

20. Financial Statements

Statement of Certification

The accompanying Financial Statements of the Department of Justice are in agreement with the relevant accounts and records and have been prepared in compliance with Treasurer's Instructions issued under the provisions of the Financial Management and Audit Act 1990 to present fairly the financial transactions for the year ended 30 June 2019 and the financial position as at the end of the year.

At the date of signing, I am not aware of any circumstances that would render the particulars included in the financial statements misleading or inaccurate.



Ginna Webster
Secretary
Department of Justice

6 September 2019



Independent Auditor's Report

To the Members of Parliament

Department of Justice

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of the Department of Justice (the Department), which comprise the statement of financial position as at 30 June 2019 and statements of comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, other explanatory notes and the statement of certification by the Secretary of the Department.

In my opinion, the accompanying financial statements:

- (a) present fairly, in all material respects, the Department's financial position as at 30 June 2019 and its financial performance and its cash flows for the year then ended
- (b) are in accordance with the *Financial Management and Audit Act 1990* and Australian Accounting Standards.

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Department in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

The *Audit Act 2008* further promotes the independence of the Auditor-General. The Auditor-General is the auditor of all Tasmanian public sector entities and can only be removed by Parliament. The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

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I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

My audit is not designed to provide assurance on the accuracy and appropriateness of the budget information in the Department's financial statements.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
<p>Property, plant and equipment <i>Refer to notes 7.2 and 9.3</i></p> <p>The Department's property, plant and equipment, \$147.39m as at 30 June 2019, includes assets totalling \$138.38m recognised at fair value and comprised specialised land, buildings, prison buildings and other structures.</p> <p>The valuation of land is determined with reference to observable prices in an active market, adjusted for the impact of restrictions on use.</p> <p>The valuation of specialised buildings and prison buildings and structures, is based on a current replacement cost approach, which considers the cost to construct assets with similar utility.</p> <p>The calculation of depreciation, totalling \$7.93m, requires estimation of asset useful lives, which involves a high degree of subjectivity. Changes in assumptions can significantly impact depreciation charged.</p> <p>The Department's expenditure on its capital program and other non-financial assets was significant, with payments of \$8.80m on acquisition of non-financial assets and \$3.22m remaining in capital work-in-progress at year-end. Capital projects can contain a combination of enhancement and</p>	<ul style="list-style-type: none"> • Evaluating the appropriateness of the valuation methodology applied to determine fair value. • Evaluating management's assessment of the useful lives. • Performing substantive analytical procedures on building depreciation expenses. • Testing, on a sample basis, the allocation of costs between capital and operating expenditure, including costs capitalised to work in progress. • Testing capital work-in-progress to ensure that active projects will result in usable assets and that assets commissioned are transferred to depreciable assets in a timely manner. • Evaluating the adequacy of disclosures made in the financial report, including those regarding key assumptions used.

maintenance activity which are not distinct and therefore the allocation of costs between capital and operating expenditure is inherently judgemental.

Asbestos Compensation Fund

Refer to notes 15.11, 15.14 and 15.17

The Department is responsible for the administration of the Asbestos Compensation Fund. The Fund is funded through a levy on the premiums of licensed insurers and the notional premiums of self-insurers.

The calculation of the future Asbestos Compensation levies receivable of \$64.05m at 30 June 2019 was based on the cash balance of the Fund, \$20.30m and the fact that all expenditure incurred by the Fund over its entire life will be obtained from licensed insurers and self-insurers through the levy.

The Provision for Compensation Payable of \$84.31m at 30 June 2019 was measured as the present value of the expected future payments to persons who had an accepted claim for compensation or who were estimated by the actuaries to be entitled to compensation in the future.

These form a material component of the administered financial statements of the Department and by their nature are highly complex and subjective.

- Assessing the scope, expertise and independence of the actuary engaged to assist in calculation of the Provision for Compensation Payable.
- Reviewing the source data and economic assumptions used by the actuary in the calculation of the Provision for Compensation Payable.
- Assessing the basis of the calculation of the Provision for Compensation Payable and the future Asbestos Compensation levies receivable.
- Evaluating the adequacy of disclosures made in the financial report, including those regarding key assumptions used.

Responsibilities of the Secretary for the Financial Statements

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, and the financial reporting requirements of Section 27 (1) of the *Financial Management and Audit Act 1990*. This responsibility includes such internal control as determined necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the Department's ability to continue as a going concern unless the Department's operations will cease as a result of an administrative restructure. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

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Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary.
- Conclude on the appropriateness of the Secretary's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Department's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Department to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Secretary regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

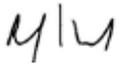
From the matters communicated with the Secretary, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a

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matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Rod Whitehead
Auditor-General

Tasmanian Audit Office

18 September 2019
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Statement of Comprehensive Income for the year ended 30 June 2019

