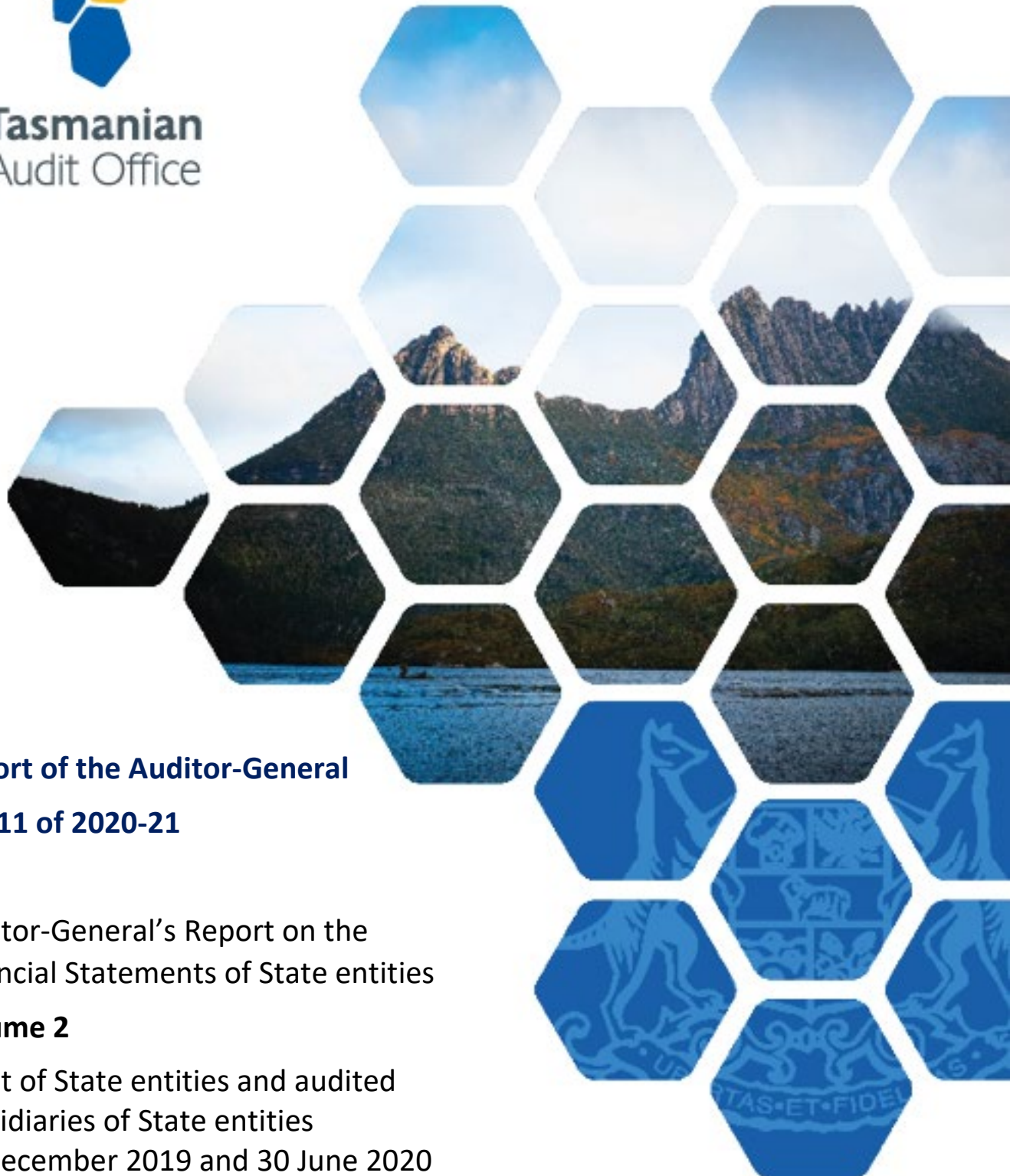




Tasmanian
Audit Office



**Report of the Auditor-General
No. 11 of 2020-21**

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

Volume 2

Audit of State entities and audited
subsidiaries of State entities
31 December 2019 and 30 June 2020

25 March 2021

The Role of the Auditor-General

The Auditor-General's roles and responsibilities, and therefore of the Tasmanian Audit Office, are set out in the *Audit Act 2008* (Audit Act). The Auditor-General's role as Parliament's auditor is unique.

Our primary responsibility is to conduct financial or 'attest' audits of the annual financial statements 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 statements are designed to add credibility to assertions made by accountable authorities in preparing their financial statements, enhancing their value to end users. Following the completion of financial audits, we report findings and outcomes to Parliament.

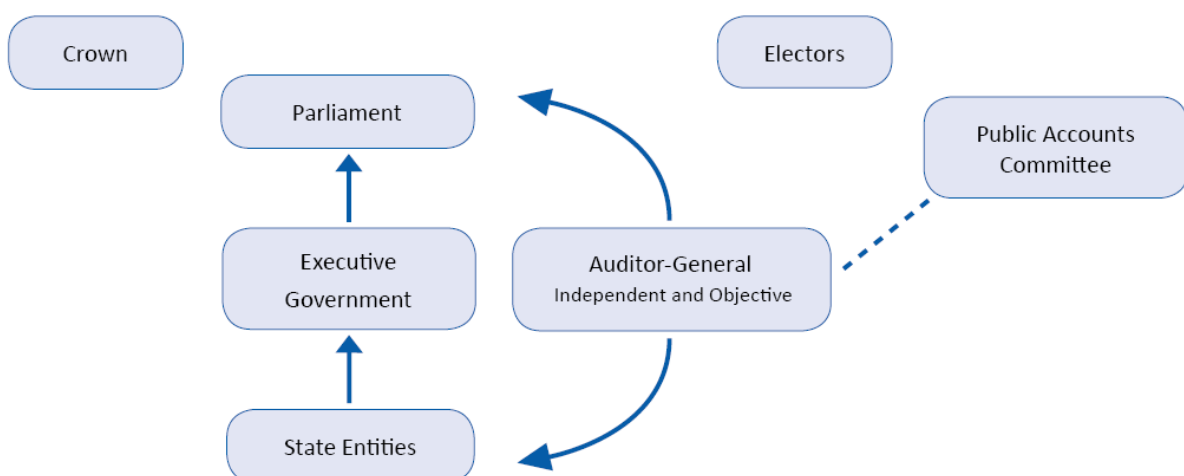
We also conduct performance audits and compliance audits. Performance audits examine whether a State entity is carrying out its activities effectively and doing so economically and efficiently. Audits may cover all or part of a State entity's operations, or consider particular issues across a number 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. In addition, the Auditor-General is responsible for state service employer investigations.

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





**2021
PARLIAMENT OF TASMANIA**

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

Volume 2

**Audit of State entities and audited subsidiaries of State entities
31 December 2019 and 30 June 2020**

25 March 2021

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

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ISSN: 1327 2608



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25 March 2021

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

Dear President, Madam Speaker

Report of the Auditor-General No. 11 of 2020-21: Auditor-General's Report on the Financial Statements of State entities, Volume 2 - Audit of State entities and audited subsidiaries of State entities 31 December 2019 and 30 June 2020

In accordance with the requirements of section 29 of the *Audit Act 2008*, I have the pleasure in presenting the second volume of my report on the audit of the financial statements of State entities and audited subsidiaries of State entities for the years ended 31 December 2019 and 30 June 2020.

Yours sincerely

Rod Whitehead
Auditor-General

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Introduction

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

This report updates and completes the information provided in *Report of the Auditor-General No. 8 of 2020-21: Auditor-General's Report on the Financial Statements of State entities, Volume 1 - Audit of State entities and audited subsidiaries of State entities 31 December 2019 and 30 June 2020*. This second volume contains the findings from all audits completed for the years ended 31 December 2019 and 30 June 2020 together with commentary on the local government sector.

This report has been prepared as at 3 March 2021. Due to some client specific matters still being addressed, two audits had yet to be completed.

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

Overview of this report

This report summarises the outcomes of audits of financial statements of State entities and audited subsidiaries of State entities for the years ended 31 December 2019 and 30 June 2020.

This report includes summaries relating to:

- the timeliness of financial reporting
- audit opinions on financial statements
- audit findings
- prior period errors
- the local government sector.

Guide to using this report

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

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

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

Results of financial statement audits

Introduction

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

This chapter summarises the financial audits undertaken under sections 16 and 18 of the Audit Act. Audits undertaken by arrangement under section 28 of the Audit Act are not included.

Submission of financial statements

State entities and audited subsidiaries of State entities are required to submit financial statements to the Auditor-General within 45 days after the end of each financial year. For 31 December 2019 and 30 June 2020 financial reporting, the deadlines fell on 14 February 2020 and 14 August 2020, respectively. Before accepting the financial statements as submitted, the Auditor-General determines whether the financial statements are complete in all material respects.

The Treasurer's Annual Financial Report (TAFR), comprising the statements reporting on the transactions within the Public Account during the financial year and the balances in the Public Account at the end of the financial year and those statements required to be prepared in accordance with the requirements of any written law, are to be submitted to the Auditor-General before 30 September each year.

State entities and subsidiaries of State entities 31 December 2019 and 30 June 2020

158

Financial statements submitted

86%

Financial statements submitted on time

TAFR comprising General Government Sector (GGS) financial statements and Public Account statements

Financial statements received 29 September 2020

For the years ended 31 December 2019 and 30 June 2020, 22 State entities failed to meet their submission deadline, compared to 20 State entities² that failed to meet the submission

² The Report of the Auditor-General No. 6 of 2019-20, Auditor-General's Report on the Financial Statements of State entities Volume 2 - Audit of State entities and audited subsidiaries of State entities 2018-19 reported 14 entities failed to meet their submission deadline. This number was for the 30 June 2019 balance date only and did not include entities where the audits had been dispensed.

deadline for the years ended 31 December 2018 and 30 June 2019. The increase was not unexpected given difficulties many entities encountered in preparing financial statements as a consequence of the impact of COVID-19.

The financial statements received for Aboriginal Land Council of Tasmania and its subsidiary palawa Enterprise Unit Trust had not been accepted by the Auditor-General as complete in all material respects at the time of this report.

Audit completion

Audit completion

As at the time of this report, 120 audits of financial statements for the years ended 31 December 2019 and 30 June 2020 had been completed. The audits of the financial statements for Aboriginal Land Council of Tasmania and its subsidiary palawa Enterprise Unit Trust had not been completed as the financial statements received from these entities had not been accepted by the Auditor-General as complete in all material respects at the time of this report.

Figure 1: Completed audits for State entities and audited subsidiaries by sector and legislative base



Timeliness of audit completion

The Auditor-General must audit the financial statements and issue an audit report outlining compliance with relevant legislation and accounting standards within 45 days of the date of submission. For financial statements submitted on 14 February 2020 and 14 August 2020, our deadlines fell on 30 March 2020 and 28 September 2020, respectively.

The audit of the financial statements in TAFR are required to be completed in sufficient time to enable the Treasurer to table the report in Parliament by 31 October each year.

State entities and audited subsidiaries of State entities 31 December 2019 and 30 June 2020

56³

Audits reports issued within deadline

TAFR comprising GGS financial statements and Public Account statements

Audit reports issued within deadline on 30 October 2020

Fifty three audits for the years ended 31 December 2019 and 30 June 2020 were not completed within required deadlines, compared to 39 for 31 December 2018 and 30 June 2019. The impacts of COVID-19, including working remotely, greater reliance on technology and delayed client responsiveness, combined with staff shortages in the Office, significantly affected our ability to complete audits within the statutory timeframes.

Audit opinions on financial statements

Types of audit opinions on the financial statements

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

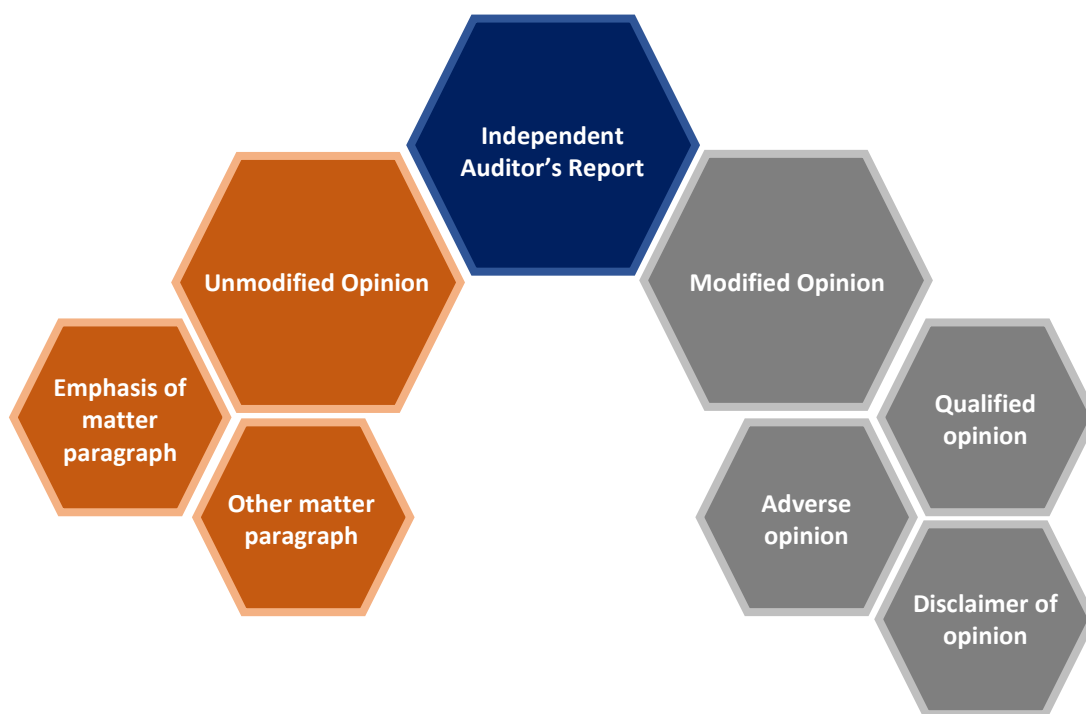
An opinion may be either:

- unmodified, when the auditor concludes that the financial statements were prepared, in all material respects, in accordance with the applicable financial reporting framework
- modified, (i.e., qualified opinion, adverse opinion or disclaimer of opinion) if the auditor concludes that the financial statements as a whole were not free from material misstatement or was unable to obtain sufficient appropriate audit evidence.

The types of audit opinions that may be issued in an independent auditor's report are depicted in Figure 2.

³ Based on completed audits, excluding dispensed with audits.

Figure 2: Types of audit opinions

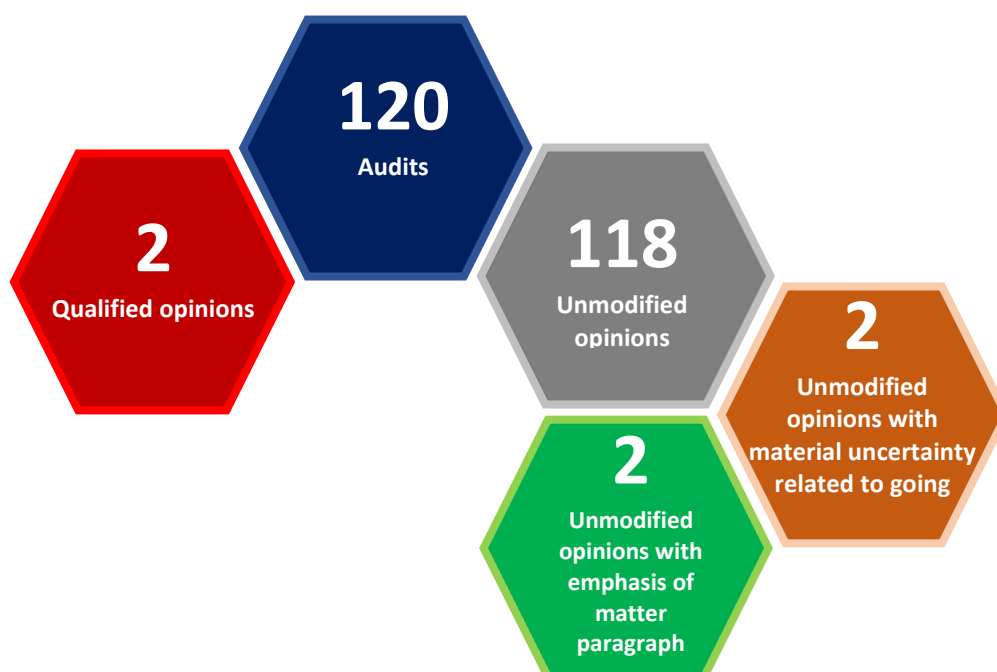


The auditor can also communicate additional matters in the auditor’s report while still expressing an unmodified opinion on the financial statements: this is achieved by including an emphasis of matter or other matter paragraph. The purpose of this is to draw the attention of the users to relevant information, which in itself is not significant enough to result in a modified opinion.

