



**Tasmanian**  
Audit Office

# **Audit of State entities and audited subsidiaries of State entities 31 December 2022 and 30 June 2023 (Volume 2)**

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



# Introduction

- Report is second of two volumes.
- First volume tabled 14 November 2023, covered:
  - State entities and audited subsidiaries in the General Government Sector, Public Non-Financial Corporations, Public Financial Corporations, and the Total State Sector
  - Other entities including the University of Tasmania.
- Second volume tabled today, focuses on:
  - findings from audit of financial statements of State entities and audited subsidiaries of State entities
  - commentary and analysis on the Local Government sector
  - disposal of firearms and ammunition audit.

# Key messages and findings

- Outcomes of 2022-23 financial audits of State entities and audited subsidiaries of State entities
  - 122 audit opinions issued to date, with no qualifications
  - 3 audits are still being undertaken
  - 39 audits completed outside legislative timeframes.
- Across the 122 audits, 314 new audit findings were raised.
- Entities need to improve the actioning of previous findings:
  - 209 findings raised in previous periods are yet to be resolved
  - 20 high risk findings have been unresolved for over a year.

# Key messages and findings

- Findings from key focus areas
  - Revenue controls
    - 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.

# Key messages and findings

- Findings from key focus areas
  - General IT controls
    - 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

# Key messages and findings

- Findings from key focus areas
  - General IT controls
    - 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.

# Key messages and findings

- Local government sector
  - Tasmanian 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.

# Key messages and findings

- Local government sector
  - Concerning trend for rural councils, with the average growth in expenses outpacing the average growth in revenue over the past 4 years.
  - Councils are struggling to achieve their capital expenditure budgets, with \$297.50 million spent on capital projects representing 71.2% of their budgeted spend.
  - This capital expenditure gap may be contributing to the declining trend in the aggregate asset sustainability ratio for rural councils over the past 4 years.



# Key messages and findings

- Disposal of firearms and ammunition
  - Auditor-General to annually audit all firearms and ammunition disposed of under the *Firearms Act 1996*.
  - The inability of the system to document whether disposals occurred under sections 149(2)(c), 149(3A) or 104(4) of the Firearms Act means we can't complete the audit.
  - An audit opinion has been issued for 30 June 2023 including a disclaimer of opinion in respect of DPFEM's compliance with these requirements of the Firearms Act.
  - A community consultation process has started that is anticipated to lead to changes to the Firearms Act.

# Recommendations

## Recommendation 1

- councils should endeavour to achieve budgeted capital expenditure to ensure asset renewals occur at the optimal time

## Recommendation 2

- councils should reassess the appropriateness of their asset useful lives and include additional disclosures where their transport and drainage asset useful lives significantly differ from the median and mean useful lives reported by other councils.

# Audit of financial statements




31 December 2022 and  
30 June 2023 financial  
statements





Tasmanian  
Audit Office



# Submission of financial statement audits

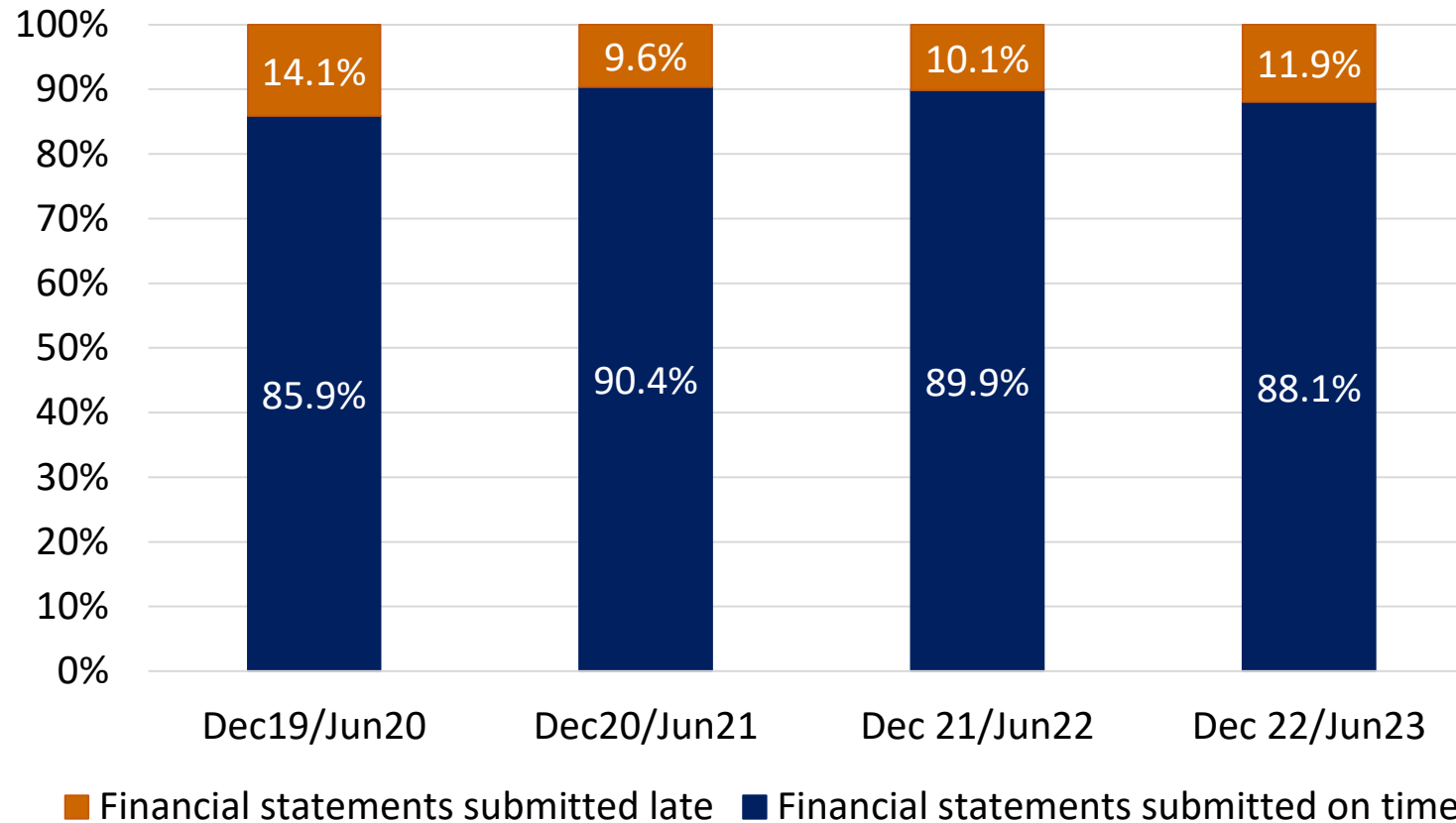
<b>159</b> 	<b>140</b> 	<b>19</b> 
entities with a financial year ending 31 December 2022 or 30 June 2023	financial statements received within 45 days of the end of the financial year	financial statements received after 45 days of the end of the financial year

# Completion of financial statement audits

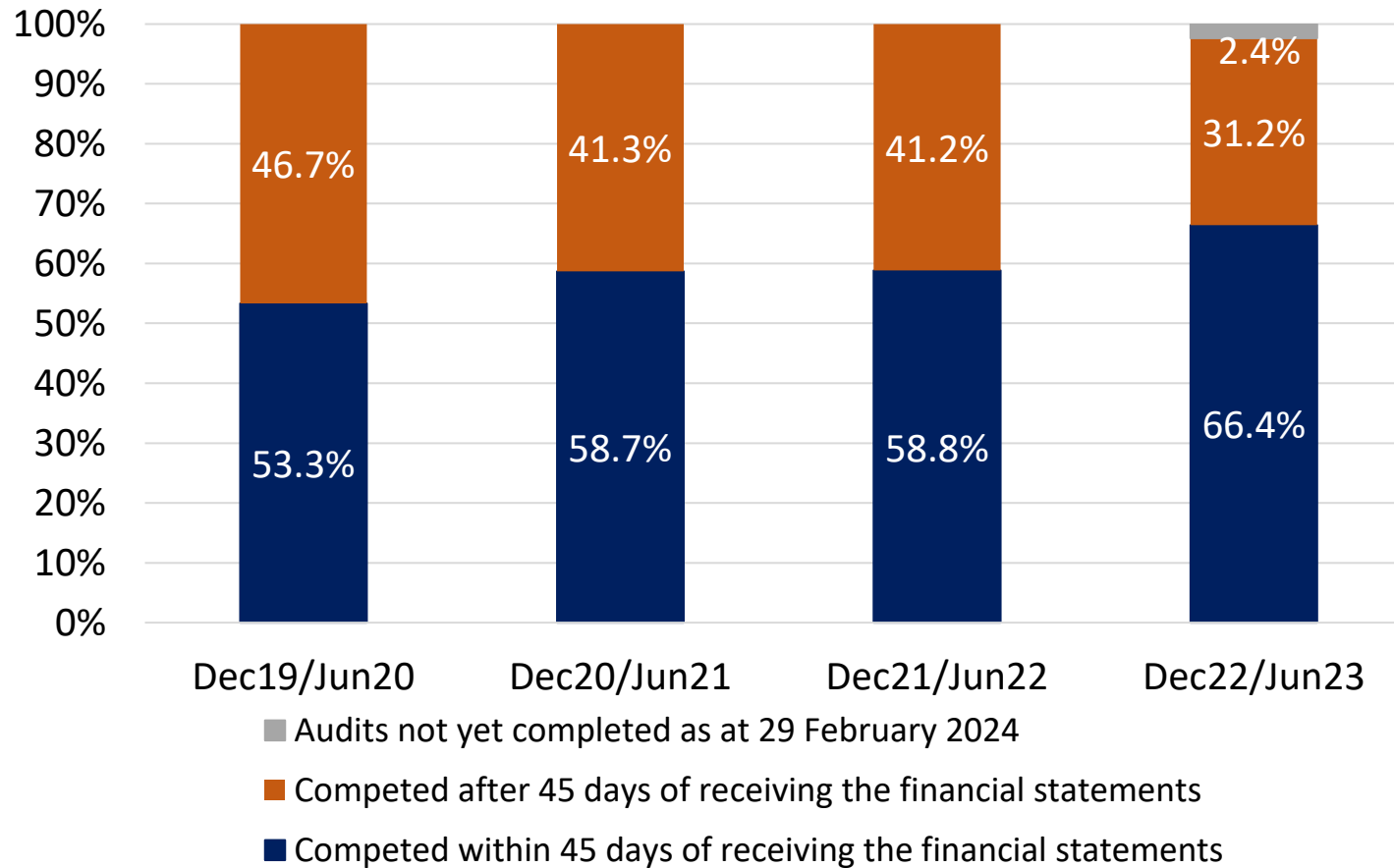
83 	39 	34
audits completed within 45 days of receiving the financial statements	audits completed after 45 days of receiving the financial statements	audits dispensed

