Audit Tasmania



Guide to using reports on the audit of financial statements of State entities

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1. Introduction

Our Report on the financial statements of State entities 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.

Our report titled the *Audit of State entities and audited subsidiaries of State Entities, 30 June 2026* (the Report), satisfies this requirement for 2026.

The purpose of this guide is to provide additional information for the reader of both this Report and our previous reports on the audits of State entities and their audited subsidiaries, which can be found on our website at Financial Audit Reports Archives

2. Volumes of the report

Volume 1 of the Report was tabled in Parliament on 12 August 2026.

This report focussed on our audit findings and what State entities are doing to address them. Our findings relate to weaknesses in or absence of controls or other deficiencies that we identify through our audits. We report these findings to State entities, along with suggested recommendations for improvement, with the expectation that implementation will lead to improvements. The report provides details of new findings and updates on what State entities have achieved in relation to previously raised findings.

Volume 2 of the Report was tabled in Parliament on 27 October 2026.

This volume focused on Public Financial Corporations and Public Non-Financial Corporations. The volume includes:

- analysis and commentary on the sector as a whole
- comparison and discussion of misstatements and prior period errors
- submission and completion details.

Volume 3 of the Report was tabled in Parliament on 24 November 2026.

This volume focused on the General Government Sector and includes:

- analysis and commentary on the sector as a whole, including a review of capital expenditure
- comparison and discussion of misstatements and prior period errors
- submission and completion details.

Volume 4 of the Report will be focused on the Local Government Sector and includes:

- analysis and commentary on the sector as a whole, including analysis at an urban or rural council level
- comparison and discussion of misstatements and prior period errors
- submission and completion details.

3. Audit findings

In reporting audit findings to clients, we attribute a risk category to each finding. These categories reflect their significance and potential impact on the client.

Risk category	Audit impact	Management action required
High	Matters categorised as high risk pose a significant business or financial risk to the entity and have resulted or could potentially result in a modified or qualified audit opinion if not addressed as a matter of urgency. High risk findings represent a: • control weakness which could have or is having a significant adverse effect on the ability to achieve process objectives and comply with relevant legislation • material misstatement in the financial report is likely to occur or has already occurred.	Requires immediate management intervention with a detailed action plan to be implemented within one month. Requires management to correct the material misstatement in the financial report to avoid a modified audit opinion.
Moderate	Moderate risk findings are 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 or low risk matters which have been reported to management in the past but have not been satisfactorily resolved or addressed. Moderate risk findings represent a: • systemic control weakness which could have or is having a moderate adverse effect on the ability to achieve process objectives and comply with relevant legislation • misstatement in the financial report that is not material and has occurred.	Requires prompt management intervention with a detailed action plan implemented within three to six months.
Low	Matters categorised as low risk are isolated, non-systemic or procedural in nature and reflect relatively minor administrative shortcomings and could be addressed in the context of the entity's overall control environment. Low risk findings represent • an isolated or non-systemic control weakness with minimal but reportable impact on the ability to achieve process objectives and comply with relevant legislation • a misstatement in the financial report that is likely to occur but is not expected to be material • an opportunity to improve an existing process or internal control.	Requires management intervention with a detailed action plan implemented within six to 12 months.

4. Financial analysis

Performance indicators

The financial analysis tables in each State entity Chapter provides an indication on whether there has been a material improvement or deterioration in a measure or line item. The three indicators used are depicted below.

▲ Improvement from prior year	Reflects a 5% or more favourable movement in the measure or line item
▼ Deterioration from prior year	Reflects a 5% or more unfavourable movement in the measure or line item
● No material change from prior year	Reflects a movement in the measure or line item that is less than 5%

5. Financial analysis measures

Financial analysis measures 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. Commonly used financial analysis measures and their method of calculation are listed in the table below.

