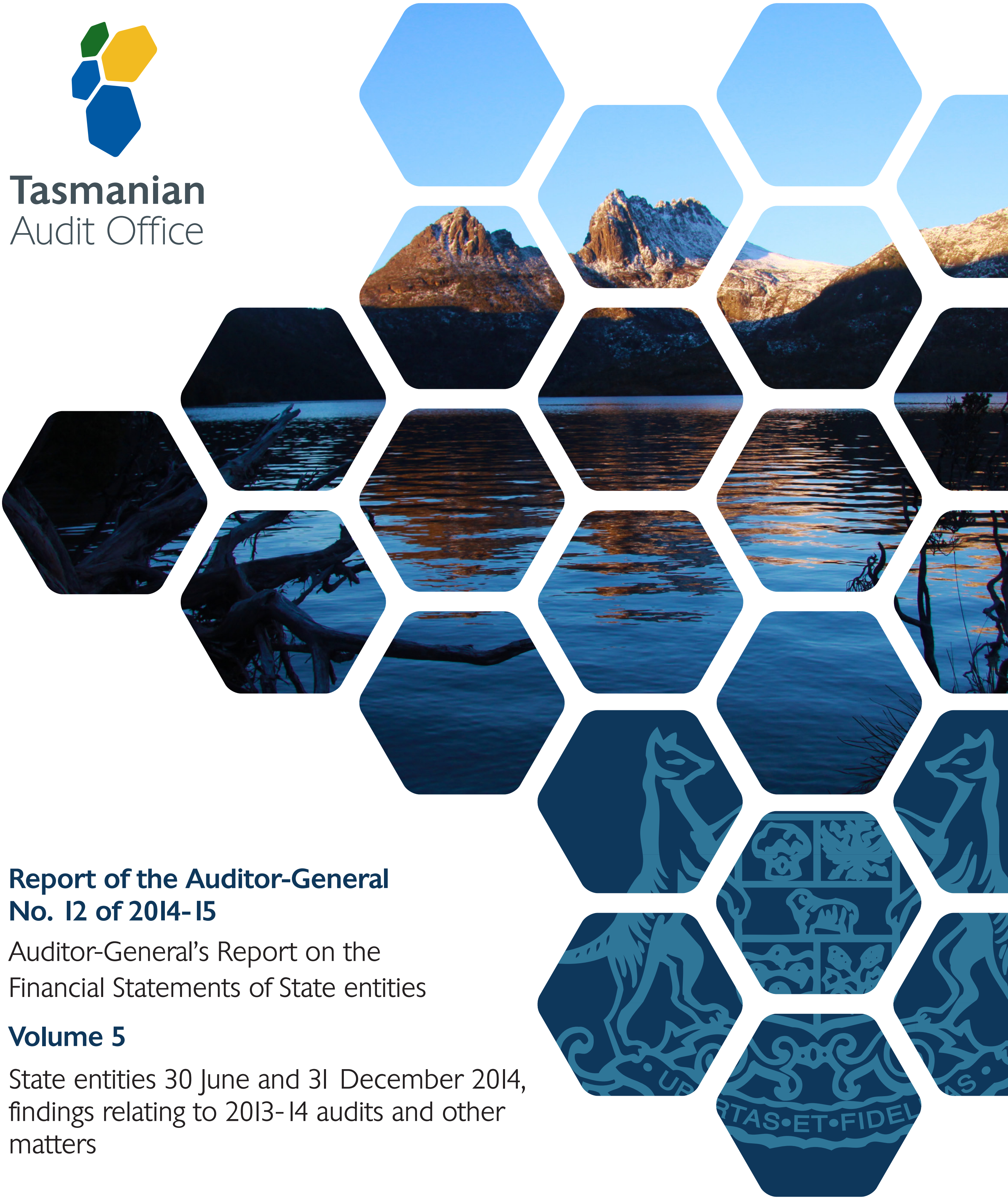
Tasmanian
Audit Office



Report of the Auditor-General
No. 12 of 2014-15

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

Volume 5

State entities 30 June and 31 December 2014, findings relating to 2013-14 audits and other matters

June 2015

Strive • Lead • Excel | To Make a Difference

THE ROLE OF THE AUDITOR-GENERAL

The roles and responsibilities of the Auditor-General, and therefore of the Tasmanian Audit Office, are set out in the *Audit Act 2008* (Audit Act).

Our primary responsibility is to conduct financial or 'attest' audits of the annual financial reports of State entities. State entities are defined in the Interpretation section of the Audit Act. We also audit those elements of the Treasurer's Annual Financial Report reporting on financial transactions in the Public Account, the General Government Sector and the Total State Sector.

Audits of financial reports are designed to add credibility to assertions made by accountable authorities in preparing their financial reports, enhancing their value to end users.

Following financial audits, we issue a variety of reports to State entities and we report periodically to the Parliament.

We also conduct performance audits 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. Audits focus on selected systems (including information technology systems), account balances or projects.

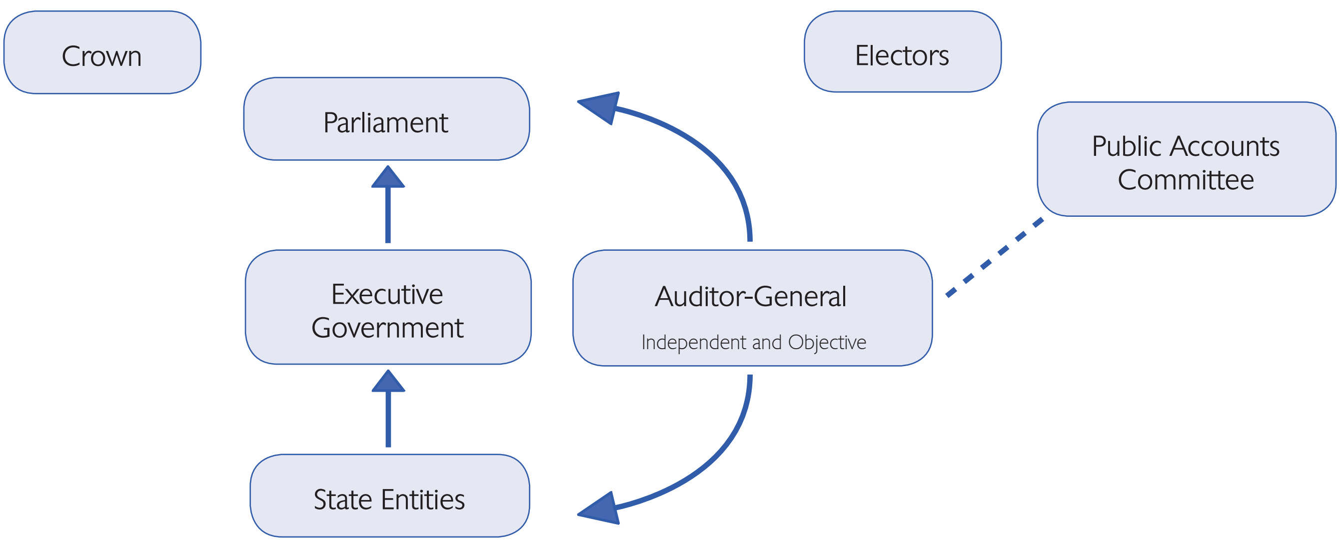
We can also carry out investigations but only relating to public money or to public property.

Performance and compliance audits are reported separately and at different times of the year, whereas outcomes from financial statement audits are included in one of the regular volumes of the Auditor-General's reports to the Parliament normally tabled in May and November each year.

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 detailed within the reports.

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

The Auditor-General's role as Parliament's auditor is unique.



2015 (No. 11)

TASMANIA

2015
PARLIAMENT OF TASMANIA

Report of the Auditor-General
No. 12 of 2014-15

Volume 5

Volume 5, State entities 30 June and 31 December 2014, findings relating to 2013-14 audits and other matters

June 2015

Presented to both Houses of Parliament in accordance with the requirements of Section 29 of the *Audit Act 2008*

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, Fax (03) 6173 0999
Email: admin@audit.tas.gov.au
Website: www.audit.tas.gov.au

ISSN 1327 2608

This report is printed on FSC Mix Paper from responsible sources.

Tasmanian Audit Office

Level 4, Executive Building, 15 Murray Street, Hobart, Tasmania, 7000
Postal Address GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6173 0900 | Fax: 03 6173 0999
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

2 June 2015

President
Legislative Council
HOBART

Speaker
House of Assembly
HOBART

Dear Mr President
Dear Madam Speaker

Report of the Auditor-General No. 12 of 2014-15, Auditor-General's Report on the Financial Statements of State entities, Volume 5, State entities 30 June and 31 December 2014, findings relating to 2013-14 audits and other matters.

In accordance with the requirements of Section 29 of the *Audit Act 2008*, I have pleasure in presenting my report on the audit of the financial statements of State entities, Volume 5, State entities 30 June and 31 December 2014, findings relating to 2013-14 audits and other matters.

Yours sincerely

H M Blake
Auditor-General

TABLE OF CONTENTS

FOREWORD

This Report is the fifth and final volume in our series planned for advising Parliament on the outcome of audits for the 2013-14 financial year and the 2014 calendar year (the 2013-14 audit cycle). It deals with one State entity reporting at 30 June 2014 and five State entities which reported at 31 December 2014. The most significant entity covered by this volume is the University of Tasmania which incurred an Underlying Deficit of $24.621m before Tax (2013, $8.999m) and Non-operating items and a Comprehensive Surplus of $3.351m ($41.391m) for the year ended 31 December 2014.

As it relates to the 2013-14 audit cycle, the Report includes:

- a summary of common audit findings which noted more than 350 audit findings reported to 66 State entities the most serious of which related to non-current physical assets, expenditure and accounts payable, employee expenses, information systems, revenue and receivables and cash and financing
- a summary outlining the timeliness and quality of financial reporting
- brief information about audits completed for grant acquittals
- an update on new accounting and auditing standards
- audits dispensed with and how we set audit fees for conducting audits of financial statements.

This Report also includes three matters about which separate comment is warranted:

- The Department of Police and Emergency Management (DPEM) is charged with the responsibility for firearms and ammunitions disposed of under the *Firearms Act 1996* (the Firearms Act). Under section 149 of the Firearms Act an independent audit of the disposal of firearms and ammunition by DPEM is required to be reported to Parliament annually. An audit was conducted in 2013-14 and the findings noted in this Report. We concluded that DPEM complied with the requirements of the Act in relation to firearms but were unable to similarly conclude for the disposal of ammunition.
- In Report of the Auditor-General No. 9 of 2013-14: *Volume 5 State entities 30 June and 31 December 2013, matters relating to 2012-13 audits and key performance indicators*, we reported the background to the development of reporting efficiency indicators in Australia and Tasmania and presented a research project. The project dealt with developing relatively straightforward efficiency KPIs for the main agencies charged with delivery of services to the public. This year, it was pleasing to note that all departments were supportive of the trial program's outcomes and agreed to explore and develop appropriate efficiency indicators within the context of their individual reporting processes.
- It had been observed from a review of financial statement audits, that there were a number of entities that used the statutory rating and taxation valuations determined under the *Valuation of Land Act 2001* for financial reporting purposes. The objective of this Chapter was to assess whether these statutory valuations for land and buildings used by State and local government entities for financial reporting purposes complied with Australian Accounting Standards. The Report found, subject to two considerations, that using statutory rating and taxation valuations for reporting purposes met the key requirements of measuring fair value set out in the accounting standards.

H M Blake

Auditor-General

2 June 2015

KEY POINTS

We found the actual processes and control activities leading to the disposal of firearms to be appropriate and based on our audit work we concluded the requirements of the Firearms Act in relation to the disposal of firearms were complied with.

However, the practice of recording the quantity of ammunition was inadequate for us to conclude on compliance with legislative requirements in relation to the acquisition and/or disposal of ammunition.

Recommendations

We made a number of recommendations to DPEM in 2012-13 regarding the need for practical controls over recording disposal of ammunition. DPEM will implement those recommendations in the 2015-16 financial year.

Departments were encouraged to continue researching efficiency indicators to use in future annual reports and budget papers.

Councils were also encouraged to develop and include efficiency indicators in future annual reports.

The Australian Accounting Standards Board is developing a Service Performance Reporting standard.

There are a number of entities, mainly local government councils, which use the statutory rating and taxation valuations determined under the *Valuation of Land Act 2001* for financial reporting purposes.

We assessed whether values determined for statutory valuations constituted fair value under Australian Accounting Standards and therefore could be used for financial reporting purposes.

We found that the valuation approach applied by the Valuer-General in determining statutory valuations under the Valuation Act met the key requirements of the Australian Accounting Standards for measuring the fair value of non-financial assets set out in AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*.

Recommendations

When applying statutory valuations for the purpose of financial reporting, management consider the timing of the valuation. Specifically, appropriate indices should be applied for the period since the valuation took place.

Management obtain the data supporting the valuation, ensuring they understand the inputs and assumptions and how they apply to the valuation in order to meet the disclosure requirements of AASB 13.

The specialised nature of some physical assets or restrictions on their use imposed by obligations on their owner may require the use of other valuation techniques, such as the depreciated replacement cost method. Therefore, statutory valuations of specialised assets are unlikely to be suitable for financial reporting purposes.

Sixteen State entities failed to meet the statutory deadline of submitting their signed annual financial statements for audit within 45 days from the end of the financial year.

On the whole, the quality of financial reports initially submitted was of a high standard.

In excess of 350 (2012-13, 330) audit matters were raised, with recommendations made to 66 State entities during the 2013-14 financial audit cycle.

The majority of matters raised related to non-current physical assets, expenditure and accounts payable, employee expenses, information systems, revenue and receivables and cash and financing.

For non-current physical assets the key matters raised were in relation to adoption of recommendations made in our Local Government Infrastructure Report, No. 5 of 2013-14.

A number of matters were raised in relation to IT security and application policy in multiple entities.

The Auditor-General is responsible for audits of in excess of 140 grant acquittal financial statements. These audits are carried out in addition to audits of the annual financial statements of State entities.

In all cases unqualified audit opinions were issued indicating that acquittal financial statements were, in all material respects, presented in accordance with specified requirements.

Fees, and the accountable authority liable to pay the fee, for financial audits are determined by the Auditor-General pursuant to section 27 of the *Audit Act 2008*.

The basis for setting fees is to be described in a report to Parliament dealing with the results of financial audits of State entities. This Chapter fulfils that requirement.

Fees are set for each State entity commensurate with the size, complexity and risks of the engagement.

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

Fees are determined on the basis of no material change to State entities' operations or other factors affecting the engagement risk.

Where circumstances surrounding an engagement have materially changed, additional audit fees may be sought from that State entity.

A matrix (audit fee scale) has been developed to provide a guide for determining the expected time to be taken on an audit. The level of fee, and any change, experienced by individual State entities may vary according to local circumstances and the risks each entity faces.

In certain circumstances, we may need to use staff with specialist skills in order to review specific local issues. Where this is the case, it can result in higher costs being incurred which may be added to the fee determined by the Auditor-General.

For 2014-15 financial year audits, the adjustment to fees was nil for General Government Sector entities and 2.0% for the remaining entities. The 2% increase was based on the Consumer Price Index (Hobart All Groups) percentage change for the previous year ending 30 June minus 30%. This was consistent with a commitment to limit fee increases.

AUDITS DISPENSED WITH 35

The Auditor-General has the authority to dispense with the audits of State entities, but must consult with the Treasurer prior to granting such dispensation.

Audits are dispensed with on the condition that the relevant State entity annually demonstrates appropriate financial reporting and the existence of appropriate alternative audit arrangements.

In 2013-14, 42 audits were dispensed with.

DEVELOPMENTS IN FINANCIAL REPORTING AND AUDITING 38

Affecting government businesses, the Department of Treasury and Finance issued in December 2014 revised Guidelines for Director and Executive Remuneration. The revised Guidelines establish better practice principles and approval procedures for remuneration and employment arrangements for chief executive officers, other senior executives and directors, as well as additional disclosures.

Entities that have entered into arrangements with subsidiaries or joint entities, or who are not sure of whether or not these arrangements apply, need to familiarise themselves with new and proposed accounting standards referred to in the Chapter.

Standards setters are finalising new standards, or developing exposure drafts for related-party disclosures, revenue, service concession arrangements, leases and reporting service performance information.

Budgetary reporting in annual financial statements now applies to all General Government Sector not-for-profit entities included in the State budget.

31 DECEMBER 2014 AUDITS 46

Anzac Day Trust 47

The Trust held a bank balance of $0.004m at 31 December 2014, a decrease of $0.016m mainly due to 2014 including grant payments covering both 2013 and 2014.

The Solicitors' Trust 48

The Trust earned interest revenue $2.600m (2013, $3.015m).

It distributed $2.320m ($3.671m) to law-related entities.

The Trust disclosed a contingent asset being its share of a settlement, estimated to be between $3.000m to $3.200m. This was for the recoupment of compensation paid to investors of a mortgage business operated by law a firm, which had since been wound up.

Cash balances at 31 December 2014 exceeded the prescribed balance requirements of the Guarantee Fund.

The Trust is not responsible for approving or monitoring grants made from the Solicitors' Guarantee Fund. However, it has entered into a grant deed with the Minister for Justice under which it will facilitate recovery of grant funds which are not spent in compliance with grant conditions imposed by the Minister effective from 2015.

Tasmanian Qualifications Authority 51

The Authority continued to report an excess of payments over receipts, which in 2014 amounted to $0.290m. In 2013 the excess payments over receipts was $0.032m. At 31 December 2014 it had a cash balance of $0.326m.

The State Government announced in the 2014-15 budget that the Authority would be abolished during 2015 and a new qualifications accreditation model established.

Theatre Royal Management Board 53

The Board recorded a Net Surplus of $0.155m in 2014, following a surplus in the previous year of $0.050m. This was largely attributed to increased ticket sales.

At 31 December 2014, the Board's Net Assets totalled $1.508m and its Total Assets were $2.628m. Its most significant asset, Investments of $1.624m, decreased significantly from the prior year balance of $2.244m. This was primarily due to advanced ticket sales of several popular shows in 2013.

University of Tasmania 56

The University incurred a consolidated Underlying Deficit of $24.621m, an increase in deficit of $15.622m from the 2013 result, and a Comprehensive Surplus of $3.351m.

In 2014, Commonwealth funding accounted for 68.6% of total revenue, inclusive of Higher Education Contributions Scheme, investment and capital revenues. This exceeded the Commonwealth's benchmark of 65% and exposes the University to risk of changes in Government policy.

The largest component of expenditure for 2014 was Salary related, $320.012m, which represented 57.4% of Total Expenses. These costs increased by 6.1% in 2014 reflecting higher non-academic FTEs and salary increases.

There was a 5% increase in FTE staff numbers over the past four years with FTEs increasing from 2 372 to 2 492. In contrast, there was a 15.6% increase in equivalent full time student load (EFTSL) which rose from 16 435 in 2011 to 18 991 in 2014. This included a 2.2% increase in international students over the past four years.

At 31 December 2014, the University's Total Assets were $1.127bn and its Net Assets amounted to $882.309m, an increase of $3.351m from 2013.

Property, plant and equipment, $688.066m, continued to represent the majority of total assets, comprising 61.03% at 31 December 2014.

Cash, short and long-term investments, $345.712m, were also significant, representing 30.7% of total assets at 31 December 2014.

Construction of 180 self-contained apartments for students at the Newnham Campus, under the National Rental Affordability Scheme was completed at a cost of $17.337m.

The University implemented its Student Lifecycle Information Management and Services system, a new student system aimed at transforming the delivery of student and academic administrative services to a client-service model. The program went live on 15 September 2014. A total of $33.553m was capitalised and amortised from 1 October 2014.

International student numbers declined by 223 EFTSL which was offset by higher domestic EFTSL of 847. Overall, EFTSL increased by 624.

30 JUNE 2014 AUDITS 73

National Trust of Australia (Tasmania) 74

For the fourth consecutive year, the Trust failed to comply with Section 17(1) of the *Audit Act 2008* by again submitting its financial statements after the statutory deadline.

A qualified audit report, including an emphasis of matter, was issued on 17 October 2014.

A Comprehensive Deficit of $0.025m was recorded for the year.

The Trust experienced significant cash flow difficulties in recent years and received additional financial assistance from the State Government to address its 2013-14 budget deficit.

We continue to recommend the Trust take appropriate action to ensure its restoration appeal liability is fully cash backed.

Recommendations

The Trust improve its year end reporting processes to ensure it complies with the statutory financial reporting deadlines in future.

Given the nature of the restoration appeal funds, we continue to recommend the Trust take appropriate action to ensure its restoration appeal liability is fully cash backed.

While asset sales and government support will generate cash in the short-term, they are not a long-term solution to the Trust's cash situation and the Board needs to take action to ensure that it achieves a more sustainable long-term solution to its cash flow difficulties.

INTRODUCTION

This Report is Volume 5 of our suite of reports outlining audit outcomes and financial analysis resulting from audits of the financial statements of State entities for the 2013-14 and calendar 2014 periods. This is our final report in this series. It contains:

- Key points
- Disposal of firearms and ammunition
- Reporting key performance indicators
- Use of statutory valuations for financial reporting purposes
- Timeliness and quality of financial statements
- Findings from 30 June 2014 and 31 December 2014 Audits
- Grant acquittal audits
- Basis of setting audit fees
- Audits dispensed with
- Developments in financial reporting and auditing
- Analysis of financial information from completed financial statement audits of five State entities with a financial year end of 31 December 2014.
- Analysis of financial information from completed financial statement audits of one State entity reporting for the financial year ended 30 June 2014.

Our Report includes details of individual State entity operations and matters raised with entity management during the course of audits, but only where the matter(s) raised warrant it. The rationale for inclusion rests on our perception of the public interest in each point.

All entities addressed in this Report were provided the opportunity to comment on matters raised. Where comments were provided, these are included in individual chapters.

Comments provided are not subject to audit nor the evidentiary standards required in reaching an audit conclusion. Responsibility for the accuracy, fairness and balance of these comments rests solely with those who provided the response or comment.

STATUS OF AUDITS

Audits of all State entities for the years ended 30 June 2014 and 31 December 2014 have now been completed. Statutory financial reporting outcomes for the entities included in this Report are detailed in the Chapter headed: Timeliness and quality of financial statements.

Unless specifically indicated, comments in this Report were current as at 4 May 2015.

Appendix 2 provides details of the status of all audits of financial statements of State entities for the 2013-14 and calendar 2014 periods.

DISPOSAL OF FIREARMS AND AMMUNITION

SNAPSHOT

- The *Firearms Act 1996* (the Act) requires the Auditor-General to arrange for an independent audit of all firearms or ammunition disposed of under that Act and to table in both Houses of Parliament a report on the audit.
- We found the actual processes and control activities leading to the disposal of firearms to be appropriate and based on our audit work we concluded the requirements of the Act in relation to the disposal of firearms were complied with.
- However, the current practice of recording the quantity of ammunition is inadequate for us to conclude on compliance with the Act in relation to the acquisition and/or disposal of ammunition. The same finding was made 2012-13.
- The Department of Police and Emergency Management (DPEM) prepared a draft Management of Firearms, Firearm Parts and Ammunition in Police Custody policy document. The policy addressed recommendations made by us in 2012-13, however it will not take effect until the 2015-16 financial year.

INTRODUCTION

Section 149 of the Act requires the Auditor-General to arrange for an independent audit, to be carried out once every year, of all firearms or ammunition disposed of under the Act and to table in both Houses of Parliament a report on the audit.

Department of Police and Emergency Management (DPEM) is charged with the responsibility for disposal of firearms and ammunition under the Act. Firearms destruction encompasses not only firearms and ammunition, but also knives and other weapons. There are several ways by which weapons are seized, but most weapons are handed in by their owners. Section 129 of the Act provides for a permanent amnesty when firearms are voluntarily surrendered.

Authority to dispose

Firearms and ammunition surrendered or seized under the Act can be disposed of under an order from a magistrate. A magistrate may also order that a firearm or ammunition be forfeited to the Crown. Following an amendment to the Act in 2007, the Minister was given discretion to determine the form of disposal if the magistrate's order to forfeit the firearm or ammunition to the Crown was made because of a breach of safekeeping provisions in the Act. DPEM obtained a continuing delegation from the Minister that all firearms and ammunition forfeited to the Crown for firearms offences or by court order be destroyed, unless:

- the firearm and/or ammunition is required by the Ballistics Library for evidentiary purposes
- an application is received from the owner for the return of a firearm or ammunition.

What does 'disposed' of mean?

The Act does not define what 'disposal' means. The Macquarie Dictionary defines disposal as 'the act of disposing of', which means 'to get rid of'. The Act does not prevent the sale of firearms or ammunition if the Minister determines that it is an appropriate method of disposal. However, it is our view that the sale of surrendered or seized firearms and ammunition is not in keeping with the spirit of the Act and the prevention of violence and self-harm in general. We have therefore accepted the view that 'disposed of', unless otherwise authorised, means physical destruction.

Audit objective

The objective of the audit is to provide independent assurance that the process of disposing of firearms and ammunition is managed in compliance with the Act.

AUDIT OF COMPLIANCE WITH THE ACT

Assessment of control framework

The destruction of firearms and ammunition is managed by Firearms Services, a unit within the Operations Support division of DPEM. In June 2013, DPEM upgraded it database from a spreadsheet to a Firearms and Weapons Data System (FAWDS). FAWDS is principally designed to monitor gun licences within the state, but it also collects data on surrendered, seized and destroyed firearms and ammunition.

We reviewed procedures and made enquiries of relevant personnel in the unit to obtain an understanding of activities which lead to the physical destruction of firearms and ammunition and found the actual processes and control activities leading to the disposal of firearms to be appropriate. In addition, we tested a sample of firearms to ensure appropriate documentation existed to support their surrender and disposal. No exceptions were noted.

Ammunition is handled in the same way as firearms. As noted in our 2012-13 audit, there was no prescribed unit of measure (for example number of cartridges or their weight) used to record and track the quantities of ammunition handed in or seized and then disposed of. The current practice of recording the quantity of ammunition varies, which increases the risk that ammunition could inadvertently be misplaced or lost through theft or fraud without this being detected. Accordingly, our procedures with respect to the disposal of ammunition were restricted and as a result we are unable to report whether all ammunition surrendered or seized under the Act (or other legislation) was disposed of in accordance with the Act (or other legislation).

We also found that the control framework, up to 30 June 2013, was deficient in the following areas:

- there were no documented policies and procedures
- there was a lack of monitoring controls. Monitoring is an important element of any risk management framework. It provides feedback to management on whether the controls they designed to mitigate risks continue to be fit for purpose, are properly implemented and understood by employees and being used and complied with. Monitoring also assists those charged with governance in discharging their compliance responsibilities.

In 2012-13, we recommended that DPEM:

- review its current processes with the view to implementing a practical control over the recording of ammunition, which would address the risk of ammunition being inadvertently misplaced or lost through theft or fraud
- develop formal policies and procedures which address all activities leading to the recording, handling and disposal of firearms and ammunition
- ensure that controls around the disposal of firearms and ammunition are monitored through a combination of ongoing activities and separate evaluations.