**3**  
audits not yet completed

# Timeliness of financial statement submission



# Timeliness of audit completion



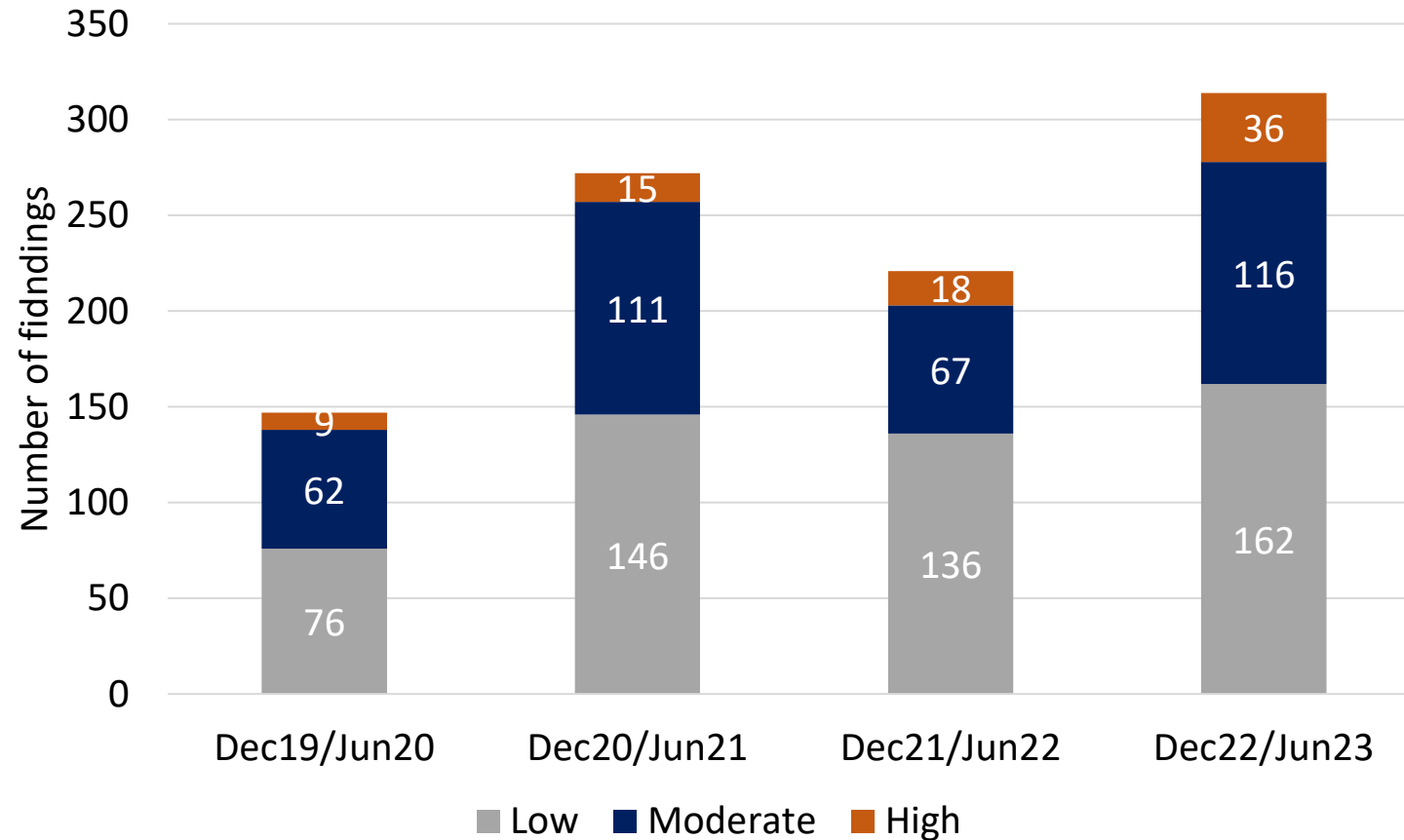
# Audit opinions

For audits of the 31 December 2022 and 30 June 2023 financial statements of State entities and audited subsidiaries of State entities:

- 122 audit opinions issued for entities covered by this report
- 4 audit opinions included an emphasis of matter paragraph



# Comparison of audit findings by risk rating



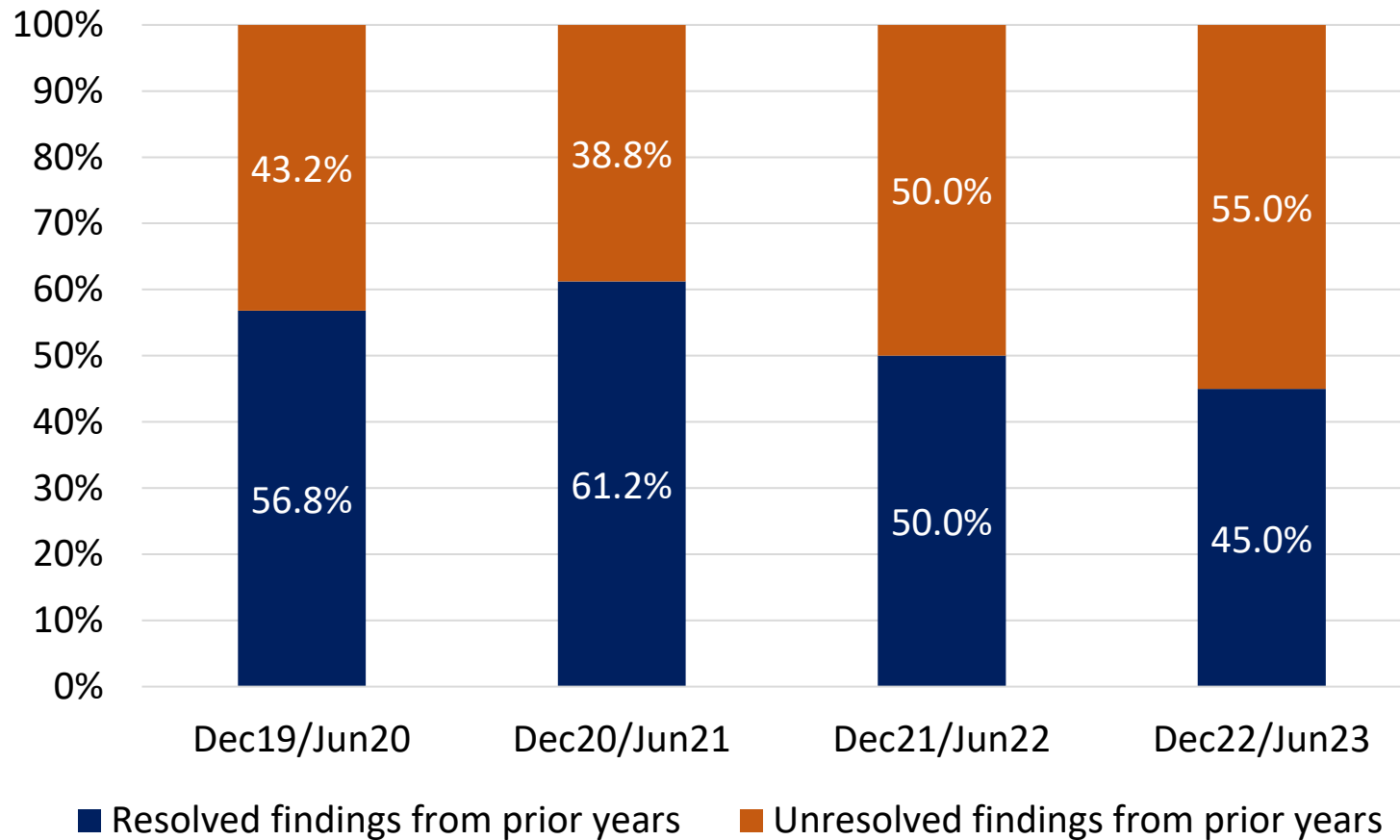
# Classification of audit findings

Classification	High Risk	Moderate Risk	Low Risk	Total
Financial reporting	9	24	63	96
Internal control	25	91	96	212
Non-compliance with Laws or Regulations	1	1	1	3
Other significant matters	1	0	2	3
<b>Total</b>	<b>36</b>	<b>116</b>	<b>162</b>	<b>314</b>

