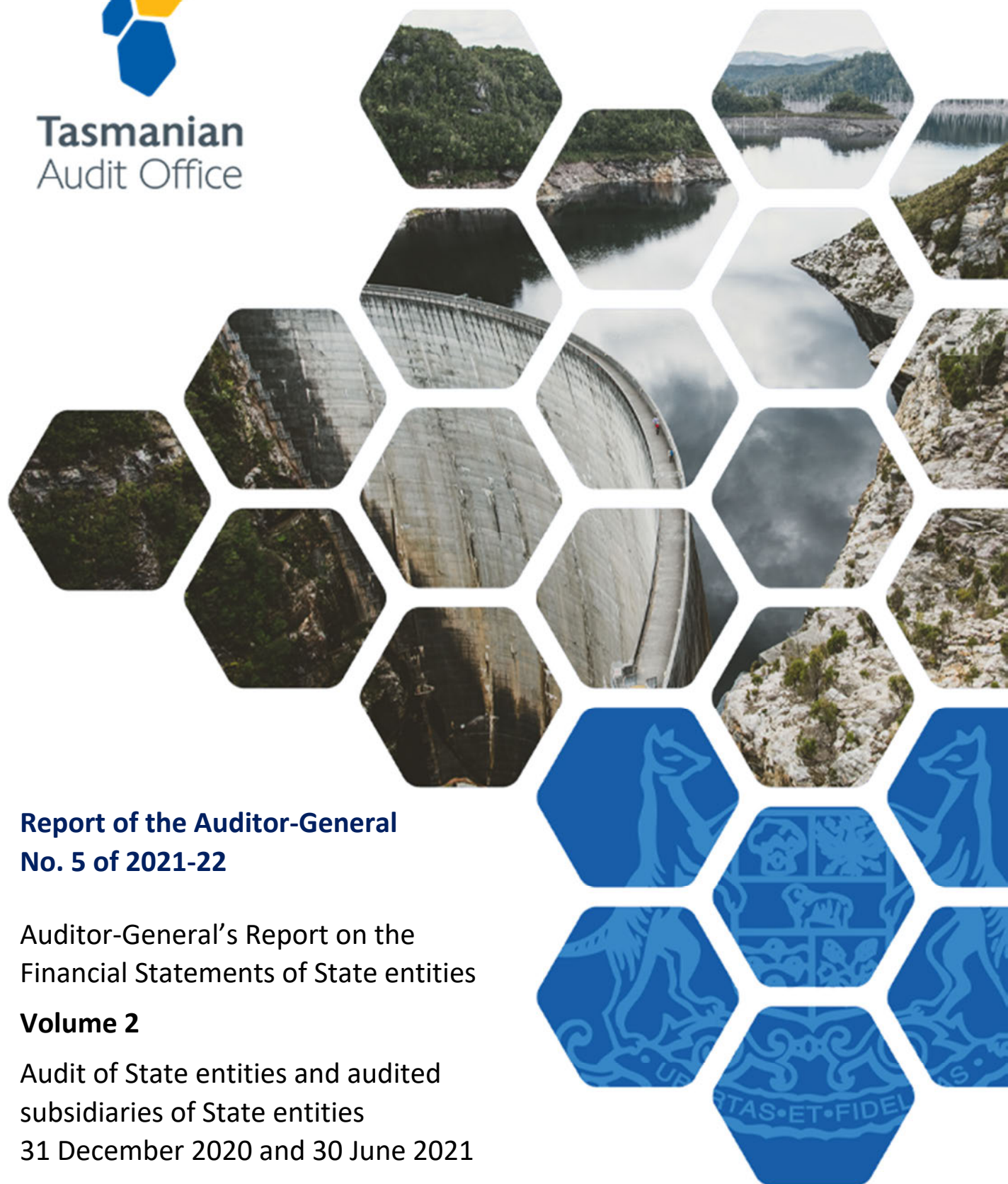




Tasmanian
Audit Office



Report of the Auditor-General No. 5 of 2021-22

Auditor-General's Report on the
Financial Statements of State entities

Volume 2

Audit of State entities and audited
subsidiaries of State entities
31 December 2020 and 30 June 2021

24 March 2022

The Role of the Auditor-General

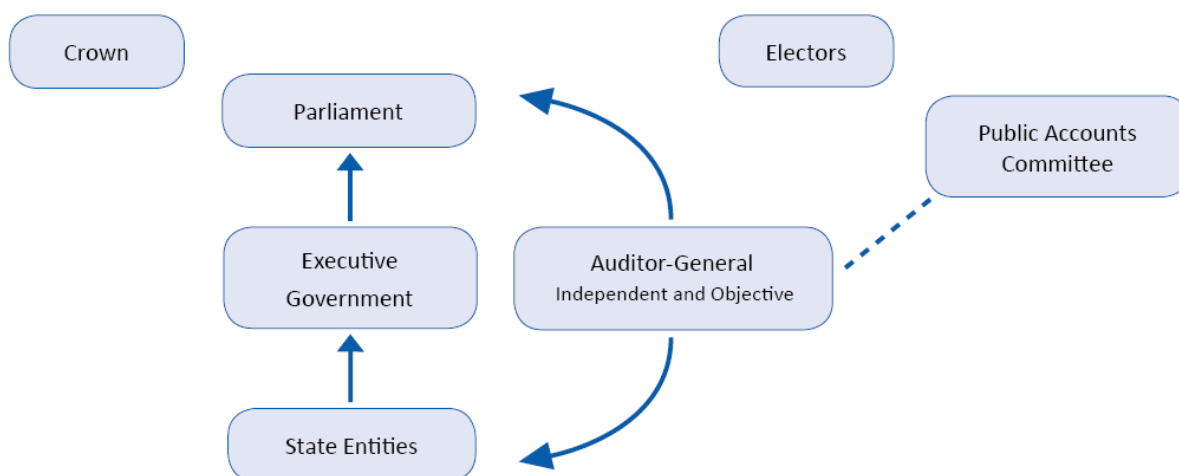
The Auditor-General's roles and responsibilities are set out in the *Audit Act 2008* (Audit Act). The Tasmanian Audit Office is the agency that provides support and services to the Auditor-General.

The primary responsibility of the Auditor-General and Tasmanian Audit Office is to conduct financial or 'attest' audits of the annual financial reports of State entities, audited subsidiaries of State entities and the Treasurer's Annual Financial Report reporting on financial transactions in the Public Account, the General Government Sector and the Total State Sector. The aim of a financial audit is to enhance the degree of confidence in the financial statements by expressing an opinion on whether they present fairly, or give a true and fair view in the case of entities reporting under the *Corporations Act 2001*, in all material respects, the financial performance and position of State entities and were prepared in accordance with the relevant financial reporting framework. The outcomes of the audits of State entities and audited subsidiaries of State entities are reported to Parliament each year.

The Auditor-General and Tasmanian Audit Office also conduct examinations and investigations, which include performance and compliance audits. Performance audits examine whether a State entity is carrying out its activities effectively and doing so economically and efficiently. Audits may cover all or part of a State entity's operations, or consider particular issues across a number of State entities. Compliance audits are aimed at ensuring compliance by State entities with directives, regulations and appropriate internal control procedures.

Where relevant, the Treasurer, a Minister or Ministers, other interested parties and accountable authorities are provided with opportunity to comment on any matters reported. Where they choose to do so, their responses, or summaries thereof, are included within the reports.

The Auditor-General's Relationship with the Parliament and State Entities





**2022
PARLIAMENT OF TASMANIA**

Auditor-General's Report on the Financial Statements of State entities

Volume 2

**Audit of State entities and audited subsidiaries of State entities 31 December 2020 and
30 June 2021**

24 March 2022

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

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Auditor-General's reports and other reports published by the Office can be accessed via the Office's website. For further information please contact:

Tasmanian Audit Office

GPO Box 851

Hobart

TASMANIA 7001

Phone: (03) 6173 0900

Email: admin@audit.tas.gov.au

Website: www.audit.tas.gov.au

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24 March 2022

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

Dear President, Speaker

Report of the Auditor-General No. 5 of 2021-22: Auditor-General's Report on the Financial Statements of State entities, Volume 2 - Audit of State entities and audited subsidiaries of State entities 31 December 2020 and 30 June 2021

In accordance with the requirements of section 29 of the *Audit Act 2008*, I have the pleasure in presenting the second volume of my report on the audit of the financial statements of State entities and audited subsidiaries of State entities for the years ended 31 December 2020 and 30 June 2021.

Yours sincerely



Rod Whitehead
Auditor-General

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Introduction

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

This report updates and completes the information provided in *Report of the Auditor-General No. 4 of 2021-22: Auditor-General's Report on the Financial Statements of State entities, Volume 1 - Audit of State entities and audited subsidiaries of State entities 31 December 2020 and 30 June 2021*. This second volume contains the findings from all audits completed for the years ended 31 December 2020 and 30 June 2021 together with commentary on the local government sector.

The information provided in this report summarises the financial audits undertaken under sections 16 and 18 of the *Audit Act 2008* (Audit Act). Audits undertaken by arrangement under section 28 of the Audit Act are not included in this report.

Overview of this report

This report summarises the outcomes of audits of financial statements of State entities and audited subsidiaries of State entities for the years ended 31 December 2020 and 30 June 2021. This report provides commentary on:

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

¹ Give a true and fair view in the case of entities reporting under the *Corporations Act 2001*.

Guide to using this report

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

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

Audits of financial statements

Introduction

The information provided in this chapter summarises the financial audits undertaken under section 16 (audit of the financial statements of the Treasurer), section 18 (audit of the financial statements of State entities) and section 21 (audit of the financial statements of audited subsidiaries of State entities) of the Audit Act.

Summary of audits of financial statements

The audit of the Treasurer's Annual Financial Report (TAFR), comprising the statements reporting on the transactions and balances within the Public Account during 2020-21 and balances at 30 June 2021, was completed on 27 October 2021.

The timeliness of submission of financial statements by State entities and audited subsidiaries of State entities and timeliness of audit completion is summarised in Table 1 below.

Table 1: Audits of State entities and audited subsidiaries of State entities

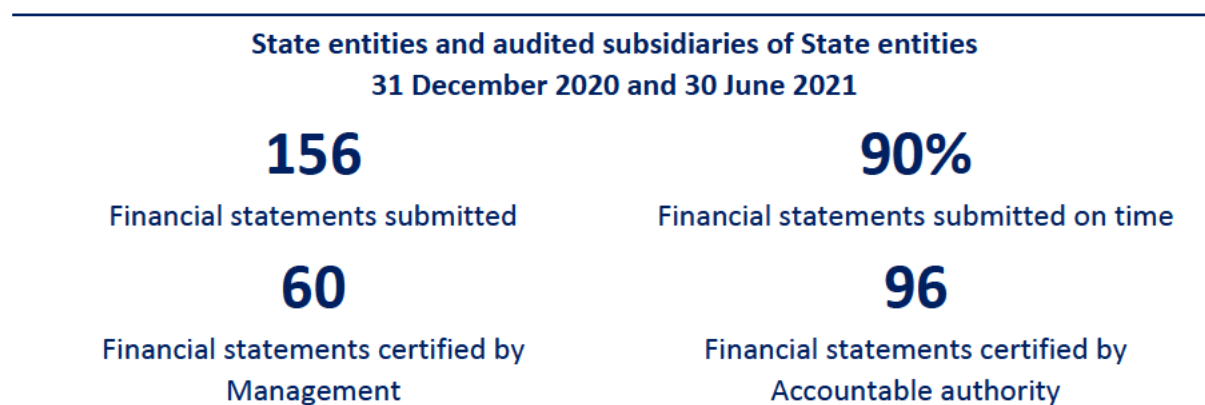
Audits of financial statements	December 2020 and June 2021	December 2019 and June 2020 ¹
State entity and audited subsidiaries of State entity financial statements submitted, complete in all material respects:		
• within 45 days of the end of the financial year [Audit Act, section 17(1)]	141	134
• after 45 days of the end of the financial year	15	22
	156	156
Audits of financial statements of State entities and audited subsidiaries of State entities:		
• competed within 45 days of receiving the financial statements [Audit Act, section 19(3)]	71	64
• competed after 45 days of receiving the financial statements	50	56
• dispensed with	35	36
	156	156

Note 1: prior year numbers are shown for comparative purposes

Submission of financial statements

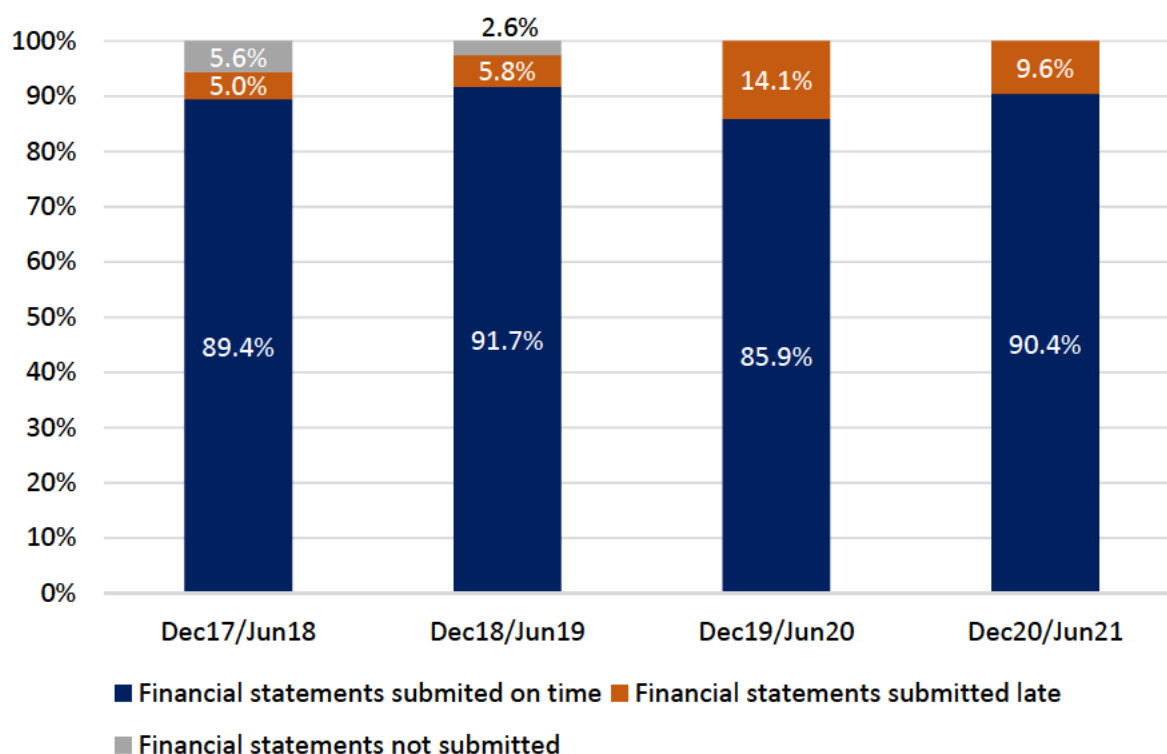
The TAFR financial statements are to be submitted to the Auditor-General before 30 September each year. The TAFR financial statements for 30 June 2021 were received on 24 September 2021.

State entities and audited subsidiaries of State entities are required to submit financial statements to the Auditor-General within 45 days after the end of each financial year. For 31 December 2020 and 30 June 2021 financial reporting, the deadlines fell on 14 February 2021 and 14 August 2021, respectively. Before accepting the financial statements as submitted, the Auditor-General determines whether the financial statements are complete in all material respects.



A comparison of the timeliness of financial statement submission by State entities and audited subsidiaries of State entities for the past 4 years is shown in Figure 1.

Figure 1: Timeliness of submission of financial statements



For the years ended 31 December 2020 and 30 June 2021, 15 State entities failed to meet the financial statement submission deadline, compared to 22 State entities that failed to meet the submission deadline for the years ended 31 December 2019 and 30 June 2020. The improvement in the timeliness of 31 December 2020 and 30 June 2021 financial statement submission is not unexpected given the impact the initial COVID-19 pandemic outbreak had on entities preparing 30 June 2020 financial statements.

Prior to 31 December 2019 and June 2020, some wholly controlled entities of State entities failed to submit financial statements. This was rectified after reminding entities of their obligation to submit financial statements under the Audit Act.

Completion of financial statement audits

Audits of 31 December 2020 and 30 June 2021 financial statements

All audits of financial statements of State entities and audited subsidiaries of State entities for the years ended 31 December 2020 and 30 June 2021 have been completed. Figure 2 shows the classification of entities subject to audit by sector and legislative reporting obligation.

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



Audits of 31 December 2019 and 30 June 2020 financial statements

As noted in the report of the Auditor-General No. 11 of 2020-21: *Auditor-General's Report on the Financial Statements of State entities, Volume 2: Audit of State entities and audited subsidiaries of State entities 31 December 2019 and 30 June 2020*, the audit of the financial statements of Aboriginal Land Council of Tasmania and its subsidiary, palawa Enterprise Unit Trust, were not completed as at 25 March 2021. Final statements were signed by the accountable authority on 15 July 2021 and our Auditor's reports containing unmodified opinions for these were issued on 16 July 2021.

Timeliness of audit completion

The audit of the financial statements in TAFR are required to be completed in sufficient time to enable the Treasurer to table the report in Parliament by 31 October each year. The audit reports for these financial statements were issued on 27 October 2021.

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 2021 and 14 August 2021, our deadlines fell on 30 March 2021 and 28 September 2021, respectively.

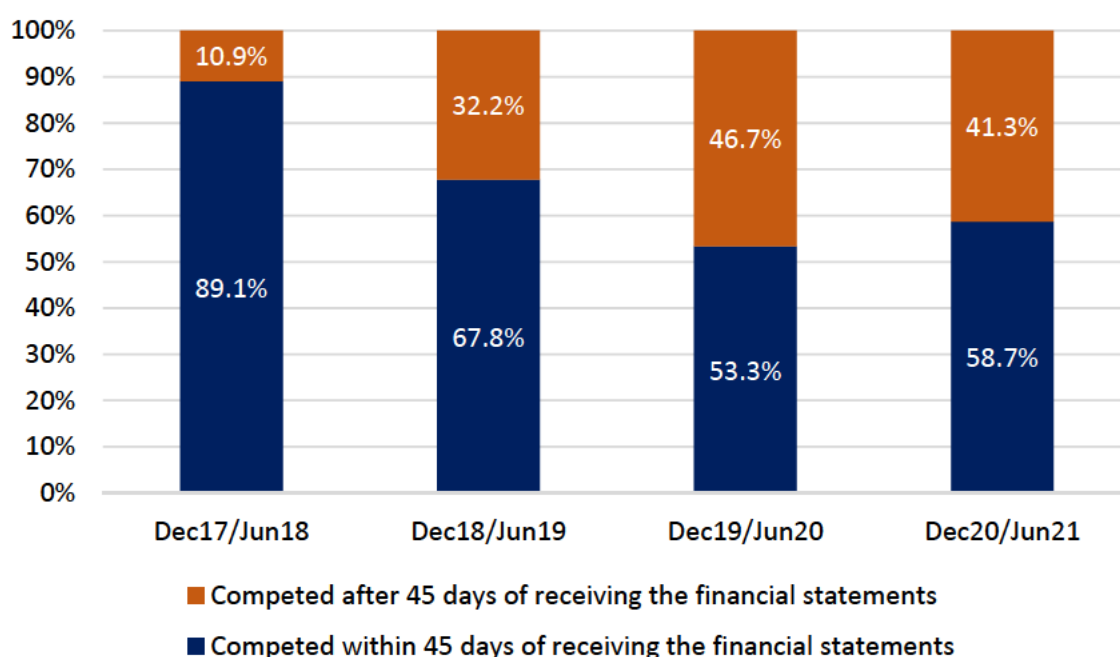
State entities and audited subsidiaries of State entities 31 December 2020 and 30 June 2021

71

Audit reports issued within deadline

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

Figure 3: Timeliness of audit completion



Fifty audits for the years ended 31 December 2020 and 30 June 2021 were not completed within the statutory timeframe, compared to 55 audits for the years ended 31 December 2019 and 30 June 2020. The impact of staff shortages in the Office significantly affected our ability to complete 31 December 2020 and 30 June 2021 audits within the statutory timeframe. The completion of audits for 30 June 2020 was adversely impacted by staff shortages, the introduction of two new Australian Accounting Standards and the COVID-19 pandemic.

