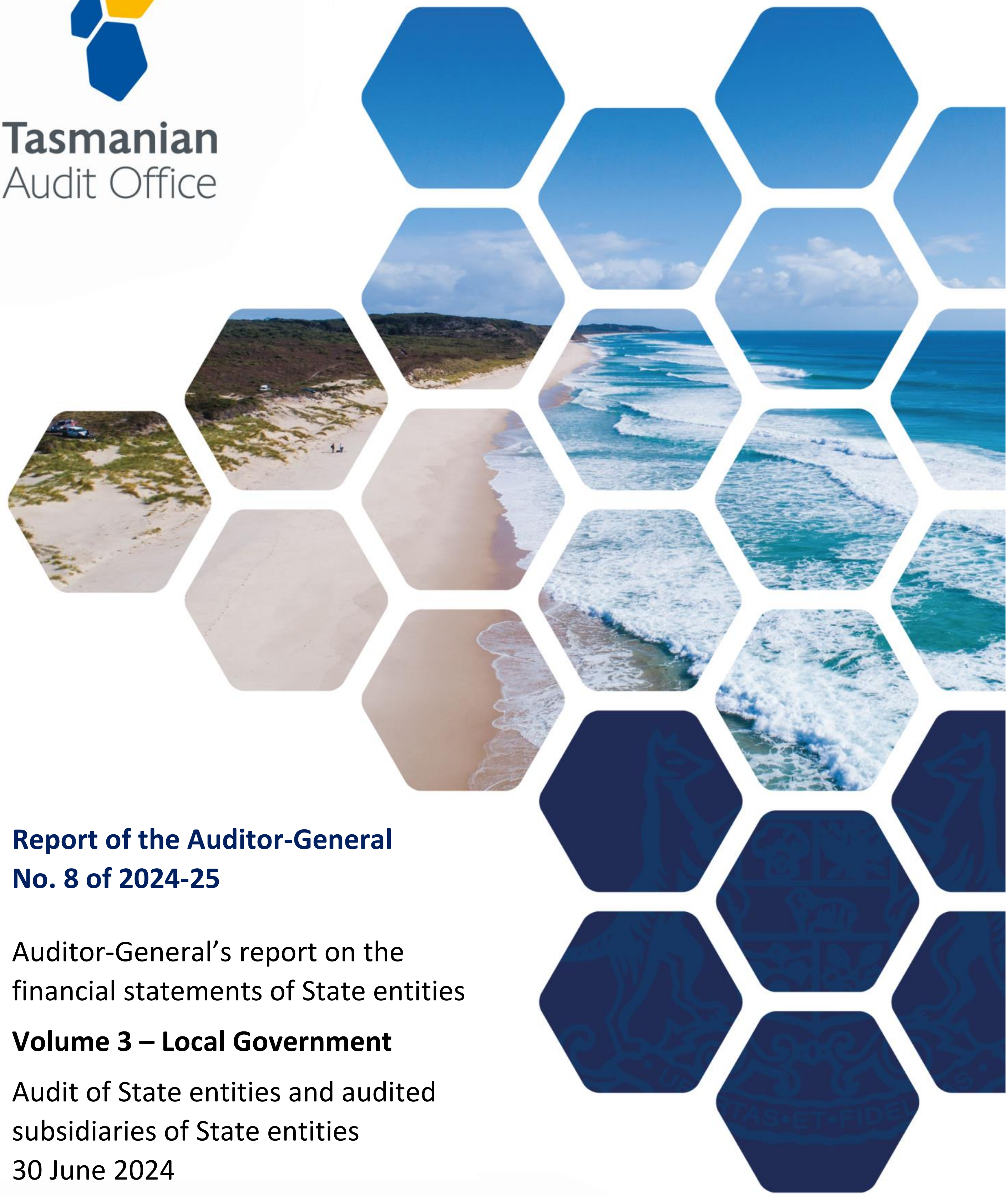
Tasmanian Audit Office



Report of the Auditor-General
No. 8 of 2024-25

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

Volume 3 – Local Government

Audit of State entities and audited subsidiaries of State entities
30 June 2024

12 March 2025

Strive • Lead • Excel | *To Make a Difference*

Our role

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

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

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

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

Acknowledgement of Country

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

2024 (No. 3)

2025
PARLIAMENT OF TASMANIA

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

Volume 3 – Local Government

Audit of State entities and audited subsidiaries of State entities 30 June 2024

12 March 2025

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

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12 March 2025

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

Dear President, Speaker

Report of the Auditor-General No. 8 of 2024-25: Auditor-General's report on the financial statements of State entities, Volume 3 – Local Government, Audit of State entities and audited subsidiaries of State entities 30 June 2024

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

Yours sincerely

Martin Thompson
Auditor-General

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Executive summary

Introduction

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

In aggregate the underlying surplus result for Councils has improved

All Councils, in aggregate, generated an underlying surplus of $39.32 million for 2023-24, an improvement of $26.79 million on the previous year. Urban councils have rebounded strongly from the financial effects of COVID-19, with an aggregate underlying surplus of $33.55 million in 2023-24 compared to a deficit of $5.51 million in 2020-21. Rural councils have also experienced a turnaround, but it only occurred in the current year, after 3 successive years of deficits. In the current year, Rural councils recorded an aggregated underlying surplus of $5.77 million in 2023-24 compared to a deficit of $5.34 million in the preceding year (2022-23). This result was supported by our analysis of operating revenue and expenses, where 2023-24 is the only year where Rural council revenue growth exceeded the growth in expenses. Although there are still a number of Councils that have expenditure increasing at a higher rate than operating revenues, the improving trend is encouraging.

Rate revenue has increased after low levels of increase during COVID-19

In aggregate, Rural and Urban councils achieved higher levels of increases in rate revenues in 2022-23 and 2023-24. 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.

Overall, Councils are not meeting their capital expenditure targets

Although Councils continue to struggle to achieve their capital expenditure budgets, the trend is improving. In 2023-24, councils collectively spent $369.22 million on capital projects. This was only 81.1% of their budgeted spend for the financial year. In 2023-24, 22 councils spent less than their anticipated capital budget. This included 5 of the 10 Urban councils, and 17 of the 19 Rural councils. Over the past 4-year period, Urban councils expended, on average, 71.6% of their depreciation expense to maintain existing non-current assets, whereas Rural councils expended, on average, 89.3%. Despite most Rural councils not meeting their budgeted spend, the asset sustainability ratio, which has increased to 103.1% in 2023-24, shows an increased focus on renewal works for Rural councils. This current year result is a significant improvement over the past 3 years, which averaged 83.9%.

In aggregate, cash and investments held by Councils have increased

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 this is heavily influenced by a small number of councils with significant cash balances. At 30 June 2024, only 2 councils had a cash expense cover ratio greater than 12 months compared to 5 councils in the prior year. Additionally, 4 councils were identified as having a cash expense cover ratio of less than 3 months on 30 June 2024, compared to 6 in the prior year and 3 Councils had a cash expense ratio below zero, as their committed funds exceed their current cash holdings.

In aggregate, Councils have reduced their level of borrowings

Borrowings for Councils totalled $175.42 million in 2023-24, a decrease from $232.41m in the prior year. In total, 26 Councils reduced their level of borrowings during the year and at 30 June 2024, 6 Councils have no borrowings and a further 5 Councils have borrowings below $1 million.

A total of 116 new audit findings have arisen, but the rate at which they are being resolved has improved

This report also summarises the findings from our audits of Councils and other local government entities. A total of 116 audit findings arose from these audits, a slight increase from the 98 findings identified in the previous year. However, there has been an increase on the rate at which matters raised in prior years are being resolved. In the current period, 133 prior year findings were resolved, an increase from 72 findings from the prior year. Council will need to continue to be vigilant in addressing findings, as there are still 13 high risk findings yet to be addressed, 5 of which has been overdue for more than a year, and 16 new high-risk findings identified in the current year.

Guide to using this report

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

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

Completion of audits of financial statements

Status of audits of financial statements

The status of audits of Local Government entities and audited subsidiaries is shown in Table 1 below.

Table 1: Status of audits of Local Government entities and audited subsidiaries as at 31 December 2024

Audits of financial statements	December 2023 and June 2024	December 2022 and June 2023
State entity and audited subsidiaries of State entity financial statements submitted, complete in all material respects:		
• within 45 days of the end of the financial year [Audit Act, section 17(1)]	43	43
• after 45 days of the end of the financial year	4	4
	47	47
Audits of financial statements of State entities and audited subsidiaries of State entities:		
• completed within 45 days of receiving the financial statements [Audit Act, section 19(3)]	21	20
• completed after 45 days of receiving the financial statements	18	19
• audits dispensed	8	8
• Total audits completed as at 31 December 2024	47	47
• Audits not yet completed	0	0
• Audits not yet dispensed	0	0
	47	47

Local Government

Introduction

This chapter contains commentary and financial analysis on Tasmanian local government entities subject to audit, comprising 29 councils, 1 council-controlled entity, 8 other local government entities and Tasmanian Water and Sewerage Corporation Pty Ltd (TasWater).

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.

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.

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 2023-24, Tasmanian councils were allocated Financial Assistance Grant funding of $102.49 million, however $97.69 million of this allocation was received by councils prior to 1 July 2023. Similarly, in 2023-24, councils received $86.33 million which related to the 2024-25 allocation. This led to councils recognising the 2024-25 advanced payment of $86.33 million as revenue in their financial statements for 2023-24.

The net surplus balance in Table 2 reflects the funding received by councils in the financial year. For the 2023-24 underlying surplus calculation in Table 2, the advance payments have been adjusted in the calculation, with the 2023-24 advance payment received in 2022-23 included in the calculation and the 2024-25 advance payment received in 2023-24 excluded.

Underlying surplus (deficit)

$(9.11m)	$8.42m	$12.53m	$39.32m
2020-21	2021-22	2022-23	2023-24
▲ 59.8%	▲ 192.5%	▲ 48.7%	▲ 213.9%

▲ 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 2 discloses the underlying surplus generated, or deficit incurred, reported by councils over the 4 years to 30 June 2024, together with a trend indicator showing whether the councils underlying surplus is improving, deteriorating or not materially changing over the 4 year period.

Table 2: Underlying surplus (deficit) by council for financial years 2020-21 to 2023-24

Council	Trend	2020-21 $'000	2021-22 $'000	2022-23 $'000	2023-24 $'000
Urban councils					
Brighton Council	▲	(426)	331	1,655	1,326
Burnie City Council	▲	(1,921)	130	1,824	2,249
Central Coast Council	▲	(192)	(61)	(102)	(110)
Clarence City Council	▲	4,796	6,689	8,000	11,043
Devonport City Council	▲	1,245	1,552	1,631	5,195
Glenorchy City Council	▲	(6,329)	2,033	(1,261)	1,933
Hobart City Council	▲	(25)	5,591	6,685	7,489
Kingborough Council	▼	240	(568)	(86)	(2,680)
Launceston City Council	▲	(3,109)	(993)	(3,444)	3,752
West Tamar Council	▲	212	1,696	2,968	3,349
Total Urban councils	▲	**(5,509)**	**16,400**	**17,870**	**33,546**
Rural councils					
Break O'Day Council	▲	(383)	(708)	220	1,909
Central Highlands Council	▼	85	(147)	21	(447)
Circular Head Council	●	(465)	(90)	260	(683)
Derwent Valley Council	●	(1,222)	(2,235)	(1,522)	(1,800)
Dorset Council	●	130	(42)	678	(182)
Flinders Council	▼	538	(709)	(666)	(117)
George Town Council	●	256	182	540	157
Glamorgan Spring Bay Council	▲	(2,492)	(430)	184	1,934
Huon Valley Council	●	(89)	(270)	(1,802)	203

Council	Trend	2020-21 $'000	2021-22 $'000	2022-23 $'000	2023-24 $'000
Kentish Council	●	95	(1,013)	(1,270)	570
King Island Council	▼	(59)	(721)	(919)	(1,995)
Latrobe Council	●	446	(5,898)	(1,812)	437
Meander Valley Council	▲	(533)	368	(1,215)	1,616
Northern Midlands Council	▼	(285)	2,101	(1,114)	(758)
Sorell Council	▲	1,089	1,555	2,673	2,750
Southern Midlands Council	▲	(35)	(90)	(101)	275
Tasman Council	▼	474	527	489	(56)
Waratah-Wynyard Council	▲	53	581	834	1,207
West Coast Council	▲	(1,201)	(967)	(821)	754
Total Rural councils	▲	**(3,598)**	**(7,946)**	**(5,343)**	**5,774**
All councils					
Total	▲	**(9,107)**	**8,394**	**12,527**	**39,320**

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

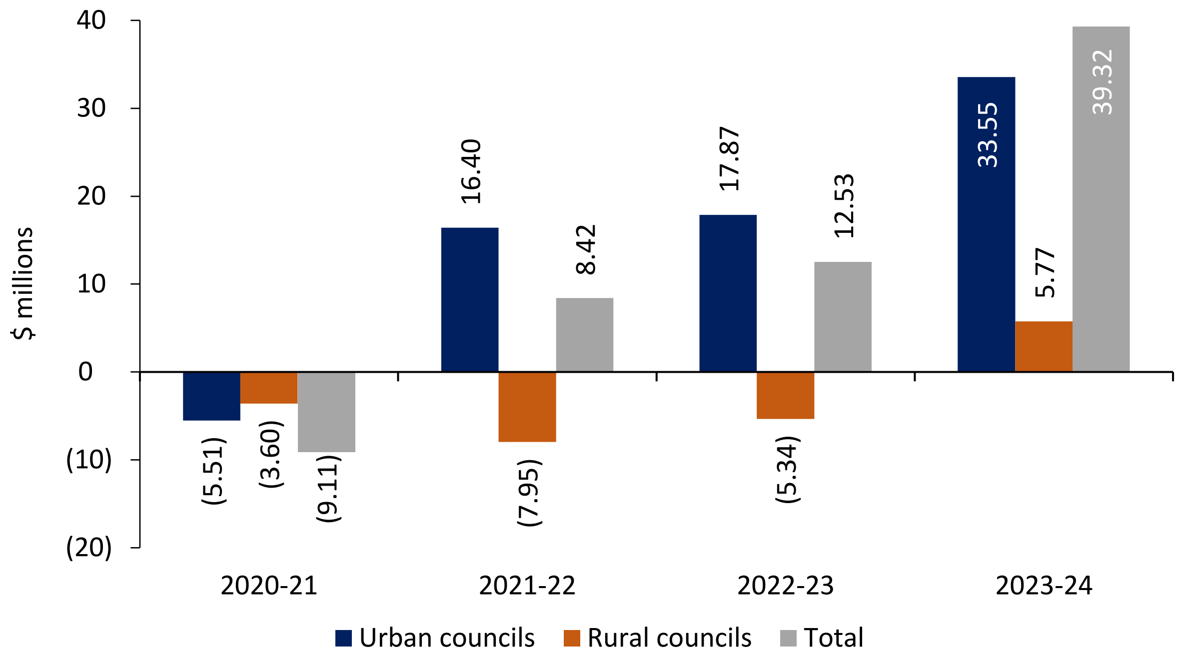
Table 2 shows:

- 10 councils recorded underlying deficits in 2023-24, an improvement on the 14 that recorded deficits in 2022-23.
- Derwent Valley Council and King Island Council have incurred underlying deficits in each year, with King Island Councils result indicating a deterioration in trend.
- King Island and Kingborough Councils experienced the most significant downward trend in their underlying surplus.

As shown in Figure 1, councils produced an aggregate underlying surplus of $39.32 million for 2023-24, an increase of $26.79 million compared to the previous year which recorded an underlying surplus of $12.53 million.

Urban councils produced an aggregate underlying surplus of $33.55 million in 2023-24, a significant increase from the loss of $5.51 million in 2020-21. Rural councils incurred an aggregate underlying surplus of $5.77 million in 2023-24, breaking the history of deficits incurred over the prior 3 years.

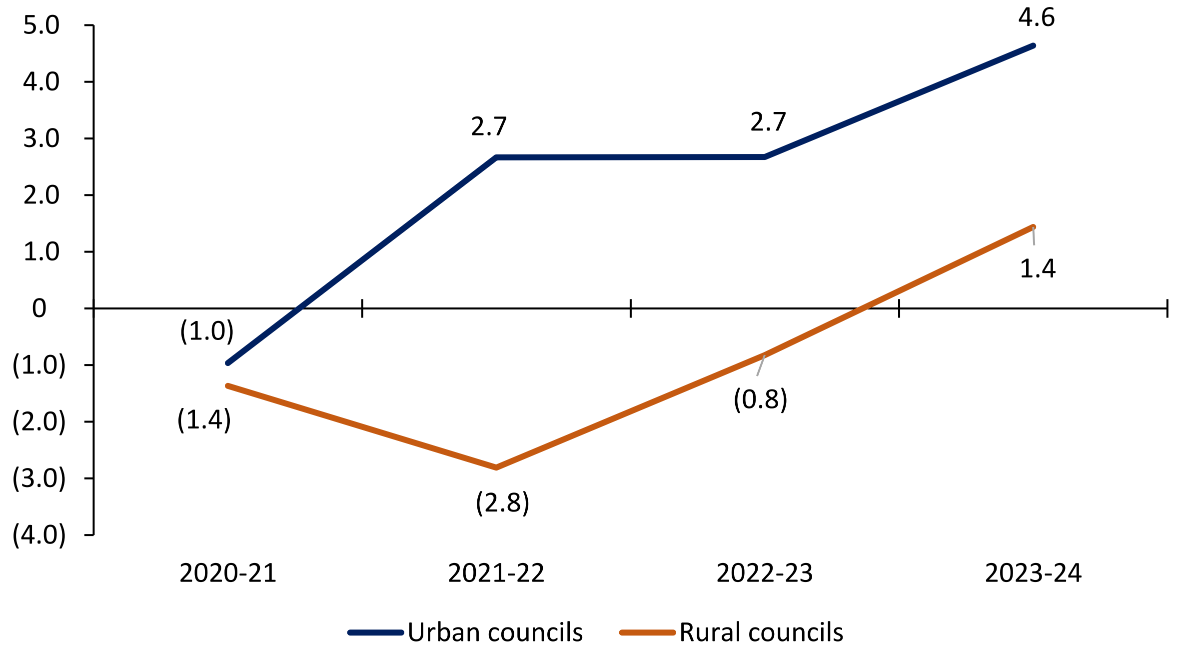
Figure 1: Underlying surplus (deficit)



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 2.

