasTAFE

Financial result

TasTAFE recorded a deficit of $23.68 million in 2025-26, compared to a deficit of $4.46 million in 2024-25. This reduction was principally due to:

- Reduction in grant revenue – Total grant revenue decreased from $119.55 million in 2024-25 to $108.58 million in 2025-26. Funding under the Skills Tasmania Deed of Purchasing Agreement increased from $88.39 million to $104.25 million, this was offset by the cessation of a number of prior-year grants, including Additional TasTAFE Teachers ($15.00 million), the TasTAFE Transition Fund ($3.45 million), Skill Up ($0.50 million) and Transtegic Resources ($0.25 million). In addition, capital grant revenue decreased by $10.10 million.
- Expenses associated with the derecognition of intangible WIP – During 2025-26, TasTAFE reassessed costs previously capitalised as intangible work-in-progress relating to the new Student Management System and determined that $7.45 million did not meet the requirements for capitalisation.
- Higher employee expenses – Employee expenses increased from $106.76 million in 2024-25 to $110.13 million in 2025-26. The increase was primarily attributable to termination payments associated with the organisational restructure, which increased from $0.17 million in the prior year to $3.59 million in the current year.

Table 24: Outcomes from our financial statement audit

Significant risk	Audit outcome
Management override of controls	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.
Reliance on services provided by the Department for Education, Children and Young people (DECYP)	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.
Risks arising from the use of Information Technology	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.
Completeness and accuracy of Course fees recognised (including IT system risks)	From our audit procedures, no control deficiencies, misstatements or audit findings were identified.
Indexation of Property, Plant and Equipment	Based on the audit procedures performed, no control deficiencies or audit findings were identified. A corrected misstatement was identified, relating to the incorrect application of indices provided by the Valuer-General. This was discussed with and subsequently adjusted by management.

Key financial measures

Table 25: Key financial measures

	Budget ($'000)	Actual ($'000)	Met
Total income from continuing operations	139,698	137,195	✓
Total expenses from continuing operations	152,876	160,876	✗
Net result from continuing operations	(13,178)	(23,681)	✗
Comprehensive result	(13,178)	(16,011)	✗
Underlying net result from continuing operations	(23,681)	(14,556)	✓
Total equity	284,081	300,154	✓
Net cashflows from operating activities	(2,748)	(12,233)	✗

Submission of financial statements

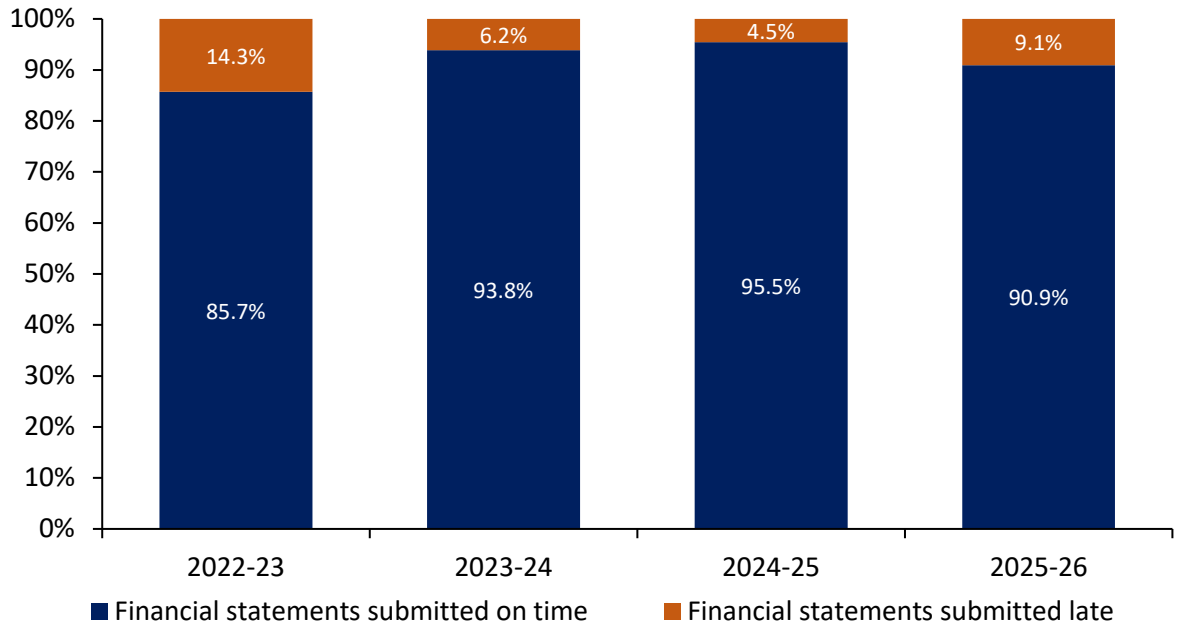
State entities and audited subsidiaries of State entities are required to submit financial statements to the Auditor-General within 45 days after the end of each financial year. For 31 December 2025 and 30 June 2026 financial reporting, the deadlines fell on 14 February 2026 and 14 August 2026, respectively. 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 2025 and 30 June 2026