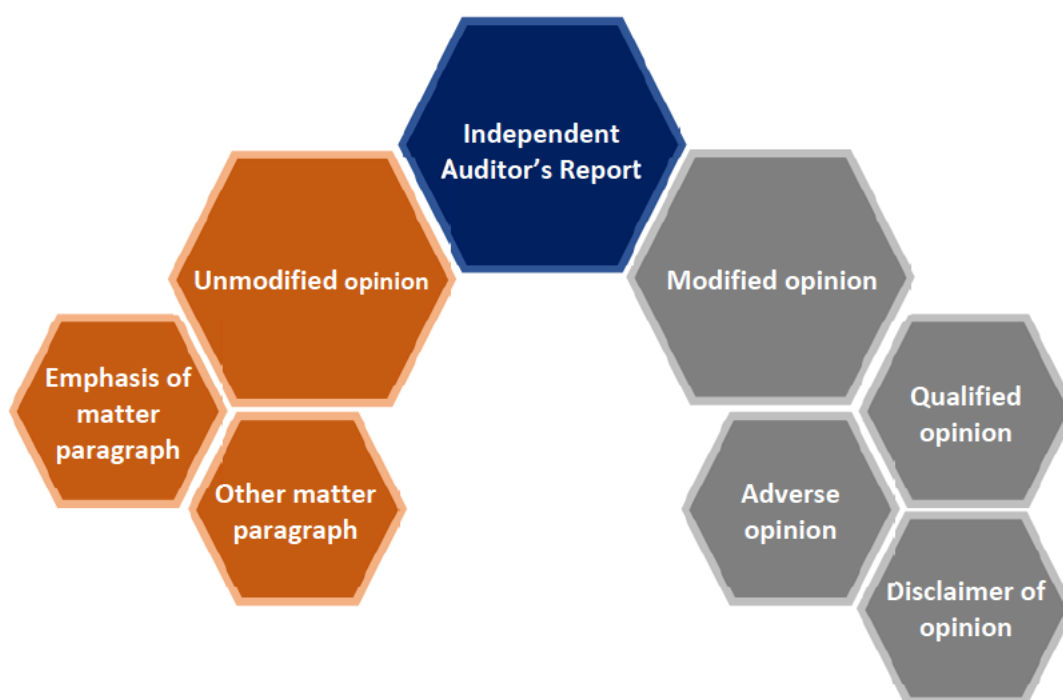
Audit opinions on financial statements

Types of audit opinions on the financial statements

The Auditor-General is required to issue an opinion on each financial statement audit conducted under the Audit Act. Australian Auditing Standards prescribe the auditor's reporting responsibilities, including the responsibility to form an opinion on whether the financial statements present fairly², in all material respects, the financial performance and position of State entities and audited subsidiaries of State entities and 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 4.

Figure 4: 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

² Give a true and fair view in the case of entities reporting under the *Corporations Act 2001*.

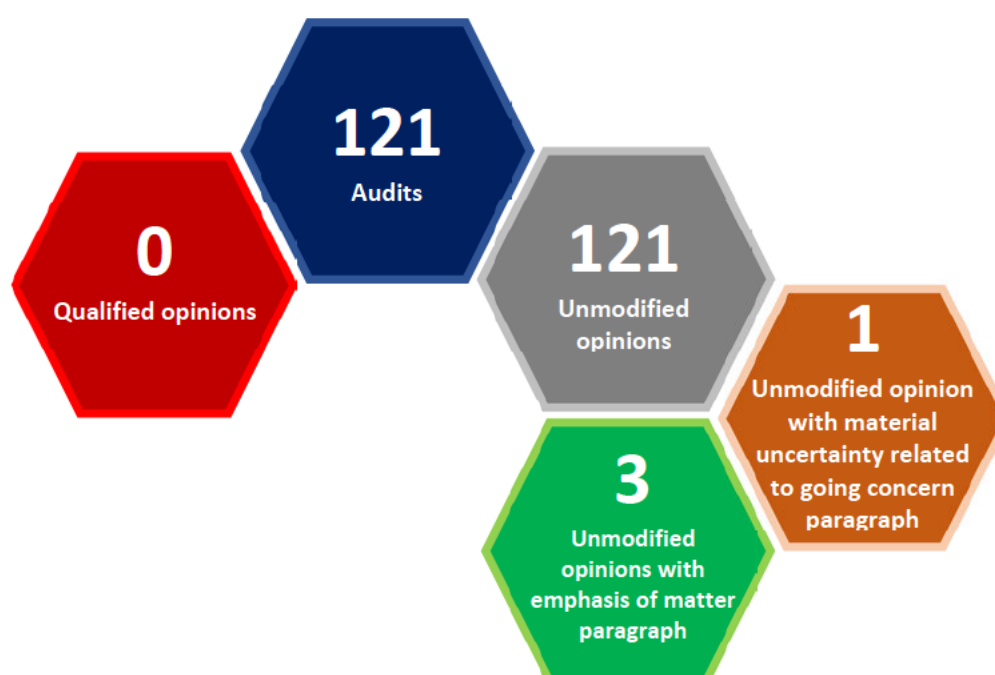
statements as a whole were not free from material misstatement or was unable to obtain sufficient appropriate audit evidence.

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

The number and types of auditor's opinions expressed for 31 December 2020 and 30 June 2021 financial statements of State entities and audited subsidiaries of State entities are shown in Figure 5.

Figure 5: Audit opinions for 31 December 2020 and 30 June 2021 audits



Qualified audit opinions

No qualified audit opinions were issued for 31 December 2020 and 30 June 2021 financial statement audits, whereas 2 qualified audit opinions were issued for 31 December 2019 and 30 June 2020 audits.

Audit opinions issued with an emphasis of matter paragraph

Three unmodified audit opinions were issued with an emphasis of matter paragraph, which 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 so as to assist with their understanding of the financial statements. Including an emphasis of matter paragraph does not modify the audit opinion.

An emphasis of matter paragraph was included in the independent auditor's report for the following entities:

- Tasmanian Public Finance Corporation (TASCORP) - to draw attention to a note in the financial statements which described TASCORP's application of Treasurer's Instruction GBE-08-52-09P *Accounting Treatment of the Mersey Community Hospital Fund by the Tasmanian Public Finance Corporation* in respect of the Mersey Community Hospital Fund (MCH Fund).
- Tasmanian Affordable Housing Limited – to draw attention to Notes 2 and 15 in the financial statements. Note 2 stated assets and liabilities were presented in decreasing order of liquidity and were not distinguished between current and non-current. Note 15 stated the directors resolved to adopt a non-going concern basis due to the activities of Tasmanian Affordable Housing Limited having ceased.
- Microwise Australia Pty Ltd – to draw attention to Note 1 in the financial statements. Note 1.1 stated the company is expected to be wound up in the 2021-22 financial year. Note 1.2 stated assets and liabilities were presented in decreasing order of liquidity.

Audit opinions issued with a material uncertainty related to going concern paragraph

One unmodified audit opinion was issued with a material uncertainty related to going concern paragraph, which was used to highlight disclosures made in the financial statements about the existence of material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

The identification of a material uncertainty is a matter that is important to users' understanding of the financial statements. The use of a separate section with a heading that includes reference to the fact that a material uncertainty related to going concern exists, alerts users to this circumstance. Including a material uncertainty related to going concern paragraph does not modify the audit opinion.

A material uncertainty related to going concern paragraph was included in the auditor's report for National Trust of Australia (Tasmania) (the Trust). The material uncertainty related to going concern paragraph drew attention to Note 2(u) in the financial report, which indicated that:

- the Trust had a negative working capital of \$0.31 million at 30 June 2021, a decline of \$0.67 million from the prior year
- the Trust incurred a loss of \$0.15 million for the year ended 30 June 2021
- there was uncertainty as to whether the Trust has sufficient financial resources to cover a similar decline in the year ending 30 June 2022.

These events or conditions, along with other matters as set forth in Note 2(u), indicated a material uncertainty existed that may cast significant doubt on the Trust's ability to continue as a going concern.

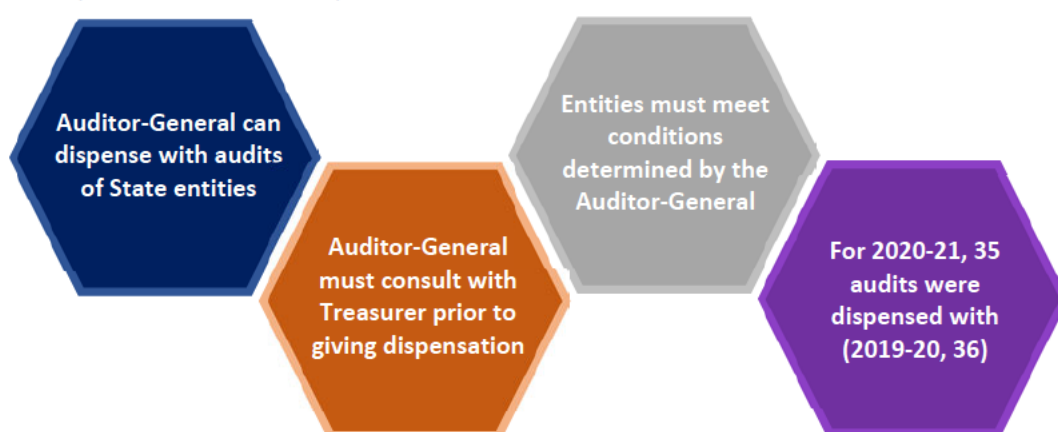
Audits dispensed with

The Auditor-General has the discretion under the Audit Act to dispense with certain audits if considered appropriate in the circumstances. The dispensation is subject to meeting one of the following conditions determined by the Auditor-General:

- The State entity must demonstrate that its financial reporting and auditing arrangements are appropriate. To satisfy this condition, the entity is required to submit their audited financial statements to the Auditor-General each year. The financial statements are reviewed and, where necessary, feedback on information presented in the financial statements is provided to the entity.
- The entity is controlled by another State entity and is included in the group audit of the controlling entity.
- The entity has not operated and the accountable authority has provided evidence to support this assertion.

The audit dispensation process is illustrated in Figure 6.

Figure 6: Dispensation of audits process



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

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

Audit findings

Findings from 31 December 2020 and 30 June 2021 financial statement audits

State entities and audited subsidiaries of State entities
31 December 2020 and 30 June 2021

272

Audit matters raised

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Audit matters raised in prior periods
assessed as unresolved

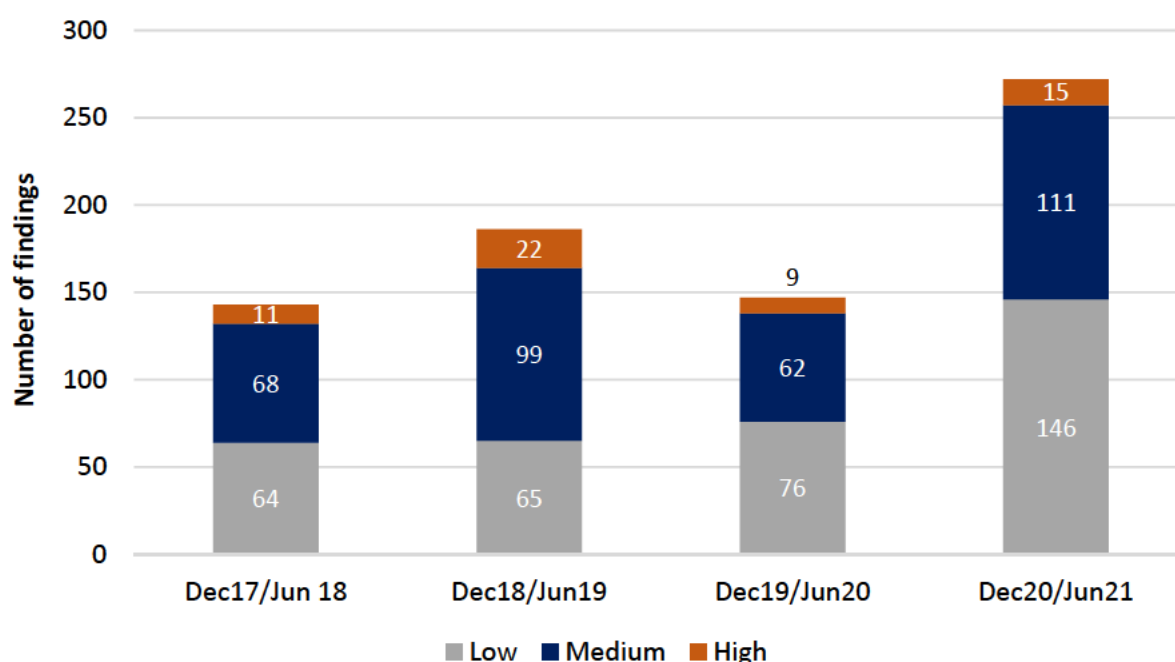
Deficiencies in internal controls and financial reporting, fraud, non-compliance with laws or regulations and other significant matters identified during an audit are reported to management, those charged with governance of State entities and audited subsidiaries of State entities and relevant Ministers. These are communicated by way of a memorandum of audit findings, which include finding observations, related implications, recommendations and risk ratings. Management responses to findings are also reported together with the expected dates matters are to be resolved by.

Each finding is categorised as high, moderate or low risk, depending on its potential impact. The definition of these risk categories is contained in the *Guide to using reports on the audit of financial statements of State entities*.

A detailed breakdown of current and prior year findings by entity can be found in Appendix B.

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

Figure 7: Comparison of audit findings by risk rating



The increase in 31 December 2020 and 30 June 2021 audit findings arose from our focus on certain responsibilities of accountable authorities (those charged with governance) and management relating to financial reporting obligations. These areas included:

- the consideration of the risks relevant to financial reporting objectives
- the extent to which the design and implementation of appropriate controls and processes were adequately documented
- reliance on information produced by experts.

Identifying and assessing business risks relevant to financial reporting objectives

Under Australian Auditing Standards, auditors are required to consider if an entity has a process for identifying business risks relevant to financial reporting objectives. If the entity has not established such a process or has an ad hoc undocumented process, auditors are required to:

- discuss with those charged with governance and management whether business risks relevant to financial reporting objectives have been identified and how they have been addressed
- evaluate whether the absence of a documented risk assessment process is appropriate in the circumstances and whether it represents a significant deficiency in internal control.

By not undertaking a specific assessment of business risks relevant to financial reporting objectives, there may be vulnerabilities in an entity's processes and systems that may lead to a material misstatement in the financial statements.

We acknowledge many entities undertake assessments to identify and assess risks that may impact on the achievement of the entity's strategic goals or objectives, and in many cases, these assessments also canvass risks to key operating functions or activities. However, the majority of these assessments do not specifically address business risks relevant to financial reporting objectives.

This year, 38 findings highlighted the need for entities to enhance their financial management control framework by undertaking a risk assessment to specifically assess business risks relevant to financial reporting objectives. To respond to this finding, we have recommended entities consider the following elements of the financial reporting function:

- the overall control environment, for example:
 - governance structure, commitment to integrity and ethical values
 - assignment of authority and responsibility
 - resourcing and capability of the finance function
- information systems and communication, for example:
 - risks related to IT applications, infrastructure and processes that impact the processing of financial transactions
 - initiation, recording, processing and correcting of transactions

- capture, processing and disclosure of other events and conditions (other than transactions) in the financial report
- maintenance of accounting records
- control activities, such as authorisations and approvals, review of reconciliations, manual verifications, physical controls, safeguarding of assets, segregation of duties, IT application controls
- monitoring activities
- financial reporting considerations, such as, key judgement areas and estimates, use of experts, likelihood of fraud and error.

In addition to identifying business risks impacting on financial reporting objectives, the assessment should identify key controls in place to mitigate the risks so as to provide a view of residual risk exposures.

Documentation of key controls with financial processes

Entities are expected to maintain written financial records that correctly record and explain the entity's transactions and its financial position and performance, which enable true and fair financial statements to be prepared and audited.

This obligation for those charged with governance and management, extends to ensuring the entity's records are complete and accurate, by adopting appropriate accounting policies and designing and implementing appropriate controls and processes. This obligation exists regardless of whether books and records are maintained in-house or outsourced to a third party, or whether they are electronic or in hard copy.

Whilst many entities have documented procedures that provide guidance for staff who have financial management responsibilities and which outline process steps for financial transactions from initiation through to completion, we found 35 instances where the documentation:

- was not maintained or up to date
- did not identify or document the key controls relied upon to mitigate financial reporting or fraud related risks.

We have recommended entities enhance their financial management procedures by specifically identifying key internal controls within financial processes, for example, delegations, authorisations, reconciliations, IT application controls, segregation of duties and monitoring controls. In this context, financial management procedures include; financial and administrative procedures, financial management information system manuals, checklists and templates. To be effective, these procedures need to be kept up-to-date and readily accessible by staff.

Reliance on information produced by experts

Although those charged with governance are entitled to delegate the preparation of financial statements to management, they are expected to take a diligent and intelligent

interest in the information presented to them, to understand that information, and apply an inquiring mind.

On occasions, information included in the preparation of financial statement has been prepared or provided by an expert. An expert in this context means an individual or organisation possessing expertise in a field other than accounting, whose work in that field is used by an entity in preparing the financial statements. Examples include, but are not limited to, actuaries, valuers, engineers, environmental consultants, geologists, scientists, health practitioners, taxation specialists, legal advisors and other industry specialists.

Where an expert has been engaged to assist the entity in preparing the financial report or other historical financial information, those charged with governance should ensure that management has documented their:

- consideration of the competence, capabilities and objectivity of the expert
- understanding of the work of that expert
- evaluation of the appropriateness of the expert's work for use in preparing the financial statements.

Our findings included 2 instances where the work of the expert had not been appropriately assessed.

Classification of audit findings

Audit findings for 31 December 2020 and 30 June 2021, as shown in Table 2, have been categorised using the following classifications:

- primary classification - internal control, financial reporting, fraud, non-compliance with laws and regulations and other significant matters
- 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 2: 31 December 2020 and 30 June 2021 audit findings by classification and risk rating

2021	High Risk	Moderate Risk	Low Risk	Total
Internal control	5	61	114	180
Control environment	0	0	1	1
Risk assessment	1	9	34	44
Information system and communication	1	18	43	62
Control activity	2	23	31	56
Monitoring activity	1	11	5	17

2021	High Risk	Moderate Risk	Low Risk	Total
Non-compliance with laws and regulations	0	3	0	3
Other significant matters	3	1	0	4
Financial reporting	7	46	32	85
Accounting estimate	0	8	7	15
Accounting standard non-compliance	0	21	6	27
Disclosure	2	1	8	11
Fair value	3	11	7	21
Going concern	1	0	0	1
Related party transactions	0	0	1	1
Unintentional misstatement	1	5	3	9
Total	15	111	146	272

The majority of audit findings related to internal controls, with common findings reflecting:

- Control environment – ineffective governance structures, lack of commitment to integrity and ethical values, appropriate assignment of authority and responsibility and the attraction, development and retention of competent individuals.
- Risk assessment – inadequate identification and assessment of business risks relevant to financial reporting objectives.
- Information system and communication – inadequate initiation, recording and processing of transactions; weaknesses in the capture, processing and disclosure of events and condition in the financial report; deficiencies in accounting records; and deficiencies in financial reporting processes to prepare financial statements. This may include instances of missing documentation, outdated or incomplete operating policies and documentation of financial procedures and control activities.
- Control activity – deficiencies relating to authorisations, approvals and reconciliations; inadequate segregation of duties and safeguard of assets.
- Monitoring activity – insufficient evaluation of the appropriateness of the work of an expert used in preparing the financial statement.

Financial reporting findings included:

- Fair value – outdated valuations, although we acknowledge the COVID-19 pandemic affected normal valuation cycles.

- Accounting standard non-compliance – findings identified issues with:
 - calculation of make good/rehabilitation provisions, including identifying the impact of aftercare costs
 - definition of cash and cash equivalent balances in the cash flow statement
 - determining the value of lease liabilities and corresponding right to use assets
 - calculation of expected credit losses.
- Accounting estimate – calculation methodology applied to employee provisions, inappropriate valuation indices and the determination of asset remaining useful life for depreciation purposes.

