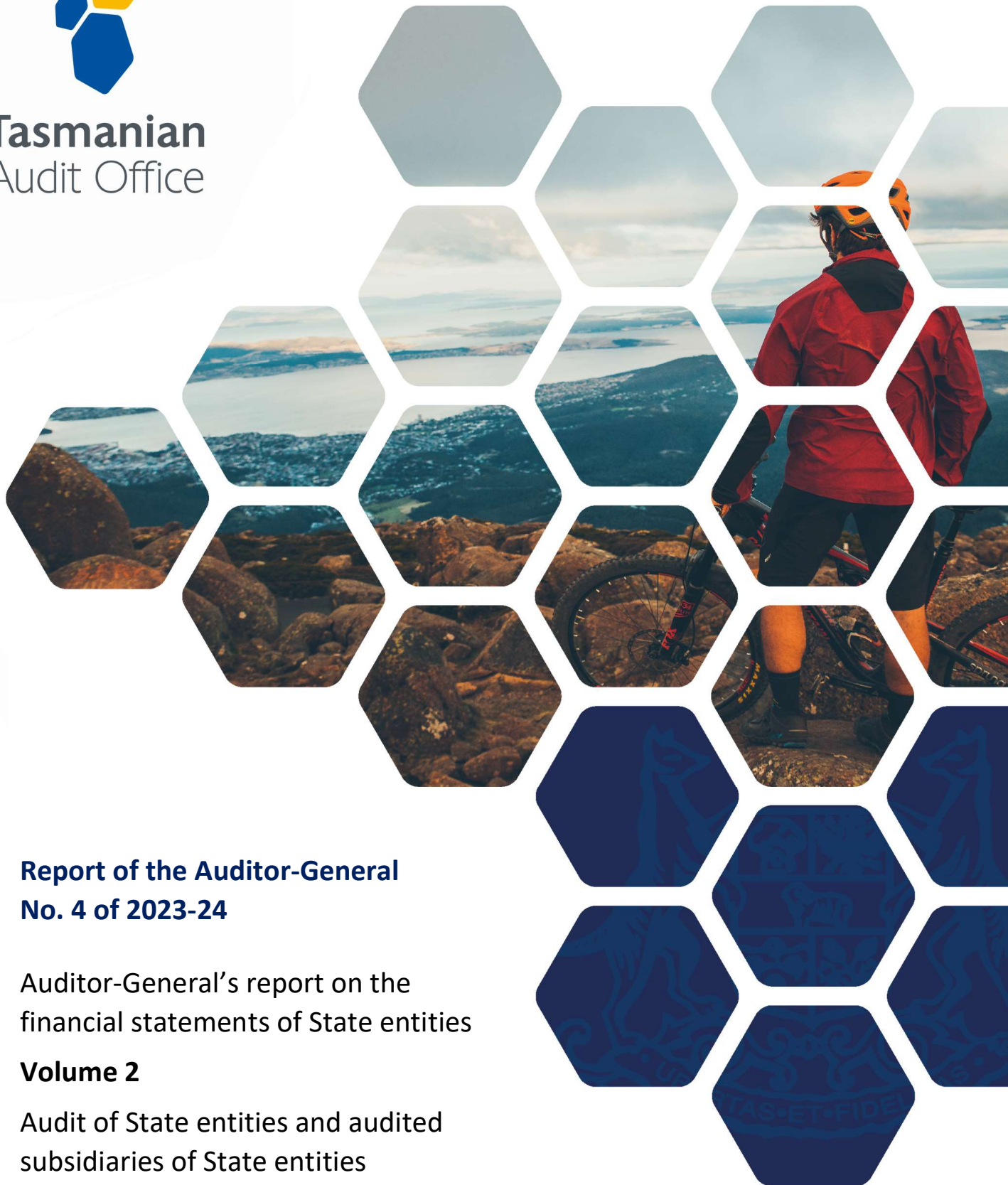




Tasmanian
Audit Office



**Report of the Auditor-General
No. 4 of 2023-24**

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

Volume 2

Audit of State entities and audited
subsidiaries of State entities
31 December 2022 and 30 June 2023

23 May 2024

Our role

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

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

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

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

Acknowledgement of Country

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



2024
PARLIAMENT OF TASMANIA

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

Volume 2

**Audit of State entities and audited subsidiaries of State entities 31 December 2022 and
30 June 2023**

23 May 2024

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

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23 May 2024

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

Dear President, Speaker

Report of the Auditor-General No. 4 of 2023-24: Auditor-General's report on the financial statements of State entities, Volume 2 – Audit of State entities and audited subsidiaries of State entities 31 December 2022 and 30 June 2023

In accordance with the requirements of section 29 of the *Audit Act 2008*, I have the pleasure in presenting the second volume of my report on the audit of the financial statements of State entities and audited subsidiaries of State entities for the years ended 31 December 2022 and 30 June 2023.

Yours sincerely

Martin Thompson
Auditor-General

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Table of contents

Executive summary	1
Recommendations	2
Introduction	3
Overview of this report	3
Guide to using this report	4
Audits of financial statements	5
Introduction	5
Summary of audits of financial statements	5
Submission of financial statements	6
Completion of financial statement audits	8
Audit findings	13
Findings from internal audit reports	26
Identification of misstatements	27
Prior period errors	29
Audit fees	32
Local government	38
Introduction	38
Local government sector developments	38
Individual entity key developments	39
Aggregated financial statements	40
Underlying surplus (deficit)	43
Revenue	48
Capital investment	52
Asset sustainability ratio	58
Asset useful life analysis	60
Cash and borrowings	63
Other local government entities	70
Disposal of firearms and ammunition	73
Background	73
Audit requirement under section 149(5)	73
DPFEM recording and disposal practices	73

Inability to form an opinion on disposals	73
Legislative reform	74
Appendix A - Timeliness of reporting	75
Appendix B - Audit findings	84
Acronyms and abbreviations	93

Executive summary

This report summarises the findings from our audits of public sector entity financial statements for the years ended 31 December 2022 and 30 June 2023. A total of 314 audit findings arose from these audits, a significant increase from the 229 findings identified in the previous year.

Our analysis of the resolution of prior year findings revealed an increase in the number of unresolved findings from 166 in the prior year to 209 this year. This increase partially relates to matters carried forward from our prior year focus on assessing how well entities managed certain financial reporting obligations. Given resourcing constraints in some State entities, we anticipated these findings would take more than one year to satisfactorily address.

This report also contains our analysis and commentary on the financial performance and position of the local government sector. All Councils, in aggregate, generated an underlying surplus of \$3.16 million for 2022-23, a deterioration of \$5.23 million on the previous year. Urban councils rebounded strongly from the financial effects of COVID-19, with an aggregate underlying surplus of \$8.50 million in 2022-23 compared to a deficit of \$18.07 million in 2019-20. Rural councils have not experienced the same improvement, with an aggregated underlying deficit of \$5.34 million incurred in 2022-23 compared to a deficit of \$4.57 million in 2019-20. Our analysis of operating revenue and expenses over the past 4 years shows a concerning trend for rural councils, with the average growth in expenses outpacing the average growth in revenue.

In aggregate, rural and urban councils achieved higher levels of increases in rate revenues in 2021-22 and 2022-23. This reflects decisions made by councils to counter increasing cost pressures, especially for infrastructure materials, and the effects of the rate freeze in 2020-21.

Councils continue to struggle to achieve their capital expenditure budgets. In 2022-23, councils collectively spent \$297.50 million on capital projects. This was only 71.2% of their budgeted spend for the financial year. In 2022-23, 20 councils spent less than their anticipated capital budget. This included 7 of the 10 urban councils, and 13 of the 19 rural councils. Over the past 4-year period, urban councils expended, on average, 67.9% of their depreciation expense to maintain existing non-current assets, whereas rural councils expended, on average, 85.6%. A concerning trend for rural councils is the declining trend in the aggregate asset sustainability ratio over the 4 years, decreasing from 96.2% in 2019-20 to 77.5% in 2022-23.

Analysis over total useful lives for transport and drainage assets identified, that for certain councils, useful lives utilised were significantly higher or lower than the median and mean useful lives. Those councils should reassess the appropriateness of their asset useful lives during 2023-24 and include additional disclosures in their financial statements to explain their assessment of transport and drainage asset useful lives where they significantly differ from the median and mean useful lives reported by other councils.

Our analysis of cash and investments held by councils over the past 4 years showed most councils had steadily increased their cash and investments. Although at 30 June 2023, only 5 councils had a cash expense cover ratio greater than 12 months compared to 9 councils in the prior year. Additionally, 6 councils were identified as having a cash expense cover ratio less than 3 months at 30 June 2023, compared to 5 in the prior year.

Recommendations

Recommendation 1

Whilst acknowledging the civil construction resource challenges facing the local government sector, councils should endeavour to achieve budgeted capital expenditure to ensure asset renewals occur at the optimal time. This will assist in reducing the risks of increased maintenance costs, reduced asset condition, safety and functionality, and reduced council services to communities. This is particularly important for those councils with a deteriorating trend in the capital expenditure gap.

Recommendation 2

Certain councils have useful lives for transport and drainage assets significantly higher or lower than the median and mean useful lives. Those councils should reassess the appropriateness of their asset useful lives during 2023-24 and include additional disclosures in their financial statements to explain their assessment of transport and drainage asset useful lives where they significantly differ from the median and mean useful lives reported by other councils.

Introduction

The Auditor-General has the mandate to carry out the audit of the financial statements of the Treasurer and all Tasmanian State entities and audited subsidiaries of State entities. The aim of a financial audit is to express an opinion on whether the financial statement presents fairly¹, in all material respects, the financial performance and position of State entities and audited subsidiaries of State entities and were prepared in accordance with the relevant financial reporting framework.

This report updates and completes the information provided in *Report of the Auditor-General No. 2 of 2023-24: Auditor-General's report on the financial statements of State entities, Volume 1 – Audit of State entities and audited subsidiaries of State entities 31 December 2022 and 30 June 2023*. This second volume contains the findings from all audits completed for the years ended 31 December 2022 and 30 June 2023 together with commentary on the local government sector.

The information provided in this report summarises the financial audits undertaken under section 16 (audit of the financial statements of the Treasurer), section 18 (audit of the financial statements of State entities) and section 21 (audit of the financial statements of audited subsidiaries of State entities) of the *Audit Act 2008* (Audit Act). Audits undertaken by arrangement under section 28 of the Audit Act are not included in this report.

Overview of this report

This report summarises the outcomes of audits of financial statements of State entities and audited subsidiaries of State entities for the years ended 31 December 2022 and 30 June 2023. This report provides commentary on:

- the timeliness of financial reporting by State entities and audited subsidiaries of State entities
- the completion of audits of financial statements and audit opinions issued
- audits dispensed with
- audit findings
- audit misstatements and disclosure differences identified
- prior period errors
- audit fees for financial statement audits
- financial analysis of the local government sector
- the audit of all firearms or ammunition disposed of under the *Firearms Act 1996* (Firearms Act).

¹ Give a true and fair view in the case of entities reporting under the *Corporations Act 2001* (Cth) or the *Australian Charities and Not-for-profits Commission Act 2012* (Cth).

Guide to using this report

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

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

Audits of financial statements

Introduction

The information provided in this chapter summarises the financial audits undertaken under sections 16, 18 and 21 of the Audit Act.

Summary of audits of financial statements

The audit of the Treasurer’s Annual Financial Report (TAFR), comprising the Treasurer’s Annual Financial Statements and the Public Account Statements for the year ended 30 June 2023 was completed on 30 October 2023, in line with the legislative timeframe.

The timeliness of submission of financial statements by State entities and audited subsidiaries of State entities and timeliness of audit completion is summarised in Table 1 below. This table includes the final audits of the financial statements of the Department of Communities Tasmania and Housing Tasmania for the period ended 30 November 2022.

Table 1: Audits of State entities and audited subsidiaries of State entities as at 29 February 2024

Audits of financial statements	December 2022 and June 2023	December 2021 and June 2022
State entity and audited subsidiaries of State entity financial statements submitted, complete in all material respects:		
<ul style="list-style-type: none"> within 45 days of the end of the financial year [Audit Act, section 17(1)] 	140	142
<ul style="list-style-type: none"> after 45 days of the end of the financial year 	19	16
	159	158
Audits of financial statements of State entities and audited subsidiaries of State entities:		
<ul style="list-style-type: none"> completed within 45 days of receiving the financial statements [Audit Act, section 19(3)] 	83	70
<ul style="list-style-type: none"> completed after 45 days of receiving the financial statements 	39	49
<ul style="list-style-type: none"> audits dispensed 	34	38
Total audits completed as at 29 February 2024	156	157
Audits not yet completed	3	1
	159	158

Submission of financial statements

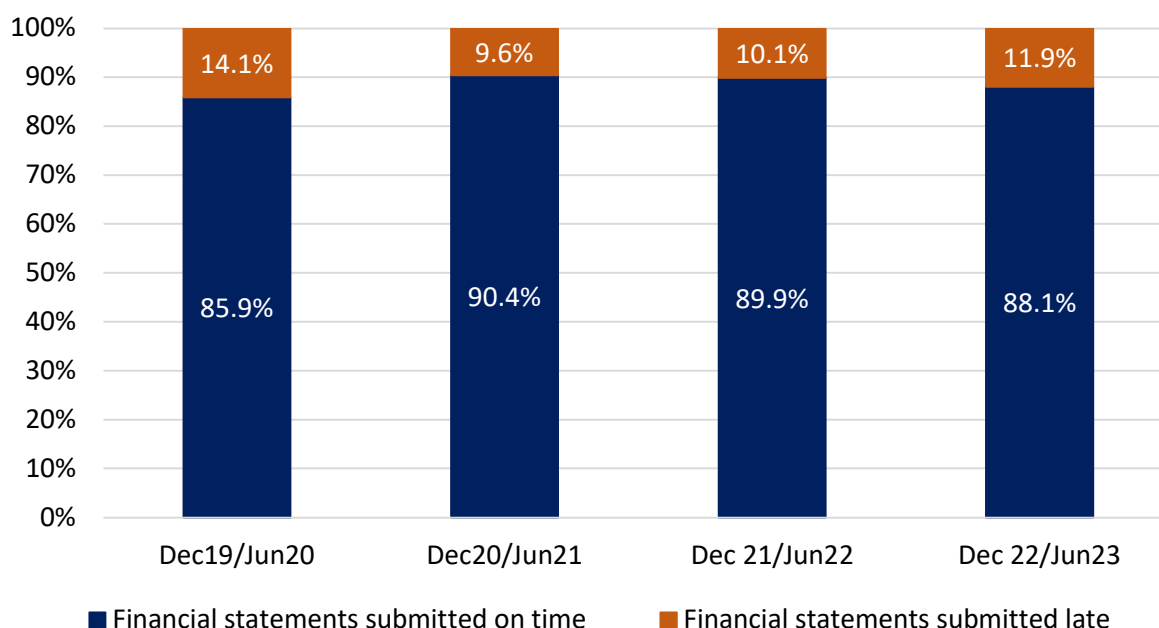
The TAFR financial statements are to be submitted to the Auditor-General before 30 September each year. The statements for 30 June 2023 were received on 29 September 2023.

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 2022 and 30 June 2023 financial reporting, the deadlines fell on 14 February 2023 and 14 August 2023, 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.



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 1.

Figure 1: Timeliness of submission of financial statements



For the years ended 31 December 2022 and 30 June 2023, 19 State entities failed to meet the financial statement submission deadline, compared to 16 State entities for the years ended 31 December 2021 and 30 June 2022. Entities that failed to meet the submission deadline for each of the last 4 years were:

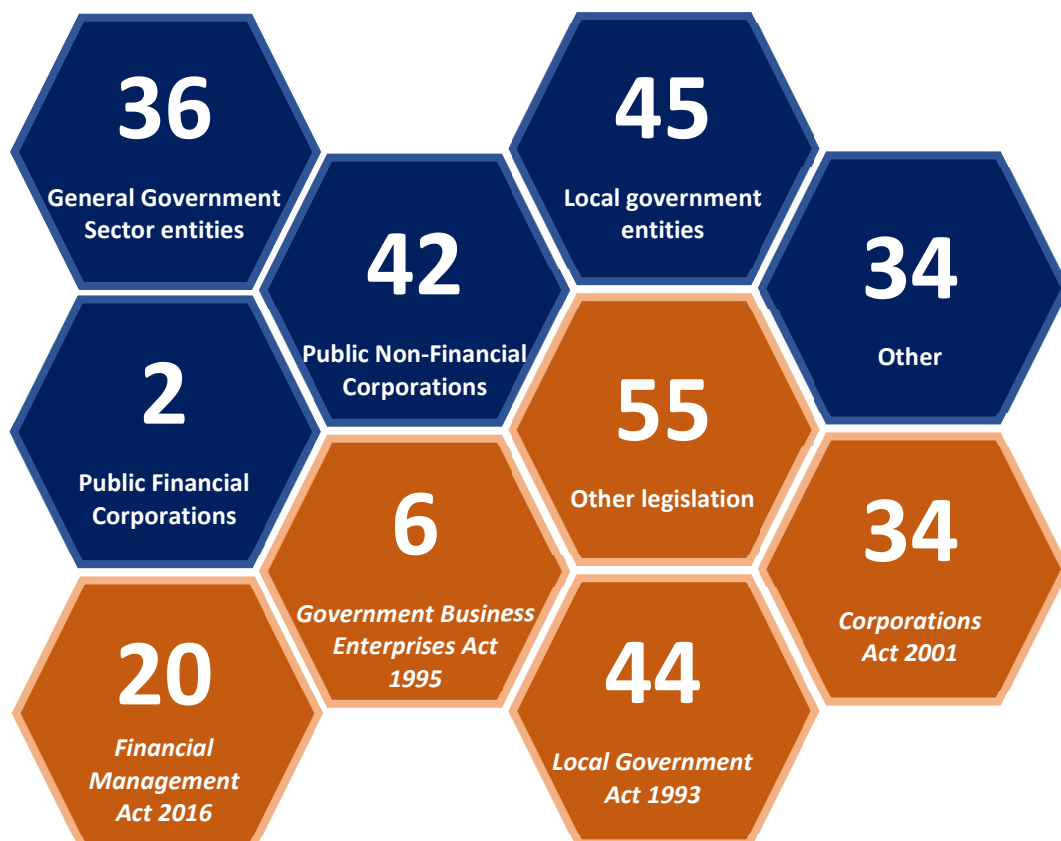
- Board of Architects
- Tasmanian Affordable Housing Limited.

Entities that failed to meet the submission deadline for 3 of the last 4 years were:

- Kentish Council
- Latrobe Council
- Newood Holdings Pty Ltd
- Newood Energy Pty Ltd
- Newood Huon Pty Ltd
- Newood Smithton Pty Ltd
- palawa Enterprises Pty Ltd
- Solicitors' Trust
- Tasman Council
- The Nominal Insurer.

The classification of entities who submitted financial statements, by sector and legislative reporting obligation, is illustrated in Figure 2.

Figure 2: Classification of State entities and audited subsidiaries of State entities by sector and legislative reporting obligation



Completion of financial statement audits

Audits of 31 December 2022 and 30 June 2023 financial statements not yet completed

As at 29 February 2024, the audits for Aboriginal Land Council of Tasmania and palawa Enterprises Unit Trust were still in progress, largely due to delays in receiving information to complete the audits.

The 30 June 2022 audits for these 2 entities were not completed at the time of tabling the *Report of the Auditor-General No. 4 of 2022-23: Auditor-General's report on the financial statements of State entities, Volume 2 – Audit of State entities and audited subsidiaries of State entities 31 December 2021 and 30 June 2022*. The Aboriginal Land Council of Tasmania auditor's report for 30 June 2022 was issued on 23 August 2023 and the palawa Enterprises Unit Trust auditor's report for 30 June 2022 was issued on 27 April 2023.

The audits of Newwood Holdings Pty Ltd's financial statements for 30 June 2022 and 30 June 2023 are expected to be finalised over the coming months.

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 2023 were issued on 30 October 2023.

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 2023 and 14 August 2023, our deadlines fell on 31 March 2023 and 28 September 2023, respectively.

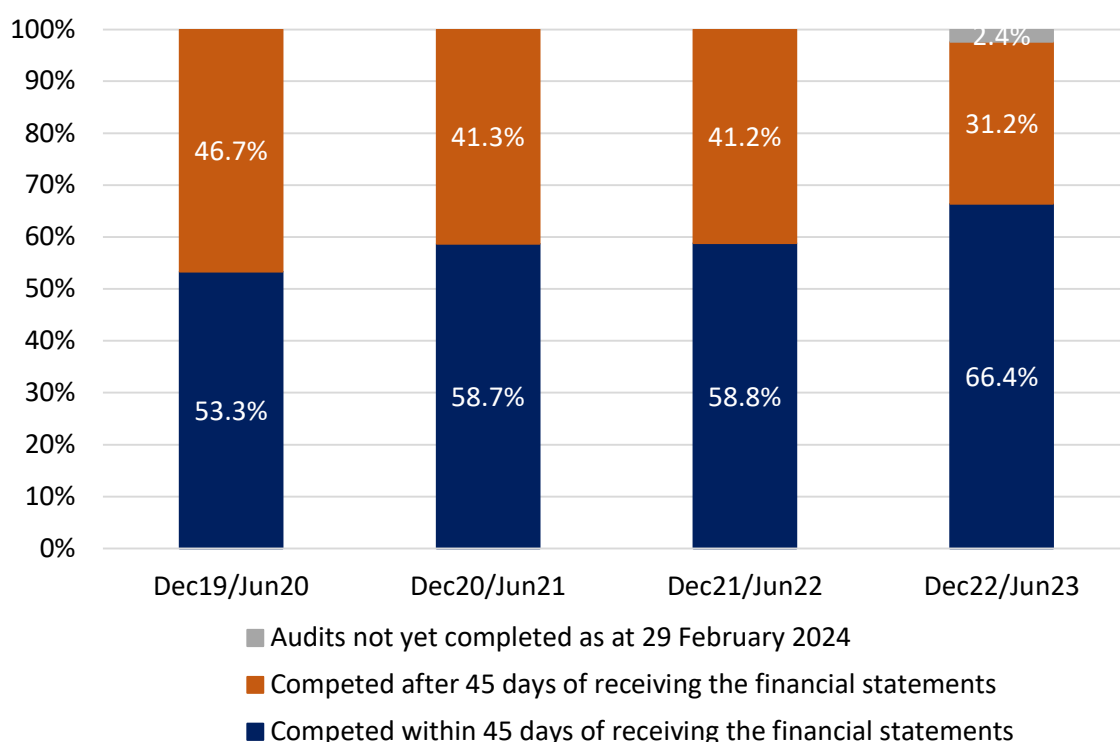
State entities and audited subsidiaries of State entities 31 December 2022 and 30 June 2023

83

Audit reports issued within deadline

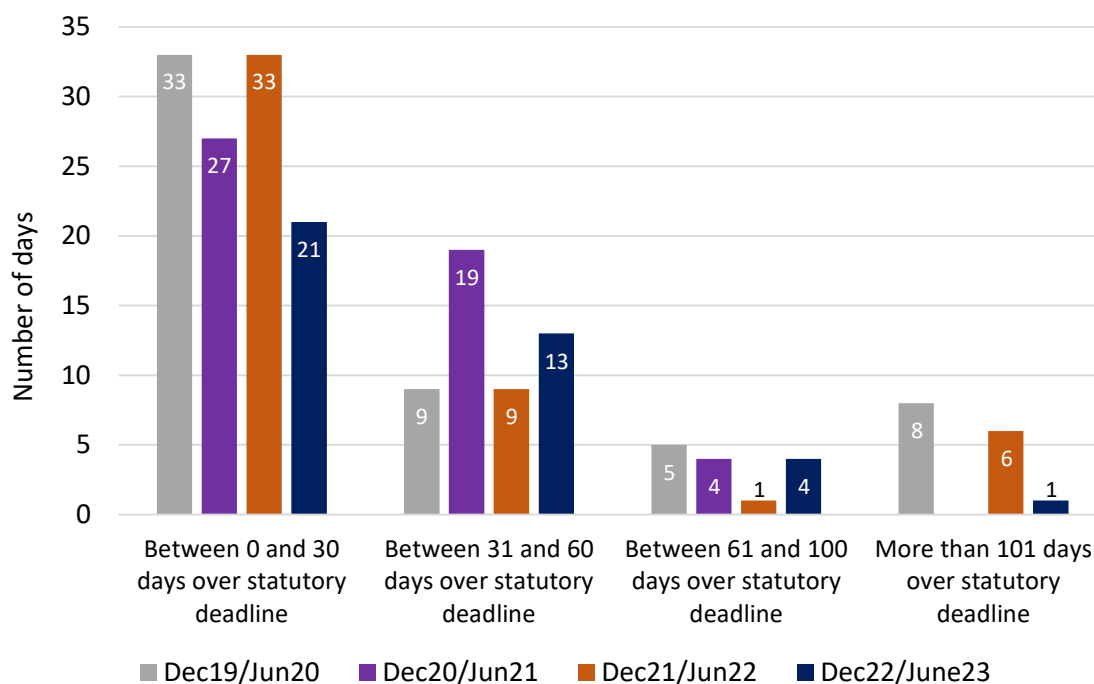
A comparison of the timeliness of the completion of the audit of financial statements of State entities and audited subsidiaries of State entities for the past 4 years is shown in Figure 3.