Figure 2: Underlying surplus ratio



The underlying surplus ratio for Urban councils has improved significantly since 2020-21, increasing from negative 1.4 to positive 4.6 in 2023-24. Rural councils have also improved, increasing from negative 1.4 in 2020-21 to positive 1.4 in 2023-24.

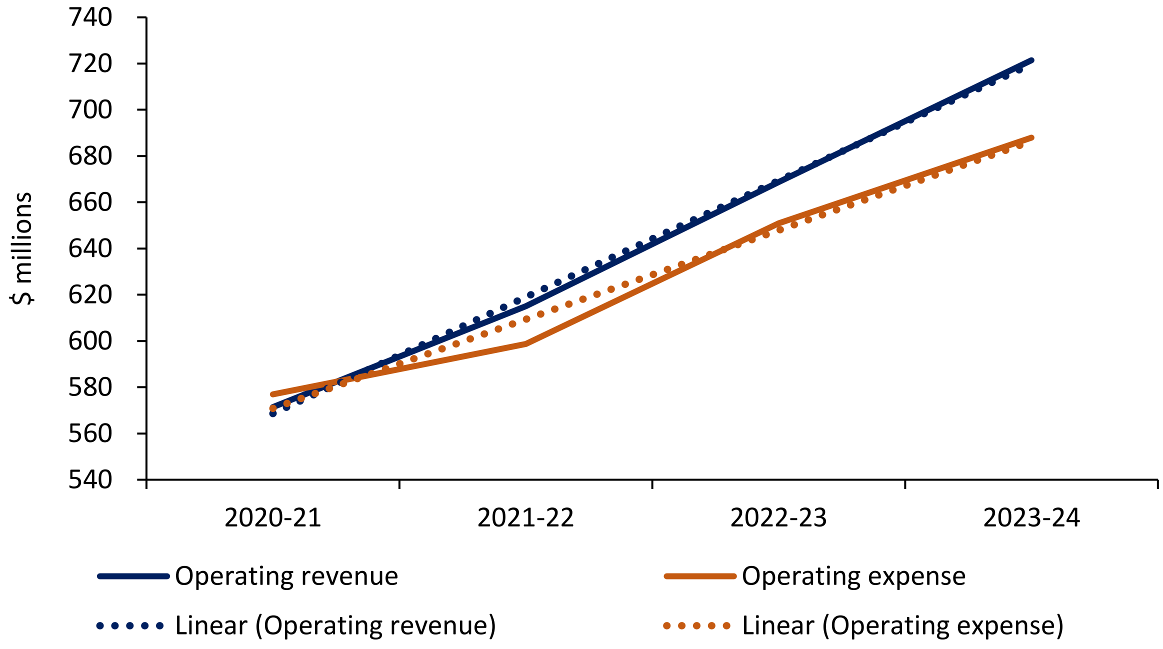
A core reason for the disparity in the underlying surplus ratio for Urban and Rural councils is the ability for Urban councils to generate higher revenues from rates and fees & charges, largely due to their higher populations.

Interestingly, Urban council rate revenue increased by 20.9% from 2020-21 compared to an increase of 28.2% for Rural councils, and revenue from user fees and charges for Urban councils increased by 22.3% from 2020-21 compared to 39.0% 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 27.2% from 2020-21 compared to 19.9% for Urban councils
- Rural council other expenses increased by 38.9% from 2020-21 compared to 21.2% for Urban councils.

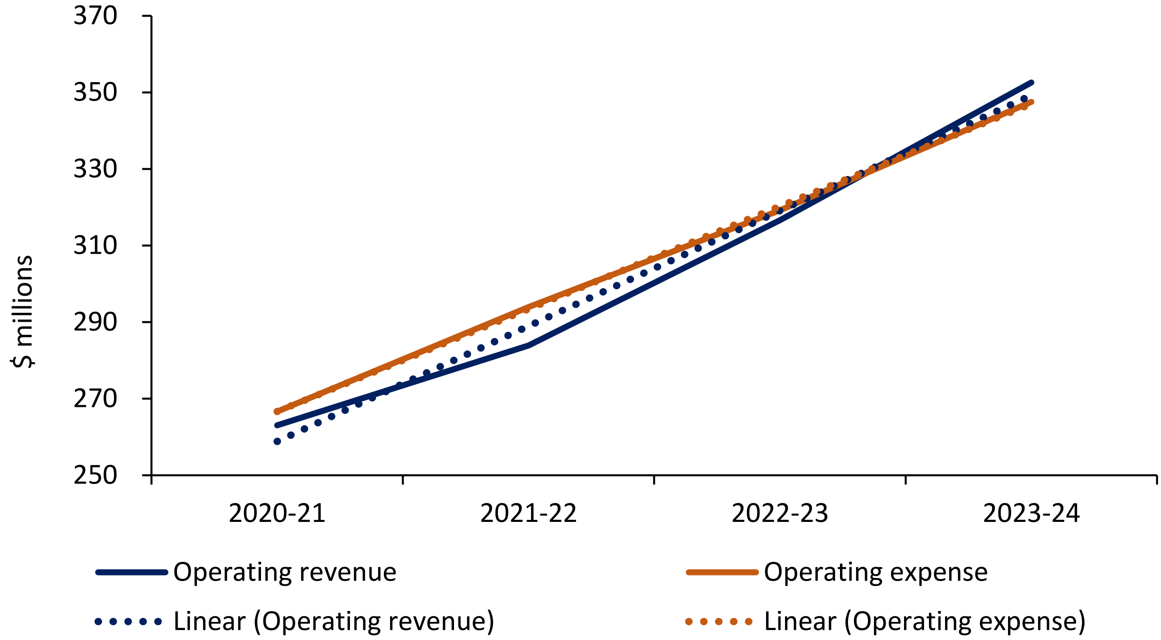
The movement in Urban councils operating revenues and expenses over the 4 year period is illustrated in Figure 3, with the growth in revenues of 26.3% for the 4 year period exceeding growth in expenditure of 19.2% for the year period.

Figure 3: 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 4, with the growth in revenues of 32.7% for the 4 year period exceeding growth in expenses of 30.3% for the 4 year period. This is the only year within the analysis where revenue growth was higher than expenditure growth.

Figure 4: Average annual increase in Rural councils operating revenue and expenses



Despite the improved trend for Rural council operating revenue over expenditure, there are still a number of councils that have expenditure increasing at a higher rate than operating revenues. These Rural councils are:

- Northern Midlands Council
- Circular Head Council
- Dorset Council
- George Town Council
- Central Highlands Council
- King Island Council
- Tasman Council
- West Coast Council.

Revenue

$669.05m	$179.33m	$122.29m	$78.86m
Rate revenue	Fees & charges	Grants	Other
▲ 8.5%	▲ 10.4%	▲ 6.4%	▲ 19.5%

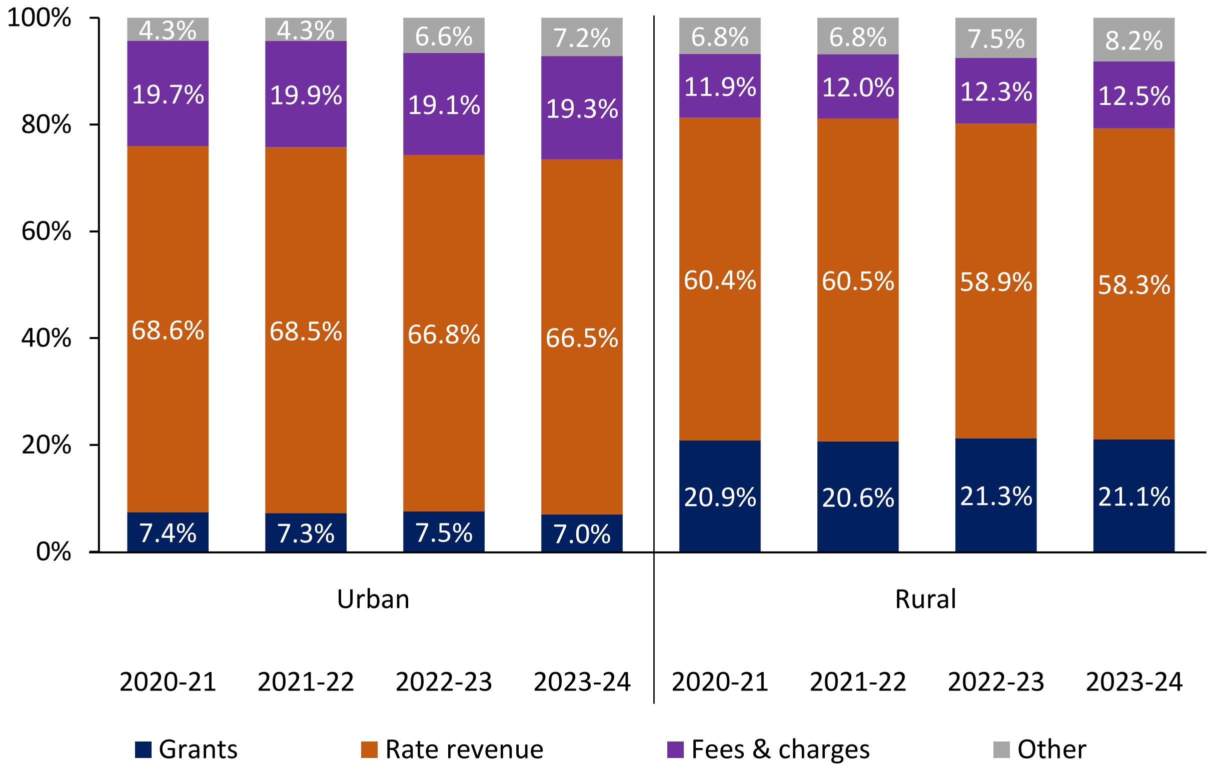
▲ improvement from prior year ▼ deterioration from prior year ● no material change from prior year

Councils recorded operating revenue of $1.07 billion in 2023-24, an increase of $84.99 million from 2022-23.

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 5 provides details of the composition of council revenue. Consistent with prior years, Rural councils are more reliant on grant funding than Urban councils. In 2023-24, grant funding was 21.1% of Rural councils operating revenue, compared to 7.0% for Urban councils.

Figure 5: Revenue source



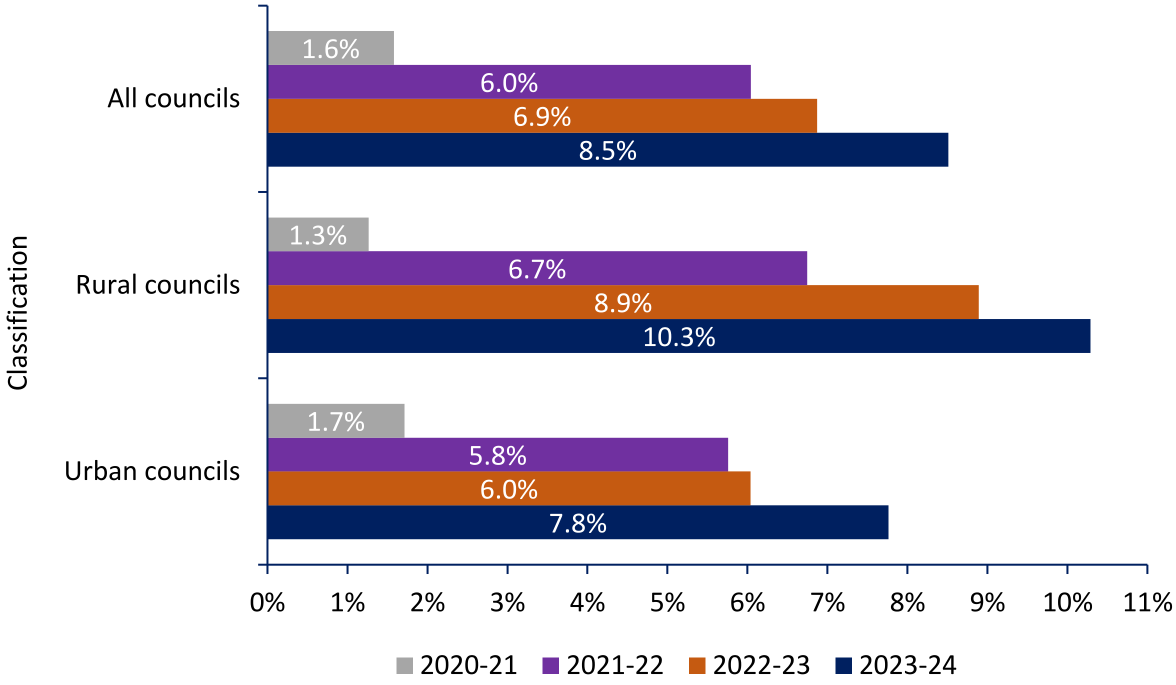
The most significant contributor to council own source revenue was rates, which in 2023-24 equated to 66.5% of Urban council revenue and 58.3% of Rural council revenue. Rate revenue reflects charges for rates and associated charges such as the fire levy.

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 37.7% of their operating revenue, with King Island Council's rates revenue representing 35.8% of their operating revenue. Both councils received government grants to assist in the provision of services, but still generated underlying deficits in 2023-24. However, Flinders Council did have a significant improvement in their underlying deficit, from $0.67 million in 2022-23 to $0.12 million in 2023-24.

There were also a small number of Council's that recorded rate revenues that amounted to less than 50% of their operating revenues. They were Kentish Council, Central Highlands Council and Southern Midlands Council.

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 6.

Figure 6: Increases in council rate revenue



As can be seen in Figure 6, 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.

Figure 6 also shows that both Rural and Urban councils achieved higher levels of increases in rate revenues since that time, particularly in 2022-23 and 2023-24. 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 3 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 2023-24 was Glamorgan Spring Bay Council, which had an increase of 15.5%. Rates revenue increased to $13.03 million from $11.28 million, principally due to:

- a general rate increase of 11.7%, which accounted for $1.05 million of the increase
- the waste management charge increased by 50% from previous year, which accounted for $0.68 million of the increase.

The next largest increase was West Coast Council of 14.9%.

Table 3: Rate revenue increase by council

Council	2020-21	2021-22	2022-23	2023-24
Urban councils				
Brighton Council	3.6%	9.2%	10.3%	9.7%
Burnie City Council	0.6%	3.8%	10.6%	10.3%
Central Coast Council	0.9%	4.1%	5.5%	5.0%
Clarence City Council	2.1%	4.8%	8.1%	9.3%
Devonport City Council	0.5%	4.3%	4.6%	7.3%
Glenorchy City Council	(2.2%)	8.9%	4.8%	7.9%
Hobart City Council	2.5%	6.5%	4.2%	8.0%
Kingborough Council	5.5%	6.5%	6.5%	6.2%
Launceston City Council	1.7%	4.5%	5.6%	6.3%
West Tamar Council	2.4%	6.1%	7.5%	8.6%
Total Urban councils	**1.7%**	**5.8%**	**6.0%**	**7.8%**
Rural councils				
Break O'Day Council	1.2%	5.2%	6.1%	9.3%
Central Highlands Council	0.5%	3.5%	5.3%	9.3%
Circular Head Council	(0.2%)	4.7%	4.9%	11.6%
Derwent Valley Council	0.7%	9.4%	12.5%	5.1%
Dorset Council	0.1%	7.9%	10.6%	7.9%
Flinders Council	0.4%	6.6%	7.5%	10.9%
George Town Council	1.6%	4.9%	7.4%	8.6%
Glamorgan Spring Bay Council	3.3%	12.9%	14.4%	15.5%
Huon Valley Council	0.7%	7.1%	7.3%	13.8%
Kentish Council	0.7%	6.3%	6.0%	6.1%

Council	2020-21	2021-22	2022-23	2023-24
King Island Council	0.2%	2.1%	6.2%	8.1%
Latrobe Council	3.6%	9.7%	8.0%	10.7%
Meander Valley Council	2.4%	11.8%	8.7%	11.3%
Northern Midlands Council	0.2%	5.5%	6.5%	9.1%
Sorell Council	2.7%	5.4%	6.8%	9.2%
Southern Midlands Council	0.8%	5.1%	6.4%	8.5%
Tasman Council	0.8%	4.5%	5.8%	7.6%
Waratah-Wynyard Council	0.9%	5.9%	7.3%	6.6%
West Coast Council	0.4%	1.9%	31.4%	14.9%
Total Rural councils	**1.3%**	**6.7%**	**8.9%**	**10.3%**
All councils				
Total	**1.6%**	**6.0%**	**6.9%**	**8.5%**

Capital investment

Capital spend compared to budget

$1.24bn

Total capital spend last 4 years

$1.60bn

Total budgeted capital spend last 4 years

$364.53m

Cumulative 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.

