



Tasmanian
Audit Office

Audit of State entities and audited subsidiaries of State entities 31 December 2020 and 30 June 2021 (Volume 2)

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



Today's presentation

- Introduction
- Audit of financial statements
- Local Government
- Disposal of firearms and ammunition






Introduction

- Report is second of two volumes
- First volume tabled 25 November 2021
 - State entities and audited subsidiaries in the GGS and Total State Sector
 - Government businesses
 - Other entities including the University of Tasmania
- Second volume tabled today, focused on findings from audit of financial statements of State entities and audited subsidiaries of State entities, Local Government entities and disposal of firearms and ammunition

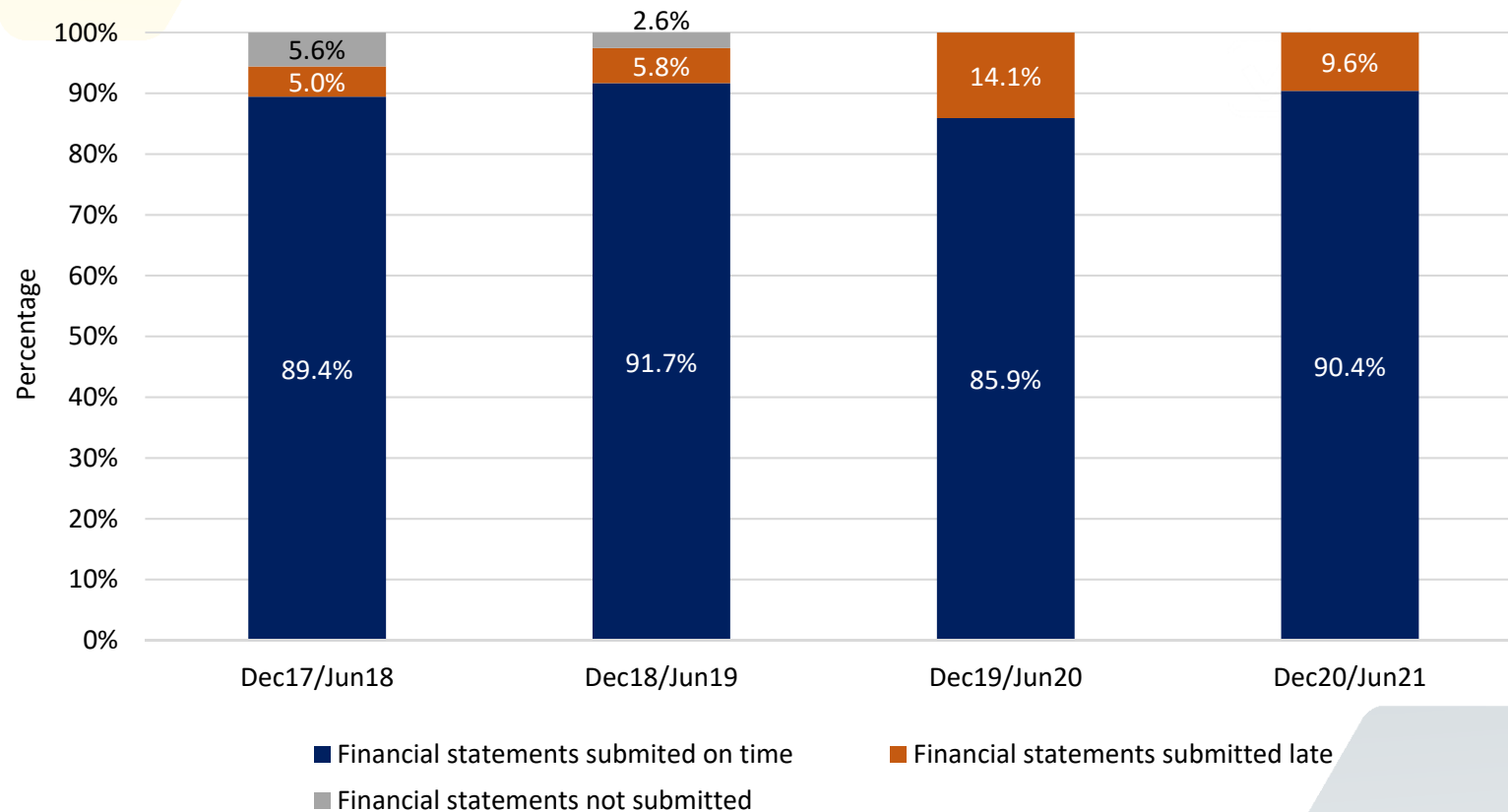
Audit of financial statements

**31 December 2020
and 30 June 2021
financial statements**

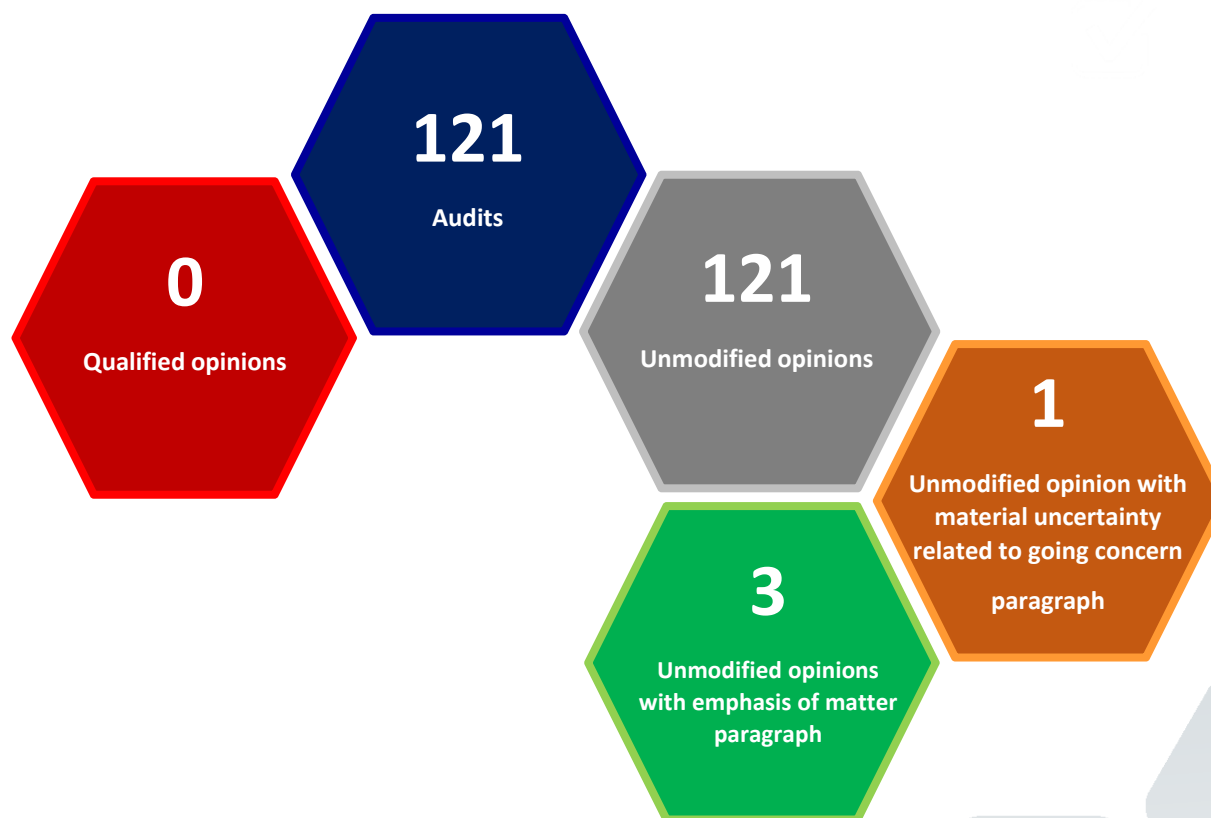
Completion of financial statement audits