Figure 3: Timeliness of audit completion



Thirty-nine audits for the years ended 31 December 2022 and 30 June 2023 were not completed within the statutory timeframe, compared to 49 audits for the years ended 31 December 2021 and 30 June 2022. The 3 audits in progress will also exceed the statutory timeframe for completion. The days late profile for audits completed after the statutory timeframe is shown in Figure 4.

Figure 4: Days late profile for audits completed after the statutory timeframe



Auditor’s reports signed more than 61 days from the statutory completion date are shown in Table 2.

Table 2: Auditor’s reports signed more than 61 days from the statutory completion date

Entity	Financial statements received	Statutory completion date	Audit opinion signed	Number of days from statutory completion date
King Island Council	14 Aug 2023	28 Sep 2023	29 Nov 2023	62 days
Latrobe Council	2 Nov 2023	17 Dec 2023	19 Feb 2024	64 days
Waratah-Wynyard Council	14 Aug 2023	28 Sep 2023	4 Dec 2023	67 days
Circular Head Council	14 Aug 2023	28 Sep 2023	6 Dec 2023	69 days
Local Government Association of Tasmania	14 Aug 2023	28 Sep 2023	5 Feb 2024	130 days

Key themes for delays in finalising audits included:

- quality issues in documentation provided to audit teams
- entity failure to respond to audit team requests for information in a timely manner
- entity failure to identify and address Australian Accounting Standard requirements in a timely manner
- potential misstatements and accounting issues identified by audit teams not addressed by entities in a timely manner
- quantum and complexity of issues identified during final audit visits
- delays in receiving final financial statements signed by the accountable authority after audit clearance was provided
- flow on effects of earlier scheduled audits taking longer to complete than expected due to the reasons outlined above
- availability and timeliness of audit team resources.

It should be noted that not all themes are applicable to all entities in Table 2 above.

Audit opinions on financial statements

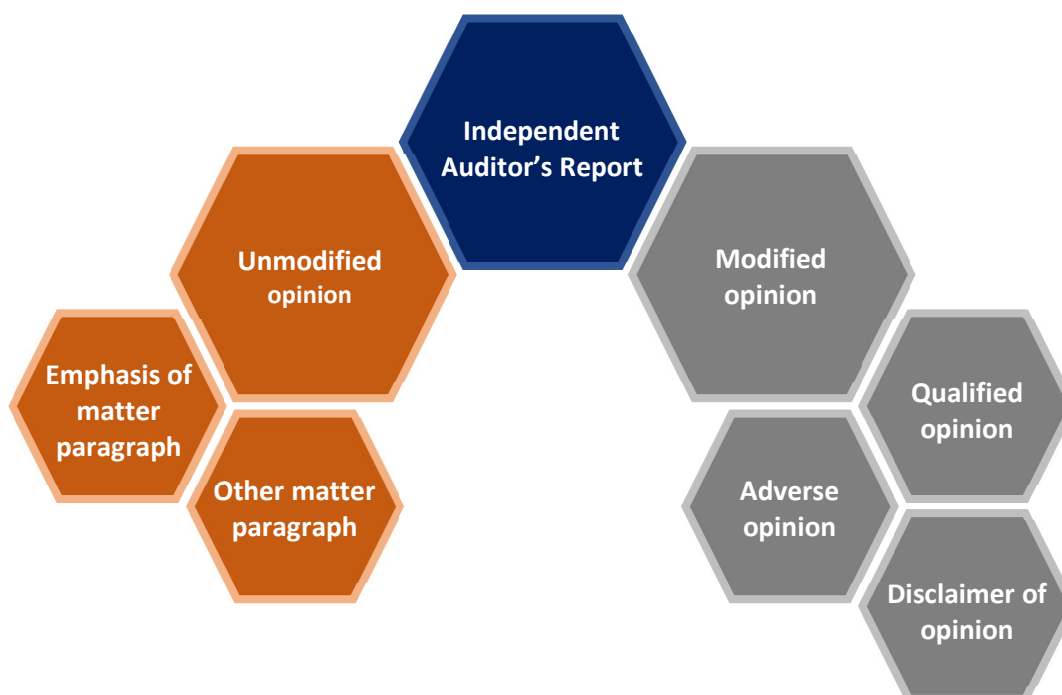
Types of audit opinions on the financial statements

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 fairly², 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 5.

Figure 5: Types of audit opinions



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

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

Audit opinions expressed on financial statements

Of the 122 auditor's opinions issued on the audits of the 31 December 2022 and 30 June 2023 financial statements, all were unmodified (commonly referred to as 'unqualified').

² Give a true and fair view in the case of entities reporting under the *Corporations Act 2001* or the *Australian Charities and Not-for-profits Commission Act 2012*.

Audit reports issued with an emphasis of matter paragraph

122 unmodified auditor's reports were issued relating to 31 December 2022 and 30 June 2023. Of the 122 auditor's reports issued, 4 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 2023 for the following entities:

- Department of Communities Tasmania – to draw attention to notes within the financial statements stating that the financial statements were prepared on a non-going concern basis due to the Department ceasing to exist as at 30 November 2022.
- Housing Tasmania – to draw attention to notes within the financial statements stating that the financial statements were prepared on a non-going concern basis due to Housing Tasmania being abolished on 1 December 2022.
- 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 2023.
- Tasmanian Public Finance Corporation (TASCORP) – to draw attention to a note in the financial statements which described TASCORP's application of Treasurer's Instruction GBE-08-52-09P *Accounting Treatment of the Mersey Community Hospital Fund by the Tasmanian Public Finance Corporation* in respect of the Mersey Community Hospital Fund.

Both TAHL and TASCORP received a similar emphasis of matter paragraph in their auditor's reports for the year ended 30 June 2022.

Audits dispensed with

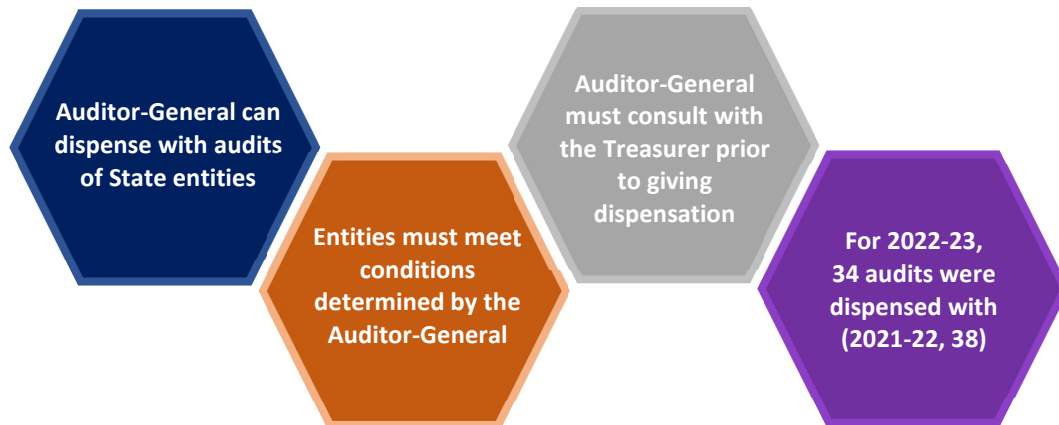
The Auditor-General has discretion under section 18 of the Audit Act to dispense with all or any part of the audit of a particular State entity, if considered appropriate in the circumstances. The Auditor-General has determined dispensation from audit may be provided where one of the following conditions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

- The State entity demonstrates that its financial reporting and auditing arrangements are appropriate. To satisfy this condition, the entity is required to submit their audited financial statements to the Auditor-General each year. The financial statements are reviewed and, where necessary, feedback on information presented in the financial statements is provided to the entity.

- The entity is controlled by another State entity and is included in the group audit of the controlling entity.
- The entity has not operated and the accountable authority has provided evidence to support this assertion.

The audit dispensation process is illustrated in Figure 6.

Figure 6: 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 A.

Audit findings

Findings from the audit of the financial statements included in TAFR

There were no high or moderate risk findings arising from the audit of the financial statements included in TAFR. A low risk finding was identified regarding evidencing the review of documentation used in the preparation of TAFR. The finding was accepted by the Department of Treasury and Finance (Treasury) and will be addressed during 2023-24.

Findings from 31 December 2022 and 30 June 2023 financial statement audits

State entities and audited subsidiaries of State entities
31 December 2022 and 30 June 2023

314

Audit matters raised

209

Audit matters raised in prior periods
assessed as unresolved

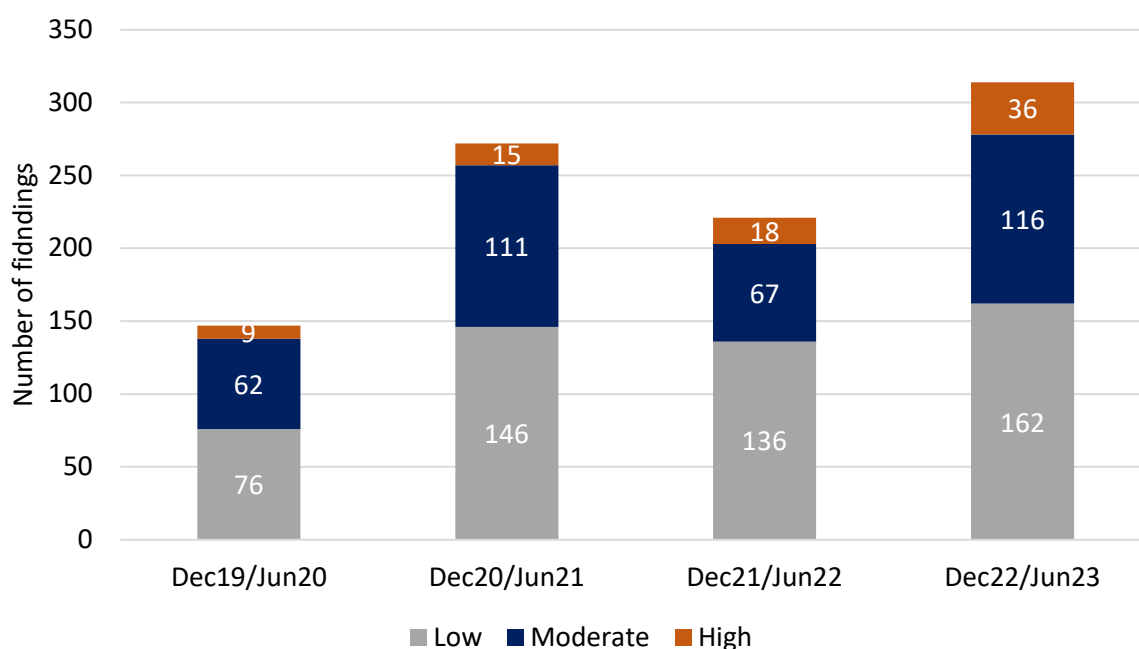
Deficiencies in internal controls and financial reporting, fraud, non-compliance with laws or regulations and other significant matters identified during an audit are reported to management, those charged with governance of State entities and audited subsidiaries of

State entities and relevant Ministers. These are communicated by way of a memorandum of audit findings, which reports finding observations, related implications, recommendations, and risk ratings. Management responses to findings are also sought and included, along with expected date for resolution. The memorandum of audit findings also includes a section for the monitoring of actions taken by management on outstanding matters raised in previous years.

Each finding is categorised as high, moderate or low risk, depending on its potential impact. The definition of these risk categories, together with a details of current and prior year findings by entity, can be found in Appendix B.

A comparison of the number and risk rating of audit findings identified in the past 4 years is shown in Figure 7.

Figure 7: Comparison of audit findings by risk rating



The findings for December 2022 and June 2023 reflect our focus on the design, implementation and operating effectiveness of internal controls covering revenue and general information technology controls. Additionally, the Office had a focus on key management personnel disclosures and reliance on third party service providers.

Revenue controls

Revenue and receivables consist of federal government grants, appropriations, revenue from taxation, customs, and excise duties, and administered levies. Additionally, entities generate income through the sale of goods, provision of services, and various other channels.

Effective revenue controls are essential for ensuring that funds are appropriately recognised, collected, managed, and utilised with utmost transparency and efficiency. A robust system of revenue controls helps prevent financial mismanagement, fraud, and unauthorised use of public funds. It fosters public trust by demonstrating responsible

stewardship of resources and adherence to fiscal discipline. In essence, the implementation of effective revenue controls is instrumental in maintaining the fiscal health and integrity across the Tasmanian public and local government sectors.

For the year ended 30 June 2023, the Total State Sector recorded total revenue of \$11.74 billion (2022-23, \$10.76 billion) and the local government sector recorded revenue of \$982.42 million (2022-23, \$989.99 million).

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

- appropriate segregation of duties³, including revenue system access controls to support this internal control
- approval of pricing data
- approval of customer credit notes and refunds
- authorisation of adjustments to revenue and/or customer accounts
- monitoring of performance obligations and compliance with grant conditions
- preparation and review of revenue account reconciliations.

Revenue related audit findings identified during 2022-23 included:

- lack of documentation for revenue transactions
- internal controls not operating as intended
- revenue recognition not in accordance with Australian Accounting Standards
- revenue and contract liabilities not supported by contractual agreements.

General information technology controls

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

Risks arising from the use of IT include:

- Reliance on IT applications that are inaccurately processing data, processing inaccurate data, or both.

³ Segregation of duties, also known as separation of duties, is the concept of having more than one person required to complete a task or process. It is an administrative control used by organisations to prevent fraud, sabotage, theft, misuse of information, and other security compromises.

- Unauthorised access to data that may result in destruction of data or improper changes to data, including the recording of unauthorised or non-existent transactions, or inaccurate recording of transactions. The risk may be greater where multiple users access a common database.
- The possibility of IT personnel gaining access privileges beyond those necessary to perform their assigned duties, thereby breaking down internal control achieved through segregation of duties.
- Unauthorised changes to data.
- Unauthorised changes to IT applications or other aspects of the IT environment.
- Failure to make necessary changes to IT applications or other aspects of the IT environment.
- Inappropriate manual intervention.
- Potential loss of data or inability to access data as required.

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

- The security settings of the supporting environment and applications have been configured in accordance with best practice/the organisation's security policies.
- User activity is uniquely identifiable, protected from alteration and sufficiently segregated.
- Appropriate user access maintenance including regular user access reviews, onboarding and de-activation processes for users, and monitoring of access levels and activities by privileged users and generic users.
- Change management processes for systems and reports.

Common audit findings relating to IT controls identified during 2022-23 included:

- Lack of strategic documentation for risk areas such as cybersecurity, password, and change management.
- Inconsistencies between Security Policy, actual system parameters, and Password Guide.
- Organisations not meeting basic requirements of Essential 8 security guidelines, especially password/passphrase requirements and effective management of privileged and generic users.
- Failure to keep operational policies current and appropriate to current environments and technologies.
- Ineffective liaison between HR and IT for on and off boarding users in a timely manner.
- Business Continuity Plans tend to be narrow in scope, not considered in context of the entire organisation. Additionally, evidence on testing these plans is lacking.

- Service Level Agreements are absent, vendor centric, and/or poorly defined in scope and responsibility. Outsourced services are seen incorrectly as a transfer of risk responsibility.
- The length of time that critical policy documents remain in draft.
- Poor change control policies and procedures for business as usual and major activities.

Classification of audit findings

Audit findings for 31 December 2022 and 30 June 2023, as shown in Table 3, have been categorised using a primary classification, such as internal control, financial reporting, non-compliance with laws and regulations and other significant matters, and a secondary classification, which further defines the nature of the finding.

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

Table 3: 31 December 2022 and 30 June 2023 audit findings by classification and risk rating

	High Risk	Moderate Risk	Low Risk	Total
Financial reporting	9	24	63	96
Accounting Estimate	2	5	15	22
Accounting Standard Non-compliance	4	7	10	21
Disclosures	1	6	14	21
Fair Value	0	1	2	3
Going Concern	1	0	0	1
Related Party	0	2	12	14
Unintentional Misstatement	1	3	10	14
Internal control	25	91	96	212
Control Activity	8	46	41	95
Control Environment	6	15	23	44
Information Systems and Communications	8	25	17	50
Monitoring Activity	1	1	3	5
Risk Assessment	2	4	12	18
Non-compliance with Laws or Regulations	1	1	1	3
Non-compliance with Laws or Regulations	1	1	1	3

	High Risk	Moderate Risk	Low Risk	Total
Other significant matters	1	0	2	3
Management Actions	1	0	0	1
Other	0	0	2	2
Total	36	116	162	314

Of the 314 audit findings raised, 212 (67.5%) relate to entities' internal control environments. Common findings within this category related to:

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

Of the 96 findings raised relating to financial reporting, common findings related to:

- valuation processes and oversight over physical assets
- incorrect or unsupported assumptions used in the calculation of estimates, such as employee provisions
- financial statement disclosures materially non-compliant with Australian Accounting Standards.

Audit findings by sector

The number and risk rating of audit findings by sector arising from 31 December 2022 and 30 June 2023 financial statement audits are shown in Table 4.

Table 4: 31 December 2022 and 30 June 2023 audit findings by sector and risk rating

Sector	High risk	Moderate risk	Low risk	Total
General Government Sector	6	38	44	88
Public Non-Financial Corporation	15	44	36	95
Public Financial Corporation	0	1	1	2
Local Government	14	24	62	100
Other State entity	1	9	19	29
Total	36	116	162	314

High risk findings

High risk findings are summarised in Table 5 below.

Table 5: 31 December 2022 and 30 June 2023 high risk audit findings

Entity	High risk finding
Abt Railway Ministerial Corporation	Control deficiencies in IT Governance framework including policies, procedures, and an overarching governance framework.
Department of Communities Tasmania	Lack of controls to prevent a duplicate payment.
Department of Justice	Deficiency in evidence of independent review of vendor master file for a period of six months.
Department of Premier and Cabinet	Control deficiencies over the allocation of 'privileged user' access for the Active Directory existed, which could have adverse security and operational implications.
	Business Continuity Plans (BCPs) existed at the divisional level, but no overarching BCP for digital functions existed at the departmental level.
Derwent Valley Council	Alterations made by management to an expert's independent valuation of landfill rehabilitation costs were not supported by sufficient evidence.
FortyTwo24 Pty Ltd	An outdated risk management policy did not reflect changes to the company's structure and processes.
	Several year-end journals reflected in the financial statements were not posted in the finance system general ledger.
Glenorchy City Council	Absence of system controls to ensure segregation of duties for the creation, posting and approval of general ledger journals.
Hobart City Council	A deviation was observed where an infringement was cancelled outside normal policy procedures.
Homes Tasmania	Potential for financial sustainability issues to arise in the short term based on Homes Tasmania's budget and forward estimates (2023-24 to 2026-27).
Kentish Council	Closer management and oversight of acquired assets through the development of sub-divisions is required to ensure asset classification and depreciation is correct.
	The quality of underlying asset data for a significant number of assets requires improvement to avoid material misstatements in assets and to ensure assets can be correctly valued, recorded and reported.

Entity	High risk finding
Latrobe Council	Closer management and oversight of acquired assets through the development of sub-divisions is required to ensure asset classification and depreciation is correct.
	The quality of underlying asset data for a significant number of assets requires improvement to avoid material misstatements in assets and to ensure assets can be correctly valued, recorded and reported.
Marinus Link Pty Ltd	Several year-end journals reflected in the financial statements were not posted in the finance system general ledger.
	Engagement of the Chief Executive Officer of the company as a contractor rather than an employee, which may have been in contravention of Treasury's <i>Guidelines for Tasmanian Government Businesses Director and Executive Remuneration (Revised June 2021)</i> .
	Provision of redacted minutes of meetings, incorrectly claimed to be protected whistle-blower disclosures under section 1317AAE of the <i>Corporations Act 2001 (Cth)</i> .
Public Trustee	Long service leave was accrued in an inconsistent manner.
Southern Midlands Council	Control deficiencies regarding monitoring and review of 'privileged user' in line with an employee's role and responsibilities.
Tasman Council	The initial submission of financial statements were not accepted as meeting the requirements under section 17(1) of the Audit Act because they were not assessed as complete.
	Grant revenue relating to the construction of assets had been incorrectly deferred, as performance obligations were met in accordance with Australian Accounting Standards Board (AASB) 1058 <i>Income of Not-for-profit Entities</i> .
	Recommendations from the Australian Cyber Security Centre to identified general IT control and change management control deficiencies are yet to be fully implemented.
	A loss of audit trail through deletion of journals rather than reversal, undermining the accuracy and completeness of transactions.
Tasmanian Museum and Art Gallery	Valuation of Heritage and Cultural Assets not reviewed with sufficient regularity to ensure the reporting of appropriate fair values.

Entity	High risk finding
Tasmanian Networks Pty Ltd	Timeliness of audit completion adversely impacted by changes in finance staff, partly attributed to the transformation program, which resulted in loss of organisational capability and knowledge involving financial and information system processes.
	Several year-end journals reflected in the financial statements were not posted in the finance system general ledger.
	<p>Issues identified regarding information in the asset register, including:</p> <ul style="list-style-type: none"> • adjustments in the financial statements not entered into the asset register • calculation errors and incorrect journals relating to the regulated asset base uplift • incorrect calculation of depreciation expense for the year following the regulated asset base uplift • employee departures contributing to an overstatement of work in progress at 30 June 2023 due to an absence of knowledge on whether projects were still in progress or had been commissioned during the year • no management assessment of whether work in progress projects were still progressing or needed to be written off • capitalisation of all completed communication asset projects with a commissioning date of 30 June 2023.
	Provision of redacted documentation relating to IT systems and controls.
Tasracing Pty Ltd	Limited documented contract management practices in place for third party IT services delivered.
	Limited internal controls or documentation to support the operating effectiveness of internal controls over revenue generated from race-field fee revenue returns.
	Control deficiencies regarding the review of 'privileged users' in the IT environment.
TT-Line Company Pty Ltd	No formal impairment assessment of capitalised work in progress relating to the new vessels, which is recorded at cost.
Wellington Park Management Trust	Absence of an independent review of journals.

Entity	High risk finding
West Coast Council	Grant revenue relating to the construction of assets was incorrectly recognised as income and should have been recognised as revenue in advance under AASB 1058 <i>Income of Not-for-Profit Entities</i> as the project had not been finalised at 30 June 2023.
	Failure by management to record bridge valuation adjustments arising from a second valuation report received in June 2023 (valuations arising from a January 2023 report had been recorded).

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

Prior year finding relating to the National Redress Scheme for Institutional Child Sexual Abuse claims and civil child sexual abuse claims

Our previous year's report raised concerns about the timing of the recognition of liabilities arising from institutional child sexual abuse claims.⁴ In response to this, Treasury engaged an actuary in 2022-23 to quantify the liability for both civil and the National Redress Scheme claims, but this work had not been completed at the time of finalising the Department of Justice (Justice) 30 June 2023 financial statements. Notwithstanding this, Justice did recognise a provision for child sexual abuse civil claims of \$75.67 million in compliance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Unresolved audit findings from prior years

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

A reconciliation of the unresolved findings for each of the past 4 years is shown in Table 6.