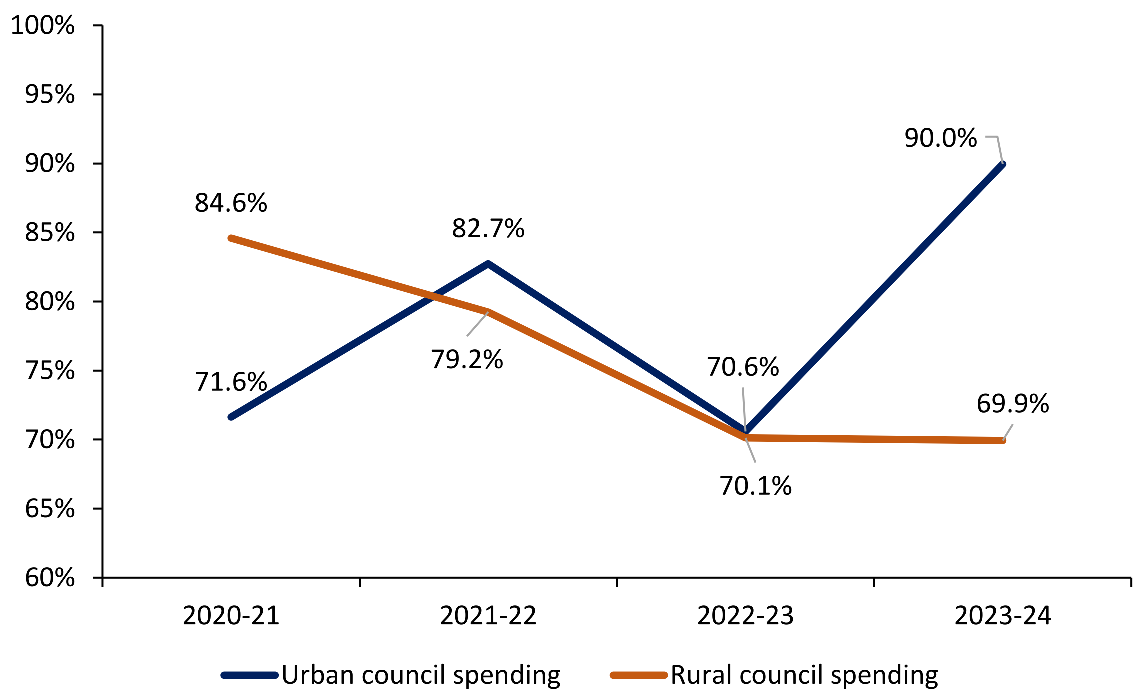
In 2023-24, the 29 councils collectively spent $369.22 million on capital projects. This was only 81.1% of their budgeted spend for the financial year. A lower spend than budgeted usually indicates that projects have either not been started or haven't progressed as far as anticipated. This can happen 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 7, in aggregate, councils have not spent their capital budgets in each of the past 4 years. In 2023-24, Urban councils spent 90.7% of their capital budget, which was a significant improvement on the 70.6% that was recorded in the 2022-23 financial year. For Rural councils, their percentage spend decreased slightly, from 70.1% to 69.9%. These percentages for Rural councils have deteriorated over each of the past 4 years.

Figure 7: Capital spending as a percentage of capital budget



To provide additional context to Figure 7, Table 4 shows the level of capital spending above or below budget by council for the 4 year period to 2023-24.

Table 4: Capital spending above/(below) budget by council

Council	2020-21 $'000	2021-22 $'000	2022-23 $'000	2023-24 $'000
Urban councils				
Brighton Council	(2,679)	(1,111)	(8,059)	3,260
Burnie City Council	(4,281)	3,163	(9,302)	(2,376)
Central Coast Council	(16,830)	(11,278)	(14,447)	(17,898)
Clarence City Council	(1,175)	(5,389)	(1,142)	3,591
Devonport City Council	(296)	(1,531)	2,935	2,474
Glenorchy City Council	(8,429)	(2,871)	(8,550)	(5,541)
Hobart City Council	(13,585)	(16,503)	(33,484)	(15,397)
Kingborough Council	1,575	3,497	5,036	(1,425)
Launceston City Council	(14,375)	2,551	3,119	10,981
West Tamar Council	(3,241)	(3,628)	(8,544)	(2,327)
Total Urban councils	**(63,316)**	**(33,100)**	**(72,438)**	**(24,658)**
Rural councils				
Break O'Day Council	786	(2,176)	(4,481)	(2,402)
Central Highlands Council	1,323	(1,238)	293	(1,693)
Circular Head Council	201	258	1,055	(3,393)
Derwent Valley Council	(1,567)	(2,536)	(95)	(1,957)
Dorset Council	(2,427)	(1,210)	(2,156)	(1,359)
Flinders Council	(156)	2,375	(5,305)	(8,711)
George Town Council	2,716	5,068	6,263	3,470
Glamorgan Spring Bay Council	107	(4,708)	(4,060)	(2,094)
Huon Valley Council	2,184	726	(1,212)	(89)
Kentish Council	(1,621)	(3,231)	(2,511)	(1,768)

Council	2020-21 $'000	2021-22 $'000	2022-23 $'000	2023-24 $'000
King Island Council	139	(531)	(431)	(2,162)
Latrobe Council	(5,129)	(15,704)	(6,661)	(7,060)
Meander Valley Council	(6,733)	(4,187)	(6,409)	(5,191)
Northern Midlands Council	(8,552)	(11,522)	(8,527)	(6,649)
Sorell Council	(1,788)	(2,703)	(8,246)	(7,078)
Southern Midlands Council	(419)	2,991	1,251	586
Tasman Council	(243)	(1,972)	(4,800)	(2,109)
Waratah-Wynyard Council	(1,745)	893	395	(5,459)
West Coast Council	(90)	5,500	(6,588)	(8,700)
Total Rural councils	**(23,014)**	**(33,907)**	**(52,225)**	**(63,818)**
All councils				
Total	**(86,330)**	**(67,007)**	**(124,663)**	**(86,528)**

Table 5 shows the actual capital spend as a percentage of budget for each council.

Table 5: Capital spending as a percentage of budget

Council	Trend	2020-21	2021-22	2022-23	2023-24
Urban councils					
Brighton Council	▲	78.9%	86.1%	36.1%	127.7%
Burnie City Council	▲	64.3%	146.7%	55.3%	94.0%
Central Coast Council	●	52.3%	58.2%	41.5%	38.4%
Clarence City Council	▲	94.8%	74.9%	93.2%	112.4%
Devonport City Council	●	98.1%	89.2%	125.6%	117.8%
Glenorchy City Council	▲	61.2%	85.4%	72.9%	83.0%
Hobart City Council	●	60.2%	59.2%	53.5%	56.0%
Kingborough Council	▼	111.7%	123.0%	124.2%	91.1%
Launceston City Council	▲	67.3%	110.3%	118.6%	153.2%

Council	Trend	2020-21	2021-22	2022-23	2023-24
West Tamar Council	▲	72.4%	74.7%	54.5%	86.9%
Total Urban councils	▲	**71.6%**	**82.7%**	**70.6%**	**90.0%**
Rural councils					
Break O'Day Council	▲	110.3%	68.5%	51.1%	71.2%
Central Highlands Council	▼	132.6%	72.1%	105.3%	79.1%
Circular Head Council	▼	104.3%	104.8%	117.7%	68.5%
Derwent Valley Council	▼	79.6%	67.5%	97.3%	73.4%
Dorset Council	●	79.0%	91.0%	82.2%	86.9%
Flinders Council	▼	82.5%	530.3%	24.4%	20.4%
George Town Council	▼	166.4%	284.8%	1170.6%	152.5%
Glamorgan Spring Bay Council	▲	102.6%	44.6%	41.3%	71.4%
Huon Valley Council	▲	134.7%	111.6%	80.4%	99.0%
Kentish Council	▲	85.2%	56.3%	51.8%	70.6%
King Island Council	▼	110.5%	84.3%	81.3%	63.6%
Latrobe Council	▼	57.2%	33.1%	72.9%	57.3%
Meander Valley Council	▲	55.8%	63.2%	49.0%	68.3%
Northern Midlands Council	▲	54.3%	43.5%	56.7%	67.2%
Sorell Council	▲	88.6%	82.9%	44.1%	60.8%
Southern Midlands Council	▼	93.7%	139.7%	117.7%	106.1%
Tasman Council	▲	87.9%	57.3%	20.5%	56.2%
Waratah-Wynyard Council	▼	84.6%	108.9%	103.5%	72.5%
West Coast Council	▼	98.0%	267.0%	53.8%	46.3%
Total Rural councils	●	**84.6%**	**79.2%**	**70.1%**	**69.9%**
All councils					
Total	▲	**76.8%**	**81.1%**	**70.4%**	**81.0%**

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

In 2023-24, 22 councils spent less than their anticipated capital budget. This included 5 of the 10 Urban councils, and 17 of the 19 Rural councils. This is consistent with 2020-21 to 2022-23.

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

$1.24bn	$364.22m	$875.85m
Total capital spend last 4 years	Total capital grants last 4 years	Total self-funded last 4 years

Over the last 4 years, 70.6% 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, Local Roads and Community Infrastructure (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 2023-24, Burnie City, Launceston City, Glenorchy City and Clarence City Councils accounted for $128.60 million of the $220.78 million spent by Urban councils on capital projects. These councils only received $16.17 million in capital grants towards these projects.

Capital grant funding for Rural councils in 2023-24 increased from prior year levels with $55.48 million recognised across the 19 councils (2022-23, $49.88 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.

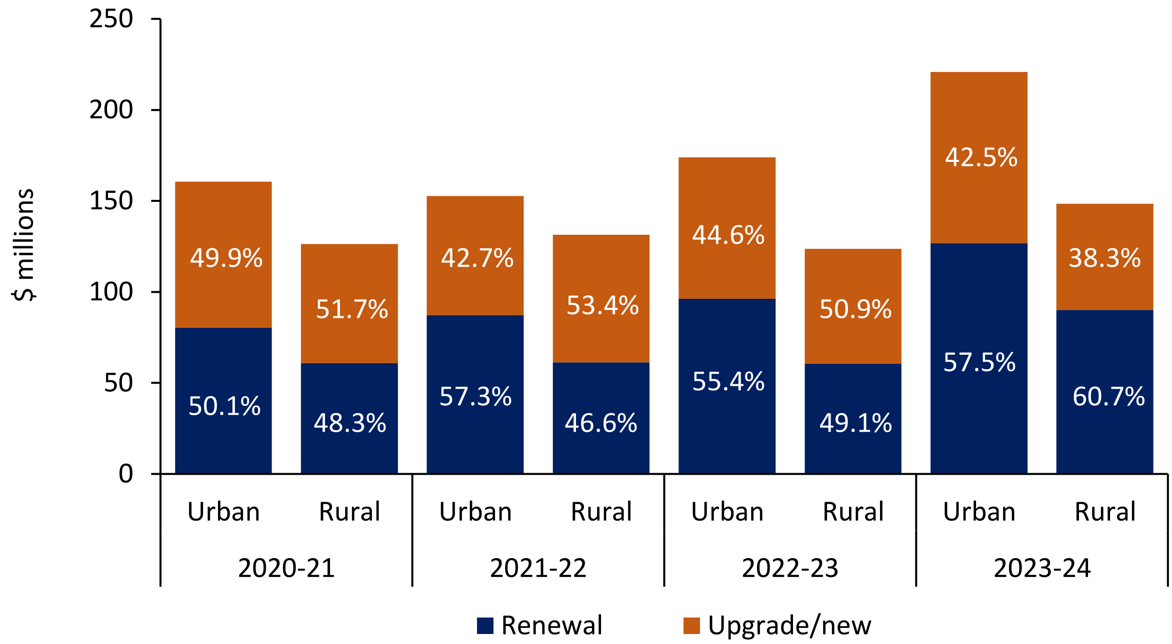
The current RTR program covers the period from 2019-20 to 2023-24 with total funds of $82.42 million allocated to Tasmania, of which $31.24 million had been allocated for Urban councils and $51.18 million allocated for Rural councils. In 2023-24, a total of $21.44 million (2022-23, $12.66 million) in RTR funding was received by councils.

During 2022-23, councils recognised capital grant revenue of $8.17 million under the LRCI program. This program was discussed at the start of this chapter.

Capital investment allocation

As illustrated in Figure 8, in 2023-24, both Urban and Rural councils focused on renewing their existing assets, instead of spending more on new or upgraded assets. In the current year, Urban councils spent 57.5% on renewal (compared to 55.4% in the prior year) and Rural councils spent 60.7% on renewal (compared to 49.1% in the prior year). The current year is the only year of the analysis where renewal capital expenditure for Rural councils was the main category of expenditure. It should be noted that renewal of assets does not include funding on maintenance.

Figure 8: Capital investment allocation



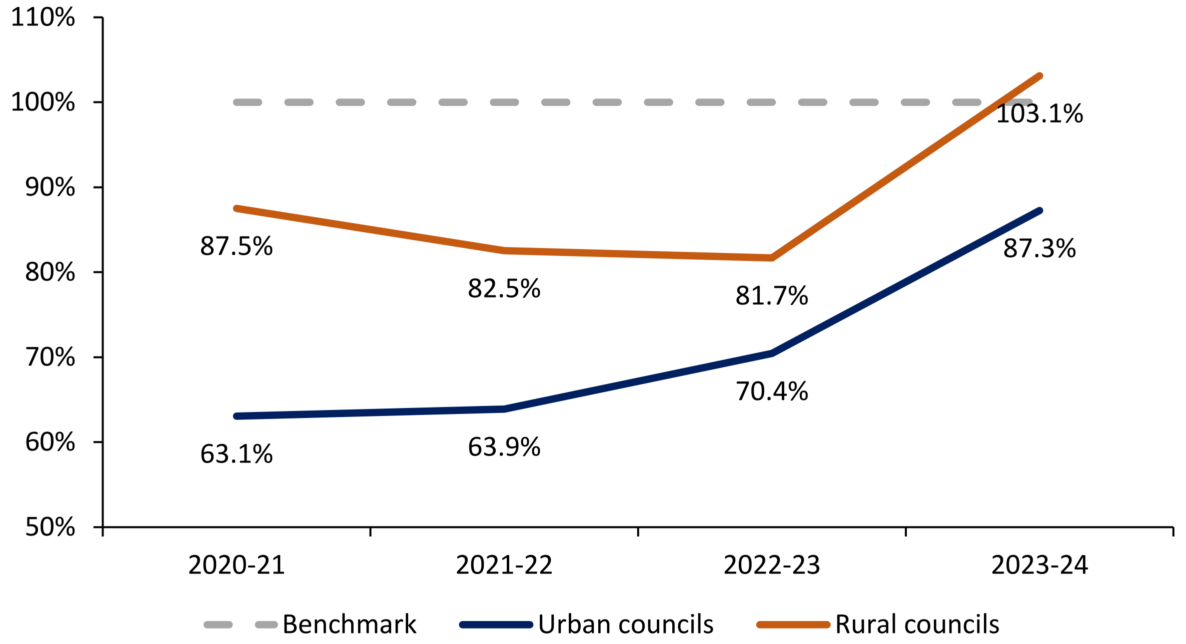
Asset sustainability ratio

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 9 shows the asset sustainability ratio on an average basis for Urban and Rural councils over the last 4 years.

Figure 9: Asset sustainability ratio



Over the 4 year period, Urban councils expended, on average, 71.6% of their depreciation expense to maintain existing non-current assets, whereas Rural councils expended, on average, 89.3%. Rural councils generally have a higher asset sustainability ratio due to the smaller asset base compared to Urban councils. This fact, in addition to the significant shift to renewal works for Rural councils in the current year, discussed previously, have resulted in an asset sustainability ratio over 100% in 2023-24. This result reverses the declining trend in the aggregate asset sustainability ratio over the previous 3 years. The trend for Urban councils is also increasing, peaking at 87.3% in the current year.

On an individual council basis, 12 councils achieved an asset sustainability ratio equal to or above 100.0% in 2023-24, made up of 3 Urban councils and 9 Rural councils. However, over the past 4 years, only 1 Rural council, Central Highlands, has achieved the 100% target for each year of analysis, and 4 other Rural councils achieved the 100% target in 3 of the 4 years of the analysis.

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*. [1,2]

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

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

As part of our Report to Parliament last year, we expanded on the insights identified in those 2 reports by providing further analysis on councils' total useful lives of transport and drainage assets. As part of this analysis, we identified 2 recommendations within our report. These recommendations include the need for Councils to achieve budgeted capital expenditure to ensure asset renewals occur at the optimal time, and the need for councils to reassess the appropriateness of their asset useful lives, and provide appropriate evidence to support disclosures made. As Councils are still in the process of addressing these recommendations, we will continue to monitor developments in this area during the upcoming audit year.