High risk findings

High risk findings are summarised in Table 3 below.

Table 3: 31 December 2020 and 30 June 2021 high risk audit findings

Entity	High risk finding
Aboriginal Land Council of Tasmania	Financial statements were submitted past the statutory deadline for a second consecutive year. Difficulties encountered in obtaining financial information, sharing of information and key personnel reliance. Continuing deficiencies in internal control over employee expenditure controls.
Brighton Council	Inadequate review of vendor Masterfile change log.
Department of Justice	Identification of previously unrecorded prison assets (resolved in 2020-21).
King Island Council	Identification of previously unrecorded stormwater assets (resolved in 2020-21). Currency of land and building valuations which were last revalued in 2016 and indexed in 2020-21.
Legislature General	Payroll payments made incorrectly under award. Over-ride of payments system controls.
Metro Tasmania Pty Ltd	Absence of a cybersecurity strategy or plan.
National Trust of Australia (Tasmania)	Concerns over the entity's ability to continue as a going concern.

Entity	High risk finding
palawa Enterprises Unit Trust	<p>Financial statements were submitted past the statutory deadline for a second consecutive year.</p> <p>Difficulties encountered in obtaining financial information, sharing of information and key personnel reliance.</p> <p>Continuing deficiencies in internal control over employee expenditure controls.</p> <p>Retention of supporting documentation to support expenditure transactions.</p>

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

Audit findings by sector

The number and risk rating of audit findings by sector arising from 31 December 2020 and 30 June 2021 financial statement audits are shown in Table 4.

Table 4: 31 December 2020 and 30 June 2021 audit findings by sector and risk rating

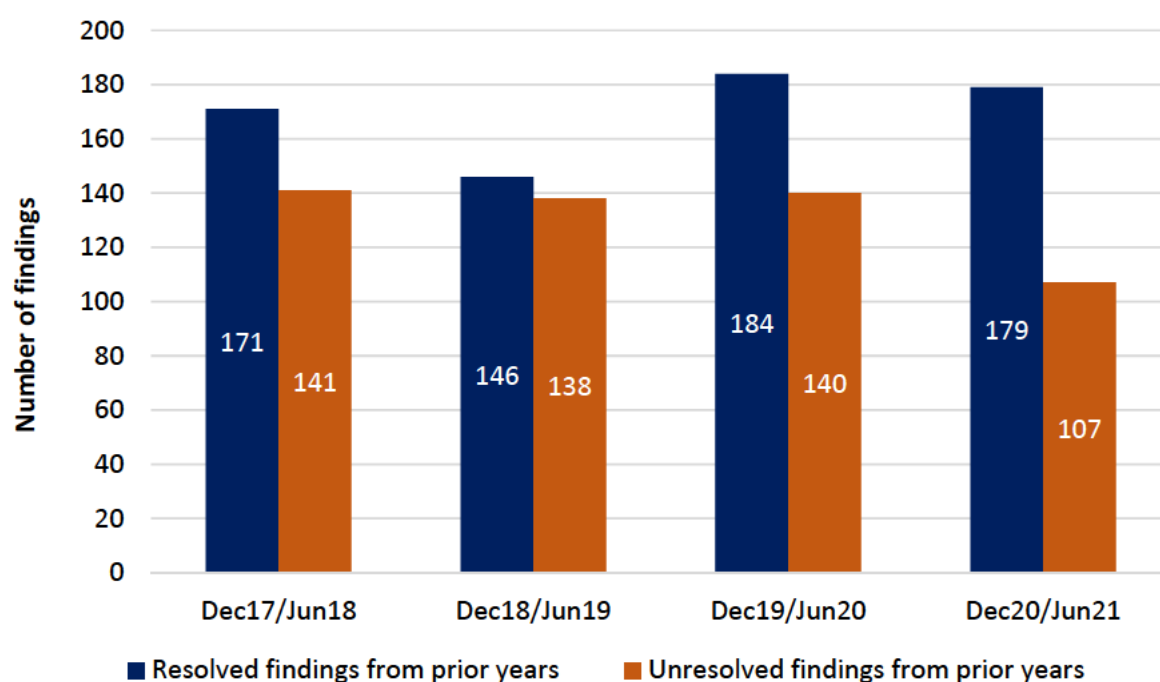
2021	High Risk	Moderate Risk	Low Risk	Total
General Government Sector	3	26	48	77
Government Business	1	20	20	41
Local Government	3	47	63	113
Other	8	18	15	41
Total	15	111	146	272

The high risk findings for the Other sector relate to the findings for Aboriginal Land Council of Tasmania, National Trust of Australia (Tasmania) and palawa Enterprises Unit Trust as summarised in Table 4 above.

Unresolved audit findings from prior years

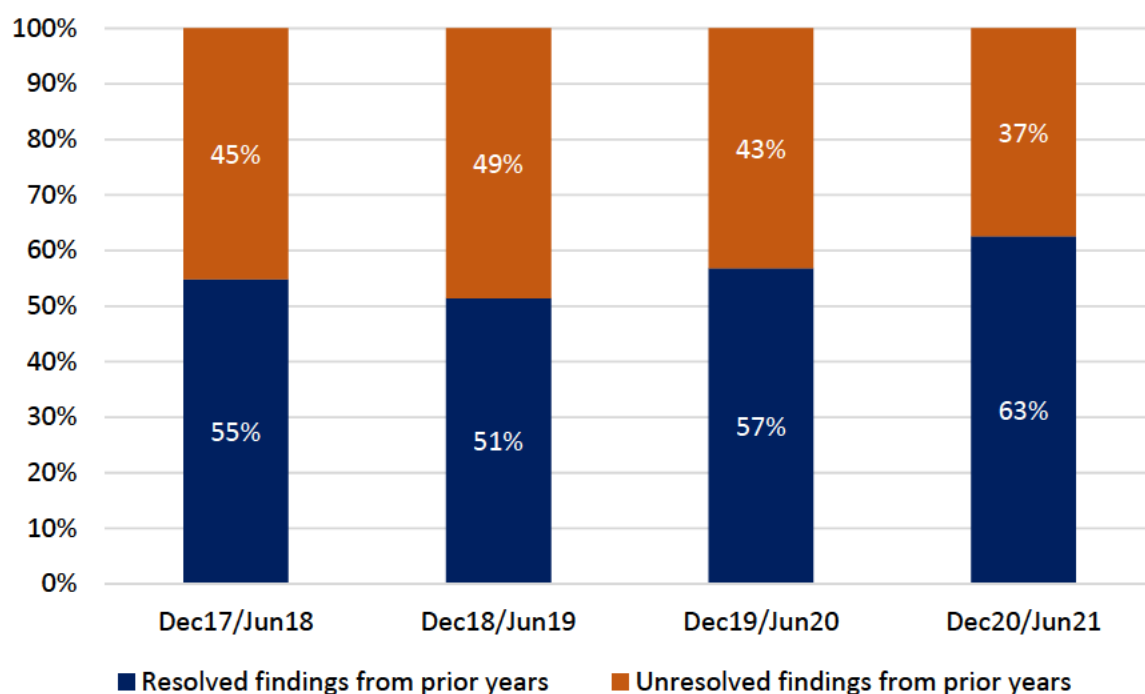
Unresolved audit findings from prior years are followed up each year to confirm whether they have been resolved or satisfactorily addressed by management. The number of resolved and unresolved prior years' audit findings as at the end of each year for the past 4 years are shown in Figure 8.

Figure 8: Number of prior years' audit findings resolved or unresolved each year



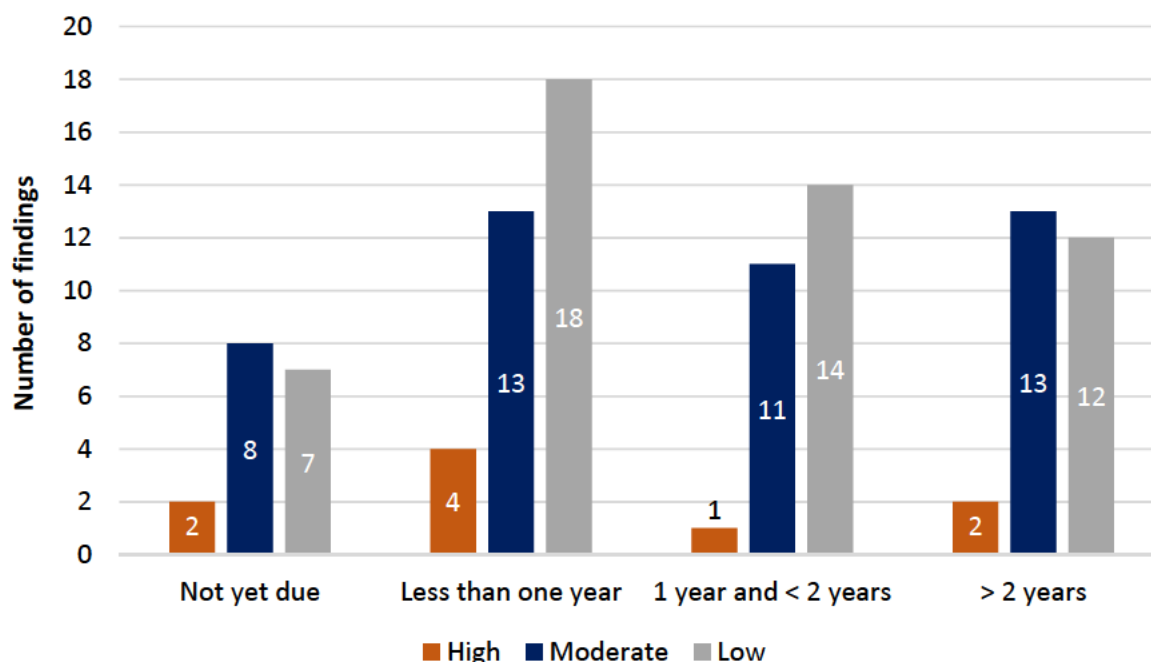
A 4 year history of the percentage of prior years' audit findings resolved each year is shown in Figure 9.

Figure 9: Resolution of prior years' audit findings



The ageing of previously reported findings past the date by which they were to be resolved is shown in Figure 10.

Figure 10: Previously reported findings (yet to be resolved from date corrective action was due) aging analysis



Efficient resolution of audit findings is crucial to reduce an entity's exposure to risk. During 2020-21, 61.2 percent of issues previously reported were resolved. Only 3 high risk issues over 12 months old had yet to be resolved, 1 of which was over 24 months old. These related to:

- ABT Railway Ministerial Corporation - incorrect classification of Work in Progress
- Clarence City Council – incomplete resolution of subsidiary ledger reporting issues following the implementation of the TechnologyOne OneCouncil property and rating modules
- Tasracing Pty Ltd – update and finalisation of the information security policy.

The majority of the unresolved audit findings related to deficiencies in internal control procedures and financial reporting, with 80 and 23 findings respectively.

Prior period errors

Twenty four prior period errors were reported in the completed audits for 31 December 2020 and 30 June 2021, compared to 18 for the previous corresponding comparative years. Eight of the prior period errors were not deemed material and could have been adjusted in the current financial year, however the entity decided to process the misstatement as a prior period error.

A prior period error represents a material omission or misstatement in an entity's financial statements for one or more prior periods. For reported prior period errors, the following disclosures are required in the financial statements:

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

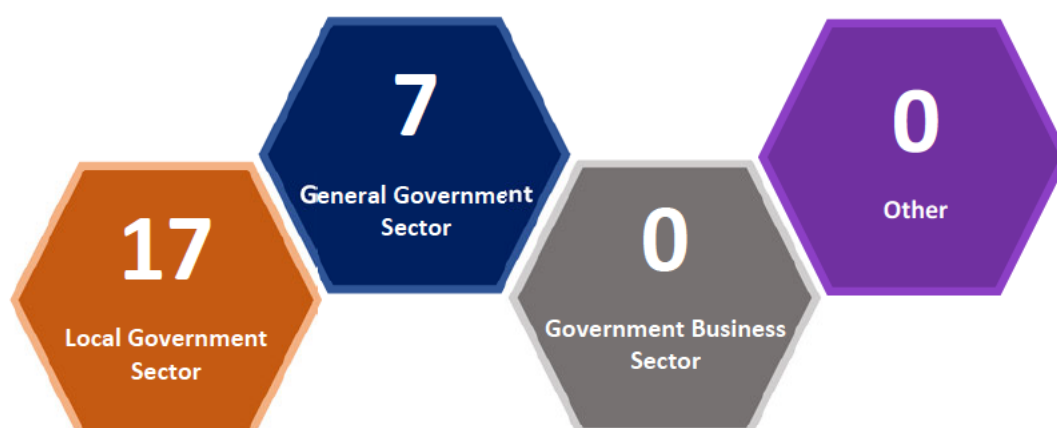
Where it is impracticable to adjust figures for a particular prior period, the financial statements must disclose the circumstances that led to the existence of the condition and a description of how and from when the error had been corrected.

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

- inspection and testing of evidence leading to the occurrence and quantification of the error
- consideration of the size and nature of the misstatements, both in relation to particular classes of transactions, account balances or disclosures and the financial statements as a whole
- discussions with management to confirm the appropriateness of the accounting treatment and disclosures to be made in the financial statements
- an assessment by the Office's technical committee for review 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 14 entities that disclosed material prior period errors, none presented a third statement of financial position on the basis retrospective application had no material effect on the information in the third balance sheet.

Figure 11: Prior period errors - by sector



Prior period errors arose from a failure to use available and reliable information, which could reasonably have been expected to be obtained and taken into account in the preparation and presentation of the financial statements. These included mathematical mistakes, the application of accounting policies, and oversights or misinterpretations of facts.

There was no commonality in the cause of the prior period errors, making it difficult to predict the likelihood of similar undetected errors across other entities.

Prior period errors included in 31 December 2020 and 30 June 2021 financial statements are summarised in Table 5.

Table 5: Summary of prior period errors

Entity	Prior Period Error
Abt Railway Ministerial Corporation	Misallocation between asset classes.
Burnie City Council	Amendment arising from changes to comparative balances of a controlled entity. Amendment arising from changes to comparative balances of a joint venture.
Copping Refuse Disposal Site Joint Authority	Incorrect recognition of future payments on right of use assets and lease liabilities. Incorrect recognition of rehabilitation provision and aftercare.
C Cell Pty Ltd as Trustee of C Cell Unit Trust	Incorrect recognition of rehabilitation provision and aftercare.
Department of Education	Omission of underground infrastructure assets as part of a previous revaluation.
Department of Justice	Omission of Prison building assets as part of a previous revaluation.
Department of Primary Industries, Parks, Water and Environment ³	Reassessment of the control status and fair value of land assets subject to peppercorn lease arrangements, previously removed.
Dorset Council	Incorrect depreciation resulting in an overstatement of assets and understatement of expenses. Outdated/not up-to-date asset register, resulting in incorrect asset value.
Dulverton Regional Waste Management Authority	Incorrect determination of unwinding discount rate for aftercare provision.
Glamorgan Spring Bay Council	Unrecognised revaluation of asset classes.

³ Department of Primary Industries, Parks, Water and Environment was officially renamed to Department of Natural Resources and Environment Tasmania on 1 December 2021.

Entity	Prior Period Error
Integrity Commission	Correction to lease calculations on adoption of the new leasing standard.
King Island Council	Omission of culverts as part of a previous revaluation.
Latrobe Council	Error in calculation of the drainage revaluation.
Launceston City Council	<p>Incorrect allocation of accumulated depreciation value against a group of non-depreciating assets within an asset class.</p> <p>Incorrect accounting for the transfer of roads between Council and State Growth. Transfers were based on a signed agreement which differed from the assets that were gazetted.</p> <p>Omission of a number of items in the Museum Collection as part of previous revaluation.</p>
Legislature-General	Incorrect recognition of lease liability under AASB 16 <i>Leases</i> .
Sorell Council	Removal of waste infrastructure assets no longer held.
Southern Midlands Council	Omission of land and buildings as part of a previous revaluation.
Tasmanian Economic Regulator	Correction to basis of revenue recognition under AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities.
West Coast Council	Omission of stormwater assets as part of previous revaluation.

Audit fees

Summary of audit fees

Audit fees by sector for 2020-21, excluding fees for audits undertaken by arrangement, are summarised in Table 6.

Table 6: Audit fees by sector for 2020-21

Sector	\$'000s
General Government Sector entities	1,910
Government business entities	1,742
Local government entities	1,098
Other State entities	365
Total	5,115

Basis for setting audit fees

Section 27 of the Audit Act provides that:

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

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

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

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

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

This section explains the fee setting process for individual State entities, including:

- the specific factors taken into account in proposing the fee (particularly the risk assessment)
- the assumptions upon which the fee is based in terms of, for example, the standard of the entity’s control environment, coverage of internal audit, quality of working papers and so on
- what is included in the fee and what is not included
- processes for agreeing additional fees if circumstances change or the assumptions upon which the fee is based are not met.

Principle for audit fee determination

Fees are set for each State entity commensurate with the size, complexity and risks of the engagement. These factors affect the mix of staff assigned to each audit and therefore the overall fee. Staff are assigned hourly charge rates for use in determining the allocation of work on the audit and in computing the fee. There is an expectation that audits of similar complexity and risks will have a similar mix of staff.

Direct travel costs attributable to each audit are billed separately.

Principle for determining charge rates

Charge rates are based on the principle of the Office being able to recover its costs of operation. Charge rates comprise 2 parts; direct salary cost and overhead recovery.

Application of audit fee matrix

A matrix (audit fee scale) has been developed to provide a guide for determining the expected time to be taken on an audit. The scales are based on the following key variables:

- Size of the entity based on its expected gross turnover which is used to determine the base amount of time required to conduct the audit. Turnover is based on the client's actual income and expenditure for the preceding financial year, adjusted for any known factors (fixed element).
- Risk and complexity profiles for each entity which considers the corporate structure, complexity of systems, operations and financial statement reporting requirements. The profile bands applied range from 40.0 percent below to 40.0 percent above the base time (variable element).

The fee scales also take account of changes to Australian Auditing or Accounting Standards and known changes in the scope of work to be performed.

Fee scales are detailed in Table 7 below.

Table 7: Fee scales for 2020-21

Turnover*	Base Hours	Variable component
<\$100,000.00	15	+/-40.0%
\$100,000.00 to \$1.50 million	30	+/-40.0%
\$1.50 million to \$10.00 million	100	+/-40.0%
\$10.00 million to \$55.00 million	155	+/-40.0%
\$55.00 million to \$121.00 million	270	+/-40.0%
\$121.00 million to \$200.00 million	460	+/-40.0%
\$200.00 million to \$410.00 million	610	+/-40.0%
\$410.00 million to \$1.00 billion	830	+/-40.0%
>\$1.00 billion	1,350	+/-40.0%

*may be adjusted in line with CPI movements

Bandings are based on current cost experience in conducting audits. After applying the above model, the hours to undertake the audit are allocated according to the staff mix necessary to conduct the audit. The respective staff charge rates are then applied to the allocated hours so as to determine a dollar amount (the audit fee). Where applicable, travel and other direct costs (out of pocket expenses) are added to the audit fee on a full cost recovery basis.

It is emphasised the fee scales only provide a framework from which actual fees charged to individual State entities and audited subsidiaries of State entities are set. The level of fee, and any change, experienced by individual State entities will therefore vary according to local circumstances and the risks each entity faces.

In certain circumstances, for example, where a State entity faces a particular challenge to manage high risks or there are particular local circumstances, a fee may fall outside the noted bands. In these cases, the audit fee will be determined by the audit team in consultation with entity management, reflecting the assessment of risk and the extent and complexity of the audit work required.

Key assumptions

Fees are calculated on the basis that:

- current accounting systems will be operating throughout the year with a satisfactory appraisal of internal control
- no errors or issues requiring significant additional audit work will be encountered during the course of the audit
- the standard period-end general ledger reconciliations will be available at the commencement of the final audit visit
- requests for additional information throughout the audit will be attended to in a reasonably timely manner
- agreed timetables will be met, within reason
- financial statements, complete in all material respects, are submitted to audit in accordance with statutory time limits
- the nature of the entity's business and scale of operations will be similar to that of the previous financial year.