66	90.9%
Financial statements submitted	Financial statements submitted on time

A comparison of the timeliness of financial statement submission by State entities and audited subsidiaries of State entities for the past 4 years is shown in Figure 13.

Figure 13: Timeliness of submission of financial statements



For the years ended 31 December 2025 and 30 June 2026, 6 State entities failed to meet the financial statement submission deadline, compared to 3 State entities for the years ended 31 December 2024 and 30 June 2025.

Completion of financial statement audits

Audits of 30 June 2026 financial statements not yet completed

As at 31 October 2026, the audit of National Trust of Australia (Tasmania) was in progress but they had not yet submitted signed financial statements. The audit was also not at a stage to fully rely on the information in the financial statements and therefore results of this entity have been excluded from this report.

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 2026 were issued on 26 October 2026.

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 2026 and 14 August 2026, our deadlines fell on 31 March 2026 and 28 September 2026, respectively.

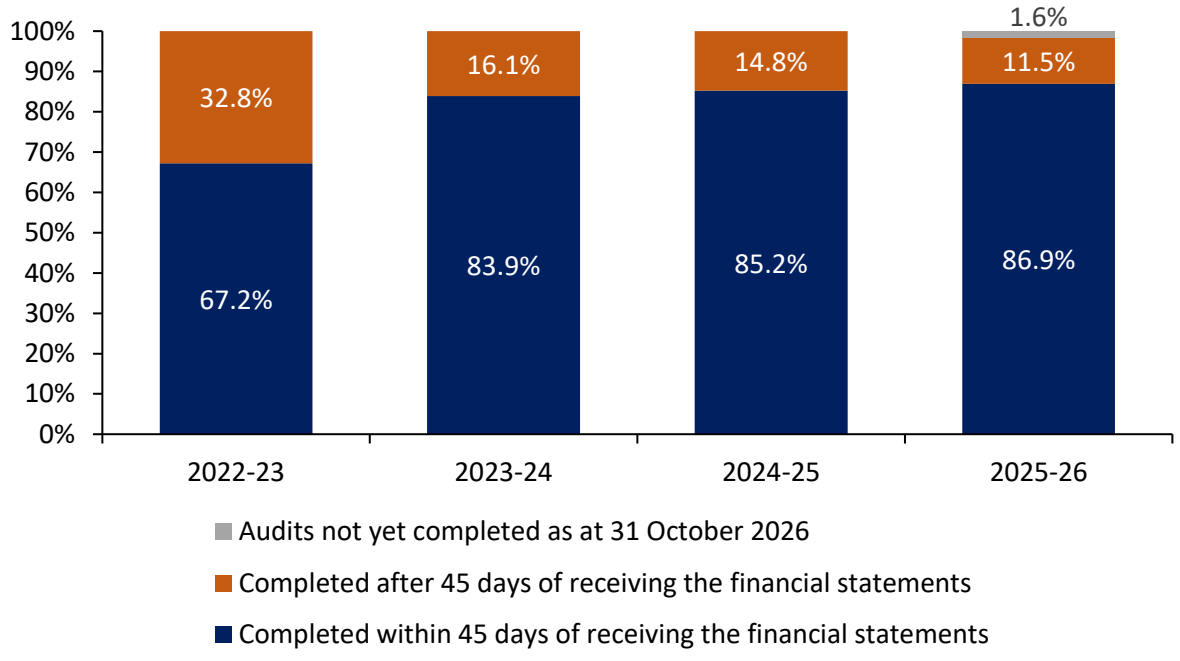
State entities and audited subsidiaries of State entities
31 December 2025 and 30 June 2026

53

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 14.