Cash and borrowings

$613.09m	$525.13m	$175.42m
Cash and investments	Working capital	Interest-bearing liabilities

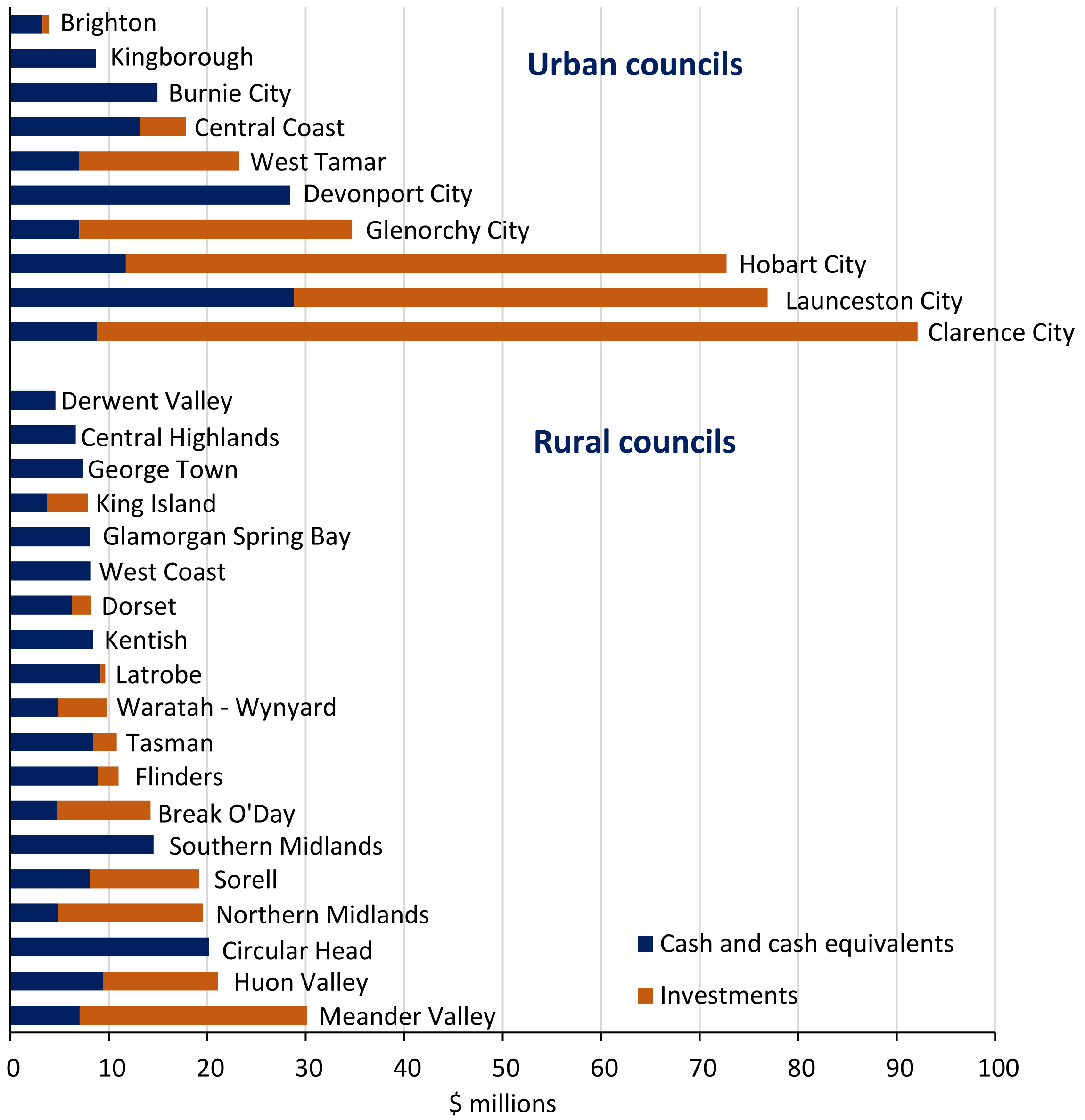
At 30 June 2024, councils held cash and investments of $613.09 million, (30 June 2023, $661.69 million) and interest-bearing liabilities of $175.42 million (30 June 2023, $232.41 million).

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 2024 is shown in Figure 10.

Figure 10: Cash and investments held at 30 June 2024



The advance payment of $86.33 million (2022-23, $97.69 million) of Australian Government Financial Assistance Grants for 2023-24 was included in cash and investments at the end of the financial year. Excluding these payments, overall cash and investments would have been $526.76 million (2022-23, $564.06 million).

Table 6 shows the value of cash and investments held by each council at 30 June from 2021 to 2024, together with a trend indicator depicting whether cash and investments were increasing, decreasing or remaining at the same level over the 4 year period.

Table 6: Cash and investments held at 30 June 2021 to 2024

Council	Trend	30 June 2021 $'000	30 June 2022 $'000	30 June 2023 $'000	30 June 2024 $'000
Urban councils					
Brighton Council	●	6,823	5,172	12,771	3,972
Burnie City Council	●	16,340	18,092	21,889	14,941
Central Coast Council	●	17,461	13,097	17,039	17,813
Clarence City Council	▲	67,761	98,471	103,175	92,137
Devonport City Council	▲	13,720	18,945	21,500	28,391
Glenorchy City Council	▲	28,461	28,016	33,720	34,718
Hobart City Council	▲	44,855	65,333	62,993	72,740
Kingborough Council	▼	23,595	23,538	11,865	8,696
Launceston City Council	●	84,839	81,902	95,051	76,900
West Tamar Council	●	23,577	24,634	25,581	23,231
Total Urban councils	▲	**327,432**	**377,200**	**405,584**	**373,539**
Rural councils					
Break O'Day Council	▲	10,548	11,813	14,435	14,226
Central Highlands Council	▼	10,204	11,145	10,541	6,654
Circular Head Council	▲	14,199	16,931	18,621	20,173
Derwent Valley Council	●	5,002	4,853	5,569	4,580
Dorset Council	▼	14,855	9,432	9,033	8,239
Flinders Council	▲	7,455	9,154	10,660	10,987
George Town Council	●	6,987	8,129	7,225	7,366
Glamorgan Spring Bay Council	▲	3,019	4,275	7,378	8,037
Huon Valley Council	▲	15,435	18,163	20,416	21,093
Kentish Council	▼	12,342	12,945	11,865	8,414
King Island Council	●	7,580	8,281	10,371	7,885
Latrobe Council	▼	13,226	15,956	10,436	9,640

Council	Trend	30 June 2021 $'000	30 June 2022 $'000	30 June 2023 $'000	30 June 2024 $'000
Meander Valley Council	▲	21,174	24,323	28,533	30,156
Northern Midlands Council	▼	21,592	26,152	20,956	19,551
Sorell Council	▲	11,354	15,412	18,427	19,170
Southern Midlands Council	▼	18,500	14,636	17,451	14,553
Tasman Council	▲	7,414	8,436	11,010	10,808
Waratah-Wynyard Council	▼	12,313	14,248	13,937	9,835
West Coast Council	●	7,326	13,519	9,245	8,184
Total Rural councils	▲	**220,525**	**247,803**	**256,109**	**239,551**
All councils					
Total	▲	**547,958**	**625,003**	**661,693**	**613,090**

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

As can be seen from Table 6, 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, as noted earlier in this report.

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 2024:

- 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 count capital expenditure requirements.

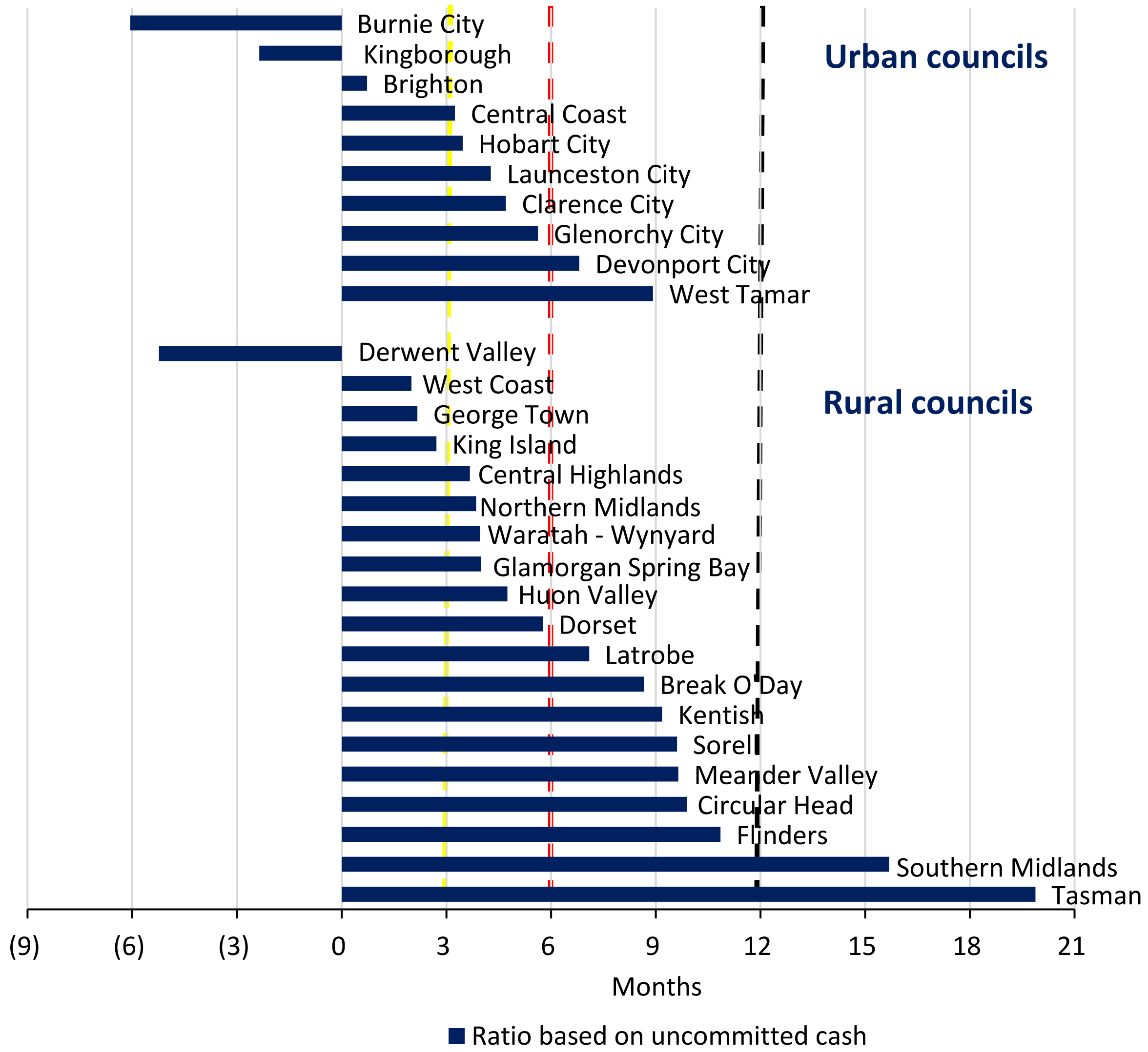
The following benchmarks were used to assess the adequacy of cash balances held:

- 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 11 shows that as at 30 June 2024, 2 councils had a much more than adequate cash expense ratio, with funds to cover more than 12 months of expenditure, down from 5 in the previous year.

Figure 11: Cash expense cover ratio - uncommitted cash at 30 June 2024



Derwent Valley, Burnie City and Kingborough Councils have a cash expense ratio below zero as their committed funds exceed their current cash holdings. Derwent Vally has funds set aside for landfill rehabilitation, Burnie City has significant levels of unspent grants and Kingborough has set aside funds within specific reserves.

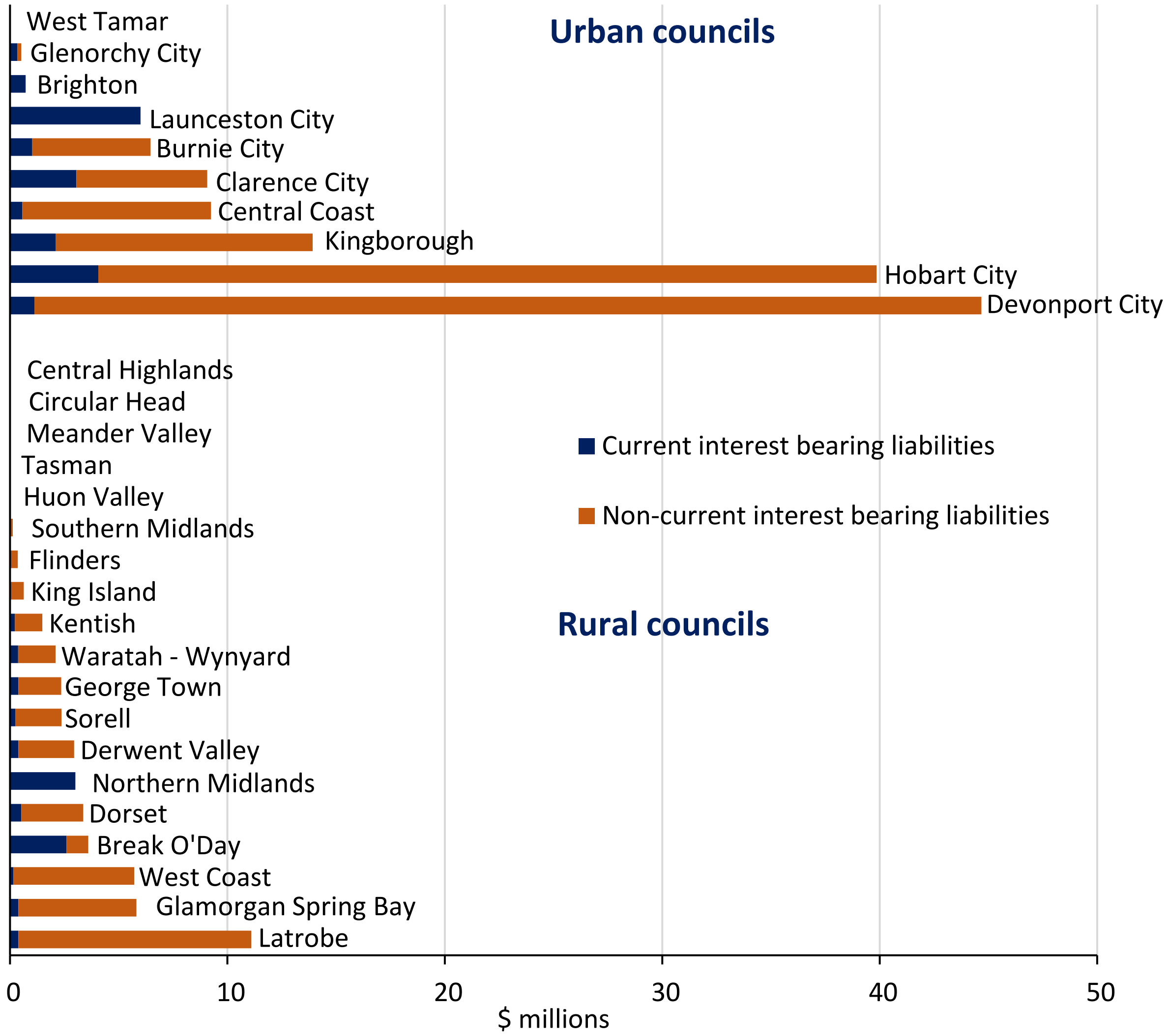
In addition to the councils noted above, 4 councils, 1 Urban and 3 Rural, had ratios that indicated they do not have funds to cover 3 months of expenses. Whilst these councils receive operating revenue to enable them to meet their ongoing expenses, a less than adequate ratio indicates that these councils 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 2024, 23 of the 29 councils held interest bearing liabilities totalling $175.42 million (30 June 2023, $232.41 million). Figure 12 shows the level of interest bearing liabilities held by individual councils at 30 June 2024.

Figure 12: Interest bearing liabilities held by councils at 30 June 2024



As shown in Figure 12, 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 7 shows the value of interest bearing liabilities held by each council at 30 June from 2021 to 2024.

Table 7: Interest bearing liabilities held at 30 June 2021 to 2024

Council	30 June 2021 $'000	30 June 2022 $'000	30 June 2023 $'000	30 June 2024 $'000
Urban councils				
Brighton Council	720	720	720	720
Burnie City Council	10,039	8,706	7,597	6,465
Central Coast Council	13,761	8,129	9,791	9,241

Council	30 June 2021 $'000	30 June 2022 $'000	30 June 2023 $'000	30 June 2024 $'000
Clarence City Council	2,340	19,980	14,569	9,064
Devonport City Council	47,936	46,863	45,774	44,671
Glenorchy City Council	5,664	2,249	1,621	518
Hobart City Council	65,106	60,251	49,992	39,860
Kingborough Council	22,323	22,323	16,723	13,923
Launceston City Council	35,000	26,000	26,000	6,000
West Tamar Council	2,200	2,200	0	0
Total Urban councils	**205,089**	**197,421**	**172,787**	**130,462**
Rural councils				
Break O'Day Council	8,138	6,256	5,867	3,599
Central Highlands Council	0	0	0	0
Circular Head Council	0	0	0	0
Derwent Valley Council	4,430	3,864	3,323	2,952
Dorset Council	8,047	4,363	3,870	3,367
Flinders Council	1,531	446	401	354
George Town Council	2,292	3,436	2,899	2,350
Glamorgan Spring Bay Council	8,302	7,844	7,587	5,820
Huon Valley Council	868	585	296	0
Kentish Council	5,989	5,865	5,730	1,488
King Island Council	887	728	681	632
Latrobe Council	6,500	11,250	11,175	11,096
Meander Valley Council	3,600	3,600	0	0
Northern Midlands Council	8,470	9,570	3,000	3,000
Sorell Council	3,157	2,755	2,330	2,372

Council	30 June 2021 $'000	30 June 2022 $'000	30 June 2023 $'000	30 June 2024 $'000
Southern Midlands Council	4,749	4,415	4,150	127
Tasman Council	70	25	0	0
Waratah-Wynyard Council	3,150	2,807	2,457	2,096
West Coast Council	2,500	8,500	5,857	5,708
Total Rural councils	**72,680**	**76,309**	**59,623**	**44,961**
All councils				
Total	**277,769**	**273,730**	**232,410**	**175,423**

While only 1 council slightly increasing their borrowings in 2023-24, and 2 others keeping their borrowings level constant, the remaining 26 councils reduced their level of borrowings during the year, with 1 council, Huon Valley, fully repaying their loans.