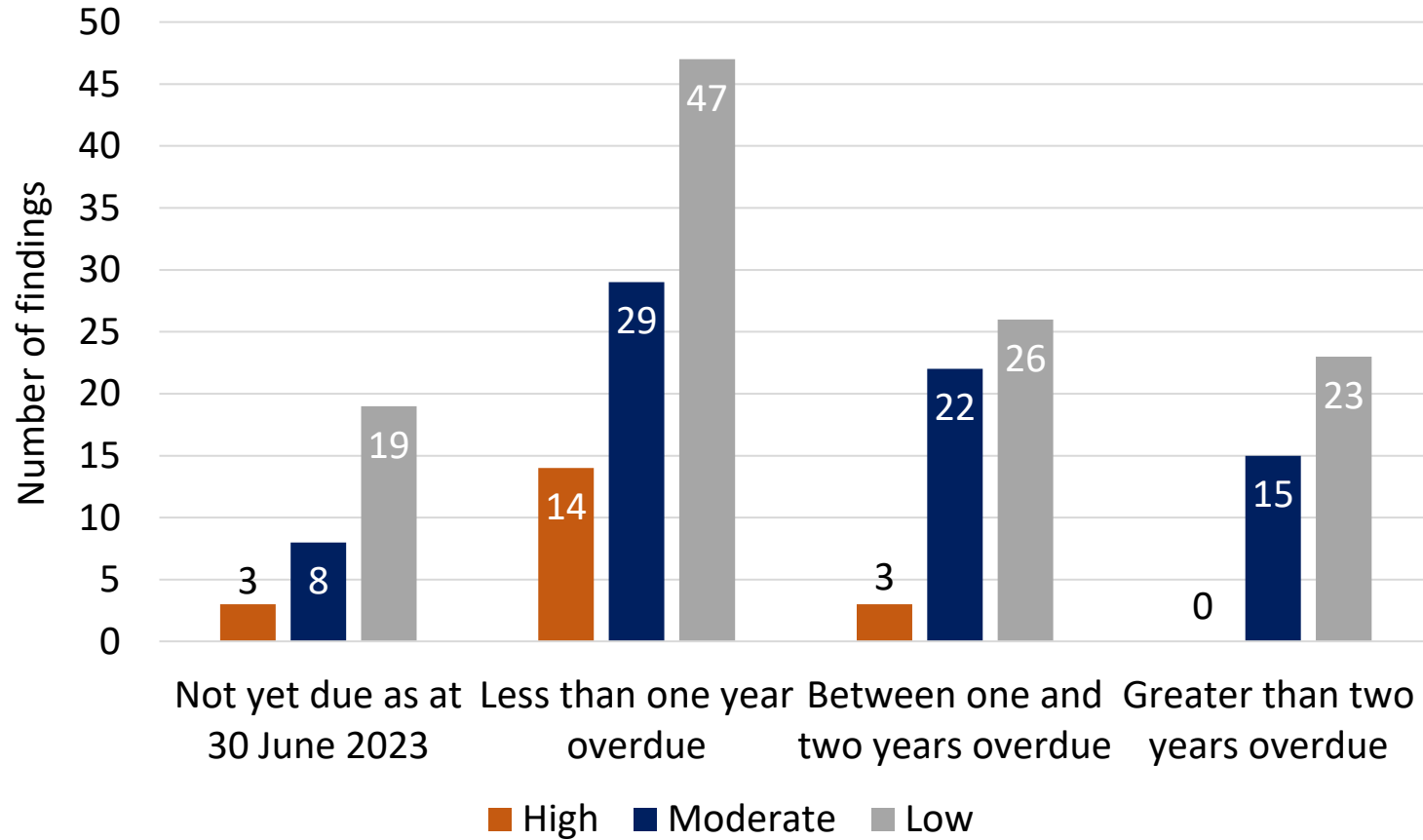
# Audit findings by sector and risk rating

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	1	9	19	29
<b>Total</b>	<b>36</b>	<b>116</b>	<b>162</b>	<b>314</b>

# Prior years' audit findings



# Unresolved findings aging analysis

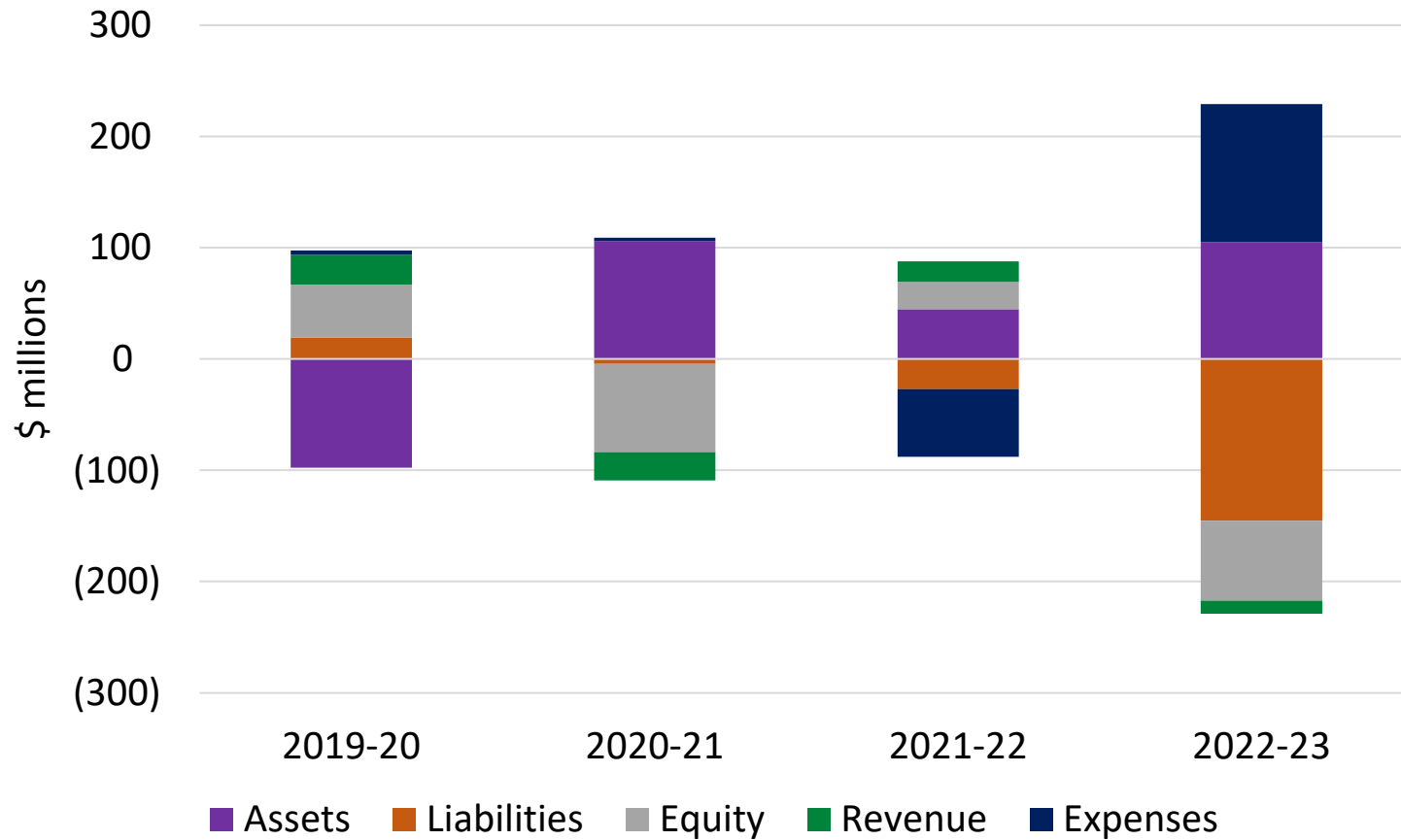


Not yet due as at 30 June 2023    Less than one year overdue    Between one and two years overdue    Greater than two years overdue