156	141 	35
entities with a financial year ending 31 December 2020 or 30 June 2021	financial statements received within 45 days of the end of the financial year	audits dispensed with
71 	50 	0
audits completed within 45 days of receiving the financial statements	audits completed after 45 days of receiving the financial statements	audits in progress or awaiting dispensation

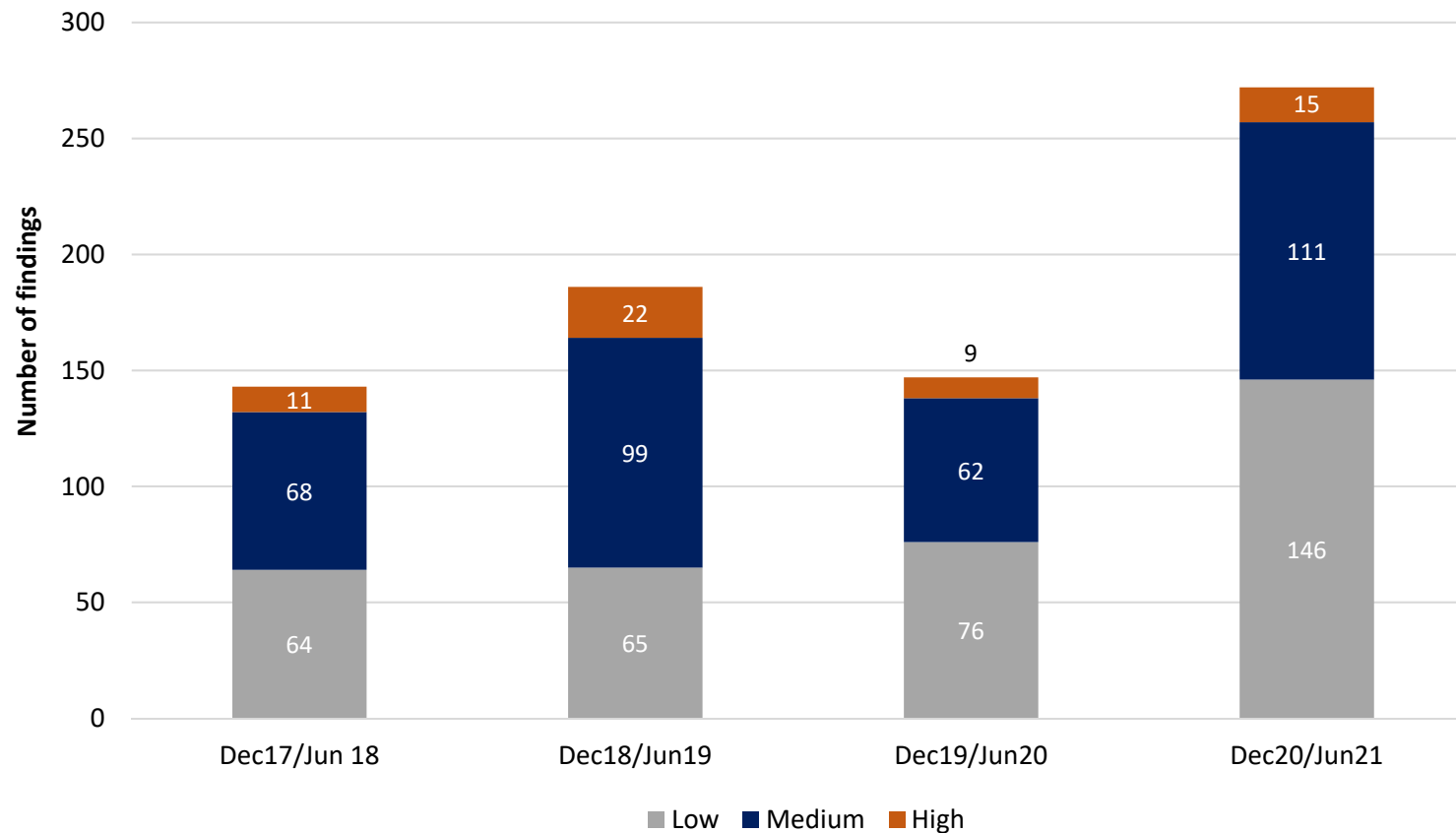
Timeliness of financial statement submission