During 2013-14, DPEM prepared a draft Management of Firearms, Firearm Parts and Ammunition in Police Custody policy document to address controls over recording, handling and destruction of ammunition. The policy requires that tamper-proof plastic bags (Security Bag for Forensic Continuity) be used for the storage of all ammunition in police custody. For smaller amounts of ammunition, it is considered appropriate to count and record the individual items.

The policy also provides specific objectives, authorities and management processes for handling, recording, return and destruction of firearms, parts and ammunition. Specific policy objectives include:

- ensure accurate recording of firearms, firearm parts and ammunition in possession of Tasmania Police, forfeited for the purpose of disposal
- minimise the risk of firearms, firearm parts and ammunition being inadvertently misplaced or lost through theft or fraud

- ensure that controls around the disposal of firearms, firearm parts and ammunition are monitored through a combination of ongoing activities and separate evaluations, e.g. random audits conducted by Management Review Services, Commander Operations Support and Inspector Firearms Services
- ensure accuracy of records for compliance with Section 149 (5) of the Act.

In addition, the policy included a requirement that the Commander, Operations Support, the Inspector, Firearms Services or the Inspector, Management Review Services must undertake regular random (unannounced) inspections at the firearms and ammunition destruction site for independent review, to ensure transparency during the process and to ensure propriety throughout the process.

However, the draft policy is currently being reviewed and will only be implemented during 2015-16. It is anticipated that implementation of the policy, as currently drafted, will address the three recommendations made in our 2012-13 Report.

MANAGEMENT RESPONSES

A copy of this Chapter was provided to the DPEM for comment and response. DPEM's full response is provided. The comments and submissions provided were not subject to the audit nor the evidentiary standards required in reaching an audit conclusion. Responsibility for the accuracy, fairness and balance of these comments rests solely with DPEM.

The DPEM acknowledges the report's conclusions in regard to its compliance to the Act and that its firearms disposal protocols are compliant with the Act.

The DPEM is finalising the Management of Firearms, Firearms Parts and Ammunition guidelines for implementation in the 2015-16 financial year. Once this occurs, the TAO will be able to more clearly identify the disposal of ammunition in accordance with the Act.

Darren Hine

Commissioner of Police

Accuracy of information on firearms and ammunition disposed

Firearms Services maintains records of all weapons (includes firearms, crossbows and parts of firearms) and ammunition surrendered or seized and processed. Annual statistics on firearms received for disposal, disposed of and held for disposal are published in the DPEM's annual report.

We are required to audit firearms or ammunition disposed of under the Act. Firearms and ammunition come into police possession through a variety of means and the way they are dealt with depends on the requirement of the specific legislation. In some cases, the receipt of a weapon and its subsequent disposal can be dealt under different acts. We were unable to accurately separate firearms disposed under the Act from firearms disposed of under other legislation. Accordingly, we are unable to report the number of firearms and ammunition disposed of specifically under the Act. Instead, we report the total number of firearms and ammunition disposed of under the Act and other legislation. Details are provided in Table 1.

Table 1: Firearms and ammunition disposed of in financial years ended 30 June 2009 to 30 June 2014

	2008-09		2009-10		2010-11		2011-12		2012-13		2013-14	
	F	A	F	A	F	A	F	A	F	A	F	A**
Held as at beginning of year	0	0	0	0	0	1	2	1	1	1	1	1
Received	1 227	450	1 274	327	1 097	366	1 100	409	1 574*	337	2 318	0
Total Held	**1 227**	**450**	**1 274**	**327**	**1 097**	**367**	**1 102**	**410**	**1 575**	**338**	**2 319**	**1**
Destroyed	1 220	20	1 269	326	1 076	366	1 093	409	1 543	337	2 319	1
Returned to owner	0	0	0	0	2	0	0	0	1	0	0	0
Transferred to Ballistics Reference Library	7	430	5	0	17	0	8	0	30	0	0	0
Donated to museums etc. for display	0	0	0	0	0	0	0	0	0	0	0	0
Total Disposed	**1 227**	**450**	**1 274**	**326**	**1 095**	**366**	**1 101**	**409**	**1 574**	**337**	**2 319**	**1**
Held as at End of Year	**0**	**0**	**0**	**1**	**2**	**1**	**1**	**1**	**1**	**1**	**0**	**0**

F - Firearms

A - Ammunition

** Adjusted from previous report due to error in classification of firearms.*

*** Information not available on ammunition.*

Conclusion as to compliance with the Act

Based on the audit procedures performed, we concluded DPEM complied with the requirements of the Act in relation to the disposal of firearms. However, we were unable to conclude on DPEM's compliance with the Act in relation to the disposal of ammunition.

REPORTING KEY PERFORMANCE INDICATORS

SNAPSHOT

- Departments were encouraged to continue developing efficiency indicators to use in future annual reports and budget papers.
- Councils were also encouraged to develop and include efficiency indicators in future annual reports.
- The Australian Accounting Standards Board is developing a Service Performance Reporting standard.

DEPARTMENTAL REPORTING

In Report of the Auditor-General No. 9 of 2013-14: *Volume 5 State entities 30 June and 31 December 2013, matters relating to 2012-13 audits and key performance indicators*, we reported the background to reporting efficiency indicators in Australia and Tasmania and presented a research project. The project included relatively straightforward efficiency KPIs for the main agencies charged with delivery of services to the public. The selected agencies were:

- Department of Education
- Department of Infrastructure, Energy and Resources*
- Department of Primary Industries, Parks, Water and the Environment
- Department of Health and Human Services
- Department of Justice
- Department of Police and Emergency Management
- Department of Economic Development, Tourism and the Arts*.

* *Now predominantly part of the Department of State Growth*

Example efficiency KPIs were provided to illustrate their usefulness in assessing performance by users not able to demand access to information. Our intent was to demonstrate the types of performance information that could be reported and explained by agencies in assessing their own efficiency. Public information about efficiency is essential to public accountability and warrants greater prominence in public sector reporting. This information also assists in:

- internal management decision making
- decisions about the allocation of scarce resources
- identifying inefficiencies hopefully leading to better informed decisions about where to target cost savings.

It was pleasing to note that all departments were supportive of the trial program's outcomes and agreed to explore and develop appropriate efficiency indicators within the context of their individual reporting processes.

Since issuing Report No. 9, we have met with a number of departments as they review, refine and expand their performance reporting to consider incorporating efficiency indicators. It can be particularly challenging for multi-faceted departments to develop KPIs that address the entirety of their operations. We acknowledge that selecting appropriate, relevant and beneficial indicators can take time. We will continue to assist in this process.

LOCAL GOVERNMENT REPORTING

Following the gazettal of Local Government Ministerial Orders in February 2014, all Tasmanian councils were required to report in their annual financial statements certain financial sustainability indicators. Our assessments of the outcomes of these were presented in Report of the Auditor-General No. 7 of 2014-15: *Volume 4 Local Government Authorities, Joint Authorities and Tasmanian Water and Sewerage Corporation Pty Ltd 2013-14, Part I.*

This volume included a Chapter on operational efficiency. The Chapter reported five operational efficiency ratios and provided high level analyses across all councils, with further details reported in individual Chapters.

We encourage all councils to utilise this information as it best suits each of them and to consider the development of relevant and appropriate key performance indicators, such as efficiency indicators, for internal and public reporting purposes.

NOT-FOR-PROFIT REPORTING FRAMEWORK

The International Public Sector Accounting Standards Board continues to work on reporting service performance information, releasing a Recommended Practice Guide in March 2015. In our own jurisdiction, the Australian Accounting Standards Board's Standard Setting Work Program included Service Performance Reporting on the agenda. In the Board's April 2015 meeting it tentatively indicated that an Exposure Draft can be expected in July 2015 with the proposed future standard applicable for periods beginning 1 July 2017.

This work is expected to provide a generally-recognised service performance reporting framework for not-for-profit entities including the public sector.

USE OF STATUTORY VALUATIONS FOR FINANCIAL REPORTING PURPOSES

SNAPSHOT

- There are a number of entities, mainly local government councils, which use the statutory rating and taxation valuations determined under the *Valuation of Land Act 2001* (the Valuation Act) for financial reporting purposes.
- We assessed whether values determined for statutory valuations constituted fair value under Australian Accounting Standards and therefore could be used for financial reporting purposes.
- We found that the valuation approach applied by the Valuer-General (VG) in determining statutory valuations under the Valuation Act meets the key requirements of the Australian Accounting Standards for measuring the fair value of non-specialised physical assets set out in AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*.
- It is recommended that, when applying statutory valuations to non-specialised assets for the purpose of financial reporting, management consider the timing of valuations.
- Appropriate indices should be applied in the intervening period since the valuation took place, including from the date of the initial valuation. In doing so other factors that may have a material impact on the currency of the valuation must be considered, including changes to legislation, court decisions, planning amendments/permits, industry developments and the condition of the property.
- Management should also obtain information supporting the valuation, ensuring that they understand the inputs and assumptions and how they apply to the valuation in order to meet the disclosure requirements of AASB 13.
- The specialised nature of some physical assets or restrictions on their use imposed on their owner may require the use of other valuation techniques, such as the depreciated replacement cost method. Therefore, statutory valuations of specialised assets are unlikely to be suitable for financial reporting purposes.

BACKGROUND

It came to our attention that there are a number of entities, mainly local government councils, who use the statutory rating and taxation valuations determined under the Act for financial reporting purposes. The Office of the Valuer-General (OVG) is unable to comment on the extent to which entities used statutory valuations for financial reporting purposes as the OVG is not consulted or advised by entities in such cases.

The Act provides for statutory valuations to be undertaken by the VG for rating and taxing purposes on a cyclical basis. It requires the VG to provide valuations of land, capital values and assessed annual values of all lands within each valuation district, including any Crown lands that are liable to be rated. Once the VG has made his valuations at the relevant revaluation date, this is provided to the Commissioner of State Revenue, the relevant council or other statutory authority authorised by law to make and levy rates or charges in respect to land. The rating and taxing authority utilises the property valuation data in the calculation of rates and taxes.

OBJECTIVE

Our objective was to assess whether values determined for statutory valuations constitute fair value under Australian Accounting Standards and therefore can be used for financial reporting purposes.

WHAT WE DID

We identified the key requirements of the Australian Accounting Standards for measuring the fair value of non-financial assets, which are set out in AASB 13 *Fair Value Measurement* with consideration also given to AASB 116 *Property, Plant and Equipment*. We then assessed whether the statutory valuation process addressed these requirements by reviewing legislative requirements and the methodology and approach used.

OUR ASSESSMENT

AASB 13 establishes a single standard framework for measuring fair value in the financial reporting framework. It defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. This basis is consistent with the Act for statutory valuations which define land and capital value as the capital sum which might be expected to be realised if offered for sale on such reasonable terms and conditions as a bona fide seller would require. In order to assess whether the values determined as part of the statutory valuation meet the requirements of AASB 13, we have broken down the key requirements of the framework and documented whether the process used for statutory valuations complies as follows.

> **When measuring fair value in accordance with AASB 13 an entity shall take into account the characteristics of the asset if market participants would take those characteristics into account when pricing the asset at the measurement date, for example:**
>
> - **The condition and location of the asset; and**
> - **Restrictions, if any, on the sale or use of the asset.**

The statutory valuation process requires those performing the valuation to consider the impact of the age, condition, area and location when determining the capital value of land and buildings. These are the characteristics that a market participant would take into account when pricing land and buildings.

The impact of area and location is taken into account in the statutory valuation through performing a detailed analysis of recent market sales within the area of the land and building being valued. As part of the sales analysis methodology, the impact of planning schemes or other planning issues, heritage registrations, permits and permit refusals and allowances for site improvements is also required to be identified and factored into the assessment.

The condition of the building being valued is considered by conducting inspections. The statutory valuation process requires commercial, community, specialist, primary production and public use properties, which makes up the majority of the buildings held in the public sector, to have an on-site inspection. Residential and rural properties have a minimum of a kerb-side inspection.

> **A fair value measurement under AASB 13 assumes that the transaction to sell the asset takes place either:**
>
> - **In the principal market for the asset; or**
> - **In absence of a principal market, in the most advantageous market for the asset.**

Statutory valuations use the Tasmanian property market as the principal market, specifically the market occurring within the municipality subject to a valuation. This is done primarily through analysis of recent sales within this market as the key input for determining the valuation. This is considered the appropriate principal market for valuing land and buildings located within Tasmania.

> **AASB 13 requires that the entity measure the fair value of an asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.**

Statutory valuations are based upon the following assumptions:

- recent rental evidence
- recent sales data for the area, including sales of vacant land and added value of improvements
- property inspections, as described earlier,
- details of amended legislation, Court decisions, planning amendments/permits, industry developments that will affect the property.

These assumptions are considered to be consistent with those that would generally be used by market participants when pricing land and buildings. Statutory values are determined relative to market sales evidence sourced as close as possible to the valuation date, set at 1 July in the valuation year.

It is noted that up-to-date market sales evidence may not always be available, be it due to delays in formal notification of sales or shortage of directly comparable and recent evidence because of low market activity. In this situation, the VG has regard to other available market evidence from alternative sources, which may be adjusted where appropriate. These sources may include local estate agents, public sources (auctions, newspapers and Internet) and commercial sale reporting services (where cost-effective).

It is considered that the same property information would also be used by market participants when pricing land and buildings.

> **AASB 13 requires a fair value measurement of a non-financial asset to take into account a market participant's ability to generate economic benefits by using the asset in its highest and best use. This includes consideration of what is:**
>
> - **Physically possible**
> - **Legally permissible, and**
> - **Financially feasible.**

The concept of highest and best use refers to the use of a non-financial asset by market participants that would maximise the value of the asset. For example, a parcel of industrial land situated near a land that was recently rezoned and developed for residential properties should be valued as vacant site for residential use (after considering development costs). The factors to be considered in identifying the highest and best use are that potential use must be physically possible, legally permissible and financially feasible.

The statutory valuation considers what is legally possible by factoring in the impact of legislation, Court decisions, and planning amendments/permits related to the property being valued. AASB 13 presumes that unless there is readily available evidence to the contrary, the current use is the highest and best. It is not necessary to engage in exhaustive search to identify other potential highest and best uses. Because public sector assets are held for a specific purpose and there are often restrictions on their use and disposal, their current use is assumed to be highest and best use.

It is therefore considered that the VG's valuations are based on the highest and best use to a market participant. However, it should be noted that if it is intended to sell an asset it should be re-valued to the expected market price having regard to other possible uses.

> **AASB 13 requires the entity to use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Three widely used valuation techniques are the:**
>
> - **market approach**
> - **cost approach**
> - **income approach.**

Statutory valuations use the market approach, in that their valuation is based on market transactions involving identical or similar assets. This is achieved through using market data as a significant input through the analysis of recent sales information within the Tasmanian property market for that municipality.

The inputs are consistent with the characteristics of the asset that market participants would take into account in a transaction for those assets. These include the key observable input of recent sales data, as well as unobservable inputs such as the legal restrictions and the condition of the asset. Such disclosure is the responsibility of the preparers of the financial statements.

It should be highlighted, however, that the market approach is unlikely to be appropriate for valuing specialised assets. These should be valued using other techniques, such as the depreciated replacement cost method.

AASB 13 requires a significant level of disclosure in regards to the valuation basis.

While the statutory valuations do provide a level of information regarding the basis for arriving at the capital value as part of the Notice of Valuation, they do not provide the relevant level of information required to be disclosed under AASB 13.

AASB 116 *Property, Plant and Equipment* provides that revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Statutory valuations in Tasmania are currently on a six-year cycle with approximately a third of municipalities having a fresh valuation every two years. This rotational cycle does not give consideration to whether or not there has been a material difference to the valuation during that time frame as required in AASB 116.

To exacerbate this, statutory valuations are issued on 1 July but often applied on 30 June of that financial year for financial reporting purposes. As a result by the time they are recognised in the financial statements they are already at least a year old. When considered in combination with the six-year cycle used in statutory valuations the valuation could be up to seven years old by the time the next valuation occurs.

CONCLUSION AND RECOMMENDATIONS

Based upon the assessment above, we found that the valuation approach applied by the VG in determining statutory valuations under the Act meets the key requirements of the Australian Accounting Standards for measuring the fair value of non-specialised physical assets set out in AASB 13 and AASB 116.

However, management is responsible for ensuring that the valuations representing in their financial report conform with the relevant Australian Accounting Standards. As a result if management chooses to apply statutory valuations it needs to consider the following:

1. **Timing and regularity of the valuations**

   Statutory valuations are generally just over one year old at the time they are recognised in the financial statements. Furthermore, they are performed on a rotational basis over a six-year cycle with no specific consideration given as to material changes in the valuation over this time period.

   It is recommended that when applying statutory valuations for the purpose of financial reporting, management consider the timing of the valuation. Specifically, appropriate indices should be applied for the period since the valuation took place.

   In addition, management must consider other factors that may have a material impact on the currency of the valuation, including amended legislation, Court decisions, planning amendments/permits, industry developments and the condition of the property.

2. **Disclosure requirements**

   Information required to meet the disclosure requirements of AASB 13 is not generally provided as part of a statutory valuation.

   It is recommended management obtain the data supporting the valuation, ensuring they understand the inputs and assumptions and how they apply to the valuation in order to meet the disclosure requirements of AASB 13.

3. **Specialised assets**

   The specialised nature of some physical assets or restrictions on their use imposed by obligations on their owner may require the use of other valuation techniques, such as the depreciated replacement cost method. Therefore, statutory valuations of specialised assets are unlikely to be suitable for financial reporting purposes.

TIMELINESS AND QUALITY OF FINANCIAL STATEMENTS

SNAPSHOT

- Sixteen State entities failed to submit their financial statements for audit within the statutory deadline of 45 days from the end of the financial year.
- On the whole the quality of financial reports initially submitted was of a high standard.

STATUTORY FINANCIAL REPORTING AND AUDITING TIMING REQUIREMENTS

Under section 17 of the *Audit Act 2008* (the Audit Act) specific dates are set by when accountable authorities of State entities are to provide financial statements to the Auditor-General to formally allow the audit process to commence. The requirement is that financial statements are submitted for audit within 45 days after the end of the financial year.

Our responsibility under section 19 of the Audit Act is to complete our audit within 45 days of receiving financial statements from State entities. In most cases, entities have a 30 June financial year-end making 14 August the statutory date by which financial statements are to be submitted with our deadline being 28 September. These dates may change if the deadline falls on a weekend. For entities with a 31 December financial year-end, the statutory deadline for submitting their financial statements to the Auditor-General is 14 February (13 February for 2015 as 14 February fell on a Saturday). The deadline for completing those audits is 31 March (this was 30 March for 2015).

These dates were set to allow sufficient time for audits to be completed and for accountable authorities to prepare annual reports for tabling in Parliament.

Listed below are entities whose signed financial statements were not received by the statutory deadline of 45 days from the end of the financial year. The list includes all State entities, not just the entities covered by this Report, for the financial years ended 30 June 2014 and 31 December 2014. Dates shown in brackets represent the date signed financial statements were received and days late:

- Financial year end 30 June 2014:
  - Forestry Tasmania (15 August 2014 – 1 day)
  - AETV (15 August 2014 – 1 day)
  - Private Forests Tasmania (15 August 2014 – 1 day)
  - Tasmanian Museum and Art Gallery (8 September 2014 – 25 days)
  - Tasmanian State Pool Account (10 September 2014 – 27 days)
  - The Nominal Insurer (21 August 2014 – 7 days)
  - National Trust of Tasmania (Australia) (13 October 2014 – 60 days)
  - River Clyde Trust (15 August 2014 – 1 day)
  - Wellington Park Management Trust (15 August 2014 – 1 day)
  - Northern Midlands Council (20 August 2014 – 6 days)
  - Latrobe Council (19 September 2014 – 36 days)
- Financial year end 31 December 2014:
  - Anzac Day Trust (16 February 2015 – 3 days)
  - Tasmanian Qualifications Authority (6 March 2015 – 21 days)
  - The Solicitors' Trust (16 February 2015 – 3 days)
  - University of Tasmania Foundation Inc. (18 February 2015 - 5 days)
  - AMC Search Ltd (18 February 2015 - 5 days).

These entities were reminded of their obligation to report within the prescribed deadline in future.

STEPS TAKEN BY AUDIT TO FACILITATE EARLIER FINANCIAL REPORTING

We continue to assist State entities to achieve early financial reporting. This is done in a number of ways including:

- where possible early planning of audits. As part of planning audits discussions are held with management, and where relevant those charged with governance, and agreements reached on financial reporting and auditing timeframes. These agreements are always aimed at completion within statutory reporting deadlines
- preparation of detailed completion plans for components of the financial statements
- where financial systems allow, conducting audit testing of selected balances prior to balance date thus minimising work post balance date.

COMPLIANCE WITH FINANCIAL REPORTING STANDARDS

The Audit Act requires all State entities to prepare financial statements in accordance with Australian Accounting Standards. In some cases, in particular for smaller State entities, we accepted preparation of special purpose financial reports (SPFR). There were no instances where these standards were not complied with or where SPFR failed to satisfy our requirements.

QUALITY OF FINANCIAL REPORTING

Section 17 of the Audit Act also provides for the Auditor-General to determine whether signed financial statements submitted are complete in all material respects. Upon receipt of signed financial statements we immediately review and evaluate them utilising a checklist, to ensure they are complete and presentation complies with Australian Accounting Standards. We also confirm the accuracy of comparatives, cross references, and ensure the statements are arithmetically correct. This exercise indicated that on the whole the quality of financial reports initially submitted was of a high standard.

FINDINGS FROM 30 JUNE 2014 AND 30 DECEMBER 2014 AUDITS

SNAPSHOT

- In excess of 350 (2012-13, 330) audit matters were raised, with recommendations made to 66 State entities during the 2013-14 financial audit cycle.
- The majority of matters raised related to non-current physical assets, expenditure and accounts payable, employee expenses, information systems, revenue and receivables and cash and financing.
- For non-current physical assets the key matters raised were in relation to adoption of recommendations made in our Local Government Infrastructure Report, No. 5 of 2013-14.
- A number of matters were raised in relation to IT security and application policy in multiple entities.

INTRODUCTION

The comments in this Chapter apply to our audits of all State entities, not just the entities covered by this Report, for the financial years ended 30 June 2014 and 31 December 2014. In this Chapter we refer to these periods as the 2013-14 financial audit cycle.

AUDIT MATTERS

We identified in excess of 350 (2012-13, 330) audit matters and made recommendations to 66 State entities during the 2013-14 financial audit cycle.

All internal control and other weaknesses identified during audits were communicated to management at an appropriate level of responsibility. Significant matters are detailed in written reports, called management letters, which include our recommendations for improvements and management responses. These reports are forwarded to those charged with governance, for example the Secretary, Chairperson of the Board of Directors or Mayor, with copies sent to, where relevant, audit committees and responsible Ministers.

We include significant matters in Auditor-General's Reports to the Parliament on outcomes of our audits of financial statements of State entities.

We categorise each matter as high, moderate or low risk, depending on its potential impact, as shown in the following table:

Table 2: Risk categories for audit findings

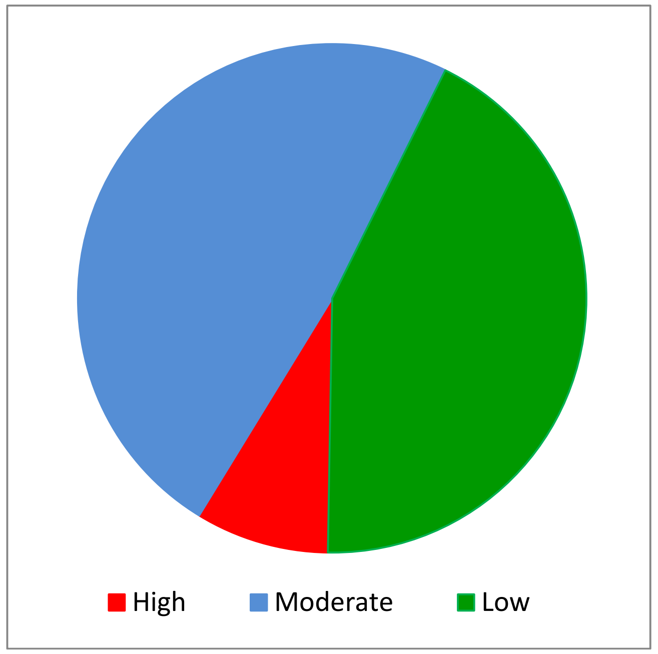
Risk Category	Client Impact
High	• Matters which pose a significant business or financial risk to the entity • Matters that have resulted or could potentially result in a modified or qualified audit opinion if not addressed as a matter of urgency by the entity.
Moderate	• Matters of a systemic nature that pose a moderate business or financial risk to the entity if not addressed as high priority within the current financial year • Matters that may escalate to high risk if not addressed promptly • Low risk matters which have been reported to management in the past but have not been satisfactorily resolved or addressed.
Low	• Matters that are isolated, non-systemic or procedural in nature • Matters that reflect relatively minor administrative shortcomings and could be addressed in the context of the entity's overall control environment.

Source: Integrated Public Sector Audit Methodology

Matters raised by category of risk

Figure 1 provides a breakdown of matters raised during the 2013-14 financial audit cycle by the risk categories outlined in Table 1.

Figure 1: Matters Raised by Risk Category



Source: Tasmanian Audit Office

Figure 1 shows that the majority of matters, 49% (2012-13, 50%), were categorised as moderate, posing a moderate business or financial risk to the entity, but which may escalate to high-risk status if not addressed promptly. 8% (7%) of matters were assessed as high risk. High-risk matters pose a significant business or financial risk to the entity and could potentially result in a modified or qualified audit opinion if not addressed as a matter of urgency by the entity. Such issues included:

- on-line banking systems used for electronic fund transfers with a number of concerns surrounding access and authorisation privileges to on-line systems and that bank transfer interface files could be altered
- deficiencies in controls over bank reconciliations
- lack of access controls and polices for information systems
- matters relating to the use of credit cards such as non-compliance with policies and delegations as well as inadequate supporting documentation
- inadequate segregation of duties and weaknesses in internal controls for the processing of journals and raising purchase orders.

Management action

The majority of matters reported to management or those charged with governance were generally resolved or management agreed to undertake corrective actions.

'Undertaking corrective action' means that the issue had not been satisfactorily resolved at the time the audit was finalised, but management was implementing, or agreed to implement, our recommendations or an alternative resolution was being considered. These matters include such items as internal control weaknesses that cannot be readily rectified. Such items may require further management reviews, procedural modifications, additional resources or policy changes. In these cases we follow-up those matters in subsequent audits to ensure they are adequately addressed.

'Resolved' means that management successfully implemented a corrective action. These matters include such items as readily rectifiable control weaknesses, account miss-classification, presentation and general financial statement items or items reported in previous years which were rectified in the current year.