Figure 14: Timeliness of audit completion



For the years ended 31 December 2025 and 30 June 2026, 7 audits were not completed within the statutory timeframe, which is a slight improvement on the 9 audits that were late for the years ended 31 December 2024 and 30 June 2025.

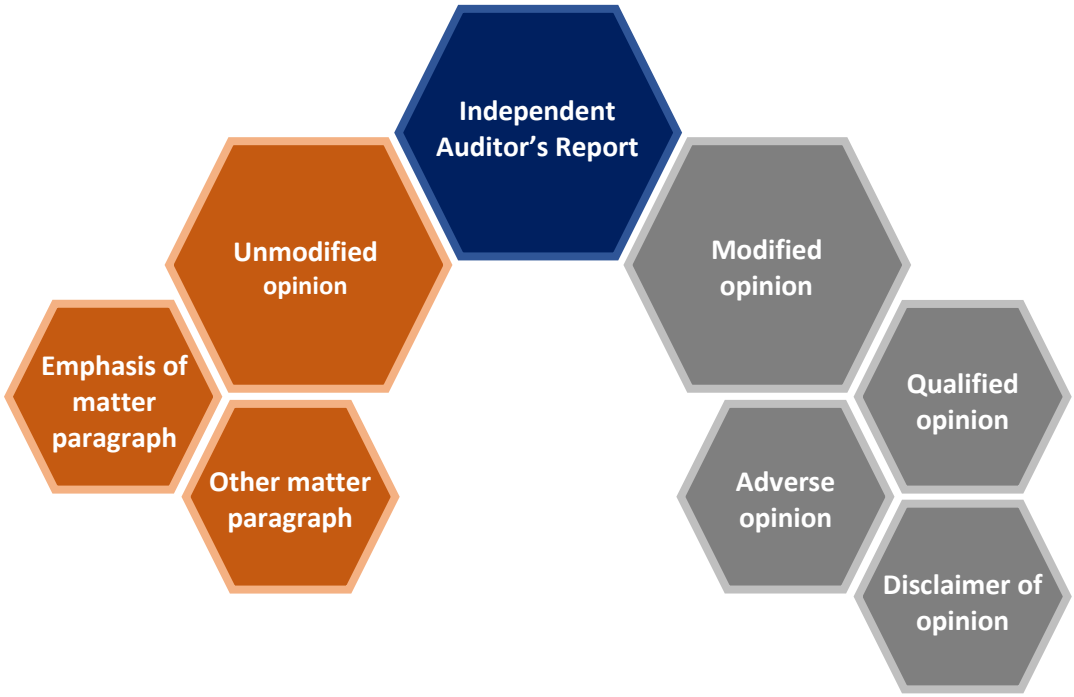
Audit opinions on financial statements

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[1], 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 15.

Figure 15: 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.

[1] 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*.

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 60 auditor's reports issued on the audits of the 31 December 2025 and 30 June 2026 financial statements, all were unmodified (commonly referred to as 'unqualified').

Audit reports issued with an emphasis of matter paragraph

Of the 60 auditor's reports issued, 1 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 2026 for the following entity:

- 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 2026.

TAHL received a similar emphasis of matter paragraph in their auditor's report for the year ended 30 June 2025.

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 entity is controlled by another State entity and is included in the group audit of the controlling entity. The entity is not considered to have material trading activities, nor considered to be a high risk. The financial statements of the consolidating parent entity are required to disclose information about all subsidiaries within the group, in accordance with Australian Accounting Standards
- the entity has not operated, and the accountable authority has provided evidence to support this assertion.
- subject to any other condition that the Auditor-General may determine under section 18(2) of the Audit Act.

The audit dispensation process is illustrated in Figure 16.

Figure 16: 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.

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 60 financial statement audits for the years ended 31 December 2025 and 30 June 2026, 44 misstatements were identified, compared to 49 misstatements for years ended 31 December 2024 and 30 June 2025. Of the 44 misstatements, 40 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 2022-23 to 2025-26, are shown in Figures 17 and 18, respectively.