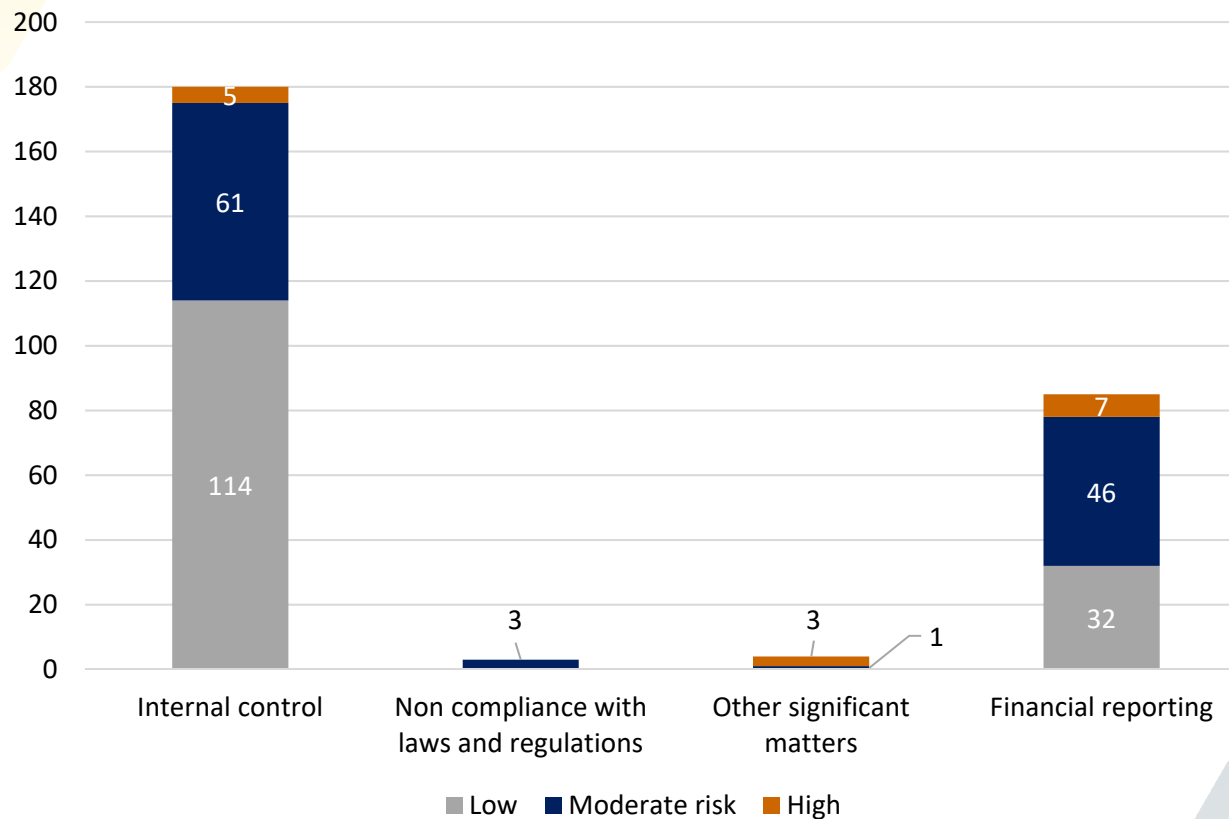
Audit opinions



Comparison of audit findings by risk rating



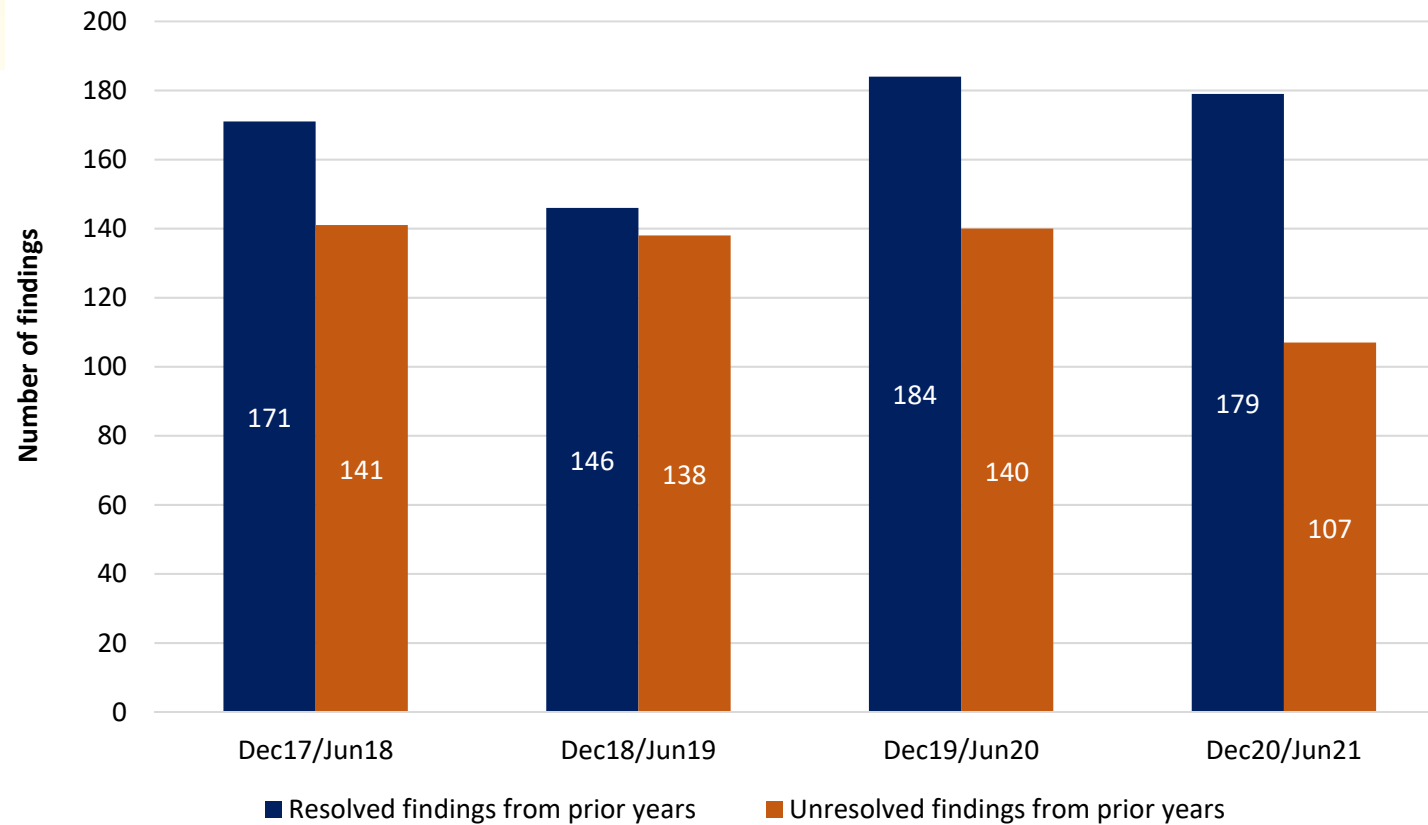
Classification of audit findings



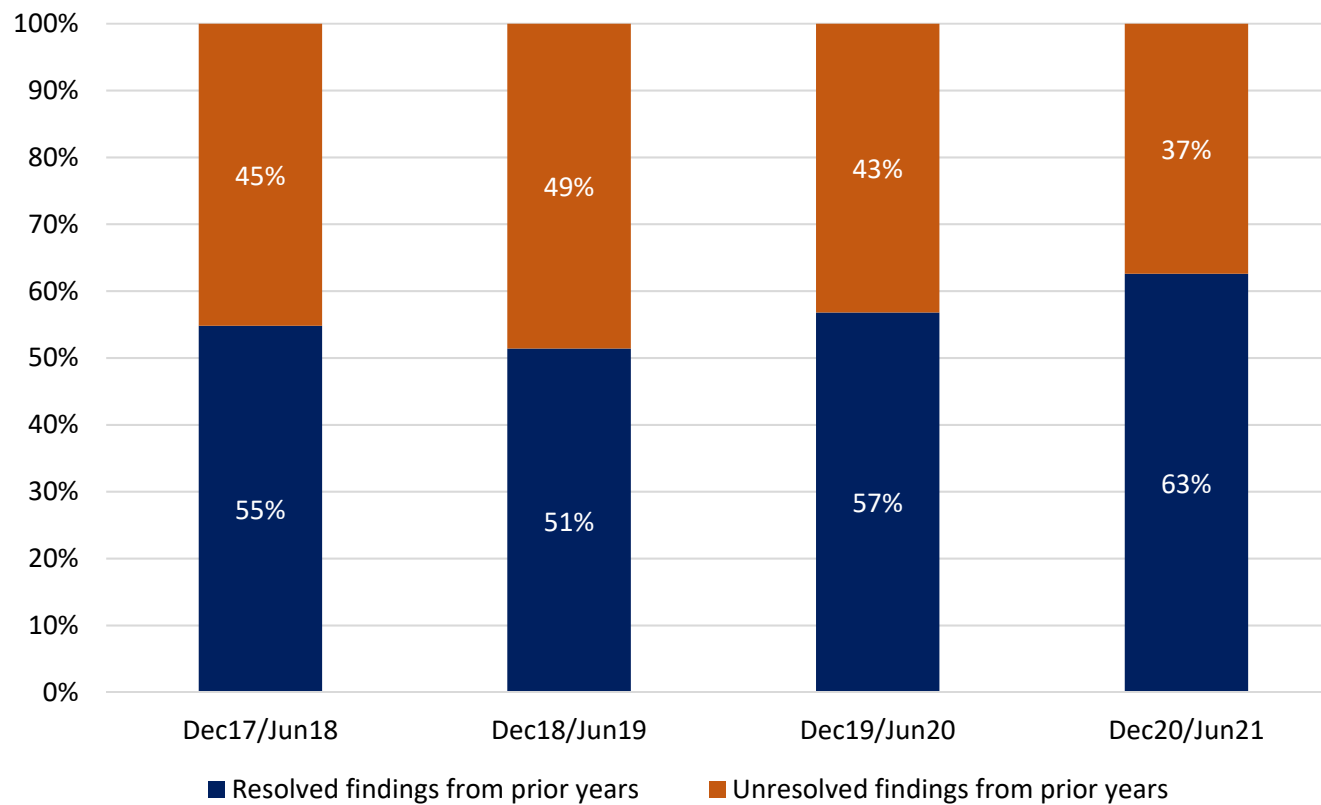
Audit findings by sector and risk rating

