



# Tasmanian Audit Office

**Report of the Auditor-General, 2015-16 Financial Audits**

*Volume 3*

## **Local Government Authorities and Tasmanian Water and Sewerage Corporation Pty Ltd 2015-16**

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Deputy Auditor-General

*Presentation to Members of Parliament  
15 December 2016*

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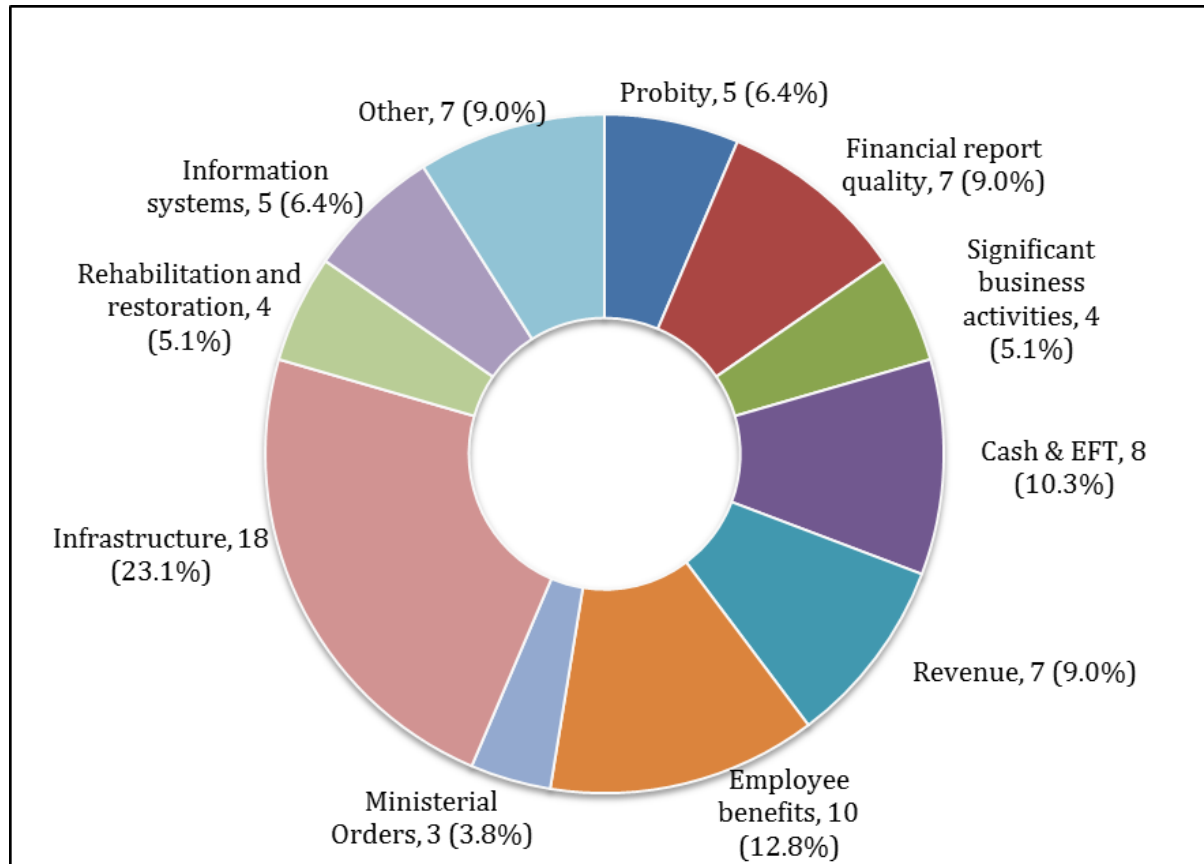
# Audit Conclusion

- Financial reports submitted **on time**
- One statement **not accepted as materially complete**, resubmitted 22 August
- Audits completed **within statutory deadline**
- **Unmodified opinions** issued for all entities
  - ***TasWater*** - included ‘emphasis of matter’ paragraph (discussed later)
  - ***West Coast Council*** - included ‘other matter’ paragraph - non-disclosure of a significant business activity



# Audit Findings

- 78 matters raised from council audits
- 55 rated high or moderate



# Key Audit Matters - Councils

Key audit matters considered during audits:

- valuation of infrastructure assets
- fees and charges and other revenue

# Significant Financial Reporting Matters

## Ministerial Orders:

- ***Audit panels*** – all councils fully complied
- ***Contents of plans and strategies*** - 27 fully complied
- ***Management Indicators*** - 27 fully complied

# Significant Financial Reporting Matters

- ***Infrastructure Financial Accounting in Local Government Report***
  - 32 (5%) instances not adopted recommendations (2015: 50 or 7%)
- **Residual values**
- **Impairment versus write-off of infrastructure assets**
- **Reassessment of useful lives**

# Significant Financial Reporting Matters

## Land under roads

- 25 - all land under roads
- 2 - land acquired since 1 July 2008
- 2 - not at all

## Significant Business Activities

- 18 - one or more SBAs
- 11 - did not have any SBAs to report





# Significant Financial Reporting Matters

## Intangible Assets

Projects that didn't meet definition per AASB 138:

- review of current systems and business processes
- development of service level agreements
- strategic plans

## Rehabilitation and Restoration Provisions

- specific accounting treatments needed
- inconsistencies and inaccuracies in approaches highlighted this year



# Significant Financial Reporting Matters

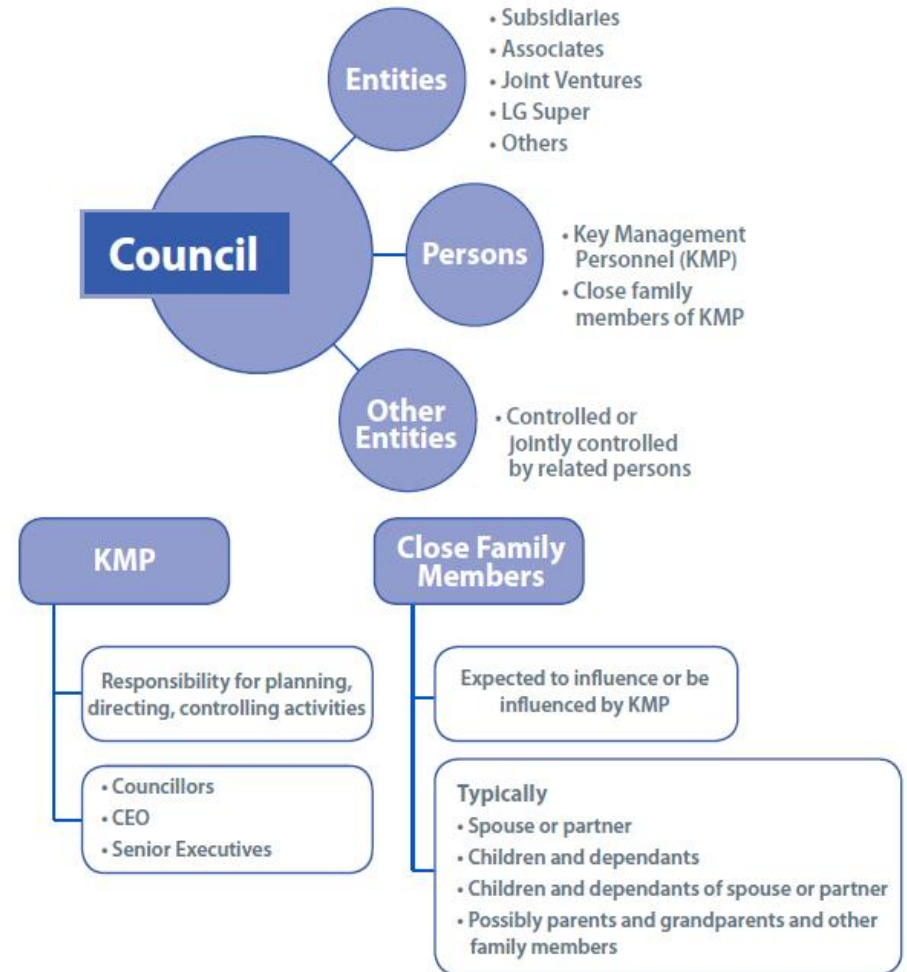
## Remuneration disclosures

- 4 councils - all key management personnel (KMP) by individual and amount
- 3 councils - dollar value of General Manager's remuneration in financial report
- 8 councils - total dollar amount of KMP remuneration, but not by individual employee
- 1 separately identified the remuneration paid to the General Manager in annual report
- TasWater - Directors' Report - dollar value of individual KMP remuneration by short-term and post-employment benefits

# Significant Financial Reporting Matters

## Related Party Disclosures

Councils will need to prioritise identification of related parties and establishment of systems to capture transactions in order to comply