	Notes	2019 Budget \$'000	2019 Actual \$'000	2018 Actual \$'000
Continuing operations				
Revenue and other income from transactions				
Revenue from Government				
Appropriation revenue – recurrent	6.1	193 808	174 689	165 646
Appropriation revenue - works and services	6.1	13 700	4 802	2 355
Other revenue from Government	6.1	-	1 561	824
Grants	6.2	8 749	10 519	10 074
Sales of goods and services	6.3	3 984	4 433	3 969
Fees and fines	6.4	9 287	12 122	12 046
Interest	6.5	853	998	781
Other revenue	6.6	9 927	10 935	7 544
Total revenue and other income from transactions		240 308	220 059	203 239
Expenses from transactions				
Employee benefits	7.1	127 471	128 610	122 235
Depreciation and amortisation	7.2	7 812	7 934	8 124
Supplies and consumables	7.3	44 184	44 342	41 644
Grants and subsidies	7.4	17 641	17 859	18 331
Other expenses	7.5	39 170	20 690	18 253
Total expenses from transactions		236 278	219 435	208 587
Net result from transactions (net operating balance)		4 030	624	(5 348)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	8.1	-	20	-
Net gain/(loss) on accounts receivable	8.2	-	(2)	34
Total other economic flows included in net result		-	18	34
Net result		4 030	642	(5 314)
Comprehensive result		4 030	642	(5 314)

This Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Budget information refers to original estimates and has not been subject to audit.

Explanations of material variances between budget and actual outcomes are provided in Note 4 of the accompanying notes.

Statement of Financial Position as at 30 June 2019

	Notes	2019 Budget \$'000	2019 Actual \$'000	2018 Actual \$'000
Assets				
Financial assets				
Cash and deposits	13.1	22 832	30 398	28 544
Receivables	9.1	714	971	1 112
Non-financial assets				
Inventories	9.2	448	640	552
Property, plant and equipment	9.3	157 878	147 394	148 880
Intangibles	9.4	3 272	6 454	3 830
Total assets		185 144	185 857	182 918
Liabilities				
Payables	10.1	2 718	3 827	3 386
Employee benefits	10.2	28 336	29 926	29 130
Other liabilities	10.4	73	2 621	1 561
Total liabilities		31 127	36 374	34 077
Net assets		154 017	149 483	148 841
Equity				
Reserves	12.1	52 564	52 564	52 564
Accumulated funds		101 453	96 919	96 277
Total equity		154 017	149 483	148 841

This Statement of Financial Position should be read in conjunction with the accompanying notes.

Budget information refers to original estimates and has not been subject to audit.

Explanations of material variances between budget and actual outcomes are provided in Note 4 of the accompanying notes.

Statement of Cash Flows for the year ended 30 June 2019

	Notes	2019 Budget \$'000	2019 Actual \$'000	2018 Actual \$'000
Cash flows from operating activities				
Cash inflows		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Appropriation receipts – recurrent		193 808	177 310	165 646
Grants		8 749	10 675	9 919
Sales of goods and services		3 959	4 460	3 975
Fees and fines		9 287	12 123	12 015
GST receipts		5 700	7 407	6 304
Interest received		853	998	781
Other cash receipts		9 927	10 856	7 566
Total cash inflows		223 923	223 829	206 206
Cash outflows				
Employee benefits		(127 021)	(127 437)	(120 641)
GST payments		(5 700)	(7 356)	(6 526)
Supplies and consumables		(44 084)	(44 523)	(41 061)
Grants and transfer payments		(17 641)	(17 802)	(18 315)
Other cash payments		(39 170)	(20 858)	(18 041)
Total cash outflows		(233 616)	(217 976)	(204 584)
Net cash from (used by) operating activities	13.2	(1 333)	5 853	1 622
Cash flows from investing activities				
Cash inflows				
Receipts from non-operational capital funding – Works and services		13 700	4 802	3 916
Total cash inflows		13 700	4 802	3 916
Cash outflows				
Payments for acquisition of non-financial assets		(13 700)	(8 801)	(3 317)
Total cash outflows		(13 700)	(8 801)	(3 317)
Net cash from (used by) investing activities		-	(3 999)	599
Net increase (decrease) in cash held and cash equivalents held		(1 333)	1 854	2 221
Cash and deposits at the beginning of the reporting year		24 165	28 544	26 323
Cash and deposits at the end of the reporting year	13.1	22 832	30 398	28 544

This Statement of Cash Flows should be read in conjunction with the accompanying notes.

Budget information refers to original estimates and has not been subject to audit.

Explanations of material variances between budget and actual outcomes are provided in Note 4 of the accompanying notes.

Statement of Changes in Equity for the year ended 30 June 2019

	Notes	Reserves \$'000	Accumulated Funds \$'000	Total equity \$'000
Balance as at 1 July 2018		52 564	96 277	148 841
Net result		-	642	642
Total		-	642	642
Balance as at 30 June 2019		52 564	96 919	149 483

	Notes	Reserves \$'000	Accumulated Funds \$'000	Total equity \$'000
Balance as at 1 July 2017		52 564	101 591	154 155
Net result		-	(5 314)	(5 314)
Total			(5 314)	(5 314)
Balance as at 30 June 2018		52 564	96 277	148 841

This Statement of Changes in Equity should be read in conjunction with the accompanying notes.