Audit opinions expressed on financial statements

The number and type of auditor’s opinion expressed for completed financial statement audits are summarised in Figure 3.

Figure 3: Audit opinions for 31 December 2019 and 30 June 2020 audits



Qualified audit opinions

A qualified audit opinion is issued when a specific part of the financial statements contains a material misstatement or adequate evidence to support a material area cannot be obtained, but the remainder of the financial statements is fairly presented, in accordance with the relevant financial reporting framework.

King Island Council	<p>Council undertook an independent revaluation of road infrastructure as at 30 June 2020 and recognised the valuation in the financial statements for the year ended 30 June 2020.</p> <p>Notwithstanding the revaluation on 30 June 2020, the audit opinion on the financial statements remained modified due to the possible effect on comparability of the 30 June 2019 road infrastructure and associated asset revaluation reserve balances.</p>
National Trust of Australia (Tasmania)	<p>As at 30 June 2019, the Trust held certain heritage collections but not all of these assets were not recognised in the financial statements. The Trust recognised the remaining heritage collection assets during 2019-20.</p> <p>Notwithstanding recognition of the remaining items, the audit opinion on the 30 June 2020 financial statements remained modified due to the possible effect on comparability of the 30 June 2019 heritage collection assets balances.</p>

Audit opinions issued with an emphasis of matter paragraph

Two unmodified audit opinions were issued with an emphasis of matter paragraph, which was used to highlight matters that, although appropriately presented or disclosed in the financial statements, were fundamentally important to bring to the financial statement users' attention so as to assist with their understanding of the financial statements. Including an emphasis of matter paragraph does not modify the audit opinion.

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

Tasmanian Public Finance Corporation (TASCORP)	<p>The emphasis of matter paragraph drew attention to a note in the financial statements which described TASCORP's application of Treasurer's Instruction GBE-08-52-09P <i>Accounting Treatment of the Mersey Community Hospital Fund by the Tasmanian Public Finance Corporation</i> in respect of the Mersey Community Hospital Fund (MCH Fund).</p>
--	--

Tasmanian Affordable Housing	The emphasis of matter paragraph drew attention to notes 2 and 15 in the financial statements. Note 2 stated assets and liabilities were presented in decreasing order of liquidity and were not distinguished between current and non-current. Note 15 stated the directors resolved to adopt a non-going concern basis due to the activities of Tasmanian Affordable Housing having ceased.
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Audit opinions issued with a material uncertainty related to going concern paragraph

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

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

A material uncertainty related to going concern paragraph was included in the auditor’s report for the following entities:

Abt Railway Ministerial Corporation	<p>The emphasis of matter paragraph drew attention to note 1.3 in the financial statements which disclosed Abt Railway Ministerial Corporation, as a consequence of the impact of the COVID 19 pandemic, incurred a loss of \$0.25m for the year ended 30 June 2020.</p> <p>Abt Railway Ministerial Corporation had projected a loss of \$5.00m before depreciation and Government appropriation revenue for the year ending 30 June 2021. There was uncertainty as to the amount of appropriation revenue Abt Railway Ministerial Corporation would receive for the year ending 30 June 2021 and whether it had sufficient financial resources to cover the projected loss.</p> <p>Note 1.3 stated these events or conditions, along with other matters, indicated a material uncertainty existed that may cast significant doubt on Abt Railway Ministerial Corporation’s ability to continue as a going concern.</p>
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National Trust of Australia (Tasmania) (the Trust)	The emphasis of matter paragraph drew attention to Note 1(u) in the financial report, which indicated that the Trust had a negative working capital of \$0.24m at 30 June 2020, a decline of \$0.62m from the prior year. In addition, after excluding income arising from the initial recognition
--	--

of heritage collection assets, the Trust incurred a loss of \$0.32m for the year ended 30 June 2020.

There is uncertainty as to whether the Trust has sufficient financial resources to cover a similar decline in the year ending 30 June 2021. As stated in Note 1(u), these events or conditions, along with other matters as set forth in Note 1(u), indicated that a material uncertainty existed that may cast significant doubt on the Trust's ability to continue as a going concern.

Findings from 31 December 2019 and 30 June 2020 audits

31 December 2019 30 June 2020		31 December 2018 30 June 2019	
146	140	186*	138*
Audit matters raised	Audit matters raised in prior periods assessed as unresolved	Audit matters raised	Audit matters raised in prior periods assessed as unresolved

* Figures have been amended from the 2019 Report, with findings for all December 2018 and June 2019 completed audits being included.

Deficiencies in internal controls, accounting issues, governance matters and unresolved issues identified during an audit are reported to management, those charged with governance of State entities and relevant Ministers. These are communicated by way of management letters, which include finding observations, related implications, recommendations and risk ratings. Management responses to findings are also reported together with the expected dates matters are to be resolved by.

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

www.audit.tas.gov.au

The following tables summarise findings for 31 December 2019 and 30 June 2020 by both area and sector.

Table 1: 31 December 2019 and 30 June 2020 audit findings by area

	High Risk	Moderate Risk	Low Risk	Total
Assets	3	16	15	34
IT Systems and Security	1	18	15	34
Expenditure	-	1	6	7
Payroll	-	9	14	23
Revenue/Debtors	1	5	7	13
Governance	2	4	6	12
Policies and Procedures	-	4	6	10
Other	2	5	6	13
Total	9	62	75	146

Table 2: 31 December 2019 and 30 June 2020 audit findings by sector

	High Risk	Moderate Risk	Low Risk	Total
General Government Sector	-	22	23	45
Government businesses	-	10	15	25
Local government	9	29	36	74
Other	-	1	1	2
Total	9	62	75	146

High risk findings

High risk findings for Assets were identified at Huon Valley, King Island and West Coast Councils, and related to the currency of infrastructure valuations and componentisation of unsealed roads. The high risk IT Systems and Security finding related to a change in financial reporting software at Hobart City Council (Hobart City).

Other high risk findings related to:

- Brighton Council (Brighton) – cash receipts were processed into the general ledger and could not be reversed. Any error or omission was corrected by general journals which were not reviewed or reconciled.
- Clarence City Council (Clarence City) – lack of segregation of duties in processing of journals.
- Northern Midlands Council (Northern Midlands) – lack of management review of expert valuation reports/workings.

- Northern Tasmania Regional Development Corporation Ltd – recognition of council contributions.
- Tasman Council – year end reconciliation processes.

Management responses acknowledging and providing proposed responses to these matters have been received from the respective entities.

Moderate risk findings

Moderate risk findings covered a broad range of matters. Moderate risk findings for Assets related to less pervasive findings associated with asset revaluation processes and reconciliation of asset registers.

Account security and software access controls dominated the moderate findings in the IT Systems and Security category. Issues also included methods of calculating leave balances, controls surrounding bank reconciliation processes and breakdowns in the design and implementation of key internal controls in payroll, payments and receipting systems. The Other classification findings include a number of accounting and financial reporting matters.

Low risk findings

Low risk findings were found across all areas but were generally considered to be isolated, non-systemic or procedural in nature. In some cases they represented opportunities to improve existing processes or further strengthen existing controls, particularly in Assets, IT systems and security and payroll.

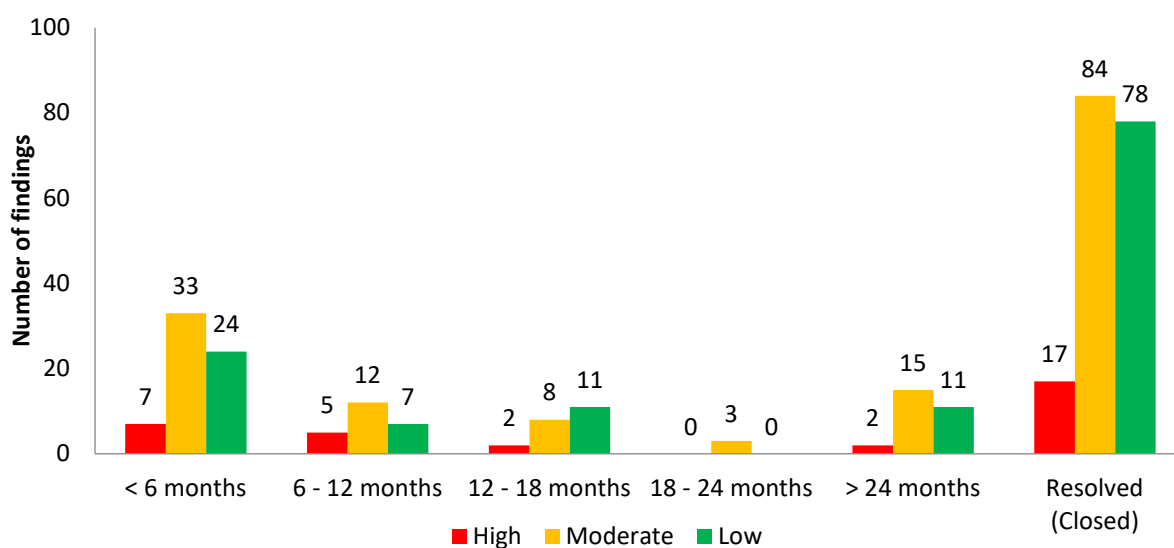
Prior year findings

45%

Issues previously reported remained unresolved

Unresolved prior years findings are followed up each year to confirm whether they have been resolved or satisfactorily addressed by management. The status of previously reported findings is summarised in Figure 4.

Figure 4: Previously reported findings (yet to be resolved from date corrective action was due) aging analysis



Efficient resolution of audit findings is crucial to reduce an entity’s exposure to risk. During 2019-20, 56.1% of issues previously reported were resolved. Only four high risk issues over 12 months old had yet to be resolved, two of which were over 24 months old. These related to:

- discrepancies with the recognition of heritage collection assets held by National Trust of Australia (Tasmania)
- inadequate segregation of duties across multiple areas at Glamorgan Spring Bay Council
- information security policy for Tasracing Pty Ltd
- revaluation of land, roads, drainage and other structures at West Coast Council.

Table 3: Prior years unresolved audit findings by area

	High Risk	Moderate Risk	Low Risk	Total
Assets	4	15	5	24
IT Security	6	20	9	35
Expenditure	-	7	3	10
Payroll	-	6	14	20
Revenue/Debtors	-	4	3	7
Governance	-	2	6	8
Policies and Procedures	1	11	7	19
Other	5	6	6	17
Total	16	71	53	140

High risk findings previously reported but not yet resolved largely related to asset valuations. Other high risk findings related to bank reconciliations, segregation of duties, revenue reporting, documentation and various internal processes.

Unresolved Moderate risk and Low risk findings covered a broad range of matters. The majority related to assets, IT security, many of which had extended lead times for resolution, and payroll.

Table 4: Prior years unresolved audit findings by sector

	High Risk	Moderate Risk	Low Risk	Total
General Government Sector	3	26	17	47
Government businesses	1	3	8	12
Local government	12	39	27	78
Other	-	3	1	4
Total	16	71	53	140

Local government entities had the largest number of unresolved prior year findings as well as the largest number of high risk findings. These high risk findings predominantly related the implementation and controls related to IT system. GGS entities had two unresolved high risk findings, the majority of which also related to asset valuations. A detailed breakdown of current and prior year findings by entity can be found in Appendix B.

Prior period errors

Eighteen prior period errors were reported in the completed audits for 31 December 2019 and 30 June 2020, with 17 identified by the entities themselves and one identified by the auditor. This was higher than the prior financial year where nine prior period errors were reported. Seven of the prior period errors were not deemed material, with the entity deciding to process the misstatement as a prior period error.

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

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

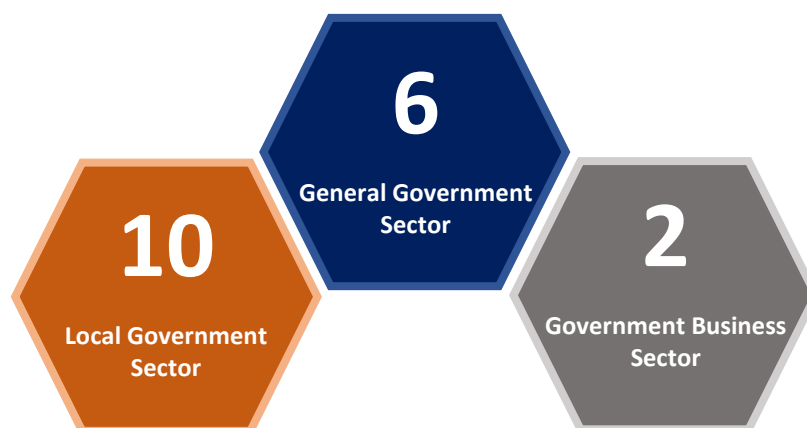
Where it is impracticable to adjust figures for a particular prior period, the financial statements must disclose the circumstances that led to the existence of the condition and a description of how and from when the error had been corrected.

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

- inspection and testing of evidence leading to the occurrence and quantification of the error
- consideration of the size and nature of the misstatements, both in relation to particular classes of transactions, account balances or disclosures and the financial statements as a whole
- discussions with management to confirm the appropriateness of the accounting treatment and disclosures to be made in the financial statements
- an assessment by the Office's technical committee for review of the proposed accounting treatment and disclosures.

Where material errors impact financial results and balances prior to the comparative year, a restated third statement of financial position may be required to be presented. Of the 11 entities that disclosed material prior period errors, none presented a third statement of financial position.

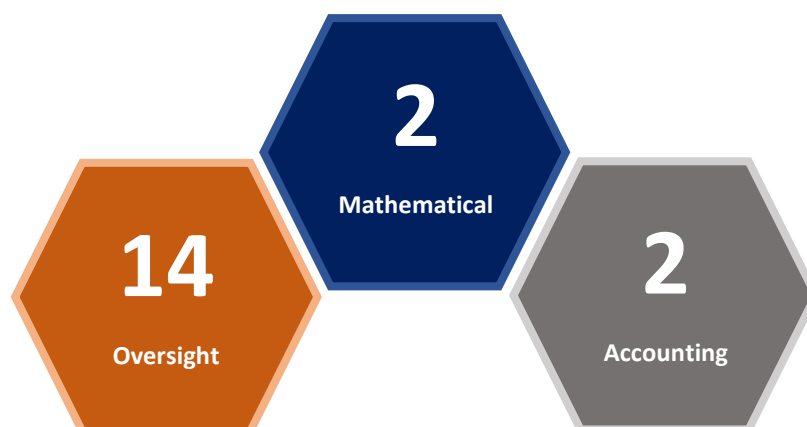
Figure 5: Prior period errors - by sector



Ten of the errors occurred in the local government sector, two errors in the Government business sector and six in the GGS, with the majority of errors relating to assets.

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

Figure 6: Prior period errors - by nature



Given the size, nature and complexity of assets recognised in statements of financial position, it is not surprising most prior period errors arose in this area. These included found assets, assets recorded that were not owned or controlled and costs incorrectly recorded as work-in-progress.

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

Further particulars of the 18 prior period errors are provided below.