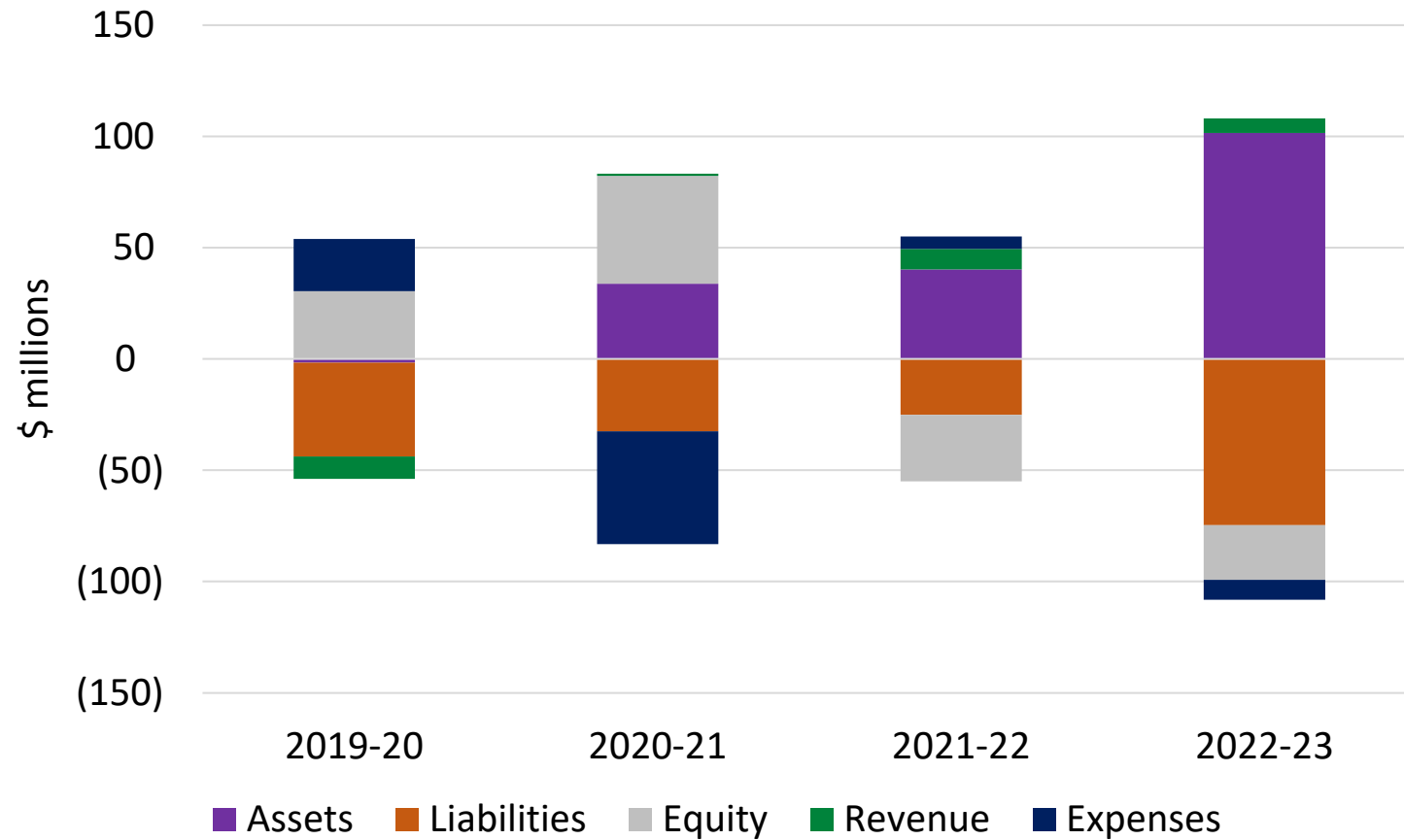
■ High   ■ Moderate   ■ Low

Note: Findings yet to be resolved are from date corrective action was due

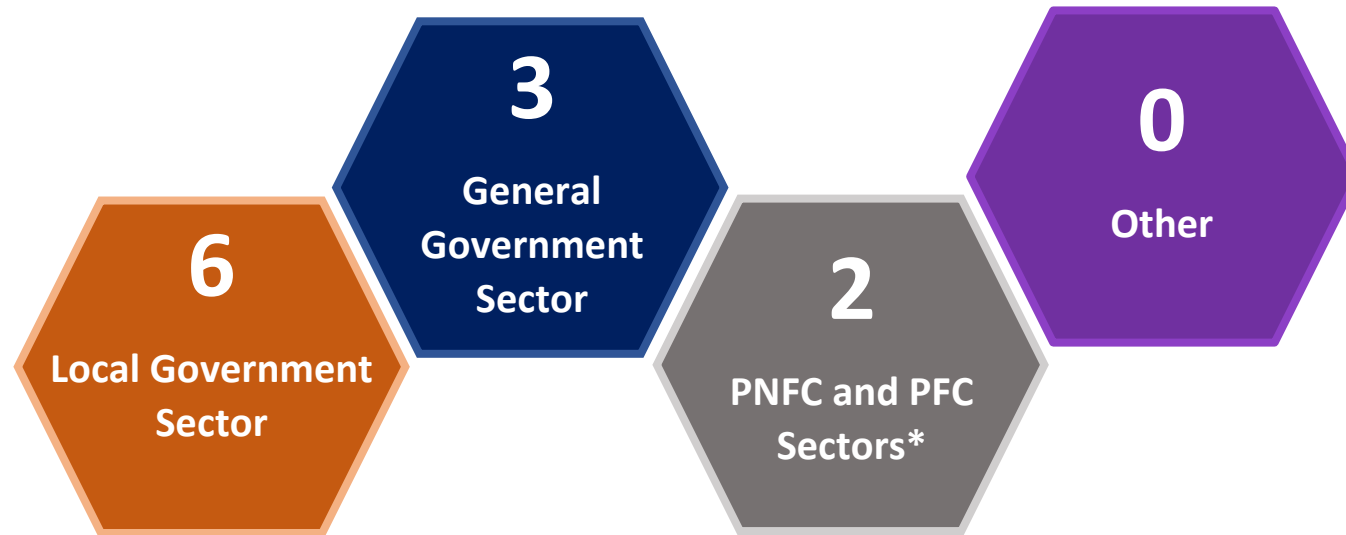
# Corrected misstatements



# Uncorrected misstatements



# Prior period errors





# Local Government

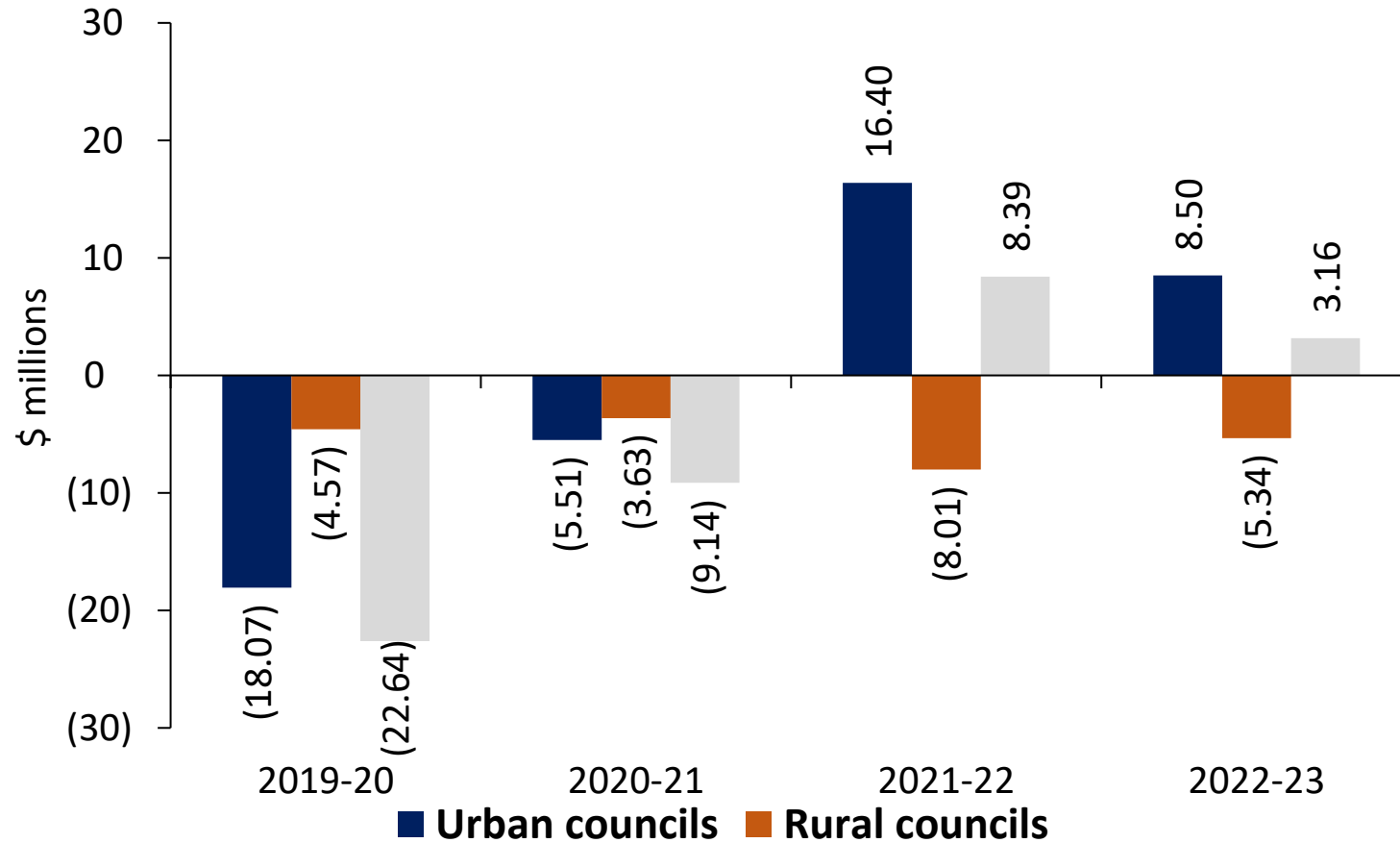


Tasmanian  
Audit Office

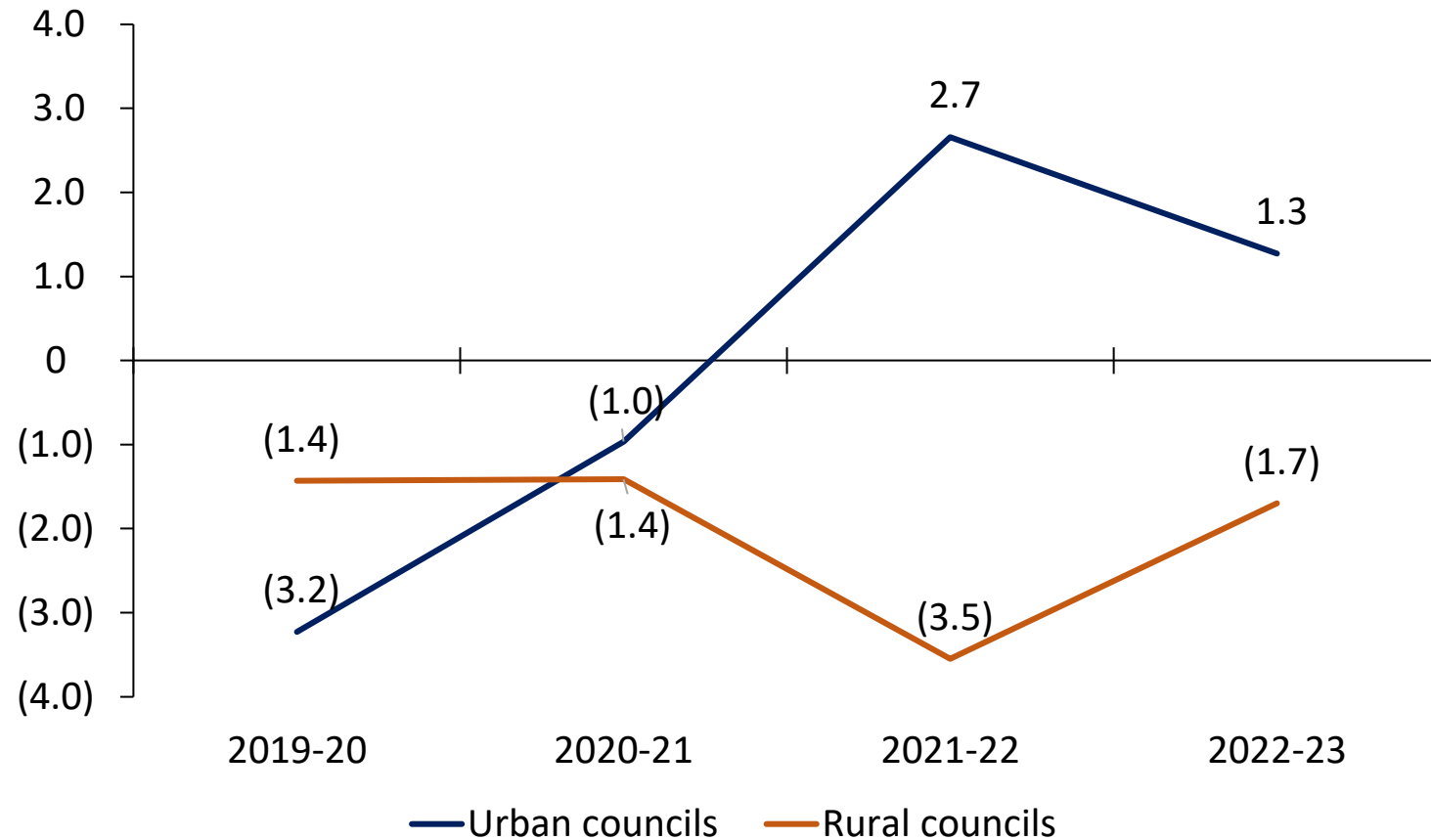
# Sector developments in 2022-23

- Local government sector developments regarding:
  - Local Roads and Community Infrastructure program