Figure 17: Corrected misstatements

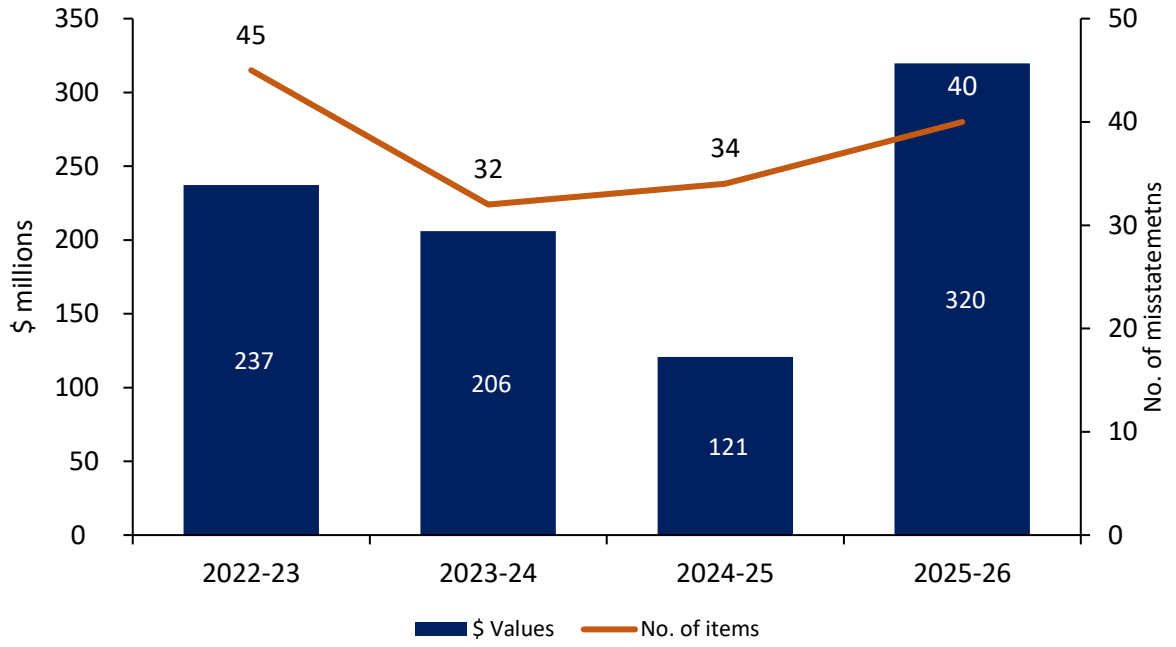
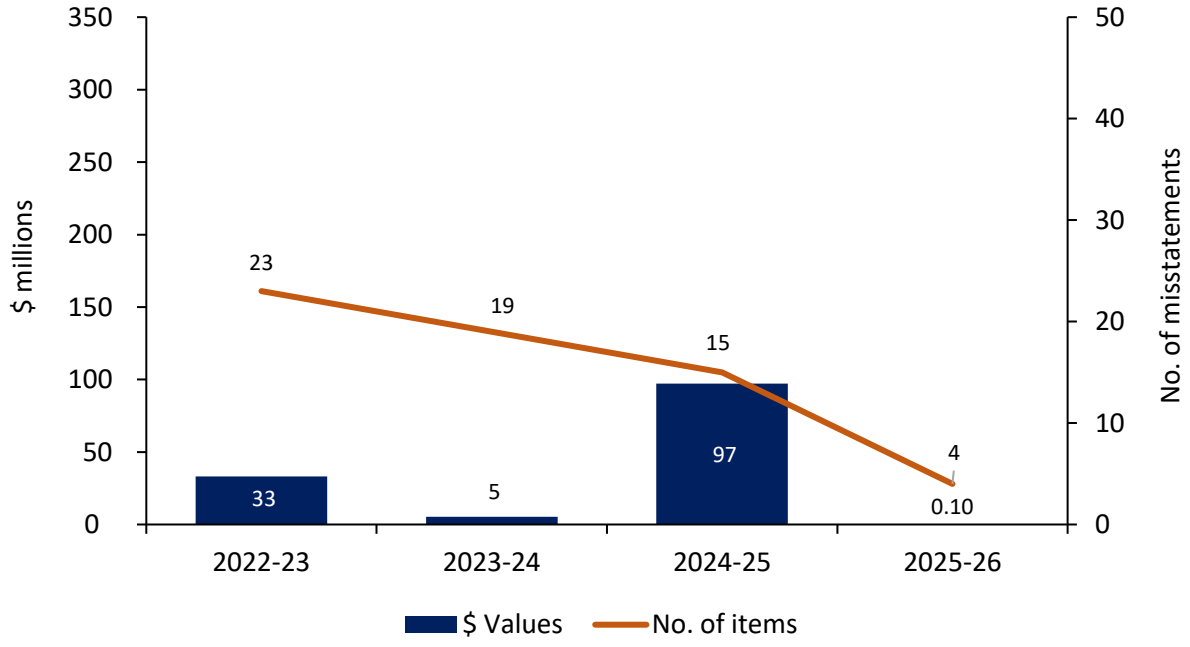