2021	High Risk	Moderate Risk	Low Risk	Total
General Government	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

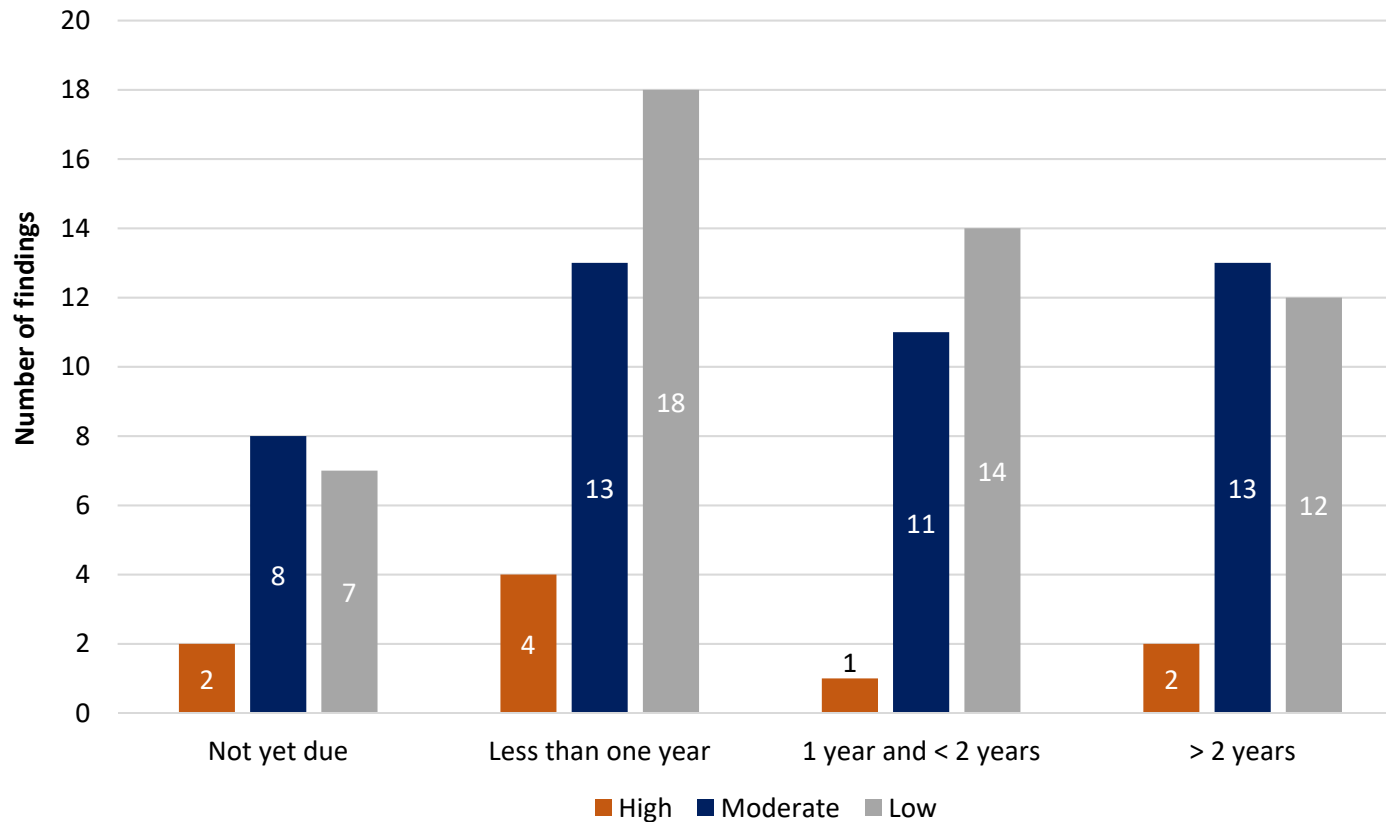
Prior years' audit findings



Resolution of prior years' audit findings

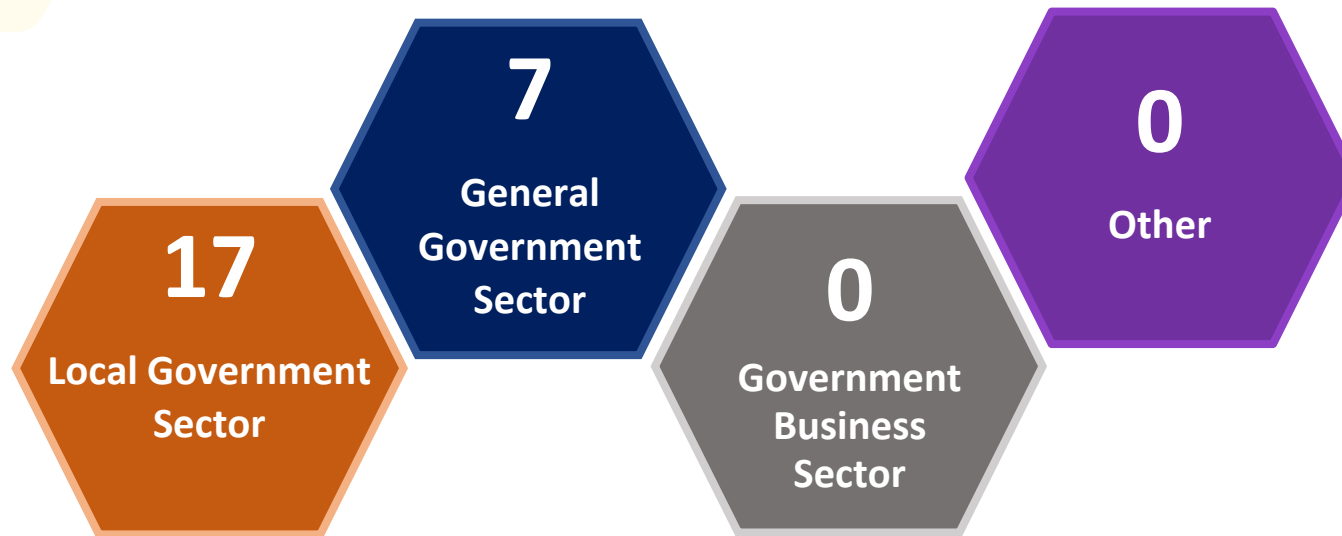


Unresolved findings aging analysis



Findings yet to be resolved from date corrective action was due

Prior period errors - by sector



Total of 24 prior period errors, 8 of which were not deemed material

Local Government



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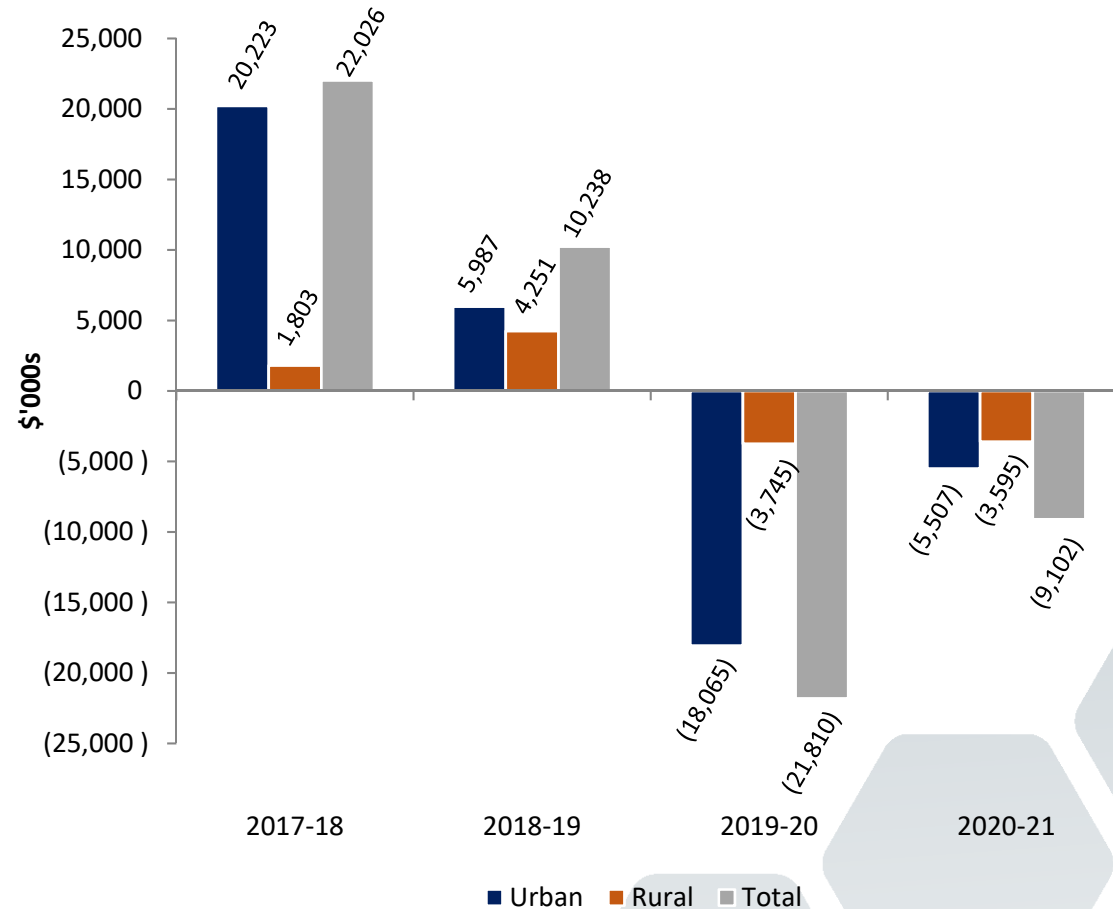
Sector developments in 2020-21