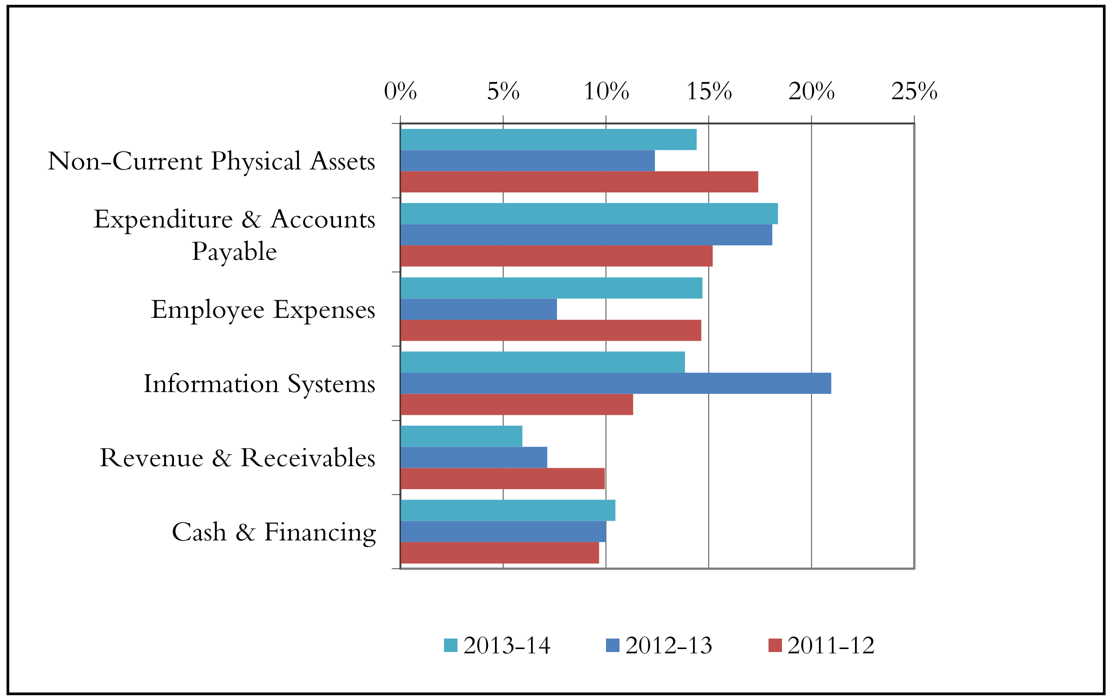
Where management disagrees with a finding or, in our view, the corrective action proposed by management does not adequately address the matter, we categorise the finding as 'unresolved'. In such a situation, we still report the matter and management response to those charged with governance in the year when it came to our attention. We then adapt our audit plan to address the risk of financial statements being mis-stated due to the identified weakness.

We consider all matters raised with management in the following year as part of a risk assessment when planning an audit. Where issues are corrected, this is noted and not raised again, although we may perform audit testing to confirm this.

MATTERS RAISED BY TYPE

To assist us in the identification of trends and management of audit risks, we categorise matters raised according to their type and the system they relate to. Figure 2 depicts matters raised by the most common types or systems during the 2011-12, 2012-13 and 2013-14 financial audit cycles and includes all audit findings be they high, moderate or low risk.

Figure 2: Matters by Type



Source: Tasmanian Audit Office

Expenditure and accounts payable (18%)

Matters raised in this area related mainly to:

- lack of appropriate delegation or authorisation of expenditure transactions
- the use of credit cards such as non-compliance with policies and delegations as well as inadequate supporting documentation
- no independent review of changes to accounts payable master files
- inadequate segregation of non-compatible duties.

In addition, a number of matters were raised in relation to stocktakes, transactional control weaknesses and clearing account reconciliations not completed.

We conducted a review regarding the timeliness of payments to suppliers by departments and reported the outcomes in a previous volume[1].

[1] Auditor-General's Report No. 6 of 2014-15 tabled in December 2014.

Employee expenses (15%)

Matters identified in this category highlighted control weaknesses in payroll processing such as:

- lack of independent reviews of payroll reports
- inadequate segregation of payroll duties
- employee termination checklists not completed and/or reviewed
- timesheets incorrectly recorded and/or authorised.

Other matters raised included:

- excessive leave balances, both annual and long service leave
- incorrect calculation of allowances and back pays
- employee on-costs not properly recorded and
- lack of documentation such as calculation sheets as well as employment and salary information supporting the payment.

Information systems (14%)

Matters raised centred on deficiencies in general environmental controls for security. This included:

- weaknesses in the password parameter settings
- passwords being shared
- out of date or non-existent information security policies.

Other matters raised were:

- no IT strategic plan or IT risk register
- no, or out of date, disaster recovery and business continuity plans
- deficiencies in controls around the management of user access.

Non-current physical assets (14%)

For non-current physical assets the majority of issues raised were in relation to local government entities. For entities other than local government entities matters raised included:

- use of spreadsheets to maintain asset registers
- inappropriate impairment models
- outdated valuations
- de-commissioning of assets not authorised
- no registers of attractive items
- building assets are disclosed using net approach.

For local government entities, the key matters raised were in relation to adoption of recommendations made in our Local Government Infrastructure Report[2]. The matters mostly raised were:

- valuation of land under roads was not undertaken (recommendation 22)
- no documentation available for management assessment and decisions (recommendation 19)
- use of residuals being applied to road assets (recommendation 3)
- re-sheeting of roads not capitalised (recommendation 13)
- road assets not componentised (recommendation 1)
- the value of capital renewal and capital upgrade expenditure by asset class not disclosed in financial statements (recommendation 17)
- useful lives of assets not reviewed annually (recommendation 6).

[2] Auditor-General's Report No. 5 of 2013-14 tabled in December 2013.

Elsewhere in this Report is a Chapter which discusses the Valuer-General's statutory valuations for land and buildings used mainly by local government entities for financial reporting purposes in relation to Australian Accounting Standards.

Cash and financing (10%)

For all findings, there were thirty high-risk matters raised and eleven of those related to this area. A major concern in this area related to inadequate controls over bank reconciliations where we noted:

- no evidence of independent review of the bank reconciliation
- reviews of bank reconciliations were not conducted on a timely basis
- bank reconciliations had a significant number of unmatched items outstanding
- bank reconciliations had unexplained variances.

We also raised matters relating to on-line banking systems used for electronic fund transfers with a number of concerns surrounding access and authorisation privileges to on-line systems and that bank transfer interface files could be altered.

Revenue and receivables (6%)

Matters raised in this area included inadequate accounting for admission charges for general public admittance at attractions. This was raised at three State entities. In addition we noted:

- absence of independent reconciliations over cash collections
- incorrect treatment of GST and lack of GST reconciliations
- irregularity in pricing and record keeping
- incorrect financial instrument and accounting classifications
- deficiencies in controls over credit notes.

IT security and application policy

It was noted that a number of matters were raised in relation to IT security and application policy in relation to a multiple of entities. The matters included:

- network and application password parameter settings that did not meet industry best practice
- accounting system passwords were being shared
- a lack of policies or guidelines for accounting applications
- did not have appropriate IT security policies
- did not have a disaster recovery and/or back up strategy or policy
- no security logs or review of logs on a regular basis
- no formalised process for access maintenance, including new, termination or modification of access rights
- masterfiles in applications could be modified without review
- staff have access rights which are not compatible with their duties.

It is suggested that State entities need to review their IT security policies and controls on a regular basis to ensure that the IT risks and demands of the business are met.

Other matters

Other matters included:

- non-compliance with the *Local Government Act 1993* and Ministerial Orders[3]
- financial and accounting policies out of date or do not exist
- late submission of financial statements
- issues arising from 2012-13 annual report reviews
- risk registers and management frameworks not current.

[3] Auditor-General's Report No. 7 of 2014-15 tabled in February 2015.

GRANT ACQUITTAL AUDITS

SNAPSHOT

- The Auditor-General was responsible for the audit of over 140 grant acquittal financial statements during 2013-14. These audits were carried out in addition to audits of the annual financial statements of State entities.
- In all cases unqualified audit opinions were issued indicating that acquittal financial statements were, in all material respects, presented in accordance with specified requirements.

INTRODUCTION

In addition to audits of the financial statement of State entities, we also perform various grant acquittal audits. The purpose of these audits varies depending on the terms of each funding agreement although they are normally aimed at giving fund providers a reasonable level of assurance that:

- funding was expended in accordance with the funding agreement
- the acquittal report is prepared, in all material respects, in accordance with specified financial reporting requirements
- the acquittal report presents fairly the financial transactions for the program.

AUDITS COMPLETED

Acquittals

In the 2013-14 year we issued in excess of 140 audit opinions for grant acquittal financial statements. Examples were:

- Roads to Recovery Program funding received by local government councils
- local government Digital Hubs programs administered by the Australian Government Department of Communications
- projects such as Swift Parrot, Historical Shipwrecks, Save the Tasmanian Devil, Maintaining Australia's Biodiversity Hotspots, Tasmanian Wilderness World Heritage Area, Fox Free Tasmania, Eradication of Rabbits and Rodents on Macquarie Island, and the Aboriginal Trainee Ranger Programs for which funding was received by the Department of Primary Industries, Parks, Water and Environment from the Australian Government
- Residential Aged Care and Home and Community Care audits for the three Tasmanian Health Organisations
- Water Metering Tasmania program finalised on 27 June 2014.

In all cases unqualified audit opinions were issued indicating that acquittal financial statements were being, in all material respects, presented in accordance with specified requirements.

BASIS FOR SETTING AUDIT FEES

SNAPSHOT

- Fees, and the accountable authority liable to pay the fee, for financial audits are determined by the Auditor-General pursuant to section 27 of the *Audit Act 2008* (the Audit Act).
- The basis for setting fees is to be described in a report to Parliament dealing with the results of financial audits of State entities. This Chapter fulfils that requirement.
- Fees are set for each State entity commensurate with the size, complexity and risks of the engagement.
- Charge rates are based on the principle of the Office being able to recover its costs of operation. Charge rates consist of two parts, direct salary cost and overhead recovery.
- Fees are determined on the basis of no material change to State entities' operations or other factors affecting engagement risk.
- Where circumstances surrounding the engagement have materially changed, additional audit fees may be sought from the State entity.
- A matrix (audit fee scale) has been developed to provide a guide for determining the expected time to be taken on an audit. The level of fee, and any change, experienced by individual State entities may vary according to local circumstances and the risks each entity faces.
- In certain circumstances, we may need to use staff with specialist skills in order to review specific local issues. Where this is the case, it can result in higher costs being incurred which may be added to the fee determined by the Auditor-General.
- For 2014-15 financial year audits, the adjustment to fees was nil for General Government Sector entities and 2.0% for the remaining entities. The 2% increase was based on the Consumer Price Index (Hobart All Groups) percentage change for the previous year ending 30 June minus 30%. This was consistent with a commitment to limit fee increases.

BACKGROUND

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 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.

DETERMINATION

We have determined that an audit fee will be charged for the audits of the financial statements of all State entities other than the University of Tasmanian Foundation Inc., and Anzac Day Trust.

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 we assign 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.

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 consist of two parts, direct salary cost and overhead recovery. Direct travel time and costs attributable to each audit are billed separately and do not form part of our charge rates.

BASIS OF FEES

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
- the standard period-end general ledger reconciliations will be available at the commencement of our year-end audit
- assistance for our staff will be provided with respect to reasonable requests for additional schedules and analysis throughout the audit
- agreed timetables will be met within reason, particularly with regards to the preparation of the financial statements
- the financial statements presented for audit are complete and do not require on-going changes/adjustments
- additional work (including 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
- the nature of the entity's business and scale of operations will be similar to that of the previous financial year
- fees incorporate financial statement disclosure and other specific audit-related advice.

ADDITIONAL AUDIT FEES

If the circumstances outlined under the section headed "Basis of Fees" change in a year, we would seek additional fees from the entity. Any future impact of agreed additional fees would be assessed in terms of the on-going audit fee.

ADJUSTMENT TO FEES

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 effort on our part
- unavoidable increases in costs of maintaining our Office.

There may also be circumstances where, based on our assessment of size, complexity and risks of the engagement, our fees may be reduced. Fees may also take into account our assessment of the relevance to our audits of work conducted by internal auditors.

In all cases, fees are communicated to each accountable authority prior to audit commencement or during the planning phase. For 2014-15 financial year audits the adjustment to fees was nil for Government Sector entities and 2.0% for the remaining entities. The 2.0% increase was based on the Consumer Price Index (Hobart All Groups) percentage change for the previous year ending 30 June minus 30%.

TRANSPARENCY OF INDIVIDUAL AUDIT FEES

We have chosen to make the fee setting process for individual State entities transparent especially for first time audits. As a consequence, our staff are now required to explain:

- 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
- what specific actions the client could take to reduce the level of its audit fee in the future
- the processes for agreeing additional fees if circumstances change or the assumptions upon which the fee is based are not met.

AUDIT FEE SCALES

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:

- The size of the entity based on its expected gross turnover. This was used to determine the base amount of time required to conduct the audit. Turnover was based on the client's actual income and expenditure for the preceding financial year, adjusted for any known factors (Fixed element).
- The risk and complexity profiles for each entity determined by our staff. These profiles include the corporate structure, complexity of systems, operations and financial statement reporting requirements. The time bands applied range from 40 per cent below to 40 per cent above the base time (Variable element).

The fee scales take account of:

- changes to Australian Auditing or Accounting Standards
- in some cases, particularly audits returning from contract, a change in scope of work being performed in line with our audit approach whereby selected probity matters will be considered during the course of all audits.

Fee scales are as follow:

Turnover*	Base Hours	Variable Component
<$100 000	15	+/-40%
$101 000 to $1.5m	30	+/-40%
$1.5m to $10m	100	+/-40%
$10m to $55m	155	+/-40%
$55m to $121m	270	+/-40%
$121m to $200m	460	+/-40%
$200m to $410m	610	+/-40%
$410m to $1bn	830	+/-40%
>$1bn	1 350	+/-40%

** 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.

FEE SETTING

It is emphasised that the fee scales only provide a framework within which we set the actual fees charged to individual State entities.

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 in discussion between our staff and entity management, to reflect our assessment of risk and the extent and complexity of the audit work required.

SKILL-RELATED FEE SCALES

In certain circumstances, we may need to use staff or contractors with specialist skills in order to review specific local issues. Where this is the case, it can result in higher costs being incurred. In these circumstances, the fee to be charged will be determined in discussion between our staff and entity management and will reflect the size, complexity or any other particular difficulties in respect of the audit work required.

ADDITIONAL AUDIT WORK

In carrying out additional audit work, including government grant acquittals and other similar returns, we will recover, in respect of such work, an amount that covers the full cost of the relevant work undertaken.

The actual fees to be charged will be determined in discussion between our staff and entity management to 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.

AUDITS DISPENSED WITH

SNAPSHOT

- Auditor-General has the authority to dispense with the audits of State entities.
- Auditor-General must consult with the Treasurer prior to such dispensation.
- Audits are dispensed with on the condition that they have demonstrated appropriate financial reporting and alternative audit arrangements.
- In 2013-14, 42 (2012-13, 36) audits were dispensed with.

INTRODUCTION

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 conditions determined by the Auditor-General who has imposed the following conditions:

- that the entity must demonstrate to us that its financial reporting and auditing arrangements are appropriate. To satisfy this condition, the dispensed with audit entities are required to submit their audited financial statements to us each year. The financial statements are reviewed and, where necessary, feedback on information presented in the financial statements is provided to the entity or
- that the entity is a subsidiary of a State entity and its financial transactions and balances are audited as part of the preparation of the consolidated financial statements of the controlling entity or
- grants made to a category of entities are properly managed under Treasurer's Instruction 709 *"Grant Management Framework"* (discussed further under the heading 'Categories of audits and Non-Government Organisations' later in this Chapter).

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.

The Audit Act also requires the Auditor-General to consult with the Treasurer before exercising the power to dispense with audits. Following consultation with the Treasurer, the audits of the annual financial statements of the following specific audits or categories of audits were dispensed with:

SPECIFIC AUDITS

Controlled subsidiaries – year ended 30 June 2014 (controlling entity shown in brackets)

- Auroracom Pty Ltd (Aurora Energy Pty Ltd)
- Bell Bay Pty Ltd (Hydro Tasmania)
- Bell Bay Three Pty Ltd (Hydro Tasmania)
- Devonport Maritime & Heritage Authority (Devonport City Council)
- Ezikey Group Pty Ltd (Aurora Energy Pty Ltd)
- Flinders Island Ports Corporation Pty Ltd (Tasmanian Ports Corporation Pty Ltd)
- Heemskirk Holdings Pty Ltd (Hydro Tasmania)
- Heritage Building Solutions Pty Ltd (Southern Midlands Council)
- Heritage Education & Skills Centre Pty Ltd (Southern Midlands Council)
- HT Wind Developments Pty Ltd (Hydro Tasmania)
- HT Wind New Zealand Pty Ltd (Hydro Tasmania)
- Hydro Tasmania Consulting (Holding) Pty Ltd (Hydro Tasmania)

- Kingborough Waste Services Pty Ltd (Kingborough Council)
- King Island Ports Corporation Pty Ltd (Tasmanian Ports Corporation Pty Ltd)
- Lofty Ranges Power Pty Ltd (Hydro Tasmania)
- Metro Coaches (Tas) Pty Ltd (Metro Tasmania Pty Ltd)
- Newood Holdings Pty Ltd (Forestry Tasmania)
- Newood Energy Pty Ltd (Newood Holdings Pty Ltd)
- Newood Huon Pty Ltd (Newood Holdings Pty Ltd)
- Newood Smithton Pty Ltd (Newood Holdings Pty Ltd)
- RBF Property Pty Ltd (Retirement Benefits Fund Board)
- RBF Direct Pty Ltd (Retirement Benefits Fund Board).
- RE Storage Project Holdings Pty Ltd (Hydro Tasmania)
- Schools Registration Board (Department of Education)
- Woolnorth Bluff Point Holdings Pty Ltd (Hydro Tasmania)
- Woolnorth Studland Bay Holdings Pty Ltd (Hydro Tasmania).

Foreign subsidiaries – Year Ended 30 June 2014 (controlling entity shown in brackets)

For these entities the Auditor-General is not the auditor and, therefore, there is no dispensation. However, the financial results are audited as part of the consolidation process:

- Hydro Tasmania Consulting India Private Limited (Hydro Tasmania)
- Hydro Tasmania South Africa (Pty) Ltd (Hydro Tasmania)
- Hydro Tasmania Neusberg (Pty) Ltd. (Hydro Tasmania).

Drainage trusts – Year Ended 30 June 2014

- Egg Lagoon Drainage Trust
- Elizabeth Macquarie Irrigation Trust
- Forthside Irrigation Water Trust
- Lake Nowhere-Else Dam/Whitehawk Creek Irrigation Trust
- Lawrenny Irrigation Trust
- Mowbray Swamp Drainage Trust
- Richmond Irrigation Trust.

Drainage trusts – year ended 30 June 2013

- Britton's Swamp Drainage Trust
- Britton's Swamp Water Board
- Togari Drainage Trust.

Other boards and authorities - year ended 30 June 2014

- Tasmanian Pharmacy Authority
- Tasmanian Timber Promotion Board.

Controlled subsidiaries – year ended 31 December 2014 (controlling entity shown in brackets)

- Sense-Co Tasmania Ltd (University of Tasmania)
- UTASAT Pty Ltd (University of Tasmania).

Other boards - year ended 31 December 2014

- Board of Architects.

Categories of audits and non-government organisations

The definition of State entities may encompass public bodies and Non-Government Organisations that traditionally are in receipt of Government grants. Agencies managing these grants are subject to the provisions of Treasurer's Instruction 709 – *"Grant Management Framework"*.

Compliance with the requirements of Treasurer's Instruction 709 should ensure appropriate reporting and auditing requirements are satisfied. It is our intention to keep the status quo, that is, those agencies dispensing the funds will be responsible for implementing and monitoring the requirements of the above Treasurer's Instruction.

As a result, separate audits of these entities were not conducted by our Office and we have not specifically dispensed with each of these audits.

Entities the audits of which were dispensed with in the past but where dispensation is now being reconsidered

As indicated in the introductory section of this Chapter, audits are dispensed with on the condition that the entity must demonstrate to us that its financial reporting and auditing arrangements are appropriate. To satisfy this condition, the dispensed with audit entities are required to submit their audited financial statements to us each year. To date we have not received audited financial statements from the entities listed below for the year ended 30 June 2014, as a result of which dispensation is being reconsidered:

- Britton's Swamp Drainage Trust
- Britton's Swamp Water Board
- Togari Drainage Trust
- Tasmanian Timber Promotion Board.

DEVELOPMENTS IN FINANCIAL REPORTING AND AUDITING

SNAPSHOT

- Affecting government businesses, the Department of Treasury and Finance issued in December 2014 revised Guidelines for Director and Executive Remuneration. The revised Guidelines establish better practice principles and approval procedures for remuneration and employment arrangements for chief executive officers, other senior executives and directors, as well as additional disclosures.
- Budgetary reporting in annual financial statement now applies to all General Government Sector not-for-profit entities included in the State budget.
- Entities that have entered into arrangements with subsidiaries or joint entities, or who are not sure of whether or not these arrangements apply, need to familiarise themselves with new and proposed accounting standards referred to in this Chapter.
- Standards setters are finalising new standards, or developing exposure drafts, dealing with:
    - Related Party Disclosures for Not-for-Profit Public Sector Entities standard
    - Reporting Service Performance Information exposure draft anticipated in July 2015
    - Revenue standard issued on 12 December 2014
    - Revenue exposure draft on implications for the not-for-profit sector expected to be issued in quarter 2 of 2015
    - Service Concession Arrangements: Grantor – exposure draft expected to be issued in quarter 2 of 2015
    - Leases standard scheduled to be issued in quarter 2 of 2015.

FINANCIAL REPORTING IN 2014-15

For the 2014-15 financial reporting period, there are very few changes to reporting requirements in the public sector. The majority of changes have been available for some time now, well documented and should not pose any real impediment. There are also a number of other accounting standards and amendments not discussed below that will become progressively effective over current and future reporting periods.

For example, changes to AASB 9 *Financial Instruments* include various classification, measurement, impairment and hedge accounting changes. Once completely phased in, AASB 139 *Financial Instruments: Recognition and Measurement* will be withdrawn.

Entities are encouraged to monitor and consider implementation of reporting requirements to ensure smooth transition. Those developments of significance for reporting in 2014-15 are outlined below.

Government businesses – revised director and executive remuneration disclosures

In December 2014 the Department of Treasury and Finance (Treasury) issued revised Guidelines for Director and Executive Remuneration. The Guidelines establish better practice principles and approval procedures for:

- setting Chief Executive Officer remuneration and employment arrangements
- setting other Senior Executive remuneration and employment arrangements
- disclosure of remuneration packages for Directors and Senior Executives in Tasmanian Government Businesses.

The revised disclosure arrangements are designed to be consistent with the framework applying to disclosing entities under the Section 300A of the *Corporations Act 2001*, which requires inclusion of specific information relating to remuneration of key management personnel. This approach is consistent with ensuring a high level of accountability and transparency.

Disclosure to the Shareholding Minister and in annual financial reports must be consistent with the template approved by Treasury and available from the downloads section of our website.

All Government Businesses will need to consider the application of the Guidelines and prepare revised note disclosures for their 30 June 2015 financial statements.

Consolidations and similar transactions

The following standards encompassing consolidation are now applicable for all entities, including not-for-profits:

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 127 *Separate Financial Statements*
- AASB 128 *Investments in Associates and Joint Ventures*.

These standards introduce broader concepts of control and outline the accounting requirements for consolidated entities, joint arrangements and "off balance sheet" entities.

Entities with any of the above associations are reminded to review their relationships and arrangements well before their year end.

Budgetary reporting

Australian Accounting Standard AASB 1055 *Budgetary Reporting* is now applicable for annual reporting periods beginning on or after 1 July 2014. The objective of the standard is to specify budgetary disclosure requirements for the whole of government, General Government Sector (GGS) and not-for-profit entities within the GGS of each government. In Tasmania, budgetary reporting has been operating for some time now for all government entities reporting under the *Financial Management and Audit Act 1990* and applying Treasurer's Instruction 206 *Presentation of Annual Financial Statements*.

The following Statutory Authorities within the GGS that report under their own legislation, will now also be required to report detailed budgetary information:

- Inland Fisheries Service
- Marine and Safety Tasmania
- Royal Tasmanian Botanical Gardens
- State Fire Commission
- TasTAFE.

AASB 1055 requires:

- disclosure of an entity's original budgeted financial statements
- explanation of major variances between the actual amounts presented in the financial statements and the corresponding original budgeted amounts
- disclosure of the budgeted information on the same presentation and classification bases adopted in the financial statements.

The explanations of major variances required to be disclosed are those relevant to an assessment of the discharge of accountability and to the analysis of performance of an entity. They include high-level explanations of the cause and qualitative factors of major variances rather than merely the nature of the variance.

Comparative budgetary information in respect to the previous reporting period is not required to be disclosed.

All significant changes arising from these and other general improvements issued by Treasury or the Australian Accounting Standards Board for the 2014-15 reporting period will be considered for illustration in the Local Government Model Financial Report prepared by us and in the Model Departmental Financial Statements prepared by the Treasury. All State entities are encouraged to review the impact of these changes as they apply to them.

The following is an example Budgetary Reporting note. It presents a Statement of Comprehensive Income with appropriate qualitative and quantitate disclosures to explain material variances to users.

Note 5: Explanations of material variances between budget and actual outcomes

The following are brief explanations of material variances between Budget estimates and actual outcomes. Variances are considered material where the variance exceeds the greater of 10% of Budget estimate and $10 000[4].

Statement of Comprehensive Income

	Notes	Budget	Actual	Variance	Variance	Ref
		$'000s	$'000s	$'000s	%	
Income						
Revenue from government	2.10(a), 3	3 150	3 526	376	11.9%	**(a)**
Commonwealth grants	2.10(b), 4	1 760	1 550	(210)	(11.9)%	**(b)**
Sale of goods and services	2.10(c,) 5	520	511	(9)	(1.7)%	
Fees and charges	2.10(d), 6	125	121	(4)	(3.2)%	
Interest revenue	2.10(e), 7	85	95	10	11.8%	**(c)**
Contribution received	2.10(f), 8	100	105	5	5.0%	
Other revenue	2.10(g), 9	102	126	24	23.5%	**(d)**
Total Revenue and Other Income from Transactions		**5 842**	**6 034**	**192**	**3.3%**	
Expenses						
Employee benefits	2.11(a), 10	2 400	2 885	485	20.2%	**(e)**
Depreciation and amortisation expense	2.11(b), 11	1 750	1 825	75	4.3%	
Supplies and consumables	2.11(c), 12	785	650	(135)	(17.2)%	**(f)**
Grants and subsidies	2.11(d), 13	250	377	127	50.8%	**(g)**
Finance costs	2.11(e), 14	115	108	(7)	(6.1)%	
Other expenses	2.11(f), 15	55	63	8	14.5%	
Total Expenses from Transactions		**5 355**	**5 908**	**553**	**10.3%**	
Net Result from Transactions		**487**	**126**	**(361)**	**(74.1)%**	
Other Economic Flows included in Net Result						

[4] Set at this amount for illustrative purposes only. State entities should establish appropriate thresholds.