Despite their high level of borrowings, both Hobart City and Devonport City have reduced their borrowings over the 4 year period, with Hobart decreasing its borrowings significantly, by 38.8%, since 30 June 2021.

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*. The results for these entities are detailed in Appendix 1, Table 16.

TasWater is the most significant of the other local government entities. TasWater controlled net assets valued at $1.89 billion at 30 June 2024 (30 June 2023, $1.75 billion) and they reported an underlying surplus of $32.60 million (30 June 2023, $31.25 million).

Excluding TasWater, other local government entities controlled net assets valued at $89.18 million at 30 June 2024 (30 June 2023, $80.45 million). Additionally, they reported a combined underlying surplus of $6.08 million for 2023-24 (2022-23, $13.48 million).

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.

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.

Individual entity key developments

The following section summarises significant developments during 2023-24 affecting the operations of individual councils, TasWater and other local government entities.

Clarence City Council

Kangaroo Bay Development Precinct

In November 2023, Council filed a writ in the Supreme Court of Tasmania seeking an order that Chambroad sell the land back to Council for $2.40 million. Council remains committed to buying back the land.

In October 2024, the Minister for Planning declared the Chambroad development proposal to be a Major Project under the Land Use Planning and Approvals Act 1993. However, the matter of land ownership and associated buy back is yet to be fully resolved. This matter is still on-going, with no further clarity or timeline to resolution from previous updates.

Legal action regarding rates equivalent dispute

Certain amounts raised by way of rates equivalents (which are not a charge on the land) in respect of Hobart International Airport (HIAPL) are subject to dispute which had not been resolved at balance date. The amount raised but unpaid at 30 June 2023 was $6,341,798 (30 June 2022: $5,055,425).

This matter was heard in the Federal Court of Australia and a judgement handed down on the 24th of September 2019 was in favour of the Hobart International Airport. This decision was appealed by Council, and on the 6th of August 2020 the Full Court of the Federal Court overturned the first instance decision of the Federal Court not to determine the matter. The Full Court order was to the effect that the matter be referred back to the first instance judge for determination. In early March 2022, the High Court confirmed that decision by a 5:2 majority. This means that the substantive issue – the meaning and operation of the rates equivalent clause of the lease between the Commonwealth and HIAPL – will now be determined by the Federal Court. This decision was handed down in December 2022 with the Court dismissing the declaration sought by Council. Council appealed this decision with a decision handed down by the Full Court of the Federal Court in February 2024 which upheld the original decision. The dispute before the court is now at an end.

Negotiations are underway between Council and HIAPL in regard to ongoing rates equivalent payments.

Devonport City Council

Devonport Indoor Sports Complex and Valley Road Development

Council approved to progress the Devonport Indoor Sports Complex (DISC) and the Valley Road Development as the 2 priority sporting infrastructure investments from the Sports Infrastructure Master Plan. The DISC will be located at the Devonport Oval and will cater to the needs of multiple sporting codes. It is a multiple phase project that will extend over financial years. The expenditure incurred in 2023-24 primarily included project design costs.

This is a $60 million project which is being funded by contributions from all 3 levels of Government.

As part of the Valley Road Development, Council has agreed to provide the Devonport City Soccer Club Inc with a $1.5 million direct contribution towards the proposed development of the Devonport Soccer Centre.

Launceston City Council

UTas Stadium

In December 2022, Council passed a motion of its intention to dispose of York Park and associated land (UTas Stadium) to Stadiums Tasmania. On 8 February 2024, Council approved the transfer to Stadiums Tasmania, subject to the relevant appeals and planning processes being met. Council continues to negotiate a term sheet with Stadiums Tasmania prior to handover.

Stadiums Tasmania has engaged an external accounting firm to undertake a business review on the breakdown of the assets and written-down value of UTas Stadium. The initial valuation on the stadium indicates a written-down value of $69.55 million.

The transfer of the stadium is expected to occur prior to 30 June 2025. Due to the high probability of the transfer set to occur in 2024-25, it resulted in management classifying the stadium as an asset held for sale in accordance with *AASB 5 Non-current Assets Held for Sale and Discontinued Operations* at 30 June 2024.

Dorset Council

Board of Inquiry

On 26 July 2023, a Board of Inquiry was announced to investigate serious allegations of systemic and widespread statutory non-compliance and governance failings at Dorset Council. The Board conducted targeted appearances from November 2023 to February 2024 to gather further information and evidence and submitted its report to the Minister for Local Government on 30 April 2024.

Council's overall governance has been affected by the suspension of the Councillors and the appointment of the Commissioner. During the 2024 audit, the audit team assessed the effectiveness of internal controls at both the entity and transaction levels, with no concerns identified regarding fraud, compliance, or going concern.

As the outcome of the Board of Inquiry remained unavailable at the time that the report to those charged with governance was completed, the audit team conducted inquiries with management and reviewed relevant disclosures in the 2024 financial report. Based on this review, we concluded that the ongoing Board of Inquiry had no material impact on the 2024 financial report.

TasWater

Capital works activity

TasWater had budgeted to spend $286.40m (including $97.4m externally funded contributions) in capital works during 2023-2024. Significant projects included:

- Tamar Estuary River Health Action Plan improvements – $112.20m
- Shellfish Lease Protection Program – $11.00m
- Macquarie Point Sewage Treatment Plant (STP) Relocation – $63.30m
- Ulverstone STP upgrades – $10.40m
- Orford Sewage Pumping Stations upgrade – $8.10m.

Actual capital spend amounted to $269.20 million, which represented a shortfall of only $17.20 million, or 6.0%.

We also noted that an agreement was reached to extend the operation of the Capital Delivery Office (CDO) for the 2023-2024 financial year.

For capital works co-ordinated by the CDO, we reviewed the work undertaken by BDO Brisbane. Our work confirmed that testing carried out by BDO Brisbane was accurately completed, providing assurance that reliance on their work was appropriate.

We also completed capital work in progress testing on non-CDO capital works. This work was completed satisfactorily, with no issues identified.

Copping Refuse Disposal Site Joint Authority

Lutana lease and proposed capital projects

A new lease agreement was executed for the Lutana site in December 2023 with a 10-year lease period and option for an additional 10 years.

With the long-term security of the Lutana site the Authority is in the planning phase for the construction of a new waste transfer station and administration block. Initial works have commenced with construction expected to commence prior to 30 June 2024. The accounting treatment of the Lutana lease was confirmed as appropriate and capital works performed during 2023-24 on the new developments were satisfactorily verified.

Copping Site management

The Authority took over the management of landfill operations at Copping of 1 April 2024 after the cancellation of the Downer EDI contract, requiring additional human and capital resources. Capital equipment was to be obtained through leasing.

Dulverton Regional Waste Management Authority

Dulverton Organics Transformation (DOT) Project

The DOT project represents a significant investment for the Authority. At 31 January 2024, total expenditure on the DOT project amounted to $12.58 million. Practical completion of the project is anticipated in early July 2024.

In addition to Authority funds, the project is funded by:

- 2 loans with TASCORP for $13.10 million. The amount outstanding at 31 January 2024 totalled $12.75 million
- $9.00 million in grant funding, of which $6.63 million had been received to 31 January 2024 and recorded as a contract liability.

The DOT project was completed in July 2024, with the total balance of work in progress as of 30 June 2024 amounting to $32.60 million. The classification of the DOT project as WIP aligns with *AASB 116 Property, Plant and Equipment*. Revenue recognition from the related government grants did not impact the 2023-24 financial year. The received funds were recognised as a contract liability, in accordance with *AASB 120 Accounting for Government Grants and Disclosure of Government Assistance*.

Deregistration of the subsidiary

In late February 2024, the Board resolved to wind up the Authority's subsidiary, Dulverton Waste Solutions Pty Ltd. The deregistration process was underway as of 30 June 2024, with the subsidiary officially deregistered on 7 July 2024, as announced by the Australian Securities & Investments Commission. This deregistration did not materially impact the 2023-24 financial report but has been disclosed in the subsequent events note.

Submission of financial statements

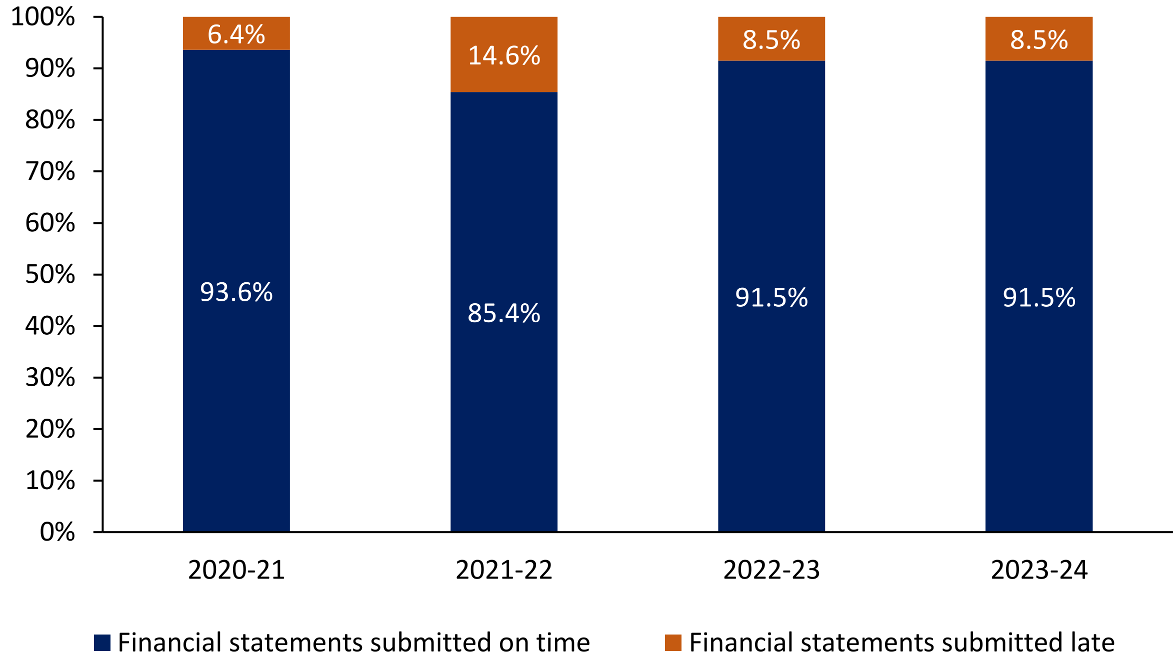
State entities and audited subsidiaries of State entities are required to submit financial statements to the Auditor-General within 45 days after the end of each financial year. For 30 June 2024 financial reporting, the deadlines fell on 14 February 2024 and 14 August 2024, respectively. Before accepting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

Councils and other Local Government entities
30 June 2024

47	91.5%
Financial statements submitted	Financial statements submitted on time

A comparison of the timeliness of financial statement submission by Councils and other Local Government entities for the past 4 years is shown in Figure 13.

Figure 13: Timeliness of submission of financial statements



For the year ended 30 June 2024, 4 local government entities failed to meet the financial statement submission deadline, consistent with 4 local government entities for the year ended 30 June 2023. Tasman Council was the only local government entity that failed to meet the submission deadline for 3 of the last 4 years.

Completion of financial statement audits

Timeliness of audit completion

The Auditor-General must issue an audit report on the financial statements of State entities and audited subsidiaries of State entities within 45 days of the date of submission. For financial statements submitted on 14 February 2024 and 14 August 2024, our deadlines fell on 30 March 2024 and 28 September 2024, respectively.

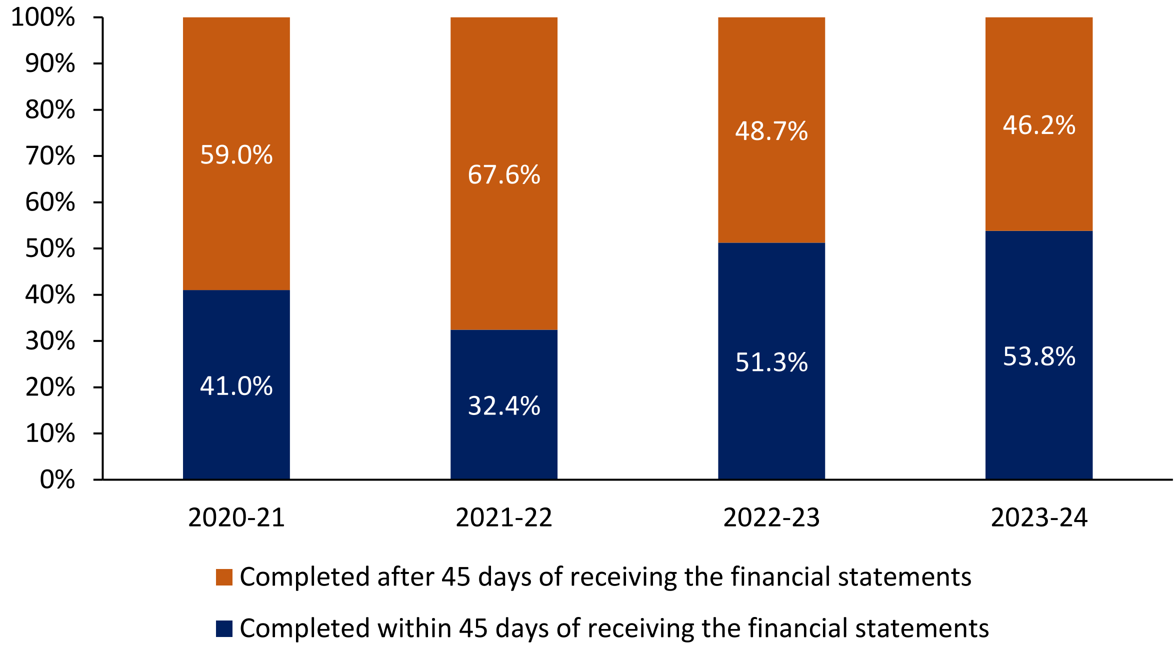
Councils and other Local Government entities
30 June 2024

21

Audit reports issued within deadline

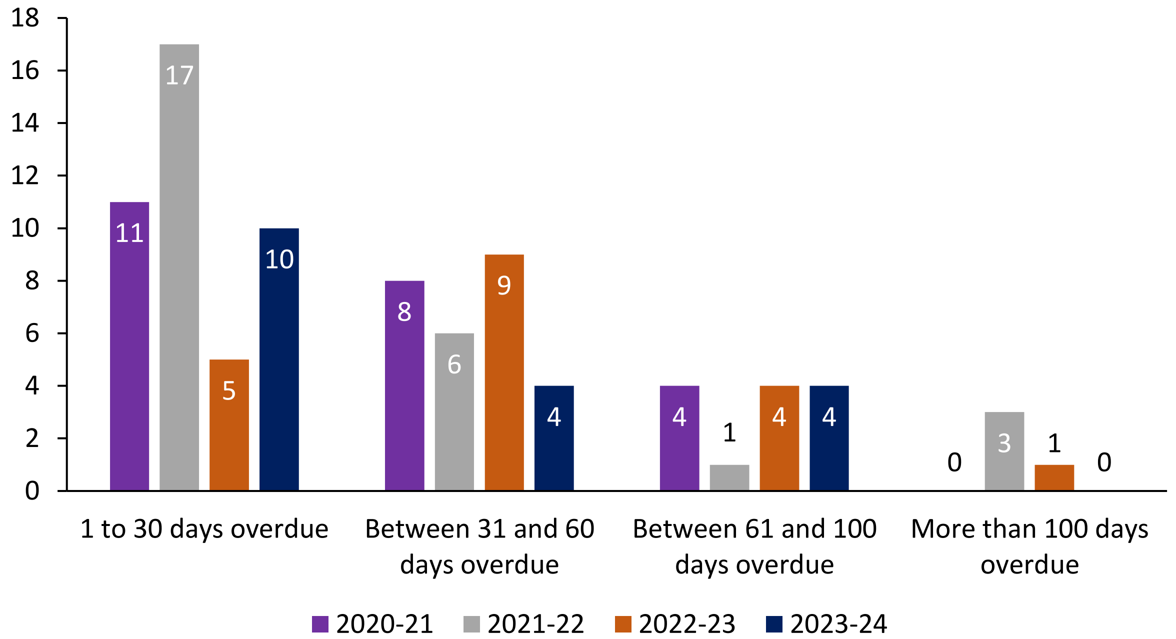
A comparison of the timeliness of the completion of the audit of financial statements of State entities and audited subsidiaries of State entities for the past 4 years is shown in Figure 14.

Figure 14: Timeliness of audit completion



18 audits for the year ended 30 June 2024 were not completed within the statutory timeframe, compared to 19 audits for the year ended 30 June 2023. The days late profile for audits completed after the statutory timeframe is shown in Figure 15.