- Report outlines significant developments impacting:
 - Brighton Council
 - Burnie City Council
 - Clarence City Council
 - Devonport City Council
 - Glenorchy City Council
 - Hobart City Council
 - Kingborough Council
 - Launceston City Council
 - George Town Council
 - Tasman Council

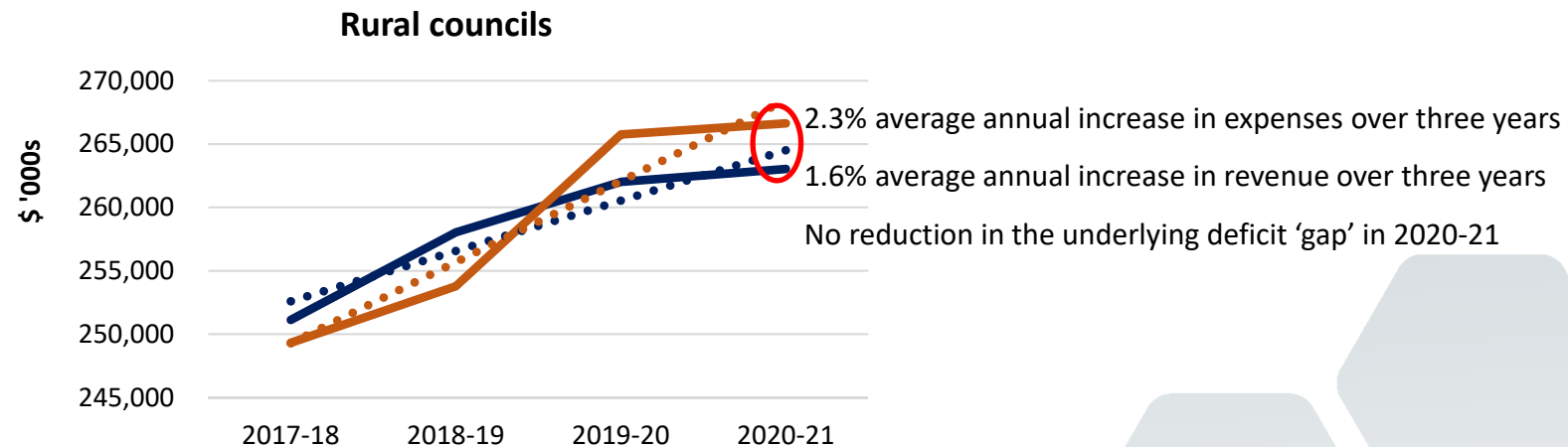
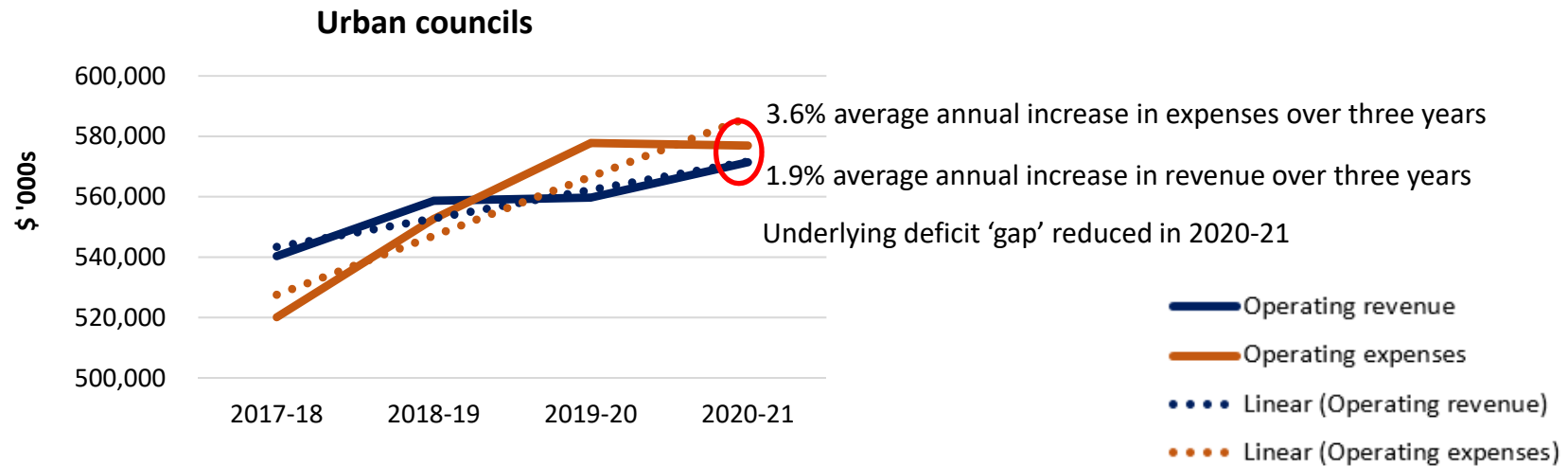
Underlying surplus (deficit)

Significant underlying deficits incurred by:

- Glenorchy City Council – deficit of \$6.33 million (2019-20, \$2.82 million deficit)
- Launceston City Council - deficit of \$3.11 million (2019-20, \$7.22 million deficit)
- Glamorgan Spring Bay Council - deficit of \$2.49 million (2019-20, \$1.27 million deficit)
- Burnie City Council – deficit of \$1.92 million (2019-20, \$0.85 million deficit)