Notes to Statement of Comprehensive Income variances

References

a. Revenues from government included an additional $0.350m for the provision of meeting employee departure payments which were not previously budgeted.

b. Commonwealth grants were lower than budgeted due to savings in the roll-out of services for the widget project, $0.250m, and the Commonwealth decision to postpone the "It's Time" redevelopment project, $0.185m.

c. Interest revenue increased due to a combination of a 10% increase in outstanding client accounts combined with a 2.5% increase in overdue fees. Overdue fees are charged on accounts 90 days past due and do not have established repayment plans in place.

d. The increase in other revenues was due to the unscheduled sale of surplus minor plant and equipment, $0.320m, following an office relocation.

e. Employee benefits expenses increased mainly due to the payout of entitlements for departing staff, $0.350m, combined with the effect of a 2.5% award increase back dated from 1 April 2014.

f. Supplies and consumables declined following a policy change to cease publishing all annual "Divisional Outcome Reports" and only making them available electronically. Savings from publishing totalled $0.112m with the remainder a result of a general reduction in consumables.

g. Grants and subsidies were higher than budgeted due to an unplanned reduction in the "Please Help" eligibility threshold, a 5% increase in the "Please Help" subsidy amount and a one-off grant of $0.100m earlier than schedule to Merry Men Tasmania Inc. for rural community work with the poor.

Looking further forward

Progressively over future reporting periods, there are a number of new accounting standards that will become effective for the first time. State entities are encouraged to monitor and consider implementation of reporting requirements over the next few reporting periods to ensure smooth transition. The following is a selection of pertinent standards/projects with a high-level overview. More information can be obtained from the AASB's website.

Related party disclosures for not-for-profit public sector entities

The AASB previously resolved in 2012 that the requirements in AASB 124 *Related Party Disclosures*, for the disclosure of the remuneration of key management personnel (KMP), should also apply to not-for-profit public sector entities. Following extensive research, consultation and an Exposure Draft process, an amending standard AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* was issued on 1 April 2015. The amending standard removed the exemption from AASB 124 for not-for-profit public sector entities. Consistent related-party disclosures will now apply to the Australian Government, State Governments, local councils and other not-for-profit public sector entities for annual reporting periods beginning on or after 1 July 2016.

The amending standard includes a variety of examples involving departments, Ministers, universities and councils. A major focus is on identifying and disclosing transactions with KMP occurring outside the person's capacity as an ordinary taxpayer, or transactions involving a benefit not available to the general public. Affected entities will need to be proactive in designing procedures and systems to capture all relevant information. With application prospective, comparative information will not be required in the first year of application.

Service performance reporting - not-for-profit entities

Following international developments, the AASB is developing a standard requiring all not-for-profit entities to report service performance information that is useful for accountability and decision making. An Exposure Draft is expected to be released for comment in July 2015.

For further information on this topic refer to the Reporting Key Performance Indicators Chapter in this Volume.

Revenue from contracts with customers

Following the International Accounting Standards Board's (IASB) release of IFRS 15 *Revenue from Contracts with Customers* in May 2014, the AASB issued the corresponding AASB 15 *Revenue from Contracts with Customers* on 12 December 2014.

AASB 15 applies to annual reporting periods beginning on or after 1 January 2017 with early adoption permitted. It replaces AASB 111 *Construction contracts*, AASB 118 *Revenue* and five other revenue-related interpretations.

The core principle of the standard is that an entity will only recognise revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Entities will need to apply a five-step model to determine when to recognise revenue, and at what amount.

The standard will require retrospective application but the transitional requirements allow two alternative retrospective application methods. The lengthy period before application reflects the fact that the standard's new rules are likely to have significant impacts on a wide range of organisations. Entities are encouraged to prepare early in anticipation by:

- establishing a complete and accurate register of contracts
- considering potential changes that may be required to revenue recognition
- considering whether changes need to be made to the organisation's IT systems and recording and recognition of revenue transactions
- considering forecast budgetary impacts
- planning appropriate training for affected staff
- discussing concerns about the impact of the proposed requirements with financial advisors and/or auditors
- considering impacts before entering into new contracts.

Implications for not-for-profit entities

The AASB's work program includes a project developing an exposure draft aimed at financial reporting of revenue received by not-for-profit (NFP) entities. This is referred to here as the Income from Transactions of Not-for-Profit Entities project (the project). In any event:

- AASB 15 will apply to contracts entered into by NFP entities that have reciprocal transactions
- AASB 1004 *Contributions* will continue to apply to non-reciprocal transactions until the project is completed.

Indications are that, for the NFP sector, revenue recognition, either immediate or deferred, will depend upon an assessment of any associated performance obligations and whether they are "sufficiently specific" in respect of any promises involved. Thus appropriations and general purpose grants received without conditions would continue to be recognised as income when the entity receives or becomes entitled to receive the funds. Transactions that require the fulfilment of promises, obligations or certain events will require further consideration and possibly dissection to determine when revenue recognition will occur.

An Exposure Draft and accompanying implementation guidance inviting public comment is expected to be issued in quarter 2 of 2015.

Service concession arrangements: Grantor

Public sector entities (grantors) often enter into contractual service arrangements to engage private sector businesses to design, finance and build infrastructure for the delivery of public services and to provide operational/management services, often termed public, private partnerships or PPPs. These are commonly referred to as "service concession arrangements". To ensure consistent and comparable reporting of such arrangements by grantors, the AASB has been reviewing international standards to determine suitable adoption in Australia.

At AASB's February meeting the Board tentatively reaffirmed its earlier decision to apply a control or regulation approach mirroring that of AASB Interpretation 12 *Service Concession Arrangements* (which applies to grantees, not grantors). This provides for both the operator and grantor to use the same principles in recognising their arrangement.

The adoption of the AASB's proposed approach will result in the earlier recognition of assets and liabilities on a grantor's balance sheet than under the risks and rewards approach currently adopted.

While such arrangements are not prevalent in Tasmania, entities contemplating service concessional arrangements will need to consider their reporting requirements and impacts. An Exposure Draft is targeted for issue in quarter 2 of 2015

Leases

The IASB and Financial Accounting Standards Board (FASB) have been engaged for some time now in a joint project to develop a new single approach to lease accounting. The project aims to establish principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing and uncertainty of cash flows arising from a lease. The most significant of these principles, with the exception of lease terms less than 12 months, is the possible recognition of leased assets and liabilities on the balance sheet. Following responses received on a revised exposure draft, this project is currently nearing finalisation. A standard is scheduled for release in the second half of 2015.

DEVELOPMENTS IN FINANCIAL AUDITING

Using the work of a management's expert

The Auditing and Assurance Standards Board recently issued Guidance Statement GS 005 *Using the Work of a Management's Expert*, for the purpose of providing guidance to auditors and assurance practitioners.

It increases the requirements for auditors in all areas involving the use of experts. In most situations additional documentation will be required of auditors as they go about assessing management's expert, assessing the situation, assumptions and methods, evaluating the outcomes and considering information to be used as audit evidence. Application applies equally to internal or external experts. It replaces GS 005 *Using the Work of an Actuary* and is more inclusive of experts used by management.

Entities that involve the use of experts in the determination of amounts or other information included in their financial reports may see an increase in audit activity in such areas. This may include more in-depth discussions with management, experts or those charged with governance.

The new auditor's report

The International Auditing and Assurance Standards Board (IAASB) has recently issued new and revised International Auditing Standards in relation to auditor reporting. Following calls from investors and other users, the IAASB's auditor report project culminated with more detailed and informative requirements, enhancing the communicative value of the auditor's report.

While IAS 700 *Forming an Opinion and Reporting on Financial Statements*, is the overarching standard, it is complemented by a variety of others to deal with a range of other aspects. One of the most prominent of these is IAS 701 *Communicating Key Audit Matters in the Independent Auditor's Report*, which, as the name suggests, includes a new section to communicate key audit matters (KAM).

KAM are those matters that, in the auditor's judgement, were most significant in the audit of the current period's financial statements. Communicating KAM will provide users with previously unknown information. It applies to audits of complete sets of general-purpose financial statements of listed entities and circumstances when the auditor otherwise decides to communicate KAM in the auditor's report.

Figure 3 outlines the overarching standard and conforming amendments that all come into effect at the same time.

Figure 3: Overarcing standard for auditor reporting

Source: IAASB The New Auditor's Report

The final standard noted above, IAS 720 *The Auditor's Responsibility Relating to Other Information*, is the last of the series. This standard raises the bar for auditors, requiring them to "remain alert" for material inconsistencies in other information. "Other information" is defined as including both financial and non-financial information in an annual report. Auditors will thus be required to conduct an "intelligent read" of the whole annual report, mindful of audit evidence obtained and conclusions reached during the course of the audit. The outcome of the auditor's review is then required to be disclosed in an "other information" section of the new auditor's report. This imposition upon auditors applies regardless of whether the other information is obtained prior to or after the date of the auditor's report.

The IAASB's auditor reporting standards and amendments are effective for periods ending on or after 15 December 2016. In Australia the Auditing and Assurance Standards Board's (AUASB) work program includes monitoring of IAASB's auditor reporting series of standards. The AUASB aims to release a single public exposure draft including the greater part of standards under revision for comment in May to June. Exposure drafts for those remaining standards will then follow. Once finalised, the auditor reporting standards in Australia will also be effective for periods ending on or after 15 December 2016.

In anticipation of this change, our annual "Auditor-General's Reports" include details of risk factors taken into account in audits and we may apply the new standard in future years.

Using the work of internal auditors

In November 2013 the AUASB issued a revision of ASA 610 *Using the Work of Internal Auditor*s, operative for financial reporting periods commencing on or after 1 January 2014. The new ASA 610 substantially revises its predecessor of the same name to reflect recent developments in the internal auditing environment and provide a more robust framework for the evaluation and, where appropriate, use of the work of the internal audit function by the independent external auditor.

The standard provides for a higher degree of professional judgement by external auditors in evaluating the internal audit function itself, as well as work performed. It highlights the need for the external auditor to make significant judgements, having sole responsibility for the audit opinion expressed. For circumstances with a higher assessed risk of material mis-statement and more judgement involved, it encourages the external auditor to perform more work directly and rely less on the internal audit function.

While there is conjecture internationally on the use of internal auditors to provide direct assistance, this is categorically prohibited in our jurisdiction under ASA 610.

Entities with active internal audit functions may find their external auditor enquiring more about their operating characteristics, plans and governance relationships, and potentially less reliance by external audit in areas assessed as higher risk.

Standards on assurance engagements

The AUASB continues to formulate and maintain other auditing and assurance standards in the ever evolving field of assurance services. Following international developments in the prior year, the AUASB issued the overarching standard for assurance engagements, ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. It is a more robust standard in that it contains clear objectives, more detailed requirements and application material for planning, performing and reporting on a limited or reasonable assurance engagement. It provides a framework to enable consistent high-quality engagements, while being sufficiently flexible to apply to a broad range of relevant engagements. ASAE 3000 became operable for all new engagements commencing after 1 January 2015.

In January this year the AUASB issued ASAE 3150 *Assurance Engagements on Controls*. It provides requirements and application and other explanatory material for the acceptance, planning, conduct and reporting for assurance engagements on controls. ASAE 3150 applies to both reasonable and limited assurance engagements, as well as both direct engagements, where the assurance practitioner evaluates the controls, and attestation engagements. Unlike many other assurance engagement standards, ASAE 3150 was developed in Australia and has no international equivalent. ASAE 3150 is operative for assurance engagements commencing on or after 1 January 2016, with early adoption permitted.

As part of the AUASB's overall review of all Assurance Standards, it is also currently revising:

- ASAE 3100 *Compliance Engagements*
- ASAE 3500 *Performance Engagements*.

Completed standards are expected to be issued later this year.

OTHER GUIDANCE

Superannuation Guarantee Levy

In line with the 2013 Federal Budget, the Superannuation Guarantee Levy continues to increase progressively to 12% on 1 July 2019. State entities should take into account these changes when estimating and measuring their employee benefits liabilities and expenses for financial reporting and in future budget estimates. The remaining levy increases are as follows:

Date	Levy (per cent)
1 July 2015	10.00%
1 July 2016	10.50%
1 July 2017	11.00%
1 July 2018	11.50%
1 July 2019	12.00%

31 DECEMBER 2014 AUDITS

ANZAC DAY TRUST (the Trust)

SNAPSHOT

- The Trust held a bank balance of $0.004m at 31 December 2014, a decrease of $0.016m mainly due to 2014 including grant payments covering both 2013 and 2014.
- It derived its receipts principally from Section 10 Grants.
- The audit was completed satisfactorily with no major items outstanding.

INTRODUCTION

The *Anzac Day Observance Act 1929* (the Act) legislates for 25 April each year to be observed as a public holiday, known as Anzac Day, in commemoration of serving and ex-service men and women. The Act specifies what activities may or may not occur on Anzac Day including race meetings, retail markets, gaming, sporting events, and public entertainment activities. The Act also creates the Anzac Day Trust, the role of which is to promote the welfare of veterans and their dependents by providing financial assistance through the Anzac Day Trust Fund. In exchange for allowing sporting events, such as race meetings, on Anzac Day, the RSL negotiated that a portion of profits from those race meetings would be provided to the Fund. However it was very rare that Anzac Day race meetings resulted in a net profit. Because of this, the legislation was changed to allow a payment in lieu of the sum derived from race meetings.

The Trust's special purpose financial statement is prepared on a cash basis, which is in accordance with Section 14 of the Act. It reports on a calendar year basis.

The Responsible Minister is the Premier.

AUDIT OF THE 31 DECEMBER 2014 FINANCIAL STATEMENTS

Signed financial statements were received on 16 February 2015, which was three days late, and an unqualified audit report was issued on 19 March 2015.

The audit was completed satisfactorily with no major items outstanding.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

There were no major findings or developments in 2014.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2014	2013
	$'000s	$'000s
Opening Cash Balance	**20**	**4**
Total receipts	23	23
Total payments	(39)	(7)
Closing Cash Balance	**4**	**20**

The decrease in the Closing Cash Balance of $0.016m was primarily due to the Trust's 2013 annual grant payment, totalling $0.017m, being made in January 2014. Consequently, 2014 included grant payments of $0.039m covering both 2013 and 2014. These payments were made to Hobart Legacy Incorporated.

The Trust derived its receipts principally from Section 10 Grants from the Department of Premier and Cabinet. Receipts were consistent with 2013.

THE SOLICITORS' TRUST (the Trust)

SNAPSHOT

- The Trust earned interest revenue $2.600m (2013, $3.015m).
- It distributed $2.320m ($3.671m) to law-related entities.
- Cash balances at 31 December 2014 exceeded the prescribed balance requirements of the Guarantee Fund.
- The Trust disclosed a contingent asset being its share of a settlement, estimated to be between $3.000m to $3.200m.
- The Trust is not responsible for approving or monitoring grants made from the Solicitors' Guarantee Fund. However, it has entered into a grant deed with the Minister for Justice under which it will facilitate recovery of grant funds which are not spent in compliance with grant conditions imposed by the Minister effective from 2015.

The audit was completed satisfactorily with no matters outstanding.

INTRODUCTION

The Solicitors' Trust operates within the *Legal Profession Act 2007* (the Act). The Trust consists of three Trustees appointed by the Governor, including two legal practitioners nominated by the Law Society and a recognised accounting professional nominated by the Minister. Its function is to administer and manage the Solicitors' Guarantee Fund (the Fund). The primary purpose of the Fund is to provide compensation to clients of legal firms for the loss of money or other property held in trust as a result of default in specified circumstances.

The Fund is utilised for operations prescribed under the Act including operation of the Legal Profession Board and the Disciplinary Tribunal, compensation of claimants, administration and for any other purpose approved by the Minister.

Monies deposited into the Fund include:

- interest earned on:
    - statutory deposits made by legal practitioners
    - trust accounts operated by legal practitioners
    - existing cash balances
- monies that remain unclaimed 12 months after the date of an annual publication by the Trust of an advertisement detailing unclaimed money paid by legal practitioners since the previous advertisement.

Statutory Deposits from funds contributed by law firms are in accordance with quarterly calculations prescribed by the Act. These funds are administered, but not owned or controlled by the Trust and are available for recall by the law firms at any time. The Statutory Deposits earn interest which is deposited to the Trust's operating account.

The Trust invests funds in accordance with the *Trustee Act 1898* and applies income arising from funds invested to meet operational expenses and to maintain the Fund. The Fund is currently required to be maintained at a minimum of $5.500m. The Trust is required to advise the Minister if the Fund exceeds the minimum, prescribed amount, and the Minister may then invite law bodies, such as the Legal Aid Commission of Tasmania, Legal Profession Board or any other law-related entity to make application for a grant of money from the surplus in the Fund.

The Responsible Minister is the Attorney-General/Minister for Justice

AUDIT OF THE 31 DECEMBER 2014 FINANCIAL STATEMENTS

Signed financial statements were received on 16 February 2015, which was three days after the statutory reporting deadline. An unqualified audit report was issued on 2 April 2015.

The audit was completed satisfactorily with no matters outstanding.

KEY DEVELOPMENTS

Management of grant payments

Following advice from the Trust that funds exceed the minimum, prescribed amount, the Minister will invite law bodies or any other law-related entity to make application for a grant of money from the surplus in the Fund. These distributions are made under section 361 of the Act.

Information from the Trust states it has no role to play in managing grant payments, because section 361(7) of the Act requires the Trust to comply with a direction from the Minister to apply the Guarantee Fund to pay a grant approved by the Minister and section 361(5) gives the Minister the power to specify conditions under which the Minister makes a grant.

A Grant Deed has been prepared by the Minister in consultation with the Trust for use in relation to future grant payments, commencing in 2015. The Trust is a party to the Grant Deed for the sole purpose of facilitating recovery of grant funds which are not spent in compliance with grant conditions imposed by the Minister.

Under the Grant Deed, the Minister is responsible for monitoring compliance with the Grant Deed terms; the Trust has no standing to do so.

Although not relevant to the Trust, there appear to be weaknesses in the control of grants paid by the Trust. As noted above, the Trust is not responsible for the approval or monitoring of grants. It is our intention to pursue this matter through the Department of Justice.

Contingent asset

The Trust has been pursuing recoupment of compensation paid to investors of a mortgage business operated by a Hobart based law firm, which was wound up in December 2001. The trustee in bankruptcy for six former partners of the law firm will distribute to the Trust an agreed share of proceeds of a settlement obtained from the insurers of the firm. The terms of the settlement were agreed during 2014.

As at 31 December 2014, the settlement was subject to approval by the Federal Court of Australia. The Federal Court made an order approving the terms of settlement on 29 January 2015. The amount which will be received from the settlement is not known with certainty, with costs and expenses of the trustee in bankruptcy not yet determined.

The Trust disclosed a contingent asset of its share of the net proceeds of the settlement, estimated to be between $3.000m to $3.200m. It is expected the settlement will be received during the 2015 year.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2014	2013
	$'000s	$'000s
Income	2 600	3 017
Administration expenditure	150	128
Guarantee fund (income)/expenditure	(67)	192
Section 361 distributions	2 320	3 671
Net Surplus (Deficit)	**197**	**(974)**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Cash	7 872	7 807
Accounts receivable	1 016	999
Accrued interest	447	440
Other assets	0	2
Total Assets	**9 335**	**9 248**
Payables	20	17
Provision for costs	259	372
Provision for guarantee fund claims	0	0
Total Liabilities	**279**	**389**
Net Assets	**9 056**	**8 859**
Total Equity	**9 056**	**8 859**

In 2014 the Trust reported a Net Surplus of $0.197m (2013, Deficit $0.974m). Its income is primarily derived from interest on Statutory Deposits, trust accounts operated by legal practitioners and Trust investment funds. In 2014, interest income decreased by $0.417m due to lower Statutory Deposits, which reduced by $5.051m during 2014, and interest received from the Law Society of Tasmania which administers trust accounts operated by legal practitioners.

The surplus included $2.230m in distributions to law-related bodies and any other person as determined by the Minister, a decrease of $1.351m in 2014. As noted previously, the Trust distributions are prescribed by the Minister. Major distributions included the Legal Profession Board $0.875m ($0.929m), and the Legal Aid Commission, $0.840m ($0.851m).

Excluding the distributions, the Trust's Net Surplus after administration and guarantee fund expenditure was $2.517m (2013, $2.697m).

Total Assets consisted predominantly of Cash and investments, $7.872m (2013, $7.807m) and Accounts receivable (Piggott Wood and Baker Mortgage Fund liquidator's reimbursements), $1.016m ($0.999m). Liabilities at 31 December 2014 consisted primarily of the Provision for costs $0.259m ($0.372m).

At balance date the Trust administered $32.701m (2013, $37.752m) of Statutory Deposits. This balance is dependent upon the level of funds held in trust by legal practitioners. These funds are not controlled by the Trust and are not recognised as balances in the financial statements, but are disclosed by way of note.

TASMANIAN QUALIFICATIONS AUTHORITY (the Authority)

SNAPSHOT

- The Authority continued to report an excess of payments over receipts, which in 2014 amounted to $0.290m. In 2013 the excess payments over receipts was $0.032m.
- Despite the excess payments, at 31 December it had a cash balance of $0.326m.
- The State Government announced in the 2014-15 Budget that the Authority would be abolished during 2015 and a new model established.

The audit was completed satisfactorily with no issues outstanding.

INTRODUCTION

The Authority was established under the *Tasmanian Qualifications Authority Act 1985*. Its functions include providing consolidation statements of qualifications to students, conducting and moderating assessments for senior secondary courses and issuing the Tasmanian Certificate of Education (TCE). The Authority also accredits relevant courses and registers Vocational Education and Training and non-university higher education organisations.

The Responsible Minister is the Minister for Education and Training.

AUDIT OF THE 31 DECEMBER 2014 FINANCIAL STATEMENTS

Signed financial statements were received on 6 March 2015, which was 21 days late, and an unqualified audit opinion was issued on 24 March 2015.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

There were no key findings or developments reported in 2014.

The audit was completed satisfactorily with no issues outstanding.

SUMMARY OF FINANCIAL RESULTS

Statement of Receipts and Payments

	2014	2013
	$'000s	$'000s
Opening Trust Fund Balance	616	648
Government appropriation	3 352	3 483
Other revenue	60	93
Total Receipts	3 412	3 576
Employee expenses	2 686	2 558
Other expenses	1 016	1 050
Total Payments	**3 702**	**3 608**
Excess of Payments over Receipts	**(290)**	**(32)**
Closing Trust Fund Balance	**326**	**616**

The Authority recorded a deficit excess payments over receipts for the first time in 2013 and again in 2014. This was primarily due to an increase in Employee expenses relating to course curriculum development (an additional responsibility identified by the Authority which was not funded by Appropriation) together with further increases in pay rates to casual staff for setting, monitoring and marking external examinations for senior secondary courses.

THEATRE ROYAL MANAGEMENT BOARD (the Board)

SNAPSHOT

- The Board recorded a Net Surplus of $0.155m in 2014, following a surplus in the previous year of $0.050m. This was largely attributed to increased ticket sales.
- At 31 December 2014, the Board's Net Assets totalled $1.508m and its Total Assets were $2.628m. Its most significant asset, Investments of $1.624m, decreased significantly from the prior year balance of $2.244m. This was primarily due to advanced ticket sales of several popular shows in 2013.

INTRODUCTION

The Board was established under the *Theatre Royal Management Act 1986*. Its functions include management of the Theatre Royal (the Theatre) as a place of theatre and performing arts, and to arrange for, organise, and promote performing arts in the Theatre and other places in Tasmania.

The Theatre currently employs six full-time staff, five part-time staff, and a number of casual employees.

The Responsible Minister is the Minister for the Arts.

AUDIT OF THE 31 DECEMBER 2014 FINANCIAL STATEMENTS

Signed financial statements were received on 11 February 2015 and an unqualified audit report was issued on 16 February 2015.

KEY FINDINGS, DEVELOPMENTS AND AREAS OF AUDIT ATTENTION

Two findings were reported and are being addressed by management:

- The term of the lease for land and buildings expired almost a decade ago, resulting in a default month by month arrangement which provides for the option of termination with less than one month's notice. Although considered improbable, a moderate risk remains that the Theatre would be unable to fulfil its schedule commitments should termination of the contract occur.
- A low risk relating to the accounting treatment of casual employees' long service leave obligation was raised with management.

There were no key developments or risks and the audit was completed satisfactorily with no other findings.

SUMMARY OF FINANCIAL RESULTS

Statement of Comprehensive Income

	2014	2013
	$'000s	$'000s
Program revenue	1 269	873
Grants and contributions	361	331
Donations	1	2
Other operating revenue	779	737
Total Revenue	**2 410**	**1 943**
Salaries and operating expenses	2 233	1 871
Depreciation	22	22
Total Expenses	**2 255**	**1 893**
Net Surplus/(Deficit)	**155**	**50**
Comprehensive Surplus/(Deficit)	**155**	**50**

Statement of Financial Position

	2014	2013
	$'000s	$'000s
Cash	334	217
Investments	1 624	2 244
Receivables	182	155
Other	251	96
Total Current Assets	**2 391**	**2 712**
Capital WIP	0	0
Equipment	40	12
Leasehold improvements	197	194
Total Non-Current Assets	**237**	**206**
Payables and other liabilities	934	1 402
Provisions – employee benefits	161	71
Total Current Liabilities	**1 095**	**1 473**
Provisions – employee benefits	25	92
Total Non-Current Liabilities	**25**	**92**
Net Assets	**1 508**	**1 353**
Accumulated surpluses	1 508	1 353
Total Equity	**1 508**	**1 353**

In 2014 the Board recorded a Net Surplus of $0.155m ($0.050m, 2013). The $0.105m improvement from the prior year was largely attributed to higher ticket sales, resulting in performance revenue and salaries and operating expenses increasing from prior year by 45% and 19% respectively.

Net Assets at 31 December 2014 were $1.508m. The major variations in line items in the Statement of Financial Position included a decline in Investments of $0.620m from the prior year, primarily due to cash received in advance for shows not yet performed in the prior year. This resulted in lower advanced ticket sales this year, which was the primary driver behind the $0.468m decrease in Payables and other liabilities.