Figure 15: Days late profile for audits completed after the statutory timeframe



The figure above shows that the number of audits completed within 1 to 30 days overdue increased significantly in 2023-24. Auditor's reports signed more than 61 days from the statutory completion date are shown in Table 8.

Table 8: 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
Tasman Council	13-Aug-2024	27-Sep-2024	9-Dec-2024	72
Waratah-Wynyard Council	14-Aug-2024	28-Sep-2024	12-Dec-2024	75
Kentish Council	14-Aug-2024	28-Sep-2024	19-Dec-2024	82
Latrobe Council	14-Aug-2024	28-Sep-2024	20-Dec-2024	83

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 8 above.

Audit opinions on financial statements

Types of audit opinions on the financial statements

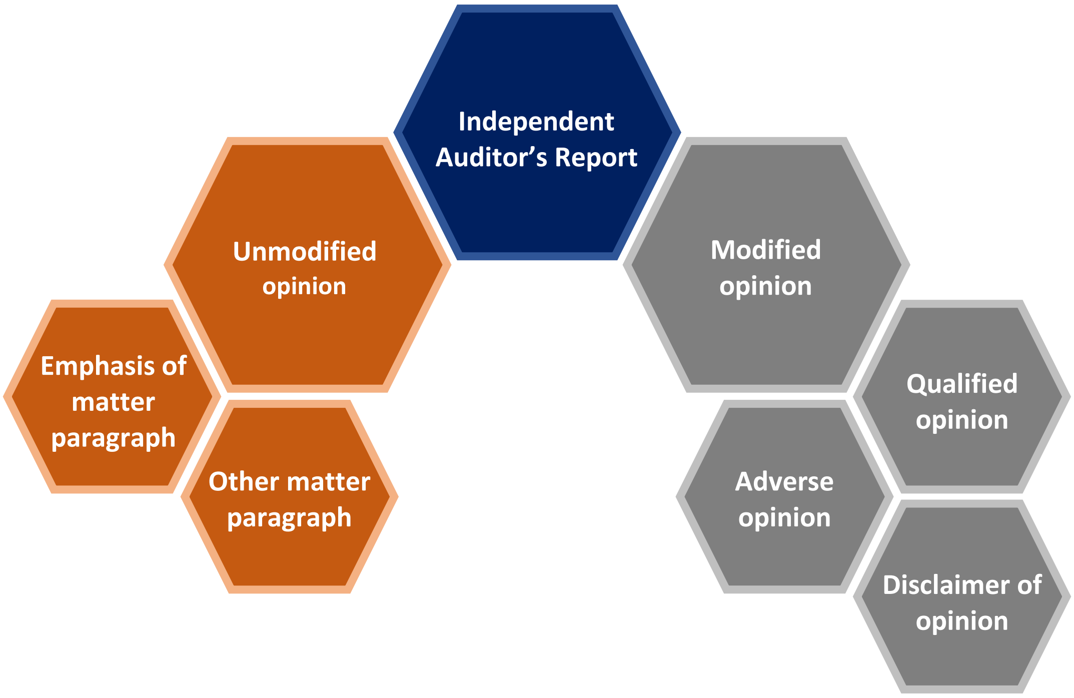
Under section 19(1) of the Audit Act, the Auditor-General is to prepare and sign an opinion on an audit of the financial statements of State entities in accordance with Australian Auditing and Assurance Standards. Australian Auditing and Assurance Standards prescribe the auditor's reporting responsibilities, including the responsibility to form an opinion on whether the financial statements present fairly[3], in all material respects, the financial

[3] 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*.

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 16.

Figure 16: 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 39 auditor's opinions issued on the audits of the 30 June 2024 financial statements, all were unmodified (commonly referred to as 'unqualified').

Audit reports issued with an emphasis of matter paragraph

Of the 39 auditor's reports issued, none 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.

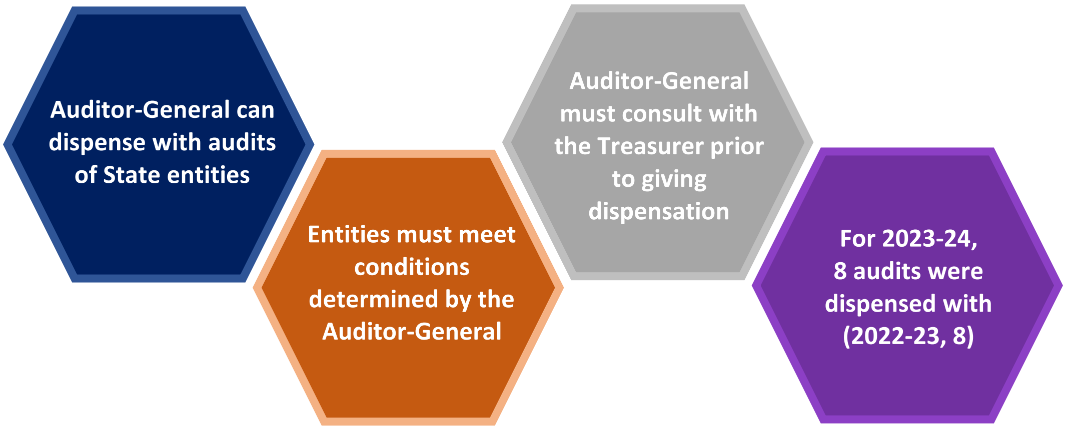
Audits dispensed with

The Auditor-General has discretion under section 18 of the Audit Act to dispense with all or any part of the audit of a particular State entity, if considered appropriate in the circumstances. The Auditor-General has determined dispensation from audit may be provided where 1 of the following conditions are met:

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

The audit dispensation process is illustrated in Figure 17.

Figure 17: Dispensation of audits process



It is important to note that dispensation of the audit does not limit any of the Auditor-General's functions or powers under the Audit Act. Where the entity is of significant size or by its nature of particular public interest, it is unlikely dispensation will be granted. The Audit Act also requires the Auditor-General to consult with the Treasurer before exercising the power to dispense with audits.

Entities where the Auditor-General has dispensed with the audit are listed in Appendix 3.

Audit findings

Findings from 30 June 2024 financial statement audits

State entities and audited subsidiaries of State entities
30 June 2024

116	65
Audit matters raised	Audit matters raised in prior periods assessed as unresolved

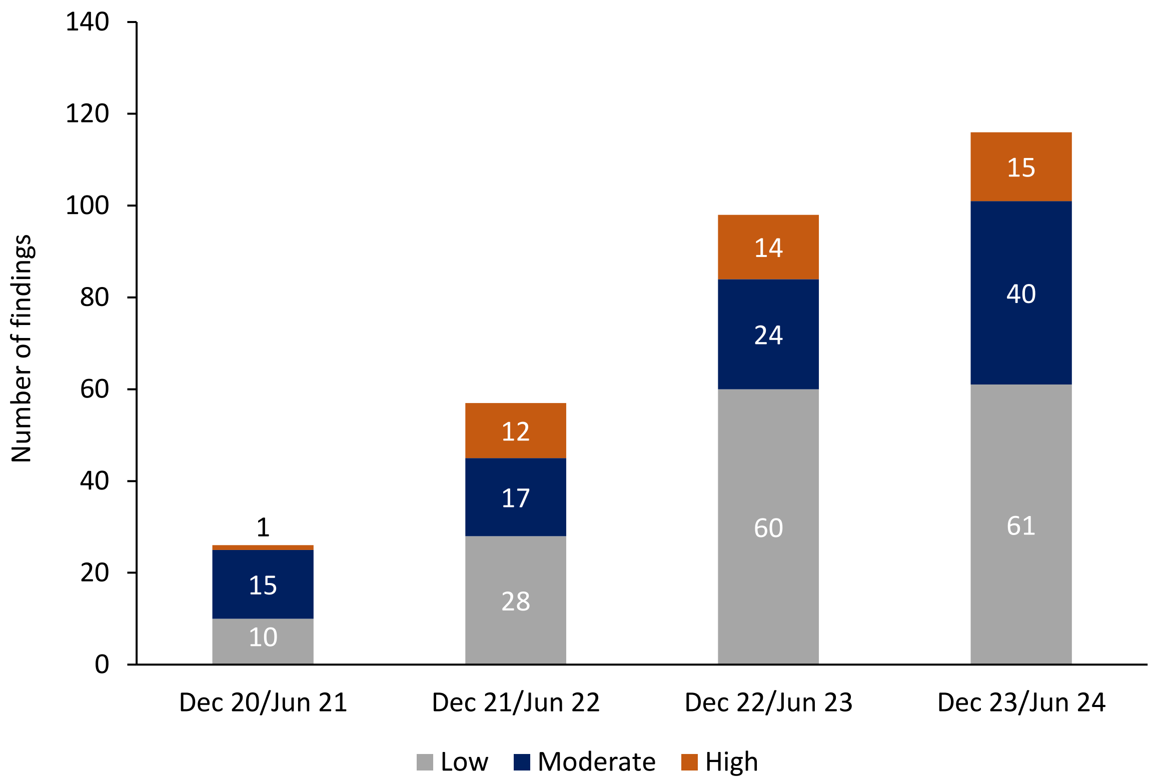
Deficiencies in internal controls and financial reporting, fraud, non-compliance with laws or regulations and other significant matters identified during an audit are reported to management, those charged with governance of State entities and audited subsidiaries of

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

Each finding is categorised as high, moderate or low risk, depending on its potential impact. The definition of these risk categories can be found in the AGR Guide.

A comparison of the number and risk rating of audit findings identified in the past 4 years is shown in Figure 18.

Figure 18: Comparison of audit findings by risk rating



The findings for 2023-24 reflect our focus on the design, implementation and operating effectiveness of internal controls covering expenditure. Given the high level of findings from the prior year, we continued to have focus on general information technology (IT) controls and governance around these controls.

Expenditure controls

Expenditure, and related payables or accruals, relate principally to the outlay of funds for the purchase of goods, services and other costs that need to be incurred to ensure continued operations of the business. The types of expenditure traditionally incurred can include the following:

- inventory purchases
- repairs and maintenance expenses

- contractor and consultant expenditure
- energy purchases
- communication and IT expenses
- rental, lease payments and property management costs
- other general consumables.

Effective expenditure controls are essential to ensure that funds are used efficiently, responsibly, and transparently. Appropriate controls help prevent waste, fraud, and mismanagement and they also promote accountability, as Councils and local government entities are entrusted with public funds and must demonstrate that these funds are used effectively to deliver public services and achieve policy objectives. Additionally, robust expenditure controls contribute to financial sustainability, enabling the entity to manage limited resources effectively while maintaining trust with the public and other stakeholders.

In essence, the implementation of effective expenditure controls is instrumental in maintaining appropriate governance and integrity across Councils and local government entities.

For the year ended 30 June 2024, total expenditure for Councils and local government entities was $1.087 billion (2022-23, $1.005 billion).

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

- segregation of duties between vendor master file and invoicing and payment functions
- banking access restricted by user IDs and passwords
- access to EFT payment system is restricted
- EFT payments require authorisation by 2 signatories
- reconciliation of accounts payable subsidiary ledger to general ledger
- purchase orders are appropriately authorised
- invoices are appropriately authorised in line with delegations.

Expenditure related audit findings identified during 2023-24 included:

- lack of segregation of duties in vendor masterfile changes
- lack of evidence of review for vendor masterfile changes and accounts payable ledger reconciliation
- credit note issued without proper approval
- lack of evidence of review for termination pay calculations
- lack of documented evidence for payroll checks
- salary increment and underpayment issues

- no independent review of changes, or a delay in the review of changes, to supplier bank account details.

General IT controls

General 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
- unauthorised access to data
- personnel gaining access privileges beyond those necessary to perform their assigned duties
- unauthorised changes to data
- unauthorised changes to applications or other aspects of the environment
- failure to make necessary changes to applications or other aspects of the environment
- inappropriate manual intervention
- potential loss of data or inability to access data as required.

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

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

Common audit findings relating to IT controls identified during 2023-24 included:

- inadequate access reviews, password settings, user approvals, privileged user monitoring, and excessive system access.
- outdated or missing policies for business continuity, disaster recovery, cybersecurity, and general IT operations.

- lack of oversight of privileged user activity across systems creates security vulnerabilities.
- key documents like IT policies and agreements are outdated or missing.
- failure to keep operational policies current and appropriate to current environments and technologies.
- 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 2023-24, as shown in Table 9, 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 9: 30 June 2024 audit findings by classification and risk rating

	High risk	Moderate risk	Low risk	Total
Financial reporting	**7**	**4**	**11**	**22**
Accounting estimate	0	4	6	10
Accounting standard non-compliance	0	0	1	1
Disclosures	0	0	3	3
Fair value	6	0	0	6
Going concern	0	0	0	0
Related party	0	0	1	1
Unintentional misstatement	1	0	0	1

	High risk	Moderate risk	Low risk	Total
Internal control	**8**	**36**	**49**	**93**
Control activity	3	14	25	42
Control environment	0	5	12	17
Information systems and communications	2	11	9	22
Monitoring activity	2	1	1	4
Access control	0	1	0	1
Risk assessment	1	4	2	7
Non-compliance with laws or regulations	**0**	**0**	**1**	**1**
Non-compliance with laws or regulations	0	0	1	1
Total	**15**	**40**	**61**	**116**

Of the 116 audit findings raised, 93 (80.17%) 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
- deficiencies in segregation of duties, particularly in journal preparation, payroll, and expenditure cycles
- deficiencies in perform regular and independent reviews of reconciliations for accounts payable, receivable, and asset registers
- outdated policies and IT controls, including cybersecurity incident management and general IT procedures
- deficiencies in third-party risk management and limited documentation on contracts and performance assessment
- 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 22 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

- inaccurate valuation of roads, stormwater assets, and new assets, including overvaluation and undervaluation of assets
- failure to prepare accurate and timely related party declarations.

High risk findings

High risk findings are summarised in Table 10 below.

Table 10: 30 June 2024 high risk audit findings

<table>
<tr><th>Entity</th><th>High risk finding</th></tr>
<tr><td>Central Coast Council</td><td>Land Under Roads asset classification
The Valuer-General issued new unit rates for Land Under Road assets with management applying the new rates as at 30 June 2024.
The Valuer-General provided M2 rates for the following asset types:
Residential = $22.36
Commercial = $62.38
Industrial = $17.74
Primary production = $1.13
Community services = $6.82
Other = $7.09.
Management have segmented the Land Under Road asset class into only 2 areas, being residential and primary production, adopting the relevant unit rates for these segments. The revaluation process saw an increase to the asset class of $52.76 million at 30 June 2024.
While management have applied the unit rates appropriately, based on the data available at the time, there is a risk of misstatement through the valuation process due to the significant variation in unit rates provided by the Valuer-General not being applied to the appropriate sub-levels of the asset class.</td></tr>
</table>

<table>
<tr><th>Entity</th><th>High risk finding</th></tr>
<tr><td>Devonport City Council</td><td>Land Under Roads asset classification

The Valuer-General issued new unit rates for Land Under Road assets with management applying the new rates as at 30 June 2024.

The Valuer-General provided M2 rates for the following asset types:
• Residential = $80.80
• Commercial = $122.90
• Industrial = $30.64
• Primary production = $2.64
• Community services = $18.36
• Other = $11.96.

Management have segmented the Land Under Road asset class into 2 areas, being Urban and Rural, adopting the most relevant unit rates for the 2 segments (being residential and primary production unit rates). The revaluation process saw an increase to the asset class of $175.61 million at 30 June 2024.

While management have applied the unit rates appropriately, based on the data available at the time, there is a risk of misstatement through the valuation process due to the significant variation in unit rates provided by the Valuer-General not being applied to the appropriate sub-level of asset class.</td></tr>
<tr><td>Brighton Council</td><td>Indexation of fixed assets

During the audit, we identified 2 issues that impacted the accuracy of asset valuations:
1. The adjustment factor for land assets had been incorrectly applied, accumulating on a year-on-year basis instead of being applied to the value identified from the last full revaluation.
2. Building additions had been omitted from the reconciliation and indexation process for several years, due to an incorrect set up of the workpaper, leading to an incomplete asset valuation.</td></tr>
</table>

Entity	High risk finding
Circular Head Council	**Revaluation of Land Under Roads assets** During the 2023-24 financial year, the Valuer-General released rates for Council to consider the fair value of the Land Under Road assets held at balance date. Council adopted these rate increases for the various categories of the asset class, however Councils' asset register did not have sufficient information to accurately adopt these rates with the information of Land Under Roads currently held by Council. In the absence of the detailed information of Land Under Roads segments (i.e. Asset ID, area and Type) it was not possible to accurately recalculate/assess the impact of the increment of the rate increase provided by the Valuer-General at balance date.
Waratah-Wynyard Council	**Revaluation of Land Under Roads assets** During the 2023-24 financial year, the Valuer-General released rates for Council to consider the fair value of the Land Under Road assets held at balance date. Council adopted these rate increases for the various categories of the asset class, however Councils' asset register did not have sufficient information to accurately adopt these rates with the information of Land Under Roads currently held by Council. In the absence of the detailed information of Land Under Roads segments (i.e. Asset ID, area and Type) it was not possible to accurately recalculate/assess the impact of the increment of the rate increase provided by the Valuer-General at balance date.
Waratah-Wynyard Council	**Management's due diligence on review of internal assets revaluation** During the final audit, multiple errors were identified in Councils revaluation of Roads and Footpaths. Data had been incorrectly entered into the Conquest system, creating an inability for the audit team to gain sufficient reliance on the fair value of Roads and Footpaths as at 30 June 2024. As a result of these issues, and the time required to remediate, Council elected to reverse the revaluation assessment performed during the year.
Clarence City Council	**Lack of active cyber security policy** There was no evidence provided to indicate a structured approach to managing the risk of cyber-attack existed.