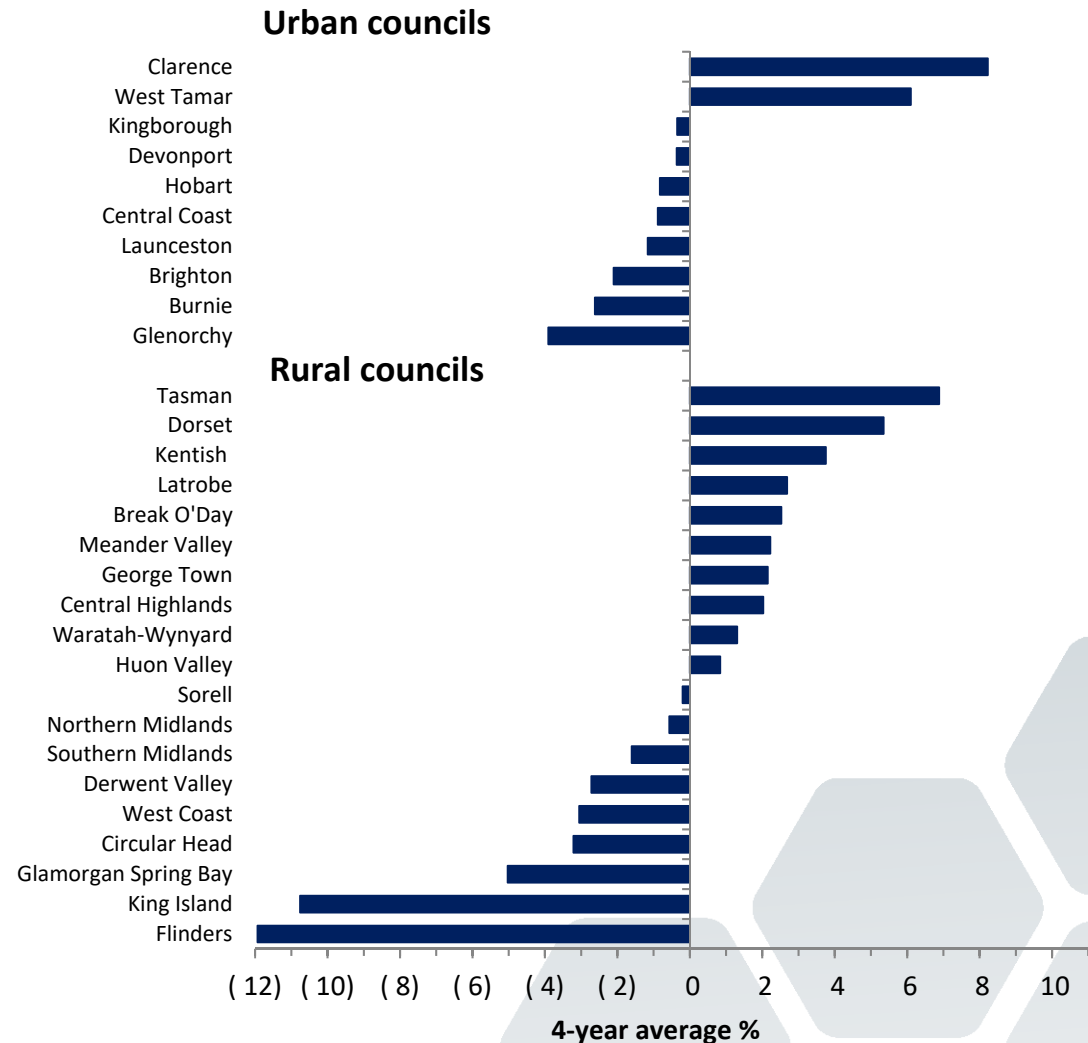


Increase in operating revenue and expenses

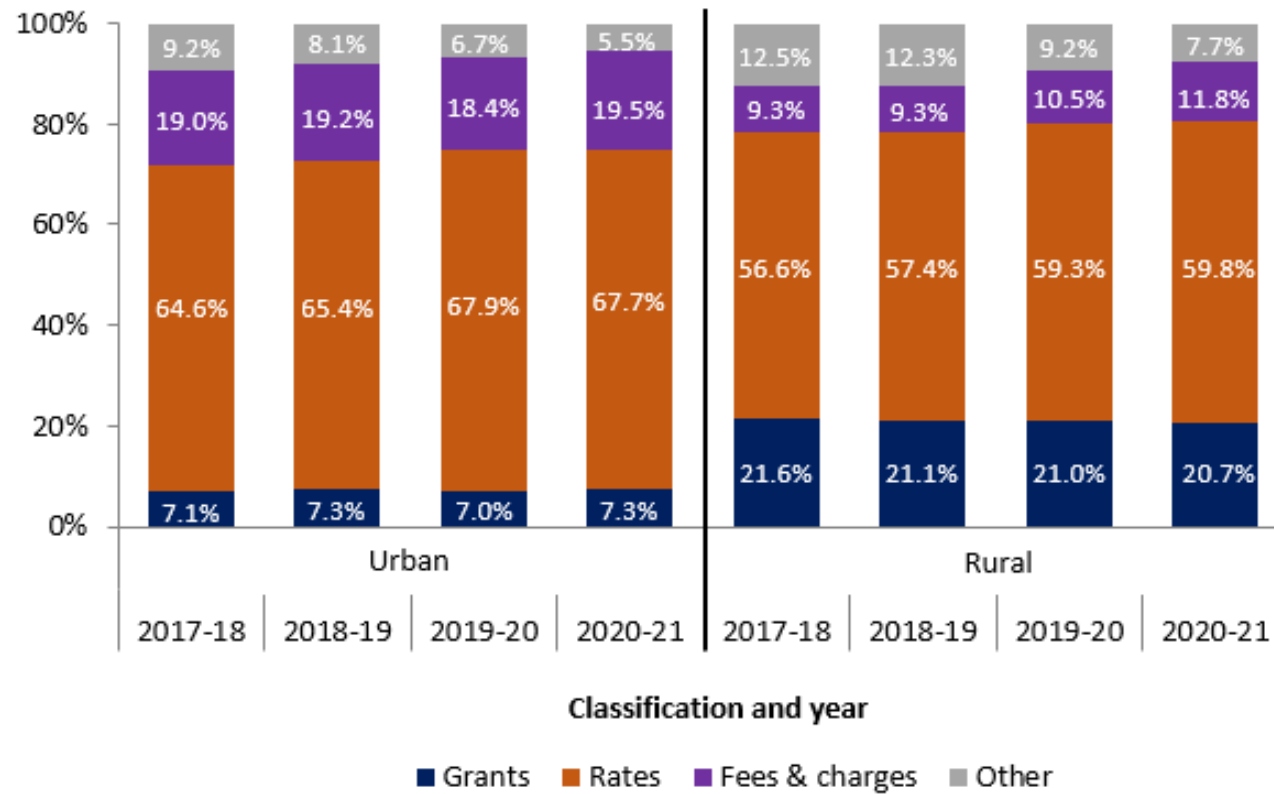


Four-year average underlying surplus ratio

- King Island Council - underlying deficits in all four 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 - ratio significantly affected by material underlying result deficits in 2020-21 of \$2.49 million and \$1.20 million, respectively
- Flinders Council - ratio improving with underlying surpluses in both 2019-20 and 2020-21 following two years of underlying deficits