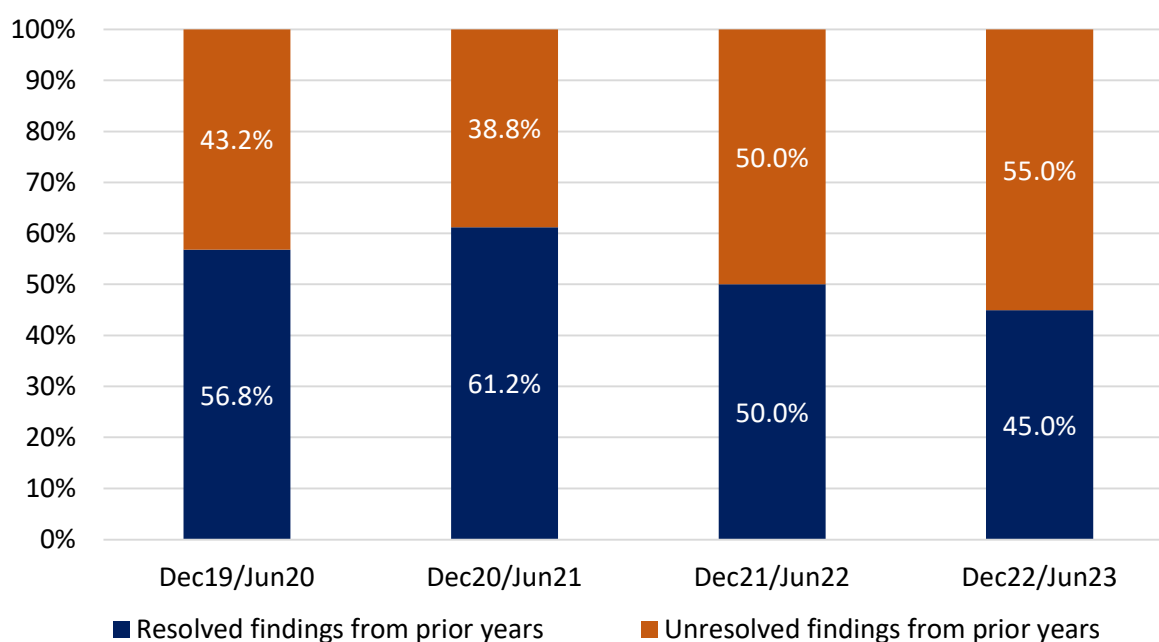
⁴ *Report of the Auditor-General No. 4 of 2022-23: Auditor-General's report on the financial statements of State entities, Volume 2 - Audit of State entities and audited subsidiaries of State entities 31 December 2021 and 30 June 2022*

Table 6: Reconciliation of unresolved findings

	Dec19/Jun20	Dec20/Jun21	Dec21/Jun22	Dec22/Jun23
Unresolved findings at the beginning of the year	324	276	332	378
New findings in current financial year	149	239	229	314
New findings addressed	(13)	(14)	(17)	(21)
Prior year findings resolved	(184)	(169)	(166)	(169)
Unresolved findings at the end of the year	276	332	378	502

A 4 year history of the percentage of prior years' audit findings resolved each year is shown in Figure 8.

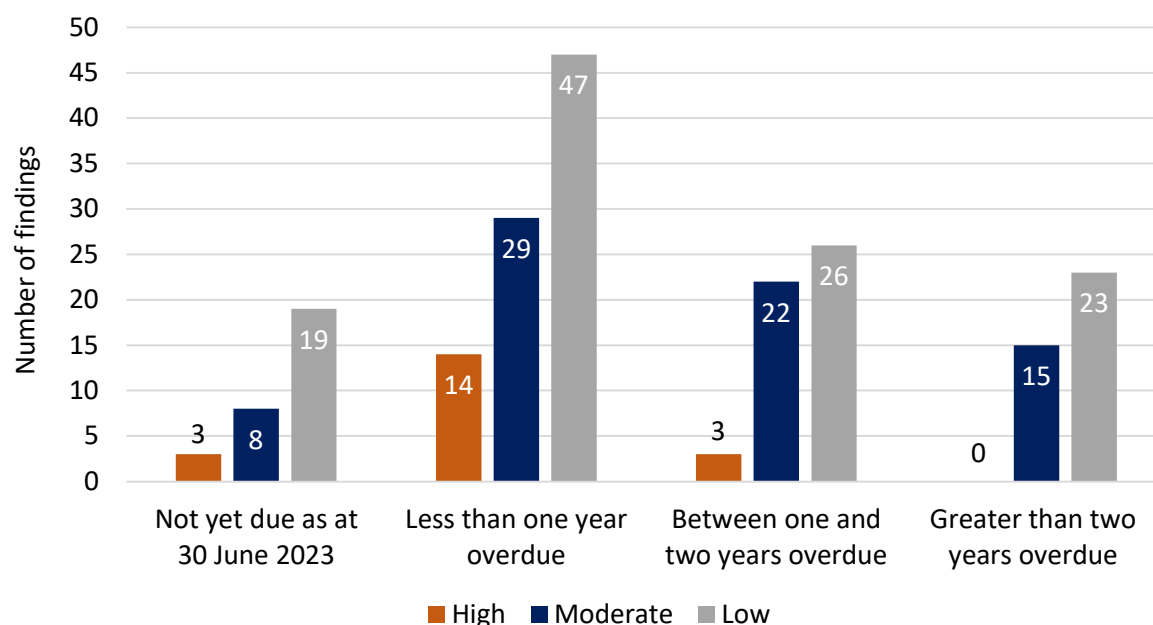
Figure 8: Resolution of prior years' audit findings



Together, Table 6 and Figure 8 highlight a reducing proportion of cleared prior year findings resulting in an increasing number of unresolved findings from previous years, which is a concerning trend.

The ageing of previously reported findings past the date by which they were to be resolved is shown in Figure 9.

Figure 9: Previously reported findings aging analysis



Efficient resolution of audit findings is crucial to reduce an entity’s exposure to risk. We suggest High Risk rated issues be resolved within 3 months of reporting. Issues rated as high risk present either a risk of significant weakness in the entity’s control environment, or a potential risk of material misstatement in their financial statements. Unresolved high risk issues raised in 2021-22 or earlier are detailed in Table 7.

Table 7: Unresolved high risk issues raised in 2021-22 or earlier

Entity	Year finding was originally raised	High risk issues raised in 2021-22 or earlier
Department of Natural Resources and Environment Tasmania	2021-22	The Department maintains 2 asset systems. Whilst reconciliations are performed, there are a significant number of reconciling items and ongoing reconciliation issues.
Flinders Council	2021-22	Inadequate review by management of asset valuation methodologies and calculations resulted in road assets being materially understated.
Hobart City Council	2020-21	Following the introduction of new reporting software Council established a task list to record improvements or enhancements. A significant number of items remained outstanding. Council is monitoring and prioritising issues identified, whilst developing a revised IT Strategy.

Entity	Year finding was originally raised	High risk issues raised in 2021-22 or earlier
Hobart City Council (continued)	2021-22	Council to review the capture and treatment of construction or building improvements on Council owned land, including land assets subject to operating leases.
House of Assembly	2021-22	Inappropriate 'privileged user' access to Finance One finance system.
Kentish Council	2021-22	Council did not submit financial statements to us within 45 days of the end of the financial year, therefore not complying with section 17 of the Audit Act.
	2021-22	Council was over-reliant on a single person to complete the fixed asset management and revaluation work.
	2021-22	Material errors were identified within the fixed (physical) asset balances, partly due to poor oversight of the work performed.
Latrobe Council	2021-22	Regulatory non-compliance and inability to provide the audit team with requested documentation within a reasonable time period.
	2021-22	Key person dependency in asset management and reporting.
	2021-22	Lack of review processes to ensure the correct application of Council's asset valuation methodology
Legislative Council	2021-22	Inappropriate 'privileged user' access to Finance One finance system.
Legislature-General	2021-22	Inappropriate 'privileged user' access to Finance One finance system.
Metro Tasmania Pty Ltd	2020-21	Absence of a cyber security plan or strategy.
National Trust of Australia (Tasmania)	2019-20	Ongoing improvements for recording the completeness and accuracy of records for heritage collection assets.

Entity	Year finding was originally raised	High risk issues raised in 2021-22 or earlier
Tasman Council	2021-22	Insufficient detailed procedures over the preparation and submission of materially correct annual financial statements.
	2021-22	Control weakness regarding segregation of duties were noted over journal processing.
	2021-22	Insufficient documentation of management's oversight of valuation processes and assessment of valuation result.
Tasmanian Pharmacy Authority	2021-22	Medium-to-long term financial sustainability risk.
Waratah-Wynyard Council	2021-22	Land assets have not been revalued since 1 July 2017.

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

Findings from internal audit reports

Each year, we examine the work of the internal audit function to assist us in identifying:

- significant changes to an entity, its environment, and its internal control (which comprises its control environment, risk assessment process, information system and related businesses processes, control activities and monitoring of controls)
- potential risks of material misstatement in the financial statements
- material deficiencies in the operation of internal controls.

We also assess the work of the internal audit function to determine whether we can use that work to modify the nature or timing, or reduce the extent, of audit procedures performed by us in auditing the financial statements.

For the 31 December 2022 and 30 June 2023 financial years, 150 internal audit projects were completed with 333 findings reported of which 43 were rated as high risk issues. Key themes from the 43 high rated findings involved governance, risk management, compliance, process efficiency, and infrastructure concerns.

Identification of misstatements

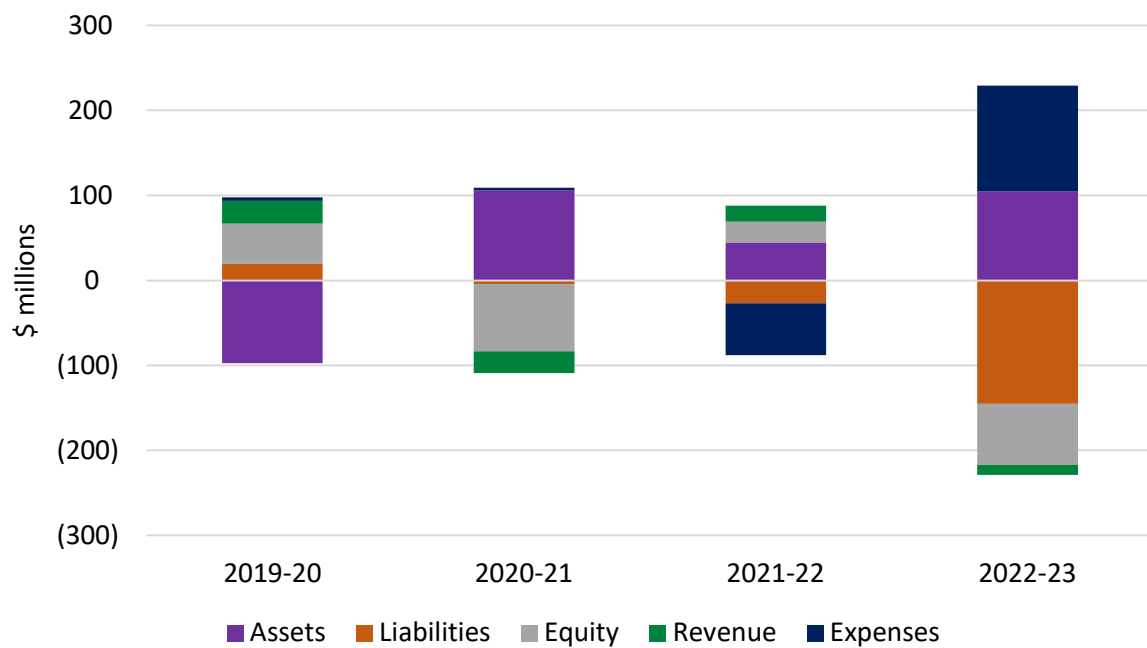
In completing our audits, we may identify misstatements that result from:

- 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.

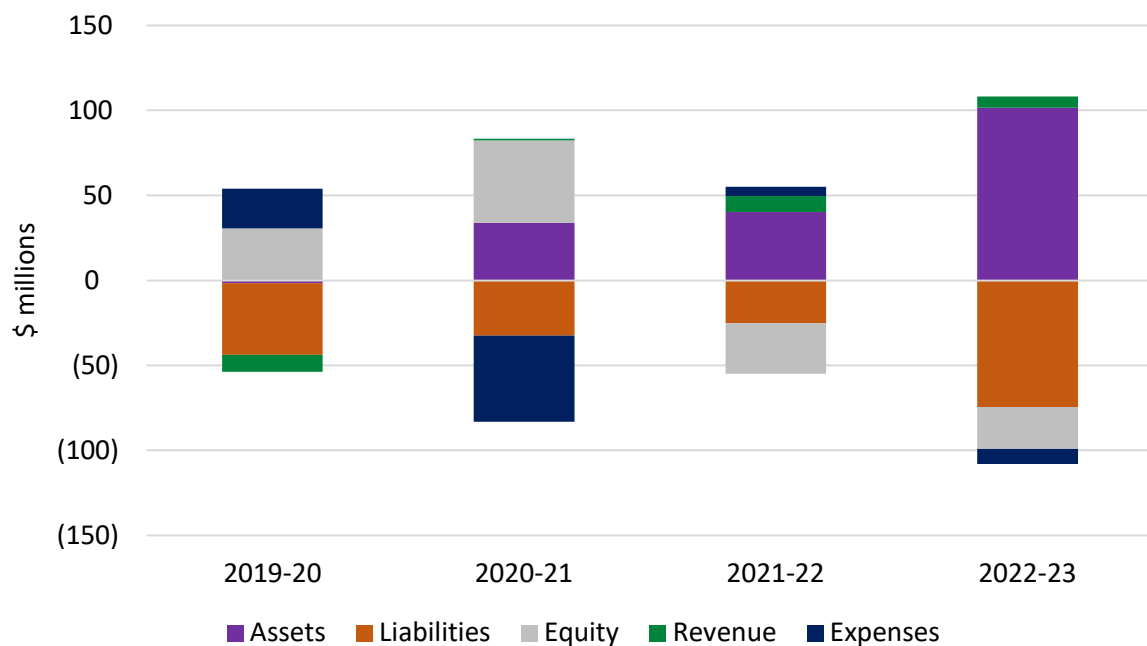
For completed audits of financial statements for years ended 31 December 2022 and 30 June 2023, 154 misstatements were identified for 59 entities (compared to 126 misstatements for 63 entities in 2021-22). Of these misstatements, 55 were corrected by the entity before the auditor's report was issued. The financial statement classification and value of the corrected and uncorrected misstatements, for 2019-20 to 2022-23, are shown in Figures 10 and 11, respectively. The values for each year shown in Figures 10 and 11 have an equal positive and negative amount due to the double entry accounting principle where every financial transaction affects at least 2 accounts, one being a debit entry and the other a credit entry.

Figure 10: Corrected misstatements



Note: Positive numbers are debits and negative balances are credits, and the sum of debits and credits net to nil.

Figure 11: Uncorrected misstatements



Note: Positive numbers are debits and negative balances are credits, and the sum of debits and credits net to nil.

Prior period errors

Eleven prior period errors were reported in the completed audits for 31 December 2022 and 30 June 2023, compared to 7 for the preceding year.

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

- (a) was available when financial statements for those periods were authorised for issue, and
- (b) could reasonably be expected to have been obtained and considered in the preparation and presentation of those financial statements.

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

- (a) the nature of the prior period error
- (b) for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected
- (c) the amount of the correction at the beginning of the earliest prior period presented.

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

Audit procedures undertaken to assess the appropriateness of prior period errors included:

- inspection and testing of evidence leading to the occurrence and quantification of the error
- consideration of the size and nature of the misstatements, both in relation to particular classes of transactions, account balances or disclosures and the financial statements as a whole
- discussions with management to confirm the appropriateness of the accounting treatment and disclosures to be made in the financial statements
- an assessment by the Office's technical review committee of the proposed accounting treatment and disclosures.

Where material errors impact financial results and balances prior to the comparative year, a restated third statement of financial position may be required to be presented. Of the 11 entities that disclosed prior period errors, none presented a third statement of financial position on the basis retrospective restatement or the reclassification had no material effect on the information in the statement of financial position at the beginning of the preceding period.

Prior period errors disclosed in 31 December 2022 and 30 June 2023 financial statements are summarised in Table 8.

Table 8: Summary of prior period errors

Entity	Prior Period Error
Copping Refuse Disposal Site Joint Authority	In the 2021-22 financial statements, inventories were included in work in progress. In the 2022-23 financial statements, management reclassified inventories to a separate line item in the Statement of Financial Position with effect from 1 July 2021. The reclassification had no impact on surplus after income tax.
Department of Communities Tasmania	In preparing the financial statements for period ending 30 November 2023, management identified a systematic error in the general ledger regarding the treatment of losses on the revaluation of an asset, which were not reversed when the Department ceased to control the asset through either disposal or transfer to a service concession provider. The total of the error was \$78.00 million.
Department of Justice	Justice capitalised software costs for Justice Connect and Plan Build Stage 2 over several years as intangibles and work-in-progress. Management determined these assets did not meet the asset recognition criteria under AASB 138 <i>Intangible Assets</i> , due to them being assessed as being Software as a Service (SaaS) related projects, in accordance with the International Financial Reporting Interpretations Committee's 2021 Agenda Decision on Configuration or Customisation Costs in a <i>Cloud Computing Arrangement</i> . A write-off of \$19.76 million of intangible and work-in-progress assets was recognised as at 1 July 2020 (\$11.72 million) and in the 2021-22 (\$8.04 million) comparative year.
Department of State Growth	A detailed stocktake of property assets and reconciliation of the financial asset register with internal management systems, management identified assets that were not recorded in the asset register. Assets recognised totalled \$51.51 million, included land holdings (including rail corridors), buildings and plant and equipment.
Forty-two 24 Pty Ltd	During 2022-23, management identified 2 prior period errors in the 2021-22 financial statements. The errors related to an omitted cost of sales accrual of \$459,570 and a sales invoice which was double issued amounting to \$208,400. The effect of the correction of the errors was to reduce the 2021-22 profit after tax by \$467,579.
Glamorgan Spring Bay Council	In 2022-23, management identified drainage assets owned by the council, valued at \$4.90 million, that had not been previously recognised.

Entity	Prior Period Error
Local Government Association of Tasmania	As part of the 2022-23 audit, it was identified that funding and grant agreements did not meet the requirements to allow the association to continue to defer unexpended grant funds as a contact liability under AASB15 <i>Revenue from Contracts with Customers</i> . The impact of the prior error increased grant and contribution revenue for the comparative year ended 30 June 2022 by \$236,519, along with an adjustment of opening equity as at 1 July 2021 of \$349,680.
Sorell Council	During the revaluation of land improvement assets, management identified several assets that were no longer held or which had been duplicated in the asset register. While the net impact to the value of land improvements and depreciation was not material, totalling only \$24,000, the council chose to make the correction as a prior period error.
Sustainable Timber Tasmania	<p>Management and the audit team identified prior period errors relating to:</p> <ul style="list-style-type: none"> • an impairment loss to freehold land in the financial year ended 30 June 2010 • the accounting treatment applied to integrate the road asset with the fair value of biological assets since the financial year ended 30 June 2010 • the accounting treatment applied to integrate a re-establishment make good asset with the fair value of biological assets. <p>The correction of the errors resulted in an increase in freehold land of \$11.85 million and roads of \$11.86 million at 1 July 2021 together with an increase in deferred tax liability of \$2.84 million and retained earnings of \$17.87 million at the same date. The correction of the errors also resulted in an increase in net profit after tax of \$0.31 million in 2021-22.</p>
Waratah-Wynyard Council	Management identified two prior period errors, with one error relating to the incorrect depreciation of plant and equipment, which overstated the expense by \$196,000, and the other error relating to Crown Land assets of \$4.24 million incorrectly recognised as council assets.
West Coast Council	The audit team identified that during 2021-22, revenue of \$2.20 million was recognised for the construction of assets that should have been recorded as revenue in advance under AASB 1058 Income for not for profits, as it was in relation to capital projects where money had been received but the project had not been finalised by balance date.

Audit fees

Summary of audit fees for 31 December 2022 and 30 June 2023 financial statement audits

Fees by sector for 31 December 2022 and 30 June 2023 financial statement audits are summarised in Table 9. These fees exclude those charged for audits by arrangement.

Table 9: Fees by sector for 31 December 2022 and 30 June 2023 financial statement audits

Sector	\$'000
General Government Sector entities	2,036
Public Financial Corporations and Public Non-Financial Corporations	2,038
Local government entities	1,359
Other State entity	485
Total	5,918

Note: Negotiations with some State entities for additional audit fees had not been finalised as at 29 February 2024.

Basis for setting audit fees

Section 27 of the Audit Act provides that:

“(1) The Auditor-General is to determine whether a fee is to be charged for an audit carried out by the Auditor-General under this Division and, if so -

- a) the amount of that fee; and*
- b) the accountable authority liable to pay that fee.”*

In relation to the tabling of Auditor-General’s reports on audits of the financial statements of State entities and audited subsidiaries of State entities, the Audit Act also requires the following at section 29(3):

“(3) A report under subsection (1) is to describe the basis on which audit fees are calculated.”

To comply with section 29(3), the basis for setting audit fees for conducting audits of the financial statements of State entities is detailed in this chapter. Audit fees are not charged for performance audits, compliance audits or investigations. These audits and investigations are funded from Appropriation.

In determining fees for audits, we utilise an audit fee model which adopts a ‘benchmark fee’ approach. The model prices our audits based on the relative size, nature, and complexity of an audit. Using a series of decision inputs, we categorise our audits into benchmark fee ranges. The audit fee we charge should sit within that range. The benchmark fee is based on the most optimal team (resource) mix for the audit, a set of hourly charge-out rates for each role in the team, and an estimate of the total hours required to complete the audit.

Key components of the model

Series of decision inputs

Decision inputs are objective factors that can significantly affect resourcing required to complete an audit. These resourcing decisions relate to both the mix of resources and the time required to complete an audit. The more significant factors that affect our resourcing decisions are listed in the 'significant factors that impact our audit fees' section below.

Optimal team mix

An outcome of the series of decision inputs is the recommended optimal team mix. The optimal team mix reflects the ideal team mix required to complete an audit. Each separate benchmark fee range has a different mix. This acknowledges that different types of audits require different levels of senior team member involvement compared to other audits.

The availability of resources within the Office is not a pricing factor. That is, the availability or otherwise of particular resources will not change our optimal team mix used to determine the audit fee we charge. We do tailor team mixes for certain audits if entity-specific factors mean a different mix is considered more appropriate. For example, if the entity has a complex business model or significant and complex transactions.

Hourly charge-out rates

We calculate hourly charge-out rates for each role in the team. The rates are based on the average 'direct' costs (such as salaries and wages) of the role, and 'indirect and support' costs (such as IT equipment, domestic travel, office rental expenses and utilities, and corporate services staff salaries).

Estimate of total hours

An outcome of the decision inputs is the recommended estimate of total hours. The estimate of total hours reflects our expectations of completing a standard audit based on the series of decision inputs. Entity-specific factors that cannot be appropriately reflected in the decision inputs mean we may deviate from the recommended estimate.

Time incurred in travelling to entities located outside of Hobart and Launceston are not considered in estimating total hours and are not incorporated into the benchmark fee.

Setting the benchmark fee

The benchmark fee is a function of the optimal team mix, charge-out rates, and the estimate of total hours. The benchmark fee is intended as a guide, subject to audit-specific factors unable to be reliably included in the decision inputs.

Audit fees that deviate from the benchmark fee by a set percentage are subject to review and approval by the Auditor-General.

The cost of direct expenses, such as external specialist services, will be added to the benchmark fee to arrive at the final audit fee. Travel related expenses for vehicle, meals and accommodation are not charged to entities, and are incorporated as an overhead expense of the Office.

There will be times when circumstances arise during our audit that were not expected or factored into the final audit fee. These can include new transactions or events, or a higher than expected number of issues, complications, or misstatements. Where these result in additional work, we will discuss the impact on our audit fee with entity management.

Estimating our audit cost

A core requirement to setting our hourly charge-out rates is establishing the cost required to sustainably fulfil our mandate to audit financial statements of State entities and audited subsidiaries of State entities and audits expected to be undertaken by arrangement.

Our benchmark fees are calculated based on historical costs for the work we do. Over time, greater levels of benchmarking data will be incorporated into the benchmark fee.

Benchmarking our audit fees

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

External benchmarking

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

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

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

We also benchmark our audit fees and hourly rates with external audit firms, known as 'Audit Service Providers', who perform audits on our behalf.

Contracting out audits provides important data for benchmarking the audit fees we charge against those of Audit Service Providers. Through the selection of audits to be contracted out, we look to gather enough data by audit type and sector to enable meaningful benchmarking.

Internal benchmarking

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

Resolving audit fee disputes

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

Significant factors that impact our audit fees

Many factors can impact the audit fee we charge for the work we do. Examples of significant factors that can impact the audit fee, and which are incorporated into our audit fee model, are provided in Table 10.