Entity	High risk finding
Southern Midlands Council	**Valuation of stormwater assets** During the verification of infrastructure assets at the final audit visit, it became evident that the Stormwater asset class has not been revalued since 2018. The carrying fair value of the asset class as at 30 June 2024 was $4.143 million. The timeframe since the previous valuation exceeds what is expected within the accounting standards, namely *AASB116 Property, Plant and Equipment,* to ensure that assets are disclosed at appropriate values.
Southern Midlands Council	**IT policies and procedures** During the 2023-24 audit, it was noted that Council does not have any IT policies and procedures in place across the following broad areas of IT Governance: • data resilience and availability (BCP/DRP) • network resilience and availability (BCP/DRP) • Business Continuity Plan (BCP) • Disaster Recovery Plan (DRP) • third party Service Level Agreements (SLAs) • information management • cyber security • information asset database • IT asset database or Configuration Management Database (CMDB) • governance – IT strategic plan.
Hobart City Council	**Control processes over system implementation and post-implementation review** In 2021, the Council migrated its property, plant, and equipment (PPE) records to a new asset management system. Errors were made in applying accumulated depreciation from revaluations and indexations, resulting in overstated written down values and excessive depreciation charges for Buildings, Land Improvements, Pathways & Cycleways, Stormwater, and Roads & Bridges asset classes. We note that Council self-identified this issue during the 2024 financial year, undertook a detailed review and adjusted the financial report for material prior period restatement.

Entity	High risk finding
Kentish Council	**Journal segregation of duties** Journals testing revealed current controls in place to separate the creation and approval of journals do not appear to be effective. Current settings in Technology One allow for users with appropriate access to create and approve their own journal. Whilst the current process is that journals should be work-flowed to another user for approval, we have noted 51 instances where journals were created and posted by the same user during the audit period.
Latrobe Council	**Journal segregation of duties** Journals testing revealed current controls in place to separate the creation and approval of journals do not appear to be effective. Current settings in Technology One allow for users with appropriate access to create and approve their own journal. Whilst the current process is that journals should be work-flowed to another user for approval, we have noted 77 instances where journals were created and posted by the same user during the audit period.
Tasman Council	**Overdue revaluation of buildings** Management has not undertaken an assessment of the fair value of buildings since the assets were previously revalued in 2021. The fair value of buildings as at 30 June 2024 was $10.18 million.
Tasman Council	**Documentation of prior years' fixed asset register** Council performed a revaluation of Land Under Roads in 2023-24 based on the advice provided by the Office of the Valuer-General (OVG). In the revaluation process, Council applied a $ rate per m^2/ha provided by the OVG for various classification of Land Under Roads. There was no adequate documentation maintained by Council to record assets added in the fixed asset register subsequent to the previous revaluation at 30 June 2019. As a result, Council was unable to apply the rates retrospectively for the addition of assets between revaluations in 2019 and 2024.
Tasman Council	**Absence of IT strategy** TAO noted that Tasman Council does not have an IT strategic plan or IT strategy.

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

Unresolved audit findings from prior years

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

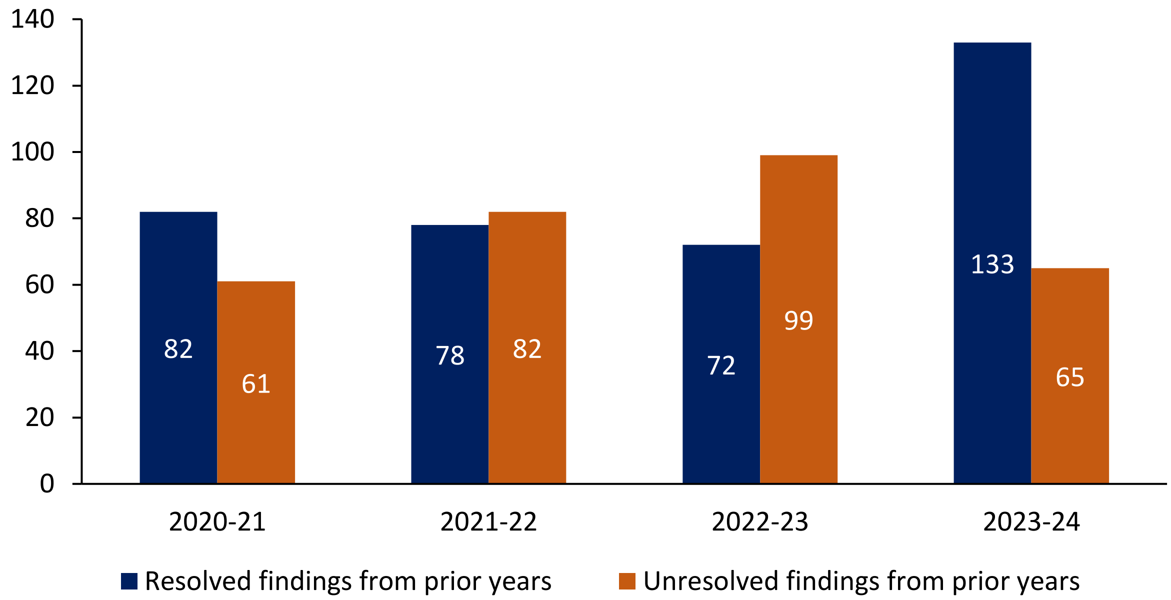
A reconciliation of the unresolved findings for each of the past 4 years is shown in Table 11.

Table 11: Reconciliation of unresolved findings

	Jun 21	Jun 22	Jun 23	Jun 24
Unresolved findings at the beginning of the year	**144**	**160**	**171**	**198**
New findings in current financial year	104	99	105	116
New findings addressed	6	10	6	16
Prior year findings resolved	82	78	72	133
Unresolved findings at the end of the year	**160**	**171**	**198**	**165**

A 4 year history of the percentage of prior years' audit findings resolved each year is shown in Figure 19.

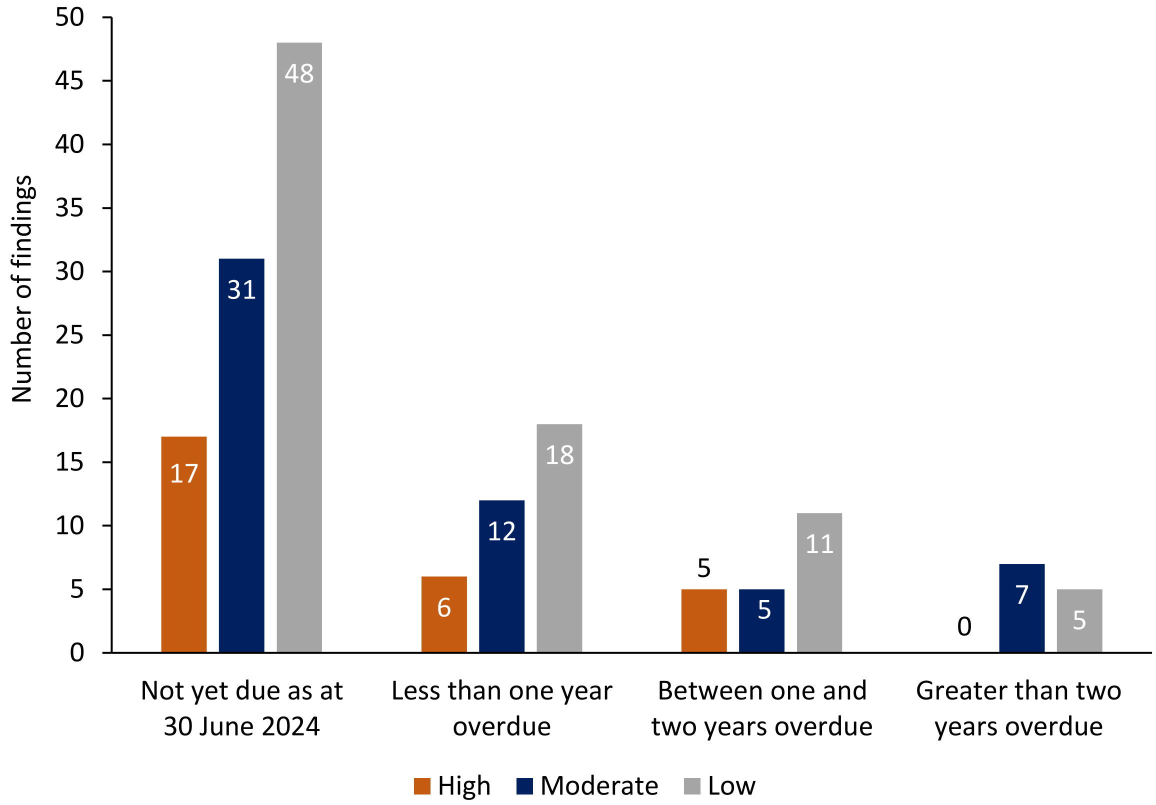
Figure 19: Resolution of prior years' audit findings



Together, Table 11 and Figure 19 highlight a significant improvement of cleared prior year findings in the 2023-24 year, resulting in lowest number of unresolved findings over the past 3 years. Given the high level of findings in the current year, Councils will need to remain vigilant to ensure this trend continues.

The ageing of previously reported findings past the date by which they were to be resolved is shown in Figure 20.

Figure 20: 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 2023-24 or earlier are detailed in Table 12.

Table 12: Unresolved high risk issues raised in 2022-23 or earlier

Entity	Year finding was originally raised	High risk issues raised in 2022-23 or earlier
Derwent Valley Council	2022-23	**Valuation adjustments by management** During the audit, an independent valuation of landfill rehabilitation costs was undertaken. In arriving at the provision for landfill rehabilitation, management made alterations to the cost provided by the independent valuer. These alterations did not have sufficient evidence to support the changes made and alternative audit procedures had to be performed to determine the amount of provision that appeared reasonable.

Entity	Year finding was originally raised	High risk issues raised in 2022-23 or earlier
Glenorchy City Council	2022-23	**Lack of segregation in preparing, approving and posting journals** Testing of journals revealed, Finance One permits general ledger journals to be created, posted and approved by the same users, indicating that breaches of generally accepted segregation of duties principles may be possible in the journal process. In addition, we identified manual journals were not subject to the review of senior management, including the Finance Manager and the Chief Financial Officer.
Hobart City Council	2021-22	**Buildings on Council owned land** During the audit it was identified that there may be an issue with Council owning land upon which buildings are situated and where operating leases exist, but the buildings are not attributed a value. For example, the lessor may construct or improve buildings on Council land and the asset not reflected in Council accounts. This is a matter being identified for consideration across Councils.
Hobart City Council	2020-21	**Change in financial reporting software – Navision – Task list** After the implementation of Navision, Council implemented an issues register in October 2020, to record any improvements or enhancements over a range of system issues such as training, reporting, and integration and process issues. We acknowledge the register has only been operational in a centralised form since early October 2020, and Business Systems and Process reference Group has met to update the register. As at November 2020, some elements of the register were incomplete for a substantial number of items including the date raised, priority of the item, action and progress notes, the status, and date resolved.

Entity	Year finding was originally raised	High risk issues raised in 2022-23 or earlier
Kentish Council	2022-23	**Management of acquired assets through developed subdivisions** During the 2022-23 financial audit, it was noted that the detail of acquired assets through the development of sub-divisions was low. This required subsequent corrections to these assets to disaggregate them into more specific asset classes. As part of this process, errors were found in the valuation of some assets.
Kentish Council	2022-23	**Management and quality of underlying asset data** During the 2022-23 financial audit, it was noted that the level of detail at an individual asset level is not readily available for audit. This included unit rates, quantity of the asset held (for example the square footage of building assets) and other related data. This caused significant manual intervention during the revaluation of assets in 2022-23.
Kentish Council	2021-22	**Key person dependency** Reliance on a specific individual was identified when it came to the asset management and revaluation of fixed assets. This includes key areas such as: • process knowledge and council specific information • the performance and application of methodology. This individual departed Council before end of the 30 June 2022 financial year and impacted councils’ ability to reperform and substantiate work completed.
Latrobe Council	2022-23	**Management of acquired assets through developed subdivisions** During the 2022-23 financial audit, it was noted that the detail of acquired assets through the development of sub-divisions was low. This required subsequent corrections to these assets to disaggregate them into more specific asset classes. As part of this process, errors were found in the valuation of some assets.

<table>
<tr><th>Entity</th><th>Year finding was originally raised</th><th>High risk issues raised in 2022-23 or earlier</th></tr>
<tr><td>Latrobe Council</td><td>2022-23</td><td>Management and quality of underlying asset data

During the 2022-23 financial audit, it was noted that the level of detail at an individual asset level is not readily available for audit. This included unit rates, quantity of the asset held (for example the square footage of building assets) and other related data. This caused significant manual intervention during the revaluation of assets in 2022-23.</td></tr>
<tr><td>Latrobe Council</td><td>2021-22</td><td>Key person dependency

Reliance on a specific individual was identified when it came to the asset management and revaluation of fixed assets. This includes key areas such as:
process knowledge and council specific information
the performance and application of methodology.
This individual departed Council before end of the 30 June 2022 financial year and impacted councils’ ability to reperform and substantiate work completed.</td></tr>
</table>

Tasman Council	2021-22	**Lack of formal process over preparation of financial statements** There is no formal procedure for preparation of financial statements at the year-end which may lead to risk of material misstatements due to error. We noted the following misstatements in the financial statements during our final audit: • as per audit calculation, the underlying surplus for current period was $0.43 million whereas the Council's disclosure note shows a balance of $0.53 million • net asset revaluation increment in the income statement was recorded as $1.25 million whereas in the reconciliation of property, plant and equipment disclosure note, the balance was recorded as $1.23 million • there were a few variances noted in the first version of the Cash Flow Statement against our calculation on cash flow movement • incorrect recording short term interest-bearing liabilities at year end • general ledger depreciation expense did not reconcile to the financial statements • insufficient classification of salary expenses including the breakdown of salary, annual leave and long service leave expense • incorrect disclosure in the unspent capital grants note • incorrect wage inflation factor being used in employee provision calculations. In the event that key accounting personnel departed Council, there are no detailed procedures for the preparation of annual financial statements. We believe the risk of key person dependency over the preparation of annual financial statements at year- end can be mitigated by preparing detailed procedures. These procedures would include financial and administrative procedures, financial management information system manuals, checklists and templates. To be effective, these must be kept up-to-date and readily accessible to staff.

Entity	Year finding was originally raised	High risk issues raised in 2022-23 or earlier
Tasman Council	2021-22	**Lack of segregation of duties in journals processing** Detailed journals testing identified that Council's financial system, Xero, permits general ledger journals to be created, posted and approved by the same users, indicating insufficient segregation of duties in journals processing.
Tasman Council	2021-22	**Management oversight of valuation process and assessment of valuation result** Council undertook full revaluations for Bridges and Drainage assets as at 30 June 2022. The Bridges were revalued by AusSpan Pty Ltd and Drainages were revalued by an independent consultant, Gavin Boyd. Our audit identified that Council does not have any formal documentation of management oversight of the valuation process.

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

Identification of misstatements

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

- an inaccuracy in gathering or processing data from which financial statements are prepared
- the inappropriate classification, aggregation or disaggregation, of information
- incorrect accounting estimates arising from overlooking, or clear misinterpretation of, facts
- judgements of management concerning accounting estimates that we consider unreasonable or the selection and application of accounting policies that we consider inappropriate
- the omission of amounts or disclosures, including inadequate or incomplete disclosures, which are required to meet the disclosure objectives of the financial reporting framework
- the omission of disclosures necessary for the financial statements to achieve fair presentation beyond disclosures specifically required by the financial reporting framework.

Identified misstatements are discussed with management, with a determination made on whether the error will be corrected in the financial statements before our auditor's report is issued. The requirement to correct the error will depend on its nature, value, and impact on the users of the financial statements. All identified misstatements above an agreed threshold are formally communicated to those charged with governance of the entity as part of our reporting on audit outcomes. Additionally, all material misstatements identified were corrected prior to an unqualified auditor's report being issued.

For completed audits of financial statements for years ended 30 June 2024, 60 misstatements were identified for 39 entities (compared to 68 misstatements for 39 entities in 2022-23). Of these misstatements, 51 were corrected by the entity before the auditor's report was issued. The value and number of the corrected and uncorrected misstatements for 2020-21 to 2023-24, are shown in Figures 21 and 22, respectively.