  - Current status of *The Future of Local Government Review*
- Significant developments impacting a selection of individual councils and Tasmanian Water and Sewerage Corporation Pty Ltd

# Underlying surplus (deficit)

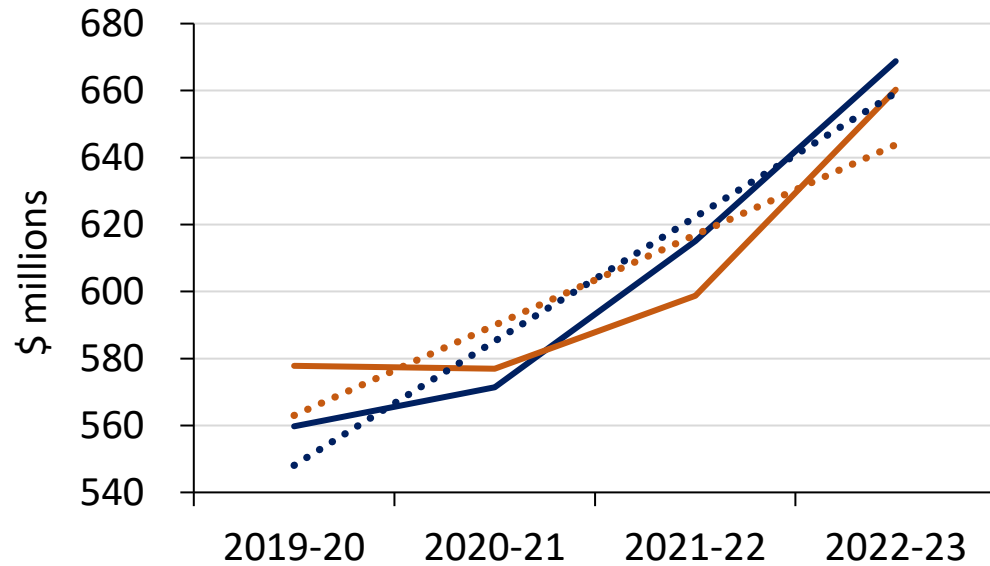


# Four-year average underlying surplus ratio

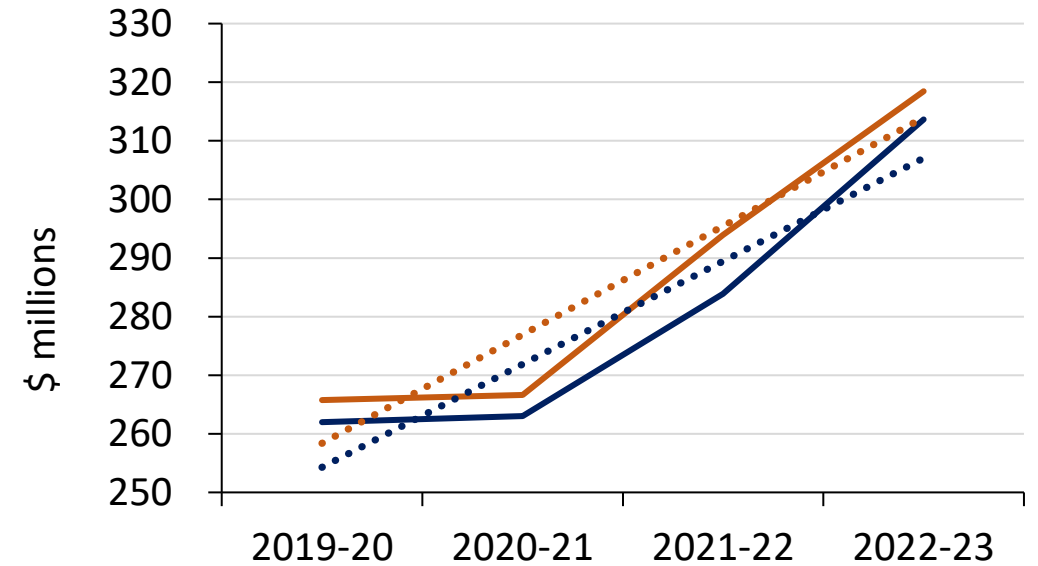


# Increase in operating revenue and expenses

## Urban councils



## Rural councils



— Operating revenue

— Operating expense

..... Linear (Operating revenue)

..... Linear (Operating expense)