9

Assets recognition/valuation

Glenorchy City Council (Glenorchy City) (Local Government)	<p>During the revaluation of assets in 2019-20, Glenorchy City identified transport, stormwater and drainage, land and buildings and other improvements assets that were not previously recorded in the asset register.</p> <p>Infrastructure assets including accumulated depreciation, together with accumulated funds had been understated by \$2.34m at 1 July 2018.</p>
Glenorchy City (Local Government)	<p>During 2019-20, Glenorchy City noted a fire trail not under its control and stormwater assets recorded but not in existence.</p> <p>These assets were derecognised resulting in transport, stormwater and drainage assets and accumulated surplus being reduced by \$0.13m at 1 July 2018.</p>
Glenorchy City (Local Government)	<p>During the revaluation of assets in 2019-20, Glenorchy City identified transport assets included a cycleway incorrectly revalued in a prior year based on incorrect dimensions.</p> <p>Infrastructure assets were overstated by \$5.91m, together with accumulated funds, at 1 July 2018.</p>

Kingborough Council (Local Government)	<p>During 2019-20, Kingborough Council identified errors in the calculation of values of non-cash vested (contributed) assets that were capitalised at incorrect values in previous financial years.</p> <p>Infrastructure assets were overstated by \$1.98m, together with accumulated funds (contributions revenue, net of depreciation), at 1 July 2018.</p>
Sorell Council (Local Government)	<p>During the revaluation of transport infrastructure and land, and through a review of buildings, stormwater and land improvement assets, Sorell Council identified:</p> <ul style="list-style-type: none"> • assets not previously recorded • assets not owned by Sorell Council • assets that could not be found or should not have been valued. <p>The impact on the 2018-19 financial statements was net assets and accumulated surplus were both overstated by \$0.30m. In addition, the depreciation expense was overstated by \$35 000.</p> <p>A prior period error was recognised as at 1 July 2018 adjusting opening accumulated surplus, property plant and equipment and the depreciation expense.</p>
TasRacing Pty Ltd (Government Business)	<p>During 2019-20, it was discovered that a parcel of land previously owned by TOTE Tasmania Pty Ltd had not been recognised in the financial records of Tasracing at its inception.</p> <p>The net impact on the financial statements was net assets and equity were both understated by \$0.19m.</p> <p>A prior period error was recognised as at 1 July 2018 increasing land assets and issued capital.</p>
Department of Primary Industries, Parks, Water and Environment (DPIPWE) (GGS)	<p>During 2019-20, a reconciliation was performed of land assets within DPIPWE's asset register with external land databases. The process identified eight Parks and Wildlife Service assets recorded on the asset register, but no longer controlled by DPIPWE. In addition, one asset not recorded.</p> <p>A prior period error was recognised as at 1 July 2018 decreasing both national parks, reserves and crown land and accumulated funds by \$19.25m.</p>

**DPIPWE
(GGS)**

In 2019-20, a reconciliation was performed of all infrastructure and plant and equipment assets, in DPIPWE's asset register, with the Parks and Wildlife Service asset management system. The reconciliation identified 62 assets as incorrectly recorded on DPIPWE's asset register.

A prior period error was recognised as at 1 July 2018 decreasing infrastructure assets and the asset revaluation reserve by \$11.19m and \$12.53m, respectively. Accumulated funds increased by \$1.34m.

**National Trust of Australia
(Tasmania)
(Other)**

During 2019-20, it was found that valuations undertaken in prior years on the heritage assets had not been recorded in the collection database at 30 June 2019. In 2018-19, the Trust incorrectly assumed the collection database represented all of the valued collection assets at balance date. Based on this assumption, the value of assets recognised in the Statement of Comprehensive Income of \$1.10m and the balance of heritage collection assets at 30 June 2019 recorded in the Statement of Financial Position of \$3.50m were both incorrect.

A prior period error was recognised as at 1 July 2019 decreasing infrastructure assets and the asset revaluation Revenue and Property, Plant and Equipment by \$0.53m.

2

Work in Progress

**Launceston City Council
(Launceston City)
(Local Government)**

A review of work in progress identified costs that should have been expensed rather than capitalised. These costs related to the purchase and construction of assets not controlled by Launceston City. The costs were incurred before 1 July 2018.

A prior period error was recognised as at 1 July 2020 reducing both opening revenue reserves and property, infrastructure and plant and equipment by \$14.29m.

**Department of Health
(DoH)
(GGS)**

During 2019-20, DoH identified capitalised work in progress in relation to the Royal Hobart Hospital redevelopment was incorrectly recorded in the 2017-18 financial statements. Work in progress included \$62.92m which related to sections of work which had been completed and was in use by the Tasmanian Health Service (THS) prior to 30 June 2018. Work in progress also included \$15.90m of project related expenditure that did not qualify for capitalisation.

A prior period error was recognised as at 1 July 2018 reducing the value of buildings by \$78.82m and increasing grants and subsidies, and supplies and consumables expenses by \$62.92m and 15.90m, respectively. The increase in expenses resulted in accumulated funds (deficits) increasing by \$78.82m.

7

Other

**Glenorchy City
(Local Government)**

In 2019-20, Glenorchy City found equipment and furniture assets that were not being depreciated.

The depreciation expense was adjusted in 2018-19 by \$0.24m, with an adjustment to the depreciation expense in 2017-18 processed as at 1 July 2018, \$0.26m.

**Glenorchy City
(Local Government)**

Glenorchy City identified both an asset purchase and sale incorrectly recorded in the 2018-19 financial statements.

The net impact on the 2018-19 financial statements was equipment furniture and fittings and the net result for the year were both understated by \$26 000.

**Huon Valley Council
(Local Government)**

During 2019-20, it was discovered an invoice was issued in error. The net impact of the error resulted in other income, trade and other receivables and accumulated surplus all being overstated by \$0.17m in 2018-19.

**Huon Valley Council
(Local Government)**

During the year Huon Valley Council identified depreciation for property, plant and equipment was incorrectly calculated in the 2018-19 financial year. This error result in depreciation being understated and property, infrastructure, plant and equipment being overstated, each by \$78 000.

**Housing Tasmania
(GGS)**

During 2019-20, the Department of Communities Tasmania identified a project code created during the 2018-19 financial year was not allocated to the Housing Tasmania reporting entity. This resulted in the transactions and year end balances associated with this cost centre not being included in Housing Tasmania's 2018-19 financial statements.

The net impact on the 2018-19 financial statements was the net result for the year and net asset position were both understated by \$8.86m.

A prior period error was recognised as at 1 July 2018 adjusting opening retained earnings, appropriation capital, employee benefits expense, supplies and consumables, grants and subsidies expense, receivables, property plant and equipment and equipment, payables, employee benefit liabilities and other liabilities.

**Tasmanian Health Service
(GGS)**

During 2019-20, it was identified assets transferred from DoH to THS in relation to the Royal Hobart Hospital redevelopment had not been recorded correctly in the 2017-18 financial statements.

Completed works transferred from the DoH to THS for no consideration should have been recorded as grants in the Statement of Comprehensive Income. As the works related to sections of the Royal Hobart Hospital site which had been valued by the Office of the Valuer-General as at 30 June 2018, the carrying value of the transferred assets was correctly recorded as at that date but the asset revaluation reserve was overstated.

A prior period error was recognised as at 1 July 2018 increasing grants revenue and reducing the asset revaluation reserve by \$62.92m.

**Macquarie Point
Development Corporation
(Government Business)**

During 2019-20, the Macquarie Point Development Corporation identified contributions relating to the transfer of ownership of the Macquarie Point site land and buildings to the Corporation were incorrectly recorded in the 2018-19 statements.

The amount of the contributions had not been reduced for existing assets relating to building improvements.

A prior period error was recognised to reduce the 2018-19 contributions received by \$3.47m with offsetting corrections to land and buildings balances of \$2.75m and \$0.72m, respectively.

Local government

Introduction

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

At the date of this report, the audits of all financial statements for the year ended 30 June 2020 have been completed. Due to delays in submission of financial statements by two councils in 2019, a report was not produced for 2018-19. However, comparative information in this report has been updated to reflect the finalisation of all 2018-19 audits.

Local government sector developments

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

COVID-19

Councils were all impacted by the COVID-19 pandemic to varying degrees. Common impacts included:

- providing relief and assistance to the community to assist in alleviating financial burdens faced by them. Such measures included:
 - rate waivers
 - waiving of penalty interest on outstanding rates
 - no fees for community groups for hiring of council facilities
 - suspension of increases in rates, user charges and fees
 - extending financial hardship policies
 - assistance for economic recovery through fast-tracked capital works
 - periods of free parking
 - development of promotions and event programs to support community recovery
- councils encountering additional costs to ensure adequate physical distancing, hygiene and cleaning measures were implemented in both the workplace and the community
- decreased employee leave resulting in higher leave liability balances at 30 June 2020
- employees transitioning to working from home arrangements
- changes to internal control environments and processes as a result of working from home.

Tasmanian Water and Sewerage Corporation Pty Ltd

In accordance with a Share Subscription and Implementation Agreement (the Agreement), the Tasmanian Government subscribed to a further one per cent ownership interest in the Tasmanian Water and Sewerage Corporation Pty Ltd (TasWater) in 2019-20, resulting in a two per cent ownership interest at 30 June 2020. Following issue of additional shares to the Tasmanian Government, the percentage ownership interest held by the 29 council shareholders was adjusted. Similar changes will occur each financial year up to 30 June 2028 subject to the Tasmanian Government meeting its obligations to subscribe to shares in accordance with the Agreement.

Distributions to owner councils decreased from a total of \$20.00m in 2018-19 to \$10.00m in 2019-20. TasWater made a decision to not pay additional interim or final dividends for 2019-20 given the uncertainty of the impact COVID-19 would have on its financial results.

TasWater's equity decreased from \$1.86bn at 30 June 2019 to \$1.44bn at 30 June 2020. The decrease was primarily due to a revaluation decrement of \$442.40m associated with TasWater's water and sewerage assets. This resulted in councils recognising significant decreases in their investment in TasWater in 2019-20, which totalled \$427.07m.

Model financial statements

Amendments to the *Local Government Act 1993* (the Act), as contained in the *Local Government Amendment (Targeted Review) Act 2017*, will require use of the Local Government Model Financial Statements (the model) by Councils. The model will be provided by the Auditor-General but issued, and published by, the Director of Local Government.

The aim of these changes is to provide greater consistency in financial reporting leading to improved comparability of council financial performance and position.

While the commencement date has yet to be proclaimed, it is anticipated the model will apply from financial years ending on or after 30 June 2022.

Individual council key developments

The following section summarises some significant developments during 2018-19 and 2019-20 affecting the operations of individual councils identified during the course of our audits.

Glenorchy City

Glenorchy City entered into negotiations to sell the Derwent Entertainment Centre and land at Wilkinsons Point to the Tasmanian Government. These negotiations formed part of the Tasmanian Government's broader negotiations to develop these assets into a waterfront sports, retail and entertainment precinct and to facilitate the establishment of a team in the Tasmanian National Basketball League. Glenorchy City retained the foreshore at Wilkinsons Point, securing the future of existing infrastructure and ensuring public access.

Negotiations were finalised after 30 June 2020 with the sale completed on 4 November 2020 for the sum of \$8.00m.

Hobart City

Hobart City continued working with the Australian and Tasmanian Governments and Clarence City, Glenorchy City, and Kingborough Council to progress the Hobart City Deal. The Hobart City Deal (City Deal) Implementation Plan was released in October 2019. The City Deal is a shared vision encouraging the development of Greater Hobart over the next 10 years. The City Deal included a range of commitments and projects including improved public transport, housing and urban renewal.

In its first year of implementation, key achievements included:

- \$20.80m commitment to new park and ride and bus services in Kingston, expected to reduce congestion in Hobart
- progressing a number of initiatives for investment in affordable housing in the Greater Hobart area.

Launceston City

Launceston City further progressed the City Heart Project with the completion of the Civic Square redevelopment at a total cost of \$7.12m.

Additional projects completed during 2018-19 and 2019-20 included:

- North Bank redevelopment (now known as Riverbend Park), including the pedestrian bridge, \$14.00m
- CH Smith carpark, \$10.08m.

Launceston City announced plans for the redevelopment of the former Birchalls building and Paterson Street Central carpark for the construction of a bus interchange and undercover arcade. Council partnered with the Tasmanian Government to develop the bus interchange, which will allow the relocation of bus stops currently located in St John Street, and allow for future redevelopment of the street as part of the City Heart Project. Council's purchase of the vacant Birchalls building will facilitate the private development of a ground-level arcade, linking through to the Brisbane Street Mall.

Council expected aspects of the redevelopment to commence in 2020-21, however recent delays will defer the commencement of work until 2021-22.

Devonport City Council

Further progress was made with the Living City strategy, with site works commencing on the \$15.00m Waterfront Park redevelopment.

Additionally, on 29 June 2020 Council sold the parcel of land on which the privately funded \$40.00m Waterfront Hotel was to be constructed.

Aggregated financial statements

This section focuses on the aggregated financial information for all 29 councils, including subsidiaries but excluding other local government entities. Transactions between councils have not been identified or eliminated in our aggregation of the financial statements.

Details of Local Government sector aggregated financial results for 2019-20 are set out in Table 5. The financial results are presented based on the councils being grouped into two classifications, urban and rural as follows:

- urban, populations greater than 20 000 or at a density >30 per square kilometre
- rural, populations up to 20 000 at a density of <30 per square kilometre.

Table 5: Aggregated financial results

Council	Underlying surplus (deficit) \$'000s	Net surplus (deficit) \$'000s	Total comprehensive surplus (deficit) \$'000s	Net assets \$'000s
Urban				
Brighton	(727)	766	(5 000)	195 993
Burnie City	(787)	2 267	(7 398)	412 876
Central Coast	(1 506)	1 004	(32 160)	513 588
Clarence City	5 217	13 249	17 777	843 127
Devonport City	(1 797)	(837)	9 533	565 170
Glenorchy City	(2 822)	(5 214)	(31 887)	862 141
Hobart City	(7 127)	(4 486)	266 730	2 029 109
Kingborough	(650)	12 431	(17 994)	637 233
Launceston City	(7 217)	10 827	(4 019)	1 893 017
West Tamar	1 600	3 230	9 557	360 833
Total Urban	(15 816)	33 237	205 139	8 313 087
Rural				
Break O'Day	144	5 527	2 523	184 186
Central Highlands	287	911	(581)	100 651
Circular Head	(1 491)	(231)	8 590	220 742
Derwent Valley	(268)	2 640	(734)	133 259
Dorset	178	695	(2 740)	186 377
Flinders	351	691	(58)	56 327

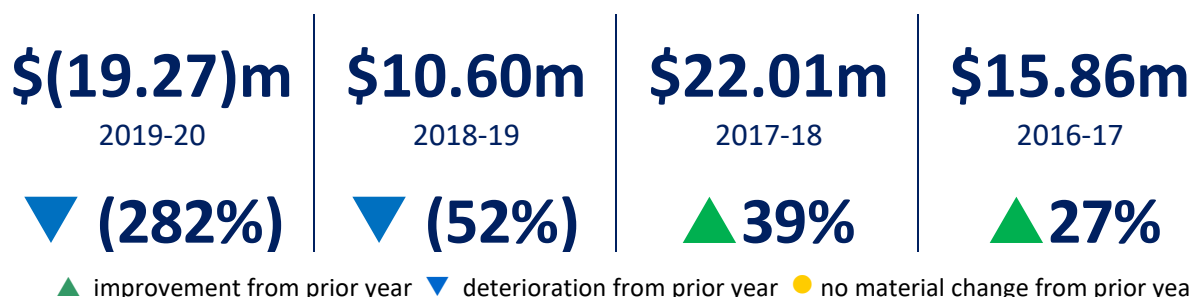
Council	Underlying surplus (deficit) \$'000s	Net surplus (deficit) \$'000s	Total comprehensive surplus (deficit) \$'000s	Net assets \$'000s
George Town	462	1 469	4 038	136 727
Glamorgan Spring Bay	(1 091)	1 215	(4 834)	147 164
Huon Valley	33	5 324	23 532	291 411
Kentish	385	1 992	18 920	158 017
King Island	(1 265)	1 739	2 354	74 482
Latrobe	(215)	883	7 739	210 971
Meander Valley	434	3 476	(4 349)	301 536
Northern Midlands	(1 178)	408	65 188	388 705
Sorell	367	7 101	16 735	297 131
Southern Midlands	157	984	(2 428)	112 211
Tasman	212	2 165	2 129	69 910
Waratah - Wynyard	(26)	3 596	30 894	250 928
West Coast	(930)	(377)	290	117 000
Total Rural	(3 454)	40 208	167 208	3 437 735
All Councils				
Total	(19 270)	73 445	372 347	11 750 822

Councils generated an overall Net surplus of \$73.45m in 2019-20, a significant increase of \$52.05m from the 2018-19 Net surplus of \$21.40m. The change was mainly due to the write-off in 2018-19 by Hobart City of \$67.35m in assets, associated with the transfer of ownership of Macquarie and Davey Streets and Brooker Avenue to the Tasmanian Government. This was offset by a reduction in the sector's investment revenue from TasWater in 2019-20 of \$10.00m.