Figure 10: Corrected misstatements

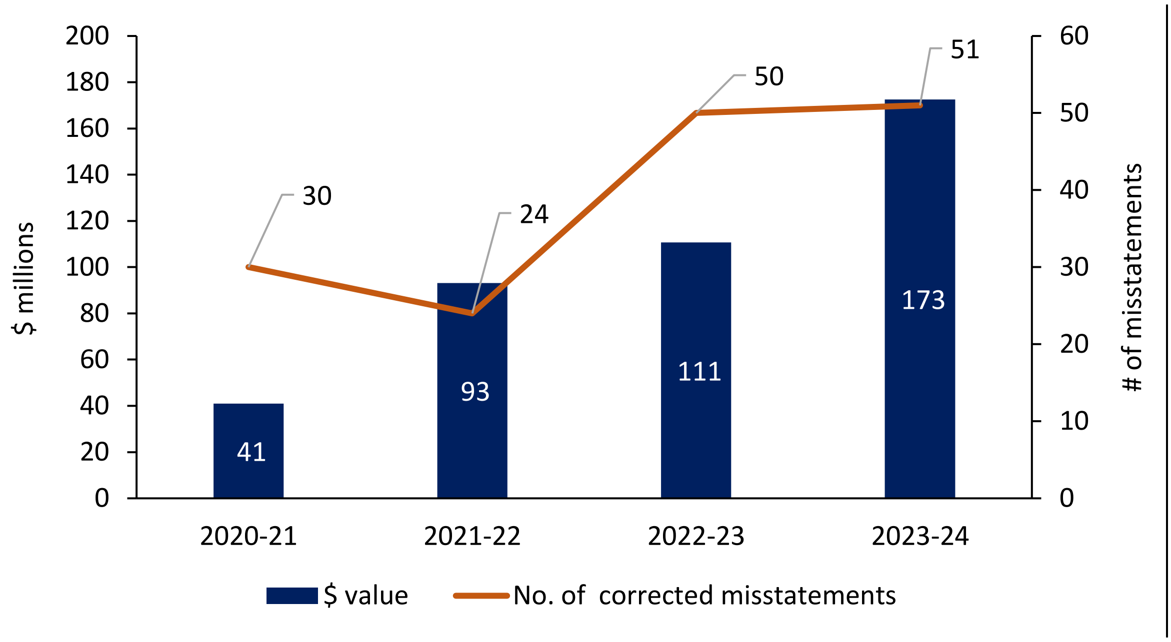
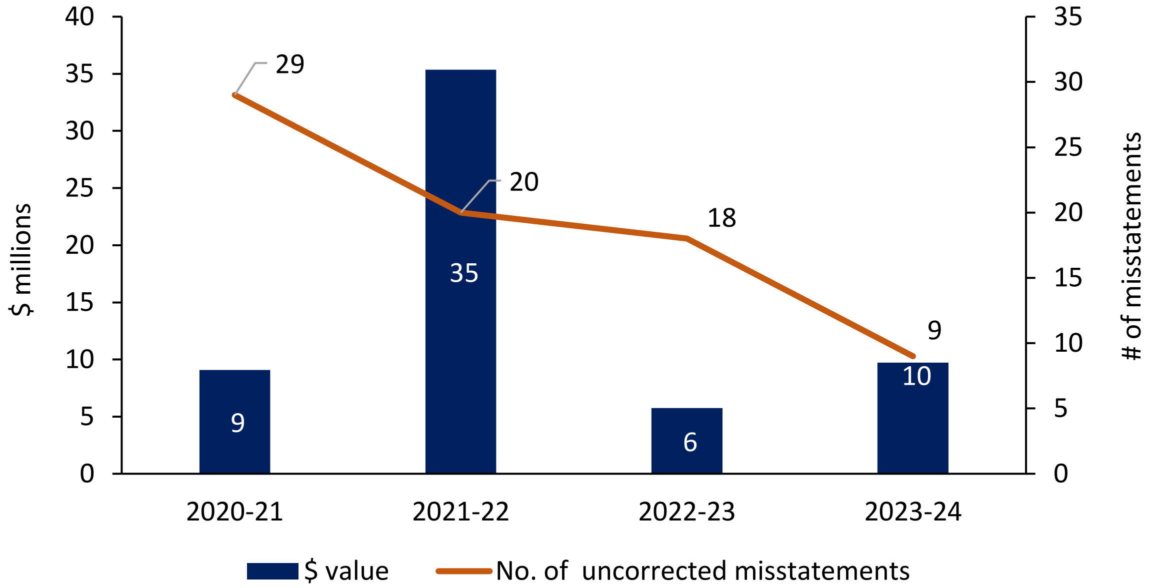


Figure 11: Uncorrected misstatements



Prior period errors

7 prior period errors were reported in the completed audits for 30 June 2024, compared to 6 for the preceding year.

A prior period error represents an omission or misstatement in an entity's financial statements for 1 or more prior periods arising from a failure to use, or misuse of, reliable information that:

(a) was available when financial statements for those periods were authorised for issue, and

(b) could reasonably be expected to have been obtained and considered in the preparation and presentation of those financial statements.

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

(a) the nature of the prior period error

(b) for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected

(c) the amount of the correction at the beginning of the earliest prior period presented.

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

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 TAO'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 7 entities that disclosed prior period errors, only 1 Council presented a third statement of financial position. The remaining Councils chose not to, on the basis that the 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 30 June 2024 financial statements are summarised in Table 13.

Table 13: Summary of prior period errors

Entity	Prior period error
Break O'Day Council	In the 2021-22 financial year, Council conducted a full revaluation of its bridge assets, increasing the gross cost by $11.62 million, accumulated depreciation by $9.19 million, and the asset revaluation reserve by a net $2.43 million. However, when processing the general journal entries, Council omitted the impact on accumulated depreciation, resulting in an overstatement of the asset revaluation reserve by $9.19 million in the 2021-22 financial report. In 2022-23, when Council indexed the bridge assets, it did not correct the original overstatement, leading to a further overstatement of $0.66 million in the asset revaluation reserve. As a result, the total overstatement across both years amounted to $9.85 million.
Brighton Council	During the revaluation of land assets, the audit team identified an error in the application of indexation rates, which overstated the fair value of land assets by $4.43 million for the prior period. Due to the material balance the Council chose to make the correction as a prior period error.
Burnie City Council	During the revaluation of land assets, management identified that when applying the indexation rate provided by the OVG, the basis of the indexation point was incorrect. New rates in the years 2021, 2022 and 2023 had been applied to the previously indexed amount and not the most recent full valuation completed by the OVG. As a result, land values and the related balance in the revaluation reserve have been inflated in the prior years, causing material error. Management rectified this in the 2023-24 financial year, with adjustments to land of $11.98 million in the prior period.

Entity	Prior period error
Hobart City Council	In 2021, Council migrated its property, plant and equipment to a new asset system. Accumulated depreciation from revaluations and indexations undertaken since that time has not been applied correctly resulting in higher written down values and higher depreciation. This error has affected the Buildings, Land Improvements, Pathways & Cycleways, Stormwater, and Roads & Bridges asset classes. Asset revaluations and depreciation have been adjusted in the prior period to correct this error. It was also identified that Council was recognising some Land and Land Under Roads assets that were no longer held by Council. Further some Land assets held by Council were not recognised in the assets system. These issues have been corrected in the prior period. The total impact on asset for the 2 issues detailed above was a decrease in asset values of by $174.94 million. Finally, Council identified an error in the calculation of the prior year defined-benefit superannuation plan, as a result of double counting of a member's salary. Council also recalculated the prior year numbers to allow for the impact of limiting the net defined benefit asset to the asset ceiling as required under *AASB 119 Employee Benefits*.
Kingborough Council	Council in its 2019-20 financial report made disclosures in relation to the funding and construction of a new changeroom a Kelvedon Park in Taroona, and similarly, in 2021-22, Council also capitalised the contributions it made towards the construction of a new changeroom at Lightwood Park in Kingston. A reassessment of the treatment of these buildings has ascertained they will not be an asset to Council, but instead will be an asset of the football clubs who will fully manage and maintain the assets. On this basis, the costs incurred for these projects were reversed from the previous Statement of Financial Position as a prior period error in order to treat the transactions as operating expenditure. The adjustment amounted to $0.84 million.
Waratah-Wynyard Council	During the 2023-24 year, a review of Councils asset register was undertaken, identifying that Council was currently recognising 27 assets (within Land) that were associated with peppercorn lease agreements between the Crown (lessor) and Council (lessee). After identifying these peppercorn leases held with Crown, Council then formed the opinion to no longer recognise these leased items in full and derecognise all 27 assets from their asset register, creating the prior period error as at 1 July 2022. This resulted in Council adjusting the carrying value of land by $6.55 million.

Entity	Prior period error
West Coast Council	West Coast Council restated the comparative figures in the 2023-24 financial statements due to landfill provision being underprovided for, and incorrectly recorded in the 2022-23 financial statements. During the 2023-24 financial year, documentation was uncovered that council had commissioned a report from GHD in 2018 that suggested the expected costs of remediation for Cells 1 and 2 were in the vicinity of $2.90m. With remediation work occurring in the 2023-24 financial year and consulting with other councils, it was confirmed the previous estimate for remediation was materially incomplete. As such, the initial estimate had not been made on best available information.

Audit fees

Summary of audit fees for the financial statement audits

Included below is a summary of audit fees for the local government sector over the past 4 years. The figures show an average annual increase of 6.56% over the four-year period These fees exclude those charged for audits by arrangement.

Table 14: Fees for 30 June 2024 financial statement audits

Audit fees	2020-21 $'000	2021-22 $'000	2022-23 $'000	2023-24 $'000
Local Government Sector	1,235	1,261	1,486	1,559

Note: Negotiations with some State entities for additional audit fees had not been finalised as at 31 December 2024.

Basis for setting audit fees

The Audit Act requires the Auditor-General to determine the fee to be charged for an audit and to describe the basis on which the audit fees are calculated. To enable these TAO has developed a cost recovery model. The model identifies all direct and indirect costs incurred in the delivery of the audit services. This enables the development of an hourly charge rate for team members at different levels.

Individual audits are costed based on the level and extent of resources required to complete the audit. Matters that impact the level and extent of resources required include:

- size of operations
- complexity
- industry type
- past performance
- level of change.

Benchmarking our audit fees

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

External benchmarking

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

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

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

Internal benchmarking

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

Resolving audit fee disputes

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

Acronyms and abbreviations

AASB	Australian Accounting Standards Board
Audit Act	*Audit Act 2008*
Audited subsidiaries	Audited subsidiaries of State entities
BCP	Business Continuity Plan
BDO	Binder Dijker Otte
CDO	Capital Delivery Office
CMDB	Configuration Management Database
COVID-19	Novel Coronavirus disease pandemic
DISC	Devonport Indoor Sports Complex
DOT	Dulverton Organics Transformation
DRP	Disaster Recovery Plan
EDI	Evans Deakin Industries
EFT	Electronic Funds Transfer
HIAPL	Hobart International Airport
IT	information technology
LRCI	Local Roads and Community Infrastructure
NDRLG	Natural Disaster Relief to Local Government Policy
OVG	Office of the Valuer-General
PPE	property, plant, and equipment
RTR	Roads to Recovery
SLAs	Service Level Agreements
STP	Sewage Treatment Plant
TASCORP	Tasmanian Public Finance Corporation
TAO	Tasmanian Audit Office
TasWater	Tasmanian Water and Sewerage Corporation Pty Ltd
UTas Stadium	York Park and associated land

Appendix 1 – LG financial results

The financial performance of councils for the year ended 30 June 2024 is summarised in Table 15.

Table 15: Financial performance of councils for the year ended 30 June 2024

Council	Underlying surplus (deficit) $’000	Net surplus (deficit) $’000
Urban councils		
Brighton Council	1,326	3,649
Burnie City Council	2,249	1,706
Central Coast Council	(110)	6,881
Clarence City Council	11,043	31,282
Devonport City Council	5,195	14,127
Glenorchy City Council	1,933	12,861
Hobart City Council	7,489	10,484
Kingborough Council	(2,680)	1,632
Launceston City Council	3,752	9,551
West Tamar Council	3,349	10,054
Total Urban councils	**33,546**	**102,227**
Rural councils		
Break O'Day Council	1,909	1,686
Central Highlands Council	(447)	(567)
Circular Head Council	(683)	(3,070)
Derwent Valley Council	(1,800)	238
Dorset Council	(182)	2,231
Flinders Council	(117)	908
George Town Council	157	9,999
Glamorgan Spring Bay Council	1,934	4,942

Council	Underlying surplus (deficit) $'000	Net surplus (deficit) $'000
Huon Valley Council	203	4,568
Kentish Council	570	171
King Island Council	(1,995)	171
Latrobe Council	437	5,945
Meander Valley Council	1,616	8,341
Northern Midlands Council	(758)	13,239
Sorell Council	2,750	17,509
Southern Midlands Council	275	5,606
Tasman Council	(56)	240
Waratah-Wynyard Council	1,207	8,122
West Coast Council	754	2,134
Total Rural councils	**5,774**	**82,413**
All councils		
Total	**39,320**	**184,640**

Councils generated an aggregated net surplus of $184.64 million in 2023-24, a decrease of $8.53 million from the 2022-23 net surplus of $193.17 million.

Aggregated financial results of other local government entities

Table 16: Aggregated financial results of other local government entities for the 2023-24

Other Local Government entities	Underlying surplus (deficit) $'000	Net surplus (deficit) $'000	Total comprehensive surplus (deficit) $'000	Net assets $'000
Significant Local Government entity				
Tasmanian Water & Sewerage Corporation Pty Ltd	32,633	80,534	113,366	1,891,437
Subsidiaries[1]				
C-Cell Unit Trust (Copping Refuse Disposal Site Joint Authority)	1,857	1,857	1,857	8,514
Launceston Flood Authority (Launceston City Council)	(790)	(790)	(790)	0
Equity accounted[2]				
Copping Refuse Disposal Site Joint Authority	5,510	5,510	5,510	32,107
Dulverton Regional Waste Management Authority	3,560	3,560	4,094	32,489
Other Local Government entities[3]				
Cradle Coast Authority	(5,992)	(5,992)	(5,992)	5,548
Local Government Association of Tasmania	1,842	1,842	2,721	9,540
Northern Tasmanian Development Corporation Ltd	25	25	25	514
Southern Tasmanian Councils Authority	(31)	(31)	(31)	203
Southern Tasmanian Regional Waste Authority	94	94	94	260
Total	**39,125**	**86,609**	**120,854**	**1,980,612**

Notes

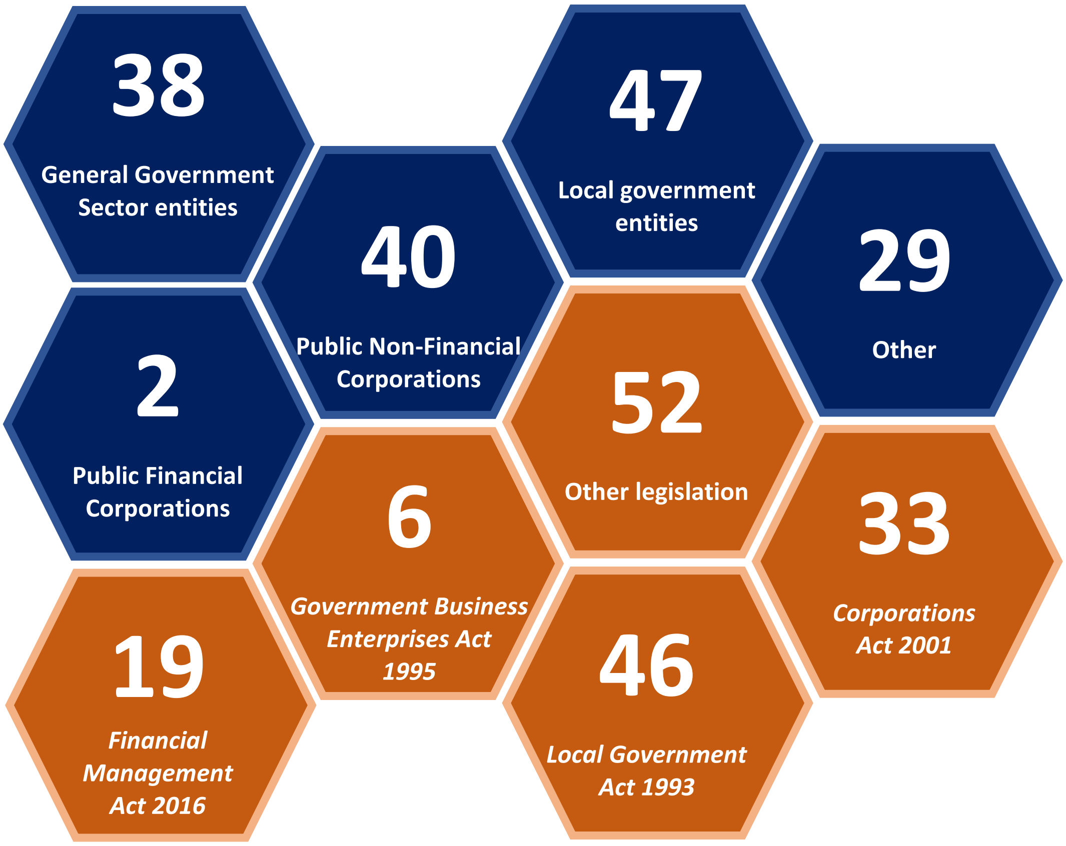
Note 1: Financial results and information for these subsidiaries have been included within the consolidated financial results of their parent entity.

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.

Appendix 2 – Classification of entities

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



Appendix 3 – Audits dispensed

Audits dispensed with
C-Cell Pty Ltd (Copping Refuse Disposal Site Joint Authority)
Dulverton Waste Solutions Pty Ltd (Dulverton Regional Waste Management Authority)
Geeveston Town Hall Controlling Authority (Huon Valley Council)
Heritage Building Solutions Pty Ltd (Southern Midlands Council)
Heritage Education & Skills Centre Pty Ltd (Southern Midlands Council)
Huon Valley Jobs Hub (Huon Valley Council)
Kingborough Waste Services Pty Ltd (Kingborough Council)
Maidstone Park Management Controlling Authority (Devonport City Council)

Tasmanian Audit Office

Front cover image: Martha Lavinia Beach, King Island
Photography: Tourism Tasmania & Stu Gibson

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