Use of specialist skills impact on fees

In certain circumstances, audit experts may be engaged to assist with an audit. Where this is the case, it can result in higher costs being incurred. In these circumstances, the fee to be charged will be determined by the audit team in consultation with entity management and will reflect the size, complexity or any other particular difficulties in respect of the audit work required. Where possible, such costs are absorbed within the base audit fee.

Additional audit fees

If the circumstances outlined under the section headed "Key assumptions" change in a year, additional audit fees may be charged. Fees may be adjusted in the following circumstances:

- changes to the size and nature of the entity and its operations
- changes to the risks associated with a particular engagement
- changes to accounting and auditing standards requiring greater audit effort
- ad-hoc matters that impact upon significant balances within the financial statements, such as a significant asset revaluation
- unavoidable increases in costs of maintaining the Office.

There may also be circumstances where, based on the assessment of size, complexity and risks of the engagement, audit fees may be reduced.

Additional work (including work arising from the adoption of new accounting standards or issues associated with key risks and other matters arising) will be billed separately if it cannot be absorbed into the existing fee.

Any future impact of agreed additional fees would be assessed in terms of the on-going audit fee.

Communication of audit fees

In all cases, fees are communicated to each accountable authority prior to audit commencement or during the planning phase of the audit.

Audits by arrangement

Audit fees to be charged for audits by arrangement will be determined by the audit team in consultation with entity management and will reflect the size, complexity or any other particular difficulties in respect of these types of audits. Fees will have regard to the time taken, the audit staff assigned and their respective charge rates.

Local government

Introduction

This chapter contains our financial analysis of Tasmanian local government entities subject to audit, comprising 29 councils, 4 council controlled entities and 6 other local government entities.

Local government sector developments

This section summarises significant developments that affected the operations of councils identified during the course of the audits.

COVID-19

Throughout 2020-21, COVID-19 continued to have an impact on councils to varying degrees. Material impacts are discussed under individual council key developments further below.

Local Roads and Community Infrastructure program

In May 2020 the Commonwealth Government announced the implementation of the Local Roads and Community Infrastructure (LRCI) program, with the funding allocation for Tasmania being \$16.27 million. The program was developed to support councils to deliver priority local road and community infrastructure projects across Australia. The aim of the program was to support jobs and the resilience of local economies, whilst stimulating growth and creating jobs in local communities in response to the impacts of COVID-19. The LRCI program ran from 1 July 2020 to 31 December 2021, with projects physically required to be completed by 30 June 2022.

Valuer-General valuations

In late 2020, the Valuer-General advised statutory valuations for properties in Tasmania, due to be undertaken in 2020-21 in accordance with the *Valuation of Land Act 2001*, would be delayed by 12 months due to Government⁴ restrictions imposed in response to COVID-19. In early 2021 new contracts were awarded for the delayed valuations, the outcomes of which will be gazetted as at 1 July 2022.

The valuations for the municipal areas not subject to valuation in 2020-21 will also be delayed by 12 months and return to a two yearly program of fresh valuations.

Tasmanian Water and Sewerage Corporation Pty Ltd

In accordance with a Share Subscription and Implementation Agreement (the Agreement) and a constitution amendment on 24 June 2021, the Government subscribed to a further 1,000,000 shares in the Tasmanian Water and Sewerage Corporation Pty Ltd (TasWater), resulting in a 3.2 percent ownership interest at 30 June 2021. Following the issue of the

⁴ In this report, Government is a reference to the Tasmanian Government unless otherwise stated.

additional shares to the Government, the percentage ownership interest held by the 29 council shareholders was adjusted.

The constitution amendment will allow the Government a further 7,000,000 shares by 30 June 2024 subject to the Government meeting its obligations to subscribe to shares in accordance with the Agreement.

Distributions to owner councils totalled \$10.00 million in both 2019-20 and 2020-21. The Government is not entitled to any distributions in accordance with the Constitution.

TasWater's equity increased from \$1.44 billion at 30 June 2020 to \$1.57 billion at 30 June 2021. This resulted in councils recognising increases in their investment in TasWater in 2020-21, which totalled \$113.72 million.

Individual council key developments

The following section summarises significant developments during 2020-21 affecting the operations of individual councils.

Brighton Council

In 2020-21, Brighton Council agreed to sell specified assets and specified liabilities of Microwise Australia Pty Ltd to Dornier Digital Pty Ltd at 30 June 2021. The sale excluded the councilWise, PropertyWise and VacciWise software assets of Microwise Australia Pty Ltd, which were transferred to the council. The software assets were subsequently licensed by the council to Dornier Digital Pty Ltd for a 10 year period from 1 July 2021. Under the licence agreement, the council has an irrevocable licence to continue to use the software.

Burnie City Council

Following a review of the organisational structure and governance arrangements for Tas Communication Unit Trust and its corporate trustee, Burnie City Council acquired the net assets and business operations of the Trust on 1 July 2021, leading to the winding up of the Trust and its corporate trustee.

Clarence City Council

Legal action regarding rates equivalent dispute

Clarence City Council is involved in ongoing legal action relating to a rates equivalent dispute. In September 2019, a judgement was handed down by the Federal Court of Australia in favour of the Hobart International Airport. This decision was appealed by council and on 6 August 2020, the Full Court of the Federal Court of Australia handed down a decision to allow the appeal with the matter referred back to the Federal Court of Australia, however the defendant has appealed the Full Court decision to the High Court of Australia. The appeal was due to be heard in August 2021, however has been delayed due to COVID-19. Clarence City Council assessed the recoverability of the outstanding rates equivalents total as \$4.02 million at 30 June 2021.

Kangaroo Bay Development Precinct

In December 2020, Clarence City Council approved an unconditional extension of time for substantial commencement of the Kangaroo Bay Development Precinct project. Under the current sale and development agreement, the developer has until October 2022 to commence substantial work on the site, and if not commenced, the buy-back clause will come into effect.

Blundstone Arena

In June 2021, the Premier of Tasmania announced the planned establishment of a new State entity, Stadiums Tasmania, to own, manage and develop Tasmanian stadium assets into the future. As at 30 June 2021, discussions had commenced with Clarence City Council for the transfer of Blundstone Arena to Stadiums Tasmania.

Devonport City Council

Devonport City Council continued progressing the Living City Masterplan, with Stage 1 now complete, representing a \$71.10 million investment for the City. Stage 2 commenced in 2019-20 with the commencement of both the new Waterfront Park precinct and the privately funded hotel development. These developments have a combined construction value of \$57.00 million. It is expected the construction will be completed by mid-2022, with an anticipated opening in late 2022.

Glenorchy City Council

In March 2019, Glenorchy City Council received confirmation of a \$12.80 million grant to fund the upgrade of the North Chigwell junior football hub and the King George V Football Park redevelopment. An additional \$0.50 million funding was confirmed from the Government in January 2020, for the replacement of the change rooms at King George V Football Park through the Levelling the Playing Field program. A further \$1.00 million to contribute to construction of new club rooms at King George V Football Park was allocated to the Knights Football Club.

In total, Glenorchy City Council will receive \$14.30 million in grant funding for these 2 projects. At the date of this report, the grant funding and the final funding agreement have not yet been received.

Hobart City Council

The consequences of COVID-19 continued to impact Hobart City Council's operations. Specifically, parking fees and charges, parking fines, other fees and charges, distributions from Council's ownership interest in TasWater and rents on Council owned properties all remained low or declined.

In addition to ensuring essential services, Council adopted a community support package that included:

- no rate increases in general and service rates for 2020-21
- no increases in all other fees and charges

- financial hardship assistance of \$0.61 million to ratepayers experiencing genuine financial hardship
- rent relief for tenants of Council owned properties experiencing financial hardship
- community, creative and business grants program of \$1.17 million.

Overall there was a negative impact on the reported result disclosed in the financial report of \$1.74 million.

Kingborough Council

Kingborough Council is expected to receive Commonwealth Grant Funding of \$7.90 million to undertake the Transform Kingston Project. As at 30 June 2021, Kingborough Council received \$2.00m, with the balance of the funding to be received between November 2021 and May 2023. The aim of the Transform Kingston Project is to improve traffic flow, including cycling and pedestrian traffic in the area.

Launceston City Council

Birchalls building arcade

Launceston City Council purchased the former Birchalls building in 2019-20 with plans for the building to be privately developed into a ground level arcade. Expressions of interest have been submitted for the development and these will be further considered in 2021-22.

UTAS Stadium Future Direction Plan

In February 2021, Launceston City Council endorsed the UTAS Stadium Future Direction Plan which aims to create a sustainable model for a fit-for-purpose sporting stadium in Launceston. In June 2021, the Premier of Tasmania announced the planned establishment of a new State entity, Stadiums Tasmania, to own, manage and develop Tasmanian stadium assets into the future. As at 30 June 2021, discussions had commenced with Launceston City Council for the transfer of UTAS Stadium to Stadiums Tasmania.

Queen Victoria Museum and Art Gallery

As at 30 June 2021, Launceston City Council was in discussions with the Government to review the future funding and governance model for the Queen Victoria Museum and Art Gallery.

George Town Council

George Town Mountain Bike Trail Development

Throughout 2020-21, George Town Council progressed the construction of the Mountain Bike Trail development, with \$0.99 million recognised as capital work in progress and \$2.48 million disclosed as a capital expenditure commitment at 30 June 2021. A grant funding agreement is in place to fund \$4.40 million of the construction cost of the bike trails.

Bass and Flinders Centre and Museum Collection

During 2020-21, George Town Council was gifted the Bass and Flinders Centre and Museum Collection, including the Norfolk replica sloop, with the centre and collection recognised at a fair value of \$1.80 million.

Tasman Council

During 2020-21, Tasman Council entered into a co-financed capital project with the Eaglehawk Neck Action Community Taskforce Inc. to undertake the development of the Eaglehawk Neck coastal track, which is expected to commence construction in 2021-22.

Tasman Council has committed \$120,000 to the project, with the balance of funding obtained through a Tasmanian Community Fund grant of \$212,000.

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. Transactions between councils have not been identified or eliminated in our aggregation of the financial statements. Financial information has changed from my *Report of the Auditor-General No. 11 of 2020-21: Auditor-General's Report on the Financial Statements of State entities, Volume 2*, due to the impact of prior period errors on 2019-20 comparative information.

Details of Local Government sector aggregated financial results for 2020-21 are set out in Table 8. The financial results are presented based on the 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.

Table 8: Aggregated financial results

Council	Underlying surplus (deficit) \$'000s	Net surplus (deficit) \$'000s	Total comprehensive surplus (deficit) \$'000s	Net assets \$'000s
Urban councils				
Brighton Council	(426)	7,368	15,536	211,529
Burnie City Council	(1,919)	451	13,917	426,732
Central Coast Council	(192)	13,770	29,953	543,540
Clarence City Council	4,796	28,552	85,820	928,947
Devonport City Council	1,245	15,168	40,179	605,349

Council	Underlying surplus (deficit) \$'000s	Net surplus (deficit) \$'000s	Total comprehensive surplus (deficit) \$'000s	Net assets \$'000s
Glenorchy City Council	(6,329)	(1,672)	52,270	914,410
Hobart City Council	(25)	7,566	374,332	2,403,441
Kingborough Council	240	7,391	(2,315)	634,918
Launceston City Council	(3,109)	(36,803)	38,733	1,932,650
West Tamar Council	212	6,925	25,807	386,639
Total Urban	(5,507)	48,716	674,232	8,988,155
Rural councils				
Break O'Day Council	(384)	3,855	9,809	193,995
Central Highlands Council	85	1,821	4,731	105,382
Circular Head Council	(465)	5,275	15,552	236,293
Derwent Valley Council	(1,222)	549	16,438	149,693
Dorset Council	134	4,346	15,662	201,599
Flinders Council	538	4,394	6,141	62,468
George Town Council	256	4,488	10,380	147,107
Glamorgan Spring Bay Council	(2,492)	1,684	17,924	167,883
Huon Valley Council	(89)	3,017	3,558	294,968
Kentish Council	95	2,200	2,759	160,776
King Island Council	(59)	699	3,160	79,275
Latrobe Council	446	9,117	11,277	225,407
Meander Valley Council	(533)	3,455	8,765	310,300
Northern Midlands Council	(286)	6,820	20,521	409,226
Sorell Council	1,089	6,886	7,069	303,052

Council	Underlying surplus (deficit) \$'000s	Net surplus (deficit) \$'000s	Total comprehensive surplus (deficit) \$'000s	Net assets \$'000s
Southern Midlands Council	(35)	1,978	9,937	124,131
Tasman Council	474	804	2,108	72,026
Waratah-Wynyard Council	53	1,831	11,931	262,856
West Coast Council	(1,200)	1,179	7,570	130,864
Total Rural	(3,595)	64,398	185,292	3,637,301
All councils				
Total	(9,102)	113,114	859,524	12,625,456

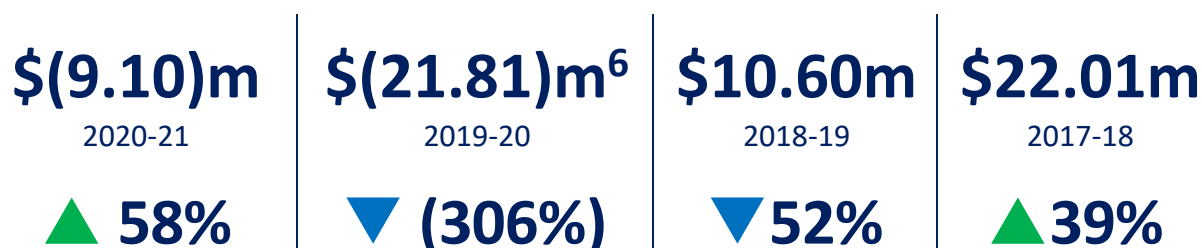
Councils generated an overall net surplus of \$113.12 million in 2020-21, a significant increase of \$51.52 million from the 2019-20 net surplus of \$61.70 million⁵. The change was primarily attributable to additional capital grants, \$49.76 million, and higher contributed non-current assets, \$23.58 million. The additional income was offset by a \$34.52 million revaluation decrement arising from the revaluation of the Launceston City Council Queen Victoria and Art Gallery collection.

The Australian Government provides Financial Assistance Grants to councils each year which are untied, allowing councils to spend the grants according to local priorities. In a normal financial year, quarterly instalments totalling about \$20.00 million each are expected, however, in recent years some payments have been made in advance. Payments in 2020-21 included advance payments of \$40.79 million being half of the 2021-22 allocation. Similar advance payments of \$38.88 million were received in 2019-20, representing half of the 2020-21 allocation.

As Financial Assistance Grants are untied and have no performance obligations, AASB 1058 *Income of Not-For-Profit Entities* requires councils to recognise the advance payments as revenue when received. The advance payments have been adjusted for in the calculation of the 2020-21 underlying result, with the 2019-20 advance payment for 2020-21 included in the calculation and the 2020-21 advance payment for 2021-22 excluded. The net surplus balance reflects the funding actually received and is not adjusted for the advance payments.

⁵ Balance amended from the *Report of the Auditor-General No. 11 of 2020-21: Auditor-General's Report on the Financial Statements of State entities, Volume 2* due to the impact of prior period errors

Underlying result



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

For the purpose of calculating a council's underlying surplus or deficit (underlying result), we have applied the definition of underlying surplus or deficit in the *Local Government (Management Indicators) Order 2014*, as follows:

'underlying surplus or deficit is the 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 the underlying result 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.

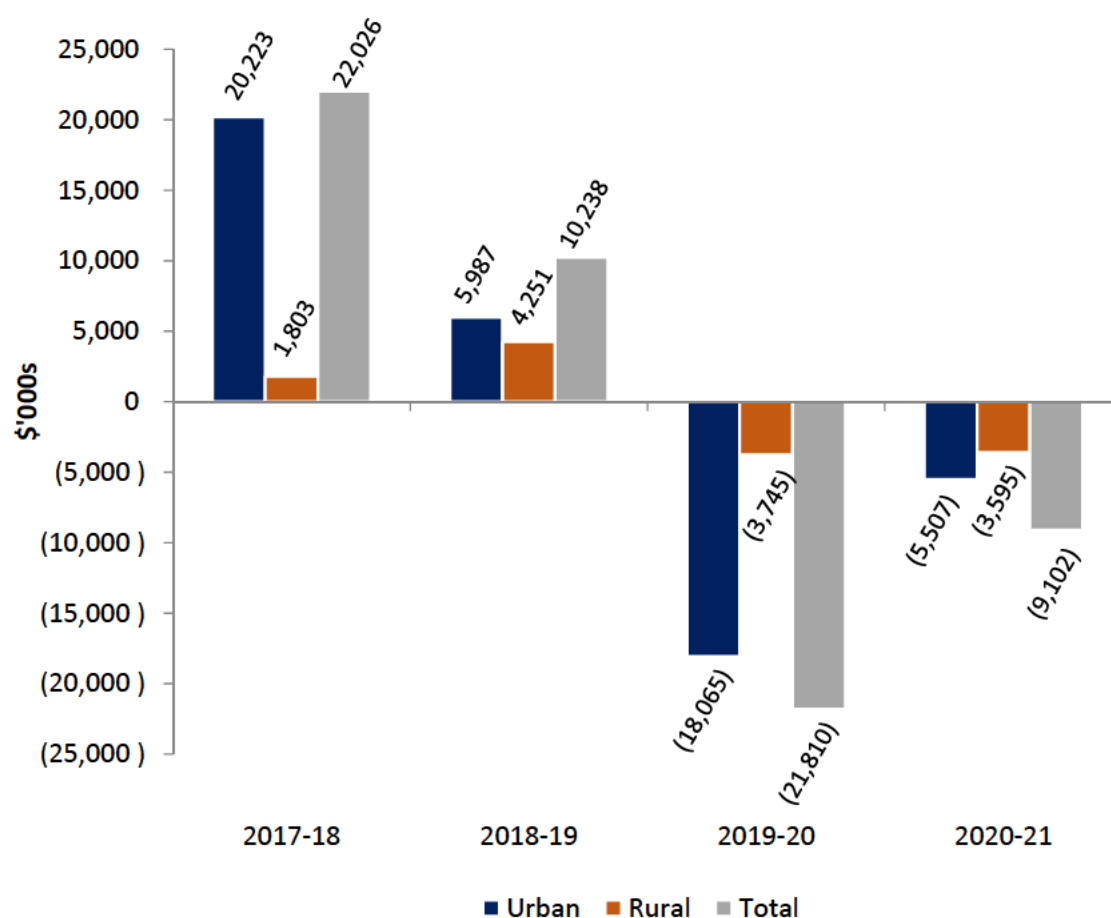
The term 'recurrent' is a commonly used term by government entities to refer to transactions for all purposes except those of a capital nature. While the meaning of the word 'recurrent' may be interpreted as referring to items regularly occurring or repeating, for the purposes of determining underlying result, it includes 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 included gains or losses on disposal of assets, unless there was an unusual reason for the disposal, such as a natural disaster.

Income of a capital nature included amounts received that did not form part of operating activities and were in connection with non-financial assets. Examples included capital Roads to Recovery (RTR) funding, reimbursements of costs under the Natural Disaster Relief and Recovery Arrangements (NDRRA), 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 result include Australian Government Financial Assistance Grants received in advance, clearly identifiable clean-up costs after a natural disaster which were claimable under insurance or NDRRA and payments or provisions in relation to a redundancy program.

⁶ Balance amended from the 2019-20 Report due to the impact of prior period errors

Figure 12: Underlying surplus (deficit)



As shown in Figure 12, councils produced an underlying deficit of \$9.10 million for 2020-21, an improved result of \$12.71 million compared to the previous year which recorded an underlying deficit of \$21.81 million. The change in the total underlying result was primarily due to higher rates, fees and charges revenue of \$8.39 million (1.5 percent) and \$14.55 million (10.2 percent), respectively. The increased revenues were partially offset by lower interest revenue of \$4.74 million and lower revenue from council controlled authorities (Copping Refuse Disposal Site Joint Authority and Dulverton Regional Waste Management Authority) of \$7.98 million.