The Australian Government provides Financial Assistance Grants to councils each year which are untied, allowing councils to spend the grants according to local priorities. In a normal financial year, quarterly instalments totalling about \$17.00m to \$18.00m each are expected, however, in recent years some payments were made in advance. Payments in 2019-20 included advance payments of \$38.88m being half of the 2020-21 allocation. Similar advance payments of \$39.39m were received in 2018-19, representing half of the 2019-20 allocation.

As Financial Assistance Grants are untied and have no performance obligations, AASB 1058 *Income of Not-For-Profit Entities* requires councils recognise the advance payments as revenue when received. The advance payments have been adjusted for in the calculation of the 2019-20 underlying result, with the 2018-19 advance payment for 2019-20 included in the calculation and the 2019-20 advance payment for 2020-21 excluded. The Net surplus balance reflects the funding actually received and is not adjusted for the advance payments.

Underlying result



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

'underlying surplus or deficit is the amount that is the recurrent income (not including income received specifically for new or upgraded assets, physical resources received free of charge or other income of a capital nature) of a council for a financial year less the recurrent expenses of the council for the financial year.'

The intent of the underlying result is to show the outcome of a council's normal or usual day-to-day operations. It is intended to remove extraneous factors that could create volatility and therefore make it difficult for users to understand the outcome of a council's normal operations.

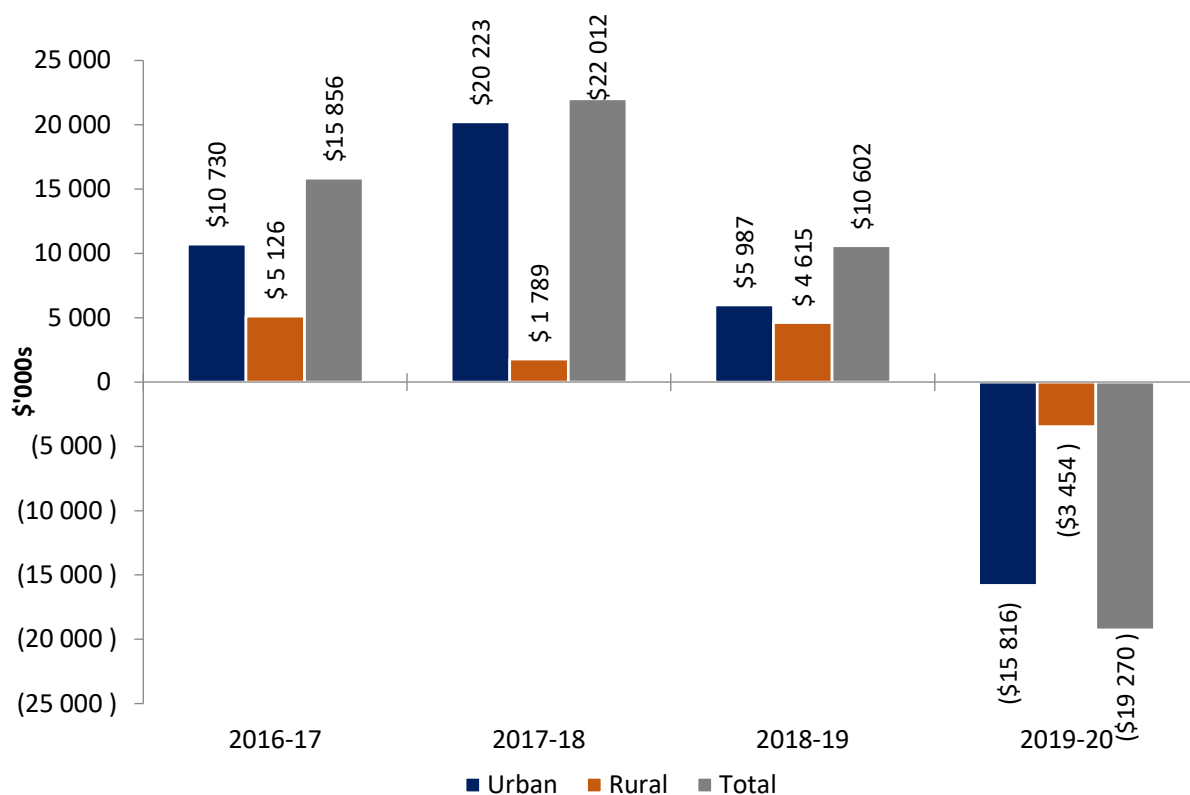
The term 'recurrent' is a commonly used term by government entities to refer to transactions for all purposes except those of a capital nature. While the meaning of the word 'recurrent' may be interpreted as referring to items regularly occurring or repeating, for the purposes of determining underlying result, it included operational transactions that may occur once or infrequently such as changes to existing decommissioning, rehabilitation, restoration or similar provisions or financial support, subsidies, grants and programs to organisations, businesses or industry. Recurrent transactions included gains or losses on disposal of assets, unless there was an unusual reason for the disposal, such as a natural disaster.

Income of a capital nature included amounts received that did not form part of operating activities and were in connection with non-financial assets. Examples included capital Roads to Recovery (RTR) funding, reimbursements of costs under the Natural Disaster Relief and Recovery Arrangements (NDRRA), gains or losses from one-off disposal of surplus assets or discontinued operations.

Other items, although not capital in nature, that would usually be excluded from underlying result include Australian Government Financial Assistance Grants received in advance,

clearly identifiable clean-up costs after a natural disaster which were claimable under insurance or NDRRA and payments or provisions in relation to a redundancy program.

Figure 7: Underlying surplus (deficit)



As shown in Figure 7, councils produced an underlying deficit of \$19.27m for 2019-20, a decrease of \$29.87m compared to the previous year underlying surplus of \$10.60m. The change in the total underlying result was primarily due to increased operating expenses of \$37.35m driven by higher employee costs of \$14.49m (or by 5.1%) and higher depreciation expense of \$14.04m (8.0%).

The increased expenses were partially offset by a \$7.47m increase in operating revenue. The increased revenue was the result of a combination of movements, including:

- higher rate revenue of \$22.15m, an increase of 4.3%
- reduced investment revenue from TasWater of \$10.00m
- lower interest revenue of \$3.85m
- lost revenue resulting from the impact of COVID -19. This impact has not been quantified by councils, however, revenue from fees and charges decreased by \$3.57m from the prior year.

In 2019-20, 16 councils recorded underlying deficits totalling \$29.10m compared to 11 in 2018-19 totalling \$9.37m. This represented eight councils moving from an underlying surplus in 2018-19 to an underlying deficit in 2019-20 and three councils moving from an underlying deficit in 2018-19 to an underlying surplus in 2019-20. The more notable movements in underlying results were:

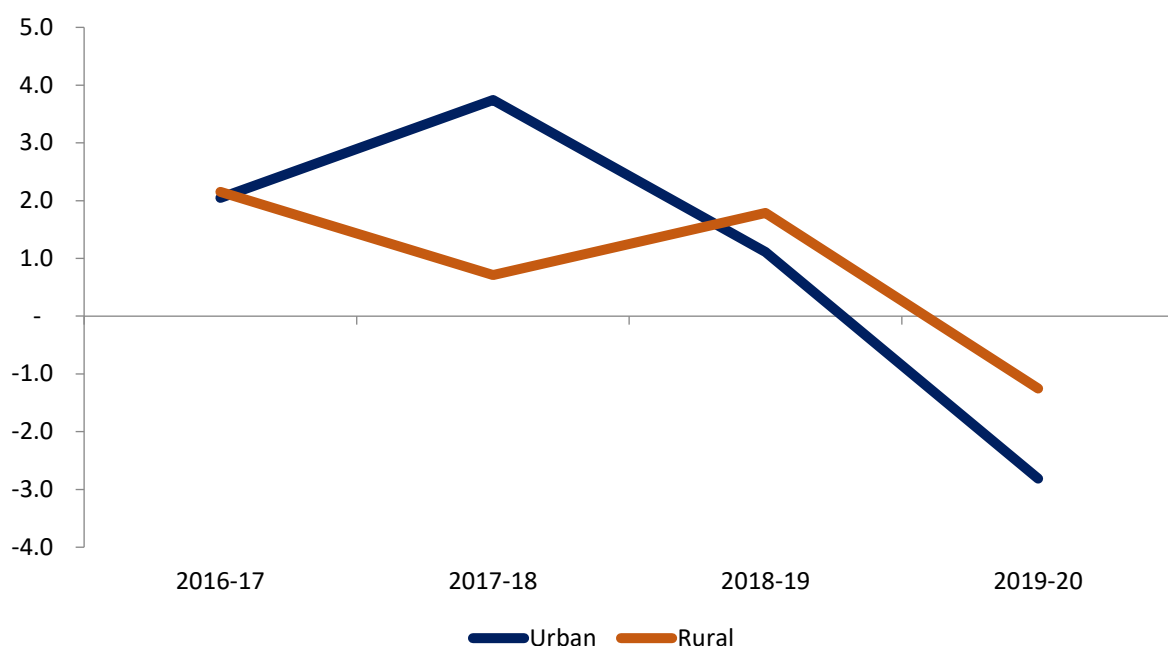
- Launceston City recorded an underlying deficit in 2019-20 of \$7.22m compared with an underlying surplus in 2018-19 of \$2.06m, a downward movement of \$9.27m. The

main causes for the downturn were a movement in the provision for rehabilitation of Launceston City’s waste centre of \$2.84m, loss of revenue as a result of COVID-19 (which Launceston City estimated to be in excess of \$2.5m), higher depreciation expense of \$1.10m and decreased investment revenue from TasWater of \$1.36m.

- Hobart City recorded an underlying deficit in 2019-20 of \$7.13m compared with an underlying surplus in 2018-19 of \$1.25m, a decline of \$8.37m. The main causes for the downturn were higher employee costs and depreciation expense of \$3.55m and \$3.71m, respectively.
- Glenorchy City recorded an underlying deficit in 2019-20 of \$2.82m compared to an underlying deficit of in 2018-19 of \$0.16m, a downward movement of \$2.66m. The main causes for the movement were increases in employee costs and depreciation expense of \$1.87m and \$1.25m, respectively.
- Northern Midlands recorded an underlying deficit in 2019-20 of \$1.18m compared with an underlying surplus in 2018-19 of \$0.90m, a downward movement of \$2.07m. The main reasons for the change were increased net loss on disposal of Property Plant and Equipment and employee costs of \$0.89m and \$0.74m, respectively.
- Flinders Council (Flinders) recorded an underlying surplus in 2019-20 of \$0.35m compared with an underlying deficit in 2018-19 of \$3.28m, an improvement of \$3.64m. The main reason was the completion of the Telstra Telecommunication Upgrade project, with expenditure relating to this project reducing from \$5.00m in 2018-19 to \$0.28m in 2019-20. The decreased expenditure was partly offset by reduced grant revenue associated with the project of \$1.84m.

The movement in the underlying ratio and highlights the decline, particularly for urban councils, is illustrated in Figure 8.

Figure 8: Underlying surplus ratio

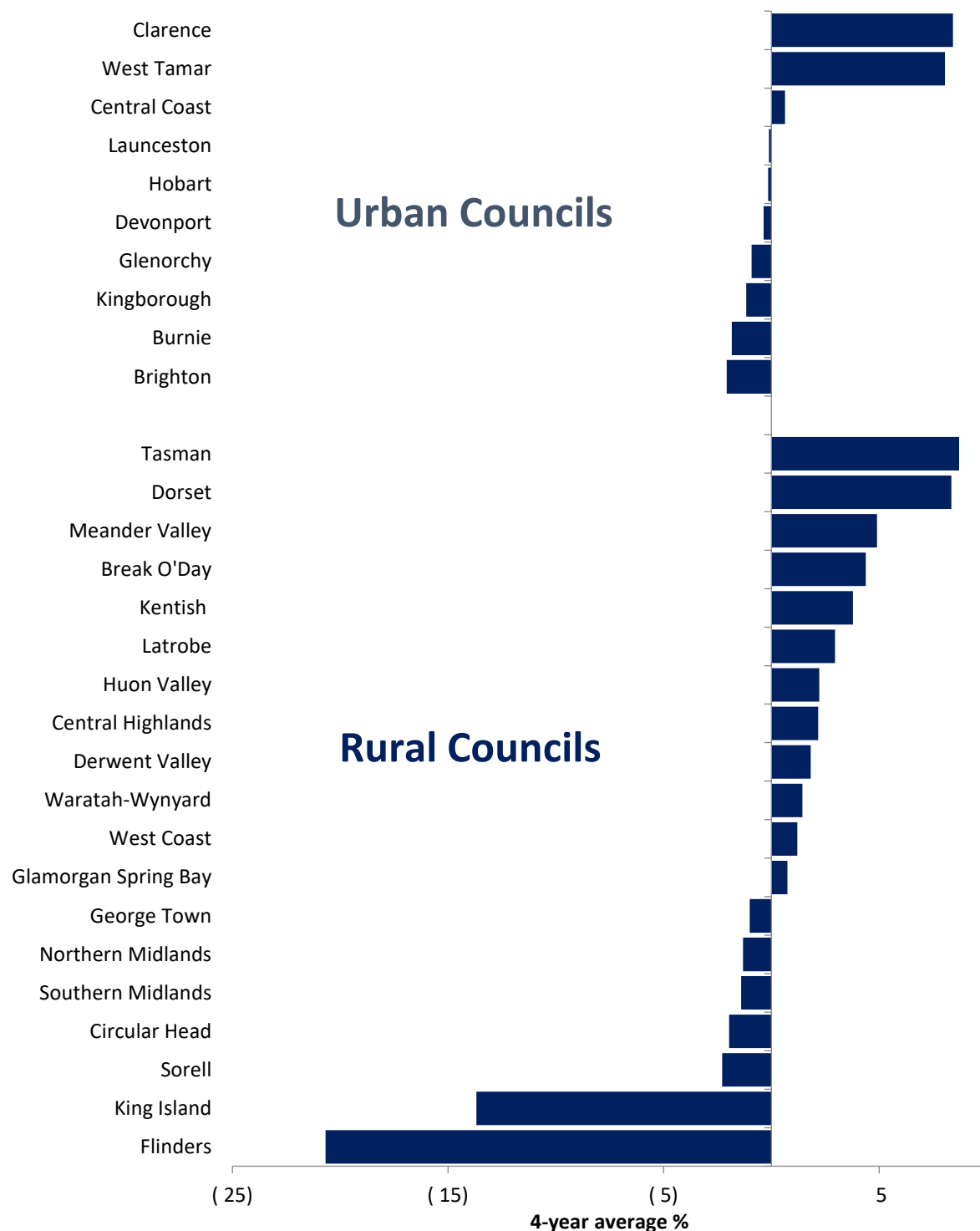


The underlying surplus ratio for urban councils decreased from a positive 3.7% in 2017-18 to a negative 2.8% in 2019-20. As noted previously, the main drivers were increased employee costs and depreciation expense, which were not supported by similar increases in revenue.