UNIVERSITY OF TASMANIA (the University or UTAS)

SNAPSHOT

- The University incurred a consolidated Underlying Deficit of $24.621m, an increase in deficit of $15.622m from the 2013 result, and a Total Comprehensive Income of $3.351m.
- Commonwealth funding accounted for 68.6% of total revenue, inclusive of Higher Education Contributions Scheme, investment and capital revenues, in 2014. This exceeded the Commonwealth's benchmark of 65% and exposes the University to the risk of changes in Government policy.
- The University's Operating margin approximated the benchmark of one in 2010 but was below benchmark in each of the following years with the trend line declining.
- The largest component of expenditure for 2014 was Salary related costs, $320.012m, which represented 57.4% of Total Expenses. These costs increased by 6.1% in 2014 reflecting an increase in non-academic FTEs and salary increases, mainly associated with the support of research activities.
- At 31 December 2014, the University's Total Assets were $1.127bn and its Net Assets amounted to $882.309m, an increase of $3.351m from 2013.
- Property, plant and equipment, $688.066m, continued to represent the majority of total assets, comprising 61.03% at 31 December 2014.
- Cash, short and long term investments, $345.712m were also significant, representing 30.7% of total assets at 31 December 2014.
- Cash generated from operations increased strongly which was mainly due to higher Australian Government Grants of $35.840m and increases in Fees and charges of $12.300m. These higher receipts were partly offset by increased Payments to suppliers and employees of $24.506m.

Key developments this year included:

- The University implemented its Student Lifecycle Information Management and Services (SLIMS system), a new student system aimed at transforming the delivery of student and academic administrative services to a client-service model. The program went live on 15 September 2014. A total of $33.553m was capitalised and amortisation commenced from 1 October 2014.
- Construction of 180 self-contained apartments for students at the Newnham Campus, under the National Rental Affordability Scheme (NRAS) was completed at a cost of $17.337m.
- Tasmanian University Union Inc. (TUU) was consolidated into the financial statements for the first time in 2014. Prior year comparative figures were amended to reflect the consolidation.
- International student numbers declined by 223 equivalent full time student load (EFTSL) which was offset by higher domestic EFTSL of 847. Overall full time student load increased by 624.
- There was a 5% increase in FTE staff numbers over the past four years with FTEs increasing from 2 372 to 2 492. In contrast, there was a 15.6% increase in student EFTSL which increased from 16 435 in 2011 to 18 991 in 2014. This included a 2.2% increase in international students over the past four years.

Major variations between the 2013 and 2014 years were:

- Non-Academic Salary costs were $156.662m in 2014, an increase of $19.231m. A number of factors contributed towards the increase including:
    - FTEs increased from 1 351 to 1 433
    - EBA increase of 3%
    - a general increase in individual salaries, linked to restructuring
    - restructure costs of $4.900m.
- Other operating expenses increased by $21.429m in 2014 to $107.514m. The main reasons for this large variation were an increase in scholarship payments, bulk purchase of computer hardware that did not reach the capitalisation threshold, SLIMS operational expenditure and a number of new property leases.
- Payables increased by $19.127m to $44.097m due to capital building contract works being undertaken around the University and an overpayment of CGS/HECS grants of $7.600m required to be repaid to the Commonwealth in 2015.

The audit was completed satisfactorily with the following minor issue noted. A revaluation was performed in 2014 of all land, buildings and artwork. Due to the timing of the valuation, possible change in use of buildings and inconsistencies in how the valuation was performed, the University decided not to use the valuation as it related to land and buildings. The University will finalise the revaluation of land and buildings in 2015.

INTRODUCTION

The University is administered under the provisions of the *University of Tasmania Act 1992*. It relies predominantly on Commonwealth support for its recurring activities.

The Consolidated financial report consisted of the financial statements of the University, being the parent entity, and entities under its control during the financial year. Controlled entities are:

- University of Tasmania Foundation Inc.
- AMC Search Limited
- Tasmanian University Union Inc.
- UTAS Holdings Pty Ltd (which did not operate during 2014)
- Sense-Co Tasmania Pty Ltd
- UTASAT Pty Ltd as trustee for UTAS Asset Trust, which did not operate during 2014 and was deregistered in January 2015.

The Commonwealth Department of Education (CDOE), formerly the Department of Industry, Innovation, Science, Research and Tertiary Education, sets financial reporting guidelines that universities must adhere to. These requirements are consistent with Australian Accounting Standards and UTAS complies with these guidelines and standards.

The University reports on a calendar year basis, hence the financial results relate to the year ended 31 December 2014. The results reported in this Chapter relate to the University's consolidated financial performance.

The Responsible Minister is the Minister for Education and Training.

KEY AREAS OF AUDIT ATTENTION

Description of Area	Audit Approach
Restricted funds Restricted funds include trusts, research grants and other contracts, which are utilised for specified expenditure purposes.	We reviewed and tested expenditure from restricted funds to ensure payments complied with approved purposes.
Long-term investment portfolio UTAS and University of Tasmania Foundation Inc. have a long-term investment portfolio. A professional advisory firm provided advice and administration to assist UTAS in making investing decisions.	We confirmed investments with fund managers and where applicable reconciled the number of units and unit prices at 31 December 2014.
Fund manager valuations The investment portfolio included unit fund investments and the following risks were considered: • valuation of unlisted investment funds are complex and may have underlying assets that are non-transparent • valuation is based on unaudited information • valuation may not be current.	We: • obtained confirmation of units held and unit prices at 31 December 2014 from fund managers for all investments • obtained and reviewed the most current GS 007 report regarding controls over asset management, investment administration and unit registry services • reviewed the most current audited financial report and audit opinion – either 30 June or 31 December • re-calculated the fund's unit price via the most current audited financial statement. **Internal controls** We reviewed UTAS's investment policies, guidelines and controls to confirm there is a strong controls environment and process around: • investment strategies and allocation decisions • the assessment of risks and approach to address those risks • the appointment of investment advisors, custodian and fund managers • review of performance of the investment advisors, custodian and fund managers • transfer of funds • receipt of reports and confirmations.

Description of Area	Audit Approach
	Term deposits • We obtained third party confirmations. **Direct equities** We: • obtained the portfolio valuations at 31 December 2014 • obtained statements for a selection of equities to verify the number of units held • verified unit prices to the Australian Stock Exchange (ASX) at 31 December.
Capital expenditure UTAS had a significant capital works program.	We tested transactions and allocation of expenditure between capital and operating expenditure. In addition we: • verified material capital expenditure • verified capital work-in-progress at year end • reviewed the disclosure of future commitments • ensured the asset register correctly reflected capital expenditure.
Intangible assets The University was in the process of implementing a new student management system, SLIMS.	We reviewed the intangibles asset register and ensured it reconciled to the general ledger. We also reviewed intangibles WIP and the transfer of SLIMS from WIP to a commissioned intangible asset.
Land, building and artwork valuation The University was scheduled to performed a revaluation on all land, buildings and artwork.	We reviewed the artwork valuation and ensured it was accounted for appropriately. No work was performed on the land and building valuation as this was not used in preparing the 2014 financial statements.
Employee benefits and provisions Employee expenses were a significant expenditure item with the University employing 2 410 FTEs (as at 1 January 2014). In addition, the University held material leave entitlement balances (annual and long service leave), which were calculated using accounting estimates and assumptions.	We reviewed and tested key controls over payroll and the accuracy of payroll calculations. We tested the calculation of leave entitlement balances to supporting evidence and reviewed the accounting estimates and assumptions applied by the University.
Staff costs A substantial portion of the University's expenditure related to staff costs.	We obtained a staff FTE report identifying movements within academic and non-academic FTEs to gain an understanding of the increase in salary costs. An analytical review was performed from the data obtained.

Description of Area	Audit Approach
General expenditure The University processed a high volume of payment transactions with a large number of suppliers. In addition, the value of transactions processed was material.	We reviewed and tested material payments. Creditor "cut-off" testing procedures were also applied.

AUDIT OF THE 2014 FINANCIAL STATEMENTS

Financial statements signed by the University Council were received on 13 February 2015 and an unqualified audit report was issued on 6 March 2015.

The audit of the University's financial statements, and those of its subsidiary entities that were subject to audit, were completed successfully.

KEY DEVELOPMENTS

National Rental Affordability Scheme (NRAS) – Borrowings

During 2013 TASCORP approved a ten year unsecured loan of $130.000m to the University. The purpose of this loan was to construct student accommodation under NRAS. The University will construct 770 self-contained apartments at a cost of approximately $118.600m, consisting of:

- Newnham Campus – actual cost $17.337m, 180 units (completed in 2014)
- Hobart CBD – budget $79.913m, 430 units – $11.481m incurred to date, including land purchases, however construction has not yet commenced
- Launceston CBD (Inveresk) – budget $15.650m, 120 units – currently out to tender for works to be completed
- Cradle Coast Campus – budget $4.636m, 40 units – construction phase nearing completion.

At 31 December 2014, the University had spent a total of $31.417m (2013, $14.442m) on these projects. The interest incurred for the year ended 31 December 2014 was $4.770m ($3.937m) and of this $3.791m was capitalised. The University invested the funds drawn down into short and long-term deposits which coincide with the expected cash flows of each project. The funds invested earned interest of $3.961m ($1.966m).

Overdraft facility

The University had an overdraft facility of $50.000m with TASCORP for operational requirements, if needed. Of this facility, $2.000m was used at 31 December 2014.

Student Management System

The SLIMS project, a new system aimed at transforming the delivery of student and academic administrative services to a client service model, which had a budget of $36.900m, was completed and went live on 15 September 2014. A total of $31.553m was capitalised. SLIMS has an expected life of 15 years and was amortised from 1 October 2014.

Consolidation of the Tasmanian University Union Inc.

The University consolidated the TUU for the first time in 2014 because Australian Accounting Standard AASB 10 *Consolidated Financial Statements* came into effect from 1 January 2014, with a new definition of control capturing the TUU for the first time. Comparative figures were updated to reflect the consolidation having an overall effect in 2013 of $0.363m on the Statement of Comprehensive Income and $6.803m on the Statement of Financial Position.

KEY FINDINGS

The audit was completed satisfactorily with no major items outstanding. One minor issue was outstanding, which related to the need for UTAS to complete the revaluation of land and buildings in 2015.

FINANCIAL ANALYSIS

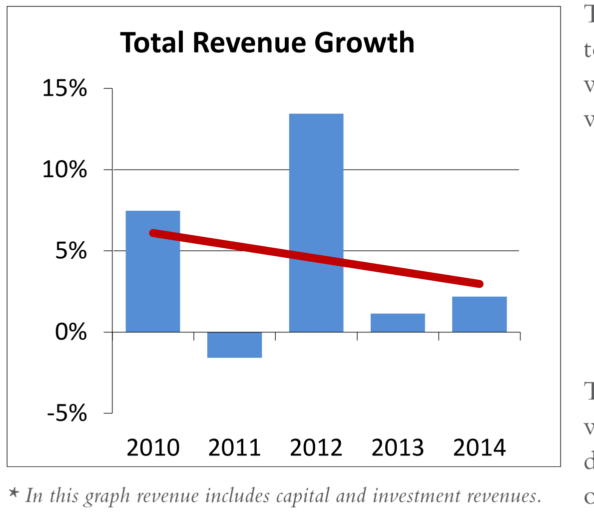
The University incurred a Net Deficit, before taxation and non-operating items (Underlying Deficit), of $24.621m (2013, $8.999m deficit) but a Total Comprehensive Income of $3.351m ($41.754m). The higher Underlying Deficit in 2014 was mainly attributable to increased non-academic salaries of $19.231m, higher other operating expenses of $18.043m and higher restructure costs of $2.985m, offset by revenue increases. Comprehensive Income was $28.049m stronger than the underlying result due to strong investment earnings, capital grants received and an increase in restricted funds earned.

The Underlying Deficit reported by the University's parent entity in 2014 was $17.329m (2013, $4.241m deficit) and was referred to in the audited financial statements as the deficit from 'core activities'. This differs from the Underlying Deficit reported in this Chapter of $24.621m ($8.999m) due primarily to three factors:

- restructure costs, $4.900m ($1.915m), and Commonwealth Grant Scheme and HECS adjustments, $1.862m ($0.631m), both of which we have included as 'core' activities
- our analysis is based on the group position, not the parent (the parent is UTAS).

At 31 December 2014 the University's Net Assets totalled $882.309m, an increase of $3.351m on 2013 being the Comprehensive Income for the year.

The following 11 graphs summarise key ratios highlighting important aspects of the University's financial performance over the past five years. Where applicable, in each graph the benchmark is represented by the black line with the red line being the actual performance trend line and, where relevant, formulae used by CDOE are applied.

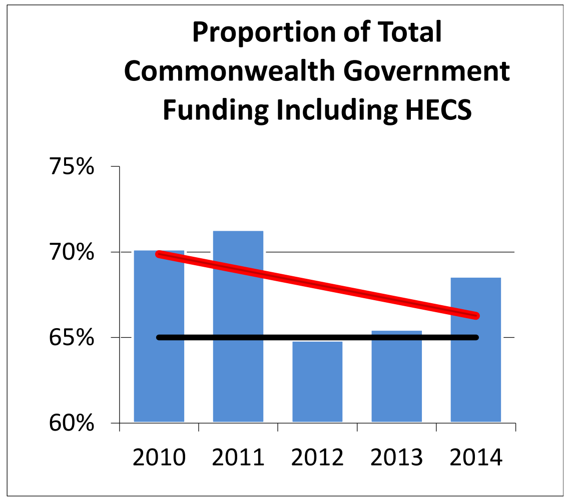


* *In this graph revenue includes capital and investment revenues.*

Total Revenue growth, expressed in percentage terms, was high in 2012 when investment gains were particularly strong. The decline in 2011 was mainly due to:

- lower Australian Government financial assistance for capital funding
- lower Investment revenue due to adverse investment conditions
- total student enrolment growth in 2011 of only 1.1%.

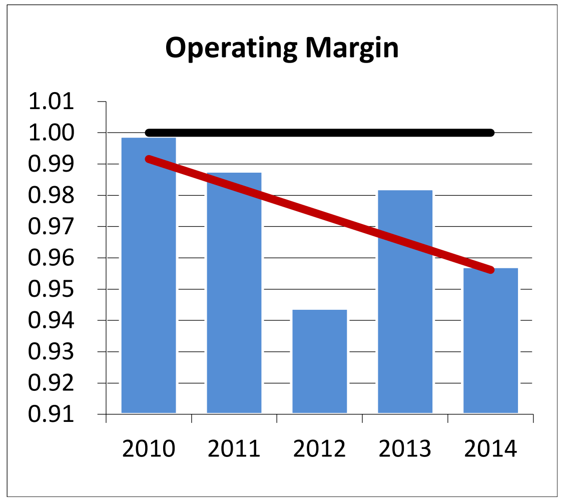
Total Revenue in 2014 was reasonably consistent with 2013, an increase of only 2%. In 2014 a decline in investment and capital revenue was offset by growth in operating revenue.



* *In this graph revenue includes capital and investment revenues.*

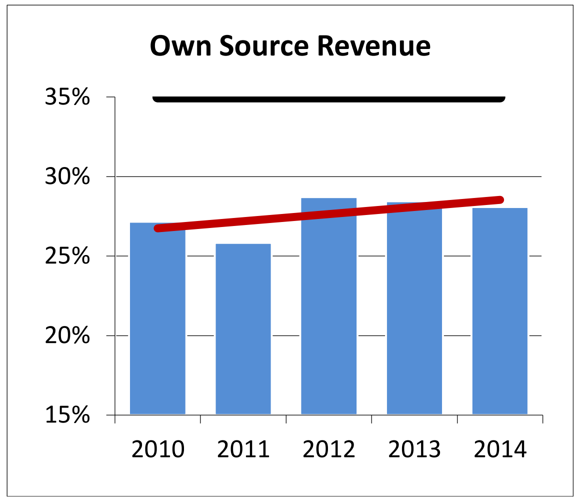
The University's reliance on Commonwealth Government funding was high in 2011 and dropped in 2012 and 2013 primarily due to strong investments gains and higher contributions from the State government in these years. An increase in relative reliance occurred again in 2014, linked to growth in student numbers.

The CDOE benchmark is for less than 65% reliance on the Commonwealth with the graph indicating the University was reliant on the Commonwealth for 68.57% of its funding in 2014. This high reliance exposes the University to the risk of changes in Commonwealth government policy.



* *The operating margin is calculated excluding investment returns, capital revenues and movements in restricted revenues earned.*

The Operating margin approximated the benchmark of one in 2010, 2011 and 2013 but was below benchmark in 2012 and 2014 with the trend line declining.

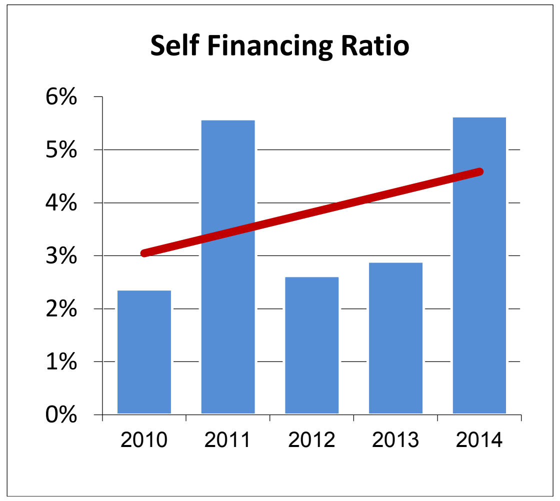


Note: the benchmark has been set at 35% due to the CDOE benchmark being less than 65% reliance on Commonwealth funding (refer to the graph titled: Proportion of Total Commonwealth Government Funding Including HECS).

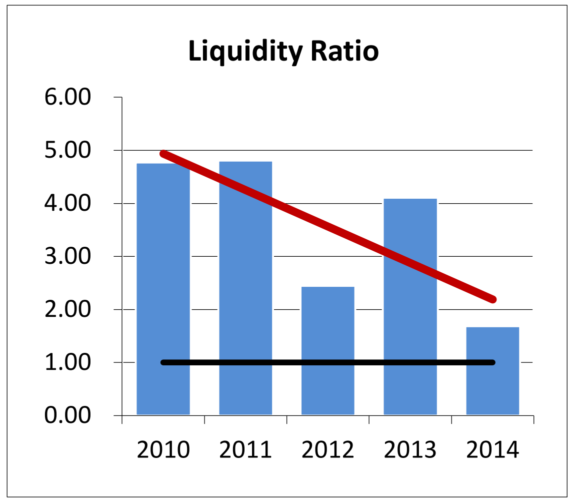
Own source revenue, including investment returns and State government operating receipts, as a percentage of total non-capital revenue, remained relatively consistent across the last three financial years.

Net investment returns were predominantly from the University's long-term investment portfolio. This was $15.524m less than in 2013, with the return on the long-term investment portfolio being lower in 2014 at 7.71% (2013, 14.42%). Details of these movements are shown in the following table which details the make-up of investment revenue over the last four years.

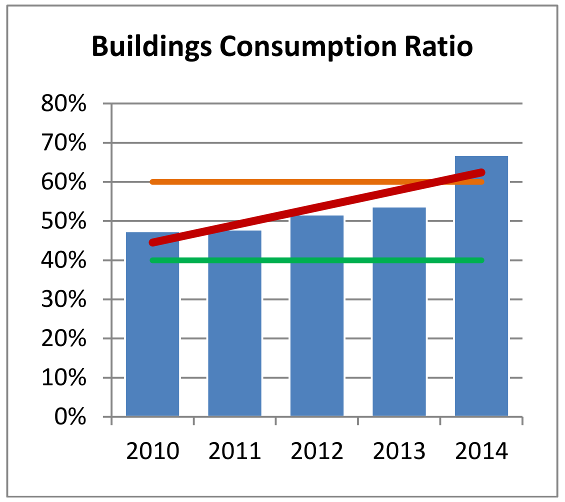
	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Investment Revenue and Income				
Interest	2 897	6 875	5 247	7 331
Dividends	15 400	10 097	10 411	18 870
Realised gains (losses)	176	1 657	5 808	(10 566)
Unrealised gains (losses)	1 247	16 615	10 278	(10 300)
Total	**19 720**	**35 244**	**31 744**	**5 335**



Self financing ratio is derived from net operating cash flows divided by operating revenues. The low ratios in 2010, 2012 and 2013 were mainly due to lower Cash generated from operating activities in these three years. The increase in 2014 related to student growth and therefore an increased Commonwealth Grant Funding. Note that Operating cash flows do not include investment earnings as these relate to long-term investments.

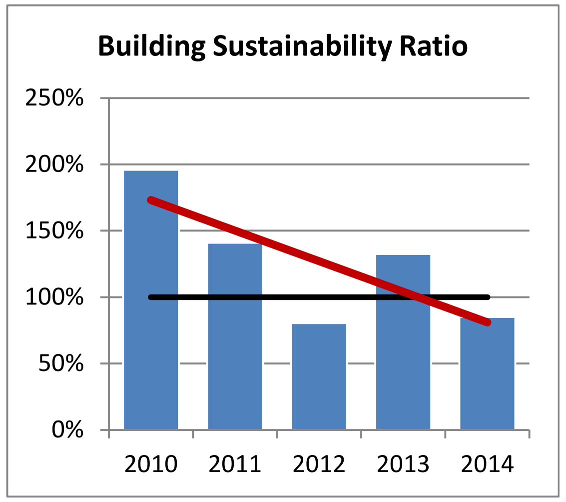


Liquidity ratio was above the benchmark in all five years indicating the University was able to meet short-term commitments. The ratio was also above the CDOE benchmark of 'greater than one', resulting in the University being in a low risk category for this measure. The movement over the five-year period reflected a conscious decision of the University to transfer cash into the long-term investment portfolio. The increase in 2013 was primarily due to NRAS borrowings of $63.426m being held in cash and short-term deposits. The reduction in 2014 was due to capital works expenditure, including NRAS and restructure costs. However, when reviewing this ratio, regard must be had to the University's commitments for research and capital expenditure.



This ratio represents the University's utilisation of its building assets. It indicates the extent to which buildings have been consumed as indicated by accumulated depreciation compared to the gross revaluation amount plus additions since the most recent revaluation. Data above the orange line benchmark indicated a low risk rating, below the green line a high risk rating and between the two lines a moderate risk rating.

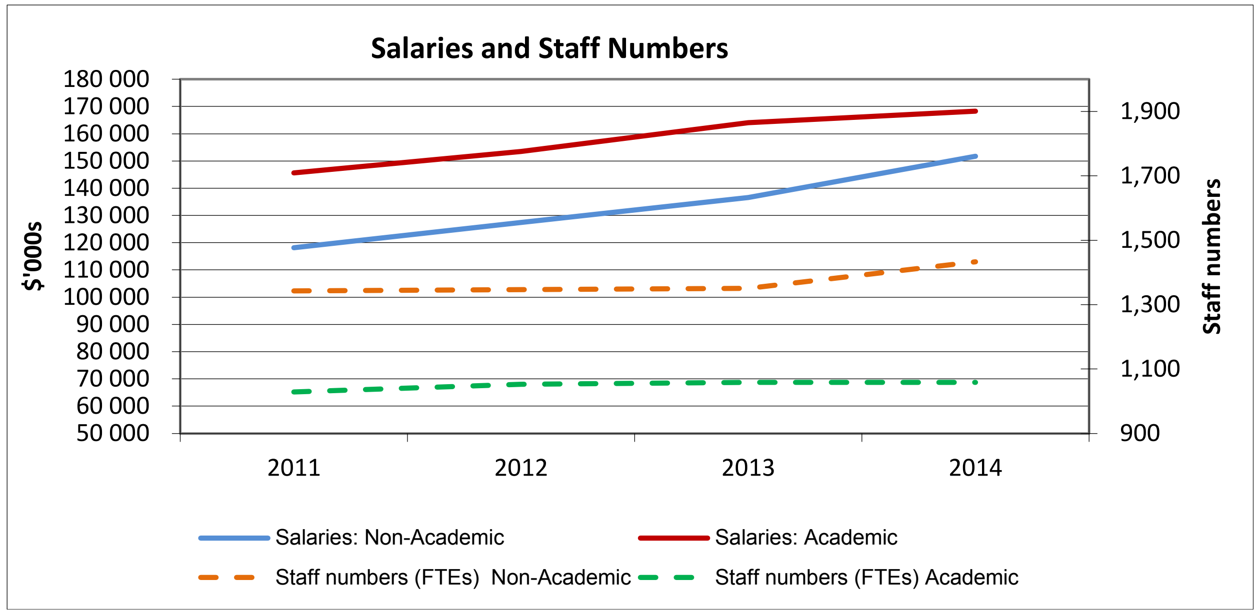
A ratio of 67% in the current year indicated that at 31 December 2014, 33% of the University's buildings had been 'consumed'. The ratio is slightly above our benchmark of between 40% and 60% and is improving mainly due to high levels of investment in new buildings during the 2011-14 period. Overall, at 31 December 2014, the University's building assets had sufficient capacity to continue to provide services.



The building sustainability ratio, which measures the University's investment in existing buildings compared to depreciation on those buildings, declined to 85% in 2014, below our benchmark of 100%. However, on average over the past four years the ratio was 110%.

Conclusions about building sustainability and consumption need to be considered together and in light of the University's capital, and on-going maintenance programs. Details of the University's repairs and maintenance expenses over the last four years are noted in the following table:

	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Repairs and Maintenance				
Buildings and ground	11 488	15 072	13 859	14 019
Equipment	2 296	2 098	2 547	2 374
Total	**13 784**	**17 170**	**16 406**	**16 393**



Salaries and employee numbers

This section reviews UTAS' employee benefits and employee numbers.

Academic staff numbers remained constant in 2014 with 1 059 FTEs, while non-academic numbers increased by 82 FTEs, with more than half of these related to externally-funded research positions. The increase in non-academic FTEs was a result of greater demand within particular faculties to address the growing student load and growth in research.

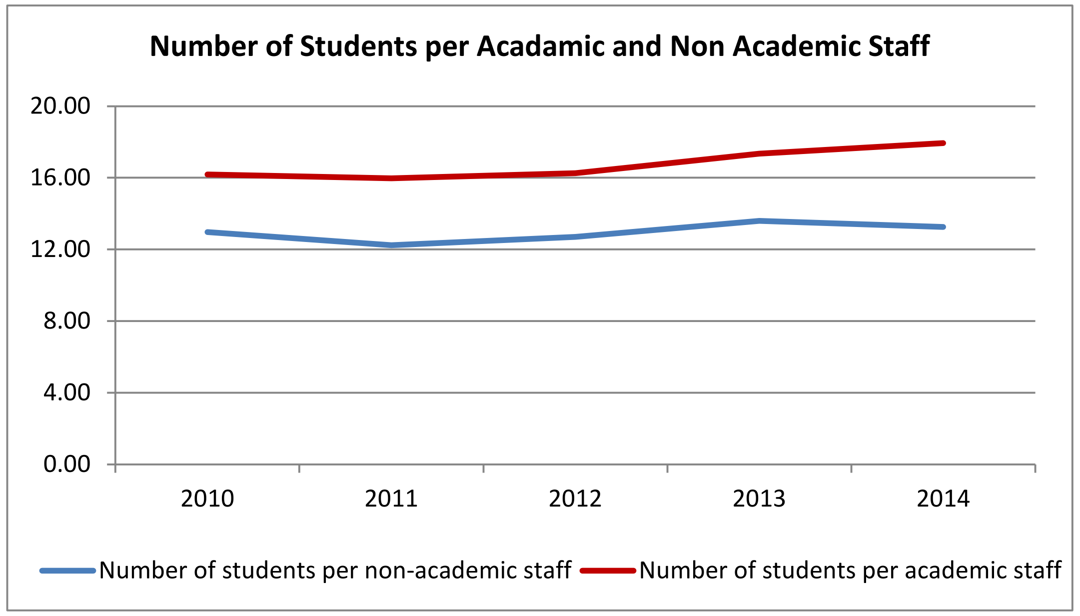
Academic salary costs increased over the five year period. In 2014 salary costs increased by 3% which was in line with the EBA increment.