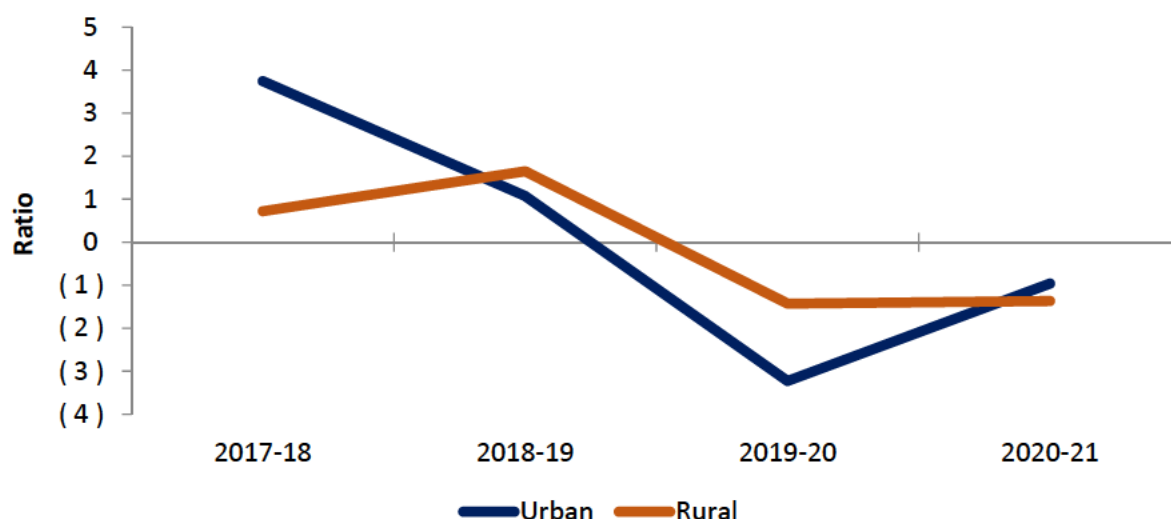
In 2020-21, 17 councils recorded underlying deficits totalling \$18.77 million compared to 16 councils in 2019-20 totalling \$29.10 million. Significant underlying deficits included:

- Glenorchy City Council recorded an underlying deficit in 2020-21 of \$6.33 million compared to an underlying deficit in 2019-20 of \$2.82 million, a deterioration of \$3.51 million. The main causes for the movement were reduced rate revenue of \$0.85 million as a result of COVID-19 community assistance measures, increased employee costs of \$1.05 million (of which \$0.81 million was a compounding, flow on from a 2019-20 legacy 3.5% enterprise agreement increase) and depreciation expenses of \$0.74 million. In addition, net losses on disposal of assets increased by \$1.31 million - largely as a result of de-recognition of stormwater assets of \$1.54 million).

- Launceston City Council recorded an underlying deficit in 2020-21 of \$3.11 million compared with an underlying deficit in 2019-20 of \$7.22 million, an improvement of \$4.10 million. The improvement was due to a decrease in the provision for rehabilitation of Launceston City's waste centre of \$2.75 million, savings in other expenses of \$2.82 million and higher fees and charges of \$3.04 million, offset by increases in employee costs of \$1.06 million and an increase in net losses on disposal of assets of \$1.44 million.
- Glamorgan Spring Bay Council recorded an underlying deficit in 2020-21 of \$2.49 million compared to an underlying deficit in 2019-20 of \$1.27 million, a downward movement of \$1.22 million. The main cause for the movement was increased employee costs of \$1.14 million, of which, \$0.66 million related to redundancies.
- Burnie City Council recorded an underlying deficit in 2020-21 of \$1.92 million compared to an underlying deficit in 2019-20 of \$0.85 million, a downward movement of \$1.07 million. The primary cause for the movement was a decrease of \$1.36 million in fees and charges due to the closure of Council facilities such as the Museum and Civic Centre.

As illustrated on Figure 13, the movement in the underlying ratio highlights a decline in 2019-20 due to COVID-19. Urban councils improved their performance in 2020-21, whilst rural councils performance remained constant.

Figure 13: Underlying surplus ratio

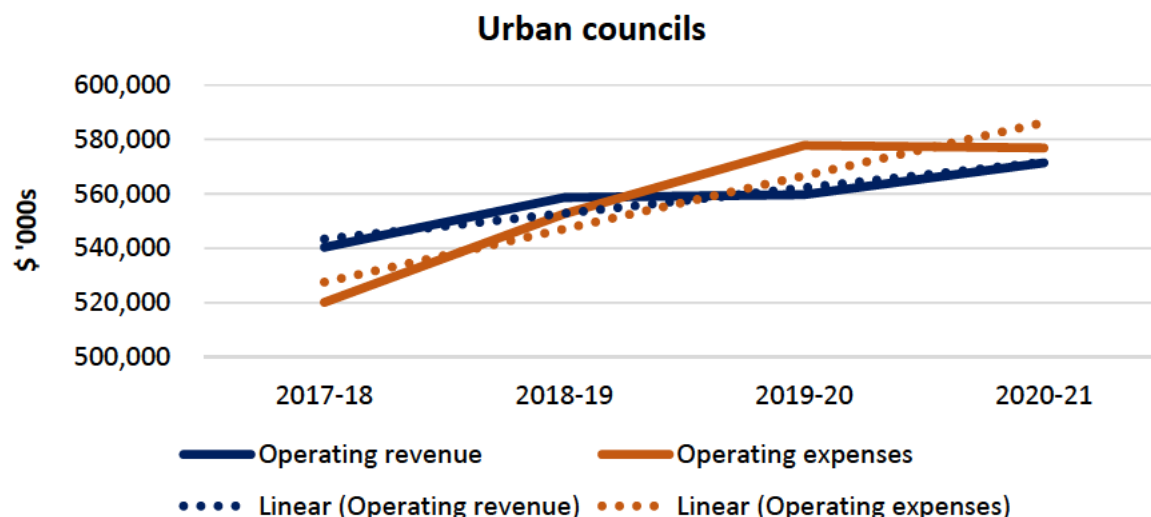


The underlying surplus ratio for urban councils decreased from a positive 3.7 percent in 2017-18 to a negative 1.0 percent in 2020-21. Over the 3 year period, expenses increased by \$56.80 million, well in excess of revenue increases of \$31.07 million. The main drivers were:

- higher employee costs and operating expenses increasing by 8.6 percent and 7.2 percent, respectively
- higher depreciation expenses, 19.2 percent
- decreased investment revenue from TasWater.

The movement in urban councils operating revenues and expenses over the 3 year period is illustrated in Figure 13A, with the average growth in expenses of 3.6 percent exceeding average growth in revenue, 1.9 percent.

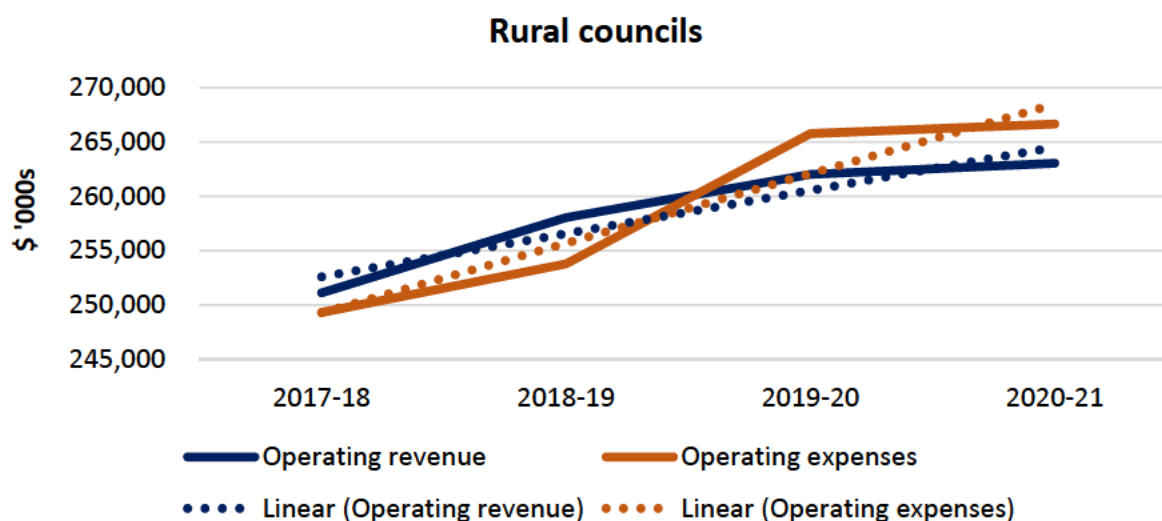
Figure 13A: Average annual increase in urban councils operating revenue and expenses



The underlying surplus ratio for rural councils decreased from a positive 0.7 percent in 2017-18 to negative 1.4 percent in 2020-21. The decline for rural councils was not as dramatic as urban councils, with expenditure increases of \$17.32 million and revenue increases of \$11.92 million over the 3 year period. Consistent with urban councils, the drivers were higher payroll and depreciation expenses that were not offset by increased rate and user charges revenue.

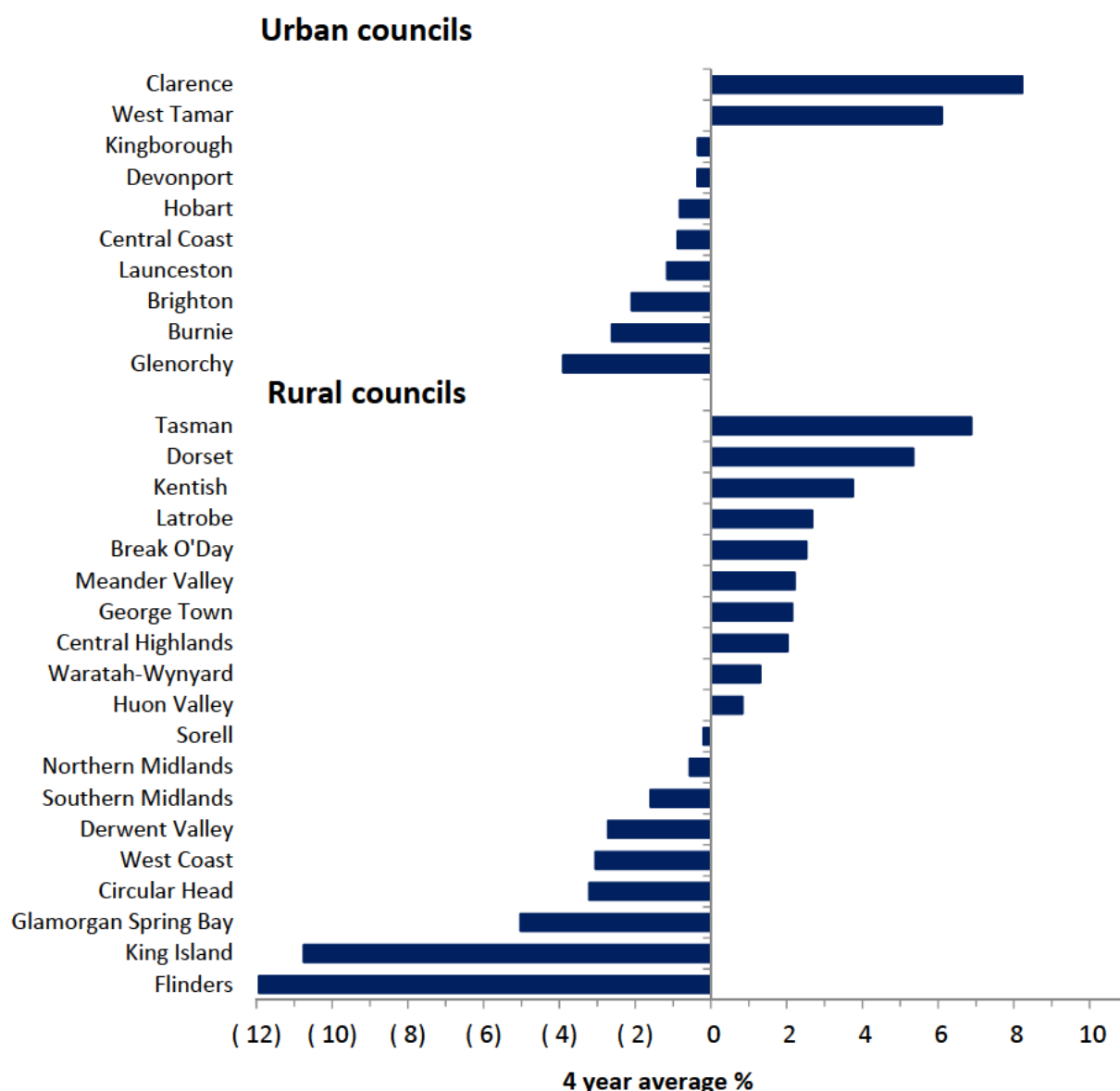
The movement in rural councils operating revenues and expenses over the 3 year period is illustrated in Figure 13B, with the average growth in expenses of 2.3 percent exceeding average growth in revenue, 1.6 percent.

Figure 13B: Average annual increase in rural councils operating revenue and expenses



The 4 year average underlying surplus ratio by individual council is shown in Figure 14. Seventeen councils recorded an average ratio for the 4 year period less than break-even.

Figure 14: Four year average underlying surplus ratio by council



Notable items from the average underlying surplus ratios included:

- King Island Council recorded underlying deficits in all 4 years, with ratios ranging from negative 1.0 percent in 2020-21 to negative 5.9 percent in 2017-18
- Glamorgan Spring Bay and West Coast Councils 4 year average ratio was significantly affected by material underlying result deficits in 2020-21 of \$2.49 million and \$1.20 million, respectively
- Flinders Council ratio is improving with underlying surpluses in both 2019-20 and 2020-21 following 2 years of underlying deficits.

Revenue

\$834.45m

Operating revenue

● **1.5%**

\$738.35m

Own-source revenue

● **1.5%**

\$544.04m

Total rate revenue

● **1.6%**

\$96.11m

Operating grants

● **2.3%**

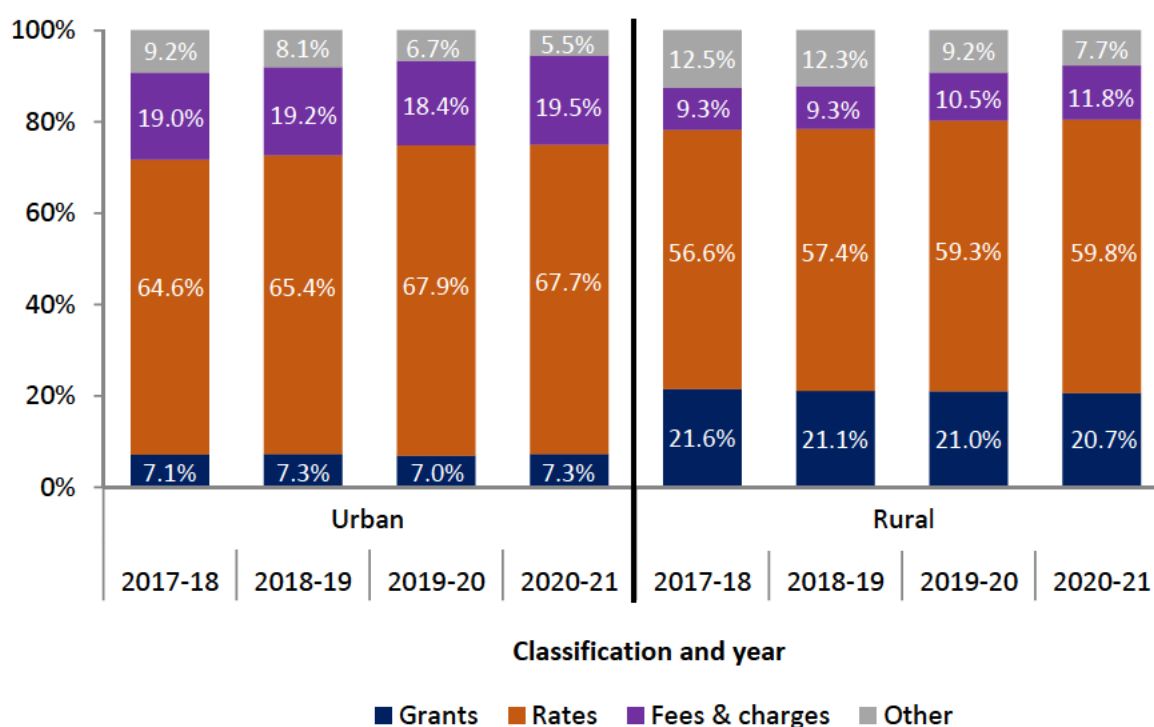
▲ improvement from prior year ▼ deterioration from prior year ● no material change from prior year

Councils recorded operating revenue of \$834.45 million in 2020-21, an increase of \$12.71 million from 2019-20.

Councils' own source revenues represents operating revenue other than recurrent grants. 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.

Urban grant funding in 2020-21 was 7.3 percent of total revenue (2019-20, 7.0 percent) compared with 20.7 percent (2019-20, 21.0 percent) for rural councils. This is further illustrated in Figure 15.

Figure 15: Revenue source



The most significant contributor to own source revenue was rates, which in 2020-21 made up 67.7 percent (2019-20, 67.9 percent) of urban council revenue and 59.8 percent (2019-20, 59.3 percent) of rural council revenue.

Flinders Council and King Island Council had significantly below average total rate revenue at 33.4 percent (2019-20, 32.4 percent) and 35.1 percent (2019-20, 37.4 percent) of total operating revenue, respectively. For Flinders Council, the below average rate revenue was offset by a higher proportion of grant revenue, 42.9 percent (2019-20, 44.0 percent) compared with the rural average of 20.7 percent. For King Island Council, the below average rate revenue was offset by a higher proportion of other revenue, 26.8 percent, compared with the rural average of 5.9 percent. The majority of King Island Council's other revenue related to private works.

Urban councils generated a further 19.5 percent (2019-20, 18.3 percent) of revenue from fees and charges, compared to the 11.8 percent (2019-20, 10.5 percent) generated by rural councils. The increase in the percentages reflects the impact of COVID-19 on councils' own-source revenue in 2019-20.

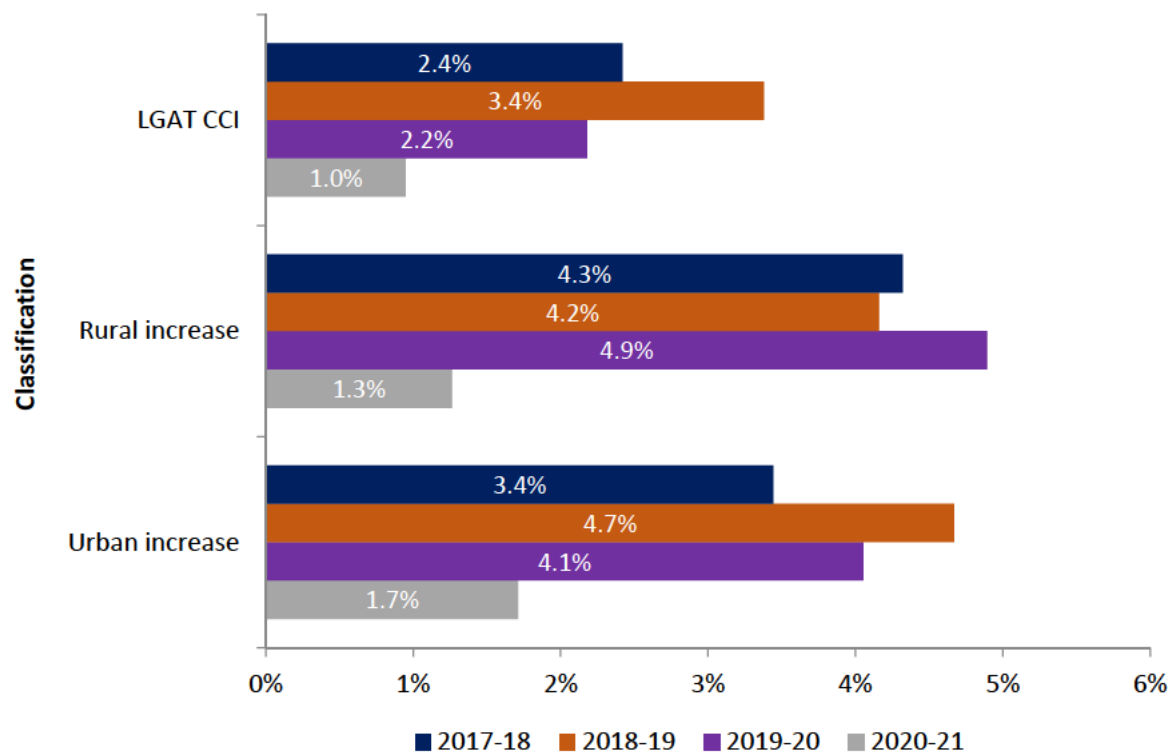
The Local Government Association of Tasmania publishes a Council Cost Index (CCI) for each year, which may be useful to councils in assessing increases associated with service delivery when setting rates. The CCI is a composition of wage price index, road and bridge construction index and consumer price index for Hobart and provided an aggregated picture of service delivery cost movements at the State level.