The underlying surplus ratio for rural councils decreased from a positive 1.8% in 2018-19 to negative 1.3% in 2019-20. The decline for rural councils was not as dramatic, due to the impact of the improvement in Flinders' underlying result, as noted previously.

The 4-year average underlying surplus ratio by individual council is shown in Figure 9. Fourteen councils recorded an average ratio for the four-year period less than break-even.

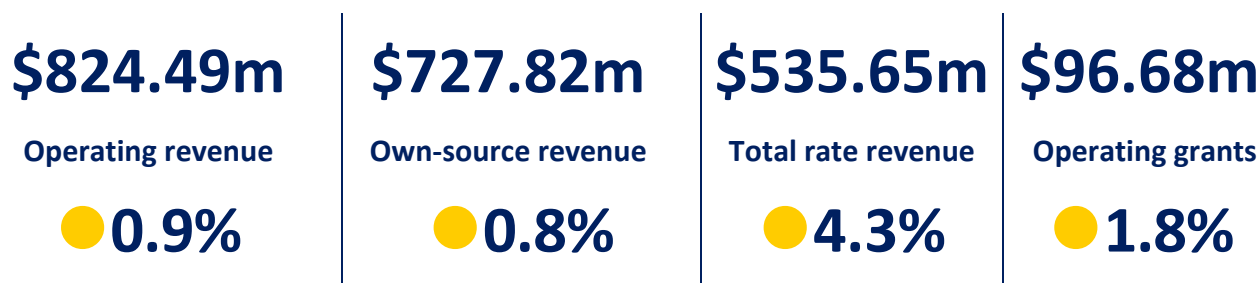
Figure 9: Four-year average underlying surplus ratio



Notable items from the average underlying surplus ratios included:

- King Island Council recorded underlying deficits in all four years, with ratios ranging from negative 18.1% in 2018-19 to negative 5.9% in 2017-18
- Brighton, Burnie City, Flinders and Kingborough Councils recorded underlying deficits in three of the past four years
- Flinders achieved an underlying surplus in 2019-20 following three years of underlying deficits
- the four-year average changed from positive to negative after the 2019-20 results for Circular Head , Devonport City, Glenorchy City, Hobart City and Launceston City Councils.

Revenue



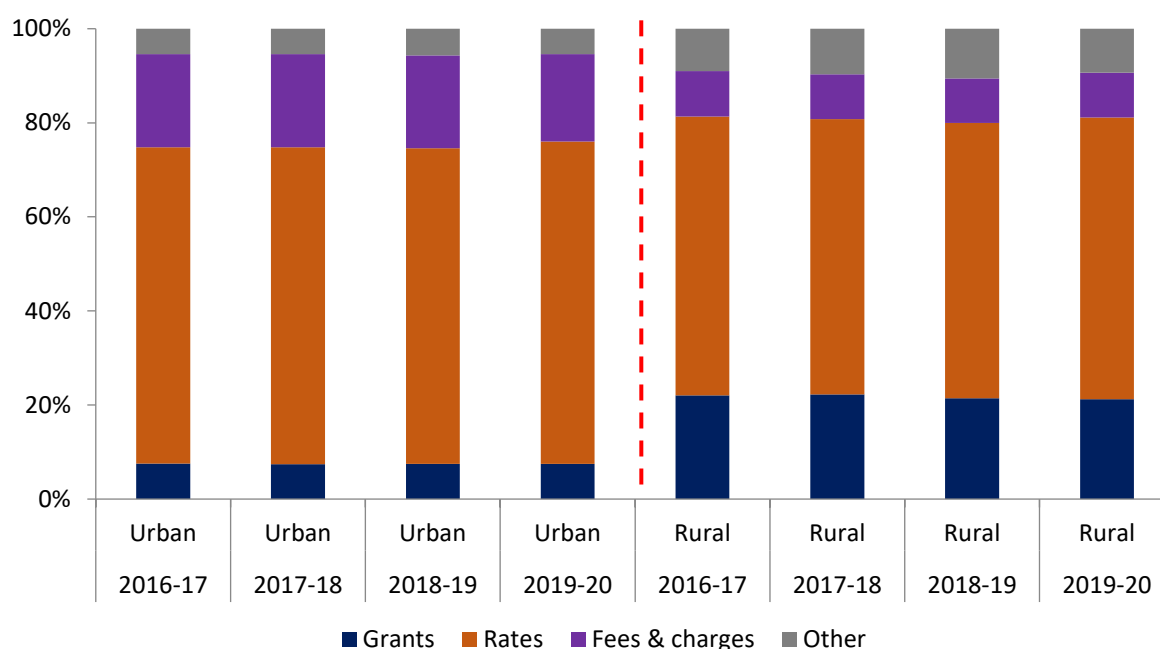
▲ improvement from prior year ▼ deterioration from prior year ● no material change from prior year

Councils recorded Operating revenue of \$824.49m in 2019-20, an increase of \$7.47m from 2018-19.

Councils' own source revenues represented operating revenue other than recurrent grants. In general terms, urban councils with larger populations had the ability to generate higher levels of own source revenue. Smaller rural councils, with lower population levels, relied more heavily on grant funding.

Urban grant funding in 2019-20 was 7.4% of total revenue (2018-19, 7.3%) compared with 21.0% (21.0%) for rural councils. This is further illustrated in Figure 10.

Figure 10: Revenue source



The most significant contributor to own source revenue was rates, which in 2019-20 made up 67.6% (2018-19, 65.4%) of urban council revenue and 59.3% (57.3%) of rural council revenue. Flinders and King Island Councils had significantly below average total rate revenue at 32.4% and 37.4% of total operating revenue, respectively. For Flinders, the below average rate revenue was offset by a higher proportion of grant revenue, 44.0% compared with the rural average of 21.0%. For King Island Council, the below average rate revenue was offset by a higher proportion of other revenue, 22.0%, compared with the rural average of 7.8%. The majority of King Island Council’s other revenue related to private works.

Urban councils generated a further 18.3% (2018-19, 19.2%) of revenue from fees and charges compared to the 9.5% (9.2%) generated by rural councils. The declining percentage for urban councils reflected the greater impact of COVID-19 on urban councils’ own-source revenue. Urban councils revenue streams impacted included those from parking, aquatic, entertainment and civic centres. These generally do not represent significant revenue sources for rural councils.

The Local Government Association of Tasmania (LGAT) published a Council Cost Index (CCI) for each year, which could be used by councils to assist in setting rates. The CCI was a composition of wage price index, road and bridge construction index and consumer price index for Hobart and provided an aggregated picture of cost movements at the State level.

The 2020 CCI indicated an average rate increase across the State of at least 2.2% was likely necessary in 2019-20 to maintain current levels of service and assumed other revenue sources also increased in line with costs. The mix of construction and non-construction activity varied from council to council. Similarly, there were parts of Tasmania where construction costs increased faster than the State average. Such factors were all of relevance at the local level when councils determined the level of rate increase necessary to provide services and meet council’s spending profile.

Over the four year period from 2016-17 to 2019-20, total rate revenue increased by 15.9% for urban councils and 17.0% for rural councils. This represented an average annual increase of 4.0% and 4.3%, respectively. Total rate revenue increases were impacted by changes in annual rate charges set by councils as well as movements in the number of rateable properties and rateable valuations.

Figure 11 shows the cumulative increase in council total rate revenue compared with the cumulative CCI index. It does not account for movements in the number of rateable properties or rateable valuations.

Figure 11: Cumulative total rate revenue increase

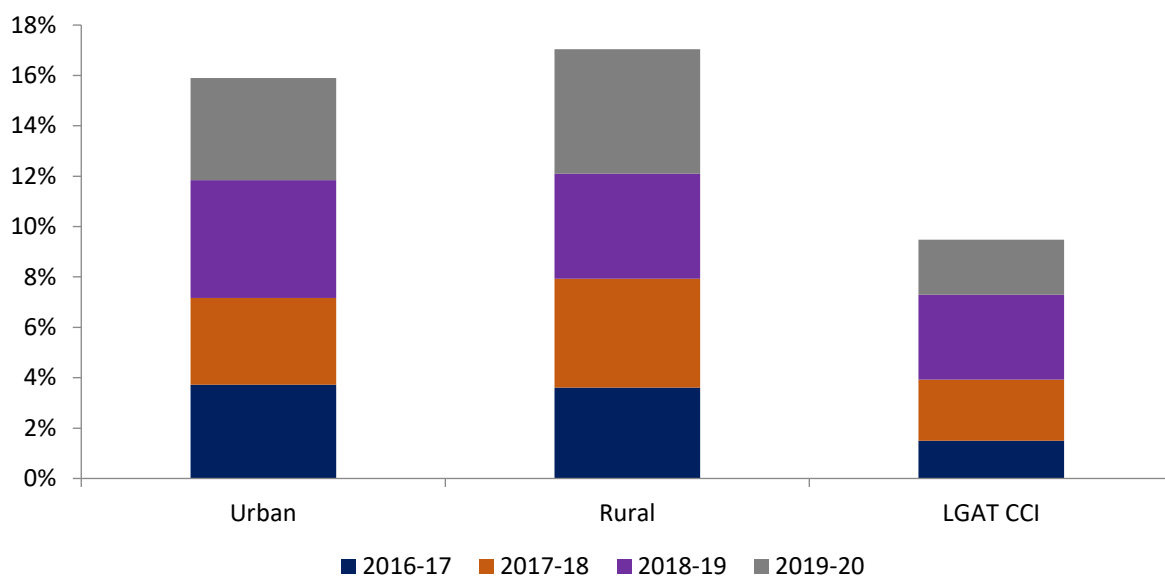
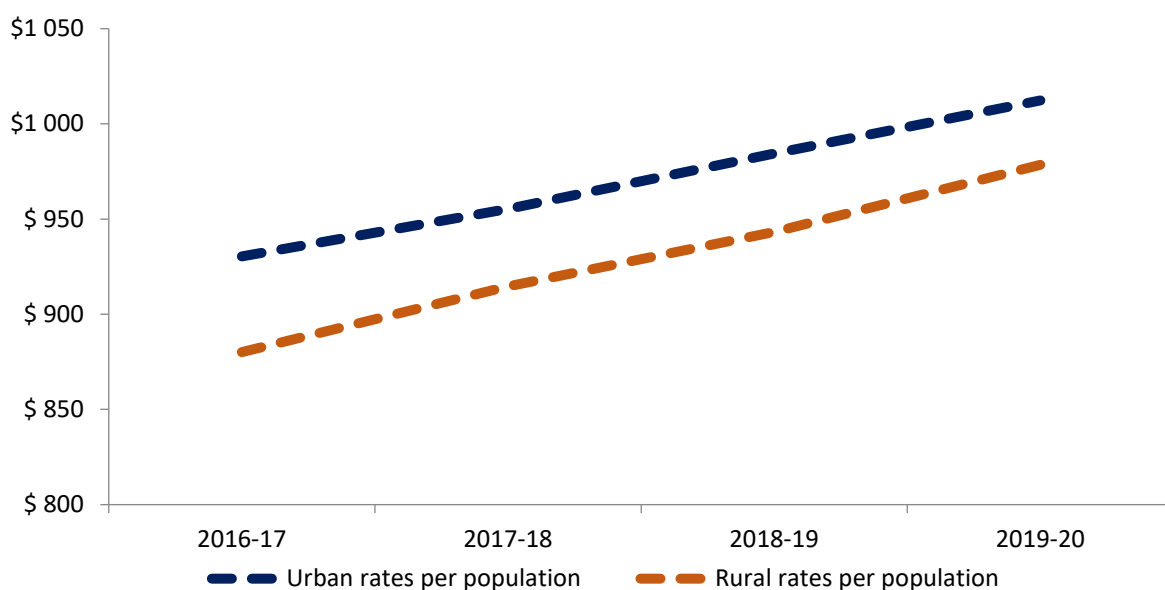


Figure 12 shows average rate revenue compared to population.

Figure 12: Average rate revenue per capita



Over the last four years, both these measures show fairly even rises in total rate revenue for both urban and rural councils, although a number of councils had introduced rate freezes for 2020-21 in response to the impact of COVID-19.

Capital investment

\$1.17bn

Total capital spend
last four years

\$1.40bn

Total budgeted capital
spend last four years

\$57.50m

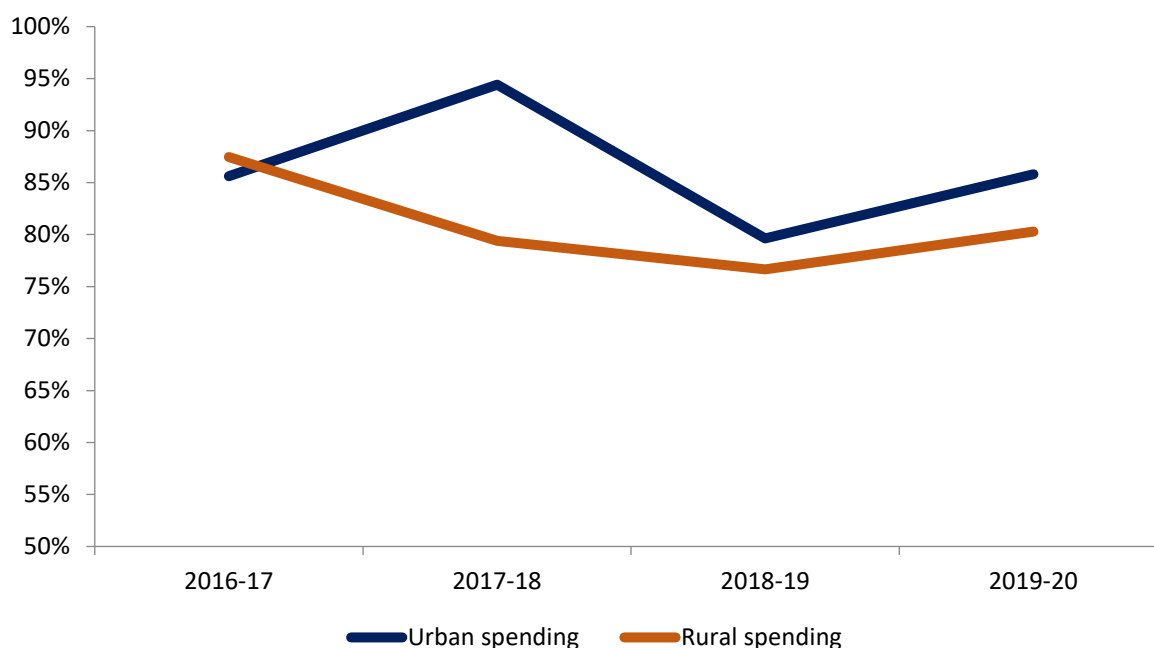
Average spending gap
last four years

Councils spent on average \$57.50m below original capital budgets over the last four years.

As shown in Figure 13, actual capital spend to budget for rural councils was fairly consistent in the last four years, at an average of 80.9%. In comparison, urban councils' actual spend was, on average, 86.4% of budget, offsetting part of the rural spending gap.

Despite the impacts of COVID-19, including a period where Tasmanians were expected to stay at home, both urban and rural capital spends in comparison to original budgets were higher than the prior year. This was due to councils fast tracking additional capital projects to assist in stimulating local economies.