Table 10: Significant factors impacting the audit fee

Factor	Impact on audit effort and/or audit fee
Audit engagement risk	<p>Audit engagement risk is, broadly speaking, the risk of our exposure to financial loss and damage to our professional reputation.</p> <p>Audits with higher engagement risk generally require more time by senior team members, and more time overall responding to the higher risk.</p>
Governance and internal control environment	<p>Strong governance and internal control environments allow us to place more reliance on these elements as part of our audit approach. Placing more reliance on these elements generally reduces the time we must spend on testing transactions and balances in the financial statements.</p>
History of misstatements	<p>If an entity has a history of misstatements, unless we can assess otherwise, we must assume a similar level of misstatements will occur in the future. The more misstatements we expect overall, will generally increase the amount of work we have to do. A greater number of misstatements also generally requires more time to assess the impact of the misstatements in the financial statements, to discuss the misstatements with management, and ultimately raise the misstatements with those charged with governance.</p>
Focus on reliable financial reporting and respond quickly (and accurately) to our requests for information	<p>A strong focus on reliable financial reporting and responsiveness to our requests for information will generally reduce the time spent on the audit. The strong focus generally means management provide timely and accurate information in response to our requests – reducing the time spent following up information that was previously requested, or requesting more accurate information where the information originally provided was incomplete, insufficient, or not accurate.</p>
Significant change in operations	<p>An entity experiencing significant changes in its operations generally requires more involvement of senior team members, and more time overall reviewing financial reporting impacts. This involves assessing the appropriateness of the accounting treatment through our audit procedures.</p>

Factor	Impact on audit effort and/or audit fee
Complex computer processing environments	Complex IT environments generally require involvement by information systems audit specialists. They specialise in reviewing complex IT environments to ensure we can rely on systems as part of our audit approach. Less complex IT environments will generally require less time spent by our audit specialists in reviewing the structure of the environments and the controls implemented to support reliable processing of information.
Number of revenue, expense, asset, and liability streams	The larger number of revenue, expense, asset, and liability streams an entity has will generally increase the time spent on the audit. Time is required to fully understand and assess the controls within each of the significant streams, perform audit procedures to test the streams, and evaluate any issues identified through our procedures.
Financially significant components that require a decentralised audit approach	Having centralised financial reporting responsibilities generally reduces the time spent on the audit. With decentralised responsibilities, time is required to understand the extent of decentralisation, assess the controls in place at the significant components (sites), perform audit procedures to test the sites, and evaluate any issues identified through our procedures.
Shared services (outsourcing) arrangements	<p>Shared services (outsourcing) arrangements can have a range of impacts depending on the nature and extent of the arrangements. Key factors include:</p> <ul style="list-style-type: none"> • the complexity of arrangements with the shared service provider • the pervasiveness of outsourced functions affecting the entity's financial reporting • whether the shared service provider receives an independent audit report over the design, implementation and operating effectiveness of its internal controls • the nature and extent of any issues identified in the shared service provider's controls • the nature, extent, and significance of procedures and controls the entity is required to implement to support the shared service provider's controls.

Factor	Impact on audit effort and/or audit fee
Significant accounting estimates or judgements	Significant accounting estimates and judgements generally require involvement by senior team members to review the financial reporting impact. Estimates and judgements are, by their nature, at greater risk of fraud and error. Senior team members use their experience to assess the appropriateness of management's estimates and judgements against accounting standards, relevant laws and regulations, and other authoritative pronouncements, for example, Treasurer's Instructions. The impact on audit effort and audit fee can vary significantly from one year to the next. For example, a desktop asset indexation or annual assessment of fair value requires less time spent on the audit compared to a full asset revaluation.
Complex accounting transactions	Complex accounting transactions generally require more involvement of senior team members, and more time overall reviewing the financial reporting impact. More senior team members use their experience to understand and assess the appropriateness of the accounting transactions, design audit procedures to validate key aspects of the transactions and evaluate any issues arising from our procedures. The complex nature of these accounting transactions may also require involvement of technical experts.
Technical expert involvement	Significant accounts, classes of transactions or account balances that are subject to technical expert involvement, will generally require involvement of senior team members to review the financial reporting impact. We may engage our own external experts to review the appropriateness/reasonableness of any methodologies, inputs, assumptions, or judgements used.
Group audit	An entity will sometimes form part of a consolidated group of entities. As a result, it is likely management are required to provide the preparers of the group financial statements information to help with their preparation. The group auditor generally requires an entity's auditors to provide documentation about their audit, including any misstatements or issues identified. The time spent completing this documentation will vary depending on the significance of the entity to the group's financial statements. The time spent completing this documentation is generally charged to the entity unless specific arrangements are established between the group and entity management.

Local government

Introduction

This chapter contains commentary and financial analysis on Tasmanian local government entities subject to audit, comprising 29 councils, 2 council-controlled entities, 6 other local government entities and Tasmanian Water and Sewerage Corporation Pty Ltd (TasWater).

Local government sector developments

This section summarises significant developments that affected the operations of councils during 2022-23.

The future of local government in Tasmania

In November 2021, the Minister for Local Government and Planning announced the commencement of a review to be conducted by the Local Government Board to create a more robust and capable system of local government to meet current and emerging community needs and support Tasmania's recovery from the Novel Coronavirus disease pandemic (COVID-19). In October 2023, the Local Government Board handed the Minister for Local Government, the Honourable Nic Street MP, the Final Report of the Future of Local Government Review.

The Local Government Board made 37 recommendations on how the current local government system needs to change so that councils can meet the challenges and opportunities Tasmanian communities will face in the next 20 to 30 years.

As at the date of this report, the Minister was conducting a final round of consultation with councils and the community to assist the Government in deciding whether to make the changes recommended by the Local Government Board.

Local Roads and Community Infrastructure program

In May 2020, the Australian Government announced the implementation of the Local Roads and Community Infrastructure (LRCI) program. The program was developed to support councils to deliver priority local road and community infrastructure projects across Australia. The aim of the program was to support jobs and the resilience of local economies, whilst stimulating growth and creating jobs in local communities in response to the impacts of the COVID-19 pandemic. Funding for the LRCI program has been announced in phases by the Australian Government.

Phase 3 of the LRCI program funded projects from 1 January 2022 to 30 June 2023, with projects to be physically completed by 30 June 2023. \$32.55 million was allocated across the 29 councils in this phase.

Phase 4 of the LRCI program began in July 2023 will fund projects from 1 July 2023, with projects to be physically completed by 30 June 2025. Phase 4 is splits between Part A and Part B:

- Part A is available to councils to spend on local roads and community infrastructure projects. \$16.27 million was allocated across the 29 councils in this phase.
- Part B is available to councils to spend exclusively on roads projects. \$8.99 million was allocated across 28 councils in this phase.

Individual entity key developments

The following section summarises significant developments during 2022-23 affecting the operations of individual councils and TasWater.

Clarence City Council

Legal action regarding rates equivalent dispute

As at 29 February 2024, Clarence City Council was involved in an ongoing legal action against Hobart International Airport relating to a rates equivalent dispute.

In September 2019, a judgment was handed down by the Federal Court of Australia in favour of the Hobart International Airport. This decision was appealed by the Council and on 6 August 2020, the Full Court of the Federal Court of Australia handed down a decision to allow the appeal with the matter referred back to the Federal Court of Australia. However, the defendant subsequently appealed the Federal Court decision to the High Court of Australia.

In March 2022, the High Court confirmed the decision that the meaning and operation of rates equivalent clause of the lease between the Commonwealth and Hobart International Airport will now be determined by the Federal Court. Council's appeal was lodged with the Federal Court in January 2023.

The appeal is ongoing. The outstanding rates equivalents totalled \$6.34 million as at 30 June 2023.

Kangaroo Bay Development Precinct

At its 19 December 2022 meeting, council considered a request from the developer to provide a further extension of time and to consider a modified development proposal in relation to the Kangaroo Bay hotel and hospitality school development. Council did not consent to the extension of time request and resolved not to accept the modified development proposal put forward by the developer.

At its 23 January 2023 meeting, council rejected a request by the developer for an extension of time to the buy-back option for land at Kangaroo Bay and requested the Chief Executive Officer to initiate the buy-back option at its meeting of 20 March 2023. This process is ongoing.

Devonport City Council

Devonport Living City

During 2022-23 Devonport City Council completed Stage 2 of the Living City project, which included the completion of the privately funded hotel in October 2022, and the completion

of waterfront park precinct in December 2022. The official opening of the precinct was on 11 February 2023. During 2022-23, Council capitalised \$17.74 million relating to the Living City project.

Glenorchy City Council

Jackson Street Landfill

In July 2022, the life of the Jackson Street Landfill was extended following the substantial completion of a new \$2.50 million waste disposal cell, together with the completion of the \$1.18 million Eady Street Amenities Building. The new cell was opened for receipt of waste in October 2022.

Launceston City Council

York Park

In December 2022 Launceston City Council passed a motion of its intention to dispose of York Park and associated lands (Utas Stadium) to Stadiums Tasmania. As at 30 June 2023, the transfer was yet to be confirmed as Council were still in negotiations with Stadiums Tasmania.

TasWater

Capital Work Program

TasWater incurred capital expenditure of \$209.20 million in 2022-23 (\$253.00 million in 2021-22). Major projects undertaken during the year included the Bryn Estyn Water Treatment Plant upgrade, the Tamar Estuary River Health Action Plan improvements, ultraviolet program upgrades, the Shellfish Lease Protection Program and the Macquarie Point Waste Treatment Plan relocation project.

Price Service Plan

A new price and service plan (PSP4) came into effect on 1 July 2022. The effect of PSP4 is a maximum uniform price increase of 3.5% per annum over a period of 4 years.

Aggregated financial statements

This section focuses on the aggregated financial information for all 29 councils, including council controlled entities, but excluding other local government entities and TasWater. Transactions between councils have not been identified or eliminated in our aggregation of the financial statements. In this analysis, financial information relating to the 2021-22 financial year has changed from my *Report of the Auditor-General No. 4 of 2022-23: Auditor-General's Report on the Financial Statements of State entities, Volume 2*, due to the impact of prior period errors on comparative information.

Throughout this section, aggregated financial information is presented based on councils being grouped into 2 classifications, urban and rural, as follows:

- urban, populations greater than 20,000 or at a density >30 per square kilometre
- rural, populations up to 20,000 at a density of <30 per square kilometre.

The financial performance of councils for the year ended 30 June 2023 is summarised in Table 11.

Table 11: Financial performance of councils for the year ended 30 June 2023

Council	Underlying surplus (deficit) \$'000	Net surplus (deficit) \$'000
Urban councils		
Brighton Council	1,655	6,914
Burnie City Council	1,824	9,368
Central Coast Council	(102)	6,515
Clarence City Council	8,000	34,164
Devonport City Council	1,631	9,169
Glenorchy City Council	(1,261)	11,376
Hobart City Council	(2,682)	7,481
Kingborough Council	(86)	12,020
Launceston City Council	(3,444)	4,103
West Tamar Council	2,968	9,076
Total urban councils	8,503	110,186
Rural councils		
Break O'Day Council	220	2,749
Central Highlands Council	21	2,221
Circular Head Council	260	4,483
Derwent Valley Council	(1,522)	3,486
Dorset Council	678	5,729
Flinders Council	(666)	635
George Town Council	540	5,020
Glamorgan Spring Bay Council	184	5,253
Huon Valley Council	(1,802)	2,634

Council	Underlying surplus (deficit) \$'000	Net surplus (deficit) \$'000
Kentish Council	(1,270)	641
King Island Council	(919)	913
Latrobe Council	(1,812)	9,375
Meander Valley Council	(1,215)	3,252
Northern Midlands Council	(1,114)	5,654
Sorell Council	2,673	8,663
Southern Midlands Council	(101)	4,286
Tasman Council	489	2,359
Waratah-Wynyard Council	834	3,898
West Coast Council	(821)	2,370
Total rural councils	(5,343)	73,621
All councils		
Total	3,160	183,807

Councils generated an aggregated net surplus of \$183.81 million in 2022-23, an increase of \$4.58 million from the 2021-22 net surplus of \$179.23 million.

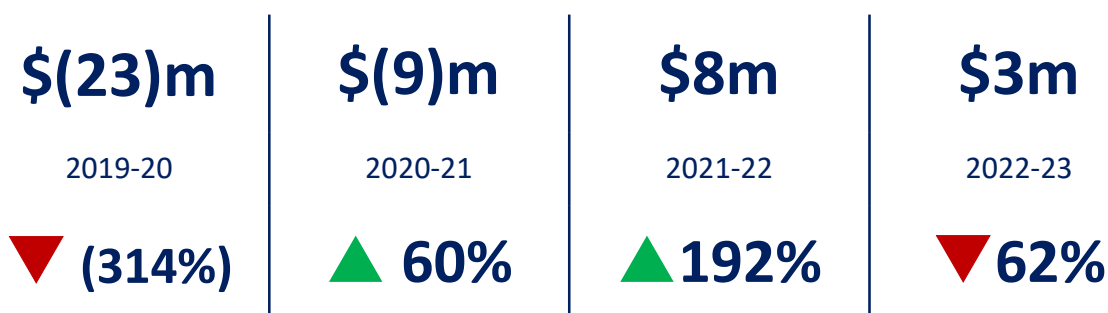
Impact of Financial Assistance Grants on the net results of councils

The Australian Government provides Financial Assistance Grants to help councils provide local services and infrastructure. The grant funds are untied, meaning they can be spent where they are needed most, and can be used councils at their discretion to meet the needs and priorities of local communities. As the grants are untied and have no performance obligations, AASB 1058 *Income of Not-For-Profit Entities* requires councils to recognise the grant funding as revenue when it is received.

In 2022-23, Tasmanian councils were allocated Financial Assistance Grant funding of \$92.57 million, however \$65.26 million of this allocation was received by councils prior to 1 July 2022. Similarly, in 2022-23, councils received \$97.68 million which related to the 2023-24 allocation. This led to councils recognising the 2023-24 advanced payment of \$97.68 million as revenue in their financial statements for 2022-23.

The net surplus balance in Table 10 reflects the funding received by councils in the financial year. For the 2022-23 underlying surplus calculation in Table 10, the advance payments have been adjusted for in the calculation, with the 2022-23 advance payment received in 2021-22 included in the calculation and the 2023-24 advance payment received in 2022-23 excluded.

Underlying surplus (deficit)



▲ improvement from prior year ▼ deterioration from prior year ● no material change from prior year

The *Local Government (Management Indicators) Order 2014* defines underlying surplus or deficit as:

'...an amount that is the recurrent income (not including income received specifically for new or upgraded assets, physical resources received free of charge or other income of a capital nature) of a council for a financial year less the recurrent expenses of the council for the financial year ...'

The intent of reporting the underlying surplus is to show the outcome of a council's normal or usual day-to-day operations. It is intended to remove extraneous factors that could create volatility and therefore make it difficult for users to understand the outcome of a council's normal operations.

The term 'recurrent' is a commonly used term by entities to refer to transactions for all purposes except those of a capital nature. While the meaning of the word 'recurrent' may be interpreted as referring to items regularly occurring or repeating, for the purposes of determining underlying surplus, councils include operational transactions that may occur once or infrequently such as changes to existing decommissioning, rehabilitation, restoration or similar provisions or financial support, subsidies, grants and programs to organisations, businesses, or industry. Recurrent transactions include gains or losses on disposal of assets, unless there is an unusual reason for the disposal, such as a natural disaster.

Income of a capital nature includes amounts received that do not form part of operating activities and which are received in connection with non-financial assets. Examples include Roads to Recovery (RTR) funding, reimbursements of costs under the Tasmanian Relief and Recovery Arrangements: Natural Disaster Relief to Local Government Policy (NDRLG), gains or losses from one-off disposal of surplus assets or discontinued operations.

Other items, although not capital in nature, that would usually be excluded from underlying surplus include Australian Government Financial Assistance Grants received in advance, clearly identifiable clean-up costs after a natural disaster which are claimable under insurance or NDRLG and payments or provisions in relation to a redundancy program.

Table 12 discloses the underlying surplus generated, or deficit incurred, by councils over the 4 years to 30 June 2023, together with a trend indicator showing whether the councils

underlying surplus is improving, deteriorating or not materially changing over the 4 year period.

Table 12: Underlying surplus (deficit) by council for financial years 2019-20 to 2022-23

Council	Trend	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	2022-23 \$'000
Urban councils					
Brighton Council	▲	(728)	(426)	331	1,655
Burnie City Council	▲	(851)	(1,921)	130	1,824
Central Coast Council	▲	(1,506)	(192)	(61)	(102)
Clarence City Council	▲	5,217	4,796	6,689	8,000
Devonport City Council	▲	(1,797)	1,245	1,552	1,631
Glenorchy City Council	●	(2,821)	(6,329)	2,033	(1,261)
Hobart City Council	▲	(9,317)	(25)	5,591	(2,682)
Kingborough Council	▲	(649)	240	(568)	(86)
Launceston City Council	▲	(7,215)	(3,109)	(993)	(3,444)
West Tamar Council	▲	1,600	212	1,696	2,968
Total urban councils	▲	(18,067)	(5,509)	16,400	8,503
Rural councils					
Break O'Day Council	●	143	(383)	(708)	220
Central Highlands Council	▼	287	85	(147)	21
Circular Head Council	▲	(1,491)	(465)	(90)	260
Derwent Valley Council	▼	(270)	(1,222)	(2,235)	(1,522)
Dorset Council	▲	179	417	(42)	678
Flinders Council	▼	951	538	(709)	(666)
George Town Council	●	462	256	182	540
Glamorgan Spring Bay Council	▲	(1,270)	(2,492)	(430)	184
Huon Valley Council	▼	33	(89)	(270)	(1,802)

Council	Trend	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	2022-23 \$'000
Kentish Council	▼	385	(44)	(1,013)	(1,270)
King Island Council	▲	(1,265)	(59)	(721)	(919)
Latrobe Council	●	(1,690)	266	(5,898)	(1,812)
Meander Valley Council	▼	434	(533)	368	(1,215)
Northern Midlands Council	●	(1,177)	(285)	2,101	(1,114)
Sorell Council	▲	410	1,089	1,555	2,673
Southern Midlands Council	▼	125	(35)	(90)	(101)
Tasman Council	▲	212	474	527	489
Waratah-Wynyard Council	▲	20	53	581	834
West Coast Council	▲	(1,052)	(1,201)	(967)	(821)
Total rural councils	●	(4,574)	(3,630)	(8,006)	(5,343)
All councils					
Total	▲	(22,641)	(9,139)	8,394	3,160

▲ improvement in trend ▼ deterioration in trend ● no material change in trend

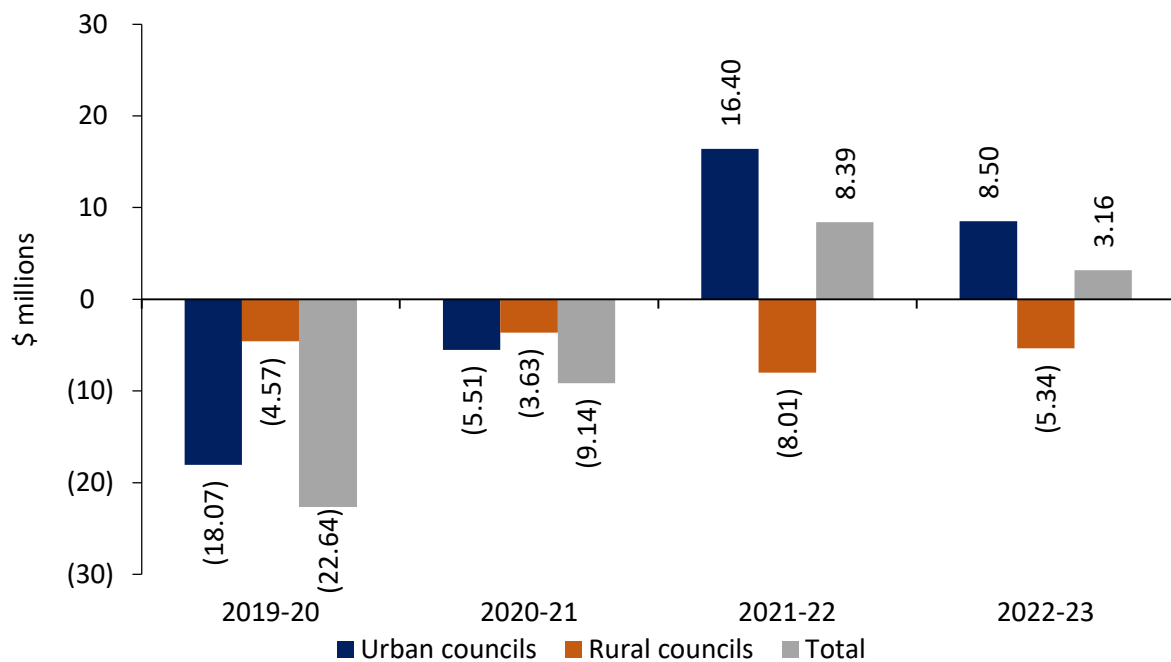
Table 12 shows:

- Fifteen councils recorded underlying deficits in 2022-23, a slight improvement on the 16 that recorded deficits in 2021-22.
- Central Coast Council, Derwent Valley Council, Launceston City Council, King Island Council and West Coast Council incurred underlying deficits in each year, however, all have improved in the more recent year(s), except for Derwent Valley Council.
- Huon Valley, Meander Valley and Southern Midlands Councils experienced the most significant downward trend in their underlying surplus.

As shown in Figure 12, councils produced an aggregate underlying surplus of \$3.16 million for 2022-23, a deterioration of \$5.23 million compared to the previous year which recorded an underlying surplus of \$8.39 million.

Urban councils produced an aggregate underlying surplus of \$8.50 million in 2022-23, a reduction from the surplus of \$18.07 million in 2019-20, but better than the deficits incurred in 2019-20 and 2020-21. Rural councils incurred an aggregate underlying deficit of \$5.24 million in 2022-23, continuing the history of deficits incurred over the prior 3 years.

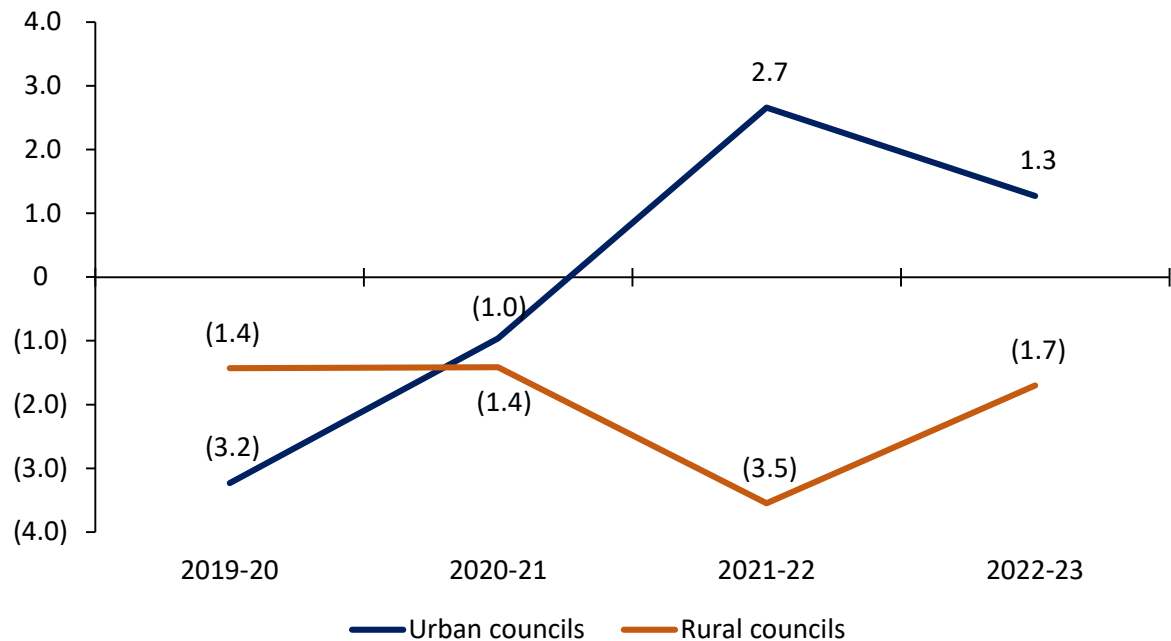
Figure 12: Underlying surplus (deficit)



The *Local Government (Management Indicators) Order 2014* requires councils to calculate and disclose in their financial statements their underlying ratio, which is calculated by dividing the underlying surplus or deficit by recurrent income.

The aggregated underlying ratio for urban and rural councils over the past 4 years is shown in Figure 13.

Figure 13: Underlying surplus ratio



The underlying surplus ratio for urban councils has improved significantly since 2019-20, increasing from negative 3.2 to positive 1.3 in 2022-23, while the ratio for rural councils has

remained relatively consistent, decreasing from negative 1.4 in 2019-20 to negative 1.7 in 2022-23.