Figure 18: Uncorrected misstatements



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 60 audits completed, none had a prior period error. This is an indication of both the quality of management preparing the financial statements, as well as audit quality.

Appendix 1 – 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 2026, were completed on 26 October 2026 in line with the legislative timeframe.

The status of audits of State entities and audited subsidiaries as at 31 October 2026 is shown in Table 26 below.

Table 26: Status of audits of State entities and audited subsidiaries as at 31 October 2026

Audits of financial statements	December 2025 and June 2026	December 2024 and June 2025
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)]	60	63
• after 45 days of the end of the financial year	6	3
	66	66
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)]	53	52
• completed after 45 days of receiving the financial statements	7	9
• audits dispensed	5	5
• Total audits completed as at 31 October 2026	65	66
• Audits not yet completed	1	0
• Audits not yet dispensed	0	0
	66	66

Appendix 2 – GGS financial results

Details of GGS financial results for 2025-26 are set out in the tables below. The financial information represents consolidated financial information for those entities with controlled entities.

Table 27: Financial information for Departments and other General Government Sector entities

Audited State entities	Underlying surplus (deficit) $'000	Net surplus (deficit) $'000	Comprehensive surplus (deficit) $'000
Departments			
Education, Children and Young People	(152,525)	(92,932)	171,969
Health	(176,298)	(98,574)	(29,317)
Justice	(4,666)	26,902	40,004
Natural Resources and Environment Tasmania	(16,321)	(3,102)	57,307
Police, Fire and Emergency Management	(40,243)	(9,533)	(3,451)
Premier and Cabinet	(7,164)	5,904	5,904
State Growth	(103,249)	118,685	609,242
Treasury and Finance	1,514	1,514	1,514
GGS entities			
Brand Tasmania	(194)	(194)	(194)
Environment Protection Authority	(408)	(408)	(408)
House of Assembly	(128)	(128)	(128)
Inland Fisheries Service	195	195	293
Integrity Commission	(25)	(25)	(25)
Legislative Council	(142)	(142)	(142)
Legislature-General	(1,198)	(1,198)	(1,198)
Marine and Safety Tasmania	(2,668)	(2,697)	(2,697)

Audited State entities	Underlying surplus (deficit) $'000	Net surplus (deficit) $'000	Comprehensive surplus (deficit) $'000
Office of the Director of Public Prosecutions	(1,100)	(1,100)	(1,100)
Office of the Governor	(240)	(240)	(240)
Office of the Ombudsman	(256)	(256)	(256)
Royal Tasmanian Botanical Gardens	(800)	(800)	(65)
State Fire Commission	(15,012)	(15,012)	(11,875)
TasTAFE	(23,681)	(23,681)	(16,011)
Tourism Tasmania	(604)	(604)	(604)

Table 28 shows the 2025-26 financial results of State entities that were consolidated into the financial results of entities included in Table 27. The name of the parent entity is included in parentheses after the name of the controlled entity.

Table 28: Financial information for consolidated General Government Sector entities

Audited State entities	Underlying surplus (deficit) $'000	Net surplus (deficit) $'000	Comprehensive surplus (deficit) $'000
Ambulance Tasmania (Health)	(1,049)	577	2,148
Abt Railway Ministerial Corporation (State Growth)	7,412	7,412	7,412
Office of Tasmanian Assessment, Standards and Certification (DECYP)	(202)	(202)	(202)
Tasmania Development and Resources (State Growth)	23	23	23
Tasmanian Health Service (Health)	(137,594)	(80,516)	(14,065)
Tasmanian Museum and Art Gallery (State Growth)	0	10,615	24,499
Teachers Registration Board of Tasmania (DECYP)	683	683	683

Details of other State entity results for 31 December 2025 and 30 June 2026 are set out in Table 30. 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 30: Financial information for other State entities