Non-academic salary costs increased by 11% which was primarily due to an additional 82 FTEs, EBA increment of 3% and increased costs as a result of restructuring which will realise savings in future years.

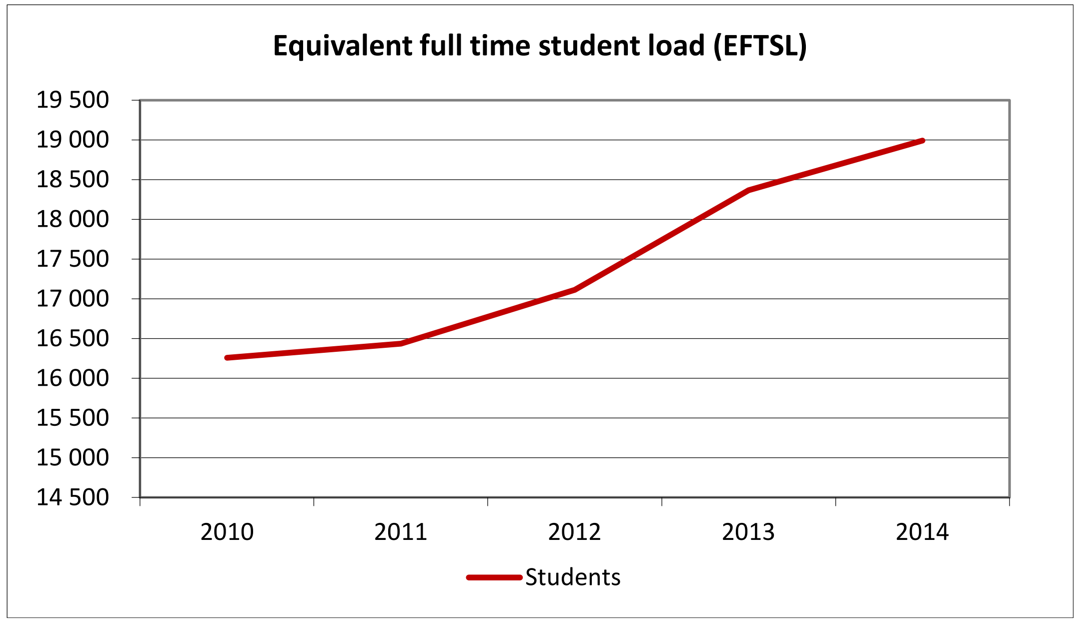
Restructure Costs/Provision

The University recorded additional Restructure costs of $4.900m in 2014 relating to approximately 65 FTEs leaving the organisation. At 31 December 2014, the provision for restructure totalled $5.300m.

The following graph represents the number of students per academic and non-academic staff numbers.



The number of students per non-academic staff reduced from 13.60 in 2013 to 13.25 in 2014 which was one of the instigators of the restructure program at the end of 2014. The number of students per academic staff increased from 17.34 in 2013 to 17.93 in 2014. While these movements are minor, they reflect the University's restructure program aimed at reducing costs but still maintaining adequate staff numbers in faculties of higher demand.



The budgeted 2014 on-shore student load was 18 488 EFTSLs which included a Commonwealth supported load of 14 410 EFTSL.

Total student numbers steadily increased over the four year period. The University continued to target student growth however in 2014 the total on-shore load of 17 997 was 491 below target.

The net increase of 624 students (on-shore and off-shore) in 2014, or 3.4%, was lower than 2013 (increase of 1 253 students or 7.3%). The University was highly dependent on student numbers for Commonwealth funds to finance its operations.

In 2014 the University received an additional $25.170m in Commonwealth grant scheme (CGS) funding and HECS-HELP (Higher Education Loan Program).

AMC SEARCH LTD (AMC SEARCH)

AMC Search is a specialist organisation, providing maritime-related training and consultancy for a wide range of international and Australian organisations and individuals.

Total Revenue in 2014 was $8.253m, (2013, $6.779m), and Total Expenditure was $6.911m, ($6.124m). Net Surplus was $1.342m ($0.655m).

At 31 December 2014 Net Assets were $5.006m, up from $4.188m in 2013.

AMC Search's contribution to the University in 2014 was $0.524m (2013, $0.726m) based on 80% of AMC Search's prior year surplus.

On 5 June 2013, AMC Search entered into a four-year service agreement with the Department of Defence for the provision of pacific patrol boat training. A condition of the agreement is the holding of a $1.000m guarantee by a third-party financial institution. These funds, while recognised on AMC Search's balance sheet, are restricted for the period of the agreement.

The increase in the provision of short courses was the primary driver for higher in-total revenue. There was a correlating increase in employee expenses to accommodate the demand for the courses.

Financial statements signed by the Board were received on 18 February 2015 and an unqualified audit report was issued on 27 February 2015.

The audit of AMC Search financial statements was completed successfully with no outstanding matters.

UNIVERSITY OF TASMANIA FOUNDATION INC (FOUNDATION)

The Foundation's purpose is to generate donations and bequest income for the purpose of making scholarship and bursary payments to approved recipients.

The Foundation generated operating surpluses in all four years under review.

Total Revenue in 2014 was $8.795m (2013, $15.798m), which mainly consisted of donations received, $4.828m ($9.157m), and investment revenue, $2.807m ($4.820m). In 2014 the Foundation received $1.137m ($5.436m) in donations for the Medical Sciences Building and transferred $1.137m ($7.863m) of this to the University.

The Foundation's other main expense was scholarships, bursaries and other payments of $4.097m ($3.410m) which fluctuates from year to year depending upon fund availability or decisions when to offer scholarships and grants.

Financial statements signed by the Board were received on 18 February 2015 and an unqualified audit report was issued on 27 February 2015.

The audit of the University Foundation financial statements was completed successfully with no outstanding matters.

Statement of Comprehensive Income

	2014	2013**	2012	2011
	$'000s	$'000s	$'000s	$'000s
State government grants	12 165	11 568	16 110	14 078
Commonwealth grants	313 676	290 116	278 374	262 662
Higher Education Contributions Scheme	71 184	69 574	58 367	51 480
User charges and fees	84 798	73 052	73 926	69 395
Other operating revenue	53 056	48 013	50 224	48 966
Deferred Government superannuation contributions*	0	0	0	(356)
Total Revenue	**534 879**	**492 323**	**477 001**	**446 225**
Academic salary costs	168 250	165 083	153 527	144 178
Non-academic salary costs	151 762	135 516	127 435	117 001
Depreciation and amortisation	28 641	25 598	22 316	20 256
Repairs and maintenance	13 784	17 170	16 406	16 393
Research sub-contractors	25 950	23 983	31 810	27 378
Scholarships and prizes	25 785	22 578	21 458	20 671
Consultancy and advisory services	32 234	22 435	18 327	15 401
Other operating expenses	107 514	86 085	93 659	90 896
Restructure costs	4 900	1 915	23 250	0
Deferred superannuation expense	0	959	(2 781)	(356)
Borrowing costs	680	0	0	0
Total Expenses	**559 500**	**501 322**	**505 407**	**451 818**
Net Surplus (Deficit) before Taxation and Non-Operating Adjustments	**(24 621)**	**(8 999)**	**(28 406)**	**(5 593)**
Income tax expense (benefit)	0	0	0	0
Net Surplus (Deficit) after Taxation, before Non-Operating Adjustments***	**(24 621)**	**(8 999)**	**(28 406)**	**(5 593)**
Investment gains - including dividends and interest received	19 720	35 244	31 744	5 335
Capital grants received from the State, Commonwealth and industry	6 672	21 750	34 381	27 202
Current year movement in restricted funds	1 922	(7 212)	3 434	(814)
Take up of leave provision adjustments	0	0	0	(2 542)
Surplus for the Year	**3 693**	**40 783**	**41 153**	**23 588**
Gain (loss) on revaluation of land, buildings and leasehold improvements	(64)	(163)	0	(10 082)
Gain (loss) on revaluation of property, plant and equipment	(77)	0	0	0
Net actuarial gain (loss) from superannuation plans*	(201)	1 134	(1 731)	0
Total Comprehensive Income	**3 351**	**41 754**	**39 422**	**13 506**

** Changes to accounting for defined benefit plans, effective 1 January 2013, require actuarial gains and losses to be recognised in other comprehensive income. The figures for 2011 have not been amended.*

*** The TUU was consolidated for the first time in 2014 with 2013 comparative figures amended to reflect the change. No alterations were made for financial years earlier than 2013.*

**** The Net Surplus (Deficit) after Taxation, before Non-Operating Adjustments is referred to as the 'Underlying Deficit' in the commentary.*

Statement of Financial Position

	2014	2013*	2012	2011
	$'000s	$'000s	$'000s	$'000s
Cash and short term investments	48 241	77 645	31 369	78 825
Receivables	29 498	24 833	22 087	18 881
Inventories	836	906	920	967
Other	9 071	6 895	5 062	3 904
Total Current Assets	**87 646**	**110 279**	**59 438**	**102 577**
Payables	44 097	24 970	16 209	14 084
Provisions	52 415	50 734	52 261	36 423
Other	25 347	15 448	14 166	18 021
Overdraft facility	2 001	0	0	0
Total Current Liabilities	**123 860**	**91 152**	**82 636**	**68 528**
Net Working Capital	**(36 214)**	**19 127**	**(23 198)**	**34 049**
Investments	276 471	255 408	227 683	198 868
Property, plant and equipment	688 066	665 937	619 839	558 691
Receivables	7 452	8 894	10 527	8 521
Long term deposits	21 000	16 000	0	0
Intangibles	46 814	34 923	28 888	18 902
Total Non-Current Assets	**1 039 803**	**981 162**	**886 937**	**784 982**
Provisions	27 680	27 731	32 975	27 689
Borrowings	93 600	93 600	0	0
Total Non-Current Liabilities	**121 280**	**121 331**	**32 975**	**27 689**
Net Assets	**882 309**	**878 958**	**830 764**	**791 342**
Restricted funds	103 643	96 569	138 208	123 032
Reserves	269 091	269 232	269 395	269 395
Retained surpluses	509 575	513 157	423 161	398 915
Total Equity	**882 309**	**878 958**	**830 764**	**791 342**

** The TUU was consolidated for the first time in 2014 with 2013 comparative figures amended to reflect the change. No alterations were made for financial years earlier than 2013.*

Statement of Cash Flows

	2014	2013*	2012	2011
	$'000s	$'000s	$'000s	$'000s
State government grants	13 382	12 725	34 221	19 336
Commonwealth grants and funding	387 511	351 710	317 835	311 200
Receipts from customers	158 047	154 122	143 927	133 126
Payments to suppliers and employees	(528 820)	(504 313)	(483 493)	(438 764)
Cash from Operations	**30 120**	**14 244**	**12 490**	**24 898**
Investment earnings	18 297	14 624	12 601	24 066
Commonwealth capital grant funding	6 672	13 073	15 381	21 702
State capital grant funding	0	0	15 000	3 500
Other capital funding	0	8 677	4 000	2 000
Net proceeds on disposal from (payments for) investments	(24 640)	(25 453)	(12 729)	(8 426)
Payments for property, plant and equipment and intangibles	(62 802)	(79 034)	(95 092)	(69 196)
Proceeds from sale of property, plant and equipment	86	1 034	1 414	649
Other investing cash flows	862	(1 651)	(521)	2 063
Cash (used in) Investing Activities	**(61 525)**	**(68 730)**	**(59 946)**	**(23 642)**
Proceeds form borrowings	2 001	93 600	0	0
Cash from Investing Activities	**2 001**	**93 600**	**0**	**0**
Net Increase (Decrease) in Cash	**(29 404)**	**39 114**	**(47 456)**	**1 256**
Cash at the beginning of the year	77 645	38 531	78 825	77 569
Cash at End of the Year	**48 241**	**77 645**	**31 369**	**78 825**

** The TUU was consolidated for the first time in 2014 with 2013 comparative figures amended to reflect the change. No alterations were made for financial years earlier than 2013.*

Financial Analysis

	Bench Mark	2014	2013	2012	2011
Financial Performance					
Total revenue growth*	>5%	2.18%	1.14%	13.44%	(1.59%)
Proportion of total Commonwealth government funding*	<65%	68.57%	65.48%	64.83%	71.30%
Result from operations before tax and non-operating adjustments ($'000s)		(24 621)	(8 999)	(28 406)	(5 593)
Operating margin*	>1.0	0.96	0.98	0.94	0.99
State grants as a % of operating income		2.3%	2.3%	3.4%	3.2%
HECS as a % of operating income		13%	14%	12%	12%
Self financing ratio*		5.6%	2.9%	2.6%	5.6%
Own source revenue (%)*		28%	28%	29%	26%
Financial Management					
Liquidity ratio *	>1.0	1.69	4.10	2.44	4.81
Debt collection	30 days	49	44	41	38
Creditor turnover	30 days	79	51	33	30
Capital Management Buildings					
Building assets sustainability ratio*	100%	85%	133%	80%	141%
Building assets investment ratio	>100%	720%	507%	864%	478%
Building assets consumption ratio*	>60%	67%	54%	52%	48%
Other Information					
Salaries and related expenditure as a % of operating income	50 – 70%	60%	61%	59%	58%
Academic staff numbers (FTEs)		1 059	1 059	1 053	1 029
Non-academic staff numbers (FTEs)		1 433	1 351	1 347	1 343
Total staff numbers (FTEs) (excluding casual staff)		2 492	2 410	2 400	2 372
Average staff costs ($'000s)		128	125	117	110
Average leave balance per FTE ($'000s)		24	23	20	19
Student Numbers**					
Research higher degree		619	567	566	574
Domestic – HECS		14 531	13 725	12 552	11 716
Fee paying domestic		303	314	229	187
Fee paying overseas		2 545	2 645	2 585	2 490
Off-shore		993	1 116	1 182	1 468
Total		18 991	18 367	17 114	16 435

** For commentary on these indicators refer to the Financial Results section of this Chapter.*

*** Equivalent full-time student load (EFTSL). Student figures are up to date at time or reporting.*

AMC SEARCH LTD FINANCIAL STATEMENTS

	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Total revenue	8 253	6 779	7 816	8 368
Total expenses	6 911	6 124	6 908	7 129
Net Surplus	**1 342**	**655**	**908**	**1 239**
Total assets	6 710	5 717	5 781	5 502
Total liabilities	1 704	1 529	1 508	1 145
Net Assets	**5 006**	**4 188**	**4 273**	**4 357**
Opening Total Equity	**4 188**	**4 273**	**4 357**	**4 101**
Net surplus	1 342	655	908	1 239
Asset Revaluation Reserve	0	(14)	0	(5)
Contributions to UTAS	(524)	(726)	(992)	(978)
Closing Total Equity	**5 006**	**4 188**	**4 273**	**4 357**

UNIVERSITY OF TASMANIA FOUNDATION INC. FINANCIAL STATEMENTS

	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Revenue				
Donations and bequests income	3 691	3 721	3 033	5 092
Donation – Medical Sciences Building campaign	1 137	5 436	5 153	2 500
Other income	1 160	1 821	1 472	1 832
Investment income	2 807	4 820	4 000	(333)
Total Revenue	**8 795**	**15 798**	**13 658**	**9 091**
Expenditure				
Scholarships, bursary and other payments	2 047	1 821	1 332	1 259
Faculty scholarships and research	1 131	718	678	950
Transfer – Medical Sciences Building campaign	1 137	7 863	4 000	2 000
Other expenses	2 130	2 220	1 807	2 023
Total Expenditure	**6 445**	**12 622**	**7 817**	**6 232**
Net Surplus	**2 350**	**3 176**	**5 841**	**2 859**
Cash and Investments	**45 163**	**42 813**	**39 637**	**33 797**
Equity	**45 163**	**42 813**	**39 637**	**33 797**

30 JUNE 2014 AUDITS

NATIONAL TRUST OF AUSTRALIA (TASMANIA) (The Trust)

SNAPSHOT

- For the fourth consecutive year, the Trust failed to comply with Section 17(1) of the *Audit Act 2008* by again submitting its financial statements after the statutory deadline.
- A qualified audit report was issued on 17 October 2014. The report also included an emphasis of matter paragraph.
- A comprehensive deficit of $0.025m was recorded for the year.
- The Trust experienced significant cash flow difficulties in recent years and received additional financial assistance of $0.200m from the State Government in 2013-14 to meet operational budgetary shortfalls.
- Several areas for improvement were noted in relation to the Trust's accounting function and reporting. The Trust engaged external accountants in 2014-15 to provide additional support and oversight.
- We continue to recommend that the Trust take appropriate action to ensure its restoration appeal liability is fully cash backed.

RECOMMENDATIONS

We recommend that:

1. The Trust improve its year-end reporting processes to ensure it complies with the statutory financial reporting deadlines in future.
2. Given the nature of the restoration appeal funds, we continue to recommend that the Trust take appropriate action to ensure its restoration appeal liability is fully cash backed.
3. While asset sales and government support will generate cash in the short-term, they are not a long-term solution to the Trust's cash situation and the Board needs to take action to ensure that it achieves a more sustainable long-term solution to its cash flow difficulties.

INTRODUCTION

The Trust is administered under the *National Trust Act 2006* (the Act), which came into effect on 22 December 2006. Pursuant to the Act, the Trust's objectives are:

- acquiring, promoting or ensuring the preservation and maintenance for the public benefit of places and objects of beauty or that have a historical, scientific, artistic, architectural or cultural interest
- encouraging and promoting, among the public, knowledge of, interest in and respect for those places and objects
- promoting or ensuring the provision and maintenance of amenities and services to facilitate the enjoyment by the public of those places and objects
- protecting and preserving the natural features of, and conserving the fauna and flora on, any place referred to in paragraph 5(a) of the Act and acquired by, or under the control of, the Trust
- encouraging and promoting public appreciation, knowledge and enjoyment of, respect for and interest in any land, buildings, works, structures or articles
- co-operating with the Crown or with any corporation, body or society, either within or outside Tasmania, having objects wholly or substantially similar to the objects of the Trust, in promoting the objects of the corporation, body or society or the Trust.

The Trust's primary aim is to promote community awareness and appreciation of Tasmania's built heritage. It is a member organisation of the Australian Council of National Trusts.

The Act provides for the appointment of a board of seven directors appointed by the Minister. The Board includes the Trust's Managing Director.

The Responsible Minister is the Minister for Environment, Parks and Heritage.

KEY AREAS OF AUDIT ATTENTION

Description of Area	Audit Approach
Property, plant and equipment include heritage collections with complex valuations. Property, plant and equipment constitute a significant balance in the financial statements.	We reviewed valuation reports, calculations and underlying assumptions supporting fair values of assets. The depreciation expense was tested and assessed for reasonableness.
The Trust had an investment balance that is highly liquid and susceptible to fraud.	We reviewed the bank reconciliation and investments balances at 30 June 2014 and verified balances to external bank confirmations.
Lack of a sustainable funding model.	We reviewed current and budgeted financial results and assessed likelihood that the Trust will meet its liabilities when they fall due. We obtained assurances from the Board and State government that additional funding would be provided.

AUDIT OF THE 2013-14 FINANCIAL STATEMENTS

Signed financial statements were received 13 October 2014, which was 60 days late, and a **qualified audit report including an emphasis of matter** on economic dependency was issued on 17 October 2014. The audit report contained the following "except for" audit qualification and emphasis of matter:

> **Qualification**
>
> *The Trust possesses certain heritage collections referred to in Note 1(j) of the financial report, but not all of these assets have been recognised in the financial report. Due to the nature of the assets, it is not possible to quantify the financial effects of the Trust's failure to comply with Australian Accounting Standard AASB 116 Property, Plant and Equipment.*
>
> **Emphasis of Matter**
>
> *I draw attention to Note 1 (b) to the financial report, which describes the Trust's economic dependency on the State Government for continued financial support. My opinion is not modified in respect of this matter.*

KEY FINDINGS AND DEVELOPMENTS

Submission of financial statements

Section 17 (1) of the *Audit Act 2008*, requires financial statements to be submitted to the Auditor-General within 45 days of the end of each financial year. For the fourth consecutive year, the Trust failed to comply with this timeframe.

The Trust will need to improve its year-end reporting processes to ensure it complies with the requirements in future.

Accounting function, reporting and oversight

The following issues were noted in relation to the Trust's accounting function, reporting and oversight:

- opening balances from 30 June 2013 were not correctly rolled forward into the 2013-14 general ledger
- general journals and bank reconciliations were not subject to review in 2013-14
- the asset register was maintained in Excel, external to the general ledger
- accounting for insurance payments has resulted in some balances from prior periods remaining in the insurance creditor balance
- Board finance reports were prepared outside of the accounting system using Excel
- absence of supporting documentation for general journals.

Four low-risk audit findings were also raised in relation to the:

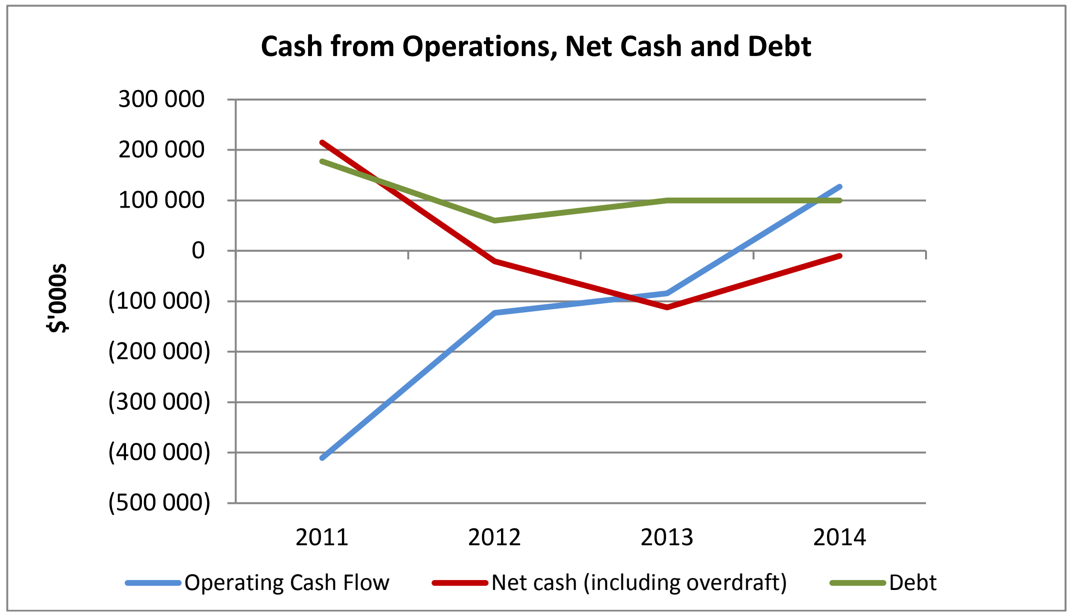
- recording of audit committee minutes
- development of a disaster recovery plan
- consistent application of admission prices
- calculation of employee provisions.

Restoration provision

The Trust held current investments of $0.403m at 30 June 2014 (2012-13, $0.421m), which related directly to restoration appeal funds held for specific purposes which were not available to meet general operating costs. The Trust administers these appeal monies on behalf of individual restoration appeals. The shortfall between investments held and the provision for restoration appeal funds at 30 June 2014 was $0.091m. This represented an improvement on the shortfall recorded at 30 June 2013 of $0.095m.

However, given the nature of the funds, we continue to recommend the Trust take appropriate action to ensure the restoration appeal liability is fully cash backed.

Analysis of cash generated from operations



Financial performance, cash flow difficulties and going concern implications

The Trust recorded Underlying Deficits in each of the last four years. This indicated that its operations were not generating sufficient revenue to meet operating expenditure. In 2013-14 the Trust recorded a reduced Underlying Deficit of $0.040m, compared to $0.175m the prior year.

This was entirely due to the receipt in October 2013 of a grant from the State Government of $0.200m to meet operational budgetary shortfalls in 2013-14 offset in part by increased Other operating expenses due to:

- higher program expenses of $0.048m, which included costs incurred for a Collection Management Workshop
- a write off of a grant receivable of $0.050m. The grant was recognised in 2011-12, after receiving part payment, the grantor went in liquidation.

The Trust experienced significant operating cash flow difficulties in recent years. In 2012-13 it recorded a net decrease in cash of $0.091m resulting in a net overdraft position of $0.112m at 30 June 2013. To address this, the Trust resolved to list Oak Lodge for sale. This met with community resistance and in January 2013 the Premier supported a state-wide appeal to raise one million dollars to save the property.

The Trust subsequently decided in February 2013 to delay the proposed sale for six months until the outcome of the appeal was apparent. The property remains unlisted for sale but is closed to the public.

The State Government grant mentioned previously assisted in ensuring the Trust can continue as a going concern in the short-term. Without the grant, the Trust would have recorded a net decrease in total cash of $0.098m in 2013-14.

The Trust's Net Assets at 30 June 2014 totalled $9.245m. However, each of the following factors indicate the need for the Board to carefully monitor the Trust's financial position:

- its net working capital was negative in each of the past four years
- operating cash flows were negative in three of the past four years and was only positive in 2013-14 due to the receipt of State Government funding, as noted above
- Underlying Deficits were incurred in each of the past four years
- Cash at bank declined significantly over the same period.

While asset sales and government support will generate cash in the short-term, they are not a long-term solution to the Trust's cash situation and the Board needs to take action to ensure that it achieves a more sustainable long term solution to its cash flow difficulties.

While these factors will mean that the Trust will continue to struggle to meet its liabilities, we were satisfied that the Trust can continue as a going concern in 2014-15 on the basis of on-going State Government support.

Assets received

In 2010-11 the Trust received titles to Runnymede and the Penitentiary Chapel Historical Site from the State Government. These properties were recognised based on the Valuer-General's valuation of $3.190m less leasehold improvement costs of $0.481m previously recognised by the Trust when it managed both sites. These transactions were the primary reason for the strong Net Surplus in 2010-11.