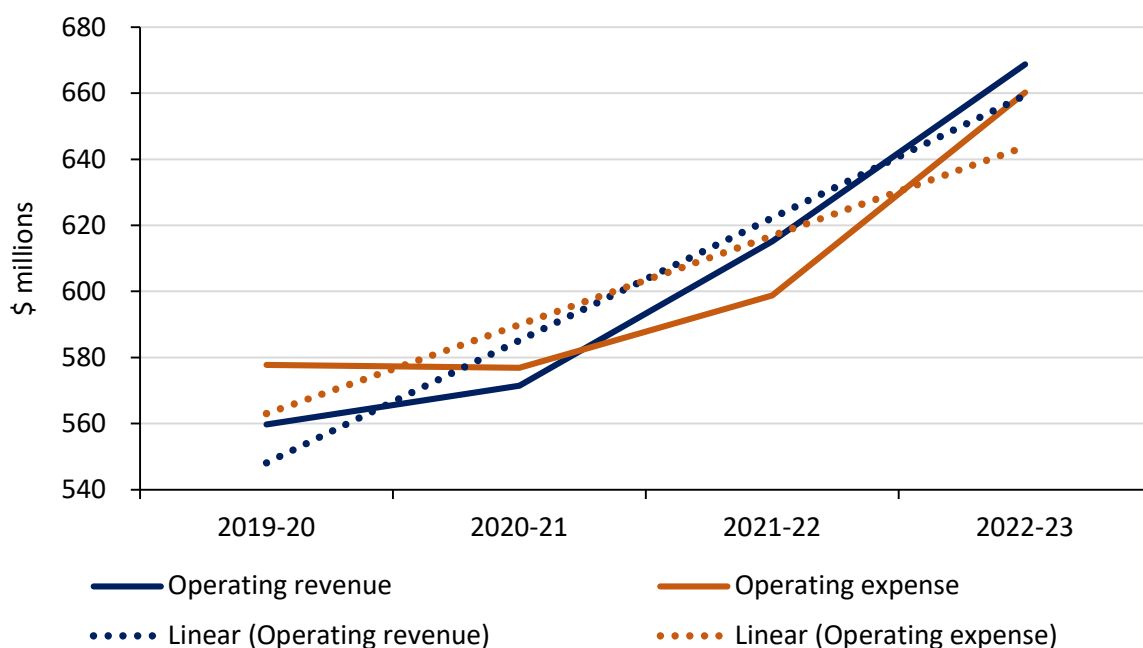
A core reason for the disparity in the underlying surplus ratio for urban and rural councils is the ability for urban councils to generate higher revenues from rates, fees, and user charges, largely due to their higher populations.

Interestingly, urban council rate revenue increased by 14.1% from 2019-20 compared to an increase of 17.7% for rural councils, and revenue from user fees and charges for urban councils increased by 21.5% from 2019-20 compared to 38.6% for rural council. However, expenses incurred by rural councils are increasing at a greater rate than expenses incurred urban councils, for example:

- rural council employee expenses increased by 21.0% from 2019-20 compared to 8.8% for urban councils
- rural council other expenses increased by 28.6% from 2019-20 compared to 18.2% for urban councils.

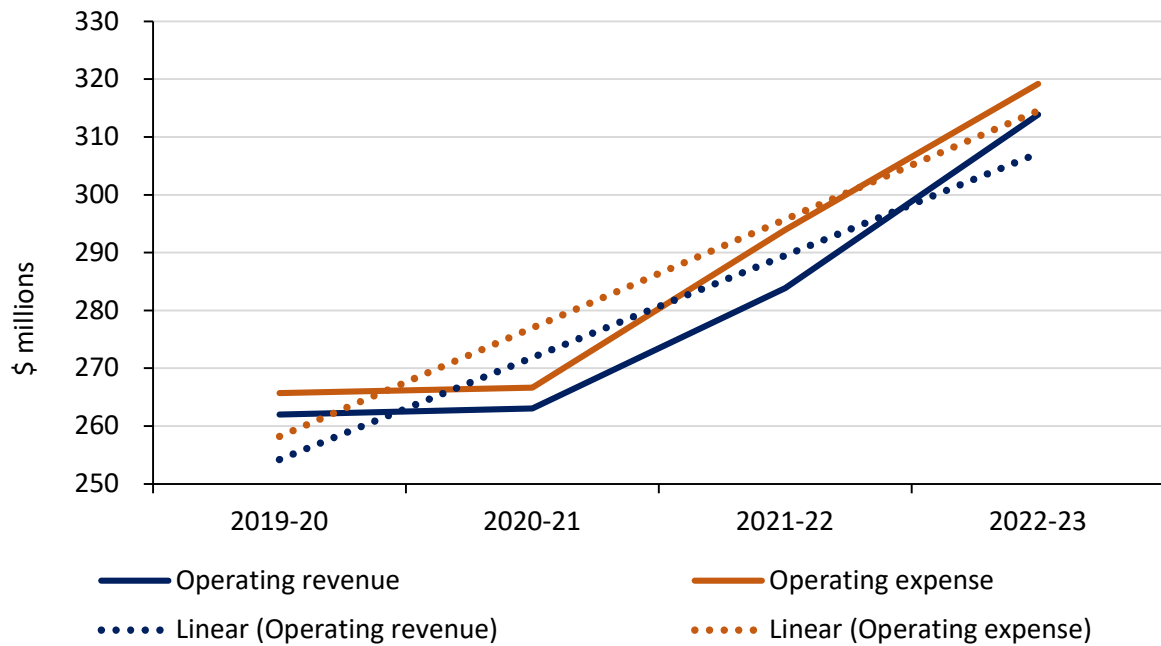
The movement in urban councils operating revenues and expenses over the 4 year period is illustrated in Figure 14, with the growth in revenues of 19.5% for the 4 year period exceeding growth in expenditure of 14.3% for the year period.

Figure 14: Average annual increase in urban councils operating revenue and expenses

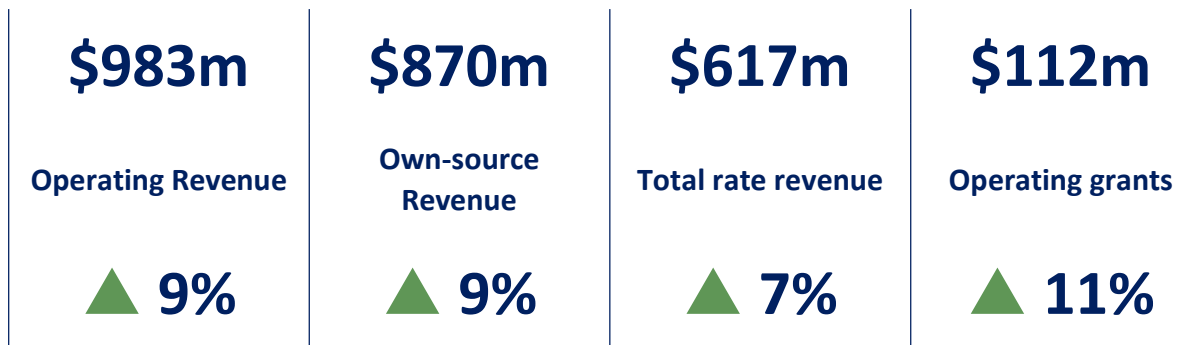


The movement in rural councils operating revenues and expenses over the 4 year period is illustrated in Figure 15, with the growth in expenses of 20.1% for the 4 year period exceeding growth in revenue of 19.8% for the 4 year period.

Figure 15: Average annual increase in rural councils operating revenue and expenses



Revenue



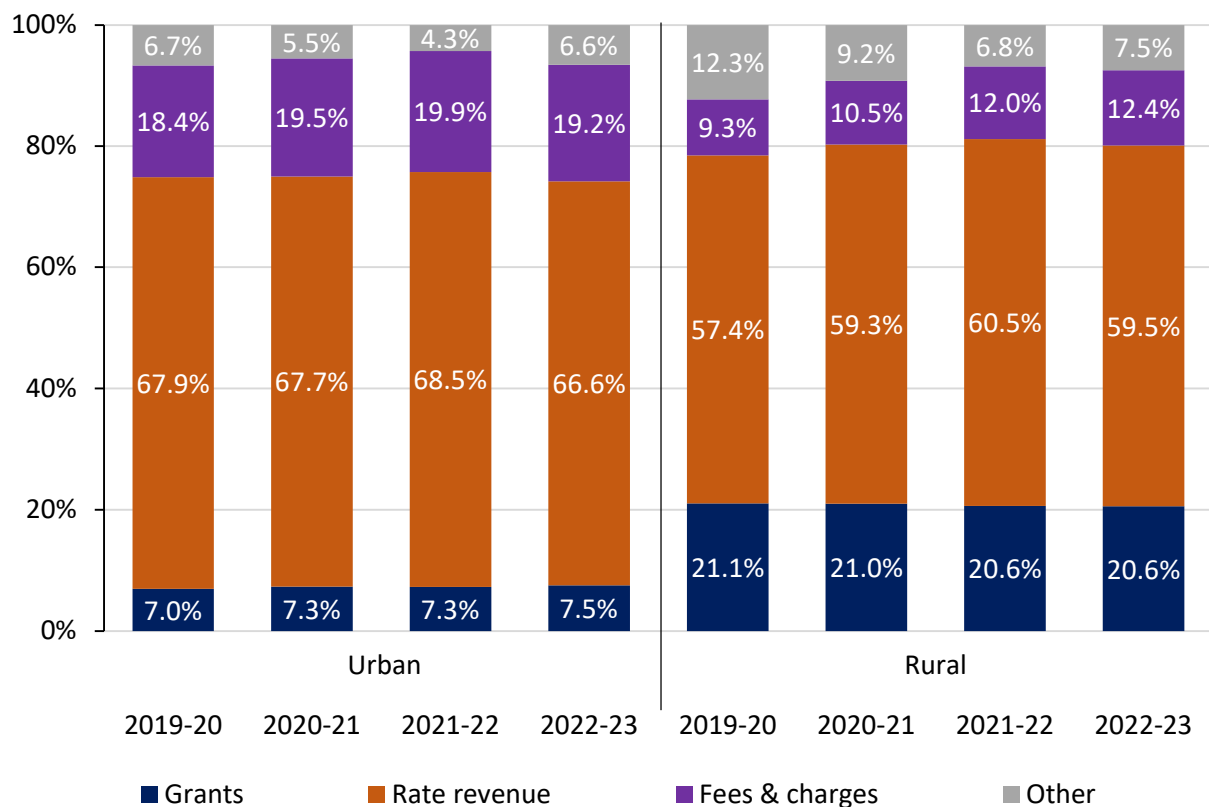
▲ improvement from prior year ▼ deterioration from prior year ● no material change from prior year

Councils recorded operating revenue of \$982.65 million in 2022-23, an increase of \$83.65 million from 2021-22.

In general terms, urban councils with larger populations had the ability to generate higher levels of 'own source' revenue. Smaller rural councils, with lower population levels, relied more heavily on grant funding.

Figure 16 provides details of the composition of council revenue. Consistent with prior years, rural councils are more reliant on grant funding than urban councils. In 2022-23, grant funding was 20.6% of rural councils operating revenue, compared to 7.5% for urban councils.

Figure 16: Revenue source

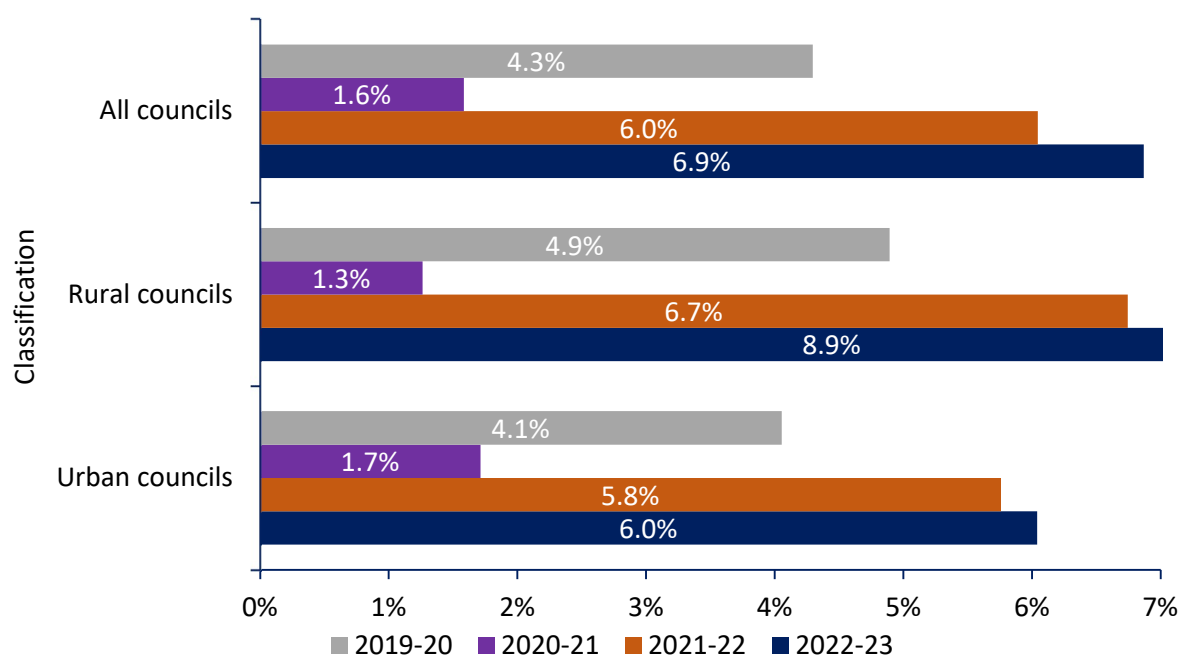


The most significant contributor to council own source revenue was rates, which in 2022-23 equated to 66.6% of urban council revenue and 59.5% of rural council revenue. Rate revenue reflects charges for rates and associated charges such as the fire levy.

In line with their smaller populations, Flinders Council and King Island Council generated significantly below average total rate revenue in 2022-23 compared to other councils. Flinders Council’s rates revenue was 34.0% of their operating revenue, with King Island Council’s rates revenue representing 37.0% of their operating revenue. Both councils received government grants to assist in the provision of services, but still generated underlying deficits in 2022-23.

A comparison of increases in rate revenue by urban and rural councils and in aggregate for all councils over the past 4 years is shown in Figure 17.

Figure 17: Increases in council rate revenue



As can be seen in Figure 17, there were minimal increases in aggregate rate revenues in 2020-21. This reflects the decision by councils not to increase rates for 2020-21 to support ratepayers during the COVID-19 pandemic. As most councils applied a zero percentage rate increase in 2020-21, the increases in rate revenues for that year were mainly due to other factors, such as, increases in the number of rateable properties in the municipality.

As shown in Figure 17, both rural and urban councils achieved higher levels of increases in rate revenues in 2021-22 and 2022-23. This reflects decisions made by councils to counter increasing cost pressures, especially for infrastructure materials, and the effects of the rate freeze in 2020-21.

Table 13 below details the rate revenue by council. Increases are attributed to a number of factors, for example, increases in the rates charged to property owners, the introduction of new levies or charges, an increase in the number of rateable properties within the council’s municipality. The council with the most significant increase in rate revenue for 2022-23 was West Coast Council, which had an increase of 31.4%. This increase primarily relates to an increase in rates, from \$5.54 million to \$7.03 million, and garbage charge, increasing from \$1.28 million to \$2.07 million. The next largest increase was Glamorgan Spring Bay Council of 14.4%.

Table 13: Rate revenue increase by council

Council	2019-20	2020-21	2021-22	2022-23
Urban councils				
Brighton Council	6.6%	3.6%	9.2%	10.3%
Burnie City Council	0.1%	0.6%	3.8%	10.6%

Council	2019-20	2020-21	2021-22	2022-23
Central Coast Council	4.9%	0.9%	4.1%	5.5%
Clarence City Council	5.3%	2.1%	4.8%	8.1%
Devonport City Council	3.3%	0.5%	4.3%	4.6%
Glenorchy City Council	2.6%	(2.2%)	8.9%	4.8%
Hobart City Council	4.7%	2.5%	6.5%	4.2%
Kingborough Council	5.7%	5.5%	6.5%	6.5%
Launceston City Council	3.9%	1.7%	4.5%	5.6%
West Tamar Council	2.6%	2.4%	6.1%	7.5%
Total urban councils	4.1%	1.7%	5.8%	6.0%
Rural councils				
Break O'Day Council	3.6%	1.2%	5.2%	6.1%
Central Highlands Council	3.2%	0.5%	3.5%	5.3%
Circular Head Council	5.5%	(0.2%)	4.7%	4.9%
Derwent Valley Council	2.2%	0.7%	9.4%	12.5%
Dorset Council	4.2%	0.1%	7.9%	10.6%
Flinders Council	16.6%	0.4%	6.6%	7.5%
George Town Council	4.5%	1.6%	4.9%	7.4%
Glamorgan Spring Bay Council	7.9%	3.3%	12.9%	14.4%
Huon Valley Council	9.8%	0.7%	7.1%	7.3%
Kentish Council	3.3%	0.7%	6.3%	6.0%
King Island Council	4.2%	0.2%	2.1%	6.2%
Latrobe Council	4.9%	3.6%	9.7%	8.0%
Meander Valley Council	1.7%	2.4%	11.8%	8.7%
Northern Midlands Council	7.1%	0.2%	5.5%	6.5%
Sorell Council	4.8%	2.7%	5.4%	6.8%

Council	2019-20	2020-21	2021-22	2022-23
Southern Midlands Council	5.3%	0.8%	5.1%	6.4%
Tasman Council	4.2%	0.8%	4.5%	5.8%
Waratah-Wynyard Council	1.6%	0.9%	5.9%	7.3%
West Coast Council	4.7%	0.4%	1.9%	31.4%
Total rural councils	4.9%	1.3%	6.7%	8.9%
All councils				
Total	4.3%	1.6%	6.0%	6.9%

Capital investment

Capital spend compared to budget

\$1.16bn

Total capital spend
last 4 years

\$1.50bn

Total budgeted capital
spend last 4 years

\$84.18m

Average spending
gap last 4 years

Councils undertake capital spending to build new, upgrade or renew their non-financial (physical) assets. These assets cover a variety of items, including buildings, infrastructure (including roads, bridges and footpaths) and specialist items such as heritage items or sports facilities. Each year, councils set capital budgets outlining the projects that they will undertake and the expected cost.

In 2022-23, the 29 councils collectively spent \$297.50 million on capital projects. This was only 70.6% of their budgeted spend for the financial year. A lower spend than budgeted usually indicates that projects have either not been started or haven't progressed as far as anticipated. This can happen for a variety of reasons, including changes in project scope or unanticipated delays in undertaking various stages of a project.

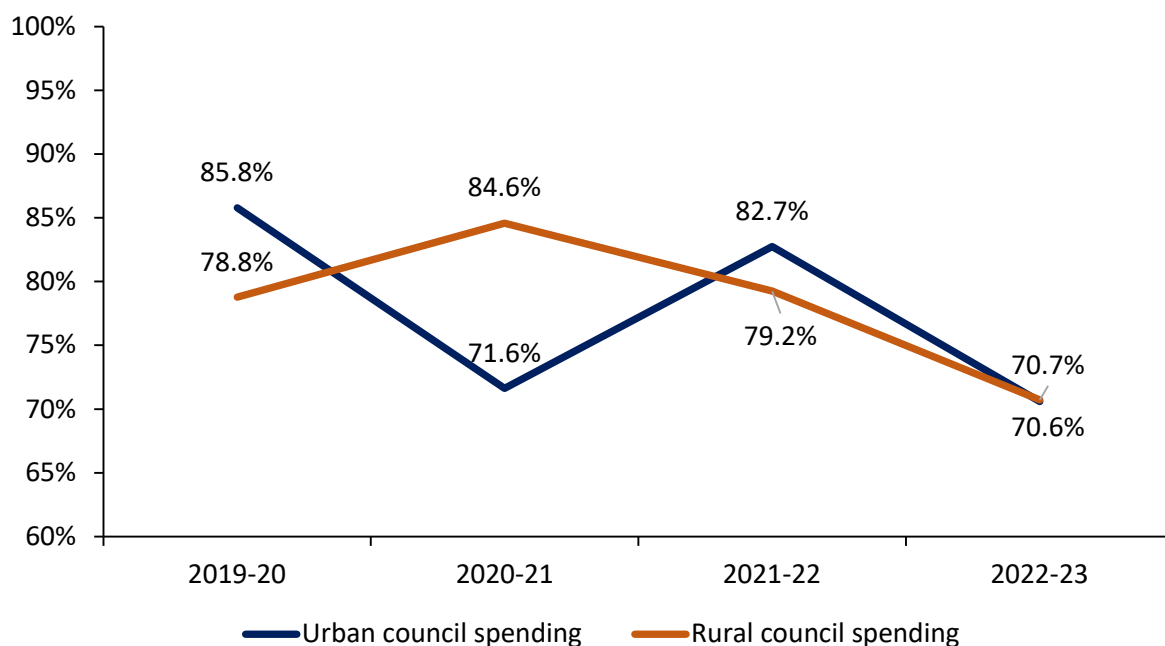
The increased demand in resources during and post the COVID-19 pandemic has led to many councils experiencing difficulties in engaging civil construction personnel and contractors to undertake or complete planned capital projects. This contributed to a deterioration in the capital expenditure gap for some councils in 2020-21 and beyond, with many of these projects continued into 2021-22 and 2022-23, meaning that other planned projects were similarly delayed into future financial years.

Conversely, individual councils can over-deliver on their capital projects, meaning they spend more than budgeted. This may indicate that new projects were added to council's priorities after the original capital budget was set, sometimes due to the awarding of new

grant funding from the Tasmanian or Australian Governments. It may also indicate that projects have overrun their anticipated costings.

As shown in Figure 18, in aggregate, councils have not spent their capital budgets in each of the past 4 years. In 2022-23, urban councils spent 70.6% of their capital budget, and rural councils 70.7%. These percentages have deteriorated over the past 4 years.

Figure 18: Capital spending as a percentage of capital budget



To provide additional context to Figure 18, Table 14 shows the level of capital spending above or below budget by council for the 4 year period to 2022-23.

Table 14: Capital spending above/(below) budget by council

Council	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	2022-23 \$'000
Urban councils				
Brighton Council	(130)	(2,679)	(1,111)	(8,059)
Burnie City Council	(1,802)	(4,281)	3,163	(9,302)
Central Coast Council	(20,528)	(16,830)	(11,278)	(14,447)
Clarence City Council	4,464	(1,175)	(5,389)	(1,142)
Devonport City Council	(3,128)	(296)	(1,531)	2,935
Glenorchy City Council	(1,417)	(8,429)	(2,872)	(8,550)
Hobart City Council	(16,916)	(13,585)	(16,503)	(33,484)

Council	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	2022-23 \$'000
Kingborough Council	(52)	1,575	3,497	5,036
Launceston City Council	10,895	(14,375)	2,551	3,119
West Tamar Council	(399)	(3,241)	(3,628)	(8,544)
Total urban councils	(29,013)	(63,316)	(33,100)	(72,438)
Rural councils				
Break O'Day Council	(2,494)	786	(2,176)	(4,481)
Central Highlands Council	(556)	1,323	(1,238)	293
Circular Head Council	0	201	258	1,055
Derwent Valley Council	(3,304)	(1,567)	(2,536)	(95)
Dorset Council	(2,688)	(2,427)	(1,210)	(2,156)
Flinders Council	(268)	(156)	2,375	(5,305)
George Town Council	(6,127)	2,716	5,068	6,263
Glamorgan Spring Bay Council	979	107	(4,708)	(4,060)
Huon Valley Council	4,117	2,184	726	(179)
Kentish Council	(3,868)	(1,621)	(3,231)	(2,512)
King Island Council	(520)	139	(531)	(431)
Latrobe Council	(2,967)	(5,129)	(15,704)	(6,662)
Meander Valley Council	(1,236)	(6,733)	(4,187)	(6,409)
Northern Midlands Council	(4,541)	(8,552)	(11,522)	(8,527)
Sorell Council	(640)	(1,788)	(2,703)	(8,246)
Southern Midlands Council	(5,426)	(419)	2,991	1,251
Tasman Council	5,156	(243)	(1,972)	(4,800)
Waratah-Wynyard Council	(4,994)	(1,745)	893	395
West Coast Council	(1,372)	(90)	5,500	(6,588)

Council	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	2022-23 \$'000
Total rural councils	(30,749)	(23,014)	(33,907)	(51,193)
All councils				
Total	(59,762)	(86,330)	(67,007)	(123,631)

Table 15 shows the actual capital spend as a percentage of budget for each council.