Measure	Explanation	Benchmark[1]	Method of calculation
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.	>60%	Depreciated replacement cost of asset (e.g. infrastructure, roads, bridges) divided by current replacement cost of asset
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.	90%-100%	Future (planned) asset replacement expenditure divided by Future asset replacement expenditure (actual) required
Asset sustainability ratio **Asset investment 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.	100%	Payments for Property, plant and equipment by Depreciation expenses

Measure	Explanation	Benchmark[1]	Method of calculation
Average leave per Full Time Equivalent (FTE) employee	Average leave balance per FTE – indicates the extent of unused leave at balance date.		Total employee annual and long service leave entitlements divided by FTEs
Average long service leave balance per FTE	Records the average number of days long service leave accumulated per staff member. In general public service employees cannot accrue more than 100 days long service leave.[2]	Not more than 100 days	Actual long service leave provision days due divided by average FTEs
Average recreational leave balance	Records the average number of days annual leave accumulated per staff member. In general public service employees accrue 20 days annual leave per annum.[2]	20 days	Actual annual leave provision days due divided by average FTEs
Average Cost per FTE **Average staff costs**	Measures the average cost of employing staff in the entity for the year.		Total employee expenses[3] (including capitalised employee costs) divided by FTEs
Cash expense cover ratio	Indicates the number of months an entity can continue operating based on current monthly expenditure without additional cash inflow. The ratio does not take into consideration capital expenditure requirements or other sources of finance. Unrestricted cash reflects cash and cash equivalents, less grants received in advance and other externally restricted cash balances.	3 to 6 months	Total unrestricted cash divided by the sum of total cash payments to suppliers, employees and financing costs multiplied by 12
Cost of debt	Reflects the interest rate applicable to debt at financial year end.		Borrowings interest expense for financial year, divided by Borrowings held at financial year end

Measure	Explanation	Benchmark[1]	Method of calculation
Community Service Obligation funding	This is the amount of funding received from the government for the provision of designated community services obligations.		Amount of community service obligation funding received from Government
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.	> 1	Current Assets divided by Current Liabilities
Debt to debt plus equity	An indicator of the proportion of net assets that are financed through borrowings.		Debt (as represented by borrowings) divided by Debt plus Equity
Debt to equity	An indicator of the risk of the entity's capital structure in terms of the amount sourced from borrowings.		Debt (as represented by borrowings) divided by Total Equity
Debt to total assets	An indicator of the proportion of assets that are financed through borrowings.		Debt divided by Total Assets
Dividends paid or payable	Payment by the entity to its shareholders (whether paid or declared as a payable).		Dividends paid or payable that relate to the year subject to analysis
Dividend payout ratio	The amount of dividends relative to the entity's net income.		Dividend divided by Result from Ordinary Activities after Tax
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.		Dividend paid or payable divided by Average Total Equity

Measure	Explanation	Benchmark[1]	Method of calculation
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.		Result from Ordinary Activities before Gross Interest, Expense and Tax
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 amortization and before it has to meet external obligations such as income tax.		Result from Ordinary Activities before Gross Interest Expense, Tax, Depreciation and Amortisation
Effective tax rate	Is the actual rate of tax paid on profit or loss before tax.	30%	Income Tax paid or payable divided by Result from Ordinary Activities before Tax
Employee Entitlements per FTE	Value of the Average leave balance per FTE – indicates the extent of unused leave at balance date.		Total employee annual and long service leave provision divided by FTEs
Employee costs capitalised	Represents employee costs that have been capitalised rather than expensed.		Capitalised employee costs
Employee costs expensed	Represents the level of employee costs expensed, i.e. 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.		Total employee costs per Income Statement
Employee (labour) costs as a % of operating expenses	Indicates the relative significance of employee costs compared to other operating expenses.		Total employee costs divided by Total Operating Expenses

Measure	Explanation	Benchmark[1]	Method of calculation
Government guarantee fees	Government owned Business are required to a pay guarantee fee based on their amount of financial accommodation, so that, like the private sector, they are exposed to the full risk-related cost of the debt they hold.		Amount of guarantee fees paid to owners (usually Government)
Income tax paid	Income tax payments by the entity to the Government in the year.		Income Tax paid or payable that relates to the year subject to analysis
Indebtedness ratio	This ratio measures the ability of an organisation to repay their debts using only their own source revenue.		Non-Current Liabilities divided by own source revenue
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 operating cashflows less interest and tax payments divided by Net interest payments
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.	> 2	EBIT divided by Gross Interest Expense
Liquidity Ratio (Quick Ratio)	This ratio is an indicator of whether an organisations current assets will be sufficient to meet their obligations when they become due.		Total liquid assets divided by current liabilities