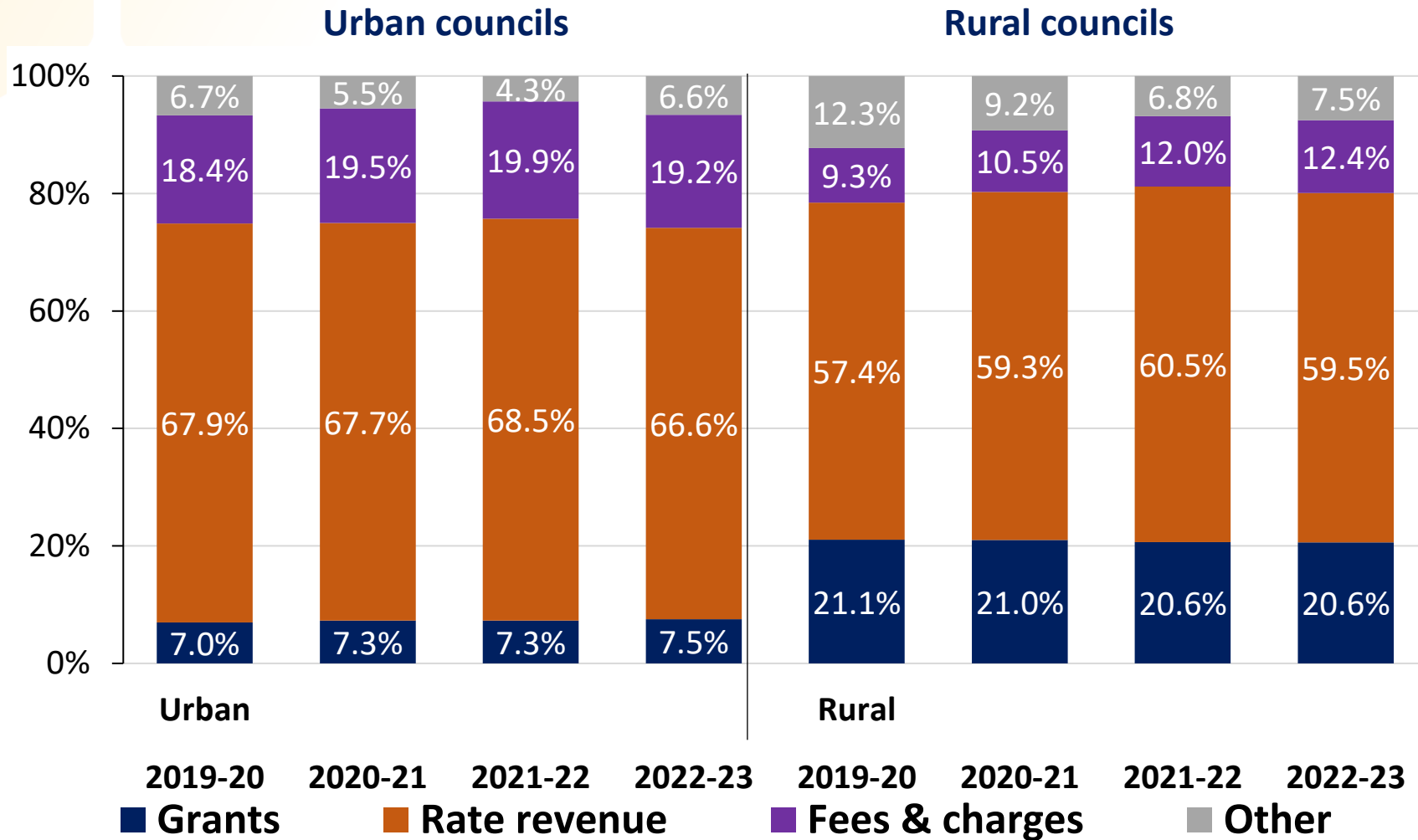
Over the 4 year period, urban councils experienced:

- 19.5% average growth in revenue
- 14.3% average growth in expenses

Over the 4 year period, rural councils experienced:

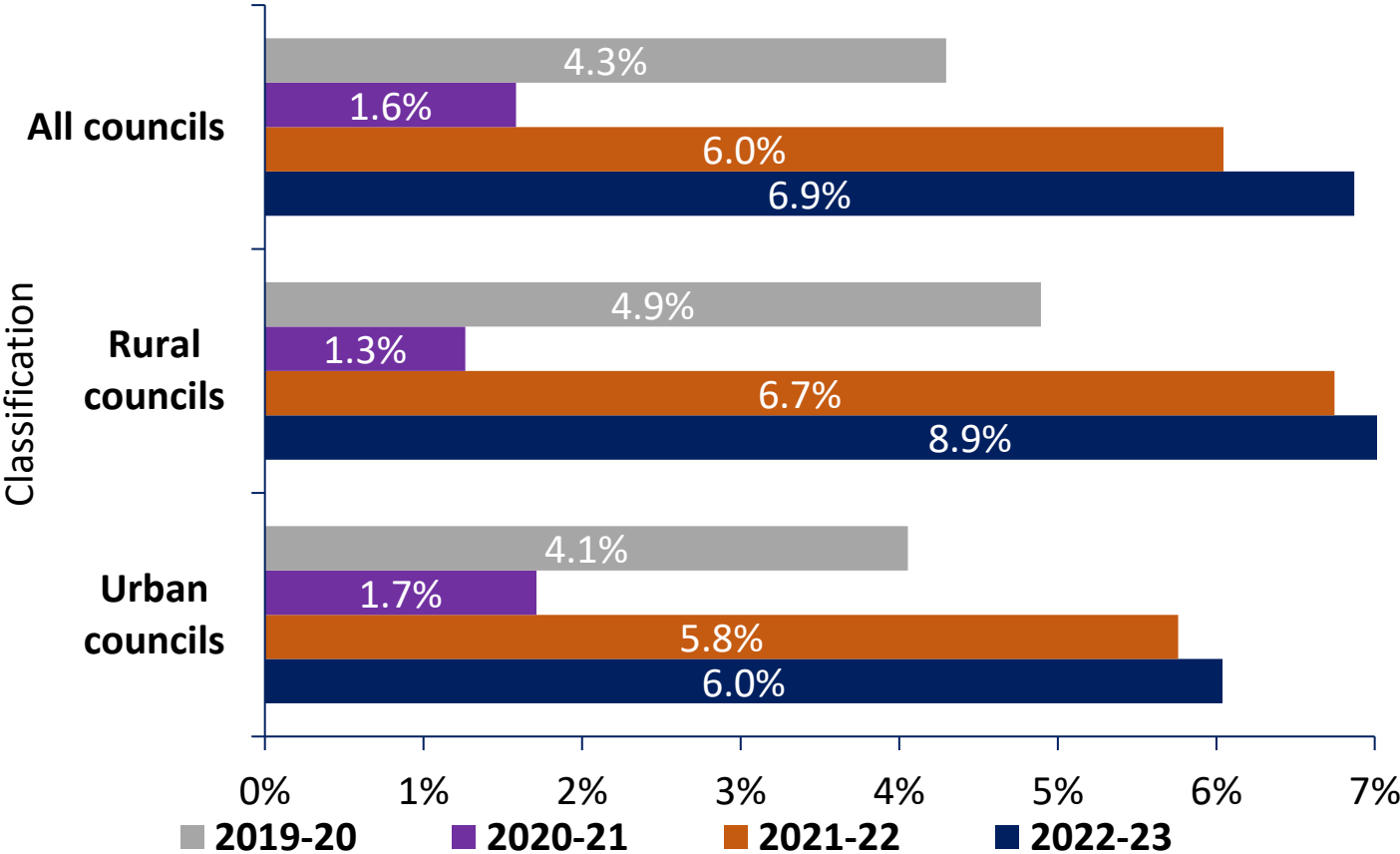
- 20.1% average growth in revenue
- 19.8% average growth in expenses