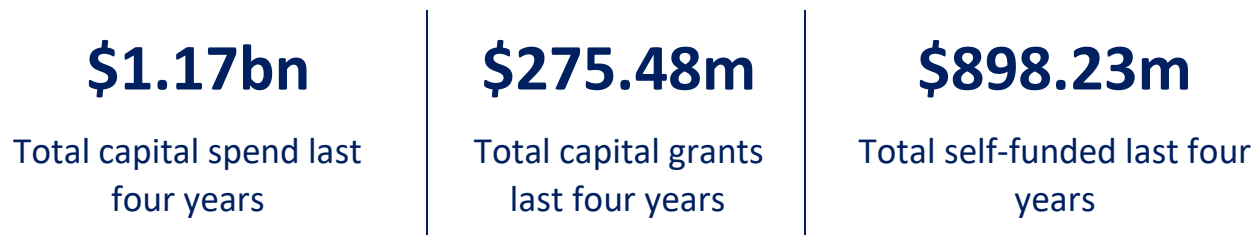
Figure 13: Capital spending to budget



Changed priorities and circumstances meant that often councils amended capital budgets during the year which resulted in less than full correlation between projects planned in initial budgets and final spending. Receipt of specific purpose funding, announcement of new funding programs and natural disasters, such as fire and flood events, all changed capital spending allocations.

Unspent renewal spending was usually carried over to the following year.

Capital investment funding source



Over the last four years, 76.5% of councils' capital spending was self-funded with the balance from capital grants. Capital grants represented Tasmanian or Australian Government grants for new and upgraded assets and asset replacements. These included grants under the RTR program, NDRRA funding, as well as funding for improving public spaces, leisure and recreation facilities, bridge and street renewal, road safety, memorials and other purposes.

Figure 14: Capital investment funding source

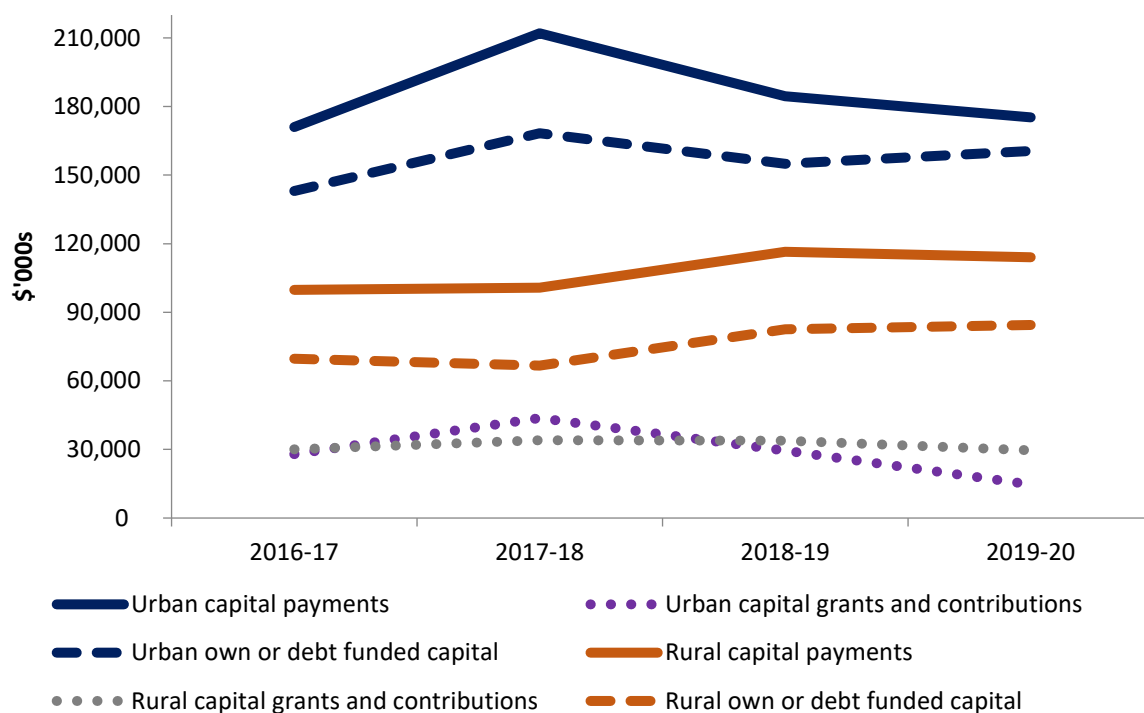


Figure 14 shows capital spending by urban councils was significantly higher than the capital spending by rural councils over the last four years.

Capital spending by Hobart and Launceston Cities amounted to \$78.17m or 44.6% of total urban spending in 2019-20 (2018-19, \$87.53m or 47.4%). The peak in urban spending in 2017-18 was mainly due to large capital projects undertaken by Devonport, Hobart and Launceston Cities including Devonport's Living City project, Hobart's Transforming Hobart capital works program and Launceston's City Heart project.

For rural councils, external capital funding remained relatively consistent over the period.

It is expected capital grants will vary from year to year depending on applications made by councils and budget priorities of governments. Despite this, a consistently large component of capital grants for local government was funding provided under the RTR program. The

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

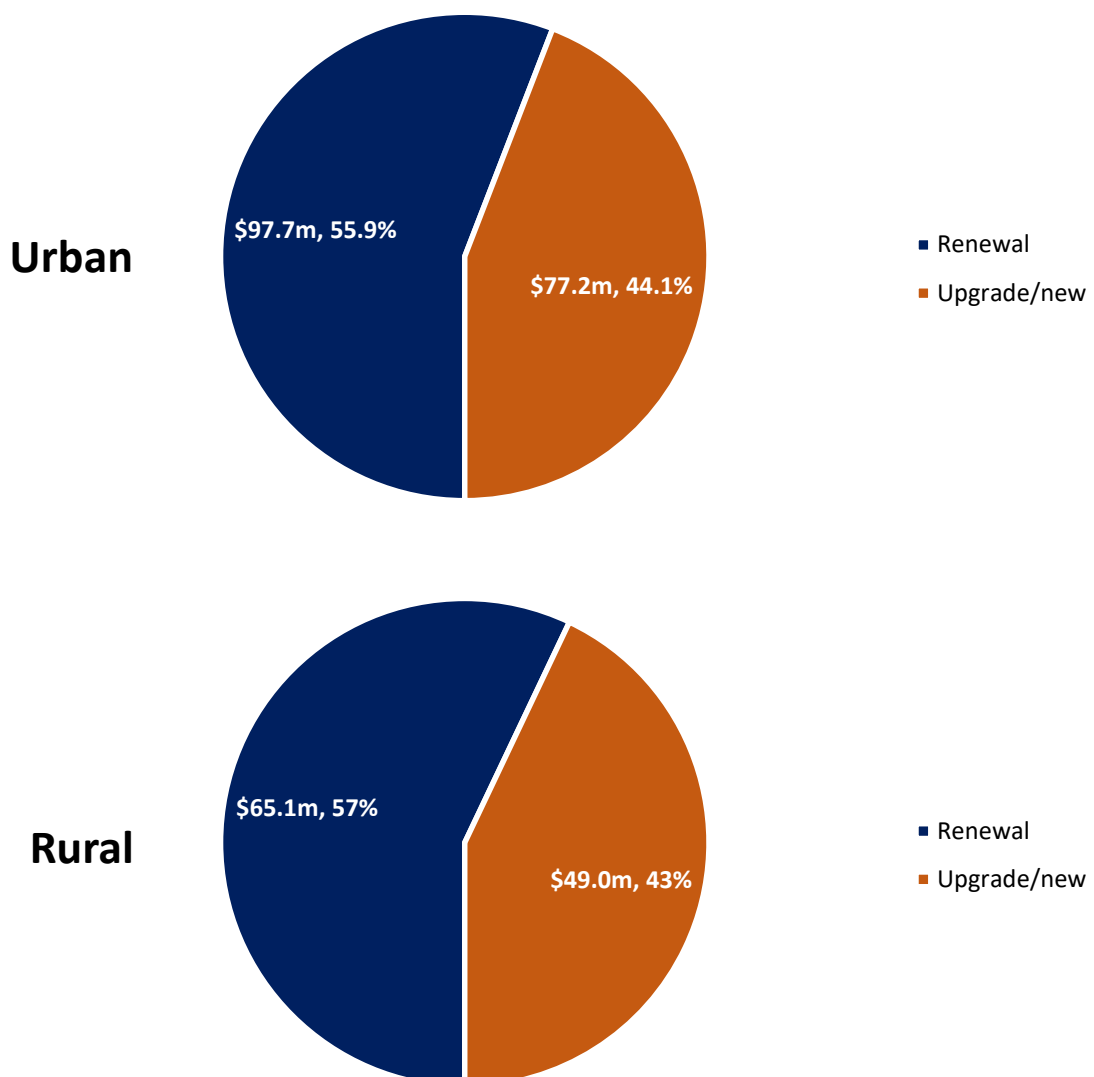
Other notable specific purpose funding for councils in 2019-20 included:

- funding for Mountain Bike Trails \$4.57m,
- Derwent Valley Council, upgrade to Glenora Road, \$2.10m,
- Black Spot Funding, \$2.60m,
- Tasman Council, Stormlea Road, \$1.50m.

Capital investment allocation

As illustrated in Figure 15, in 2019-20 both urban and rural councils spent a greater proportion of capital expenditure on renewal of existing assets, compared to expenditure on new and upgraded assets. This reflect councils' responsibility for maintenance of a large network of infrastructure assets.

Figure 15: Capital investment allocation 2019-20



For rural councils, the larger proportion of renewal spend was consistent with prior years. In contrast, urban councils can be impacted by large upgrade/new projects, such as Devonport’s Living City, Hobart’s Transforming Hobart and Launceston’s City Heart. Therefore, the split between renewal and upgrade/new for urban councils is less consistent.

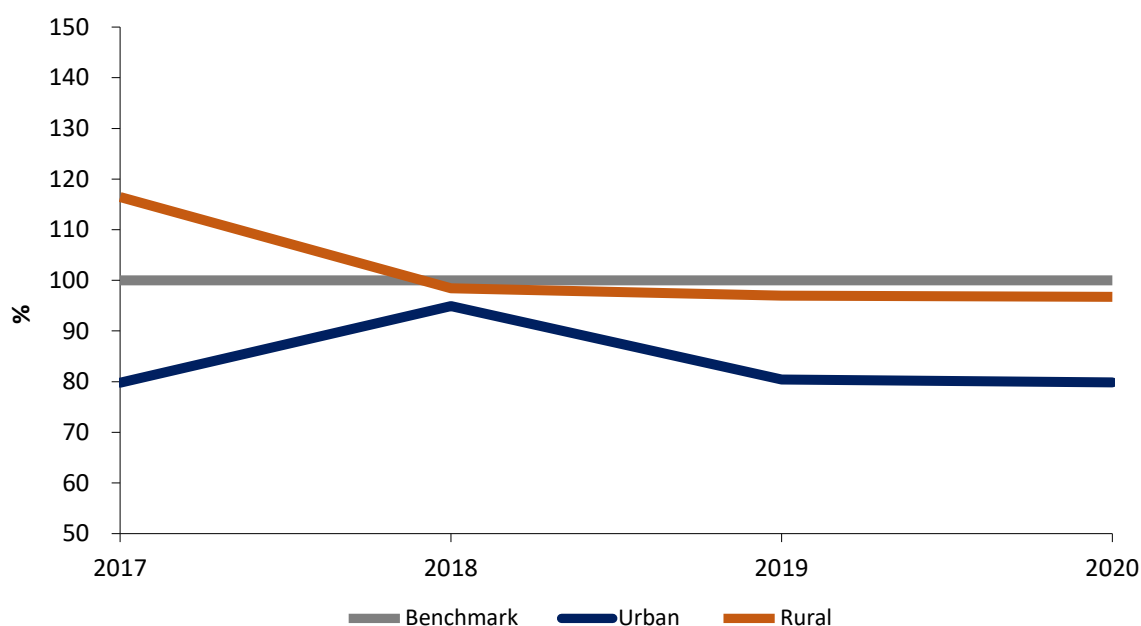
Asset sustainability ratio

This ratio shows the extent to which councils maintain operating capacity through renewal of their existing asset base. The generally accepted benchmark for this ratio, subject to appropriate levels of maintenance expenditure and the existence of approved long-term asset management plans, is 100%.

The benchmark is based on a council expending the equivalent of its annual depreciation expense on asset renewals within the year. However, it is acknowledged this will not to occur every year or evenly over time.

Figure 16 shows the asset sustainability ratio on an average basis for urban and rural councils over the last four years.

Figure 16: Asset sustainability ratio



Urban councils expended, on average, 83.6% of their depreciation expense to maintain existing non-current assets, rural councils expended, on average, 101.9% over the four year period. As noted earlier, rural councils generally spent more on renewal of existing assets than urban councils.

In most cases councils failed to meet the benchmark, with only 10 councils having an Asset sustainability ratio on average equal to or above 100% over the four year period. Six councils averaged above 90%, with 11 below 80% including Burnie City Council with the lowest at 47.0%.

Cash and borrowings

\$436.11m

Cash

\$335.69m

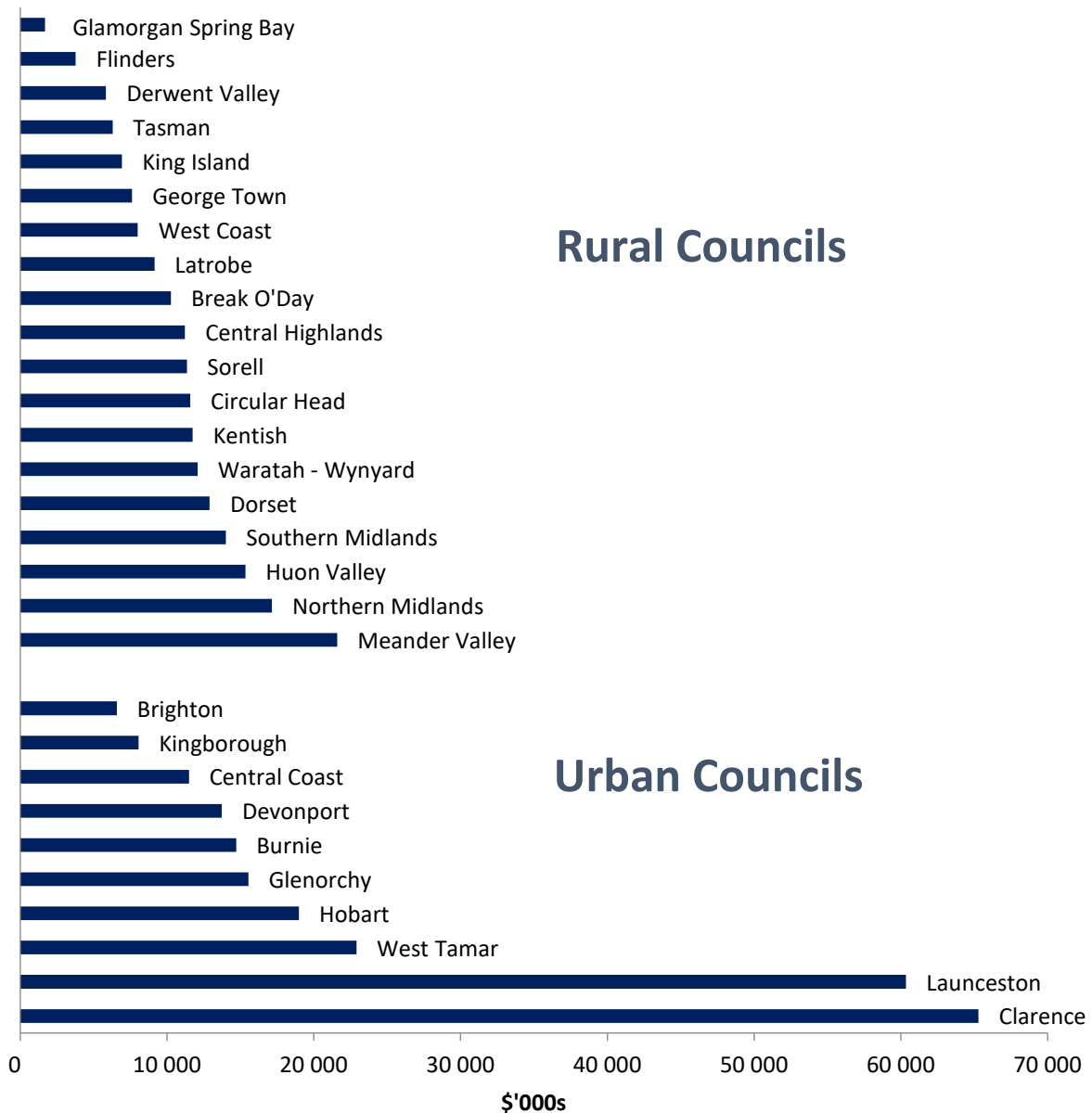
Working capital

\$215.88m

Interest-bearing liabilities

At 30 June 2020, councils held cash and financial assets of \$436.11m, (2018-19, \$443.46m) and \$215.88m in interest-bearing liabilities (2018-19, \$176.43m).