The 2021 CCI indicated an average rate increase across the State of at least 0.95 percent was likely necessary in 2020-21 to maintain current levels of service and assumed other revenue sources also increased in line with costs. The mix of construction and non-construction activity varied from council to council. Similarly, there were parts of Tasmania where construction costs increased faster than the State average. Such factors were all of relevance at the local level when councils determined the level of rate increase necessary to provide services and meet council's spending profile.

Over the 4 year period from 2017-18 to 2020-21, total rate revenue increased by 13.9 percent for urban councils and 14.6 percent for rural councils. This represented an average annual increase of 3.5 percent and 3.7 percent, respectively. Total rate revenue increases were impacted by changes in annual rate charges set by councils, as well as movements in the number of rateable properties and rateable valuations.

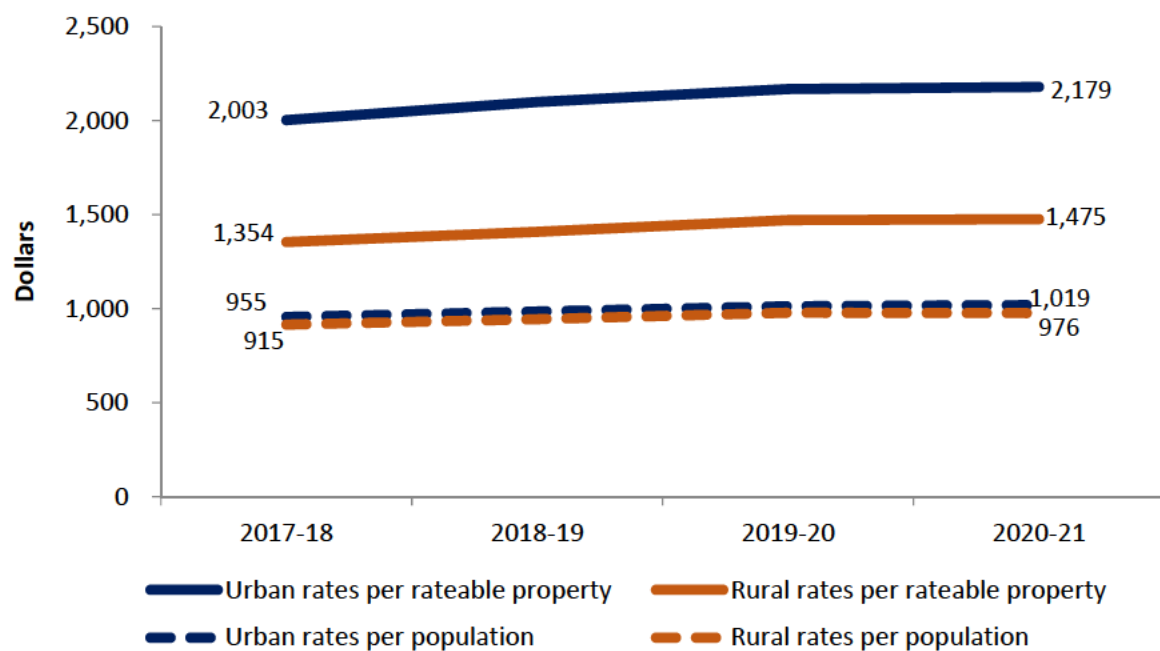
Figure 16 shows the cumulative increase in council total rate revenue compared with the cumulative CCI index. The increase in rates revenue includes general rate increases and movements in the number of rateable properties.

Figure 16: Cumulative total rate revenue increase



Over the last 4 years, average rate revenue per rateable property and per capita show fairly comparable rises for both urban and rural councils, as illustrated in Figure 17. It is noted a number of councils had introduced rate freezes for 2020-21 in response to the impact of COVID-19.

Figure 17: Average rate revenue per rateable property and per capita



Capital investment

Capital spend compared to budget

\$1.19bn

Total capital spend
last 4 years

\$1.45bn

Total budgeted capital
spend last 4 years

\$66.30m

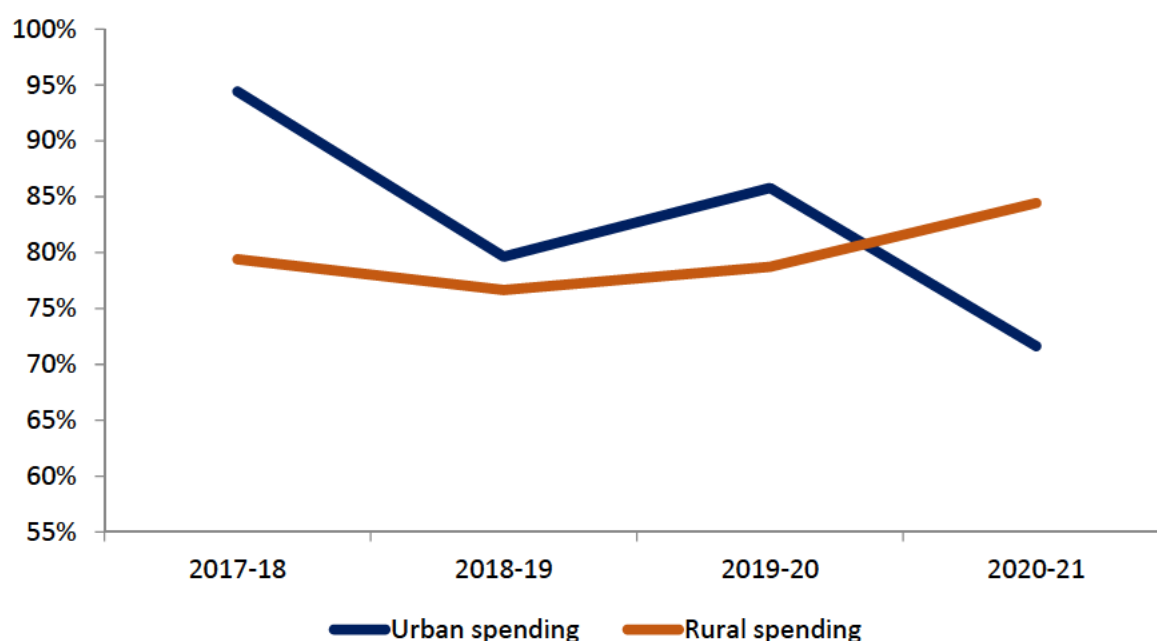
Average spending gap
last 4 years

Councils spent on average \$66.30 million below original capital budgets over the last 4 years.

As shown in Figure 18, actual capital spend as a percent of capital budget for rural councils has been fairly consistent in the last 4 years, at an average of 78.2 percent. In 2020-21, rural capital payments increased by \$12.27 million, or 10.8 percent from the previous year.

Urban councils' actual spend was, on average, 86.6 percent of budget, offsetting part of the rural spending gap. However, capital payments have decreased from \$212.01 million in 2017-18 to \$159.86 million in 2020-21.

Figure 18: Capital spending as a percent of capital budget



The level of capital spending above/(below) budget as a percentage of budget over the past 4 years for each council is shown in Table 9.

Table 9: Capital spending above/(below) budget as a percentage of budget

Council	Trend	2017-18	2018-19	2019-20	2020-21
Urban councils					
Brighton Council	●	88.8%	79.2%	97.6%	78.9%
Burnie City Council	▼	80.7%	87.4%	82.8%	64.3%
Central Coast Council	▼	77.9%	63.7%	28.2%	52.3%
Clarence City Council	▲	68.4%	37.7%	126.2%	94.8%
Devonport City Council	●	93.8%	78.2%	81.4%	98.1%
Glenorchy City Council	▼	93.0%	80.5%	89.9%	61.2%
Hobart City Council	▼	122.1%	80.3%	71.2%	60.2%
Kingborough Council	▲	86.0%	79.2%	99.7%	111.7%
Launceston City Council	●	124.2%	167.3%	142.9%	67.3%
West Tamar Council	▼	74.5%	79.7%	96.2%	72.4%
Total Urban	▼	94.4%	79.6%	85.8%	71.6%
Rural councils					
Break O'Day Council	▲	62.8%	55.7%	76.3%	110.3%
Central Highlands Council	▲	84.8%	96.2%	82.2%	132.6%
Circular Head Council	▲	70.1%	109.3%	100.0%	104.3%
Derwent Valley Council	●	62.6%	80.2%	68.0%	79.6%
Dorset Council	▼	172.8%	86.2%	76.0%	79.0%
Flinders Council	●	53.9%	106.5%	94.3%	82.5%
George Town Council	▲	172.8%	86.2%	76.0%	79.0%
Glamorgan Spring Bay Council	●	106.2%	125.1%	117.1%	102.6%
Huon Valley Council	●	120.9%	79.4%	158.4%	134.7%
Kentish Council	●	56.3%	59.2%	51.0%	85.2%
King Island Council	▲	76.9%	53.7%	65.9%	110.5%

Council	Trend	2017-18	2018-19	2019-20	2020-21
Latrobe Council	▼	72.6%	90.4%	59.6%	57.2%
Meander Valley Council	●	84.0%	53.5%	89.7%	55.8%
Northern Midlands Council	▼	71.6%	87.1%	62.2%	54.3%
Sorell Council	●	97.0%	98.3%	92.0%	88.6%
Southern Midlands Council	▲	54.4%	61.9%	40.9%	93.7%
Tasman Council	●	122.2%	41.3%	380.8%	87.9%
Waratah-Wynyard Council	▲	66.3%	41.0%	57.4%	84.6%
West Coast Council	▲	70.5%	63.2%	74.8%	98.0%
Total Rural	▲	79.4%	76.8%	78.8%	84.6%
All councils					
Total	▼	89.0%	78.5%	82.9%	76.8%

▲ increase in trend ▼ decrease in trend ● no material change in trend

Councils that averaged less than 80 percent of capital spending below budget as a percentage of budget included Central Coast (55.5%), Derwent Valley (72.6%), Latrobe (70.0%), Meander Valley (70.7%), Northern Midlands (68.8%), Waratah-Wynyard (62.3%), Break O'Day (76.3%), Kentish (62.9%), Southern Midlands (62.7%), King Island (76.8%) and West Coast (76.6%) councils.

Changed priorities and circumstances meant that councils often amended capital budgets during the year, which resulted in less than full correlation between projects planned in initial budgets and final spending. Australian and Tasmanian Government measures to stimulate the economy in response to COVID-19 have led to an increased pipeline of capital projects during 2020-21, which are being managed across national, state and local levels of government. The increased demand in resources needed to plan and execute capital projects, has led to many councils experiencing difficulties in engaging civil construction personnel and contractors to undertake or complete planned capital projects, contributing to a deterioration in the capital expenditure gap for some councils in 2020-21. In addition, receipt of specific purpose funding, announcement of new funding programs and natural disasters, such as fire and flood events, have adversely affected capital spending allocations in some cases and added further pressure on available resources.

Whilst acknowledging the civil construction resource challenges faced by councils, councils should strive 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

\$1.19bn	\$287.41m	\$901.69m
Total capital spend last 4 years	Total capital grants last 4 years	Total self-funded last 4 years

Over the last 4 years, 75.8 percent 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, NDRRA funding, as well as funding for improving public spaces, leisure and recreation facilities, bridge and street renewal, road safety, memorials and other purposes.

Figure 19: Capital investment funding source

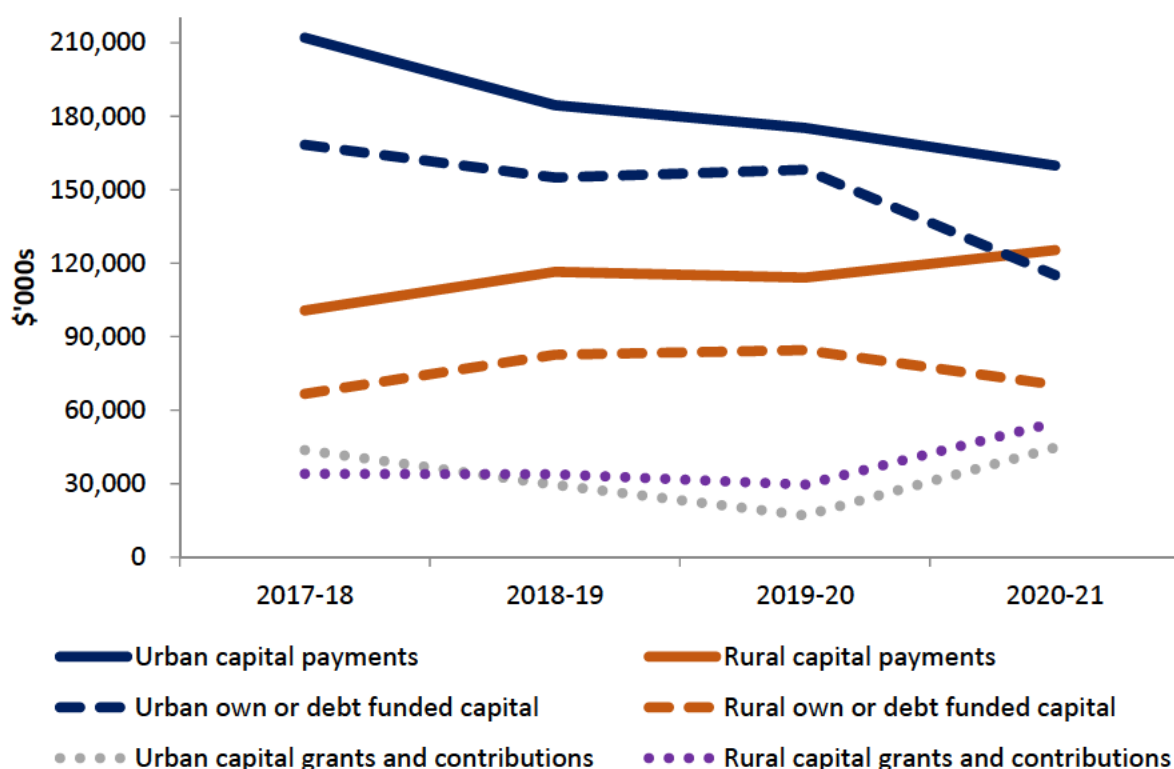


Figure 19 shows capital spending by urban councils was significantly higher than the capital spending by rural councils over the last 4 years, although the disparity is decreasing.

Capital spending by Hobart and Launceston City Councils amounted to \$50.07 million or 31.3 percent of total urban spending in 2020-21 (2019-20, \$78.17 million or 44.6 percent). The peak in urban spending in 2017-18 was mainly due to large capital projects undertaken by Devonport, Hobart and Launceston City Councils including Devonport's Living City project, Hobart's Transforming Hobart capital works program and Launceston's City Heart project.

For rural councils, capital grants and contributions remained relatively consistent over the first 3 year period. In 2020-21, the rural councils received \$7.19 million in LRCI program grants.

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 program. The current RTR program covers the period 2019-20 to 2023-24 with total funds of \$82.42 million allocated to Tasmania, \$31.24 million urban and \$51.18 million rural. In 2020-21, a total of \$17.27 million (2019-20, \$16.75 million) in RTR funding was received by councils.

On 22 May 2020, the Australian Government announced a new \$500.00 million LRCI program. This program supports local councils to deliver priority local road and community infrastructure projects across Australia, supporting jobs and the resilience of local economies to help communities bounce back from the COVID-19 pandemic. During 2020-21, Tasmanian councils recorded a total of \$13.03 million as revenue under the LRCI program.

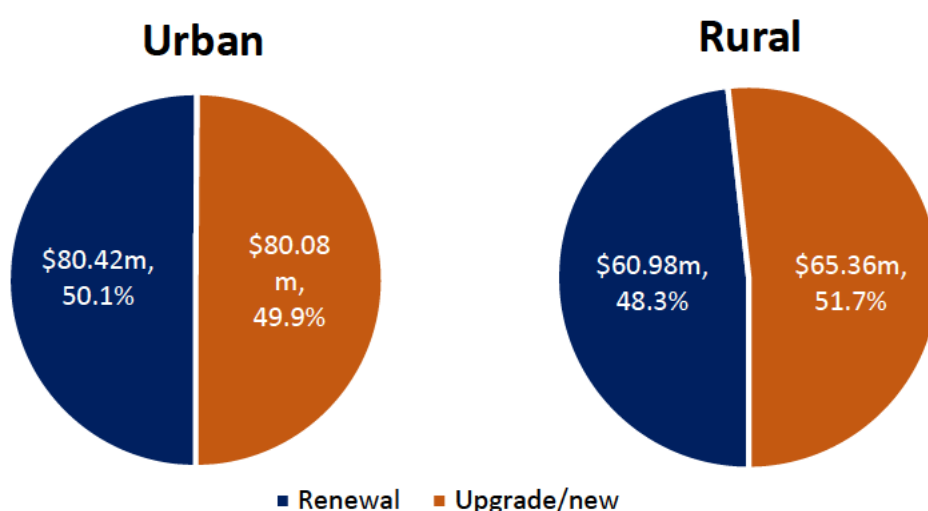
Other notable specific purpose funding for councils in 2020-21 included:

- Funding for Flinders Council airport upgrade, \$3.60 million
- Circular Head Council, community well-being centre, \$3.50 million
- Central Coast Council Dial Regional Sports Complex, \$3.50 million
- Devonport City Council, Urban renewal 'Living Cities' project, \$5.00 million.

Capital investment allocation

As illustrated in Figure 20, in 2020-21 both urban and rural councils spent approximately the same amount of capital expenditure on renewal of existing assets, and expenditure on new and upgraded assets. This reflects councils' responsibility for maintenance of a large network of infrastructure assets.

Figure 20: Capital investment allocation 2020-21



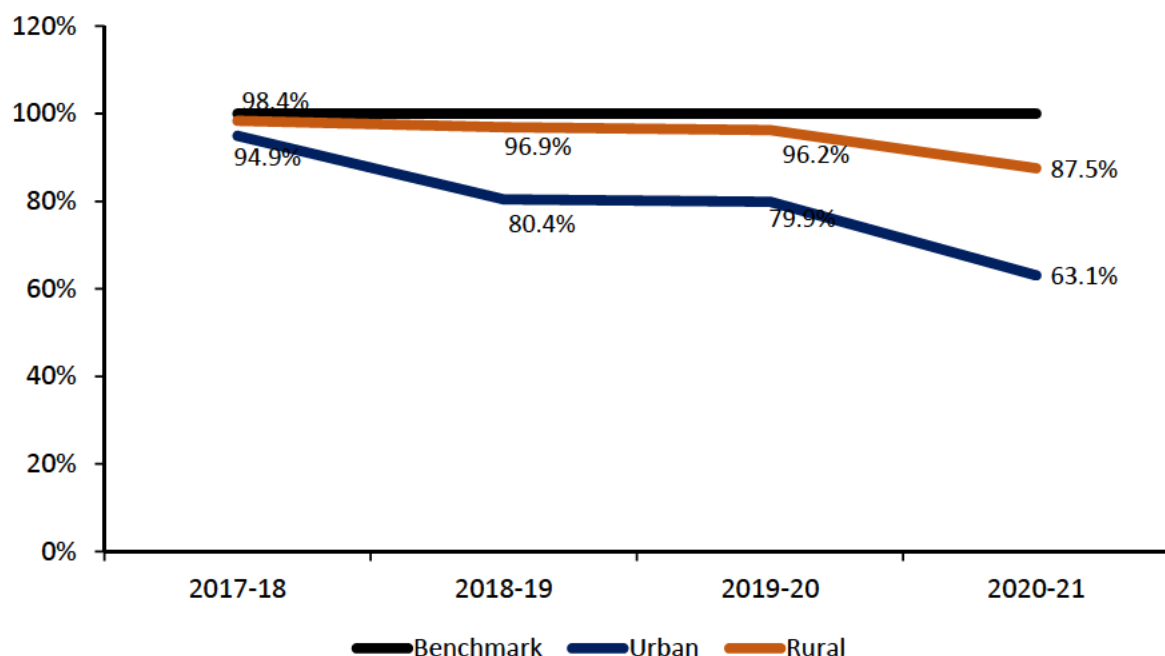
Asset sustainability ratio

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 percent.