Objects register and impact on our audit report

The Trust updated its Objects Register and the valuation of an assortment of furniture held in a number of its properties in 2010-11. The valuation of these items was, in most cases, undertaken by an external antiques expert. The recognition of these assets resulted in a revenue item of $1.227m in that financial year. However, as noted earlier in this Chapter, the Trust's audit report was qualified as all its heritage assets had yet to be recognised because the Objects Register was not fully complete.

The recognition of the above mentioned properties and items recorded in the Objects Register also resulted in a $3.938m increase in Property, plant and equipment in 2011.

Statement of Comprehensive Income

	2013-14	2012-13	2011-12	2010-11
	$'000s	$'000s	$'000s	$'000s
State government grants – recurrent	300	300	300	300
State government grants – non recurrent	200	0	0	0
Commonwealth grants – recurrent	95	76	82	68
Subscriptions and admission fees	211	202	174	166
Trading activities	151	136	151	161
Other operating revenue	159	165	155	279
Total Revenue	**1 116**	**879**	**862**	**974**
Depreciation	66	69	70	57
Employee expenses	454	504	443	400
Borrowing costs	19	24	21	23
Other operating expenses	617	457	537	644
Total Expenses	**1 156**	**1 054**	**1 071**	**1 124**
Underling Surplus (Deficit)	**(40)**	**(175)**	**(209)**	**(150)**
Specific purpose grant revenue	63	145	312	431
Specific purpose grant expenses	(48)	(208)	(220)	(483)
Property transfers	0	148	200	2 709
Recognition of heritage assets	0	0	0	1 227
Write back loan interest	0	0	0	57
Net Surplus (Deficit)	**(25)**	**(90)**	**83**	**3 791**
Other Comprehensive Income				
Revaluation of properties	0	65	0	386
Comprehensive Surplus (Deficit)	**(25)**	**(25)**	**83**	**4 177**

Abridged Statement of Financial Position

	2014	2013	2012	2011
	$'000s	$'000s	$'000s	$'000s
Cash	77	74	164	215
Investments relating to restoration funds	403	421	342	274
Property, plant and equipment	9 654	9 695	9 551	9 421
Other assets	98	157	173	86
Total Assets	**10 232**	**10 347**	**10 230**	**9 996**
Bank overdraft	87	186	185	0
Interest bearing liabilities	100	100	60	177
Restoration fund provision	494	516	460	387
Other liabilities	306	275	230	219
Total Liabilities	**987**	**1 077**	**935**	**783**
Net Assets	**9 245**	**9 270**	**9 295**	**9 213**
Total Equity	**9 245**	**9 270**	**9 295**	**9 213**

APPENDIX 1 - GUIDE TO USING THIS REPORT

This Report is prepared under section 29 of the *Audit Act 2008* (the Audit Act), which requires the Auditor-General, on or before 31 December in each year, to report to Parliament in writing on the audit of State entities and audited subsidiaries of State entities in respect of the preceding financial year. The issue of more than one report titled the *Auditor-General's Report on the Financial Statements of State Entities*, consisting of five volumes, satisfies this requirement each year. The volumes are:

Volume 1 – Analysis of the Treasurer's Annual Financial Report 2013-14

Volume 2 – General Government and Other State entities 2013-14

Volume 3 – Government Businesses 2013-14

Volume 4 – Local Government Authorities, joint authorities and Tasmanian Water and Sewerage Corporation Pty Ltd 2013-14

Volume 5 - Other State entities 30 June 2014 and 31 December 2014, findings related to 2013-14 audits and other matters.

Where relevant, State entities are provided with the opportunity to comment on any of the matters reported. Where they choose to do so, responses are detailed within that particular section.

FORMAT OF THE FINANCIAL ANALYSIS

Each entity's financial performance is analysed by discussing the Comprehensive Income Statement, Statement of Financial Position and Statement of Cash Flows supplemented by financial analysis applying the indicators documented in the Financial Performance sections of this Report. The layout of some of these primary statements has been amended from the audited statements in order to, where appropriate:

- make the statements more relevant to the nature of the entity's business
- highlight the entity's working capital, which is a useful measure of liquidity.

Departments are required to present budget amounts on the face of their primary statements. As a consequence details and commentary in relation to these amounts have been included in this Report.

FINANCIAL ANALYSIS

Financial Performance Indicator	Bench Mark[1]	Method of Calculation
Financial Performance		
Earnings Before Interest and Tax (EBIT) ($'000s)		Result from Ordinary Activities before Gross Interest Expense and Tax
EBITDA ($'000s)		Result from Ordinary Activities before Gross Interest Expense, Tax, Depreciation and Amortisation
Operating Margin	>1.0	Operating Revenue divided by Operating Expenses
Underlying surplus (deficit) ($'000s)		Operating Revenue less Operating Expenses
Operating surplus ratio	>0	Net operating surplus (deficit) divided by total operating revenue

Financial Performance Indicator	Bench Mark[1]	Method of Calculation
Own source revenue		Total Revenue less Total Grant Revenue, Contributed Assets and Asset Revaluation Adjustments
Return on assets		EBIT divided by Average Total Assets
Return on equity		Result from Ordinary Activities after Taxation divided by Average Total Equity
Self financing ratio		Net Operating Cash Flows divided by Operating Revenue
Financial Management		
Asset consumption ratio	Between 40% and 60%	Depreciated replacement cost of asset (eg. infrastructure, roads, bridges) divided by current replacement cost of asset
Asset renewal funding ratio	90%-100%	Future (planned) asset replacement expenditure divided by future asset replacement expenditure (actual) required
Capital Investment Gap, Asset investment ratio or Investment gap	>100%	Payments for Property, plant and equipment divided by Depreciation expenses
Capital Replacement Gap, Asset renewal ratio or Renewal gap	100%	Payments for Property, plant and equipment on existing assets divided by Depreciation expenses
Cost of debt		Gross Interest Expense divided by Average Borrowings (include finance leases)
Creditor turnover	30 days	Payables divided by credit purchases multiplied by 365
Current ratio	>1	Current Assets divided by Current Liabilities
Debt collection	30 days	Receivables divided by billable Revenue multiplied by 365
Debt to equity		Debt divided by Total Equity
Debt to total assets		Debt divided by Total Assets
Indebtedness ratio		Non-Current Liabilities divided by Own Source Revenue
Interest coverage ratio		Net operating cashflows less interest and tax payments divided by Net interest payments
Interest cover – EBIT	>2	EBIT divided by Gross Interest Expense
Interest cover – EBITDA	>2	EBITDA divided by Gross Interest Expense
Interest cover – Funds from Operations	>2	Cash from Operations plus Gross Interest Expense divided by Gross Interest Expense

Financial Performance Indicator	Bench Mark[1]	Method of Calculation
Liquidity ratio	2:1	Liquid assets divided by current liabilities other than provisions
Net financial assets (liabilities) ($'000s)		Total liquid assets less financial liabilities
Net financial liabilities ratio	0 – (50%)	Liquid assets less total liabilities divided by total operating income
Returns to Government		
CSO funding ($'000)		Amount of community service obligation funding received from Government
Dividend payout ratio		Dividend divided by Result from Ordinary Activities after Tax
Dividend to equity ratio		Dividend paid or payable divided by Average Total Equity
Dividends paid or payable ($'000s)		Dividends paid or payable that relate to the year subject to analysis
Effective tax rate	30%	Income Tax paid or payable divided by Result from Ordinary Activities before Tax
Government guarantee fees ($'000)		Amount of guarantee fees paid to owners (usually Government)
Income tax paid ($'000s)		Income Tax paid or payable that relates to the year subject to analysis
Total return to equity ratio		Total Return divided by Average Equity
Total return to the State ($'000s) or total return to owners		Dividends plus Income Tax and Loan Guarantee fees
Other Information		
Average leave per FTE ($'000s)		Total employee annual and long service leave entitlements divided by FTEs
Average long service leave balance	Not more than 100 days	Actual long service leave provision days due divided by average FTEs
Average recreational leave balance	20 days[3]	Actual annual leave provision days due divided by average FTEs
Average staff costs (2) ($'000s)		Total employee expenses (including capitalised employee costs) divided by FTEs
Employee costs (2) as a % of operating expenses		Total employee costs divided by Total Operating Expenses
Employee costs capitalised ($'000s)		Capitalised employee costs
Employee costs expensed ($'000s)		Total employee costs per Income Statement

Financial Performance Indicator	Bench Mark[1]	Method of Calculation
Operating cost to rateable property		Operating expenses plus finance costs divided by rateable properties per valuation roll
Rates per capita		Population of council area divided by rates revenue
Rates per operating revenue		Total rates divided by operating revenue including interest income
Rates per rateable property		Total rates revenue divided by rateable properties per valuation rolls
Staff numbers FTEs		Effective full time equivalents

1 *Benchmarks vary depending on the nature of the business being analysed. For the purposes of this Report, a single generic benchmark has been applied.*

2 *Employee costs include capitalised employee costs, where applicable, plus on-costs.*

3 *May vary in some circumstances because of different award entitlement*

An explanation of most financial performance indicators is provided below:

FINANCIAL PERFORMANCE

- **Earnings before interest and tax (EBIT)** – measures how well an entity can earn a profit, from its operations, regardless of how it is financed (debt or equity) and before it has to meet external obligations such as income tax. This is a measure of how well it goes about its core business.
- **Earnings before income tax, depreciation and amortisation (EBITDA)** – measures how well an entity can generate funds without the effects of financing (debt or equity), depreciation and amortisation and before it has to meet external obligations such as income tax. This measure is of particular relevance in cases of entities with large amounts of non-current assets as the distortionary accounting and financing effects on the entity's earnings are removed, enabling comparisons to be made across different entities and sectors.
- **Operating margin** – this ratio serves as an overall measure of operating effectiveness.
- **Operating Surplus (Deficit) or Result from operations** – summarises revenue transactions and expense transactions incurred in the same period of time and calculates the difference.
- **Operating surplus ratio** – a positive result indicates a surplus with the larger the surplus the stronger the assessment of sustainability. However, too strong a result could disadvantage ratepayers. A negative result indicates a deficit which cannot be sustained in the long-term.
- **Own source revenue** – represents revenue generated by an entity through its own operations. It excludes any external government funding, contributed assets and revaluation adjustments.
- **Return on assets** – measures how efficiently management used assets to earn profit. If assets are used efficiently, they earn profit for the entity. The harder the assets work at generating revenues, and thus profit, the better the potential return for the owners.
- **Return on equity** – measures the return the entity has made for the shareholders on their investment.
- **Self financing ratio** – this is a measure of an entity's ability to fund the replacement of assets from cash generated from operations.

FINANCIAL MANAGEMENT

- **Asset consumption ratio** – shows the depreciated replacement cost of an entity's depreciable assets relative to their 'as new' (replacement) value. It therefore shows the average proportion of new condition left in the depreciable assets.
- **Asset renewal funding ratio** – measures the capacity to fund asset replacement requirements. An inability to fund future requirements will result in revenue, expense or debt consequences, or a reduction in service levels. This is a most useful measure relying on the existence of long-term financial and asset management plans.
- **Asset sustainability ratio** – provides a comparison of the rate of spending on existing infrastructure, property, plant and equipment through renewing, restoring and replacing existing assets, with depreciation. Ratios higher than 100% indicate that spending on existing assets is greater than the depreciation rate. This is a long-term indicator, as capital expenditure can be deferred in the short-term if there are insufficient funds available from operations and borrowing is not an option.
- **Capital investment gap, Asset investment ratio or Investment gap** – indicates whether the entity is maintaining its physical capital by reinvesting in or renewing non-current assets (caution should be exercised when interpreting this ratio for entities with significant asset balances at cost as the level of depreciation may be insufficient).
- **Capital replacement gap, Asset renewal ratio or Renewal gap** – indicates whether the entity is maintaining its physical capital by reinvesting in or renewing existing non-current assets. (Caution should be exercised when interpreting this ratio as the amount of capital expenditure on existing assets has largely been provided by the respective councils and not subject to audit).
- **Cost of debt** – reflects the average interest rate applicable to debt.
- **Creditors turnover** – indicates how extensively the entity utilises credit extended by suppliers.
- **Current ratio** – current assets should exceed current liabilities by a 'considerable' margin. It is a measure of liquidity that shows an entity's ability to pay its short term debts.
- **Debt collection** – indicates how effectively the entity uses debt collection practices to ensure timely receipt of monies owed by its customers.
- **Debt to equity** – an indicator of the risk of the entity's capital structure in terms of the amount sourced from borrowings and the amount from Government.
- **Debt to total assets** – an indicator of the proportion of assets that are financed through borrowings.
- **Interest cover** – EBIT – an indicator of the ability to meet periodic interest payments from current profit (before interest expense). The level of interest cover gives a guide of how much room there is for interest payments to be maintained in the face of interest rate increases or reduced profitability.
- **Interest cover** – examines the exposure or risk in relation to debt, an indicator of the ability to meet periodic interest payments from funds from operations (before interest expense). The level of interest cover gives a guide of how much room there is for interest payments to be maintained in the face of interest rate increases or reduced funds from operations.
- **Net financial liabilities ratio** – indicates the extent to which net liabilities can be met by operating income. A falling ratio indicates that the entity's capacity to meet its financial obligations from operating income is strengthening.

RETURNS TO GOVERNMENT

- **Dividend payout ratio** – the amount of dividends relative to the entity's net income.
- **Dividend to equity ratio** – the relative size of an entity's dividend payments to shareholders' equity. A low dividend to equity ratio may indicate that profits are being retained by the entity to fund capital expenditure.
- **Dividends paid or payable** – payment by the entity to its shareholders (whether paid or declared as a payable).
- **Effective tax rate** – is the actual rate of tax paid on profits.
- **Income tax paid** – tax payments by the entity to the State in the year.
- **Total return to equity ratio** – measures the Government's return on its investment in the entity.
- **Total return to the State** – the funds paid to the Owners consisting of income tax, dividends and guarantee fees.

OTHER INFORMATION

- **Average leave balance per FTE ($'000s)** – indicates the extent of unused leave at balance date.
- **Average long service leave balance or days long service leave due** – records the average number of days long service leave accumulated per staff member. In general public servants cannot accrue more than 100 days long service leave.
- **Average recreational leave balance or days annual leave due** – records the average number of days annual leave accumulated per staff member. In general public service employees accrue 20 days annual leave per annum.
- **Average staff costs** – measures the average cost of employing staff in the entity for the year.
- **Employee costs as a percentage of operating expenses** - indicates the relative significance of employee costs compared to other operating expenses.
- **Employee costs capitalised ($'000s)** – represents employee costs that have been capitalised rather than expensed.
- **Employee costs expensed ($'000s)** – represents the level of employee costs expensed, ie. included in the Comprehensive Income Statement. This together with the Employee costs capitalised will provide a total employee cost figure for use in other related ratios.
- **Staff numbers FTEs** – as at the end of the reporting period the number of staff employed expressed as full-time equivalents.

The above indicators are used because they are commonly applied to the evaluation of financial performance. Care should be taken in interpreting these measures, as by definition they are only indicators, and they should not be read in isolation.

APPENDIX 2 - AUDIT STATUS

Entity	Financial Statements							Timeliness of Audit Opinion Issue From Balance Date					
	Balance Date	Financial Statement Deadline	Signed Financial Statements Received	Resigned/ Amended Financial Statements Received	Clear Opinion Issued	Emphasis of Matter	Audit Opinion Signed	< 8 Weeks	8 to 10 Weeks	10 to 12 Weeks	12 to 14 Weeks	14 to 16 Weeks	> 16 Weeks
Government Sector State Entities													
Executive and Legislature													
House of Assembly	30 June 2014	14 August 2014	11 August 2014		✓		22 September 2014	✓					
Legislative Council	30 June 2014	14 August 2014	6 August 2014		✓		22 August 2014	✓					
Legislature-General	30 June 2014	14 August 2014	4 August 2014		✓		14 August 2014	✓					
Office of the Governor	30 June 2014	14 August 2014	13 August 2014	26 September 2014	✓		26 September 2014				✓		
Ministerial Departments													
Department of Economic Development, Tourism and the Arts	30 June 2014	14 August 2014	14 August 2014		✓		29 September 2014				✓		
Tasmania Development and Resources	30 June 2014	14 August 2014	14 August 2014		✓		29 September 2014				✓		
Tasmanian Museum and Art Gallery	30 June 2014	14 August 2014	8 September 2014		✓		23 September 2014				✓		
Tourism Tasmania	30 June 2014	14 August 2014	14 August 2014		✓		23 September 2014				✓		
Department of Education	30 June 2014	14 August 2014	14 August 2014		✓		12 September 2014			✓			
Department of Health and Human Services	30 June 2014	14 August 2014	14 August 2014		✓		29 September 2014				✓		
Ambulance Tasmania	30 June 2014	14 August 2014	14 August 2014		✓		23 September 2014				✓		
Housing Tasmania	30 June 2014	14 August 2014	14 August 2014		✓		26 September 2014				✓		
Tasmanian Affordable Housing Limited	30 June 2014	14 August 2014	14 August 2014		✓		26 September 2014				✓		
Department of Infrastructure, Energy and Resources	30 June 2014	14 August 2014	13 August 2014		✓		15 September 2014			✓			
ABT Railway Ministerial Corporation	30 June 2014	14 August 2014	13 August 2014		✓		19 September 2014			✓			

Entity	Financial Statements							Timeliness of Audit Opinion Issue From Balance Date					
	Balance Date	Financial Statement Deadline	Signed Financial Statements Received	Resigned/ Amended Financial Statements Received	Clear Opinion Issued	Emphasis of Matter	Audit Opinion Signed	< 8 Weeks	8 to 10 Weeks	10 to 12 Weeks	12 to 14 Weeks	14 to 16 Weeks	> 16 Weeks
Department of Justice	30 June 2014	14 August 2014	14 August 2014		✓		15 September 2014			✓			
Asbestos Compensation Fund	30 June 2014	14 August 2014	14 August 2014		✓		14 August 2014	✓					
Workcover Tasmania Board	30 June 2014	14 August 2014	14 August 2014		✓		15 August 2014	✓					
Department of Police and Emergency Management	30 June 2014	14 August 2014	14 August 2014		✓		24 September 2014				✓		
Department of Premier and Cabinet	30 June 2014	14 August 2014	13 August 2014		✓		17 September 2014			✓			
Tasmanian Community Fund	30 June 2014	14 August 2014	14 August 2014	26 August 2014	✓		17 September 2014			✓			
Department of Primary Industries, Parks, Water and Environment	30 June 2014	14 August 2014	14 August 2014		✓		10 September 2014			✓			
Department of Treasury and Finance	30 June 2014	14 August 2014	12 August 2014		✓		24 September 2014				✓		
Tasmanian Health													
Tasmanian Health Organisation North	30 June 2014	14 August 2014	14 August 2014	18 September 2014	✓		18 September 2014			✓			
Tasmanian Health Organisation North-West	30 June 2014	14 August 2014	14 August 2014	19 September 2014	✓		19 September 2014			✓			
Tasmanian Health Organisation South	30 June 2014	14 August 2014	14 August 2014	19 September 2014	✓		19 September 2014			✓			
Tasmanian State Pool Account	30 June 2014	14 August 2014	10 September 2014		✓		16 September 2014			✓			
Other General Government Sector State Entities													
Inland Fisheries Service	30 June 2014	14 August 2014	7 August 2014		✓		17 September 2014			✓			
Integrity Commission	30 June 2014	14 August 2014	13 August 2014		✓		11 September 2014			✓			
Marine and Safety Authority	30 June 2014	14 August 2014	7 August 2014		✓		7 August 2014	✓					

Entity	Financial Statements							Timeliness of Audit Opinion Issue From Balance Date					
	Balance Date	Financial Statement Deadline	Signed Financial Statements Received	Resigned/ Amended Financial Statements Received	Clear Opinion Issued	Emphasis of Matter	Audit Opinion Signed	< 8 Weeks	8 to 10 Weeks	10 to 12 Weeks	12 to 14 Weeks	14 to 16 Weeks	> 16 Weeks
Office of the Director of Public Prosecutions	30 June 2014	14 August 2014	14 August 2014	21 August 2014	✓		22 August 2014	✓					
Office of the Ombudsman and Health Complaints Commissioner	30 June 2014	14 August 2014	14 August 2014		✓		17 September 2014			✓			
Office of the Tasmanian Economic Regulator	30 June 2014	14 August 2014	11 August 2014		✓		16 September 2014			✓			
Royal Tasmanian Botanical Gardens	30 June 2014	14 August 2014	11 August 2014		✓		22 September 2014			✓			
State Fire Commission	30 June 2014	14 August 2014	14 August 2014	23 September 2014	✓		23 September 2014				✓		
Tasmanian Heritage Council	30 June 2014	14 August 2014	14 August 2014		✓		16 September 2014			✓			
TasTAFE	30 June 2014	14 August 2014	13 August 2014		✓		12 September 2014			✓			
The Nominal Insurer	30 June 2014	14 August 2014	20 August 2014		✓		20 September 2014			✓			
Other State entities													
Aboriginal Land Council	30 June 2014	14 August 2014	14 August 2014		✓		2 September 2014		✓				
Council of Law Reporting	30 June 2014	14 August 2014	14 August 2014		✓		5 September 2014		✓				
Forest Practices Authority	30 June 2014	14 August 2014	14 August 2014		✓		16 September 2014			✓			
Legal Aid Commission of Tasmania	30 June 2014	14 August 2014	11 August 2014		✓		22 September 2014			✓			
Legal Profession Board	30 June 2014	14 August 2014	14 August 2014	18 August 2014	✓		20 August 2014	✓					
National Trust of Australia (Tasmania)	30 June 2014	14 August 2014	13 October 2014		x	✓	17 October 2014					✓	
Property Agents Board	30 June 2014	14 August 2014	14 August 2014	23 September 2014	✓		23 September 2014				✓		
Property Agents Trust	30 June 2014	14 August 2014	14 August 2014	23 September 2014	✓		23 September 2014				✓		
River Clyde Trust	30 June 2014	14 August 2014	15 August 2014		✓		25 September 2014				✓		
Tasmanian Beef Industry (Research and Development) Trust	30 June 2014	14 August 2014	14 August 2014		✓		10 September 2014			✓			

Entity	Financial Statements							Timeliness of Audit Opinion Issue From Balance Date					
	Balance Date	Financial Statement Deadline	Signed Financial Statements Received	Resigned/ Amended Financial Statements Received	Clear Opinion Issued	Emphasis of Matter	Audit Opinion Signed	< 8 Weeks	8 to 10 Weeks	10 to 12 Weeks	12 to 14 Weeks	14 to 16 Weeks	> 16 Weeks
Tasmanian Building and Construction Industry Training Board	30 June 2014	14 August 2014	13 August 2014		✓		2 September 2014		✓				
Tasmanian Community Fund	30 June 2014	14 August 2014	14 August 2014	26 August 2014	✓		17 September 2014			✓			
Tasmanian Dairy Industry Authority	30 June 2014	14 August 2014	14 August 2014		✓		24 September 2014				✓		
Tasmanian Early Years Foundation	30 June 2014	14 August 2014	14 August 2014		✓		17 September 2014			✓			
Teachers Registration Board of Tasmania	30 June 2014	14 August 2014	14 August 2014	16 October 2014	✓		16 October 2014					✓	
Wellington Park Management Trust	30 June 2014	14 August 2014	15 August 2014		✓		23 September 2014				✓		
Superannuation Funds													
Retirement Benefits Fund Board	30 June 2014	14 August 2014	14 August 2014		✓		14 August 2014	✓					
RBF Financial Planning Pty Ltd	30 June 2014	14 August 2014	14 August 2014		✓		14 August 2014	✓					
Treasurer's Annual Financial Report													
General Government Sector	30 June 2014	30 September 2014	29 September 2014		✓		24 October 2014						✓
Total State Sector	30 June 2014	n/a	30 September 2014		✓		24 October 2014						✓
Public Account	30 June 2014	30 September 2014	29 September 2014		✓		24 October 2014						✓
Government Business Enterprises													
Forestry Tasmania	30 June 2014	14 August 2014	15 August 2014		✓	✓	20 August 2014	✓					
Hydro-Electric Corporation	30 June 2014	14 August 2014	14 August 2014		✓		12 September 2014			✓			

Entity	Financial Statements							Timeliness of Audit Opinion Issue From Balance Date					
	Balance Date	Financial Statement Deadline	Signed Financial Statements Received	Resigned/ Amended Financial Statements Received	Clear Opinion Issued	Emphasis of Matter	Audit Opinion Signed	< 8 Weeks	8 to 10 Weeks	10 to 12 Weeks	12 to 14 Weeks	14 to 16 Weeks	> 16 Weeks
Momentum Energy Pty Ltd	30 June 2014	14 August 2014	13 August 2014		✓		13 August 2014	✓					
AETV	30 June 2014	14 August 2014	15 August 2015		✓		15 August 2014	✓					
Macquarie Point Development Corporation	30 June 2014	14 August 2014	14 August 2014	5 September 2014	✓		8 September 2014		✓				
Motor Accidents Insurance Board	30 June 2014	14 August 2014	13 August 2014		✓		18 August 2014	✓					
Port Arthur Historic Site Management Authority	30 June 2014	14 August 2014	14 August 2014		✓		21 August 2014	✓					
Private Forests Tasmania	30 June 2014	14 August 2014	15 August 2014		✓		11 September 2014			✓			
Public Trustee	30 June 2014	14 August 2014	11 August 2014		✓		11 August 2014	✓					
Tasmanian Public Finance Corporation (TASCORP)	30 June 2014	14 August 2014	8 August 2014		✓		8 August 2014	✓					
State Owned Corporations													
Aurora Energy Pty Ltd	30 June 2014	14 August 2014	12 August 2014		✓		12 August 2014	✓					
Metro Tasmania Pty Ltd	30 June 2014	14 August 2014	7 August 2014		✓		7 August 2014	✓					
Tasmanian Irrigation Pty Ltd	30 June 2014	14 August 2014	14 August 2014		✓		20 August 2014	✓					
Tasmanian Networks Pty Ltd	30 June 2014	14 August 2014	14 August 2014		✓		14 August 2014	✓					
Tasmanian Ports Corporation Pty Ltd	30 June 2014	14 August 2014	13 August 2014		✓		13 August 2014	✓					
Tasmanian Railway Pty Ltd	30 June 2014	14 August 2014	4 August 2014		✓		11 August 2014	✓					
Tasracing Pty Ltd	30 June 2014	14 August 2014	13 August 2014		✓		13 August 2014	✓					
Transend Networks Pty Ltd	30 June 2014	14 August 2014	12 August 2014		✓		19 August 2014	✓					
TT-Line Company Pty Ltd	30 June 2014	14 August 2014	11 August 2014		✓		14 August 2014	✓					