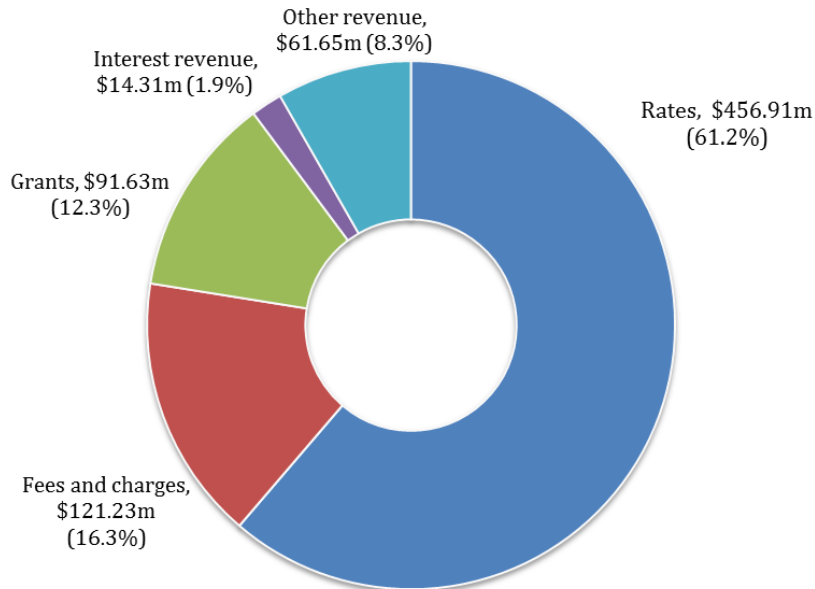


# Aggregated Council Financial Results

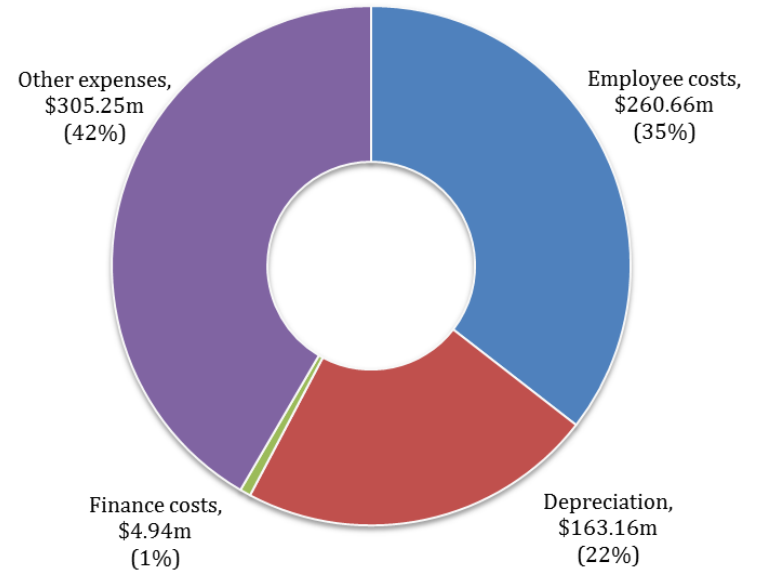
	2016	2015
Underlying surplus	\$12m	\$6m
Net surplus	\$986m	\$321m
Comprehensive surplus	\$993m	\$596m

# Council Results

## Operating Revenue \$746m



## Operating Expenses \$734m



# Aggregated Council Financial Position

	2016	2015
Net assets	\$10 199m	\$9 206m
Property, plant and equipment	\$8 179m	\$7 182m
Cash and financial asset	\$380m	\$394m
Working capital	\$285m	\$323m

# Financial Sustainability

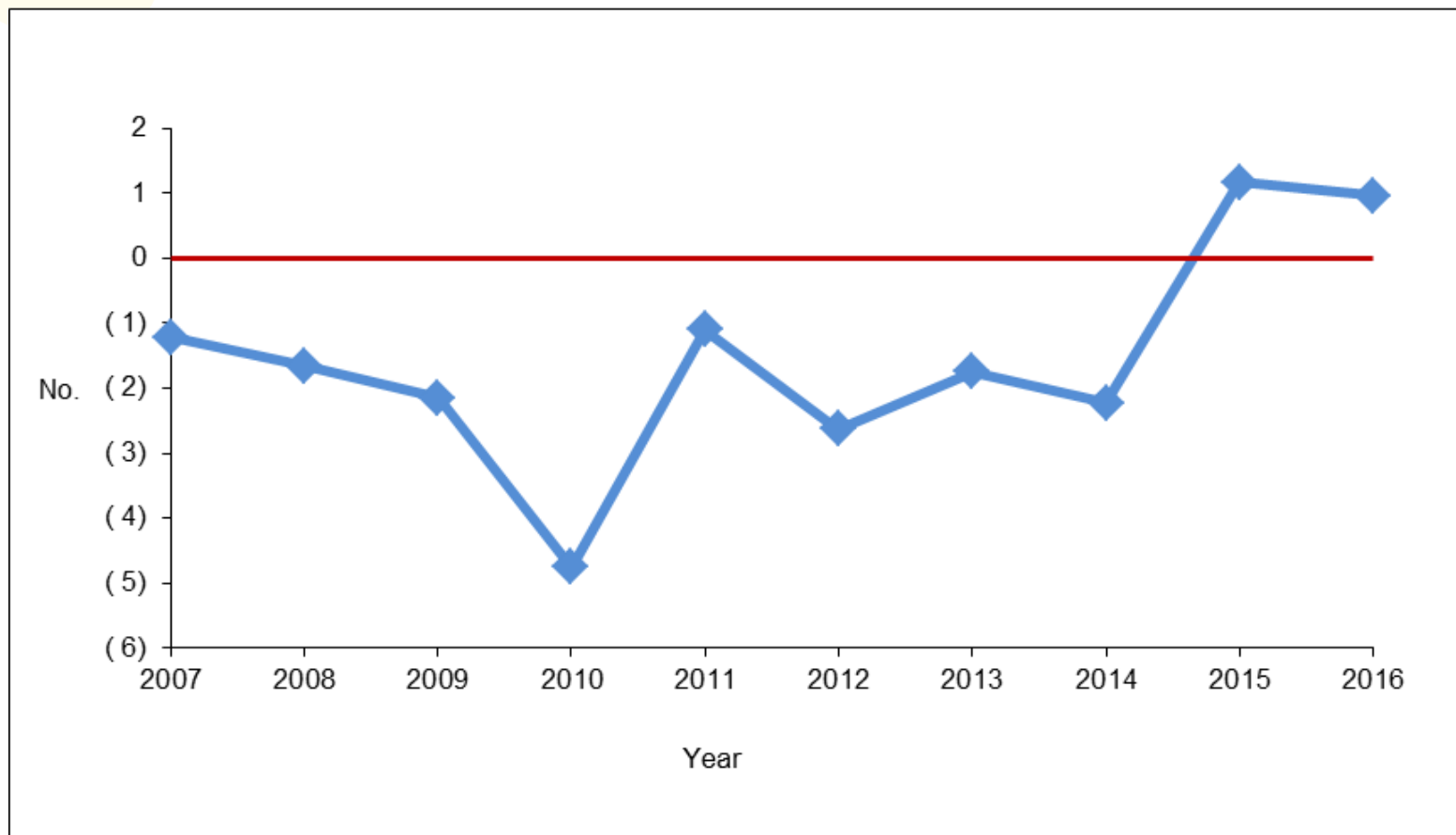
## Five ratios:

- Operating surplus ratio (Underlying result ratio)
- Asset sustainability ratio
- Asset renewal funding ratio
- Asset consumption ratio - roads
- Net financial liabilities ratio



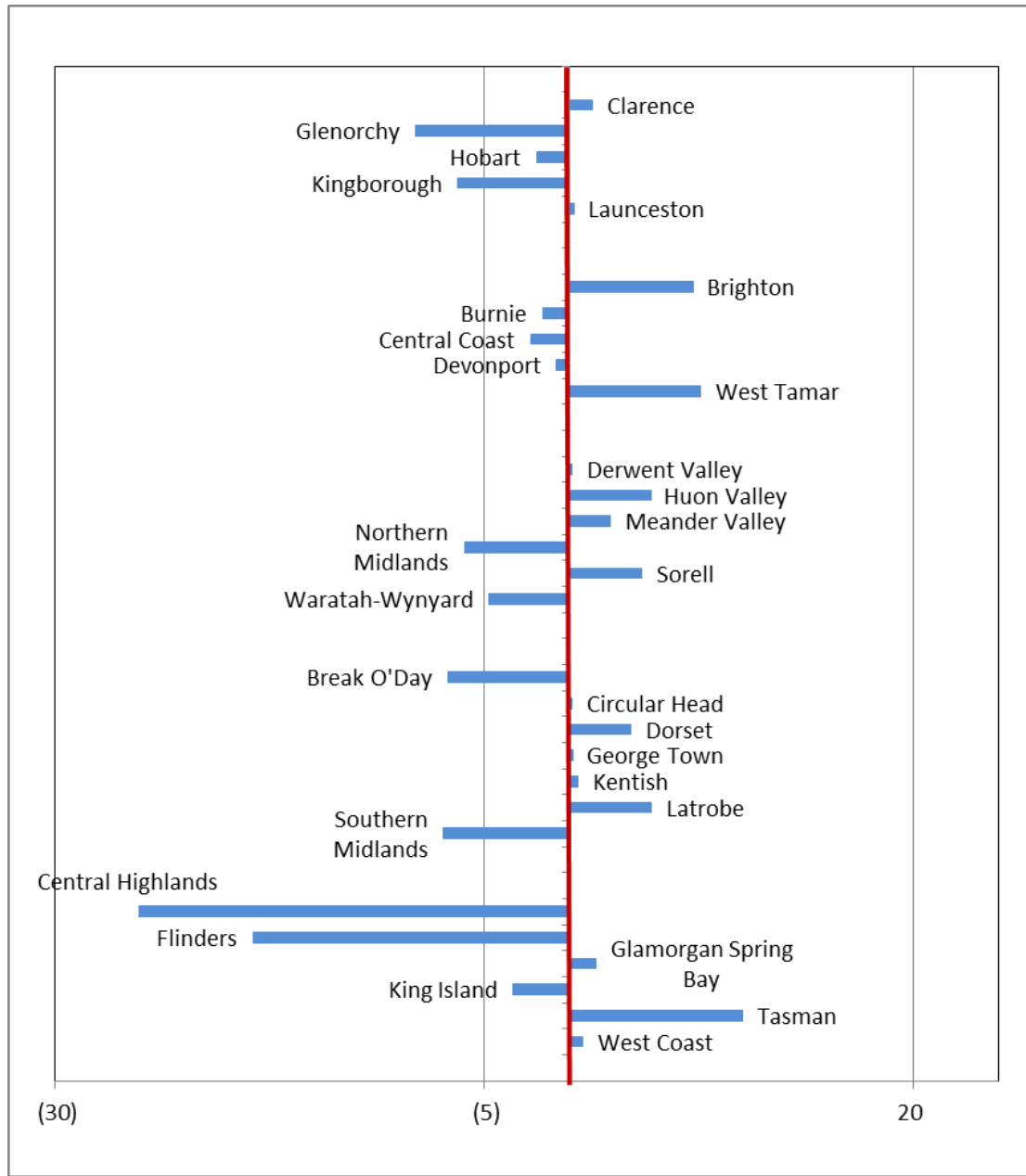
# Operating surplus ratio

Average all councils



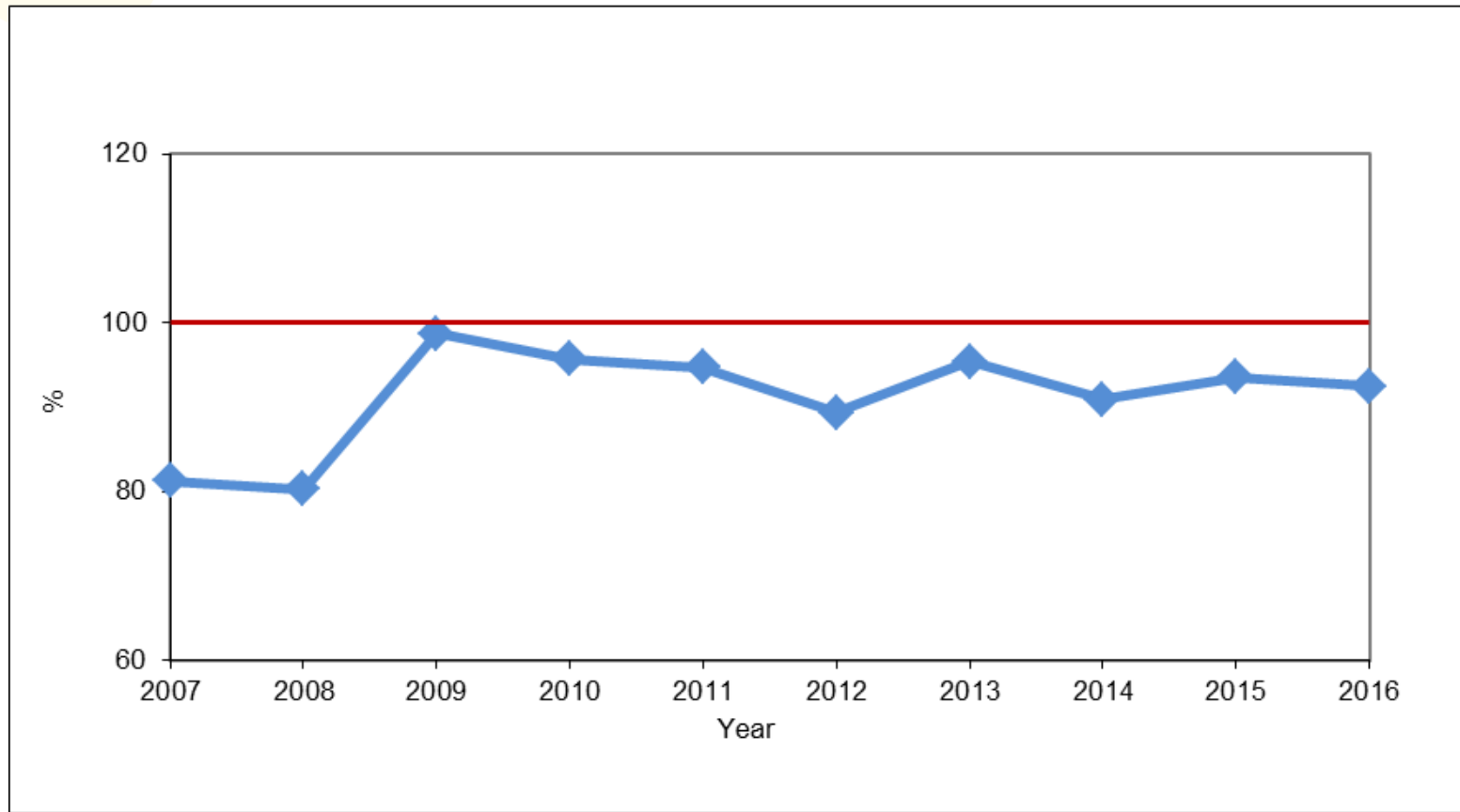


# Operating surplus ratio Ten year average

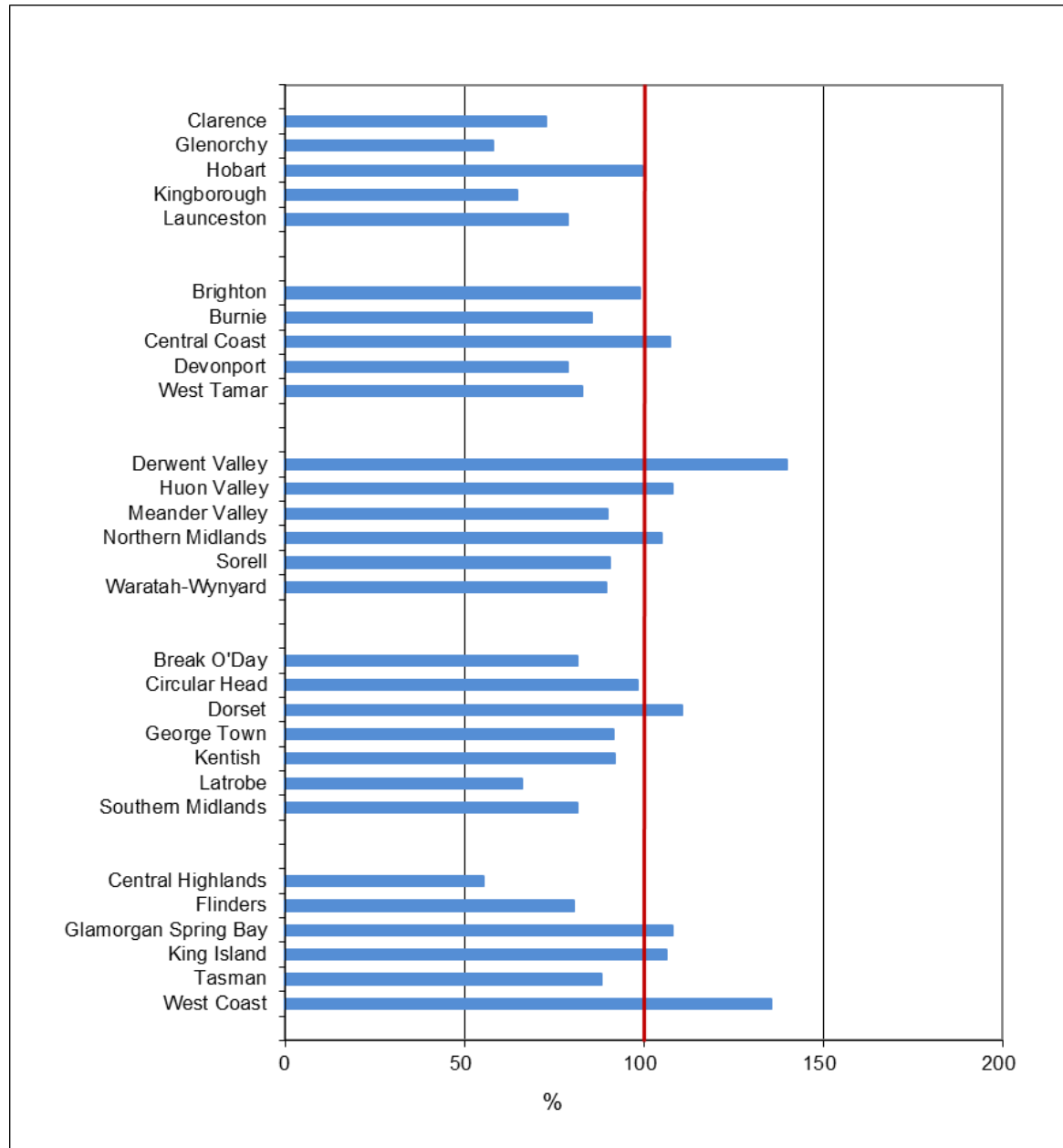