Table 15: Capital spending as a percentage of budget

Council	Trend	2019-20	2020-21	2021-22	2022-23
Urban councils					
Brighton Council	▼	97.6%	78.9%	86.1%	36.1%
Burnie City Council	●	82.8%	64.3%	146.7%	55.3%
Central Coast Council	▲	28.2%	52.3%	58.2%	41.5%
Clarence City Council	▼	126.2%	94.8%	74.9%	93.2%
Devonport City Council	▲	81.4%	98.1%	89.2%	125.6%
Glenorchy City Council	●	89.9%	61.2%	85.4%	72.9%
Hobart City Council	▼	71.2%	60.2%	59.2%	53.5%
Kingborough Council	▲	99.7%	111.7%	123.0%	124.2%
Launceston City Council	●	142.9%	67.3%	110.3%	118.6%
West Tamar Council	▼	96.2%	72.4%	74.7%	54.5%
Total urban councils	▼	85.8%	71.6%	82.7%	70.6%
Rural councils					
Break O'Day Council	▼	76.3%	110.3%	68.5%	51.1%
Central Highlands Council	●	82.2%	132.6%	72.1%	105.3%
Circular Head Council	▲	100.0%	104.3%	104.8%	117.7%
Derwent Valley Council	▲	68.0%	79.6%	67.5%	97.3%
Dorset Council	▲	76.0%	79.0%	91.0%	82.2%
Flinders Council	●	94.3%	82.5%	530.3%	24.4%

Council	Trend	2019-20	2020-21	2021-22	2022-23
George Town Council	▲	38.8%	166.4%	284.8%	1170.6%
Glamorgan Spring Bay Council	▼	117.1%	102.6%	44.6%	41.3%
Huon Valley Council	▼	158.4%	134.7%	111.6%	97.1%
Kentish Council	●	51.0%	85.2%	56.3%	51.8%
King Island Council	●	65.9%	110.5%	84.3%	81.3%
Latrobe Council	●	59.6%	57.2%	33.1%	72.9%
Meander Valley Council	▼	89.7%	55.8%	63.2%	49.0%
Northern Midlands Council	▼	62.2%	54.3%	43.5%	56.7%
Sorell Council	▼	92.0%	88.6%	82.9%	44.1%
Southern Midlands Council	▲	40.9%	93.7%	139.7%	117.7%
Tasman Council	▼	380.8%	87.9%	57.3%	20.5%
Waratah-Wynyard Council	▲	57.4%	84.6%	108.9%	103.5%
West Coast Council	●	74.8%	98.0%	267.0%	53.8%
Total rural councils	▼	78.8%	84.6%	79.2%	70.7%
All councils					
Total	▼	82.9%	76.8%	81.1%	70.6%

▲ improvement in trend ▼ deterioration in trend ● no material change in trend

In 2022-23, 21 councils spent less than their anticipated capital budget. This included 7 of the 10 urban councils, and 14 of the 19 rural councils. This is consistent with 2019-20 to 2021-22.

Changed priorities and circumstances mean that councils may amend capital budgets during the year. In some cases, this may result in material differences between projects planned in initial budgets and final spending.

Similar to prior years, receipt of specific purpose funding, announcements of new funding programs and natural disasters can adversely affect capital spending allocations and add further pressure on available resources.

Whilst acknowledging the civil construction resource challenges facing the local government sector, councils should endeavour to achieve budgeted capital expenditure to ensure asset renewal occurs at the optimal time, thereby reducing the risks of increased maintenance costs, reduced asset condition, safety and functionality and reduced council services to

communities. This is particularly important for those councils with a deteriorating trend in the capital expenditure gap.

Capital investment funding source

\$1.16bn

Total capital spend
last 4 years

\$314.43m

Total capital grants
last 4 years

\$846.77m

Total self-funded
last 4 years

Over the last 4 years, 72.9% of councils' capital spending was self-funded, with the balance from capital grants. Capital grants represented Tasmanian or Australian Government grants for new and upgraded assets and asset replacements. These included grants under the RTR program, LRCI program, NDRLG funding, as well as funding for improving public spaces, leisure and recreation facilities, bridge and street renewal, road safety, memorials and other purposes.

In 2022-23, Hobart City, Launceston City, Glenorchy City and Kingborough Councils accounted for \$107.22 million of the \$173.87 million spent by urban councils on capital projects. These councils only received \$29.33 million in capital grants towards these projects.

Capital grant funding for rural councils in 2022-23 remained similar to prior year levels with \$49.88 million recognised across the 19 councils (2021-22, \$51.26 million).

It is expected capital grants will vary from year to year depending on applications made by councils and budget priorities of governments. Despite this, a consistently large component of capital grants for local government was funding provided under the RTR and LRCI programs.

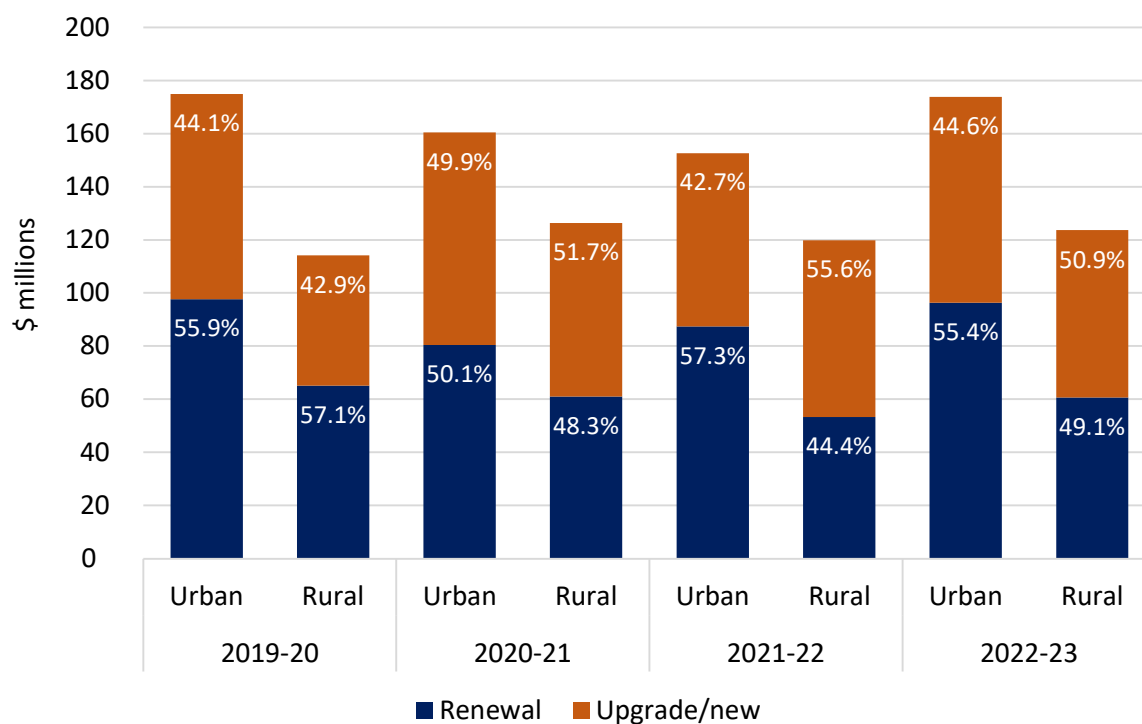
The current RTR program covers the period from 2019-20 to 2023-24 with total funds of \$82.42 million allocated to Tasmania, of which \$31.24 million had been allocated for urban councils and \$51.18 million allocated for rural councils. In 2022-23, a total of \$12.66 million (2021-22, \$16.15 million) in RTR funding was received by councils.

During 2022-23, councils recognised capital grant revenue of \$14.64 million under the LRCI program. This program was discussed at the start of this chapter.

Capital investment allocation

As illustrated in Figure 19, in 2022-23, urban councils focused on renewing their existing assets, whilst rural councils spent more on new or upgraded assets. This is consistent with last year, where urban councils spent 57.3% on renewal (compared to 55.4% this year) and similarly where rural councils spent 55.6% on new or upgraded assets (compared to 50.9% this year). Renewal of assets does not include funding on maintenance.

Figure 19: Capital investment allocation



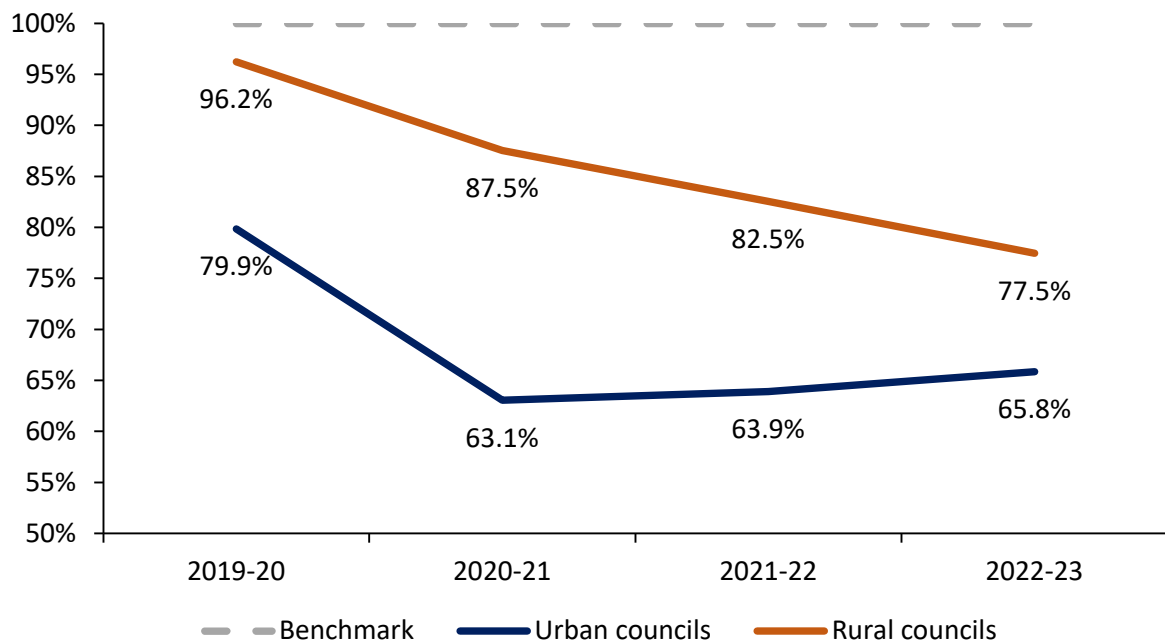
Asset sustainability ratio

This ratio shows the extent to which councils maintain operating capacity through renewal of their existing asset base. The generally accepted benchmark for this ratio, subject to appropriate levels of maintenance expenditure and the existence of approved long-term asset management plans, is 100.0%.

The benchmark is based on a council expending the equivalent of its annual depreciation expense on asset renewals within the year. However, it is acknowledged this will not occur every year or evenly over time.

Figure 20 shows the asset sustainability ratio on an average basis for urban and rural councils over the last 4 years.

Figure 20: Asset sustainability ratio



Urban councils expended, on average, 67.9% of their depreciation expense to maintain existing non-current assets, whereas rural councils expended, on average, 85.6% over the 4 year period. As noted earlier, rural councils generally spent more on renewal of existing assets than urban councils. A concerning trend for rural councils is the declining trend in the aggregate asset sustainability ratio over the 4 years.

In most cases, councils failed to meet the benchmark. Only 4 councils achieved an asset sustainability ratio equal to or above 100.0% in 2022-23, and no urban and only 4 rural councils consistently met this target over the past 4 years.

Asset useful life analysis

During 2022-23, 2 reports were published providing analysis and commentary on council depreciation and asset useful lives, the *Review of Council Strategic Asset Management Plans and Practices* and *The Future of local government review Final Report*.^{5,6}

This report expands on the insights identified in those 2 reports by providing further analysis on councils' total useful lives of transport and drainage assets. For our analysis, we calculated council total useful lives of transport and drainage assets using the following formula:

$$\frac{(\text{Opening gross value} + ((\text{Additions} + \text{Work in progress transfer} - \text{Disposals} + \text{Recognition of assets}) / 2))}{\text{Depreciation Expense}}$$

The formula was adjusted for revaluations where they occurred at 1 July 2022 and the depreciation expense for 2022-23 was calculated on the revalued amount.

Our calculated useful lives for each asset category, as illustrated Figures 21 and 22, correspond to those reported in the *Review of Council Strategic Asset Management Plans and Practices* report. For transport assets, the median total useful life is 70 years and the mean is 70 years. For drainage assets, the median total useful life is 99 years and the mean is 94 years.

As shown in Figures 21 and 22, certain councils have total useful lives for transport and drainage assets significantly higher or lower than the median and mean useful lives. Those councils should reassess the appropriateness of their asset useful lives during 2023-24 and include additional disclosures in their financial statements to explain their assessment of transport and drainage asset useful lives where they significantly differ from the median and mean useful lives reported by other councils.

⁵ Howard RJ (31 March 2023), [Review of Council Strategic Asset Management Plans and Practices](#), accessed 18 March 2024.

⁶ Local Government Board, Tasmanian Department of Premier and Cabinet, (October 2023), [The future of local government review Final Report](#), accessed 18 March 2024.

Figure 21: Estimated total useful life of transport assets

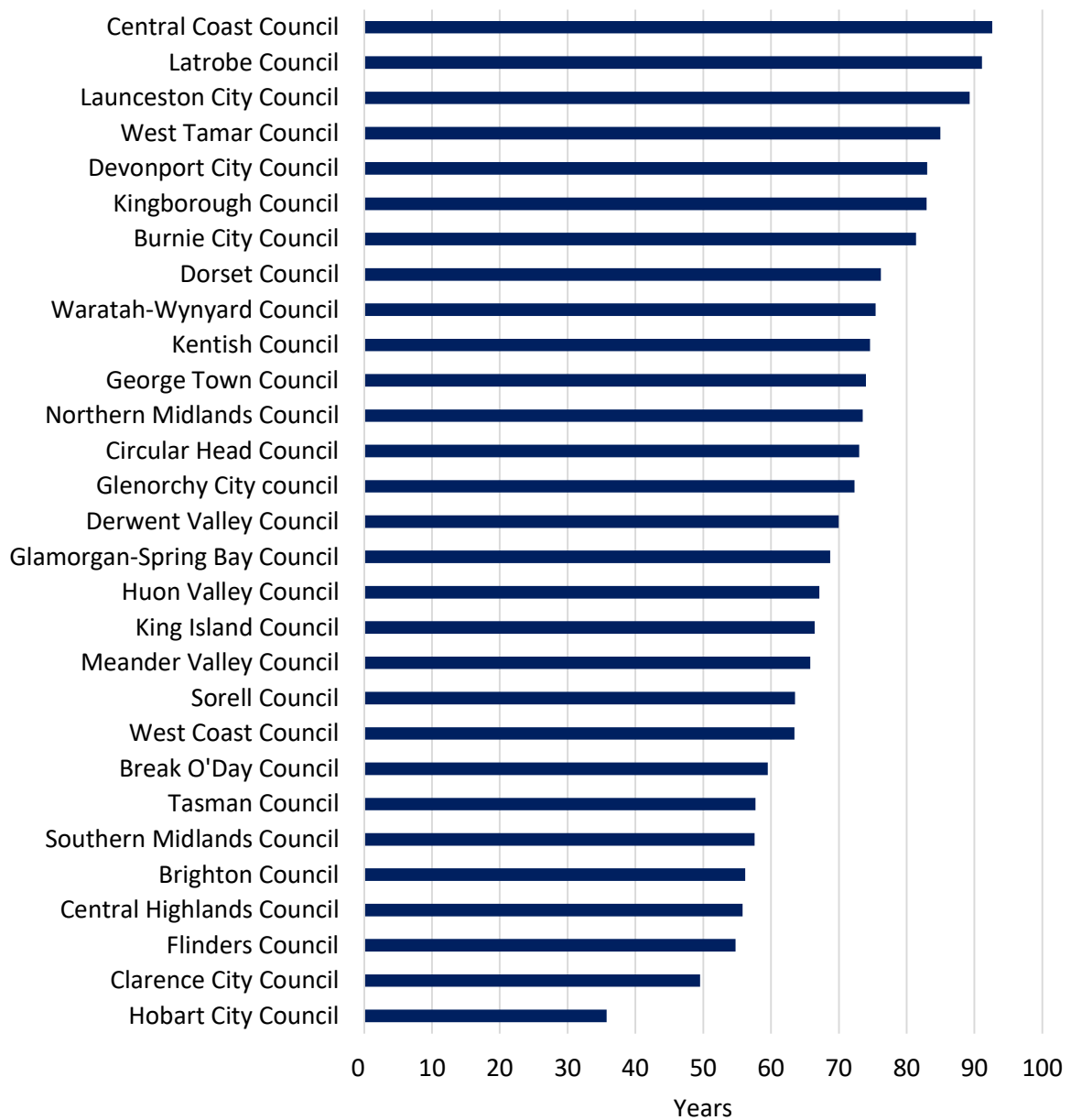
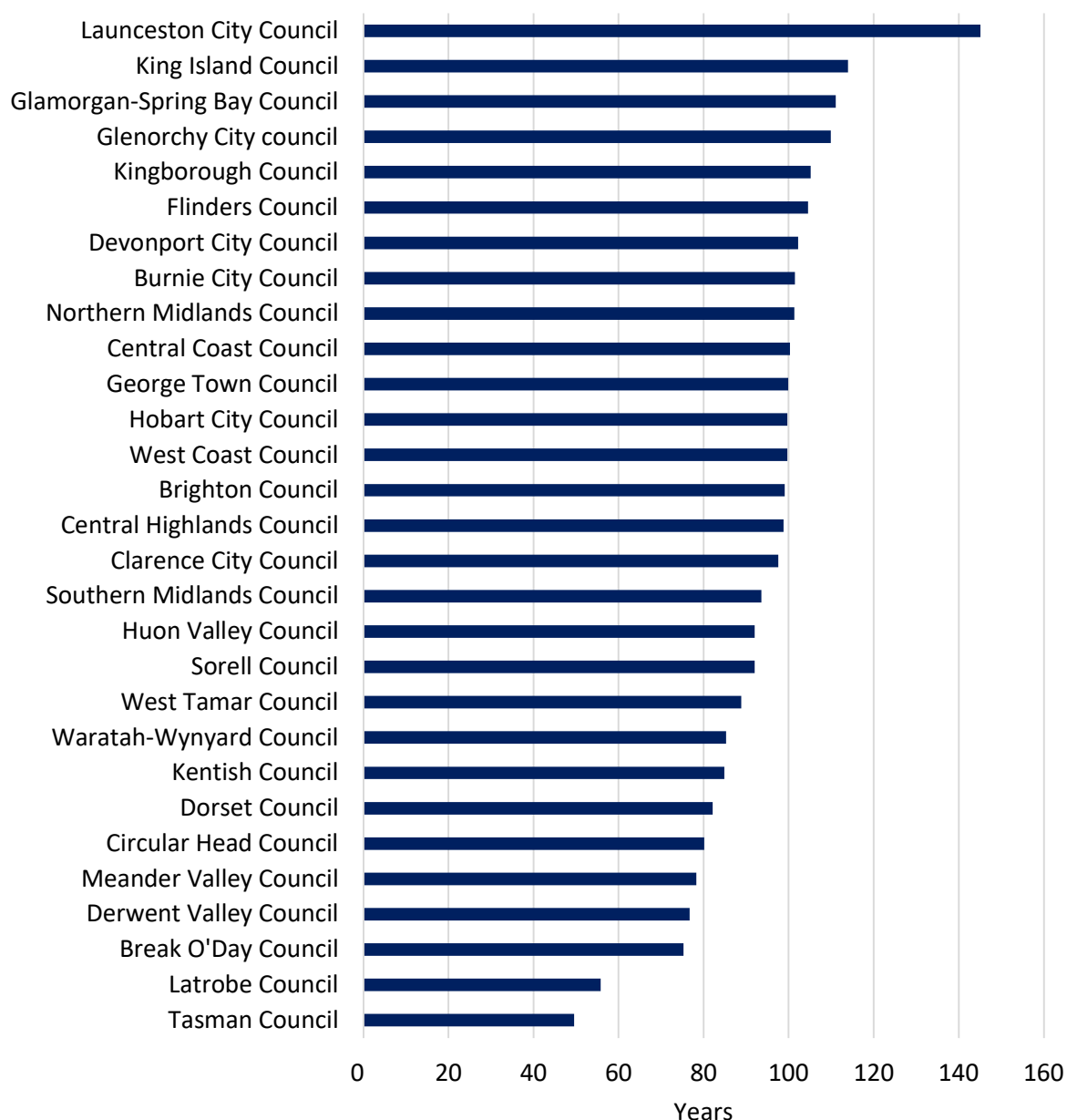


Figure 22: Estimated total useful life of drainage assets



We note the Local Government Board’s recommendation that the Tasmanian Government, in consultation with the sector, investigate the viability of, and seek to implement wherever possible, standardised useful asset life ranges for all major asset classes.

We do not support this recommendation. Under Australian Accounting Standard AASB 116 *Property, Plant and Equipment*, councils are generally required to estimate the useful lives of their assets and the residual values at the time of initial recognition. However, Australian Accounting Standards do not prescribe specific useful lives for assets, even within similar asset classes. Instead, they provide a framework for determining useful lives based on factors such as the expected pattern of consumption of economic benefits, technological changes, and legal or contractual limits.

AASB 116 requires councils to annually review and, if necessary, revise their estimates of useful lives and residual values to reflect changes in circumstances. This ensures that the carrying amounts of assets are reflective of their economic benefits to the council and are not materially misstated. Ultimately, the determination of useful lives is a judgmental process, and councils are expected to exercise their judgment based on the specific facts and circumstances relevant to their operations.

We believe increased transparency and benchmarking of council useful lives for infrastructure assets will assist in identifying, rectifying, and explaining any anomalies that may currently exist.

Cash and borrowings

\$661.m

Cash and
investments

\$469.27m

Working capital

\$232.41m

Interest-bearing
liabilities

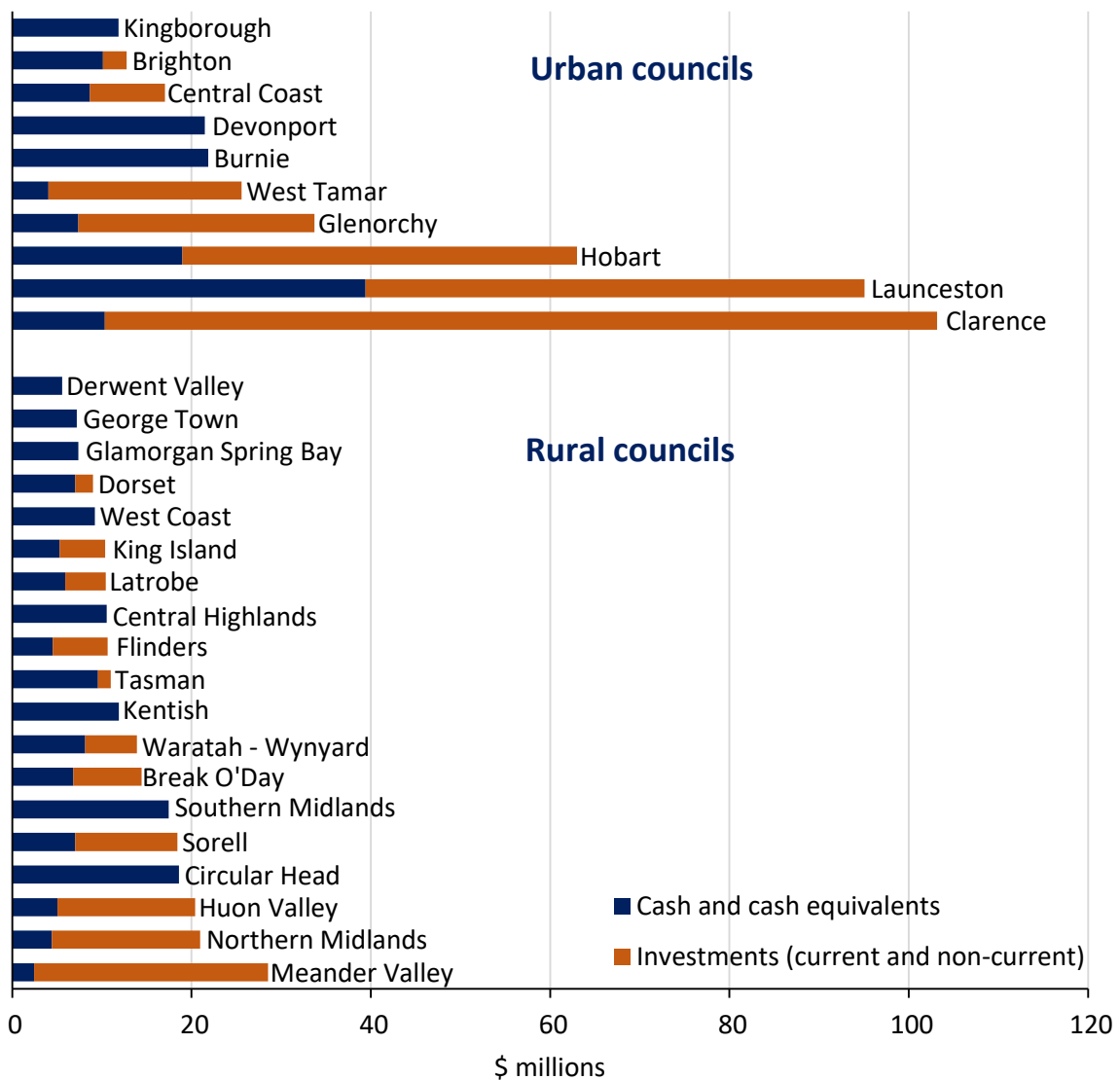
At 30 June 2023, councils held cash and investments of \$661.69 million, (30 June 2022, \$625.00 million) and interest-bearing liabilities of \$232.41 million (30 June 2022, \$273.73 million).

Cash and investments

Cash comprises cash on hand and demand deposits together with cash equivalents, such as short-term, highly liquid investments that are readily convertible to cash and which are subject to an insignificant risk of changes in value. Cash equivalents are those assets that meet the definition as such under AASB 107 *Statement of Cash Flows*.

Cash and investments held by each council at 30 June 2023 is shown in Figure 23.