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

Figure 21: Asset sustainability ratio



Urban councils expended, on average, 78.9 percent of their depreciation expense to maintain existing non-current assets, whereas rural councils expended, on average, 94.6 percent over the 4 year period. As noted earlier, rural councils generally spent more on renewal of existing assets than urban councils.

In most cases, councils failed to meet the benchmark, with only 10 councils having an asset sustainability ratio on average equal to or above 100.0 percent over the 4 year period. Three councils averaged above 90.0 percent, with 11 below 80.0 percent, including Burnie City Council with the lowest at 47.5 percent.

Cash and borrowings

\$547.96m

Cash and financial
assets

\$392.70m

Working capital

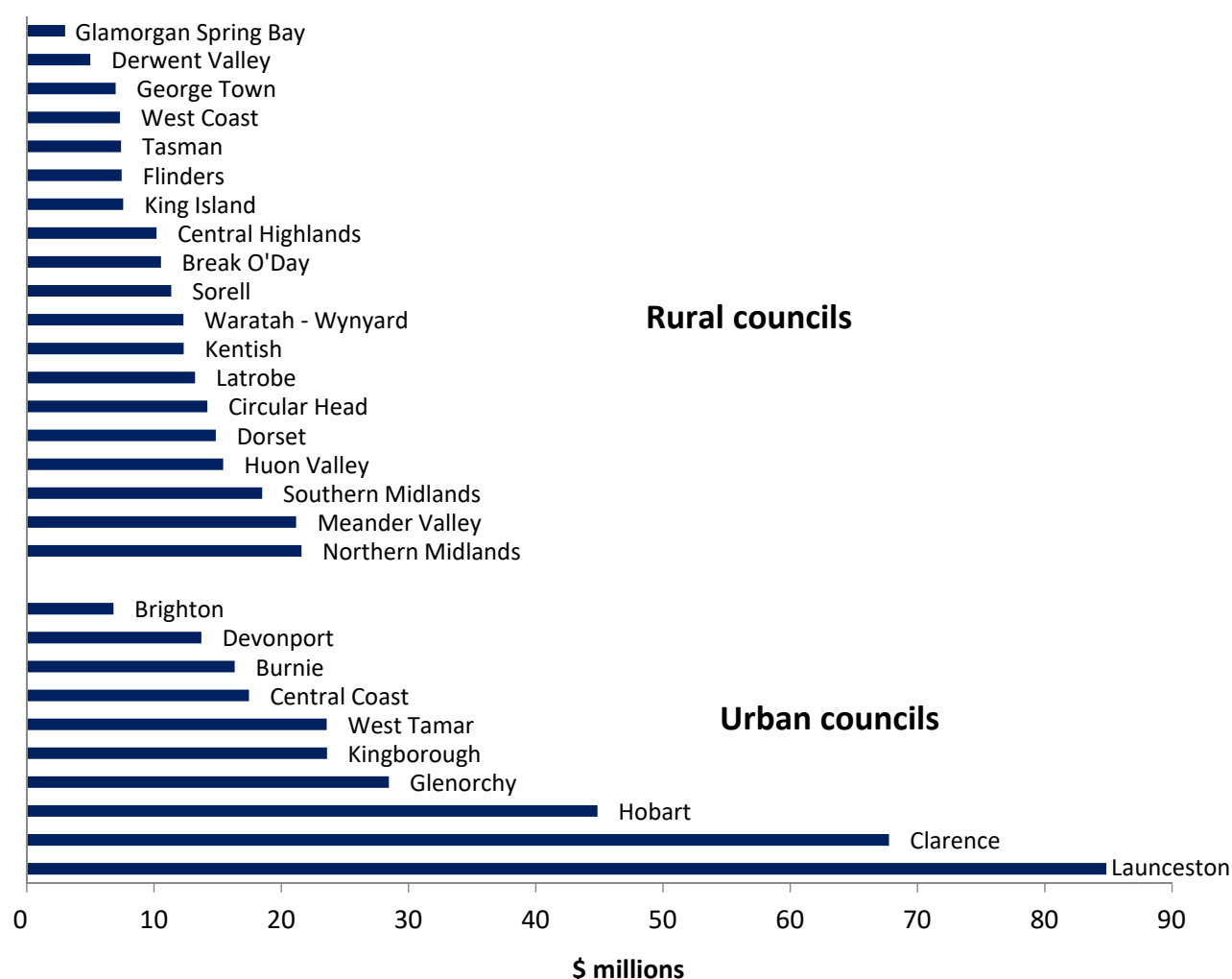
\$277.77m

Interest-bearing
liabilities

At 30 June 2021, councils held cash and financial assets of \$547.96 million, (2019-20, \$436.11 million) and \$277.77 million in interest-bearing liabilities (2019-20, \$215.88 million).

Cash and financial assets held at 30 June 2021 by each council is shown in Figure 22.

Figure 22: Cash and financial assets held at 30 June 2021



The advance payment of \$40.79 million (2019-20, \$40.54 million) of Australian Government Financial Assistance Grants for 2021-22 was included in cash and financial assets at the end of the financial year. Excluding these payments, overall cash and financial assets would have been \$507.16 million (2019-20, \$395.57 million).

Interest bearing liabilities of \$277.77 million at 30 June 2021 increased by \$61.89 million from the prior year, partly due to the drawdown of loans under the Local Government Loans Program provided by the Government, which commenced on 1 April 2020. Loan funding of a maximum of \$200.00 million was available through the program on a first come, first served basis. For eligible projects, the Program provided assistance to councils through the provision of loan interest rebates.

The low level of debt in comparison to cash held resulted in a strong working capital of \$392.70 million (2019-20, \$335.69 million).

The 10 urban councils held \$327.43 million, 59.8 percent, of cash and financial assets at 30 June 2021 and \$205.09 million, 73.8 percent, of total borrowings. The 19 rural councils held \$220.53 million of cash and financial assets at 30 June 2021, with \$72.68 million of borrowings.

Cash expense cover ratio

The cash expense cover ratio is used to assess whether the level of unrestricted cash held by each council was appropriate. In determining the level of cash held, we excluded cash subject to external restrictions, unexpended specific purpose grants and grant funds received in advance to arrive at an unrestricted cash balance.

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

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

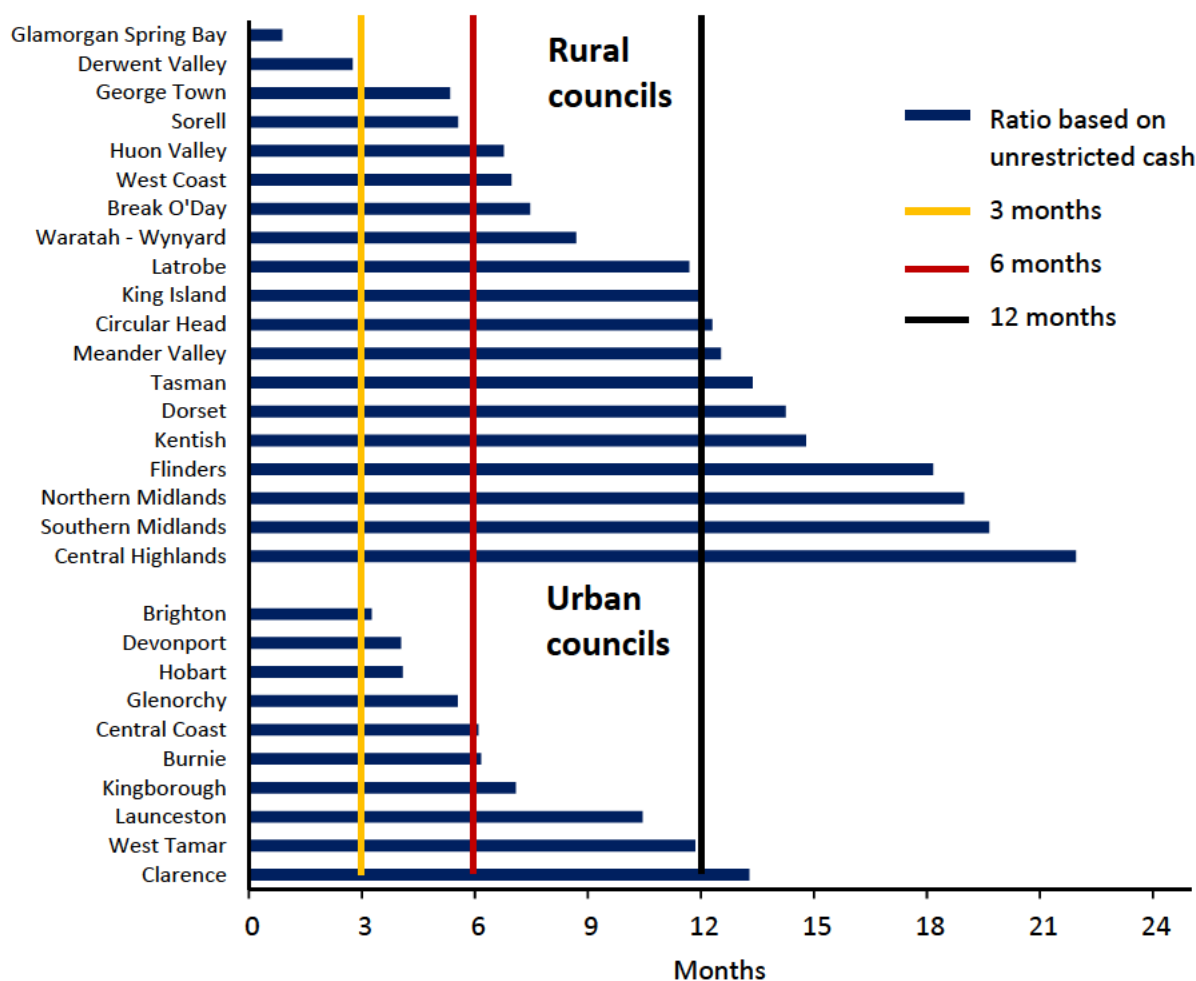
- less than 3 months – level of cash considered less than adequate
- 3 to 6 months – level of cash considered adequate
- 6 to 12 months – level of cash considered more than adequate
- greater than 12 months – level of cash considered much more than adequate.

Figure 23 shows 1 urban and 10 rural councils with a cash expense cover ratio in excess of 12 months, with a further 5 urban council and 5 rural councils in the 6 to 12 month range.

Derwent Valley Council and Glamorgan Spring Bay Council had cash expense cover ratios that were considered to be less than adequate, although Derwent Valley Council was only marginally less than the three month benchmark at 2.8 months, compared to Glamorgan Spring Bay Council of 0.89 months.

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

Figure 23: Cash expense cover ratio - unrestricted cash at 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* (LG Act):
 - Copping Refuse Disposal Site Joint Authority, trading as Southern Waste Solutions, including its wholly owned subsidiary, C-Cell Pty Ltd as trustee of the C Cell Unit Trust
 - Cradle Coast Authority
 - Dulverton Regional Waste Management Authority
 - Launceston Flood Authority
 - Microwise Australia Pty Ltd
 - Southern Tasmanian Councils Authority

- Local Government Association of Tasmania
- Northern Tasmania Development Corporation Ltd
- Tasmanian Communication Unit Trust.

All entities were subject to audit. The reporting framework for these entities was prescribed by enabling legislation or rules. In our analysis of financial performance, we have, where necessary, re-allocated certain revenue or expenditure items to better assist readers to interpret financial performance. For C-Cell Pty Ltd, Local Government Association of Tasmania and the Launceston Flood Authority, we accepted preparation of special purpose financial statements. All other entities prepared general purpose financial statements.

Collectively, other local government entities controlled net assets valued at \$57.55 million at 30 June 2021 (2019-20, \$53.03 million).

They reported a combined underlying surplus of \$6.56 million for 2020-21 (2019-20, \$13.63 million).

Equity accounting

Both Copping Refuse Disposal Site Joint Authority and Dulverton Regional Waste Management Authority were equity accounted by councils that had an 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.

Aggregated financial results of other local government entities

Table 10: Aggregated financial results other local government entities

Other Local Government entities	Underlying surplus (deficit) \$'000s	Net surplus (deficit) \$'000s	Total comprehensive surplus (deficit) \$'000s	Net assets \$'000s
Subsidiaries¹				
Microwise Australia Pty Ltd (Brighton Council)	(80)	(80)	(80)	2,657
Launceston Flood Authority (Launceston City Council)	(138)	(138)	(138)	N/A
Tas Communication Unit Trust (Burnie City Council)	130	130	130	2,233
C-Cell Unit Trust (Copping Refuse Disposal Site Joint Authority)	287	287	287	4,712

Other Local Government entities	Underlying surplus (deficit) \$'000s	Net surplus (deficit) \$'000s	Total comprehensive surplus (deficit) \$'000s	Net assets \$'000s
Equity accounted²				
Copping Refuse Disposal Site Joint Authority	1,671	1,299	1,299	17,435
Dulverton Regional Waste Management Authority	3,284	2,430	2,519	20,715
Other Local Government entities³				
Local Government Association of Tasmania ⁴	(100)	(100)	(38)	4,394
Cradle Coast Authority	1,090	1,090	1,090	4,767
Northern Tasmanian Regional Development Corporation Ltd	78	78	78	302
Southern Tasmanian Councils Authority	27	27	27	338
Total	6,560	5,334	5,485	57,553

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.

Note 4: Local Government Association of Tasmania includes the consolidated general account and assist account.

Disposal of firearms and ammunition

Background

The Department of Police, Fire and Emergency Management (DPFEM) is charged with the responsibility for the disposal of firearms and ammunition surrendered or seized under the *Firearms Act 1996* (Firearms Act).

Under section 149(5) of the Firearms Act, the Auditor-General is to, once every year, arrange for an independent audit of all firearms and ammunition disposed of under the Act and to report on the audit to Parliament. The commentary below relates to the audits undertaken for the years ended 30 June 2020 and 30 June 2021.

Audit requirement under section 149(5)

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

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

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

DPFEM recording and disposal practices

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

The following recommendations brought forward from previous audits were satisfactorily addressed during 2020-21:

- strengthen controls over the recording and disposal of ammunition
- review the appropriateness of transfers of ammunition to other Crown entities
- implement annual audits of property books in accordance with the Tasmanian Police Manual.

One recommendation relating to the recording of information in the FAWD system to document whether disposals occurred under sections 149(2)(c), 149(3A) or 104(4) of the Firearms Act remains unresolved.

Inability to form an opinion on disposals

Despite attempts by DPFEM over the last 12 months to improve information captured in the FAWD system, the inability of the FAWD system to document whether disposals occurred under sections 149(2)(c), 149(3A) or 104(4) of the Firearms Act prevents us from being able to conduct an audit in accordance with section 149(5) of the Firearms Act. Consequently, the independent auditor's report for the years ended 30 June 2020 and 30 June 2021 contain a disclaimer of opinion in respect of DPFEM's compliance with the requirements of the Firearms Act with respect to disposals made:

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

Legislative reform

Given the inability of the FAWD system to document whether disposals occurred under sections 149(2)(c), 149(3A) or 104(4) of the Firearms Act, we consider a broader audit examining all disposals under the Firearms Act would be more effective than the existing audit requirement to focus solely on disposals under these sections. We have raised this with the Minister administering the Firearms Act, to determine whether legislative changes are necessary to deal with the current inability to conduct an audit in accordance with section 149(5) of the Firearms Act.

Acronyms and abbreviations

Audit Act	<i>Audit Act 2008</i>
COVID-19	Novel Coronavirus disease pandemic
CCI	Council Cost Index
DPFEM	Department of Police, Fire and Emergency Management
FAWD	Firearms and Weapons Data
Firearms Act	<i>Firearms Act 1996</i>
GGS	General Government Sector
LRCI program	Local Roads and Community Infrastructure program
LG Act	<i>Local Government Act 1993</i>
MCH Fund	Mersey Community Hospital Fund
NDRRA	Natural Disaster Relief and Recovery Arrangements
RTR	Roads to Recovery
TAFR	Treasurer's Annual Financial Report
TASCORP	Tasmanian Public Finance Corporation
TasWater	Tasmanian Water and Sewerage Corporation Pty Ltd
The Trust	National Trust of Australia (Tasmania)
UTAS	University of Tasmania

Appendix A - Timeliness of reporting

	Financial statements received ¹	Financial statements certified	Audit opinion signed
December 2020 audits			
University of Tasmania	15-Feb-21	12-Feb-21	19-Feb-21
AMC Search Ltd	15-Feb-21	12-Feb-21	23-Feb-21
Tasmania University Union	11-Feb-21	20-Feb-21	19-Feb-21
Solicitors' Trust	15-Feb-21	17-Mar-21	18-Mar-21
Theatre Royal Management Board	12-Feb-21	12-Feb-21	15-Feb-21
30 June 2021 audits			
Executive and Legislature			
House of Assembly	13-Aug-21	13-Aug-21	14-Oct-21*
Legislative Council	12-Aug-21	19-Oct-21	20-Oct-21*
Legislature-General	13-Aug-21	16-Nov-21	18-Nov-21*
Office of the Governor	13-Aug-21	13-Aug-21	28-Oct-21*
Ministerial Departments			
Communities Tasmania	13-Aug-21	24-Sep-21	27-Sep-21
Education	13-Aug-21	25-Sep-21	27-Sep-21
Health	12-Aug-21	3-Sep-21	10-Sep-21
Justice	13-Aug-21	10-Sep-21	16-Sep-21
Premier and Cabinet	13-Aug-21	12-Sep-21	27-Sep-21
Police, Fire and Emergency Management	13-Aug-21	29-Sep-21	4-Oct-21*
Primary Industries, Parks, Water and Environment	13-Aug-21	13-Aug-21	16-Sep-21
State Growth	14-Aug-21	14-Aug-21	29-Sep-21*
Treasury	12-Aug-21	27-Sep-21	27-Sep-21

	Financial statements received ¹	Financial statements certified	Audit opinion signed
Treasury - Public Account	29-Sep-21	27-Oct-21	27-Oct-21
Treasury – TAFR	29-Sep-21	27-Oct-21	27-Oct-21
Ministerial Departmental Controlled Entities			
ABT Railway Ministerial Corporation	13-Aug-21	22-Oct-21	25-Oct-21*
Ambulance Tasmania	12-Aug-21	3-Sep-21	10-Sep-21
Housing Tasmania	13-Aug-21	24-Sep-21	27-Sep-21
Office of Tasmanian Assessment, Standards and Certification	13-Aug-21	13-Aug-21	22-Sep-21
Tasmania Development and Resources	13-Aug-21	13-Aug-21	27-Sep-21
Tasmanian Affordable Housing Limited	8-Oct-21^	8-Oct-21	22-Nov-21
Teachers Registration Board of Tasmania	13-Aug-21	13-Aug-21	24-Nov-21*
Tasmanian Health Service	12-Aug-21	3-Sep-21	10-Sep-21
Tasmanian Museum and Art Gallery	13-Aug-21	30-Sept-21	18-Oct-21*
Other General Government Sector Entities			
Asbestos Compensation Fund	13-Aug-21	3-Sep-21	6-Sep-21
Brand Tasmania	13-Aug-21	24-Sep-21	27-Sep-21
Council of Law Reporting	21-Jul-21	21-Jul-21	23-Aug-21
Inland Fisheries Service	28-Jul-21	28-Jul-21	5-Oct-21*
Integrity Commission	12-Aug-21	12-Aug-21	27-Sep-21
Marine and Safety Authority	13-Aug-21	13-Aug-21	20-Aug-21
Office of the Director of Public Prosecutions	13-Aug-21	29-Sep-21	30-Sep-21*
Office of the Ombudsman and Health Complaints Commissioner	13-Aug-21	28-Sept-21	28-Sep-21*
Royal Tasmanian Botanical Gardens	13-Aug-21	24-Sep-21	24-Sep-21
State Fire Commission	13-Aug-21	13-Aug-21	5-Oct-21*