Audited State entities and Audited subsidiaries [1, 2]	Comprehensive surplus (deficit) $'000
31 December 2025	
Board of Architects	179
Solicitors' Trust	8,725
Theatre Royal Management Board	(395)
30 June 2026	
Aboriginal Land Council of Tasmania	2,183
Asbestos Compensation Fund	0
Forest Practices Authority	19
Keystone Tasmania	2,176
Legal Profession Board	(84)
Property Agents Board	61
Property Agents Trust	5,935
Retirements Benefits Fund (Superannuation Commission)	199,781
Tasmania Legal Aid	2,129
Tasmania State Health Funding Pool	0
Tasmanian Affordable Housing Limited	(1)
Tasmanian Beef Industry (Research and Development) Trust	(185)
Tasmanian Community Fund	260
Tasmanian Dairy Industry Authority	22
Tasmanian Economic Regulator	(40)

Audited State entities and Audited subsidiaries [1, 2]	Comprehensive surplus (deficit) $'000
Tasmanian Heritage Council	(21)
Tasmanian Pharmacy Authority	(40)
Tasmanian Timber Promotion Board	85
Tasmanian Waste and Resource Recovery Board	4,724
The Nominal Insurer	159
Veterinary Board of Tasmania	141
Wellington Park Management Trust	(16)
WorkCover Tasmania Board	0

Note 1: National Trust of Australia (Tasmania) is not included in this table as the audit of their financial statements had not yet been finalised as at 31 October 2026.

Note 2: The University of Tasmania and its subsidiaries (AMC Search Ltd, Tasmanian University Student Association, UTAS Holdings Pty Ltd and UTAS Properties Pty Ltd) have not been included in this table as commentary of their results was included in the Auditor-Generals Report - Volume 1.

Appendix 3 – Audits dispensed

Audits dispensed with
Aspecthera Pty Ltd (University of Tasmania)
Council of Law Reporting (Department of Justice)
Non-government Schools Registration Board
SciMex Pty Ltd (University of Tasmania)
Sita Gen Tech Pty ltd (University of Tasmania)

Appendix 4 – Responses received

Response from the Secretary, Department of Natural Resources and Environment Tasmania

Department of Natural Resources and Environment Tasmania
OFFICE OF THE SECRETARY

Hobart GPO Box 44, Hobart, Tasmania, 7001
Launceston PO Box 46, Kings Meadows, Tasmania, 7249
Devonport PO Box 303, Devonport, Tasmania, 7310
Ph 1300 368 550
Web nre.tas.gov.au
Our ref D26-216858/002

Tasmanian Government

[redacted]
Assistant Auditor-General
Audit Tasmania
[redacted]

Dear [redacted]

Confidential Draft - Auditor-General's report - Volume 3 - General Government Sector, including Treasurer's Annual Financial Report

Thank you for providing a draft of the *Auditor-General's report – Volume 3 – General Government Sector, including Treasurer's Annual Financial Report*.

The Department of Natural Resources and Environment Tasmania (NRE Tas) has reviewed the report and notes that the title of the table and its characterisation of the Department's financial performance is not reflective of actual Budget performance.

The table reports NRE Tas as having a cumulative overspend of $182.216 million between 2022-23 and 2025-26 and indicates that this is evidence of inadequate expenditure control and unrealistic budgeting. NRE Tas considers that this conclusion is not supported by the underlying financial information.

The analysis relies on the aggregate difference between the original budget estimates and actual expenditure. A substantial proportion of the reported variance relates to items that do not reflect controllable operating expenditure or unrealistic budgeting. These include, but are not limited to:

1. The accounting treatment for the transfer of crown land assets to other entities;
2. Depreciation expenses for the Department's significant asset base, valued at approximately $1.8 billion in 2025-26; and
3. Expenditure associated with emergency responses, including wildfire suppression.

An aggregate comparison of budget and actual expenditure does not adequately distinguish controllable operating expenditure from expenditure items that cannot reasonably be anticipated when the Budget is set.

In particular, emergency response costs and associated cost-sharing expenditure cannot be budgeted in advance because of seasonal variations in fire response, and the inability to predict natural disasters and biosecurity incursions (both within the State and nationally). These costs are therefore met at year end based on actual expenditure incurred.

In assessing NRE Tas's financial performance, the Department considers that appropriate consideration should be given to the supporting information in its Annual Report, Note 4.1 *Explanation of material variances between budget and actual outcomes*, which provides important context for material differences between Budget estimates and actual results.