# Revenue source



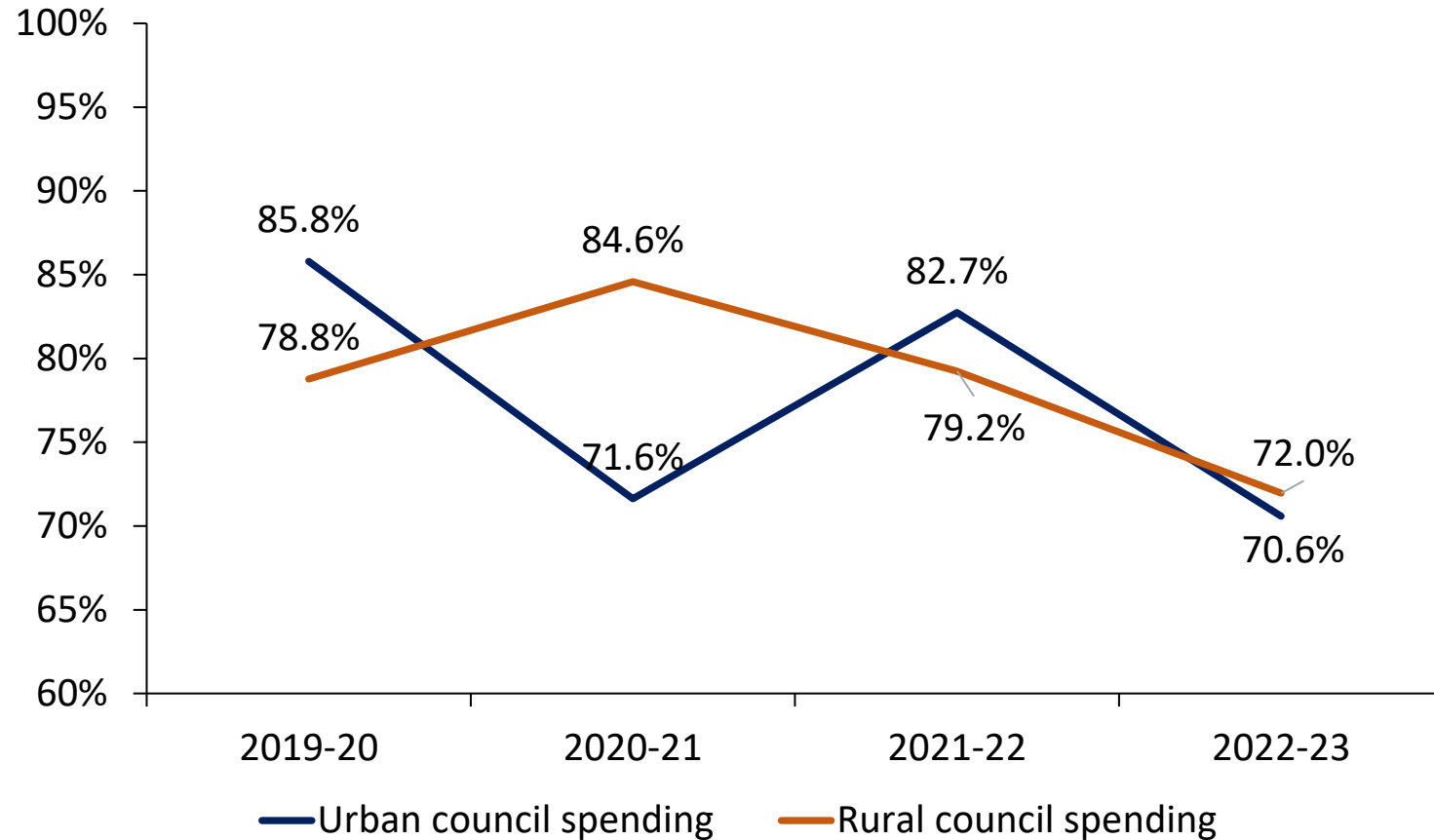
Note: TasWater dividend excluded from operating revenue

# Rate revenue increases 2019-20 to 2022-23



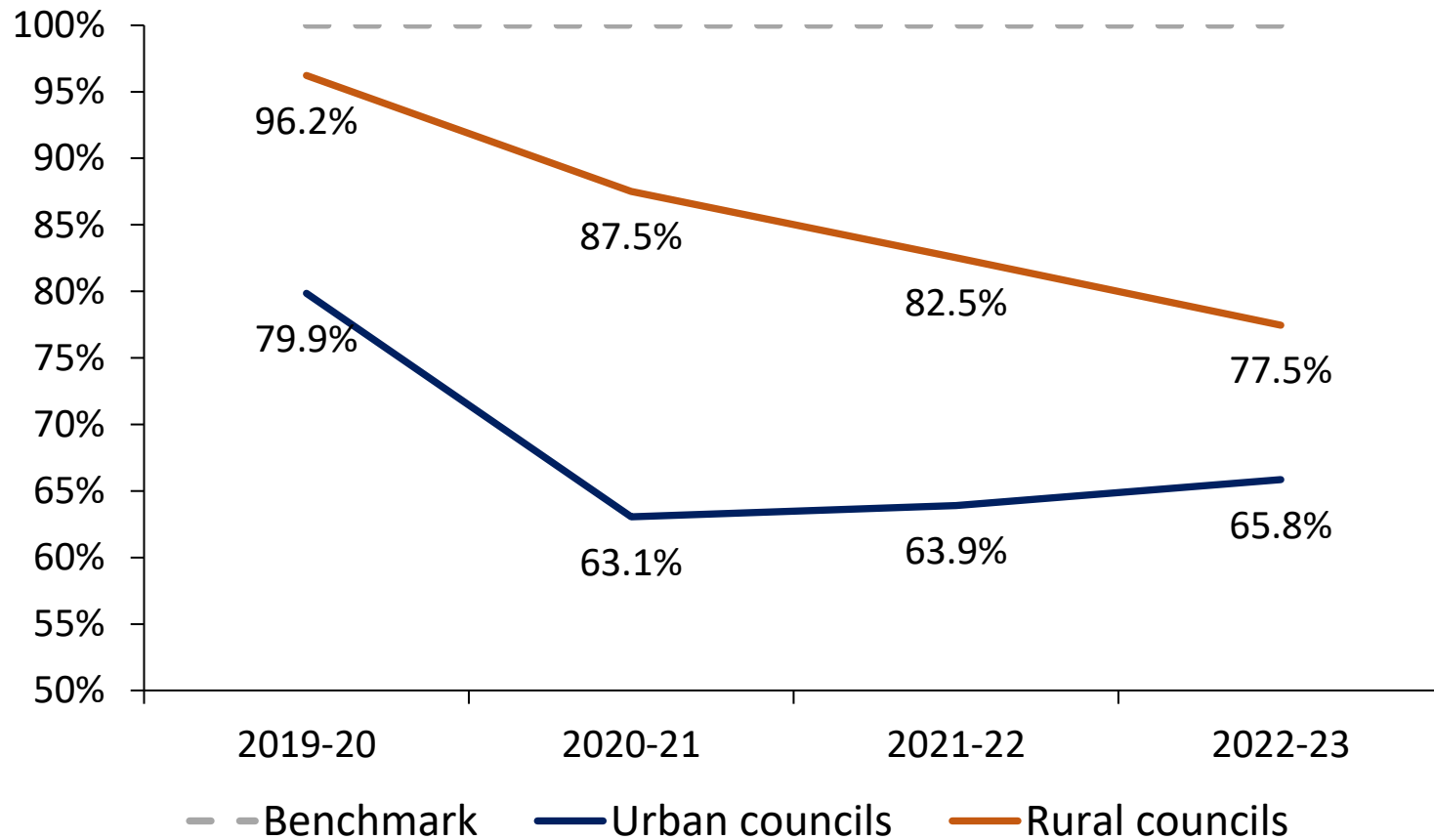
Note: Rate revenue reflects charges for rates and associated charges such as the fire levy