	Financial statements received ¹	Financial statements certified	Audit opinion signed
Tasmanian Economic Regulator	12-Aug-21	18-Oct-21	19-Oct-21*
Tasmanian State Health Funding Pool	28-Jul-21	8-Sep-21	9-Sep-21
TasTAFE	12-Aug-21	12-Aug-21	13-Aug-21
Tourism Tasmania	11-Aug-21	15-Sep-21	16-Sep-21
WorkCover Tasmania Board	13-Aug-21	06-Sep-21	9-Sep-21
Government Businesses			
Aurora Energy Pty Ltd	12-Aug-21	12-Aug-21	13-Aug-21
Bass Island Line Pty Ltd	10-Aug-21	10-Aug-21	13-Aug-21
FortyTwo24 Pty Ltd	9-Aug-21	4-Aug-21	17-Aug-21
Hydro-Electric Corporation	13-Aug-21	13-Aug-21	13-Aug-21
Large Scale Renewables Pty Ltd	9-Aug-21	4-Aug-21	17-Sep-21
Motor Accidents Insurance Board	12-Aug-21	12-Aug-21	13-Aug-21
Marinus Link Pty Ltd	9-Aug-21	4-Aug-21	17-Aug-21
Metro Tasmania Pty Ltd	5-Aug-21	5-Aug-21	5-Aug-21
Momentum Energy Pty Ltd	13-Aug-21	13-Aug-21	13-Aug-21
Macquarie Point Development Corporation	13-Aug-21	18-Aug-21	16-Sep-21
Newood Holdings Pty Ltd	6-Aug-21	6-Aug-21	11-Aug-21
Port Arthur Historic Site Management Authority	13-Aug-21	13-Aug-21	28-Sep-21*
Private Forests Tasmania	13-Aug-21	5-Oct-21	5-Oct-21*
Public Trustee	13-Aug-21	24-Sep-21	27-Sep-21
Sustainable Timber Tasmania	6-Aug-21	6-Aug-21	11-Aug-21
Tasmanian Public Finance Corporation	13-Aug-21	13-Aug-21	16-Aug-21
Tasmanian Networks Holdings Pty Ltd	9-Aug-21	4-Aug-21	17-Sep-21

	Financial statements received ¹	Financial statements certified	Audit opinion signed
Tasmanian Networks Pty Ltd	12-Aug-21	11-Aug-21	16-Aug-21
Tasmanian Ports Corporation Pty Ltd	10-Aug-21	10-Aug-21	13-Aug-21
Tasracing Pty Ltd	13-Aug-21	13-Aug-21	13-Aug-21
Tasmanian Railway Pty Ltd	11-Aug-21	11-Aug-21	11-Aug-21
Tasmanian Water and Sewerage Corporation Pty Ltd	12-Aug-21	12-Aug-21	19-Aug-21
Tasmanian Irrigation Pty Ltd	10-Aug-21	10-Aug-21	10-Aug-21
TT-Line Company Pty Ltd	11-Aug-21	11-Aug-21	13-Aug-21
Local Government Authorities			
Urban Councils			
Brighton Council	13-Aug-21	13-Aug-21	2-Dec-21*
Burnie City Council	13-Aug-21	24-Sep-21	27-Sep-21
Central Coast Council	14-Aug-21	11-Oct-21	9-Nov-21*
Clarence City Council	13-Aug-21	27-Sep-21	27-Sep-21
Devonport City Council	13-Aug-21	14-Sep-21	14-Sep-21
Glenorchy City Council	12-Aug-21	8-Oct-21	14-Oct-21*
Hobart City Council	12-Aug-21	5-Aug-21	25-Oct-21*
Kingborough Council	13-Aug-21	9-Nov-21	9-Nov-21*
Launceston City Council	13-Aug-21	8-Oct-21	11-Oct-21*
West Tamar Council	13-Aug-21	13-Aug-21	16-Sep-21
Rural Councils			
Break O'Day Council	14-Aug-21	2-Nov-21	3-Nov-21*
Central Highlands Council	12-Aug-21	12-Aug-21	26-Oct-21*
Circular Head Council	13-Aug-21	30-Nov-21	3-Dec-21*

	Financial statements received ¹	Financial statements certified	Audit opinion signed
Derwent Valley Council	14-Aug-21	17-Nov-21	19-Nov-21*
Dorset Council	13-Aug-21	26-Oct-21	3-Nov-21*
Flinders Council	14-Aug-21	14-Aug-21	27-Sep-21
George Town Council	13-Aug-21	13-Aug-21	2-Sep-21
Glamorgan-Spring Bay Council	14-Aug-21	14-Aug-21	18-Oct-21*
Huon Valley Council	13-Aug-21	5-Nov-21	5-Nov-21*
Kentish Council	14-Aug-21	7-Oct-21	11-Oct-21*
King Island Council	13-Aug-21	9-Dec-21	17-Dec-21*
Latrobe Council	14-Aug-21	7-Oct-21	11-Oct-21*
Meander Valley Council	13-Aug-21	24-Sept-21	24-Sep-21
Northern Midlands Council	30-Sep-21^	9-Nov-21	10-Nov-21
Sorell Council	13-Aug-21	27-Sep-21	27-Sep-21
Southern Midlands Council	13-Aug-21	13-Aug-21	30-Sep-21*
Tasman Council	28-Oct-21^	20-Oct-21	28-Oct-21
Waratah-Wynyard Council	13-Aug-21	30-Sep-21	13-Oct-21*
West Coast Council	13-Aug-21	9-Nov-21	9-Nov-21*
Local Government Controlled Entities			
C-Cell Unit Trust	29-Jul-21	22-Sep-21	23-Sep-21*
Cradle Coast Authority	13-Aug-21	23-Sep-21	24-Sep-21
Dulverton Waste Management	13-Aug-21	9-Sep-21	14-Sep-21
Launceston Flood Authority	13-Aug-21	13-Aug-21	27-Sep-21
Local Government Association of Tasmania	13-Aug-21	21-Sep-21	22-Sep-21
Microwise Australia Pty Ltd	13-Aug-21	13-Aug-21	13-Dec-21*

	Financial statements received ¹	Financial statements certified	Audit opinion signed
Northern Tasmania Development Corporation Ltd	13-Aug-21	20-Oct-21	22-Oct-21*
Southern Tasmanian Councils Authority	12-Aug-21	22-Oct-21	4-Nov-21*
Southern Waste Solutions	9-Aug-21	22-Sep-21	23-Sep-21
Tas Communications Unit Trust	13-Aug-21	17-Sep-21	20-Sep-21
Other State Entities			
Aboriginal Land Council of Tasmania	21-Oct-21^	22-Dec-21	17-Jan-22*
Forest Practices Authority	13-Aug-21	13-Aug-21	17-Nov-21*
Legal Aid	20-Aug-21^	11-Oct-21	12-Oct-21*
Legal Profession Board	13-Aug-21	13-Aug-21	27-Sep-21
National Trust	22-Sep-21^	22-Oct-21	6-Dec-21
palawa Enterprises Unit Trust	21-Oct-21^	23-Dec-21	17-Jan-22*
Property Agents Board	12-Aug-21	28-Oct-21	28-Oct-21*
Property Agents Trust	12-Aug-21	28-Oct-21	28-Oct-21*
Retirement Benefits Fund	13-Aug-21	24-Sep-21	27-Sep-21
Tasmanian Beef Industry (Research and Development) Trust	13-Aug-21	11-Oct-21	28-Oct-21*
Tasmanian Building and Construction Industry Training Board	13-Aug-21	01-Nov-21	1-Nov-21*
Tasmanian Community Fund	13-Aug-21	19-Sep-21	27-Sep-21
Tasmanian Dairy Industry Authority	13-Aug-21	12-Nov-21	12-Nov-21*
Tasmanian Heritage Council	13-Aug-21	14-Oct-21	18-Oct-21*
The Nominal Insurer	4-Oct-21^	18-Nov-21	18-Nov-21
Wellington Park Management Trust	13-Aug-21	13-Aug-21	22-Oct-21*

	Financial statements received ¹	Financial statements certified	Audit opinion signed
Audits dispensed with			
AETV Pty Ltd (Hydro Tasmania)	13-Aug-21	N/A	N/A
Bell Bay Pty Ltd (Hydro Tasmania)	13-Aug-21	N/A	N/A
Bell Bay Three Pty Ltd (Hydro Tasmania)	13-Aug-21	N/A	N/A
Board of Architects	9-Mar-21 [^]	N/A	N/A
C-Cell Pty Ltd (Southern Waste Solutions)	9-Aug-21	N/A	N/A
Dulverton Waste Solutions Pty Ltd (Dulverton Regional Waste Management Authority)	13-Aug-21	N/A	N/A
Flinders Island Ports Corporation Pty Ltd (TasPorts)	28-Jul-21	N/A	N/A
Geeveston Town Hall Company Ltd (Huon Valley Council)	18-Aug-21 [^]	N/A	N/A
Heemskirk Holdings Pty Ltd (Hydro Tasmania)	13-Aug-21	N/A	N/A
Heemskirk Wind Farm Pty Ltd (Hydro Tasmania)	13-Aug-21	N/A	N/A
Heritage Building Solutions Pty Ltd (Southern Midlands Council)	13-Aug-21	N/A	N/A
Heritage Education & Skills Centre Pty Ltd (Southern Midlands Council)	13-Aug-21	N/A	N/A
HT Wind Developments Pty Ltd (Hydro Tasmania)	13-Aug-21	N/A	N/A
Hydro Tasmania Retail Pty Ltd (formerly HT Wind New Zealand Pty Ltd) (Hydro Tasmania)	13-Aug-21	N/A	N/A
HT Wind Operations Pty Ltd (Hydro Tasmania)	13-Aug-21	N/A	N/A
Hydro Tasmania Consulting (Holding) Pty Ltd (Hydro Tasmania)	13-Aug-21	N/A	N/A

	Financial statements received ¹	Financial statements certified	Audit opinion signed
Kingborough Waste Services Pty Ltd (Kingborough Council)	13-Aug-21	N/A	N/A
King Island Ports Corporation Pty Ltd (TasPorts)	28-Jul-21	N/A	N/A
Lofty Ranges Power Pty Ltd (Hydro Tasmania)	13-Aug-21	N/A	N/A
Maidstone Park Management Controlling Authority (Devonport City Council)	13-Aug-21	N/A	N/A
Metro Coaches (Tas) Pty Ltd (Metro)	5-Aug-21	N/A	N/A
Newood Energy Pty Ltd (Newood Holdings Pty Ltd)	20-Sep-21 [^]	N/A	N/A
Newood Huon Pty Ltd (Newood Holdings Pty Ltd)	20-Sep-21 [^]	N/A	N/A
Newood Smithton Pty Ltd (Newood Holdings Pty Ltd)	20-Sep-21 [^]	N/A	N/A
palawa Enterprises Pty Ltd (Aboriginal Land Council of Tasmania)	21-Oct-21 [^]	N/A	N/A
RE Storage Project Holdings Pty Ltd (Hydro Tasmania)	13-Aug-21	N/A	N/A
Sense-Co Tasmania Pty Ltd (University of Tasmania)	29-Jan-21	N/A	N/A
Tas Communications Pty Ltd (Burnie City Council)	13-Aug-21	N/A	N/A
Tasmanian Pharmacy Authority	19-Aug-21 [^]	N/A	N/A
Tasmanian Timber Promotion Board	10-Aug-21	N/A	N/A
UTAS Holdings Pty Ltd (the University)	28-Jan-21	N/A	N/A
UTAS Properties Pty Ltd (the University)	29-Jan-21	N/A	N/A
Veterinary Board of Tasmania	14-Aug-21	N/A	N/A

	Financial statements received ¹	Financial statements certified	Audit opinion signed
Woolnorth Bluff Point Holdings Pty Ltd (Hydro Tasmania)	13-Aug-21	N/A	N/A
Woolnorth Studland Bay Holdings Pty Ltd (Hydro Tasmania).	13-Aug-21	N/A	N/A

Notes:

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

Legend:

N/A Not applicable

^ Financial statements not submitted within legislated timeframe.

* Audit not completed within legislated timeframe.

Appendix B - Audit findings

	Current Year issues				Prior Year unresolved issues			
	H	M	L	Total	H	M	L	Total
General Government Sector								
Executive and Legislature								
House of Assembly	-	-	3	3	-	-	-	-
Legislative Council	-	-	2	2	-	-	-	-
Legislature-General	2	4	5	11	-	-	1	1
Office of the Governor	-	2	1	3	-	-	-	-
Sub-total	2	6	11	19	-	-	1	1
Ministerial Departments								
Communities Tasmania ⁷	-	2	2	4	-	-	-	-
Education	-	1	4	5	-	1	3	4
Health ⁸	-	3	3	6	-	2	1	3
Justice	1	-	2	3	-	4	8	12
Police, Fire and Emergency Management	-	1	2	3	-	3	-	3
Premier and Cabinet	-	-	2	2	-	-	-	-
Primary Industries, Parks, Water and Environment	-	2	2	4	-	-	3	3
State Growth	-	-	-	-	-	3	1	4
Treasury and Finance	-	1	7	8	-	-	2	2
Sub-total	1	10	24	35	-	13	18	31
Other Consolidated Entities								
Abt Railway Ministerial Corporation	-	1	2	3	-	1	-	1

⁷ Includes Housing Tasmania, Tasmanian Affordable Housing Ltd

⁸ Includes Tasmanian State Health Funding Pool, Ambulance Tasmania and Tasmanian Health Service

	Current Year issues				Prior Year unresolved issues			
	H	M	L	Total	H	M	L	Total
Tasmania Development and Resources	-	-	-	-	-	1	-	1
Tasmanian Museum and Art Gallery	-	-	-	-	-	1	-	1
Sub-total	-	1	2	3	-	3	-	3
Other General Government Sector Entities								
Asbestos Compensation Fund	-	2	1	3	-	-	-	-
Inland Fisheries Service	-	1	-	1	-	-	-	-
Integrity Commission	-	-	2	2	-	-	-	-
Marine and Safety Tasmania	-	2	-	2	-	-	-	-
Office of the Ombudsman and Health Complaints Commissioner	-	-	2	2	-	-	-	-
Royal Botanical Gardens	-	-	1	1	-	-	-	-
State Fire Commission	-	3	1	4	-	2	1	3
Tasmanian Economic Regulator			1	1	-	-	-	-
TasTAFE	-	1	2	3	-	-	-	-
WorkCover Tasmania Board	-	-	1	1	-	-	-	-
Sub-total	-	9	11	20	-	2	1	3
Other State Entities								
Aboriginal Land Council of Tasmania	3	5	1	9	-	-	-	-
Forest Practices Authority	-	-	1	1	-	-	-	-
Legal Profession Board	-	2	-	2	-	-	-	-

	Current Year issues				Prior Year unresolved issues			
	H	M	L	Total	H	M	L	Total
Local Government Association of Tasmania	-	-	2	2	-	-	-	-
National Trust of Australia (Tasmania)	1	2	2	5	1	-	-	1
palawa Enterprise Pty Ltd	4	3	1	8	-	-	-	-
Property Agents Board	-	-	1	1	-	-	-	-
Tasmanian Building and Construction Industry Training Board	-	2	6	8	-	-	-	-
The Nominal Insurer	-	-	1	1	-	-	-	-
University of Tasmania (December 2020 Audit) ⁹	-	4	2	6	-	-	2	2
Sub-total	8	18	17	43	1	-	2	3
Public Financial and Non-Financial Corporations								
Aurora Energy Pty Ltd	-	-	3	3	-	-	-	-
Hydro-Electric Corporation	-	4	4	8	-	-	-	-
Macquarie Point Development Corporation	-	3	-	3	-	-	-	-
Metro Tasmania Pty Ltd	1	4	-	5	-	-	-	-
Motor Accidents Insurance Board	-	1	-	1	-	-	-	-
Port Arthur Historic Site Management Authority	-	-	-	-	-	-	1	1
Sustainable Timber Tasmania	-	-	2	2	-	-	-	-
Tasmanian Irrigation Pty Ltd	-	4	-	4	-	-	-	-

⁹ Includes AMC Search Ltd, Tasmanian University Union and UTAS Holdings Pty Ltd

	Current Year issues				Prior Year unresolved issues			
	H	M	L	Total	H	M	L	Total
Tasmanian Networks Pty Ltd ¹⁰	-	-	5	5	-	-	1	1
Tasracing Pty Ltd	-	-	2	2	1	1	2	4
Tasmanian Railway Pty Ltd	-	2	-	2	-	-	-	-
Tasmanian Water and Sewerage Corporation Pty Ltd	-	-	2	2	-	-	-	-
Public Trustee	-	2	-	2	-	-	-	-
TT-Line Company Pty Ltd	-	-	2	2	-	-	-	-
Sub-total	1	20	20	41	1	1	4	6
Local Government Sector								
Urban Councils								
Brighton Council	1	1	1	3	-	-	1	1
Burnie City Council	-	-	3	3	-	1	1	2
Clarence City Council	-	1	4	5	2	1	-	3
Devonport City Council	-	1	3	4	-	1	-	1
Glenorchy City Council	-	3	2	5	-	-	1	1
Hobart City Council	-	11	1	12	1	2	-	3
Kingborough Council	-	3	-	3	-	-	1	1
Launceston City Council	-	2	5	7	-	1	2	3
Sub-total	1	22	19	42	3	6	6	15
Rural Councils								
Break O'Day Council	-	1	1	2	-	-	2	2
Central Highlands Council	-	1	8	9	-	1	1	2
Circular Head Council	-	7	3	10	-	2	-	2
Derwent Valley Council	-	4	3	7	-	5	3	8

¹⁰ Includes subsidiary entities

	Current Year issues				Prior Year unresolved issues			
	H	M	L	Total	H	M	L	Total
Dorset Council	-	1	8	9	-	-	-	-
Flinders Council	-	-	1	1	-	2	-	2
George Town Council	-	-	2	2	-	-	-	-
Glamorgan Spring Bay Council	-	-	-	-	-	1	-	1
Huon Valley Council	-	1	3	4	1	-	-	1
Kentish Council	-	-	-	-	-	4	1	5
King Island Council	2	-	-	2	-	1	2	3
Latrobe Council	-	-	-	-	-	5	-	5
Meander Valley Council	-	1	2	3	-	-	-	-
Northern Midlands Council	-	-	-	-	-	-	2	2
Sorell Council	-	-	2	2	-	2	2	4
Southern Midlands Council	-	-	-	-	-	-	2	2
Tasman Council	-	1	1	2	1	2	3	6
Waratah-Wynyard Council	-	6	2	8	-	-	-	-
West Coast Council	-	1	3	4	-	-	-	-
West Tamar Council	-	-	2	2	-	-	-	-
Sub-total	2	24	41	67	2	25	18	45
Local Government Business Units								
Dulverton Regional Waste Management Authority	-	1	1	2	-	-	-	-
Sub-total	-	1	1	2	-	-	-	-
Grand Total	15	111	146	272	7	50	50	107

Legend:

H High
M Moderate
L Low

Audit Mandate and Standards Applied

Mandate

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

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

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

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

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

- ‘(1) is to prepare and sign an opinion on an audit carried out under section 18(1) in accordance with requirements determined by the Australian Auditing and Assurance Standards
- (2) is to provide the opinion prepared and signed under subsection (1), and any formal communication of audit findings that is required to be prepared in accordance with the Australian Auditing and Assurance Standards, to the State entity’s appropriate Minister and provide a copy to the relevant accountable authority.’

Standards Applied

Section 31 specifies that:

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

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

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



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Hobart Office

Phone (03) 6173 0900

Email admin@audit.tas.gov.au

Web www.audit.tas.gov.au

Address Level 8, 144 Macquarie Street
Hobart, 7000

Postal GPO Box 851, Hobart 7001

Launceston Office

Phone (03) 6173 0971

Address 4th Floor, Henty House
1 Civic Square, Launceston