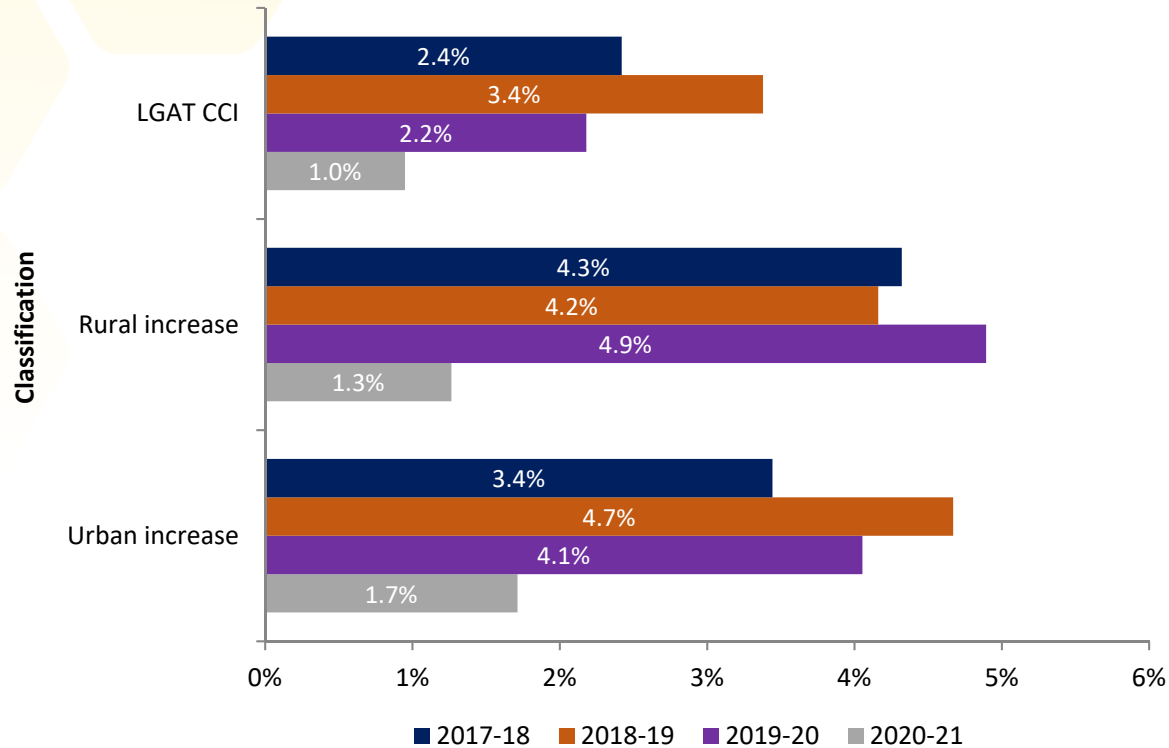


Source of revenue



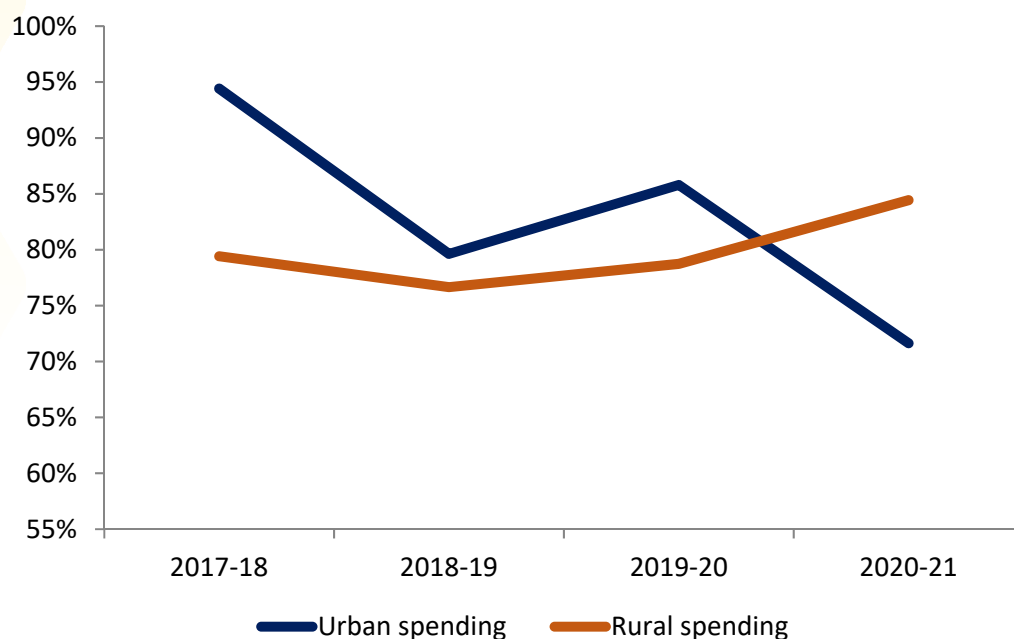
Note: TasWater dividend excluded from operating revenue

Increase in council total rate revenue



Increase in rates revenue includes general rate increases and movements in the number of rateable properties

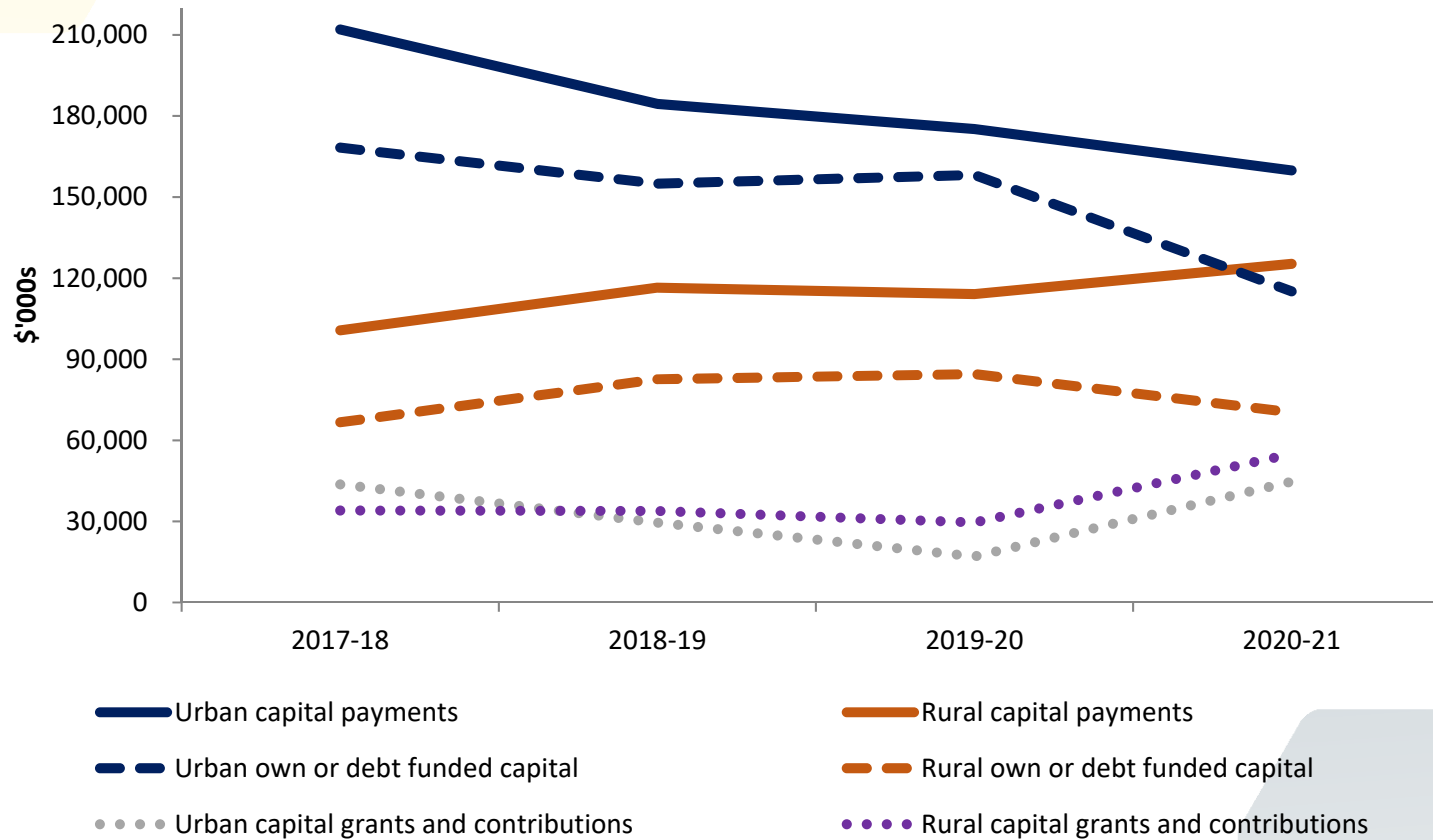
Capital spending as a percentage of capital budget