Figure 17: Cash and financial assets held 30 June 2020



The advance payment of \$38.88m of Australian Government Financial Assistance Grants for 2020-21 was included in cash held at the end of the financial year. Excluding these payments, overall cash held would have been \$296.81m (\$404.07m).

Interest bearing liabilities of \$215.88m at 30 June 2020 increased by \$39.45m from the prior year, partly due to the drawdown of loans under the Local Government Loans Program provided by the Tasmanian Government, which commenced on 1 April 2020. Loan funding of a maximum of \$200m was available through the program on a first come first served basis. For eligible projects, the Program provided assistance to councils through the provision of loan interest rebates.

The low level of debt in comparison to cash held resulted in a strong working capital of \$335.69m (2018-19, \$356.88m).

The 10 urban councils held \$237.63m, 54.5%, of cash and financial assets at 30 June 2020 and \$159.66m, 74.0%, of total borrowings.

Cash expense cover ratio

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

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

The following benchmarks were adopted by the Office to assess the adequacy of cash balances held:

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

Figure 18: Cash expense cover ratio - unrestricted cash at 30 June 2020

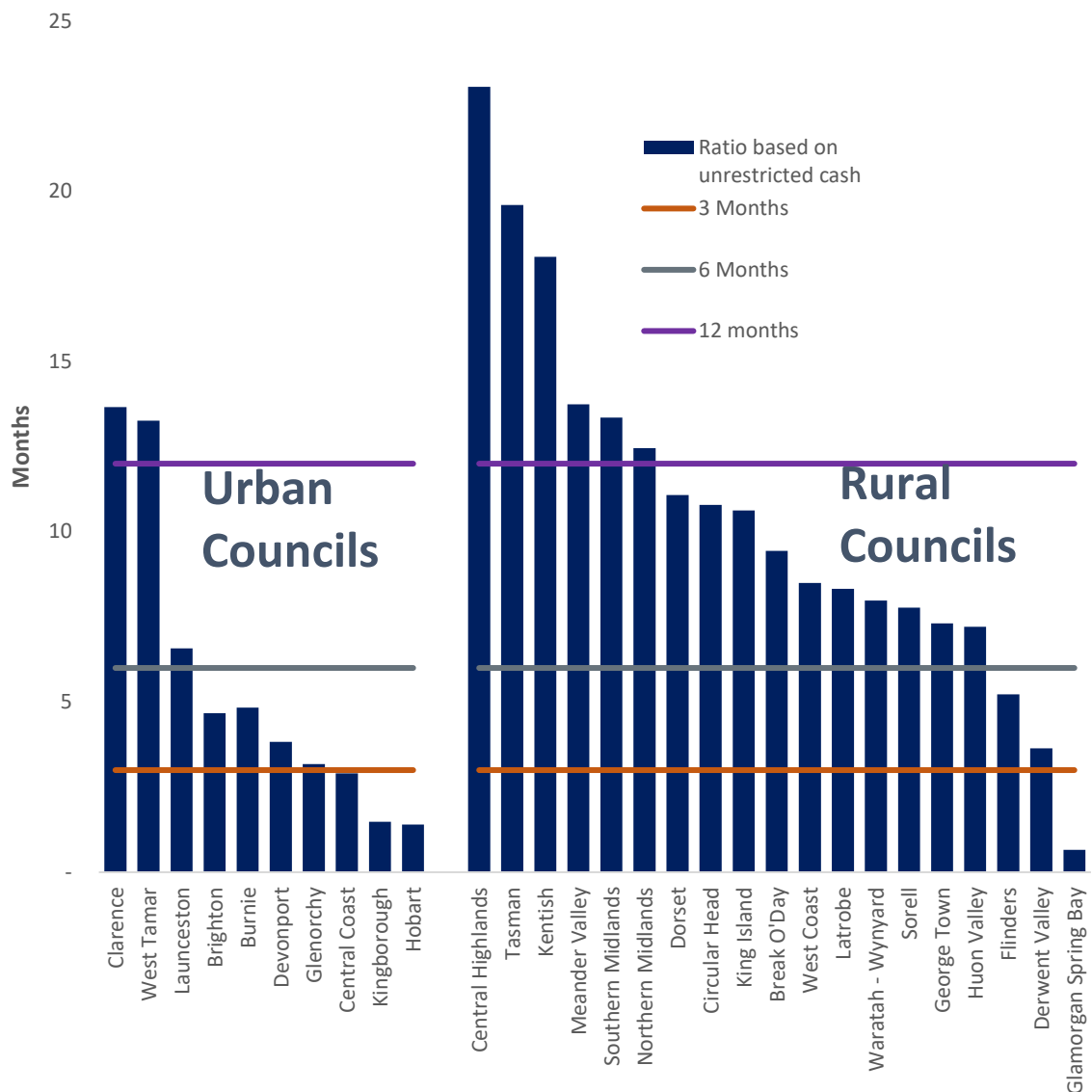


Figure 18 shows two urban and six rural councils with a cash expense cover ratio in excess of 12 months, with a further urban council and 10 rural councils in the six to 12 month range.

Central Coast, Glamorgan Spring Bay, Hobart City and Kingborough Councils had cash expense cover ratios that were considered to be less than adequate, although Central Coast was only marginally less at 2.9.

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

Other local government entities

Entities included in this section are:

- single, joint or controlling authorities controlled by councils established under the *Local Government Act 1993* (LG Act):
 - Copping Refuse Disposal Site Joint Authority, trading as Southern Waste Solutions (SWS), including its wholly owned subsidiary, C-Cell Pty Ltd as trustee of the C Cell Unit Trust
 - Cradle Coast Authority
 - Dulverton Regional Waste Management Authority (DRWMA)
 - Launceston Flood Authority (LFA)
 - Microwise Australia Pty Ltd
 - Southern Tasmanian Councils Authority (STCA)
- LGAT
- Northern Tasmania Development Corporation Ltd
- Tasmanian Communication Unit Trust.

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

Collectively, Other local government entities controlled Net assets valued at \$53.03m at 30 June 2020 (2019, \$40.75m).

They reported a combined Underlying surplus of \$13.63m for 2019-20 (2018-19, \$7.33m).

Equity accounting

Both SWS and DRWMA were equity accounted by councils that had respective equity interests in these entities. This means that, following initial recognition, the carrying amount of the investment in the entity increased or decreased to recognise each participating council's share of the joint authority's operating result, with a corresponding amount recognised in each council's income statement. Distributions received from the joint authority reduced the carrying amount of the investment.

Aggregated financial results of Other local government entities

Figure 19: Aggregated financial results Other local government entities

Other Local Government entities	Underlying surplus (deficit) \$'000s	Net surplus (deficit) \$'000s	Total comprehensive surplus (deficit) \$'000s	Net assets \$'000s
Subsidiaries¹				
Microwise Australia Pty Ltd (Brighton Council)	240	240	240	2 737
Launceston Flood Authority (Launceston City Council)	(247)	(247)	(247)	N/A
Tas Communication Unit Trust (Burnie City Council)	142	142	142	2 137
C-Cell Unit Trust (Copping Refuse Disposal Site Joint Authority)	406	406	406	3 991
Equity accounted²				
Copping Refuse Disposal Site Joint Authority	4 827	3 531	3 531	14 790
Dulverton Regional Waste Management Authority	3 488	2 640	2 806	18 855
Other Local Government entities³				
LGAT ⁴	32	32	230	4 432
Cradle Coast Authority	4625	4625	4625	5557
Northern Tasmanian Regional Development Corporation Ltd	13	13	13	224
Southern Tasmanian Councils Authority	(201)	(201)	(201)	311
Total	13 625	11 181	11 545	53 034

Notes

1 Financial results and information for these subsidiaries have been included within the consolidated financial results for their parent entity. 2 Financial results and information for these equity investments have been included within the consolidated financial results of various councils.

3 Financial results and information for these other local government entities are not included in the consolidated results of councils.

4 LGAT includes the consolidated general account and assist account.

Acronyms and abbreviations

AASB 1004	AASB 1004 <i>Contributions</i>
Audit Act	<i>Audit Act 2008</i>
Clarence City	Clarence City Council
COVID-19	Novel Coronavirus disease pandemic
CCI	Council Cost Index
DoH	Department of Health
DPIPWE	Department of Primary Industries, Parks, Water and Environment
DRWMA	Dulverton Regional Waste Management Authority
Flinders	Flinders Council
GGG	General Government Sector
Glenorchy City	Glenorchy City Council
Hobart City	Hobart City Council
Launceston City	Launceston City Council
LFA	Launceston Flood Authority
LG Act	<i>Local Government Act 1993</i>
LGAT	Local Government Association of Tasmania
NDRRA	Natural Disaster Relief and Recovery Arrangements
Northern Midlands	Northern Midlands Council
RTR	Roads to Recovery
STCA	Southern Tasmanian Councils Authority
TAFR	Treasurer's Annual Financial Report
TASCORP	Tasmanian Public Finance Corporation
TasWater	Tasmanian Water and Sewerage Corporation Pty Ltd
THS	Tasmanian Health Service

Appendix A - Timeliness of reporting

	Financial statements received and accepted	Accepted report certified by	Final certified report received	Audit opinion signed
December 2019 Audits				
University of Tasmania	14-Feb-20	AA	N/A	20-Feb-20 ¹
AMC Search Ltd	14-Feb-20	AA	N/A	18-Feb-20
Tasmania University Union	3-Feb-20	AA	N/A	14-Feb-20
Solicitors' Trust	17-Feb-20 [^]	AA	3-Apr-20	3-Apr-20*
Theatre Royal Management Board	13-Feb-20	AA	N/A	19-Feb-20
ANZAC Day Trust	12-Mar-20 [^]	AA	N/A	8-Apr-20
30 June 2020 Audits				
Executive and Legislature				
House of Assembly	14-Aug-20	AA	N/A	7-Oct-20*
Legislative Council	14-Aug-20	AA	N/A	8-Oct-20*
Legislature-General	13-Aug-20	AA	N/A	9-Oct-20*
Office of the Governor	14-Aug-20	AA	N/A	16-Oct-20*
Ministerial Departments				
Communities Tasmania	14-Aug-20	M	11-Sep-20	14-Sep-20
DoE	14-Aug-20	M	28-Sep-20	28-Sep-20
DoH	14-Aug-20	M	10-Sep-20	14-Sep-20
DoJ	14-Aug-20	M	25-Sep-20	25-Sep-20
DPAC	14-Aug-20	M	28-Sep-20	28-Sep-20
DPFEM	13-Aug-20	M	23-Sep-20	27-Sep-20
DPIPWE	13-Aug-20	M	17-Sep-	24-Sep-20
State Growth	14-Aug-20	M	7-Oct-20	8-Oct-20*

	Financial statements received and accepted	Accepted report certified by	Final certified report received	Audit opinion signed
Treasury	14-Aug-20	M	5-Oct-20	8-Oct-20*
Treasury - Public Account	29-Sep-20	AA	9-Oct-20	30-Oct-20
Treasury - TAFR	29-Sep-20	AA	9-Oct-20	30-Oct-20
Ministerial Departmental Controlled Entities				
ABT Railway Ministerial Corporation	14-Aug-19	AA	12-Oct-20	13-Oct-20*
Ambulance Tasmania	14-Aug-20	M	11-Sep-20	14-Sep-20
Housing Tasmania	14-Aug-20	M	11-Sep-20	14-Sep-20
Office of Tasmanian Assessment, Standards and Certification	14-Aug-20	M	2-Oct-20	2-Oct-20*
Tasmania Development and Resources	14-Aug-20	M	7-Oct-20	9-Oct-20*
Tasmanian Affordable Housing Limited	25-Sep-20^	AA	N/A	25-Sep-20
Teachers Registration Board of Tasmania	12-Aug-20	AA	N/A	26-Sep-20
THS	14-Aug-20	M	10-Sep-20	14-Sep-20
Tasmanian Museum and Art Gallery	14-Aug-20	M	14-Oct-20	20-Oct-20*
Other General Government Sector Entities				
Asbestos Compensation Fund	14-Aug-20	M	23-Sep-20	25-Sep-20
Brand Tasmania	14-Aug-20	M	18-Sep-20	23-Sep-19
Council of Law Reporting	20-Jul-20	AA	N/A	11-Aug-20
Inland Fisheries Service	28-Jul-20	AA	N/A	1-Sep-20
Integrity Commission	13-Aug-20	AA	8-Oct-20	12-Oct-20*
Marine and Safety Authority	14-Aug-20	AA	N/A	28-Sep-20

	Financial statements received and accepted	Accepted report certified by	Final certified report received	Audit opinion signed
Office of the Director of Public Prosecutions	14-Aug-20	M	25-Sep-20	27-Sep-20
Office of the Ombudsman and Health Complaints Commissioner	14-Aug-20	M	7-Oct-20	7-Oct-20*
Royal Tasmanian Botanical Gardens	13-Aug-20	M	29-Sep-20	1-Oct-20*
State Fire Commission	13-Aug-20	M	24-Sep-20	27-Sep-20
Tasmanian Economic Regulator	13-Aug-20	AA	N/A	20-Oct-20*
Tasmanian State Health Funding Pool	15-Sep-20^	AA	N/A	17-Sep-20
TasTAFE	14-Aug-20	AA	N/A	3-Sep-20
Tourism Tasmania	13-Aug-20	M	1-Oct-20	1-Oct-20*
WorkCover Tasmania Board	14-Aug-20	M	23-Sep-20	25-Sep-20
Government Businesses				
Aurora Energy	13-Aug-20	AA	N/A	13-Aug-20
Bass Island Line Pty Ltd	13-Aug-20	AA	N/A	13-Aug-20
FortyTwo24 Pty Ltd	13-Aug-20	AA	N/A	24-Aug-20
Hydro Tasmania	14-Aug-20	AA	N/A	14-Aug-20
MAIB	13-Aug-20	AA	N/A	14-Aug-20
Marinus Link Pty Ltd	13-Aug-20	AA	N/A	24-Aug-20
Metro	6-Aug-20	AA	N/A	6-Aug-20
Momentum Energy Pty Ltd	14-Aug-20	AA	N/A	14-Aug-20
MPDC	14-Aug-20	M	28-Sep-20	28-Sep-20
Newood Holdings Pty Ltd	14-Aug-20	AA	N/A	20-Aug-20
PAHSMA	14-Aug-20	M	28-Sep-20	1-Oct-20*
PFT	14-Aug-20	AA	N/A	5-Oct-20*

	Financial statements received and accepted	Accepted report certified by	Final certified report received	Audit opinion signed
PT	14-Aug-20	M	25-Sep-20	28-Sep-20
STT	7-Aug-20	AA	N/A	7-Aug-20
TASCORP	8-Aug-20	AA	N/A	8-Aug-20
TasNetworks	13-Aug-20	AA	N/A	24-Aug-20
TasPorts	13-Aug-20	AA	N/A	13-Aug-20
Tasracing	14-Aug-20	AA	N/A	14-Aug-20
TasRail	4-Aug-20	AA	N/A	5-Aug-20
TasWater	14-Aug-20	M	19-Aug-20	20-Aug-20
TI	14-Aug-20	AA	N/A	14-Aug-20
TT-Line	11-Aug-20	AA	N/A	12-Aug-20
Local Government Authorities				
Urban Councils				
Brighton	14-Aug-20	AA	20-Oct-20	28-Oct-20*
Burnie City	14-Aug-20	AA	28-Sep-20	28-Sep-20
Central Coast	14-Aug-20	AA	25-Sep-20	28-Sep-20
Clarence City	14-Aug-20	M	10-Nov-20	11-Nov-20*
Devonport City	14-Aug-20	AA	N/A	30-Sep-20*
Glenorchy City	14-Aug-20	M	14-Jan-21	15-Jan-21*
Hobart City	3-Sep-20^	M	3-Sep-20	19-Nov-20*
Kingborough	14-Aug-20	M	10-Dec-20	22-Dec-20*
Launceston City	14-Aug-20	M	1-Oct-20	7-Oct-20*
West Tamar	14-Aug-20	M	N/A	28-Sep-20
Rural Councils				
Break O'Day	14-Aug-20	AA	26-Oct-20	26-Oct-20*