Measure	Explanation	Benchmark[1]	Method of calculation
Net Debt	The total debt of the organisation less any cash or cash equivalent assets.		Borrowings less Cash, Deposits and Short-term Investments
Net financial assets	Indicated the amount of liquid assets the organisation has after allowing for financial liabilities.		Total liquid assets less financial liabilities
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.	0 – (50%)	Liquid assets less total financial liabilities divided by total operating income
Net working capital	This ratio measures the difference between a company's current assets, like cash and accounts receivable and its current liabilities, like accounts payable.		Current assets less current liabilities
Operating cost to rateable property	This ratio measures the average operating costs of the council for each rateable property in the district.		Operating expenses plus finance costs divided by rateable properties per valuation roll
Operating margin	This ratio serves as an overall measure of operating effectiveness.	> 1.0	Operating Revenue divided by Operating Expenses
Operating surplus (deficit) or result from operations **Net Operating Balance** **Underlying surplus/(deficit)** **Underlying Profit/ (Loss)** **Underlying Result**	Summarises revenue transactions and expense transactions incurred in the same period of time and calculates the difference.		Operating Revenue less Operating Expenses

Measure	Explanation	Benchmark[1]	Method of calculation
Operating surplus ratio **Underlying 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.	> 0	Net Operating surplus (deficit) divided by total operating revenue
Own source revenue	Represents revenue generated by an entity through its own operations. It excludes any external government funding, contributed assets and revaluation adjustments.		Total Revenue less Total Grant Revenue, Contributed Assets and Asset Revaluation Adjustments
Rates per capita	Measures rate revenue per head of population for the council.		Population of council area divided by rates revenue
Rates per operating revenue	Shows rate revenue as a proportion of total revenue for the council.		Total rates divided by operating revenue including interest income
Rates per rateable property	Measures the average rates per rateable property for the council.		Total rates revenue divided by rateable properties per valuation rolls
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.		EBIT divided by Average Total Assets
Return on equity	Measures the return the entity has made for the shareholders on their investment.		Result from Ordinary Activities after Taxation divided by Average Total Equity

Measure	Explanation	Benchmark[1]	Method of calculation
Self-financing ratio	Is a measure of an entity's ability to fund the replacement of assets from cash generated from operations.		Net Operating Cash Flows divided by Operating Revenue
Staff numbers **FTEs**	As at the end of the reporting period the number of staff employed expressed as full-time equivalents.		Effective full time equivalents
Solvency Ratio	Provides an assessment of the likelihood of a company to continue congregating its debt obligations.	> 20%	After Tax Net Profit + Depreciation divided by Total liabilities
Trend	Is a measure to show if there has been an improvement in trend, deterioration in trend of no material change in trend.		Improvement in trend: r2 > 0.1 Deterioration in trend: r2 > 0.1 No material change in trend: r2 between 0 and 0.1

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. *May vary in some circumstances because of different award entitlement.*
3. *Employee expenses include capitalised employee costs, where applicable, plus on-costs.*

6. 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 misstatements, individually or in the aggregate, are both material and pervasive to the financial report.

Allision

A nautical term meaning the running of one ship upon another ship that is stationary.

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 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. Grants can either be of a current or capital nature.

Control

An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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 misstatements, 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 comprises:

- 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 restatement of items in its financial statements, or when it reclassifies 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 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 misstatements 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 misstatement 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 misstatement 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 misstated or, in the case of an inability to obtain sufficient appropriate audit evidence, may be materially misstated 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 comprising 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 misstatements, 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 misstatements, 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 restatement 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.

Underlying Result

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'.

In some cases the operating result and the underlying result will be the same if there was not any non-recurrent income to adjust for.

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.

Unrestricted Cash

Cash less cash subject to external restrictions, unexpended specific purpose grants and grant funds received in advance.

Value in use

The present value of future cash flows expected to be derived from an asset or cash generating unit, where they are held primarily for their ability to generate net cash inflows.

7. Acronyms and abbreviations

Audit Act	*Audit Act 2008*
EBIT	Earnings Before Interest and Tax
FTE	Full Time Equivalent
Report	*Audit of State entities and audited subsidiaries of State Entities, 30 June 2026*



Audit Tasmania

Front cover image: Aerial of road into Queenstown
Photography: Jason Charles Hill, Tourism Tasmania Visual Library

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