Entity	Financial Statements							Timeliness of Audit Opinion Issue From Balance Date					
	Balance Date	Financial Statement Deadline	Signed Financial Statements Received	Resigned/ Amended Financial Statements Received	Clear Opinion Issued	Emphasis of Matter	Audit Opinion Signed	< 8 Weeks	8 to 10 Weeks	10 to 12 Weeks	12 to 14 Weeks	14 to 16 Weeks	> 16 Weeks
Tasmanian Water and Sewerage Corporation													
Tasmanian Water and Sewerage Corporation Pty Ltd	30 June 2014	14 August 2014	7 August 2014		✓		13 August 2014	✓					
Local Government Authorities													
Major Councils													
Clarence City Council	30 June 2014	14 August 2014	14 August 2014	9 September 2014	✓		11 September 2014			✓			
Glenorchy City Council	30 June 2014	14 August 2014	14 August 2014		✓		2 September 2014		✓				
Hobart City Council	30 June 2014	14 August 2014	14 August 2014		✓		23 September 2014				✓		
Launceston City Council	30 June 2014	14 August 2014	14 August 2014	26 September 2014	✓		26 September 2014				✓		
Medium Councils													
Brighton Council	30 June 2014	14 August 2014	14 August 2014		✓		22 September 2014			✓			
Brighton Industrial and Housing Corporation	30 June 2014	14 August 2014	8 August 2014		✓		11 September 2014			✓			
Microwise Pty Ltd	30 June 2014	14 August 2014	8 August 2014		✓		11 September 2014			✓			
Burnie City Council	30 June 2014	14 August 2014	14 August 2014	29 September 2014	✓		1 October 2014				✓		
Burnie Airport Corporation Unit Trust	30 June 2014	14 August 2014	28 July 2014		✓		8 September 2014			✓			
Burnie Sports and Events Unit Trust	30 June 2014	14 August 2014	29 July 2014		✓		10 September 2014			✓			
Tasmanian Communications Unit Trust	30 June 2014	14 August 2014	28 July 2014		✓		9 September 2014			✓			
Central Coast Council	30 June 2014	14 August 2014	14 August 2014	12 September 2014	✓		18 September 2014			✓			
Derwent Valley Council	30 June 2014	14 August 2014	14 August 2014	26 September 2014	✓		26 September 2014				✓		
Devonport City Council	30 June 2014	14 August 2014	13 August 2014		✓		28 August 2014		✓				
Huon Valley Council	30 June 2014	14 August 2014	14 August 2014		✓		9 September 2014			✓			

Entity	Financial Statements: Balance Date	Financial Statement Deadline	Signed Financial Statements Received	Resigned/ Amended Financial Statements Received	Clear Opinion Issued	Emphasis of Matter	Audit Opinion Signed	Timeliness of Audit Opinion Issue From Balance Date: < 8 Weeks	8 to 10 Weeks	10 to 12 Weeks	12 to 14 Weeks	14 to 16 Weeks	> 16 Weeks
Kingborough Council	30 June 2014	14 August 2014	14 August 2014		✓		1 September 2014		✓				
Meander Valley Council	30 June 2014	14 August 2014	12 August 2014		✓		24 September 2014				✓		
Northern Midlands Council	30 June 2014	14 August 2014	20 August 2014	1 October 2014	✓		3 October 2014				✓		
Sorell Council	30 June 2014	14 August 2014	14 August 2014		✓		20 September 2014			✓			
Waratah-Wynyard Council	30 June 2014	14 August 2014	14 August 2014	26 September 2014	✓		26 September 2014				✓		
West Tamar Council	30 June 2014	14 August 2014	14 August 2014		✓		17 September 2014			✓			
Small Councils													
Break O'Day Council	30 June 2014	14 August 2014	13 August 2014		✓		26 September 2014				✓		
Central Highlands Council	30 June 2014	14 August 2014	14 August 2014		✓		24 September 2014				✓		
Circular Head Council	30 June 2014	14 August 2014	14 August 2014		✓		29 September 2014				✓		
Dorset Council	30 June 2014	14 August 2014	14 August 2014		✓		26 September 2014				✓		
Flinders Council	30 June 2014	14 August 2014	14 August 2014		✓		29 September 2014				✓		
George Town Council	30 June 2014	14 August 2014	13 August 2014	24 September 2014	✓		25 September 2014				✓		
Glamorgan Spring Bay Council	30 June 2014	14 August 2014	14 August 2014	26 September 2014	✓		29 September 2014				✓		
Kentish Council	30 June 2014	14 August 2014	14 August 2014		✓		29 September 2014				✓		
King Island Council	30 June 2014	14 August 2014	14 August 2014		✓		22 September 2014				✓		
Latrobe Council	30 June 2014	14 August 2014	19 September 2014		✓		31 October 2014						✓
Southern Midlands Council	30 June 2014	14 August 2014	14 August 2014		✓		26 September 2014				✓		
Tasman Council	30 June 2014	14 August 2014	14 August 2014		✓		26 September 2014				✓		
West Coast Council	30 June 2014	14 August 2014	14 August 2014		✓		27 September 2014				✓		
Local Government Business Units													
Copping Refuse Disposal Site Joint Authority	30 June 2014	14 August 2014	13 August 2014	22 September 2014	✓		24 September 2014				✓		
Cradle Coast Authority	30 June 2014	14 August 2014	13 August 2014		✓		25 September 2014				✓		

Entity	Financial Statements: Balance Date	Financial Statement Deadline	Signed Financial Statements Received	Resigned/ Amended Financial Statements Received	Clear Opinion Issued	Emphasis of Matter	Audit Opinion Signed	Timeliness of Audit Opinion Issue From Balance Date: < 8 Weeks	8 to 10 Weeks	10 to 12 Weeks	12 to 14 Weeks	14 to 16 Weeks	> 16 Weeks
Dulverton Regional Waste Management Authority	30 June 2014	14 August 2014	14 August 2014	27 August 2014	✓		24 September 2014				✓		
Southern Tasmanian Councils Authority	30 June 2014	14 August 2014	14 August 2014		✓		10 September 2014			✓			
Southern Waste Strategy Authority	30 June 2014	14 August 2014	12 August 2014		✓		10 September 2014			✓			
Local Government Association of Tasmania	30 June 2014	14 August 2014	14 August 2014		✓		26 September 2014				✓		
Northern Tasmania Development Association Inc	30 June 2014	14 August 2014	14 August 2014		✓		22 August 2014	✓					
Other State Entities – 31 December 2014 Year End													
ANZAC Day Trust	31 December 2014	13 February 2015	16 February 2015		✓		19 March 2015			✓			
Tasmanian Qualifications Authority	31 December 2014	13 February 2015	6 March 2015		✓		24 March 2015			✓			
University of Tasmania	31 December 2014	13 February 2015	13 February 2015		✓		6 March 2015		✓				
AMC Search Ltd	31 December 2014	13 February 2015	13 February 2015		✓		27 February 2015		✓				
University of Tasmania Foundation	31 December 2014	13 February 2015	18 February 2015		✓		27 February 2015		✓				
Theatre Royal Management Board	31 December 2014	13 February 2015	11 February 2015		✓		16 February 2015	✓					
The Solicitors' Trust	31 December 2014	13 February 2015	16 February 2015		✓		2 April 2015				✓		

APPENDIX 3 - GLOSSARY

Accountability

The responsibility to provide information to enable users to make informed judgements about the performance, financial position, financing and investing, and compliance of the State entity.

Adverse Opinion

An adverse opinion is issued when the auditor, having obtained sufficient appropriate audit evidence, concludes that mis-statements, individually or in the aggregate, are both material and pervasive to the financial report.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Asset

A resource controlled by an entity as a result of past events, and from which future economic benefits are expected to flow to the entity.

Asset useful life

The period over which an asset is expected to provide the entity with economic benefits. Depending on the nature of the asset, the useful life can be expressed in terms of time or output.

Asset valuation

The fair value of an asset on a particular date.

Audit Act 2008

An Act of the State of Tasmania that:

- ensures that the State has an Auditor-General with the necessary functions, immunities and independence
- provides for the independent audit of the public sector and related entities.

Auditor's opinion (or Auditor's Report)

Written expression within a specified framework indicating the auditor's overall conclusion on the financial reports based on audit evidence obtained.

Borrowing costs

Interest and other costs that an entity incurs in connection with the borrowing of funds.

Capital expenditure

Amount capitalised to the Statement of Financial Position (also referred to as the balance sheet) for expenditure on or contributions by a State entity to major assets controlled or owned by the entity, including expenditure on:

- capital renewal of existing assets that returns the service potential or the life of the asset to that which it had originally been commissioned
- capital expansion which extends an existing asset at the same standard to a new group of users.

Capital grant

Government funding provided to an agency for acquiring capital assets such as buildings, land or equipment.

Carrying amount

The amount at which an asset is recognised after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon.

Cash

Cash on hand and demand deposits.

Cash equivalents

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flows

Inflows and outflows of cash and cash equivalents.

Combined employee costs

For the purpose of this Report, combined employee costs included wages, salaries, leave entitlements and on-costs, superannuation contributions made on behalf of employees and superannuation liability expenses relating to defined benefits schemes for which the Government is responsible.

Comprehensive result

The overall net result of all items of income and expense recognised for the period. It is the aggregate of net surplus (deficit) or profit (loss) and other movements in equity.

Consolidated financial statements

The financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity.

Contributed assets

Assets, usually Property, plant and equipment, contributed to a State entity at no cost or which are non-reciprocal.

Contributions from the State

Transactions in which one State entity provides goods, services, assets (or extinguishes a liability) or labour to another State entity without receiving approximately equal value in return. Contributions can either be of a current or capital nature.

Control

The capacity of an entity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of another entity so as to enable that other entity to operate with it in achieving the objectives of the controlling entity.

Cost

The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

Current asset

An asset that an entity:

- expects to realise or intends to sell or consume in its normal operating cycle;
- holds primarily for the purpose of trading;
- expects to realise within twelve months after the reporting period; or
- is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify all other assets as non-current.

Current liability

A liability that an entity:

- expects to settle in its normal operating cycle;
- it holds primarily for the purpose of trading;
- is due to be settled within twelve months after the reporting period; or
- does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

An entity shall classify all other liabilities as non-current.

Deficit

Total expenditure exceeds Total Revenue. Term is generally applied to results of not-for-profit entities. Equivalent term in the case of for-profit entities is a loss.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Disclaimer of opinion

A disclaimer of opinion is used when it is not possible for the auditor to form an opinion. This may occur in rare circumstances when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial report of undetected mis-statements, if any, could be both material and pervasive.

Emphasis of matter

An auditor's report can include an emphasis of matter paragraph that draws attention to a disclosure or item in the financial report that is relevant to the users of the report but is not of such nature that it affects the auditor's opinion (i.e. the auditor's opinion remains unmodified).

Employee benefits provision

The liability recognised for employees' accrued service entitlements, including all costs related to employment consisting of wages and salaries, leave entitlements, redundancy payments and superannuation contributions.

Equity or net assets

Residual interest in the assets of an entity after deduction of its liabilities. Where liabilities exceed assets, this gives rise to negative equity or net liabilities or accumulated deficits.

Expense

Outflows or other depletions of economic benefits in the form of incurrence of liabilities or depletion of assets of the entity, other than those relating to contributions by owners, that results in a decrease in equity, or increase in a liability, during the reporting period.

Fair value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial Asset

Any asset that is:

- cash
- an equity instrument of another entity
- a contractual right:
  - to receive cash or another financial asset from another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial liability

Any liability that is:

- a contractual obligation:
  - to deliver cash or another financial asset to another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial position

The relationship of the assets, liabilities and equity of an entity, as reported in the Statement of Financial Position (balance sheet).

Financial report

Structured representation of financial information, which usually includes accompanying notes, derived from accounting records and intended to communicate an entity's financial performance over a period of time and its economic resources or obligations at a point in time in accordance with a financial reporting framework.

Financial statements

A complete set of financial statements consists of:

- a Statement of Financial Position as at the end of the period
- a Statement of Profit or Loss and Other Comprehensive Income for the period
- a Statement of Changes in Equity for the period
- a Statement of Cash Flows for the period
- notes, comprising a summary of significant accounting policies and other explanatory information
- comparative information in respect of the preceding period
- a Statement of Financial Position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective re-statement of items in its financial statements, or when it re-classifies items in its financial statements.

An entity may use titles for the statements other than those used in the relevant accounting standard. For example, an entity may use the title 'Statement of Comprehensive Income' instead of 'Statement of Profit or Loss and Other Comprehensive Income'.

Financial sustainability

An entity's ability to manage financial resources so it can meet its spending commitments both at present and into the future.

Financial year
The period of 12 months for which a financial report is prepared.

For-profit entity
An entity whose principal objective is the generation of profit. A for-profit entity can be a single entity or a group of entities comprising the parent entity and each of the entities that it controls.

Future economic benefit
The potential to contribute, directly or indirectly, to the flow of cash and cash equivalents to the entity. The potential may be a productive one that is part of the operating activities of the entity. It may also take the form of convertibility into cash or cash equivalents or a capability to reduce cash outflows.

General purpose financial report
A financial report intended to meet the information needs common to users who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs.

Going concern
An entity which is expected to be able to pay its debts as and when they fall due, and continue in operation for the foreseeable future without any intention or necessity to liquidate or otherwise wind up its operations.

Governance
The control arrangements in place at an entity that are used to govern and monitor its activities in order to achieve its strategic and operational goals.

Impairment loss
The amount by which the carrying amount of an asset exceeds its recoverable amount.

Independent auditor's report
An expression of the independent auditor's opinion on an entity's financial (and performance) report.

Intangible asset
An identifiable non-monetary asset without physical substance.

Investment
The expenditure of funds intended to result in medium to long-term service and/or financial benefits arising from the development and/or use of infrastructure assets by either the public or private sectors.

Liability
A present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow of resources from the entity.

Loss
Total expenditure exceeds total revenue. Term is generally applied to results of for-profit entities. Equivalent term in the case of not-for-profit entities is a deficit.

Material
Omissions or mis-statements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or mis-statement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

Materiality
Information is material if its omission or mis-statement could influence the economic decisions of users taken on the basis of the financial report.

Modified audit opinion
The Auditing Standards establish three types of modified opinions, namely, a qualified opinion, an adverse opinion, and a disclaimer of opinion. The decision regarding which type of modified opinion is appropriate depends upon:

- the nature of the matter giving rise to the modification, that is, whether the financial report is materially mis-stated or, in the case of an inability to obtain sufficient appropriate audit evidence, may be materially mis-stated; and
- the auditor's judgement about the pervasiveness of the effects or possible effects of the matter on the financial report.

Non-financial asset
Physical assets such as land, buildings and infrastructure.

Not-for-profit entity
An entity whose principal objective is not the generation of profit. A not-for-profit entity can be a single entity or a group of entities consisting of the parent entity and each of the entities that it controls.

Operating cycle
The time between the acquisition of assets for processing and their realisation in cash or cash equivalents.

Profit
Total revenue exceeds total expenditure. Term is generally applied to results of for-profit entities. Equivalent term in the case of not-for-profit entities is a surplus.

Property, plant and equipment
Tangible items that:

- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one period.

Public sector entity
A department; a public hospital; a local government; a statutory body; an entity controlled by one, or more than one department, public hospital, local government or statutory body; or an entity controlled by a public sector entity.

Qualified audit opinion
A qualification is issued when the auditor concludes that an unqualified opinion cannot be expressed due to one of the following reasons:

- The auditor, having obtained sufficient appropriate audit evidence, concludes that mis-statements, individually or in the aggregate, are material, but not pervasive, to the financial report; or
- The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial report of undetected mis-statements, if any, could be material but not pervasive.

A qualified opinion shall be expressed as being except for the effects of the matter to which the qualification relates.

Relevant

Measures or indicators used by an entity are relevant if they have a logical and consistent relationship to an entity's objectives and are linked to the outcomes to be achieved.

Revaluation

Recognising a reassessment or re-statement of values for assets or liabilities at a particular point in time.

Revenue

Inflows of funds or other enhancements or savings in outflows of service potential, or future economic benefits in the form of increases in assets or reductions in liabilities of the entity, other than those relating to contributions by owners which result in an increase in equity during the reporting period.

Special purpose financial statements

A financial report intended to only meet the information needs of specific users who are able to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs.

State entity

A body, whether corporate or unincorporated, that has a public function to exercise on behalf of the State or is wholly owned by the State, as defined under the *Audit Act 2008*, including:

- an agency
- a council
- a Government Business Enterprise
- a State Owned Corporation
- a State authority that is not a Government Business Enterprise
- the council, board, trust or trustees, or other governing body (however designated) of, or for, a corporation, body of persons or institution, that is or are appointed by the Governor or a Minister of the Crown
- a body or authority referred to in section 21, established under section 29 or 30, or continued under section 326, of the *Local Government Act 1993*
- the Corporation incorporated under section 5 of the *Water and Sewerage Corporation Act 2012*
- a body or authority in respect of which the Treasurer has made a determination under section 32A.

State Owned Corporation

A company incorporated under the Corporations Act which is controlled by:

- the Crown
- a State authority
- another company which is itself controlled by the Crown or a State authority.

Surplus

Total revenue exceeds total expenditure. Term is generally applied to results of not-for-profit entities. Equivalent term in the case of for-profit entities is a profit.

Unqualified audit opinion – financial report

A positive written expression provided when the financial report has been prepared and presents fairly the transactions and balances for the reporting period in accordance with the requirements of the relevant legislation and Australian accounting standards.

Also referred to as a **clear audit opinion**.

Value in use (in respect of not-for-profit entities)

Depreciated replacement cost of an asset when the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits.

APPENDIX 4 - ACRONYMS AND ABBREVIATIONS

AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
AAV	Assessed Annual Value
ABS	Australian Bureau of Statistics
ACIPA	Academy of Creative Industries and Performing Arts
ACT	Australian Capital Territory
AEMO	Australian Energy Market Operator
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
AETV	Aurora Energy Tamar Valley
AFS	Australian Financial Services
AMC	Australian Maritime College
ANAO	Australian National Audit Office
APRA	Australian Prudential Regulation Authority
ARM	Asset Revaluation Model
ASA	Australian Auditing Standard
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
ATO	Australian Taxation Office
BAC	Burnie Airport Corporation Unit Trust
BBP	Bell Bay Power Pty Ltd
BHF	Better Housing Futures
BLW	Ben Lomond Water
BSE	Burnie Sports and Events Unit Trust
CC&Bs	Customer Care and Billing system
CDO	Collateralised Debt Obligation
CDOE	Commonwealth Department of Education
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CLAF	Crown Land Administration Fund
CMW	Cradle Mountain Water
CPI	Consumer Price Index
CREST	Crown Land Administration System
CSO	Community Service Obligation
DBP	Defined Benefit Pension
DBSS	Defined Benefit Superannuation Scheme
DHHS	Department of Health and Human Services
DIER	Department of Infrastructure, Energy and Resources
DIISRTE	Department of Industry, Innovation, Science, Research and Tertiary Education
DoE	Department of Education
DoJ	Department of Justice

DORC	Depreciated Optimised Replacement Cost
DPAC	Department of Premier and Cabinet
DPEM	Department of Police and Emergency Management
DPIPWE	Department of Primary Industries, Parks, Water and the Environment
DTF	Department of Treasury and Finance
DVA	Department of Veterans Affairs
EBA	Enterprise Bargaining Agreement
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EEP	Environmental Energy Products
EFTSL	Equivalent Full-time Student Load
EOI	Expression of Interest
FAWDS	Firearms and Weapons Disposal System
FCAS	Frequency Control Ancillary Services
FIND	Fines and Infringement Notices Database
FMAA	*Financial Management and Audit Act 1990*
FPM	Financial Procedures Manual
FRFI	*Forestry (Rebuilding the Forest Industry) Act 2014*
FSC	Forest Stewardship Council
FSI	Forest Services International
FSST	Forensic Science Services Tasmania
FTE	Full-time Equivalent
GBE	Government Business Enterprise
GDP	Gross Domestic Product
GGS	General Government Sector
GIF	Group Investment Fund
GMO	Grantham, Mayo and Otterloo
GSP	Gross State Product
GST	Goods and Services Tax
GWh	Gigawatt Hour
HEC	Hydro-Electric Corporation
HECS-HELP	Higher Education Loan Program
HIAPL	Hobart International Airport Pty Ltd
HoA	House of Assembly
HR	Human Resources
IMAS	Institute of Marine and Antarctic Studies
IPSASB	International Public Sector Accounting Standards Board
IRR	Inter Regional Revenues
IS	Information Security
IST	Island Specialty Timbers
IT	Information Technology
KAM	Key Audit Matters
KIPC	King Island Ports Corporation
KMP	Key Management Personnel

KPI	Key Performance Indicators
KV	Kilovolt
LGAT	Local Government Association of Tasmania
LGH	Launceston General Hospital
LIST	Land Information System Tasmania
LSL	Long Service Leave
MAIB	Motor Accidents Insurance Board
MAR	Maximum Allowable Revenue
MIC	Member Investment Choice
MHS	Mental Health Services
MHS-N	Mental Health Services – North
MO	Medical Officer
MWh	Megawatt Hour
N/a	Not Applicable
NDRRA	Natural Disaster Relief and Recovery Arrangements
NEM	National Electricity Market
NEMMCO	National Electricity Market Management Company Limited
Newood	Newood Holdings Pty Ltd
NRAS	National Rental Affordability Scheme
NTER	National Taxation Equivalent Regime
NWRH	North West Regional Hospital
OPWG	Optical Ground Wire
OVG	Office of Valuer-General
PA	Public Account
PAYG	Pay As You Go
PFC	Public Financial Corporation
PFT	Private Forests Tasmania
PIRP	Prison Infrastructure and Redevelopment Program
PNFC	Public Non-Financial Corporation
PNT	Pacific National Tasmania
PRBF	Parliamentary Retiring Benefits Fund
PSF	Parliamentary Superannuation Fund
PT	Public Trustee
PwC	PricewaterhouseCoopers
RAB	Regulated Asset Base
RBF	Retirement Benefits Fund
RBFB	Retirement Benefits Fund Board
REC	Renewable Energy Certificates
RHH	Royal Hobart Hospital
RIN	Regulatory Information Notices
ROGS	Report on Government Services
SDTF	Special Deposits and Trust Fund
SES	State Emergency Service

SEV	Soil Expectation Value
SFC	State Fire Commission
SFCSS	State Fire Commission Superannuation Scheme
SG	Superannuation Guarantee
SLIMS	Student Lifecycle Information Management Services system
SMO	Senior Medical Officer
SOC	State Owned Corporation
SPA	Superannuation Provision Account
SPFR	Special Purpose Financial Reports
SW	Southern Water
TAC	Tasmanian Communications Unit Trust
TAFR	Treasurer's Annual Financial Report
TAHL	Tasmanian Affordable Housing Limited
TAS	Tasmanian Accumulation Scheme
TASCORP	Tasmanian Public Finance Corporation
TASSS	Tasmanian Ambulance Service Superannuation Scheme
TasWater	Tasmanian Water and Sewerage Corporation Pty Ltd
TCF	Tasmanian Community Fund
TCFA	Tasmanian Community Forest Agreement
TDIA	Tasmanian Dairy Industry Authority
TDR	Tasmania Development and Resources
TDRA	Temporary Debt Repayment Account
TESI	Tasmanian Electricity Supply Industry
TFA	Tasmanian Forest Agreement
TFIA	Tasmanian Forest Intergovernmental Agreement
TFS	Tasmanian Fire Service
THO	Tasmanian Health Organisation
THO-N	Tasmanian Health Organisation – North
THO-NW	Tasmanian Health Organisation – North West
THO-S	Tasmanian Health Organisation – South
TI	Treasurer's Instruction
TIPL	Tasmanian Irrigation Pty Ltd
TMRN	Tasmanian Mobile Radio Network
TVPS	Tamar Valley Power Station
TUOS	Transmission Use of System
TUU	Tasmanian University Union Incorporated
UPF	Uniform Presentation Framework
UTAS	University of Tasmania
VaR	Value at Risk
VET	Vocational Education and Training
VG	Valuer-General
VoIP	Voice over Internet Protocol
WACC	Weighted Average Cost of Capital

WHA	World Heritage Area
WIF	Water Infrastructure Fund
WIP	Work in Progress

APPENDIX 5 - RECENT REPORTS

Tabled	Report No.	Title
2014		
January	No. 6 of 2013-14	Redevelopment of the Royal Hobart Hospital: governance and project management
February	No. 7 of 2013-14	Police responses to serious crime
February	No. 8 of 2013-14	Auditor-General's Report on the Financial Statements of State entities, Volume 4 - Analysis of the Treasurer's Annual Financial Report 2012-13
May	No. 9 of 2013-14	Auditor-General's Report on the Financial Statements of State entities, Volume 5 - State entities 30 June and 31 December 2013, matters relating to 2012-13 audits and key performance indicators
May	No. 10 of 2013-14	Government radio communications
May	No. 11 of 2013-14	Compliance with the Alcohol, Tobacco and Other Drugs Plan 2008-13
June	No. 12 of 2013-14	Quality of Metro services
June	No. 13 of 2013-14	Teaching quality in public high schools
August	No. 1 of 2014-15	Recruitment practices in the State Service
September	No. 2 of 2014-15	Follow up of selected Auditor-General reports: October 2009 to September 2011
September	No. 3 of 2014-15	Motor vehicle fleet management in government departments
November	No. 4 of 2014-15	Auditor-General's Report on the Financial Statements of State entities, Volume 3 - Government Businesses 2013-14
November	No. 5 of 2014-15	Auditor-General's Report on the Financial Statements of State entities, Volume 2 - General Government and Other State entities 2013-14
December	No. 6 of 2014-15	Auditor-General's Report on the Financial Statements of State entities, Volume 1 - Analysis of the Treasurer's Annual Financial Report 2013-14
2015		
February	No. 7 of 2014-15	Volume 4 - Local Government Authorities, Joint Authorities and Tasmanian Water and Sewerage Corporation Pty Ltd 2013-14
March	No. 8 of 2014-15	Security of information and communications technology (ICT) infrastructure
March	No. 9 of 2014-15	Tasmanian Museum and Art Gallery: Compliance with the National Standards for Australian Museums and Galleries
May	No. 10 of 2014-15	Number of public primary schools
May	No. 11 of 2014-15	Road management in local government

Auditor-General's reports are available from the Tasmanian Audit Office. These and other published reports can be accessed on the Office's website: www.audit.tas.gov.au

Tasmanian Audit Office

Level 4, Executive Building, 15 Murray Street, Hobart, Tasmania, 7000
Postal Address GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6173 0900 | Fax: 03 6173 0999
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

Our Vision

Strive | Lead | Excel | To Make A Difference

Our Purpose

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector

Availability of reports

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

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.

Tasmanian
Audit Office

Phone	(03) 6173 0900	**Address**	Level 4, Executive Building
Fax	(03) 6173 0999		15 Murray Street, Hobart
email	admin@audit.tas.gov.au	**Postal Address**	GPO Box 851, Hobart 7001
Web	www.audit.tas.gov.au	**Office Hours**	9am to 5pm Monday to Friday

Launceston Office

Phone	(03) 6173 0971	**Address**	2nd Floor, Henty House
			1 Civic Square, Launceston