	Financial statements received and accepted	Accepted report certified by	Final certified report received	Audit opinion signed
Central Highlands	14-Aug-20	AA	7-Jan-21	7-Jan-21*
Circular Head	14-Aug-20	M	25-Sep-20	28-Sep-20
Derwent Valley	7-Oct-20^	M	22-Feb-21	22-Feb-21*
Dorset	14-Aug-20	M	1-Feb-21	2-Feb-21*
Flinders	14-Aug-20	M	25-Sep-20	25-Sep-20
George Town	14-Aug-20	AA	N/A	14-Sep-20
Glamorgan-Spring Bay	16-Aug-20^	M	22-Jan-21	29-Jan-21*
Huon Valley	14-Aug-20	AA	21-Dec-2020	23-Dec-20*
Kentish	16-Jan-21^	N/A	N/A	29-Jan-21
King Island	14-Aug-20	AA	17-Dec-20	24-Dec-20
Latrobe	27-Nov-20^	AA	15-Jan-21	19-Jan-21*
Meander Valley	14-Aug-20	AA	16-Nov-20	17-Nov-20
Northern Midlands	23-Nov-20^	AA	4-Dec-20	16-Dec-20*
Sorell	14-Aug-20	M	28-Sep-20	29-Oct-20*
Southern Midlands	13-Aug-20	AA	N/A	29-Sep-20
Tasman	14-Aug-20	M	28-Sep-20	13-Oct-20*
Waratah-Wynyard	14-Aug-20	AA	25-Sep-20	29-Sep-20*
West Coast	14-Aug-20	AA	17-Dec-20	17-Dec-20*
Local Government Controlled Entities				
C-Cell Unit Trust	23-Jul-20	M	30-Sep-20	15-Dec-20* ²
Cradle Coast Authority	14-Aug-20	M	28-Sep-20	21-Oct-20*
Dulverton Waste Management	14-Aug-20	AA	N/A	11-Sep-20
Launceston Flood Authority	14-Aug-20	AA	N/A	2-Oct-20*

	Financial statements received and accepted	Accepted report certified by	Final certified report received	Audit opinion signed
Local Government Association of Tasmania	14-Aug-20	AA	N/A	21-Sep-20
Microwise Australia Pty Ltd	27-Oct-20 [^]	M	N/A	28-Oct-20
Northern Tasmania Development Corporation Ltd	27-Aug-20 [^]	M	10-Sep-20	11-Sep-20
Southern Tasmanian Councils Authority	14-Aug-20	AA	N/A	3-Nov-20*
Southern Waste Solutions	13-Aug-20	M	30-Sep-20	4-Dec-2020* ²
Tas Communications Unit Trust	14-Aug-20	AA	28-Sep-20	14-Oct-20*
Other State Entities				
Aboriginal Land Council of Tasmania	17-Nov-20	N/A	Not completed	Not completed
Forest Practices Authority	14-Aug-20	M	12-Oct-20	20-Oct-20*
Legal Aid	13-Aug-20	M	20-Oct-20	20-Oct-20*
Legal Profession Board	13-Aug-20	M	27-Aug-20	27-Sep-20
National Trust	14-Aug-20	M	16-Feb-2021	24-Feb-2021*
palawa Enterprises Unit Trust	17-Nov-20 [^]	AA	N/A	Not completed
Property Agents Board	14-Aug-20	M	19-Nov-20	24-Nov-20*
Property Agents Trust	14-Aug-20	M	19-Nov-20	24-Nov-20*
Retirement Benefits Fund	14-Aug-20	M	23-Sep-20	28-Sep-20
Tasmanian Beef Industry (Research and Development) Trust	19-Oct-20 [^]	AA	N/A	27-Oct-20
Tasmanian Building and Construction Industry Training Board	14-Aug-20	M	24-Sep-20	24-Sep-20
Tasmanian Community Fund	14-Aug-20	AA	N/A	25-Sep-20

	Financial statements received and accepted	Accepted report certified by	Final certified report received	Audit opinion signed
Tasmanian Dairy Industry Authority	13-Aug-20	AA	N/A	16-Oct-20*
Tasmanian Heritage Council	14-Aug-20	M	24-Sep-20	24-Sep-20
The Nominal Insurer	12-Aug-20	AA	3-Mar-2021	3-Mar-2021*
Wellington Park Management Trust	14-Aug-20	AA	19-Oct-20	20-Oct-20*
Audits dispensed with				
AETV Pty Ltd (Hydro Tasmania)	14-Aug-20	AA	N/A	N/A
Bell Bay Pty Ltd (Hydro Tasmania)	14-Aug-20	AA	N/A	N/A
Bell Bay Three Pty Ltd (Hydro Tasmania)	14-Aug-20	AA	N/A	N/A
Board of Architects	5-Mar-20 [^]	AA	N/A	N/A
C-Cell Pty Ltd (Southern Waste Solutions)	Non-trading trustee	N/A	N/A	N/A
Flinders Island Ports Corporation Pty Ltd (TasPorts)	7-Aug-20	AA	N/A	N/A
Geeveston Town Hall Company Ltd (Huon Valley Council)	14-Aug-20	AA	N/A	N/A
Heemskirk Holdings Pty Ltd (Hydro Tasmania)	14-Aug-20	AA	N/A	N/A
Heemskirk Wind Farm Pty Ltd (Hydro Tasmania)	14-Aug-20	AA	N/A	N/A
Heritage Building Solutions Pty Ltd (Southern Midlands Council)	13-Aug-20	AA	N/A	N/A
Heritage Education & Skills Centre Pty Ltd (Southern Midlands Council)	13-Aug-20	AA	N/A	N/A
HT Wind Developments Pty Ltd (Hydro Tasmania)	14-Aug-20	AA	N/A	N/A

	Financial statements received and accepted	Accepted report certified by	Final certified report received	Audit opinion signed
HT Wind New Zealand Pty Ltd (Hydro Tasmania)	14-Aug-20	AA	N/A	N/A
HT Wind Operations Pty Ltd (Hydro Tasmania)	14-Aug-20	AA	N/A	N/A
Hydro Tasmania Consulting (Holding) Pty Ltd (Hydro Tasmania)	14-Aug-20	AA	N/A	N/A
Kingborough Waste Services Pty Ltd (Kingborough Council)	14-Aug-20	AA	N/A	N/A
King Island Ports Corporation Pty Ltd (TasPorts)	7-Aug-20	AA	N/A	N/A
Large Scale Renewables Pty Ltd (TasNetworks)	13-Aug-20	AA	N/A	N/A
Lofty Ranges Power Pty Ltd (Hydro Tasmania)	14-Aug-20	AA	N/A	N/A
Maidstone Park Management Controlling Authority (Devonport City Council)	14-Aug-20	AA	N/A	N/A
Metro Coaches (Tas) Pty Ltd (Metro)	21-Aug-20 [^]	AA	N/A	N/A
Newood Energy Pty Ltd (Newood Holdings Pty Ltd)	8-Oct-20 [^]	AA	N/A	N/A
Newood Huon Pty Ltd (Newood Holdings Pty Ltd)	8-Oct-20 [^]	AA	N/A	N/A
Newood Smithton Pty Ltd (Newood Holdings Pty Ltd)	8-Oct-20 [^]	AA	N/A	N/A
palawa Enterprises Pty Ltd	17-Nov-20 [^]	N/A	N/A	N/A
RE Storage Project Holdings Pty Ltd (Hydro Tasmania)	14-Aug-20	AA	N/A	N/A
Sense-Co Tasmania Pty Ltd (University of Tasmania)	7-Feb-20	AA	N/A	N/A

	Financial statements received and accepted	Accepted report certified by	Final certified report received	Audit opinion signed
Tas Communications Pty Ltd (Burnie City Council)	Non-trading trustee	N/A	N/A	N/A
Tasmanian Pharmacy Authority	14-Aug-20	AA	N/A	N/A
Tasmanian Timber Promotion Board	14-Aug-20	AA	N/A	N/A
TasNetworks Holdings Pty Ltd (TasNetworks)	13-Aug-20	AA	N/A	N/A
UTAS Holdings Pty Ltd (the University)	7-Feb-20	AA	N/A	N/A
UTAS Properties Pty Ltd (the University)	7-Feb-20	AA	N/A	N/A
Veterinary Board of Tasmania	13-Oct-20 [^]	AA	N/A	N/A
Woolnorth Bluff Point Holdings Pty Ltd (Hydro Tasmania)	14-Aug-20	AA	N/A	N/A
Woolnorth Studland Bay Holdings Pty Ltd (Hydro Tasmania).	14-Aug-20	AA	N/A	N/A

Notes:

1. Revised opinion issued 29 May 2020 following update to Note 24 Subsequent events by the client. Original opinion issued on 20 February 2020 remained unchanged.
2. Opinions reissued following a matter identified in our review of annual report.

Legend:

- M Management
- AA Accountable Authority
- N/A Not applicable
- [^] Financial statements not submitted within legislated timeframe
- * Audit not completed within legislated timeframe.

Appendix B - Audit findings

	Current Year issues				Prior Year unresolved issues			
	H	M	L	Total	H	M	L	Total
General Government Sector								
Executive and Legislature								
House of Assembly	-	1	1	2	-	-	1	1
Legislative Council	-	-	1	1	-	-	-	-
Legislature-General	-	1	1	2	-	-	-	-
Subtotal	-	2	3	5	-	-	1	1
Ministerial Departments								
Department of Communities ⁴	-	2	-	2	-	-	-	-
Department of Education	-	1	2	3	-	2	2	4
Department of Health ⁵	-	8	1	9	-	2	1	3
Department of Justice	-	1	3	4	1	5	6	12
Department of Police, Fire and Emergency Management	-	4	1	5	-	1	-	1
Department of Primary Industries, Parks, Water and Environment	-	-	3	3	-	1	2	3
Department of State Growth	-	-	-	-	1	5	2	8
Department of Treasury and Finance	-	1	2	3	-	-	2	2
Subtotal	-	17	12	29	2	16	15	33
Other Consolidated Entities								
Abt Railway Ministerial Corporation	-	1	1	2	-	1	-	1

⁴ Includes Housing Tasmania, Tasmanian Affordable Housing Ltd

⁵ Includes Tasmanian State Health Funding Pool, Ambulance Tasmania and Tasmanian Health Service

	Current Year issues				Prior Year unresolved issues			
	H	M	L	Total	H	M	L	Total
Tasmania Development and Resources	-	-	-	-	-	2	-	2
Tasmanian Museum and Art Gallery	-	-	2	2	-	3	-	3
Subtotal	-	1	3	4	-	6	-	6
Other General Government Sector Entities								
Asbestos Compensation Fund	-	-	-	-	-	1	-	1
Integrity Commission	-	-	1	1	-	-	-	-
Marine and Safety Tasmania	-	-	-	-	-	-	1	1
State Fire Commission	-	2	2	4	-	2	-	2
TasTAFE	-	-	-	-	-	1	-	1
Subtotal	-	2	3	5	-	4	1	5
Other State Entities								
National Trust of Australia (Tasmania)	-	-	1	1	1	-	-	1
University of Tasmania (December 2019 Audit) ⁶	-	1	1	2	-	3	1	4
Wellington Park Management Trust	-	-	1	1	-	-	-	-
Subtotal	-	1	3	4	1	3	1	5
Public Financial and Non-Financial Corporations								
Hydro-Electric Corporation	-	3	6	9	-	-	-	-
Metro Tasmania Pty Ltd	-	-	2	2	-	1	1	2
Port Arthur Historic Site Management Authority	-	-	-	-	-	-	1	1

⁶ Includes AMC Search Ltd, Tasmanian University Union and UTAS Holdings Pty L\td

	Current Year issues				Prior Year unresolved issues			
	H	M	L	Total	H	M	L	Total
Sustainable Timber Tasmania	-	1	-	1	-	-	-	-
Tasmanian Irrigation Pty Ltd	-	1	1	2	-	-	1	1
Tasmanian Networks Pty Ltd	-	2	1	3	-	-	1	1
Tasmanian Racing Pty Ltd	-	-	-	-	1	2	2	5
Tasmanian Railway Pty Ltd	-	2	-	2	-	-	-	-
Tasmanian Water and Sewerage Corporation Pty Ltd	-	1	2	3	-	-	1	1
The Public Trustee	-	-	2	2	-	-	1	1
TT-Line	-	-	1	1	-	-	-	-
Subtotal	-	10	15	25	1	3	8	12
Local Government Sector								
Urban Councils								
Brighton	1	1	2	4	-	2	-	2
Burnie City	-	1	2	3	-	1	1	2
Clarence City	1	1	1	3	1	1	1	3
Devonport City	-	2	-	2	1	3	1	5
Glenorchy City	-	1	2	3	-	1	1	2
Hobart City	1	3	2	6	-	2	-	2
Kingborough Council	-	-	1	1	-	-	1	1
Launceston City	-	-	2	2	1	1	4	6
Subtotal	3	9	12	24	3	11	9	23
Rural Councils								
Break O'Day	-	-	6	6	-	-	1	1
Central Highlands	-	1	4	5	-	-	-	-
Circular Head	-	1	-	1	-	2	-	2

	Current Year issues				Prior Year unresolved issues			
	H	M	L	Total	H	M	L	Total
Derwent Valley	-	3	-	3	-	4	3	7
Dorset	-	1	1	2	1	-	-	1
Flinders	-	1	1	2	-	2	-	2
George Town	-	2	-	2	-	-	-	-
Glamorgan Spring Bay	-	-	-	-	1	3	3	7
Huon Valley	1	-	-	1	-	-	-	-
Kentish	-	-	-	-	4	4	2	10
King Island	1	1	1	3	-	1	2	3
Latrobe	-	-	-	-	3	5	1	9
Meander Valley	-	-	1	1	-	1	-	1
Northern Midlands	1	2	2	5	-	-	-	-
Sorell	-	2	1	3	-	1	2	3
Southern Midlands	-	-	3	3	-	-	1	1
Tasman	1	2	2	5	-	2	3	5
Waratah-Wynyard	-	1	1	2	-	3	-	3
West Coast	1	-	1	2	-	-	-	-
Subtotal	5	17	24	46	9	28	18	55
Local Government Business Units								
Northern Tasmania Development Corporation Ltd	1	2	-	3	-	-	-	-
Tas Communications Unit Trust	-	1	-	1	-	-	-	-
Subtotal	1	3	-	4	-	-	-	-
Grand Total	9	62	75	146	16	71	53	140

Legend:

H High

M Moderate

L Low

Audit Mandate and Standards Applied

Mandate

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

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

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

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

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

‘(1) is to prepare and sign an opinion on an audit carried out under section 18(1) in accordance with requirements determined by the Australian Auditing and Assurance Standards

(2) is to provide the opinion prepared and signed under subsection (1), and any formal communication of audit findings that is required to be prepared in accordance with the Australian Auditing and Assurance Standards, to the State entity’s appropriate Minister and provide a copy to the relevant accountable authority.’

Standards Applied

Section 31 specifies that:

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

(a) the character and effectiveness of the internal control and internal audit of the relevant State entity or audited subsidiary of a State entity; and

(b) the Australian Auditing and Assurance Standards.’

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



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