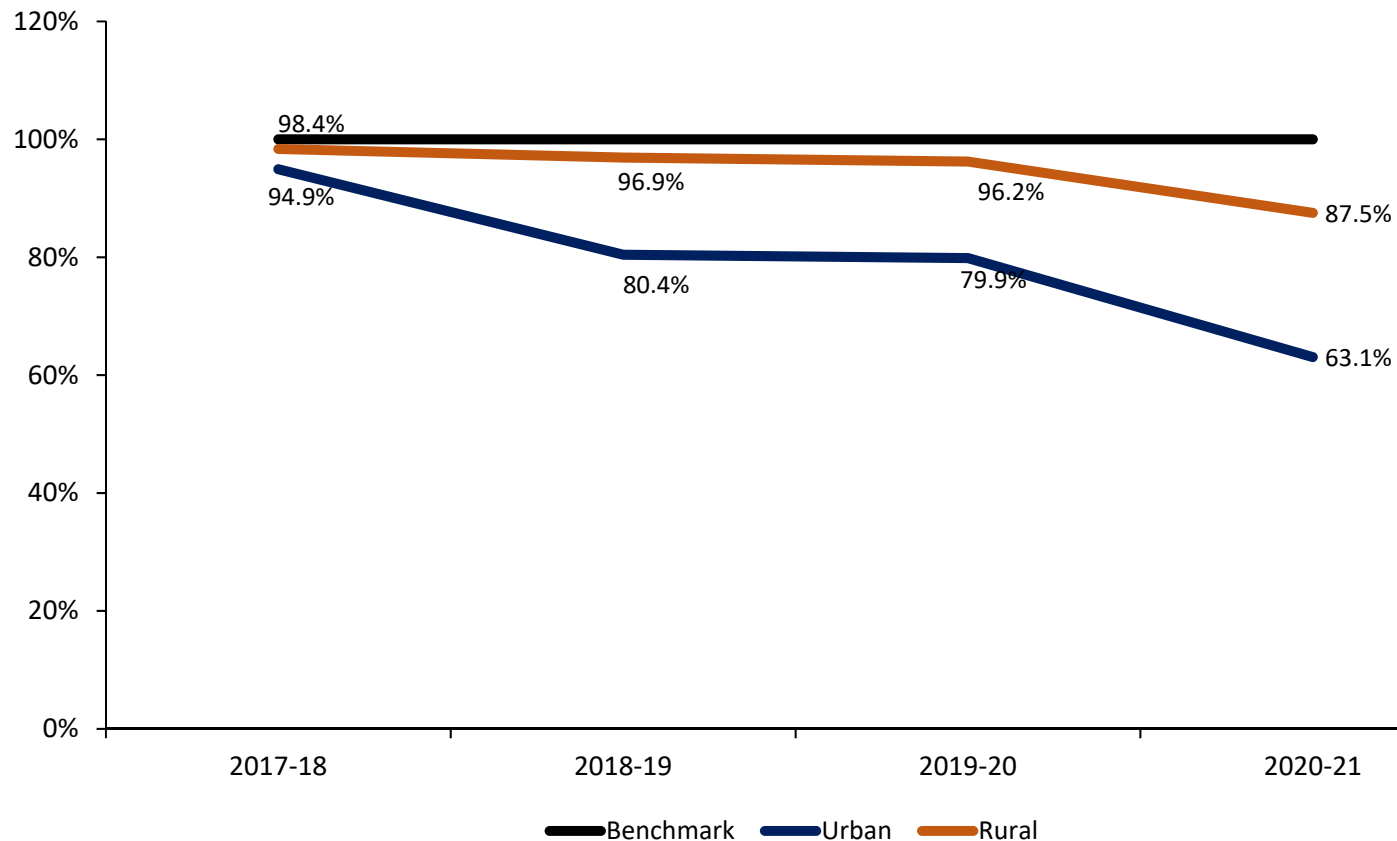
Capital spending affected by:

- Australian and Tasmanian Government COVID-19 stimulus measures → increased pipeline of capital projects → increased demand in civil construction resources → difficulties in engaging civil construction personnel and contractors
- Receipt of specific purpose funding, new funding programs and natural disasters have also put pressure on available resources.

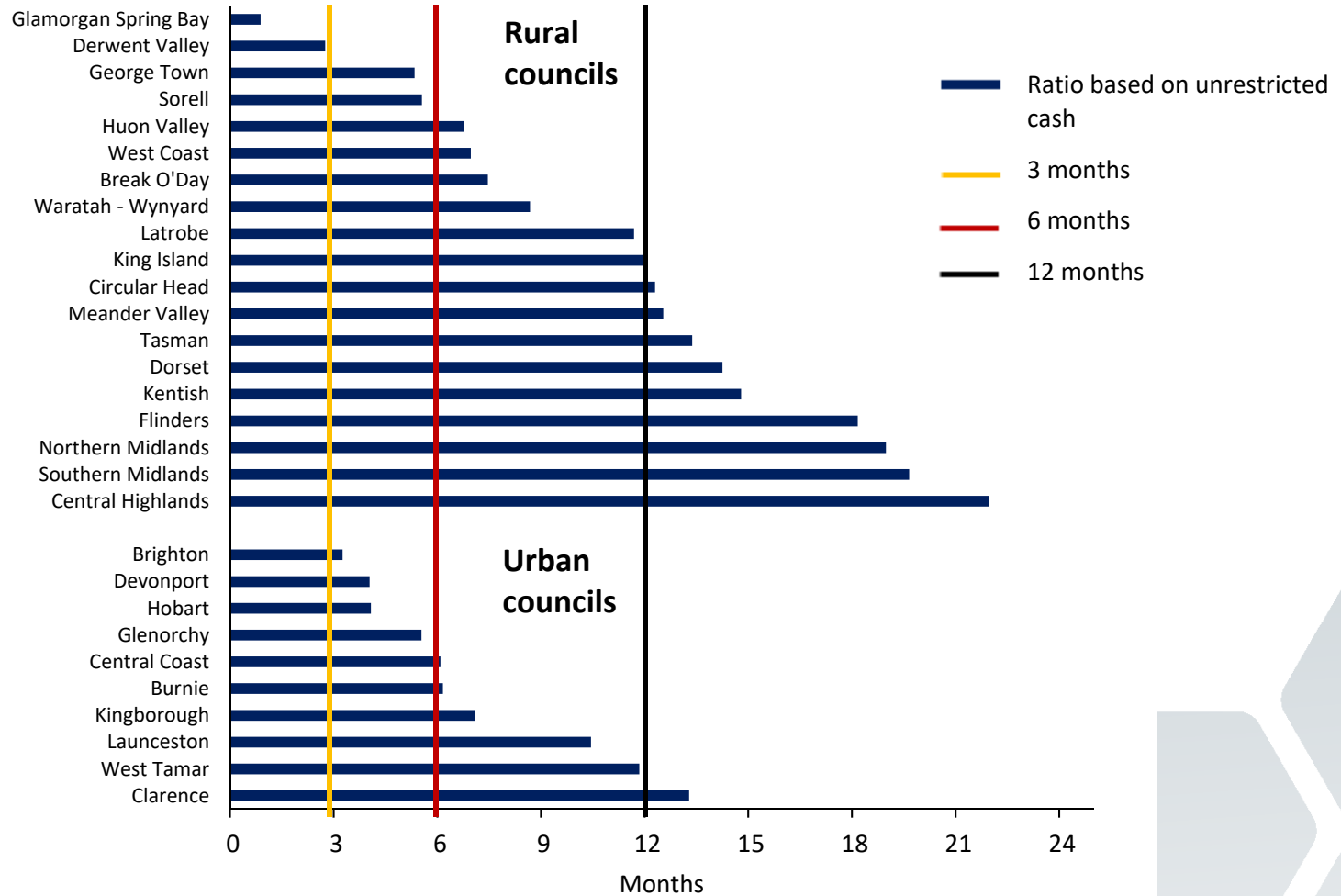
Capital investment funding source



Asset sustainability ratio



Cash expense cover ratio



Disposal of firearms and ammunition



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Background

- Department of Police, Fire and Emergency Management (DPFEM) charged with the responsibility for the disposal of firearms and ammunition surrendered or seized under the *Firearms Act 1996* (Firearms Act).
- Auditor-General to annually audit all firearms and ammunition disposed of under the Firearms Act and report on the audit to Parliament [s. 149(5)].

Background

- Audit scope limited to firearms or ammunition disposed of by the Crown 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.

Inability to form audit opinion

- Inability of the Firearms and Weapons Data 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 under sections 149(2)(c), 149(3A) or 104(4) of the Firearms Act.

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, 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.

Thank you



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