I respectfully ask that you immediately review your report findings and if you have any further questions that you contact my office as soon as possible for additional detail.

Yours sincerely

Jason Jacobi
SECRETARY

3 November 2026

Response from Department of Treasury and Finance[1]

Treasury notes that the report includes analysis against a number of key financial measures selected by the Tasmanian Audit Office. Treasury considers that further explanation of both the measures themselves and the rationale for selecting those measures would assist readers in understanding the analysis. Some measures, particularly comprehensive result and total equity, can be significantly influenced by non-cash valuation and accounting movements and are not direct indicators of expenditure control. Together, the absence of explanatory detail regarding the measures and the references to the Budget as a tool of expenditure control may imply that outcomes against these measures provide a direct indication of budget management performance or the effectiveness of expenditure control mechanisms. In Treasury's view, such an interpretation would not necessarily be appropriate, particularly where results are materially affected by non-cash valuation and accounting movements.

While the Budget provides an important basis for managing expenditure, its primary role is to reflect the financial decisions of Government and provide for Parliament to authorise appropriations, noting that appropriations are not the only source of funding available to agencies. Expenditure control therefore relies on the broader financial management framework, including the Financial Management Act 2016, Treasurer's Instructions, TECAs and agency-level financial controls. Accordingly, outcomes against these measures should be interpreted in that context and should not, of themselves, be relied upon as indicators of budget management performance or the effectiveness of the Budget process.

Note 1: Formal response provided by Eleanor Patterson, Acting Deputy Secretary.

Audit Tasmania Response

We note the comments made and these resulted in no changes to the Report.

Appendix 5 – Transmittal letter

Audit Tasmania

Level 2, 144 Macquarie Street, Hobart, Tasmania, 7000
Postal Address GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6173 0900
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

24 November 2026

President, Legislative Council
Speaker, House of Assembly
Parliament House

Dear President, Speaker

Report of the Auditor-General No. 4 of 2026-27: Auditor-General's report on the financial statements of State entities, Volume 3 – General Government Sector, including Treasurer's Annual Financial Report, Audit of State entities and audited subsidiaries of State entities 31 December 2025 and 30 June 2026

In accordance with the requirements of section 29 of the *Audit Act 2008*, I have the pleasure in presenting the third 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 2025 and 30 June 2026.

Yours sincerely



Martin Thompson
Auditor-General

Appendix 6 – Our role

The Auditor-General and Tasmanian Audit Office (Audit Tasmania) 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.

Acronyms and abbreviations

AASB	Australian Accounting Standards Board
AFL	Australian Football League
AMC	Australian Maritime College
Audit Act	*Audit Act 2008*
Audit Tasmania	Tasmanian Audit Office
Audited subsidiaries	Audited subsidiaries of State entities
Commission	Superannuation Commission
the Commission	State Fire Commission
DECYP	Department for Education, Children and Young People
DPAC	Department of Premier and Cabinet
DPFEM	Department of Police, Fire and Emergency Management
DSS	Digital Strategy and Services
EoM	Emphasis of Matter
GFS	Government Finance Statistics
GLIS	Global Land Information System
GGS	General Government Sector
ICT	information and communications technology
Justice	Department of Justice
NRE Tas	Department of Natural Resources and Environment Tasmania
OSC	Office of the Superannuation Commission
PARAMIS	Public Account Reporting and Management Information System
PFCs	Public Financial Corporations
PNFCs	Public Non-Financial Corporations
RBF	Retirement Benefits Fund
Service Tas	Service Tasmania

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
Treasury	Department of Treasury and Finance
TSS	Total State Sector
UTAS	University of Tasmania
WIP	work in progress
WofTG	Whole of Tasmanian Government

Audit Tasmania

Front cover image: Cradle Mountain-Lake St Clair National Park, Tasmanian Expeditions – Overland Track
Photography: Jess Bonde and Tourism Tasmania.

Hobart Office

Phone (03) 6173 0900

Email admin@audit.tas.gov.au

Web www.audit.tas.gov.au

Address Level 2, 144 Macquarie Street
Hobart, 7000

Postal GPO Box 851, Hobart 7001

Launceston Office

Phone (03) 6173 0971

Address 4th Floor, Henty House
1 Civic Square, Launceston