# Capital spending as a percentage of capital budget



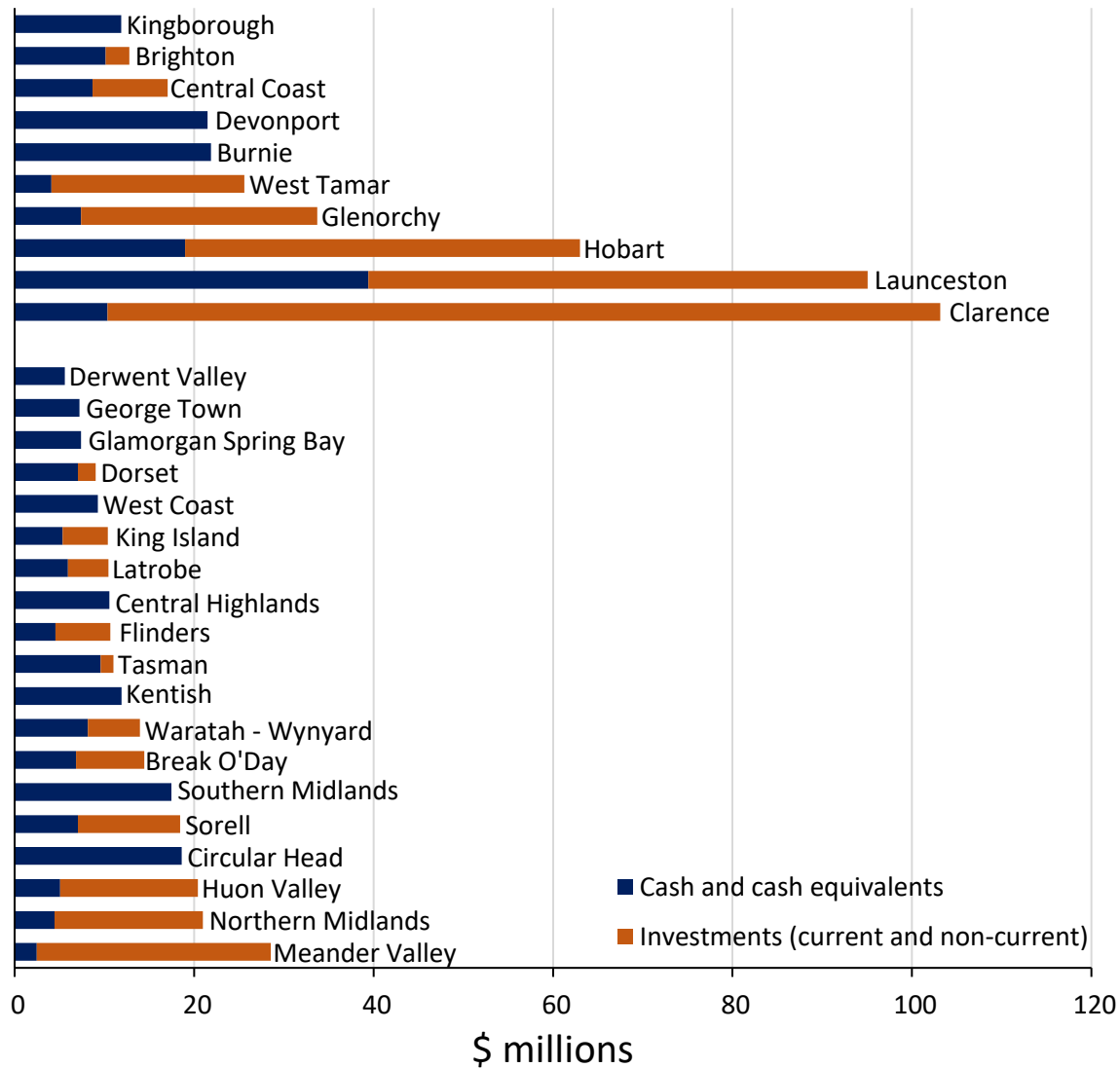


# Asset sustainability ratio



# Council cash and investments

## Urban councils

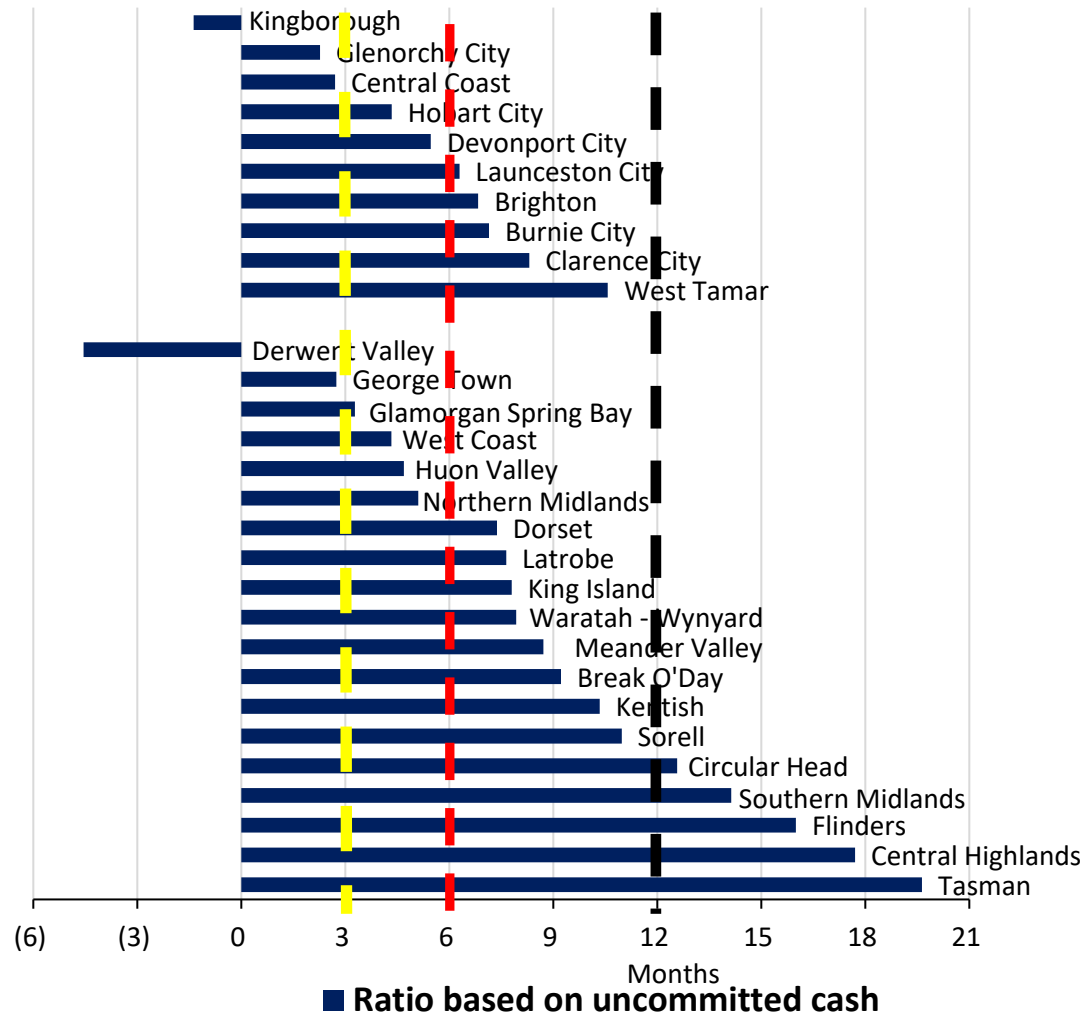


## Rural councils

# Council expense cover ratio

## Urban councils

## Rural councils



Ratio indicates cover for:

3 months

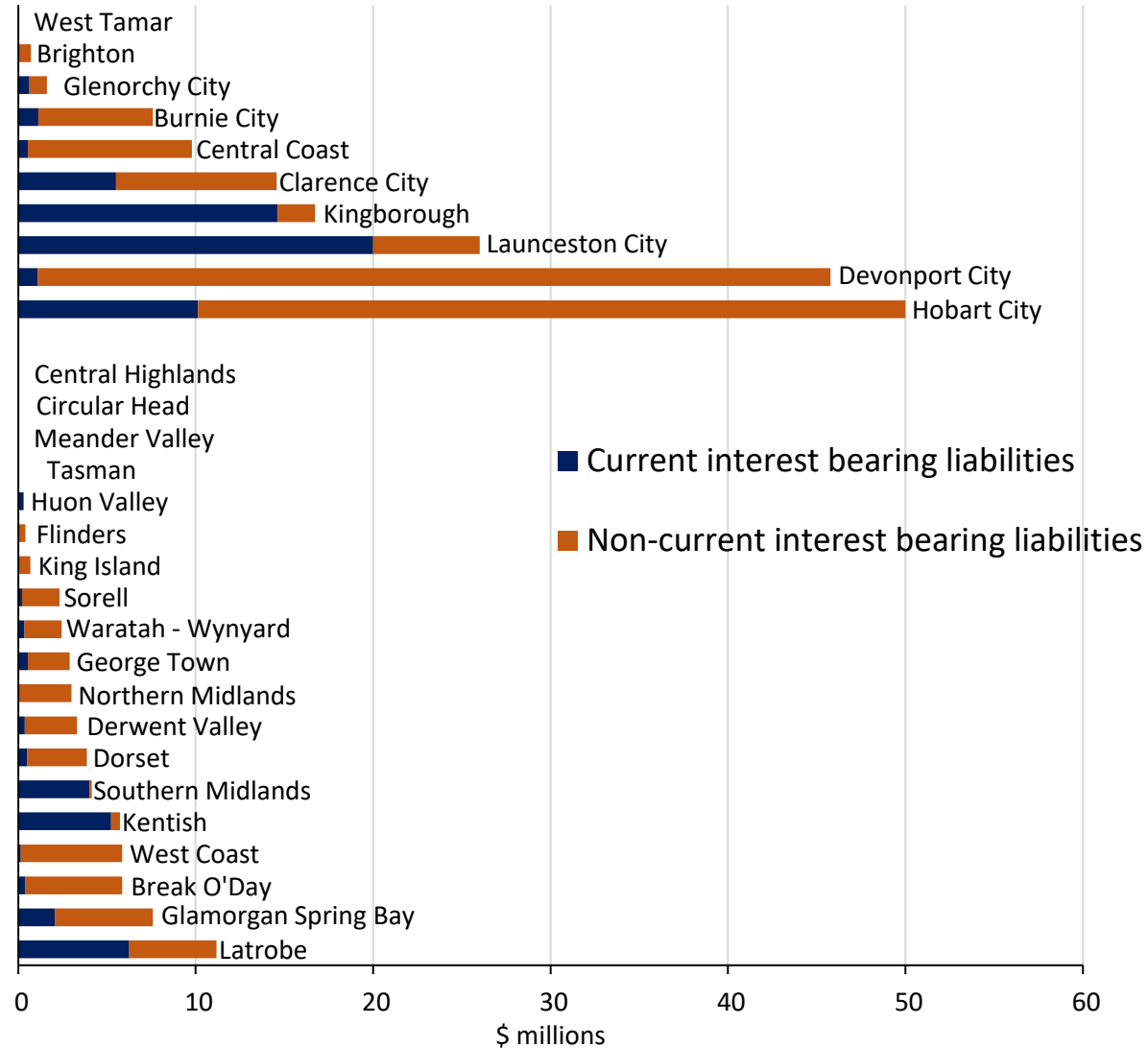
6 months

12 months

Note: Ratio is based on uncommitted cash held by council at 30 June 2023

# Interest bearing liabilities

## Urban councils



## Rural councils

Note: Interest bearing liabilities includes both current and non-current liabilities held at 30 June 2023

# Thank you



Tasmanian  
Audit Office