# Asset sustainability ratio

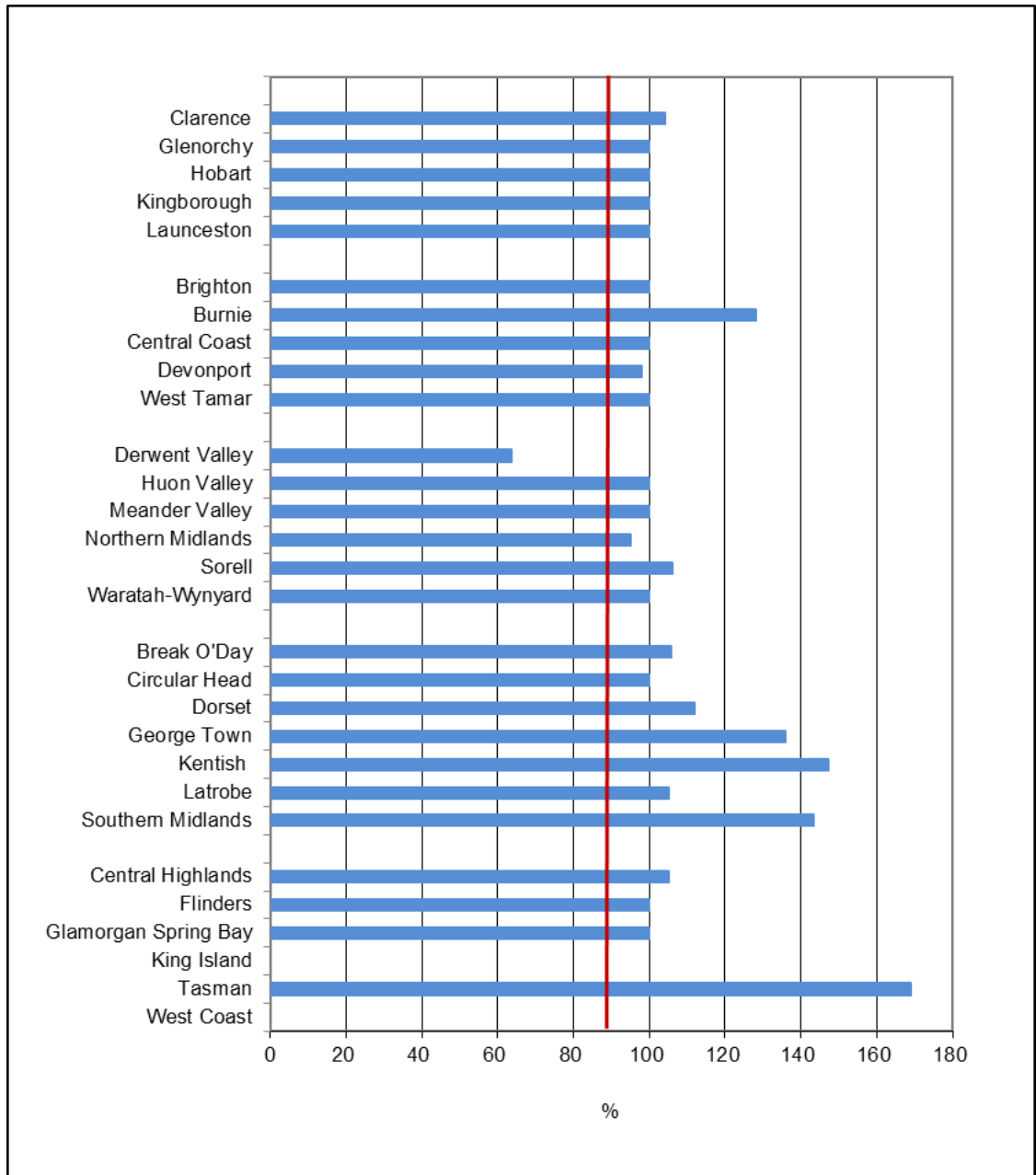
Average all councils



# Asset sustainability ratio Ten year average

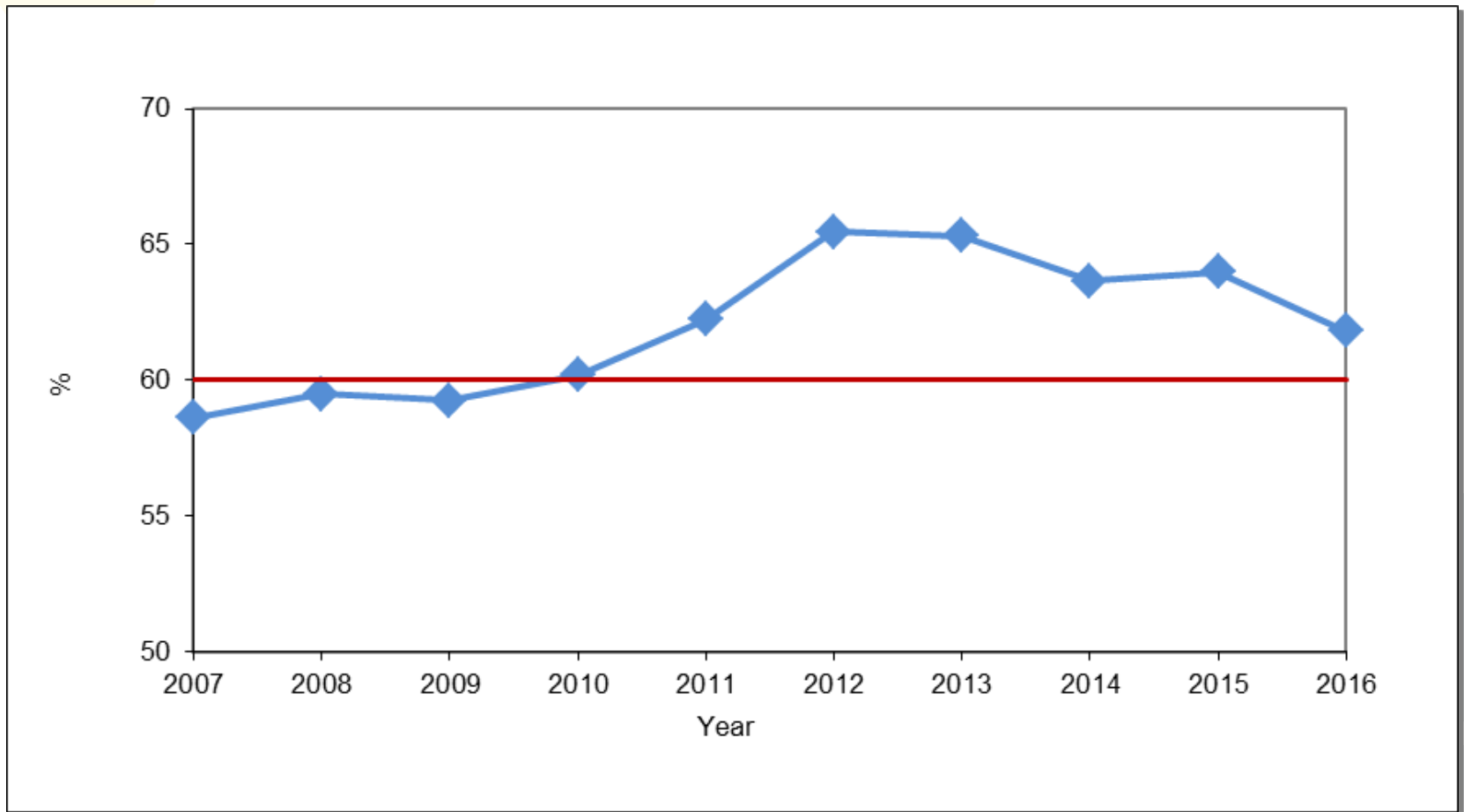


# Asset renewal funding ratio



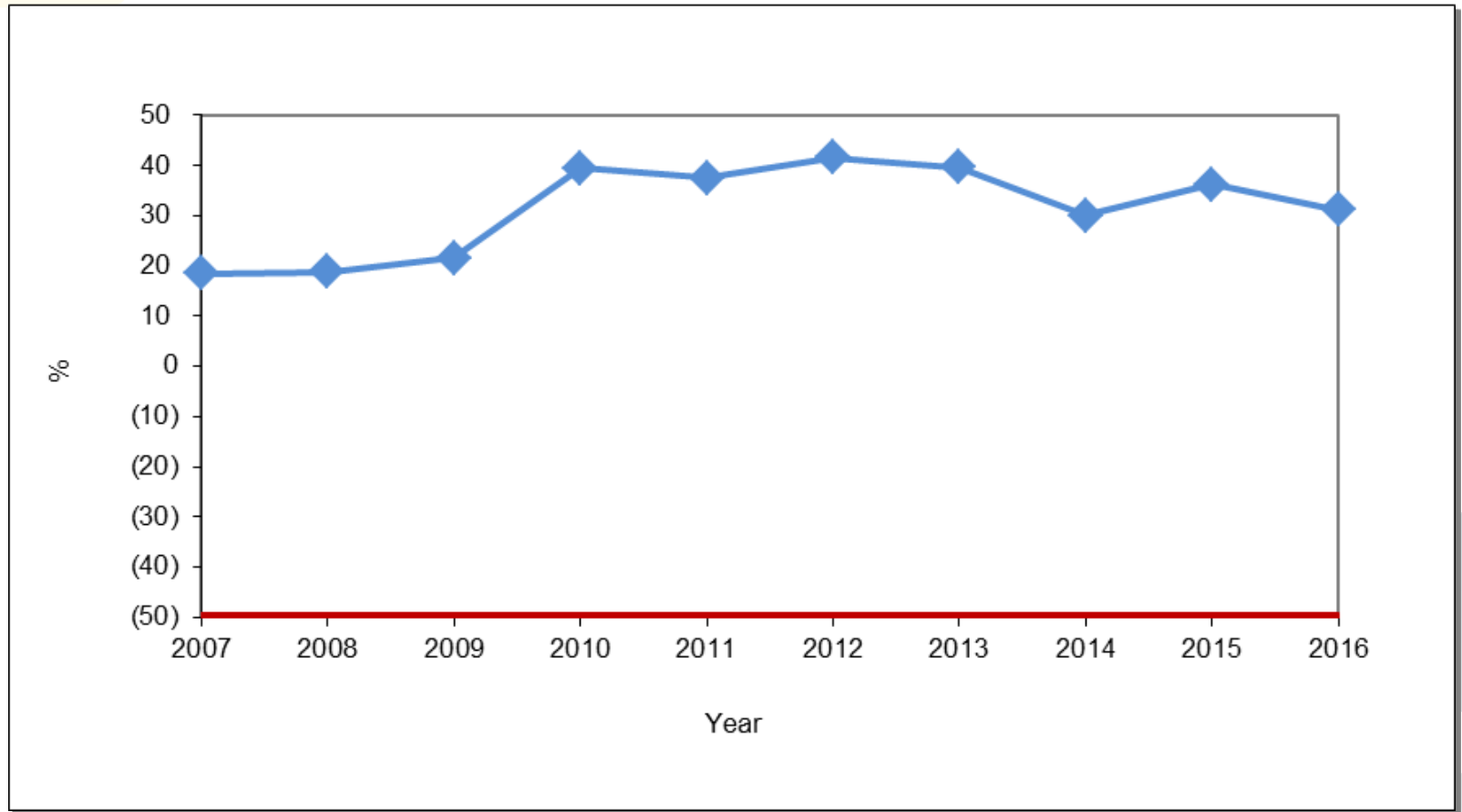
# Road asset consumption ratio

Average all councils



# Net financial liabilities ratio

Average all councils



# Operational efficiency

Analysis of operational efficiency of councils five ratios:

- Rates per rateable property
- Rates per head of population
- Operating costs per rateable property
- Average staff costs per FTE
- FTEs per head of population

**Graphs should be read with caution given numerous unique factors for each Council.**



# TasWater

**Audit Opinion** - included *emphasis of matter* paragraph drawing attention to Note 9 in financial statements:

- Valuation technique to measure the fair value of infrastructure assets not applied consistently since initial valuation 1 July 2013



# TasWater

## Key Audit Matters

- Customer pricing arrangements
- Estimation of water usage
- Valuation of infrastructure assets
- Impairment of infrastructure assets
- Infrastructure investment
- Freehold land and buildings revaluation
- Borrowings
- Income tax

# TasWater

	2016	2015
Underlying profit before tax	\$11m	\$25m
Net profit before tax	\$36m	\$47m
Property, plant and equipment	\$1 985m	\$1 878m
Borrowings	(\$430m)	(\$366m)
Net assets	\$1 575m	\$1 548m
Total returns to owners	\$30m	\$30m





Thank you