Figure 23: Cash and investments held at 30 June 2023



The advance payment of \$97.68 million (2020-21, \$65.26 million) of Australian Government Financial Assistance Grants for 2022-23 was included in cash and investments at the end of the financial year. Excluding these payments, overall cash and investments would have been \$564.06 million (2021-22, \$559.74 million).

Table 16 shows the value of cash and investments held by each council at 30 June from 2020 to 2023 together with a trend indicator depicting whether cash and investments were increasing, decreasing or remaining at the same level.

Table 16: Cash and investments held at 30 June 2020 to 2023

Council	Trend	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2022 \$'000	30 June 2023 \$'000
Urban councils					
Brighton Council	▲	6,580	6,823	5,172	12,771
Burnie City Council	▲	14,709	16,340	18,092	21,889
Central Coast Council	▲	11,492	17,461	13,097	17,039
Clarence City Council	▲	65,286	67,761	98,471	103,175
Devonport City Council	▲	13,730	13,720	18,945	21,500
Glenorchy City Council	▲	15,547	28,461	28,016	33,720
Hobart City Council	▲	18,976	44,855	65,333	62,993
Kingborough Council	●	8,060	23,595	23,538	11,865
Launceston City Council	▲	60,345	84,839	81,902	95,051
West Tamar Council	▲	22,902	23,577	24,634	25,581
Total urban councils	▲	237,627	327,432	377,200	405,584
Rural councils					
Break O'Day Council	▲	10,257	10,548	11,813	14,435
Central Highlands Council	▼	11,222	10,204	11,145	10,541
Circular Head Council	▲	11,583	14,199	16,931	18,621
Derwent Valley Council	●	5,833	5,002	4,853	5,569
Dorset Council	▼	12,900	14,855	9,432	9,033
Flinders Council	▲	3,776	7,455	9,154	10,660
George Town Council	●	7,616	6,987	8,129	7,225
Glamorgan Spring Bay Council	▲	1,683	3,019	4,275	7,378
Huon Valley Council	▲	15,335	15,435	18,163	20,416
Kentish Council	●	11,738	12,342	12,945	11,865
King Island Council	▲	6,933	7,580	8,281	10,371
Latrobe Council	●	9,142	13,226	15,956	10,436

Council	Trend	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2022 \$'000	30 June 2023 \$'000
Meander Valley Council	▲	21,585	21,174	24,323	28,533
Northern Midlands Council	●	17,141	21,592	26,152	20,956
Sorell Council	▲	11,360	11,354	15,412	18,427
Southern Midlands Council	▲	14,013	18,500	14,636	17,451
Tasman Council	▲	6,289	7,414	8,436	11,010
Waratah-Wynyard Council	▲	12,076	12,313	14,248	13,937
West Coast Council	▲	8,004	7,326	13,519	9,245
Total rural councils	▲	198,486	220,525	247,803	256,109
All councils					
Total	▲	436,113	547,958	625,003	661,693

▲ improvement in trend ▼ deterioration in trend ● no material change in trend

As can be seen from Table 16, the large majority of councils had steadily increased their cash and financial asset balances over the 4 year period. In aggregate, the increase in cash and financial assets is likely to be attributed by the underspend by councils on capital works.

Cash expense cover ratio

The cash expense cover ratio is used to assess whether the level of uncommitted cash held by each council was appropriate. In calculating uncommitted cash, we deducted the following items from cash and financial asset balances held at 30 June 2023:

- trust funds and deposits
- accrued employee provisions
- unspent grants with conditions
- amounts used to cash-back specific reserves
- heritage funding commitments
- landfill or waste centre rehabilitation obligations
- other restricted funds, e.g. security deposits and bonds.

The cash expense cover ratio compared the uncommitted cash balance against the total payments for operating and financing activities from the cash flow statement, as the cash flow statement is more reflective of the actual movements in cash. The ratio represented the number of months a council can continue operating based on current monthly expenditure. The ratio does not take into account capital expenditure requirements.

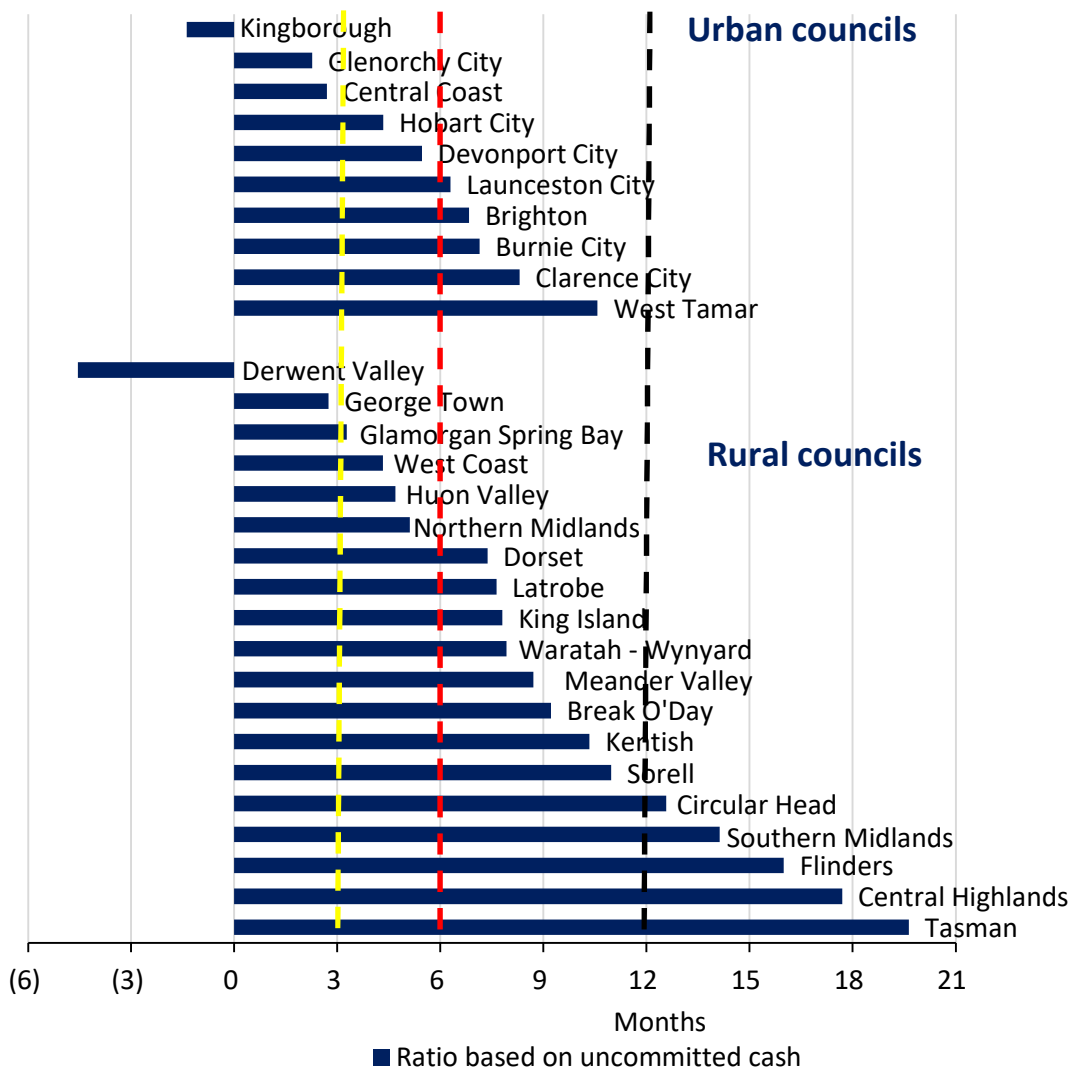
The following benchmarks were used to assess the adequacy of cash balances held:

- less than 3 months – level of cash considered less than adequate
- 3 to 6 months – level of cash considered adequate
- 6 to 12 months – level of cash considered more than adequate
- greater than 12 months – level of cash considered much more than adequate.

This ratio should not be considered in isolation but also take into account other ratios around financial sustainability.

Figure 24 shows that as at 30 June 2023, 5 councils had a much more than adequate cash expense ratio, with funds to cover more than 12 months of expenditure.

Figure 24: Cash expense cover ratio - uncommitted cash at 30 June 2023



Derwent Valley and Kingborough Councils have a cash expense ratio below zero as they have negative uncommitted funds.

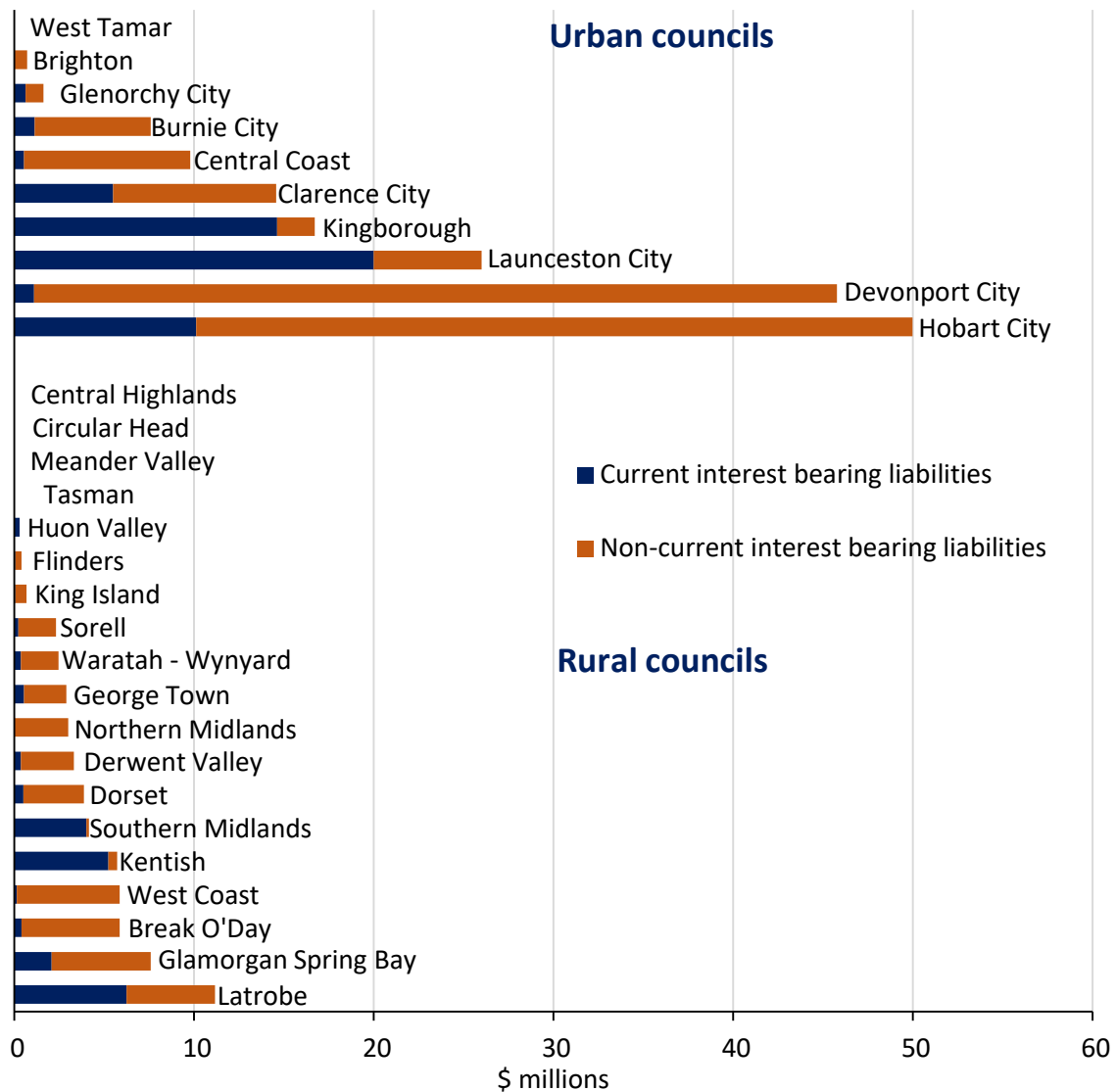
Six councils, 3 urban and 3 rural, had ratios that indicated they do not have funds to cover 3 months of expenses. Whilst these councils receive operating revenue to enable them to meet their ongoing expenses, a less than adequate ratio indicates that these 6 councils are at a higher risk of not being able to meet unexpected costs such as emergency situations, or to save funds for asset renewal or future payments out of provisions, for example, landfill rehabilitation.

Interest bearing liabilities

Under the *Local government Act 1993*, councils can request approval from the Treasurer to borrow funds. These borrowings may be used to fund longer-term projects such as the development or improvement of community assets or infrastructure. Borrowings should not be utilised to fund operational expenditure.

At 30 June 2023, 24 of the 29 councils held interest bearing liabilities totalling \$232.41 million (30 June 2022, \$273.73 million). Figure 25 shows the level of interest bearing liabilities held by individual councils at 30 June 2023.

Figure 25: Interest bearing liabilities held by councils at 30 June 2023



As shown in Figure 24, Hobart City and Devonport City held significantly higher borrowings than other councils. Hobart City Council's borrowings were to fund capital works, however is offset by investment in term deposits and Devonport City Council's borrowings were to fund its Living City Project.

Table 17 shows the value of interest bearing liabilities held by each council at 30 June from 2020 to 2023.

Table 17: Interest bearing liabilities held at 30 June 2020 to 2023

Council	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2022 \$'000	30 June 2023 \$'000
Urban councils				
Brighton Council	720	720	720	720
Burnie City Council	11,336	10,039	8,706	7,595
Central Coast Council	11,042	13,761	8,129	9,791
Clarence City Council	0	2,340	19,980	14,569
Devonport City Council	50,017	47,936	46,863	45,774
Glenorchy City Council	2,159	5,664	2,249	1,621
Hobart City Council	54,283	65,106	60,251	49,992
Kingborough Council	12,900	22,323	22,323	16,723
Launceston City Council	15,000	35,000	26,000	26,000
West Tamar Council	2,200	2,200	2,200	0
Total urban councils	159,657	205,089	197,421	172,787
Rural councils				
Break O'Day Council	8,484	8,138	6,256	5,867
Central Highlands Council	0	0	0	0
Circular Head Council	3,900	0	0	0
Derwent Valley Council	3,458	4,430	3,864	3,323
Dorset Council	5,700	8,047	4,363	3,870
Flinders Council	3,373	1,531	446	401

Council	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2022 \$'000	30 June 2023 \$'000
George Town Council	2,443	2,292	3,436	2,899
Glamorgan Spring Bay Council	7,236	8,302	7,844	7,587
Huon Valley Council	1,142	868	585	296
Kentish Council	1,007	5,989	5,865	5,730
King Island Council	1,041	887	728	681
Latrobe Council	250	6,500	11,250	11,176
Meander Valley Council	3,600	3,600	3,600	0
Northern Midlands Council	8,470	8,470	9,570	3,000
Sorell Council	2,180	3,157	2,755	2,330
Southern Midlands Council	457	4,749	4,415	4,150
Tasman Council	113	70	25	0
Waratah-Wynyard Council	870	3,150	2,807	2,457
West Coast Council	2,500	2,500	8,500	5,857
Total rural councils	56,224	72,680	76,309	59,624
All councils				
Total	215,881	277,769	273,730	232,411

No councils increased their borrowing in 2022-23, with most councils reducing their level of borrowings during the year and 3 councils fully repaying their loans.

Other local government entities

Entities included in this section are single, joint or controlling authorities controlled by councils established under the *Local government Act 1993*. These entities are detailed in Table 18.

The reporting framework for these entities is prescribed by enabling legislation or rules. In our analysis of financial performance, we have, where necessary, re-allocated certain revenue or expenditure items to better assist readers to interpret financial performance. For the Launceston Flood Authority, we accepted preparation of special purpose financial statements. All other entities prepared general purpose financial statements.

Aggregated financial results of other local government entities

Table 18: Aggregated financial results of other local government entities for the 2022-23

Other Local Government entities	Underlying surplus (deficit) \$'000	Net surplus (deficit) \$'000	Total comprehensive surplus (deficit) \$'000	Net assets \$'000
Subsidiaries¹				
C-Cell Unit Trust (Copping Refuse Disposal Site Joint Authority)	212	212	212	6,657
Launceston Flood Authority (Launceston City Council)	(112)	(112)	(112)	0
Equity accounted²				
Copping Refuse Disposal Site Joint Authority	6,599	5,051	5,051	25,606
Dulverton Regional Waste Management Authority	3,996	2,997	3,929	29,090
Other Local Government entities³				
Cradle Coast Authority	3,404	3,404	3,404	11,541
Local Government Association of Tasmania	1,440	1,440	1,440	6,818
Northern Tasmanian Regional Development Corporation Ltd	(326)	(326)	(326)	490
Southern Tasmanian Councils Authority	(35)	(35)	(35)	217
Southern Tasmanian Regional Waste Authority	166	166	166	166
Tasmanian Water & Sewerage Corporation Pty Ltd	31,248	70,962	70,918	1,752,071
Total	46,592	83,759	84,647	1,832,656

Notes

Note 1: Financial results and information for these subsidiaries have been included within the consolidated financial results of their parent entity.

Note 2: Financial results and information for these equity investments have been included within the consolidated financial results of various councils.

Note 3: Financial results and information for these other local government entities are not included in the consolidated results of councils.

Collectively, other local government entities controlled net assets valued at \$1.83 billion at 30 June 2023 (30 June 2022, \$1.72 billion).

They reported a combined underlying surplus of \$46.43 million for 2021-22 (2021-22, \$41.57 million).

Equity accounting

Both Copping Refuse Disposal Site Joint Authority and Dulverton Regional Waste Management Authority were equity accounted by councils that had equity interests in these entities. This means that, following initial recognition, the carrying amount of the investment in the entity increased or decreased to recognise each participating council's share of the joint authority's operating result, with a corresponding amount recognised in each council's income statement. Distributions received from the joint authority reduced the carrying amount of the investment.

Disposal of firearms and ammunition

Background

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

Under section 149(5) of the Firearms Act, the Auditor-General is to, once every year, arrange for an independent audit of all firearms and ammunition disposed of under this Act and to report on the audit to Parliament. The commentary below relates to the audit undertaken for the year ended 30 June 2023.

Audit requirement under section 149(5)

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

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

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

DPFEM recording and disposal practices

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

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

Inability to form an opinion on disposals

Despite improvements by DPFEM to improve information capture in the FAWD system, the inability of the FAWD system to document whether disposals occurred under sections 149(2)(c), 149(3A) or 104(4) of the Firearms Act prevents us from being able to conduct an audit in accordance with section 149(5) of the Firearms Act. Consequently, the auditor's

report for the year ended 30 June 2023 contained a disclaimer of opinion in respect of DPFEM's compliance with the requirements of the Firearms Act with respect to disposals made:

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

Legislative reform

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

The Bill received Royal Assent on 21 December 2023, with the date the provisions of the *Firearms Amendment (Community Safety) Act 2023* commence yet to be proclaimed as at the date of this report.

Appendix A - Timeliness of reporting

	Financial statements received ¹	Financial statements certified	Audit opinion signed
30 November 2022 audits			
Communities Tasmania	10-Feb-23	27-Mar-23	27-Mar-23
Housing Tasmania	10-Feb-23	27-Mar-23	27-Mar-23
31 December 2022 audits			
AMC Search Ltd	14-Feb-23	14-Feb-23	24-Feb-23
University of Tasmania	14-Feb-23	02-Mar-23	07-Mar-23
UTAS Holdings Pty Ltd	14-Feb-23	14-Feb-23	17-Feb-23
UTAS Properties Pty Ltd	14-Feb-23	15-Feb-23	21-Feb-23
Tasmania University Union	14-Feb-23	15-Feb-23	17-Feb-23
Theatre Royal Management Board	14-Feb-23	14-Feb-23	15-Feb-23
Solicitors' Trust	14-Feb-23 [^]	23-Mar-23	24-Mar-23
30 June 2023 audits			
Executive and Legislature			
House of Assembly	14-Aug-23	14-Aug-23	30-Oct-23*
Legislative Council	14-Aug-23	14-Aug-23	31-Oct-23*
Legislature-General	14-Aug-23	30-Oct-23	30-Oct-23*
Office of the Governor	14-Aug-23	14-Aug-23	24-Oct-23*
Ministerial Departments			
Education, Children and Young People	14-Aug-23	12-Oct-23	13-Oct-23*
Health	11-Aug-23	07-Sep-23	08-Sep-23
Justice	14-Aug-23	19-Sep-23	20-Sep-23
Natural Resources and Environment Tasmania	14-Aug-23	20-Sep-23	21-Sep-23

	Financial statements received ¹	Financial statements certified	Audit opinion signed
Police, Fire and Emergency Management	14-Aug-23	10-Oct-23	12-Oct-23*
Premier and Cabinet	14-Aug-23	29-Sep-23	10-Oct-23*
State Growth	14-Aug-23	05-Oct-23	10-Oct-23*
Treasury	14-Aug-23	17-Oct-23	17-Oct-23*
Treasury – Public Account	29-Sep-23	28-Oct-23	30-Oct-23
Treasury – TAFR	29-Sep-23	28-Oct-23	30-Oct-23
Ministerial Departmental Controlled Entities			
Abt Railway Ministerial Corporation	14-Aug-23	Not Dated	12-Oct-23*
Ambulance Tasmania	11-Aug-23	07-Sep-23	08-Sep-23
Office of Tasmanian Assessment, Standards and Certification	15-Aug-23 [^]	22-Sep-23	25-Sep-23
Tasmania Development and Resources	14-Aug-23	27-Sep-23	28-Sep-23
Tasmanian Affordable Housing Limited	15-Aug-23 [^]	26-Sep-23	26-Sep-23
Tasmanian Health Service	11-Aug-23	07-Sep-23	08-Sep-23
Tasmanian Museum and Art Gallery	14-Aug-23	25-Sep-23	26-Sep-23
Teachers Registration Board of Tasmania	14-Aug-23	27-Sep-23	27-Sep-23
Other General Government Sector Entities			
Asbestos Compensation Fund	14-Aug-23	08-Sep-23	08-Sep-23
Brand Tasmania	14-Aug-23	28-Sep-23	28-Sep-23
Council of Law Reporting	14-Aug-23	25-Aug-23	08-Sep-23
Environment Protection Authority	11-Aug-23	22-Sep-23	25-Sep-23
Inland Fisheries Service	31-Jul-23	11-Sep-23	11-Sep-23
Integrity Commission	09-Aug-23	08-Sep-23	11-Sep-23
Marine and Safety Authority	11-Aug-23	11-Aug-23	15-Aug-23

	Financial statements received ¹	Financial statements certified	Audit opinion signed
Office of the Director of Public Prosecutions	14-Aug-23	18-Sep-23	18-Sep-23
Office of the Ombudsman and Health Complaints Commissioner	14-Aug-23	11-Sep-23	12-Sep-23
Royal Tasmanian Botanical Gardens	14-Aug-23	25-Sep-23	25-Sep-23
State Fire Commission	14-Aug-23	10-Oct-23	11-Oct-23*
Tasmanian Economic Regulator	14-Aug-23	10-Aug-23	28-Sep-23
Tasmanian Pharmacy Authority	14-Aug-23 [^]	30-Aug-23	31-Aug-23
Tasmanian State Health Funding Pool	27-Jul-23	11-Sep-23	13-Sep-23*
Tasmanian Timber Promotion Board	04-Sep-23 [^]	04-Sep-23	06-Oct-23
TasTAFE	14-Aug-23	14-Aug-23	15-Aug-23
Tourism Tasmania	11-Aug-23	25-Sep-23	25-Sep-23
Waste Resource and Recovery Board	14-Aug-23	05-Oct-23	06-Oct-23*
WorkCover Tasmania Board	14-Aug-23	14-Sep-23	18-Sep-23
Public Financial and Non-Financial Corporations			
Aurora Energy Pty Ltd	11-Aug-23	10-Aug-23	14-Aug-23
Bass Island Line Pty Ltd	14-Aug-23	14-Aug-23	15-Aug-23
FortyTwo24 Pty Ltd	08-Aug-23	04-Aug-23	24-Aug-23
Homes Tasmania	14-Aug-23	28-Sep-23	06-Oct-23*
Hydro-Electric Corporation	14-Aug-23	14-Aug-23	14-Aug-23
Macquarie Point Development Corporation	14-Aug-23	02-Oct-23	03-Oct-23
Marinus Link Pty Ltd	10-Aug-23	10-Aug-23	30-Aug-23
Metro Tasmania Pty Ltd	07-Aug-23	07-Aug-23	08-Aug-23
Momentum Energy Pty Ltd	14-Aug-23	14-Aug-23	14-Aug-23
Motor Accidents Insurance Board	11-Aug-23	11-Aug-23	14-Aug-23

	Financial statements received ¹	Financial statements certified	Audit opinion signed
Newood Holdings Pty Ltd	15-Aug-23 [^]	●	●
Port Arthur Historic Site Management Authority	14-Aug-23	26-Sep-23	27-Sep-23
Private Forests Tasmania	11-Aug-23	24-Aug-23	24-Aug-23
Public Trustee	14-Aug-23	15-Sep-23	18-Sep-23
Sustainable Timber Tasmania	09-Aug-23	04-Aug-23	10-Aug-23
Tasmanian Irrigation Pty Ltd	09-Aug-23	09-Aug-23	10-Aug-23
Tasmanian Networks Pty Ltd	14-Aug-23	11-Aug-23	07-Sep-23
Tasmanian Ports Corporation Pty Ltd	14-Aug-23	14-Aug-23	17-Aug-23
Tasmanian Public Finance Corporation	07-Aug-23	07-Aug-23	08-Aug-23
Tasmanian Railway Pty Ltd	11-Aug-23	08-Aug-23	14-Aug-23
Tasracing Pty Ltd	11-Aug-23	11-Aug-23	14-Aug-23
TT-Line Company Pty Ltd	11-Aug-23	11-Aug-23	14-Aug-23
Local Government Authorities			
Urban councils			
Brighton Council	14-Aug-23	20-Nov-23	21-Nov-23*
Burnie City Council	14-Aug-23	15-Sep-23	21-Sep-23
Central Coast Council	14-Aug-23	28-Sep-23	28-Sep-23
Clarence City Council	14-Aug-23	31-Oct-23	01-Nov-23*
Devonport City Council	14-Aug-23	14-Aug-23	11-Sep-23
Glenorchy City Council	14-Aug-23	13-Aug-23	14-Nov-23*
Hobart City Council	14-Aug-23	28-Sep-23	28-Sep-23
Kingborough Council	14-Aug-23	11-Oct-23	12-Oct-23*
Launceston City Council	14-Aug-23	25-Sep-23	25-Sep-23

	Financial statements received ¹	Financial statements certified	Audit opinion signed
West Tamar Council	09-Aug-23	09-Aug-23	11-Aug-23
Rural councils			
Break O'Day Council	14-Aug-23	19-Sep-23	19-Sep-23
Central Highlands Council	14-Aug-23	17-Nov-23	17-Nov-23*
Circular Head Council	14-Aug-23	05-Dec-23	06-Dec-23*
Derwent Valley Council	14-Aug-23	28-Sep-23	28-Sep-23
Dorset Council	14-Aug-23	20-Sep-23	27-Sep-23
Flinders Council	14-Aug-23	05-Oct-23	06-Oct-23*
George Town Council	14-Aug-23	26-Sep-23	28-Sep-23
Glamorgan-Spring Bay Council	14-Aug-23	15-Nov-23	23-Nov-23*
Huon Valley Council	14-Aug-23	05-Oct-23	20-Oct-23*
Kentish Council	15-Nov-23 [^]	19-Feb-24	19-Feb-24*
King Island Council	14-Aug-23	24-Nov-23	29-Nov-23*
Latrobe Council	2-Nov-23 [^]	19-Feb-24	19-Feb-24*
Meander Valley Council	14-Aug-23	27-Sep-23	28-Sep-23
Northern Midlands Council	14-Aug-23	02-Oct-23	05-Oct-23*
Sorell Council	14-Aug-23	28-Sep-23	28-Sep-23
Southern Midlands Council	14-Aug-23	14-Aug-23	03-Nov-23*
Tasman Council	08-Dec-23 [^]	08-Dec-23	11-Dec-23
Waratah-Wynyard Council	14-Aug-23	30-Nov-23	04-Dec-23*
West Coast Council	11-Aug-23	21-Nov-23	21-Nov-23*
Local Government Controlled Entities			
C-Cell Unit Trust	14-Aug-23	14-Aug-23	08-Sep-23
Cradle Coast Authority	04-Aug-23	17-Aug-23	17-Aug-23

	Financial statements received ¹	Financial statements certified	Audit opinion signed
Dulverton Regional Waste Management Authority	08-Aug-23	23-Aug-23	24-Aug-23
Launceston Flood Authority	14-Aug-23	09-Aug-23	22-Sep-23
Local Government Association of Tasmania	14-Aug-23	24-Jan-24	05-Feb-24*
Northern Tasmania Development Corporation Ltd	14-Aug-23	29-Sep-23	29-Sep-23*
Southern Tasmanian Councils Authority	14-Aug-23	27-Jul-23	28-Sep-23
Southern Tasmanian Regional Waste Authority	14-Aug-23	25-Oct-23	07-Nov-23*
Copping Refuse Disposal Site Joint Authority	14-Aug-23	14-Aug-23	15-Sep-23
Tasmanian Water and Sewerage Corporation Pty Ltd	21-Jul-23	10-Aug-23	11-Aug-23
Other State Entities			
Aboriginal Land Council of Tasmania	14-Aug-23	●	●
Forest Practices Authority	11-Aug-23	22-Sep-23	25-Sep-23
Legal Profession Board	09-Aug-23	09-Aug-23	29-Aug-23
National Trust of Australia (Tasmania)	14-Aug-23	27-Oct-23	27-Oct-23*
palawa Enterprises Unit Trust	14-Aug-23	●	●
Property Agents Board	14-Aug-23	28-Sep-23	28-Sep-23
Property Agents Trust	14-Aug-23	27-Sep-23	29-Sep-23*
Retirement Benefits Fund	14-Aug-23	06-Nov-23	06-Nov-23*
Tasmania Legal Aid	09-Aug-23	25-Sep-23	28-Sep-23*
Tasmanian Beef Industry (Research and Development) Trust	06-Sep-23 [^]	20-Oct-23	20-Oct-23
Tasmanian Building and Construction Industry Training Board	05-Sep-23 [^]	20-Oct-23	24-Oct-23*

	Financial statements received ¹	Financial statements certified	Audit opinion signed
Tasmanian Community Fund	14-Aug-23	28-Sep-23	29-Sep-23*
Tasmanian Dairy Industry Authority	11-Aug-23	09-Aug-23	25-Sep-23
Tasmanian Heritage Council	11-Aug-23	10-Aug-23	25-Sep-23
The Nominal Insurer	17-Aug-23 [^]	2-Oct-23	2-Oct-23
Wellington Park Management Trust	11-Aug-23	25-Sep-23	25-Sep-23
Audits dispensed with			
AETV Pty Ltd (Hydro Tasmania)	14-Aug-23	14-Aug-23	N/A
Bell Bay Power Pty Ltd (Hydro Tasmania)	14-Aug-23	14-Aug-23	N/A
Bell Bay Three Pty Ltd (Hydro Tasmania)	14-Aug-23	14-Aug-23	N/A
Board of Architects	15-Feb-23 [^]	14-Feb-23	N/A
C-Cell Pty Ltd (Southern Waste Solutions)	14-Aug-23	14-Aug-23	N/A
Dulverton Waste Solutions Pty Ltd (Dulverton Regional Waste Management Authority)	08-Aug-23	08-Aug-23	N/A
Flinders Island Ports Corporation Pty Ltd (TasPorts)	14-Aug-23	14-Aug-23	N/A
Geeveston Town Hall Controlling Authority (Huon Valley Council)	14-Aug-23	14-Aug-23	N/A
Heemskirk Holdings Pty Ltd (Hydro Tasmania)	14-Aug-23	14-Aug-23	N/A
Heemskirk Wind Farm Pty Ltd (Hydro Tasmania)	14-Aug-23	14-Aug-23	N/A
Heritage Building Solutions Pty Ltd (Southern Midlands Council)	14-Aug-23	14-Aug-23	N/A
Heritage Education & Skills Centre Pty Ltd (Southern Midlands Council)	14-Aug-23	14-Aug-23	N/A
Huon Valley Jobs Hub (Huon Valley Council)	28-Aug-23 [^]	28-Aug-23	N/A
HT Wind Developments Pty Ltd (Hydro Tasmania)	14-Aug-23	14-Aug-23	N/A

	Financial statements received ¹	Financial statements certified	Audit opinion signed
HT Wind Operations Pty Ltd (Hydro Tasmania)	14-Aug-23	14-Aug-23	N/A
Hydro Tasmania Consulting (Holding) Pty Ltd (Hydro Tasmania)	14-Aug-23	14-Aug-23	N/A
Hydro Tasmania Retail Pty Ltd (Hydro Tasmania)	14-Aug-23	14-Aug-23	N/A
King Island Ports Corporation Pty Ltd (TasPorts)	14-Aug-23	14-Aug-23	N/A
Kingborough Waste Services Pty Ltd (Kingborough Council)	14-Aug-23	14-Aug-23	N/A
Lofty Ranges Power Pty Ltd (Hydro Tasmania)	14-Aug-23	14-Aug-23	N/A
Maidstone Park Management Controlling Authority (Devonport City Council)	14-Aug-23	14-Aug-23	N/A
Metro Coaches (Tas) Pty Ltd (Metro)	07-Aug-23	07-Aug-23	N/A
Newood Energy Pty Ltd (Newood Holdings Pty Ltd)	15-Aug-23 [^]	20-Dec-23	N/A
Newood Huon Pty Ltd (Newood Holdings Pty Ltd)	15-Aug-23 [^]	20-Dec-23	N/A
Newood Smithton Pty Ltd (Newood Holdings Pty Ltd)	15-Aug-23 [^]	20-Dec-23	N/A
OzLuna Pty Ltd (University of Tasmania)	14-Feb-23	10-May-23	N/A
palawa Enterprises Pty Ltd (Aboriginal Land Council of Tasmania)	16-Aug-23 [^]	15-Nov-23	N/A
RE Storage Project Holdings Pty Ltd (Hydro Tasmania)	14-Aug-23	14-Aug-23	N/A
Sense-Co Tasmania Pty Ltd (University of Tasmania)	16-Dec-23	13-Dec-23	N/A
Tasmanian Networks Holdings Pty Ltd (TasNetworks)	11-Aug-23	11-Aug-23	N/A
TasNet Connections Pty Ltd (TasNetworks)	07-Aug-23	14-Aug-23	N/A

	Financial statements received ¹	Financial statements certified	Audit opinion signed
Veterinary Board of Tasmania	14-Aug-23	14-Aug-23	N/A
Woolnorth Bluff Point Holdings Pty Ltd (Hydro Tasmania)	14-Aug-23	14-Aug-23	N/A
Woolnorth Studland Bay Holdings Pty Ltd (Hydro Tasmania).	14-Aug-23	14-Aug-23	N/A

Notes:

1. Date financial statements complete in all material respects received by the Auditor-General.

Legend:

N/A Not applicable

● Audit opinion not signed as at the 29 February 2024

^ Financial statements not submitted within legislated timeframe.

* Audit not completed within legislated timeframe.

Appendix B - Audit findings

	Current Year issues				Prior Year unresolved issues			
	H	M	L	Total	H	M	L	Total
30 November 2022 audits								
Communities Tasmania	1	2	1	4	0	2	0	2
Housing Tasmania	0	0	0	0	0	0	0	0
Sub-total	1	2	1	4	0	2	0	2
31 December 2022 audits								
AMC Search Ltd	0	1	0	1	0	0	1	1
University of Tasmania	0	0	1	1	0	0	1	1
UTAS Holdings Pty Ltd	0	0	0	0	0	0	0	0
UTAS Properties Pty Ltd	0	0	0	0	0	0	0	0
Tasmania University Union	0	0	2	2	0	0	0	0
Theatre Royal Management Board	0	0	0	0	0	0	0	0
Solicitors' Trust	0	0	2	2	0	0	0	0
Sub-total	0	1	5	6	0	0	2	2
30 June 2023 audits								
Executive and legislature								
House of Assembly	0	2	1	3	1	0	0	1
Legislative Council	0	2	3	5	1	0	0	1
Legislature-General	0	3	4	7	1	1	0	2
Office of the Governor	0	1	1	2	0	0	2	2
Sub-total	0	8	9	17	3	1	2	6
Ministerial Departments								
Education, Children and Young People	0	2	5	7	0	0	4	4
Health	0	2	1	3	0	3	2	5

	Current Year issues				Prior Year unresolved issues			
	H	M	L	Total	H	M	L	Total
Justice	1	9	5	15	0	6	10	16
Natural Resources and Environment Tasmania	0	3	1	4	1	1	2	4
Police, Fire and Emergency Management	0	2	0	2	0	3	1	4
Premier and Cabinet	2	3	5	10	0	0	1	1
State Growth	0	1	0	1	0	1	4	5
Treasury	0	1	2	3	0	1	3	4
Sub-total	3	23	19	45	1	15	27	43
Ministerial Departmental Controlled Entities								
Abt Railway Ministerial Corporation	1	0	0	1	0	0	0	0
Ambulance Tasmania	0	0	0	0	0	0	0	0
Office of Tasmanian Assessment, Standards and Certification	0	0	1	1	0	0	0	0
Tasmania Development and Resources	0	0	0	0	0	0	0	0
Tasmanian Affordable Housing Limited	0	0	0	0	0	0	0	0
Tasmanian Health Service	0	0	0	0	0	0	0	0
Tasmanian Museum and Art Gallery	1	0	0	1	0	0	0	0
Teachers Registration Board of Tasmania	0	0	1	1	0	0	0	0
Sub-total	2	0	2	4	0	0	0	0
Other General Government Sector Entities								
Asbestos Compensation Fund	0	0	0	0	0	1	0	1

	Current Year issues				Prior Year unresolved issues			
	H	M	L	Total	H	M	L	Total
Brand Tasmania	0	2	0	2	0	0	0	0
Council of Law Reporting	0	0	0	0	0	0	0	0
Environment Protection Authority	0	0	1	1	0	0	0	0
Inland Fisheries Service	0	0	4	4	0	0	1	1
Integrity Commission	0	0	0	0	0	0	0	0
Marine and Safety Tasmania	0	0	0	0	0	0	2	2
Office of the Director of Public Prosecutions	0	1	2	3	0	0	0	0
Office of the Ombudsman and Health Complaints Commissioner	0	0	2	2	0	0	2	2
Royal Tasmanian Botanical Gardens	0	2	1	3	0	0	0	0
State Fire Commission	0	3	2	5	0	1	2	3
Tasmanian Economic Regulator	0	0	0	0	0	0	0	0
Tasmanian Pharmacy Authority	0	0	3	3	1	0	0	1
Tasmanian State Health Funding Pool	0	0	0	0	0	0	0	0
Tasmanian Timber Promotion Board	0	0	0	0	0	0	0	0
TasTAFE	0	0	1	1	0	0	3	3
Tourism Tasmania	0	0	0	0	0	0	0	0
Waste Resource and Recovery Board	0	0	3	3	0	0	0	0
WorkCover Tasmanian Board	0	0	0	0	0	0	0	0

	Current Year issues				Prior Year unresolved issues			
	H	M	L	Total	H	M	L	Total
Sub-total	0	8	19	27	1	2	10	13
Public Financial and Non-Financial Corporations								
Aurora Energy Pty Ltd	0	2	4	6	0	0	3	3
Bass Island Line Pty Ltd	0	0	0	0	0	0	0	0
FortyTwo24 Pty Ltd	2	4	1	7	0	1	4	5
Homes Tasmania	1	4	6	11	0	0	0	0
Hydro-Electric Corporation	0	2	4	6	0	0	1	1
Macquarie Point Development Corporation	0	1	3	4	0	0	0	0
Marinus Link Pty Ltd	3	3	1	7	0	0	0	0
Metro Tasmania Pty Ltd	0	4	0	4	1	3	1	5
Momentum Energy Pty Ltd	0	0	0	0	0	0	0	0
Motor Accidents Insurance Board	0	1	1	2	0	0	0	0
Port Arthur Historic Site Management Authority	0	2	3	5	0	2	2	4
Private Forests Tasmania	0	0	1	1	0	0	0	0
Public Trustee	1	8	1	10	0	0	0	0
Sustainable Timber Tasmania	0	1	4	5	0	2	2	4
Tasmanian Irrigation Pty Ltd	0	0	2	2	0	0	0	0
Tasmanian Networks Pty Ltd	4	11	4	19	0	1	3	4
Tasmanian Ports Corporation Pty Ltd	0	0	0	0	0	1	0	1
Tasmanian Public Finance Corporation	0	0	0	0	0	0	1	1
Tasmanian Railway Pty Ltd	0	1	2	3	0	0	0	0

	Current Year issues				Prior Year unresolved issues			
	H	M	L	Total	H	M	L	Total
Tasracing Pty Ltd	3	1	0	4	0	0	2	2
TT-Line Company Pty Ltd	1	0	0	1	0	0	1	1
Sub-total	15	45	37	97	1	10	16	27
Local Government Authorities								
Urban councils								
Brighton Council	0	2	3	5	0	1	0	1
Burnie City Council	0	0	2	2	0	0	2	2
Central Coast Council	0	1	5	6	0	2	3	5
Clarence City Council	0	0	3	3	0	1	2	3
Devonport City Council	0	1	1	2	0	0	0	0
Glenorchy City Council	1	0	2	3	0	1	4	5
Hobart City Council	1	0	1	2	2	6	0	8
Kingborough Council	0	0	0	0	0	3	0	3
Launceston City Council	0	0	2	2	0	0	3	3
West Tamar Council	0	0	0	0	0	0	0	0
Sub-total	2	4	19	25	2	14	14	30
Rural councils								
Break O'Day Council	0	2	1	3	0	1	2	3
Central Highlands Council	0	0	1	1	0	0	4	4
Circular Head Council	0	0	5	5	0	1	0	1
Derwent Valley Council	1	1	0	2	0	2	2	4
Dorset Council	0	0	0	0	0	0	1	1
Flinders Council	0	0	1	1	1	4	4	9
George Town Council	0	0	3	3	0	1	2	3
Glamorgan Spring Bay Council	0	0	1	1	0	0	0	0

	Current Year issues				Prior Year unresolved issues			
	H	M	L	Total	H	M	L	Total
Huon Valley Council	0	1	0	1	0	1	1	2
Kentish Council	2	0	0	2	3	1	1	5
King Island Council	0	2	0	2	0	1	1	2
Latrobe Council	2	0	0	2	3	1	1	5
Meander Valley Council	0	0	3	3	0	0	3	3
Northern Midlands Council	0	2	0	2	0	0	3	3
Sorell Council	0	0	0	0	0	2	3	5
Southern Midlands Council	1	0	1	2	0	0	2	2
Tasman Council	4	3	1	8	3	4	6	13
Waratah-Wynyard Council	0	0	5	5	1	1	0	2
West Coast Council	2	1	3	6	0	4	2	6
Sub-total	12	12	25	49	11	24	36	71
Local Government Controlled Entities								
C-Cell Unit Trust	0	1	2	3	0	0	1	1
Cradle Coast Authority	0	0	0	0	0	0	0	0
Dulverton Regional Waste Management Authority	0	0	1	1	0	0	0	0
Launceston Flood Authority	0	0	0	0	0	0	0	0
Local Government Association of Tasmania	0	1	4	5	0	0	0	0
Northern Tasmania Development Corporation Ltd	0	2	2	4	0	1	0	1
Southern Tasmanian Councils Authority	0	1	1	2	0	0	0	0
Southern Tasmanian Regional Waste Authority	0	0	1	1	0	0	0	0
Copping Refuse Disposal Site Joint Authority	0	3	6	9	0	0	1	1

	Current Year issues				Prior Year unresolved issues			
	H	M	L	Total	H	M	L	Total
Tasmanian Water and Sewerage Corporation Pty Ltd	0	0	1	1	0	1	1	2
Sub-total	0	8	18	26	0	2	3	5
Other State Entities								
Forest Practices Authority	0	0	0	0	0	0	0	0
Legal Profession Board	0	0	1	1	0	0	1	1
National Trust of Australia (Tasmania)	0	3	1	4	1	2	2	5
Property Agents Board	0	0	2	2	0	0	0	0
Property Agents Trust	0	0	0	0	0	0	0	0
Retirement Benefits Fund	0	0	0	0	0	0	0	0
Tasmania Legal Aid	0	0	1	1	0	0	1	1
Tasmanian Beef Industry (Research and Development) Trust	0	0	0	0	0	0	0	0
Tasmanian Building and Construction Industry Training Board	0	3	1	4	0	2	0	2
Tasmanian Community Fund	0	0	1	1	0	0	1	1
Tasmanian Dairy Industry Authority	0	0	0	0	0	0	0	0
Tasmanian Heritage Council	0	0	1	1	0	0	0	0
The Nominal Insurer	0	0	0	0	0	0	0	0
Wellington Park Management Trust	1	0	0	1	0	0	0	0
Sub-total	1	6	8	15	1	4	5	10
Grand Total	36	116	162	314	20	74	115	209

Legend:

H High

M Moderate

L Low

Note: The audits for Aboriginal Land Council of Tasmania, palawa Enterprises Unit Trust and Newwood Holdings Pty Ltd were still in progress as at 29 February 2024, and therefore have been excluded from Appendix 2.

Risk category	Audit impact	Management action required
High	<p>Matters categorised as high risk pose a significant business or financial risk to the entity and have resulted or could potentially result in a modified or qualified audit opinion if not addressed as a matter of urgency.</p> <p>High risk findings represent a:</p> <ul style="list-style-type: none"> control weakness which could have or is having a significant adverse effect on the ability to achieve process objectives and comply with relevant legislation material misstatement in the financial report is likely to occur or has already occurred. 	<p>Requires immediate management intervention with a detailed action plan to be implemented within one month.</p> <p>Requires management to correct the material misstatement in the financial report to avoid a modified audit opinion.</p>
Moderate	<p>Moderate risk findings are matters of a systemic nature that pose a moderate business or financial risk to the entity if not addressed as high priority within the current financial year, matters that may escalate to high risk if not addressed promptly or low risk matters which have been reported to management in the past but have not been satisfactorily resolved or addressed.</p> <p>Moderate risk findings represent a:</p> <ul style="list-style-type: none"> systemic control weakness which could have or is having a moderate adverse effect on the ability to achieve process objectives and comply with relevant legislation misstatement in the financial report that is not material and has occurred. 	<p>Requires prompt management intervention with a detailed action plan implemented within three to six months.</p>
Low	<p>Matters categorised as low risk are isolated, non-systemic or procedural in nature and reflect relatively minor administrative shortcomings and could be addressed in the context of the entity's overall control environment.</p> <p>Low risk findings represent</p> <ul style="list-style-type: none"> an isolated or non-systemic control weakness with minimal but reportable impact on the ability to achieve process objectives and comply with relevant legislation a misstatement in the financial report that is likely to occur but is not expected to be material an opportunity to improve an existing process or internal control. 	<p>Requires management intervention with a detailed action plan implemented within six to 12 months.</p>

Acronyms and abbreviations

Audit Act	<i>Audit Act 2008</i>
AASB	Australian Accounting Standards Board
COVID-19	Novel Coronavirus disease pandemic
DPFEM	Department of Police, Fire and Emergency Management
FAWD	Firearms and Weapons Data
Firearms Act	<i>Firearms Act 1996</i>
Justice	Department of Justice
LRCI program	Local Roads and Community Infrastructure program
NDRLG	Tasmanian Relief and Recovery Arrangements: Natural Disaster Relief to Local Government Policy
Office	The Tasmanian Audit Office
RTR	Roads to Recovery
TAFR	Treasurer's Annual Financial Report
TAHL	Tasmanian Affordable Housing Limited
TASCORP	Tasmanian Public Finance Corporation
TasWater	Tasmanian Water and Sewerage Corporation Pty Ltd
Treasury	Department of Treasury and Finance

Audit Mandate and Standards Applied

Mandate

Section 17(1) of the *Audit Act 2008* states that:

‘An accountable authority other than the Auditor-General, as soon as possible and within 45 days after the end of each financial year, is to prepare and forward to the Auditor-General a copy of the financial statements for that financial year which are complete in all material respects.’

Under the provisions of section 18, the Auditor-General:

‘(1) is to audit the financial statements and any other information submitted by a State entity or an audited subsidiary of a State entity under section 17(1).’

Under the provisions of section 19, the Auditor-General:

‘(1) is to prepare and sign an opinion on an audit carried out under section 18(1) in accordance with requirements determined by the Australian Auditing and Assurance Standards

(2) is to provide the opinion prepared and signed under subsection (1), and any formal communication of audit findings that is required to be prepared in accordance with the Australian Auditing and Assurance Standards, to the State entity’s appropriate Minister and provide a copy to the relevant accountable authority.’

Standards Applied

Section 31 specifies that:

‘The Auditor-General is to perform the audits required by this or any other Act in such a manner as the Auditor-General thinks fit having regard to -

- (a) the character and effectiveness of the internal control and internal audit of the relevant State entity or audited subsidiary of a State entity; and
- (b) the Australian Auditing and Assurance Standards.’

The auditing standards referred to are Australian Auditing Standards as issued by the Australian Auditing and Assurance Standards Board.



Front cover image: Mountain biking, summit of kunanyi / Mt Wellington

Photography: Flow Mountain Bike, Tourism Tasmania Visual Library

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